

# Vision

Our vision is to be the leader of the Venture Capital industry in Sri Lanka and the preferred partner of innovative, committed and ambitious entrepreneurs seeking project related finance together with quality value added services.

# Mission

Our mission is to actively seek and invest in sound business opportunities with rapid growth potential and assist the resulting enterprises with our value added services in order to realise long term capital appreciation through the most appropriate exit strategy.

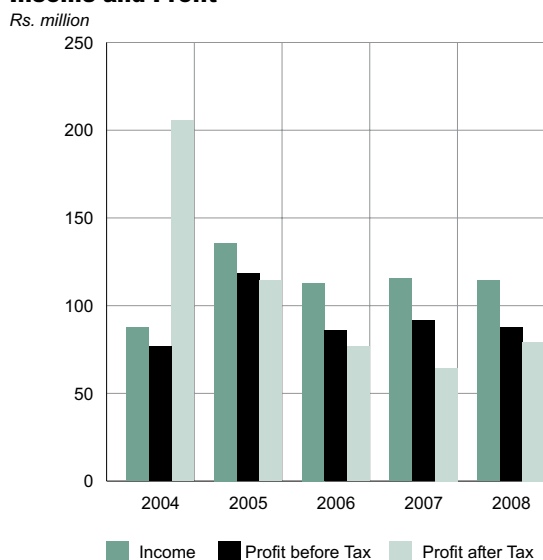
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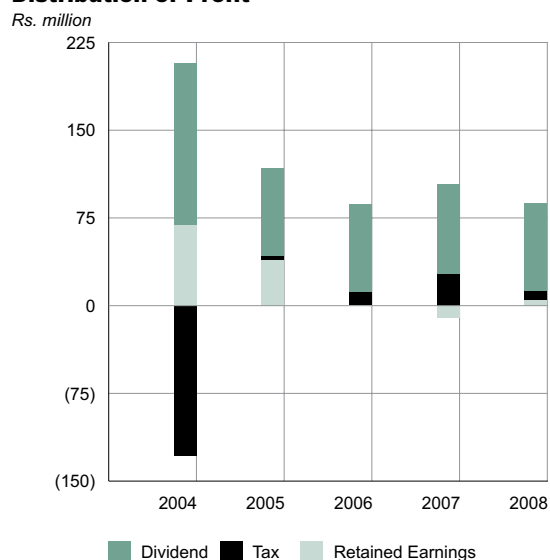
# Financial Highlights

	2008	2007
Total Income (Rs. million)	114.8	115.5
Investment Income (Rs. million)	59.4	68.2
Profit before Tax (Rs. million)	87.6	90.9
Profit after Tax (Rs. million)	79.5	64.0
Shareholders' Funds (Rs. million) (Stated Capital and Reserves)	848.6	850.7
Total Assets (Rs. million)	861.2	860.0
Earnings per Share (Rs.)	1.59	1.28
Dividend per Share (Rs.)	1.50	1.50
Net Assets per Share (Rs.)	16.97	17.01
Market Price per Share (Rs.)	11.25	11.50
<b>Ratios</b>		
Return on Average Shareholders' Funds	9.37%	7.52%
Price Earnings (Times)	7.1	8.9

## Income and Profit



## Distribution of Profit



# Chairman's Review

On behalf of the Board of Directors, I welcome you to the Sixteenth Annual General Meeting of the Company and take pleasure in presenting to you the Annual Report and Audited Accounts for the year ended 31 March 2008.

## Financial Performance

Our gross income remained unchanged at Rs. 115 million compared to the previous year. Pre-tax profit was Rs. 88 million against Rs. 91 million in the previous year but post-tax profit for the year was higher at Rs. 80 million compared to Rs. 64 million in the previous year. This was due to a prior year tax charge that was made in the previous year.

Investment income declined to Rs. 59 million from Rs. 68 million in the previous year but interest income increased to Rs. 55 million from Rs. 47 million due to higher interest rates that prevailed during the year. The decline in investment income was mainly due to lower profit realised from the sale of listed securities and venture capital investments. The conditions that

prevailed did not offer much opportunity for profit taking from trading in equities resulting in profit realised on the sale of listed securities being limited to Rs. 9 million compared to Rs. 23 million last year. We exited from one venture capital investment with a gain of Rs. 4 million whereas two exits in the previous year netted a premium of Rs. 11 million.

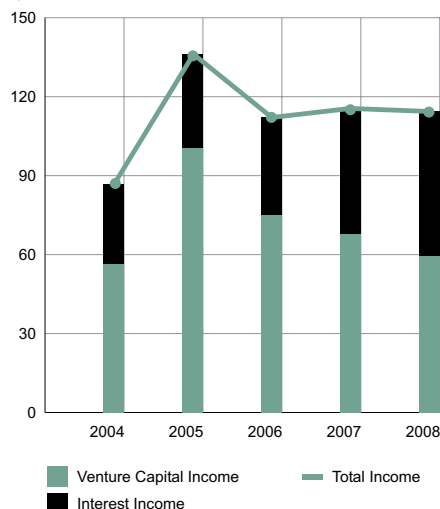
The dividend income and debenture interest realised on venture capital investments showed a marked improvement. Dividend income increased to Rs. 30 million from Rs. 27 million in the previous year whilst debenture interest increased to Rs. 17 million from Rs. 7 million last year.

## Portfolio Status

In terms of cost, our venture capital investment portfolio net of provisions, redemptions and disposals increased to Rs. 411 million representing 65% of the stated capital compared to Rs. 306 million in the previous year. This was the first time in the history of the Company the venture capital investment portfolio exceeded the

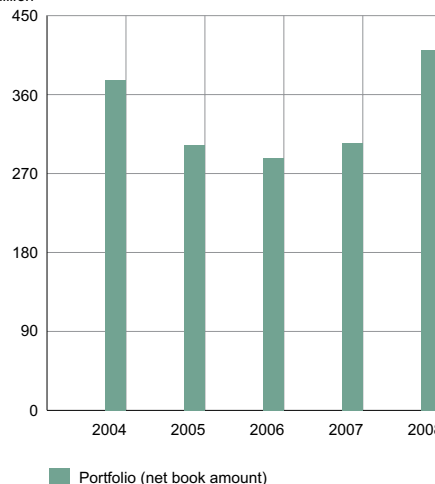
### Income

Rs. million



### Portfolio Growth

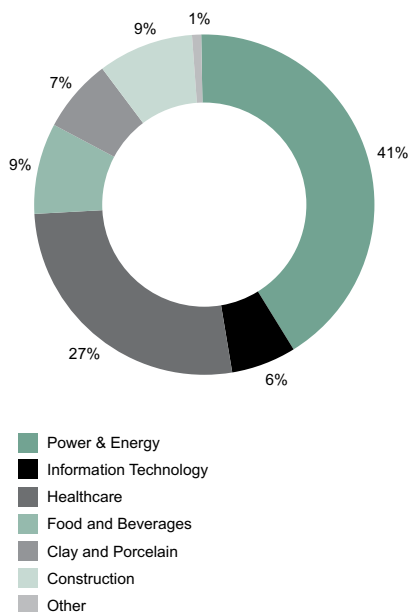
Rs. million



Rs. 400 million mark. Disbursements during the year increased considerably to Rs. 115 million from Rs. 54 million a year earlier.

LVL Energy Fund (Private) Limited (LEF), our fully owned subsidiary focusing on investments in the energy sector had invested Rs. 177 million by end March 2008. The total installed capacity of the four mini-hydro power generation projects in which LEF has invested amounts to 14.4 MW with a potential generation of 60 GWH of electricity. The projects combine an array of turbine technologies varying from Francis and Pelton for high-head sites to Kaplan for a low-head site which is the outcome of a pioneering effort to introduce sophisticated double-regulated Kaplan technology to Sri Lanka aimed at achieving optimum results at low-head sites. The projects being situated in Ratnapura, Kegalle, Nuwara Eliya and Galle districts offer a high degree of diversity both in terms of location and water source and accordingly will help spread risk relating to hydrology which is considered a major risk factor in hydro power generation.

**Sectoral Analysis of Investments**



In keeping with our declared strategy, we increased our exposure to the healthcare sector by Rs. 100 million to Rs. 115 million during the course of the year. The stock market which offered us the opportunity to realise substantial profit in the previous two years did not offer the same degree of potential. Accordingly we made a conscious decision to move out of the stock market and reduced our exposure to the stock market from Rs. 100 million as at 31 March 2007 to Rs. 19 million as at 31 March 2008.

**Outlook**

Two major mini-hydro power generation projects undertaken by companies under LEF did not yield any returns during the year as they were still under construction. Total investment in these two projects amounted to Rs. 144 million. These two projects are now fully operational and if the 3-tier tariff which had been announced by the authorities is speedily implemented these two projects are likely to yield a return in the current financial year. If not, any realisation of return from these projects will have to be deferred till next year. Naturally during implementation of projects we would be deprived of income affecting our current profits but we are confident that in the long term our investments in the energy sector will offer substantial returns.

The high proportion of start-ups in our investment portfolio comes to focus as they are often vulnerable to typical hazards such as cost overruns and prolonged gestation. Whilst reconciling ourselves to the reality that an equity portfolio, particularly one featuring heavy incidence of start-ups, would take a long time to generate returns, we have tried to mitigate this adverse impact by choosing appropriate investment instruments that can help maintain company's overall profitability, cash flows and level of investment at acceptable levels. Our inability to exit from investments still remains a major issue confronting the whole industry thereby stifling its growth.

## Chairman's Review

Investing in the stock market would not be a priority in the current financial year and therefore unlike in the previous two years we do not expect a significant level of activity in our stock market operations. We will continue to strengthen our investments in the energy and healthcare sectors whilst exploring opportunities to diversify our investment portfolio further.

