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Chairman's Message



“Presently the branch network consists of 12 branches and our Head Office has been re-located in pristine surroundings. All branches are being refurbished in a standard manner where the image of, your company, Nation Lanka Finance will be enhanced.”

Nation Lanka Finance PLC was restructured via a New Board of Directors in March 2011.

The company was given the impetus of fresh capital of Rs. 500 million from a group of committed new stakeholders and a subsequent Rights issue, of Rs. 300 million restoring stability and confidence in the company. Suitable personnel changes were made and areas of importance strengthened and strong emphasis placed on corporate governance and risk management.

Under the guidance of the new Board of Directors, the company focused on recovery of non-performing loans as a priority. A focused plan is in place with targets allocated to all branches and head office and these being closely monitored. Branches are visited regularly by Senior officers and bi-monthly meetings are arranged with default customers and Branch Manager in order to arrive at a solution to ensure speedy recovery.

On deposit mobilizing, the company initially faced difficulties in repaying maturing deposits due to liquidity constraints. However, with the infusion of additional equity and a focused deposit mobilization campaign, our company had commenced repayments with a structured plan ensuring a build up of confidence.

Lending growth is targeted at good credit worthy customers and focus is on quality. Further we plan to increase our exposures in leasing, hire purchase, pawning, property commercial loans and we also plan to venture into micro finance. Further strategic tie-ups are planned with companies to promote leasing, especially targeting the small trucks, three wheelers, motor bikes and the car market.

Presently the branch network consists of 12 branches and our Head Office has been re-located in pristine surroundings. All branches are being refurbished in a standard manner where the image of, your company, Nation Lanka Finance will be enhanced.

Plans are under way to open a minimum of 10 additional branches which will include 6 units dedicated to pawning. Our focus will be to target the small and middle market clientele with emphasis on competitive pricing and superior service.

Keeping in mind the importance of a user friendly and efficient IT system our company has selected a new IT system that is well recognized in the finance market. This system will enable the company to compete in the highly competitive financial markets and instil confidence in both customers and staff.

Our most valued asset in line with our loyal customers is our staff. With the strengthening and emphasis on the Human Resource division and the purchase of a user friendly HR Management system this vital area will be given the support and the importance it deserves.

Staff training with emphasis on multi skilling will be an area of focus and the company also will be involved in a community development project fulfilling the commitment of improving the living standards of needy Sri Lankans.

With the growth of the Sri Lankan economy especially after ending of the civil strife, the country can now realise its full potential. In this scenario, we are now placed to reap the benefits of peace and stability. I place on record my sincere gratitude to all stakeholders, staff and the relevant authorities and regulatory bodies that assisted the company's turnaround. I am confident that the company will grow from strength to strength and become a major force in the financial industry.



Jayantha Dharmadasa
Chairman

22nd August 2011

Chief Executive Officer's Review



“With the infusion of capital through Private Placement, the Company was able to get back on track with regard to its net Capital position and also comply with two main Directions of Central Bank of Sri Lanka.”

It is with much pleasure that I present the Audited accounts and annual report of Nation Lanka Finance PLC for the financial year ended 31st March 2011.

The period under review was one in which much emphasis was laid on introduction of strategic investors, as this was felt to be one of the most pressing needs, given the turbulent period and lack luster business climate the company was Experiencing.

With the acquisition of the company by a reputed consortium of investors led by Investor Access Equities (Pvt) Ltd, the Company commenced a total overhaul of its activities and is in the process of restructuring and reorganizing under the guidance of the new Board of Directors.

Notwithstanding the fact that there was capital infusion to the tune of Rs. 800 million through the Private Placement and subsequent Rights Issue on the afore mentioned strategic partnership, the Board decided to be prudent and be mindful of risks in the Company's future endeavours.

More emphasis is given with regard to a more regulated and minimum risk exposure in the Company's forward march, towards this end a wide range of checks and balances have been introduced to the already existing practices.

Another advantage that accrued to the Company by the joining of forces with the strategic investor was the bringing together of synergies, giving rise to a more diverse and robust outlook for the future of Nation Lanka Finance PLC, which I am sure will reflect

positively on the organization's bottom line in the not too distant future.

FINANCIALS

With the infusion of capital through Private Placement, the Company was able to get back on track with regard to its net Capital position and also comply with two main Directions of Central Bank of Sri Lanka, namely Finance Leasing (Gearing Ratio) Direction and Finance Leasing (Debt Instruments) Direction.

There has been a considerable reduction in the loss recorded for the year under review compared to the previous year of Rs. 734.5 million to Rs. 320.9 million. The Group too, has shown significant improvement with regard to profitability, turning around from a loss of Rs. 1,071.2 million to Rs 348.4 million.

BUSINESS ACTIVITIES

Credit

Lending activities were restricted due to the liquidity constraints experienced by the Company during the year. However, with the infusion of capital and the recommencement of the issuance of Debt Instruments, business commenced. Further accelerated recoveries and collection has paid rich dividends by way of reducing of Non Performing Advances portfolio

Real Estate

It was observed that there was an increase in customer appetite during the latter part of the year, especially for the housing sector, hence, it is envisaged that there will be a positive bearing on the

bottom line of the Company's Real Estate business as well that of our subsidiary Millennium Housing Developers Ltd.

Stock Broking

With the high market turnover prevalent during the year under review, Ceylinco Stock Brokers (Pvt) Ltd (CSB) was able to record revenue of Rs. 270 million and a profit after tax of Rs. 59 million, surpassing the previous year's overall performance and become the main contributor to the group's bottom line.

Future outlook

With Asia emerging as a dominant and driving force in the world economic sphere, the financial sector too will be called upon to play a key role, therefore, it is believed the finance industry will have to be realigned to deal with the expected increased activity and new demands created by this resurgence.

Based on these changes that are taking shape at national and international level, Nation Lanka Finance PLC too is gearing itself to meet the challenges, in this view we are repositioning ourselves to be a major player in the financial services sector and are adding more businesses, within the sector, which may in the future become our core business activities.

In keeping with our policy of serving the rural and SME sector we will be adding more branches to our already existing network.

It is also expected that there will be rejuvenation at branch level with the synergies brought together, with opening counters of

subsidiaries, Ceylinco Stock Brokers (Pvt) Ltd and Millennium Developers Ltd. at our branches.

Application to the Central Bank of Sri Lanka to obtain Registered Finance Company (RFC) license has already been lodged and being evaluated at present. The RFC status would definitely add value to the company which is expected in the near future.

Appreciation

I wish to extend my sincere thanks to our Chairman Mr Jayantha Dharmadasa for his guidance and Board of Directors for their valuable contribution. I also take this opportunity to thank former Chairman Mr N B S B Balalle and the previous Board for the support extended.

In conclusion, I also thank officers of the Central Bank of Sri Lanka for their regulatory guidance, loyal customers for the continued patronage, staff for their dedication and contribution and our valued shareholders for the continued confidence pledged to the Company.



W B C J Fernando
Chief Executive Officer

22nd August 2011

Board of Directors



Jayantha Dharmadasa



Asanga Seneviratne



Bede Fernando



Jayaprakash Rudra



Harshith Dharmadasa



Lalith Karunaratne



Uditha Palihakkara

Chandra Sahabandu (not pictured)

Board of Directors

MR JAYANTHA DHARMADASA

Chairman (Non Executive)

Appointed to the Board on 11th March 2011. He is a Fellow Member of the Institute of Certified Professional Managers. A distinguished self driven business personality with over 35 years of experience in Executive Business Management and 25 years in the Health Care Industry. He is currently the Chairman of Nawaloka Holdings (Pvt) Ltd, which consists 17 Companies.

Further he serves as the Chairman New Nawaloka Hospitals (Pvt) Ltd and the Chairman of New Nawaloka Medical Centre (Pvt) Ltd and Director of Sri Lanka Telecom and the National Apprentice and Industrial Training Authority.

MR ASANGA SENEVIRATNE

Non Executive Director

Appointed to the Board on 11th March 2011. Mr Seneviratne's experience and expertise in the fields of Finance, Investment and Capital Management extends nationally and internationally for over 2 decades. He was the Director/CEO of Asia Capital PLC, the largest Listed Investment Bank with the CSE. He is also the Managing Director of Asia Securities (Pvt) Ltd ranked as the No.1 Stock Brokering Company during his tenure.

Mr Seneviratne pioneered on-line trading enabling direct access to CSE and has been involved in key capital market, private direct investments deals from high net-worth individuals and large foreign Financial Institutions in Sri Lanka over the last 20 years. Currently he serves as the Managing Director of Asia Fort Asset Management (Pvt) Ltd, Anilana Hotels and Properties Ltd and Investor Access Equities (Pvt) Ltd.

MR CHANDRA SAHABANDU

Non Executive Director / Independent

Appointed to the Board on 19th May 2009. He Graduated from the University of Ceylon Peradeniya in 1966. He joined Bank of Ceylon as Staff Assistant in 1968 and Joined Peoples Bank in 1973 as Branch Manager. He was appointed to the Executive Management in 1989 and was appointed as the General Manger/ CEO in 1998. He retired from the Peoples Bank in 2000. He has gained experience in all aspects of Banking.

He was a Member of the University of Peradeniya Council from 1997 up to 2006.

MR BEDE FERNANDO

Chief Executive Officer

Joined the Company in 1991 and served as the General Manager from 1996. Appointed to the Board on 26th January 1998 as and was appointed as the Executive Director in year 2000.

He holds a Bachelor of Science (Hon's) Degree in Natural Sciences from the University of Colombo and is an Associate of the Institute of Bankers. He counts 27 years in Commercial Banking, Development Banking and Financial Services including Stock Broking and Primary Dealership. Prior to joining the Company in 1991 he served Bank of Ceylon as well as at the DFCC.

MR HARSHITH DHARMADASA

Non Executive Director

Appointed to the Board on 11th March 2011. He is an Associate Member of the Institute of Certified Professional Managers. A young business personality with over 18 years experience in Executive Management. He has acquired extensive experience in the fields of trading, manufacturing and construction sector.

He also served as a Director during the period 2003/2004 in the Export Development Board of Sri Lanka and Sathosa Retail Ltd. He currently serves as a Director of Nawaloka Holdings Company and all other Companies under its umbrella, including Nawaloka Hospitals PLC.

MR LALITH KARUNARATNE

Non Executive Director / Independent

Appointed to the Board on 11th March 2011. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and holds a postgraduate degree in Business Management (MBA) at the University of Sri Jayewardenepura. He also possesses twenty years experience at senior financial management positions in both private and public sectors.

MR JAYAPRAKASH RUDRA

Director (Executive)

Appointed to the Board on 11th March 2011. He is a Fellow Member of the Institute of Certified Professional Managers (FCPM) and well established businessman. Currently he serves as the Managing Director of "Senses Holiday" and "Canthus Management Services (Pvt) Ltd". He has wide experience especially in the property development sector.

MR UDITHA PALIHAKKARA

Non Executive Director / Independent

MBA (Aston), PG Dip Econ Dev (Col), PG Dip Int'l Affairs (BCIS); JDip MA (UK).
FCA (SL), FCMA (UK), FCCA (UK), FIM (SL) ACCS (SL); APB(SL)

Joined the Board in November 2010 with more than 35 years of post-qualifying experience in Accounting, Auditing, Finance, Consultancy, and Merchant/Investment Banking.

During his professional career he has worked in a number of projects including the World Bank (WB), Asian Development Bank (ADB), African Development Bank (AfDB), International Fund for Agricultural Development (IFAD), Commonwealth Secretariat, and JICA.

He is a Past-President of the Institute of Chartered Accountants of Sri Lanka and the Sri Lanka Branch of Chartered Institute of Management Accountants (CIMA), and the Chartered Association of Certified Accountants (ACCA).; He was a Council Member of the Securities Council of Sri Lanka for 4 years, Post Graduate Institute of Management, Open University of Sri Lanka, and the Central Cultural Fund. Currently he is the President of the Organization of the Professional Associations (OPA) in Sri Lanka.

Core Management



Ajita Pasqual



Rajive Perera



Gerard Suares



Jayashanka Alahendra



Preethie Katulande



Chandra Sarukkali



Thushara Werasuriya



Sajeevan Jayasinghe



Yugan Kulasekara



Iranth Rodrigo



Shubani Jayawardana



Lalanthi Fenando



Wijeratne



Upali Rajapaksha



Dileepa Ranasinghe



Richard Murcott



Aruna Gunawardena



Chevonne Perera

Branch Managers



Shashiharan Arasanayagam



Rukshan Tilakaratne



Chamly Rajakaruna



Emil Cooray



Kalana Gunarathne



Mithila Ranasinghe



Bernard Priyantha



Princy Malkanthi



Susantha Kumara



Wasantha Galapitige



Nishan Wijesinghe

Corporate Governance

Nation Lanka Finance PLC appreciates the importance of the corporate governance and is committed to be in line with the requirements & recommendations made by regulators as per the followings.

- a) Section 7 of the listing rules of the Colombo Stock Exchange
- b) Joint Recommendations made by the Institute of Chartered Accountants of Sri Lanka and Securities & Exchange Commission of Sri Lanka on 1st July 2008.

COMPOSITION OF THE BOARD

The board presently consists of eight members out of which six are non executive directors and two are executive directors. This composition meets the requirements specified in the section 7.10.1 of Listing Rules laid down by Colombo Stock Exchange. Further all the non executive directors have filed the required declaration as specified in the section 7.10.3 of the same listing rules. Further the remunerations of directors are decided according to the policies stipulated at the guidelines issued by Colombo Stock Exchange in listing rules.

CHAIRMAN'S ROLE

The Chairman is an independent non executive director of the board. The constructive dialogue is carried out at the board meeting by both executive and non executive directors with the guidance of the Chairman when a policy decision is made. Hence quality of the policy decision is protected.

COMMITTEES

The Company is at all times concerned to be in lined with the statutory requirements and to adhere to the directions made by Central Bank of Sri Lanka, Colombo Stock Exchange, and Securities & Exchange Commission. Accordingly following committees were in operation.

1 Audit committee;

Headed by Mr Ananda Wehella and comprises of Mr Uditha Palihakkara, Mr Chandra Sahabandu and Mr Wasantha Galagoda (Only up to 15th July 2010)

2 Integrated Risk Management Committee

Headed by Mr N B S B Balalle and comprises of Mr W B B C J Fernando, Mr C K Gamage, Mr V J Alahendra

3 Remuneration Committee

Headed by Mr D H N Piyadigana and comprises of Mr H C de Z Sahabandu & Mr N.B.S.B. Balalle.

4 Assets and Liability Committee (ALCO);

Headed by Mr W B B C J Fernando and comprises of C K Gamage, Mr S N Jayasinghe & Mr V J Alahendra.

COMPLIANCE WITH MANDATORY ACCOUNTING PROCEDURES.

High emphasis is placed on preparation of Financial Statements in accordance with Sri Lanka Accounting Standards and compliance with all regulatory bodies and with the requirements of companies act No. 07 of 2007.

SHAREHOLDERS RELATIONS

Having understood the responsibilities of board especially towards the shareholders and other stakeholders, board values their contribution and welcome their presence for the annual general meeting, providing them an opportunity to make clarifications if any.

FUTURE OUTLOOK

Good governance will continue to be a bed rock on which Nation Lanka Finance PLC will continue its forward march, steadfast in its resolve that this will be an area that compromises will not be made.

Notwithstanding the fact that the Board is satisfied with the present level of compliance and transparency with governance requirements it bears in mind that there could be still room for improvement for which purpose wider attention will be focused, with more frequent reviews of its own standards.

SUBSIDIARIES AND PRINCIPAL ACTIVITIES

Name	Principal Activities
Nation Lanka Equities, (Pvt) Ltd Formerly Known as Ceylinco Stock Brokers (Pvt) Ltd	Stock Broking
Millennium Housing Developers Ltd	Development of Mega Township/Construction of Houses
Ceylinco Investment Corporate Ltd	Property Development & Financial activities
First Lanka Treasuries Ltd	Dealing in Government Securities in Secondary Market
Ceylinco Towers Limited	Constructions of high-rising buildings for the purpose of mix development projects

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Directors are responsible, under Section 150(1), 151(1), 152(1) & 153(1) of Companies Act No 7 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the Profit and Loss of the Company and Group for the financial year. The Directors are also responsible, under section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and to enable the preparation of Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been made so that the form and substance of transactions are properly reflected. Directors present the Group Financial statements for the year 2010/11 based on the audited financial statements of the company and its subsidiaries. The Financial Statements provide the information required by the Companies Act and listing rules of the Colombo Stock Exchange.

The external Auditors, Messrs KPMG Ford, Rhodes Thornton & Co. reappointed in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspection they considered appropriate to enable them to form their opinions on the Financial Statements. The Report of the Auditors shown on pages 26 and 27 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid or provided for, in arriving at the financial results for the year under review.

By order of the board



Corporate Arcade Ltd
Company Secretaries

22nd August 2011

Risk Management

Business of a company which engages in credit and finance activities naturally entails assuming substantial risk in all business transactions. Avoiding risk is not acceptable at all the times as it gives a negative correlation with the profit. Accordingly managing risk has now become a vital element in the company and the active participation of all levels of staff is expected.

BOARD OF DIRECTOR'S ROLE ON RISK MANAGEMENT

A top down approach is adopted by the Board for this purpose. Accordingly Policies, Strategies are designed by the Board and the smooth operation and the monitoring part is assigned to the senior management. Board appointed committees are available to monitor the compliances of policies and the statutory requirements.

Accordingly following committees were in operation during the financial year.

INTEGRATED RISK MANAGEMENT COMMITTEE (IRMC)

Committee was set up and comprises with Chairman, Chief Executive Director, Director Credit and the Assistant General Manager Internal Audit and System Review. Accordingly a Risk Officer was nominated and IRMC closely monitored the improvement of management of all the risk elements.

AUDIT COMMITTEE

Audit committee was formed and comprises with three non executive directors of which two members are members of the Institute of Chartered Accountants of Sri Lanka while the other member is a well experienced Banker. Required number of meetings was held during the year and maximum help was given to fulfill its stewardship responsibilities by reviewing the Risk Management techniques, Internal Control procedures and reviewing the systems and the procedures.

IRMC has carefully studied the functions of the company and identified the following risk elements which are associated with the company.

- 01 Credit Risk
- 02 Environment & Market Risk
- 03 Operational Risk
- 04 Compliance Risk
- 05 Legal Risk
- 06 Real Estate Risk
- 07 Interest Rate Risk
- 08 Reputation Risk

Credit Risk

The Credit Risk is the potential financial loss that could arise as a result of the failure of a borrower or counterparty to honor its contractual obligations. This risk arises from various credit activities of the company such as leasing, hire purchases and credit. Since we are a finance company Credit Risk can be considered as the highest contributor in overall risk exposure of the Company.

This risk can not be avoided or transferred and therefore only the management could be made.

Since All the procedures have been documented in operational manuals to maintain the uniformity and the highest quality of the credit products.

These operational manuals ensure the high quality of credits granted by the company and the management of the risk by acquiring sufficient collaterals as a risk mitigating technique. We evaluate both qualitative and quantitative factors of the client before granting the credit facility.

Environment & Market Risk

Market Risk arises due to adverse changes in the market factors such as interest rates and inflation and the risk arising due to the changes in the environment the company operates in. Since most of these factors are beyond our control company is expected to have various precautionary measures to manage the risk factor.

Accordingly Company makes a thorough study and a market research Prior to entering into new business to assess the viability.

