ANNUAL REPORT
2010/2011

LLTL

Lanka Logistics & Technologies Ltd.

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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

Lanka Logistics and Technologies Limited (LLTL) is an entity fully owned by the Government of Sri Lanka, established with the objective of facilitating the procurement of military hardware and services to the institutions coming under the purview of the Ministry of Defence (MOD). The company was established as a result of the far sighted vision of H.E. the President & the Secretary of Defence to establish a fully state owned organization to facilitate defence procurement. Consequently, as per the cabinet memorandum (Ref 06/0650/206/025) dated 29th March 2006, LLTL was incorporated on 04th September 2006 and re-registered under on 01st September 2010 under the Companies Act No.07 of 2007.

- As at today, the scope of the company has expanded beyond procurement facilitation of military hardware and services in to the development of indigenous defence industry and projects with national security implications. The projects undertaken broadly fall in to three categories: Government (through LLTL) projects to **develop the indigenous defence related industries** (Products developed through Centre for Research & Development)
- Government (through LLTL) Projects with National Security Implications
- **Public-Private Partnerships** for *Civil Projects*

The major projects Planned & initiated by LLTL under the above categories:

- Relocation of the Ministry of Defence, Office of Chief of Defence Staff and Headquarters of the Armed forces.
- National Persons' Registry / Electronic National Identity Card
- Relocation of the Police Headquarters Complex
- Establishment of a Military Grade Footwear Manufacturing Plant
- Development of the Twin Capital Cities
- Transmission Tower Network for the North and East
- Establishment of a Commercial Explosive Plant in Sri Lanka
- Establishment of a Small Arms Ammunition Manufacturing Facility
- Centralisation of Healthcare for the Sri Lankan Defence Forces
- Establishment of an Aviation Bomb Facility in Sri Lanka
- Long Term Care Facility for Paraplegic War Heroes (almost completed)
- Establishment of Regional Security Centres
- Establishment of A320 Simulator Based Type Rating Organisation
- The Sea City Project
- Establishment of a Flare Pellet Production Plant
- Development of a Defence Industrial Park
- Expansion of Uva Wellassa University & Buttala University

Corporate Profile

Name of the Company	: Lanka Logistics and Technologies Limited
Legal Status	: Public Limited Liability Company
Registered Office	: 4-205, BMICH, Bauddhaloka Mawatha, Colombo 07
Date of Incorporation	: 04th September 2006 (Re-registered on 01st September 2010)
Company Registration No	: N(PBS) 1331
Board of Directors	: Mr. N Perera - Chairman/ Mr. L R de Silva - Director Mr. W Ekanayaka - 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

MESSAGE FROM THE SECRETARY, MINISTRY OF DEFENCE

An era without terrorism has dawned in this country after a long interval of thirty years. The menace of terrorism was successfully eradicated due to the political leadership, the remarkable commitment and dedication of the Sri Lanka Armed Forces along with Police. In this daunting task LLTL played a vital role in providing the logistics support and Military hardware / services to the Sri Lankan Forces.
I am of very firm belief that your continued support will be a tower of strength to the Armed Forces in sustaining this hard earned peace. Now that the war is over, it is of paramount importance to widen your scope in the near future. I wish LLTL all the best in their quest to reach the pinnacle of success.

CHAIRMAN'S REVIEW

As a Company established specially to facilitate Procurement of Military Items to the Sri Lanka Armed Forces, the Police and Institutions coming under the purview of Ministry of Defence and we had a simple, yet vital role to play in eradicating terrorism from this country. We witnessed an end to the devastating war which lasted over three decades. We humbly feel proud about having playing our role in this upheaval task.

Our entry into the field of Military procurement on a Government-to-Government basis played a vital role in the exclusion of third parties/Agents in this trade. Thus, we were able to save a substantial amount of money to the Government of Sri Lanka. Now, having achieved our main objective, we are on the business of facilitating the projects carried out by the Ministry of Defence.
I extend my sincere appreciations to the Board of Directors, Mr.Jayantha Wickramasinghe, Chief Executive Officer - and the staff of LLTL for their unwavering support and commitment extended.

