

**ADAM INVESTMENTS LIMITED**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2013**

**A. I. MACAN MARKAR & CO.**  
CHARTERED ACCOUNTANTS  
*"Inspiring All Stakeholders to Reach the Impossible"*

Partners - Ms. S. Vishnukanthan FCA  
Rajan Niles ACA, FCMA  
E. Annalingam FCA, FSCMA  
R. Rabendravarman FCA

46-2/1, 2nd Floor, Lauries Road,  
Colombo 4.

Phone : 2594205, 2594192 Fax : 2594285  
e-mail - aimm@sltnet.lk  
Web Site: www.aimm.lk

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
ADAM INVESTMENTS LIMITED**

**Report on the Financial Statements**

We have audited the accompanying Financial Statements of Adam Investments Limited, the Consolidated Financial Statements of the company and its subsidiaries, as at December 31, 2013, which comprise the Balance Sheet as at December 31, 2013 and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year then ended, and summary of Significant Accounting Policies and other explanatory notes as set out thereto.

**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 (LKAS & SLFRSs). This responsibility includes: designing, implementing and maintaining internal controls 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 the Sri Lankan 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 purpose 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 December 31, 2013 and the Financial Statements give a true and fair view of the company's state of affairs as at December 31, 2013 and of its profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards (LKAS & SLFRSs).


**Group**

In our opinion, the consolidated Financial Statements give a true and fair view of the state of affairs as at December 31, 2013 and the profit and Cash Flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt thereby, so far as concerns the members of the company.

**Report on other Legal & Regulatory Requirements**

**Group**

Financial Statements comply with the requirements of Sections 151 (2) & 153 (2) to 153 (7) as appropriate of the Companies Act No. 07 of 2007.

  
CHARTERED ACCOUNTANTS  
DATE: 13.03.2014



ADAM INVESTMENTS LIMITED  
~~~~~  
NO:264,GRANDPASS ROAD,  
~~~~~  
COLOMBO 14.  
~~~~~  
YEAR OF ASSESSMENT 2013  
~~~~~

Rs.

Net profit / (loss) as per accounts		32,474,714
<b><u>Add : Inadmissible items</u></b>		-
Profit on sale of shares	(40,543,530.77)	
Dividend Income	(98.51)	(40,543,629)
		<u>(8,068,915)</u>
<b><u>Less : Capital allowances on assets purchased in</u></b>		-
		<u>(8,068,915)</u>
Taxable profit/(loss)		<u><u>(8,068,915)</u></u>
Tax loss Brought forward		4,690,294
Tax loss for the year 2013		8,068,915
Loss Carried forward to year of assessment 2014		12,759,209

**DEEMED DIVIDENT COMPUTATION**

31-Dec-2012

Rs.

<b>Profit before taxation</b>		32,474,714
Less: Income tax		-
Assets acquired during the year		-
Fairvalue gain on Investment property		-
Depreciation		-
Distributable profit/Loss		<u>32,474,714</u>
10% on distributable profit		<u><u>3,247,471</u></u>
Dividends proposed		-
Deemed dividend 33 1/3%		<u>10,824,905</u>
Deemed dividend tax 15%		<u>1,623,736</u>

ADAM INVESTMENTS LIMITED

NO:264,GRANDPASS ROAD,

COLOMBO 14.

STATEMENT OF FINANCIAL POSITION

FOR YEAR ENDED 31ST DECEMBER 2013

In LKR	Notes	Company		Group	
		31-Dec-2013	31-Dec-2012	31-Dec-2013	31-Dec-2012
<b>ASSETS</b>					
Property, plant and equipment		-	-	-	-
Investment in Subsidiaries		20	-	-	-
Investment in Equity accounted Associates	01	202,507,500	202,507,500	212,436,056	206,098,690
Good will on Acquisition		-	-	3,267,708	3,267,708
<b>NON CURRENT ASSETS</b>		<b>202,507,520</b>	<b>202,507,500</b>	<b>215,703,763</b>	<b>209,366,397</b>
Inventories		-	-	591,855	-
Available For Sale Financial Assets	02	396,142,961	100,001,290	396,142,961	100,001,290
Trade & Other Receivable		-	-	230,000	-
Amount Due from Related Companies	03	57,285,310	8,944,541	56,994,050	8,944,541
Director Current Account		-	96,456,675	-	96,456,675
Other Receivables	04	1,000,000	250,000	1,000,000	250,000
Cash & cash equivalents	05	718,326	6,334	752,646	6,334
<b>CURRENT ASSETS</b>		<b>455,146,598</b>	<b>205,658,839</b>	<b>455,711,513</b>	<b>205,658,839</b>
<b>TOTAL ASSETS</b>		<b>657,654,118</b>	<b>408,166,339</b>	<b>671,415,276</b>	<b>415,025,236</b>
<b>EQUITY</b>					
Stated capital	06	316,660,200	316,660,200	316,660,200	316,660,200
Reserve		(19,213,606)	-	(19,213,606)	-
Net profit / (loss) for the Year		123,958,005	91,483,291	137,174,161	98,342,188
<b>TOTAL EQUITY</b>		<b>421,404,599</b>	<b>408,143,491</b>	<b>434,620,754</b>	<b>415,002,388</b>
<b>LIABILITIES</b>					
<b>NON CURRENT LIABILITIES</b>					
LOLC Loan	07	120,000,000	-	120,000,000	-
<b>CURRENT LIABILITIES</b>					
Trade & other payable	08	81,198,436	22,848	81,198,436	22,848
Amount Due to Related Companies	09	30,566,057	-	31,111,060	-
Bank Overdraft	10	4,485,026	-	4,485,026	-
<b>TOTAL LIABILITIES</b>		<b>236,249,519</b>	<b>22,848</b>	<b>236,794,522</b>	<b>22,848</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>657,654,118</b>	<b>408,166,339</b>	<b>671,415,276</b>	<b>415,025,236</b>

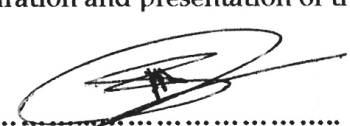
I certify that these financial statements have been prepared in compliance with the requirements of the company act No. 07 of 2007.

  
.....  
**Finance Director**  
**Waruna Priyankara**

The Board of Directors is responsible for the preparation and presentation of these financial statements.

  
.....  
**Director**

**Dr.Lawrence Mervyn Fritsgerald Adams**

  
.....  
**Director**

**Marlayandi Jayaprakash**

APPROVED BY THE BOARD ON...12.03.2014.

ADAM INVESTMENTS LIMITED

NO:264,GRANDPASS ROAD,

COLOMBO 14.

STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 31ST DECEMBER 2013

In LKR	Notes	Company		Group	
		31-Dec-2013	31-Dec-2012	31-Dec-2013	31-Dec-2012
<b>CONTINUING OPERATION</b>					
Turn Over	11	-	-	4,332,300	-
Cost of sales	12	-	-	(3,830,448)	-
Direct Income		-	192,295	-	192,295
<b>GROSS PROFIT</b>		-	<b>192,295</b>	<b>501,852</b>	<b>192,295</b>
Other Income	13	40,903,629	93,572,275	40,903,629	97,369,446
Direct expenses	14	-	(412,534)	-	(412,534)
Administrative expenses	15	(1,086,598)	(1,867,845)	(1,567,858)	(1,867,845)
<b>RESULT FROM OPERATING ACTIVITIES</b>		<b>39,817,031</b>	<b>91,484,191</b>	<b>39,837,623</b>	<b>95,281,363</b>
Finance cost	16	(7,342,317)	(900)	(7,343,017)	(900)
<b>NET FINANCE COST</b>		<b>(7,342,317)</b>	<b>(900)</b>	<b>(7,343,017)</b>	<b>(900)</b>
Post tax Share of Equity accounted Associate's Profit		-	-	6,337,366	3,061,725
<b>PROFIT BEFORE TAX</b>		<b>32,474,714</b>	<b>91,483,291</b>	<b>38,831,973</b>	<b>98,342,188</b>
Tax expense		-	-	-	-
<b>PROFIT FROM CONTINUING OPERATION</b>		<b>32,474,714</b>	<b>91,483,291</b>	<b>38,831,973</b>	<b>98,342,188</b>
<b>DISCONTINUING OPERATION</b>					
		-	-	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>32,474,714</b>	<b>91,483,291</b>	<b>38,831,973</b>	<b>98,342,188</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
foreign currency translation differences(Exchange gain/(loss))		-	-	-	-
Net changing fair value of available for sale financial assets		(19,213,606)	-	(19,213,606)	-
Defined benefit plan actuarial gains (losses)		-	-	-	-
Tax on other comprehensive income		-	-	-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD (NET OF TAX)</b>		<b>(19,213,606)</b>	<b>-</b>	<b>(19,213,606)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>13,261,108</b>	<b>91,483,291</b>	<b>19,618,366</b>	<b>98,342,188</b>
EPS	21	<b>0.10</b>	<b>0.29</b>	<b>0.12</b>	<b>0.31</b>

ADAM INVESTMENTS LIMITED  
~~~~~  
NO:264,GRANDPASS ROAD, COLOMBO 14.  
~~~~~  
STATEMENT OF CHANGES IN EQUITY  
~~~~~  
FOR YEAR ENDED 31ST DECEMBER 2013  
~~~~~

Company				
In LKR	Stated capital	AFS Reserve	Retained profit / (loss)	Total
Balance at 1st January 2013	316,660,200	-	91,483,291	408,143,491
Impacts of changers in accounting policies	-	-	-	-
Prior year adjustments - Retirement benefit under provision	-	-	-	-
<b>Restated Balance at 1st January 2013</b>	<b>316,660,200</b>	<b>-</b>	<b>91,483,291</b>	<b>408,143,491</b>
Profit	-	-	32,474,714	32,474,714
Revaluation of property plant & equipment	-	-	-	-
<b>Other Comprehensive Income</b>				
Net changing fair value of available for sale financial assets	-	(19,213,606)	-	(19,213,606)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(19,213,606)</b>	<b>32,474,714</b>	<b>13,261,108</b>
Issue of shares	-	-	-	-
Dividends	-	-	-	-
<b>Total contribution by and distribution to the owners of the company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restated Balance at 31 st December 2013</b>	<b>316,660,200</b>	<b>(19,213,606)</b>	<b>123,958,005</b>	<b>421,404,599</b>

Group				
In LKR	Stated capital	AFS Reserve	Retained profit / (loss)	Total
Balance at 1st January 2013	316,660,200	-	98,342,188	415,002,388
Impacts of changers in accounting policies	-	-	-	-
Prior year adjustments - Retirement benefit under provision	-	-	-	-
<b>Restated Balance at 1st January 2013</b>	<b>316,660,200</b>	<b>-</b>	<b>98,342,188</b>	<b>415,002,388</b>
Profit	-	-	38,831,973	38,831,973
Revaluation of property plant & equipment	-	-	-	-
<b>Other Comprehensive Income</b>				
Net changing fair value of available for sale financial assets	-	(19,213,606)	-	(19,213,606)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(19,213,606)</b>	<b>38,831,973</b>	<b>19,618,366</b>
Issue of shares	-	-	-	-
Dividends	-	-	-	-
<b>Total contribution by and distribution to the owners of the company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restated Balance at 31 st December 2013</b>	<b>316,660,200</b>	<b>(19,213,606)</b>	<b>137,174,161</b>	<b>434,620,754</b>

In LKR	Notes	Company		Group	
		31-Dec-2013	31-Dec-2012	31-Dec-2013	31-Dec-2012
<b>Cash flow from operating activities</b>					
Profit/(loss) before tax		32,474,714	91,483,291	38,831,973	98,342,188
<b>Adjustments for</b>					
Profit on sale of shares		(42,327,534)	-	(42,327,915)	-
Post tax Share of Equity accounted Associate's Profit		-	-	(6,337,366)	-
		<b>(9,852,820)</b>	<b>(4,497,998)</b>	<b>(9,833,308)</b>	<b>2,360,899</b>
<b>Changes in</b>					
Inventories				(591,855)	
Trade & other receivables		(750,000)	(250,000)	(980,000)	(250,000)
Amount Due from Related Companies	3	(48,340,770)	(8,944,541)	(48,049,510)	(8,944,541)
Amount Due to Related Companies	9	30,566,057	-	31,111,080	-
Trade & other payables	8	81,175,568	22,848	81,175,568	22,848
Director current account		96,456,675	(96,456,675)	96,456,675	(96,456,675)
<b>Cash generated from operations</b>		<b>159,107,530</b>	<b>(105,628,368)</b>	<b>159,121,958</b>	<b>(105,628,368)</b>
<b>Net cash from operating activities</b>		<b>149,254,710</b>	<b>(110,126,366)</b>	<b>149,288,650</b>	<b>(103,267,469)</b>
<b>Cash flow from investing activities</b>					
Sales proceed on sale of shares		82,871,065	-	82,871,445	-
Investment in associates		-	(202,507,500)	-	(209,366,397)
Reinvestment of the profit of the sale of share		(40,543,531)	-	(40,543,531)	-
Investment in short term investment		(315,355,278)	(4,020,000)	(315,355,278)	(4,020,000)
Issue of shares		-	316,660,200	-	316,660,200
<b>Net cash used in investing activities</b>		<b>(273,027,744)</b>	<b>110,132,700</b>	<b>(273,027,364)</b>	<b>103,273,803</b>
<b>Cash flow from financing activities</b>					
Long term loan		120,000,000	-	120,000,000	-
<b>Net cash used in financing activities</b>		<b>120,000,000</b>	<b>-</b>	<b>120,000,000</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(3,773,034)</b>	<b>6,334</b>	<b>(3,738,714)</b>	<b>6,334</b>
Cash and cash equivalent at 1st January 2013		6,334	-	6,334	-
<b>Cash and cash equivalent at 31st December 2013</b>	5	<b>(3,766,700)</b>	<b>6,334</b>	<b>(3,732,380)</b>	<b>6,334</b>
<b>Cash &amp; Cash Equivalents</b>					
Cash in hand		-	-	34,320.00	-
Union Bank - Acc No-8604800014		665,789	6,334	665,789	6,334
Sampath Bank - Acc No-002930024557		48,845	-	48,845	-
DFCC Bank - Acc No-001001021409 001		3,692	-	3,692	-
		<b>718,326</b>	<b>6,334</b>	<b>752,646</b>	<b>6,334</b>
<b>Bank Overdrafts</b>					
Pan Asia Bank -Facility 1		(4,485,026)	-	(4,485,026)	-
		<b>(4,485,026)</b>	<b>-</b>	<b>(4,485,026)</b>	<b>-</b>
<b>Net Cash &amp; Cash Equivalent</b>		<b>(3,766,700)</b>	<b>6,334</b>	<b>(3,732,380)</b>	<b>6,334</b>