### Dividend

As in the previous year we propose to recommend to the shareholders that Rs. 1.50 per share be paid as the first and final dividend in respect of the financial year ended 31 March 2008 utilizing 94% of the year's post-tax profit.

### Conclusion

On behalf of the Board, I thank our compact team led by Mr. Sumith Arangala the Chief Executive whose professionalism and commitment have delivered commendable results in a challenging environment. I also thank our valuable clients for their loyalty and support. The cooperation extended to us by other funding institutions and the business community is also acknowledged and appreciated. Finally, I thank my fellow directors for the confidence placed in me and the support extended to me in the performance of my responsibilities as the Chairman of the Company.



**Nihal Fonseka**  
*Chairman*  
25 June 2008

# Board of Directors

## 1. Nihal Fonseka

Mr. Nihal Fonseka is a career banker and the Chief Executive Officer of DFCC Bank since 2000. He is the Chairman of the Colombo Stock Exchange and a Vice Chairman of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He is a Director of Commercial Bank of Ceylon PLC and the Credit Information Bureau of Sri Lanka. He is also a member of the Governing Board of the National Institute of Business Management (NIBM) and the Postgraduate Institute of Management, Sri Lanka. He serves as a member of the Advisory Committee on Finance and Banking of the Ceylon Chamber of Commerce. He is a member of the Financial Sector, Capital Markets and Legal Reforms Clusters of the National Council for Economic Development (NCED). He is also a member of the National Payments Council and Inter-Regulatory Institutions Council.

Mr. Fonseka is a Graduate of the University of Ceylon, Colombo, and also a Fellow of the Chartered Institute of Bankers, UK.

## 2. Nihal Kekulawala

Mr. Nihal Kekulawala is the Chief Financial Officer of Hatton National Bank PLC. He counts over 24 years of commercial banking experience including 14 years as a member of the Bank's corporate management team. He also functions as a Director of all the subsidiary companies of the Bank.

Mr. Kekulawala is a Fellow of the Chartered Institute of Bankers, London and a Fellow of the Institute of Chartered Accountants, England & Wales. He also holds a Master's Degree in Business Administration from the University of Manchester, England.

## 3. Jayantha Perera

Mr. Jayantha Perera is a Senior Deputy General Manager at the Hatton National Bank PLC. He joined the services of the Bank in 1971, and has held various managerial positions and has functioned as Head of the International and Credit Divisions of the Bank. Mr. Perera serves as a member of the Bank's Corporate Management and currently functions as the Senior Deputy General Manager (Business Development & International) and as nominee Director on the Boards of some subsidiary and associate companies of the Bank.

Mr. Perera is a Fellow of the Chartered Institute of Bankers, London.

## 4. Trevine Jayasekara

Mr. Trevine Jayasekara is the Group Finance Director of Brandix Lanka Limited and is responsible for the overall finance function of the Group as well as related support functions. He is the former Group Finance Director of Aitken Spence PLC where he was once again responsible for the overall finance function of the parent company and its subsidiaries. He has wide experience in international banking, having worked at Arab Bank Limited in Bahrain and subsequently holding the post of General Manager with Deutsche Bank in Colombo. He is also on the Boards of Hayleys PLC and Sri Lanka Accounting and Auditing Standards Monitoring Board.

Mr. Jayasekara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Chartered Institute of Management Accountants, UK.

## **Board of Directors**

### **5. Sunil De Silva**

Mr. Sunil De Silva heads DFCC Consulting Limited and is a Director of the Company. He joined the DFCC Bank in 1987 and functioned in different positions until retirement in 2004 as a Vice President. Prior to joining the DFCC Bank Mr. De Silva has worked in the copper industry in Zambia and steel industry in Sri Lanka. He has had considerable exposure to the renewable energy sector as well.

Mr. De Silva holds an Honours Degree in Mechanical Engineering and is a Graduate Member of the Institute of Engineers, Australia. He is also an Associate in Development Banking of ADFIAP.

### **6. Tyrone De Silva**

Mr. Tyrone De Silva is a Senior Vice President and Head of the Corporate Banking and Investment Banking Departments at DFCC Bank. He joined the Bank in 1989 and has been involved throughout in the Bank's Corporate Finance and Capital Markets business. He serves as a member of Bank's Credit, Investment and Asset Liability Committees and as nominee Director on the Boards of some of the Bank's other subsidiary and associate companies.

Mr. De Silva holds a Master's Degree in Business Administration from the University of Warwick, UK. He is also a Graduate Member of the Institute of Mechanical Engineers, UK.

# Annual Report of the Board of Directors

The Directors of Lanka Ventures PLC have pleasure in presenting to the members their report together with the Audited Financial Statements for the year ended 31 March 2008.

## Principal Activities

The principal activities of the Company consist of participating in the equity and equity related financial instruments of new and existing companies in Sri Lanka, which undertake projects with potential for high growth.

There has been no significant change in the nature of the Company's principal activities during the year.

## Performance Review

A review of the Group's business and its performance during the year is contained in the Chairman's Review on pages 2 to 4 of the Annual Report. This Review together with the Financial Statements reflect the state of affairs of the Company and the Group.

## Financial Statements

The Financial Statements of the Company and the Group together with the Notes are given on pages 17 to 36.

## Auditor's Report

The Auditor's Report on the Financial Statements is given on page 16.

## Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 21 to 23. There was no change in the accounting policies adopted.

## Directorate

The following Directors held Office during the year under review:

Mr. A. N. Fonseka (*Chairman*)  
Mr. J. D. N. Kekulawala  
Mr. J. M. J. Perera  
Mr. T. L. F. W. Jayasekara  
Mr. S. E. De Silva  
Mr. T. W. De Silva

In terms of Article 94 of the Articles of Association of the Company, Mr. J. M. J. Perera and Mr. T. L. F. W. Jayasekara retire by rotation and being eligible offer themselves for re-election with the unanimous support of the Board.

## Directors' Shareholding

Mr. J. D. N. Kekulawala held 6,000 shares as at 31 March 2008.

## Directors' Interests in Contracts and Proposed Contracts with the Company

Directors' interests in contracts, both direct and indirect are referred to in Note 25 to the Financial Statements. These interests have been declared at the Meetings of the Board of Directors. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

## Directors' Remuneration

Directors' remuneration in respect of the Company and the Group for the financial year 2007/2008 is given in Note 5 to the Financial Statements.



## Annual Report of the Board of Directors

### Donations

Contributions made by the Company during the year for charitable purposes amounted to Rs. 5,000 (2006/2007 - Rs. 22,700).

### Auditors

Messrs PricewaterhouseCoopers, Chartered Accountants, are willing to continue as Auditors of the Company and a resolution proposing their reappointment will be tabled at the Annual General Meeting.

The Auditors Messrs PricewaterhouseCoopers were paid Rs. 330,000 (2006/2007 - Rs. 300,000) as audit fees and Rs. 60,000 (2006/2007 - Rs. 69,000) for non-audit work by the Company. The total amount paid by the Group to Messrs PricewaterhouseCoopers was Rs. 365,000 (2006/2007 - Rs. 330,000) as audit fees and Rs. 80,000 (2006/2007 - Rs. 77,000) for non-audit work.

As far as the Directors are aware the Auditors do not have any relationship (other than that of an auditor) with the Company or its subsidiary other than those disclosed above. The Auditors also do not have any interest in the Company or in the subsidiary company.

### Audit and Remuneration Committees

In June 2008 the Board appointed the Audit and Remuneration Committees comprising the following members of the Board:

Audit Committee: Mr. J. D. N. Kekulawala - Chairman  
Mr. T. L. F. W. Jayasekara

Remuneration  
Committee : Mr. T. L. F. W. Jayasekara - Chairman  
Mr. T. W. De Silva

### Financial Results

<i>For the year ended 31 March</i>	<b>2008</b>	2007
	<b>Rs. '000</b>	Rs. '000
Investment Income	59,405	68,221
Finance Income	55,381	47,239
Total Income	114,786	115,460
Operating Profit	87,568	90,921
Taxation	(8,029)	(26,968)
Profit for the Year	79,539	63,953
Retained Profit brought forward	219,042	230,089
Retained Profit carried forward	216,977*	219,042*
Earnings per Share (Rs.)	1.59	1.28
Net Assets per Share (Rs.)	16.97	17.01
Dividend per Share (Rs.)	1.50	1.50

\* Excluding the proposed dividend payment of Rs. 1/50 per share (2006/2007 - Rs. 1/50 per share).

### Dividends

The Directors have recommended a First & Final Dividend of Rs. 1/50 per share amounting to Rs. 75,000,000 in respect of the financial year 2007/2008 (2006/2007 - Rs. 1/50 per share amounting to Rs. 75,000,000).

In recommending the payment of this dividend, the Directors unanimously declare that, in their opinion, the Company will satisfy the solvency test stipulated in Section 57 of the Companies Act No. 7 of 2007 immediately after the distribution is made and have obtained a certificate of solvency from the Auditors to this effect.

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

The movement in property, plant and equipment during the year under review is set out in Note 10 to the Financial Statements.

### **Stated Capital and Reserves**

There was no change in the stated capital of the Company during the year under review.

The total reserves of the Company as at 31 March 2008 amounted to Rs. 213.53 million which was the carried forward profit of the Company. The Group reserves as at 31 March 2008 amounted to Rs. 216.97 million. The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

### **Taxation**

As per Part A of the Second Schedule of the Inland Revenue Act No. 10 of 2007 the Company is liable to income tax at the rate of 20%.

Legal action pursued by the Company against the assessments issued in respect of the years of assessment 1994/95 to 2001/02 is fully explained in Note 21 to the Financial Statements under Contingent Liabilities. The Court has reserved judgment for 29 September 2008 and the stay order has been extended till such time. The case against the determination of the Commissioner General of Inland Revenue referred to in the same Note is to be mentioned in Court on 06 October 2008. The appeal against the said determination is scheduled to be taken up before the Board of Review on 01 July 2008.

