

ANNUAL REPORT

2011/12



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CORPORATE INFORMATION

Name of the Company

eChannelling PLC

Legal Form

Quoted Public Company incorporated in Sri Lanka in 2000

Ordinary share listed on the Diri Savi Board of the Colombo Stock Exchange

Board of Directors

Mr. P. Kudabalage

Mr. A. M. M. De Alwis

Mr. W. D. J. R. Silva

Mr. W. T. L. Weeratne

Mr. A. R. Karunaratne

Ms. A. A. Aziz

Secretaries and Registrars

S. S. P. Corporate Services (Pvt) Limited

No 101, Inner Flower Road

Colombo 03

Auditors

KPMG

Chartered Accountants

32A, Sir Mohamed Macan Markar Mawatha

P.O.Box 186

Colombo 03

Bankers

Sampath Bank PLC

Seylan Bank PLC

Nations Trust Bank PLC

Peoples Bank PLC

Commercial Bank of Ceylon PLC

Bank of Ceylon

Hongkong and Shanghai Banking Corporation

Registered Office of the Company

Suncity Towers, Mezzanine Floor

18, St Anthony's Mawatha

Colombo 03

Tel: 011 7600500 Fax: 011 4724114

Email: info@echannelling.com

Internet: www.echannelling.com

CHAIRMAN'S REVIEW



eChannelling PLC continues to grow in strength under the new management and leadership, and has become one of the most successful e-business models in the country.

The Sri Lankan economy is growing rapidly and would position itself as one of the main business hubs in the region, given the aggressive development plans adopted by H.E. the president for the country. The group has positioned itself to support the country's development in catering for e-business requirements generated as a result of these efforts.

The rural segment is an area where eChannelling penetration is low, which we expect to rectify this year with adopting of new business strategies which would allow us to penetrate into such hospitals and offer our services at concessionary terms.

eChannelling PLC has embarked on a number of new projects through its subsidiary ECL Soft (Private) Limited which aims to position the group as a diversified entity focusing on e-business opportunities.

The company is in the process of launching echannelling services globally which I believe would commence generating revenue in the immediate future. The company is actively looking at opportunities in Asia and the Middle East.

In addition the value added services of the company are being developed enhancing the service provided to clients locally. The new Doctor Notification product is designed to reduce the time spent by patients waiting for doctors at hospitals. Surveys have shown that 99% of the patients have wish to know the extent of delays that they would have to experience, which the solution is able to provide. The product is currently on trial in many major hospitals and as a result available for patients.

The performance for the year under review has been impressive with an increase of 42 % in revenue, an increase of 26 % in total no.of.channellings and a growth in Net profit of 999 %.

Finally, I take this opportunity to thank all our shareholders for the confidence and trust placed in us.

P. Kudabalage
Colombo

DEPUTY CHAIRMAN'S REVIEW



It has been a remarkable year for eChannelling PLC, with the company embarking on a significant turnaround in strategy and market position

The core business of the company which is channelling, has shown healthy growth in numbers, and also the revenue earned by the company.

The operational income has been significant, with the company being able to capitalise on the equity market prospects and strategic investments.

The company, through a capital reduction and growth in profitability managed to write off retained losses accumulated over a decade of operations.

The company is embarking on a diversification strategy through its subsidiary ECL Soft (Private) Limited which has been quite aggressive and I believe that the strategies adopted would reap substantial benefits to eChannelling PLC and its shareholders. Value added services, the membership card and leisure in addition to its strategic equity investments.

This would supplement eChannelling PLC income to make the group diversified and positioned to be the #1 e-business company in Sri Lanka.

The global potential for the group is quite positive, and currently we are exploring the possibility of replicating the echannelling solution in a few selected countries.

The partnership with IFS, is yet to generate revenue for the group, but the Board of Directors are confident that it is matter of time before revenue generation commences, with a number of business opportunities had been identified and coordinated sales efforts are made to convert such opportunities.

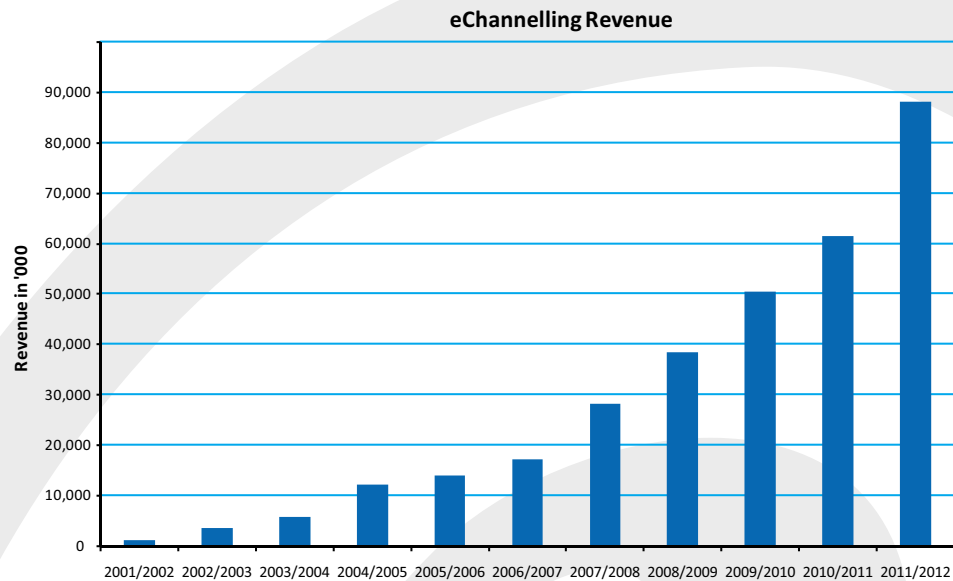
The Board of Directors delayed external capital infusion to ECL Soft (Private) Limited since the market conditions were adverse in the recent past, but looking at raising around US\$2-3 Million to fund projects that the company has embarked and to retire interest bearing borrowing made to partly fund equity investments.

I believe that ECL has an interesting and promising future ahead which would be rewarding to all stakeholders.

