George Steuart
FINANCE

Amended

Introductory Document

George Steuart

FINANCE

GEORGE STEUART FINANCE LIMITED

(Company Registration No.: PB 351)

INTRODUCTORY DOCUMENT

For obtaining the listing of 22,500,000 Ordinary Voting Shares
on the Diri Savi Board
of the Colombo Stock Exchange.

The delivery of this Introductory Document 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 Introductory Document.

If you are in any doubt regarding the contents of this document you should consult your stockbroker, bank manager, lawyer or any other professional advisor.

This Introductory Document is dated 09th August 2012.

For further inquiries, please contact the Managers to the Introduction.

MANAGERS TO THE INTRODUCTION

NAVARA

NAVARA CAPITAL LIMITED

DECLARATION

This Introductory Document has been prepared by Navara Capital Limited from information provided by George Steuart Finance Limited (the "Company") and other publicly available information. The Directors of the Company, collectively and individually, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which, would make any statement herein misleading. While Navara Capital Limited has taken reasonable care to ensure full and fair disclosure it does not assume any responsibility for any investment decision made by investors based on information contained herein.

In making an investment decision, prospective investors must rely on their own examinations and assessments of the Company including the risks involved.

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

MANGERS TO THE INTRODUCTION

NAVARA CAPITAL LIMITED
N0. 12 B, Gregory's Road
Colombo 07
Tele: (+94) 011 4 378387, (+94) 011 4 422444
Fax: (+94) 2 698524
Web: www.navaracapital.com

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

Abbreviations

Abbreviation	Description
ALCO	Asset and Liability Management Committee
AWDR	Average Weighted Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
Bn	Billion
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumer Price Index
CDS	Central Depository Systems (Pvt) Ltd
CSE	Colombo Stock Exchange
GSFL or the “Company”	George Steuart Finance Limited
DPS	Dividend Per Share
EAT	Earnings After Tax
EBT	Earnings Before Tax
EPS	Earnings Per Share
GDP	Gross Domestic Production
Ltd	Limited
LFC	Licensed Finance Companies
Mn	Million
N/A	Not applicable
NPL /NPA	Non-Performing Loans / Non-Performing Advances
Pvt	Private
Rs.	Sri Lankan Rupees
SEC	Securities & Exchange Commission of Sri Lanka
SLC	Specialized Leasing Company
VAT	Value Added Tax
Y-O-Y basis	Year-On-Year Basis

Glossary of Terms

Board/ Board of Directors	The Board of Directors of George Steuart Finance Limited
Company/ The Company	George Steuart Finance Limited
Manager to the Introduction	Navara Capital Limited
Ordinary Shares	Ordinary Voting Share(s) of the Company Shares issued by the Company which are fully paid, free from all liens, freely transferable and confer on the holder, – The right to one vote on a poll at a meeting of the Company on any resolution – The right to an equal share in dividends paid by the Company – The right to an equal share in the distribution of the surplus assets of the Company on liquidation
Public Holding(s)	Shares of a Listed Entity held by any person other than those directly or indirectly held by, 1. Its parent, subsidiary or associate companies or any subsidiaries or associates of its parent company; and 2. Its directors who are holding office as directors of the Entity, their spouses and children under 18 years of age; and 3. Chief Executive Officer, his spouse and children under 18 years of age; and 4. Any single shareholder who holds 10% or more of the shares.

Table of Contents

1. Corporate Information

Name of the Company	George Steuart Finance Limited (formerly operated as “Divasa Finance Limited” – from Aug 2011 to July 2012 and “Asia Commerce Limited” – from Sep 2004 to Aug 2011)
Legal Form	Public Limited Liability Company domiciled in Sri Lanka and incorporated on 10th September 2004 under the Companies Act No. 17 of 1982. The Company was reregistered under the Companies Act No. 07 of 2007 on 06th June 2008. Registered as a Finance Company with effect from 23rd May 2011 under the Finance Business Act No. 42 of 2011. Registered as a Leasing Company under the Finance Leasing Establishment Act No. 56 of 2000 on 15th March 2005.
Company Registration Number – George Steuart Finance Ltd	PB 351
Company Registration Number – Divasa Finance Ltd	PB 351
Place of Incorporation	Colombo, Sri Lanka
Nature of the Business	Accepting Public Deposits, Finance activities including Hire Purchase, Leasing, Short Term and Medium term loan financing , Margin Trading and Real Estate projects
Registered Office	No 15, Station Road , Colombo 03
Business Office	No 15, Station Road, Colombo 03
Telephone No	94-11-2375408-12
Fax No	94-11-2375411
Corporate Website	www.divasafinance.lk
Board of Directors	Prof. S A A P De Silva - Acting Chairman (Independent Non- Executive Director) Mr. Lakshman Uduwara - CEO/ Executive Director Mr. D S Jayaweera - Non-Executive Director Mr. P V S Premawardhana - Independent Non- Executive Director Mr. W G U I Ranaweera - Executive Director

Secretaries to the Company	S S P Corporate Services (Private) Limited No 101, Inner Flower Road, Colombo 03 Tel : 0112 576871 Fax: 0112 576871
Former Auditors of the Company – from 2005 to 25th November 2011	KPMG Ford, Rhodes, Thornton & Co No 32 A, Sir Mohamed Macan Markar Mawatha , Colombo 03 Tel : 0112 426426 Fax: 0112 541249
Present Auditors of the Company – with effect from 25th November 2011	Messrs Ernst and Young No 201, De Saram Place Colombo 10 Tel : 0112 463500 Fax: 0112 697369
Company Lawyers	Ms. Kalani Suraweera No 130/41, Kirulapone Avenue, Colombo 05 Tel : 0114 802493 Fax: 0112 513768
Bankers of the Company	Commercial Bank PLC No 285, Galle Road Colombo 03 Hatton National Bank PLC No 293, Galle Road Colombo 03 Seylan Bank PLC No 69, Janadhipathi Mawatha Colombo 01 The Hongkong and Shaghai Banking Corporation No 24, Sir Baron Jayathilake Mawatha Colombo 01 Union Bank PLC No 51, Ananda Kumarasamy Mawatha Colombo 03

2. Information Relevant to the Introduction

2.1. **Introduction of Ordinary Voting Shares for Listing**

This Introductory Document dated 09^{th} August 2012 is published for the purpose of obtaining a listing on the Diri Savi Board of the Colombo Stock Exchange for 22,500,000 number of Ordinary Voting Shares of George Steuart Finance Limited.

2.2. **Reference price**

Reference price of the Voting shares to be used as the opening price for trading on the first day of trading is suggested as Rs. 20.00 per share. This price is recommended as it is the price at which the recent share transfer of the company's shares was carried out on 24^{th} February 2012.

The recommended reference price reflects a Price Earnings (PE) ratio of 11.97 based on audited financials of 31^{st} March 2012 and a PE of 12.54 based on the annualized EPS on interim financial statements as of 31^{st} May 2012. It also reflects a Price to Book Value (PBV) of 1.35 based on audited financials of 31^{st} March 2012 and a PBV of 1.32 based on interim financial statements of 31^{st} May 2012.

2.3. **Collection points of the Introductory Document**

Copies of the Introductory Document can be obtained from the Managers to the Introduction or members and trading members of the Colombo Stock Exchange as specified in section 2.6 on page 4, 5 & 6 titled "Member Firms and Trading Member Firms of the Colombo Stock Exchange"

2.4. **Managers to the Introduction**

Navara Capital Limited
No. 12 B, Gregory's Road
Colombo 07
Sri Lanka.
Tel: +94 11 4378387
Fax: +94 11 2698524
E-mail: info@navaracapital.com
Web: www.navaracapital.lk

2.5. **Inspection of Documents**

The Introductory Document and Articles of Association of George Steuart Finance Limited will be hosted on the CSE website (www.cse.lk) and on the company website (www.divasafinance.lk) for a period of not less than fourteen (14) days.

2.6. **Reports by Experts**

Apart from the Independent Auditors Reports, this Introductory Document does not include any other reports or statements made by experts.

2.7. Member Firms and Trading Member Firms of the Colombo Stock Exchange

2.7.1. Members of the CSE

Acuity Stockbrokers (Pvt) Ltd.
Level 6, Acuity House
No. 53, Dharmapala Mawatha, Colombo 3.
Tel: 2 206206
Fax: 2 206298/9
E-mail: sales@acuitystockbrokers.com
Website: www.acuity.lk

Asha Phillip Securities Ltd.
No 10, Prince Alfred Towers
2nd Floor , Alfred House Gardens, Co 03
Tel: 2 429100
Fax: 2 429199
E-mail: apsl@ashaphillip.net
Website: www.ashaphillip.net

Asia Securities (Pvt) Ltd.
Level 21, West Tower
World Trade Centre, Echelon Square
Colombo 1
Tel: 2 423905, 5320000
Fax: 2 336018
E-mail: enquiry@asiacapital.lk
Website: www.asiacapital.lk

Assetline Securities (Pvt) Ltd.
No. 282
Kaduwela Road
Battaramulla.
Tel: 4 700111, 2 307366
Fax: 4 700112,2 307365
E-mail: dpgs1@sltnet.lk
Website: www.dpgsonline.com

Bartleet Religare Securities (Pvt) Limited
Level "G ", "Bartleet House"
No 65, Braybrooke Place
Colombo 2.
Tel: 5 220200
Fax: 2 434985
E-mail: info@bartleetstock.com
Website: www.bartleetstock.com

Capital Trust Securities (Pvt) Ltd.
No 42,
Mohamed Macan Markar Mawatha
Colombo 3.
Tel: 5 335225
Fax: 5 365725
E-mail: inquiries@capitaltrust.lk
Website: www.capitaltrust.lk

CT Smith Stockbrokers (Pvt) Ltd.
4-14, Majestic City
No 10, Station Road
Colombo 4.
Tel: 2 552290 - 4
Fax: 2 552289
E-mail: ctssales@sltnet.lk
Website: www.ctsmith.lk

DNH Financial (Pvt) Limited.
Level 16, West Tower
World Trade Center
Colombo 01.
Tel: 5 700777
Fax: 5 736264
E-mail: info@dnhfinancial.com
Website: www.dnhfinancial.com

J B Securities (Pvt) Ltd.
No 150, St. Joseph Street
Colombo 14.
Tel: 2 490900, 077-2490900, 077-2490901
Fax: 2 430070, 2446085, 2447875
E-mail: jbs@jb.lk
Website: www.jbs.lk

John Keells Stock Brokers (Pvt) Ltd.
130, Glennie Street, Colombo 2.
Tel: 2 30 6250, 234 2066-7, 244 6694-5, 233 8066-7, 243 9047-8, 471 0721-4
Fax: 234 2068, 232 6863
E-mail: jkstock@keells.com
Website: www.jksb.com

Lanka Securities (Pvt) Ltd.
No 228/2
Galle Road
Colombo 4.
Tel: 4 706757, 2 554942
Fax: 4 706767
E-mail: lankasec@sltnet.lk
Website: www.lsl.lk

Nation Lanka Equities (Pvt) Ltd.
No 44, Guildford Crescent
Colombo 07
Tel: 4 714300, 4 714388/9, 773421821
Fax: 2387228
E-mail: info@nlequities.com
Website: www.nlequities.com

NDB Stockbrokers (Pvt) Ltd.
5th Floor, NDB Building
No 40, Navam Mawatha
Colombo 2.
Tel: 2314170 - 2314178
Fax: 2314180
E-mail: mail@ndbs.lk
Website: www.ndbs.lk

S C Securities (Pvt) Ltd.
2nd Floor, No 55
D.R. Wijewardena Mawatha,
Colombo 10.
Tel: 4711000
Fax: 2394405
E-mail: cscres@sltnet.lk
Website: www.sampathsecurities.lk

Somerville Stockbrokers (Pvt) Ltd.
137, Vauxhall Street, Colombo 2.
Tel: 2329201-5, 2332827, 2338292-3
Fax: 2338291
E-mail: ssb-web@sltnet.lk
Website:

2.7.2. Trading Members of the CSE

Arrenga Capital (Pvt.) Ltd
Level 23, East Tower
World Trade Centre, Colombo 01.
Tel: 7277000 - 98
Fax: 7277099
E-mail: dihand@arrengacapital.com
Website: www.arrengacapital.com

Capital Alliance Securities (Pvt) Ltd.
Level 5, "Millennium House"
46/58 Navam Mawatha, Colombo 2.
Tel: 2317777
Fax: 2317788
E-mail: general@capitalalliance.lk
Website: www.capitalalliance.lk

Claridge Stockbrokers (Pvt) Ltd
No 10
Gnanartha Pradeepa Mawatha
Colombo 08.
Tel: 2697974
Fax: 2677576
E-mail: fonseka@mackwoods.com

First Guardian Equities (Pvt) Ltd.
32nd Floor, East Tower
World Trade Centre, Colombo 1.
Tel: 5884400 (Hunting)
Fax: 5884401
E-mail: info@firstguardianequities.com
Website: ww.firstguardianequities.com

Heraymila Securities Ltd.
Level 8, South Wing
Millennium House, No 46/58
Nawam Mawatha, Colombo 02.
Tel: 2359100
Fax: 2305522
E-mail: info-hasl@heraymila.com
Website: www.heraymila.com

IIFL Securities Ceylon (Pvt) Ltd
27th Floor, East Tower
World Trade Centre, Echelon Square
Colombo 01.
Tel: 2333000
Fax: 2333383
E-mail:info.ceylon@iiflcap.com
Website: Www.skmlankaholdings.com

LOLC Securities Limited
Level 18, West Tower
World Trade Centre, Colombo 01.
Tel: 7880880
Fax:2434771
E- mail:
Website:

New World Securities (Pvt) Ltd
2nd Floor No 45/2,
Braybrooke Street, Colombo 02.
Tel: 2358700 / 20
Fax: 2358701
E-mail: viraj@nws.lk
Website: www. nws.lk

Richard Pieris Securities (Pvt) Ltd
No 69, Hyde Park Corner
Colombo 02.
Tel: 7448900
Fax: 2675064
E-mail:jayantha@rpsecurities.com
Website:

Softlogic Stockbrokers (Pvt) Ltd
Level 23 , East Tower
World Trade Center, Colombo 01
Tel: 7 277000 - 98
Fax: 7 277 099
E-mail: info@equity.softlogic.lk
Website: www.softlogicequity.lk

SMB Securities (Pvt) Ltd.
No. 47, Dharmapala Mawatha
Colombo 3.
Tel: 5 232091
Fax: 2 339292
E-mail: admin@smbsecurities.lk
Website: www.smblk.com

SKM Lanka Holdings (Pvt) Ltd
No.35/1, Alwis Place
Colombo 03.
Tel: 2372413-5
Fax: 2372416
E-mail: info@skmlankaholdings.com
Website: www.skmlankaholdings.com

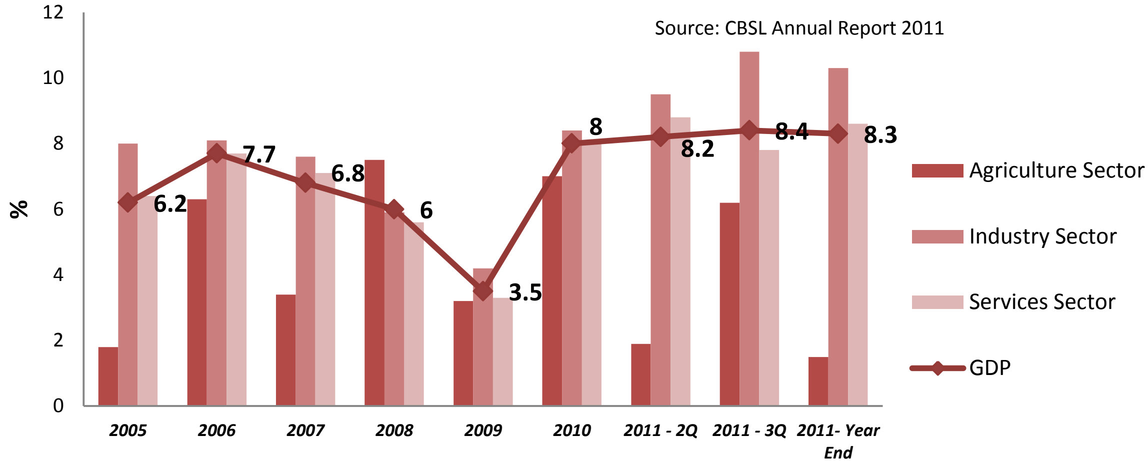
Taprobane Securities (Pvt) Ltd.
2nd Floor, No. 10,
Gothami Road
Colombo 08.
Tel: 5328200
Fax: 5328277
E-mail: info@taprobane.lk
Website: www.taprobanestocks.com

TKS Securities (Pvt) Ltd
19-01, East Tower
World Trade Centre, Echelon Square
Colombo 01.
Tel: 7 857 799
Fax: 7 857 857
E-mail: ralph@tks.lk
Website: www.tks.lk

3. Overview of the Economy

Sri Lankan economy which in GDP terms grew 6% in 2008, 3.5% in 2009, 8% in 2010 and 8.3% in 2011 reporting the highest in Sri Lanka's post-independence history sustaining a growth momentum of over 8% for the first time in two consecutive years. The CBSL forecasts a 7.2% GDP growth in 2012 with Industry, Services and Agricultural sector all contributing to growth.

Figure 3.1 - **Sector Growth Rates Vs GDP Growth**

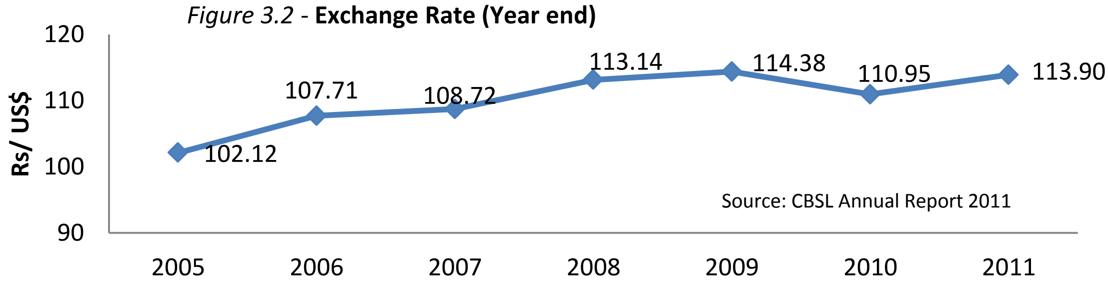


During 2010, the country experienced 5.9% (CCPI 2002=100) annual average inflation rate, which is the third lowest inflation rate since 1990. While global food and fuel prices increased during 2011 the government policy on reduced import duties and subsidies have held to maintain mid-single digit level annual average inflation at 6.7% as at end of 2011 and year-on-year inflation at 4.9% in December 2011. 6.1% annual average inflation was reported as at end February 2012.

The unemployment rate has shown a declining trend during the last decade reflecting the expansion in economic activities. In 2011, the unemployment rate declined to 4.2% compared to 4.9% in 2010, 5.8% in year 2009 and 5.4% in 2008. Generally the increased level of economic activity has contributed to generate more employment opportunities.

The Sri Lankan Rupee was at Rs113.90 against US Dollars as at end of 2011 compared with Rs 110.95 in 2010, Rs.114.38 in 2009 and Rs.113.14 in 2008. The LKR has since depreciated to be at Rs.121.11 as at end February 2012.

Figure 3.2 - **Exchange Rate (Year end)**



Commercial Bank's AWPLR and AWDR continued to decline gradually from 2008 to 2010. AWPLR was 10.77% in 2011 compared to 9.29% in 2010, 10.91% in 2009 and 18.50% in 2008. Also AWDR was 7.24% in December 2011 compared to 6.23% in 2010, 8.01% in 2009 and 11.63% in 2008. Both rates have been on an increasing trend during the past few months and were at 11.84% AWPLR and 7.55% AWDR as at end of February 2012.

Source: CBSL Annual Report 2011, CBSL Economic Indicators Report - February 2012

4. Overview of the Sri Lankan Finance Sector

This section contains information pertaining to the Finance Industry and Non-banking Finance Sector in which George Steuart Finance Limited belongs to. The information has been extracted from the Central Bank Annual Report 2011.

4.1. **Overview of the Finance Sector**

The Finance sector of the Sri Lankan economy comprises of Banks, Licensed Finance Companies, Co-operative Rural Banks, Specialized Leasing Companies, Primary Dealers, Market Intermediaries including Stock broking firms, Unit Trusts, Venture Capital Companies, Wealth Management Institutions and Contractual Savings Institutions including Insurance Companies and Provident Funds. As at end December 2011, the number of banks in operation has increased to 33 comprising 24 Licensed Commercial Banks and 09 Licensed Specialized Banks. The total number of Non-Bank Financial Institutions was 55 which included 39 Licensed Finance Companies (LFCs) formerly known as the "Registered Finance Companies" (FRCs) and 16 SLCs as at the end of 2011.

As at end of December 2011 total assets of the finance sector stood at Rs.7,704.6 Bn and is spread across the institutions as depicted below.

Table 4.1 **– Total Asset Base of the Major Financial Institutions as at end of December 2011**

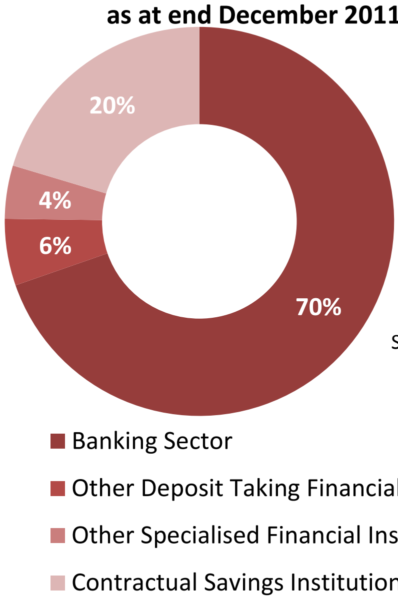
	2011 (a)		**2010 (b)**	
	Rs. Bn	**Share in Total %**	**Rs. Bn**	**Share in Total %**
Banking Sector	**5367.8**	**69.7%**	**4,527.3**	**68.8%**
Central Bank of Sri Lanka	1,123.4	14.6%	976.7	14.8%
Licensed Commercial Banks	3,575.3	46.4%	2,974.6	45.2%
Licensed Specialized Banks	669.1	8.7%	576.0	8.8%
Other Deposit Taking Financial Institutions	**427.0**	**5.5%**	**295.0**	**4.5%**
Licensed Finance Companies	352.0	4.6%	233.6	3.6%
Co-operative Rural Banks	67.6	0.9%	54.7	0.8%
Thrift and Credit Co-operative Societies	7.4	0.1%	6.7	0.1%
Other Specialized Financial Institutions	**340.8**	**4.4%**	**354.3**	**5.4%**
Specialized Leasing Companies	137.7	1.8%	154.1	2.3%
Primary Dealers	135.3	1.8%	125.8	1.9%
Stock Brokering Companies	11.3	0.1%	13.2	0.2%
Unit Trusts/ Unit Trust Management Companies	23.7	0.3%	23.0	0.3%
Market Intermediaries	31.2	0.4%	37.0	0.6%
Venture Capital Companies	1.5	0.0%	1.1	0.0%
Credit Rating Agencies	0.2	0.0%	0.2	0.0%
Contractual Savings Institutions	**1,569.0**	**20.4%**	**1,400.9**	**21.3%**
Insurance Companies	263.3	3.4%	222.2	3.4%
Employee's Provident Fund	1,020.1	13.2%	899.7	13.7%
Employees Trust Fund	140.6	1.8%	125.9	1.9%
Approved Private Provident Funds	115.1	1.5%	126.2	1.9%
Public Service Provident Fund	29.9	0.4%	26.9	0.4%
Total	**7,704.6**	**100.0%**	**6,577.5**	**100.0%**

Source: CBSL Annual Report 2011 (a) Provisional (b) Revised

The performance of financial institutions improved with enhanced growth in assets, healthy profitability, increased capitalization and lower risk levels. The total asset base of the financial sector recorded a growth of 17% at end 2011.

The Banking Sector held more than 69% of total assets which was followed by 20% held by the Contractual Savings Institutions. 5.5% of the assets were held by Deposit Taking Financial Institutions including 4.6% was held by the Licensed Finance Companies.

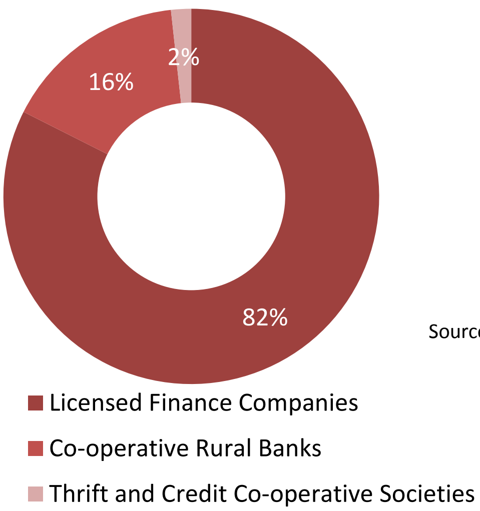
Figure 4.1 - **Composition of the Asset Base - Finance Sector as at end December 2011**



Source: CBSL Annual Report 2011

Other deposit taking financial institutions consisting of LFCs, Co-operative Rural Banks and Thrift and Credit Co-operative Societies and the total asset base of other deposit taking financial institutions significantly grew by 45% during 2011 to reached Rs. 427 Bn compared with a negative growth of 6.5% in 2010. The main contributory factor in the expansion of the asset base has been the growth of the total assets of LFCs.

Figure 4.2 - **Composition of the Asset Base - Other Deposit Taking Financial Institutions at at end December 2011**



Source: CBSL Annual Report 2011

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4.2. **Non-Bank Financial Sector (NBF)**

The Non-bank Financial sector consisting of 39 Licensed Finance Companies (LFCs) and 16 Specialized Leasing Companies (SLCs) as at the end of 2011. The branch network has increased by 104 to 704 in 2011.

4.2.1. Specialized Leasing Companies -SLCs

Specialized Leasing Companies are governed under the Finance Leasing Establishment Act No.56 of 2000. As at the end of 2010, there were 70 companies that have registered in order to provide services in the leasing industry of which 15 were licensed banks, 34 were registered finance companies and 21 were specialized leasing companies. The total asset of specialized leasing companies was Rs. 138 Bn as at end of December 2011 which represented 1.8% of total asset base of the major financial institutions.

The leasing industry which mainly caters to the corporate, small and medium entrepreneur sectors and households is expected to grow at about 30% in 2012. Also the core capital requirement of SLCs has been raised from Rs.75Mn to Rs.100Mn in 2012 and by Rs. 50Mn every year up to Rs. 300Mn in 2016.

4.2.2. Licensed Finance Companies - LFCs

Licensed Finance companies are the dominant contributor in the non-bank financial sector which primarily raise money from the public and lend it to its customers by way of Loans, Leases and Hire Purchases. The LFCs are governed by the Finance Business Act No. 42 of 2011. The Department of Supervision of Non-Bank Financial Institutions of the Central Bank carries out the regulatory and supervisory functions in respect of the Registered Finance Companies. Currently there are 39 LFCs operating in the country.

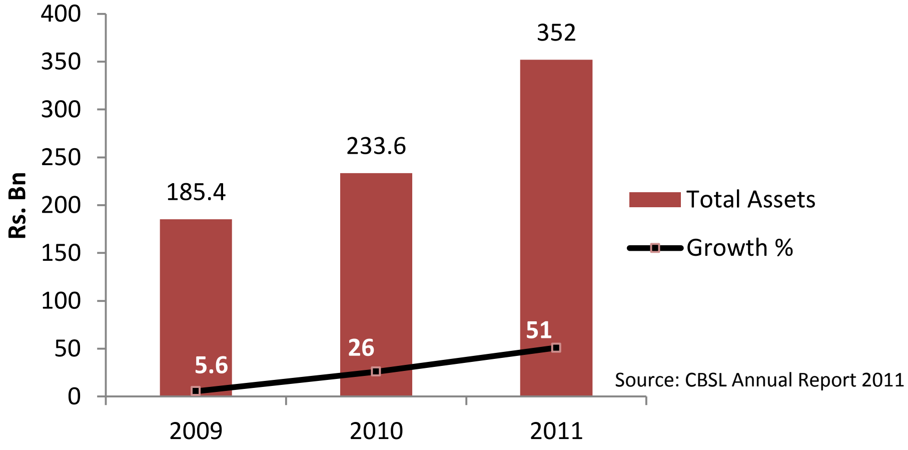
Table 4.2 – **Details of the Deposit Taking Financial Institutions**

	Number of Institutions		**Number of Branches and Outlets**	**Total Assets** Rs. Bn	**Share of Total Assets of Deposit Taking Financial Institutions**	**Share of Total Assets of Finance Sector**
	31st Dec 2011	31st Dec 2010	December 2011	December 2011	December 2011	December 2011
Licensed Commercial Banks	24	22	5,347	3,575.3	76.5%	46.4%
Licensed Specialized Banks	9	9	775	669.1	14.3%	8.7%
Licensed Finance Companies	39	37	704	352.0	7.6%	4.6%
Co-operative Rural Banks and Thrift and Credit Co-operative Societies	Not Available	-	-	75.0	1.6%	1.0%
Total	**72**	**68**	**6,250**	**4,671.4**	**100.00%**	**60.7%**

Source: CBSL Annual Report 2011

As at end of December 2011, the total asset base of the LFCs has reached Rs.352 Bn which was a 51% increase compared with 233.6 Bn as at the end of 2010. 51% growth compared well with 26% year to year growth achieved in 2009-2010.

Figure 4.3 - **Assets and Liabilities of LFCs as at the end of December 2011**



Deposits continued to be the main source of funding for the LFCs which represented 38% of the total liabilities as at 31st December 2011. All funding sources including Deposits, Borrowings, Capital funds etc. have recorded a significant growth when compared with the year-end 2010.

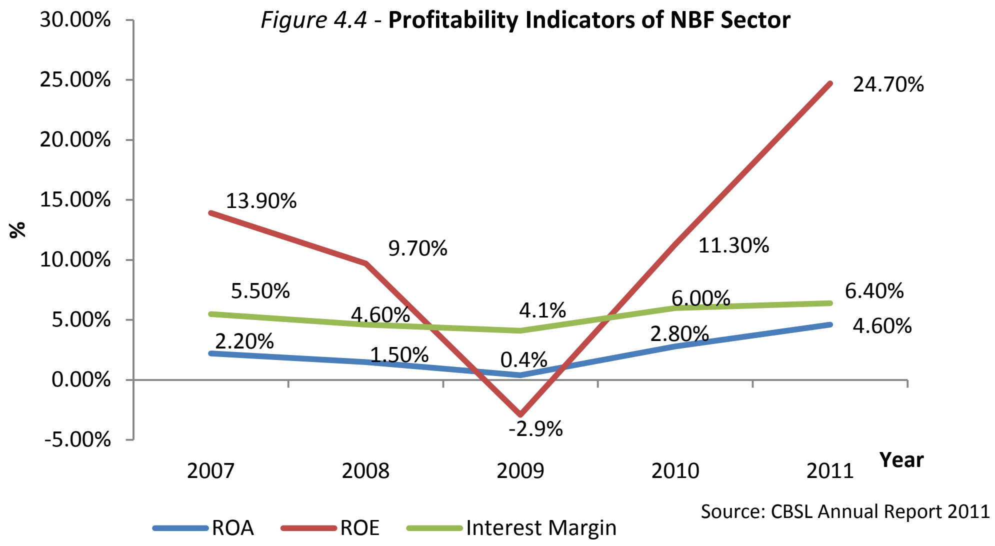
The Licensed Finance Companies were encouraged to list on the Colombo Stock Exchange and 28 LFCs have been listed as at the date of this Introductory Document. The listing process has contributed positively to the RFC sector by increased the level of transparency, broad base ownership and by encouraging corporate governance.

4.2.3. Non-Bank Financial Institutions - NBFIs

The performance of NBFIs includes Licensed Finance Companies formerly known as Registered Finance Companies and Specialized Leasing Companies.