Operational Risk

Operational risk mainly arises from the human activities while performing duties and technical and natural incidents may also lead to create an operational risk. Sources for operational risks include frauds, mistakes due to negligence, system failures or breakdowns which are difficult to avoid completely but possible to manage up to an accepted level. The company recognizes the significance of operational risk which is inherent in all areas of business.

Group Internal Audit Division closely monitors the operational procedures that are in operation and make every effort to have an updated most effective set of procedures.

Further Internal Audit verifications are made periodically by the Group Internal Audit division to ensure the smooth operation of the specified procedures. Audit findings and the management response are forwarded to the Audit Committee which formulates the recommendations to the Board for rectification.

The Group Internal Division also conducts awareness programs also for educating the staff members.

Compliance Risk

The Board of Directors takes every effort to conduct business operations in accordance with internal and statutory regulations. Non compliance is minimal at our company as the staff is aware that the company maintains a zero tolerance policy on non compliances especially from the statutory requirements. A periodical report is forwarded for Board attention by the compliance officer.

Legal Risk

The Company operates a separate Legal Division. This enables us to minimize legal risk up to an acceptable level. In addition to the in-house legal division the company consults external legal experts also depending on the gravity of the need.

Adequate insurance covers are obtained as required. Accordingly company does not willing to undertake any sort of legal risk under any

Real Estate Market Risk

At the time of purchasing a land strict precautionary measures are taken to manage the risk. Decision of purchasing the land is a combined the decision of Legal division, Finance division and Real Estate division.

The Company operates a system of transferring the deeds to the customer only after the receipt of at least 80% of the sale to mitigate the default risk in Real Estate transactions.

Interest Rate Risk

The main reason for the collapse of many Finance Companies in the recent past is the mis management of the interest rate risk. Interest rate risk mainly depends on the gap between the lending and borrowing interest rates. Having understood this company closely monitors the market interest rates for fixing both lending and borrowing interest rates.

Reputation Risk

The Company had bad experiences in not meeting the obligations especially for its depositors at the correct time especially during the previous financial years. Company holds a sound financial position at present under the new management and we are now in confidence of meeting the financial obligations in time without disappointing the stake holders.

Having understood the social responsibilities of a quoted public company we engaged in so many social events in large scale which led to enhance the reputation of the company.



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Report of the Board of Directors on the Affairs of the Company

The Directors of Nation Lanka Finance PLC present their Annual Report together with the Audited Consolidated Financial Statements of the Group for the financial year ended 31st March 2011.

PRINCIPAL ACTIVITIES

The principal business activities of the Group are Lending including Financial Leases, Hire Purchases, Loans, Pawn Broking, Financial Services, Trading in Real Estate and Property Development and Share Broking. There were no significant changes in the principal activities carried out by the Company during the financial year under review, except for Asian Finance Ltd (AFL) ceased to be a Subsidiary of the Company in view of the change of ownership of the said AFL.

GROUP TURNOVER

The gross income of the Group after deducting Turnover Tax and Defense levy was Rs. 1,412.9 Million

RESULTS AND APPROPRIATIONS

The Financial Statements of the Company and the Group are given on page 28 to page 65 of this Annual Report.

REVIEW OF OPERATIONS & PERFORMANCE

The Chairman's and Chief Executive Officers review provide an overall assessment of the Company's operations and performance during the financial year under review on pages 2 to 5.

MISSION STATEMENT & CORPORATE GOALS

The mission statement and the Corporate Goals are given on Inner Cover.

BRANCH NETWORK

The Company has 12 Branches in different parts of the Island and the details of the Branches are set out under Corporate Information on Back Cover

SUBSIDIARIES

The Principal activities and the performance of the subsidiaries are set out in page 14. The Company currently has 05 subsidiaries diversified into different lines of business activity.

DIVIDENDS

The Board of Directors do not recommend the payment of dividends for the Ordinary and Preference Shareholders for financial year under review.

PROPERTY, PLANT AND EQUIPMENT

Group expenditure on the acquisition and disposal of fixed assets during the year amounted to Rs. 11.4 Million and Rs. 27.8 Million respectively Information relating to movement in Fixed Assets is given in Note. 17 to the Accounts.

INVESTMENTS

The Company has invested Rs. 120.2 Million in subsidiaries. Investment in Shares in addition to the above, amount to Rs. 73.2 Million Details of Investments held by the Company are described in Note. 14 and 15.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2011 was Rs.1,018,335,960/- representing 139,972,100 'A' Class Ordinary Shares. As at the date of the Balance Sheet the Stated Capital is Rs.1,138,126,700/- representing 199,930,250 'A' Class Ordinary Shares. The structure of the Stated Capital is given in Note 24 to the Accounts.

MAJOR SHAREHOLDINGS

The 20 major shareholders of the Company as at 31st March 2010 and 2011 are listed on page 66 in the "Shareholder and Investor" Information

SHAREHOLDING

As at 31/03/2011 there were 13,666 Registered Shareholders. The distribution, categories and location of shareholders are indicated on page 66 under "Shareholder and Investor" Information.

STOCK MARKET INFORMATION

Information relating to earnings, dividends, net assets per share and share trading are given on page 68.

INTERNAL CONTROL SYSTEMS

The Board has overall responsibility for the Company's Systems of Internal Control. The Company's internal control and check systems have been designed to provide the Directors with reasonable assurance that the Assets are protected, safe guarded and transactions are authorized thereby ensuring that errors and irregularities are either prevented or detected within a timely period, whilst ensuring that Corporate Governance is properly practiced and adhered to.

DIRECTORATE

The Members of the Board during the financial year under review were as follows :-

Mr H K J Dharmadasa	-	Appointed w.e.f. 11-03-2011
Mr A C Seneviratne	-	Appointed w.e.f. 11-03-2011
Mr W B B C J Fernando		
Mr U H Dharmadasa	-	Appointed w.e.f. 11-03-2011
Mr J Rudra	-	Appointed w.e.f. 11-03-2011
Mr P M L K Karunaratne	-	Appointed w.e.f. 11-03-2011
Mr U H Palihakkara	-	Appointed w.e.f. 01-11-2010
Mr H C de Z Sahabandu		
Dr T Senthilvel	-	Resigned w.e.f. 11-05-2010
Mr W K Galagoda	-	Resigned w.e.f. 16-07-2010

Mr D H N Piyadigama	- Resigned w.e.f.	11-03-2011
Mr N B S B Balalle	- Resigned w.e.f.	11-03-2011
Mr W G B M Ranaweera	- Resigned w.e.f.	11-03-2011
Mr V J Alahendra	- Resigned w.e.f.	11-03-2011
Mr C K Gamage	- Resigned w.e.f.	11-03-2011
Mr S N Jayasinghe	- Resigned w.e.f.	11-03-2011
Mr W T Weerasooriya	- Resigned w.e.f.	11-03-2011
Mr H A Wehalle	- Resigned w.e.f.	11-03-2011

The Profile of the Board of Directors of the Company are given in pages 6 to 9.

RETIREMENT OF DIRECTORS AND THEIR RE – ELECTION

In accordance with Article 89 of the Articles of Association of the Company, Mr H C de Z Sahabandu retire by rotation and is eligible for re-election.

Mr A C Seneviratne, Mr U H Dharmadasa, Mr J Rudra, Mr P M L K Karunaratne and Mr U H Paliakkara, retire in terms of Article 95 of the Articles of Association of the Company and are eligible for election.

RESIGNATIONS

The Board of Directors wish to place on record their appreciation for the valuable contributions made by those Directors, who resigned from the services of the Company during the financial year under review.

DIRECTORS SHAREHOLDING

	10/11	09/10
Mr H K J Dharmadasa	-	-
Mr A C Seneviratne	-	-
Mr W B B C J Fernando	100,208	100,208
Mr U H Dharmadasa	-	-
Mr J Rudra	16,000,000	-
Joint with Mrs S Rudra	3,300	3,300
Mr P M L K Karunaratne	-	-
Mr U H Paliakkara	100	786
Mr H C de Z Sahabandu	-	-

DIRECTOR'S REMUNERATION

The remuneration paid to the Executive and Non Executive Directors during the financial year under review is given in Note 5 to the financial statements.

INTERESTS REGISTER

An Interests Register is maintained, in compliance with the Companies Act No.07 of 2007.

The particulars of the entries made in connection with the General Disclosure in terms of Section 192(2) of the Companies Act No.07 of 2007 are given in Note 31 under Related Party transactions.

AUDIT COMMITTEE

Consequent to the re-constitution of the Board, new members were appointed to the Audit Committee. Accordingly the Audit Committee comprise of Mr U H Paliakkara, Mr H C de Z Sahabandu, Mr P M L K Karunaratne and Mr A M Pasqual of whom Mr U H Paliakkara function as the Chairman of the Committee.

The report of the Audit Committee is given on page 23 to 24.

REMUNERATION COMMITTEE

The Remuneration Committee was restructured, subsequent to the re-constitution of the Board. Accordingly the Remuneration Committee comprise of Mr H K J Dharmadasa, Mr A C Seneviratne, Mr H C de Z Sahabandu, Mr U H Paliakara, Mr A M Pasqual and Mr P M L K Karunaratne of whom Mr H K J Dharmadasa functions as the Chairman of the Committee.

The Policy designed by the Committee enable the Company to attract and retain appropriate Professionals, Managerial & Operational expertise to achieve the objectives of the Company.

GOING CONCERN

The Board of Directors of the Company are satisfied that the Company has adequate resources to continue its operations in the forceable future. Therefore the Company continues to adopt a going concern concept in preparing the accounts of the Company.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments have been made up to date or provided for same.

ENVIRONMENTAL PROTECTION

The Board of Directors has taken adequate precautions when diversifying the business activities to ensure that the Company does not engage in any activities which could be detrimental to the environment.

CORPORATE GOVERNANCE

The Board of Directors ensures that the Company adhere with the codes of Best Practice on Corporate Governance. The compliance of Corporate Governance by the Company is set out on page 14 to 15.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Directors Responsibilities in compliance with the requirements in preparation of financial statements are set out in page 25.

PRIVATE PLACEMENT OF SHARES

The Company raised a sum of Rs.500,000,000/- through a Private Placement of One Million (1,000,000) Ordinary Shares at a consideration of Rs. 5/- per share for the purpose of utilizing for disbursement of credit facilities, to a consortium of Investors led by

Report of the Board of Directors on the Affairs of the Company

Investor Access Equities (Pvt) Ltd, which became obligatory for the said Company to make a Mandatory Offer in terms of Rule 31(1) (a) of the Takeovers and Mergers Code 1995 (as amended in 2003).

RIGHTS ISSUE OF SHARES

The Company offered 59,958,150 shares at Rs.5/- per share by way of a Rights Issue, which was fully subscribed and thereby raised a sum of Rs.299,790,750/-, for the purpose of utilizing for disbursement of credit facilities. The said Rights Issue was concluded in April 2011.

CHANGE OF REGISTERED OFFICE ADDRESS

The Company changed its Registered Office Address to No.42, Guilford Crescent, Colombo - 07, w.e.f. 23rd February 2011.

RISK MANAGEMENT

The Board of Directors has structured proper systems and controls to identify probable risk. These systems are periodically evaluated and reviewed by the Board through the Integrated Risk Management Committee to ensure smooth functioning. Remedial measures also have been implemented to mitigate risk.

CORPORATE DONATIONS

The Company has not contributed to charities during the financial year under review.

EQUITABLE TREATMENT OF SHAREHOLDERS

All Shareholders have been treated equitably in accordance with the original terms of the issue.

ACCOUNTING POLICIES

There has been no change in the Accounting Policies adopted by the Company in preparation of Financial Statements during the Financial Year under review.

POST - BALANCE SHEET EVENTS

Subsequent to the date of the Balance Sheet no circumstance has arisen which require adjustments to the accounts.

AUDITORS

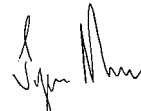
The Financial Statements for the year have been audited by M/s KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants, who retire and are eligible for re-appointment. The Directors recommend their re-appointment.

The Auditors were paid a sum of Rs. 1Million as Audit Fees and Rs. 722,668/- as Non Audit Fees by the Company for the financial year under review. As far as the Board is aware the Auditors do not have any relationship with the Company other than carrying out the External Audit.

BY ORDER OF THE BOARD



W B B C J Fernando
Chief Executive Officer



J Rudra
Director



Corporate Arcade Ltd
Company Secretaries

22nd August 2011

Audit Committee Report

Audit Committee plays a vital role among the various Sub Committees stipulated by the Board. Primary objectives of the Audit Committee is guiding the board in carrying out its responsibilities in relation to good governance.

Having understood properly the overall importance of an Audit Committee, we worked relentlessly towards the wellbeing of the company in the Financial Year under review.

THE COMPOSITION OF THE AUDIT COMMITTEE

Composition of the Audit Committee changed from time to time within the financial year, however, the company managed to be in line with the statutory requirements at all times.

The following Non Executive Directors worked at the Audit Committee during the financial year 2010/2011.

Mr H C De Z Sahabandu

He served as the Chairman to the Audit Committee from 01st April 2010 to 30th October 2010 & also served as a member from 01st November 2010 to the end of financial year. He is a Graduate of the University of Ceylon Peradeniya and also possess over 35 years' experience in banking sector.

Mr Wasantha Galagoda

He served as a member of the Audit Committee from 01st April 2010 to 15th July 2010 and relinquished his services upon the resignation from the Board. He is a fellow member of The Institute of Chartered Accountants of Sri Lanka and a Graduate of the University of Colombo and also possesses 25 years experience in the financial sector.

Mr N B S B Balalle

He served as a member of the Audit Committee from 01st April 2010 to 30th October 2010. He is a Graduate of the University of Ceylon Peradeniya, and also possesses over 35 years experience in banking sector. He is fellow member of the Institute of Bankers of England & Wales.

Mr H A Wehelle

He served as the chairman of the Audit Committee from 01st November 2010 to the end of financial year. He is a fellow member of The Institute of Chartered Accountants of Sri Lanka and a Graduate of the University of Colombo and fellow of Institute of Certified Management Accountants of Sri Lanka. He has 42 years experience in financial sector.

Mr U H Palihakkara

He served as a member of the Audit Committee from 01st November 2010 to the end of financial year. He is a fellow member of The Institute of Chartered Accountants of Sri Lanka and a Graduate of the University of Colombo and also possesses 35 years experience in financial sector.

Mr B C Sarukkali

AGM Internal Audit & System Review is also a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, served as the Secretary to the Audit Committee in the financial year 2010/2011.

TERMS OF REFERENCE

The Terms of reference of the Audit Committee is clearly defined in the Charter of Audit Committee which is approved by the Board. All the new appointments were made by the board after the relinquishments of the members from the Audit Committee with their resignations from the Board.

MEETINGS OF THE AUDIT COMMITTEE

In keeping with the statutory, four meetings were conducted during the period under review. Attendants to the Audit Committee are as follows.

Member	No of Meetings attended
Mr H C De Z Sahabandu	01
Mr Wasantha Galagoda	00
Mr N B S B Balalle	01
Mr H A Wehelle	03
Mr U H Palihakkara	03

Minutes were maintained in detail for future references and circulated amongst the members of the Audit Committee and Board.

Directors, Executives and Head of divisions participated on invitation at these meetings.

ROLE OF THE AUDIT COMMITTEE

Audit Committee followed the guide lines and the regulations of following institutions in performing its functions.

- Listing Rules issued by Colombo Stock Exchange.

Audit Committee Report

- b) Best practices of Corporate Governance jointly issued by Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka.
- c) Guide Lines for Listed Companies issued by Securities and Exchange Commission of Sri Lanka.
- d) Directions, Rules, Determinations, Notices and Guide lines issued by Central Bank of Sri Lanka.

Accordingly Audit Committee actively attended to the followings.

- a) Appointment, Remunerations, Independence, Objectivity, Eligibility of the Audit Partner to conduct the External Audit, effectiveness of the audit process in accordance with applicable standards and best practices and other matters relevant to the External Auditor.
- b) Whether the company adheres to the Directions of Central Bank when performing its functions.
- c) Application of Accounting Standards especially in preparation of Financial Statements.
- d) Monitoring the Functions of Internal Auditors to ensure
 - d.i) the Independency, impartiality, proficiency and due professional care when performing the functions
 - d.ii) Reviewing the adequacy of the scope, functions and resources of the Internal Audit department.
 - d.iii) Reviewing the Internal Audit programs, and the Internal Audit reports.
 - d.iv) the proper management response for the findings of Internal Audit Reports

CONCLUSION

The committee is satisfied that the company's operations, internal controls, risk & compliance management procedures, assets of the company have been properly accounted for and adequately safeguarded.

Finally I would like to thank all the members of the Audit Committee and the Secretary to the Audit Committee for their generous contributions.



Signed by Mr H A Wehalla
Chairman of The Audit Committee

15th August 2011

Statement of Director's Responsibilities

The Directors are responsible, under Section 150(1), 151(1), 152(1) & 153(1) of Companies Act No 7 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the Profit and Loss of the Company and Group for the financial year. The Directors are also responsible, under section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and to enable the preparation of Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been made so that the form and substance of transactions are properly reflected. However, the directions present the Group Financial statements for the year 2010/11 based on the audited financial statements of the company and its subsidiaries. The Financial Statements provide the information required by the Companies Act and listing rules of the Colombo Stock Exchange.

The external Auditors, Messrs KPMG Ford, Rhodes Thornton & Co. reappointed in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspection they considered appropriate to enable them to form their opinions on the Financial Statements.

The Report of the Auditors shown on pages 26 and 27 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid or provided for, in arriving at the financial results for the year under review.



By order of the board
Corporate Arcade Ltd
Company Secretaries

22nd August 2011

Independent Auditors' Report



KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
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TO THE SHAREHOLDERS OF NATION LANKA FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Nation Lanka Finance PLC, the consolidated financial statements of the Company and its subsidiaries as at 31st March 2011 which comprise the balance sheet as at that date, 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 set out on pages 33 to 63 of the Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and

significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion - Company

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

Without qualifying our opinion, we draw attention to Note 32(a) to these financial statements which more fully describes the existence of doubt on the going concern of the Company and the steps taken by the Company.

Opinion - Group

1. The Group has recognized a gain on deemed disposal of subsidiary, Asian Finance Limited of Rs. 404,869,574/- in the Statement of Changes in Equity during the year. We were unable to verify accuracy and completeness of the gain on the deemed disposal due to unavailability of audited financial statements as at the date of deemed disposal. Asian Finance Limited ceased to be a subsidiary of Nation Lanka Finance PLC effective from 31st December 2010.
2. Borrowings of the group include a loan obtained by First Lanka Treasuries Limited, a subsidiary company amounting to Rs. 65,850,606/- as at 31 March 2011 for which independent confirmation was provided by the lender confirming the loan outstanding as at 31 March 2011 as Rs.79,479,385/-.

KPMG Ford, Rhodes, Thornton & Co., a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

A.N. Fernando FCA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne ACA

M.R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA

Ms. M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

However, adjustments have not been made in the financial statements for the difference of Rs. 13,628,779/- as at 31st March 2011.

3. Borrowings and the payables of the group include a loan and interest payable by Ceylinco Investment Corporation Limited, a subsidiary company amounting to Rs. 65,850,606/- and Rs.18,679,579/- respectively as at 31st March 2011 for which independent confirmation was not provided by the lender. The completeness, existence and accuracy of said balances could not be verified by alternative audit procedures.
4. Payables of the group include a payable by Ceylinco Construction Company Limited, a subsidiary company amounting to Rs. 1,230,202/- as at 31st March 2011 for which independent confirmation was not provided by the lender. The completeness, existence and accuracy of the said balance could not be verified by alternative audit procedures.