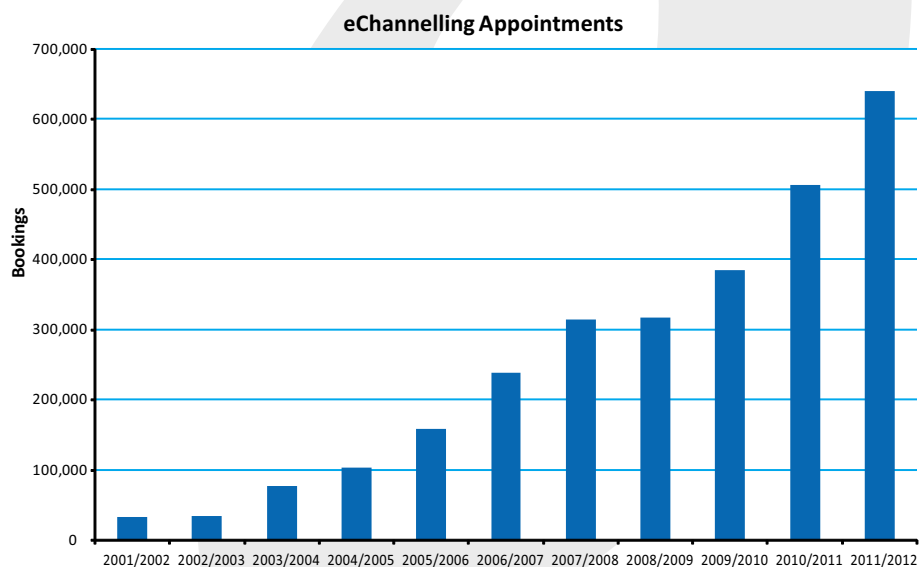
Ruwan Silva
Colombo

E-CHANNELLING PERFORMANCE CHARTS

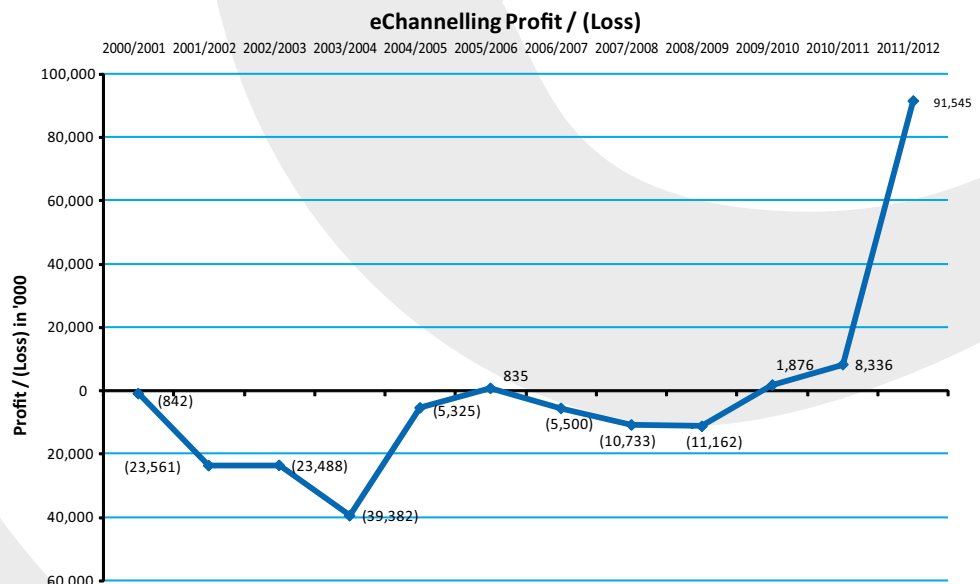
Revenue generated from the fee charged from appointments.



The number of appointments made through our network.



Profit/(Loss) of the organisation since launch.



BOARD OF DIRECTORS

Mr. P. Kudabalage B.Com(Hons) (University of Peradeniya) FCA,FCMA,FCPM

Non Independent ,Non Executive Chairman

Mr. P. Kudabalage was appointed to the board of eChannelling PLC on the 29 of June 2010. Mr. P. Kudabalage is a Chartered Accountant by profession. He holds a B.Com (Hons) Degree from the University of Kelaniya and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Institute of Certified Management Accountants of Sri Lanka and the Institute of Certified Professional Managers.

Mr. P. Kudabalage is the Managing Director / Chief Executive Officer of Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Ltd. He is an Executive Director of Sri Lanka Insurance Corporation Ltd and is also on the Board of Seylan Bank PLC, Ceylon Asset Management Co. Ltd and Colombo Dockyard PLC and is a Senior Partner of M/s P Kudabalage & Company, Chartered Accountants. He has well over 25 years of experience in the mercantile sector. He has held several senior positions at Kahawatta Plantations Ltd, Janatha Estate Development Board and Jay Cey Group of Companies and a directorate in Malwatte Valley Plantation Ltd.

Mr. W. D. J. R. Silva MBA, FCMA, CGMA, LL.B.(lond)

Deputy Chairman

Mr. Ruwan Silva was appointed to the board of eChannelling PLC on the 19 of May 2010. He is the Chairman of British American Technologies (Private) Limited (BAT), a key shareholder of eChannelling PLC. Prior to setting up British American Technologies, he was the Chief Financial Officer at Sri Lanka Telecom PLC and Chief Financial Officer for Ericsson Algeria and Sri Lanka. Mr. Ruwan Silva has more than 18 years experience, cutting across varied industries, such as healthcare, Electronics, Telecommunications, Transportation, IT and Banking. He has also worked at Ansell, John Keells Holdings and HSBC. Mr. Silva holds a Masters in Business Administration (University of Colombo), an L.L.B. degree with Honours (University of London, U.K) a Fellow Member of the Chartered Institute of Management Accountants, U.K (FCMA) and a Chartered Global Management Accountant (CGMA).

Mr. W. T. L. S. Weeratne

Executive Director

Mr. Thanuja Weeratne was appointed to the board of eChannelling PLC on the 19 of May 2010. Prior to this appointment he was instrumental in setting up the Distribution operations for IBM Software Group in Sri Lanka and South Asia via Middleware Technologies (Pvt) Limited where he served as the Chief Operating Officer/Head of Operations. Mr. Weeratne has over 15 years of experience in Marketing, Advertising, Manufacturing, Commercial Management, and Information Technology. His previous appointments were as Business Development Manager- ASIAN in South Asia, Middle East and North Africa for IMAS Corporate Software, General Manager- Special Projects & Process Improvement for Brandix Lanka Limited and its holding company Phoenix Ventures Limited. Mr. Weeratne is a member of the Chartered Institute of Marketing, U.K. He is a certified resource of IBM Software Group in Marketing and Pre sales. Mr Thanuja is also a director of ECL Soft (Pvt) Ltd.

BOARD OF DIRECTORS (Contd)

Mr. A. M. M. De Alwis B com, MBA, CMA

Non Independent, Non Executive Director

Mr. Mohan De Alwis, the Managing Director and Chief Executive Officer of Sri Lanka Insurance Corporation Limited and Management Services Rakshana (Pvt) Limited has wide and diversified managerial experience in leading corporate institutions both in Sri Lanka and overseas including Coopers & Lybrand ,Hayleys PLC, Star Garments Limited and Smart Shirts Limited. He has well over 30 years experience in the mercantile sector.

Mr. De Alwis holds a Bachelor of Commerce degree from the University of Kelaniya, an MBA from the University of Colombo and is a Certified Management Accountant (Australia).

He is also the Chairman of Ceylon Asset Management Co (Pvt) Limited and also the Director of Lanka Hospitals Corporation PLC, Seylan Bank PLC, Sri Lanka Insurance Resorts & Spas (Pvt) Limited, Taprobane Hotels & Spa (Pvt) Ltd, Helanco Hotels & Spa (Pvt) Ltd, Sinolanka Hotels & Spa (Pvt) Ltd, Canwill Holdings (Pvt) Ltd, and Executive Director of Litro Gas Lanka Ltd, Litro Gas Terminal Lanka (Pvt) Limited.

Mr. A. R. Karunaratne MCIM (UK) ,MBA

Executive Director

Mr.Asanga Karunaratne was appointed an Executive Director of eChannelling PLC in January 2012. He was the Chief Executive Officer of eChannelling PLC. He is a Chartered Marketer with a MBA and has over 25 years of managerial experience. He also has management experience in the manufacturing and service industries. Mr. Karunaratne also serves as the director of ECL Soft (Pvt) Ltd.

Ms. A. A. Aziz BA (Aus)

Independent Non Executive Director

Ms. Aziz was appointed to the board of eChannelling PLC in October 2011. She is the founder Managing Director of Newspaper Direct (Private) Limited, one of the premier e-commerce businesses, which is affiliated to Newspaper Direct, Canada supplies over 2,000 newspapers from over 92 countries. She also serves as a director of ECL Soft (Private) Limited.

Ms. Aziz accounts for over 12 years of senior management experience and specializes in Marketing. She holds a B.A. in Administration (Majoring in Marketing) from the University of Canberra, Australia.

Ms. R. D. Fernando FCCA, ACA ,CMA

Independent Non Executive Director

Ms. Fernando was appointed to the board of Echannelling PLC in November 2011. She is a Fellow Member of Association of Chartered Certified Accountants (FCCA- UK) and an Associate member of the Institute of Chartered Accountant of Sri Lanka (ACA) and also hold a fellow membership as a Certified Management Accountant (Australia) CMA.

Ms. Fernando has over twelve years post qualifying experience as head of finance in both Service sector and Manufacturing Organizations, including Litro Gas Lanka Limited (formerly known as Shell Gas Lanka Ltd.) and Ansell Lanka (Pvt) Ltd

CORPORATE GOVERNANCE

With a commitment to high ethical standards, eChannelling PLC operates with a governance structure by complying with adequate regulations and guidelines. We ensure integrity, fairness, & transparency in reporting the statements of our affairs to our shareholders.

The governance structure fully conforms to the best practices of good corporate governance as published jointly by the Institute of Chartered Accountants of Sri Lanka - the Securities and Exchange Commission together with the provisions of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The board of Directors are responsible for the continued appropriate management of the group while ensuring that it accomplishes its goals. The Board meets regularly to establish and maintains direction and provides guidance to ensure company's and groups operating and financial performance.

The board collectively, and Directors individually, act in accordance with the laws of the Country, while all members of the Board take collective responsibility for the management, direction and performance of the organization.

Following table will illustrate on how the organization has adhered to the corporate governance listing rules.