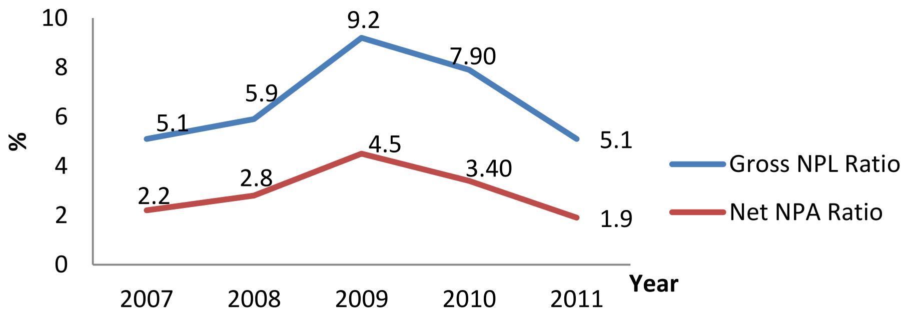
The total asset base of the NBFI sector has reported a growth of 26% in 2011 compared with a 30% growth in 2010. Total accommodations portfolio including finance leases and hire purchases grew by 46% as at end 2011 compared to 35% increase at the end of December 2010.

During 2011, the NBFI sector has benefited from the decline in interest rates and improved economic activities. As a result NBFI sector reported a remarkable profit after tax of Rs. 16 Bn as at end of 2011 compared to a profit of Rs. 5 Bn as at end of 2010 due to a considerable increase in net interest income. The increase in profits was reflected in improved Return on Assets and Return on Equity as presented in figure 4.4 below;



The total amount of non-performing accommodations (NPA) has decelerated by 6% during 2011 to Rs. 20 Bn from Rs. 21 Bn in 2010. The exposure relative to the total loans outstanding was 5.1% as at the end of 2011 and the net NPA ratio was 1.9% as at end 2011. Gross NPA ratios and net NPA ratios of the NBF sector during the last five years are depicted below,

Figure 4.5 - **Gross NPL Vs Net NPL of NBE Sector**



Source: CBSL Annual Report 2011

Following many notable achievements during 2011, the banking and non-banking financial sectors are expected to sustain growth during 2012 by strengthening the financial soundness and integrated risk management strategies.

5. Profile of the Company

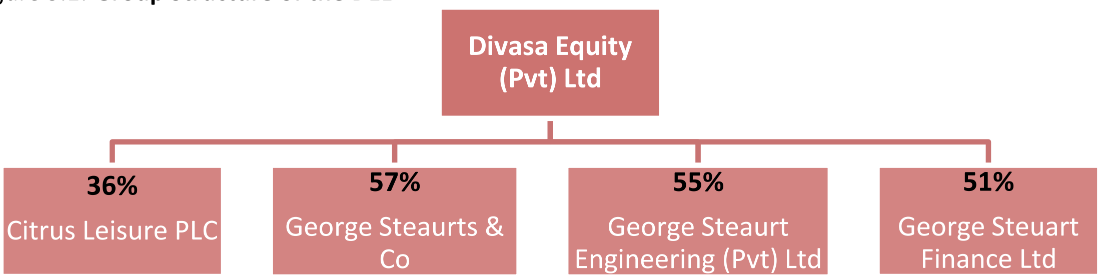
5.1. Overview of the group

George Steuart Finance Limited (GSFL) is a subsidiary of Divasa Equity Limited which holds 51% of the GSFL's shares in issued as at the date of Introductory Document. The company doesn't have any subsidiaries.

Divasa Equity (Pvt) Limited (DEL)

Divasa Equity (Pvt) Ltd functions as the holding company of the GSFL, which was established on 18th December 2008 under the Companies Act No. 07 of 2007. DEL acquired 51% of the stake in George Steuart Finance Limited on 24th February 2012. DEL operates as an investment company where the principal business activities are strategic long term investments in both listed and non-listed companies and short term investments. Whilst having a short term exit strategy on trading on securities, DEL gets involved in the management and turn on of its long term investments. Mr. D S Jayaweera and Mr. S A Ameresekere function as the Board of Directors of Divasa Equity (Pvt) Ltd as at the date of this Introductory Document.

Figure 5.1: **Group Structure of the DEL**



5.2. Overview of the Company

George Steuart Finance Limited is part of the finance sector of the Srilankan economy, which comprises of 39 Licensed Finance Companies (as at end of 2011) regulated under the Finance Business Act No 42 of 2011. The Company was earlier known as Asia Commerce Ltd, incorporated in September 2004 to carry on finance leasing business. After over 6 years in operation, the Company obtained the approval of the Monetary Board of the Central Bank of Sri Lanka to function as a Finance Company w.e.f. 23rd May 2011.The Company was rebranded as Divasa Finance Ltd in August 2011 which coincided with moving into New Head Office premises at No 15, Station Road, Colombo 03 which provided better ambience, improved customer interface and more convenient access to clients.

With Divasa Equity (Pvt) Ltd, the holding Company acquiring controlling interest in George Steaurt Group of Companies, the Company saw an opportunity for better branding with synergies to be drawn from a well reputed and established Corporate. Since incorporation new Name and new meaningful Logo would portray the new business orientation and the culture of the Company.

The Company was primarily involved in the lease financing and expanded their business activities in the areas of mobilizing deposits, hire purchase, revolving short term, medium term loans, real estate projects and trade cheque discounting. With a vision of strengthening the entrepreneurial sector in Sri Lanka, GSFL has moved focuses to include short and long term loans and bridging financing facilities for small and medium scale businesses in its portfolio. Further, the company leverages on its smaller scale and flexibility to cater to niche clientele by identifying their needs and providing specific customized financial solutions in line with the changes in the finance sector.

GSFL has identified the Colombo Stock market as an area of immense potential in the short and medium term and operates as a licensed margin provider for listed securities under a license from the Securities and Exchange Commission of Sri Lanka since March 2011.

The Company has shown a rapid growth in their profits recording Rs.68.5 Mn as at 31st March 2011 compared to Rs.1.7 Mn in March 2010. It has recorded a Rs 38.5 Mn profit after tax as at 31st March 2012. The total asset base has reached Rs. 1.2 Bn as at end of May 2012. As a result of its healthy liquidity, profitability and asset quality, the Company had obtained long and short-term financial institution rating of BB-/ NP by RAM Rating Lanka at the end of December 2011. The Company is to be listed on the Colombo Stock Exchange in compliance with the regulatory requirements.

5.3. History and Key Milestones of the Company

Sep 2004	Incorporated Asia Commerce Limited as a Leasing company under the Finance Leasing Establishment Act No. 56 of 2000
May 2005	Asia Commerce Limited commenced their core business
2010	The concept of "Art Homes" introduced with a theme of "Artful and Refined Living"
Sep 2010	Opened the first suburban branch in Gampaha which is the second most populated district in Sri Lanka
Nov 2010	Capital Infusion and expanded the Capital Structure by way of a Right Issue
Jan 2011	Signed a memorandum with Scienter Technology Ltd to provide new IT solution to enhance core business operations
Mar 2011	Opening a new branch in Negombo
Mar 2011	Launched the Margin Trading as a new product after obtaining the approval from the Securities and Exchange Commission of Sri Lanka
May 2011	Registered as a Finance Company under the Finance Companies Act No. 78 of 1988
Aug 2011	Re-branded as Divasa Finance Limited
Aug 2011	Opening a new branch in Kalutara
Dec 2011	Strengthen the Board of GSFL to ensure good corporate governance to a greater extent of accountability , transparency and integrity
Dec 2011	Obtained a long and short-term financial instituion ratings of BB- and NP Rating from RAM Rating Lanka Credit rating Agency
Jan 2012	Opening a new branch in Wennappuwa

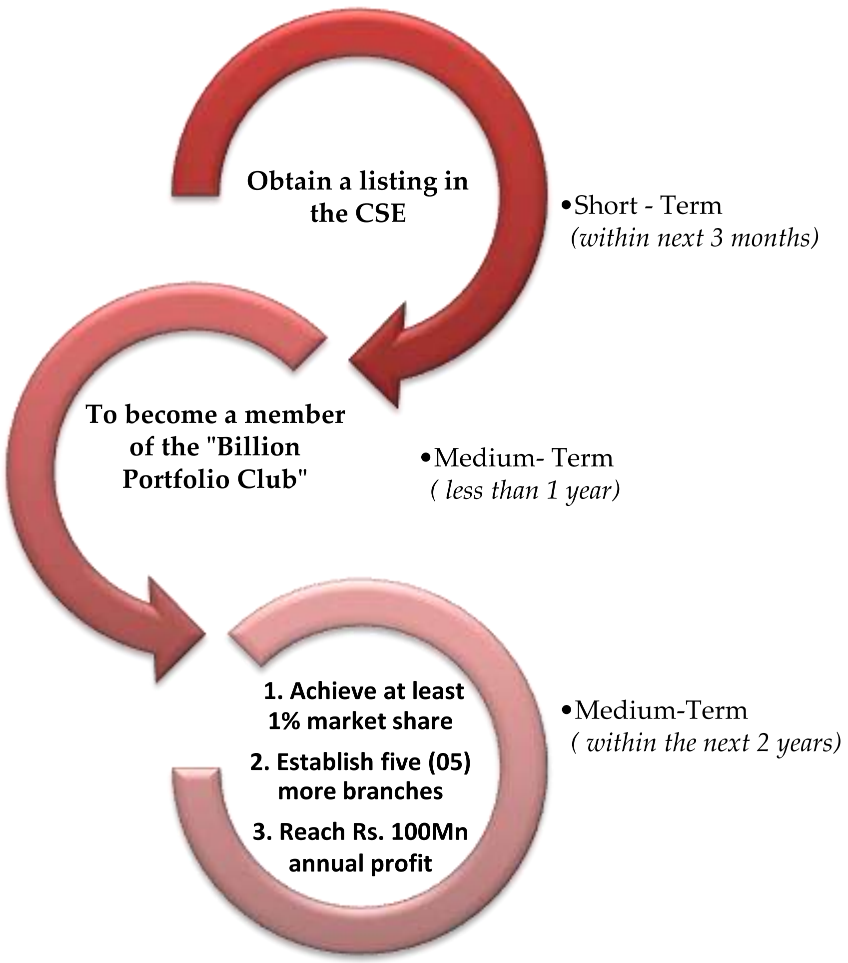
5.4. **Vision**

To become the most preferred, progressive and innovative financial solutions provider in Sri Lanka.

5.5. **Mission**

To offer financial solutions conceptualized with the right foresight to serve the future aspirations and meet the evolving needs of customers in order to transform their dreams to reality.

5.6. **Corporate Objectives and Goals**



5.7. **Marketing Strategy**

The Company's present marketing strategy is to create an enhanced awareness of the "George Steuart" brand and pitch their brand as being different to other competitors', especially appealing to the entrepreneurial youth. In addition to the expansion strategy of establishing branches in key business towns outside the Western province, GSFL seeks niche markets for products such as Margin Trading, Trade and Bills Discounting and Short term Trade Finance etc. in order to build the platform to become the most preferred, progressive and innovative financial solutions provider in Sri Lanka.

5.8. **Product Portfolio of the Company**

Figure 5.1 - **Asset base as at 31st May 2012 (Unaudited)**

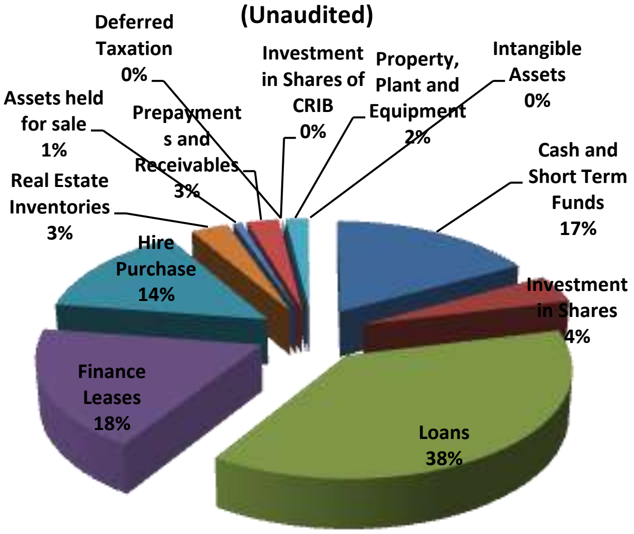
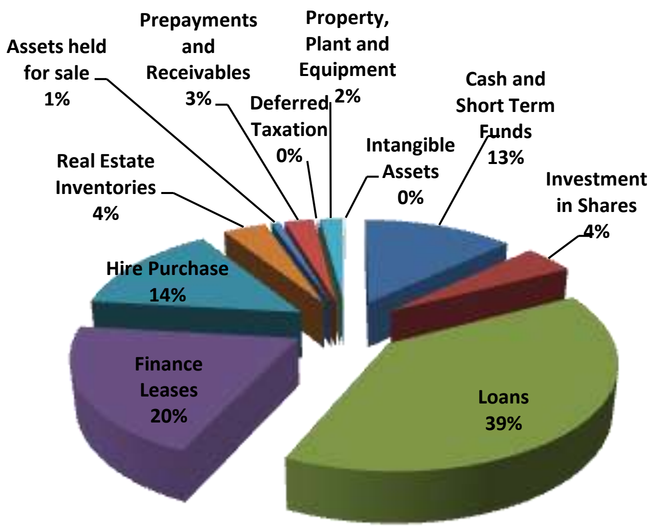


Figure 5.2 - **Asset base as at 31st Mar 2012**



❖ <u>Acceptance of Public Deposits</u>

Being a Registered Finance Company, GSFL has been accepting public deposits since May 2011. GSFL offers fixed deposits with different tenures at different attractive interest rates in order to raise funds from the public to finance its lending activities. Total fixed deposits had reached Rs.718 Mn as at the end of March 2012 and Rs 812Mn at the end of May 2012.

❖ <u>Short-Term and Medium-Term Loans</u>

Loans are the leading product of the total asset portfolio when compared with other products, which accounts approximately 39% of the total asset base as at the end of March 2012. Short-term loans have been identified as the most popular type of loan financing among trade financing clients who borrow in order to bridge their working capital requirements. In a financiers' perspective, short-term loans are less exposed to default risk since these loans are self-liquidating.

❖ Finance and Operating Leases

Finance and operating Leases account for approximately 20% of the total asset base of the company as at the end of March 2012. The company provides customized and flexible leases to purchase passenger cars and commercial vehicles. The demand for leases had increased due to reliefs on import duty and low interest rate regimes during the year 2010 as well as during year 2011.

❖ Hire Purchases

Hire purchase is an agreement between the financial institution and the customer where the customer often uses to purchase a vehicle. The company will retain the ownership of the vehicle and the customer will have the benefits and liable to take the responsibility of the payment of a specified amount of rental over a specific period of time. If customer defaults, the company is legally bound by the agreement to seize the vehicle and recover the default payment. GSFL was experiencing higher demand for hire purchases and the company expects the upward trend to continue in the future.

❖ Trade Bills and Cheque Discounting

The Company discounts up to 75% of the trade bills and cheques receive in lieu from its suppliers enabling the customers to manage their working capital shortages which can arise due to trade credits offered. In principle, the company permits tenure up to two (2) months on all bills and cheques.

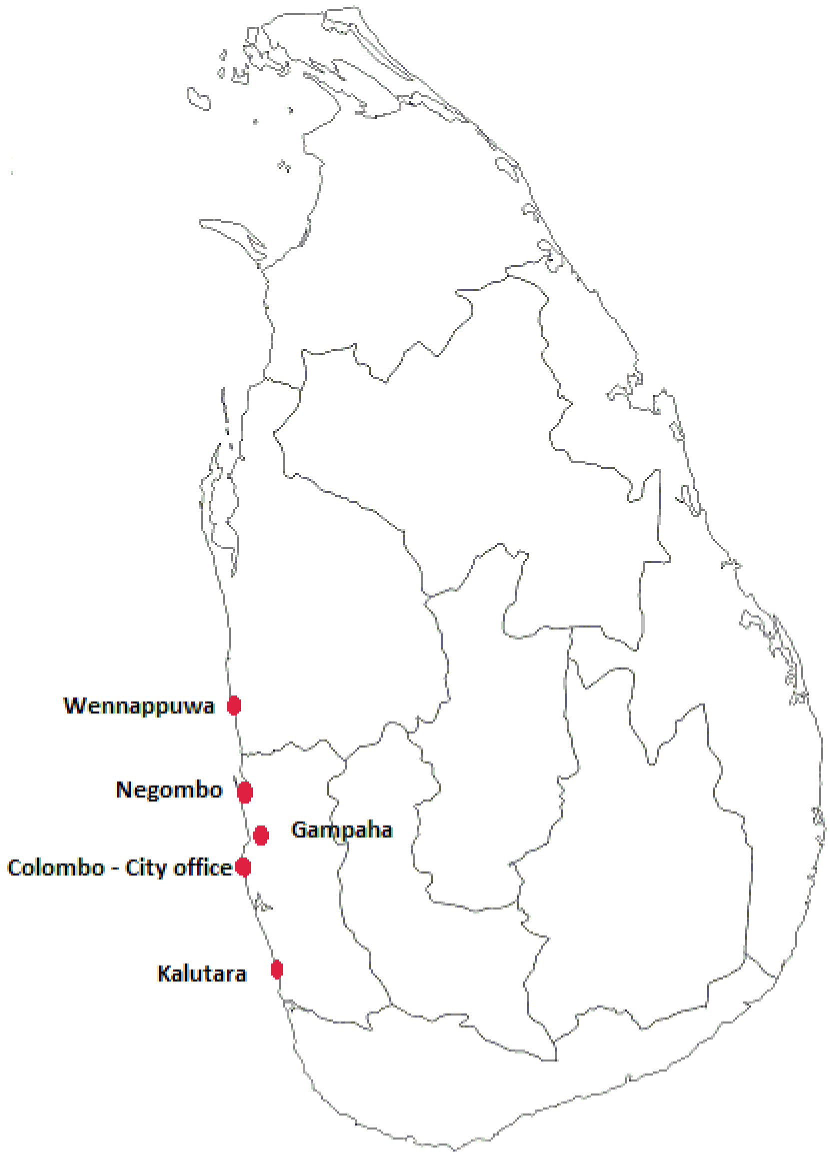
❖ Margin Trading Facilities

GSFL expanded their lending facilities towards margin trading in order to assist their clientele to grow their investment portfolios. This would help the company to diversify the portfolio mix to mitigate its inherent credit risk. The Company obtained a license from the Securities and Exchange Commission of Sri Lanka and launched margin trading facilities in collaboration with Capital Trust Securities (Pvt) Ltd, which is one of the leading stock brokering firms in Sri Lanka. GSFL is relying on quality statistical and analytical data offered by Capital Trust Securities (Pvt) Ltd to mitigate the risk which may arise from cyclical peaks and troughs in the Colombo Stock Exchange.

❖ Real Estate

The company has invested in real estate development projects in Wennappuwa, Katana and Kottawa areas. The concept of “Art Homes” was introduced with a theme of “Artful and Refined Living” by the Company in 2010. This concept was unique in that, the homes have offered at a very affordable price with bank loans arranged by the Company in accordance with the customers’ requests. The targeted customer segment was young executives and newly married couples. It is planned to build modern architectural designer houses using cost effective construction techniques. The Company’s strategy behind this development is to cater to their clients who seek exclusivity coupled with a value proposition.

5.9. **Branch Network**



GSFL operates five (5) offices including branches in Kalutara, Negombo, Gampaha and Wennappuwa. GSFL has selectively picked locations for branches based on the potential to increase the deposit portfolio. New branches have significantly contributed to increase in business volumes with an increased clientele. Further, as a strategy and in line with the Central Bank requirement for a balanced dispersion of branch network, GSFL plans to concentrate on establishing new branches outside the western province in the future.

5.10. **Financial Highlights**

5.10.1. Financial Performance

George Steuart Finance Ltd

Income Statement				
For the period ended	**Two Months ended May 12**	**31-Mar-12**	**31-Mar-11**	**31-Mar-10**
	Unaudited	**Audited**	**Audited**	**Audited**
	Rs'	**Rs'**	**Rs'**	**Rs'**
Income	**37,616,692**	**184,147,291**	**130,719,439**	**46,633,628**
Interest Income	34,859,956	172,265,542	39,593,908	34,477,271
Interest Expense	(16,797,744)	(78,179,467)	(18,139,891)	(20,892,162)
Net Interest Income	**18,062,212**	**94,086,075**	**21,454,017**	**13,585,109**
Non Interest Income	2,756,736	11,881,749	91,125,531	12,156,357
Total Operating Income	**20,818,947**	**105,967,824**	**112,579,548**	**25,741,466**
Operating Expenses				
Personnel Expenses	(3,223,983)	(14,455,325)	(9,238,897)	(7,396,254)
Premises, Equipment & Establishment Expenses	(3,558,002)	(19,921,908)	(5,804,925)	(8,760,422)
Administration Expenses	(3,918,723)	(14,587,704)	(7,729,217)	(5,084,359)
Other Overhead Expenses	(1,592,282)	(14,490,240)	(5,413,439)	(1,296,219)
Financial VAT	(850,000)	(4,888,311)	(10,898,110)	(1,354,363)
Total Operating Expenses	**(13,142,990)**	**(68,343,489)**	**(39,084,588)**	**(23,891,617)**
Profit before provision for losses on loans and advances	**7,675,958**	**37,624,335**	**73,494,960**	**1,849,849**
Reversal/(Provision for lease losses and write offs)	(1,697,912)	(271,446)	616,996	(284,530)
Operating Profit /EBT	**5,978,046**	**37,352,889**	**74,111,956**	**1,565,319**
Tax Reversal/ (Expense)	-	235,593	(5,639,534)	210,012
EAT	**5,978,046**	**37,588,481**	**68,472,422**	**1,775,331**

EPS	**1.59***	**1.67**	**5.48**	**0.24**
DPS	**0**	**0**	**0**	**0**

**Annualized EPS*

5.10.2. Financial Position

George Steuart Finance Ltd

Balance Sheet				
As at	**31-May-12**	**31-Mar-12**	**31-Mar-11**	**31-Mar-10**
	Unaudited	**Audited**	**Audited**	**Audited**
	Rs'	**Rs'**	**Rs'**	**Rs'**
Assets				
Cash and Short Term Funds	212,119,588	155,618,343	107,564,239	85,116,549
Investment in Shares	52,932,758	52,932,758	-	-
Loans	471,307,063	471,868,761	306,069,241	17,794,436
Finance Leases	229,430,768	239,158,720	138,888,439	50,709,634
Hire Purchase	177,172,571	169,398,296	107,338,062	18,771,106
Real Estate Inventories	38,890,938	44,601,227	67,634,777	55,910,055
Assets held for sale	8,983,276	8,983,276		
Prepayments and Receivables	32,838,189	30,178,872	44,423,496	10,561,187
Deferred Taxation	-	-		43,211
Investment in Shares of CRIB	-	-	56,300	56,300
Property, Plant and Equipment	23,628,989	23,855,136	5,839,989	11,423,573
Intangible Assets	883,780	1,057,237	875,000	825
Total Assets	**1,248,187,920**	**1,197,652,625**	**778,689,543**	**250,386,876**
Liabilities				
Fixed Deposits	821,322,156	718,328,079	-	-
Borrowings	42,040,879	106,878,317	455,824,008	159,003,537
Finance Lease Obligations	-	-	-	831,545
Retirement Benefit Obligation	1,396,323	1,336,323	959,352	452,075
Deferred Taxation	3,372,148	3,372,148	5,596,323	
Advance Received on Real Estate	668,250	1,285,250	2,561,792	1,590,750
Interest Accrued	26,176,102	15,912,329	4,865,175	4,007,893
Current Taxation	-	-		360,861
Other Liabilities	13,423,685	16,729,848	12,661,043	6,390,787
Total Liabilities	908,399,543	863,842,294	482,467,693	172,637,448
Equity				
Issued and Paid-up Capital	225,000,000	225,000,000	225,000,000	75,000,000
Revaluation Reserve	1,600,648	1,600,648	1,600,648	1,600,648
Finance Leasing Reserve Fund	-	-	3,634,506	210,885
Statutory Reserve Fund	5,510,472	5,510,472	-	-
Investment Fund Reserve	3,536,432	3,536,432	-	-
Retained Earnings	104,140,824	98,162,780	65,986,696	937,895
Total Equity	339,788,377	333,810,331	296,221,850	77,749,428
Total Equity and Liabilities	**1,248,187,920**	**1,197,652,625**	**778,689,543**	**250,386,876**
Net Asset Value Per Share	**15.10**	**14.84**	**13.17**	**10.37**

5.10.3. Cash Flow Statements of the Company

George Steuart Finance Ltd

Cash Flow Statement			
For the period ended	**31-Mar-12**	**31-Mar-11**	**31-Mar-10**
	Audited	**Audited**	**Audited**
	Rs'	**Rs'**	**Rs'**
Cash Flows from Operating Activities			
Interest and Fee Income	175,352,814	43,788,365	44,150,490
Interest Payments	(78,179,467)	(18,030,224)	(20,892,162)
Cash Payment to Employees	(14,052,144)	(7,765,550)	(6,144,020)
Receipts from Other Operating Activities	6,136,766	2,952,684	616,864
Payments on Other Operating Activities	(44,861,854)	(28,834,515)	(12,018,682)
Operating Profit Before Changes in Operating Assets/Liabilities	44,396,115	(7,889,240)	5,712,490
Decrease/(Increase) in Operating Assets:			
Loan Granted	(166,144,962)	(288,491,129)	122,000
Assets Leased	(100,076,136)	(87,369,235)	1,322,392
Assets Hire Purchased	(62,180,384)	(88,543,206)	14,577,192
Net Investment in Real Estate	14,050,274	(2,741,446)	9,765,687
Receivables and Prepaid Expenses	(3,514,483)	(18,755,551)	(1,677,844)
	(317,865,691)	(485,900,567)	24,109,427
Increase / (Decrease) in Operating Liabilities:			
Advance Received on Real Estate	(1,276,542)	971,042	(2,184,250)
Other Payables	15,115,959	7,127,537	1,429,983
Fixed Deposit received	718,328,079		
	732,167,496	8,098,579	(754,267)
Net Cash Generated from Operating Activities Before Tax	458,697,920	(485,691,228)	29,067,650
Income Tax Paid	(1,988,582)	(360,861)	(6,538,361)
Net Cash Generated from Operating Activities	**456,709,338**	**(486,052,089)**	**22,529,289**
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	(22,857,811)	(5,316,985)	(564,675)
Acquisition of Intangible Assets	(1,081,463)	(1,000,000)	
Proceeds from Disposal of Property, Plant and Equipment	-	1,398,182	1,246,787
Dividend Received	211,740	73,426	196,800
Investment in Shares	10,965,680	(201,248,459)	(10,090,450)
(Acquisition)/Proceeds from Disposal of Investment	(46,947,690)	270,479,689	6,084,670
Net Cash used in Investing Activities	**(59,709,543)**	**64,385,853**	**(3,126,868)**

Cash Flows from Financing Activities			
Increase /(Decrease) in Borrowings	(349,817,877)	296,820,471	(1,716,678)
Increase /(Decrease) in Lease Obligations	872,186	(831,545)	(6,906,576)
Increase /(Decrease) in Stated Capital	-	148,125,000	
Net Cash used in Financing Activities	**(348,945,691)**	**444,113,926**	**(8,623,254)**
Net Cash Increase in Cash and Cash Equivalents	**48,054,104**	**22,447,690**	**10,779,167**
Cash and Cash Equivalents at the Beginning of the Year /Period	**107,564,238**	**85,116,548**	**74,337,381**
Cash and Cash Equivalents at the End of the Year/ Period	**155,618,342**	**107,564,238**	**85,116,548**

5.10.4. Key Financial Ratios

George Steuart Finance Ltd

Key Ratios				
	31-May-12	31-Mar-12	31-Mar-11	31-Mar-10
	Unaudited	Audited	Audited	Audited
Profitability Ratios				
Net Interest Margin **	10%	11%	5%	8%
Net Interest Spread **	8%	9%	4%	7%
Non-Interest Income to Operating Income	13%	11%	81%	47%
Cost to Income Ratio	63%	64%	35%	93%
Return on Average Assets	3%*	3.8%	14.4%	0.6%
Return on Average Equity	11%*	12%	37%	2%
Interest Expense/ Interest Income	48%	45%	46%	61%
Net Profit Ratio	17%	22%	173%	5%
Liquidity Ratios				
Liquid Assets Ratio	10.57%	10.38%	N/A	N/A
Total Advances to Total Borrowings ***	102%	107%	121%	55%
Loans to Deposits Ratio	57%	66%	N/A	N/A
Leverage Ratios				
Total Liabilities/ Equity Ratio (times)	2.7	2.6	1.6	2.2
Debt/ Equity (times)	2.5	2.5	1.5	2.06
Asset Quality Ratios				
Core Capital Ratio	31.94%	31.62%	N/A	N/A
Total Capital Ratio	31.94%	31.62%	N/A	N/A
NPA Ratio	2.56%	2.08%	4.93%	18.78%

**Annualized*

*** Net interest margin and Net Interest spread for interim period are calculated based on the annualized interest income and interest expense by assuming that the same Interest rate pattern will continue in the future. Interest bearing assets and interest liabilities are as at 31st May 2012.*

**** The total advances include loans, finance leases, hire purchases and short term funds and the total borrowings include borrowings and fixed deposits.*

- **Net Interest Income(NII)**

The company's NII for the year 2012 was Rs 94 Mn and reflected an increase of Rs 69 Mn over the previous year. Accelerated pace of loans growth has helped to achieve this increase. The company's NPL ratio throughout the year was lower than the industry norms which contributed to higher collection of interest. NII has reached Rs.18 Mn at the end of May 2012.

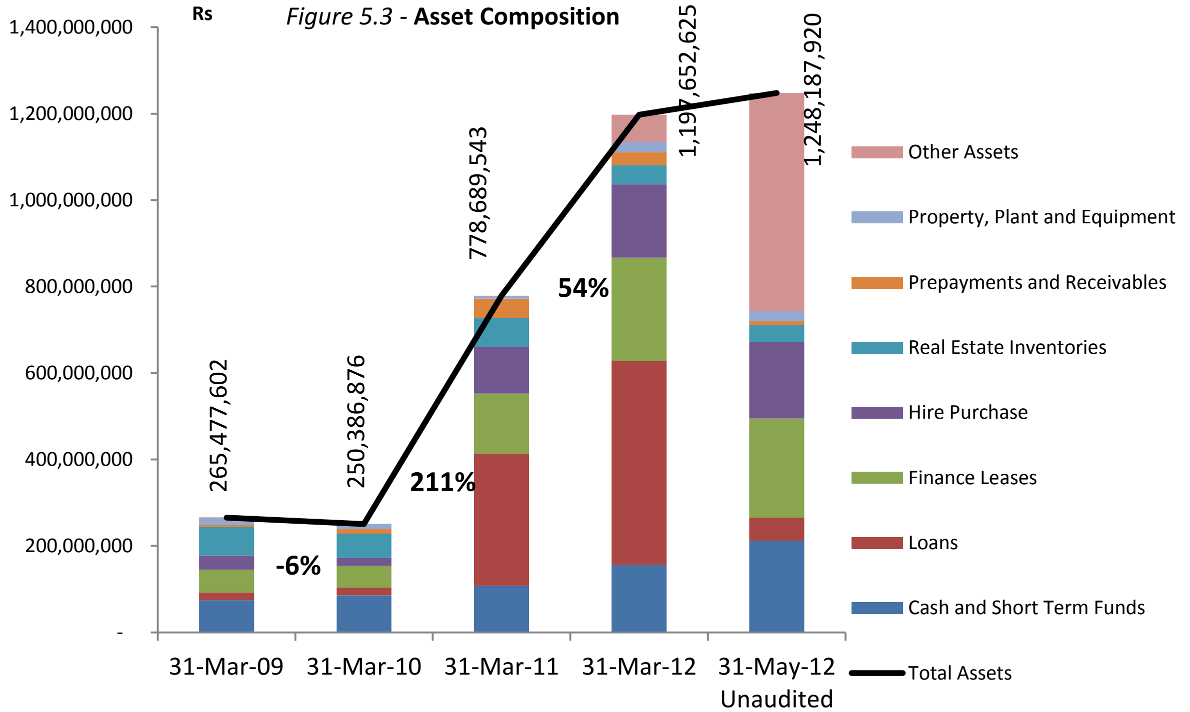
- **Growth in Operating Profit**

The substantial growth in profits in 2011 (Rs 74 Mn) was mainly due to the capital gains from marketable investments. In contrast the profits for the year 2012 (Rs 38 Mn) have been mainly generated from the core business operations. Operating profit of the Company has reached Rs. 5Mn as at end May 2012 confirming the steady growth in income.

