

INTRODUCTORY DOCUMENT
BARTLEET FINANCE LIMITED



Introduction
to be listed on the Main Board of
The Colombo Stock Exchange



BARTLEETFINANCE
A MEMBER OF BARTLEET TRANSCAPITAL

BARTLEET FINANCE LIMITED
(Registration No: PB 1079)

A Company duly incorporated in the Republic of Sri Lanka under the laws of Sri Lanka

INTRODUCTORY DOCUMENT

Listing of

2,040,000

Rated Unsecured Redeemable Debentures 2011/2016 of Rs. 100/- each

On the Main Board of the Colombo Stock Exchange.

For further inquiries, please contact the Managers to the Introduction
If you are in any doubt regarding the contents of this document you should consult your stockbroker,
bank manager, lawyer or any other professional advisor.

The delivery of this Introductory Document shall not under any circumstances constitute a representation
or create any implication or suggestion, that there has been no material change in the affairs of the
Company since the date of this document.

MANAGERS TO THE INTRODUCTION
SSP CORPORATE SERVICES (PRIVATE) LIMITED
No. 101, Inner Flower Road,
Colombo 03.

Tel: +94-11-2573894 / +94-11-2576871

Fax: +94-11-2573609

DECLARATION

This Introductory Document has been prepared by S S P Corporate Services (Private) Limited from the Information supplied by Bartleet Finance Limited (“the Company”, “BFN”) or which is publicly available. The Directors of the Company, collectively and individually, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which, would make any statement herein misleading. While S S P Corporate Services (Private) Limited has taken reasonable care to ensure full and fair disclosure it does not assume any responsibility for any investment decision made by investors based on information contained herein. In making an investment decision, prospective investors must rely on their own examination and assessments of the Company including the risks involved.

No person is authorized to give any information or to make any representations not contained in this Introductory Document and if given or made, any such information or representation must not be relied upon as having been authorized by the Company.

The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Introductory Document. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in this Introductory Document.

DEFINITIONS OF THE TERMS USED IN THE INTRODUCTORY DOCUMENT

Annual	:	A period of twelve (12) months.
Debenture	:	2,040,000 Rated Unsecured Redeemable Debentures 2011/2016 issued at Rs. 100/- each
Directors or Board	:	Directors of Bartleet Finance Limited from time to time constituted.
Trustee	:	Deutsche Bank AG.
SEC	:	Securities and Exchange Commission of Sri Lanka
CSE	:	Colombo Stock Exchange
CDS	:	The Central Depository Systems (Pvt.) Limited, a wholly owned subsidiary of the Colombo Stock Exchange and includes its successor and assigns.
SLIPS	:	Sri Lanka Inter-bank Payment System
LCPL	:	Lanka Clear (Pvt.) Limited
BFN	:	Bartleet Finance Limited

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CORPORATE INFORMATION

Legal Form	:	A Public Limited Liability Company Incorporated in Sri Lanka in 1981
Name of the Company	:	Bartleet Finance Limited
Place of Incorporation	:	Colombo, Sri Lanka
Authority of Incorporation	:	Companies Act No. 17 of 1982
Registered Office	:	No. 65, Braybrooke Place, Colombo 02.
Tax Payers Identification Number (TIN)	:	104076513
Principal Place of Business	:	No. 65, Braybrooke Place, Colombo 02.
Company Registration No.	:	PB 1079
Date of Incorporation	:	24 th July 1981
Company Secretaries	:	S S P Corporate Services (Pvt) Ltd. No. 101, Inner Flower Road, Colombo 03. Tel: +94-11-2573894 / +94-11-2576871 Fax: +94-11-2573609
Auditors to the Company	:	BDO Partners Chartered Accountants, “Charter House”, 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02. Tel: +94-11-2421878-79-70 Fax: +94-11-2336064
Trustee	:	Deutsche Bank AG, Colombo Branch, 86, Galle Road, Colombo 03. Tel: +94-11-2447062, Fax: +94-11-2447067
Registrar	:	S S P Corporate Services (Pvt) Ltd. No. 101, Inner Flower Road, Colombo 03. Tel: +94-11-2573894 / +94-11-2576871 Fax: +94-11-2573609

Lawyers : Nithya Partners
97A, Galle Road,
Colombo 03.
Tel: +94-11-4712625 / +94-11-4712628
Fax: +94-11-2328817

Credit Rating Agency : RAM Rating (Lanka) Limited
Registered with the SEC No. 9, Arthur's Place,
Colombo 04.
Tel: +94-11-2553089
Fax: +94-11-2553090

Credit Rating : BBB- stable outlook

The rating report is annexed to the Introductory Document which is also hosted on Bartleet Finance Limited web site www.financesrilanka.com

and

RAM Rating web site www.ram.com.lk

2. INFORMATION RELEVANT TO THE INTRODUCTION

2.1 Introduction of Rated Unsecured Redeemable Debentures 2011/2016 of Rs. 100/- each for listing

This Introductory Document dated 29th June 2011 is published for the purpose of obtaining a Listing on the Colombo Stock Exchange for the Rated Unsecured Redeemable Debentures of Bartleet Finance Limited.

The Debentures are to be listed on the Main Board of the Colombo Stock Exchange.

2.2 Copies of Introductory Document

Copies of the Introductory Document may be obtained from the Managers to the Introduction or any other member firm and trading member firm of the Colombo Stock Exchange.

2.2.1 Managers to the Introduction

S S P Corporate Services (Private) Limited
No. 101, Inner Flower Road,
Colombo 03.
Tel: +94-11-2573894 / +94-11-2576871
Fax: +94-11-2573609

Managers to the Private Placement

Bartleet TransCapital Limited
No 65, Braybrooke Place,
Colombo 02.
Tel : + 94 - 11 - 4740591
Fax : + 94-11-2433125

2.2.2 Members and Trading Members of the CSE

Members of the CSE

Acuity Stockbrokers (Pvt) Limited

Level 6, Acuity House
53, Dharmapala Mawatha,
Colombo 03.
Telephone: 2206206
Fax: 2206298/9
E-mail: sales@acuitystockbrokers.com

Asha Phillip Securities Limited

Level 4, "Millennium House"
46/58, Navam Mawatha
Colombo 2.
Telephone: 2429100
Fax: 2429199
E-mail: apsl@ashaphillip.net

Asia Securities (Pvt) Limited

Level 21, West Tower,
World Trade Center,
Echelon Square, Colombo1.
Telephone: 2423905, 5320000
Fax: 2336018
E-mail: enquiry@asiacapital.lk

Bartleet Mallory Stockbrokers (Pvt) Ltd

Level "G" Bartleet House,
65, Braybrooke Place,
Colombo 2.
Telephone: 5220200
Fax: 2434985
E-mail: info@bartleetstock.com

Capital TRUST Securities (Pvt) Limited
42, Sir Mohamed Macan Marker Mawatha,
Colombo 03.
Telephone: 5335225
Fax: 5365725
E-mail: inquiries@capitaltrust.lk

CT Smith Stockbrokers (Pvt) Limited
4-14, Majestic City
10, Station Road,
Colombo 4.
Telephone: 2552290-4
Fax: 2552289
E-mail: ctssales@slt.net.lk

D N H Financial (Pvt) Limited
Level 16, West Tower,
World Trade Centre,
Colombo 1.
Telephone: 5732222
Fax: 5736264
E-mail: info@dnhfinancial.com

John Keells Stockbrokers (Pvt) Limited
130, Glennie Street,
Colombo 2.
Telephone: 2326003, 2338066-7, 2342066-7
Fax: 2326863, 2342068
E-mail: jstock@keells.com

NDB Stockbrokers (Pvt) Limited
5th Floor, NDB Building,
40, Navam Mawatha,
Colombo 2.
Telephone: 2314170-8
Fax: 2314180
E-mail: mail@ndbs.lk

Somerville Stockbrokers (Pvt) Limited
137, Vauxhall Street,
Colombo 2.
Telephone: 2329201-5, 2332827, 2338292-3
Fax: 2338921

Ceylinco Stockbrokers (Pvt) Limited
Ceylinco House, Level 9,
69, Janadhipathi Mawatha,
Colombo 1.
Telephone: 4714300, 4714388, 4714389
Fax: 2387228
E-mail: info@ecsbl.com

Assetline Securities (Pvt) Limited
3rd Floor, Forbes & Walkers Building,
46/38, Navam Mawatha,
Colombo 2.
Telephone: 4700111, 2307366
Fax: 4700112, 2307365
E-mail: dpgsl@slt.net.lk

J B Securities (Pvt) Limited
150, St' Joseph Street,
Colombo 14.
Telephone: 2490900, 0772490900
Fax: 2430070, 2446085, 2447875
E-mail: jbs@jb.lk

Lanka Securities (Pvt) Limited
228/2, Galle Road,
Colombo 4.
Telephone: 4706757, 2554942
Fax: 4706767
E-mail: lankasec@slt.net.lk

SC Securities (Pvt) Limited
2nd Floor,
55, D.R.Wijewardena Mawatha,
Colombo 10.
Telephone: 4711000
Fax: 2394405
E-mail: cscres@slt.net.lk

Trading Members of the CSE

Capital Alliance Securities (Pvt.) Limited

Level 5, "Millennium House"
46/58, Nawam Mawatha,
Colombo 2.

Tel: 2317777

Fax: 2317788

SMB Securities (Pvt.) Ltd.

47, Dharmapala Mawatha,
Colombo 3.

Tel : 5539593

Fax: 2339292

First Guardian Equities(Pvt.) Ltd.

32nd Floor, East Tower
World Trade Centre
Colombo 1.

Tel: 5884400

Fax: 5884401

Traprobane Securities (Pvt.) Ltd.

2nd Floor, 10 ,Gothami Road
Colombo 8.

Tel: 5231000

Fax: 5328177

Heraymila Securities Ltd.

532/4F, Srikotha Lane
Gall Road
Colombo 3.

Tel: 2372561

Fax: 2372565

S K M Lanka Holding (Pvt.) Ltd.

337/3
Galle Road
Colombo 3.

Tel: 2372413

2372416

IIFL Securities Ceylon (Pvt.) Ltd.

27th Floor, East Tower
World Trade Centre
Colombo 1.

Richard Pieris Securities (Pvt) Ltd

69, Hyde Park Corner,
Colombo 2.

Tel: 7448900

Fax: 2675064

Email : communication@rpsecurities.com

TKS Securities (Pvt) Ltd

19-01, East Tower World Trade Centre,
Colombo 1.

Tel: 7857799

Fax: 7857857

Email: ralph@tkslk

Claridge Stockbrokers (Pvt) Ltd

10, Gnanaratha Pradeepa Mawatha
Colombo 8.

Tel: 2697974

Fax: 2677576

Email: fonseka@mackwoods.com

New World Securities (Pvt) Ltd

2nd Floor, 45/2, Braybrooke Street,
Colombo 2.

Tel: 2358700/20

Fax: 2358701

Email: infor@nws.lk

Arrenga Capital (Pvt) Ltd

410/115, Baudhaloka Mawatha
Colombo 7.

Tel: 2689107, 0777-847720

Fax: 2689106

Email: rohan@ascot.lk

3. MAIN FEATURES OF THE DEBENTURE

3.1 Description of the Debenture

Instrument type	:	Rated Unsecured Redeemable Debentures
Number of Debentures	:	2,040,000 Debentures
Face Value of a Debenture	:	Rs.100/-
Total value of the Issue	:	Rs. 204,000,000
Tenure of Debentures	:	5 years (2011/2016)
Interest	:	Fixed rate interest of 13 % p.a. payable monthly
Issue Rating	:	BBB –
Date of Allotment	:	16 th June 2011 through a Prospectus
Type of Issue	:	Private Placement
Objective of the Issue	:	Fund the future lease and hire purchase lending activities of the Company.
Unsecured Debentures	:	The term unsecured debentures means that the claims of the Debenture Holders shall in the event of winding-up of the Company rank equal and pari passu with all other obligations of the Company.

3.2 Payment of Principal and Interest

3.2.1 Frequency of Payment

- Interest will be paid monthly computed up to the one day before the last day. Interest payable on all debentures will be paid within three (03) market days from the end of each period.
- The final interest payment shall be payable together with the capital on redemption of Debentures. Interest calculation will be based on the actual number of days up to the date of the redemption in the month of redemption and will be paid to the Debenture Holders registered in the CDS as at end of trading on redemption.
- On redemption of Debentures through the CDS, the company shall act on the information furnished by the CDS and make payment of Principal and interest (if any) by crossed cheque marked “Account payee only” sent by ordinary mail to the address of such Debenture Holder registered with the CDS.

- Bartleet Finance Limited is entitled to make payment on redemption without any request or claim from such debenture Holders. Payments will be made to the address as furnished by the CDS and **it shall be the responsibility of each such Debenture Holder to keep all the information in respect of themselves, updated with CDS and Registrar to the issue.**
- In order to accommodate the Debenture interest cycles in the Debt Trading System (DEX), the payment of interest should not include Debenture Holders holdings Debenture in the DEX as at the Last day of the payment cycle, but one day prior to the payment date (entitlement date). If the entitlement date is a holiday, interest shall be calculated including the entitlement date.

3.2.2 Payment by Cheque

Payment of principal and interest will be made after deducting taxes at source (if applicable) in Sri Lankan Rupees to the registered Debenture Holders only (in case of joint Debentures Holders to the one whose name stands first in the register of Debentures Holders on the date of payment) and sent by ordinary mail to the address registered with Bartleet Finance Limited at the risk of the Debenture Holders, by crossed cheque marked “Account Payee Only”

3.2.3 Interest Payments through Sri Lanka Interbank Payment System (SLIPS)

SLIPS is an offline Fund Transfer System used to carry out Interbank Payments. Lanka Clear (Private) Limited (LCPL), a limited liability company initiated and set up by the Central Bank of Sri Lanka to take over the operations of the Sri Lanka Automated Clearing House (SLACH), routes transactions from the Originating bank to the Receiving Bank, whereby credit can be given on a specified value date.

Investors who wish payment of interest, to be made using SLIPS should disclose their Bank Account details in the Form “Acceptance and Registration” forms which is enclosed.

The bank account holder’s name should be identical to the debenture holder’s name (in the case of joint debenture holders the one whose name stands first in the register of debenture holders) for Bartleet Finance Limited to forward payments via slips.

If names are not identical the payment via SLIPS may be returned to Bartleet Finance Limited and kept in a suspense account until claimed. It is also the responsibility of the Debenture Holder to inform the Registrars to the Issue of any changes in account details and address during the tenure of the instrument.

3.2.4 Withholding Tax

At present interest payments on Debentures in Sri Lanka is subject to a withholding tax at the rate of 10%. In the case of individuals, the 10% withholding tax is deducted at source will be a final tax.

3.3 Undelivered Cheques and Unclaimed Monies

3.3.1 Undelivered/Unclaimed Interest Cheques

- a) If any of the interest payments are returned undelivered to the Registrars, Bartleet Finance Limited shall transfer the amount represented by each such returned interest

payments to the suspense account after ninety (90) days from the date of issue of such interest payments.

- b) Such interest payments will be reissued to the Debenture Holder if the same is claimed in writing from the Trustee by such Debenture Holder within six (6) years from the dates of issue of such interest payment.
- c) No interest will be payable for the period the interest payments were unclaimed.
- d) All such unclaimed monies aforesaid shall after the expiry of six (6) years from the date of issue of such monies, cease to be owed and payable to any Debenture Holder who have not claimed such monies and shall revert back to Bartleet Finance Limited.

3.3.2 Undelivered/Unclaimed Redemption Cheques

- a) If any of the redemption cheques are returned undelivered to the Registrars, Bartleet Finance Limited shall transfer the amount represented by each such returned cheques to a suspense account after ninety (90) days from the date of issue of such cheque.
- b) Such cheques will be reissued to the Debenture Holder if the same is claimed in writing by such Debenture Holder from the Trustee within six (6) years from the Date of Maturity of each respective Debenture. If such Debentures are held through Debenture Certificates, such Debenture Certificate should be submitted to the Trustee at the time of making such request.
- c) No interest will be payable for the period the redemption cheques were unclaimed.
- d) All such unclaimed monies aforesaid shall after the expiry of six (6) years from the date of redemption of the Debentures, cease to be owed and payable to any Debenture Holder who has not claimed such monies and shall revert back to Bartleet Finance Limited.

4. REDEMPTION OF DEBENTURES

4.1 Expiry of Tenure

- a) Bartleet Finance Limited shall redeem Two Million Forty Thousand (2,040,000) Unsecured Redeemable Debentures of issue value of Rupees One Hundred (LKR100.00) each before 30th June 2016 on expiry of five years in June 2016.
- b) Bartleet Finance Limited Debenture Holders would rank equal and pari passu with all other obligations of the Company (i.e. other liabilities) for repayment in the event of a liquidation of the company. The Debenture redemption will be primarily done through the regular repayments of capital that will be received by the Company on its long-term loans.

- c) Bartleet Finance Limited shall be at liberty from time to time, with approval of the Central Bank of Sri Lanka to create and issue further Debentures ranking pari passu in all respects, so as to form a single series upon such terms as to be constituted by a trust deed.
- d) The Directors are of the opinion that Bartleet Finance Limited will have the ability to pay interest and repay the capital on the maximum of Two Million Forty Thousand (2,040,000) Debentures 2011/2016.

5. TRUSTEE AND RIGHTS OF THE DEBENTURE HOLDERS

5.1 The Role of the Trustee

- a) In order to protect the rights and safeguard the interests of the Debenture Holders, Bartleet Finance Limited has entered into an agreement with Deutsche Bank AG who will act as Trustee to the Debenture Holders. All Debenture Holders have irrevocably authorised the Trustee, subject to overriding clauses in the Trust Deed, to act as the agents in entering into such deeds, writings, instruments with Bartleet Finance Limited and to act as agents and Trustee for the Debenture Holders in order to facilitate the protection of the Debenture Holders' investments and returns.
- b) These Debentures shall be subject to the terms and conditions and confirmed rights given to the Trustee as incorporated in the Trust Deed. A copy of the Trust Deed that Bartleet Finance Limited entered into with the Trustee is available for inspection at Registered Office of Bartleet Finance Limited, at Braybrooke Place, Colombo 02.

5.2 Rights of the Debenture Holders

- a) The Bartleet Finance Limited Debenture Holders will not be entitled to any of the rights and privileges available to the shareholders of the Company including right to receive, to attend and vote at General Meetings of the shareholders of Bartleet Finance Limited. Debenture Holders' rights in respect of calling and attending meetings of Debenture Holders are stated in the Trust Deed.
- b) Debenture Holders are at any event not barred from being shareholders of Bartleet Finance Limited and if they are shareholders they will enjoy the rights and privileges entitled to shareholders.
- c) In the case of the death of a Debenture Holder:
 - i) the survivor where the deceased was a joint holder; or
 - ii) if not the joint holder the heirs of the deceased shall be the only person/s recognized by Bartleet Finance Limited as having any title to his/her Debentures. Any person becoming entitled to Debentures in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that it/he/she sustains the character in respect of which it/he/she proposes to act or its/his/her title as the Board of Directors of Bartleet Finance Limited thinks sufficient may at the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such Debentures subject to the applicable laws and rules and regulations of Bartleet Finance Limited and the CSE.

5.3 Transfer of Debentures

The debentures shall be freely transferable and transmittable as long as the debentures are quoted on the CSE.

6. BENEFITS AND INVESTMENT CONSIDERATIONS OF DEBENTURES

6.1 Benefits of Investing in Debentures

- a) The majority of investors in Sri Lanka have limited opportunities of investing in fixed income investments of longer time duration such as bank deposits, finance company deposits, government treasury bills/bonds or a few selected quoted fixed income investments. This Debenture in Issue is an alternative form of investment, which provides such an opportunity.
- b) As at 31st March 2011 Bartleet Finance Limited offered interest rates ranging from 12% p.a. to 12.5% p.a. for 1 year and 3 year deposits. From the above interest rates it is clear that the Debenture interest rate is an attractive investment opportunity to the potential investor.
- c) Bartleet Finance Limited intends listing the debentures on the Colombo Stock Exchange and by listing on the CSE, the Debenture will have a secondary market, thus providing the investor an opportunity to exit at the market price prevailing at the time of the transaction.
- d) Bartleet Finance Limited debentures may be used as collateral to obtain both corporate and personal facilities from financial institutions other than from Bartleet Finance Limited.
- e) Subject to the contents of the Trust Deed, Bartleet Finance Limited cannot redeem the Debentures before the applicable redemption dates. This eliminates pre-payment risk.
- f) Protection for the interest and rights of the Debenture Holders are secured by a Trust Deed.

6.2 Investment Considerations

In keeping with the spirit of full disclosure, Bartleet Finance Limited would like to highlight the risks involved with investing in Unsecured Redeemable Fixed rate Debentures. Subscribers for Bartleet Finance Limited Debentures may take the following risks.

a) Interest Rate Risk

Interest Rate Risk arises due to a possible future change in market interest rates. Interest Rate Risk can be further divided into its two main elements, namely price risk and re investment risk.

i) Price Risk

Price Risk is the risk arising from a change in the price/value of a debenture resulting from a movement in the external interest rate environment. Price Risk could result in capital gains or losses to debenture holders depending on the direction of interest rate movement.

ii) Reinvestment Risk

The calculation of the yield of a debenture assumes that all coupons of the debenture are re-invested at the yield rate. In the event the interest rate structure in the market moves downward, re-investment of the coupons at the same rate may not be possible. This could result in the investor not achieving the anticipated rate on the debenture at the point of investment. This is referred to as reinvestment Risk.

In any event it must be stated that the Board of Directors of Bartleet Finance Limited are not of the opinion that the Bartleet Finance Limited Debentures will trade at significant premiums or discounts to par value. Persons evaluating Bartleet Finance Limited Debentures as an investment opportunity must not purchase them with a view of making a capital gain but as an instrument that will generate an income for a period of 5 years.

b) Credit Risk

Credit Risk, also known as Default Risk, refers to the risk that the issuer of the debenture may not perform his obligation to service timely interest and capital repayments on the instruments.

However, as these are Unsecured Debentures, in the event of liquidation of Bartleet Finance Limited, the claims of Debenture Holders will rank after the statutory claims and the claims of the Secured Creditors of Bartleet Finance but shall be in priority to and over the claims and rights of the shareholders of the Company, and shall be as per the relevant statutes prevailing at such time.

c) Liquidity Risk or Marketability Risk

Liquidity risk depends on the ease with which the debentures can be sold after the initial listing. In order to decrease the liquidity risk Bartleet Finance Limited has listed the debentures on the CSE, so that the Debentures are traded on the CSE.

7. BUSINESS

7.1 Corporate Background

Bartleet Finance Limited (BFN), is a public limited liability Company, incorporated and domiciled in Sri Lanka. The registered office of the company and its principal place of business is situated at 65, Braybrooke Place, Colombo 02. The Company is regulated under the Finance Companies Act No.78 of 1988. The Company has been in existence for 30 years.

BFN's principal business activities are acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services. Bartleet Finance Ltd has dedicated itself to being the most versatile and dependable financial services provider in this country. RAM rating has reaffirmed the previous credit rating given in 2008/09 to Bartleet Finance Ltd. Presently accredited with BBB - / P3 (With a stable outlook). The Fixed Deposit base which exceeds SLR 3.60 billion bears ample testimony to the trust and confidence of customers. Company's lending portfolio which exceeds SLR 3.02 billion is wide-spread across the country's agriculture, manufacturing and transport sectors.

7.2 Profile of Financial Services

The BFN provides a comprehensive range of financial services covering all sectors of the business community. Listed below are the products and services provides,

Leasing
Hire Purchase
Accepting Fixed Deposit
Real Estate
Trade Finance
Margin Trading

7.3 Future Plans

Future plans, assumptions and risks associated with future plans:-

- **Expand market presence by increasing present customer base**

The company has taken steps to expand the branch network in areas where BFN is not presently offering services. Furthermore, the management intends to develop its branches into all-in-one service centers, i.e. each of its branches will provide the other financial services offered by BTCL including insurance broking and stock broking. This would help to improve the Company's credit profile and thereby strengthen its lending and deposit base.

- **Product diversification.**

Bartleet Finance Limited primarily focuses on HP financing, mainly for heavy vehicles such as trucks, tippers and lorries. BFN will be concentrating on expanding its lease & HP, Trade Finance and Margin trading activities in future. The Company obtained its marginal-trading license from the Securities and Exchange Commission in 2010. In the meantime, TransCapital's wealth-management services will be offered through BFN's branches. Each branch will be staffed by BTCL personnel who will advise customers on

financial planning and advisory services. In this regard, the Company is expected to benefit from fee based income.

As a Registered Finance Company (RFC), Bartleet Finance Limited will be addressing the following risks associated with the future plans of the Company.

Credit Risk :-

Credit risk relates to a borrower unable to meet financial obligations to the lender. BFN has a well diversified lending portfolio and to mitigate this risk, company is always assess the credit worthiness of the clients and evaluates guarantors CRIB information before granting the loans. As well as company continuously review the clients' repayments and engage in very effective collection process.

Liquidity and Interest Rate Risk:-

BFN is able to maintain the liquidity requirements set-out by the Central Bank of Sri Lanka and that result for minimal reliance on other loan facilities. The changes in interest rate may result for the changes in the value of financial instruments. As a result predicting the future performances become more difficult.

Legal & Statutory Risk:-

From this year government has taken steps to reduce tax rate for VAT and corporate tax, this will have a favorable impact on financial services provided by the BFN. The BFN's business will be conducted in accordance with the Central Bank requirements and guidelines set out by the Finance Companies Act to mitigate this risk.

7.4 Stated Capital

A detailed breakdown of the stated capital structure of Bartleet Finance Limited is as follows.

Stated Capital as at 31st March

	2011	2010	2009	2008	2007
No of Shares	6,120,499	6,120,499	6,120,499	6,120,499	6,120,499
Value (Rs.)	61,204,990	61,204,990	61,204,990	61,204,990	61,204,990

Since the year 2006 there has been no movements in the stated capital structure of the Company to date.

The Company's capital structure does not include non-voting, preference or any other class of shares. Also the Company does not have any outstanding convertible debt securities.

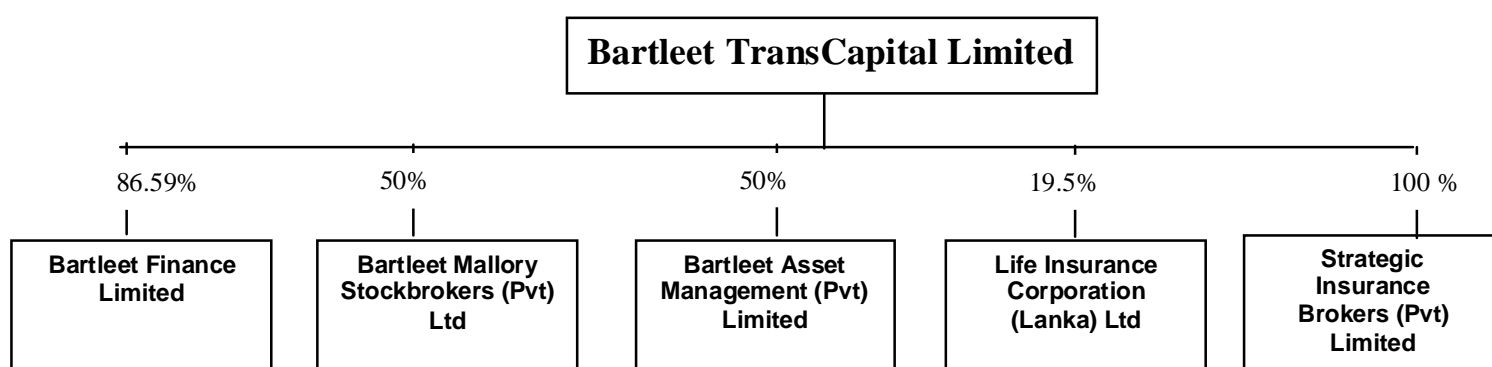
- There are no statutory restrictions on the free transferability of Securities of the Company.
- No shares were re-purchased/redeemed by the company in the past two years.
- There has been no reduction of stated capital in terms of Section 59 of the Companies Act.

7.5 Ownership

BFN is a member of the Bartleet Group of Companies. The Company's parent undertaking is Bartleet TransCapital Limited (BTCL) which incorporated in September 2004. It was subsequently restructured in September 2005, as a holding company for the Bartleet Group's financial-sector subsidiaries, and became the parent of BFN. BTCL holds 86.59% of shares of Bartleet Finance Limited. The BTCL is the holding company of the Financial Services investments in the group including Bartleet Mallory Stock Brokers (Pvt) Limited (BMS), Strategic Insurance Brokers (Pvt) Ltd, Life Insurance Corporation (Lanka) Limited and Bartleet Asset Management (Pvt) Ltd. Bartleet TransCapital Limited in turn is owned (97% stake) by the century-old Bartleet Group. Having started off as a commodity-broking firm, the group has since evolved into a conglomerate with diversified interest in information technology, commodity broking, financial services, and trading and plantation services; there are at present 14 companies within the Group.

Bartleet and Company Limited, the holding company of the entire Bartleet Group, had initially been a British-owned entity upon its inception in 1904; it had eventually come under the ownership of the Wijesinghe family. The current Chairman and Managing Director, Mr. Eraj Wijesinghe, joined the Group in 1963 and is one of the founding members of BFN.

Corporate Structure



7.6 Bartleet TransCapital Limited

7.6.1 Board of Directors

Deshamanya A.S. Jayawardene - Chairman
Mr. M.E. Wijesinghe - Director
Mr. A.I. Fernando - Managing Director
Mr. S.C. Wijesinghe - Director
Mr. R. Muralidaran - Director

7.6.2 Top 10 Shareholders pertaining to Bartleet TransCapital Limited

<u>Name</u>	<u>SHAREHOLDING</u>	<u>(%)</u>
Bartleet and Company Limited	59,999,000	88.89
Bartleet and Company Limited (Esop)	5,605,250	8.30
ID Lanka Limited	500,000	0.74
Yoropa Investments & Trading (Pvt) Ltd	316,316	0.47
Mr. M. Ramasundara	100,000	0.15
Mrs. J.E Wijesinghe	50,000	0.07
Curry Bowl Restaurants (Pvt) Ltd	50,000	0.07
Mr. M.U. De Silva	50,000	0.07
First Capital Holdings PLC	50,000	0.07
Mrs. S.N. Fernando	50,000	0.07

7.6.3 Principal Business:-

The Company is a Financial Services Group. The natures of the business of the Company's subsidiaries are as follows:

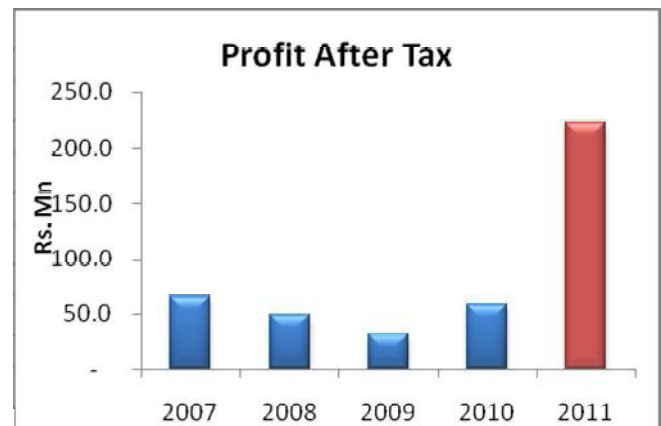
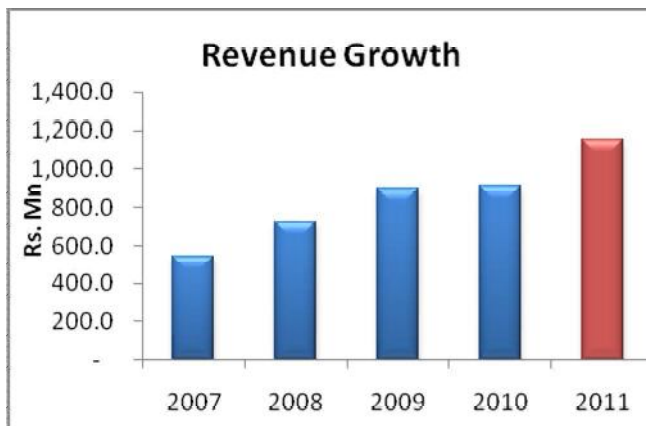
Bartleet Mallory Stock Brokers (Pvt) Ltd :- Stock Brokering

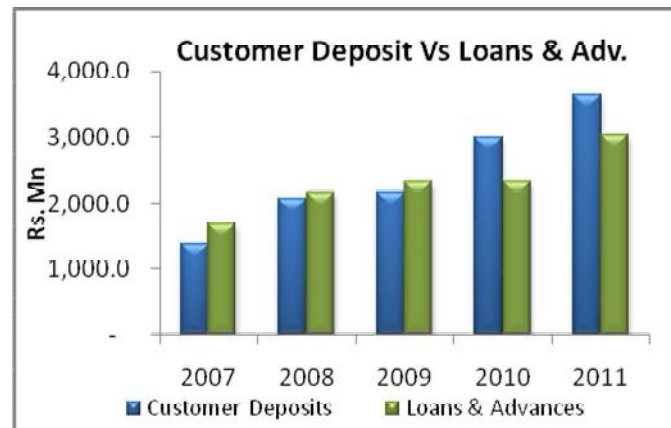
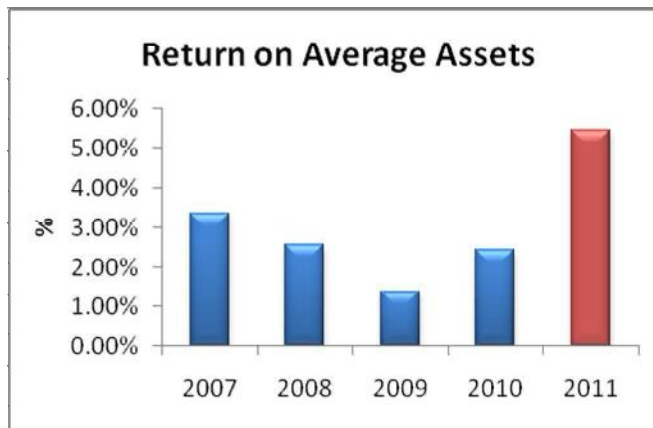
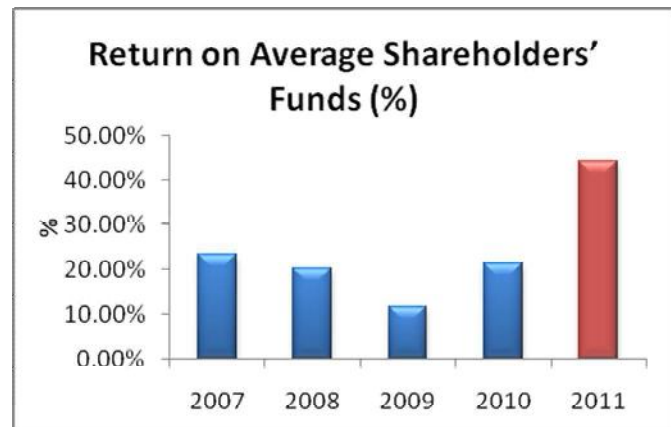
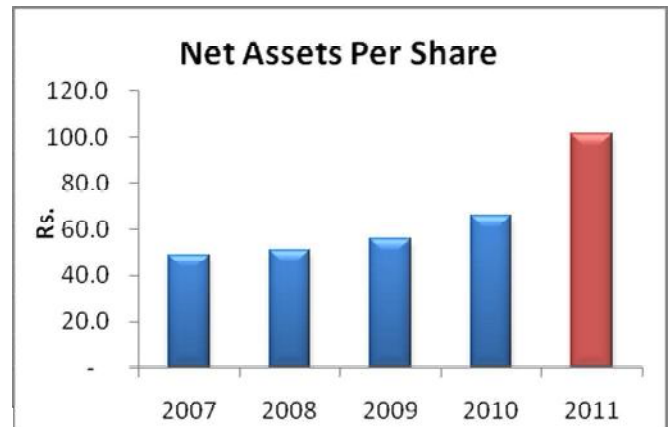
Bartleet Finance Ltd :- Acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services.