CEO'S REVIEW

Background

With the beginning of the Humanitarian Operations in the North-East the need was felt to establish a connecting link to carry out Military procurement on a government-to-government basis to avoid third parties. The inception of LLTL was instrumental in providing this linkage. We embarked on this noble mission with a vision to see a peaceful country with no conflict. This dream has come true and we modestly feel proud about playing our role in this task.

We have already expanded our scope and reached wider horizons and wish to get more involved in commercial projects & ventures with national security implications.

From an embryo stage to what we are at present, we have achieved many a milestone. Yet, there is so much to be achieved and I am confident LLTL will realize its fullest potential in the years to come.

Financial Performance

The year under review has recorded a Profit after Tax of Rs. 7.6 Million, a substantial increase from 2009/10 profit of Rs. 2.0 Million. Being a Company at its initial stage of Business Life Cycle the company is in the growth stage. Gross Profit Ratio, Operating Profit Ratio & Net Profit Ratio have increased to 73%, 24% and 17% respectively compared to 2009/10 ratios of 17%, 12% & 5%.

Current Operations

Currently the Company is engaged in Procurement Facilitation of the requirements of Armed Forces. Procurements financed through the Russian Credit Line & Indian Credit Line also handled by LLTL in addition to the procurement of Arms & Ammunition for the replenishment of stocks through the framework agreement signed with the Companies owned by the Government of Peoples Republic of China. We have taken initial steps of working towards the introduction of Electronic Submission of Bids for tenders (ESB) by the suppliers.

Projects Management

We are undertaking the role of Project Manager for the construction of the Defence Headquarters Complex at Akuregoda. In addition, we are the project manager for the following projects as well.

- The construction of the Police Headquarters Complex at Mirihana & Narahenpita.
- The establishment of a National Persons' Registry for the Electronic Storage of Citizens Data & Issuance of Electronic National ID Cards.

Beyond the Project Management, we are working towards the establishment of a Military grade footwear manufacturing facility on the basis of a Public Private Partnership.

We also providing logistics support to the Centre for Research & Development, MOD.

Future Plans

Whilst strengthening what we had achieved, necessary steps are being taken to expand LLTL to enhance and develop the Human Resources of the organization in order to gain competitive advantage over Government and private institutions. We are moving towards Joint Ventures between the Government (LLTL) & overseas strategic/technology partners for projects with national security implications such as National Persons Registry (NPR), Electronic Data Interchange (EDI) for e-Commerce. Meanwhile we are planning to undertake Public-Private Partnerships for Civil Projects & to establish an indigenous defence industry with the co-operation of the Centre for Research & Development, MOD.

I would like to thank the Secretary-Defence, the Chairman and the Board of Directors for their guidance and support. Special thank to the LLTL staff for giving their best effort to the organization.

Jayantha. Wickramasinghe
(CEO)

Senior Management

Mr. Jayantha Wickramasinghe	- Chief Executive Officer
Mr. Nishantha de Silva	- Head of Projects & Operations
Mr. Srilal Mahindapala	- Head of Procurement Facilitation & Finance
Mr. Dammike Fernando	- Head of Procurement Facilitation & Logistics
Mr. Upul Gunasekara	- Manager Projects
Mr. Dhamitha Jayasekara	- Manager Projects

Financial Highlights

		2011	2010	Change
				%
Revenue		46,091,097	40,706,635	13
Gross Profit		33,674,766	6,729,253	400
Profit before tax		10,825,165	4,807,488	125
Taxation		-3,176,219	-2,771,823	15
Profit after Tax		7,648,946	2,035,665	276
Non-current assets		4,030,340	8,433,648	-52
Current assets		132,616,469	137,993,860	-4
Total Assets		136,646,809	146,427,507	-7
Total Equity		100,947,221	93,298,275	8
Non-current liabilities		1,870,425	1,331,563	40
Current liabilities		33,829,163	51,797,669	-35
Net assets		100,947,221	93,298,275	8
Ratios				
Earnings per share	*Rs.*	37,312	9,930	276
Net assets per share	*Rs.*	492,425	455,114	8
Return on equity	%	7.58	2.18	247.28
Return on total assets	%	7.92	3.28	141.29
Gross profit ratio	%	73.00	17.00	329.41
Operating profit ratio	%	24.00	12.00	100.00
Net profit ratio	%	17.00	5.00	240.00
Current ratio	*(Times)*	3.92	1.99	96.98

Board of Directors

Mr. Nimal Perera- Chairman

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

Mr. Lalith R. de Silva

Mr. Wasantha Ekanayaka

Mr. Sudarshana Senaratne

Report of the Directors

The directors have pleasure in submitting their report, together with the Audited Accounts for the financial year ended 31st March 2011 and independent Auditors Report thereon.

