ANNUAL REPORT
2006/2007

Lanka Logistics & Technologies Ltd.

Contents *Page*

Vision and Mission

Vision

- To uphold national security through the exemplary facilitation of procurement and projects.

Mission

- Facilitate procurement of restricted and strategically important military equipment and services for the Sri Lanka armed forces, Police and other state owned institutions, directly from the foreign state owned organizations & manufacturers in an expeditious manner whilst maintaining external secrecy & internal transparency.

- Assist research & development and promote the indigenous defence industry.

- Initiate/ undertake/ manage projects with national security implications.

Corporate Profile

Name of the Company	:	Lanka Logistics and Technologies Limited
Legal Status	:	Limited Liability Company
Registered Office	:	4-205, BMICH, Bauddhaloka Mawatha, Colombo 07
Date of Incorporation	:	04^{th} September 2006
Company Registration No	:	N(PBS) 1331
Board of Directors	:	Mr. M. Peiris - Chairman/MD Mr. G. Rajapaksha - Director Mr. L. Weerathunga - Director Ms. L N de Silva Chandrasena - Director/ Company Secretary Mr. S Senaratne - Director
Secretary	:	Ms L N de Silva Chandrasena 383, Kotte Road, Rajagiriya Telephone: 011-2868793
Auditors	:	B R de Silva and Company (Chartered Accountants) 22/4, Wijaya Kumaranathunga Mawatha, Colombo 05 Telephone : 011-4510368/011-4510268
Bankers	:	Bank of Ceylon Independence Square Branch, Torrington, Colombo 07. Telephone:011-2678073

CHAIRMAN'S MESSAGE

With great pleasure I as the Chairman herewith present the Annual Report of Lanka Logistics & Technologies Ltd., for the **five months period ended 31st March 2007**.

Lanka Logistics & Technologies Ltd., was incorporated in the year 2006 as a fully State owned company under the Companies Act No. 17 of 1982, operating under the Ministry of Defence, Public Security and Law & Order. The Company commenced operation in October 2006 with a few staff under a Chief Executive Officer.

The main objectives of the company were to facilitate procurement of restricted military articles to the armed forces & the police on a government to government basis. We are also mandated to supply goods and services to the Centre for Research & Development (CRD), a unit setup by the Ministry of Defence, Public Security and Law & Order to carryout military related research.

During this period of five months operation, the company was able to earn revenue of Rs. 1.4 Mn leaving a gross profit of Rs. 0.228 Mn by supply of goods & services to CRD. However, with the emergence of our company, we would provide logistic support in a secured manner for armed forces engaged in the process of eradicating the terrorism from the island. Further, our operation will save the government a large sum of monies by minimizing the third part involvement in military procurement.

My sincere appreciation is extended to the guidance provided by the Secretary to the Ministry of Defence, Public Security and Law & Order, the continued support from the fellow Board Members, the commitment, hard work and dedication by the staff lead by the Chief Executive Officer towards the achievements of the Company during the period under review.

Senior Management

Mr. Jayantha Wickramasinghe	Chief Executive Officer
Mr. Srilal Mahindapala	Head of Finance & Projects
Mr. Dammike Fernando	Head of Logistics & Projects
Mr. Upul Gunasekara	Manager Projects
Mr. Dhamitha Jayasekara	Manager Projects

Financial Highlights

	2006/07 (05 Months)
Revenue	1.4
Gross Profit	0.23
Operating Profit (Profit Before Interest and Tax)	(4.19)
Profit before Tax	(4.2)
Tax	0.05
Profit After Tax	(4.26)
Non Current Assets	91.9
Current Assets	20.63
Total Assets	112.53
Total Equity	95.74
Non Current Liabilities	9.3
Current Liabilities	7.5
Net Assets	95.74
Ratios	
Earning Per Share	(20,770.00)
Net Assets Per Share	467,024.39
Return On Equity	(4.45)
Return On Total Assets	(3.72)
Gross Profit Margin	16.43
Operating Profit Margin	(299.29)
Net Profit Margin	(304.29)
Current Assets Ratio (Times)	2.75

Board of Directors

Mr. Mohan Peiris- Chairman

Ms. Leisha N. de Silva Chandrasena- Director/Company Secretary

Mr. Lalith Weerathunga

Mr. Gotabhaya Rajapaksha

Mr. Sudarshana Senaratne

.

Report of the Directors

The directors have pleasure in submitting their report, together with the Audited Accounts for the financial period ended 31st March 2008 and independent Auditors Report thereon.