- **Total Asset Portfolio**

The total asset base of the Company has increased to Rs.1.19 Bn at the end of March 2012. It recorded a 54% (approx.) growth within twelve months ended March 2012. Grant of loans, leases and advances accelerated due to the higher demand pushed by the lower interest regime. The Company has a well-balanced product portfolio consisting of Loans, Finance and Operating Leases, Hire Purchases, Real Estate Investments, Fixed Deposits and Margin Trading. Growth in the total asset base during last four years is depicted below,

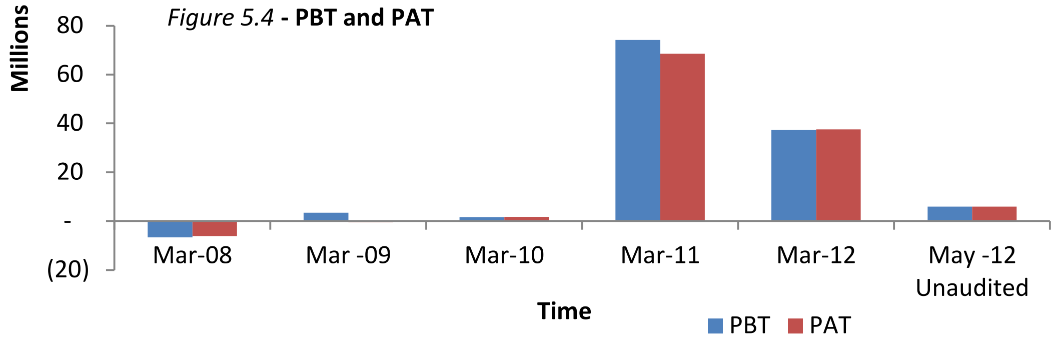
Figure 5.3 - **Asset Composition**



❖ **Profitability**

The profit before and after tax (corporate tax and financial services VAT) of the Company for the last three financial years ended 31st March 2012 and two months ended 31st May 2012 are presented below;

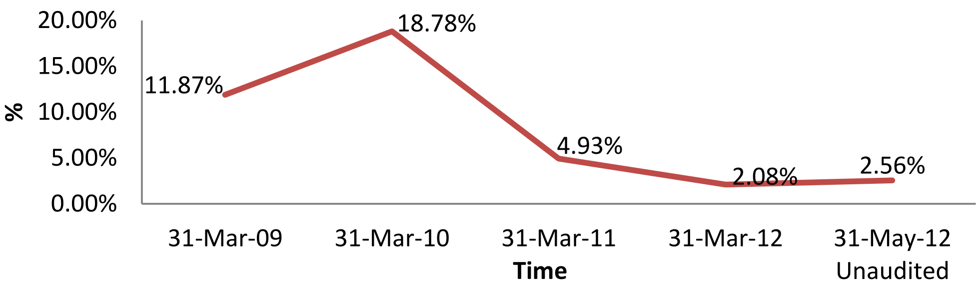
Figure 5.4 - **PBT and PAT**



❖ **Non-performing Loans and Advances**

NPA ratio has significantly declined in the year-ended 31st March 2011, which improved the asset quality of the Company. NPA ratio has further reduced to 2.08% as at the end of March 2012.

Figure 5.5 - **NPA Ratio**



5.11. Loans, Overdrafts and Other Borrowings

The Company does not have any outstanding debt securities as at the date of this Introductory Document. As at 17th July 2012, the Company has obtained overdraft limits as depicted below.

Description	Limit Amount	From	Pledged Asset
Overdraft Facility	Rs. 5Mn	HNB Bank	Property mortgage
Overdraft Facility	Rs. 2.7Mn	Union Bank	Cash
Overdraft Facility	Rs. 50Mn	DFCC Vardana Bank	Cash

Other than the aforementioned overdraft facilities, the Company neither has obtained any lease, and hire purchase commitments nor any loans from other banks or financial institutions.

5.12. **Dividend Policy of the Company**

The dividend policy of the company will be based on a number of factors including, but not limited to the Company's earnings, Overall financial condition and other factors which the Board of Directors deem relevant. Further, the Board of Directors of the company believes in rewarding the stakeholders appropriately for their stake and maximize the of shareholder wealth. The declaration and payment of dividends on ordinary shares will be recommended by the Board of Directors at a time it would think appropriate and approved by the Shareholders of the company.

As at 17th July 2012, the company has not declared or paid any amount as Dividends to its existing shareholders.

5.13. **IT Infrastructure**

In January 2011, the Company has signed a memorandum with Scienter Technology Limited to introduce a comprehensive, advanced IT solution (E-financials) as a platform to enrich GSFL's core business activities. GSFL is in the process of implementation of this new user friendly IT solution, which provides robust solutions with variety of applications. This new IT system includes a fixed deposit module, Lease module, Loan module and General Ledger module to improve the customer interface and delivery. Currently the customization of the system being handled by the service provider and the company expects to operate all these modules during the financial year 2012/2013. The total capital commitment for this advanced IT solution is approximately Rs.2mn.

5.14. **Degree of dependence on Key Customers and Suppliers**

As a policy, concentration on borrowing customer groups have been avoided by dispersing the loan portfolio among retail customers. It is further curtailed by the Central Bank rules on Single Borrower Limit. The Company was able to spread and diversify its customer base during a very short period with a balanced dispersion of branch network. However, the Company has four large depositors which represent 63% of the total deposit portfolio. These four depositors are companies who have common Directorships with George Steuart Finance Limited. Due to the common directorate, the Company has bargaining power in order to negotiate favorably to rollover these deposits for a further period. Therefore there is a moderate level of dependency on some deposit customers.

The Company is not significantly dependent on any single supplier for its requirements including funding requirements.

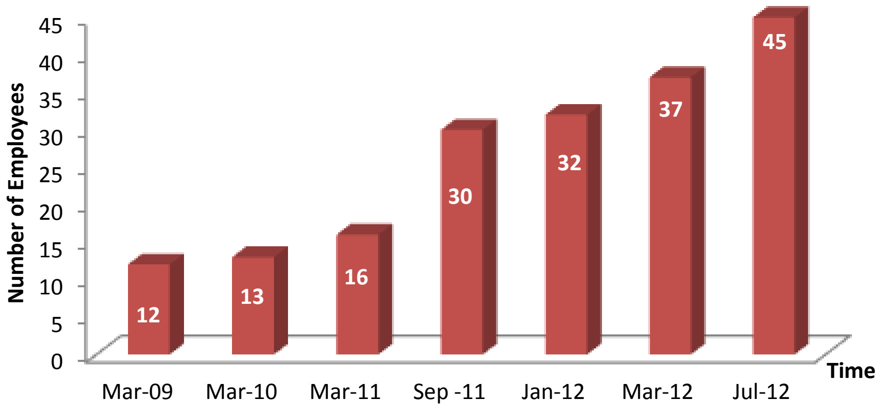
6. Human Resources of the Company

The human resources management policy of GSFL is to strengthen professionalism, commitment, self-motivation and job satisfaction. The management believes that only dedicated and committed staff can contribute and drive the company towards the achievements of corporate objectives. Therefore, GSFL plans to strengthen their human resource by continuous development training programmes. The company's focus is to provide guidance to enrich professional careers of staff members while preparing them for higher responsibilities.

6.1. Staff Strength

As depicted in the figure 6.1, the staff strength of the company as at 17th July 2012 was 45 employees.

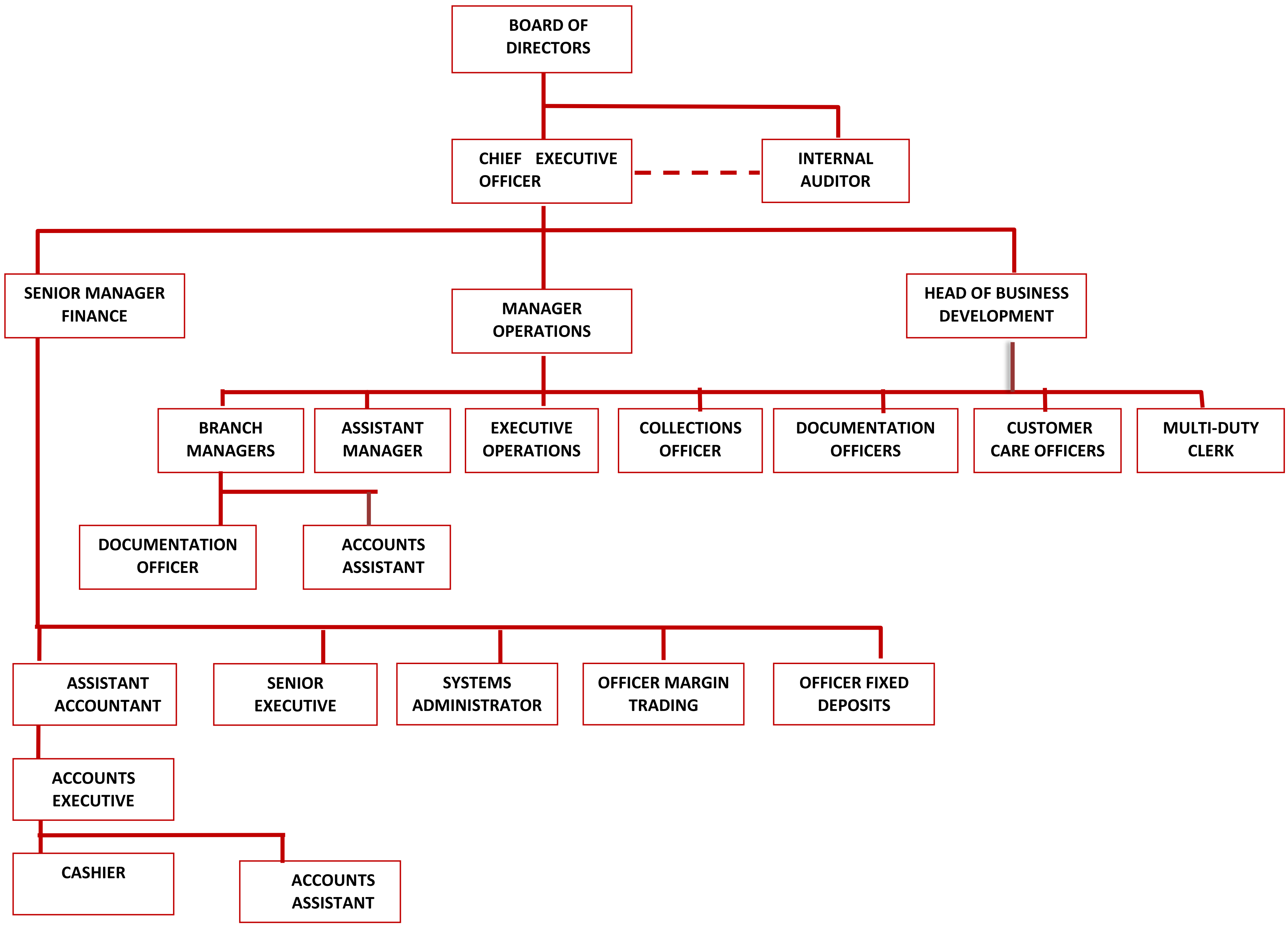
Figure 6.1 - **Staff Strength**



6.2. Organizational Structure

Organizational structure of the company is depicted in the figure 6.2

Figure 6.2 – **Organizational Structure of the Company**



6.3. Management

Key Management of the company comprises of Chief Executive officer, Head of Business Development, Senior Manager – Finance and Manager – Operations

Mr. L Uduwara – Chief Executive Officer
(Please refer to the Director Profile – page no 40.)

Mr. W G U I Ranaweera – Head of Business Development
(Please refer to the Director Profile – page no 41.)

Ms. D A U Goonetilleke – Senior Manager Finance
Ms. Goonetilleke is the Senior Finance Manager of the Company. She holds a BSc degree in Mathematics, Computer Science and Statistics from the University of Colombo. Also, she is an Associate Member of the Chartered Institute of Management Accountants (ACMA-UK) and holds an MBA from the University of Colombo. Ms. Goonetilleke counts for over 13 years of experience, out of which 10 years in the managerial grade in financial management, treasury, auditing and IT. She contributed to several leading private sector organizations in different industries such as manufacturing, leisure, telecommunications and financial services.

Mr. R Sumanadeera – Manager Operations
As the Manager Operations, Mr. Ravindra is responsible for day to day operations and recoveries of the company. He possesses 17 years work experience in private sector including 10 years executive grade experience in financial services.

There are no third parties that have been outsourced to the management team as at the date of this Introductory Document.

6.4. Management Emoluments

Emoluments paid to the Chief Executive Officer and key Management in the form of salaries or bonus for the year ended 31st March 2011 amounted to Rs. 2,436,000 per annum. Estimated aggregate emoluments including salaries and bonus payable to Chief Executive and Senior Management for the year ended 31st March 2012 is approximately Rs.3, 100,000.

6.5. Management Agreements

There are no Management Agreements in place as at the date of this Introductory Document and no such agreements are under consideration.

6.6. **Collective Agreements and Labour Unions**

The Company does not have any labour unions and have not entered into any collective agreements.

6.7. **Statement – Managing Director/ Chief Executive Officer**

Neither the Chief Executive Officer nor any person nominated to become the Chief Executive Officer has been involved in any of the following events:

- 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; and

- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

7. SWOT Analysis

Strengths	Weaknesses
❖ Astute, Business-savvy, Experienced Directorate ❖ Armed with Finance company license and Margin trading license ❖ Well spread Assets and Products portfolio to mitigate concentration risks ❖ Synergy associated with Triad , George Steuart and Derana Entertainment group ❖ BB-/ NP credit rating	❖ Lesser known in the market ❖ Absence of low cost funding opportunities ❖ Few branches to reach customers and fulfill their funding requirements ❖ Slower deposit inflow due to lessen branch network
Opportunities	**Threats**
❖ Opportunity to establish branches outside western province ❖ Conducive business climate to grow ❖ Positive investors' perception towards capital market investments	❖ Economies of scales of large players in the Finance sector ❖ Ability of the competitors to access to low cost funds through savings deposits ❖ Enormous competition among finance companies and Interest rate fluctuations ❖ Risk of variations on other macro-economic factors

8. Future outlook

8.1. **Future Plans and Strategies**

"GSFL has grown in stature quite fast in the recent past , having received the finance company status, successful re-branding and relocation of City Office at new premises. GSFL believes that future betterment is not only based on the present performance but also with an organizational ability to envision the future. Having this philosophy in mind, GSFL has laid their future plans and strategies as follows;

- Expanding the network
  The Company's immediate plan is to establish its branches at the rate of 3 new branches per year in key townships outside the Western province. Prioritizing the growth of GSFL's volume while ensuring the quality in order to be a "force" to be reckoned with, GSFL at end 2011 has established three (03) new branches and opened a new branch Wennappuwa on 10^{th} January 2012.

- Improve the Deposit portfolio
  Another key focus for the future would be to improve their deposit portfolio which is imperative for future sustenance and growth. GSFL has launched a moderate Media advertising campaign to improve their corporate image and awareness of their products and services.

- Broadening the Product and Service portfolio
  The Company is also exploring other avenues for funds such as securitization and debentures keeping in mind the need for longer term funds to support the advances portfolio.

- Obtain a listing at the Colombo Stock Exchange
  It is mandatory to obtain a listing at the CSE before June 2012. Listing on the CSE will place the company in a "show case" , exposed to the full glare of the public eye which will augur well for GSFL's corporate image.

- Improve fund and fee based income sources
  GSFL shall endeavor to improve the fund and fee based income sources. This has already been initiated by introducing additional loan products such as short term trade finance loans, cheque/bill discounting, medium term loans and margin trading in addition to the traditional lease/ hire purchase facilities.

- Adjust interest rates in accordance with rates volatility in the market
  Strategy is to improve the ratio of adjustable interest rate with fixed rentals. This will help to encounter the inherent interest rate risks.

❖ Growth in Lending Portfolio

GSFL expects to grow their lending activities approximately by 20% during the financial year 2012/2013.

The date of completion and the source of funding for each objective are sated below,

Objective	Source of funding	Estimated date of the completion
Expanding the network	Collections & Deposits	On going
Improve the deposit portfolio	N/A	On going
Broadening the product and services portfolio	Fixed deposits and Sale of real estate stock	On going
Listing at CSE	N/A	30.06.12
Improve Fee based income sources	N/A	On going
Adjust interest rates in accordance with rates volatility in the market	N/A	On going
Growth in Lending Portfolio	N/A	On going

8.2. **Underlying Assumptions on which future strategies are based on**

❖ It is assumed that existing favorable economic conditions such as GDP growth and low inflation rates etc.. would continue in the foreseeable future.

❖ Favorable Savings and Investment ratio will continue and overall demand for financial services would increase.

❖ Tested risk management strategies will help to sustain the Company in the future.

8.3. **Analysis of Associated Risks pertaining to the future strategies**

❖ Interest rate Risk

Being a finance company GSFL is also exposed to the Interest Rate risk where prevailing market interest rates and higher volatility of the rates adversely affect the profitability of the Company. In 2010 and 2011, the movements in interest rates have had a significant positive impact on earnings of the Registered Finance Companies in Sri Lanka.

Asset liability management is the main strategic management tool that GSFL practices to mitigate interest rate exposure. ALCO is headed by the Chief Executive Officer of the Company and comprises of senior management from the areas of finance and treasury, deposits, credit, marketing and operations. The Committee is responsible for asset and liability management, funding and liquidity management. GSFL manages interest rate risk by maintaining the interest margins and monitoring the maturity pattern and the duration of asset and liabilities.

- Liquidity Risk

Liquidity is the ability to source funds to meet obligations as they become due, without incurring significant unacceptable losses. Virtually every financial transaction or commitment has implications on liquidity. Effective liquidity management plays a most important role in every financial institution by ensuring the ability to meet their cash flow obligations without facing any default.

Liquidity risk management is of paramount importance because a liquidity shortfall at a single institution will have system-wide impact as we have experienced in the recent past. Therefore, as a strategy, GSFL will pay keen attention to maintain adequate liquidity for contingencies as per the Central Bank guide lines and provisions. The threat of cash out flows of large deposits had been considered by the management as described in the section 5.14. Ongoing supervision carried out by the CBSL monitors the level of liquidity using liquidity reports which are prepared by the company on a weekly basis. Although, liquidity and profitability are inversely related, GSFL maintains liquidity levels above the required levels.

- Credit Risk

Credit risk is the risk of loss of principal or interest from borrowers due to failure to repay a loan or meet contractual obligations. The company is exposed to credit risk since the company is engaged in lending activities and can be managed based on the risk profile of the borrower, repayment source and the nature of underlying collateral. Therefore, as a risk management tool GSFL has a structured credit policy and a process. Further, GSFL's operational team is being constantly built up to be strong on credit judgments, collections, marketing as well as to foresee risks in order to mitigate credit risk. It is a strong conviction that success would depend on building a very good advances portfolio with underlying assets devoid of any concentration.

As per the Central Bank rules and guidelines, GSFL maintains single borrower credit limit and provides adequate provisions for non-performing advances comprising loans, finance leases and hire purchases to mitigate credit exposure. Acknowledging the critical importance of credit risk management, GSFL will establish a distinct Credit Committee to ensure more independence and efficiency in the near future.

- Operational Risk

Operational risk arises due to the failure in day to day operational mechanism in a financial institution. This will result in financial losses due to errors, human error and frauds, failure to perform in a timely manner, failures of IT systems and failure to comply with rules and regulations.

GSFL maintains effective internal controls and best management practices to mitigate this risk. The senior management maintains a very friendly atmosphere and ethical culture within the company itself as well as with their clientele. They select the right person for the right job, who suits the existing culture and environment in order to meet the company's and their future expectations. The company provides knowledge based training programmes, opportunities for self-development programmes and other continuous development programmes to its staff. In order to facilitate and continue these practices, a separate budget for training and development has been approved by the Board of Directors

- Market Risk

Being a successful contributor to the Capital Markets in Sri Lanka, GSFL operates margin trading facilities to market investors with the intention of helping them to grow their portfolios.

Since the Company is relying on statistical and analytical data, GSFL exposes to market risk which can arise due to unexpected stock price movements. GSFL relies on stock and market analysis reports provided by Capital Trust Securities (Pvt) Ltd. Even though the market risk can't be fully diversified or controlled by the company, GSFL is taking precautionary measures in order to minimize the impact of such fluctuations. GSFL continues to follow-up and monitor the analytical behavioral pattern of the Colombo Stock Exchange to manage its exposure.

- Economic Risk

Financial Institutions are directly and indirectly exposed to macro-economic risks such as Inflation Risk, Currency Risk and Country Risk. Directly, these risks will not affect the company as a single entity but entire sector will affect as a whole. At the same time negative implications of these risks will affect the disposable income of the people which can effect the savings potential directly affecting savings portfolio of the company. Therefore, GSFL focuses on marketing strategies to attract new customers and retain existing customer portfolio.

- Reputation Risk

The Company is exposed to some level of reputation risk which can arise from negative public attitudes and confidence about the finance sector due to bankruptcy situations in few finance companies as we have experienced in the recent past. These types of risks adversely affect the ability to attract new customers and retain existing customers within the industry. In the aftermath of the collapse of the financial conglomerate a significant shift in investor confidence towards state banks was clearly evident. Therefore, aiming at the quality of the service, GSFL maintains good customer relationships with friendly climate by supporting, advising and helping them to grow their wealth and to make fruitful investment decisions. These best practices and ethical framework is expected to help GSFL to overcome threats to sustainability by winning confidence among the investing public.

Other than these aforementioned risks, the Company can be exposed to Political Risk and Regulatory Risk where economic policies, rules and regulations change due to new government policies or strategies.

9. Share Capital Structure

As at the date of this Introductory Document, the stated capital of GSFL is Rupees Two Hundred Twenty Five Million (Rs. 225,000,000) representing 22,500,000 issued and fully paid ordinary voting shares. The shares in issue are fully paid with effect from 27th April 2012.

Table 9.1 - **Share Capital of the Company**

Stated Capital (Rs)	Financial Year, 2011/12	Financial Year, 2010/11	Financial Year, 2009/10	Financial Year, 2008/09	Financial Year, 2007/08
Number of Ordinary Shares at the beginning of the financial year	**22,500,000**	**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**
Number of Ordinary Shares issued during the financial period (Right Issue – 18/11/10)	-	15,000,000	-	-	-
Number of Ordinary Shares at the end of the financial year	**22,500,000**	**22,500,000**	**7,500,000**	**7,500,000**	**7,500,000**

9.1. Other classes of Shares

The company has not issued any other classes of shares other than the above mentioned ordinary voting shares.

9.2. Restrictions on Non-residents

There are no restrictions on the purchase of shares by non-residents in the Company.

9.3. Details of Convertible Debt Securities

The company has no outstanding Convertible Debt Securities as at the date of this Introductory Document.

9.4. Free Transferability of Securities

There are no statutory restrictions on the free transferability of the issued shares.

9.5. Reduction in Share Capital Shares Repurchased/ Redeemed

The company has not been engaged on any share re-purchase, redemption or stated capital reduction exercises in the two years preceding the date of this Introductory Document.

9.6. Subdivision of Shares

There have been no subdivisions of shares.

9.7. New Share Issues

The Company has not issued any shares during the last year preceding the date of this introductory Document. Details of the shares issued two years preceding the date of Introductory Document are set out in the table given below.

Table 9.2 ***– New Share Issues*** **of GSFL**

Date of allotment	Nature of the Issue	Value per share (Rs)	Number of shares issued	Total consideration (Rs)
18th Nov 2010	Rights Issue	10	15,000,000	150,000,000

The proceeds from the Right Issue were utilized to enhance the advances portfolio of the Company.

9.8. Details of Transfer of Shares

Following share transfers have been taken place by the major shareholders within the immediate period of one year from the date of this Introductory Document.

Table 9.3- **Summary of the share transfers**

Name of the Transferor	Name of the Transferee	No. of Shares	Transfer Price	Consideration (Rs)	Date of Transfer
R M J I H Rathnayake	S Ameresekere	1,200,000	Rs.10	12,000,000	01/08/ 11
M K Madawala	**See Appendix I**	22,000	Rs.20	440,000	23/12/ 11
Traid Advertising (Pvt) Ltd	Divasa Equity (Pvt) Ltd	4,425,000	Rs.20	88,500,000	24/02/12
D S Jayaweera	Divasa Equity (Pvt) Ltd	1,575,000	Rs.20	31,500,000	24/02/12
V A Fernando	Divasa Equity (Pvt) Ltd	1,575,000	Rs.20	31,500,000	24/02/12
Printage (Pvt) Ltd	Divasa Equity (Pvt) Ltd	1,350,000	Rs.20	27,000,000	24/02/12
Power House (Pvt) Ltd	Divasa Equity (Pvt) Ltd	1,350,000	Rs.20	27,000,000	24/02/12
S Ameresekere	Divasa Equity (Pvt) Ltd	1200,000	Rs.20	24,000,000	24/02/12

In December 2011, Mr. M K Madawala one of the major shareholders transferred his shares to 106 non-related parties. The details pertaining to the shares transferred during the year are tabulated in Appendix I of this Introductory Document.

9.9. **Present Shareholding Structure**

9.9.1. Major Shareholders

Tabulated below are the major shareholders of the Company as at 17th July 2012.

Table 9.4 - **Major Shareholders of GSFL as at 17th July, 2012**

	Name of the Shareholder	No. of shares	Holding %
1	Divasa Equity (Pvt)Ltd	11,475,000	51.00%
2	Capital Trust Holdings	5,625,000	25.00%
3	Nalaka Godahewa	1,125,000	5.00%
4	Anthony Rohan Harsha Fernando	750,000	3.33%
5	Ramanika Gayathri Unamboowa	600,000	2.67%
6	Gunapala Jayaweera	600,000	2.67%
7	Kallet Malini Gunawardena	600,000	2.67%
8	Lindamulage Ashika Iroshini Silva	450,000	2.00%
9	Kumudu Priyanka Perera	450,000	2.00%
10	Madhawa Kurupita Madawala	428,000	1.90%
11	Lalith Rukman Jayaweera	375,000	1.67%
12	Others	22,000	0.10%
	Total	**22,500,000**	**100%**

As at 17th July 2012, public holding of the Company shares in terms of the Definition under CSE listing rules is approximately **19%.** The public holding of the company is held by 113 public shareholders holding not less than 100 shares each.

9.9.2. Distribution of Shareholding

Distribution of shareholding of the Company as at 17th July 2012(after share transfers) is depicted in the Table 9.5

Table 9.5 – ***Distribution of shareholding***

From		To	No of Shareholders	No of Shares	%
100	-	10,000	106	22,000	0.10%
10,001	-	100,000	0	0	0.00%
100,001	-	1,000,000	8	4,253,000	18.90%
1,000,001	-	10,000,000	2	6,750,000	30.00%
	Over 10,000,000		1	11,475,000	51.00%
Total			**117**	**22,500,000**	**100.00%**

9.9.3. Analysis of Shareholding

Analysis of shareholding based on the type of the shareholder as at 17th July 2012, is illustrated in the table 9.6.

*Table 9.6- **Analysis of shareholding***

Category	No of Shareholders	No of Shares	%
Individual	115	5,400,000	24%
Institutions	02	17,100,000	76%
Total	**117**	**22,500,000**	**100.00%**

9.9.4. Directors' Interest in Shares

The Directors' direct shareholdings in George Steuart Finance Limited as at 27th August 2012 are tabulated below.

*Table 9.7 -**Shares held by the Directors***

	Name of the Director	No. of Shares	Holding % as of total No. of issued shares
1.	Mr. L Uduwara	100	0.00%
2.	Prof. S A A P De Silva	0	0.00%
3.	Mr. D S Jayaweera	0	0.00%
4.	Mr. W G U I Ranaweera	0	0.00%
5.	Mr. P V S Premawardhana	0	0.00%
	Total	**100**	**0.0004%**

9.9.5. Share Purchases or Sales by Directors

Details of the sale and purchase of shares made by the Directors during the one year period preceding the date of the Introductory Document are tabulated below.

*Table 9.8 – **Purchases and Sales***

Date	Name of the Director	Description	Value per share (Rs)	Number of shares	Total consideration (Rs)
23rd Dec 2011	L Uduwara	Purchase (transfer)	Rs.20	100	2,000.00
24th Feb 2012	D S Jayaweera	Sale (transfer)	Rs.20	1,575,000	31,500,000.00

Mr. L Uduwara has purchased 100 number of ordinary voting shares at the time of shares transfer which occurred in December 2011 and Mr. D S Jayaweera has transferred 1,575,000 number of shares to Divasa Equity (Pvt) Limited on 24th February 2012.

Other than the aforementioned, no Director of the Company has been engaged in sale or purchase of shares of the Company during the year immediately preceding the date of the issue of this Introductory Document.

10. Corporate Structure

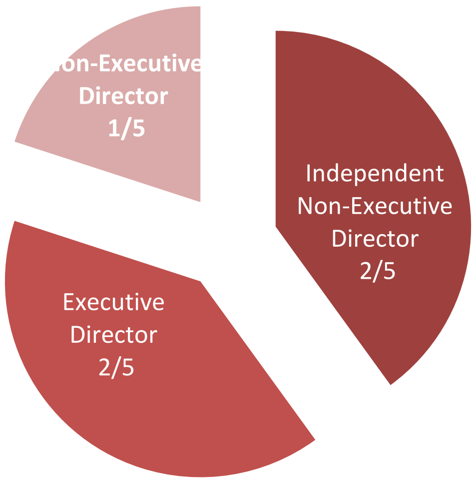
10.1. Board of Directors

The Board of directors guides and supervises the business and operations of George Steuart Finance Limited to accomplish their preset goals and objectives in order to maximize all the stakeholders' interests. The board comprises of Five (05) Directors consisting Two (02) Independent Non-Executive Directors, One (01) Non-independent Non-Executive Director and Two (02) Executive Directors. The Board composition as at 27th August 2012 is depicted in the section 10.1.

Composition of the Board

Prof. S A A P De Silva	-	Independent Non-Executive Director (Acting Chairman)
Mr. D S Jayaweera	-	Non – Executive Director
Mr. L Uduwara	-	Executive Director
Mr. P V S Premawardhana	-	Independent Non-Executive Director
Mr. W G U I Ranaweera	-	Executive Director

Figure 10.1 - **Composition of the Board**



10.2. Details of George Steuart Finance Limited Board of Directors

Table 10.1- ***Details of the Board of Directors***

Name	Age	Residential Address
Prof. S A A P De Silva	46	No 32/1, Kadawatha Road, Kalubowila, Dehiwala
Mr. D S Jayaweera	44	No 4/6, Jeswel Place, Mirihana, Nugegoda
Mr. L Uduwara	55	No 384, Biyagama Road, Gonawala, Kelaniya
Mr. P V S Premawardhana	45	No 283/6, Ruwan Mawatha, Colombo 05
Mr. W G U I Ranaweera	26	No 04, Park Terrace, Colombo 05

10.3. **Profiles of the Board of Directors**

A brief profile of each of the Directors is given below:

Prof. S A A P De Silva – Acting Chairman/ *Independent Non-Executive Director*

Prof. Arjuna De Silva was appointed to the Board of George Steuart Finance Limited as an Independent Non-Executive Director with effect from 23rd December 2011. He is a professor in Medicine at the Faculty of Medicine of the University of Kelaniya Sri Lanka. He obtained MRCP (UK) in 2010, MSc from the University of Oxford in 2001, FCCP in 2009 and FRCP (London) in 2010.

He was the Clinical Coordinator in the Faculty of Medicine of the University of Kelaniya. Prof. De Silva is also a trainer in Gastroenterology in Sri Lanka. He was recently appointed as the Director General of the Sports Medical Unit of the Ministry of Sports.