**ADAM INVESTMENTS LIMITED**  
**NO:264,GRANDPASS ROAD, COLOMBO 14.**  
**ACCOUNTING POLICIES**

## **1. CORPORATE INFORMATION**

Adam Investments Limited (“The Company”) is a limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No: 264, Grandpass road, Colombo 14.

### **Principal Activities & Nature of operations**

#### **Adam Investments Limited**

Adam Investments Limited is an investment holding company which holds shares of privately held companies operating in various industries such as apparel, metal, network communication and automobile and in quoted equity shares in the Colombo Stock Exchange.

### **1.1 Subsidiaries**

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights. The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date the control ceases.

#### **Adam Air-conditions (Pvt) Ltd**

Adam Air Conditions (Pvt) Ltd was inaugurated to cater to the growing demand for air conditioning systems in the country. Adam Air Conditions (Pvt) Ltd is importing, marketing and servicing of Air Conditioners.

#### **Adam Automobiles (Pvt) Ltd**

Adam Automobiles (Pvt) Ltd is the automobile arm of Adam Investments Limited group incorporated to import vehicles and vehicle spare parts. However operations of this company have not been started as of 31st December 2013.

### **1.2 Associates**

Associates are the entities, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

#### **a. Network Communication (Pvt) Ltd**

Importer & supplier of Information Technology

The company is a diversified organization that specializes in manufacturing, importing, retailing and distributing computer accessories, computer hardware, computer software, computers, VOIP services, mobile phones, accessories and electronics. It also operates a high class and accurate repairing facility and service center. The company has been in operation for over ten years. The company also offers up to date software solutions and has a vast distributor base that covers the entire island.

#### **b. Adam Metal (Pvt) Ltd.**

Manufacturers of metal hardware items

The company has been flourishing in the household and industrial hardware business for over forty years. Adam Metals



manufactures high quality metal products at its own 40 perch factory situated at Vauxhall Street, Colombo – 02. The company also imports a variety of consumer hardware items which are sold on retail and wholesale basis through its own 25 perch sales center located in Abdul Jabbar Mawatha, Colombo – 12 and through its island wide distribution network.

### **1.3 Short Term Investment identified as Available for sale financial instruments**

#### **a. Adam Apparel (Pvt) Ltd.**

Manufacturer and exporter of garments for leading global fashion labels.

The company is one of the premier apparel manufacturers in Sri Lanka and has its factories spanning over an area of approximately four acres. It specializes in manufacturing of woven items of clothing for kids, ladies, and gents. The company manufactures clothes for brands such as Tesco, BHS, Mothercare and Sainsburys. The company's primary export markets for its finished products are the UK, USA and the EU.

#### **b. Orient Garment PLC.**

Manufacturer and exporter of Garments.

Orient Garments PLC is a Sri Lankan manufacturer and exporter of high-end apparel - with special expertise in outerwear, casual wear and sportswear. Company specialized in apparel for over 30 years, and the rich experience in manufacturing and exporting makes OGL one of the most reliable clothing suppliers in Sri Lanka.

#### **c. PC House Holdings PLC.**

PC House Holdings PLC is mandated with its strategic portfolio to acquire and operate profitable business ventures across growing markets.

#### **d. Ceylon and Foreign Trades PLC.**

Ceylon and Foreign Trades PLC is a diversified business entity which diversified into various export, import, Freight forwarding etc.

## **2. GENERAL POLICIES**

### **2.1 Basis of Preparation**

The Balance Sheet and the related Statements of Income, Cash flow, Changes in Equity, Accounting Policies and Note which details the sum up's (Financial Statements) of the Company are prepared in accordance with the Sri Lanka accounting standards (LKAS & SLFRS), issued by the Institute of Chartered Accountants in Sri Lanka.

The Financial statements of the company are prepared under the Historical Cost Convention, except for investments in debt and equity securities, and derivatives, including warrants, which are measured at fair value.

Financial instruments at fair value through profit or loss are measured at fair value Available-for-sale financial assets are measured at fair value.

The said Financial Statements are prepared in Sri Lankan Rupees (LKR).

The consolidated financial statements were authorized for issue by the Board of Directors on 12.03.2014

Where appropriate, Significant Accounting policies are explained in the succeeding notes.

## Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires Management to make judgments, estimates and assumptions that affect 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 recognized in the period in which the estimates are revised and in any future periods affected.

## 2.2 Consolidation

### Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity 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 commences until the date the control ceases. The Financial Statements of the Group represents the Consolidation of the Financial Statements of the Company and its subsidiaries, in accordance with the Companies Act No.7 of 2007, and the Sri Lanka Accounting Standards (SLFRS/LKAS) No 27 “Consolidated and Separate Financial Statements”.

### Associates

Associates are the entities, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Under the equity method of accounting, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group’s share of the post-acquisition results and changes of the associate’s reserves in the consolidated statement of comprehensive income after the date of acquisition and net off with any accumulated impairment loss, if any. The Group’s investment in associates includes goodwill identified on acquisition. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The inter company transaction, balances and unrealized gains on transactions between Group companies are eliminated. The unrealized losses are also eliminated but considered as an impairment of the asset transferred.

## 3. INVESTMENT PROPERTY

The company management decided that the identifiable asset will be carrying out at fair value model in the financial statement balance sheets. Accordingly if any asset is purchased during the year it should be identified initially at cost and revalued in the financial year end or as at any date decided by Management by the use of chartered valuer. Gain / (Loss) arising from the revaluation should be recognized in the profit statement during the year.

## 4. FOREIGN EXCHANGE

Transactions arising in Foreign Currencies are converted into Sri Lankan rupees (Rs) at the rate of exchange prevailing at the time the transactions were effected.

## 5. DIFFERED TAXATION

No differed taxation has been provided in the Financial Statement.

## 6. COMPARATIVE INFORMATION

The accounting policies have been consistently applied by the company and are consistent with those of the previous year, the previous year’s figures and phrases have been re-arranged where ever necessary to conform to the current presentation. In the current set of financial statements such comparison is not made since this is the first year of presentation.