Review of the Year

Company was enable to record a turnover of Rs 1.4 .

Principal Activity

During the year, the principal activities of the company were procurement of equipment and services for the Army, Navy, Air Force and Police.

Corporate Governance

The Board of Directors of the Company is responsible for the governance of the Company, which includes setting out strategic aims, providing leadership & supervising the management. The corporate governance practices of the company are given on pages 12-14

Turnover

The turnover for the year was Rs. 1,369,669

Profit & Loss Account

Financial Summaries	**2006/2007**
	Rs.
Revenue	1,369,669
Cost Of Sales	1,141,391
Gross Profit	228,278
Other Income	567,014
Administration Expenses	4,990,010
Operating Profit/(Loss)	(4,194,717)

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs.6,265,203.25 within the previous 07 months period.

Property, Plant & Equipment

The details of Property, Plant & Equipment of the Company are shown in note 08 to the financial statements.

Reserves

The movements during the year of Capital & Revenue reserves are shown in the statement of changes in equity.

Post Balance Sheet Events

No circumstances have arisen since the balance sheet date, which would require adjustment to or disclosure in the accounts.

Directors

The following members serve as the Directors to the Company,

I. Mr. M. Peiris
II. Mr. G. Rajapaksha
III. Mr. L.Weerathunga
IV. Ms. L N de Silva Chandrasena
V. Mr. S Senaratne

Directors' Interest In contracts

No directors' interest in contracts for the financial year of 2006/2007

Directors' Share Holding

Directors did not hold shares of the Company during the financial year ended 31st March 2007.

Auditors

Messrs B R De Silva & Company (Chartered Accountants), retire & eligible to offer themselves for re-election. A resolution to re-appoint them as Auditors & authorizing the board to fix their remuneration will be proposed at the Annual General Meeting.

The Auditors Messrs B R De Silva & Company was paid Rs. 60,000/-as their remuneration for the year ended 31st March 2007

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an auditor) with the Company other than those disclosed above. The Auditor also does not have any interests in the Company.

For & behalf of the Board,
M. Peiris
(Chairman)

Corporate Governance Statement

The board is responsible for the governance of the company whilst the shareholders' role in governance is to appoint Directors and to ensure that an appropriate governance structure is in place.

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

Board of Directors

The prime responsibilities of the Board of Directors are setting up the Company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to the Government Treasury (Department of Public Enterprises)

The Board of Directors is also responsible to create value for its shareholders and stakeholders through actions that are in compliance with laws and regulations, and, to promote a culture that rewards integrity, transparency, fair dealings and accountability.

Board Meetings

The Board meets monthly. Special Board meetings are also held whenever required. The Board of Directors comprise of non executive directors and is able to bring independent judgment to bear on the decision making process of the company.
There had been eleven Board meetings held during the year under review.

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provisions of the Companies Act No 7 of 2007, is set out in the Report of the Auditors.

The financial statements comprise of:

a. A balance sheet, which presents a true and fair view of the state of affairs of the company as at the end of the financial year; and
b. An income statement of the company which presents a true and fair view of the profit and loss of the company for the financial year.

The directors are required to confirm that the financial statements have been prepared,

c. Using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
d. Presented in accordance with the Sri Lanka Accounting Standards; and that
e. Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
f. Provides the information required by the Companies Act.

The directors are also required to ensure that the company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the directors have a responsibility to ensure that the company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the company.

The directors are also responsible for taking reasonable steps to safeguard the assets of the company and in this regard to give proper consideration to the establishment of
Appropriate internal control systems with a view to preventing and detecting fraud and other irregularities

The directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

The directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the company and all other known statutory dues as were due and payable by the company at the balance sheet date have been paid.

B.R. DE SILVA & COMPANY

Chartered Accountants

Private & Confidential

NEXIA INTERNATIONAL

REPORT OF THE AUDITORS TO THE MEMBERS OF

LANKA LOGISTICS & TECHNOLOGIES LIMITED

1. We have audited the Balance Sheet of Lanka Logistics & Technologies Limited as at 31st March 2007 and the related statements of Income, Changes in Equity and Cash Flows for the Period from 4th October 2006 to 31st March 2007, together with the accounting policies and notes as set out on pages (01) to (15).

2. Respective Responsibilities of Directors and Auditors

   The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these Financial Statements, based on our audit.

3. Basis of Opinion

   We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. 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.