In our opinion, except for the effects on the consolidated financial statements of the matters referred to in the preceding paragraphs, the consolidated financial statements give a true and fair view of the state of affairs as at 31st March 2011 and the loss and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

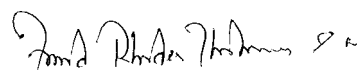
Without further qualifying our opinion, we draw attention to Note 32(b) to these financial statements which more fully describes the existence of doubt on the going concern of the Group and the steps taken by the Group.

Report on Other Legal and Regulatory Requirements

The core capital of the Company as at 31st March 2011 is below the required level as stipulated in the Finance Leasing (Minimum Capital) Direction No. 01 of 2006 issued by the Central Bank of Sri Lanka.

As per the return filed by the Company with the Central Bank of Sri Lanka as at 31st March 2011, the Company had exceeded the single borrower limit for the related companies by Rs. 144,143,193/- as at 31st March 2011 which resulted in violation of the Finance Leasing (Single Borrower Limit) Direction No. 03 of 2006 issued by the Central Bank of Sri Lanka.

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007. However, it should be noted that the Company's net assets are less than half of the stated capital and face a serious loss of capital situation in terms of Section 220 of the same Act. However the company has held an Extra Ordinary General Meeting on 16th July 2010 as required by the companies Act No. 07 of 2007 and communicated to the Shareholders the steps taken by the board of directors to prevent further such losses and revive the company.



Chartered Accountants
Colombo

22nd August 2011

Income Statements

For the year ended 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Revenue	1	552,146,465	815,812,030	1,412,856,910	1,727,832,810
Interest Income	2	261,596,603	415,423,849	483,956,264	795,101,585
Direct Interest Cost	3	(173,334,676)	(362,579,621)	(305,067,518)	(694,434,888)
Net Interest Income		88,261,927	52,844,228	178,888,746	100,666,697
Service Fees		2,720,109	5,469,987	232,798,432	111,274,689
Profit on Land & Property Development		25,097,929	29,985,684	129,213,481	131,581,513
Dividend Income		7,425,902	3,517,348	505,962	814,559
Gain/(Loss) on Sale of Investment Securities		49,189,257	(35,139,160)	61,488,998	(35,747,774)
		172,695,124	56,678,087	602,895,619	308,589,684
Other Operating Income/(Costs)	4	13,591,214	(43,169,779)	29,987,410	7,628,432
		186,286,338	13,508,308	632,883,029	316,218,116
Operating Expenses					
Personnel Costs		(80,895,263)	(96,788,167)	(197,421,873)	(223,886,382)
Provision for Staff Retirement Benefit Obligation	22.5	(13,636,135)	1,961,134	(24,181,078)	(1,212,784)
Premises, Equipment & Establishment Expenses		(32,990,287)	(35,220,720)	(83,787,152)	(126,797,340)
Other Overhead Expenses		(74,781,379)	(103,185,071)	(231,416,159)	(232,165,945)
Other Finance Cost		(82,096,255)	(133,008,715)	(216,243,539)	(283,885,806)
Total Operating Expenses		(284,399,319)	(366,241,539)	(753,049,801)	(867,948,257)
Loss Before Provisions & Taxation		(98,112,981)	(352,733,231)	(120,166,772)	(551,730,141)
(Provision)/Reversal for fall In Value of Investments		14,438,604	(40,300,105)	22,840,104	(38,215,876)
Provision for Bad & Doubtful Debts		(219,887,582)	(340,246,189)	(197,707,749)	(464,294,321)
Provision for Obsolete Stocks		(16,953,439)	(940,000)	(16,953,439)	(940,000)
Loss Before Income Tax Expense	5	(320,515,398)	(734,219,525)	(311,987,856)	(1,055,180,338)
Income Tax Expense	6	(338,804)	(299,185)	(36,447,513)	(16,072,423)
Loss for the year		(320,854,202)	(734,518,710)	(348,435,369)	(1,071,252,761)
Attributable to					
Equity Holders of the Parent				(364,413,945)	(1,059,228,661)
Minority Interest				15,978,576	(12,024,100)
Loss for the year				(348,435,369)	(1,071,252,761)
Basic Loss Per Share	7	(7.06)	(29.74)	(8.02)	(42.89)

The Accounting Policies and Notes set out in pages 33 to 63 form an integral part of these Financial Statements.
Figures In Brackets Indicate Deductions

Balance Sheets

As at 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
ASSETS					
Cash In Hand & at Bank		62,379,848	72,379,953	80,127,504	107,342,539
Short Term Investments		2,699,043	39,892,349	57,545,961	76,881,991
Investment In Government Securities		-	-	-	10,339,186
Lending against Government Securities		572,230,081	108,321,390	572,230,081	108,321,390
Deposits, Advances and Prepayments		49,695,700	33,824,248	92,395,824	86,676,110
Trade & Other Receivables	8	49,555,289	44,881,808	744,167,289	939,347,662
Inventories	9	61,928	218,795	328,312,926	350,363,742
Amounts Due From Subsidiaries	10	102,926,462	142,390,470	-	-
Pawning		5,271,447	2,128,317	5,271,447	2,128,317
Finance Leases	11	85,488,174	159,370,552	85,488,174	249,816,613
Loans	12	320,290,387	576,118,377	374,637,575	1,032,923,646
Hire Purchase	13	334,314,932	478,784,426	334,314,932	1,027,688,576
Investment In Real Estate		291,095,112	436,726,313	426,212,499	1,575,443,915
Deferred Tax Asset	20.1	-	-	2,928,656	-
Investment In Securities	14	73,230,886	140,636,173	123,804,552	196,115,219
Investment In Subsidiaries	15	120,244,518	121,994,518	-	-
Investment Property	16	163,000,000	159,919,000	159,329,083	156,248,083
Property, Plant & Equipment	17	169,967,455	188,561,424	196,420,529	255,782,454
TOTAL ASSETS		2,402,451,262	2,706,148,113	3,583,187,032	6,175,419,443
LIABILITIES					
Debentures	18	-	-	3,250,000	131,108,116
Borrowings - Medium & Long Term	19	932,340,925	354,628,836	984,647,189	493,176,439
Deferred Tax Liabilities	20.1	-	-	85,431	900,856
Amounts Due To Subsidiaries	21	1,260,256	1,288,701	-	-
Public Deposits		-	-	-	2,305,403,837
Retirement Benefit Obligations	22	(17,699,944)	(28,667,880)	5,518,960	26,749,346
Trade & Other Payables		208,935,597	112,159,982	710,881,802	567,659,359
Short Term Borrowings	23	1,253,637,861	2,392,937,748	1,676,611,250	3,016,449,558
Dividend Payable		4,913,692	4,914,307	4,957,747	6,156,021
Bank Overdraft - Partly Secured		4,655,937	33,625,279	91,641,195	102,909,765
TOTAL LIABILITIES		2,388,044,324	2,870,886,973	3,477,593,574	6,650,513,297
CAPITAL AND RESERVES					
Stated Capital	24	1,018,335,960	518,335,960	1,018,335,960	518,335,960
Reserves		(1,003,929,022)	(683,074,820)	(1,089,583,149)	(1,130,038,778)
SHAREHOLDERS' FUNDS		14,406,938	(164,738,860)	(71,247,189)	(611,702,818)
Minority Interest		-	-	176,840,647	136,608,964
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS		2,402,451,262	2,706,148,113	3,583,187,032	6,175,419,443
Net Assets/(Liability) Per Share		0.10	(4.12)	(0.51)	(15.30)

The Accounting Policies and Notes set out on pages 33 to 63 form an integral part of these Financial Statements. It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007


B A F G Soares
AGM Finance

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


H.K.J. Dharmadasa
Chairman

22nd of August 2011
Colombo


W.B.C.J. Fernando
Chief Executive Officer / Director

Statement of Changes in Equity

For the year ended 31st March	Attributable to Equity Holders of the Parent									
	Stated Capital	Capital Redemption Reserve	Capital Reserve	Revaluation Reserve	Reserve Fund	General Reserve	Accumulated Losses	Total	Minority Interest	Total Equity
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
COMPANY										
Balance as at 01.04.2009	278,503,360	30,000,000	-	50,546,457	7,550,000	9,000,000	(45,652,567)	329,947,250	-	329,947,250
Loss for the year	-	-	-	-	-	-	(734,518,710)	(734,518,710)	-	(734,518,710)
Shares Issued during the year	239,832,600	-	-	-	-	-	-	239,832,600	-	239,832,600
Balance as at 31.03.2010	518,335,960	30,000,000	-	50,546,457	7,550,000	9,000,000	(780,171,277)	(164,738,860)	-	(164,738,860)
Loss for the year	-	-	-	-	-	-	(320,854,202)	(320,854,202)	-	(320,854,202)
Shares Issued during the year	500,000,000	-	-	-	-	-	-	500,000,000	-	500,000,000
Balance as at 31.03.2011	1,018,335,960	30,000,000	-	50,546,457	7,550,000	9,000,000	(1,101,025,479)	14,406,938	-	14,406,938
GROUP										
Balance as at 01.04.2009	278,503,360	43,347,671	90,487,976	50,546,457	7,550,000	11,673,523	(293,379,250)	188,729,737	94,332,924	283,062,661
Loss for the year	-	-	-	-	-	-	(1,059,228,661)	(1,059,228,661)	(12,024,100)	(1,071,252,761)
Shares Issued During the Year	239,832,600	-	-	-	-	-	-	239,832,600	-	239,832,600
Adjustment due to change in holding & deemed disposal of Subsidiary	-	-	-	-	-	-	-	-	-	-
Balance as at 31.03.2010	518,335,960	43,347,671	90,487,976	50,546,457	7,550,000	11,673,523	(1,333,644,405)	(611,702,818)	136,608,964	(475,093,854)
Profit/(Loss) for the year	-	-	-	-	-	-	(364,413,945)	(364,413,945)	15,978,576	(348,435,369)
Shares Issued During the Year	500,000,000	-	-	-	-	-	-	500,000,000	-	500,000,000
Adjustment due to change in holding & deemed disposal of Subsidiary	-	4,288,722	(63,369,426)	-	-	(2,673,523)	466,623,801	404,869,574	24,253,107	429,122,681
Balance as at 31.03.2011	1,018,335,960	47,636,393	27,118,550	50,546,457	7,550,000	9,000,000	(1,231,434,549)	(71,247,189)	176,840,647	105,593,458

Capital Redemption Reserve Fund

A statutory capital reserve built up which is equal to the nominal value of the preference shares already redeemed by the company and its subsidiaries.

Capital Reserve

This was created to facilitate the infrastructure activities of the Athurugiriya site of Millennium Housing Developers Ltd.

Revaluation Reserve

Consists of net surplus resulting from the revaluation of Property, Plant & Equipment.

Reserve Fund

As per the Finance Leasing (Reserve Fund) Direction No. 5 of 2006 issued by the Central Bank of Sri Lanka the Company shall maintain a Reserve Fund and shall, out of the net profit after the payment of tax of each year, before any dividend is declared, transfer to the reserve Fund:-

- A sum equivalent to not less than 5% of such profits until the amount of the Reserve Fund is equal to 50 percent of the issued and paid-up ordinary share capital of the relevant establishment; and
- A further sum equivalent to not less than 2% of such profits until the amount of the Reserve Fund is equal to the issued and paid-up ordinary share capital of the relevant establishment.

The Accounting Policies and Notes set out on pages 33 to 63 form an integral part of these Financial Statements.

Figures in Brackets Indicate Deductions

Cash Flow Statements

For the year ended 31st March	Company		Group	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Cash Flow from Operating Activities				
Loss before Income Tax Expense	(320,515,398)	(734,219,525)	(311,987,856)	(1,055,180,338)
<i>Adjustments for</i>				
(Gain)/Loss on Sale of Investment Securities	(49,189,257)	40,636,502	(61,488,998)	40,275,646
Dividend Income	(7,425,902)	(3,517,348)	(505,962)	(814,559)
Depreciation	20,976,261	24,908,718	36,328,967	49,616,149
Provision for Bad & Doubtful Debts	219,887,582	340,246,189	197,707,749	464,294,321
Provision for Obsolete Stocks	16,953,439	940,000	16,953,439	940,000
Bad Debts Written off	1,395,341	340,980	4,988,746	1,056,177
Change in Fair Value of Investment Property	(3,081,000)	32,920,152	(3,081,000)	32,920,152
Loss on Disposal of Investment Property	-	54,365,000	-	54,365,000
Lease Interest expense	695,733	2,813,330	743,975	3,245,044
Provision made/(reversed) for Retirement Benefit Obligations	13,636,135	(1,961,134)	24,181,078	1,212,784
Profit on Sale of Property, Plant & Equipment	(1,150,419)	(978,113)	(2,587,464)	(4,441,727)
(Reversal)/Provision for Fall in Value of Investments	(14,438,604)	40,300,105	(22,840,104)	38,215,876
Loss on Disposal of Subsidiary (Note B)	-	(5,497,342)	-	(4,527,872)
Operating Profit Before Working Capital Changes	(122,256,089)	(208,702,486)	(121,587,430)	(378,823,347)
Working Capital Changes				
(Increase)/Decrease in Trade & Other Receivables	(128,870,305)	12,352,319	106,031,145	(11,185,207)
(Increase)/Decrease in Inventories	156,867	66,353,312	4,481,897	436,239,057
(Increase)/Decrease in Government Securities	-	-	-	(49,395,880)
(Increase)/Decrease in Lease, Loans & Hire Purchase Receivables	368,987,168	669,081,102	697,198,825	1,501,835,426
(Increase)/Decrease in Investment in Real Estate	128,677,762	91,440,199	291,590,957	(224,465,807)
(Increase)/Decrease in Related Party Receivables	28,556,021	(101,769)	-	-
Increase/(Decrease) in Related Party Payables	(28,445)	(15,354,217)	-	-
Increase/(Decrease) in Trade & Other Payables	96,775,000	4,690,287	298,180,752	(20,896,919)
Cash from/(used in) Operations	371,997,979	619,758,747	1,275,896,146	1,253,307,323
Income Tax Paid	(338,804)	(299,185)	(10,223,469)	(9,600,086)
Gratuity Paid	(2,668,199)	(6,781,478)	(11,373,047)	(14,313,868)
Net Cash from/(used in) Operating Activities	368,990,976	612,678,084	1,254,299,630	1,229,393,369
Cash Flow from Investing Activities				
Proceeds from Sale of Property, Plant & Equipment	6,884,202	1,391,315	9,659,060	4,501,462
Purchase of Property, Plant & Equipment	(8,116,075)	(1,379,885)	(11,438,610)	(3,394,715)
Proceeds from Investment Property	-	144,000,000	-	144,000,000
Dividend Income	7,425,902	3,517,348	505,962	814,559
Purchase of Investment Securities	(3,137,975)	(19,454,877)	(3,137,975)	(2,936,524)
Proceed From the Sale of Investment in Subsidiary (Note B)	-	8,533,636	-	8,533,636
Proceed From the Sale of Investment Securities	135,921,123	74,314,286	177,748,011	87,148,558
Net Cash from/(used in) Investing Activities	138,977,177	210,921,823	173,336,448	238,666,976

Cash Flow Statements

For the year ended 31st March	Company		Group	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Cash Flow from Financing Activities				
Dividends Paid	-	-	(10,827,636)	-
Proceeds from Short, Medium & Long Term Borrowings	(552,434,255)	(837,035,399)	(1,262,558,108)	(1,454,793,805)
Lease Rentals Paid	(9,849,276)	(7,002,711)	(10,392,756)	(9,276,605)
Redemption of Debentures	-	-	(126,158,116)	(5,091,884)
Proceeds from Shares Issue	500,000,000	239,832,600	500,000,000	239,832,600
Net Cash from/(used in) Financing Activities	(62,283,531)	(604,205,510)	(909,936,616)	(1,229,329,694)
Increase in Cash & Cash Equivalents	445,684,622	219,394,397	517,699,462	238,730,651
Cash & Cash Equivalents at the Beginning of the Year	186,968,413	(32,425,984)	189,636,155	(49,094,496)
Cash & Cash Equivalents of the deemed disposed Subsidiary	-	-	(89,073,266)	-
Cash & Cash Equivalents at the End of the year (Note A)	632,653,035	186,968,413	618,262,351	189,636,155

NOTE A

Reconciliation of Cash & Cash Equivalents

Cash in Hand & at Bank	62,379,848	72,379,953	80,127,504	107,342,539
Bank Overdraft	(4,655,937)	(33,625,279)	(91,641,195)	(102,909,765)
Short Term Investments	2,699,043	39,892,349	57,545,961	76,881,991
Lending against Government Securities	572,230,081	108,321,390	572,230,081	108,321,390
	632,653,035	186,968,413	618,262,351	189,636,155

NOTE B

Disposal of Subsidiary

Property Plant & Equipment	-	346,614
Investments	-	3,480,000
Trade & Other Receivables	-	5,118,310
Amounts Due from Related Companies	-	7,798,944
Cash & Bank Balances	-	824,176
Trade & Other Payables	-	(4,441,191)
Amounts Due to Related Companies	-	(157,383)
Net Assets	-	12,969,470
Sales Proceeds from Disposal of Subsidiary	-	(8,533,636)
Setoff of Liability	-	(8,963,706)
Loss on Disposal	-	(4,527,872)

The Accounting Policies and Notes set out on pages 33 to 63 form an integral part of these Financial Statements.
Figures In Brackets Indicate Deductions

Significant Accounting Policies

1 GENERAL

The consolidated Financial Statements of Nation Lanka Finance PLC for the year ended 31st March 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The Financial Statements were authorised for issue by the Directors on 22nd of August 2011.

1.1 Statement of Compliance

The Balance Sheet and the related Statements of Income, Changes in Equity, Cash Flow, Accounting Policies and Notes to the Financial Statements of Nation Lanka Finance PLC and its subsidiaries have been prepared in conformity with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka & in compliance with requirements of the Companies Act No. 07 of 2007

1.2 Basis of Preparation

These Financial Statements are prepared on a historical cost basis, with no adjustments being made for inflationary factors affecting the financial statements, except for the valuation of land & building. The said financial statements have been prepared in Sri Lankan Rupees (Rs.).

1.3 Use of Estimates & Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1.4 Comparative Information

The Company has consistently applied the accounting policies with those used in the previous year. Previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

1.5 Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries namely Asian Finance Ltd. (Disposed during the year), Ceylinco Stock Brokers (Pvt) Ltd., Millennium Housing Developers Ltd., Millennium Housing Ltd., Ceylinco Housing Corporation Ltd. Millennium Villa Housing Development Ltd., Ceylinco Construction Company Ltd., Ceylinco Investment Corporation Ltd., First Lanka

Treasuries Ltd., and Ceylinco Towers Ltd. in accordance with section 152 of the Companies Act No. 7 of 2007 and Sri Lanka Accounting Standard No: 26 - "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". All companies in the group have a common financial year which ends on 31st March.

The Profit or Loss of the Company and its subsidiary companies are included in the consolidated Income Statement and the proportion of the profit or loss after taxation applicable to outside shareholders is shown under the heading "Minority Interest".

All assets and liabilities of the Company and its subsidiaries are included in the consolidated Balance Sheet. The interest of the outside shareholders in the net assets of the group is stated separately in the consolidated Balance Sheet under the heading "Minority Interest".

