



**A quantum**

ANNUAL REPORT 2011



# leap

A quantum leap.

Leaping from Rs.233 mn to a staggering Rs.1 bn in profits in a span of 12 months, we have created a whole new paradigm of growth.

A strong post-war economy was large contributor to the increase in turnover and this set the backdrop for our future plans. As Sri Lanka's leading investment bank and wealth management company, we're driving forward from a solid position, breaking new ground and setting fresh benchmarks for the Sri Lankan financial sector as a whole... even as we execute our quantum leap into the future.

ASIA  
CAPITAL  
PLC



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## A Quantum Leap

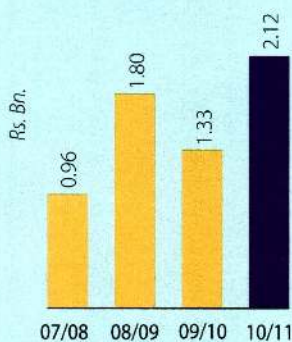
# Performance

"At the start of 2010 we aligned our business behind three clear priorities: consolidating on the change from previous year, focusing on a quantum leap and expanding our business portfolio.

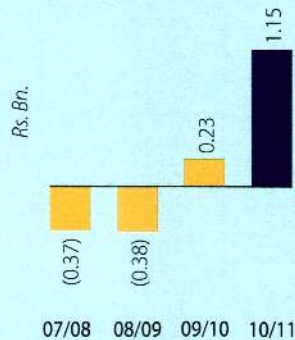
But it is not only the increases in our bottom line that are notable. Our value strategy continues to be very successful, clearly demonstrating the benefit of long-term brand investment in order to build equity, relevance and resilience..."

### GROUP PERFORMANCE

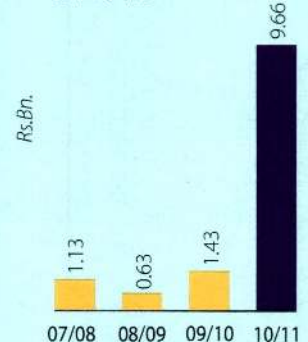
Revenue  
60%



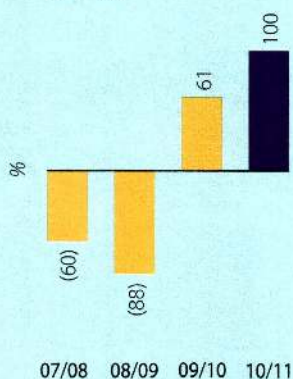
Profit  
After Tax  
395%



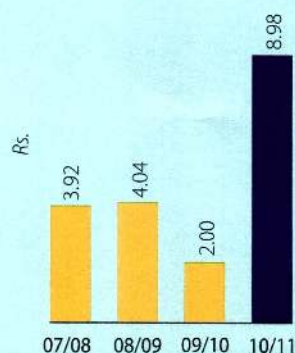
Market  
Capitalisation  
576%



RONA  
64%

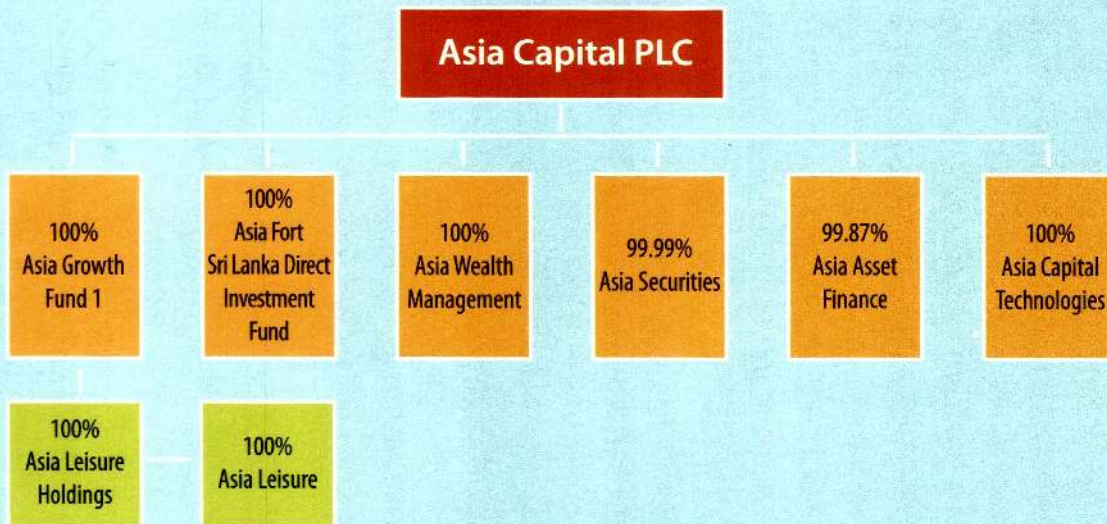


EPS  
349%



“In 2010 we delivered an outstanding financial performance and transformed our platform for future growth.”

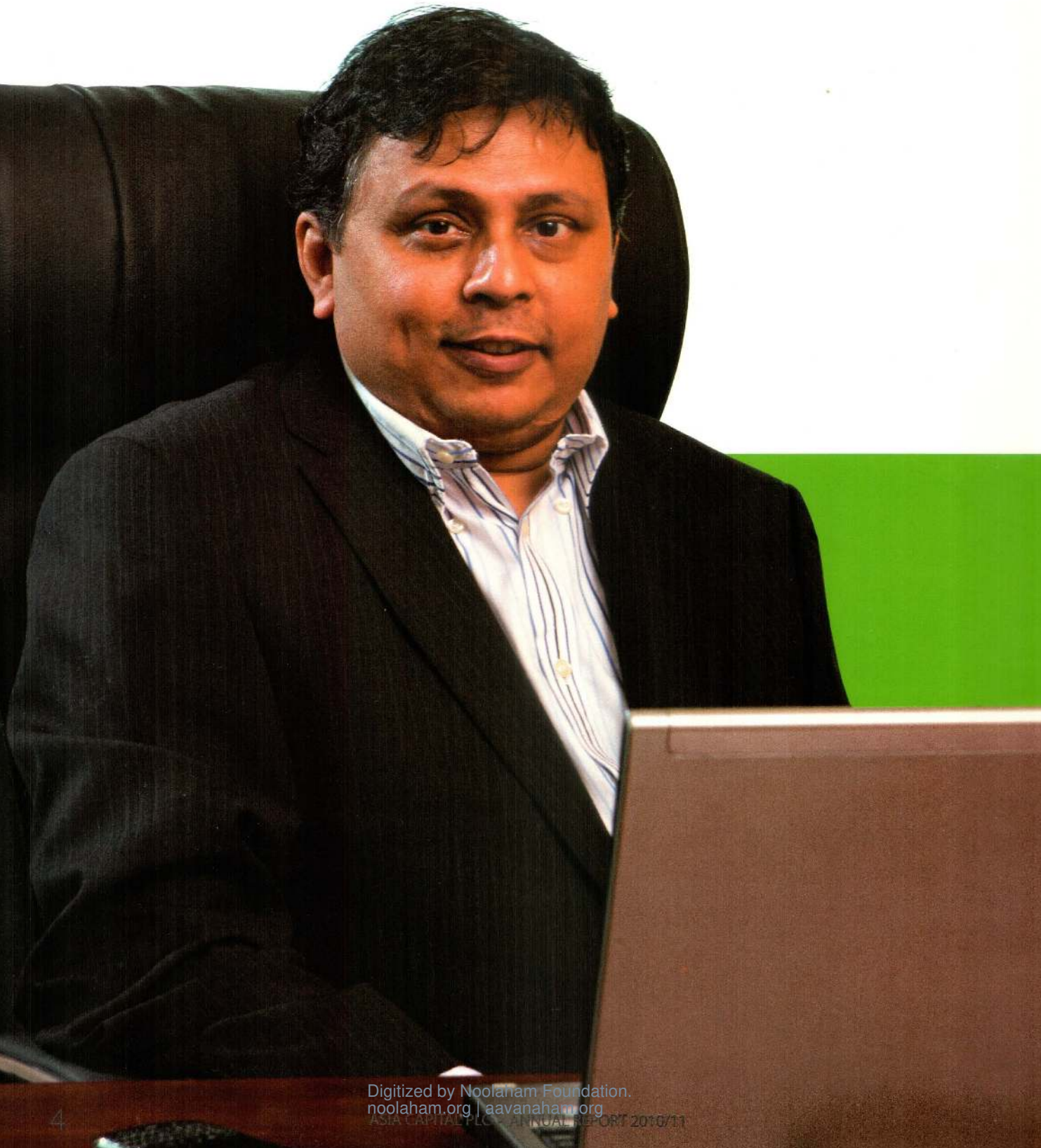
## GROUP STRUCTURE



“Asia Capital PLC has joined the Billion Rupee Club by recording a Rs.1.151 billion net profit after tax for the 12 months ending 31.03.2011. This is an increase of over 395% compared to the audited results of 2010”

A Quantum Leap

# Chairman's Statement



I wish to welcome the shareholders to the 18th Annual General Meeting of Asia Capital PLC.,

It is a privilege to announce the audited accounts for 2011, and I am happy to announce that Asia Capital PLC has joined the Billion Rupee Club by recording a Rs.1.151 billion net profit after tax for the 12 months ending 31.03.2011. This is an increase of over 395% compared to the audited results of 2010. Approximately 43% of the profit came from capital gains and short term investments in the secondary market held by Asia Capital PLC., These profits are indicative of the true wealth of Asia Capital PLC as an investment company.

As an investment company, we believe that the true purpose of holding an asset is the assessment of whether one believes whether it is under-valued or over-valued in the market and its near term prospects. The valuation is a function of the performance of the company, the potential and the agglomeration of the assets that it holds. I am also pleased to

investment banking division which saw its proportionate turnover go up by over 100%. There were also significant increases in the turnover in the Insurance segment and the Leisure segment which contributed to this dramatic increase. In terms of profitability, over 50% of the profits was from the investment banking and stock broking companies.

From time to time when we feel that the markets are buoyant and the valuations not un-attractive, and we find a suitable buyer who would treasure the asset and take care of its human resources, we shall dispose some of our investments to realize a capital gain. This will continue to be one of the principal activities of Asia Capital to create shareholder wealth.

A significant post balance sheet development was that all of Asia Capital's holdings in Asian Alliance were sold in September 2011. The sale was due to several reasons. First, we were deeply concerned about the near term equity valuations due to the anticipated global downturn and we were of the view

**“ As an investment company, we believe that the true purpose of holding an asset is the assessment of whether one believes whether it is under-valued or over-valued in the market and its near term prospects ”**

note that the share price of the company rose from Rs.13.25 to Rs.87.50 during the period under review.

I wish to record my appreciation for the various management teams of the group whose performance resulted in an increase of 60% in the turnover from Rs.1.33 billion to Rs.2.12 billion. Much of that increase was due to the booming market conditions and the performance of the stockbroking and

that the current valuations will not be seen for many years. Second, we were more concerned about certain aspects of the management of the Company. We felt that although successful, Asian Alliance was only dominant in a relatively narrow segment of the insurance market which could be adversely impacted by potentially strong competitor action. Despite our repeated attempts to persuade the management of that company to broadbase its clients to what we described

# A Quantum Leap

## Chairman's Statement

"We are contemplating alternative ways of returning the money to the shareholders. This would probably be in the form of a special dividend"

as the lumpen proletariat in Marxist terms rather than the "petite bourgeois" and our advice to gain greater profitability by operating at the bottom of the pyramid were ignored and we were not disposed towards battling the instincts of our management teams.

With regard to investments in equity, the IBSL made a determination that the insurance funds should not hold greater than 5% of the technical reserve/long term insurance fund, or 5% of the stated capital of the company whichever is lower, destroying a significant tool of the investment manager to maximize investment returns. The combination of these three factors persuaded us that it was better to dispose of our Asian Alliance Investment now. On the short term, we felt that we have maximized our return and the long-term advantages of holding the investment were not attractive. I am very proud that our stake was valued significantly more at the point of sale than when we took over at due to the value additions by the new Management Team of Asia Capital. Consequently, Asia Capital PLC has a large cash reserve and at the time of writing this review, we are contemplating alternative ways of returning the money to the shareholders. This would probably be in the form of a special dividend.

We used the proceeds of the Asian Alliance insurance shares sale to settle bank liabilities. We also made additional investments in Asia Leisure (Private) Limited, as we believe that the tourism industry is very well poised due to the Government's deep commitment to develop that industry. With Asia Leisure, we already have an exposure to that industry. We wish to build on these strengths and further invest in room capacity.

Secondly, we wish to invest in the Entertainment industry through our company Asia Digital Entertainment. We have already invested and made an English movie for global distribution. We have also produced a Sinhala film viz: "Flying Fish" which has received critical acclaim internationally evidenced by several international awards and culminating with

the film being exhibited at the 5th Cinema Digital International Film Festival in Korea and being awarded the "Blue Chameleon Award".

"Flying Fish" was exhibited in the competition category at the following film festivals.

- Rotterdam International Film Festival
- Seattle International Film Festival
- 1stArs Independent Katowice IFF
- 47th Pesaro International Film Archive
- Museum of Modern Art (aka MoMA)
- 2nd Saint Petersburg International Film Festival (aka Kinoforum)
- 12th Tokyo FILMeX IFF Japan
- 34th 3 Continents IFF, France

Awards:

- Best Director Award – St. Petersburg IFF KINFORUM – Russia
- 5th CinDi IFF (aka Cinema Digital International Film Festival – South Korea
- Special Jury Mention for Red Chameleon Award - 5th CinDi IFF (aka Cinema Digital International Film Festival – South Korea
- Critic's Choice Award- New Jersey South Asian Film Festival - USA

A press conference was held by Asia Digital Entertainment (Pvt) Ltd., to mark the launch of the Sri Lanka's premier entertainment film magazine "SHOWTIME" on 7th October 2011, with 75 printed and electronic media members present.

Asia Digital has commenced a project working together with Real Image a subsidiary of Gemini Laboratories in India to digitalize film distribution, convert film theatres to digital distribution and establish a dominant position in the distribution of Hollywood, Indian and local content. In the case of local content, Asia Digital has entered the business



of renting digital cameras to the Sri Lankan industry, and we believe that gradually in the next two years all production of local movie content will shift towards digital technologies, i.e. digital capture, digital editing and digital distribution, making the industry cost structure attractive for new investments to flow in. With the investments in these two sectors, Asia Capital will truly become a diversified conglomerate and move away from its financial services centric businesses. As some of you may be aware, we have produced a radical film on the social impact of militarization of the border villages, which has been commercially and critically acclaimed in Europe. This is a personal initiative of mine and I am very proud of this success.

The overall goal of Asia Digital Entertainment is to develop the entertainment industry through the introduction of new technology and the establishment of a production processing and distribution system of digital entertainment using a common platform. As a method of entering the industry and having an impact, Asia Digital financed and produced the independent art house movie titled "Flying Fish" mentioned above.

This Technology push has been widely accepted by the industry leaders including veterans. For example the new film by our acclaimed Master Director Dr. Lester James Pieris, Mrs. Sumithra Pieris and Dr. Dharmasena Pathiraja is being produced digitally. We anticipate the full business to be rolled out and be functional during the financial year 2013.

Asia Digital also financed the first Hollywood film made by Sri Lankans – titled "The Common Man" and directed by Mr. Chandran Rutnam with a cast of international actors including the acclaimed Sir Ben Kingsley in the title role. The film is now completed and is being marketed in the USA by a leading marketer of independent films viz: Myriad films and is expected to be released internationally during the first quarter of 2012. This is a brand new arena of business for Asia Capital and we have developed extensive plans including along nine different business verticals.

I am deeply grateful to Mr. Paul Mason a member of the Hollywood based film producers for playing a significant role in the development of the "Common Man" project, and Mr. Sid Sheinberg the man who is credited with discovering Mr. Steven Spielberg and introducing him to the world and

guiding us in our first international production. We have surrounded ourselves with competent partners to help us in this brand new adventure.

Further, in September 2011 Asia Capital sold its 40% holding of Asia Siyaka back to the management of that company for Rs.175 million in yet another significant post balance sheet event. This resulted in a net gain of Rs.163 million as the investment was carried in the books at Rs.12 million.

As mentioned before, Stockbroking and Investments accounted for over half of the group PBIT for 2011. Deposit mobilization and credit accounted for 10%. Insurance accounted for 24%. The return on net assets (RONA) of Asia Capital Group at 100% is very high.

Despite the strong performance of Asia Securities, the prognosis for the future is not as bright. The economic difficulties faced by capital markets in the US and Europe, along with the changes in the commission structures mandated by the governing bodies will no doubt contribute towards an adverse impact in the coming year. Between these twin changes the industry has lost much of its allure. It is sad to see that several of the new entrants are struggling to exist and some of our colleagues who bid adieu to join these companies are now merely treading water to survive in these extremely harsh conditions in the industry. In anticipation of the changes, Asia Securities commenced expanding into the retail brokerage market as far back as June 2009. We are looking for ways and means of consolidating the industry and may consider stepping in, to resolve some of the troubled companies.

The principal laggard in terms of relative sectors performance is Asia Leisure. However that company is still small and is being developed to have the scope and economies of scale to create surpluses. This sector represents under 5% of the group assets currently. However this sector's performance has now improved and we expect to make more investments in this sector in the near future and we have several projects in the pipeline which I will announce in due course as we have found that sector to be attractive in terms of our current market position, industry potential and market opportunities. We plan to add more properties to our portfolio while increasing our room numbers within the next financial year.

# A Quantum Leap

## Chairman's Statement

Asia Capital Technologies is credited as the Group's subsidiary responsible for the development of the strategic IT road map for the group and enhance the resources and infrastructure towards creating capabilities and competencies for the successful implementation of IT solutions within the group. In addition, the company is responsible for the development and trading the CDAX application, Back office DACS and a few other software solutions exclusively designed to enhance the capital market operations.

The Software development team has set a target to commission the operations of cDax suite an advanced version of the well known cDax system before the end of calendar year 2012. A marketing campaign will be accelerated to enhance awareness among existing and potential new clients about the state of the art features of the system.

The current product base is to be expanded beyond the existing cDax product family by the financial year 2013 and

bagging. Having commenced operations in August 2010, the Company currently operates a packaging facility with a capacity to bag 10 million tea bags a month.

The Company established a tea tasting department during the year and procured Sri Lanka Tea Board registration, exporter registration and license, and is currently engaged in the conceptualization and development of their own brand and blends.

The production capacity is expected to be doubled by the end of financial year 2012.

With the intention of further enhancing the quality of packaging, the company is looking forward to invest in a state of the art labeling & packaging machine which uses advanced packaging material capable of preserving the freshness of the tea leaves, at a cost of LKR.45mn and is scheduled to commence operations by financial year 2014.

**“ The Company established a tea tasting department during the year and procured Sri Lanka Tea Board registration, exporter registration and license, and is currently engaged in the conceptualization and development of their own brand and blends ”**

more diversified set of software solutions will be launched under company umbrella.

Asia Tea Packaging was pieced together by buying out the equipment of a Tea Exporter then under liquidation and a factory mortgaged to Asia Asset Finance our lending subsidiary. Consequently the assets were purchased at below market value. It is a company that engages in blending, packaging and tea

I now draw your attention to the segmental report on page 146.

At the time of writing this review, the earnings per share for the group for the year is at approximately Rs. 8.98 and this more than justifies the current market value at Rs. 87.50 for ACAP which is a PE of only 9.7. Based on my elementary calculations, we could justify a price earning of 12, if, in the next three or four years we can provide a CAGR of 20%. We believe that the

prospects of Asia Asset Finance Limited, a company that is on the verge of being listed is very good with the continuity of the low interest policies of the current Government. We also believe that the Leisure Division and Investment Division will continue to perform well.

In my last annual report I identified the year 2010 as a shift from loss to profit, highlighting change. A profit of over 200 million was recorded from a loss of 379 million. This is aptly documented in that Annual Report.

I had designated 2010 as the year of turnaround and at the end of 2010, despite the profit, the Group was operating at a weak level due to years of losses and we needed to strengthen our balance sheet, instead of going back to the shareholders to strengthen our balance sheet, we decided to prime the pump by pushing all of the subsidiary companies into greater activity and profit at a turnover of Rs.2.13billion which is up 60% over last year.

I wish to congratulate our management team on this significant achievement. We have not requested for any new money from our shareholders to stabilize the company and we have not brought any stress on our shareholders but have successfully increased the share price and given shareholders very high returns.

In addition, we have set up tight processes and management committees, strengthened the Boards to improve corporate governance, set up better planning processes and co-ordinated amongst the group to realize the synergistic potentials of the various sectors we operate in, despite the ferocious attacks on our human resources, in the securities industry and capital markets in the latter part of 2010 by emergent competition, consequent to the SEC's decision to permit several new additional licenses to new comers to the industry.

We are also in the process of implementing a state of the art accounting and information system within the entire group

**“ The ACAP Group managed to wipe out all of the accumulated losses over several years, which is unusual in a turnaround situation. I have designated the year 2012 as the year of growth ”**

We have internally generated well over Rs.1 billion in profits during 2011, which is a significant achievement, making ACAP one of the bigger groups in the country. Despite being on the floor at the conclusion of the last financial year, the ACAP Group managed to wipe out all of the accumulated losses over several years, which is unusual in a turnaround situation. I have designated the year 2012 as the year of growth.

and we hope to implement a business intelligence layer on top of that to improve management information systems and goal-oriented evidence based management. We consider this a major thrust in consolidating our gains for the future. I have increased delegation at all levels of operation to improve hands on management and develop our young talented teams.

# A Quantum Leap

## Chairman's Statement

"Just as much as 2010 was the year of turnaround and 2011 was the year of consolidation, the year 2012 is going to be the year of growth"

We are also focusing on the various link pins of the management structure. I believe the marriage of skill sets and opportunities of Asia Wealth and Asia Securities together form the future of the Securities business of Sri Lanka.

Over the last several months, we have also taken steps to list our Finance Company viz: Asia Asset Finance Limited to exploit the unusual buoyant conditions of the market so that we have a market benchmark to measure the true value of assets at Asia Capital.

I have suggested that employees set aside their thinking in individual silos of the company's they represent, and think in terms of the Group strength. They need to sit back and visualize and capitalize the strengths of the group rather than their own individual company strength.

My other major push during this period of consolidation for the next 12 months is our expansion into the North and East. The North and East is a blue ocean as far as ACAP is concerned. I wish ACAP to dominate the financial services in the North and East. This requires both bold and calculated risk taking and thinking beyond the usual boxes and decision rules that the employees were comfortable with.

Just as much as 2010 was the year of turnaround and 2011 was the year of consolidation, the year 2012 is going to be the year of growth. It is not going to happen automatically. It is only going to come through new innovations and initiatives. New initiatives can come from organic growth from each individual company or from joint ventures. We already have a partnership with Mubasher Financial Services in the Middle East. It is my view that markets are likely to be rocky over the coming two years and we may probably have our set backs. Growth is going to come from new ideas and our ability to absorb such risk taking.

I have encouraged every employee to take calculated risk and manage the innovation process by hiring youngsters who dare

to dream and take on the world. To quote George Bernard Shaw, "A reasonable man wants to fit to the world and an unreasonable man the world to fit him." Therefore all progress in this world is made by unreasonable men" I have also encouraged the management to move away from traditional hierarchical structures and to be supportive of their younger staff in their unreasonable quest. There is anecdotal evidence that the cultures of Sri Lankan companies are risk averse. Asia Capital Companies will promote entrepreneurship and risk taking among their employees. This can be successful only once you can convince staff that it is okay now and then to fall flat on your face. While we shall not penalize our employees for taking calculated risk, we have made sure that there are very senior people with wise heads in every division to restrain staff from taking foolhardy risks.

Additionally we are working with several new projects for Securities, Deposits and Loan Products for our retail clientele. Also we have started on a geographical and new product development in the expansion at Asia Asset Finance.

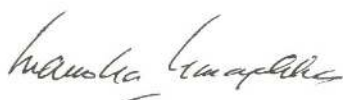
During the year 2009, one of our analysts Mr. Tharindu Amunugama who is a photography enthusiast commenced taking photographs of Jaffna during his frequent visits there on official business. We encouraged him to spend time on that project to capture that community during a period of major transition and finance the production of a Coffee Table Book on Jaffna under the title "Glorious Jaffna" That book written by another analyst Ms. Sunela Samaranayake became the foundation of our Corporate Social Responsibility effort which is focused on providing financial assistance for 10,000 children affected by the war in many a terrible way ie: loss of parents, undergone severe trauma etc., Asia Capital funds "Glorious Jaffna" which is the entity that carries out this noble cause. We have successfully established the mechanics of the operation during the year with some positive early results being documented. I strongly believe that this effort is a means of overcoming the grief caused by violence and the war and breaking the cycle of violence through the expression of love. I

wish to thank Mr. Tharindu Amunugama for ably managing this effort along with the Project Officers Mr. Lawrence Dushan and Ms. Geeta Mahalingam based in Jaffna and Mr. Trehan Peiris and Mr. Nuwan Kumara based in Colombo. If we are to dominate the North and East's financial services, we need to become one with that community. The purpose of our CSR projects is to totally engage the community so that we are going to be a Colombo based company not merely trying to make some extra profit in Jaffna, but supporting that community in their hour of need.

Sri Lanka is poised for transformation of economic growth. I wish to transform this company from a well-managed enterprise into a great one. We cannot achieve greatness without passion and daring and risk taking cannot be put down into equations and taught in text books. All of our employees have been encouraged to look into their hearts and question themselves whether they are going to lose this wonderful opportunity.

The last financial year was particularly difficult for me due to ill health when I seriously fell ill in October 2010 and was battling the impact of some physical disabilities caused by a stroke. I stayed away from the country for medical treatment for several months. However I have been ably supported by my team who have filled up the vacuum with great competence.

I wish to thank all of them for their commitment and to the Board for their support. I wish to particularly thank Mr. Stefan Abeyesinhe who plays the crucial role of Acting Chief Executive Officer during my absence from the country. I also wish to thank Mr. Rajiv Gunawardena the C.E.O. of Asia Asset Finance and Mr. Daya Muthukumarana the Chairman of that Company for guiding the young team. I also wish to thank the C.E.O. of Asia Securities Mr. Sabri Marikkar, Mr. Mahinda Galagedera the C.E.O. of Asia Leisure and Mr. Ramal Jasinghe the C.E.O. of Asian Alliance Insurance. I also wish to thank the Board for their support and co-operation. I wish to particularly place on record my appreciation of Mrs. Priyanthi Pieris who was always available to advise and guide me in matters of governance.



**Manohan Nanayakkara**  
Chairman/Managing Director

A Quantum Leap

# Board of Directors



**Manohan Nanayakkara**  
Chairman/Managing Director



**Paul Ratnayeke**  
Deputy Chairman



**Daya Muthukumarana**



Ranjith Wickramasinghe



Ranjith Pereira



Valentine Siva



Andrew Ross

# A Quantum Leap

## Board of Directors

### **Manohan Nanayakkara**

Chairman/Managing Director

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

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

He holds the following academic qualifications and experience:

Fellow Member of the Institute of Chartered Management Accountants (FCMA); Master of Science in Accounting (MSA) from James Maddison University of Virginia, USA; Masters in Applied Finance (MAF) and Masters in Business Administration (MBA) from Queensland University of Technology, Queensland, Australia.

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

### **Paul Ratnayeke**

Deputy Chairman

Mr. Paul Ratnayeke is a senior corporate lawyer who is also the precedent partner of Paul Ratnayeke Associates a leading law firm in Sri Lanka which he founded in 1987 handling all areas of law and international legal consultancy work. Mr. Ratnayeke is a Solicitor of England and Wales and an Attorney at Law of the Supreme Court of Sri Lanka. He holds a Bachelor of Laws degree with honors and has been awarded a Masters Degree in Law by the University of London. Currently Mr. Ratnayeke holds directorships in several companies including public quoted companies in some of which he has been appointed Chairman/Deputy Chairman. At Paul Ratnayeke Associates, he specializes in corporate and commercial areas of law including mergers and acquisitions, aviation, insurance and maritime law.

### **Daya Muthukumarana**

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

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

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

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

### **Ranjith Pereira**

Mr. F X Ranjit Pereira was appointed to the board of Asia Capital PLC as a Non-Executive Independent Director. He is a post-graduate Diploma holder in 'International Trade Law & Practice' from the University of Colombo and is a fellow of the Chartered Institute of Management Accountants - UK (F.C.M.A) and the Institute of Chartered Management Accountants - Sri Lanka. He served continuously on the Divisional Committee of CIMA (Sri Lanka Division) from 1973 to 1993 and again from 2002 to 2004. Mr. Pereira served as President of the CIMA branch 1982-



83. He was Regional Representative for the South Asia region in 1989-1992 and 2002-2004 on the Council of Chartered Institute of Management Accountants, London; where he also served on the Executive Committee of CIMA - London 2003-2004.

Mr. Pereira has held directorates in several high ranking Sri Lankan organisations throughout his career, among them being Lankem Ceylon Ltd. where he served as Director Finance & Company Secretary from 1977 to December 1989, Finance Manager & Company Secretary of Lankem Developments Ltd. from 1981 to December 1989, Director Finance & Company Secretary of Sigiriya Village Ltd, Multistrech Ltd and Lankem Exports Ltd up to 1989, Finance Director of Richard Pieris & Co. Ltd from January – August 1990 and Director Finance & Administration of the Janasaviya Trust Fund from December 1990 to July 1995.

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

#### **Ranjith Wickramasinghe**

He is a fellow of the Chartered Institute of Management Accountants, Chartered Association of Certified Accountants. Mr. Wickramasinghe was former Chairman of Sri Lanka Ports Authority between 1996 and 1998 and Chairman of Ceylon Shipping Corporation from 1994 to 1996. He worked in the national shipping line between 1970 and 1977 as deputy Finance Manager.

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

#### **Valentine Siva**

Mr. Valentine is the Managing Partner of a boutique corporate finance firm based out of Kuala Lumpur which he founded in 2005. The firm specializes 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).

#### **Andrew Ross**

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

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

#### **Stefan Abeyesinhe**

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

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

**A Quantum Leap**

# Chief Executive Officers



*Seated left to right*

**Ramal Jasinghe**

(Director/CEO - Asian Alliance Insurance)

**Rajiv Gunawardena**

(Director/CEO - Asia Asset Finance Limited)

**Manhida Galagedara**

(Director/CEO - Asia Leisure)

*Standing left to right*

**Sabri Marikkar**

(Director/CEO - Asia Securities)

**Stefan Abeyesinhe**

(Director/Acting Group CEO - Asia Capital PLC)

Asia Capital

# Senior Management



**Peter Jansen**

Group Head of HR & Administration



**Thusitha Perera**

Group Chief Financial Officer



**Rajitha Basnayake**

Group Chief Information Officer

A Quantum Leap

# Group Management



**Niroshan Wijekoon**  
Director  
*Asia Securities (Private) Limited*



**Niyaz Abubakker**  
Director  
*Asia Securities (Private) Limited*



**Shiyam Subaulla**  
Director  
*Asia Securities (Private) Limited*



**Kalana Senaratne**  
Manager HR & Administration  
*Asia Securities (Private) Limited*



“Transcending  
our boundaries,  
defying  
comparison...”



**Saminda Weerasinghe**  
Head of Research & Corporate Finance  
*Asia Wealth Management Co. (Private) Limited*



**Dhanuka Mudalige**  
Group Management Accountant  
*Asia Capital PLC*  
  
Assistant General Manager Finance  
*Asia Asset Finance Limited*



**Sandun Thushara**  
Group Management Accountant  
*Asia Capital PLC*



**Kapila Nawagamuwage**  
Factory & Production Manager  
*Asia Tea Packaging (Private) Limited*

# A Quantum Leap Group Management



**Tharindu Amunugama**  
Senior Investment Analyst  
*Asia Capital PLC*



**Dishan Fernando**  
Consultant - CEO  
*Asia Capital Technologies (Private) Limited*



**Roshan De Gunasekara**  
General Manager  
*Asia Asset Finance Limited*



**Romesh Gomez**  
Head of Treasury  
*Asia Capital PLC*



**Thiru Neelakandan**  
Deputy General Manager  
*Asia Asset Finance Limited*



**Chula Hettiarachchi**  
General Manager Sales & Marketing  
*Asian Alliance Insurance PLC*



**Saliya Wickramasinghe**  
General Manager Finance  
*Asian Alliance Insurance PLC*

**B S Radha Krishnan**  
Consultant - CEO  
Asia Digital Entertainment (Private) Limited  
*(not pictured)*

A Quantum Leap

# Corporate Structure

The premium placed on high quality, professional standards, market knowledge and experience, strategic thinking and diversification have led to stable growth and strong disciplines within the Group, bringing significant expansion and returns across all our sectors.

## SECURITIES TRADING

Asia Securities (Pvt) Ltd



## FINANCIAL SERVICES

Asia Wealth Management Company (Pvt) Ltd,  
Asia Asset Finance Ltd



## VENTURE CAPITAL

Asia Fort Sri Lanka Direct Investment Fund (Pvt) Ltd,  
Asia Growth Fund 1 (Pvt) Ltd



## MANUFACTURING

Asia Tea Packaging (Pvt) Ltd  
*(Affiliate Company of Asia Capital PLC)*



# A Quantum Leap Corporate Structure

## SECURITIES TRADING

Asia Securities (Pvt) Ltd

### Asia Securities (Pvt) Ltd

#### Directors

J H P Ratnayake (*Chairman*)

H L L M Nanayakkara (*MD*)

P N B Wijekoon

S A Abeyesinhe

M S I Marikkar

Anura Hedigallage

Shiyam Subaulla

Mohamed Abubakker Mohamed Niyaz

#### Alternate Directors

S A Abeyesinhe

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

S A Abeyesinhe

(*Alternate Director to J H P Ratnayake*)

#### Shareholding of Asia Capital PLC

99.99%

#### Auditors

KPMG Ford Rhodes Thornton & Co.

## INFORMATION TECHNOLOGY

Asia Capital Technologies (Pvt) Ltd

### Asia Capital Technologies (Pvt) Ltd

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

#### Name of the Directors

H L L M Nanayakkara (*Chairman*)

S A Abeyesinhe

R A B Basnayake

#### Shareholding of Asia Capital PLC

100%

#### Auditors

Amarasekara & Co

## FINANCIAL SERVICES

Asia Wealth Management Company (Pvt) Ltd

Asia Asset Finance Ltd

### Asia Wealth Management Company (Pvt) Ltd

#### Directors

H L L M Nanayakkara (*Chairman*)

S A Abeyesinhe

P N Jansen

W A S Weerasinghe

#### Shareholding of Asia Capital PLC

100%

#### Auditors

Amarasekara & Co

### Asia Asset Finance Ltd

#### Names of the Directors

D Muthukumarana (*Chairman*)

H L L M Nanayakkara

R J A Gunawardena

S A Abeyesinhe

W J A Fernando

C Ramachandra

#### Alternate Director

Dayangani Priyanthi Pieris

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

#### Shareholding of Asia Capital PLC

99.87%

#### Auditors

Ernst & Young

# A Quantum Leap Corporate Structure

## SECURITIES TRADING

Asia Securities (Pvt) Ltd

### Asia Securities (Pvt) Ltd

#### Directors

J.H.P. Ratnayake (*Chairman*)

H.L.L.M. Nanayakkara (*MD*)

P.N.B. Wijekoon

S.A. Abeyesinhe

M.S.I. Marikkar

Anura Hedigallage

Shiyam Subaulla

Mohamed Abubakker Mohamed Niyaz

#### Alternate Directors

S.A. Abeyesinhe

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

S.A. Abeyesinhe

(*Alternate Director to J.H.P. Ratnayake*)

#### Shareholding of Asia Capital PLC

99.99%

#### Auditors

KPMG Ford Rhodes Thornton & Co.