CSE Rule	Principle	Status of eChannelling PLC	Complied
7.10.1 (a) Non Executive Directors	Two or one third of the total no.of.directors shall be Non Executive directors whichever is higher	Four of the seven directors are non executive directors	Yes
7.10.2 (a) Independent Directors	Two or one third of the Non executive directors whichever is higher shall be independent	Two of the seven directors are independent Non executive	Yes
7.10.2 (b) Independent Directors	Each Non executive director should submit a declaration of independence in the prescribed format	Both Non executive directors have submitted their declaration of independence in the prescribed format	Yes
7.10.3 (a) Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	The names of the Independent Directors are disclosed on page 4 of the Annual Report.	Yes
7.10.3 (b) Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independent is not met.	The Board has determined that only Two of the Non Executive Directors satisfy the criteria for "Independence" as set out in the Listing Rule	Yes

CORPORATE GOVERNANCE (Contd)

CSE Rule	Principle	Status of eChannelling PLC	Compliance
7.10.3 (c) Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the area of expertise.	A complete profile of directors is provided on page 4 of the Annual Report.	Yes
7.10.5 Remuneration Committee	A Listed company shall have a Remuneration Committee.	Please refer page 8 of the Annual Report for more details on the committee and its functions.	Yes
7.10.5 (a) Composition of Remuneration Committee	The committee shall consist of Non-Executive Directors, a majority of whom shall be independent.	The committee consists of three members having majority representing independence	Yes
7.10.6 Audit Committee	A Listed company shall have an audit committee	The company has an audit committee consisting three members	Yes
7.10.6 (a) Composition of Audit Committee	The Committee shall comprise of Non-Executive Directors, the majority of whom shall be independent. The Chairman of the committee should be a Member of a recognized professional accounting body.	The Committee consists of three members out of which two third are independent non executive directors. The Chairman of the committee is an associate member of a recognized accounting body	Yes

REPORT OF THE REMUNERATION COMMITTEE

The remuneration committee which is a part of the board of eChannelling PLC has reviewed the performance of the senior management and determined a unique rewarding structure in supporting and advising the board on remuneration and remuneration related matters and makes decisions under delegated authority.

The remuneration committee comprises of two independent non-executive directors and one non independent non-executive director namely,

- | | | |
|-----------------------|----------|--------------------------------|
| 1. Ms. A. A. Aziz | Chairman | |
| 2. Ms. R. D. Fernando | Member | (Resigned w.e. from July 2012) |
| 3. Mr. P. Kudabalage | Member | |

The committee members possess experience in the fields of management, Human Resources, and Labour Laws

The remuneration committee has met two times during the year to determine and formulate certain remuneration strategies for the senior management.

As a function of the committee during the year, the remuneration committee recommended the remuneration payable to senior management of the company to the Board to make the final determination.

The committee had ensured that board is complying with the relevant statutory acts in relation to Director remunerations, and also fairness in pay categories and incentives.

As a special function the committee had ensured that staff costs are within the budget set by the Board, and are sustainable over time.

Overall the committee is satisfied that it has completed the responsibilities that were delegated to it by the board for the year under review and the necessary objectives were achieved, and it is forecasted to follow the same practice over the current period.

Ms. A. A. Aziz
Chairman – Remuneration Committee

REPORT OF THE AUDIT COMMITTEE

The audit committee comprises of two independent non-executive directors and one non independent non-executive director namely,

- | | |
|-----------------------|--|
| 1. Ms. R. D. Fernando | Chairman (Resigned w.e.from July 2012) |
| 2. Ms. A. A. Aziz | Member |
| 3. Mr. P. Kudabalage | Member |

The primary role of the audit committee is to ensure the integrity of the financial reporting and audit processes and the maintenance of sound internal controls and risk management system. The Committee's responsibilities include monitoring and reviewing the following:

1. Effectiveness of the company's internal control and risk management procedures
2. Appropriateness of the company's relationship with the external auditors including independence, non audit services and recommending to the board on re appointing auditors
3. Effectiveness of the internal audit function and the scope of work

The committee had independent access when performing the duties and reporting to the Board on the findings. The committee had met on two occasions during the financial year to determine and formulate strategies.

The audit committee has considered a wide range of financial reporting and related matters in respect of the published financial statements reviewed any significant areas of judgment that materially affected the organizations business activities

Overall the committee is satisfied that it has completed the responsibilities that were delegated to it by the board and the committee expects the same to be continued during the current financial year.

Ms. A. A. Aziz
Member – Audit Committee

REVIEW ON RISK MANAGEMENT

eChannelling PLC has given consideration to its risk management process in order to progress towards achieving its goals and objectives.

The risks are identified at specific levels throughout the organization. The process is reviewed by the board as part of the company's operational approach to mitigate the risk.

Our risk management process ensures that there is a complete identification and understanding of the risks which we are exposed to. Our process also guarantees that we create and implement an effective plan to prevent losses.

The major risks primarily affecting the organization, and the initiatives taken towards mitigating these risks are stated below.

1. Credit Risk

Credit risk is the risk of financial loss arising due to the unwillingness or inability of counter parties to meet their financial or contractual obligations in time and in full.

Initiatives taken by the company - The company maintains a debtors age analysis for monitoring the debtor movements and follows an assessment procedure to ensure credit worthiness.

The company maintains a policy to adequately provide for doubtful debt, if it materially affects the financial position.

2. Human Resource

The risk associated with losing talented employees and an environment of unpleasant labour relations

Initiatives taken by the company - The company maintains an employee evaluation structure and a healthy relationship with the employees at all levels. We provide employment benefits such as insurance, training and development to employees when necessary.

3. Environmental Risk

Potential threat of adverse effects on living organisms and environment by emissions, wastes and resource depletion arising from organization's activities.

Initiatives taken by the company - The company complies with the standards set by the relevant authorities to ensure compliance.

4. Legal and Regulatory

The risk associated with changes in statutory regulations and related law.

Initiatives taken by the company - The company takes necessary steps to comply with statutory and regulatory bodies.

5. Information System

Risk associated with computer security, hardware, software and other related systems failing and causing disruption to business operations of the organization.

Initiatives taken by the company - The company maintains adequate safeguards to protect itself against such risks.

REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

The Board of Directors are pleased to present their report and the audited financial statements of the company for the year ended 31 March 2012. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007, the Colombo Stock Exchange Listing rules and are guided by recommended best accounting practices.

1. Review of the Year

The Chairman's review describes the company's affairs and mentions important events of the year.

2. Principal activity

The principal activity of the company is to operate an Internet based electronic commerce business to provide a booking service for the consultation of doctors and related medical services.

3. Auditor's report

The auditor's report on the financial statements is given on page 15.

4. Financial Statements

The financial statements of the company are given in pages 16 to 19.

5. Accounting policies

The accounting policies adopted in preparation of financial statements are given on pages 20 to 27 There were no material changes in the accounting policies adopted.

6. Directors' Interest

None of the directors had a direct or indirect interest in any contracts or proposed contracts with the company other than as disclosed in Note 24 to the financial statements. (Related Party Transactions) to the financial statements.

7. Director's Remuneration and Other Benefits

Director's remuneration in respect of the company for the financial year ended 31 March 2012 is given in Note 24.3 to the financial statements.

8. Corporate Donations

No donations were made by the company during the financial year for charitable or political purposes.

9. Directors and their Shareholdings

Directors of the company and their respective shareholdings as at 31 March 2012 are as follows.

	31.03.2011	31.03.2012
Mr. P. Kudabalage	Nil	Nil
Mr. W. D. J. R. Silva	100	614,100
Mr. W. T. L. Weeratne	Nil	Nil
Mr. A. M. M. De Alwis	Nil	Nil
Ms. A. A. Aziz	-	100,000
Ms. R. D. Fernando	-	Nil
Mr. A. R. Karunaratne	-	Nil

REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (Contd)

Ms. A. A. Aziz and Ms. R. D. Fernando were appointed to the Board with effect from 10 October 2011.

Mr. A. R. Karunaratne was appointed to the Board with effect from 6 January 2012.

Mr. W. A. D. V. Perera resigned from the Board with effect from 28 December 2011.

Ms. R. D. Fernando resigned from the Board with effect from 10 July 2012.

The Board wishes to place on record the company's sincere appreciation to Mr. W. A. D. V. Perera and Ms. R. D. Fernando for the valuable contribution extended to the company during their tenure on the Board.

In terms of Article 86 and 87 of the articles of association Mr. W. T. L. Weeratne retires by rotation and being eligible offers himself for re-election.