Intra-group balances, transactions and any unrealised gains arising from intra group transactions are eliminated in preparing the consolidated Financial Statements. Unrealised losses resulting from intra-group transactions are eliminated if the cost cannot be recovered.

1.5.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

1.6 Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised at cost.

In accordance with the revised Sri Lanka accounting standard 25 - business combinations (revised 2004), the Company will no longer amortise the goodwill, but test the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amounts do not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the income statement.

Goodwill on acquisition of a subsidiary is presented as an intangible asset and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

Significant Accounting Policies

If the Group interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately to the consolidated income statement.

1.7 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale is capitalised as part of that asset. The amount of borrowing cost eligible for capitalisation is determined in accordance with SLAS 20 - "Borrowing Costs" - Allowed Alternative Treatment.

The capitalisation method used to determine the amount of borrowing cost to be capitalised is as follows:

- a) Projects that are funded through specific borrowings
- Cost of borrowings
- b) Projects that are funded through general funds
- Weighted average cost of general borrowings

1.8 Foreign Currency Transactions

All foreign exchange transactions are converted at the rates of exchange prevailing at the time the transactions were effected. All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date while non monetary items are reported at the rates prevailing at the time the transactions are effected. The resulting gains and losses are accounted for in the Income Statement.

1.9 Taxation

The Group's liability to taxation has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and amendments thereto.

1.10 Deferred Taxation

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences; the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits, and differences relating to investment in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1.11 Events Occurring after the Balance Sheet Date

All material events occurring after the Balance Sheet date have been considered and where appropriate adjustments to or disclosure have been made in the financial statements.

2 ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the Balance Sheet date. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the Balance Sheet date.

2.1 Inventories

Inventories are valued at lower of cost and estimated net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

The cost of each category of inventory is determined on the following basis:

Plant Stocks	Cost of purchase and appropriate proportion of direct overheads.
Raw materials	At actual cost on first-in-first-out basis.
Finished Goods & Work-in-progress	At the cost of direct materials, direct labour and appropriate proportion of production overheads based on normal operating capacity.

2.2 Property, Plant & Equipment

2.2.1 Cost

The Property, Plant & Equipment are stated at cost less accumulated depreciation which is provided on the bases specified below.

The cost of the asset is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Expenditure incurred for the purpose of acquiring, extending or improving assets of a

permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. The group has adopted a policy of revaluing assets every 5 years,

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

2.2.2 Depreciation

Provision for depreciation is calculated on the cost of Property, Plant & Equipment in order to write-off such amounts over the estimated useful lives of such assets. The rate of depreciation used on a straight line method are as follows,

	Rate per annum%
Furniture & Fittings	15
Motor Vehicles	25
Office Equipment	15 - 33.33
Computer Equipment & Software	15 - 33.33
Buildings	5
Plant & Machinery	10
Other Structures	20

The Company provides depreciation from the date the assets are available for use whereas depreciation of assets ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

2.2.3 Leased Assets

Assets funded through finance leases are capitalised and the resulting lease obligations are included in creditors' net of finance charges. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Income Statement.

Assets held under finance leases are depreciated over the shorter of lease term or the useful lives of equivalent owned assets.

2.3 Investments

2.3.1 Long Term Investments in Securities

These are acquired and held for yield or capital growth in the medium/long term. Such securities are recorded at cost. Changes in market values of these securities are not taken into account unless, those are considered to be of a permanent nature. Income from these investments are recognised only to the extent of dividends declared.

2.3.2 Trading Securities

These are marketable securities acquired and held with the intention of re-sale over a short period of time. Such securities are valued at the lower of cost and market value determined on an aggregate portfolio basis and the difference in cost and market value has been adjusted in the Income Statement.

Cost of investment is the cost of acquisition inclusive of Brokerage and Stamp duty.

2.3.3 Investments in Subsidiaries

Investments in Subsidiaries are stated at cost in the Company's Financial Statements in accordance with the Sri Lanka Accounting Standard No. 26 – Consolidated and separate Financial Statements (Revised 2005).

2.4 Loans, Advances & Hire Purchase

Loans, Advances & Hire Purchase are stated at their amounts estimated to realise, after providing for doubtful debts.

2.5 Trade Debtors and Other Receivables

Trade debtors and other receivables are stated at their amounts estimated to realise, after deducting provision for bad and doubtful debts.

2.6 Finance Leases

2.6.1 Lease Rentals Receivable

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

2.6.2 Provisions for Doubtful Debts - Leases, Loans & Hire Purchase

Specific provision has been made in relation to identified bad and doubtful losses based on a continuous review of the Lease, Loan & Hire Purchase portfolio.

Significant Accounting Policies

Specific provision has been made on the following basis

Period Outstanding	Provision made net of realisable value of the Security
6 - 12 months	20%
12 - 18 months	50%
18 months and above	100%

2.7 Investment in Real Estate

Land purchase cost, development cost & borrowing cost incurred during the development period of the real estate projects have been capitalised as investment in real estate.

2.8 Investment Properties

Properties held to earn a rental income, and properties held for capital appreciation have been classified as investment property.

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

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

2.9 Impairment

The carrying amounts of the Group's non financial assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amounts are estimated.

For goodwill, recoverable amount is estimated at each balance sheet date, or as and when an indication of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceed its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and Groups. Impairment is recognised in the income statement.

Impairment losses recognised in respect of subsidiaries acquired are allocated first to reduce the carrying amount of any goodwill allocated to the entity and then to reduce the carrying amount of the other assets in the entity on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate

that reflects current market assessment of the time value of money and risks specific to the asset or cash generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amounts does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment losses are recognised in the income statement.

3 CASH & CASH EQUIVALENTS

Cash and Cash Equivalents are defined as cash in hand 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 equivalent consists of cash in hand and deposits in banks net of outstanding bank overdrafts, investment in gold coins and lending against government securities.

The Cash Flow Statement is reported based on the indirect method.

4 LIABILITIES AND PROVISIONS

4.1 Liabilities

Liabilities classified as current liabilities in the balance sheet are those which fall due for payment on demand or within one year from the balance sheet date.

Non current liabilities are those balances that fall due for payment after one year from the Balance Sheet date.

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

4.2 Borrowings

Borrowings include refinance borrowings, promissory note borrowings and borrowings from financial institutions. They are brought to Financial Statements at the gross value of the outstanding balances.

4.3 Retiring Benefits

4.3.1 Defined Benefit Plans - Gratuity

Adoption of SAS 16 (Revised)

Sri Lanka Accounting Standard 16 (Revised 2006) Employee Benefits, applies to Financial Statements covering annual periods beginning on or after 1st July 2007 was adopted by the Company with effect from 1st April 2008.

The Company measures the present value of the defined benefit obligation every year using projected unit credit method defined by the Actuary.

The following assumption and data were used in evaluating the defined benefit obligation by the Actuarial Valuer.

1 Interest rate	10%
2 Rate of increase in salary	10%
3 Retirement age	55 years

Recognition of unrecognised Actuarial Gains and Losses.

Actuarial gains and losses, shall be recognized immediately.

Defined benefit obligations are fully funded by the Company to a separate Gratuity Trust Fund which is an approved investment for tax purposes. The Company makes annual contributions to the fund not exceeding a total sum equivalent to the half a month salary of each and every employee as depicted in the last month of the accounting year together with an additional 25% of the total thereof.

The actuarial valuation was conducted by Piyal S Goonetilleke and Associates for Nation Lanka Finance PLC on 28th of July 2011 for the actuarial liability as at 31st March 2011.

The actuarial Mr Piyal S Goonetilleke is a Fellow of the Society of Actuaries (USA) and a member of the American Academy of Actuaries.

4.3.2 Defined Contribution Plan - EPF and ETF

All employees who are eligible for defined provident fund contributions and employee trust fund contributions are covered by relevant contributory funds in line with the respective statutes.

4.4 Capital Commitment & Contingent Liabilities

All material Capital commitments and contingent liabilities of the Group are disclosed in the respective notes to the Financial Statements.

4.5 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is

probable that an outflow of economic benefits will be required to settle the obligations.

5 INCOME STATEMENT

5.1 Revenue

Revenue represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities net of trade discounts and turnover related taxes.

5.2 Revenue Recognition

5.2.1 Lease Income

The accounting for lease income is done on the basis of the financing method. The excess of aggregate contract receivable over the cost of the leased assets constitutes the total unearned income at the commencement of the contract.

The unearned income is taken into account over the period of lease commencing from the month in which the lease is executed in proportion to the declining receivable balance.

However, no interest income is recognised when the customer is in arrears for more than six months. In such cases interest income is accounted for on cash basis.

5.2.2 Hire purchase Income

Income arising from the residual interest in hire purchase agreements is credited to the income statement as it accrues in proportion to the declining receivable balance of the agreement.

However no interest income is recognised when the customer is in arrears for more than six months. In such cases interest income is accounted for on a cash basis.

5.2.3 Interest Income

Interest income from loans and advances is recognised on an accrual basis. However, no accrued interest income is recognised when the customer is in arrears for more than six months. In such cases interest income is accounted for on a cash basis.

5.2.4 Interest on Bills

Interest income from bills is recognised proportionately over the period of the bill discounted commencing from the date of discounting.

5.2.5 Income from Fee Based Activities

Commission from underwriting, management of funds and all other commissions and fees are recognised in the period in which such transactions were effected based on the conditions stipulated in the respective agreements and contracts.

Significant Accounting Policies

5.2.6 *Overdue Charges*

Overdue charges of leasing, hire purchase, loans and advances have been accounted for on a cash received basis.

5.2.7 *Profit on Sale of Shares*

Profit earned on the sale of shares have been accounted for in the Income Statement on the basis of realised net profit.

5.2.8 *Dividend Income*

The dividend income is recognised when the Company's right to receive payment is established.

5.2.9 *Real Estate Income*

Income is recognised when the property is sold and the risks and rewards of the property is passed to the buyer. For this purpose the property is deemed to be sold once 30% of the outright sales price has been received.

However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted on a cash received basis.

5.2.10 *Profit on Sale of Property, Plant & Equipment*

Profits or losses of a revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the Income Statement.

5.2.11 *Income on Sale of Houses*

The income from sale of houses is recognised when the significant risks and rewards incidental to ownership are transferred to the buyer. It is deemed to have been transferred when 85% or more of the construction work is completed and the sales agreement is signed between the buyer and the Company.

5.2.12 *Other Income*

All other Income is recognised on an accrual basis.

5.3 Expenditure Recognition

All the expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the income statement.

6 SEGMENTAL REPORTING

Business segmentation has been determined based on the nature of the services provided by the Group after considering the risks and rewards of each type of product or service. Inter segment transfers are based on fair market prices. Segmental information is provided for the different business segments of the Group which are lending, property development, services, exports and other businesses. Since the individual segments are located close to each other and operating in the same industry environment, the need for geographical segmentation does not arise.

The activities of the segments are described in Note 33 to the Financial Statements. Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible

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

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

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

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

Notes to the Financial Statements

For the year ended 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
1 REVENUE					
Fund Based Activities		542,000,454	806,824,695	1,143,181,885	1,609,078,871
Fee Based Activities		2,720,109	5,469,987	269,169,063	117,939,380
Dividends		7,425,902	3,517,348	505,962	814,559
		552,146,465	815,812,030	1,412,856,910	1,727,832,810
2 INTEREST INCOME					
Finance Leases		37,227,118	62,055,335	59,056,619	419,349,387
Pawning		955,277	13,484	955,277	13,484
Term Loans		83,581,126	156,483,805	144,364,799	178,867,489
Hire Purchase		133,175,318	193,137,333	248,115,769	193,137,333
Short Term Lending		6,657,764	3,733,892	31,463,800	3,733,892
		261,596,603	415,423,849	483,956,264	795,101,585
3 DIRECT INTEREST COST					
Interest on Borrowings		173,334,676	362,579,621	305,067,518	694,434,888
		173,334,676	362,579,621	305,067,518	694,434,888
4 OTHER OPERATING INCOME/(COSTS)					
Profit on Sale of Property, Plant & Equipment		1,150,419	978,113	2,587,464	4,441,727
Loss on Disposal of Investment Property		-	(54,365,000)	-	(54,365,000)
Rent Income		8,634,424	9,874,834	8,273,441	8,224,834
Sundry Income		725,371	342,274	16,045,505	49,326,871
Change in Value of Investment Properties		3,081,000	-	3,081,000	-
		13,591,214	(43,169,779)	29,987,410	7,628,432
5 LOSS BEFORE INCOME TAX					
Loss before tax is stated after charging all the expenses including the followings;					
Directors' Emoluments - Short Term Employment Benefit		19,300,746	18,678,247	43,549,493	35,785,270
Auditors Remuneration - Audit		1,000,000	900,000	2,616,740	2,605,285
- Non Audit		722,668	146,115	722,668	146,115
Depreciation		20,976,261	24,908,718	36,328,967	49,616,149
Defined Contribution Plans - EPF		6,384,400	7,727,548	15,647,439	18,288,352
- ETF		1,596,100	1,931,887	3,911,860	4,572,088
Change in value of Investment Properties		-	32,920,152	-	32,920,152
Provision for Bad & Doubtful Debts		219,887,582	340,246,189	197,707,749	464,294,321
Bad Debts written off		1,395,341	340,980	4,988,746	1,056,177
6 INCOME TAX EXPENSE					
Current Income Tax Expense	6.1	4,226	-	36,819,473	10,540,254
Economic Service Charge written off		-	-	3,037,543	5,613,432
Deemed Dividend Tax		-	-	-	103,200
Under/(Over) Provision in respect of previous years		334,578	299,185	334,578	(1,962)
Deferred Tax reversal	20	-	-	(3,744,081)	(182,501)
		338,804	299,185	36,447,513	16,072,423

Notes to the Financial Statements

For the year ended 31st March	Company		Group	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
6 INCOME TAX EXPENSE (Contd.)				
6.1 Reconciliation of Accounting Profit with Taxable Income				
Loss before Income Tax Expense	(320,515,398)	(734,219,525)	(311,987,856)	(1,055,180,338)
Profit not liable for Taxation	(56,633,549)	31,606,812	(67,821,880)	79,770,767
Aggregate Disallowed Items	260,657,340	489,659,908	300,906,368	498,931,627
Allowable Expenses	(71,172,050)	(109,580,616)	(103,585,450)	(113,832,340)
Statutory Income from Business	(187,663,657)	(322,533,421)	(182,488,818)	(590,310,284)
Other Statutory Income	18,390	-	3,393,302	1,555,428
Tax Loss utilised during the year	(6,436)	-	(7,999,752)	(10,789,352)
Taxable Loss	(187,651,703)	(322,533,421)	(187,095,268)	(599,544,208)
Current Income Tax Expense	4,226	-	36,819,473	10,540,254
Reconciliation of Tax Loss				
Tax Loss Brought Forward	(1,243,188,472)	(920,655,051)	(1,893,970,835)	(1,441,280,045)
Tax Loss for the Period	(187,663,657)	(322,533,421)	(292,586,140)	(463,480,142)
Tax Loss utilised during the year	6,436	-	7,999,752	10,789,352
Adjustments due to disposal of Subsidiary	-	-	477,748,597	-
Tax Loss Carried Forward	(1,430,845,693)	(1,243,188,472)	(1,700,808,626)	(1,893,970,835)

6.2 Company

(a) In terms of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, the Company is liable for income tax at 35% on its taxable income.

6.3 Subsidiaries

(a) In accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, the subsidiary Companies of the Company are liable for income tax as follows;

	Tax Rate	2011 Rs	2010 Rs
Millennium Housing Developers Ltd.	35.0%	-	651
Millennium Housing Ltd.	10.0%	216,140	955,663
Millennium Villa Housing Development Ltd.	35.0%	-	13,184
CSF Money Broking Co. Ltd.	35.0%	-	2,452,481
Nation Lanka Equities (Pvt) Ltd.	35.0%	36,599,107	7,118,275
		36,815,247	10,540,254

(b) In terms of section 46 of the Inland Revenue Act No. 10 of 2006 and amendments thereto profits attributable to construction activities are liable for income tax at the rate of 15%.

(c) In terms of the agreement entered into with the Board of Investment of Sri Lanka (BOI),

- The profits of Millennium Housing Developers Ltd will be exempted from income tax for a period of 12 years reckoned from the year of assessment 1999/2000
- The profits of Millennium Housing Ltd & Millennium Villa Housing Development Ltd will be exempted from income tax for a period of 5 years from the year of assessment the companies commence to make profits or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operations, which ever is earlier. On the expiration of such period the Company would be liable for tax at the rate of 10% for another two years and thereafter at a reduced rate of 20%.
- The profits of Ceylinco Real Estate Developers Ltd (which was amalgamated with Ceylinco Investment Corporation Ltd) will be exempted from income tax for a period of 5 years from the year of assessment the company commences to make profits or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operations ,which ever is earlier.

However, the other income of the above companies are liable for income tax at the rate of 35%.

7 BASIC LOSS PER SHARE

Basic Loss per ordinary share has been calculated based on the Loss attributable to the ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

As at 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Loss attributable to Ordinary Shareholders		(320,854,202)	(734,518,710)	(364,413,945)	(1,059,228,661)
Weighted Average Number of Shares Outstanding during the year		45,451,552	24,695,092	45,451,552	24,695,092
Basic Loss Per Share		(7.06)	(29.74)	(8.02)	(42.89)

8 TRADE & OTHER RECEIVABLES

Real Estate & Property Development Receivables		20,270,817	20,177,867	267,706,754	682,095,188
Service Fee Receivables		14,298,895	7,149,018	442,610,562	170,322,830
Tax Receivables		4,379,106	1,835,053	16,998,509	1,835,053
Other Receivables from Leasing & Credit Activities		21,056,302	24,455,859	21,056,302	24,455,859
Other Receivables		249,960,137	143,720,860	309,257,922	340,044,954
		309,965,257	197,338,657	1,057,630,049	1,218,753,884
Provision For Bad & Doubtful Debts	8.1	(260,409,968)	(152,456,849)	(313,462,760)	(279,406,222)
		49,555,289	44,881,808	744,167,289	939,347,662

8.1 Provision for bad & doubtful debts

Balance at the beginning of the year		152,456,849	31,500,000	279,406,222	141,503,202
Disposal of Subsidiary		-	-	(73,451,678)	-
Written off during the year		-	-	(8,471,633)	-
Provision made during the year		107,953,119	120,956,849	115,979,849	137,903,020
Balance at the end of the year		260,409,968	152,456,849	313,462,760	279,406,222

9 INVENTORIES

Raw Materials & Stocks		61,928	218,795	41,981,311	48,855,867
Work - In - Progress - Property Development		-	-	282,257,482	282,525,491
Finished Goods - Houses		-	-	4,074,133	18,982,384
		61,928	218,795	328,312,926	350,363,742

Notes to the Financial Statements

As at 31st March	Company		Group	
	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.

10 AMOUNTS DUE FROM SUBSIDIARIES

Asian Finance Ltd.	-	4,713,679	-	-
Nation Lanka Equities (Pvt) Ltd.	3,650,807	16,335,486	-	-
Millennium Housing Developers Ltd.	51,629,441	50,082,798	-	-
Millennium Housing Ltd.	251,555	251,555	-	-
Ceylinco Housing Corporation Ltd.	106,503	106,503	-	-
Millennium Villa Housing Development Ltd.	432,094	432,094	-	-
Ceylinco Constructions Company Ltd.	830,937	830,937	-	-
First Lanka Treasuries Ltd	28,434,987	20,098,886	-	-
Ceylinco Investment Corporation Ltd.	83,997,338	105,037,745	-	-
	169,333,662	197,889,683	-	-
Provision For Bad & Doubtful Debts	(66,407,200)	(55,499,213)	-	-
	102,926,462	142,390,470	-	-

	2011				2010				
	Notes	Current Receivables	1 - 5 years Receivables	5 < years Receivables	Total Receivables	Current Receivables	1 - 5 years Receivables	5 < years Receivables	Total Receivables
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.

