

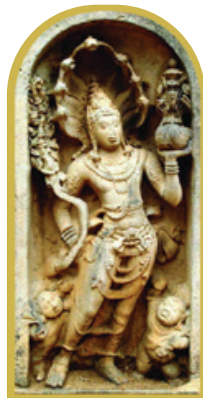


**LANKA
SATHOSA**

GRACEFULLY FORWARD

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வருடாந்த அறிக்கை
Annual Report
2007**

Lanka Sathosa Limited
Annual Report
2007



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Corporate Information

The Company	Lanka Sathosa Limited
Registered Address	No. 108, Negris Building, York Street, Colombo 01.
Legal Status	Fully Government owned Company incorporated in Sri Lanka under the Companies Act No. 17 of 1982
Company Registration No.	N (PBS) 1290]
Principal Place of Business	No. 108, Negris Building, York Street, Colombo 01. Tel. : 94-11-2436301 – 2 Fax : 94-112437583
Board of Directors	Mr. K. Nalin R. Fernando - Chairman / Director Dr. R. M. K. Ratneyeke - Secretary to the Ministry Mrs. D. S. R. D. C. T. Rathnayaka - Asst. Secretary to the Ministry Mr. Sajith Ruchika Attygalle - Director General, Dept of Fiscal Policy Mr. Neil Umagiliya - Managing Director Dialtex Textile Industries Ltd. Mr. D. Widanegamachchi - Director General, Treasury Operation Mr. A. P. G. Kithsiri - Commissioner, Co-operatives & Society Registrar Mr. Errol Weerasinghe - Chairman, ORYX Benodar Co.
Secretary to the Board	W. M. S. Wijesinghe
Auditors	M/S H. L. B. Edirisinghe & Co. Chartered Accountants 45, Braybrooke Street Colombo 02.
Bankers of the Company	People's Bank, Corporate Branch, ANCL Building, D. R. Wijewardana Mawatha, Colombo 10.
Share Holders	General Treasury – 45% Shares Co-operative Wholesale Establishment – 55% shares



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Our Vision

"Be a widespread retail arm and to be the best in term of value, service excellence and earning customer loyalty."

Our Mission

"Our mission is to create a competitive, most attractive retail arm where quality goods are available at lowest prices, with a value addition to our customers, employees and partners by creating Lanka Sathosa a self managed entity committed to continuous growth in a performance driven culture."



Chairman's Message

It is with great pleasure that I present the Annual Report and the Final account for the year ended 31st December 2007. On completion of 2 years in operation Lanka Sathosa Ltd was able to turnaround by making an operational profit which is before tax of Rs. 6M against a loss of Rs. 17M in the previous year of 2006. This success is mainly attributable to the commitment we have made and the clear direction and guidelines given by the government, which was elected to empower the under privileged people in Sri Lanka. Presently there are so many Super Markets to cater the needs of the upper class and the upper middle class whereas there is none to cater the lower middle class and the poor and Lanka Sathosa Ltd was created to fill that vacuum and safeguard the poor from being ripped off by e wholesalers and retailers in the General Trade. In the years to come Lanka Sathosa Ltd would concentrate more on the rural areas when locating new outlets since other Super Markets are reluctant to venture into these remote areas.

In order to make a greater impact on the economy and to control the retail prices more effectively, Lanka Sathosa Ltd needs to expand the outlet network at least up to 250 within the next few years so that in would be able to increase turnovers and reap benefits of scale which could be passed on to the end consumer. In a market economy where government intervention is less, Lanka Sathosa Ltd has a significant role to play in bringing the prices down of essential items as direct measures such as price ceilings would only lead to a shortage in the market.

The government has placed a greater confidence in Lanka Sathosa Ltd to control commodity prices and provide employment to rural youth and we strongly believe that with commitment, courage and good business practices we would be able to live up to the expectations of the government and people of Sri Lanka.

Before I Conclude I take this opportunity to place on record my sincere appreciation to the Board of Directors for their contribution towards our success, the management team, staff at all levels, our suppliers and our valued customers for patronizing Lanka Sathosa Ltd.

A handwritten signature in black ink, consisting of a large, stylized 'N' followed by a horizontal line.

