

P R O S P E C T U S

# SOFTLOGIC HOLDINGS LIMITED

## INITIAL PUBLIC OFFERING

To be listed on the Diri Savi Board of the Colombo Stock Exchange

THE PLATINUM <sup>OF</sup>  
CONGLOMERATE <sup>SRI LANKA</sup>





# Softlogic Holdings Limited

(Company Registration No. PV 1536 PB)

## PROSPECTUS

TO LIST THE COMPANY AND 779,000,000 SHARES ON THE DIRI SAVI BOARD  
OF THE COLOMBO STOCK EXCHANGE

Initial Public Offer of 139,000,000 ordinary voting shares  
at Rs 29/= per share

**ISSUE OPENS ON 9th JUNE 2011**



**Joint Managers and  
Financial Advisors to the Issue**

CT Capital (Pvt) Ltd  
#4-03 Majestic City  
10 Station Road  
Colombo 04



**Lead Managers and  
Financial Advisors to the Issue**

John Keells Capital  
A division of John Keells Holdings PLC  
130 Glennie Street  
Colombo 02



**Joint Managers and  
Registrars to the Issue**

PW Corporate Secretarial (Private) Limited  
3/17 Kynsey Road  
Colombo 08

**This Prospectus is dated 27th May 2011.**

## **Responsibility for the Content of the Prospectus**

This Prospectus has been prepared on behalf of and on the instructions of Softlogic Holdings Limited from information provided by Softlogic Holdings Limited and other publicly available sources. The Directors of the Company, collectively and individually, having made all reasonable enquiries confirm to the Managers to the Issue, that to the best of their knowledge and belief, that this Prospectus contains all information with respect to the Company which is material in the context of the Issue, that the information contained herein is true and correct in all material respects and is not misleading; that there are no other material facts, the omission of which would make any statement contained herein misleading; that the opinions and intensions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Softlogic Holdings Limited accepts responsibility for the information contained in this Prospectus. All information and opinions contained in this Prospectus are subject to change without notice. The information has been compiled at the request of Softlogic Holdings Limited for information purposes only and does not have to be a complete description of the subject matter contained in this Prospectus. While Softlogic Holdings Limited has taken reasonable care to ensure full and fair disclosure of information, it does not assume any responsibility for any investment decisions 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. Use of this Prospectus by prospective investors is based on the condition that they satisfy themselves as to the correctness and sufficiency of the information regarding the Company by independent inquiry as they or their legal or financial advisors see fit.

The Managers have relied in good faith on the Company for the accuracy, reliability and completeness of all information and the information has not been independently verified. Some content in this Prospectus may be based on assumptions and the Managers do not guarantee, represent, warrant, express or imply that the information is accurate, reliable or complete. Estimates of future operations of the Company are based on future plans of the Company as represented to the Managers by Softlogic Holdings Limited and have been used in good faith by the Managers to estimate the value of the Company Shares. This information should not be used to forecast projections for future business operations. Nothing contained in this information should be considered as a recommendation by the Managers.

The information contained herein has been provided on the condition that the Managers shall not be liable for any loss or damage howsoever arising as a result of any person acting or refraining from acting in reliance of any information, forecasts and opinion contained in this document and the shares are issued solely on the basis of the information contained and representations made in this Prospectus. Unless otherwise consented to by the Company, no person has been authorised to give any information or to make any representation not contained in this Prospectus in connection with the Share Issue. If given or made, such information or representations, must not be relied upon as having been authorised by the Company.

The Delivery of this Prospectus shall not under any circumstance 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 Prospectus.

**You are advised to carefully read this Prospectus prior to making any investment decision. If you are in doubt regarding the contents of this Prospectus, you should consult your stockbroker or other professional advisor.**

**The Colombo Stock Exchange (CSE) Has Taken Reasonable Care To Ensure Full And Fair Disclosure Of Information In This Prospectus. However, The CSE Assumes No Responsibility For The Accuracy Of The Statements Made, Opinions Expressed Or Reports Included In This Prospectus. Moreover, The CSE Does Not Regulate The Pricing Of The Shares, Which Is Decided Solely By The Issuer.**

## OFFER SUMMARY

<b>Number of Shares to be Issued</b>	139,000,000 ordinary shares
<b>Issue Price</b>	Rs. 29/- (Rupees Twenty Nine) per share
<b>Amount to be Raised</b>	Rs. 4,031,000,000/- (Rupees Four Billion and Thirty One million)
<b>Opening of the Subscription List (Opening date)</b>	9th June 2011 (However applications may be made forthwith)
<b>Closure of the Subscription List (Closing date)</b>	On the day the issue is oversubscribed or 29th June 2011, whichever date is earlier

### Minimum Subscription

500 shares (i.e. Rs. 14,500/-)

Applications in excess of 500 shares should be in multiples of 100 shares. The minimum subscription of 500 shares will be allotted to all successful applicants of the Company's Initial Public Offering.

### Allotment Structure

Category	No. of shares	% of Shares Offered
Employees	27,800,000	(20%)
Retail Individual Investors	55,600,000	(40%)
Unit Trusts	13,900,000	(10%)
Non-Retail Investors	41,700,000	(30%)

The definition of each category referenced herein is given under "Glossary of Terms Related to the offer". Employees will not be given any financial assistance by Softlogic Holdings Ltd for the purchase of shares.

### Basis of Allotment

In the event of an oversubscription, the shares will be allotted according to the aforesaid "Allotment Structure", at the discretion of the Board in a fair manner.

In the event of an undersubscription in the Unit Trust Investor Category, the Retail Investor Category shall be given first priority in allotment of the undersubscribed shares.

In the event of an undersubscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in the allotment of the undersubscribed shares.

In the event of an undersubscription of either the Employees Category or the Non-Retail Investor Category, the quantum of shares undersubscribed may be redistributed in a fair manner at the discretion of the Board to other categories that may be oversubscribed.

#### IMPORTANT:

As per the Directive of the Securities and Exchange Commission made under Circular No.08/2010 dated November 22, 2010 and Circular No.13/2010 issued by the Central Depository Systems dated November 30, 2010, all Shares allotted shall be directly uploaded to the CDS. All Applicants should indicate in the Application, the Applicants' CDS Account Number. **APPLICATIONS WHICH DO NOT CARRY THE CDS ACCOUNT NUMBER, WHICH IS NOT OPENED AT THE TIME OF THE CLOSURE OF THE SUBSCRIPTION LIST OR WHICH INDICATE AN INCORRECT/INACCURATE CDS ACCOUNT NUMBER SHALL BE REJECTED AND NO ALLOTMENTS WILL BE MADE.** PLEASE NOTE THAT SHARE CERTIFICATES SHALL NOT BE ISSUED.

If you wish to open a CDS Account, you may do so prior to making the Application, through any Member/ Trading Member of the CSE or through any Custodian Banks as set out in Annex B of this Prospectus.

## GLOSSARY OF TERMS RELATED TO THE OFFER

<b>Employees</b>	:	Any person employed permanently or on fixed term contract and in the payroll of the Softlogic Group
<b>New Shares / Offered Shares</b>	:	One hundred and thirty nine million (139,000,000) new Ordinary Shares, each to be issued by the Company, to the general public at the Share Offer Price
<b>Non-Retail Investors</b>	:	An application for more than 3,000 shares of the Company or Rs. 100,000 whichever is higher in value, that does not fall under the Employee or Unit Trust Investor categories
<b>Offer for Subscription</b>	:	An invitation to the public by the Company to subscribe for One hundred and thirty nine million (139,000,000) new Ordinary Shares of the Company in terms of this Prospectus under “Details of the Issue”
<b>Issue</b>	:	The Offer for Subscription under the provisions of this Prospectus
<b>Joint Venture</b>	:	A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control
<b>Prospectus</b>	:	This Prospectus dated 27th May 2011 issued by Softlogic Holdings Limited
<b>Retail Individual Investor</b>	:	An application by an individual investor for a maximum of 3,400 shares of the Company or a value not more than Rs. 100,000 whichever is higher This category includes both local and foreign individuals.
<b>Public Holding</b>	:	Shares of a Listed Entity held by any person other than those directly or indirectly held by, its parent, subsidiary or associate companies or any subsidiaries or associates of its parent company; its Directors who are holding office as Directors of the Entity, their spouses and children under 18 years of age; its Chief Executive Officer, his/her spouse and children under 18 years of age; and any single shareholder who holds 10% or more of the issued shares of the Entity
<b>Shares</b>	:	Ordinary voting shares
<b>Share Offer Price</b>	:	The price determined by the Board of Directors of Softlogic Holdings Limited as outlined under Issue Summary (Rs. 29/= per share)
<b>The Board or Board of Directors</b>	:	The Board of Directors of Softlogic Holdings Limited
<b>The Company</b>	:	Softlogic Holdings Limited
<b>The Group/ Softlogic Group</b>	:	Softlogic Holdings Limited and its Subsidiaries and Associates
<b>Unit Trust</b>	:	Growth or balanced unit trusts operated by Managing Companies licensed by the SEC, where such unit trust comprises not less than 500 unit holders resident in Sri Lanka who together hold at least 50% of that trust

## FORWARD LOOKING STATEMENTS

All statements mentioned in this Prospectus that are not of historical fact constitute “Forward looking statements”. Such statements could be recognised by phrases such as “expect”, “anticipate”, “estimate”, “intend”, “may”, “plan to”, “believe”, “could”, “would”, “will” or similar terms. However, these words are not exclusive means of identifying forward looking statements. All statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward looking statements herein.

Such risks and uncertainties include but are not limited to;

- Changes in political, social and economic conditions, and laws and regulations and the interpretation thereof in the jurisdictions where the Company conducts its business or expects to conduct business
- Changes in customer preferences and needs
- Changes in competitive landscape
- Changes in prices and availability of raw materials
- Changes in structure of customs duties, other import levies and corporate taxation
- Changes in future capital needs and availability of financing and capital to fund these needs
- Additional factors described under **“Future Strategies and Associated Risk”** of this Prospectus

Given these risks and uncertainties, that may not be in the control of the Company, that may cause the Company’s actual future results, performance or achievements to materially differ from that expected, and expressed or implied by the Forward looking statements in this Prospectus, investors are advised not to place sole reliance on such statements.

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## 1.0 INVITATION TO SUBSCRIBE

Applications are invited from the Public to subscribe for One Hundred and Thirty Nine Million (139,000,000) new Ordinary Voting Shares of the Company at a price of Rupees Twenty Nine (Rs. 29/-) per share under the terms and conditions set out in this Prospectus.

### 1.1 REGISTRATION OF THE PROSPECTUS

This Prospectus is dated 27th May 2011.

A duly signed copy of the Prospectus has been delivered to the Registrar General of Companies for registration in accordance with the provisions of the Companies Act No. 7 of 2007. The following documents are attached to the copy of the Prospectus delivered to the Registrar General of Companies:

- a) The written consent by the Auditors and Reporting Accountants and the Managers / Registrars to the Offering for the issue of the Prospectus with the inclusion of their statements in the form and content in which they are included.

They have not before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies, withdrawn such consent.

- b) The written consent by the Auditors and Reporting Accountants, Lawyer and Bankers to the Issue for the inclusion of their respective names in the Prospectus.

They have not before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies, withdrawn such consent.

- c) A declaration by each of the Directors of the Company confirming that each of them have read the provisions of the Companies Act No.7 of 2007 relating to the issue of the Prospectus and that those provisions have been complied with.

This Prospectus has not been registered with any authority outside Sri Lanka.

### 1.2 LISTING

An Application has been made to the CSE for permission to deal in and for a listing of 779,000,000 Ordinary Voting Shares being the entirety of the shares represented in the Stated Capital of the Company subsequent to the Offering.

Upon the successful completion of the Offering, the Company will be listed on the Diri Savi Board of the CSE, subject to compliance with Rule 2.1.3 c of the Listing Rules of the CSE.

### 1.3 SUBSCRIPTION LIST – OPENING AND CLOSURE DATE

The subscription list for the offered shares will open at 9.00 a.m. on 9th June 2011 and shall remain open for fourteen (14) Market Days until closure at 4.30 p.m. on 29th June 2011. (Period for the Subscription)

#### APPLICATIONS MAY HOWEVER BE MADE FORTHWITH

In the event of an over subscription of the offered shares prior to the date scheduled as the closing date of the period for the subscription, the Company shall inform the CSE in writing immediately of such fact and, with notification to the CSE, the subscription list will be closed at 4.30 p.m. on the same day on which it is fully subscribed.

## **1.4 PROCEDURE FOR APPLICATION**

Annex A sets out the detailed Procedure for Application.

## **1.5 COLLECTION POINTS FOR PROSPECTUS AND APPLICATION FORMS**

Copies of this Prospectus and Application Forms may be obtained free of charge from the parties named in Annex B – Collection Points.

## **1.6 BANKING OF PAYMENTS, BASIS OF ALLOTMENT, CDS LODGEMENTS, NON ISSUE OF CERTIFICATES, REJECTS AND REFUNDS**

Annex A sets out further information concerning the Issue pertaining to the above.

## **1.7 DECLARATION TO THE COLOMBO STOCK EXCHANGE AND SECONDARY MARKET TRADING**

The Company will submit to the CSE a Declaration on the Market Day immediately following the day on which Investors' CDS accounts are credited with securities. Trading of Ordinary Shares of the Company on the secondary market will commence on or before the third Market Day from the receipt of the Declaration by the CSE.

(Accordingly, the commencement day for trading shall not exceed the 22nd Market day from the day of closing of the Subscription List).

## 2.0 GLOSSARY OF ABBREVIATIONS USED IN THE PROSPECTUS

<b>AML</b>	Asiri Hospital Matara Private Ltd
<b>ASHL</b>	Asiri Surgical Hospital Ltd
<b>BPOs</b>	Business Process Outsourcing
<b>CHL</b>	Central Hospital Private Ltd
<b>EBOs</b>	Exclusive Branded Outlets
<b>ERP</b>	Enterprise Resource Planning
<b>GDP</b>	Gross Domestic Production
<b>GDS</b>	Global Distribution System
<b>GOSL</b>	Government of Sri Lanka
<b>HP</b>	Hewlett Packard
<b>ICDL</b>	International Computer Driving License
<b>ICT</b>	Information & Communication Technologies
<b>ICTA</b>	Information and Communication Technology Agency
<b>IDC</b>	International Data Corporation
<b>IMF</b>	International Monetary Fund
<b>MBOs</b>	Multi Branded Outlets
<b>MMH</b>	Matara Medi House Private Ltd.
<b>OLPC</b>	One Laptop Per Child
<b>PBT</b>	Profit Before Tax
<b>POS</b>	Point of Sale
<b>PSIS</b>	Premium Shop-in-Shop
<b>RFC</b>	Registered Finance Company
<b>SCIB</b>	Special Criminal Investigation Bureau
<b>SCL</b>	Softlogic Communications (Private) Limited
<b>SHL</b>	Softlogic Holdings Limited
<b>SIL</b>	Softlogic International (Private) Limited
<b>SLAS</b>	Sri Lanka Accounting Standards
<b>SLC</b>	Specialised Leasing Company
<b>SMB</b>	Small to Medium Size Businesses
<b>USD</b>	United States Dollar
<b>UWL</b>	Uni Walkers (Pvt) Ltd
<b>UWL – OA</b>	Uni Walkers Office Automation
<b>VAT</b>	Value Added Tax
<b>YOY</b>	Year On Year

## 3.0 CONTENTS OF PROSPECTUS

### 3.1 SHARES

#### 3.1.1 CORPORATE INFORMATION

Name	Softlogic Holdings Ltd	
Registration Number	PV 1536 PB	
Registered Address	No.14, De Fonseka Place, Colombo 05	
Date of Incorporation	25.02.1998	
Place and Authority of Incorporation	Registry of Companies, Colombo, Sri Lanka	
Name and address of Bankers	Sampath Bank PLC	No.110, Sir James Peris Mawatha, Colombo 02
	Commercial Bank of Ceylon PLC	"Commercial Bank" 21, Bristol Street, P.O.Box 856, Colombo 01
	Hatton National Bank PLC	HNB Towers, No 479, T.B.Jayah Mawatha, Colombo 10
	Seylan Bank PLC	Ceylinco Seylan Towers, No 90, Galle Road, Colombo 03
	National Development Bank PLC	No 40, Navam Mawatha, Colombo 02
	Citibank NA	65C, Dharmapala Mawatha, Colombo 07
	Nations Trust Bank PLC	P.O.Box 835, No 242, Union Place, Colombo 02
	DFCC Bank PLC	P.O.Box 1397,73/5, Galle Road, Colombo 03
	Bank of Ceylon	Head Office, No 04, Bank of Ceylon Mawatha, Colombo 01
	Union Bank Colombo PLC	No 15A, Alfred Place, Colombo 03
	Pan Asia Banking Corporation	No 450, Galle Road, Colombo 03
Auditors of the Entity	Ernst & Young	No. 201, De Saram Place, Colombo 10
Lawyers to the Entity	Nithya Partners, Attorneys-at-Law	No.97 A, Galle Road, Colombo 03
Secretaries to the Entity	Secretaries & Registrars (Pvt) Ltd	No.32A, 1st Floor, Sir Mohamed Macan Makar Mawatha, Colombo 03.

## RELEVANT PARTIES TO THE ISSUE

<b>Lead Managers and Financial Advisors to the Issue</b>	John Keells Capital A division of John Keells Holdings PLC	No. 130 Glennie Street, Colombo 2  Tel : 011 2306167 Fax: 011 2306160
<b>Joint Managers and Financial Advisors to the Issue</b>	CT Capital (Pvt) Ltd	4-3 Majestic City No. 10 Station Road, Colombo 4  Tel : 011 2584843 Fax: 011 2580181
<b>Joint Managers and Registrars to the Issue</b>	PW Corporate Secretarial (Private) Limited	No 3/17, Kynsey Road, Colombo 8  Tel: 011 4640360-3
<b>Lawyers to the Issue</b>	Nithya Partners, Attorneys-at-Law	No.97 A,Galle Road, Colombo 03
<b>Auditors to the Issue</b>	Ernst & Young	No. 201, De Saram Place, Colombo 10
<b>Bankers to the Issue</b>	Sampath Bank PLC	No 110, Sir James Peris Mawatha, Colombo 2  Tel : 011 2300260 Fax: 011 4730610

### 3.1.2 OBJECTIVES OF THE ISSUE

Softlogic Holdings Limited has made significant investments in the Healthcare, Leisure and Financial Services Sectors as at April 2011. The primary objective of the issue is to reduce the debt incurred on these investments as well as on borrowings taken for increased working capital requirements, as scheduled in the order of priority in the table below.

Except for the Rs. 117Mn loan taken by Softlogic International (Pvt) Ltd, a 99% subsidiary of Softlogic Holdings Limited, all other loans scheduled for retirement through the IPO proceeds are taken by Softlogic Holdings Limited. The details of the loan are presented in ANNEX E of the Prospectus. The loan taken by Softlogic International (Pvt) Ltd will be settled by Softlogic International (Pvt) Limited through an inter company loan from Softlogic Holdings Limited, using the IPO proceeds.

The balance Rs. 27Mn will partially fund the cost of the Issue.

Bank/Financial Institution	Amount Rs. Mn	Interest Rate p.a.	Borrower	Purpose of Obtaining the loan
Seylan Bank PLC	250	12%	Softlogic Holdings Ltd	Acquisition of 70,908,710 Asiri Hospitals Holdings PLC Shares
Hatton National Bank PLC	1,400	AWPLR+1.5%	Softlogic Holdings Ltd	Acquisition of 153,362,050 Asiri Hospitals Holdings PLC Shares (Mandatory offer)
Sampath Bank PLC	650	AWPLR+1.5%	Softlogic Holdings Ltd	Acquisition of 72,222,200 Asiri Hospitals Holdings PLC Shares (Mandatory offer)
Hatton National Bank PLC	375	AWPLR+1.5%	Softlogic Holdings Ltd	Settlement of Standard Chartered facility obtained for working capital
Sampath Bank PLC	925	AWPLR+1.5%	Softlogic Holdings Ltd	Acquisition 1,216,325 shares of Ceylinco Tourist Hotels Ltd (Owner of Ceysand Hotels Benthotota)
Sampath Bank PLC	287	AWPLR+1.5%	Softlogic Holdings Ltd	Acquisition of 14,530,458 shares of Softlogic Capital Ltd - 56% (Formerly Capital Reach Holdings Ltd)
Seylan Bank PLC	117	12%	Softlogic International (Pvt) Ltd	Acquisition of 14,492,750 shares of Asiri Hospital Holdings PLC
Total	4,004			

### 3.1.3 PARTICULARS OF SHARES FOR WHICH APPLICATION IS BEING MADE

An Application has been made to list Seven Hundred and Seventy Nine Million (779,000,000) Shares on the Diri Savi Board of the Colombo Stock Exchange out of which One Hundred and Thirty Nine Million (139,000,000) Shares are offered for subscription in terms of this Prospectus.

The One Hundred and Thirty Nine Million (139,000,000) shares, upon allotment will rank pari passu with the Six Hundred and Forty Million (640,000,000) existing issued Shares of the Company with full voting rights and the right to participate in any dividend declared to Ordinary Shareholders by the Company after the allotment of the offered shares and the right to an equal share in the distribution of the surplus assets of the Company on liquidation.

The Offer price will be Rupees Twenty Nine (Rs. 29/-) per share.

Applications should be made for a minimum of Five Hundred (500) shares and applications exceeding the minimum should be in multiples of One Hundred (100) shares.

The shares shall not be transferable by the shareholders during the period commencing from the date of allotment of the shares and up to the date of commencement of trading on the CSE. The shares of the Company are freely transferable once trading commences.

### 3.1.4 CONSIDERATION

The Company and the Board of Directors of Softlogic Holdings Limited are of the opinion that the offer price of Rs. 29/- is fair and reasonable to the Company and to all existing shareholders of the Company.

### 3.1.5 BASIS OF ALLOTMENT

Number and the percentage of shares to be allotted to the Employees, Retail Individual Investors, Unit Trusts and Non-Retail categories are as follows.

Employees	: 27,800,000 shares	(20%)
Retail Individual Investors	: 55,600,000 shares	(40%)
Unit Trusts	: 13,900,000 shares	(10%)
Non-Retail Investors	: 41,700,000 shares	(30%)

In the event of an oversubscription, the shares will be allotted according to the aforesaid "Allotment Structure", at the discretion of the Board in a fair manner.

In the event of an undersubscription of either the Employees Category or the Non-Retail Investor Category, the quantum of shares undersubscribed may be redistributed in a fair manner at the discretion of the Board to other categories that may be oversubscribed.

In the event of an undersubscription in the Unit Trust Investor Category, the Retail Investor Category shall be given first priority in allotment of the undersubscribed shares.

In the event of an undersubscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in the allotment of the undersubscribed shares.

Applications submitted by "Growth or Balanced Unit Trusts" under the Unit Trust Investor Category should conform to the criteria defined by the SEC directive dated 10th March 2010.

### 3.1.6 COST OF THE ISSUE

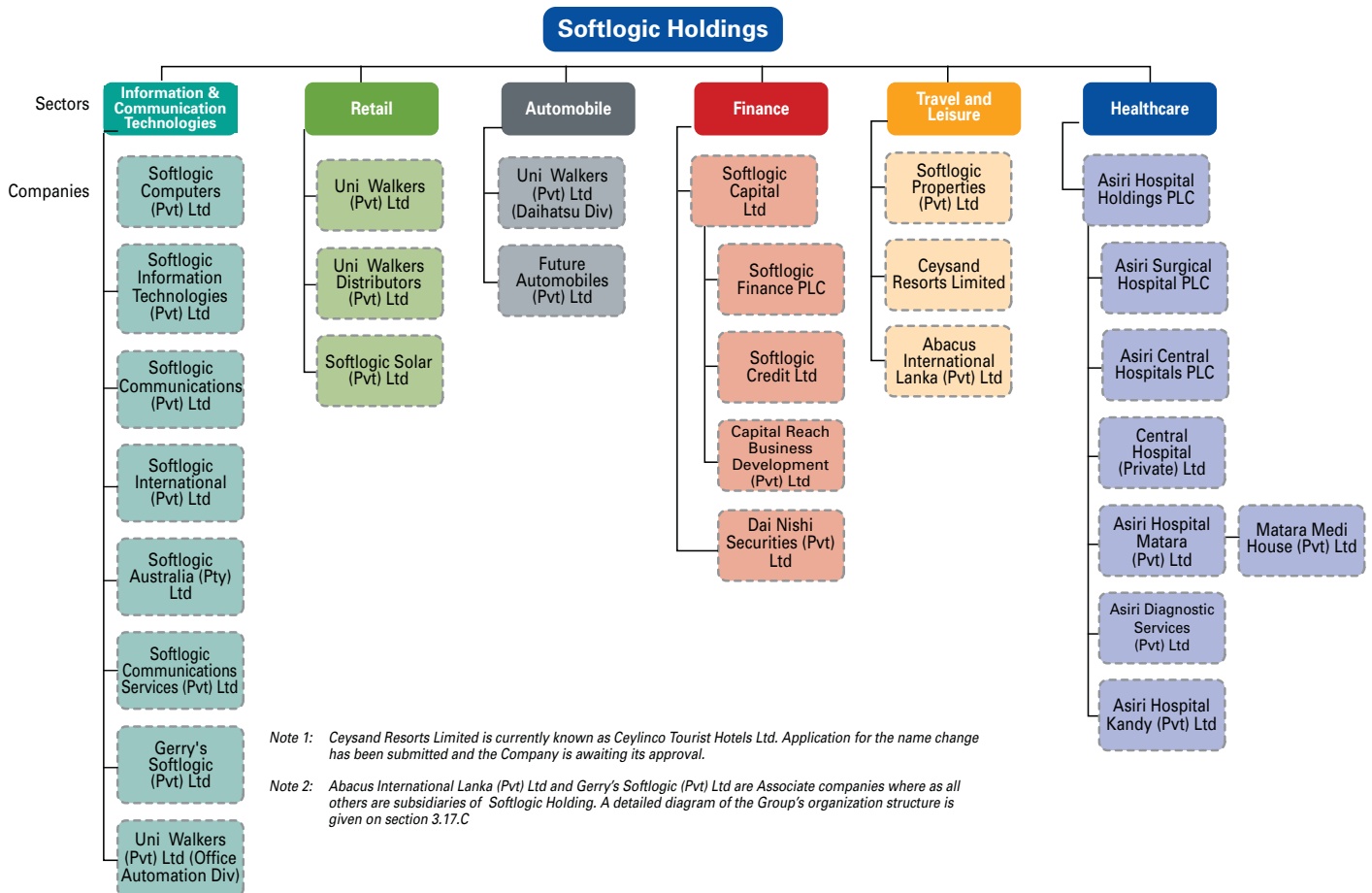
The cost of the issue is estimated to be Rs 150Mn. Rs 27Mn of it will be funded by the proceeds from the issue and the balance Rs. 123Mn will be funded from internally generated funds.

### 3.1.7 PROFILE OF THE ENTITY

A description of the business carried out by the Entity is given below. Since the entity is a Holding Company with subsidiaries and associates operating in various sectors of the economy, and are material in respect of turnover and/or profit of the Group, information in tabular form as to the relative importance of each such activity has been stated followed by detailed descriptions of sectors and companies within each sector.

## Softlogic Holdings Ltd – Sectoral Breakdown

Softlogic's origins lie in the Information & Communication Technologies (ICT) industry, where it started operations by providing hardware and software solutions to varying segments of the Sri Lankan market. Softlogic Group has since expanded into six key sectors of the economy as shown below – namely, ICT, Retail, Automobile, Finance, Travel and Leisure, and Healthcare.



The main contributors to Softlogic's revenue and profit before tax (PBT) as at 31st December 2010 are given in the table below. Further details of the following companies and sectors are given in detail under their respective sector profiles.

Company	Percent Contribution	
	Revenue	PBT
Uni Walkers (Pvt) Ltd and Uni Walkers Distributors	29%	27%
Softlogic Information Technologies (Pvt) Ltd	19%	7%
Softlogic Communications (Pvt) Ltd	32%	10%
Softlogic International (Pvt) Ltd	15%	6%
Softlogic Capital Ltd	4%	7%
Softlogic Properties (Pvt) Ltd*		16%

\* Softlogic Properties Limited currently owns the investment property of 90 perches situated in Colombo 3. It currently does not have any revenue generating activities. The PBT is on account of the increase in the fair value of Investment properties.

The main Sector contributors to Softlogic's revenue for the 9 months ending 31st December 2010 are given in the table below.

Sector*	Revenue Contribution	
	Share	Rs.
Communication	47%	3,927,998,075
Automobiles and Home Appliances	28%	2,361,153,119
Information Technology	20%	1,657,778,993
Finance	4%	308,368,724
Others	1%	113,883,075
Property Development	0%	-

\* Sector Classifications of the Group have changed subsequent to the preparation of Financial Statements for the 9 months ending 31st December 2010

\*\*Travel & Leisure and Healthcare Sectors were not consolidated during the period.

## Company Profile and Industry Analysis

Sector	Company
Automobile	Future Automobile (Pvt) Ltd
	Uni Walkers (Pvt) Ltd
Finance	Dai Nishi Securities (Pvt) Ltd
	Softlogic Capital Ltd
	Softlogic Finance PLC
	Softlogic Credit (Pvt) Ltd
	Capital Reach Business Development (Pvt) Ltd
Healthcare	Asiri Hospital Holdings PLC
	Asiri Surgical Hospital PLC
	Asiri Central Hospitals PLC
	Central Hospital (Pvt) Ltd
	Asiri Diagnostic Services (Pvt) Ltd
	Asiri Hospital Matara(Pvt) Ltd
	Matara Medi House (Pvt) Ltd
	Asiri Hospital Kandy (Pvt) Ltd
Information & Communication Technology	Softlogic Information Technologies (Pvt) Ltd
	Softlogic International (Pvt) Ltd
	Softlogic Communications (Pvt) Ltd
	Softlogic Computers (Pvt) Ltd
	Softlogic Australia (Pty) Ltd
	Softlogic Communications Services (Pvt) Ltd
	Gerry's Softlogic (Pvt) Ltd (Pakistan)
	Uni Walkers (Pvt) Ltd
Leisure	Softlogic Properties (Pvt) Ltd
	Ceysand Resorts Ltd
	Abacus International Lanka (Pvt) Ltd
Retail	Softlogic Solar (Pvt) Ltd
	Uni Walkers (Pvt) Ltd
	Uni Walkers Distributors (Pvt) Ltd

## Effective holding of Softlogic Holdings Limited in Group Companies

Investee	Effective Holdings
Abacus International Lanka (Pvt) Ltd	40.00%
Asiri Central Hospitals PLC	49.37%
Asiri Diagnostic Services (Pvt) Ltd	34.39%
Asiri Hospital Holdings PLC	51.69%
Asiri Hospital Kandy (Pvt) Ltd	51.69%
Asiri Hospital Matara (Pvt) Ltd	51.69%
Asiri Surgical Hospital PLC	29.99%
Capital Reach Business Development (Pvt) Ltd	53.42%
Central Hospital (Pvt) Ltd	24.94%
Ceysand Resorts Ltd	99.32%
Dai Nishi Securities (Pvt) Ltd	100.00%
Future Automobiles (Pvt) Ltd	100.00%
Gerry's Softlogic (Pvt) Ltd (Pakistan)	40.00%
Matara Medi House (Pvt) Ltd	51.69%
Softlogic Australia (Pty) Ltd	100.00%
Softlogic Capital Ltd	53.42%
Softlogic Communications (Pvt) Ltd	99.00%
Softlogic Communications Services (Pvt) Ltd	99.00%
Softlogic Computers (Pvt) Ltd	99.99%
Softlogic Credit (Pvt) Ltd	35.80%
Softlogic Finance PLC	30.04%
Softlogic Information Technologies (Pvt) Ltd	100.00%
Softlogic International (Pvt) Ltd	99.99%
Softlogic Properties (Pvt) Ltd	99.00%
Softlogic Solar (Pvt) Ltd	99.00%
Uni Walkers (Pvt) Ltd	100.00%
Uni Walkers Distributors (Pvt) Ltd	100.00%

# Company Profile and Industry Analysis

## Information & Communication Technology (ICT) Sector

### Overview

Softlogic Group's ICT sector consists of multiple companies that operate in the IT subsector and in the telecommunications subsector. The Group commenced operations in 1991 as a provider of hardware and software solutions to the Sri Lankan market and has since expanded operations to foreign markets. The Group's IT subsector companies operate in the software development, hardware and system software solutions, market specific ICT solutions and office automation sub-subsectors. The IT subsector also partners with many world renowned brands as either the authorised distributor or a service provider.

- Software Development : Softlogic Information Technologies (Pvt) Ltd
- Hardware and Software Solutions : Softlogic Information Technologies (Pvt) Ltd
- Market specific ICT Solutions : Softlogic Computers (Pvt) Ltd
- Office Automation : Uni Walkers Office Automation

Softlogic ventured in to the Telecommunications subsector in 1997 and is the exclusive distributor for Nokia mobile communication devices in Sri Lanka and has a long established business partnership with Dialog Axiata PLC to provide Dialog products and services to the end user.

- Business partnership with Dialog Axiata PLC : Softlogic International (Pvt) Ltd
- Exclusive Distributor for Nokia mobile phones : Softlogic Communications (Pvt) Ltd
- Nokia aftersales services : Softlogic Communication Services (Pvt) Ltd

### IT Subsector

#### Softlogic Information Technologies (Pvt) Ltd (SITL)

**SITL** was established in the year 1991 as Softlogic Information Systems (Pvt) Ltd and was the first to be incorporated under the Softlogic banner with the objective of developing computer software and providing IT solutions to the local market. The 100% owned company is a Microsoft certified partner and is involved in advanced software development. The company provides solutions to a number of diverse industries such as finance, freight forwarding, shipping, school management, secretarial management, health care and micro finance. They also provide Enterprise Resource Planning (ERP) functions in the areas of:

- Enterprise application development
- Design, development and deployment of business solutions
- Multi-channel solutions enabled via web and wireless/mobile computing
- Intranet and knowledge management applications
- Product implementation
- Assessment, customisation and implementation of Softlogic software packages
- Integration of Softlogic solutions with other legacy systems

Softlogic Information Technologies (Pvt) Ltd also provides ICT based hardware and system software solutions to corporate, small to medium size businesses (SMB) and Government segments which were previously provided by Softlogic Trading. IT solutions provided by the company, are focused around personal computers, notebooks, servers, storage, network infrastructure and printers.

The company has established key relationships with many leading global brands as follows:

<b>DELL Computers</b>	:	Authorised Distributor and Service Partner
<b>CISCO</b>	:	Premier Partner
<b>Microsoft</b>	:	Gold Certified Partner
<b>NOVEL/LINUX</b>	:	Gold Partner
<b>MOLEX</b>	:	Authorised Distributor
<b>HP/Xerox Printers</b>	:	Authorised Partner

The company's core functionality is based around its PC Marketing Group, Enterprise Solutions Group and the Services Arm.

The PC marketing team's main functions are to build relationships with its key clientele in the corporate and Government sectors while focusing on the distribution, retail and consumer markets. The Enterprise Solutions group is structured to address the enterprise solutions market.

The Service Arm designs, implements and provides post warranty services to all Softlogic customers island-wide. The company has over 27 engineering field staff spread throughout the country to provide faster service. Apart from these services, the company also manages service departments that cater to specific ICT service requirements.

### **Softlogic Computers (Pvt) Ltd (SCL)**

**SCL** was incorporated in 1995 with the aim of providing market specific ICT solutions. The 99.99% owned company currently provides solutions to the retail, hospitality and banking/finance markets. The company also caters to the power protection needs of customers across all industries.

The company is the authorised distributor for:

- Epson and Partner Tech point of sale products
- Epson passbook printers
- Accu banker currency counters for the banking and financial industries
- Riello power protection products across every industry

The company also provides a complete range of point of sale (POS) products such as customer displays, cash drawers, bar code scanners, LCD displays etc. The company has a wide distribution network with a dealer channel consisting of approximately 50 solution providers, software developers and wholesale IT resellers. The company provides unparalleled after sales service with island-wide resident engineers and 24 x 7 x 365 pre and post sales support.

### **Uni Walkers Office Automation (UWL – OA)**

**UWL-OA** is a division of Uni Walkers (Pvt) Ltd, which was acquired by Softlogic in 2006, and is currently a 100% owned subsidiary of Softlogic Holdings. UWL-OA's primary focus is on the import and sale of imaging, printing and audio visual equipment, representing the world renowned document product manufacturers Panasonic, NEC and Xerox.

The range of models carried by UWL-OA comprehensively fulfils the requirements of most segments in the product category and plays a leading role in the local market with a major focus on both the Government and the private sector.

UWL- OA's wide range of office automation products are:

- Panasonic Thermal Fax Machines
- Panasonic Plain Paper Fax Machines
- Panasonic Pabx Systems
- Panasonic Feature Phones
- Plain Paper Fax Machines
- Thermal Paper Fax Machines
- Xerox Mono Laser Printers
- Xerox Colour Laser Printers
- Xerox Digital Network Copiers
- Xerox Multi Function Printers
- Xerox Full Colour Production Machines

In addition to the above mentioned subsidiaries, Softlogic also has the following operations as explained below:

### **Gerry's Softlogic (Pvt) Ltd (Gerry's)**

**Gerry's** is a joint venture between Gerry's Group Pakistan and Softlogic Holdings Ltd Sri Lanka. Gerry's Softlogic is an authorized distributor for Dell Personal Computers and Servers in Pakistan and also provides the following IT services: Maintenance Solutions, Desktops and Laptops, Software Licensing, Servers and Storage and System Integration Services.

### **Softlogic Australia (Pty) Ltd (SAL)**

**SAL** is a fully owned subsidiary of Softlogic Holdings Ltd that is incorporated in Australia. The company develops, markets, sells, implements and supports its own software solutions in line with industry requirements. Currently Softlogic Australia provides software solutions for Food Services Management, Nutrition Care Planning, Allied Health Care Management, Job Scheduling and Auditing. The company also provides Technology solutions such as Virtualization, Storage systems, Archiving, Server setup and configuration, Application service providing as well as consulting services.

### **Telecommunications Subsector**

#### **Softlogic International (Pvt) Limited (SIL)**

**SIL** is a 99.99% owned subsidiary that was incorporated in 1997, and formed a business partnership with Dialog Axiata PLC, (formerly known as Dialog Telekom PLC) in 1998.

The Company has 31 stores island-wide including 27 fully fledged Dialog Axiata franchise outlets that deliver services and products related to Dialog Axiata PLC and mobile communications. SIL also acts as the regional distributor and stockist for Nokia, in the Western and the Southern provinces providing services to more than 1000 Sub Dealers and is also engaged in the redistribution of Dialog Axiata PLC products via over 2000 Sub Dealers Island-wide. The company is backed by a strong contemporary infrastructure with a permanent cadre of over 230 staff members.

#### **Softlogic Communications (Pvt) Limited (SCL)**

**SCL**, a 99% subsidiary, was incorporated in the year 2000 and is the exclusive distributor for Nokia mobile phones in Sri Lanka. The company has a strong distribution network, which includes 7 key distributors and over 2,200 retailers island-wide in addition to its own chain of 11 exclusive Nokia stores.

## Softlogic Communications Services (Pvt) Limited (SCSL)

**SCSL**, a 99% subsidiary, of Softlogic Holdings Limited. The company operates the after sales services business for Nokia products, including the Nokia Care Centres which specialize in the service and repair of Nokia products.

The company also has an island-wide 'Care service' for Nokia customers while also providing access to 7 Nokia Care centres and in excess of 225 Nokia Care drop off network points located in all principal townships in Sri Lanka.

## Industry Analysis

### Overview

The development of the ICT sector of Sri Lanka is one of the key growth areas focused on by the Government. The Information and Communication Technology Agency (ICTA), the apex body formulating ICT strategy in Sri Lanka has launched turnkey projects to enable increased ICT penetration nationwide through the building of information infrastructure and a vast array of development projects specifically targeted at provinces other than the Western. As a result of these policies, computer literacy in Sri Lanka has seen significant growth.

The primary policy document of the Government, the "Mahinda Chinthana" has set a target of achieving a 50% computer literacy rate in the country in the next five years with the overall goal of developing the capabilities to cater to the needs of international business, such as through e-commerce and Business Process Outsourcing (BPO).

According to recent surveys, as indicated by Government sources, 11.4% of households in Sri Lanka own desktop or laptop computers. This varies from 26.3% in some urban areas to 9.8% in rural areas. The Government is conscious of the digital divide within the country and has therefore established rural ICT centres under the theme "e-Life" to bridge this gap. In addition, the Government of Sri Lanka (GOSL) launched a "One Laptop Per Child (OLPC)" project, with the active contribution of the private sector, to reach 1:1 student PC ratio in Sri Lanka, which is currently about 200:1. The Government encourages private entrepreneurs to produce or assemble low cost computers and provides loan schemes for teachers and students to purchase a PC, thereby increasing market opportunities.

Further, programs are also underway to further develop the usage of key software in key service sectors that include Telecommunication, Banking, Finance and Insurance. As per company estimates, revenues from the sector have shown a steady upward trend for the past few years with revenues recorded at US \$213Mn in 2007, US \$256Mn in 2008 and US \$271Mn in 2009.

### Industry Size

The Sri Lankan IT (hardware and software solutions) industry is highly competitive where all leading global brands such as Dell, Hewlet Packard (HP), Lenovo, Microsoft, Cisco, Intel, Acer, NEC, Fujitsu, Checkpoint, Symantec, McAfee, Juniper etc are available. As per company estimates the industry market size is approximately 200,000 to 250,000 endpoint units which comprise of desktops and notebooks and the total market is estimated to be around US \$336Mn in the year 2010 with hardware approximated to be US \$230Mn and the Software solutions industry US \$40Mn.

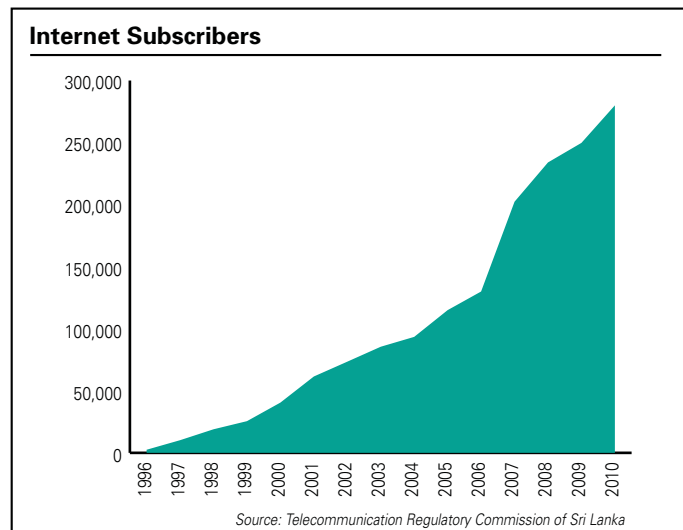
In the backdrop of favorable Government policy and higher investments by the private sector to improve internal productivity metrics, the immediate growth outlook for the market remains strong. According to International Data Corporation (IDC) statistics, total PC units (includes Desktop, notebooks) imported to the country stood at approx. 40,000 units in Q3 2010, up by approximately 45% YoY from 27,500 units in Q3 2009. IDC statistics indicate that segments such as the home market, Government sector, large business and education have grown at 50% YoY, whilst the very large business, medium business, small business and small office businesses grew at 35% YoY.

## Internet Usage

Internet usage and penetration have been steadily growing in Sri Lanka driven primarily by increased competitiveness and thus reduced cost as well as improved infrastructure and coverage with most parts of the country receiving coverage.

## Business Climate

Finally, a positive business climate is further pressing the need for growth of the ICT sector with many businesses steadily automating their processes as well as increased set-up of new businesses. The development of Sri Lanka as a key hub in the South Asian region has further brought upon the need for improved ICT infrastructure as well as attracting global leaders in ICT which in the future will vastly aid in the development of the local framework.

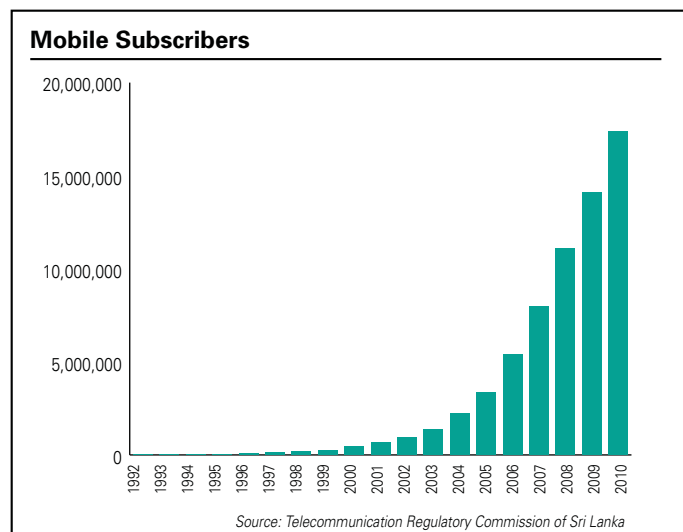


## Telecommunications Sub-Sector

Telecommunications is both a key supplementary and stand-alone sector and will play a large role in the development of both the country and the ICT sector.

Sri Lanka's mobile industry has taken significant strides displaying significant growth rates in penetration and coverage, with penetration standing at approximately 85%. This was primarily due to continuing downward pressure on both the price of mobile handsets and increasingly heavier competition between the 5 licensed voice providers in Sri Lanka.

The presence of a grey market and availability of cheap handsets compounded this factor. A Government budget in November 2010 however scrapped a 6% import duty on mobile phones which reduced the grey markets competitiveness.





## Sri Lanka as a BPO Destination

Sri Lanka's status as a BPO destination, although significantly behind industry leaders such as India has gained more traction in recent years. According to A.T Kearneys Global Services Location Index™ for 2011, Sri Lanka ranks 21 st up 8 ranks from its position of 29 in 2007.

## Global Services Location Index – Extracts

	2007		2011				
	Rank	Total Score	Rank	Total Score	Financial Attractiveness	People Skills & Availability	Business Environment
Sri Lanka	29	5.36	21	5.26	3.20	0.95	1.11
India	1	7.00	1	7.01	3.11	2.76	1.14
China	2	6.56	2	6.49	2.62	2.55	1.31
Pakistan	30	5.34	28	5.15	3.23	1.16	0.76
Malaysia	3	6.12	3	5.99	2.78	1.38	1.83
Phillipines	8	5.75	9	5.65	3.18	1.31	1.16
Thailand	4	6.02	7	5.72	3.05	1.38	1.29
Singapore	11	5.68	32	5.06	1.00	1.66	2.40

Source: AT Kearneys Global Services Location Index™, 2011,2007

-  Sri Lanka's Rating is better
-  Sri Lanka's Rating is Worse

## Retail Sector

### Overview

Rapid per capita income growth, which resulted in Sri Lanka graduating from a low income to middle income status, is expected to create significant growth opportunities in the retail sector. The cessation of hostilities in 2009 coupled with its proximity to the fast growing Indian and Chinese markets is expected to add further impetus to Sri Lanka's economic growth, which should have a positive knock on effect on the retail sector.

Within the retail sector the company has exposure to the consumer electronics, branded apparel and furniture subsectors. The Group holds the authorised distributorships for many world reputed brand names in each of the subsectors.

- Consumer electronics: Panasonic, Samsung, Onida, Candy, Cornell, Ignis
- Branded apparel: Levi's, Nike, Giordano, Mango
- Furniture: SB Furniture, King Koil, Sheridan, Caroma

The Group's retail sector is spearheaded by its 100% owned subsidiary, Uni Walkers (Pvt) Limited and uses a multi-brand strategy with a distribution network focusing on the retail brands "Softlogic Max" and "Softlogic".

**Uni Walkers (Pvt) Ltd (UWL)** was incorporated in September 1969 and has since been the authorised distributor for Panasonic (then National Panasonic) consumer electronics and Daihatsu automobiles. Subsequent to its acquisition by Softlogic Holdings Ltd in 2006, Uni Walkers (Pvt) Ltd has been structured to function as the Group company primarily driving the Group's Retail operation.

### Consumer Electronics: Product Categories and Brands offered

Televisions	: Panasonic/Samsung/Onida
Refrigerators	: Panasonic/Samsung
Audio/Video products	: Panasonic/Samsung/Onida
Washing Machines	: Panasonic/Samsung/Onida/Candy
Microwave Ovens	: Panasonic/Samsung/Onida/Candy
Air Conditioners	: Panasonic/Samsung
Kitchen Appliances	: Panasonic/Candy/Cornell/Ignis/Samsung
Computers	: Dell
Mobile Phones	: Nokia
Office Automation	: Panasonic/Xerox
Digital Cameras	: Panasonic Lumix/Samsung

### Distribution

The current retail operation consists of 75 multi branded showrooms; 4 of which operate under the brand "Softlogic Max" and 71 which operate under the brand "Softlogic". "Softlogic Max" stores, which are 10,000 sq.ft in size, cater to the high end market. "Softlogic" showrooms, which are approximately 1,500 sq.ft in size, cater to the mid market customer, and are located more widely in key locations within towns. Softlogic has an extensive dealer network comprising of approximately 160 dealers spread throughout the island.

In addition to direct cash sales, the company also offers hire purchase schemes and tie-ups with all major credit cards.

## **Branded Apparel: The branded apparel sub sector currently includes Levi's, Nike, Giordano and Mango**

### **Levi's**

Uni Walkers Pvt Ltd was appointed by Levi Strauss India Pvt Ltd in 2009 as the master distributor for Levi's in Sri Lanka with exclusive distribution rights for the following:

- Casual wear clothing for both Ladies and Gents
- Accessories (bags, pouches, belts, caps, wallets, footwear, socks, etc)

### **Nike**

UWL secured the authorised distributorship for Nike - the world's leading designer, marketer and distributor of authentic athletic footwear, apparel, equipment and accessories in 2010.

- Sports apparels for both ladies and gents
- Sports footwear
- Equipment and accessories

### **Giordano and Mango**

UWL's most recent successes have been in securing the distributorship for Giordano, the Hong Kong based retailer of men's, women's and children's quality apparel and the franchise for Mango, a renowned Spanish based brand that targets the following segments:

- Casual wear
- Smart-casual wear

### **Distribution**

The UWL apparel retail model comprises of Exclusive Branded Outlets (EBOs) and Multi Branded Outlets (MBOs).

The company currently operates two Levi's flagship stores on an EBO model, which is located in a prime location down Dharmapala Mawatha in Colombo 3, and inside KZone shopping complex in Moratuwa in addition to a Premium Shop-in-Shop (PSIS) down R.A De Mel Mawatha, in Colombo 5. The Company is currently in the process of establishing its flagship stores for Nike, Giordano and Mango in Colombo.

The MBO operation today covers 20 MBO doors within all the leading fashion retail chains (Odel/ No Limit/ Fashion Bug/ Hameedia/ Dillys/ Cotton Collection/ Cool Planet/ Ranjanas).

### **Furniture**

Product Categories and Brands offered include the following.

Furniture	: SB Furniture/Koncept Furniture/local manufacturers
Mattresses/Bedding	: King Koil
Towelling/Bed linen	: Sheridan
Sanitary ware	: Caroma

Uni Walkers Pvt Ltd, under its "LifeStyles" arm, retails imported, ready to assemble elegant bedrooms; and other household furniture, mattresses, bedding, linen and household accessories. The company recently introduced solid wood furniture items to expand its range of offerings. The company also offers turnkey solutions through its projects and interior division. LifeStyles have an established presence in the hospitality industry with the King Koil products.

In addition to expanding their existing product range, LifeStyles, also introduced an easy payment scheme to facilitate purchases of their products. The company has already seen a marked impact on sales since the inception of this scheme in September 2010.

## Distribution

The flagship store at Kohuwela is over 20,000sqft, and carries all its brands within the store. Other merchants such as Abdul Rahims, Moolchands, Spring Air, Sleepytime and Colma Office furniture have Shop in Shop displays of their products within the LifeStyles store. The company maintains a professional installation team that oversees all furniture installations at customer sites.

Softlogic has also been in the business of retailing solar home systems as an alternate energy source.

## Uni Walkers Distributors (Pvt) Ltd

Uni Walkers Distributors is the distribution arm of Uni Walkers (Pvt) Ltd. It primarily operates the distribution of consumer electronics and home appliances under the Panasonic and Samsung product ranges, amongst others.

## Softlogic Solar (Pvt) Ltd (SSL)

**SSL** is a 99% owned subsidiary of Softlogic Holdings Ltd. The flagship solution of the company is the Solar Home System (SHS), through which hundreds and thousands of rural homes are able to have electricity. The company also provides solar powered lanterns for those who do not have adequate funding to own a SHS. The company has also installed complete street lamp systems using solar power. The company offers Solar Home Systems ranging from the basic 2 light system to larger 10 light systems and undertakes the entire installation and commissioning of the SHS.

## Industry Analysis

### Overview

The retail sector in Sri Lanka is one that is heavily driven by prevailing macro-economic factors and general consumer sentiment. Growth in overall GDP per Capita and consumer spending power and the general quality of life are directly correlated with growth in the retail sector. These macro-indicators have been on an upward trend since the end of the civil war and to a large extent have not adversely suffered as a result of the global financial crisis.

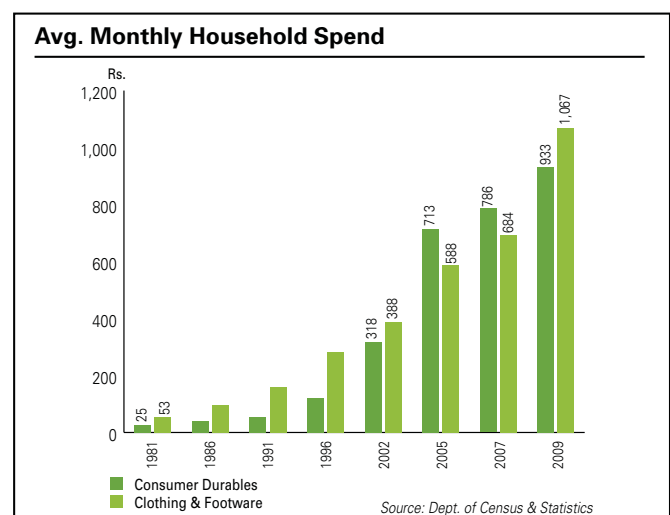
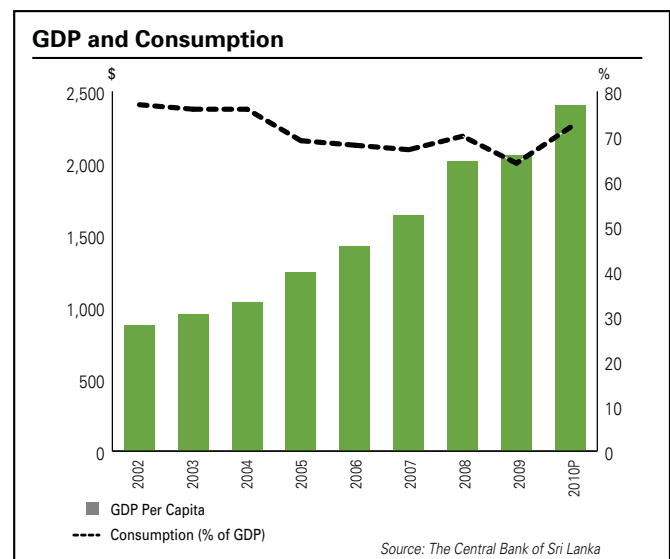
### Improving Macro Variables

As per provisional figures, GDP per capita has grown to US \$2,399 in 2010, up 16% YoY from US \$2,053 in 2009 and over 175% since 2004 where it stood at US \$870.

Resultant increases expected in disposable income and purchasing power would increase the general level of spending with a focus on the retail sector both in terms of new purchases and replacements.

Sri Lanka's demography is seeing a general upward shift as evidenced by the improvement in GDP per capita.

This upward mobility in the standard of living has resulted in a steady increase in the average amounts spent per month on various items.

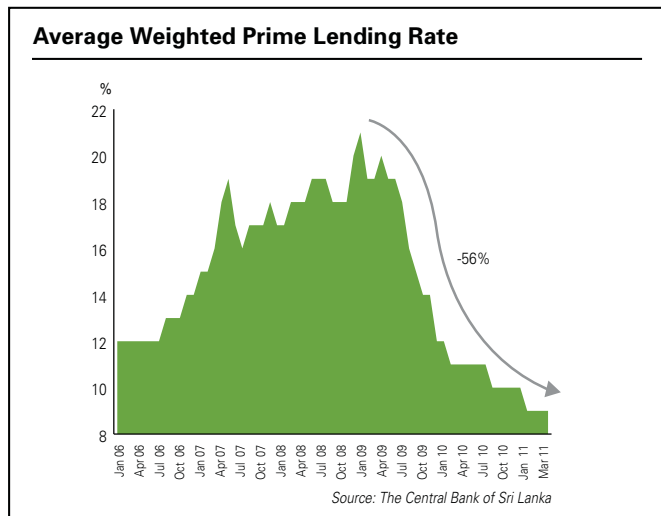


The fastest growing segments have been Consumer Durables, Clothing and Footwear, seeing a growth of 193% and 175% respectively from 2002 – 2009.

