

Vallibel | ONE

ANNUAL REPORT 2010/11

Crafting our value proposition into something greater has always been our special skill. We believe that constantly improving our products and energising our services will build confidence, reliability and true value.

VISION

We are a young and fast-diversifying company with strategic investments in several key growth sectors, including financial services, manufacturing and leisure. We have recently made forays into the apparel sector and have also acquired one of Sri Lanka's oldest conglomerates. Our future expansion plans will also include investments in the power sector.

Quality Standards, practical innovation, creative thinking and a customer - centric approach drive our value building strategy every day.

Vallibel one. One vision. One team. One success.

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Vallibel One offers investors long-term corporate strategies that build value and create wealth.

Growth strategies, mergers, acquisitions and strong partnerships are all integral to success in a contemporary business environment. Our vision is to craft value and so empower personal, corporate and national development.

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.

Vallibel | ONE
VISION

Management Information



“We consider “growth” as a process led through innovation, customer centricity and integration of best in class service and practices.”

Chairman’s Statement

The Future Starts Here

Vallibel One’s value is more than the sum of its parts. As an innovation inspired conglomerate, I firmly believe that we are a competitive force for change. We lead in big growth themes, ones that are critical to the national economy and those that will pave the way for greater wealth creation and national output. We consider “growth” as a process led through innovation, customer centricity and integration of best in class service and practices. Our Company is led by the precepts that we must lead by being listeners and thinkers. Each of our individual parts – Royal Ceramics, LB Finance, Lewis Brown, Greener Water, Orit Apparel, Waskaduwa Beach Resort, Sampath Bank – has demonstrated perseverance and resilience. They have challenged the status quo and revolutionized their individual sectors, redefining

the rules of the game. They have all individually established themselves by deconstructing the “established norms”, by innovating beyond the conventional and by believing in the principle that Sri Lanka can be world-class.

I, as your Chairman, am a believer in the power of financial accountability and long-term thinking. It is vision and the penchant for greatness that drove me over the years. In life I have constantly gone against the grain and the conventional wisdom in pursuit of what I believe. Mine were not all successes but the failures lent to me greater wisdom and experience and the knowledge that from every failure I could orchestrate a new beginning. Vallibel One is one such beginning.

Now is the time for Sri Lanka

As corporate leaders we need to seize the opportunity and push the boundaries in realizing our nation's vision. The potential is there, it is how we tap the opportunities to release that latent potential which will determine our pace of economic resurgence. Corporate Sri Lanka needs to think beyond their individual confines and objectives, collectively we must map an ambitious path for national progress. It is most unrealistic and unlikely that Sri Lanka's economic progression will be unhindered, however, an open mind, a realistic approach and optimism will, I believe take us there.

Our expectations for Vallibel One are many. We envision it to be the future powerhouse of corporate Sri Lanka and one of the key catalysts in infusing a culture of vitality and dynamism to the national industry. Tough-minded optimism will drive our desire to create a conglomerate that will chart a new course for Sri Lanka. To our shareholders and stakeholders, I call on all of you, to join hands with us on our journey. **The future starts here.**



K D Dhammika Perera
Chairman/Managing Director

24 August 2011

Mr. Dhammika Perera - *Chairman / Managing Director*

Mr. Dhammika Perera is the Secretary to the Ministry of Transport, Sri Lanka and a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He serves as the Chairman of LB Finance PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC, Lewis Brown & Company (Pvt) Limited, Delmege Forsyth & Company Limited and its subsidiaries & Greener Water Ltd. He also holds directorships in his other private sector companies. He is the Deputy Chairman of Hayleys PLC, Royal Ceramics Lanka PLC & Amaya Leisure PLC. He also serves on the Boards of Sampath Bank PLC, Sri Lanka Insurance Corporation Ltd, Haycarb PLC, Hayleys-MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Hunas Falls Hotels PLC, Dipped Products PLC, Orit Apperals Lanka (Pvt) Ltd., Nirmalapura Wind Power Pvt Ltd and Alutec Anodising & Machine Tools (Private) Ltd. He is also a Member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

Mr. Nimal Perera - *Executive Deputy Chairman*

Mr. Nimal Perera is the Deputy Chairman of Pan Asia Banking Corporation PLC, Managing Director of Royal Ceramics Lanka PLC, Lewis Brown & Company (Pvt) Limited, Delmege Forsyth & Company Ltd, Group Finance Director of Amaya Leisure PLC and also serves on the Boards of Hayleys PLC, Haycarb PLC, Hotel Services (Ceylon) PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC, LB Finance PLC, Vallibel Finance PLC, Sathosa Motors PLC and Orit Apperals Lanka (Pvt) Ltd. Mr. Perera, is a member of the Sri Lanka Institute of Marketing and counts over 30 years of experience in the fields of Finance, Capital Market Operations, Manufacturing, Marketing and Management Services. He was recently appointed as the Treasurer of Sri Lanka Cricket Interim Committee.