11 FINANCE LEASES

Company									
Gross Investment		163,120,141	31,555,043	-	194,675,184	221,178,896	43,101,744	566,486	264,847,126
Rental Received In Advance		(1,545,573)	(3,481,355)	-	(5,026,928)	(6,063,613)	(5,962,018)	-	(12,025,631)
		161,574,568	28,073,688	-	189,648,256	215,115,283	37,139,726	566,486	252,821,495
Un - earned Income		(30,412,507)	(4,854,173)	-	(35,266,680)	(38,631,808)	(7,586,665)	(323,126)	(46,541,599)
		131,162,061	23,219,515	-	154,381,576	176,483,475	29,553,061	243,360	206,279,896
Provision For Bad & Doubtful Debts	11.1	(68,893,402)	-	-	(68,893,402)	(46,909,344)	-	-	(46,909,344)
		62,268,659	23,219,515	-	85,488,174	129,574,131	29,553,061	243,360	159,370,552
Group									
Gross Investment		163,120,141	31,555,043	-	194,675,184	318,865,862	127,181,135	566,486	446,613,483
Rental Received In Advance		(1,545,573)	(3,481,355)	-	(5,026,928)	(6,165,405)	(5,962,018)	-	(12,127,423)
		161,574,568	28,073,688	-	189,648,256	312,700,457	121,219,117	566,486	434,486,060
Un - earned Income		(30,412,507)	(4,854,173)	-	(35,266,680)	(69,105,834)	(23,932,351)	(323,126)	(93,361,311)
		131,162,061	23,219,515	-	154,381,576	243,594,623	97,286,766	243,360	341,124,749
Provision For Bad & Doubtful Debts	11.1	(68,893,402)	-	-	(68,893,402)	(91,308,136)	-	-	(91,308,136)
		62,268,659	23,219,515	-	85,488,174	152,286,487	97,286,766	243,360	249,816,613

As at 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
11 FINANCE LEASES (Contd.)					
11.1 Provision for bad & Doubtful Debts					
Balance at the beginning of the year		46,909,344	26,016,664	91,308,136	54,890,054
Provision made during the year		21,984,058	20,892,680	18,923,212	36,418,082
Disposal of subsidiary		-	-	(41,337,946)	-
Balance at the end of the year		68,893,402	46,909,344	68,893,402	91,308,136
12 LOANS					
Term Loans		446,564,903	598,296,441	566,463,626	848,884,745
Easy Payment Loans		81,138,229	119,419,021	114,539,372	434,320,511
Margin Trading Loans		2,204,309	2,775,558	2,204,309	2,775,558
Staff Loans	12.1	1,130,851	1,940,422	2,105,413	3,886,990
		531,038,292	722,431,442	685,312,720	1,289,867,804
Provision for Bad & Doubtful Debts	12.2	(210,747,905)	(146,313,065)	(310,675,145)	(256,944,158)
		320,290,387	576,118,377	374,637,575	1,032,923,646
12.1 Staff Loans					
Balance at the beginning of the year		1,940,422	5,934,308	3,886,990	10,553,391
Disbursement made during the year		2,087,900	-	3,283,892	556,502
		4,028,322	5,934,308	7,170,882	11,109,893
Recoveries made during the year		(2,897,471)	(3,903,466)	(3,694,234)	(6,573,426)
Written off during the year		-	(90,420)	-	(90,420)
Disposal of Subsidiary		-	-	(1,371,235)	(559,057)
Balance at the end of the year		1,130,851	1,940,422	2,105,413	3,886,990
12.2 Provision For Bad & Doubtful Debts					
Balance at the beginning of the year		146,313,065	41,971,816	256,944,158	68,793,440
Written off during the year		-	-	(1,288,315)	-
Disposal of Subsidiary		-	-	(10,439,183)	(149,400)
Provision made during the year		64,434,840	104,341,249	65,458,485	188,300,118
Balance at the end of the year		210,747,905	146,313,065	310,675,145	256,944,158
13 HIRE PURCHASE					
Hire Purchase Stock		396,742,500	604,014,435	396,742,500	1,349,994,037
Deferred Interest		(92,568,600)	(166,937,629)	(92,568,600)	(326,508,756)
Hire Purchase Debtors		99,985,129	92,456,920	99,985,129	205,052,044
Interest in Suspense	13.1	(22,739,408)	(17,879,936)	(22,739,408)	(59,253,665)
Provision for Bad & Doubtful Debts	13.2	(47,104,689)	(32,869,364)	(47,104,689)	(141,595,084)
		334,314,932	478,784,426	334,314,932	1,027,688,576

Notes to the Financial Statements

As at 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
13 HIRE PURCHASE (Contd.)					
13.1 Interest in Suspense					
Balance at the beginning of the year		17,879,936	4,562,824	59,253,665	23,874,533
Transferred during the year		4,859,472	13,317,112	4,859,472	35,379,132
Disposal of subsidiary		-	-	(41,373,729)	-
Balance at the end of the year		22,739,408	17,879,936	22,739,408	59,253,665
13.2 Provision for Bad & Doubtful Debts					
Balance at the beginning of the year		32,869,364	3,753,274	141,595,084	48,758,533
Provision made during the year		14,235,325	29,116,090	(3,026,050)	92,836,551
Disposal of subsidiary		-	-	(91,464,345)	-
Balance at the end of the year		47,104,689	32,869,364	47,104,689	141,595,084
14 INVESTMENT IN SECURITIES					
Long Term Investments	14.1	73,211,729	140,443,652	123,785,395	193,087,183
Trading Securities	14.2	19,157	192,521	19,157	3,028,036
		73,230,886	140,636,173	123,804,552	196,115,219
14.1 Long Term Investments					
Un - Quoted Investments	14.1.1	147,264,210	125,528,520	155,963,726	156,480,711
Quoted Investments	14.1.2	5,814,763	83,887,259	55,138,429	142,171,322
		153,078,973	209,415,779	211,102,155	298,652,033
Provision for Diminution in Value of Shares		(79,867,244)	(68,972,127)	(87,316,760)	(105,564,850)
		73,211,729	140,443,652	123,785,395	193,087,183

As at 31st March	Company			Group		
	2011	2010	2010	2011	2010	2010
	No of Shares	Cost	Cost	No of Shares	Cost	Cost
		Rs.	Rs.		Rs.	Rs.

14 INVESTMENT IN SECURITIES (Contd.)

14.1.1 Unquoted Investments

In Ordinary Shares						
Asian Finance Ltd	2,636,402	26,239,020	-	2,636,402	26,239,020	-
Cey Homes Credit & Investments Ltd.	100,000	1,000,000	1,000,000	100,000	1,000,000	1,000,000
Ceycom Global Communication Ltd.	50,000	250,000	250,000	50,000	250,000	250,000
Ceylinco Capital Ltd	25,000	250,000	250,000	50,000	500,000	750,000
Ceylinco Cellular Company (Pvt) Ltd	20,000	200,000	200,000	40,000	400,000	400,000
Ceylinco CISCO Ranaviru Services (Pvt) Ltd.	12,500	125,000	125,000	25,000	250,000	375,000
Ceylinco CISCO Cash Management & Transit Co. Ltd	12,500	125,000	125,000	12,500	125,000	125,000
Ceylinco Coloured Stones (Pvt) Ltd.	-	-	-	140,000	1,400,000	1,400,000
Ceylinco Development Bank Ltd.	-	-	958,330	-	-	5,044,405
Ceylinco Design & Project Management Co. (Pvt) Ltd.	37,500	375,000	375,000	37,500	375,000	375,000
Ceylinco Diamond Trading Co (Pvt). Ltd.	616,037	7,186,830	7,186,830	616,037	7,186,830	8,686,830
Ceylinco Fashion Trends Co. Ltd.	30,000	300,000	300,000	30,000	300,000	485,000
Ceylinco Foliage Export (Pvt) Ltd.	1,784,534	17,919,235	17,919,235	1,784,534	17,919,235	18,919,235
Ceylinco Freight International (Pvt) Ltd.	10,200	102,000	102,000	10,200	102,000	102,000
Ceylinco Grameen Credit Co. Ltd.	15,000	150,000	150,000	15,000	150,000	250,000
Ceylinco Holding (Pvt) Ltd.	1,000	10,000	10,000	1,000	10,000	10,000
Ceylinco Homes International Ltd.	500,000	5,000,000	5,000,000	500,000	5,000,000	5,000,000
Ceylinco Hotels Ltd.	47,000	470,000	470,000	47,000	470,000	470,000
Ceylinco Investment Ltd.	-	-	-	12,500	125,000	125,000
Ceylinco Investment & Reality Ltd.	25,000	250,000	250,000	25,000	250,000	500,000
Ceylinco Management & Accountancy Services Ltd.	100,000	1,000,000	1,000,000	100,000	1,000,000	1,000,000
Ceylinco Net Assist (Pvt) Ltd.	12,500	125,000	125,000	25,000	250,000	375,000
Ceylinco Niranjana Invention (Pvt) Ltd.	9,875	61,250	61,250	13,625	98,750	136,250
Ceylinco Packaging Co. Ltd.	50,000	500,000	500,000	50,000	500,000	500,000
Ceylinco Pharmaceuticals Ltd	25,000	250,000	250,000	50,000	500,000	500,000
Ceylinco Profit Sharing Investment Corporation Ltd.	12,500	125,000	125,000	25,000	250,000	250,000
Ceylinco Seylan Housing & Commercial Properties Ltd.	40,540	405,400	405,400	40,540	405,400	405,400
Ceylinco Shriram Capital Management Services Co. (Pvt) Ltd.	2,500	25,000	25,000	2,500	25,000	25,000
Ceylinco Sports Complex Ltd.	-	-	-	-	-	505,000
Ceylinco Tax & Financial Consultants (Pvt) Ltd.	23,000	230,000	230,000	23,000	230,000	230,000
Ceylinco Tourist Hotels Ltd.	-	-	2,295,000	-	-	2,990,000
Ceylinco Travels & Tours Ltd.	20,000	200,000	200,000	60,000	600,000	800,000
Ceylinco Universal Ltd.	5,000	50,000	50,000	5,000	50,000	100,000
Ceylinco Venture Capital Co. Ltd.	145,000	1,450,000	1,450,000	159,000	1,590,000	1,955,000
Ceylinco Worldwide Trading (Pvt) Ltd.	150	7,572	7,572	150	7,572	7,572
Ceynergy Electronic Co. (Pvt) Ltd.	30,000	300,000	300,000	30,000	300,000	300,000
CSF Money Broking Co. Ltd	-	-	-	-	-	2,020,000
CTV Creations (Pvt) Ltd.	-	-	-	4,000	40,000	40,000
eceylinco.com (Pvt) Ltd.	10,000	100,000	100,000	18,750	187,500	200,000
Economic Resurgence Association (Pvt) Ltd	200,000	1,000,000	1,000,000	300,000	2,000,000	3,000,000
IC & CS Software Solution Co. (Pvt) Ltd	10,000	100,000	100,000	15,000	150,000	200,000
Independent Financial News & Views (Pvt) Ltd	14,290	142,900	142,900	14,290	142,900	142,900
International College of Business Technology Ltd.	40,000	400,000	400,000	40,000	400,000	400,000
International Consultancy & Corporate Services (Pvt) Ltd.	20,000	200,000	200,000	20,000	200,000	200,000

Notes to the Financial Statements

As at 31st March	Company			Group		
	2011	2010	2011	2010	2010	2010
	No of Shares	Cost	Cost	No of Shares	Cost	Cost
		Rs.	Rs.		Rs.	Rs.

14 INVESTMENT IN SECURITIES (Contd.)

14.1.1 Unquoted Investments

Knoelt (Pvt) Ltd.	3,000	312,500	312,500	3,000	312,500	312,500
MBSL Savings Bank Ltd	10,833	108,330	108,330	10,833	108,330	108,330
Middleway Ltd.	416	5,437	5,437	416	5,437	165,437
Middleway Printing (Pvt) Ltd.	20,000	200,000	200,000	20,000	200,000	200,000
Peoples Reality Ltd	246	2,460	2,460	96,246	31,976	631,976
San Michele Ltd.	1,750	175,000	175,000	1,750	175,000	275,000
Seraka Investments Ltd.	410,000	4,100,000	4,100,000	435,000	4,350,000	5,350,000
South Asian Travels Ltd	25,000	250,000	250,000	25,000	250,000	250,000
The Sitar (Pvt) Ltd	-	-	-	6,500	65,000	65,000
The Finance & Guarantee Company Ltd	2,500	250,000	250,000	5,000	500,000	750,000
The Golden Key Credit Card Co. Ltd.	55,030	669,804	669,804	55,030	669,804	4,093,904
Tropical Foliage Ltd	100,000	890,932	890,932	100,000	890,932	890,932
Credit Information Bureau of Sri Lanka	100	23,300	23,300	100	23,300	25,800
Equity Investment Lanka Ltd.	50,000	600,000	600,000	50,000	600,000	600,000
Lanka Tractors Ltd.	36,000	518,040	518,040	36,000	518,040	518,040
		74,730,010	51,744,320		79,679,526	74,786,511
In Preference Shares						
Ceylinco Hotels Ltd. - 10%	820,000	8,200,000	8,200,000	820,000	8,200,000	8,200,000
Tropical Foliage Ltd	250,000	2,500,000	2,500,000	500,000	5,000,000	7,500,000
		10,700,000	10,700,000		13,200,000	15,700,000
In Debentures						
AFL Development Ltd - (2.5% - 2012)	6,181,420	61,814,200	61,814,200	6,181,420	61,814,200	61,814,200
Blue Diamonds Jewellery Worldwide Ltd. (2% - 2008)	-	-	1,250,000	1,250	1,250,000	3,750,000
Ceylinco Grameen Credit Company Ltd. - (15% - 2007)	-	-	-	-	-	200,000
		61,814,200	63,064,200		63,064,200	65,764,200
In Others						
Ceylinco Building Society Ltd.	40	20,000	20,000	40	20,000	30,000
Finance House Consortium	-	-	-	-	-	200,000
		20,000	20,000		20,000	230,000
TOTAL		147,264,210	125,528,520		155,963,726	156,480,711

As at 31st March	2011			2010		
	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
		Rs.	Rs.		Rs.	Rs.

14 INVESTMENT IN SECURITIES (Contd.)

14.1.2 Quoted Investments by the Company

In Shares						
Blue Diamonds Jewellery Worldwide PLC	-	-	-	1,560,730	17,510,523	2,965,387
Seylan Bank PLC	122,926	5,814,763	9,244,035	1,403,226	66,376,736	65,951,622
		5,814,763	9,244,035		83,887,259	68,917,009
COMPANY TOTAL		5,814,763	9,244,035		83,887,259	68,917,009

Quoted Investments by Subsidiary Companies

In Shares						
Blue Diamonds Jewellery Worldwide PLC.	5,000	22,500	15,000	23,540	434,369	44,726
Ceylinco Housing & Real Estate PLC	-	-	-	2,500	28,066	47,500
Ceylinco Insurance PLC	-	-	-	700	38,763	161,700
Merchant Bank of Sri Lanka PLC	-	-	-	1,616	108,746	29,896
Seylan Bank PLC	1,091,900	49,301,166	82,110,880	1,284,657	57,290,733	60,378,879
Seylan Merchant Bank PLC	-	-	-	1,000	20,657	11,500
The Finance Company PLC	-	-	-	2,900	218,162	50,750
Vanik Incorporation PLC	-	-	-	75	4,567	60
		49,323,666	82,125,880		58,144,063	60,725,011
In Debentures						
Vanik Incorporation PLC	-	-	-	1,400	140,000	-
					140,000	-
GROUP TOTAL		55,138,429	91,369,915		142,171,322	129,642,020

Notes	Company		Group	
	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.

14.2 Trading Securities

Quoted shares at cost	14.2.1	59,145	1,077,210	59,145	5,586,630
Provision for fall in value of shares		(39,988)	(884,689)	(39,988)	(2,558,594)
Quoted shares at market value		19,157	192,521	19,157	3,028,036

	2011			2010		
	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
		Rs.	Rs.		Rs.	Rs.

14.2.1 Trading Securities by Company

Banks, Finance & Insurance						
Vanik Incorporation PLC	-	-	-	43	2,281	-
The Finance Company PLC	108	2,704	3,996	10,508	263,085	183,890
		2,704	3,996		265,366	183,890
Chemicals & Pharmaceuticals						
Lanka Carbons Ltd.	-	-	-	100	1,764	-
Compack Morrison Company Ltd	2,600	50,202	-	2,600	50,202	-
		50,202	-		51,966	-

Notes to the Financial Statements

<i>As at 31st March</i>						
	No. of Shares	2011 Cost Rs.	Market Value Rs.	No. of Shares	2010 Cost Rs.	Market Value Rs.
14 INVESTMENT IN SECURITIES (Contd.)						
14.2.1 Trading Securities by Company						
Diversified Holdings						
Heyleys PLC	29	3,967	11,081	29	3,967	6,525
		3,967	11,081		3,967	6,525
Footwear & Textiles						
Korea Ceylon Footwear Manufacturing Co.Ltd.	-	-	-	1,650	236,718	-
Pugoda Textile Lanka Ltd.	-	-	-	13,500	310,614	-
Veyangoda Textile Mills Ltd.	-	-	-	8,000	202,014	-
					749,346	-
Hotels & Travels						
Electro Holiday Resorts Ltd.	-	-	-	100	3,370	-
	-	-	-	100	3,370	-
Manufacturing						
Lanka Tiles PLC	24	839	4,080	24	839	2,106
Siedles TV Industry Ltd.	100	1,433	-	100	1,433	-
		2,272	4,080		2,272	2,106
Trading						
Carsons Marketing Co. Ltd.	-	-	-	100	923	-
	-	-	-	-	923	-
COMPANY TOTAL		59,145	19,157		1,077,210	192,521
Trading Securities by Subsidiaries						
Banks, Finance & Insurance						
Asia Capital PLC	-	-	-	9,600	244,800	124,800
Ceylinco Insurance PLC	-	-	-	5	297	1,155
Seylan Merchant Bank PLC	-	-	-	33	480	380
Seylan Bank PLC - Non Voting	-	-	-	32	400	832
The Finance Company PLC	-	-	-	44	2,472	770
					248,449	127,937
Beverage, Food & Tobacco						
W M Mendis & Co.Ltd.	-	-	-	1,000	15,000	-
	-	-	-		15,000	-
Diversified Holdings						
Richard Pieris PLC	-	-	-	4,000	171,919	220,000
	-	-	-		171,919	220,000
Footwear & Textiles						
Veyangoda Textile Mills Ltd.	-	-	-	8,100	150,714	-
	-	-	-		150,714	-
Health Care						
Nawaloka Hospitals PLC	-	-	-	33	139	116
	-	-	-		139	116
Hotels & Travels						
Hunas Falls Hotels PLC	-	-	-	97	1,291	5,092
	-	-	-		1,291	5,092

As at 31st March						
	No. of Shares	2011 Cost Rs.	Market Value Rs.	No. of Shares	2010 Cost Rs.	Market Value Rs.

