ANNUAL REPORT
2007/2008

LLTL

Lanka Logistics & Technologies Ltd.

Content

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	:	04th September 2006
Company Registration No	:	N(PBS) 1331
Board of Directors	:	Mr. M. Peiris - Chairman/MD Mr. G. Rajapaksha - Director Mr. L. R.De Silva - Director 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 Review

With great pleasure I present to you the Annual Report and the audited Financial Statements of Lanka Logistics & Technologies Ltd., for the **financial year ended 31st March 2008**.

It is my pleasure to share with you the significant achievement in the operation and performance of the company during the year under review.

During this year of performance the company was able to earn revenue of Rs. 71.4 Mn by the supply of goods & services to the Centre for Research & Development in comparison to Rs. 1.4 Mn during the first five months of the company's existence. This resulted the Company to earn an operating profit of Rs. 2.3 Mn. Further, the Company was extensively engaged in facilitating procurement to the armed forces & the police on a government to government basis accruing a significant amount of administration fees on same. The provision of logistic support for the armed forces & police resulted saving a large sum of foreign exchange to the government and minimized the third part involvement in military procurement.

My sincere appreciation goes to the Chief Executive Officer Mr. Jayantha Wickremasinghe whose foresight, dynamism and meticulous planning have been t he key factor that have contributed to the performance of the Company. I also express my sincere thanks my colleagues on the Board for the expertise, guidance and support and to the management and staff for their dedication and commitment that enabled the realization of the company's corporate objectives

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

	2007/08	2006/07 (05 Months)
Revenue	**71.4**	1.4
Gross Profit	**18.16**	0.23
Operating Profit (Profit Before Interest and Tax)	**2.27**	-4.19
Profit before Tax	**1.75**	-4.2
Tax	**1.05**	0.05
Profit After Tax	**0.69**	-4.26
Non Current Assets	**106.86**	91.9
Current Assets	**26.83**	20.63
Total Assets	**133.69**	112.53
Total Equity	**96.4**	95.74
Non Current Liabilities	**0**	9.3
Current Liabilities	**37.25**	7.5
Net Assets	**96.4**	95.74
Ratios		
Earning Per Share	**3,375.00**	(20,770.00)
Net Assets Per Share	**470,243.90**	467,024.39
Return On Equity	**0.72**	(4.45)
Return On Total Assets	**1.70**	(3.72)
Gross Profit Margin	**25.43**	16.43
Operating Profit Margin	**3.18**	(299.29)
Net Profit Margin	**0.97**	(304.29)
Current Assets Ratio (Times)	**0.72**	2.75

Board of Directors

Mr. Mohan Peiris- Chairman

Mr. Lalith R. De Silva

Mr. Gotabhaya Rajapaksha

Mr. Sudarshana Senaratne

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Report of the Directors

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

Review of the Year

Company was able to record a turnover of Rs 71.4 million compared to Rs 1.4 million in the period between 4th October 2006 to 31st March 2007. The results of the financial year 2007/20008 show a Profit before tax of Rs.1.7 million compared to Rs.4.2 million earned during the previous period referred above.

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.71, 402,899

Profit & Loss Account

Financial Summaries	**2007/2008**	**2006/2007**
	Rs.	Rs.
Revenue	71,402,899	1,369,669
Cost Of Sales	53,240,487	1,141,391
Gross Profit	18,162,412	228,278
Other Income	8,169,025	567,014
Administration Expenses	24,062,840	4,990,010
Operating Profit/(Loss)	2,268,597	(4,194,717)

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs.8,132,967.20 as against 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.R. De Silva
IV. Mr. S Senaratne

Directors' Interest In contracts

No directors' interest in contracts for the financial year of 2007/2008

Directors' Share Holding

Directors did not hold shares of the Company during the financial year ended 31st March 2008.

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. 75,000/-as their remuneration for the year ended 31st March 2008

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANKA LOGISTICS & TECHNOLOGIES LIMITED

1. Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Logistics & Technologies Limited, which comprise the Balance Sheet as at 31st March 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory notes as set out on pages (1) to (16).

2. 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 responsible in the circumstances.