Nalin Fernando
Chairman

Director's Report

The Directors submit herewith their report together with the audited financial statement of the company for the year ended 31st December 2007.

The chairman's statements has described the company activities and strategies adopted during the year and the future plans of the company.

Profits & appropriations

	2007	2006
	Rs.	Rs.
Profit /loss for the year after Taxation	(61,011)	(17,548,699)
Profit /loss Brought forward	(17,548,698)	-
Prior year adjustment	(2,531,993)	-
Retained Earnings (Loss)	(20,141,702)	(17,548,698)

Capital Expenditure

During the year company has incurred Rs.5.5 M on Capital expenditure mainly due to expansion of outlets.

Property Plant Equipment

The movement in property Plant & Equipment is given is note no. 09 to the financial statements.

Directorate

All the directors listed on the corporate information have been on the board throughout the year and except for Mr. Errol Werasinghe and Mr. Neil Umagiliya all the other directors are statutory appointments to the Board.

Director's interest in Contracts.

Non of the Directors are either directly indirectly interested in any existing or proposed contracts with the companyas stated in note 17 the financial statements.

Auditors

Messrs HLB Edirisinghae & Co. Chartered Accountants have expressed their willingness to accept appointments as Auditors.

By the order of the Board

Company Secretary

18th Nov-2009



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Financial Review 2007

In the year December Lanka sathosa Ltd recorded a profit before tax of Rs. 6 million against a loss of Rs. 17 M in the previous year of 2006. During the year 2006 we recorded a revenue of Rs. 586M and increased the revenue by more than two folds to achieve a turnover of Rs. 2,212M in year 2007 which could be considered excellent by any standards. This growth has been achieved with little or no advertising and if we embark on a proper advertising programme results could be much more attractive.

At the commencement of year 2006 Lanka Sathosa Ltd had only five outlets and by the end of December 2007 Lanka Sathosa Ltd expanded up to 68 outlets.

District of Colombo contribute approximately 30% of sales while Gampha District Stands second with 15% and Ratnapura, Badulla, Kaluthara and Puttlam contribute about 7% each. It is evident from above figure that majority of sales are derived from the Western Province hence more outlets should be opened and the existing outlets should be upgrade to attract more sale.

Average stock per outlet has increased from Rs.2M to Rs 4M yet the average stock turnover days have come down from 81 to 27 which is a greater achievement.

During the year Lanka Sathosa Ltd received Rs. 64.6M from the treasure which were utilised in the Opening of new outlets. Fixed assets were obtained to the value of 9M and certain other assets were taken over from CWE with most of the trading stock being funded by the suppliers through credit. As a company in the retail trade it is very important to maintain the trading stock at optimum levels in order to maximise the profit and cash flow requirements.

Finance Team



Independent Auditors Report

TO THE SHAREHOLDERS OF LANKA SATHOSA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Ceyline Agencies (Pvt) Ltd., which comprise the balance sheet as at December 31, 2007, statement of Changes in Equity, Income Statement and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2007 and the financial statements give a true and fair view of the Company's state of affairs as at December 31, 2007 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No 07 of 2007. HLB EDIRISINGHE & Co.

HLB Edirisinghe & Co

Chartered Accountants
Colombo

18 – Nov – 09

45, Braybrooke Street, Colombo 02, Sri Lanka. Telephone: +94 11 2433933 Facsimile: +94 11 2445683, E-Mail: info@hlblk.com

HLB Edirisinghe & Co is a member of  International. A world-wide organization of accounting firms and business advisers.

LANKA SATHOSA LTD

Income Statement

For the Year ended 31st December

		2007	2006
	Note	Rs. Cts.	Rs.
Revenue	03	2,212,832,759.22	586,059,148
Cost of Sales		(1,949,316,730.26)	(484,540,822)
Gross Profit		263,516,028.96	101,518,325
Other Income	04	5,775,365.10	1,416,562
Distribution		(173,609,912.72)	(41,259,893)
Administration Expenses		(85,140,627.73)	(77,765,579)
Financial Costs	05	(4,471,791.74)	(1,458,115)
		(263,222,332.19)	(120,483,587)
Profit / (Loss) form operations	06	6,069,061.87	(17,548,699)
Profit / (Loss) before Tax		6,069,061.87	(17,548,699)
Income Tax Expenses	07	(6,130,073.35)	-
Profit / (Loss) after Tax		(61,011.48)	(17,548,699)
Earnings / (Loss) per Share	08	(8,715.93)	(2,506,957)

Figures in brackets indicate deductions.