14 INVESTMENT IN SECURITIES (Contd.)

14.2.1 Trading Securities by Subsidiaries

Manufacturing						
Blue Diamonds Jewellery Worldwide PLC	-	-	-	190,000	1,549,267	361,000
Magpek Exports Ltd.	-	-	-	2,500	100,000	-
Royal Ceramics Lanka PLC	-	-	-	450	832	-
					1,650,099	361,000
Plantations						
Malwatte Plantation PLC	-	-	-	50,500	2,271,652	2,121,000
					2,271,652	2,121,000
Trading						
Singer (Sri Lanka) PLC	-	-	-	5	157	370
					157	370
GROUP TOTAL		59,145	19,157		5,586,630	3,028,036

	No of shares	2011 Holding %	Cost Rs.	No of shares	2010 Holding %	Cost Rs.
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15 INVESTMENT IN SUBSIDIARIES

Ordinary Shares						
Asian Finance Ltd.	-	-	-	2,636,402	89.40	26,239,020
Millennium Housing Developers Ltd.	6,540,000	66.13	65,400,000	6,540,000	66.13	65,400,000
Nation Lanka Equities (Pvt) Ltd.	1,887,862	73.65	38,269,518	1,887,862	73.65	38,269,518
First Lanka Treasuries Ltd.	100,000	100.00	1,000,000	100,000	100.00	1,000,000
Ceylinco Towers Ltd	500,000	100.00	5,000,000	500,000	100.00	5,000,000
Ceylinco Investment Corporation Ltd	600,000	100.00	6,000,000	600,000	100.00	6,000,000
			115,669,518			141,908,538
Preference Shares						
Nation Lanka Equities (Pvt) Ltd.	1,532,500	-	15,325,000	1,532,500	-	15,325,000
			15,325,000			15,325,000
Provision for Impairment						
			(10,750,000)			(35,239,020)
			120,244,518			121,994,518

Notes to the Financial Statements

As at 31st March	Company		Group	
	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.

16 INVESTMENT PROPERTY

Balance at the beginning of the year	159,919,000	476,826,314	156,248,083	473,155,397
Disposed During the year	-	(198,365,000)	-	(198,365,000)
Purchased / Transferred during the year	-	(85,622,162)	-	(85,622,162)
Change in Fair Value	3,081,000	(32,920,152)	3,081,000	(32,920,152)
Balance at the end of the year	163,000,000	159,919,000	159,329,083	156,248,083

The Investment Property of the Company/Group includes the following

Owning Company	Location	Buildings Sq. Ft	Land in Extent	Net Book value	
				2011 Rs.	2010 Rs.
Nation Lanka Finance PLC	Athurugiriya	-	100 P	35,000,000	30,000,000
Nation Lanka Finance PLC	Athurugiriya	5,000	3 R 31 P	48,000,000	49,919,000
Nation Lanka Finance PLC	Kurunegala	13,500	20 P	80,000,000	80,000,000
				163,000,000	159,919,000

	Land & Buildings Rs.	Office Equipments Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Computer Equipments Rs.	Leased Motor Vehicles Rs.	2011 Total Rs.	2010 Total Rs.
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17 PROPERTY, PLANT & EQUIPMENT

Company	Description							
Cost								
Balance at the beginning	175,000,000	25,105,213	15,691,994	8,840,669	64,960,487	18,639,167	308,237,530	315,382,441
Additions during the year	-	517,819	3,109,510	-	4,488,746	-	8,116,075	1,379,885
Transferred to Real Estate	-	-	-	-	-	-	-	(940,000)
Disposals during the year	-	(2,321,899)	(1,246,444)	-	(6,615,873)	(12,776,667)	(22,960,883)	(7,584,796)
Balance at the end of the year	175,000,000	23,301,133	17,555,060	8,840,669	62,833,360	5,862,500	293,392,722	308,237,530
Depreciation								
Balance at the beginning	13,492,721	20,999,627	13,137,874	6,506,728	56,038,720	9,500,436	119,676,106	101,938,982
Depreciation for the year	6,227,410	2,061,168	891,189	1,403,280	8,564,651	1,828,563	20,976,261	24,908,718
Disposal during the year	-	(2,318,652)	(1,238,315)	-	(6,615,875)	(7,054,258)	(17,227,100)	(7,171,594)
Balance at the end of the year	19,720,131	20,742,143	12,790,748	7,910,008	57,987,496	4,274,741	123,425,267	119,676,106
W.D.V as at 31.03.2011	155,279,869	2,558,990	4,764,312	930,661	4,845,864	1,587,759	169,967,455	
W.D.V as at 31.03.2010	161,507,279	4,105,586	2,554,120	2,333,941	8,921,767	9,138,731		188,561,424

Group	Description	Cost	Site offices			Leased Assets			2010		2011	
			Land & Buildings Rs	Office Structures Rs.	Office Equipments Rs	Furniture & Fittings Rs	Motor Vehicles Rs	Computer Equipments Rs	Motor Vehicles Rs	Construction Machinery Rs	Total Rs	Total Rs
	Balance at the beginning	191,518,715	6,697,236	70,759,876	58,544,607	27,912,987	126,601,963	35,784,167	2,857,500	520,677,051	533,103,781	
	Additions during the year	-	-	1,155,620	3,167,538	557,700	6,557,752	-	-	11,438,610	3,394,715	
	Transferred to Real Estate Stocks	-	-	-	-	-	-	-	-	-	(940,000)	
	Transfers	-	-	-	-	-	-	-	-	-	(106,000)	
	Written Off during the year	-	-	(148,500)	(87,746)	-	(2,154,893)	-	-	(2,391,139)	(621,098)	
	Disposal During the year	-	-	(2,410,530)	(1,254,149)	(1,673,357)	(6,785,997)	(15,642,618)	-	(27,766,651)	(12,314,128)	
	Disposal of Subsidiary	-	-	(15,651,365)	(22,921,931)	(7,207,433)	(32,733,763)	(13,129,049)	-	(91,643,541)	(1,840,219)	
	Balance at the end of the year	191,518,715	6,697,236	53,705,101	37,448,319	19,589,897	91,485,062	7,012,500	2,857,500	410,314,330	520,677,051	
	Depreciation											
	Balance at the beginning	13,492,721	4,641,577	56,797,042	40,859,957	24,770,383	98,926,024	22,549,393	2,857,500	264,894,597	229,319,985	
	Depreciation for the year	6,227,410	500,168	5,168,762	4,103,872	2,891,233	14,869,740	2,567,782	-	36,328,967	49,616,149	
	Transfers	-	-	-	-	-	-	-	-	-	(40,633)	
	Written off During the year	-	-	(148,500)	(70,967)	-	(2,154,893)	-	-	(2,374,360)	(304,699)	
	Disposal during the year	-	-	(2,343,002)	(1,243,131)	(1,490,230)	(6,785,999)	(8,832,693)	-	(20,695,055)	(12,254,393)	
	Disposal of Subsidiary	-	-	(10,311,326)	(12,219,510)	(7,987,813)	(22,517,791)	(11,223,908)	-	(64,260,348)	(1,441,812)	
	Balance at the end of the year	19,720,131	5,141,745	49,162,976	31,430,221	18,183,573	82,337,081	5,060,574	2,857,500	213,893,801	264,894,597	
	W.D.V AS AT 31.03.2011	171,798,584	1,555,491	4,542,125	6,018,098	1,406,324	9,147,981	1,951,926	-	196,420,529		
	W.D.V AS AT 31.03.2010	178,025,994	2,055,659	13,962,834	17,684,650	3,142,604	27,675,939	13,234,774	-	255,782,454		

Note

17.1 The Land and Building owned by the Company, situated at 169 & 169 1/1 Colombo Road Negambo was revalued by Mr G.A. Gunawardene F.I.V., D.I.V. an Independent professional valuer on 31st January 2008 for Rs. 175,000,000/- based on Investment & Contractor's basis and the resultant surplus of Rs. 50,546,457/- thereon has been transferred to the revaluation reserve.

Notes to the Financial Statements

As at 31st March Owning Company	Location	Buildings Sq. Ft	Land in Extent	Net Book value	
				2011 Rs.	2010 Rs.

17 PROPERTY, PLANT & EQUIPMENT (Contd.)

17.2 The Land and Buildings of the Group consists of the following

Nation Lanka Finance PLC	Negambo	28,000	36.4 P	155,279,869	161,507,279
Nation Lanka Equities (Pvt) Ltd.	Ja-Ela	-	44.5 P	13,794,247	13,794,247
Millenium Housing Developers Ltd.	Kahapola (WP)	-	1R & 34.87 P	2,724,468	2,724,468
				171,798,584	178,025,994

As at 31st March	2011		Market Value	
	Company Rs.	Group Rs.	Company Rs.	Group Rs.

17.3 Land & Buildings

At Cost	-	16,518,715	-	16,518,715
At Valuation	155,279,869	155,279,869	156,000,000	156,000,000
	155,279,869	171,798,584	156,000,000	172,518,715

As at 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.

18 DEBENTURES

Balance at the beginning of the year	-	-	131,108,116	136,200,000
Redeemed during the year	-	-	(138,116)	(5,091,884)
Disposal of Subsidiary	-	-	(127,720,000)	-
Balance at the end of the year	-	-	3,250,000	131,108,116

19 BORROWINGS - MEDIUM & LONG TERM

Long Term Loans	19.1	932,340,925	286,616,356	984,647,189	424,639,252
Lease Creditors	19.2	-	6,198,280	-	6,722,987
Preference Shares	19.3	-	61,814,200	-	61,814,200
		932,340,925	354,628,836	984,647,189	493,176,439

19.1. Long Term Loans

Balance at the beginning of the year	767,169,943	226,164,030	1,054,948,725	582,832,721
Loans obtained/transferred during the year	484,682,778	751,345,850	484,682,778	751,345,850
Loans repaid during the year	(234,067,838)	(210,339,937)	(279,947,580)	(279,229,846)
	1,017,784,883	767,169,943	1,259,683,923	1,054,948,725
Adjustment due to disposal of Subsidiary	-	-	(117,621,475)	-
Loans Payable within 1 year	(85,443,958)	(480,553,587)	(157,415,259)	(630,309,473)
Loans Payable after 1 year	932,340,925	286,616,356	984,647,189	424,639,252

As at 31st March	Company		Group	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.

19 BORROWINGS - MEDIUM & LONG TERM (Contd.)

The following Bank Borrowings are included under Long Term Borrowings

Company Name	Lending Institution					Security
Nation Lanka Finance PLC	Central Bank	-	2,489,645	-	2,489,645	Unsecured
Asian Finance Ltd	DFCC Bank PLC	-	-	-	14,700,000	Mortgage over Land & Building
Asian Finance Ltd	Peoples Bank	-	-	-	133,426,014	Easy Payment & Land stock
Millennium Housing Ltd	DFCC Bank PLC	-	-	-	3,499,158	Mortgage over the lease hold rights of the properties owned by BOL.
Millennium Housing Developers Ltd	Peoples Bank	-	-	-	5,299,682	Mortgage over the lease hold rights of the properties owned by BOL.
Ceylinco Investment Corporation Ltd	Seylan Bank PLC	-	-	51,000,000	68,489,386	Mortgage over Land
		-	2,489,645	51,000,000	227,903,885	

As at 31st March	Total as at 2011 Rs.	Company Current Payables Rs.	1 - 5 years Payables Rs.	Total as at 2011 Rs.	Group Current Payables Rs.	1 - 5 years Payables Rs.
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19.2 Lease Creditors

Gross Liability	2,625,400	2,625,400	-	3,072,656	3,072,656	-
Finance Charges allocated to Future Periods	(198,128)	(198,128)	-	(211,422)	(211,422)	-
Net Liability	2,427,272	2,427,272	-	2,861,234	2,861,234	-

As at 31st March	Company		Group	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.

19.3 Preference Shares

6,181,420 - 2.5% Non Cumulative, Non Participating Redeemable				
Preference Shares - Redeemable on 31.3.2012	-	61,814,200	-	61,814,200
	-	61,814,200	-	61,814,200

Notes to the Financial Statements

As at 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
20 DEFERRED TAX LIABILITIES					
Balance at the beginning of the year		-	-	900,856	1,083,357
Provision/(Reversal) made during the year	6	-	-	(3,744,081)	(182,501)
Balance at the end of the year	20.1	-	-	(2,843,225)	900,856
20.1					
Deferred tax asset		-	-	(2,928,656)	-
Deferred tax liability		-	-	85,431	900,856
		-	-	(2,843,225)	900,856

As at 31st March	Company				Group			
	2011		2010		2011		2010	
	Temporary Difference Rs.	Tax Effects Rs.	Temporary Difference Rs.	Tax Effects Rs.	Temporary Difference Rs.	Tax Effects Rs.	Temporary Difference Rs.	Tax Effects Rs.
20.2 Deferred Tax Asset								
Taxable temporary differences	39,765,479	11,134,334	462,970,184	162,039,564	42,130,252	11,796,471	467,430,179	163,600,562
Deductible temporary differences	18,952,142	5,306,600	(28,667,880)	(10,033,758)	6,127,882	1,715,807	(39,331,215)	(13,765,925)
Tax Losses	(1,430,845,693)	(400,636,794)	(1,243,188,472)	(435,115,965)	(1,700,808,626)	(476,226,415)	(1,893,970,835)	(662,889,792)
	(1,372,128,072)	(384,195,860)	(808,886,168)	(283,110,159)	(1,652,550,492)	(462,714,137)	(1,465,871,871)	(513,055,155)

Except for Nation Lanka Equities (Pvt) Ltd, the deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the company/group can utilise the benefits therefrom.

As at 31st March	Notes	Company		Group	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
21 AMOUNTS DUE TO SUBSIDIARIES					
Ceylinco Towers Ltd.		1,260,256	1,288,701	-	-
		1,260,256	1,288,701	-	-

22 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

22.1 Provision For Defined Benefit Obligations (Net)					
	Notes	2011	2010	2011	2010
Present Value of Defined benefit Obligations	22.2	30,207,100	15,783,571	53,426,004	71,200,797
Plan Assets	22.3	(47,907,044)	(44,451,451)	(47,907,044)	(44,451,451)
Provision for Defined Benefit Obligations		(17,699,944)	(28,667,880)	5,518,960	26,749,346

22.2 Movement in the Present Value of Defined Benefit Obligations

Balance as at 1st April		15,783,571	18,277,882	71,200,797	78,433,412
Staff transfers		-	-	-	210,000
Current Service Cost		2,369,884	1,869,484	2,369,884	1,869,484
Interest Cost		1,815,345	2,417,683	1,815,345	2,417,683
Provision made during the year		-	-	10,544,943	3,173,918
Transferred from Gratuity Trust Fund		2,668,199	6,781,478	2,668,199	6,781,478
Unrecognized Actuarial Loss		12,906,499	-	12,906,499	-
Transferred to Gratuity Trust Fund		(2,668,199)	(6,781,478)	(2,668,199)	(6,781,478)
Payment made (including benefits paid by the plan)		(2,668,199)	(6,781,478)	(11,373,047)	(14,313,868)
Disposal of Subsidiary		-	-	(34,038,417)	(589,832)
Balance as at 31st March		30,207,100	15,783,571	53,426,004	71,200,797

As at 31st March	Company		Group	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.

22 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY (Contd.)

22.3 Movement In Plan Assets

Balance as at 1st April	44,451,451	38,203,150	44,451,451	38,203,150
Expected return on Plan Assets	4,096,149	4,177,489	4,096,149	4,177,489
Contribution paid into Plan	2,668,199	6,781,478	2,668,199	6,781,478
Benefits paid by the Plan	(2,668,199)	(6,781,478)	(2,668,199)	(6,781,478)
Unrecognized Actuarial Gain on Plan Assets	(640,556)	2,070,812	(640,556)	2,070,812
Balance as at 31st March	47,907,044	44,451,451	47,907,044	44,451,451

22.4 Unrecognized Actuarial (Gain) or Loss

Balance as at 1st April	-	-	-	-
Actuarial (Gain)/ Loss for year - Obligation	12,906,499	-	12,906,499	-
Actuarial (Gain)/ Loss for year - Plan Assets	640,556	(2,070,812)	640,556	(2,070,812)
Recognized in the income statement	(13,547,055)	2,070,812	(13,547,055)	2,070,812
Balance as at 31st March	-	-	-	-

22.5 Amount Recognized in the Income Statement

Current Service Cost	2,369,884	1,869,484	2,369,884	1,869,484
Interest Cost	1,815,345	2,417,683	1,815,345	2,417,683
Expected Return on Plan Assets	(4,096,149)	(4,177,489)	(4,096,149)	(4,177,489)
Actuarial (Gain)/ Losses Recognized in the Income Statement	13,547,055	(2,070,812)	13,547,055	(2,070,812)
Provision made during the year as per previous policy	-	-	10,544,943	3,173,918
	13,636,135	(1,961,134)	24,181,078	1,212,784

23 THE FOLLOWING BANK BORROWINGS AND PREFERENCE SHARES ARE INCLUDED UNDER SHORT TERM BORROWINGS

Bank Borrowings

Company	Lending Institution	Security				
Nation Lanka Finance PLC	Central Bank	Unsecured	700,622	-	700,622	-
Nation Lanka Finance PLC	Matara District Co-operative Rural					
	Bank Union Ltd	Mortgage over Land	108,050,527	148,221,707	108,050,527	148,221,707
Nation Lanka Finance PLC	National Savings Bank	Fixed Deposit	-	36,993,205	-	36,993,205
Nation Lanka Finance PLC	Seylan Bank PLC	Mortgage over Land	20,903,947	-	20,903,947	-
			129,655,096	185,214,912	129,655,096	185,214,912

Preference Shares

Company	Rate %	Redeemable on				
Nation Lanka Finance PLC	2.5	31.03.2012	61,814,200	-	61,814,200	-
Asian Finance Ltd	14-14.5	31.03.2010	-	-	-	50,000,000
			61,814,200	-	61,814,200	50,000,000

As at 31st March	2011 Rs.	2010 Rs.
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24 STATED CAPITAL

Balance as at 1st April	- 39,972,100 Shares	518,335,960	278,503,360
Shares Issued during the year - Private Placement (100,000,000 Shares)		500,000,000	-
	- Rights Issue (19,986,050 Shares)	-	239,832,600
Balance as at 31st March	- 139,972,100 Shares	1,018,335,960	518,335,960

Notes to the Financial Statements

As at 31st March	Upto 3 months Rs	3 to 12 months Rs	1 to 3 years Rs	More than 3 years Rs	2011 Total Rs
25 MATURITY ANALYSIS OF THE ASSETS & LIABILITIES OF THE GROUP					
Assets					
Interest Earning Assets					
Short Term Investments	55,150,883	2,395,078	-	-	57,545,961
Lending Against Government Securities	572,230,081	-	-	-	572,230,081
Loans & Pawning	71,930,624	220,572,117	87,406,281	-	379,909,022
Finance Leases	46,717,974	15,550,685	23,219,515	-	85,488,174
Hire Purchase	66,616,028	124,722,084	142,229,462	747,358	334,314,932
Non Interest Earning Assets					
Cash & Bank Balances	80,127,504	-	-	-	80,127,504
Debtors, Receivables, Deposits, Advances & Prepayments	462,352,074	321,712,525	52,878,406	2,548,764	839,491,769
Investment in Securities	5,833,920	88,265,698	3,832,766	25,872,168	123,804,552
Investment in Real Estate & Housing	36,051,528	597,401,947	121,071,950	-	754,525,425
Investment Property	-	80,000,000	48,000,000	31,329,083	159,329,083
Property, Plant & Equipment	76,001	2,817,316	31,686,018	161,841,194	196,420,529
Total	1,397,086,617	1,453,437,450	510,324,398	222,338,567	3,583,187,032
Liabilities & Shareholders Funds					
Interest Bearing Liabilities					
Bank Overdraft	91,641,195	-	-	-	91,641,195
Redeemable Preference Shares	-	61,814,200	-	-	61,814,200
Borrowings	591,914,136	1,022,882,914	521,726,726	466,170,463	2,602,694,239
Non Interest Bearing Liabilities					
Provision for Retirement Gratuity	-	-	-	5,518,960	5,518,960
Creditors & Payables	282,624,758	383,816,899	33,199,519	11,326,057	710,967,233
Dividends Payable	4,957,747	-	-	-	4,957,747
Shareholders' Funds	-	-	-	(71,247,189)	(71,247,189)
Minority Interest	-	-	-	176,840,647	176,840,647
Total	971,137,836	1,468,514,013	554,926,245	588,608,938	3,583,187,032

26 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the balance sheet date which require adjustment to or disclosure in the Financial Statements.