B.R. DE SILVA & CO. Chartered Accountants

TRUE COPY

No. 22/4, Vijaya Kumaranatunga Mawatha, Colombo 05, Sri Lanka.
Tel : +94-11-4-510368, 94-11-4-510268, 94-11-2-513420-2 Fax : +94-11-4-512404
Partners - N.S.C. De Silva FCA, FCMA, L.C. Piyasena FCA.
L.L.S. Wickremasinghe FCA, F. S. N. Marikkar ACA, S.M.S.S.Bandara ACA,
Partner (Kandy) W.L.L. Perera FCA.
E-mail : brds@eureka.lk
P.O. Box 1296

50 Years In Practice

(1954 - 2004)

4. **Opinion**

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the Period from 4th October 2006 to 31st March 2007, and to the best of our information and according to the explanations given to us, the said Balance Sheet and related statements of Income Changes in Equity and Cash Flows and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act, No.17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March 2007 and its Loss and cash - flows for the Period from 4th October 2006 to 31st March 2007.

5. **Directors' Interest in Contracts with the Company**

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the Period from 4th October 2006 to 31st March 2007.

B.R. DE SILVA & CO.
Chartered Accountants

Colombo 05.

Date 28th/09/2007

TRUE COPY

LANKA LOGISTICS & TECHNOLOGIES LIMITED

INCOME STATEMENT

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

	Notes	Rs. Cts.
Revenue	(3)	1,369,669.37
Cost of Sales		(1,141,391.14)
Gross Profit		228,278.23
Other Operating Income	(4)	567,014.47
		795,292.70
Administration Expenses		(4,990,009.98)
Operating Profit	(5)	(4,194,717.28)
Finance Cost	(6)	(9,160.65)
Profit/(Loss) from Ordinary Activities before Taxation		(4,203,877.93)
Taxation		(54,000.00)
Net Profit/(Loss) from Ordinary Activities after Taxation		(4,257,877.93)
Earnings Per Share - Basic	(7)	(20,770.14)

B. R. DE SILVA & CO. Chartered Accountants

TRUE COPY

B. R. DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2007

	Notes	Rs. Cts.
ASSETS		
Non-Current Assets		
Property, Plant & Equipment, net	(8)	5,948,022.25
Investments		85,947,994.70
		91,896,016.95
Current Assets		
Trade & Other Receivables	(9)	21,137,633.60
Cash & Cash Equivalents	(10)	(506,493.42)
		20,631,140.18
Total Assets		112,527,157.10
EQUITY & LIABILITIES		
Capital & Reserves		
Share Capital	(11)	2,050.00
Seed Capital		100,000,000.00
Accumulated Profit/(Losses)	(12)	(4,257,877.93)
Total Equity		95,744,172.07
Non-Current Liabilities		
Advance Received - CRD Project		9,279,825.14
Current Liabilities		
Trade & Other Payables	(13)	1,610,393.00
Tax Payable		54,000.00
Accrued Expenses	(14)	5,834,266.84
Loan from Mr. J. Wickremasinghe		4,500.00
		7,503,159.84
Total Equity and Liabilities		112,527,157.10

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

	SIGNATURE	NAME
DIRECTORS	[signature]	MOHAN PEERIS
	[signature]	A. S. A. Senarath
DATE OF APPROVAL BY THE BOARD	28th September 2007	

DE SILVA & CO. Chartered Accountants

DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

	Share Capital	*Accumulated Profit/(Loss)*	*Total*
	Rs. Cts.	*Rs. Cts.*	*Rs. Cts.*
Issue of Shares	2,050.00	-	2,050.00
Seed Capital	100,000,000.00	-	100,000,000.00
Profit for the year	(4,257,877.93)	-	(4,257,877.93)
Balance as at 31st March 2007	95,744,172.07	-	95,744,172.07