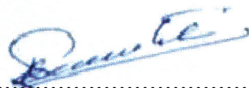
The Accounting Policies and Notes to Accounts form an integral part of these financial statements.

LANKA SATHOSA LTD

BALANCE SHEET AS AT 31ST December

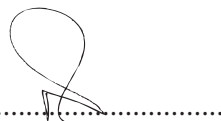
		2007	2006
Assets Employed	Note	Rs. Cts.	Rs.
Non – Current Assets			
Property, Plant & Equipment	09	9,387,802.83	5,692,885
Assets take over from CWE		20,892,891.88	-
Deferred Tax	10	2,068,235.19	-
		<u>32,348,929.90</u>	<u>5,692,885</u>
Current Assets			
Inventories		286,223,632.17	118,297,183
Bank guarantee		29,050,000.00	6,550,000
Short Term Investments		27,000,000.00	21,500,000
Trade and Other Receivables	11	15,673,261.89	3,923,003
ESC		1,497,099.47	2,959,875
Income Tax Refund			
WHT		2,806.55	19,229,161
Control Account		28,875,544.97	19,229,161
Due from Related Companies – CWE		6,609,860.15	5,047,612
Cash and Cash Equivalents		1,816,156.96	383,449
		<u>396,748,362.16</u>	<u>177,890,283</u>
TOTAL ASSETS		<u>429,097,292.06</u>	<u>183,583,167</u>
EQUITY & LIABILITIES			
Capital & Reserves			
Stated Capital	12	70.00	70
Government Fund		209,600,000.00	145,000,000
Retained Earnings		(20,141,702.56)	(17,548,699)
Shareholders Funds		<u>189,458,367.44</u>	<u>127,451,371</u>
Non - Current Liabilities			
Assets taken over form CWE		26,109,914.85	-
Defined Benefit Cost, Gratuity	13	4,280,416.67	1,597,917
		<u>30,390,331.52</u>	<u>1,597,917</u>
Current Liabilities			
Trade and Other Payable	14	169,614,704.56	53,929,452
SRL Payable		79,830.00	-
Bank Overdraft		39,554,058.54	604,427
		<u>209,248,593.10</u>	<u>54,533,880</u>
TOTAL EQUITY & LIABILITIES		<u>429,097,292.06</u>	<u>183,583,167</u>

These Financial Statements are in compliance with the requirements of the Company Act No: 07 of 2007



Financial Officer

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



Director

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Director

The Accounting Policies and Notes to Accounts form an integral part of these financial Statements.

18 November 2009

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LANKA SATHOSA LTD
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 ST DECEMBER	Stated Capital Rs. Cts.	Fund A/C Rs. Cts.	Retained Earnings Rs. Cts.	Total Rs. Cts.
Balance as at 1st January 2006	0.00	0.00	0.00	0.00
Net Profit / (Loss) for the Year	0.00	0.00	(17,548,698.72)	(17,548,698.72)
Issue of Shares	70.00	0.00	0.00	70.00
Fund Received	0.00	145,000,000.00	0.00	145,000,000.00
Balance as at 1st December 2006	<u>70.00</u>	<u>145,000,000.00</u>	<u>(17,548,698.72)</u>	<u>(17,548,698.72)</u>
Net Profit (Loss) for the Year	0.00	0.00	(61,011.48)	(61,011.48)
Fund Received	0.00	64,600,000.00	0.00	64,600,222.00
Prior Year Adjustments	0.00	0.00	(2,531,992.36)	(2,531,992.36)
Balance as at 31st December 2007	<u>70.00</u>	<u>209,600,000.00</u>	<u>(20,141,702.56)</u>	<u>189,458,367.44</u>

Figures in brackets indicate deductions.

The Accounting Policies and Notes to Accounts form an integral part of these financial statements.