Mr. D S Jayaweera - *Non-Executive Director*

Dilith Jayaweera has served on the Board of George Steuart Finance Ltd from 18th May 2005. A leading business figure in Sri Lanka, he was named one of LMD's Ten Business People of the Year 2011. He is the co-founder of a dynamic conglomerate of companies with diverse interests in investment, media, communications, leisure, property development, exports, pharmaceuticals and manufacturing. An entrepreneur committed to building strong and sustainable businesses, Dilith has built a reputation for challenging convention with his can-do spirit. An attorney at law by profession, Mr. Jayaweera holds an LLB from the Faculty of Law, University of Colombo and an MBA from the University of Wales. He is the Chairman of the George Steuarts Group, and sits on the Board of Citrus Leisure PLC and Colombo Land and Development PLC as well as being a Director of many other non-listed entities.

Mr. L Uduwara- *Chief Executive Officer/ Executive Director*

Mr Lakshman Uduwara was appointed to the Board of George Steuart Finance Limited with effect from 12th November 2010. He is a Fellow of the Institute of Bankers Sri Lanka (IBSL) and holds a Diploma in Bank Management and a Diploma in Business Management.

He has 32 years of commercial banking experience of which 28 years in the management grade. He possesses 24 years of credit disbursement and administration experience with regard to retail, corporate, SME and agricultural credit. Also he possesses extensive experience in credit collection, recovery procedures and litigation. He has handled commercial bank audit functions and has been involved in contributing to the development of banking fraternity by conducting lectures at IBSL and other several forums. Mr. Uduwara is serving as a visiting lecturer in the IBSL panel.

Mr. P V S Premawardhana - ***Independent Non-Executive Director***

Mr. Premawardhana was appointed to the Board of George Steuart Finance Limited as an Independent Non-Executive Director with effect from 23rd December 2011. He is an accomplished professional with over 15 years of comprehensive management experience comprising local and international hands-on experience in the fields of Capital Markets and Risk Management.

He holds an MA in Financial Economics from the University of Colombo and a BSc in Computer Science from the University of Southern California- USA. Mr. Premawardhana is the Managing Director of First Derivatives (Pvt) Ltd and he is a former Director of the Securities and Exchange Commission of Sri Lanka.

Mr. W.G.U.I.Ranaweera – Executive Director

Mr Ranaweera was appointed to the Board of George Steuart Finance Limited as an Executive Director with effect from 24th August 2012. He holds a BA (Hons) in Economics and Business from the University of Kent in Canterbury United Kingdom and is a Passed Finalist of Chartered Institute of Management Accountants, United Kingdom.

Mr. Ranaweera carries with him several years of experience in the financial consultancy field where he has carried out Corporate Finance, Financial Due Diligence, Mergers and Acquisitions and Private Equity engagements in the Banking, Financial Services, Manufacturing, Automotive, Consumer Goods, Leisure and Aviation sectors for both international and domestics clients. Mr. Ranaweera is overall responsible for the strategic development and business operations.

10.4. Other Directorships held by the Board

The directorships held by the Board members in other institutions are shown below.

Table 10.2 - ***Other Directorships as at 27th August 2012***

Name of the Director	Other Directorships held
Prof. S A A P De Silva	N/A
Mr. L Uduwara	N/A
Mr. D S Jayaweera	Director – Asia Commerce Exports (Pvt) Limited
	Director – Asia Commerce Holdings Limited
	Partner – Capital Law Chambers & Corporate Consultants
	Director – Citrus Aqua Limited
	Director – Citrus Leisure PLC
	Director – Citrus Vacation Limited
	Director – Colombo Land and Development Co. PLC
	Director – Divasa Equity Limited

	Director – Hikkaduwa Beach Resort Limited Director – George Steuart & Company Limited Director – Kalpitiya Beach Resort PLC Director – George Steuart Engineering (Pvt) Ltd Director – Panasian Power PLC Director – Pasikuda Beach Resort Limited Director – Triad (Pvt) Limited Director – Triad Digital (Pvt) Limited Director – Waskaduwa Beach Resort PLC
Mr. P V S Premawardhana	Director – First Derivatives Capital (Pvt) Limited Director – Citrus Leisure PLC Director – Hikkaduwa Beach Resort Limited
Mr. W G U I Ranaweera	Director – Fior Drissage Jewellers Ltd

10.5. Directors' Emoluments

Aggregate Directors' emoluments paid in the form of salaries, bonus, and other payments for the financial year 2010/11 amounted to Rs 2,400,000 per annum. It is estimated that for the financial year 2011/12 Directors' emoluments would amount to approximately Rs. 2,190,000 per annum.

10.6. Directors' Interest in Assets and Contracts

The Directors of GSFL hold no interest in any assets acquired, disposed or leased by the Company during the two years preceding this introduction. Furthermore, it is not proposed that the Directors will hold any interest in assets to be acquired, disposed or leased by the Company.

There are no any contracts or arrangements in force as at the date of this Introductory Document in which the Directors of George Steuart Finance Limited are materially interested in relation to the business of the Company.

10.7. Statement – Board of Directors

No director or a person nominated to become a Director of the Company has been involved in any of the following events:

- 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; and
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

11. Corporate Governance Practices

The Board of Directors of GSFL has given the due emphasis to the importance of highest standard corporate governance practices in promoting business integrity, accountability and transparency. To ensure an effective Corporate Governance framework, the GSFL is maintaining and strengthening their board composition and adhere to following best practices as described below.

11.1. **Constitution of the Board**

The Board comprises of Five (05) Directors out of which Two (02) are Executive Directors, Two (02) Independent Non-Executive Directors and One (01) Non-Executive Director with the expertise in the areas of Risk Management, Fund Management, Bank Management, Operations Management, Legal, Marketing and Finance Management.

Non-Executive Director

- Mr. D S Jayaweera

Independent Non-Executive Directors

- Prof. S A A P De Silva
- Mr. P V S Premawardhana

Executive Directors

- Mr. L Uduwara
- Mr. W G U I Ranaweera

11.2. **Number of meeting held**

The Board of GSFL meets once in a month in order to ensure their responsibilities of endorsing the GSFL strategy, developing policies, appointing and supervising senior executives and ensuring accountability of the organization to customers and other stakeholders.

11.3. **Remuneration Committee**

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of Executive Directors and Non-Executive Directors. The committee is also responsible for setting up the remuneration policy, which provides guidelines to the Board on the overall remuneration framework to ensure that remuneration levels are at a satisfactory level to attract and retain the requisite professionals to support the success of the Company.

The Remuneration Committee of the Company is appointed by the Board of Directors and the present committee comprises of the following One (01) Non-Executive Director and Two (2) Independent Non-Executive Directors.

- Mr. D S Jayaweera- Non-Executive Director (Chairman)
- Mr. P V S Premawardhana - Independent Non-Executive Director
- Prof. S A A P De Silva - Independent Non-Executive Director

Mr. D S Jayaweera was appointed as the Chairman of the Remuneration Committee on 23rd December 2011. The Chief Executive Officer attends the meetings by invitation.

11.4. **Audit Committee**

The Audit Committee is responsible for reviewing the functions and processes of internal controls in the Company and ensuring the effectiveness of such controls. The Committee monitors all audit activities and operations and ensures their compliance with overall policies and procedures as well as adherence to statutory and regulatory requirements and industry best practices

The Audit Committee of the Company is appointed by the Board of Directors and the present committee comprises of the following One (01) Non-Executive Director and Two (02) Independent Non-Executive Directors.

- Mr. P V S Premawardhana - Independent Non-Executive Director (Chairman)
- Mr. D Jayaweera- Non-Executive Director
- Prof. S A A P De Silva - Independent Non-Executive Director

Mr. P V S Premawardhana was appointed as the Chairman of the Audit Committee and the Committee has reconstituted at the Board meeting held on 23rd December 2011. The Chief Executive Officer and the Finance Manager attends the meetings of the Audit Committee by invitation.

12. Other Information Relating to the Company

12.1. Litigation, Disputes and Contingent Liabilities

As at the date of this Introductory Document, there are no material legal, arbitration or mediation proceedings which may have or have had in the recent past affected the financial position or profitability of the Company.

As at the date of this Introductory Document, there are no contingent liabilities that would affect current and future profits of the Company.

There have been no penalties imposed by any regulatory or state authority on the Company as at the date of this Introductory Document.

12.2. Working Capital

The Board of Directors of the Company ensures that the current working capital is sufficient to carry out day to operations without any default. In order to maintain the liquidity position, they prepare a weekly liquidity reports to monitor 10% liquidity requirement and also assess these reports by the experts in the company.

12.3. Taxation

The Company is liable to corporate income tax in terms of the provisions of the Inland Revenue Act No. 10 of 2006 and its subsequent amendments. GSFL is liable to pay corporate tax at 28% on their profits.

Also the Company is liable on VAT, under the Value Added Tax Act No. 08 of 2006 and liable to pay Financial VAT 12%. Other than the aforementioned taxes GSFL is paying Withholding Tax, Stamp Duty and Economic Service Charges.

12.4. Details of Commission Paid

No commission has been paid in the two years preceding the Introduction for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions for any shares of the Company.

12.5. Details of Benefits Paid to Promoters

No benefit has been paid or given by the Company within the two years preceding the Introduction and there are no benefits intended to be paid or given to any promoter.

12.6. **Material Contracts**

The Company has not entered into any material contracts other than those contracts entered into in the ordinary course of business.

12.7. **Rights and Obligations Attached to the Shares**

Ordinary Voting Shares of the Company will have the right to vote, the right to an equal share in any dividend that may be declared by the Company and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

13. Statutory Declaration

Declaration by the Board of Directors

Date: 27th August 2012

We, the undersigned, who are named in the Introductory Document as Directors of George Steuart Finance 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 Introductory Document and those provisions have been complied with.

This Introductory Document has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that 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 George Steuart Finance Limited have been given in the Introductory Document, such representations have been made after due and careful enquiry of the information available to George Steuart Finance Limited and making assumptions that are considered to be reasonable at the present point in time to our best judgment.

Name	Designation	Signature
Prof. S A A P De Silva	Acting Chairman/ Independent Non-Executive Director	Signed
Mr. D S Jayaweera	Non- Executive Director	Signed
Mr. L Uduwara	Executive Director	Signed
Mr. P V S Premawardhana	Independent Non-Executive Director	Signed
Mr. W G U I Ranaweera	Executive Director	Signed

At Colombo, Sri Lanka

Accountant’s Report

14. Accountant's Report

14.1. **Accountants Report issued by the former Auditors of the Company**

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

The Board of Directors
Divasa Finance Limited
No 15, Station Road
Colomboo 03

25th July 2012

Dear Sirs

DIVASA FINANCE LIMITED

ACCOUNTANTS' REPORT FOR INCLUSION IN THE INTRODUCTORY DOCUMENT OF DIVASA FINANCE LIMITED

This report has been prepared for the inclusion in the Introductory Document issued in connection with the listing of Twenty Two Million and Five Hundred Thousand (Rs.22.5 million) Ordinary Voting Shares of Divasa Finance Limited.

We have examined the financial statements of Divasa Finance Limited from the years ended 31st March 2010 and 31st March 2011, included in the Introductory Document and report as follows:

1. INCORPORATION

- Divasa Finance Limited (the "Company"), formerly known as Asia Commerce Limited, is a public limited liability company incorporated on 10th September 2004 under the Companies Act N0 17 of 1982 and domiciled in Sri Lanka. As per section 487 (2) of Companies Act No 7 of 2007 the Company has been re registered bearing registration No.PB 1194. The Company changed its name to "Divasa Finance Limited" on 8th August 2011 (Company Registration No PB 351).
- The Company is registered as a Finance Company with effect from 23rd May 2011 under the Finance Companies Act No 78 of 1988 and registered as a Leasing Company under the Finance Leasing Establishment Act No 56 of 2000.

2. FINANCIAL STATEMENTS OF THE COMPANY

2.1 Three Years Summary of Financial Statements

A summary of the Income Statements and Balance Sheets of Divasa Finance Limited for the financial years ended 31st March 2010 and 31st March 2011, based on the audited financial statements of the Company are set out on pages 19 to 22 of the Introductory Document.

KPMG

2.2 Audited Financial Statements for the years ended 31st March 2010 and 31st March 2011

The Balance Sheets as at 31st March 2010 and 31st March 2011 and related Statement of Income, for the years then ended are set out on pages from 95 to 134 of the Introductory Document. We have audited these financial statements and our audit reports dated 1st September 2010 and 15th August 2011 are set out on pages 116 and 94.

2.3 Audit Reports

We have audited the financial statements of the Company for the years ended 31st March 2010 and 31st March 2011. Unqualified audit opinions have been issued for the said financial years.

2.4. Application of Accounting Standards and Accounting Policies

The financial statements of the Company for the years ended 31st March 2010 and 31st March 2011 complied with applicable Sri Lanka Accounting Standards.

The accounting policies of the Company are stated in detail in the audited financial statements of Divasa Finance Limited for the year ended 31st March 2011. The adoption of revised/ new accounting standards and related amendments to the accounting policies of the Company since 31st March 2010 and 31st March 2011 are given below.

Financial Year	Adoption of revised/ new accounting standards and related changes in Accounting Policies
31st March 2010	There were no material changes.
31st March 2011	There were no material changes.

2.5. Dividends

The Company has not declared dividends in respect of Ordinary Shares during the three financial years ended up to 31st March 2011.

2.6. Events after the Balance Sheet Date 31st March 2011

The Company has registered as a Finance Company under the Finance Companies Act No 78 of 1988 on 23rd May 2011. Further, the Company has changed the name as "Divasa Finance Limited" on 8th August 2011.

Yours faithfully,

KPMG

Chartered Accountants
Colombo
RJ

14.1. **Accountants Report issued by the present Auditors of the Company**

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

HMAJ/WDRT/JJ

July 09, 2012

Private & Confidential

The Board of Directors
Divasa Finance Limited
No.15, Station Road
Colombo 03

Dear Sirs

ACCOUNTANTS' REPORT FOR INCLUSION IN THE INTRODUCTORY DOCUMENT OF DIVASA FINANCE LIMITED

Introduction

This report has been prepared for the inclusion in the Introductory Document issued in connection with the listing of Twenty Two Million and Five Hundred Thousand (22,500,000) Ordinary Voting Shares of Divasa Finance Limited.

We have examined the financial statements of the Divasa Finance Limited (the 'Company') for the year ended 31 March 2012 and report as follows.

1. INCORPORATION

The Company formerly known as Asia Commerce Limited is a public limited liability company incorporated on 10 September 2004 under the Companies Act No 17 of 1982 and domiciled in Sri Lanka. As per Section 487 (2) of Companies Act No 07 of 2007 Company has been reregistered. The Company changed its name to "Divasa Finance Limited" on 08 August 2011.

The Company is registered as a Leasing Company under the Finance Leasing Act No. 56 of 2000 on 15 March 2005 and during the year registered as a Finance Company under the Finance Companies Act No.78 of 1988 and Finance Business Act No. 42 of 2011.

2. FINANCIAL STATEMENTS

2.1 Summary of Audited Financial Statements

A summary of audited Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement of Divasa Finance Limited for the financial year ended 31 March 2012, based on the audited financial statements are set out on pages 19 to 22 of the Introductory Document.

2.2 Audited Financial Statements for the year ended 31 March 2012

Our audit report on the financial statements for the year ended 31 March 2012 together with such financial statements comprising the Balance Sheet, Income Statement, Statements of Changes in Equity and Cash Flow Statement along with the accounting policies and notes thereon is given on page 68 to 92 of the Introductory Document.

ERNST & YOUNG

2.3 **Audit Reports**

We have audited the financial statements of the Company for the year ended 31 March 2012. Unqualified audit opinion has been issued for the said financial year.

2.4 **Accounting Policies**

The financial statements of the Company for the year ended 31 March 2012 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company are stated in detail in the audited financial statements of Divasa Finance Limited for the year ended 31 March 2012.

2.5 **Dividends**

The Company has not declared dividends in respect of Ordinary Shares during the financial year ended 31 March 2012.

2.6 **Events Occurring After the Balance Sheet Date**

There were no significant events occurred after the last balance sheet date.

Yours faithfully

Unaudited Financial Statements
Two Months Ended 31st May 2012

15. Unaudited Two Months ended Financial Statements as at 31st May 2012

DIVASA FINANCE LIMITED
STATEMENT OF INCOME

INCOME STATEMENT FOR THE TWO MONTHS ENDED 31ST MAY 2012

	Notes	Two Months ended May-12 Unaudited Rs'	Two Months ended May-11 Unaudited Rs'
Interest Income	1	34,859,956	23,226,204
Interest Expense	2	(16,797,744)	(10,926,709)
Net Interest Income		**18,062,212**	**12,299,495**
Non-Interest Income	3	2,756,736	2,350,758
Less:			
Operating Expenses			
Personnel Expenses		(3,223,983)	(1,805,777)
Premises, Equipment & Establishment Expenses		(3,558,002)	(1,608,254)
Administration Expenses		(3,918,723)	(1,540,925)
Other Overhead Expenses		(1,592,282)	(269,545)
Financial VAT		(850,000)	(850,000)
Profit before provision for losses on loans and advances		**7,675,958**	**8,575,752**
Reversal/(Provision for losses on loans and advances)	4	(1,697,912)	(284,457)
Profit from operations before income tax		**5,978,046**	**8,291,295**
Income Tax Reversal/ (Expense)	5	-	
Profit after tax		**5,978,046**	**8,291,295**
Basic EPS	**6**	**0.27**	**0.37**

DIVASA FINANCE LIMITED				
BALANCE SHEET AS AT 31ST May 2012				
Rs'		As at 31st May 12	As at 31st May 11	As at 31st March 12
	Notes	Unaudited	Unaudited	Audited
Assets				
Cash and Short Term Funds	7	212,119,588	124,146,591	155,618,343
Investment in Shares		52,932,758	18,662,767	52,932,758
Loans	8	471,307,063	385,175,888	471,868,761
Finance Leases	9	229,430,768	149,945,968	239,158,720
Hire Purchase	10	177,172,571	115,864,080	169,398,296
Real Estate Inventories	11	38,890,938	58,904,133	44,601,227
Assets Held for Sale		8,983,276	8,983,276	8,983,276
Prepayments and Receivables	12	32,838,189	31,945,383	30,178,872
Deferred Taxation		-	-	-
Property, Plant and Equipment	13	23,628,989	7,393,011	23,855,136
Intangible Assets	14	883,780	1,104,167	1,057,236
Total Assets		**1,248,187,920**	**902,125,264**	**1,197,652,625**
Liabilities				
Fixed Deposits	15	821,322,156	3,277,996	718,328,079
Borrowings	16	42,040,879	531,345,016	106,878,317
Retirement Benefit Obligation		1,396,323	959,352	1,336,323
Deferred Taxation		3,372,148	5,596,323	3,372,148
Advance Received on Real Estate	17	668,250	3,570,540	1,285,250
Interest Accrued	18	26,176,102	13,285,169	15,912,330
Tax Liability		-	-	-
Other Liabilities	19	13,423,685	39,577,723	16,729,848
Total Liabilities		**908,399,543**	**597,612,119**	**863,842,295**
Equity				
Issued and Paid-up Capital	20	225,000,000	225,000,000	225,000,000
Revaluation Reserve	21	1,600,648.00	1,600,648	1,600,648
Finance Leasing Reserve Fund	22	-	3,634,506	-
Statutory Reserve Fund		5,510,472	-	5,510,472
Investment Fund Reserve		3,536,432	-	3,536,432
Retained Earnings		104,140,824	74,277,990	98,162,778
Total Equity		**339,788,377**	**304,513,144**	**333,810,330**
Total Equity and Liabilities		**1,248,187,920**	**902,125,264**	**1,197,652,625**

Notes: 1. The above figures are provisional and subject to audit
2. There are no changes to the Accounting Policies and methods of computation since the publication of the Audited Accounts for the year ended 31/03/2012
3. There are no material contingent liabilities as at the Balance Sheet date
4. These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.
5. There have been no material events occurring after the Balance Sheet date that require disclosure in the Financial Statements.

The Board of Directors are responsible for the preparation and presentation of these Financial statements.
Approved and signed for and on behalf of the Board.

DIVASA FINANCE LTD

CASH FLOW STATEMENT FOR THE TWO MONTHS ENDED 31ST MAY 2012

	2012 Two Months ended May-12 Rs' Unaudited	2011 Two Months ended May-11 Rs' Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit /(Loss) befor Taxation	5,978,046	8,291,295
Add		
Profir on disposal of Property ,Plant & Equipment	(120,637)	-
Dividend Income	(185,026)	(27,254)
Provision for Gratuity	60,000	-
Depreciation	1,373,590	593,270
Provision for non-performing Loans	1,697,912	284,457
Provision for Impairment of Investment	-	-
Profit on Disposal of share Investment	-	(1,860,390)
Operating Profit / (loss) before working capital changes	8,803,885	7,281,378
Decrease/(Increase) In Operating Assets:		
Assets Leased	7,832,571	(11,341,986)
Assets Hire Purchased	(9,472,187)	(8,526,018)
Loan Granted	16,316,509	(78,236,241)
Net Investment In Real Estate	5,710,289	(252,632)
Receivables & Prepaid Expenses	(20,221,494)	(7,040,850)
Decrease In Operating Liabilities:	8,969,573	(98,116,349)
Fixed Deposit received	102,994,077	3,277,996
Other Payables	8,147,976	37,234,873
Net Cash Used In Operating Activities Before Tax	120,111,626	(57,603,480)
Income Tax Paid		
Net Cash Generated From / (Used) In Operating Activities	120,111,626	(57,603,480)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(1,243,392)	(2,042,126)
Acquisition Of Intangible Assets		(333,333)
Proceeds From Disposal Of Property, Plant & Equipment	2,285,423	-
Dividend Received	185,026	27,254
Proceeds From Disposal of Investment		6,287,080
Investment In Shares		(5,274,050)
Net Cash Used In Investing Activities	1,227,057	(1,335,175)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) In Borrowings	(64,837,438)	75,521,008
Increase/(Decrease) In Lease Obligations		
Increase/(Decrease) In Stated Capital	-	-
Net Cash Generated From Financing Activities	(64,837,438)	75,521,008
Net Cash increase/(decrease) in Cash and Cash equivalents	56,501,245	16,582,353
Cash and Cash equivalents at the Beginning of the Period	155,618,343	107,564,239
Cash and cash Equivalents at the End of the Period (Note A)	212,119,588	124,146,592
Note A		
Short Term Deposits	205,737,030	111,867,232
Cash at Bank and in Hand	6,382,558	12,279,360
Cash and cash Equivalents at the End of the Period	212,119,588	124,146,592

DIVASA FINANCE LIMITED
STATEMENT OF CHANGES IN EQUITY

As at 31st May 2012

	Stated Capital	Revaluation Reserve	Finance Leasing Reserve Fund	Statutory Reserve	Investment Fund Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2010	75,000,000	1,600,648	210,885	-	-	937,895	77,749,428
Shares issued during the period	150,000,000	-	-	-	-		150,000,000
Profit/(Loss) for the period	-	-	-	-	-	68,472,421	68,472,421
Transferred to/from Finance Leasing Reserve Fund	-	-	3,423,621	-	-	(3,423,621)	-
Balance as at 31st March 2011	**225,000,000**	**1,600,648**	**3,634,506**	**-**	**-**	**65,986,695**	**296,221,849**
Balance as at 01st April 2011	225,000,000	1,600,648	3,634,506	-	-	65,986,695	296,221,849
Profit/(Loss) for the period						8,291,295.79	8,291,296
Balance as at 31st May 2011	**225,000,000**	**1,600,648**	**3,634,506**	**-**	**-**	**74,277,991**	**304,513,145**
Balance as at 01st June 2011	225,000,000	1,600,648	3,634,506	-	-	74,277,991	304,513,145
Profit/(Loss) for the period						29,297,186	29,297,186
Transferred to/from Finance Leasing Reserve Fund			(3,634,506)	3,634,506			-
Transferred to/from during the year				1,875,966	3,536,432	(5,412,398)	-
Balance as at 31st March 2012	**225,000,000**	**1,600,648**	**-**	**5,510,472**	**3,536,432**	**98,162,779**	**333,810,331**
Balance as at 01st April 2012	225,000,000	1,600,648	-	5,510,472	3,536,432	98,162,778	333,810,330
Profit/(Loss) for the period						5,978,046	5,978,046
Transferred to/from during the year							-
Balance as at 31st May 2012	**225,000,000**	**1,600,648**	**-**	**5,510,472**	**3,536,432**	**104,140,824**	**339,788,376**

DIVASA FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

		Two Months ended May-12 Rs.	Two Months ended May-11 Rs.
1	**Interest Income**		
	Finance Leases	7,882,319	4,667,516
	Hire Purchase	6,100,742	3,826,684
	Loans	5,134,785	2,961,449
	Operating Leases	312,684	-
	Income from Margin Trading	11,218,747	8,665,935
	Interest Income on Deposits	1,868,250	2,823,863
	Overdue Interest	1,175,838	280,757
	Interest Income on REPO & TB	1,166,591	-
		34,859,956	**23,226,204**
2	**Interest Expenses**		
	Interest on Promissory Notes	370,486	9,561,706
	Interest on FD	16,011,918	4,016
	Interest Expenses on Loans	-	897,630
	Interest on Lease	18,003	-
	Interest on Overdraft	397,337	463,356
		16,797,744	**10,926,709**
3	**Non Interest Income**		
	Real Estate Income	2,022,201	-
	Documentation Fee	339,154	357,793
	Dividend Income	185,026	27,254
	Sundry Income	1,000	2,000
	Profit on Sale of Shares	-	1,860,390
	Profit on Disposal of Property, Plant & Equipment	120,637	-
	Commission Income	88,718	103,320
		2,756,736	**2,350,758**
4	**Provision for Lease Losses and Write Offs**		
	Reversal/(Provision for losses on loans and advances)	**(1,697,912)**	**(284,457)**
5	**Income Tax Reversal/ (Expense)**	**-**	**-**

	Two Months ended May-12 Rs.	Two Months ended May-11 Rs.

6 Basic Earnings per share

Basic Earnings Per Share is calculated on the Profit available to Ordinary Shareholders for the period, divided by the Weighted Average number of Ordinary Shares as at the Balance Sheet date.

	Two Months ended May-12 Rs.	Two Months ended May-11 Rs.
Profit/(Loss) attributable to Ordinary Share holders	5,978,046	8,291,295
Weighted Average Number of Ordinary Shares	22,500,000	22,500,000
Basic Earnings Per Share	0.27	0.37

	No. of shares	
	2012	**2,011**
Balance at the beginning of the year	22,500,000	22,500,000
Shares issued during the year	-	-
	22,500,000	**22,500,000**

7 Cash & Short Term Funds

7.1 Cash at Bank and in hand	**May-12**	**May-11**
Commercial Bank	553,065	132,432
Hatton National Bank	3,391,567	8,654
Seylan Bank	1,896,407	706,761
Union Bank	175,303	77,725
HSBC	153,555.54	11,297,571
Web Card - Sampath Bank	1,836	3,094
Petty cash	210,824	53,123
	6,382,558	**12,279,360**

7.2 Short Term Funds		
Fixed deposit - Alliance Finance	115,609,141	108,621,785
Fixed deposit - Union	3,513,116	3,245,447
REPO	60,034,413	-
Treasury Bills - HNB	26,580,360	-
	205,737,030	**111,867,232**

8 Loans		
Short Term Loan	153,869,860	35,248,040
Staff Loan	195,445	70,406
Term Loan	93,057,608	66,008,969
Land sale receivable - Katana	15,559,365	800,000
Loans for Margin Trading	203,705,869	280,405,042
Loan rental due	5,538,569	3,278,726
Interest in suspense	-	(134,515)
Provision for Non-performing loans	(619,653)	(500,780)
	471,307,063	**385,175,888**

9	**Finance Leases**	**Two Months ended May-12**	**Two Months ended May-11**
		Rs.	**Rs.**
	Gross Investments	**325,356,336**	**232,190,079**
	Rental Received in Advance	(1,402,565)	(1,196,411.05)
	Interest In suspense	(3,203,631)	(3,203,631)
	Unearned Interest	(81,693,206)	(66,305,241)
	Provision for Non-Performing Leases	(9,626,166)	(11,538,829)
	Net Investments in Leases	**229,430,768**	**149,945,968**
10	**Hire Purchase**		
	Gross Investments	**242,501,695**	**164,019,258**
	Rental Received in Advance	(394,746)	(394,746)
	Interest in Suspense	(75,828)	(923)
	Unearned Interest	(63,146,356)	(47,758,832)
	Provision for Non-Performing Hire Purchase	(1,712,195)	(677)
	Net Investments in Hire Purchase	**177,172,571**	**115,864,080**
11	**Real Estate Inventories**		
	Project stock - Katana	4,026,619	24,422,452
	Project Stock - Kottawa	31,980,089	31,980,089
	project stock - Wennappuwa	724,847	724,847
	Construction - Kottawa	3,410,525	3,410,525
	Project Provision - Katana	(215,340)	(304,590)
	Project Provision - Kottawa	(1,009,232)	(1,302,620)
	Project Provision - Wennappuwa	(26,570)	(26,570)
		38,890,938	**58,904,133**
12	**Prepayments & Receivables**		
	VAT Receivable	13,076,814	8,898,215
	Receivable from related party	849,740	95,365
	Repossessed Assets	2,285,500	5,349,952
	Prepayments	6,889,666	5,573,778
	Share capital receivable	-	1,875,000
	WHT Receivable	3,217,112	2,537,587
	Hiring Rental Receivable	65,215	18,741
	Economic Service Charge	945,394	1,066,720
	Threewheeler Stock	248,675	-
	Other Receivables	5,260,073	6,530,025
		32,838,189	**31,945,383**

13 Property, Plant & Equipment

Cost/Valuation	Balance as at 01/06/2011	Additions during the period	Disposals during the period	Transferred to Assets held for sale	Balance as at 31/05/2012
Building	-	-	-	-	-
Equipment	104,400	1,533,578	-	-	1,637,978
Furniture & Fittings	2,419,828	4,022,885	-	-	6,442,713
Leased Equipment	2,481,227	-	-	-	2,481,227
Leased Machinery	-	1,047,018	-	-	1,047,018
Leased Motor Vehicles	5,867,690	-	-	-	5,867,690
Motor Vehicle	7,734,075	12,446,072	2,806,940	-	17,373,207
Office Equipment	3,696,024	4,904,905			8,600,929
	22,303,244	**23,954,459**	**2,806,940**	**-**	**43,450,763**

Accumulated Depreciation	Balance as at 01/06/2011	Charge for the Period	Disposals during the Period	Transferred to Assets held for sale	Balance as at 31/05/2012
Building - depreciation	-	-	-	-	-
Equipment - Depreciation	88,151	259,675	-	-	347,826
Furniture & Fittings - Depreciation	1,343,882	1,029,270	-	-	2,373,153
Leased Equipment- Depreciation	2,481,227	-	-	-	2,481,227
Leased Machinery - Depreciation	-	61,078	-	-	61,078
Leased Motor Vehicles- Depreciation	3,972,313	-	-	-	3,972,313
Motor Vehicle - Depreciation	4,768,337	2,587,744	642,154	-	6,713,926
Office Equipment - Depreciation	2,256,323	1,615,927	-	-	3,872,250
	14,910,233	**5,553,694**	**642,154**	**-**	**19,821,773**
Carrying Amount/Valuation	**7,393,011**				**23,628,989**

		May 12	May 11
14	**Intangible Assets**	**May 12**	**May 11**
	Software	4,010,113	3,261,983
	Software - Amortization	(3,126,333)	(2,157,816)
		883,780	**1,104,167**
15	**Fixed Deposits**	**821,322,156**	**3,277,996**
16	**Borrowings**		
	Promissory Notes	-	511,318,398
	Bank Overdrafts		
	Hatton National Bank	-	20,026,618
	DFCC Vardhana Bank	41,200,576	
	Finance Lease Obligation (Note 16.1)	840,303	-
		42,040,879	**531,345,016**
16.1	**Finance Lease Obligation**		
	Lease Creditors	1,022,663	-
	Lease Interest in Suspense-GEN	(182,360)	-
		840,303	**-**
	Provision for Gratuity	**1,396,323**	**959,352**
	Provision for Deferred Tax	**3,372,148**	**5,596,323**
17	**Advance Received on Real Estate**		
	Advance Account - Katana	333,000	3,235,290
	Advance Account - KOTTAWA	70,250	70,250
	Advance Account - Wennappuwa	265,000	265,000
		668,250	**3,570,540**
18	**Interest Accrued**		
	Interest Payable - FD	26,139,219	4,016
	Interest Payable - Pro-notes	36,883	13,281,153
		26,176,102	**13,285,169**
19	**Other Liabilities**		
	Payable to Suppliers	599,769	-
	Accrued Expenses	3,531,309	436,709
	WHT payable	-	77,734
	Stamp Duty payable	443,184	340,139
	Provision for Financial VAT	7,088,074	4,699,762
	Security deposits	132,500	132,500
	Other Payable	1,628,849	33,890,878
		13,423,685	**39,577,722**

		May 12	May 11
20	**Stated Capital**	**May 12**	**May 11**
	Balance at the beginning of the year	225,000,000	225,000,000
	Shares issued during the period	-	-
	Balance as at	**225,000,000**	**225,000,000**
21	**Revaluation Reserve**	**1,600,648**	**1,600,648**
22	**Finance Leasing Reserve Fund**	**-**	**3,634,506**
	Retained Earnings		
	Retained Earnings b/f	98,162,778	65,986,695
	Net Income for the period	5,978,046	8,291,296
	Retained Earnings c/f	**104,140,824**	**74,277,990**
		1,239,981,318	**902,125,263**

Maturity Analysis						
As at 31st May 2012	**Up to 3 Months**	**3 to 12 Months**	**1 -3 Years**	**3 -5 Years**	**More than 5 Years**	**Total**
Assets						
Cash and Short Term Funds	212,119,588					212,119,588
Investment in Shares		20,697,483	17,378,975		14,856,300	52,932,758
Loans	260,883,965	180,543,794	15,276,858	14,602,446		471,307,063
Finance Leases	12,156,283	6,250,008	66,341,770	141,386,018	3,296,689	229,430,768
Hire Purchase	5,489,183	6,067,430	49,320,315	116,295,643		177,172,571
Real Estate Inventories	5,784,238	33,106,700				38,890,938
Assets Held for Sale		8,983,276				8,983,276
Prepayments and Receivables	1,098,415	9,422,579	15,427,529	6,889,666		32,838,189
Property, Plant and Equipment					23,628,989	23,628,989
Intangible Assets					883,780	883,780
	497,531,672	**265,071,270**	**163,745,447**	**279,173,773**	**42,665,758**	**1,248,187,920**
Liabilities						
Fixed Deposits	68,126,648	724,195,508	29,000,000			821,322,156
Borrowings	42,040,879					42,040,879
Retirement Benefit Obligation				1,396,323		1,396,323
Deferred Taxation			3,372,148			3,372,148
Advance Received on Real Estate		668,250				668,250
Interest Accrued	2,171,243	23,080,608	924,251			26,176,102
Current Taxation						-
Other Liabilities	1,042,953	12,248,233	132,500			13,423,686
Equity					339,788,376	339,788,376
	113,381,723	**760,192,599**	**33,428,899**	**1,396,323**	**339,788,376**	**1,248,187,920**

Audited Financial Statements
2011/2012 Financial Year

16. Audited Financial Statements as at 31st March 2012

ERNST & YOUNG

Chartered Accountants
201 De Saram Place
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Colombo 10
Sri Lanka
Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
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HMAJ/WDRT

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF DIVASA FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Divasa Finance Limited (Formally known as Asia Commerce Limited) ("Company"), which comprise the balance sheet as at 31 March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Financial statements of the company as of 31 March 2011 were audited by another auditor whose report dated 15 August 2011, expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Ernst & Young

29 June 2012
Colombo

Divasa Finance Ltd

INCOME STATEMENT

Year ended 31 March 2012

	Note	2012 Rs.	2011 Rs.
Income	8	184,147,291	130,719,439
Interest Income	9	172,265,542	43,181,351
Interest Expense	10	(78,179,467)	(18,139,891)
Net Interest Income		94,086,075	25,041,460
Non Interest Income	11	11,881,749	87,538,088
		105,967,824	112,579,547
Less:			
Operating Expenses			
Personnel Expenses		(14,455,325)	(9,238,897)
Premises, Equipment and Establishment Expenses		(19,921,908)	(5,804,925)
Administration Expenses		(14,587,704)	(7,729,217)
Other Overhead Expenses		(14,490,240)	(5,413,439)
Financial VAT		(4,888,311)	(10,898,110)
Total Operating Expense		(68,343,489)	(39,084,588)
Profit before provision for losses on loans and advances		37,624,335	73,494,959
Reversal/(Provision) for losses on loans and advances	12	(271,446)	616,996
Profit from operations before income tax		37,352,889	74,111,955
Income Tax Reversal/ (Expense)	14	235,593	(5,639,534)
Profit after tax		37,588,482	68,472,421
Basic EPS	15	1.67	5.48

The accounting policies and notes on pages 7 through 26 form an integral part of these financial statements.