In terms of Article 94 of the articles of association of the company Ms. A. A. Aziz and Mr. A. R. Karunaratne retire and being eligible offer themselves for re-election.

10. Auditors

The financial statements for the year ended 31 March 2012 have been audited by Messrs KPMG, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No. 07 of 2007, a resolution relating to their re-appointment and authorising the directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The auditors Messrs KPMG were paid Rs 200,000 (2011 – Rs 190, 000) as audit fees by the company. In addition they were paid Rs 100,000 (2011 – Rs. Nil) by the company for interim assurance services.

As far as the directors are aware, the auditors do not have any relationship (other than that of an auditor) with the company other than those disclosed above. The auditors also do not have any interest in the Company.

11. Dividends

The directors do not recommend the payment of a dividend for the year ended 31 March 2012.

12. Investments

Details of investments held by the company are disclosed in Note 8 to the financial statements.

13. Intangible Assets

An analysis of the Intangible assets of the company, additions and impairments during the year and amortisation charged during the year are set out in Note 6 to the financial statements.

14. Property, plant and equipment

An analysis of the property, plant and equipment of the company, additions and disposals made during the year and depreciation charged during the year are set out in Note 5 to the financial statements.

15. Capital Commitments

There are no material capital commitments that would require disclosures in the financial statements.

REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (Contd)

16. Stated Capital

The Stated Capital of the company is Rs 93,758,316 There was no change in the stated capital of the company during the year.

17. Reserves

Retained profit as at 31 March 2012 amount to Rs. 76,353,200. Movements are shown in the Statement of changes in equity in the financial statements.

18. Events subsequent to the Balance Sheet date

No significant events have occurred since the Balance Sheet date other than those disclosed in Note 27 to the financial statements.

19. Employment Policies

The company identifies Human Resource as one of the most important factor contributing to the survival and growth of the company in the current competitive business environment. While appreciating and valuing the service of our employees a greater effort is made to hire the best talent from external sources to maintain and improve the high quality of the service.

20. Taxation

The tax position of the company is given in Note 22 to the financial statements.

21. Disclosure as per Colombo Stock Exchange Rule No.7.6

	31.03.12	31.03.11
Market price per share as at 31 March	6.10	33.00
Highest share price during the year	29.90	33.00
Lowest share price during the year	3.00	10.00

22. Shareholding

The number of registered shareholders of the company as at 31 March 2012 was 2,434.

23. Major Shareholders

The twenty largest shareholders of the company as at 31 March 2012, together with an analysis are given on page 38.

24. Statutory Payments

The directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made on time.

25. Environment, Health and Safety

The company continues to ensure that all environmental health and safety regulations are strictly followed in order to minimise any adverse effects.

REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (Contd)

26. Corporate Governance

The directors are responsible for the formulation and implementation of overall business strategies, policies and for setting standards in the short, medium and long term and adopting good governance in managing the affairs of the Company.

27. Contingent Liabilities

There were no material contingent liabilities outstanding as at 31 March 2012.

28. Post Balance Sheet Events

Subsequent to the date of the Balance Sheet no circumstances have arisen which would require adjustments to the accounts. Significant post balance sheet events which in the opinion of the directors require disclosure are described in Note 27 to the financial statements.

29. Annual General Meeting

The Twelfth Annual General Meeting of the company will be held at Jasmine Hall, Hotel Renuka 238, Galle Road Colombo 03 on 27 September 2012 at 11.30 am

For and on behalf of the Board of Directors of
E-CHANNELLING PLC



Director



Director



S S P Corporate
Services (Private)
Limited, Secretaries

Date: 21 August 2012

Report of the Auditors



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF E-CHANNELING PLC

Report on the Financial Statements

We have audited the accompanying financial statements of e-Channelling PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiary (the "Group") as at March 31, 2012 which comprise the balance sheet as at March 31, 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 16 to 35 of this Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the members of the Company

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo

21st August 2012

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

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

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

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne ACA
R.M.D.B. Rajapakse ACA

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

BALANCE SHEET

AS AT 31 MARCH


	Notes	GROUP 2012 Rs.	2012 Rs.	COMPANY 2011 Rs.
ASSETS				
Non-current assets				
Property, plant and equipment	5	2,680,760	2,804,275	3,287,627
Intangible assets	6	7,884,875	7,884,875	7,577,768
Employees' share ownership trust fund	7	2,785,000	2,785,000	2,785,000
Long term investment	8	75,000,000	-	11,788,024
Investment in subsidiary company	9	-	150,100,000	-
Total non-current assets		88,350,635	163,574,150	25,438,419
Current assets				
Trade and other receivables	10	11,805,212	11,412,328	10,833,639
Short term investments	11	33,791,523	33,791,523	67,454,789
Dealing securities	11.1	71,447,959	2,295,486	5,998,331
Loans to subsidiary	12	-	2,929,448	-
Cash and cash equivalents	13	27,575,382	18,453,520	7,504,226
Total current assets		144,620,076	68,882,305	91,790,985
Total assets		232,970,711	232,456,455	117,229,404
EQUITY				
Stated capital	14	93,758,316	93,758,316	93,758,316
Revenue reserve		15,055,791	76,353,200	(15,191,718)
Total equity attributable to equity holders of parent		108,814,107	170,111,516	78,566,598
Non-controlling interest		44,463,054	-	-
Total equity		153,277,161	170,111,516	78,566,598
LIABILITIES				
Non-current liabilities				
Employee benefits	15	2,635,917	2,635,917	3,073,679
Total non-current liabilities		2,635,917	2,635,917	3,073,679
Current liabilities				
Trade and other payables	16	70,895,109	53,546,498	29,927,993
Current tax liabilities		6,162,524	6,162,524	1,748,999
Bank overdraft	13	-	-	3,912,135
Total current liabilities		77,057,633	59,709,022	35,589,127
Total liabilities		79,693,550	62,344,939	38,662,806
Total equity and liabilities		232,970,711	232,456,455	117,229,404

The notes on pages 20 to 35 are an integral part of these consolidated financial statements. These financial statements are prepared in compliance with the requirements of the Company's Act No. 07 of 2007.


Accountant

These financial statements were approved by the Board of Directors on 21st August 2012.


Deputy Chairman
W. D. J. R. Silva


Director
A. R. Karunaratne

Colombo
21 August 2012

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 MARCH

	Notes	GROUP 2012 Rs.	COMPANY 2012 Rs.	2011 Rs.
Revenue	17	88,512,800	88,224,800	61,501,447
Other income	18	69,797,811	69,532,065	1,337,728
Administrative expenses		(79,220,158)	(61,750,127)	(56,577,098)
Selling and distribution expenses		(417,515)	(400,000)	(1,651,625)
Operating profit	19	78,672,938	95,606,738	4,610,452
Finance income	20	4,506,768	4,506,768	6,333,462
Financial cost	21	(2,175,623)	(2,175,068)	(6,583)
Profit before tax		81,004,083	97,938,438	10,937,331
Tax expense	22	(6,393,520)	(6,393,520)	(2,601,422)
Profit for the year		74,610,563	91,544,918	8,335,909
Attributable to:				
Equity holders of the parent		80,214,176	91,544,918	8,335,909
Non-controlling interest		(5,603,613)	-	-
Profit for the year		74,610,563	91,544,918	8,335,909
Basic earnings per share (Rs.)	23	0.61	0.75	0.07

The notes on pages 20 to 35 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP

FOR THE YEAR ENDED 31 MARCH

	Stated Capital Rs.	Retained Earnings Rs.	Non-Controlling Interest Rs.	Total Equity Rs.
Balance of Parent Company	93,758,316	(15,191,718)	-	78,566,598
Formation of subsidiary	-	-	100,000	100,000
Changes to the percentage holding	-	(49,966,667)	49,966,667	-
Profit for the year	-	80,214,176	(5,603,613)	74,610,563
Balance as at 31 March 2012	<u>93,758,316</u>	<u>15,055,791</u>	<u>44,463,054</u>	<u>153,277,161</u>

COMPANY

FOR THE YEAR ENDED 31 MARCH

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 April 2010	187,516,633	(117,285,944)	70,230,689
50 % Stated capital reduction	(93,758,317)	93,758,317	-
Profit for the year	-	8,335,909	8,335,909
Balance as at 31 March 2011	<u>93,758,316</u>	<u>(15,191,718)</u>	<u>78,566,598</u>
Profit for the year	-	91,544,918	91,544,918
Balance as at 31 March 2012	<u>93,758,316</u>	<u>76,353,200</u>	<u>170,111,516</u>

The notes on pages 20 to 35 are an integral part of these consolidated financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH

	GROUP 2012 Rs.	COMPANY 2012 Rs.	2011 Rs.
Operating activities			
Profit before taxation	81,004,083	97,938,438	10,937,331
Adjustments for:			
Depreciation and amortization	3,515,673	3,515,673	3,064,504
Amortization of government bond	-	-	275,583
Profit on disposal of assets	-	-	(47,990)
Provision for employee benefits	(437,761)	(437,761)	1,179,000
Bonus provision	-	-	1,262,165
Interest income	(4,506,768)	(4,506,768)	(6,333,462)
Interest expense	2,175,623	2,175,068	6,583
Fall in market value on shares	17,479,779	1,477,958	236,308
	99,230,627	100,162,608	10,580,022
Changes in:			
-Trade and other receivables	(971,573)	(578,689)	91,744
-Amount due to / from related parties	-	(2,929,448)	(31,174)
- Trade and other payables	42,229,281	24,880,670	9,883,770
Cash generated from operations	140,488,335	121,535,141	20,524,362
Tax paid	(1,977,655)	(1,977,654)	(24,107)
Interest paid	(2,175,623)	(2,175,068)	(6,583)
Interest received	2,770,136	2,770,136	4,319,240
Net cash generated from operating activities	139,105,195	120,152,555	24,812,912
Investing activities			
Acquisition of property, plant and equipment	(3,215,797)	(3,339,312)	(309,922)
Disposal proceeds from property, plant & equipment	-	-	47,990
Proceeds of investments	(29,548,710)	45,451,290	(15,835,238)
Proceeds of investments-shares	(82,457,397)	2,696,896	(5,998,331)
Cash settled on ESOT	-	-	565,000
Investment in subsidiary	-	(150,100,000)	-
Net cash used in investing activities	(115,221,904)	(105,291,126)	(21,530,501)
Financing activities			
Proceeds from shares to minority shareholders	100,000	-	-
Net cash used in financing activities	100,000	-	-
Net increase/(decrease) in cash and cash equivalents	23,983,291	14,861,429	3,282,411
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	3,592,091	3,592,091	309,680
Net increase/(decrease) in cash and cash equivalents	23,983,291	14,861,429	3,282,411
Cash and cash equivalents at the end of the year (Note 13)	27,575,382	18,453,520	3,592,091

The notes on pages 20 to 35 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

1.1 General

eChannelling PLC (the “company”) is a company with Public liability, incorporated and domiciled in Sri Lanka. The address of the company’s registered office is Suncity Towers, Mezzanine Floor No.18, St. Anthony’s Mawatha, Colombo - 03. eChannelling PLC was incorporated On 27 July 2000. The consolidated financial statements of the company as at and for the year ended 31 March 2012 comprise the company and its subsidiary (together referred to as the “Group” and individually as “Group entity”).

1.2 Principal activities and nature of the operation

The principal activity of the group is to operate an internet based electronic commerce (e-commerce) business and to promote the products globally with a primary vision of providing channeling service to consult doctors and related medical services.

1.3 Number of employees

The average number of employees of the group and company for the year are as follows.

Group

Number of employees	34
---------------------	----

Company

Number of employees	34
---------------------	----

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards (SLAS) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 7 of 2007.

2.2 Approval of Financial Statements by Directors

The consolidated financial statements were authorized for issue by the Board of Directors on 21 August 2012.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical concept and accounting policies are applied consistently with no adjustments being made for inflationary factors affecting the financial statements.

2.4 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the company’s functional currency. All financial information presented in Sri Lankan Rupees.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLAS) 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Information about critical judgments in applying accounting policies that has the most significant effect on the amounts recognized in the consolidated financial statements is included in notes to the financial statements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in the following notes:

- Note 22.1 - utilization of tax losses
- Note 22.2 - deferred tax
- Note 15 - measurement of defined benefit obligations
- Note 25 - provisions and contingencies

3. CONSISTENCY OF ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied by group entities.

3.1 Basis of consolidation

Subsidiary

Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half the voting rights or otherwise has power to exercise control over the operations, have been consolidated. In assessing control, potential voting rights are currently exercisable are taken into acc.

Subsidiary is consolidated from the date on which effective control is transferred to the group and is no longer consolidated from the date control ceases. Accounting policies of the subsidiary have been changed when necessary to align them with the policies adopted by the group.

Non-controlling Interests

The total profit and loss for the year of the company and its subsidiary included in consolidation are shown in the consolidated Income Statement with the proportion of profit and loss after taxation pertaining to minority shareholders of subsidiaries being deducted as "Non-controlling".

All assets and liabilities of the company and its subsidiary included in consolidation are shown in the consolidated Balance Sheet. The interest of minority shareholders of the subsidiary in the fair value of net assets of the group is indicated separately in the consolidated balance sheet under the heading "Non-controlling interest".

Transactions eliminated on consolidation

(a) Intra-Group Transactions

Intra-group balances and transactions and any unrealized income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Income statement

In arriving at the profit attributable to the shareholders of eChannelling PLC, the total profits or losses of the subsidiary is included in the consolidated Income Statement after eliminating intra-group transactions and the portion of the profit or loss after taxation applicable to non-group shareholders.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(c) Assets and Liabilities

All assets and liabilities of the company and its subsidiaries are included in the Consolidated Balance Sheet. The proportionate interest of the non-group shareholders in the net assets employed is stated separately in the Consolidated Balance Sheet under the heading 'Non-controlling Interest'.

Accounting for Investment in subsidiary

When separate financial statements are prepared, investment in subsidiary is accounted for using the cost method. Investment in subsidiary is stated in the company's balance sheet at cost less accumulated impairment losses.

3.2 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income other expenses" in profit or loss. When revalued assets are sold, the amount included in the revaluation surplus reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group, and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in income statement as incurred.

Depreciation

Depreciation is based on the cost of an asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

Furniture & Fittings	04 Years
Computer Equipment	02 Years
Computer Servers	05 Years
Office Equipments	02 Years

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.3 Intangible assets

Other intangible assets

Other intangible assets that are acquired by the group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if .

- I The development costs can be measured reliably.
- II The product or process is technically and commercially feasible.
- III Future economic benefits are probable.
- IV The Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in profit and loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

License Fees

Licenses acquired by the company are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in Income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

NOTES TO THE FINANCIAL STATEMENTS (Contd)

- License Software 03 Years
- Hospitalnet Software 10 Years

Amortization method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.4 Investments

Long term Investments

Investments in treasury bonds held for maturity are reflected at the value of bonds purchased and the discount/premium accrued thereon. Discount received/premium paid is taken to the income statement on a straight line basis.

Short term investments

Short term investments are measured at the lower of cost and market value, with any resultant gain or loss recognized in income statement.

Investment Securities

These are acquired and held for yield or capital growth in the medium /long term. Such securities are recorded at cost. Changes in market values of these securities are not taken into account unless there is considered to be a permanent diminution in value.

3.5 Trade and other receivables

Trade and other receivables are stated at their estimated realizable amounts.

3.6 Cash & cash equivalents

Cash & cash equivalents comprise cash in hand, deposits held on call with banks, and investments in money market instruments. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Cash flow statement is prepared under the "indirect" method as per Sri Lanka Accounting Standard 09 - Cash flow statements. Interest paid and interest received are classified as operating cash flow.

3.7 Impairment of assets

The carrying amount of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, recoverable amount is estimated at each balance sheet date and impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Calculation of recoverable amount

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

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment losses are recognized in the income statement.

3.8 Employee benefits

a) Defined contribution plans-Provident/Trust fund

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no further legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognized as an expense in the income statement when incurred.

The group contributes 15% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated using a gratuity formula method as allowed by Sri Lanka Accounting Standard 16 (Revised 2006) - Employee Benefits.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with SLAS 16(Revised 2006) on employee benefits. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded nor actuarially valued.

3.9 Stated capital

Ordinary shares and share premium are classified as stated capital.

3.10 Liabilities

Liabilities classified as current liabilities on the balance sheet are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

3.11 Provisions

A provision is recognized if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.12 Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and service taxes or any other sales taxes and arrived after deduction of trade discounts. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of services

Revenue is recognized when the significant risks and rewards of ownership have been transferred, on an accrual basis.

Gains and losses on the disposal of investments held by the company are recognized in income statement.