## INFORMATION TECHNOLOGY

Asia Capital Technologies (Pvt) Ltd

### Asia Capital Technologies (Pvt) Ltd

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

#### Name of the Directors

H.L.L.M. Nanayakkara (*Chairman*)

S.A. Abeyesinhe

R.A.B. Basnayake

#### Shareholding of Asia Capital PLC

100%

#### Auditors

Amarasekara & Co

## FINANCIAL SERVICES

Asia Wealth Management Company (Pvt) Ltd

Asia Asset Finance Ltd

### Asia Wealth Management Company (Pvt) Ltd

#### Directors

H.L.L.M. Nanayakkara (*Chairman*)

S.A. Abeyesinhe

P.N. Jansen

W.A.S. Weerasinghe

#### Shareholding of Asia Capital PLC

100%

#### Auditors

Amarasekara & Co

### Asia Asset Finance Ltd

#### Names of the Directors

D. Muthukumarana (*Chairman*)

H.L.L.M. Nanayakkara

R.J.A. Gunawardena

S.A. Abeyesinhe

W.J.A. Fernando

C. Ramachandra

#### Alternate Director

Dayangani Priyanthi Pieris

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

#### Shareholding of Asia Capital PLC

99.87%

#### Auditors

Ernst & Young

## VENTURE CAPITAL

Asia Fort Sri Lanka Direct Investment Fund (Pvt) Ltd  
Asia Growth Fund 1 (Pvt) Ltd

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

#### Directors

J H P Ratnayeke (*Chairman*)  
H L L M Nanayakkara (*MD*)

#### Shareholding of Asia Capital PLC

100%

#### Auditors

KPMG Ford Rhodes Thornton & Co.

### Asia Growth Fund 1 (Pvt) Ltd

#### Directors

J H P Ratnayeke (*Chairman*)  
H L L M Nanayakkara (*MD*)  
S A Abeyesinhe

#### Shareholding of Asia Capital PLC

100%

#### Auditors

KPMG Ford Rhodes Thornton & Co.

## MANUFACTURING

Asia Tea Packaging (Pvt) Ltd  
(Affiliate Company of Asia Capital PLC)

### Asia Tea Packaging (Pvt) Ltd

#### Directors

H L L M Nanayakkara (*Chairman*)  
S A Abeyesinhe  
P N Jansen

#### Auditors

Ernst & Young

## ENTERTAINMENT

Asia Digital Entertainment (Pvt) Ltd  
(Affiliate Company of Asia Capital PLC)

### Asia Digital Entertainment (Pvt) Ltd

#### Directors

H L L M Nanayakkara (*Chairman*)  
S A Abeyesinhe  
P N Jansen

#### Alternate Director

R J A Gunawardena  
(Alternate Director to Mr. H L L M Nanayakkara)

#### Auditors

Ernst & Young

## INSURANCE

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

### Asian Alliance Insurance PLC

#### Directors

A K Pathirage (*Chairman*)  
J H P Ratnayeke (*Deputy Chairman*)  
Prof. Laxman R. Watawala  
R G Jasinghe  
S Rajapakse  
T M I Ahamed  
R P Pathirana  
S N Fernando  
M R Abeywardena

#### Alternate Director

S A Abeyesinhe  
(Alternate Director to J H P Ratnayeke)

#### Shareholding of Asia Capital PLC & its subsidiaries

51.03%

#### Auditors

KPMG Ford Rhodes Thornton & Co

## LEISURE

Asia Leisure Holdings (Pvt) Ltd  
Asia Leisure (Pvt) Ltd

### Asia Leisure Holdings (Pvt) Ltd

#### Directors

H L L M Nanayakkara (*Chairman*)  
S A Abeyesinhe  
M S D Galagedara  
D Muthukumarana

#### Shareholding of Asia Capital PLC

100%

#### Auditors

A C M Ifhaam & Company

### Asia Leisure (Pvt) Ltd

#### Directors

H L L M Nanayakkara (*Chairman*)  
S A Abeyesinhe  
M S D Galagedara  
D Muthukumarana

#### Shareholding of Asia Capital PLC

100%

#### Auditors

A C M Ifhaam & Company





# Stability & Progression

MANAGEMENT DISCUSSION & ANALYSIS

## A Quantum Leap

# Management Discussion & Analysis

During the year, the Group consolidated its ownership control over core holdings, whilst simultaneously strengthening the “Asia” brand in an attempt to strategically leverage on the synergistic opportunities arising within the periphery of the holding company.



## GROUP OPERATIONS

### Operational Focus for the year 2010/2011

Asia Capital PLC in 2010/2011 continued to pursue a strategy of diversification although the overall focus during the financial year lay in the consolidation of the Group's business. The year served as a turnaround one with each of the core business concerns recording a commendable growth momentum.

Whilst 2009/2010 was predominantly a year of recovery, in the financial year under review, Asia Capital PLC persisted towards a strategy of restructuring, moving ably towards repositioning itself as an investment company with core holdings in Credit, Equity, Financial Services and Insurance as well as a corporate

venturing arm to manage the leisure and tea brokering operations. It also has holdings in Digital Entertainment. The crux of the Group's operations encapsulates Investment Banking services, Stock Brokering, Treasury Functionalities, Insurance Underwriting, Fund mobilizing and deposit taking, Information Technology and Commodities trading. Hence it is regarded as a diversified financial services group.

During the year, the Group consolidated its ownership control over core holdings, whilst simultaneously strengthening the “Asia” brand in an attempt to strategically leverage on the synergistic opportunities arising within the periphery of the holding company. Similarly, the Group effectively exploited its

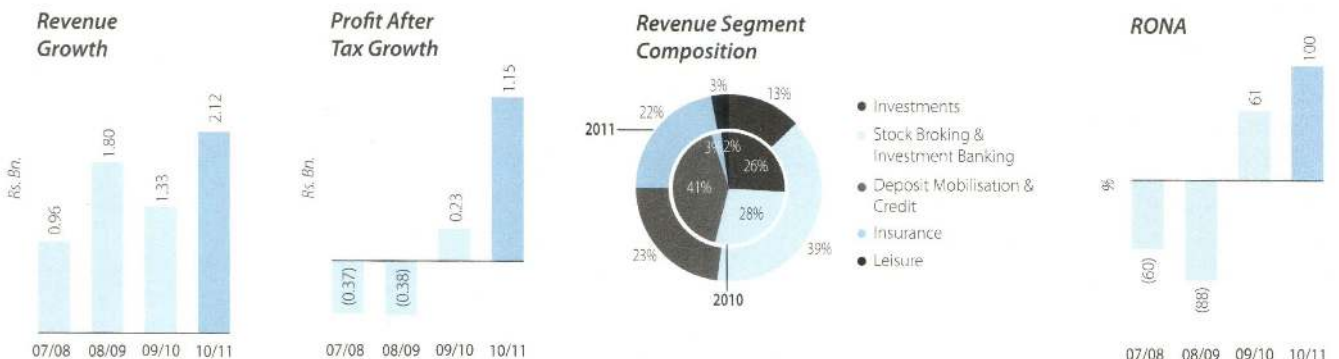
position of strength within the financial services industry to cascade an ethos of performance excellence across non-core holdings. Strategies were also deployed towards establishing the Group's Credit and Equity holdings as a "one stop financial services hub". The concept has served towards firmly establishing the Group's product and service offer to a more diverse target, whilst also bringing to reality a service concept of "one location, many services". In the medium term, the intention of the Group will be to establish the said one stop financial services hub in every major city including Jaffna, Kandy, Galle and Kurunegala.

### Group Financial Performance

2010/2011 was a year wherein Asia Capital PLC posted exceptional financial performance. Group revenue grew by credible 60 percent to Rs. 2.12 billion, up from Rs. 1.33 billion in 2009/2010 financial year. This was all the more significant in that Asia Capital had posted losses repetitively in the previous three years. The turnaround was precipitated with Group deriving net earnings of Rs. 232.56 million in 2009/2010 and commendable Rs. 1,151 million for the financial year under review. The Group

"The Group earnings in 2010/2011 witnessed impressive 395 percent growth and surpassed Rs. 1 billion mark for the first time in its inception"

**Asia Capital PLC persisted towards a strategy of restructuring, moving ably towards repositioning itself as an investment company**



## A Quantum Leap

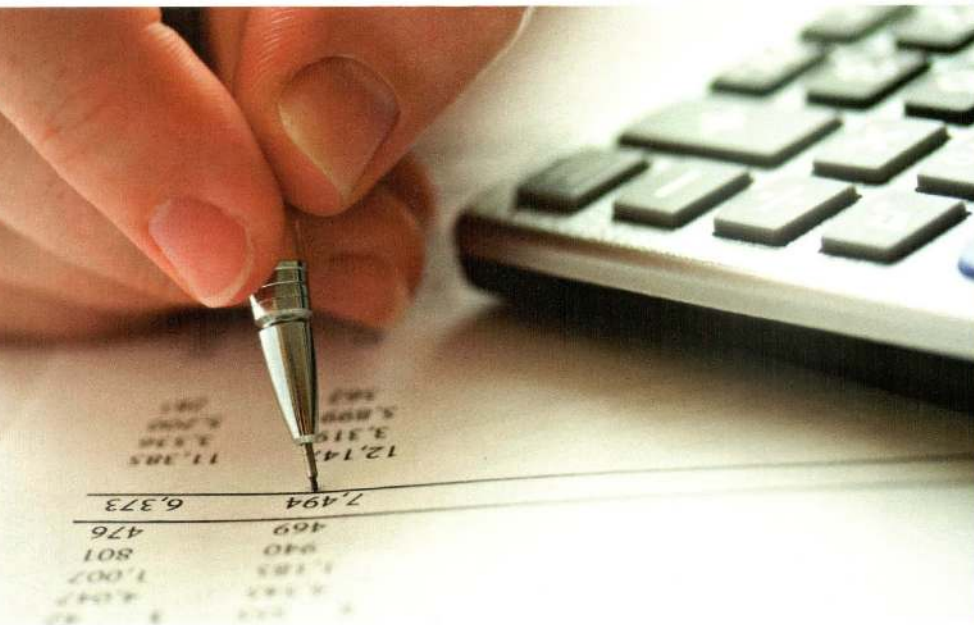
# Management Discussion & Analysis

earnings in 2010/2011 witnessed impressive 395 percent growth and surpassed Rs. 1 billion mark for the first time in its inception.

Consolidation of revenue from Asian Alliance Insurance (AAI) – the Group's Insurance holding – is credited as the primary cause for the growth in Group revenue for the year, with AAI contributing a full year of revenue as opposed to only an associate share of revenue as in the year 2009/2010. The contribution from Insurance stood at 22 percent whilst contribution from stock brokering operations stood at

discretionary costs. Thus, the Group demonstrated a healthy gross profit margin of 67 percent for the financial year and a gross profit of Rs. 1,419.1 million, as against Rs. 650.7 million in the year 2009/2010.

The stock market reacted positively to the fundamental recovery of the Group with the ACAP Index outperforming both the ASI and the Banking, Finance and Insurance sector Index during the year under review. This was also made evident through share price movement of Asia Capital which rose from a low of Rs.5.5 in April 2009 to Rs.90 as at end May 2011. In



commendable 39 percent. Stock brokering, Insurance and deposit mobilization acted as primary contributors to Group profitability. However, all core and non-core holdings posted positive contributions during the year. The revenue growth was also precipitated by commendable revenue generation of the leisure segment.

Gross profit margin recorded a healthy increase driven by stringent cost management with focus on reducing

January 2011, the ACAP price moved up sharply in response to the release of the Group's third quarter financial results.

2010/2011 therefore was primarily a year of consolidation of the Group's recovery. Significant stabilization was achieved and re-engineering strategies put in motion by the new leadership and management whilst reaping benefits from the post war economic recovery. Going forward, the financial and operational success of the Group will continue to depend on a judicious and strategic approach to consolidation and growth.



### Treasury Operations optimizes profitability

The Group's treasury operations act as a support mechanism to value generation. As an active participant in the secondary market, the division offers its services to all subsidiaries by harnessing the Group's synergies in effectively managing the Group's fixed income investments. In addition, through prudent treasury operations, the Group benefits from the structure and placement of debt for working capital purposes.


In 2010/2011, the division also assisted the Group towards the achievement of its strategic vision to be positioned as a "one

to broad base the client portfolio in tandem with effective treasury operations that will be geared towards benefiting from exploiting interest rate fluctuations. Thus, the division will objectively strive towards the achievement of a 20 percent growth in the bottom line.

## SUBSIDIARY OPERATIONS

### Asia Securities

Asia Securities in 2010/2011 continued to be positioned as the premier stockbroker in the industry despite intense competition



"Company witnessed a staggering bottom line growth of 259 percent to record Rs. 273.4 million during the year under review"

**Despite the intensified competition and the more potent challenges faced by the industry in terms of player rivalry, Asia Securities continued to maintain a commendable growth momentum during the year, thereby retaining a position of market leadership.**

stop financial services hub", by effectively developing services to enhance the wealth generation of the Asia Securities client base. Through judicious secondary market activity the division also assisted associate companies towards enhancing the value of their investments whilst pursuing a strategy of risk minimization. The division also successfully structured and placed private debt through placements during the year.

The division will look to expand its line of business in the forthcoming financial year to assist towards greater value addition to Group revenue. In this respect the division will seek

stemming from an exponential growth in trading activity. Brisk market activity was evident during the financial year under review, largely as a result of the post conflict economic boom. Sri Lanka's stock market – the Colombo Stock Exchange - posted a formidable year on year growth of 96 percent in 2010, and was propelled to the top of the list of best performing markets in the world. The Colombo Stock Exchange's market capitalization in 2010 reached the Rs. 2 trillion mark for the first time, the direct outcome of a 400 percent growth in market turnover. On the back of exceptional market activity,

## A Quantum Leap

# Management Discussion & Analysis

As a result during the year, the volume of CDS (Central Depository System) accounts increased by 25 percent.

the Securities Exchange Commission of Sri Lanka (SEC) issued 7 new broker licenses upping the total number of brokerages to 27 companies in 2010/2011. As a result during the year, the volume of CDS (Central Depository System) accounts increased by 25 percent. It is expected that the growth in competition will facilitate the growth of the market by a further 30 percent in the medium term.

However, despite the intensified competition and the more potent challenges faced by the industry in terms of player rivalry, Asia Securities continued to maintain a commendable growth momentum during the year, thereby retaining a position of market leadership. During the year, in a bid to garner greater returns and to sustain the pace of growth, Asia Securities decided to expand the retail base. Contribution from the retail segment grew rapidly in 2010/2011, assisting towards performance enhancements during the year. Network expansion – through the concept of one stop financial services hub - to semi-urban areas outside of the perimeters of Greater Colombo catalysed an expansion of the retail base, thus providing the impetus for greater volume growth. Greater accessibility also precipitated a growth in the number of accounts during the year, with Asia Securities recording a 125 percent growth in overall business.

This burgeoning demand necessitated greater resources in 2010/2011, and as such, the Company expanded its broker team by a further 15 professionally qualified and experienced brokers who were deployed both across the branch network as well as at the head office operations. Investments into broker training during the year have assisted towards the formation of a team of specialists, who are looked upon as the market and investment experts. Broker expertise was also enriched by Asia Securities' collaborations with global research firms. These linkages have enabled Asia Securities to leverage its

access to global trends, best in class research information and technical expertise to enhance the service offer to customers. The Company's brokers act as advisors to customers, managing their portfolios through expert market know-how and wealth management techniques. As at the end of the financial year, the broker team stood at 64 advisors and comprised of a predominantly young yet passionate and professional team who have consistently worked towards enhancing the future growth opportunities of Asia Securities and Asia Capital as a Group.

Trading links with key international banks coupled with strategic links to premier international research houses enabled Asia Securities to be ahead of the domestic competition. Accessibility to the most up to date global information, trend analysis and market projections enabled Asia Securities to remain in the top league in the financial year 2010/2011. During the year, the Company strategically collaborated with Mubasher – Direct FN, an online trading platform provider, to provide its customer base with more precise, faster and efficient links to the CSE. Mubasher is a key player in providing ICT solutions to the Financial Services industry in the Middle Eastern Region.

### **Financial Review**

From a financial performance perspective, Asia Securities posted exceptional returns in 2010/2011 and remained one of the most dominant revenue contributors of the Asia Capital Group. Recording an impressive 125 percent top line growth, the Company posted revenue of Rs. 822 million in 2010/2011. Company witnessed a staggering bottom line growth of 259 percent to record Rs. 273.4 million during the year under review. The growth in revenue was precipitated largely by the unprecedented bull run at the Colombo Stock Exchange (CSE) spearheaded by resurgence of the national economy.

## Asia Securities

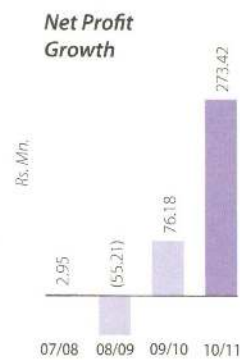
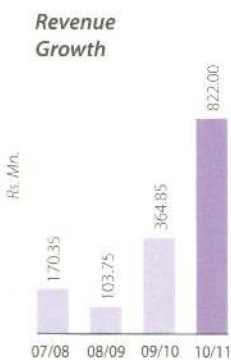
The focus on enlarging the retail base will continue to be a core strategy going forward, especially in view of the fact that the capacity for retail expansion remains high.



Gross profit margins of Asia Securities edged down in 2010/2011 to 86 percent in contrast with 87 percent in 2009/2010. The administrative expenses, however, demonstrated an upward movement as an outcome of the need to facilitate greater growth and for the year under review recorded an acceleration of circa 92 percent to reach Rs. 225 million. This increase is in line with the revenue growth for the year. EBIT margins expanded to 60 percent in 2010/2011 up from 37 percent in 2009/2010.

Return on equity of Asia Securities stands at a commendable 97 percent for the financial year under review in comparison to 52 percent in 2009/2010. The robust ROE is a further signal of the Company's current and potential strength.

Looking to the future, Asia Securities will continue to follow a strategy of expansion. As a growth strategy, the Company



## Asia Wealth Management

Company expanded the portfolio value to approximately USD 50 million



will pursue and collaborate with international funds to garner greater growth through an institutional base. However, the focus on enlarging the retail base will continue to be a core strategy going forward, especially in view of the fact that the capacity for retail expansion remains high. In the forthcoming financial year, Asia Securities looks to establish specialist teams comprising of investment advisors who will focus on the development of high net worth and institutional customers. The development of IT systems and support mechanisms will aid further leveraging of the Asia Securities position in the market place towards future growth.

## Asia Wealth Management

Asia Wealth Management is one of Sri Lanka's emerging investment banking/wealth management companies specializing in the areas of corporate finance and equity research. Providing integrated capital markets and advisory services, Asia Wealth offers innovative solutions, across a wide range of products including both buy-side and sell-side mergers and acquisitions (M&A), capital raisings, restructurings, project finance, structured finance, and tailored strategic and financial advice.

The Company continued to conduct intensive research on equities during the year and was one of the primary sources of

Growth was accelerated by a strategy of expansion under the Group's strategy to enhance accessibility through the "One stop financial services hub" concept.

Independent research to much of corporate Sri Lanka, including the Company's associates. The Company is considered one of the leaders in equity based research and its reports are held in high esteem amongst industry experts.

In the arena of portfolio management, the Company persisted towards excellence during the period under review. Viewed as the best in the industry by far in the year 2010, the Company expanded the portfolio value to approximately USD 50 million during the same period. In the upcoming financial year, the expectation is to double portfolio value to USD 100 million and to strive towards the achievement of USD 150 million.

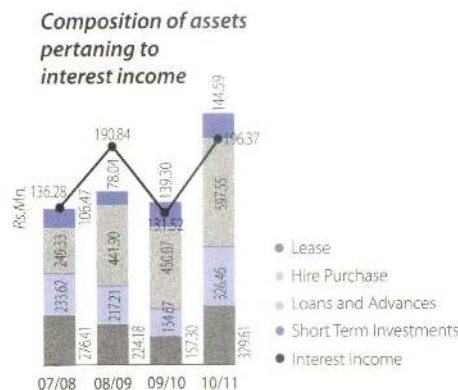
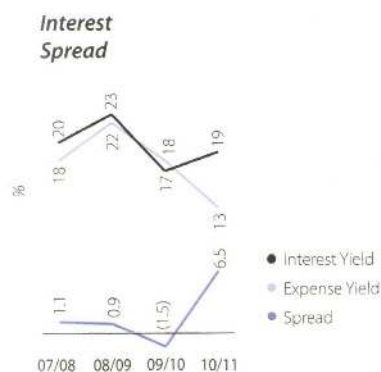
### Asia Asset Finance

Asia Asset Finance, a fully owned subsidiary of Asia Capital PLC is a company licensed for deposit mobilization and the provision of a range of financial services including leasing, hire purchase and asset backed financing to both individuals and corporations. As a business entity, the Company has been operational for over 41 years under the brand of Finance and Land Sales. In 2004, Asia Capital PLC acquired the Company. In 2009/2010, the Company underwent expansive restructuring and as a result witnessed a turnaround in financial viability with

net losses declining from Rs. 175.6 million to Rs. 84 million for the year ended 2009/2010.

During the year under review, Asia Asset further consolidated its position of recovery to record profitability of Rs. 79.7 million. A 195 percent increase in profit after tax at the end of the financial year 2010/2011 heralds a beginning of wealth creation for the Company. The future growth potential for Asia Asset is signaled by the fact that the Company presently enjoys a healthy Non Performing Loan (NPL) portfolio, strengthened deposit mobilization and a robust credit portfolio.

In 2010/2011, growth was accelerated by a strategy of expansion under the Group's strategy to enhance accessibility through the "One stop financial services hub" concept. Asia Asset played a key role in this by acting as the credit facilitator in the financial services product portfolio. A key success factor for the Company during the year, therefore, was enhanced accessibility with network expansion standing at 9 branches. A further 4 additions to the branch network is in the pipeline for the forthcoming financial year. The Company considers a strategy of market penetration as the key to financial viability in the long term and is therefore conceptualizing and



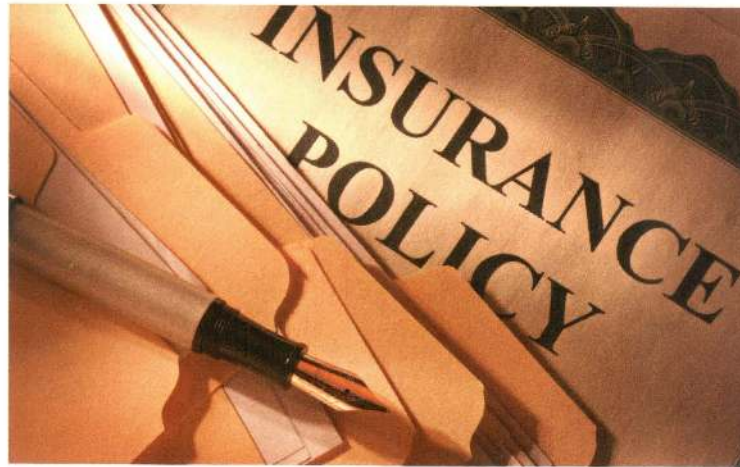
## Asia Asset Finance

The bottom-line for the year 2010/2011 witnessed an exceptional 195 percent growth



## Asian Alliance Insurance

Company recorded a significant growth in Profit before Tax amounting to Rs. 370.5 million during the year 2010



implementing a range of innovative product strategies to garner greater returns through an expanded target base.

During the year, Asset Asia Finance supported the operations of associate companies of the Group Company through the provision of financial services. The Company followed a risk minimisation strategy to ensure sustainability of the business and looked to improve efficiencies through the optimization of existing resources.

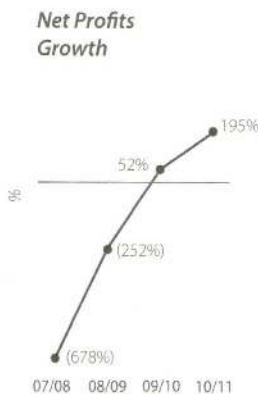
### Financial review

From a financial perspective Company performed well above expectations during the year under review. The bottom-line for the year 2010/2011 witnessed an exceptional 195 percent growth compared to that of 2009/2010. Increase in interest

income and other income coupled with fall in interest and other expenses contributed towards the Company posting a healthy net profit of Rs. 79.7 million for the year 2010/2011.

With interest income increasing by 49 percent to Rs. 196.4 million, the Company persisted against declining yields and a challenging macroeconomic environment to achieve an impressive 72 percent rise in interest earning asset portfolio. Of the total interest income, leasing and hire purchase contribute a major portion of the earnings. The Average Weighted Prime Lending Rate (AWPLR) continued to decrease during the year in response to the Government of Sri Lanka's (GoSL) policy to enhance credit mobilization as a means to revitalize the national economy.

Interest expenses declined 21 percent from that of 2009/2010 to Rs.147.4 million during the year. This is largely attributable to the decrease in costs pertaining to interest bearing liabilities. Despite a 27 percent expansion in the deposit base, declining interest rates contracted the interest expenses enabling the Company to record a Rs. 49 million Net Interest Income for the period under review.



## A Quantum Leap

# Management Discussion & Analysis

Life Division excelled in the area of customer retention - signaling commendable customer satisfaction levels - with retention enhanced by 9 percent during the year to reach a creditable 74 percent, the highest retention rates witnessed in the Insurance Industry

Interest spread increased in 2010/2011 to 6.5 percent as a result of declining deposit rates outpacing the decline in lending rates. This scenario gave rise to a healthy net interest income for the year. However, future spreads throughout the sector may remain at low levels due to high penetration of loans on the back of favourable economic conditions.

Other income witnessed an exceptional growth of 131 percent in 2010/2011 posting Rs 131.7 million gain. A major portion of other income comprised of returns realised from investment portfolios. The Company recorded encouraging improvements to its deposit base with a compounded annual growth rate of 22 percent for the past five years and year on year growth of commendable 27 percent as an outcome of intensified marketing and branch expansion. Interest earning assets growth for the year was significant with the Company's loan book surpassing Rs.1 billion mark precipitated by growth in the leasing and hire purchase business, and as a direct consequence of the revision of import duties on vehicles by the GoSL in June 2010. The Company capitalized on the market opportunity to post a Rs. 34 million revenue on leasing activities.

With the increase of interest income coupled with tight management controls over administration expenses, the cost to income ratio for the period under review contracted to commendable 57 percent as opposed to high cost ratios evidenced in preceding years. The liquid asset ratio dropped to 10 percent from previous level of 21 percent. The gross non-performing ratio decreased from 26.4 percent in 2009/2010 to 10.4 percent for the year 2010/2011 as an outcome of a more judicious approach to credit evaluation and recoveries resulting in a decline by 61 percent in Non-Performing Loans (NPL).

Future strategies for growth include the development of a diversified product range as a tool for market expansion. Towards this end, Asia Asset Finance commenced negotiations with a number of global banks to collaborate with on the area of microfinance. The objective will be to lend subsidized values to the Northern and Eastern provinces for infrastructure development of agriculture, fishing and farming sectors. Whilst the Company is currently benefiting from a scenario of zero bank borrowing, in the forthcoming financial year the intention will be to raise capital through an Initial Public Offer on the Colombo Stock Exchange. The capital raised through this effort will facilitate the Company's expansion programme.

### Asian Alliance Insurance

Asian Alliance Insurance (AAI) remained key to the exceptional financial performance of the Group in 2010/2011. The Company continued to maintain its market position as the 6th largest player – from the perspective of premium valuation - in the industry during the year.

### Operational Overview

From an operational perspective AAI witnessed tremendous growth in Life Insurance recording a 30 percent increase in profit, the highest in the 10 year history of the Company whilst the overall Life business enlarged by 23 percent from that of the previous financial year. As a result at the end of the financial year 2010, AAI's Life business evidenced Gross Written Premium (GWP) valued at Rs. 1,243 million, and Annualized New Business Premiums (ANBP) valued at Rs. 600 million. Operationally the Company's Life Division excelled in the area of customer retention – signaling commendable customer satisfaction levels – with retention enhanced by 9 percent during the year to reach a creditable 74 percent, the highest retention rates witnessed in the Insurance Industry. Further the Company

increased its Average Policy Value to Rs 55,000 demonstrating its dominance in the high income bracket niche market.

The Non-Life business focused primarily on refining the quality of their portfolio, shifting from an emphasis on growth in GWP to a consolidation of the portfolio in terms of profitability of policies. Accordingly GWP for the year contracted from Rs 497 million in 2009 to Rs 431 million in 2010 as a consequence due to the conscious shedding of non profitable classes of insurance and loss of substantial volumes of public sector business. However, despite this the Company's Non-Life business recorded a value growth of Rs 112 million in net profit for the year ended 2010. Profitability for the Division was propelled primarily by prudent underwriting measures taken along with the significant returns from the investment portfolio.

As a part of the drive to reduce claims ratios, the profitability of different accounts was studied, and painstaking steps taken to shed loss-making accounts worth approximately 14 percent of the previous year's GWP. For the selection of accounts going forward, psychographic and demographic data was collected and careful statistical analysis carried out to determine the most profitable classes.

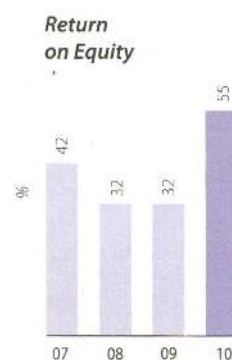
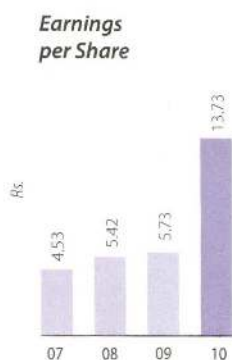
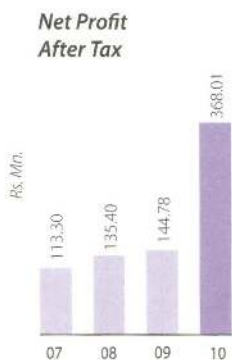
As a result of these initiatives, the Company achieved a significant increase in Net Income to Shareholders in the financial year 2010. Financial results confirm that performance has improved in all lines of business. The Life insurance business grew in terms of both Gross Written Premiums and Underwriting Profits. The Non-Life segment continued to build momentum based on new strategies to make a very strong contribution to overall performance.

The Company also carried out statutory valuations and interim audits of the Life Division during the year under review. This process enabled AAI to be the only insurance company to declare interim bonuses to policy holders and transfer profits to the shareholders during the financial year.

**Financial Review**

AAI's financial performance in 2010 was driven by reinforced sales and distribution channels, training and knowledge management coupled with refinements to its tailor-made, specialist products in both Life and Non Life segments. As a result, the Company witnessed an overall revenue growth of 28 percent during the year. A stable low loss ratio was achieved with the insurance portfolio witnessing further improvements in terms of portfolio quality as a consistent outcome of historical prudence in underwriting. Investment income from Investment Funds (both Life and Non Life) contributed substantially to profit growth, with the Company entrusting the funds to professional wealth managers through the Group's associate Asia Wealth Management Co. (Pvt) Ltd.

The Company recorded a significant growth in Profit before Tax amounting to Rs. 370.5 million during the year 2010. The Life division contributed Rs 253.6 million, posting a 30 percent YOY increase to post the highest profit in AAI's history of Life operations. The Non Life division contributed Rs 116.9 million towards this exceptional performance, primarily due to the prudent underwriting measures taken along with the significant returns from the investment portfolio.



## A Quantum Leap

# Management Discussion & Analysis

Park Street Hotel



River House



During the year the Company successfully completed a Rights Issue of Rs 812.5 million in December 2010 which has strengthened the company's Balance Sheet significantly. As such, the Investment Base increased from Rs 2,314 million to Rs 3,751 million, a 62 percent increase y-o-y.

As a result of the growth in Stated Capital and internally generated funds, the Total Assets of the Company increased by 58 percent YOY from Rs 2,740 million to Rs 4,318 million. Adding to this, the Company's operational results further strengthened the Net Asset Value of the Company to Rs 1,561 million, a 202 percent increase YOY. This robust financial base continues to be essential to support AALs customers in their times of need.

Based on the successful completion of the Company's Rights Issue, RAM Ratings Lanka upgraded the Company's claims-paying ability rating, from BB+ to BBB-; the rating outlook remains stable.

The Earnings per share of the company increased to Rs13.73, a 140 percent growth over last year, which serves as one of the key indicators of the company's profitability. Return on Equity of the Company increased to 55 percent, an increase of 23 percent over last year, which indicates the focus of the management to maximize the shareholder return. In calculating the Earnings Per Share and Return on Equity consideration of the impact of the Rights issue carried out in December 2010 has been made.

### Asia Leisure

With Sri Lanka's tourism sector recording a phenomenal growth of 47 percent in 2010 to record 654,476 tourist arrivals, the sector has been reaping post war dividends. In 2011, the official "visit Sri Lanka" year, Sri Lanka Tourist Board estimates arrivals to peak at 750,000. Sustained stability and peace have laid a foundation for firm growth of the destination and the tourism sector is billed to demonstrate consistent growth in the medium to long term. Sri Lanka's tourism authorities expect visitor arrivals to increase to 2.5 million visitors by the year 2025. However, the industry faces a severe capacity constriction with a shortage of quality international standard rooms to meet the strategic targets for 2025, and authorities have been actively promoting tourism development across the nation to meet the capacity requirements. In the backdrop of this positive industry outlook, Asia Leisure views its future growth potential with optimism and has been gearing its resources to mirror the growth momentum of the sector.

Asia Leisure (Pvt) Ltd, as the leisure arm of Asia Capital PLC owns and manages a portfolio of properties in Colombo, Balapitiya and Galle. The three properties – Park Street Hotel, The River House and The Tamarind Hill are globally acclaimed boutique style properties. The River House lays claim to being the first property in Sri Lanka to be featured in the international renowned Conde Nast Traveller's annual Hot List in 2005 and was listed as one of the "hottest" new hotels in the world.



## Asia Leisure

Company recorded a turnover of Rs. 63.6 million for the period 2010/2011, an improvement of 32 percent

Tamarind Hill



Similarly, it earned a place in the Robb Report 100 Ultimate Luxury Escapes for two consecutive years. The Tamarind Hill Hotel, Galle is nominated to receive the International Quality Summit Award from the Business Initiatives Directions (BID) in the Gold category in 2011.

Currently, Asia Leisure's growth is limited by the lack of capacity and therefore, strategic focus lies in capacity enhancement in going forward. With a current total capacity of 40 rooms, the Company looks to enhance room strength to 70 by the end of the forthcoming financial year and 150 rooms by the year 2013. In the pipeline for construction is a 26 roomed beach property in Balapitya in Southern Sri Lanka that is expected to be ready for operation by end 2012. This landmark resort will embody an Asian design concept whilst balancing modernity and contemporary design styles. Of the 26 rooms, the resort will also contain 2 Presidential Suites. The inclusion of the property in the Company's portfolio will help us gain greater business from international travel agents, who most often prefer the availability of a beach property.