Divasa Finance Ltd

BALANCE SHEET

As at 31 March 2012

	Note	2012 Rs.	2011 Rs.
Assets			
Cash and Short Term Funds	16	155,618,343	107,564,239
Investment in Shares	18	52,932,758	17,815,407
Loans	17	471,868,761	306,069,241
Finance Leases	19	239,158,720	138,888,439
Hire Purchase	20	169,398,296	107,338,062
Real Estate Inventories	21	44,601,227	58,651,501
Assets held for sale		8,983,276	8,983,276
Prepayments and Receivables	22	30,178,872	26,664,389
Deferred Taxation	27	-	-
Property, Plant and Equipment	23	23,855,136	5,839,989
Intangible Assets	24	1,057,236	875,000
Total Assets		1,197,652,625	778,689,543
Liabilities			
Fixed Deposits		718,328,079	-
Borrowings	25	106,878,317	455,824,008
Retirement Benefit Obligation	26	1,336,323	959,352
Deferred Taxation	27	3,372,148	5,596,323
Advance Received on Real Estate		1,285,250	2,561,792
Interest Accrued		15,912,329	4,865,175
Tax Liability		-	-
Other Liabilities	28	16,729,848	12,661,044
Total Liabilities		863,842,294	482,467,694
Equity			
Issued and Paid-up Capital	29	225,000,000	225,000,000
Revaluation Reserve		1,600,648	1,600,648
Finance Leasing Reserve Fund		-	3,634,506
Statutory Reserve Fund	30	5,510,472	-
Investment Fund Reserve	31	3,536,432	-
Retained Earnings		98,162,780	65,986,695
Total Equity		333,810,332	296,221,849
Total Equity and Liabilities		1,197,652,625	778,689,543

The above financial statements comply with the requirements of the Companies Act No 07 of 2007.

....

L Uduwara
Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these Financial statements.
Approved and Signed for and on behalf of the Board.

....

Dr.N.H.Godahewa
Chairman

....

D.S.Jayaweera
Director

The accounting policies and notes on pages 7 through 25 form an integral part of these financial statements.

ERNST & YOUNG
Chartered

Divasa Finance Ltd

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2012

	Stated Capital Rs.	Revaluation Reserve Rs.	Finance Leasing Reserve Fund Rs.	Statutory Reserve Fund Rs.	Investment Fund Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April 2010	75,000,000	1,600,648	210,885	-	-	937,895	77,749,428
Shares issued during the period	150,000,000	-	-	-	-	-	150,000,000
Profit/(Loss) for the period	-	-	-	-	-	68,472,422	68,472,422
Transferred to Finance Leasing Reserve Fund	-	-	3,423,621	-	-	(3,423,621)	-
Balance as at 31 March 2011	225,000,000	1,600,648	3,634,506	-	-	65,986,696	296,221,850
Balance as at 01st April 2011	225,000,000	1,600,648	3,634,506	-	-	65,986,696	296,221,850
Shares issued during the Year	-	-	-	-	-	-	-
Profit/(Loss) for the period	-	-	-	-	-	37,588,482	37,588,482
Transferred to/(from) Finance Leasing Reserve F	-	-	(3,634,506)	3,634,506	-	-	-
Transferred to/(from) During the Year	-	-	-	1,875,966	3,536,432	(5,412,398)	-
Balance as at 31 March 2012	225,000,000	1,600,648	-	5,510,472	3,536,432	98,162,780	333,810,332

The accounting policies and notes on pages 7 through 25 form an integral part of these financial statements.

ERNST & YOUNG

Divasa Finance Ltd

CASH FLOW STATEMENT

Year ended 31 March 2012

		2012 Rs.	2011 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest & Fee Income		175,352,814	43,788,365
Interest Payments		(78,179,467)	(18,030,224)
Cash Payment To Employees		(14,052,144)	(7,765,550)
Receipts From Other Operating Activities		6,136,766	2,952,684
Payments On Other Operating Activities		(44,861,854)	(28,834,515)
Operating Profit Before Changes In Operating Assets/Liabilities	Note 1	44,396,115	(7,889,240)
Decrease/(Increase) In Operating Assets:			
Loan Granted		(166,144,962)	(288,491,128)
Assets Leased		(100,076,136)	(87,369,235)
Assets Hire Purchased		(62,180,384)	(88,543,206)
Net Investment In Real Estate		14,050,274	(2,741,447)
Receivables & Prepaid Expenses		(3,445,331)	(18,755,550)
		(273,400,424)	(493,789,806)
Decrease In Operating Liabilities:			
Advance Received On Real Estate		(1,276,542)	971,042
Fixed Deposit received		718,328,079	-
Other Payables		15,115,959	7,127,538
Net Cash Used In Operating Activities Before Tax		458,767,072	(485,691,226)
Income Tax Paid		(2,057,734)	(360,861)
Net Cash Generated From / (Used) In Operating Activities		456,709,338	(486,052,087)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase Of Property, Plant & Equipment		(22,857,811)	(5,316,985)
Acquisition Of Intangible Assets		(1,081,463)	(1,000,000)
Proceeds From Disposal Of Property, Plant & Equipment		-	1,398,182
Dividend Received		211,740	73,426
Proceeds From Disposal Of Investment		10,965,680	270,479,689
Investment In Shares		(46,947,690)	(201,248,459)
Net Cash Used In Investing Activities		(59,709,543)	64,385,853
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) In Borrowings		(349,817,877)	296,820,471
Increase/(Decrease) In Lease Obligations		872,186	(831,545)
Increase/(Decrease) In Stated Capital		-	148,125,000
Net Cash Generated From Financing Activities		(348,945,691)	444,113,926
Net Cash increase/(decrease) in Cash and Cash equivalents		48,054,104	22,447,690
Cash and Cash equivalents at the Beginning of the Period		107,564,239	85,116,549
Cash and cash Equivalents at the End of the Period (Note A)		155,618,343	107,564,239

Note A

	2012 Rs.	2011 Rs.
Short Term Deposits	135,994,332	105,130,403
Cash at Bank and in Hand	19,624,010	2,433,836
Cash and cash Equivalents at the End of the Period	155,618,343	107,564,239

The accounting policies and notes on pages 7 through 25 form an integral part of these financial statements.

Divasa Finance Ltd

CASH FLOW STATEMENT

Year ended 31 March 2012

Note 1

Reconciliation of Operating Profit before changes in operating assets/liabilities

	2012 Rs.	2011 Rs.
Profit/(Loss) before Taxation	37,352,889	74,111,956
Add/(Less):		
Profit on Disposal of Property, Plant and Equipment		(1,255,995)
Dividend Income	(211,740)	(73,426)
Provision for Gratuity	376,971	507,277
Depreciation	4,842,663	1,775,106
Amortisation of Intangible Assets	899,227	125,825
Provision for non-performing Leases	271,446	(616,996)
Provision for Impairment of Investment	3,310,629	185,982
Profit on Disposal of Investment	(2,445,970)	(82,648,969)
	44,396,115	(7,889,239)

The accounting policies and notes on pages 7 through 26 form an integral part of these financial statements.

1. CORPORATE INFORMATION

1.1 Domicile and Legal Form

Divasa Finance Ltd, ("the Company") is a Public Limited Liability Company incorporated and domiciled in Sri Lanka under Companies Act No.07 of 2007. The registered office is located at No.15, Station Road, Colombo 03. During the year the Company is registered as a Finance Company under the Finance Companies Act No.78 of 1988 and Finance Business Act No. 42 of 2011. Company has been re branded as Divasa Finance Ltd (Formally known as Asia Commerce Limited) consequent to upgrading as a Finance Company w.e.f.23rd May 2011.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were Acceptance of Deposits, Granting Lease facilities, Hire Purchase, Mortgage Loans and other credit facilities, Real Estate Development and related services and Bill Discounting.

1.3 Parent Entity and Ultimate Parent Entity

The immediate and ultimate parent company is Divasa Equity (Pvt) Ltd, which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The Financial Statements of Divasa Finance Ltd for the year ended 31 March 2012 was authorized for issue in accordance with a resolution of the board of directors on 27th June 2012.

ERNST & YOUNG
Chartered Accountants
COLOMBO

2. BASIS OF PREPARATION

2.1 .1 Statement of Compliance

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flow Statement, together with the accounting policies and notes, (the "Financial Statements") of the Company as at 31st March 2012 and for the year then ended, comply with the Sri Lanka Accounting Standards and the requirements of Companies Act No. 07 of 2007 and Finance Business Act No.42 of 2011

These Financial Statements are presented in accordance with Sri Lanka Accounting Standard No. 33 Revenue Recognition and Disclosures in Financial Statements of Finance Companies.

2.1.2 Basis of Preparation

The balances reflected in the Financial Statements of the Company are measured under the historical cost convention, except Government Treasury Bills, Bonds and Other Securities, which are categorized under the Trading Portfolio. Dealing Securities and Land & Buildings which are stated at valuations, to the Financial Statements. Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate the Significant Accounting Policies are disclosed in the succeeding Notes. No adjustments have been made for inflationary factors affecting the Financial Statements.

These Financial Statements are prepared in Sri Lankan Rupees which is the Company's Functional Currency unless otherwise stated.

2.1.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.4 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the process of applying the Company's Accounting Policies, management is required to make judgments, apart from those involving estimations, which may have a significant effect on the amounts recognized in the Financial Statements. Further, the management is required to consider, key assumptions concerning the future and other key sources of estimation of uncertainty at the Balance Sheet date that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities. The respective carrying amounts of assets and liabilities are given in the related Notes to the Financial Statements. The key items which involve these judgments, estimates and assumptions are discussed below:

Impairment Losses on Leases Stock out on Hire and Loans and Advances

In addition to the provisions made for possible loan losses based on the parameters and directives for specific provisions on Leases Stock out on Hire and Loans and Advances by the Central Bank of Sri Lanka, the Company reviews its Loans and Advances portfolio at each reporting date to assess whether a further allowance for impairment should be provided in the Income Statement. The judgments by the management is required in the estimation of these amounts and such estimations are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

ERNST & YOUNG

Review of Impairment Losses on Non-Financial Assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date or more frequently if events or changes in circumstances require doing so. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating units and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Useful lives of Property, Plant & Equipment

The Company reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods, and hence they are subject to uncertainty.

Value of Unquoted Equity Investments

The unquoted equity investments have been accounted at cost and were valued by Directors by considering the recoverability of the investment.

Defined Benefit Plans

The Defined Benefit Obligation and the related charge for the year is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increase, mortality rates etc. Due to the long term nature of such obligation these estimates are subject to significant uncertainty. Further details are given in Note 19 to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies have been applied by the Company consistent with the previous year, and the previous year figures and phases have been re-arranged wherever necessary to confirm to the current year's presentation.

3.1 Income Tax Expense

a) Current Taxation

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto, as stated in the respective notes to these Financial Statements.

b) Deferred Taxation

Deferred Taxation is provided based on the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for income tax purposes only on payment.

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

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

ERNST & YOUNG Chartered Accountants

3. ASSET AND BASIS OF THEIR VALUATION

3.2 Lease Rentals, Hire Purchase and Other receivables

Lease rentals receivables, Hire Purchase, Real Estate and other receivables are stated in the Balance Sheet net of provision for doubtful debts, prepaid lease rentals and net of interest which is not accrued to revenue on non performing advances.

3.2.1 Provision for Losses on Lending

Specific provisions are made for non performing advances comprising loans, finance leases and hire purchases.

Specific provisions for non performing advances are based on a continuous review of advances. These provisions relate to non performing advances identified in accordance with Finance Companies (Provision for Bad and Doubtful Debts) Direction No. 3 of 2006 issued by the Central Bank of Sri Lanka.

Provisions for non performing advances are made as follows;

Period Outstanding	Classification	Lease, Hire Purchase and Loans
More than 6 months Less than 12 months	Doubtful	50%
More than 12 months Less than 18 months	Loss	100%

3.3 Investments

3.3.1 Dealing Securities

Marketable Securities acquired and held with the intention of resale over a short period of time and are recorded at lower of cost and market value on an aggregate portfolio basis. Adjustments for fall in market value below cost, where relevant, are accounted by charging the difference to the Income Statement in accordance with Sri Lanka Accounting Standards No.22 on Accounting for Investments.

3.3.2 Investments Securities

These are acquired and held for yield or capital growth in the medium or long term. Such securities are recorded at cost. Changes in market values of these securities are not taken into account unless there is considered to be a diminution in value, which is other than temporary.

3.4 Real Estate Inventories

Real estate inventories are stated at cost or market value which ever is lower. These costs include cost of purchases of the land and expenses on development that are capitalized.

3.5 Property, Plant and Equipment

3.5.1 Owned Assets

The Company applies cost model to property plant and equipment other than Land and Buildings, which are presented at cost less accumulated depreciation less accumulated impairment losses, if any, provided on the basis stated in below.

The Company applies the revaluation model for Land and Buildings. Revaluation of these assets are carried out at least once in five (5) years in order to ensure the book value reflect the realizable value of such assets, and are depreciated over remaining useful life of such assets, wherever applicable.

Cost

The cost of an asset comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation

Depreciation is provided on a straight-line basis over the period appropriate to the estimated useful lives of different types of assets, at varying rates specified as follows;

Category	**Rate (per annum)**
Motor Vehicles	25%
Furniture & Fittings	25%
Buildings	5%
Office Equipments	33.33%
Equipments	33.33%
Machinery	10%

Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the assets is classified as held for sale and the date that the asset is derecognized.

3.5.2 Assets under Operating Leases

Assets under operating leases are stated at cost less accumulated depreciation less accumulated impairment losses.

Depreciation is charged on a straight- line method at the rate of 25% per annum. Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the assets is classified as held for sale and the date that the asset is derecognized.

3.6 Intangible Assets

All computer software costs incurred for use by the Company which are not integrally related to associated hardware, and can be, clearly identifiable, reliably measured and it's probable they will lead to future economic benefits, are included in the Balance Sheet under the category Intangible Assets and carried at cost less cumulative amortization and accumulated impairment losses.

Expenditure incurred on Intangible Assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets are amortized on a straight line basis in the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life.

Computer Software	50%

3.7 Cash and Cash Equivalents

Cash and Cash equivalents comprise of balances with banks, short term fixed deposits and cash in hand.

Chartered

3.8 Impairment of Assets

Identifiable assets of the company are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated and shown in the Balance Sheet. The impairment loss is charged to the Income Statement.

LIABILITIES AND OTHER PAYABLES

3.9 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of other liabilities.

3.10 Retirement Benefits Costs

3.10.1 Retirement Benefits Plan-Gratuity

Company has been providing in full on account of Retiring Gratuities from the first year of service of the employee in conformity with previous Sri Lanka Accounting Standard – 16, Retirement Benefit Cost that is being shown under, non - current liabilities in the Balance Sheet as comparative amount.

However, as per the payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued services.

As required by revised Sri Lanka Accounting Standard 16 - Employee Benefits which become applicable to financial year beginning on or before 1st July 2007. The Company provides for retirement benefits based on the gratuity formula method from 01st April 2008.

The gratuity liability is not externally funded nor actuarially valued.

3.10.2 Defined Contribution Plan-Employee's Provident Fund & Employees' Trust Fund

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

3.11 Provisions for liabilities

A provision is recognized in the balance sheet only when the bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

REVENUE AND EXPENSE RECOGNITION

3.12 Interest Income on Advances

Interest Receivable on advances is recognized on accrual basis. Interest ceases to be taken to revenue when interest or principal is arrears for six (06) months or more and thereafter such income is recognized on cash basis. Further where interest is suspended, the interest accrued up to six months but not received is also removed from the interest income and transferred to the interest in suspense account.

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3.13 Lease Income

3.13.1 Finance leases

Gross earnings from leases comprising the excess of rentals receivable over the cost of leased assets are allocated over the term of the lease, commencing with the month in which the lease is granted in proportion to the declining receivable balances.

Income of finance leases in respect of lease rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further where interest is suspended, the interest accrued up to six months but not received is also removed from the interest income and transferred to the interest in suspense account.

3.13.2 Operating leases

Rental income is recognized as revenue on a straight line basis over the term of lease.

Income of operating leases in respect of lease rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further in instances where interest is suspended, the interest accrued up to six months is also removed from the interest income and transferred to the interest in suspense account.

3.14 Hire Purchase Income

Gross earnings from hire purchase comprising the excess of rentals receivable over the cost of hire purchased assets are allocated over the period of the hire purchase contract, commencing with the month in which the hire purchase is granted in proportion to the declining receivable balances. Rental income is recognized as revenue on a straight line basis over the term of lease.

Income of hire purchase in respect of rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further in instances where interest is suspended, the interest accrued up to six months is also removed from the interest income and transferred to the interest in suspense account

3.15 Interest Income from Other Source

Interest on Fixed Deposits, Repo is recognized proportionately over the period of Instruments.

3.16 Gain on Real Estate Sales

a) Profit on real estate sales are recognized, on sale of Land, after receipt of 25% of the full selling price.

3.17 Overdue Charges

Overdue charges for late payment of lease rentals and other advances are recognized on a cash basis.

3.18 Dividend Income

Dividend income is recognized on a cash received basis.

3.19 Profit or Loss on Sale of Marketable Securities

Profit or loss arising on sale of equity shares, commercial papers and other marketable securities is accounted for on a cash basis.

3.20 Interest Expenses

Interest Payable is recognized on accrual basis. All interest expenses are charged to income without capitalizing any amount.

3.21 SEGMENTAL REPORTING

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

3.22 RELATED PARTY TRANSACTIONS

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

4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material events occurring after the Balance Sheet date have been considered and appropriate adjustment or disclosure has been made in the Financial Statements where necessary.

5. CASH FLOW STATEMENT

The Cash Flow Statement has been prepared by using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standards No.9 on Cash Flow Statements. Cash and Cash equivalents comprise of cash balances and short term funds.

6. SRI LANKA ACCOUNTING STANDARDS EFFECTIVE FROM 01 JANUARY 2012

The Company will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Company has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Company has a 31 March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 April 2011. This will form the basis of accounting for the new SLASs in the future, and is required when the Company prepares its first new SLAS compliant financial statements for the year ending 31 March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Company. The Company is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

(a) *SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards* requires the Company to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Company shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements.

(b) *LKAS 1 – Presentation of Financial Statements* requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Company to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

(c) *LKAS 16 – Property Plant and Equipment* requires a Company to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.
All site restoration costs including other environmental restoration and similar costs must be estimated and capitalized at initial recognition, in order that such costs can be depreciated over the useful life of the asset.
This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

(d) *LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 –* Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') coupled with a reliable estimate of the loss event (or events) impact on the estimated future cash flows of the financial asset or group of financial assets. As such the current method of assessing for impairment will have to be changes to meet the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the Company does not identify, categorize and measure financial assets and liabilities as per the requirements of the standard and also does not recognized certain derivative instruments on the balance sheet

(e) *SLFRS 2 – Share Based Payments,* will require the Company to reflect in its profit or loss and financial position the effects of share based payment transactions, including expenses associated with share options granted to employees. An entity is required to recognize share based payment transactions when goods are received or services obtained based on the fair value of goods or services or the fair value of equity instruments granted. Hence the Company will be required to determine the fair value of options issued to employees as remuneration and recognize an expense in the statement of financial performance. This standard is not limited to options and extends to all forms of equity based remuneration and payments.

(f) *SLFRS 3 – Business combinations* will require the Company to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets(inputs) and activities(processes) which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognizing and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires recognition and measurement of any non-controlling interest in the acquire and re-measuring to fair value any previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be

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accounted for as equity transactions and cannot be recognized as profit/loss on disposal of investments in the statement of financial performance.

(g) *LKAS 23 – Borrowing Cost,* the Company must capitalize borrowing costs in relation to a qualifying asset. Since the current policy is to expense all borrowing costs, this will result in a change in accounting policy.

(h) *LKAS 12 – Income* Tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.

(i) LKAS 18 – Revenue requires the Company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Company needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

The Institute of Chartered Accountants of Sri Lanka has resolved an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 – Accounting Policies, Changes in Accounting Estimates and Errors would not be applicable for financial statements prepared in respect of financial periods commencing before 1 April 2012 and hence the impact of this transition is not required to be disclosed in these financial statements.

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	2012 Rs.	2011 Rs.
8. INCOME		
Interest Income **(Note 9)**	172,265,543	39,593,908
Non Interest Income **(Note 11)**	11,881,749	91,125,531
	184,147,292	130,719,439

9. INTEREST INCOME

Finance Leases	37,927,834	14,808,003
Hire Purchase	30,569,821	12,777,540
Loans	15,951,143	4,329,418
Operating Leases	1,821,690	907,661
Income from Margin Trading	67,928,498	-
Interest Income on Fixed Deposits & Investments	9,788,270	6,771,286
Interest Income on REPO & TB	1,943,996	-
Overdue Interest	6,334,290	3,587,443
	172,265,543	43,181,351

10. INTEREST EXPENSES

Interest on Promissory Notes	49,965,001	17,951,073
Interest on FD	24,308,378	-
Interest Expenses Capital Trust	1,050,699	-
Interest on Lease	48,714	53,822
Interest Expense-Reverse REPO	97,479	-
Interest on Overdraft	2,709,197	134,996
	78,179,467	18,139,891

11. NON INTEREST INCOME

Real Estate Income	6,028,800	592,014
Documentation Fee	2,511,615	2,126,862
Dividend Income	211,740	73,426
Sundry Income	113,967	298,059
Profit on Sale of Shares	2,445,970	82,648,969
Profit on Disposal of Property, Plant and Equipment	-	1,255,995
Commission Income	569,656	542,763
	11,881,749	87,538,088

12. PROVISION FOR LOAN LOSSES AND WRITE OFFS

Provision for non-performing Finance Leases (Note 18.1)	(194,145)	(809,570)
Provision for non-performing Hire purchase (Note 19.1)	120,150	(23,750)
Provision for non-performing Loans (Note 17)	345,442	216,324
	271,446	(616,996)

13. OPERATING EXPENSES

Operating Expenses among others include the following;

Directors' Emoluments	3,440,000	1,920,000
Auditors' Remuneration	175,000	135,000
Depreciation	4,842,663	1,775,106
Amortization of Intangible Assets	899,227	125,825
Staff Salaries	8,885,453	5,252,552
Employers' contribution to Provident Fund	1,103,049	668,063
Employers' contribution to Employee Trust Fund	283,634	167,016

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14. INCOME TAX EXPENSES

Provision for Taxation has been made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and the amendments thereto. The Company is liable to pay income tax at 10%.(2011-28%)

	2012 Rs.	2011 Rs.
Current Tax expense		
Current year	1,988,582	-
Deferred Income Tax		
Deferred Taxation Charge (27)	(2,224,175)	5,639,534
	(235,593)	5,639,534
Accounting Profit before Income Tax	37,352,889	74,111,955
Income Tax Expense at the statutory income tax rate of 10% (2011 - 35%)	3,735,289	11,116,793
Tax Effect of Other Allowable Credits	(7,054,492)	1,280,552.00
Non deductable expenses	5,307,786	(12,397,345)
Adjustment for prior periods		
Income Tax Charge	1,988,583	-

15. BASIC EARNINGS PER SHARE

Basic earnings/loss Per Share is calculated on the Profit available to Ordinary Shareholders for the period, divided by the Weighted Average number of Ordinary Shares as at the Balance Sheet date.