Strategic Insurance Broker (Pvt) Ltd :- Business of Insurance Brokers, Advisors and Consultation services in relation to the insurance business.

8. FINANCIAL HIGHLIGHTS

Rs. Mn	2010/11	2009/10 Restated	2008/09	2007/08 Restated	2006/07
<u>Results For the Year</u>					
Income	1,150.8	909.4	899.2	723.9	539.9
Net Profit Before Tax	227.0	79.6	38.6	61.8	64.6
Income Tax Expenses	4.9	21.8	6.8	12.7	-
Net Profit After Tax	222.1	57.8	31.8	49.1	64.6
Gross Dividends	36.7	6.1	6.1	12.2	18.4
Profit Available After Appropriation	185.3	51.7	25.7	36.9	46.3
<u>At the Year End</u>					
Shareholders' Funds (Capital and Reserves)	621.0	405.0	344.6	312.8	300.3
Customer Deposits	3,630.6	2,997.8	2,156.4	2,067.4	1,396.0
Total Assets	4,890.5	3,824.3	3,036.2	2,921.7	2,182.7
<u>Information per Ordinary Share</u>					
Earnings (Rs.)	36.28	9.45	5.20	8.00	10.60
Dividend (Rs.)	6.00	1.00	1.00	2.00	3.00
Net Assets (Rs.)	101.45	66.17	56.30	51.11	49.07
<u>Ratios</u>					
Return on Average Shareholders' Funds (%)	44.24	21.23	11.75	20.17	23.32
Return on Average Assets (%)	5.43	2.43	1.37	2.57	3.35
Liquidity Ratio (%)	19.72	16.71	11.31	19.23	17.63
<u>Capital Adequacy</u>					
Core Capital to Risk Weighted Assets Ratio (Min.5%)	14.10	10.77	11.95	13.15	14.64
Total Capital to Risk Weighted Assets Ratio (Min.10%)	14.60	11.44	12.72	13.99	15.71





9. THE BOARD OF DIRECTORS

9.1 Directors Profiles

<p>Mr. M. Eraj Wijesinghe (66 years) 49, Dudley Senanayake Mawatha, Colombo 8.</p>	<p style="text-align: center;">Chairman (Executive)</p>	<p>Joined the Bartleet Group on 1963 and he is a one of the founding members of BFN. Chairman on 24th July 1981.</p> <p>He had been a member and former Chairman of the CSE, and Colombo Brokers Association. He had sat on the board of Financial Sector Reforms Committee initiated by the Central Bank of Sri Lanka. He was the Hon. Vice Consul General of the Netherlands to the Republic of Sri Lanka and Maldives from 1972-1990. In addition, he had been a director on the boards of Bank of Ceylon, BCC Lanka Ltd, Merchant Bank of Sri Lanka and United Motors Lanka Limited. He is a former Vice-President of the Asia Pacific Alliance of YMCA's and a Council member of the International Badminton Federation.</p>
<p>Mr. Sunil C. Wijesinghe (58 years) 57, Dudley Senanayake Mawatha, Colombo 8.</p>	<p style="text-align: center;">Director (Non Executive)</p>	<p>Joined the Board of Bartleet Finance on 01st January 2006. He is the Managing Director of BC Computers and Deputy Chairman of Bartleet & Co Ltd.</p> <p>Holds Degree in Electronics and Electrical Engineering from University of London.</p>
<p>Mr. Eshanth Wijesinghe (39 years) 133/24A, Gothami Place, Rajagiriya.</p>	<p style="text-align: center;">Director (Non Executive)</p>	<p>Joined the Board of Bartleet Finance on 29th January 2009. He is the Managing Director of Bartleet Produce Marketing (Pvt) Ltd.</p> <p>Holds a Master of Business Administration from Monash University, Australia and B.Com Degree from Deakin University, Australia. ACCA-Sri Lanka. Member of the Australian Human Resource Institute and he was in charge of operations at ESEN (Sydney), Australia.</p>

<p>Mr. Indrajith Fernando (48 years) 102/10, Kitulwatte Road, Colombo 8.</p>	<p>Director (Non Executive)</p>	<p>Joined the Board of Bartleet Finance on 29th January 2009.</p> <p>He serves as the Managing Director and Chief Executive Officer of Bartleet TransCapital LTD. He is a Professional Accountant in Business and has over 25 years of experience in serving the Profession and Business.</p> <p>He was a President of Institute of Chartered Accountants of Sri Lanka, Member of International Federation of Accountant (IFAC) Developing Nations Committee and the President of the South Asian Federation of Accountants.</p> <p>Holds an MBA from the USQ Australia, Fellow of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants (UK).</p>
<p>Mr. Buwaneka Subasinghe (52 years) 5/6, 2nd Lane, Egodawatte Road, Boralesgamuwa.</p>	<p>Director (Executive)</p>	<p>Joined the Bartleet Finance on 05th August 1985, and joined the board on 12th May 2009. He has been in-charge of the Fixed Deposit Base of the Company.</p>
<p>Mr. Susantha de Alwis (43 years) 7/5, Dharmaloka Mw, Waragoda, Kelaniya.</p>	<p>Director (Executive)</p>	<p>Joined the Bartleet Finance on 01st June 1990, and joined the board on 15th June 2009. He has been in-charge of Trade Finance, Real Estate, Collections and Insurance Department of the Company.</p>
<p>Mr. S. Raghavan (62 years) 12, 6/1 Milagiriya Avenue, Colombo 4.</p>	<p>Director (Executive)</p>	<p>Joined the Board of Bartleet Finance on 01st August 2009.</p> <p>Had been the Head of International at Commercial Bank and possess 30 years of experience in Banking. Hold degree in Science. He is past district governor of Lions Club International.</p>
<p>Justice B.L.K. Wimalachandra (65 years) No. 17, 1st Lane, Off Templers' Road, Ratmalana.</p>	<p>Director (Independent- Non Executive)</p>	<p>Joined the Board of Bartleet Finance on 27th January 2011 as an Independent Director.</p> <p>Joined the Judiciary as a Magistrate in March 1980, Promoted as a District Judge in 1989. Appointed High Court Judge of the Commercial High Court in 2000 and elevated to the Court of Appeal in March 2004. Commissioner for Tourism Administration 2008-2011 and a Visiting Lecturer at the Judges' Training Institute.</p>

9.2 Other Business Occupations / Directorships of BFN Directors

Mr. M. Eraj Wijesinghe	Director	Bartleet & Company (Pvt) Limited Bartleet Agencies (Pvt) Limited Bartleet Electronics (Pvt) Limited Bartleet Mallory Stockbrokers (Pvt) Limited Bartleet TransCapital (Pvt) Limited Bartleet Macklai & Roy (Pvt) Limited Bartleet Asset Management (Pvt) Limited Bartleet Produce Marketing (Pvt) Limited BC Agro-tonics (Pvt) Limited Ceylon Quartz Industries (Pvt) Limited Bartleet Technologies (Pvt) Limited BC Computers (Pvt) Limited LIC Lanka (Pvt) Limited Yoropa Investments & Trading (Pvt) Limited
Mr. Sunil C. Wijesinghe	Director	Bartleet Macklai & Roy (Pvt) Limited Bartleet Asset Management (Pvt) Limited Bartleet Produce Marketing (Pvt) Limited BC Agro-tonics (Pvt) Limited Bartleet Agencies (Pvt)Limited Bartleet & Company (Pvt) Limited Ceylon Quartz Industries (Pvt) Limited Bartleet Electronics (Pvt) Limited Bartleet Technologies (Pvt) Limited B.C. Computers (Pvt) Limited Service Lanka Limited World Vision Lanka and Vision Lanka Limited
Mr. Eshanth Wijesinghe	Director	Bartleet Produce Marketing (Pvt) Limited BC Agro-tonics (Pvt) Limited Bartleet Agencies (Pvt)Limited Bartleet & Company (Pvt) Limited Bartleet Mallory Stockbrokers (Pvt) Limited
Mr. Indrajith Fernando	Director	Bartleet TransCapital (Pvt) Limited Stromme Foundation Free Lanka Capital Holdings Limited

No Director or a person nominated to become a Director is / was involved in the following events:

- A petition under bankruptcy laws filed against such a person or any partnership in which he was a partner or any corporation of which he was as an executive officer.
- A conviction of fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.
- The subject of an order, judgment or ruling of any court or competent jurisdiction temporary enjoining him from acting as an investment advisor, dealer in securities, director or employee of a financial institution or engaging in any type of business practice or activity.

9.3 Share Information

9.3.1 Directors Shareholdings in BFN as at 09th June 2011

Mr. Mallory Eraj Wijesinghe	151,000 Shares
Mr. Susantha De Alwis	199,000 Shares
Mr. Sunil C. Wijesinghe	46,500 Shares
Mr. Eshanth Wijesinghe	7,500 Shares

9.3.2 Major Shareholders as at 09th June 2011

<u>NAME</u>	<u>NO OF SHARES</u>	<u>%</u>
M/s Bartleet TransCapital Limited	5,299,997	86.59
Mr. Susantha De Alwis	199,000	3.25
Mr. Mallory Eraj Wijesinghe	151,000	2.47
Ms. Gayani Weerasekara	115,500	1.89
Yoropa Investment and Trading (Pvt) Limited	94,000	1.54
Mr. Sunil C. Wijesinghe	46,500	0.76
Mr. I.G. Samarasinghe	28,000	0.46
Dr. S. Samarasinghe	24,000	0.39
Mr. Don Lionel Jayanetti	20,000	0.33
Dr. P.N. Thenabadu	20,000	0.33

10. CHAIRMAN & SENIOR MANAGEMENT

10.1 Chairman / Managing Director

Mr. Eraj Wijesinghe (66 years)
49, Dudley Senanayake Mawatha,
Colombo 8.

Joined the Bartleet Group in 1963 and is one of the founding members of BFN. Chairman on 24th July 1981.

He had been a member and former chairman of the CSE, and Colombo Brokers Association. He had sat on the board of Financial Sector Reforms Committee initiated by the Central Bank of Sri Lanka. He was the Hon. Vice Consul General of the Netherlands to the Republic of Sri Lanka and Maldives from 1972-1990. In addition, he had been a director on the boards of Bank of Ceylon, BCC Lanka Ltd, Merchant Bank of Sri Lanka and United Motors Lanka Limited. He is a former Vice-President of the Asia Pacific Alliance of YMCA's and a Council member of the International Badminton Federation.

Chairman is / was NOT involved in the following events:

- A petition under bankruptcy laws filed against such a person or any partnership in which he was a partner or any corporation of which he was as an executive officer.
- A conviction of fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.
- The subject of an order, judgment or ruling of any court or competent jurisdiction temporary enjoining him from acting as an investment advisor, dealer in securities, director or employee of a financial institution or engaging in any type of business practice or activity.

10.2 Senior Management

Name & Designation	Description
Mr. Sampath Nishantha (General Manager)	Joined Bartleet Finance on 2009. Appointed as General Manager on 15th April 2009. Possess 17 years of experience in Leasing.
Mr.Samantha Perera (Deputy General Manager- Finance & Planning)	<p>Joined Bartleet Finance on 2005. Appointed as Deputy General Manager in 01st September 2009. Has over 6 years of experience in serving the finance sector.</p> <p>Associate Member of the Institute of Chartered Accountants (ACA), Associate Member of the Institute of Certified Management Accountants (ACMA).</p> <p>Before joining BFN, he served at Ernst & Young as a Manager, at Hotel Taj Samudra as a Financial Controller, & at Edirisinghe Group as Manager-Finance & Administration.</p>
Mr. Anton Gerad (Deputy General Manager – Business Development)	<p>Joined Bartleet Finance on 2010 as a Deputy General Manager. He is an Associate Member of the Financial Accountants - AFA (UK).</p> <p>Prior to joining BFN he functioned as Deputy General Manager at The Finance Company Limited for the period of 31 years.</p>
Mr. Ajith Edirisinghe (Assistant General Manager)	Joined Bartleet Finance on 1997. Appointed as Assistant General Manager in 01st April 2008. Possess 14 years of experience in finance sector.

<p>Mr. Sanjeeva Senevirathne (Assistant General Manager – Fixed Deposit)</p>	<p>Joined Bartleet Finance on 2003. Appointed as Assistant General Manager – Fixed Deposit in April 2007. Has over 16 years of experience in serving the finance sector.</p> <p>He is reading for the MBA - Marketing at Edith Coven University of Perth.</p> <p>Prior to joining Bartleet Finance, worked at Bartleet Mallory Stockbrokers (Pvt) Ltd as an Investment Advisor, at Ceylinco Shriram Fund Management as an Assistant Manager, at International Distilleries Ltd as a Regional Manager, and at Seylan Merchant Bank as a Sales Manager.</p>
<p>Mrs. Sumudu Wanniarachchi (Assistant General Manager – Credit)</p>	<p>Joined Bartleet Finance in 2011. Possess 22 years of experience in finance sector.</p> <p>Holds Diploma in Computer Studies and Part qualified Diploma in Management at the Open university of Sri Lanka, Nawala.</p> <p>Prior to joining Bartleet Finance, she has served at Adam Expo, Commercial Leasing, L B Finance, Central Investment & Finance and Asian Finance. Previously she functioned as Head of Credit, Recoveries & Fixed Deposits in Bimputh Lanka Investments.</p>
<p>Mr. Claude Perera (Head of Human Resource)</p>	<p>Joined the Bartleet Finance on 2010. Appointed as head of Human Resources in 01st January 2011. Has over 38 years of experience in serving the banking & finance sector.</p> <p>He is Fellow of the Chartered Institute of Bankers (FCIB) London and Fellow of Chartered Professional Management (FCPM), Diploma in Personal Management – NIBM.</p> <p>Before joining Bartleet Finance, he served at Commercial Bank of Ceylon PLC as an Export Manager, Manager-Colpetty Branch, Manager-Training, Head of Human Resource. And also he worked as Branch Manger of Bank of Ceylon, and head of Human Resource in Standard Chartered Bank.</p>

11. EMPLOYEES

The permanent employee's details as at 09th June 2011 are as follows;

Category of Staff	No of Employees
Senior Managers	14
Middle Managers	27
Executives	101
Non-Executives	151
Total	293

- The company does not have any Labour Unions and have not entered into any collective agreements.

12. LITIGATION, DISPUTES AND CONTINGENT LIABILITIES.

- Information relating to litigation, disputes & contingent liabilities against the company is given in Note 31.1 of the audited financial statements for the financial year ended 31st March 2011.
- There are no legal, arbitration or mediation proceedings, which may have or have had in the recent past significant effects on the Entity's financial position or profitability.
- There are no penalties imposed by any regulatory and state authorities against the company as at the date of this introductory document.
- There is no conflict of interest between Directors and Trustee.

13. SUBSIDIARY AND ASSOCIATE COMPANIES OF BARTLEET FINANCE LIMITED

There is no any Subsidiary or Associate Company under Bartleet Finance Limited.

14. TAKE OVER OFFERS

There have not been any takeover offers by third parties in respect of the Company's shares and the Company has not made any takeover offer in respect of third parties.

15. DEGREE OF DEPENDENCE ON KEY CUSTOMERS

BFN is not significantly dependent on any key suppliers and/ or customers.

16. CORPORATE GOVERNANCE PRACTICES.

16.1 Audit Committee

Audit Committee was established in year 2009 for the purpose of overseeing responsibilities for the financial reporting process, the system of internal control, internal and external audit processes, and for monitoring compliance with laws and regulations. The committee chaired by an independent director, the composition of Audit Committee is as follows;

Mr. B.L.K Wimalachandra - Chairman – Independent Non Executive Director
Mr. Indrajith Fernando - Non Execetive Director

The Audit Committee meetings are held quarterly, but if receive any reports in between, hold meetings accordingly.

16.2 Remuneration Committee

Mr. B.L.K Wimalachandra - Chairman – Independent Non Executive Director

The company will appoint an Independent Non Executive Director within the next 90 days and will also be appointed to the two Committees.

17. INSPECTION OF THE DOCUMENTS

The Introductory Document and Articles of Association of Bartleet Finance Limited are also hosted on the CSE website – www.cse.lk for a period not less than 14 days.

18. DECLARATION BY THE DIRECTORS

This Introductory Document has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and the Companies Act No. 7 of 2007 and any amendments to it from time to time have been complied with after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading or inaccurate.

(Sgd.) Mr. M Eraj Wijesinghe

(Sgd.) Justice B A L K Wimalachandra

(Sgd.) Mr. S C Wijesinghe

(Sgd.) Mr. M Eshanth Wijesinghe

(Sgd.) Mr. W S A B S Subasinghe

(Sgd.) Mr. A I Fernando

(Sgd.) Mr. S De Alwis

(Sgd.) Mr. S Raghavan



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E-mail : bdo partners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BARTLEET FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Bartleet Finance Limited, which comprise the balance sheet as at 31st March, 2011, 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 5 to 33.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

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.

Without qualifying our opinion we draw your attention to the note No. 19.3 of the financial statements, regarding aggregate amount of investments in the issued share capital exceeding the 25% limit of the capital funds of the company.

Report on Other Legal and Regulatory Requirements -

- 1) These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.
- 2) These financial statements present the information required by the finance companies Act No.78 of 1988.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo

16th June, 2011

TS/cc

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : S. Rajapakse FCA, MBA, Ms. M.S.E. Raymond FCA, S. G. Ranjith ACA, Tishan H. Subasinghe FCA, CISA
H.S. Rathnayekera ACA, Ashani J.W. Jayasekera ACA, MBA, H.M. Saman Siri Lal ACA
Consultant : V. Sinnadorai FCA

BARTLEET FINANCE LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2011

	<u>Note</u>	<u>2010/2011</u> Rs	<u>2009/2010</u> Restated Rs
Income	3	1,150,826,211	909,390,620
Interest Income	4	780,286,524	777,519,084
Interest Expenses	5	(487,490,995)	(529,863,779)
Net Interest Income		292,795,529	247,655,305
Other Income	6	370,539,687	131,871,536
Net Operating Income		663,335,216	379,526,842
Personnel Costs		(98,103,135)	(59,122,170)
Provision for Staff Retirement Benefits Cost		(4,063,474)	(3,178,413)
Provision for Bad & Doubtful Debts		(83,792,077)	(83,618,628)
Other General & Administrative Expenses		(236,361,379)	(144,007,577)
		(422,320,065)	(289,926,788)
Profit From Operations		241,015,151	89,600,054
Value Added Tax on Financial Services		(14,049,287)	(10,011,335)
Profit Before Tax	7	226,965,864	79,588,719
Income Tax Expenses	8	(4,902,492)	(21,774,230)
Profit for the year		222,063,372	57,814,488
Basic Earnings per Share	9	36	9
Dividend per Share	10	6	1

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 33 form an integral part of these financial statements.

Colombo
16th June, 2011

BARTLEET FINANCE LIMITED
BALANCE SHEET
AS AT 31ST MARCH, 2011

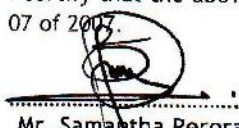
	Note	2010/2011 Rs.	2009/2010 Restated Rs
ASSETS			
Cash and Balances Due from Banks	11	123,477,184	104,012,287
Treasury Bills & Other Bills eligible for re-discounting with Central Bank	12	505,606,471	480,636,940
Placements with other Banks and Financial Institutions	13	88,064,774	110,302,907
Loans & Advances	14	3,022,942,258	2,339,380,163
Real Estate Stocks	15	175,402,363	108,739,806
Amount Due from Related Party	16	4,000,000	-
Economic Service Charges Recoverable	17	8,404,538	7,712,201
Other Debtors, Deposits & Prepayments	18	121,700,553	27,597,309
Investment Securities	19	343,179,974	181,368,809
Other Investments	20	80,202,589	76,953,699
Investment Properties	21	-	45,337,500
Property, Plant & Equipment	22	198,983,992	157,231,286
Capital work-in-progress	23	218,513,870	185,044,293
Total Assets		4,890,478,565	3,824,317,200
LIABILITIES & EQUITY			
Liabilities			
Deposits from Non-Bank Customers	24	3,630,633,479	2,997,785,615
Borrowings - Repayable within One Year	25	285,385,219	139,932,686
Income Tax Payable	26	3,300,030	12,963,000
Creditors and Accruals	27	177,733,850	193,982,689
Borrowings - Repayable After One Year	25	149,196,132	47,098,189
Retirement Benefit Obligations	28	23,278,574	27,546,663
		4,269,527,284	3,419,308,841
Shareholders' Funds			
Stated Capital	29	61,204,990	61,204,990
Statutory Reserve	30	142,375,438	97,962,764
Revenue Reserve		70,000,000	70,000,000
Revaluation Reserve		41,400,474	41,400,474
Retained Earnings		305,970,380	134,440,131
Total Funds Employed		620,951,282	405,008,359
Total Liabilities & Equity		4,890,478,565	3,824,317,200
Commitments & Contingencies	31	136,900,000	76,200,000
Net Assets per Share		101.45	63.64

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 33 form an integral part of these financial statements.

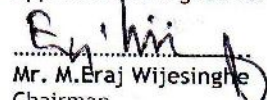
Certification


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


 Mr. Samantha Perera
 D.G.M - Finance and Planning

The Board of Directors is responsible for the preparation & presentation of these financial statements.

Approved and Signed for and on behalf of the Board


 Mr. M. Eraj Wijesinghe
 Chairman


 Mr. Susantha De Alwis
 Director

Colombo
 16th June, 2011

TS/cc



BARTLEET FINANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2011

	Stated Capital Rs.	Statutory Reserve Rs.	Revenue Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March, 2009 as previously	61,204,990	87,756,564	70,000,000	41,400,474	84,235,353	344,597,381
Correction of Prior Years Error (Note.35)					8,716,988	8,716,988
Balance as at 31st March 2009 as restated	61,204,990	87,756,564	70,000,000	41,400,474	92,952,341	353,314,369
Net profit for the year (restated) -Note.35	-	-	-	-	57,814,488	57,814,488
Transfer to Statutory Reserve	-	10,206,200	-	-	(10,206,200)	-
Dividends	-	-	-	-	(6,120,499)	(6,120,499)
Balance as at 31st March, 2010	61,204,990	97,962,764	70,000,000	41,400,474	134,440,131	405,008,359
Net profit for the year	-	-	-	-	222,063,372	222,063,372
Transfer to Statutory Reserve	-	44,412,674	-	-	(44,412,674)	-
Dividends	-	-	-	-	(6,120,449)	(6,120,449)
Balance as at 31st March, 2011	61,204,990	142,375,438	70,000,000	41,400,474	305,970,380	620,951,282

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 33 form an integral part of these financial statements.

Colombo
16th June, 2011

BARTLEET FINANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2011

	2010/2011 Rs	2009/2010 Rs
Profit before Taxation	226,965,864	79,588,719
Adjustment for :		
Depreciation	36,251,827	23,345,450
Provision for Bad & Doubtful Loans	83,792,077	83,618,629
(Profit)/Loss on Sale of Property,Plant & Equipment	(46,339,231)	328,117
Profit on Sale of Dealing Securities	(234,745,689)	(58,635,988)
Dividend Income	(9,776,485)	(5,417,334)
Hire Purchase Interest	2,880,669	2,336,414
Interest Income	(66,564,623)	(51,344,857)
Provision for Staff Retirement Benefits	4,063,474	3,178,413
Operating Profit /(Loss) before changes in Operating Assets & Operating Liabilities	(3,472,117)	76,997,563
<i>(Increase)/Decrease in Operating Assets</i>		
Investments in Reverse Repos	76,037,998	(239,429,950)
Withdrawals/(Investments) in Fixed Deposit	22,238,133	8,289,615
Investments in Government Securities	(101,007,529)	(108,572,161)
Net Hire purchase, Lease and Loans & Advances made to Customers	(640,899,150)	(73,039,974)
Investments in Real Estate Stock	(66,662,557)	(6,281,271)
Net /(Payment) Receipt Other Receivables, Deposit & Prepayment	(94,103,244)	(21,399,245)
(Increase)/Decrease of Amount Due from related Parties	(4,000,000)	-
<i>Increase/(Decrease) in Operating Liabilities</i>		
Import Creditors	-	-
Net Placement of Fixed Deposit made by Customers	632,847,864	841,401,631
Net Payment to the Creditors & Accruals	(17,673,388)	(11,605,249)
Cash Generated from/ (used) in Operations	(193,221,872)	389,363,396
Gratuity Paid	(8,331,563)	(1,469,250)
Income Tax Paid	(2,938,161)	(6,091,652)
Economic Service Charges Paid	(10,895,089)	(9,457,965)
Net cash from /(used) in Operating Activities	(215,386,685)	372,344,529
Cash flows from Investing Activities		
Dividend Received	9,776,485	5,417,334
Interest Received	14,202,367	36,856,557
Acquisition of Property ,Plant & Equipment	(86,436,779)	(32,800,822)
Cost incurred in the Course of Construction	(33,469,578)	(29,919,980)
Net (Acquisition)/Proceeds of Investment Securities	35,407,309	(146,429,281)
Other Investments made during the year	(3,248,890)	(76,953,699)
Sales Proceeds from Property, Plant & Equipment	54,771,477	7,132,440
Net Cash from/(used) in Investing Activities	(8,997,608)	(236,697,451)
Cash Flows from Financing Activities		
Dividend Paid	(6,304,457)	(6,125,899)
Net Borrowings /(repayment) of Bartleet Transcapital Ltd loan	-	(83,004,441)
Net Borrowings/(repayment) of Loans	216,130,467	12,344,646
Net Borrowing/(repayment)Hire Purchase Rental Paid	18,478,437	(5,536,068)
Net Cash from/(used) in Financing Activities	228,304,447	(82,321,762)
Net Increase /(Decrease) in Cash & Cash Equivalents	448,036	130,322,878
Cash & Cash Equivalents at the Beginning of the Year	103,759,235	(26,563,643)
Cash & Cash Equivalents at the End of the Year	104,207,272	103,759,235
	Note A	Note B
Cash in Hand and Cash at Bank	123,477,184	104,012,287
Bank Overdraft	(19,269,912)	(253,052)
	104,207,272	103,759,235

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 33 form an integral part of these financial statements.

Colombo
16th June, 2011

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Bartleet Finance Ltd, is a public limited liability company incorporated and domiciled in Sri Lanka. The Registered Office of the company and its principal place of business is situated at 65, Braybrooke Place, Colombo 02. The Company is regulated under the Finance Companies Act No.78 of 1988.

1.2 Principal Activities and Nature of Operation

During the year the principal activities of the Company were acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services.

1.3 Parent Enterprise

The Company's parent undertaking is Bartleet Transcapital Ltd, which holds 86.59% of shares of Bartleet Finance Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. GENERAL ACCOUNTING POLICIES

2.1.1 Basis of Preparation

These financial statements presented in Sri Lanka Rupees have been prepared under the historical cost basis except for certain Property, Plant and Equipment which are stated at revalued amounts, (only if there are revalued assets) in accordance with generally accepted accounting principles and the standards laid down by the Institute of Chartered Accountants of Sri Lanka.

2.1.2 Statement of Compliance

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes ("Financial Statement") of Bartleet Finance Ltd as at 31st March, 2011 and for the year then ended, are prepared in accordance with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007 and the Finance Companies Act No. 78 of 1988 as amended by Act No.23 of 1991.

2.1.3 Going Concern

The directors have made an assessment of Bartleet Finance Limited to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.4 Comparative Information

The accounting policies have been consistently applied by the company consistent with those of the previous year. The comparative information is re-classified wherever necessary to conform with the **current year's presentation in order to provide a better presentation**. During the year the company has decided to capitalize the borrowing cost incurred on the construction of Building at Kalutara. However, the related borrowing cost for previous years had already been charged to the Income Statement and considered to be an error. Accordingly, comparative figures for 2009/10 have been restated. The details of restatements are disclosed in note 35 to the financial statements.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.1.5 Events after the Balance Sheet Date

All material events occurring after the balance sheet date have been considered and where necessary, appropriate adjustments or disclosures have been made in the financial statements.

2.1.6 Materiality and Aggregation

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

2.1.7 Changes in Accounting Policies

The Accounting Policies adopted are consistent with those of the previous financial year.

2.2. ASSETS & BASES OF THEIR VALUATION

2.2.1 Property, Plant and Equipment.

a) Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and less any impairment in value.

b) Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued.

When an asset is revalued any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognized as an expense. In these circumstances the increase is recognized as income to the extent of the previous written down value. **When asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset, any balance remaining in the revaluation surplus in respect of an asset is transferred directly to accumulated profit or loss on retirement or disposal of the asset.**

c) Depreciation

Provision for depreciation is calculated by using reducing balance on the cost or valuation of all property, plant and equipment other than freehold land, in order to write off such amounts over the estimated useful lives of such assets.

The principal annual rates used are as follows:

Freehold Buildings	7.5% per Annum
Office Partitioning	20% per Annum
Furniture & Fittings	20% per Annum
Office Equipment	25% per Annum
Motor Vehicles	25% per Annum

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Depreciation of assets begins when it is available for use.

Freehold land is not depreciated.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year.

d) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

e) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount.

2.2.2 Leasehold Properties

a) Finance Leases

Property, plant and equipment on finance leases (which effectively transfer to the company substantially the entire risk and rewards incidental to ownership of the leased item) are capitalized at their cash price and depreciated or amortized over the period the company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability.

The finance charges allocated to future periods are separately disclosed in the notes.

The interest element of the rental obligation applicable to each financial year is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

2.2.3 Investment Property

a) Gross Carrying Amount

Investment property is recognised when and only when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the investment property can be measured reliably.

Investment property is property (land or a building-or part of a building-or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for, use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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.

2.2.4 Impairment of Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units fair value less costs to sell and its value in use and determined for an individual asset, unless the asset's does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risk specific to the asset. These calculations are collaborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation. Had no impairment loss been recognized for the asset in prior years, such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.5 Inventories

a) Land Stock

Inventories are valued at cost or net realizable value whichever is lower. Development cost and borrowing costs incurred during the development period of projects are capitalized to the cost of land.

b) Work-in-Progress

Work-in-progress represents the cost of partly developed lands which are under development stage prior to its saleable condition and other cost of infrastructure facilities incurred as at the Balance Sheet date. These are valued at cost of development/construction plus attributable overheads.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

c) Lease Inventories

Repossessed Motor Vehicles are valued at amounts receivable from repossessed lease facilities.

d) Other Inventories

Other Inventories are valued at lower of the cost and net realizable value, after making due allowances for obsolete and slow moving item.

2.2.6. Loans and Advances

Loans and advances to customers are stated in the Balance Sheet net of provision for bad and doubtful loans.

Loans and advances are written off to the extent that there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired loans and advances to their expected realizable.

2.2.7 Finance Leases

Assets leased to customers under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title are classified as finance leases. Lease rentals receivable in the Balance Sheet includes total lease payments due net of initial rentals received, unearned interest, interest in suspense and provision for doubtful debt.

2.2.8 Operating Leases

Assets leased to customers under agreements, which the Company retains substantially all the risks and rewards associated with ownership are classified as Operating Lease.

2.2.9 Hire Purchase Agreements

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

2.2.10 Provision for Doubtful Debts

Provision for doubtful debts are made on the basis of a continuous review of all finance leases, operating leases, hire purchase agreements and loans and advances to customers in accordance with the Finance Companies (Provision For Bad and Doubtful Debt) Direction No.03 of 2006 issued by the Monetary Board of the Central Bank of Sri Lanka based on an age classification of advances as follows:

Period Outstanding	Provision Made
6 to 12 months	50%
Over 12 months	100%
Seized, Sold & Legal	100%

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.2.11 Investments

a) Investment Securities

Investment securities, which are acquired with the positive intent to hold on long term basis, are classified as Investment securities. These are acquired and held for yield or capital growth in the long term. Such securities are recorded at cost net of provision for permanent diminution in value.

b) Dealing Securities

Securities, including equity shares, which are generally held for resale in the near future to benefit from short-term market movements, are classified as dealing securities. Equity shares classified as dealing securities are accounted for at the lower of cost or market value determined on aggregate portfolio basis in total.

Disposal of Investments

On disposal of an investment, the difference between net disposals and proceeds and the carrying amounts is recognized as income or expense.

2.2.12 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 change in value.

For the purpose of the cash flow statement cash and cash equivalents comprise cash in hand and deposits held at bank net of bank overdrafts. Investments with a short term maturities i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

2.3. LIABILITIES AND PROVISIONS

2.3.1 Liabilities

Liabilities stated under current liabilities in the Balance Sheet are those expected to fall due within one year from the Balance Sheet date. Items stated as long term liabilities are those expected to fall due at point of time after one year from the Balance Sheet date.

2.3.2 Trade and Other Payables

Trade creditors and other payables are stated at their book values.

2.3.3 Provisions

Provisions are recognized when the company has a present obligations (legal & 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.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.3.4 Retirement Benefit Cost

2.3.4.1. Defined Benefit Plans - Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every 3 years using Projected Unit Credit Method (PUC) as required by Sri Lanka Accounting Standards No.16, Employee Benefits (Revised 2006). The actuarial valuation involves making assessment about discount rate, future salary increases and mortality rates. Due to the long term nature of such obligations, these estimates are subject to significant uncertainty.

Actuarial gains and losses are recognised as income or expenses over the expected average remaining working lives of the participants of the plan.

2.3.4.2. Defined Contribution Plans - EPF & ETF

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

2.3.5 Taxation

a) Current Taxes

Current income tax assets & liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006.

b) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each Balance Sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Income tax relating to items recognized directly in equity is recognized in equity.