CASH FLOW STATEMENT**FOR THE YEAR ENDED 31ST DECEMBER****CASH FLOW FROM OPERATING ACTIVITIES**

	2007	2006
	Rs. Cts.	Rs.
Profit / (Loss) Before Taxation	6,069,061.87	(17,548,699)
Adjustment for:		
Depreciation	7,099,174.43	1,521,346
Provision for Gratuity net of Payments	2,682,500.00	1,597,917
Prior Year Adjustments	(2,531,992.36)	-
Operating Profit Before Working Capital Changes	13,318,743.94	(14,429,436)
(Increase) / Decrease in Inventories	(167,926,449.17)	(118,297,183)
(Increase) / Decrease in Trade and Other Receivables	(21,399,449.16)	(26,112,039)
(Increase) / Decrease in Related Company	(1,562,248.24)	(5,047,612)
(Increase) / Decrease in Trade and Other Payables	115,685,252.35	53,929,452
Cash Generated from Operations	(61,884,150.28)	(109,956,818)
ESC Paid	(6,655,704.47)	-
Net Cash Flow from Operating Activities	(68,539,854.75)	(109,956,818)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(5,577,068.52)	(7,214,230)
Withdrawal / Investment of/in Fixed Deposits	(5,500,000.00)	(21,500,000)
Net Cash Flow from Investing Activities	(11,077,068.52)	(28,714,230)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceed of issued stated capital	0.00	70
Funds received from Treasury	64,600,000.00	145,000,000
Bank guarantees	(22,500,000.00)	(6,550,000)
Net Cash Flow from Financing Activities	42,100,000.00	138,450,070
Net Increase in Cash and Cash Equivalents	(37,516,923.27)	(220,978)
Cash & Cash Equivalents at the Beginning of the Year	(220,978.34)	-
Cash & Cash Equivalents at the End of the Year	(37,737,901.58)	(220,978)
NOTE A – CASH AND CASH EQUIVALENTS		
Petty Cash Advance	592,037.48	49,954
Floating Cash	458,494.48	333,494
Bank Overdraft	(39,554,058.54)	(604,427)
Savings A/c	765,625.00	-
	(37,737,901.58)	(220,978)

Figures in brackets indicates deduction.

The Accounting Policies and Notes to Accounts form an integral part of these financial statements.

LANKA SATHOSA LTD

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2007

1. CORPORATE INFORMATION

1.1 General

The Company is a limited liability company incorporated and domiciled in Sri Lanka. The Registered Office of the Company is located at No. 108, York Street, Colombo.

The principal place of business is at No. 108, York Street, Colombo.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were retail & wholesale of consumer products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 GENERAL ACCOUNTING POLICIES

2.1.1 Basis of Preparation

There financial statements presented in Sri Lanka Rupees have been prepared under the historical cost basis in accordance with generally accepted accounting principles and the standards laid down by the Institute of chartered accountants of Sri Lanka.

2.1.2 Statement of Compliance

The balance sheet, statement of income, changes in equity and cash flow together with accounting policies and notes of the company as at 31st December 2007 and for the year then ended comply with the Sri Lanka Accounting Standards.

2.1.3 Going Concern

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

2.1.4 Comparative Information

The accounting policies have been consistently applied by the company and are consistent with those of the previous period. The previous figures and phrases have been rearranged wherever necessary to conform current period presentation.

2.1.5 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were affected.

LANKA SATHOSA LTD**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST DECEMBER 2007****2.2 ASSETS AND BASES OF THEIR VALUATION****2.2.1 Property, Plant & Equipment****a) Cost**

Property, plant & equipment is recorded at cost less accumulated depreciation and less any impairment in value.

b) Depreciations

Provision for depreciation is calculated by using straight line on the cost of all property, plant & equipment other than freehold land, in order to write off such amounts over the estimated useful lives of such assets.

The principal annual rates used are as follows.

Office equipment	20%
Computers	25%
Communication Equipment	20%
Furniture & Fittings	20%

Depreciation of assets begin when it is available for use.

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted as appropriate at each financial year.

c) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant & equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

d) De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount.

2.2.2 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which the inventories can be sold in the ordinary course of business less the estimated cost of completion and estimated costs necessary to make the sale.

LANKA SATHOSA LTD

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2007

2.2.3 Trade and Other Receivable

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

Other receivables and dues from related parties are recognized at cost less provision for bad and doubtful receivables.