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognized net within "other income" in income statement.

Dividend income

Dividend income is recognized in the income statement when the right to receive a payment is established.

3.13 Expenses

Expenses recognition

Expenses are recognized in income statement as and when they are incurred, in the period to which they relate. Repairs and renewals are charged to income statement in the year in which the expenditure is incurred.

Finance Income and expense

Finance income comprises interest income on funds invested. Finance income is recognized in the income statements on accrual basis.

Finance costs comprise of interest on overdrafts and interest on share trading.

3.14 Tax expenses

Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the balance sheet date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates.

Deferred tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.15 Events occurring after the Balance Sheet date

All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

3.16 Earnings per share

The company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

3.17 Comparative figures

Where necessary, the comparative figures have been reclassified to conform to the current years presentation.

3.18 Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3.19 Commitments and contingencies

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

4. EFFECT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued a new volume of Sri Lanka Accounting Standards – 2011, applicable for financial periods beginning on or after 1 January 2012. These Standards have many changes and consequential changes from the adaption of SLAS 44 and 45. These new Accounting Standards are prefixed both SLFRS and LKAS which correspond to the relevant IFRS and IAS. Disclosure requirement under SLAS 10.30 and 10.31 have been exempted by the ICASL and therefore all differences and impacts arising from the new Standards are not presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31 MARCH

5 Property, plant and equipment GROUP

Freehold assets	Computer Equipment Rs.	Computer Servers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Total Rs.
Cost					
Balance of the parent company	9,254,339	27,831,793	791,727	820,549	38,698,408
Additions during the year	734,400	450,785	15,250	160,880	1,361,315
Disposals during the year	-	-	-	-	-
Balance as at end of the year	9,988,739	28,282,578	806,977	981,429	40,059,723
Balance of the parent company	9,137,231	24,904,475	639,202	729,873	35,410,781
Charge for the year	280,612	1,460,670	105,278	121,622	1,968,182
Disposals during the year	-	-	-	-	-
Balance as at end of the year	9,417,843	26,365,145	744,480	851,495	37,378,963
Carrying amount					
As at 31 March 2012	570,896	1,917,433	62,497	129,934	2,680,760

COMPANY

Cost					
Balance as at beginning of the year	9,254,339	27,831,793	791,727	820,549	38,698,408
Additions during the year	767,700	541,000	15,250	160,880	1,484,830
Disposals during the year	-	-	-	-	-
Balance as at end of the year	10,022,039	28,372,793	806,977	981,429	40,183,238
Balance as at beginning of the year	9,137,231	24,904,475	639,202	729,873	35,410,781
Charge for the year	280,612	1,460,670	105,278	121,622	1,968,182
Disposals during the year	-	-	-	-	-
Balance as at end of the year	9,417,843	26,365,145	744,480	851,495	37,378,963
Carrying amount					
As at 31 March 2012	604,196	2,007,648	62,497	129,934	2,804,275
As at 31 March 2011	117,108	2,927,318	152,525	90,676	3,287,627

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31 MARCH

6 Intangible assets

	GROUP	COMPANY	
	2012	2012	2011
	Rs.	Rs.	Rs.
Cost			
Balance as at beginning of the year	10,974,493	10,974,493	10,974,493
Additions during the year	1,854,482	1,854,482	-
Balance as at end of the year	12,828,975	12,828,975	10,974,493
Accumulated amortization			
Balance as at beginning of the year	3,396,725	3,396,725	2,293,507
Amortization for the year	1,547,375	1,547,375	1,103,218
Balance as at end of the year	4,944,100	4,944,100	3,396,725
Carrying amount	7,884,875	7,884,875	7,577,768

Intangible assets consist of licensing fee and hospital net software respectively.

The Licensing fee represents, the accounting software MYOB of Rs.122,800 paid in 2007. The payroll software ACCPAY license fee Rs. 46,750 paid in 2008 and Microsoft license of Rs. 1,854,482 purchased in 2011. All Licensing fees are amortized over a period of 3 years.

The Hospital net is an internally developed software for a cost of Rs.10,804,944 which was capitalized in March 2008 and amortized over a period of 10 years, commencing from April 2008.

7 Employees' share ownership trust fund (ESOT Fund)

Balance as at the beginning of the year	2,785,000	2,785,000	3,350,000
Loan settled during the year	-	-	(565,000)
Balance as at the end of the year	2,785,000	2,785,000	2,785,000

The scheme was set up for the employees of the company including any director holding a salaried employment or officer in the company. Shares shall be allotted to participants only at the end of the probation period unless the Board of Directors shall otherwise determine.

8 Long term investments

Government securities

Investment in treasury bond (interest rate 13.5%)			
(03.08.2010-01.07.2012)	-	-	2,988,012
Investment in treasury bond (interest rate 10.5%)			
(02.08.2010-01.04.2013)	-	-	8,800,012

Non quoted company

Hotelroomnet Limited	75,000,000	-	-
	75,000,000	-	11,788,024

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31 MARCH

				GROUP		COMPANY			
				2012	2012	2012	2011	2011	2011
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
9 Investment in subsidiary									
				Holding					
ECL Soft (Private) Ltd				66.66%	-	150,100,000	-	-	-
10 Trade and other receivables									
Trade receivables					5,425,729	5,033,735	2,767,160		
Advance and prepayments					3,572,060	3,571,170	3,240,205		
WHT and tax receivables					778,121	778,121	982,996		
Interest receivable (Note 10.1)					602,502	602,502	2,417,978		
Refundable deposits					1,426,800	1,426,800	1,425,300		
					<u>11,805,212</u>	<u>11,412,328</u>	<u>10,833,639</u>		
10.1 Interest receivable									
Interest receivable (gross)					1,157,502	1,157,502	2,972,978		
Provision for doubtful receivable					(555,000)	(555,000)	(555,000)		
					<u>602,502</u>	<u>602,502</u>	<u>2,417,978</u>		
11 Short term investments									
Investment in treasury bond									
(interest rate 14.5%)				(05.02.2010-15.06.2011)	-	-	5,408,940		
Treasury bills					13,403,855	13,403,855	21,371,475		
Fixed deposits					20,387,668	20,387,668	40,674,374		
					<u>33,791,523</u>	<u>33,791,523</u>	<u>67,454,789</u>		
11.1 Dealing securities									
				GROUP	2012		COMPANY	2011	
					No. of	Cost (Rs.)	No. of	Cost (Rs.)	Market
					Ordinary		Ordinary		value
					shares		shares		(Rs.)
						Market			
						value			
						(Rs.)			
Citrus Leisure PLC					100	3,391	770	-	-
Taj Lanka Hotels PLC					10,000	606,702	309,000	-	-
Blue Diamonds Jewellery									
Worldwide PLC					11,337,071	85,156,325	69,156,133	600	2,032
Hotel Services (Ceylon) PLC					88,000	2,046,669	1,531,200	88,000	2,046,669
Serendib Hotels PLC (Voting)					7	162	225	7	162
Serendib Hotels PLC (Non Voting)					93	1,628	2,251	93	1,628

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31 MARCH

11.1 Dealing securities (Contd) GROUP

Name of the company	2012			2012			2011		
	No. of Ordinary shares	Cost (Rs.)	Market value (Rs.)	No. of Ordinary shares	Cost (Rs.)	Market value (Rs.)	No. of Ordinary shares	Cost (Rs.)	Market value (Rs.)
York Arcade Holdings PLC	100	3,847	1,680	100	3,847	1,680	-	-	-
Environmental Resources Investments PLC (Warrants)	100	7,100	650	100	7,100	650	100	7,143	7,730
Nations Trust Bank PLC	100	8,100	5,690	100	8,100	5,690	-	-	-
Seylan Bank PLC (Non Voting)	100	7,500	6,760	100	7,500	6,760	200	8,093	7,860
The Finance Company PLC (Non Voting)	54,200	1,084,000	433,600	54,200	1,084,000	433,600	54,200	1,084,000	921,400
Amana Takaful PLC	-	-	-	-	-	-	2,000	7,083	4,200
Ceylinco Seylan Developments PLC	-	-	-	-	-	-	100	1,572	1,460
Nations Lanka Finance PLC	-	-	-	-	-	-	3,000	69,933	33,300
Lankem Developments Ltd	-	-	-	-	-	-	100	5,960	7,230
Seylan Bank PLC	-	-	-	-	-	-	100	7,537	7,520
Nations Trust Bank PLC- Warrants	-	-	-	-	-	-	100	8,155	7,631
Application for Additional Shares -Nation Lanka Finance PLC	-	-	-	-	-	-	-	-	5,000,000
		<u>88,925,423</u>	<u>71,447,959</u>		<u>3,771,130</u>	<u>2,295,486</u>		<u>1,199,476</u>	<u>5,998,331</u>

GROUP

2012
Rs.

COMPANY

2012
Rs.

2011
Rs.

12 Loan to subsidiary

ECL Soft (Private) Ltd

	<u>2,929,448</u>	-

Loan given to subsidiary with no interest and fixed maturity period.