Mr. Harsha Amarasekera - *Independent Non-Executive Director*

Mr. Harsha Amarasekera is an Attorney-at-Law by profession and has a wide practice in the Original Courts as well as in the Appellate Courts. He has specialized in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He serves as an Independent Director in several listed companies in the Colombo Stock Exchange including CIC Holdings PLC, Keells Food Products PLC, Expo Lanka Holdings PLC, Vallibel Power Erathna PLC & Amaya Leisure PLC. He is also a Director of CIC Agri Business Private Limited.

Mr. Sumith Adhihetty - *Non-Executive Director*

A well known professional in the marketing field, Mr. Adhihetty has over 30 years of experience in the finance sector. He was formerly the Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Company PLC, Grand Hotel (Pvt) Ltd, Royal Palm Beach Hotels Limited, Mercantile Fortunes (Pvt) Limited, Tangerine Tours Limited and Security Ceylon (Pvt) Limited. Mr. Adhihetty presently serves as the Managing Director of LB Finance PLC being appointed to the said position on 6th January 2004. He also serves on the Board of Vallibel Finance PLC, Pan Asia Banking Corporation PLC and is the Managing Director of The Fortress Resorts PLC.

Ms. Kimarli Fernando - *Independent Non-Executive Director*

Ms. Kimarli Fernando holds an LLB (Hons) from the London School of Economics & Political Science, UK. She is a Barrister-at-Law from Lincoln's Inn, UK and an Attorney-at-Law, Sri Lanka.

She is currently a Director of LB Finance PLC and National Development Bank PLC. She has more than 20 years of experience in the field of banking and had held senior positions at Pan Asia Banking Corporation PLC, Standard Chartered Bank and Deutsche Bank. She has also served at Deutsche Bank in Frankfurt, Germany. She was a Director of Lanka Clear Pvt Ltd, The Bankers Association and Waters Edge.

Kimarli Fernando is the author of "Company Law of Sri Lanka, 2nd Edition" which was the definitive reference book for students and practitioners of Company Law in Sri Lanka, published in 1992

Mr. Rajan Asirwatham - *Independent Non-Executive Director*

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG Ford Rhodes Thornton & Company from 2001 to 2008. Further he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism. 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 was also a member of the Presidential Commission on Taxation, appointed by his Excellency the President, a member of the Ceylon Chamber of Commerce Advisory Council and a member of the council of the University of Colombo. He is also a Director of several companies among which are Boards of Ceylon Tea Services PLC, Brown & Company PLC, Lanka Orix Leasing Company PLC, Aitken Spence PLC, CIC Holdings PLC, Lanka Orix Finance Company PLC and Renuka Hotels Pvt Ltd.



Mr. Dhammika Perera - *Chairman/Managing Director*



Mr. Nimal Perera - *Executive Deputy Chairman*



Mr. Harsha Amarasekera - *Independent Non-Executive Director*



Mr. Sumith Adhietty - *Non-Executive Director*



Ms. Kimarli Fernando - *Independent Non-Executive Director*



Mr. Rajan Asirwatham - *Independent Non-Executive Director*

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 Consolidated Financial Statements of the Company and its subsidiaries for the 10 months ended 31st March 2011.

Incorporation and Listing on the Colombo Stock Exchange

The Company was incorporated as a public limited company on 9th June 2010. It obtained a listing for its shares on the Diri Savi Board of the Colombo Stock Exchange on 8th July 2011 and consequent thereto it's name was changed to Vallibel One PLC.

Principal activities of the Group and review of performance during the period under review

The Company carried on business as a diversified investment holding company during the period under review. The principal activities of the subsidiary companies are set out in Note 1.3 to the Financial Statements.