**Low interest rates** coupled with stable inflation will also drive consumer purchasing power upwards especially in terms of consumer durables. This coupled with improved credit growth are positive signs for the future of the retail sector.

With significant proportions of sales in this sector being made on credit and with continued reductions in interest rates and credit card rates being mandatorily reduced by the Central bank from 36% to 24%, spending power is further expected to see increases.

**New markets** to the North and East (estimated at over 1.4Mn people as per Central Bank statistics) are also expected to improve sector growth in the short to medium term especially in the context of consumer durables.



**Quality of life** - Following on from the end of the conflict, there has been a general increase in the quality of life amongst the consumer market with positive sentiment being reflected in increased discretionary spending.

**Imports & Government policy** - In terms of the entire retail industry, legal importers had to face a high taxation regime which was compounded by the adoption of import deterrents during 2008 and early 2009 to control foreign currency outflows. However, with the improving of Sri Lanka’s external reserve position due to increased foreign capital inflows, the approval of an IMF loan, the issue of dollar denominated sovereign bonds, external reserves grew from a low of US \$1.27Bn in March 2009 to US \$6.7Bn by October 2010. The relaxation of import procedures and reduction of import duties further facilitated retail market growth in the Island.

## Sub Segments

### Consumer Electronics & White Goods

The Consumer Electronics and white goods retail market in Sri Lanka is currently valued at approximately Rs. 70-75Bn and consists of two main segments

**Organised sector:** Well structured and established operating model. This sector is approximately 70% of the market and is dominated by three major players.

**Unorganised sector:** Individual shop owners (cash & carry dealers), who purchase branded/un-branded products from the distributors/third parties and re-sell it to their customers by retaining a margin. The total dealer network in this category is estimated to be approximately 450-500.

The existence of a significant grey market whereby products are brought into the country bypassing import regulations and sold at a significantly lower price as against legal imports greatly hampers the operation of legal importers. The revision (and part removal) of duty structures in early 2010 and again in late 2010. However, greatly reduced the competitiveness of grey market products as legal importers were able to reduce the prices to a level which the relative price benefit gained from buying on the grey market was not sufficient to the relative advantages from purchasing through legal importers.

Prior to the revision, importers were charged with up to eight levies including Customs Duty, VAT, Surcharge, CESS, Excise Duty, Port & Airport Levy, Nation Building Tax and a Social Responsibility Levy which resulted in an

approximate cost increase of over 100% from the basic landing cost. The revision resulted in the approximate cost increase being around 55-60%, from the landing cost.

### **Branded Apparel & Furniture Retailing**

While unbranded garments are available widely, the availability of quality branded apparel, in the form of world reputed fashion brands has been a segment that was lacking in the market. The Sri Lankan population's growing socio-economic status coupled with increasing brand awareness is creating growth opportunities within this segment. Increased disposable income, purchasing power and the general quality of life will result in the gradual improvement in this sector.

Retail sales of furniture are predicated on new housing construction and replacement demand. As a result of the recent construction boom of high rise apartment/office buildings and hotels in Sri Lanka, the furniture subsector should have a significant positive impact on mid to high range furniture retail sales over the short to medium term. Growing purchasing power, as noted above, should also promote major discretionary purchases such as furniture, adding a further leg to the furniture retail market growth, which has also benefitted from the steep decline in interest rates during the past two years.

## Automobile Sector

### Overview

The Softlogic Automobile sector currently represents two prominent automobile brands – Daihatsu and Ford. Softlogic entered the automobile sector in 2006 through its acquisition of Uni Walkers (Pvt) Limited; through which it inherited the Daihatsu agency. Softlogic acquired the Ford agency towards the end of 2010.

Softlogic built a 3S (Sales, Service and Spares) facility, named the “Daihatsu Drome” in 2007, with the goal of delivering the best services possible to the local motoring community. The Daihatsu Drome offers customers augmented service levels harmonising sales, service and spares under one roof. A “Ford” showroom commenced operations at Lipton Circus in March 2011.

- Sole distributor for Daihatsu : Uni Walkers (Pvt) Limited (UWL)
- Authorised dealer Ford Motor Company : Future Automobiles (Pvt) Ltd

### Uni Walkers (Pvt) Ltd

The sole distributorship for Daihatsu is currently carried out as a division of Uni Walkers (Pvt) Limited. Daihatsu is a part of world’s No 1 automaker Toyota Group. Its flagship product Terios became Sri Lanka’s best selling Japanese SUV according to the Japanese Automobile Manufacturers Association. Uni Walkers (Pvt) Limited achieved consecutive sales records in the SUV category in 2007 (335 Units) and 2008 (360 Units) and achieved the 1000 unit mark within 4 years, despite the marked decline in vehicle imports as of 2009. As indicated in the table below the company retained a leadership position in SUVs in the under 2000 cc category in Sri Lanka; behind the Micro Ssangyong, which had a price advantage due to excise duty exemptions.

### Brand-wise SUV Import Markets 2010

Brand/Model	Engine Capacity	Country	Fuel	Total by model	Total by maker	% of Total
AUDI Q5	1984cc	GERMANY	P	10	10	2.7
DAIHATSU TERIOS	1495cc	JAPAN	P	56	56	15
HONDA CRV	1997cc	JAPAN	P	18	18	5
HYUNDAI TUCSON	1975cc	KOREA	P	6	44	12
HYUNDAI TUCSON	1998cc	KOREA	D	38		
KIA SPORTAGE	1975cc	KOREA	P	50	50	14
KIA SPORTAGE	1991cc	KOREA	D	0		
MICRO ACTYON	1998cc	SRI LANKA	D	42	148	41
MICRO KYRON	1998cc	SRI LANKA	D	106		
NISSAN DBA-NT31	1990cc	JAPAN	P	0	0	0
SUZUKI GRAND VITARA	1995cc	JAPAN	P	2	2	1
TATA SUMO VICTA	1948cc	INDIA	D	0	2	1
TATA SAFARI	1948cc	INDIA	D	2		
ZOTYE NOMAD	1299cc	SRI LANKA	P	32	35	10
ZOTYE NOMAD	1600cc	SRI LANKA	P	3		
TOTAL				365	365	100

(Source: Registrar of Motor Vehicles)

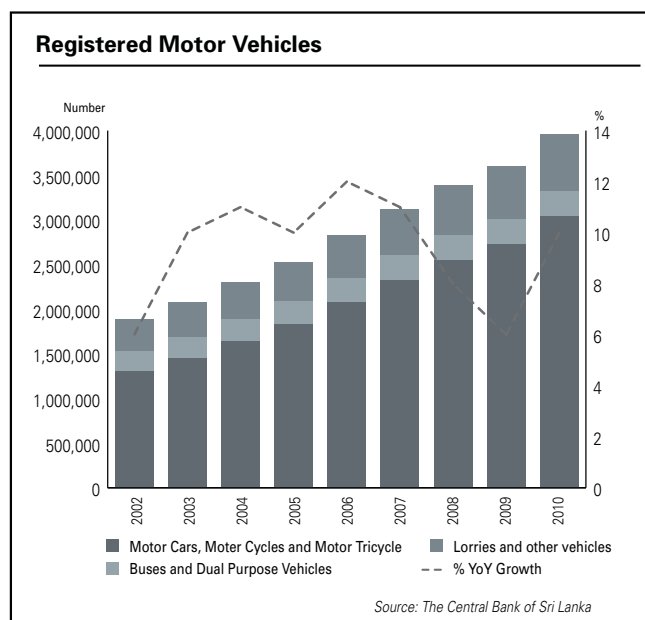
## Future Automobiles (Pvt) Ltd (FA)

**FA** – a subsidiary of Softlogic Holdings was appointed by Ford Motor Company USA, the 4th largest auto manufacturer in the world, as the Ford dealer in Sri Lanka with effect from December 2010. FA was incorporated in December 2010 as a 100% owned subsidiary of Softlogic Holdings, for the purpose of distributing and marketing Ford automobiles in Sri Lanka.

## Industry Analysis

The Sri Lankan automobile industry continues to be dominated by motor cycles which accounted for 53% of the total vehicle population as at 31 December 2010, with motor tricycles and motor cars accounting for 13% and 10% respectively. According to the Department of Motor Traffic the total vehicle stock of the country stood at 3,962,914 vehicles as at 31 December 2010 (up 10% YoY) with a record 359,243 (up 75% YoY) registered during the year. However, out of the country's total motor vehicle stock, vehicles actually in use (i.e. 'on the road') and hence liable for a license, are likely to be lower as the cumulative statistics contain data since the first motor vehicle was registered in the country.

The overall composition of the sector has remained broadly unchanged over the past decade while the overall sector has witnessed robust growth in 2010 backed by the relaxation of the monetary policy stance and favourable fiscal policy measures taken by the GOSL post war. The slow down witnessed in the industry from 2007 to 2009 can be attributed to factors such as the rising crude oil prices and recessionary conditions that prevailed globally and the heightened war against terrorism that prevailed domestically.



## Tariff Structure on Motor Vehicle Imports

The GOSL revised the duty structure on the imports of motor vehicles in June 2010 as a result reducing the overall effective tax rate on the imports of motor vehicles by approximately 50%, offering a much needed boost to the sector. The sector further benefited from the Government Budget announced in November 2010, with the proposals made to remove Regional Infrastructure Development Levy (RIDL), reduce import duties and taxes on passenger vehicles by 25%, reduce customs duties on motor vehicle spare parts and to remove VAT on leasing to three wheeler operators, lorry truck operators and bus operators.

The GOSL subsequently revised the tariff structure upwards again during the first quarter of 2011, however this is not expected to have a material impact on all car types with Hybrid Vehicles seeing the largest impact with the overall tariff increasing from 38% to between 50 and 100%. Non Hybrid cars below 1000cc will see an increase from 95% to 120% and 1000cc – 1600cc cars seeing an increase from 119% to 128%

## Relaxation of Monetary Policy

The Government continued to relax its monetary policy stance with the objective of spurring development in the country amidst single digit levels of inflation. As a result of the policy approach by the Government, the decreasing rate of borrowing has resulted in more affordable costs of financing of motor vehicles which has spurred the demand for motor vehicles further.

The second half of 2010 witnessed a growth rate in vehicle registrations of 109% as a result of the favourable policy decisions made by the GOSL.

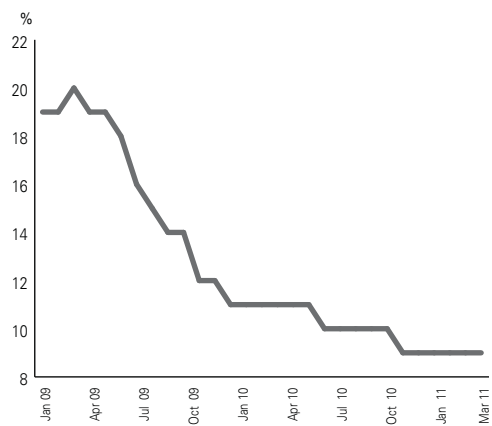
## The Motor Car and Dual Purpose Vehicle Segment

The Motor Car and Dual Purpose vehicle segment witnessed significant recovery in 2010 up 266% YoY to 25,780 registrations after dropping to a record low of 7,042 registrations in 2009 amidst unfavourable economic conditions that prevailed both domestically and internationally during the period.

This segment is of paramount importance to Softlogic as the Company is the agent for Daihatsu and Ford brands and predominantly import motor vehicles classified under the above categories. In addition, the Government has plans of issuing 13,500 permits out of which 500 has already been issued (Softlogic was the beneficiary of 5% of the 10,000 permits that were issued previously).

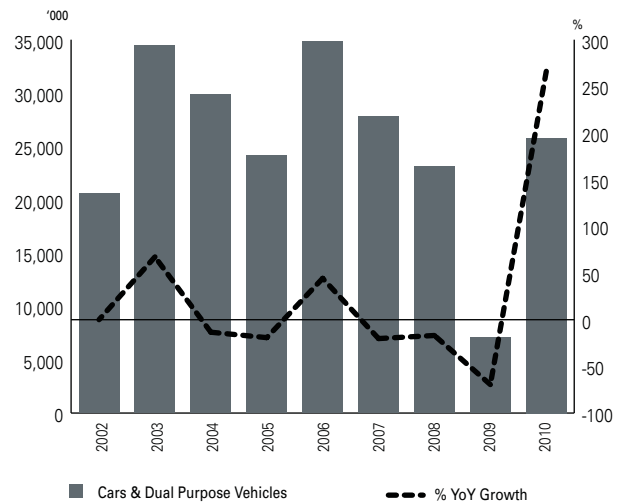
Given the favourable investment climate and comparatively lower vehicle prices compared with the pre-2010 tax regime, an anticipated improvement in per capita income and quality of life, it is expected that the demand for the category would continue to steadily grow. This inturn would benefit Daihatsu and Ford operations.

**Average Weighted Prime Lending Rate**



Source: The Central Bank of Sri Lanka

**Motor Cars and Dual Purpose Vehicles**

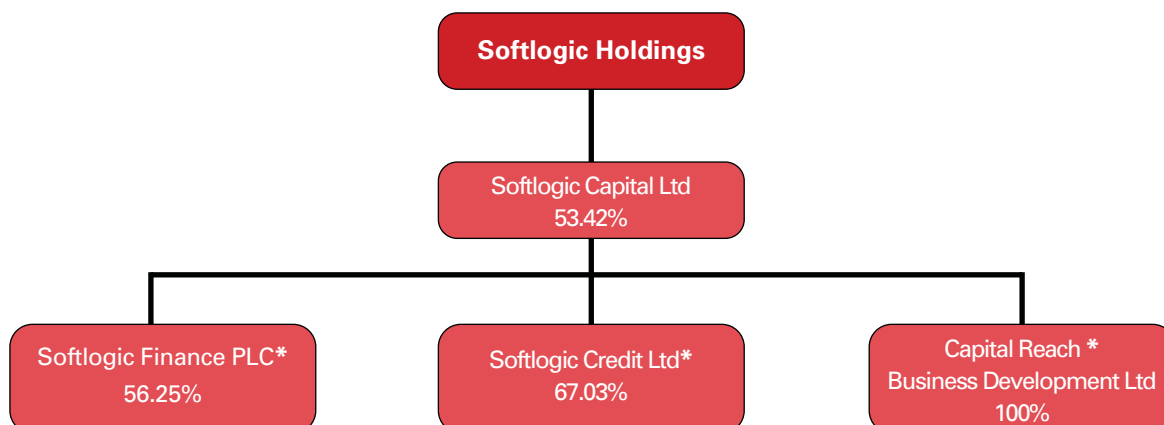


Source: The Central Bank of Sri Lanka

## Finance Sector

### Overview

In August 2010, Softlogic made its entry into the financial services industry by acquiring a majority stake in Capital Reach Holdings Ltd which was incorporated in 2005, and subsequently renamed to Softlogic Capital Ltd. Softlogic Holdings has a 53.42% stake in Softlogic Capital which is the holding company of the financial services sector of the Softlogic Group. (See the structure of the Finance Sector as given below) The sector provides fund based and fee based products for a wide range of clientele where the primary focus is on retail, and SME client financing solutions.



\*The percent holding given is the direct share holding of Softlogic Capital Ltd

- SME and Retail Financial Solutions : Softlogic Finance PLC
- Micro Credit Financing : Softlogic Credit Ltd.
- Consumer Finance : Capital Reach Business Development Ltd.

### Softlogic Finance PLC (formerly Capital Reach Leasing PLC) (SFP)

**SFP** is a Registered Finance Company (RFC) incorporated in 1999 and licensed by the Central Bank of Sri Lanka under the Finance Companies Act No 78 of 1988. The fund based activities of the group are consolidated into this flagship company that will offer the retail and SME customer, both personal and business financial solutions through the expanding SFP network that currently operates eight branches.

#### Products offered

- Leasing and Hire Purchase Financing
- Fixed Deposits and Savings Accounts
- Personal Loans
- Business and Working Capital Financing
- Gold Loans

The company recently reported nine months profit before tax in December of Rs 70.2Mn and has one of the lowest risk ratios in the industry, with non-performing loans at 1.9%. Advances were recorded at Rs 2.9Bn and total assets at Rs 3.7Bn. Total financial services group assets were Rs 4.7Bn.

The company concluded a rights issue in October 2010 boosting capital adequacy to 20.5%, providing a stable platform for the strong business growth that is anticipated.

## Softlogic Credit Ltd (formerly Capital Reach Credit Ltd) (SCL)

**SCL** is a Specialised Leasing Company (SLC) that was incorporated in 1999 to engage in factoring and small/micro lending activities. The company was licensed by the Central Bank of Sri Lanka in July 2007 as a SLC.

Products offered

- Leasing and Hire Purchase Financing
- Group personal loans and gold loans for micro business financing

The company had an advances portfolio of Rs. 690Mn and total assets of Rs. 782Mn as at December 2010 and realised a 9 months profit before tax of Rs. 24Mn. The company operates five Gold Loan centres with personal loan product distribution undertaken through the branches of SFL.

In addition, Softlogic also has the following subsidiaries:

### Dai Nishi Securities (Pvt) Ltd

Dai Nishi Securities (Pvt) Ltd is a fully owned subsidiary of Uni Walkers (Pvt) Ltd, and became a part of Softlogic Group with the acquisition of Uni Walkers (Pvt) Ltd. The company is currently dormant with no commercial activities. Dai Nishi has been engaged in investment activities in the secondary market, primarily in Sri Lanka.

### Capital Reach Business Development (Pvt) Ltd (CRBDL)

**CRBDL** is engaged in trading (retail buying and selling) a range of products such as electrical and electronic home appliances, office equipment, exercise machines, motor cycles and three wheelers. The products are packaged and sold by combining financing from one of the lending companies and CRBDL earns commissions from suppliers on the items that are marketed.

## Industry Analysis

### Overview

Sri Lanka's financial sector falls within the purview of the Central Bank of Sri Lanka. Liberal policies and a conducive business climate have made the island a lucrative location for global players accompanying a strong local network of organisations. The financial system comprises of Licensed Commercial Banks (LCBs), Licensed Specialised Banks (LSBs), Registered Finance Companies (RFCs), Specialised Leasing Companies (SLCs), Insurance Companies, Primary Dealers, Pension & Provident Funds, Rural Banks, Merchant Banks, Unit Trusts etc. Major markets include the Capital, Forex and Money markets. The banking sector (LCBs & LSBs) dominates the financial system accounting for over 50% of the total assets of the financial system.

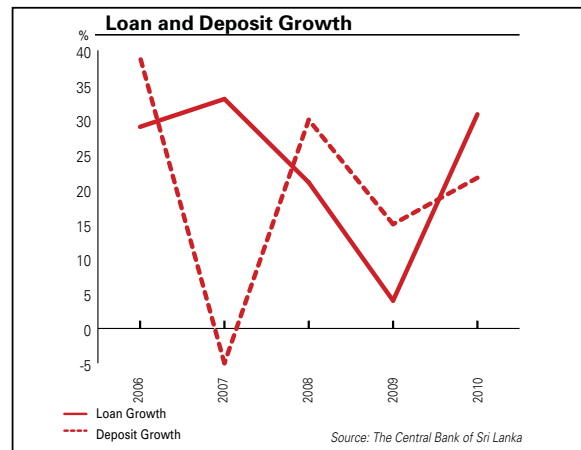
	As at 30th September 2010				
	Assets		Deposits		
	Rs. Bn.	%	Rs. Bn.	%	
The Central Bank	975	15	-	-	Regulated by the CBSL
Licensed Commercial Banks	2,809	44	2,019	76	
Licensed Specialized Banks	553	9	414	16	
Registered Finance Companies	216	3	138	5	
Primary Dealers	147	2	-	-	
Specialized Leasing Companies	135	2	-	-	
Rural Banks	159	2	95	4	Not Regulated by the CBSL
Thrift and Credit Co-operative Societies	6	0	4	0	
Contractual Savings Institutions	1,346	21	-	-	
Other Financial Institutions	69	1	-	-	
<b>Total</b>	<b>6,414</b>	<b>100</b>	<b>2,668</b>	<b>100</b>	

Source: Central Bank of Sri Lanka

## RFC Subsector

The sector comprises of 36 Registered Finance Companies (RFC's) and 21 Specialised Leasing Companies (SLC's) and as per Central Bank reports. The industry commands Rs. 350Bn in total assets, Rs. 240Bn in total lending and Rs. 137Bn in total deposits. The geographical coverage of the industry is extended through 534 branches and 317 other outlets that are present around the country.

Key assets for an RFC as evidenced in the table are through hire purchase and leasing both of which have seen a slowdown as per 2009, though due to improving economic conditions and reduced interest rates, have picked up in 2010.



Rs. Bn	2005	2006	2007	2008	2009	2010
<b>Loans &amp; Advances</b>	<b>62</b>	<b>80</b>	<b>106</b>	<b>128</b>	<b>133</b>	<b>174</b>
Loans	6	6	13	17	20	31
Hire Purchases	16	25	35	43	43	55
Leasing	26	31	36	35	35	47
Real Estate	8	9	9	11	8	7
Interest	3	3	3	6	7	15
Other	4	6	11	17	20	17
<b>Deposits</b>	<b>47</b>	<b>59</b>	<b>78</b>	<b>103</b>	<b>120</b>	<b>146</b>
Fixed Deposits	46	57	76	100	114	140
Savings Deposits	-	1	1	3	4	5
Certificate of Deposits	1	1	1	1	1	1

Source: The Central Bank of Sri Lanka

Rs. Bn	2005	2006	2007	2008	2009	2010
<b>Total Assets</b>	<b>87.5</b>	<b>113.1</b>	<b>142.5</b>	<b>175.6</b>	<b>185.4</b>	<b>233.6</b>
Cash & Bank	3.1	4.5	5.9	8.4	8.9	6.8
Investments	8.0	9.1	11.8	14.6	15.2	20.7
Loans & Advances	62.3	80.1	106.2	128.4	133.4	174.1
Other	14.0	19.5	18.6	24.2	27.8	31.9
<b>Total Liabilities</b>	<b>87.5</b>	<b>113.1</b>	<b>142.5</b>	<b>175.6</b>	<b>185.4</b>	<b>233.6</b>
Capital	12.8	16.4	21.6	25.3	20.6	21.6
Deposits	47.1	58.8	78.2	103.5	119.8	146.1
Borrowings	12.2	19.3	26.2	26.2	19.2	34.2
Other	15.4	18.6	16.5	20.6	25.8	31.6

Source: The Central Bank of Sri Lanka

## Leisure and Travel Sector

### Overview

#### Leisure subsector

Plans are afoot to build the Group's first foray into the Leisure sector in a meaningful and cohesive manner to complement the Group's other business interests.

- A management agreement to operate 'Mövenpick Hotel Colombo' has already been signed with world renowned hotel chain Mövenpick Hotels and Resorts. Softlogic will commence construction of the Mövenpick hotel in June 2011 on the Group owned 90 perch prime land located in Colombo 3. The property will be developed into a 5-Star rated, 24 storey hotel, consisting of 224 well appointed rooms and is expected to be operational within two and half years from the start of its construction. This leisure project is handled by Softlogic Properties (Pvt) Ltd which was incorporated on 4th January 2005. The project will be financed using internally generated funds and leveraging on the Group balance sheet strength post IPO. Additionally the Company has entered in to a Management Agreement and Marketing and Central Services Agreement respectively, on 16th November 2010 with Mövenpick Hotels and Resorts Management FZ-LLC. The Company on 16th November 2010 also entered in to a Trade Mark License Agreement with Mövenpick Hotels and Resorts Management FZ-LLC.
- The Ceysand Hotel property in Bentota, which currently operates 84 rooms, was purchased by the Softlogic Group in 2011 for a price of Rs. 925Mn. Ceysand will conduct operations under Ceysand Resorts Ltd (formerly known as Ceylinco Tourist Hotels Limited).

#### Travel subsector

Abacus International Lanka (Pvt) Ltd, is a joint venture between Abacus International (Pte) Ltd in Singapore and Softlogic Holdings which was incorporated in 1998 and caters exclusively to the travel industry.

Abacus is Asia's leading provider of travel solutions and services. It is a Global Distribution System (GDS) which is widely used at most travel agency locations to book and Air ticket and Non Air travel for passengers on a real time basis.

Abacus currently provides the following services to the travel agency community:

- Core solutions for reservation fulfillment
- Offering value added tools to simplify and increase operational productivity

### Industry Analysis

#### Leisure

Tourist arrivals to Sri Lanka in 2010 were 654,476, which is a 41% increase over the 2009 arrivals; significantly higher than the expected arrivals of 575,000 for 2010. As a result the earnings from tourism increased by 62.5% YoY to Rs. 65Mn in 2010 from the Rs. 40Mn in 2009.

With growing tourist arrivals, Sri Lanka faces significant capacity constraints as the current availability of rooms in the country was only 14,461 rooms at the end of 2010 with occupancy reaching over 80% during peak times. With the country's firm direction set towards identifying tourism as a key thrust industry of the economy, the stage is set for a vibrant tourism industry boom which will pay rich dividends in the medium to long term to key strategic operators in this space. Given the expected increase in arrivals in the coming years, forecasted to reach 2.5Mn visitors by 2016, the Government is actively taking measures to encourage the building of new hotels/resorts in order to increase room inventory.

## Travel solutions

The GDS industry globally has been evolving over the years with new advancements being rolled out very frequently with four players dominating the local market.

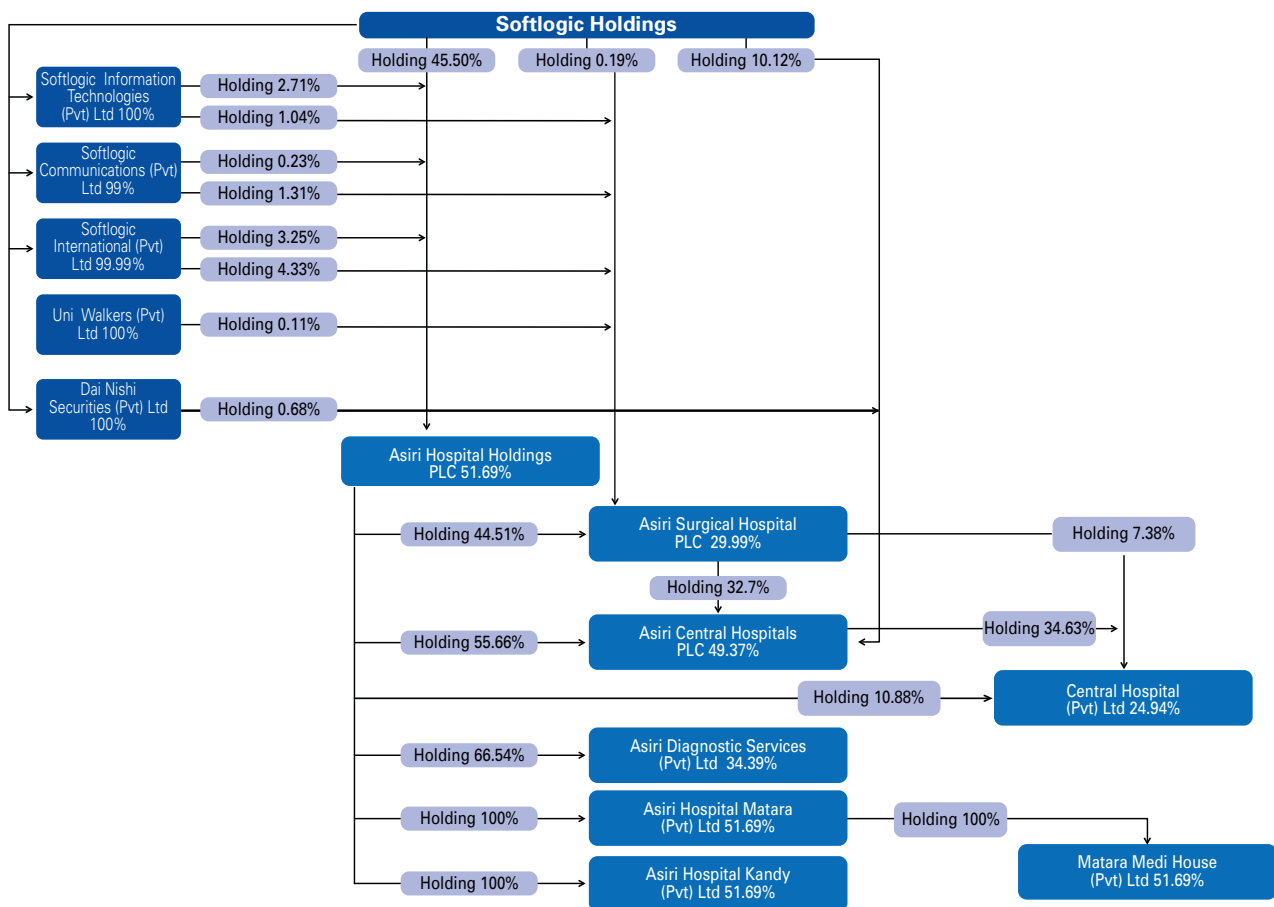
Abacus has maintained a strong presence in the market due to its strong ties with regional airlines and its service offering to the travel agencies, corporate travelers and airlines. With the travel industry seeing a growth in traffic over the past year, post recession in most economies, the potential to grow in this space is significant. Travelers too are growing more savvy and their needs have evolved over time from simply purchasing an air ticket to including more services such as hotel accommodation, car rentals, travel insurance etc.

## Health Care Sector

### Overview

The Softlogic Group's exposure to the healthcare industry is through its holdings in Asiri Hospital Holdings PLC and Asiri Surgical Hospital PLC. The Group's effective shareholding of each of the hospitals as at 27th May 2011 used for consolidated purposes is as follows:

- Asiri Hospital Holdings PLC 51.69%
- Asiri Surgical Hospital PLC 29.99%
- Asiri Central Hospitals PLC 49.37%
- Central Hospital (Pvt) Ltd 24.94%
- Asiri Diagnostic Services (Pvt) Ltd 34.39%
- Asiri Hospital Matara (Pvt) Ltd 51.69%
- Matara Medi House (Pvt) Ltd 51.69%
- Asiri Hospital Kandy (Private) Ltd 51.69%



The Asiri Hospitals Group is the largest private hospital service provider in the country with 530 hospital beds in Colombo and 71 beds in Matara giving a total of 601 beds in operation as at February 2011. The Group also has a combined operating theatre network of 27.

Asiri Group has grown to be the leading and most advanced private medical laboratory service within the country, with computer guided instruments for testing as well as satellite lab equipment, enabling it to complete approximately 12,000 tests a day. The Asiri Laboratories have the largest market share of 65% across the country for laboratory tests and investigations, with a network of over 350 collection centres and 12 regional hospital labs.

The Asiri laboratories command a monopoly in 150 types of testing. While having branched out into many different departments including genetics, histopathology, mycology and microbiology, the Flow cytometry department is the only one of its kind in the private health sector in Sri Lanka.

Asiri Hospital Holdings PLC was acquired by Softlogic in June 2006 together with effective management control. Since then Asiri Hospitals Group has grown significantly to become the undisputed largest chain of hospitals within the country.

Subsequent to the acquisition by Softlogic, Asiri Hospitals Group have achieved the following

- Invested in the largest hospital within the Group- Central Hospital (Pvt) Limited -a state of the art general hospital of 264 beds which commenced operations in April 2010.
- A 32 bed general hospital was established by the Asiri Hospitals Group in August 2007 as its first venture outside Colombo in Matara, and is known as Asiri Hospital Matara (Pvt) Limited.
- Acquired the Matara Medi House (Pvt) Limited, a 39 bed general hospital in Matara in March 2010. This is the second regional hospital to be owned by the Group.
- The Asiri Group also acquired Digasiri Medical Services (Pvt) Limited in September 2010, a company having leasehold right together with approvals to set-up the third regional hospital of the Group in the hill capital, Kandy. The company is renamed as Asiri Hospital Kandy (Pvt) Limited.

### **Asiri Hospital Holdings PLC (AHL)- No 181, Kirula Road, Colombo 5**

**AHL**, the parent company owns and operates Asiri Hospital, comprising of 110 beds and 3 operating theatres along with CT scan diagnostic facilities.

AHL is widely recognised as having the best equipped and most reliable laboratory in Sri Lanka, whilst becoming one of the main sources of Group revenue with approximately 7,000-8,000 tests performed on a daily basis only in Colombo. The hospital consistently averages an occupancy rate of over 90%.

Asiri Hospitals has also become the health hub for OPD services as well as channeling services with most well known consultants of various specialties patronising the hospital. The Neo-natal unit of the Asiri Hospital is equipped with state of the art medical equipment to care for newly born babies that need special attention.

### **Asiri Surgical Hospital (ASHL) - No 21, Kirimandala Mawatha, Colombo 5**

A 14 storey hospital with a total of 156 beds and 9 operating theatres, **ASHL** is a one- of -its kind specialised surgical hospital with facilities for many types of surgeries such as cosmetic, urological, renal, and orthopaedic as well as general surgery. In addition, it offers a compressive, total cardiac care programme encompassing all areas of cardiology, vascular medicine, acute heart attack services, invasive and interventional cardiology as well as all forms of adult cardiac and thoracic surgeries. CT and MRI coronary angiography, calcium/cardiac scoring, electro physiology lab and echocardiography are some of the other services offered in relation to cardiology. Catheter angiography and PTCA procedures are also available at ASHL.

### **Central Hospital (Pvt) Ltd (CHL) - No114, Norris Canal Road, Colombo 10**

Central Hospital (Pvt) Ltd is the operational successor to Asiri Central Hospital becoming the latest addition to Asiri Group of Hospitals. It is considered to be the most modern multi speciality general hospital within Colombo. With 264 beds, the hospital is the first and most technologically advanced specialised Neurology and Neuro surgical unit within the private sector in Sri Lanka. The unit consists of 3 dedicated operating theatres for Neuro surgeries, which utilises technologies such as a neuro navigator for precision surgical procedure, and a dedicated intensive care unit.

The hospital also operates 9 other specialised and general theatres.

In addition, the hospital has specialised Gynaecology and Obstetrics unit with Neo-natal ICU, paediatrics unit, Dialysis unit, Dental care unit, and Physiotherapy & Rehabilitation facilities. The radiology facilities in the hospital include MRI, CT Scanning facilities, Mammography and Digital X-ray. The hospital also provides services such as ECG, Flow cytometry, US Scan, Video EEG, Sleep lab etc.

### **Asiri Central Hospitals PLC - No. 37, Horton Place, Colombo 7.**

Asiri Central Hospital PLC, a quoted company does not carry out any operations and is currently on rent to the Sri Lankan Army. It owns a 292 perch land in Horton place, Colombo 7.

### **Asiri Diagnostic Services (Pvt) Ltd - Kandy**

Asiri Diagnostic Services (Pvt) Ltd is running a diagnostic lab in Kandy and owns the only CT machine in the Central Province by a private organisation. With the Asiri brand name the centre attracts most of the lab tests in the area.

### **Asiri Hospital Matara (Pvt) Ltd (AML) - Matara**

Asiri Hospital Matara (Pvt) Limited was established in Matara as a 32 bed hospital together with a well established laboratory. This hospital is equipped with Emergency Treatment Unit, 24 hour Pharmacy, X-ray, Mammography and an US scanner.

### **Matara Medi House (Pvt) Ltd (MMH) - Matara**

In order to consolidate the position in Matara, in March 2010, Asiri Group acquired the above hospital. It is one of the smallest hospitals to have the most modern facilities outside of Colombo. Medi House has a very good Channel practice and is a 39 bed hospital situated in the heart of Matara town.

### **Asiri Hospital Kandy (Pvt) Ltd - Kandy**

Formerly Digasiri Medical Services (Pvt) Limited, this company was acquired in September 2010. The company is in possession of leasehold right together with approvals to set-up the third regional hospital of the Group in the hill capital, Kandy. The company was renamed as Asiri Hospital Kandy (Pvt) Limited.

#### **Services Offered by the Asiri Group of Hospitals**

<b>Service offered</b>	<b>AHL</b>	<b>ASHL</b>	<b>CHL</b>	<b>MMH</b>	<b>AML</b>
24 hour OPD	✓	✓	✓	✓	✓
Operating Theatre	✓	✓	✓	✓	✓
24 hr fully computerised modern pathology laboratory	✓	✓	✓	✓	✓
ICU	✓	✓	✓	✓	✓
24 hr emergency medical service unit	✓	✓	✓		✓
24 hr pharmacy	✓	✓	✓	✓	✓
24 hr E.C.G./Holter monitoring	✓	✓	✓		
Stress ECG testing		✓	✓	✓	
Echocardiography with 2D Doppler analysis	✓	✓	✓	✓	✓
Stress Echocardiography		✓	✓	✓	
CT scanner	✓	✓	✓	✓	
Ultrasound scanning	✓	✓	✓	✓	✓
X-ray with image intensifying and screening facilities	✓	✓	✓	✓	✓

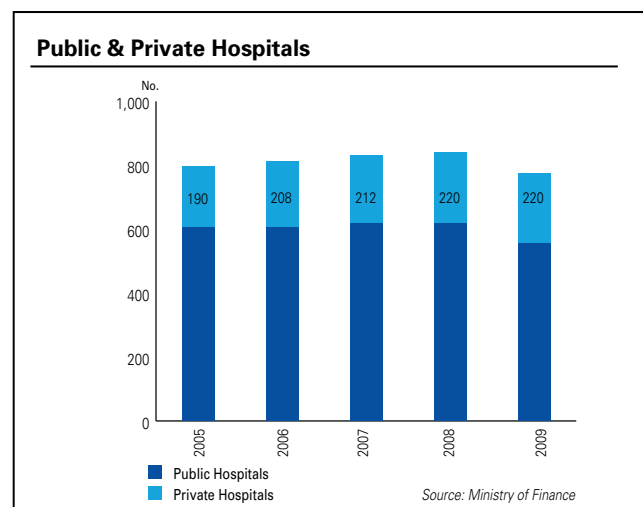
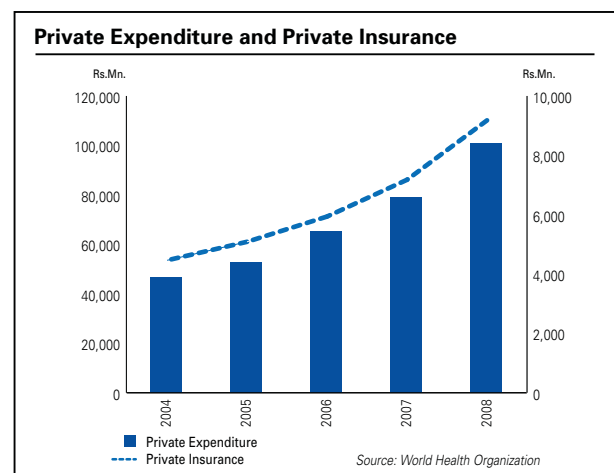
Service offered	AHL	ASHL	CHL	MMH	AML
Periodic medical check-up scheme	✓	✓	✓	✓	✓
Outstation and overseas sample collecting centers	✓				
Mobile laboratory services	✓	✓	✓		✓
Mobile E.C.G.	✓	✓	✓	✓	✓
Emergency health care for registered families	✓	✓	✓		
Neonatal ICU	✓		✓		
Dialysis unit	✓		✓		

## Industry Analysis

As per the Central Bank annual report, public expenditure in the healthcare sector amounted to Rs. 71 Bn and has grown at a CAGR of 12.9% during 2004-2009. In 2009, overall public sector expenditure amounted to 1.5% of GDP. However, the rate of growth has abated since 2007 with most incremental expenditure being serviced by greater private sector investment. Shifts in disease patterns, changes in health seeking behaviour and favourable demographics have created a market opportunity in the healthcare space for private sector participants with current healthcare infrastructure unable to cope with rising demand. Consequently, private sector health expenditure has increased by a CAGR of 15.6% during 2006-2008 and accounted for 57% of overall health expenditure in 2008 as compared with 54% in 2004.

Private insurance expenditure has grown in line with private sector growth with the insurance expenditure accounting for 9.0-9.6% of the private sector expenditure during 2004-2008. The greater availability of healthcare insurance is perceived to have had a positive effect on overall demand for healthcare services, which in turn drove higher private sector investment into the sector. Sri Lanka's private healthcare sector as at end 2009 consisted of an estimated 8,000 beds and 220 private hospitals. The market has an oligopolistic structure, with few private hospitals that have bed capacities exceeding 100 beds dominating the industry.

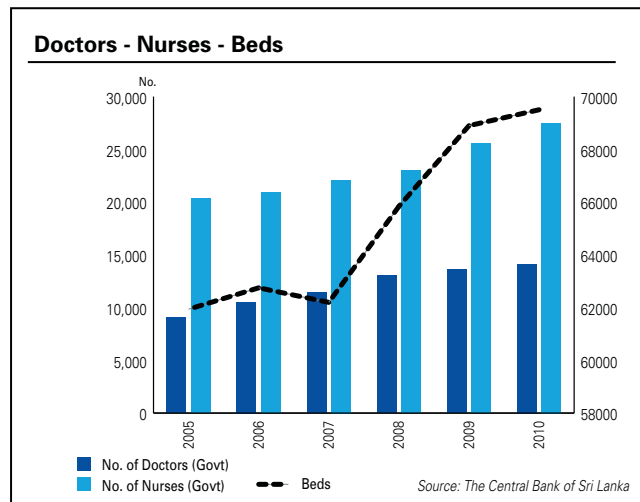
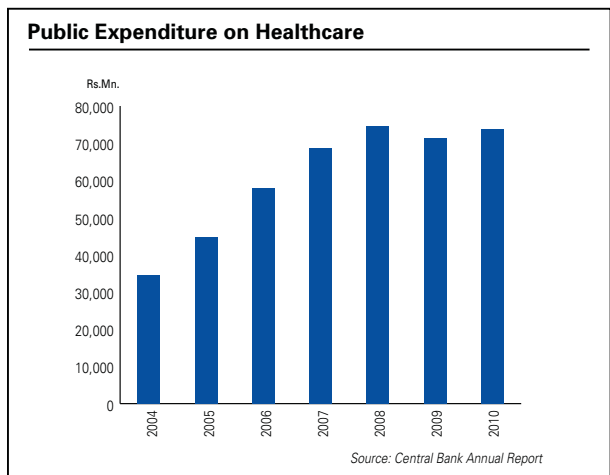
As at end 2009 there was a total of 555 Government hospitals and 68,897 beds (given Sri Lanka's mid year population of 20.5Mn persons in 2009, this is approximately 34 beds per 10,000 persons). Overall Government health expenditure has averaged 1.8% of GDP during 2004-2009. However, due to internal inefficiencies and the inability to cope with the rising demand for health related services, a shift to private sector health care services has been the emerging trend. In addition, due to the sheer demand for state health care, the quality of non-medical services such as personalised attention at state health care establishments is less in relation to its private sector counterparts. Disruptions in services are also an accepted occurrence due to the presence of trade unions in health care establishments of the state.



The reduction in the number of public hospitals in 2009 was due to the reclassification of public hospitals and primary health care units. Despite the reduction in public hospitals, the number of private hospitals has increased marginally by 3.8% in 2008 when compared to 2007 and held steady during the following year at 220.

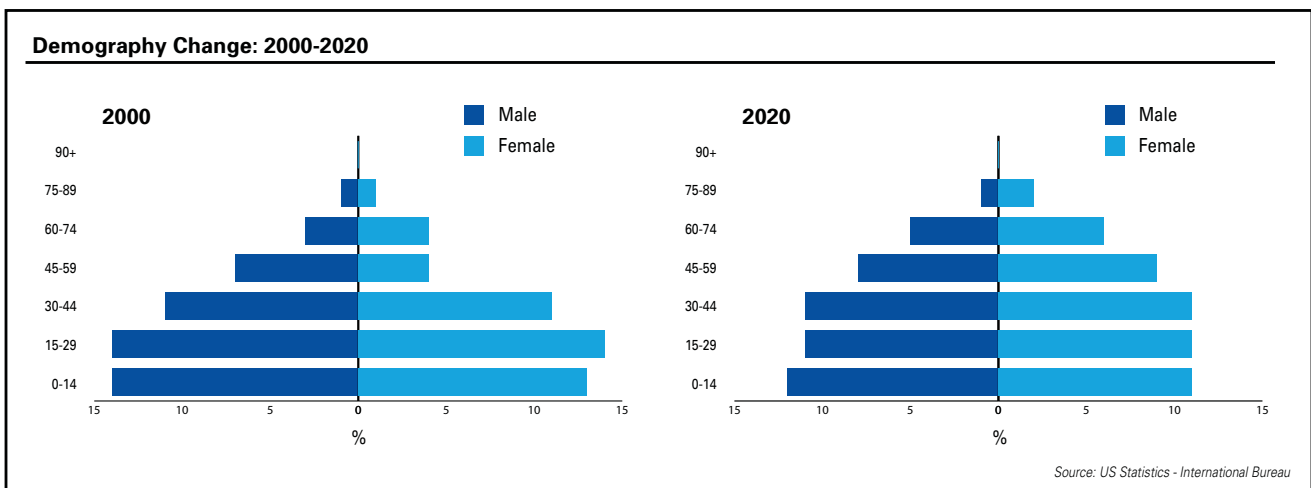
The total bed volumes increased by a CAGR of 2.2% during 2005 – 2009. An additional 3,062 beds were added in 2009 alone, bringing the total number of beds to 68,897 (a YoY increase of 4.7%). This steady growth demonstrates the rising demand for hospital beds.

The increase in demand for health related services has also resulted in the increase in the number of doctors and nurses in the industry. The number of doctors and nurses in the public sector increased at a CAGR of 6.7% and 5.1% respectively during 2006-2009. The number of doctors in the state sector in 2009 increased by 4.7%, whereas the number of nurses increased by 11.1% during the same period. The significant increase in the number of nurses in comparison to the number of doctors perhaps indicates that the doctors will be able to carry out their tasks more efficiently due to an increase in the number of nurses to attend to the auxiliary medical activities that need to be carried out.



### Private Healthcare Sector

Sri Lanka has a rapidly ageing population; whilst 9% of the population was over 55 years in 2000, it had risen to 13% as at 2009, and is expected to rise further over the next ten years. It is prudent to assume that diseases associated with an ageing population are likely to rise with time. In addition, a change in lifestyle amongst the general public has seen the emergence of lifestyle diseases such as diabetes, blood pressure and high cholesterol. Urbanisation, especially in and around Colombo city and the main provincial towns, has also resulted in more



pollution and diseases associated with it. Thus, the increase in non-communicable diseases is likely to give rise to increased demand for healthcare in the immediate future.

The end of the three decade old internal conflict served as a catalyst for the health care industry as both the public and private sector initiated development projects with regard to the health care sector. Increase in disposable incomes amongst consumers has resulted in them seeking medical treatment (medical and non-medical) of higher quality which will in turn increase demand for private health care. The increased availability of healthcare insurance has also boosted access, and increased the probability of a consumer opting for private healthcare.

## **Health Tourism**

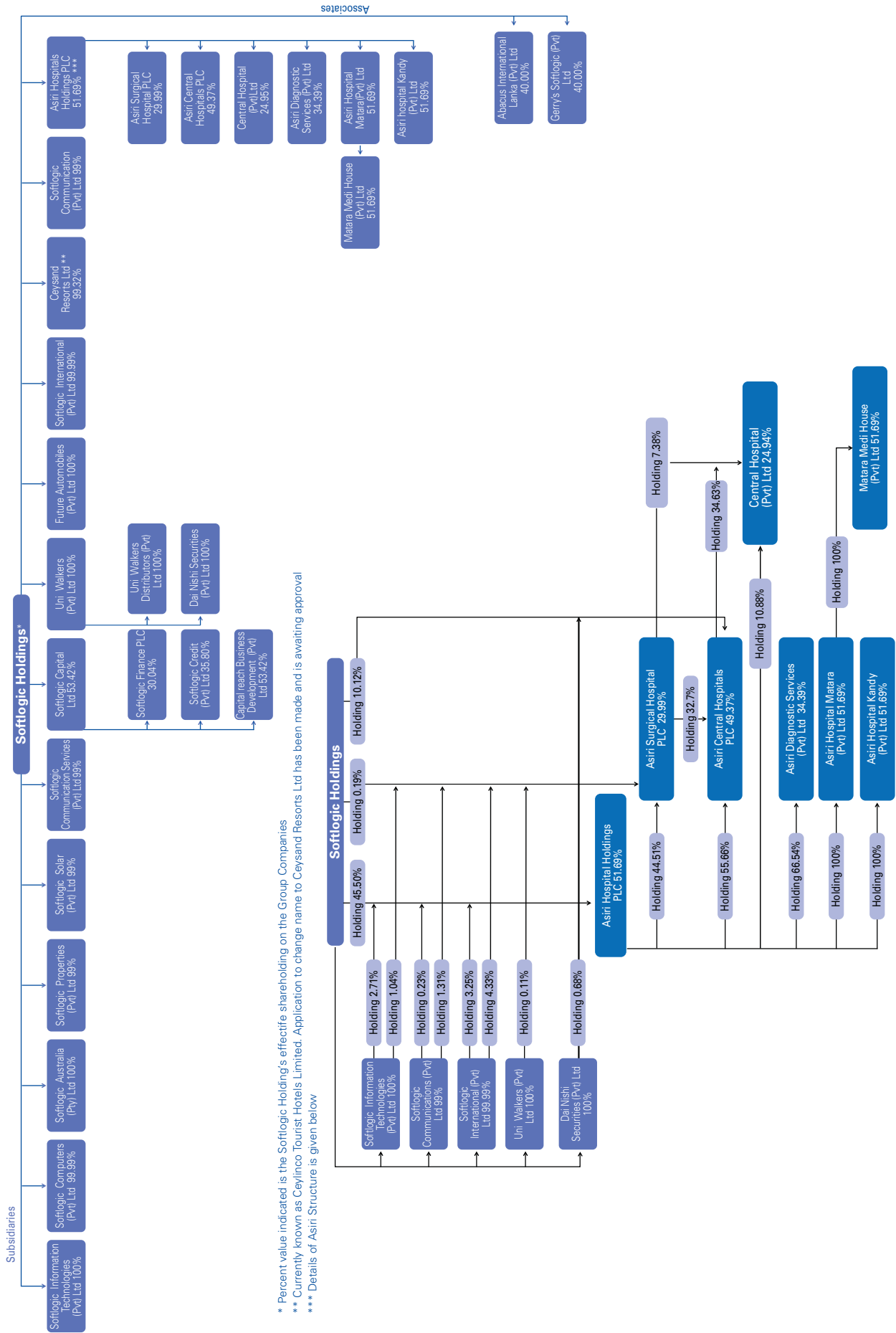
According to the Central Bank of Sri Lanka the potential for promoting health tourism in Sri Lanka is significant with substantial investment in place. Given the existing competitive advantages of the industry, such as a highly skilled and trained workforce, strategic location, and competitive prices, there is significant opportunity to attract foreign demand for health services and thereby transform the health sector into a high value added foreign exchange earning source for the country.

## Top Ten Largest Shareholders

The names of the ten largest share holders, the number of shares and the percentage of shares they hold as at 01st April 2011 is as follows. The public shareholding as at 27th May 2011 is 20.72% (132,610,000 shares)

	<b>NAME OF THE SHAREHOLDER</b>	<b>NO OF SHARES</b>	<b>% OF SHARES</b>
1	Mr. A.K. Pathirage	321,500,000	50.23
2	Mr. H.K. Kaimal	64,500,000	10.08
3	Mr. R.J. Perera	58,390,000	9.12
4	Mr. H.U. Gunawardena	57,000,000	8.91
5	Ceylon Investment PLC	14,000,000	2.19
6	Ceylon Guardian Investment Trust PLC	13,770,000	2.15
7	Mr. K. P. R. B. De Silva	10,000,000	1.56
8	Auro Holdings (Pvt) Ltd	4,170,000	0.65
9	Mrs. A. Sellaih	4,000,000	0.63
10	Miss. S. Subramaniam	3,500,000	0.55
10	Mr. V. Kailaspillai	3,500,000	0.55
10	Mrs. A. Kailasapillai	3,500,000	0.55
10	Mr. R .S. Captain	3,500,000	0.55
10	Strategic Insurance Brokers (Pvt) Ltd	3,500,000	0.55
10	Arunodhaya Limited	3,500,000	0.55
10	Arunodhaya Investments (Pvt) Ltd	3,500,000	0.55
10	Arunodhaya Industries (Pvt) Ltd	3,500,000	0.55
10	Mr. K. Aravinthan	3,500,000	0.55

Since the Entity is a holding company, details of the Group structure in the form of a chart is given below



\* Percent value indicated is the Softlogic Holding's effective shareholding on the Group Companies  
 \*\* Currently known as Ceylinco Tourist Hotels Limited. Application to change name to Coysand Resorts Ltd has been made and is awaiting approval  
 \*\*\* Details of Asri Structure is given below

## **Employee Information**

There are 4,898 staff members in the Softlogic Group including its subsidiaries and associates. The employees of the Group are not members of any trade union and therefore do not have any agreements.

## **The Degree of dependence on key customers and suppliers are as follows:**

### **Suppliers**

#### **ICT**

The Group's success in the ICT sector is dependent on a wide portfolio of products offered to various sectors in the local economy, although Softlogic's dependency on DELL and Nokia in its respective subsectors is considerable. However, the Group's focus on a multi product-multi brand strategy is likely to reduce this dependency.

#### **Retail**

The Consumer Electronic subsector already offers a variety of brands and is therefore not dependent on any one supplier. However, the Branded Apparel subsector currently is dependent on four brands – Levis , Nike, Mango and Giordano, but this too will be mitigated with the future strategy of expanding the brands and adopting a Multi Brand/Multi channel approach.

#### **Automobile**

Similar to the Branded Apparel subsector, the Automobile sector is currently dependent on two brands – Daihatsu and Ford. However, Softlogic hopes to mitigate this risk with its expansion plans that are discussed in the Future Strategies section.

#### **Finance**

The sector does not have a major dependency on key suppliers.

#### **Travel & Leisure**

The Leisure subsector will be operating in a multi channel network of operators and therefore will not be dependent on any one supplier or any key suppliers.

Abacus is dependant on airlines for air content; however, by broadening the base of airlines to achieve a global content spread, the upside is greater. Furthermore, Abacus product offerings which help improve productivity and give a differentiated approach, signal a strong loyalty from its travel agency customers.

#### **Healthcare**

The current business model for a typical private hospital is dependant on medical consultants. Patient volumes are driven by consultant availability at a hospital and they are generally given the freedom to choose multiple hospitals to work at, as well as to set their fee structure.

### **Customers**

Softlogic maintains a good mix of customers in the form of individual customers, dealer customers, corporate customers and specifically in retail and in the duty free immigrant segment.

This mix is healthy and ensures that the Group is not dependent on any one customer in any of its sectors.

## Future Strategies, assumptions on which future strategies are based and risks associated

### Future Strategies and assumptions on which future strategies are based

The Group's future strategies, in addition to venturing in to new businesses, include activities that will enable the Group to grow in its respective businesses it is currently engaged in and be/continue to be the market leader in each of the sectors. The details of future strategies, assumptions on which future strategies are based and risks associated with such future strategies are described in detail below.

Assumptions Sector	Increase in Per Capita income and wider distribution of GDP	Increase in tourist arrivals/ Business travellers	Increase in the ageing population requiring tertiary health care	Increase in savings levels	Increase in Life insurance penetration	Sri Lanka will be void of any internal conflicts
ICT	✓					✓
Retail	✓	✓				✓
Automobile	✓					✓
Finance	✓			✓		✓
Travel and Leisure	✓	✓				✓
Health Care	✓	✓	✓	✓	✓	✓

**Sector** : **Retail**

**Growth Strategy** : The Retail sector will focus on expanding its multi brand – multi channel strategy as discussed in the retail sector profile.