## 7. POST BALANCE SHEET EVENT

All material events occurring after the balance sheet date have been considered and were appropriate adjustment to or disclosure have been made in the respective notes to the Financial Statement.

## 8. ASSETS AND THEIR MEASUREMENT BASIS

### 8.1 Cash Flow Statement

The Cash Flow has been prepared by using the “Indirect Method”. Cash and cash equivalent comprise of cash in hand. Deposit held at call with bank and statement in Money Market Investment net of bank overdrafts.

### 8.2 Property Plant and Equipment

The property plant and equipment are stated at Cost Less Accumulated Depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

- Building 25 years
- Plant and equipment 10-20 years

The company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

## 9. LOANS & RECEIVABLE

Loans & receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest methods, less any impairment losses.

## 10. Cash and Cash Equivalent

Cash & cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the group in the management of its short term commitments.

## 11. LIABILITIES AND PROVISION

### 11.1 Payables

Payables are stated at their Cost.

### 11.2 Provision

Provisions are recognized 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 obligation.

### 11.3 Capital Commitment and Contingencies

All the material expenditure Commitment & Contingents Liabilities as at the date of the Balance Sheet have been disclosed in the respective Notes to the Financial Statements.

## 12. INCOME STATEMENT

### 12.1 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group, and the Revenue and Associated Costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the Consideration received or receivable, net of Trade Discounts and Sales Taxes, and after eliminating Sale with the group.

### 12.2 Expenditure Recognition

All Expenditure incurred in the running of the business, and in maintaining the Capital Assets in a state of efficiency have been charged to the Income Statement in arriving at the Profit/(Loss) for the year.

For the purpose of Presentation of the Income Statement, the directors are of the view that the “Function of Expenses” method fairly presents the elements of the Company’s performance, and hence such presentation method is adopted.

## 13. INTANGIBLE ASSETS

### 13.1 Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill will be tested for impairment annually and assessed for any indication of impairment at each reporting date to ensure that its carrying amount does not exceed its recoverable amount. If an impairment loss is identified, it will be recognized immediately in the Income statement.

### 13.2 Fair value

At The date of statement of financial position, certain of the company’s investments in debt and equity securities were not traded in an active market and their fair value has had to be estimated using valuation techniques. Valuations for certain of these investments required the use of inputs that could not be derived from current market prices.

### 13.3 Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

### 13.4 Intangible assets

Identifiable intangible assets are stated at cost less accumulated amortization and include internally generated patented technology and acquired computer software with finite useful lives. These assets are capitalized and amortized on a straight-line basis in the statement of income over the period of their expected useful lives as follows:

- Patented technology 7-10 years
- Computer software 2-5 years

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use the technology, are met; otherwise they are expensed as incurred. Tools are included in patented technology are amortized over their expected useful life of 7-10 years.

### 13.5 Impairment of non-financial assets

Property, plant and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If so, the carrying value of the company's share of the underlying assets of associates is written down to its net recoverable amount (being the higher of fair value less cost to sell and value in use) and the loss is charged to the consolidated statement of income in "other gains and losses (net)".

## 14. EMPLOYEE BENEFITS

### Post-employment benefit obligations

Employees of companies included in these consolidated financial statements have entitlements under the company's pension plans which are either defined contribution or defined benefit pension plans. For defined benefit plans, the level of benefit provided is based on the length of service and earnings of the person entitled.

The cost of defined contribution pension plans is charged to expense as the contributions become payable. The cost of defined benefit plans is determined using the projected unit credit method. The related pension liability recognized in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Actuarial valuations for defined benefit plans are carried out annually.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income without recycling to the statement of income in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in retained earnings. Current service cost, the recognized element of any past service cost, the expected return on plan assets and the interest expense arising on the pension liability are included in the same line items in the statement of income as the related compensation cost.

Past service costs are recognized immediately to the extent the benefits are vested, and otherwise are amortized straight-line over the average period until the benefits become vested.

## 15. SHARE-BASED PAYMENT

No such scheme

## 16. TERMINATION BENEFITS

The company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

## 17. OTHER LIABILITIES

Provisions for restructuring costs, warranties and legal claims are recognized in other liabilities when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted where the effect is material.

## 18. INCOME TAX

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

## 19. INVESTMENTS IN ASSOCIATES

Associates are entities over which the company has significant influence. The company accounts for its investment in associates using the equity method. The company's share of profits or losses of associates is recognized in the consolidated statement of income and its share of other comprehensive income or loss of associates is included in other comprehensive income.

Unrealized gains on transactions between the company and an associate are eliminated to the extent of the company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the consolidated statement of income.

## 20. FOREIGN CURRENCY TRANSLATION

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities' functional currency are recognized in the statement of income in "other gains and losses (net)".

## 21. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the company classifies its financial instruments in the following categories:

(i) **Financial assets and liabilities at fair value through profit or loss**

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term.

Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of income. Gains and losses arising from changes in fair value are presented in the consolidated statement of income within “other gains and losses (net)” in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which are classified as long-term.

**(ii) Available-for-sale investments**

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The company’s available-for-sale assets comprise investments in debt and equity securities (other than those qualifying as cash equivalents).

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from re measurement are recognized in other comprehensive income except for exchange gains and losses on the translation of debt securities, which are recognized in the consolidated statement of income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in “other gains and losses (net)”.

Available-for-sale investments are classified as non-current, unless an investment matures within twelve months, or management expects to dispose of it within twelve months. Interest on available-for-sale debt instruments, calculated using the effective interest method, is recognized in the statement of income as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of income as dividend income when the company’s right to receive payment is established.

**(iii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company’s loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

**(iv) Financial liabilities at amortized cost**

Financial liabilities at amortized cost include trade payables, bank debt and long-term debt. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

**Long – Term Investment**

The long- term investments are initially recognized at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognized as an expense in the period in which the diminution is identified.

However the cost of the long-term investments is subjected to revaluation and any gain is recognized in the income statement.

**Short – Term Investment**

The short- term investments are carried in the balance sheet at Fair value.

Investment in Adam Apparels (Pvt) Ltd is identified as Short term investment as the directors will look towards trading its securities in the future. The company has carried out a revaluation of it’s property on 30th September 2012 which has increased its fair value and it’s duly recognized in Adam Investment limited accounts.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

## **Impairment of financial assets**

At each reporting date, the company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired. The criteria used to determine if objective evidence of an impairment loss include:

- (i) Significant financial difficulty of the obligor;
- (ii) Delinquencies in interest or principal payments; and it become probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If such evidence exists, the company recognizes an impairment loss, as follows:

### **(i) Financial assets carried at amortized cost**

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

### **(ii) Available-for-sale financial assets**

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income. Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity Instruments are not reversed.



ADAM INVESTMENTS LIMITED

NO:264,GRANDPASS ROAD,

COLOMBO 14.