Review of the Year

The company has issued Pro-forma Invoices claiming administration fees of Rs. 189 million during the year under review in accordance with the decision of the Hon. Ministers of the Cabinet.
We have recognised Rs. 31.9 million as administration fees for this period as per the votes allocated by the respective armed force.

Company was able to record a turnover of Rs. 46,million , compared to Rs. 40 million that of the previous year. The results of the financial year 2010/11 show a Profit After Tax of Rs. 7.6 Million compared to Rs. 2,Million earned during the previous year. The increase of profit was due to inflow of Administration Fees.

Principal Activity

The activities of the company have expanded beyond procurement facilitation of military hardware in to the defence related projects with national security implications. The projects undertaken broadly fall in to three categories:

- **Public-Private Partnerships** for Civil Projects
- Government (through LLTL) projects to **develop the indigenous defence related industries**
- **Joint venture companies** between the Government (through LLTL) & overseas strategic / technology partners

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.

Turnover

The turnover for the year was Rs. 46,091,097

Profit & Loss Account

Financial Summaries	2010/11		2009/10
	Rs.		Rs.
Turnover	46,091,096.60		40,706,635.00
Direct Cost	(12,416,330.54)		(33,977,382.00)
Gross Profit	33,674,766.06		6,729,253.00
Other Income	15,823,597.20		34,231,834.00
Overhead Expenses	(38,494,455.05)		(36,153,599.00)
Operating Profit	11,003,908.21		4,807,488.00
Profit After Tax	7,648,945.95		2,035,664.55

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 74,907 as against Rs.2,251,088 in the previous year.

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.

Board Committees

The following members of the Board serve in the Audit Committee.

1. Mr. Wasantha Ekanayake (Chairman)
2. Mr. Lalith R de Silva
3. Mr. Sudarshana Senartne

Directors' Interest In contracts

No directors' interest in contracts for the financial year of 2010/11.

Directors Fees

Directors fees paid during the year amounted to Rs. 610,000/-

Directors' Share Holding

Directors did not hold shares of the Company during the financial year ended 31st March 2011.

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 were paid Rs. 107,100/- as their remuneration for the year ended 31st March 2011.

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,

Nimal Perera
(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.

Audit Committee Report

The Audit Committee of the Company consists of Non-Executive Directors viz., Mr. Wasantha Ekanayake (Chairman), Mr. Lalith R de Silva & Mr. Sudarshana Senaratne . The main role and the responsibilities of the Audit Committee includes,

a) Exercising oversight responsibilities relating to the quality and integrity of the Company's financial statements and financial reporting process including the preparation, presentation and adequacy of disclosures in the financial statements of Company in accordance with the Sri Lanka Accounting Standards;

b) Exercising oversight responsibilities relating to the Company's compliance with financial reporting and information requirements of the Companies Act No. 07 of 2007 and other relevant financial reporting related regulations;

c) Exercising responsibilities over processes to ensure that the Company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards; and compliance by the Company with legal and statutory requirements;

d) Assessing the independence and performance of the Company's external auditors;

e) Making recommendations to the Board pertaining to appointment re-appointment and in appropriate circumstances removal of the external auditors;

f) Considering (if appropriate) the degree of any work undertaken by the external auditor for the Company other than the statutory audit; and

g) Approving the remuneration and terms of engagement of the external auditors.

The Audit Committee met quarterly during the financial year ended 31st March 2011. The Audit Committee invited the Chief Executive Officer and the Head of Procurement Facilitation and Finance to attend all its meetings although it reserved the right to request any of the individuals to withdraw.

The Audit Committee inter alia engaged in the following activities during the financial year under review.

- Review of the un-audited monthly financial statements.
- Review of the audited financial statements for the year
- Review of the management letter issued by the external auditors and monitoring follow up action by the Management.
- Discussion with the external auditors of their independence from the Company and the Company's Management.
- Reviewing report on compliance with statutory reporting and payment requirements.
- The Committee reviewed the effectiveness of the external audit and to the Board the re-appointment of Messrs BR De Silva Chartered Accountants as the external auditors of the Company for the ensuing financial year, subject to the approval of the shareholders at the Annual General Meeting.