Deferred tax asset and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) **Value Added Tax on Financial Services**

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

2.4 INCOME STATEMENT

2.4.1 Income

Income represents the amounts derived from the provision of services that fall within the Company's ordinary activities net of turnover related taxes.

2.4.2 Revenue Recognition

a) **Interest Income from Leases & 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 & 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 6 months or more and thereafter Interest is recognized on a cash basis.

c) **Overdue Interest**

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

d) **Interest Income from Other Sources**

Interest Income from Government of Sri Lanka Treasury Bills is recognized on a time proportion basis as discounts on purchase. Such income is amortized on a straight line basis over the period of maturity or the date of sale.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

e) **Real Estate Sales**

Revenue from real estate sales is recognized when significant risk and rewards of ownership have been passed to the customer. However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted for on a cash basis.

f) **Dividend Income**

Dividend income is recognized on cash basis in the period in which it is received.

g) **Profit from Sale of Property, Plant & Equipment**

Gains and losses of a revenue nature on the disposal of Property, Plant and Equipment is accounted for in the income statement.

h) **Profit on Disposal of Shares**

Profits earned on the disposal of shares, has been accounted for in the income statement on the basis of realized net profit.

i) **Other Income**

All other income is recognized on an accrual basis.

j) **Profit/Loss on Disposal of Investments**

Profit/Loss on the sale of investment is accounted for in the Income Statement on the Basis of realized net profit.

2.4.3 Expenditure Recognition

a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of the income statement the directors are of the opinion that function of expenses method presents fairly the elements of the company's performance and hence such presentation method is adopted.

c) **Borrowing Costs**

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying assets which are assets that necessarily takes a substantial period of time to get ready for its intended are added to the cost of those assets. Until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

The amount of borrowing costs eligible for capitalization is determined in accordance with the Sri Lanka Accounting Standard 20, Borrowing costs are allowed alternative treatment.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.5 Related Party Transactions

Disclosure is made in respect of the transaction 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 charged.

2.6 Cash Flow Statement

The cash flow statement has been prepared using the 'Indirect Method'.

2.7 Off Balance Sheet and Income Statement Items

2.7.1 Events Occurring after the Balance Sheet Date

All material events occurring after the balance sheet date have been considered & where necessary adjustments to or disclosures have been made in the respective notes to the accounts.

2.7.2 Contingencies & Unrecognized Contractual Commitments

Contingencies are possible assets or obligation that arise from past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the company's control.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2010/2011 Rs.	2009/2010 Rs.
3. Income			
Interest Income	4	780,286,524	777,519,085
Other Operating Income	6	370,539,687	131,871,535
		<u>1,150,826,211</u>	<u>909,390,620</u>
4. INTEREST INCOME			
Hire Purchase		494,130,407	464,898,352
Leasing		109,584,656	68,470,682
Cheque Discounting		-	32,398
Term Loans - Fixed Deposits		12,083,488	13,672,026
Imports Interest and BTT Receivable		2,664,155	3,050,570
Term Loans		8,582,875	21,797,689
Pledge Loans		11,477,485	10,840,463
Import Loans		320,061	148,067
Government Securities		24,700,660	21,922,070
Overdue Interest		78,382,340	122,542,797
Margin Trading Interest Income		4,169,858	-
Fixed Deposit Interest		1,437,376	12,537,520
Reverse Repo Interest		8,778,119	23,187,046
Real Estate-Easy Payments		40,492	(68,896)
Commercial Papers		11,109,368	6,651,883
Treasury Bond		1,145,355	508,349
Asian Finance Loan		7,726,754	5,151,169
Trust Certificate		3,953,075	2,176,899
		<u>780,286,524</u>	<u>777,519,085</u>
5. INTEREST EXPENSES			
Fixed Deposits		443,266,230	487,773,356
Trade Finance		15,071,760	16,280,229
Overdrafts		(450,652)	(3,275,343)
Term Loans		26,722,988	38,454,243
Bartleet Co. Ltd		-	(1,184,003)
Hire Purchase Interest		2,880,669	2,336,414
		<u>487,490,995</u>	<u>540,384,895</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2010/2011 Rs.	2009/2010 Rs.
6. OTHER INCOME			
Service Charges		21,930,298	12,741,075
Profit on Real Estates		5,096,735	696,592
Dividend Income		9,776,485	5,417,334
Profit on Sale of Property, Plant & Equipment & Investment Property		46,339,231	(328,117)
Miscellaneous Income		20,850,635	39,126,994
Bank Interest Income		3,228,089	654,238
Staff Loan Interest Income		758,783	477,753
Rent Income		3,100,874	2,046,136
Profit on Sale of Dealing Securities		234,745,689	58,635,988
Recoveries from Bad Debts		24,277,868	11,859,510
Debenture Interest		435,000	434,999
Trust Certificate		-	109,033
		<u>370,539,687</u>	<u>131,871,535</u>

7. PROFIT BEFORE TAX IS STATED AFTER CHANGING ALL EXPENSES INCLUDING THE FOLLOWING

Directors' Emoluments	31,835,067	16,698,852
Auditors' Remuneration	735,047	485,808
Depreciation	29,889,960	23,345,450
EPF & ETF	8,373,924	6,360,563
Staff Cost	86,697,192	52,424,275
Donations	541,999	402,600

8. INCOME TAX EXPENSES

Current Income Tax Provision	8.1	-	20,068,307
Add: Under Provision of Previous Year		4,902,492	1,705,923
		<u>4,902,492</u>	<u>21,774,230</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

8.1. A RECONCILIATION BETWEEN TAX EXPENSE AND THE PRODUCT OF ACCOUNTING PROFIT MULTIPLIED BY THE STATUTORY TAX RATE IS AS FOLLOWS :

	<u>2010/2011</u>	<u>2009/2010</u>
	Rs.	Rs.
Profit Before Tax	226,965,864	79,588,719
Tax Rate	35%	35%
Accounting Profit Liabe For Tax	79,438,052	27,856,052
Add: Tax Effect on Lease Rental Receivable and Notional Tax Credit	54,396,559	41,988,575
Add: Tax Effect on Disallowable Expenses	37,677,017	29,582,322
Less: Tax Effect on Allowable Expenses	(68,747,453)	(46,865,506)
Less: Tax Effect on Exempt Income	(101,801,492)	(22,418,663)
Add/(Less): Tax Effect on Profit/Loss on Disposal of PPE	66,043	51,882
Less: Tax Effect on Loss Disposal of Leased Assets	(7,745,912)	(10,422,930)
Income Tax Liability on Taxable Income	<u>(6,717,186)</u>	<u>19,771,732</u>
Add : Social Responsibility at 1.5% thereon	-	296,576
	<u>-</u>	<u>20,068,307</u>

8.2 DEFERRED TAXATION

The deferred tax asset arising on the temporary differences and unused tax losses/credits of the company has not been recognized as a matter of prudence and the resulting tax effect is disclosed bellow. The effect is computed using the 35% tax rate applicable for 2009/2010 and 2010/2011.

	<u>2010/2011</u>	<u>2009/2010</u>
	Rs.	Rs.
Total Deductible Temporary Differences		
On retirement gratuity	23,278,574	27,546,663
	<u>23,278,574</u>	<u>27,546,663</u>
Total Taxable Differences		
On temporary difference of PPE	(14,652,033)	(891,990)
On temporary difference of lease receivable	(50,140,104)	(23,237,359)
Net of Total for Deferred Tax(Liability)/ Asset	<u>(41,513,563)</u>	<u>3,417,314</u>
Applicable tax rate	35%	35%
	<u>(14,529,747)</u>	<u>1,196,060</u>
Less:		
Unused tax losses carried forwarded	9,448,176	3,387,882
Unused tax credits carried forwarded	25,914,847	9,694,249
Deferred Tax Assets	<u>20,833,276</u>	<u>14,278,191</u>

9. Earning Per Share

The calculation of earnings per share is based on profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.

Profit attributable to ordinary shareholder.	222,063,372	57,814,488
Weighted average number of ordinary shares outstanding during the year.	6,120,499	6,120,499
Earnings per share	<u>36.28</u>	<u>9.45</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	<u>Note</u>	<u>2010/2011</u> <u>Rs.</u>	<u>2009/2010</u> <u>Rs.</u>
10. DIVIDEND PER SHARE			
Proposed Interim Dividend		36,722,994	6,120,499
Weighted Average Number of Ordinary Shares		6,120,499	6,120,499
Dividend per Share		<u>6</u>	<u>1</u>
On 31.03.2011 the directors have proposed an interim dividend of Rs.6/- per share. Therefore Rs.36,722,994/- in total.			
11. CASH AND BALANCE DUE FROM BANKS			
Cash in Hand		517,030	327,183
Cash at Bank		122,960,154	103,685,104
		<u>123,477,184</u>	<u>104,012,287</u>
12. TREASURY BILLS & OTHER BILLS ELIGIBLE FOR RE-DISCOUNTING WITH CENTRAL BANK			
Treasury Bills		322,214,117	221,206,588
Treasury Bonds		8,091,513	8,091,513
Re-Purchase Agreements	12.1	175,300,841	251,338,839
		<u>505,606,471</u>	<u>480,636,940</u>
12.1 INVESTMENT IN REVERSE REPOS			
Commercial bank		150,000,000	244,930,330
Seylan Bank		25,300,841	6,408,509
		<u>175,300,841</u>	<u>251,338,839</u>
13. PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS			
Fixed Deposits			
Asian Finance Ltd	13.1.	68,586,813	92,119,040
Nations Trust Bank PLC		1,963,621	1,802,243
Seylan Bank PLC		17,514,340	16,381,624
		<u>88,064,774</u>	<u>110,302,907</u>
13.1. Asian Finance Limited			
Gross Amount Receivable		78,889,151	110,148,132
Less: Unearned Interest		(10,302,338)	(18,029,092)
		<u>68,586,813</u>	<u>92,119,040</u>

Company has invested Rs.100,000,000 with Asian Finance Ltd on 15th September 2008, at an interest rate of 20%. The company has entered in to a repayment agreement with the investor, on 20th August 2009, in recovering the above amount along with the interest. Repayment terms and conditions are as follows;

Amount Placed: Rs.118,438,765/=

Date of Commencement: 20/08/2009

Period : 36 Months

Monthly Installment : Rs.3,869,472/=

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	<u>Note</u>	<u>2010/2011</u> <u>Rs.</u>	<u>2009/2010</u> <u>Rs.</u>
14. HIRE PURCHASE, LEASE AND LOANS & ADVANCES			
Lease Rentals Receivable	14.1	660,639,641	354,311,035
Hire Purchase Receivable	14.2	2,067,255,573	1,712,719,329
Import Loan	14.3	62,186,905	93,400,470
Hire Purchase Consumer Durables		-	4,460,358
Term Loan		80,446,165	94,427,322
Loan Consumer Durable Receivable		-	13,840,557
Pledge Loan		34,939,330	38,408,236
Short Term Loans Against Fixed Deposits		79,572,556	79,907,831
Trust Receipt Loans		1,249,791	4,614,351
Margin Trading Receivable		102,565,993	5,794,505
Real Estate Receivable		2,609,318	2,830,768
Real Estate E/P		-	1,035,641
Cheque Discounting		10,924,621	49,233,310
Factoring Receivable		-	79,680
Loans to Company Officers		5,778,566	5,320,861
Miscellaneous Debtors		-	6,885,055
		<u>3,108,168,459</u>	<u>2,467,269,309</u>
Less: Provision for Doubtful Debts	14.4	<u>(85,226,202)</u>	<u>(127,889,146)</u>
		<u><u>3,022,942,257</u></u>	<u><u>2,339,380,163</u></u>
14.1 Lease Rentals Receivable			
Gross Lease Rentals Receivable-Performing		850,618,621	431,585,255
Gross Lease Rentals Receivable-Non Performing		32,505,550	30,420,039
		<u>883,124,171</u>	<u>462,005,294</u>
Less: Unearned Interest-Performing		(218,024,895)	(102,655,376)
Unearned Interest-Non Performing		(1,214,758)	(2,933,377)
		<u>(219,239,653)</u>	<u>(105,588,753)</u>
Less: Interest in Suspense		<u>(3,244,877)</u>	<u>(2,105,506)</u>
Net Balance Receivable		<u><u>660,639,641</u></u>	<u><u>354,311,035</u></u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2010/2011 Rs.	2009/2010 Rs.
14.2 Hire Purchase Receivable			
Hire Purchase Receivable-Performing		2,643,766,509	2,144,509,008
Hire Purchase Receivable-Non Performing		36,083,147	74,602,839
		<u>2,679,849,656</u>	<u>2,219,111,847</u>
Less: Unearned Interest-Performing		(606,524,824)	(491,517,338)
Unearned Interest-Non Performing		(3,086,085)	(9,335,133)
		<u>(609,610,909)</u>	<u>(500,852,471)</u>
Less: Interest in Suspense		(2,983,174)	(5,540,047)
Net Balance Receivable		<u>2,067,255,573</u>	<u>1,712,719,329</u>
14.3 Import Loan			
LC Creditors		62,186,905	93,400,470
Net Balance Receivable		<u>62,186,905</u>	<u>93,400,470</u>

14.4 Provision for Bad and Doubtful Debts of Hire Purchase, Lease and Loans and Advances Granted; the movement of which is as follows.

	Balance as at 01.04.2010 Rs.	Charged to Income Statement Rs.	Write-off During the Year Rs.	Balance as at 31.03.2011 Rs.
Lease Rentals	17,909,893	11,018,095	(904,974)	28,023,014
Hire Purchase	62,954,802	55,353,150	(91,890,473)	26,417,479
Loan Consumer Durable Receivable	13,840,557	-	(13,840,557)	-
Pledge Loans	-	3,035,945	-	3,035,945
Trust Receipt Loans	4,180,695	(335,298)	(2,599,419)	1,245,978
Hire Purchase Consumer Durable	4,460,358	-	(4,460,358)	-
Margin Trading Receivable	5,794,505	-	(5,794,505)	-
Cheque Discounting Receivable	1,180,091	9,844,530	-	11,024,621
Miscellaneous	6,885,055	-	(6,885,055)	-
Long Term Loan	603,510	587,399	-	1,190,909
Factoring	79,680	-	(79,680)	-
Trade Finance	10,000,000	4,288,256	-	14,288,256
	<u>127,889,146</u>	<u>83,792,077</u>	<u>(126,455,021)</u>	<u>85,226,202</u>

	2010/2011 Rs.	2009/2010 Rs.
15. REAL ESTATE STOCKS		
Naranwala Project	4,031,809	5,907,930
Walgama Project	-	262,817
Beliaththa Project	1,860,789	5,423,668
Talalla Project	-	160,461
Battaramulla Project	28,775,302	28,504,000
Horana Project	-	239,599
Kalutara Project	70,590,086	-
Dematagoda Project	17,654,211	17,654,210
Ebilipitiya Project	59,670	314,157
Matale Project	9,363,085	9,363,085
Maddawaththa Project	2,623,931	2,138,331
Apartment Skyline Residence	33,311,367	31,768,547
Apartment Gold Hope property	7,132,112	7,003,000
	<u>175,402,363</u>	<u>108,739,806</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	<u>Note</u>	<u>2010/2011</u> <u>Rs.</u>	<u>2009/2010</u> <u>Rs.</u>
16. AMOUNT DUE FROM RELATED PARTY			
Bartleet Transcapital Limited		4,000,000	-
		<u>4,000,000</u>	<u>-</u>
17. ECONOMIC SERVICE CHARGES RECOVERABLE			
Opening Balance		7,712,201	8,166,951
Add: ESC Paid During the Year			
-For the Year of Assessment 2008/2009		-	2,485,801
-For the Year of Assessment 2009/2010		2,490,551	6,972,164
-For the Year of Assessment 2010/2011		8,404,538	-
Less: ESC set-off Against Income Tax Payable			
-For the Year of Assessment 2008/2009	Note 26	(10,202,752)	(9,912,715)
-For the Year of Assessment 2009/2010	Note 26	-	
Closing Balance		<u>8,404,538</u>	<u>7,712,201</u>
18. OTHER DEBTORS, DEPOSITS & PREPAYMENTS			
Other Receivables		11,828,591	21,317,946
Prepayments & Deposits	Note 18.1	<u>109,871,962</u>	<u>6,279,363</u>
		<u>121,700,553</u>	<u>27,597,309</u>
18.1 PREPAYMENTS & DEPOSITS			
Prepayments - Insurance		1,333,010	697,298
- Licence		375,000	55,897
- Rent		20,405,300	2,822,465
- Office Re-arrangement		-	1,530,702
Refundable Deposit		1,356,000	1,173,000
Threewheeler Stock Advance		85,616,960	-
Investment Fund Account		484,843	-
Western Union Transfer		300,850	-
		<u>109,871,962</u>	<u>6,279,363</u>
Threewheeler Stock advance has been paid to David Peris Motor Stores Ltd on purchase of threewheelers.			
19. INVESTMENT IN SECURITIES			
Investment in Dealing Securites	Note 19.1	274,154,974	150,468,809
Investment in Unquoted Securities	Note 19.2	<u>69,025,000</u>	<u>30,900,000</u>
		<u>343,179,974</u>	<u>181,368,809</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

19.1 Investment in Dealing Securites

Name of Company	2011			2010		
	No of Shares	Cost Rs.	Market Value Rs.	No of Shares	Cost Rs.	Market Value Rs.
BANKS FINANCE & INSURANCE						
Hatton National Bank Ltd	100,000	19,764,181	21,330,000	100,000	8,540,363	14,000,000
Nation Trust Bank Ltd (Warrents)				56	-	378
Seylan Bank Ltd	250,000	10,946,281	9,825,000	-	-	-
Vanik Incorporation Ltd	151,375	2,835,352	-	151,375	2,835,353	121,100
The Finance Co. Ltd	3,000	225,113	111,000	3,000	225,113	52,500
Commercial Bank	75,000	19,736,783	19,935,000	59,200	11,253,892	11,825,200
DFCC	-	-	-	25,000	3,902,603	4,506,250
Hatton National Bank	-	-	-	65,000	10,856,381	12,220,000
National Development Bank	-	-	-	50,000	10,881,687	10,500,000
BEVERAGE, FOOD & TOBACCO						
Nestle	-	-	-	10,000	4,555,125	4,780,000
DIVERSIFIED HOLDINS						
John Keells Holdings Ltd	-	-	-	25,000	2,407,980	4,600,000
Richard Pieris & Co. Ltd	170,295	1,002,111	2,316,012	10,240	1,002,111	563,200
Carsons	40,000	25,100,849	25,392,000	50,000	19,332,479	27,325,000
Aitken Spence	187,500	37,882,500	30,431,250	-	-	-
Sunshine Holdings	-	-	-	10,000	3,289,813	3,250,000
FOOTWEAR & TEXTILES						
Pugoda Textiles Lanka Ltd	3,000	87,990	13,500	3,000	87,990	13,500
Korea Ceylon Ltd	9,079	450,662	22,698	9,079	450,662	22,698
HOTELS & TRAVELS						
Keells Hotels Rights	500,000	7,745,728	8,600,000	1,000,000	15,491,456	5,500,000
Aitken Spence Hotel Holdings	45,500	1,221,296	4,459,000	10,000	1,518,375	3,850,000
MANUFACTURING						
Lanka Walltiles	25,000	3,539,202	3,277,500	100,000	7,794,325	7,550,000
Chevron	400,000	57,423,696	64,000,000	200,000	20,460,103	34,000,000
PLANTATIONS						
Horana Plantations Ltd	-	-	-	60,000	1,959,876	1,680,000
Maskeliya Plantations Ltd	14,000	975,719	393,400	14,000	975,719	420,000
Udapussellawa Plantations Ltd	35,900	2,293,398	1,662,170	35,900	2,293,398	1,077,000
Watawala Plantations Ltd	18,500	840,995	839,900	-	-	-
C/F		192,071,856	192,608,430		130,114,804	147,856,826

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

19.1 Investment in Dealing Securities Contd.....

Name of Company	2011			2010		
	No of Shares	Cost Rs.	Market Value Rs.	No of Shares	Cost Rs.	Market Value Rs.
B/F		192,071,856	192,608,430		130,114,804	147,856,826
POWER & ENERGY						
Lanka IOC	82,700	1,682,499	1,455,520	10,000	270,000	180,000
Hemas Power	-	-	-	64,600	1,292,000	1,146,650
Construction and Engineering						
Dockyard	50,000	13,412,313	12,755,000	50,000	5,533,633	14,150,000
Investment Trusts						
Ceylon Guardian	178,500	66,988,306	65,955,750	32,100	13,258,372	16,274,700
		<u>274,154,974</u>	<u>272,774,700</u>		<u>150,468,809</u>	<u>179,608,176</u>

Even though the market value is lesser than the cost as of 31st March 2011, the difference has not been adjusted due to immateriality.

19.2 Investment in Unquoted Securities

	2010/2011 Rs.	2009/2010 Rs.
Finance Houses Consortium (Pvt) Ltd	200,000	200,000
Premuka Savings & Development Bank Ltd	2,000,000	2,000,000
Ceylon Index Fund	3,000,000	3,000,000
Seylan Bank PLC Debenture	2,500,000	2,500,000
Softlogic Holdings Limited	-	25,200,000
Free Lanka Holdings Ltd	50,250,000	-
Vallibel One Ltd	13,075,000	-
	<u>71,025,000</u>	<u>32,900,000</u>
Less: Provision for Permanent Diminutions in Value	<u>(2,000,000)</u>	<u>(2,000,000)</u>
	<u>69,025,000</u>	<u>30,900,000</u>

19.3 As per the Finance Companies (Investments) Direction No. 7 of 2006 -Subsection 2.III, the aggregate amount invested in the issued ordinary share capital of companies shall not at any time exceed 25 per cent of the capital fund of the finance company as shown in its last audited balance sheet. However, the company's aggregate investment in shares of other companies has exceeded this maximum limit by 62 per cent. During the year the company has made a gain of Rs.234Mn from the said investments.

20. OTHER INVESTMENTS

Investment in Commercial Paper	50,737,665	51,441,850
Trust Certificates	29,464,924	25,511,849
	<u>80,202,589</u>	<u>76,953,699</u>

21. INVESTMENT PROPERTIES

				Balance As At 01.04.2010	Acquisitions During the Year	Disposal During the Year	Balance As At 31.03.2011
				Rs.	Rs.	Rs.	Rs.
21.1	At Cost						
	Land	At	No.36,36/2,Punnalai Road,				
			Puliyadi,Uppukulam	40,300,000		(40,300,000)	-
			Land At No.105,107 Uduvil Road, Adaikalaththanai	5,037,500		(5,037,500)	-
				<u>45,337,500</u>	-	<u>(45,337,500)</u>	<u>-</u>

**BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

2.1.2. Investment Property Contd....

Lands situated at No.36,36/2, Punnalai Road, Puliyadi, Uppukulam & No. 105, 107 Uduvil Road, Adaikalaththanai has been sold on 31st December 2010 to Bartleet Transcapital Ltd for a consideration of Rs.90 Mn

22. PROPERTY, PLANT AND EQUIPMENT

	COST			DEPRECIATION			WDV	
	Balance as at 01.04.2010 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2011 Rs.	Charge for the year Rs.	Disposals Rs.	Balance as at 31.03.2011 Rs.	01.04.2010 Rs.
Free Hold								
Land	61,399,000	-	-	61,399,000	-	-	61,399,000	61,399,000
Buildings	24,000,000	-	-	24,000,000	1,042,953	-	12,863,084	13,906,037
Motor Vehicle	100,182,182	24,575,156	(3,038,954)	121,718,384	22,871,879	(2,147,505)	54,482,016	53,670,188
Office Equipment	13,686,325	7,923,060	(44,651)	21,564,734	1,773,573	(930)	10,797,856	4,692,090
Computer Equipment	19,741,286	18,070,018	-	37,811,304	4,035,157	-	22,140,391	8,105,530
Furniture & Fittings	11,397,561	5,351,697	(368,524)	16,380,734	1,528,383	(310,510)	9,037,137	5,271,837
Lease Hold								
Leasehold Improvements	7,907,239	-	-	7,907,239	549,508	-	2,198,034	2,747,542
Motor Vehicle	13,800,000	30,516,848	(13,800,000)	30,516,848	4,450,374	(6,360,938)	26,066,474	7,439,062
	252,113,593	86,436,779	(17,252,129)	321,298,243	36,251,827	(8,819,883)	198,983,992	157,231,286

**BARTLETT FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

23. CAPITAL WORK IN PROGRESS

Kalutara Building Under Construction

	2010/2011	2009/2010
	Rs.	Rs.
	218,513,870	185,044,293
	<u>218,513,870</u>	<u>185,044,293</u>

Note

Note 23.1

23.1. Kalutara Building Under Construction

Opening Balance

Add: Cost incurred during the year

Interest Cost Capitalised -Incurred in Current Year

Incurred in Prior Years (Note 35)

Less: Transferred during the year

Closing Balance

	185,044,293	141,798,540
	6,087,643	19,398,863
	3,535,044	-
	-	23,846,890
	-	-
	<u>218,513,870</u>	<u>185,044,293</u>

The company has obtained a valuation report for the Kaluthara building from Mr.D.J.Dantanarayana -A.I.V Sri Lanka -Incorporated Valuer. As per the valuation report dated 16th May 2011, the value of the building has been estimated to Rs.227,073,300/-

24. CUSTOMER DEPOSITS

Fixed Deposits

Three Years

Two Years

One Year

Six Months

Three Months

	371,787,953	289,532,940
	335,024,304	252,599,639
	1,846,093,486	1,344,799,110
	443,411,924	327,716,610
	634,315,812	783,137,316
	<u>3,630,633,479</u>	<u>2,997,785,615</u>

25. INTEREST BEARING BORROWINGS

Bank Loans

Hire Purchase Creditor

Bank Overdrafts

	2010/2011		2009/2010	
	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.
	261,834,648	132,795,727	135,608,252	42,891,656
	4,280,659	16,400,405	4,071,382	4,206,533
	19,269,912	-	253,052	-
	<u>285,385,219</u>	<u>149,196,132</u>	<u>434,581,351</u>	<u>47,098,189</u>
	394,630,375	20,681,064	178,499,908	8,277,915
	20,681,064	19,269,912	253,052	253,052
	<u>434,581,351</u>	<u>47,098,189</u>	<u>187,030,875</u>	<u>187,030,875</u>

Note 25.1

Note 25.2

**BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

25.1 BANK LOANS

	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Total 2010/2011 Rs.	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Total 2009/2010 Rs.
Commercial Bank of Ceylon PLC	-	-	-	833,333	-	833,333
Seylan Bank PLC	13,626,575	-	13,626,575	20,040,000	13,626,575	33,666,575
Securitisation Loan - Deutsche Bank	248,208,073	132,795,727	381,003,800	114,734,919	29,265,081	144,000,000
	<u>261,834,648</u>	<u>132,795,727</u>	<u>394,630,375</u>	<u>135,608,252</u>	<u>42,891,656</u>	<u>178,499,908</u>

25.1.1 Movement of the Bank Loans obtained, Details of Terms and Security Pledged are disclosed as follows.

Nature of Loan	Balance As at		Repayments Made Rs.	Balance As at		Term of the Loan	Security Pledged
	01.04.2010 Rs.	Loans Obtained Rs.		31.03.2011 Rs.	As at 31.03.2011 Rs.		
Commercial Bank of Ceylon PLC (40 MN)	833,333	-	(833,333)	-	-	40 Months	Pledge over Lease Receivable of Rs. 68 Mn
Seylan Bank PLC (100Mn)	33,666,575	-	(20,040,000)	13,626,575	13,626,575	60 Months	Primary Mortgage over Matara, Katunayaka and Kalutara Land
Deutsche Bank	144,000,000	434,500,000	(197,496,200)	381,003,800	381,003,800		Pledge over Lease Receivable and Hire Purchase Receivable (Motor Vehicles)
	<u>178,499,908</u>	<u>434,500,000</u>	<u>(218,369,533)</u>	<u>394,630,375</u>	<u>394,630,375</u>		

**BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

25.2 HIRE PURCHASE CREDITOR

25.2.1 Gross Liability

Name of the Bank	Agreement No	As at 01.04.2010 Rs.	Loans Obtained Rs.	Repayments Made Rs.	As at 31.03.2011 Rs.	Term of Repayment Per Month	Security Pledged
Nations Trust Bank (13.8 MN)	280461	10,149,458	-	(10,149,458)	-	Rs.461,339/=	Motor Vehicles WPJV-9001
Nations Trust Bank (22.5 MN)	101170419	-	31,956,720	(3,328,825)	28,627,895	Rs.665,765/=	WPKM-4538
		10,149,458	31,956,720	(13,478,283)	28,627,895		
Gross Lease Liability							
- Amount Repayable within one Year		5,536,068			7,989,180		
- Amount Repayable After one Year		4,613,390			20,638,715		
		10,149,458			28,627,895		

25.2.2 Less: Finance Charges allocated for future periods

Agreement No	As at 01.04.2010 Rs.	For the Year Rs.	Written Off during the Year Rs.	Balance As at 31.03.2011 Rs.
280461	1,871,543	-	(1,871,543)	-
101170419	-	8,955,957	(1,009,126)	7,946,831
	1,871,543	8,955,957	(2,880,669)	7,946,831

Finance Charges allocated for future periods

- Within one Year	1,464,686	3,708,521
- After One Year	406,857	4,238,310
	1,871,543	7,946,831

25.2.3 Net Lease Liability

Amount Repayable within one Year	4,071,382	4,280,659
Amount Repayable After one Year	4,206,533	16,400,405
	8,277,915	20,681,064

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2010/2011	2009/2010
	Rs.	Restated Rs.
26. INCOME TAX (RECEIVABLE)/PAYABLE	Note	
Opening Balance		12,963,000 4,827,394
Add: Income Tax Provision		
Provision made for the year	Note 8	- 20,068,307
Under Provision of Previous Year	Note 8	4,902,492 6,314,707
		<u>17,865,492</u> <u>31,210,409</u>
Less: Income Tax Paid		
-For the Year of Assessment 2007/08		(5,995,851)
-For the Year of Assessment 2008/09		-
-For the Year of Assessment 2009/10		(50,295) (95,801)
-For the Year of Assessment 2010/11		(2,887,866) -
		<u>(2,938,161)</u> <u>(6,091,652)</u>
Less: Economic Service Charges Paid set-off against Income Tax Liability		
-Paid For the Year of Assessment 2008/2009	Note 17	(10,202,752) (9,912,715)
-Paid For the Year of Assessment 2009/2010		- -
		<u>(10,202,752)</u> <u>(9,912,715)</u>
Less: Withholding Tax Paid set-off		
-Paid For the Year of Assessment 2007/2008		-
-Paid For the Year of Assessment 2008/2009		(1,424,549) -
		<u>(1,424,549)</u> <u>-</u>
Less: Notional Tax Credit Claimed		
-For the Year of Assessment 2009/2010		- (2,243,042)
		<u>-</u> <u>(2,243,042)</u>
Total Tax paid and Tax Credit set-off against Income Tax Liability		<u>(14,565,462)</u> <u>(18,247,409)</u>
Closing Balance		<u>3,300,030</u> <u>12,963,000</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

<u>Note</u>	<u>2010/2011</u> <u>Rs.</u>	<u>2009/2010</u> <u>Rs.</u>
27. CREDITORS & ACCRUALS		
Interest on Fixed Deposits	123,656,864	136,470,284
Other Creditors & Accruals	53,789,465	57,408,892
Unclaimed Dividend	287,521	103,513
	<u>177,733,850</u>	<u>193,982,689</u>
28. RETIREMENT BENEFIT OBLIGATIONS		
Balance at the beginning of the year	27,546,663	25,837,500
Expenses Recognised in the Income Statement (Refer Note 28.1)	4,063,474	3,178,413
	<u>31,610,137</u>	<u>29,015,913</u>
Payments during the year	<u>(8,331,563)</u>	<u>(1,469,250)</u>
Balance at the end of the year	<u>23,278,574</u>	<u>27,546,663</u>
28.1 Expenses Recognised in the Income Statement		
Interest Cost	3,080,324	N/A
Current Service Cost	1,118,266	N/A
Acturial (Gain)/Loss	(135,116)	N/A
Total	<u>4,063,474</u>	<u>3,178,413</u>

An actuarial valuation of the gratuity liability was carried out as at 31st March, 2011 by Mr.Piyal S Gunatilleke, a Consulting Actuary. The valuation method used by the actuary to value the gratuity liability is the 'Projected Unit Credit' (PCU) Method, the method recommended by the Sri Lanka Accounting Standard No.16 -(Revised 2006) on 'Employee Benefits. If the company provides a gratuity liability in accordance with the payment of Gratuities Act No. 12 of 1983, the liability would have been Rs. 25,130,308/-. Hence, there is a contingent Liability of Rs.1,851,735/- of the company at the year ended date. Gratuity Liability as of 31st March 2010 was recognised as per the payment of Gratuities Act No. 12 of 1983.

Actuarial Assumptions - Demographic

Mortality

GA 1983 Mortality Table

Retirement Age

Normal Retirement Age or Age on Valuation Date, which ever is greater

Actuarial Assumptions - Financial

Rate of Discount 12%

Salary Scale 15% per annum

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

29. STATED CAPITAL	At the end of the year 31.03.2011 Rs.	At the beginning of the year 01.04.2010 Rs.
Number of shares		
Ordinary Shares	6,120,499	6,120,499
Value		
Ordinary Shares	61,204,990	61,204,990
	2010/2011 Rs.	2009/2010 Rs.
30. STATUTORY RESERVE		
Balance at the beginning of the year	97,962,764	87,756,564
Transfer from Income Statement	44,412,674	10,206,200
Balance at the end of the year	142,375,438	97,962,764

Reserve fund is a statutory reserve credited in compliance with the direction No.1 of Central Bank regulations of 2003. The amount transfer is not less than 20% of the Net Profit after Tax.

31. COMMITMENTS & CONTINGENCIES

31.1 Contingent Liabilities

There were no commitment and contingencies as at the Balance Sheet date, date except for the

- a) Letter of Credit in force amounting to Rs.113.5 Mn.
- b) Capital Commitment, on construction of the building at Kalutara Branch estimated to Rs.23.4 Mn

32. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no other events other than the Debenture issue for Rs.204 Mn between the balance sheet date and the date on which the financial statements are authorized for issue which require adjustments to or disclosures in the financial statements.

33. RELATED PARTY TRANSACTIONS

33.1 Key Management Personnel Information

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company as well as its related parties, directly or indirectly, including any director (whether executive or otherwise) of the company.

Mr.M. Eraj Wijesinghe, Mr. Sunil C Wijesinghe, Mr. Eshanth Wijesinghe, Mr. Indrajith Fernando, Mr. Buwaneka Subasinghe, Mr. Susantha De Alwis and Mr. S. Raghavan and Justice B.A.L.K. Wimalachandra; the Directors of the Company are also directors of following companies and has had transactions as disclosed in Note 33.2 below.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

33.2 Related Party Transactions

The company has a related party relationship with its related group companies as disclosed in Note 33.1. The following transactions have been carried out with related parties during the year ended 31st March'2011 under normal commercial terms.