There have been no significant changes in the nature of business of the subsidiaries of the Company during the period under review.

Group results include Profits for five months ended 31st March 2011 for LB Finance PLC and Royal Ceramics Lanka PLC and loss for three months ended 31st March 2011 for Greener Water Ltd.

This Report together with the Financial Statements, reflects the state of affairs of the Company and its subsidiaries.

Financial Statements

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 thereof.

Independent Auditors' Report

The Independent Auditors Report on the Group Financial Statements is given on page 15 of the Annual Report.

Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Statements are given in Note 2. to the Financial Statements.

Stated Capital

The Stated Capital of the Company as at 31st March 2011 was Rs.26,631,186,970/- represented by 1,065,247,483 Ordinary Shares.

Major Shareholders, Distribution Schedule and other information

Information on the Distribution of Shareholding, Analysis of Shareholders, Twenty Largest Shareholders of the Company, Directors' Shareholding, Public Holding as per the Listing Rules of the Colombo Stock Exchange and Net Assets per Share are given on pages 66 to 67 under Shareholders' Information.

Directors

Directors of the Company

The following Directors held office as at the Balance Sheet date and their brief profiles appear on page 6.

Mr. K D D 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

Re-election at the Annual General Meeting

By virtue of the powers vested in the Board, Messrs W D N H Perera, S H Amarasekera, J A S S Adihetty and Ms. Kimarli Fernando were appointed Directors on 15th November 2010 and Mr. R N Asirwatham was appointed on 4th January 2011.

The said Directors are required to seek re-election by the shareholders at the forthcoming Annual General Meeting.

Directors of the subsidiary companies as at the Balance Sheet date are:**Royal Ceramics Lanka PLC**

Mr. A M Weerasinghe	Chairman
Mr. K D D Perera	Deputy Chairman
Mr. W D N H Perera	Managing Director
Mr. T G Thoradeniya	Executive Director
Mr. R B Thambiyah	Director
Mr. L T Samarawickrama	Director
Mr. G A R D Prasanna	Director
Mr. M D S Goonatilleke	Director
Mr. R N Asirwatham	Director

Royal Ceramics Distributors (Private) Limited

Mr. A M Weerasinghe	Chairman
Mr. K D D Perera	Deputy Chairman
Mr. W D N H Perera	Managing Director
Mr. T G Thoradeniya	Executive Director
Mr. R B Thambiyah	Director
Mr. L T Samarawickrama	Director
Mr. K D H Perera	Director

Royal Porcelain (Private) Limited

Mr. A M Weerasinghe	Chairman
Mr. K D D Perera	Deputy Chairman
Mr. W D N H Perera	Managing Director
Mr. T G Thoradeniya	Executive Director
Mr. R B Thambiyah	Director

Mr. L T Samarawickrama	Director
Mr. G A R D Prasanna	Director
Mr. M D S Goonatilleke	Director
Mr. R N Asirwatham	Director

Rocell Bathware Limited

Mr. A M Weerasinghe	Chairman
Mr. K D D Perera	Deputy Chairman
Mr. W D N H Perera	Executive Director
Mr. T G Thoradeniya	Director/CEO
Mr. R B Thambiyah	Director
Mr. L T Samarawickrama	Director
Mr. G A R D Prasanna	Director
Mr. M D S Goonatilleke	Director
Mr. R N Asirwatham	Director

L B Finance PLC

Mr. K D D Perera	Chairman
Mr. L N de S Wijeyeratne	Deputy Chairman
Mr. J A S S Adihetty	Managing Director
Mr. W D N H Perera	Director
Mr. A M Weerasinghe	Director
Mr. K D A Perera	Director
Mr. M D S Goonatilleke	Director (resigned with effect from 20th May 2011)
Mr. Niroshan Udage	Executive Director
Mr. B D St A Perera	Executive Director
Ms. Kimarli Fernando	Director
Ms. Shirani Jayasekara	Director

Greener Water Ltd

Mr. K D D Perera	Chairman
Mr. T G Thoradeniya	Director

Interests Register

The Company maintains an is Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and

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

parcel of this Annual Report and available for inspection upon request.

The Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid. The relevant details as required by the Companies Act have been entered in the Interests Register during the period under review.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2011 as recorded in the Interests Register are given on page 67 of the Annual Report under Directors' shareholding.