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.

LANKA LOGISTICS & TECHNOLOGIES LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2011

B.R.DE SILVA & CO.
Chartered Accountants

NEXIA INTERNATIONAL

Private & Confidential

INDEPENDENT AUDITOR'S REPORT TO THE SHARE HOLDERS 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, 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.

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 based on our audit. We have 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.

B. R. DE SILVA & CO. Chartered Accountants

22/4,
Vijaya Kumaranatunga Mw.,
Colombo 05.
Telephone: 0112 513 420-22
Fax: 0114 512 404

Partners – N.S.C. De Silva FCA, FCMA(UK), L.C.Piyasena FCA, L.L.S. Wickremasinghe FCA, F.S.N. Marikkar FCA, S.M.S.S. Bandara MBA, FCA, D.S. De Silva LLB,Attorney-at-Law ACA, ACMA(UK), U.P.G.T. Karunarathna BSc, ACA, ATII [illegible] Perera FCA

E-mail : brds@eureka.lk
www.brdesilva.com

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.

4. <u>Opinion</u>

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

5. <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 13th/09/2011

LW / nd(94)/04

LANKA LOGISTICS & TECHNOLOGIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2011

	Notes		2009/2010 Rs. Cts.
Revenue	(3)	46,091,096.60	40,706,635.21
Cost of Sales		(12,416,330.54)	(33,977,382.45)
Gross Profit		33,674,766.06	6,729,252.76
Other Operating Income	(4)	9,046,617.65	12,011,472.20
Prior year over provided project cost		6,776,979.55	22,220,361.97
		49,498,363.26	40,961,086.93
Administration Expenses		(38,494,455.05)	(36,039,754.62)
Operating Profit	(5)	11,003,908.21	4,921,332.31
Finance Cost	(6)	(178,743.49)	(113,844.76)
Profit from Ordinary Activities - - before Taxation		10,825,164.72	4,807,487.55
Taxation		(3,176,218.77)	(2,771,823.00)
Net Profit after Taxation		7,648,945.95	2,035,664.55
Earnings Per Share - Basic	(7)	37,311.93	9,930.07

B. R. DE SILVA & CO. Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

	Notes		31.03.2010 Rs. Cts.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment, net	(8)	4,030,340.19	8,433,647.65
		4,030,340.19	8,433,647.65
Current Assets			
Investments	(9)	72,883,767.43	72,465,385.04
Trade & Other Receivables	(10)	53,291,717.13	59,477,943.12
Income Tax Recoverable A/C	(11)	6,330,075.54	5,214,783.49
Cash & Cash Equivalents	(12)	110,909.02	835,748.08
		132,616,469.12	137,993,859.73
Total Assets		136,646,809.31	146,427,507.38
EQUITY & LIABILITIES			
Capital & Reserves			
Stated Capital	(13)	2,050.00	2,050.00
Seed Capital	(14)	100,000,000.00	100,000,000.00
Accumulated Profit/(Loss)		945,171.42	(6,703,774.53)
Total Equity		100,947,221.42	93,298,275.47
Non-Current Liabilities			
Provisions for Gratuity	(15)	1,870,425.00	1,331,562.50
Current Liabilities			
Trade & Other Payables	(16)	22,657,326.90	48,053,389.78
Bank of Ceylon C/A -5960696		11,171,835.99	3,744,279.63
		33,829,162.89	51,797,669.41
Total Equity & Liabilities		136,646,809.31	146,427,507.38

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

Head of Finance

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

	NAME	SIGNATURE
DIRECTORS	1. P. A. T. Sriniwal Perera	
	2. W. Ekanayake	
DATE OF APPROVAL BY THE BOARD	13 Sept - 2011	

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

B. R. DE SILVA & CO. Chartered

LANKA LOGISTICS & TECHNOLOGIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2011