33.2.1 Obtaining Services

<i>Name of Company</i>	<i>Name of the Director</i>	<i>Description of Transactions</i>	<i>Outstanding Balance (Rs)</i>
Bartleet and Company (Pvt) Ltd; (BCL)	Mr. Eraj Wijesinghe Mr. Sunil C Wijesinghe Mr. Eshanth Wijesinghe	Company has paid rental expenses of Rs. 11,384,120/= (Previous Year - Rs.7,374,376/=) to BCL for the occupation of Head office Building.	Nil
Bartleet Transcapital Ltd; (BTL)	Mr. Eraj Wijesinghe Mr. Sunil C Wijesinghe Mr. Indrajith Fernando	BTL has Sold Company's Land situated at Jaffna for Rs. 90 Mn. Company has transferred Loan and Advance balances of Rs. 88.2 Mn to BTL and paid Rs. 16.1 Mn to BTL out of money recovered from customers.	5,000,000 Nil

33.3 Transactions with Key Management Personnel (KMP)

33.3.1 Compensation to KMP

The remuneration of directors and other members of the key management during the year under review is as follows.

	<u>2011</u>	<u>2010</u>
	Rs.	Rs.
Short Term Benefits	31,835,067	16,698,852
	<u>31,835,067</u>	<u>16,698,852</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

34 MATURITY OF ASSETS & LIABILITIES

An analysis of the total assets employed and total liabilities as at the year end, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	Over 3 Years Rs.	Total as at 31.03.2011 Rs.
ASSETS					
Cash and Balances Due from Banks	123,477,184	-	-	-	123,477,184
Treasury Bills & other Bills eligible for re-discounting with Central Bank	327,448,303	178,158,168			505,606,471
Placements with other Banks and Financial Institutions	25,817,259	58,957,550	3,289,966		88,064,774
Loans & Advances	456,413,490	659,608,778	1,475,221,494	431,698,496	3,022,942,258
Real Estate Stocks		175,402,363			175,402,363
Amount Due from Related Parties	4,000,000				4,000,000
Economic Service Charges Recoverable			8,404,538		8,404,538
Other Debtors, Deposits & Prepayments	121,700,553	-	-	-	121,700,553
Investment Securities	274,154,974	69,025,000	-	-	343,179,974
Other Investments	64,237,665	15,964,924			80,202,589
Property, Plant & Equipment	-	-	-	198,983,992	198,983,992
Capital work-in-progress	-	-	-	218,513,870	218,513,870
Total Assets	1,397,249,427	1,157,116,783	1,486,915,997	849,196,358	4,890,478,565
LIABILITIES & EQUITY					
Deposits from Non-Bank Customers	1,245,772,835	1,917,658,593	467,202,051		3,630,633,479
Borrowings - Repayable within One Year	109,205,337	176,179,882			285,385,219
Income Tax (Receivable)/ Payable	3,300,030				3,300,030
Creditors and Accruals	177,733,850				177,733,850
Borrowings - Repayable After One Year			145,210,054	3,986,078	149,196,132
Retirement Benefit Obligations				23,278,574	23,278,574
Total Funds Employed				620,951,282	620,951,282
Total Liabilities & Equity	1,536,012,052	2,093,838,474	612,412,104	648,215,934	4,890,478,565
Net Liquidity Gap - 2011	(138,762,625)	(936,721,691)	874,503,893	200,980,423	-
Net Liquidity Gap - 2010	(857,449,008)	(641,042,590)	837,833,888	660,657,710	-

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

35 Comparative Information

During the year the company has decided to capitalize the borrowing cost incurred on the construction of Building at Kalutara. However, the related borrowing cost of Rs.23,846,890 for previous years had already been charged to the Income Statement and considered to be an error. Accordingly, the following comparative figures for 2009/10 have been restated in the 2010/11 financial statements to maintain comparability of financial statements in order to provide a better presentation.

Income Statement	As disclosed in 2009/10 Rs.	Restated in 2010/11 Rs.	Adjustment Rs.
35.a			
Interest Expense	540,384,896	529,863,779	10,521,117
Income Tax Expense	18,036,603.00	21,774,230.30	(3,737,627)
Net Effect			<u>6,783,490</u>
 Balance Sheet			
35.b			
Capital Work in Progress	185,044,293	161,197,403	23,846,890
Income Tax Payable	4,616,588	12,963,000	(8,346,412)
Retained Earnings	118,939,652	134,440,131	(15,500,479)
Net Effect			<u>(0)</u>
 Equity Statement			
35.c			
Correction of Prior Years Errors (Capitalisation of Interest Costs from F/Y2007/08 to 2008/09)	-	8,716,988	(8,716,988)
Net profit for the year 2009/10 (restated)	51,030,998	57,814,488	<u>(6,783,490)</u> <u>(15,500,479)</u>

Bartleet Finance Limited
Audited Financial Statements for the year ended 31st March 2011
Additional Notes

With reference to the accounting policies, of the audited financial statements,

The segment policy is “We present segment information in respect of our Company’s business in accordance with the Sri Lanka Accounting Standard No. 28 on Reporting Financial Information by Segment. These segments comprise finance lease, hire purchasing, term loans, real estate, fixed deposit, Margin trading and pledge loans.

Business segment has been determined based on the nature of the service provided by the company after risk and rewards of each type of products.

Segment income and expenses are allocated to the segment to the content that is directly attributable to the segment or/and allocated to the segment on a reasonable basis. The segmental information is as follows.

Bartleet Finance Limited		Financial Reporting by Segment 2010/11		2011/10		2009/10		2011/10		2009/10		2011/10		2009/10		Total		
		2011/10	2009/10	2011/10	2009/10	2011/10	2009/10	2011/10	2009/10	2011/10	2009/10	2011/10	2009/10	2011/10	2009/10	2011/10	2009/10	Total
Interest	603,715,063	533,369,034	20,666,363	35,469,715	4,169,858	-	11,477,485	10,840,463	145,334,490	198,536,464	785,383,259	778,215,676						
Fee Based Income & Others	46,208,166	24,600,585							319,234,786	106,574,358	365,442,952	131,174,943						
Total Revenue	649,923,229	557,969,619	20,666,363	35,469,715	4,169,858	-	11,477,485	10,840,463	464,589,276	305,110,822	1,150,826,211	909,390,619						
Segmental Results	312,918,142	172,734,259	12,706,255	16,444,687	2,563,745	-	7,056,677	5,023,922	244,298,320	91,182,227	579,543,139	285,387,095						
Unallocated Expenses																		
Profit from Operations																		
Income tax expenses																		
Net Profit for the period																		
Segment Assets	2,673,454,721	1,986,165,669	158,827,812	173,731,643	102,565,993	-	31,903,385	38,408,236	1,074,634,836	986,470,561	4,219,398,428	3,297,382,324						
Unallocated Assets																		
Total Assets																		
Segment Liabilities																		
Unallocated Liabilities	381,003,800	144,000,000																
Total Liabilities																		

With reference to the Note 6, of the audited financial statements,
The breakdown of profit on sale of Dealing and Unquoted Securities are as follows.

Summery

Dealing Securities

DATE	QTY	AVG COST	PROFIT	DATE RANGE	
A. SPEN. HOT. HOLD	6,000	175.87	2,017,708.33	13-05-2010	27-09-2010
CARSONS	110,700	457.31	20,780,004.83	02-06-2010	18-03-2011
CEYLON GUARDIAN	181,400	342.02	26,727,634.36	23-09-2010	28-12-2010
CEYLON INV	250,000	131.46	4,141,840.00	17-03-2011	
CHEVRON	100,000	143.56	1,662,635.99	04-01-2011	
COMMERCIAL BANK	309,200	202.59	8,581,925.14	30-03-2010	28-12-2010
DFCC	100,000	103.49	9,644,715.97	28-12-2010	
DIALOG	1,506,300	8.74	4,730,155.72	23-09-2010	
DOCKYARD	100,000	228.85	10,223,429.17	19-04-2010	06-10-2010
HEMAS POWER	64,600	32.66	530,320.77	24-09-2010	
HNB	140,000	230.73	14,928,663.79	21-06-2010	28-12-2010
HNB NV	100,000	85.40	10,235,524.60	22-06-2010	
HORANA	60,000	32.66	176,718.17	26-04-2010	28-07-2010
JKH	100,000	168.33	12,861,458.10	23-09-2010	24-09-2010
KEELLS HOTELS	500,000	15.49	2,647,171.84	23-09-2010	27-09-2010
LANKA WALLTILE	120,000	64.95	12,958,609.40	17-03-2011	
NAT. DIV. BANK	155,000.00	235.38	15,480,847.31	23-09-2010	28-12-2010
NESTLE	10,000	455.51	284,850.00	31-03-2010	
NTB WAR	56	-	389.39	04-06-2010	
SAMPATH	243,328	350.93	12,165,468.07	24-09-2010	28-03-2011
SEYLAN BANK NV	253,000	43.79	2,194,587.80	23-09-2010	
SIERRA CABL	1,000,000	2.23	1,777,527.64	05-07-2010	23-09-2010
SUNSHINE HOLDIN	100,000	32.90	1,145,244.55	08-04-2010	17-03-2011
			175,897,430.95		

Unquoted Securities

ABANS DEBENTURES			468,258.07	12-07-2010	12-10-2010
SOFTLOGIC			58,380,000.00	28-03-2011	
			58,848,258.07		
Total			234,745,689.00		

With reference to the Note 14.1 & 14.2, of the audited financial statements,

The break up of Lease & HP Rentals Receivables within one year, 1-5 years, over 5 years are as follows.

	01 YEAR	01-05 YEARS	OVER 05 YEARS	TOTAL
LEASE	55,208,505.44	605,431,135.50	-	660,639,640.94
HP	167,533,453.45	1,899,722,119.72	-	2,067,255,573.17

Concentration of Loan & Advances

Sector	Amount	%
Agriculture & Fishing	51,739,562	1.66
Manufacturing	41,336,478	1.33
Transport	2,763,692,080	88.92
Construction	2,609,548	0.09
Trades	169,218,524	5.44
Financial and Business Services	79,572,267	2.56
Total	3,108,168,459	100%

With reference to the Note 19, of the audited financial statements,

As per the Finance Companies (Investments) Direction No. 7 of 2006 -Subsection 2.III, the aggregate amount invested in the issued ordinary share capital of companies shall not at any time exceed 25 per cent of the capital fund of the finance company as shown in its last audited balance sheet. However, the company's aggregate investment in shares of other companies has exceeded this maximum limit by 62 per cent due to the increase in the market price as well as the new investment. During the year the company has made a gain of Rs.234Mn from the said investments.

The percentage as per the latest audited statement as at 31st March 2011 is 30% and the company has progressively taken action to bring the aggregate investment within the 25% limit and plans to be within the limit during the current financial year.

With reference to the Note 22, of the audited financial statements,

The current policy of depreciation is reducing balance on the cost or valuation of all property, plant and equipment other than freehold land, in such a case there is no assets which are fully depreciated.

The disclosure in terms of SLAS 18 (Revised 2005) regarding each revalued class of property, plant & equipment is as follows.

Date Purchase	Description	Cost	Revaluation	Amount	Carrying Value
31.03.2000	Land Ethulkotte	819,990.98	80,009.02	900,000.00	819,990.98
31.03.2003	Land Matara	6,287,877.48	4,712,122.52	11,000,000.00	6,287,877.48
31.03.2003	Building Matara	15,814,318.57	8,185,681.43	24,000,000.00	8,475,871.13
31.01.2005	Land Katunayake	10,677,338.75	28,422,661.25	39,100,000.00	10,677,338.75
		33,599,525.78	41,400,474.22	75,000,000.00	26,261,078.34

With reference to the Note 28, of the audited financial statements,

There are no any post-employment benefits or long term benefits provided to Key managerial Personnel of the Company.



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Sri Lanka

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BARTLEET FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Bartleet Finance Limited, which comprise the balance sheet as at 31st March, 2010, 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 5 to 34.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March, 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March, 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without qualifying our opinion we draw attention to the Notes 14.5 and 31.1 of the financial statements in which the Company has assigned to the parent company and the parent company has taken over Rs.83.4 Mn as of 31st March, 2010 in respect of Non-performing loans.

Report on Other Legal and Regulatory Requirements -

- 1) These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.
- 2) These financial statements present the information required by the finance companies Act No.78 of 1988.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo

05th November, 2010

TS/lp

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : S. Rajapakse FCA, MBA, Ms. M.S.E. Raymond FCA, S. G. Ranjith ACA, Tishan H. Subasinghe FCA, CISA
H.S. Rathnawera ACA, Ashani J.W. Jayasekara ACA, MBA, H.M. Saman Siri Lal ACA
Consultant : V. Sinnadorai FCA

BARTLEET FINANCE LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2010

	Note	2009/2010 Rs	2008/2009 Rs
Income	3	909,390,620	899,196,971
Interest Income	4	777,519,084	833,920,507
Interest Expenses	5	(540,384,896)	(566,458,480)
Net Interest Income		237,134,188	267,462,027
Other Income	6	131,871,536	65,276,464
Net Operating Income		369,005,724	332,738,491
Personnel Costs		(59,122,170)	(75,846,532)
Provision for Staff Retirement Benefits Cost		(3,178,413)	(4,200,000)
Provision for Bad & Doubtful Debts		(83,618,628)	(26,330,669)
Other General & Administrative Expenses		(144,007,577)	(180,059,979)
		(289,926,788)	(286,437,180)
Profit From Operations		79,078,936	46,301,311
Value Added Tax on Financial Services		(10,011,335)	(7,692,728)
Profit Before Tax	7	69,067,601	38,608,583
Income Tax Expenses	8	(18,036,603)	(6,809,715)
Profit for the year		51,030,998	31,798,868
Basic Earnings per Share	9	8.34	5.20
Dividend per Share	10	1.00	1.00

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 34 form an integral part of these financial statements.

Colombo
05th November, 2010

BARTLEET FINANCE LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2010



	Note	2009/2010 Rs.	2008/2009 Rs
ASSETS			
Cash and Balances Due from Banks	11	104,012,287	10,702,859
Treasury Bills & Other Bills eligible for re-discounting with Central Bank	12	480,636,940	132,634,829
Placements with other Banks and Financial Institutions	13	110,302,907	118,592,522
Loans & Advances	14	2,339,380,163	2,325,422,382
Real Estate Stocks	15	108,739,806	102,458,535
Economic Service Charges Recoverable	16	7,712,201	8,166,951
Other Debtors, Deposits & Prepayments	17	27,597,309	6,198,064
Investment Securities	18	181,368,809	34,939,528
Other Investments	19	76,953,699	-
Investment Properties	20	45,337,500	-
Property, Plant & Equipment	21	157,231,286	155,236,471
Capital work-in-progress	22	161,197,403	141,798,540
Total Assets		3,800,470,310	3,036,150,681
LIABILITIES & EQUITY			
Liabilities			
Deposits from Non-Bank Customers	23	2,997,785,615	2,156,383,984
Borrowings - Repayable within One Year	24	139,932,686	161,365,919
Income Tax Payable	25	4,616,588	4,827,394
Creditors and Accruals	26	193,982,689	205,587,938
Amount Due to Bartleet Company Ltd		-	84,017,151
Borrowings - Repayable After One Year	24	47,098,189	53,533,414
Retirement Benefit Obligations	27	27,546,663	25,837,500
		3,410,962,430	2,691,553,300
Shareholders' Funds			
Stated Capital	28	61,204,990	61,204,990
Statutory Reserve	29	97,962,764	87,756,564
Revenue Reserve		70,000,000	70,000,000
Revaluation Reserve		41,400,474	41,400,474
Retained Earnings		118,939,652	84,235,353
Total Funds Employed		389,507,880	344,597,381
Total Liabilities & Equity		3,800,470,310	3,036,150,681
Commitments & Contingencies	30	76,200,000	91,950,000
Net Assets per Share		63.64	56.30

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 34 form an integral part of these financial statements.

Certification

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

Mr. Samantha Perera
D.G.M - Finance and Planning

The Board of Directors is responsible for the preparation & presentation of these financial statements.

Approved and signed for and on behalf of the Board

Mr. M. Eraj Wijesinghe
Chairman

Mr. Susantha De Alwis
Director

Colombo
05th November, 2010
TS/tp

BARTLEET FINANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2010

	Stated Capital Rs.	Statutory Reserve Rs.	Revenue Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March, 2008	61,204,990	81,393,584	70,000,000	41,400,474	58,799,465	312,798,513
Net profit for the year	-	-	-	-	31,798,868	31,798,868
Transfer to Statutory Reserve	-	6,362,980	-	-	(6,362,980)	-
Balance as at 31st March, 2009	61,204,990	87,756,564	70,000,000	41,400,474	84,235,353	344,597,381
Net profit for the year	-	-	-	-	51,030,998	51,030,998
Transfer to Statutory Reserve	-	10,206,200	-	-	(10,206,200)	-
Dividends	-	-	-	-	(6,120,499)	(6,120,499)
Balance as at 31st March, 2010	61,204,990	97,962,764	70,000,000	41,400,474	118,939,652	389,507,880

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 34 form an integral part of these financial statements.

Colombo
05th November, 2010

BARTLEET FINANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2010

	2009/2010	2008/2009
	Rs	Rs
Net Profit before Taxation	69,067,601	38,608,583
Adjustment for :		
Depreciation	23,345,450	25,241,159
Provision for Bad & Doubtful Loans	83,618,629	26,330,669
(Profit)/Loss on Sale of Property, Plant & Equipment	328,117	(561,333)
Profit on Sale of Dealing Securities	(58,635,988)	(5,469,518)
Dividend Income	(5,417,334)	(1,097,958)
Hire Purchase Interest	2,336,414	3,448,356
Interest Income	(51,344,857)	(26,034,307)
Provision for Staff Retirement Benefits	3,178,413	4,200,000
Operating Profit /(Loss) before changes in Operating Assets & Operating Liabilities	66,476,445	64,665,651
<i>(Increase)/Decrease in Operating Assets</i>		
Investments in Reverse Repos	(239,429,950)	76,912,187
Withdrawals/(Investments) in Fixed Deposit	8,289,615	(110,341,024)
Investments in Government Securities	(108,572,161)	148,456,162
Net Hire purchase, Lease and Loans & Advances made to Customers	(73,039,974)	(128,833,238)
Investments in Real Estate Stock	(6,281,271)	(47,516,975)
Net /(Payment) Receipt Other Receivables, Deposit & Prepayment	(21,399,245)	9,176,563
<i>Increase/(Decrease) in Operating Liabilities</i>		
Import Creditors	-	(176,801,351)
Net Placement of Fixed Deposit made by Customers	841,401,631	88,938,688
Net Payment to the Creditors & Accruals	(11,605,249)	(9,340,938)
Cash Generated from/ (used) in Operations	389,363,396	(149,349,926)
Gratuity Paid	(1,469,250)	(1,112,000)
Income Tax Paid	(6,091,652)	(18,349,945)
Economic Service Charges Paid	(9,457,965)	(10,913,999)
Net cash from /(used) in Operating Activities	372,344,529	(179,725,870)
Cash flows from Investing Activities		
Dividend Received	5,417,334	1,097,958
Interest Received	36,856,557	26,034,307
Acquisition of Property , Plant & Equipment	(32,800,822)	(25,330,325)
Cost incurred in the Course of Construction	(19,398,863)	(45,946,376)
Net (Acquisition)/Proceeds of Investment Securities	(146,429,281)	13,380,067
Other Investments made during the year	(76,953,699)	-
Sales Proceeds from Property, Plant & Equipment	7,132,440	1,781,523
Net cash from/(used) in Investing Activities	(226,176,334)	(28,982,846)
Cash flows from Financing Activities		
Dividend Paid	(6,125,899)	(12,240,997)
Borrowings /(repayment) of Bartleet Transcapital Ltd loan	(83,004,441)	(229,694)
Borrowings/(repayment) of Term Loans	12,344,646	111,076,575
Hire Purchase Rental Paid	(5,536,068)	(5,536,068)
Net cash from/(used) in Financing Activities	(82,321,762)	93,069,816
Net Increase /(Decrease) in Cash & Cash Equivalents	130,322,878	(50,973,249)
Cash & cash equivalents at the beginning of the year	(26,563,643)	24,409,606
Cash & cash equivalents at the end of the year	103,759,235	(26,563,643)
	Note A	Note B
Cash in Hand and Cash at Bank	104,012,287	10,702,859
Bank Overdraft	(253,052)	(37,266,502)
	103,759,235	(26,563,643)

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 34 form an integral part of these financial statements.

Colombo
05th November, 2010

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Bartleet Finance Ltd, is a public limited liability company incorporated and domiciled in Sri Lanka. The Registered Office of the company and its principal place of business is situated at 65, Braybrooke Place, Colombo 02. The Company is regulated under the Finance Companies Act No.78 of 1988.

1.2 Principal Activities and Nature of Operation

During the year the principal activities of the Company were acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services.

1.3 Parent Enterprise

The Company's parent undertaking is Bartleet Transcapital Ltd, which holds 86.59% of shares of Bartleet Finance Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. GENERAL ACCOUNTING POLICIES

2.1.1 Basis of Preparation

These financial statements presented in Sri Lanka Rupees have been prepared under the historical cost basis except for certain Property, Plant and Equipment which are stated at revalued amounts,(only if there are revalued assets) in accordance with generally accepted accounting principles and the standards laid down by the Institute of Chartered Accountants of Sri Lanka.

2.1.2 Statement of Compliance

The Balance Sheets, Statement of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes ("Financial Statement") of Bartleet Finance Ltd as at 31st March, 2010 and for the year then ended, comply with the Sri Lanka Accounting Standards.

2.1.3 Going Concern

The directors have made an assessment of the Bartleet Finance Limited to continue as going concern and they do not intend either to liquidate or to cease trading.

2.1.4 Comparative Information

The accounting policies have been consistently applied by the company consistent with those of the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.1.5 Events after the Balance Sheet Date

All material events occurring after the balance sheet date have been considered and where necessary, appropriate adjustments or disclosures have been made in the financial statements.

2.1.6 Materiality and Aggregation

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

2.1.7 Changes in Accounting Policies

The Accounting Policies adopted are consistent with those of the previous financial year.

2.2. ASSETS & BASES OF THEIR VALUATION

2.2.1 Property, Plant and Equipment.

a) Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and less any impairment in value.

b) Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued.

When an asset is revalued any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognized as an expense. In these circumstances the increase is recognized as income to the extent of the previous written down value. When asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset, any balance remaining in the revaluation surplus in respect of an asset is transferred directly to accumulated profit or loss on retirement or disposal of the asset.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

c) Depreciation

Provision for depreciation is calculated by using straight line/or reducing balance (whichever applicable) on the cost or valuation of all property, plant and equipment other than freehold land, in order to write off such amounts over the estimated useful lives of such assets.

The principal annual rates used are as follows:

Freehold Buildings	7.5% per Annum
Office Partitioning	20% per Annum
Furniture & Fittings	20% per Annum
Office Equipment	25% per Annum
Motor Vehicles	25% per Annum

Depreciation of assets begins when it is available for use.

Freehold land is not depreciated.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year.

d) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

e) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount.

2.2.2 Leases

a) Finance Leases

Property, plant and equipment on finance leases (which effectively transfer to the company substantially the entire risk and rewards incidental to ownership of the leased item) are capitalized at their cash price and depreciated or amortized over the period the company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The finance charges allocated to future periods are separately disclosed in the notes.

The interest element of the rental obligation applicable to each financial year is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

2.2.3 Impairment of Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units fair value less costs to sell and its value in use and determined for an individual asset, unless the asset's does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risk specific to the asset. These calculations are collaborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

That increased amount cannot “exceed” the carrying amount that would have been determined, net of depreciation had, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets.

2.2.4. Inventories

a) Land Stock

Inventories are valued at cost or net realizable value whichever is lower. Development cost and borrowing costs incurred during the development period of projects are capitalized to the cost of land.

b) Work-in-Progress

Work-in-progress represents the cost of partly developed lands which are under development stage prior to its saleable condition and other cost of infrastructure facilities incurred as at the Balance Sheet date. These are valued at cost of development/construction plus attributable overheads.

c) Lease Inventories

Repossessed Motor Vehicles are valued at amounts receivable from repossessed lease facilities.

d) Other Inventories

Other Inventories are valued at lower of the cost and net realizable value, after making due allowances for obsolete and slow moving item.

2.2.5. Loans and Advances

Loans and advances to customers are stated in the Balance Sheet net of provision for bad and doubtful loans.

Loans and advances are written off to the extent that there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired loans and advances to their expected realizable.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.2.6 Finance Leases

Assets leased to customers under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title are classified as finance leases. Lease rentals receivable in the Balance Sheet includes total lease payments due net of initial rentals received, unearned interest, interest in suspense and provision for doubtful debt.

2.2.7 Operating Leases

Assets leased to customers under agreements, which the Company retains substantially all the risks and rewards associated with ownership are classified as Operating Lease.

2.2.8 Hire Purchase Agreements

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

2.2.9 Provision for Doubtful Debts

Provision for doubtful debts are made on the basis of a continuous review of all finance leases, operating leases, hire purchase agreements and loans and advances to customers in accordance with the Finance Companies (Provision For Bad and Doubtful Debt) Direction No.03 of 2006 issued by the Monetary Board of the Central Bank of Sri Lanka based on an age classification of advances as follows:

Period Outstanding	Provision Made
6 to 12 months	50%
Over 12 months	100%
Seized, Sold & Legal	100%

2.2.10 Investments

a) Investment Securities

Investment securities, which are acquired with the positive intent to hold on long term basis, are classified as Investment securities. These are acquired and held for yield or capital growth in the long term. Such securities are recorded at cost net of provision for permanent diminution in value.

b) Dealing Securities

Securities, including equity shares, which are generally held for resale in the near future to benefit from short-term market movements, are classified as dealing securities. Equity shares classified as dealing securities are accounted for at the lower of cost or market value determined on portfolio basis.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Disposal of Investments

On disposal of an investment, the difference between net disposals and proceeds and the carrying amounts is recognized as income or expense.

2.2.11 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 change in value.

For the purpose of the cash flow statement cash and cash equivalents comprise cash in hand and deposits held at bank net of bank overdrafts. Investments with a short term maturities i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

2.3. LIABILITIES AND PROVISIONS

2.3.1 Liabilities

Liabilities stated under current liabilities in the Balance Sheet are those expected to fall due within one year from the Balance Sheet date. Items stated as long term liabilities are those expected to fall due at point of time after one year from the Balance Sheet date.

2.3.2 Trade and Other Payables

Trade creditors and other payables are stated at their book values.

2.3.3 Provisions

Provisions are recognized when the company has a present obligations (legal & 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.

2.3.4 Retirement Benefit Cost

2.3.4.1. Defined Benefit Plans – Gratuity

The company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Project Unit Credit Method (PUC) as required by Sri Lanka Accounting Standards No 16, Employee Benefits (Revised 2006).

The item is stated under Retirement Benefit Liability in the Balance Sheet.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.3.4.2. Defined Contribution Plans - EPF & ETF

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

2.3.5 Taxation

a) Current Taxes

Current income tax assets & liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006.

b) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each Balance Sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Income tax relating to items recognized directly in equity is recognized in equity

Deferred tax asset and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) **Value Added Tax on Financial Services**

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

2.4 INCOME STATEMENT

2.4.1 Income

Income represents the amounts derived from the provision of services that fall within the Company's ordinary activities net of turnover related taxes.

2.4.2 Revenue Recognition

a) **Interest Income from Leases & 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 & 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 6 months or more and thereafter Interest is recognized on a cash basis.

c) **Overdue Interest**

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

d) **Interest Income from Other Sources**

Interest Income from Government of Sri Lanka Treasury Bills is recognized on a time proportion basis as discounts on purchase. Such income is amortized on a straight line basis over the period of maturity or the date of sale.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

- e) **Real Estate Sales**
Revenue from real estate sales is recognized when significant risk and rewards of ownership have been passed to the customer. However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted for on a cash basis.
 - f) **Dividend Income**
Dividend income is recognized on cash basis in the period in which it is received.
 - g) **Profit from Sale of Property, Plant & Equipment**
Gains and losses of a revenue nature on the disposal of Property, Plant and Equipment is accounted for in the income statement.
 - h) **Profit on Disposal of Shares**
Profits earned on the disposal of shares, has been accounted for in the income statement on the basis of realized net profit.
 - i) **Other Income**
All other income is recognized on an accrual basis.
 - j) **Profit/Loss on Disposal of Investments**
Profit/Loss on the sale of investment is accounted for in the Income Statement on the Basis of realized net profit.
- 2.4.3 **Expenditure Recognition**
Expenditure Recognition
- a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.
 - b) For the purpose of presentation of the income statement the directors are of the opinion that function of expenses method presents fairly the elements of the company's performance and hence such presentation method is adopted.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

c) **Borrowing Costs**

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying assets which are assets that necessarily takes a substantial period of time to get ready for its intended are added to the cost of those assets. Until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

The amount of borrowing costs eligible for capitalization is determined in accordance with the Sri Lanka Accounting Standard 20, Borrowing costs are allowed alternative treatment.

2.5 RELATED PARTY TRANSACTIONS

Disclosure is made in respect of the transaction 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 charged.

2.6 Cash Flow Statement

The cash flow statement has been prepared using the 'Indirect Method'.

2.7 Off Balance Sheet and Income Statement Items

2.7.1 Events Occurring after the Balance Sheet Date

All material events occurring after the balance sheet date have been considered & where necessary adjustments to or disclosures have been made in the respective notes to the accounts.

2.7.2 Contingencies & Unrecognized Contractual Commitments

Contingencies are possible assets or obligation that arise from past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the company's control.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2009/2010 Rs.	2008/2009 Rs.
3. REVENUE			
Interest Income	4	777,519,084	833,920,507
Other Operating Income	6	131,871,536	65,276,464
		<u>909,390,620</u>	<u>899,196,971</u>
4. INTEREST INCOME			
Hire Purchase		464,898,352	515,211,961
Leasing		68,470,682	89,679,837
Cheque Discounting		32,398	19,430,265
Term Loans - Fixed Deposits		13,672,026	10,093,910
Imports Interest and BTT Receivable		3,050,570	-
Term Loans		21,797,689	12,336,214
Pledge Loans		10,840,463	19,958,128
Import Loans		148,067	808,216
Government Securities		21,922,070	46,454,372
Overdue Interest		122,542,797	94,208,338
Fixed Deposit Interest		12,537,520	11,471,433
Reverse Repo Interest		23,187,046	14,210,190
Real Estate-Easy Payments		(68,896)	57,643
Commercial Papers		6,651,883	-
Treasury Bond		508,349	-
Asian Finance Loan		5,151,169	-
Trust Certificate		2,176,899	-
		<u>777,519,084</u>	<u>833,920,507</u>
5. INTEREST EXPENSES			
Fixed Deposits		487,773,356	500,987,702
Trade Finance		16,280,229	23,249,641
Import Bills		-	784,013
Overdrafts		(3,275,343)	983,104
Term Loans		38,454,243	19,761,274
Bartleet Co. Ltd		(1,184,003)	17,244,390
Hire Purchase Interest		2,336,414	3,448,356
		<u>540,384,896</u>	<u>566,458,480</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2009/2010 Rs.	2008/2009 Rs.
6. OTHER INCOME			
Service Charges		12,741,075	14,444,646
Profit on Real Estates		696,592	16,572,902
Dividend Income		5,417,334	1,097,958
Profit on Sale of Property, Plant & Equipment		(328,117)	561,333
Miscellaneous Income		39,126,994	14,951,972
Bank Interest Income		654,238	1,371
Staff Loan Interest Income		477,753	351,313
Rent Income		2,046,136	2,619,026
Profit on Sale of Dealing Securities		58,635,988	5,469,518
Recoveries from Bad Debts		11,859,511	8,817,554
Profit on Motor Vehicle Repair Fund		-	6,093
Debenture Interest		434,999	382,778
Trust Certificate		109,033	-
		131,871,536	65,276,464
7. PROFIT BEFORE TAX IS STATED AFTER CHANGING ALL EXPENSES INCLUDING THE FOLLOWING			
Directors' Fees		-	1,800,000
Directors' Emoluments		16,698,852	13,127,428
Auditors' Remuneration		485,808	300,000
Depreciation		23,345,450	25,241,159
EPF & ETF		6,360,563	6,617,939
Staff Cost		52,424,275	69,228,593
Donations		402,600	1,288,269
8. INCOME TAX EXPENSES			
Current Income Tax Provision	8.1	16,330,680	6,809,715
Add: Under Provision of Previous Year		1,705,923	-
		18,036,603	6,809,715

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

8.1. A RECONCILIATION BETWEEN TAX EXPENSE AND THE PRODUCT OF ACCOUNTING PROFIT MULTIPLIED BY THE STATUTORY TAX RATE IS AS FOLLOWS :

	2009/2010	2008/2009
	Rs.	Rs.
Profit Before Tax	69,067,601	38,608,583
Tax Rate	35%	35%
Accounting Profit Liable For Tax	24,173,660	13,513,004
Add: Tax Effect on Lease Rental Receivable and Notional Tax Credit	41,988,575	49,036,115
Add: Tax Effect on Disallowable Expenses	29,582,322	19,522,222
Less: Tax Effect on Allowable Expenses	(46,865,506)	(53,524,329)
Less: Tax Effect on Exempt Income	(22,418,663)	(2,792,583)
Add/(Less): Tax Effect on Profit/Loss on Disposal of PPE	51,882	(15,657,468)
Less: Tax Effect on Loss Disposal of Leased Assets	(10,422,930)	-
Less: Tax Effect of Business Loss claimed during the Year	-	(3,387,882)
Income Tax Liability on Taxable Income	16,089,340	6,709,079
Add : Social Responsibility at 1.5% thereon	241,340	100,636
	16,330,680	6,809,715

8.2 DEFERRED TAXATION

The deferred tax asset on each temporary differences which were not recognized in the financial statements are disclosed below.

On Lease Receivable	(8,133,076)	(5,807,934)
On Temporary Difference of PPE	(312,196)	(2,630,514)
On Retirement Gratuity	9,641,332	9,043,125
	1,196,060	604,677

9. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.