NOTES TO ACCOUNTS

FOR YEAR ENDED 31 DECEMBER 2013

## 01.INVESTMENT IN ASSOCIATES

### 01.1. Investment at Cost

<u>Company</u>	<u>31-Dec-2013</u>	<u>31-Dec-2012</u>
Purchase consideration paid for the Investment		
<b>Adam Metal (Pvt) Ltd</b>	102,007,500	102,007,500
<b>Network Communication (Pvt) Ltd</b>	100,500,000	100,500,000
	<u>202,507,500</u>	<u>202,507,500</u>

### Group

### 01.2. Investment at Cost

<b>Adam Metal (Pvt) Ltd</b>	
Purchase consideration paid for the Investment	102,007,500.00
Good will on Acquisition	(3,267,707.53)
Share of associate profits as at 31.12.2012	154,783.39
Share of tax at 31.12.2012	(12,340.49)
<b>Balance as at 31st December 2012</b>	<u>98,882,235.36</u>
Share of associate deferred tax	-
Share of profits of associate after tax 31.12.2013	489,072.60
Dividend received from associate	-
<b>Balance as at 31st December 2013</b>	<u>99,371,307.96</u>

### 01.3. Investment at Cost

	<u>31-Dec-2013</u>
<b>Network Communication (Pvt) Ltd</b>	
Purchase consideration paid for the Investment	100,500,000.00
Negative Good will on Acquisition	3,797,171.59
Share of associate profits as at 31.12.2012	3,469,417.60
Share of tax at 31.12.2012	(550,135.02)
Share of associate deferred tax	-
<b>Balance as at 31st December 2012</b>	<u>107,216,454.17</u>
Share of profits of associate after tax 31.12.2013	7,087,882.27
Share of tax at 31.12.2013	(1,239,588.65)
Dividend received from associate	-
<b>Balance as at 31st December 2013</b>	<u>113,064,747.79</u>
<b>As at 31st December 2012</b>	<u>206,098,690</u>
<b>As at 31st December 2013</b>	<u>212,436,056</u>

Summarized financial information of Associate companies

	Adam Metal (Pvt) Ltd	Adam Metal (Pvt) Ltd	Network Communication (Pvt) Ltd	Network Communication (Pvt) Ltd
In LKR	31-Dec-2013	31-Dec-2012	31-Dec-2013	31-Dec-2012
Non current assets	218,650,720.23	203,913,678.67	114,290,019	108,309,454
Current assets	39,270,648.48	36,279,985.54	322,014,254	263,227,632
<b>Total assets</b>	<b>257,921,368.71</b>	<b>240,193,664.21</b>	<b>436,304,273</b>	<b>371,537,086</b>
Capital & reserves	201,349,876.62	211,473,520.43	266,244,967	250,099,416
Total liabilities	61,571,492.09	28,720,143.78	170,059,307	121,437,400
<b>Total equity &amp; liabilities</b>	<b>262,921,368.71</b>	<b>240,193,664.21</b>	<b>436,304,273</b>	<b>371,536,816</b>
Total income	22,706,934.57	24,645,492.81	355,069,208	361,256,252
Profit/(loss) after tax	1,040,579.70	915,638.92	16,483,447	20,230,649

**Reporting Periods of Associate Companies**

Adam Metal (Pvt) Limited	01st April to 31st March
Network Communication (Pvt) Ltd	01st April to 31st March

**COMPANY**

**02. AVAILABLE FOR SALE FINANCIAL ASSETS**

Name of the Companies	No of Shares	Total value of the portfolio as at 01.01.2013		Total value of the portfolio as at 31.12.2013		Fair value gain on Short term Investments
		Fair Value Rs	Acquisition cost Rs	Fair Value Rs	Acquisition cost Rs	
<b>Unquoted- Quoted Companies</b>						
Adam apparels (Pvt) Ltd (Note 02.2)	400,000	100,001,289.50	4,020,000.00	105,832,112.06	4,020,000.00	5,830,822.56
Ceylon & Foreign Trades PLC	12,515,822	-	-	83,856,007.40	100,739,851.28	(16,883,843.88)
PC House Holdings	25,500,470	-	-	30,600,564.00	51,312,755.21	(20,712,191.21)
Orient Garment Limited	21,844,063	-	-	174,752,504.00	162,161,827.93	12,590,676.07
Environmental Resources Investments PLC	78,140	-	-	1,101,774.00	1,140,844.00	(39,070.00)
Unrealized loss from fall in fairvalue of share investment						-
Provision for fall in value of investments						-
	<b>60,338,495.00</b>	<b>100,001,289.50</b>	<b>4,020,000.00</b>	<b>396,142,961.46</b>	<b>319,375,278.42</b>	<b>(19,213,606.46)</b>

**GROUP**  
**02. AVAILABLE FOR SALE FINANCIAL ASSETS**

Name of the Companies	No of Shares	Total value of the portfolio as at 01.01.2013		Total value of the portfolio as at 31.12.2013		Fair value gain on Short term Investments Rs
		Fair Value Rs	Acquisition cost Rs	Fair Value Rs	Acquisition cost Rs	
<b>Unquoted- Quoted Companies</b>						
Adam apparels (Pvt) Ltd (Note 02.2)	400,000	100,001,289.50	4,020,000.00	105,832,112.06	4,020,000.00	5,830,822.56
Ceylon & Foreign Trades PLC	12,515,822	-	-	83,856,007.40	100,739,851.28	(16,883,843.88)
PC House Holdings	25,500,470	-	-	30,600,564.00	51,312,755.21	(20,712,191.21)
Orient Garment Limited	21,844,063	-	-	174,752,504.00	162,161,827.93	12,590,676.07
Environmental Resources Investments PLC	78,140	-	-	1,101,774.00	1,140,844.00	(39,070.00)
Unrealized loss from fall in fairvalue of share investment		-	-	-	-	-
Provision for fall in value of investments		-	-	-	-	-
	<b>60,338,495.00</b>	<b>100,001,289.50</b>	<b>4,020,000.00</b>	<b>396,142,961.46</b>	<b>319,375,278.42</b>	<b>(19,213,606.46)</b>

**Unquoted Equity securities**

The fair values of the company's equity securities are determined using valuation techniques. The company has used an earnings approach to value these securities, based on earnings multiples for recent transactions involving similar businesses

**Quoted Equity Instruments**

The fair values of the company's equity securities are determined using Market valuation. All the companies mentioned in quoted equity investments are publicly traded in the Colombo stock exchange.

**Note 02.2**

Adam apparels (Pvt) Limited is a non quoted entity of which 21% stake was purchased at Rs.4,020,000 during the year 2013. The directors have recognized this stake as non equity accounted investee with a short term consideration. Later the directors of Adam Apparels (Pvt) Ltd revalued the Fixed Assets and measured the brand value of the entity at Rs.473,956,111 & hence the fairvalue of the investment has risen to 100,001,289 during 2012. Net Assets of Adam Apparel (Pvt) Ltd is Rs.264.58 per share as at 31/12/2013, Fair value of the Investment has risen to Rs.105,832,112.06 .

In LKR	31-Dec-2013		31-Dec-2012	
	Company	Group	Company	Group
<b>03. AMOUNT DUE FROM RELATED COMPANIES</b>				
Adam Air conditions (Pvt) Ltd	481,260.00	-	16,000.00	16,000.00
Adam Auto mobile (pvt) Ltd	26,000.00	26,000.00	16,000.00	16,000.00
Net work communication Ltd	42,294,408.34	42,484,408.34	8,912,540.52	8,912,540.52
Adam apparels (Pvt) Ltd	11,618,403.81	11,618,403.81	-	-
Adam Metal (Pvt) Ltd	2,645,000.00	2,645,000.00	-	-
Sonakshi Investment(Pvt) Ltd	21,760.00	21,760.00	-	-
Adam Industries (Pvt) Ltd	198,478.12	198,478.12	-	-
	57,285,310.27	56,994,050.27	8,944,540.52	8,944,540.52

The company has given the stated amount during the year with the view of immediately recovering the full amount immediately in the next financial period.

In LKR	31-Dec-2013		31-Dec-2012	
	Company	Group	Company	Group
<b>04. OTHER RECEIVABLE</b>				
Colombo court- deposit	1,000,000.00	1,000,000.00	-	-
Capital Trust Financials	-	-	250,000.00	250,000.00
	1,000,000.00	1,000,000.00	250,000.00	250,000.00

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, excluding construction work in progress, is disclosed in (Note no 21)

In LKR	31-Dec-2013		31-Dec-2012	
	Company	Group	Company	Group
<b>05. CASH &amp; CASH EQUIVALENTS</b>				
Union Bank - Acc No-8604800014	665,789.36	665,789.36	6,333.94	6,333.94
Sampath Bank - Acc No-002930024557	48,845.00	48,845.00	-	-
DFCC Bank - Acc No-001001021409 001	3,692.00	3,692.00	-	-
Union Bank - Acc No-10878700011		34,320.00		
	718,326.36	752,646.36	6,333.94	6,333.94

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in (Note No 23)

<b>In LKR</b>	<b>No. of Shares</b>	<b>Company 31-Dec-2013</b>	<b>Group 31-Dec-2013</b>	<b>Company 31-Dec-2012</b>	<b>Group 31-Dec-2012</b>
<b>06. STATED CAPITAL</b>					
Issued & fully paid					
Dr.Ali Asgar Shabbir	309,660,200	309,660,200.00	309,660,200.00	309,660,200.00	309,660,200.00
Mr.Idris Shabbir	4,000,000	4,000,000.00	4,000,000.00	4,000,000.00	4,000,000.00
Dr.Lawrence Mervyn Fritsgerald Adams	1,000,000	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Mr.Malayandi Jeyaprakash	1,000,000	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Mr.Loolbadda Waduge Waruna Priyankara	1,000,000	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
		<b>316,660,200.00</b>	<b>316,660,200.00</b>	<b>316,660,200.00</b>	<b>316,660,200.00</b>

<b>In LKR</b>	<b>Company 31-Dec-2013</b>	<b>Group 31-Dec-2013</b>	<b>Company 31-Dec-2012</b>	<b>Group 31-Dec-2012</b>
<b>07. LONG TERM LOAN</b>				
LOLC	118,122,495.83	118,122,495.83	-	-
Transferred to LOLC margin trading	1,877,504.17	1,877,504.17	-	-
	<b>120,000,000.00</b>	<b>120,000,000.00</b>	<b>-</b>	<b>-</b>

**Securities Pledged**

Orient Garments PLC -No of shares 8,300,425  
PCH Holding PLC -No of Shares 25,500,000

Pan Asia Bank - Margin Trading Facility

**68,100,760.68**

**Securities Pledged**

Ceylon & Foreign Trades PLC -No of Shares 12,515,822  
Lanka Century Investments PLC -No of Shares 78,140  
Orient Garments PLC -No of Shares 8,050,000

LOLC Securities Limited

**12,871,765.83**

**Securities Pledged**

Orient Garments PLC -No of Shares 5,493,638

	Company	Group
	31-Dec-2013	31-Dec-2013
	12,871,765.83	12,871,765.83
	68,100,760.68	68,100,760.68
	72,848.00	72,848.00
	153,061.22	153,061.22
	81,198,435.73	81,198,435.73
	-	-
	-	-
	22,848.00	22,848.00
	-	-
	22,848.00	22,848.00

	Company	Group
	31-Dec-2012	31-Dec-2012
	30,566,057.10	30,566,057.10
	545,002.92	545,002.92
	31,111,060.01	31,111,060.01
	-	-
	-	-

	Company	Group
	31-Dec-2013	31-Dec-2013
	4,485,026.43	4,485,026.43
	4,485,026.43	4,485,026.43
	-	-
	-	-

	Company	Group
	31-Dec-2012	31-Dec-2012
	4,332,300.00	4,332,300.00
	-	-
	-	-

	Company	Group
	31-Dec-2012	31-Dec-2012
	3,830,447.92	3,830,447.92
	-	-
	-	-

**In LKR**

**08. TRADE & OTHER PAYABLES**

LOLC Securities  
Pan Asia Bank - Facility 2  
Audi Fee Payable  
Listing fee Payable

**In LKR**

**09. AMOUNT DUE TO RELATED COMPANIES**

Adam Expo (Pvt) Ltd  
Adam Metals (pvt) Ltd

**In LKR**

**10. BANK OVERDRAFT**

Pan Asia Bank - Facility 1

**In LKR**

**11. REVENUE**

Local Sales - Adam Air conditions (Pvt) Ltd

**Nature of the Business**

Adam Air conditions (Pvt) Ltd - Sales of Air conditioners

**In LKR**

**12. COST OF SALES**

Import purchase - Adam Air conditions (Pvt) Ltd

In LKR	Company 31-Dec-2013	Group 31-Dec-2013	Company 31-Dec-2012	Group 31-Dec-2012
<b>13. OTHER INCOME</b>				
Dividend Income	98.51	98.51	-	-
Management Fee	360,000.00	360,000.00	-	-
Profit on Sale of Share	40,543,530.77	40,543,530.77	-	-
Loss on disposal of Share's	-	-	(2,409,014.86)	(2,409,014.86)
Fair value gain on Short term Investments	-	-	95,981,289.50	95,981,289.50
Negative goodwill on acquisition of Investment in Netcom	40,903,629.28	40,903,629.28	93,572,274.64	97,369,446.23

In LKR	Company 31-Dec-2013	Group 31-Dec-2013	Company 31-Dec-2012	Group 31-Dec-2012
<b>13.1. Profit on Sale of Share</b>				
Sales proceed	82,871,065.21	82,871,065.21	-	-
Cost of acquisition of the shares	(42,327,534.44)	(42,327,534.44)	-	-
	40,543,530.77	40,543,530.77	-	-

Profit on sales of shares had arisen from the disposal of 52,323,396 number of shares of PC House Holdings which was acquired during the year and which was wholly disposed during the year.