The Company posted a commendable financial performance during the year, and demonstrated financial and operational recovery from years of below average performance in the past. The Company recorded a turnover of Rs. 63.6 million for the period 2010/2011, an improvement of 32 percent from that of Rs. 48 million for financial year 2009/2010. Revamping of the

## Asia Tea Packaging

Company's strategic vision is to build a brand for the international and domestic markets.

Tea Packaging



operations and the delegation of financial responsibility to each resort as a separate business unit paved the way for financial recovery during the year. In addition, the recovery of the destination, intensive marketing efforts and enhanced relations with the international travel agent communities assisted towards the healthier state of financials in 2010/2011.

In looking to the future, the Company will continue to source and procure favourable land for future tourism development. Towards this end, Asia Leisure is assessing the feasibility of procuring land in Jaffna and Trincomalee for the construction of beach properties. Work study is currently underway for the outright purchase of a state of the art hotel in the scenic and historic city of Dambulla.

Asia Leisure is planned to be listed on the CSE under Diri Savi Board in the future.

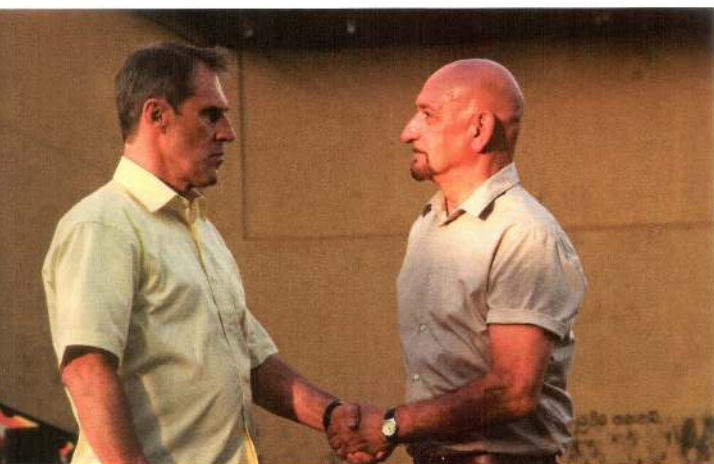
## Asia Tea Packaging

Asia Tea Packaging is the latest addition to the Asia Capital Group and is the direct outcome of a strategy of back integration from the long standing business of tea brokering. It is a company that engages in blending, packaging and tea bagging. Having commenced operations in August 2010, the Company currently operates a packaging facility with a capacity to bag 10 million tea bags a month. Tea packing operations also include bulk packing, packaged tea and catering bags as well

# A Quantum Leap

## Management Discussion & Analysis

Scenes from "A Common Man"



as pot bagging. Contract packing for mainstay brands has been the main area of focus in 2010/2011; however, the Company's strategic vision is to build a brand for the international and domestic markets.

Towards the realisation of this vision, the Company established a tea tasting department during the year under review and procured Sri Lanka Tea Board registration, exporter registration and license, and is currently engaged in the conceptualization and development of the brand and blends.

### Asia Digital Entertainment (Private) Limited

Asia Digital Entertainment is the entertainment initiative of the Asia Capital Group fondly called Adept. Mr. Manohan Nanayakkara the group Chairman always felt entertainment was the fourth basic need of mankind. The company was established in September 2010 and operates in collaborative partnership with Gemini Industries and Imaging Private Limited, India's leading entertainment conglomerate.

ADEPT operates many business verticals; Motion Picture Production, Television Content Production, Digital Cinema and Content-to-Mobile. It is the long felt dream of Mr. Manohan Nanayakkara to bring in Professionals from the industry to hone the skills of the local talent and to create a bridge between Sri Lanka to connect to Hollywood through Bollywood.

B S Radha Krishnan brings along with him decades of experience in Film, Entertainment and Television Content business. Mr. Chandran Rutnam, a veteran from the Sri Lankan Film industry has joined forces to look after the creative side of the business. Adept distributed ALIMANKADA to the global market. ALIMANKADA aka The Road From Elephant Pass, produced and directed by Mr. Chandran Rutnam has paved the way to forge an the alliance between the business heads. Bringing them together has created a greater belief in Sri Lanka's capacity to be an international film production destination with both in front of camera and behind the camera talent from Sri Lanka.

ADEPT supports local talent. Its mission to provide creative artistes international exposure; ADEPT has funded and produced 3 crossover films in a short span of 9 months, "Flying Fish", "Three Wheel Diaries" and "Bora Diya Pokuna". "Flying Fish" has won international recognition and is currently doing the festival circuits in Europe and USA. The launch pad created by Adept has helped Sri Lankan talent to get International recognition and creative minds to explore possibilities outside their country.

Adept is in dialogue with "Bubble Factory" which belongs to Mr. Sid Sheinberg of Universal legacy to handle Adept's global distribution business. Veteran Hollywood producer Mr. Paul

## Asia Digital Entertainment (Private) Limited

AdepT's productions were internationally recognised during the year 2010 and 2011 with nominations and awards for excellence at the New York and Rotterdam Film Festivals

Scenes from "Flying Fish"



Mason is one of AdepT's Executive Producers for its maiden International Production, titled "A COMMON MAN", starring Sir Ben Kingsley of "Gandhi" fame and Ben Cross of "Chariots of Fire". The principal photography is complete with the post-production in progress. The film is due for global release in the next quarter. It is directed and edited by Mr. Chandran Rutnam.

In the pipeline for production in 2011/2012 are a big budget Hollywood production for which casting is currently under consideration, and two Sinhala feature films which AdepT aims to be trend setters in the Sri Lankan mainstream movie market.

AdepT's productions were internationally recognised during the year 2010 and 2011 with nominations and awards for excellence at the New York and Rotterdam Film Festivals. The Company has access to the best pre and post-production facilities across the world as well as equipment providers, although it prides itself on utilising purely Sri Lankan talent for production purposes in view of the need to enhance the human capital of the nation.

Plans to enhance the entertainment profile of the country through the re-ignition of the desire for cinema-going as an entertainment form is another aspect of the AdepT's plans. Towards this end, AdepT plans to upgrade key Cinema Theatres across the country, to the digital projection experience.

After successful implementation, AdepT shall be in a position to bring down the cost of film distribution in Sri Lanka to a minimum.

AdepT is also establishing a television content production arm that expects to create content for local and regional television business with a view to enhance the quality of television content. In the medium term, AdepT perceives content to mobile as a key value generator especially in view of the high mobile penetration in Sri Lanka.

## A Quantum Leap

# Management Discussion & Analysis

### Information Technology as a strategic resource

Asia Capital PLC views IT as a strategic enabler that lends the Group a competitive advantage for sustainable growth. IT therefore essentially serves as a differentiator, allowing the Group to carve its unique niche through technological innovation in an industry that is highly competitive.

With IT used as a strategic resource, the Group's IT strategy has been well aligned with the overall business strategy with a view to optimize IT resources to support and in effect achieve operational excellence and competitive advantage. Since the financial year 2009/2010 the Group has formulated a strategic

targeted for the forthcoming financial year, and a phased out implementation approach will place Asia Securities as the focus for the year, whilst the solution will be cascaded to support other subsidiaries over the next two financial years. Oracle BI will elevate and support the Group's overall drive for future growth through its capabilities role as a management based analytical tool. Its ability to assist towards identifying critical information through data mining, predicting changing market trends and the introduction of dimensionality to data repositories thereby establishing historical patterns are some of its key capabilities.



IT road map that seeks to facilitate greater growth across the core holdings and business sectors, a transition that allows for a more cohesive approach to IT implementation. A macro, birds-eye vision of consolidated Group business needs is therefore met through an integrated IT strategy that aims towards sustaining strategic and operational business objectives while delivering group wide synergy.

Particularly as a result of the Group's focus and promotion of a performance-based culture, in the year under review, Asia Capital invested in the implementation of best in class data warehousing/mining tools and solutions for strategic and tactical management. Implementation of Oracle BI is

The Group also intends to implement Oracle E-Business Suite during the financial year 2011/2012 as an outcome of identifying the need for an integrated, best in class Financial Management solution that takes a pervasive Group-wide consideration of the business. Whilst Oracle EBS will be implemented across core sectors in 2011/2012, the application will be phased out for implementation across all sectors in the medium term.

In view of the large investments into IT and the degree of sophistication of the IT function at Group level, the need for greater governance of IT processes was a key area of focus during the year. The Group was cognizant of the


need to enhance resources and infrastructure towards creating capabilities and competencies for the successful implementation of the strategic IT road-map. Thus, during the year under review efforts were undertaken to expand the resource base especially in IT expertise. Hence, the existing IT team was further strengthened through the infusion of new blood. The new IT resource base will augment governance, planning, IT security and enlarge the capacity for software development and operational competencies.

From a sector perspective, IT played a fundamental role in upgrading the business capabilities of Asia Securities and Asia Asset Finance. An upgrade in IT infrastructure was of critical need during the year at Asia Securities predominantly as a result of the surge in business activity (the outcome of a larger base of clients and heightened market activity). As such, in 2010/2011, Asia Securities data centre assets were enhanced at an investment of Rs. 20 million. To better facilitate customers, investments were made towards trading engines, data communication, security solutions and power

internal and external customers. In going forward, by identifying strategic information systems for stock trading, portfolio and risk management, data warehousing and Business Intelligence and financial management systems Asia Securities will garner greater growth and returns.

IT delivered benefits to Asia Asset Finance by way of a few strategic initiatives. The ongoing implementation of a leasing and hire purchase solution during the year as core business solutions for the Company would serve as impetus for the future growth of this business entity. This will be further enabled through the on-going implementation of Oracle EBS integrated with front end core business solution in this business sector.

Investor Access Asia (IAA) is credited as the Group's subsidiary responsible for the development of the CDAX trading application. During the year, the evolving landscape of the business was revisited with a view to identify opportunities for future growth. Subsequent to a series of intensive strategy



“Going forward, by identifying strategic information systems for stock trading, portfolio and risk management, data warehousing and Business Intelligence and financial management systems Asia Securities will garner greater growth and returns.”

**Group has formulated a strategic IT road map that seeks to facilitate greater growth across the core holdings and business sectors**

infrastructure. Similarly, bandwidth for online trading engine access was enhanced three-fold to meet the requirement of an enhanced online trading customer portfolio. By broadening the pipeline of data communication links, Asia Securities was better able to facilitate smooth connectivity for trading. Improved Risk management processes and Disaster Recovery strategies were put in place during the year and this process of continually augmenting the strategies in place is an ongoing and consistent strategy to create a scenario of minimal risk. During the year, Asia Securities continued to invest into trading solutions to supplement the existing applications. The addition of the Mubasher trading application and the upgrade of the CDAX application have both served towards adding value to

formulation sessions, strategies were developed to expand the company's product and service portfolio to cater to an evolving capital market. Thus, in the short to medium term, Investor Access Asia will be repositioned to meet the needs of a broader capital market through specialist solutions. With the backing of a formidable team, the Company will embark on a project to revamp the CDAX application and its back office solution – DACS. To synergize with the overall repositioning of the Company, IAA will be rebranded in the upcoming financial year with a view to leverage the Group's brand strength and affinities.

## A Quantum Leap

# Management Discussion & Analysis

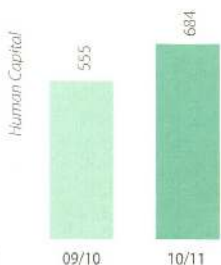
### Strategic Approach to Human Capital Management

The Group adopts an integrated approach to human capital where human capital management is directly aligned to the overall business strategy. Human capital remains one of the key assets of the Group and it acknowledges this resource as strategic to the future growth of the organization. In this respect, by routing business strategy through an adaptive approach to human capital management, the Group perseveres towards the achievement of strategic objectives and common goals. Thus, Human Capital Management is placed at the top of the Group's list of priorities.

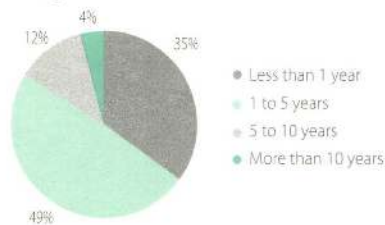
Every aspect of the Human Capital Management process is viewed within the framework of the overall strategic business plan. This approach has proven in efficacy especially in light of the widening scope of activities of the Asia Capital Group. With a diverse range of resources required for the management and operation of the Group, a Human Capital Management strategy that best identifies the current and future needs of the Group is seen as the most conducive strategy for the future viability of the Group.



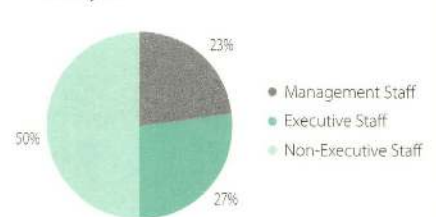
**HR Capital Growth Indicator**



**HR Service Period Analysis**



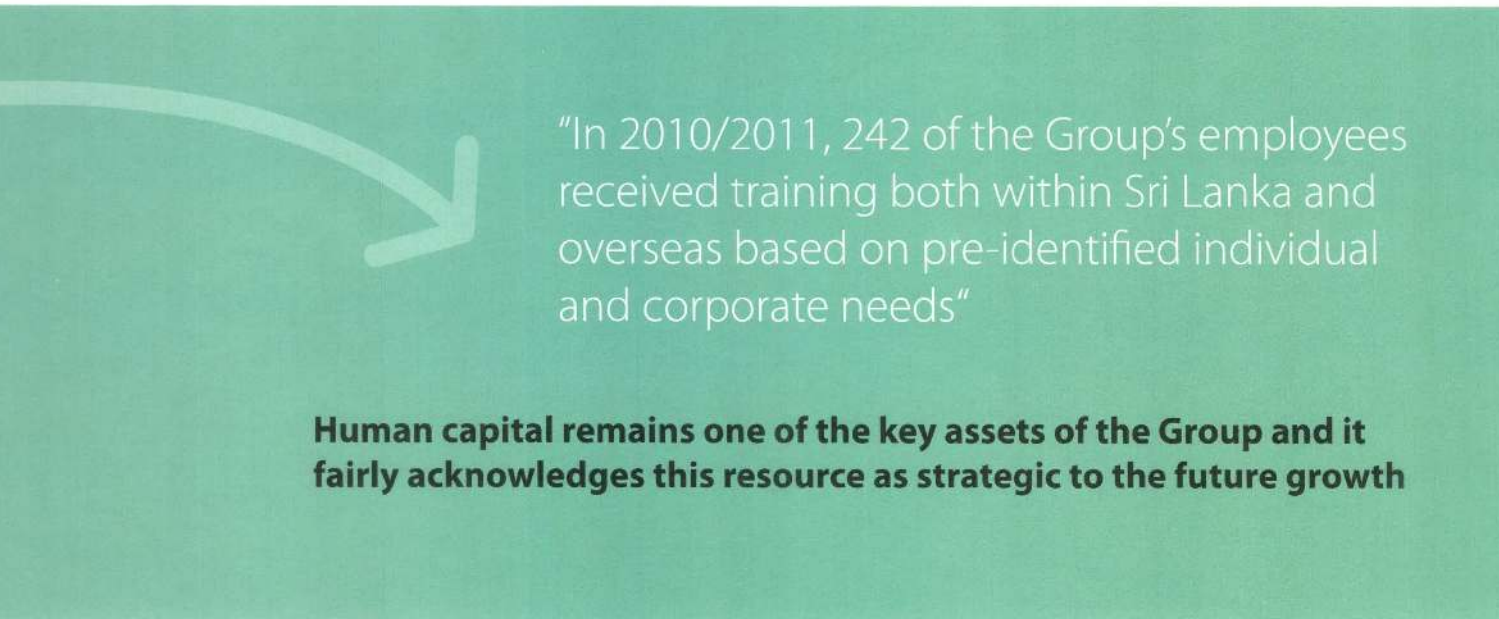
**HR Category Analysis**



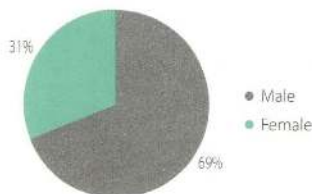
As such, the Group is cognizant of the strategic resource requirements when undertaking recruitment and selection. Through a well planned and coordinated process, the Group strives to select the right person at the right time for the right job through a comprehensive screening, interviewing and referencing process. Young and fresh talent is welcomed and integrated into the Group through a recruitment program that targets schools, universities and professional bodies and the Group's internship program which offers internship opportunities in diverse disciplines. These structured approaches to talent infusion have been focal to the development of the Group's Human Capital and the future growth. A culture of open communication defines the success of Asia Capital.

Human capital development is viewed at Group level as a business led approach to develop human resources through learning, educating and training within a strategic framework. At Asia Capital the core objective of human capital development lies on the premise of optimizing investments

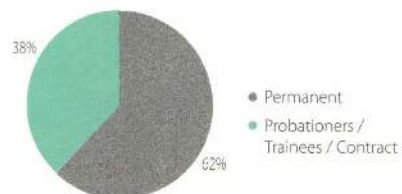
to promote the achievement of a balance of Group and personal objectives, whilst fostering a conducive platform for growth. The Group utilizes intensive on the job training, action learning and one to one coaching as the primary internal training techniques, which have proven to impact business results. Training and development is viewed as a necessary investment towards enhancing productivity, motivation and the net value of human resources. Thus, a structured training program that encompasses a range of training techniques and addresses diverse training needs are formulated annually. In 2010/2011, 242 of the Group's employees received training both within Sri Lanka and overseas based on pre-identified individual and corporate needs. The Group recognizes that talent management is key in maintaining the momentum at which the corporate can grow in the future. By identifying talent bottlenecks and blockages, the Group maps out a cohesive training and development plan to overcome and clear talent related concerns. The Group also supports its employees and motivates towards acquiring memberships in professional



**HR Gender Analysis**



**HR Employment Status Analysis**



## A Quantum Leap

# Management Discussion & Analysis

### Strategic Approach to Human Capital Management (Contd.)

bodies as it believes that such memberships enhance the quality of HR through greater exposure to global trends and developments.

#### Local Training Programs

1. How to win the share market
2. Workshop on economy changes
3. Financial regulations & ethics
4. Effective ways of team building
5. Resorting trust in financial service
6. Statistical forecasting techniques
7. World market overview & outlook for 2011
8. Workshop of Sage Accpac software
9. Board room governance
10. Strategic Performance Enhancement
11. Member regulations for investment advisors
12. New Insights into Employee coaching , Mentoring & Counseling
13. Effective Credit Approvals & Credit Risk Management
14. Human Resources Development through Disciplinary Management
15. Annual Anti-Money Laundering & Countering the Financing of Terrorism

#### Employee Friendly And Conducive Working Environment



#### Foreign Training Programs

1. Portfolio Performance Measurements & Attribution Analysis – Singapore
2. Company Valuation Modeling 2010 – India
3. FALIA – Product Development Strategy Course – Japan
4. 05th Annual Corporate Communication Forum 2010 – India
5. Munich Re Life Executive Forum

Attuning new employees to the Group's corporate culture is viewed as a fundamental step towards the creation of a "like-minded" team and is deemed critical in assisting towards mutually beneficial long term relationships. Towards this end, the Group in 2010/2011 launched a formal Cross Sectional Induction Program as a means to structure a corporate socialization process. This has been further supplemented by an informal mentoring system that has assisted towards instituting core values and in fostering greater cohesion amongst team members.

As an organization that is achievement oriented, the Group places performance management at the crux of its management style. Performance management techniques are tailored to assess different segments of employees – from trainees, employees on probation, contract and permanent – and are therefore specific to the skills and expectations of each segment. Performance is evaluated with reference to predetermined goals and targets and conducted by

#### Annual Staff Get-together also held in December 2010 at Heritance Ahungalle





sectional heads and immediate superiors. The outcome of the evaluation is thereafter used for reward, recognition and human development purposes. With incentives, increments and training needs determined through the performance evaluations, the process remains critical to the future development of the Group's human capital. In an effort to encourage the employees to exert efforts towards achieving corporate and strategic goals, several measures – KPI's and benchmarks - have been established to assist towards the creation of a performance driven work ethic. In planning for the future leadership needs of the Group – especially in perspective of the rapid enlargement of the scope of Group activities – succession planning too remains a core area of focus.

The remuneration and reward policy of Asia Capital PLC is set on par with the rest of the industry and is in line with State Statutory regulations. The remuneration and rewards are performance driven and the policy is structured to drive productivity and to improve individual and team contribution towards the achievement of organisational goals, in tandem with recognition of individual excellence. Performance is recognized and rewarded through the granting of financial and non financial incentives as a token of appreciation for the passion imparted and the excellence achieved. The remuneration structure is reviewed periodically to ensure equity and to guarantee market competitiveness. In addition to remuneration the Group also provides a range of benefits and incentives to staff including bonuses, surgical and hospitalization insurance benefits, accident and life insurance benefits, cash gifts on occasion of a birth, cash donations for death of immediate family members, free meals during extended work hours, festival advances and free uniforms.

Moreover, the upholding of an "open door policy" allows for employees at every level of the organizational structure to have access to and communicate openly with the Senior Management. The Group is a firm believer in the ideology that sharing of information is vital in creating and maintaining

healthy employer/employee relations. To this effect numerous events are organized throughout the year with the intention to create a forum for engagement and interaction across all levels of the organizational hierarchy. The Annual Dinner event which was organized in October 2010 with the Group's Chairman was well attended by staff and served as an avenue to strengthen the Groups' efforts towards establishing healthy employee relations. In addition, events with the CEO of Asia Securities Pvt Ltd and COO of Asia Capital PLC in February 2011 also served towards the creation of an open platform for employees to interact with the Senior Management

The Group endeavours to create a scenario wherein "work life balance" is achieved by its employees. A healthy lifestyle and a healthy work life are two critical areas of focus in terms of optimizing employee productivity. The Group believes that by achieving "work life balance" and by maintaining a healthy lifestyle, employees will optimize their productivity at the workplace. In 2010/2011, the Group persisted towards the creation of a conducive work environment which contributed to minimized fatigue, enhanced productivity and the development of an energetic, healthy workforce. The Group's sports club, subsidized gymnasium fees, and participation at Cricket, Rugby and Badminton tournaments contributed towards an overall openness to well-being and health. The continuation of the staff accident and life insurance scheme, hospitalization insurance scheme and the reimbursement of OPD prescriptions, have guaranteed our diligence and holistic approach towards maintaining healthy human resources.

Setting up of cross functional teams for work assignments and short term special projects has enriched the team spirit of the Group's human capital and assisted towards the creation of team cohesion. The efforts exerted by the cross functional teams in the project "Helping Hand for Flood Victims" in the Eastern provinces in February 2011 was an example of the capability and the readiness to accept challenges and to deliver results. Events in the annual event calendar such as the Kiddies Christmas Party held at the CH&FC Grounds in December 2010, and the Annual Staff Get-together also held in December 2010 at Heritance Ahungalle continued to enhance the overall team spirit of employees, infusing greater bonding with the Group and the many members of the family at Asia Capital.

***Kiddies Christmas Party held at the CH&FC Grounds in December 2010***





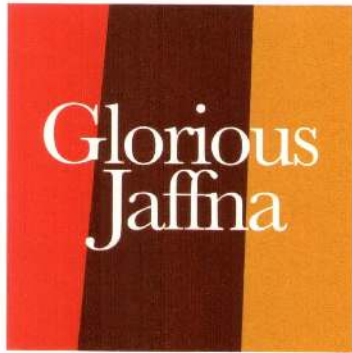
CORPORATE SOCIAL RESPONSIBILITY

# Visionary & Valuable



## A Quantum Leap

# Corporate Social Responsibility



"Glorious Jaffna aims to break the cycles of communal violence that have plagued Sri Lanka by empowering the next generation to overcome grief caused by violence and the war through the expression of love."

### Case Stories from Jaffna at a Glance



**Yathusha from Allaipiddy** was a 9 year old little girl who was traumatized seeing her father losing a limb due to a mortar blast, a common occurrence during the three decade long ethnic conflict that took its toll on Sri Lanka. Now a happy child with an aim to be a doctor when grown up, she attends school regularly and full of *joie de vivre*.

*Refer page 64 for Yathusha's story*



**Vithushan from Anaikkodai**, is a 12 year old child who has suffered a lot due to the war as a result of losing all his immediate family members, was deprived of the affection, love and care from his parents, had no hope & purpose in life. With scattered dreams and hopes he wanted to become a mason but after some time he has more ambitious dreams to be fulfilled in life"

*Refer page 65 for Vithushan's story*

These positive changes were realized when these two, like many other kids, were sponsored by the *Glorious Jaffna* educational sponsorship program. *Glorious Jaffna* will ensure that these positive developments will be sustainable.

“It is said that people who do not learn lessons from history will undoubtedly repeat those mistakes. We need to deal with the aftermath of the 30 year old war...”

*Mr. Manohan Nanayakkara, Chairman, Asia Capital PLC at the launch of Glorious Jaffna Charity*  
*For the full speech please refer pages 55 - 59*

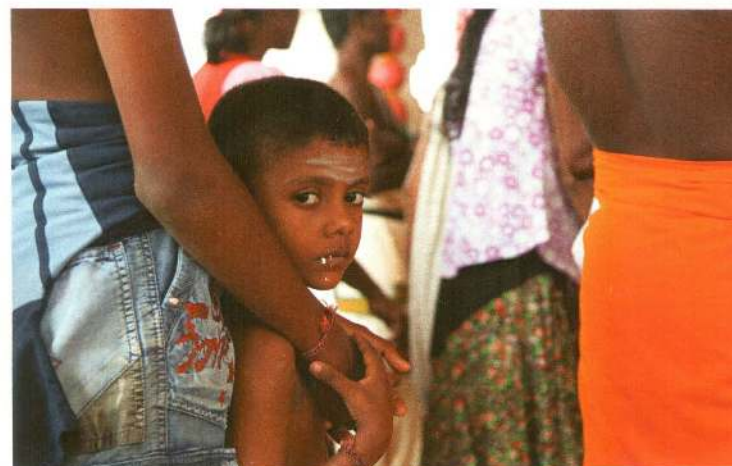


Asia Capital, driven by the vision and direction of Chairman Mr. Mano Nanayakkara contributes to *Glorious Jaffna*, a charity that finances a platform focused on empowering children affected by the war, so they will be able to optimize their potential academically and socially. These children being a part of the future generation that will contribute to the betterment of Sri Lanka deserve an opportunity to put their tragic past behind and embrace the future with hope and stability.

The war in Sri Lanka is over and the country is looking forward to a new beginning after many years of destruction and trauma. Over three decades of conflict, which devastated lives, hopes and marred the social fabric of the communities living in these provinces the **Children were the main demographic segment affected by three decades of conflict, which devastated lives and hopes and marred the social fabric of the communities living in these provinces.**

***Glorious Jaffna* aims to achieve two significant goals regarding the empowerment of children affected by the war.**

- By providing educational sponsorship, the required qualitative levels of their education will be sustained. This will be a great leveler that will remove disparities arising out of social status, ethnicity, religion etc. Further, these children will not be burdened with insecurities regarding continuation of their education. **Therefore *Glorious Jaffna* will put the children on a better footing to advance themselves academically.**
- Creating a foster parent-child relationship that will broaden the perspectives of these children regarding people outside of the North, which will make them less susceptible to myopic and racist prejudices. **Hence *Glorious Jaffna* will enable these children to advance themselves socially.**



# A Quantum Leap

## Corporate Social Responsibility

Some of the children sponsored by Glorious Jaffna, Tellippalai



Some of the children sponsored by Glorious Jaffna, Velanai



### Operational Overview

#### Selection of Children

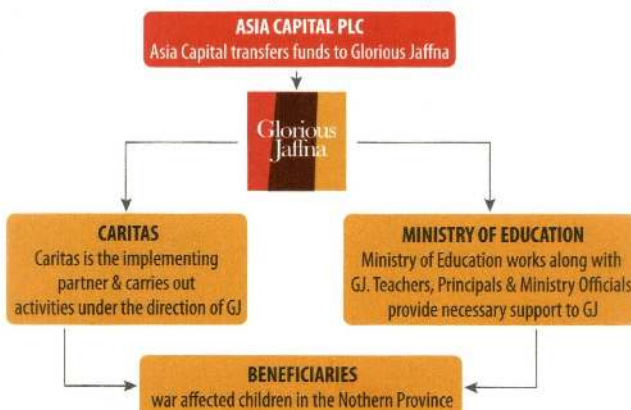
Glorious Jaffna finances educational resources for children who fall into following selection criteria.

- Children 6-12 years old, affected by the war in Vanni 2009, who are now resettled in the Jaffna District.
- Who have lost both their parents or otherwise, either father or mother is injured/handicapped/missing/detained.

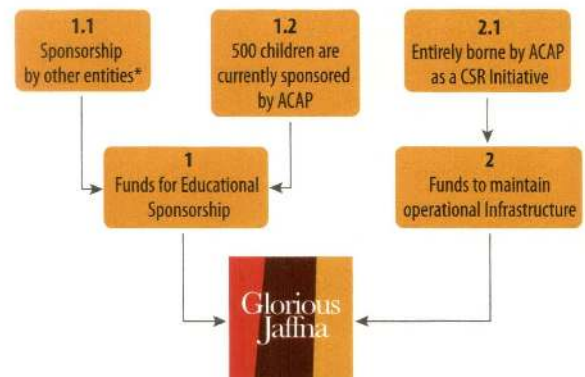
#### Operational infrastructure

Glorious Jaffna is assisted by the Ministry of Education, and Caritas Sri Lanka, in carrying out the Educational Sponsorship program. These two entities are vital cornerstones of the implementation infrastructure to carry out needs assessment, monitor the progress of the children and resource distribution.

Flow of Resources for Educational Sponsorship from Asia Capital to Beneficiaries



#### Funding Structure of Glorious Jaffna Charity



\*It's only LKR 2500 per month as sponsorship per child and the sponsor must pledge for a minimum time frame of one year. The total sponsorship is allocated to provide for educational needs with a savings component and does not contribute to meeting operational overheads of the program

i.e. the sponsored child gets 100% of sponsorship

#### 1 Funds for Educational Sponsorship

- 1.1 Glorious Jaffna has created a platform whereby individuals and organizations can come on board to sponsor a child. The total sponsorship will go directly to the beneficiary.
- 1.2 Asia Capital is sponsoring 500 children at present and the number of children will be increased further in future.

#### 2 Funds to maintain operational infrastructure

- 2.1 Operational infrastructure is fully borne by Asia Capital as a CSR initiative. Operational infrastructure costs may increase in future due to the increase of number of children. However ACAP will bear these costs if the need arises.

*A child from Jaffna receiving study pack for September*



*Distribution of study packs at Chankanaï*



#### **Educational Sponsorship Resource allocation**

**Educational sponsorship per child for a month is LKR 2500.**

This will cover the following categories.

- The books that are given specifically for educational purposes which are not provided by the government. These include workbooks, additional reading books etc.
- Stationery items include pens, pencils, erasers, compass boxes etc.
- Catch-up education to cover missed areas of syllabus and additional coaching to uplift their present standards. E.g.: If a child is weak in his/her English, tuition classes will be arranged in order to assist that child.
- Additional coaching. For special talents like Music, Art, Dancing, Literature, Sports etc
- A savings component which is deposited to a Minor's Savings Account, that the child can access once he/she reaches adulthood.

#### **Salient points on efficiency and effectiveness *Glorious Jaffna* for Potential Donors**

- The sponsorship funding will contribute 100% to empower the child academically and socially. Therefore there is no drain from sponsor's funds to meet infrastructural expenditure. Infrastructure expenditure is entirely borne by Asia Capital PLC. The sponsor is benefited by the platform financed by Asia Capital PLC.
- A sponsor is allocated one or more specific children which enables them to develop long term, intimate and nurturing relationships – similar to the bonds between a foster-parent and child. The child benefits from the relationship by broadening his view of life outside his surroundings via sponsor's input along with the resources provided to advance academically. The sponsor gains by the precise knowledge of how, where and on what the funding is utilized for the development of his/her sponsored child. Hence wastage of resources is minimized and accountability is established. The sponsor is also updated constantly with their child's academic and social progress.

# A Quantum Leap

## Corporate Social Responsibility

A sponsor is allocated one or more specific children which enables them to develop long term, intimate and nurturing relationships – similar to the bonds between a foster-parent and child.

- This flow of information to the Sponsor regarding a child i.e. on resource allocation and academic and social progress is via an online system that the sponsor can access anytime, from anywhere in the world. The real time nature of information updates paves the way for timely changes to be carried out for the betterment of the child as per sponsor's wishes. Further if sponsor wishes to visit the child that can be arranged without delay due to the extensive operational infrastructure maintained by *Glorious Jaffna*.
- This online system along with the Operational Infrastructure in Northern province of Sri Lanka ensures an optimum level of efficacy is maintained in carrying out needs assessment, monitoring the progress, distribution of resources and transferring information to all stake holders.
- *Glorious Jaffna* is a fully audited charity with transparency to all stake holders.

Please visit [www.gloriousjaffna.com](http://www.gloriousjaffna.com) for more information and how you can be a part of this noble cause. Please help a deserving child by 'putting a bit of Jaffna into your life'.

### How it all started

#### The *Glorious Jaffna* Book and Charity

*Glorious Jaffna* was launched with the commissioning and publication of a quality coffee-table pictorial titled the same, which offers a 180-page comprehensive photographic essay on the peninsula and its people.

The book depicts an assortment of topics ranging from personality portraits to landscapes, devotees, and places of religious worship, spices and the colorful culture and traditions of Jaffna bringing insight into the unique culture of the communities residing there. The combination of elements thoughtfully expressed through camera of Tharindu Amunugama and the words of Sunela Samaranayake.

The book was launched in January 2011 with the intention of "putting a little bit of Jaffna into our lives" by helping war affected children in Jaffna and other war-torn areas of the Northern Province of Sri Lanka. All proceeds from the sale of the book will contribute to funding the educational sponsorship program carried out by *Glorious Jaffna*.

A child from Chankanai under *Glorious Jaffna* program



*Glorious Jaffna* staff with some sponsored children from Tellippalai





How to put a bit of Jaffna into your life by empowering the next generation through the expression of love...



**Launch Of *Glorious Jaffna* - 04th January 2011 - Atrium - Cinnamon Grand: speech made by Chairman Mr. Manohan Nanayakkara.**

Ladies and Gentlemen, thank you for being here. I am pleased to see all of you here. I must say we kept the invitation deliberately vague with a catchy title. Put a little bit of Jaffna in your life. On the face of it, it does not reveal much. **I guess what I am going to talk about is what do we mean when we say put a little bit of Jaffna in your life.**

Today is also the launch of our CSR initiative for 2011. We propose to raise awareness to assist in educating 10,000 children of Jaffna and get greater involvement by the people in the South in those kids lives.

I would particularly like to welcome His Eminence Bishop Duleep de Chickera Bishop of Colombo, Mrs. Lakshman Kadirgamar, Mrs. Swarna Amaratunga the mother of my school chum Chanaka Amaratunge, Mrs. Tiruchelvam and Mr. Nilantha Fernando, son of my old Head Master Mr. J S L Fernando.