	2012 Rs.	2011 Rs.
Profit/(Loss) for the year	37,588,482	68,472,422
Weighted Average Number of Ordinary Shares	22,500,000	12,500,000
Basic Earnings Per Share	**1.67**	**5.48**

16. CASH AND SHORT TERM FUNDS

	2012 Rs.	2011 Rs.
Cash at Bank and in hand	19,624,010	2,433,835
Short Term Funds	135,994,332	105,130,403
	155,618,343	107,564,239

17. LOANS

Term Loans	30,489,793	65,796,675
Short Term Loan	66,817,823	-
Loans for Margin Trading	362,753,935	240,000,000
Loan rental due	1,962,198	-
Land sale receivable - Katana	10,193,463	-
Staff Loans	213,313	-
Related Party Loan	-	614,324
Provision for Non-performing loans	(561,765)	(216,324)
[illegible]		[illegible]

18. INVESTMENT SECURITIES

		2012 Rs.	2011 Rs.
Trading Portfolio	(Note 18.1)	38,076,458	17,759,107
Investment Portfolio	(Note 18.2)	14,856,300	56,300
		52,932,758	17,815,407

18.1 Trading Portfolio

Trading Portfolio	Number of Shares as at 31.03.2012	Cost as at 31.03.2012 Rs.	Market Value as at 31.03.2012 Rs.	Number of Shares as at 31.03.2011	Cost as at 31.03.2011 Rs.	Market Value as at 31.03.2011 Rs.
Bukit Darah	2	1,569	1,716	2	1,569	2,347
Citrus Leisure	541,000	17,318,320	16,175,900	312,960	10,296,160	23,440,704
Colombo Land	-	-	-	80,000	1,989,140	1,728,000
HNB	-	-	-	3,800	684,000	1,444,000
JKH	5,333	1,200,000	1,098,598	4,000	1,200,000	1,142,400
L B Finance	36,200	6,653,040	4,883,380	-	-	-
Lanka Hospitals	-	-	-	62,800	2,401,170	2,813,440
Lion Brewery	5,000	975,000	997,500	-	-	-
Pain Asia Bank	-	-	-	14,000	571,200	718,200
Pan Asian Power	200,000	1,020,000	520,000	-	-	-
Royal Ceramic	8,400	1,279,350	966,000	8,400	991,200	1,318,800
Sampath Bank	41,100	10,113,140	7,389,780	-	-	-
Softlogic Holding	38,000	1,102,000	425,600	-	-	-
Vallibel Power	200,000	2,100,000	1,320,000	-	-	-
		41,762,419	33,778,474		18,134,439	32,607,891
Add: Warrants						
Citrus Leisure -W18	208,640		1,084,928	-	-	-
Citrus Leisure -W19	417,280		3,213,056	-	-	-
Less: Fall in Value of Investment		(3,685,961)	-		(375,332)	
Net Investment		38,076,458	38,076,458		17,759,107	32,607,891

18.2 Investment Portfolio

Unquoted Shares

	Number of Shares as at 31.03.2012	Cost of Investments	Value as at 31.03.2012	Number of Shares as at 31.03.2011	Cost of Investments	Value as at 31.03.2011
Credit Information Bureau of S	100	56,300	56,300	100	56,300	56,300
New world securities (Pvt) Ltd	1,050,000	14,800,000	14,800,000	-	-	-
		14,856,300	14,856,300		56,300	56,300

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		Within 01 Year	1-5 Year	Total	
		2012		2012	2011
19.	**FINANCE LEASES**	Rs.	Rs.	Rs.	Rs.
	Gross Investment	3,370,703	333,792,203	337,162,906	215,961,015
	Unearned Interest	(241,945)	(85,824,038)	(86,065,983)	(62,866,525)
	Net Investment	3,128,758	247,968,165	251,096,923	153,094,490
	Interest In suspense			(3,203,631)	(3,357,911)
	Rental Received in Advance			(1,052,443)	(1,204,692)
	Rentals receivables before Provisions			246,840,850	148,531,887
	Provision for non-performing Leases (Note 18.1)			(7,682,130)	(9,643,448)
				239,158,720	138,888,439
19.1	**Movement in Lease Loss Provision**				
	Balance at the beginning of the year			9,643,448	10,453,018
	(Reversal)/Provision during the year			(1,961,319)	(809,570)
	Balance at the end of the year			7,682,130	9,643,448
20.	**HIRE PURCHASE**				
	Gross Investment	2,017,347	231,368,530	233,385,877	154,039,712
	Unearned Interest	(452,732)	(63,072,230)	(63,524,962)	(46,305,304)
	Net Investment	1,564,615	168,296,300	169,860,915	107,734,408
	Interest in suspense			(923)	(923)
	Rental Received in Advance			(340,869)	(394,746)
	Rentals receivables before Provisions			169,519,123	107,338,739
	Provision for non-performing Hire purchase (Note 19.1)			(120,827)	(677)
				169,398,296	107,338,062
20.1	**Movement in Hire purchase Loss Provision**				
	Balance at the beginning of the year			677	24,427
	(Reversal)/Provision during the year			120,150	(23,750)
	Balance at the end of the year			120,827	677
21.	**REAL ESTATE INVENTORIES**				
	Balance at the beginning of the year			58,651,503	56,460,374
	Additions during the year			-	5,032,894
	Transfer from PPE			-	-
	Disposals during the year			(12,725,185)	(1,207,986)
				45,926,318	60,285,282
	Less: Project Provision			(1,325,091)	(1,633,779)
	Balance at the end of the year			44,601,227	58,651,503

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

22. PREPAYMENT AND RECEIVABLES

	2012 Rs.	2011 Rs.
VAT Receivable	14,173,686	9,750,055
Receivable from related party	849,740	-
Repossessed Assets	1,219,710	5,349,952
Prepayments	5,054,707	1,442,146
Share capital receivable	1,875,000	1,875,000
WHT Receivable	3,104,394	2,282,180
Hiring Rental Receivable (Note 21.1)	143,793	137,976
Economic Service Charge	876,242	921,046
Notional Tax	-	-
Three-wheeler Stock	761,400	-
Other Receivables	2,120,201	4,906,033
	30,178,872	26,664,388

22.1 Hiring Rental Receivable

	2012	2011
Gross Receivable	2,028,669	2,022,852
Less: Rental in Suspense	(1,884,876)	(1,884,876)
Net Receivable	143,793	137,976

23. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Land	Building	Equipment	Furniture & Fittings	Motor Vehicle Company Own	Motor Vehicle Given on Operating Lease	Leased Equipment	Leased Motor Vehicle	Office Equipment	Leased Machinery	Total 2012	Total 2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Balance at 1 April 2011	-	-	104,400	2,388,121	4,102,825	3,631,250	2,481,227	5,867,690	3,580,986	-	22,156,499	35,302,197
Additions During the Year	-	-	785,714	4,054,592	11,964,768	-	-	-	5,005,718	1,047,018	22,857,811	5,316,985
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	(9,078,767)
Transfer to assets held for sale	-	-	-	-	-	-	-	-	-	-	-	(9,383,916)
As at 31 March 2012	-	-	890,114	6,442,713	16,067,593	3,631,250	2,481,227	5,867,690	8,586,704	1,047,018	45,014,310	22,156,499
Accumulated Depreciation												
Balance at 1 April 2011	-	-	85,651	1,244,613	1,987,698	2,495,938	2,481,227	5,867,690	2,153,693	-	16,316,510	23,878,625
Charge for the Period	-	-	186,065	908,410	2,351,979	-	-		1,352,582	43,628	4,842,663	1,775,106
Charge on disposal	-	-	-	-	-	-	-	-	-	-	-	(8,936,580)
Transfer to assets held for sale	-	-	-	-	-	-	-	-	-	-	-	(400,641)
As at 31 March 2012	-	-	271,716	2,153,023	4,339,677	2,495,938	2,481,227	5,867,690	3,506,275	43,628	21,159,173	16,316,510
Carrying Value												
As at 31 March 2012	-	-	618,399	4,289,690	11,727,917	1,135,312	-	-	5,080,429	1,003,390	23,855,136	
As at 31 March 2011	-	-	18,749	1,143,508	2,115,127	1,135,312	-	-	1,427,293			5,839,989

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		2012 Rs.	2011 Rs.
24.	**INTANGIBLE ASSETS - COMPUTER SOFTWARE**		
	Cost		
	Balance at the beginning of the year	2,928,650	1,928,650
	Additions during the year	1,081,463	1,000,000
	Balance at the end of the year	4,010,113	2,928,650
	Accumulated Amortisation		
	Balance at the beginning of the year	2,053,650	1,927,825
	Amortisation for the year	899,227	125,825
	Balance at the end of the year	2,952,877	2,053,650
	Carrying Value at the end of the year	1,057,236	875,000

25. BORROWINGS

		2012 Rs.	2011 Rs.
Promissory Notes		71,500,000	442,592,498
Bank Overdrafts		34,506,131	13,231,510
Finance Lease Obligation	(Note 25.1)	872,186	-
		106,878,317	455,824,008

25.1 Finance Lease Obligation

	2012 Rs.	2011 Rs.
Total Lease payment outstanding	948,187	831,545
Less: Lease rentals paid during the year	(124,715)	(831,545)
Balance as at end of the year	872,186	-

26. RETIREMENT BENEFIT OBLIGATION

	2012 Rs.	2011 Rs.
Balance at the beginning of the year	959,352	452,075
Provision/(Reversal) during the year	376,971	507,277
Balance at the end of the year	1,336,323	959,352

The defined benefit plan valuation is carried out based on gratuity formula method in accordance with SLAS 16 "Employee Benefits"

The principal assumptions used in determining the cost of employee benefits as at 31.03.2012 were as follows

Discount rate - 11%
Future salary increment rate - 10%
Retirement age is 60 years
The Company will continue in business as a going concern.

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	2012 Rs.	2011 Rs.
27. DEFERRED TAXATION		
Balance at the Beginning of the Year	5,596,323	(43,211)
(Reversal)/Charge during the Year	(2,224,175)	5,639,534
Balance at the end of the year	3,372,148	5,596,323

	2012		2011	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Property, Plant and Equipments	89,934	8,993	423,423	118,558
Intangible Assets	1,057,236	105,724	875,000	245,000
Leased Assets	-	-	557,996	156,239
Leasing Stock	33,910,637	3,391,064	19,089,801	5,345,144
Gratuity	(1,336,323)	(133,632)	(959,352)	(268,619)
	33,721,484		19,986,868	
Balance at the End of the Year		3,372,148		5,596,323
Balance at the Beginning of the Year		5,596,323		(43,211)
Deferred tax (reversal)/charge for the year		(2,224,175)		5,639,534

28. OTHER LIABILITIES

	2012 Rs.	2011 Rs.
Payable to Suppliers	969,794	5,452,797
Accrued Expenses	2,701,771	439,255
Reimbursable Expenses	-	868,455
WHT payable	3,770,184	67,108
Stamp Duty payable	841,968	1,068,802
Provision for Financial VAT	6,438,074	4,025,117
Security deposits	132,500	132,500
Refundable Deposit	44,000	-
Other Payable	1,831,557	607,010
	16,729,848	12,661,044

29. STATED CAPITAL

	2012 Rs.	2011 Rs.
Balance at the Beginning of the year	225,000,000	75,000,000
Shares Issued during the year	-	150,000,000
	225,000,000	225,000,000

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30. FINANCE LEASING RESERVE FUND

Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

31. INVESMENT FUND ACCOUNT

The Finance Companies are required to transfer 8% of the profits calculated for the payment of Value Added Tax (VAT) on Financial Services and 5% of the profits before tax calculated for the payments of income tax to a fund identified as a "Investment Fund Account" as per a proposal made in the Government Budget 2011. The Guidelines have also been issued by the Central Bank on utilization of funds in this account. Accordingly Company has granted following loans .

Facilities	Facility Amount	Sector	Granting Date	Maturity Date
Lease	4,750,000.00	Small & Medium Enterprise	11/11/2011	11/11/2015
Lease	4,750,000.00	Small & Medium Enterprise	11/11/2011	11/11/2015
HP	895,000.00	Small & Medium Enterprise	1/23/2012	1/23/2016
HP	140,000.00	Small & Medium Enterprise	11/1/2011	11/1/2013
Loan	60,000.00	Information Technology & BPO	1/6/2012	7/6/2013

32. CONTINGENT LIABILITIES & CAPITAL COMMITMENTS

There were no material Contingent Liabilities and/or Capital Commitments as at the Balance Sheet date.

33. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

33.1 Transactions with Key Managerial persons .

Key Management Personnel (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling

33.1.1 **Key Management Personnel Compensation**	**2012**	**2011**
Short Term Employment Benefits Paid	3,440,000	1,920,000

33.1.2 Transactions, Arrangements and Agreements Involving KMPs, and their Close Family Members

Deposits held by key management personnel	34,085,099	Nil
Investment In Promissory Notes	Nil	24,167,012

33.1.3 Transaction, arrangements and agreements involving with Entities which are controlled, jointly significantly influenced by the KMP's control, jointly control or significant influence over the entity and their CFMs or shareholders who have either

Nature of Transaction	**2012**	**2011**
Fixed Deposits held at the end of the year	514,328,733	Nil
Lease and HP Balance at the end of the year	21,849,325	17,675,001

34. MATURITY PROFIT OF ASSETS ANDLIABILITIES

Amounts were allocated to respective maturity grouping based on installments falling due as per contracts. The amounts therefore represent total amount receivable or payable in each maturity grouping.

As at 31st March 2012	**Up to 3 Months**	**3 to 12 Months**	**1 -3 Years**	**3 -5 Years**	**More than 5 Years**	**Total**
ASSETS						
Cash & Short Term Funds	155,618,343	-	-	-	-	155,618,343
Investment in Shares	-	20,697,483	17,378,975	-	14,856,300	52,932,758
Loans	260,883,965	181,105,492	15,276,858	14,602,446	-	471,868,761
Finance Leases	12,156,283	6,250,008	66,341,770	151,113,970	3,296,689	239,158,720
Hire Purchase	5,489,183	6,068,430	49,320,315	108,520,368	-	169,398,296
Real Estate Inventories	5,784,238	38,816,989	-	-	-	44,601,227
Assets held for sale	-	8,983,276	-	-	-	8,983,276
Prepayments & Receivables	1,875,000	22,029,455	6,274,417	-	-	30,178,872
Property, Plant & Equipment	-	-	-	-	23,855,136	23,855,136
Intangible Assets-Software	-	-	-	-	1,057,236	1,057,236
	441,807,012	283,951,133	154,592,335	274,236,784	43,065,362	1,197,652,625
LIABILTIES						
Fixed Deposits	68,126,648	621,201,431	29,000,000	-	-	718,328,079
Borrowings	106,006,131	-	-	872,186	-	106,878,317
Retirement Benefit Obligation	-	-	-	1,336,323	-	1,336,323
Interest Accrued	1,509,134	13,760,790	642,406	-	-	15,912,329
Advance Received on Real Estat	-	1,285,250	-	-	-	1,285,250
Current Taxation	-	-	-	-	-	-
Deferred Taxation	-	-	3,372,148	-	-	3,372,148
Other Liabilities	6,345,090	10,208,258	176,500	-	-	16,729,848
Equity	-	-	-	-	333,810,332	333,810,332
	181,987,003	646,455,729	33,191,054	2,208,509	333,810,332	1,197,652,625

ERNST & YOUNG
Chartered

34. SEGMENT INFORMATION

For the year ended 31st March 2012

	Leasing and Hire Purchase Rs.	Investments Rs.	Real Estate Rs.	Other Rs.	Total 2012 Rs.
Income					
Interest Income	68,497,655	11,732,266		85,701,331	165,931,252
Other Income	8,845,905	2,657,710	6,028,800	683,623	18,216,039
31st March 2012	77,343,561	14,389,976	6,028,800	86,384,955	184,147,292
31st March 2011	31,172,987	89,493,681	592,014	9,460,757	130,719,439
Less: Expenses					
Interest Expenses					78,179,467
Other Expenses					68,614,936
Total Expenses					146,794,403
Profit /(Loss) before Taxation					37,352,889
Less: Income Tax Reversal/ (Expense)					235,593
Profit for the year ended 31/03/12					37,588,481
Profit for the year ended 31/03/11					68,472,422

35. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2012 Rs.	Carrying Amount Pledged 2011 Rs.	Included Under
Fixed Deposits	Overdrafts	55,940,000	Nil	Cash and Short Term Funds
Immovable Property	Overdrafts	8,000,000	Nil	Assets held for sale
Fixed Deposits	Overdrafts	2,700,000	Nil	Cash and Short Term Funds

ERNST & YOUNG
Chartered Accountants
COLOMBO

Audited Financial Statements
2010/2011 Financial Year

Asia Commerce Limited
Independent Auditor's Report

KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
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TO THE SHAREHOLDERS OF DIVASA FINANCE LTD (formerly known as Asia Commerce Ltd)

Report on the Financial Statements

We have audited the accompanying financial statements of Divasa Finance Ltd (the "Company"), which comprise the balance sheet as at March 31, 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007 and present the information required by the Finance Leasing Act No. 56 of 2000.

Ford Rhodes Thornton & Co.

CHARTERED ACCOUNTANTS
15 August 2011
Colombo

Asia Commerce Limited
Income Statement

For the year ended 31st March	Note	2011	2010
		Rs.	Rs.
Income	8	130,719,439	46,633,628
Interest Income	9	39,593,908	34,477,271
Interest Expense	10	(18,139,891)	(20,892,162)
Net Interest Income		21,454,017	13,585,109
Non Interest Income	11	91,125,531	12,156,357
		112,579,548	25,741,466
Operating Expenses			
Personnel Expenses		(9,238,897)	(7,396,254)
Premises, Equipment & Establishment Expenses		(5,804,925)	(8,760,422)
Administration Expenses		(7,729,217)	(5,084,359)
Other Overhead Expenses		(5,413,439)	(1,296,219)
Financial VAT		(10,898,110)	(1,354,363)
Reversal/ (Provision for Lease Losses & Write Offs)	12	616,996	(284,530)
Total Operating Expense	13	(38,467,592)	(24,176,147)
Profit Before Taxation		74,111,956	1,565,319
Tax (Expense) / Release	14	(5,639,534)	210,012
Profit for the Year		68,472,422	1,775,331
Basic Earnings Per Share	15	5.48	0.24

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

Asia Commerce Limited
Balance Sheet

As at 31st March	Note	2011	2010
		Rs.	Rs.
ASSETS			
Cash & Short Term Funds	16	107,564,239	85,116,549
Loans	17	306,069,241	17,794,436
Finance Leases	18	138,888,439	50,709,634
Hire Purchase	19	107,338,062	18,771,106
Real Estate Inventories	20	67,634,777	55,910,055
Prepayments & Receivables	21	44,423,496	10,561,187
Deferred Taxation	27	-	43,211
Investment in Shares of CRIB		56,300	56,300
Property, Plant & Equipment	22	5,839,989	11,423,573
Intangible Assets	23	875,000	825
TOTAL ASSETS		778,689,543	250,386,876
LIABILITIES			
Borrowings	24	455,824,008	159,003,537
Finance Lease Obligations	25	-	831,545
Retirement Benefit Obligation	26	959,352	452,075
Deferred Taxation	27	5,596,323	-
Advance Received on Real Estate		2,561,792	1,590,750
Interest Accrued		4,865,175	4,007,893
Current Taxation		-	360,861
Other Liabilities	28	12,661,043	6,390,787
TOTAL LIABILITIES		482,467,693	172,637,448
EQUITY			
Stated Capital	29	225,000,000	75,000,000
Revaluation Reserve		1,600,648	1,600,648
Finance Leasing Reserve Fund	30	3,634,506	210,885
Retained Earnings		65,986,696	937,895
TOTAL EQUITY		296,221,850	77,749,428
TOTAL EQUITY AND LIABILITIES		778,689,543	250,386,876

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.
The above Financial Statements comply with the requirements of the Companies Act No 07 of 2007.

L Uduwara
Director/Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the board :

Dr. N Godahewa
Chairman

D S Jayaweera
Director

15 August 2011
Colombo

Asia Commerce Limited
Statement of Changes in Equity

For the Year Ended 31st March	Stated Capital	Revaluation Reserve	Finance Leasing Reserve Fund	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2009	75,000,000	1,600,648	132,619	(759,170)	75,974,097
Profit for the Year	-	-	-	1,775,331	1,775,331
Transferred to Finance Leasing Reserve Fund	-	-	78,266	(78,266)	-
Balance as at 31st March 2010	75,000,000	1,600,648	210,885	937,895	77,749,428
Balance as at 1st April 2010	75,000,000	1,600,648	210,885	937,895	77,749,428
Shares issued during the Year (Note 29.1)	150,000,000	-	-	-	150,000,000
Profit for the Year	-	-	-	68,472,422	68,472,422
Transferred to Finance Leasing Reserve Fund	-	-	3,423,621	(3,423,621)	-
Balance as at 31st March 2011	225,000,000	1,600,648	3,634,506	65,986,696	296,221,850

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.
Figures in brackets indicates deductions.

Asia Commerce Limited
Cash Flow Statement

For the Year Ended 31st March		2011	2010
		Rs.	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest & Fee Income		43,788,365	44,150,490
Interest Payments		(18,030,224)	(20,892,162)
Cash Payment To Employees		(7,765,550)	(6,144,020)
Receipts From Other Operating Activities		2,952,684	616,864
Payments On Other Operating Activities		(28,834,515)	(12,018,682)
Operating (Loss)/Profit Before Changes In Operating Assets/Liabilities	Note 1	(7,889,240)	5,712,490
Decrease/(Increase) In Operating Assets			
Loan Granted		(288,491,129)	122,000
Assets Leased		(87,369,235)	1,322,392
Assets Hire Purchased		(88,543,206)	14,577,192
Net Investment In Real Estate		(2,741,446)	9,765,687
Receivables & Prepaid Expenses		(18,755,551)	(1,677,844)
		(493,789,807)	29,821,917
Decrease/(Increase) In Operating Liabilities			
Advance Received On Real Estate		971,042	(2,184,250)
Other Payables		7,127,537	1,429,983
Net Cash Used In Operating Activities Before Tax		(485,691,228)	29,067,650
Tax Paid		(360,861)	(6,538,361)
Net Cash Generated From/(Used) In Operating Activities		(486,052,089)	22,529,289
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase Of Property, Plant & Equipment		(5,316,985)	(564,675)
Acquisition Of Intangible Assets		(1,000,000)	-
Proceeds From Disposal Of Property, Plant & Equipment		1,398,182	1,246,787
Dividend Received		73,426	196,800
Proceeds From Disposal Of Investment		270,479,689	6,084,670
Investment In Shares		(201,248,459)	(10,090,450)
Net Cash From/(Used In) Investing Activities		64,385,853	(3,126,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) In Borrowings		296,820,471	(1,716,678)
Increase/(Decrease) In Lease Obligations		(831,545)	(6,906,576)
Increase/(Decrease) In Stated Capital		148,125,000	-
Net Cash From/(Used in) Financing Activities		444,113,926	(8,623,254)
Net Cash Increase in Cash and Cash Equivalents		22,447,690	10,779,167
Cash and Cash equivalents at the Beginning of the Year		85,116,549	74,337,382
Cash and Cash Equivalents at the End of the Year (Note 16)		107,564,239	85,116,549

The Notes to the Financial statement form an Integral part of these Financial Statements.
Figures in brackets indicate deductions.

Asia Commerce Limited
Cash Flow Statement

For the Year Ended 31st March	2011	2010
	Rs.	Rs.
Note 1		
Reconciliation of Operating Profit before changes in operating assets/liabilities		
Profit before Taxation	74,111,956	1,565,319
Add/(Less):		
Profit on Disposal of Property, Plant & Equipment	(1,255,995)	(861,950)
Dividend Income	(73,426)	(196,800)
Provision/(reversal) for Gratuity	507,277	(43,705)
Depreciation	1,775,106	5,342,581
Amortization of Intangible Assets	125,825	144,085
Provision for non-performing Leases	(616,996)	284,530
Provision for Impairment of Investment	185,982	189,350
Profit on Disposal of Investment	(82,648,969)	(710,920)
	(7,889,240)	5,712,490

The Notes to the Financial Statement form an Integral part of these Financial Statements.

Asia Commerce Limited
Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Divasa Finance Ltd, ("the Company") is a Public Limited Liability Company incorporated and domiciled in Sri Lanka under Companies Act No.17 of 1982 and No.07 of 2007.The registered office is located at No.15, Station Road, Colombo 03. It is also a Finance Leasing Establishment incorporated in Sri Lanka under the Section 05 of the Finance Leasing Act No. 56 of 2000.

1.2 Principal Office and Nature of Operations

The principal activity of the Company is to carry on the business of Leasing, Hire Purchase, Real Estate, Advance or Lend money and carry on business of an Investment Company.

1.3 Number of Employees

The Company had 16 employees as at 31 March 2011 (2010: 13)

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flow Statement, together with the accounting policies and notes, (the "Financial Statements") of the Company as at 31st March 2011 and for the year then ended, comply with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Financial Statements have been prepared on a historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements except for following & all value presented in financial statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated.

Land & Building classified under Property, Plant & Equipment (PPE) are measured at cost at the time of acquisition and subsequently at revalued amount, which are the fair values at the date of revaluation less accumulated depreciation and impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies have been applied by the Company consistent with the previous year, and the previous year figures and phases have been re-arranged wherever necessary to conform to the current year's presentation.

3.1 Income Tax Expense

a) Current Taxation

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto, as stated in the respective notes to these Financial Statements.

b) Deferred Taxation

Deferred Taxation is provided based on the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for income tax purposes only on payment.

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

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

ASSET AND BASIS OF THEIR VALUATION

3.2 Lease Rentals, Hire Purchase and Other receivables

Lease rentals receivables, Hire Purchase, Real Estate and other receivables are stated in the Balance Sheet net of provision for doubtful debts, prepaid lease rentals and net of interest which is not accrued to revenue on non performing advances.

3.2.1 Provision for Losses on Lending

Specific provisions are made for non performing advances comprising loans, finance leases and hire purchases.

Specific provisions for non performing advances are based on a continuous review of advances. These provisions relate to non performing advances identified in accordance with Finance Leasing Act and in line with Guidelines issued by the Central bank of Sri Lanka.

Provisions for non performing advances are made as follows;

Period Outstanding	Classification	Lease, Hire Purchase and Loans
More than 6 months Less than 12 months	Sub Standard	20%
More than 12 months Less than 18 months	Doubtful	50%
More than 18 months	Loss	100%

3.3 Investments

3.3.1 Dealing Securities

Marketable Securities acquired and held with the intention of resale over a short period of time and are recorded at lower of cost and market value on an aggregate portfolio basis. Adjustments for fall in market value below cost, where relevant, are accounted by charging the difference to the Income Statement in accordance with Sri Lanka Accounting Standards No.22 on Accounting for Investments.

3.3.2 Investments Securities

These are acquired and held for yield or capital growth in the medium or long term. Such securities are recorded at cost. Changes in market values of these securities are not taken into account unless there is considered to be a diminution in value, which is other than temporary.

3.4 Real Estate Inventories

Real estate inventories are stated at cost or market value which ever is lower. These costs include cost of purchases of the land and expenses on development that are capitalized.

3.5 Property, Plant and Equipment

3.5.1 Owned Assets

The Company applies cost model to property plant and equipment other than Land and Buildings, which are presented at cost less accumulated depreciation less accumulated impairment losses, if any, provided on the basis stated in below.

The Company applies the revaluation model for Land and Buildings. Revaluation of these assets are carried out at least once in five (5) years in order to ensure the book value reflect the realizable value of such assets, and are depreciated over remaining useful life of such assets, wherever applicable.

Cost

The cost of an asset comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation

Depreciation is provided on a straight-line basis over the period appropriate to the estimated useful lives of different types of assets, at varying rates specified as follows;

Category	Rate (per annum)
Motor Vehicle	25%
Furniture & Fittings	33.33%
Buildings	5%
Office Equipment	33.33%

Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the assets is classified as held for sale and the date that the asset is derecognized.

3.5.2 Assets under Operating Leases

Assets under operating leases are stated at cost less accumulated depreciation less accumulated impairment losses.

Depreciation is charged on a straight- line method at the rate of 25% per annum. Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the assets is classified as held for sale and the date that the asset is derecognized.

3.6 Intangible Assets

All computer software costs incurred for use by the Company which are not integrally related to associated hardware, and can be, clearly identifiable, reliably measured and it's probable they will lead to future economic benefits, are included in the Balance Sheet under the category Intangible Assets and carried at cost less cumulative amortization and accumulated impairment losses.

Expenditure incurred on Intangible Assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets are amortized on a straight line basis in the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life.

Computer Software	50%

3.7 Cash and Cash Equivalents

Cash and Cash equivalents comprise of balances with banks, short term fixed deposits and cash in hand.

3.8 Impairment of Assets

Identifiable assets of the company are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated and shown in the Balance Sheet. The impairment loss is charged to the Income Statement.

LIABILITIES AND OTHER PAYABLES

3.9 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of other liabilities.

3.10 Retirement Benefits Costs

3.10.1 Retirement Benefits Plan-Gratuity

Company has been providing in full on account of Retiring Gratuities from the first year of service of the employee in conformity with previous Sri Lanka Accounting Standard – 16, Retirement Benefit Cost that is being shown under, non - current liabilities in the Balance Sheet as comparative amount.

However, as per the payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued services.

As required by revised Sri Lanka Accounting Standard 16 - Employee Benefits which become applicable to financial year beginning on or before 1st July 2007. The Company provides for retirement benefits based on the gratuity formula method from 01st April 2008.

The gratuity liability is not externally funded nor actuarially valued.

3.10.2 Defined Contribution Plan-Employee's Provident Fund & Employees' Trust Fund

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

3.11 Provisions for liabilities

A provision is recognized in the balance sheet only when the bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

REVENUE AND EXPENSE RECOGNITION

3.12 Interest Income on Advances

Interest Receivable on advances is recognized on accrual basis. Interest ceases to be taken to revenue when interest or principal is arrears for six (06) months or more and thereafter such income is recognized on cash basis. Further where interest is suspended, the interest accrued up to six months but not received is also removed from the interest income and transferred to the interest in suspense account.

3.13 Lease Income

3.13.1 Finance leases

Gross earnings from leases comprising the excess of rentals receivable over the cost of leased assets are allocated over the term of the lease, commencing with the month in which the lease is granted in proportion to the declining receivable balances.

Income of finance leases in respect of lease rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further where interest is suspended, the interest accrued up to six months but not received is also removed from the interest income and transferred to the interest in suspense account.

3.13.2 Operating leases

Rental income is recognized as revenue on a straight line basis over the term of lease.

Income of operating leases in respect of lease rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further in instances where interest is suspended, the interest accrued up to six months is also removed from the interest income and transferred to the interest in suspense account.

3.14 Hire Purchase Income

Gross earnings from hire purchase comprising the excess of rentals receivable over the cost of hire purchased assets are allocated over the period of the hire purchase contract, commencing with the month in which the hire purchase is granted in proportion to the declining receivable balances. Rental income is recognized as revenue on a straight line basis over the term of lease.

Income of hire purchase in respect of rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further in instances where interest is suspended, the interest accrued up to six months is also removed from the interest income and transferred to the interest in suspense account

3.15 Interest Income from Other Source

Interest on Fixed Deposits, Repo is recognized proportionately over the period of Instruments.

3.16 Gain on Real Estate Sales

a) Profit on real estate sales are recognized, on sale of Land, only after receipt of the full settlement.

b) The money collected from the customer as refundable deposits will be treated as "Advance received" and is not recognized as an Income until the full sales price is received.

3.17 Overdue Charges

Overdue charges for late payment of lease rentals and other advances are recognized on a cash basis.

3.18 Dividend Income

Dividend income from shares is recognized proportionately over the period of instrument.

3.19 Profit or Loss on Sale of Marketable Securities

Profit or loss arising on sale of equity shares, commercial papers and other marketable securities is accounted for on a cash basis.

3.20 Interest Expenses

Interest Payable is recognized on accrual basis. All interest expenses are charged to income without capitalizing any amount.

3.21 SEGMENTAL REPORTING

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

3.22 RELATED PARTY TRANSACTIONS

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

4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material events occurring after the Balance Sheet date have been considered and appropriate adjustment or disclosure has been made in the Financial Statements where necessary.

5. COMPARATIVE FIGURES

Where ever necessary amounts shown for the previous year have been reclassified as to facilitate comparison with the current year presentation.

6. CASH FLOW STATEMENT

The Cash Flow Statement has been prepared by using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standards No.9 on Cash Flow Statements. Cash and Cash equivalents comprise of cash balances and short term funds.

7. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT BALANCE SHEET DATE

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

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

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

Asia Commerce Limited
Notes to the Financial Statements

For the Year Ended 31st March			2011	2010
			Rs.	Rs.
8.	Income			
	Interest Income	(Note 9)	39,593,908	34,477,271
	Non Interest Income	(Note 11)	91,125,531	12,156,357
			130,719,439	46,633,628
9.	Interest Income			
	Finance Leases		14,808,003	7,633,780
	Hire Purchase		12,777,540	6,409,567
	Term Loans		4,329,418	4,319,458
	Operating Leases		907,661	4,068,972
	Interest Income on Fixed Deposit		6,771,286	12,022,201
	Interest Income on REPO		-	23,293
			39,593,908	34,477,271
10.	Interest Expenses			
	Interest on Promissory Notes		17,951,073	20,106,706
	Interest on Lease		53,822	556,590
	Interest on Overdraft		134,996	228,866
			18,139,891	20,892,162
11.	Non Interest Income			
	Overdue Interest		3,587,443	5,892,820
	Real Estate Income		592,014	3,767,694
	Documentation Fee		2,126,862	318,139
	Dividend Income		73,426	196,800
	Sundry Income		298,059	319,803
	Profit on Sale of Shares		82,648,969	710,920
	Profit on Disposal of Property, Plant & Equipment		1,255,995	861,950
	Commission Income		542,763	88,231
			91,125,531	12,156,357
12.	Provision for Lease Losses and Write Offs			
	Provision/(Reversal) for Non-Performing Finance Leases	(Note 18.1)	(809,570)	260,104
	Provision/(Reversal) for Non-Performing Hire Purchase	(Note 19.1)	(23,750)	24,426
	Provision for Non-Performing Loans	(Note 17)	216,324	-
			(616,996)	284,530
13.	Operating Expenses			
	Operating Expenses among others include the following;			
	Directors' Remuneration		3,120,000	2,760,000
	Auditors' Remuneration		135,000	115,000
	Depreciation		1,775,106	5,342,581
	Amortization of Intangible Assets		125,825	144,085
	Staff Salaries		4,052,552	4,014,957
	Employers' Contribution to Provident Fund		668,063	519,664
	Employers' Contribution to Employee Trust Fund		167,016	129,891
	Provision/(reversal) for gratuity		507,277	(43,705)

For the Year Ended 31st March 2011

14. Tax Expense/(Release)

Provision for Current Taxation has been made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and the amendments thereto.The Company is liable to pay income tax at 35%.

For the Year Ended 31st March		2011		2010
		Rs.		Rs.
Current Tax Expense				
Current year		-		360,861
Deferred Tax Expense				
Origination/(reversal) of Deferred Tax Liability During the Year		5,840,341		(640,825)
(Origination)/reversal of Deferred Tax Assets During the Year		(200,807)		69,952
		5,639,534		(210,012)
Reconciliation of effective tax rates				
Profit for the year		74,111,956		1,775,331
Tax (Expense)/Reversal		(5,639,534)		210,012
Profit before taxation		68,472,422		1,565,319
Income tax using the company's domestic tax rate	15%	11,116,793	15%	234,798
Net non-deductible/(deductible) expenses	2%	1,280,552	8%	120,730
Allowable income	-18%	(12,397,345)		
Social responsibility levy	0%	-	0.3%	5,332
Change in temporary differences	8%	5,639,534	-36%	(570,873)
		5,639,534		(210,012)

15. Basic Earnings Per Share

Basic Earnings Per Share is calculated on the Profit available to Ordinary Shareholders for the period, divided by the Weighted Average number of Ordinary Shares as at the Balance Sheet date.

	2011	2010
	Rs.	Rs.
Profit for the year	68,472,422	1,775,331
Weighted Average Number of Ordinary Shares	12,500,000	7,500,000
Basic Earnings Per Share	5.48	0.24

Weighted Average Number of Shares (WANS)	No. of shares 2010	2009	WANS 2010	WANS 2009
Balance at the beginning of the year	7,500,000	7,500,000	7,500,000	7,500,000
Shares converted during the year (Jan '10)	15,000,000	-	5,000,000	-
	22,500,000	7,500,000	12,500,000	7,500,000

As explained in Note No 29.1 to these financial statements, during the Company has issued 1,500,000 ordinary shares of Rs 10/- each, amounting to Rs.15,000,000/-.