Profit attributable to ordinary shareholder.	51,030,998	31,798,868
Weighted average number of ordinary shares outstanding during the year.	6,120,499	6,120,499
Earnings per share	8.34	5.20

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2009/2010 Rs.	2008/2009 Rs.
10. DIVIDEND PER SHARE			
Proposed Interim Dividend		6,120,499	6,120,499
Weighted Average Number of Ordinary Shares		6,120,499	6,120,499
Dividend per Share		<u>1</u>	<u>1</u>
<p>On 31.03.2010 the directors have proposed an interim dividend of Rs.1/- per share. Therefore Rs.6,120,499/- in total. As required by section 56(2) of the companies Act No.07 of 2007, the Board of Directors has confirmed that the company satisfies the solvency test in accordance with Section 57 of the Companies Act No.07 of 2007.</p>			
11. CASH AND BALANCE DUE FROM BANKS			
Cash in Hand		327,183	208,698
Cash at Bank		103,685,104	10,494,161
		<u>104,012,287</u>	<u>10,702,859</u>
12. TREASURY BILLS & OTHER BILLS ELIGIBLE FOR RE-DISCOUNTING WITH CENTRAL BANK			
Treasury Bills		221,206,588	120,725,940
Treasury Bonds		8,091,513	-
Re-Purchase Agreements	12.1	251,338,839	11,908,889
		<u>480,636,940</u>	<u>132,634,829</u>
12.1 INVESTMENT IN REVERSE REPOS			
Commercial bank		244,930,330	-
Seylan Bank		6,408,509	11,908,889
		<u>251,338,839</u>	<u>11,908,889</u>
13. PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS			
Fixed Deposits			
Asian Finance Ltd	13.1.	92,119,040	109,000,000
Nations Trust Bank PLC		1,802,243	1,591,321
National Development Bank PLC		-	8,001,201
Seylan Bank PLC		16,381,624	-
		<u>110,302,907</u>	<u>118,592,522</u>
13.1. Asian Finance Limited			
Gross Amount Receivable		110,148,132	109,000,000
Less: Unearned Interest		(18,029,092)	-
		<u>92,119,040</u>	<u>109,000,000</u>

Company has invested Rs.100,000,000 with Asian Finance Ltd on 15th September 2008, at an interest rate of 20%. The company has entered in to a repayment agreement with the investor, on 20th August 2009, in recovering the above amount along with the interest. Repayment terms and conditions are as follows;

Amount Placed: Rs.118,438,765/=

Date of Commencement: 20/08/2009

Period : 36 Months

Monthly Installment : Rs.3,869,472/=

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2009/2010 Rs.	2008/2009 Rs.
14. HIRE PURCHASE, LEASE AND LOANS & ADVANCES			
Lease Rentals Receivable	14.1	354,311,035	331,053,316
Hire Purchase Receivable	14.2	1,712,719,329	1,719,061,025
Import Loan	14.3	93,400,470	65,879,253
Hire Purchase Consumer Durables		4,460,358	4,460,358
Term Loan		94,427,322	71,063,811
Loan Consumer Durable Receivable		13,840,557	13,840,557
Pledge Loan		38,408,236	39,824,676
Short Term Loans Against Fixed Deposits		79,907,831	44,406,920
Trust Receipt Loans		4,614,351	4,608,234
Margin Trading Receivable		5,794,505	5,794,505
Real Estate Receivable		2,830,768	32,801,763
Real Estate E/P		1,035,641	1,459,601
Cheque Discounting		49,233,310	50,104,916
Factoring Receivable		79,680	79,680
Loans to Company Officers		5,320,861	2,905,665
Miscellaneous Debtors		6,885,055	6,885,055
		<u>2,467,269,309</u>	<u>2,394,229,335</u>
Less: Provision for Doubtful Debts	14.4	<u>(127,889,146)</u>	<u>(68,806,953)</u>
		<u>2,339,380,163</u>	<u>2,325,422,382</u>
14.1 Lease Rentals Receivable			
Gross Lease Rentals Receivable-Performing		431,585,255	414,935,990
Gross Lease Rentals Receivable-Non Performing		30,420,039	3,431,138
		<u>462,005,294</u>	<u>418,367,128</u>
Less: Unearned Interest-Performing		(102,655,376)	(87,058,349)
Unearned Interest-Non Performing		(2,933,377)	(185,845)
		<u>(105,588,753)</u>	<u>(87,244,194)</u>
Less: Interest in Suspense		(2,105,506)	(69,618)
Net Balance Receivable		<u>354,311,035</u>	<u>331,053,316</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2009/2010 Rs.	2008/2009 Rs.
14.2 Hire Purchase Receivable			
Hire Purchase Receivable-Performing		2,144,509,008	2,204,143,934
Hire Purchase Receivable-Non Performing		74,602,839	43,229,514
		<u>2,219,111,847</u>	<u>2,247,373,448</u>
Less: Unearned Interest-Performing		(491,517,338)	(520,615,494)
Unearned Interest-Non Performing		(9,335,133)	(5,731,010)
		<u>(500,852,471)</u>	<u>(526,346,504)</u>
Less: Interest in Suspense		(5,540,047)	(1,965,919)
Net Balance Receivable		<u>1,712,719,329</u>	<u>1,719,061,025</u>

14.3 Import Loan

LC Creditors	93,400,470	65,879,253
Net Balance Receivable	<u>93,400,470</u>	<u>65,879,253</u>

14.4 Provision for Bad and Doubtful Debts of Hire Purchase, Lease and Loans and Advances Granted; the movement of which is as follows.

	Balance as at 01.04.2009 Rs.	Charged to Income Statement Rs.	Write-off During the Year Rs.	Balance as at 31.03.2010 Rs.
Lease Rentals	3,621,854	17,300,021	(3,011,982)	17,909,893
Hire Purchase	26,206,408	50,942,464	(14,194,070)	62,954,802
Loan Consumer Durable Receivable	13,840,557	-	-	13,840,557
Pledge Loans	460	-	(460)	-
Trust Receipt Loans	95,405	4,085,290	-	4,180,695
Hire Purchase Consumer Durable	4,460,358	-	-	4,460,358
Margin Trading Receivable	5,794,505	-	-	5,794,505
Cheque Discounting Receivable	492,747	687,344	-	1,180,091
Miscellaneous	6,885,055	-	-	6,885,055
Long Term Loan	7,329,924	603,510	(7,329,924)	603,510
Factoring	79,680	-	-	79,680
Trade Finance	-	10,000,000	-	10,000,000
	<u>68,806,953</u>	<u>83,618,629</u>	<u>(24,536,436)</u>	<u>127,889,146</u>

14.5. The Company has not made a provision of Rs. 83.4 Mn as of 31st March, 2010 in respect of the Non-performing Loans. However, Bartleet Transcapital Ltd, being the parent company, has undertaken the Net outstanding balances, including any subsequent arrears amounting to, Rs.62 Mn and Rs.26.2 Mn by way of duly signed agreements entered on 30th September 2010 and 12th October, 2010 respectively and funds amounting to Rs.62 Mn has been subsequently transferred on 05th November, 2010.

15. REAL ESTATE STOCKS

	2009/2010 Rs.	2008/2009 Rs.
Inventories of Real Estate	<u>108,739,806</u>	<u>102,458,535</u>

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2009/2010 Rs.	2008/2009 Rs.
16. ECONOMIC SERVICE CHARGES RECOVERABLE			
Opening Balance		8,166,951	15,827,343
Add: ESC Paid During the Year			
-For the Year of Assessment 2007/2008		-	2,747,049
-For the Year of Assessment 2008/2009		2,485,801	8,166,950
-For the Year of Assessment 2009/2010		6,972,164	-
Less: ESC set-off Against Income Tax Payable			
-For the Year of Assessment 2004/2005	Note 25	-	(4,001,032)
-For the Year of Assessment 2005/2006	Note 25	-	(5,459,411)
-For the Year of Assessment 2006/2007	Note 25	-	(6,524,159)
-For the Year of Assessment 2007/2008	Note 25	-	(2,589,789)
-For the Year of Assessment 2008/2009	Note 25	(9,912,715)	
Closing Balance		<u>7,712,201</u>	<u>8,166,951</u>
17. OTHER DEBTORS, DEPOSITS & PREPAYMENTS			
Other Receivables		21,317,946	2,132,855
Prepayments & Deposits		<u>6,279,363</u>	<u>4,065,209</u>
		<u>27,597,309</u>	<u>6,198,064</u>
18. INVESTMENT SECURITIES			
Quoted Shares	Note 18.1	150,468,809	29,239,528
Unquoted Investments	Note 18.2	<u>30,900,000</u>	<u>5,700,000</u>
		<u>181,368,809</u>	<u>34,939,528</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

18.1 INVESTMENT SECURITIES IN QUOTED SHARES

Name of Company	2010			2009		
	No of Shares	Cost Rs.	Market Value Rs.	No of Shares	Cost Rs.	Market Value Rs.
BANKS FINANCE & INSURANCE						
Hatton National Bank Ltd	100,000	8,540,363	14,000,000	5,500	152,100	209,000
Nation Trust Bank Ltd (Warrents)	-	-	-	712	-	2,492
Nation Trust Bank Ltd (Warrents)	56	-	378	356	-	1,388
Pan Asia Banking Corp. Ltd	-	-	-	23,000	376,540	218,500
Seylan Bank Ltd	-	-	-	15,330	520,107	551,880
Seylan Bank Ltd (Non-Voting)	-	-	-	15,330	191,625	84,315
Vanik Incorporation Ltd	151,375	2,835,353	121,100	151,375	2,835,352	121,100
The Finance Co. Ltd	3,000	225,113	52,500	3,000	225,113	66,000
Commercial Bank	59,200	11,253,892	11,825,200	-	-	-
DFCC	25,000	3,902,603	4,506,250	-	-	-
Hatton National Bank	65,000	10,856,381	12,220,000	-	-	-
National Development Bank	50,000	10,881,687	10,500,000	-	-	-
BEVERAGE FOOD & TOBACCO						
Tea Small Holders Ltd	-	-	-	34,000	2,390,144	2,856,000
Nestle	10,000	4,555,125	4,780,000	-	-	-
DIVERSIFIED HOLDINS						
Hayleys	-	-	-	4,000	546,682	360,000
John Keells Holdings Ltd	25,000	2,407,980	4,600,000	20,000	1,720,825	1,255,000
Richard Pieris & Co. Ltd	10,240	1,002,111	563,200	10,240	1,002,111	256,000
Carsons	50,000	19,332,479	27,325,000	-	-	-
Sunshine Holdings	10,000	3,289,813	3,250,000	-	-	-
FOOTWEAR & TEXTILES						
Pugoda Textiles Lanka Ltd	3,000	87,990	13,500	3,000	87,990	13,500
Korea Ceylon Ltd	9,079	450,662	22,698	9,079	450,662	22,698
HOTELS & TRAVELS						
Beruwala Holiday Resort Ltd	-	-	-	1,700	102,264	47,600
Mahaweli Reach Ltd	-	-	-	542,135	7,056,632	6,776,688
Stafford Hotels Ltd	-	-	-	10,100	109,683	116,150
Taj Hotels (Lanka) Ltd	-	-	-	33,500	560,970	318,250
Keels Hotels Rights	1,000,000	15,491,456	5,500,000	-	-	-
Aitken Spence Hotel Holdings	10,000	1,518,375	3,850,000	-	-	-
C/F		96,631,383	103,129,826		18,328,800	13,276,561

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

18.1 INVESTMENT SECURITIES IN QUOTED SHARES

Name of Company	2010			2009		
	No of Shares	Cost Rs.	Market Value Rs.	No of Shares	Cost Rs.	Market Value Rs.
B/F		96,631,383	103,129,826		18,328,800	13,276,561
MANUFACTURING						
Ceylon Glass Company Ltd	-	-	-	228,000	495,558	296,400
Sierra	-	-	-	9,900	29,700	10,890
CIC	-	-	-	61,200	2,320,104	1,943,100
Lanka Walltile	100,000	7,794,325	7,550,000	-	-	-
Chevron	200,000	20,460,103	34,000,000	-	-	-
PLANTATIONS						
Horana Plantations Ltd	60,000	1,959,876	1,680,000	60,000	1,959,876	630,000
Maskeliya Plantations Ltd	14,000	975,719	420,000	14,000	975,719	196,000
Udapussellawa Plantations Ltd	35,900	2,293,398	1,077,000	35,900	2,293,398	628,250
Watawala Plantations Ltd	-	-	-	34,300	2,165,744	2,023,700
POWER & ENERGY						
Lanka IOC	10,000	270,000	180,000	10,000	270,000	160,000
Hemas Power	64,600	1,292,000	1,146,650	-	-	-
TRADING						
Commercial Bank Ltd	-	-	-	5,000	400,629	310,000
Construction and Engineering						
Dockyard	50,000	5,533,633	14,150,000	-	-	-
Investment Trusts						
Ceylon Guardian	32,100	13,258,372	16,274,700	-	-	-
		<u>150,468,809</u>	<u>179,608,176</u>		<u>29,239,528</u>	<u>19,474,901</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2009/2010	2008/2009	
Note	Rs.	Rs.	
18.2. UNQUOTED INVESTMENTS			
Finance Houses Consortium (Pvt) Ltd	200,000	200,000	
Premuka Savings & Development Bank Ltd	2,000,000	2,000,000	
Ceylon Index Fund	3,000,000	3,000,000	
Seylan Bank PLC Debenture	2,500,000	2,500,000	
Softlogic Holdings Limited	25,200,000	-	
	<u>32,900,000</u>	<u>7,700,000</u>	
Less: Provision for Permanent Diminution in Value	(2,000,000)	(2,000,000)	
	<u>30,900,000</u>	<u>5,700,000</u>	
19. OTHER INVESTMENTS			
Investment in Commercial Paper	51,441,850	-	
Trust Certificates	25,511,849	-	
	<u>76,953,699</u>	<u>-</u>	
20. INVESTMENT PROPERTIES			
20.1 At Cost	Balance As At 01.04.2009 Rs.	Acquisitions During the Year Rs.	Balance As At 31.03.2010 Rs.
Land At No.36,36/2,Punnalai Road, Puliyadi,Uppukkulam	-	40,300,000	40,300,000
Land At No.105,107 Uduvil Road, Adaikalaththanai	-	5,037,500	5,037,500
	<u>-</u>	<u>45,337,500</u>	<u>45,337,500</u>

**BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

20.2 Fairvalue of Investment Property

Professional Valuation has been carried out by Mr.V. Selvanayagam AIV, Incorporated valuer on the basis of Market Approach (Direct Comparison Method) and the Market Value of the properties are disclosed as follows.

<u>Description of the Property</u>	<u>Date of Valuation</u>	<u>Market Value of the Property</u>
Land At No.36,36/2, Punmalai Road, Puthiyadi, Uppukulam	September 22, 2009	40,000,000
Land At No. 105, 107 Uduvil Road, Adaikalaththanai	September 24, 2009	4,500,000

21. PROPERTY, PLANT AND EQUIPMENT

	COST			DEPRECIATION			WDV		
	Balance as at 01.04.2009 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2010 Rs.	Charge for the year Rs.	Disposals Rs.	Balance as at 31.03.2010 Rs.	31.03.2010 Rs.	31.03.2009 Rs.
Free Hold									
Land	61,399,000	-	-	61,399,000	-	-	-	61,399,000	61,399,000
Buildings	24,000,000	-	-	24,000,000	1,127,516	-	10,093,963	13,906,037	15,033,553
Motor Vehicle	86,504,367	25,867,560	(12,189,745)	100,182,182	15,089,593	(4,729,188)	46,511,993	53,670,189	50,352,779
Office Equipment	12,186,337	1,499,988	-	13,686,325	1,337,453	-	8,994,234	4,692,091	4,529,556
Computer Equipment	15,265,727	4,475,559	-	19,741,286	1,457,242	-	11,635,756	8,105,530	5,087,213
Furniture & Fittings	10,439,846	957,715	-	11,397,561	1,167,072	-	6,125,725	5,271,836	5,481,193
Lease Hold									
Lease Hold Improvements	7,907,239	-	-	7,907,239	686,886	-	5,159,698	2,747,541	3,434,427
Motor Vehicle	13,800,000	-	-	13,800,000	2,479,688	-	6,360,938	7,439,062	9,918,750
	231,502,516	32,800,822	(12,189,745)	252,113,593	23,345,450	(4,729,188)	94,882,307	157,231,286	155,236,471

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
22. CAPITAL WORK IN PROGRESS

Description	Cost		
	Balance as at 01.04.2009 Rs.	Incurred During the Year Rs.	Transferred During the Year Rs.
Kalutara Building Under Construction	141,798,540	19,398,863	-
	141,798,540	19,398,863	-
			Balance as at 31.03.2010 Rs.
			161,197,403
			2009/2010
			2008/2009
			Rs.

23. CUSTOMER DEPOSITS

	2009/2010	2008/2009
	Rs.	Rs.
Fixed Deposits		
Three Years	289,532,940	263,760,245
Two Years	252,599,639	246,386,906
One Year	1,344,799,110	823,032,224
Six Months	327,716,610	172,917,493
Three Months	783,137,316	650,287,116
	2,997,785,615	2,156,383,984

24. INTEREST BEARING BORROWINGS

	Amount		Total	Amount		Total
	Repayable Within one Year Rs.	Repayable After one Year Rs.		Repayable Within one Rs.	Repayable After one Year Rs.	
Bank Loans	135,608,252	42,891,656	178,499,908	120,990,000	45,165,262	166,155,262
Hire Purchase Creditor	4,071,382	4,206,533	8,277,915	3,109,417	8,368,152	11,477,569
Bank Overdrafts	253,052	-	253,052	37,266,502	-	37,266,502
	139,932,686	47,098,189	187,030,875	161,365,919	53,533,414	214,899,333

**BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

24.1. BANK LOANS

	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Total 2009/2010 Rs.	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Total 2008/2009 Rs.
National Development Bank	-	-	-	1,200,000	498,687	1,698,687
Commercial Bank of Ceylon PLC	833,333	-	833,333	8,750,000	-	8,750,000
Seylan Bank PLC	20,040,000	13,626,575	33,666,575	20,040,000	33,666,575	53,706,575
Securitisation Loan - Deutsche Bank	114,734,919	29,265,081	144,000,000	56,000,000	11,000,000	67,000,000
Premier Financial Services Loan	-	-	-	35,000,000	-	35,000,000
	<u>135,608,252</u>	<u>42,891,656</u>	<u>178,499,908</u>	<u>120,990,000</u>	<u>45,165,262</u>	<u>166,155,262</u>

24.1.1 Movement of the Bank Loans obtained, Details of Terms and Security Pledged are disclosed as follows.

Nature of Loan	Balance As at 01.04.2009 Rs.	Loans Obtained Rs.	Repayments Made Rs.	Balance As at 31.03.2010 Rs.	Term of the Loan	Security Pledged
	National Development Bank PLC (6MN)	1,698,687	-	(1,698,687)	-	60 Months
Commercial Bank of Ceylon PLC (40 MN)	8,750,000	-	(7,916,667)	833,333	40 Months	Primary Mortgage over Katunayaka, Matara and Katunayaka Land
Seylan Bank PLC (100Mn)	53,706,575	-	(20,040,000)	33,666,575	60 Months	Pledge over Receivable and Purchase Receivable
Deutsche Bank	67,000,000	202,000,000	(125,000,000)	144,000,000		
Premier Financial Services	35,000,000	-	(35,000,000)	-	12 Months	
	<u>166,155,262</u>	<u>202,000,000</u>	<u>(189,655,354)</u>	<u>178,499,908</u>		

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

24.2 HIRE PURCHASE CREDITOR

24.2.1 Gross Liability

Name of the Bank	Agreement No	As at 01.04.2009 Rs.	Loans Obtained Rs.	Repayments Made Rs.	As at 31.03.2010 Rs.	Term of Repayment Per Month	Security Pledged
Nations Trust Bank (13.8 MN)	280461	15,685,526	-	(5,536,068)	10,149,458	Rs.461,339/=	Motor Vehicle WP JV-9001
		<u>15,685,526</u>	<u>-</u>	<u>(5,536,068)</u>	<u>10,149,458</u>		
Gross Lease Liability							
- Amount Repayable within one Year		5,536,068			5,536,068		
- Amount Repayable After one Year		10,149,458			4,613,390		
		<u>15,685,526</u>			<u>10,149,458</u>		

24.2.2. Less: Finance Charges allocated for future periods

Agreement No	As at 01.04.2009 Rs.	For the Year Rs.	Written Off during the Year Rs.	Balance As at 31.03.2010 Rs.
280461	4,207,957	-	(2,336,414)	1,871,543
	<u>4,207,957</u>	<u>-</u>	<u>(2,336,414)</u>	<u>1,871,543</u>
Finance Charges allocated for future periods				
- Within one Year	2,426,651			1,464,686
- After One Year	1,781,306			406,857
	<u>4,207,957</u>			<u>1,871,543</u>
24.2.3 Net Lease Liability	<u>11,477,569</u>			<u>8,277,915</u>
Amount Repayable within one Year	3,109,417			4,071,382
Amount Repayable After one Year	8,368,152			4,206,533
	<u>11,477,569</u>			<u>8,277,915</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2009/2010 Rs.	2008/2009 Rs.
25. INCOME TAX (RECEIVABLE)/PAYABLE			
Opening Balance		4,827,394	3,105,975
Add: Income Tax Provision			
Provision made for the year	Note 8	16,330,680	6,809,715
Under Provision made on Previous Year	Note 8	1,705,923	1,036,546
Additional Tax Liability arises due to Under payment of Tax Previous Years		-	26,245,485
		<u>22,863,997</u>	<u>37,197,721</u>
Less: Income Tax Paid			
-For the Year of Assessment 2006/07 (Final settlement)		-	(1,295,157)
-For the Year of Assessment 2007/08		(5,995,851)	(1,552,732)
-For the Year of Assessment 2008/09		-	(1,982,321)
-For the Year of Assessment 2009/10		(95,801)	-
		<u>(6,091,652)</u>	<u>(4,830,210)</u>
Less: Economic Service Charges Paid set-off against Income Tax Liability			
-Paid For the Year of Assessment 2004/2005	Note 16	-	(4,001,032)
-Paid For the Year of Assessment 2005/2006	Note 16	-	(5,459,411)
-Paid For the Year of Assessment 2006/2007	Note 16	-	(6,524,159)
-Paid For the Year of Assessment 2007/2008	Note 16	-	(2,589,789)
-Paid For the Year of Assessment 2008/2009	Note 16	(9,912,715)	-
		<u>(9,912,715)</u>	<u>(18,574,391)</u>
Less: With Holding Tax Paid set-off			
-Paid For the Year of Assessment 2004/2005		-	(99,180)
-Paid For the Year of Assessment 2005/2006		-	(163,674)
-Paid For the Year of Assessment 2006/2007		-	-
-Paid For the Year of Assessment 2007/2008		-	-
		<u>-</u>	<u>(262,854)</u>
Less: Advance Company Tax Paid Set-off		<u>-</u>	<u>(5,803,396)</u>
		<u>-</u>	<u>(5,803,396)</u>
Less: Notional Tax Credit Claimed			
-For the Year of Assessment 2004/2005		-	(558,671)
-For the Year of Assessment 2005/2006		-	(939,569)
-For the Year of Assessment 2006/2007		-	(1,401,236)
-For the Year of Assessment 2009/2010		(2,243,042)	-
		<u>(2,243,042)</u>	<u>(2,899,476)</u>
Total Tax paid and Tax Credit set-off against Income Tax Liability		<u>(18,247,409)</u>	<u>(32,370,327)</u>
Closing Balance		<u>4,616,588</u>	<u>4,827,394</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2009/2010	2008/2009
Note	Rs.	Rs.
26. CREDITORS & ACCRUALS		
Interest on Fixed Deposits	136,470,284	128,658,590
Other Creditors & Accruals	57,408,892	76,820,435
Unclaimed Dividend	103,513	108,913
	193,982,689	205,587,938
27. RETIREMENT BENEFIT OBLIGATIONS		
Balance at the beginning of the year	25,837,500	22,749,500
Provision during the year	3,178,413	4,200,000
	29,015,913	26,949,500
Payments during the year	(1,469,250)	(1,112,000)
Balance at the end of the year	27,546,663	25,837,500

As per the Actuarial Valuation Report, Retirement Benefit Obligation as at 31st March, 2009 is amounting Rs. Rs.14,526,450 (Net of Current Service Cost & Interest Cost) and it is decided not to reverse the liability and keep the balance provision as it is. The above provision has been made in conformity with Gratuity Act No.12 of 1983.

The company measures the present value of the promised retirement benefits for gratuity with the advice of an independent professional actuary using the Project Unit Credit Method (PUC), which is in conformity with the method prescribed by the Accounting Standard No.16.

The principal assumptions used are as follows;

Discount Rate	12%
Salary Scale	11%
Staff Turnover	
20 years	30%
25 years	30%
30 years	25%
35 years	20%
40 years	15%
45 years	10%
50 years	5%

Mortality - GA 1983 Mortality Table

Retirement Age - Normal Retirement Age or Age on valuation date, if grater.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

28. STATED CAPITAL	At the end of the year 31.03.2010 Rs.	At the beginning of the year 01.04.2009 Rs.
Number of shares		
Ordinary Shares	6,120,499	6,120,499
Value		
Ordinary Shares	61,204,990	61,204,990
	2009/2010 Rs.	2008/2009 Rs.
29. STATUTORY RESERVE		
Balance at the beginning of the year	87,756,564	81,393,584
Transfer from Income Statement	10,206,200	6,362,980
Balance at the end of the year	97,962,764	87,756,564

Reserve fund is a statutory reserve credited in compliance with the direction No.1 of Central Bank regulations of 2003. The amount transfer is not less than 20% of the Net Profit after Tax.

30. COMMITMENTS & CONTINGENCIES

30.1. Contingent Liabilities

There were no commitment and contingencies as at the Balance Sheet date, date except for the

- a) Letter of Credit in force amounting to Rs.39 Mn.
- b) Capital Commitment, on construction of the Building at Kalutara Branch estimated to Rs.37.2 Mn

31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no other events occurred between the balance sheet date and the date on which the financial statements are authorized for issue which require adjustments to or disclosure in the financial statements; except for the events disclosed in the Note 31.1.

- 31.1.** Bartleet Transcapital Ltd, being the parent company, has undertaken the Net outstanding balances, including any subsequent arrears amounting to, Rs.62 Mn and Rs.26.2 Mn by way of duly signed agreements entered on 30th September 2010 and 12th October, 2010 respectively and funds amounting to Rs.62 Mn has been subsequently transferred on 05th November, 2010.

32. RELATED PARTY TRANSACTIONS

32.1 Key Management Personnel Information

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company as well as its related parties, directly or indirectly, including any director (whether executive or otherwise) of the company.

Mr.M. Eraj Wijesinghe, Mr. Sunil C Wijesinghe, Mr. Eshanth Wijesinghe, Mr. Indrajith Fernando, Mr. Buwaneka Subasinghe, Mr. Susantha De Alwis and Mr. S. Raghavan; the Directors of the Company are also directors of following companies and has had transactions as disclosed in Note 32.2 below.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

32.2 Related Party Transactions

The company has a related party relationship with its related group companies as disclosed in Note 32.1. The following transactions have been carried out with related parties during the year ended 31st March'2010 under normal commercial terms.

32.2.1 Obtaining Services

<i>Name of Company</i>	<i>Name of the Director</i>	<i>Description of Transactions</i>	<i>Outstanding Balance (Rs)</i>
Bartleet Company (BCL)	and Mr. Eraj Wijesinghe Limited; Mr. Eshanth Wijesinghe	Company has paid rental expenses of Rs. 7,374,376/= (Previous Year - Rs.7,038,762/=) to BCL for the occupation of Head office Building.	Nil
		Company has Obtained a Loan of Rs. 9,035,033/= (Previous Year - Rs.93,052,033) from BCL.	Nil

32.3 Transactions with Key Management Personnel (KMP)

32.3.1 Compensation to KMP

The remuneration of directors and other members of the key management during the year under review is as follows.

	2010	2009
	Rs.	Rs.
Short Term Benefits	16,698,852	14,927,428
	16,698,852	14,927,428

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

33. MATURITY OF ASSETS & LIABILITIES

An analysis of the total assets employed and total liabilities as at the year end, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

Assets	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 years Rs.	Over 3 Years Rs.	Total as at 31.03.2010 Rs.
Cash and Balances Due from Banks	104,012,287				104,012,287
Treasury Bills & other Bills eligible for re-discounting with Central Bank	42,906,597	429,638,830	8,091,513	-	480,636,940
Placements with other Banks and Financial Institutions	26,251,521	31,411,934	52,639,451	-	110,302,906
Loans & Advances	264,712,634	225,821,390	1,165,800,076	683,046,064	2,339,380,164
Real Estate Stocks	-	108,739,806	-	-	108,739,806
Economic Service Charges Recoverable	-	-	7,712,201	-	7,712,201
Other Debtors, Deposits & Prepayments	27,597,309	-	-	-	27,597,309
Investment Securities	150,468,809	-	-	30,900,000	181,368,809
Other Investments	51,441,850	25,511,849	-	-	76,953,699
Investment in Properties	-	-	-	45,337,500	45,337,500
Property, Plant & Equipment	-	-	-	157,231,286	157,231,286
Capital work-in-progress	-	-	-	161,197,403	161,197,403
Total Assets	667,391,007	821,123,809	1,234,243,241	1,077,712,253	3,800,470,310
Liabilities					
Deposits from Non-Bank Customers	1,274,424,830	1,374,049,621	349,311,164	-	2,997,785,615
Borrowings - Repayable within One Year	51,815,908	88,116,778	-	-	139,932,686
Income Tax (Receivable)/ Payable	4,616,588	-	-	-	4,616,588
Creditors and Accruals	193,982,689	-	-	-	193,982,689
Amount Due to Bartleet Company Ltd	-	-	-	-	-
Borrowings - Repayable After One Year	-	-	47,098,189	-	47,098,189
Retirement Benefit Obligations	-	-	-	27,546,663	27,546,663
Total Funds Employed	-	-	-	389,507,880	389,507,880
Total Liabilities & Equity	1,524,840,015	1,462,166,399	396,409,353	417,054,543	3,800,470,310
Net Liquidity Gap - 2010	(857,449,008)	(641,042,590)	837,833,888	660,657,710	-
Net Liquidity Gap - 2009	(714,652,762)	(561,986,106)	900,646,396	375,992,472	-

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

34. COMPARATIVE FIGURES

34.1. Comparative figures and phases have been re-arranged to conform to current year's presentation/classification as disclosed below.

- a) Investment in Reserve Repo and Investments in Government Securities has now been included under Treasury Bills & Other Bills eligible for re-discounting with Central Bank.
- b) Investment in Dealing Securities have now been Included under Investment Securities.
- c) Import Creditor Balance have now been reclassified under Loans and Advances.
- d) Economic Service Charges Recoverable has now been excluded from Other Receivable and rest of Other Receivable and Prepayment & Deposit balance have now been shown as Other Debtors, Deposits & Prepayments.
- e) Bank Over draft and Hire Purchase Creditors have now been included under Borrowings.
- f) Social Responsibility Payable Included under Creditors and Accruals balance has now been shown under Income Tax Payable.
- g) Hire Purchase Creditors and Social Responsibility Payable have now been excluded from Other Creditors and Accruals and Dividend Payable has now been included under Creditors and Accruals. .

34.2. Effect on the comparative information on reclassification is quantified as follows.

	Amount
	Rs.
a) Investment in Reserve Repo and Investment in Government Securities	
Investment in Reserve Repo Balance as per last year Audited Financial Statements	11,908,889
Investment In Government Securities as per last year Audited Financial Statements	120,725,940
Amount after re-classification	<u>132,634,829</u>
b) Investment in Dealing Securities and Investment Securities	
Investment in Dealing Securities as per last year Audited Financial Statements	29,239,528
Investment Securities as per last year Audited Financial Statements	5,700,000
Amount after re-classification	<u>34,939,528</u>
c) Loan and Advances and Import Creditors	
Loan and Advances as per last year Audited Financial Statements	2,259,543,129
Add: Import Creditor balance now reclassified Under Loan and Advances	65,879,253
Amount after re-classification	<u>2,325,422,382</u>
d) Other Debtors, Prepayment and Deposits	
Other Receivable as per last year Audited Financial Statements	10,299,805
Less: Economic Service Charges Recoverable excluded from other Receivable	<u>(8,166,951)</u>
	2,132,854
Add: Prepayment and Deposit as per Last year audited Financial Statements	4,065,209
Amount after reclassification	<u>6,198,063</u>
e) Borrowings	
Current Portion of Long Term Borrowing as per last year Financial Statements	120,990,000
Add: Non Current Portion of Long Term Borrowing as per Last year Audited Financial Statements	<u>45,165,262</u>
Add: Bank Overdraft now included under Borrowings	37,266,502
Hire Purchase Creditors now included under Borrowings	11,477,569
Amount after re-classification	<u>214,899,333</u>
f) Income Tax Payable	
Income Tax Payable as per Last year Audited Financial Statements	5,020,464
Less: Social Responsibility Payable now included under Income Tax Payable	<u>(193,070)</u>
Amount after re-classification	<u>4,827,394</u>
g) Creditors and Accruals	
Trade Creditors and Accruals as per last year Audited Financial Statements	216,763,524
Less: Hire Purchase Creditors now excluded from other Creditors and Accruals	<u>(11,477,569)</u>
Add: Social Responsibility Payable now excluded from other Creditors and Accruals	193,070
Dividend payable Included under Creditors and Accruals	108,913
Amount after re-classification	<u>205,587,938</u>

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF BARTLEET FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Bartleet Finance Limited, which comprise the balance sheet as at 31st March, 2009, 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 5 to 28.

Management’s Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

We are of the view that additional loan loss provisioning need to be made with respect to Trade Finance and Cheque Discounting facilities amounting to Rs.13,862,496/- and Rs.37,218,235/- respectively.



However the management is of the view that the above provisions are not required since the recovery actions are in progress.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters reflected in the above paragraphs, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March, 2009 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March, 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without further qualifying our opinion, we would like to draw your attention to Note No.27 to the financial statements, which gives details of post balance sheet events.

Report on Other Legal and Regulatory Requirements

1. These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.
2. These financial statements present the information required by the finance Act No.78 of 1988.

BDO Burak Hothy

CHARTERED ACCOUNTANTS

Colombo

02nd October, 2009

TS/lp

BARTLEET FINANCE LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2009

	Note	2008/2009 Rs	2007/2008 Rs
Income	3	899,196,971	723,872,495
Interest Income	4	833,920,507	677,131,618
Interest Expenses	5	(566,458,480)	(369,266,220)
Net Interest Income		267,462,027	307,865,398
Other Income	6	65,276,464	46,740,877
Net Operating Income		332,738,491	354,606,275
Personnel Costs		(75,846,532)	(64,520,154)
Provision for Staff Retirement Benefits Cost		(4,200,000)	(7,538,375)
Provision for Bad & Doubtful Debts		(26,330,669)	(21,930,069)
Other General & Administrative Expenses		(187,752,707)	(198,772,550)
		(294,129,908)	(292,761,148)
Profit Before Tax	7	38,608,583	61,845,127
Income Tax Expenses	8	(6,809,715)	(12,746,936)
Profit for the year		31,798,868	49,098,191
Basic Earnings per Share	9	5	8
Dividend per Share	10	1	2

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 28 form an integral part of these financial statements.