27 CAPITAL COMMITMENTS

There were no material capital commitments as at the balance sheet date.

28 CONTINGENT LIABILITIES

Letters of Guarantees given by the group as at the balance sheet date amounted to Rs. 20 Million.

The Department of Inland Revenue has issued an income tax assessment to the Company for the year of assessment 2006/07 amounting to Rs 30,260,952/-. The issue is under appellat procedure.

M/s Gold Lada Ltd and or Mr D R Senanayake have filed the following three cases against several defendants including Nation Lanka Finance PLC. The Lawyers are of the opinion that the outcome of or the possible liability of any of these cases cannot be assessed at this stage.

- (a) HC (Civil) 243 / 2002 (1)
- (b) CHC / 232 / 2002 (1)
- (c) CHC / 320 / 2002 (1)

Lanka Orix Leasing Company PLC has filed the following two cases against Ceylinco Investment Corporation Ltd. The Lawyers are of the opinion that the outcome or the possible liability of any of these cases cannot be assessed at this stage.

a) HCC/654/09/MB

This loan was settled on 1st of August 2011 and the company was informed by Lanka Orix Leasing Co. PLC that they will take steps to withdraw the case filed against Ceylinco Investment Corporation Ltd.

b) HCC/656/09/MB

29 COMPARATIVE INFORMATION

Comparative figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

30 ASSETS PLEDGED BY THE GROUP

The following assets have been pledged as securities as at 31st March 2011 for liabilities such as Term Loans and Bank Overdraft facilities.

Nature of Asset	Cost Rs.
Land & Buildings	451,700,000
Fixed Deposits	16,725,328
	<hr/> 468,425,328 <hr/>

31 RELATED PARTY TRANSACTIONS

Mr N B S B Balalle (Resigned w.e.f. 11th March 2011), Mr W G B M Ranaweera (Resigned w.e.f. 11th March 2011), Mr W B B C J Fernando, Mr C K Gamage (Resigned w.e.f. 11th March 2011), Mr S N Jayasinghe (Resigned w.e.f. 11th March 2011), Mr V J Alahendra (Resigned w.e.f. 11th March 2011), Mr W T Weerasooriya (Resigned w.e.f. 11th March 2011), Mr H C De Z Sahabandu, Mr U H Palihakkara, Mr H K J Dharmadasa (Appointed w.e.f. 11th March 2011), Mr U H Dharmadasa (Appointed w.e.f. 11th March 2011), Mr A C Senaviratne (Appointed w.e.f. 11th March 2011), Mr J Rudra (Appointed w.e.f. 11th March 2011), Mr P L K Karunarathne (Appointed w.e.f. 11th March 2011) & Mr H A Wehalle (Resigned w.e.f. 11th March 2011) who are directors of the company as at 31st March 2011 (or served as a Board Director during the year) have an interest in all or some of the transactions referred to in Note 31.1 - 31.3 to these Financial Statements.

The name of the company, the Directors and their relationship, the nature of transactions and the balance outstanding as at 31st March 2011 are as follows.

Notes to the Financial Statements

31.1 Transactions with/between subsidiaries

Name of the related party	Director	Relationship	Nature of Transaction	Value Rs. 000'	Net Outstanding as at 31.03.2011 Rs. 000'
Nation Lanka Equities (Pvt) Ltd	Mr W G B M Ranaweera	Director	Services rendered	1,301	
	Mr S N Jayasinghe	Director	Expense reimbursements	5,300	
	Mr W B B C J Fernando	Director	Dividends Received	7,304	
	Mr H C De Soya Sahabandu	Director	Receipts on Receivables	(102,061)	
			Loans Granted	72,500	
			Loan interest	1,084	
		Salaries	1,887		3,651
Millennium Housing Developers Ltd	Mr W G B M Ranaweera	Director	Services rendered	2,120	
	Mr W B B C J Fernando	Director	Loan interest	345	
	Mr U H Palihakkara	Director	Rent	977	
	Mr H C De Soya Sahabandu	Director	Receipts on Receivables	(1,896)	
	Mr H K J Darmadasa	Director	Provision for Bad & Doubtful Debts	(7,418)	
	Mr U H Darmadasa	Director			
	Mr A C Senaviratne	Director			
	Mr J Rudra	Director			
Mr P M L K Karunarathna	Director				51,629
First Lanka Treasuries Ltd	Mr W G B M Ranaweera	Director	Services rendered	63	
	Mr W B B C J Fernando	Director	Loan Granted	7,150	
			Loan Interest	350	
			Sale of Land	7,923	
			Loan Interest	541	
			Receipts on Receivables	(7,691)	
			Provision for Bad & Doubtful Debts	(10,984)	
					28,435
Ceylinco Towers Ltd	Mr W G B M Ranaweera	Director	Expenses reimbursed	(28)	
	Mr C K Gamage	Director			
	Mr S N Jayasinghe	Director			
	Mr V J Alahendra	Director			
					(1,260)
Millennium Villa Housing Development Ltd	Mr W G B M Ranaweera	Director	Provision for Bad & Doubtful Debts	(424)	
					432
Ceylinco Housing Corporation Ltd	Mr W G B M Ranaweera	Director	Provision for Bad & Doubtful Debts	(106)	
					106
Millennium Housing Ltd	Mr W G B M Ranaweera	Director	Provision for Bad & Doubtful Debts	(243)	
					252
Ceylinco Investment Corporation Ltd	Mr W G B M Ranaweera	Director	Real Estate Property Transferred	(21,306)	
	Mr S N Jayasinghe	Director	Services rendered	1,162	
			Receipts on Receivables	(895)	
			Provision for Bad & Doubtful Debts	(46,400)	
					83,997
Ceylinco Construction Co. Ltd	Mr W G B M Ranaweera	Director	Provision for Bad & Doubtful Debts	(831)	
	Mr C K Gamage	Director			
					831

31.2 Transactions with/between other Related Parties

Name of the related party	Director	Relationship	Nature of Transaction	Value Rs. 000'	Net Outstanding as at 31.03.2011 Rs. 000'
Asian Finance Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando Mr C K Gamage	Director Director Director	Services rendered	169	4,118
			Receipts on Receivables	(910)	
			Loan interest	145	
			Provision for Bad & Doubtful Debts	(3,868)	
Ceylinco Foliage Export (Pvt) Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando	Director Director	Loan Interest	897	76,486
			Provision for Bad & Doubtful Debts	(74,404)	
Tropical Foliage Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando Mr C K Gamage	Director Director Director	Services rendered	26	60,808
			Loan Interest	1,048	
			Expense reimbursed	7	
			Receipts on Receivables	(124)	
			Loan Capital	4,384	
			Loan Interest	5,181	
Provision for Bad & Doubtful Debts	(18,186)				
Ceylinco Bio Tech Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando	Director Director	Expense reimbursed	845	59,431
			Loan Interest	6,714	
			Provision for Bad & Doubtful Debts	(43,279)	
Ceylinco Selna Ltd	Mr W G B M Ranaweera Mr C K Gamage	Director Director	Receipts on Receivables	(6)	80,012
			Loan Interest	6,569	
			Reimbursement	1,731	
			Provision for Bad & Doubtful Debts	(65,165)	
Selna Residencies Ltd	Mr W G B M Ranaweera Mr C K Gamage	Director Director	Provision for Bad & Doubtful Debts	(86)	86
Ceylinco Asset Management Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando Mr S N Jayasinghe	Director Director Director	Loan repaid	44,223	169,020
			Receipts on Receivables	(205)	
			Provision for Bad & Doubtful Debts	(144,627)	
Peoples Realty Ltd	Mr W G B M Ranaweera	Director	Services rendered	33	18,544
			Receipts on Receivables	(32)	
			Loan Interest	1,091	
			Provision for Bad & Doubtful Debts	(15,930)	
Asian Leasing Corporation Ltd	Mr W G B M Ranaweera	Director	Loan Interest Paid	(28)	61,054
			Receipts on Receivables	(1,443)	
			Inter company loans	(1,651)	
			Loan Interest	11	
			Provision for Bad & Doubtful Debts	(61,054)	
AFL Development Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando Mr C K Gamage	Director Director Director	Services rendered	21	4,427
			Loan Interest	(251)	
			Provision for Bad & Doubtful Debts	(4,427)	
Blue Diamond Jewellery Worldwide PLC	Mr W G B M Ranaweera	Director	Services rendered	25	1,913
			Receipts on Receivables	(1,514)	
			Debenture interest receivables	1,250	
			Provision for Bad & Doubtful Debts	(1,763)	
Ceylinco Securities & Financial Services Employees Gratuity Trust	Mr W G B M Ranaweera Mr W B B C J Fernando Mr C K Gamage Mr S N Jayasinghe	Trustee Trustee Trustee Trustee	Expense reimbursed	21	36,445
			Loan Interest	(947)	
			Movement in Plan Assets	3,455	

Notes to the Financial Statements

31.3 Subsidiary Transactions with/between other Related Parties

Name of the related party	Director	Relationship	Nature of Transaction	Value Rs. 000'
Millennium Housing Developers Ltd. with				
Ceylinco Housing Corporation Ltd.	Mr W G B M Ranaweera	Director	Purchases of Goods & Services	39
Millennium Housing Ltd.	Mr W G B M Ranaweera	Director	Purchases of Goods & Services Expenses Incurred/Recovered - Net Fund Transfers	6,331 12,302 (12,140)
Millennium Villa Housing Development Ltd.	Mr W G B M Ranaweera	Director	Purchases of Goods & Services Expenses Incurred/Recovered - Net Fund Transfers	3,088 2,130 (1,200)
Ceylinco Construction Company Ltd.	Mr W G B M Ranaweera	Director	Purchases of Goods & Services Expenses Incurred/Recovered - Net	65 (64)
Millennium Villa Housing Development Ltd. with				
Millennium Housing Ltd	Mr W G B M Ranaweera	Director	Purchases of Goods & Services Expenses Incurred/Recovered - Net Fund Transfers	1,093 (2,820) 500
First Lanka Tresuries Ltd with				
Ceylinco Selna Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando	Director Director	Interest Received/Receivable	2,635
Peoples Realty Ltd	Mr W G B M Ranaweera	Director	Interest Received/Receivable	976
Asian Finance Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando	Director Director	Interest Received/Receivable Loan Settlements	3,163 12,088
Tropical Foliage Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando	Director Director	Interest Received/Receivable	7,184
Ceylinco Foliage Export (Pvt) Ltd	Mr W G B M Ranaweera Mr W B B C J Fernando	Director Director	Interest Received/Receivable	1,293

31.4 Transactions With Key Management Personnel

According to the Sri Lanka Accounting Standard 30 'Related Party Disclosures, Key Management Personnel are those having responsibility for planning directing and controlling the activities of the entity. Accordingly, the Board of Directors (Including Non Executive and Executive Directors) has been classified as Key Management Personnel.

Immediate family members are defined as spouse or dependent. Dependent is defined as anyone who depends on the respective key Management Personnel for more than 50% of his/her financial needs.

31.5 Compensation to Key Management Personnel (KMP)

As at 31st March	Company		Group	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Short Term Employment Benefits	19,300,746	18,678,247	43,549,493	35,785,270
Credit Facilities to KMP	-	-	-	-
Credit Facilities to immediate family Members of KMP	-	-	-	-

32 GOING CONCERN

a Company

The company has incurred a loss of Rs 320,854,202/- during the year ended 31st March 2011 and the accumulated loss as at that date is Rs 1,101,025,479/-. These factors raise doubts whether the Company will be able to continue as a going concern in the future. The Board of Directors has taken following mitigating actions to ensure that the company is able to continue as a going concern.

- 1 The Company had a successful Private Placement of 100 million Shares to the value of Rs. 500 million to a Consortium of strategic investors led by Investor Access Equities (Pvt) Ltd in March 2011. Subsequent to this, the Company had also issued shares through a rights issue and mobilized approximately Rs. 300 million in April 2011.
- 2 Asian Finance Limited ceased to be a subsidiary of the company due to the change of the ownership of the said company and with this transaction, there was a substantial positive impact to the group reserves.
- 3 The Company was able to recover substantial amounts due from related parties subsequent to the balance sheet date and certain sales arrangements have been already made for properties under primary mortgage owned by related companies to recover the dues and also for certain properties owned by the company.
- 4 The management under new ownership has given much emphasis on collection and recoveries of non performing advances.
- 5 Nation Lanka Equities (Pvt) Ltd., a Subsidiary of the Company is expected to perform significantly better in the near future.
- 6 Business in housing industry has shown an improvement since early 2011, and therefore a significant contribution to the company's profitability is expected through this positive impact to its subsidiary namely Millennium Housing Developers Ltd during the financial year 2011/12.

b Group

The Group has incurred a loss of Rs 348,435,369/- during the year ended 31st March 2011 and the accumulated loss as at that date is Rs 1,231,434,549/- and the total liability exceed total assets by Rs. 71,247,189/- as at the balance sheet date. Further as disclosed below, some of the subsidiaries of the Group have reported either continuous losses and are facing difficulties or have ceased operations. These factors raise doubts whether the Group will be able to continue as a going concern in the future.

1 Ceylinco Construction Company Limited, Subsidiary

The company has incurred a loss of Rs 3,928/- for the year ended 31st March 2011 and total liabilities exceed its total assets by Rs 17,648,258/- as at that date. These factors raise substantial doubt that the company will be able to continue as a going concern. However, no adjustments have been made to the recorded amounts and classification of liabilities in the financial statements.

Notes to the Financial Statements

2 First Lanka Treasuries Limited, Subsidiary

The company has incurred a loss of Rs 10,701,849/- during the year ended 31st March 2011 and as of that date, the Company's total liabilities exceeded its total assets by Rs 120,640,982/-. These factors raise substantial doubt that the company will be able to continue as a going concern. However, no adjustments have been made to the recorded amounts and classification of liabilities in the financial statements

3 Ceylinco Housing Corporation Limited, Subsidiary

The company has not carried out its business operations during last five years in view of the Government's acquisition of the main project site at Piliyandala. This raises substantial doubt that the company will be able to continue as a going concern. However no adjustments have been made to the recorded amounts and classification of liabilities in the financial statements.

4 Ceylinco Investment Corporation Limited, Subsidiary

The company has incurred a loss of Rs 16,163,770/- and its total liabilities exceed its total assets by Rs 187,704,171/- as at that date. Further there are material amount of deposits and bank loans which are in arrears for more than one year after the maturity. These factors raise substantial doubt that the company will be able to continue as a going concern for a foreseeable future. However the financial statements have been prepared on a going concern basis without making adjustment that may be required to the recorded assets amounts and classification of liabilities. The company is seeking favourable developments in the real estate market to enhance its profitability.

5 Ceylinco Investment Corporation

The Company incurred a net loss of Rs 16,163,770/- during the year ended 31st March 2011 and as of that date, its accumulated loss amounted to Rs 193,704,771 and its current liabilities exceeded its current assets by Rs 137,276,441/- and its total liabilities exceeded its total assets by Rs 187,704,171/- Further the Bank Loans obtained and borrowings are in arrears for more than two years after the maturity. This raises substantial doubt that the company will be able to continue as a going concern. However no adjustments have been made to the recorded amounts and classification of liabilities in the financial statements.

The Board of Directors has taken following mitigating actions to ensure that the Group is able to continue as a going concern.

- a The Company had a successful Private Placement of 100 million Shares to the value of Rs. 500 million to a Consortium of strategic investors led by Investor Access Equities (Pvt) Ltd in March 2011. Subsequent to this, the Company had also issued shares through a rights issue and mobilized approximately Rs. 300 million in April 2011.
- b Asian Finance Limited ceased to be a subsidiary due to the change of the ownership of the said company and with this transaction, there was a substantial positive impact to the group reserves.
- c The Company was able to recover substantial amounts due from related parties subsequent to the balance sheet date and certain sales arrangements have been already made for properties under primary mortgage owned by related companies to recover the dues and also for certain properties owned by the company.
- d The management under new ownership has given much emphasis on collection and recoveries of non performing advances.
- e Nation Lanka Equities (Pvt) Ltd, a Subsidiary of the Company is expected to perform significantly better in the near future.
- f Business in housing industry has shown an improvement since early 2011, and therefore a significant contribution to the company's profitability is expected through this positive impact to its subsidiary namely Millennium Housing Developers Ltd during the financial year 2011/12.