Asia Commerce Limited
Notes to the Financial Statements

For the Year Ended 31st March			2011	2010
			Rs.	Rs.
16.	Cash & Short Term Funds			
	Cash at Bank and in hand		2,433,835	1,478,351
	Short Term Fixed Deposits		105,130,404	83,638,198
			107,564,239	85,116,549
17.	Loans			
	Term Loans		65,796,675	14,891,283
	Margin Trading Loan		240,000,000	
	Related Party Loan		614,324	2,903,153
	Provision for Non-performing loans		(216,324)	-
	Interest in suspense		(125,434)	-
			306,069,241	17,794,436
18.	Finance Leases			
	Gross Investment		215,961,015	84,307,677
	Rental Received in Advance		(1,204,692)	(967,348)
			214,756,323	83,340,329
	Interest In suspense		(3,357,911)	(5,319,478)
	Unearned Interest		(62,866,525)	(16,858,198)
	Rentals receivables before Provisions		148,531,887	61,162,653
	Provision for Non-Performing Leases	(Note 18.1)	(9,643,448)	(10,453,019)
			138,888,439	50,709,634
18.1	Provision for Non-Performing Leases			
	Balance at the beginning of the year		10,453,018	10,192,915
	(Reversal)/Provision during the year		(809,570)	260,104
	Balance at the end of the year		9,643,448	10,453,018
19.	Hire Purchase			
	Gross Investment		154,039,712	25,363,709
	Rental Received in Advance		(394,746)	(198,704)
			153,644,966	25,165,005
	Interest in Suspense		(923)	(2,747)
	Unearned Interest		(46,305,304)	(6,366,725)
	Rentals Receivables before Provisions		107,338,739	18,795,533
	Provision for Non-Performing Hire Purchase	(Note 19.1)	(677)	(24,427)
			107,338,062	18,771,106
19.1	Provision for Non-Performing Hire Purchase			
	Balance at the Beginning of the Year		24,427	-
	(Reversal)/Provision during the Year		(23,750)	24,427
	Balance at the End of the Year		677	24,427

Asia Commerce Limited
Notes to the Financial Statements

As at 31st March			2011	2010
			Rs.	Rs.
20.	Real Estate Inventories			
	Balance at the Beginning of the Year		56,460,374	66,226,061
	Addition during the Year		5,032,894	-
	Transfer from Property, Plant & Equipment		8,983,275	-
	Disposals during the Year		(1,207,987)	(9,765,687)
			69,268,556	56,460,374
	Less Project Provision		(1,633,779)	(550,319)
	Net Balance at the End of the Year		67,634,777	55,910,055
21.	Prepayments & Receivables			
	VAT Receivable		9,750,055	1,099,862
	Repossessed Assets		5,349,952	527,350
	Prepayments		1,442,147	1,178,300
	Share capital receivable		1,875,000	-
	WHT Receivable		2,282,180	1,607,663
	Hiring Rental Receivable	(Note 21.1)	137,976	277,183
	Economic Service Charge		921,046	626,116
	Other Receivables		4,906,033	717,364
	Investment in Shares		17,759,107	4,527,350
			44,423,496	10,561,187
21.1	Hiring Rental Receivable			
	Gross Receivable		2,022,852	2,162,059
	Less: Rental in Suspense		(1,884,876)	(1,884,876)
	Net Receivable		137,976	277,183

For the year ended 31st March 2011

22. Property, Plant & Equipment

	Land	Building	Equipment	Furniture & Fittings	Motor Vehicle Company Own	Motor Vehicle Given on Operating Lease	Leased Equipment	Leased Motor Vehicle	Office Equipment	Total 2011	Total 2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation											
As at 1st April	6,000,000	3,383,916	86,900	1,146,767	3,053,163	3,631,250	2,481,227	13,497,690	2,021,284	35,302,197	38,401,246
Additions During the Year	-	-	17,500	1,241,354	2,491,179	-	-	-	1,566,952	5,316,985	564,675
Disposals During the Year	-	-	-	-	(1,441,517)	-	-	(7,630,000)	(7,250)	(9,078,767)	(3,663,724)
Transfer to Real Estate Inventories	(6,000,000)	(3,383,916)	-	-	-	-	-	-	-	(9,383,916)	
As at 31st March	-	-	104,400	2,388,121	4,102,825	3,631,250	2,481,227	5,867,690	3,580,986	22,156,499	35,302,197
Accumulated Depreciation											
As at 1st April	-	400,641	71,623	1,119,467	2,383,041	2,495,938	2,481,227	13,062,468	1,864,219	23,878,624	21,814,931
Charge for the year	-	-	14,028	125,146	903,987	-	-	435,222	296,724	1,775,107	5,342,581
Charge on Disposal	-	-	-	-	(1,299,330)	-	-	(7,630,000)	(7,250)	(8,936,580)	(3,278,888)
Transfer to Real Estate Inventories	-	(400,641)	-	-	-	-	-	-	-	(400,641)	-
As at 31st March	-	-	85,651	1,244,613	1,987,698	2,495,938	2,481,227	5,867,690	2,153,693	16,316,510	23,878,624
Carrying Value											
As at 31st March 2011	-	-	18,749	1,143,508	2,115,127	1,135,312	-	-	1,427,293	5,839,989	
As at 31st March 2010	6,000,000	2,983,275	15,277	27,300	670,122	1,135,312	-	435,222	157,065		11,423,573

As at 31st March	2011	2010
	Rs.	Rs.
23. Intangible Assets		
Computer Software		
Cost		
Balance at the Beginning of the Year	1,928,650	1,928,650
Additions during the Year	1,000,000	-
Balance at the End of the Year	2,928,650	1,928,650
Accumulated Amortization		
Balance at the Beginning of the Year	1,927,825	1,783,740
Amortization for the Year	125,825	144,085
Balance at the End of the Year	2,053,650	1,927,825
Carrying Value at the End of the Year	875,000	825
24. Borrowings		
Promissory Notes	442,592,498	152,284,473
Bank Overdrafts	13,231,510	6,719,064
	455,824,008	159,003,537
25. Finance Lease Obligation		
Total Lease payment outstanding	831,545	863,899
Less: Lease rentals paid during the year	(831,545)	(32,354)
Balance as at end of the year	-	831,545
26. Retirement Benefit Obligation		
Balance at the beginning of the year	452,075	495,780
Provision/(Reversal) during the year	507,277	(43,705)
Balance at the end of the year	959,352	452,075

The defined benefit plan valuation is carried out based on gratuity formula method in accordance with SLAS 16 "Employee Benefits".

The principal assumptions used in determining the cost of employee benefits as at 31.03.2011 were as follows
i. Rate of interest is 9%.
ii. Salary increment rate will be 15%.
iii. Retirement age is 55 years.
iv. The Company will continue in business as a going concern.

Asia Commerce Limited
Notes to the Financial Statements

As at 31st March			2011	2010
			Rs.	Rs.
27.	Deferred Taxation			
	Deferred Tax Liabilities	(Note 27.1)	5,864,942	111,022
	Deferred Tax Assets	(Note 27.2)	(268,619)	(67,811)
			5,596,323	43,211
27.1	Deferred Tax Liabilities			
	Balance as at 1st April		24,600	751,847
	Impact on Rate Change		(1,466,235)	-
	Originating During the Year		7,306,577	(640,825)
	Balance as at 31st March		5,864,942	111,022
27.2	Deferred Tax Assets			
	Balance as at 1st April		67,811	137,764
	Impact on Rate Change		67,155	-
	Deferred Tax Asset Recognized/(Reversed)		133,653	(69,952)
	Balance as at 31st March		268,619	67,811

	Asset	Liabilities	Net
	Rs.	Rs.	Rs.
Property, Plant & Equipment	-	(118,558)	(118,558)
Intangible Assets	-	(245,000)	(245,000)
Leased Assets	-	(156,239)	(156,239)
Leasing Stock	-	(5,345,145)	(5,345,145)
Gratuity	268,619	-	268,619
	268,619	(5,864,942)	(5,596,323)

27.3 Impact Due to Corporate Income Tax Rate Change

The corporate income tax rate has been reduced to 28% commencing from year of assessment 2011/12 as per budget proposals for 2011 announced by the Finance Minister, which is considered to be substantially enacted pending legislation in 2011. Accordingly, deferred tax asset and liability have been computed based on 28%.

		2011	2010
28.	Other Liabilities		
	Payable to Suppliers	5,452,797	4,419,125
	Accrued Expenses	439,255	285,988
	Reimbursable Expenses	868,455	70,056
	WHT Payable	67,108	346,629
	VAT Payable	-	-
	Stamp Duty Payable	1,068,802	31
	Provision for Financial VAT	4,025,117	752,172
	Security Deposits	132,500	132,500
	Other Payable	607,010	384,286
		12,661,043	6,390,787

As at 31st March	2011	2010
	Rs.	Rs.
29. Stated Capital		
Balance at the Beginning of the Year	75,000,000	75,000,000
Shares issued During the Year	150,000,000	-
Balance at the End of the Year	225,000,000	75,000,000

29.1 The Company has issued 15,000,000 ordinary shares of Rs 10/- each through a right issue (2 ordinary shares for each existing share) on 16 November 2010.

30. Finance Leasing Reserve Fund

This represents a reserve created during the year, as per the directions issued by the Department of Non - Banking Financial Institution of Central Bank of Sri Lanka under the direction no.05 of 2006 of Finance Leasing Act No.56 of 2000.This requires a sum equivalent to not less than 5% of Profit After Tax being transferred to the reserve fund until the amount of the reserve fund equal to 50% of the issued and paid up ordinary share capital of the Company, and a further sum equivalent to not less than 2% of profit after tax until the amount of the reserve fund is equal to the issued and paid up ordinary share capital of the Company.

31. Contingent Liabilities & Capital Commitments

There were no material Contingent Liabilities and/or Capital Commitments as at the Balance Sheet date.

32. Related Party Transactions

32.1 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard 30 (Revised 2005) - Related Party Disclosure, Key Management Personnel are those having authority and responsibility for planning, directing, and controlling the activities of the entity. Accordingly, the Directors of the Company has been classified as KMP of the Company. Emoluments paid to key management personnel (Board of Directors) are disclosed in Note 13 to these Financials Statements.

Further, the Directors has made the following investments in the Company:

Investment in Promissory Notes

Name of Related Party	Nature of Relationship	Amount Outstanding as at 31.03.2011	Amount Outstanding as at 31.03.2010
		Rs	Rs
D S Jayaweera and V S Fernando	Directors	24,167,012	25,846,631

As at 31st March 2011

32. Related Party Transactions (contd.)

32.2. Transactions with Group Entities

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 30 "Related Party Disclosure" The details of which are reported below:

Name of Related Party	Nature of Relationship	Transaction Type	Transaction Amount	Amount Outstanding as at 31.03.2011
			Rs	Rs
Image Line (Pvt) Ltd	Common Directors	Lease	975,629	1,927,325
Hammer BTL (Pvt) Ltd	Common Directors	Lease	62,469	250,511
		HP	1,751,112	1,741,323
Power House	Common Directors	Hiring	413,108	44,130
		Loan	1,878,408	614,324
		Lease	1,014,801	-
Consultants 21 Ltd	Common Directors	HP	882,243	3,307,839
Citrus Leisure PLC	Common Directors	HP	7,914,549	7,914,549
Sarva Integrated (Pvt) Ltd	Common Directors	Promissory notes payable	22,429,703	22,429,703
Hammer BTL (Pvt) Ltd	Common Directors	Promissory notes payable	4,993,014	4,993,014
Kalpitiya Beach Resort	Common Directors	Promissory notes payable	150,000,000	150,000,000
Waskaduwa Beach Resort	Common Directors	Promissory notes payable	150,000,000	150,000,000

33. Post Balance Sheet Events

There were no material events occurring after the balance sheet date as at 31st March 2011 that require adjustments to or disclosure in the Financial Statements, other than those disclosed below.

The Company has registered as a Finance Company under the Finance Companies Act No.78 of 1988 on 23 May 2011. Further, the Company has changed it's name as "Divasa Finance Limited" on 8 August 2011.

34. Litigation and Claim

There are no litigations and claims as at the balance sheet date.

35. Comparative Figures

Where necessary information has been rearranged to conform to current year's presentation and classification.

36. Directors' Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of these financial statements, in accordance with the applicable regulatory requirements.

As at 31st March 2011

37. Maturity Profile of Assets & Liabilities

Amounts were allocated to respective maturity grouping based on installments falling due as per contracts. The amounts therefore represent total amount receivable or payable in each maturity grouping.

As at 31st March 2011	Up to 3 Months	3 to 12 Months	1-3 Years	3-5 Years	More than 5 Years	Total
Assets						
Cash & Short Term Funds	107,564,239	-	-	-	-	107,564,239
Loans	60,431,041	5,837,085	239,068,767	732,348	-	306,069,241
Finance Leases	611,878	875,881	27,360,255	96,982,851	13,057,574	138,888,439
Hire Purchase	3,895,947	1,427,297	8,462,386	91,152,432	2,400,000	107,338,062
Real Estate Inventories	-	67,634,777	-	-	-	67,634,777
Prepayments & Receivables	-	28,187,285	16,236,211	-	-	44,423,496
Investment in Shares	-	-	-	-	56,300	56,300
Property, Plant & Equipment	-	-	-	-	5,839,989	5,839,989
Intangible Assets-Software	-	-	-	-	875,000	875,000
	172,503,105	103,962,325	291,127,619	188,867,631	22,228,863	778,689,543
Liabilities						
Borrowings	26,983,363	300,143,696	128,696,949	-	-	455,824,008
Finance Lease Obligations	-	-	-	-	-	-
Provision for Gratuity	-	-	-	959,352	-	959,352
Interest Accrued	-	4,865,175	-	-	-	4,865,175
Advance Received on Real Estate	-	-	2,561,792	-	-	2,561,792
Current Taxation	-	-	-	-	-	-
Deferred Taxation	-	1,678,897	2,798,162	1,119,264	-	5,596,323
Other Liabilities	7,367,516	5,161,027	132,500	-	-	12,661,043
Equity	-	-	-	-	296,221,850	296,221,850
	34,350,879	311,848,795	134,189,403	2,078,616	296,221,850	778,689,543

Audited Financial Statements
2009/2010 Financial Year

18. Audited Financial Statements as at 31st March 2010

Asia Commerce Limited
Independent Auditor's Report

KPMG Ford, Rhodes, Thornton & Co.
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TO THE SHAREHOLDERS OF ASIA COMMERCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Asia Commerce Limited ("the Company"), which comprise the balance sheet as at 31 March 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

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 profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007 and present the information required by the Finance Leasing Act No. 56 of 2000.

CHARTERED ACCOUNTANTS

Colombo

1st September 2010

Asia Commerce Limited
Income Statement

For the year ended 31 March,	Note	2010 Rs.	2009 Rs.
Income	8	**46,633,628**	63,397,995
Interest Income	9	**34,477,271**	47,764,081
Interest Expenses	10	**(20,892,162)**	(30,900,624)
Net Interest Income		**13,585,109**	16,863,457
Non Interest Income	11	**12,156,357**	15,633,914
		25,741,466	32,497,371
Less: Operating Expenses			
Personnel Expenses		**(7,396,254)**	(8,053,423)
Premises, Equipment and Establishment Expenses		**(8,760,422)**	(10,874,463)
Administration Expenses		**(5,084,359)**	(6,521,799)
Other Overhead Expenses		**(2,650,582)**	(3,244,800)
Provision for Lease Losses and Write Offs	12	**(284,530)**	(361,421)
Total Operating Expense	13	**(24,176,147)**	(29,055,906)
Profit Before Taxation		**1,565,319**	3,441,465
Income Tax (Expense) / Reversal	14	**210,012**	(3,904,979)
Profit/(Loss) for the Year		**1,775,331**	(463,514)
Basic Earnings / (Loss) Per Share	15	**0.24**	(0.06)

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Asia Commerce Limited
Balance Sheet

As at 31 March,	Note	2010 Rs.	2009 Rs.
Assets			
Cash and Short Term Funds	16	**85,116,549**	74,337,381
Loans	17	**17,794,436**	17,916,436
Finance Leases	18	**50,709,634**	52,292,130
Hire Purchase	19	**18,771,106**	33,372,724
Real Estate Inventories	20	**56,460,374**	66,226,061
Prepayments and Receivables	21	**6,033,837**	4,545,343
Deferred Taxation	27	**43,211**	-
Investment in Shares		**4,773,000**	56,300
Property, Plant and Equipment	22	**11,423,573**	16,586,317
Intangible Assets	23	**825**	144,910
Total Assets		**251,126,545**	265,477,602
Equity and Liabilities			
Liabilities			
Borrowings	24	**159,003,537**	160,720,215
Finance Lease Obligations	25	**831,545**	7,738,121
Retirement Benefit Obligation	26	**452,075**	495,780
Advance Received on Real Estate		**1,590,750**	3,775,000
Interest Accrued		**4,007,893**	3,774,219
Current Taxation		**360,861**	6,538,361
Deferred Taxation	27	**-**	527,662
Other Liabilities	28	**7,130,456**	5,934,147
Total Liabilities		**173,377,117**	189,503,505
Equity			
Stated Capital	29	**75,000,000**	75,000,000
Revaluation Reserve		**1,600,648**	1,600,648
Finance Leasing Reserve Fund	30	**210,885**	132,619
Retained Earnings		**937,895**	(759,170)
Total Equity		**77,749,428**	75,974,097
Total Equity and Liabilities		**251,126,545**	265,477,602

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

The above Financial Statements comply with the requirements of the Companies Act No 07 of 2007.

Lakshman Uduwara
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board:

N Godahewa
Chairman

D S Jayaweera
Director

1st September 2010
Colombo

Asia Commerce Limited
Statement of Changes in Equity

	Stated Capital Rs.	Finance Revaluation Reserve Rs.	Leasing Reserve Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2008	75,000,000	1,600,648	132,619	(866,828)	75,866,439
Adjustment (Note A)	-	-	-	571,172	571,172
Restated balance as at 01 April 2008	75,000,000	1,600,648	132,619	(295,656)	76,437,611
Loss for the year	-	-	-	(463,514)	(463,514)
Balance as at 31 March 2009	75,000,000	1,600,648	132,619	(759,170)	75,974,097
Profit for the year	-	-	-	1,775,331	1,775,331
Transferred to Finance Leasing Reserve Fund	-	-	78,266	(78,266)	-
Balance as at 31st March 2010	**75,000,000**	**1,600,648**	**210,885**	**937,895**	**77,749,428**

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicates deductions.

Note A

This refers to the adjustment made to Financial Statements for the Notional Tax Credit related for the year of assessment 2006/07 and 2007/08, which has been treated as a correction of prior period error in accordance with SLAS - 10 (Revised 2005) "Accounting Policies, Changers in Accounting Estimates and Errors".

Asia Commerce Limited
Cash Flow Statement

For the year ended 31 March,	2010 Rs.	2009 Rs.
Cash Flows from Operating Activities		
Interest and Fee Income	**44,150,490**	63,148,705
Interest Payments	**(20,892,162)**	(30,900,624)
Cash Payment to Employees	**(6,144,019)**	(7,152,481)
Receipts from Other Operating Activities	**1,327,784**	820,461
Payments on Other Operating Activities	**(12,208,032)**	(13,872,495)
Operating Profit Before Changes in Operating Assets/Liabilities Note 1	**6,234,061**	12,043,566
Decrease/(Increase) in Operating Assets:		
Loan Granted	**122,000**	11,489,590
Assets Leased	**1,322,392**	10,827,794
Assets Hire Purchased	**14,577,192**	8,180,510
Net Investment in Real Estate	**9,765,687**	(15,327,397)
Receivables and Prepaid Expenses	**(1,488,494)**	(485,715)
	30,532,838	26,728,350
Increase / (Decrease) in Operating Liabilities:		
Advance Received on Real Estate	**(2,184,250)**	(5,692,500)
Other Payables	**1,429,983**	3,309,619
Net Cash Generated from Operating Activities Before Tax	**29,778,571**	24,345,469
Income Tax Paid	**(6,538,361)**	(1,538,265)
Net Cash Generated from Operating Activities	**23,240,210**	22,807,204
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	**(564,675)**	(974,816)
Acquisition of Intangible Assets	-	(9,900)
Proceeds from Disposal of Property, Plant and Equipment	**1,246,787**	-
Dividend Received	**196,800**	-
Investment in Shares	**(4,716,700)**	
Net Cash used in Investing Activities	**(3,837,788)**	(984,716)
Cash Flows from Financing Activities		
Decrease in Borrowings	**(1,716,678)**	(2,915,888)
Decrease in Lease Obligations	**(6,906,576)**	(9,894,017)
Net Cash used in Financing Activities	**(8,623,254)**	(12,809,905)
Net Cash Increase in Cash and Cash Equivalents	**10,779,168**	9,012,583
Cash and Cash Equivalents at the Beginning of the Year	**74,337,381**	65,324,798
Cash and Cash Equivalents at the End of the Year (Note A)	**85,116,549**	74,337,381
Note A		
Short Term Deposits	**83,638,198**	71,331,511
Cash at Bank and Cash in Hand	**1,478,351**	3,005,870
Cash and Cash Equivalents at the End of the Year	**85,116,549**	74,337,381

The Notes to the Financial statement form an Integral part of these financial statements.

Figures in brackets indicate deductions.

Asia Commerce Limited
Cash Flow Statement

For the year ended 31 March,	2010 Rs.	2009 Rs.
Note 1		
Reconciliation of Operating Profit Before Changes in Operating Assets / Liabilities		
Profit Before Taxation	**1,565,319**	3,441,465
Adjustment for:		
Profit on Disposal of Property, Plant and Equipment	**(861,950)**	-
Dividend Income	**(196,800)**	-
Provision for Gratuity	**(43,705)**	219,909
Depreciation	**5,342,581**	7,031,578
Amortisation of Intangible Assets	**144,085**	418,021
Provision for Non-Performing Leases	**284,531**	361,421
Notional Tax Credit	**-**	571,172
Operating Profit Before Changes in Operating Assets/Liabilities	**6,234,061**	12,043,566

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Asia Commerce Ltd, ("the Company") is a Public Limited Liability Company incorporated and domiciled in Sri Lanka under Companies Act No.17 of 1982. The registered office is located at 372/2, Galle Road, Colombo 03. It is also a Finance Leasing Establishment incorporated in Sri Lanka under the Section 05 of the Finance Leasing Act No. 56 of 2000.

1.2 Principal Office and Nature of Operations

The principal activity of the Company is to carry on the business of Leasing, Hire Purchase, Real Estate, Advance or Lend money and carry on business of an Investment Company.

1.3 Number of Employees

The Company had 13 employees as at 31 March 2010 (2009: 13)

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flow Statement, together with the accounting policies and notes, (the "Financial Statements") of the Company as at 31st March 2010 and for the year then ended, comply with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Financial Statements have been prepared on a historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements except for following & all value presented in financial statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated.

Land and Building classified under Property, Plant and Equipment (PPE) are measured at cost at the time of acquisition and subsequently at revalued amount, which are the fair values at the date of revaluation less accumulated depreciation and impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies have been applied by the Company consistent with the previous year, and the previous year figures and phases have been re-arranged wherever necessary to conform to the current year's presentation.

3.1 Income Tax Expense

a) Current Taxation

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto, as stated in the respective notes to these Financial Statements.

b) Deferred Taxation

Deferred Taxation is provided based on the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for income tax purposes only on payment.

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

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

ASSET AND BASIS OF THEIR VALUATION

3.2 Lease Rentals, Hire Purchase and Other receivables

Lease rentals receivables, Hire Purchase, Real Estate and other receivables are stated in the Balance Sheet net of provision for doubtful debts, prepaid lease rentals and net of interest which is not accrued to revenue on non performing advances.

3.2.1 Provision for Losses on Lending

Specific provisions are made for non performing advances comprising loans, finance leases and hire purchases.

Specific provisions for non performing advances are based on a continuous review of advances. These provisions relate to non performing advances identified in accordance with Finance Leasing Act and in line with Guidelines issued by the Central bank of Sri Lanka.

Provisions for non performing advances are made as follows;

Period Outstanding	Classification	Lease, Hire Purchase and Loans
More than	6 months	
Less than	12 months	Sub Standard 20%
More than	12 months	
Less than	18 months	Doubtful 50%
More than	18 months	Loss 100%

3.3 Investments

3.3.1 Dealing Securities

Marketable Securities acquired and held with the intention of resale over a short period of time and are recorded at lower of cost and market value on an aggregate portfolio basis. Adjustments for fall in market value below cost, where relevant, are accounted by charging the difference to the Income Statement in accordance with Sri Lanka Accounting Standards No.22 on Accounting for Investments.

3.3.2 Investments Securities

These are acquired and held for yield or capital growth in the medium or long term. Such securities are recorded at cost. Changes in market values of these securities are not taken into account unless there is considered to be a diminution in value, which is other than temporary.

3.4 Real Estate Inventories

Real estate inventories are stated at cost or market value which ever is lower. These costs include cost of purchases of the land and expenses on development that are capitalized.

3.5 Property, Plant and Equipment

3.5.1 Owned Assets

The Company applies cost model to property plant and equipment other than Land and Buildings, which are presented at cost less accumulated depreciation less accumulated impairment losses, if any, provided on the basis stated in below.

The Company applies the revaluation model for Land and Buildings. Revaluation of these assets are carried out at least once in five (5) years in order to ensure the book value reflect the realizable value of such assets, and are depreciated over remaining useful life of such assets, wherever applicable.

Cost

The cost of an asset comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation

Depreciation is provided on a straight-line basis over the period appropriate to the estimated useful lives of different types of assets, at varying rates specified as follows;

Category	Rate (per annum)
Motor Vehicle	25%
Furniture and Fittings	33.33%
Buildings	5%
Office Equipment	33.33%

Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the assets is classified as held for sale and the date that the asset is derecognized.

3.5.2 Assets under Operating Leases

Assets under operating leases are stated at cost less accumulated depreciation less accumulated impairment losses.

Depreciation is charged on a straight- line method at the rate of 25% per annum. Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the assets is classified as held for sale and the date that the asset is derecognized.

3.6 Intangible Assets

All computer software costs incurred for use by the Company which are not integrally related to associated hardware, and can be, clearly identifiable, reliably measured and it's probable they will lead to future economic benefits, are included in the Balance Sheet under the category Intangible Assets and carried at cost less cumulative amortization and accumulated impairment losses.

Expenditure incurred on Intangible Assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets are amortized on a straight line basis in the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life.

Computer Software	50%

3.7 Cash and Cash Equivalents

Cash and Cash equivalents comprise of balances with banks, short term fixed deposits and cash in hand.

3.8 Impairment of Assets

Identifiable assets of the company are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated and shown in the Balance Sheet. The impairment loss is charged to the Income Statement.

LIABILITIES AND OTHER PAYABLES

3.9 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of other liabilities.

3.10 Retirement Benefits Costs

3.10.1 Retirement Benefits Plan-Gratuity

Company has been providing in full on account of Retiring Gratuities from the first year of service of the employee in conformity with previous Sri Lanka Accounting Standard - 16, Retirement Benefit Cost that is being shown under, non - current liabilities in the Balance Sheet as comparative amount.

However, as per the payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued services.

As required by revised Sri Lanka Accounting Standard 16 - Employee Benefits which become applicable to financial year beginning on or before 1st July 2007. The Company provides for retirement benefits based on the gratuity formula method from 01st April 2008.

The gratuity liability is not externally funded nor actuarially valued.

3.10.2 Defined Contribution Plan-Employee's Provident Fund and Employees' Trust Fund

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

3.11 Provisions for liabilities

A provision is recognized in the balance sheet only when the bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

REVENUE AND EXPENSE RECOGNITION

3.12 Interest Income on Advances

Interest Receivable on advances is recognized on accrual basis. Interest ceases to be taken to revenue when interest or principal is arrears for six (06) months or more and thereafter such income is recognized on cash basis. Further where interest is suspended, the interest accrued up to six months but not received is also removed from the interest income and transferred to the interest in suspense account.

3.13 Lease Income

3.13.1 Finance leases

Gross earnings from leases comprising the excess of rentals receivable over the cost of leased assets are allocated over the term of the lease, commencing with the month in which the lease is granted in proportion to the declining receivable balances.

Income of finance leases in respect of lease rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further where interest is suspended, the interest accrued up to six months but not received is also removed from the interest income and transferred to the interest in suspense account.

3.13.2 Operating leases

Rental income is recognized as revenue on a straight line basis over the term of lease.

Income of operating leases in respect of lease rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further in instances where interest is suspended, the interest accrued up to six months is also removed from the interest income and transferred to the interest in suspense account.

3.14 Hire Purchase Income

Gross earnings from hire purchase comprising the excess of rentals receivable over the cost of hire purchased assets are allocated over the period of the hire purchase contract, commencing with the month in which the hire purchase is granted in proportion to the declining receivable balances. Rental income is recognized as revenue on a straight line basis over the term of lease.

Income of hire purchase in respect of rentals due ceases to be taken to revenue when rentals are in arrears for six (06) months or more and thereafter such income is recognized on a cash basis. Further in instances where interest is suspended, the interest accrued up to six months is also removed from the interest income and transferred to the interest in suspense account

3.15 Interest Income from Other Source

Interest on Fixed Deposits, Repo is recognized proportionately over the period of Instruments.

3.16 Gain on Real Estate Sales

a) Profit on real estate sales are recognized, on sale of Land, only after receipt of the full settlement.

b) The money collected from the customer as refundable deposits will be treated as "Advance received" and is not recognized as an Income until the full sales price is received.

3.17 Overdue Charges

Overdue charges for late payment of lease rentals and other advances are recognized on a cash basis.

3.18 Dividend Income

Dividend income from shares is recognized proportionately over the period of instrument.

3.19 Profit or Loss on Sale of Marketable Securities

Profit or loss arising on sale of equity shares, commercial papers and other marketable securities is accounted for on a cash basis.

3.20 Interest Expenses

Interest Payable is recognized on accrual basis. All interest expenses are charged to income without capitalizing any amount.

3.21 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared by using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standards No.9 on Cash Flow Statements. Cash and Cash equivalents comprise of cash balances and short term funds.

3.22 SEGMENTAL REPORTING

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

3.23 RELATED PARTY TRANSACTIONS

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

4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material events occurring after the Balance Sheet date have been considered and appropriate adjustment or disclosure has been made in the Financial Statements where necessary.

5. COMPARATIVE FIGURES

Where ever necessary amounts shown for the previous year have been reclassified as to facilitate comparison with the current year presentation.

6. DIRECTORS' RESPONSIBILITY STATEMENTS

Directors acknowledge the responsibility for true and fair presentation of the financial statements in accordance with the books of accounts and Sri Lanka Accounting standards.

7. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS ATBALANCE SHEET DATE

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka and are effective for annual periods beginning on or after 1st January 2011. Accordingly these Standards have not been applied in preparing these Financial Statements as they are not effective for the year ended 31 March 2010 and will become effective for the Company only from the financial year beginning 1 April 2011.

- Sri Lanka Accounting Standard 44 Financial Instruments; Presentation (SLAS 44) and

- Sri Lanka Accounting Standard 45 Financial Instruments; Recognition and Measurement (SLAS 45)

These Standards require application of fair value measurement techniques for financial instruments. Sri Lanka Accounting Standard 44 - Financial Instruments: Presentation provides for the following,

- Guidance regarding the classification of financial instruments as equity or debt, and for the accounting for compound instruments with characteristics of both equity and debt instruments based on the substance of the contractual arrangement.

- Criteria are specified for the netting of financial assets and financial liabilities. Netting requires a legal right of set off as well as the intention to offset the assets and liabilities or settle simultaneously.

Sri Lanka Accounting Standard 45 - Financial Instruments: Recognition and Measurement provides the principles for recognizing and measuring financial assets and financial liabilities. The requirements are summarized below.

Recognition

All financial assets and financial liabilities should be recognized in the balance sheet. Previously certain instruments, in particular derivatives, were held by enterprises without being reflected in the balance sheet.