	Stated Capital	*Seed Capital*	*Accumulated Profit/(Loss)*	*Total*
	Rs. Cts.	*Rs. Cts.*	*Rs. Cts.*	*Rs. Cts.*
Balance as at 31st March 2009	2,050.00	100,000,000.00	(3,000,719.95)	97,001,330.05
Previous year Adjustment (Note 18)	-	-	(5,738,719.13)	(5,738,719.13)
Profit for the year	-	-	2,035,664.55	2,035,664.55
Balance as at 31st March 2010	2,050.00	100,000,000.00	(6,703,774.53)	93,298,275.47
Profit for the year	-	-	7,648,945.95	7,648,945.95
Balance as at 31st March 2011	2,050.00	100,000,000.00	945,171.42	100,947,221.42

B. R. DE SILVA & CO
Chartered Accountants

LANKA LOGISTICS & TECHNOLOGIES LIMITED

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

		2009/2010
	Rs.	Rs.
Cash Flows from/(Used in) Operating Activities		
Net Profit before Income Tax Expenses	10,825,165	4,807,488
Adjustments for		
Depreciation	4,478,215	4,444,080
Finance Costs	188,094	113,845
Provision for Defined Benefit Plans	538,863	569,313
Interest Received	(9,046,618)	(11,946,331)
Operating Profit/(Loss) before Working Capital Changes	6,983,718	(2,011,605)
(Increase)/Decrease in Trade and Other Receivables	5,949,976	(1,723,375)
Increase/(Decrease) in Trade and Other Payables	(25,396,063)	(37,778,782)
Cash Generated from Operations	(12,462,368)	(41,513,762)
Finance Costs Paid	(188,094)	(113,845)
Net Cash From/(Used in) Operating Activities	(12,650,462)	(41,627,607)
Cash Flows from/(Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(74,908)	(2,251,089)
Interest Received	9,046,618	12,011,472
Acquisition of investment	(4,473,643)	30,887,567
Net Cash Flows from/(Used in) Investing Activities	4,498,066	40,647,950
Net Increase/(Decrease) in Cash and Cash Equivalents	(8,152,395)	(1,044,798)
Cash and Cash Equivalents at the beginning of the year	(2,908,532)	(1,863,734)
Cash and Cash Equivalents at the end of the year	(11,060,927)	(2,908,532)
Analysis of Cash & Cash Equivalents		
Cash at Bank - O/D	(11,171,836)	(3,774,280)
Cash at Bank-Savings Account-5960160	66,659	845,748
Sampath Bank PLC	24,250	-
Cash in Hand	20,000	20,000
	(11,060,927)	(2,908,532)

B. R. DE SILVA & CO.

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2011

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 facilitation of equipment and services for the Army, Navy, Air Force and Police and supplying of goods and services to the Ministry of Defense for research and development purposes.

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 24.

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, 2011 comply in all material respects with the applicable Sri Lanka Accounting Standards.

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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 Conversion

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 converted to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are converted 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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NOTES TO THE FINANCIAL STATEMENTS
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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 Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of 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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2011

(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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2011

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 lessor is shown as a liability, lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2011

(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 in respect of all employees for each completed year of service, commencing from the first year of service.

The gratuity liability is neither 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 accordance with the respective Statutes and Regulations.

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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 subsidy 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 in 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 recognition 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2011

(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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2011

		2009/2010
	Rs. Cts.	Rs. Cts.
(3) REVENUE		
CRD Project Services fee	13,213,868.44	40,706,635.21
Administration Fee	31,894,826.87	
Registration Fee - Suppliers	982,401.29	
	46,091,096.60	40,706,635.21
(4) OTHER OPERATING INCOME		
Interest Income - Fixed Deposits	8,666,011.72	11,946,331.22
Interest Income - Saving	349,085.93	65,140.[illegible]
Sundry Income	31,520.00	-
	9,046,617.65	12,011,472.20
(5) OPERATING PROFIT IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:		
Salaries	16,636,501.68	15,475,291.66
Auditors Remuneration (Fees and Expenses)	107,100.00	95,000.00
Staff Cost (including the following Retirement Benefit Plan Costs)		
-Defined Benefit Plan Costs - Gratuity	538,862.50	569,312.50
-Defined Contribution Plan Costs -EPF & ETF	2,503,338.25	2,321,293.75
(6) FINANCE COST		
Bank Charges	13,810.00	12,260.00
Debit Tax	127,676.86	54,563.53
Overdraft Interest	37,256.63	47,021.2[illegible]
	178,743.49	113,844.76

(7) EARNINGS 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.