The Consumer electronics will have the following strategy

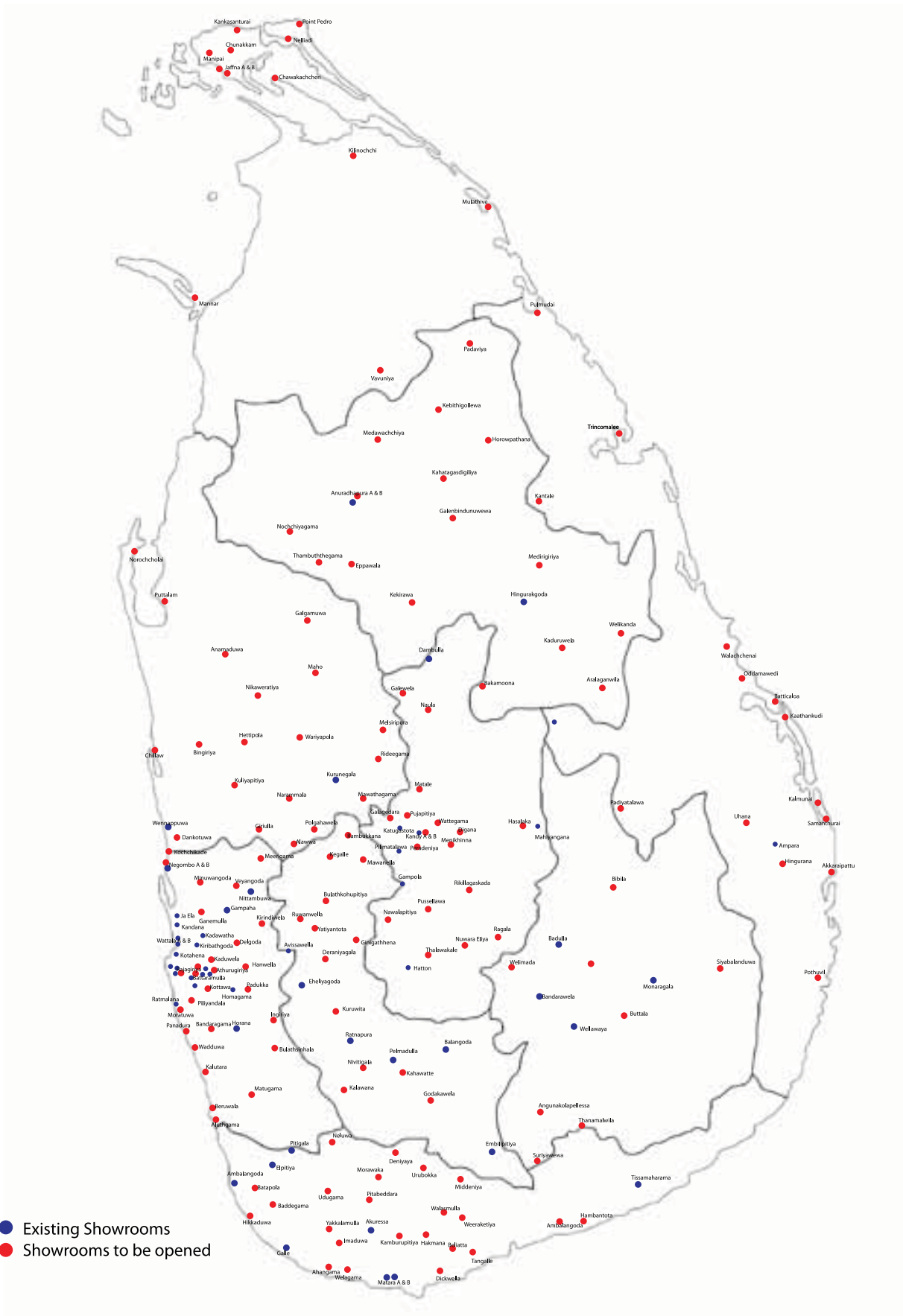
- Outlets will increase from the current 75 stores, to 250 stores island-wide by the end of 2012 while leveraging on the logistics and infrastructure, already in place. This will enable Softlogic to introduce multiple brands/products as well as discontinue non performing brands/products with ease to offer the best mix of products.
- Offer after sales service to customers in all parts of the island.

Branded apparel will follow a similar strategy to Consumer Electronics where the strategies mentioned below will be followed:

- Add multiple global brands to its portfolio
- Offer the best brands available to meet the demands of the local as well as foreign consumers.
- Expand store locations to have a presence in all key locations – space in shopping malls in addition to stand-alone stores in key geographies.

The retail sector will use the synergies available from Softlogic Capital to enhance the buying power of the consumers with payment plan options and hire purchase options. With the increase in tourist arrivals, the Government's efforts to make Sri Lanka a shopping destination amongst tourists should augur well for the Retail sector.

## Map of the current and future locations of Softlogic Stores



**Sector : Leisure and travel**

**Growth Strategy :** Growth in the Leisure sector will focus on building a new City hotel targeting the business traveller and the refurbishment of the existing Ceysand property in Bentota.

- The Group will utilise the Group owned 90 perch prime land located in Colombo 3 to commence a hotel development project named 'Mövenpick Hotel Colombo' at an investment of US\$37 Mn (inclusive of land) and will have the following features:
  - 5-Star rated
  - 24 storeys
  - 224 well appointed rooms
  - All business amenities with conference and meeting facilities built to an international standard
  - A large ballroom which can house 1,000 guests
  - Banquet facilities
  - 4 restaurants serving different cuisines
  - Recreational facilities in the form of a fully equipped gymnasium, swimming pool and health spa
  - A rooftop nightclub/bar
- The Group will develop the current 3 star Ceysand Hotel property, Bentota in to a 4+Star hotel as follows:
  - The hotel will be complete with 140 well appointed luxurious rooms and a full suite of amenities
  - A globally reputed International Resorts chain will be tasked to manage this property while lending its brand name and quality standards to the property

The company will leverage its strong balance sheet and utilise internal cash flows to fund the related construction costs.

The travel subsector will benefit from the increase in travel and the sophisticated requirements of the travellers who require services in addition to "only" the airline ticket. This will give the company an opportunity to develop and market products that the airlines will be looking for as enhancements to their existing packages.

**Sector : Automobile**

**Growth Strategy :** The automobile sector will focus its growth strategies on the expansion opportunities available as follows:

- Offer multiple products to every segment of the market with the existing Ford and Daihatsu products
- Look for opportunities to be the dealer/agent to many international brands

**Sector : Health Care**

**Growth Strategy :** The healthcare sector through the flagship Asiri Group will expand its reach to the population outside of the Greater Colombo area by:

- Opening a General Hospital in Jaffna
- Starting the construction of a 100 bed hospital in Kandy in 2011, with a view of starting operations in early 2013
- Targeting the European market to offer medical tourism opportunities and is in the process of negotiating with two European operators

**Sector : Financial**

**Growth Strategy :** The financial services sector will also increase its product/service offerings by linking with its sister companies to provide hire purchase options and using synergies by complementing the distribution network

**Sector : Information and Communication Technologies**

**Growth Strategy :** The growth in the ICT sector will primarily be driven by IT enabled services:

- IT services
- Data storage capabilities
- Support services etc.

The following enhanced services are key to the expansion plans:

- “Repairs within 24 hours”
- Help desk services to corporate clients
- Management of IT services remotely

The telecommunications services sector too is expected to grow based on the services that are provided to customers. As number portability and the sharing of communication towers is expected in the near future in Sri Lanka, competition between players for the same base should increase exponentially, whilst customer care services are expected to become the key differentiator between competitors.

## Risks Associated

**The specific risks related to the future strategies are as follows:**

### **Assumption: Increase in per capita income and wider distribution of GDP**

#### **Risk: Economic Risk**

#### **Sectors: Retail, Automobile, Health Care, Financial, ICT**

All businesses in the Group as in the case of any business currently operating in Sri Lanka have assumed a growth in the local economy in terms of GDP, per capita income, per capita GDP etc given the current environment and the prospects for the future. However, there could always be unforeseen circumstances that could hamper the growth of the economy that will in general impact all businesses operating in the local market.

### **Assumption: Reduction of Duty and Taxes**

#### **Risk: Government Regulation**

#### **Sectors: Retail and Automobile**

In the case of Retail and the Automobile sectors, the products have been imposed with a heavy levy/tax by the Government in the past. Even though this has been relaxed in recent times, there is a risk of Government regulations threatening the expansion of the Group’s growth plans to some extent. The financial services sector which falls within the purview of the regulations of the Central Bank of Sri Lanka will benefit from being in a regulated environment even if some may be construed as unfavourable to the growth of the sector.

### **Assumption: Increase in Tourist Arrivals/Business Travellers**

#### **Risk: Decrease in Tourist Arrivals**

#### **Sectors: Retail, Travel and Leisure**

The Leisure sector is dependent on the number of tourists expected in Sri Lanka for its long term growth. For Softlogic, the Mövenpick hotel will be dependent on the business travelers and Ceysand on the leisure traveler. The Retail sector too is somewhat reliant on the tourists expected to make Sri Lanka a shopping destination.

(Given that Sri Lanka will be void of any internal conflicts going forward, this risk may not materialise in the long term.)

**Assumption: Increase in the Ageing Population/Increase in Life Insurance Penetration**

**Risk: The Ageing Population will be Healthy and the Increase in Life Insurance will Plateau**

**Sectors: Health Care**

The risk associated with the above assumptions that are specific to the Health Care sector are not considered significant as the population pyramid shown in the industry analysis indicates that Sri Lanka's ageing population will be increasing. In the case of life insurance penetration, it increased from 8.8% in 2006 to 10.4% in 2009 and is expected to grow at a stable pace.

**Other Risks that could affect the expansion/future strategies of the Company**

**Competitor**

As with any other business, the threat of competition entering the market is a risk that Softlogic Group will have to face in many of its businesses/sectors. Given that the country is headed towards growth in the years to come, the Group companies will face an abundance of new entrants. However, especially in the retail sector, the distribution network which is the backbone of the sector will be strengthened in order to achieve growth targets and as a barrier to entry for new comers.

**Market Risk**

Market Risk is specific to the financial services sector. This is an area where operations are exposed to market risks that will include liquidity risk, interest rate risk and equities price risk. It is intended to manage all these through a comprehensive risk management framework that will ensure that limits and controls prevail in an adequate measure to safeguard business operations.

**Operational Risk**

There are inherent operational risks in the financial sector such as processing of financial services transactions that tend to be both high value and high volume. With the Group having its roots in IT, the objective will be to use this competitive advantage to develop competitive solutions that will process transactions efficiently and accurately.

The Health Care sector will have to face the risk of securing consultants; other medical and paramedical staff etc when expanding services out side of Colombo.

The hotel subsector will be faced with fluctuating construction costs and the hiring of suitable qualified staff for the new hotel developments.

### 3.1.8 DIRECTORS

The Name, address, and business experience of Directors are given below followed by details of other directorships held by the Directors which are identified in a separate table.

Name of Director	Address	Profile
Mr. Asoka Pathirage Chairman/Managing Director	No.65/13, Kumaragewatte Road, Wickramasinghe Mawatha, Pelawatte Battaramulla.	Co-founded Softlogic in 1991 and has served the Softlogic Group as the Managing Director from the inception. He was appointed as the Chairman of the Group in 2000 and is also the Chairman/Managing Director of the Asiri Group of Hospitals. He is the Chairman of Softlogic Capital Ltd and Softlogic Finance PLC. He is also serves as a Director on the NDB Board. He started his career at a leading Blue Chip Company in Sri Lanka and has over 25 years of experience at Senior Managerial capacity in the Information Technology Industry and in the Business world.
Mr. Hemantha Gunawardena Executive Director	No.65/17 C, Kumaragewatta Road, Wickramasinghe Mawatha, Pelawatte Battaramulla.	He is a co-founder of the Softlogic Group and has served the Softlogic Group as a Director from the inception. He is currently the Director/CEO of the Software Division of Softlogic Information Technologies (Pvt) Ltd. He is currently the Managing Director of Softlogic Information Systems (Pvt) Ltd. He has over 20 years of experience in the field of IT and has held the position of Senior Software Manager at a leading Blue Chip Company in Sri Lanka.
Mr. Haresh Kaimal Executive Director	No.2, Vidyala Road, Off Templers Road, Mount Lavinia.	He is a co-founder of the Softlogic Group and has served the Softlogic Group as a Director from the inception. He is currently the Managing Director of Gerry's Softlogic (Pvt) Ltd based in Pakistan. He has over 20 years of experience in the field of IT and has specialised in industries covering shipping, accounting, finance and freight forwarding.
Mr. Ranjan Perera Executive Director	No.65/17A, Kumaragewatte Road, Wickramasinghe Mawatha, Pelawatte Battaramulla.	He joined the Softlogic Group in 1997 and currently is the Managing Director of Softlogic International (Pvt) Ltd, which has a business partnership with Dialog Axiata PLC. He has many years of experience behind him having worked at Senior Managerial positions in respect of world renowned brands of electronics and mobile telecommunication industry.
Mr. Roshan Rasool Executive Director	No.43, 1st Cross Street, Off Pagoda Road, Nugegoda.	He joined the Softlogic Group in 1995 and currently is the Director/CEO of the Computing Systems & Systems Integration Solutions Division of Softlogic Information Technologies (Pvt) Ltd, which has a business partnership with Dell Corporation of US. He was appointed to the Board of Softlogic Holdings Ltd as a Director in 2009. He is a MBA holder from the University of East London. He is also an Associate Member of the ABE and a Member of the Cyprus Institute of Marketing. He has many years of experience behind him having worked at Senior Managerial positions in reputed companies.
Mr. Samantha Rajapaksa Executive Director	No.56, 5th Lane, Nawala.	He joined the Softlogic Group in 2008 and currently is the Director/CEO of Softlogic Communications (Pvt) Ltd. He was appointed to the Board of Softlogic Holdings Ltd as a Director in 2009. He is a MBA holder from the University of Sri Jayawardenepura. He is also a Fellow of the Chartered Institute of Management Accountants (FCMA), Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and holds a Diploma in Marketing from the Chartered Institute of Marketing (London) and is an Associate of Cisco, USA. He has many years of experience behind him having worked at Senior Managerial positions in reputed companies.

Name of Director	Address	Profile
Dr. Sivakumar Selliah Non-Executive, Independent Director	No.114/5, Rosmead Place, Colombo 7	Dr. Selliah joined the Board of Softlogic Group in 2010. He holds a MBBS Degree and a Masters Degree (M.Phil). He has over 18 years of experience in the business world and serves on the Boards of many Public Quoted Companies and Unquoted Companies in Sri Lanka. He is also the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC, and The Central Hospital (Pvt) Ltd among other companies.
Deshamanya Deva Rodrigo Non-Executive, Independent Director	42/8 Rosmead Place, Colombo 7	<p>Appointed to the Board in February 2011, Deva Rodrigo, a Chartered Accountant, had a career with the International Accounting and Consulting Firm PricewaterhouseCoopers, joining it in East Africa in 1974 and serving in its London Offices in 1980. He was a Founder Partner when PricewaterhouseCoopers established its Sri Lankan firm in 1981, and held the position of Senior Partner from 1992 to 2006, when he retired from the firm. He is a past Chairman of the Ceylon Chamber of Commerce. He has previously held public office as a Director of People's Bank and as a member of the Telecommunication Regulatory Commission. He was also a member of the Monetary Board of the Central Bank of Sri Lanka and a member of the National Council for Administration.</p> <p>He also serves as the Chairman, Audit Committee and Non Executive Director of Ceylon Tobacco Co. PLC, Chevron Lubricants Lanka PLC and John Keells Holdings PLC.</p>
Mr Prasantha Lal De Alwis Non-Executive, Independent Director	40/4, Park Road, Colombo 5	<p>He had his education at Ananda College, Colombo and obtained his LL.B (Bachelor of Law) and LL.M (Masters in Law) from the University of Colombo and was admitted and enrolled as an Attorney-at-Law in 1983. He was a State Counsel of the Attorney General's Department for seven years. He joined the unofficial bar in the year 1991 and today he practices in the Trial and Appellate courts of Sri Lanka.</p> <p>Mr. De Alwis was appointed as an Advisor to the Board of Sampath Bank PLC in January 2011, after being a Director for nine years. He continues to be a member of both the Human Resource and Risk Committees of Sampath Bank PLC after being the Chairman of both committees prior to retirement.</p> <p>He is presently a Director of Sampath Leasing and Factoring Ltd and also of Sri Lanka Foreign Employment Agency. He is also a member of the Official Languages Commission of Sri Lanka and is a visiting Lecturer at the Faculty of Law, University of Colombo.</p> <p>He is an Associate Member of the Chartered Institute of Marketing (CIM) U.K. and is presently the Honourary Legal Advisor of the Chartered Institute of Marketing, Sri Lanka and Ayurveda Doctors (Gampaha Wickremarachchi) Association of Sri Lanka.</p> <p>He was a founder member of the Consumer Affairs Authority of Sri Lanka in year 2002.</p>

## Other directorships held by the Directors of SHL

Director Name	Company	Position
<b>Asoka Pathirage</b>	Softlogic Information Technologies (Pvt) Ltd	Chairman
	Softlogic Communications (Pvt) Ltd	Chairman
	Softlogic International (Pvt) Ltd	Chairman
	Uni Walkers (Pvt) Ltd	Chairman
	Softlogic Properties (Pvt) Ltd	Chairman
	Softlogic Australia (Pty) Ltd	Chairman
	Abacus International Lanka (Pvt) Ltd	Managing Director
	Softlogic Finance PLC	Chairman
	Softlogic Capital Limited	Chairman
	Future Automobiles (Pvt) Ltd	Chairman
	Asiri Hospital Holdings PLC	Managing Director
	Asiri Surgical Hospital PLC	Chairman
	Asiri Central Hospitals PLC	Chairman
	Central Hospital (Pvt) Ltd	Chairman
	Asiri Diagnostics Services (Pvt) Ltd	Chairman
	Asiri Hospital Kandy (Pvt) Ltd	Chairman
	Ceysand Resorts Ltd (Ceylinco Tourist Hotels Limited)	Chairman
	National Development Bank (NDB)	Director
<b>Hemantha Gunawardena</b>	Softlogic Information Technologies (Pvt) Ltd	Director
	Softlogic Communications (Pvt) Ltd	Director
	Softlogic Solar (Pvt) Ltd	Director
	Softlogic Computers (Pvt) Ltd	Director
	Softlogic International (Pvt) Ltd	Director
	Softlogic Communication Services (Pvt) Ltd	Director
	Uni Walkers (Pvt) Ltd	Director
	Future Automobiles (Pvt) Ltd	Director
	Dai Nishi Securities (Pvt) Ltd	Director
	Softlogic Properties (Pvt) Ltd	Director
	Uni Walkers Distributors (Pvt) Ltd	Director
<b>Ranjan Perera</b>	Softlogic International (Pvt) Ltd	Director
	Softlogic Information Technologies (Pvt) Ltd	Director
	Softlogic Communications (Pvt) Ltd	Director
	Softlogic Solar (Pvt) Ltd	Director
	Softlogic Communication Services (Pvt) Ltd	Director
	Uni Walkers (Pvt) Ltd	Director
	Future Automobiles (Pvt) Ltd	Director
	Dai Nishi Securities (Pvt) Ltd	Director
	Softlogic Capital Limited	Director
	Softlogic Australia (Pty) Ltd	Director
	Softlogic Properties (Pvt) Ltd	Director
	Uni Walkers Distributors (Pvt) Ltd	Director
<b>Haresh Kumar Kaimal</b>	Softlogic Information Technologies (Pvt) Ltd	Director
	Softlogic Computers (Pvt) Ltd	Director
	Softlogic International (Pvt) Ltd	Director
	Gerry's Softlogic (Pvt) Ltd	Director
	Softlogic Australia (Pty) Ltd	Director

Director Name	Company	Position
<b>Roshan Rasool</b>	Softlogic Information Technologies (Pvt) Ltd	Director
	Softlogic International (Pvt) Ltd	Director
	Softlogic Communication Services (Pvt) Ltd	Director
	Uni Walkers (Pvt) Ltd	Director
	Uni Walkers Distributors (Pvt) Ltd	Director
<b>Samantha Rajapaksa</b>	Softlogic Communications (Pvt) Ltd	Director
	Asiri Hospital Holdings PLC	Director
	Asiri Surgical Hospital PLC	Director
	Asiri Central Hospitals PLC	Director
	Central Hospital (Pvt) Ltd	Director
	Softlogic Finance PLC	Director
	Softlogic Communication Services (Pvt) Ltd	Director
	Softlogic Capital Limited	Director
	Softlogic Credit Limited	Director
<b>Dr. S. Selliah</b>	Asiri Hospital Holdings PLC	Deputy Chairman
	Asiri Surgical Hospital PLC	Deputy Chairman
	Andysel (Pvt) Ltd	Chairman
	Central Hospital (Pvt) Ltd	Deputy Chairman
	Lanka Tiles PLC	Deputy Chairman
	Lanka Wall Tiles PLC	Deputy Chairman
	Parquet (Ceylon) PLC	Director
	Cleanco Lanka Ltd	Chairman
	Arunodhaya (Pvt) Ltd	Director
	Arunodaya Industries (Pvt) Ltd	Director
	Arunodaya Investments (Pvt) Ltd	Director
	Horana Plantations PLC	Director
	Asiri Hospital Matara (Pvt) Ltd	Director
	Matara Medi House (Pvt) Ltd	Director
	Expolanka Holdings Limited	Director
<b>Deshamanya Deva Rodrigo</b>	Ceylon Tobacco Co. PLC	Director
	Chevron Lubricants Lanka PLC	Director
	John Keells Holdings PLC	Director
<b>Mr Prasantha Lal De Alwis</b>	Sampath Leasing and Factoring Ltd	Director
	Sri Lanka Foreign Employment Agency	Director

The Directors' shareholdings (in respect of all classes of shares) in the Entity as at 01st April 2011 are as follows:

Name	Number of Shares	%
Mr A.K.Pathirage	321,500,000	50.23
Mr Hemantha Gunawardena	57,000,000	8.91
Mr Ranjan Perera	58,390,000	9.12
Mr Haresh Kaimal	64,500,000	10.08
Mr Roshan Rasool	Nil	Nil
Mr Samantha Rajapaksha	Nil	Nil
Dr S.Selliah	2,000,000	0.31 %
Deshamanya Deva Rodrigo	Nil	Nil
Mr Prasantha Lal De Alwis	Nil	Nil

There have not been any sales or purchases of shares made by the Directors during the year immediately preceding the date of the issue of the Prospectus.

The aggregate emoluments paid in the form of salaries or bonuses to the Directors during FY 2009/10 amounted to Rs.29.0 Mn. The Directors are expected to be remunerated in the form of salaries or bonuses during FY 2010/11 to an approximate amount of Rs.44.9 Mn.

The Directors neither hold interest in assets acquired, disposed or leased by the Company during the two (02) years preceding this issue of shares nor do the Directors have any interest in any assets proposed to be acquired, disposed or leased by the Company in the two (02) years succeeding this Issue of shares

There are no contracts or agreements in force as at 01st April 2011 in which any Director of the Company is materially interested in relation to the business of the Company.

No Director of the Company has been involved in any of the following:

- (i) A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
- (ii) Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

### 3.1.9 STATED CAPITAL

Details of all classes of shares issued for the two (02) years preceding the date of the Prospectus, including dates of allotment, consideration received per share and number of shares issued are detailed below:

Class of Shares	Consideration per Share	Number of Shares Issued	Date of allotment
Ordinary Shares	Rs. 72	12,973,000	8-Mar-10
Ordinary Shares	Rs. 72	1,027,000	12-Apr-10

In addition, the Softlogic shares were split 1:10 as at 11th February 2011 and the total number of shares as at the date of the Prospectus is 640,000,000.

Movement of Issued Share Capital of Softlogic Holdings Ltd since 2007								
Class of Share	Number of Shares Issued/ before movement	Value before movement (Rs)	Nature of the Movement	Number of Shares (If it is a New Issue)	Number of Shares after the Movement	Value after the movement	Price Per Share Rs. (If it is a New Issue)	Date of Movement
Ordinary Voting Shares	5,000,000	50,000,000	Split 1:10		50,000,000	50,000,000		15-Jan-10
Ordinary Voting Shares	50,000,000	50,000,000	New Share Issue via private placement	12,973,000	62,973,000	984,056,000	72	8-Mar-10
Ordinary Voting Shares	62,973,000	984,056,000	New Share Issue via private placement	1,027,000	64,000,000	1,058,000,000	72	12-Apr-10
Ordinary Voting Shares	64,000,000	1,058,000,000	Split 1:10		640,000,000	1,058,000,000		11-Feb-11

There were no shares redeemed, or repurchased immediately preceding two years of the date of the Prospectus in terms of Sections 63, 64, 66, 67, 68, 69, 93 and 100 of the Companies Act and there was no reduction of stated capital in terms of Section 59 of the Companies Act.

SHL has no convertible debt securities; no statutory restrictions on the free transferability of shares; and no shares/other class of shares were subscribed or sold privately, in conjunction with the public issue of shares.

Material share transfers carried out by major shareholders (on the Company's shares) during the 12 months preceding the date of Initial Listing Application:

Name of Transferor : Bartleet Finance Limited  
 Name of Transferee : Strategic Insurance Brokers (Pvt) Ltd  
 Number of Shares Transferred : 3,500,000  
 Consideration : 84,000,000  
 Date of Transfer : 29/03/2011

### 3.1.10 MANAGEMENT

The Chief Executive Officer/Managing Director of the Company, namely Mr. Asoka Pathirage has not been involved in any of the following:

- (i) A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer.
- (ii) Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

Management of the entity was not outsourced to a third party. Given below are the names and business experience of the senior management of SHL:

#### Mr. Asoka Pathirage

Profile of Mr. Pathirage has been given under section 3.18 (Profile of the Board of Directors)

#### Mr. Samantha Rajapaksa

Profile of Mr. Rajapaksa has been given under section 3.18 (Profile of the Board of Directors)

#### Ms. Erandi Wickramarachchi

She joined the Softlogic Group in 2004 and currently holds the position of Chief Financial Officer. She holds a Special Degree in Accountancy and Financial Management from the University of Sri Jayawardenepura. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and is also an Associate Member of Certified Management Accountants of Sri Lanka. She is currently reading for her MBA in Finance.

### Ms. Thushani Dayaratne

She joined the Softlogic Group in 2006 as the Group Head of Legal/Human Resources and the Company Secretary. She is a Law Graduate from the Faculty of Law of the University of Colombo and is an Attorney-at-Law and a Commissioner of Oaths. She is a qualified Company Secretary and holds a Notaries License to practice in English Language. She has 15 years experience behind her as a Corporate Lawyer, having worked at Senior Managerial positions in reputed organisations both in the Private and the Public Sectors.

### Ms. Desiree Karunaratne

She joined the Softlogic Group in 2003 and currently holds the position of Director Marketing of Uni Walkers (Pvt) Ltd. She is also the General Manager of Abacus International Lanka (Pvt) Ltd., which is a Joint Venture between Abacus International Pte in Singapore and Softlogic Holdings Ltd. She is in charge of the marketing aspects for the Softlogic Group. She holds an MBA from the University of Wales, UK and has many years of experience behind her having worked at Senior Managerial positions in reputed companies.

### Mr. Suraj Fernando

He joined the Softlogic Group in 2009 as an Executive Director. He is in charge of special projects for the Softlogic Group. He is a Fellow Member of the Chartered Institute of Management Accountants UK (CIMA), Chartered Association of Certified Accountants UK (ACCA) and the Chartered Institute of Marketing UK (CIM). He also holds a Diploma in Marketing from CIM UK. He has held office as President of CIMA and the Chairman Ceylon Chamber of Commerce – Import Section. Mr. Fernando has many years of experience at MD/CEO level in many multi faceted and diverse operations.

### Mr. Iftikar Ahamed

He joined the Softlogic Group in 2010 as an Executive Director. He is in charge of Group Treasury and the Financial Sector. He holds an MBA from the University of Wales, UK and has over 27 years of experience in the Financial Services Industry possessing extensive knowledge and exposure in the fields of Treasury and Banking. He has held senior positions in reputed Banks both in Sri Lanka and abroad.

### Ms. Natasha Fonseka

She joined the Softlogic Group in 2010 as the Head of Group Tax and HRD. She is an Associate Member of the Chartered Institute of Management Accountants (ACMA) of UK. She has over 20 years of experience behind her having worked at Senior Managerial positions in reputed Professional Firms which provide Audit, Tax, Finance and Advisory Services and in the private sector.

The aggregate emoluments to the Senior Management team except for the Directors and the Chief Executive Officer/Managing Director during the last completed financial year amounts to Rs. 9.3 Mn and is estimated as Rs. 18.0 Mn for the current financial year. The increase in the estimate for the current year is primarily due to the additional members that have joined the senior management team.

## 3.1.11 MANAGEMENT AGREEMENTS

Details of management agreements presently in force or currently being considered including particulars of such consideration passing to or from the Entity are as follows:

No	1st Party	2nd Party	3rd Party	Date	Description
1	Asiri Hospitals PLC	Softlogic Holdings Ltd.		1st September 2010	Softlogic Holdings Ltd has agreed to provide Management, Tax and Human Resources Services for a period of one year.
2	Mövenpick Hotels & Resorts Management FZ – LLC	Softlogic Holdings Ltd.	-	16th November 2010	Management Agreement effective from 16th November 2010 for twelve years from the opening date with provision for two successive extensions of five years each.

No	1st Party	2nd Party	3rd Party	Date	Description
3	Mövenpick Hotels & Hotel Management FZ – LLC	Softlogic Holdings Ltd.	-	16th November 2010	Marketing & central services agreement effective so long as the management agreement continues
4	Mövenpick Holding AG	Softlogic Holdings Ltd.	-	16th November 2010	Trademark license agreement effective so long as the management agreement continues.
5	Mövenpick Hotels & Resorts Management FZ – LLC	Softlogic Holdings Ltd.	-	16th November 2010	Technical services agreements for the design construction and furnishing of Hotel.
6	Gerry's Group	Softlogic Holdings (Pvt) Ltd	-	01st May 1999	Joint Venture
7	Shermans Sons (Private) Limited	Uni Walkers (Private) Limited	-	07th July 2010	Management agreement for Uni Walkers to manage the duty free shop of Shermans Sons at the Katunayake Airport.

### 3.1.12 FINANCIAL INFORMATION

The following financial statements are included in Annexure D of the Prospectus:

- (i) Audited financial statements made up to a date not more than 12 months from the date of submission of the listing application.
- (ii) Interim financial statements which conforms to the Sri Lanka Accounting Standards (SLAS) 35 which include Group and Company results separately since SHL is a Holding Company and made up to a date not more than 3 months from the date of submission of the listing application.
- (iii) Summarised Profit and Loss Account and Balance Sheet for the five years preceding the date of the application stating the Accounting Policies adopted by SHL certified by the Auditors. Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in Accounting Policies in the relevant period.

### Key Ratios

Based on the Audited financial statements as at 31st December 2010, the key ratio of significance are given as follows:

Margins	%	YoY Growth		Working Capital Ratios	
Gross Profit	22.53	Revenue (%)	39.03	Current Ratio (x)	0.72
Earning Before Interest & Tax	19.12	Gross Profit (%)	9.30	Acid Test (x)	0.54
Profit Before Tax	12.26	Earning Before Interest & Tax (%)	24.43		
Net Profit	9.84	Profit Before Tax (%)	226.00		
Effective Tax Rate	19.77	Net Profit (%)	329.24		
		ROE (%)	30.72		
		Interest Cover (x)	2.79		
		Net Debt to Equity (%)	32.01		

### Dividend Policy of the Entity

The Company will endeavor to pay out dividends from its consolidated annual net profit after taxation annually, subject to the availability of distributable reserves.

The actual amount and timing of dividend payments will be dependent upon Company's cash flow position, returns from operations, business prospects, current and expected obligations, funding needs for future growth, maintenance of an efficient capital structure, capital market conditions and any other factors which the Board of Directors of Softlogic Holdings Limited may deem relevant.

Softlogic Holdings Limited has not paid dividends in the past three years.

### Particulars of Debt and Loan Capital

Deferred income of Rs. 4.48Mn arising from sale and lease back transaction will be deferred over the lease period of 25 months.

The particulars of term loans, other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptance (Other than normal trading bills) are given in Annexure E.

There are no material contingent liabilities, charges on the assets of the Entity, or Guarantees.

There are no lease purchase, hire purchase commitments, and statement of mortgages. Given below are details of Leasing as at 4th April, 2011.

Company Name	Original Amount (Rs.)	Outstanding Amount as at 05.04.2011 (Rs.)
Softlogic Holdings Ltd	216,454,141	91,702,753
Softlogic Trading (Pvt) Ltd*	47,901,036	34,400,501
Softlogic Communications (Pvt) Ltd	14,929,277	10,967,724
Softlogic International (Pvt) Ltd	28,375,173	21,375,765
Softlogic Furniture (Pvt) Ltd**	7,246,060	6,676,218
Uni Walkers (Pvt) Ltd	34,652,638	18,280,509
Softlogic Finance PLC	10,221,275	9,837,726
Asiri Hospital Holdings PLC	3,532,482	662,340
Asiri Surgical Hospital PLC	6,044,371	2,544,116
Matara Medihouse (Pvt) Ltd	10,915,413	3,583,668
Asiri Central Hospital PLC	4,681,250	1,772,455
<b>Total</b>	<b>384,953,116</b>	<b>201,803,775</b>

\* Softlogic Trading has since merged with Softlogic Information Systems and is currently known as Softlogic Information Technologies (Pvt) Ltd

\*\* Softlogic Furniture (Pvt) Ltd has since merged with Uni Walkers (Pvt) Ltd

### 3.1.13 TAXATION

Tax concessions and/or tax exemptions applicable to the Entity are as follows. All the rest of the companies were taxed at 35% to 31st March 2011 and commencing 01 April 2011 would be taxed at 28%.

Name of Company	Softlogic Australia (Pty) Ltd	Softlogic Properties (Pvt) Ltd	Gerry's Softlogic (Pvt)Ltd	Abacus International Lanka (Pvt) Ltd	Asiri Surgical Hospitals PLC	Asiri Hospitals Matara (Pvt) Ltd	The Central Hospital (Pvt) Ltd	Asiri Central Hospitals PLC
Tax Exemption/ Explanation	The Company is incorporated in Australia and operates in Australia and there is no income liable to tax in Sri Lanka.	Has entered into an agreement under a section 17 of the BOI law. yet to commence operations.	The Company is incorporated in Pakistan and operates in Pakistan and there is no income liable to tax in Sri Lanka.	Income earned in foreign currency was exempt from income tax as per section 13 dddd as amended by Section 5 amendment Act No 19 of 2009 from 01 April 2009 to 31 March 2011. Commencing 01 April 2011 the tax rate is 28%. The Company paid tax on other income at the rate of 35%, to 31 March 2011.	10 year Tax holiday as per the agreement entered into with the BOI under section 17 of the BOI Law, which commenced on 01 April 2004.	8 year Tax holiday as per the agreement entered into with the BOI under section 17 of the BOI Law which commenced on 01 April 2009, For 2 years immediately succeeding the expiration of the said tax holiday the company is liable to tax at the rate of 10% and thereafter at the rate of 20%.	8 year Tax holiday as per the agreement entered into with the BOI under section 17 of the BOI Law, which will commence from 01 April 2012 or from the year of assessment the entity makes profits. As per the said agreement after the expiration of the said tax exemption period the company would be liable to tax at 15%.	2% on Turnover for 15 years post Tax holiday starting 2005/ 2006.

### 3.1.14 TAKE-OVER OFFERS

There have not been any take over offers by third parties in respect of the Entity's shares during the past two years.

Details of the take-over offer made by the Entity in respect of shares of Asiri Hospital Holdings that triggered as per the terms of the Company Takeovers and Mergers Code 1995 as amended in 2003 are as follows:

The SHL share of Asiri Hospital Holdings PLC increased by an additional 15.27% of the total issued shares from its prior 36.42% ownership stake and is currently at 51.69%.

Third Party	Offer	Trigger date	Offer Closure date	No. of shares purchased	% increase in shares
Asiri Hospital Holdings PLC	Rs. 9.00	30th November 2010	01st February 2011	135,797,245	15.27%

### 3.1.15 LITIGATION, DISPUTES AND CONTINGENT LIABILITIES

There have not been any legal, arbitration or mediation proceedings in the recent past that have or have had a significant effect on the Entity's financial position or profitability. However, the company in the normal course of its business has commenced legal recovery proceedings against defaulting customers.

As at 01st April 2011, there have not been any penalties imposed by Regulatory and/or State Authorities.

There are no contingent liabilities that would affect current and future profits of the Entity.

### 3.1.16 CORPORATE GOVERNANCE PRACTICES

The Softlogic Group is committed to the highest standards of business integrity and ethical values in its day to day operations whilst working towards rewarding all its stakeholders. The Company therefore places a high importance to the Corporate Governance Standards as set by the listing rules of the Colombo Stock Exchange and ensures that all principles and guidelines are followed and are in compliance with the necessary requirements.

#### Board of Directors

The Profile of the Board of Directors is given in section 3.18 of the Prospectus.

The composition of the Board, as at the date of the Prospectus, is as follows:

Executive Directors	: 6
Non Executive/Independent Directors	: 3
Total number of Directors	: 9

#### Remuneration Committee

The Remuneration Committee details are as follows:

Members of the Committee: Mr. Prasantha Lal De Alwis and Deshamanya Deva Rodrigo

Chairman of the Committee: Mr. Prasantha Lal De Alwis

The Remuneration policy of Softlogic ensures that performance incentives are set against the targets and that remuneration levels are sufficient to attract and retain the calibre of professionals required.

#### Committee Responsibilities:

- Assisting the Board of Directors in establishing remuneration policies and practices in the Group, and
- Reviewing and recommending to the board appropriate remuneration packages for the Chairman-CEO and the other Executive Directors.

The remuneration of the Board of Directors are given in Section 3.18 of the Prospectus.

#### Audit Committee

The Audit Committee details are as follows:

Members of the Committee: Dr. S. Selliah, Mr. Prasantha Lal De Alwis and Deshamanya Deva Rodrigo

Chairman of the Committee: Deshamanya Deva Rodrigo

#### Committee Responsibilities:

- Appointment and review of Group External Auditors and assessment of their independence and their remuneration
- Oversight of Company Financial Statements and disclosures and the compliance with financial reporting requirements
- Reviewing the functions and processes of Internal Controls and Risk Management

### **3.1.17 REPORTS BY EXPERTS**

There are no reports by experts.

### **3.1.18 UNDERWRITING/MINIMUM SUBSCRIPTION**

No underwriting arrangement has been entered into by the Company for this Share Issue, and in the opinion of the Directors, there is no minimum subscription required to be raised through this Issue. In the event the issue is undersubscribed, the subscribers will be allotted the shares they have applied for, and the funds raised thereby will be utilised to meet the objectives of the Issue as stipulated in section 1.3 of the Prospectus.

### **3.1.19 INSPECTION OF DOCUMENTS**

The following documents are available for inspection by the public during normal working hours at the Registered Office of the Company from the date hereof until the subscription lists are closed or up to fourteen (14) market days whichever is later.

- (i) Articles of Association
- (ii) Material contracts and management agreements.
- (iii) Reports, letters, valuations and statements by any expert any part of which is extracted or referred to in the Prospectus.
- (iv) The Audited Accounts of the Entity for five (05) financial years immediately preceding the publication of the Prospectus, as applicable.

The Prospectus and the Application Form are available on the CSE Website, [www.cse.lk](http://www.cse.lk) and the Company website, [www.softlogic.lk](http://www.softlogic.lk) during the above mentioned period.

### **3.1.20 OTHER REQUIREMENTS**

#### **OPENING AND CLOSING OF THE SUBSCRIPTION LIST**

The Subscription will open on 9th June 2011 and will close on the day the issue is oversubscribed or 29th June 2011 whichever date is earlier.

#### **TRANSACTIONS RELATED TO PROPERTY**

There have been no transactions relating to any property completed within the two preceding years in which any vendor of the property to the company or any person who is or was at the time of the transaction, a promoter or a director or proposed director of the company had any interest, direct or indirect.

#### **DETAILS OF COMMISSIONS PAID WITHIN THE TWO PRECEEDING YEARS**

The Company paid Rs. 20,221,236/- on 8th March 2010 as commission in relation to the shares placed by the Company.

No amount or benefit was paid or given or intended to be paid or given to any promoter within the two preceding years.

## MATERIAL CONTRACTS

The dates and parties to and a description of every material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the company or a contract entered into more than two years before the date of issue of the Prospectus are given as follows.

1st Party	2nd Party	Date	Description
Dell Asia Pacific Sdn.	Softlogic Trading (Pvt) Ltd	08th June 2009 to 8th June 2011	Dell International Distributor Agreement-Asia Pacific
Nokia Corporation	Softlogic Communications (Pvt) Ltd	31st December 2010 until 31st December 2011	Distributor Sales Agreement
Xerox Limited	Uni Walkers (Pvt) Ltd	05th May 2009 until terminated	Distributor Agreement
Levis Strauss	Uni Walkers (Pvt) Ltd	07th August 2009 to 07th August 2012	Distributorship Agreement
Samsung India Electronics Private Limited	Uni Walkers (Pvt) Ltd	06th April 2010 to 05th April 2011	Distributorship Agreement
Molex (India) (Pvt) Ltd	Softlogic Trading (Pvt) Ltd	08th January 2011 to 07th January 2013	Distributor Agreement
MIRC Electronics Limited	Uni Walkers (Pvt) Ltd	01st December 2009 to 31st December 2011	Distributorship Agreement
Candy Me Fze	Uni Walkers (Pvt) Ltd	25th August 2010 to 24th August 2011	Sole Agent Agreement
Clayton Australia (Pty) Ltd	Softlogic Furniture (Pvt) Ltd	01st January 2009 to 31st December 2014	Distributor Agreement
Enware Australia (Pty) Ltd	Softlogic Furniture (Pvt) Ltd	01st January 2009 to 31st December 2014	Distributor Agreement
Nike Singapore (Pte) Ltd	Uni Walkers (Pvt) Ltd	01st October 2010 to 30th September 2013	Distributor Agreement
Daihatsu Motor Company Ltd	Uni Walkers (Pvt) Ltd	01st January 2008 to 31st December 2011	Distributor Agreement
R.M. Asia H.K. (Ltd)	Future Automobiles (Pvt) Ltd	01st April 2011 to 31st December 2012	Ford Dealer Sales and Service Agreement
Giordano Fashions Limited	Uni Walkers (Pvt) Ltd	15th March 2011 to 14th March 2013	Authorised Dealer Agreement
PUNTO FA,S.L	Uni Walkers (Pvt) Ltd	1st April 2011 to 31st March 2013	Franchise Agreement for Mango

## 4.0 DECLARATIONS

### 4.1 STATUTORY DECLARATION BY THE DIRECTORS:

Date: 27 May 2011

We the undersigned, who are named in the Prospectus as Directors of Softlogic Holdings Limited, hereby declare and confirm that we have read the provisions of the CSE listing rules and of the Companies Act No. 07 of 2007 and any amendments to it relating to the issue of this Prospectus and those provisions have been complied with.

This Prospectus 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 after making all reasonable enquires 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.

Where representations regarding the future performance of Softlogic Holdings Limited have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to Softlogic Holdings Limited and making assumptions that are considered to be reasonable at the present point in time in our best judgment.

(Sgd.) Mr. Asoka Pathirage	on this 27th day of May 2011
(Sgd.) Mr. Hemantha Gunawardena	on this 27th day of May 2011
(Sgd.) Mr. Haresh Kaimal	on this .27th day of May 2011
(Sgd.) Mr. Ranjan Perera	on this 27th day of May 2011
(Sgd.) Mr. Roshan Rasool	on this 27th day of May 2011
(Sgd.) Mr. Samantha Rajapaksa	on this .27th day of May 2011
(Sgd.) Dr. Sivakumar Selliah	on this 27th day of May 2011
(Sgd.) Deshamanya Deva Rodrigo	on this 27th day of May 2011
(Sgd.) Mr. Prasantha Lal De Alwis	on this 27th day of May 2011

### 4.2.1 DECLARATION BY THE LEAD MANAGERS AND FINANCIAL ADVISORS TO THE ISSUE

Date: 27 May 2011

We, John Keells Capital, a division of John Keells Holdings PLC being the Lead Managers and Financial Advisors to the Initial Public Offer of Softlogic Holdings Limited, hereby declare and confirm to the best of our knowledge and belief based on the information provided to us by the Company the Prospectus constitutes full and true disclosure of all material facts about the Issue and Softlogic Holdings Limited, whose Ordinary Voting Shares are being issued.

(Sgd.) Mr. Ronnie Peiris Director	(Sgd.) Mr. Ajit Gunewardene Director
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## **4.2.2 DECLARATION BY THE JOINT MANAGERS AND FINANCIAL ADVISORS TO THE ISSUE**

Date: 27 May 2011

We, CT Capital (Pvt) Ltd, being the Joint Managers and Financial Advisors to the Initial Public Offer of Softlogic Holdings Limited, hereby declare and confirm to the best of our knowledge and belief that the Prospectus constitutes full and true disclosure of all material facts about the Issue and Softlogic Holdings Limited, whose Ordinary Voting Shares are being issued.

(Sgd.)  
Cecilia Muttukumaru  
Director

(Sgd.)  
Sheyantha Abeykoon  
Director

## **4.2.3 DECLARATION BY THE JOINT MANAGERS AND REGISTRARS TO THE ISSUE**

Date: 27 May 2011

We, PW Corporate Secretarial (Pvt) Limited, being the Joint Managers and Registrars to the Initial Public Offer of Softlogic Holdings Limited, hereby declare and confirm to the best of our knowledge and belief that the Prospectus constitutes full and true disclosure of all material facts about the Issue and Softlogic Holdings Limited, whose Ordinary Voting Shares are being issued.

(Sgd.)  
Mrs. D.P Pieris  
Director

(Sgd.)  
Ms. Anusha Wijesinghe  
Director

## **4.3 DECLARATION BY THE ENTITY**

Date: 27 May 2011

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all of the Ordinary Shares issued by the Company and those Ordinary Shares which are the subject of this Offer. Such permission will be granted when the Company has been admitted to the official list of the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus.

Admission to the official list is not to be taken as an indication of the merits of the Company or of the securities issued.

The Common Seal of Softlogic Holdings Limited of Sri Lanka is affixed on 27 th day of May 2011 at Colombo in the presence of Chairman Mr. Asoka Pathirage and Mr. Ranjan Perera Director.

(Sgd.)  
Mr. Asoka Pathirage  
Chairman

(Sgd.)  
Mr. Ranjan Perera  
Director

# ANNEX A

## DETAILED PROCEDURE FOR APPLICATION

The Application process is set out under the following sub headings:

- Eligible Applicants
- Procedure for Applications
- Payment Procedure – Mode of Payment
- Foreign Currency Remittances
- Remittances by Foreign Nationals resident in Sri Lanka
- Banking of Payments
- Basis of Allotment of Shares
- CDS Lodgements
- Rejection of Applications
- Refund Cheques/Return of Application monies

### A.1 ELIGIBLE APPLICANTS

Applications are invited for the purchase of One Hundred and Thirty Nine Million (139,000,000) Shares from the following categories of applicants having a Valid CDS Account:

- Citizens of Sri Lanka who are resident in or outside Sri Lanka and are above 18 years of age
- Foreign Citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas)
- Companies, Corporations or Institutions incorporated or established within Sri Lanka
- Corporate bodies incorporated or established outside Sri Lanka
- Approved Provident Funds and Contributory Pension Schemes (in this case Applications should be in the name(s) of the Trustee(s)/Board of Management in order to facilitate the opening of the CDS account)
- Regional and country funds approved by the SEC

**Applications will NOT be accepted from individuals less than 18 years of age or in the names of sole proprietorships, partnerships, un-incorporated trusts and non corporate bodies.**

### A.2 PROCEDURE FOR APPLICATION

- (a) Prospectus and Application Forms will be available free of charge from the Collection Points mentioned in Annex B to the Prospectus.
- (b) Applications should be made on the Application Forms issued with the Prospectus. (Exact size photocopies of Application Forms too would be accepted). Applicants using photocopies are requested to inspect this Prospectus which is available at the Collection Points mentioned in Annex B to the Prospectus.

**Only one application should be made for the benefit of any person or body corporate.** If an applicant has applied under more than one Application Form, including joint applicants applying under a different application will be construed as multiple applications. However, applicants under the employee category, may submit a further application (ONE ONLY), under either, Retail Individual Investor category or Non-Retail Investor category.

**The Company/Managers to the Issue reserve the right to reject multiple applications at their discretion. In the event of an oversubscription of the Issue, the Company/Managers to the Issue will reject multiple applications other than those which fall under the Employee category under the guidelines mentioned above.**

Care must be taken to follow the instructions given with the Application Form.

**Applications which are incomplete in any way and/or not in accordance with the terms and conditions set out in this Prospectus will be rejected at the absolute discretion of the Company/Managers to the Issue.**

Applications which do not indicate the CDS account number or indicate an incorrect CDS account number (Valid at the time of closing the Subscription List on the day the issue is fully subscribed / on the day the Issue is to close as set out in the Prospectus which ever happens earlier) of the Applicant shall be rejected.

**Please note that the applicants information such as Full Name, Address, National Identity Card No. / Passport No. / Residency will be downloaded from the CDS, based on the CDS Account Number indicated in the share application form. Such information shall take precedence over information supplied in the Share Application Form.**

#### **Employee applications will carry the rubber stamp of Softlogic Holdings Limited**

- (c) Applications should be made for a minimum of Five Hundred (500) shares or Rupees Fourteen Thousand Five Hundred (Rs.14,500/-) or in multiples thereof. Applications for less than Five Hundred (500) shares or for a number which is not a multiple of One Hundred (100) shares will be rejected.
- (d) If the ownership of shares is required in the name of one individual, full details should be given under the heading "Principal Applicant". In the case of joint applicants the maximum number that may be registered shall be three (03), the signatures and particulars in respect of all joint applicants must be given under the relevant headings. Joint applicants should note that they all should either be residents of Sri Lanka or non residents.
- (e) In the case of companies/incorporated bodies, the Application Form must be executed in accordance with the Articles of Association/Incorporating Statute.
- (f) In case of Applications made under Power of Attorney (POA) a copy of the said POA certified by a Notary Public to be a true copy of the original should be lodged with the Registrars to the Issue along with the Application Form. The original POA should not be attached.
- (g) Applicants who wish to apply through their Margin Trading Account, should submit the Application in the name of the "Margin Provider/Applicant's Name" signed by the Margin Provider. The Shares shall be uploaded to the CDS Margin Trading Account, the relevant CDS Account Number relating to the Margin Trading Account should be indicated in the space provided for in the Application Form.  
A copy of the Margin Trading Agreement must be submitted along with the Application.
- (h) As per the Directive of the Securities and Exchange Commission made under Circular No.8/2010 on November 22, 2010, and the Circular No. 13/2010 issued by CDS on November 30, 2010, securities of new listings would have to be in de-matting form (consequently no Share Certificates shall be issued) with effect from January 01, 2011. As such, for successful applicants, the Offered Shares allotted will only be directly uploaded to the respective CDS account, given in the Application Form before the expiry of eighteen (18) Market Days from the Closure Date of the Offering as required by the CSE Listing Rules. Applicants are informed that a share certificate will not be issued for any share allotted on the issue, hence are strictly advised to state their CDS account number in the Application Form to facilitate direct lodgement. **If the CDS account number is not indicated in the Application Form, or the number indicated in the Form is found to be inaccurate/incorrect, the application will be rejected and no allotments will be made.**

Applicants who do not have CDS accounts, are advised to open a CDS account, before applying for Shares with any Member/Trading Member of the CSE as set out in Annex B or any Custodian Bank as set out in Annex C.

In order to preserve the confidentiality of shareholder information and to ensure that securities are not made available for trading for those shareholders who do not want to trade the securities, the CDS would provide a mechanism where securities can be "locked" in the CDS account. The applicants would have to fill in a separate section in the IPO Application Form if they wish to lock their shares. The CDS would then maintain two balances for each CDS account, namely a trading balance and a locked balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done presently. The locked balance will not be visible to the CDS participant and all dealings on such locked balance would be suspended thereby maintaining

the confidentiality of the information and also safeguarding the account holder from an unauthorised sale by a broker. At the option and request of an account holder the CDS would transfer a named quantity of shares from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance. If the applicant has not specified that his/her shares need to be deposited to his/her 'locked' balance, please note that the said shares would be deposited to applicant's 'trading' balance.

A written confirmation, upon the completion of crediting the respective CDS account will be sent to the shareholder within two (02) Market Days of crediting the CDS accounts by ordinary post to the address provided by each shareholder in their respective Applications.

- (i) Applications made by individuals less than 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non corporate bodies will be rejected.
- (j) The Application Forms properly filled in accordance with the instructions thereof, along with the applicable remittance for full amount payable on application should be enclosed in an envelope marked on the top left hand corner in capital letters "SOFTLOGIC HOLDINGS LIMITED – INITIAL PUBLIC OFFERING" and be dispatched by post or courier or by hand to the Registrars to the Issue at the following address:

PW Corporate Secretarial (Private) Limited  
No. 3/17, Kynsey Road  
Colombo 08

All Applications and other connected documents should reach the office of the Managers/Registrars to the Issue by 4.30 p.m. on the date of closure of the Issue. Applications received by post up to 4.30 p.m. on the day succeeding the closure of the Issue will also be accepted. Any applications received after the above deadlines shall be rejected even though the courier or postmark is dated prior to the closure date.

Applications delivered by hand after the Issue is closed will be rejected.

**If the CDS account number is not indicated in the Application Form, or the number indicated in the Form is found to be inaccurate/incorrect, or the Account Number indicated is not opened at the time of Closing the Issue such application will be rejected and no allotments will be made**

### **A.3 PAYMENT PROCEDURE - MODE OF PAYMENT**

Payment should be made separately in respect of each Application by way of a cheque or bank draft or an unconditional bank guarantee from Licensed Commercial Banks for the full amount payable on application. Cheques and Bank drafts should be made payable to "Softlogic Holdings Limited – Initial Public Offering" and crossed "Account Payee Only"

Although cheques may be drawn on any branch of a commercial bank operating in Sri Lanka, in the event that cheques are not realised within three (03) Market Days from the day of presenting the same to the bank for clearing, the Directors reserve the right to reject the Applications and refund such monies. Shares will not be allotted in respect of such applications. Investors residing in outstation areas from which Cheque clearance may take over two (02) Market Days are advised to make Payments via Bank Drafts to avoid any delays.

Cheques must be honoured on first presentation to the Bank for the Application to be valid. The Directors reserved the rights to reject Applications which are not supported by Cheques that will not be honoured on the first presentation.

Each Application Form should be accompanied by only **one** cheque or bank draft or by bank guarantees issued for the **full amount** indicated on the Application Form. **An Application Form accompanied by two or more cheques, bank drafts or (as applicable) bank guarantees may be rejected.** However, in

order to accommodate applications of a value above Rs. 99,999,999/- (only) in view of the recent Central Bank direction/Sri Lanka Inter Bank Payment System, applicants for shares of a value of above Rs. 99,999,999/- will be permitted to submit multiple bank drafts (not cheques) or bank guarantees. Applicants are required to attach a list to the application giving details of such payments as provided in the Application Form.

Cash will not be accepted.

Cheques or bank drafts accompanying Application Forms made for less than Five Hundred (500) shares or for a number which is not in multiples of One Hundred (100) shares [as mentioned in Section A.2(c)] will not be sent for clearing and shall be returned via ordinary post at the risk of the applicant, or in the case of joint applicants, to the first named applicant.

Applicants residing in areas from which cheque clearance may take over two (02) days could also make payment via bank drafts to avoid any delays.

Remittances on Applications will be deposited in a separate bank account in the name of “Softlogic Holdings Limited – Initial Public Offering”. **Cheques will not be banked until the Market Day after the closure of the subscription list.**

#### **A.4 FOREIGN CURRENCY REMITTANCES**

This section is applicable to

- Foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.
- Corporate bodies incorporated or established outside Sri Lanka
- Regional or country funds approved by the SEC
- Citizens of Sri Lanka who are above 18 years of age and resident overseas

The abovementioned applicants should make their payments using one of the following methods (as applicable)

- (a) A Foreign Investor may invest through a **Securities Investment Account (SIA)** maintained with any commercial bank in Sri Lanka. The procedure for arranging payments through a SIA is presented below.
- A Foreign Investor may use the services of a custodian bank as an intermediary when investing in the Sri Lankan Securities market.
  - The intermediary may open a SIA on the investor’s behalf and if the investor so requires the intermediary will also assist with the opening of a CDS Account for the investor.
  - In respect to regional or country funds investing for the first time in Sri Lanka the intermediary will facilitate the approval process regulated by the SEC.
  - Payment for shares should be made through a cheque or bank draft or an unconditional bank guarantee against the funds in the SIA and made payable to **“Softlogic Holdings Limited – Initial Public Offering”**.
- (b) A Foreign Investor may invest through inward remittances of foreign currency held in a **Foreign Currency Banking Unit (FCBU)** account of the applicant maintained with any commercial bank in Sri Lanka.
- The applicant should forward the Application Form supported by an unconditional bank guarantee drawn on the applicant’s FCBU account pending allotment of shares.
  - Upon allotment of shares, foreign currency to the extent of the Sri Lankan Rupee equivalent value of shares allotted would be called on the bank guarantee drawn on the applicant’s FCBU account. The requisite funds would then be credited to a SIA opened in favour of the applicant via the aforementioned FCBU account.
  - This procedure would protect a prospective investor from any losses accruing due to fluctuating exchange rates.