	Lending		Property Development		Services		Others		Group Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>For the year ended 31st March</i>										
33 SEGMENT INFORMATION										
Total Revenue	476,206,450	866,686,751	652,339,262	706,068,953	271,731,026	120,207,976	33,458,825	45,983,743	1,433,735,563	1,738,947,423
Inter Segment	(1,434,957)	(1,679,017)	(7,922,750)	-	(3,561,963)	(5,027,096)	(7,958,983)	(4,408,500)	(20,878,653)	(11,114,613)
Segment Revenue (Net)	474,771,493	865,007,734	644,416,512	706,068,953	268,169,063	115,180,880	25,499,842	41,575,243	1,412,856,910	1,727,832,810
Segment Income	483,956,265	795,101,585	129,213,481	131,581,513	232,798,432	111,274,689	91,982,369	(27,304,783)	937,950,547	1,010,653,004
Segment Expenses										
Depreciation	(10,051,292)	(13,020,105)	(10,745,323)	(15,329,183)	(3,724,121)	(3,853,811)	(11,808,231)	(17,413,050)	(36,328,967)	(49,616,149)
Other Operating Expenses	(866,951,456)	(584,023,566)	(296,614,154)	(471,314,743)	(161,310,007)	(83,025,488)	(196,912,735)	(374,403,199)	(1,021,788,352)	(1,512,766,996)
Operating Profit/(Loss)	106,953,517	198,057,914	(178,145,996)	(355,062,413)	67,764,304	24,395,390	(116,738,597)	(419,121,032)	(120,166,772)	(551,730,141)
Reversal/(Provision) For Fall in Value of Investments	-	-	2,250,000	-	-	-	20,590,104	(38,215,876)	22,840,104	(38,215,876)
Provision for Obsolete Stocks (Provision)/Reversal for Bad & Doubtful Debts	-	-	(16,953,439)	(940,000)	-	-	-	-	(16,953,439)	(940,000)
Income Tax	(22,583,561)	(209,405,732)	15,448,091	(13,473,653)	(7,920,789)	(2,868,960)	(182,651,490)	(238,545,976)	(197,707,749)	(464,294,321)
Minority Interest	84,369,956	(11,347,818)	(177,401,344)	(369,476,066)	59,843,515	21,526,430	(278,799,983)	(695,882,884)	(311,987,856)	(1,055,180,338)
Segment Result After Tax	(3,037,543)	40,801	599,285	(526,651)	(33,670,451)	(9,673,956)	(338,804)	(5,912,617)	(36,447,513)	(16,072,423)
	-	-	-	-	-	-	(15,978,576)	12,024,100	(15,978,576)	12,024,100
Segment Result After Tax	81,332,413	(11,307,017)	(176,802,059)	(370,002,717)	26,173,064	11,852,474	(295,117,363)	(689,771,401)	(364,413,945)	(1,059,228,661)
Segment Assets	1,265,532,306	2,474,659,153	1,687,569,384	2,316,531,446	520,085,851	192,392,624	109,999,491	1,191,836,220	3,583,187,032	6,175,419,443
Segment Liabilities	1,178,324,897	1,133,302,904	1,296,314,331	1,044,704,098	420,942,278	187,940,691	582,012,068	4,284,565,604	3,477,593,574	6,650,513,297

Value Added Statement

For the year ended 31st March	Company		Group	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Value Added				
Value Added Income earned by				
Key Business Activities	289,415	450,880	845,968	1,037,958
Cost of Services bought from outside	(342,227)	(609,086)	(800,185)	(1,287,669)
	(52,812)	(158,206)	45,783	(249,711)
Other Income	70,206	(74,792)	91,982	(27,305)
Provision for Leases, Loans & Advances	(219,888)	(340,246)	(197,708)	(464,294)
Provision for Obsolete Stocks	(16,953)	(940)	(16,953)	(940)
Reversal/(Provision) for fall in value of Investments	14,439	(40,300)	22,840	(38,216)
	(205,008)	(614,484)	(54,056)	(780,466)

For the year ended 31st March	Company				Group			
	2011 Rs. '000	%	2010 Rs. '000	%	2011 Rs. '000	%	2010 Rs. '000	%
Distribution of Value Added								
To Employees	94,531	(46)	94,827	(15)	221,603	(410)	225,099	(29)
To Providers of Capital								
Minority Interest	-	-	-	-	15,979	(30)	(12,024)	2
To Government revenue								
Income Tax	339	-	299	-	36,447	(67)	16,072	(2)
To Expansion & Growth								
Retained Income	(320,854)	156	(734,519)	119	(364,414)	674	(1,059,229)	135
Depreciation	20,976	(10)	24,909	(4)	36,329	(67)	49,616	(6)
	(205,008)	100	(614,484)	100	(54,056)	100	(780,466)	100

As at 31st March	2011	2010	Change %
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Key Performance Indicators - Group

Return on Total Assets (%)	(9.72)	(17.34)	(43.95)
Net Asset / (Liability) Per Share (Rs.)	(0.51)	(15.30)	(96.67)
Basic Loss Per Share (Rs.)	(8.02)	(42.89)	(81.31)
Dividend Per Share (Rs.)	-	-	-
Market Value of a Share (Rs.)	11.10	13.00	(14.42)
Price Earnings (Times)	(1.38)	(0.30)	(360.00)

Ten Year Summary - Group

<i>For the Year ended 31st March</i>	2011 (Rs.000)	2010 (Rs.000)	2009 (Rs.000)	2008 (Rs.000)	2007 (Rs.000)	2006 (Rs.000)	2005 (Rs.000)	2004 (Rs.000)	2003 (Rs.000)	2002 (Rs.000)
Income Statement										
Revenue	1,412,857	1,727,833	3,118,259	3,837,256	4,064,492	3,664,970	3,501,609	2,961,335	2,197,333	2,248,805
Profit/(Loss) before provision & taxation & share of Associate Co.Profit/(loss)	(120,167)	(551,730)	(639,168)	17,589	178,178	258,848	183,645	193,399	139,017	63,895
Provision for Diminution in value of share	22,840	(38,216)	(62,959)	52,479	(13,673)	(22,029)	(9,684)	(23,188)	(14,674)	6,825
Extraordinary Items/(Provisions)	(214,661)	(465,234)	(253,484)	(34,008)	24,886	(15,136)	(41,041)	(62,922)	(47,455)	(28,173)
Profit/(Loss) before taxation & Associated Profit/(Loss)	(311,988)	(1,055,180)	(955,611)	36,060	189,391	221,683	132,920	107,289	76,888	42,547
Share of Associate co.Profit/(loss)	-	-	-	-	-	-	-	-	-	30
Profit/(Loss) before taxation	(311,988)	(1,055,180)	(955,611)	36,060	189,391	221,683	132,920	107,289	76,888	42,577
Income Tax Expenses	(36,447)	(16,073)	(5,536)	(20,568)	(32,979)	(30,844)	(16,181)	(2,581)	(381)	(208)
Profit/(Loss) after Taxation	(348,435)	(1,071,253)	(961,147)	15,492	156,412	190,839	116,739	104,708	76,507	42,369
Minority Interest	(15,979)	12,024	50,929	(3,182)	344	(26,750)	(23,128)	(30,782)	(26,083)	(17,661)
Profit/(Loss) Attributable to Share Holders	(364,414)	(1,059,229)	(910,218)	12,310	156,756	164,089	93,611	73,926	50,424	24,708
Retained Profit/(Loss) Brought Forward	(1,333,645)	(293,379)	504,788	469,727	352,455	192,778	130,526	85,390	45,335	24,443
Effects due to changes in accounting policy	-	-	38,757	-	-	-	-	-	-	-
Profit Available for Appropriation	(1,698,059)	(1,352,608)	(366,673)	482,037	509,211	356,867	224,137	159,316	95,759	49,151
Appropriations										
Transfer to Reserves/Adjustments	466,624	18,963	73,294	24,295	(9,309)	24,260	(2,101)	(13,942)	(8,824)	(2,271)
Preference Dividends	-	-	-	(1,545)	(2,494)	(9,154)	(7,763)	(2,856)	(1,545)	(1,545)
Ordinary Dividends	-	-	-	-	(27,681)	(19,518)	(21,495)	(11,992)	-	-
Retained Profit/(Loss) Carried Forward	(1,231,435)	(1,333,645)	(293,379)	504,787	469,727	352,455	192,778	130,526	85,390	45,335
Basic Earnings/(Loss) per Share	(8.02)	(42.89)	(45.54)	0.54	7.72	7.75	4.29	3.56	2.45	1.16
Dividends per Share	-	-	-	-	1.00	0.85	0.75	0.60	-	-
As at 31st March,										
	2011 (Rs.000)	2010 (Rs.000)	2009 (Rs.000)	2008 (Rs.000)	2007 (Rs.000)	2006 (Rs.000)	2005 (Rs.000)	2004 (Rs.000)	2003 (Rs.000)	2002 (Rs.000)
Balance Sheet										
Assets										
Goodwill on Consolidation	-	-	-	-	-	277	4,438	8,292	12,453	14,603
Property ,Plant & Equipments	196,421	255,782	303,784	569,905	866,253	576,282	347,651	222,545	163,172	116,165
Long Term Investments	123,785	193,087	314,591	455,676	480,800	439,071	441,988	447,405	401,272	340,817
Non Current Assets	732,663	2,822,918	1,514,423	3,052,661	3,084,165	2,238,912	2,520,662	2,011,856	1,850,917	1,555,033
Net Current Assets/(Liabilities)	40,622	(2,643,197)	(1,364,824)	(1,383,467)	(1,468,906)	31,922	(1,166,705)	138,025	(147,886)	(78,855)
Total Asset less Current Liabilities	1,093,491	628,590	767,974	2,694,775	2,962,312	3,286,464	2,148,034	2,828,123	2,279,928	1,947,763
Non Current Liabilities	(987,897)	(1,103,684)	(484,912)	(1,494,297)	(1,739,841)	(2,176,414)	(1,294,156)	(2,094,693)	(1,639,990)	(1,366,834)
	105,594	(475,094)	283,062	1,200,478	1,222,471	1,110,050	853,878	733,430	639,938	580,929
Financed by										
Stated Capital/Ordinary shares	1,018,336	518,336	278,503	278,503	199,861	199,861	199,861	199,861	199,861	199,861
Preference shares	-	-	-	61,814	61,814	61,814	61,814	61,814	61,814	61,814
Share Premium	-	-	-	-	78,643	79,162	87,538	86,957	86,957	86,585
Reserves	(1,089,583)	(1,130,039)	(89,774)	708,394	687,064	530,041	324,437	248,512	189,194	139,346
Minority Interest	176,841	136,609	94,333	151,767	195,089	239,172	180,228	136,286	102,112	93,323
	105,594	(475,094)	283,062	1,200,478	1,222,471	1,110,050	853,878	733,430	639,938	580,929
Net Assets/(Liability) per Share		(15.30)	9.44	49.38	48.31	40.48	30.61	26.79	23.82	21.30

Shareholder & Investor Information

1 TWENTY LARGEST SHAREHOLDERS

	NAME	NO OF SHARES AS AT 31/03/11	%	NO OF SHARES AS AT 31/03/10	%
1	Investor Access Equities (Pvt) Ltd	70,000,000	50.01	-	-
2	Mr J Rudra	16,000,000	11.43	3,300	0.01
3	Nawaloka Construction Company (Pvt) Ltd	14,000,000	10.00	-	-
4	AFL Development Ltd	3,468,300	2.48	3,468,300	8.68
5	Ceylinco Securities Share Ownership Trust (Pvt) Ltd	2,475,600	1.77	2,475,600	6.19
6	Mr W G B M Ranaweera	1,750,000	1.25	1,750,000	4.38
7	Mr W P A S Perera	1,638,000	1.17	3,392,400	8.49
8	Pan Asia Banking Corporation PLC/Mr M N Ranasinghe	1,626,700	1.16	1,132,000	2.83
9	Pan Asia Banking Corporation PLC/Mr H H A Chandrasiri	1,250,000	0.89	10,500	0.03
10	Pan Asia Banking Corporation PLC/Mr R E Rambukwelle	550,000	0.39	120,000	0.30
11	Mr H R S Wijeratne	527,500	0.38	-	-
12	The Finance Company PLC	516,000	0.37	516,000	1.29
13	Mr M De Saram	505,200	0.36	505,200	1.26
14	S & L Investments (Pvt) Ltd	500,000	0.36	500,000	1.25
15	Devi Holding (Pvt) Ltd	500,000	0.36	-	-
16	Mr D N Madawala	425,000	0.30	212,900	0.53
17	Mr M T T Al-Nakib	350,000	0.25	10,000	0.03
18	Mr L M S H Al-Naqib	300,000	0.21	-	-
19	Pan Asia Banking Corporation PLC / Mr B R Fernando	270,000	0.19	-	-
20	Pan Asia Banking Corporation PLC/Mr K H K H Perera	254,154	0.18	180,054	0.45
	Total	116,906,454	83.52	14,276,254	35.72

2 STOCK EXCHANGE LISTING

Nation Lanka Finance PLC is a Public Quoted Company. Its issued ordinary shares were listed with the Colombo Stock Exchange on 31st June 1994.

3 DISTRIBUTION OF SHAREHOLDINGS - 31st March 2011

Value Band	Resident			Non – Resident			Total		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
1 - 1,000	11,854	2,143,328	1.53	19	9,500	0	11,873	2,152,828	1.53
1,001 - 5,000	1101	2,780,379	2	6	14,700	0.01	1,107	2,795,079	2.01
5,001 - 10,000	272	2,205,716	1.58	0	0	0	272	2,205,716	1.58
10,001 - 50,000	292	6,750,565	4.82	8	222,100	0.16	300	6,972,665	4.98
50,001 - 100,000	62	4,519,376	3.16	1	100,000	0.07	63	4,570,376	3.23
100,001 - 500,000	35	6,985,536	5	3	822,800	0.59	38	7,808,336	5.59
500,001 - 1,000,000	3	1,633,700	0.8	1	505,200	0.36	4	1,582,700	1.16
1,000,001 - 50,000,000	8	41,884,400	29.92	0	0	0	8	41,884,400	29.92
50,000,001 - 75,000,000	1	70,000,000	50.01	0	0	0	1	70,000,000	50.01
Total	13,628	138,297,800	98.82	38	1,674,300	1.19	13,666	139,972,100	100

4 NON CUMULATIVE NON PARTICIPATING REDEEMABLE PREFERENCE SHARES

The total quantity of 6,181,420 (2.5%) Non Cumulative, Non Participating, Redeemable Preference Shares issued by the Company are held by AFL Development Ltd.

5 CATEGORIES OF SHAREHOLDERS

Categories of Shareholders	2010 / 2011			2009 / 2010		
	No of Shares	No of Shareholders	%	No of Shares	No of Shareholders	%
Individuals	39,108,452	13,415	98.16	6,880,264	11,811	98.75
Institutions	100,863,648	251	01.84	13,105,786	149	1.25
Total	139,972,100	13,666	100.00	19,986,050	11,960	100.00

6 LOCATION OF SHAREHOLDERS

Location of Shareholders	No. of Shares Held	Percentage of Shares	No. of Shareholders	Percentage of Shareholders
Colombo	124,941,643	89.26	4,593	33.60
Outstation	13,420,110	9.59	9,060	66.30
Overseas	1,610,347	1.15	13	0.10
Total	139,972,100	100.00	13,666	100.00

Shareholder & Investor Information

7 SHARE INFORMATION

	2010 / 2011	2009 / 2010
Book Value (Group)		
Net Assets Per Share Rs.	(0.51)	(15.30)
Share Price		
Highest Rs.	25.90	30.25
Lowest Rs	09.00	07.50
Value as at last trading date - 31st March Rs.	11.10	13.00
Earnings (Group)		
Earnings Per Share Rs.	(8.02)	(42.89)
Price Earnings Ratio (times)	(1.38)	(0.30)
Dividend		
Dividend Per Share Rs.	-	-
Dividend Rate (%)	-	-
Frequency Of Shares Traded		
Number of Shares Traded (Mn)	149,351	43.28
Number of Transaction	53,608	17,895
Value Of Shares Traded		
Value of NLFPLC Shares Traded Rs. (Mn)	2,802	783.56
Value of Trading (total market) Rs. (Bn)	670.15	214.13
Days Traded		
Number of Days Traded	239	232
Total Number of Market Days	239	240
Market Capitalisation – 31st March		
NLFPLC value Rs. (Mn)	2,219.23	519.63
Total Market value Rs. (Tr)	2.43	1.21
Public Holding		
The percentage of Public Holding	28.48%	76.27%

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY FOURTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NATION LANKA FINANCE PLC WILL BE HELD ON FRIDAY THE 30TH DAY OF SEPTEMBER 2011, AT 10.00 A.M AT THE "AUDITORIUM" OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA SITUATED AT NO.30A, MALALASEKERA MAWATHA, COLOMBO 07, FOR THE FOLLOWING PURPOSES:

1. To receive and consider the Report of the Board of Directors and the Audited Financial Statements for the year ended 31st March 2011 together with the Report of the Auditors thereon.
2. To re-elect Mr H C de Z Sahabandu, who retires by rotation in terms of Article 89 of the Articles of Association of the Company.
3. To elect Mr A C Seneviratne, who retires in terms of Article 95 of the Articles of Association of the Company.
4. To elect Mr U H Dharmadasa, who retires in terms of Article 95 of the Articles of Association of the Company.
5. To elect Mr J Rudra, who retires in terms of Article 95 of the Articles of Association of the Company.
6. To elect Mr P M L K Karunaratne, who retires in terms of Article 95 of the Articles of Association of the Company.
7. To elect Mr U H Palihakkara, who retires in terms of Article 95 of the Articles of Association of the Company.
8. To re-appoint M/S KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants Auditors of the Company, for the ensuing financial year 2011/2012 and to authorise the Board of Directors to determine their remuneration.
9. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year 2011/2012
10. To transact any other business of which due notice has been given.

BY ORDER OF THE BOARD



Corporate Arcade Ltd
Company Secretaries

22nd August 2011

Note:

1. A member is entitled to attend and vote at the meeting or is entitled to appoint a proxy to attend and vote instead of him / her. A proxy need not be a member of the Company. The form of proxy is enclosed for this purpose.
2. To be valid, the instrument appointing a proxy should be deposited with the Company Secretaries, Corporate Arcade Ltd, No.122/37, Kirulapone Avenue, (Baseline Road), Kirulapone, not less than 48 hours before the time fixed for the Annual General Meeting.
3. Shareholders appointing proxies (other than Directors of the Company) to attend the Meeting are requested to indicate the number of the National Identity Card of the Proxy holder on the form of proxy. Only registered Proxy holders will be permitted to attend the Annual General Meeting.
4. Shareholders / Proxy holders are requested when attending the Annual General Meeting to bring with them the National Identity Card or any other form of valid identification.

Form of Proxy

I/We.....of
being a
 Member/ Members of Nation Lanka Finance PLC hereby appoint.....
holder of NIC No.....
 ofor failing him /her

HEWA KOMANAGE JAYANTHA DHARMADASA of Colombo - 02	whom failing
ASANGA CHANDANA SENAVIRATNE of Colombo - 07	whom failing
WEERAWARNAKURUKULASOORIYA BOOSABADUGE BEDE CHRYSANTHUS JOSEPH FERNANDO of Mount Lavinia	whom failing
JAYAPRAKASH RUDRA of Colombo - 06	whom failing
UDITHA HARSHITH DHARMADASA of Colombo - 03	whom failing
HALJOTHI CHANDRA DE ZOYSA SAHABANDU of Kandy	whom failing
UDITHA HARILAL PALIHAKKARA of Colombo - 04	whom failing
PEDURU MERENNA LALITH KIRTHIE KARUNARATNE of Colombo - 07	

as my / * our proxy to represent me / * us on my/ * our behalf as indicated below at the Twenty Fourth Annual General Meeting of the Company to be held on the 30th day of September 2011 and at any adjournment thereof.

Please indicate your preference by placing a against the Resolution No.

	For	Against
1) To receive and consider the Report of the Board of Directors and the Audited Financial Statements for the Year ended 31st March 2011 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr H C de Z Sahabandu, who retires by rotation in terms of Article 89 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To elect Mr A C Seneviratne, who retires in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To elect Mr U H Dharmadasa, who retires in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To elect Mr J Rudra, who retires in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6) To elect Mr P M L K Karunaratne, who retires in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7) To elect Mr U H Palihakkara, who retires in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8) To re-appoint M/S KPMG Ford Rhodes Thornton & Company, Chartered Accountants, Auditors of the Company for the ensuing Financial year 2011/2012 and to authorize the Board of Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
9) To authorise the Directors to determine contributions to charities and other donations for the year 2011/2012.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/ our hand/s this day of 2011

.....
 NIC / REG. NO

.....
 Signature

Form of Proxy

INSTRUCTIONS FOR THE COMPLETION OF PROXY

- 1) Please perfect the form of proxy overleaf, by signing in the space provided and filling in the date of signature, after filling in legibly your full name and address.
- 2) Please return the completed Form of Proxy after deleting one or other of the alternative words indicated by asterisks in the body of the form
- 3) To be valid, completed form of Proxy should be deposited with the Company Secretaries at No.122/37, Kirulapone Avenue, (Baseline Road), Kirulapone, not less than 48 hours before the time appointed for the holding of the meeting.
- 4) If the form of Proxy has been signed by an attorney, the relative Power of Attorney should also accompany the completed form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- 5) If the shareholder is a Company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
- 6) If there is any doubt as to how the vote is to be exercised by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded.