



# INFINITE OPPORTUNITIES

**Vallibel One PLC**  
**Annual Report 2013/14**



# INFINITE OPPORTUNITIES

**Vallibel | ONE**

Annual Report 2013/14

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Annual Report Online  
[www.vallibelone.com](http://www.vallibelone.com)

### Annual Report 2013/14 cover concept:

The infinity symbol on the cover of this report symbolizes our determination to deliver continuous shareholder value to the limits of our potential and our passion to realize the infinite opportunities we perceive.

*The year under review saw your company continue its exploration of the myriad business opportunities offered by a stable and growth-oriented business environment. Today, Vallibel One is a company respected and renowned for the success of our strategies and the clarity of our vision; the insights that have enabled us to create stakeholder wealth through strategic investments in selected high growth industry sectors.*

*As a rapidly evolving holding company, we will continue to seek out new investments towards wealth creation: the infinite opportunities offered by a thriving economy and a nation on the rise.*

**Our Vision**

Achieve uniqueness through diversity, leadership, creativity and inspiration.

**Our Mission**

To run healthy core businesses, leverage strengths into new ventures, work together with people to be Sri Lanka's corporate leader.

# *The infinite opportunities offered by a thriving economy and a nation on the rise.*

It was in 2010 with the formation of Vallibel One that corporate Sri Lanka began experiencing the dynamics of an expansive array of core businesses that complimented each other, while leveraging on collective synergies and prevalent

strengths to create new paradigms. The acquisitions from then on were astute and far reaching, designed to optimize on advantages that were emerging in a burgeoning development milieu.

## *2010*

*Vallibel One was incorporated on 09<sup>th</sup> June 2010.*

## *2011*

*Royal Ceramics Lanka PLC, LB Finance PLC and Greener Water Ltd. were acquired by Vallibel One as its subsidiary companies, whilst Sampath Bank and Waskaduwa Beach Resort being Associate companies.*



In just four years, Vallibel One has a strategic presence in key business areas, driving the country's economy by expanding, diversifying and growing businesses that add immense value to augmenting sustainable growth. Each acquisition is linked to the Group's

vision and mission, championing diversity and leadership on a platform of creativity and inspiration that can only be fueled by an imperative need to be ubiquitously present in every burgeoning industry sphere.



## 2012

*The Company acquired Orit Apparels Lanka (Pvt) Ltd.; a premier denim manufacturer in Sri Lanka and Delmege Group; a highly diversified conglomerate as Subsidiaries*



## 2013

*Acquired Grip Nordic (Pvt) Ltd through Delmege Group*

## 2014

*Acquired Lanka Ceramic Group through Royal Ceramics Lanka PLC. Lanka Ceramic Group includes five public listed companies.*

Vallibel One was listed on the Colombo Stock Exchange on 8<sup>th</sup> July 2011.

## Statement by the Chairman

***"As a Group we will continue to test the status quo and revolutionise the businesses that we are passionate about and bring to reality our vision to become the powerhouse of corporate Sri Lanka."***



Yet another financial year has passed and once again I am pleased to note that we have demonstrated a robust financial performance during the reporting period, despite challenging commercial environments for our business sectors. As in the past, Royal Ceramics Lanka PLC and LB Finance PLC were the core contributors to the Group's consolidated profit. Other sectors improved on their foundations for future growth with the institution of processes and policies that will tighten the focus towards strategic imperatives. During the financial year, our consolidated net profitability, once again moderated to a modest but commendable Rs. 3 Bn whilst our net assets stand at a creditable Rs. 32.4 Bn.

Our focus this past financial year has been to place our attention towards transforming the infinite opportunities that are out there. As a business strategist, I am challenged by the possibilities that are open to us and I am able to envision the opportunities they hold in the future. We have pursued some of these opportunities with passion in 2013/14 whilst striving to grow, strengthen and consolidate the core and non core sectors that constitute Vallibel One. We have given precedence to our financial and leisure sectors as the two core pillars for future growth. In pursuit of sustainable business agendas we made bold but judicious decisions.

Within this realm, we grasped the opportunity to enhance our investments into the surface-covering sector. Whilst the Royal Ceramics

Group continued to maintain and augment its position of leadership in the industry through the brand Rocell, the Group also leveraged its financial competencies to acquire a 77% stake in Lanka Ceramics PLC and effectively controlling stake of Lanka Tiles PLC and Lanka Walltiles PLC. The acquisition has also served to strengthen and broaden the operational interests of the Royal Ceramics Group to plantations, packaging and aluminium manufacturing as a result of subsidiary interests of Lanka Ceramics PLC. By financial year-end, I am pleased to report that the market capitalization of Royal Ceramics Lanka PLC exceeded USD 85 million, whilst its manufacturing facilities in flooring and bathware continue to be world-class.

LB Finance PLC during the year was awarded the title of "The Best Retail Finance Company in Sri Lanka in 2013" by the Global Banking & Finance Review UK. This has, I believe, further authenticated the Company's reputation as an undisputed trailblazer.

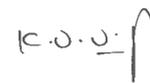
Under Greener Waters Limited – our leisure management company, we commenced a stellar project which will define the growth momentum for Vallibel One, in time to come. The Grand Beach Hotel project located in Negombo - between the Maha Oya and the Indian Ocean - took shape during the year and I am pleased to note that the fundamentals are in place subsequent to the resolution of a number of issues pertaining to accessibility and approvals. A team comprising of world renown

architects and designers are currently engaged in finalising the blueprint of the 5+ star, 400-roomed family-styled integrated resort with water park facilities and amenities to entertain the entire family.

Our subsidiary companies are all individually established, they have deconstructed the "established norms", by innovating beyond the conventional and by believing in the principle that Sri Lanka can be world-class. Delmege Limited and Sampath Bank, for example continue to add value to both our Group as well to the economy and society as a whole.

As a Group we will continue to test the status quo and revolutionise the businesses that we are passionate about and bring to reality our vision to become the powerhouse of corporate Sri Lanka. Financial accountability, strategic thinking and an absolute resolve to succeed for our country, will be the foundation of our growth in the years ahead.

At Vallibel One, we believe the universe is infinite. I would like to borrow from the best selling author Stephen Richards, in saying that, we too believe that the experiences and opportunities that are available for us are infinite. In to the future, we will continue our journey of spirited success, embracing every Sri Lankan with opportunity and new horizons.



**Dhammika Perera**  
*Chairman*

## The Board of Directors



Dhammika Perera  
Chairman / Managing Director



Nimal Perera  
Executive Deputy Chairman



Harsha Amarasekera  
Independent Non-Executive Director



Sumith Adhietty  
Non Executive Director



Kimarli Fernando  
Independent Non Executive Director



Rajan Asirwatham  
Independent Non Executive Director

## The Board of Directors

### **Mr. Dhammika Perera**

*Chairman/ Managing Director*

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight.

He currently holds the position of Secretary to the Ministry of Transport, Sri Lanka. He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC, Royal Ceramics Lanka PLC and Delmege Limited. He is also the Co-Chairman of Hayleys PLC and The Kingsbury PLC. He is the Deputy Chairman for Horana Plantations PLC, Lanka Ceramic

PLC and LB Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Dipped Products PLC, Lanka Tiles PLC, Orit Apparels Lanka (Pvt) Ltd and Sun Tan Beach Resorts Ltd.

### **Mr. Nimal Perera**

*Executive Deputy Chairman*

Mr. Nimal Perera serves on boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, as the Chairman, Royal Ceramics Lanka PLC as the Managing Director, LB Finance PLC as the Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as Alternate Director.

Holds directorships in Vallibel Finance PLC, Hayleys PLC, Kingsbury PLC, Haycarb PLC, Thalawakele Tea Estates PLC, and Amaya Leisure PLC.

He is a renowned business magnate, stock trader and shareholder of many companies in the country.

### **Mr. Harsha Amarasekera**

*President's Counsel*

*Independent Non-Executive Director*

Harsha Amarasekera, President Counsel is a leading Lawyer in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts, specializing in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman), Expo Lanka Holdings PLC, Chevron Lubricants Lanka PLC, Amana Bank PLC, Keells Food Products PLC, Amaya Leisure PLC, Vallibel Power Erathna PLC and is also a Director of CIC Agri Business (Pvt) Limited.

**Mr. Sumith Adhietty**

*Non Executive Director*

Mr. Sumith Adhietty is a well known professional in the marketing field. He has over 33 years of experience in the finance sector.

He is the Managing Director of LB Finance PLC and the Fortress Resorts PLC. He also serves on the Board of Vallibel Finance PLC and Pan Asia Banking Corporation PLC.

He was formerly the Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Company Limited, Grand Hotel (Pvt) Limited, Royal Palm Beach Hotels Limited, Tangerine Tours Limited and Security Ceylon (Pvt) Limited.

**Ms. Kimarli Fernando**

*Independent Non Executive Director*

Ms. Kimarli Fernando brings to the Board her in depth experience in both banking and law. She has read for her LLB (Hons) from the London School of Economics and Political Science, London, UK and is a Barrister-at-Law, Lincoln's Inn, UK. (1987) and an Attorney-at-Law, Sri Lanka.

She currently serves as a Director of L B Finance PLC, National Development Bank PLC, Delmege Limited and Sri Lanka Sustainable Energy Authority. Previously, her Banking career spanning 23 years has included stints in senior positions at Pan Asia Banking Corporation PLC, Standard Chartered Bank, Sri Lanka and Deutsche Bank AG, Sri Lanka.

**Mr. Rajan Asirwatham**

*Independent Non Executive Director*

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG from 2001 to 2008. He was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the

World Bank for the Ministry of Tourism and also a member of the Presidential Commission on Taxation, appointed by His Excellency the President.

As at present Mr. Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka, is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka. He is also a member of the Ceylon Chamber of Commerce Advisory Council of the University of Colombo and the Board of Management of the Post Graduate Institute of Medicine. He also serves on the Boards of Royal Ceramics Lanka PLC, Ceylon Tea Services PLC, CIC Holdings PLC, Brown & Company PLC, Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Dial Tex Industries Private Limited, Renuka Hotels Private Limited, Rajawella Holdings Private Limited, Mercantile Merchant Bank, Dankotuwa Porcelain PLC, Colombo Pharmacy (Pvt) Ltd, Peninsular Properties (Pvt) Ltd and Yaal Hotels Limited.

## Group Financial Highlights

	<b>2014</b>	<b>2013</b>	<b>Change</b>
	<b>Rs '000</b>	<b>Rs '000</b>	<b>%</b>
<b>For the year ended 31<sup>st</sup> March</b>			
Turnover	48,331,091	33,109,827	45.97
Profit after tax	3,062,060	3,099,803	(1.21)
Profit attributable to equity holders of the company	1,573,934	2,149,072	(26.76)
Total Comprehensive income	4,028,448	3,023,819	33.22
<b>As at March</b>			
Share holders' Fund	32,492,066	30,662,699	5.97
Company Market capitalization	18,471,509	17,384,950	6.25
Total Assets	124,998,431	97,119,106	28.71
<b>Per Share</b>			
(Issued and fully paid shares, 1,086,559,353)			
Earning (Rs)	1.45	1.98	(26.76)
Net Assets (Rs)	29.90	28.22	5.95
Market Value (year - end) (Rs)	17.00	16.00	6.25
Price earnings (year - end) (times)	11.72	8.07	45.47
Gross Profit (%)	30.32	31.07	(2.41)

## MANAGEMENT DISCUSSION AND ANALYSIS

### *When infinite opportunities gain momentum....*

*In a milieu that is ripe for growth, development and opportunity, it is imperative that business takes advantage of the emerging potential, while also being mindful of the paradigms that surround us.*

*For Vallibel One, this has been an exciting journey, one which has empowered us to look beyond horizons and venture into areas that are truly fulfilling, where we have customized our strategies to develop our Group into one that adds immense pride to our stakeholders and where we remain humbled by the accolades we continue to receive for the leadership we espouse.*

We have a comprehensive blueprint upon which we have mapped our future within which high growth industries have been earmarked as the path to pursue for success. In presenting a Group that is a pride to the nation where the nation's development remains in focus as we continue to meet and exceed our objectives, we know that Vallibel One has optimized on the infinite opportunities around us and created a progressive umbrella of development that would add impetus and buoyancy to exploiting those opportunities with pragmatic foresight.



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## GROUP STRUCTURE & GROUP RESULTS

**51%**

Effective holding 64.3%  
**LB Finance PLC**

Turnover .....	13,628
NPBT .....	1,868
NPAT .....	1,340
EPS (Rs.) .....	19
Total Assets .....	60,814
Equity .....	6,207
NAVPS (Rs.) .....	90

**51%**

Effective holding 51.01%  
**Royal Ceramics Lanka PLC**

Turnover .....	19,749
NPBT .....	2,294
NPAT .....	1,975
EPS (Rs.) .....	10
Total Assets .....	33,332
Equity .....	10,394
NAVPS (Rs.) .....	94

**100%**

**Greener Water Ltd**

Turnover .....	-
NPBT .....	(22)
NPAT .....	(22)
EPS (Rs.) .....	(0.61)
Total Assets .....	407
Equity .....	297
NAVPS (Rs.) .....	8

**51%**

Effective holding 61.7%  
**Delmege Ltd**

Turnover .....	5,310
NPBT .....	(499)
NPAT .....	(345)
EPS (Rs.) .....	(634)
Total Assets .....	6,097
Equity .....	1,614
NAVPS (Rs.) .....	3,247

**50%**

**Orit Apparels Lanka (Pvt) Ltd**

Turnover .....	9,781
NPBT .....	(119)
NPAT .....	(134)
EPS (Rs.) .....	(3)
Total Assets .....	5,890
Equity .....	1,488
NAVPS (Rs.) .....	40

**14.96%**

**Sampath Bank PLC**

Turnover .....	47,991
NPBT .....	5,073
NPAT .....	3,863
EPS (Rs.) .....	23
Total Assets .....	387,583
Equity .....	32,928
NAVPS (Rs.) .....	196

**20.22%**

**Waskaduwa Beach Resorts PLC**

Turnover .....	-
NPBT .....	(8)
NPAT .....	(8)
EPS (Rs.) .....	(0.05)
Total Assets .....	3,346
Equity .....	1,600
NAVPS (Rs.) .....	10

*Figures are in Rs. Mn*

## SECTOR PROFILES

### Royal Ceramics



The leading surface-covering manufacturer in Sri Lanka and one of the largest in the region, the Royal Ceramics Group continues to hold steadfast to its market leadership of over a decade, given

that innovation, technology, R&D and financial stability remain at the axis of its core being. Rocell Bathware Limited, which comes under the aegis of the Group, is Asia's most advanced

bathware manufacturing plant, while the Group's porcelain and ceramic manufacturing plants are among the most sophisticated state of the art facilities in the region. The Group has acquired a 77% stake in Lanka Ceramic PLC, and effectively a controlling stake in Lanka Walltile PLC and Lanka Tiles PLC, further enhancing its position as the market leader in the surface-covering industry in Sri Lanka. Other subsidiaries of Lanka Ceramic PLC that the Group acquired a stake include Horana Plantations PLC, Ceytea Plantation Management LTD, Unidil Packaging LTD, Unidil Papersacks (PVT) LTD, Swisstek Ceylon PLC and Swisstek Aluminium LTD. This helped broaden the Group's product portfolio by venturing in to the plantation, packaging and aluminium manufacturing sectors.

Rocell products have become fashion icons that have influenced lifestyles and are undoubtedly the quintessence to individual style that blend modernity with functionality into creative style. Rocell tiles, bathware and accessories are accessible through nearly fifty showrooms and over 350 sub-dealerships around the country as well as a comprehensive network of dealers across four continents. The uniqueness interwoven into originality, elegance and style, has seen Rocell elevate the concept of tiles to newer realms, from classic palettes to all surface designer tiles, adding a plethora of fascinating interior options designed to fuel absolute creativity.



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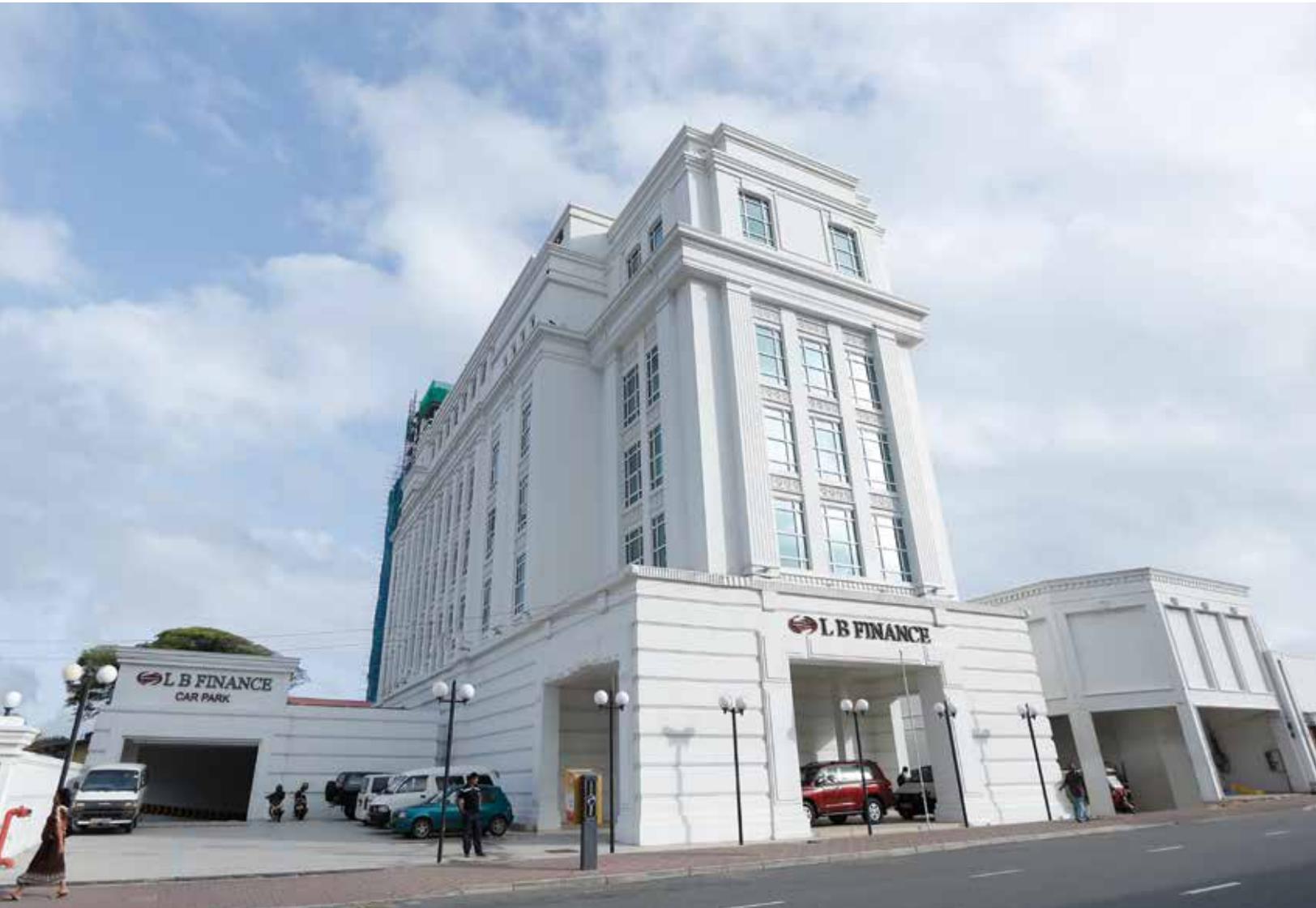
**51%**

*Having been crowned by Forbes Magazine twice as one of Asia's 200 Best Companies under a Billion, with a market capitalization exceeding US \$85 Mn.*

Having been crowned by Forbes Magazine twice as one of Asia's 200 Best Companies Under a Billion, with a market capitalization exceeding US \$85 Mn, the Group's sound business strategies and accent on quality and best practices, also saw it gain a special laurel of having the Best Comeback Performance by a company. With Vallibel One having a shareholding of 51% of this Company, Royal Ceramics has an insatiable quest for perfection and it is this that will continue to add impetus to its drive for undisputed excellence.

## SECTOR PROFILES

### **L B Finance**



For the very first time in Sri Lanka, a finance company was awarded the coveted title of "The Best Retail Finance Company in Sri Lanka" in 2013 by Global Banking & Finance Review UK. L B Finance dons this crown with pride,

knowing that it has further cemented its status as an undisputed trailblazer in the financial services industry, given the Company's absolute commitment in offering innovative sound products and services.

Artfully blending its four decade history with a contemporary mindset that encompasses an imperative to set new benchmarks in the industry, L B Finance, in which Vallibel One holds a shareholding of 51%, maintains the focus of being the preferred choice of small entrepreneurs and investors. Accessible through a highly integrated network of 134 branches that offers cutting-edge solutions to a product and service portfolio which embraces the tangible benefits of technological innovations, L B Finance's product range includes fixed deposits, leasing, hire purchase, savings, Islamic finance, margin trading, mortgage loans, micro-financing, inland money transfers, gold loans, factoring and agricultural equipment leasing.

L B Finance, a licensed finance company under the Central Bank of Sri Lanka and listed on the Colombo Stock Exchange has unequivocally etched itself into the annals of the industry due to the intensity it places on its core values of excellence, ethics, professionalism, transparency, innovation and quality. Demonstrating its sustainable financial soundness, RAM Ratings Lanka has rated L B Finance with a rating of A-/P2 with a stable outlook, while the Company has also indelibly inked its name in the annals of Top 100 Brands in Sri Lanka as ranked by Brand Finance.



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**51%**

*For the very first time in Sri Lanka, a finance company was awarded the coveted title of "The Best Retail Finance Company in Sri Lanka" in 2013 by Global Banking & Finance Review UK.*

## SECTOR PROFILES

### Orit Apparels



The premier denim specialist manufacturer in Sri Lanka, Orit Apparels in which Vallibel One has a 50% shareholding, produces over 8.5 million pieces annually, exporting to some of the

most prestigious brands around the world. Eight plants manned by a team of over six thousand produce specialised apparel for Levi's USA, Levi's Europe, Gloria Vanderbilt, Kohls, Sears, Macy's,

Next, Ralph Lauren, Jessica Simpson, Kenneth Cole, Bon ton and Rachel Roy. (Orit is one of the 3 key product development centers for Levi's)

With its core strength inscribed into a single minded dedication to perfect the Art of Denim, Orit Apparels optimizes on the knowledge consortium of designers, state of the art manufacturing facilities and R&D it possesses to develop innovative solutions that remain well ahead in trends and expectation. The commitment and absolute focus on creating 'looks' that will be trendsetting in design, function and finish has seen Orit Apparels capture clientele across the USA, Canada, Belgium, Switzerland, Germany, Mexico, Brazil, Peru, Chile, Turkey, Argentina, Columbia, Uruguay, Cost Rica, Taiwan, India and the UK.

The value addition that Orit Apparels adds into the equation, the speed to market heralding on time delivery and the ethical business practices that remain at the axis of its business, has ensured a strong presence in the global apparel market. Journeying speedily towards its vision of being the leader and ultimate preference for denim jeans in Asia, Orit Apparels' commitment to absolute quality by optimizing on its resources, innovation capabilities, customer centricity and sustainable tenets, has surely given it the competitive edge in its core business.



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**50%**

*The premier denim specialist manufacturer in Sri Lanka, Orit Apparels in which Vallibel One has a 50% shareholding, produces over 8.5 million pieces annually, exporting to some of the most prestigious brands around the world.*

## SECTOR PROFILES

### Delmege



Drawing from a legacy that emanates from 1850, the Delmege Group has firmly engrained its presence as a highly diversified conglomerate with business interests that span six major industries through thirteen active legal entities. A member

of the Ceylon Chamber of Commerce for more than a century, the Delmege Group is firmly established as an integral facet of the Sri Lankan economy having exploited growth opportunities with both local and international partners.

Having initiated the strategic imperative of consolidating the Group in 2012, the resultant amalgamation of similar trading operations were clustered into the three primary segments of Consumer, Lifestyle and Healthcare, to derive greater efficiencies, productivity and prudent financial management. Into this equation and under the umbrella of the three clusters, the Group's sub sectors were expanded through strategic investments and complementary acquisitions, resulting in the Group infusing new business focus into its product and service offerings.

Innovation, service and product delivery remain the key elements in driving business in this subsidiary, of which Vallibel One holds a 51% stake. Having already established a dedicated Business Development Unit that largely emphasize on identifying key market gaps and perceived threats, while honing strengths and exploiting opportunities that arise, the Group will continue to seek strategic partnerships both locally and internationally, in a bid to grow its market share and leadership presence in its multi-faceted business spaces.



Delmege Limited

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**51%**

*Delmege Group has firmly engrained its presence as a highly diversified conglomerate with business interests that span six major industries through thirteen active legal entities.*

## SECTOR PROFILES

### Greener Water



Proposed Design for Grand Beach Hotel

*Beach view*

This fully owned subsidiary under the Vallibel One umbrella was established to engrave its presence in the burgeoning hospitality industry in Sri Lanka as the investment arm in the leisure

sector. Having already invested in a unique integrated hospitality project billed to be the first of its kind in Sri Lanka, Greener Water's investments are geared to develop and uplift Sri

Lanka's hospitality industry into the realms of a world class destination, pitched to compete and excel against regional competitors.

Greener Water's maiden investment project lies on fourteen acres on the pristine golden beaches of Negombo, between an enviable scenic location nestled between the azure waters of the Indian Ocean and the idyllic serenity of the Maha Oya River. The five star 400 roomed Grand Beach Hotel is emblematic of a world class luxury resort, an architectural piece de resistance that epitomizes contemporary luxury with understated elegance, within a milieu of lavish comfort. Incorporating four epicurean restaurants, Banquets, a tranquil spa, exquisite suites, well equipped fitness centers and an entertaining water park.

  
GREENER WATER  
LIMITED

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**100%**

*Greener Water's investments are geared to develop and uplift Sri Lanka's hospitality industry into the realms of a world class destination, pitched to compete and excel against regional competitors.*

## SECTOR PROFILES

### Sampath Bank

A trailblazing multi award winning bank, that has since inception pioneered some of the most unique initiatives to be launched into the banking sphere in Sri Lanka, Sampath Bank remains the champion in technological advancement in the banking sector. This third largest private sector bank in terms of total assets and an impressive reach that makes its services accessible via a network of 215 branches and 290 ATMs including 22 off-site ATMs, Sampath Bank has deservedly donned the crown as the Best Bank in Sri Lanka as adjudged by the prestigious Euromoney Magazine in 2013 and 2014, gained kudos at the World Finance Awards, won the National Best Quality ICT Award, the Banker of the Year Awards from Financial Times Limited London twice and many awards at the National Business Excellence Award ceremony organized by the National Chamber of Commerce.

With enviable industry ratings including an affirmation of the National Long Term Rating of AA-(lka) Stable by Fitch Ratings Lanka and AA (Stable) from RAM Rating, Sampath Bank is surely gaining ground to reach its vision as the growing force in Sri Lankan financial services. Given its pioneering stance since inception in 1988, especially in technological innovations being infused into a highly diversified product and service portfolio including having the first multi-



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**SampathBank**

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**14.96%**

point network of automated teller machines in Sri Lanka, launching the first debit card in south Asia and becoming the first bank in Sri Lanka to operate with a fully computerized database and related technologies from its initial, launch, Sampath Bank's commitment to its stakeholders remains legendary. Emphatic in living its values to the fullest by creating a learning culture among its team which saw the Bank win the Talent Management Award at the National HR Conference which naturally would permeate innovation and value addition for customers, Sampath Bank works on a platform of excellence and equality of service, attitude and behaviour, believes strongly in stakeholder engagement, is committed to optimizing performance and possesses an uncompromising stance to ethics, transparency, accountability and professionalism.

## Waskaduwa Beach Resort

A subsidiary of Citrus Leisure PLC, Waskaduwa Beach Resort is listed on the Colombo Stock Exchange with its business interests being in the leisure industry. Formerly known as Waskaduwa Beach Resort, the Company is primarily engaged in hotel management and in 2014, with the launch of 150 roomed hotel Citrus Waskaduwa located on the picturesque beaches of Waskaduwa, began its foray into managing F&B, lodging and other germane hotel industry related management activities.