**The purpose of this event is to launch our book *Glorious Jaffna* and create awareness of the role each one of us can play to ensure that communal violence that beleaguered and disrupted most of our adult lives are never repeated again.**

The book *Glorious Jaffna* was an accident. I discovered that Mr. Tharindu Amunugama who joined me using camouflage of being a mathematician was actually a poet. He has a passion

for photography. Ladies and Gentlemen, he happened to show me some of his work as a photographer and I was captivated by the images and the rich colors of his photos.

I asked him what kind of camera he uses. It was one of these little portable tiny cameras and I offered him one of my old cameras that was not in use and was gathering dust on the shelves. Tharindu Amunugama took photos of Jaffna on his next trip there and I found that one particular shot of Palmyrah trees around Elephant Pass totally captivated me and I asked him whether it was good enough for publication purposes. He said perhaps not. I found that the camera I had gifted him was not of an appropriate quality to produce a reputable book and I volunteered to buy him a new one of appropriate quality in the condition that he took photos of Jaffna and produce a book on Jaffna. It was a happy accident for both of us.

The book has been priced at Rs.4900/- retail and only for today it is being offered at a discounted price of Rs.4000/- and for those who wish to purchase on your credit card, a special credit card machine has been installed for your convenience. So you see, we have thought of everything. The proceeds of the sale of the book is to assist two established charities already working in Jaffna. One is the Humpty Dumpty Foundation which provides milk to young school children. The milk is purchased locally from the community.

It not only encourages children to come to school but also improves their concentration to learn

## A Quantum Leap

# Corporate Social Responsibility



All of the funds go back to the community for a second round of positive impact.

The other charity CARITAS is closer to my heart because the funds are used for the education of little children. The cost of supporting the education of a child is US\$270 per annum.

Asia Capital has set our CSR goal for next year to raise awareness to set in motion a series of activities to obtain contributions from the people who are near and dear to us to finance 10,000 school children in Jaffna.

Asia Capital is in one sense a very unusual company. My majority shareholder, Dato Vijay Eswaran is a third generation Tamil expatriate Malaysian National. His grand father originated from Jaffna. We are very unusual in the sense that we are a company where the senior management consists of all ethnic races. Myself as Chairman and Managing Director, I am Sinhalese, Mr. Sabri Marikar who heads our Securities Company is a Sri Lankan Moor, Mr. Rajiva Gunawardena who heads our Finance Company is a Sinhalese, Mr. Ramal Jasinghe who heads our Insurance Company is also a Sinhalese and Stefan Abeyesinhe who heads Asia Wealth is of mixed parentage.

I am not committing a specific amount from the Company today for these charities as the company is governed by strict rules and I have to get the shareholders approval at the next AGM to donate funds for these charities, but I will recommend that we give a sizable contribution and I expect my shareholders and my board of Directors to support me.



Asia Capital though relying on Caritas will take full responsibility to channel and to utilize these funds to the two charities involved by directly recruiting a person whose job will be to full time monitor the funds and provide feed back information to the sponsors.

I wish to dedicate the book to several people. First of all to Dato Vijay Eswaran, my majority shareholder who happens to pop into my life at crucial moments and has assisted me to achieve my full potential. Also I wish to dedicate this book to Mr. J S L Fernando who was my Head Master at St. Thomas' Prep.

I believe JSL was a far thinking educationalist who saw the ethnic division on the horizon and did his best to bond the multi-cultural students together. My particular set of cohorts included Mr. Chanaka Amaratunga who was a liberal politician and outstanding human being and Richard de Zoysa a journalist and dramatist who I believe was the most talented person of our generation. Richard was cut down in the prime of his life in an incident which got a fair amount of prominence.

JSL ensured that we would never be racist by ensuring that the three streams met daily as a single group. There was no Tamil class, no Sinhala class, and no English class. We studied separately in Tamil, Sinhalese and English streams based on our mother tongue but we identified ourselves as one class and one group. Every day in the morning we got together for worship and for assembly.



I would also wish to dedicate this book to my father and several other quiet Sinhalese heroes. When we look back on the events of the 1983 ethnic violence, we tend to forget the Sinhalese neighbours and colleagues who did their utmost to protect their Tamil brethren. One of them was my father who journeyed through mobs to protect at least a hundred Tamils. I do not want all these quiet Sinhalese people to be forgotten. In addition, my father was also a man with a massive heart.

Another person I wish to recognize is Carlyle de Silva my father-in-law who was the OIC in the Badulla Police. After the 1977 elections he put together a plan to protect the Tamils in the Badulla district and the then Superintendent of Police commended his actions, stating that if not for Carlyle de Silva's bravery, Badulla would have been a holocaust. However he had to pay a heavy price for his actions. He was denied of all his due promotions and he exiled himself to Papua New Guinea where he rose to the rank of Chief Prosecutor and Head of the CID. He was also the advisor to several Prime Ministers there.

I wish to dedicate this book to the 2 young people who were the authors of this book who worked tirelessly at no additional reward other than their passion and also to Mrs. Jean Arasanayagam who allowed us to use her poetry to glue the book together.

I would like my Tamil Brethren to put together a book on the goodness of their Sinhalese brethren during the awful period of July 1983. You may remember Hitler killed 6 million Jews but

those of you who have seen the film Schindlers list know of the gratitude the Jews had for one caring German.

The 1983 ethnic violence was a terrible thing which was damaging to all of us whether Tamil or Sinhalese. Coincidentally I started my career in July 1983 and took on my last job when I took over Asia Capital the day before the war ended.

I sometimes feel I have come a full circle and in a sense I am a product of the war because my entire career has been overshadowed by the war in some sense or the other.

Just like my Tamil brethren who left the country in disgust, I myself left the country for the US in 2003 with the idea of not returning again. In 2004, I left the country once more. This time more permanently to migrate to Australia when the interminable war was not ending.

By a pure co-incidence my majority shareholder bought into Asia Capital a day before the war ended in May 2009 and we have been very successful over the past 18 months. I want to make our CSR programme worthwhile and tangible and a meaningful one. I want to build on the outstanding pulpit provided by Tharindu and Sunela. I am thankful to both of them for providing me the opportunity to build our CSR programme from that solid base.

I am pleased to see all of you here today and I consider myself very lucky to be here at all. I almost did not make it As some

## A Quantum Leap

# Corporate Social Responsibility

**"It is not possible to be communal if you truly appreciate the culture and find joy in the other community's culture."**

of you may be aware, on the 26th of October I was seriously ill. I almost did not make it. It was a close call and it was hard work getting up here. The thought of the 10,000 kids needing assistance kept me going. Hence I am here in a wheel chair. Some of my staff I understand have nick-named me " the wheel chairman". Other Chairmen have bag carriers. I am fortunate to walk around with " 2 chairman carriers"

A couple of days ago, my wife appealed to my conscience as to why I was going to such expense in having this event at a 5 star hotel as it is meant to assist childrens education. She was wondering if it would be a wasted expense. I had to defend my venue and for my defense I used a term used by a very wise old man called Socrates' The term "exordium" which I believe means "bait" and I said " I have got to have these people interested in the programme" To obtain commitment I need to put my audience in a receptive mood. All the food and drink out there is the bait to get your attention.

My wife did not look too convinced, but she did not say anything., Whenever you are stuck it is always good to use a fairly large word to get out of it.

**It is not possible to be communal if you truly appreciate the culture and find joy in the other community's culture.**

As a 9 year old child I went to Jaffna for the first time. I believe that experience changed my life completely. When one of my colleagues told me that the Jaffna library was burned I cried along with him. **Hence the title of our programme " Put a little bit of Jaffna in your lives". Once we do that, we can never go back down that racist path again.** If you turn to page 123 of the book you look into the eyes of little Yathusha. I learned that her father who is a toddy tapper had lost his leg in the war due to a mine and was finding it difficult to make his living. She is the same age as my young daughter and having lost the use of my left leg I can relate to her plight.

I can still making a living despite losing a leg , but what can a one-legged toddy tapper do ? He has no resources. My wife and I decided to finance Yathusha's education for the rest of her life and my 16 year old daughter Keshini Davina has met her today and has just been given the responsibility of looking after her for the rest of her life. After becoming sisters, do you think either Jerusha or Keshini can ever become racist again. Keshini, please repeat after me "let's put a little bit of Jaffna in our lives" . All you Nanayakkara brats out there, please repeat after me





“Ladies and gentlemen, this project requires more than money from you. It requires you to get involved in the child’s life intimately - That is how you put a little bit of Jaffna in your life.”

“let’s put a little bit of Jaffna in our lives”. Ladies and gentlemen, can you all please repeat after me “lets put a little bit of Jaffna in our lives”. Come on all of you “Lets put a little bit of Jaffna in our lives”. All together now “Lets put a little bit of Jaffna in our lives”. Let’s have 10,000 Yathushas and 10,000 Keshinis to ensure that we will never go through another horrible period like that again.

I also wish to dedicate this book to Dr. Neelan Tiruchelvam whom I had the good fortune to be associated with in negotiating the Galle Harbour project. He was a wonderful human being I also wish to dedicate the book to Mr. Lakshman Kadirgamar a great human being with whom I had the occasion to chance upon when I was working for the Government. A third person I wish to dedicate the book to is the late Mr. Ashraff with whom I had my differences but discovered that these differences did not matter.

**It is said that people who do not learn lessons from history will undoubtedly repeat those mistakes. We need to deal with a aftermath of the 30 year old war.** Many of you are not aware that Asia Capital has a subsidiary called Asia Digital Entertainment (Private) Ltd., We have recently produced a movie called “Flying Fish” which was shot by a young director from the East Coast. The narrative of the movie is the impact the war has on children and the innocent. Flying Fish was made by Sanjeewa Pushpakumara, a young Sinhalese. It is a virtual travelogue on the East Coast. It is to be shown at the Rotterdam Film Festival from 26th January to 06th February and has been nominated for the Tiger award which is the premier award at that festival. It is one of only 12 nominated movies to be shown at that film festival. It has already been shown in some parts of Europe and we hope to sell the international rights soon. I am really very proud of our little investment. I would like Asia Capital to do a little bit more than sell securities, insurance policies and lend money and take deposits. As a Company we need to become more relevant to our environment and what is more relevant than the war and its aftermath. I believe the movie will really change the thinking in a lot of people who see the movie. Ladies and gentlemen, please make the Jaffna project a reality.

I would also like to announce today the company’s decision of putting together the finances for another film titled “Sidhartha the Buddha” a joint Sri Lanka/India/ Malaysia co-production to be backed by a Tamil Financier and made by a Tamil Director Mr. Chandran Rutnam, primarily targeting the South Indian market.

Just as much as *Glorious Jaffna* is a Sinhalese attempt to appreciate Tamil culture, Sidartha the Buddha is a Tamil attempt to appreciate the Sinhalese culture.

It is good to see Fr. Chickera here. He got me out of several adventures when I was a student at St. Thomas’ College where he was the chaplain. I am hoping to get his help on this adventure as well.

Mrs. Swarna Amaratunge who is the mother of one of my co-horts Chanaka Amaratunga who had an illustrious academic career and who was a budding politician. Chanaka was taken away from us at a young age, but I know he would have cared a great deal about this project of ours if he was alive today.

The book is being offered today at a special rate of Rs.4,000/- In addition it comes in a very attractive presentation box which thereafter can be used to store your Jaffna cigars.

Finally, I would like to announce that we have a commitment for almost 200 children. Dato Vijay Eswaran has committed to finance 100 children. I am personally taking steps to finance 50 children. In addition, members of my family have agreed to sponsor 20 children. This takes us upto 170 and I hope before you leave the premises tonight, I would have 200 commitments. That is 2% of our target. Asia Capital is putting up a website to keep all the donors informed about the progress of the children so that they are fully involved with their sponsored child. **Ladies and gentlemen, this project requires more than money from you. It requires you to get involved in the child’s life intimately - That is how you put a little bit of Jaffna in your life.**

## A Quantum Leap

# Corporate Social Responsibility

*Glorious Jaffna Staff with volunteers*



*Children from Chankanai & Kayts*



*Children from Thalayady with educational material*



*Distribution at Sandilipay*



*Distribution at Tellippalai*



*Happy children at an Assessment in Tellippalai*



A few moments from the journey so far...

Geetha distributing study packs for September, Point Pedro



Mr. Ajanthan from Caritas at a distribution, Point Pedro



Fr. Bernard from Caritas at a distribution in Chavakachcheri



Geetha, Dushan and a volunteer with Yathusha and Thanu



Dushan distributing study packs for September, Sandilipay

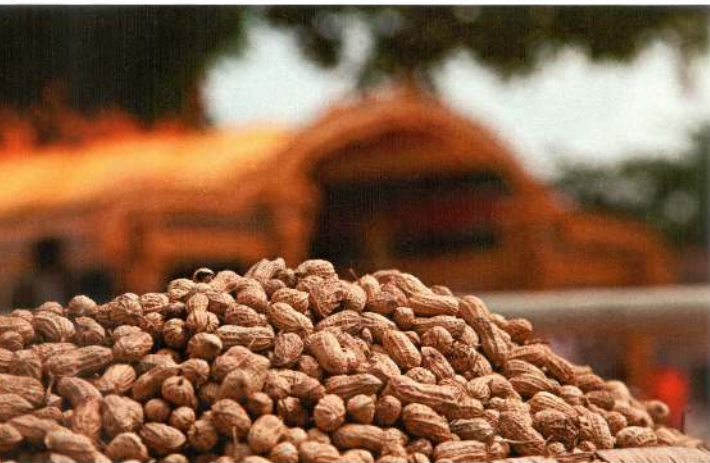


Geetha distributing study packs for September, Point Pedro



## A Quantum Leap

# Corporate Social Responsibility



"Glorious Jaffna is a captivating coffee-table pictorial that depicts a once tranquil district which became a springboard for a senseless secessionist conflict. It is also a tribute to a resilient people and picturesque milieu that had been transformed into a war-ravaged landscape of rebellion, rubble and ruin rising from the ashes....



.....The collection offers a veritable assortment of topics ranging from personality portraits to landscapes, devotees, places of religious worship, spices and its colourful culture and traditions..The combination of elements here is powerfully expressive as his camera appears to pan into idyllic reverie, deftly embellishing those special elements of atmosphere and mood.....



Among our tropical island's localities which have been suffused for centuries by calm and contentment, Jaffna had been the beau ideal.



.....The compilation swivels with images from the heart-warmingly happy to the starkly melancholy with a moving candour. Here the photographer as artist conjures up a cluster of personality portraits of ordinary yet dignified personages including the venerable profiles of the ruggedly grizzled patriarchs and stately grande dames of Jaffna society. One cannot but fail to be transfixed by the eloquent intensity of hope in their expressions instilled by their robust faith in simple religious values. The children are featured in harmonised composition that portrays them in fascinating allegories of laughter, high-spiritedness and blissful innocence that conveys a kind of seraphic sweetness. They are images that tug at the heartstrings and herein lie their appeal.....



.....The illustrations weave a captivating mélange of enthrallment, simplicity and timelessness into the pleasing tapestry of this pictorial mosaic. There are echoes in both text and picture everywhere of a hopeful ebullience of the rebirth of this cultural and commercial urban giant. The images unravel the story that the task of reconstruction will not be easy, but that the people do not seem dismayed. They have already set about the rebuilding process with rarely witnessed enthusiasm. The place is leaping back to life with an astonishing vitality.....

*Excerpts from a review of Glorious Jaffna Book by Mr. Gaston de Rosayro  
Editor, Author and Media Consultant*

Book available at all leading book stores in Sri Lanka and [www.amazon.com](http://www.amazon.com)

## A Quantum Leap

# Corporate Social Responsibility



### Case Story - Yathusha & Thanu

Yathusha 8 years and Thanu 5 years are two vulnerable children who were identified and selected for the pilot educational sponsorship project launched under *Glorious Jaffna* in January 2011. Mr Manohan Nanayakkara, the Chairman of Asia Capital PLC initiated the *Glorious Jaffna* Charity, that is expected to cover 10,000 children in the North of Sri Lanka.

Yathusha & Thanu reside at Ward-2, Allapiddy in Velanai, which is the largest of 7 inhabited islands of Jaffna District, with the 3rd lowest density of population. Due to continuous transportation difficulties, security restrictions and scarcity of water for livelihood, the families remain unfortunate, poor and children malnourished.

They live in a temporary shelter supported by Sewa Lanka with access to washing water from a nearby common well. Yathusha and Thanu have a little brother of 3 years and their parents have no regular income to manage their day-to-day expenses. Their father, Mr Johnson Micheldo lost his leg in a land mine a few years back during the war and hence, he is unable to carry out his traditional carpentry work that brought him a regular income. Therefore, he had to look out for other avenues of employment and finally made a choice of catching sea leeches which was seasonable and thus did not provide him with a regular income.

Now, Yathusha and Thanu are both receiving a monthly support worth Rs.2,500/00 each to cover their educational needs. This is provided to them through *Glorious Jaffna's* implementing partner of the project, M/s. Caritas, Jaffna. This has been a turning point for Yathusha especially because she is very intelligent and anxious to learn, while Thanu is still attending the pre-school. Her class report and field staff reports indicated an impressive improvement of ranking from 22 to 12 within the last three months. Meanwhile, the burden on her mother has reduced to a large extent where the father's income is now utilized fully to cover the other household expenditure. Hence, they are a happy family managing their affairs on their own.

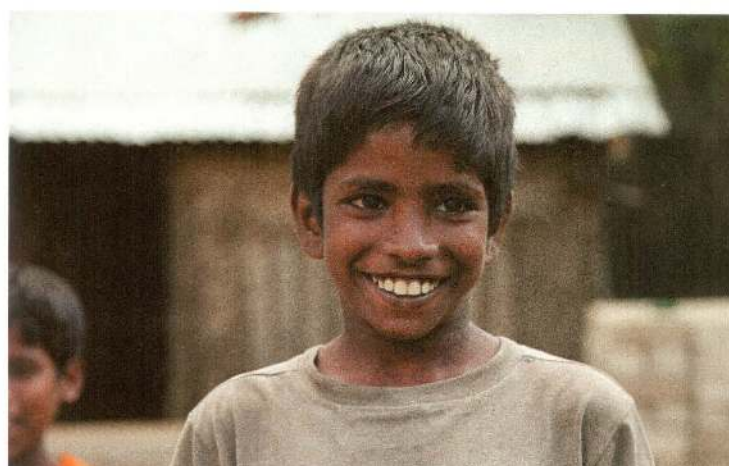
Yathusha's and Thanu's sponsorship package includes stationery, educational work books, extra classes, etc based on the requests received from their class teacher amounting to Rs.2,000.00. A compulsory savings of Rs.500.00 per month is deposited to their minor's savings account opened with NSB Jaffna for their future stability.

Yathusha is studying at Allapiddy Parasakthy Vidyalalam, identified as one of the biggest schools in the area that has almost all the basic facilities. However, the school lacks a play ground and play materials as well as teachers to cover all subjects offered



The uniqueness of this project is the regular meetings held directly with donor and the family of Yathusha and Thanu even though funding is carried out through *Glorious Jaffna*. The project believes that the understanding developed and relationship created will bring harmony among communities in the long run and uplift the standards of the children and their families.

There has been good progress made by Yathusha since the educational sponsorship was given to her. She has shown more keenness, attending school regularly during the last few months. She spends more time studying, especially in the morning, and also makes sure to attend tuition classes in the evenings between 3.30 and 6 to improve further in her studies. She has improved in English and Tamil in the recently concluded exams. She is currently getting tuition for Mathematics, Tamil, English and Social Studies. Overall there are many positive signs shown by Yathusha towards her education since the sponsorship grant was given to her in January. Yathusha is deeply thankful to *Glorious Jaffna* for the opportunity given to her to carry out her studies without worrying about the financial constraints the family was faced with before.



### Case Story - Selvanayagam Vithushan

Vithushan, born on September 2, 1999 is a 12 year old child studying in grade 6 at Anaikkodai Balasubramaniam Maha Vithyalayam.

During the final stages of the armed conflict in the Vanni, Vithushan lost all his immediate family members namely, his father, mother, brother and two sisters at Mathalan on March 3, 2009.

The *Glorious Jaffna* charity aims to help war affected children, to uplift their educational standards. Selvanayagam Vithushan was one such child who was absorbed to the Educational Sponsorship Programme. Since August Vithushan's educational needs were provided by Asia Capital PLC under the educational sponsorship programme.

Fortunately for Vithushan, his mother's sister, Theresa (his present guardian) brought him to the Arunachalam Welfare Centre in Vavuniya where they lived until October 2009. Since Theresa owned land in Anaikkodai, Jaffna, they were released from the camp for resettlement, so they were able to build a temporary shelter and live there, till they received a permanent house from the Government with World Bank funding via the normal process.

Today, Vithushan has a beautiful house to live in which his aunt has built with the funds she received from the World Bank.

## A Quantum Leap

# Corporate Social Responsibility



In March 2011, when we first visited Vithushan, he did not show any interest in studies and did not attend school regularly due to poverty, as his guardian Theresa was struggling to meet the demands of the household with the earnings from a small grocery shop that she operated. At the time, all that Vithushan had in his mind was to become a mason like his father.

In August 2011, Vithushan started receiving his educational study pack and we observed that his school attendance was improving day by day. He joined evening classes and was occupied with his studies throughout the day.

Vithushan's overall rating had dropped at the 2nd term exams but he is confident that he will perform better in the next term tests. He shows more interest in studies now and making a great effort to show improved averages and ranking in class at the last term exams.

We observed that Vithushan was fully engaged with his studies, working hard with an objective to obtain better results in the next term tests.

Even though he was not sure of what he wanted to do later in life, his original intention of working as a mason has faded in his mind.

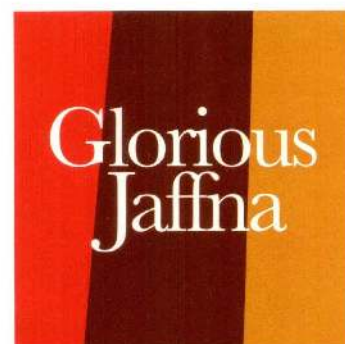
He is much naughtier than before and has requested a bicycle to facilitate his studies. Vithushan wants to be more independent and responsible and he believes that focusing on



education will help him out of the present situation that he and Theresa are in.

*Glorious Jaffna* will continue to provide assistance to innocent war affected children like Vithushan so that they will have a better future for their lives. By providing the necessary educational resources to children they will be on an equal footing with other children in the country and the relationship between the donor and child will broaden each child's perspective on people outside of the Northern Province, which will ultimately minimize the possibility of communal violence in the future.

**Please visit [www.gloriousjaffna.com](http://www.gloriousjaffna.com) for more information and how you can be a part of this noble cause. Please help a deserving child by 'putting a bit of Jaffna into your life'.**



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



### **Milk for School Kids**

The Group's second CSR initiative aims to provide much needed nourishment to children through the funding of a milk-feeding programme conducted at 9 schools in the Jaffna Peninsula. The implementing agency for the project is an International Non Governmental Agency called the Humpty Dumpty Institute (HDI). HDI implements a dairy development project in Sri Lanka funded by the U.S. Department of Agriculture (USDA) Food for Progress program. This project, located in the Jaffna peninsula aims towards dairy and livestock systems revitalization for communities. Through its own project HDI sources the required milk through dairies in the area. Through cooperatives the milk is collected and then distributed to the schools after the addition of other supplements such as Milo.

Given the extent of the poverty levels in the areas concerned, the provision of a glass of milk is a vital addition to the nutritional intake of the children in these schools. Most often the milk serves as the key form of nutrition for most children.



### **Flood Relief**

The Eastern province was severely affected due to floods at the beginning of this year. Kinniya in the Trincomalee district was one such town that was affected very badly. The staff at Asia Group provided relief in terms of dry rations to about 100 residents in Kinniya during this time.

## A Quantum Leap

# Corporate Governance

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

1. The Companies Act, No.07 of 2007
2. The Listing rules of the Colombo Stock Exchange
3. "Code of Best Practice on Corporate Governance" issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
4. Securities and Exchange commission of Sri Lanka Rules – 2001
5. Financial Transaction Reporting Act, No.6 of 2006
6. Prevention of Money Laundering Act, No.5 of 2006
7. Convention on the Suppression of Terrorist Financing Act, No.25 of 2005

Our best practices on Corporate Governance are as follows:

Corporate Governance Principle	Compliant Status	Level of Compliance
The Board of Directors (The Board)	Compliant	<p>The Board of Directors currently consists of eight members including the Chairman and Deputy Chairman</p> <p>The day to day monitoring of operations of the organization has been delegated to the CEO and the Executive committee governed by policies, procedures and authority by the Board of Directors</p> <p>The Board is accountable to the stakeholders of the Company to ensure that the business is conducted in an appropriate manner based on approved business plan and the financial and non-financial targets of the Company are achieved. The Board's Terms of Reference stipulate the specific duties of the Board and the following are some key matters which come under the Board's review and approval:</p> <ol style="list-style-type: none"> <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> </ol>

Corporate Governance Principle	Compliant Status	Level of Compliance
Board meetings	Compliant	The board meetings were held three (3) times during a year to review financial performance and consider other matters such as strategic and operational plans
Board appointments	Compliant	The Company ensures that professional qualifications, business experience and personal qualities are taken into consideration in new appointments to the Board
Board responsibilities	Compliant	The Board is collectively responsible for formulation, implementation and monitoring of business strategies. In order to do so, the Board appoints sub committees of the main board to assist the main board in fulfilling its stewardship function by reviewing systems of internal control, internal and external audit, risk management, IT system and financial reporting to shareholders
Chairman	Compliant	The Chairman is responsible for the leadership of the Board, managing Board Meetings and the business undertaken thereat. The Chairman, together with the Company Secretary is responsible to ensure all relevant issues are on the Board Agenda and Directors receive all appropriate information and documentation in a timely manner, thus facilitating the Directors to contribute at the deliberations
Chief Executive Officer (CEO)	Compliant	The CEO is responsible for the management of the Company in accordance with the mandate defined by the Board and he is accountable for the achievement of the financial and non-financial objectives as stipulated in the Company plan
Independent Non-Executive Directors	Compliant	Each non-executive director submits a signed and dated declaration annually of his independence or non-independence against a specified criteria as set out in Appendix 7A of Colombo Stock Exchange listing rule section 7.10.2(b)
Provision of relevant, quality and timely information	Compliant	Board papers, agenda and previous board minutes to be tabled one week prior to board meeting
Dedication of adequate time and effort to matters of the Board and the company	Compliant	The board members dedicate adequate time for the affairs of the company by attending Board meetings, Board sub-committee meetings and by making decisions via circular resolutions
Independent Professional Advice	Compliant	The Board members are permitted to obtain independent professional advice from third parties as deemed necessary which includes the Company's external lawyers and auditors at the expense of the Company
Balance of the board – executive and non-executive Directors	Compliant	Three of the eight directors on the Board hold office in a non-executive capacity
Disclosure of new Directors details	Compliant	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 81 and 82 of this Annual Report

# A Quantum Leap

## Corporate Governance

Corporate Governance Principle	Compliant Status	Level of Compliance
Re-election of Directors at regular intervals	Compliant	To comply with the Article of Association, the directors who have been appointed to the Board during the year, hold office until the next AGM, and are required to retire and new director to be re-elected by the shareholders
Company Secretary	Compliant	The Company Secretary possesses the required qualifications and expertise, and advises the Board on matters concerning the Companies Act and other relevant rules, regulations and regulatory guidelines. All governance activities are coordinated on behalf of the Board by the Company Secretary, who is accountable to the Board
Transactions with Directors	Compliant	As per the disclosure requirement of Companies Act, No.7 of 2007 (Section 192), the Board has to disclose all transactions that they have with the company
Relations with Shareholders	Compliant	The Board keeps informed of the developments of the company to its shareholders via stock exchange, press release and dialogue with shareholders via AGM
Annual General Meeting (AGM)	Compliant	The Board uses the AGM to communicate with shareholders and encourage their participation
Notice for calling AGM	Compliant	As per section 167 of Companies Act, No.7 of 2007, annual report, notice of meeting, proxy form and other related documents are circulated to shareholders at least 15 working days prior to the date of the AGM
Statutory and Regulatory Reporting	Compliant	<p>The interim financial statements and Annual Report are published according to Sri Lanka Accounting Standards (SLAS) and circulated to shareholders and Colombo Stock Exchange within the stipulated time period</p> <p>All the price sensitive information is disseminated to Colombo Stock Exchange on time in accordance with Section 8 of the Colombo Stock Exchange listing rules.</p> <p>All the statutory reporting to Registrar of Companies is compiled as per the provisions of Companies Act, No.7 of 2007</p>
Directors' Report	Compliant	The Directors' Report is set out on page 80 of this Annual Report
Directors' responsibilities to Financial Reporting	Compliant	The statement of Directors' responsibility to financial reporting is set out on page 85 of this Annual report
Auditors' Report	Compliant	The Board maintains formal, transparent and appropriate relationship with auditors of the company. The Statement of Auditors' Report is set out on page 92 of this Annual Report
CEO & CFO's responsibilities to Financial Reporting	Compliant	The statements of CEO & CFO's responsibilities to financial reporting are set out on page 87 of this Annual Report
Management discussion	Compliant	The Management discussion of financial performance is set out on pages 28 to 47 of this Annual Report



Corporate Governance Principle	Compliant Status	Level of Compliance
Disclosure requirements	Compliant	The Company complies with disclosure requirements relating to Sri Lanka Accounting Standards, Colombo Stock Exchange, Companies Act and Financial Transaction Reporting Act
Serious loss of Capital	Compliant	As per section 220 of the Companies Act, No 7 of 2007, if the net assets of the Company are less than half of its stated capital, the Board shall call for an EGM (Such a situation has not arisen)
Declaration of going concern by Directors	Compliant	The information is set out in the Directors' Report on page 81 of this Annual Report
Remuneration Committee	Compliant	Remuneration Committee comprises of two 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 81 of this Annual Report
Disclosure of remuneration	Compliant	The total remuneration of Directors including their fees is disclosed in the note 8 on page 113 of this Annual Report
Audit Committee	Compliant	Audit Committee comprises of two independent non-executive directors. Mr F.X.R. Pereira is the Chairman of the Committee. The details of the Audit Committee's composition and functions are set out on page 88 of this Annual Report
Audit Committee report	Compliant	The Report of Audit Committee is set out on page 88 of this Annual Report
Board review of effectiveness of the internal control	Compliant	The Audit Committee regularly monitors the effectiveness of internal controls and the Board is collectively responsible for sound establishment of internal controls. Assurance of this is achieved via meetings between the internal audit and management representatives with the Audit Committee.
Risk Management	Compliant	The Company has designed a risk management system to identify, assess and manage its existing and potential risks (Risk Management of the company is set out on pages 76 to 79 of this Annual Report)
Internal control and risk assessment	Compliant	<p>PricewaterhouseCoopers has been appointed as internal auditors of the company.</p> <ul style="list-style-type: none"> <li>• Reviewing the internal audit budget, staffing and audit plan</li> <li>• Reviewing the material findings of internal audit reviews and management's response</li> <li>• Reviewing the effectiveness of internal controls, including IT controls and security, overall control environment and accounting and financial controls</li> <li>• Obtaining internal auditors recommendations regarding internal controls and accounting procedure</li> <li>• Reviewing internal auditors appointment, performance and replacement</li> <li>• Reviewing major financial exposures and the processes to monitor, control and reporting such exposures</li> </ul>

# A Quantum Leap

## Corporate Governance

Corporate Governance Principle	Compliant Status	Level of Compliance
External audit and Audit Committee	Compliant	<p>The Audit Committee contributes to the assessment of the independence and performance of external auditors by:</p> <ul style="list-style-type: none"> <li>• Reviewing the scope, plan, and audit procedures</li> <li>• Assessing the annual and interim financial audits</li> <li>• Reviewing any material differences or disputes with management encountered during the course of the audit</li> <li>• Reviewing the management letters content and appropriateness of management responses</li> <li>• Recommending to the Board the terms of engagement and remuneration of external auditors</li> <li>• Ensuring the objectivity and independence of external auditors</li> <li>• Carrying out an independent evaluation of external auditors' performance</li> </ul>
Executive Committee	Compliant	The Executive Committee is accountable to the Board and is responsible to assess the operational and strategic performance, and be the main decision making body for the operations of the company, make appropriate recommendations to the Board
IT Governance	Compliant	Effectiveness of internal controls and IT security policy of the Company are regularly monitored by Audit Committee. IT risk is considered as a critical risk in the risk profile of the company and more resources are allocated to mitigate the IT risk via a business continuity plan
Performance Governance	Compliant	The Company's performance governance has a framework to monitor the performance on a monthly basis by the Board on key areas such as financial and non-financial areas including capital adequacy, solvency and liquidity
Compliance Governance – regulatory	Compliant	The Company demonstrates its full commitment and support to high standards of compliance with the Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) requirements as per the relevant statutory enactments and requirements of Financial Intelligent Unit of the Central Bank of Sri Lanka. The enterprise-wide AML/CFT programme establishes robust and comprehensive policy, procedures, processes and systems for the prevention and detection of money laundering and terrorist financing activities

### Compliance status of Section 7 of the Listing rules of Colombo Stock Exchange

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.1(a)	Non-executive directors	Two or one third of total number of directors, whichever is higher, shall be non-executive directors	Compliant	The Board comprises of three non-executive directors
7.10.2(a)	Independent non-executive directors	Two or one third of non-executive directors, whichever is higher, shall be independent	Compliant	The Board comprises of three independent non-executive directors
7.10.2(b)	Submission of declaration by non-executive directors	Each non-executive directors shall submit a declaration of independence/non-independence in the prescribed format	Compliant	Each non-executive directors has submitted his/her declaration to CSE
7.10.3(a)	Disclosure relating to directors	The names of all independent directors shall be disclosed in the Annual Report	Compliant	Please refer to pages 12 to 15 of the Annual Report
7.10.3(b)	Disclosure relating to directors	In the event a director does not qualify as "independent" as per the rules of corporate governance but if the Board is of the opinion that the director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Compliant	No such determination has been carried out by the Board
7.10.3(c)	Disclosure relating to directors	A brief resume of each director which includes information on the nature of his/her expertise in relevant functional areas is to be published in the Annual Report	Compliant	Please refer to pages 12 to 15 of the Annual Report
7.10.3(d)	Disclosure relating to directors	Upon appointment of a new director to its board, the Company shall forthwith provide to the CSE a brief resume of such director	Compliant	The Company has 2 new appointments to the Board during the financial year under review. A brief resume of each such appointed director has been provided to the CSE as specified
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Please refer to page 86 of the Annual Report
7.10.5(a)	Remuneration Committee – members	The Remuneration Committee shall comprise of a minimum of two independent non-executive directors or a majority of independent non-executive directors, whichever is higher	Compliant	The Remuneration Committee comprises of two independent non-executive directors
7.10.5(b)	Remuneration Committee – Functions	The Remuneration Committee shall recommend to the Board remuneration payable to Executive Directors and CEO	Compliant	Please refer to page 86 of the Annual Report

# A Quantum Leap

## Corporate Governance

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.5(c)	Disclosure in the Annual Report	The Annual Report should set out: Names of the directors of the Remuneration Committee The statement of remuneration policy Aggregate remuneration paid to executive and non-executive directors	Compliant	Please refer to page 86 of this Annual Report  Please refer to page 86 of this Annual Report  Please refer to page 113 of this Annual Report
7.10.6	Audit Committee	A listed company shall have an Audit committee	Compliant	Please refer the Audit Committee Report on page 88 of this Annual Report
7.10.6(a)	Composition of Audit Committee	The Audit Committee shall comprise of a minimum of two independent non-executive directors or a majority of independent non-executive directors, whichever is higher  One of the non-executive directors shall be appointed as the Chairman of the committee by the board of directors  The CEO and CFO shall attend the Audit Committee meetings  The Chairman or one member of the Audit Committee should be a member of a recognized professional accounting body	Compliant	The Audit Committee comprises of two independent non-executive directors  Mr F.X.R Pereira (independent non-executive director) acts as the Chairman of the Committee  The CEO and CFO attend meetings by invitation  The Chairman is a fellow member of the Chartered Institute of Management Accountants
7.10.6(b)	Functions of Audit Committee	The Audit Committee shall oversee: <ul style="list-style-type: none"> <li>• Preparation, presentation and disclosure of the financial statements and ensuring they are in line with the Sri Lanka Accounting Standards</li> <li>• Compliance with financial reporting, Companies Act and other financial reporting regulations and requirements</li> <li>• Processes to ensure that internal controls and risk management are adequate to meet the requirements of Sri Lanka Accounting Standards</li> <li>• Assessment of the independence and performance of external auditors</li> <li>• Appointment, re-appointment and removal of external auditors and approve the terms of remuneration and terms of engagement</li> </ul>	Compliant	Please refer to the Audit Committee Report on page 88 of this Annual Report

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.6(c)	Disclosure in the Annual Report	The Annual Report shall disclose: <ul style="list-style-type: none"> <li>• Names of the directors of the Audit Committee</li> <li>• The determination of the independence of the auditors and the basis for such determination in the annual report</li> <li>• A report by the Audit Committee setting out the manner of compliance with the listing rule 7.10 on Corporate Governance</li> </ul>	Compliant	Please refer to the Audit Committee Report on page 88 of this Annual Report

## A Quantum Leap

# Risk Management

### Risk Management

Risk management is a method ensuring that the business risks taken by the organization are calculated and are based on best management principals. This enables the company to safeguard its assets and financials from risks arising from internal and external sources. At Asia Capital PLC a sound risk management system is in place to mitigate the risks faced by the company and to achieve its objectives. The risks faced by the company are managed according to the company's risk appetite and to determine the best combination of risk and return which will maximize the company's wealth while ensuring the company's growth and existence.