### **Shareholders' Information**

The distribution of shareholders is indicated on page 38 of the Annual Report. There were 1,597 (2006/2007 - 1,470) registered shareholders as at 31 March 2008.

### **Share Information**

Information on share trading is given on page 39 of the Annual Report.

### **Post Balance Sheet Events**

No circumstances have arisen and no material events have occurred since the balance sheet date, which would require adjustments to, or disclosure in the accounts other than those disclosed in the Financial Statements and this Report.

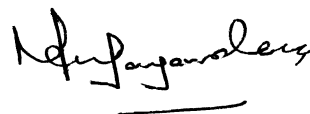
### **Going Concern**

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and the Directors have adopted the going concern basis in preparing the accounts.

### **Annual General Meeting**

The Sixteenth Annual General Meeting of the Company will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02, on the twenty eighth (28th) day of August 2008 at 3.00 p.m. The Notice of the Sixteenth Annual General Meeting is on page 40 of the Annual Report.

By Order of the Board,



**Secretaries & Registrars (Private) Limited**  
*Secretaries*

25 June 2008  
Colombo

# Corporate Governance

The Board of Directors is responsible for the governance of the Company whilst the shareholders' role in governance is to appoint Directors and to satisfy themselves that an appropriate governance structure is in place.

The Board of Directors of Lanka Ventures PLC is committed to business integrity and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the development of best practices.

## Board of Directors

The Board consists of six Non-Executive Directors including an Independent Director with wide financial and commercial knowledge and experience. A brief background of each Director is given on pages 5 and 6 of the Annual Report.

## Board Meetings

The Board meets once in two months and special Board Meetings are also held whenever required to review the results of the Company with reference to monthly Financial Statements, status of portfolio, pipeline of projects, investment and divestment proposals and regular position papers on portfolio companies. The Board comprising entirely Non-Executive Members is able to bring independent judgment to bear on the decision making process of the Company.

Over the past year the Board held 10 meetings and their attendance is given below. Mr. D. S. Arangala, the Chief Executive Officer attended all Board Meetings by invitation.

Mr. A. N. Fonseka (Chairman)	-	9/10
Mr. J. D. N. Kekulawala	-	7/10
Mr. J. M. J. Perera	-	10/10
Mr. T. L. F. W. Jayasekara*	-	7/10
Mr. S. E. De Silva	-	7/10
Mr. T. W. De Silva	-	7/10

\* *Independent Director*

The role of Chairman and Chief Executive Officer are separate with responsibilities divided between them.

## Appraisal of the Chief Executive Officer

The performance of the Chief Executive Officer is reviewed every year by the Board. The CEO is accountable to the Board and is responsible for the day-to-day operations of the Company while ensuring that corporate goals are achieved making optimum use of the resources available.

## Time Commitment

The Board dedicates adequate time to discharge their duties effectively. In addition to Board Meetings, they attend sub-committee meetings and make decisions via circular resolutions.

## Appointments to the Board

New appointments to the Board are based on collective decisions of the Board. In making new appointments, the Board considers the composition of the Board in order to assess whether they have the right mix of skills and experience to be better prepared for managing the Company.

### Re-election of Directors

As per the Articles of Association of the Company at the first Annual General Meeting of the Company all the Directors shall retire from office, and every subsequent year, one third of the Directors shall retire from office at each Annual General Meeting and offer themselves for re-election. The Managing Director is not subject to retirement by rotation.

### Access to Independent Professional Advice

All Directors have access to the advice of the Company Secretary and independent professional advice is available to Directors in appropriate circumstances at Company's expense.

### Remuneration of the Directors

The remuneration of the Directors all of whom are functioning in non-executive capacity is determined by the Board and is disclosed in Note 5 to the Financial Statements.

### Company Secretary

Secretaries & Registrars (Private) Limited act as the Company Secretaries. The Company Secretary attends Board Meetings, minutes all Board decisions and liaises with Directors on matters connected with the Board. The Company Secretary ensures proper procedures are followed and applicable rules and regulations are adhered to by the Board.

### Board Sub-Committee (BSC)

The Board has formed a sub-committee consisting of three members of the Board to achieve better and more focused attention on the affairs of the Company and the Group. The Chief Executive Officer acts as its Secretary. The BSC meets regularly to consider investment and divestment proposals prior to placing them before the Board for approval. Recommendations and other inputs of the BSC help the Board in making decisions. In addition, BSC

supervises the implementation of Board decisions and also facilitates the achievement of the corporate objectives by providing a direct and efficient conduit for communication between the operational staff and the Board.

### Responsibilities

The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. The responsibilities of the Board include the following:

- Exercise leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure a managed and effective process of Board appointments.
- Determine the Company's purpose and values, strategy and ensure that procedures and practices are in place.
- Monitor and evaluate the implementation of strategies and policies for better management performance.
- Ensure compliance with the relevant laws, regulations and codes of best practice.
- Communicate with shareholders effectively and serve the legitimate interests of the shareholders.
- Periodic and timely reporting to shareholders of the progress and performance of the Company.
- Review processes and procedures regularly to ensure that internal controls are effective.
- Identify key risk areas and ensuring that these risks are addressed and managed effectively.

## Corporate Governance

- Appointing and evaluation the performance of the Chief Executive Officer.
- Approving the Annual Budget.
- Ensure the continuation of the Company as a going concern.

### Investor Relations

The Annual General Meeting, Annual Report of the Company, Quarterly Reports are the principal means of communication with the shareholders.

### Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The following disclosures are made in conformity with Section 6 of the Rules of the Colombo Stock Exchange:

Rule 6.1 - **Non-Executive Directors:** Complied. All 6 Directors are Non-Executive.

Rule 6.2 - **Independent Directors:** Not complied with the minimum requirement of 2. Only 1 Director meets all the criteria of independence specified in the Rule. The Board has identified some candidates who can add value to the Board who meet all the criteria of independence and will proceed to make an appointment before the end of the current financial year.

Rules 6.3 & 6.4 - **Disclosures relating to Directors:** 1 of the 6 Non-Executive Directors meets all the criteria set out in Rule 6.4 for determining the independence of Directors. This Independent Director is Mr. T. L. F. W. Jayasekara. The other Directors do not meet all the specified criteria by virtue of being employees of large shareholders.

Rule 6.5 - **Remuneration Committee:** Not fully complied. The Committee has been constituted. The second Independent Director to be appointed to the Board will be co-opted to the Committee upon which the Committee's composition will conform to the Rule. The names of the members of the Committee are given in the Annual Report of the Directors. The total remuneration of Directors was Rs. 246,000.

Rule 6.6 - **Audit Committee:** Not fully complied. The Committee has been constituted. The second Independent Director to be appointed to the Board will be co-opted to the Committee upon which the Committee's composition will conform to the Rule. The names of the members of the Committee are given in the Annual Report of the Directors. No report of the Committee is submitted along with this Annual Report as it was constituted only in June 2008.



# Financial Reports

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# Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Independent Auditor's Report on page 16.

As per the provisions of the Companies Act No. 7 of 2007 the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of its operations for the financial year.

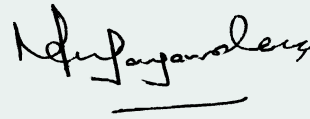
The Directors consider that, in preparing these Financial Statements set out on pages 17 to 36 appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and to ensure that the Financial Statements presented comply with the requirements of the Companies Act No. 7 of 2007.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

The Directors are confident that they have discharged their responsibilities as set out in this statement. The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company as at the balance sheet date have been paid or where relevant, provided for.

By order of the Board



**Secretaries & Registrars (Private) Limited**  
*Secretaries*

Colombo  
05 May 2008



# Independent Auditor's Report



## Independent Auditor's Report

PricewaterhouseCoopers  
P.O. Box 918  
100, Braybrooke Place  
COLOMBO 2  
SRI LANKA  
Telephone: 94-11-4719838 (Huntin  
Facsimile: 94-11-2303197

### To the members of Lanka Ventures PLC

### Report on the Financial Statements

1. We have audited the accompanying financial statements of Lanka Ventures PLC (the Company), the consolidated financial statements of Lanka Ventures PLC and its subsidiary (the Group) which comprise the balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 36.

### Management's Responsibility for the Financial Statements

2. 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

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures

in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

### Opinion

4. In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2008 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2008 and of its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
5. In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2008 and of its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Group dealt with thereby, so far as concern the members of the Company.