In LKR	Company 31-Dec-2013	Group 31-Dec-2013	Company 31-Dec-2012	Group 31-Dec-2012
<b>14. DIRECT EXPENSES</b>				
Unrealized loss from fall in fair value of share investment	-	-	230,311.83	230,311.83
Brokerage interest	-	-	182,221.68	182,221.68
	-	-	412,533.51	412,533.51

**In LKR**

**15. ADMINISTRATIVE EXPENSES**

	Company 31-Dec-2013	Group 31-Dec-2013	Company 31-Dec-2012	Group 31-Dec-2012
Legal Documentation Fee	592,042.00	592,042.00	-	-
Web hosting Renewal Fee	18,360.00	18,360.00	-	-
CSE Listing fee			153,061.23	153,061.23
Professional Charges	1,000.00	1,000.00	-	-
Stamp Duty			1,687,300.00	1,687,300.00
Printing & Stationary	32,580.00	32,580.00	-	-
Legal and Secretarial Fee	167,704.00	167,704.00	4,636.00	4,636.00
Advertisement Expense	112,582.40	112,582.40	-	-
Salary	112,329.66	112,329.66	-	-
Audit fee	50,000.00	50,000.00	22,848.00	22,848.00
	<b>1,086,598.06</b>	<b>1,086,598.06</b>	<b>1,867,845.23</b>	<b>1,867,845.23</b>

**In LKR**

**16. FINANCE COST**

	Company 31-Dec-2013	Group 31-Dec-2013	Company 31-Dec-2012	Group 31-Dec-2012
Bank charges	7,342,317.00	7,342,317.00	900.00	900.00
	<b>7,342,317.00</b>	<b>7,342,317.00</b>	<b>900.00</b>	<b>900.00</b>

**17. INCOME TAX EXPENSE**

**In LKR**

	Company 31-Dec-2013	Group 31-Dec-2013	Company 31-Dec-2012	Group 31-Dec-2012
Tax on profit for the period (Note 17.2)	-	-	-	-
Tax on deemed distribution on corporate profits (Note 17.2)	-	-	-	-
Deferred tax charge/ (reversal) of the company & subsidiaries	-	-	-	-
Share of deferred tax of the associates	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**17.1 Reconciliation of accounting profits and current tax on ordinary activities are as follows:-**

In LKR	Company 31-Dec-2013	Group 31-Dec-2013	Company 31-Dec-2012	Group 31-Dec-2012
Profit/(loss) before taxation	32,474,714	32,474,714	91,483,291	91,483,291
Aggregate disallowed item	(40,543,629)	(40,543,629)	(96,173,585)	(96,173,585)
Aggregate allowable expense	-	-	-	-
Business profit / (loss)	(8,068,915)	(8,068,915)	(4,690,294)	(4,690,294)
Tax expenses	-	-	-	-
<b>17.2. Tax expense</b>				
Provision for the year	-	-	-	-
12% on taxable income	-	-	-	-
28% on taxable income	-	-	-	-
Deemed Dividend Tax	-	-	-	-

The corporate income tax applicable to companies within the group is 12% and 28%

**18. CAPITAL COMMITMENTS**

There were no capital commitments outstanding at the balance sheet date.

**19. CONTINGENT LIABILITIES**

There are no significant contingent liabilities as at balance sheet date, which require adjustments to or disclosures in the financial statements.

**20. EVENTS OCCURRING AFTER BALANCE SHEET DATE**

The company is planning to raise capital through initial public offer at the Colombo stock exchange

The Directors are yet to finalize the move in terms of actual documentation but the feasibility and initial ground work for the filing process has commenced.

On 02nd December 2013, Adam Investments purchased 16,350,425 ordinary shares of Orient Garments PLC (“OGL / the Offeree”) at a price of LKR 8.00/- per share.

As results of this transaction AIL’s total share holding in OGL increased up to 21,844,063 shares representing a percentage shareholding of 39.8%.

Therefore, as set out in Rule 31(1) of the Code it has become obligatory on the part of AIL to make a mandatory offer to the shareholders of OGL in accordance with the provisions of the Code to purchase all the remaining ordinary shares of OGL not already owned by AIL.

Accordingly, on 17th December 2013 a mandatory offer has been made in terms of Rule 31 (1) (a) of the Takeovers & Mergers Code 1995, to purchase the remaining ordinary shares of OGL not already owned by AIL at a price of LKR 8.00/- per share which is the highest price paid by AIL for the purchase of OGL shares during the preceding twelve months prior to 02nd December 2013.

Adam Investments Limited has obtained the board control of Orient Garments Plc in January 2014 and as a result Orient Garments PLC has become a subsidiary of Adam Investments Limited as per SLFRS 3-Business Combination.

Adam Investments Limited will consolidate its financial accounts with Orient Garments PLC from the FY 2014 onward due to above mentioned reason.

## 21. EARNINGS PER SHARE

Basic earning per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, as per the LKAS 34 - Earnings per Share.

	Company		Group	
	31-Dec-2013 Rs.	31-Dec-2012 Rs.	31-Dec-2013 Rs.	31-Dec-2012 Rs.
Profit attributable to shareholders	32,474,714.22	91,483,291.07	38,831,972.52	98,342,188.14
Weighted average number of ordinary shares	316,660,200	316,660,200	316,660,200	316,660,200
Earnings / (deficit) per ordinary share (Rs)	<u>0.10</u>	<u>0.29</u>	<u>0.12</u>	<u>0.31</u>

Company has not issued equity instruments of convertible nature and does not face any earnings dilution. Because of this basic and diluted earnings per share are equal, hence reconciliation is not presented for earnings per share.

### Weighted average number of ordinary shares

Number of shares held as at 31st December 2012 was 31,666,020. However, it was restated as 316,660,200 in the comparative column as a result of the events described below, as required by LKAS 34 - Earnings per Share.

As approved by the shareholders and The Board of Directors of the Company with the Board Resolution passed on 11th December 2013, a share sub-division (Share Split) took place, as detailed below.

### Sub division of shares

This was a share split undertaken by the Company for the year, aimed at further enhance the tradability and affordability of the company shares. Consequently, every Company share held by the shareholders was sub-divided on 11th December 2013 into ten and the number of shares was increased by 900% from 31,666,020 to 316,660,200. Due to this, there was no increase in the stated capital amounting to Rs.316.66 Min.

## 22. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 “Related Party disclosures”, the details of which are reported below.

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the company and is comparable with what is applied to transactions between the company and its unrelated customers.