Colombo
2nd October, 2009

BARTLEET FINANCE LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2009

		2008/2009	Restated 2007/2008
	Note	Rs.	Rs.
ASSETS			
Cash & Cash Equivalents	11	10,702,859	24,871,827
Call Deposits		11,908,890	88,821,076
Investment in Government Securities		120,725,940	269,182,102
Investment in Dealing Securities	12	29,239,528	37,650,077
Fixed Deposits	13	118,592,522	8,251,498
Loans & Advances	14	2,259,543,129	2,157,040,560
Prepayments & Deposits		4,065,209	6,182,978
Other Receivables		10,299,805	17,358,599
Inventories	15	102,458,535	54,941,561
Investment Securities	16	5,700,000	5,200,000
Property, Plant & Equipment	17	155,236,470	156,367,493
Capital work-in-progress		141,798,540	95,852,164
Total Assets		<u>2,970,271,427</u>	<u>2,921,719,935</u>
LIABILITIES & EQUITY			
Liabilities			
Bank Overdraft	18	37,266,502	462,220
Dividend Payable		108,913	12,349,910
Income Tax payable		5,020,464	27,474,693
Customer Deposits	19	2,156,383,984	2,067,445,296
Import Creditors	20	(65,879,253)	110,922,098
Creditors & Accruals	21	216,763,524	228,192,174
Current Portion of Long Term Borrowings	22	120,990,000	31,240,000
Amount Due to Bartleet Co. Ltd		84,017,150	84,246,844
Long Term Borrowings	22	45,165,262	23,838,687
Retirement Benefit Obligations	23	25,837,500	22,749,500
		<u>2,625,674,046</u>	<u>2,608,921,422</u>
Shareholders' Funds			
Stated Capital	24	61,204,990	61,204,990
Statutory Reserve	25	87,756,564	81,393,584
Revenue Reserve		70,000,000	70,000,000
Revaluation Reserve		41,400,474	41,400,474
Retained Earnings		84,235,353	58,799,465
Total Funds Employed		<u>344,597,381</u>	<u>312,798,513</u>
Total Liabilities & Equity		<u>2,970,271,427</u>	<u>2,921,719,935</u>
Commitments & Contingencies	26	<u>91,950,000</u>	<u>277,000,000</u>
Net Assets per Share		56	51

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 28 form an integral part of these financial statements.

Certification

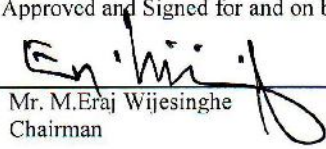
I certify that the above financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



 Mr. Samantha Perera
 AGM - Finance

The Board of Directors is responsible for the preparation & presentation of these financial statements.

Approved and Signed for and on behalf of the Board


 Mr. M.Eraj Wijesinghe
 Chairman


 Mr. Susantha De Alwis
 Director

Colombo
 2nd October, 2009



BARTLEET FINANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2009

	Stated Capital Rs.	Statutory Reserve Rs.	Revenue Reserve Rs.	Revaluation Reserve Rs.	Restated Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2007	61,204,990	70,000,000	70,000,000	41,400,474	57,704,573	300,310,037
Net profit for the year	-	-	-	-	49,098,191	49,098,191
Transfer to Statutory Reserve	-	11,393,584	-	-	(11,393,584)	-
Prior year adjustment - Correction of previous year Income Tax Provisions (Note A)	-	-	-	-	(24,368,717)	(24,368,717)
Dividends	-	-	-	-	(12,240,998)	(12,240,998)
Balance as at 31st March 2008	61,204,990	81,393,584	70,000,000	41,400,474	58,799,465	312,798,513
Net profit for the year	-	-	-	-	31,798,868	31,798,868
Transfer to Statutory Reserve	-	6,362,980	-	-	(6,362,980)	-
Dividends	-	-	-	-	-	-
Balance as at 31st March 2009	61,204,990	87,756,564	70,000,000	41,400,474	84,235,353	344,597,381

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 28 form an integral part of these financial statements.

Note A: During the year Department of Inland Revenue has issued additional assessments in relation to the year of assessments 2004/05, 2005/06, and 2006/07.

This was due to the fact that wrong capital allowance rate have been applied in claiming capital allowances. This error has been adjusted retrospectively.

Colombo
2nd October, 2009

BARTLEET FINANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2009

	Note	2008/2009 Rs	2007/2008 Rs
Net Profit before Taxation		38,608,583	61,845,127
Adjustment for :			
Depreciation		25,241,159	17,254,670
Provision for Bad & Doubtful Loans		26,330,669	21,930,069
(Profit)/Loss on Sale of Property, Plant & Equipment		(561,333)	295,610
Loss on Sale of Investments		(5,469,518)	255,187
Dividend Income		(1,097,958)	(846,289)
Hire Purchase Interest		3,448,356	687,959
Interest Income		(26,034,307)	(14,679,025)
Provision for Staff Retirement Benefits		4,200,000	7,538,375
Operating Profit /(Loss) before changes in Operating Assets & Operating Liabilities		64,665,651	94,281,683
<i>(Increase)/Decrease in Operating Assets</i>			
Investments in Term Deposit		76,912,186	(26,483,373)
Investments in Fixed Deposit		(110,341,024)	-
Investments in Government Securities		148,456,162	(119,433,990)
Funds Advanced to Customers		(128,833,238)	(477,964,066)
Inventories		(47,516,974)	(24,638,131)
Deposit & Prepayment		2,117,769	(2,142,194)
Other Receivables		7,058,794	105,332
<i>Increase/(Decrease) in Operating Liabilities</i>			
Import Creditors		(176,801,351)	(108,628,880)
Deposits from Customers		88,938,688	671,478,902
Creditors & Accruals		(9,340,938)	19,860,729
Cash Generated from/ (used) in Operations		(149,349,926)	(67,845,671)
Gratuity Paid		(1,112,000)	(85,500)
Tax Paid / Received		(29,263,944)	(9,514,754)
Net cash from /(used) in Operating Activities		(179,725,870)	(77,445,925)
Cash flows from Investing Activities			
Dividend Received		1,097,958	846,289
Interest Received		26,034,307	14,679,025
Purchase of Property ,Plant & Equipment		(25,330,325)	(33,005,779)
Construction of Building		(45,946,376)	(81,126,721)
Purchase of Investments		(2,220,825)	(16,321,832)
Proceeds from Sale of Property, Plant & Equipment		1,781,523	6,174,432
Hire Purchase Rental Paid		(5,536,068)	(922,678)
Proceeds from Sale of Investments		15,600,892	8,784,203
Net cash from/(used) in Investing Activities		(34,518,914)	(100,893,061)
Cash flows from Financing Activities			
Dividend Paid		(12,240,997)	(18,252,584)
Borrowings /(repayment) of Bartleet Transcapital Ltd loan		(229,694)	84,246,844
Borrowings/(repayment) of Term Loans		111,076,575	20,728,914
Net cash from/(used) in Financing Activities		98,605,884	86,723,174
Net Increase / (Decrease) in Cash & cash equivalents		(50,973,250)	2,665,871
Cash & cash equivalents at the beginning of the year	(Note B)	24,409,607	21,743,736
Cash & cash equivalents at the end of the year	(Note A)	(26,563,643)	24,409,607
		Note A	Note B
Cash in Hand and Cash at Bank		10,702,859	24,871,827
Bank Overdraft		(37,266,502)	(462,220)
		(26,563,643)	24,409,607

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 05 to 28 form an integral part of these financial statements.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Bartleet Finance Ltd, is a public limited liability company incorporated and domiciled in Sri Lanka. The Registered Office of the company and its principal place of business is situated at 65, Braybrooke Place, Colombo 02. The Company is regulated under the Finance Companies Act No.78 of 1988.

1.2 Principal Activities and Nature of Operation

During the year the principal activities of the Company were acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services.

1.3 Parent Enterprise

The Company's parent undertaking is Bartleet Transcapital Ltd, which holds 86.59% of shares of Bartleet Finance Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. GENERAL ACCOUNTING POLICIES

2.1.1 Basis of Preparation

These financial statements presented in Sri Lanka Rupees have been prepared under the historical cost basis except for certain Property, Plant and Equipment which are stated at revalued amounts,(only if there are revalued assets) in accordance with generally accepted accounting principles and the standards laid down by the Institute of Chartered Accountants of Sri Lanka.

2.1.2 Significant Accounts Judgment, Estimates and Assumptions

The preparation of the Company's financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at reporting date.

However, the current downturn in the global economy, tightening of liquidity and the effect on many markets has resulted in business and impact on the assets and liabilities of reporting entities. These financial statements reflect to the best of our knowledge and available information as at the balance sheet date the true and fair view of the assets and liabilities as at such date. However, a further decline in the economic conditions subsequent to year end or conditions that prevailed but of which the board was unaware of could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities in future periods.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.1.3 Statement of Compliance

The Balance Sheets, Statement of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes (“Financial Statement”) of Bartleet Finance Ltd as at 31st March, 2009 and for the year then ended, comply with the Sri Lanka Accounting Standards.

2.1.4 Going Concern

The directors have made an assessment of the Bartleet Finance Limited to continue as going concern and they do not intend either to liquidate or to cease trading.

2.1.5 Comparative Information

The accounting policies have been consistently applied by the company consistent with those of the previous year. The previous year’s figures and phrases have been re-arranged wherever necessary to conform to the current year’s presentation.

2.1.6 Events after the Balance Sheet Date

All material events occurring after the balance sheet date have been considered and where necessary, appropriate adjustments or disclosures have been made in the financial statements.

2.1.7 Materiality and Aggregation

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

2.1.8 Changes in Accounting Policies

The Accounting Policies adopted are consistent with those of the previous financial year.

2.2. ASSETS & BASES OF THEIR VALUATION

2.2.1 Property, Plant and Equipment.

a) Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and less any impairment in value.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

b) Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued.

When an asset is revalued any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognized as an expense. In these circumstances the increase is recognized as income to the extent of the previous written down value. When asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset, any balance remaining in the revaluation surplus in respect of an asset is transferred directly to accumulated profit or loss on retirement or disposal of the asset.

c) Depreciation

Provision for depreciation is calculated by using reducing balance on the cost or valuation of all property, plant and equipment other than freehold land, in order to write off such amounts over the estimated useful lives of such assets.

The principal annual rates used are as follows:

Freehold Buildings	7.5% per Annum
Office Partitioning	20% per Annum
Furniture & Fittings	20% per Annum
Office Equipment	25% per Annum
Motor Vehicles	25% per Annum

Depreciation of assets begins when it is available for use.

Freehold land is not depreciated.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year.

d) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

e) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount.

2.2.2 Leases

a) Finance Leases

Property, plant and equipment on finance leases (which effectively transfer to the company substantially the entire risk and rewards incidental to ownership of the leased item) are capitalized at their cash price and depreciated or amortized over the period the company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability.

The finance charges allocated to future periods are separately disclosed in the notes.

The interest element of the rental obligation applicable to each financial year is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

2.2.3 Impairment of Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units fair value less costs to sell and its value in use and determined for an individual asset, unless the asset's does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risk specific to the asset. These calculations are collaborated by valuation multiples, quoted share prices or other available fair value indicators.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot “exceed” the carrying amount that would have been determined, net of depreciation had, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets.

2.2.4. Inventories

a) **Land Stock**

Inventories are valued at cost or net realizable value whichever is lower. Development cost and borrowing costs incurred during the development period of projects are capitalized to the cost of land.

b) **Work-in-Progress**

Work-in-progress represents the cost of partly developed lands which are under development stage prior to its saleable condition and other cost of infrastructure facilities incurred as at the Balance Sheet date. These are valued at cost of development/construction plus attributable overheads.

c) **Lease Inventories**

Repossessed Motor Vehicles are valued at amounts receivable from repossessed lease facilities.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

d) Other Inventories

Other Inventories are valued at lower of the cost and net realizable value, after making due allowances for obsolete and slow moving item.

2.2.5. Loans and Advances

Loans and advances to customers are stated in the Balance Sheet net of provision for bad and doubtful loans.

Loans and advances are written off to the extent that there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired loans and advances to their expected realizable.

2.2.6 Finance Leases

Assets leased to customers under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title are classified as finance leases. Lease rentals receivable in the Balance Sheet includes total lease payments due net of initial rentals received, unearned interest, interest in suspense and provision for doubtful debt.

2.2.7 Operating Leases

Assets leased to customers under agreements, which the Company retains substantially all the risks and rewards associated with ownership are classified as Operating Lease.

2.2.8 Hire Purchase Agreements

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

2.2.9 Provision for Doubtful Debts

Provision for doubtful debts are made on the basis of a continuous review of all finance leases, operating leases, hire purchase agreements and loans and advances to customers in accordance with the Finance Companies (Provision For Bad and Doubtful Debt) Direction No.03 of 2006 issued by the Monetary Board of the Central Bank of Sri Lanka based on an age classification of advances as follows:

Period Outstanding	Provision Made
6 to 12 months	50%
Over 12 months	100%
Seized, Sold & Legal	100%

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.2.10 Investments

a) Investment Securities

Investment securities, which are acquired with the positive intent to hold on long term basis, are classified as Investment securities. These are acquired and held for yield or capital growth in the long term. Such securities are recorded at cost net of provision for permanent diminution in value.

b) Dealing Securities

Securities, including equity shares, which are generally held for resale in the near future to benefit from short-term market movements, are classified as dealing securities. Equity shares classified as dealing securities are accounted for at the lower of cost or market value determined on portfolio basis.

Disposal of Investments

On disposal of an investment, the difference between net disposals and proceeds and the carrying amounts is recognized as income or expense.

2.2.11 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 change in value.

For the purpose of the cash flow statement cash and cash equivalents comprise cash in hand and deposits held at bank net of bank overdrafts. Investments with a short term maturities i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

2.3. LIABILITIES AND PROVISIONS

2.3.1 Liabilities

Liabilities stated under current liabilities in the Balance Sheet are those expected to fall due within one year from the Balance Sheet date. Items stated as long term liabilities are those expected to fall due at point of time after one year from the Balance Sheet date.

2.3.2 Trade and Other Payables

Trade creditors and other payables are stated at their book values.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.3.3 Provisions

Provisions are recognized when the company has a present obligations (legal & 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.

2.3.4 Retirement Benefit Cost

2.3.4.1. Defined Benefit Plans – Gratuity

The company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Project Unit Credit Method(PUC) as required by Sri Lanka Accounting Standards No 16, Employee Benefits (Revised 2006).

The item is stated under Retirement Benefit Liability in the Balance Sheet.

2.3.4.2. Defined Contribution Plans - EPF & ETF

Employees’ Provident Fund and Employees’ Trust Fund

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in line with respective statutes and regulations. The company contributes 12% and 3% of gross emoluments of employees to the Employees’ Provident Fund and to the Employees’ Trust Fund respectively.

2.3.5 Taxation

a) Current Taxes

Current income tax assets & liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006.

b) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused losses can be utilized.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each Balance Sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Income tax relating to items recognized directly in equity is recognized in equity

Deferred tax asset and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) **Value Added Tax on Financial Services**

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

2.4 INCOME STATEMENT

2.4.1 Income

Income represents the amounts derived from the provision of services that fall within the Company's ordinary activities net of turnover related taxes.

2.4.2 Revenue Recognition

a) **Interest Income from Leases & 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.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

b) **Interest Income from Loans & 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 6 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.

d) **Interest Income from Other Sources**

Interest Income from Government of Sri Lanka Treasury Bills is recognized on a time proportion basis as discounts on purchase. Such income is amortized on a straight line basis over the period of maturity or the date of sale.

e) **Real Estate Sales**

Revenue from real estate sales is recognized when significant risk and rewards of ownership have been passed to the customer. However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted for on a cash basis.

f) **Dividend Income**

Dividend income is recognized on cash basis in the period in which it is received.

g) **Profit from Sale of Property, Plant & Equipment**

Gains and losses of a revenue nature on the disposal of Property, Plant and Equipment is accounted for in the income statement.

h) **Profit on Disposal of Shares**

Profits earned on the disposal of shares, has been accounted for in the income statement on the basis of realized net profit.

i) **Other Income**

All other income is recognized on an accrual basis.

j) **Profit/Loss on Disposal of Investments**

Profit/Loss on the sale of investment is accounted for in the Income Statement on the Basis of realized net profit.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.4.3 Expenditure Recognition

Expenditure Recognition

- a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.
- b) For the purpose of presentation of the income statement the directors are of the opinion that function of expenses method presents fairly the elements of the company's performance and hence such presentation method is adopted.

c) Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying assets which are assets that necessarily takes a substantial period of time to get ready for its intended are added to the cost of those assets. Until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

The amount of borrowing costs eligible for capitalization is determined in accordance with the Sri Lanka Accounting Standard 20, Borrowing costs are allowed alternative treatment.

2.5 RELATED PARTY TRANSACTIONS

Disclosure is made in respect of the transaction 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 charged.

2.6 Cash Flow Statement

The cash flow statement has been prepared using the 'Indirect Method'.

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.7 Off Balance Sheet and Income Statement Items

2.7.1 Events Occurring after the Balance Sheet Date

All material events occurring after the balance sheet date have been considered & where necessary adjustments to or disclosures have been made in the respective notes to the accounts.

2.7.2 Contingencies & Unrecognized Contractual Commitments

Contingencies are possible assets or obligation that arise from past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the company's control.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2008/2009 Rs.	2007/2008 Rs.
3. REVENUE			
Interest Income	4	833,920,507	677,131,618
Other Operating Income	6	65,276,464	46,740,877
		<u>899,196,971</u>	<u>723,872,495</u>
4. INTEREST INCOME			
Hire Purchase		515,211,961	433,648,321
Leasing		89,679,837	84,534,353
Cheque Discounting		19,430,265	25,560,384
Term Loans - Fixed Deposits		10,093,910	7,689,871
Term Loans		12,336,214	-
Pledge Loans		19,958,128	10,420,116
Import Loans		808,216	1,208,502
Government Securities		46,454,372	27,648,044
Overdue Interest		94,208,338	71,398,827
Fixed Deposit Interest		11,471,433	1,045,340
Call Deposit Interest		14,210,190	13,517,143
Real Estate-Easy Payments		57,643	460,717
		<u>833,920,507</u>	<u>677,131,618</u>
5. INTEREST EXPENSES			
Fixed Deposits		500,987,702	301,109,361
Trade Finance		23,249,641	41,052,878
Import Bills		784,013	1,568,026
Overdrafts		983,104	-
Term Loans		19,761,274	8,082,043
Bartleet Co. Ltd		17,244,390	16,765,953
Hire Purchase Interest		3,448,356	687,959
		<u>566,458,480</u>	<u>369,266,220</u>
6. OTHER INCOME			
Service Charges		14,444,646	14,818,448
Profit on Real Estates		16,572,902	2,155,170
Dividend Income		1,097,958	846,289
Profit on Sale of Property, Plant & Equipment		561,333	-
Miscellaneous Income		14,951,972	6,653,805
Bank Interest Income		1,371	1,331
Staff Loan Interest Income		351,313	115,211
Rent Income		2,619,026	2,348,392
Profit on Sale of Dealing Securities		5,469,518	-
Recoveries from Bad Debts		8,817,554	12,294,443
Profit on Motor Vehicle Repair Fund		6,093	7,228,621
Debenture Interest		382,778	279,167
		<u>65,276,464</u>	<u>46,740,877</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	<u>2008/2009</u>	<u>2007/2008</u>
	<u>Rs.</u>	<u>Rs.</u>
7. PROFIT BEFORE TAX IS STATED AFTER CHANGING ALL EXPENSES INCLUDING THE FOLLOWING		
Is stated after deducting all expenses including the followings;		
Directors' Fees	1,800,000	1,920,000
Directors' Emoluments	13,127,428	13,892,019
Auditors' Remuneration	300,000	300,000
Depreciation	25,241,159	17,254,670
EPF & ETF	6,617,939	5,057,340
Staff Cost	69,228,593	59,462,814
Donations	1,288,269	1,073,377
8. INCOME TAX EXPENSES		
Current Income Tax Provision	<u>6,809,715</u>	<u>12,746,936</u>
RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES		
Profit before Tax	38,608,583	61,845,127
Lease Rental Receivable and Notional Tax Credit	140,103,187	129,566,333
Aggregate Disallowable Expenses	55,777,776	62,535,499
Aggregate Allowable Expenses	(152,926,655)	(168,921,315)
Aggregate Exempt Income	(7,978,809)	(13,140,732)
Loss on Disposal of PPE	(44,735,622)	(19,035,364)
Loss (Claimed)/ from Trade or Business	<u>(9,679,663)</u>	<u>(16,790,321)</u>
	19,168,797	36,059,227
Tax Rate	35%	35%
Income Tax	6,709,079	12,620,729
SRL	<u>100,636</u>	<u>126,207</u>
	<u>6,809,715</u>	<u>12,746,936</u>
8.1. DEFERRED TAXATION		
The deferred tax asset on each temporary differences which were not recognized in the financial statements are disclosed below.		
On Lease Receivable	(5,807,934)	9,936,955
On Temporary Difference of PPE	(2,630,514)	(2,602,551)
On Retirement Gratuity	9,043,125	7,962,325
On Unused Tax Losses	-	10,666,931
	<u>604,677</u>	<u>25,963,660</u>
9. EARNINGS PER SHARE		
The calculation of earnings per share is based on profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.		
Profit attributable to ordinary shareholder.	31,798,868	49,098,191
Weighted average number of ordinary shares outstanding during the year.	6,120,499	6,120,499
Earnings per share	<u>5</u>	<u>8</u>
10. DIVIDEND PER SHARE		
Proposed Dividend	-	12,240,998
Weighted Average Number of Ordinary Shares	6,120,499	6,120,499
Dividend per Share	<u>-</u>	<u>2</u>
11. CASH AND CASH EQUIVALENTS		
Cash in Hand	208,698	191,990
Cash at Bank	10,494,161	24,679,837
	<u>10,702,859</u>	<u>24,871,827</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT IN DEALING SECURITIES

QUOTED INVESTMENTS

Name of Company	No of Shares	2009		No of Shares	2008	
		Cost Rs.	Market Value Rs.		Cost Rs.	Market Value Rs.
BANKS FINANCE & INSURANCE						
Hatton National Bank Ltd	5,500	152,100	209,000	5,500	152,100	286,000
Nation Trust Bank Ltd (Warrents)	712	-	2,492	712	-	3,738
Nation Trust Bank Ltd (Warrents)	356	-	1,388	356	-	1,869
Pan Asia Banking Corp. Ltd	23,000	376,540	218,500	23,000	376,540	258,750
Seylan Bank Ltd	15,330	520,107	551,880	15,330	520,107	459,900
Seylan Bank Ltd (Non Vot)	15,330	191,625	84,315	15,330	191,625	141,803
Vanik Incorporation Ltd	151,375	2,835,352	121,100	151,375	2,835,352	257,338
The Finance Co. Ltd	3,000	225,113	66,000	3,000	225,113	189,000
BEVERAGE FOOD & TOBACCO						
Tea Small Holders Ltd	34,000	2,390,144	2,856,000	34,000	2,390,144	2,958,000
DIVERSIFIED HOLDINS						
Hayleys	4,000	546,682	360,000	4,000	546,682	391,000
John Keells Holdings Ltd	20,000	1,720,825	1,255,000	-	-	-
Richard Pieris & Co. Ltd	10,240	1,002,111	256,000	10,240	1,002,111	407,040
FOOTWEAR & TEXTILES						
Pugoda Textiles Lanka Ltd	3,000	87,990	13,500	3,000	87,990	13,500
Korea Ceylon Ltd	9,079	450,662	22,698	9,079	450,662	22,698
HOTELS & TRAVELS						
Beruwala Holiday Resort Ltd	1,700	102,264	47,600	1,700	102,264	76,500
Mahaweli Reach Ltd	542,135	7,056,632	6,776,688	542,135	7,056,632	8,132,025
Stafford Hotels Ltd	10,100	109,683	116,150	10,100	109,683	111,100
Taj Hotels (Lanka) Ltd	33,500	560,970	318,250	33,500	560,970	293,125
C/F	882,357	18,328,800	13,276,561	862,357	16,607,975	14,003,386

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT IN DEALING SECURITIES (Contd.)

Name of Company	No of Shares	2009 Cost Rs.	Market Value Rs.	No of Shares	2008 Cost Rs.	Market Value Rs.
B/F	882,357	18,328,800	13,276,561	862,357	16,607,975	14,003,386
MANUFACTURING						
Ceylon Glass Company Ltd	228,000	495,558	296,400	228,000	495,558	456,000
Kelani Tyres Ltd	-	-	-	7,400	134,853	177,600
Sierra	9,900	29,700	10,890	9,900	29,700	17,820
CIC	61,200	2,320,104	1,943,100	61,200	2,320,104	2,065,500
PLANTATIONS						
Horana Plantations Ltd	60,000	1,959,876	630,000	60,000	1,959,876	1,920,000
Maskeliya Plantations Ltd	14,000	975,719	196,000	14,000	975,719	364,000
Udupussellawa Plantations Ltd	35,900	2,293,398	628,250	35,900	2,293,398	1,471,900
Watawala Plantations Ltd	34,300	2,165,744	2,023,700	34,300	2,165,744	2,949,800
POWER & ENERGY						
Lanka IOC	10,000	270,000	160,000	10,000	270,000	220,000
TELECOMMUNICATION						
Sri Lanka Telecom	-	-	-	304,000	9,509,559	12,616,000
TRADING						
Brown & Co. Ltd	-	-	-	1,800	486,962	1,665,000
Commercial Bank Ltd	5,000	400,629	310,000	5,000	400,629	406,250
	1,340,657	29,239,528	19,474,901	1,633,857	37,650,077	38,333,256

As of the balance sheet date, the market value of the quoted investment was below the cost by Rs.9,764,627/-. As per Sri Lanka Accounting Standard No. 22 on Investments, such decline in market value below the cost need to be duly provided. The above diminution in value has not been duly recognised in the Financial Statements. However, subsequently the market value of the above investments had exceeded the cost eliminating the above loss as of the balance sheet date.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2008/2009	2007/2008
	Rs.	Rs.
13. FIXED DEPOSIT		
Asian Finance Ltd	109,000,000	-
Nations Trust Bank	1,591,321	1,381,498
National Development Bank	8,001,201	6,870,000
	<u>118,592,522</u>	<u>8,251,498</u>

Company has invested Rs.100,000,000 with Asian Finance Ltd on 15th September 2008, at an interest rate of 20%. The company has entered in to a repayment agreement with the investor, on 20th August 2009, in recovering the above amount along with the interest. Repayment terms and conditions are as follows;

Amount of placement :	Rs. 118,438,765
Date of Comencement:	20/08/2009
Period :	36 Months
Monthly Installment :	Rs.3,869,472

14. LOANS & ADVANCES	Note		
Lease Rentals Receivable	14.1	331,053,316	360,673,120
Hire Purchase Receivable	14.2	1,719,061,025	1,666,171,940
Hire Purchase Consumer Durables		4,460,358	4,460,358
Term Loan		71,063,811	9,697,571
Loan Consumer Durable Receivable		13,840,557	13,840,557
Pledge Loan		39,824,676	20,199,577
Short Term Loans Against Fixed Deposits		44,406,920	65,260,553
Trust Receipt Loans		4,608,234	1,509,324
Margin Trading Receivable		5,794,505	5,794,505
Real Estate Receivable		32,801,763	1,654,281
Real Estate E/P		1,459,601	-
Cheque Discounting		50,104,916	77,472,753
Factoring Receivable		79,680	79,680
Loans to Company Officers		2,905,665	1,808,542
Miscellaneous Debtors		6,885,055	6,885,055
		<u>2,328,350,082</u>	<u>2,235,507,816</u>
Less: Provision for Doubtful Debts	14.3	(68,806,953)	(78,467,256)
		<u>2,259,543,129</u>	<u>2,157,040,560</u>

14.1 LEASE RENTALS RECEIVABLE

Gross Lease Rentals Receivable-Performing	414,935,990	456,438,030
Gross Lease Rentals Receivable-Non Performing	3,431,138	10,827,787
	<u>418,367,128</u>	<u>467,265,817</u>
Less: Unearned Interest-Performing	87,058,349	101,723,091
Unearned Interest-Non Performing	185,845	3,775,380
	<u>87,244,194</u>	<u>105,498,471</u>
Less: Interest in Suspense	69,618	1,094,226
Net Exposure	<u>331,053,316</u>	<u>360,673,120</u>

14.2 HIRE PURCHASE RECEIVABLE

Hire Purchase Receivable-Performing	2,204,143,934	2,135,036,661
Hire Purchase Receivable-Non Performing	43,229,514	39,068,262
	<u>2,247,373,448</u>	<u>2,174,104,923</u>
Less: Unearned Interest-Performing	520,615,494	499,016,691
Unearned Interest-Non Performing	5,731,010	4,544,974
	<u>526,346,504</u>	<u>503,561,665</u>
Less: Interest in Suspense	1,965,919	4,371,318
Net Exposure	<u>1,719,061,025</u>	<u>1,666,171,940</u>

BARTLEET FINANCE LIMITED**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

	2008/2009	2007/2008
	Rs.	Rs.
14.3 PROVISION FOR BAD & DOUBTFUL DEBTS		
Balance at the beginning of the year	78,467,256	94,492,495
Less: Write off during the year	(35,990,972)	(37,955,308)
	<u>42,476,284</u>	<u>56,537,187</u>
Add: Provision for the year	26,330,669	21,930,069
Balance at the end of the year	<u><u>68,806,953</u></u>	<u><u>78,467,256</u></u>

14.4 BAD & DOUBTFUL DEBTS AT THE END OF THE YEAR

Lease Rentals	3,621,854	6,660,965
Hire Purchase	26,206,408	29,839,389
Loan Consumer Durable Receivable	13,840,557	13,840,557
Pledge Loans	460	230
Trust Receipt Loans	95,405	1,609,315
Hire Purchase Consumer Durable	4,460,358	4,460,358
Margin Trading Receivable	5,794,505	5,794,505
Cheque Discounting Receivable	492,747	2,814,739
Miscellaneous	6,885,055	6,885,055
Long Term Loan	7,329,924	6,562,143
Factoring	79,680	-
	<u><u>68,806,953</u></u>	<u><u>78,467,256</u></u>

15. INVENTORIES

Inventories of Real Estate	<u><u>102,458,535</u></u>	<u><u>54,941,561</u></u>
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16. INVESTMENT SECURITIES

Finance Houses Consortium (Pvt) Ltd	200,000	200,000
Premuka Savings & Development Bank Ltd	2,000,000	2,000,000
Ceylon Index Fund	3,000,000	3,000,000
Seylan Debenture	2,500,000	2,000,000
	<u>7,700,000</u>	<u>7,200,000</u>
Less: Provision for Permanent Diminution in Value	2,000,000	2,000,000
	<u><u>5,700,000</u></u>	<u><u>5,200,000</u></u>

BARTLETT FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT & EQUIPMENT

Cost/Revaluation	COST				DEPRECIATION				WDV	
	Balance as at 01.04.2008	Additions	Disposals	Balance as at 31.03.2009	Charge for the year	Disposals	Balance as at 31.03.2009	31.03.2009	31.03.2008	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	61,399,000	-	-	61,399,000	-	-	-	61,399,000	61,399,000	61,399,000
Freehold Buildings	24,000,000	-	-	24,000,000	1,218,937	-	8,966,447	15,033,553	16,252,490	16,252,490
Lease Hold Improvements	7,907,239	-	-	7,907,239	858,607	-	4,472,812	3,434,427	4,293,034	4,293,034
Motor Vehicle	72,372,928	18,733,353	4,601,915	86,504,366	15,926,338	3,381,726	36,151,588	50,352,778	48,765,952	48,765,952
Office Equipment	24,110,436	3,341,628	-	27,452,064	2,808,125	-	17,835,295	9,616,769	9,083,266	9,083,266
Furniture & Fittings	7,184,502	3,255,344	-	10,439,846	1,122,902	-	4,958,653	5,481,193	3,348,751	3,348,751
Lease Motor Vehicle	13,800,000	-	-	13,800,000	3,306,250	-	3,881,250	9,918,750	13,225,000	13,225,000
	210,774,105	25,330,325	4,601,915	231,502,515	25,241,159	3,381,726	76,266,045	155,236,470	156,367,493	156,367,493

BARTLEET FINANCE LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2008/2009	2007/2008
	Rs.	Rs.
18. BANK OVERDRAFT		
Seylan Bank PLC	37,209,575	462,220
Sampath Bank PLC	56,927	-
	<u>37,266,502</u>	<u>462,220</u>
19. CUSTOMER DEPOSITS		
Fixed Deposits		
Three Years	263,760,245	266,266,311
Two Years	246,386,906	283,915,031
One Year	823,032,224	667,713,653
Six Months	172,917,493	122,955,805
Three Months	650,287,116	726,594,496
	<u>2,156,383,984</u>	<u>2,067,445,296</u>
20. IMPORT CREDITORS		
LC Creditors	(65,879,253)	110,816,200
Provision for Interest on Bills	-	105,898
	<u>(65,879,253)</u>	<u>110,922,098</u>
21. CREDITORS & ACCRUALS		
Interest on Fixed Deposits	128,658,590	95,530,001
Other Creditors & Accruals	76,627,365	119,096,892
Hire Purchase Creditors	21.1 11,477,569	13,565,281
	<u>216,763,524</u>	<u>228,192,174</u>
21.1 Balance as at 01.04.2008		-
Add: Loan obtained during the year	21,221,594	22,144,272
Payments made during the year	(5,536,068)	(922,678)
	<u>15,685,526</u>	<u>21,221,594</u>
Less: Interest in Suspence	7,656,313	8,344,272
Charge to P&L during the year	(3,448,356)	(687,959)
	<u>4,207,957</u>	<u>7,656,313</u>
Balance as at 31.03.2009	<u>11,477,569</u>	<u>13,565,281</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

		2008/2009	2007/2008
		Rs.	Rs.
22. LONG TERM BORROWINGS			
National Development Bank	22.1	498,687	1,698,687
Commercial Bank of Ceylon PLC	22.2	-	8,750,000
Seylan Bank PLC	22.3	33,666,575	13,390,000
Securitisation - Deutsche Bank	22.4	11,000,000	-
		<u>45,165,262</u>	<u>23,838,687</u>
22.1 Balance as at 01.04.2008		2,898,687	5,599,773
Add: Loan obtained during the year		-	-
		<u>2,898,687</u>	<u>5,599,773</u>
Less: Payment made during the year		<u>1,200,000</u>	<u>2,701,086</u>
		1,698,687	2,898,687
Less: Current portion of long term borrowing		<u>1,200,000</u>	<u>1,200,000</u>
Balance as at 31.03.2009		<u>498,687</u>	<u>1,698,687</u>
22.2 Balance as at 01.04.2008		18,750,000	28,750,000
Add: Loan obtained during the year		-	-
		<u>18,750,000</u>	<u>28,750,000</u>
Less: Payment made during the year		<u>10,000,000</u>	<u>10,000,000</u>
		8,750,000	18,750,000
Less: Current portion of long term borrowing		<u>8,750,000</u>	<u>10,000,000</u>
Balance as at 31.03.2009		<u>-</u>	<u>8,750,000</u>
22.3 Balance as at 01.04.2008		33,430,000	-
Add: Loan obtained during the year		40,316,575	45,700,000
		<u>73,746,575</u>	<u>45,700,000</u>
Less: Payment made during the year		<u>20,040,000</u>	<u>12,270,000</u>
		53,706,575	33,430,000
Less: Current portion of long term borrowing		<u>20,040,000</u>	<u>20,040,000</u>
Balance as at 31.03.2009		<u>33,666,575</u>	<u>13,390,000</u>
22.4 Balance as at 01.04.2008			
Add: Loan obtained during the year		100,000,000	-
		<u>100,000,000</u>	-
Less: Payment made during the year		<u>33,000,000</u>	-
		67,000,000	-
Less: Current portion of long term borrowing		<u>56,000,000</u>	-
Balance as at 31.03.2009		<u>11,000,000</u>	-
22.5 Balance as at 01.04.2008		-	-
Add: Loan obtained during the year		35,000,000	-
		<u>35,000,000</u>	-
Less: Payment made during the year		-	-
		<u>35,000,000</u>	-
Less: Current portion of long term borrowing		<u>35,000,000</u>	-
Balance as at 31.03.2009		<u>-</u>	-
22.6 Current portion of long term borrowing		120,990,000	31,240,000
Long term borrowing		45,165,262	23,838,687
		<u>166,155,262</u>	<u>55,078,687</u>

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2008/2009	2007/2008
	Rs.	Rs.
23. RETIREMENT BENEFIT OBLIGATIONS		
Balance at the beginning of the year	22,749,500	15,296,625
Payments during the year	1,112,000	(85,500)
	<u>21,637,500</u>	<u>15,211,125</u>
Provision during the year	4,200,000	7,538,375
Balance at the end of the year	<u>25,837,500</u>	<u>22,749,500</u>

As per the Actuarial Valuation Report, Retirement Benefit Obligation as at 31st March, 2009 is amounting Rs. Rs.14,526,450 (Net of Current Service Cost & Interest Cost) and it is decided not to reverse the liability and keep the balance provision as it is. The above provision has been made in conformity with Gratuity Act No.12 of 1983.

The company measures the present value of the promised retirement benefits for gratuity with the advice of an independent professional actuary using the Project Unit Credit Method (PUC), which is in conformity with the method prescribed by the Accounting Standard No.16.

The principal assumptions used are as follows;

Discount Rate	12%
Salary Scale	11%
Staff Turnover	
20 years	30%
25 years	30%
30 years	25%
35 years	20%
40 years	15%
45 years	10%
50 years	5%

Mortality - GA 1983 Mortality Table

Retirement Age - Normal Retirement Age or Age on valuation date, if grater.

24. STATED CAPITAL	At the end of the year 31.03.2009	At the beginning of the year 01.04.2008
	Rs.	Rs.
Number of shares		
Ordinary Shares	6,120,499	6,120,499
Value		
Ordinary Shares	<u>61,204,990</u>	<u>61,204,990</u>

25. STATUTORY RESERVE

Balance at the beginning of the year	81,393,584	70,000,000
Transfer from Income Statement	6,362,980	11,393,584
Balance at the end of the year	<u>87,756,564</u>	<u>81,393,584</u>

Reserve fund is a statutory reserve credited in compliance with the direction No.1 of Central Bank regulations of 2003. The amount transfer is not less than 20% of the Net Profit after Tax.

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

26. COMMITMENTS & CONTINGENCIES

26.1 Contingent Liabilities

There were no commitment and contingencies as at the Balance Sheet date, date except for the following;

1. Letters of Credit outstanding to Rs.33 Million.
2. Legal cases amounting to Rs.26.95M pending in the respective courts and the company lawyers are of the view that the company would be able to succeed in these cases.
3. Capital commitment, on construction of the office building at Kalutara Branch amounting to Rs.59 Millon.

27. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

- a) The liquidity ratio was 4.1% as of the balance sheet date and below the rate stipulated by the Central Bank. However the ratio was subsequently improved and met the rate stipulated.
- b) As of the balance sheet date a provision of Rs.27,721,916/- has not been made on a particular non performing hire purchase debtor. Subsequent to the balance sheet date the customer has transferred the title of the two plots of lands to the company in settlement of all the arrears. However, the deeds were not registered with the land registry as of date of signing the financial statements.

There have been no other material events occurred between the balance sheet date and the date on which the financial statements are authorized for issue which require adjustments to or disclosure in the financial statements.

28. RELATED PARTY TRANSACTIONS

- 28.1.** Mr.M. Eraj Wijesinghe,Mr.Deshabandu J.F.A.Soza`,Mr. Buwaneka Subasinghe, Dr.P.N.Thenabadu, Mr.D.L.H.Ganalth, Mr.Susantha De Alwis, Mr. Sunil C Wijesinghe, Mr. Eshanth Wijesinghe, Mr. Indrajith Fernando who are Directors of the Company as at 31st March,2009, have an interest in all or some of the transactions referred to in Note 28.2 to the Financial Statements. Declaration of above interest was made by the respective Directors at a meeting of Directors.

28.2	Name of the Company	Nature of Transaction	Amount Received /(Charged) Rs.
	Bartleet & Company Limited	Rent Paid	7,038,762
		Loan obtain	73,599,303
		Intrest paid	17,244,390

BARTLEET FINANCE LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

29. MATURITY OF ASSETS & LIABILITIES

An analysis of the total assets employed and total liabilities as at the year end, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

Assets	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 years Rs.	Over 3 Years Rs.	Total as at 31.03.2009 Rs.
Cash & Cash Equivalents	10,702,859				10,702,859
Call Deposits	11,908,889				11,908,889
Investment in Government Securities		120,725,940			120,725,940
Investment in Dealing Securities		29,239,528			29,239,528
Fixed Deposits		118,592,522			118,592,522
Loans & Advances	129,496,773	230,395,206	1,450,258,808	449,392,343	2,259,543,130
Prepayments & Deposits		4,065,209			4,065,209
Other Receivables		10,299,805			10,299,805
Inventories		102,458,535			102,458,535
Investment Securities			5,700,000		5,700,000
Property, Plant & Equipment				155,236,470	155,236,470
Capital work-in-progress				141,798,540	141,798,540
Total Assets	152,108,521	615,776,745	1,455,958,808	746,427,353	2,970,271,427
Liabilities					
Bank Overdraft	37,266,502				37,266,502
Dividend Payable	108,913				108,913
Income Tax Payable	5,020,464				5,020,464
Customer Deposits	650,287,116	995,949,718	510,147,150	-	2,156,383,984
Import Creditors	(65,879,253)				(65,879,253)
Creditors & Accruals	216,763,524				216,763,524
Current Portion of Long Term Borrowing	23,194,017	97,795,983			120,990,000
Amount Due to Bartleet Co. Ltd		84,017,150			84,017,150
Long Term Borrowings			45,165,262		45,165,262
Retirement Benefit Obligations				25,837,500	25,837,500
Total Funds Employed				344,597,381	344,597,381
Total Liabilities & Equity	866,761,283	1,177,762,851	555,312,412	370,434,881	2,970,271,427
Net Liquidity Gap - 2009	(714,652,762)	(561,986,106)	900,646,396	375,992,472	-
Net Liquidity Gap - 2008	(906,328,245)	(310,416,074)	611,354,484	605,389,836	-

30. MORTGAGE UNDERTAKEING

The following assets have been pledge as security for overdraft facilities and loans.

Bank	Facility Amount Rs.	Nature of Facility	Mortgage
Seylan Bank	60,000,000	Overdraft	Primary Mortgage over Katunayake & Matara Land & Kaluthara Land
	100,000,000	Term Loan	
NDB Bank	6,000,000	Term Loan	Fixed Deposit
Nations Trust Bank	13,800,000	Hire Purchase	Motor Vehicle WPJV-9001
Commercial Bank	40,000,000	Term Loan	Pledge over the Lease Receivable of Rs.68,000,000
Deutsche Bank	100,000,000	Securitisation Loan	Pledge over the Lease Receivables



RATINGS

CONFIDENTIAL

Our Ref No: RAML/006/2011

16th June 2011

Mr. Eraj Wijesinghe
Chairman
Bartleet Finance Limited
Level 2 Bartleet House
No. 65, Braybrooke Place
Colombo 2

Dear Mr. Wijesinghe,

BARTLEET FINANCE LIMITED – CREDIT UPDATE

RAM Ratings Lanka has reaffirmed a long- and short-term financial institution rating of **BBB-** and **P3** respectively to Bartleet Finance Limited. The long-term rating carries a stable outlook. Meanwhile, RAM Ratings Lanka has assigned the long-term rating of **BBB-** to the Company's proposed LKR 204 million unsecured unsubordinated redeemable debentures; the outlook on the rating is stable.

The long-term rating of **BBB-** reflects:

"a moderate capacity to meet its financial obligations. The financial institution is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category."

The short-term rating of **P3** reflects:

"a moderate capacity to meet its short-term financial obligations. The financial institution is more likely to be weakened by the effects of deteriorating circumstances than those in the higher-rated category. This is the lowest investment-grade category."

Use of the rating

You should not use this rating for advertising or make reference to the rating in any public documents or any other documents that are circulated to any third party or to the public or convey the rating in any manner other than to the Central Bank of Sri Lanka, prior to RAM Ratings Lanka first publishing the commentary/summary in the media and uploading the rationale on its website www.ram.com.lk

Unauthorised use of ratings

Any accidental or unauthorised use of this rating will result in RAM Ratings Lanka immediately publishing a commentary/summary in the media and uploading the rationale on its website without recourse.

Surveillance

Having assigned your rating, RAM Ratings Lanka will keep your company under surveillance from now on and we request you to keep us informed of any material events (set out below) that affect your organisation. Further, please forward quarterly numeric information in the prescribed format.

Annual Review

An annual review will be carried out in October 2011. Therefore, the last annual audited accounts and the latest management accounts should be submitted along with the additional information in the prescribed formats by end-October 2011.

Your rating rationale will be forwarded to you shortly.

Thanking you,

Yours faithfully,



Adrian Perera
Chief Executive Officer

Definition of material events

Material Events

1. Change in ownership / composition over 5%
2. Change in senior management positions and board.
3. Acquisitions and mergers.
4. Commencement/Discontinuation of a product or business
5. New credit lines and withdrawals of such lines.
6. New issues of shares, debentures, loans
7. Large investments or disposal of such (10% and over of the share holders' funds)
8. Large withdrawals of deposits / facilities (10% and over of the share holders' funds)



CREDIT RATING RATIONALE

FINANCIAL INSTITUTIONS – SRI LANKA

A wholly owned subsidiary of RAM Holdings Berhad

BARTLEET FINANCE LIMITED - Credit Update

Financial Institutions Ratings:

Long-term: BBB-
[reaffirmed]
Short-term: P3
[reaffirmed]

Rating Outlook: Stable

Instrument:

Proposed LKR 204 million
Unsubordinated Unsecured
Redeemable Debentures
(2011/2016)

Issue Rating:

BBB- [assigned]

Coupon Rate:

13.00% per annum payable
monthly

Principal Activities:

Finance company engaged in
leasing, hire-purchase, retail
loans and acceptance of
public funds

Analysts:

Christy Sugirtharatnam ACMA
(9411) 2553089
christy@ram.com.lk

Senila Jawfer ACMA
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Group Contact:

Adrian Perera
MBA, FCMA, FCCA, FSCMA, AIB
Chief Executive Officer
(9411) 2596099
adrian@ram.com.lk
Website: www.ram.com.lk

Summary

RAM Ratings Lanka has reaffirmed the respective long- and short-term financial institution ratings of Bartleet Finance Limited (“BFL” or “the Company”), at BBB- and P3. Concurrently, we have assigned a BBB- rating to BFL’s proposed LKR 204 million Unsubordinated Unsecured Redeemable Debentures (2011/2016). Both long-term ratings have a stable outlook.

The ratings are supported by the sturdy franchise of the Bartleet Group (“the Group”) and BFL’s adequate asset quality as well as funding and liquidity levels, along with its healthy capitalisation. On the other hand, the ratings are moderated by BFL’s size and branch network, in comparison to those of its similar rated peers.

BFL is registered under the Finance Companies Act No. 78 of 1988 and the Finance Leasing Act No. 56 of 2000; it comes under the purview of the Central Bank of Sri Lanka (“CBSL”). The Company was incorporated in 1983 and is 87%-owned by Bartleet Transcapital Limited (“BTC”), the financial-services arm of the century-old local conglomerate, Bartleet Group. The Group owns 97% of BTC. BFL has been in existence for 27 years; it operates through 14 branches. The Company’s lending mainly consists of hire-purchase (“HP”) and leasing facilities; it chiefly derives its funding from deposits.

BFL’s gross loan portfolio expanded LKR 310.35 million in the fourth quarter of FYE 31 March 2011 (“4Q FY Mar 2011”), translating into a 10.98% quarter-on-quarter growth. The Company demonstrated adequate asset quality, with its gross non-performing-loan (“NPL”) ratio easing to 4.55% as at end-March 2011 (end-December 2010: 6.93%) following write-offs. The value of its NPLs shrank from 223.52 million to LKR 171.12 million over the same period. On a quarterly basis, new NPLs declined gradually from LKR 82.80 million in 1Q FY Mar 2011 to LKR 11.99 million in 4Q FY Mar 2011.

Table 1: BFL’s NPL movements

	QTR JUN 2010	QTR SEP 2010	QTR DEC 2010	QTR MAR 2011
Brought Forward	227,696,488	288,729,982	287,445,600	199,696,328
Add: New NPL	82,803,200	24,956,466	20,023,891	11,997,136
Less: Rescheduled	(1,475,822)	-	-	-
Writeoffs	-	-	(44,055,713)	(59,060,081)
Recoveries	(20,293,884)	(26,240,848)	(63,717,450)	(11,324,514)
Carried Forward	288,729,982	287,445,600	199,696,328	141,308,869

BFL’s pre-tax profit strengthened from LKR 69.07 million in fiscal 2010 to LKR 231.71 million in FY Mar 2011, boosted by LKR 234.74 million income from the sale of investments (mostly equities). We note that its exposure to equities amounted to 42.91% of its shareholders’ funds, exceeding the 25% cap set by the CBSL. Nonetheless, the management is taking steps to reduce this exposure

and also intends to raise BFL's capitalisation levels to address this issue. Meanwhile, the Company's net interest margin ("NIM") remained relatively unchanged at 6.31% as at end-March 2011 (end-December 2010: 6.35%; end-March 2010: 7.00%).

At the same time, BFL's funding position is deemed adequate. Deposits, which fulfil around 77.50% of its funding needs, surged 21.11% year-on-year to LKR 3.63 billion as at end-March 2011. The Company also enjoyed healthy deposit-renewal rates and a statutory liquid-asset ratio of 18.32% (as per CBSL returns) as at end-March 2011, indicating a satisfactory liquidity level.

BFL's capital adequacy is considered healthy, with respective tier-1 and overall risk-weighted capital-adequacy ratios ("RWCARs") of 14.12% and 14.62% as at end-FY Mar 2011. Although its ratio on net NPLs to shareholders' funds weakened from 6.93% as at end-December 2010 to 8.78% as at end-March 2011 because of write-offs on loan-loss provisions, this remained strong in comparison to its peers.

Notably, proceeds from BFL's proposed LKR 204 million of debentures will be utilised to fund its leasing and HP activities while providing better asset-liability matching. The debentures will be listed on the Colombo Stock Exchange to comply with the regulator's requirement that all registered finance companies must list by end-June 2011. Provisionally, 1 debenture has been allotted for every 3 ordinary shares held. BTC, which currently owns 87% of BFL, will therefore subscribe for a large portion of the proposed debenture issue.

**TRUST DEED
FOR UPTO 2,040,000 RATED UNSECURED REDEEMABLE
DEBENTURES 2011 - 2016 OF A PAR VALUE OF Rs.100/- EACH ISSUED AT PAR**

This Trust Deed is made on the 14th day of June Two Thousand and Eleven

Between

BARTLEET FINANCE LIMITED, a company incorporated under the Companies Act No.7 of 2007 bearing registration No PB 1079 and having its registered office at Level 2, Bartleet House, 65, Braybrooke Place, Colombo 02 in the Democratic Socialist Republic of Sri Lanka (hereinafter called "the Company") and which term or expression herein used shall where the context so requires or admits mean and include the said Bartleet Finance Limited, its successors and assigns) of the **ONE PART**;

And

DEUTSCHE BANK AG, COLOMBO BRANCH banking corporation duly incorporated in the Federal Republic of Germany and having its registered office at 12 Taunusanlage, Frankfurt am Main, Federal Republic of Germany and having a branch office at No. 86 Galle Road, Colombo 3 in the Democratic Socialist Republic of Sri Lanka (hereinafter referred to as the "Trustee" and which term or expression hereinafter used shall where the context so requires or admits mean and include the said Deutsche Bank AG, Colombo Branch its successors and assigns) of the **OTHER PART**;

Whereas

- The Company being duly empowered in that behalf by its Articles of Association has resolved by resolution passed at a meeting of its Board of Directors on 3rd May 2011 to raise up to a sum of Rupees Two Hundred Four Million (Rs. 204,000,000/-) for purpose of financing the future lease and hire purchase lending activities of the Company by the issue of rated unsecured redeemable debentures through a private placement to certain identified investors and thereafter to list the said debentures on the Colombo Stock Exchange;
- The said Debentures shall be constituted in the manner and upon the terms and conditions hereinafter contained;
- The Company has obtained a rating of BBB- (lka) from RAM Ratings Lanka Limited for the aforesaid Debentures;
- The Trustee has agreed to accept the office of Trustee and act under the provisions of this Deed as Trustee for the benefit of and in the interests of the Debenture Holders on the terms hereinafter contained.

NOW THIS DEED WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:-

1. DEFINITIONS

- (a) In these presents unless the subject or context otherwise requires the following expressions shall have the respective meanings given below -
1. "CENTRAL DEPOSITORY/ CDS" means the Central Depository Systems (Private) Limited duly incorporated under the Companies Act.

2. "COLOMBO STOCK EXCHANGE/CSE" means the Colombo Stock Exchange, licensed by the Securities and Exchange Commission of Sri Lanka (SEC) to operate as a Stock Exchange, in terms of the SEC Act.
3. "COMPANY'S CERTIFICATE" would mean a quarterly certificate issued by the Company and signed by a Director and the Secretary.
4. "CONDITIONS" are those set out in the Second Schedule hereto.
5. "DATE OF MATURITY" means a period of five (05) years from the date of allotment.
6. "DEBENTURE HOLDERS" means the holders for the time being of the Debenture whose names are for the time being entered as holders of Debenture in the Register or in the case of debentures lodged with the Central Depository the person in whose account the Debentures are lodged as at the relevant date.
7. "DEBENTURE CERTIFICATE" means a certificate issued to a Debenture Holder in respect of any Debenture or Debentures.
8. "DEBENTURES" shall mean Two Million Forty Thousand (2,040,000) Rated Unsecured Redeemable Debentures 2011-2016 of Rupees One Hundred (Rs.100/-) each of the aggregate value of Rupees Two Hundred Four Million (Rs. 204,000,000/-) maturing on the expiry of five (05) years from the date of allotment (viz on the date of maturity) or on such earlier date in the Event of Default.
9. "EVENT OF DEFAULT" means any event set out in clause 13.
10. "INTEREST PAYMENT PERIOD" means a period of a Month.
11. "MONTH" means a period commencing from the last day of a calendar month to the day immediately preceding the last calendar date of the immediately succeeding month and shall include the period from the execution of These Presents to the date immediately preceding the last calendar day of the month and the period commencing from the last calendar day of the month to the date on which all Debentures are redeemed by the Company.
12. "RATE OF INTEREST" means Thirteen per centum (13%) per annum payable monthly on the unredeemed principal sum of the Debentures.
13. "LISTED" would mean tradable on the Colombo Stock Exchange.
14. "QUARTER" means the calendar quarters of a given year and shall include the period from the date of allotment to the first of such dates and the period from the last of such dates to the Date of Maturity.
15. "RESOLUTION" means a Resolution passed by Debenture Holders in terms of clause 14 unless otherwise provided for.
16. "RUPEES" and the sign "Rs" mean the lawful currency of the Republic of Sri Lanka.
17. "REDEMPTION DATE" means the date morefully described in Clause 5.1(b) hereof.
18. "REGISTERED ADDRESS" when used in relation to a Debenture Holder means the respective address of the Debenture Holder registered in the Register. In the case of debentures lodged with the Central Depository the registered address shall be

deemed to be the address provided by the Debenture holder to the Central Depository.

19. "THE REGISTER" means the register of the Debenture Holders hereinafter covenanted to be kept by the Company.
 20. "THE REGISTRARS" means SSP Corporate Services (Private) Limited or such other person or persons to be appointed as the Registrars for the purpose of these presents by the Company.
 21. "THESE PRESENTS" means this Trust Deed including the Schedules hereto as from time to time modified in accordance with the provisions herein contained and or according to law and shall include any supplementary Trust Deed executed in accordance with the provisions hereof.
 22. "TRUSTEE" means the trustee above named and any additional or new trustee or trustees appointed under this Deed whether in substitution or in addition and holding office of trustee for the time being of this deed.
 23. "WORKING DAY" means any day (other than a Saturday or Sunday or any statutory holiday) on which Banks and Foreign Exchange Markets are open for business in Sri Lanka.
 24. "TRUST DEED" means these presents including the Schedules hereto as from time to time modified in accordance with the provisions herein contained and or according to law and shall include any supplementary Trust Deed executed in accordance with the provisions hereof.
 25. "SUBSTANTIAL" with reference to clause 13 hereof means the disposal of more than half (1/2) of the Company's total assets.
 26. "YEAR" means the calendar year and shall include the period from the date of allotment to the first of such dates and the period from the date immediately after the last of such dates to the Date of Maturity.
- (b) Words denoting or importing the singular number shall include the plural number and vice versa and words denoting or importing the masculine gender only shall include the feminine gender and shall include corporate and unincorporated bodies of persons.
- (c) In these presents references to :-
- (i) any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modifications or re-enactment.
 - (ii) principal and/or premium and/or interest in respect of the Debentures or to any monies payable by the Company under these presents or under the Debentures shall be deemed also to include references to any additional amounts which may be payable under these presents.
 - (iii) costs, charges or expenses shall include but not limited to Value Added Tax, Nation Building Tax and Turnover Tax or similar tax charged or chargeable in respect thereof.
- (d) References in this Trust Deed to schedules, clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the schedules to this Trust Deed and the clauses, sub-clauses, paragraphs and sub-paragraphs of this Trust Deed respectively.

- (e) The headings are inserted herein only for convenience and shall not affect the construction of these presents.

2. APPOINTMENT OF THE TRUSTEE

The Trustee being duly qualified to act as Trustee is hereby appointed as Trustee for the purposes of the Debentures and for the benefit of and in the interests of the Debenture Holders as provided herein and the Trustee accordingly accepts the appointment to the terms and conditions contained herein and agree to act under the provisions of this Deed as the Trustee.

3. ISSUE OF DEBENTURES AND LISTING ON THE COLOMBO STOCK EXCHANGE

- (a) The Company shall allot and issue the Debentures to the Investors upon receipt of monies paid therefor by the Investors.
- (b) The aggregate principal amount of the Debentures to be issued/allotted under this Issue shall be Rupees Two Hundred Four Million (Rs.204,000,000/-) consisting of Two Million Forty Thousand (2,040,000) Debentures having the face value of Rupees One Hundred (Rs. 100/-) each.
- (c) As soon as practicable after the issue of the Debentures, the Company shall make an application to the CSE to have the Debentures listed on the Main Debt Securities Board of the CSE by way of an Introduction.

4. AMOUNT OF THE DEBENTURE ISSUE

The aggregate principal amount of the Debentures is limited to Rupees Two Hundred and Four Million (Rs.204,000,000/-) and the debentures will rank equal and *pari passu* with all other unsecured obligations of the Company.

5. COVENANTS TO REPAY PRINCIPAL AND INTEREST

5.1 Debenture Holders who have not deposited the Debentures with the Central Depository,

- (a) The Company hereby covenants with the Trustee for the benefit of the Debenture Holders that it will as and when the Debenture ought to be redeemed in accordance with the provisions of these presents and upon surrendering the Debenture Certificate to the Registrars, pay to the Debenture Holder registered as at the date of redemption by crossed cheques marked 'account payee only' sent by ordinary mail to the Registered Address of the Debenture Holder or through the Sri Lanka Inter Payment System ("SLIPS") or Real Time Gross Settlement system ("RTGS") to the account number and bank notified by the registered Debenture Holder the principal amount of the Debenture which ought to be redeemed and interest (if any) remaining unpaid to the date of repayment and the Company will in the meantime and until the whole of the Debenture shall have been redeemed pay to the Debenture Holders at the Registered Address given to the Company interest on the principal amount of the Debenture for the time being outstanding at the said rate of interest. Similarly the fixed Monthly interest payment will be made within three days from the end of each month to the Debenture Holder registered as at the end of the Month. The Interest calculation will be based upon the actual number of days in each Interest Payment Period and a year of 365 days and in the event of a leap year the number of days shall be equated to 366 days.

- (b) The Debenture Certificate will be redeemed on 15th June 2016.

(c) On the Date of Maturity the holder of every such Debenture Certificate to be redeemed shall be bound to surrender such Debenture Certificate, either by person or through registered post to the Registrars.

(d) If any Debenture Holder fails or refuses to claim by surrender of the Debenture Certificate and receive payment of the redemption monies payable to such Debenture Holder, or any part thereof the amount due to him shall be transferred by the Company to a suspense account at the end of 90 days after the date of maturity and shall be paid by the Company to the holder of the Debenture when the Debenture Certificate is surrendered. Any redemption and interest payments sent by post to the Debenture holders, which are returned shall be transferred by the Company to the aforementioned suspense account and retained therein for a period of 6 years. No person shall be entitled to claim any such redemption and interest payment after the completion of six years.

(e) All Debenture Certificates redeemed as aforementioned shall be cancelled and shall not be reissued.

5.2 Debenture Holders who have deposited Debentures with the Central Depository

(a) The provisions of the clause 5.1 shall mutatis mutandis apply to the Debenture Holders who have deposited the Debentures with the Central Depository subject to the variations set out in (b) to (d) of this clause 5.2.

(b) The Company shall always act on the information furnished by the Central Depository and it shall be the responsibility of each such Debenture Holder to keep all the information in respect of him updated. Each holder shall absolve the Company from any responsibility or liability in respect of any error or absence of necessary changes in the information recorded with the Central Depository.

(c) The Company shall be entitled to make payment on redemption of all such Debentures on the Date of Maturity to such Debenture Holder without any request for claim from such Debenture Holder and the Registrars shall accordingly send the crossed cheques marked account payee only for such payments to the address (as furnished by the Central Depository) of such Debenture Holder or through the Sri Lanka Inter Payment system ("SLIPS") or Real Time Gross Settlement system ("RTGS" to the account no and bank notified by the Debenture Holder and such payment shall be deemed to be a payment duly made by the Company to the respective Debenture Holder in redemption of the Debenture of such Holder.

(d) If any of the cheques referred to in (c) above is returned undelivered to the Registrars the Company shall transfer the amount represented by each of such return cheques to the suspense account referred to in the Clause 5.1(d) above.

(e) Interest will be paid monthly computed upto the date immediately preceding the last day of the Interest Payment Period. In order to accommodate the debenture interest cycles in the Debt Trading System (DEX) of the CSE, the payment of interest shall be made to the Debenture Holders holding Debentures in the DEX as at the day immediately preceding the respective Interest Payment Period ("Entitlement Date"). If the Entitlement Date is a holiday, interest shall be calculated so as to include the Entitlement Date. Interest will be paid within three (03) market days from the end of each period.

(f) The Company shall always act on the information furnished by the CDS and it shall be the responsibility of each such Debenture Holder to keep all the information in respect of such Debenture Holder updated. Each Debenture Holder shall absolve the Company from any

responsibility or liability in respect of any error or absence of necessary changes in the information recorded with the CDS.

(g) In any case where the due date for payment of principal or interest shall not be a Market Day, such payment shall be made without any additional interest on the next succeeding Market Day with the same force and effect as if it had been made on such due date for payment.

5.3 Liquidated damages on defaulted amounts

In case of default in redemption of Debentures, interest and all other monies (except liquidated damages) on their respective due dates, the Company shall pay on the defaulted amounts liquidated damages at the rate of 18% p.a. for the period of default.

6. THE DEBENTURES AND RELEVANT STAMP DUTIES

- (a) The Company shall within 5 working days from the date of closing of the issue send by registered mail the Debenture Certificates to the Debenture Holders.
- (b) Subsequent deposits of Debentures in the Central Depository may be made if requested by any Debenture Holder.
- (c) The Company shall pay all stamp duties, and other similar duties or taxes (if any) payable on or in connection with (i) the initial issue of the Debentures and (ii) the execution of these presents.

7. THE ISSUE OF FURTHER DEBENTURES

- (a) The Company shall be at liberty from time to time subject to Listing and approval by the Colombo Stock Exchange, to create and issue further Debentures ranking equal and pari passu with these Debentures in all respects so as to form a single series upon such terms as to be constituted by a trust deed supplemental to these presents.
- (b) A memorandum of every such supplemental deed shall be endorsed by the Trustee on the original of this Trust Deed and by the Company on the counterpart original of this Trust Deed.

8. PROCEDURE FOR APPLICATION

The Debenture may be issued to:

- (a) Citizens of Sri Lanka, resident in Sri Lanka.
- (b) Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- (c) Approved Provident Funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes the application should be in the name of the Trustee/Board of Management in order to facilitate the opening of the CDS Accounts.

9. ISSUE OF CERTIFICATES

The Company shall issue to every Debenture Holder one certificate in respect of the units of Debentures held by him. Debenture Holder shall be entitled to only one certificate for any Debenture held jointly by them which certificate shall be delivered to that one of the joint holders whose name first appears in the Register of Debentures and the Company shall not be bound to register more than two persons as the joint holders of any of the Debentures. The Debenture Holder may apply in writing to the Company for the issue of more than one certificate for two or more units of Debentures if he so wishes. Upon the certificate which it is applied to be replaced by two or more certificates being surrendered to the Company and on payment of such fee as the Company may determine from time to time for such issue the Company shall be obliged to issue to the applicant Debenture Holder two or more certificates for such as the applicant may apply for. The certificates shall be substantially in the form set out in the First Schedule hereto and have endorsed thereon the conditions mentioned in the said Second Schedule and the certificate shall be held subject to and with the benefit of all such conditions or such other conditions (having substantially the same effect) as may be endorsed on any Debenture Certificate. Every Debenture Certificate shall be under the seal of the Company affixed with the authority of its Directors and in the manner provided by its Articles of Association for the time being of the Company.

10. TRANSFER OF DEBENTURES

- (a) So long as the Debentures are not listed in any licensed stock exchange (the "Exchange"), a change of ownership of the Debentures shall be in writing under the hand of the Debenture Holder (or where appropriate by persons authorised by law to do so) and of the transferee and shall be delivered to (along with the Debenture Certificate) and retained by the Registrar. Subject to such of the restrictions in the Debenture Certificate as may be applicable, all transfers of Debentures may be effected by instrument in writing in any usual or common form.
- (b) The Debentures quoted on the Colombo Stock Exchange shall be freely transferable and registration of the transfer of such Listed Debentures shall not be subject to any, restriction, save and except to the extent required for compliance with statutory requirements.
- (c) The Debentures shall be transferable and transmittable through the Central Depository as long as the Debentures of the Company are Listed in the Colombo Stock Exchange, the Board may register without assuming any liability therefore any transfer of Debentures which is in accordance with the rules and regulations in force for the time being and from time to time as laid down by the Colombo Stock Exchange and/or the Central Depository of the Colombo Stock Exchange.
- (d) In the case of the death of a Debenture Holder
 - (i) the survivor where the deceased was a joint holder; and
 - (ii) the executors or administrators of the deceased or where the administration of the estate of the deceased is in law not compulsory the heirs of the deceased where he was the sole or only surviving holder;shall be the only persons recognised by the Company as having any title to his Debentures.
- (e) Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that he sustains the character in respect of which he proposes to act or his title as the Board of Directors of the Company thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such debenture subject to the applicable laws, rules and regulations of the Company, the Central Depository, the CSE and SEC.

11. COVENANT TO OBSERVE PROVISIONS OF THE TRUST DEED AND

SCHEDULES

- (a) The Company hereby covenants with the Trustee to comply with those provisions of these presents which are expressed to be binding on it and to perform and observe the same.
- (b) It is expressly agreed between the Company and the Trustee that the Trustee shall not be liable for any loss or damage however caused by non observance or non compliance with covenants contained in Clause 12 by the Company.

12. COVENANTS BY THE COMPANY

The Company hereby covenants with the Trustee for the benefit of the Debenture Holders that, so long as any of the Debentures remain outstanding : -

- (a) The Company shall at all times carry on and conduct its affairs in a proper and appropriate manner.
- (b) The Company shall at all times keep such books of account as it is obliged to keep under the Companies Act No 7 of 2007 and other applicable laws and at any time after an Event of Default shall have occurred or the Trustee shall have reasonable cause to believe that an Event of Default will occur, allow free access to the same at all times during business hours and to discuss the same with the Directors and Officers of the Company; PROVIDED however the Trustee and the Audit Firm shall maintain confidentiality in respect of all the matters relating to the Company and its business and shall not use any information they acquire pursuant to these provisions for any other purpose.
- (c) The Company shall give a certificate in writing to the Trustee that interest and principal has been paid to the Debenture Holders in terms of the Clause 4.
- (d) The Company shall at all times keep a correct Register of Debenture Holders showing
 - i. The names and addresses (which shall be the Registered Addresses of the Debenture Holders) of all Debenture Holders.
 - ii. The value of Debentures held by each Debenture Holder
 - iii. The date on which each Debenture Holder became registered as the holder of any Debentures and the date on which he ceased to be so registered. Provided however, that in the case of debentures that are lodged with the Central Depository, the Company may treat the records maintained by the Central Depository as an accurate record of the details required herein above.
- (e) The Company shall permit :-
 - i. the Trustee at all reasonable times without payment of any fee to inspect the Register of Debenture Holders and to take copies thereof.
 - ii. the Debenture Holder at all reasonable times without payment of any fee to inspect the Register of Debenture Holders and to take copies thereof.
- (f) The Company shall immediately provide a copy of this Trust Deed to the Debenture Holders on request.
- (g) If the Debenture Certificate is worn, defaced, lost or destroyed it may be renewed on the payment of such fee not exceeding Rs. 50/- and on such terms as to evidence and indemnity

as the Board of Directors of the Company shall think fit. In the event of loss of a Debenture Certificate the Company shall require an advertisement to be placed in one of the main newspapers in daily circulation, and the cost of such advertisement shall be borne by the Debenture holder. Any stamp duty payable on such renewal shall be borne by the Debenture holder.

(h) The Company shall forthwith upon the Company becoming aware of the happening of any and every such event as is mentioned in clause 13 hereof give notice thereof in writing to the Trustee PROVIDED that the company shall in any event issue a certificate to the Trustee at the end of every calendar Quarter end commencing from September 2011 the date of allotment certifying that no event mentioned in paragraphs (d) - (k) of clause 13 hereof has occurred during the previous quarter which would have resulted in the Debentures becoming payable in terms of the said clause 13.

(i) The Company shall submit a certificate to the Trustee at the end of every calendar Quarter end commencing from September 2011 certifying that each and all of the covenants set out in this clause 12 have been complied with in addition to the details required therein also inform the Trustee:

(i) whether or not any limitation of liabilities or borrowings as prescribed by the Articles of Association has been exceeded;

(ii) whether or not the Company has observed and performed all the covenants and obligations binding upon them by or pursuant to the Trust Deed;

(iii) whether or not any material trading or capital loss which could affect the ability of the Company to meet the obligations under the Debentures have been sustained by the company;

(iv) whether or not any circumstances materially affecting the Company and which adversely affect the ability of the Company to meet its obligations under the Debentures has occurred;

(v) whether any contingent liabilities have been incurred by the Company and if so, the amount incurred, and whether or not any contingent liability has matured or is likely to mature within the next twelve months, which will materially affect the ability of the Company to repay the Debentures;

(vi) whether the Company has assumed a liability of a related body corporate during the Quarter, the extent of the liability assumed during the Quarter and the extent of the liability at the end of the quarter.

(vii) whether or not there has been any change in any accounting method or method of valuation of assets or liabilities and whether or not any circumstances have arisen which render adherence to the existing method of valuation of assets or liabilities misleading or inappropriate, and;

(viii) whether there has been any substantial change in the nature of the Company's business since the issue of the Debentures.

(ix) whether or not any action has been taken by the Board of Directors of the Company in terms of section 219 and 220 of the Companies Act No 07 of 2007 during the Quarter.

(x) the Certificate shall be made in accordance with a resolution of the directors and specify the date on which the certificate was made; and

(xi) where the Company fails to deliver the certificate to the Trustee, the Trustee shall inform the Debenture holders of the fact.

- (j) The Company shall issue to the Trustee such certificates as the Trustee may require to carry out its obligations in terms of these presents. Provided such certificates can be issued by the company without committing any breach of its duty confidentiality to its customers.
- (k) The Company shall reproduce the Trust Deed in full in the prospectus relating to the issue of these Debentures, and shall make available to any Debenture Holder on request a copy of the Trust Deed upon payment of a fee of Rs. 500/=.
- (l) The Company will send to the Debenture Holders and the Colombo Stock Exchange the financial statements of the Company prepared in terms of the applicable Sri Lanka Accounting Standards and as required by the Colombo Stock Exchange Listing Rules 7.4 and 7.5. The interim financial statements (unaudited) and the audited financial statements will be despatched in accordance with Section 7 of the Listing Rules of the Colombo Stock Exchange as amended from time to time.
- (m) The Company shall send the Trustee interim financial statements (unaudited) and audited financial statements and all published financial and other information, which is normally provided to ordinary shareholders at the same time that it is sent to the shareholders.
- (n) The Company shall in the event that it creates a charge, submit to the Trustee the written details of the charge within 21 days after it is created. Where the amount to be advanced on the security of the charge is indeterminate, the Company shall submit to the Trustee the written details of the amount of each claim, within five (5) market days from the date the claim is made.
- (o) The Company shall immediately notify the Trustee in the event that the Company becomes aware of the occurrence of any of the following events that has caused or could cause:
 - (i) Any amount secured or payable under the Debenture to become immediately payable;
 - (ii) Any event in the opinion of the Company that may lead to the acceleration of either the payment of interest or redemption;
 - (iii) Any other right or remedy under the terms and conditions of the Debentures or the provisions or covenants of the Trust Deed to become immediately enforceable.
- (p) The Company shall at all times maintain records of all its published information and makes them available for inspection by the Trustee and Debenture Holders.
- (q) The Company shall not without the prior written permission of the Trustees:
 - (i) Declare or pay any dividend to its shareholders during any financial year unless it has paid all the dues to the Debenture Holders / Trustees upon the date on which the dividend is proposed to be declared or paid or has made satisfactory provisions therefor.
 - (ii) Undertake or permit any merger, consolidation, re-organisation, scheme of arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction.
- (r) The Company shall re-imburse all expenses incurred by the Debenture Holders / Trustees after an event of default has occurred in connection with:
 - (i) Preservation of the Company's assets (whether then or thereafter existing).

- (ii) Collection of amounts due under this Agreement.
- (s) All such sums shall be re-imbursed within 30 days from the date of notice of demand from the Debenture Holders or Trustees. In the case of default in making such re-imburements the Company shall also pay on the defaulted amounts, liquidated damages at the rate 16% p.a. from the expiry of 30 days from the date of demand till re-imburement.
- (t) Provided in any event that the Company shall give the Trustee immediate notice if they become aware that any condition of the Trust Deed cannot be fulfilled.
- (u) The Company shall be responsible for paying any stamp duty and other similar duties or taxes on or in connection with the issue of Debentures.

13. EVENTS OF DEFAULT

Subject to the provisions of clause 14, the Debenture shall become immediately payable in any of the following events:

- a) If the Company makes default in the payment of any interest due on the whole or any part of the Debenture after the date when such interest is by these presents made payable.
- b) If the Company makes default in the payment of any principal monies payable under these presents in respect of any Debenture.
- c) If the Debentures cease to be quoted in the Colombo Stock Exchange at any time between the time of issue and the Date of Maturity.
- d) If any other indebtedness of the Company becomes due and payable prior to its stated maturity or where security created for any other indebtedness becomes enforceable.
- e) If there is a revocation, withholding or modification of a license, authorization or approval that impairs or prejudices the Company's ability to comply with the terms and conditions of the Debentures or the provisions of the Trust Deed or any other document relating to the issue, offer or invitation in respect of the Debentures.
- f) If any mortgage, charge, pledge, lien or other encumbrance present or future is created or assumed by the Company contrary to the terms or conditions of the Debentures and the provisions of the Trust Deed.
- g) If the Company stops or threatens to stop payment of its debts or ceases to carry on its business.
- h) If an order shall be made or an effective Resolution shall be passed for the winding up of the Company.
- i) If any liquidation, bankruptcy, insolvency, receivership or similar action or proceeding is commenced against the Company.
- j) If the Company commits a breach of any of the covenants or provisions herein contained and on its part to be observed and performed provided however that the Trustee shall give the Company upto thirty (30) days notice before declaring such breach to be an event of default.
- k) If the Company does not submit a Certificate to the Trustee signed by a Director and the Secretary, certifying that

- (i) interest has been paid to the Debenture Holders in terms of the Trust Deed, after each interest payment due date;
- (ii) principal has been paid to the Debenture Holders in terms of the Trust Deed, after date of redemption for each Debenture.

Such Certificates should be received by the Trustee within 14 days of the interest/redemption payment due date.

- l) If the Company does not submit a Certificate to the Trustee at the end of every Quarter end commencing from September 2011 signed by a Director and the Secretary certifying that the provisions of Clause 12(h) and Clause (i) have been complied with.
- m) If the Company without the written consent of the Trustee sells or otherwise dispose of the whole or any substantial part of its undertakings or its assets.
- n) If the Company has breached any terms or conditions in the Debentures or provisions of the Trust Deed or any other documents relating to the issue, offer or invitation in respect of the Debentures.

14. ENFORCEMENT OF OBLIGATIONS

At any time after an Event of Default the Trustee may at its discretion, or upon the request in writing of the Debenture Holders of at least one fifth (1/5) in nominal value of the Debentures outstanding, or pursuant to an Extraordinary Resolution and without any further notice, may institute such proceedings as they think fit to enforce repayment obligations of the Company under these Presents.

Provided that nothing in these Presents shall preclude a Debenture Holder from initiating legal action on his own right.

15. APPLICATION OF MONIES RECEIVED BY THE TRUSTEE

In the event of the Trustee recovering or receiving any monies from the Company consequent to any action taken by the Trustee against the Company the Trustee shall apply such monies

- (a) In the first place in paying or providing for the payment or satisfaction of the costs charges expenses and liabilities incurred in or about the execution of the trust constituted by these presents (including remuneration of the Trustee) and shall apply the residue of such monies.
- (b) Secondly in or towards payment to the Debenture Holders of all arrears of interest remaining unpaid on the Debentures held by them respectively.
- (c) Thirdly in or towards payment to the Debenture Holders of all principal monies due in respect of the Debenture held by them respectively, and
- (d) Finally shall pay the surplus (if any) of such monies to the Company or its assigns.

PROVIDED that at the discretion of the Trustee payments may be made on account of principal monies before the interest or the whole of the interest on the Debenture have been paid but such alteration in the order of payment of the principal monies and interest shall not prejudice the right of the Debenture Holder to receive the full amount to which they would have been entitled if the ordinary order of payment had been observed. Any payment to the Debenture Holder under this clause shall be made *pari passu* in proportion to the Debentures held by them

respectively without any preference or priority on account of the date of issue or otherwise howsoever.

16. REMUNERATION OF THE TRUSTEE

- (a) The Trustee shall by way of remuneration for its services be paid by the Company during the continuation of these presents at the rate of Rupees Thirty Thousand (Rs. 30,000/-) per month or such other sum as the Trustee and the Company may agree from time to time in addition to all statutory levies on such remuneration and any costs, charges and expenses incurred in connection with the performance of its duties as Trustee.
- (b) The Company shall also pay or discharge all costs, charges, liabilities and expenses properly incurred by the Trustee in relation to the preparation and execution of these presents and the Trustee shall have the right of indemnity given by law to Trustees provided always the Trustee may retain and pay itself out of any monies in its hands upon the trusts constituted by these presents all sums owing to it in respect of such remuneration costs charges expenses or indemnity.

17. GENERAL COVENANTS

- (a) The Trustee may in relation to these presents act on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant or other expert (whether obtained by the Trustee, the Company, any subsidiary of the Company, any holding company of the Company or any subsidiary of any such holding company) and shall not be responsible for any loss occasioned by so acting; any such opinion, advice, certificate or information may be sent or obtained by the Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same shall contain some error as long as the Trustee has acted in good faith and with professional diligence;
- (b) In case of default by the Company, the Trustee may but shall not be bound unless directed either by an instrument in writing signed by the Debenture Holders of at least Seventy Five per centum (75%) in nominal value of Debenture(s) for the time being outstanding or in accordance with an extra ordinary resolution passed by the Debenture Holders in accordance with Clause 22 of these presents, to waive such terms and conditions as they shall deem expedient any of the covenants and provisions contained in these presents on the part of the Company to be performed and observed;
- (c) The Trustee as between itself and the Debenture Holders shall have full power to determine all questions and doubts arising in relation to any of the provisions of these presents and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee. If a Debenture Holder is not satisfied with the said determination provided by the Trustee then, the Debenture Holder may challenge such determination in a court of law;

PROVIDED

- * Such Debenture Holder has the written consent of the Debenture Holders of at least ten per centum (10%) in nominal value of Debentures for the time being outstanding,
- * Such application to Court of Law is instituted within thirty (30) days of notification of such determination to the Debenture Holders.

- (d) The Trustee shall give notice in writing to the Debenture Holders as and when the Trustees are notified by the Company of any occurrence mentioned in Clause 13 or any condition of the Trust Deed which cannot be fulfilled, and
 - (i) Call a meeting of the Debenture Holders with notice to the Company;
 - (ii) Inform the Debenture holders of the failure at the meeting;
 - (iii) Submit proposals for the protection of the Debenture holder's interests or call for proposals from the Debenture holders at the meeting as the Trustee considers necessary or appropriate and obtain their directions.
- (e) The Trustee shall give notice in writing to the Debenture Holders as soon as practicable if the Company fails to remedy any breach of the terms and conditions of the Debentures or the provisions/covenants of the Trust Deed.
- (f) The Trustee shall give notice in writing to the Company as soon as practicable if the Trustee discovers that it is not eligible to be appointed or to act as Trustee.
- (g) The Trustee shall exercise reasonable diligence to ascertain whether the Company has committed any breach of the terms and conditions of the Debentures or provisions of the Trust Deed or whether an Event of default has occurred or is continuing to occur, on perusal of the documents submitted in terms of the covenants set out in the Trust Deed. Where an Event of Default has occurred and is continuing to occur the Trustee shall exercise such rights and powers vested in it by the Trust Deed and use a reasonable degree of skill and diligence in exercising such powers.

18. POWERS AND DUTIES OF THE TRUSTEE

Without prejudice to the powers and reliefs conferred on trustees by general law by these presents or by the laws relating to Trusts the Trustee shall have the following powers.

- (a) The Trustee shall as regards all the Trusts, powers authorities and discretion's vested in it by these presents or, by operation of law, have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and the Trustee shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof but whether the Trustee is under the provisions of these presents bound to act at the request or direction of the Debenture Holders the Trustee shall nevertheless not be bound unless first indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. However nothing in this clause shall preclude a Debenture Holder from filing action on his own if he so wishes;
- (b) To summon any meeting of the Debenture Holders in accordance with the provisions of Clause 22 hereof;
- (c) The Trustee may, in the conduct of the trusts of these presents, instead of acting through its staff, employ and pay a professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee;

Provided however that,

- (i) the Trustee shall be responsible for the acts of such professional person employed by the Trustee as referred to above and shall be liable for any act or omission of such professional person which amounts to a breach of any of the terms and conditions in this Trust Deed including the obligation of the Trustee to maintain strict secrecy in

respect of all transactions of the Company, its customers and the state of accounts of any person and all matters relating thereto and the business of the Company.

- (ii) the Trustee shall ensure that each such professional person is bound by the obligation to maintain strict secrecy in respect of the aforesaid matters, by obtaining written undertakings from each such professional person addressed to the Company undertaking thereby to observe strict secrecy as aforesaid.
- (d) The Trustee shall not be liable to the Company or any Debenture Holder by reason of having recognised or treated as a Debenture Holder any person subsequently found not to be so entitled to be recognised or treated or having done or committed anything in accordance with the directions given by the Debenture Holder at any meeting held under the provisions of this Trust Deed except where there has been negligence or willful default on the part of the Trustee.
- (e) The Trustee is not liable for anything done or omitted to be done in accordance with a direction given to the Trustee by the Debenture holder at any meeting held.
- (f) Whenever in these presents the Trustee is required in connection with any exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Debenture Holders, it shall have regard to the interests of the Debenture Holders as a class and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of such exercise for any individual Debenture Holder resulting from his or its being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory; and
- (g) The Trustee may accept a certificate signed by any two Directors of the Company that all Debentures have been redeemed or relating to any other matter primarily in the knowledge of the Company as sufficient evidence thereof and such Certificate shall be a complete protection to the Trustee who acts thereon.
- (h) The Trustee shall ensure that all documents required to be submitted by the Company are submitted in a timely manner.

PROVIDED nevertheless that none of the provisions of these presents shall in any case in which the Trustee has failed to show the degree of care and diligence required by it, having regard to the provisions of these presents conferring on the Trustee and powers, authorities or discretions, relieve or indemnify the Trustee against any liabilities which by virtue of any rule of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty in relation to its duties under these presents.

PROVIDED FURTHER that nothing contained herein shall be construed either as imposing any obligations on the Trustee to monitor the performance by the Company in the repayment of monies due to the Debenture Holders or requiring the Trustee to assess the ability of the Company to repay the interest or the Capital or any part thereof.

The Trustee's role shall be passive prior to it being notified of an occurrence of an Event of Default and the Trustee shall have no duty other than those expressly stated herein.

For the avoidance of doubt, the Trustee shall not be considered, nor have any responsibility or liability, as a lender or borrower. The obligation to repay any debts owing to the Debenture Holders shall remain with the Company, and the Trustee shall not be liable nor responsible for any act, omission or default of the Company nor any other party. The Trustee shall also not be liable for any loss due to any cause beyond its control, nor to take any action in relation to any event of default which it is not aware of, nor for consequential or indirect loss, nor for any loss or reduction in value affecting the Security, nor for market loss, risk or movement affecting any

investments. The Company shall fully indemnify the Trustee for any liability, claim, expense, damage or loss that the Trustee may incur in connection with this Trust Deed, save where such liability or loss is due solely to the negligence or willful misconduct of the Trustee. The Trustee shall be entitled to rely and act on any document or instrument which it received and to treat it as authentic and authorised unless it has actual notice otherwise.

19. APPOINTMENT AND REMOVAL OF TRUSTEE

- (a) Subject to the provisions of these presents, the power of appointing new trustees shall be vested in the Company. Notice of such appointment shall be given to the Debenture Holders within 30 days of such appointment by an advertisement published in Newspapers in all three languages (Sinhala, Tamil and English) of its choice circulating in Sri Lanka. A new Trustee so appointed by the Company must be approved by Debenture Holders of not less than one fifth (1/5) of the nominal value of Debentures for the time being outstanding.
- (b) In the event the Company does not or cannot exercise its power to appoint a Trustee and there being no Trustee appointed as of 30 days before the retirement of the Trustee taking effect in accordance with Clause 21, the Debenture Holders of not less than 10% of the nominal value of the Debentures in issue may convene a meeting to appoint a Trustee by an extra ordinary resolution. Notwithstanding anything to the contrary herein contained, a meeting for this purpose may be convened by any Debenture Holder and a Resolution passed by a clear majority in nominal value of the outstanding Debentures present in person or by proxy or by attorney. The Company shall be notified of any removal of a Trustee and subsequent appointment of a Replacement Trustee by the Debenture Holders.
- (c) The Company shall take reasonable steps to replace the Trustee as soon as practicable upon becoming aware of the following:
 - (i) The Trustee has ceased to exist;
 - (ii) The Trustee is in the situation of a conflict of interest;
 - (iii) The Trustee has ceased to perform its function as a Trustee;
 - (iv) The Trustee is in the situation of unsuitability and does not eliminate such situation within 90 days , after the Company ascertaining or the Company being informed that the Trustee has such situation.

Provided however, that the existing Trustee shall continue to act as Trustee until a new Trustee is appointed.

- (d) Provided that the Debenture Holders may by an Extraordinary Resolution passed according to the provisions of Clause 22 at a General Meeting of such Debenture Holders remove the Trustee.

20. COMPLIANCE OF A MAJORITY OF TRUSTEES

- (a) The number of the trustees shall not be less than two unless a corporation or company is appointed as a trustee under these presents.
- (b) If there be more than one trustee under these presents the trustees shall unanimously exercise all or any of the trusts powers and discretion's vested in the trustees generally under any clause of these presents.
- (c) Any of the trustees under these presents who shall be employed in any profession or business shall be entitled to and shall be paid all usual and proper professional charges for any business or work done by him or his firm in carrying out the trusts hereof.

21. RETIREMENT OF THE TRUSTEE

In the event of the Trustee desiring to retire at the Trustee's sole discretion, the Trustee shall give not less than 90 days notice to the Company in writing to that effect, and the Company shall thereupon appoint a new Trustee in accordance with Clause 19 of these presents. Upon the expiry of the said notice of 90 days, the Trustee shall be deemed to have ipso facto vacated its office whether or not a new Trustee has been appointed in its place. The Trustee is not obliged to give reason for its retirement.

In the event of such a retirement, the Trustee shall publish a notice to this effect in Newspapers in all three languages (Sinhala, Tamil and English) of its choice circulating in Sri Lanka and such notice shall be deemed to be sufficient notice to the Debenture Holders notwithstanding anything to the contrary herein contained.

22. MEETINGS OF DEBENTURE HOLDER(S)

- (a) The Trustee shall call a meeting/ cause a meeting to be called of Debenture Holder(s) with notice to the Company, and all Debenture Holder(s) on a requisition being received in writing signed by Debenture Holder(s) of at least 1/5th of the nominal amount of Debentures for the time being outstanding or if requested by the Company.
- (b) Not less than 21 days notice shall be given of a meeting for the purpose of passing an extra ordinary resolution.
- (c) The quorum for the meeting (other than adjourned meeting) for the purpose of passing an ordinary resolution shall be the Debenture Holders representing 10% of the nominal value of the debentures for the time being outstanding, provided however, that the quorum for passing an Extraordinary Resolution should be the holders of a clear majority in nominal value of the outstanding Debentures present in person or by proxy or by attorney.
- (d) If such a quorum cannot be obtained, such meeting shall be adjourned for not less than fourteen (14) days in which event notice of adjourned meeting shall be sent to every Debenture Holder and shall state in such notice that if a quorum as above defined shall not be present at the adjourned meeting the Debenture Holders then present shall form a quorum.
- (e) The necessary majority for passing an ordinary resolution shall be a simple majority of the persons voting thereat on a show of hands and if a poll is demanded then a simple majority of the votes given on such poll and the necessary majority for passing an extra ordinary resolution shall not be less than 3/4th of the persons voting thereat on a show of hands and if a poll is demanded then not less than 3/4th of the votes given on such poll.
- (f) On a poll, each Debenture Holder will be entitled to one vote for each unit of Debenture held by such person.
- (g) A proxy need not be a holder of the Debentures.
- (h) The Trustee shall be chairman of any meeting of Debenture Holders and shall appoint a person or body to act as a secretary of such meeting and a certified copy by the Trustee and such secretary of the Resolution shall deem to be conclusive evidence that such Resolution has been duly adopted.

If however, any resolution affecting the rights attached to the Debenture Holders is placed before the Shareholders it should be passed as an extraordinary resolution and such extra ordinary resolution will first be placed before the Debenture Holders for their consideration.

23. MODIFICATIONS OF THE TRUST DEED

The Trustee and the Company may by mutual agreement agree to modify these presents provided such modifications are of a routine nature and not detrimental to the interests of the debenture holders. Provided however that any modification to these presents shall only be made with the consent of the debenture holders of at least 3/4th in nominal value of the debenture for the time being outstanding.

Upon a modification being duly made, the Company may request Debenture holders to produce their Debenture Certificates to the Company in order that a memorandum of such modification may be endorsed thereon.

24. NOTICES

- (a) Any notice or demand to the Company, Debenture Holder(s) or the Trustee required to be given, made or served for any purpose hereof shall be given, made or served by sending the same by prepaid registered post in the case of Company or Trustee and by prepaid ordinary mail in the case of Debenture Holder(s), telegrams, cablegrams, telex or by facsimile transmission or by delivering it by hand to the Company, Debenture Holder or the Trustee as the case may be, in the case of the Company or the Trustee at the address shown in this Deed and in the case of Debenture Holder(s) to the address which appear in the Debenture Certificate or at such other address as shall have been notified (in accordance with this Clause) for the purpose of this Clause, and any notice sent by post as provided in this Clause shall be deemed to have been given, made or served 48 hours after dispatch and any notice sent by telegram, cablegram, telex or facsimile transmission as provided in the Clause shall be deemed to have been given, made or served at the time of dispatch and in proving the giving, making or service of the same it shall be sufficient to prove, in the case of a letter, that such letter was properly stamped, addressed and placed in the post and, in the case of a telegram, cablegram, telex or facsimile transmission that such telegram, cablegram, telex or facsimile transmission was duly despatched and received in the readable and understandable condition.
- (b) The Trustee shall at any time be entitled to give notice of any meeting or make any communication to the Debenture Holder by notice published in Newspapers in all three languages (Sinhala, Tamil and English) of its choice circulating in Sri Lanka and such notice will notwithstanding anything to the contrary herein contained be deemed to be sufficient notice to the Debenture Holder including the provisions of the above clause.

25. MISCELLANEOUS

- (a) Nothing in the provisions of these presents shall require disclosure to the Trustee by the Company of any information as to the affairs of any of its customers except,
- (i) when required or requested to do so by a Court of Law; or , regulatory agency or authority;
 - (ii) in order to comply with any of the provisions of any Law regulation or directive; or
 - (iii) to a branch, head office, subsidiary or agent of the Trustee in connection with this Trust Deed.

PROVIDED however the Company shall be obliged to furnish to the Audit Firm referred to in the clause 11 (b) information in respect of the Company's assets and liabilities.

(b) In the event of any inconsistency between these provisions and any rules, regulations or directions of the Colombo Stock Exchange such rules, regulations or directions shall prevail.

26. JURISDICTION

- (a) This Trust Deed and the Debentures shall be governed by and constructed in accordance with the laws of Sri Lanka and the courts of Sri Lanka shall have exclusive jurisdiction in respect thereof.
- (b) The Trustee or any Debenture Holder where entitled under this Trust Deed so to do shall be entitled to take proceedings against the Company in respect of its obligations under this Trust Deed and the Debentures.
- (c) the Company shall be entitled to take proceedings against the Trustee in respect of its obligations under this Trust Deed.

In Witness Whereof the said Bartleet Finance Limited has caused its Common Seal to be affixed and duly appointed attorneys of Deutsche Bank AG, Colombo Branch set their hands hereunto and two others of the same tenor and date as these presents at Colombo on the day herein before mentioned

The Common Seal of the said **Bartleet Finance Limited**)
is hereto affixed on this 14th of June in the Year)
Two Thousand and Eleven in the presence of)
.....Director)
and.....Director)
/Secretary who do hereby attest the sealing hereof in the)
presence of us

Witnesses

- 1.....
- 2.....

The duly appointed authorised signatories)
.....)
and)
of **DEUTSCHE BANK AG, COLOMBO BRANCH**)
have set their respective hands hereto on this 14th)
day of June in the year Two Thousand and Eleven)

Witnesses:

- 1.
- 2.

THE FIRST SCHEDULE REFERRED IN THE TRUST DEED

BARTLEET FINANCE LIMITED

Re-registered under the Companies Act No 07 of 2007

ISSUE OF UPTO TWO MILLION FORTY THOUSAND (2,040,000/-) RATED UNSECURED REDEEMABLE DEBENTURES 2011-2016 OF THE AGGREGATE VALUE OF RUPEES TWO HUNDRED FOUR MILLION (Rs. 204,000,000/-) AT A PAR VALUE OF RUPEES ONE HUNDRED (Rs.100/-) EACH

RATED UNSECURED REDEEMABLE DEBENTURE 2011 - 2016 CERTIFICATE

PRINCIPAL SUM INTEREST RATE 13% p.a.
(payable monthly)

CERTIFICATE NO REDEMPTION DATE

1. BARTLEET FINANCE LIMITED (hereinafter called the Company) having its registered office at Level 2, Bartleet House, 65, Braybrooke Place, Colombo 02 will pay on the redemption date or such earlier date as the principal monies hereby covered become payable under the conditions endorsed on the reverse hereof and the terms and conditions in the Trust Deed dated 14th June 2011 entered into between the Company of the one part and Deutsche Bank A.G., Colombo branch as trustee of the other part (hereinafter referred to as "the said Trust Deed") to the person (s) named in the Schedule to this Debenture or the registered holder(s) for the time being hereof (hereinafter called "the Debenture Holder") at the Head Office in Colombo, Sri Lanka the Principal sum set forth in the Schedule hereto representing the value of the Debentures covered by this Debenture Certificate (hereinafter called "these Debentures").
2. The value of these Debenture is subject to redemption on the redemption date unless the same become payable on an earlier date under the conditions endorsed on the reverse hereof and the terms and conditions of the said Trust Deed.
3. Interest on these Debentures will be payable at the rate of 13% per annum on the unredeemed principal sum of the Debenture payable monthly within three days from the end of the month. The first interest payment will be payable for the broken period from the date of allotment being a day on or before 16th June 2011 upto 30th June 2011. The final interest payment will be made with the repayment of the redemption monies on the Date of Maturity. The Interest calculation will be based upon the actual number of days in each Interest Payment Period and a year of 365 days and in the event of a leap year to a year of 366 days.
4. Notwithstanding the foregoing if the dates fixed as aforesaid for the payment of the principal sum or interest thereon are dates on which Banks are closed for business, then payment shall be made on the dates immediately prior thereto when the Banks are open for the business.
5. This Debenture Certificate is issued subject to the conditions contained herein and on the reverse hereof and the terms and conditions in the said Trust Deed which is deemed to be part hereof and all constituting integral parts of this Debenture.

The Schedule Above Referred To

Name of Debenture holder	Number of Debentures	Principal Sum (the total value of the Particular Debentures (Rs.))
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NIC/PP/Co.Reg No./CDS A/c No

Given under the common seal of BARTLEET FINANCE LIMITED
On this.....day of2011.

.....
Director

.....
Secretary

THE SECOND SCHEDULE REFERRED IN THE TRUST DEED

THE CONDITIONS ENDORSED ON THIS DEBENTURE

1. These Debentures are part of a series of upto One Two Million Forty Thousand (2,040,000) listed rated unsecured redeemable debentures 2011 – 2016 of the aggregate value of Rupees Two Hundred Four Million (Rs 204,000,000/-) of the principal sum of Rupees One Hundred (Rs 100/-) each subject to the conditions of this Debenture Certificate and the terms and conditions of the Trust Deed dated 14th June 2011. (hereinafter referred to as "the said Trust Deed")
2. These Debentures of the said series are all to rank equal and pari passu with other unsecured obligations of the Company and without any preference or priority one over another.
3. The Company shall issue to every Debenture Holder one certificate in respect of the units of Debentures held by him but a Debenture Holder shall be entitled to only one certificate for any Debentures held jointly by them which certificate shall be delivered to that one of the joint holders whose name first appears in the Register of Debentures and the Company shall not be bound to register more than two persons as the joint holders of any of the Debentures. The Debenture Holder may apply in writing to the Company for the issue of more than one certificate for two or more units of Debentures if he so wishes. Upon the certificate which it is applied to be replaced by two or more certificates being surrendered to the Company and on payment of such fee as the Company may determine from time to time for such issue the Company shall be obliged to issue to the applicant Debenture Holder two or more certificates for such as the applicant may apply for. The certificates shall be substantially in the form set out in the First Schedule hereto and have endorsed thereon the conditions mentioned as set out in this Second Schedule hereto and the certificate shall be held subject to and with the benefit of all such conditions or such other conditions (having substantially the same effect) as may be endorsed on any Debenture Certificate.
4. Every Debenture Certificate shall be under the seal of the Company affixed with the authority of its directors and in the manner provided by its Articles of Association for the time being of the Company.
5. The Company will keep a Register of Debentures and enter therein particulars of the issue and all changes of ownership of the Debenture as provided for in the said Trust Deed.
6. A change of ownership of these Debentures shall be in writing under the hand of the Debenture Holder (or where appropriate by persons authorised by law to do so) and of the transferee and shall be delivered to (along with this Debenture Certificate) and retained by the Registrar. Subject to such of the restrictions in this certificate as may be applicable all transfers of Debentures may be effected by instrument in writing in any usual or common form.
7. (a) The Debenture Certificates representing the Debentures Listed on the Colombo Stock Exchange shall be freely transferable and registration of the transfer of such Listed Debentures shall not be subject to any, restriction, save and except to the extent required for compliance with statutory requirements.

(b) These Debentures shall be transferable and transmittable through the Central Depository as long as the Debentures of the Company are quoted in the Colombo Stock Exchange, the Board may register without assuming any liability therefore any transfer of Debentures, which is in accordance with the rules and regulations in force for the time being and from time to time as laid down by the Colombo Stock Exchange and/or the Central Depository of the Colombo Stock Exchange.

- (c) In the case of the death of a Debenture holder -
- (i) the survivor where the deceased was a joint holder; and
 - (ii) the executors or administrators of the deceased (or where the administration of the estate of the deceased is in Law not compulsory the heirs of the deceased) where he was the sole or only surviving holder shall be the only persons recognised by the Company as having any title to his Debentures.
- (d) Any person becoming entitled to these Debentures in consequence of the bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that he sustains the character in respect of which he proposes to act or his title as the Board of Directors of the Company thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such debenture subject to the applicable rules and regulations.
8. No change of ownership in contravention of these conditions will be recognised by the Company.
 9. These Debentures shall be redeemed on the Redemption Dates and all redemptions shall be in accordance with the provisions and conditions contained herein and the terms and conditions of the said Trust Deed. On the Date of Maturity and at the place fixed for redemption the Debenture holder of these Debentures to be redeemed shall be bound to surrender such Debentures and to deliver up this Debenture Certificate. The Company shall on the Date of Maturity cancel this Debenture Certificate. The Debenture lodged with the Central Depository will be redeemed on the Redemption dates in favour of the persons whose names are registered in the Central Depository on the due date.
 10. These Debentures redeemed on the Date of Maturity or an earlier date shall only carry interest computed upto the date of such redemption on the unredeemed principal sum as set out in this Certificate. However interest on any Debenture shall cease to accrue on the Date of Maturity even if not redeemed by that date.
 11. The Company shall not be entitled to reissue any Debenture of this Issue, which it may redeem hereunder.
 12. The Company shall recognise and treat the registered Debenture Holder(s) as the owner hereof and as alone being entitled to receive and give effectual discharges for the monies hereby covered.
 13. No notice of any trust shall be entered in the books of the Company against the title of the Debenture Holder and the Company shall not be affected by notice of any right, title or claim of any person to this Debenture Certificate other than the Debenture holder. (This condition shall not apply to any Debenture lodged with the Central Depository.)
 14. The monies payable to the Debenture Holder shall be paid without regard to any equities between the Company and the original or any intermediate holder hereof and the receipt of the registered Debenture holder shall be a good discharge to the Company.
 15. The principal and interest under this Debenture Certificate shall be paid by crossed cheque sent by post at the registered address, or in the case of joint Debenture Holders to the registered address of one of the said joint Debenture holders who is first named on the Register of Debenture Holders or by direct credit using the Sri Lanka Interbank Payment System or Real Time Gross Settlement.

16. The expressions defined in the said Trust Deed shall have the same meanings when used in these conditions in this Debenture Certificate unless the context otherwise requires.
17. In the event of any inconsistency between the conditions in this Debenture Certificate and any term or condition of the said Trust Deed the term or conditions in the said Trust Deed shall always prevail.
18. The Company may demand a fee of Rs. 200/- for the registration of any change of ownership hereof. If this Debenture Certificate is worn, defaced, lost or destroyed it may be renewed on the payment of such fee not exceeding Rs. 50/- and on such terms as to evidence and indemnity as the Board of Directors of the Company shall think fit. In the event of loss of a Debenture Certificate the Company shall require an advertisement to be placed in one of the main newspapers in daily circulation, and the cost of such advertisement shall be borne by the Debenture holder. Any stamp duty payable on such renewal shall be borne by the Debenture Holder.



BARTLEETFINANCE

A MEMBER OF BARTLEET TRANSCAPITAL