Asia Capital PLC's internal control system ensures the objectives of the company are achieved while frauds, errors and malpractices are eliminated to reduce the internal risks faced by the company. Therefore, the Company is focused on the significant risks which are identified by the Risk Management Process at Asia Capital PLC.

### Risk Management Committee

Asia Capital PLC has appointed a Risk Management Committee in a bid to identify the risks faced by the Company. The Committee consists of members of the Board, Heads of Departments and senior staff to represent many departments at Asia Capital. The main role of the Committee is to identify the risks faced by Asia Capital PLC based on various criteria set out in the Risk Policy Manual, review the risk profile of the Company, assess the risk appetite towards specific risks or risk management practices and design control measures and implement them to achieve Company's short term and long term objectives.

### Risk Management System at Asia Capital PLC

The risk management system is developed by the Company to address the risks associated with the constantly changing business environment and to treat relevant risks to mitigate the impact they have on Asia Capital PLC. The risk management system identifies internal and external risks faced by the company, analyses priorities the risks, taken necessary actions to mitigate the risks and monitors the risks faced by the company periodically. The system ensures that all the risks are captured and necessary actions are taken to manage the risks with the view of achieving company's short and long term objectives.

### Risk Management Process



### Risk Identification

As an Investment company, Asia Capital PLC faces numerous risks on a daily basis. These risks arise internally as well as externally and Asia Capital needs to manage them to safeguard stakeholder wealth and the interests of the company.

The Risk Policy Manual consists of policies for all the staff at Asia Capital to follow in order to prevent risks on a daily basis methods of identifying the internal and external risks faced by the company. The Risk Policy Manual is revised annually to incorporate any new Risk assessment criteria and to remove invalid/out dated assessment criteria's so that the Risk Policy Manual is up-to-date to cater to the continuously changing business environment.

The Risk Management Committee periodically/quarterly meets to identifies the risks faced by the company and analyzes the risks based on the assessment criteria set out previously. The identification process is a lengthy one where brainstorming sessions, surveys, questionnaires, team meetings and other reliable techniques are sourced to identify the internal critical risks of the company while in-depth market analysis, competitor analyses and technology and customer studies are carried out to identify the risks which are external to Asia Capital. These techniques reveal the risks that Asia Capital is exposed to and provide the committee with a starting point to address them.

## Risks faced by ACAP

### Strategy and planning risk

Inability to implement selected strategies or plans, not achieving business objectives, inappropriate or adverse decision making, lack of responsiveness to industry changes, improper timing to enter into and exit from capital ventures, failure to select optimum risk and return through business strategies affects Asia Capital and these are considered as strategy and planning risks.

### Competition Risk

Asia Capital faces internal and external competition risks. Over reliance on existing products, failure to adopt new technology, inability to introduce new products and deviate from the market trends are considered as internal competition risks. Introduction of new products by competitors and adverse promotional campaigns are some of external competition risks faced by Asia Capital.

### Liquidity Risk

Unavailability of cash to run the business on a daily basis or secure a viable business opportunity, and the inability to meet regulatory cash reserves are two of the examples which are considered under Liquidity risk. Liquidity risk is considered as high importance to the firm and Asia Capital always takes measures to manage the liquidity risk faced by the firm.

### Market Risk

Adverse financial impact on the company from the fluctuation of interest rates, foreign currency, equity and commodity prices and property values are considered as market risk.

### Credit Risk

Defaulting obligations fully or partly by Asia Capital counterparties is considered a credit risk.

### IT Risk

Current environments in the business world mainly depend on the Information Technology and Communication systems. System failures, system errors and breakdowns, unauthorized system access, improper use of information, unavailability of IT systems and support are considered IT risk by Asia Capital.

### Social and Political Risk

Asia Capital faces social and political risk due to political instability and social unrest which affect us when carrying on our day to day business activities.

### HR Risk

Improper recruitment procedures, failure to provide compensation and benefits to the right employee, occupational health and safety issues, unethical employee conduct and high employee turnover are considered HR risks by Asia Capital.

### Fraud Risk

Malpractices, money laundering, fraudulent actions and mismanagement of assets are considered fraud risk by Asia Capital.

### Reputation Risk

Actions of the company which affect the trustworthiness of business, loss of reputation and verdicts given by a court are considered Reputational risk.

### CSR Risk

Failure to identify responsibility to society, environmentally and socially harmful business operations, and neglecting responsibility towards stakeholders of Asia Capital are considered CSR risks.

## Risk Analysis

The risks identified by the Risk Management Committee are analyzed based on the Risk Assessment Matrix to prioritize and quantify the risks. The Matrix takes into consideration the Impact of each risk identified and the likelihood of the risk occurring. The risks with high impact and high likelihood of occurring would be given priority. The risk analysis provides Asia Capital with a clear view of the risks faced by the company and enables the Board of Directors and the Risk Management Committee to formulate the necessary strategies to manage the risks faced by the company.



High impact/High likelihood – The Risks that fall under high Impact and high likelihood are of critical importance and given the top priority due to the impact these risks could have on the company and high likelihood of occurrence. These risks are managed carefully to mitigate the risk exposure of the company.

# A Quantum Leap

## Risk Management

High impact/Low likelihood – Risks with high impact to the company are of high importance but the likelihood of occurrence of these risks is less. The company takes necessary action to reduce the impact of these risks and develops contingency plans to mitigate the impact if the risks do occur.

Low impact/High likelihood – Asia Capital PLC is able to absorb the impact of the risks which has a high likelihood of occurrence with a low impact to the company. The company takes actions to mitigate the occurrence of these risks.

Low impact/Low likelihood – Risks with low impact and low occurrence possibility are considered low risk and ranked the lowest amongst other risks faced by the company. Asia Capital PLC takes precautionary actions to prevent these risks becoming high impact risks to the company.

### Risk Planning

The Risk planning stage identifies the various strategies required to manage each risk category.

#### Strategy and planning risk

- The Risk Management committee has recommended a 5 year strategic plan which is revised annually.
- Comprehensive budgeting and variance analysis done on a company and SBU level.

#### Competition Risk

- At Asia Capital Oracle BI - a comprehensive new Management Information system has been implemented in order to analyze data and information, to give Asia Capital PLC an edge over the competition.
- Direct competitor analysis is carried out on a quarterly basis and Key Performance Indicators are analyzed and compared industry wide.

#### Liquidity Risk

- Constant review of working capital
- Proper management of funding for Asia Securities
- Continuous management between mismatch of debtors and creditors.

#### Market Risk

- The risk management committee has recommended the research division to monitor economic indicators and report to the strategic planning committee and also recommend strategies to deal with any possible adverse impact.

#### Credit Risk

- Proper agreements written and signed with the creditors in order to minimize risk of nonpayment.
- Ensure proper Security/Collateral/background check when granting loans to third parties.
- Having strong relationships with creditors.
- Meetings are held regularly to manage counterparty exposure and eliminate excess credit exposure for individual customers.
- Regular reviews are conducted on the company's credit exposure to ensure that the limits are within the viable limits of the company.

#### IT Risk

- A comprehensive IT group wide policy and procedure manual has been developed which outlines a clear framework for information risk.
- Asia Securities has appointed an IT security, risk and infrastructure manager to overlook the risk management function for the IT division.
- Currently management is in the process of investing in a disaster recovery and high availability solution with SLT IDC. The purchase order for phase 1 implementation has already been placed. Space has been allocated in SLT IDC to implement a high availability solution with an initial investment of Rs. 5 mn. Funds have been allocated for Phase 2 with an initial budget of Rs. 14 mn.

#### HR Risk

- Motivational programmes are organized for new and existing staff.
- Periodic comprehensive performance reviews are carried out.



- A comprehensive orientation programme is provided to all new recruits and an ongoing training program is conducted regularly for existing employees.
- Employees are provided with safe work environments to carry out their duties properly with safety checks conducted on a regular basis.
- Availability of detailed HR manuals, which help all employees to adhere to rules and procedures.
- Asia Capital has provided its employees with clear job descriptions where each employee is aware of their job roles and duties. This has enabled Asia Capital to carry out a smooth HR function with less employee disputes.

#### **Reputation Risk**

- PR campaigns are organized in order to enhance the brand image.

#### **Risk Monitoring**

The risk management committee needs to ensure the risk management system is reviewed periodically. Further, proper controls need to be implemented with regard to all the strategic initiatives undertaken, in order to manage risk. Consistent monitoring will ensure efficiency in the risk management system and thereby enable us to achieve the set objectives in the risk management process.

# A Quantum Leap

## 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 2011.

### Principal Activities

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

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

### Review of Operations

The Chairman's Review on pages 4 to 11 which forms an integral part of this report provides an overall assessment of the financial performance and financial position of the Company and describes in detail its affairs and important events for the year. A detailed analysis of the operations and financial results

is contained in the Management Discussion and Analysis on pages 28 to 47 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 93 to 145 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.

### Auditor's Report

The Auditor's Report on the Financial Statements is given in page 92.

### Accounting Policies

The accounting policies adopted in the preparation of Financial Statements are given in pages 100 to 111.

### Financial Results

For the year ended 31st March	Group		Company	
	2011 Rs. 000	2010 Rs. 000 Re-stated	2011 Rs. 000	2010 Rs. 000 Re-stated
Profit before tax expense	1,331,927	298,994	479,354	183,470
Income tax expense	(180,912)	(66,435)	(14,125)	(12,672)
Profit after tax expense	1,151,015	232,559	465,229	170,797
Minority Interest	162,997	12,600	-	-
Profit attributable to Shareholders	988,018	219,959	465,229	170,797
(Accumulated Losses) at the beginning of the year	(856,779)	(1,076,291)	(834,326)	(1,005,123)
Dividend Payment	-	-	-	-
Adjustments	(88,496)	(466)	-	-
Retained Earnings/(Accumulated Losses) at the end of the Year	42,744	(856,779)	(369,095)	(834,326)

## Dividends

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

## Property, Plant and Equipment

An analysis of the Property, Plant and Equipment of the Group and the Company is disclosed in Note 11 of the Financial Statements on pages 115 to 118.

## Stated Capital

The Stated Capital of the Company as at 31st March 2011 was Rs. 1,114,558,000/- (110,000,000 Shares)

## Donations

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

## Capital Commitments

There were no material capital expenditure commitments other than those disclosed in Note 38 on page 144 of the Financial Statements.

## Provisions

The basis adopted for provisioning is disclosed in Accounting Policy No 3.3.1 on page 106 of the Financial Statements.

## Provision for the Taxation

The provision for taxation is computed at the rates as disclosed in Note 9 on page 113 of the Financial Statements.

## Statutory Payments

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

## Contingent Liabilities

Details of contingent liabilities and capital commitments as at 31st March 2011 are set out in Note 38 and on page 144 of the Financial Statements.

## Post Balance Sheet Events

In the opinion of the Directors, no item, transaction or any other material event of an unusual nature has arisen during the

period between the end of the financial year and the date of this report, other than those disclosed in Note 39 on page 144 of the Financial Statements.

## Risk Management and Internal Control

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

## Going Concern

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

## Directors who held office during the Year

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

Mr. H L L M Nanayakkara

Mr. J H P Ratnayake

Mr. A C Seneviratne

*(resigned with effect from 1st September, 2010)*

Mr. F X R Pereira

Mr. A D Ross

Mr. Valentine Siva Jr.

*(appointed with effect from 24th January, 2011)*

Mr. D Muthukumarana

*(appointed with effect from 23rd March, 2011)*

Ms. D P Pieris [Alternate Director to Mr. H L L M Nanayakkara]

*(appointed with effect from 3rd December, 2010)*

## Appointments during the year

Ms. D P Pieris [Alternate Director to Mr. H L L M Nanayakkara] was appointed with effect from 3rd December, 2010.

Mr. Valentine Siva Jr. was appointed with effect from 24th January, 2011.

Mr. D Muthukumarana was appointed with effect from 23rd March, 2011.

## Resignations during the year

Mr. A C Seneviratne resigned with effect from 1st September, 2010.

# A Quantum Leap

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

### Appointments after the conclusion of the year

Mr. R J Wickramasinghe was appointed with effect from 3rd May 2011.

Mr. S A Abeyesinhe [Alternate Director to Mr. Valentine Siva Jr.] was appointed with effect from 6th June, 2011.

Mr. S A Abeyesinhe [Alternate Director to Mr. J H P Ratnayake] was appointed with effect from 29th August, 2011.

Mr. S A Abeyesinhe was appointed with effect from 18th November, 2011

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

Mr. H L L M Nanayakkara

Mr. J H P Ratnayake

Mr. F X R Pereira

Mr. A D Ross

Mr. Valentine Siva Jr.

Mr. D Muthukumarana

Ms. D P Pieris (Alternate Director to Mr. H L L M Nanayakkara)

Of the 6 Directors, Mr. F X R Pereira and Mr. A D Ross are non-executive, independent Directors.

### Directors Retiring (at the Annual General Meeting)

- (1) Mr. J H P Ratnayake retires by rotation in accordance with Article 98 of the Articles of Association of the Company and being eligible, offers himself for re-election.
- (2) Mr. R J Wickramasinghe retires in accordance with Article 103 of the Articles of Association of the Company and being eligible, offers himself for re-election.
- (3) Mr. D Muthukumarana who is presently 71 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or upto the date of the next Annual General Meeting (whichever occurs first) and for the non-application of the age limit referred to in Section 210 of the Companies Act No. 7 of 2007.

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

### Audit Committee

Mr. F X R Pereira (Independent Non-Executive Director)

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

Mr. D Muthukumarana

The Report of the Audit Committee is given on page 88 which forms part of the Annual Report.

### Remuneration Committee

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

Mr. F X R Pereira (Independent Non-Executive Director)

Mr. D Muthukumarana

Mr. Valentine Siva Jr.

The Report of the Remuneration Committee is given on page 86 which forms part of the Annual Report.

### Arrangement for Acquisition of Shares by Directors

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

### Directors' Interest Register

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

### Directors Remuneration and Other Benefits of Directors

Directors remuneration and other benefits of directors are stated in the Note 8 on page 113 of the Financial Statements.

## Directors' Interest In Shares

Name	No. of Shares as at 31st March 2011	No. of Shares as at 31st March 2010
H L L M Nanayakkara / Seylan Bank PLC	2,139,200	-
J H P Ratnayeke	30	85,030
F X R Pereira	-	-
A D Ross	-	-

Name	No. of Shares as at 31st March 2011	No. of Shares as at 31st March 2010
Valentine Siva Jr.	-	-
D Muthukumarana	50,000	-
D P Pieris	-	-
[Alternate Director to Mr. H L L M Nanayakkara]	40,000	-

## Shareholders Information

The distribution and analysis of shareholdings were as follows;

	As at 31st March 2011			As at 31st March 2010		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	5,631	806,065	0.73%	5,989	1,019,336	0.93%
1,001 - 10,000	552	1,394,642	1.27%	919	2,746,961	2.50%
10,001 - 100,000	42	1,185,480	1.08%	135	4,031,330	3.66%
100,001 - 1,000,000	-	-	-	11	3,187,910	2.90%
1,000,000 & over	5	106,613,813	96.92%	3	99,014,463	90.01%
Total	6,230	110,000,000	100.00%	7,057	110,000,000	100.00%

	As at 31st March 2011			As at 31st March 2010		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	6,161	9,498,762	8.64%	6,980	13,798,002	12.54%
Non-Resident	69	100,501,238	91.36%	77	96,201,998	87.46%
Total	6,230	110,000,000	100.00%	7,057	110,000,000	100.00%

	As at 31st March 2011			As at 31st March 2010		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individual	6,117	101,346,688	92.13%	6,918	106,456,309	96.78%
Institutional	113	8,653,312	7.87%	139	3,543,691	3.22%
Total	6,230	110,000,000	100.00%	7,057	110,000,000	100.00%

# A Quantum Leap

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

### 20 Largest Shareholders of Equity

Name	As at 31st March 2011		As at 31st March 2010	
	No. of Shares	%	No. of Shares	%
1 Mr. Vijayeswaran S Vijayaratnam	96,381,773	87.62%	95,698,023	86.99%
2 Fast Gain International Limited	3,875,900	3.52%	-	-
3 Asian Alliance Insurance PLC – A/C 2	2,191,500	1.99%	-	-
4 Seylan Bank Limited/Mr. H L L M Nanayakkara	2,139,200	1.94%	-	-
5 P W Corporate Secretarial (Pvt) Ltd	2,025,440	1.84%	2,025,440	1.84%
6 Asia Asset Finance Limited	80,000	0.07%	-	-
7 Mr. M S D Galagedara	70,000	0.06%	-	-
8 Mr. G K M B Jayasinghe	67,600	0.06%	-	-
9 Anglo Amalgamated Pty Ltd	67,000	0.06%	130,000	0.11%
10 Ms. M M Udeshi	55,880	0.05%	-	-
11 Mr. D T Fernando	51,000	0.05%	-	-
12 Mr. D Muthukumarana	50,000	0.05%	-	-
13 Mr. W A Fernando	44,000	0.04%	-	-
14 Ms. S A Rajkothwala	42,000	0.04%	-	-
15 Ms. D P Pieris	40,000	0.04%	-	-
16 Mr. S H N Mohamed	38,400	0.03%	-	-
17 Seylan Bank Limited/Asia Asset Finance Limited	36,400	0.03%	-	-
18 Mr. K Kularatnam	34,300	0.03%	-	-
19 Mr. D F K Jayamaha	32,000	0.03%	-	-
20 Mr. U G Bulumulle	31,800	0.03%	-	-

\* P W Corporate Secretarial (Pvt) Ltd is the Trustee for the Employee Share Option Plan (ESOP)

### 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 37 on pages 139 to 143 of the Financial Statements.

### Public Shareholding

The percentage of public shareholding as at the 31st of March 2011 was 6.41 percent.

### Annual General Meeting

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

### Auditors

The Financial Statements for the year ended 31st March 2011 have been audited by Messrs. KPMG Ford, Rhodes, Thornton & Company (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 Ford Rhodes Thornton & Co., 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

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

**J H P Ratnayake**  
Deputy Chairman

### P R Secretarial Service (Private) Limited

18th November 2011  
Colombo

# Statement of Directors' Responsibilities

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

In the circumstances, the Directors of the Company state below their responsibilities in relation to the Financial Statements of the Company and its Subsidiaries and Associates for the year ended 31st March, 2011. These differ from the Auditor's responsibilities, which are set out in their report given on page 92. 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 except where voluntary changes have been made and that all applicable accounting standards have been followed in the preparation of the Financial Statements. Furthermore, reasonable and prudent judgments and estimates have been made in the preparation of these Financial Statements.

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

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

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

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

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

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

The Directors are of the view that they have discharged their responsibilities as set out above



**Stefan Abeyesinhe**

Director/Acting Group Chief Executive Officer



**Daya Muthukumarana**

Director

18th November 2011

# A Quantum Leap

## Remuneration Committee Report

The Remuneration Committee appointed by and responsible to the Board of Asia Capital PLC as at balance sheet date comprises of

1. Mr. F X R Pereira (Chairman)  
Independent Non-Executive Director
2. Mr. Valentine Siva  
Director
3. Mr. Daya Muthukumarana  
Non-Executive Director

Mr. R.J. Wickramasinghe was appointed as the Chairman of the Remuneration Committee after the balance sheet date. The Chairman and CEO attend the meeting of the Remuneration Committee by invitation.

The Remuneration Committee met as and when required in the year to March 2011.

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

The Remuneration Committee reviewed the terms of the Chairman and Director/CEO. This exercise was carried out in a manner designed to enhance the value of stakeholders of the company. All Non-Executive Directors receive fees for service as Directors and for serving on sub-committees.

The Remuneration Committee had made a preliminary proposal of progressively moving the compensation schemes of Asia Capital PLC and Asia Securities (Pvt) Ltd towards a 'pay for performance' philosophy. This is under consideration.

The Remuneration Committee wishes to place on record their thanks and appreciation for the services rendered by Mr. J S Mather.



**F X R Pereira**  
Chairman - Remuneration Committee

18th November 2011



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

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

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

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

The Financial Statements were audited by Messrs KPMG Ford Rhodes Thornton & Co. 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 by the auditor with the guidelines for the audit of 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.



**Stefan Abeyesinhe**

Director/Acting Group Chief Executive Officer



**Thusitha Perera**

Group Chief Financial Officer

18th November 2011

# A Quantum Leap

## Audit Committee Report

The terms of reference of the Audit Committee comply with the listing rules of the Colombo Stock Exchange. The Committee comprised of three members as at Balance Sheet date:

1. Mr. F X R Pereira (Chairman)  
Independent Non-Executive Director
2. Mr. Andrew D. Ross  
Independent Non-Executive Director
3. Mr. Daya Muthukumarana  
Non-Executive Director

Mr. F X Ranjit Pereira is a fellow member of the Chartered Institute of Management Accountants, United Kingdom and a fellow of CMA Sri Lanka. Mr. Andrew D. Ross is a Chartered Accountant of the Institute of Chartered Accountants, England and Wales. Mr. Daya Muthukumarana has a Masters in Business Administration PIM (University of Sri Jayewardenepura), Fellowship in Banking from IBSL, Advanced Credit and International Banking at Vereins and West Bank Hamburg and Midland Bank London, Certificate in Project Management Cranfield University, UK, and a Senior Banker with 25 years experience in corporate banking. He is currently the Chairman of Asia Asset Finance Ltd.

The company's management is responsible for the financial statements and for maintaining effective internal control over financial reporting. The Audit Committee fulfills an oversight function over the financial reporting. The main purpose is to provide assistance to the Board of Directors of Asia Capital PLC in fulfilling their responsibility to the Shareholders and other stakeholders.

The Group Chief Executive Officer, Group Chief Financial Officer and Accountants attend the meetings at the invitation of the committee. Discussions were held with the External Auditors. In addition, a special meeting with Senior Partner was held prior to commencement of the final phase of the Audit.

The Committee met as and when required including to review the quarterly annual financial statements.

The Committee reviewed the letter of engagement of the auditors and recommended their appointment to the Board of Directors.

The Chairman of this Audit Committee is also the Chairman of the Audit Committee of Asia Securities (Pvt) Ltd, a subsidiary of Asia Capital PLC.

PricewaterhouseCoopers were appointed Internal Auditors of Asia Capital PLC & Asia Securities (Pvt) Ltd. The audit programme was agreed with them. The audit report submitted by, PricewaterhouseCoopers, together with Management response have been tabled at audit committee meetings.

The internal audit carried out by PricewaterhouseCoopers evaluates the efficacy of internal controls, and action taken to control and mitigate operational and business risks; whilst keeping the compliance of Asia Capital PLC and Asia Securities (Pvt) Ltd., with statutory requirements under review.

Internal audit reports include recommendations to improve internal control. The overall effectiveness of outsourcing internal audit will be reviewed by the Audit Committee.

The audit committee wishes to acknowledge with thanks the services of Mr. J S Mather, who served on the audit committee previously.

After the balance sheet date Mr. R J Wickramasinghe who was appointed to the Board in May 2011 was appointed as an audit committee member. Mr. Ranjith J. Wickremasinghe is a Fellow of the Chartered Institute of Management Accountants, London (FCMA) and the Chartered Association of Certified Accountants, London. (FCCA) He was former Chairman of the Ports Authority and the Ceylon Shipping Corporation Limited. Mr. Wickremasinghe has over thirty years experience in the fields of Finance, Operations, Accounting, Corporate Planning, Financial Analysis and Treasury Management, both locally and internationally.

### **Financial Reporting**

The committee as part of its responsibility to oversee the Asia Capital Groups financial reporting process on behalf of the Board of Directors has reviewed the reporting processes including compliance with Sri Lanka Accounting Standards and the Companies Act, No. 7 of 2007.

Convergence to Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (SLAS- LKAS)

The committee identified the need for Asia Capital PLC and its Subsidiaries to be compliant with Sri Lanka Financial Reporting Standards (SLFRS) and LKAS which new standards will come into operation from 1st January 2012. As a preparatory measure Accountants of the Group have been exposed to training conducted by ICASAL and Central Bank.

The Audit Committee will discuss with the external auditors M/s. KPMG Ford Rhodes Thornton & Co. the differences that will arise in the accounts procedure and may commission a GAP analysis to identify areas requiring action. The Board of Directors will be appraised of the implication of adopting SLFRS and LKAS.



**F X R Pereira**

Chairman - Audit Committee

18th November 2011





FINANCIAL INFORMATION

# Strength & Performance

## A Quantum Leap

# Independent Auditors' Report



**KPMG Ford, Rhodes, Thornton & Co.**  
(Chartered Accountants)  
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P. O. Box 186,  
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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"), the Consolidated Financial Statements of the Company and its Subsidiaries as at 31st March 2011 which comprise the Balance Sheet as at 31st March 2011, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and other explanatory notes set out on the pages 93 to 145.

### Management's Responsibility for the Financial Statements

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

### Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management,

as well as evaluating the overall Financial Statement presentation.

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

### Opinion-Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2011 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st March 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Opinion-Group

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31st March 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

### Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

### Chartered Accountants

18th November 2011  
Colombo

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

A.N. Fernando FCA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyratne ACA

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

Ms. M. P. Perera FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jaysekara ACA  
G.A.U. Karunaratne ACA

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

# Income Statements

For the year ended 31st March	Note	GROUP		COMPANY	
		2011 Rs.'000	2010 Rs.'000 Re-stated	2011 Rs.'000	2010 Rs.'000 Re-stated
<b>Revenue</b>	5	2,122,917	1,328,423	303,344	371,120
Cost of Sales		(703,856)	(677,700)	(88,256)	(179,351)
<b>Gross Profit</b>		1,419,061	650,723	215,088	191,769
Other Operating Income	6	776,370	134,947	364,698	115,568
Selling and Distribution Expenses		(88,967)	(49,601)	(10,599)	(2,095)
Administrative Expenses		(782,094)	(440,488)	(73,853)	(62,479)
Other Operating Expenses		(67,468)	(78,558)	(27,058)	(12,016)
Reversal for fall in value of Investments		-	49,062	32,000	27,391
(Provision)/Reversal for Bad and Doubtful Debts		(2,826)	(19,454)	11,120	(19,036)
Net Finance Income/(Costs)	7	29,580	(46,122)	(32,042)	(55,633)
Share of Profit of Associate Companies	14.2.1	48,271	98,485	-	-
<b>Profit Before Taxation</b>	8	1,331,927	298,994	479,354	183,469
Income Tax Expense	9	(180,912)	(66,435)	(14,125)	(12,672)
<b>Profit for the Year</b>		1,151,015	232,559	465,229	170,797
<b>Attributable to</b>					
Equity Holders of the Parent Company		988,018	219,959	-	-
Minority Interest		162,997	12,600	-	-
<b>Profit for the Year</b>		1,151,015	232,559	465,229	170,797
Basic Earnings Per Share (Rs.)	10	8.98	2.00	4.23	1.55
Dividend Per Share (Rs.)		-	-	-	-

Figures in bracket indicate deductions.

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 100 to 145.

# A Quantum Leap

## Balance Sheets

As at 31st March	Note	GROUP		COMPANY	
		2011 Rs.'000	2010 Rs.'000 Re-stated	2011 Rs.'000	2010 Rs.'000 Re-stated
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	11	401,132	328,038	42,700	12,285
Intangible Assets	12	165,359	78,143	1,818	2,421
Investment Properties	13	69,685	67,039	-	-
Investments in Subsidiaries	14.1	-	-	629,475	355,401
Investments in Associates	14.2	132,440	362,827	583,187	62,204
Other Long Term Investments	14.3	1,271,095	9,383	-	-
Advance for Share Capital	15	-	-	-	200,000
Loans given to ESOP	16	17,491	17,491	17,491	17,491
Loans due from Related Parties	17	-	-	352,514	223,703
Long Term Deposits and Advances	18	11,422	7,137	7,922	3,637
Trade and Other Receivables	22	754,343	1,332,474	-	-
Deferred Taxation	27	9,777	1,913	-	-
		2,832,744	2,204,445	1,635,107	877,142
<b>Current Assets</b>					
Inventories	19	34,935	30,834	-	-
Short Term Investments	20	3,607,989	998,996	1,187,665	771,298
Short Term Lendings	21	-	-	-	-
Income Tax Receivable		4,329	32,426	1,832	1,106
Trade and Other Receivables	22	1,886,260	2,087,430	307,627	8,858
Loans due from Related Parties	17	-	-	31,125	10,499
Amounts due from Related Parties	23	72,845	98,264	483,720	269,702
Cash and Cash Equivalents	24	211,523	300,638	12,914	10,035
		5,817,881	3,548,588	2,024,883	1,071,498
<b>Total Assets</b>		8,650,625	5,753,033	3,659,990	1,948,640
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	25	1,114,558	1,114,558	1,114,558	1,114,558
Revaluation Reserve		27,560	8,709	-	-
Capital Reserves		5,774	1,790	-	-
General Reserve		3,000	3,000	-	-
Retained Earnings/(Accumulated Losses)		42,744	(856,779)	(369,095)	(834,326)
<b>Shareholders' Fund</b>		1,193,636	271,278	745,463	280,232
Minority Interest		598,549	248,106	-	-
<b>Total Equity</b>		1,792,185	519,384	745,463	280,232





As at 31st March	Note	GROUP		COMPANY	
		2011 Rs.'000	2010 Rs.'000 Re-stated	2011 Rs.'000	2010 Rs.'000 Re-stated
<b>Non-Current Liabilities</b>					
Debentures	26	-	10	-	-
Retirement Benefit Obligations	28	44,376	24,081	2,736	4,926
Non - Interest Bearing Borrowings	29	144,670	144,670	144,670	144,670
Interest Bearing Borrowings - Non Current	30	41,724	443,094	9,364	-
Provision for Life Solvency		100,000	-	-	-
Trade and Other Payables	32	105,686	136,923	-	-
		436,456	748,778	156,770	149,596
<b>Current Liabilities</b>					
Interest Bearing Borrowings - Current	30	1,241,316	1,441,897	1,539,501	863,594
Debentures	26	10	-	-	-
Insurance Provision	31	2,190,558	-	-	-
Trade and Other Payables	32	2,109,857	2,582,591	87,213	99,629
Amounts due to Related Parties	33	-	-	444,600	232,952
Income Tax Payable		132,634	28,873	-	-
Bank Overdrafts	24	747,609	431,510	686,443	322,637
		6,421,984	4,484,871	2,757,757	1,518,812
<b>Total Liabilities</b>		6,858,440	5,233,649	2,914,527	1,668,408
<b>Total Equity and Liabilities</b>		8,650,625	5,753,033	3,659,990	1,948,640
Net Assets Per Share (Rs.)		10.85	2.47	6.78	2.55

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 100 to 145.

The Independent Auditors' Report is given on page 92.