Directors' Remuneration

The Company did not pay any remuneration to its Directors during the period under review whilst the remuneration paid by Group companies is disclosed under "Compensation to key Managerial Personnel" in note 39 to the Financial Statements on page 64.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company and acted as Auditors and Reporting Accountants to the Company's Share Issues. The Auditors do not have any other interest in the Company.

A sum of Rs.408,000/- is payable by the Company to the Auditors as Audit Fees for the period under review.

Messrs Ernst & Young also functioned as the Auditors of the subsidiaries. Details of Audit Fees are set out in Note 31 to the Financial Statements.

Donations

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

Dividend

The Company did not pay any dividend for the period under review.

Events occurring after the Balance Sheet Date

Except those disclosed in Note 38 to the Financial Statements, no circumstances have arisen which required adjustments to or disclosure in the Financial Statements.

Material Foreseeable Risk Factors

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

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 capitalise 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.

The Company understands, supports and has applied the core concepts that underlie enterprise governance and ensures that its standards remain in compliance with the Listing Rules of the Colombo Stock Exchange.

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

Composition of the Board

The Board of Vallibel One PLC comprises of 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 the 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 internal and 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 internal or external auditors to ensure their independence is maintained at all times.

The report of the Audit Committee appears on page 13.

Remuneration Committee

The Remuneration Committee comprises of Mr. S H Amarasekera – Chairman (Independent Non-Executive Director), Mr. J A S S

Adihetty (Non-Executive Director) and Ms. Kimarli Fernando (Independent Non-Executive Director).

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

- Remuneration framework and levels of the Senior Management
- Senior Management's 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.

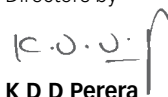
The Directors confirm that the Company is compliant with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange.

Annual General Meeting

The Annual General Meeting will be held on Tuesday, 27th September 2011 at 9.30 a.m. at the Sapphire Ballroom of Ceylon Continental Hotel, No.48, Janadhipathi Mawatha, Colombo 1.

The Notice of the Annual General Meeting appears on page 68.

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



K D D Perera

Chairman / Managing Director



W D N H Perera

Executive Deputy Chairman



Anusha Wijesinghe

P W Corporate Secretarial (Pvt) Ltd
Secretaries

25 August 2011

Statement on Directors' Responsibilities in respect of Financial Statements

The Directors are responsible for preparing the Annual Report and consolidated financial statements in accordance with 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 balance sheet date and the income and expenditure for the accounting period ending on that balance sheet date.

The Directors are also responsible in ensuring that the financial statements comply with any regulation 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 regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are 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 the responsibilities as set out in this statement.

By Order of the Board of
VALLIBEL ONE PLC



Anusha Wijesinghe

P W Corporate Secretarial (Pvt) Ltd.

25 August 2011

The Audit Committee appointed by and responsible to the Board of Directors comprises 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 also 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 ten months ended 31st March 2011 to ensure compliance with mandatory and statutory requirements. Managing Director and Chief Financial Officer attends 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 31st March 2012 subject to the approval of the shareholders at the Annual General Meeting.



R N Asirwatham

Chairman - Audit Committee

25 August 2011

Vallibel | ONE
SUCCESS

Financial Information



Chartered Accountants

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P.O. Box 101
Colombo 10
Sri Lanka
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Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

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 Balance Sheets as at March 31, 2011 and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the 10 months period then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

– Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the 10 months period ended March 31, 2011, and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2011 and its loss and cash flows for the period then ended in accordance with Sri Lanka Accounting Standards.

– Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2011 and the profit and cash flows for the 10 months period then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'. The signature is written in black ink and is positioned above a horizontal line that extends to the right.