		2009/2010
Net Profit attributable to Ordinary Shares (Rs.)	7,648,945.95	2,035,664.55
Weighted Average number of Shares outstanding during the year	205	205
Earnings per Share (Rs.)	37,311.93	9,930.07

LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH, 2011

(8) PROPERTY, PLANT & EQUIPMENT

(8.1) *Gross Carrying Amounts*	*Balance as at 01.04.2010* *Rs. Cts.*	*Additions/ Transfers/* *Rs. Cts.*	*Disposals/ Transfers/* *Rs. Cts.*	*Balance as at 31.03.2011* *Rs. Cts.*
Motor Vehicle	8,778,061.46	-	-	8,778,061.46
Interior Décor	4,321,487.05	33,597.80	-	4,355,084.85
Computers & Accessories	3,204,818.39	-	-	3,204,818.39
Furniture & Fittings	2,321,327.85	30,275.30	-	2,351,603.15
Office Equipment	1,795,774.31	11,034.68	-	1,806,808.99
	20,421,469.06	74,907.78	-	20,496,376.84

(8.2) *Depreciation*	*Acc. Dep. as at 01.04.2010* *Rs. Cts.*	*Dep. for the year* *Rs. Cts.*	*Disposals/ Transfers/* *Rs. Cts.*	*Acc. Dep. as at at 31.03.2011* *Rs. Cts.*
Motor Vehicle	4,387,011.40	2,193,929.00	-	6,580,940.40
Interior Décor	3,618,180.84	708,000.70	-	4,326,181.54
Computers & Accessories	1,947,659.20	744,970.81	-	2,692,630.01
Furniture & Fittings	1,307,003.78	511,517.84	-	1,818,521.62
Office Equipment	727,966.19	319,796.89	-	1,047,763.08
	11,987,821.41	4,478,215.24	-	16,466,036.65

(8.3) Net Book Values	*2010/2011* *Rs. Cts.*	*2009/2010* *Rs. Cts.*
At Cost	4,030,340.19	8,433,647.65
Total Carrying amount of Property,Plant & Equipment	4,030,340.19	8,433,647.65

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LANKA LOGISTICS & TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH, 2011

		2009/2010
	Rs. Cts.	Rs. Cts.
(9) INVESTMENTS		
Investment in Treasury Bills	24,999,999.63	28,617,926.66
Investment in Fixed Deposits	47,883,767.80	43,847,458.38
	72,883,767.43	72,465,385.04

BOC time deposit certificate number 7013173 amounting to Rs.37,883,767 held by the bank as security for overdraft facility of Rs.34,000,000.00.

(10) TRADE & OTHER RECEIVABLES		
Trade Receivables	18,559,632.72	36,377,060.68
Other Debtors	34,707,068.15	23,100,882.44
Prepayments Deposits	25,016.26	-
	53,291,717.13	59,477,943.12
(11) INCOME TAX RECEIVABLE		
Balance at the beginning of the year	5,214,783.49	5,092,643.14
Provision for the year	(3,176,218.77)	(2,771,823.00)
	2,038,564.72	2,320,820.14
Add : Payments	4,291,510.82	2,893,963.35
Balance at the end of the year	6,330,075.54	5,214,783.49
(12) CASH & CASH EQUIVALENTS		
Bank of Ceylon	66,659.03	815,748.08
Sampath Bank PLC	24,250.00	-
Cash in Hand	19,999.99	20,000.00
	110,909.02	835,748.08
(13) STATED CAPITAL		
Stated Capital	2,050.00	2,050.00
(14) SEED CAPITAL		
Seed Capital	100,000,000.00	100,000,000.00

Note : Seed Capital was contributed by Sri Lanka Army, Sri Lanka Navy and Sri Lanka Airforce.

(15) PROVISIONS FOR GRATUITY		
Opening Balance	1,331,562.50	762,250.00
Provision for the year	538,862.50	569,312.50
Closing Balance	1,870,425.00	1,331,562.50
(16) TRADE & OTHER PAYABLES		
Trade Creditors	14,871,779.60	42,756,065.50
Accrued Expenses and Other Creditors	7,785,547.30	5,297,324.28
	22,657,326.90	48,053,389.78

Chartered Accountants ★ B. R. DE SILVA & CO. ★