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

**Thusitha Perera**

Group Chief Financial Officer

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

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

**H L L M Nanayakkara**

Chairman/Managing Director

18th November 2011

Colombo

**J H P Ratnayeke**

Deputy Chairman

## A Quantum Leap

# Cash Flow Statements

For the year ended 31st March	Note	GROUP		COMPANY	
		2011	2010	2011	2010
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Re-stated	Re-stated		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before Income Tax Expense		1,331,927	298,994	479,354	183,470
<b>Adjustments for;</b>					
Provision for Retiring Benefit Obligation	28	22,622	8,274	1,973	2,816
Depreciation on Property, Plant and Equipment	11	48,467	30,253	5,113	3,775
Amortisation of Intangible Assets		2,047	4,406	603	594
Depreciation on Investment Property		-	262	-	-
(Profit)/Loss on Disposal of Property, Plant and Equipment		(1,630)	4,301	(1,362)	(1,395)
Profit on Disposal of Subsidiary		(350,772)	(78,494)	(138,353)	(98,481)
Profit on Disposal of Associates		-	-	(161,466)	-
Unrealised Capital Gain		(143,415)	(10,199)	(20,601)	(10,925)
Profit on Disposal of Investment Property		(7,721)	(2,821)	-	-
Provision for Insurance Claims		450,981	-	-	-
Provision/(Reversal) for Bad and Doubtful Debts		2,826	19,454	(11,120)	19,036
Provision for fall in value of Investments		-	(49,062)	(32,000)	(27,391)
Share of Profit of Associate Company's before taxation		(48,271)	(98,485)	-	-
Interest Income	7	(129,012)	(32,407)	(67,521)	(27,904)
Interest Expenses	7	99,432	78,529	99,563	83,537
<b>Operating profit before working capital changes</b>		<b>1,277,481</b>	<b>173,005</b>	<b>154,183</b>	<b>127,132</b>
(Increase)/decrease in Inventories		(30,786)	(698)	-	-
(Increase)/decrease in Short Term Investments		(1,320,323)	(230,938)	(395,766)	(187,826)
(Increase)/decrease in Trade and Other Receivables		(1,630,383)	(884,557)	(76,451)	(15,719)
(Increase)/decrease in Amount due from Related Parties		25,419	(45,856)	(202,910)	(297,671)
Increase /(decrease) in Trade and Other Payables		317,958	938,220	(12,415)	59,622
Increase/(decrease) in Amount due to Related Parties		124	-	207,665	134,126
<b>Cash used in operations</b>		<b>(1,360,510)</b>	<b>(50,824)</b>	<b>(325,694)</b>	<b>(180,335)</b>
Claims paid (net of premium receive)		(472,676)	-	-	-
Gratuity paid	28	(6,786)	(4,405)	(180)	(2,438)
Income tax paid		(48,831)	(44,682)	(15,529)	(7,370)
<b>Net cash flows used in operating activities</b>		<b>(1,888,803)</b>	<b>(99,911)</b>	<b>(341,403)</b>	<b>(190,143)</b>

For the year ended 31st March	Note	GROUP		COMPANY	
		2011 Rs.'000	2010 Rs.'000 Re-stated	2011 Rs.'000	2010 Rs.'000 Re-stated
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Acquisition of Property, Plant & Equipment		(57,842)	(36,522)	(21,839)	(3,151)
Acquisition of Intangible Assets		-	(4,775)	-	(3,015)
Acquisition of Investment Properties		(32,935)	(67,039)	-	-
Proceeds from Disposal of Investment Properties		34,760	14,583	-	-
Advance for Share Capital		-	-	-	(200,000)
Acquisition of Subsidiary net of cash received	34	(545,651)	(220,494)	(203,280)	(167,900)
Increase in Interest in Subsidiaries		(292,193)	-	-	-
Investments in Associates		-	-	(586,119)	-
Net Proceeds from Disposal of Subsidiary		291,856	100,539	299,559	124,484
Loans Granted to Related Parties (Net)		-	-	(148,748)	-
Proceeds from Disposal of Property, Plant & Equipment		2,156	105,393	1,362	1,451
Dividend Received from Associates		9,000	16,000	-	-
Subsidiary Dividend to Minority Share Holders		-	(20,033)	-	-
Purchase of other Long Term Investments		86,915	-	-	-
Proceeds from Disposal of Long Term Investments		226,603	238,089	-	190,058
Interest Received		129,012	32,407	67,521	27,904
<b>Net cash flows from/(used in) investing activities</b>		<b>(148,319)</b>	<b>158,148</b>	<b>(591,544)</b>	<b>(30,169)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Redemption of Debenture		-	(13,433)	-	-
Net Proceeds From/Repayment of non-interest bearing borrowings - Loan		-	89,165	-	89,165
Net Proceeds From/Repayment of Other Loans		427,274	(32,146)	4,363	(44,961)
Direct Cost on Share Issue		(4,688)	-	-	-
Proceed from Minority on renunciation of right of Subsidiary		812,500	-	-	-
Net Proceeds From/Repayment of Amounts Payable under Re-purchase Agreement		458,860	83,648	375,858	166,649
Net Proceeds from/Repayment of Commercial Papers		69,894	8,082	291,363	71,356
Dividend paid		(32,500)	-	-	-
Interest paid		(99,432)	(78,529)	(99,563)	(83,537)
<b>Net cash flows from/(used in) financing activities</b>		<b>1,631,908</b>	<b>56,787</b>	<b>572,021</b>	<b>198,672</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(405,214)</b>	<b>115,024</b>	<b>(360,926)</b>	<b>(21,639)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	24	<b>(130,872)</b>	<b>(245,896)</b>	<b>(312,603)</b>	<b>(290,962)</b>
<b>Cash and cash equivalents at the end of the year</b>	24	<b>(536,086)</b>	<b>(130,872)</b>	<b>(673,529)</b>	<b>(312,602)</b>

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 100 to 145.

Figures in brackets indicate deductions.

## A Quantum Leap

# Statements of Changes in Equity

### GROUP

Note	Attributable to Equity holders of the Company					Total	Minority Interest	Total Equity
	Stated Capital	Revaluation Reserve	Capital Reserve	General Reserve	Retained Earnings/ Accumulated Losses			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at								
1st April 2009 as previously stated	1,114,558	10,437	1,344	3,000	(1,080,850)	48,489	194,959	243,447
Prior year adjustment on Effect of Changes in Accounting Policies	36.1	-	-	-	4,559	4,559	-	4,559
Balance as at								
1st April 2009 (Re-stated)	1,114,558	10,437	1,344	3,000	(1,076,291)	53,048	194,959	248,006
Adjustment on Acquisition and Disposal of Subsidiary	-	-	-	-	-	-	60,580	60,580
Subsidiary Dividend to Minority Share Holders	-	-	-	-	-	-	(20,033)	(20,033)
Transferred from Investment in Associate	-	(1,728)	-	-	-	(1,728)	-	(1,728)
Transferred to Reserves	-	-	446	-	(446)	-	-	-
Profit for the year (Note A)	-	-	-	-	219,959	219,959	12,600	232,559
Balance as at								
31st March 2010 (Re-stated)	1,114,558	8,709	1,790	3,000	(856,779)	271,279	248,106	519,384
Transferred from Investment in Associate	-	19,956	-	-	-	19,956	-	19,956
Transferred to Reserves	-	-	3,984	-	(3,984)	-	-	-
Adjustment on Acquisition and Disposal of Subsidiary	-	(1,105)	-	-	(62,110)	(62,110)	211,232	148,018
Share Issue Expenses	-	-	-	-	(2,274)	(2,274)	(2,414)	(4,688)
Allocation for Life Solvency	-	-	-	-	(20,128)	(20,128)	(21,372)	(41,500)
Profit for the year	-	-	-	-	988,018	988,018	162,997	1,151,015
Balance as at 31st March 2011	1,114,558	27,560	5,774	3,000	42,744	1,193,636	598,549	1,792,185

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 100 to 145.

Figures in brackets indicate deductions.



**COMPANY**

For the year ended 31st March	Note	Stated Capital Rs.'000	Accumulated Losses Rs.'000	Total Rs.'000
Balance as at 1st April 2009 as previously stated		1,114,558	(1,015,176)	99,382
Prior year adjustment on				
Effect of Changes in Accounting Policies	36.2	-	10,054	10,054
Balance as at 1st April 2009 (Re-stated)		1,114,558	(1,005,123)	109,435
Restated Profit for the year (Note A)		-	170,797	170,797
Balance as at 31st March 2010 (Re-stated)		1,114,558	(834,326)	280,232
Profit for the year		-	465,229	465,229
Balance as at 31st March 2011		1,114,558	(369,095)	745,463

Note A - Effect of Changes in Accounting Policies	Group Rs.'000	Company Rs.'000
Profit as reported previously	209,760	159,872
Adjustment for Market to Market Valuation (Note 36)	10,199	10,925
Restated Profit for the Year	219,959	170,797

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 100 to 145.

# Notes to the Financial Statements

## **1 REPORTING ENTITY**

### **1.1 Domicile and Legal form**

Asia Capital PLC is a limited liability company incorporated and domiciled in Sri Lanka, and listed in the Colombo Stock Exchange. The Registered Office of the Company and the principal place of business are both situated at Level 21 & 36, West Tower, World Trade Center, Colombo 01.

The consolidated Financial Statements of Asia Capital PLC for the year ended 31st March 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

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

### **1.2 Principle Activities and Nature of Operations**

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

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

### **1.3 Parent and Ultimate Parent Enterprise**

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

### **1.4 Financial Period**

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

### **1.5 Date of Authorisation for Issue**

The Financial Statements were authorised for issue by the Board of Directors on 18th November 2011.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of Compliance**

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLAS), adopted by the Institute of Chartered Accountants of Sri Lanka, requirements of the Companies Act No 7 of 2007 and Sri Lanka Accounting and Auditing Standards Act, No.15 of 1995.

### **2.2 Basis of Measurement**

The Financial Statements of the Group are prepared and presented on historical cost basis except for Property, Plant and Equipment, Investment Properties and Investment in Quoted Equity Securities in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustments have been made for inflationary factors affecting these Financial Statements.

### **2.3 Responsibility for Financial Statements**

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

### **2.4 Going Concern**


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

### **2.5 Functional Currency and Presentation Currency**

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

### **2.6 Use of Estimates and Judgements**

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



The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

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

##### **3.1.1 Subsidiaries**

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

The Financial Statements of the group represents the Consolidation of the Financial Statements of the company and its subsidiaries as mentioned below, in accordance with the Companies Act No.7 of 2007, and the Sri Lanka Accounting Standards No 26 "Consolidated and Separate Financial Statements". (Revised 2005)

Asia Securities (Private) Limited  
Asian Alliance Insurance PLC  
Asia Growth Fund 1 (Private) Limited  
Asia Fort Sri Lanka Direct Investment Fund Limited  
Investor Access Asia (Private) Limited  
Asia Asset Finance Limited  
Asia Apparel Trading (Private) Limited  
Capital Reach Holdings Limited  
Capital Reach Leasing PLC  
Capital Reach Credit Limited  
Capital Reach Business Development (Private) Limited  
Asia Leisure Holdings (Private) Limited  
Asia Leisure (Private) Limited  
Asia Wealth Management Company (Private) Limited

##### **3.1.2 Profits and Losses**

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

##### **3.1.3 Assets and Liabilities**

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

##### **3.1.4 Intra Group Transactions**

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

##### **3.1.5 Acquisition and Disposal of Subsidiary**

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

# A Quantum Leap

## Notes to the Financial Statements

### 3.1.6 Associates

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

### 3.1.7 Other Investments

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

### 3.1.8 Foreign Currency Translation

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

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

## 3.2 Assets and Bases of their Valuation

### 3.2.1 Property, Plant and Equipment

#### 3.2.1.1 Recognition and Measurement

The Property, Plant & Equipment are stated at cost less accumulated depreciation which is provided on the bases specified below. The cost of the asset is the

cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

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

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the Income Statement, in which case the increase is recognized in the Income Statement, any revaluation deficit offset a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognized as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

#### 3.2.1.2 Subsequent Costs/Replacement

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

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

#### 3.2.1.3 Leased Assets

##### a) Finance Leases

Assets used by the Group, which have been funded through finance leases, are reflected in the Balance Sheet at an amount equal to the lower of its fair value and present value of minimum lease payments and the resulting lease obligations are included as creditors, net of finance charges. Subsequent to



the initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under finance leases are amortised over the estimated useful lives unless ownership is not transferred at the end of the lease period. In such cases the assets are amortised over the shorter of the lease term and their useful lives.

**b) Operating Leases**

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

**3.2.1.4 Depreciation**

Provision for depreciation is calculated on the cost of Property, Plant and Equipment in order to write off such amounts over the estimated useful lives of such assets. Lease assets are depreciated over the shorter of the lease term and other useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease period.

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

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

**3.2.1.5 De-recognition**

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

Property, Plant & Equipment, the remaining carrying amount of the replaced part is derecognised.

**3.2.1.6 Capital WIP**

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

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

**3.2.2 Intangible Assets**

**3.2.2.1 Goodwill**

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

**3.2.2.2 Computer Software**

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

# A Quantum Leap

## Notes to the Financial Statements

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

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

### 3.2.3 Investment Properties

Investment property, comprising freehold land and buildings, is property held to earn rental income or for capital appreciation or both, is not occupied substantially for the production or supply of goods or services or for administrative purposes, and is not intended for sale in the ordinary course of business. Investment property is initially measured at its cost including related transaction costs and is therefore carried at its cost less any accumulated depreciation and any accumulated impairment losses. The group entities accounts for Investment Property using Cost Model as referred to in SLAS 40-“Investment Property”.

### 3.2.4 Investments

#### 3.2.4.1 Current Investments

##### a) Investments in Trading Equity Shares

###### Quoted

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

###### Unquoted

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

##### b) Investment in Government Securities

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

##### c) Investment in Debt Instruments and Bank Deposits

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

#### 3.2.4.2 Long Term Investments

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

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

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



### 3.2.5 Inventories

#### Real Estate Stock

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

#### Purchase Cost - Land Cost with legal charges

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

#### Vehicle Stock

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

#### Consumer Durables

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

#### Food & Beverages

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

### 3.2.6 Trade and Other Receivables

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

### 3.2.7 Loans and Advances to Customers

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

#### Provision for Loan Losses

Specific provisions for possible loan losses are based on a continuous review of the loan and advances portfolio in accordance with Sri Lanka Accounting Standard No.33 - "Revenue Recognition and Disclosures in the Financial Statements of the Finance

Companies" and the parameters set by the Central Bank of Sri Lanka. Accordingly specific provisions have made as follows;

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

### 3.2.8 Lease Debtors

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

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

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

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

### Hire Purchase Agreements

Assets granted under the agreement that transfer substantially all the risks and rewards associated with ownership other than the legal title are classified as Hire Purchase. Hire Purchase installments receivables in the Balance Sheet include total Hire Purchase installments due net of unearned interest, interest is suspense and provision for doubtful debts.

### 3.2.9 Premium Receivable

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

# A Quantum Leap

## Notes to the Financial Statements

### 3.2.10 Reinsurance Receivable

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

### 3.2.11 Cash and Cash Equivalents

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

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

### 3.2.12 Impairment of Assets

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

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

Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of Cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit ( group of units ) on pro rata basis.

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

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

## 3.3 Liabilities and Provisions

### 3.3.1 Provisions

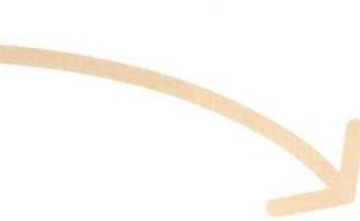
Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 3.3.2 Liabilities

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

#### 3.3.2.1 Current Liabilities

Liabilities classified as current liabilities in the Balance Sheet are those obligations expected to be settled in the entity's normal operating cycle, it is held primarily for the purpose of being traded, it is due to be settled within twelve months after the balance sheet date, or the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.



### 3.3.2.1.1 Trade and Other Payables

Trade and other payables are stated at their cost.

### 3.3.2.1.2 Reinsurance Payables

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

### 3.3.2.2 Non Current Liabilities

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

#### 3.3.2.2.1 Retirement Benefit Obligations

##### a) Defined Benefit Plan – Gratuity

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

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

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

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

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

##### b) Defined Contribution Plans

Employees Provident Fund and Employees Trust Fund

All employees who are eligible for Employees Provident Fund contribution and Employees Trust Fund contribution are covered by relevant contribution funds in line with respective statutes and regulations.

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

## 3.4 Income Statement

### 3.4.1 Revenue

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

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

#### 3.4.1.1 Revenue Recognition

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

##### 3.4.1.1.1 Investments

###### a) Corporate and Government Securities

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

###### b) Income from Fee Based Activities

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

##### 3.4.1.1.2 Stock Broking

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

### 3.4.1.1.3 Deposit Mobilisation and Credit

#### a) Interest Income from Leases and Hire Purchase Contracts

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

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

#### b) Interest Income from Loans and Advances

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

#### c) Overdue Interest

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

### 3.4.1.1.4 Insurance

Non-Life (General) Insurance Business

#### a) Gross Written Premium

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

#### b) Reinsurance premium

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

#### c) Unearned Premium

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

#### d) Unexpired Risks

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

#### e) Claims

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



**f) Deferred Acquisition Costs**

Deferred Acquisition Costs represents commissions and reinsurance commission, which are deferred and amortised over the period in which the related written premiums are earned. This is computed on the 365 basis.

**Insurance – Life (Long term) Insurance Business**

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

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

**g) Reinsurance Contracts**

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

**h) Claims**

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

**i) Insurance Provision Life**

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

- Interest rates which vary by product, as required by regulations issued by the Insurance Board of Sri Lanka.

- Mortality rates based on published mortality tables adjusted for actual experience, as required by Regulations issued by the Insurance Board of Sri Lanka.

- Surrender rates based upon actual experience.

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

**3.4.1.1.5 Leisure**

**a) Room Revenue**

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

**b) Food & Beverage**

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

**3.4.1.1.6 Dividend Income**

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

**3.4.1.1.7 Other Income and Gains**

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

**3.4.2 Expenditure Recognition**

- a)** All expenditure incurred in running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to Income Statement in arriving at the profit for the year.
- b)** Borrowing costs are recognized as an expense in the period in which they are incurred.
- c)** For the purpose of presentation of Income Statement, the Directors are of the opinion that

# A Quantum Leap

## Notes to the Financial Statements

the nature of expenses method / present fairly the elements of the enterprises performance, hence such presentation method is adopted.

### 3.5 Taxation

#### 3.5.1 Taxes on Income

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

#### 3.5.2 Deferred Taxation

Deferred tax is recognized using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences; the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits, and differences relating to investments in Subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right exists to such set off.

#### Economic Service Charge

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

#### 3.5.3 VAT on Financial Services

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

### 3.6 Related Party Transactions

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

### 3.7 Earnings Per Share

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

### 3.8 Comparative Information

The comparative information is re-classified wherever necessary to conform with the current Year's presentation in order to provide a better presentation. The re-classified information is described in the Note 35.

### 3.9 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except where voluntary changes have been made. The principal effects of this decision are discussed below and in Note 36.

Voluntary changes in Accounting policy for the Treatment of Investment in Trading Equity Shares (Quoted)

During the year ended 31 March 2011, the Company & Group voluntarily changed its accounting policy for the treatment of Investment in Trading Equity Shares (Quoted). The Company & Group now value the Trading Equity Shares (Quoted) at market value on aggregate portfolio basis rather than lower of cost and market value on an individual investment basis, as it believes that this policy provides reliable and more relevant information because it results in a more transparent and comparable treatment of Investment in Trading Equity Shares (Quoted).





**3.10 Events Occuring after the Balance Sheet Date**

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

**3.11 Commitments & Contingencies**

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

**3.12 Business Segment Reporting**

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

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

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

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

**3.13 Cash Flow Statement**

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

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

The Institute of Chartered Accountants of Sri Lanka has issued new volume of Sri Lanka Accounting standards which will become applicable for financial periods beginning on or after 1st January 2012. Accordingly, these standards have not been applied in preparing these Financial Statements as they were not effective for the year ended 31st March 2011.

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

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

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## Notes to the Financial Statements

For the year ended 31st March		GROUP		COMPANY	
		2011 Rs.'000	2010 Rs.'000 Re-stated	2011 Rs.'000	2010 Rs.'000 Re-stated
<b>5</b>	<b>REVENUE</b>				
<b>5.1</b>	<b>Summary</b>				
	Gross Revenue	2,257,108	1,390,488	303,344	371,120
	Less: Intra Group Transactions	(134,191)	(62,065)	-	-
		2,122,917	1,328,423	303,344	371,120
<b>5.2</b>	<b>Segments</b>				
	Investments	273,395	348,845	303,344	371,120
	Stock Broking & Investment Banking	836,694	375,849	-	-
	Deposit Mobilisation and Credit	478,506	542,108	-	-
	Insurance	470,717	43,961	-	-
	Leisure	63,605	17,660	-	-
		2,122,917	1,328,423	303,344	371,120
<b>5.3</b>	<b>Goods and Services Analysis</b>				
	Rendering of Services	2,122,917	1,305,323	303,344	371,120
	Sale of Goods	-	23,100	-	-
		2,122,917	1,328,423	303,344	371,120
<b>6</b>	<b>OTHER OPERATING INCOME</b>				
	Dividend Income	11,319	116	-	-
	Gains on Disposal of Property, Plant and Equipment	1,630	1,395	1,362	1,395
	Gain on Disposal of Investment Property	7,721	2,821	-	-
	Realised Capital Gain	148,883	492	-	-
	Unrealised Capital Gain	143,415	10,199	20,601	10,925
	Gain on Disposal of Subsidiary	350,772	78,494	138,353	98,481
	Gain on Disposal of Associate	-	-	161,466	-
	Profit on Settled Contracts	35,737	9,552	-	-
	Sundry Income	74,773	28,602	10,045	1,191
	Guarantee Fees	1,252	1,776	1,252	1,776
	Management Fees	868	1,500	31,619	1,800
		776,370	134,947	364,698	115,568
<b>7</b>	<b>NET FINANCE INCOME/(COSTS)</b>				
	<b>Financing Income</b>				
	Interest Income	129,012	32,407	67,521	27,904
		129,012	32,407	67,521	27,904
	<b>Financing Cost</b>				
	Interest on Overdraft	(30,156)	(43,066)	(46,348)	(41,743)
	Interest on Other Borrowings	(69,276)	(35,463)	(53,215)	(41,794)
		(99,432)	(78,529)	(99,563)	(83,537)
	Net Finance Income/(Costs)	29,580	(46,122)	(32,042)	(55,633)



For the year ended 31st March	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000 Re-stated	2011 Rs.'000	2010 Rs.'000 Re-stated
<b>8 PROFIT BEFORE TAXATION</b>				
Profit Before Tax is stated after charging all expenses including the following :				
Auditors Remuneration - Audit	3,672	2,896	1,050	1,050
- Non Audit	408	85	-	-
Director's Emoluments	30,687	46,925	7,191	3,350
Director's Fees	4,268	1,870	3,828	1,167
Secretarial Fees	1,508	2,748	422	1,032
Depreciation	49,230	30,235	5,113	3,775
Legal Fees	5,003	3,187	-	953
<b>Personnel Costs Include;</b>				
Defined Benefit Plan - Gratuity	22,622	8,274	1,973	2,816
Defined Contribution Plan Costs - EPF and ETF	35,418	28,862	3,326	3,878
Staff Incentives	7,663	41,964	1,230	2,373
Other staff Costs	318,308	211,603	36,044	35,651
<b>9 INCOME TAX EXPENSES</b>				
Current Tax Expenses - Company (Note 9.1)	1,924	10,126	1,924	10,126
Current Tax Expenses - Subsidiaries (Note 9.2)	169,284	33,277	-	-
Current Tax Expense - Total	171,208	43,403	1,924	10,126
Under Provision in Respect of Prior Years	25	-	-	-
Social Responsibility Levy & Economic Service Charge	4,844	585	29	152
Withholding Tax on Dividends Received from Group Companies	14,502	2,792	12,172	2,394
Deferred Taxation Charge/(Reversal) (Note 27)	(9,667)	19,655	-	-
	180,912	66,435	14,125	12,672
<b>9.1 Reconciliation of Accounting Profit / (Loss) &amp; Taxable Income</b>				
Accounting Profit before tax	1,331,927	298,994	479,354	183,470
Aggregate disallowed items	14,681	51,751	(28,384)	(7,811)
Aggregate allowable items	(62,860)	(132,706)	(25,034)	(14,611)
Expenses not subject to tax	(417,477)	(142,166)	(417,477)	(116,536)
Tax Profit on Trade or Business	866,271	75,873	8,459	44,512
Other Taxable Income	4,469	4,074	-	-
Tax Losses Set off under section 32	(19,910)	(59,310)	(2,961)	(15,589)
Taxable Income	850,830	20,637	5,498	28,923
Income Tax @ 35%	170,016	43,403	1,924	10,126
Income Tax @ 10%	1,192	-	-	-
Current tax expense	171,208	43,403	1,924	10,126
<b>9.1.1 Reconciliation of Accumulated Tax Losses</b>				
Opening Balance	1,270,836	2,851,509	562,561	578,150
On Disposal of Subsidiary	(1,918)	(1,710,076)	-	-
Loss for the Year	34,066	188,713	-	-
Loss Utilised during the Year	(19,910)	(59,310)	(2,961)	(15,589)
	1,283,074	1,270,836	559,600	562,561

## A Quantum Leap

### Notes to the Financial Statements

For the year ended 31st March	GROUP		COMPANY	
	2011	2010	2011	2010
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>9.2 Subsidiary Companies</b>				
Asia Securities (Private) Limited	146,487	27,923	-	-
Asia Leisure Holdings (Private) Limited	15	-	-	-
Asia Growth Fund 1 (Private) Limited	-	-	-	-
Asian Alliance Insurance PLC	-	-	-	-
Capital Reach Holdings Limited	19,502	4,441	-	-
Investor Access Asia (Private) Limited	1,192	-	-	-
Asia Asset Finance Limited	1,831	-	-	-
Asia Wealth Management Company (Private) Limited	257	418	-	-
Asia Fort Sri Lanka Direct Investment Fund Limited	-	495	-	-
	169,284	33,277	-	-

### 9.3 Summary

#### Asia Securities (Private) Limited

The Company is liable to taxation at the rate of 35% (2010 - 35%) on its taxable profits. The Income Tax Liability for the current year was Rs. 146,487,069/- (2010 - Rs.27,923,497/-).

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

The Company is liable to taxation at the rate of 35% (2010 - 35%) on its taxable profits. However no provision has been made due to tax loss of Rs. 30,934,014 /- (Tax Liability in 2010 - Rs. 495,047/-).

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

The Company is liable to taxation at the rate of 35% (2010 - 35%) on its taxable profits. However no provision has been made due to tax loss of Rs.1,497,302/- (2010 - Rs. 1,224,775/-).

#### Asia Asset Finance Limited

The Company is liable to taxation at the rate of 35% (2010 - 35%) on its taxable profits. The Income Tax Liability for the current year was Rs. 1,831,368/- (carry forward tax loss in 2010 - Rs. 511,414,127/-).

#### Investor Access Asia (Private) Limited

The Company is liable to taxation at the rate of 10% (2010 - Exempted) on its taxable profits. The Income Tax Liability for the current year was Rs. 1,192,014/- (2010 - Exempted).

#### Asia Wealth Management Company (Private) Limited

The Company is liable to taxation at the rate of 35% (2010 - 35%) on its taxable profits. The Income Tax Liability for the current year was Rs. 257,170/- (2010 - 418,095/-).

#### Asia Leisure Holdings (Private) Limited (Formally known as Taru Villas Holdings (Private) Limited)

The Company and it's subsidiary, Asia Leisure (Private) Limited are liable to taxation on Hotel Profit & Income at the rate of 35% (2010 - 35%) The Income Tax Liability for the current year was Rs.14,812/- (2010 - Nil).

#### Capital Reach Holdings (Private) Limited

The Company and it's subsidiaries are liable to tax at 35% (2010 - 35%). The Income Tax Liability for the current year was Rs.19,502,110/- (2010 - Rs. 4,441,169).

### 9.3 Summary (Contd.)

#### Asian Alliance Insurance PLC

The Company is liable to taxation at the rate of 35% (2010 - 35%) on its taxable profits. However no provision has been made due to tax loss of Rs. 2,382,946 /- (2010 -Rs.2,098,966/-).

### 10 BASIC EARNINGS PER SHARE

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

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

For the year ended 31st March	GROUP		COMPANY	
	2011	2010	2011	2010
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Re-stated		Re-stated	
Profit after tax attributable to Ordinary Shareholders (Rs.)	988,017,521	219,958,580	465,229,431	170,797,652
Weighted Average number of Ordinary Shares outstanding during the Year	110,000,000	110,000,000	110,000,000	110,000,000
Basic Earnings Per Share (Rs.)	8.98	2.00	4.23	1.55

### 11 PROPERTY, PLANT AND EQUIPMENT

#### 11.1 Group

##### 11.1.1 Cost/Valuation

	Balance As At 01.04.2010	Acquisition of Subsidiary	Additions	Disposals/ Transfers	Disposal of Subsidiary	Balance As At 31.03.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Freehold Assets</b>						
Land	175,000	-	-	-	-	175,000
Buildings and Improvements	60,657	-	-	-	-	60,657
Motor Vehicles	33,143	4,110	8,646	(9,552)	(8,619)	27,728
Motor Vehicles Hired-Out to Customers	8,073	-	-	(3,898)	(4,176)	-
Office Equipment	51,895	32,289	12,063	(2,814)	(18,582)	74,851
Fixtures and Fittings	28,099	38,389	10,167	(282)	-	76,373
Furniture and Fittings	65,238	30,277	17,706	-	(12,380)	100,841
Computer Equipment	93,229	68,323	27,106	-	(14,635)	174,022
Plant and Machinery	1,337	-	-	-	-	1,337
Hotel Equipment	13,201	-	268	-	-	13,468
	529,872	173,388	75,956	(16,546)	(58,392)	704,277

## A Quantum Leap

### Notes to the Financial Statements

#### 11 PROPERTY, PLANT AND EQUIPMENT (Contd.)

##### 11.1 Group

###### Cost / Valuation

	Balance As At 01.04.2010 Rs.'000	Acquisition of Subsidiary Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Disposal of Subsidiary Rs.'000	Balance As At 31.03.2011 Rs.'000
<b>Leasehold Assets</b>						
Motor Vehicles	9,488	-	18,504	(303)	(7,057)	20,632
Office Equipment	707	-	-	-	(707)	-
Furniture and Fittings	3,590	-	-	-	(3,590)	-
	13,785	-	18,504	(303)	(11,354)	20,632
<b>Total</b>	543,657	173,388	94,460	(16,849)	(69,746)	724,909

##### 11.1.1 In the Course of Construction

	Balance As At 01.04.2010 Rs.'000	Acquisition of Subsidiary Rs.'000	Incurred During the Year Rs.'000	Reclassified/ Transferred Rs.'000	Disposal of Subsidiary Rs.'000	Balance As At 31.03.2011 Rs.'000
Building Work in Progress	-	-	2,412	-	-	2,412

##### 11.1.2 Depreciation

	Balance As At 01.04.2010 Rs.'000	Acquisition of Subsidiary Rs.'000	Charge for the year Rs.'000	Disposals / Transfers Rs.'000	Disposal of Subsidiary Rs.'000	Balance As At 31.03.2011 Rs.'000
<b>Freehold Assets</b>						
Buildings and Improvements	18,725	-	7,836	-	-	26,561
Motor Vehicles	25,471	1,077	3,059	(8,477)	(3,153)	17,977
Motor Vehicles Hired-Out to Customers	4,199	-	-	(63)	(4,135)	-
Office Equipment	28,728	17,852	7,446	(237)	(10,507)	43,282
Fixtures and Fittings	16,355	21,058	8,892	-	-	46,305
Furniture and Fittings	32,003	12,890	8,837	(972)	(4,618)	48,104
Computer Equipment	77,520	59,252	7,161	(2,027)	(10,890)	131,016
Plant and Machinery	1,165	-	62	-	-	1,227
Hotel Equipment	5,527	-	3,228	-	-	8,755
<b>Leasehold Assets</b>						
Motor Vehicles	3,442	-	1,983	(156)	(2,308)	2,961
Office Equipment	330	-	-	-	(330)	-
Furniture and Fittings	2,155	-	-	-	(2,154)	-
<b>Total Depreciation</b>	215,620	112,129	48,467	(11,931)	(38,858)	326,188
<b>11.1.3 Net Carrying Value</b>	328,038				38,096	401,132

#### 11.1.4 Property, Plant & Equipment

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

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

Class of Assets	Net Carrying Amount	Net Carrying Amount
	2011 Rs.'000	2010 Rs.'000
Free hold land (Cost)	54,594	54,594

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

Location/Address	Building Sq/Ft	Land			Revalued Amount Rs.'000
		Acre	Extent	Perch	
The River House No 70, Uttamanaya Mawatha, Balapitiya	14,767	6	1	36	90,000
Balapitiya Beach Property	-	1	0	10	85,000
					175,000

#### 11.2 Company

##### Cost

	Balance As At 01.04.2010 Rs.'000	Additions Rs.'000	Disposals / Transfers Rs.'000	Balance As At 31.03.2011 Rs.'000
<b>Freehold Assets</b>				
Motor Vehicles	9,897	-	-	9,897
Office Equipment	5,524	3,883	-	9,407
Fixtures and Fittings	14,683	60	-	14,743
Furniture and Fittings	16,511	10,433	-	26,944
Computer Equipment	28,271	2,647	-	30,918
<b>Leasehold Assets</b>				
Motor Vehicles	-	18,504	-	18,504
<b>Total</b>	<b>74,886</b>	<b>35,527</b>	<b>-</b>	<b>110,413</b>

# A Quantum Leap

## Notes to the Financial Statements

### 11 PROPERTY, PLANT & EQUIPMENT (Contd.)

#### 11.2 Company (Contd.)

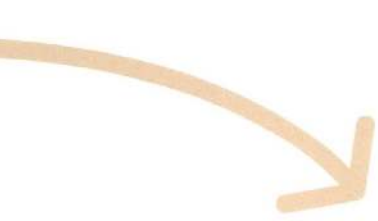
##### 11.2.1 Depreciation on Cost

	Balance As At 01.04.2010 Rs.'000	Charge for the year Rs.'000	Disposals / Transfers Rs.'000	Balance As At 31.03.2011 Rs.'000
<b>Freehold Assets</b>				
Motor Vehicles	9,810	49	-	9,859
Office Equipment	4,945	290	-	5,235
Fixtures and Fittings	10,974	603	-	11,577
Furniture and Fittings	10,747	1,535	-	12,281
Computer Equipment	26,125	1,094	-	27,219
<b>Leasehold Assets</b>				
Motor Vehicles	-	1,542	-	1,542
<b>Total Depreciation</b>	<b>62,601</b>	<b>5,113</b>	<b>-</b>	<b>67,713</b>
<b>11.2.3 Net Carrying Value</b>	<b>12,285</b>			<b>42,700</b>

### 12 INTANGIBLE ASSETS

For the year ended 31st March	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000 Re-stated	2011 Rs.'000	2010 Rs.'000 Re-stated
<b>12.1 Computer Software</b>				
<b>Cost</b>				
Balance as at the beginning of the year	44,242	22,806	3,015	-
Additions during the year	-	4,775	-	3,015
Acquisition of Subsidiary	-	16,661	-	-
On disposal of Subsidiary	(16,661)	-	-	-
<b>Balance as at end of the year</b>	<b>27,581</b>	<b>44,242</b>	<b>3,015</b>	<b>3,015</b>
<b>12.1.1 In the Course of Construction</b>				
Balance as at the beginning of the year	-	-	-	-
Incurred during the Year	17,651	-	-	-
Transferred during the Year	-	-	-	-
<b>Balance as at end of the year</b>	<b>17,651</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12.1.2 Amortisation</b>				
Balance as at the beginning of the year	38,072	20,854	594	-
Amortisation for the year	2,047	4,406	603	594
Acquisition of Subsidiary	-	12,812	-	-
On Disposals of Subsidiary	(15,881)	-	-	-
<b>Balance as at end of the year</b>	<b>24,238</b>	<b>38,072</b>	<b>1,197</b>	<b>594</b>
<b>Net Carrying Value</b>	<b>20,995</b>	<b>6,170</b>	<b>1,818</b>	<b>2,421</b>





For the year ended 31st March	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
<b>12.2 Goodwill</b>				
Balance at the beginning of the year	71,973	53,503	-	-
Acquisition of Subsidiaries	203,733	71,973	-	-
On disposal of Subsidiaries	(38,758)	-	-	-
Written off during the year	(92,584)	(53,503)	-	-
Balance as at end of the year	144,364	71,973	-	-
<b>Total Net Carrying Value</b>	<b>165,359</b>	<b>78,143</b>	<b>1,818</b>	<b>2,421</b>
<b>13 INVESTMENT PROPERTIES</b>				
Balance at the beginning of the year	67,039	12,023	-	-
Re-classification of Balance (Note 35.3)	(40,000)	-	-	-
On Acquisition of Subsidiary	36,750	-	-	-
Acquisitions during the year	32,935	67,039	-	-
Disposals during the year	(27,039)	(11,761)	-	-
Depreciation for the year	-	(262)	-	-
Balance as at end of the year	69,685	67,039	-	-

### 13.1 Valuation Details of Investment Property

#### GROUP

##### Asian Alliance Insurance PLC

The investment property has been acquired on 29th June 2010 and is located at Kalalgoda Road, Hokandara at an extent of 1 Root & 36 perches. The property contains one Factory Building with attachments. The valuation of the property has been done by Messrs Ariyathilake & Co.(Pvt) Ltd. Chartered Valuers (UK) , at the time of acquisition.