B. R. DE SILVA & CO. Chartered Accountants

B. R. DE SILVA & CO. Chartered Accountants

TRUE COPY

LANKA LOGISTICS & TECHNOLOGIES LIMITED

CASH FLOW STATEMENTS
FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

	Rs.
Cash Flows from/(Used in) Operating Activities	
Net Profit before Income Tax Expenses and Extraordinary Items	(4,203,878)
Adjustments for	
Depreciation	317,181
Finance Costs	9,161
Interest Received	(547,500)
Operating Profit/(Loss) before Working Capital Changes	(4,425,036)
(Increase)/Decrease in Trade and Other Receivables	(21,137,634)
Increase/(Decrease) in Trade and Other Payables	7,449,160
Cash Generated from Operations	(18,113,510)
Finance Costs Paid	(9,161)
Net Cash From/(Used in) Operating Activities	(18,122,671)
Cash Flows from/(Used in) Investing Activities	
Acquisition of Property, Plant & Equipment	(6,265,202)
Interest Received	547,500
Acquisition of investment	(85,947,995)
Net Cash Flows from/(Used in) Investing Activities	(109,788,368)
Cash Flows from/(Used in) Financing Activities	
Seed Capital	100,000,000
Issue of Ordinary Shares	2,050
Payable for Under CRD Project	9,279,825
Net Cash Flows from/(Used in) Financing Activities	109,281,875
Net Increase/(Decrease) in Cash and Cash Equivalents	(506,493)
Cash and Cash Equivalents at the beginning of the year	-
Cash and Cash Equivalents at the end of the year	(506,493)
Analysis of Cash & Cash Equivalents	
Cash at Bank - Favourable	(525,790)
Cash in Hand	19,297
	(506,493)

TRUE COPY

B. R. DE SILVA & CO. Chartered Accountants

B. R. DE SILVA & CO.

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

1. CORPORATE INFORMATION

1.1 General

Lanka Logistics & Technologies Limited ("Company") is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 4 - 205, BMICH, Bauddhaloka Mawatha, Colombo 07, and the principal place of business is situated at the same address.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were procurement of equipment and services for the Army, Navy, Air Force and Police.

1.3 The notes to the Financial Statements on pages (5) to (15) form an integral part of the Financial Statements.

1.4 Number of Employees

The number of employees at the end of the year was 8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flows, together with accounting policies and notes ("Financial Statements") of the Company as at 31st March 2007 and for the period from 4th October 2006 to 31st March 2007 comply in all material respects with the applicable Sri Lanka Accounting Standards.

Contd.....

TRUE COPY

E. DE SILVA & CO. Chartered Accountants

R. DE SILVA & CO. Accountants

These financial statements presented in Sri Lanka Rupees have been prepared on a historical cost basis.

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.

2.1.2 Comparative Information

The accounting policies have been consistently applied by the Company.

2.1.3 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Income Statement.

2.1.4 Taxation

(a) Current Taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

2.1.5 Borrowing Costs

Borrowing Costs are recognised as an expense in the period in which they are incurred.

TRUE COPY

B. R. DE SILVA & CO. Chartered Accountants

Contd...

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

2.1.6 Deferred Expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as deferred expenditure. Such expenditure is written off over the period, to which it relates, on a straight-line basis.

2.2 Valuation of Assets and Their Measurement Bases

2.2.1 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of provisions for bad and doubtful debts.

2.2.2 Cash and Equivalents

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks net of outstanding bank overdrafts. Investment with short maturities i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

2.2.3 Property, Plant & Equipment

(a) Cost

Properties, Plant & Equipment are recorded at cost less accumulated depreciation.

TRUE COPY

B. R. DE SILVA & CO. Chartered Accountants

Contd.....

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

(a) Cost and Valuation

All items of Property, Plant & Equipment are initially recorded at cost. Where items of Property, Plant & Equipment are subsequently revalued the entire class of such assets is revalued. Revaluations are done with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values, at the balance sheet date. Subsequent to the initial recognition as an asset at cost, revalued Property, Plant and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less depreciation.

(b) Restoration Costs

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

(c) Depreciation

The provision for depreciation is calculated by using a straight line basis on the cost or valuation of all Property, Plant and Equipment. The principal annual rates used are;

Furniture & Fittings	20%
Office Equipment	20%
Motor Vehicle	25%
IT Equipment & Accessories	25%
Interior Decorations	50%

B. R. DE SILVA & CO. Chartered Accountants

TRUE COPY

Contd.....

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

2.2.4 Leases

(a) Finance Leases - where the Company is the Lessee

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

The corresponding principal amount payable to the lesser is shown as a liability, lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations applicable to each financial year is charged to the Income Statements over the period of the lease.

(b) Operating Leases

Leases where the lesser effectively retains substantially all the risk and benefits of ownership over the leased term are classified as operating leases.

Rentals paid under operating leases are recognized as an expense in the Income Statement.

2.2.5 Investments

(a) Current Investments

Current investments are stated at lower of cost and Market Value.

B. R. DE SILVA & CO. Chartered Accountants

Contd.....

TRUE COPY

B. R. DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

The cost of an investment is the cost of acquisition inclusive of brokerages, fees, duties and bank fees.

(b) Long Term Investments

Long Term Investments are stated at cost OR valuation OR lower of cost and market value on a portfolio basis.

The cost of the investments is the cost of acquisition inclusive of brokerage fees, duties and bank fees.