2.2.4 Cash and Cash Equivalents

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

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

2.2.5 Investments

Current Investments.

Current investments are stated at cost.

2.3 LIABILITIES AND PROVISIONS

2.3.1 Liabilities

Liabilities stated under current liabilities in the balance sheet are those expected to fall due within one year from the balance sheet date. Items stated as long term liabilities are those expected to fall due at point of time after one year from the balance sheet date.

Trade and Other Payable

Trade creditors and other payables are stated at their book values.

2.3.2 Provisions

Provisions are recognized when the company has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

LANKA SATHOSA LTD**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST DECEMBER 2007****2.3.2 Retirement Benefit Obligation****a) Defined Benefit Plan – Gratuity**

Provision has been made for retirement gratuities in conformity with SLAS 16 / Gratuity Act No. 12 of 1983. The liability is not externally funded nor is it actuarially valued.

b) Defined Contribution Plans – EPF & ETF

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

2.3.2 Taxation**a) Current Taxes**

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006.

2.4 INCOME STATEMENT**2.4.2 Revenue Recognition****a) Sale of Goods**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred can be reliably measured. Revenue is measured at the fair value of the consideration received of receivable net of trade discounts and sales taxes.

b) Interest

Interest income is recognized as the interest accrued unless collectibles is in doubt.

d) Others

Other income is recognized on an accrual basis.

Net profits and losses of a revenue nature on the disposal of property, plant and equipment and other non current assets including investments have been accounted for in the income statement having deducted from proceeds on disposal, the carrying value amount of the assets and related property, plant and equipment amount remaining in revaluation reserve relating to that asset is transferred directly to accumulated loss.

LANKA SATHOSA LTD

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2007

2.4.3 Expenditure Recognition

- a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. 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 income in arriving at the profit for the year.
- b) For the purpose of presentation of the income statement the directors are of the opinion that function of expenses method presents fairly the elements of the company's performance and hence such presentation method is adopted.

2.5 Off Balance sheet and income Statement items

2.5.2 Events Occurring after the Balance Sheet

All material events occurring after the balance sheet date have been considered and where necessary adjustments to or disclosures have been made in the respective notes to the accounts.

2.5.2 Contingencies and Unrecognized Contractual Commitments

Contingencies are possible assets or obligations that arise from past event and would be confirmed only the occurrence of non occurrence of uncertain future events, which are beyond the company's control.

LANKA SATHOSA LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

	2007	2006
3 - REVENUE	Rs. Cts.	Rs.
Revenue	2,246,621,521.02	591,974,908
BTT	(33,788,761.80)	(5,915,760)
	<u>2,212,832,759.22</u>	<u>586,059,148</u>
4 - OTHER INCOME		
FD interest	2,949,750.00	823,688
Transport income	984,106.63	90,144
Sundry income	905,932.30	252,230
Gondola income	66,400.00	158,000
Call Deposit Interest	544,693.86	-
Transits shortage recovery	20,856.40	-
Stock excess	303,725.91	-
Loan interest received	-	70,000
Shop 'N' shop rent	-	22,500
Fine	300.00	-
	<u>5,775,365.10</u>	<u>1,416,562</u>
5 - FINANCE COST		
Debit Tax	2,067,968.18	456,138
Bank charges & commission	2,242,573.56	992,526
Cheque Book Charges	161,250.00	9,450
	<u>4,471,791.74</u>	<u>1,458,115</u>
6 - PROFIT FROM OPERATIONS IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING	2007	2006
	Rs. Cts.	Rs.
Salaries	77,156,586.57	40,623,945
Over Time	10,837,885.78	3,269,461
EPF	9,146,974.30	4,877,212.56
ETF	914,696.64	1,219,466.14
Auditors Remuneration	124,200.00	133,230
Depreciation	7,099,173.43	1,521,346
Stock Shortages Loss	16,992,981.88	1,476,356
Stock loss – Discarded	5,727,926.37	1,476,356.32
Defined Benefit Cost, Gratuity	2,682,500.00	1,597,917
Subsistence for CEO & Directors	46,500.00	66,218
General Provision – Bonus	4,950,000.00	-
Grocery bags	25,609,260.37	3,322,700
	<u>161,288,685.34</u>	<u>59,584,207</u>