**citrus**  
Waskaduwa

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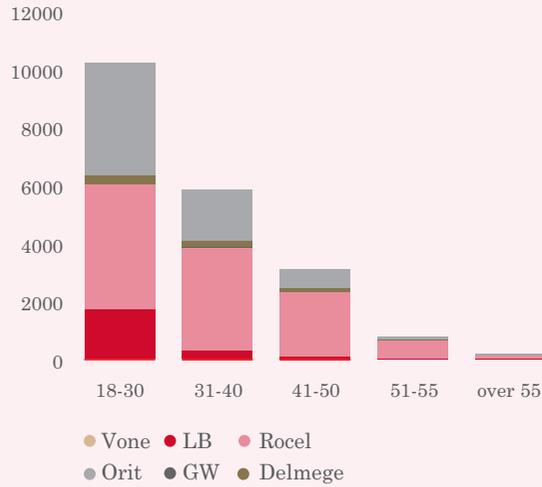
**20.22%**

***Vision, ownership, success -  
A Group that exploits infinite opportunities...***

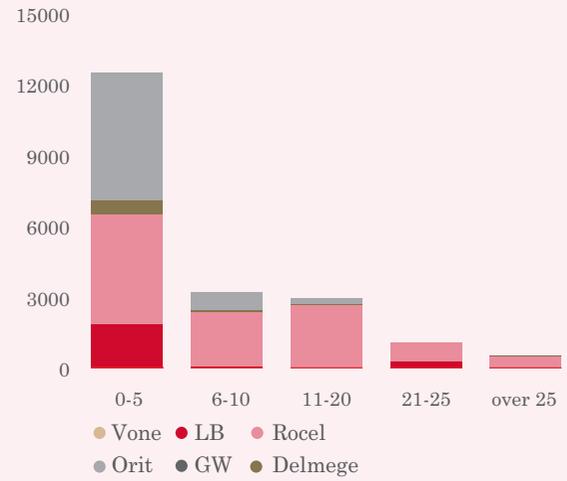
*Ours is a Group of nearly 20,200 highly dynamic motivated individuals, who are simply amazing; to them, journeying towards our vision, overcoming numerous challenges while honing their strengths and exploiting the infinite opportunities available, is all in a day's work. Working together with absolute team spirit, the Vallibel One Group maximizes on the latent knowledge, inherent skill and unmatched competencies our team possesses. By adding to their knowledge and skill bases through astute training and development and in identifying and creating leaders from a mix of highly experienced individuals who blend well with a pool of innovative energized young people, we have been fortunate in being able to create an empowering milieu to meet our aspirations.*

*This is being done, while journeying towards our vision of achieving uniqueness through diversity, leadership, creativity and inspiration.*

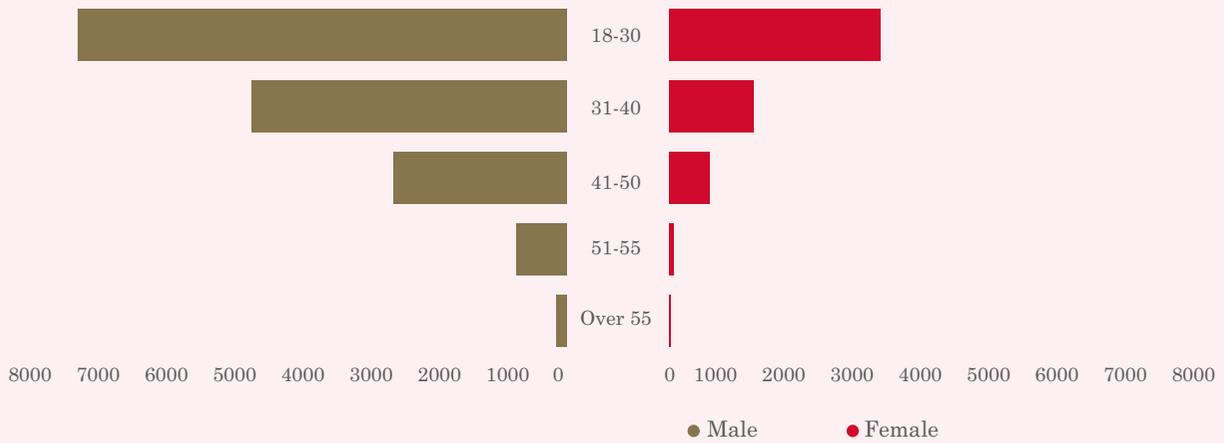
### Total Employees



### Service Period



### Gender





## Annual Report of The Board of Directors on the Affairs of the Company

The Directors of Vallibel One PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31<sup>st</sup> March 2014.

### General

The Company was incorporated as a limited liability company on the 9<sup>th</sup> June 2010. It obtained a listing for its shares on the Diri Savi Board of the Colombo Stock Exchange on the 8<sup>th</sup> July 2011 and consequent thereto its name was changed to Vallibel One PLC on 25<sup>th</sup> August 2011.

### Principal activities of the Company and review of performance during the year

The Company carried on business as a diversified investment holding company during the year under review.

This Report together with the Financial Statements, reflect the state of affairs of the Company and its subsidiary companies.

### Financial Statements

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board and the Auditors are included in this Annual Report and form part and parcel hereof.

### Auditors' Report

The Report of the Auditors on the group Financial Statements of the Company is attached with the Financial Statements.

### Accounting Policies

The Financial Statements of the Company and the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKS) and the policies adopted therefor are given on pages 52 to 141 Figures pertaining to the previous periods have been restated where necessary to conform to the current year's presentation.

### Stated Capital

The Stated Capital of the Company as at 31<sup>st</sup> March 2014 was Rs. 27,163,983,720/- represented by 1,086,559,353/- Ordinary Shares.

### Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, net assets per share, twenty largest shareholders of the Company, Directors' shareholding, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 143 to 146 under Shareholders' Information.

### Directors

#### Directors of the Company

The names of the Directors who held office as at the end of the accounting period are:

Mr. Dhammika Perera  
*Chairman / Managing Director*

Mr. W D N H Perera  
*Executive Deputy Chairman*

Mr. S H Amarasekera  
*Independent Non-Executive Director*

Mr. J A S S Adhietty  
*Non-Executive Director*

Ms. Kimarli Fernando  
*Independent Non-Executive Director*

Mr. R N Asirwatham  
*Independent Non-Executive Director*

Ms. Kimarli Fernando retires by rotation in terms of Article 87 of the Articles of Association and being eligible is recommended by the Directors for re-election.

At the conclusion of the forthcoming Annual General Meeting Mr R N Asirwatham, who is 71 years of age, will vacate office in pursuance of section 210 of the Companies Act No.7 of 2007. A resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the re-appointment of Mr R N Asirwatham

**Directors of the principal subsidiary companies as at the end of the Reporting date:**

**Royal Ceramics Lanka PLC**

Mr. Dhammika Perera  
*Chairman*

Mr. W D N H Perera  
*Managing Director*

Mr. T G Thoradeniya  
*Executive Director*

Mr. A M Weerasinghe  
*Director*

Mr. R B Thambiayah  
*Director*

Mr. L T Samarawickrema  
*Director*

Mr. R D P Godawatta Arachchige  
*Director*

Mr. M D S Goonatilleke  
*Director*

Mr. R N Asirwatham  
*Director*

**L B Finance PLC**

Mr. Thosapala Hewage  
*Chairman*

Mr. Dhammika Perera  
*Executive Deputy Chairman*

Mr. L N de S Wijeyeratne  
*Director*

Mr. J A S S Adhietty  
*Managing Director*

Mr. W D N H Perera  
*Executive Director*

Mr. Niroshan Udage  
*Executive Director*

Mr. B D A Perera  
*Executive Director*

Ms. Kimarli Fernando  
*Director*

Mrs. Shirani Jayasekara  
*Director*

Mrs. Anandhiy K Gunawardhana  
*Director*

**Greener Water Ltd**

Mr T G Thoradeniya  
*Director*

Mr K D A Perera  
*Director*

**Delmege Limited**

Mr. Dhammika Perera  
*Chairman*

Mr. Channa De Silva  
*Managing Director*

Mr. A M Pandithage  
*Director*

Mr. T G Thoradeniya  
*Director*

Mr. L N de S Wijeyeratne  
*Director*

Ms. Kimarli Fernando  
*Director*

Mr. L D E A de Silva  
*Director*

Mr. S. Harsha Amarasekera  
*Director*

Mr. Sean Wilson  
*Director*

### **Orit Apparels Lanka (Private) Limited**

Mr. C P Palansuriya  
*Chairman*

Mr. H M S A Herath  
*Director*

Mr. P A J I Perera  
*Director*

Mrs. D S N Weerasooriya  
*Director*

### **Interests Register**

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the provisions of the Companies Act.

### **Directors' Shareholding**

The relevant interests of Directors in the shares of the Company as at 31<sup>st</sup> March 2014 as recorded in the Interests Register are given on page

144 of the Annual Report under Directors' shareholding.

### **Directors' Remuneration**

The Directors' remuneration is disclosed under key management personnel compensation in Note 38.1 to the Financial Statements on page 133.

### **Auditors**

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company and also provided tax compliance services and other permitted non audit services. Except those, the Auditors do not have any interest in the Company.

A total amount of Rs. 1,448,254/- is payable by the Company to the Auditors for the year under review comprising Rs. 168,000/- as audit fees and Rs. 1,280,254/- for other services.

### **Donations**

The Company did not make any donations during the year under review.

### **Dividends**

An interim dividend of 70 cents per share for the year under review was paid on 7<sup>th</sup> August 2013.

### **Property, Plant and Equipment**

Details of property, plant and equipment and changes during the year are given in Note 16 of the Financial Statements.

### **Land Holdings**

The Company does not own any land or buildings. The Board is of the view that the land and buildings owned by subsidiaries are reflected in their respective Balance Sheets at their market values and there are no significant changes in the Company's or its subsidiaries fixed assets.

### **Material Foreseeable Risk Factors**

Vallibel One PLC is a diversified conglomerate of which the primary business line is "Investment Holding".

The Management considers qualitative and quantitative methods to evaluate the likelihood and impact of potential events which might affect the achievement of objectives including the failure to capitalize on opportunities.

## **Corporate Governance**

The Directors place a high degree of importance on sound corporate governance practices and are committed to the highest standards of corporate governance within the organization.

In line with this, the Company has appointed three Independent Directors to the Board of Vallibel One PLC facilitating independent judgment in Board discussions and decisions.

The Directors confirm that, as at the applicable financial period the Company is in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange.

## **Composition of the Board**

The Board of Vallibel One PLC comprises six members, four of whom are Non Executive Directors. Two members of the Board, viz., the Chairman / Managing Director and the Executive Deputy Chairman serve as Executive Directors.

The Board has determined that three Non-Executive Directors – Mr S H Amarasekera, Ms. Kimarli

Fernando and Mr. R N Asirwatham are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

## **Board Sub Committees**

### **Audit Committee**

The Audit Committee consists of three Independent Non-Executive Directors. They are Mr. R N Asirwatham (Chairman of the Committee), Mr. S H Amarasekera and Ms. Kimarli Fernando.

The Committee is responsible for the following;

- Evaluating and monitoring the Company's control environment and risk management function
- Overseeing and reviewing the quality, cost and scope of internal and external audits
- Reviewing the reports presented to the Committee by both auditors and management
- Recommending to the Board the appointment of external auditors.

- Reviewing the Company's management and statutory reporting
- Reviewing and approving of finance and accounting policies and the ongoing monitoring of their implementation and effectiveness
- Ongoing financial monitoring of the Company's various disclosure obligations
- The review and pre-approval of any non audit services provided by the external auditors to ensure their independence is maintained at all times.

The report of the Audit Committee appears on page 37.

### **Remuneration Committee**

The Remuneration Committee consists of a Non Executive Director and two Independent Non-Executive Independent Directors. They are Mr. S H Amerasekera (Chairman of the Committee), Mr. J A S S Adhietty and Ms. Kimarli Fernando.

The Committee is responsible for making recommendations to the Board on;

- Remuneration framework and levels of the Senior Management
- Senior Management performance and equity based remuneration plans including performance incentives and hurdles.
- Remuneration of Executive Directors.

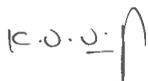
The Remuneration policy is to attract and retain a highly qualified and experienced Senior Management.

### **Annual General Meeting**

The Annual General Meeting will be held on 25<sup>th</sup> August 2014 at 9.30 a.m. at The Kingsbury, Janadhipathi Mawatha, Colombo 01.

The Notice of the Annual General Meeting appears on page 148.

This Annual Report is signed for and on behalf of the Board of Directors by



**Dhammika Perera**  
*Chairman / Managing Director*



**W D N H Perera**  
*Executive Deputy Chairman*



**Anusha Wijesekara**  
**P W Corporate Secretarial (Pvt) Ltd**  
*Secretaries*

18<sup>th</sup> July 2014  
Colombo

## Statement on Directors' Responsibility for Preparation of Financial Statements

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate

accounting policies, consistently applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Accounting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the group, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the group and in that context to have proper regards to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue in operation and have

applied the going concern basis in preparing the financial statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board  
**Vallibel One PLC**



**Anusha Wijesekara**  
P W Corporate Secretarial (Pvt) Ltd  
*Secretaries*

18<sup>th</sup> July 2014  
Colombo

## Report of the Audit Committee

The Audit Committee appointed by and responsible to the Board of Directors comprise the following members

Mr. R N Asirwatham  
*Chairman - Independent Non Executive Director*

Mr. S H Amarasekera  
*Independent Non Executive Director*

Ms. Kimarli Fernando  
*Independent Non Executive Director*

The Chairman, Mr. R N Asirwatham is a fellow member of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee is empowered to review and monitor the financial reporting process of the Company, so as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective review. As such, the Audit Committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities of ensuring the quality of financial reporting

and related communications to the shareholders and the public.

The Audit Committee is empowered, to examine any matters relating to the financial affairs of the Company and to review the adequacy of the internal control procedures.

The Committee along with the Board reviewed the consolidated Financial Statements for the year ended 31<sup>st</sup> March 2014 to ensure compliance with mandatory and statutory requirements. The Managing Director and Chief Financial Officer attend the meetings by invitation.

The Audit Committee is of the view that the internal controls prevalent within the Company are satisfactory and provides reasonable assurance that the financial position of the Company is well monitored and the assets are safeguarded.

The Committee reviewed the non audit services provided by the External Auditors to ensure that the provision of these services do not impair their independence.

The Committee has recommended to the Board of Directors that Messrs Ernst & Young, Chartered Accountants be re-appointed the Auditors for the year ending 31<sup>st</sup> March 2015 subject to the approval of the shareholders at the Annual General Meeting.



**R N Asirwatham**  
*Chairman - Audit Committee*

18<sup>th</sup> July 2014



# FINANCIAL STATEMENTS

## Financial Calendar

Rs. 0.70 Per Share interim dividend for financial year 2013/14	-	07 <sup>th</sup> August 2013
Interim Financial statements - 1 <sup>st</sup> Quarter	-	15 <sup>th</sup> August 2013
Interim Financial statements - 2 <sup>nd</sup> Quarter	-	14 <sup>th</sup> November 2013
Interim Financial statements - 3 <sup>rd</sup> Quarter	-	13 <sup>th</sup> February 2014
Interim Financial statements - 4 <sup>th</sup> Quarter	-	29 <sup>th</sup> May 2014
Annual Report 2013/14	-	18 <sup>th</sup> July 2014
4 <sup>th</sup> Annual General Meeting	-	25 <sup>th</sup> August 2014

# Independent Auditors' Report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

BW/CSW/TW

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALLIBEL ONE PLC

### Report on the Financial Statements

We have audited the accompanying Financial Statements of Vallibel One PLC and the Consolidated Financial Statements of the Company and its subsidiaries which comprise the Statements of Financial Position as at March 31, 2014 and the Income Statements, Statements of Comprehensive Income, Statements of Changes in Equity and Cash Flow Statements for the year ended, and a Summary of Significant Accounting Policies and Other Explanatory Notes.

### Management's Responsibility for the Financial Statements

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

### Scope of Audit and Basis of Opinion

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

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 purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the Year ended March 31, 2014, and the financial statements give a true and fair view of the Company's financial position as at March 31, 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at March 31, 2014 and the financial performance and cash flows for the year ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

### Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) and 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

18<sup>th</sup> July 2014  
Colombo

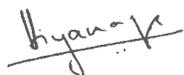
Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A De Silva FCA W R H Fernando FCA FCMA  
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

## Statement of Financial Position

As at 31 <sup>st</sup> March	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>ASSETS</b>					
Cash and Bank	27	33,413,213	5,212,175	3,132,573,877	4,970,490,951
Financial Investments - Fair Value Through P&L	4.2	274,816,280	210,328,959	447,322,976	580,631,983
Short Term Investments		1,140,537,466	1,728,000,000	390,537,466	615,000,000
Loans and Receivable	5	375,000,000	375,000,000	19,268,238,073	16,827,987,398
Lease Rentals receivables and Stock out on hire	6	-	-	30,290,731,753	28,260,005,404
Financial Investments - Available for sale	4.1	803,931,895	857,083,091	2,467,260,555	1,524,176,072
Other Financial Assets	7	-	-	5,147,560,203	1,554,503,637
Trade and Other Debtors, Deposits and Prepayments	8	88,458,172	123,331,338	6,726,047,366	4,061,330,230
Other Non Financial Assets	9	-	-	1,648,364,522	1,759,795,685
Investments in Subsidiaries	10	17,118,514,246	17,118,514,246	-	-
Investment in Associates	11	7,304,771,541	7,304,771,541	8,368,840,218	7,738,468,769
Amount Due From Related Parties	12	123,846,473	146,634,742	-	21,006,544
Deferred Tax Assets	13	-	-	524,126,130	221,214,007
Income Tax Recoverable		6,102,164	8,155,394	47,238,551	49,101,723
Inventories	14	-	-	9,796,077,954	4,939,038,693
Intangible Assets	15	-	-	13,192,337,148	12,181,907,836
Property, Plant and Equipment	16	35,273,551	40,860,011	23,309,853,297	11,814,447,501
Investment Property	17	-	-	240,094,000	-
Leasehold Rights Over Mining Lands	16.15	-	-	1,226,500	-
<b>Total Assets</b>		<b>27,304,665,002</b>	<b>27,917,891,497</b>	<b>124,998,430,590</b>	<b>97,119,106,431</b>
<b>LIABILITIES</b>					
Due to banks	18	4,482,766	5,609,281	6,776,384,497	8,295,496,541
Due to Customers	18.2	-	-	45,332,657,647	37,591,184,467
Interest Bearing Loans and Borrowings	19	-	-	20,091,277,473	9,394,045,289
Trade and Other Payables	20	839,918	236,853,544	4,942,929,080	3,894,559,648
Other Non Financial Liabilities	21	-	-	1,130,208,553	895,580,290
Amount Due To Related Parties	22	-	25,000	91,602,247	27,766,055
Dividend Payable	23	3,658,605	1,607,361	50,120,852	32,789,580
Employee Benefit Liabilities	24	1,776,356	1,762,825	1,115,518,913	376,222,424
Income Tax Liabilities		-	25,232,712	148,146,980	192,809,411
Deferred Tax Liabilities	13	3,601,776	2,828,934	608,386,252	71,852,441
Deferred Income and Capital grants		-	-	118,411,000	-
<b>Total Liabilities</b>		<b>14,359,420</b>	<b>273,919,658</b>	<b>80,405,643,494</b>	<b>60,772,306,147</b>

As at 31 <sup>st</sup> March	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Shareholders' Funds</b>					
<b>Equity Attributable to</b>					
<b>Equity Holders of the Parent</b>					
Stated Capital	25	27,163,983,720	27,163,983,720	27,163,983,720	27,163,983,720
Reserves	26	126,321,862	479,988,119	5,328,082,424	3,498,715,089
		27,290,305,582	27,643,971,839	32,492,066,144	30,662,698,809
<b>Non Controlling Interest</b>		-	-	12,100,720,952	5,684,101,475
<b>Total Equity</b>		27,290,305,582	27,643,971,839	44,592,787,096	36,346,800,284
<b>Total Equity and Liabilities</b>		27,304,665,002	27,917,891,497	124,998,430,590	97,119,106,431

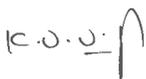
These Financial Statements are in Compliance with the requirements of Companies Act No. 07 of 2007.



**Shyamalie Weerasooriya**  
Chief Financial Officer

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

Signed for and on behalf of the board by



**Dhammika Perera**  
Chairman/Managing Director



**Nimal Perera**  
Executive Deputy Chairman

The Accounting Policies and the Notes on pages 52 through 141 form an integral part of these Financial Statements.

18<sup>th</sup> July 2014  
Colombo

## Statement of Comprehensive Income

Year ended 31 <sup>st</sup> March	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	28	-	-	48,331,091,097	33,109,827,219
Cost of Sales		-	-	(33,676,500,388)	(22,821,192,911)
<b>Gross Profit/ (Loss)</b>		-	-	<b>14,654,590,708</b>	<b>10,288,634,307</b>
Dividend Income	29	353,109,503	379,366,270	18,358,628	9,996,774
Other Operating Income	30	-	-	446,972,417	211,670,785
Administrative Expenses		(79,061,331)	(70,014,035)	(4,203,060,856)	(3,585,049,541)
Distribution Expenses		-	-	(2,700,871,082)	(1,996,590,611)
Other Operating Expenses		(4,266,500)	-	(1,694,618,265)	(469,796,773)
Finance Cost	31	(61,714,859)	(27,901,584)	(2,091,003,673)	(1,226,692,019)
Finance Income	32	299,962,621	368,886,901	285,064,153	233,942,560
Gain on bargaining purchase		-	-	25,111,110	112,401
Gold loan auction losses		-	-	(1,371,959,171)	(201,802,205)
Share of results of equity accounted Investees		-	-	576,140,117	1,003,994,145
<b>Operating Profit before Value Added Tax</b>		<b>508,029,435</b>	<b>650,337,552</b>	<b>3,944,724,086</b>	<b>4,268,419,824</b>
Value Added Tax on Financial Services		-	-	(112,617,882)	(176,248,776)
<b>Profit before tax from continuing operations</b>		<b>508,029,435</b>	<b>650,337,552</b>	<b>3,832,106,204</b>	<b>4,092,171,048</b>
Income Tax Expense	34	(48,257,723)	(54,266,324)	(770,046,625)	(1,083,485,637)
<b>Profit for the year from continuing operations</b>		<b>459,771,712</b>	<b>596,071,228</b>	<b>3,062,059,579</b>	<b>3,008,685,411</b>
<b>Discontinued Operation</b>					
Profit/(loss) after tax for the year from discontinued operations		-	-	-	91,118,169
<b>Profit for the year</b>		<b>459,771,712</b>	<b>596,071,228</b>	<b>3,062,059,579</b>	<b>3,099,803,580</b>
<b>Attributable to :</b>					
Equity holders of the Parent		459,771,712	596,071,228	1,573,934,408	2,149,071,511
Non Controlling Interests		-	-	1,488,125,171	950,732,069
		<b>459,771,712</b>	<b>596,071,228</b>	<b>3,062,059,579</b>	<b>3,099,803,580</b>
<b>Other Comprehensive Income</b>					
Share of other comprehensive income of equity accounted investees		-	-	259,870,378	(49,381,139)
Income tax effect		-	-	-	-
Net Gain/(Loss) on Available for sale Financial Assets		(53,151,196)	(180,867,781)	(10,157,838)	(174,531,689)
Income tax effect		-	-	(9,769,282)	(1,603,975)
Revaluation of Land & Building		-	-	817,351,313	245,508,959
Income tax effect		-	-	(7,527,558)	(84,830,056)
Actuarial Gain/(loss) on retirement benefit obligation		423,297	785,255	(107,073,573)	9,377,312
Tax effect		(118,523)	(219,871)	20,567,272	-
Exchange difference on translation of foreign operations		-	-	3,127,231	(20,524,301)
<b>Other Comprehensive Income for the year, net of tax</b>		<b>(52,846,422)</b>	<b>(180,302,397)</b>	<b>966,387,942</b>	<b>(75,984,889)</b>
<b>Total Comprehensive Income for the year, net of tax</b>		<b>406,925,290</b>	<b>415,768,831</b>	<b>4,028,447,519</b>	<b>3,023,818,692</b>
<b>Total Other Comprehensive Income attributable to :</b>					
Equity holders of the Parent		406,925,290	415,768,831	2,227,145,571	1,997,784,348
Non - Controlling Interests		-	-	1,801,301,950	1,026,034,344
		<b>406,925,290</b>	<b>415,768,831</b>	<b>4,028,447,519</b>	<b>3,023,818,692</b>
Basic Earning Per Share	35	0.42	0.55	1.45	1.98

Figures in bracket indicate deductions.

The Accounting Policies and the Notes on pages 52 through 141 form an integral part of these Financial Statements.

## Statement of Changes in Equity

For the year ended 31st March

Company	Stated Capital	Available for Sale Reserve	Retained Earnings/ (Losses)	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2012	27,163,983,720	(21,603,935)	411,791,029	27,554,170,814
Profit for the year	-	-	596,071,228	596,071,228
Dividend Paid	-	-	(325,967,806)	(325,967,806)
Other Comprehensive Income				
Net Gain / (Loss) on Available for Sale Financial Assets	-	(180,867,781)	-	(180,867,781)
Actuarial Gain/(loss) on retirement benefit obligation net of tax	-	-	565,384	565,384
Balance as at 31st March 2013	27,163,983,720	(202,471,716)	682,459,835	27,643,971,839
Profit for the year	-	-	459,771,712	459,771,712
Other Comprehensive Income				
Net Gain/(Loss) on Available for Sale Financial Assets	-	(53,151,196)	-	(53,151,196)
Actuarial Gain/(loss) on retirement benefit obligation net of tax	-	-	304,774	304,774
Dividend Paid	-	-	(760,591,547)	(760,591,547)
Balance as at 31st March 2014	27,163,983,720	(255,622,912)	381,944,774	27,290,305,582

Figures in bracket indicate deductions.

The Accounting Policies and the Notes on pages 52 through 141 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year ended 31 <sup>st</sup> March Group			Capital		Other Component of Equity	
	Stated Capital	Treasury	Reserves	Investment	Available for	Foreign
	Rs.	Shares	Reserve	Fund Reserve	Sale Reserve	Currency
			Fund			Translation
			Rs.	Rs.	Rs.	Reserve
			Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01<sup>st</sup> April 2012</b>	27,163,983,720	(66,371,631)	237,111,264	109,614,077	(605,572,556)	166,410,784
Profit for the Year	-	-	-	-	-	-
<b>Other Comprehensive Income</b>						
Share of other comprehensive income of equity accounted investees	-	-	-	-	(49,381,139)	-
Exchange difference on translation of foreign operations	-	-	-	-	-	(11,012,285)
Actuarial Gain/(loss) on defined benefit obligation	-	-	-	-	-	-
Net Gain/(Loss) on Available for Sale	-	-	-	-	(177,827,397)	-
Revaluation of Land & Buildings	-	-	-	-	-	-
<b>Total Other Comprehensive Income</b>	-	-	-	-	(227,208,536)	(11,012,285)
Non controlling interest arising on business combinations	-	-	-	-	-	-
Disposal of Subsidiary	-	-	-	-	-	-
Adjustment due to changes in holding	-	-	-	-	-	-
Gain/Loss on Cash Flow Hedge	-	-	-	-	-	-
Share buyback	-	-	-	-	-	-
Transfer	-	-	218,792,458	153,561,177	-	-
Write back of unclaimed dividends	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> March 2013</b>	27,163,983,720	(66,371,631)	455,903,722	263,175,254	(832,781,092)	155,398,499
Profit for the Year	-	-	-	-	-	-
<b>Other Comprehensive Income</b>						
Share of other comprehensive income of equity accounted investees	-	-	-	-	111,443,869	-
Exchange difference on translation of foreign operations	-	-	-	-	-	3,418,302
Net Gain/(Loss) on Available for Sale	-	-	-	-	(31,788,115)	-
Actuarial Gain/(loss) on defined benefit obligation	-	-	-	-	-	-
Revaluation of Land & Buildings	-	-	-	-	-	-
<b>Total Other Comprehensive Income</b>	-	-	-	-	79,655,754	3,418,302
Non controlling interest arising on business combinations	-	-	-	-	-	-
Treasury Share Adjustments	-	(1,300,000)	-	-	-	-
Disposal of Subsidiary	-	-	-	-	-	-
Adjustment due to changes in holding	-	-	-	-	-	-
Transfer	-	-	172,327,778	115,020,541	-	-
Write back of unclaimed dividends	-	-	-	-	-	-
Structural Change Impact on NCI	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> March 2014</b>	27,163,983,720	(67,671,631)	628,231,500	378,195,795	(753,125,339)	158,816,801

Figures in bracket indicate deductions.

The Accounting Policies and the Notes on pages 52 through 141 form an integral part of these Financial Statements.

**Revenue Reserve**

Revaluation Reserve	General Reserve	Retained Earnings	Actuarial Gain/ (loss) Reserve	Hedge Reserve	Shareholder's Fund	Non Controlling Interest	Total equity
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	50,665,256	1,922,766,309	-	-	28,978,607,223	5,157,259,431	34,135,866,654
-	-	2,149,071,511	-	-	2,149,071,511	950,732,069	3,099,803,580
-	-	-	-	-	(49,381,139)	-	(49,381,139)
-	-	-	-	-	(11,012,285)	(9,512,016)	(20,524,301)
-	-	-	4,971,348	-	4,971,348	4,405,964	9,377,312
-	-	-	-	-	(177,827,397)	1,691,731	(176,135,665)
81,962,308	-	-	-	-	81,962,308	78,716,595	160,678,903
81,962,308	-	-	4,971,348	-	(151,287,164)	75,302,274	(75,984,890)
-	-	-	-	-	-	248,382,726	248,382,726
-	-	-	-	-	-	(288,373,382)	(288,373,382)
-	(486,387)	(1,802,691)	-	-	(2,289,078)	(11,414,973)	(13,704,051)
-	-	-	-	14,348,796	14,348,796	-	14,348,796
-	-	-	-	-	-	(250,098,139)	(250,098,139)
-	-	(372,353,635)	-	-	-	-	-
-	-	215,328	-	-	215,328	-	215,328
-	-	(325,967,806)	-	-	(325,967,806)	(197,688,532)	(523,656,338)
81,962,308	50,178,869	3,371,929,015	4,971,348	14,348,796	30,662,698,809	5,684,101,475	36,346,800,284
-	-	1,573,934,408	-	-	1,573,934,408	1,488,125,171	3,062,059,579
202,635,276	-	-	(39,734,253)	(14,474,513)	259,870,378	-	259,870,378
-	-	-	-	-	3,418,302	(291,071)	3,127,231
-	-	-	-	-	(31,788,115)	11,860,995	(19,927,120)
-	-	-	(14,943,364)	-	(14,943,364)	(71,562,937)	(86,506,301)
436,653,961	-	-	-	-	436,653,961	373,169,794	809,823,7545
639,289,237	-	-	(54,677,617)	(14,474,513)	653,211,162	313,176,781	966,387,9443
-	-	-	-	-	-	6,219,526,919	6,219,526,919
-	-	-	-	-	(1,300,000)	-	(1,300,000)
-	-	-	-	-	-	-	-
-	-	326,471,193	-	-	326,471,193	(1,286,255,618)	(959,784,425)
-	-	(287,348,318)	-	-	-	-	-
-	-	1,758,794	-	-	1,758,795	1,656,513	3,415,3078
-	-	-	-	-	-	14,743,379	14,743,379
-	-	(724,708,223)	-	-	(724,708,223)	(334,353,668)	(1,059,061,891)
<b>721,251,545</b>	<b>50,178,869</b>	<b>4,262,036,869</b>	<b>(49,706,269)</b>	<b>(125,717)</b>	<b>32,492,066,144</b>	<b>12,100,720,952</b>	<b>44,592,787,096</b>

## Cash Flow Statement

For the year ended 31 <sup>st</sup> March	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net Profit/ (Loss) before Taxation		508,029,435	650,337,552	3,832,106,204	4,092,171,048
Profit before tax from Discontinued Operation		-	-	-	135,759,532
<b>ADJUSTMENTS FOR</b>					
Property, Plant & Equipment Written Off		-	18,000	-	-
Depreciation	33	8,642,595	8,075,605	1,545,526,344	881,040,847
Amortization	33	-	-	73,516,644	54,858,661
Net (Appreciation)/Depreciation in Market value of Quoted shares		55,627,525	27,901,584	30,101,683	27,901,584
Provision for impairment of assets		-	-	505,486,050	410,884,754
Provision For Defined Benefit Plan Costs	24	436,828	828,013	212,103,738	105,037,575
(Profit)/ Loss from sale of Property, Plant & Equipment		-	-	(72,954,289)	(11,370,422)
Gain on bargain purchase of subsidiaries	Note A	-	-	(25,111,110)	(112,401)
Change in fair value of consumable biological assets		-	-	(26,052,000)	-
Net (Profit)/Loss on disposal of FVTP&L	30	(39,701,444)	(52,505,912)	(31,302,483)	-
Amortisation of capital & revenue grants	30	-	-	(5,659,000)	-
Profit/(Loss) from Equity Accountaed Investee		-	-	(576,140,117)	(1,003,994,145)
Net Exchange (gain)/loss		4,266,500	-	(49,574,138)	14,669,560
Increase in stock provision		-	-	81,784,069	71,825,029
Finance Cost		6,087,334	-	2,091,003,673	1,198,790,435
Interest Income		(260,261,177)	(314,981,776)	(184,059,220)	(233,942,560)
Dividends Received		-	-	(18,358,628)	(9,996,772)
<b>Operating Profit/ (Loss) before Working Capital Changes</b>		<b>283,127,595</b>	<b>319,673,066</b>	<b>7,382,418,419</b>	<b>5,733,522,725</b>
(Increase)/Decrease in Lease Rentals		-	-	(2,502,403,742)	(4,743,253,502)
Receivable and Stock out on hire		-	-	(2,482,783,363)	(3,486,174,328)
(Increase)/Decrease in Loans and Advances		-	-	-	-
(Increase)/Decrease in Trade & Other Debtors, Deposits & Prepayments		(4,302,909)	(25,797,030)	(665,973,943)	(1,312,765,246)
(Increase)/Decrease in Other Non Financial Liabilities		-	-	234,628,263	8,180,308
(Increase)/Decrease in Other Non Financial Assets		-	-	111,431,162	(262,291,001)
(Increase)/Decrease in Other Financial Assets		-	-	(3,593,056,566)	(467,565,741)
Increase/(Decrease) in Due to Banks		-	-	(2,077,813,841)	(1,926,336,373)
Increase/(Decrease) in Deposits from Non Bank Customers		-	-	7,741,473,180	12,251,589,097
Increase/(Decrease) in Trade & Other Payables		(240,280,126)	20,039	(688,101,943)	1,062,226,515
(Increase)/Decrease in Inventories		-	-	(1,119,445,216)	(557,952,731)
Increase/(Decrease) in Amounts Due to Related Companies		(25,000)	(21,700)	47,843,815	1,014,356
Increase/(Decrease) in Amounts Due from Related Companies		24,461,154	(69,192,016)	21,695,026	(21,006,544)
<b>Cash Generated from Operations</b>		<b>62,980,715</b>	<b>224,682,359</b>	<b>2,409,911,251</b>	<b>6,279,187,535</b>
Retirement Benefits Liabilities paid		-	-	(120,457,961)	(51,192,229)
Finance Cost Paid		(6,087,334)	-	(1,957,129,756)	(1,148,075,642)
Interest received		301,791,512	303,328,900	184,059,220	106,106,645
Taxes Paid		(74,840,353)	(37,970,327)	(908,658,222)	(1,051,091,957)
Tax on discontinued operation		-	-	-	(16,979,415)
<b>Net Cash from/(Used in) Operating Activities</b>		<b>283,844,540</b>	<b>490,040,932</b>	<b>(392,276,469)</b>	<b>4,117,954,946</b>

For the year ended 31 <sup>st</sup> March	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of Property, Plant & Equipment		(3,056,134)	(5,149,010)	(4,038,556,844)	(2,031,095,108)
Acquisition of Intangible Assets		-	-	(117,083,997)	(63,673,771)
Proceeds from investment property		-	-	80,000,000	-
Disposal of subsidiary		-	-	-	85,544,863
Net Proceeds from short term investments		587,462,534	-	239,945,994	(102,000,000)
Proceeds from Sale of Property, Plant & Equipment		-	-	1,478,317,190	153,567,993
Addition made on investment in associate		-	(61,253,379)	-	(61,253,379)
Acquisition of Subsidiaries	Note A	-	-	(3,519,141,595)	(617,495,521)
(Acquisition)/ disposal of Available for sale		-	(685,156,287)	(964,311,603)	(893,726,042)
Proceeds From sale of Fair Value through Profit and Loss Financial Assets		74,042,432	820,086,960	197,500,382	480,336,080
Addition of Fair Value through Profit and Loss Financial Assets		(154,455,833)	-	(62,990,578)	-
Dividends Received		-	-	150,867,938	105,612,451
<b>Net Cash used in Investing Activities</b>		<b>503,992,998</b>	<b>68,528,284</b>	<b>(6,555,453,112)</b>	<b>(2,944,182,434)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net change in finance lease liability		-	-	122,269,154	50,890,615
Proceeds from Interest Bearing Loans & Borrowings		-	-	9,721,664,960	10,294,514,370
Other borrowings		-	-	3,431,250	3,431,250
Repayment of Interest Bearing Loans & Borrowings		-	(251,443,539)	(3,906,808,797)	(8,818,974,504)
Unsecured debenture issued		-	-	1,563,061,695	16,114,325
Purchased of commercial papers		-	-	(945,831,047)	683,109,545
Increase in Interest in Subsidiary		-	-	(959,784,419)	(14,247,047)
Capital Grant		-	-	8,133,000	-
Share buy back		-	-	-	(250,098,139)
Dividend Paid		(758,509,984)	(324,360,445)	(1,039,541,619)	(517,541,462)
<b>Net Cash from Financing Activities</b>		<b>(758,509,984)</b>	<b>(575,803,984)</b>	<b>4,556,594,177</b>	<b>1,447,198,953</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		<b>29,327,554</b>	<b>(17,234,768)</b>	<b>(2,381,135,403)</b>	<b>2,620,971,465</b>
<b>Cash and Cash Equivalents at the beginning of the Period</b>		<b>(397,107)</b>	<b>16,837,661</b>	<b>2,139,974,921</b>	<b>(480,996,545)</b>
<b>Cash and Cash Equivalents at the end of the Period</b>		<b>28,930,447</b>	<b>(397,107)</b>	<b>(241,160,483)</b>	<b>2,139,974,920</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
Favourable balances					
Cash and cash equivalents (Note 27)		33,413,213	5,212,175	3,132,573,877	4,970,490,951
Unfavourable balances					
Bank overdrafts (Note 18)		(4,482,766)	(5,609,281)	(3,373,734,360)	(2,830,516,030)
<b>Total cash and cash equivalents</b>		<b>28,930,447</b>	<b>(397,107)</b>	<b>(241,160,483)</b>	<b>2,139,974,920</b>

Figures in bracket indicate deductions.

The Accounting Policies and the Notes on pages 52 through 141 form an integral part of these Financial Statements.

**NOTE A****Business Combinations****Acquisition of Lanka Ceramic PLC by Royal Ceramic Lanka PLC**

On 6<sup>th</sup> May 2013, Royal Ceramic Lanka PLC has acquired 76.54% of the voting shares of Lanka Ceramic PLC incorporated and domiciled in Sri Lanka engaged in the business of mining and processing, manufacturing, retail and wholesale trading of ceramic tiles and allied products.

**Assets acquired and liabilities assumed**

The fair value of the identifiable assets and liabilities of Lanka Ceramic PLC together with its subsidiaries as at the date of acquisition were;

	<b>Fair Value as at 01.05. 2013</b>
<b>Assets</b>	
Property, Plant & Equipment	9,568,520,453
Investment Properties	349,294,000
Intangible Assets	10,848,884
Deferred Tax Assets	22,369,064
Inventories	3,819,378,116
Debtors and Other Receivables	1,953,000,000
Income tax receivable	27,285,000
Short Term Deposits with Banks	14,412,000
Cash in hand and at bank	149,889,000
	<b>15,914,996,517</b>
<b>Liabilities</b>	
Interest Bearing Loans & Borrowings	(4,148,169,000)
Retirement Benefit Liability	(543,763,000)
Deferred Tax Liability	(453,526,576)
Capital Grants	(115,937,000)
Trade and Other Payables	(1,717,823,115)
Bank Overdraft	(836,655,000)
	<b>(7,815,873,691)</b>
<b>Non Controlling Interest</b>	<b>(5,342,651,991)</b>
Total identifiable net assets at fair value	2,756,470,835
Net Assets Acquired (76.54% stake)	(2,109,802,777)
Goodwill arising on acquisition	(981,273,957)
Goodwill attributable to Non-Controlling Interest	(230,206,870)
Goodwill attributable to the Parent	(751,067,087)
<b>Purchase consideration paid</b>	<b>(2,860,869,864)</b>
<b>Cash and cash equivalents of subsidiary acquired</b>	<b>(672,354,000)</b>
<b>Net Cash Out flow on Acquisition of subsidiary</b>	<b>(3,533,223,864)</b>

### Acquisition of Delmege Insurance Brokers by Delmege Limited

On 15<sup>th</sup> February 2014 Delmege Limited has acquired 100% of Delmege insurance Brokers (Pvt) Ltd incorporated and domiciled in Sri Lanka engaged in the business of insurance brokering.

#### Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Delmege Insurance Brokers (Pvt) Ltd was as follows

	<b>Fair Value as at 15.02. 2014</b>
<b>Assets</b>	
Property, Plant & Equipment	1,420,487
Deferred Tax Assets	82,438
Trade and Other Receivables	45,593,422
Investments	1,071,460
Amounts Due from Related Parties	688,482
Cash and Bank Balances	15,510,809
	<b>64,367,098</b>
<b>Liabilities</b>	
Trade and Other Payables	2,115,348
Trade and Other Payables	18,648,262
Amounts Due to Related Parties	15,992,378
	<b>36,755,988</b>
Total identifiable net assets at fair value	27,611,110
Net Assets Acquired (100%)	27,611,110
Negative Goodwill	25,111,110
<b>Purchase consideration paid</b>	<b>(2,500,000)</b>
Cash and cash equivalents of subsidiary acquired	16,582,269
Purchase consideration paid	(2,500,000)
<b>Net Cash Out flow on Acquisition of subsidiary</b>	<b>14,082,269</b>
<b>Total Cash Movement on Aquisition of Subsidiary</b>	
Acquisition made by RCL	(3,533,223,864)
Acquisition made by Delmage	14,082,269
	<b>(3,519,141,595)</b>

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

Vallibel One PLC (“Company”) is a public limited liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at 29, West Tower, World Trade Centre, Echelon Square, Colombo – 01.

### 1.2 Principal Activities and Nature of Operations

A principal activity of the company is holding investments in other companies.

#### Vallible One PLC

Group holding company manages a portfolio of diversified business holdings.

#### Royal Ceramics Lanka PLC Group

Royal Ceramics Lanka PLC is engaged in manufacturing and marketing of floor and wall tiles. Subsidiaries of the group were engaged in manufacturing, managing plantations and investments.

#### LB Finance PLC

LB Finance PLC is engaged in acceptance of deposits, granting lease facilities, hire purchases, mortgage loans, gold loans and other credit facilities, real estate development and related services and Factoring.

#### Greener Water Ltd.

Greener Water Ltd. is an intended hotel operator.

#### Delmage Ltd (Formally known as Lewis Brown & Company (Private) Limited)

Delmage Ltd is managing its subsidiaries, carrying out investment activities and providing management and administration services to the companies within the group. Subsidiaries of the group were engaged in the business of manufacturing, trading, shipping, logistics, airline and travel, and insurance brokering.

#### Orit Apparels Lanka (Private) Limited Group

Orit Apparels Lanka (Private) Ltd is engaged in manufacturing and selling of denim based apparels.

### 1.3 Parent Entity and Ultimate Parent Entity

Vallibel One PLC does not have an identifiable parent of its own. The Group’s ultimate controlling party is Mr. K. D. D. Perera.

### 1.4 Date of Authorisation for Issue

The Consolidated Financial Statements of Vallibel One PLC and its subsidiaries for the Year ended 31 March 2014 were authorised for issue in accordance with a resolution of the directors on 18 July 2014.

### 1.5 Statement of Compliance

The financial statements which comprise the Income Statements, Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and the Cash Flows Statements, together with the accounting policies and notes (the “financial statements”) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for land & buildings, derivative financial instruments, fair value through profit or loss financial assets, available for sale financial assets and consumable biological assets that have been measured at fair value.

The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements are presented in Sri Lankan Rupees except when otherwise indicated.

## Presentation of Financial Statements

The Group presents its statement of Financial Position broadly in order of liquidity.

### 2.1 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2014. Subsidiaries as at 31 March 2014 are as follows;

Company Name	Year of Incorporation	Ownership Percentage
Royal Ceramics Lanka PLC and its subsidiaries	1990/1991	51.01%
LB Finance PLC	1971/1972	64.3%
Greener Water Limited	2010/2011	100%
Delmage Limited and its subsidiaries	1915/1916	61.70%
Orit Apparels Lanka (Private) Limited and its subsidiaries	1997/1998	50.00%

The company, with equity control equal to 50%, has been consolidated as subsidiary based on the power to govern the financial and operating policies of that entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Comprehensive Income and all assets and liabilities of the company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position.

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Consolidated Statement of Comprehensive Income and as a component of equity in the Consolidated Statement of Financial Position, separately from parent' shareholders' equity.

The Consolidated Statement of Cash Flows includes the cash flows of the Company and its subsidiaries.

## 2.2 Accounting Policies

The accounting policies adopted by the Group are consistent with those used in the previous year except for the following:

### 2.2.1 Changes in accounting policies

The Group applied LKAS 19 (Revised 2013) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. Actuarial gain or loss for the comparative period has been recognised in full in comparative other comprehensive income.

### 2.2.2 Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

### 2.2.3 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on Presentation of Financial Statements.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, ASSUMPTIONS AND POLICIES

### 3.1 Significant Accounting Judgments, Estimates, Assumptions

The preparation of financial statements requires the application of certain critical accounting and assumptions relating to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Judgements

In the process of applying the Group's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The group based assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the group. Such changes are reflected in the assumptions when they occur.

The most significant uses of judgements and estimates are as follows;

#### i. Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Company has recourse to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainty.

#### ii. Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

### **iii. Impairment losses on loans and advances (Leases, Hire Purchase & Other Loans)**

The Group reviews individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates)

### **iv. Impairment of available for sale investments**

Group reviews its assets classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied on the individual assessment of loans and advances.

The Group also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.

### **v. Useful life-time of the Property and equipment**

The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Management estimate these values, rates, methods and hence they are subject to uncertainty.

### **vi. Defined benefit plans**

The cost of defined benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future

salary increase rate of the Group. Actuarial gain/loss arising on the valuation of defined benefit obligation is recognised in full in the Statement of Other Comprehensive Income.

#### **vii. Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

#### **viii. Revaluation of property, plant and equipment**

The Group measures land and buildings at revalued amounts with changes in fair value being recognized other comprehensive income and in the statement of equity. The Group engaged independent valuation specialists to determine fair value land and buildings. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

#### **ix. Consumable biological assets**

The fair value of managed timber tree depends on number of factors that are determined on a discounted method using various financial and non-financial assumptions. The growth of the tree is determined by various biological factors that are highly unpredictable. Any changes to assumption will impact to the fair

value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the note 16.12.

### **3.2 Summary of Significant Accounting Policies**

The following are the significant accounting policies applied by the Group/Company in preparing its consolidated financial statements;

#### **3.2.1 Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 3.2.2 Investment in Equity Accounted Investees

The Group investment in associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of associate since acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Group's share of net of tax results of operations of the associates. When there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of the profit or loss of an associate is shown on the face of the statement of comprehensive income.

Equity method of accounting has been applied for associate's financial statements using their corresponding/matching 12 month financial period.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates. The Group determines at each reporting date whether

there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in 'share of losses of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Equity accounted investees as at 31 March 2014

- Waskaduwa Beach Resorts PLC
- Sampath Bank PLC

The basis for Accounting Sampath Bank as an Equity Accounted Investee of the Group

- Vallibel One PLC is the single largest shareholder of Sampath Bank PLC owning 25,107,454 shares representing 14.96% of the issued shares of the Bank.
- Mr. Dhammika Perera who is the Chairman and Managing Director and the major shareholder of Vallibel One PLC, is the Chairman of Sampath Bank PLC.
- Mr. Dhammika Perera also serves as the Chairman of the Strategic Planning Committee of Sampath Bank PLC and a member of the Nominations Committee of the Bank.
- The second largest shareholder of Sampath Bank PLC holds less than 10% of the issued shares of the Bank.

All of which demonstrate the existence of significant influence by Vallibel One PLC in Sampath Bank PLC.

The Board, considering the above factors, approved the preparation and presentation of Financial Statements with Sampath Bank PLC being treated as an associate of the Group in terms of LKAS 28. (Investment in Associates)

### 3.2.3 Foreign currencies

The Group's/Company's financial statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities/ Company at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item.

#### Group companies

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

### 3.2.4 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group/Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group/Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group/Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

#### Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

#### Rendering of services

Revenue from rendering of services is recognized by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

#### Interest income and Commission fee income

Interest income and Commission fee income from the finance sector is recorded under Revenue. Interest expense from finance sector is recorded under cost of sales.

#### Interest Income and Interest expense

For all financial assets measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense

is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### **Fee and commission income**

The group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

##### **a) Fee income earned from services that are provided over a certain period of time**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

##### **b) Fee income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the purchase or sale of business is recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

#### **Dividends**

Revenue is recognized when the Group's/Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in revenue due to its operating nature.

#### **Dividends on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

### **3.2.5 Government grants**

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment.

Grants related to income are recognized in the Statement of comprehensive Income in the year which it is receivable. Unconditional grants received for consumer biological assets are measured at fair value less cost to sell are recognized in the Statement of Comprehensive income when and only when such grants become receivable.

### 3.2.6 Expenditure Recognition

- a) Expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the Profit / (Loss) for the year.
- b) For the purpose of presentation of Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

### 3.2.7 Taxes

#### Current income tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### VAT on Financial Services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto.

#### Deferred tax

Deferred tax is provided using the liability method on temporary differences at the Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- a) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- a) When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the Financial Position date.

### **3.2.8 Non-current assets held for sale/distribution to owners and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale/distribution to owners if their carrying amounts will be recovered principally through a sale/distribution rather than through continuing use. Non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Property, plant and equipment and intangible assets once classified as held for sale/distribution to owners are not depreciated or amortized.

### **3.2.9 Property, Plant and Equipment**

Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost.

#### **Recognition and measurement**

##### **Initial Recognition**

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

#### **Subsequent Measurement**

These are costs that are recognised in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the Group and it can be reliably measured.

#### **Depreciation**

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives & full depreciation is charge for the month of purchase of such property and equipment & no depreciation is charged in the month of disposal.

The rates of depreciation based on the estimated useful lives are as follows:

<b>Category of Asset</b>	<b>Period</b>
Building	50 years
Furniture and Fittings	6.67 years
Equipment	5 years
Motor Vehicles and Accessories	4-8 years
Computer Hardware	5 years
Air Condition	5 years
Telephone System	5 years
Fire Protection Equipment	5 years
Leasehold Improvement	6.67 years
Fixtures & Fittings	3 years
Water Supply Scheme, Electricity Distribution, Household Items - Heavy	25 - 40 years
Tools & Sundry Inventory & Household Items - Light	02 years
Factory Equipment, Plant & Machinery, Moulds & Communication Equipment	10 - 20 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

#### **De-recognition**

Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

### **3.2.10 Biological assets**

#### **(i) Bearer Biological Assets & Consumer Biological Assets**

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained

harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be sold as biological assets.

The expenditure incurred on bearer biological assets (Tea and Rubber) fields, which come in to bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment as per the option provided by the ruling issued by ICASL.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns,

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species.  Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition
Planting cost	Estimated costs for the further development of immature arrears are deducted.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological

assets are included in the Statement of Comprehensive Income for the period in which it arises.

Permanent impairments to Biological Assets are charged to the Statement of Comprehensive Income in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

#### **(ii) Infilling Cost on Biological Assets**

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalized have been charged to the Statement of Comprehensive Income in the year in which they are incurred.

#### **3.2.11 Intangible assets**

The Group's intangible assets include the value of computer software, Brand Name and goodwill on business combination. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the group.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

#### **Useful lives of Intangible Assets**

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected

pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

#### Amortization

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

The Class of Intangible Assets	Useful Life	Amortisation Method
Computer software	5 Years	Straight line method
Brand Name	20 Years	Straight line method

#### 3.2.12 Inventories

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

The cost incurred in bringing inventories to its present location and condition are accounted using the following cost formulae:

- (a) Raw material - At purchase cost on weighted average cost basis, except for Ever Paint and Chemical Industries Private Limited ,Ceytea Plantation Management Limited and Swisstek (Ceylon) PLC which is on a first in first out basis.
- (b) Consumable and spares - At purchase cost on weighted average cost basis, except for Ever Paint and Chemical Industries Private Limited which is on a first in first out basis.

(c) Finished goods and Work in progress - at the cost of direct material, direct labour and appropriated proportion of production overheads based on normal operating capacity.

(d) Goods in transit have been valued at cost.

(e) Trading goods – At Purchase cost on weighted average basis except for Lanka Walltiles group which is on first in first out basis

#### a) Agricultural produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi finished inventories from Agricultural produce are valued by adding the cost of conservation from agricultural value of agricultural produce.

#### b) Agricultural produce after further processing

Further processed output of agricultural produce are valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow moving items.

#### 3.2.13 Impairment of Non Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

### **3.2.14 Finance and Operating Leases**

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### **Finance Lease**

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Group is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'Lease rentals receivables and stock out on hire'. The finance income receivable is recognised in 'Revenue' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Group is a lessee under finance leases, the leased assets are capitalised and included in 'Property and equipment' and the corresponding liability to the lessor is included in Interest Bearing Loans and Other Borrowings. A finance lease and its corresponding

liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

#### **Operating Lease**

All other leases are classified as operating leases. When acting as lessor, the Group includes the assets subject to operating leases in 'Property, Plant and Equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When the Group is the lessee, leased assets are not recognised on the statement financial position. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Other operating expenses' and 'other operating income', respectively.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **3.2.15 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

### 3.2.16 Employee Benefit Obligations

#### (i) Gratuity

All the employees of the group are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983.

Employees those who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

The valuation was carried out as at 31<sup>st</sup> March 2014 by qualified actuaries.

#### Recognition of Actuarial Losses / Gains

Company/Group recognise the total actuarial gain and losses that arise in calculating the Company's/ Group's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

#### Recognition of Past Service Cost (Applicable only when a plan has been changed)

Past Service Cost are recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the instruction of, or changes to the plan, past service costs are recognized immediately.

#### Funding Arrangements

The Gratuity liability is not externally funded.

#### (ii) Defined contribution plan

The Group also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Group contributes to the following Schemes:

#### Employees' Provident Fund

The Group and employees contribute 12%-15% and 8%-10% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund.

#### Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

### 3.2.17 Financial Assets

#### Financial Assets- Initial Recognition and Subsequent measurement

Financial assets within the scope of LKAS 39 are classified as Financial Assets held for trading, Loans and Receivables, Lease rentals receivable & Stock out on hire, financial assets available-for-sale, financial assets held-to-maturity and Other Financial Assets.

#### (i) Date of Recognition

All financial assets are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### (ii) Initial Measurement of Financial Assets

The classification of financial assets at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial assets are measured initially at their fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

#### (iii) Financial Assets at Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit of loss.

### **Financial Assets or Financial Liabilities Held for Trading**

Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Finance income'. Interest and dividend income or expense is recorded in Finance Income or Finance cost according to the terms of the contract, or when the right to the payment has been established.

### **Financial Assets designated at Fair Value through Profit or Loss (FVTPL)**

Financial assets may be designated by management at fair value through profit or loss in the following circumstances:

- designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis or
- the assets are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss' on financial instrument designated at fair value through profit or loss. Interest earned or incurred is accrued in 'Interest income' using the effective interest rate (EIR), while dividend income is recorded in 'Finance Income' when the right to the payment has been established.

### **(iv) Held to Maturity Financial Assets**

Held to maturity financial investments are financial assets with fixed or determinable payments and fixed maturities, which the group has the intention and ability to hold to maturity. Subsequent to initial recognition, held to maturity financial investments are measured at amortised cost using the Effective Interest Rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in

'Interest income' in the income statement. The losses arising from impairment of such investments are recognised in the income statement line 'Finance Cost'.

If the group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

### **(v) Financial Assets Classified as Loans, Lease Rental Receivables, Stock out on Hire and Other Financial Assets**

This includes the financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, subsequently is measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Revenue' in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

### **(vi) Available for Sale Financial Assets**

Available for sale financial assets include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value

through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The group has not designated any loans or receivables as available for sale. After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'Available

for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'Finance Income'. Where the group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available for sale financial investments are recognised in statement of comprehensive income as Finance Income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of comprehensive income in 'Finance Cost' and removed from the 'Available for sale reserve'.

**(vii) Day 1' profit or loss**

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'comprehensive income'.

**(viii) Reclassification of financial Assets**

The Group may reclassify financial assets (other than those designated at FVTPL) upon initial recognition, in certain circumstances:

- Out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories.
- Out of the 'available for sale' category and into the 'loans and receivables', 'held for trading category' or 'held- to-maturity'.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognized in equity is

amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the income statement.

Out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in the financial statements.

### **(ix) De - Recognition of Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Group has transferred substantially all the risks and rewards of the asset

Or

- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **3.2.18 Impairment of Financial Assets**

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or

a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

#### **i. Loans and advances to customers and Lease and Stock out on hire**

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and for groups of loans, this is done collectively. Impairment losses are recorded as charges to the statement of comprehensive income. The carrying amount of impaired loans on the reporting date is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

#### **Individually assessed loans and advances and Lease and Stock out on hire**

For all loans that are considered individually significant, the group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence includes:

- Known cash flow difficulties experienced by the borrower;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial realisation; and
- A significant downgrading in credit rating by an external credit rating agency.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Group's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realisable value of security and likelihood of successful repossession; and
- The likely deduction of any costs involved in recovery of amounts outstanding;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

#### **Collectively assessed loans and advances and Lease & Stock out on hire**

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans that is not considered individually significant.

#### **Incurred but not yet identified impairment**

Individually assessed loans for which no evidence of loss has been specifically identified on an individual

basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the group has incurred as a result of events occurring before the reporting date, which the group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

#### **Homogeneous groups of loans and advances and Lease & Stock out on hire**

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans. Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.

Following method is used to calculate historical loss experience on a collective basis:

#### **Net flow Rate method**

Under this methodology the movement in the outstanding balance of customers in to bad categories over the periods are used to estimate the amount of loans that will eventually be written off as a result of the events occurring before the financial position date which the Group is not able to identify on an individual loan basis, and that can be reliably estimated.

Under above methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss.

These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix,
- Unemployment rates, Gross Domestic Production (GDP) growth, inflation
- Exchange rates, interest rates
- Changes in government laws and regulations

#### **Write-off of loans and advances**

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

#### **Reversals of impairment**

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

#### **ii. Available for Sale Financial Assets**

For available for sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available for sale, the group assesses individually whether there is objective evidence of impairment.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

#### **iii. Held-To-Maturity Financial Assets**

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognized in profit or loss. Interest on impaired assets continues to be recognized through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **Collateral Valuation**

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral

comes in various forms such as cash, securities, letters of credit/guarantees, gold, real estate, receivables, and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers and other independent sources.

#### **Collateral Repossessed**

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

#### **Repurchase Agreements**

Securities purchased under agreements to resell at a specified future date are not derecognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'Other Financial Assets' reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'Revenue' and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial liabilities held for trading' and measured at fair value with any gains or losses included in 'Revenue'.

### **3.2.19 Financial Liabilities**

#### **Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as Due to customers (Deposits), Due to Banks, Debt issued and other borrowed funds and

Other Financial Liabilities as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group classifies financial liabilities as other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Group recognizes financial liabilities in the Statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

#### **Other Financial Liabilities**

Other financial liabilities including Due to customers (Deposits), Due to Banks, Debt issued and other borrowed funds and Other Financial Liabilities are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

#### **De - Recognition of Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

#### **i) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognized amounts and
- There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

### 3.2.20 Cash Flows Statement

The Cash flows statement is prepared using the indirect method, as stipulated in LKAS 7- “Statement of Cash Flows”. Cash and cash equivalents comprise cash in hand; cash at bank, bank overdrafts and Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

### 3.2.21 Earnings Per Share

The Group 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 Group by the weighted average number of ordinary shares outstanding during the period.

### 3.3 Standards Issued but not Yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the company and may have an impact on the future financial statements.

- SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2015. However, the original effective date has been deferred and revised effective date is yet to be announced.

- SLFRS 13-Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. This standard will be effective for annual periods beginning on or after 01 January 2014. However use of fair value measurement principles contained in this standard are currently recommended.

- In addition to the above, following standards will also be effective for annual periods commencing on or after 01 January 2014.

SLFRS 10 – Consolidated Financial Statements

SLFRS 11 – Joint Arrangements

SLFRS 12 – Disclosure of Interests in Other Entities

The above package of three standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27-Consolidated and separate financial statements, LKAS 28- Investments in associates , LKAS 31-Interest in joint ventures and SIC-12 and SIC 13 which are on consolidation of special purpose entities(SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of the option to proportionate consolidate jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12, establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as disclosures currently required under LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

#### 4. FINANCIAL INVESTMENTS

##### 4.1 Available for Sales - Financial Assets

Company	2014		2013	
	Number of Shares	Rs.	Number of Shares	Rs.
<b>Quoted Investments</b>				
Hayleys PLC	2,182,584	622,036,440	2,182,584	651,937,841
The Fortress Resorts PLC	13,676,350	181,895,455	13,676,350	205,145,250
<b>Total</b>		<b>803,931,895</b>		<b>857,083,091</b>
<b>Group</b>				
<b>Quoted Investments</b>				
<b>Diversified Holding</b>				
Hayleys PLC	2,182,584	622,036,440	2,182,584	651,937,841
<b>Manufacturing</b>				
Blue Diamond Jewellery PLC	74	252	74	222
Central Industries PLC	4,092	233,244	4,092	255,750
Ceylon Grain Elevators PLC	44	1,553	44	2,187
Dankotuwa Porcelain PLC	14,450	166,175	14,450	199,410
Samson International PLC	5,363	473,017	5,363	440,837
<b>Hotels and Travels</b>				
The Fortress Resorts PLC	17,727,450	235,775,085	17,727,450	265,911,750
Aitken Spence Hotel Holdings PLC	308	21,560	308	36,837
Hotel Sigiriya PLC	700	54,600	700	55,300
Palm Garden Hotels PLC	36	2,574	36	3,438
<b>Trading</b>				
Softlogic Finance PLC	1,540,000	47,278,000	1,540,000	39,270,000
<b>Stores and Supplies</b>				
Hunter & Company PLC	10	2,600	10	3,084
<b>Bank Finance and Insurance</b>				
Commercial Bank of Ceylon PLC	266	32,718	262	29,606
Merchant Bank PLC	61	824	61	982
Seylan Bank PLC	2,538	162,581	2,500	163,000
Union Bank of Colombo PLC	-	-	7,900	134,300
<b>Beverages, Food and Tobacco</b>				
Keells Food Products PLC	500	27,500	500	35,000
Lanka Milk Foods PLC	5,500	589,050	5,500	595,650
Covenience Foods (Lanka) PLC	22	4,620	22	3,078
		<b>906,862,393</b>		<b>959,078,273</b>

Company	2014 Rs.	2013 Rs.
<b>Un-Quoted Investments</b>		
Rocell Ceramic Limited	197,136,773	196,396,497
Rocell Property Limited	73,506	73,506
Credit Information Bureau	104,700	104,700
Finance House Association	200,000	200,000
National Asset Management Ltd	250,000	-
Asian Paints (Pvt) Ltd	2,980,003	-
E Consultant Ltd	75,000	-
Government Security ( Note 4.1.1 )	1,362,883,183	368,323,096
Provision for Financial Assets - Available for Sale	<b>(3,305,003)</b>	-
	<b>1,560,398,162</b>	565,097,799
<b>Total</b>	<b>2,467,260,555</b>	1,524,176,072

#### 4.1.1 Government Securities

As per the 'Guidelines to Registered Finance Companies and Specialised Leasing Companies on the Operations of the Investment Fund Account proposed in the 2011 Budget' issued by the Central Bank of Sri Lanka, the funds available in Investment Fund Account (IFA) can be invested in long-term Government securities and/or bonds with maturities not less than seven years and can be invested in Government Treasury Bills for a maximum period of three months from the date of transfer to the fund until loans are granted.

## 4. FINANCIAL INVESTMENTS (Contd.)

## 4.2 Fair Value Through P&amp;L - Financial Assets

Company	2014		2013	
	Number of Shares	Rs.	Number of Shares	Rs.
<b>Quoted Investments</b>				
Lanka Ceramic PLC	1,000,000	95,900,000	-	-
The Kingsbury PLC	679,901	8,702,733	679,901	9,110,673
Citrus Leisure PLC	7,727,589	126,732,460	5,615,356	108,376,371
Lanka Orix Leasing Co PLC	-	-	965,840	55,052,880
Janashakthi Insurance PLC	1,000,000	13,500,000	1,000,000	12,300,000
Peoples Leasing PLC	1,000,000	14,300,000	1,000,000	13,100,000
Richard Pieris PLC	1,040,164	6,865,082	1,040,164	6,865,082
Textured Jersey Lanka PLC	557,975	8,816,005	557,975	5,523,953
		274,816,280		210,328,959
<b>Group</b>				
<b>Quoted Investments</b>				
<b>Bank, Finance and Insurance</b>				
Lanka Ceramic PLC	1,000,000	95,900,000	-	-
Lanka Orix Leasing Co PLC	-	-	965,840	55,052,880
Janashakthi Insurance PLC	1,000,000	13,500,000	1,000,000	12,300,000
Peoples Leasing PLC	1,000,000	14,300,000	1,000,000	13,100,000
National Development Bank PLC	2,676	477,934	64,076	10,131,000
Union Bank of Colombo PLC	3,800	71,060	-	-
Pan Asia Banking Corporation PLC	-	-	6,177,271	117,368,149
Seylan Merchant PLC	-	-	174	157
Softlogic Finance PLC	1,042,000	31,995,540	1,057,583	26,968,367
Vanik Incorporation PLC	587,900	470,320	-	-
Seylan Bank PLC (Non Voting)	93,032	3,442,184	90,700	3,219,850
<b>Food Processing</b>				
Bairaha Farms PLC	17,600	2,590,720	17,600	2,634,720
<b>Manufacturing</b>				
Lanka Walltiles PLC	19,740	1,214,010	21,840	1,220,856
Dipped Products PLC	-	-	16	1,776
Kelani Cables PLC	22,400	1,792,000	22,400	1,435,840
Lanka Tiles PLC	-	-	2,397	166,591

Group	2014		2013	
	Number of Shares	Rs.	Number of Shares	Rs.
<b>Hotels and Travels</b>				
Aitken Spence PLC	225,000	22,027,500	225,000	26,910,000
Hotel Developers (Lanka) PLC	71,200	6,749,760	71,200	6,749,760
Royal Palms Beach Hotels Ltd	4,299	128,970	4,300	150,500
Tangerin Beach Hotel PLC	-	-	13,900	909,060
John Keels Hotels PLC	344,862	562,613	1,334,853	17,290,060
The Kingsbury PLC	679,901	9,223,309	679,901	9,110,673
Citrus Leisure PLC	10,495,865	172,132,186	8,383,632	161,804,098
Citrus Leisure PLC-Warrant 2015	10	10	10	25
Citrus Waskaduwa PLC	1,400,145	10,641,102	1,400,145	7,420,769
Serandib Hotels PLC	16,000	448,000	16,000	379,200
The Fortress Resorts PLC	336,100	4,470,130	336,100	5,041,500
Eden Hotels Lanka PLC	-	-	20,000	594,704
<b>Diversified Holdings</b>				
Browns Investments PLC	522,619	1,202,024	699,995	2,309,984
Hayleys PLC	1,222	348,270	1,222	365,011
Expolanka Holdings PLC	1,564,900	13,614,630	3,437,700	23,375,879
Free Lanka Capital Holdings Limited	1,161,600	2,439,360	1,149,800	2,922,590
Richad Pieris Co PLC	1,040,164	6,865,082	1,040,164	6,865,082
CT Land Development PLC	100,000	2,910,000	-	-
Ascot Holding PLC	30,000	3,420,000	30,000	4,719,000
<b>Footware &amp; Textiles</b>				
Textured Jersey Lanka PLC	557,975	8,816,005	557,975	5,523,953
<b>Health Care</b>				
The Lanka Hospital Corporation PLC	45,519	1,893,590	45,519	1,593,165
<b>Construction &amp; Engineering</b>				
Access Engineering PLC	-	-	2,000,000	39,400,000
		<b>433,646,309</b>		<b>567,035,199</b>
<b>Un-Quoted Investments</b>				
MBSL Insurance Company Limited	4,666,667	13,676,667	4,666,667	13,596,784
		<b>13,676,667</b>		<b>13,596,784</b>
<b>Total</b>		<b>447,322,976</b>		<b>580,631,983</b>

#### 4. FINANCIAL INVESTMENTS (Contd.)

##### 4.3 Fair Value Of Financial Instruments

###### **The Following methods & assumptions were used to estimate the fair value**

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Group estimate of assumptions that a market participant would make when valuing the financial instruments.

Cash & short term deposits, trade receivable, trade payable and other financial liabilities approximate their carrying amounts largely due to the short term maturities of these instrument.

Long term variable-rate borrowing approximate their carrying amounts largely due to the market based interest rates. Hence the carrying amounts of Group's financial instruments are reasonable approximation of their fair value.

###### **Financial Assets - Fair Value Through Profit or Loss**

Financial investments measured at fair value are quoted equities. For quoted equities Company uses quoted market price in active markets as at the reporting date.

###### **Financial Assets - Available for Sale**

Financial Investments - Available for Sale, primarily consist of equity securities and Government debt securities are valued using valuation techniques or pricing models. These assets are valued using models that use observable data. Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka and quoted equities are valued using quoted market prices in the active markets as at the reporting date.

###### **Determination of Fair Value and Fair Value Hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

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

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

<b>Group</b>				
<b>As at 31<sup>st</sup> March 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Financial Assets</b>				
<b>Financial Assets - Fair Value Through Profit or Loss</b>				
Quoted equities	433,646,309	-	-	433,646,309
Un-Quoted equities	-	-	13,676,667	13,676,667
<b>Financial Assets - Available for Sale</b>				
Government Securities	1,362,883,183	-	-	1,362,883,183
Quoted equities	906,862,393	-	-	906,862,393
Unquoted equities	-	197,514,979	-	197,514,979
<b>Total</b>	<b>2,703,391,885</b>	<b>197,514,979</b>	<b>13,676,667</b>	<b>2,914,583,531</b>
<hr/>				
<b>As at 31<sup>st</sup> March 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Financial Assets</b>				
<b>Financial Assets - Fair Value Through Profit or Loss</b>				
Quoted equities	567,035,199	-	-	567,035,199
Unquoted equities	-	-	13,596,784	13,596,784
<b>Financial Assets - Available for Sale</b>				
Government Securities	368,323,096	-	-	368,323,096
Quoted equities	959,078,273	-	-	959,078,273
Unquoted equities	-	196,774,703	-	196,774,703
<b>Total</b>	<b>1,894,436,568</b>	<b>196,774,703</b>	<b>13,596,784</b>	<b>2,104,808,055</b>

**5. LOANS AND RECEIVABLES**

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
Debentures	375,000,000	375,000,000
	<b>375,000,000</b>	<b>375,000,000</b>

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
Debentures	375,000,000	375,000,000
Gold Loan	8,194,870,273	10,982,423,232
Real Estate Loans	4,744,487	5,300,209
Term Loans (Note 5.2)	2,399,127,751	1,627,646,900
Quick Loan	10,907,897	7,995,149
Margin Trading	72,955,517	97,892,126
Factoring Receivable	943,129,380	617,401,832
Power Drafts	361,267,978	230,533,980
Vehicle Loans	7,422,877,105	3,357,903,597
	<b>19,784,880,388</b>	<b>17,302,097,025</b>
Less : Allowance for Impairment Losses (Note 5.1)	516,642,315	474,109,627
	<b>516,642,315</b>	<b>474,109,627</b>
<b>Net Loans and Receivables</b>	<b>19,268,238,073</b>	<b>16,827,987,398</b>

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>5.1 Allowance for Impairment Losses</b>		
<b>5.1.1</b>		
As at 01 <sup>st</sup> April	474,109,627	218,307,264
Charge / (Reversal) for the year	102,209,485	255,802,363
Amounts written off	(63,403,284)	-
Interest accrued on impaired loans and receivables	3,726,487	-
<b>As at 31<sup>st</sup> March</b>	<b>516,642,315</b>	<b>474,109,627</b>

		<b>Group</b>	
		<b>2014</b>	<b>2013</b>
		<b>Rs.</b>	<b>Rs.</b>
<b>5.1.2</b>	Individual Impairment	166,874,358	65,577,422
	Collective Impairment	349,767,957	408,532,205
	Total	516,642,315	474,109,627
	Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	518,114,298	225,077,131
		518,114,298	225,077,131
<b>5.1.3</b>	Gold Loans	187,823,147	310,681,024
	Vehicle Loans	118,182,590	26,930,434
	Quick loans	541,480	-
	Margin trading	54,498,436	-
	Mortgage loans	74,375,944	48,773,424
	Power Drafts	19,863,341	4,194,951
	Factoring Receivable	61,357,377	83,529,793
	Total	516,642,315	474,109,627
<b>5.2</b>	<b>Term Loans include loans granted to Company Officers, the movement of which is as follows :</b>		
	As at 01 <sup>st</sup> April	4,479,674	3,889,534
	Add : Loans granted during the year	12,889,370	8,600,244
	Less : Repayments during the year	(10,966,253)	(8,010,104)
	As at 31 March	6,402,791	4,479,674

## **6. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE**

		<b>Group</b>	
		<b>2014</b>	<b>2013</b>
		<b>Rs.</b>	<b>Rs.</b>
	<b>Gross rentals receivables</b>		
	- Lease Rentals	32,910,047,809	30,154,261,920
	- Amounts receivable from hirers	8,754,448,955	9,038,627,441
		41,664,496,764	39,192,889,361
	Less: Unearned Income	(10,124,119,112)	(10,146,191,420)
	<b>Net rentals receivables</b>	31,540,377,652	29,046,697,941
	Less : Rentals Received in Advance	11,381,101	16,607,586
	Less : Allowance for Impairment Losses (Note 6.1)	1,238,264,798	770,084,951
		1,249,645,899	786,692,537
	<b>Total net rentals receivable</b>	30,290,731,753	28,260,005,404

**6. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE (Contd.)****6.1 Allowance for Impairment Losses**

	2014 Rs.	Group 2013 Rs.
As at 01 <sup>st</sup> April	770,084,951	609,455,403
Charge / (Reversal) for the year	466,130,709	156,006,093
Interest accrued on impaired Leases & hirers receivables	2,049,138	4,623,455
As at 31 <sup>st</sup> March	1,238,264,798	770,084,951
Individual Impairment	122,298,883	84,885,930
Collective Impairment	1,115,965,915	685,199,021
	1,238,264,798	770,084,951
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance.	214,306,366	202,844,958
	214,306,366	202,844,958

	Within one year Rs.	Lease 1 - 5 years Rs.	Over 5 years Rs.	Total Rs.	Within one year Rs.	Hire Purchase 1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
<b>6.2 (a) As at 31<sup>st</sup> March 2014</b>								
Gross rentals receivables	15,809,746,705	17,098,996,151	1,304,953	32,910,047,809	3,939,140,667	4,774,841,008	40,467,280	8,754,448,955
Less: Unearned Income	4,462,752,499	3,517,731,693	87,160	7,980,571,352	1,087,452,931	1,051,619,248	4,475,582	2,143,547,761
Net rentals receivables	11,346,994,206	13,581,264,458	1,217,793	24,929,476,457	2,851,687,736	3,723,221,760	35,991,698	6,610,901,194
Less : Rentals Received in Advance				11,381,101				-
Less : Allowance for Impairment Losses				956,450,743				281,814,054
Less : Appropriations				-				-
Total net rentals receivable				23,961,644,613				6,329,087,140
Total net rentals receivable from lease and hire purchase								30,290,731,753

	Within one year Rs.	Lease 1 - 5 years Rs.	Over 5 years Rs.	Total Rs.	Within one year Rs.	Hire Purchase 1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
<b>6.2 (b) As at 31<sup>st</sup> March 2013</b>								
Gross rentals receivables	13,103,472,551	17,047,837,016	2,952,352	30,154,261,919	4,104,475,638	4,904,613,278	29,538,525	9,038,627,441
Less: Unearned Income	4,277,031,455	3,637,466,801	183,129	7,914,681,386	1,181,012,958	1,047,710,554	2,786,522	2,231,510,034
Net rentals receivables	8,826,441,096	13,410,370,215	2,769,223	22,239,580,534	2,923,462,680	3,856,902,724	26,752,003	6,807,117,407
Less : Rentals Received in Advance				16,607,586				-
Less : Allowance for Impairment Losses				536,109,326				233,975,625
Total net rentals receivable				21,686,863,622				6,573,141,782
Total net rentals receivable from lease and hire purchase								28,260,005,404

**6.3 Lease & Hire Purchase facilities granted to Company Officers, the movement of which is as follows :**

	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
As at the beginning of the year	146,428,354	102,816,366
Add : Loans granted during the year	110,595,207	79,662,412
Less : Repayments during the year	<b>(78,178,586)</b>	<b>(36,050,424)</b>
As at the end of the year	<b>178,844,975</b>	<b>146,428,354</b>

**7. OTHER FINANCIAL ASSETS**

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
Treasury Bill / Repurchases	1,854,469,777	-
Investment in Fixed Deposits	3,272,444,925	1,554,503,637
Others	20,645,501	-
	<b>5,147,560,203</b>	<b>1,554,503,637</b>

**8. TRADE AND OTHER RECEIVABLES**

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
Deposits	39,680,294	36,606,340
Interest Receivable	36,881,476	76,144,817
Other Advances	11,714,402	10,580,181
Other Receivable	182,000	-
	<b>88,458,172</b>	<b>123,331,338</b>

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
Debtors	5,702,134,102	3,125,738,441
Deposits	236,450,542	163,195,246
Other Advances	82,783,454	75,392,084
Interest Receivables	24,333,873	37,629,465
Other Receivables	680,345,395	659,374,994
	<b>6,726,047,366</b>	<b>4,061,330,230</b>



## 11. INVESTMENT IN ASSOCIATES

### 11.1 Quoted Investments

	Holding %		No. of Shares	
	2014	2013	2014	2013
Waskaduwa Beach Resorts PLC	20.22%	20.22%	31,460,997	31,460,997
Sampath Bank PLC	14.96%	14.97%	25,107,454	24,371,697

#### 11.2.1 Carrying Value at cost

	Company		Total
	Waskaduwa Beach Resort PLC	Sampath Bank PLC	
	Rs.	Rs.	Rs.
Balance at the 31 <sup>st</sup> March 2013	317,762,171	6,987,009,370	7,304,771,541
Investments made during the year	-	-	-
<b>Balance at the 31<sup>st</sup> March 2014</b>	<b>317,762,171</b>	<b>6,987,009,370</b>	<b>7,304,771,541</b>

	2014	2013
	Rs.	Rs.
<b>Market Value</b>		
Waskaduwa Beach Resort PLC	239,103,577	166,743,284
Sampath Bank PLC	4,572,067,373	5,481,194,655
<b>Total</b>	<b>4,811,170,950</b>	<b>5,647,937,939</b>

#### 11.2.2 Carrying Value

	Group		Total
	Waskaduwa Beach Resort PLC	Sampath Bank PLC	
	Rs.	Rs.	Rs.
<b>Balance at the 1<sup>st</sup> of April 2012</b>	<b>323,935,187</b>	<b>6,809,726,504</b>	<b>7,133,661,691</b>
Investments made during the year	285,358	60,968,021	61,253,379
Share of Profit Net of Tax and Dividend	(828,439)	578,656,157	577,827,718
Share of Other Comprehensive Income	-	(49,381,139)	(49,381,139)
Share of Other Equity items	-	15,107,120	15,107,120
<b>Balance at the 31<sup>st</sup> March 2013</b>	<b>323,392,106</b>	<b>7,415,076,663</b>	<b>7,738,468,769</b>
Investments made during the year	-	-	-
Share of Profit Net of Tax and Dividend	(1,610,714)	372,111,785	370,501,071
Share of Other Comprehensive Income	-	259,870,378	259,870,378
<b>Balance at the 31<sup>st</sup> March 2014</b>	<b>321,781,392</b>	<b>8,047,058,826</b>	<b>8,368,840,218</b>

**11. INVESTMENT IN ASSOCIATES (Contd.)****11.2.3 Summarized Information of Associate**

	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Income statement</b>		
Revenue includes - Other Income / Finance Income/ Net Operating Income	2,611,301,727	2,524,125,643
Expenses include - Operating expenses / Administration expenses	(1,717,344,059)	(1,454,852,466)
Value Added Tax on Financial Services	(153,802,978)	(160,894,711)
Deferred tax on Undistributed Profit on associates	(369,653,620)	(330,550,751)
	<b>370,501,071</b>	<b>577,827,718</b>
<b>Summarized Information of Associate</b>		
<b>Statement of Financial Positions</b>		
Group Share of		
Total Assets	58,631,158,392	50,140,919,495
Total Liabilities	(53,431,498,906)	(45,622,122,681)
<b>Net Assets</b>	<b>5,199,659,486</b>	<b>4,518,796,814</b>
Less : Non Controlling Interest	(13,500,245)	(9,274,214)
Goodwill	3,552,334,597	3,552,334,597
Deferred tax on Undistributed Profit on associates	(369,653,620)	(323,388,428)
	<b>8,368,840,218</b>	<b>7,738,468,769</b>

**11.2.4 Group Share of Commitments and Contingencies**

	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Capital Expenditure</b>		
Approved and contracted for	35,136,985	23,384,637
Approved and but not contracted for	73,771,262	40,222,176
<b>Commitments</b>		
Commitment for unutilised facilities	5,608,438,644	4,123,295,034
Finance Lease Commitment in Present Value term	-	1,225,140
<b>Contingent Liabilities</b>	<b>16,200,642,233</b>	<b>13,261,275,847</b>

## 12. AMOUNTS DUE FROM RELATED PARTIES

	Relationship	Company		Group	
		2014	2013	2014	2013
		Rs.	Rs.	Rs.	Rs.
Greener Water Limited	Subsidiary	100,017,221	45,841,646	-	-
Orit Apparels Lanka (Pvt) Ltd	Subsidiary	2,632,320	80,054,795	-	-
Delmege Insurance Brokers	Affiliate	-	-	-	21,006,544
Delmege Limited	Subsidiary	21,196,932	20,738,301	-	-
		<b>123,846,473</b>	<b>146,634,742</b>	<b>-</b>	<b>21,006,544</b>

## 13. DEFERRED TAX ASSETS (LIABILITIES)

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
As at 01 <sup>st</sup> April	(2,828,934)	(2,161,673)	149,361,566	19,083,944
Recognized in Profit or Loss	(654,319)	(447,390)	(236,892,120)	167,774,540
Recognized in Other Comprehensive Income	(118,523)	(219,871)	3,270,432	(37,496,918)
At the end of the year	<b>(3,601,776)</b>	<b>(2,828,934)</b>	<b>(84,260,122)</b>	<b>149,361,566</b>
Deferred Tax Assets	-	-	524,126,130	221,214,007
Deferred Tax Liabilities	<b>(3,601,776)</b>	<b>(2,828,934)</b>	<b>(608,386,252)</b>	<b>(71,852,441)</b>
	<b>(3,601,776)</b>	<b>(2,828,934)</b>	<b>(84,260,122)</b>	<b>149,361,566</b>

## 14. INVENTORIES

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Raw Materials	-	-	1,619,311,329	996,557,256
Construction Consumables	-	-	14,431,089	9,327,708
Spares and Consumables	-	-	1,067,394,081	1,400,524,958
Work In Progress	-	-	945,523,690	851,661,032
Harvested crops	-	-	213,001,000	-
Seat Covers and Accessories	-	-	223,905,370	130,112,107
Finished Goods	-	-	5,553,039,934	1,334,773,293
Machinery Spares	-	-	35,065,369	38,919,827
Goods in Transit	-	-	305,375,759	276,348,110
	-	-	<b>9,977,047,621</b>	<b>5,038,224,291</b>
Less : Provision for Obsolete and Slow Moving Inventory	-	-	<b>(180,969,667)</b>	<b>(99,185,598)</b>
	-	-	<b>9,796,077,954</b>	<b>4,939,038,693</b>

**15. INTANGIBLE ASSETS**

	Software Rs.	Brand Name Rs.	Group Goodwill Rs.	Total Rs.
<b>Cost</b>				
As at 01 <sup>st</sup> April 2012	147,365,220	904,891,300	11,225,014,220	12,277,270,740
Acquired during the year	62,660,040	-	96,524,136	159,184,176
As at 31 <sup>st</sup> March 2013	210,025,260	904,891,300	11,321,538,356	12,436,454,916
Acquired during the year	199,283,262	-	992,122,841	1,191,406,103
As at 31 <sup>st</sup> March 2014	409,308,522	904,891,300	12,313,661,197	13,627,861,019
<b>Amortization</b>				
As at 01 <sup>st</sup> April 2012	38,433,918	64,096,467	-	102,530,385
Disposal during the year	-	-	96,524,136	96,524,136
Charge for the year	9,614,096	45,244,565	-	54,858,661
Exchange equalization reserve	633,897	-	-	633,898
As at 31 <sup>st</sup> March 2013	48,681,911	109,341,032	96,524,136	254,547,080
Disposal during the year	-	-	-	-
Charge for the year	137,016,366	45,244,566	-	182,260,932
Exchange equalization reserve	(1,284,140)	-	-	(1,284,140)
As at 31 <sup>st</sup> March 2014	184,414,137	154,585,598	96,524,136	435,523,871
<b>Net Book Value</b>				
<b>Net book value as at 31.03.2013</b>	<b>161,343,349</b>	<b>795,550,268</b>	<b>11,225,014,220</b>	<b>12,181,907,836</b>
<b>Net book value as at 31.03.2014</b>	<b>224,894,385</b>	<b>750,305,702</b>	<b>12,217,137,061</b>	<b>13,192,337,148</b>

**Goodwill****2014  
Rs.**

Goodwill allocated through business combination have been allocated to four cash generating units (CGU) for impairment testing as follows;	
LB Finance PLC	3,966,204,093
Royal Ceramic Lanka PLC and its subsidiaries	7,444,674,764
Greener Water (Pvt) Ltd.	3,419,869
Delmage (Pvt) Ltd and Its subsidiaries	802,838,335
	<b>12,217,137,061</b>

The recoverable amount of all CGU's have been determine based on the fair value less cost to sell or the value in use (VIU) calculation.

**Key assumptions used in the VIU calculations****Gross margins**

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

**Discount rates**

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

**Inflation**

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

**Volume growth**

Volume growth has been budgeted on a reasonable and realistic basis by taking in to account the growth rates of one of four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

## 16. PROPERTY, PLANT & EQUIPMENT

### 16.1 Company

	Computers Rs.	Furniture & Fittings Rs.	Office Equipments Rs.	Motor vehicles Rs.	Total Rs.
<b>Gross Carrying Amounts</b>					
Balance as at 01 <sup>st</sup> April 2012	14,285,477	30,321,657	1,544,409	3,770,940	49,922,483
Additions	833,665	126,735	44,810	4,143,800	5,149,010
Disposals	(18,000)	-	-	-	(18,000)
Balance as at 31 <sup>st</sup> March 2013	15,101,142	30,448,393	1,589,219	7,914,740	55,053,493
Additions	1,019,686	1,991,239	45,209	-	3,056,134
Disposals	-	-	-	-	-
Balance as at 31 <sup>st</sup> March 2014	16,120,828	32,439,632	1,634,428	7,914,740	58,109,627
<b>Depreciation</b>					
Balance as at 01 <sup>st</sup> April 2012	2,676,529	2,960,322	101,917	379,110	6,117,878
Depreciation charge for the year	3,511,034	3,043,283	154,703	1,366,585	8,075,605
On disposals / write off	-	-	-	-	-
Balance as at 31 <sup>st</sup> March 2013	6,187,563	6,003,605	256,620	1,745,695	14,193,483
Depreciation charge for the year	3,760,768	3,138,012	160,866	1,582,948	8,642,594
On disposals / write off	-	-	-	-	-
Balance as at 31 <sup>st</sup> March 2014	9,948,331	9,141,617	417,486	3,328,643	22,836,077
<b>Net Book value</b>					
<b>As at 31<sup>st</sup> March 2013</b>					40,860,011
<b>As at 31<sup>st</sup> March 2014</b>					35,273,551

**16. PROPERTY, PLANT & EQUIPMENT (Contd.)****16.2 Group****16.2.1 Gross Carrying Amounts**

Cost / Valuation	Balance as at 01.04.2012 Rs.	Acquisition During the Year Rs	Additions During the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	2013	Exchange Translation Difference Rs.	Disposals through subsidiaries Rs.	Balance as at 31.03.2013 Rs.
					Transfers/ Disposals Rs.			
<b>Freehold Assets</b>								
Land & Building	5,859,618,213	298,625,834	361,246,631	216,240,655	(130,700,967)	138,724,218	(270,785,834)	6,472,968,749
Furniture and Fittings	485,179,678	12,132,006	83,735,096	-	-	4,918,069	(12,287,647)	573,677,203
Equipment	652,488,504	116,990,017	90,352,908	-	(1,165,830)	8,377,439	(119,753,932)	747,289,105
Fire Protection Equipment	12,899,745	-	146,581	-	-	-	-	13,046,326
Motor Vehicles and Accessories	527,961,373	19,222,121	265,677,653	-	(16,168,579)	4,586,255	(18,722,121)	782,556,703
Computer Hardware	272,614,313	51,000	67,660,937	-	(153,536)	-	-	340,172,714
Air Conditioning	83,674,050	-	15,307,533	-	(70,000)	-	-	98,911,583
Telephone System	67,772,181	-	4,016,599	-	-	-	-	71,788,780
Leasehold Improvements	287,181,934	-	83,437,702	-	-	-	-	370,619,636
Fixtures and Fittings	289,643,183	-	51,067,280	-	-	-	-	340,710,463
Water Supply Scheme	295,687	-	-	-	-	-	-	295,687
Electricity Distribution	18,272,125	-	-	-	(604,500)	-	-	17,667,625
Tools and Implements	80,979,379	-	6,113,685	-	29,680	-	-	87,122,744
Plant and Machinery	4,333,691,509	4,953,268	345,229,994	-	4,092,792	120,733,226	-	4,808,700,789
Plant and Machinery-Polishing Plant	62,295,726	-	-	-	-	-	-	62,295,726
Moulds	126,888,950	-	1,203,326	-	-	-	-	128,092,276
Household Item - Heavy	9,460,641	-	1,105,380	-	-	-	-	10,566,021
Household Item - Light	6,587,754	-	481,132	-	-	-	-	7,068,886
Stores Buildings on Leasehold Land	83,586,609	-	-	26,181,486	(12,819,350)	-	-	96,948,745
	13,261,091,554	451,974,246	1,376,782,437	242,422,141	(157,560,289)	277,339,207	(421,549,534)	15,030,499,762
<b>Leasehold Land</b>								
Leasehold Land	-	71,954,082	-	-	-	-	(71,954,082)	-
	-	71,954,082	-	-	-	-	(71,954,082)	-
	13,261,091,554	523,928,328	1,376,782,437	242,422,141	(157,560,289)	277,339,207	(493,503,616)	15,030,499,762
<b>Assets on Finance Lease</b>								
Plant & Machinery	-	-	11,500,000	-	-	-	-	11,500,000
Furniture and Fittings	12,653,596	-	-	-	-	-	-	12,653,596
Construction and Other Equipment	5,329,148	-	-	-	-	-	-	5,329,148
Motor Vehicle	103,776,975	-	13,312,457	-	(3,325,918)	-	-	113,763,514
	121,759,719	-	24,812,457	-	(3,325,918)	-	-	143,246,258
<b>Total Value of</b>								
Depreciable Assets	13,382,851,273	523,928,328	1,401,594,894	242,422,141	(160,886,208)	277,339,207	(493,503,616)	15,173,746,020

Cost / Valuation	2014							
	Balance as at 01.04.2013 Rs.	Acquisition During the Year Rs	Additions During the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	Disposals through subsidiaries Rs.	Balance as at 31.03.2014 Rs.
<b>Freehold Assets</b>								
Land & Building	6,472,968,749	3,986,204,626	864,858,520	817,351,712	(271,908,557)	42,016,739	-	11,911,491,789
Furniture and Fittings	573,677,203	5,003,222	167,974,449	-	(27,660,599)	2,777,562	-	721,771,837
Equipment	747,289,105	430,051,589	157,283,288	-	(74,904,349)	12,330,478	-	1,272,050,111
Fire Protection Equipment	13,046,326	-	81,063	-	-	-	-	13,127,389
Motor Vehicles and Accessories	782,556,703	379,728	164,321,778	-	8,395,213	2,170,364	-	957,823,786
Computer Hardware	340,172,714	6,238,829	47,516,507	-	(26,305,670)	-	-	367,622,380
Air Conditioning	98,911,583	-	16,002,554	-	(471,800)	-	-	114,442,337
Telephone System	71,788,780	-	1,034,332	-	-	-	-	72,823,112
Leasehold Improvements	370,619,636	-	96,226,797	-	-	-	-	466,846,433
Fixtures and Fittings	340,710,463	-	139,500,994	-	31,886,011	-	-	512,097,468
Water Supply Scheme	295,687	323,452,000	-	-	5,925,881	-	-	329,673,568
Electricity Distribution	17,667,625	-	12,419,220	-	-	-	-	30,086,845
Tools and Implements	87,122,744	552,500,376	61,127,355	-	(65,070,450)	-	-	635,680,025
Plant and Machinery	4,808,700,789	5,337,319,518	1,074,046,292	-	95,942,568	55,191,367	-	11,371,200,534
Plant and Machinery - Polishing Plant	62,295,726	-	-	-	(62,295,726)	-	-	-
Moulds	128,092,276	-	497,434	-	-	-	-	128,589,710
Household Item - Heavy	10,566,021	-	-	-	(10,566,021)	-	-	-
Household Item - Light	7,068,886	1,016,040	-	-	(7,875,436)	-	-	209,490
Stores Buildings on Leasehold Land	96,948,745	13,221,390	203,101,992	-	-	-	-	313,272,127
Civil Constuction	-	-	59,942,899	-	-	-	-	59,942,899
	15,030,499,762	10,655,387,318	3,065,935,474	817,351,712	(404,908,935)	114,486,510	-	29,278,751,841
<b>Leasehold Land</b>								
Leasehold Land	-	-	-	-	-	-	-	-
	15,030,499,762	10,655,387,318	3,065,935,474	817,351,712	(404,908,935)	114,486,510	-	29,278,751,841
<b>Assets on Finance Lease</b>								
Plant & Machinery	11,500,000	246,928,680	-	-	(191,456,000)	-	-	66,972,680
Furniture and Fittings	12,653,596	-	-	-	-	-	-	12,653,596
Construction and Other Equipment	5,329,148	-	-	-	(5,329,148)	-	-	-
Leasehold Land	-	14,600,000	-	-	-	-	-	14,600,000
Transport & Communication Equipment	-	44,712,000	-	-	-	-	-	44,712,000
Motor Vehicle	113,763,514	-	11,500,000	-	(9,429,941)	-	-	115,833,573
	143,246,258	306,240,680	11,500,000	-	(206,215,089)	-	-	254,771,849
<b>Total Value of Depreciable Assets</b>	15,173,746,020	10,961,627,998	3,077,435,474	817,351,712	(611,124,024)	114,486,510	-	29,533,523,690

### 16.3 Capital Work In Progress

Capital Work In Progress	2013							
	Balance As At 01.04.2012 Rs.	Additions Acquisition Rs.	Increase/ During the Year Rs.	Transfer/ (Decrease) Revaluation Rs.	Exchange Disposal Rs.	Translation Difference Rs.	Disposals through subsidiaries Rs.	Balance As At 31.03.2013 Rs.
Capital Work In Progress	314,269,181	136,005,581	1,001,361,346	-	(652,307,142)	2,342,105	-	801,671,071
	314,269,181	136,005,581	1,001,361,346	-	(652,307,142)	2,342,105	-	801,671,071
<b>Total Gross Carrying Amount</b>	13,697,120,454	659,933,909	2,402,956,240	242,422,141	(813,193,349)	279,681,312	(493,503,616)	15,975,417,090

**16. PROPERTY, PLANT & EQUIPMENT (Contd.)****16.3 Capital Work In Progress (Contd.)**

	2014							
	Balance As At 01.04.2013 Rs.	Acquisition Rs.	Additions During the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfer Disposal Rs.	Exchange Translation Difference Rs.	Disposals through subsidiaries Rs.	Balance As At 31.03.2014 Rs.
	Capital Work In Progress	801,671,071	106,588,412	989,094,871	-	(1,506,080,378)	2,102,029	-
	801,671,071	106,588,412	989,094,871	-	(1,506,080,378)	2,102,029	-	393,376,005
<b>Total Gross Carrying Amount</b>	<b>15,975,417,091</b>	<b>11,068,216,410</b>	<b>4,066,530,345</b>	<b>817,351,712</b>	<b>(2,117,204,402)</b>	<b>116,588,539</b>	<b>-</b>	<b>29,926,899,695</b>

**16.4 Depreciation**

	2013							
	Balance as at 01.04.2012 Rs.	Acquisition During the year Rs.	Charge for the Year Rs.	Transfer to Revaluation Reserves Rs.	Transfers/ Disposals Rs.	Disposal through subsidiary Rs.	Exchange Translation Difference Rs.	Balance as at 31.03.2013 Rs.
	<b>Freehold Assets</b>							
Building	111,675,849	28,623,146	104,121,943	(131,621,080)	(433,424)	(39,253,230)	154,962,419	228,075,623
Furniture and Fittings	193,246,281	8,875,996	73,253,291	-	78,022	(9,547,705)	5,545,581	271,451,466
Equipment	335,127,811	81,388,838	97,654,560	-	(1,098,986)	(90,137,763)	9,262,017	432,196,477
Fire Protection Equipment	1,172,651	-	2,524,168	-	-	-	-	3,696,819
Motor Vehicles and Accessories	212,563,971	2,449,585	65,525,905	-	(16,570,724)	(6,975,376)	4,987,122	261,980,483
Computer Hardware	165,544,819	38,251	41,572,281	-	(59,944)	-	-	207,095,407
Air Conditioning	21,835,815	-	15,973,717	-	(70,000)	-	-	37,739,532
Telephone System	19,219,461	-	13,287,020	-	-	-	-	32,506,481
Leasehold Improvements	96,114,594	-	44,972,414	-	-	-	-	141,087,008
Fixtures and Fittings	89,031,296	-	24,835,037	-	-	-	-	113,866,333
Water Supply Scheme	177,498	-	11,827	-	-	-	-	189,325
Electricity Distribution	4,688,070	-	528,608	-	-	-	-	5,216,678
Tools and Implements	74,790,385	-	5,767,217	-	-	-	-	80,557,602
Plant and Machinery	1,640,168,507	-	347,085,748	-	95,549	-	134,007,347	2,121,357,151
Plant and Machinery-Polishing Plant	58,504,371	-	2,187,382	-	-	-	-	60,691,753
Molds	45,588,659	-	15,188,158	-	-	-	-	60,776,817
Household Item - Heavy	7,168,943	-	179,144	-	-	-	-	7,348,087
Household Item - Light	6,919,960	-	946,123	-	-	-	-	7,866,083
Stores Buildings on Leasehold Land	15,991,464	-	3,184,748	(12,819,350)	-	-	-	6,356,862
	3,099,530,405	121,375,816	858,799,292	(144,440,430)	(18,059,506)	(145,914,074)	308,764,486	4,080,055,988
<b>Assets on Finance Lease</b>								
Furniture and Fittings	2,214,380	-	1,265,360	-	-	-	-	3,479,740
Construction and Other Equipment	1,687,564	-	1,065,830	-	-	-	-	2,753,394
Motor Vehicle	51,155,187	-	19,910,365	-	(629,131)	-	-	70,436,421
	55,057,131	-	22,241,555	-	(629,131)	-	-	76,669,555
Capital work in progress							4,244,046	4,244,046
<b>Total</b>	<b>3,154,587,536</b>	<b>121,375,816</b>	<b>881,040,847</b>	<b>(144,440,430)</b>	<b>(18,688,637)</b>	<b>(145,914,074)</b>	<b>313,008,532</b>	<b>4,160,969,590</b>

## 16.4 Depreciation

	2014							Balance as at 31.03.2014 Rs.
	Balance as at 01.04.2013 Rs.	Acquisition During the year Rs.	Charge for the Year Rs.	Transfer to Revaluation Reserves Rs.	Transfers/ Disposals Rs.	Disposal through subsidiary Rs.	Exchange Translation Difference Rs.	
<b>Freehold Assets</b>								
Building	228,075,623	330,096,767	170,068,424	-	(85,151,372)	-	11,769,289	654,858,731
Furniture and Fittings	271,451,466	4,546,125	78,682,434	-	(3,838,489)	-	1,901,610	352,743,146
Equipment	432,196,477	260,775,479	133,022,198	-	(53,004,469)	-	8,828,527	781,818,213
Fire Protection Equipment	3,696,819	-	2,433,829	-	-	-	-	6,130,648
Motor Vehicles and Accessories	261,980,483	33,515,121	148,964,332	-	1,285,010	-	1,238,541	446,983,487
Computer Hardware	207,095,407	5,423,577	44,969,502	-	(22,633,249)	-	-	234,855,237
Air Conditioning	37,739,532	-	17,915,578	-	(471,800)	-	-	55,183,310
Telephone System	32,506,481	-	11,654,038	-	-	-	-	44,160,519
Leasehold Improvements	141,087,008	-	58,357,025	-	-	-	-	199,444,033
Fixtures and Fittings	113,866,333	-	33,479,516	-	6,107,290	-	-	153,453,139
Water Supply Scheme	189,325	183,028,292	19,069,198	-	(2,258,745)	-	-	200,028,071
Electricity Distribution	5,216,678	-	854,794	-	977,491	-	-	7,048,963
Tools and Implements	80,557,602	391,038,856	66,165,210	-	(70,845,838)	-	-	466,915,830
Plant and Machinery	2,121,357,151	2,122,484,596	708,156,228	-	(28,512,427)	-	33,198,100	4,956,683,648
Plant and Machinery-Polishing Plant	60,691,753	-	-	-	(60,691,753)	-	-	-
Molds	60,776,817	-	14,853,023	-	-	-	-	75,629,840
Household Item - Heavy	7,348,087	-	26,133	-	(7,374,220)	-	-	-
Household Item - Light	7,866,083	-	-	-	(7,763,492)	-	-	102,591
Stores Buildings on Leasehold Land	6,356,862	-	2,788,115	-	-	-	-	9,144,977
	4,080,055,988	3,330,908,813	1,511,459,578	-	(334,176,062)	-	56,936,067	8,645,184,383
<b>Assets on Finance Lease</b>								
Plant and Machinery	-	61,618,801	8,605,369	-	(55,749,000)	-	-	14,475,170
Leasehold Land	-	121,500	446,500	-	-	-	-	568,000
Furniture and Fittings	3,479,740	-	1,265,360	-	-	-	-	4,745,100
Construction and Other Equipment	2,753,394	-	-	-	(2,753,394)	-	-	-
Motor Vehicle	70,436,421	-	13,364,483	-	(10,831,644)	-	(12,581,487)	60,387,773
Transport & Communication Equipment	-	17,068,946	10,385,054	-	-	-	-	27,454,000
	76,669,555	78,809,247	34,066,766	-	(69,334,038)	-	(12,581,487)	107,630,043
Capital work in progress	4,244,046	-	-	-	-	-	(4,244,046)	-
<b>Total</b>	4,160,969,599	3,409,718,059	1,545,526,344	-	(403,510,100)	-	44,354,580	8,752,814,426
<b>Net Book Value - Property plant and equipment</b>								
As at 31 <sup>st</sup> March 2013								11,017,020,476
As at 31 <sup>st</sup> March 2014								20,780,709,292
<b>Capital working progress</b>								
As at 31 <sup>st</sup> March 2013								797,427,025
As at 31 <sup>st</sup> March 2014								393,376,005
<b>Carrying Amount</b>								
As at 31 <sup>st</sup> March 2013								11,814,447,501
As at 31 <sup>st</sup> March 2014								21,174,085,297
Leasehold right to bare land of JEDB/SI SPC estates - Acquisition through Subsidiary (Note 16.8)								120,719,000
Immovable JEDB/SLSPC estates assets on finance leases (other than right to bare land) - Acquisition through Subsidiary (Note 16.9)								82,342,000
Bear Biological Assets - Acquisition through Subsidiary (Note 16.10)								1,648,779,000
Consumable Biological Assets - Acquisition through Subsidiary (Note 16.11)								283,928,000
								23,309,853,297

**16. PROPERTY, PLANT & EQUIPMENT (Contd.)****16.5 Revaluation - Royal Ceramic Lanka PLC**

The fair value of land and buildings was determined by means of a revaluation by Mr. A.A.M. Fathihu, an independent valuer in reference to market based evidence. The results of such valuation was incorporated in the financial statements effective from 1<sup>st</sup> April 2012. The surplus arising from the revaluation net of deferred taxes was transferred to a Revaluation Reserve.

**16.6 Fully Depreciated Assets**

Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 2,706,964,546/- (2013-Rs.1,274,233,064/-).

**16.7 Purchase of Property Plant and Equipment**

During the financial year, the Group acquired Property and Equipment to the aggregate value of Rs. 13,628,666,377 (2013 - Rs. 1,600,797,177) . Cash payments amounting to Rs. 13,628,666,377 (2013 - Rs. 1,600,662,800) was paid during the year for purchases of Property and Equipment.

**16.8 Leasehold right to bare land of JEDB/SLSPC estates - Acquisition through Subsidiary**

**2014**  
**Rs.**

<b>Capitalised Value</b>	
As at 22.06.1992	204,931,000
<b>Amortisation</b>	
Opening Balance	80,345,000
Charge for the year	3,867,000
At the end of the year	84,212,000
<b>Carrying Amount</b>	
At the end of the year	120,719,000

The leasehold rights to the bare land on all estates (except for Dumbara Estate which is under an operating lease) have been taken into the books of Horana Plantations PLC. (HPPLC), as at 22 June 1992, immediately after formation of HPPLC, in terms of the opinion obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose lands have been revalued at Rs.204.931 Mn. being the value established for these lands by Valuation Specialist, D.R.Wickremasinghe just prior to the formation of HPPLC. However Institute of Chartered Accountants of Sri Lanka has withdrawn the UITF ruling with the implementation of LKAS/SLFRs and introduced Statement of Recommended Practices (SoRP) on leasehold land on 19 December 2013. As per the SoRP right to use land does not permit further revaluation.

**16.9 Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) - Acquisition through Subsidiary**

	<b>Immature Plantations</b>	<b>Mature Plantations</b>	<b>Permenant Land Development Cost</b>	<b>Buildings</b>	<b>Plant &amp; Machinery</b>	<b>2014</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Revaluation	145,993,000	68,817,000	4,014,000	47,173,000	6,818,000	<b>272,815,000</b>
<b>As at 22.06.1992</b>						
Transfers to mature	(145,993,000)	145,993,000	-	-	-	-
At the end of the year	-	214,810,000	4,014,000	47,173,000	6,818,000	<b>272,815,000</b>
<b>Amortisation</b>						
Opening Balance	-	132,484,000	2,781,000	39,209,000	6,818,000	<b>181,292,000</b>
During the period	-	7,160,000	134,000	1,887,000	-	<b>9,181,000</b>
At the end of the year	-	139,644,000	2,915,000	41,096,000	6,818,000	<b>190,473,000</b>
<b>Written Down Value</b>						
At the end of the year	-	75,166,000	1,099,000	6,077,000	-	<b>82,342,000</b>

All immovable estate property, plant and equipment under finance leases have been taken into the books of HPPLC retrospective to 22<sup>nd</sup> June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor (JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of HPPLC.

Investments in Bearer Biological assets which were immature, at the time of handing over to the Company by way of estate lease, are shown under Bearer Biological assets - immature (Revalue as at 22.06.1992). Further investments in such a bearer biological assets Immature to bring them to maturity are shown under " Note 16.10 - Bearer Biological assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Bearer Biological assets(Immature plantations) to Bearer Biological assets (Mature Plantations) shown under Note 16.10 and corresponding move from bearer biological assets (Immature) to bearer biological assets (Mature) will be made in the above category, namely cost incurred before take over.

**16. PROPERTY, PLANT & EQUIPMENT (Contd.)****16.10 Bearer Biological Assets - Acquisition through Subsidiary**

	<b>Tea</b>	<b>Rubber</b>	<b>Oil Palm</b>	<b>Diversification</b>	<b>Total 2014</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Immature Plantations</b>					
<b>Cost or Valuation :</b>					
Opening Balance	156,396,000	458,081,000	9,120,000	3,515,000	<b>627,112,000</b>
Additions	86,731,000	156,563,000	32,377,000	1,865,000	<b>277,536,000</b>
Transfers from Mature	(60,802,000)	(108,995,000)	-	-	<b>(169,797,000)</b>
At the end of the year	182,325,000	505,649,000	41,497,000	5,380,000	<b>734,851,000</b>
<b>Mature Plantations</b>					
<b>Cost or Valuation :</b>					
Opening Balance	433,909,000	577,701,000	-	19,695,000	<b>1,031,305,000</b>
Transfers from Immature	60,802,000	108,995,000	-	-	<b>169,797,000</b>
At the end of the year	494,711,000	686,696,000	-	19,695,000	<b>1,201,102,000</b>
<b>Accumulated Amortization</b>					
Opening Balance	78,384,000	161,695,000	-	4,344,000	<b>244,423,000</b>
Charge for the year	13,017,000	28,885,000	-	849,000	<b>42,751,000</b>
At the end of the year	91,401,000	190,580,000	-	5,193,000	<b>287,174,000</b>
<b>Written Down Value</b>	<b>403,310,000</b>	<b>496,116,000</b>	<b>-</b>	<b>14,502,000</b>	<b>913,928,000</b>
<b>Total Bearer Biological Assets</b>	<b>585,635,000</b>	<b>1,001,765,000</b>	<b>41,497,000</b>	<b>19,882,000</b>	<b>1,648,779,000</b>

These are investments in immature/mature plantations since the formation of HPPLC. The assets (including plantations) taken over by way of estate leases are set out in Note 16.8 and 16.9. Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

**16.11 Consumable Biological Assets - Acquisition through Subsidiary**

	<b>2014 Rs.</b>
<b>Immature Plantations</b>	
<b>Cost :</b>	
At the beginning of the year	<b>14,790,000</b>
Additions	<b>11,200,000</b>
Transfers to Mature Plantations	<b>(5,074,000)</b>
At the end of the year	<b>20,916,000</b>
<b>Mature Plantations</b>	
<b>Cost :</b>	
At the beginning of the year	<b>231,886,000</b>
Additions	<b>-</b>
Increase due to new plantations	<b>5,074,000</b>
Change in Fair Value less costs to sell	<b>26,052,000</b>
At the end of the year	<b>263,012,000</b>
<b>Total Bearer Biological Assets</b>	<b>283,928,000</b>

## 16.12 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell, Managed timber plantations as at 31 March 2014 comprised approximately 350 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 20.92 Mn as at 31<sup>st</sup> March 2014. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuers Mr.S.M.Wijepala for 2013/14 using Discounted Cash Flow (DFC) method . In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

The prices adopted are net of expenditure.

Discounted rates used by the Valuer are within the range of 10% - 12%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

### **The Company is exposed to the following risks relating to its timber plantation:-**

#### **Regulatory and Environmental Risks**

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

**16. PROPERTY, PLANT & EQUIPMENT (Contd.)****Supply and Demand Risks**

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

**Climate and Other Risks**

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

**Sensitivity Analysis****Sensitivity Variation on Sales Price**

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

	<b>-10%</b>		<b>10%</b>
Managed Timber	Rs. 237.39 Mn	Rs. 263.01 Mn	Rs. 290.63 Mn

**Sensitivity Variation on Discount Rate**

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

	<b>-1%</b>		<b>1%</b>
Managed Timber	Rs. 274.49 Mn	Rs. 263.01 Mn	Rs. 254.67 Mn

**(i) Capitalisation of borrowing cost**

Borrowing cost amounting to Rs. 17.58 Million (Rs. 13.68 Million in 2011/12) directly relating to investment in biological asset (Immature plantation) have been capitalised during the period, at an average borrowing rate of 13.65% (11.92% in 2012/2013).

**16.13 The following properties are revalued and recorded under freehold land & clay mining land.**

No.	Company	Valuation	Valuer	Location	Valuation Details
1	Royal Ceramic Lanka PLC	896 Mn	Mr. A. A. M. Fathihu	Factory, Land & Building Eheliyagoda, Kottawa, Meegoda and land at Kalutara	Market based evidence
2	Royal Porcelain (Pvt) Ltd	570 Mn	Mr. A. A. M. Fathihu	Factory Land & Building at Horana	Market based evidence
		106.2 Mn	Mr. A. A. M. Fathihu	Warehouse Building at Meegoda	Market based evidence
3	Rocell Bathware Ltd	562.29 Mn	Mr. A. A. M. Fathihu	Land at Panagoda and Meegoda	Market based evidence
				Factory Building at Panagoda	
4	Lanka Walltiles PLC	353.68 Mn	Messrs. Sunil Fernando and Associates (Pvt) Ltd.	No. 215, Nawala Road, Narahenpita, Colombo 05	Market based evidence
		352 Mn	Mr. Ranjan J Samarakone	Plan No 2205 Situated at Mawathgama and Galagedara Village	Market based evidence
5	Lanka Tiles PLC	524.64 Mn	Mr. Ranjan J Samarakone	Factory at Jaltara, Ranala & Ball Clay land at Kaluthara	Market based evidence
		218.35Mn	Mr. Ranjan J Samarakone	Warehouse at Biyagama	Market based evidence
		35.78Mn	Mr. Ranjan J Samarakone	Land at Madampe	Market based evidence
6	Uni Dil Packing Ltd.	87.97Mn	Mr. Anton Rich	Land at Narampola road, Moragala, Deketana	Market based evidence
7	Uni Dil Paper Sacks (Pvt) Ltd.	21.75 Mn	Mr. Anton Rich	Land at Narampola road, Moragala, Deketana	Market based evidence
8	Swisstek (Ceylon) PLC	310 Mn	Mr. K. D. T. Tissera	Balummahara, Imbulgoda	Market based evidence
9	Swisstek Aluminium Ltd.	160 Mn	Mr. T. J. Tissera	Land at Pahala Dompe, Dompe	Market based evidence
10	Lanka Ceramic PLC	3.53 Mn	Mr.B.L.Ariyathilake	Mining Land at Owala	Market based evidence
		18.68 Mn	Mr.B.L.Ariyathilake	Mining Land at Meetiyagoda	Market based evidence
		5.94Mn	Mr.B.L.Ariyathilake	Mining Land at Dediawala	Market based evidence
		4.11 Mn	Messrs.Ariyathilake & Company (Pvt) Limited	Land situated at Meetiyagoda	Market based evidence
		13.16Mn	Messrs.Ariyathilake & Company (Pvt) Limited	Factory Building	Market based evidence

**16. PROPERTY, PLANT & EQUIPMENT (Contd.)****16.14 The useful lives of the assets are estimated as follows ;**

Plantation assets	2014 Years	2013 Years
The leasehold rights to JEDB/ SLSPC are amortised in equal amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	30
Buildings	25	25
Plant and machinery	15	15
Mature Plantation(re-planting and new planting)		
Mature plantations (Tea)	33 1/3	33 1/3
Mature plantations (Rubber)	20	20
Mature plantations (Coconut)	50	20
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4
Mature plantations (Pineapple)	3	3

**16.15 Leasehold Right over Mining Land - Acquisition through Subsidiary**

	2014 Rs.	2014 Rs.
<b>Cost</b>		
Opening Balance	27,665,000	-
Additions	-	-
Disposals	(19,865,000)	-
<b>At the end of the year</b>	<b>7,800,000</b>	<b>-</b>
<b>Accumulated Depreciation</b>		
Opening Balance	25,186,000	-
Charge for the year	1,252,500	-
Disposals	(19,865,000)	-
<b>At the end of the year</b>	<b>6,573,500</b>	<b>-</b>
<b>Written Down Value</b>	<b>1,226,500</b>	<b>-</b>

## 17. INVESTMENT PROPERTY

	2014 Rs.	Group 2013 Rs.
At the beginning of the year		
Acquisition through Subsidiary	349,294,000	-
Disposal of investment property	(80,000,000)	-
Transferred to PPE	(29,200,000)	-
At the end of the year	240,094,000	-

### Lanka Ceramic PLC

As at 31<sup>st</sup> March 2014, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03 (1R - 1,12 P). The fair value of freehold land and buildings were determined by Mr. B.L Ariyathllake an independent professionally qualified valuer in reference to market based evidence (Valuation report dated 31<sup>st</sup> March 2012 - Rs. 240.094 Mn).