- (c) In addition to (a) and (b) above, a foreign citizen resident in Sri Lanka under the Resident Guest Scheme may invest through the **Resident Guest Foreign Currency Account (RGFCA)** maintained with any commercial bank in Sri Lanka. An investor who wishes to avail him/herself of this facility should make the payment for shares through a bank draft or an unconditional bank guarantee against the funds in the RGFCA and made payable to **“Softlogic Holdings Limited – Initial Public Offering”**.
- (d) Non resident Sri Lankans may make their investments through Rupee Accounts for **Non Resident Sri Lankan Investment (RANSI)** maintained with a commercial bank in Sri Lanka.
- Sri Lankan citizens who have left the country to take up employment, business or profession and continue to reside abroad and those citizens of Sri Lanka who have made their permanent place of abode outside Sri Lanka are eligible to operate a RANSI with commercial banks.
  - Remittances by non-resident Sri Lankans in connection with this share Application Form must be made via bank drafts purchased out of funds in the RANSI. There are no exchange control restrictions on remittance of funds that may be available in a RANSI.
  - Where a RANSI holder is also the holder of a Non Resident Foreign Currency (NRFC) account, movement of funds between a RANSI and a NRFC account holder is freely permitted, so long as the account holder continues to reside abroad and does not cease to be a citizen of Sri Lanka. Therefore funds in the NRFC account could be transferred to a RANSI through which investment in shares could be made.

**Cheques or bank drafts or bank guarantees from Licensed Commercial Banks should be endorsed by the issuing Custodian Bank, to the effect that such payment has been made against funds available in the applicant’s SIA/FCBU account. The endorsement must be clearly indicated on the cheque or bank draft or bank guarantee. Alternatively a document detailing the endorsement could be submitted along with the payment and Application.**

**Bank drafts or bank guarantees drawn on a RGFCA or bank drafts drawn on a RANSI account should also be endorsed in line with the above.**

**Applications supported by foreign currency remittances should be made in conformity with requisite declarations accompanied by the documentation stipulated by the Controller of Exchange.**

#### **A.5 REMITTANCES BY FOREIGN NATIONALS RESIDENT IN SRI LANKA**

Foreign citizens resident in Sri Lanka who are also citizens of Sri Lanka may make payments through Sri Lanka Rupee Accounts. A certified copy of the Sri Lankan citizenship certificate shall be attached to the Application form.

**Foreign citizens residing in Sri Lanka having valid residence visas should note that they may not make remittances via cheque or bank drafts or bank guarantees drawn on Sri Lanka Rupee accounts held in Sri Lanka but may do so via SIA/FCBU account/RGFCA (as applicable) as detailed in section A4. Applications made by foreign citizens not in accordance with the foregoing shall be rejected.**

#### **A.6 BANKING OF PAYMENTS**

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Market Day after the date of closure of the subscription list, in terms of the CSE Listing Rules.

#### **A.7 BASIS OF ALLOTMENT OF SHARES**

The basis of allotment will be decided by the Board of Directors of the Company as soon as practicable so as to ensure compliance with the Listing Rules. These allotments will be made in a fair manner. Upon the allocation being decided an announcement will be made to the CSE.

#### **A.8 SUCCESSFUL APPLICANTS AND CDS LODGEMENT**

The Offered Shares allotted will be directly uploaded to the respective CDS account given in the Application Form before the expiry of eighteen (18) Market Days from the Closure Date of the Offering as required by the CSE Listing Rules.

A written confirmation informing successful applicants on their allotment of shares will be dispatched not later than ten (10) Market Days from the closure of the Issue.

Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.

Please see A.2 (g) for further details.

#### **A.9 REJECTION OF APPLICATIONS**

Application Forms, which are incomplete in any way and/or not in accordance with the terms and conditions specified in this Prospectus, will be rejected. **If the CDS account number is not indicated in the Application Form, or the number indicated in the Form is found to be inaccurate/incorrect, the application will be rejected and no allotments will be made.**

**If the CDS account is not opened at the time of closure of the Issue, the application will be rejected.**

#### **A.10 REFUND CHEQUES / RETURN OF APPLICATION MONIES**

Where an Application is accepted in part

(i) Where an application is accepted in part the balance of the monies received on Application will be refunded by a cheque or by a direct transfer via the Sri Lanka Inter Bank Payment System (SLIPS) [as applicable]. Please refer paragraph (iii) for instructions on SLIPS transfers.

(ii) Refund payments due on applications will be made on or before the expiry of ten (10) Market Days from the date of closure of the Issue (excluding the date of closure) as required by the CSE Listing Rules. The Company will be liable to pay interest (AWPLR published by the Central Bank of Sri Lanka plus a premium of 5%), on any refunds not made within this period.

Bank and Branch codes applicable to SLIP transfers can be found using the following web link

[http://www.lankaclear.com/products\\_and\\_services/sl\\_interbank\\_payment\\_system\\_guideline.php](http://www.lankaclear.com/products_and_services/sl_interbank_payment_system_guideline.php)

(iii) If the applicant has provided accurate and complete details of the applicant's bank account in the relevant section of the Application Form for a direct transfer via SLIPS, the refund of payment will be made to the bank account specified by the applicant through the Sri Lanka Inter Bank Payment System (SLIPS) and a payment advice shall be issued to the applicant. If the applicant has not provided details of the bank account in the relevant section of the Application Form or has provided inaccurate or incomplete details of the bank account, the refund payment will be made by a cheque. Please note that SLIPS Transfers are subject to a maximum limit of Rs.5,000,000/- imposed by the Central Bank of Sri Lanka with effect from October 29, 2010 as per Operating Instruction Circular No.11/2010 dated October 25, 2010. Consequently even though the Applicant has requested for SLIPS transfer for refund amounts and submitted accurate and complete details of the Bank Account in the Application Form, Refund Amounts exceeding Rs.5,000,000/- will be made by a Cross Cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a Cross Cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.

(iv) Where a refund is made by a cheque it will be by an Account Payee crossed cheque in favour of the applicant and sent by post at the risk of the applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the applicant whose name appears first in the Application Form.

(v) Requests for cancellation of crossing on the refund cheque in instances where the applicant does not maintain a current account, should be addressed to the Registrars to the Issue in writing stating the

cheque number and the fact that the applicant does not maintain a current account. The refund cheque and a clear photocopy of the applicant's NIC should accompany the letter.

(vi) In the event of a cheque delivered by hand by a third party to the Registrars to the Issue for cancellation of crossing, a letter stating the NIC number of such third party authorised by the applicant should also be presented with the cheque.

(vii) Cheques on which the crossings have been cancelled by the Registrars to the Issue should preferably be collected in person or by a third party authorised by the applicant. Where an applicant has requested the delivery of a cheque on which the crossing has been cancelled via post, the cheque will be sent at the risk of the applicant.

Where an application is rejected

Where an Application is rejected, cheque or bank draft or bank guarantee received in respect of the Application will be returned via ordinary post at the risk of the applicant. Refund payments will be made within 10 market days from the closure date (and excluding the date of closure). In the case of joint applicants, application monies will be returned to the first named applicant.

Where the Application Form is accepted and the cheque or bank draft or bank guarantee is not honoured at the first presentation, the application will also be rejected and the cheque or bank draft or bank guarantee will be returned via ordinary post at the risk of the applicant. In the case of joint applicants, application monies will be returned to the first named applicant.

**If the CDS account number is not indicated in the Application Form, or the number indicated in the Form is found to be inaccurate/incorrect, or the Account Number indicated is not opened at the time of Closing the Issue, such the application will be rejected and no allotments will be made.**

## ANNEX B

### COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points:

#### Lead Managers and Financial Advisors to the Issue

John Keells Capital  
A division of John Keells Holdings PLC  
130 Glennie Street, Colombo 02  
Tel: 011 2306000 Fax: 011 2306160

#### Joint Managers and Financial Advisors to the Issue

CT Capital (Private) Limited  
#4-03 Majestic City  
10 Station Road Colombo 04  
Tel: 011 2584843 Fax: 011 2580181

#### Joint Managers and Registrars to the Issue

PW Corporate Secretarial (Private) Limited  
3/17 Kynsey Road Colombo 08

### Members of the CSE

#### Acuity Stockbrokers (Private) Limited

Level 6, Acuity House  
53, Dharmapala Mawatha  
Colombo 03

Tel: 011 2206206  
Fax: 011 2206298-9  
E-mail: sales@acuitystockbrokers.com  
Kandy Branch Tel: 081 2205609

#### Asha Phillip Securities Limited

Level 4, "Millennium House"  
46/58, Navam Mawatha  
Colombo 02

Tel: 011 2429100  
Fax: 011 2429199  
E-mail: apsl@ashaphillip.net  
Jaffna Branch Tel: 021 2221614  
Kandy Branch Tel: 081 4474118  
Kurunegala Branch Tel: 037 4691844  
Matara Branch Tel: 041 2223240  
Negombo Branch Tel: 031 2227474

#### Asia Securities (Private) Limited

Level 21, West Tower  
World Trade Centre Echelon Square  
Colombo 01

Tel: 011 2423905, 011 5320000  
Fax: 011 2336018  
E-mail: enquiry@asiacapital.lk  
Kandy Branch Tel: 081 4474432  
Kurunegala Branch Tel: 037 4691845  
Matara Branch Tel: 041 5677525  
Negombo Branch Tel: 031 5315001

#### Assetline Securities (Private) Limited

282, Kaduwela Road  
Battaramulla

Tel: 011 4700111, 011 2307366  
Fax: 011 4700112, 011 2307365  
E-mail: dpagsl@sltnet.lk  
Kandy Branch Tel: 081 4481638/9  
Kurunegala Branch Tel: 037 4690384/5  
Matara Branch Tel: 041 4390766/7

#### Bartleet Mallory Stockbrokers (Private) Limited

Level "G", "Bartleet House"  
65, Braybrooke Place  
Colombo 02

Tel: 011 5220200  
Fax: 011 2434985  
E-mail: info@bartleetstock.com  
Jaffna Branch Tel: 021 2221800  
Kandy Branch Tel: 081 5622779  
Matara Branch Tel: 041 5410005/6  
Negombo Branch Tel: 031 5677838

#### Capital TRUST Securities (Private) Limited

42, Sir Mohamed Macan Marker Mawatha  
Colombo 03

Tel: 011 5335225  
Fax: 011 5365725  
E-mail: inquiries@capitaltrust.lk  
Kandy Branch Tel: 081 5626839  
Kurunegala Branch Tel: 037 5671403  
Matara Branch Tel: 041 5623200  
Negombo Branch Tel: 031 5675291

**Ceylinco Stockbrokers (Private) Limited**

“Ceylinco House” Level 9  
69, Janadhipathi Mawatha  
Colombo 01

Tel: 011 4714300, 011 4714388-9,  
077 7891871, 077 7896064  
Fax: 011 2387228  
E-mail: info@ecsbl.com  
Kurunegala Branch Tel: 037 2220297

**D N H Financial (Private) Limited.**

Level 16, West Tower  
World Trade Centre  
Colombo 01

Tel: 011 5732222  
Fax: 011 5736264  
E-mail: info@dnhfinancial.com

**John Keells Stockbrokers (Private) Limited**

130, Glennie Street  
Colombo 02

Tel: 011 2326003, 011 2338066-7, 011 2342066-7,  
011 2446694-5, 011 2439047-8, 011 4710721-4  
Fax: 011 2342068, 011 2326863  
E-mail: jkstock@keells.com

**NDB Stockbrokers (Private) Limited**

5th Floor, NDB Building  
40, Navam Mawatha  
Colombo 02

Tel: 011 2314170-8  
Fax: 011 2314180  
E-mail: mail@ndbs.lk

**Somerville Stockbrokers (Private) Limited**

137, Vauxhall Street  
Colombo 02

Tel: 011 2329201-5, 011 2332827, 011 2338292-3  
Fax: 011 2338291  
E-mail: ssb@web-lk.com

**CT Smith Stockbrokers (Private) Limited**

4-14, Majestic City  
10, Station Road  
Colombo 04

Tel: 011 2552290-4  
Fax: 011 2552289  
E-mail: ctssales@slt.net.lk

**J B Securities (Private) Limited**

150, St Joseph Street  
Colombo 14

Tel: 011 2490900, 077 2490900, 077 2490901  
Fax: 011 2430070, 011 2446085, 011 2447875  
E-mail: jbs@jb.lk

**Lanka Securities (Private) Limited**

228/2, Galle Road  
Colombo 04

Tel: 011 4706757, 011 2554942  
Fax: 011 4706767  
E-mail: lankasec@slt.net.lk  
Kandy Branch Tel: 081 4939206  
Kurunegala Branch Tel: 037 4934067  
Negombo Branch Tel: 031 4929671

**SC Securities (Private) Limited**

2nd Floor,  
55, D.R. Wijewardena Mawatha  
Colombo 10

Tel: 011 4711000  
Fax: 011 2394405  
E-mail: cscres@slt.net.lk  
Kandy Branch Tel: 081 4474299  
Matara Branch Tel: 041 2220090

## TRADING MEMBERS

### **Capital Alliance Securities (Private) Limited**

Level 5, "Millennium House"  
46/58, Navam Mawatha  
Colombo 02

Tel: 011 2317777  
Fax: 011 2317788  
Kurunegala Branch  
Tel: 037 2222034/5  
Matara Branch Tel: 041 4390610  
Negombo Branch Tel: 031 2227843/4

### **First Guardian Equities (Private) Limited**

32nd Floor,  
East Tower World Trade Centre  
Colombo 01

Tel: 011 5884400  
Fax: 011 5884401  
E-mail: info@firstguardianequities.com

### **Heraymila Securities Limited**

Level 8, South Wing,  
Millennium House,  
46/58, Navam Mawatha  
Colombo 02

Tel: 011 2359100  
Fax: 011 2305522

### **IIFL Securities Ceylon (Private) Limited**

27th Floor,  
East Tower World Trade Centre  
Colombo 01

Tel: 011 2333000  
Fax: 011 2333383  
E-mail: priyani.ratnagopal@iiflcap.com

### **SMB Securities (Private) Limited**

47, Dharmapala Mawatha  
Colombo 03

Tel: 011 5539593  
Fax: 011 2339292  
E-mail: smbsecurities@gmail.com

### **SKM Lanka Holdings (Private) Limited**

377/3,  
Galle Road  
Colombo 03

Tel: 011 2372413-4  
Fax: 011 2372416  
E-mail: info@skmlankaholdings.com

### **Taprobane Securities (Private) Limited**

2nd Floor 10,  
Gothami Road  
Colombo 08

Tel: 011 5231000  
Fax: 011 5328177  
E-mail: info@taprobane.lk, dinal@taprobane.lk

### **TKS Securities (Private) Limited**

14, Reid Avenue  
Colombo 07

Tel: 011 2675200  
Fax: 011 2682553  
E-mail: ralph@tkslk

### **Claridge Stock Brokers (Pvt) Limited**

No. 10, Gnanartha Pradeepa Mawatha  
Colombo 08

Tel: 94 2697974  
Fax: 94 112 677576

### **Arrenga Capital (Pvt) Ltd**

No. 410/115,  
Bouddhaloka Mawatha,  
Colombo 07

Tel: 011 2689107/0777 847720  
Fax: 011 2689106  
Email: rohan@ascot.lk

### **New World Securities (Pvt) Ltd**

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

Tel: 011 2358700/20  
Fax: 011 2358701  
Email: info@nws.lk

### **Richard Pieris Securities (Pvt) Ltd**

69, Hyde Park Corner,  
Colombo 2

Tel: 011 7448900  
Fax: 011 2675064  
Email: jayantha@rpsecurities.com

## ANNEX B

### LIST OF BRANCHES, TELEPHONE NUMBERS & FAX NUMBERS (Sampath Bank Ltd) BANK CODE - 7278

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points:

Name of the Branch	Branch Address	Telephone No.	Fax No.
<b>Colombo Branches</b>			
Bambalapitiya Branch	1-01, Majestic City , Station Road, Bambalapitiya, Colombo 4	011 2501829 011 2502686	011 2501829
City Branch	No. 55, D R Wijewardena Mw, Colombo 10	011 2541332 011 2448291	011 2434217
Colombo Super	103, Dharmapala Mawatha, Colombo 07	011-2336112 011-2336113	011 22336115
Fort Branch	98, Chatham Street, Fort, Colombo 01	(Dir) 011 2447231 011 2447232	011 2421453
Gregory's Road – PBC	106, Wijerama Mawatha, Colombo 7	011 2681144 (Dir/Fax)	
Harbour View - PBC	256, Srimath Ramanathan Mw, Colombo 15	0112393017 (Dir/Fax)	
Headquarters Branch	110, Sir James Peiris Mw, Colombo 02	011 4730630 (Dir) 011 4730300	011 5331485
Main Street Branch	110–114, Main Street, Colombo 11	011 2386732 (Dir) 011 2438262	011 2386734
Nawam Mawatha Branch	46/38, Nawam Mawatha, Colombo 02	011 2305025 (Dir) 011 2305029	011 2305028
Old Moor Street Branch	371, Old Moor Street, Colombo 12	(Dir) 011 2452491 011 2424075	011 2424074
Pettah Branch	999, Peoples Park, Bodhiraja Mawatha, Colombo 11	011 2432324 011 2432262	011 2432303
Thimbirigasyaya Branch	154, Havelock Road, Colombo 05	011 2505001 011 2505002	011 2505003 (Dir/Fax)
<b>Outstation</b>			
Akkaraipattu	No.61, Sulaiman Shopping Complex, Main Street, Akkaraipattu	067 2279197 067 2279198	067 2279199 (Dir/Fax)
Alawwa - PBC	9 9/1, Giriulla Road, Alawwa	037 2279463 (Dir/Fax)	
Aluthgama	No. 405, Galle Road, Aluthgama	034 2290861-2	034 2290863 (Dir/Fax)
Ambalangoda	118A, New Road, Amabalangoda	091 2255571 091 2255572	091 2255573 (Dir/Fax)
Ambalantota	No.138 D, Tissa Road, Ambalantota	047 2225506 047 2225507	047 2225508 (Dir/Fax)
Ampara Branch	No. 9 D S Senanayake Road, Ampara	063 2223840-1	063 2223444 (Dir/Fax)
Anamaduwa	69, Galgamuwa Road, Anamaduwa	032-2263042, 032-2263043	032-2263043
Anuradhapura Bazaar	521/19, Maithripala, Senanayake Mawatha, New Town, Anuradhapura	025-2226190, 025-2226191	025-2226192
Anuradhapura Branch	38, Main Street, Anuradhapura	025 2235026 (Dir) 025 2235025	025 2235028
Aralaganwila	113, Sandaliya Trade Centre, New Town, Aralaganwila	027-2247204-6	027-2247206
Athurugiriya – PBC	106, Borella Road, Athurugiriya	011 2563612 (Dir/Fax)	
Attidiya Branch	No. 202, Main Road, Attidiya	011 2725668 (Dir/Fax)	
Avissawella Branch	64, Yatiyantota Road, Avissawella	036 2222011 036 2222012	036 2222010 (Dir/Fax)

Name of the Branch	Branch Address	Telephone No.	Fax No.
Baddegama	112, Kumme, Diyawagura, Baddegama	091-2293230-1	091-2293232
Badulla Branch	14, Dharmadutha Road, Badulla	055 2225450 055 2225451	055 2225452 (Dir/Fax)
Balangoda Branch	No.117, Barnes Ratwatta, Mawatha, Balangoda	045 2288793 045 2288794	045 2288795 (Dir/Fax)
Bandaragama	61A, Kalutara Road, Bandaragama	0382 289898 0382 289899	038 2293056 (Dir/Fax)
Bandarawela Branch	253, 255 Main Street, Bandarawela	057 2223720 057 2227321	057 2223722 (Dir/Fax)
Battaramulla Branch	157, Main Street, Battaramulla.	011 2861805 011 2861806	011 2861807 (Dir/Fax)
Batticaloa	No.32, Thamaraikeny Road, Batticaloa	065 2227581 065 2227582	065 2227583 (Dir/Fax)
Batticaloa 2	395, Trinco Road, Batticaloa	065-2228240 065-2228241	065-2228242
Bibile	31, Mahiyangana Road, Bibile	055-2265398-0	047-2265400
Boralesgamuwa	192, Kesbewa Road, Boralesgamuwa	011-2545245 011-2545246	0112-545248
Borella Branch	No 1022, Maradana Road, Borella, Colombo 08	011 2691121-3 (Dir) 011 2687259	011 2686066
Buttala	'Madurapperuma Building', Kataragama Road, Buttala	055-2273530, 055-2273534	055-2273537
Chankanai	Main Street, Chankanai	021-2250072, 021-2250073	021-2250074
Chavakachcheri	Kandy Road, Chavakachcheri	021-2270091-2	021-2270093
Chenkalady	"Sellam" Building, Boundary Road Junction, Main Road, Chenkalady	065-2241348-9	065-2241350
Chilaw	No.64, Colombo Road, Chilaw	032 2222677 032 2222678	032 2222777 (Dir/Fax)
Chunnakam	160, Sir Ponnambalam Ramanathan Veethy, Chunnakam	021-2240721, 021-224072	021-2240723 (Direct/Fax)
Dambulla Branch	No. 622, Anuradhapura Road, Dambulla	066 2283085 066 2283087	066 2283067 (Dir/Fax)
Dehiattakandiya	F79, New Town, Dehiattakandiya	027-2250418, 027-2250419	027-2250420
Dehiwela Branch	155, Galle Road, Dehiwela	011 2738422 (Dir) 011 2738429	011 2738461
Deniyaya Branch	28-30 Main Street, Deniyaya	041 2273225 (Dir) 041 2273276	041 2273255
Deraniyagala - PBC	63, Noori Road, Deraniyagala	036 2249500 (Dir/Fax)	
Digana - PBC	No. 42, Mahiyangana Road, Digana, Rajawella	(Dir/Fax) 081 2376765	
Eheliyagoda Branch	02, Ratnapura Road, Eheliyagoda	036 2258032 (Dir) 036 2259174	036 2258031
Embilipitiya Branch	62, Main Street, Embilipitiya	047 2261203 047 2261204	047 2261205 (Dir/Fax)
Embuldeniya	282, Old Kottawa Road, Embuldeniya, Nugegoda	0112836410-11	0112836412
Galle Bazaar	'Krishna Building', No:69, Old Matara Road, Pettigalawatte, Galle	091-22485822-3	091-2248584
Galle Branch	No. 5, Wakwella Road, Galle	091 2245646 091 2245647	091 2245645 (Dir/Fax)
Gampaha Branch	08, Mangala Road, Gampaha	033 2226640 (Dir) 033 2226641	033 2226642
Gampola Branch	No.06, Panabokke Mawatha, Gampola	081 2350564 081 2350565	0812 350571
Ganemulla – PBC	No. 367/E, Kadawatha Road, Ganemulla	033 2264630	011 5336558
Gangodawila	374, Highlevel Road, Gangodawila	011-2814147- 8	011-2814149
Giriulla Branch	No.103/A, Negombo Road, Giriulla	037 2289482 (Dir/Fax)	
Gothatuwa New Town	55/4, Kotikawatta Road, Gothatuwa New Town	011-2411609, 011-2411610	011-2411612

Name of the Branch	Branch Address	Telephone No.	Fax No.
Grandpass	64, Jethawana Road, Colombo 14	2472390, 2472391	2472392
Hanwella	148/A, Pahala Hanwella, Hanwella	036-2254445 036-2254446	036-2254447
Hatton	No. 173, Dimbula Road, Hatton	051 2225403-4	051 2225405 (Dir/Fax)
Hingurakgoda	No.88, D S Senanayake Veediya, Hingurakgoda	027 2245300 027 2245301	027 2245302 (Dir/Fax)
Homagama	46, 1st Lane, Station Road, Homagama	011 2855975 011 2855976	011 2855985 (Dir/Fax)
Horana Branch	114, Sri Somananda Mawatha, Horana	034 2260345 034 2260346	034 2260377 (Dir/Fax)
Ingiriya	68D, Panadura Road, Ingiriya	034-2268288, 034-2268488	034-2268588
Ja-ela Branch	No.165, Realty Plaza, Negombo Road, Ja-ela	011 2245896 011 2245897	011 2245895 (Dir/Fax)
Jaffna	56/16, Link Road, Off Stanley Road, Jaffna	021-2221025-6	021-2221027
Kadawatha Branch	174/3, Ragama Road, Kadawatha	011 2921001 (Dir)011 2921005	011 2921001
Kaduruwela Branch	626B, Dhamasiri Building, Main Street Kaduruwela	027 2225567 027 2225568	027 2225569 (Dir/Fax)
Kaduwela	510/1 & 510/2, Avissawella Road, Kaduwela	2537539,2537540	2537541
Kalawana Branch	54/B, 54/C, Manana, Kalawana	045 2255793 045 2255794	045 2255795 (Dir/Fax)
Kalmunai	No.18, Police Station Road, Kalmunai	067 2220448 067 2220449	067 2220202 (Dir/Fax)
Kalutara Branch	314, Main Street, Kalutara	034 2235600 034 2235601	034 2235602 (Dir/Fax)
Kaluwanchikudy	Hospital Road, Kaluwanchikudy	065-2251177 065-2250807	065-2250208
Kandana	No.72, Colombo Road, Kandana	011 2229218 011 2229219	011 2229249 (Dir/Fax)
Kandy Branch	No. 19, Dalada Veediya, Kandy	081 2232778 (Dir) 081 2233838	081 2232779
Kandy City Centre	Shop No:L1-6Level One, Kandy City Centre Building, Dalada Vidiya, Kandy	081-2205825, 081-2205826	081-2205827
Kandy Corporate Branch	No.29, Cross Street, Kandy	0812 200096 0812 200097	0812 200098 (Dir/Fax)
Kantale	70/1, Agrabodhi Road, Kantale	026-2234490-2	026-2234492
Karapitya	598F, Hiribura Road, Karapitya	091-2248456, 091-2248457	091-2248458
Kattankudy	57, 59, Main Street, Kattankudy -03	065-2247930-2	065-2247932
Katugastota Branch	6 – 8, Gohagoda Road, Katugastota	081 2498932 0812498924	081 2499123
Kayts	Suruvil Road, Kayts	021-3215432, 021-3215434	021-3215428
Kegalle	No.142, 142A, Kandy Road, Kegalle	035 2230519 035 2230597	035 2230519 (Dir/Fax)
Kekirawa	56, Main Street, Kekirawa	025-2265266, 025-2265267	025-2265268
Keselwatta	41A, Galle Road, Keselwatta, Panadura	038-2299633, 038-2299566	038-2299550
Kilinochchi	Unit 1-4, Antonipillai Building, Kilinochchi	021-2285340, 021-2285341	021-2285342
Kinniya	No:106, 108,110, Main Road, Kinniya 03	026-2236348, 026-2236349	026-2236350
Kiribathgoda Branch	259, Kandy Road, Dalugama, Kelaniya	011 2910457 011 2910514	011 2910515 011 2910457
Kirindiwela PBC	91, Gampaha Road, Kirindiwela	033 2247150 (Dir/Fax)	
Kirulapone	136,138 & 140, High Level Road, Kirulapone	2513828-29	2513830
Kochchikade	163, Chillaw Road, Kochchikade	031-2279647, 031-2279648	031-2279522

Name of the Branch	Branch Address	Telephone No.	Fax No.
Kohuwala Branch	81, S De S Jayasinghe Mawatha, Kohuwala	011 2814480 (Dir/Fax)	
Kollupitiya	Ground Floor, Platinum Residencies Building, No:01, Bagatale Road, Colombo 03	011-2590682 – 3	011-2590684
Kotahena Branch	165, George R De Silva Mawatha Colombo 13	011 2384010 011 2384011	011 2384012 (Dir/Fax)
Kottawa - PBC	124/8 Highlevel Road, Kottawa	011 2782684 011 2782690(Dir)	011 2782686
Kottawa – Laugfs Sun Up	No. 364/10, High Level Road, Kottawa	011 2783100 (Dir/Fax)	
Kuliyapitiya Branch	259, Madampe Road, Kuliyapitiya	037 2281860 037 2281866(Dir)	
Kundasale	232, Digana Road, Kundasale	0812-421763 – 4	0812-421767
Kurunegala Branch	31, Negombo Road, Kurunegala	(Dir) 037 2223944 037 2223500	037 2223509
Maharagama Branch	81, Highlevel Road, Maharagama	011 2840950 (Dir) 011 2840953	011 2851352
Mahiyangana Branch	28, 29 New Town, Mahiyangana	055 2258180	055 2258181 (Dir/Fax)
Malabe Branch	895, Athurugiriya Road, Malabe	011 2762222 011 2762223	011 2762224 (Dir/Fax)
Mallavi	No:6, Thunnukai Road, Mallavi	021-3734802, 021-3734803	021-3734804
Manipay	103, Jaffna Road, Manipay	021-2255041, 021-2255042	021-2255043
Mannar	28, Field Street, Ward No:06, Mannar	023-2251320-1	023-2251322
Maradana	657, Kularathne Mawatha, Maradana Road, Colombo 10	011-2678541, 011-2678542	011-2678543
Matale Branch	142 –144, Trincomalee Street, Matale	066 2223861-2 066 2223094	066 2224094 (Dir/Fax)
Matara Bazaar	37, New Tangalle Road, Kotuwegoda, Matara	041-2234055 041-2234056	041-2234057
Matara Branch	03, Hakmana Road, Matara	041 2223260 041 2223261	041 2223268
Mattegoda	102/40, Salgas Junction, Mattegoda	011-2178444, 011-2178445,	011-2178446
Matugama	No.214A, Aluthgama Road, Matugama	034 2247233 034 2247234	034 2247235 (Dir/Fax)
Mawanella	209/ A , New Kandy Road, Mawanella.	035-2246961-2	035-2246963
Mawathagama	No.95, Kurunegala Road, Mawathagama	037 2296088	
Middeniya	Abeysing Building, Walasmulla Road, Middeniya	047-2248231-2	047-2248233
Minuwangoda	31/1, Negombo Road, Minuwangoda	011 2299131-2	011 2299133 (Dir/Fax)
Mirigama	No. 54, Giriulla Road, Mirigama	033 2276901 033 2276902	033 2276903
Monaragala	No.75, Pothuwil Road, Monaragala	055-2277290-1	(Dir/Fax) 0552277222
Moratumulla	38, Sri Premaratana Mawatha, Moratumulla	2654040,2654075	2654048
Moratuwa Branch	653, Galle Road, Rawatawatte, Moratuwa	011 2644737 011 2644738	011 2644739 (Dir/Fax)
Morawaka Branch	Ranaweera Building, Akuressa Deniyaya Road, Morawake	(Dir) 041 2282310 041 2282311	041 2282312
Narahenpita Branch	193, Kirula Road, Narahenpita, Colombo 05	011 2552820 011 2552821	011 2552822 (Dir/Fax)
Narammala Branch	No.77 & 89 1/1, Kuliyapitiya Road, Narammala	037 2248945 037 2248946	037 2248947 (Dir/Fax)
Nattandiya	149, Kuliyapitiya Road, Nattandiya	032-2250263 -5	032-2250265
Nawala	143, Nawala Road, Nugegoda	0112-812331 0112-812332	0112-812333
Negombo 2	203d, Tewatta Junction, Colombo Road, Negombo	031-2221930, 031-2221931	031-2227282 [Direct/Fax]

Name of the Branch	Branch Address	Telephone No.	Fax No.
Negombo Branch	293, Main Street, Negombo	031 2224345-6	031 2224347 (Dir/Fax)
Nelliady	Nelliady Town New Market on Jaffna Road, Nelliady	021-2264950	021-2264951 (Direct/Fax)
Neluwa - PBC	Dellawa Road, (Main St), Neluwa,	091-3783010-1	
Nikaweratiya	No.136, Kurunegala Road, Nikaweratiya	037 2260918 037 2260919	037 2260920 (Dir/Fax)
Nittambuwa	498, Kandy Road, Nittambuwa	033 2295905 033 2295906	033 2295907 (Dir/Fax)
Nochchiyagama	62, Puttalam Road, Nochchiyagama	025-2257332 025-2257333	025-2257334
Nugegoda Branch	79A, Stanley Tillekeratne Mw, Nugegoda	011 2856907 (Dir) 011 2816289	011 2856908
Nuwara Eliya	No. 01, Lawson Street, Nuwara Eliya	052 2222946 052 2222947	052 2222948 (Dir/Fax)
Oddamavady	Colombo Road, Mavadichenai, Oddamavady	065-2257372 065-2258210	065-2258211
Panadrua Branch	373, Galle Raod, Panadura	038-2235100 038 -2231673	038 2235101 (Dir/Fax)
Pannala	No:100, Negombo Road, Pannala	037-2246250, 037-2245270	037-2245272
Passara	187/1, Badulla Road, Passara	055-2288311, 055-2288312	055-2288313
Pelawatte – PBC	No.424, Pannipitiya Road, Thalangama South, Pelawatte, Battaramulla	011 2787209 011 2786119	011 2786118 (Direct/Fax)
Peliyagoda	No:304, Negombo Road, Peliyagoda	011-2940279 011-2938979	011-2940156
Pelmadulla	No.77B, Main Street, Pelmadulla	045 2275920 045 2275921	045 2275922 (Dir/Fax)
Peradeniya - PBC	No.676 A, Peradeniya Road, Kandy	081 2387876(Dir) 081 2387877	081 2384054
Pilimatalawa	246, Colombo Road, Pilimatalawa	081-2577341 081-2577336	081-2577396
Piliyandala Branch	61, Moratuwa Road, Piliyandala	(Dir) 011 2614957 011 2614664	011 2614664
Pitakotte Branch	No. 463, Kotte Road, Pitakotte,	011 2874574 (Dir/Fax)	
Pottuvil	Cassim Moulavi Building, Main Street, Pottuvil	063-2648190, 063-2248194	063-2248196
Pussellawa	551, Nuwara Eliya Road, Pussellawa	081-2478034 081-2478035	081-2478036
Puttalam	114A, Kurunegala Road, Puttalam	032-2266312-3	032-2266314
Ragama – PBC	No. 26/05, 26/06, UDA Premises, Kadawatha Road, Ragama	(Dir/Fax) 0112960659	
Rajagiriya	620, Kotte Road, Rajagiriya	2864922 2864944	2864988
Ratmalana Branch	261, Galle Road, Ratmalana	011 2730821 (Dir) 011 2729854	011 2730819
Ratnapura Branch	180–182, Main Street, Ratnapura	045 2232261 045 2232262	045 2224361 (Dir/Fax)
Rikillagaskada	120, Kandy Road, Rikillagaskada	081-2365021, 081-2365022	081-2365023
Sainthamaruthu	Main Street, Sainthamaruthu-16	067-2225310 067-2225320	067-2225330
Sampath Platinum Plus	No: 18, Cambridge Place, Colombo	011-2695073, 011-2695237	011-2695196
Singer Mega – Maharagama	No. 272, Highlevel Road, Maharagama	011 2842442 (Dir/Fax)	
Singer Mega Wattala	No.811, Negombo Road, Wattala	011 2981644 (Dir/Fax)	
Sooriyawewa	6719, Ambalantota Road, Sooriyawewa	047-2288155-6	047-2288157
Tangalle	61, Muhudu Mawatha, Tangalle	047-2241865 -6	047-2241870

Name of the Branch	Branch Address	Telephone No.	Fax No.
Thambuttegama – PBC	255 C, Anuradhapura Road, Thambuttegama	025 2276836	025 2275072
Tissamaharama Branch	25–27, Main Street, Tissamaharama	047 2237056 (Dir) 047 2237058	047 2237058
Trincomalea	262, Central Road, Trincomalea	026 2225387 026 2225388	026 2225389 (Dir/Fax)
Unichela – PBC	124, Horana Road, Wekada Panadura	038 4281245 (Dir/Fax)	
Vavuniya Branch	No. 25, Station Road, Vavuniya	024 2222959 024 2225106(Dir)	024 4589500
Vavuniya Super	No:7a, Horowpatana Road, Vavuniya	024-2226227-8	024-2226229
Veyangoda – PBC	No.121, Negombo Road, Veyangoda	033 2296330 (Dir/Fax)	
Wadduwa – PBC	No. 555, Galle Road, Wadduwa	038 2284505 (Dir/Fax)	
Wariyapola - PBC	Nawinna Office & Shopping Complex, Kalugamuwa Road, Wariyapola	037 2268144	
Wattala Branch	165, Negombo Road, Wattala	011 2931569 011 2941526	011 2931568
Wattegama	No. 134/A/1, Kandy Road, Wattegama	081 2470600 (Dir/Fax)	
Welimada	No. 54, Nuwara Eliya Road, Welimada	057 2244466-7	057 2244468 (Dir/Fax)
Wellampitiya - PBC	268, Kolonnawa Road, Wellampitiya	011 2533498 (Dir/Fax)	
Wellawatte Branch	No. 445, Galle Road, Colombo 06	011 2507607-8	011 2507609 (Dir/Fax)
Wellawaya	70/D, Kumaradasa Mawatha, Wellawaya	055-2274470 055-2274419	055 2274445
Wennappuwa Branch	191/A, Colombo Road, Wennappuwa	031 2256925 031 2256927	031 2256926 (Dir/Fax)
Yakkala - PBC	88, Kandy Road, Yakkla	(Dir/Fax) 0332232670 (Legal) 033 2234230	

## Softlogic Showrooms Island-wide

<b>Nokia Sales Point / Care Centres</b>			
	<b>Name of Showroom</b>	<b>Address</b>	<b>Telephone</b>
<b>Colombo outlets</b>			
1	Nokia Point	Crescat Boulevard, Lobby Booth, # 75, Galle Road, Colombo 03	011-5555278
2	Nokia Point	Level 1, West Tower, Echelon Square, WTC, Colombo 01	011-5748597
3	Nokia Point	Ground Floor, Majestic City, Colombo 04	011-5738890
4	Nokia Point	# 1/34W, 1st Floor, Liberty Plaza, Colombo 03	011-2577959
5	Nokia Flagship Store	Mobitel Building, # 108, W.A.D.Ramanayake Mw, Colombo 02	775 434405
6	Nokia Concept Store	# 230/1, Galle Road, Colombo 04	011-5344237
7	Nokia Professional Centre	# 14, De Fonseka Place, Colombo 05	011-5575000
8	Nokia Store	# L 2 -1-2, # 5, Dalada Veediya, Kandy	081-2205836
<b>Nokia Care Centre's - out station</b>			
1	Nokia Care Centre	Pavillion Building, # 36, Gamini Mawatha, Galle	0915-629881
2	Nokia Care Centre	# 21, 1st Floor, New Shopping Complex, Kurunegala	037-5624141
3	Nokia Care Centre	# 91, D.S.Senayake Veediya, Kandy	081-5628054
4	Nokia Care Centre	# 288, Kudugalwatte, Rathnapura	045-5444338
<b>Dialog Service Centres / Phone Gallery &amp; Arcade Softlogic Counter - International</b>			
	<b>Name of Showroom</b>	<b>Address</b>	<b>Telephone</b>
<b>Franchise Outlets:</b>			
1	Dialog Service Centre - Akurana	No. 61, Matale Road, Akurana	081- 7210688
2	Dialog Service Centre - Dematagoda	No. 8, Kolonnawa Road, Dematagoda	772 241101
3	Dialog Service Centre - Embilipitiya	No. 21, Main Street, Pallegama, Embilipitiya	047-5676599
4	Dialog Service Centre - Galewela	No. 190, Wanewatte Building, Kalawewa Junction, Galewela	772 248008
5	Dialog Service Centre - Galle	No. 22, Havelock Road, Galle	091 - 7212871
6	Dialog Service Centre - Gampaha	No. 5/1, Holy Cross Road, Gampaha	772 246020
7	Dialog Service Centre - Havelock	No. 291/43 A, Havelock Gardens, Colombo 5.	777 581581
8	Dialog Service Centre - Homagama	No. 70-A/2, High Level Road, Homagama	011 7220740
9	Dialog Service Centre - Horana	No. 95, Ratnapura Road, Horana	011-5757152
10	Dialog Service Centre - Kaduwela	No. 19, Colombo Road, Kaduwela	011-5769880
11	Dialog Service Centre - Katunayake	No. 436-G, Baseline Road, Avariwatta, Katunayake	011-5732280
12	Dialog Service Centre - Kekirawa	No. 33, Hospital Road, Kekirawa	772 229228
13	Dialog Service Centre - Kiribathgoda	No. 159/A, Hunupitiya Road Junction, Kandy Road, Kiribathgoda.	011-5543434
14	Dialog Service Centre - Kirindiwela	No. 70, Colombo Road, Kirindiwela	033-7210907
15	Dialog Service Centre - Maharagama	Shop #: M-11, No. Level 1, 123, High Level Road, Maharagama	011 5554222
16	Dialog Service Centre - Matugama	No. 49/2, Agalawatta Road, Matugama	773 3862286
17	Dialog Service Centre - Moneragala	No. 1, Potuvil Road, Moneragala	055-5679840
18	Dialog Service Centre - Nikaweratiya	No. 142, Puttalam Road, Nikaweratiya	037-5641151
19	Dialog Service Centre - Pettah	No. 12, Prince Street, Colombo 12.	011 7220734
20	Dialog Service Centre - Piliyandala	No. 40, Moratuwa Road, Piliyandala	772 240722
21	Dialog Service Centre - Ragama	No. 26/A, Kadawatta Road, Ragama	011-7210885
22	Dialog Service Centre - Tissamaharama	No. 45, Hambantota Road, Tissamaharama	047-7211506
23	Dialog Service Centre - Warakapola	No. 128, Ground Floor, Colombo Road, Warakapola	037-5625700
24	Dialog Service Centre - Wellampitiya	No. 585, Kolonnawa Road, Wellampitiya	011-5769800
25	Dialog Service Centre - Wellawatte	No. 362, Galle Road, Wellawatte.	011-7220739
26	Softlogic MAX - Kohuwela	No. 135, Dutugemunu Street, Kohuwela	011-5731836

27	Softlogic MAX - Wattala	No. 41, Negombo Road, Wattala	011-5769903 / 904
	<b>Phone Gallery:</b>		
28	Phone Gallery - Colombo	No. 518, Duplication Road, Colombo 3	772 229227
	Arcades:		
29	Dialog Arcade Softlogic Counter - Kandy	No. 178, D.S. Senanayake Veediya, Kandy	777 584584
30	Dialog Arcade Softlogic Counter - Kurunegala	No. 87, Colombo Road, Kurunegala	772 945594
31	Dialog Arcade Softlogic Counter - Negombo	No. 365, Main Road, Negombo	777 586586
<b>Uni Walkers Retail Showrooms</b>			
	<b>Name of Showroom</b>	<b>Address</b>	<b>Telephone</b>
1	SAMSUNG Store	No. 41, Duplication Road, Colombo 03	011-5660011
2	Softlogic Lifestyle Electronics - Avissawella	No.1/17, Yatiyantota Road, Avissawella	036-5233200
3	Softlogic Lifestyle Electronics - Duplication Rd	No. 1, Duplication Road, Colombo 5	011-5343953
4	Softlogic Lifestyle Electronics - Kandy	No. 143, D.S.Senanayake Street, Kandy	081-5747000
5	Softlogic Lifestyle Electronics - Malabe	823, New Kandy Road, Thalagama North, Malabe	011-5517880
6	Softlogic Lifestyle Electronics - Pelawatta	No.464 C, Pannipitiya Road, Pelawatta, Battaramulla	011-5513864 / 5
7	Softlogic Lifestyle Electronics - Kiribathgoda	No. 63/1, Kandy Road, Kiribathgoda	011-5555731
8	Softlogic Showroom - Ampara	No. 103, D.S. Senanayake Street, Ampara.	063-5672770
9	Softlogic Showroom - Baddegama	Galle Road, Baddegama.	091-5630056
10	Softlogic Showroom - Balangoda	No. 181D, New Bus Stand Road, Balangoda.	045-5627175
11	Softlogic Showroom - Dambulla	No. 622, Kurunegala Junction, Dambulla	066-5679220
12	Softlogic Showroom - Eheliyagoda	No. 08, Main Street, Eheliyagoda	036-5679944
13	Softlogic Showroom - Elpitiya	No. 10, Main Street, Elpitiya	091-5633003
14	Softlogic Showroom - Embilipitiya	Opp.Seylan Bank,New Town Rd,Pallegama,Embilipitiya.	047-5677768
15	Softlogic Showroom - Gampola	No. 87, Nuwara Eliya Road, Gampola.	081-5630303
16	Softlogic Showroom - Hatton	No. 133, Dambulla Road, Hatton.	051-5672213
17	Softlogic Showroom - Hingurakgoda	No. 41, D.S. Senanayake Street, Hingurakgoda.	027-5678883
18	Softlogic Showroom - Katugastota	No. 89, Kurunegala Road, Katugastota	081-5638010
19	Softlogic Showroom - Mahiyangana	No. 05, Kandy Road, Mahiyangana.	055-5634777
20	Softlogic Showroom - Matara-A	No. 206 A, Anagarika Dharmapala Mw, Matara	041-5620717
21	Softlogic Showroom - Matara-B	No. 300, Gunawardhena Mawatha, Matara	041-5620607
22	Softlogic Showroom - Monaragala	New Bus Stand, Monaragala.	055-5633511
23	Softlogic Showroom - Pelmadulla	No. 14, Main Street, Pelmadulla.	045-5624242
24	Softlogic Showroom - Pilimalawa	No. 209, Colombo Road, Pilimalawa.	081-5636461
25	Softlogic Showroom - Pitigala	Softlogic Showroom, Main Street, Pitigala.	091-5670223
26	Softlogic Showroom - Uhana	No. 19/6, Opposite Police Station, Uhana	063-5672771
27	Softlogic Showroom - Wariyapola	92/A,Puttalam Road (South), Wariyapola	037-5647645
28	Softlogic Showroom- Athurugiriya	No. 39B/2, Godagama Road, Athurugiriya.	011-5238355
29	Softlogic Showroom -Dehiattakandiya	No. 12A, New Town, Dehiattakandiya.	027-5677313
30	Softlogic Showroom- Homagama	No. 92, Highlevel Road, Homagama.	011-5238660
31	Softlogic Showroom- Kandana	No. 344, Negombo Road, Kandana	011-5235308
32	Softlogic Showroom- Kotahena	No. 310/2A, George R De Silva Mawatha, Col 13	011-5768080
33	Softlogic Showroom- Maharagama	No. 187, Old Road, Maharagama	011-5235405
34	Softlogic Showroom- Ratmalana	No. 259, Galle Raod, Ratmalana.	011-5738989 /011-2727635
35	Softlogic Showroom- Wennappuwa	No. 122, Chilaw Road, Wennappuwa.	031-5677665
36	Softlogic Showroom-Akuressa	No. 79 ,Deniyaya Road,Akuressa	041-5679995
37	Softlogic Showroom-Ambalangoda	No. 24K, New Road,Ambalangoda	091-5632133
38	Softlogic Showroom-Anuradhapura	No. 14,Market Place,Anuradhapura	025-5621620
39	Softlogic Showroom-Badulla	No. 46, Lower Street,Badulla	055-5630027

40	Softlogic Showroom-Bandarawela	No. 116, Main Steet, Bandarawela.	057-5677011
41	Softlogic Showroom-Galle	No. 12, Main Street,Galle	091-5678088 / 091-2248604
42	Softlogic Showroom-Horana	No. 37, Panadura Road,Horana	034-5623530
43	Softlogic Showroom-Ja-Ela	No. EL 7-8, Reality Plaza,Ja-Ela	011-5231193
44	Softlogic Showroom-Kadawatha	No. 346/4,Kandy Road,Kadawatha	011-5230619
45	Softlogic Showroom-Kurunegala	No. 43/1,Bodiraja Mawatha,Kurunegala	037-5645723
46	Softlogic Showroom-Negombo	No. 138, Greens Road, Negombo.	031-5677661
47	Softlogic Showroom-Nittambuwa	No. 597/1A,Kandy Road,Nittambuwa	033-5627928
48	Softlogic Showroom-Pittakotte	No. 565A 1/1,Pitakotte,Kotte	011-5235060
49	Softlogic Showroom-Ratnapura	No. 42, Main Street, Ratnapura.	045-5622626
50	Softlogic Showroom-Tissa	No. 32, Main Street,Tissamaharama	047-5677372
51	Softlogic Showroom-Wattala "B"	No. 595, Negombo Road, Mabola, Wattala.	011-5238985
52	Softlogic Showroom-Weligama	No. 03, Samaraweera Place, Weligama.	041-5628233
53	Softlogic Showroom-Wellawaya	No. 88, Monaragala Road,Wellawaya	055-5632279
54	SoftlogicMAX - Colombo 03.	No. 402, Galle Road, Colombo 3	011-5391121 / 41
55	SoftlogicMAX - Gampaha	No. 85, Baudhaloka Mawatha, Gampaha	011-5544641 / 2
56	SoftlogicMAX - Kohuwela	No. 135, Dutugemunu Street, Kohuwela	011-5552376 / 7
57	SoftlogicMAX - Wattala "A"	No. 41, Negombo Road, Wattala	011-5352441 / 5352443

## ANNEX C

### CUSTODIAN BANKS

Bank of Ceylon  
Head Office,  
11th Floor,  
04, Bank of Ceylon Mawatha,  
Colombo 01  
Tel: 011 2317777, 011 2448348, 011 2338742/55, 011 2544333

Citi Bank, N A  
65 C, Dharmapala Mawatha,  
P.O. Box 888,  
Colombo 07  
Tel: 011 2447316/8, 011 2447318, 011 2449061, 011 2328526, 011 4794700

Deutsche Bank AG  
P.O. Box 314,  
No. 86, Galle Road,  
Colombo 03  
Tel: 011 2447062, 011 2438057

The Hong Kong and Shanghai Banking Corporation Limited  
24, Sir Baron Jayathilake Mawatha,  
Colombo 01  
Tel: 011 2325435, 011 2446591, 011 2446303, 011 2346422

Standard Chartered Bank  
37, York Street,  
P. O. Box 112,  
Colombo 01  
Tel: 011 4794400, 011 2480000

State Bank of India  
16, Sir Baron Jayathilake Mawatha,  
Colombo 01  
Tel: 011 2326133-5, 011 2439405-6, 011 2447166, 011 2472097

Union Bank of Colombo Limited  
15A, Alfred Place,  
Colombo 03  
Tel: 011 2370870

National Savings Bank  
255, Galle Road,  
Colombo 03  
Tel: 011 2573008-15

Public Bank Berhad  
No: 340, R A De Mel Mawatha,  
Colombo 03  
Tel: 011 2576289, 011 7290200-07

Banque Indosuez  
C/O Hatton National Bank Limited,  
Cinnamon Garden Branch,  
251, Dharmapala Mawatha,  
Colombo 07  
Tel: 011 2686537, 011 2689176

Commercial Bank of Ceylon PLC  
Commercial House,  
21, Bristol Street,  
P.O. Box 853,  
Colombo 01  
Tel: 011 2445010-15, 011 238193-5, 011 430420, 011 2336700

Hatton National Bank PLC  
HNB Towers,  
479, T.B. Jayah Mawatha, Colombo 10  
Tel: 011 2664664

People's Bank  
Head Office, 5th Floor,  
Sir Chittampalam A Gardiner Mawatha,  
Colombo 02  
Tel: 011 2781481, 011 237841-9, 011 2446316-15, 011 2430561

Sampath Bank PLC  
110, Sir James Peiris Mawatha,  
Colombo 02  
Tel: 011 5331441

Seylan Bank PLC  
Level 8, Ceylinco Seylan Towers,  
90, Galle Road,  
Colombo 03  
Tel: 011 2456789, 011 4701812, 011 4701819, 011 4701829

Nations Trust Bank PLC  
256, Sri Ramanathan Mawatha,  
Colombo 15  
Tel: 011 4313131

Pan Asia Banking Corporation PLC  
Head Office,  
450, Galle Road,  
Colombo 03  
Tel: 011 2565565

# ANNEX D



**ERNST & YOUNG**

**Chartered Accountants**

201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : (0) 11 2463500  
Fax Gen : (0) 11 2697369  
Tax : (0) 11 5578180  
eysl@lk.ey.com

February 14, 2011

The Board of Directors  
Softlogic Holdings Limited  
No: 14, De Fonseka Place  
Colombo 05

Dear Sirs,

## ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF SOFTLOGIC HOLDINGS LIMITED

### Introduction

This report has been prepared for inclusion in the Prospectus in connection with the initial public offering of 139,000,000 Ordinary Shares each at Rs.29/- per share.

We have examined the financial statements of Softlogic Holdings Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") and report as follows.

### 1. Incorporation

The company was incorporated in Sri Lanka on 25 February 1998 as a private limited liability company under the provisions of Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 on 17 December 2007. The Registered Office of the company is located at No. 14, De Fonseka Place, Colombo 05. The principal activities of the company are holding investments and providing management services to its subsidiaries.

The company was given approval by the Registrar of Companies to change its status to a public limited liability company on 10 December 2008 under section 11(1) of the Companies Act No. 07 of 2007. In accordance with the certificate dated 10 December 2008 issued by the Registrar of Companies, Softlogic Holdings (Pvt) Limited as thereon, changed its name to Softlogic Holdings Limited.

### 2. Financial Statements of the company and its subsidiaries

#### 2.1 Summary of Financial Statements - Five Years and for the 09 Months Period ended 31 December 2010

A summary of the Balance Sheets, Income Statements, Statement of Changes in Equity and Cash Flow Statements of the Company and the Group for the financial years ended 31 March 2006 to 31 March 2010 and 09 months period ended 31 December 2010 based on the audited financial statements except for consolidated financial statements for the year ended 31 March 2006 which was not audited, are set out on pages 83 - 86 of the Prospectus.

#### 2.2 Audited Financial Statements for the 09 months period ended 31 December 2010

Our audit report on the financial statements of the Company, the consolidated financial statements of the Group which comprise the Balance Sheet as at 31 December 2010, and the Income Statements, Statement of Changes in Equity and Cash Flow Statement for the 09 months period ended, and a summary of significant accounting policies and other explanatory notes are set out on pages 93 - 120 of the Prospectus.

**Partners:** A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA  
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)  
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

## 2.3 Audit Reports

We have audited the financial statements of the Company for the years ended 31 March 2006 to 31 March 2010 and for the 09 months period ended 31 December 2010, the consolidated financial statements of the Group for the years ended 31 March 2007 to 31 March 2010 and for the 09 months period ended 31 December 2010.

Qualified audit opinions have been issued for the financial years 2005/06 and 2006/07 and a report with an emphasis of matter has been issued for the financial year 2007/08 and such qualifications and emphasis of matters are given below. Unqualified audit opinions have been issued for the financial years 2008/09, 2009/10 and for the nine months period ended 31 December 2010.