24 August 2011 -
Colombo

Balance Sheet

	Note	Company As at 31.03.2011 Rs.	Group As at 31.03.2011 Rs.
ASSETS			
Cash and Cash Equivalents		19,038,427	427,845,146
Investments in Fixed Deposits		4,417,810,959	1,417,810,959
Treasury Bills and Other bills eligible for re-discounting with Central Bank	3	-	1,622,157,957
Placements with Other banks	4	-	302,583,827
Loans and Advances	5	-	1,876,253,903
Gold Loans	6	-	5,666,977,116
Lease Rentals receivables and Stock out on hire	7	-	16,329,573,406
Advance for Vehicle Stock		-	519,705,853
Real Estate Stock	9	-	237,520,182
Trade and Other Debtors, Deposits and Prepayments	10	73,622,142	1,169,692,401
Investments in Securities	11	6,910,395,270	8,772,247,702
Investments in Subsidiaries	12	14,822,125,320	-
Investment Associate	12.1	280,000,000	280,000,000
Amount Due From Related Parties	13	25,434,257	183,961,983
Deferred Tax Asset		23,263,788	23,263,788
Income Tax Recoverables		1,246,903	2,185,254
Inventories	14	-	1,380,703,093
Goodwill	15	-	11,387,706,376
Intangible Assets	16	-	9,681,837
Property, Plant and Equipment	17	28,882,759	5,026,090,672
Total Assets		26,601,819,825	56,635,961,454
LIABILITIES			
Deposits from non-bank customers	18	-	16,619,680,724
Interest Bearing Loans and Borrowings	19	-	5,989,876,418
Trade and Other Payables	20	8,646,083	2,216,058,404
Amount Due To Related Parties	21	22,114,064	21,447,400
Dividend Payable	22	-	15,826,051
Debentures	23	-	450,000,000
Retirement Benefit Liability	24	-	134,658,434
Income Tax Liabilities		-	266,645,929
Deferred Tax Liabilities		-	154,805,162
Total Liabilities		30,760,147	25,868,998,522

	Note	Company As at 31.03.2011 Rs.	Group As at 31.03.2011 Rs.
Shareholders' Funds			
Equity Attributable to Equity Holders of the Parent			
Stated Capital	25	26,631,186,970	26,631,186,970
Reserves	26	(60,127,292)	600,420,643
		26,571,059,678	27,231,607,613
Minority Interest		-	3,535,355,319
Total Equity		26,571,059,678	30,766,962,932
Total Equity and Liabilities		26,601,819,825	56,635,961,454

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



Haresh Somashantha

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.



K D D Perera

Chairman/Managing Director



W D N H Perera

Executive Deputy Chairman

The Accounting Policies and the Notes on pages 22 through 65 form an integral part of these Financial Statements.

24 August 2011

Colombo

Income Statement

	Note	Company 2011 Rs.	Group 2011 Rs.
Revenue	28	-	5,065,243,240
Cost of Sales		-	(2,489,183,086)
Gross Profit		-	2,576,060,154
Other Operating Income	29	85,860,329	264,453,759
Administrative Expenses		(162,083,990)	(654,284,817)
Distribution Expenses		-	(431,083,621)
Finance Cost	30	(7,167,419)	(84,870,204)
Provision for fall in value of Investments, Bad and Doubtful Loans and Write Offs		-	(71,501,688)
Profit/(Loss) from Operations	31	(83,391,080)	1,598,773,584
Value Added Tax on Financial Services		-	(89,403,270)
Profit/(Loss) before Tax		(83,391,080)	1,509,370,314
Income Tax (Expense)/Income	32	23,263,788	(308,807,073)
Net Profit/(Loss) for the Period		(60,127,292)	1,200,563,241
Attributable to :			
Equity Holders of the Parent		-	598,165,123
Minority Interest		-	602,398,118
Net Profit for the Period		-	1,200,563,241
Earnings/(Loss) Per Share	33	(0.14)	1.35

The Accounting Policies and the Notes on pages 22 through 65 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Stated Capital Rs.	Reserve Fund Rs.	Investment Fund Reserve Rs.	Retained Earnings Rs.	Minority Interest Rs.	Total Rs.
Company						
Balance as at 09 June 2010	-	-	-	-	-	-
Profit/(Loss) for the Period	-	-	-	(60,127,292)	-	(60,127,292)
Issue of Shares	26,631,186,970	-	-	-	-	26,631,186,970
Balance as at 31 March 2011	26,631,186,970	-	-	(60,127,292)	-	26,571,059,678
Group						
Balance as at 09 June 2010	-	-	-	-	-	-
Profit/(Loss) for the period	-	-	-	598,165,123	602,398,118	1,200,563,241
Appropriation of Bad Debts	-	-	-	2,255,520	1,936,118	4,191,638
Issue of Shares	26,631,186,970	-	-	-	-	26,631,186,970
Acquisition of Subsidiaries	-	-	-	-	2,931,021,083	2,931,021,083
Transfers	-	58,951,071	16,602,912	(75,553,983)	-	-
Balance as at 31 March 2011	26,631,186,970	58,951,071	16,602,912	524,866,659	3,535,355,319	30,766,962,932

The Accounting Policies and the Notes on pages 22 through 65 form an integral part of these Financial Statements.