### Lanka Walltiles PLC

As at 31<sup>st</sup> March 2014, the investment property includes land and building at Balangoda. The fair value of freehold land and buildings were determined by the board of Directors by taking in to consideration the revaluation done in January 2014 by Messrs. Sunil Fernando and Associates (Pvt) Ltd, an independent firm of chartered valuation surveyors; in reference to market based evidence. The investment property has been soldout in the current financial year.

### Swisstek Ceylon PLC

Factory complex at Balummahara, Imbulgoda has transferred to Property, Plant and Equipment during the current financial year for a consideration of Rs. 130 Mn.

**18. DUE TO BANKS**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Bank Overdrafts	4,482,766	5,609,281	3,373,734,360	2,830,516,030
Securitised Borrowings, Syndicated Loans and Other Bank Facilities	-	-	3,402,650,137	5,464,980,511
	4,482,766	5,609,281	6,776,384,497	8,295,496,541

**18.1 Securitised Borrowings, Syndicated Loans and Other Bank Facilities**

	As at 01.04.2013 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Interest Rs.	As at 31.03.2014 Rs.
<b>Securitised Borrowings</b>						
Trust 9	50,771,862	-	(4,846,528)	35,600,000	10,325,336	-
Trust 11	19,093,303	-	906,696	13,310,497	6,689,502	-
Trust 12	85,353,249	-	6,776,675	57,300,000	29,875,989	4,953,934
Trust 13	80,217,577	-	6,145,530	54,810,000	26,056,203	5,496,904
Trust 14	341,844,497	-	32,004,103	221,300,000	95,858,498	56,690,102
Trust 16	775,311,453	-	67,716,556	343,000,000	89,722,399	410,305,610
Trust 17	120,709,189	-	6,496,619	103,030,335	24,175,472	-
Trust 19	949,084,568	-	106,892,257	386,900,000	119,770,185	549,306,640
Trust 20	320,779,208	-	39,628,288	206,230,982	39,626,233	114,550,281
Trust 21	500,699,796	1,500,000,000	279,085,533	737,000,000	73,056,485	1,469,728,844
	3,243,864,701	1,500,000,000	540,805,729	2,158,481,814	515,156,302	2,611,032,315
<b>Syndicated Loans</b>						
Syndication 1	311,604,387	-	24,897,330	235,272,712	25,907,069	75,321,936
Syndication 2	486,126,961	-	62,066,447	70,312,500	63,929,083	413,951,825
	797,731,348	-	86,963,777	305,585,212	89,836,152	489,273,761
<b>Direct Bank Borrowings</b>						
<b>Term Loans</b>						
Bank of Ceylon 1	94,922,058	-	11,789,760	32,508,000	11,857,159	62,346,659
Bank of Ceylon 2	140,750,195	-	15,885,712	73,344,000	16,014,582	67,277,326
Bank of Ceylon 3	249,436,605	-	31,944,853	82,500,000	32,868,853	166,012,603
Bank of Ceylon 4	13,437,608	-	1,562,024	6,666,720	1,625,440	6,707,473
Public Bank Berhad	60,754,160	-	7,070,494	60,000,000	7,824,654	-
	559,300,626	-	68,252,843	255,018,720	70,190,688	302,344,061
<b>Money Market Loans</b>						
Nations Trust Bank PLC	205,685,206	-	290,959	200,000,000	5,976,164	-
NDB Bank PLC	658,398,630	-	7,359,247	650,000,000	15,757,877	-
	864,083,836	-	7,650,206	850,000,000	21,734,041	-
	5,464,980,511	1,500,000,000	703,672,555	3,569,085,746	696,917,183	3,402,650,137

## 18.2 DUE TO CUSTOMERS

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Fixed Deposits	-	-	44,255,194,382	36,955,172,767
Certificates of Deposit	-	-	291,049,483	372,839,548
Saving Deposit	-	-	786,413,782	263,172,153
	-	-	45,332,657,647	37,591,184,467

## 19. INTEREST BEARING LOANS AND OTHER BORROWINGS

Group	2014		Total Rs.	2013		Total Rs.
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.		Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	
Finance Leases (Note 19.1)	47,973,476	140,123,996	188,097,472	57,601,236	8,227,082	65,828,318
Commercial Papers (Note 19.3)	235,656,225	-	235,656,225	1,181,487,272	-	1,181,487,272
Bank Loans / Term loans	6,650,987,435	6,903,419,700	13,554,407,135	2,158,649,087	1,951,140,277	4,109,789,364
Short Term Loan	3,483,901,283	-	3,483,901,283	2,974,217,922	-	2,974,217,922
Unsecured Debentures (Note 19.3)	-	2,593,507,396	2,593,507,396	-	1,030,445,701	1,030,445,701
Others	-	35,707,962	35,707,962	-	32,276,712	32,276,712
	10,418,518,419	9,672,759,054	20,091,277,473	6,371,955,517	3,022,089,772	9,394,045,289

**19. INTEREST BEARING LOANS AND OTHER BORROWINGS (Contd.)****19.1 Finance Leases**

	<b>2014 Rs.</b>	<b>2013 Rs.</b>
JEDB/SLSPC estates (19.1.1)	162,068,000	-
Other finance lease creditors ( 19.1.2)	114,133,392	78,204,972
Gross liability	276,201,392	78,204,972
Finance charges allocated to future periods	(88,103,920)	(12,376,654)
Net liability	188,097,472	65,828,318
Payable within 1 year	47,973,476	8,227,082
Payable after 1 year before 5 years	140,123,996	57,601,236
Total	188,097,472	65,828,318
<b>19.1.1 JEDB/SLSPC estates</b>		
At the beginning of the year	-	-
On acquisition of subsidiaries	167,296,000	-
New leases obtained during the year	11,287,000	-
Repayments during the year	(16,515,000)	-
At the end of the year	162,068,000	-

**19.1.1.1** The lease rentals have been amended with effect from 22<sup>nd</sup> June 1996 to an amount substantially higher than the previous nominal lease rental of Rs.500/= per estate per annum. The basic rental payable under the revised basis is Rs. 5.228 Mn per annum. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 10<sup>th</sup> June 2005, freezing the annual lease rental at Rs. 7.472 Mn for a period of six years commencing from 22<sup>nd</sup> June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs. 2.244 Mn per annum until 21<sup>st</sup> June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner.

Future liability on the revised annual lease payment of Rs. 7.472 Mn will continue until 21<sup>st</sup> June 2008, and thereafter from 22<sup>nd</sup> June 2008 annual lease payment will remain at Rs. 5.228 Mn, until 21<sup>st</sup> June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs. 91.087 Mn.

The net present value as at date is represented by:-

	<b>Rs. Mn</b>
Gross liability - Overdue	-
- 31 Years @ Rs.5,228 Mn per annum	162.068
	162.068
Less: Interest in Suspense	(70.981)
Net Present Value	91.087

The contingent rental charged during the current year to Statement of Comprehensive Income amounted to Rs. 10,983,342/- and the gross liability to make contingent rentals for the remaining 31 years of lease term at the current rate would be estimated to Rs. 340,483,612/- as at 31<sup>st</sup> March 2014.

	<b>2014 Rs.</b>	<b>2013 Rs.</b>
<b>19.1.2 Other Financial lease creditors</b>		
At the beginning of the year	80,822,210	78,892,488
On acquisition of subsidiaries	108,077,000	-
New leases obtained during the year	16,912,333	34,842,741
Repayments during the year	(91,678,152)	(35,530,257)
At the end of the year	114,133,392	78,204,972

**19. INTEREST BEARING LOANS AND OTHER BORROWINGS (Contd.)****19.2 Details of The Long Term Loans - Group**

<b>Lender</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>
<b>Delmege Forsyth &amp; Co Ltd</b>			
Commercial Bank of Ceylon PLC	20 Mn	60 equal monthly instalments of Rs.333,000.00 each and final payment installment of Rs.353,000.00	Letter of Comfort
<b>Grip Delmege (Pvt) Ltd</b>			
DFCC Bank	125 Mn	54 Instalments with 6 Months grace period commencing from February 2013	Land & building
<b>Orit Apparels Lanka (Pvt) Limited</b>			
HSBC	USD 2.85Mn	50 equal monthly instalments	Mortgage over stocks & Receivable for USD 3Mn.
National Development Bank	USD 10.4Mn	50 equal monthly instalments	Primary concurrent mortgage over stocks and receivables and lien over call deposits for USD 1.49Mn & fixed deposits for USD 356,292.
National Development Bank	USD 1.3Mn	48 equal monthly instalments	Mortgage over assets procured at Ayagama factory and new buildings and equipment at G3 in Seetawake EPZ.
Bank of Ceylon	USD 3Mn	30 equal monthly instalments	Mortgage over stocks and receivables
<b>Royal Ceramics Lanka PLC</b>			

<b>Lender</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>
Commercial Bank of Ceylon PLC	300Mn	48 equal monthly instalments	Tripartite Agreement with company, share broker & the Bank over 10.50 Mn shares of LB Finance PLC.  Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	500Mn	60 equal monthly instalments	Tripartite Agreement with company, share broker & the Bank over 10.50 Mn shares of LB Finance PLC.  Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	620Mn	48 equal monthly instalments	Simple deposit of 100,001 (20.01% stake) of Lewis Brown & Company  Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	175MN	48 equal monthly instalments.	174.9Mn in mortgage over properties at Baddegadaramulla, Meegoda, No 101, Nawala Road, Nawala and No 472, Highlevel Road Kottawa  Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	41Mn	48 equal monthly instalments	Primary mortgage bond for 41Mn over the Polishing line  Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	24Mn	60 equal monthly instalments	Primary mortgage bond for 24Mn over the two LP Gas Tanks.  Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	1Bn	Repayable over 7 Years in equal or incremental instalments.	Tripartite Agreement with company, share brokering company, Custodian company & the Bank over a portfolio of Lanka Ceramic PLC shares.
Commercial Bank of Ceylon PLC	260Mn	60 equal monthly instalments	Primary Mortgage Bond over Land and Building at No. 20, R.A. de Mel Mawatha, Colombo 3.

**19. INTEREST BEARING LOANS AND OTHER BORROWINGS (Contd.)****19.2 Details of The Long Term Loans - Group (Contd.)**

<b>Lender</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>
HNB Bank	1.67Bn	Minimum of Rs.0.9Bn to be settled within 12 months and the balance to be reviewed at the end of 12 months.	Tripartite Agreement over the company, share brokering company, Custodian company & the Bank over a portfolio of Lanka Ceramic PLC shares.
HNB Bank	100Mn	59 equal monthly instalments	Registered Primary concurrent mortgage bond for Rs.650Mn (HSBC 500Mn, HNB 150Mn) over factory premises at Eheliyagoda to be executed.
HSBC Bank	USD 4Mn	60 equal monthly instalments	Registered Primary concurrent mortgage bond for Rs.650Mn (HSBC 500Mn, HNB 150Mn) over factory premises at Eheliyagoda to be executed.
<b>Royal Porcelain (Pvt) Ltd</b>			
Commercial Bank of Ceylon PLC	100Mn	60 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC  Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond ( between HNB & DFCC ) over the factory premises of RPL in Horana together with existing machinery and the machinery to be imported.
Commercial Bank of Ceylon PLC	280Mn	59 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC
Hatton National Bank PLC	75Mn	60 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC  Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond ( between HNB & DFCC ) over the factory premises of RPL in Horana together with existing machinery therein.
DFCC Bank PLC	150Mn	60 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC

Lender	Approved Facility	Repayment Terms	Security
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond ( between HNB & DFCC ) over the factory premises of RPL in Horana together with existing machinery therein.
Commercial Bank of Ceylon PLC	80Mn	60 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	56Mn	60 equal monthly instalments	Mortgage over line Sorting Palertizer machine.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	67Mn	60 equal monthly instalments	Mortgage over Tile Printing Machine.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	48Mn	60 equal monthly instalments	Mortgage over Glazed Polishing Line.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	67Mn	60 equal monthly instalments	Motgage over Digital Ceramic Printing Machine.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	200Mn	60 equal monthly instalments	Mortgage over Warehouse premises at Meegoda owned by Rocell Battware Ltd.
Commercial Bank of Ceylon PLC	48.56Mn	60 equal monthly instalments	Mortgage over 4 units of 4 wheel forklifts and 4 units reach trucks to be executed.
Commercial Bank of Ceylon PLC	53Mn	60 equal monthly instalments	Mortgage over the Nano Coating line, Unloading Polishing machine, Batching & Mill feeding machine and Air Compressor to be executed.
			Corporate Guarantee from Royal Ceramics Lanka PLC

**19. INTEREST BEARING LOANS AND OTHER BORROWINGS (Contd.)****19.2 Details of The Long Term Loans - Group (Contd.)**

<b>Lender</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>
<b>Rocell Bathware Limited</b>			
Hatton National Bank PLC	150Mn	66 equal monthly instalments	Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery.  Corporate guarantee of Royal Ceramics Lanka PLC
Hatton National Bank PLC	160Mn	54 equal monthly instalments	Concurrent Mortgage bond over Lease hold land and building and machinery (excluding Unimack) Templeburg Industrial Estate, Panagoda.  Corporate guarantee of Royal Ceramics Lanka PLC
Hatton National Bank PLC	70Mn	54 equal monthly instalments	Concurrent Mortgage bond over Lease hold land and building and machinery (excluding Unimack) Templeburg Industrial Estate, Panagoda.  Corporate guarantee of Royal Ceramics Lanka PLC
<b>Ever Paint and Chemical Industries (Pvt) Ltd</b>			
Commercial Bank of Ceylon PLC	100Mn	60 equal monthly instalments	Primary concurrent Mortgage bond over company factory premise at Hanwella, stocks in trade and assignment over book debts and mortgage over movable machinery equipment, furniture fittings at Malabe Corporate guarantee of Royal Ceramics Lanka PLC.
<b>Lanka Ceramic PLC</b>			
Hatton National Bank PLC	500Mn	8 monthly Instalments	Mortgage for Rs.500Mn over Lanka Walltiles PLC Shares held monthly in the custodian account with HNB.

<b>Lender</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>
<b>Lanka Walltiles PLC</b>			
National Development Bank PLC	4.96Mn	60 equal monthly instalments	Primary mortgage over plant & machinery worth Rs. 3.6Mn.
Hatton National Bank PLC	300Mn	60 equal monthly instalments	Primary Mortgage Bond for Rs. 390Mn over the project assets comprising land, building and machinery at Meepe.
Hatton National Bank PLC	USD 1.8Mn	60 equal monthly instalments	Secondary Mortgage Bond for USD 1.8Mn over the project assets comprising land, building and machinery at Meepe.
Commercial Bank of Ceylon PLC	200Mn	60 equal monthly instalments	Primary Mortgage Bond for Rs.200Mn over the property situated at 215, Nawala road, Colombo 5.
Commercial Bank of Ceylon PLC	80Mn	60 equal monthly instalments	Primary mortgage Bond for Rs. 80Mn over the Ceramic Printer.
DFCC Bank	200Mn	60 equal monthly instalments	Primary Mortgage over movable machinery at Meepe.
<b>Lanka Tiles PLC</b>			
DFCC Bank	150MN	48 equal monthly instalments	A primary mortgage over land, building and immovable assets of Lanka Flooirtiles PLC at Ranala.
DFCC Bank	165Mn	84 equal monthly instalments	A primary mortgage over land, building and immovable assets of Lanka Flooirtiles PLC at Ranala.
DFCC Bank	287.71Mn	85 equal monthly instalments	A primary mortgage over land, building and immovable assets of Lanka Flooirtiles PLC at Ranala.
Commercial Bank of Ceylon PLC	22Mn	59 equal monthly instalments	A primary mortgage over land, building and immovable assets of Lanka Flooirtiles PLC at Ranala amounting to 100Mn.
Commercial Bank of Ceylon PLC	100Mn	48 equal monthly instalments	A primary mortgage over land, building and immovable assets of Lanka Flooirtiles PLC at Ranala amounting to 100Mn.
Hatton National Bank	38Mn	59 equal monthly instalments	A Primary mortgage Bond for 27Mn over the Sorting Line.

**19. INTEREST BEARING LOANS AND OTHER BORROWINGS (Contd.)****19.2 Details of The Long Term Loans - Group (Contd.)**

<b>Lender</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>
<b>Uni Packaging Limited</b>			
Sampath Bank PLC	USD 153,339	USD 3,000 Monthly instalments.	Mortgage Bond for USD 175,000 over machinery, concurrent mortgage bond over stocks and Debtors for USD 2.55Mn with HNB, HSBC and Deutsche Bank securing Sampath Bank for USD575,000.
<b>Horana Plantations PLC</b>			
Bank of Ceylon (75% of Project cost out of ADB Line of Credit)	245Mn	120 equal monthly instalments	Primary mortgage over leasehold rights of Alton Bambarakella, Eldon hall and Gouravilla Estates, to the value of Rs.24.99Mn.
Lanka Orix Leasing Co., PLC (Out of ADB Plantation Development project Line of Credit).	54.214Mn	84 equal monthly instalments	Secondary mortgage over the leasehold rights of Milakanda Estate and Mirishena Estate.
Lanka Orix Leasing Co., PLC (Out of ADB Plantation Development project Line of Credit).	21.079Mn	84 equal monthly instalments	Secondary mortgage over the leasehold rights of Milakanda Estate and Mirishena Estate.
Peoples Leasing Co., Ltd (Out of DFCC e-friends Line of Credit).	12Mn	48 equal monthly instalments	Promissory Notes and Primary mortgage over the leasehold rights of Hillstream Estate of Hirana Plantations PLC to the vaku of RS.12Mn.
Hatton National Bank PLC	150Mn	72 equal monthly instalments	Primary mortgage for 150Mn over the leasehold rights of Frocestor Estate undertaking from Tea brokers to recover & remit from sales.
National Development Bank PLC	200Mn	38 equal monthly instalments	Undertaking from Tea Brokers to recover & remit from Sales.

<b>Lender</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>
Central Company Finance PLC	16.483Mn	54 equal monthly instalments	Primary mortgage over leasehold rights of Tillcoultry Estate.
<b>Swisstek (Ceylon) PLC</b>			
Bank of Ceylon	25.817Mn	58 equal monthly instalments	Mortgage over Immovable property at Balummahara, Imbulgoda.
<b>Swisstek Aluminium Limited</b>			
DFCC Bank	290Mn	78 equal monthly instalments	Mortgage over Land, Building, Plant & Machinery Stocks & Book Debts.
<b>LB Finance PLC</b>			
<b>Securitised Burrowings</b>			
Trust 12	5Mn	48 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Trust 13	5.5Mn	46 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Trust 14	56.7Mn	48 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Trust 16	410Mn	48 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Trust 19	549Mn	48 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Trust 20	115Mn	24 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Trust 21	1470Mn	36 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables

**19. INTEREST BEARING LOANS AND OTHER BORROWINGS (Contd.)****19.2 Details of The Long Term Loans - Group (Contd.)**

<b>Lender</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>
<b>Syndicated Loans</b>			
Syndication 1	75Mn	42 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Syndication 2	414Mn	96 equal monthly instalments	Mortgage over Land and Building
<b>Direct Bank Borrowings</b>			
Bank of Ceylon 1	62Mn	48 equal monthly instalments	Mortgage over Lease receivables
Bank of Ceylon 2	67Mn	36 equal monthly instalments	Mortgage over Lease receivables
Bank of Ceylon 3	166Mn	48 equal monthly instalments	Mortgage over Hire Purchase receivables
Bank of Ceylon 4	7Mn	36 equal monthly instalments	Mortgage over Hire Purchase receivables

### 19.3 Debt Instruments Issued and Other Borrowed Funds

	2014 Rs.	2013 Rs.
Commercial papers	235,656,225	1,181,487,272
Unsecured Debentures (Note 19.3.1)	2,593,507,396	1,030,445,701
	<b>2,829,163,621</b>	<b>2,211,932,973</b>

#### 19.3.1 Unsecured Debentures

The face value of Rs.2,545,000,000 Unsecured Redeemable Subordinated listed Debentures were issued at following rates and will mature on 4<sup>th</sup> December 2016, 1<sup>st</sup> March 2017 and 29<sup>th</sup> November 2018.

Category	Interest payable	Amortized Cost (Rs.)	Face Value (Rs.)	Interest rate	Issued date	Maturity Date
RUSRD II	Annually	223,127,849	215,000,000	12.68% p.a.	05-Dec-11	04-Dec-16
RUSRD I	Bi Annually	103,658,919	100,000,000	12.30% p.a.	05-Dec-11	04-Dec-16
RUSRD I	Bi Annually	231,768,126	230,000,000	12.30% p.a.	01-Mar-12	01-Mar-17
Type A	Monthly	635,638,764	640,140,000	14.00% p.a.	29-Nov-13	29-Nov-18
Type B	Bi Annually	778,562,359	757,010,000	14.50% p.a.	29-Nov-13	29-Nov-18
Type C	Annually	620,751,379	602,850,000	15.00% p.a.	29-Nov-13	29-Nov-18
Total		2,593,507,396	2,545,000,000			

### 20. TRADE & OTHER PAYABLES

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade & Other Payables	50,000	236,063,625	3,755,059,257	3,338,293,051
Accrued Expenses	789,918	789,919	1,187,869,823	556,266,597
	<b>839,918</b>	<b>236,853,544</b>	<b>4,942,929,080</b>	<b>3,894,559,648</b>

### 21. OTHER NON FINANCIAL LIABILITIES

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Provisions	-	-	75,481,297	68,414,787
Advances	-	-	174,293,583	75,242,156
Others	-	-	880,433,673	751,923,347
	-	-	<b>1,130,208,553</b>	<b>895,580,290</b>

**22. AMOUNTS DUE TO RELATED PARTIES**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Delmege Insurance Brokers	-	-	-	1,014,356
Amount Due To Directors	-	25,000	60,335,420	25,000
California Link (Pvt) Ltd	-	-	31,266,827	22,643,158
Orit Holdings Ltd	-	-	-	4,083,541
	-	25,000	91,602,247	27,766,055

**23. DIVIDENDS PAYABLE**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Unclaimed Dividend	3,658,605	1,607,361	50,120,852	32,789,580
	3,658,605	1,607,361	50,120,852	32,789,580

**24. EMPLOYEE BENEFIT LIABILITIES**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance at the beginning of the year	1,762,825	1,720,067	376,222,424	333,115,101
Acquisition during the year	-	-	545,878,349	37,697,734
Amount Charged/(Reversed) for the year	260,545	656,006	103,905,606	75,731,820
(Payments)/Transfers made during the year	-	-	(120,457,961)	(51,192,220)
Impact of Exchange rate changes on conversions	-	-	3,290,735	(1,854,074)
Disposal of Subsidiary	-	-	-	(37,204,379)
Actuarial (gain)/loss	(423,297)	(785,255)	107,073,573	(9,377,312)
Benefits Payable	-	-	(8,592,945)	-
Interest cost	176,283	172,007	108,199,131	29,305,754
Balance at the end of the year	1,776,356	1,762,825	1,115,518,913	376,222,424

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31 March 2013 and 2014 by a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", recommended by revised LKAS 19.

**24.1 Actuarial assumptions**

	2014	2013
Discount Rate	10% - 12.9%	10%-12.25%
Future Salary increase	6% - 15%	8%-10%
Staff Turnover	10% - 25%	10% - 25%

## 25. STATED CAPITAL

	2014		2013	
	Number of Voting Shares	Rs.	Number of Voting Shares	Rs.
<b>25.1</b> Balance as at the beginning of the year	1,086,559,353	27,163,983,720	1,086,559,353	27,163,983,720
Issue of Shares	-	-	-	-
Balance as at the end of the year	1,086,559,353	27,163,983,720	1,086,559,353	27,163,983,720

## 26. RESERVES

### Company

	Retained Profits/ (Losses) 2014 Rs.	Available for Sale Reserve 2014 Rs.	Total 2014 Rs.	Retained Profits/ (Losses) 2013 Rs.	Available for Sale Reserve 2013 Rs.	Total 2013 Rs.
At the beginning of the year	682,459,835	(202,471,716)	479,988,119	411,791,029	(21,603,935)	390,187,094
Profit for the year	459,771,712	-	459,771,712	596,071,228	-	596,071,228
Other Comprehensive Income	304,774	(53,151,196)	(52,846,422)	565,384	(180,867,781)	(180,302,397)
Dividend paid	(760,591,547)	-	(760,591,547)	(325,967,806)	-	(325,967,806)
At the end of the year	381,944,773	(255,622,912)	126,321,862	682,459,835	(202,471,716)	479,988,119

**26 RESERVES (Contd.)**

Group Balance as at 31 <sup>st</sup> March 2013	Capital Reserve		Other component of equity	
	Reserve Fund	Investment Fund	Revaluation Reserve	Currency Translation Reserve
	Rs	Rs	Rs	Rs.
At the beginning of the year	237,111,264	109,614,077	-	166,410,784
Profit for the year	-	-	-	-
<b>Other Comprehensive Income</b>				
Share of other comprehensive income of equity accounted investees	-	-	-	-
Currency Translation Reserve	-	-	-	(11,012,285)
Actuarial Gain/(loss) on defined benefit obligation	-	-	-	-
Net Gain/(Loss) on Available for sale Financial Assets	-	-	-	-
Revaluation of Land & Buildings	-	-	81,962,308	-
	-	-	81,962,308	(11,012,285)
Adjustment due to change in Holding	-	-	-	-
Gain/Loss on Cash Flow Hedge	-	-	-	-
Transfer	218,792,458	153,561,177	-	-
Write back of unclaimed dividends	-	-	-	-
Dividend paid	-	-	-	-
At the end of the year	455,903,722	263,175,254	81,962,308	155,398,499

Available for Sale Reserve	Treasury Shares	Acturial Gain/ (loss) Reserve	Revenue Resrve		Hedge Reserve	Total
			General Reserve	Retained Profits		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(605,572,556)	(66,371,631)	-	50,665,256	1,922,766,309	-	1,814,623,503
-	-	-	-	2,149,071,511	-	2,149,071,511
(49,381,139)	-	-	-	-	-	(49,381,139)
-	-	-	-	-	-	(11,012,285)
-	-	4,971,348	-	-	-	4,971,348
(177,827,397)	-	-	-	-	-	(177,827,397)
-	-	-	-	-	-	81,962,308
(227,208,536)	-	4,971,348	-	-	-	(151,287,165)
-	-	-	(486,387)	(1,802,691)	-	(2,289,078)
-	-	-	-	-	14,348,796	14,348,796
-	-	-	-	(372,353,635)	-	-
-	-	-	-	215,328	-	215,328
-	-	-	-	(325,967,806)	-	(325,967,806)
(832,781,092)	(66,371,631)	4,971,348	50,178,869	3,371,929,015	14,348,796	3,498,715,089

**26 RESERVES (Contd.)**

Group (Contd.) Balance as at 31 <sup>st</sup> March 2014	Capital Reserve		Other component of equity	
	Reserve	Investment	Revaluation	Currency Translation
	Fund Rs	Fund Rs	Reserve Rs	Reserve Rs.
At the beginning of the year	455,903,722	263,175,254	81,962,308	155,398,499
Profit for the year	-	-	-	-
<b>Other Comprehensive Income</b>				
Share of other comprehensive income of equity accounted investees	-	-	202,635,276	-
Currency Translation Reserve	-	-	-	3,418,302
Actuarial Gain/(loss) on defined benefit obligation	-	-	-	-
Net Gain/(Loss) on Available for sale Financial Assets	-	-	-	-
Revaluation of Land & Building	-	-	436,653,961	-
	-	-	639,289,237	3,418,302
Transfers to/(from) during the year	172,327,778	115,020,541	-	-
Treasury Share Adjustments	-	-	-	-
Adjustment due to change in Holding	-	-	-	-
Write back of unclaimed dividends	-	-	-	-
Dividend Paid	-	-	-	-
At the end of the year	628,231,500	378,195,795	721,251,545	158,816,801

Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

As per the guideline issued to finance companies as proposed by 2011 budget, the Company shall transfer following to build a permanent fund:

- i) 8% of the profits calculated for the payment of VAT on Financial Services as specified in the VAT act for payment of VAT. (As proposed by 2014 budget, persons who are liable to pay VAT on Financial Services, are not required to deposit 8% of the value addition for any period commencing on or after 1<sup>st</sup> January 2014)
- ii) 5% of the profits before tax calculated for payment of income tax purposes on dates specified in section 113 of the inland revenue act for the self assessment payment of tax.

Available for Sale Reserve	Treasury Shares	Acturial Gain/(loss) Reserve	Revenue Resrve		Hedge Reserve	Total
			General Reserve	Retained Profits		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(832,781,092)	(66,371,631)	4,971,348	50,178,869	3,371,929,015	14,348,796	3,498,715,089
-	-	-	-	1,573,934,408	-	1,573,934,408
111,443,869	-	(39,734,253)	-	-	(14,474,513)	259,870,379
-	-	-	-	-	-	3,418,302
-	-	(14,943,364)	-	-	-	(14,943,364)
(31,788,115)	-	-	-	-	-	(31,788,115)
-	-	-	-	-	-	436,653,961
79,655,754	-	(54,677,617)	-	-	(14,474,513)	653,211,163
-	-	-	-	(287,348,318)	-	-
-	(1,300,000)	-	-	-	-	(1,300,000)
-	-	-	-	326,471,193	-	326,471,193
-	-	-	-	1,758,794	-	1,758,794
-	-	-	-	(724,708,223)	-	(724,708,223)
(753,125,339)	(67,671,631)	(49,706,269)	50,178,869	4,262,036,869	(125,717)	5,328,082,424

**27. CASH IN HAND AND CASH AT BANK**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Cash in hand and at Bank	33,413,213	5,212,175	2,036,376,122	2,052,308,859
Short Term Bank Deposits	-	-	56,790,138	70,145,775
Treasury Bill Repurchase Agreement	-	-	1,039,407,617	2,848,036,317
	33,413,213	5,212,175	3,132,573,877	4,970,490,951

**28. INCOME**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Summary</b>				
Manufacturing Sector	-	-	29,529,767,740	16,689,959,395
Financial Services Sector	-	-	13,491,703,996	11,256,438,713
Sale of goods	-	-	4,943,470,768	4,833,119,764
Rendering of services	-	-	366,148,593	330,309,346
	-	-	48,331,091,097	33,109,827,218

**29. DIVIDEND INCOME**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Income from Investment in Related Parties	353,109,503	379,366,270	-	-
Income from Other Investments	-	-	18,358,628	9,996,774
	353,109,503	379,366,270	18,358,628	9,996,774

**30. OTHER OPERATING INCOME**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Profit on Sale of Property, Plant & Equipment	-	-	72,954,289	11,370,422
Real Estate Income ( net of cost )	-	-	11,845,734	10,614,679
Commission Income	-	-	31,206,177	-
Hiring Income	-	-	119,706,711	107,807,622
Recoveries of Bad Debts on write offs	-	-	1,246,000	-
Exchange gain	-	-	34,858,413	-
Rent income	-	-	38,302,233	-
Change in fair value of consumable biological assets	-	-	26,052,000	-
Amortisation of capital & revenue grants	-	-	5,659,000	-
Sundry Income	-	-	105,141,860	81,878,062
	-	-	446,972,417	211,670,785

**31. FINANCE COST**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Interest on Loans	6,087,334	-	1,714,496,261	900,673,605
Interest on Bank Overdrafts	-	-	202,001,897	158,833,628
Interest on Finance Leases	-	-	23,645,045	6,507,836
Discount charges	-	-	-	34,039,459
RTS international and Trade card charged	-	-	1,805,082	16,813,956
Interest expense on TR bills	-	-	64,054,247	-
Net loss on Financial Assets at fair value through profit or loss	55,627,525	27,901,584	85,001,141	109,823,535
	<b>61,714,859</b>	<b>27,901,584</b>	<b>2,091,003,673</b>	<b>1,226,692,019</b>

**32. FINANCE INCOME**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Exchange gain	-	1,345,361	14,715,725	44,648,987
Profit on Financial Assets at fair value through profit or loss	39,701,444	-	43,563,066	15,411,385
Profit on Disposal of Investment	-	52,505,912	31,302,483	57,551,208
Deposit fair value adjustment	87,266	-	87,266	-
Interest Income	260,173,911	315,035,628	184,059,220	106,106,645
Depreciation/Appreciation in Market Value of Quoted Shares	-	-	11,336,392	17,592,125
Reclassification Adjustment for Gain/(Loss)	-	-	-	(7,367,790)
	<b>299,962,621</b>	<b>368,886,901</b>	<b>285,064,153</b>	<b>233,942,560</b>

**33. PROFIT FROM OPERATION STATED AFTER CHARGING THE FOLLOWING EXPENSES**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Auditors' Remuneration	168,000	150,000	17,374,137	10,970,722
Depreciation	8,642,595	8,075,605	1,545,526,344	881,040,847
Amortization of Intangible Assets	-	-	73,516,644	54,858,661
Employee Benefits including the following	19,628,962	15,557,367	4,240,950,510	2,467,561,409
Defined Benefit Plan Costs - Gratuity	436,828	828,013	212,103,738	105,037,575
Defined Contribution Plan Costs - EPF & ETF	1,670,550	2,182,900	402,758,465	103,085,995
Export Duty Rebate	-	-	(8,710,627)	(7,545,300)
Provision / (Reversal) for Inventory	-	-	-	99,185,598
Loss on translation of foreign currency	-	-	25,052,415	(11,642,376)
Donation	-	-	4,085,848	-
Damage Stocks net of insurance claims received	-	-	21,736,499	13,222,971

**34. INCOME TAX EXPENSE**

The major components of income tax expense for the years ended 31<sup>st</sup> March are as follows :

34.1	Income Statement	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
	<b>Current Income Tax</b>				
	Current Income Tax charge	47,634,937	64,587,877	885,933,219	973,415,924
	Share of Associate Company Income Tax	-	-	119,373,188	297,063,584
	Under/(over) provision of current taxes in respect of prior years	(31,532)	(10,768,943)	(23,659,079)	(6,326,815)
	<b>Deferred Income Tax</b>				
	Deferred tax charge / (reversal)	654,319	447,390	(211,600,703)	(180,667,056)
	<b>Income tax expense reported in the Income Statement</b>	<b>48,257,723</b>	<b>54,266,324</b>	<b>770,046,625</b>	<b>1,083,485,637</b>
34.2	<b>Consolidated Statements of Other Comprehensive Income</b>				
	Income Tax on available for Sale	-	-	(9,769,282)	(1,603,975)
	Income Tax on Revaluation of Buildings	-	-	(7,527,558)	(84,830,056)
	Income Tax on actuarial gain/(loss)	118,523	219,871	20,567,272	-
		<b>118,523</b>	<b>219,871</b>	<b>3,270,432</b>	<b>(86,434,031)</b>

**34.3 Reconciliation Between Tax Expenses And The Product of Accounting Profit Multiplied By The Statutory Effective Tax Rates Are As Follows:**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Accounting Profit before Income Tax	508,029,435	650,337,553	3,832,106,204	4,092,171,048
Tax effect on accounting profit at the statutory income tax rate of 28%	142,248,242	182,094,515	1,059,141,705	1,070,269,701
Tax effect on accounting profit at the statutory income tax rate of 12%	-	-	15,843,193	-
Tax effect on Non deductible expense	18,135,159	10,756,308	830,712,403	960,992,151
Tax effect on Other allowable Credits	(112,748,464)	(129,876,179)	(129,744,310)	(137,589,483)
Tax effect on Deductable expense	-	-	(612,977,857)	(82,994,002)
Exempt Income	-	-	(221,626,805)	(837,323,463)
Other tax adjustments	-	-	1,373,891	4,447,787
Tax losses Utilized	-	(4,386,766)	(56,789,000)	(4,386,766)
<b>Current Income tax</b>	<b>47,634,937</b>	<b>64,587,877</b>	<b>885,933,219</b>	<b>973,415,924</b>

### 35. EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the Income and Share data used in the Basic Earnings Per Share computation.

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Amounts Used as the Numerators:</b>				
Net Profit Attributable to Ordinary Shareholders of the Parent for Basic Earnings Per Share	459,771,712	596,071,228	1,573,934,408	2,149,071,511
<b>Number of Ordinary Shares Used as Denominators for Basic Earnings per share</b>				
	2014 Number	2013 Number	2014 Number	2013 Number
Weighted Average number of Ordinary Shares in issue Applicable to Basic Earnings Per Share	1,086,559,353	1,086,559,353	1,086,559,353	1,086,559,353
<b>Effect of dilution:</b>				
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Weighted average number of ordinary shares for basic earnings per share	1,086,559,353	1,086,559,353	1,086,559,353	1,086,559,353
Effect of potential ordinary shares (ie share optios, convertible preference shares etc...)	-	-	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	1,086,559,353	1,086,559,353	1,086,559,353	1,086,559,353
To calculate the earnings per share amounts for discontinued operation , the weighted average number of ordinary shares for both the basic and diluted amounts is as per the table above. The Following table provides the profit/(loss) amount used:				
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Net profit attributable to ordinary equity holders of the parent from continuing operations	459,771,712	596,071,228	1,573,934,408	2,102,592,133
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	-	-	-	46,479,378
<b>Net profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>459,771,712</b>	<b>596,071,228</b>	<b>1,573,934,408</b>	<b>2,149,071,511</b>
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	459,771,712	596,071,228	1,573,934,408	2,149,071,511
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Basic/ Diluted Earning Per Share	0.42	0.55	1.45	1.98
Basic/ Diluted Earning Per Share for Continuing Operations	0.42	0.55	1.45	1.94

**36 OPERATING SEGMENT INFORMATION****36.1 Segment Assets and Liabilities**

	Investment Sector		Tiles sector	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>ASSETS</b>				
Cash and Bank	33,413,213	5,212,175	270,483,681	228,979,899
Financial Investments - Fair Value Through P&L	274,816,280	210,328,959	128,962,267	291,786,283
Short Term Investments	390,537,466	615,000,000	-	-
Loans and Receivable	375,000,000	375,000,000	-	-
Lease Rentals receivables and Stock out on hire	-	-	-	-
Financial Investments - Available for sales	803,931,895	857,083,091	194,937,164	196,470,003
Other Financial Assets	-	-	-	-
Trade and Other Debtors, Deposits and Prepayments	75,910,569	55,804,232	1,634,480,911	824,229,460
Other Non Financial Assets	-	29,011,754	592,884,916	293,512,115
Investment in Associate	-	-	-	-
Amount Due From Related Parties	-	-	-	-
Deferred Tax Assets	-	-	195,831,689	19,057,694
Income Tax Recoverable	6,102,166	8,155,395	18,159,489	8,434,977
Inventories	-	-	5,351,812,419	1,485,784,753
Intangible Assets	12,967,442,763	12,020,564,488	156,921,128	111,053,387
Property, Plant and Equipment	35,273,551	40,860,011	11,261,320,855	3,901,439,111
Investment Property	-	-	-	-
Leasehold Rights Over Mining Lands	-	-	-	-
<b>Total Assets</b>	<b>14,962,427,903</b>	<b>14,217,020,105</b>	<b>19,805,794,518</b>	<b>7,360,747,679</b>
<b>LIABILITIES</b>				
Due to banks	4,482,766	5,609,281	1,796,625,824	990,853,031
Due to Customers	-	-	-	-
Interest Bearing Loans and Borrowings	-	-	9,253,244,513	2,815,764,364
Trade and Other Payables	839,918	236,853,543	1,213,941,828	300,350,477
Other Non Financial Liabilities	-	-	345,869,071	160,473,201
Amount Due To Related Parties	-	25,000	-	-
Dividend Payable	3,658,605	1,607,361	46,462,247	31,182,219
Employee Benefit Liabilities	1,776,356	1,762,825	344,756,743	151,756,901
Income Tax Liabilities	-	25,232,711	12,738,000	-
Deferred Tax Liabilities	3,601,776	2,828,934	472,792,000	22,269,422
Deferred Income and Capital grants	-	-	-	-
<b>Total Liabilities</b>	<b>14,359,420</b>	<b>273,919,655</b>	<b>13,486,430,226</b>	<b>4,472,649,615</b>

	Sanitary wear		Plantation		Bank & Finance		Hotel	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	4,925,959	10,252,146	6,719,000	-	1,865,100,105	4,019,673,357	1,284,220	659,586
	-	-	-	-	7,595,184	7,323,047	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	18,893,238,073	16,452,987,398	-	-
	-	-	-	-	30,290,731,753	28,260,005,404	-	-
	-	-	-	-	1,468,391,495	470,622,978	-	-
	-	-	-	-	5,083,135,948	1,487,399,284	-	-
	680,124,138	277,377,880	120,290,000	-	-	-	1,109,631	-
	87,689,943	76,240,689	27,285,000	-	921,041,954	1,205,229,841	-	1,552,874
	-	-	-	-	8,047,058,826	7,415,076,663	321,781,392	323,392,106
	-	-	-	-	-	-	-	-
	-	-	-	-	171,857,302	180,551,381	-	-
	-	-	-	-	-	-	-	-
	829,641,491	627,045,108	239,629,000	-	-	-	-	-
	-	-	-	-	36,425,532	23,669,453	-	-
	1,535,403,856	1,462,700,267	2,697,666,000	-	2,067,928,786	2,100,938,825	404,470,076	372,713,451
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	3,137,785,387	2,453,616,090	3,091,589,000	-	68,852,504,958	61,623,477,631	728,645,319	698,318,017
	-	-	-	-	4,023,855,834	6,343,473,666	-	93,279
	-	-	-	-	45,332,657,647	37,591,184,467	-	-
	625,943,834	252,120,789	896,846,000	-	2,875,691,055	2,266,953,359	-	-
	105,496,645	56,079,858	288,243,000	-	655,052,305	638,010,603	9,861,523	9,763,303
	23,368,364	40,173,893	-	-	760,971,118	694,933,196	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	12,402,517	4,677,654	457,790,000	-	93,198,687	60,230,318	371,874	251,552
	5,022,629	16,498,774	-	-	103,717,579	147,956,328	23,499	30,741
	7,131,639	8,352,147	99,476,000	-	-	-	-	-
	-	-	118,411,000	-	-	-	-	-
	779,365,629	377,903,115	1,860,766,000	-	53,845,144,225	47,742,741,937	10,256,895	10,138,875

**36 OPERATING SEGMENT INFORMATION (Contd.)****36.1 Segment Assets and Liabilities (Contd.)**

	Consumer		Life style	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>				
Cash and Bank	19,645,696	44,100,176	22,798,023	13,655,231
Financial Investments - Fair Value Through P&L	4,161,843	-	5,604,320	-
Short Term Investments	-	-	-	-
Loans and Receivable	-	-	-	-
Lease Rentals receivables and Stock out on hire	-	-	-	-
Financial Investments - Available for sales	-	-	-	-
Other Financial Assets	-	-	-	-
Trade and Other Debtors, Deposits and Prepayments	581,643,760	562,501,387	364,454,578	332,081,809
Other Non Financial Assets	-	-	-	-
Investment in Associate	-	-	-	-
Amount Due From Related Parties	-	-	-	-
Deferred Tax Assets	3,710,610	-	5,799,835	-
Income Tax Recoverable	3,068,984	15,279,150	(89,378)	4,542,061
Inventories	220,872,896	162,124,217	373,776,794	369,844,931
Intangible Assets	5,533,308	-	-	-
Property, Plant and Equipment	9,586,720	11,089,036	136,591,556	139,956,999
Investment Property	-	-	-	-
Leasehold Rights Over Mining Lands	-	-	-	-
<b>Total Assets</b>	<b>848,223,817</b>	<b>795,093,966</b>	<b>908,935,728</b>	<b>860,081,031</b>
<b>LIABILITIES</b>				
Due to banks	737,959,296	707,351,469	-	-
Due to Customers	-	-	-	-
Interest Bearing Loans and Borrowings	893,565,700	574,787,967	382,786,934	324,120,483
Trade and Other Payables	314,455,481	298,616,132	182,978,858	195,652,904
Other Non Financial Liabilities	-	-	-	-
Amount Due To Related Parties	-	-	-	193,754
Dividend Payable	-	-	-	-
Employee Benefit Liabilities	7,328,466	8,917,189	11,640,829	9,441,177
Income Tax Liabilities	-	-	-	65,756
Deferred Tax Liabilities	-	-	-	-
Deferred Income and Capital grants	-	-	-	-
<b>Total Liabilities</b>	<b>1,953,308,943</b>	<b>1,589,672,757</b>	<b>577,406,621</b>	<b>529,474,074</b>

	Healthcare		Apparel		Other		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	17,019,413	41,279,562	593,735,764	427,879,608	297,448,802	178,799,211	3,132,573,877	4,970,490,951
	-	-	6,689,570	5,176,127	19,493,513	66,017,566	447,322,975	580,631,983
	-	-	-	-	-	-	390,537,466	615,000,000
	-	-	-	-	-	-	19,268,238,073	16,827,987,398
	-	-	-	-	-	-	30,290,731,753	28,260,005,404
	-	-	-	-	-	-	2,467,260,555	1,524,176,072
	-	-	-	-	64,424,255	67,104,353	5,147,560,203	1,554,503,637
	210,356,078	323,323,930	1,816,544,153	1,390,190,575	1,241,133,548	295,820,957	6,726,047,367	4,061,330,228
	-	-	-	130,842,954	19,462,709	23,405,458	1,648,364,522	1,759,795,685
	-	-	-	-	-	-	8,368,840,218	7,738,468,769
	-	-	-	-	-	21,006,544	-	21,006,544
	981,623	-	22,922,916	21,604,932	123,022,155	-	524,126,130	221,214,007
	7,299,196	5,095,703	-	-	12,698,093	7,594,437	47,238,551	49,101,723
	886,653,712	677,876,154	1,450,027,219	1,515,414,355	443,664,426	100,949,176	9,796,077,954	4,939,038,693
	-	-	26,014,415	26,620,512	-	-	13,192,337,148	12,181,907,836
	6,530,600	4,642,450	1,997,416,027	2,061,736,406	3,157,665,269	1,718,370,945	23,309,853,294	11,814,447,501
	-	-	-	-	240,094,000	-	240,094,000	-
	-	-	-	-	1,226,500	-	1,226,500	-
	1,128,840,623	1,052,217,799	5,913,350,064	5,579,465,469	5,620,333,269	2,479,068,647	124,998,430,587	97,119,106,431
	-	-	213,460,778	248,115,814	-	-	6,776,384,497	8,295,496,541
	-	-	-	-	-	-	45,332,657,647	37,591,184,467
	328,719,724	171,326,438	3,258,607,807	2,601,411,491	1,575,871,904	387,560,399	20,091,277,473	9,394,045,289
	695,410,385	751,943,823	817,116,179	1,017,310,755	659,532,959	389,978,249	4,942,929,080	3,894,559,648
	-	-	-	-	-	-	1,130,208,553	895,580,290
	-	820,603	91,602,247	26,726,699	-	-	91,602,247	27,766,055
	-	-	-	-	-	-	50,120,852	32,789,580
	4,848,387	5,124,038	119,206,083	107,385,629	62,198,972	26,675,140	1,115,518,912	376,222,424
	-	-	17,145,275	-	9,500,000	3,025,098	148,146,982	192,809,409
	-	-	-	906,246	25,384,837	37,495,694	608,386,252	71,852,441
	-	-	-	-	-	-	118,411,000	-
	1,028,978,496	929,214,902	4,517,138,369	4,001,856,634	2,332,488,672	844,734,580	80,405,643,496	60,772,306,145

**36 OPERATING SEGMENT INFORMATION (Contd.)****36.2 Segment Results**

	Investment Sector		Tiles sector	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	-	-	14,198,807,474	6,453,857,547
Cost of Sales	-	-	(8,869,548,457)	(3,536,474,523)
<b>Gross Profit/ (Loss)</b>	-	-	<b>5,329,259,017</b>	<b>2,917,383,024</b>
Dividend Income	12,736,516	-	1,835,528	7,537,878
Other Operating Income	-	-	9,981,182	7,860,801
Administrative Expenses	(79,061,331)	(69,794,163)	(995,114,216)	(408,548,363)
Distribution Expenses	-	-	(1,868,415,629)	(1,027,761,795)
Other Operating Expenses	(4,266,500)	-	(25,173,435)	(25,173,435)
<b>Results from Operating activities</b>	<b>(70,591,315)</b>	<b>(69,794,163)</b>	<b>2,452,372,447</b>	<b>1,471,298,110</b>
Finance cost	(61,714,859)	(27,901,584)	(1,186,416,684)	(600,205,320)
Finance income	161,468,225	134,995,526	58,783,659	16,829,752
<b>Net Finance Cost</b>	<b>99,753,366</b>	<b>107,093,942</b>	<b>(1,127,633,025)</b>	<b>(583,375,568)</b>
Negative Goodwill	-	-	-	-
Share of results of equity - accounted investees	-	-	-	-
Gold loan auction losses	-	-	-	-
<b>Profit Before Value Added Tax</b>	<b>29,162,052</b>	<b>37,299,779</b>	<b>1,324,739,422</b>	<b>887,922,542</b>
Value Added Tax on Financial Service	-	-	-	-
<b>Profit/(Loss) before tax</b>	<b>29,162,052</b>	<b>37,299,779</b>	<b>1,324,739,422</b>	<b>887,922,542</b>
Tax expense	(45,257,723)	(54,486,195)	(7,102,145)	133,021,400
<b>Profit/(Loss) for the period</b>	<b>(19,095,671)</b>	<b>(17,186,416)</b>	<b>1,317,637,277</b>	<b>1,020,943,942</b>

	Consumer		Life style	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	2,150,977,335	1,763,263,879	1,287,932,366	1,326,000,761
Cost of Sales	(1,719,696,706)	(1,480,038,445)	(958,915,155)	(960,260,918)
<b>Gross Profit/ (Loss)</b>	<b>431,280,629</b>	<b>283,225,434</b>	<b>329,017,211</b>	<b>365,739,843</b>
Dividend Income	1,379,365	-	-	-
Other Operating Income	38,697,278	(43,786,553)	18,076,344	26,893,432
Administrative Expenses	(147,715,415)	(182,284,161)	(144,009,812)	(108,817,465)
Distribution Expenses	(350,078,691)	(422,780,036)	(139,493,922)	(122,749,626)
Other Operating Expenses	(34,785,759)	139,964	10	(1,992,356)
<b>Results from Operating activities</b>	<b>(61,222,593)</b>	<b>(365,485,352)</b>	<b>63,589,831</b>	<b>159,073,828</b>
Finance cost	(224,677,330)	(239,989,134)	(70,626,249)	(66,109,828)
Finance income	-	39,194,976	9,104,222	-
<b>Net Finance Cost</b>	<b>(224,677,330)</b>	<b>(200,794,158)</b>	<b>(61,522,027)</b>	<b>(66,109,828)</b>
Negative Goodwill	-	-	-	-
Share of results of equity - accounted investees	-	-	-	-
Gold loan auction losses	-	-	-	-
<b>Profit Before Value Added Tax</b>	<b>(285,899,923)</b>	<b>(566,279,510)</b>	<b>2,067,804</b>	<b>92,964,000</b>
Value Added Tax on Financial Service	-	-	-	-
<b>Profit/(Loss) before tax</b>	<b>(285,899,923)</b>	<b>(566,279,510)</b>	<b>2,067,804</b>	<b>92,964,000</b>
Tax expense	-	-	(153,573)	-
<b>Profit/(Loss) for the period</b>	<b>(285,899,923)</b>	<b>(566,279,510)</b>	<b>1,914,231</b>	<b>92,964,000</b>

	Sanitary wear		Plantation		Bank & Finance		Hotel	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
	1,124,666,917 (709,963,492)	1,081,906,770 (660,427,519)	2,069,471,000 (1,796,996,000)	- -	13,491,703,996 (7,012,629,639)	11,256,285,311 (5,772,574,618)	- -	- -
	414,703,426	421,479,251	272,475,000	-	6,479,074,358	5,483,710,693	-	-
	592,575 (20,861,214) (33,680,932)	(680,853) (21,970,625) (47,939,245)	29,085,000 (81,770,000)	- -	2,407,219 141,000,907 (1,541,578,057)	2,458,896 133,382,939 (1,864,190,273)	- -	- -
	(33,680,932)	(47,939,245)	-	-	-	(247,182,111)	(22,523,315)	(24,852,792)
	-	-	-	-	(1,616,125,403)	(426,633,523)	-	-
	360,753,854	350,888,528	219,790,000	-	3,464,779,023	3,081,546,621	(22,523,315)	(24,852,792)
	(51,832,407)	(40,703,133)	(58,644,000)	-	(6,886,870)	-	(28,750)	(500)
	-	-	315,000	-	272,137	(24,028,499)	198,079	109,791
	(51,832,407)	(40,703,133)	(58,329,000)	-	(6,614,733)	(24,028,499)	169,329	109,291
	-	-	-	-	-	-	-	-
	-	-	-	-	577,750,832	1,005,156,356	(1,610,714)	(1,162,211)
	-	-	-	-	(1,371,959,171)	(201,802,205)	-	-
	308,921,447	310,185,395	161,461,000	-	2,663,955,951	3,860,872,273	(23,964,700)	(25,905,712)
	-	-	-	-	(112,617,882)	(176,248,776)	-	-
	308,921,447	310,185,395	161,461,000	-	2,551,338,070	3,684,623,497	(23,964,700)	(25,905,712)
	(16,916,767)	(12,253,009)	(29,969,000)	-	(647,734,625)	(1,154,779,039)	(1,591)	311,873
	292,004,680	297,932,386	131,492,000	-	1,903,603,445	2,529,844,458	(23,966,292)	(25,593,839)

	Healthcare		Apparel		Other		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
	1,175,239,904 (988,952,171)	1,104,342,238 (939,888,052)	9,780,967,638 (9,127,897,735)	9,015,905,583 (8,569,862,499)	3,051,324,467 (2,491,901,034)	1,108,265,129 (901,666,337)	48,331,091,096 (33,676,500,388)	33,109,827,218 (22,821,192,911)
	186,287,733	164,454,186	653,069,903	446,043,084	559,423,432	206,598,792	14,654,590,708	10,288,634,307
	-	-	-	-	-	-	18,358,628	9,996,774
	20,519,286 (98,724,512) (104,373,047) (2,188,809)	10,662,938 (64,025,629) (53,266,766)	4,559,327 (575,914,401)	11,345,714 (523,400,861)	184,460,518 (495,788,584) (204,828,820) (12,078,370)	65,992,368 (317,165,208) (74,911,032) (16,137,423)	446,972,417 (4,203,060,856) (2,700,871,082) (1,694,618,265)	211,670,785 (3,585,049,540) (1,996,590,611) (469,796,773)
	1,520,651	57,824,729	81,714,829	(66,012,063)	31,188,1797	(135,622,501)	6,521,371,550	4,458,864,942
	(31,644,735)	(32,816,270)	(236,220,194)	(185,804,786)	(162,311,596)	(33,161,464)	(2,091,003,673)	(1,226,692,019)
	-	-	48,555,361	66,821,088	6,367,470	19,926	285,064,1523	233,942,560
	(31,644,735)	(32,816,270)	(187,664,833)	(118,983,698)	(155,944,127)	(33,141,538)	(1,805,939,520)	(992,749,459)
	-	-	-	-	25,111,110	112,401	25,111,110	112,401
	-	-	-	-	-	-	576,140,117	1,003,994,145
	-	-	-	-	-	-	(1,371,959,171)	(201,802,205)
	(30,124,084)	25,008,459	(105,950,005)	(184,995,761)	(99,644,839)	(168,651,640)	3,944,724,086	4,268,419,824
	-	-	-	-	-	-	(112,617,882)	(176,248,776)
	(30,124,084)	25,008,459	(105,950,005)	(184,995,761)	(99,644,839)	(168,651,640)	3,832,106,2074	4,092,171,048
	-	-	(15,333,772)	19,856,304	(4,577,428)	(15,156,970)	(770,046,625)	(1,083,485,637)
	(30,124,084)	25,008,459	(121,283,777)	(165,139,457)	(104,222,267)	(183,808,610)	3,062,059,579	3,008,685,411

**37. COMMITMENTS AND CONTINGENCIES**

Contingent Liabilities	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Guarantees issued to Banks and other Institutions	-	-	2,832,573,070	15,300,000
Import LC and Ordinary Guarantees	-	-	78,718,461	89,637,623
	-	-	2,911,291,531	104,937,623

**Royal Ceramics Lanka PLC**

Companies within the group issued corporate guarantees in favour of Royal Ceramics Lanka PLC, Royal Porcelain (Pvt) Ltd, Rocell Bathware Ltd and Ever Paint and Chemical Industries (Pvt) Ltd guaranteeing loans, interest and other charges of the loans as stated in note 19.