22.1 The Directors of Adam Investments Ltd are also the Directors of the following Related Companies.

Name of the Director	AAC	AAM	SIL	ADAM	AML	NETCOM	AAP	AIND	CFT
Dr.A.A. Shabbir Gulamhusein	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr.T.A. Gulamhusein					✓	✓	✓		✓
Mr.I. Shabbir					✓	✓	✓		✓
Mrs. Danushya M.Gulamhusein	✓	✓	✓					✓	
Dr. L.M.F.Adams	✓	✓	✓					✓	
Mr. M.Jeyaprakash	✓	✓	✓					✓	
Mr.L.W.W. Priyankara	✓	✓							✓
Mr. G. Ramanan									
Mr.I. Zahir									✓

### Name of the Company

Name of the Company	Nature of the Relationship
Adam Air conditions (Pvt) Ltd	Subsidiary
Adam Auto mobile (pvt) Ltd	Subsidiary
Sonakshi Investment(Pvt) Ltd	Other Related Party
Adamexpo	Other Related Party
Adam Metal (Pvt) Ltd	Associate
Network Communications (Pvt) Ltd	Associate
Adam Apparels (Pvt) Ltd	Investment
Adam Industries (Pvt) Ltd	Other Related Party
Ceylon and Foreign Trades PLC	Investment

22.2 Transactions of Adam Investments Ltd with Related Parties

Name of the Company	Nature of Relationship	Terms	Nature of transactions
Adam Air conditions (Pvt) Ltd	Subsidiary	Interest free lending	AINV paid salaries of Adam Air staff
Adam Auto mobile (pvt) Ltd	Subsidiary	Interest free lending	AINV paid fees of Company registrar
Sonakshi Investment(Pvt) Ltd	Other Related Party	Interest free lending	AINV paid fees of Company registrar
Adamexpo	Other Related Party	Interest free borrowing	AINV obtained financial facilities from Adam Expo
Adam Industries (Pvt) Ltd	Other Related Party	Interest free lending	AINV granted short term financial facilities to Adam Industries (Pvt) Ltd
Network Communications (Pvt) Ltd	Associate Company	Interest free lending	AINV granted short term financial facilities to Netcom
Adam Apparels (Pvt) Ltd	Investment	Interest free lending	AINV granted short term financial facilities to Adam Apparels (pvt) Ltd
Adam Metals (Pvt) Ltd	Associate Company	Interest free lending	AINV granted short term financial facilities to Adam Metals (pvt) Ltd
Ceylon and Foreign Trades PLC	Investment		No transaction during the year

		31 Dec 2013	31 Dec 2012
		Rs	Rs
<b>22.2.1</b>	<b>Expenses incurred on behalf of related parties</b>		
	Adam Air conditions (Pvt) Ltd	481,260	16,000
	Adam Auto mobile (pvt) Ltd	26,000	16,000
	Sonakshi Investment(Pvt) Ltd	21,760	
	Adam Industries (Pvt) Ltd	198,478	
<b>22.2.2</b>	<b>Receivables</b>		
	Adam Air conditions (Pvt) Ltd	481,260	16,000
	Adam Auto mobile (pvt) Ltd	26,000	16,000
	Net work communication Ltd	42,294,408	8,912,541
	Adam apparels (Pvt) Ltd	11,618,404	
	Adam Metal (Pvt) Ltd	2,645,000	
	Sonakshi Investment(Pvt) Ltd	21,760	
	Adam Industries (Pvt) Ltd	198,478	
<b>22.2.3</b>	<b>Payables</b>		
	Adam Expo	30,566,057	-
<b>22.2.4</b>	<b>Finance Facilities Obtained by AINV</b>		
	Adam Expo	30,566,057	
<b>22.2.5</b>	<b>Finance Facilities Granted by AINV</b>		
	Net work communication Ltd	42,294,408	8,912,541
	Adam apparels (Pvt) Ltd	11,618,404	
	Adam Metal (Pvt) Ltd	2,645,000	

IFRS 7 requires the disclosure of risk information to be based on the information provided internally to the entity's key management personnel, as defined in IAS 24

**Credit Risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was 31st December 2013

**COMPANY**

**Maturity analysis of financial assets**

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 1 yr	5 years
Loans, receivables and advance payment	1,000,000.00	-	1,000,000.00	-	-	-	-	-
Cash and cash equivalents	718,326.36	-	718,326.36	-	-	-	-	-
Amount due from related companies	57,285,310.27	-	-	57,285,310.27	-	-	-	-
	<b>59,003,636.63</b>	<b>-</b>	<b>1,718,326.36</b>	<b>57,285,310.27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Maturity analysis of financial liabilities**

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 1 yr	5 years
Trade and other payables	81,198,435.73	-	81,198,435.73	-	-	-	-	-
Bank overdraft	4,485,026.43	-	4,485,026.43	-	-	-	-	-
Amount due to related companies	30,566,057.10	-	-	30,566,057.10	-	-	-	-
	<b>116,249,519.26</b>	<b>-</b>	<b>85,683,462.16</b>	<b>30,566,057.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**GROUP**

**Maturity analysis of financial assets**

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 1 yr	5 years
Loans, receivables and advance payment	1,230,000.00	-	1,230,000.00	-	-	-	-	-
Cash and cash equivalents	752,646.36	-	752,646.36	-	-	-	-	-
Amount due from related companies	56,994,050.27	-	-	56,994,050.27	-	-	-	-
	<b>58,976,696.63</b>	<b>-</b>	<b>1,982,646.36</b>	<b>56,994,050.27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Maturity analysis of financial liabilities**

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 1 yr	5 years
Trade and other payables	81,198,435.73	-	81,198,435.73	-	-	-	-	-
Bank overdraft	4,485,026.43	-	4,485,026.43	-	-	-	-	-
Amount due to related companies	31,111,060.01	-	-	31,111,060.01	-	-	-	-
	<b>116,794,522.17</b>	<b>-</b>	<b>85,683,462.16</b>	<b>31,111,060.01</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The company has not identified any impairment of financial assets during the reporting period since no receivable is passed its due date  
The company does not have any collective impairments on its loans and other receivables

#### Liquidity Risk

The following are the contractual maturities of financial liabilities,

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 1 yr 5 years
Trade and other payables	81,198,435.73	-	81,198,435.73	-	-	-	-
Bank overdraft	4,485,026.43	-	4,485,026.43	-	-	-	-
Amount due to related companies	30,566,057.10	-	-	30,566,057.10	-	-	-
	<b>116,249,519.26</b>	-	<b>85,683,462.16</b>	<b>30,566,057.10</b>	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### Currency risk

Entity is not subjected to Currency risk as it does not engage in any foreign currency transactions

#### Interest rate risk

The company has no interest bearing financial assets or liabilities for the reporting period concerned

#### Faire value disclosures

Assets carried at fair value

Held-to-maturity investments

Financial assets designated at fair value through profit or loss

Available-for-sale financial assets

Financial assets held for trading

#### Assets carried at Amortized cost

Loans and receivables

Cash and cash equivalents

Carrying amount

Faire value

58,224,050.27  
752,646.36  
**58,976,696.63**

58,224,050.27  
752,646.36  
**58,976,696.63**

#### Liabilities carried at fair value

#### Liabilities carried at Amortized cost

Trade and other payables

Bank overdraft

-  
81,198,435.73  
4,485,026.43  
**81,198,435.73**

-  
81,198,435.73  
4,485,026.43  
**81,198,435.73**

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 01	Level 02	Level 03	Total
Held-to-maturity investments	-	-	-	-
Available-for-sale financial assets	290,310,849.40	-	105,832,112.06	396,142,961.46
Financial assets held for trading	-	-	-	-
	<b>290,310,849.40</b>	<b>-</b>	<b>105,832,112.06</b>	<b>396,142,961.46</b>