##### Asia Asset Finance Limited

The investment property has been acquired during the year and is located at Anamaduwa, Wattala, Veyangoda and Borelasgamuwa. The valuation of the properties were based on the Directors' valuation as at Balance Sheet date.

# A Quantum Leap


## Notes to the Financial Statements

### 14 LONG TERM INVESTMENTS

For the year ended 31st March	GROUP		COMPANY	
	2011	2010	2011	2010
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investments in Subsidiaries (Note 14.1)	-	-	629,475	355,401
Investments in Associates (Note 14.2)	132,440	362,827	583,187	62,204
Other Long Term Investments (Note 14.3)	1,271,095	9,383	-	-
<b>Total Investments</b>	<b>1,403,535</b>	<b>372,210</b>	<b>1,212,662</b>	<b>417,605</b>

	COMPANY			
	2011		2010	
	Effective Holding %	Rs.'000	Effective Holding %	Rs.'000
<b>14.1 Investments in Subsidiaries</b>				
<b>Non-Quoted</b>				
Asia Securities (Private) Limited	100%	182,500	100%	182,500
Asia Growth Fund 1 (Private) Limited	100%	10,050	100%	10,050
Asia Fort Sri Lanka Direct Investment Fund Limited	100%	5,001	100%	5,001
Asia Apparel Trading (Private) Limited (Note 14.1.1)	100%	4,000	100%	4,000
Capital Reach Holdings Limited	0%	-	56.25%	160,400
Asia Wealth Management Co (Private) Limited	100%	25,000	100%	7,500
Investor Access Asia (Private) Limited	100%	32,000	100%	32,000
Asia Asset Finance Limited	98.64%	589,047	98.64%	204,073
		<b>847,598</b>		<b>605,524</b>
<b>Provision for fall in value of investments</b>				
Asia Growth Fund 1 (Private) Limited		(10,050)		(10,050)
Asia Apparel Trading (Private) Limited (Note 14.1.1)		(4,000)		(4,000)
Investor Access Asia (Private) Limited		-		(32,000)
Asia Asset Finance Limited		(204,073)		(204,073)
		<b>(218,123)</b>		<b>(250,123)</b>
<b>Total Investments in Subsidiaries</b>		<b>629,475</b>		<b>355,401</b>

**14.1.1** According to the Section 153 (6) (a) of Companies Act No. 7 of 2007 Asia Apparel Trading (Private) Limited has been excluded from the consolidation. Asia Apparel Trading (Private) Limited had no operations during the year under review and the directors are of the opinion that this company need not be consolidated as the results of such a consolidation to the Group would have no real value to the members of Asia Capital PLC.



	GROUP				COMPANY			
	Holding %	2011 Rs.'000	Holding %	2010 Rs.'000	Holding %	2011 Rs.'000	Holding %	2010 Rs.'000
<b>14.2 Investments in Associates</b>								
<b>Quoted</b>								
Asian Alliance Insurance PLC	0%	-	41.75%	139,813	28%	571,187	19%	50,204
				139,813		571,187		50,204
<b>Non-Quoted</b>								
Asia Siyaka Commodities (Pvt) Ltd	40%	12,000	40%	12,000	40%	12,000	40%	12,000
		12,000		12,000		12,000		12,000
						583,187		62,204

Equity Value of Investments	Investment at Cost		Share of Post Acquisition Profit		Net Assets	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
Asian Alliance Insurance PLC	-	139,813	-	119,424	-	259,237
Asia Siyaka Commodities (Private) Limited	12,000	12,000	120,440	91,590	132,440	103,590
	12,000	151,813	120,440	211,014	132,440	362,827

In August 2010 the Group acquired a further 29.2% of Asian Alliance Insurance PLC, hence as a result it became a subsidiary effective from that date.

**14.2.1** Summary financial information for investments in Associates, adjusted for the percentage ownership held by the Group:

	Holding %	Total Assets Rs.'000	Total Liabilities Rs.'000	Revenues Rs.'000	Profit Rs.'000
<b>2010</b>					
Asian Alliance Insurance PLC	41.75%	1,140,678	924,605	677,077	67,225
Asia Siyaka Commodities (Private) Limited	40%	414,762	297,384	172,778	31,260
		1,555,440	1,221,989	849,855	98,485
<b>2011</b>					
Asian Alliance Insurance PLC	41.76%	1,327,264	1,118,762	352,905	30,376
Asia Siyaka Commodities (Private) Limited	40%	443,895	284,135	150,481	17,895
		1,771,159	1,402,897	503,386	48,271

## A Quantum Leap

### Notes to the Financial Statements

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
<b>14.3 Other Long Term Investments</b>				
Investments in Equity Securities (Note 14.3.1)	-	154	-	-
Investments in Debentures (Note 14.3.2)	310,062	-	-	-
Investments in Treasury Bonds	955,033	-	-	-
Investment in Preference Shares	-	323	-	-
Investment in Joint Venture (Note 14.3.3)	-	2,906	-	-
Margin Account	6,000	6,000	-	-
	1,271,095	9,383	-	-

	Group					
	No. of Shares	Cost	Director's Value	No. of Shares	Cost	Director's Value
		2011 Rs. '000	2011 Rs. '000		2010 Rs. '000	2010 Rs. '000
<b>14.3.1 Investments in Equity Securities</b>						
Non-Quoted						
Credit Information Bureau	-	-	-	406	154	154
					154	154

	Group			Group		
	No. of Debentures	Cost	Market Value	No. of Debentures	Cost	Market Value
		2011 Rs. '000	2011 Rs. '000		2010 Rs. '000	2010 Rs. '000
<b>14.3.2 Investments in Debentures</b>						
<b>Quoted</b>						
Sampath Bank PLC - Floating Rate	250,000	25,000	25,000	-	-	-
Nations Trust Bank PLC	40,000	40,000	40,000	-	-	-
Singer Sri Lanka PLC	90,000	10,062	9,000	-	-	-
LB Finance PLC	15,000	15,000	14,956	-	-	-
		90,062	88,956		-	-
<b>Non Quoted</b>						
People's Leasing Company Limited	700,000	70,000	70,000	-	-	-
Commercial Leasing Company Limited	700,000	70,000	70,000	-	-	-
Merchant Bank of Sri Lanka PLC	800,000	80,000	80,000	-	-	-
		220,000	220,000		-	-
		310,062	308,956		-	-

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



	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
<b>14.3.3 Investment in Joint Venture</b>				
Balance at the beginning of the year	2,906	-	-	-
Expenses incurred during the year	1,182	2,906	-	-
Film rights transfer to Asia Digital Entertainment (Private) Limited	(4,088)	-	-	-
Balance at the end of the year	-	2,906	-	-

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

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

## 15 ADVANCE FOR SHARE CAPITAL

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
Advance for Share Capital - Asia Asset Finance Limited	-	-	-	200,000
	-	-	-	200,000

Asia Capital PLC has invested Rs. 200 Mn in shares of Asia Asset Finance Limited through a rights issue during the financial year 31st March 2010. The shares were allotted during the year ended 31st March 2011

## 16 LOANS GIVEN TO ESOP

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
ESOP Trust Loan	17,491	17,491	17,491	17,491
	17,491	17,491	17,491	17,491

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

## A Quantum Leap


### Notes to the Financial Statements

#### 17 LOANS DUE FROM RELATED PARTIES

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
<b>Interest bearing long term loan</b>				
Asia Fort Sri Lanka Direct Investment Fund Limited (Note 17.1)	-	-	40,216	40,216
Asia Securities (Private) Limited (Note 17.2)	-	-	298,905	149,468
<b>Non - Interest bearing long term loan</b>				
Asia Fort Sri Lanka Direct Investment Fund Limited (Note 17.3)	-	-	44,518	44,518
	-	-	383,639	234,202
Payable within one year	-	-	31,125	10,499
Payable after one year	-	-	352,514	223,703
	-	-	383,639	234,202

- 17.1** Asia Capital PLC has given loans to Asia Fort Sri Lanka Direct Investment Fund Limited at prevailing market interest rates without any agreed terms of repayments. However, the lender has confirmed that repayments will not be called within 12 months from the balance sheet date.
- 17.2** Asia Capital PLC has given interest bearing advances to Asia Securities (Private) Limited at an annual compound rate of 20% (2010 - 25%) calculated on a basis of a year of 365 days and payable monthly on the first calendar day of each month.
- 17.3** Asia Capital PLC has given an interest free loans to Asia Fort Sri Lanka Direct Investment Fund Limited without any agreed terms of repayments. However, the lender has confirmed that repayments will not be called within 12 months from the balance sheet date.

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
<b>18 LONG TERM DEPOSITS AND ADVANCES</b>				
Deposit with the Colombo Stock Exchange	3,500	3,500	-	-
Rent Deposit	7,922	3,637	7,922	3,637
	11,422	7,137	7,922	3,637
<b>19 INVENTORIES</b>				
Real Estate Stock	-	15,848	-	-
Vehicle Stock	33,118	10,289	-	-
Consumer Durables	-	3,072	-	-
Food and Beverages	1,817	1,625	-	-
	34,935	30,834	-	-



	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000 Re-stated	2011 Rs.'000	2010 Rs.'000 Re-stated
<b>20 SHORT TERM INVESTMENTS</b>				
Investments in Equity Securities (Note 20.1)	1,284,724	142,971	64,584	78,832
Commercial Papers - Asia Fort Asset Management Private Limited	18,860	-	18,860	-
- Others	337,349	413,856	337,360	413,856
Investments in Fixed Deposits	40,010	108,943	10	10
Investments in Securitized Paper	174,045	-	174,045	6,970
Investments in Terms Deposits	78,713	-	-	-
Investments in Preference Shares	10,000	-	-	-
Investments in Reverse Repurchase Agreements	1,683,148	333,226	611,666	271,630
	3,626,849	998,996	1,206,525	771,298
Provision for fall in value of investment	(18,860)	-	(18,860)	-
	3,607,989	998,996	1,187,665	771,298
<b>20.1 Investments in Equity Securities</b>				
Quoted (Note 20.1.1 & 20.1.3)	1,239,516	103,062	23,605	48,778
(Provision) / Reversal for the fall in value of investment	14,758	4,559	20,979	10,054
	1,254,274	107,621	44,584	58,832
Non-Quoted (Note 20.1.2 & 20.1.4)	31,450	60,303	20,000	20,000
(Provision) / Reversal for the fall in value of investment	(1,000)	(24,953)	-	-
	30,450	35,350	20,000	20,000
	1,284,724	142,971	64,584	78,832

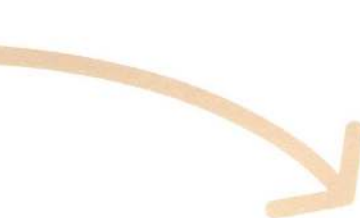
	GROUP			
	2011		2010	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
<b>20.1.1 Investments in Equity Securities - Quoted</b>				
<b>Bank, Finance and Insurance</b>				
Hatton National Bank PLC - Non Voting	638,800	136,958	4,120	577
Vanik Incorporation Ltd - Debentures	-	-	1,200	-
Development Finance Corporation of Ceylon PLC	-	-	2,058	371
Commercial Bank of Ceylon PLC- Non Voting	50	13	74,400	15,011
Hatton National Bank PLC -Voting	-	-	5,000	940
Nations Trust Bank PLC	189,100	15,789	-	-
Asia Capital PLC	2,307,900	113,220	103,400	1,344
Sampath Bank PLC	6	2	-	-
Seylan Bank PLC -Non Voting	1,907,400	93,082	-	-
Seylan Bank PLC - Voting	100,000	3,930	-	-
Housing Development Finance Corporation PLC	-	-	11,400	1,630
Asian Alliance Insurance PLC	-	-	31,400	1,735
Capital Reach Leasing PLC	-	-	275,000	4,194
LB Finance PLC	-	-	10	-
National Development Bank PLC	-	-	11,000	2,310
		362,994		28,112

## A Quantum Leap

### Notes to the Financial Statements

	GROUP			
	2011		2010	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
<b>20.1.1 Investments in Equity Securities - Quoted (Contd.)</b>				
<b>Diversified Holdings</b>				
John Keells Holdings PLC	15	4	7,035	1,294
Ceylon Theatres PLC	-	-	5,000	270
Richard Pieris & Co PLC	870	12	635,486	34,952
Hemas Holdings PLC	100	5	25	3
		21		36,519
<b>Hotels and Travels</b>				
John Keells Hotels PLC	-	-	336	-
Ceylon Hotels Corporation PLC	-	-	12,855	1,546
Taj Lanka Hotels PLC	4	0	4	0
		0		1,546
<b>Manufacturing</b>				
Lanka Ceramics PLC	63,400	9,282	63,400	4,232
Dipped Products PLC	1,017,000	121,727		
Samson International PLC	10,040	1,004	10,040	871
Ceylon Grain Elevators PLC	504	85	820,304	13,975
ACL Cables PLC	-	-	38,100	76
Lanka Cement PLC	-	-	5,000	138
Tokyo Cement Company PLC	2,788,600	112,382		
Royal Ceramics Lanka PLC	1,136,000	346,365		
Lanka Wall Tile PLC	439,300	63,876		
Sierra Cables PLC	-	-	38,100	80
		654,721		19,372
<b>Telecommunications</b>				
Dialog Axiata PLC	5,500,000	64,750	40,000	280
		64,750		280
<b>Construction and Engineering</b>				
Colombo Dock Yard PLC	-	-	1,000	283
		-		283
<b>Chemicals &amp; Pharmaceuticals</b>				
Chemical Industries (Colombo) PLC	-	-	1,000	68
Chemical Industries (Colombo) PLC (Non voting)	-	-	50,400	2,192
				2,260
<b>Plantations</b>				
Bogawanthalawa Tea Estates PLC	-	-	2,000	73
<b>Beverage, Food and Tobacco</b>				
The Lion Brewery Ceylon PLC	236,400	44,434	20,000	1,730
Distilleries Company of Sri Lanka PLC	500,000	89,000	-	-
		133,434		1,730
<b>Units</b>				
Ceybank Century Growth Fund	200,000	15,298	200,000	8,612
Eagle Growth Fund	100,000	8,298	100,000	4,175
National Unit Trust	-	-	10,000	100
		23,596		12,887
<b>Grand Total</b>		1,239,516		103,062





	No of Shares	GROUP				
		Cost	Director's Value	No of Shares	Cost	Director's Value
		2011 Rs. '000	2011 Rs. '000		2010 Rs. '000	2010 Rs. '000
<b>20.1.2 Investments in</b>						
<b>Equity Securities - Non Quoted</b>						
Paradise Coconut Products (Pvt) Ltd	-	-	-	1,053,000	2,625	2,625
Asia Pacific Golf Course Ltd	4	1,000	1,000	4	1,000	1,000
Global Software Labs (Pvt) Ltd	-	-	-	1,632,750	16,328	16,328
Compak (Pvt) Ltd	3,000	70	70	3,000	70	70
Pugoda Textile (Pvt) Ltd	24	1	1	24	1	1
Siedles TV Industries Ltd	2,000	28	28	2,000	28	28
Gem Exports Ltd	700	7	7	700	7	7
Finance House Consortium (Pvt) Ltd	20,000	200	200	20,000	200	200
Platinum Reality Investments (Pvt) Ltd	200,000	30,000	30,000	400,000	40,000	40,000
Pure Beverages Co Ltd	709	44	44	709	44	44
<b>Units</b>						
National Unit Trust	10,000	100	100	-	-	-
		31,450	31,450		60,303	60,303

	COMPANY			
	2011		2010	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
<b>20.1.3 Investments in Equity Securities - Quoted</b>				
<b>Bank, Finance &amp; Insurance</b>				
Development Finance Corporation of Ceylon PLC	-	-	58	10
Hatton National Bank PLC- Non Voting	-	-	120	17
			-	27
<b>Diversified Holdings</b>				
John Keells Holdings PLC	15	4	35	6
Hemas Holdings PLC	100	5	25	3
Richard Pieris & Co PLC			625,628	34,410
			9	34,419
<b>Hotels and Travels</b>				
Ceylon Hotels Corporation PLC	-	-	12,855	1,546
Taj Lanka Hotels PLC	4	0	4	0
			0	1,546
<b>Units</b>				
Ceybank Century Growth Fund	200,000	15,298	200,000	8,611
Eagle Growth Fund	100,000	8,298	100,000	4,175
		23,596		12,786
Total		23,605		48,778

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### Notes to the Financial Statements

	COMPANY					
	No. of Shares	Cost 2011 Rs.'000	Director's Value Rs.'000	No. of Shares	Cost 2010 Rs.'000	Director's Value 2010 Rs.'000
	<b>20.1.4 Investments in Equity Securities - Non Quoted</b>					
Platinum Reality Investments (Pvt) Ltd	200,000	20,000	20,000	200,000	20,000	20,000
		20,000	20,000		20,000	20,000

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
		Re-stated		Re-stated
<b>21 SHORT TERM LENDINGS</b>				
Asia Couture Limited	336,837	336,837	-	336,837
Less: Provision for Bad & Doubtful Debts	(336,837)	(336,837)	-	(336,837)
	-	-	-	-
<b>22 TRADE AND OTHER RECEIVABLES</b>				
<b>Non Current</b>				
Loans and Advances (Note 22.1)	754,343	1,332,474	-	-
	754,343	1,332,474	-	-
<b>Current</b>				
Trade Debtors	867,307	631,737	238,951	12,348
Less: Provision for Bad & Doubtful Debts	(37,772)	(35,821)	(12,348)	(12,348)
	829,535	595,916	226,603	-
Loans and Advances (Note 22.1)	399,138	1,315,441	-	-
Staff Loan (Note 22.2)	4,886	3,343	310	315
Loans to Policy Holders (Note 22.3)	44,582	-	-	-
Advances and Prepayments	103,577	75,702	2,997	731
Reinsurance Receivables	99,937	-	-	-
Premium Receivables	102,611	-	-	-
Deposits	29,500	8,500	-	-
Other Debtors	282,135	167,058	64,537	43,008
Receivable from Asia Fort Asset Management (Private) Limited	51,546	-	51,546	-
	1,947,447	2,165,960	345,993	44,054
Less: Provision for Bad & Doubtful Debts	(61,187)	(78,530)	(38,366)	(35,196)
	1,886,260	2,087,430	307,627	8,858
	2,640,603	3,419,904	307,627	8,858

## 22.1 Loans and Advances

	Asia Asset Finance Limited Rs.'000	GROUP 2011 Capital Reach Holdings Limited Rs.'000	Total Rs.'000	Asia Asset Finance Limited Rs.'000	GROUP 2010 Capital Reach Holdings Limited Rs.'000	Total Rs.'000
<b>Non Current</b>						
Loans and Advances	241,568	-	241,568	175,137	-	175,137
Hire Purchase Receivables	292,070	-	292,070	121,061	753,112	874,173
Lease Receivables	247,723	-	247,723	141,891	269,366	411,257
Less: Provision for Bad and Doubtful Debts	(27,018)	-	(27,018)	(128,093)	-	(128,093)
	754,343	-	754,343	309,996	1,022,478	1,332,474
<b>Current</b>						
Loans and Advances	333,762	-	333,762	265,818	457,888	723,706
Hire Purchase Receivables	34,385	-	34,385	23,058	360,722	383,780
Hire Purchase Consumer Durables	10,840	-	10,840	10,555	-	10,555
Lease Receivables	81,887	-	81,887	15,404	135,116	150,520
Factoring Debtors	6,777	-	6,777	-	10,238	10,238
Pawning Debtors	-	-	-	-	63,591	63,591
Less: Provision for Bad and Doubtful Debts	(68,513)	-	(68,513)	(19,447)	(7,502)	(26,949)
	399,138	-	399,138	295,388	1,020,053	1,315,441
	1,153,481	-	1,153,481	605,384	2,042,531	2,647,915

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
<b>22.2 Staff Loan</b>				
Balance at the beginning of the year	3,343	4,548	315	304
On Acquisition of Subsidiary	969	-	-	-
On Disposal of Subsidiary	-	(1,640)	-	-
Loans granted during the year	6,355	3,099	-	315
Repayments during the year	(5,781)	(2,664)	(5)	(304)
Balance as at end of the year	4,886	3,343	310	315
<b>22.3 Loans to Policy Holders</b>				
Balance at the beginning of the year	-	12,275	-	-
Acquisition of Subsidiary	30,484	-	-	-
Disposal of Subsidiary	-	(12,275)	-	-
Loans granted during the year	18,879	-	-	-
Interest Accrued	5,441	-	-	-
Repayments during the year	(10,222)	-	-	-
Balance as at end of the year	44,582	-	-	-

23 AMOUNTS DUE FROM RELATED PARTIES

	Relationship	GROUP		COMPANY	
		2011	2010	2011	2010
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Asia Apparel Trading (Private) Limited	Subsidiary	4,711	4,711	4,711	4,711
Asia Growth Fund 1 (Private) Limited	Subsidiary	-	-	116,593	162,585
Asia Fort Sri Lanka Direct Investment Fund Ltd	Subsidiary	-	-	179,691	42,527
Investor Access Asia (Private) Limited	Subsidiary	-	-	948	10,250
Asia Asset Finance Limited	Subsidiary	-	-	1,418	2,270
Asia Wealth Management Co. (Private) Limited	Subsidiary	-	-	2,375	2,336
Asia Leisure Holdings (Private) Limited	Subsidiary	-	-	151,565	58,808
Asia Couture (Private) Limited	Subsidiary	18,855	18,855	18,855	18,855
Asia Digital Entertainment (Private) Limited	Affiliate	19,361	-	4,462	-
Asia Leisure (Private) Limited	Subsidiary	-	-	38,378	16,450
Asian Alliance Insurance PLC	Associate	-	3,133	4,120	3,133
Asia Tea Packaging (Private) Limited	Affiliate	53,314	43,423	53,253	-
Anilana Resorts (Private) Limited	Affiliate	170	162	-	-
Asia Fort Asset Management (Private) Limited	Affiliate	-	70,406	-	70,406
		96,411	140,690	576,369	392,331
Less: Provision for Bad & Doubtful Debts					
Asia Apparel Trading (Private) Limited		(4,711)	(4,711)	(4,711)	(4,711)
Asia Asset Finance Limited		-	-	-	(870)
Asia Growth Fund 1 (Private) Limited		-	-	(26,556)	(26,556)
Asia Fort Sri Lanka Direct Investment Fund Limited		-	-	(42,527)	(42,527)
Investor Access Asia (Private) Limited		-	-	-	(10,250)
Asia Couture (Private) Limited		(18,855)	(18,855)	(18,855)	(18,855)
Asia Fort Asset Management (Private) Limited		-	(18,860)	-	(18,860)
		(23,566)	(42,426)	(92,649)	(122,629)
		72,845	98,264	483,720	269,702

## 24 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
Favourable Balances				
Cash In Hand & at Bank	211,523	300,638	12,914	10,035
	211,523	300,638	12,914	10,035
Unfavourable Balances				
Bank Overdrafts	(747,609)	(431,510)	(686,443)	(322,637)
Cash and Cash Equivalents for Cash Flow purpose	(536,086)	(130,872)	(673,529)	(312,602)

## 25 STATED CAPITAL

	COMPANY			
	2010		2011	
	No of Shares Rs.'000	Stated Capital Rs.'000	No of Shares Rs.'000	Stated Capital Rs.'000
Ordinary Shares	110,000,000	1,114,558	110,000,000	1,114,558
	110,000,000	1,114,558	110,000,000	1,114,558

## 26 DEBENTURES

### Asia Asset Finance Limited

As at 31 March 2011, consisted of 10 unsecured subordinated redeemable 5 years Debentures of Rs. 1,000/- each issued by the Subsidiary Asia Asset Finance Ltd in the year 2006.

	Allotment In	Mature In	No of Debentures	GROUP		
				2011 Rs.'000	No of Debentures 2010 Rs.'000	2010 Rs.'000
<b>Non Current</b>						
Debenture	2006	2009	-	-	10	10
<b>Current</b>						
Debenture	2006	2009	10	10	-	-

## A Quantum Leap

### Notes to the Financial Statements

#### 27 DEFERRED TAXATION

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
Balance at the beginning of the year	(1,913)	(17,810)	-	-
Acquisition of Subsidiary	-	(3,758)	-	-
Provision/(reversal) made during the year	(9,667)	19,655	-	-
Disposal of Subsidiary	1,803	-	-	-
Balance at the end of the year	(9,777)	(1,913)	-	-

	GROUP			
	2011		2010	
	Temporary Differences Rs.'000	Temporary Tax Effect Rs.'000	Temporary Differences Rs.'000	Temporary Tax Effect Rs.'000
On Temporary differences of Property, Plant & Equipment	(92,420)	(25,534)	(116,736)	(40,857)
On Retirement Gratuity	17,610	4,826	15,329	5,366
On Tax Losses carried forward	120,788	30,485	106,868	37,404
	45,978	9,777	5,461	1,913

	COMPANY			
	2011		2010	
	Temporary Differences Rs.'000	Temporary Tax Effect Rs.'000	Temporary Differences Rs.'000	Temporary Tax Effect Rs.'000
On Temporary differences of Property, Plant & Equipment	(12,238)	(3,427)	9,740	3,409
On Retirement Gratuity	2,736	766	(4,926)	(1,724)
On Tax Losses carried forward	559,600	156,688	(562,561)	(196,900)
	550,098	154,027	(557,747)	(195,215)

#### Note:

##### Group

Deferred tax assets arising from the temporary differences in subsidiaries other than those from Asia Securities (Pvt) Limited, Investor Access Asia (Pvt) Limited and Asia Asset Finance Limited have not been recognised due to the uncertainty of available future taxable profit for utilisation of such tax losses.

##### Company

Due to uncertainty of availability of future taxable profit for utilisation of tax losses, the recognition of deferred tax asset has been limited only upto deferred liability as at the balance sheet date. Therefore, the unrecognised deferred tax asset of the Company is Rs.154 Mn (2010- Rs.195 Mn).

28 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
Balance at the beginning of the year	24,081	24,555	4,926	4,548
On acquisition of Subsidiary	14,653	6,528	-	-
Transfer of Liability	23	-	(3,983)	-
Disposal of Subsidiary	(10,216)	(10,871)	-	-
Interest for the year	490	1,724	51	265
Provision made during the year	15,330	4,273	1,459	1,134
(Gain)/Loss arising from changes in assumptions or (over)/under provision in the previous year	6,801	277	463	1,417
Payments made during the year	(6,786)	(4,405)	(180)	(2,438)
Balance at the end of the year	44,376	24,081	2,736	4,926

The employee benefit liability of Asian Alliance Insurance PLC is based on the actuarial valuation carried out by a qualified actuary, Mr. Poopalanathan of Acturial & Management Consultants (Private) Limited. The employee benefit liability of all other companies in the group are based on the gratuity formula in Appendix E of SLAS 16 - Employee Benefits (Revised 2006) or gratuity formula.

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

Rate of Interest	9.15% - 11%
Rate of Salary Increase	10%
Labour Turnover	3% - 5%
Retirement Age	55 - 60

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
<b>29 NON - INTEREST BEARING BORROWINGS</b>				
Balance at the beginning of the year	144,670	55,505	144,670	55,505
Loan obtained during the year	-	89,165	-	89,165
Instalments paid during the year	-	-	-	-
Balance at the end of the year	144,670	144,670	144,670	144,670
Amount repayable within one year	-	-	-	-
Amount repayable after one year	144,670	144,670	144,670	144,670
<b>30 INTEREST BEARING BORROWINGS</b>				
Direct Borrowing	66,529	1,211,166	47,857	43,494
Borrowing Under Commercial Papers	184,918	115,024	469,661	178,298
Borrowing Under Repurchase Agreement	1,017,660	558,801	1,017,660	641,802
Lease Creditor	13,933	-	13,687	-
	1,283,040	1,884,991	1,548,865	863,594
Amount repayable within one year	1,241,316	1,441,897	1,539,501	863,594
Amount repayable after one year	41,724	443,094	9,364	-
	1,283,040	1,884,991	1,548,865	863,594

## A Quantum Leap

### Notes to the Financial Statements

#### 31 INSURANCE PROVISION

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
Life Insurance	1,929,352	-	-	-
Non-Life Insurance (Note 31.1)	261,206	-	-	-
	2,190,558	-	-	-

#### 31.1 Non-Life Insurance

Reserve for net unearned premiums	179,999	-	-	-
Reserve for IBNR & IBNER	14,565	-	-	-
Reserve for net deferred acquisition cost	(14,462)	-	-	-
Reserve for gross outstanding claims	81,104	-	-	-
	261,206	-	-	-

#### 32 TRADE AND OTHER PAYABLES

##### Non Current

Deposits from Customers	105,686	136,923	-	-
	105,686	136,923	-	-

##### Current

Trade Creditors	382,837	514,063	-	-
Claims Payable	76,799	-	-	-
Deposits from Customers	1,203,859	1,717,187	-	-
Sundry Creditors including Accrued Expenses	446,362	351,341	87,213	99,629
	2,109,857	2,582,591	87,213	99,629
	2,215,543	2,719,514	87,213	99,629

#### 33 AMOUNTS DUE TO RELATED PARTIES

	Relationship	GROUP		COMPANY	
		2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
Asia Securities (Private) Limited	Subsidiary	-	-	444,600	232,952
		-	-	444,600	232,952



34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

	GROUP				
	Disposal	Acquisition	GROUP		
	2011	2011	2010	Acquisition	2010
Capital Reach	Asian Alliance	Capital Reach	Taru Villa	Asia Wealth	
Holdings Ltd.	Insurance PLC	Holdings Ltd.	Holdings	Management	
			(Pvt) Ltd	Co (Pvt) Ltd	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, Plant & Equipment & Intangible Assets	76,244	81,784	71,339	359,786	-
Investment Property	-	36,750	-	-	-
Other Long Term Investments	154	1,351,886	477	-	-
Other Non Current Assets	-	-	3,083	-	-
Short Term Investments	203,512	1,232,372	237,681	-	7,520
Inventories	26,685	-	28,547	1,589	-
Deferred Tax Assets	29,456	-	28,849	-	-
Loans and Advances	2,743,947	-	1,411,788	-	-
Trade and Other Receivables	152,129	446,390	66,330	13,982	14
Cash and Cash Equivalents	67,504	35,087	43,205	1,411	1
	3,299,631	3,184,269	1,891,299	376,768	7,535
Deferred Tax Liabilities	32,984	-	25,292	-	-
Provision for Retirement Gratuity	10,216	14,653	5,513	1,015	-
Borrowings	1,557,979	-	896,536	258,322	-
Trade and Other Payables	1,230,985	435,315	599,099	25,241	110
Insurance Provision	-	2,212,253	-	-	-
Minority Interest	145,273	-	129,692	-	-
Bank Overdraft	59,800	22,761	-	2,669	-
	3,037,237	2,684,982	1,656,132	287,247	110
Net Assets Acquired		354,244	132,281	89,521	7,425
Goodwill arising on acquisition		203,733	28,119	5,021	75
<b>Total Consideration</b>		557,977	160,400	94,542	7,500
Cash Received from Subsidiary		(12,326)	(43,205)	1,258	(1)
<b>Net cash flow</b>		545,651	117,195	95,800	7,499

34.1 Disposal of Capital Reach Holdings (Private) Limited

During the year ended March 31st 2011 the Company has disposed its entire holding (56.48%) in Subsidiary -Capital Reach Holdings Limited.

	GROUP	COMPANY
	2011	2011
	Rs.'000	Rs.'000
<b>Profit on Disposal of Subsidiary</b>		
Consideration Received	299,559	299,559
Share of Net Assets of the Subsidiary as at Disposal Date/Cost of Investment (161,206)		(230,241)
Unimpaired Goodwill	(28,119)	-
Profit on Disposal of Subsidiary	41,199	138,353

## A Quantum Leap

### Notes to the Financial Statements

#### 35 GROUP

##### Reclassification of Comparative Information

	Current Presentation 2011	As Reported Previously 2010
<b>35.1 Loans Due Form Related Parties</b>		
Interest bearing Long Term Loan	40,216	-
Non - Interest bearing Long Term Loan	44,518	-
Loans to Asia Fort Sri Lanka Direct Investment Fund Ltd	-	84,734
	84,734	84,734

Loans given to Asia Fort Sri Lanka Direct Investment Fund Limited in the previous year was reclassified as Interest bearing Long Term Loan and Non - Interest bearing Long Term Loan.

##### 35.2 Interest Bearing Advances Related Parties

	Current Presentation 2011 Rs.'000	As Reported Previously 2010 Rs.'000
<b>Non Current</b>		
Interest bearing Long Term Loan	138,969	-
Asia Securities (Private) Limited	-	149,468
<b>Current</b>		
Interest bearing Long Term Loan	10,499	-
	149,468	149,468

Interest bearing advance obtained from related party which was classified as current liabilities in the previous year's financial statements has been reclassified as non-current and current liabilities.

##### 35.3 Asia Asset Finance Limited

	Current Presentation 2011 Rs.'000	As Reported Previously 2010 Rs.'000
Rental Receivables on Leases & Hire Purchases	203,187	-
Advances and Other Loans	445,079	614,502
Inventories	8,671	-
Investment Properties	27,039	67,039
Operating Lease	-	2,435
	683,976	683,976
Advance for Share Capital	-	200,000
Stated Capital	200,000	-
	200,000	200,000

### 36 EFFECTS OF CHANGES IN ACCOUNTING POLICIES.

As stated in Note 3.9 in the Financial Statements Group and Company adopted changes to accounting policy as a result of electing voluntary change. The accounting policy set out in Note 3 has been applied in preparing these Financial Statements for the year ended 31 March 2011 and the comparative information presented in these Financial Statements for the year ended 31 March 2010. In preparing these Financial Statements, the Group and Company have adjusted the amounts reported previously in Financial Statements prepared in accordance with the previous accounting policies. The changes in accounting policies are made retrospectively.

An explanation of the effect of changes in accounting policy is set out in the following note

#### 36.1 Group

	Note	31 March 2009		31 March 2010	
		As reported Previously Rs:'000	Effect of Change in Accounting Policy Rs:'000	Restated Balance Rs:'000	Effect of Change in Accounting Policy Rs:'000
<b>BALANCE SHEET</b>					
Investment in Equity Securities					
Quoted Shares	20.1	103,062	4,559	107,621	10,199
		103,062	4,559	107,621	10,199
<b>INCOME STATEMENT :</b>					
Other Operating Income	6		4,559		10,199
			4,559		10,199

#### Effect of Changes in Accounting policies

During the year ended 31 March 2011, the Group changed its accounting policy with respect to the treatment in valuing the Trading Equity Shares (Quoted) at market value on aggregate portfolio basis rather than lower of cost and market value on an individual investment basis. This change in accounting policy has been accounted for retrospectively. The comparative information for 2010 has been restated to conform to the changed policy. The effect of the change is an increase in Other Operating Income of Rs. 143,415,000 (2011) and Rs.10,199,000 (2010). Opening accumulated losses for 2010 decreased by Rs.14,758,000 which is the amount of the adjustment relating to periods prior to 2010.