**Orit Apparels Lanka (Private) Limited**

Corporate guarantee for an amount of USD 4.5 million has been given to Orit Trading Lanka (Private) Limited for bank borrowings from Seylan Bank PLC. Corporate guarantee for an amount of USD 2.85 million has been given to Orit apparels Lanka (Private) Limited for bank borrowings from HSBC.

**Litigation****Delmege Limited**

The above company have contingent liabilities in respect of legal claims arising in the ordinary course of business. Based on the information currently available, the Board of the opinion that the ultimate resolution of the litigations would not likely to have a material impact on the Group.

Commitments	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Contracted but not provided for	-	-	253,813,296	254,370,715
Unutilised facilities	-	-	548,118,887	1,118,332,877
Rent	-	-	8,135,401	-
	-	-	810,067,584	1,372,703,592

## 38. RELATED PARTY DISCLOSURES

### Transactions with Key Managerial persons.

The Key Managerial personnel of the Company are the members of its Board of Directors. Following transactions are entered between the company and its Key Management Personnel and their close family members.

#### 38.1 Compensation to Key Managerial Personnel

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Short Term Employment Benefits - Executive Directors	2,400,000	2,400,000	327,352,549	199,718,944
- Non Executive Directors	4,800,000	4,800,000	7,304,285	7,075,000
Post Employment Benefits - Executive Directors	-	-	16,326,927	7,288,211

#### 38.2 Other transactions with Key Managerial Personnel

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Fixed Deposits Accepted during the year	-	-	565,221,193	884,056,002
Interest Payable on Fixed Deposits	-	-	12,703,354	19,497,423
Rental Paid	-	-	6,906,262	5,880,536
Sales	-	-	1,928,660	3,097,868
Transport Charges	-	-	1,190,155	1,318,051

Transactions with entities that are controlled, jointly controlled or significantly influenced by Key Managerial Personnel or their close member of family, or shareholders who have either control, significant influences or joint control over entity.

Transactions with related parties other than disclosed above

### Nature of Transaction

Nature of Transaction	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Fixed Deposits Accepted during the period		-	-	-	960,572,007
Dividend paid on shareholding		-	-	-	2,693,040
Other Interest Income	38.3	121,679,535	129,185,629	121,679,535	129,185,629
Dividend Income	38.3	9,821,628	8,730,336	9,821,628	8,730,336
Investment Made	38.3	-	385,420,631	-	385,420,631
Equity Investment in Associates	38.3	-	61,253,379	-	-
Investment in Fixed Deposits / Debenture	38.3	1,000,027,971	990,868,056	1,000,027,971	990,868,056

**38.3 Related Companies**

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Other Interest Income</b>		
Vallibel Finance PLC	115,590,081	128,317,573
Pan Asia Banking Corporation PLC	6,089,454	868,056
	<b>121,679,535</b>	<b>129,185,629</b>
<b>Dividend Income</b>		
Heyleys PLC	9,821,628	8,730,336
	<b>9,821,628</b>	<b>8,730,336</b>
<b>Investments Made</b>		
Heyleys PLC	-	137,738,513
The Fortress Resorts PLC	-	247,682,118
	-	<b>385,420,631</b>
<b>Equity Investment in Associates</b>		
Sampath Bank PLC	-	60,968,021
Waskaduwa Beach Resort PLC	-	285,358
	-	<b>61,253,379</b>
<b>Investment in Fixed Deposits / Debenture/Repo</b>		
Vallibel Finance PLC		
Investment in Debentures	375,000,000	375,000,000
Investment in Fixed Deposit	618,938,517	615,000,000
Pan Asia Banking Corporation PLC		
Investment in Repo	29,000,000	-
	<b>1,022,938,517</b>	<b>990,000,000</b>

### 38.4 Transaction with related entities

	Note	Company	
		2014	2013
<b>Subsidiaries</b>			
Fund Transfers		42,826,896	45,841,646
Loan given		-	90,000,000
Interest Received	38.5	134,387,765	183,925,209
Share buy back - Orit Apparel Lanka (private) Limited		-	250,098,139
Investment made in Fixed Deposit	38.5	750,000,000	1,113,000,000
Dividend Income Received	38.5	230,822,457	289,611,200
<b>Associates</b>			
Dividend Income			
Sampath Bank PLC		146,230,182	105,876,576
Equity Investment in Associates	11.2.1		
Sampath Bank PLC		-	60,968,021
Waskaduwa Beach Resorts PLC		-	285,358
		-	61,253,379

### 38.5 Transaction with related entities

		Company	
		2014	2013
<b>Investment made in Fixed Deposit</b>			
LB Finance PLC		750,000,000	1,113,000,000
		750,000,000	1,113,000,000
<b>Dividend Income Received</b>			
LB Finance PLC		229,587,800	176,606,000
Royal Ceramics Lanka PLC		-	113,005,200
Delmage Limited		1,234,657	-
		230,822,457	289,611,200
<b>Interest Received</b>			
Delmage Limited		6,487,890	5,738,301
Orit Apparels Lanka (Pvt) Ltd		2,632,320	5,054,795
LB Finance PLC		125,267,555	173,132,113
		134,387,765	183,925,209

**39. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES**

Below is an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2014 within 12 months	2014 After 12 months	2014 Total as at 31st March 2014	2013 within 12 months	2013 After 12 months	2013 Total as at 31st March 2013
<b>ASSETS</b>						
Cash and Bank	3,132,573,877	-	3,132,573,877	4,970,490,951	-	4,970,490,951
Financial Investments - Fair Value Through P&L	447,322,976	-	447,322,976	580,631,983	-	580,631,983
Short Term Investments	390,537,466	-	390,537,466	615,000,000	-	615,000,000
Loans and Receivable and Stock out on hire	13,182,825,320	6,085,412,753	19,268,238,073	13,925,971,760	2,902,015,638	16,827,987,398
Financial Investments - Available for sales	13,626,191,852	16,664,539,903	30,290,731,755	11,376,700,541	16,883,304,863	28,260,005,404
Other Financial Assets	2,467,260,555	-	2,467,260,555	1,524,176,072	-	1,524,176,072
Trade and Other Debtors, Deposits and Prepayments	5,147,560,203	-	5,147,560,203	1,554,503,637	-	1,554,503,637
Other Non Financial Assets	6,726,047,366	-	6,726,047,366	4,061,330,230	-	4,061,330,230
Investments in Subsidiaries	1,533,392,350	114,972,172	1,648,364,522	1,587,576,245	172,219,440	1,759,795,685
Investment in Associate	-	-	-	-	-	-
Amount Due From Related Parties	-	8,368,840,218	8,368,840,218	-	7,738,468,769	7,738,468,769
Deferred Tax Assets	-	-	-	21,006,544	-	21,006,544
Income Tax Recoverable	-	524,126,130	524,126,130	-	221,214,007	221,214,007
Inventories	47,238,551	-	47,238,551	49,101,723	-	49,101,723
Intangible Assets	9,796,077,954	-	9,796,077,954	4,939,038,693	-	4,939,038,693
Property, Plant and Equipment	-	13,192,337,148	13,192,337,148	-	12,181,907,836	12,181,907,836
Investment Property	-	23,309,853,297	23,309,853,297	-	11,814,447,501	11,814,447,501
Mining Lands	-	240,094,000	240,094,000	-	-	-
Mining Lands	-	1,226,500	1,226,500	-	-	-
<b>Total Assets</b>	<b>56,497,028,470</b>	<b>68,501,402,121</b>	<b>124,998,430,590</b>	<b>45,205,528,378</b>	<b>51,913,578,053</b>	<b>97,119,106,431</b>
<b>LIABILITIES</b>						
Due to banks	3,373,734,360	3,402,650,137	6,776,384,497	2,830,516,030	5,464,980,511	8,295,496,541
Due to Customers	39,144,117,776	6,188,539,871	45,332,657,647	31,695,632,316	5,895,552,151	37,591,184,467
Interest Bearing Loans and Borrowings	10,418,518,419	9,672,759,054	20,091,277,473	6,371,955,517	3,022,089,772	9,394,045,289
Trade and Other Payables	4,942,929,080	-	4,942,929,080	3,894,559,648	-	3,894,559,648
Other Non Financial Liabilities	1,130,208,553	-	1,130,208,553	895,580,290	-	895,580,290
Amount Due To Related Parties	91,602,247	-	91,602,247	27,766,055	-	27,766,055
Dividend Payable	50,120,852	-	50,120,852	32,789,580	-	32,789,580
Employee Benefit Liabilities	-	1,115,518,913	1,115,518,913	-	376,222,424	376,222,424
Income Tax Liabilities	148,146,980	-	148,146,980	192,809,411	-	192,809,411
Deferred Tax Liabilities	-	608,386,252	608,386,252	-	71,852,441	71,852,441
Deferred Income and Capital grants	-	118,411,000	118,411,000	-	-	-
<b>Total Liabilities</b>	<b>59,299,378,267</b>	<b>21,106,265,227</b>	<b>80,405,643,494</b>	<b>45,941,608,848</b>	<b>14,830,697,300</b>	<b>60,772,306,147</b>

#### 40. ASSETS PLEDGED

The following assets have been pledged as security for liabilities other than that is disclosed under Note 19.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2014 Rs.	Carrying Amount Pledged 2013 Rs.	Included Under
Lease Rental Receivables & Stock out on Hire	Loans and Overdrafts	4,960,951,274	8,295,127,696	Lease Rentals Receivables and Stock out on Hire
Real Estate Loan	Overdraft	65,000,000	65,000,000	Other Non Financial Assets
Freehold Land	Overdraft	8,000,000	8,000,000	Property, Plant & Equipment
Freehold building	Syndicated loans	413,951,825	-	Property, Plant & Equipment
Fixed deposit	Overdraft	10,000,000	10,000,000	Cash & Bank
Deposits	Overdraft & Guarantee	60,000,000	58,352,000	Investment
Fixed deposits	Overdraft & Corporate Guarantee	5,129,000	1,813,479	Cash & Bank
Fixed deposits	Overdraft & Corporate Guarantee	108,796,295	1,544,341,601	Property, Plant & Equipment
Inventory & Debtors	Overdraft	19,575,000	18,990,000	Inventory & Receivables
Debtors	Loan	41,000,000	41,000,000	Trade and other receivables
Deposits	Overdraft	517,499	2,100,000	Cash & Bank
Stocks and Receivables	Concurrent Mortgage - HSBC	388,770,000	377,430,000	Inventory & Receivables
Stocks and Receivables	Concurrent Mortgage - NDB	239,273,939	1,308,424,000	Inventory & Receivables
Stocks and Receivables	Concurrent Mortgage - Seylan Bank	-	566,145,000	Inventory & Receivables
Stocks and Receivables	Concurrent Mortgage - BOC	-	377,430,000	Inventory & Receivables
		<b>6,320,964,832</b>	<b>12,674,153,776</b>	

#### Assets Pledged by Orit (Pvt) Ltd

Short term loan from BOC for USD 3,000,000 is secured by mortgage over stock and receivable.

Bank over draft for USD 500,000 and short term loan for USD 4,000,000 are secured by mortgage over stock and receivable.

## **41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.**

### **41.1 Introduction**

The Group has exposed to the following risk from financial Instruments

1. Credit risk
2. Liquidity risk
3. Market risk

### **41.2 Credit Risk**

Credit risk is the risk of financial loss to the Group if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers/other Companies, Trade & Other Receivables and investments in debt securities.

Credit risk constitutes the Group's largest risk exposure category. This can be broadly categorized into two types; default and concentration risk.

Default risk as the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the group's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive buildup of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

#### **Gold Loan**

Given the importance of Gold Loan business to Group overall lending operation, fluctuations to the gold prices could have an adverse impact to earnings from this particular segment. Gold price risk could arise from either of adverse movements in the world prices, exchange rates, basis between local and world prices.

The Group currently manages the credit risk of lendings against gold by adopting following two strategies;

- \_ Quicker re-pricing cycle: Group as a strategy grants for shorted periods allowing it to re-price its cost promptly
- \_ Frequent revision of Loan-To-Value (LTV) ratio: Company practices a process of revising advancing ratio to allow for market value fluctuations.

#### **Trade Receivables**

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The requirement credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Statement of Financial Position. The Group hold collateral/bank guarantee as security when it necessary. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

### **41.3 Liquidity Risk & Funding Management**

Liquidity risk refers to the possibility of Group not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of Group's assets and liabilities. Adequate liquidity is critical to meet the Group's financial commitment and to accommodate additional funding needs of the growing business volumes.

The Group's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the asset and liability management committee (ALCO) analyses and monitors liquidity risk, maintains an adequate margin of safety in liquid assets. As well the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

### **41.4 Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, equity investments classified as fair value through profit or loss financial assets, equity investments classified as available for sale financial assets.

#### **Interest Rate Risk**

Interest rate risk is a key constitute of the market risk exposure of the Group due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the business segment of the group, the impact of interest rate risk is mainly on the earnings of the financing segment rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to group's net revenue and net margin. The Group's exposure to interest rate risk is primarily associated with factors such as;

- Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve

Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Group conducts periodic reviews and re-prices its assets accordingly.

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

An analysis of the LB Finance PLC's assets employed and total liabilities at the year end, based on the remaining respective contractual maturity dates/recovery cycle as at the balance sheet date are given below.

	Less than 3 months Rs.	3 to 12 Months Rs.	1 to 3 years Rs.	Over 3 Years Rs.	Total Rs.
<b>Assets</b>					
Cash and Cash Equivalents	1,865,100,105	-	-	-	1,865,100,105
Financial Investments - Held for Trading	7,595,184	-	-	-	7,595,184
Loans and Receivables	4,925,841,870	7,802,900,234	4,774,965,359	1,389,530,610	18,893,238,073
Lease Rentals Receivable & Stock out on Hire	5,332,824,292	8,293,367,560	10,318,324,395	6,354,939,536	30,299,455,784
Financial Investments - Available for Sale	1,468,602,056	-	-	-	1,468,602,056
Other Financial Assets	2,012,906,447	3,070,229,500	-	-	5,083,135,948
Other Non Financial Assets	921,041,954	-	-	-	921,041,954
Intangible Assets	-	-	-	36,425,532	36,425,532
Property, Plant and Equipment	-	-	-	2,067,928,786	2,067,928,786
Deferred Tax Assets	-	-	-	171,857,302	171,857,302
<b>Total Assets</b>	<b>16,533,911,909</b>	<b>19,166,497,294</b>	<b>15,093,289,755</b>	<b>10,020,681,766</b>	<b>60,814,380,725</b>
<b>Liabilities</b>					
Due to Banks	2,329,171,782	1,036,302,357	669,201,166	-	4,034,675,305
Due to Customers	19,679,545,166	20,227,120,213	4,712,450,784	1,476,089,086	46,095,205,250
Debt Issued and Other Borrowed Funds	271,364,188	64,447,122	543,470,665	1,985,589,609	2,864,871,583
Other Financial Liabilities	586,346,784	-	-	-	586,346,784
Other Non Financial Liabilities	829,676,639	-	-	-	829,676,639
Post Employment Benefit Liability	-	-	-	93,198,687	93,198,687
Current Tax Liabilities	103,717,579	-	-	-	103,717,579
<b>Total Liabilities</b>	<b>23,799,822,138</b>	<b>21,327,869,692</b>	<b>5,925,122,615</b>	<b>3,554,877,382</b>	<b>54,607,691,827</b>

#### Foreign Currency Risk

Foreign currency risk is the risk that the changes in future cash flows because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

#### Equity Price Risk

The Group's listed and unlisted equity securities are susceptible to market-price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification of equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity shares at fair value was Rs 1,340,508,702 (2013 – 1,526,113,471). A decrease of 10% on the ASPI could have a negative impact of approximately Rs 43,365,456 (2013 – 56,703,520) on the statement of income and Rs 90,685,414 (2013 – 95,907,827) on statement of other comprehensive income depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed shares could have a positive impact of approximately Rs 43,365,456 (2013 – 56,703,520) on the statement of income and Rs 90,685,414 (2013 – 95,907,827) on the statement of other comprehensive income.

#### 41.5 Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Group includes within debt, interest bearing loans and borrowings, Due to customers & Due to Banks (Long term).

		<b>2014</b>	<b>2013</b>
		<b>Rs.</b>	<b>Rs.</b>
Interest-bearing loans and borrowings (Note 19)		<b>20,091,277,473</b>	9,394,045,289
Due to customers (Note 18.2)		<b>45,332,657,647</b>	37,591,184,467
Due to Banks - Long term loan (Note 18)		<b>3,402,650,137</b>	5,464,980,511
Total Debt	A	<b>68,826,585,257</b>	52,450,210,267
Equity		<b>32,492,066,144</b>	30,662,698,809
NCI		<b>12,100,720,952</b>	5,684,101,475
	B	<b>44,592,787,096</b>	36,346,800,284
Total capital	C = A+B	<b>113,419,372,353</b>	88,797,010,551
Gearing ratio	D = A/C	<b>61%</b>	59%

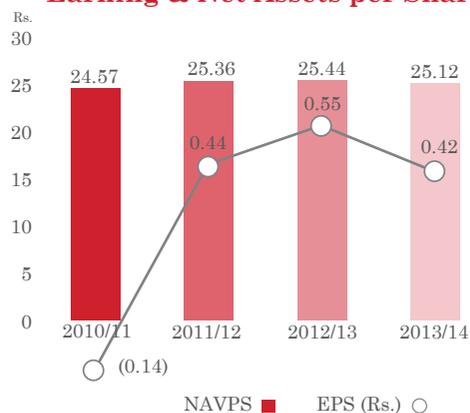
#### 42. EVENTS OCCURRING AFTER THE REPORTING DATE

- a) Subsequent to the reporting date, Ceytea Plantation Management Ltd has changed its name as "Vallibel Plantation Management Ltd" with effect from 24<sup>th</sup> April 2014
- b) Subject to approval of shareholders at the annual general meeting, directors of Royal Ceramics Lanka PLC recommended of a final dividend of Rs. 1/- per share for the year ended 31<sup>st</sup> March 2014 on 29<sup>th</sup> May 2014.
- c) Other than the above there have been no material events occurring after the reporting date that requires adjustment or disclosure in the financial statements.

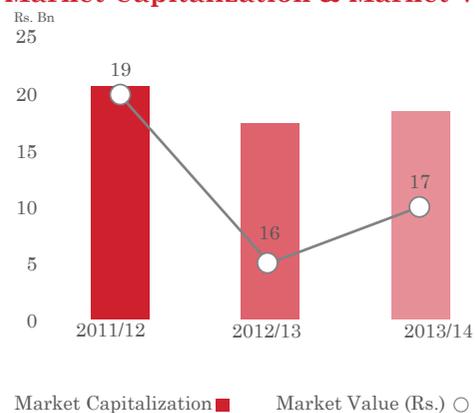
## Company Four Year Summary

Rs '000	2014	2013	2012	2011
<b>Statement of Income</b>				
Dividend Income	353,110	379,366	360,072	-
Other Income	299,963	368,887	347,691	85,860
Profit / (Loss) Before Tax	508,029	651,123	545,771	(83,391)
Tax Reversal / (Expenses)	(48,258)	(54,266)	(73,853)	23,264
Profit / (Loss) After Tax	459,772	596,071	471,918	(60,127)
<b>Statement of Financial position</b>				
Stated Capital	27,163,984	27,163,984	27,163,984	26,631,187
Reserves	126,322	479,988	390,187	(60,127)
Shareholders Fund	27,290,306	27,643,972	27,554,171	26,571,060
Assets	27,304,665	27,917,891	28,054,780	26,601,820
Liabilities	14,359	273,920	500,609	30,760
<b>Ratios and Statistics</b>				
Ordinary Dividends	760,592	325,968	-	-
Dividend Per Share	0.70	0.30	-	-
Earning per Share	0.42	0.55	0.44	(0.14)
Market Value per share (Closing)	17.00	16.00	19.00	-
Net Assets Per Share	25.12	25.44	25.36	24.57

### Earning & Net Assets per Share



### Market Capitalization & Market Value



## Shareholder Information

### 1 GENERAL

Stated capital Rs. 27,163,983,720

The number of shares representing the stated capital 1,086,559,353

### 2 STOCK EXCHANGE LISTING

Vallibel One PLC is a public quoted company, the ordinary shares of which are listed on the Diru Savi Board of the Colombo Stock Exchange. The date of listing was 08 July 2011.

### 3 PUBLIC HOLDING

Shares held by the public as at 31<sup>st</sup> March 2014 was 19.098%

### 4 DISTRIBUTION OF SHAREHOLDERS AS AT 31<sup>ST</sup> MARCH 2014

From	-	To	No of holders	No of shares	%
1	-	1,000	10,792	3,364,981	0.31
1,001	-	10,000	3,180	8,709,242	0.80
10,001	-	100,000	662	24,164,805	2.22
100,001	-	1,000,000	155	39,856,042	3.67
Over		1,000,000	28	1,010,464,283	93.00
			14,817	1,086,559,353	100.00

**5 ANALYSIS OF SHAREHOLDERS AS AT 31<sup>ST</sup> MARCH 2014**

	No. of holders	No. of Shares	%
Local Individuals	14,378	755,295,441	69.51
Local Institutions	369	322,580,439	29.69
Foreign Individuals	65	3,475,112	0.32
Foreign Institutions	5	5,208,361	0.48
	14,817	1,086,559,353	100.00

**6 DIRECTORS' SHAREHOLDING AS AT 31<sup>ST</sup> MARCH 2014**

	No. of Shares	%
Mr. K D D Perera	689,726,471	63.478
Mr. W D N H Perera	-	-
Mr. J A S S Adhietty	100,000	0.009
Ms. K Fernando	800,000	0.074
Mr. R N Asirwatham	800	0.000
Mr. S H Amerasekera		
Shares held in the following manner		
S H Amarasekera /Pan Asia Bank Corporation PLC	1,000,000	0.092

## 7 TWENTY MAJOR SHAREHOLDERS

	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2013	
	No of Shares	(%)	No of Shares	(%)
1 Mr. K D D Perera	689,726,471	63.478	689,726,471	63.478
2 Vallibel Investments (Private) Limited	91,966,451	8.464	91,966,451	8.464
3 Vallibel Leisure (Private) Limited	91,929,063	8.461	91,929,063	8.461
4 Employees Provident Fund	85,241,342	7.845	61,391,170	5.650
5 Bank of Ceylon A/c Ceybank Unit Trust	7,352,412	0.677	7,331,936	0.675
6 Mercantile Investments and Finance PLC	5,176,000	0.476	5,176,000	0.476
7 Rosewood (Pvt) Limited - Account No.2	4,303,300	0.396	4,303,300	0.396
8 Mellon Bank N. A. - UPS Group Trust	2,800,000	0.258	2,800,000	0.258
9 Merrill J Fernando & Sons (Pvt) Limited	2,299,000	0.212	2,299,000	0.212
10 Seylan Bank PLC / Mailvahanam Sritharan	2,120,101	0.195	2,520,000	0.232
11 Mr. A N Esufally	2,090,000	0.192	2,090,000	0.192
12 Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	2,090,000	0.192	2,090,000	0.192
13 Mr. H R S Wijeratne	2,069,000	0.190	2,069,000	0.190
14 Employees Trust Fund Board	2,024,600	0.186	2,024,600	0.186
15 Mr. A M Weerasinghe	2,000,000	0.184	2,000,000	0.184
16 Wickramaratnes (Pvt) Limited	1,865,000	0.172	1,865,000	0.172
17 Prof M.T.A Furkhan	1,672,000	0.154	1,672,000	0.154
18 First Capital Markets Ltd / Mr. S N Kumar	1,603,400	0.148	-	-
19 Mr A Sithampalam	1,567,000	0.144	-	-
20 Mr H A Pieris	1,491,843	0.137	-	-
	1,001,387,013	92.161	973,253,991	89.572
Others	85,172,340	7.839	113,305,362	10.428
Total	1,086,559,353	100.000	1,086,559,353	100.000

## 8 SHARE TRADING INFORMATION

Market price per share	2013/14	2012/13
Highest during the year	Rs.22.40	Rs.24.50
Lowest during the year	Rs.14.50	Rs.13.20
As at end of the year	Rs.17.00	Rs.16.00

## 9 SHARE HOLDER BASE

The total number of shareholders as at 31<sup>st</sup> March 2014 was 14,817

## 10 NET ASSETS PER SHARE

Net Assets per share of the Company is Rs.25.12 (2013 - Rs 25.44)

## Corporate Information

### **Name of Company**

Vallibel One PLC

### **Legal Form**

A Public Quoted Company with limited liability incorporated under the Provisions of the Companies Act, No. 07 of 2007.

### **Date of Incorporation**

09 June 2010

### **Company Registration Number**

PB 3831 PQ

### **Nature of the Business**

Diversified holding company with strategic investments

### **Board of Directors**

K D D Perera  
Chairman/Managing Director  
W D N H Perera  
Executive Deputy Chairman  
S H Amarasekara  
J A S S Adhihetty  
K Fernando  
R N Asirwatham

### **Head Office and Registered Office**

29 West Tower, World Trade Center, Echelon Square, Colombo 1  
Telephone : 011 2445577  
Fax : 011 2441444  
Email : info@vallibel.com  
Web : www.vallibelone.com

### **Subsidiary Companies - Quoted**

L B Finance PLC  
Royal Ceramics Lanka PLC

### **Subsidiary Companies - Un-quoted**

Delmege Limited  
Orit Apparels Lanka (Pvt) Limited  
Greener Water Limited

### **Associate Companies - Quoted**

Sampath Bank PLC  
Waskaduwa Beach Resorts PLC

### **Company Secretaries**

P W Corporate Secretarial (Pvt) Limited  
No. 3/17, Kynsey Road, Colombo 8.  
Telephone : 011 4640360  
Fax : 011 4740588  
E-mail : pwcs@pwcs.lk

### **Auditors**

Ernst & Young  
Chartered Accountants  
No. 201, De Saram Place  
Colombo 10.

### **Bankers**

Hatton National Bank PLC  
Pan Asia Banking Corporation PLC  
Sampath Bank PLC

## Notice of Annual General Meeting

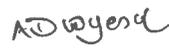
NOTICE IS HEREBY GIVEN that the Fourth (04<sup>th</sup>) Annual General Meeting of the Company will be held at The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01 on 25<sup>th</sup> August 2014 at 9.30 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31<sup>st</sup> March 2014 with the Report of the Auditors thereon.
2. To re-elect as a Director Ms. Kimarli Fernando who retires by rotation in terms of Article 87 of the Articles of Association of the Company.
3. To pass the ordinary resolution set out below to re-appoint Mr R N Asirwatham who is 71 years of age, as a Director of the Company;

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr R N Asirwatham who is 71 years of age and that he be and is hereby re-appointed a Director of the Company.”

4. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to fix their remuneration.
5. To authorize the Directors to determine donations for the year ending 31<sup>st</sup> March 2015 and up to the date of the next Annual General Meeting.

By order of the Board  
**VALLIBEL ONE PLC**

  
**P W CORPORATE  
SECRETARIAL (PVT) LTD**  
Director / Secretaries

18<sup>th</sup> July 2014  
Colombo

### Notes

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company, Level 29, West Tower, World Trade Centre, Echelon Square, Colombo 01, not later than 47 hours before the time appointed for the meeting.

## Form of Proxy

I/We\* .....  
 (NIC No. ....) of .....  
 .....being a shareholder / shareholders\* of  
 VALLIBEL ONE PLC hereby appoint .....  
 ..... (NIC No. ....) of .....  
 (or failing him).

Mr. K D D Perera                      or failing him\*  
 Mr. W D N H Perera                or failing him\*  
 Mr. S H Amarasekera               or failing him\*  
 Mr. J A S S Adhietty                or failing him\*  
 Mrs. K Fernando                    or failing her\*  
 Mr. R N Asirwatham

as my/our\* proxy to represent and speak and vote for me/us\* and on my/our\* behalf at the fourth (4<sup>th</sup>) Annual General Meeting of the Company to be held The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01 on 25<sup>th</sup> August 2014 at 9.30 a.m. and at any adjournment thereof and every poll which may be taken in consequence of the aforesaid meeting.

I/We,\* the undersigned, hereby authorize my/our proxy to vote for me/us\* and on my /our\* behalf in accordance with the preference as indicated below

	For	Against
1. To receive the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31 <sup>st</sup> March 2014 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Ms. Kimarli Fernando who retires by rotation as a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass the ordinary resolution set out in the Notice of Meeting under item 3 for the re-appointment of Mr R N Asirwatham	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs Ernst & Young , Chartered Accountants, as Auditors of the Company and to authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine donations for the year ending 31 <sup>st</sup> March 2015 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... Two Thousand and Fourteen

\*Please delete as appropriate

.....  
 Signature of Shareholder/s

Notes: 1. A proxy need not be a shareholder of the Company.  
 2. Instructions as to completion appear overleaf.

## INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company Level 29, West Tower, World Trade Centre, Echelon Square, Sri Lanka 47 hours before the time appointed for the meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a Company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.