3. Scope of Audit and Basis of Opinion

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

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

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Tel : +94-11-4-510368, 94-11-4-510268, 94-11-2-513420-2 Fax : +94-11-2-512404
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)

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, except for the matters stated in paragraph (4) below.

We therefore believe that our audit provides a reasonable basis for our opinion.

4. As per the cabinet memorandum dated 27.10.2006 the Company has not accounted in the Financial Statements or received the 2.5% cess / contribution from the total contract sum of transactions initiated by the Company.

5. <u>Opinion</u>

In our opinion, except for the matters stated in paragraph (4) above and any consequent adjustments that may arise therefrom, so far as appears from our examination, the company maintained proper accounting records for the year ended 31st March 2008, and the financial statements give a true and fair view of the Company's state of affairs as at 31st March 2008, and its Profit and cash flows for the year ended in accordance with a Sri Lanka Accounting Standard.

6. <u>Report on other Legal and Regulatory Requirements</u>

These Financial Statements also comply with the requirements of section 151 (2) of the Companies Act No 07 of 2007.

B.R. DE SILVA & CO.
Chartered Accountants

Colombo 05.

Date 29th/09/2008

LW/LW/mj

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2008

	Notes	Rs. Cts.	*from 04.10.2006 to 31.03.2007* Rs.
Revenue	(3)	71,402,899.10	1,369,669
Cost of Sales		(53,240,487.08)	(1,141,391)
Gross Profit		18,162,412.02	228,278
Other Operating Income	(4)	8,169,025.17	567,015
		26,331,437.19	795,293
Administration Expenses		(24,062,840.58)	(4,990,010)
Operating Profit	(5)	2,268,596.61	(4,194,717)
Finance Cost	(6)	(523,266.42)	(9,161)
Profit/(Loss) from Ordinary Activities - - before Taxation		1,745,330.19	(4,203,878)
Taxation		(1,053,347.00)	(54,000)
Net Profit/(Loss) from Ordinary Activities - - after Taxation		691,983.19	(4,257,878)
Earnings Per Share - Basic	(7)	3,375	(20,770)

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B. R. DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2008

	Notes	Rs. Cts.	31.03.2007 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment, net	(8)	11,426,863.67	5,948,022
Investments		95,428,559.22	85,947,995
		106,855,422.89	91,896,017
Current Assets			
Trade & Other Receivables	(9)	30,274,620.91	21,137,633
Cash & Cash Equivalents	(10)	(3,442,296.40)	(506,493)
		26,832,324.51	20,631,140
Total Assets		133,687,747.40	112,527,157
EQUITY & LIABILITIES			
Capital & Reserves			
Stated Capital	(11)	2,050.00	2,050
Seed Capital		100,000,000.00	100,000,000
Accumulated Profit/(Loss)	(12)	(3,565,894.74)	(4,257,878)
Total Equity		96,436,155.26	95,744,172
Non-Current Liabilities			
Advance Received - CRD Project		-	9,279,825
		-	9,279,825
Current Liabilities			
Trade & Other Payables	(13)	698,097.99	1,610,393
Tax Payable	(14)	1,106,813.00	54,000
Accrued Expenses	(15)	35,442,181.15	5,834,267
Loan from Mr. J. Wickremasinghe		4,500.00	4,500
		37,251,592.14	7,503,160
Total Equity & Liabilities		133,687,747.40	112,527,157

These Financial Statements are in compliance with the requirement of the Companies Act No.07 of 2007.

....
Finance Officer

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	1.	....	P. M. M PIERIS
	2.	....	....
DATE OF APPROVAL BY THE BOARD		....	

The accounting policies and notes on pages 05 though 16 form an integral part of the financial statement.