LANKA SATHOSA LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER

	2007	2006
	Rs. Cts.	Rs.
7 - INCOME TAX EXPENSES		
Under Provision Income tax	87,135.00	-
ESC Write off	48,349.54	-
Current Income Tax Provision	8,062,824.00	-
Deferred Tax provision	(2,068,235.19)	-
	<u>6,130,073.35</u>	<u>-</u>

8 - EARNINGS / (LOSS) PER SHARE

The basic earnings per share is calculated by dividing the net profits for the year
 Attributable to ordinary
 Shareholders by number of ordinary shares outstanding during the year

Amounts used as Numerator

Profit / (Loss) attributable to Ordinary Shareholders	(61,011.48)	(17,548,699)
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Number of Ordinary Shares used as the Denominator

Number of Ordinary Shares in Issue	7	7
	<u>(8,715.93)</u>	<u>(2,506,957)</u>

LANKA SATHOSA LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

	Balance as at	Additions	Balance as at
9 - PROPERTY, PLANT & EQUIPMENT	01. 01. 2007		31.12.2007
COST / VALUATION	Rs. Cts.	Rs. Cts.	Rs. Cts.
Computer Equipment	1,569,990.00	357,000.75	1,926,990.75
Office Equipment	698,950.00	4,246,983.06	4,945,933.06
Furniture & Fittings	3,636,234.00	644,184.71	4,280,418.71
Communication Equipment	1,309,056.38	328,900.00	1,637,956.38
	<u>7,214,230.38</u>	<u>5,577,068.52</u>	<u>12,791,298.90</u>
DEPRECIATION			
Computer Equipment	392,497.50	423,528.81	816,026.31
Office Equipment	139,790.00	349,043.92	488,833.92
Furniture & Fittings	727,246.80	804,181.48	1,513,428.28
Communication Equipment	261,811.28	305,396.28	567,207.55
	<u>1,521,345.58</u>	<u>1,882,150.46</u>	<u>3,403,496.07</u>
WRITTEN DOWN VALUE			
Computer Equipment	1,177,492.50		1,110,964.44
Office Equipment	556,160.00		4,457,099.14
Furniture & Fitting	2,908,987.20		2,748,990.43
Communication Equipment	1,047,245.10		1,070,748.83
	<u>5,692,884.80</u>		<u>9,387,802.83</u>

LANKA SATHOSA LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER

	2007	2006
	Rs. Cts.	Rs.
10 – PROVISION FOR DEFERRED TAXATION		
Balance as at Beginning of the year	-	-
Transferred (to) / from Income Statement	2,068,235.19	-
Balance as at end of the year	<u>2,068,235.19</u>	<u>-</u>
11 – TRADE AND OTHER RECEIVABLE		
Rent Advance	3,654,621.50	410,000
Liquor license advance	0.00	5,000
Cigarettes advance	67,878.61	74,439
Rent deposits	75,000.00	75,000
FD interest	921,562.50	823,688
Stock Shortage Recoverable	1,113,669.51	176,372
Prepayments	2,027,310.00	2,102,300
Cheque Return	242,614.86	-
Refundable Deposit	186,000.00	-
Government Agent Jaffna	998,835.41	-
Over Payment BTT	3,989.00	-
Under remittance	6,291,843.10	-
Stock Loss Recoverable	89,867.40	-
Excess credit	0.00	96,135
Gamin Gamata Program advance	0.00	10,000
Renovation advance	0.00	150,000
Other Receivables – for shares	70.00	70
	<u>15,673,261.89</u>	<u>3,923,003</u>
12 – STATED CAPITAL		
Ordinary Shares issued	70.00	70
	<u>70.00</u>	<u>70</u>
13 – RETIREMENT BENEFIT OBLIGATION		
Balance as at Beginning of the year	1,597,916.67	-
Provision for the year	2,682,500.00	1,597,917
	<u>4,280,416.67</u>	<u>1,597,917</u>
Payments	-	-
Balance as at the end of the year	<u>4,280,416.67</u>	<u>1,597,917</u>