Year	Qualifications made in the Auditors' Report
2005/06 (On Company financial statements)	The Company has investments in subsidiaries and associate companies as detailed in notes to the financial statements. However the Company has not prepared and presented consolidated financial statements as required by the "Sri Lanka Accounting Standards 26 - Consolidated Financial Statements", and thereby these financial statements do not present the state of affairs of the Group as at 31 March 2006 and its profits or losses and cash flows for the year then ended.
2006/07 (On Consolidated financial statements)	<p>Qualifications reported were;</p> <ol style="list-style-type: none"> <li>1. Total assets amounting to Rs.2,590,246,492/-, total sales amounting to Rs.4,181,929,055/- and profit before tax amounting to Rs.131,089,666/- have been audited by other firms of Chartered Accountants. Primary auditor was unable to obtain sufficient audit evidence in accordance with SLAuS 23 with regard to using the work of another auditor, other than review of the audited financial statements made available to us.</li> <li>2. Inventory quantities pertaining to Rs.131,238,812/- has not been observed by the auditors of Softlogic Communication (Pvt) Ltd since that date was prior to the time they were initially engaged as auditors for the year ended 31 March 2007. Owing to the nature of the Company's records, they were unable to satisfy themselves as to the inventory quantities by other audit procedures.</li> <li>3. The primary auditor was unable to verify the opening balances of the consolidated financial statements for the year ended 31 March 2007 this being the first year the consolidated balances have been audited. Hence, the comparative figures that have been stated are unaudited. The movements in the Group cash flow statement have been computed based on the unaudited balances as at 31 March 2006.</li> </ol>
Year	Emphasis of Matter highlighted in the Auditors' Report
2007/08 (On Company financial statements)	<p><b>1. Going Concern</b></p> <p>The financial statements have been prepared assuming the company will continue as a going concern. However the current liabilities of the company has exceed its current assets by Rs.1,544,896,680/- and the net assets of the company amounts to a positive balance of Rs.20,659,415/- which is less than half of the stated capital.</p> <p>The Company's current liabilities include Rs.1,268,962,910/- due to 100% held subsidiaries which are under the control of the Company. Further, the Company has an equity investment in Asiri Hospital PLC as at the Balance Sheet date which is stated at Rs.856,118,462/- with a carrying market value of Rs.1,028,773,638/-. This indicates an unrealised gain of Rs.172,655,176/- which has not been booked in these financial statement due to the accounting policy of the Company.</p>

	<p>Taking such into consideration, the directors have assessed, and are confident that the Company will be able to continue in operation for the foreseeable future, hence the adoption of going concern assumption in presenting these financial statements.</p> <p>(Note : No modification on this matter in audit opinion of consolidated financial statements since the net assets of the Group amounts to a positive balance of Rs. 714,672,369/-)</p> <p><b>2. Contingencies - Settlement of Loan Facilities obtained from Pramuka Savings and Development Bank</b></p> <p>A liability of Rs.70,419,205/- (Capital + Interest) payable to Pramuka Bank which was in the books of Uniwalkers (Pvt) Ltd was taken over by Softlogic Holdings (Pvt) Ltd during the year ended 31 March 2006.</p> <p>A letter dated 09 July 2008 received from Sri Lanka Savings Bank in which all the assets and liabilities of Pramuka Bank were vested, indicate that an additional interest of Rs.12,150,052/- should be accounted as of 31 March 2008.</p> <p>Directors of the company are in the process of negotiating with the Sri Lanka Savings Bank to reduce the accumulated interest and hence no provision has been made in the financial statements for this additional interest liability.</p> <p>(Note: subsequent to the audit opinion date Sri Lanka Savings Bank agreed to set total liability (Capital+Interest) amounting to Rs. 61,778,578/-. Therefore the contingency on additional interest did not materialise according to the letter sent by Sri Lanka Saving Bank)</p>
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## 2.5 Accounting Policies

The financial statements of the Company and the consolidated financial statements of the Group for the years ended 31 March 2006 to 31 March 2010 and for the 09 months period ended 31 December 2010 comply with Sri Lanka Accounting Standards other than non compliance with SLAS 26 for the year ended 31 March 2006.

The accounting policies of the Company and Group are stated in detail in the audited financial statements of Softlogic Holdings Limited for the 09 months period ended 31st December 2010. Changes in the accounting policies of the Company and Group since 31st March 2006 to 31st December 2010 are given below.

Year	Changes in Accounting Policies
2005/06	There were no material changes
2006/07	<p>Except for the following there were no material accounting policy changes to the financial statements.</p> <p>The Company has adopted the following new and revised Sri Lanka Accounting Standards during the year.</p> <p>SLAS 03 (Revised 2005) - Presentation of Financial Statements  SLAS 05 (Revised 2005) - Inventories  SLAS 10 (Revised 2005) - Accounting Policies, Changes in Accounting Estimates and Errors  SLAS 12 (Revised 2005) - Events after the Balance Sheet Date  SLAS 14 (Revised 2005) - Income Taxes  SLAS 18 (Revised 2005) - Property, Plant &amp; Equipments  SLAS 19 (Revised 2005) - Leases  SLAS 21 (Revised 2005) - The Effect of Changes in Foreign Exchange Rates  SLAS 25 (Revised 2004) - Business Combinations</p>

	SLAS 26 (Revised 2005) - Consolidated and Separate Financial Statements SLAS 27 (Revised 2005) - Investments in Associates SLAS 30 (Revised 2005) - Related Party Disclosures SLAS 34 (Revised 2005) - Earnings per Share SLAS 40 (Revised 2005) - Investment Property SLAS 41 - Impairment of Assets
2007/08	There were no material changes
2008/09	Except for the following there were no material accounting policy changes to the financial statements.  The Company has made changes to be in compliance with Sri Lanka Accounting Standard No.16 (SLAS 16) - Employee Benefits (Revised 2006). As a result, the gratuity liability recognised in the balance sheet is the present value of the defined benefit obligation as at the balance sheet date using the Gratuity formula in Appendix E of SLAS 16
2009/10	There were no material changes
2010/11 For 09 months period ended 31.12.2010	There were no material changes

## 2.6 Dividends

The Company has not declared dividends for the years ended 31 March 2006 to 31 March 2010 and for the nine months ended 31 December 2010.

## 2.7 Events after the last Balance Sheet Date

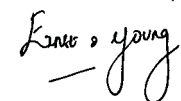
There were no significant events that occurred after the last Balance Sheet date of 31 December 2010 other than the following stated in note 31 to the financial statements for the period ended 31 December 2010.

- Softlogic Holdings Limited acquired 41,769,190 (4.70%) ordinary shares of Asiri Hospital Holdings PLC for a consideration of Rs. 378,854,907/- on 18 January 2011.
- The mandatory offer made by Softlogic Holdings Limited (SHL) to the shareholders of Asiri Hospitals Holdings PLC (AHH) was expired on 01 February 2011 and the Company has received 94,028,055 (10.57%) shares of AHH from the mandatory offer. As a result of subsequent share acquisition and acceptance of mandatory offer by share holders of AHH, the stake in AHH by Softlogic Holdings Limited increased up to 51.69% as of 01 February 2011.

As per the opinion of the Directors of Softlogic Holdings Limited, Softlogic Holdings Limited will be the parent entity and the controlling party of AHH Group from 01 February 2011.

- The Board of Directors resolved to proceed with a sub-division of 10 shares for every share held in Softlogic Holdings Ltd as at 11 February 2011, which was ratified by the shareholders in the Annual General Meeting held on 11 February 2011. Subsequent to sub-division the issued ordinary shares of the Company will increase to 640,000,000 ordinary shares.

Yours faithfully,



Colombo

### Five Years and Nine Months Summary - Balance Sheet

As at	Group					
	31.12.2010 Rs.	31.03.2010 Rs.	31.03.2009 Rs.	31.03.2008 Rs.	31.03.2007 Rs.	31.03.2006 Rs. (Unaudited)
<b>ASSETS</b>						
Non-Current Assets	7,578,419,132	4,085,284,481	4,066,782,218	3,928,306,512	3,105,719,948	1,933,087,428
Current Assets	7,149,566,675	2,998,107,552	2,077,594,419	2,007,740,085	1,503,517,228	875,922,769
<b>Total Assets</b>	<b>14,727,985,807</b>	<b>7,083,392,033</b>	<b>6,144,376,637</b>	<b>5,936,046,597</b>	<b>4,609,237,176</b>	<b>2,809,010,197</b>
<b>EQUITY</b>						
Share Capital	-	-	-	-	50,000,000	50,000,000
Stated Capital	1,058,000,000	984,056,000	50,000,000	50,000,000	-	-
Capital Reserve	671,948,318	590,924,852	536,189,421	431,496,942	359,602,273	129,149,680
Retained Earnings/(Losses)	1,091,558,040	464,472,033	297,480,087	228,748,448	276,714,825	(8,296,268)
<b>Shareholders Fund</b>	<b>2,821,506,358</b>	<b>2,039,452,885</b>	<b>883,669,508</b>	<b>710,245,390</b>	<b>686,317,098</b>	<b>170,853,412</b>
Minority Interest	416,620,299	4,353,194	3,793,014	4,426,979	4,049,172	3,287,906
<b>Total Equity</b>	<b>3,238,126,657</b>	<b>2,043,806,079</b>	<b>887,462,522</b>	<b>714,672,369</b>	<b>690,366,270</b>	<b>174,141,318</b>
<b>LIABILITIES</b>						
Non-Current Liabilities	1,554,016,800	786,387,971	573,508,356	784,053,801	571,283,947	962,649,520
Current Liabilities	9,935,842,350	4,253,197,983	4,683,405,759	4,437,320,427	3,347,586,959	1,672,219,359
<b>Total Liabilities</b>	<b>11,489,859,150</b>	<b>5,039,585,954</b>	<b>5,256,914,115</b>	<b>5,221,374,228</b>	<b>3,918,870,906</b>	<b>2,634,868,879</b>
<b>Total Equity &amp; Liabilities</b>	<b>14,727,985,807</b>	<b>7,083,392,033</b>	<b>6,144,376,637</b>	<b>5,936,046,597</b>	<b>4,609,237,176</b>	<b>2,809,010,197</b>

### Five Years and Nine Months Summary - Income Statement

For the Period/Year Ended	Group					
	For the 09 months period ended 31.12.2010 Rs.	31.03.2010 Rs.	31.03.2009 Rs.	31.03.2008 Rs.	31.03.2007 Rs.	31.03.2006 Rs.
Revenue	6,741,339,422	4,848,808,620	5,631,219,950	6,843,518,610	4,265,760,575	1,996,851,018
Gross Profit	1,519,002,689	1,389,756,246	1,654,480,201	1,364,573,506	846,035,296	454,959,938
Net Profit before Finance Cost	1,288,898,974	1,035,812,009	1,032,482,369	643,596,667	430,478,299	161,711,552
Profit/(Loss) before Tax	826,491,779	253,524,384	138,460,398	43,018,259	143,360,450	86,208,421
Taxation	(163,436,853)	(98,841,945)	(69,387,468)	(89,194,648)	(80,223,176)	(72,432,991)
<b>Net Profit/(Loss)</b>	<b>663,054,926</b>	<b>154,682,439</b>	<b>69,072,930</b>	<b>(46,176,389)</b>	<b>63,137,274</b>	<b>13,775,430</b>

### Five Years and Nine Months Summary - Cash Flow Statement

For the Period/Year Ended	Group					
	For the 09 months period ended 31.12.2010 Rs.	31.03.2010 Rs.	31.03.2009 Rs.	31.03.2008 Rs.	31.03.2007 Rs.	31.03.2006 Rs. (Unaudited)
<b>Profit before Taxation</b>	826,491,779	253,524,384	138,460,398	43,018,259	143,360,450	86,208,421
Operating Profit before Working Capital Changes	991,735,779	963,578,477	1,088,386,008	604,450,445	344,122,142	189,758,386
Net Cash from/ (used in) Operating Activities	(1,610,282,677)	(601,113,689)	76,263,242	(620,092,139)	(492,709,742)	238,282,712
Net Cash from/ (used in) Investing Activities	(1,781,184,361)	68,937,555	(115,660,351)	(646,749,665)	(698,813,967)	(716,572,161)
Net Cash from/ (used in) Financing Activities	3,700,343,074	802,301,173	(3,121,001)	1,111,289,999	536,718,993	449,233,130
<b>Net Change in Cash and Cash Equivalents</b>	<b>308,876,036</b>	<b>270,125,039</b>	<b>(42,518,110)</b>	<b>(155,551,805)</b>	<b>(654,804,717)</b>	<b>(29,056,319)</b>
Cash and Cash Equivalents At the Beginning of the Period/Year	(588,147,052)	(858,340,957)	(816,074,469)	(660,522,664)	(5,717,949)	23,338,370
Effect of Exchange Rate Changes	-	68,866	251,622	-	-	-
<b>At the End of the Period/Year</b>	<b>(279,271,016)</b>	<b>(588,147,052)</b>	<b>(858,340,957)</b>	<b>(816,074,469)</b>	<b>(660,522,664)</b>	<b>(5,717,949)</b>



Chief Financial Officer

Above Summarised Financial information and its extraction from the audited Financial Statements, is the responsibility of the Board of Directors.



Director



Director

## Softlogic Holdings Limited

### Five Years and Nine Months Summary - Balance Sheet


As at	Company					
	31.12.2010 Rs.	31.03.2010 Rs.	31.03.2009 Rs.	31.03.2008 Rs.	31.03.2007 Rs.	31.03.2006 Rs. (Unaudited)
<b>ASSETS</b>						
Non-Current Assets	3,414,689,047	2,203,605,762	2,021,397,379	1,958,665,455	1,418,504,179	914,710,149
Current Assets	629,912,721	604,671,773	550,736,442	572,511,267	589,458,601	510,250,938
<b>Total Assets</b>	<b>4,044,601,768</b>	<b>2,808,277,535</b>	<b>2,572,133,821</b>	<b>2,531,176,722</b>	<b>2,007,962,780</b>	<b>1,424,961,087</b>
<b>EQUITY</b>						
Share Capital	-	-	-	-	50,000,000	50,000,000
Stated Capital	1,058,000,000	984,056,000	50,000,000	50,000,000	-	-
Capital Reserve	-	-	-	-	-	-
Retained Earnings/(Losses)	12,090,892	(89,324,465)	(27,096,444)	(30,072,720)	(8,952,887)	10,573,930
<b>Total Equity</b>	<b>1,070,090,892</b>	<b>894,731,535</b>	<b>22,903,556</b>	<b>19,927,280</b>	<b>41,047,113</b>	<b>60,573,930</b>
<b>Total Equity</b>	<b>1,070,090,892</b>	<b>894,731,535</b>	<b>22,903,556</b>	<b>19,927,280</b>	<b>41,047,113</b>	<b>60,573,930</b>
<b>LIABILITIES</b>						
Non-Current Liabilities	429,854,287	283,044,143	296,701,384	393,841,495	372,770,384	509,592,194
Current Liabilities	2,544,656,589	1,630,501,857	2,252,528,881	2,117,407,947	1,594,145,283	854,794,963
<b>Total Liabilities</b>	<b>2,974,510,876</b>	<b>1,913,546,000</b>	<b>2,549,230,265</b>	<b>2,511,249,442</b>	<b>1,966,915,667</b>	<b>1,364,387,157</b>
<b>Total Equity &amp; Liabilities</b>	<b>4,044,601,768</b>	<b>2,808,277,535</b>	<b>2,572,133,821</b>	<b>2,531,176,722</b>	<b>2,007,962,780</b>	<b>1,424,961,087</b>

### Five Years and Nine Months Summary - Income Statement

For the Period/Year Ended	Company					
	For the 09 months period ended 31.12.2010 Rs.	31.03.2010 Rs.	31.03.2009 Rs.	31.03.2008 Rs.	31.03.2007 Rs.	31.03.2006 Rs.
Revenue	112,552,575	121,669,087	113,628,820	107,077,022	83,831,520	58,251,070
Gross Profit	56,901,645	35,775,456	17,622,257	25,121,430	29,180,547	33,910,368
Net Profit before Finance Cost	214,795,716	156,012,685	202,394,322	158,194,699	104,260,562	6,962,890
Profit/(Loss) before Tax	102,698,002	(37,341,091)	5,117,369	(20,234,467)	(19,481,300)	(23,672,241)
Taxation	(363,403)	(535,666)	(2,141,093)	(153,231)	(45,517)	(5,417)
<b>Net Profit/(Loss)</b>	<b>102,334,599</b>	<b>(37,876,757)</b>	<b>2,976,276</b>	<b>(20,387,698)</b>	<b>(19,526,817)</b>	<b>(23,677,658)</b>

### Five Years and Nine Months Summary - Cash Flow Statement

For the Period/Year Ended	Company					
	For the 09 months period ended 31.12.2010 Rs.	31.03.2010 Rs.	31.03.2009 Rs.	31.03.2008 Rs.	31.03.2007 Rs.	31.03.2006 Rs.
<b>Profit/(loss) before Taxation</b>	102,698,002	(37,341,091)	5,117,369	(20,234,467)	(19,481,300)	(23,672,241)
Operating Profit before Working Capital Changes	73,330,670	96,247,424	60,033,655	27,578,873	20,952,375	19,671,542
Net Cash from/ (used in) Operating Activities	(247,195,054)	(811,646,245)	143,263,923	541,812,507	176,984,412	191,007,839
Net Cash from/ (used in) Investing Activities	(1,221,406,584)	62,378,992	11,187,490	(483,308,054)	(442,097,214)	(479,887,852)
Net Cash from/ (used in) Financing Activities	1,811,451,885	843,491,756	(126,122,920)	(78,155,383)	(142,364,413)	265,241,796
<b>Net Change in Cash and Cash Equivalents</b>	<b>342,850,247</b>	<b>94,224,502</b>	<b>28,328,493</b>	<b>(19,650,930)</b>	<b>(407,477,215)</b>	<b>(23,638,217)</b>
<b>Cash and Cash Equivalents</b>						
At the Beginning of the Period/Year	(336,547,684)	(430,772,186)	(459,100,679)	(439,449,749)	(31,972,534)	(8,334,317)
<b>At the End of the Period/Year</b>	<b>6,302,563</b>	<b>(336,547,684)</b>	<b>(430,772,186)</b>	<b>(459,100,679)</b>	<b>(439,449,749)</b>	<b>(31,972,534)</b>



Chief Financial Officer

Above Summarised Financial information and its extraction from the audited Financial Statements, is the responsibility of the Board of Directors.



Director



Director

Five Years and Nine Months Summary - Statement of Changes in Equity  
For the Period/Year Ended

Group In Rs.	Attributable to Equity Holders of Parent							Total Equity	
	Share Capital	Stated Capital	Revaluation Reserves	Exchange Translation Reserves	Retained Earnings	Statutory Reserve Fund	Total		
<b>As at 1st April 2005 (Unaudited)</b>	50,000,000	-	-	720,227	(21,588,751)	-	29,131,476	864,092	29,995,568
Currency Translation Differences	-	-	-	14,958,245	-	-	14,958,245	-	14,958,245
Net Gain or Loss Recognized Directly in Equity	-	-	113,471,208	-	-	-	113,471,208	1,940,867	115,412,075
Profit for the Year	-	-	-	13,292,483	-	-	13,292,483	482,947	13,775,430
<b>As at 31st March 2006 (Unaudited)</b>	50,000,000	-	113,471,208	15,678,472	(8,296,268)	-	170,853,412	3,287,906	174,141,318
Currency Translation Differences	-	-	-	(11,574,340)	-	-	(11,574,340)	-	(11,574,340)
Net Gain or Loss Recognized Directly in Equity	-	-	242,026,933	-	223,135,110	-	465,162,043	-	465,162,043
Profit for the Year	-	-	-	-	61,875,983	-	61,875,983	1,261,291	63,137,274
Subsidiary Dividend to Minority Shareholders	-	-	-	-	-	-	-	(500,025)	(500,025)
<b>As at 31st March 2007</b>	50,000,000	-	355,498,141	4,104,132	276,714,825	-	686,317,098	4,049,172	690,366,270
Currency Translation Differences	-	-	-	(23,717,981)	-	-	(23,717,981)	-	(23,717,981)
Transfer	(50,000,000)	50,000,000	-	-	-	-	-	-	-
Net Gain or Loss Recognized Directly in Equity	-	-	95,612,650	-	(47,234,243)	-	95,612,650	-	95,612,650
Loss for the Year	-	-	-	-	-	-	(47,234,243)	1,057,854	(46,176,389)
Subsidiary Dividend to Minority Shareholders	-	-	-	-	-	-	-	(680,047)	(680,047)
<b>As at 31st March 2008</b>	-	50,000,000	451,110,791	(19,613,849)	229,480,583	-	710,977,525	4,426,979	715,404,504
Effect of Adoption Revised SLAS 16	-	-	-	(732,135)	-	-	(732,135)	-	(732,135)
<b>As at 31st March 2008 (Re-stated)</b>	-	50,000,000	451,110,791	(19,613,849)	228,748,448	-	710,245,390	4,426,979	714,672,369
Currency Translation Differences	-	-	-	25,017,303	-	-	25,017,303	-	25,017,303
Net Gain or Loss Recognized Directly in Equity	-	-	79,675,176	-	-	-	79,675,176	(975,256)	78,699,920
Profit for the Year	-	-	-	-	68,731,639	-	68,731,639	341,291	69,072,930
<b>As at 31st March 2009</b>	-	50,000,000	530,785,967	5,403,454	297,480,087	-	883,669,508	3,793,014	887,462,522
Issue of Shares	-	934,056,000	-	-	-	-	934,056,000	-	934,056,000
Direct Cost on Share Issue	-	-	-	(24,351,264)	-	-	(24,351,264)	-	(24,351,264)
Currency Translation Differences	-	-	-	(42,583,796)	-	-	(42,583,796)	-	(42,583,796)
Net Gain or Loss Recognized Directly in Equity	-	-	97,319,227	-	37,226,351	-	134,545,578	-	134,545,578
Profit for the Year	-	-	-	-	154,116,859	-	154,116,859	565,580	154,682,439
Subsidiary Dividend to Minority Shareholders	-	-	-	-	-	-	-	(5,400)	(5,400)
<b>As at 31st March 2010</b>	-	984,056,000	628,105,194	(37,180,342)	464,472,033	-	2,039,452,885	4,353,194	2,043,806,079
Issue of Shares	-	73,944,000	-	-	-	-	73,944,000	-	73,944,000
Direct Cost on Share Issue	-	-	-	(919,242)	-	-	(919,242)	-	(919,242)
Currency Translation Differences	-	-	-	(16,715,500)	-	-	(16,715,500)	-	(16,715,500)
Net Gain or Loss Recognized Directly in Equity	-	-	95,895,326	-	(1,843,640)	-	95,895,326	379,183,091	475,078,417
Transfer to Reserve Fund	-	-	-	-	1,843,640	-	1,843,640	-	-
Profit for the Period	-	-	-	-	629,848,889	-	629,848,889	33,206,037	663,054,926
Subsidiary Dividend to Minority Shareholders	-	-	-	-	-	-	-	(122,023)	(122,023)
<b>As at 31st December 2010</b>	-	1,058,000,000	724,000,520	(53,895,842)	1,091,558,040	1,843,640	2,821,506,358	416,620,299	3,238,126,657

**Five Years and Nine Months Summary - Statement of Changes in Equity  
For the Period/Year Ended**

<b>Company In Rs.</b>	<b>Share Capital</b>	<b>Stated Capital</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
<b>As at 1st April 2005</b>	50,000,000	-	(10,364,499)	39,635,501
Effect of Adopting SLAS 40 (2003) - Investment Property	-	-	44,616,087	44,616,087
Loss for the Year	-	-	(23,677,658)	(23,677,658)
<b>As at 31st March 2006</b>	<b>50,000,000</b>	<b>-</b>	<b>10,573,930</b>	<b>60,573,930</b>
Loss for the Year	-	-	(19,526,817)	(19,526,817)
<b>As at 31st March 2007</b>	<b>50,000,000</b>	<b>-</b>	<b>(8,952,887)</b>	<b>41,047,113</b>
Transfers	(50,000,000)	50,000,000	-	-
Net Loss for the Year	-	-	(20,387,698)	(20,387,698)
<b>As at 31st March 2008</b>	<b>-</b>	<b>50,000,000</b>	<b>(29,340,585)</b>	<b>20,659,415</b>
Effect on Adoption Revised SLAS 16	-	-	(732,135)	(732,135)
<b>As at 31 March 2008 (Restated)</b>	<b>-</b>	<b>50,000,000</b>	<b>(30,072,720)</b>	<b>19,927,280</b>
Net Profit for the Year	-	-	2,976,276	2,976,276
<b>As at 31st March 2009</b>	<b>-</b>	<b>50,000,000</b>	<b>(27,096,444)</b>	<b>22,903,556</b>
Issue of Shares	-	934,056,000	-	934,056,000
Loss for the Year	-	-	(37,876,757)	(37,876,757)
Direct Cost on Share Issue	-	-	(24,351,264)	(24,351,264)
<b>As at 31st March 2010</b>	<b>-</b>	<b>984,056,000</b>	<b>(89,324,465)</b>	<b>894,731,535</b>
Issue of Shares	-	73,944,000	-	73,944,000
Profit for the Period	-	-	102,334,599	102,334,599
Direct Cost on Share Issue	-	-	(919,242)	(919,242)
<b>As at 31st December 2010</b>	<b>-</b>	<b>1,058,000,000</b>	<b>12,090,892</b>	<b>1,070,090,892</b>

**Chartered Accountants**

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Sri Lanka

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**INDEPENDENT AUDITOR'S REPORT****TO THE SHAREHOLDERS OF SOFTLOGIC HOLDINGS LTD****Report on the Financial Statements**

We have audited the accompanying financial statements of Softlogic Holdings Ltd ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at 31 December 2010, and the income statements, statements of changes in equity and cash flow statements for the 9 months period ended, and a summary of significant accounting policies and other explanatory notes.

**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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Scope of Audit and Basis of Opinion**

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

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

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

**Opinion**

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the period ended 31 December 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2010 and its profit and cash flows for the 9 months then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 December 2010 and the profit and cash flows for the 9 months then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

**Report on Other Legal and Regulatory Requirements**

In our opinion, these financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

14 February 2011  
Colombo

**Partners:** A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA  
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)  
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

# BALANCE SHEET

As at 31 December

In Rs.	Note	Group		Company	
		31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Property, Plant and Equipment	2	1,035,913,472	968,234,769	72,253,068	61,867,487
Investment Property	3	721,050,000	555,275,000	125,700,000	125,700,000
Intangible Assets	4	964,082,428	771,300,964	-	-
Investments in Subsidiaries	5	-	-	943,844,720	645,974,725
Investments in Associates	5	2,701,886,765	1,758,915,257	1,931,352,084	1,128,019,375
Other Investments	5	450,025,563	5,917,564	104,495,000	5,000,000
Rental Receivable on Lease Assets and Hire Purchase	6	1,658,302,451	-	-	-
Deferred Tax Assets	7	47,158,453	25,640,927	-	-
Amounts Due from Related Parties	30	-	-	237,044,175	237,044,175
		7,578,419,132	4,085,284,481	3,414,689,047	2,203,605,762
<b>Current Assets</b>					
Inventories	8	1,814,004,280	875,423,249	-	-
Trade and Other Receivables	9	2,412,115,678	1,503,690,022	119,565,171	137,069,170
Loans and Advances	10	792,448,093	-	-	-
Rental Receivable on Lease Assets and Hire Purchase	6	1,211,056,135	-	-	-
Amounts due from Related Parties	30	58,176,368	40,988,181	311,592,492	220,436,488
Short Term Investments	11	642,020,108	105,645,207	181,699,732	62,627,199
Income Tax Refunds		4,492,538	28,940,635	2,220,178	1,118,425
Cash in Hand and at Bank		215,253,475	443,420,258	14,835,148	183,420,491
		7,149,566,675	2,998,107,552	629,912,721	604,671,773
<b>TOTAL ASSETS</b>		<b>14,727,985,807</b>	<b>7,083,392,033</b>	<b>4,044,601,768</b>	<b>2,808,277,535</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	12	1,058,000,000	984,056,000	1,058,000,000	984,056,000
Capital Reserves	13	671,948,318	590,924,852	-	-
Retained Earnings		1,091,558,040	464,472,033	12,090,892	(89,324,465)
<b>Shareholders Fund</b>		<b>2,821,506,358</b>	<b>2,039,452,885</b>	<b>1,070,090,892</b>	<b>894,731,535</b>
Minority Interest		416,620,299	4,353,194	-	-
<b>Total Equity</b>		<b>3,238,126,657</b>	<b>2,043,806,079</b>	<b>1,070,090,892</b>	<b>894,731,535</b>
<b>Non Current Liabilities</b>					
Interest Bearing Borrowings	14	1,293,601,797	672,292,959	418,672,188	276,045,115
Public Deposits	15	102,114,836	-	-	-
Deferred Tax Liabilities	16	77,027,533	56,983,666	-	-
Retirement Benefit Obligations	17	78,469,684	52,625,758	11,182,099	6,999,028
Deferred Income		2,802,950	4,485,588	-	-
		1,554,016,800	786,387,971	429,854,287	283,044,143
<b>Current Liabilities</b>					
Trade and Other Payables	18	1,244,633,333	662,048,204	42,080,289	24,746,514
Amounts due to Related Parties	30	3,201,092	5,814,471	467,541,427	691,095,181
Income Tax Liabilities	19	87,814,647	13,337,973	-	-
Short Term Borrowings	20	4,886,546,784	1,824,963,510	1,882,096,507	193,456,549
Current Portion of Interest Bearing Borrowings	14	2,138,549,928	715,397,649	144,405,781	201,235,438
Public Deposits	15	1,080,572,075	-	-	-
Bank Overdrafts		494,524,491	1,031,636,176	8,532,585	519,968,175
		9,935,842,350	4,253,197,983	2,544,656,589	1,630,501,857
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,727,985,807</b>	<b>7,083,392,033</b>	<b>4,044,601,768</b>	<b>2,808,277,535</b>

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



Chief Financial Officer

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



Director



Director

The accounting policies and notes as stated in page 94 to 120 form an integral part of these financial statements.  
14 February 2011  
Colombo

# INCOME STATEMENT

For the 09 months period ended 31 December

In Rs.	Note	Group		Company	
		31.12.2010 (09 Months)	31.03.2010 (12 Months)	31.12.2010 (09 Months)	31.03.2010 (12 Months)
Revenue	21	6,741,339,422	4,848,808,620	112,552,575	121,669,087
Cost of Sales		(5,222,336,733)	(3,459,052,374)	(55,650,930)	(85,893,631)
<b>Gross Profit</b>		1,519,002,689	1,389,756,246	56,901,645	35,775,456
Dividend Income	22	677,622	68,321	65,541,154	24,246,694
Other Operating Income	23	518,000,405	421,769,958	147,397,645	106,080,441
Distribution Expenses		(275,316,186)	(227,091,525)	-	-
Administrative Expenses		(719,343,485)	(620,091,491)	(47,846,036)	(38,181,870)
Finance Expenses	24	(462,407,195)	(782,287,625)	(112,097,714)	(193,353,776)
Change in Fair Value of Investment Property	3	165,775,000	280,000	-	-
Write Back / (Off) of Intercompany Balances	30	-	-	(7,198,692)	28,091,964
Share of Results of Associates	5	80,102,929	71,120,500	-	-
<b>Profit / (Loss) Before Tax</b>	25	826,491,779	253,524,384	102,698,002	(37,341,091)
Tax Expenses	26	(163,436,853)	(98,841,945)	(363,403)	(535,666)
<b>Profit / (Loss) for the period</b>		663,054,926	154,682,439	102,334,599	(37,876,757)
<b>Attributable to:</b>					
Equity Holders of the Parent		629,848,889	154,116,859		
Minority Interest		33,206,037	565,580		
		663,054,926	154,682,439		
<b>Earnings per Share</b>					
Basic	27	0.98	0.25		

Figures in brackets indicate deductions.

The accounting policies and notes as stated in page 94 to 120 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the 09 months period ended 31 December

## Group

In Rs.	Attributable to Equity Holders of Parent							Total Equity
	Stated Capital	Revaluation Reserve	Exchange Translation Reserve	Statutory Reserve Fund	Retained Earnings	Total	Minority Interest	
<b>As at 01 April 2009</b>	<b>50,000,000</b>	<b>530,785,967</b>	<b>5,403,454</b>	-	<b>297,480,087</b>	<b>883,669,508</b>	<b>3,793,014</b>	<b>887,462,522</b>
Issue of Shares	934,056,000	-	-	-	-	934,056,000	-	934,056,000
Direct Cost on Share Issue	-	-	-	-	(24,351,264)	(24,351,264)	-	(24,351,264)
Currency Translation Differences	-	-	(42,583,796)	-	-	(42,583,796)	-	(42,583,796)
Net Gain or (Loss) recognized directly in equity	-	97,319,227	-	-	-	97,319,227	-	97,319,227
Surplus on Revaluation	-	-	-	-	37,226,351	37,226,351	-	37,226,351
Associate Company Share of Net Assets	-	-	-	-	154,116,859	154,116,859	565,580	154,682,439
Profit for the Year	-	-	-	-	-	-	(5,400)	(5,400)
Subsidiary Dividend to Minority shareholders	-	-	-	-	-	-	-	-
<b>As at 31 March 2010</b>	<b>984,056,000</b>	<b>628,105,194</b>	<b>(37,180,342)</b>	-	<b>464,472,033</b>	<b>2,039,452,885</b>	<b>4,353,194</b>	<b>2,043,806,079</b>
Issue of Shares	73,944,000	-	-	-	-	73,944,000	-	73,944,000
Direct Cost on Share Issue	-	-	-	-	(919,242)	(919,242)	-	(919,242)
Currency Translation Differences	-	-	(16,715,500)	-	-	(16,715,500)	-	(16,715,500)
Net Gain or (Loss) recognized directly in equity	-	3,666,667	-	-	-	3,666,667	-	3,666,667
Surplus on Revaluation	-	-	-	-	-	-	-	-
Acquisitions, disposals and changes in holding	-	-	-	-	-	-	379,183,091	379,183,091
Associate Company Share of Net Assets	-	92,228,659	-	-	-	92,228,659	-	92,228,659
Transfer to Reserve Fund	-	-	-	1,843,640	(1,843,640)	-	-	-
Profit for the Period	-	-	-	-	629,848,889	629,848,889	33,206,037	663,054,926
Subsidiary dividend to Minority shareholders	-	-	-	-	-	-	(122,023)	(122,023)
<b>As at 31 December 2010</b>	<b>1,058,000,000</b>	<b>724,000,520</b>	<b>(53,895,842)</b>	<b>1,843,640</b>	<b>1,091,558,040</b>	<b>2,821,506,358</b>	<b>416,620,299</b>	<b>3,238,126,657</b>

## Company

In Rs.	Stated Capital	Retained Earnings	Total Equity
<b>As at 01 April 2009</b>	<b>50,000,000</b>	<b>(27,096,444)</b>	<b>22,903,556</b>
Issue of Shares	934,056,000	-	934,056,000
Loss for the Year	-	(37,876,757)	(37,876,757)
Direct Cost on Share Issue	-	(24,351,264)	(24,351,264)
<b>As at 31 March 2010</b>	<b>984,056,000</b>	<b>(89,324,465)</b>	<b>894,731,535</b>
Issue of Shares	73,944,000	-	73,944,000
Direct Cost on Share Issue	-	(919,242)	(919,242)
Profit for the Period	-	102,334,599	102,334,599
<b>As at 31 December 2010</b>	<b>1,058,000,000</b>	<b>12,090,892</b>	<b>1,070,090,892</b>

Figures in brackets indicate deductions.  
The accounting policies and notes as stated in page 94 to 120 form an integral part of these financial statements.

# CASH FLOW STATEMENT

For the 09 months period ended 31 December

In Rs.	Notes	Group		Company	
		31.12.2010 (09 Months)	31.03.2010 (12 Months)	31.12.2010 (09 Months)	31.03.2010 (12 Months)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before working capital changes	A	990,053,141	1,030,184,766	73,330,670	96,247,424
(Increase) / Decrease in Inventories		(906,190,517)	(120,513,735)	-	-
(Increase) / Decrease in Receivable and Prepayments		(786,652,719)	(455,940,288)	16,524,546	(48,593,161)
(Increase) / Decrease in Amount due from Related Parties		(17,188,187)	(7,474,032)	(84,895,471)	(20,503,065)
Increase / (Decrease) in Creditors and Accruals		412,920,632	(250,802,945)	(223,553,754)	(683,535,943)
Increase / (Decrease) in Amount due to Related Parties		(2,613,379)	(3,838,961)	17,333,775	12,759,045
(Increase) / Decrease in investment in Lease and Hire Purchase		(713,771,900)	-	-	-
(Increase) / Decrease in Loans and Advances		(97,944,918)	-	-	-
<b>Cash Generated from/ (used in) Operations</b>		<b>(1,121,387,847)</b>	<b>191,614,805</b>	<b>(201,260,234)</b>	<b>(643,625,700)</b>
Interest Received		15,040,732	12,939,064	1,573,771	2,319,821
Finance Expenses Paid		(462,407,195)	(782,287,625)	(112,097,714)	(193,353,776)
Dividend Received		29,844,382	29,769,783	65,541,154	24,246,694
Tax Paid		(71,194,118)	(49,645,656)	(1,465,156)	(1,176,785)
Gratuity (Paid)/Transfers		(1,861,270)	(3,504,060)	513,125	(56,500)
<b>Net Cash Flow from Operating Activities</b>		<b>(1,611,965,316)</b>	<b>(601,113,689)</b>	<b>(247,195,054)</b>	<b>(811,646,246)</b>
<b>CASH FLOWS FROM /(USED IN) INVESTING ACTIVITIES</b>					
Purchase and Construction of Property, Plant and Equipment		(30,722,660)	(16,109,820)	(3,658,676)	(444,742)
Addition to Intangible Assets		(609,910)	-	-	-
Purchase of Investments		(1,155,061,364)	(209,300,863)	(442,344,126)	(179,070,403)
Increase in Interest in Associate		(813,023,316)	-	(803,332,709)	-
Acquisition of Subsidiary	B	(277,750,999)	-	(297,869,995)	-
Increase in Interest of Subsidiary		(10,976,871)	-	-	-
Proceeds from Sale of Property, Plant and Equipment		6,984,594	19,471,635	-	5,687,751
Deferred Income		-	4,485,589	-	-
Proceeds from Sale of Other Investments		501,658,804	270,391,014	325,798,922	236,206,386
<b>Net Cash Flow from / (used in) Investing Activities</b>		<b>(1,779,501,722)</b>	<b>68,937,555</b>	<b>(1,221,406,584)</b>	<b>62,378,992</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>					
Dividend Paid to Minority Shareholders		(122,023)	(5,400)	-	-
Proceeds from Minority on Issue of Rights in Subsidiaries		74,464,279	-	-	-
Proceeds from Long Term Borrowings	14	1,477,022,202	585,892,063	311,810,383	80,351,000
Repayment of Long Term Borrowings	14	(1,110,871,737)	(698,283,627)	(262,023,214)	(143,323,531)
Proceeds from / (Repayment of) Short Term Borrowings (Net)		3,035,570,890	30,365,337	1,688,639,958	22,131,487
Proceeds from Public Deposits		151,254,705	-	-	-
Proceeds from Share Issue		73,944,000	908,684,064	73,944,000	908,684,064
Direct Cost on Share Issue		(919,242)	(24,351,264)	(919,242)	(24,351,264)
<b>Net Cash Flow from / (used in) Financing Activities</b>		<b>3,700,343,074</b>	<b>802,301,173</b>	<b>1,811,451,885</b>	<b>843,491,756</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		308,876,036	270,125,039	342,850,247	94,224,502
Cash and Cash Equivalents at the beginning of the year		(588,147,052)	(858,340,957)	(336,547,684)	(430,772,186)
Cash and Cash Equivalents at the end of the year		(279,271,016)	(588,215,918)	6,302,563	(336,547,684)
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
<b>Favourable Balances</b>					
Cash and Bank		215,253,475	443,420,258	14,835,148	183,420,491
<b>Unfavourable Balances</b>					
Bank Overdrafts		(494,524,491)	(1,031,636,176)	(8,532,585)	(519,968,175)
Total Cash and Cash Equivalents as previously reported		(279,271,016)	(588,215,918)	6,302,563	(336,547,684)
Effect of Exchange Rate Changes		-	68,866	-	-
<b>Cash and Cash Equivalents Restated</b>		<b>(279,271,016)</b>	<b>(588,147,052)</b>	<b>6,302,563</b>	<b>(336,547,684)</b>

For the 09 months period ended 31 December

In Rs.	Notes	Group		Company	
		31.12.2010 (09 Months)	31.03.2010 (12 Months)	31.12.2010 (09 Months)	31.03.2010 (12 Months)
<b>A Profit Before Working Capital Changes</b>					
Profit/(Loss) Before Tax		826,491,779	253,524,384	102,698,002	(37,341,091)
Interest Income	23	(15,040,732)	(12,939,064)	(1,573,771)	(2,319,821)
Dividend Income	22	(677,622)	(68,321)	(65,541,154)	(24,246,694)
Finance Expenses	24	462,407,195	782,287,625	112,097,714	193,353,776
Change in Fair Value of Investment Properties	3	(165,775,000)	(280,000)	-	-
Share of Associate Company Profits	4.4	(80,102,929)	(71,120,500)	-	-
Lease Interest		12,812,843	20,675,140	7,540,878	15,470,521
Gratuity Provision and related costs	17	16,078,763	6,679,474	3,669,946	855,668
Provision for Bad Debts		-	-	979,453	2,187,232
Change in Fair Value of Short Term Investments		(4,595,958)	(7,873,076)	(2,343,367)	(6,738,322)
Depreciation of Property, Plant and Equipment		88,543,460	126,424,714	26,583,091	49,999,429
(Profit) / Loss on Sale of Property, Plant and Equipment	23	(4,046,409)	(8,306,902)	-	(5,174,000)
(Profit) / Loss on Sale of Other Investments	22	(108,574,625)	(29,384,693)	(99,678,962)	(29,384,693)
(Gain) / Loss on Foreign Exchange (Unrealised)		(13,459,225)	(32,322,617)	(13,459,225)	(32,322,617)
Write back on Loan Rescheduled	14	(18,320,835)	-	(4,840,627)	-
Write back of the Intercompany Balances		-	-	7,198,692	(28,091,964)
Amortisation of Intangible Assets	4	3,708,538	2,888,602	-	-
Amortisation of Deferred Income		(1,682,638)	-	-	-
Fair Value adjustment on Business Combination		(7,713,464)	-	-	-
<b>Operating Profit Before Working Capital Changes</b>		<b>990,053,141</b>	<b>1,030,184,766</b>	<b>73,330,670</b>	<b>96,247,424</b>

Figures in brackets indicate deductions.

The accounting policies and notes as stated in page 94 to 198 form an integral part of these financial statements.

<b>B Acquisition of Subsidiary</b>	
Property Plant & Equipment	(37,561,790)
Intangible Assets	(9,596,472)
Other Investments	(123,988,729)
Deferred Tax Assets	(9,652,473)
Inventories	(35,476,986)
Trade & Other Receivables	(97,551,500)
Loans and Advances	(695,008,607)
Lease and Hire Purchase Rental Receivable	(2,160,140,773)
Short Term Investments	(80,400,190)
Cash and Cash Equivalents	(8,141,141)
Deferred Tax Liabilities	6,545,328
Retirement Benefit Obligations	11,626,433
Trade & Other Payables	161,600,503
Short Term Borrowings	28,833,333
Income Tax Liabilities	6,600,725
Interest Bearing Borrowings	1,594,635,967
Public Deposits	1,031,432,206
<b>Total Net Assets</b>	<b>(416,244,166)</b>
Net Assets Acquired	(115,157,525)
Goodwill	(170,734,615)
Cash Consideration Paid on Acquisition of Subsidiary	(285,892,140)
Cash and Cash Equivalent Acquired	8,141,141
<b>Net Cash outflow on acquisition of subsidiary</b>	<b>(277,750,999)</b>

# ACCOUNTING POLICIES

Softlogic Holdings Ltd is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 14, De Fonseka Place, Colombo 5.

In the financial statements, “the Company” refers to Softlogic Holdings Ltd as the holding company and “the Group” refers to the companies whose accounts have been consolidated therein. The Financial Statements for the period ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2011.

Softlogic Holdings Ltd became the holding company of the Group during the financial year ended 31 March 2003. The principal activities of the Company are holding investments & providing management services to its subsidiaries. The principal activities of the subsidiary companies are information technology, property development, automobiles, communication, home appliances, leasing, hire purchase, granting loans, factoring, pawn broking, and providing management consultancy and financial advisory services.

The financial statements are presented in Sri Lankan rupees, which is the Group’s functional and presentation currency, except for certain subsidiaries and associates whose functional currency is different as they operate in different economic environments.

The notes to the financial statements on pages 94 to 120 form an integral part of the financial statements.

The significant accounting policies have been discussed below.

## 1.1 GENERAL POLICIES

### 1.1.1 Statement of Compliance

The balance sheet, statement of income, statement of changes in equity and the cash flow statement, together with the accounting policies and notes (the “financial statements”) have been prepared in accordance with the Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Companies Act, No. 7 of 2007.

### 1.1.2 Basis of Preparation

The financial statements, presented in Sri Lanka rupees, have been prepared on an accrual basis and under the historical cost convention unless stated otherwise.

### 1.1.3 Going Concern

The Directors have assessed and are confident that the Company will be able to continue in operation for the foreseeable future. Hence, the adoption of going concern assumption in presenting these financial statements.

### 1.1.4 Use of Estimates, Judgements and Assumptions

The preparation of Group’s consolidated and Company financial statements in conformity with SLAS, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of the asset or liability affected in future periods.

The judgements, estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements, estimates and assumptions about the carrying amount of assets, liabilities and contingent liabilities that are not readily apparent from other sources.

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

Judgements, estimates and assumptions made by Management in the application of SLAS that could have a significant effect on the financial statements are mentioned below.

	Policy	Note
Valuation of Property, Plant & Equipment	1.5.1	2
Valuation of Investment Property	1.5.2	3
Deferred Tax	1.4.2	7&16
Impairment of Assets	1.5.5	2, 3, 4 & 5
Valuation of Retirement Benefit Obligation	1.6.1	17
Provisions, Contingent Assets and Contingent Liabilities	1.6.3	29

### 1.1.5 Comparative Information

The accounting policies applied by the Group are consistent with those used in the previous year. Previous year’s figures and phrases have been re-arranged, wherever necessary, to conform to the current period’s presentation.

### 1.1.6 Change in Reporting Period

The Financial Statements for the current period comprise results for the period from 01 April 2010 to 31 December 2010. This is due to the preparation of financial statements for the period ended 31 December 2010 and as at 31 December 2010 to facilitate Group reporting. The comparative amounts for statements of income, cash flows, statement of changes in equity and related notes have been prepared for the 12 months ended 31 March 2010 and as at 31 March 2010 and are not comparable with each other.

### 1.1.7 Events after the Balance Sheet Date

All material post balance sheet events have been considered and appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

## 1.2 CONSOLIDATION POLICY

### 1.2.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and other companies over which it has control and have been prepared in compliance with the Group’s accounting policies.

All intra-Group balances, income and expenses and profits and losses resulting from intra Group transactions, are eliminated in full.

### 1.2.2 Acquisitions and Divestments

Acquisitions of subsidiaries are accounted for, using the purchase method of accounting. The results of subsidiaries and associates acquired or incorporated during the year have been included from the date of acquisition, or incorporation while results of subsidiaries and associates disposed have been included up to the date of disposal.

### Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has the controlling interest.

## ACCOUNTING POLICIES

Subsidiaries are controlled from the date the parent obtains control until the date control ceases.

The Names of the Subsidiary Companies are given in Note 5.2 & 5.3

The following subsidiary has been incorporated outside Sri Lanka:

Name	Country of Incorporation
Softlogic Australia (Pty) Ltd	Australia

The total profits and losses for the period, of the Company and of its subsidiaries included in consolidation and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and balance sheet respectively.

Minority interests which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit or loss for the period in the income statement and as a component of equity in the consolidated balance sheet, separately from parent shareholders' equity.

The consolidated cash flow statement includes the cash flows of the Company and its subsidiaries.

### 1.2.4 Associates

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are not subsidiaries of the Group.

The Group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate.

Associate companies of the Group which have been accounted for under the equity method of accounting are:

Asiri Hospital Holdings PLC  
Abacus International Lanka (Pvt) Ltd  
Gerry's Softlogic (Pvt) Ltd

All associates are incorporated in Sri Lanka, except for Gerry's Softlogic (Pvt) Ltd which is incorporated in Pakistan.

The investments in associates are carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes in the statement of changes in equity.

When the Group share of losses in an associate equals or exceeds the interest in the undertaking, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the Group.

### 1.2.5 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

### 1.2.6 Financial Period

The Company and subsidiaries have a common period ended 31 December. The results of the associates have been computed based on a 09 months period ended 31 December.

As per the Group policy, results of all associates with alternate period ends are treated as follows:

Abacus International Lanka (Pvt) Ltd - 12 month period using the associate's year ended 31 December

Gerry's Softlogic (Pvt) Ltd - 09 months period using the Parent's period ended 31 December.

In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 December.

## 1.3 FOREIGN CURRENCY TRANSLATION

### 1.3.1 Foreign Currency Transactions

The Consolidated financial statements are presented in Sri Lankan rupees, which is the Group's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the entities of the Group operate.

All foreign exchange transactions are converted to Sri Lanka rupees, at the rates of exchange prevailing at the time the transactions are affected.

Monetary assets and liabilities denominated in foreign currency are retranslated to Sri Lankan rupee equivalents at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the income statement.

### 1.3.2 Foreign Operations

The balance sheet and income statement of the overseas subsidiary and associate which are deemed to be a foreign operation are translated to Sri Lankan rupees at the rate of exchange prevailing as at the balance sheet date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

The exchange rates applicable during the period were as follows:

	Balance Sheet		Income Statement	
	31.12.2010 Rs.	31.03.2010 Rs.	31.12.2010 (9 months) Rs.	31.03.2010 (12 months) Rs.
Australian Dollar	112.88	104.39	104.13	104.42
Pakistan Rupee	1.29	1.35	1.26	1.32

## 1.4 TAX

### 1.4.1 Current Tax

Provision for income tax is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provisions of the relevant tax statutes.

### 1.4.2 Deferred Tax

Deferred taxation is the tax attributable to the temporary difference that arise when taxation authorities recognise and measure assets and liabilities with rules, that differ from those of the consolidated financial statements.

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 liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carried 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, the unused tax credits and unused tax losses can be utilised.

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 profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets & deferred tax liabilities are off set, 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 & the same taxation authority.

Income tax relating to items recognised directly in equity is recognised in equity.

## 1.5 VALUATION OF ASSETS AND THEIR BASES OF MEASUREMENT

### 1.5.1 Property, Plant and Equipment

#### a) Carrying Value

Property, Plant and Equipment are stated at cost or fair value less accumulated depreciation and any accumulated impairment in value.

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in

circumstances indicate that the carrying value may not be recoverable.

All items of Property, Plant and Equipment are initially recorded at cost. Where items of Property, Plant & Equipment are subsequently revalued, the entire class of such assets is revalued at fair value. The revaluation of land and buildings are done when there is a substantial difference between the fair value and carrying value of the land and building and is undertaken by professionally qualified valuers.

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

Items of Property, Plant and Equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

#### b) Depreciation

Provision for depreciation is calculated by using a straight-line method 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 economic life of such assets.

The estimated useful life of assets are as follows:

Assets	Years
Buildings	40-50
Plant & Machinery	5-10
Furniture and Fittings	5-10
Equipment	4-10
Motor Vehicles	4-5

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

#### c) Finance Leases

Property, Plant and Equipment on finance leases, which effectively transfer to the Group substantially all the risk and benefits incidental to ownership of the leased items, are capitalised and disclosed as finance leases at their cash price and depreciated over the period the Group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the income statement over the period of lease.

#### d) Operating Leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases.

Lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

## ACCOUNTING POLICIES

### 1.5.2 Investment Property

Properties held to earn rental income and properties held for capital appreciation has been classified as investments property.

Investments Properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the balance sheet date.

Gain or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investments Properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property, when there is a change in use, evidenced by ending of owner- occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties, when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investments properties are treated as property plant & equipments in the consolidated financial statements, and accounted for as per SLAS 18 (Revised 2005) Property, Plant & Equipment.

### 1.5.3 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised but reflected as expenditure in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as to be either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

#### 1.5.3.1 Customer List

The Present value of the interest income anticipated to derive from repeat Customer List of the Leasing and Hire Purchase Portfolios as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent valuer. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

Customer List recognised at the acquisition date will be amortised over the period the interest income is anticipated to derive from repeat customers and reviewed annually for any impairment in value.

### 1.5.3.2 Software

#### Purchased Software

Purchased software is recognised as intangible assets and is amortised on a straight line basis over its useful life.

#### Research & Development Costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate;

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete and its ability to use or sell the asset,
- how the asset will generate future economic benefits,
- the availability of resources to complete the asset and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

### 1.5.4 Investments

#### a) Short Term Equity Investments

The short term investments are carried in the balance sheet at market value.

#### b) Short Term Investments in Interest Bearing Securities

Treasury bills and other interest bearing securities held for resale in the near future to benefit from short term market movements are accounted for at cost plus the relevant proportion of the discounts or premiums.

#### c) Long Term Investments

All quoted and unquoted securities, which are held as non-current investments, are valued at cost. The cost of the investment is the cost of acquisition inclusive of brokerage and costs of transaction. The carrying amounts of long term investments are reduced to recognise a decline which is considered other than temporary, in the value of investments, determined on an individual investment basis.

In the Company's financial statements, investments in subsidiaries and associate companies have been accounted for at cost, net of any impairment losses which are charged to the income statement. Income from these investments are recognised only to the extent of dividends received.

### 1.5.5 Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups 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 assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment are recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Previously recognised impairment losses other than in respect of goodwill, are reversed only if there has been an increase in the recoverable amount of the asset. Such increase is recognised to the extent of the carrying amount had no impairment losses been recognised previously.

### 1.5.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows.

Finished goods - at Cost

### 1.5.7 Trade and Other Receivable

Trade and other receivable are stated at the amounts they are estimated to realise, net of provisions for bad and doubtful receivables.

### 1.5.8 Lease Rentals Receivable and Hire Purchase Rental Receivable

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

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

### 1.5.9 Loans and advances

Loans and advances to customers are stated in the balance sheet net of provisions for bad and doubtful loans and interest not accrued to revenue.

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 realisable value.

### 1.5.10 Provision for Doubtful Debts

The specific provisions for doubtful debts are arrived at using the following bases:

Softlogic Finance PLC computes provisioning for bad and doubtful debts according to the Direction No. 3 of Central Bank Regulations of 2006 of the Finance Companies Act, No. 78 of 1988.

- a) All accommodations in arrears for a period of 6 months or more but not exceeding 12 months – 50%
- b) All accommodations in arrears for a period over 12 months – 100%

- c) The un-recovered amount of an accommodation where the asset financed under a lease/ hire purchase agreement has been repossessed and sold or where the asset taken as collateral has been sold by the finance Company – 100%

Softlogic Credit Ltd computes provisioning for bad and doubtful debts according to the Central Bank Direction No. 2 of 2006 of the Finance Leasing Act No. 56 of 2000.

- a) All accommodations in arrears for a period of 6 months and up to 12 months – 20%
- b) All accommodations in arrears for a period of 12 months and up to 18 months – 50%
- c) All accommodations in arrears for a period of 18 months and over – 100%
- d) All accommodations where installments are not paid on a monthly basis, whenever the company has realised that installments will not be paid on the due dates – 100%

### 1.5.11 Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term deposits with a maturity of 3 months or less, net of outstanding bank overdrafts.

## 1.6 LIABILITIES AND PROVISIONS

### 1.6.1 Defined Benefit Plan - Gratuity

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date using the Gratuity formula in Appendix E of Sri Lanka Accounting Standard 16 – Employee Benefits (Revised 2006), which is based on the Projected Unit Credit Method as discussed in the said standard.

However, as per the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The Gratuity liability is neither externally funded nor actuarially valued.

### 1.6.2 Defined Contribution Plan - 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 companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

### 1.6.3 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the balance sheet date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.

## 1.7 INCOME STATEMENT

### 1.7.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the

## ACCOUNTING POLICIES

consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Group.

The following specific criteria are used for recognition of revenue:

**a) Sale of Goods**

Revenue from the sale of goods is recognised when significant risk and rewards of ownership of the goods have passed to the buyer with the Group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

**b) Rendering of Services**

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

**c) Income from Leases, Hire Purchases, Loans and Advances**

The accounting for lease income is on the basis of the financing method.

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract.

The unearned income is recognised over the facility commencing on the month on which the facility is executed in proportion to the declining receivable balance.

However, accrual of income from lease ceases when the account is overdue for more than six months.

**d) Income from Hire Rental Income and Operating Leases**

Income from hire rental and operating leases is recognised on an accrual basis.

**e) Overdue Charges**

Overdue charges of leasing/hire purchase have been accounted for on cash received basis.

**f) Turnover Based Taxes**

Turnover based taxes include Value Added Tax, Economic Service Charge, Turnover Tax (TT) and Nation Building Tax. Companies in the Group pay such taxes in accordance with the respective statutes.

**1.7.2 Dividend**

Dividend income is recognised when the shareholders' right to receive is established.

**1.7.3 Rental Income**

Rental income is recognised on an accrual basis over the term of the lease.

**1.7.4 Consultancy and professional service income**

Recognise as income in the period in which entitlement to the consideration arises.

**1.7.5 Gains and Losses**

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of

similar transactions which are not material are aggregated, reported and presented on a net basis.

**1.7.6 Other Income**

Other income is recognised on an accrual basis.

**1.7.7 Expenditure Recognition**

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

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company and Group's performance.

**1.7.8 Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred, unless they are incurred in respect of qualifying assets in which case it is capitalised.

**1.8 SEGMENT INFORMATION**

**1.8.1 Reporting Segments**

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risk and returns are similar. The primary segments represent this business structure.

**1.8.2 Segment Information**

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

**1.9 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka.

- Sri Lanka Accounting Standard 44 - Financial Instruments; Presentation (SLAS 44)
- Sri Lanka Accounting Standard 45 - Financial Instruments; Recognition and Measurement (SLAS 45)
- Sri Lanka Accounting Standard 39 - Share Based Payments (SLAS 39)

The effective date of SLAS 44, 45 and 39 was changed during the year to be effective for financial periods beginning on or after 01 January 2012. These three standards have been amended and forms a part of the new set of financial reporting standards mentioned below.

Subsequent to the proposed convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards, the Council of the Institute of Chartered Accountants of Sri Lanka has adopted a new set of financial reporting standards that would apply for financial periods beginning on or after 01 January 2012. The application of these financial reporting standards is substantially different to the prevailing standards.

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

## 2. PROPERTY, PLANT AND EQUIPMENT

### 2.1 Group

In Rs.	Land and Buildings	Buildings on Leasehold Land	Plant and Machinery	Equipment, Furniture and Fittings	Motor Vehicles	Capital Work in Progress	Total 31.12.2010	Total 31.03.2010
<b>Freehold Assets</b>								
<b>Cost or Valuation</b>								
<b>At the beginning of the Period</b>	751,000,000	18,074,158	36,032,350	294,311,541	48,776,659	-	1,148,194,708	1,041,185,384
Additions	-	-	770,513	24,051,062	3,401,085	2,500,000	30,722,660	16,109,820
Acquisition of Subsidiaries	-	-	-	53,296,446	18,074,908	-	71,371,354	-
Disposals	-	-	-	(2,790,128)	(4,571,661)	-	(7,361,789)	(21,200,348)
Transfers	(3,666,667)	-	-	-	56,871,866	-	53,205,199	12,886,728
Revaluations	3,666,667	-	-	-	-	-	3,666,667	97,319,227
Exchange Translation Difference	-	-	-	642,559	-	-	642,559	1,893,897
<b>At the end of the Period</b>	<b>751,000,000</b>	<b>18,074,158</b>	<b>36,802,863</b>	<b>369,511,480</b>	<b>122,552,857</b>	<b>2,500,000</b>	<b>1,300,441,358</b>	1,148,194,708
<b>Leasehold Assets</b>								
<b>Cost</b>								
<b>At the beginning of the Period</b>	-	-	-	-	266,931,365	-	266,931,365	288,644,629
Additions	-	-	-	-	87,056,508	-	87,056,508	15,065,000
Acquisition of Subsidiaries	-	-	-	4,297,487	4,129,962	-	8,427,449	-
Disposals	-	-	-	-	(2,323,125)	-	(2,323,125)	(23,891,536)
Transfers	-	-	-	-	(56,871,866)	-	(56,871,866)	(12,886,728)
<b>At the end of the Period</b>	-	-	-	<b>4,297,487</b>	<b>298,922,844</b>	-	<b>303,220,331</b>	266,931,365
<b>Total Value of Assets</b>	<b>751,000,000</b>	<b>18,074,158</b>	<b>36,802,863</b>	<b>373,808,967</b>	<b>421,475,701</b>	<b>2,500,000</b>	<b>1,603,661,689</b>	1,415,126,073
<b>Freehold Assets</b>								
<b>Accumulated Depreciation</b>								
<b>At the beginning of the Period</b>	16,621,281	3,366,498	23,719,819	176,850,051	42,620,642	-	263,178,291	201,462,482
Charge for the Period	8,349,375	1,355,562	3,947,078	30,442,955	5,197,511	-	49,292,481	63,804,695
Acquisition of Subsidiaries	-	-	-	28,368,125	7,432,602	-	35,800,727	-
Disposals	-	-	-	(987,897)	(3,696,749)	-	(4,684,646)	(15,151,289)
Transfers /Revaluations	(3,666,667)	-	-	-	6,507,865	-	2,841,198	11,684,228
Exchange Translation Difference	-	-	-	489,836	-	-	489,836	1,378,175
<b>At the end of the Period</b>	<b>21,303,989</b>	<b>4,722,060</b>	<b>27,666,897</b>	<b>235,163,070</b>	<b>58,061,871</b>	-	<b>346,917,887</b>	263,178,291
<b>Leasehold Assets</b>								
<b>Accumulated Depreciation</b>								
<b>At the beginning of the Period</b>	-	-	-	-	183,713,013	-	183,713,013	151,553,084
Charge for the Period	-	-	-	226,658	39,024,321	-	39,250,979	62,620,019
Acquisition of Subsidiaries	-	-	-	2,767,547	3,668,739	-	6,436,286	-
Disposals	-	-	-	-	(2,062,083)	-	(2,062,083)	(18,775,862)
Transfers	-	-	-	-	(6,507,865)	-	(6,507,865)	(11,684,228)
<b>At the end of the Period</b>	-	-	-	<b>2,994,205</b>	<b>217,836,125</b>	-	<b>220,830,330</b>	183,713,013
<b>Total Accumulated Depreciation</b>	<b>21,303,989</b>	<b>4,722,060</b>	<b>27,666,897</b>	<b>238,157,275</b>	<b>275,897,996</b>	-	<b>567,748,217</b>	446,891,304
<b>Carrying Value</b>								
<b>As at 31 December 2010</b>	<b>729,696,011</b>	<b>13,352,098</b>	<b>9,135,966</b>	<b>135,651,692</b>	<b>145,577,705</b>	<b>2,500,000</b>	<b>1,035,913,472</b>	-
As at 31 March 2010	734,378,720	14,707,660	12,312,531	117,461,490	89,374,369	-	-	968,234,769

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

### 2. PROPERTY, PLANT AND EQUIPMENT

#### 2.2 Company

In Rs.	Furniture and Fittings	Office Equipment	Motor Vehicles	Total 31.12.2010	Total 31.03.2010
<b>Freehold Assets</b>					
<b>Cost or Valuation</b>					
<b>At the beginning of the Period</b>	8,354,957	10,518,350	6,794,185	25,667,492	19,100,601
Additions	849,915	2,808,761	-	3,658,676	444,742
Disposals	-	-	-	-	(69,155)
Transfers	-	-	49,849,909	49,849,909	6,191,304
<b>At the end of the Period</b>	<b>9,204,872</b>	<b>13,327,111</b>	<b>56,644,094</b>	<b>79,176,077</b>	25,667,492
<b>Leasehold Assets</b>					
<b>Cost or Valuation</b>					
<b>At the beginning of the Period</b>	-	-	196,846,439	196,846,439	217,437,218
Additions	-	-	33,309,996	33,309,996	-
Disposals	-	-	-	-	(14,399,475)
Transfers	-	-	(49,849,909)	(49,849,909)	(6,191,304)
<b>At the end of the Period</b>	-	-	<b>180,306,526</b>	<b>180,306,526</b>	196,846,439
<b>Total Value of Assets</b>	<b>9,204,872</b>	<b>13,327,111</b>	<b>236,950,620</b>	<b>259,482,603</b>	222,513,931
<b>Freehold Assets</b>					
<b>Accumulated Depreciation</b>					
<b>At the beginning of the Period</b>	3,314,541	5,594,869	6,744,697	15,654,107	7,514,724
Charge for the Period	657,844	888,887	31,336	1,578,067	1,968,575
Disposals	-	-	-	-	(20,496)
Transfers	-	-	46,722,876	46,722,876	6,191,304
<b>At the end of the Period</b>	<b>3,972,385</b>	<b>6,483,756</b>	<b>53,498,909</b>	<b>63,955,050</b>	15,654,107
<b>Leasehold Assets</b>					
<b>Accumulated Depreciation</b>					
<b>At the beginning of the Period</b>	-	-	144,992,337	144,992,337	117,087,170
Charge for the Period	-	-	25,005,024	25,005,024	48,030,854
Disposal	-	-	-	-	(13,934,383)
Transfers	-	-	(46,722,876)	(46,722,876)	(6,191,304)
<b>At the end of the Period</b>	-	-	<b>123,274,485</b>	<b>123,274,485</b>	144,992,337
<b>Total Accumulated Depreciation</b>	<b>3,972,385</b>	<b>6,483,756</b>	<b>176,773,394</b>	<b>187,229,535</b>	160,646,444
<b>Carrying Value</b>					
<b>As at 31 December 2010</b>	<b>5,232,487</b>	<b>6,843,355</b>	<b>60,177,226</b>	<b>72,253,068</b>	-
As at 31 March 2010	5,040,416	4,923,481	51,903,590	-	61,867,487

As at 31 December

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>2.3 Land and Building</b>				
At Cost	13,352,098	14,707,660	-	-
At Valuation	729,696,011	734,378,720	-	-
Total Net Book Value	743,048,109	749,086,380	-	-
<b>2.4 Carrying Value</b>				
At Cost	223,827,460	150,637,697	15,221,027	10,013,385
At Valuation	729,696,011	734,378,720	-	-
On Finance Lease	82,390,001	83,218,352	57,032,041	51,854,102
Total Net Book Value	1,035,913,472	968,234,769	72,253,068	61,867,487

**2.5 Details of Group's land and buildings stated at valuations are indicated below;**

Property	Method of Valuation	Effective Date of Valuation	Property Valuer
<b>Softlogic Holdings Ltd</b>			
Land	Market Value	30.11.2010	R.S. Wijesuriya (Incorporated Valuer)
<b>Softlogic Trading (Pvt) Ltd</b>			
Building	Market Value	30.11.2010	R.S. Wijesuriya (Incorporated Valuer)
<b>Uni Walkers (Pvt) Ltd</b>			
Land and Building	Market Value	30.11.2010	R.S. Wijesuriya (Incorporated Valuer)

As a result of the valuations of the Land and Buildings of Softlogic Holdings Group, the surplus arising from the change in fair value amounting to Rs. 3.6 Mn (31.03.2010 Rs. 97.3 Mn) has been credited to the Revaluation Reserve.

### 3. INVESTMENT PROPERTY

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>At the beginning of the Period</b>	555,275,000	554,995,000	125,700,000	125,700,000
Change in fair value during the period	165,775,000	280,000	-	-
<b>At the end of the Period</b>	721,050,000	555,275,000	125,700,000	125,700,000

**3.1 Valuation details of investment property**

Investment properties were valued by R. S. Wijesuriya (Incorporated Valuer) as at 30.11.2010, details of which are as follows

Group	Location	Extent	Method	Valuation
<b>Softlogic Properties (Pvt) Ltd</b>				
	Land, Dharmapala Mw, Colombo 03	2R 28.51 P	Market Value	646,950,000
<b>Uni Walkers Pvt) Limited</b>				
	Land, Dekatana, Biyagama	18A 2R 4P	Market Value	74,100,000
<b>Company</b>				
	Land, No.14. De Fonseka Place, Colombo 05.	22.45 P	Market Value	125,700,000

Rental income earned from Investment Property by the Group and Company amounts to Rs.5,681,250/- (31.03.2010 Rs. 7,125,000/-) and Rs.450,000/- (31.03.2010 -Rs.600,000/-) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

### 4 INTANGIBLE ASSETS

In Rs.				Group		Company	
				31.12.2010	31.03.2010	31.12.2010	31.03.2010
	<b>Goodwill</b>	<b>Software</b>	<b>Others</b>				
<b>Cost/carrying value</b>							
At the beginning of the period	759,746,445	14,443,121	-	774,189,566	770,657,199	-	-
Additions	-	609,910	-	609,910	-	-	-
Acquisition of subsidiary	185,343,643	-	15,206,331	200,549,974	-	-	-
Exchange translation difference	-	1,175,002	-	1,175,002	3,532,367	-	-
<b>At the end of the period</b>	<b>945,090,088</b>	<b>16,228,033</b>	<b>15,206,331</b>	<b>976,524,452</b>	774,189,566	-	-
<b>Accumulated amortisation and impairment</b>							
At the beginning of the period	-	2,888,602	-	2,888,602	-	-	-
Amortisation / impairment	-	2,782,694	925,844	3,708,538	2,888,602	-	-
Acquisition of subsidiary	-	-	5,609,859	5,609,859	-	-	-
Exchange translation difference	-	235,025	-	235,025	-	-	-
<b>At the end of the period</b>	<b>-</b>	<b>5,906,321</b>	<b>6,535,703</b>	<b>12,442,024</b>	<b>2,888,602</b>	-	-
<b>Carrying value</b>							
<b>As at 31 December 2010</b>	<b>945,090,088</b>	<b>10,321,712</b>	<b>8,670,628</b>	<b>964,082,428</b>	-	-	-
<b>As at 31 March 2010</b>	759,746,445	11,554,519	-	-	771,300,964	-	-

#### 4.1 Goodwill

Goodwill acquired through business combinations have been allocated to five cash generating units (CGU's) for impairment testing as follows:

In Rs.	31.12.2010	31.03.2010
Uni Walkers (Pvt) Ltd	739,823,004	739,823,004
Softlogic Information Systems (Pvt) Ltd	14,086,631	14,086,631
Softlogic Solar (Pvt) Ltd	3,043,997	3,043,997
Softlogic Furniture (Pvt) Ltd	2,792,813	2,792,813
Softlogic Capital Ltd Group	185,343,643	-
	945,090,088	759,746,445

The recoverable amount of all CGUs have been determined based on the higher of its fair value less costs to sell and its Value in Use (VIU) calculation. VIU was determined by discounting the future cash flows generated from the continuing use of the unit. The key assumptions used are given below:

Business Growth	- Based on historical growth rate and business plans. Cash flows beyond the five year period are extrapolated using zero growth rate.
Inflation	- Based on prevailing inflation rate and projected economic conditions
Discount rate	- Weighted Average Cost of Capital; 13%
Margin	- Based on current margin and business plans

As at 31 December

## 5. INVESTMENTS

In Rs.	Notes	Group		Company	
		31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>Carrying Value</b>					
Investments in Subsidiaries					
Unquoted	(5.2)	-	-	943,844,720	645,974,725
Quoted	(5.3)	-	-	-	-
		-	-	<b>943,844,720</b>	<b>645,974,725</b>
<b>Investments in Associates</b>	<b>(5.4)</b>	<b>2,701,886,765</b>	<b>1,758,915,257</b>	<b>1,931,352,084</b>	<b>1,128,019,375</b>
Other Investments					
Quoted	(5.6)	-	417,564	-	-
Unquoted	(5.7)	99,495,000	-	99,495,000	-
Other Fixed Investments	(5.8)	350,530,563	5,500,000	5,000,000	5,000,000
		<b>450,025,563</b>	<b>5,917,564</b>	<b>104,495,000</b>	<b>5,000,000</b>
		<b>3,151,912,328</b>	<b>1,764,832,821</b>	<b>2,979,691,804</b>	<b>1,778,994,100</b>

### 5.2 Group unquoted investments in subsidiaries

Softlogic Computers (Pvt) Ltd.	1,999,990	1,999,990	1,999,990	1,999,990
Softlogic Communications (Pvt) Ltd.	3,465,990	3,465,990	3,465,990	3,465,990
Softlogic International (Pvt) Ltd.	49,999,990	49,999,990	49,999,990	49,999,990
Softlogic Solar (Pvt) Ltd.	-	-	-	-
Softlogic Furniture (Pvt) Ltd.	15,840,990	15,840,990	15,840,990	15,840,990
Softlogic Trading (Pvt) Ltd.	13,649,980	13,649,980	13,649,980	13,649,980
Softlogic Information Systems (Pvt) Ltd.	1,249,990	1,249,990	1,249,990	1,249,990
Softlogic Properties (Pvt) Ltd.	990	990	990	990
Softlogic Australia Pty Ltd.	4,604,600	4,604,600	4,604,600	4,604,600
Uni Walkers (Pvt) Ltd.	555,162,205	555,162,205	555,162,205	555,162,205
Uni Walkers Distributors (Pvt) Ltd.	2,499,980	2,499,980	-	-
Dai Nishi Securities (Pvt) Ltd.	-	-	-	-
Softlogic Communication Services (Pvt) Ltd.	990	-	990	-
Future Automobiles (Pvt) Ltd.	1,000,000	-	1,000,000	-
Softlogic Capital Ltd.	296,869,005	-	296,869,005	-
Softlogic Credit Ltd.	76,500,000	-	-	-
Capital Reach Business Development (Pvt) Ltd.	4,750,000	-	-	-
Capital Reach Portfolio Management (Pvt) Ltd.	10	-	-	-
	<b>1,027,594,710</b>	<b>648,474,705</b>	<b>943,844,720</b>	<b>645,974,725</b>

The Directors' valuation of unquoted investments amount to Rs. 1,027,594,710/- (31.03.2010 - Rs. 648,474,705/-) and Rs. 943,844,720/- (31.03.2010 - Rs. 645,974,725/-) for the Group and company respectively.

### 5.3 Group quoted investments in subsidiary

Softlogic Finance PLC	319,456,201	-	-	-
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Market value of quoted investments in subsidiary were Rs. 364,634,543 (31.03.2010 - Nil) for the Group.

### 5.4 Investments in Associate Companies

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
Quoted				
Asiri Hospital Holdings PLC	2,092,938,611	1,223,736,139	1,683,860,225	880,527,516
Asiri Surgical Hospital PLC	204,449,143	204,449,142	5,509,557	5,509,557
Asiri Central Hospitals PLC	233,773,679	233,773,679	225,832,502	225,832,502
Non Quoted				
Abacus International Lanka (Pvt) Limited	30,533,452	24,108,550	9,750,000	9,750,000
Gerry's Softlogic (Pvt) Limited	-	27,407,760	6,399,800	6,399,800
Profit accruing to the Group	80,102,929	71,120,500	-	-
Share of associate companies tax	(2,972,948)	(32,271,768)	-	-
Share of associate companies dividend	(29,166,760)	(29,701,462)	-	-
Adjustments on account of associate company share of net assets	92,228,659	36,292,717	-	-
	<b>2,701,886,765</b>	<b>1,758,915,257</b>	<b>1,931,352,084</b>	<b>1,128,019,375</b>

Market value of quoted associate investment was Rs.3,490,149,464/- (31.03.2010 - Rs 2,651,309,434/-) and Rs. 2,723,071,849/- (31.03.2010 - Rs 1,886,591,918/-) for the Group & Company respectively. The Directors' valuation of unquoted associate investments amounts to Rs. 67,424,710/- (31.03.2010 - Rs 30,533,452/-) and Rs 16,149,800/- (31.03.2010 - Rs 16,149,800/-) for the Group and Company respectively.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

### 5.5 Summarised financial information of Associate Companies

Group share of ;	31.12.2010	31.03.2010
Revenue	1,315,776,444	821,810,957
Operating Expenses	(1,050,185,963)	(697,721,105)
Finance Expenses	(188,460,500)	(85,241,120)
<b>Profit for the Year</b>	<b>77,129,981</b>	<b>38,848,732</b>
<b>Group share of;</b>		
Total Assets	5,073,981,864	3,552,976,525
Total Liabilities	(3,689,346,674)	(2,609,559,567)
<b>Net Assets</b>	<b>1,384,635,190</b>	<b>943,416,958</b>
Goodwill	1,321,159,126	799,594,607
Unrealised Profits	(3,907,551)	(2,409,609)
Consolidation Adjustment	-	18,313,301
	<b>2,701,886,765</b>	<b>1,758,915,257</b>
Contingent Liabilities	-	-
Capital Commitments	-	-

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>5.6 Other Quoted Investments</b>				
Gocorp Ltd - Australia	-	417,564	-	-
<b>5.7 Other Unquoted Investments</b>				
Expolanka (Pvt) Ltd	99,495,000	-	99,495,000	-

Market value of other quoted investments were Rs.Nil (31.03.2010 - Rs.417,564/-) for the Group. The Directors' valuation of other unquoted investment was Rs. 99,495,000/- (31.03.2010 - Nil) for the Group and Company respectively

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>5.8 Other Fixed Investments</b>				
Debentures				
Quoted				
Seylan Bank PLC	-	500,000	-	-
LB Finance PLC	5,000,000	5,000,000	5,000,000	5,000,000
Treasury Bonds	330,984,100	-	-	-
Fixed Deposits	14,546,463	-	-	-
	<b>350,530,563</b>	<b>5,500,000</b>	<b>5,000,000</b>	<b>5,000,000</b>

Market value of these Quoted Debenture Investments were Rs. 5,000,000/- (31.03.2010 - Rs. 5,500,000/-) and Rs. 5,000,000/- (31.03.2010 - Rs. 5,000,000/-) for the Group and Company respectively.

As at 31 December

## 6. RENTAL RECEIVABLE ON LEASE ASSETS AND HIRE PURCHASE

In Rs.	Rental Receivable on Lease Assets	31.12.2010	Total	31.03.2010
		Rental Receivable on Hire Purchase		Rental Receivable on Lease Assets & Hire Purchase
<b>Group</b>				
<b>6.1 Receivable from one to five years</b>				
Rental Receivables	698,223,523	1,877,526,644	2,575,750,167	-
Rentals Received in Advance	(1,498,941)	-	(1,498,941)	-
Unearned Income	(244,509,621)	(671,439,154)	(915,948,775)	-
Provision for Doubtful Debts	-	-	-	-
	452,214,961	1,206,087,490	1,658,302,451	-
<b>6.2 Receivable within one year</b>				
Rental Receivables	379,377,661	1,115,245,100	1,494,622,761	-
Rentals Received in Advance	(110,349)	-	(110,349)	-
Unearned Income	(65,266,011)	(187,436,643)	(252,702,654)	-
Interest in Suspense	(1,923,342)	(5,381,759)	(7,305,101)	-
Provision for Doubtful Debts	(7,654,676)	(15,793,846)	(23,448,522)	-
	304,423,283	906,632,852	1,211,056,135	-
	756,638,244	2,112,720,342	2,869,358,586	-

## 7. DEFERRED TAX ASSETS

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>At the beginning of the period</b>	25,640,927	26,299,737	-	-
Acquisition of Subsidiary	9,652,473	-	-	-
Increase/(Decrease) in Assets	11,865,053	(658,810)	-	-
<b>At the end of the period</b>	47,158,453	25,640,927	-	-

## 8. INVENTORIES

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
Finished Goods	1,758,519,048	861,503,408	-	-
Other Stocks	55,485,232	13,919,841	-	-
	1,814,004,280	875,423,249	-	-

## 9. TRADE AND OTHER RECEIVABLES

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
Trade Receivables	1,595,703,288	948,413,645	79,513,531	93,838,314
Prepayments & Refundable Deposits	344,093,898	335,171,997	-	-
Tax Refunds	110,040,518	25,358,941	2,603,934	2,514,227
Loans to Executives	1,958,478	951,657	1,958,478	920,657
Share Application Money receivable	-	25,371,936	-	25,371,936
Other Receivables	360,319,496	168,421,846	35,489,228	14,424,036
	2,412,115,678	1,503,690,022	119,565,171	137,069,170

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

### 10. LOANS AND ADVANCES

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
Short Term Lending	9,455,069	-	-	-
Personal Loans	1,017,381,657	-	-	-
Pawning Debtors	99,379,153	-	-	-
Working Capital Finance	7,098,387	-	-	-
Unearned Income	(326,719,314)	-	-	-
Interest In Suspense	(4,905,112)	-	-	-
Provision for Doubtful Debts	(9,241,747)	-	-	-
	792,448,093	-	-	-

### 11. SHORT TERM INVESTMENTS

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>11.1 Quoted Investments</b>				
ACL Cables PLC	2,619	9,900	-	-
Browns & Company PLC	4,493,590	-	4,493,580	-
Colombo Fort Land & Building Co. PLC	4,309,080	1,554,450	-	-
Dankotuwa Porcelain PLC	-	525,000	-	-
DFCC Bank	417,190	16,732	-	-
Distilleries Company of Sri Lanka PLC	77,074,062	-	8,895,000	-
Eden Hotels Lanka PLC	-	22,640	-	-
Hatton National Bank PLC	259,812,690	-	159,200,190	-
John Keells Holdings PLC	8,129,598	11,086,184	-	11,040,000
John Keells Hotels PLC	26,660	24,661	26,660	24,661
Lanka IOC PLC	3,025,890	2,921,825	3,025,890	2,921,825
Lanka Tiles PLC	107,171	70,025	-	-
Pan Asia Bank Corporation PLC	3,432	9,688,125	3,432	9,688,125
Renuka City Hotels	17,155	12,050	-	-
Richard Peiris & Co PLC	147	770	-	-
Richard Peiris Export PLC	5,300	5,300	-	-
Sampath Bank PLC	8,165,160	-	2,719,000	-
Seylan Bank PLC	4,889,780	37,092,388	9,780	37,092,388
Seylan Bank PLC - Non voting	10,976,000	-	1,176,000	-
Singer Finance PLC	1,392,000	-	1,392,000	-
Tokyo Cement Co Lanka PLC- Non Voting	-	1,860,200	-	1,860,200
Vanik Incorporation PLC	-	800	-	-
Softlogic Finance PLC	-	-	758,200	-
Commercial Bank of Ceylon PLC	1,521,000	-	-	-
Hatton National Bank PLC - Non voting	857,600	-	-	-
National Development Bank PLC	3,844,500	-	-	-
Chemical Industries (Colombo) PLC	140,000	-	-	-
Colombo Dockyard PLC	275,000	-	-	-
Ceylon Theaters PLC	910,000	-	-	-
Dipped Products PLC	288,000	-	-	-
Royal Ceramics Lanka PLC	1,524,500	-	-	-
	392,208,124	64,891,050	181,699,732	62,627,199

Market value of quoted short term investments were Rs. 392,208,124/- (31.03.2010 - Rs.64,891,050/-) and Rs.181,699,732/- (31.03.2010 - Rs. 62,627,199/-) for the Group and Company respectively.

#### 11.2 Non Quoted Investments

Credit Investigation Bureau	154,300	-	-	-
Voyages Jean Mermoz Ltd.	10,000	10,000	-	-
Ceylon Textile Manufactures Ltd.	207,000	207,000	-	-
Investment - Others	286,050	286,050	-	-
	657,350	503,050	-	-

The Directors' valuation of non quoted investments amount to Rs.657,350/- (31.03.2010 - Rs.503,050/-) for the Group.

As at 31 December

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>11.3 Other Investments</b>				
Treasury Bill	87,963,154	31,427,378	-	-
Fixed Deposits	56,975,000	-	-	-
Treasury Bond	54,216,480	8,823,729	-	-
Placement with Banks and Financial Institution	50,000,000	-	-	-
	249,154,634	40,251,107	-	-
<b>Total Short Term Investments</b>	<b>642,020,108</b>	<b>105,645,207</b>	<b>181,699,732</b>	<b>62,627,199</b>

## 12. STATED CAPITAL

	31.12.2010		31.03.2010	
	Number of Shares	Value of Shares (Rs.)	Number of Shares	Value of Shares (Rs.)
<b>Fully Paid Ordinary Shares</b>				
At the beginning of the period	62,973,000	984,056,000	5,000,000	50,000,000
Share Sub-division	-	-	45,000,000	-
Issue of Shares for Cash Consideration	1,027,000	73,944,000	12,973,000	934,056,000
	64,000,000	1,058,000,000	62,973,000	984,056,000

## 13. CAPITAL RESERVES

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
Revaluation Reserve	724,000,520	628,105,194	-	-
Exchange Translation Reserve	(53,895,842)	(37,180,342)	-	-
Statutory Reserve Fund	1,843,640	-	-	-
	671,948,318	590,924,852	-	-

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

### 14. INTEREST BEARING BORROWINGS

In Rs.	31.12.2010			31.03.2010		
	Finance Lease	Loans	Total	Finance Lease	Loans	Total
<b>14.1 Movement</b>						
<b>Group</b>						
<b>At the beginning of the period</b>	122,140,311	1,285,626,876	1,407,767,187	193,325,445	1,236,356,909	1,429,682,354
Additions	112,270,619	1,477,022,202	1,589,292,821	20,057,194	585,892,063	605,949,257
Acquisition of Subsidiaries	2,820,949	1,594,635,967	1,597,456,916	-	-	-
Transfers	-	-	-	-	70,419,205	70,419,205
Loans Rescheduled	-	(18,320,835)	(18,320,835)	-	-	-
Repayments	(59,149,670)	(1,051,722,067)	(1,110,871,737)	(91,242,326)	(607,041,301)	(698,283,627)
Finance Charges	(33,172,627)	-	(33,172,627)	(20,076,581)	-	(20,076,581)
<b>At the end of the period</b>	144,909,582	3,287,242,143	3,432,151,725	102,063,732	1,285,626,876	1,387,690,608
Repayable within one year	53,867,632	2,084,682,296	2,138,549,928	52,157,617	663,240,032	715,397,649
Repayable after one year	91,041,950	1,202,559,847	1,293,601,797	49,906,115	622,386,844	672,292,959
	144,909,582	3,287,242,143	3,432,151,725	102,063,732	1,285,626,876	1,387,690,608
<b>Company</b>						
<b>At the beginning of the period</b>	86,378,065	403,533,784	489,911,849	150,694,467	331,770,708	482,465,175
Additions	43,260,539	311,810,383	355,070,922	-	80,351,000	80,351,000
Transfers	-	-	-	-	70,419,205	70,419,205
Loan Rescheduled	-	(4,840,627)	(4,840,627)	-	-	-
Repayments	(41,909,448)	(220,113,766)	(262,023,214)	(64,316,402)	(79,007,129)	(143,323,531)
Finance Charges	(15,040,961)	-	(15,040,961)	(12,631,296)	-	(12,631,296)
<b>At the end of the period</b>	72,688,195	490,389,774	563,077,969	73,746,769	403,533,784	477,280,553
Repayable within one year	32,296,384	112,109,397	144,405,781	39,515,967	161,719,471	201,235,438
Repayable after one year	40,391,811	378,280,377	418,672,188	34,230,802	241,814,313	276,045,115
	72,688,195	490,389,774	563,077,969	73,746,769	403,533,784	477,280,553

\* Refer Page 116 - 119 for details of Interest Bearing Borrowings.

### 15. PUBLIC DEPOSITS

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
Deposits Maturing After One Year	102,114,836	-	-	-
Deposits Maturing Within One Year	1,080,572,075	-	-	-
<b>Total Public Deposits</b>	1,182,686,911	-	-	-

### 16. DEFERRED TAX LIABILITIES

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
At the beginning of the period	56,983,666	56,021,224	-	-
Acquisition of Subsidiaries	6,545,326	-	-	-
Charge / (Reversals)	13,498,541	962,442	-	-
<b>At the end of the period</b>	77,027,533	56,983,666	-	-

### 17. RETIREMENT BENEFIT OBLIGATIONS

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>At the beginning of the period</b>	52,625,758	49,485,863	6,999,028	6,199,860
Charge	10,576,015	8,419,004	1,333,143	882,868
Acquisition of Subsidiaries	11,626,433	-	-	-
Interest Cost	3,901,386	3,780,040	528,562	470,669
Transfers from/(to) Related Companies	-	-	687,250	-
Deficit/(Surplus) Charged	1,601,362	(5,519,570)	1,808,241	(497,869)
Payments	(1,861,270)	(3,504,060)	(174,125)	(56,500)
Exchange Translation Difference	-	(35,519)	-	-
<b>At the end of the period</b>	78,469,684	52,625,758	11,182,099	6,999,028

The Retirement Benefit Liability of all companies in the Group are based on the gratuity formula in Appendix E of SLAS 16 - Employee Benefits.

Discount rate	8%-11%	8%
Future salary increases	8%-12%	8%

As at 31 December

## 18. TRADE AND OTHER PAYABLES

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
Trade Payables	257,594,037	350,099,448	-	-
Advances and Deposits	8,825,008	8,887,279	-	1,650,000
Sundry Creditors including Accrued Expenses	758,316,438	259,412,590	38,501,590	23,137,207
Other Payables	219,897,850	43,648,887	3,578,699	(40,693)
	1,244,633,333	662,048,204	42,080,289	24,746,514

## 19. INCOME TAX LIABILITIES

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
<b>At the beginning of the period</b>	13,337,973	7,949,411	-	-
Provision	140,492,115	62,626,836	-	-
Acquisition of Subsidiaries	6,600,725	-	-	-
Payments and set off against Refunds	(72,616,166)	(57,238,274)	-	-
<b>At the end of the period</b>	87,814,647	13,337,973	-	-

## 20. SHORT TERM BORROWINGS

In Rs.	Group		Company	
	31.12.2010	31.03.2010	31.12.2010	31.03.2010
Loans	4,886,546,784	1,824,963,510	1,882,096,507	193,456,549
	4,886,546,784	1,824,963,510	1,882,096,507	193,456,549

\* Refer Page No. 120 for details of Short Term Borrowings

## NOTES TO THE FINANCIAL STATEMENTS

For the 09 months period ended 31 December

### 21. REVENUE

In Rs.	Group		Company	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
Gross Revenue	6,808,590,492	4,891,057,914	112,552,575	121,669,087
Turnover Tax	(67,251,070)	(42,249,294)	-	-
Net Revenue	6,741,339,422	4,848,808,620	112,552,575	121,669,087

### 22. DIVIDEND INCOME

In Rs.	Group		Company	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
Income from Investment in Related Parties	-	-	65,541,154	24,246,694
Income from Other Investments	677,622	68,321	-	-
	677,622	68,321	65,541,154	24,246,694

### 23. OTHER OPERATING INCOME

In Rs.	Group		Company	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
Interest Income	15,040,732	12,939,064	1,573,771	2,319,821
Profit on Sale of Property, Plant & Equipment	4,046,409	8,306,902	-	5,174,000
Profit on Sale of Other Investments	108,574,625	29,384,693	99,678,962	29,384,693
Change in Fair Value of Short Term Investments	4,595,958	7,873,076	2,343,367	6,738,322
Exchange Gain	110,694,695	98,928,906	13,459,225	32,322,617
Fees Received	109,146,547	78,686,290	-	-
Commission Income	19,845,482	21,844,772	19,845,482	3,886,166
Sundry Income	127,735,122	163,806,255	5,656,211	26,254,822
Write Back on Loan Rescheduled	18,320,835	-	4,840,627	-
	518,000,405	421,769,958	147,397,645	106,080,441

### 24. FINANCE EXPENSES

In Rs.	Group		Company	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
Bank Loan Interest	258,048,603	367,827,082	111,846,815	123,097,255
Lease Interest	5,724,400	5,803,514	-	-
Bank Charges and Debit Tax	17,428,666	25,586,690	-	-
Over Draft Interest	27,079,879	109,202,869	250,899	70,256,521
Interest on Import Loans & Margin Loans	152,036,268	271,029,165	-	-
Factoring Charges	2,089,379	2,838,305	-	-
	462,407,195	782,287,625	112,097,714	193,353,776

### 25. PROFIT/(LOSS) BEFORE TAX

In Rs.	Group		Company	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
<b>Profit/(Loss) before tax is stated after charging all expenses including the followings</b>				
Directors' Emoluments Including Incentives	30,593,558	29,031,788	5,616,407	2,792,076
Auditors Fees & Other Expenses	4,368,332	1,909,308	2,851,308	770,208
Non Audit Fees and Expenses	102,219	89,280	16,979	89,280
Cost of Defined Employee Benefits				
- Defined Benefit Plan Cost	16,078,763	6,679,473	3,669,946	855,668
- Defined Contribution Plan Cost - EPF/ETF	30,978,095	32,148,405	3,810,654	2,914,000
Staff Expenses	240,825,750	247,890,559	26,431,414	21,444,863
Depreciation	88,543,460	126,424,714	26,583,091	49,999,429
Amortisation	3,708,538	2,888,602	-	-
Exchange Gain	110,694,695	98,928,906	13,459,225	32,322,617
Donations	276,942	395,659	84,642	53,072

For the 09 months period ended 31 December

## 26. TAX EXPENSE

In Rs.	Group		Company	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
Income Tax Expense (26.1)	149,020,322	97,220,693	363,403	535,666
Deferred Tax Expense (26.2)	1,633,488	1,621,252	-	-
VAT on Financial Services	12,783,043	-	-	-
	163,436,853	98,841,945	363,403	535,666
<b>26.1 Income Tax Expense</b>				
Income Tax Expense - Parent & Subsidiaries	140,492,115	62,626,836	363,403	535,666
Income Tax Expense - Associates	2,972,948	32,271,768	-	-
WHT on Inter Company Dividends	5,555,259	2,322,089	-	-
	149,020,322	97,220,693	363,403	535,666
<b>26.2 Deferred Tax Expense</b>				
Charge to Deferred Tax Liability	13,498,541	962,442	-	-
Charge/(Credit) to Deferred Tax Asset	(11,865,053)	658,810	-	-
	1,633,488	1,621,252	-	-

## 27. EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

Note	Group	
	31.12.2010 (09 months)	31.03.2010 (12 months)
<b>27.1 Basic Earnings per Share</b>		
Profit attributable to equity holders of the parent	629,848,889	154,116,859
Weighted average number of ordinary shares (27.2)	639,942,944	626,000,000
Basic earnings per share	0.98	0.25
<b>27.2 Amounts Used as Denominator</b>		
Ordinary shares at the beginning of the period	62,973,000	5,000,000
Effect of share sub-division	576,000,000	621,000,000
Effect of issue of shares for cash consideration	969,944	-
Ordinary shares at the end of the period	639,942,944	626,000,000

## NOTES TO THE FINANCIAL STATEMENTS

For the 09 months period ended 31 December

### 28. SEGMENTAL INFORMATION

In Rs.	Information Technology		Property Development		Communication		Automobiles & Home Appliances		Finance Sector		Others		Elimination		Consolidated	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
<b>Revenue</b>																
Total Revenue	1,657,778,993	1,573,298,341	-	-	3,927,998,075	2,943,705,264	2,361,153,119	1,287,667,799	306,388,724	-	113,863,075	124,421,257	-	-	8,369,181,986	5,929,112,660
Inter Segment Sales	(90,956,870)	(65,091,270)	-	-	(1,184,626,468)	(775,183,780)	(234,454,291)	(118,359,904)	(5,262,942)	-	(112,552,575)	(121,669,069)	-	-	1,627,842,564	(1,060,304,040)
Revenue	1,566,822,123	1,508,207,071	-	-	2,743,371,569	2,168,521,484	2,126,696,828	1,169,327,895	303,116,382	-	1,330,500	2,762,171	-	-	6,741,339,422	4,848,808,620
Segment Result	108,565,057	219,507,536	150,887,863	(305,556)	369,437,926	453,863,687	317,461,327	144,002,538	69,092,717	-	263,627,402	163,051,127	(66,116,970)	(30,367,266)	1,193,755,313	851,762,445
Interest Expenses															(462,407,195)	(782,287,625)
Interest Income															15,040,732	12,989,064
Share of profit of Associate															80,102,929	71,120,500
Income Taxes															(163,438,853)	(66,841,945)
Profit															663,054,926	154,682,439

Other information	Information Technology		Property Development		Communication		Auto Mobiles & Home Appliances		Finance Sector		Others		Elimination		Consolidated	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
Segment Assets	1,911,517,125	2,034,967,992	654,122,538	485,895,068	3,026,230,225	2,653,863,906	2,864,735,137	1,464,903,182	5,222,895,279	-	4,117,718,483	2,867,676,251	(5,771,119,695)	(4,197,929,614)	12,026,099,042	5,324,476,776
Investment in Equity Method associate															2,701,886,766	1,759,915,257
Consolidated Total Assets															14,727,985,808	7,083,392,033
Segment Liabilities	1,827,778,554	1,946,319,854	246,666,034	239,218,407	2,558,185,746	2,298,217,845	2,358,162,294	1,155,939,036	4,232,480,155	-	2,953,307,325	2,005,763,946	(2,686,712,897)	(2,605,673,134)	11,489,869,151	5,039,585,954
Capital Expenditure	28,779,044	4,123,671	-	-	29,936,818	18,564,901	10,194,668	8,753,372	10,385,042	-	39,468,672	444,742	(985,076)	(711,866)	117,779,169	31,174,820
Depreciation	9,232,525	14,772,897	-	-	26,059,314	31,712,843	21,307,648	26,664,860	5,022,325	-	26,927,458	52,617,642	(5,810)	636,372	88,543,460	126,424,714

For the 09 months period ended 31 December

## 29. COMMITMENTS AND CONTINGENCIES

There were no material Commitments and Contingencies as at the balance sheet date that require adjustments to or disclosure in the financial statements.

## 30. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

Related Entities	Relationship	Gross Holdings	Country of Incorporation
Softlogic Computers (Pvt) Limited	Subsidiary	99.99%	Sri Lanka
Softlogic Communications (Pvt) Limited	Subsidiary	99.00%	Sri Lanka
Softlogic International (Pvt) Limited	Subsidiary	99.99%	Sri Lanka
Softlogic Solar (Pvt) Limited	Subsidiary	99.00%	Sri Lanka
Softlogic Furniture (Pvt) Limited	Subsidiary	99.00%	Sri Lanka
Softlogic Trading (Pvt) Limited	Subsidiary	100.00%	Sri Lanka
Softlogic Australia (Pty) Limited	Subsidiary	100.00%	Australia
Softlogic Information Systems (Pvt) Limited	Subsidiary	100.00%	Sri Lanka
Softlogic Properties (Pvt) Limited	Subsidiary	99.00%	Sri Lanka
Softlogic Communication Services (Pvt) Ltd.	Subsidiary	99.00%	Sri Lanka
Future Automobiles (Pvt) Ltd.	Subsidiary	100.00%	Sri Lanka
Uni Walkers (Pvt) Limited Group			
Uni Walkers (Pvt) Limited	Subsidiary	100.00%	Sri Lanka
Uni Walkers Distributors (Pvt) Limited	Subsidiary	100.00%	Sri Lanka
Dai Nishi Securities (Pvt) Limited	Subsidiary	100.00%	Sri Lanka
Uni Dil (Pvt) Limited	Subsidiary	100.00%	Sri Lanka
Softlogic Capital Limited Group			
Softlogic Capital Limited	Subsidiary	53.84%	Sri Lanka
Softlogic Finance PLC	Subsidiary	56.75%	Sri Lanka
Softlogic Credit Limited	Subsidiary	64.60%	Sri Lanka
Capital Reach Business Development (Pvt) Ltd	Subsidiary	100.00%	Sri Lanka
Capital Reach Portfolio Management (Pvt) Ltd	Subsidiary	50.00%	Sri Lanka
Asiri Hospital Holdings PLC	Associate	36.33%	Sri Lanka
Abacus International Lanka (Pvt) Limited	Associate	40.00%	Sri Lanka
Gerry's Softlogic (Pvt) Limited	Associate	40.00%	Pakistan

In Rs.	Notes	Group 31.12.2010	31.03.2010	Company 31.12.2010	31.03.2010
<b>30.1 Amounts due from Related Parties</b>					
<b>Non Current</b>					
Subsidiaries	(30.1.1)	-	-	237,044,175	237,044,175
<b>Current</b>					
Subsidiaries	(30.1.2)	-	-	297,173,263	205,528,928
Associates	(30.1.3)	52,089,135	14,907,560	14,419,229	14,907,560
Key Management Personnel (KMP)		6,087,233	26,080,621		
		58,176,368	40,988,181	311,592,492	220,436,488
<b>30.1.1 Non Current</b>					
<b>Subsidiary</b>					
Softlogic Properties (Pvt) Ltd		-	-	237,044,175	237,044,175

## NOTES TO THE FINANCIAL STATEMENTS

For the 09 months period ended December 31

In Rs.	Group		Company			
	31.12.2010	31.03.2010	31.12.2010	31.03.2010		
<b>30.1.2 Current</b>						
<b>Subsidiaries</b>						
Softlogic Australia (Pty) Ltd	-	-	186,893,575	159,810,457		
Softlogic Computers (Pvt) Ltd	-	-	2,956,430	189,017		
Softlogic Information Systems (Pvt) Ltd	-	-	42,440,312	41,908,753		
Softlogic Properties (Pvt) Ltd	-	-	9,556,359	2,166,732		
Softlogic Furniture (Pvt) Ltd	-	-	1,088,104	1,453,969		
Softlogic Communications (Pvt) Ltd	-	-	32,262,901	-		
Softlogic Solar (Pvt) Ltd	-	-	21,975,582	-		
	-	-	297,173,263	205,528,928		
<b>30.1.3 Associates</b>						
Gerry's Softlogic (Pvt) Ltd	51,822,025	14,883,732	14,369,476	14,883,732		
Abacus International Lanka (Pvt) Ltd	267,110	23,828	49,753	23,828		
	52,089,135	14,907,560	14,419,229	14,907,560		
<b>30.2 Amounts due to Related Parties</b>						
Subsidiaries (30.2.1)	-	-	464,382,635	687,936,389		
Key Management Personnel (KMP)	3,201,092	5,814,471	3,158,792	3,158,792		
	3,201,092	5,814,471	467,541,427	691,095,181		
<b>30.2.1 Subsidiaries</b>						
Softlogic Trading (Pvt) Ltd	-	-	220,676,472	165,496,475		
Softlogic Communication (Pvt) Ltd	-	-	-	417,273,954		
Softlogic International (Pvt) Ltd	-	-	223,423,914	87,789,812		
Uniwalkers (Pvt) Ltd	-	-	20,281,259	17,376,148		
Softlogic Communication Services (Pvt) Ltd	-	-	990	-		
	-	-	464,382,635	687,936,389		
<b>30.3 Transactions with the Related Entities - Company</b>						
In Rs.	Fellow Subsidiaries		Associates		Total	
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)
<b>Nature of Transaction</b>						
Management and Hiring Fees Received	98,259,350	105,672,762	10,693,225	11,196,325	108,952,575	116,869,087
Dividend Received	47,100,742	534,600	17,062,007	23,561,994	64,162,749	24,096,594
Fund transfers to related parties to settle liabilities	390,000,000	-	-	-	390,000,000	-
Rent (Paid) / Received	(450,000)	600,000	-	-	(450,000)	600,000
Fund transfer to purchase shares	-	560,000	-	-	-	560,000
Guarantees given / (Guarantees taken)	3,422,150,000	(229,000,000)	-	-	3,422,150,000	(229,000,000)
<b>30.4 Transactions with the Related Entities - Group</b>						
In Rs.	Associate		Total			
	31.12.2010 (09 months)	31.03.2010 (12 months)	31.12.2010 (09 months)	31.03.2010 (12 months)		
<b>Nature of Transaction</b>						
Management and Hiring Fees Received	10,693,225	11,196,325	10,693,225	9,531,700		
Dividend Received	17,062,007	23,561,994	17,062,007	38,101,911		
Sale of Goods	21,265,954	26,853,870	26,853,870	24,382,428		

For the 09 months period ended

### 30.5 Transactions with Key Management Personnel

#### a) Key Management Personnel Compensation

Key management personnel include members of the Board of Directors of Softlogic Holdings Ltd

In Rs.	Group		Company	
	(09 months)	(12 months)	(09 months)	(12 months)
Short-term Employee Benefits	18,451,315	14,222,076	6,306,407	3,044,076
Post Employee Benefits	5,561,517	2,294,098	2,870,000	95,000
	24,012,832	16,516,174	9,176,407	3,139,076

#### b) Other Transactions with Key Management Personnel

The Board of Directors has given Rs.3,833 Mn and Rs. 1,730 Mn personal guarantees on behalf of the Group and Company respectively.

### 30.6 Number of Shares held by Key Management Personnel

Names of Directors	No. of shares	
	31.12.2010	31.03.2010
Mr. A. K. Pathirage	32,150,000	32,150,000
Mr. H. Gunawardena	5,700,000	5,700,000
Mr. R. J. Perera	5,839,000	5,839,000
Mr. H. K. Kaimal	6,450,000	6,450,000
Dr. S. Selliah	200,000	-

### 30.7 Write off of Intercompany Balances

The Board of Directors of Softlogic Holdings Ltd has resolved to write off Rs.3,500,000/- and Rs.3,698,692/- amount due from Softlogic Solar (Pvt) Ltd and Softlogic Australia (Pty) Ltd respectively.

**30.8** The Board of Directors of Softlogic Properties (Pvt) Ltd (SPL) has resolved to vest the rent income earned from property owned by SPL to Softlogic Holdings Ltd amounting to Rs.4,950,000/- (31.03.2010 - Rs. 6,150,000/-).

## 31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements other than the followings;

**31.1** Softlogic Holdings Limited acquired 41,769,190 (4.70%) ordinary shares of Asiri Hospital Holdings PLC for a consideration of Rs. 378,854,907/- on 18 January 2011.

**31.2** The mandatory offer made by Softlogic Holdings Limited (SHL) to the shareholders of Asiri Hospitals Holdings PLC (AHH) expired on 01 February 2011 and the Company has received 94,028,055 (10.57%) shares of AHH from the mandatory offer. As a result of subsequent share acquisition and acceptance of mandatory offer by share holders of AHH, the stake in AHH by Softlogic Holdings Limited increased up to 51.69% as of 01 February 2011.

As per the opinion of the Directors of Softlogic Holdings Limited, Softlogic Holdings Limited will be the parent entity and the controlling party of AHH Group from 01 February 2011.

**31.3** The Board of Directors resolved to proceed with a sub-division of 10 shares for every share held in Softlogic Holdings Ltd as at 11 February 2011, which was ratified by the shareholders in the Annual General Meeting held on 11 February 2011. Subsequent to sub-division the issued ordinary shares of the Company will increase to 640,000,000 ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

### 14. INTEREST BEARING BORROWINGS (Cont....)

#### 14.2 Details of Interest Bearing Borrowings

Company	Lending Institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance		Securities
					31.12.2010 Rs.	31.03.2010 Rs.	
Softlogic Holdings Ltd	Seylan Bank PLC	Term Loan	12%	36 monthly installments commencing from November 2008	-	35,855,560	
	Seylan Bank PLC	Term Loan	12%	30 monthly installments and final instalment of Rs 675,000 commencing from July 2008	-	24,400,000	
	Seylan Bank PLC	Term Loan	12%	36 monthly installments commencing from December 2008	-	20,504,019	
	Seylan Bank PLC	Term Loan	12%	59 monthly installments and Rs. 4.696 Mh final payment plus interest	286,126,000	-	a) Primary Concurrent Mortgage for Rs. 70 Mh over property at No.14 De Fonseka Place, Colombo 5. b) Personal Guarantee of Mr.Ashok Pathirage for Rs. 30Mh c) Mortgage & Power of attorney over 26,587,710 number of shares of Asiri Hospital Holdings PLC d) 14,492,750 number of shares of Asiri Hospital Holdings PLC lodged in SLASH account at Consumer Finance Unit of Seylan Bank PLC (SBP) e) 44,250,000 number of shares of Asiri Hospital Holdings PLC & 63,200 Lanka IOC PLC shares lodged in SLASH account at Consumer Finance Unit of SBP.
	Seylan Bank PLC	Term Loan	8%	83 monthly installments of Rs. 305,766 and final instalment Rs. 305,804	23,849,787	-	
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR+2%	46 monthly installments of Rs 1,382,000 and final instalment of Rs 1,334,000 from January 2010	67,350,644	86,890,000	a) Primary Concurrent Mortgage for Rs 200Mh (Commercial Bank's interest Rs.130Mh) over Land and Building at No.14 and 14B De Fonseka Place Colombo 05.
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR+2%	55 monthly installments of Rs 959,000 and a final instalment of Rs 925,000 from January 2010	42,162,000	51,752,000	b) Secondary Concurrent Mortgage for Rs 80Mh (Commercial Bank's Interest Rs.50 Mh) over Land and Building at No14, 14B De Fonseka Place Colombo 05.
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR+2%	23 monthly installments of Rs 774,100 and a final instalment of Rs 775,700 from April 2010	11,613,100	18,580,000	c) Personal Guarantee of Mr.Ashok Pathirage, for Rs.50 Mh.
	Commercial Bank of Ceylon PLC	Term Loan	PLR+3%	31 monthly installments of Rs 2,059,000 and a final instalment of Rs 2,060,000 from December 2009	-	61,771,000	d) Primary Mortgage Bond for Rs.50 Mh over 1,011,997 shares of Asiri Central Hospital PLC
	Hatton National Bank PLC	Term Loan	AWPLR+ 1.5%	47 monthly installments of Rs 1,042,000 & final instalment Rs 1,026,000 commencing from December 2007	-	34,362,000	e) Corporate Guarantee from Softlogic Communications (Pvt) Ltd and Softlogic International (Pvt) Ltd. for 100 Mh each.
	Sri Lanka Savings Bank	Term Loan	9.5%	83 monthly installments & final instalment of Rs 576,622 commencing from September 2010	59,288,242	69,419,205	
	Seylan Bank PLC	Finance Lease			34,443,869	52,087,872	
	Hatton National Bank PLC	Finance Lease			46,128,500	14,759,072	
	Commercial Bank of Ceylon PLC	Finance Lease			5,960,480	15,542,573	
	Sampath Bank PLC	Finance Lease			1,196,307	3,988,549	
				(15,040,961)	(12,631,297)		
				<b>563,077,969</b>	<b>477,280,553</b>		

## 14. INTEREST BEARING BORROWINGS (Cont....)

### 14.2 Details of Interest Bearing Borrowings

Company	Lending Institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 31.12.2010 Rs.	Outstanding Balance 31.03.2010 Rs.	Securities
<b>Soflogig Trading (Pvt) Ltd</b>	Commercial Bank of Ceylon PLC	Term Loan	AWPLR + 2%	60 monthly instalments commencing from April 2008	48,134,000	62,714,000	a) Corporate guarantee from Soflogig Holdings Ltd for Rs. 307.5 Mn
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR + 2%	24 monthly instalments commencing from November 2009	27,075,298	188,999,997	b) Mortgage Bond on Shares of Asiri Hospital Holdings PLC Rs. 3.3 Mn
	Commercial Bank of Ceylon PLC	Term Loan	Free	18 monthly instalments commencing from November 2009	3,478,000	12,911,000	c) Mortgage Bond over Stock & Book debts - Rs. 282.5 Mn
	People's Leasing Finance PLC	Special Loan	19%	24 monthly instalments	10,052,413	15,000,000	d) Personnel Guarantee Mr. A.K. Pathirage for Rs. 43.75Mn
	Seylan Bank PLC	Finance Lease	12%		15,873,157	2,351,463	
	Pen Asia Banking Corporation PLC	Finance Lease	24.5%		1,934,866	2,556,774	
	Nation Trust Bank PLC	Finance Lease	11.5%		18,907,373	(1,237,751)	
	Hatton National Bank PLC	Finance Charges Term Loan	AWPLR+1.5%	41 monthly instalments commencing from May 2008	(8,493,575)	16,766,552	
	Hatton National Bank PLC	Term Loan	AWPLR+1.5%	24 monthly instalments commencing from February 2008	-	14,819,424	
	Hatton National Bank PLC	Term Loan	AWPLR+1.5%	27 monthly instalments commencing from June 2010	3,900,000	-	a) Primary Floating Mortgage Bond for Rs 179 Mn over commercial property at 402, Galle Road, Colombo 03
<b>Uni Walkers (Pvt) Limited</b>	Hatton National Bank PLC	Term Loan	AWPLR+1.5%	17 monthly instalments commencing from December 2010	-	-	b) Primary Floating Mortgage Bond for Rs 30 Mn over immovable property at Danawakanda Estate, Demalagama, Dektatana.
	Hatton National Bank PLC	Term Loan	AWPLR+1.5%	34 monthly instalments commencing from June 2010	38,100,000	-	c) Floating Mortgage Bond for Rs 220 Mn ranking paripasu with Sampath Bank PLC and Seylan Bank PLC over stock of electrical/household appliance store at No 402, Galle Road, Kollupitiya and Biyagama Road, Peithiyagoda, Kelaniya and at the duty free shop at KIA with an assignment of Book debts.
	Hatton National Bank PLC	Term Loan	AWPLR+1.5%	53 monthly instalments commencing from June 2010	51,000,000	-	d) Primary Floating Mortgage Bond for Rs 179 Mn over commercial property at 402, Galle Road, Colombo 03.
	Hatton National Bank PLC	Term Loan	AWPLR+1.5%	60 monthly instalments commencing from June 2010	65,556,349	-	e) Tertiary Mortgage Bond for Rs 100 Mn to be executed over the property situated at Colombo 3. Secondary Bond for Rs 100 Mn has been executed to secure to secure facilities granted to Soflogig International (Pvt) Ltd
	Sampath Bank PLC	Term Loan	18.5%		18,495,501	57,923,222	
	People's Leasing Finance PLC	Term Loan	19.5%		2,444,836	3,095,251	
	PABC PLC	Finance Lease			5,379,064	6,453,981	
	Commercial Bank of Ceylon PLC	Finance Lease			1,746,433	3,629,014	
	Nation Trust Bank PLC	Finance Lease			16,875,000	22,500,000	a) Primary Mortgage bond for Rs. 21.68 Mn to be executed by Soflogig Holdings Ltd favouring the bank over 2,727,060 shares of Asiri Hospital Holdings PLC & 1,271,070 shares of Asiri Surgical Hospital PLC.
	Commercial Bank PLC	Term Loan	AWPLR+ 2%	60 monthly instalments commencing from March 2008	41,200,000	-	b) Personnel Guarantee Mr. A.K. Pathirage for Rs. 15.82 Mn
<b>Soflogig International (Pvt) Ltd</b>	Seylan Bank PLC	Special Loan	12%	The capital to be recovered on 5/28/2011	-	-	
	Sampath Bank PLC	Term Loan	AWPLR+ 1.5%	35 monthly instalments commencing from March 2009	-	69,380,000	
	Hatton National Bank PLC	Term Loan	AWPLR+2% (Monthly Review)	48 monthly instalments with a one year grace period commencing from April 2009	85,440,000	100,000,000	a) Registered Secondary Floating Mortgage Bond for Rs 100 Mn over immovable properties situated at Dektatana, Biyagama No 402, Galle Road, Colombo 03

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

### 14. INTEREST BEARING BORROWINGS (Cont....)

#### 14.2 Details of Interest Bearing Borrowings

Company	Lending Institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance		Securities
					31.12.2010 Rs.	31.03.2010 Rs.	
<b>Softlogic International (Pvt) Ltd</b>	Bank of Ceylon	Term Loan	AWPLR+3%	60 monthly installments with a 6 months grace period commencing from July 2009	63,703,704	78,360,000	Personnel guarantee of Mr. Ashok Pathirage Corporate guarantee of Softlogic Trading (Pvt) Ltd.
	Pan Asia Banking Corporation PLC	Finance Lease			980,000	1,599,728	Assignment over following company shares 1) Shares of Asiri Hospitals PLC held by Softlogic Holdings Ltd (Nos 14,862,750) Softlogic Trading (Pvt) Ltd, (Nos 1,754,290) Softlogic Communications (Pvt) Ltd, (Nos 1,960,460)
	Peoples Leasing Finance PLC	Finance Lease			5,610,000	10,109,711	2) Shares of Asiri Surgical Hospital Ltd, held by Softlogic Holdings Ltd, (Nos 425,000)
	Seylan Bank PLC	Finance Lease			13,594,390	543,448	3) Shares of Asiri Central Hospital PLC held by Softlogic Holdings Ltd, (Nos 239,788)
	Commercial Bank PLC	Finance Charges Finance Lease			653,810	(2,138,995)	
<b>Softlogic Communications (Pvt) Ltd</b>	Seylan Bank PLC	Finance Lease			8,342,027	155,295,117	
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR +3%	33 monthly installments commencing from April 2009	-	-	
<b>Softlogic Furniture (Pvt) Ltd</b>	DFCC Bank	Term Loan	15%	Commencing from 2009	4,359,847	57,093,192	
	Seylan Bank PLC	Finance Lease			-	1,314,706	
<b>Softlogic Solar (Pvt) Ltd</b>	Commercial Bank of Ceylon PLC	Finance Lease			15,646,842	30,330,650	Rs. 45 Mn Corporate guarantee of Softlogic Holdings
	Seylan Bank PLC	Term Loan	8%	83 Monthly installments commencing from October 2010	-	39,070	
<b>Softlogic Finance PLC</b>	DFCC bank	Term loan	14%	48 monthly installments commencing from September 2010	20,841,666	-	
	DFCC bank	Term loan	14%	48 monthly installments commencing from January 2010	50,000,000	-	
	Hatton National Bank PLC	Term loan	13.31%	36 monthly installments commencing from April 2010	37,500,000	-	
	Commercial Bank of Ceylon PLC	Term loan	12.29%	48 monthly installments commencing from May 2010	18,750,000	-	Rental Receivable on Lease Assets and higher purchase
	Seylan Bank PLC	Term loan	11.85%	48 monthly installments commencing from March 2010	23,958,340	-	
	Securitisaton	Securitisaton	19.79%	Within a period of 24	29,754,369	-	
	Securitisaton	Securitisaton	15.70%	Within a period of 24	42,594,000	-	
	Securitisaton	Securitisaton	13.87%	Within a period of 30	126,742,000	-	
	Securitisaton	Securitisaton	13.42%	Within a period of 24	82,275,086	-	
	Securitisaton	Securitisaton	13.39%	Within a period of 36	200,325,714	-	
Central Bank of Sri Lanka	Susahana Loan	12.66%	Within a period of 48	288,210,000	-		
Promissory Notes				2,442,856	-		
Repo Borrowings				72,883,924	-		
Commercial Papers				283,090,000	-		
People's Leasing PLC	Finance Lease			409,875,113	-		
				54,972	-		

## 14. INTEREST BEARING BORROWINGS (Cont....)

### 14.2 Details of Interest Bearing Borrowings

Company	Lending Institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance		Securities
					31.12.2010 Rs.	31.03.2010 Rs.	
Softlogic Credit Ltd	DFCC Bank	Term Loan	14%	48 monthly installments commencing from August 2010	29,583,310	-	Primary Mortgage Bond over 2.1Mn ordinary Shares of Rs. 10/- each of Softlogic Credit Ltd held by Softlogic Capital Ltd
							Rs. 7 Mn by a Tertiary Mortgage Bond over 2.1Mn ordinary Shares of Rs. 10/- each of Softlogic Credit Ltd held by Softlogic Capital Ltd
	Asia Asset Finance Ltd	Term Loan	20%	24 monthly installments	14,192,992	-	
					17,167,588	-	
	Lanka Orix Leasing Company PLC	Term Loan	20%	24 monthly installments	16,736,901	-	
28,931,107					-	Corporate Guarantee from Softlogic Capital Ltd and on demand promissory note for Rs. 25 Mn.	
		Promissory Notes	15%		479,206,092	-	
					23,343,401	-	
					<b>3,432,151,725</b>	<b>1,387,690,608</b>	

Fair value adjustment on Capital Reach Ltd acquisition

## 20. SHORT TERM BORROWINGS (Cont....)

### 20.1 Details of Short Term Borrowings

Company	Lending Institution	Nature of facility	Outstanding Balance	
			31.12.2010	31.03.2010
			Rs.	Rs.
<b>Softlogic Holdings Ltd</b>	Waldock Mackenzie Limited	Margin Trading Loan	42,600,448	38,428,347
	Union Bank of Colombo Ltd	Short Term Loan	100,000,000	100,000,000
	Seylan Bank PLC	Special Loan	-	55,028,202
	Seylan Bank PLC	Term Loan	250,000,000	-
	Hatton National Bank PLC	Term Loan	390,000,000	-
	Hatton National Bank PLC	Term Loan	814,000,000	-
	Sampath Bank PLC	Term Loan	285,496,059	-
			<b>1,882,096,507</b>	<b>193,456,549</b>
<b>Softlogic Trading (Pvt) Ltd</b>	Hatton National Bank PLC	Import Loan	84,948,158	59,138,648
	Hatton National Bank PLC	Import Loan	-	375,000,000
	Commercial Bank of Ceylon PLC	Import Loan	92,391,813	29,640,997
	Pan Asia Banking Corporation PLC	Money Market Loan	50,000,000	-
	Pan Asia Banking Corporation PLC	Term Loan	-	14,582,382
	Seylan Bank PLC	Special loan	145,267,900	-
	Peoples Bank	Import Loan	-	2,439,719
Sampath Bank PLC	Money Market Loan	44,000,000	-	
<b>Uni Walkers (Pvt) Ltd</b>	Asia Assets (Pvt) Ltd	Import Loan	3,676,826	18,487,725
	Commercial Bank of Ceylon PLC	Import Loan	21,000,000	-
	Commercial Bank of Ceylon PLC	Import Loan	342,144,902	143,552,869
	DFCC Bank	Money Market Loan	84,000,000	-
	DFCC Bank	Import Loan	80,658,302	-
	National Development Bank PLC	Import Loan	166,094,896	-
	National Development Bank PLC	Money Market Loan	20,000,000	-
	Seylan Bank PLC	Import Loan	66,865,000	57,526,000
	Hatton National Bank PLC	Import Loan	32,949,923	48,165,300
	Sampath Bank PLC	Import Loan	149,047,296	61,504,761
PABC Bank PLC	Import Loan	1,067,000	-	
<b>Softlogic International (Pvt) Ltd</b>	Seylan Bank PLC	Special Loan	117,726,200	-
<b>Softlogic Communications (Pvt.) Ltd</b>	Seylan Bank PLC	Import Loan	119,833,500	183,576,500
	Commercial Bank of Ceylon PLC	Import Loan	249,720,266	-
	Hatton National Bank PLC	Import Loan	270,493,417	-
	National Development Bank PLC	Import Loan	374,424,159	297,994,748
	DFCC Bank	Import Loan	73,924,832	-
	Hatton National Bank PLC	Import Loan	-	66,918,287
	National Development Bank PLC	Money Market Loan	50,000,000	75,000,000
	Sampath Bank PLC	Import Loan	213,351,800	-
	Sampath Bank PLC	Money Market Loan	30,000,000	-
	Hongkong and Shanghai Banking Corporation	Import Loan	-	168,770,750
<b>SoftLogic Furniture (Pvt) Ltd</b>	DFCC Bank	Import Loan	-	3,291,757
<b>Softlogic Computers (Pvt) Ltd</b>	Union Bank of Colombo Ltd	Import Loan	15,114,089	-
	DFCC Vardana Bank	Import Loan	-	21,630,624
	Hatton National Bank PLC	Import Loan	-	4,285,892
<b>Softlogic Solar (Pvt) Ltd</b>	DFCC Bank	Term Loan	750,000	-
<b>Softlogic Capital Limited</b>		Commercial Papers	80,000,000	-
		Promissory Notes	25,000,000	-
<b>Total Short Term Borrowings</b>			<b>4,886,546,784</b>	<b>1,824,963,510</b>

## **Interim Report 09 Months Ended 31st December 2010**

# BALANCE SHEET

As at 31st December

In Rs.	31.12.2010	Group 31.12.2009 (Unaudited)	31.03.2010	31.12.2010	Company 31.12.2009 (Unaudited)	31.03.2010
<b>ASSETS</b>						
<b>Non Current Assets</b>						
Property, Plant & Equipment	1,035,913,472	904,905,472	968,234,769	72,253,068	70,843,470	61,867,487
Investment Property	721,050,000	554,995,000	555,275,000	125,700,000	125,700,000	125,700,000
Intangible Assets	964,082,428	759,746,445	771,300,964	-	-	-
Investments in Subsidiaries	-	-	-	943,844,720	645,974,725	645,974,725
Investments in Associates	2,701,886,765	1,725,473,174	1,758,915,257	1,931,352,084	1,129,019,375	1,128,019,375
Other Investments	450,025,563	5,917,564	5,917,564	104,495,000	5,000,000	5,000,000
Rental Receivable on Lease Assets and Hire Purchase	1,658,302,451	-	-	-	-	-
Deferred Tax Assets	47,158,453	24,916,451	25,640,927	-	-	-
Amounts due from Related Parties	-	-	-	237,044,175	237,044,175	237,044,175
	7,578,419,132	3,975,954,106	4,085,284,481	3,414,689,047	2,213,581,745	2,203,605,762
<b>Current Assets</b>						
Inventories	1,814,004,280	778,459,607	875,423,249	-	-	-
Trade & Other Receivables	2,412,115,678	1,053,834,018	1,503,690,022	119,565,171	97,075,886	137,069,170
Loan and Advances	792,448,093	-	-	-	-	-
Rental Receivable on Lease Assets and Hire Purchase	1,211,056,135	-	-	-	-	-
Amounts due from Related Parties	58,176,368	39,182,176	40,988,181	311,592,492	227,480,405	220,436,488
Short Term Investments	642,020,108	136,490,248	105,645,207	181,699,732	78,587,775	62,627,199
Income Tax Refunds	4,492,538	51,764,323	28,940,635	2,220,178	-	1,118,425
Cash in Hand & at Bank	215,253,475	79,908,020	443,420,258	14,835,148	467,889	183,420,491
	7,149,566,675	2,139,638,392	2,998,107,552	629,912,721	403,611,955	604,671,773
<b>TOTAL ASSETS</b>	<b>14,727,985,807</b>	<b>6,115,592,498</b>	<b>7,083,392,033</b>	<b>4,044,601,768</b>	<b>2,617,193,700</b>	<b>2,808,277,535</b>
<b>EQUITY &amp; LIABILITIES</b>						
<b>Capital and Reserves</b>						
Stated Capital	1,058,000,000	50,000,000	984,056,000	1,058,000,000	50,000,000	984,056,000
Capital Reserves	671,948,318	483,158,595	590,924,852	-	-	-
Retained Earnings	1,091,558,040	386,278,760	464,472,033	12,090,892	(67,609,550)	(89,324,465)
<b>Shareholders Fund</b>	<b>2,821,506,358</b>	<b>919,437,355</b>	<b>2,039,452,885</b>	<b>1,070,090,892</b>	<b>(17,609,550)</b>	<b>894,731,535</b>
Minority Interest	416,620,299	4,144,898	4,353,194	-	-	-
<b>Total Equity</b>	<b>3,238,126,657</b>	<b>923,582,253</b>	<b>2,043,806,079</b>	<b>1,070,090,892</b>	<b>(17,609,550)</b>	<b>894,731,535</b>
<b>Non Current Liabilities</b>						
Interest Bearing Borrowings	1,293,601,797	799,478,400	672,292,959	418,672,188	348,556,988	276,045,115
Public Deposits	102,114,836	-	-	-	-	-
Deferred Tax Liabilities	77,027,533	55,878,645	56,983,666	-	-	-
Retirement Benefit Obligations	78,469,684	49,507,789	52,625,758	11,182,099	6,799,236	6,999,028
Deferred Income	2,802,950	-	4,485,588	-	-	-
	1,554,016,800	904,864,834	786,387,971	429,854,287	355,356,224	283,044,143
<b>Current Liabilities</b>						
Trade & Other Payables	1,244,633,333	372,275,331	662,048,204	42,080,289	13,786,828	24,746,514
Amounts Due to Related Parties	3,201,092	3,327,918	5,814,471	467,541,427	1,367,124,922	691,095,181
Short term Borrowings	4,886,546,784	2,427,910,173	1,824,963,510	1,882,096,507	351,385,015	193,456,549
Income Tax Liabilities	87,814,647	11,735,628	13,337,973	-	-	-
Current Portion of Interest Bearing Borrowings	2,138,549,928	560,087,329	715,397,649	144,405,781	175,897,703	201,235,438
Public Deposits	1,080,572,075	-	-	-	-	-
Bank Overdraft	494,524,491	911,809,032	1,031,636,176	8,532,585	371,252,558	519,968,175
	9,935,842,350	4,287,145,411	4,253,197,983	2,544,656,589	2,279,447,026	1,630,501,857
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>14,727,985,807</b>	<b>6,115,592,498</b>	<b>7,083,392,033</b>	<b>4,044,601,768</b>	<b>2,617,193,700</b>	<b>2,808,277,535</b>

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



Chief Financial Officer

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



Director



Director

14 February 2011  
Colombo

# INCOME STATEMENT

For the 09 months period ended 31 December

In Rs.	Group		Company	
	2010 (Audited)	2009 (Unaudited)	2010 (Audited)	2009 (Unaudited)
Revenue	6,741,339,422	3,414,131,597	112,552,575	89,210,186
Cost of Sales	(5,222,336,733)	(2,368,831,222)	(55,650,930)	(28,114,626)
<b>Gross Profit</b>	1,519,002,689	1,045,300,375	56,901,645	61,095,560
Dividend Income	677,622	68,321	65,541,154	12,057,463
Other Operating Income	518,000,405	302,098,548	147,397,645	92,695,989
Distribution Expenses	(275,316,186)	(178,390,503)	-	-
Administrative Expenses	(719,343,485)	(455,713,197)	(47,846,036)	(47,051,778)
Change in Fair Value of Short Term Investments	165,775,000	2,652,373	-	2,662,137
Finance Expenses	(462,407,195)	(606,786,026)	(112,097,714)	(161,972,477)
Write Back of Intercompany Balance	-	-	(7,198,692)	-
Share of Results of Associate Companies	80,102,929	54,695,903	-	-
<b>Profit /(Loss) Before Taxation</b>	826,491,779	163,925,794	102,698,002	(40,513,106)
Tax Expense	(163,436,853)	(74,769,838)	(363,403)	-
<b>Profit / (Loss) for the period</b>	663,054,926	89,155,956	102,334,599	(40,513,106)
<b>Attributable to:</b>				
Equity holders of the parent	629,848,889	88,798,673		
Minority Interest	33,206,037	357,284		
	663,054,926	89,155,956		

## Earnings per Share

Basic	0.98	0.18
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Figures in brackets indicate deductions.

# STATEMENT OF CHANGES IN EQUITY

For the 09 months period ended 31 December

## Group

In Rs.	Attributable to Equity Holders of Parent						Total Equity
	Stated Capital	Revaluation Reserve	Exchange Translation Reserve	Statutory Reserve Fund	Retained Earnings	Total	
<b>As at 01 April 2009</b>	50,000,000	530,758,967	5,403,454	-	297,480,087	883,642,508	887,435,522
Currency Translation Differences	-	-	(52,750,826)	-	-	(52,750,826)	(52,750,826)
Profit for the period	-	-	-	-	88,798,673	88,798,673	89,155,957
Subsidiary dividend to Minority Shareholders	-	-	-	-	-	-	(5,400)
<b>As at 31 December 2009</b>	50,000,000	530,758,967	(47,347,372)	-	386,278,760	919,690,355	923,835,253
<b>As at 01 April 2010</b>	984,056,000	628,105,194	(37,180,342)	-	464,472,033	2,039,452,885	2,043,806,079
Issue of Shares	73,944,000	-	-	-	-	73,944,000	73,944,000
Direct Cost on Share Issue	-	-	-	-	(919,242)	(919,242)	(919,242)
Currency Translation Differences	-	-	-	-	-	-	-
Net Gain or (Loss) recognized directly in equity	-	-	(16,715,500)	-	-	(16,715,500)	(16,715,500)
Surplus on Revaluation	-	3,666,667	-	-	-	3,666,667	3,666,667
Acquisitions, Disposals and Changes in Holding	-	-	-	-	-	-	-
Associate Company Share of Net Assets	-	92,228,659	-	-	-	92,228,659	92,228,659
Transfer to Reserve Fund	-	-	-	1,843,640	(1,843,640)	-	-
Profit for the period	-	-	-	-	629,848,889	629,848,889	663,054,926
Subsidiary dividend to Minority Shareholders	-	-	-	-	-	-	(122,023)
<b>As at 31 December 2010</b>	1,058,000,000	724,000,520	(53,895,842)	1,843,640	1,091,558,040	2,821,506,358	3,238,126,657

## Company

In Rs.	Stated Capital	Retained Earnings	Total Equity
As at 01 April 2009	50,000,000	(27,096,444)	22,903,556
Loss for the period	-	(40,513,106)	(40,513,106)
<b>As at 31 December 2009</b>	50,000,000	(67,609,550)	(17,609,550)
<b>As at 01 April 2010</b>	984,056,000	(89,324,465)	894,731,535
Issue of shares	73,944,000	-	73,944,000
Direct Cost on Share Issue	-	(919,242)	(919,242)
Profit for the period	-	102,334,599	102,334,599
<b>As at 31 December 2010</b>	1,058,000,000	12,090,892	1,070,090,892

Figures in brackets indicate deductions.

# CASH FLOW STATEMENT

For the 09 months period ended 31 December

In Rs.	Group		Company	
	2010 (Audited)	2009 (Unaudited)	2010 (Audited)	2009 (Unaudited)
<b>Profit Before Working Capital Changes</b>				
Profit/(Loss) Before Tax	826,491,779	163,925,794	102,698,002	(40,513,106)
Interest Income	(15,040,732)	(6,281,210)	(1,573,771)	(440,753)
Dividend Income	(677,622)	(68,321)	(65,541,154)	(12,912,095)
Finance Expenses	462,407,195	606,786,026	112,097,714	161,972,478
Change in Fair Value of Investment Properties	(165,775,000)	-	-	-
Share of Associate Company Profits	(80,102,929)	(54,695,903)	-	-
Lease Interest	12,812,843	14,202,625	7,540,878	1,164,173
Gratuity Provision and related costs	16,078,763	1,343,972	3,669,946	599,376
Provision for Bad Debts	-	69,386	979,453	-
Change in Fair Value of Short Term Investments	(4,595,958)	(2,652,373)	(2,343,367)	2,662,137
Depreciation of Property, Plant and Equipment	88,543,460	86,742,034	26,583,091	40,313,880
(Profit) / Loss on Sale of Property, Plant and Equipment	(4,046,409)	(4,372,548)	-	(4,684,494)
(Profit) / Loss on Sale of Other Investments	(108,574,625)	(19,161,081)	(99,678,962)	(30,475,487)
(Gain) / Loss on Foreign Exchange	(13,459,225)	(28,334,654)	(13,459,225)	(28,334,654)
Write back on Loan Rescheduled	(18,320,835)	-	(4,840,627)	-
Write back of the Intercompany Balances	-	-	7,198,692	-
Amortisation of Intangible Assets	3,708,538	-	-	-
Amortisation Deferred Income	(1,682,638)	-	-	-
Fair Value Adjustment on Business Combination	(7,713,464)	-	-	-
<b>Operating Profit Before Working Capital Changes</b>	990,053,141	757,503,747	73,330,670	89,351,455
(Increase) / Decrease in Inventories	(906,190,517)	(23,550,094)	-	-
(Increase) / Decrease in Receivable and Prepayments	(786,652,719)	(113,337,360)	16,524,546	(31,784,583)
(Increase) / Decrease in Amounts due from Related Parties	(17,188,187)	65,663,067	(84,895,471)	(31,365,820)
Increase / (Decrease) in Creditors and Accruals	412,920,632	(540,575,818)	(223,553,754)	1,799,359
Increase / (Decrease) in Amounts due to Related Parties	(2,613,379)	(6,325,515)	17,333,775	(35,767,290)
Increase / (Decrease) in Investment in Lease and Hire Purchase	(713,771,900)	-	-	-
Increase / (Decrease) in Loans and Advances	(97,944,918)	-	-	-
<b>Cash Generated from Operations</b>	(1,121,387,847)	139,378,027	(201,260,234)	(7,766,879)
Interest Received	15,040,732	6,281,210	1,573,771	440,753
Finance Expenses Paid	(462,407,195)	(606,786,026)	(112,097,714)	(161,972,478)
Dividend Received	29,844,382	16,707,694	65,541,154	12,912,095
Tax Paid	(71,194,118)	(53,984,626)	(1,465,156)	477,308
Gratuity Paid	(1,861,270)	(1,322,045)	513,125	-
<b>Net Cash Flow from Operating Activities</b>	(1,611,965,316)	(499,725,766)	(247,195,054)	(155,909,201)
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>				
Purchase and Construction of Property, Plant and Equipment	(30,722,660)	(14,218,572)	(3,658,676)	778,575
Additions to Intangible Assets	(609,910)	-	-	-
Purchase of Investments	(1,155,061,364)	(41,486,926)	(442,344,126)	(139,211,434)
Increase in Interest in Associate	(813,023,316)	-	(803,332,709)	-
Acquisition of Subsidiaries	(277,750,999)	-	(297,869,995)	-
Increase in Interest in Subsidiaries	(10,976,871)	-	-	-
Proceeds from Sale of Property, Plant and Equipment	6,984,594	9,573,830	-	4,684,494
Proceeds from Sale of Other Investments	501,658,804	58,221,329	325,798,922	171,077,175
<b>Net Cash Flow from / (used in) Investing Activities</b>	(1,779,501,722)	12,089,661	(1,221,406,584)	37,328,810
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>				
Dividend Paid to Minority Shareholders	(122,023)	(5,400)	-	-
Proceed from Minority on Issue of Rights in Subsidiaries	74,464,279	-	-	-
Proceeds from Long Term Borrowings	1,477,022,202	638,734,000	311,810,383	184,469,000
Repayment of Long Term Borrowings	(1,110,871,737)	(687,293,723)	(262,023,214)	(115,541,840)
Proceeds from / (Repayment of) Short Term Borrowings (Net)	3,035,570,890	562,892,795	1,688,639,958	109,640,748
Proceeds from Public Deposits	151,254,705	-	-	-
Proceeds from Share Issue	73,944,000	-	73,944,000	-
Direct Cost on Share Issue	(919,242)	-	(919,242)	-
<b>Net Cash Flow from / (used in) Financing Activities</b>	3,700,343,074	514,327,672	1,811,451,885	178,567,908
Net Increase/(Decrease) in Cash and Cash Equivalents	308,876,036	26,691,567	342,850,247	59,987,517
Cash and Cash Equivalents at the beginning of the period	(588,147,052)	(858,592,579)	(336,547,684)	(430,772,186)
<b>Cash and Cash Equivalents at the end of the period</b>	(279,271,016)	(831,901,012)	6,302,563	(370,784,669)
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
<b>Favourable Balances</b>				
Cash and Bank	215,253,475	79,908,020	14,835,148	467,889
<b>Unfavourable Balances</b>				
Bank Overdrafts	(494,524,491)	(911,809,032)	(8,532,585)	(371,252,558)
<b>Cash and Cash Equivalents at the end of the period</b>	(279,271,016)	(831,901,012)	6,302,563	(370,784,669)

Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE 09 MONTHS PERIOD ENDED 31 DECEMBER

## 1. CORPORATE INFORMATION

Softlogic Holdings Ltd is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 14, De Fonseka Place, Colombo 5.

In the financial statements, "the Company" refers to Softlogic Holdings Ltd as the holding company and "the Group" refers to the companies whose accounts have been consolidated therein. The Financial Statements for the nine months period ended 31 December 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 14 February 2011.

## 2. BASIS OF PREPARATION

The interim financial statements of the Group and of the Company have been prepared on the basis of the same accounting policies and methods applied for the year ended 31 March 2010 and are in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.

The presentation and classification of the financial statements of the previous period have been amended, where relevant, for better presentation and to be comparable with those of the current period.

## 3. SHARE INFORMATION

### 3.1 Stated Capital

Stated Capital is represented by number of shares in issue as given below:

	31.12.2010	31.03.2010
Fully Paid Ordinary Shares	64,000,000	62,973,000

### 3.2 Directors' share holdings

Names of Directors	No. of shares	
	31.12.2010	31.03.2010
Mr. A. K. Pathirage	32,150,000	32,150,000
Mr. H. Gunawardena	5,700,000	5,700,000
Mr. R. J. Perera	5,839,000	5,839,000
Mr. H. K. Kaimal	6,450,000	6,450,000
Dr. S. Selliah	200,000	-

## 4. DIVIDEND PAID

No Dividend was declared for the 09 months period ended 31 December 2010

## 5. REVENUE

In Rs.	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Gross Revenue	6,808,590,492	3,439,368,138	112,552,575	89,210,136
Turnover Tax	(67,251,070)	(25,236,541)	-	-
	6,741,339,422	3,414,131,597	112,552,575	89,210,136

## 6. DIVIDEND INCOME

In Rs.	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Income from Investment in Related Parties	-	-	65,541,154	12,057,463
Income from Other Investments	677,622	68,321	-	-
	677,622	68,321	65,541,154	12,057,463

## 7. OTHER OPERATING INCOME

In Rs.	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Interest Income	15,040,732	8,821,832	1,573,771	440,753
Profit on Sale of Property, Plant & Equipment	4,046,409	1,714,795	-	4,684,494
Profit on Sale of Other Investments	108,574,625	38,961,290	99,678,962	30,475,487
Change in Fair Value of Short Term Investments	4,595,958	1,602,679	2,343,367	-
Exchange Gain	110,694,695	76,612,053	13,459,225	28,334,655
Fees Received	109,146,547	100,374,235	-	-
Commission Income	19,845,482	20,554,010	19,845,482	3,901,148
Sundry Income	127,735,122	37,159,430	5,656,211	24,859,452
Write Back on Loan Rescheduled	18,320,835	16,298,225	4,840,627	-
	518,000,405	302,098,549	147,397,645	92,695,989

## 8. FINANCE EXPENSES

In Rs.	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Bank Loan Interest	258,048,603	443,631,635	111,846,815	146,107,562
Lease Interest	5,724,400	16,274,788	-	-
Bank Charges and Debit Tax	17,428,666	19,845,316	-	-
Over Draft Interest	27,079,879	40,135,526	250,899	-
Interest on Import Loan & Margin Loan	152,036,268	84,701,648	-	15,864,915
Factoring Charges	2,089,379	2,197,112	-	-
	462,407,195	606,786,026	112,097,714	161,972,477

9. Softlogic Holdings Limited acquired 13,929,329 (51.21% ) ordinary shares of Capital Reach Holdings Ltd for a consideration of Rs 271,621,915/- on 02 September 2010
10. Softlogic Holdings Ltd acquired 89,787,005 (10.097%) ordinary shares of Asiri Hospital Holdings PLC for consideration of Rs 813,023,316/- on 30 November 2010.

## 11. COMMITMENTS AND CONTINGENCIES

There were no material Commitments and Contingencies as at the balance sheet date that require adjustments to or disclosure in the financial statements.

## 12. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements other than the followings;

- 12.1 Softlogic Holdings Limited acquired 41,769,190 (4.70%) ordinary shares of Asiri Hospital Holdings PLC for a consideration of Rs. 378,854,907/- on 18 January 2011.
- 12.2 The mandatory offer made by Softlogic Holdings Limited (SHL) to the shareholders of Asiri Hospital Holdings PLC (AHH) expired on 01 February 2011 and the Company has received 94,028,055 (10.57%) shares of AHH from the mandatory offer. As a result of subsequent share acquisition and acceptance of mandatory offer by share holders of AHH, the stake in AHH by Softlogic Holdings Limited increased up to 51.69% as of 01 February 2011.
- As per the opinion of the Directors of Softlogic Holdings Limited, Softlogic Holdings Limited will be the parent entity and the controlling party of AHH Group from 01 February 2011.
- 12.3 The Board of Directors resolved to proceed with a sub-division of 10 shares for every share held in Softlogic Holdings Ltd as at 11 February 2011, which was ratified by the shareholders in the Annual General Meeting held on 11 February 2011. Subsequent to sub-division the issued ordinary shares of the Company will increase to 640,000,000 ordinary shares.





**ERNST & YOUNG**

**Chartered Accountants**

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**Report on the Financial Statements**

*We have audited the accompanying financial statements of Softlogic Holdings Ltd (“Company”), the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at 31 March 2010, and the income statements, statements of changes in equity and cash flow statements for the year ended, and a summary of significant accounting policies and other explanatory notes.*

**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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.*

**Scope of Audit and Basis of Opinion**

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

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

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

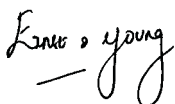
**Opinion**

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

*In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2010 and the profit and cash flows for the year ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.*

**Report on Other Legal and Regulatory Requirements**

*In our opinion, these financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.*



15 September 2010  
Colombo

**Partners:** A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA  
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)  
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

# BALANCE SHEET

As at 31 March

In Rs.	Note	Group		Company	
		2010	2009	2010	2009
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Property, Plant and Equipment	2	979,789,288	983,107,516	61,867,487	111,935,925
Investment Property	3	555,275,000	554,995,000	125,700,000	125,700,000
Investments in Subsidiaries	4	-	5,000,000	645,974,725	645,974,725
Investments in Associates	4	1,758,915,257	1,713,152,583	1,128,019,375	1,127,786,729
Other Investments	4	5,917,564	24,480,936	5,000,000	10,000,000
Deferred Tax Assets	5	25,640,927	26,299,738	-	-
Goodwill	6	759,746,445	759,746,445	-	-
		4,085,284,481	4,066,782,218	1,966,561,587	2,021,397,379
<b>Current Assets</b>					
Inventories	7	875,423,249	754,909,514	-	-
Trade and Other Receivables	8	1,503,690,022	1,035,658,255	137,069,170	65,291,303
Amounts due from Related Parties	9	14,907,560	23,904,561	457,480,663	404,654,981
Amount due from Directors	30.4	26,080,621	9,609,588	-	169,125
Short Term Investments	10	105,645,207	111,236,907	62,627,199	78,872,813
Income Tax Refunds		28,940,635	38,855,341	1,118,425	477,307
Cash in Hand and at Bank		443,420,258	103,420,253	183,420,491	1,270,913
		2,998,107,552	2,077,594,419	841,715,948	550,736,442
<b>TOTAL ASSETS</b>		<b>7,083,392,033</b>	<b>6,144,376,637</b>	<b>2,808,277,535</b>	<b>2,572,133,821</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	11	984,056,000	50,000,000	984,056,000	50,000,000
Capital Reserves	12	590,924,852	536,189,421	-	-
Retained Earnings		464,472,033	297,480,087	(89,324,465)	(27,096,444)
<b>Shareholders Fund</b>		<b>2,039,452,885</b>	<b>883,669,508</b>	<b>894,731,535</b>	<b>22,903,556</b>
Minority Interest		4,353,194	3,793,014	-	-
<b>Total Equity</b>		<b>2,043,806,079</b>	<b>887,462,522</b>	<b>894,731,535</b>	<b>22,903,556</b>
<b>Non Current Liabilities</b>					
Interest Bearing Borrowings	13	672,292,959	468,001,270	276,045,115	290,501,524
Deferred Tax Liabilities	14	56,983,666	56,021,223	-	-
Retirement Benefit Obligations	15	52,625,758	49,485,863	6,999,028	6,199,860
Deferred Income		4,485,588	-	-	-
		786,387,971	573,508,356	283,044,143	296,701,384
<b>Current Liabilities</b>					
Trade and Other Payables	16	662,048,204	912,851,149	24,746,514	11,987,469
Amounts due to Related Parties	17	-	5,190,515	687,936,389	1,398,564,295
Income Tax Liabilities	19	13,337,973	7,949,411	-	-
Short Term Borrowings	18	1,824,963,510	1,865,017,378	193,456,549	241,744,267
Current Portion of Interest Bearing Borrowings	13	715,397,649	925,921,557	201,235,438	163,861,834
Amount Due to Directors	30.5	5,814,471	4,462,917	3,158,792	4,327,917
Bank Overdrafts		1,031,636,176	962,012,832	519,968,175	432,043,099
		4,253,197,983	4,683,405,759	1,630,501,857	2,252,528,881
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,083,392,033</b>	<b>6,144,376,637</b>	<b>2,808,277,535</b>	<b>2,572,133,821</b>

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



Group Financial Controller

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



Director



Director

Figures in the brackets indicate deductions.

The accounting policies and notes as stated in page xx to xx form an integral part of these financial statements.

15 September 2010

Colombo

# INCOME STATEMENT

For the year ended 31 March

In Rs.	Note	Group		Company	
		2010	2009	2010	2009
Revenue	20	4,848,808,620	5,631,219,950	121,669,087	113,628,820
Cost of Sales		(3,459,052,374)	(3,976,739,749)	(85,893,631)	(96,006,563)
<b>Gross Profit</b>		<b>1,389,756,246</b>	<b>1,654,480,201</b>	<b>35,775,456</b>	<b>17,622,257</b>
Dividend Income	21	68,321	4,133,101	24,246,694	26,902,253
Other Operating Income	22	413,896,882	319,904,734	99,342,119	683,930
Change in Fair Value of Short Term Investments		7,873,076	(15,741,952)	6,738,322	(13,092,854)
Distribution Expenses		(227,091,525)	(384,709,667)	-	-
Administrative Expenses		(620,091,491)	(564,466,550)	(38,181,870)	(41,721,264)
Finance Expenses	23	(782,287,625)	(894,021,971)	(193,353,776)	(197,276,953)
Change in Fair Value of Investment Property	3	280,000	-	-	-
Write Back of Intercompany Balances	30.6	-	-	28,091,964	212,000,000
Share of Results of Associates	4.4	71,120,500	18,882,502	-	-
<b>Profit /(Loss) Before Tax</b>	24	<b>253,524,384</b>	<b>138,460,398</b>	<b>(37,341,091)</b>	<b>5,117,369</b>
Tax Expense	25	(98,841,945)	(69,387,468)	(535,666)	(2,141,093)
<b>Profit / (Loss) for the year</b>		<b>154,682,439</b>	<b>69,072,930</b>	<b>(37,876,757)</b>	<b>2,976,276</b>
<b>Attributable to:</b>					
Equity Holders of the Parent		154,116,859	68,731,639		
Minority Interest		565,580	341,291		
		154,682,439	69,072,930		
<b>Earnings per Share</b>					
Basic	26	3.08	1.37		

Figures in brackets indicate deductions.

The accounting policies and notes as stated in page xx to xx form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

Group	Attributable to Equity Holders of Parent						Total Equity
	In Rs	Stated Capital	Revaluation Reserve	Exchange Translation Reserve	Retained Earnings	Total	
<b>As at 01 April 2008</b>	50,000,000	451,110,791	(19,613,849)	229,480,583	710,977,525	715,404,504	
Effect of Adoption Revised SLAS 16	-	-	-	(732,135)	(732,135)	(732,135)	
<b>As at 01 April 2008(Re-stated)</b>	50,000,000	451,110,791	(19,613,849)	228,748,448	710,245,390	714,672,369	
Currency Translation Differences	-	-	25,017,303	-	25,017,303	25,017,303	
Net Gain or (Loss) recognized directly in equity	-	-	-	-	-	-	
Acquisitions Disposals and Changes in Holding Associate Company Share of Net Assets	-	79,675,176	-	-	79,675,176	(975,256)	
Profit for the year	-	-	-	68,731,639	68,731,639	79,675,176	
<b>As at 31 March 2009</b>	50,000,000	530,785,967	5,403,454	297,480,087	883,669,508	887,462,522	
Issue of Shares	934,056,000	-	-	-	934,056,000	934,056,000	
Direct Cost on Share Issue	-	-	-	(24,351,264)	(24,351,264)	(24,351,264)	
Currency Translation Differences	-	-	(42,583,796)	-	(42,583,796)	(42,583,796)	
Net Gain or (Loss) recognized directly in equity	-	97,319,227	-	-	97,319,227	97,319,227	
Surplus on Revaluation	-	-	-	-	-	-	
Acquisitions Disposals and Changes in Holding Associate Company Share of Net Assets	-	-	-	37,226,351	37,226,351	37,226,351	
Profit for the year	-	-	-	154,116,859	154,116,859	154,682,439	
Subsidiary dividend to Minority Shareholders	-	-	-	-	-	(5,400)	
<b>As at 31 March 2010</b>	984,056,000	628,105,194	(37,180,342)	464,472,033	2,039,452,885	2,043,806,079	

## Company

In Rs	Stated Capital	Retained Earnings	Total Equity
<b>As at 31st March 2008</b>	50,000,000	(29,340,585)	20,659,415
Effect of Adoption Revised SLAS 16	-	(732,135)	(732,135)
<b>As at 31 March 2008(Re-stated)</b>	50,000,000	(30,072,720)	19,927,280
Net profit for the year	-	2,976,276	2,976,276
<b>As at 31 March 2009</b>	50,000,000	(27,096,444)	22,903,556
Issue of Shares	934,056,000	-	934,056,000
Loss for the year	-	(37,876,757)	(37,876,757)
Direct cost on Share Issue	-	(24,351,264)	(24,351,264)
<b>As at 31 March 2010</b>	984,056,000	(89,324,465)	894,731,535

Figures in brackets indicate deductions.

# CASH FLOW STATEMENT

For the year ended 31 March

In Rs.	Notes	Group		Company	
		2010	2009	2010	2009
<b>Profit Before Working Capital Changes</b>					
Profit/(Loss) Before Tax		253,524,384	138,460,398	(37,341,091)	5,117,369
Interest Income	22	(12,939,064)	(14,282,406)	(2,319,821)	(1,452,073)
Dividend Income	21	(68,321)	(4,133,101)	(24,246,694)	(26,902,253)
Finance Expenses	23	782,287,625	894,021,971	193,353,776	197,276,953
Changed in Fair Value of Investment Properties	3	(280,000)	-	-	-
Share of Associate Company Profits	4.4	(71,120,500)	(18,882,502)	-	-
Lease Interest		20,675,140	25,007,166	15,470,521	23,904,221
Gratuity Provision and related costs		6,679,474	13,673,369	855,668	931,601
Provision for Bad Debts		-	-	2,187,232	-
Provision for fall in value of Investments		(7,873,076)	15,741,952	(6,738,322)	13,092,854
Depreciation of Property, Plant and Equipment		124,695,631	119,530,143	49,999,429	53,751,840
(Profit) / Loss on Sale of Property, Plant and Equipment	22	(8,306,902)	(24,096,371)	(5,174,000)	(18,349,409)
(Profit) / Loss on Sale of Other Investments	22	(29,384,693)	(3,364,296)	(29,384,693)	(3,140,343)
(Gain) / Loss on Foreign Exchange	22	(98,928,906)	(52,315,069)	(32,322,617)	27,802,895
Write back of the Intercompany Balances		-	-	(28,091,964)	(212,000,000)
Negative Goodwill		-	(975,246)	-	-
<b>Operating Profit Before Working Capital Changes</b>					
		958,960,792	1,088,386,008	96,247,424	60,033,655
(Increase) / Decrease in Inventories		(120,513,735)	113,543,392	-	-
(Increase) / Decrease in Receivable and Prepayments		(384,716,313)	(114,680,874)	(48,593,161)	(22,047,621)
(Increase) / Decrease in Amount due from Related Parties		(7,474,032)	(7,122,328)	(20,503,065)	(14,314,144)
Increase / (Decrease) in Creditors and Accruals		(250,802,945)	(78,976,348)	(683,535,943)	856,805
Increase / (Decrease) in Amount due to Related Parties		(3,838,961)	(54,234)	12,759,045	289,000,344
<b>Cash Generated from/ (used in) Operations</b>					
		191,614,806	1,001,095,616	(643,625,700)	313,529,039
Interest Received		12,939,064	14,282,406	2,319,821	1,452,073
Finance Expenses Paid		(782,287,625)	(894,021,971)	(193,353,776)	(197,276,953)
Dividend Received		29,769,783	42,235,012	24,246,694	26,902,253
Tax Paid		(49,645,657)	(81,585,392)	(1,176,785)	(1,281,239)
Gratuity Paid	15	(3,504,060)	(5,742,429)	(56,500)	(61,250)
<b>Net Cash Flow from Operating Activities</b>					
		(601,113,690)	76,263,242	(811,646,246)	143,263,923
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>					
Purchase and Construction of Property, Plant and Equipment		(16,109,820)	(86,557,992)	(444,742)	(1,828,813)
Purchase of Investments		(209,300,863)	(91,246,561)	(179,070,403)	(81,145,454)
Increase in Interest in Associate		-	(38,407,196)	-	-
Proceeds from Sale of Property, Plant and Equipment		19,471,635	37,056,333	5,687,751	26,950,600
Deferred Income		4,485,588	-	-	-
Proceeds from Sale of Other Investments		270,391,016	63,495,065	236,206,386	67,211,157
<b>Net Cash Flow from / (used in) Investing Activities</b>					
		68,937,556	(115,660,351)	62,378,992	11,187,490
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>					
Dividend Paid to Minority Shareholders		(5,400)	-	-	-
Proceeds from Long Term Borrowings	13	585,892,063	2,098,408,216	80,351,000	30,000,000
Repayment of Long Term Borrowings	13	(698,283,627)	(2,122,377,757)	(143,323,531)	(222,447,982)
Proceeds from / (Repayment of) Short Term Borrowings (Net)		30,365,337	20,848,540	22,131,487	66,325,062
Proceeds from Share Issue		908,684,064	-	908,684,064	-
Direct Cost on Share Issue		(24,351,264)	-	(24,351,264)	-
<b>Net Cash Flow from / (used in) Financing Activities</b>					
		802,301,173	(3,121,001)	843,491,756	(126,122,920)
Net Increase/(Decrease) in Cash and Cash Equivalents		270,125,039	(42,518,110)	94,224,502	28,328,493
Cash and Cash Equivalents at the beginning of the year		(858,340,957)	(816,074,469)	(430,772,186)	(459,100,679)
Cash and Cash Equivalents at the end of the year		(588,215,918)	(858,592,579)	(336,547,684)	(430,772,186)
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
Favourable Balances					
Cash and Bank		443,420,258	103,420,253	183,420,491	1,270,913
Unfavourable Balances					
Bank Overdrafts		(1,031,636,176)	(962,012,832)	(519,968,175)	(432,043,099)
<b>Total Cash and Cash Equivalents as previously reported</b>					
		(588,215,918)	(858,592,579)	(336,547,684)	(430,772,186)
Effect of Exchange Rate Changes		-	251,622	-	-
<b>Cash and Cash Equivalents Restated</b>					
		(588,215,918)	(858,340,957)	(336,547,684)	(430,772,186)

Figures in brackets indicate deductions.

The accounting policies and notes as stated in page xx to xx form an integral part of these financial statements.

# ACCOUNTING POLICIES

Softlogic Holdings Ltd is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 14, De Fonseka Place, Colombo 5.

In the financial statements, “the Company” refers to Softlogic Holdings Ltd as the holding company and “the Group” refers to the companies whose accounts have been consolidated therein. The Financial Statements for the year ended 31 March 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 15 September 2010.

Softlogic Holdings Ltd became the holding company of the Group during the financial year ended 31 March 2003. The principal activities of the Company are holding investments & providing management services to its subsidiaries. The principal activities of the subsidiary companies are information technology, property development, automobiles, communication & home appliances.

The financial statements are presented in Sri Lankan Rupees, which is the group’s functional and presentation currency, except for certain subsidiaries and associates whose functional currency is different as they operate in different economic environments.

The notes to the financial statements on pages xx to xx form an integral part of the financial statements.

The significant accounting policies have been discussed below.

## 1.1 GENERAL POLICIES

### 1.1.1 Statement of Compliance

The balance sheet, statement of income, statement of changes in equity and the cash flow statement, together with the accounting policies and notes (the “financial statements”) have been prepared in accordance with the Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Companies Act, No. 7 of 2007.

### 1.1.2 Basis of Preparation

The financial statements, presented in Sri Lanka rupees, have been prepared on an accrual basis and under the historical cost convention unless stated otherwise.

### 1.1.3 Going Concern

The Directors have assessed, and are confident that the Company will be able to continue in operation for the foreseeable future, hence the adoption of going concern assumption in presenting these financial statements.

### 1.1.4 A use of Estimates Judgements and an Assumptions.

The preparation of Group’s consolidated and Company financial statements in conformity with SLAS, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of the asset or liability affected in future periods.

The judgements, estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements, estimates and assumptions about the carrying amount of assets, liabilities and contingent liabilities that are not readily apparent from other sources.

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

Judgements, estimates and assumptions made by management in the application of SLAS that could have a significant effect on the financial statements are mentioned below.

	Policy	Note
Valuation of Property, Plant & Equipment	1.5.1	2
Valuation of Investment Property	1.5.2	3
Deferred tax	1.4.2	5&14
Impairment of Assets	1.5.4	2, 4 & 6
Valuation of Retirement Benefit Obligation	1.6.1	15
Provisions, contingent Assets and Contingent Liabilities	1.6.3	28

### 1.1.5 Comparative Information

The accounting policies applied by the Group are consistent with those used in the previous year. Previous year’s figures and phrases have been re-arranged, wherever necessary, to conform to the current year’s presentation.

### 1.1.6 Events after the Balance Sheet Date

All material post balance sheet events have been considered and appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

## 1.2 CONSOLIDATION POLICY

### 1.2.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, its Subsidiaries and other companies over which it has control. The group’s financial statements comprise consolidated financial statements of the company and the group which have been prepared in compliance with the Group’s accounting policies.

All intra-group balances, income and expenses and profits and losses resulting from Intra Group transactions, are eliminated in full.

### 1.2.2 Acquisitions and Divestments

Acquisitions of subsidiaries are accounted for, using the purchase method of accounting. The results of subsidiaries and associates acquired or incorporated during the year have been included from the date of acquisition, or incorporation while results of subsidiaries and associates disposed have been included up to the date of disposal.

### 1.2.3 Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has the controlling interest.

Subsidiaries are controlled from the date the parent obtains control until the date control ceases.

The Names of the Subsidiary Companies are given in Note 29.

The following subsidiary has been incorporated outside Sri Lanka:

Name	Country of Incorporation
Softlogic Australia Ltd	Australia

The total profits and losses for the period, of the Company and of its subsidiaries included in consolidation and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and balance sheet respectively.

Minority interests which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit or loss for the period in the income statement and as a component of equity in the consolidated balance sheet, separately from parent shareholders' equity.

The consolidated cash flow statement includes the cash flows of the Company and its subsidiaries.

#### 1.2.4 Associates

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are not subsidiaries of the Group.

The group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate.

Associate companies of the Group which have been accounted for under the equity method of accounting are:

Asiri Hospital Holdings PLC  
Abacus International Lanka (Pvt) Ltd  
Gerry's Softlogic (Pvt) Ltd

All associates are incorporated in Sri Lanka, except for Gerry's Softlogic (Pvt) Ltd which is incorporated in Pakistan.

The investments in associates are carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes in the statement of changes in equity.

When the group share of losses in an associate equals or exceeds the interest in the undertaking, the group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the Group.

#### 1.2.5 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

#### 1.2.6 Financial Year

As per the Group policy, results of all associates with alternate year ends are treated as follows:

Associate :

Abacus International Lanka (Pvt) Ltd - 12 month period using the associate's year ended 31.

Gerry's Softlogic (Pvt) Ltd - 12 months period using the Parent's year ended 31 March.

In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

### 1.3 FOREIGN CURRENCY TRANSLATION

#### 1.3.1 Foreign Currency Transactions

The Consolidated financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the entities of the group operate.

All foreign exchange transactions are converted to Sri Lanka Rupees, at the rates of exchange prevailing at the time the transactions are affected.

Monetary assets and liabilities denominated in foreign currency are retranslated to Sri Lankan Rupee equivalents at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the income statement.

#### 1.3.2 Foreign Operations

The balance sheet and income statement of the overseas subsidiary which is deemed to be a foreign operation are translated to Sri Lankan rupees at the rate of exchange prevailing as at the balance sheet date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

## ACCOUNTING POLICIES

The exchange rates applicable during the period were as follows:

	Balance Sheet		Income Statement	
	2009/10 Rs.	2008/09 Rs.	2009/10 Rs.	2008/09 Rs.
Australian Dollar	104.39	78.86	104.42	87.17
Pakistan Rupee	1.35	1.43	1.32	1.49

### 1.4. TAX

#### 1.4.1 Current Tax

Provision for income tax is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provisions of the relevant tax statutes.

#### 1.4.2 Deferred Tax

Deferred taxation is the tax attributable to the temporary difference that arise when taxation authorities recognise and measure assets and liabilities with rules, that differ from those of the consolidated financial statements.

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 liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carried 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, the unused tax credits and unused tax losses can be utilised.

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 profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets & deferred tax liabilities are off set, 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 & the same taxation authority.

Income tax relating to items recognised directly in equity is recognised in equity.

### 1.5 VALUATION OF ASSETS AND THEIR BASES OF MEASUREMENT

#### 1.5.1 Property, Plant and Equipment

##### a) Carrying Value.

Property, Plant and Equipment are stated at cost or fair value less accumulated depreciation and any accumulated impairment in value.

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in

circumstances indicate that the carrying value may not be recoverable.

All items of Property, Plant and Equipment are initially recorded at cost. Where items of Property, Plant & Equipment are subsequently revalued, the entire class of such assets is revalued at fair value. The revaluation of land and buildings are done when there is a substantial difference between the fair value and carrying value of the land and building and is undertaken by professionally qualified valuers.

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

Items of Property, Plant and Equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

##### b) Depreciation

Provision for depreciation is calculated by using a straight-line method 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 economic life of such assets.

The estimated useful life of assets are as follows:

Assets	Years
Buildings	40-50
Plant & Machinery	5-10
Furniture and Fittings	5-10
Equipment	4-10
Motor Vehicles	4-5

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

##### c) Finance Leases

Property, Plant and Equipment on finance leases, which effectively transfer to the Group substantially all the risk and benefits incidental to ownership of the leased items, are capitalised and disclosed as finance leases at their cash price and depreciated over the period the Group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the income statement over the period of lease.

##### d) Operating Leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases.

Lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

### 1.5.2 Investment Property

*Properties held to earn rental income and properties held for capital appreciation has been classified as investments property.*

*Investments Properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the balance sheet date.*

*Gain or losses arising from changes in fair value are included in the income statement in the year in which they arise.*

*Investments Properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.*

*Transfers are made to investment property, when there is a change in use, evidenced by ending of owner- occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties, when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.*

*Where Group companies occupy a significant portion of the investment property of a subsidiary, such investments properties are treated as property plant & equipments in the consolidated financial statements, and accounted for as per SLAS 18 (Revised 2005) Property, Plant & Equipment.*

### 1.5.3 Investments

#### a) Short Term Equity Investments

*The short term investments are carried in the balance sheet at market value.*

#### b) Short Term Investments in Interest Bearing Securities

*Treasury bills and other interest bearing securities held for resale in the near future to benefit from short-term market movements are accounted for at cost plus the relevant proportion of the discounts or premiums.*

#### c) Long Term Investments

*All quoted and unquoted securities, which are held as non-current investments, are valued at cost. The cost of the investment is the cost of acquisition inclusive of brokerage and costs of transaction. The carrying amounts of long term investments are reduced to recognise a decline which is considered other than temporary, in the value of investments, determined on an individual investment basis.*

*In the Company's financial statements, investments in subsidiaries and associate companies have been accounted for at cost, net of any impairment losses which are charged to the income statement. Income from these investments are recognised only to the extent of dividends received.*

### 1.5.4 Impairment of Assets

*The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups 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 assessments of the time value of money and the risks specific to the asset.*

*Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment are recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus.*

*An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Previously recognised impairment losses other than in respect of goodwill, are reversed only if there has been an increase in the recoverable amount of the asset. Such increase is recognised to the extent of the carrying amount had no impairment losses been recognised previously.*

### 1.5.5 Inventories

*Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.*

*The costs incurred in bringing inventories to its present location and condition, are accounted for as follows.*

*Finished goods - at Cost*

### 1.5.6 Trade and Other Receivable

*Trade and other receivable are stated at the amounts they are estimated to realise, net of provisions for bad and doubtful receivables.*

### 1.5.7 Cash and Cash Equivalents

*Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term deposits with a maturity of 3 months or less, net of outstanding bank overdrafts.*

## ACCOUNTING POLICIES

### 1.6 LIABILITIES AND PROVISIONS

#### 1.6.1 Defined Benefit Plan - Gratuity

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date using the Gratuity formula in Appendix E of Sri Lanka Accounting Standard 16 – Employee Benefits (Revised 2006), which is based on the Projected Unit Credit Method as discussed in the said standard.

However, as per the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The Gratuity liability is neither externally funded nor actuarially valued.

#### 1.6.2 Defined Contribution Plan - 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 companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

#### 1.6.3 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the balance sheet date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.

### 1.7 INCOME STATEMENT

#### 1.7.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the

consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Group.

The following specific criteria are used for recognition of revenue:

##### a) Sale of Goods

Revenue from the sale of goods is recognised when significant risk and rewards of ownership of the goods have passed to the buyer with the Group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

##### b) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

#### c) Turnover Based Taxes

Turnover based taxes include Value Added Tax, Economic Service Charge, Turnover Tax (TT) and Nation Building Tax. Companies in the Group pay such taxes in accordance with the respective statutes.

#### 1.7.2 Dividend

Dividend income is recognised when the shareholders' right to receive is established.

#### 1.7.3 Rental Income

Rental income is recognised on an accrual basis over the term of the lease.

#### 1.7.4 Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material are aggregated, reported and presented on a net basis.

#### 1.7.5 Other Income

Other income is recognised on an accrual basis.

#### 1.7.6 Expenditure Recognition

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

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company and Group's performance.

#### 1.7.7 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless they are incurred in respect of qualifying assets in which case it is capitalised.

### 1.8 SEGMENT INFORMATION

#### 1.8.1 Reporting Segments

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risk and return are similar. The primary segments represent this business structure.