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2008

			31.03.2007
ASSETS	Notes	Rs. Cts.	Rs.
Non-Current Assets			
Property, Plant & Equipment, net	(8)	11,426,863.67	5,948,022
Investments		95,428,559.22	85,947,995
		106,855,422.89	91,896,017
Current Assets			
Trade & Other Receivables	(9)	30,274,620.91	21,137,633
Cash & Cash Equivalents	(10)	(3,442,296.40)	(506,493)
		26,832,324.51	20,631,140
Total Assets		133,687,747.40	112,527,157
EQUITY & LIABILITIES			
Capital & Reserves			
Stated Capital	(11)	2,050.00	2,050
Seed Capital		100,000,000.00	100,000,000
Accumulated Profit/(Loss)	(12)	(3,565,894.74)	(4,257,878)
Total Equity		96,436,155.26	95,744,172
Non-Current Liabilities			
Advance Received - CRD Project		-	9,279,825
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Trade & Other Payables	(13)	698,097.99	1,610,393
Tax Payable	(14)	1,106,813.00	54,000
Accrued Expenses	(15)	35,442,181.15	5,834,267
Loan from Mr. J. Wickremasinghe		4,500.00	4,500
		37,251,592.14	7,503,160
Total Equity & Liabilities		133,687,747.40	112,527,157

These Financial Statements are in compliance with the requirement of the Companies Act No.07 of 2007.

....

Finance Officer

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	1.	....
	2.	H.S.A. Senaratne
DATE OF APPROVAL BY THE BOARD	....	

The accounting policies and notes on pages 05 though 16 form an integral part of the financial statement.

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2008

	Stated Capital	*Seed Capital*	*Accumulated Profit/(Loss)*	*Total*
	Rs. Cts.	*Rs. Cts.*	*Rs. Cts.*	*Rs. Cts.*
Balance as at 31st March 2007	2,050.00	100,000,000.00	(4,257,877.93)	95,744,172.07
Issue of Shares	-	-	-	-
Seed Capital	-	-	-	-
Profit for the year	-	-	691,983.19	691,983.19
Balance as at 31st March 2008	2,050.00	100,000,000.00	(3,565,894.74)	96,436,155.26

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B. R. DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

	Rs.	from 04.10.2006 to 31.03.2007 Rs.
Cash Flows from/(Used in) Operating Activities		
Net Profit before Income Tax Expenses and Extraordinary Items	1,745,330	(4,203,878)
Adjustments for		
VAT Paid	(7,289,436)	-
Depreciation	2,654,126	317,181
Finance Costs	523,266	9,161
Interest Received	(8,169,025)	(547,500)
Operating Profit/(Loss) before Working Capital Changes	(10,535,739)	(4,425,036)
(Increase)/Decrease in Trade and Other Receivables	(32,829,109)	(21,137,634)
Increase/(Decrease) in Trade and Other Payables	6,505,388	7,449,160
Cash Generated from Operations	(36,859,460)	(18,113,510)
Finance Costs Paid	(523,266)	(9,161)
Net Cash From/(Used in) Operating Activities	(37,382,726)	(18,122,671)
Cash Flows from/(Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(8,132,967)	(6,265,202)
Interest Received	8,169,025	547,500
Acquisition of investment	(9,480,565)	(85,947,995)
Net Cash Flows from/(Used in) Investing Activities	(9,444,507)	(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	43,891,429	9,279,825
Net Cash Flows from/(Used in) Financing Activities	43,891,429	109,281,875
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,935,804)	(506,493)
Cash and Cash Equivalents at the beginning of the year	(506,493)	-
Cash and Cash Equivalents at the end of the year	(3,442,297)	(506,493)
Analysis of Cash & Cash Equivalents		
Cash at Bank - Favourable	(3,477,289)	(525,790)
Cash in Hand	34,992	19,297
	(3,442,297)	(506,493)

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2008

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 (16) form an integral part of the Financial Statements.

1.4 Number of Employees

The number of employees at the end of the year was 18.

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 2008 comply in all material respects with the applicable Sri Lanka Accounting Standards.

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E. A. DE SILVA & CO. Chartered Accountants

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED31st MARCH 2008

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.

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E. R. DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

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 in 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 in 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

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

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR END 31ST MARCH 2008

(b) 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.

(c) Restoration Costs

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

(d) 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%

Revised SLAS 18 Depreciation is provided on property plant & equipment from the available period of usage.

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 31ST MARCH 2008

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.

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

Contd...10

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

(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.

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

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...12

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

(c) Interest

Interest Income is recognised on an accrual basis.

(d) Rental Income

Rental income is recognised on an 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.

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R. DE SILVA & CO.
Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

			from 04.10.2006 to 31.03.2007
		Rs. Cts.	Rs. Cts.
(3)	**REVENUE**		
	CRD Project Services fee	71,402,899.10	1,369,669
(4)	**OTHER OPERATING INCOME**		
	Interest Income	8,142,950.17	547,500
	Sundry Income	26,075.00	19,515
		8,169,025.17	567,015
(5)	**OPERATING PROFIT IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:**		
	Auditors Remuneration (Fees and Expenses)	75,000.00	60,000
	Defined Contribution Plan Costs - EPF & ETF	1,318,927.13	179,250
(6)	**FINANCE COST**		
	Bank Charges	10,650.00	9,161
	Debit Tax	70,729.25	-
	Over Draft Interest	441,887.17	-
		523,266.42	9,161

(7) **EARNING PER SHARE**

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

	2007/2008	from 04.10.2006 to 31.03.2007
Net Profit attributable to Ordinary Shares (Rs.)	691,983.19	(4,257,878)
Weighted Average number of Shares outstanding during the year	205	205
Earnings per Share (Rs.)	3,375	(20,770)

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2008

(8) PROPERTY, PLANT & EQUIPMENT

Gross Carrying Amounts	*Balance as at 01.04.2007*	*Additions*	*Balance as at 31.03.2008*
	Rs. Cts.	*Rs. Cts.*	*Rs. Cts.*
Motor Vehicle	77,826.00	6,706,083.67	6,783,909.67
Interior Décor	2,208,038.80	253,253.37	2,461,292.17
Computers & Accessories	1,587,232.95	660,776.31	2,248,009.26
Furniture & Fittings	1,600,817.50	293,315.85	1,894,133.35
Office Equipment	791,288.00	219,538.00	1,010,826.00
	6,265,203.25	8,132,967.20	14,398,170.45
Depreciation			
Motor Vehicle	533.00	718,006.86	718,539.86
Interior Décor	184,003.00	1,104,019.40	1,288,022.40
Computers & Accessories	52,908.00	439,440.36	492,348.36
Furniture & Fittings	53,361.00	362,334.38	415,695.38
Office Equipment	26,376.00	30,324.78	56,700.78
	317,181.00	2,654,125.78	2,971,306.78
NBV as at 31.03.2008	11,426,863.67		

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2008

	Rs. Cts.	from 04.10.2006 to 31.03.2007 Rs.
(9) TRADE & OTHER RECEIVABLES		
Trade Debtors	1,709,510.75	-
Other Receivables	28,563,610.16	21,136,133
Advances & Prepayments - Deposit	1,500.00	1,500
	30,274,620.91	21,137,633
(10) CASH & CASH EQUIVALENTS		
Bank of Ceylon	(3,477,288.82)	(525,790)
Cash in Hand	34,992.42	19,297
	(3,442,296.40)	(506,493)

Note : BOC Fixed Deposit Certificate No.652128 amounting to Rs.25,000,000.00 held by Bank as Security For the Overdraft Facility of Rs.20,000,000/-.

(11) STATED CAPITAL		
Stated Capital	2,050.00	2,050

The authorised capital & par value concept in relation to share capital were abolished by the Companies Act No.07 of 2007. Therefore, comparative figures have restored accordingly.

Seed Capital	100,000,000.00	100,000,000

Note : seed capital was contributed by ministry of defence,public security,law & order

(12) ACCUMULATED PROFIT		
Accumulated Profit/(Loss)	(3,565,894.74)	(4,257,878)

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2008

		from 04.10.2006 to 31.03.2007
	Rs. Cts.	*Rs.*
(13) TRADE & OTHER PAYABLES		
Trade Creditors	-	1,610,393
Other Payables	698,097.99	
	698,097.99	1,610,393
(14) TAXATION		
B/F Tax Payable	54,000.00	-
Tax Provision	1,053,347.00	54,000
Tax Payment (SRL)	(534.00)	-
	1,106,813.00	54,000
(15) ACCRUED EXPENSES		
CRD Project Payable	35,201,006.75	-
Accrued Expenses & Other Creditors	241,174.40	5,834,267
	35,442,181.15	5,834,267

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B. R. DE SILVA & CO.
Chartered Accountants