13 Cash and cash equivalents

Cash at bank	27,508,811	18,386,949	7,466,920
Cash in hand	<u>66,571</u>	<u>66,571</u>	<u>37,306</u>
Cash and cash equivalents	27,575,382	18,453,520	7,504,226
Bank overdraft	-	-	(3,912,135)
Cash and cash equivalents in the statement of cash flow	<u>27,575,382</u>	<u>18,453,520</u>	<u>3,592,091</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31 MARCH

	GROUP 2012 Rs.	COMPANY 2012 Rs.	2011 Rs.
14 Stated capital			
Balance at the beginning of the year	93,758,316	93,758,316	187,516,633
50% capital reduction	-	-	(93,758,317)
Balance at the end of the year	<u>93,758,316</u>	<u>93,758,316</u>	<u>93,758,316</u>
15 Employee benefits			
Balance at beginning of the year	3,073,678	3,073,678	1,894,679
Provision reversal during the year	(437,761)	(437,761)	1,179,000
Paid during the year	-	-	-
Balance at end of the year	<u>2,635,917</u>	<u>2,635,917</u>	<u>3,073,679</u>
The retirement benefit plan valuation is carried out based on gratuity formula method in accordance with SLAS 16.			
Principal assumptions as at the balance sheet date are as follows;			
Discount Rate	11%	11%	9.3%
Future salary increase	9%	9%	15%
16 Trade and other payables			
Trade payables	60,143,556	42,794,945	21,086,147
Other creditors and accrued expenses	<u>10,751,553</u>	<u>10,751,553</u>	<u>8,841,846</u>
	<u>70,895,109</u>	<u>53,546,498</u>	<u>29,927,993</u>
17 Revenue			
Revenue from portals	72,996,438	72,996,438	49,294,747
Software income	10,396,813	10,396,813	8,098,629
Call charges income	4,831,549	4,831,549	4,108,071
Provision of training	<u>288,000</u>	<u>-</u>	<u>-</u>
	<u>88,512,800</u>	<u>88,224,800</u>	<u>61,501,447</u>
18 Other operating income			
Sale of fixed assets	-	-	47,990
Software development	162,764	162,764	1,226,617
Others	667	667	63,121
Profit on disposal of shares	<u>69,634,380</u>	<u>69,368,634</u>	<u>-</u>
	<u>69,797,811</u>	<u>69,532,065</u>	<u>1,337,728</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31 MARCH

	GROUP	COMPANY	
	2012	2012	2011
	Rs.	Rs.	Rs.
19 Operating profit			
The following items have been charged / (credited) in arriving at the operating profit:			
Depreciation and amortization	3,515,673	3,515,673	3,064,504
Salary related expenses	18,808,562	18,808,562	19,340,394
EPF	2,128,050	2,128,050	2,086,150
ETF	425,310	425,310	417,092
Auditor's remuneration - Audit	220,000	200,000	190,000
- Audit related service	100,000	100,000	-
Employee benefits	(437,761)	(437,761)	1,179,000
Legal expenses	253,360	253,360	425,020
Directors' remuneration	2,034,912	2,034,912	777,778
Penalties and surcharges	1,855	1,855	38,901
Fall in market value of share	17,479,779	1,477,958	233,313
Stamp duty paid on issue of shares	751,100	-	-
20 Financial income			
Interest Income from government securities	2,130,693	2,130,693	2,772,769
Interest Income from fixed deposits	2,376,075	2,376,075	3,560,693
	<u>4,506,768</u>	<u>4,506,768</u>	<u>6,333,462</u>
21 Financial cost			
OD interest	1,548,478	1,548,478	6,583
Finance cost on share trading	627,145	626,590	
	<u>2,175,623</u>	<u>2,175,068</u>	<u>6,583</u>
Net Financial Income	<u>2,331,145</u>	<u>2,331,700</u>	<u>6,326,879</u>
22 Income tax expenses			
Current taxation	5,948,320	5,948,320	2,892,352
Under / (over) provision in respect of previous year	445,200	445,200	(290,930)
	<u>6,393,520</u>	<u>6,393,520</u>	<u>2,601,422</u>

The corporate income tax rate of eChannelling PLC is 28%. The full benefit of capital allowances arising in terms of section 25 of the Inland Revenue Act No. 10 of 2006 and amendments there to have been taken into account to determine taxation for the year. The provision has been made in these financial statements on the taxable income arising from the interest income of the company. (The carried forward tax losses of the company up to 2011/2012 amounts to Rs.115,819,213 (2010/2011 - Rs. 127,258,289)

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FOR THE YEAR ENDED 31 MARCH

22.1 Reconciliation between the accounting Profit and tax expenses

	GROUP	COMPANY	
	2012	2012	2011
	Rs.	Rs.	Rs.
Profit before tax	81,004,083	97,938,438	10,937,331
Exempt from Tax	(74,141,815)	(73,876,069)	-
Deductible expenses	(852,954)	(852,954)	(12,151,623)
Non deductible expenses	22,166,325	4,966,226	7,180,993
Statutory Income / (loss)	28,175,639	28,175,641	5,966,701
Income from other sources	4,507,435	4,507,435	6,559,049
Loss claimed (35% of statutory Income)	(11,439,076)	(11,439,077)	(4,384,013)
Taxable Income	21,243,998	21,243,999	8,141,737
Applicable tax rate	28%	28%	35%
Tax on taxable income	5,948,320	5,948,320	2,849,608
SRL @ 1.5%	-	-	42,744
Under / (over) provided in prior periods	445,200	445,200	(290,930)
Current tax expense	6,393,520	6,393,520	2,601,422

22.2 Deferred tax

Deferred tax as follows:

Tax losses carried forward	115,796,695	115,796,695	127,492,118
Retirement benefit provision	2,635,917	2,635,917	3,073,679
	118,432,612	118,432,612	130,565,797
Taxable temporary differences			
Property, plant and equipment	(7,833,682)	(7,833,682)	(9,604,328)
Total deductible temporary differences	110,598,930	110,598,930	120,961,469
	28%	28%	28%
Unrecognized deferred tax	30,967,700	30,967,700	33,869,211

No provision has been made in respect of deferred taxation. It is not probable that future taxable profit will be available against which the company can utilize the benefits there from, in the foreseeable future.

23 Basic earnings per share

Profit for the year (Rs.)	74,610,563	91,544,918	8,335,909
Weighted average number of ordinary shares in issue	122,131,415	122,131,415	122,131,415
Basic earnings per share (Rs.)	0.61	0.75	0.07

NOTES TO THE FINANCIAL STATEMENTS (Contd)

24 Related party transactions

24.1 Transactions with the subsidiary

Name of the related party	Name of Director	Relationship	Nature of Transaction	Group 2012 Transaction Value Rs.	Company 2012 Transaction Value Rs.	2011 Transaction Value Rs.
E C L Soft (Pvt) Ltd	Mr. A. R. Karunaratne	Subsidiary	Investment in subsidiary.	-	150,100,000	-
	Ms. A. A. Aziz		Interest free advance given.	-	2,929,448	-
	Mr. W. T. L. Weeratne		Inter company purchase.	946,964	-	-

24.2 Transactions with other related parties

British American Technologies (Pvt) Ltd	Mr. W. D. J. R. Silva	Common director	Vehicle rent payment.	240,000	240,000	-
			Sale of Blue Diamonds Jewellery	110,000,000	110,000,000	-
			Worldwide PLC Shares			
Seylan Bank PLC	Mr. P. Kudabalage	Common directors	Bank charges on LPG facility.	98,966	98,966	-
	Mr. A. M. M. De Alwis					

24.3 Key management personnel information

Key management personnel include all the members of the Board of Directors of the companies having authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, directly or indirectly. Compensation paid to / on behalf of key management personnel of the companies are as follows.