LANKA SATHOSA LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER

	2007	2006
	Rs. Cts.	Rs.
14 - TRADE AND OTHER PAYABLES		
Trade Creditors	114,084,335.63	36,153,285
Expense Creditors	55,530,369.93	17,745,197
Other Creditors	-	30,970
	<u>169,614,705.56</u>	<u>53,929,452</u>

15 - ASSETS PLEDGED

The following assets have been pledged as securities for liabilities

Nature of Asset	Nature of Liabilities	2007	2006
Fixed Deposits	Bank Guarantee	29,050,000.00	19,500.00

16 - EVENTS AFTER THE BALANCE SHEET DATE

- 16.1 The Company has received a letter (dated 30. 01. 2009) from the major shareholder "The Co-Operative Wholesale Establishment" requesting to pay (at Cost) Rs. 44,637,700.95 for the Fixed Assets given by 'CWE' for the company's use.

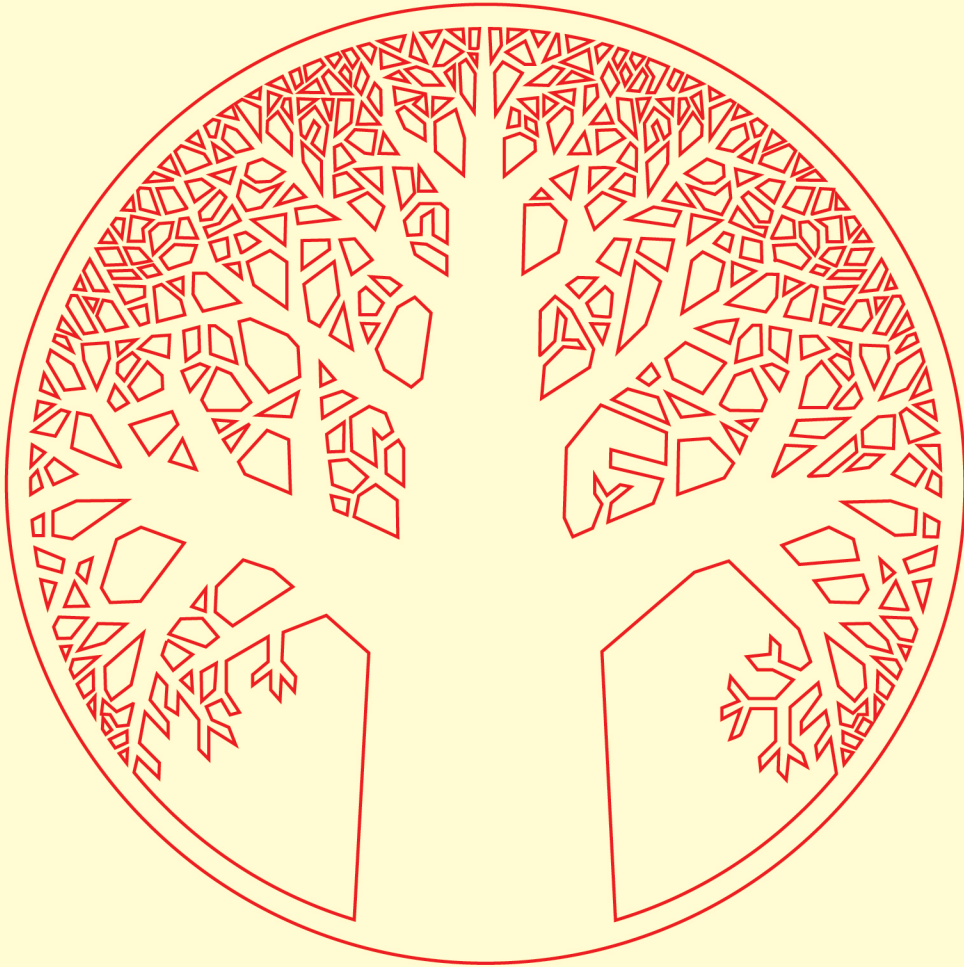
No agreement was available for our verification for the Valuation basis of these Assets.

17 - RELATED PARTY TRANSACTIONS

None of the Directors are either directly or indirectly interested in any existing or proposed contracts with the Company.



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வருடாந்த அறிக்கை
Annual Report
2007



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