### Report on Other Legal and Regulatory Requirements

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

*PricewaterhouseCoopers*

CHARTERED ACCOUNTANTS

08 May 2008

Colombo

Partners Y Kanagasabai FCA, D.T.S.H. Mudalige FCA, S. Manoharan ACA, N. R. Gunasekera ACA, S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA,

# Consolidated Income Statement

(All amounts in Sri Lanka Rupees thousands)

For the year ended 31 March	Notes	Group		Company	
		2008	2007	2008	2007
Investment income	3	59,405	68,221	53,244	68,080
Finance income	4	55,381	47,239	55,300	47,239
Total income		114,786	115,460	108,544	115,319
Other operating income		261	637	1,261	1,137
Administrative expenses		(27,403)	(25,082)	(27,562)	(23,531)
Promotional expenses		(76)	(109)	(76)	(109)
Provision (made)/reversed for diminution in value of investments		Nil	15	Nil	15
Operating profit before tax	5	87,568	90,921	82,167	92,831
Tax	7	(8,029)	(26,968)	(7,985)	(26,968)
<b>Net profit</b>		<b>79,539</b>	<b>63,953</b>	<b>74,182</b>	<b>65,863</b>
Earnings per share (Rs.)	8	1.59	1.28	1.48	1.32

The notes on pages 21 to 36 form an integral part of these Financial Statements

# Consolidated Balance Sheet

(All amounts in Sri Lanka Rupees thousands)

As at 31 March	Notes	Group		Company	
		2008	2007	2008	2007
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	1,274	1,719	1,274	1,719
Investments	11	411,301	305,688	234,145	143,788
Investment in subsidiary	12	Nil	Nil	176,600	161,900
Investment in Unit Trusts	13	50,000	50,000	50,000	50,000
Investment securities	14	42,109	143,856	42,109	143,856
Non-current receivables	15	1,737	1,191	1,737	1,191
		506,421	502,454	505,865	502,454
<b>Current assets</b>					
Receivables and prepayments	16	30,566	14,489	30,262	16,394
Short term investments	17	155,000	Nil	155,000	Nil
Cash and cash equivalents	18	169,251	343,039	166,564	343,014
		354,817	357,528	351,826	359,408
<b>Total assets</b>		<b>861,238</b>	<b>859,982</b>	<b>857,691</b>	<b>861,862</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Stated capital	23	631,638	631,638	631,638	631,638
Retained earnings		216,977	219,042	213,530	220,952
		848,615	850,680	845,168	852,590
<b>Non-current liabilities</b>					
Retirement benefit obligations	20	2,031	1,506	2,031	1,506
<b>Current liabilities</b>					
Payables	19	7,402	7,251	7,340	7,221
Current tax liability		3,190	545	3,152	545
		10,592	7,796	10,492	7,766
<b>Total liabilities</b>		<b>12,623</b>	<b>9,302</b>	<b>12,523</b>	<b>9,272</b>
<b>Total equity and liabilities</b>		<b>861,238</b>	<b>859,982</b>	<b>857,691</b>	<b>861,862</b>

1. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were authorised for issue by the Board of Directors on 08 May 2008

  
**J.D.N. Kekulawala**  
 Director

  
**T.W. De Silva**  
 Director

2. I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

  
**Dishna Edirisinghe**  
 Finance Manager

The notes on pages 21 to 36 form an integral part of these Financial Statements

# Statement of Changes in Equity

(All amounts in Sri Lanka Rupees thousands)

## Group

	Notes	Stated capital	Retained earnings	Total
Balance at 1 April 2006		631,638	230,089	861,727
Net profit		Nil	63,953	63,953
Dividends	9	Nil	(75,000)	(75,000)
<b>Balance at 31 March 2007</b>		<b>631,638</b>	<b>219,042</b>	<b>850,680</b>
Balance at 1 April 2007		631,638	219,042	850,680
Net profit		Nil	79,539	79,539
Temporary diminution in value of investments	11	Nil	(6,604)	(6,604)
Dividends	9	Nil	(75,000)	(75,000)
<b>Balance at 31 March 2008</b>		<b>631,638</b>	<b>216,977</b>	<b>848,615</b>

## Company

Balance at 1 April 2006		631,638	230,089	861,727
Net profit		Nil	65,863	65,863
Dividends	9	Nil	(75,000)	(75,000)
<b>Balance at 31 March 2007</b>		<b>631,638</b>	<b>220,952</b>	<b>852,590</b>
Balance at 1 April 2007		631,638	220,952	852,590
Net profit		Nil	74,182	74,182
Temporary diminution in value of investments	11	Nil	(6,604)	(6,604)
Dividends	9	Nil	(75,000)	(75,000)
<b>Balance at 31 March 2008</b>		<b>631,638</b>	<b>213,530</b>	<b>845,168</b>

The notes on pages 21 to 36 form an integral part of these Financial Statements

# Consolidated Cash Flow Statement

(All amounts in Sri Lanka Rupees thousands)

For the year ended 31 March	Notes	Group		Company	
		2008	2007	2008	2007
<b>Operating activities</b>					
Cash generated from operations	24	72,342	88,253	69,118	88,228
Tax paid		(5,384)	(27,407)	(5,378)	(27,407)
<b>Net cash generated from operating activities</b>		<b>66,958</b>	<b>60,846</b>	<b>63,740</b>	<b>60,821</b>
<b>Investing activities</b>					
Purchase of long term investments	14	Nil	(70,699)	Nil	(70,699)
Proceeds from disposal of long term investments	14	95,143	59,051	95,143	59,051
Proceeds from disposal of property, plant and equipment		6	20	6	20
Proceeds from maturity of short term investments	17	Nil	60,000	Nil	60,000
Purchase of property, plant and equipment	10	(282)	(346)	(282)	(346)
Investment in subsidiary		Nil	Nil	(14,700)	(54,100)
Venture capital investments	11	(115,256)	(54,100)	(100,000)	Nil
Proceeds from disposal/redemption of venture capital investments		9,643	35,914	9,643	35,914
Purchase of short term investments		(155,000)	Nil	(155,000)	Nil
<b>Net cash generated from investing activities</b>		<b>(165,746)</b>	<b>29,840</b>	<b>(165,190)</b>	<b>29,840</b>
<b>Financing activities</b>					
Dividend paid		(75,000)	(74,004)	(75,000)	(74,004)
<b>Net cash used in financing activities</b>		<b>(75,000)</b>	<b>(74,004)</b>	<b>(75,000)</b>	<b>(74,004)</b>
<b>Increase in cash and cash equivalents</b>		<b>(173,788)</b>	<b>16,682</b>	<b>(176,450)</b>	<b>16,657</b>
<b>Movement in cash and cash equivalents</b>					
At start of year		343,039	326,357	343,014	326,357
Increase		(173,788)	16,682	(176,450)	16,657
<b>At end of year</b>	<b>18</b>	<b>169,251</b>	<b>343,039</b>	<b>166,564</b>	<b>343,014</b>

The notes on pages 21 to 36 form an integral part of these Financial Statements

# Notes to the Consolidated Financial Statements

## 1. General information

Lanka Ventures PLC ('the Company') and its subsidiary (together 'the Group') participates in the equity and equity related financial instruments of new and existing companies of Sri Lanka, which undertake projects with potential for high growth.

The Company is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 46/12, Nawam Mawatha, Colombo 02.

The Company has its primary listing on the Colombo Stock Exchange.

## 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated Financial Statements are prepared in accordance with and comply with Sri Lanka Accounting Standards (SLAS). The consolidated Financial Statements have been prepared under the historical cost basis of accounting.

The preparation of Financial Statements in conformity with SLAS requires the use of certain critical accounting estimates. It requires management to exercise their judgment in the process of applying the Company's accounting policies. The areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed in Note 2.5.

### 2.2 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceased.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.3 Financial instruments

Financial instruments carried on the Balance Sheet include cash and bank balances, investments and receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 2.4 Foreign currencies

#### (a) Functional and presentation currency

Items included in the Financial Statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

## Notes to the Consolidated Financial Statements

### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **2.5 Investments**

Venture capital investments in quoted and unquoted equity and debt capital are stated at cost less any specific provision required for permanent or probable diminution in value. Other investments that bear interest are valued at cost. A major variation in the actual earnings and/or cash flows from the expected earnings and a diminution in the net assets value due to losses are generally treated as a probable diminution in value subject to a case by case evaluation of each investment by the management.

Fixed asset investments excluding marketable securities are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in value of an investment, it is recognised as an expense in the period in which the diminution is identified.

Investment securities include debt and equity securities which are held for yield or capital appreciation in the medium to long term. Any temporary decline/reversal of such reductions are included in equity. However, diminution in value in investment securities which is other than temporary is recorded in income statement and the recorded values of those securities are adjusted accordingly.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

### **2.6 Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

Computer systems	4 years
Motor vehicles	5 years
Office equipment	5 years
Furniture and fittings	8 years

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

### **2.7 Operating leases**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

### **2.8 Receivables**

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

### **2.9 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks and highly liquid investments with insignificant risk of changes in value and original maturities of three months or less at the date of acquisition.

### 2.10 Provisions

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

### 2.11 Defined benefit plan

Terminal benefits are provided for all employees of the Group at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable to the last month of the financial year, for each year of completed service.

This provision is not externally funded, nor has it been actuarially valued.

### 2.12 Defined contribution plans

All employees of the Group are members of the Employees' Provident Fund and the Employees' Trust Fund to which the Group contributes 15% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances.

### 2.13 Taxation

The charge for current tax is based on the results for the year as adjusted for disallowable items.

Current tax is provided at the rate of 20%, on taxable income arising on business income as per the second schedule part A of Inland Revenue Act No. 10 of 2007.

Deferred income tax is provided in full, using the liability method, for all the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in Financial Statements. The principal temporary differences arise from the depreciation on property, plant and equipment and the tax losses carried forward.

Tax rates enacted by the balance sheet date are used to determine deferred tax .

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that is probable that future taxable profit will be available against which the unused tax losses can be utilised.

### 2.14 Revenue recognition

Interest on debentures is accounted for on an accrual basis except for interest received from debentures that have been fully provided for; such interest is recognised on a cash basis. Interest on other fixed interest bearing securities and all other income are accounted for on an accrual basis.

Dividends on quoted equities are recorded on the ex-dividend date. Dividends on unquoted equities are recognised on the date on which such dividends are declared.



## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 3. Investment income

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Debenture interest	16,939	7,104	14,946	6,963
Dividend income	30,124	27,112	25,956	27,112
Premium/profit on disposal/sale of investments	3,749	11,262	3,749	11,262
Profit on sale of investment securities	8,575	22,725	8,575	22,725
Directors' fees	18	18	18	18
	<b>59,405</b>	<b>68,221</b>	<b>53,244</b>	<b>68,080</b>

### 4. Finance income

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
<b>Interest income</b>	<b>55,381</b>	<b>47,239</b>	<b>55,300</b>	<b>47,239</b>

Interest income is made up of interest received and receivable on money market assets and bank deposits.

### 5. Operating profit

The following items have been charged/(credited) in arriving at operating profit:

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Directors' emoluments	246	285	246	285
Auditors' remuneration				
- audit fees and expenses	365	330	330	300
- non audit fees and expenses	80	77	60	69
Depreciation of property, plant and equipment (Note 10)	727	697	727	697
Repair and maintenance expenditure	332	216	332	216
Operating lease rental	2,416	2,541	2,416	2,541
Staff costs (Note 6)	11,230	9,460	11,230	9,460
Profit on disposal of property, plant and equipment	(6)	(20)	(6)	(20)

### 6. Staff costs

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Salaries	9,091	7,733	9,091	7,733
Defined contribution plans	1,614	1,278	1,614	1,278
Defined benefit plans (Note 20)	525	449	525	449
	<b>11,230</b>	<b>9,460</b>	<b>11,230</b>	<b>9,460</b>
Average monthly number of employees (full time)	10	10	10	10

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 7. Tax

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Current tax [Note (a)]	8,029	5,737	7,985	5,737
Additional tax charge [Note (b)]	Nil	22,205	Nil	22,205
Income tax over provision in previous year	Nil	(974)	Nil	(974)
	<b>8,029</b>	<b>26,968</b>	<b>7,985</b>	<b>26,968</b>

(a) The current tax charge represents the tax on assessable income calculated at the rate of 20% net of Notional Tax Credit in respect of interest income from treasury bills.

(b) In April 2006, the Company received an assessment for the year of assessment 2002/2003 for a sum of Rs. 34,149,768 inclusive of a penalty of Rs. 11,383,258. The Company lodged an appeal against the assessment which was settled by agreement with the payment of Rs. 12,280,388 in June 2006. The consequential liability of Rs. 7,727,917 arising there from due to elimination of the tax loss carried forward to subsequent years was also settled in previous year. The Company's tax returns in respect of years of assessment 2003/2004 and 2004/2005 were reviewed by the Department of Inland Revenue and the income tax liability for these years also finalised with the payment of an additional tax of Rs. 2,052,503 in previous year.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of the consolidated entities as follows:

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Profit before tax	87,568	90,921	82,167	92,831
Tax calculated at principal tax rate of 20%	17,514	18,184	16,433	18,566
Expenses not deductible for tax purpose	986	1,073	987	691
Income not subject to tax	(7,906)	(9,809)	(6,916)	(9,809)
Utilisation of tax losses	(1,396)	(3,153)	(1,350)	(3,153)
Notional tax credit	(1,169)	(558)	(1,169)	(558)
<b>Tax charge</b>	<b>8,029</b>	<b>5,737</b>	<b>7,985</b>	<b>5,737</b>

### 8. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Net profit attributable to shareholders	79,539	63,953	74,182	65,863
Weighted average number of ordinary shares in issue (thousands)	50,000	50,000	50,000	50,000
Basic earnings per share (Rs)	1.59	1.28	1.48	1.32

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 9. Dividends

At the meeting of the Board of Directors held on 29 May 2007, a final dividend in respect of 2006/2007 of Rs. 1.50 per share amounting to a total dividend of Rs. 75,000,000 was declared and paid.

### 10. Property, plant and equipment

#### (a) Company/Group

	Motor vehicles	Computer systems	Office equipment	Furniture & fittings	Total
<b>At 31 March 2006</b>					
Cost	3,125	2,064	734	3,870	9,793
Accumulated depreciation	(1,820)	(1,450)	(686)	(3,767)	(7,723)
<b>Net book value</b>	<b>1,305</b>	<b>614</b>	<b>48</b>	<b>103</b>	<b>2,070</b>
<b>Year ended 31 March 2007</b>					
Opening net book amount	1,305	614	48	103	2,070
Additions	Nil	327	Nil	19	346
Depreciation charge (Note 5)	(435)	(188)	(46)	(28)	(697)
<b>Closing net book amount</b>	<b>870</b>	<b>753</b>	<b>2</b>	<b>94</b>	<b>1,719</b>
<b>At 31 March 2007</b>					
Cost	3,125	2,026	734	3,889	9,774
Accumulated depreciation	(2,255)	(1,273)	(732)	(3,795)	(8,055)
<b>Net book amount</b>	<b>870</b>	<b>753</b>	<b>2</b>	<b>94</b>	<b>1,719</b>
<b>Year ended 31 March 2008</b>					
Opening net book amount	870	753	2	94	1,719
Additions	Nil	Nil	151	131	282
Disposal	Nil	Nil	Nil	Nil	Nil
Depreciation charge (Note 5)	(435)	(270)	(2)	(20)	(727)
<b>Closing net book amount</b>	<b>435</b>	<b>483</b>	<b>151</b>	<b>205</b>	<b>1,274</b>
<b>At 31 March 2008</b>					
Cost	3,125	2,026	798	3,947	9,896
Accumulated depreciation	(2,690)	(1,543)	(647)	(3,742)	(8,622)
<b>Net book amount</b>	<b>435</b>	<b>483</b>	<b>151</b>	<b>205</b>	<b>1,274</b>

- (b) No depreciation is charged in the year of purchase and a full year's depreciation is charged in the year of disposal.
- (c) Property, plant and equipment includes fully depreciated assets, the cost of which at 31 March 2008 amounted to Rs. 6,357,398 (2007 - Rs. 6,047,813).
- (d) During the year Company has disposed of fully depreciated office equipment and furniture and fittings at a scrap value of Rs. 6,000. The cost of such disposed of assets amounted to Rs. 160,000.

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 11. Investments

- (a) Investments solely consist of the cost of investments in equity capital or loan capital (convertible debentures and preference shares) in 13 (2007 - 13) companies. These investments are held for dividend income and debenture interest and for resale to realise appreciation in the value of such investments. The movement of investments is given below:

	Group		Company	
	2008	2007	2008	2007
<b>At beginning of year</b>				
Cost	324,438	343,752	162,538	343,752
Provision for diminution in value	(18,750)	(56,250)	(18,750)	(56,250)
<b>Opening net book amount</b>	<b>305,688</b>	<b>287,502</b>	<b>143,788</b>	<b>287,502</b>
<b>Cost</b>				
Balance at beginning of year	324,438	343,752	162,538	343,752
Additions	115,256	54,100	100,000	Nil
Disposals/redemptions	(9,643)	(35,914)	(9,643)	(143,714)
Written off against provision	Nil	(37,500)	Nil	(37,500)
<b>Balance at end of year</b>	<b>430,051</b>	<b>324,438</b>	<b>252,895</b>	<b>162,538</b>
<b>Provision for diminution in value</b>				
Balance at beginning of year	18,750	56,250	18,750	56,250
Provision made during the year	Nil	Nil	Nil	Nil
Provision reversed during the year	Nil	(15)	Nil	(15)
	Nil	(15)	Nil	(15)
Provision set off against disposal	Nil	(7,485)	Nil	(7,485)
Written-off against cost	Nil	(30,000)	Nil	(30,000)
<b>Balance at end of year</b>	<b>18,750</b>	<b>18,750</b>	<b>18,750</b>	<b>18,750</b>
<b>At end of year</b>				
Cost	430,051	324,438	252,895	162,538
Provision for diminution in value	(18,750)	(18,750)	(18,750)	(18,750)
<b>Closing net book amount</b>	<b>411,301</b>	<b>305,688</b>	<b>234,145</b>	<b>143,788</b>

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 11. Investments (Contd.)

(a) The following information relates to the investments held by the Company and Group at 31 March 2008.

Name of investee company	Nature of business	Type of investment	No of shares/ debentures	% of ordinary shares held	Investment at cost Rs.
<b>Unquoted investments</b>					
Lanka Industrial Estates Limited	Industrial estate	ordinary shares	340,969	2.13	4,091,628
Ceylon Hospitals Limited	Provision of medical services	debentures	42,857	–	428,571
Ceylon Hospitals Limited - new project	Provision of medical services	debentures	10,000,000	–	100,000,000
Durdans Heart Surgical Centre (Private) Limited	Provision of specialised heart care	ordinary shares	1,500,000	13.63	14,625,000
Renuka Agrifoods Limited	Processing & export of coconut based products	preference shares debentures	1,875,000 1,000,000	–	18,750,000 10,000,000
E Services Lanka Limited	Electronic data Interchange	preference shares	2,500,000	–	25,000,000
Royal Fernwood Porcelain Limited	Manufacture and export of porcelain tableware	preference shares	2,500,000	–	30,000,000
Tudawe Brothers Limited	Construction contractors	preference shares	400,000	–	40,000,000
Coco Lanka Limited	Processing and export of coconut based product	debentures	1,000,000	–	10,000,000
					<b>252,895,199</b>
<b>Investment by Subsidiary</b>					
Hayleys Hydro Energy (Private) Limited	Mini hydro power generation	ordinary shares	5,880,000	49%	58,800,000
Nividhu (Private) Limited	Mini hydro power generation	preference shares	3,280,000	–	32,980,400
LVS Energy (Private) Limited	Mini hydro power generation	preference shares	5,000,000	–	50,250,000
Unit Energy Lanka (Private) Limited	Mini hydro power generation	preference shares debentures	2,500,000 1,000,000	–	25,125,000 10,000,000
<b>Total</b>					<b>430,050,599</b>

(b) All investee companies are incorporated in Sri Lanka.

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 12. Investment in subsidiary

The Financial Statements of LVL Energy Fund (Private) Limited, the fully owned subsidiary of the Company which was incorporated on 26 June 2006 are consolidated with the Company's Financial Statements.

### 13. Investments in Unit Trusts

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Opening net book amount	50,000	50,000	50,000	50,000
<b>Closing net book amount</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

The Company held 4,873,740 units in Namal Income Fund, at 31 March 2008 (31 March 2007 - units 4,873,740). The market value of the units at 31 March 2008 was Rs. 50,491,946 (31 March 2007 - Rs. 50,443,213).

### 14. Investment securities

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Opening net book amount	143,856	132,208	143,856	132,208
Additions	Nil	70,699	Nil	70,699
Disposals	(95,143)	(59,051)	(95,143)	(59,051)
Provision for diminution in value	(6,604)	Nil	(6,604)	Nil
<b>Closing net book amount</b>	<b>42,109</b>	<b>143,856</b>	<b>42,109</b>	<b>143,856</b>

Investment securities at 31 March consist of the following:

	Group and Company			Group and Company		
	No of shares/ debenture	2008 Cost (‘000)	Market value (‘000)	No of shares/ debentures	2007 Cost (‘000)	Market value (‘000)
<b>Quoted ordinary shares</b>						
Lanka IOC Limited	240,000	9,560	5,100	240,000	9,560	7,200
John Keells Holdings PLC	57,142	9,153	6,843	57,142	9,153	8,857
Chevron Lubricants Lanka PLC	Nil	Nil	Nil	201,800	15,033	17,153
Hayleys PLC	Nil	Nil	Nil	76,000	9,066	10,792
Aitken Spence PLC	Nil	Nil	Nil	6,000	2,426	2,280
Nations Trust Bank Limited	Nil	Nil	Nil	225,000	4,987	7,650
Sri Lanka Telecom PLC	Nil	Nil	Nil	1,412,900	45,405	52,277
HDFC Bank of Sri Lanka	Nil	Nil	Nil	15,500	4,726	2,511
		<b>18,713</b>	<b>11,943</b>		<b>100,356</b>	<b>108,720</b>

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 14. Investment securities (Contd.)

	Group and Company 2008			Group and Company 2007		
	No of shares/ debenture	Cost (‘000)	Market value (‘000)	No of shares/ debentures	Cost (‘000)	Market value (‘000)
<b>Quoted debentures</b>						
Hatton National Bank PLC - D0073	100,000	10,000	9,200	100,000	10,000	8,700
Commercial Bank of Ceylon PLC - D0063	20,000	20,000	21,000	20,000	20,000	21,000
Hatton National Bank PLC - D0056	Nil	Nil	Nil	75,000	7,500	7,208
Hatton National Bank PLC - D0057	Nil	Nil	Nil	60,000	6,000	5,776
		30,000	30,200		43,500	42,684
<b>Total</b>		<b>48,713</b>	<b>42,143</b>		<b>143,856</b>	<b>151,404</b>
Provision for diminution in value		(6,604)	Nil		Nil	Nil
		<b>42,109</b>	<b>42,143</b>		<b>143,856</b>	<b>151,404</b>

### 15. Non-current receivables

Non-current receivables wholly consist of instalments receivable on loans to staff.

### 16. Receivables and prepayments

	Group		Company	
	2008	2007	2008	2007
Accounts receivables	288	218	288	218
Receivable from related party (Note 25)	Nil	Nil	3,407	2,045
Prepayments	255	191	255	191
Deposits and advances [Note 16 (c)]	1,145	5,263	1,145	5,263
Other receivables [Note 16 (a), 16 (b)]	28,878	8,817	25,167	8,677
	<b>30,566</b>	<b>14,489</b>	<b>30,262</b>	<b>16,394</b>

- (a) The Group other receivables mainly include interest receivable of Rs. 27,024,690 (2007 - Rs. 8,568,503) and a dividend receivable of Rs. 1,562,824 (2007 - Nil).
- (b) The Company other receivables consist of interest receivable of Rs. 24,875,394 (2007 - Rs. 8,427,753) and instalments receivable on staff loans Rs. 291,146 (2007 - Rs. 248,639).
- (c) The Group and the Company deposits and advances mainly consist of refundable rent deposit of Rs. 916,794 (2007 - Rs. 916,794).

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 17. Short term investments

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
<b>Short term investments</b>	<b>155,000</b>	<b>Nil</b>	<b>155,000</b>	<b>Nil</b>

Short term investments as at 31 March 2008 wholly consist of fixed deposits and investment in Government Treasury Bills with a maturity of less than one year. The weighted average effective interest rate on short term investments was 18.93%.

### 18. Cash and cash equivalents

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Cash at bank and in hand	8,336	3,915	7,208	3,890
Short term deposits				
- fixed deposits	1,559	214,000	Nil	214,000
- treasury bills	145,856	90,124	145,856	90,124
- commercial paper	Nil	35,000	Nil	35,000
- other short term placements with HNB	13,500	Nil	13,500	Nil
	<b>169,251</b>	<b>343,039</b>	<b>166,564</b>	<b>343,014</b>

The weighted average effective interest rate on short term deposits was 18.61% (2007 - 14.00%) and these deposits have an average maturity of 68 days (2007 - 73 days).

### 19. Payables

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
Accrued expenses	560	632	497	601
Social security and other taxes	318	265	319	265
Other accounts payable	6,524	6,354	6,524	6,355
	<b>7,402</b>	<b>7,251</b>	<b>7,340</b>	<b>7,221</b>

### 20. Retirement benefit obligations

	Group		Company	
	2008	2007	2008	2007
At beginning of year	1,506	1,057	1,506	1,057
Current service cost (Note 6)	525	449	525	449
<b>At end of year</b>	<b>2,031</b>	<b>1,506</b>	<b>2,031</b>	<b>1,506</b>



## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 21. Contingent liabilities

The contingent liability based on assessments received for the years of assessment 1994/1995 to 2001/2002 is Rs. 221,908,075 inclusive of a penalty of Rs. 75,221,470. The assessments for surcharge on income tax received for the years of assessment 1994/1995, 1995/1996 and 2001/2002 amount to Rs. 13,640,788 inclusive of a penalty of Rs. 4,546,930. The Company lodged appeals against the assessments. In addition the Company filed action in Court of Appeal for Writ of Certiorari to quash the assessments and seeking other interim relief. The Court of Appeal on 2 August 2005 granted an interim order restraining the Inland Revenue from taking action to recover the amount stated in the tax-in-default notice issued for the years of assessment 1994/1995 to 1999/2000 which interim order had been extended till 14 May 2008. The matter is fixed for argument on 13 May 2008.

By letter dated 11 June 2007, the Commissioner General of Inland Revenue informed that he has determined against the Company, the appeals lodged in respect of the above-mentioned assessments. The Company instituted further action in the Court of Appeal for Writ of Certiorari to quash the said determination and seeking interim relief by way of stay order to prevent further action being taken on the determination. On 25 June 2007 the Court of Appeal granted a stay order operative till order is delivered by Court in the former case. The matter is fixed for argument in Court on 30 May 2008.

### 22. Commitments

#### Capital commitments

Capital commitments outstanding as at 31 March 2008 amounted to Rs. 5,200,000.

#### Financial commitments

In terms of the lease agreement entered into between the Company and Ceylon Ocean Lines Limited the Company is liable to pay a lease rental of Rs. 196,650 per month (including VAT) to Ceylon Ocean Lines Limited.

### 23. Stated capital

	Number of shares	Ordinary shares	Share premium	Total
At 31 March 2007	50,000	500,000	131,638	631,638
<b>At 31 March 2008</b>	<b>50,000</b>	<b>500,000</b>	<b>131,638</b>	<b>631,638</b>

All issued shares are fully paid.

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 24. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2008	2007	2008	2007
Profit before tax	87,568	90,921	82,167	92,831
Adjustments for:				
Depreciation (Note 5)	727	697	727	697
Profit on sale of property, plant and equipment (Note 5)	(6)	(20)	(6)	(20)
Changes in working capital:				
- receivables	(16,623)	(1,085)	(14,414)	(2,990)
- payables	151	(2,709)	119	(2,739)
- retirement benefit obligation (Note 20)	525	449	525	449
<b>Cash generated from operations</b>	<b>72,342</b>	<b>88,253</b>	<b>69,118</b>	<b>88,228</b>

### 25. Related party transactions

Mr. A. N. Fonseka is the General Manager/Director and Chief Executive Officer of DFCC Bank. Mr. T. W. De Silva is a Senior Vice-President (Corporate and Investment Banking) of DFCC Bank.

DFCC Bank owns 58.23% of the Company's shares and is the holding company of the Company. Lanka Ventures PLC owns 99.99% of the shares of LVL Energy Fund (Private) Limited.

Mr. A. N. Fonseka is the Chairman of DFCC Stock Brokers (Private) Limited, Lanka Industrial Estates Limited and a Director of Commercial Bank of Ceylon PLC and National Asset Management Limited (NAMAL).

Mr. T. W. De Silva is a Director of LVL Energy Fund (Private) Limited and is a Director of DFCC Stock Brokers (Private) Limited and Lanka Industrial Estates Limited.

Mr. J. D. N. Kekulawala and Mr. J. M. J. Perera are Chief Financial Officer and Senior Deputy General Manager (Business Development and International) of Hatton National Bank PLC respectively.

Also Mr. J. D. N. Kekulawala and Mr. J. M. J. Perera are Directors of HNB Stock Brokers (Private) Limited and HNB Securities Limited. Mr. J. D. N. Kekulawala is a Director of LVL Energy Fund (Private) Limited.

Mr. S. E. De Silva is a Director of LVL Energy Fund (Private) Limited and Mr. T. L. F. W. Jayasekara is a Director of Hayleys PLC.

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 25. Related party transactions (Contd.)

The following transactions were carried out with related parties:

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
<b>(i) Purchase of services</b>				
DFCC Bank - Directors' fees	48	95	48	95
DFCC Stock Brokers (Private) Limited - Brokerage	230	295	230	295
HNB Stock Brokers (Private) Limited - Brokerage	258	198	258	198
	<b>536</b>	<b>588</b>	<b>536</b>	<b>588</b>
<b>(ii) Income from investment</b>				
DFCC Bank - interest income	22,322	6,932	22,322	6,932
DFCC Vardhana Bank Limited - interest income	4,848	11,195	4,848	11,195
Commercial Bank of Ceylon PLC				
- interest income	3,890	2,445	3,890	2,445
Hatton National Bank PLC				
- interest income	8,258	5,117	8,178	5,117
HNB Securities Limited - interest income	12,173	4,922	12,173	4,922
NAMAL - dividend income	6,969	4,728	6,969	4,728
Lanka Industrial Estates Limited - dividend income	1,227	2,761	1,227	2,761
	<b>59,687</b>	<b>38,100</b>	<b>59,607</b>	<b>38,100</b>
<b>(iii) Investments</b>				
Hatton National Bank PLC - quoted debentures	10,000	23,500	10,000	23,500
Hatton National Bank PLC - fixed deposits	1,559	Nil	Nil	Nil
HNB Securities Limited				
- Treasury Bill / TB repurchase	191,620	85,124	191,620	85,124
DFCC Bank - fixed deposits	100,000	120,000	100,000	120,000
DFCC Vardhana Bank Limited - fixed deposits	Nil	35,000	Nil	35,000
NAMAL - Unit Trust	50,000	50,000	50,000	50,000
Commercial Bank of Ceylon PLC				
- quoted debentures	20,000	20,000	20,000	20,000
Lanka Industrial Estates Limited - ordinary shares	4,092	4,092	4,092	4,092
	<b>377,271</b>	<b>337,716</b>	<b>375,712</b>	<b>337,716</b>

(iv) Mr. D. S. Arangala who is the Chief Executive Officer of the Company is a Director of Royal Fernwood Porcelain Limited, Durdans Heart Surgical Centre (Private) Limited, Renuka Agrifoods Limited, E Services Lanka Limited, Nividhu (Private) Limited, LVS Energy (Private) Limited, Unit Energy Lanka (Private) Limited and Hayleys Hydro Energy (Private) Limited and was a Director in Alutec Extrusions (Private) Limited up to 29 June 2007.

## Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

### 25. Related party transactions (Contd.)

Mr. K. Maheshwaran who is the Portfolio Manager of the Company is a Director of LVS Energy (Private) Limited, Unit Energy Lanka (Private) Limited and is an alternate Director of Nividhu (Private) Limited and was a Director of Laugfs Holdings Limited up to 28 May 2007.

Mr. W. Singappuli who is the Assistant Portfolio Manager of the Company is an alternate Director in Royal Fernwood Porcelain Limited and was an alternate Director in Alutec Extrusions (Private) Limited up to 29 June 2007.

Ms. L. Mannakkara who is an Investment Analyst of the Company is a Director of LVS Energy (Private) Limited and Unit Energy Lanka (Private) Limited and is an alternate Director in Durdans Heart Surgical Centre (Private) Limited and Renuka Agrifoods Limited.

For the year ended 31 March	Group		Company	
	2008	2007	2008	2007
<b>(v) Income from investments</b>				
Nividhu (Private) Limited - dividend income	4,168	1,042	Nil	1,042
Royal Fernwood Porcelain Limited - Directors' fee	8	8	8	8
Durdans Heart Surgical Centre (Private) Limited				
- directors' fee	10	10	10	10
- dividend income	9,000	9,000	9,000	9,000
Renuka Agrifoods Limited - debenture interest	1,000	1,719	1,000	1,719
- premium on redemption	Nil	5,263	Nil	5,263
Alutec Extrusions (Private) Limited				
- debenture interest	183	1,341	183	1,341
- premium on redemption	3,499	4,750	3,499	4,750
Laugfs Holdings Limited - debenture interest	Nil	435	Nil	435
	<b>17,868</b>	<b>23,568</b>	<b>13,700</b>	<b>23,568</b>
<b>(vi) Purchase/(sale) of investments</b>				
Unit Energy Lanka (Private) Limited				
- debentures	Nil	10,000	Nil	Nil
Hayleys Hydro Energy (Private) Limited				
- ordinary shares	14,700	44,100	Nil	Nil
	<b>14,700</b>	<b>54,100</b>	<b>Nil</b>	<b>Nil</b>

## Notes to the Consolidated Financial Statements

### 25. Related party transactions (Contd.)

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

As at 31 March	Group		Company	
	2008	2007	2008	2007
<b>(vii) Investments</b>				
Alutec Extrusions (Private) Limited				
- debentures	Nil	7,500	Nil	7,500
Royal Fernwood Porcelain Limited				
- preference shares	30,000	30,000	30,000	30,000
Durdans Heart Surgical Centre (Private) Limited				
- ordinary shares	14,625	14,625	14,625	14,625
Renuka Agrifoods Limited				
- preference shares	18,750	18,750	18,750	18,750
- debentures	10,000	10,000	10,000	10,000
E Services Lanka Limited				
- preference shares	25,000	25,000	25,000	25,000
Nividhu (Private) Limited				
- preference shares	32,980	32,800	Nil	Nil
LVS Energy (Private) Limited				
- preference shares	50,250	50,000	Nil	Nil
Unit Energy Lanka (Private) Limited				
- preference shares	25,125	25,000	Nil	Nil
- debentures	10,000	10,000	Nil	Nil
Hayleys Hydro Energy (Private) Limited				
- ordinary shares	58,800	44,100	Nil	Nil
	<b>275,530</b>	<b>267,775</b>	<b>98,375</b>	<b>105,875</b>
<b>(viii) Key management compensation</b>				
Salaries and other short term benefits	5,735	4,493	5,735	4,493
	<b>5,735</b>	<b>4,493</b>	<b>5,735</b>	<b>4,493</b>

### 26. Post Balance Sheet events

No events have occurred since the balance sheet date which require adjustment to, or disclosure in, the Financial Statements.

### 27. Holding company

DFCC Bank incorporated in Sri Lanka is regarded as the holding company.

# Ten Year Summary

<i>For the year ended 31 March</i>	<b>2008</b>	2007	2006	2005	2004	2003	2002	2001	2000	1999
	<b>Rs. '000</b>	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Operating Results</b>										
Investment income	59,405	68,221	74,778	100,776	56,562	43,239	40,771	28,709	64,206	25,933
Interest income	55,381	47,239	37,617	35,362	30,264	57,178	66,981	66,694	62,472	52,594
Total income	114,786	115,460	112,395	136,138	86,826	100,417	107,752	95,403	126,678	78,527
Operating profit before provision	87,568	90,906	91,477	117,297	70,167	86,529	93,987	83,484	121,876	67,588
Provision reversed/(made)										
against investments	–	15	(5,383)	333	6,274	(28,118)	(4,895)	(1,981)	(7,192)	(13,699)
Operating profit before tax	87,568	90,921	86,094	117,630	76,441	58,411	89,092	81,503	114,684	53,889
Taxation	(8,029)	(26,968)	(10,316)	(3,484)	129,376	46	(21,455)	6,023	(18,804)	(16,419)
<b>Profit after tax</b>	<b>79,539</b>	<b>63,953</b>	<b>75,778</b>	<b>114,146</b>	<b>205,817</b>	<b>58,457</b>	<b>67,637</b>	<b>87,526</b>	<b>95,880</b>	<b>37,470</b>
Proposed dividend	75,000	75,000	75,000	75,000	137,500	50,000	50,000	37,500	25,000	–
<b>Balance Sheet</b>										
<b>Assets</b>										
Cash and short term deposits	324,251	343,039	386,357	369,804	314,801	380,813	148,237	204,733	487,666	466,974
Receivables & prepayments	32,303	15,680	14,597	10,113	10,086	6,581	15,202	10,402	22,409	12,367
Investments	411,301	305,688	287,502	302,782	376,227	317,284	350,634	298,524	225,896	159,468
Investment in subsidiary	–	–	–	–	–	–	–	–	–	–
Investment in Unit Trust	50,000	50,000	50,000	50,000	50,000	–	75,000	–	–	–
Treasury bills and bonds	–	–	–	–	–	–	142,603	182,898	–	–
Investment securities	42,109	143,856	132,208	136,364	76,018	28,081	–	–	–	–
Fixed assets	1,274	1,719	2,070	2,291	2,934	1,480	2,830	3,951	5,415	4,441
Total assets	861,238	859,982	872,734	871,354	830,066	734,239	734,506	700,508	741,386	643,250
<b>Liabilities</b>										
Net assets	(12,623)	(9,302)	(11,007)	(10,405)	(8,263)	(5,753)	(64,476)	(48,115)	(139,019)	(111,763)
Net assets	848,615	850,680	861,727	860,949	821,803	728,486	670,030	652,393	602,367	531,487
<b>Financed by</b>										
Stated capital	631,638	631,638	631,638	631,638	631,638	631,638	631,638	631,638	631,638	631,638
Profit & loss	216,977	219,042	230,089	229,311	190,165	96,848	38,392	20,755	(29,271)	(100,151)
Net assets	848,615	850,680	861,727	860,949	821,803	728,486	670,030	652,393	602,367	531,487
<b>Indicators of Performance</b>										
Return on average shareholders' funds (%)	9.37	7.52	8.80	13.57	26.55	8.36	10.23	13.95	16.91	7.31
Return on total assets (%)	9.24	7.38	8.69	13.42	26.31	7.96	9.43	12.14	13.85	6.06
Income over total assets (%)	13.34	13.33	12.89	16.00	11.10	13.67	15.02	13.23	18.30	12.70
Total liabilities as a % of total assets	1.47	1.08	1.26	1.19	1.00	0.78	8.78	6.87	18.75	17.37
P/E ratio	7.08	8.98	9.54	6.03	2.55	7.06	6.65	3.71	3.65	7.01
Net assets per share (Rs.)	16.97	17.01	17.23	17.22	16.44	14.57	13.40	13.05	12.05	10.63
Earnings per share (Rs.)	1.59	1.28	1.52	2.28	4.12	1.17	1.35	1.75	1.92	0.75
Dividend per share (Rs.)	1.50	1.50	1.50	1.50	2.75	1.00	1.00	0.75	0.50	–
Dividend pay out (%)	94.34	117.19	98.68	65.79	66.81	85.53	73.92	42.84	26.07	–
Dividend yield (%)	13.33	13.04	10.34	10.91	26.19	12.12	11.11	11.54	7.14	–
Market price per share (Rs.)	11.25	11.50	14.50	13.75	10.50	8.25	9.00	6.50	7.00	5.25
Investments										
(at net book value) Rs. '000	411,301	305,688	287,502	302,782	376,200	301,694	335,074	282,983	210,625	159,468
Number of performing projects	13	13	15	15	17	17	19	18	17	16

# Information to Shareholders

## 1. Stock Exchange Listing

The issued ordinary shares of Lanka Ventures PLC are listed on the Colombo Stock Exchange.

## 2. Shares held by the Public

The percentage of shares held by the public is 21.68% as at 31 March 2008.

## 3. Distribution of Shareholdings as at 31 March 2008

No. of Shares Held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holdings %
1 - 1,000	947	59.30	423,798	0.85
1,001 - 5,000	418	26.18	1,163,555	2.33
5,001 - 10,000	101	6.32	854,297	1.71
10,001 - 50,000	104	6.51	2,392,357	4.78
50,001 - 100,000	9	0.56	671,000	1.34
100,001 - 500,000	14	0.88	3,607,800	7.21
500,001 - 1,000,000	1	0.06	548,500	1.10
1,000,001 & Over	3	0.19	40,338,693	80.68
<b>Total</b>	<b>1,597</b>	<b>100.00</b>	<b>50,000,000</b>	<b>100.00</b>

## 4. Analysis Report of Shareholders as at 31 March 2008

	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holdings %
Individual	1,510	94.55	6,520,387	13.04
Institutional	87	5.45	43,479,613	86.96
<b>Total</b>	<b>1,597</b>	<b>100.00</b>	<b>50,000,000</b>	<b>100.00</b>
Resident	1,580	98.94	49,063,900	98.13
Non-Resident	17	1.06	936,100	1.87
<b>Total</b>	<b>1,597</b>	<b>100.00</b>	<b>50,000,000</b>	<b>100.00</b>

## 5. Twenty Largest Shareholders as at 31 March 2008

	No. of Shares		% of Issued Capital
DFCC Bank	29,119,743	(29,119,743)	58.23
Hatton National Bank PLC A/C No. 1	10,036,250	(10,036,250)	20.07
DPMC Financial Services (Private) Limited	1,182,700	(1,374,300)	2.36
Seylan Bank PLC/Asia Fort Asset Management	548,500	(548,500)	1.09
Mr. Jerome Radley Jude Ephraums	412,100	(412,100)	0.82
Mr. Ravimohan Surendranath Tissanayagam	399,800	(399,800)	0.79
Mrs. Rukmini Tissanayagam			
AIO Investments (Private) Limited	332,200	(332,200)	0.66
Dr. Thirugnanasambandar Senthilverl	322,200	(89,300)	0.64
Mrs. Muriel Geratrude Kekulawala	300,000	(300,000)	0.60
Belmont Agents Limited	300,000	(300,000)	0.60
SKM Lanka Holdings (Private) Limited	296,500	-	0.59
Harischandra Mills (Distributors) Limited	250,000	(250,000)	0.50
Distilleries Company of Sri Lanka Limited	250,000	(250,000)	0.50
Mr. Jayaprakash Rudra	200,000	(200,000)	0.40
Mr. Henry Anthony Pieris	200,000	(200,000)	0.40
Mr. Ravindra Vajira Balasuriya	125,000	(125,000)	0.25
Mr. Addara Pathirana Somasiri	110,000	-	0.22
Mrs. Maduwage Lakshmi De Silva	110,000	(110,000)	0.22
Lanka Milk Foods (CWE) Limited	100,000	(100,000)	0.20
Mr. Hitbandara Atapattu Mudiyanseelage Premar Algama	100,000	-	0.20
<b>Total</b>	<b>44,694,993</b>		<b>89.34</b>

Figures in brackets indicate the shareholding as at 31 March 2007.

## 6. Share Trading Information

Year to 31 March	2008	2007
Number of Transactions	1,984	2,037
Number of Shares Traded	3,268,800	5,243,400
Value of Shares Traded (Rs.)	39,511,375	71,675,900
Highest Price (Rs.)	14/00	15/25
Lowest Price (Rs.)	10/00	11/50
Closing Price (Rs.)	11/25	11/50
Market Capitalisation (Rs.)	562,500,000	575,000,000



# Notice of Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of Lanka Ventures PLC will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02, on the twenty eighth (28th) day of August 2008 at 3.00 p.m. for the following purposes:

- 1) To receive and consider the Report of the Directors, Statements of Accounts and the Balance Sheet of the Company for the year ended 31 March 2008 together with the Report of the Auditors thereon.
- 2) To declare a final dividend of Rs. 1.50 per share to the shareholders of the Company as recommended by the Board of Directors.
- 3) To re-elect Mr. J. M. J. Perera who retires by rotation in terms of Article 94 of the Articles of Association as a Director of the Company.
- 4) To re-elect Mr. T. L. F. W. Jayasekara who retires by rotation in terms of Article 94 of the Articles of Association as a Director of the Company.
- 5) To reappoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
- 6) Special Business
  - i) To authorise the Directors to determine and make donations.
  - ii) To determine Directors' remuneration in terms of Article 80 of the Articles of Association of the Company.

- iii) To approve the new Articles of Association of the Company as per the attachment and if though fit passing the following resolution as a special resolution:

“that the present Articles of Association of the Company be and is hereby deleted and the new Articles of Association is substituted therefor”

By Order of the Board  
**Secretaries & Registrars (Private) Limited**

(Sgd.)  
Secretaries

25 June 2008  
Colombo

**Note:**

- i. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.
- ii. A Form of Proxy is enclosed in this Report.
- iii. The completed Form of Proxy should be deposited at the Office of the Secretaries to the Company, Secretaries & Registrars (Private) Limited, No. 32A, 1st Floor, Sir Mohamed Macan Markar Mawatha, Colombo 03, not less than 48 hours before the time for holding the Meeting.





# Form of Proxy

\*I/We ..... of ..... being\* a member/ members of LANKA VENTURES PLC, do hereby appoint..... of.....or failing \*him/her

Mr. A. N. Fonseka of Colombo or failing him  
 Mr. J. D. N. Kekulawala of Colombo or failing him  
 Mr. J. M. J. Perera of Colombo or failing him  
 Mr. T. L. F. W. Jayasekara of Colombo or failing him  
 Mr. S. E. De Silva of Colombo or failing him  
 Mr. T. W. De Silva of Colombo

as \*my/our Proxy to\*\* ..... vote for \*me/us on \*my/our behalf at the 16TH ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Auditorium of Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02, at 3.00 p.m. on the twenty eighth (28th) day of August 2008 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Report of the Directors, Statements of Accounts and the Balance Sheet of the Company for the year ended 31 March 2008 together with Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) Declaration of a final dividend of Rs. 1.50 per share.	<input type="checkbox"/>	<input type="checkbox"/>
3) Re-election of Mr. J. M. J. Perera, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4) Re-election of Mr. T. L. F. W. Jayasekara, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5) Reappointment of retiring Auditors Messrs PricewaterhouseCoopers and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) Authorising the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>
7) To fix Directors remuneration as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
8) To pass a special resolution to adopt the new Articles of Association as setout in the notice.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of ..... Two Thousand and Eight.

.....  
 \*Signature/s

**Note:**

- 1) \*Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.
- 3) If you wish your Proxy to speak at the meeting you should interpolate the words "speak and" in the place indicated with \*\* and initial such interpolation.

## Form of Proxy

### INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him. The Proxy may not speak at the Meeting unless expressly authorised by the instrument appointing him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at the office of Secretaries of the Company, Secretaries & Registrars Limited, No. 32A, 1st Floor, Sir Mohamed Macan Markar Mawatha, Colombo 03, not less than forty eight (48) hours before the appointed time for the Meeting.

## Corporate Information

**Date of Incorporation** | 21 February 1992

**Name of Company** | Lanka Ventures PLC

**Registered Office** | Ocean Lines Building, No. 46/12, Navam Mawatha, Colombo 02  
Tel: +94 011 2439201 Fax: +94 011 2439203  
E-mail: [lv@sltnet.lk](mailto:lv@sltnet.lk)

**Directors** | Mr. A. N. Fonseka (Chairman)  
Mr. J. D. N. Kekulawala  
Mr. J. M. J. Perera  
Mr. T. L. F. W. Jayasekara  
Mr. S. E. De Silva  
Mr. T. W. De Silva

**Secretaries** | Secretaries & Registrars Limited  
No. 32A, 1st Floor, Sir Mohamed Macan Markar Mawatha, Colombo 03

**Auditors** | PricewaterhouseCoopers  
No. 100, Braybrooke Place, Colombo 02

**Bankers** | Hatton National Bank PLC  
City Office, No. 16, Janadhipathi Mawatha, Colombo 01

DFCC Vardhana Bank Limited  
City Office, No. 73/5, Galle Road, Colombo 03

**Lawyers** | F J & G De Saram  
Corporate Law Office, No. 216, De Saram Place, Colombo 10