Short term employee benefits	5,221,156	5,221,156	5,252,778
Post employment benefits	Nil	Nil	Nil

25 Commitments and contingencies

There are no material contingent liabilities & capital expenditure commitments as at the balance sheet date.

26 Number of employees

The number of employees of the company as at 31 March 2012 amounted to 34, (2010/11-34)

27 Events occurring after balance sheet date

There are no events which require adjustment to, or disclosure in the financial statements.

28 Comparative information

Comparative information has not been reclassified during the current year.

29 Directors' responsibility

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

FIVE YEAR PERFORMANCE SUMMARY

FOR THE YEAR ENDED 31 MARCH

	2008	2009	2010	2011	2012
Revenue	28,330,762	38,484,507	50,524,306	61,501,447	88,224,800
Administrative Expenses	(43,846,779)	(58,265,491)	(56,848,889)	(56,577,098)	(61,750,127)
Profit from Operating Activities	(21,271,943)	(20,664,405)	(5,204,941)	4,610,452	95,606,738
Profit Before Taxation	(7,489,128)	(8,391,496)	4,212,837	10,937,331	97,938,438
Profit / (loss) for the year	(10,733,030)	(11,162,735)	1,876,068	8,335,909	91,544,918
Total Assets	100,564,507	87,102,220	94,391,956	117,229,404	232,456,455
	<u>100,564,507</u>	<u>87,102,220</u>	<u>94,391,956</u>	<u>117,229,404</u>	<u>232,456,455</u>
Equity	79,517,356	68,354,621	70,230,689	78,566,598	170,111,516
Total Liabilities	21,047,151	18,747,599	24,161,267	38,662,806	62,344,939
	<u>100,564,507</u>	<u>87,102,220</u>	<u>94,391,956</u>	<u>117,229,404</u>	<u>232,456,455</u>
Other Information					
Earnings / (loss) per Share (Rs.)	(0.09)	(0.09)	0.02	0.07	0.75
Market Price per Share (Rs.)	15.50	7.75	10.25	33.00	6.10
Net Assets per Share (Rs.)	0.65	0.71	0.58	0.65	1.39
Current Ratio (Times)	3.95	3.36	3.22	2.56	1.15

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31.03.2012

		RESIDENT			NON RESIDENT			TOTAL		
Shareholdings		Number of	No. of Shares	Percentage (%)	Number of	No. of Shares	Percentage (%)	Number of	No. of Shares	Percentage (%)
		Shareholders			Shareholders			Shareholders		
1 to	1,000 Shares	953	472,685	0.39	5	2,901	0.00	958	475,586	0.39
1,001 to	10,000 Shares	962	4,223,544	3.46	23	110,993	0.09	985	4,334,537	3.55
10,001 to	100,000 Shares	394	12,732,412	10.42	8	234,271	0.19	402	12,966,683	10.61
100,001 to	1,000,000 Shares	74	22,272,686	18.24	2	427,031	0.35	76	22,699,717	18.59
Over	1,000,000 Shares	11	75,773,593	62.04	2	5,881,299	4.82	13	81,654,892	66.86
		2394	115,474,920	94.55	40	6,656,495	5.45	2,434	122,131,415	100.00

Categories of Shareholders	No. of Shareholders	No. of Shares
Individual	2,351	48,966,861
Institutional	83	73,164,554
	2,434	122,131,415

2 Issued share capital as at 31 March 2012	122,131,415
Less-	
Parent Company	
Over 10 % Holding	64,294,643
Directors Shareholding	714,100
Spouses of Directors,CEO & Children	
Public Holding	57,122,672
Public Holding as a % of issued Share Capital	46.77%

LIST OF 20 MAJOR SHAREHOLDERS BASED ON THEIR SHAREHOLDING

No.	Name	Number of Shares	Percentage (%)
01	Pan Asia Banking Corporation PLC/British American Technologies (Private) Limited	29,388,581	24.06
02	Sri Lanka Insurance Corporation Ltd - General Fund	20,066,662	16.43
03	Sri Lanka Insurance Corporation Ltd - Life Fund	10,714,400	8.77
04	Dr. M. B. Nizar	4,751,299	3.89
05	British American Technologies (Private) Limited	4,125,000	3.38
06	Dr. M. M. Rinoza	2,399,100	1.96
07	Seylan Bank PLC / Mohamed Imtiaz Samsudeen	2,305,800	1.89
08	J. B. Cocoshell Private Ltd	2,223,750	1.82
09	Mr. L. S. I. Perera	1,451,800	1.19
10	Mr. K. M. A. R. K. Alumuhari	1,130,000	0.93
11	Mr. S. C. Hiththathiyage	1,086,000	0.89
12	Mr. S. K. Chandrasena	1,011,500	0.83
13	Mr. A. Salehbhai	1,001,000	0.82
14	Mr. G. C. Goonetilleke	985,000	0.81
15	Mr. H. B. Jayasekara	972,300	0.80
16	Dr. M. B. Nizar	877,500	0.72
17	Mr. M. I. Samsudeen	853,500	0.70
18	Mr. P. Rathnayake	840,000	0.69
19	Mr. F. N. Goonewardena / Dr. J. B. Peiris	812,000	0.66
20	Mr. S. Gurusignhe	801,600	0.68

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the eChannelling PLC will be held at Jasmine Hall ,Hotel Renuka on 27th September 2012 at 11.30 a.m.

AGENDA

1. To receive and consider the Report of the Directors on the State of Affairs of the company and the Statement of accounts for the year ended 31st March 2012, with the Report of the Auditors thereon.
2. To re-elect Mr. W. T. L. Weeratne a Director who retires by rotation at the Annual General Meeting in terms of Article 86 and 87 of the Articles of Association of the Company.
3. To re-elect Ms. A. A. Aziz a Director who retires at the Annual General Meeting in terms of Article 94 of the Articles of Association of the Company.
4. To re-elect Mr. A. R. Karunaratne a Director who retires at the Annual General Meeting in terms of Article 94 of the Articles of Association of the Company.
5. To re-appoint Messrs KPMG Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine contributions to charities for 2012/2013.

BY ORDER OF THE BOARD OF DIRECTORS OF
eCHANNELLING PLC
S S P CORPORATE SERVICES (PRIVATE) LIMITED
SECRETARIES

Date: 21st August 2012

Note:

- (a) A member who is unable to attend and vote at the above mentioned meeting is entitled to appoint a Proxy to attend and vote in his or her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
- (b) The completed form of Proxy should be deposited at the Registered Office of the Company, Suncity Towers, Mezannie Floor, No.18, St. Anthony's Mawatha, Colombo 03 not later than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

I /We of being a member/s of the above company, hereby appoint of or failing him.

Mr. Piyadasa Kudabalage

Mr. Welvidanalage Don Joseph Ruwan Silva

Mr. Weeratnemullegamage Thanuja Lasitha Weeratne

Mr. Adambarage Modantha Mohan De Alwis

Ms. Asmina Ashruff Aziz

Mr. Asanga Rohitha Karunaratne

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo

as my/our proxy to represent me/us and vote on my/our behalf at the Twelfth Annual General Meeting of the company to be held on 27th September 2012 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

	FOR	AGAINST
1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Accounts for the year ended 31st March 2012, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. W. T. L. Weeratne a Director who retires by rotation at the Annual General Meeting in terms of Article 86 and 87 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Ms. A. A. Aziz a Director who retires at the Annual General Meeting in terms of Article 94 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. A. R. Karunaratne a Director who retires at the Annual General Meeting in terms of Article 94 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Messrs KPMG Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine contributions to charities for 2012/2013.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Twelve.

Signature:

Note : Please delete the inappropriate words.

1. Instructions for completion of form of proxy are noted on the reverse
2. A proxy need not be a member of the Company
3. Please mark "X" in appropriate cages, to indicate your instructions as to voting

INSTRUCTIONS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the company at Suncity Towers, Mezannie Floor, No.18, St. Anthony's Mawatha, Colombo 03, at least 48 hours before the time appointed for holding of the Meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the company.

Note:

If the shareholder is a company or body corporate, Section 138 of the Companies Act No. 07 of 2007 applies to corporate Shareholders of eChannelling PLC. Section 138 provides for representation of companies at meetings of other companies. A Corporation, whether a company within the meaning of this act or not, may where it is a member of another corporation, being a company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the corporation which it represents as that corporation could exercise if it were an individual shareholder.

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