#### 1.8.2 Segment Information

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

## 1.9 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

*The following standards have been adopted by the Institute of Chartered Accountants of Sri Lanka and are ineffective for the company's accounting periods on the dates specified below.*

*Sri Lanka Accounting Standard 44 - Financial Instruments; Presentation (SLAS 44) and Sri Lanka Accounting Standard 45- Financial Instruments; Recognition and Measurement (SLAS 45).*

*SLAS 44 and 45 was issued in 2008 and will be effective for financial periods beginning on or after 1 January 2011. accordingly, the Financial Statements for the year ending 31 March 2012 will be required to adopted SLAS 44 and 45.*

*These two standards together provide comprehensive guidance on identification, classification, measurement and presentation of financial instruments (including Derivatives) in to financial assets or liability is recognized intially, the group will measure such financial assets or liability at its fair value plus, transaction costs that are directly attributable to the acquisition or issue of the financial asset, financial liability and subsequently measured either at fair value or amortized cost depending on the categorization of financial assets and financial liabilities.*

*In order to comply with the requirements of these standards, the Company is in process of assessing the effect of adoption of the aforesaid two standards. Dur to the complex nature of the effects of these standards the impact of adoption cannot be estimated as the date of publication of these Financial Statements.*

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

## 2. PROPERTY, PLANT AND EQUIPMENT

### 2.0 Group

In Rs.	Land and Buildings	Buildings on Leasehold Land	Plant and Machinery	Equipment, Furniture and Fittings	Motor Vehicles	Total 2010	Total 2009
<b>Freehold Assets</b>							
<b>Cost or Valuation</b>							
<b>At the beginning of the year</b>	663,351,612	16,374,158	36,032,350	299,991,902	36,346,116	1,052,096,138	1,036,737,050
<i>Additions</i>	-	1,700,000	-	12,581,005	1,828,815	16,109,820	86,557,992
<i>Disposals</i>	(9,796,701)	-	-	(9,118,647)	(2,285,000)	(21,200,348)	(4,711,861)
<i>Transfers</i>	-	-	-	-	12,886,728	12,886,728	(2,740,539)
<i>Reclassified as investment property</i>	-	-	-	-	-	-	(59,000,000)
<i>Revaluations</i>	97,319,227	-	-	-	-	97,319,227	-
<i>Exchange Translation Difference</i>	125,862	-	-	5,300,402	-	5,426,264	(4,746,504)
<b>At the end of the Year</b>	<b>751,000,000</b>	<b>18,074,158</b>	<b>36,032,350</b>	<b>308,754,662</b>	<b>48,776,659</b>	<b>1,162,637,829</b>	<b>1,052,096,138</b>
<b>Leasehold Assets</b>							
<b>Cost</b>							
<b>At the beginning of the year</b>	-	-	-	-	288,644,629	288,644,629	250,696,902
<i>Additions</i>	-	-	-	-	15,065,000	15,065,000	62,462,251
<i>Disposals</i>	-	-	-	-	(23,891,536)	(23,891,536)	(27,255,062)
<i>Transfers</i>	-	-	-	-	(12,886,728)	(12,886,728)	2,740,538
<b>At the end of the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266,931,365</b>	<b>266,931,365</b>	<b>288,644,629</b>
<b>Total Value of Assets</b>	<b>751,000,000</b>	<b>18,074,158</b>	<b>36,032,350</b>	<b>308,754,662</b>	<b>315,708,024</b>	<b>1,429,569,194</b>	<b>1,340,740,767</b>
<b>Freehold Assets</b>							
<b>Accumulated Depreciation</b>							
<b>At the beginning of the year</b>	15,880,585	1,637,415	18,555,893	141,089,959	27,187,232	204,351,084	153,369,786
<i>Charge for the Year</i>	10,056,574	1,729,083	5,163,926	40,843,730	6,011,382	63,804,695	53,412,058
<i>Disposals</i>	(9,326,807)	-	-	(3,562,282)	(2,262,200)	(15,151,289)	(1,247,851)
<i>Transfers</i>	-	-	-	-	11,684,228	11,684,228	(186,125)
<i>Exchange Translation Difference</i>	10,929	-	-	1,367,246	-	1,378,175	(996,784)
<b>At the end of the Year</b>	<b>16,621,281</b>	<b>3,366,498</b>	<b>23,719,819</b>	<b>179,738,653</b>	<b>42,620,642</b>	<b>266,066,893</b>	<b>204,351,084</b>
<b>Leasehold Assets</b>							
<b>Accumulated Depreciation</b>							
<b>At the beginning of the year</b>	-	-	-	-	153,282,167	153,282,167	104,737,066
<i>Charge for the year</i>	-	-	-	-	60,890,936	60,890,936	66,118,085
<i>Disposals</i>	-	-	-	-	(18,775,862)	(18,775,862)	(17,759,109)
<i>Transfers</i>	-	-	-	-	(11,684,228)	(11,684,228)	186,125
<b>At the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,713,013</b>	<b>183,713,013</b>	<b>153,282,167</b>
<b>Total Accumulated Depreciation</b>	<b>16,621,281</b>	<b>3,366,498</b>	<b>23,719,819</b>	<b>179,738,653</b>	<b>226,333,655</b>	<b>449,779,906</b>	<b>357,633,251</b>
<b>Carrying Value</b>							
<b>As at 31 March 2010</b>	<b>734,378,720</b>	<b>14,707,660</b>	<b>12,312,531</b>	<b>129,016,009</b>	<b>89,374,369</b>	<b>979,789,288</b>	<b>-</b>
<i>As at 31 March 2009</i>	<i>647,471,027</i>	<i>14,736,743</i>	<i>17,476,458</i>	<i>158,901,943</i>	<i>144,521,346</i>	<i>-</i>	<i>983,107,516</i>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

### 2. Property, Plant & Equipment

#### 2.1 Company

In Rs.	Furniture and Fittings	Office Equipment	Motor Vehicles	Total 2010	Total 2009
<b>Freehold Assets</b>					
<b>Cost or Valuation</b>					
<b>At the beginning of the year</b>	8,247,843	10,249,877	602,881	19,100,601	17,271,788
<i>Additions</i>	107,114	337,628	-	444,742	1,828,813
<i>Disposals</i>	-	(69,155)	-	(69,155)	-
<i>Transfers</i>	-	-	6,191,304	6,191,304	-
<b>At the end of the year</b>	<b>8,354,957</b>	<b>10,518,350</b>	<b>6,794,185</b>	<b>25,667,492</b>	<b>19,100,601</b>
<b>Leasehold Assets</b>					
<b>Cost</b>					
<b>At the beginning of the year</b>	-	-	217,437,218	217,437,218	203,628,024
<i>Additions</i>	-	-	-	-	37,404,501
<i>Disposals</i>	-	-	(14,399,475)	(14,399,475)	(23,595,307)
<i>Transfers</i>	-	-	(6,191,304)	(6,191,304)	-
<b>At the end of the year</b>	<b>-</b>	<b>-</b>	<b>196,846,439</b>	<b>196,846,439</b>	<b>217,437,218</b>
<b>Total Value of Assets</b>	<b>8,354,957</b>	<b>10,518,350</b>	<b>203,640,624</b>	<b>222,513,931</b>	<b>236,537,819</b>
<b>Freehold Assets</b>					
<b>Accumulated Depreciation</b>					
<b>At the beginning of the year</b>	2,490,484	4,577,961	446,279	7,514,724	5,606,404
<i>Charge for the year</i>	824,057	1,037,404	107,114	1,968,575	1,908,320
<i>Disposals</i>	-	(20,496)	-	(20,496)	(23,595,307)
<i>Transfers</i>	-	-	6,191,304	6,191,304	-
<b>At the end of the year</b>	<b>3,314,541</b>	<b>5,594,869</b>	<b>6,744,697</b>	<b>15,654,107</b>	<b>(16,080,583)</b>
<b>Leasehold Assets</b>					
<b>Accumulated Depreciation</b>					
<b>At the beginning of the year</b>	-	-	117,087,170	117,087,170	80,237,766
<i>Charge for the year</i>	-	-	48,030,854	48,030,854	51,843,520
<i>Disposal</i>	-	-	(13,934,383)	(13,934,383)	(14,994,116)
<i>Transfers</i>	-	-	(6,191,304)	(6,191,304)	-
<b>At the end of the year</b>	<b>-</b>	<b>-</b>	<b>144,992,337</b>	<b>144,992,337</b>	<b>117,087,170</b>
<b>Total Accumulated Depreciation</b>	<b>3,314,541</b>	<b>5,594,869</b>	<b>151,737,034</b>	<b>160,646,444</b>	<b>101,006,587</b>
<b>Carrying Value</b>					
<b>As at 31 March 2010</b>	<b>5,040,416</b>	<b>4,923,481</b>	<b>51,903,590</b>	<b>61,867,487</b>	
<i>As at 31 March 2009</i>	<i>5,757,359</i>	<i>5,671,916</i>	<i>100,506,650</i>	<i>-</i>	<i>111,935,925</i>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

In Rs.	Group		Company	
	2010	2009	2010	2009
<b>2.2 Land and Building</b>				
At Cost	14,707,660	14,736,743	-	-
At Valuation	734,378,720	647,471,027	-	-
<b>Net Book Value</b>	<b>749,086,380</b>	<b>662,207,770</b>	<b>-</b>	<b>-</b>
<b>2.3 Carrying Value</b>				
At Cost	162,192,216	200,274,027	10,013,385	11,585,877
At Valuation	734,378,720	647,471,027	-	-
On Finance Lease	83,218,352	135,362,462	51,854,102	100,350,048
<b>Net Book Value</b>	<b>979,789,288</b>	<b>983,107,516</b>	<b>61,867,487</b>	<b>111,935,925</b>

2.4 Details of group's land and buildings stated at valuations are indicated below.

Property	Method of Valuation	Effective Date of Valuation	Property Valuer
<b>Softlogic Holdings Ltd</b>			
Land	Market Value	05.03.2010	R.S. Wijesuriya (Incorporated Valuer)
<b>Softlogic Trading (Pvt) Ltd</b>			
Building	Market Value	08.03.2010	R.S. Wijesuriya (Incorporated Valuer)
<b>Uni Walkers (Pvt) Ltd</b>			
Land and Building	Market Value	08.03.2010	R.S. Wijesuriya (Incorporated Valuer)

As a result of the valuation of the Land and Buildings of Softlogic Holdings Group, the surplus arising from the change in fair value amounting to Rs. 97.3 Mn (2009 Rs. Nil) has been credited to the Revaluation Reserves.

### 3. INVESTMENT PROPERTY

In Rs.	Group		Company	
	2010	2009	2010	2009
<b>At the beginning of the year</b>	554,995,000	495,995,000	125,700,000	125,700,000
Change in fair value during the year	280,000	-	-	-
Reclassified from Property, Plant & Equipment	-	59,000,000	-	-
<b>At the end of the year</b>	<b>555,275,000</b>	<b>554,995,000</b>	<b>125,700,000</b>	<b>125,700,000</b>

3.1 Investment properties are stated at fair value, which has been determined based on valuation performed by Mr. R. S. Wijesuriya (Incorporated Valuer) on the basis of open market value, supported by market evidence as at 31.03.2010. Details of which are as follows

#### Group

Location	Extent	Effective Date of Valuation	Valuation
<b>Softlogic Properties (Pvt) Ltd</b>			
Land	2R 28.51 P	08.03.2010	495,995,000
<b>Uni Walkers (Pvt) Limited</b>			
Land	18A 2R 4P	08.03.2010	59,280,000

#### Company

Location	Extent	Effective Date of Valuation	Valuation
Land, No.14. De Fonseka Place, Colombo 05.	22.45 P	05.03.2010	125,700,000

Rental income earned from Investment Property by the Group and Company amounts to Rs.7,125,000/- (2009 Rs. 5,850,000/-) and Rs.600,000/- (2009 -Rs.600,000/-) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

### 4. INVESTMENTS

In Rs.	Notes	Group		Company	
		2010	2009	2010	2009
<b>4.1 Investments in Subsidiaries</b>					
<i>Investment Consolidated</i>					
Unquoted	(4.2)	-	-	645,974,725	645,974,725
<i>Investment not Consolidated</i>					
Unquoted	(4.3)	-	5,000,000	-	-
	-	-	5,000,000	645,974,725	645,974,725
<i>Investments in Associates</i>	(4.4)	1,758,915,257	1,713,152,583	1,128,019,375	1,127,786,729
<b>Other Investments</b>					
Quoted	(4.6)	417,564	315,424	-	-
<i>Other Fixed Investments</i>	(4.7)	5,500,000	24,165,512	5,000,000	10,000,000
		5,917,564	24,480,936	5,000,000	10,000,000
		1,764,832,821	1,742,633,519	1,778,994,100	1,783,761,454
<b>4.2 Group unquoted investments in subsidiaries</b>	<b>Holding %</b>				
<i>Softlogic Computers (Pvt) Ltd.</i>	100	1,999,990	1,999,990	1,999,990	1,999,990
<i>Softlogic Communications (Pvt) Ltd.</i>	99	3,465,990	3,465,990	3,465,990	3,465,990
<i>Softlogic International (Pvt) Ltd.</i>	100	49,999,990	49,999,990	49,999,990	49,999,990
<i>Softlogic Solar (Pvt) Ltd.</i>	99	990	990	-	-
<i>Softlogic Furniture (Pvt) Ltd.</i>	99	15,840,990	15,840,990	15,840,990	15,840,990
<i>Softlogic Trading (Pvt) Ltd.</i>	100	13,649,980	13,649,980	13,649,980	13,649,980
<i>Softlogic Information Systems (Pvt) Ltd.</i>	100	1,249,990	1,249,990	1,249,990	1,249,990
<i>Softlogic Properties (Pvt) Ltd.</i>	99	990	990	990	990
<i>Softlogic Australia Pty Ltd.</i>	100	4,604,600	4,604,600	4,604,600	4,604,600
<i>Uni Walkers (Pvt) Ltd.</i>	100	555,162,205	555,162,205	555,162,205	555,162,205
<i>Uni Walkers Distributors (Pvt) Ltd.</i>	100	2,499,980	2,499,980	-	-
<i>Dai Nishi Securities (Pvt) Ltd.</i>	100	-	-	-	-
		648,475,695	648,475,695	645,974,725	645,974,725

The Directors' valuation of unquoted investments amount to Rs. 648,475,695/- (2009- Rs. 648,475,695/-) and Rs. 645,974,725/- (2009 -Rs. 645,974,725/-) for the group and company respectively.

<b>4.3 Investments in subsidiaries not consolidated</b>	<b>Holding %</b>				
<i>Softshoe Lanka (Pvt) Limited</i>	63	-	5,000,000	-	-

The Directors' valuation of unquoted unconsolidated subsidiaries amounts to Rs. Nil (2009 - Rs. 5,000,000/-) for the group.

### 4.4 Investments in Associate Companies

<b>Quoted</b>					
<i>Asiri Hospital Holdings PLC</i>		1,223,736,139	1,159,198,593	880,527,516	880,527,516
<i>Asiri Surgical Hospital PLC</i>		204,449,142	204,359,101	5,509,557	5,509,557
<i>Asiri Central Hospital PLC</i>		233,773,679	233,541,033	225,832,502	225,599,856
<b>Non Quoted</b>					
<i>Abacus International Lanka (Pvt) Limited</i>		24,108,550	18,542,690	9,750,000	9,750,000
<i>Gery's Softlogic (Pvt) Limited</i>		27,407,760	59,874,219	6,399,800	6,399,800
<i>Profit accruing to the Group</i>		71,120,500	18,882,502	-	-
<i>Share of associate companies tax</i>		(32,271,768)	(14,221,947)	-	-
<i>Share of associate companies dividend</i>		(29,701,462)	(40,529,543)	-	-
<i>Adjustments on account of associate company share of net assets</i>		36,292,717	73,505,935	-	-
		1,758,915,257	1,713,152,583	1,128,019,375	1,127,786,729

Market value of quoted associate investment amounts to Rs.2,650,891,870/- (2009- Rs 1,607,209,546/-) and Rs.1,886,591,918/- (2009 - Rs 1,135,046,426/-) for the Group & Company respectively. The Directors' valuation of unquoted associate investments amounts to Rs. 30,533,452/- (2009 - Rs 51,516,310/-) and Rs 16,149,800/- (2009 - Rs 16,149,800/-) for the Group and Company respectively.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

### 4.5 Summarised financial information of Associate Companies

Group share of ;	2010	2009
Revenue	821,810,957	731,778,915
Operating Expenses	(697,721,105)	(649,871,536)
Finance Expenses	(85,241,120)	(77,246,825)
<b>Profit for the Year</b>	<b>38,848,732</b>	<b>4,660,555</b>
<b>Group share of;</b>		
Total Assets	3,552,976,525	2,734,061,896
Total Liabilities	(2,609,559,567)	(1,822,479,727)
<b>Net Assets</b>	<b>943,416,958</b>	<b>911,582,169</b>
Goodwill	799,594,607	799,594,607
Unrealised Profits	(2,409,609)	(1,844,361)
Consolidation Adjustment	18,313,301	3,820,168
	<b>1,758,915,257</b>	<b>1,713,152,583</b>
Contingent Liabilities	-	-
Capital Commitments	-	-

### 4.6 Other Quoted Investments

In Rs.	Group		Company	
	2010	2009	2010	2009
Gocorp Ltd - Australia	417,564	315,424	-	-
	<b>417,564</b>	<b>315,424</b>	<b>-</b>	<b>-</b>

Market value of other quoted investment amounts Rs.417,564/- (2009 - Rs.315,424/-) for the Group.

### 4.7 Other Fixed Investments

In Rs.	Group		Company	
	2010	2009	2010	2009
<b>Debentures</b>				
<b>Quoted</b>				
Seylan Bank PLC	500,000	12,000,000	-	5,000,000
LB Finance PLC	5,000,000	5,000,000	5,000,000	5,000,000
Treasury Bonds	-	7,165,512	-	-
	<b>5,500,000</b>	<b>24,165,512</b>	<b>5,000,000</b>	<b>10,000,000</b>

Market value of these Quoted Debenture Investments were Rs. 5,500,000/- (2009 - Rs.16,760,000/-) and Rs. 5,000,000/- (2009 - Rs.9,900,000/-) for the Group and Company respectively. The directors' valuation of investments in Treasury bonds were Nil (2009 - Rs.7,165,512/-) for the group.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

### 5. DEFERRED TAX ASSETS

In Rs.	Group		Company	
	2010	2009	2010	2009
<b>At the beginning of the year</b>	26,299,737	17,463,041	-	-
<i>Increase/(Decrease) in Assets</i>	(658,810)	8,836,697	-	-
<b>At the end of the year</b>	25,640,927	26,299,738	-	-

### 6 GOODWILL

In Rs.	Group	
	2010	2009
<b>At the beginning of the year</b>	759,746,445	759,746,445
<i>Impairment</i>	-	-
<b>Net carrying value</b>	759,746,445	759,746,445

Goodwill acquired through business combinations have been allocated to four cash generating units (CGU's) as follows:

In Rs.	2010	2009
Uni Walkers (Pvt) Ltd	739,823,004	739,823,004
Softlogic Information Systems (Pvt) Ltd	14,086,631	14,086,631
Softlogic Solar (Pvt) Ltd	3,043,997	3,043,997
Softlogic Furniture (Pvt) Ltd	2,792,813	2,792,813
	759,746,445	759,746,445

The recoverable amount of all CGUs have been determined based on the Value in Use (VIU) calculation. VIU was determined by discounting the future cash flows generated from the continuing use of the unit. The key assumptions used are given below:

Business Growth	- Based on historical growth rate and business plans. Cash flows beyond the five year period are extrapolated using zero growth rate.
Inflation	- Based on prevailing inflation rate and projected economic conditions
Discount rate	- Weighted Average Cost of Capital; 13%
Margin	- Based on current margin and business plans

### 7. INVENTORIES

In Rs.	Group		Company	
	2010	2009	2010	2009
Finished Goods	861,503,408	741,645,003	-	-
Other Stocks	13,919,841	13,264,511	-	-
	875,423,249	754,909,514	-	-

### 8. TRADE AND OTHER RECEIVABLES

In Rs.	Group		Company	
	2010	2009	2010	2009
Trade Receivables	948,413,645	710,583,192	93,838,314	51,115,367
Prepayments & Refundable Deposits	335,171,997	157,747,823	-	-
Tax Refunds	25,358,941	12,901,851	2,514,227	2,282,736
Loans to Executives	951,657	974,650	920,657	943,650
Share Application Money receivable	25,371,936	-	25,371,936	-
Other Receivables	168,421,846	153,450,739	14,424,036	10,949,550
	1,503,690,022	1,035,658,255	137,069,170	65,291,303

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

### 9. AMOUNTS DUE TO RELATED PARTIES

In Rs.	Notes	Group		Company	
		2010	2009	2010	2009
Softlogic Computers (Pvt) Ltd.		-	-	189,017	7,287,672
Gerry's Softlogic (Pvt) Ltd		14,883,732	14,975,272	14,883,732	15,772,204
Softlogic Solar (Pvt) Ltd.		-	-	-	5,108,345
Softlogic Furniture (Pvt) Ltd.		-	-	1,453,969	1,282,899
Softlogic Information Systems (Pvt) Ltd.		-	-	41,908,753	39,086,414
Softlogic Properties (Pvt) Ltd.		-	-	2,166,732	1,863,676
Softlogic Australia Pty Ltd.		-	-	159,810,457	101,231,545
Abacus International Lanka (Pvt) Ltd		23,828	-	23,828	-
Loans To Related Parties - Softlogic Properties (Pvt) Ltd		-	-	237,044,175	237,044,175
Softshoe Lanka (Pvt) Ltd		-	8,929,289	-	-
Less : Provision for Doubtful Debts		-	-	-	(4,021,949)
		14,907,560	23,904,561	457,480,663	404,654,981

### 10. SHORT TERM INVESTMENTS

In Rs.	Group		Company	
	2010	2009	2010	2009
<b>Quoted Investments</b>				
ACL Cables PLC	9,900	3,201	-	-
Browns & Company PLC	-	20,435,391	-	20,435,388
Colombo Fort Land & Building Co. PLC	1,554,450	439,825	-	-
Dankotuwa Porcelain PLC	525,000	250,000	-	-
DFCC Bank	16,732	8,407	-	-
Eden Hotels Lanka PLC	22,640	3,435,823	-	-
John Keells Holdings PLC	11,086,184	8,534,052	11,040,000	8,439,875
John Keells Hotels PLC	24,661	-	24,661	-
Lanka IOC PLC	2,921,825	5,811,200	2,921,825	5,811,200
Lanka Tiles PLC	70,025	22,743	-	-
Pan Asia Banking Corporation PLC	9,688,125	-	9,688,125	-
Renuka City Hotels	12,050	3,900	-	-
Richard Peiris & Co PLC	770	350	-	-
Richard Peiris Export PLC	5,300	1,350	-	-
Seylan Bank PLC	37,092,388	43,258,600	37,092,388	43,203,600
Tokyo Cement Co Lanka PLC- Non Voting	1,860,200	-	1,860,200	-
Vanik Incorporation PLC	800	800	-	-
Taj Lanka Hotels PLC	-	13,072,000	-	522,500
Nation Trusts Bank PLC	-	460,250	-	460,250
Hotel Developers (Lanka) PLC	-	943,750	-	-
	64,891,050	96,681,642	62,627,199	78,872,813

Market value of quoted short term investments were Rs. 64,891,050/- (2009 - Rs.96,681,642/-) and Rs.62,627,199/- (2009 - Rs. 78,872,813/-) for the Group and Company respectively.

#### Non Quoted Investments

Voyages Jean Mermoz Ltd.	10,000	10,000	-	-
Ceylon Textile Manufactures Ltd.	207,000	207,000	-	-
Investment - Others	286,050	286,050	-	-
	503,050	503,050	-	-

The directors' valuation of non quoted investments amount to Rs. 503,050/- (2009 - Rs. 503,050/-) for the Group.

In Rs.	Group		Company	
	2010	2009	2010	2009
<b>Other Investments</b>				
Treasury Bill	31,427,378	4,928,194	-	-
Fixed Deposits	-	9,124,021	-	-
Treasury Bond	8,823,729	-	-	-
	40,251,107	14,052,215	-	-

The directors' valuation of other investments amount to Rs. 40,251,107/- (2009 - Rs. 14,052,215/-) for the Group.

<b>Total Short Term Investments</b>	<b>105,645,207</b>	<b>111,236,907</b>	<b>62,627,199</b>	<b>78,872,813</b>
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## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

### 11. STATED CAPITAL

	2010		2009	
	Number of Shares	Value of Shares In Rs.	Number of Shares	Value of Shares In Rs.
<b>Fully Paid Ordinary Shares</b>				
At the beginning of the period	5,000,000	50,000,000	5,000,000	50,000,000
Share Sub-division	45,000,000	-	-	-
Issue of Shares for Cash Consideration	12,973,000	934,056,000	-	-
	62,973,000	984,056,000	5,000,000	50,000,000

The Board of Directors of the Company at a meeting held on 15 January 2010 resolved to recommend to the shareholders the sub-division (splitting) of the existing 5,000,000 ordinary shares of the Company, without any change to the stated capital of the company amounting to Rs. 50,000,000/-. The approval from the shareholders was obtained at the Extraordinary General Meeting held on 15 January 2010 for the said purpose of sub dividing each existing share to 10 shares. Upon the aforesaid sub-division, the resulting number of Shares were 50,000,000. Shareholders in effect received ten shares for each share held by them. Sub divided ordinary shares rank pari-pasu in respect of voting and other rights attached with the ordinary shares that are being sub divided.

### 12. CAPITAL RESERVES

In Rs.	Group		Company	
	2010	2009	2010	2009
Revaluation Reserve	628,105,194	530,785,967	-	-
Exchange Translation Reserve	(37,180,342)	5,403,454	-	-
	590,924,852	536,189,421	-	-

### 13. INTEREST BEARING BORROWINGS

In Rs.	2010			2009		
	Finance Lease	Loans	Total	Finance Lease	Loans	Total
<b>13.1 Movement</b>						
<b>Group</b>						
At the beginning of the year	193,325,445	1,236,356,909	1,429,682,354	186,444,039	1,179,104,695	1,365,548,734
Additions	20,057,194	585,892,063	605,949,257	88,103,161	2,098,408,216	2,186,511,374
Loans Rescheduled	-	70,419,205	70,419,205	-	-	-
Repayments	(91,242,326)	(607,041,301)	(698,283,627)	(81,221,755)	(2,041,156,002)	(2,122,377,757)
Finance Charges	(20,076,581)	-	(20,076,581)	(35,759,527)	-	(35,759,527)
<b>At the end of the year</b>	<b>102,063,732</b>	<b>1,285,626,876</b>	<b>1,387,690,608</b>	<b>157,565,918</b>	<b>1,236,356,909</b>	<b>1,393,922,827</b>
Repayable within one year	52,157,617	663,240,032	715,397,649	76,150,246	849,771,311	925,921,557
Repayable after one year	49,906,115	622,386,844	672,292,959	81,415,672	386,585,598	468,001,270
	102,063,732	1,285,626,876	1,387,690,608	157,565,918	1,236,356,909	1,393,922,827
<b>Company</b>						
At the beginning of the year	150,694,467	331,770,708	482,465,175	157,794,691	459,524,502	617,319,193
Additions	-	80,351,000	80,351,000	57,593,965	30,000,000	87,593,965
Loan Rescheduled	-	70,419,205	70,419,205	-	-	-
Repayments	(64,316,402)	(79,007,129)	(143,323,531)	(64,694,189)	(157,753,793)	(222,447,982)
Finance Charges	(12,631,296)	-	(12,631,296)	(28,101,818)	-	(28,101,818)
<b>At the end of the year</b>	<b>73,746,769</b>	<b>403,533,784</b>	<b>477,280,553</b>	<b>122,592,649</b>	<b>331,770,709</b>	<b>454,363,358</b>
Repayable within one year	39,515,967	161,719,471	201,235,438	55,370,294	108,491,540	163,861,834
Repayable after one year	34,230,802	241,814,313	276,045,115	67,222,355	223,279,169	290,501,524
	73,746,769	403,533,784	477,280,553	122,592,649	331,770,709	454,363,358

\* Refer Page xx, xx, xx & xx for details of Interest Bearing Borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

### 14. DEFERRED TAX LIABILITIES

In Rs	Group		Company	
	2010	2009	2010	2009
<b>At the beginning of the Year</b>	56,021,223	53,281,243	-	-
Charge / (Reversals)	962,442	2,739,980	-	-
<b>At the end of the Year</b>	56,983,666	56,021,223	-	-

### 15. RETIREMENT BENEFIT OBLIGATIONS

In Rs	Group		Company	
	2010	2009	2010	2009
<b>At the beginning of the year</b>	49,485,863	39,623,571	6,199,860	5,428,091
Charge	8,419,004	9,299,348	882,868	831,893
Interest Cost	3,780,040	1,876,579	470,669	512,696
Transfers from/(to) Related Companies	-	-	-	(98,582)
Deficit/(Surplus) Charged	(5,519,570)	2,497,442	(497,869)	(412,988)
Payments	(3,504,060)	(5,742,429)	(56,500)	(61,250)
Exchange Translation Difference	(35,519)	1,931,352	-	-
<b>At the end of the Year</b>	52,625,758	49,485,863	6,999,028	6,199,860

The Retirement Benefit Liability of all companies in the group are based on the gratuity formula in Appendix E of SLAS 16 - Employee Benefits.

Discount rate

8%

Future salary increases

8%

### 16. TRADE AND OTHER PAYABLES

In Rs	Group		Company	
	2010	2009	2010	2009
Trade Payables	350,099,448	494,360,044	-	-
Advances and Deposits	8,887,279	7,321,419	1,650,000	2,172,000
Sundry Creditors including Accrued Expenses	259,412,590	273,764,468	23,137,207	9,336,371
Other Payables	43,648,887	137,405,218	(40,693)	479,098
	662,048,204	912,851,149	24,746,514	11,987,469

### 17. AMOUNT DUE TO RELATED PARTIES

In Rs	Group		Company	
	2010	2009	2010	2009
Softlogic Trading (Pvt) Limited	-	-	165,496,475	374,818,537
Softlogic Communications (Pvt) Limited	-	-	417,273,954	609,386,250
Softlogic International (Pvt) Limited	-	-	87,789,812	371,335,970
Uniwalkers (pvt) Ltd	-	-	17,376,148	43,023,538
Softshoe Lanka (pvt) Ltd	-	5,190,515	-	-
	-	5,190,515	687,936,389	1,398,564,295

### 18. SHORT TERM BORROWINGS

In Rs	Group		Company	
	2010	2009	2010	2009
Loans	1,824,963,510	1,865,017,378	193,456,549	241,744,267
	1,824,963,510	1,865,017,378	193,456,549	241,744,267

\* Refer Page Nxxx for details of Short Term Borrowings

### 19. INCOME TAX LIABILITIES

In Rs	Group		Company	
	2010	2009	2010	2009
<b>At the beginning of the Year</b>	7,949,411	10,636,751	-	-
Provision	62,626,836	55,369,605	-	-
Payments and set off against Refunds	(57,238,274)	(58,056,945)	-	-
<b>At the end of the Year</b>	13,337,973	7,949,411	-	-

For the Year ended 31 March

## 20. REVENUE

In Rs	Group		Company	
	2010	2009	2010	2009
Gross Revenue	4,891,057,914	5,689,882,783	121,669,087	113,628,820
Turnover Tax	(42,249,294)	(58,662,833)	-	-
Net Revenue	4,848,808,620	5,631,219,950	121,669,087	113,628,820

## 21. DIVIDEND INCOME

In Rs	Group		Company	
	2010	2009	2010	2009
Income from Investment in Related Parties	-	-	24,246,694	26,902,253
Income from Other Investments	68,321	4,133,101	-	-
	68,321	4,133,101	24,246,694	26,902,253

## 22. OTHER OPERATING INCOME

In Rs	Group		Company	
	2010	2009	2010	2009
Interest Income	12,939,064	14,282,406	2,319,821	1,452,073
Profit on Sale of Property, Plant & Equipment	8,306,902	24,096,371	5,174,000	18,349,409
Profit on Sale of Other Investments	29,384,693	3,364,296	29,384,693	3,140,343
Exchange Gain / (Loss)	98,928,906	52,315,069	32,322,617	(27,802,895)
Fees Received from foreign currency	78,686,290	3,785,626	-	-
Commission Income	21,844,772	38,383,876	3,886,166	-
Warranty Charges	-	51,758,281	-	-
Sundry Income	163,806,255	130,943,563	26,254,822	5,545,000
Negative Goodwill	-	975,246	-	-
	413,896,882	319,904,734	99,342,119	683,930

## 23. FINANCE EXPENSES

In Rs	Group		Company	
	2010	2009	2010	2009
Bank Loan Interest	333,782,234	300,367,311	123,097,255	117,398,253
Lease Interest	5,803,514	7,064,754	-	-
Bank Charges and Debit Tax	25,586,690	16,114,289	-	-
Over Draft Interest	109,202,869	145,088,983	70,256,521	79,878,700
Interest on Import Loans & Margin Loans	305,074,013	415,701,389	-	-
Factoring Charges	2,838,305	9,685,245	-	-
	782,287,625	894,021,971	193,353,776	197,276,953

## 24. PROFIT/(LOSS) BEFORE TAX

In Rs	Group		Company	
	2010	2009	2010	2009
Profit/(Loss) before tax is stated after charging all expenses including the followings				
Directors' Emoluments Including Incentives	29,031,788	24,702,800	2,792,076	3,444,986
Auditors Fees & Other Expenses	1,909,308	1,406,302	770,208	144,020
Non Audit Fees and Expenses	89,280	691,455	89,280	691,455
Cost of Defined Employee Benefits				
- Defined Benefit Plan Cost	6,679,474	13,673,369	855,668	931,601
- Defined Contribution Plan Cost - EPF/ETF	32,148,405	29,811,213	2,914,000	1,796,650
Staff Expenses	247,890,559	228,893,894	21,444,863	21,382,987
Depreciation	124,695,631	119,530,143	49,999,429	53,751,840
Exchange Gain / (Loss)	98,928,906	52,315,069	32,322,617	(27,802,895)
Donations	395,659	336,118	53,072	16,000

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March

### 25. TAX EXPENSE

In Rs		Group		Company	
		2010	2009	2010	2009
Income Tax Expense	(25.1)	97,220,693	75,484,185	535,666	2,141,093
Deferred Tax Expense	(25.2)	1,621,252	(6,096,717)	-	-
		98,841,945	69,387,468	535,666	2,141,093
<b>25.1 Income Tax Expense</b>					
Income Tax Expense Parent & Subsidiaries		62,626,836	55,369,606	535,666	2,141,093
Income Tax Expense - Associates		32,271,768	14,221,947	-	-
WHT on Inter Company Dividends		2,322,089	2,427,632	-	-
Other Consolidation Adjustments		-	3,465,000	-	-
		97,220,693	75,484,185	535,666	2,141,093
<b>25.2 Deferred Tax Expense</b>					
Charge to Deferred Tax Liability		962,442	2,739,980	-	-
Charge/(Credit) to Deferred Tax Asset		658,810	(8,836,697)	-	-
		1,621,252	(6,096,717)	-	-

### 26. EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue

Note	Group	
	2010	2009
<b>26.1 Basic Earnings per Share</b>		
Profit attributable to equity holders of the parent	154,116,859	68,731,639
Weighted average number of ordinary shares	(26.2) 50,000,000	50,000,000
Basic earnings per share	3.08	1.37
<b>26.2 Amounts Used as Denominator</b>		
Ordinary shares at the beginning of the year	5,000,000	5,000,000
Effect of share sub-division	45,000,000	45,000,000
Ordinary shares at the end of the year	50,000,000	50,000,000



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

### 28. COMMITMENTS AND CONTINGENCIES

There were no material Commitments and Contingencies as at the balance sheet date that require adjustments to or disclosure in the financial statements

### 29. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

Related Entities	Relationship	Gross Holdings	Country of Incorporation
Softlogic Computers (Pvt) Limited	Subsidiary	100%	Sri Lanka
Softlogic Communications (Pvt) Limited	Subsidiary	99%	Sri Lanka
Softlogic International (Pvt) Limited	Subsidiary	100%	Sri Lanka
Softlogic Solar (Pvt) Limited	Subsidiary	99%	Sri Lanka
Softlogic Furniture (Pvt) Limited	Subsidiary	99%	Sri Lanka
Softlogic Trading (Pvt) Limited	Subsidiary	100%	Sri Lanka
Softlogic Australia Pty Limited	Subsidiary	100%	Australia
Softlogic Information Systems (Pvt) Limited	Subsidiary	100%	Sri Lanka
Softlogic Properties (Pvt) Limited	Subsidiary	99%	Sri Lanka
UniWalkers (Pvt) Limited	Subsidiary	100%	Sri Lanka
UniWalkers Distributors (Pvt) Limited	Subsidiary	100%	Sri Lanka
Dai Nishi Securities (Pvt) Limited	Subsidiary	100%	Sri Lanka
Uni Dil (Pvt) Limited	Subsidiary	100%	Sri Lanka
Asiri Hospital Holdings PLC	Associate	26%	Sri Lanka
Abacus International Lanka (Pvt) Limited	Associate	40%	Sri Lanka
Gerry's Soflogic (Pvt) Limited	Associate	40%	Pakistan

Key Management Personnel of the Company

The Key Management personnel of the Company are the members of its Board of Directors Softlogic Holdings Ltd and its subsidiary companies

Mr. A.K Pathirage  
 Mr. Hemantha Gunawardena  
 Mr. Ranjan Janaka Perera  
 Mr. H.K Kaimal  
 Mr. R. Rasool  
 Mr. S.A.Rajapaksha  
 Mr. S.Selliah

## For the year ended 31 March

### 30.1 Transactions with the Related Entities - Company

In Rs	Fellow Subsidiaries		Associates		Total	
	2010	2009	2010	2009	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Nature of Transaction</i>						
Management and Hiring Fees Received	105,672,762	104,097,120	11,196,325	9,531,700	116,869,087	113,628,820
Dividend Received	534,600	-	23,561,994	25,203,461	24,096,594	25,203,461
settle of liabilities on behalf of the company	-	145,275,264	-	-	-	145,275,264
Fund transfer to purchase shares	560,000	32,023,929	-	-	560,000	32,023,929
Guarantees given / (Guarantees taken)	(229,000,000)	422,500,000	-	-	(229,000,000)	422,500,000
Rent income Received	600,000	600,000	-	-	600,000	600,000

In Rs	A associate		Total	
	2010	2009	2010	2009
	Rs.	Rs.	Rs.	Rs.

### 30.2 Transactions with the Related Entities - Group

<i>Nature of Transaction</i>						
Management and Hiring Fees Received			11,196,325	9,531,700	11,196,325	9,531,700
Dividend Received			23,561,994	38,101,911	23,561,994	38,101,911
Purchase of Goods			26,853,870	24,382,428	26,853,870	24,382,428

Outstanding amounts due to related parties and due to related parties are disclosed in note 9 & 17

### 30.3 Transactions with Key Management Personnel of the Company

#### a) Key Management Personnel Compensation

Key management personnel include members of the board of Directors of Softlogic Holdings Ltd and its subsidiary Companies.

Rs.	Group		Company	
	Rs. 2010	Rs. 2009	Rs. 2010	Rs. 2009
Short-term Employee Benefits	29,031,788	24,702,800	2,792,976	3,444,986
	29,031,788	24,702,800	2,792,976	3,444,986

#### b) Other Transactions with Key Management Personnel

The Board of Directors has given Rs1274 Mn and Rs330Mn personal guarantees on behalf of the Group and Company respectively

	Group		Company	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
<b>30.4 Amount Due from Directors</b>	26,080,621	9,609,588	-	169,125
<b>30.5 Amount Due to Directors</b>	5,814,471	4,462,917	3,158,792	4,327,917

### 30.6 Written back of Intercompany Balances

The Board of Directors of Softlogic International (Pvt) Ltd and Board of Directors of Softlogic Holdings Ltd have resolved to write off Rs.33,091,964/- and Rs5,000,000/- amount due from Softlogic Holdings (Pvt) Ltd & Softlogic Computers (Pvt) Ltd respectively

30.7 The Board of Directors of Softlogic Properties(Pvt) Ltd (SPL) has resolved to vest the rent income earned from property owned by SPL to Softlogic Holdings Ltd amounting to Rs.6,150,000/- (2009 - Rs. 4,875,000/-).

## 31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements other than the followings;

31.1 The Company acquired 14,071,403 shares (51.72% stake) of Capital Reach Holdings Ltd for a consideration of Rs. 274,392,358/- as of 15 September 2010.

As at 31 March

**13. INTEREST BEARING BORROWINGS (Cont....)**

**13.2 Details of Interest Bearing Borrowings**

Company	Lending Institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance		Security
					2010 Rs.	2009 Rs.	
Softlogic Holdings Ltd	Seylan Bank PLC	Term Loan	20% p.a	36 monthly installments Commencing from June 2006	35,855,560	51,196,726	a) Primary Mortgage bond for Rs. 150 Mn over property situated at Dharmapala Mw, Colombo 3. b) Additional Mortgage for Rs. 322.5 Mn Over the aforesaid property. c) Personal Guarantee of the Directors of Rs. 150 Mn
	Seylan Bank PLC	Term Loan	20% p.a	47 monthly installments Commencing from February 2007	24,400,000	47,500,000	d) Primary Concurrent Mortgage for Rs. 70 Mn over Property at No. 14 and 14B De Fonseka Place, Colombo 05. e) Personal Guarantee of Mr. Ashok Pathirage Rs. 30M, supported by a concurrent mortgage for Rs. 30 Mn over the above Property, (concurrent with Commercial Bank of Ceylon PLC) f) Mortgage and Power of Attorney over 5,518,046 shares of Asiri Hospital PLC
	Seylan Bank PLC	Term Loan	20% p.a	48 monthly installments Commencing From Feb 2007			g) Corporate Guarantee of Softlogic International (Pvt) Ltd and Softlogic Communications (Pvt) Ltd for Rs. 350 Mn
	Seylan Bank PLC	Term Loan	20% p.a	36 monthly installments Commencing from 27/12/2008	20,504,019	28,234,981	
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR+3%	47 monthly installments Commencing from March 2007	86,880,000	94,570,000	a) Primary Concurrent Mortgage for Rs. 200Mn (Commercial Bank's interest Rs. 130Mn) Over Land and Building at No. 14 and 14B De Fonseka Place, Colombo 05.
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR+3%	47 monthly installments Commencing from March 2007			b) Secondary Concurrent Mortgage for Rs. 80Mn (Commercial Bank's interest Rs. 50 Mn) over Land and Building at No. 14, 14B De Fonseka Place Colombo 05.
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR+1.5%	47 monthly installments Commencing from December 2007	51,752,000	55,588,000	c) Personal Guarantee of Mr. Ashok Pathirage, for Rs. 50 Mn.
	Commercial Bank of Ceylon PLC	Term Loan	SLIBOR+3%	23 monthly installments Commencing from April 2010	18,560,000	-	a) Primary Mortgage Bond for Rs. 50Mn over 1,011,997 shares of Asiri Central Hospital PLC b) Corporate Guarantee of rent 12.5Mn each of Softlogic Communications (Pvt) Ltd and Softlogic International (Pvt) Ltd.
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR+3%	31 monthly installments Commencing from April 2010	61,771,000	-	
	Hatton National Bank PLC	Term Loan	AWPLR+1.5%	47 monthly installments Commencing from December 2007	34,362,000	54,681,001	a) Primary Mortgage Bond for Rs. 50Mn over 1,011,998 shares of Asiri Central Hospital PLC b) Corporate Guarantee of Rs. 12.5Mn each of Softlogic Communications (Pvt) Ltd and Softlogic International (Pvt) Ltd.
	Seylan Bank PLC	Finance Lease			52,087,872	91,998,671	
	Hatton National Bank PLC	Finance Lease			14,759,072	19,886,024	
	Commercial Bank of Ceylon PLC	Finance Lease			15,542,573	31,413,719	
	Sampath Bank PLC	Finance Lease			3,882,549	7,416,053	
Finance Charges				(12,631,296)	(28,101,917)		
Sri Lanka Savings Bank	Loan Transfer from Uni Walkers (Pvt) Ltd		9.50%	83 Monthly installments Loan Rescheduled 14/09/2010	69,419,205	-	
				477,280,553	454,353,358		

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

### 13. INTEREST BEARING BORROWINGS (Cont....)

#### 13.2 Details of Interest Bearing Borrowings

Company	Lending Institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance		Security
					2010	2009	
Softlogic Trading (Pvt) Ltd	Commercial Bank of Ceylon PLC	Term Loan	AWPLR +3%p.a.	60 monthly installments Commencing from March 2008	62,714,000	74,378,000	a) 2,404,170 Shares of Asiri Hospital PLC
		Term Loan	01 month SLIBOR + 3%	24 monthly installments Commencing from April 2009	188,989,997	-	b) 293,887 Shares of Asiri Surgical
		Term Loan	Free	18 monthly installments Commencing from April 2009	12,911,000	-	c) Corporate guarantee Softlogic Holdings Ltd - 307.5M
		Special Loan	19%	24 monthly installments Commencing from March 2010	15,000,000	-	d) Mortgage Bond Over Stock & Book debts 282.5M
		Finance Lease			4,908,237	5,215,708	e) Personal Guarantee Mr. A.K. Pathirage 43.75M
		Finance Lease			(1,237,751)	10,684,100	
					(1,986,954)		
					57,923,222	75,923,222	a) Rs 99 Mn Bank Guarantee issued by Hatton National Bank PLC on a mortgage of No 03, Galle Road
					16,786,652	23,125,000	b) Colombo 03 Property and Deigoda Land
					14,819,424	49,677,461	a) Additional Mortgage over property of No.3 Galle Road, Colombo 3 & Deigoda land
Uniwalkers Limited	Hatton National Bank PLC	Term Loan	AWPLR + 1.5%p.a. (Reviewed Quarterly)	48 monthly installments Commencing from May 2008	6,453,981	11,479,197	
		Term Loan	AWPLR	24 monthly installments Commencing from February 2008	3,629,014	3,900,615	
					3,095,251	2,717	
					22,500,000	31,250,000	a) Primary Mortgage bond for Rs.21.6 Mn from Softlogic Holdings (Pvt) Ltd favoring shares of Asiri Hospitals PLC
					69,390,000	100,000,000	b) 15.82 Mn personal Guarantee from Mr. Ashok Pathirage
					100,000,000	100,000,000	a) Corporate Guarantee of Softlogic Trading (Pvt) Ltd. for Rs. 100Mn
							b) Joint & Several guarantee of the Directors of the Company for Rs.100 Mn except Mr. H.K. Kalinal
					100,000,000	-	a) Mr A K Pathirage, Registered Secondary Floating Mortgage Bond for Rs. 100 Mn over immovable properties situated at Darawille Road&Kandana Estate Deigoda and No.402, Galle Road, Colombo 03.
					78,360,000	-	a) Personal Guarantee of Mr. Ashok Pathirage
							b) Corporate Guarantee of Softlogic Trading (Pvt) Ltd
Softlogic International (Pvt) Ltd	Sampath Bank PLC	Term Loan	AWPLR+3%	60 monthly installments Commencing from March 2008	22,500,000	31,250,000	
		Term Loan	19%p.a.	36 monthly installments Commencing from March 2009	69,390,000	100,000,000	
		Term Loan	AWPLR+3%	47 monthly installments Commencing from April 2009	100,000,000	-	
		Term Loan	AWPLR+7%	Within 5 years inclusive of 6 months grace period Commencing from July 2009	78,360,000	-	
							c) Assignment over following company shares
							i) Shares of Asiri Hospital PLC held by
							Softlogic Holdings Ltd (Nos 1,628,803)
							Softlogic Trading (Pvt) Ltd (Nos 175,417)
							Softlogic International (Pvt) Ltd (Nos 68,300)
							Softlogic Communications (Pvt) Ltd (Nos 196,046)
					ii) Shares of Asiri Surgical Hospital Ltd held by Softlogic Holdings Ltd (Nos 425,000)		

### 13. INTEREST BEARING BORROWINGS (Cont....)

#### 13.2 Details of Interest Bearing Borrowings

Company	Lending Institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance		Securities
					2010	2009	
Softlogic International (Pvt) Ltd	Seylan Bank PLC	Finance Lease			543,948	1,503,887	
	Pan Asia Banking Corporation PLC	Finance Lease			1,599,728	-	
	People's Leasing Finance PLC	Finance Lease			10,109,711	-	
Softlogic Communications (Pvt) Ltd	Finance Charges				(2,138,995)	-	
	Nations Trust Bank PLC	Term Loan	AWPLR+3%	48 monthly instalments commencing from April 2008	-	96,400,000	a) Mortgage over 4,807,692 shares of Asiri Hospitals PLC held by Softlogic Holdings Ltd b) Custody Agreement executed by Softlogic Holdings Ltd c) Personal Guarantee of Mr. Ashok Pathirage, Chairman Softlogic Holdings Ltd., for 125Mn d) Charge on securities executed by Softlogic Holdings Ltd
	DFCC Bank HSBC	Term Loan Term Loan	21% AAA+1%pa	Commencing from May 2009 Equal monthly instalments commencing from march 2009	57,093,192	86,413,374 198,305,556	Corporate Guarantee from Holdings Ltd Rs.220 Mn. a) Deposits of Rs.5.25 Mn in the name of Softlogic Communications (Pvt) Ltd b) Primary Mortgage over property at No.44, Kathuwana Industrial Village, Homagama for Rs. 7 Mn c) Primary Mortgage over stocks and book debts for Rs.150 Mn. d) Supplementary Mortgage over stocks and book debts for Rs.50 Mn e) Supplementary Mortgage over stocks and book debts for Rs.80 Mn f) Corporate Guarantees for 50 Mn each from Softlogic Trading (Pvt) Ltd, Softlogic International and Softlogic Computers (Pvt) Ltd g) Joint and Several Guarantees dated 16 May 2001 and 4 July 2001 from Mr. Ashok Pathirage Rangan Perera and Hemantha Gunawardena for unlimited amount h) Joint and Several Guarantees for 50 Mn from Mr. Ashok Pathirage, Mr. Rangan Perera Mr. Hemantha Gunawardena
Softlogic Computers (Pvt) Ltd	Commercial Bank of Ceylon PLC	Term Loan	AWPLR+3%	33 monthly instalments commencing from April 2009	155,295,117	133,351,200	a) Primary Mortgage Bond over stocks and book debts for Rs. 105 Mn b) Secondary Mortgage Bond over stocks and book debts for Rs.100 Mn c) Mortgage over 4,029,372 shares of Asiri Hospital PLC held by Softlogic Holdings Ltd
	Commercial Bank of Ceylon PLC	Finance Lease			1,314,704	2,251,515	
	Seylan Bank PLC	Finance Lease			-	452,764	
Softlogic Furniture (Pvt) Ltd	Seylan Bank PLC	Finance Lease			-	222,196	
	Seylan Bank PLC	Term Loan	8.5%	36 monthly instalments	30,330,650	34,762,390	a) Corporate guarantee of Softlogic Holdings
Softlogic Solar (Pvt) Ltd	Seylan Bank PLC	Finance Lease			39,070	1,247,522	
<b>Total Interest Bearing Borrowings</b>					<b>1,387,690,609</b>	<b>1,393,922,927</b>	

## 18. SHORT TERM BORROWINGS (Cont....)

### 18.1 Details of Short Term Borrowings

Company	Lending Institution	Nature of facility	Outstanding Balance	
			2010	2009
			Rs.	Rs.
Softlogic Holdings (Pvt) Ltd	Pramuka Bank (Assets and Liabilities vested to Sri Lanka Savings Bank)	-	-	70,419,205
	Seylan Bank PLC	Special loan	55,028,202	89,697,274
	Union Bank of Colombo Ltd		100,000,000	60,000,000
	Waldock Mackenzie Limited		38,428,347	21,627,788
				193,456,549
Softlogic Trading (Pvt) Ltd	Commercial Bank of Ceylon PLC	Import Loan	29,640,998	243,675,806
	Hatton National Bank PLC	Import Loan	59,138,648	43,341,000
	Hatton National Bank PLC		375,000,000	-
	DFCC Bank	Money Market Loan	-	-
	National Development Bank PLC	Import Loan	-	12,204,630
	Peoples Bank		2,439,719	14,330,000
	Pan Asia Banking Corporation PLC		14,582,382	-
Uni Walkers (Pvt) Ltd	Hatton National Bank PLC	Import Loan	48,165,300	47,808,846
	Sampath Bank PLC	Import Loan	61,504,761	65,823,197
	Seylan Bank PLC	Import Loan	57,526,000	41,173,911
	Commercial Bank of Ceylon PLC	Import Loan	143,552,869	39,065,979
	National Development Bank PLC	Import Loan	-	6,886,972
	Asia Assets (Pvt) Ltd		18,487,725	-
Softlogic Communications (Pvt.) Ltd	Hongkong and Shanghai Banking Corporation	Import Loan	168,770,750	107,699,950
	National Development Bank PLC	Import Loan	297,994,748	61,675,925
	National Development Bank PLC	Money Market Loan	75,000,000	75,000,000
	Seylan Bank PLC	Import Loan	183,576,500	14,064,000
	Hatton National Bank PLC	Import Loan	66,918,287	784,134,628
	CITI Bank	Import Loan	-	20,724,123
Softlogic Furniture (Pvt) Ltd	DFCC Bank	Import Loan	3,291,757	4,930,481
SoftLogic Computers (Pvt) Ltd	DFCC Vardana Bank	Import Loan	21,630,624	6,270,460
	Hatton National Bank PLC	Import Loan	4,285,892	34,463,203
		Other Loans	-	-
<b>Total Short Term Borrowings</b>			<b>1,824,963,510</b>	<b>1,865,017,378</b>

## ANNEX E

### SOFTLOGIC HOLDINGS LTD - COMPANY BORROWINGS & ASSETS PLEDGED AS SECURITIES AS AT 10-04-2011

Outstanding	Limit Rs. Mn	Purpose	Security Details
<b>SOFTLOGIC HOLDINGS LTD</b>			
Rs. Mn	Rs. Mn		
<b>SEYLAN BANK PLC</b>			
250.00	250.00	Purchase of Land	a) Primary mortgage Bond for Rs 150M over Property situated at Dharmapala Mw,Colombo 03. b) Additional Mortgage for Rs.322.5Mn Over the aforesaid property
276.59	286.00	Acquisition of Uni Walkers (Pvt) Ltf	c) Personnel Guarantee of the Directors for Rs.150 M d) Primary concurrent mortgage for Rs 70M over Property at No.14 and 14B De Fonseka Place Colombo 05 . e) Personnel Guarantee of Mr. Asoka Pathirage Rs.30M,supported by a concurrent mortgage for Rs.30 M over the above Property.(concurrent with Commercial Bank)
		Acquisition of Asiri Shares	f) Mortgage and power of Attanary over Asiri Hospital Shares
		Interest capitalisation	g) Corporate Guarantee of Softlogic International And Softlogic Communications Pvt Ltd for Rs.350M
		Purchase of Asiri Shares	h) Asiri Hospital Shares
		Margin Trading	i) Shares 63,300 of IOC
		Converted to a loan	j) Asiri Hospital Shares
<b>HATTON NATIONAL BANK PLC</b>			
375.00	390.00	Working Capital	Asiri Central Shares Asiri Hospital Shares
1,400.00	1,400.00	Asiri Mandatory Offer	Personal Guarantee from Mr Asoka Pathirage Softlogic Holdings Shares owned by Mr Asoka Pathirage Asiri Hospital Shares
<b>UNION BANK COLOMBO PLC</b>			
100.00	100.00	Money Market Loan	Asri Hospital Shares Asiri Surgical Shares
<b>COMMERCIAL BANK OF CEYLON PLC</b>			
61.59	180.00	Uni Walkers Purchase Consideration	Primary and Concurrent Mortgage over the Land of No 14 De Fonseka Place Secondary Concurrent Mortgage Over Same Land Personal Guarantee of Mr. Asoka Pathirage
39.29	75.00	Purchase Consideration of Asha Central Shares	Tertiary Concurrent Mortgage over the Land of No 14 De Fonseka Place Primary Mortgage bond of Asiri Central Hospital Shares
9.29	18.75	To Reschedule excess over current accounts	Covered through same securities as above
<b>SRI LANKA SAVINGS BANK (Pramuka Bank)</b>			
57.40	70.00	Term Loan Taken from Uni Walkers	Not given any thing
<b>PAN ASIA BANKING CORPORATION PLC</b>			
5.00	5.00	Permanent Overdraft Facility	Cross corporate Guarantees from Softlogic Trading and Uni Walkers

<b>Outstanding</b>	<b>Limit Rs. Mn</b>	<b>Purpose</b>	<b>Security Details</b>
<b>SAMPATH BANK PLC</b>			
287.50	300.00	Term Loan of Acquisition of CRHL	Personal Guarantee from Mr A.K Pathirage for Rs 300 Mn Capital Reach Holdings Ltd Shares
650.00	650.00	Asiri mandatory Offer	Asiri Hospital Shares
925.00	925.00	Acquisition of Ceysand Hotel	Shares of Ceysand Hotel
<b>Woldock Machencies</b>			
56	50.00	Margin Trading	Asiri Hospital Shares Asiri Surgical Shares
<b>4,492.65</b>			