2.3 Liabilities and Provisions

2.3.1 All known liabilities have been accounted for in preparing the financial statements.

2.3.2 Retirement Benefit Obligations

(a) Defined Benefit Plan - Gratuity

Gratuity is a Defined Benefit Plan. In order to meet this liability, a provision is carried forward in the balance sheet, based on a half a month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service.

The gratuity liability is not funded nor actuarially valued. This item is grouped under provision and other liabilities in the Balance Sheet.

(b) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations.

Contd.....

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

2.4 Grants and Subsidies

Grants and subsidies are recognised at their fair value where there is reasonable assurance that the grant/subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidiary relates to an expense item, it is recognised as income over the period necessary to match them to the costs to which it is intended to compensate on a systematic basis.

Grants and subsidies related to assets, including non-monetary grants at fair value are deducted at arriving at the carrying value of the asset.

2.5 Income Statements

2.5.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognising of revenue.

(a) Sale of Goods

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

(b) Rendering of Services

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

Contd.....

TRUE COPY

B. R. DE SILVA & CO. Chartered Accountants

B. R. DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

(c) Interest

Interest Income is recognised on an accrual basis.

(d) Rental Income

Rental income is recognised on accrual basis.

(e) Others

Other Income is Recognised on an Accrual Basis

Net Gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. [On disposal of revalued property, plant and equipment, amount remaining in the Revaluation Reserve relating to that asset is transferred directly to Accumulated Profit.]

2.5.2 Expenditure Recognition

(a) Expenses are recongnised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

(b) For the purpose of presentation of the Income Statement the Directors are of the opinion that the function of expenses method, presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

True Copy

B. R. DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 4TH OCTOBER 2006 TO 31ST MARCH 2007

		Rs. Cts.
(3)	REVENUE	
	CRD Project Services fee	1,369,669.37
(4)	OTHER OPERATING INCOME	
	Interest Income	547,499.97
	Sundry Income	19,514.50
		567,014.47
(5)	OPERATING PROFIT IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:	
	Auditors Remuneration (Fees and Expenses)	60,000.00
	Defined Contribution Plan Costs - EPF & ETF	179,250.00
(6)	FINANCE COST	
	Bank Charges	9,160.65
		9,160.65

(7) EARNING PER SHARE

Basic Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders over the weighted average number of Ordinary Shares outstanding during the year.

	2006/2007
Net Profit attributable to Ordinary Shares (Rs.)	(4,257,877.93)
Weighted Average number of Shares outstanding during the year	205
Earnings per Share (Rs.)	(20,770.14)

R. DE SILVA & CO
Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2007

(8) PROPERTY, PLANT & EQUIPMENT

Gross Carrying Amounts	*Balance as at 01.04.2006*	*Additions*	*Balance as at 31.03.2007*
		Rs. Cts.	*Rs. Cts.*
Motor Cycle	-	77,826.00	77,826.00
Interior Décor	-	2,208,038.80	2,208,038.80
Computers	-	1,587,232.95	1,587,232.95
Furniture & Fittings	-	1,600,817.50	1,600,817.50
Office Equipment	-	791,288.00	791,288.00
	-	6,265,203.25	6,265,203.25
Depreciation			
Motor Vehicle	-	533.00	533.00
Interior Décor	-	184,003.00	184,003.00
Computers	-	52,908.00	52,908.00
Furniture & Fittings	-	53,361.00	53,361.00
Office Equipment	-	26,376.00	26,376.00
	-	317,181.00	317,181.00
NBV as at 31.03.2007	5,948,022.25		

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2007

		Rs. Cts.
(9)	TRADE & OTHER RECEIVABLES	
	Other Receivables	21,136,133.60
	Advances & Prepayments - Deposit	1,500.00
		21,137,633.60
(10)	CASH & CASH EQUIVALENTS	
	Bank of Ceylon	(525,790.42)
	Cash in Hand	19,297.00
		(506,493.42)
(11)	SHARE CAPITAL	
	Issued & Fully Paid	
	205 Ordinary Shares of Rs.10/- each	2,050.00
	Seed Capital	100,000,000.00
	Note - seed capital was contributed by ministry of defence,public security,law & order	
(12)	ACCUMULATED PROFIT	
	Accumulated Profit/(Loss)	(4,257,877.93)
(13)	TRADE & OTHER PAYABLES	
	Trade Creditors	1,610,393.00
		1,610,393.00
(14)	ACCRUED EXPENSES	
	Accrued Expenditure & Other Creditors	5,834,266.84
		5,834,266.84

TRUE COPY