Measurement

Financial assets

- For the purpose of measuring a financial asset SLAS 45 requires the financial asset to be classified into the following four categories; Fair value through profit and loss (trading), Originated loans and receivables (at amortized cost using effective interest method), Available-for-sale (at Fair value) and Held to maturity (at amortized cost). The categorization determines whether and where the re-measurement is recognized in the Company's financial statements.

Derivative financial instruments and hedging

- Derivatives are always categorized as trading and therefore measured at fair value with changes recorded in the income statement, unless the enterprise can establish that an effective hedging relationship exists.

- There are three types of hedging relationships under SLAS 45. These are the fair value hedge, the cash flow hedge and the hedge of a net investment in a foreign operation.

Financial liabilities

- All Financial liabilities are measures at amortized cost except certain financial liabilities which are at fair value. The Company is currently in the process of evaluating the potential effect of these Standards, and the impact of the above requirements has not been quantified as at balance sheet date.

For the year ended 31 March,		2010 Rs.	2009 Rs.
8.	**Income**		
	Interest Income (Note 9)	**34,477,271**	47,764,081
	Non Interest Income (Note 11)	**12,156,357**	15,633,914
		46,633,628	63,397,995
9.	**Interest Income**		
	Finance Leases	**7,633,780**	14,600,625
	Hire Purchase	**6,409,567**	9,216,787
	Term Loans	**4,319,458**	4,300,845
	Operating Leases	**4,068,972**	6,208,428
	Interest Income on Fixed Deposits	**12,022,201**	12,851,428
	Interest Income on REPOs	**23,293**	585,968
		34,477,271	47,764,081
10.	**Interest Expenses**		
	Interest on Promissory Notes	**20,106,706**	28,666,224
	Interest on Leases	**556,590**	2,107,964
	Interest on Overdraft	**228,866**	126,436
		20,892,162	30,900,624
11.	**Non Interest Income**		
	Overdue Interest	**5,892,820**	3,064,918
	Real Estate Income	**3,767,694**	11,748,535
	Documentation Fee	**318,139**	200,650
	Dividend Income	**196,800**	-
	Sundry Income	**319,803**	585,906
	Profit on Shares Sales	**710,920**	-
	Profit on Disposal of Property, Plant and Equipment	**861,950**	-
	Commission Income	**88,231**	33,905
		12,156,357	15,633,914
12.	**Provision for Lease Losses and Write Offs**		
	Provision for Non-Performing Finance Leases (Note 18.1)	**260,104**	361,421
	Provision for Non-Performing Hire Purchase (Note 19.1)	**24,426**	-
		284,530	361,421
13.	**Operating Expenses**		
	Operating Expenses among others include the following:		
	Directors' Remuneration	**2,760,000**	3,673,500
	Auditors' Remuneration	**115,000**	99,000
	Depreciation	**5,342,581**	7,031,578
	Amortization of Intangible Assets	**144,085**	418,021
	Staff Salaries	**4,014,957**	3,432,268
	Employers' contribution to Provident Fund	**519,664**	591,458
	Employers' contribution to Employees' Trust Fund	**129,891**	131,228 5

For the year ended 31 March,		2010 Rs.		2009 Rs.

14. Income Tax Expenses

Provision for Taxation has been made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and the amendments thereto. The Company is liable to pay income tax at 15%.

		2010 Rs.		2009 Rs.
Current tax expense				
Current year		**360,861**		4,721,144
Adjustment for Prior Periods		**-**		192,947
Deferred tax expense				
Reversal of temporary differences (Note 27)		**(570,873)**		(1,009,112)
		(210,012)		3,904,979
Reconciliation of effective tax rate				
Profit/(Loss) for the Year		**1,775,331**		(463,514)
Income Tax (Expense) / Reversal		**210,012**		(3,904,979)
Profit Before Taxation		**1,565,319**		3,441,465
Income Tax Using the Company's Domestic Tax Rate	**15%**	**234,798**	35%	1,204,513
Net Non-Deductible/(Deductible) Expenses	**8%**	**120,730**	100%	3,446,860
Adjustment for Prior Periods	**-**	**-**	6%	192,947
Social Responsibility Levy	**0.3%**	**5,332.00**	2%	69,771
Change in Temporary Differences	**-36%**	**(570,873)**	-29%	(1,009,112)
	-13%	**(210,012)**	113%	3,904,979

15. Basic Earnings / (Loss) Per Share

Basic Earnings / Loss Per Share is calculated on the Profit available to Ordinary Shareholders for the Year, divided by the Weighted Average number of Ordinary Shares as at the Balance Sheet date.

	2010 Rs.	2009 Rs.
Profit/(Loss) for the Year	**1,775,331**	(463,514)
Weighted Average Number of Ordinary Shares	**7,500,000**	7,500,000
Basic Earnings / (Loss) Per Share	**0.24**	(0.06)

As at 31 March,	2010 Rs.	2009 Rs.

16. Cash and Short Term Funds

	2010 Rs.	2009 Rs.
Cash at Bank and Cash in Hand	**1,478,351**	3,005,870
Short Term Fixed Deposits	**83,638,198**	71,331,511
	85,116,549	74,337,381

17. Loans

	2010 Rs.	2009 Rs.
Term Loans	**14,891,283**	11,993,284
Related Party Loan	**2,903,153**	5,923,152
	17,794,436	17,916,436

For the year ended 31 March,		2010 Rs.	2009 Rs.
18.	**Finance Leases**		
	Gross Investment	**84,307,677**	80,762,182
	Rental Received in Advance	**(967,348)**	(128,613)
		83,340,329	80,633,569
	Interest In suspense	**(5,319,478)**	(4,099,121)
	Unearned Interest	**(16,858,198)**	(14,049,403)
	Rentals Receivables Before Provisions	**61,162,653**	62,485,045
	Provision for Non-Performing Leases (Note 18.1)	**(10,453,019)**	(10,192,915)
		50,709,634	52,292,130
18.1	**Movement in Lease Loss Provision**		
	Balance at the Beginning of the Year	**10,192,915**	9,831,494
	Additional Provision Made - Finance Lease	**260,104**	361,421
		10,453,019	10,192,915
19.	**Hire Purchase**		
	Gross Investment	**25,363,709**	42,396,173
	Rental Received in Advance	**(198,704)**	(11,008)
		25,165,005	42,385,165
	Interest in Suspense	**(2,747)**	-
	Unearned Interest	**(6,366,725)**	(9,012,441)
	Rentals Receivables Before Provisions	**18,795,533**	33,372,724
	Provision for Non-Performing Hire Purchase (Note 19.1)	**(24,427)**	-
		18,771,106	33,372,724
19.1	**Movement in Hire purchase Loss Provision**		
	Balance at the Beginning of the Year	**-**	-
	Additional Provision Made-Hire Purchase	**24,427**	-
		24,427	-
20.	**Real Estate Inventories**		
	Balance at the Beginning of the Year	**66,226,061**	50,898,664
	Additions During the Year	**-**	44,707,862
	Disposals During the Year	**(9,765,687)**	(29,380,465)
	Balance at the End of the Year	**56,460,374**	66,226,061
21.	**Prepayments and Receivables**		
	VAT Receivable	**1,099,861**	-
	Repossessed Assets	**527,350**	750,849
	Prepayments	**1,178,300**	1,098,300
	WHT Receivable	**1,607,663**	1,492,440
	Hiring Rental Receivable (Note 21.1)	**277,183**	558,584
	Economic Service Charge	**626,116**	373,323
	Other Receivables	**717,364**	271,847
		6,033,837	4,545,343
21.i	**Hiring Rental Receivable**		
	Gross Receivable	**2,162,059**	2,443,460
	Less: Rental in Suspense	**(1,884,876)**	(1,884,876)
	Net Receivable	**277,183**	558,584

22. Property, Plant and Equipment

For the year ended 31 March 2010	Land	Building	Equipment	Furniture and Fittings	Motor Vehicle Company Own	Motor Vehicle Given on Operating Lease	Leased Equipment	Leased Motor Vehicles Company Own	Leased Motor Vehicles Given on Operating Lease	Office Equipment	Total 2010	Total 2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / Valuation												
Balance at 1 April	6,000,000	3,383,916	86,900	1,124,834	2,614,198	3,631,250	2,481,227	130,957	16,953,940	1,994,024	38,401,246	37,426,430
Additions During the Year	-	-	-	21,933	515,482	-	-	-	-	27,260	564,675	974,816
Disposals During the Year	-	-	-	-	(76,517)	-	-	(130,957)	(3,456,250)	-	(3,663,724)	-
As at 31 March	6,000,000	3,383,916	86,900	1,146,767	3,053,163	3,631,250	2,481,227	-	13,497,690	2,021,284	35,302,197	38,401,246
Accumulated Depreciation												
Balance at 1 April	-	231,445	55,856	1,090,241	883,890	2,495,938	2,274,458	90,033	13,020,541	1,672,529	21,814,931	14,783,351
Charge for the Year	-	169,196	15,767	29,226	1,570,886	-	206,769	30,011	3,129,036	191,690	5,342,581	7,031,578
Disposals During the Year	-	-	-	-	(71,735)	-	-	(120,044)	(3,087,109)	-	(3,278,888)	-
As at 31 March	-	400,641	71,623	1,119,467	2,383,041	2,495,938	2,481,227	-	13,062,468	1,864,219	23,878,624	21,814,929
Carrying value												
As at 31 March 2010	6,000,000	2,983,275	15,277	27,300	670,122	1,135,312	-	-	435,222	157,065	11,423,573	
As at 31 March 2009	6,000,000	3,152,471	31,044	34,593	1,730,308	1,135,312	206,769	40,924	3,933,399	321,495		16,586,317

For the year ended 31 March,		2010 Rs.	2009 Rs.
23.	**Intangible Assets**		
	Computer Software		
	Cost		
	Balance at the Beginning of the Year	**1,928,650**	1,918,750
	Additions During the Year	**-**	9,900
	Balance at the End of the Year	**1,928,650**	1,928,650
	Accumulated Amortisation		
	Balance at the Beginning of the Year	**1,783,740**	1,365,719
	Amortisation for the Year	**144,085**	418,021
	Balance at the End of the Year	**1,927,825**	1,783,740
	Carrying Value at the End of the Year	**825**	144,910
24.	**Borrowings**		
	Promissory Notes	**152,284,473**	160,485,451
	Bank Overdrafts	**6,719,064**	234,764
		159,003,537	160,720,215
25.	**Finance Lease Obligations**		
	Total Lease Payment Outstanding	**863,899**	8,374,801
	Less: Interest Payable on Lease	**(32,354)**	(636,680)
	Balance at the End of the Year	**831,545**	7,738,121
26.	**Retirement Benefit Obligation**		
	Balance at the Beginning of the Year	**495,780**	275,871
	Provision for the Year	**(43,705)**	219,909
	Balance at the End of the Year	**452,075**	495,780

The defined benefit plan valuation is carried out based on gratuity formula method in accordance with SLAS 16 "Employee Benefits".

The principal assumptions used in determining the cost of employee benefits as at 31 March 2010 were as follows.

Discount rate-10%
Future salary increment rate-8%

27.	**Deferred Taxation**		
	Balance at the Beginning of the Year	**527,662**	1,536,774
	Reversal During the Year (Note 14)	**(570,873)**	(1,009,112)
	Balance at the End of the Year	**(43,211)**	527,662

	2010 Temporary Difference Rs.	2010 Tax Effect Rs.	2009 Temporary Difference Rs.	2009 Tax Effect Rs.
Property, Plant and Equipment	**(461,942)**	**(92,388)**	1,232,936	431,528
Intangible Assets	**825**	**165**	144,910	50,719
Leased Assets	**451,597**	**90,319**	1,548,353	541,924
Leasing Stock	**245,541**	**49,108**	(922,814)	(322,985)
Gratuity	**(452,075)**	**(90,415)**	(495,780)	(173,523)
	(216,054)		1,507,605	
Balance at the End of the Year		**(43,211)**		527,662
Balance at the Beginning of the Year		**527,662**		1,536,774
Deferred tax reversal for the year		**(570,873)**		(1,009,112)

For the year ended 31 March,	2010 Rs.	2009 Rs.
28. Other Liabilities		
Payable to Suppliers	**4,419,125**	489,354
Accrued Expenses	**285,988**	146,741
Reimbursable Expenses	**70,056**	66,741
WHT Payable	**346,629**	1,050,539
VAT Payable	**-**	350,724
Stamp Duty Payable	**31**	453,386
Provision for Financial VAT	**752,172**	1,299,508
Security Deposits	**132,500**	132,500
Provision for Real Estate	**550,319**	1,921,257
Provision for Loss on Shares	**189,350**	-
Other Payable	**384,286**	23,397
	7,130,456	5,934,147
29. Stated Capital		
7,500,000 Ordinary Shares	**75,000,000**	75,000,000
	75,000,000	75,000,000

30. Finance Leasing Reserve Fund

This represents a reserve created during the year, as per the directions issued by the Department of Non - Banking Financial Institution of Central Bank of Sri Lanka under the direction No. 05 of 2006 of Finance Leasing Act No.56 of 2000. This requires a sum equivalent to not less than 5% of profit after tax being transferred to the reserve fund until the amount of the reserve fund equal to 50% of the issued and paid up ordinary share capital of the Company, and a further sum equivalent to not less than 2% of profit after tax until the amount of the reserve fund is equal to the issued and paid up ordinary share capital of the Company. During the year 5% of profit after tax has been transferd to the reserve fund.

31. Related Party Transactions

31.1 Transactions with Group Entities

The Company carried out transactions in the ordinary course of its business with related parties.

Name of Related Party	Nature of Relationship	Transaction Type	Transaction Amount Rs.	Amount Outstanding as at 31.03.2010 Rs.
Power House (Pvt) Ltd	Common Directors	Lease	2,054,869	**975,891**
		Loan	2,504,543	**2,903,153**
		Hiring	570,681	**518,572**
Image Line (Pvt) Ltd	Common Directors	Lease	325,544	**2,441,064**
Hammer BTL (Pvt) Ltd	Common Directors	Hire purchase	1,927,563	**2,758,506**
		Promissory Notes Payable	-	**1,516,873**
Printage (Pvt) Ltd	Common Directors	Promissory Notes Payable	-	**1,725,273**
Sarva Integrated (Pvt) Ltd	Common Directors	Promissory Notes Payable	-	**20,340,368**

31.2 Transactions with Key Management Personnel (KMP)

a. Investment in Promissory Notes

Name of Related Party	Nature of Relationship	Amount Outstanding as at 31.03.2010	Amount Outstanding as at 31.03.2009
D S Jayaweera and V S Fernando	Directors	**25,846,631**	23,996,066

b. The compensation paid to key management personnel is disclosed in Note 13 to the Financial Statements.

32. Post Balance Sheet Events

There have been no material events that occurred subsequent to the date of the Balance Sheet that require adjustment or disclosure in the Financial Statements.

33. Contingent Liabilities and Capital Commitments

There were no material Contingent Liabilities and/or Capital Commitments as at the Balance Sheet date.

34. Directors Responsibility Statements

Directors are responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and the requirements of the Finance and Leasing Act No. 56 0f 2000.

35. Maturity Profile of Assets and Liabilities

Amounts were allocated to respective maturity grouping based on instalments falling due as per contracts. The amounts therefore represent total amount receivable or payable in each maturity grouping.

	Up to 3 Months Rs.	1 -3 Years Rs.	3 -5 Years Rs.	More than 5 Years Rs.	Total Rs.
Assets					
Cash and Short Term Funds	85,116,549	-	-	-	**85,116,549**
Loans	3,119,521	14,674,915	-	-	**17,794,436**
Finance Leases	10,979,103	10,888,560	20,217,493	8,624,478	**50,709,634**
Hire Purchase	2,361,577	9,720,414	6,689,115	-	**18,771,106**
Real Estate Inventories	-	56,460,374	-	-	**56,460,374**
Prepayments and Receivables	277,184	5,756,653	-	-	**6,033,837**
Investment in Shares	-	4,716,700	-	56,300	**4,773,000**
Deferred Taxation	-	43,211	-	-	**43,211**
Property, Plant and Equipment	-	-	-	11,423,573	**11,423,573**
Intangible Assets-Software	-	-	-	825	**825**
	101,853,934	102,260,827	26,906,608	20,105,176	**251,126,545**
Liabilities					
Borrowings	8,235,936	150,767,601	-	-	**159,003,537**
Finance Lease Obligations	831,545	-	-	-	**831,545**
Provision for Gratuity	-	-	452,075	-	**452,075**
Interest Accrued	-	4,007,893	-	-	**4,007,893**
Advance Received on Real Estate	-	1,590,750	-	-	**1,590,750**
Current Taxation	-	360,861	-	-	**360,861**
Other Liabilities	6,447,638	682,818	-	-	**7,130,456**
Equity	-	-	-	77,749,428	**77,749,428**
	15,515,119	157,409,923	452,075	77,749,428	**251,126,545**

For the year ended 31 March 2010

36. Segment Information

	Leasing and Hire Purchase Rs.	Investments Rs.	Other Rs.	Total 2010 Rs.
Income				
Interest Income	14,043,347	12,045,494	8,388,430	**34,477,271**
Other Income	5,892,820	4,675,413	1,588,123	**12,156,357**
Total Income	19,936,167	16,720,907	9,976,553	**46,633,628**
Percentage	43%	36%	21%	**100%**
Less: Expenses				
Interest Expenses	556,590	20,106,706	228,866	**20,892,162**
Other Expenses			24,176,147	**24,176,147**
Total Expenses	556,590	20,106,706	24,405,013	**45,068,309**
Profit /(Loss) before Taxation	19,379,577	(3,385,799)	(14,428,460)	**1,565,319**
Less: Income Tax Expense	-	-	-	**210,012**
Profit for the year	19,379,577	(3,385,799)	(14,428,460)	**1,775,331**
Segment Assets	69,480,740		181,645,805	**251,126,545**
Segment Liabilities	831,545		250,295,000	**251,126,545**

19. Appendix I

Divasa Finance Limited

	Date	Name of the Transferor	Name of the Transferee	Shareholding before the share transfer	No-of Shares transferred	Price per Share Rs.	Consideration	Shareholding after the share transfer
1	23rd of Dec 2011	M. K. Madawala	S. M. Uduwara	-	5,000	20.00	100,000.00	5,000
2	23rd of Dec 2011	M. K. Madawala	S. N. Uduwara	-	5,000	20.00	100,000.00	5,000
3	23rd of Dec 2011	M. K. Madawala	E. M. D. S. Sugathapala	-	500	20.00	10,000.00	500
4	23rd of Dec 2011	M. K. Madawala	E. M. Sugathapala	-	500	20.00	10,000.00	500
5	23rd of Dec 2011	M. K. Madawala	M. N. D. S. Sugathapala	-	500	20.00	10,000.00	500
6	23rd of Dec 2011	M. K. Madawala	S. M. A. D. S. Sugathapala	-	500	20.00	10,000.00	500
7	23rd of Dec 2011	M. K. Madawala	D. Epage	-	100	20.00	2,000.00	100
8	23rd of Dec 2011	M. K. Madawala	A. Bandara	-	100	20.00	2,000.00	100
9	23rd of Dec 2011	M. K. Madawala	A. D. Silva	-	100	20.00	2,000.00	100
10	23rd of Dec 2011	M. K. Madawala	A. I. D. S. Thanapathy	-	100	20.00	2,000.00	100
11	23rd of Dec 2011	M. K. Madawala	A. M. A. Abeyrathne	-	100	20.00	2,000.00	100
12	23rd of Dec 2011	M. K. Madawala	A. M. C. G. Abeykoon	-	100	20.00	2,000.00	100
13	23rd of Dec 2011	M. K. Madawala	B. B. Bulathsinghala	-	100	20.00	2,000.00	100
14	23rd of Dec 2011	M. K. Madawala	B. D. N. Parakkrama	-	100	20.00	2,000.00	100
15	23rd of Dec 2011	M. K. Madawala	B. G. C. H. Sujeewa	-	100	20.00	2,000.00	100
16	23rd of Dec 2011	M. K. Madawala	B. H. C. Perera	-	100	20.00	2,000.00	100
17	23rd of Dec 2011	M. K. Madawala	B. J. A. Capuge	-	100	20.00	2,000.00	100

Divasa Finance Limited

	Date	Name of the transferor	Name of the Transferee	Shareholding before the share transfer	No-of Shares transferred	Price per Share Rs.	Consideration	Shareholding after the share transfer
18	23rd of Dec 2011	M. K. Madawala	B. N. Edirisinghe	-	100	20.00	2,000.00	100
19	23rd of Dec 2011	M. K. Madawala	B. Sivaneshan	-	100	20.00	2,000.00	100
20	23rd of Dec 2011	M. K. Madawala	C. N. Samaratunga	-	100	20.00	2,000.00	100
21	23rd of Dec 2011	M. K. Madawala	C. U. Speering	-	100	20.00	2,000.00	100
22	23rd of Dec 2011	M. K. Madawala	C. V. Jayasinghe	-	100	20.00	2,000.00	100
23	23rd of Dec 2011	M. K. Madawala	D. A. U. Goonetilleke	-	100	20.00	2,000.00	100
24	23rd of Dec 2011	M. K. Madawala	D. Dedigama	-	100	20.00	2,000.00	100
25	23rd of Dec 2011	M. K. Madawala	D. J. M. N. S. Seresinghe	-	100	20.00	2,000.00	100
26	23rd of Dec 2011	M. K. Madawala	D. M. G. Dissanayake	-	100	20.00	2,000.00	100
27	23rd of Dec 2011	M. K. Madawala	D. N. Senanayake	-	100	20.00	2,000.00	100
28	23rd of Dec 2011	M. K. Madawala	D. R. N. Jayasinghe	-	100	20.00	2,000.00	100
29	23rd of Dec 2011	M. K. Madawala	D. S. Ameresekere	-	100	20.00	2,000.00	100
30	23rd of Dec 2011	M. K. Madawala	E. A. N. Ranga	-	100	20.00	2,000.00	100
31	23rd of Dec 2011	M. K. Madawala	E. D. A. Sanjeewa	-	100	20.00	2,000.00	100
32	23rd of Dec 2011	M. K. Madawala	F. H. M. S. Silva	-	100	20.00	2,000.00	100
33	23rd of Dec 2011	M. K. Madawala	G. A. D. R. Y. S. Gunarathna	-	100	20.00	2,000.00	100
34	23rd of Dec 2011	M. K. Madawala	H. D. S. N. Perera	-	100	20.00	2,000.00	100
35	23rd of Dec 2011	M. K. Madawala	H. D. T. C. Perera	-	100	20.00	2,000.00	100
36	23rd of Dec 2011	M. K. Madawala	H. E. Vijitha	-	100	20.00	2,000.00	100
37	23rd of Dec 2011	M. K. Madawala	H. K. T. Karunathilaka	-	100	20.00	2,000.00	100
38	23rd of Dec 2011	M. K. Madawala	H. M. B. V. V. Mahakanmulla	-	100	20.00	2,000.00	100

Divasa Finance Limited

	Date	Name of the transferor	Name of the Transferee	Shareholding before the share transfer	No-of Shares transferred	Price per Share Rs.	Consideration	Shareholding after the share transfer
39	23rd of Dec 2011	M. K. Madawala	H. Ratnayake	-	100	20.00	2,000.00	100
40	23rd of Dec 2011	M. K. Madawala	I. N. P. Ranasinghe	-	100	20.00	2,000.00	100
41	23rd of Dec 2011	M. K. Madawala	I. S. M. Fernando	-	100	20.00	2,000.00	100
42	23rd of Dec 2011	M. K. Madawala	J. Udakandage	-	100	20.00	2,000.00	100
43	23rd of Dec 2011	M. K. Madawala	K. A. D. L. A. P. N. Wijegunarathne	-	100	20.00	2,000.00	100
44	23rd of Dec 2011	M. K. Madawala	K. A. Dissanayake	-	100	20.00	2,000.00	100
45	23rd of Dec 2011	M. K. Madawala	K. G. M. Madhumali	-	100	20.00	2,000.00	100
46	23rd of Dec 2011	M. K. Madawala	K. K. R. F. Dias	-	100	20.00	2,000.00	100
47	23rd of Dec 2011	M. K. Madawala	K. N. A. R. Perera	-	100	20.00	2,000.00	100
48	23rd of Dec 2011	M. K. Madawala	K. S. Rajapaksha	-	100	20.00	2,000.00	100
49	23rd of Dec 2011	M. K. Madawala	K. V. Kumararatne	-	100	20.00	2,000.00	100
50	23rd of Dec 2011	M. K. Madawala	L. D. G. D. Jayasekera	-	100	20.00	2,000.00	100
51	23rd of Dec 2011	M. K. Madawala	L. J. Ameresekere	-	100	20.00	2,000.00	100
52	23rd of Dec 2011	M. K. Madawala	L. J. Wanniarachchi	-	100	20.00	2,000.00	100
53	23rd of Dec 2011	M. K. Madawala	L. K. Wickramarathne	-	100	20.00	2,000.00	100
54	23rd of Dec 2011	M. K. Madawala	L. L. Dharmadasa	-	100	20.00	2,000.00	100
55	23rd of Dec 2011	M. K. Madawala	L. L. R. Arunody	-	100	20.00	2,000.00	100
56	23rd of Dec 2011	M. K. Madawala	L. Uduwara	-	100	20.00	2,000.00	100
57	23rd of Dec 2011	M. K. Madawala	M. C. Perera	-	100	20.00	2,000.00	100
58	23rd of Dec 2011	M. K. Madawala	M. K. D. Cooray	-	100	20.00	2,000.00	100
59	23rd of Dec 2011	M. K. Madawala	M. K. D. N. D. Silva	-	100	20.00	2,000.00	100
60	23rd of Dec 2011	M. K. Madawala	M. K. K. Wijesinghe	-	100	20.00	2,000.00	100

Divasa Finance Limited

	Date	Name of the transferor	Name of the Transferee	Shareholding before the share transfer	No-of Shares transferred	Price per Share Rs.	Consideration	Shareholding after the share transfer
61	23rd of Dec 2011	M. K. Madawala	M. L. D. Silva	-	100	20.00	2,000.00	100
62	23rd of Dec 2011	M. K. Madawala	M. M. D. K. Marasinghe	-	100	20.00	2,000.00	100
63	23rd of Dec 2011	M. K. Madawala	M. P. R. Sumanadeera	-	100	20.00	2,000.00	100
64	23rd of Dec 2011	M. K. Madawala	M. S. Fairwheather	-	100	20.00	2,000.00	100
65	23rd of Dec 2011	M. K. Madawala	M. S. L. D. Cooray	-	100	20.00	2,000.00	100
66	23rd of Dec 2011	M. K. Madawala	M. T. Kumuduni	-	100	20.00	2,000.00	100
67	23rd of Dec 2011	M. K. Madawala	N. Galpaya	-	100	20.00	2,000.00	100
68	23rd of Dec 2011	M. K. Madawala	N. H. M. Sahanpriya	-	100	20.00	2,000.00	100
69	23rd of Dec 2011	M. K. Madawala	N. K. Jayaweera	-	100	20.00	2,000.00	100
70	23rd of Dec 2011	M. K. Madawala	O. V. M. Vithanage	-	100	20.00	2,000.00	100
71	23rd of Dec 2011	M. K. Madawala	P. A. D. B. U. Ponnamperuma	-	100	20.00	2,000.00	100
72	23rd of Dec 2011	M. K. Madawala	P. A. R. Liyanage	-	100	20.00	2,000.00	100
73	23rd of Dec 2011	M. K. Madawala	P. D. Kumara	-	100	20.00	2,000.00	100
74	23rd of Dec 2011	M. K. Madawala	P. S. C. Ratnayake	-	100	20.00	2,000.00	100
75	23rd of Dec 2011	M. K. Madawala	R. A. Ranatunga	-	100	20.00	2,000.00	100
76	23rd of Dec 2011	M. K. Madawala	R. A. S. Perera	-	100	20.00	2,000.00	100
77	23rd of Dec 2011	M. K. Madawala	R. C. Ratnayake	-	100	20.00	2,000.00	100
78	23rd of Dec 2011	M. K. Madawala	R. P. S. Perera	-	100	20.00	2,000.00	100
79	23rd of Dec 2011	M. K. Madawala	R. S. W. Dissanayake	-	100	20.00	2,000.00	100
80	23rd of Dec 2011	M. K. Madawala	S . K. K. Wickramarachchi	-	100	20.00	2,000.00	100
81	23rd of Dec 2011	M. K. Madawala	S. A. M. Azran	-	100	20.00	2,000.00	100
82	23rd of Dec 2011	M. K. Madawala	S. A. S. A. Dissanayake	-	100	20.00	2,000.00	100

Divasa Finance Limited

	Date	Name of the transferor	Name of the Transferee	Shareholding before the share transfer	No-of Shares transferred	Price per Share Rs.	Consideration	Shareholding after the share transfer
83	23rd of Dec 2011	M. K. Madawala	S. C. P. Perera	-	100	20.00	2,000.00	100
84	23rd of Dec 2011	M. K. Madawala	S. Cooke	-	100	20.00	2,000.00	100
85	23rd of Dec 2011	M. K. Madawala	S. Dedigama	-	100	20.00	2,000.00	100
86	23rd of Dec 2011	M. K. Madawala	S. J. Rodrigo	-	100	20.00	2,000.00	100
87	23rd of Dec 2011	M. K. Madawala	S. M. Devanarayana	-	100	20.00	2,000.00	100
88	23rd of Dec 2011	M. K. Madawala	S. N. Senanayake	-	100	20.00	2,000.00	100
89	23rd of Dec 2011	M. K. Madawala	S. P. Munasinghe	-	100	20.00	2,000.00	100
90	23rd of Dec 2011	M. K. Madawala	S. P. S. Fernando	-	100	20.00	2,000.00	100
91	23rd of Dec 2011	M. K. Madawala	S. S. Ganegoda	-	100	20.00	2,000.00	100
92	23rd of Dec 2011	M. K. Madawala	T. A. Jeewantha	-	100	20.00	2,000.00	100
93	23rd of Dec 2011	M. K. Madawala	T. R. P. Peiris	-	100	20.00	2,000.00	100
94	23rd of Dec 2011	M. K. Madawala	T. W. R. Darshana	-	100	20.00	2,000.00	100
95	23rd of Dec 2011	M. K. Madawala	U. Perera/ S. Perera	-	100	20.00	2,000.00	100
96	23rd of Dec 2011	M. K. Madawala	V. P.Senanayake	-	100	20.00	2,000.00	100
97	23rd of Dec 2011	M. K. Madawala	V. T. Udakandage	-	100	20.00	2,000.00	100
98	23rd of Dec 2011	M. K. Madawala	W. A. D. D. S. Wickramasinghe	-	100	20.00	2,000.00	100
99	23rd of Dec 2011	M. K. Madawala	W. A. K. J. Kumara/H.M.P.L. Watagodakumbura	-	100	20.00	2,000.00	100
100	23rd of Dec 2011	M. K. Madawala	W. A. T. Wickramasinghe	-	100	20.00	2,000.00	100
101	23rd of Dec 2011	M. K. Madawala	W. D. D. Wickramaarachchi	-	100	20.00	2,000.00	100

Divasa Finance Limited

	Date	Name of the transferor	Name of the Transferee	Shareholding before the share transfer	No-of Shares transferred	Price per Share Rs.	Consideration	Shareholding after the share transfer
102	23rd of Dec 2011	M. K. Madawala	W. H. R. S. Perera	-	100	20.00	2,000.00	100
103	23rd of Dec 2011	M. K. Madawala	W. J. N. Vishwajith	-	100	20.00	2,000.00	100
104	23rd of Dec 2011	M. K. Madawala	W. M. T. R. Weerawardana	-	100	20.00	2,000.00	100
105	23rd of Dec 2011	M. K. Madawala	W. V. J. P. Kumara	-	100	20.00	2,000.00	100
106	23rd of Dec 2011	M. K. Madawala	W. W. G. A. N. Wickramasinghe	-	100	20.00	2,000.00	100
		Total			**22,000**		**440,000.00**	**22,000**

Note : Current shareholding of the transferors

	Shareholding before the share transfer	Shares transferred	Shareholding after the share transfer
M. K. Madawala	450,000	(22,000)	428,000