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### Notes to the Financial Statements

#### 36.2 Company

	Note	31 March 2009		31 March 2010	
		As reported Previously Rs.'000	Effect of Change in Accounting Policy Rs.'000	Restated Balance Rs.'000	Effect of Change in Accounting Policy Rs.'000
<b>BALANCE SHEET</b>					
Investment in Equity Securities	20.1				
Quoted Shares	20.1	48,778	10,054	58,832	10,925
		48,778	10,054	58,832	10,925
<b>INCOME STATEMENT :</b>					
Other Operating Income	6		10,054		10,925
			10,054		10,925

#### 36.2.1 Effect of Changes in Accounting policies

During the year ended 31 March 2011, the Company changed its accounting policy with respect to the treatment in valuing the Trading Equity Shares (Quoted) at market value on aggregate portfolio basis rather than lower of cost and market value on an individual investment basis. This change in accounting policy has been accounted for retrospectively. The comparative information for 2010 has been restated to conform to the changed policy. The effect of the change is an increase in Other Operating Income of Rs.20,601,000 (2011) and Rs.10,925,000 (2010). Opening accumulated losses for 2010 have been decreased by Rs.20,979,000 which is the amount of the adjustment relating to periods prior to 2010.

37 RELATED PARTY DISCLOSURES

Name of Related Party	Name of the Common Director	Nature of Transaction	2011 Value of Transaction Rs.	2010 Value of Transaction Rs.
<b>(a) Transactions with Subsidiaries/Sub-Subsidiaries</b>				
Asia Securities Private Limited	Mr. H.L.L.M. Nanayakkara, Mr. J. H. Paul Ratnayake, Mr. Asanga C. Seneviratne (Resigned w.e.f 1st September 2010)	Interest free Fund Transfer	190,501,000	250,815,000
		Reimbursement of Expenses	17,402,095	34,199,735
		Funds given to settle Liability	75,000,000	-
		Brokerage on Share Trading	3,350,556	2,460,979
		Reverse Repo Interest Expense	-	1,896,427
		Other Interest Expense	116,324	653,323
		Interest Bearing Advance Given	128,810,399	(138,969,385)
		Interest Income on Interest Bearing Advance	(57,549,848)	10,499,032
		Transfer of Receivable	7,028,590	89,165,985
		Transfer of Liability	4,005,701	(89,165,985)
		CDAX online and back office charges	(8,098,271)	(7,852,989)
		Dividend received	71,998,976	-
		Acquisition of Subsidiary	(7,500,000)	-
		Disposal of Subsidiary	7,500,000	-
		Maturity proceeds on Repo Investments	84,482,940	-
		Disposal proceeds from Property Plant and Equipment	1,525,000	-
Asia Growth Fund 1 (Private) Limited	Mr. H.L.L.M. Nanayakkara, Mr. J. H. Paul Ratnayake	Interest free Fund Transfer	(1,645,000)	(41,170,900)
		Reimbursement of Expenses	(37,312)	(12,284,541)
		Transfer of Receivable	(47,268,079)	(89,165,985)
		Balances settled by Asia Capital PLC on behalf following related parties	-	-
		- Asia Tea Packaging (Pvt) Ltd	(2,501,473)	-
		- Asia Digital Entertainment (Pvt) Ltd	(966,926)	-
Transfer of Investment in Joint Venture	3,872,601	-		
Asia Fort Sri Lanka Direct Investment Fund Limited	Mr. H.L.L.M. Nanayakkara, Mr. J. H. Paul Ratnayake	Interest free Fund Transfer	(122,000,000)	(50,000)
		Interest Income on Long Term Loans	5,541,893	7,735,554
		Commercial Paper Borrowings/(Settlements)	-	(2,942,136)
		Interest Expense on Commercial Papers	(11,704,552)	(11,192,496)
		Short Term Lendings/(Recoveries)	-	(12,329,422)
		Interest Income on Short Term Lendings	9,407,982	8,730,044
		Interest Expense on Short Term Borrowings	-	(27,735)
		Reimbursement of Expenses	71,801	1,657,375
		Amount paid for share investment in Asian Alliance Insurance PLC	46,876,375	-
		Proceeds received by sale of right issue of Asian Alliance Insurance PLC	(42,621,774)	-
		Settlement of Liabilities due to Asia Asset Finance Ltd	5,295,803	-

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### Notes to the Financial Statements

#### 37 RELATED PARTY DISCLOSURES (Contd.)

Name of Related Party	Name of the Common Director	Nature of Transaction	2011	2010
			Value of Transaction Rs.	Value of Transaction Rs.
<b>(a) Transactions with Subsidiaries/Sub-Subsidiaries</b>				
Investor Access Asia (Private) Limited	Mr. H.L.L.M. Nanayakkara	Reimbursement of Expenses	(1,559,591)	(951,448)
		CDAX online trade and Maintenance Charges	8,098,271	-
		Purchase of Property Plant and Equipment	(46,055)	-
		Settlement of current account	3,000,000	-
Asia Asset Finance Limited	Mr. H.L.L.M. Nanayakkara, Mr. D.Muthukumarana	Reimbursement of Expenses	(448,287)	(797,885)
		Repo Borrowings/(Settlements)	21,833,607	80,665,955
		Interest Expense on Repo	(11,225,105)	(6,836,848)
		Advance on operating lease	1,400,000	-
		Rentals due on operating lease	404,172	-
		Interest Free Fund transfers	-	625,000
		Expenses borne on behalf of Asia Capital Plc	-	53,000
		Advance In Lieu of Share Investment	-	200,000,000
		Investment in Shares of Asia Asset Finance Ltd	384,974,062	-
		Commercial Paper borrowings	30,000,000	-
Commercial Paper borrowing repayments	(30,000,000)	-		
Interest Expense on Commercial Paper	66,568	-		
Asia Wealth Management Co. (Private) Limited	Mr. H.L.L.M. Nanayakkara	Reimbursement of Expenses	38,900	(2,555,481)
		Interest free Fund Transfers	-	(160,000)
		Repo Interest Expense	-	(281,967)
Asia Leisure Holdings (Private) Limited	Mr. H.L.L.M. Nanayakkara	Reimbursement of Expenses	147,400	58,808,394
		Interest Free Fund Transfers	21,947,566	-
		Settlement of Liabilities	92,588,723	-
Asia Leisure (Private) Limited	Mr. H.L.L.M. Nanayakkara	Reimbursement of Expenses	-	2,840,569
		Expenses borne on behalf of Asia Capital Plc	-	(416,715)
		Interest Free Fund Transfers	21,947,566	14,026,607
Asian Alliance Insurance PLC	Mr. H.L.L.M. Nanayakkara Mr. J. H. Paul Ratnayake, Mr. Asanga C. Seneviratne (resigned w.e.f. 1st September 2010)	Management fees	34,688,997	1,800,000
		Settlement of Current Account	-	1,932,104
		Insurance Premium	963,781	(910,664)
		Guarantee Fees	1,668	5,004
		Expenses borne on behalf of Asia Capital PLC	888,611	-
		Dividends Income	31,990,085	6,274,635
		Commercial Paper Borrowing	225,000,000	-
		Repayment Commercial Paper Borrowing	30,000,000	-
		Commercial Paper Interest Expenses	10,661,713	-
Commercial Paper Interest Payable	4,325,470	-		

## 37 RELATED PARTY DISCLOSURES (Contd.)

Name of Related Party	Name of the Common Director	Nature of Transaction	2011 Value of transaction Rs.	2010 Value of transaction Rs.
<b>(b) Transactions with Associates</b>				
Asia Siyaka Commodities (Private) Limited	Mr. H.L.L.M. Nanayakkara, Mr. J. H. Paul Ratnayake,	Guarantee Fees Dividend Income	1,250,004 9,000,000	1,770,837 17,666,667
<b>(c) Transactions with Other related parties</b>				
Capital Reach Leasing PLC	Mr. H.L.L.M. Nanayakkara,	Amount Invested in Securitized Papers Interest Income on Securitized Papers	- -	26,981,989 1,684,502
P.R. Secreterial Services (Private) Limited	Mr. J. H. Paul Ratnayake,	Secretarial Fees	(233,059)	(195,876)
Asla Fort Asset Management (Private) Limited	Mr. Asanga C. Seneviratne (resigned w.e.f. 1st September 2010)	Reverse Repo Interest Income	-	2,480,149
Asia Digital Entertainment (Private) Limited	Mr. H.L.L.M. Nanayakkara Mr. S. A. Abeysinhe	Reimbursement of Expenses Transfer of Receivables	374,461 4,088,007	- -
Asia Tea Packaging (Private) Limited	Mr. H.L.L.M. Nanayakkara Mr. S. A. Abeysinhe	Reimbursement of Expenses Interest Free Funds Transfer	47,758,226 5,500,000	- -
<b>(d) Transactions with other related parties by the Group</b>				
<b>Asia Securities (Pvt) Ltd</b>				
Asian Alliance Insurance PLC	Mr. H.L.L.M. Nanayakkara Mr. J.H. Paul Ratnayake Mr. S. A. Abeysinhe	Brokerage on Share Trading Insurance Premium Interest on delayed Settlements	17,968,481 (258,858) -	8,859,675 (200,400) 21,049
Asia Asset Finance Limited	Mr. H.L.L.M. Nanayakkara Mr. S. A. Abeysinhe	Brokerage on Share Trading Interest charged on delayed settlements Branch Rent Expenses	1,028,047 3,370 (241,500)	126,984 172,996 -
Asia Fort Sri Lanka Direct Investment Fund Limited	Mr. H.L.L.M. Nanayakkara Mr. J.H. Paul Ratnayake	Brokerage on Share Trading Interest charged on delayed settlements Mr. S. A. Abeysinhe	617,590 191,648	577 56,180
Asia Tea Packaging (Private) Limited	Mr. H.L.L.M. Nanayakkara Mr. S. A. Abeysinhe	Reimbursement of Expenses Fund transfers for donation purpose	55,642 2,223,200	- -
Asia Welth Management Company (Private) Limited	Mr. H.L.L.M. Nanayakkara Mr. J.H. Paul Ratnayake	Professional Fees Expenses Transfers Mr. S. A. Abeysinhe	(1,081,516) 855,747	(2,905,134) 20,160
Capital Reach Holdings (Private) Limited	Mr. H.L.L.M. Nanayakkara (resigned w.e.f. 20th August 2010) Mr. J.H. Paul Ratnayake (resigned w.e.f. 20th August 2010)	Brokerage Income on Share Trading	293,991	45,370

# A Quantum Leap

## Notes to the Financial Statements

### 37 RELATED PARTY DISCLOSURES (Contd.)

Name of Related Party	Name of Director	Nature of Transaction	2011 Value of transaction Rs.	2010 Value of transaction Rs.
<b>(d) Transactions with other related parties by the Group</b>				
Asia Leisure (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeyesinhe	Transfer of Expenses	3,657,323	-
Asia Leisure Holdings (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeyesinhe	Transfer of Expenses	922,645	-
Asia Digital Entertainment (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeyesinhe	Interest Free Fund Transfers Film Production Expenses Reimbursement of Expenses	13,700,000 466,350 731,700	- - -
Paul Ratnayake Associates	Mr.J.H. Paul Ratnayake	Legal Fees	(1,308,349)	(952,994)
PR. Secreterial Services (Private) Limited	Mr.J.H. Paul Ratnayake	Secretarial Fees	(186,464)	(240,869)
Investor Access Asia (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr.S.A. Abeyesinhe Mr.Asanga C. Seneviratne (resigned w.e.f 01st September 2010)	CDAX Online Trade Charges	8,098,271	(7,852,989)
<b>Asia Asset Finance Ltd.</b>				
Asia Securities (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr.S.A. Abeyesinhe	Brokerage on Share Trading Interest paid on delayed Settlements Branch Rent Income	1,028,047 3,370 241,500	126,984 172,996 -
Asian Alliance Insurance PLC	Mr.H.L.L.M. Nanayakkara Mr.S.A. Abeyesinhe Mr. D.Muthukumarana	Insurance Commission Received	159,000	-
Capital Reach Leasing PLC	Mr.H.L.L.M. Nanayakkara (resigned w.e.f 20th August 2010) Mr.P.M.B.Fernando	Investment in Fixed Deposit Interest Received on Fixed Deposit	40,000,000 5,200,000	- -
<b>Investor Access Asia (Pvt) Ltd.</b>				
Asia Securities (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr.S.A. Abeyesinhe	CDAX Online Trade Charges	-	7,852,989
<b>Asia Growth Fund 1 (Pvt) Ltd</b>				
Asia Tea Packaging (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeyesinhe	Reimbursement of Expenses Reimbursement of Construction payments of Hokandara Factory	1,645,212 2,200,554	(43,422,313) -
Asia Leisure Holdings (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeyesinhe	Investment in Shares	-	(89,165,985)
Asia Digital Entertainment (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeyesinhe	Joint Venture Investment Investment made during the year	- 1,182,332	2,905,675 -
PR. Secreterial Services (Private) Limited	Mr.J.H. Paul Ratnayake	Secretarial Fees	(72,005)	(65,679)
<b>Asia Leisure Holdings (Pvt) Ltd</b>				
Asia Securities (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeyesinhe	Interest Free Fund Transfer	4,579,978	-
<b>Asia Leisure (Pvt) Ltd</b>				
Asia Leisure Holdings (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeyesinhe Mr. M. Galagedara	Interest Free Fund Transfers Purchase of Property Plant & Equipment Reimbursement of Expenses	(8,892,556) 376,400 9,370,773	- - -



## 37 RELATED PARTY DISCLOSURES (Contd.)

Name of Related Party	Name of Director	Nature of Transaction	2011 Value of transaction Rs.	2010 Value of transaction Rs.
<b>(d) Transactions with other related parties by the Group</b>				
Asia Securities (Private) Limited	Mr.H.L.L.M. Nanayakkara Mr. S. A. Abeysinhe	Interest Free Fund Transfer	3,657,323	-
<b>Asia Fort Sri Lanka Direct Investment Fund Ltd</b>				
Asia Securities (Private) Limited	Mr. H. L.L.M. Nanayakkara Mr.J.H. Paul Ratnayake	Brokerage on Share Trading	(617,590)	(577)
		Interest charged on delayed settlements	(191,648)	(56,180)
		Dividend Received from Asian Alliance Insurance PLC	13,373,991	-
Asia Asset Finance Limited	Mr. H. L.L.M. Nanayakkara	Interest expense on Borrowings	(1,221,414)	(2,378,201)
		Loans Obtained/(Loan Settlements)	(4,515,703)	10,605,367
		Conversion of Short Term Loan to Long Term Loan	-	9,000,000
Asian Alliance Insurance PLC	Mr.H.L.L.M. Nanayakkara Mr.J.H. P. Ratnayake	Dividend Income	25,836,677	7,295,860
		Purchase of Shares	(46,876,375)	(58,554)
		Gain on Sale of Right Issue of Asian Alliance Insurance PLC	42,621,774	-
P.R. Secreterial Services (Private) Limited	Mr.J.H. Paul Ratnayake	Secretarial Fees	(95,422)	(91,496)
<b>Asia Wealth Management Co. (Pvt) Ltd</b>				
Asia Securities (Private) Limited	Mr. H.L.L.M. Nanayakkara, Mr. S. A. Abeysinhe	Reimbursement of Expenses	(855,747)	(20,160)
		Interest Free Fund Transfers	1,081,516	2,905,134
<b>Asia Siyaka Commodities (Pvt) Ltd</b>				
Asian Alliance Insurance PLC	Mr.H.L.L.M. Nanayakkara Mr.J.H. P. Ratnayake	Payment of Insurance Premium	3,798,366	-

**(e) Transactions with Key Management Personnel**

The key management personnel includes members of the Board of Directors of the Group companies.

	GROUP		COMPANY	
	2011 Rs.'000	2010 Rs.'000	2011 Rs.'000	2010 Rs.'000
<b>Compensation paid to Key Management Personnel</b>				
Short Term Employee Benefits	117,649	46,925	29,097	4,517
Post Employment Benefit	15,716	-	-	-
	133,365	46,925	29,097	4,517

## A Quantum Leap

# Notes to the Financial Statements

### 38 COMMITMENTS AND CONTINGENCIES

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

#### Company

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

Name of the Company	Name of the Bank	Purpose	2011 Amount Rs.	2010 Amount Rs.
Asia Securities (Private) Limited	Pan Asia Banking Corporation PLC	Over Draft		50,000,000
Asia Siyaka Commodities (Private) Limited	Bank of Ceylon	Over Draft	-	5,000,000
	Sampath Bank PLC	Over Draft	5,000,000	5,000,000
	People's Bank	Over Draft	100,000,000	100,000,000

#### 38.1 Litigations against the Company and Group

##### Asia Securities (Private) Limited

Description	Parties	Amount of Claim Rs.
Ms. N. S. Cader has filed a case against the Company in Commercial High Court for unlawful and wrongful disposal of shares. The judgment was given against the Company. However, the company has appealed in Supreme Court against the judgment given by the Commercial High Court. The Directors are of the opinion that the said appeal will be resolved in favour of the Company. Accordingly, no provision has been made in the Financial Statements.	N. S. Cader Vs. Asia Securities (Private) Limited and Commercial Bank of Ceylon PLC.	15,584,200
A case has been filed by an employee against the Company for wrongful dismissal. The Directors of the opinion that the said case will be resolved in favour of the Company. Accordingly, no provision has been made in the Financial Statements.	M. S. Salahudeen Vs. Asia Securities (Private) Limited	1,000,000

### 39 EVENTS AFTER THE BALANCE SHEET DATE

#### Asia Capital PLC

The Company has disposed of its stake in Asian Alliance Insurance PLC and Asia Siyaka Commodities (Private) Limited on 12th August 2011 and 29th August 2011 for Rs.2,392,513,920/- and Rs.175,000,000/- respectively.

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

The Company has disposed of its stake in Asian Alliance Insurance Company PLC on 12th August 2011 for Rs. 1.033 billion and the gain on this disposal is Rs. 764.6 million.

#### Investor Access Asia (Private) Limited

The Company has changed of its name to Asia Capital Technologies (Private) Limited with effect from 11th July 2011.

#### Asia Asset Finance Limited

The Company has made a rights issue of 36,425,715 shares at an issue price of Rs. 2.47 per share during the April 2011.

#### Asia Securities (Private) Limited

The Company has made a rights issue of 20,024,973 shares at an issue price of Rs. 10.00 per share during the September 2011.

40 **ASSETS PLEDGED**

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

The following assets owned by the Company have been pledged as securities for liabilities as at balance sheet date.

Name of the Borrower	Name of the Lender	Nature of Facility	Facility Limit	Details of Assets Pledged	Balance as at 31st March 2011 (Rs.)
Asia Fort Sri Lanka Direct Investment Fund Limited	Asia Asset Finance Limited	Long Term Loan	Rs. 9 Mn.	305,085 Shares of Asian Alliance Insurance Company PLC	4,487,297
Asia Capital PLC	Bank of Ceylon	Overdraft Facility	Rs.250 Mn.	3,407,115 Shares of Asian Alliance Insurance Company PLC	252,080,237
Asia Securities (Private) Limited	Seylan Bank PLC	Overdraft Facility	Rs.150 Mn.	4,900,000 Shares of Asian Alliance Insurance Company PLC	101,944,623

**Asia Leisure Holdings (Private) Limited**

Name of the Lender	Nature of Facility	Facility Limit	Details of Assets Pledged	Balance as at 31st March 2011 (Rs.)
Seylan Bank PLC	Long Term Loan	Rs. 150 Mn.	River House property located at Balapitiya in extent of 6 A - IR - 36 depicted in plan No. 7657	18,452,406

# A Quantum Leap

## Segment Reporting

	Investments		Stock Broking and Investment		Deposit Mobilisation and Credit		Insurance		Leisure		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Business Segment</b>												
<b>Revenue</b>												
Total Gross Sales	383,508	389,607	848,259	386,252	491,020	553,008	470,717	43,961	63,605	17,659	2,257,108	1,390,488
Less: Inter segment sales/dividend	(110,113)	(40,763)	(11,565)	(10,403)	(12,513)	(10,900)	-	-	-	-	(134,191)	(62,065)
<b>Net segment Revenue</b>	273,395	348,844	836,694	375,849	478,507	542,108	470,717	43,961	63,605	17,659	2,122,917	1,328,423
Segmental Operating Profit / (Loss)	125,390	83,398	435,941	122,155	(8,093)	(106,682)	(50,354)	(29,682)	(25,176)	(6,568)	477,707	62,621
Other Operating Income	44,098	17,029	65,241	19,208	131,374	37,486	310,102	14,255	3,796	884	554,510	88,861
Share of Profit/(Loss) of Associate companies	48,271	31,260	-	-	-	-	-	67,225	-	-	48,271	98,485
<b>Operating Profit / (Loss) before Provision for Fall in Value of Investments</b>	217,758	131,686	501,181	141,363	123,280	(69,115)	259,748	51,798	(21,380)	(5,684)	1,080,587	249,967
Provision for fall in value of Investments	-	27,391	-	-	-	21,670	-	-	-	-	-	49,062
Operating Profit / (Loss)	217,758	159,077	501,181	141,363	123,280	(47,445)	259,748	51,798	(21,380)	(5,684)	1,080,587	299,029
Finance Cost	-	-	-	-	-	-	-	-	-	-	(99,432)	(78,529)
Adjustment on disposal of Subsidiary	-	-	-	-	-	-	-	-	-	-	350,772	78,494
Profit Before Taxation	-	-	-	-	-	-	-	-	-	-	1,331,927	298,994
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	(180,912)	(66,435)
<b>Profit After Taxation</b>	-	-	-	-	-	-	-	-	-	-	1,151,015	232,559
<b>Assets</b>												
Segment Assets	1,512,183	649,761	1,036,347	952,980	1,599,829	3,603,912	4,087,936	-	272,115	271,250	8,508,409	5,477,903
Deferred tax Assets	-	-	2,554	109	7,222	1,802	-	-	-	-	9,776	1,911
Investment in Associates	132,440	273,218	-	-	-	-	-	-	-	-	132,440	273,218
Total assets	1,644,623	922,978	1,038,901	953,089	1,607,051	3,605,714	4,087,936	-	272,115	271,250	8,650,625	5,753,033
<b>Liabilities</b>												
Segment Liabilities	179,310	94,673	515,905	539,854	1,366,316	2,113,307	2,752,707	-	13,542	14,028	4,827,780	2,761,862
Interest Bearing Borrowings	1,950,566	1,195,301	56,826	59,764	10	1,113,731	4,242	-	19,015	102,988	2,030,659	2,471,786
Deferred Tax Liability	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	2,129,876	1,289,974	572,731	599,618	1,366,326	3,227,038	2,756,949	-	32,558	117,016	6,858,440	5,233,648
<b>Net Assets</b>	(485,253)	(366,996)	466,170	353,471	240,725	378,676	1,330,987	-	239,557	154,234	1,792,185	519,384
Capital Expenditure	35,527	6,166	28,327	8,925	45,188	16,675	71,495	-	1,257	9,532	181,794	41,297
Depreciation	5,114	4,368	7,285	6,447	2,644	17,756	19,407	-	17,878	46,349	52,329	74,920

For the year ended 31st March

# Share Information

Total number of shares in issue as at 31.03.2011 110,000,000  
 Stock Symbol ACAPN.0000

## The ACAP Share

The Colombo Stock Exchange (CSE) continued its strong growth in year 2010/11 and recorded an impressive growth of 65.69 percent (compounded return) in All Share Price Index while recording a 46.26 percent (compounded return) growth in Milanka Price Index. The CSE is one of the best performing stock markets globally and recognized as the second best performing market by Reuters in 2009.

The ACAP share closed at Rs.87.8 as at 31 March 2011 as against Rs. 13 in previous year, which is an increase of 191.01 percent (compounded return). The share traded between a high of Rs. 115 and a low of Rs. 12.75 in the year under review.

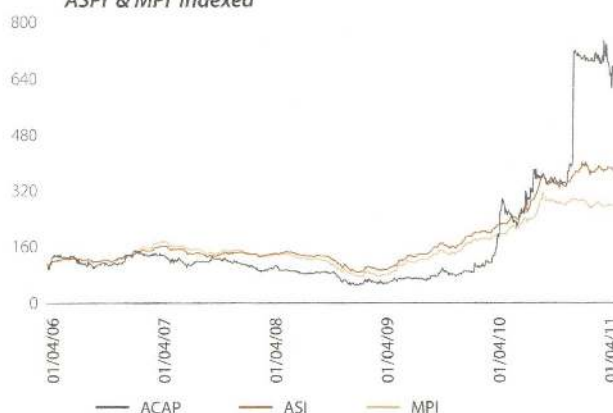
The ACAP share outperformed both ASPI and MPI during year 2010/11. The ACAP share was grown by 189.11 percent (compounded return) giving an attractive return to the shareholders as against the 65.69 percent (compounded return) and 46.26 percent (compounded return) increase in ASPI and MPI respectively.

The ACAP share has continued to be resilient to the volatile trends of the market and reflects a beta value of 1.08 for the financial year 2010/11 (the beta was calculated on monthly ACAP share and market movements as measured by the TRI for the four year period from 01 March 2007 to 31 March 2011). The ACAP share grew at a compounded annual growth rate of 171.82 percent over the most recent five years, whilst the ASPI and MPI grew by 115.48 percent and 86.87 percent respectively for the same period.

ACAP high & low share prices per month



ACAP share performance vs ASPI & MPI indexed



## Issued Share Capital

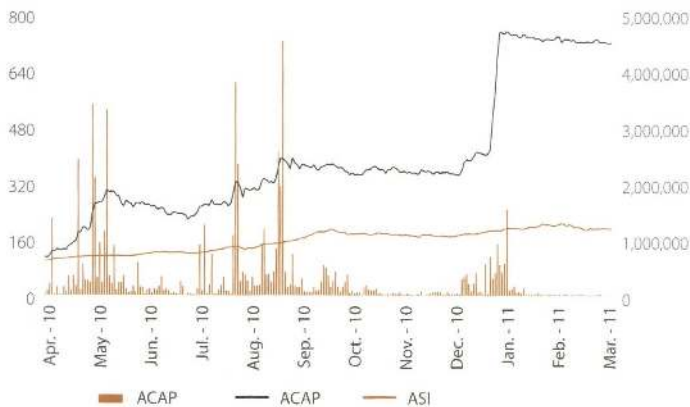
The total number of shares in issue is 110,000,000.

	Audited 2010/11	Audited 2009/10 Restated	Audited 2008/09
Market cap (Rs)	9,658,000,000	1,430,000,000	632,500,000
Enterprise value (Rs)	11,621,806,000	3,590,543,000	1,617,893,000
Basic Earnings/(loss) per share (Rs.)	8.98	2.00	(4.04)
PER	9.8	6.8	(1.42)
Price to book (times)	8.1	5.6	13.00
Total shareholder Return - TSR (%)	575.38	126.09	(47.73)

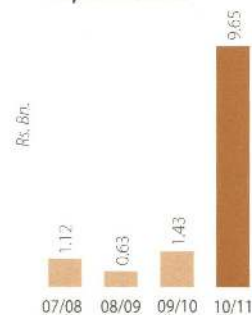
# A Quantum Leap

## Share Information

Share volumes & relative performance vs market (indexed)



Market Capitalization



### Earnings per share

The basic earnings per share for the period increased by 349 percent to Rs. 8.98 (2009/10 – 1.91) as profit after tax attributable to shareholders grew by an impressive rate of 395 percent. The matters which led an increase in the bottom line are discussed extensively in the “Management Discussion and Analysis” in the Annual Report.

### Total shareholder return

The total shareholder return (TSR) of the share was 575 percent (Rs 87.8- Rs 13) during the year.

### Market capitalization and enterprise value

The market capitalization of the company increased by 575 percent to Rs. 9.66 billion during the year (2009/10 – Rs. 1.43 billion). The enterprise value as at 31 March 2011 increased by 224 percent to Rs. 11.6 billion as a result of the increase in market capitalization.

### Price earnings ratio

The ACAP share was trading at 9.8 times earnings as at 31st March 2011 which is 44 percent increase (2009/10 – 6.8 times) compared to the previous year.

### Price to book value

As at 31 March 2011, the price to book ratio of the Group was 8.09 times (2009/10 – 5.57 times) which is 45 percent increase compared to the previous year.

### Liquidity

During the year, 64.1 million shares were traded as against 106.5 shares in previous year. The average daily turnover during the year is Rs. 11.5 million which is an increase of 175.6 percent compared to the average daily turnover of 4.1 million recorded in the previous year.

### Market information on ordinary shares of the Company

Share Information	2010/11	Q4	Q3	Q2	Q1	2009/10
High	115.00	115.00	48.00	50.00	38.25	15.25
Low	12.75	47.00	40.00	26.00	12.75	5.00
Close	87.80	87.80	47.00	45.50	28.75	13.00
Dividends paid (per share)	-	-	-	-	-	-

Trading Statistics	2010/11	Q4	Q3	Q2	Q1	2009/10
Number of transactions	25,440	4,191	2,654	11,712	6,883	5,533
Number of shares traded	64,103,300	8,443,900	5,415,800	32,215,900	18,027,700	106,562,600
Value of the shares traded (Rs)	2,737,450,475	638,272,490	241,115,950	1,317,481,010	540,581,025	1,066,861,475
Average daily turnover (Rs)	11,556,048	10,689,488	3,939,683	20,747,801	10,337,678	4,193,050
% of total market turnover	1.71%	5.66%	2.33%	10.54%	8.61%	1.96%
Market capitalization (Rs)	9,658,000,000	9,658,000,000	5,170,000,000	5,005,000,000	3,162,500,000	1,430,000,000
% of total market Capitalization	0.40%	0.40%	0.23%	0.22%	0.21%	0.12%

# A Quantum Leap

## Ten Year Summary

Year ended 31st March	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000
		(Re-stated)		(Re-stated)						
<b>OPERATING RESULTS</b>										
Revenue	2,122,917	1,328,423	1,803,062	956,048	982,836	743,097	1,678,846	2,636,189	1,552,293	1,477,230
Profit/(loss) before Taxation	981,155	220,500	(395,559)	(561,128)	2,229	(395,559)	267,032	251,732	2,747	105,096
Adjustment on disposal of Subsidiary	350,772	78,494	-	206,252	-	-	-	-	-	-
Taxation	(180,912)	(66,435)	16,373	(16,125)	(33,034)	(54,346)	(17,875)	(45,542)	(11,396)	(22,625)
Profit/(loss) after Taxation	1,151,015	232,559	(379,186)	(371,001)	(30,805)	65,620	249,157	206,190	(8,649)	82,471
Minority Interest	(162,997)	(12,600)	(65,681)	(60,641)	(186)	(247)	-	562	(13,573)	(8,275)
Profit/(loss) attributable to Shareholders	988,018	219,959	(444,867)	(431,642)	(30,991)	65,373	249,157	206,752	(22,222)	74,196
<b>ASSETS</b>										
Property, Plant & Equipment	401,132	328,038	94,001	94,979	75,843	88,400	168,288	136,885	143,898	156,101
Intangible Assets	165,359	78,143	55,455	49,076	150,088	150,088	150,088	-	33,450	1,209
Investment Properties	69,685	67,039	12,023	12,731	13,438	14,145	-	-	-	-
Long Term Investments	1,403,535	372,210	337,053	433,991	739,732	511,324	411,020	527,243	891,978	1,114,838
Deferred Taxation	9,777	1,913	17,809	129	-	-	-	-	-	-
ESOP Loan	17,491	17,491	17,491	17,491	17,491	17,491	17,491	17,491	17,491	38,023
Other Non Current Assets	765,765	1,339,611	560,766	7,962	14,824	14,824	14,617	16,027	7,775	6,528
Current Assets	5,817,881	3,548,588	3,255,127	3,857,563	2,050,008	3,745,748	2,116,806	974,943	361,784	1,622,917
	8,650,625	5,758,033	4,349,725	4,473,922	3,061,424	4,542,020	2,878,310	1,672,589	1,456,376	2,939,616
<b>EQUITY AND LIABILITIES</b>										
Stated Capital	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558
Capital Redemption Reserve Fund	-	-	-	-	13,800	13,800	13,800	13,800	14,440	13,840
Revaluation Reserve	27,560	8,709	10,437	5,970	-	-	-	-	-	-
Capital Reserves	5,774	1,790	1,344	1,344	3,174	2,500	2,500	2,500	2,500	9,250
Exchange Equalisation Reserve	-	-	-	-	78,316	78,316	(48,467)	(22,385)	(15,015)	(9,290)
General Reserve	3,000	3,000	3,000	3,000	-	-	-	-	-	-
Retained Earnings/ (Accumulated Losses)	42,744	(856,779)	(1,080,850)	(635,983)	66,604	89,701	131,722	(114,469)	(149,594)	38,968
Shareholders' Fund	1,193,636	271,278	48,489	488,889	1,276,452	1,298,875	1,214,113	994,004	966,889	1,167,326
Pre-operational and Share Issue Expenses	-	-	-	-	-	-	-	-	-	(13,338)
Minority Interest	598,549	248,106	194,959	131,945	542	247	-	-	6,238	12,521
	1,792,185	519,384	243,448	620,834	1,276,994	1,299,122	1,214,113	994,004	973,127	1,166,509
Negative Goodwill	-	-	-	-	-	-	-	-	-	24,302
Non Current Liabilities	436,456	748,778	186,067	92,904	91,523	90,119	91,657	78,179	35,449	47,205
Current Liabilities	6,421,984	4,484,871	3,920,210	3,760,184	1,692,907	3,152,779	1,572,540	600,406	447,800	1,701,600
	6,858,440	5,233,649	4,349,725	4,473,922	3,061,424	4,542,020	2,878,310	1,672,589	1,456,376	2,939,616







# A Quantum Leap Corporate Information

## **Name**

Asia Capital PLC

## **Legal Form**

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

## **Company Registration Number**

New No. PQ 119

Old No. N(PVS) 8282/PBS

## **Stock Exchange Listing**

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

## **Registered Office**

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

Telephone : +94 11 5320000

Facsimile : +94 11 2331756

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

## **Subsidiaries**

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

## **Board of Directors**

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

J H P Ratnayake (*Deputy Chairman*)

S.A. Abeyesinhe (*Acting Chief Executive Officer*)

F X R Pereira

A D Ross

V. Siva Jr.

D. Muthukumarana

R.J. Wickramasinghe

## **Secretaries**

P R Secretarial Services (Pvt) Ltd

59 Gregory's Road

Colombo 7

## **Auditors**

KPMG Ford, Rhodes, Thornton & Co.

32A Sir Mohamed Macan Markar Mawatha

Colombo 3

## **Lawyers**

Paul Ratnayake Associates

59 Gregory's Road

Colombo 7

## **Bankers**

Hongkong and Shanghai Banking Corporation Limited

Pan Asia Banking Corporation PLC

Bank of Ceylon.