Cash Flow Statement

	Note	Company 31.03.2011 Rs.	Group 31.03.2011 Rs.
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES			
Net Profit/(Loss) before Taxation		(83,391,080)	1,509,370,314
ADJUSTMENTS FOR			
Depreciation		-	183,448,582
Amortisation of Computer Software		-	1,690,235
Appreciation in Market value of Quoted shares		-	(63,565,207)
Interest cost on Finance Leases		-	1,333,511
Provision for Doubtful Debts		-	65,335,921
Reversal for provision for impairment of assets		-	(4,550,827)
Provision for Defined Benefit Plan Costs		-	12,516,333
Profit/(Loss) from Sale of Fixed Assets		-	35,775,056
Notional Tax Credit on Interest on Treasury Bills		-	(2,235,074)
With Holding Tax attributed to Fixed Deposit & Professional Fees		-	(5,751,737)
(Gain)/Loss from Sale of Investments		-	(39,693,576)
Finance Cost		7,167,419	84,869,655
Interest Income		(85,860,329)	(86,147,544)
Dividend Written Back		-	(3,167,073)
Dividends Received		-	(198,062)
Operating Profit/(Loss) before Working Capital Changes		(162,083,990)	1,689,030,507
(Increase)/Decrease in Real Estate Stock		-	(21,936,881)
(Increase)/Decrease in Lease Rentals Receivable and Stock out on hire		-	(3,232,714,364)
(Increase)/Decrease in Government of Sri Lanka Treasury Bills		-	641,567,467
(Increase)/Decrease in Loans and Advances		-	(514,713,221)
(Increase)/Decrease in Gold Loans		-	(1,567,655,210)
(Increase)/Decrease in Trade & Other Debtors, Deposits & Prepayments		(498,357)	(221,047,457)
(Increase)/Decrease in Vehicle Stocks		-	(324,239,001)
(Increase)/Decrease in Placements with Banks		-	562,334,000
Increase/(Decrease) in Deposits from Non Bank Customers		-	1,641,627,501
Increase/(Decrease) in Trade & Other Payables		8,646,083	238,229,246
(Increase)/Decrease in Inventories		-	(30,115,966)
Increase/(Decrease) in Amounts Due to Related Companies		21,114,064	21,428,118

	Note	Company 31.03.2011 Rs.	Group 31.03.2011 Rs.
Increase/(Decrease) in Amounts Due from Related Companies		(25,434,257)	
Cash Generated from Operations		(157,256,457)	(1,118,205,261)
Retirement Benefits Liabilities paid		-	(1,741,627)
WHT Paid		(1,246,903)	(1,246,903)
Interest Received		12,736,544	13,023,759
Finance Cost Paid		(7,167,419)	(84,869,655)
Taxes Paid		-	(242,698,658)
Net Cash from/(Used in) Operating Activities		(152,934,235)	(1,435,738,345)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Acquisition of Property, Plant & Equipments		(28,882,759)	(607,851,485)
Proceeds from Sale of Property, Plant & Equipments			3,035,596
Acquisition of Intangible Assets			(3,721,515)
(Acquisition)/Proceeds from sale of Other Investments		(35,235,270)	88,051,879
Investment in Associates		(280,000,000)	(280,000,000)
Acquisition of Short Term Investments		(4,417,810,959)	(2,354,339,477)
Proceeds from sale of Short Term Investments			319,624,732
Dividends Received		-	198,066
Acquisition of Subsidiaries	2.1.3	(75,542,820)	(439,804,143)
Net Cash used in Investing Activities		(4,837,471,808)	(3,274,806,347)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Principal Payment under Finance Lease Liability		-	(8,584,086)
Issue of Shares		5,009,444,470	5,009,444,470
Proceeds from Interest Bearing Loans & Borrowings		-	1,362,410,818
Repayment of Interest Bearing Loans & Borrowings		-	(1,247,534,334)
Dividend Paid		-	(3,909,656)
Net Cash from Financing Activities		5,009,444,470	5,111,827,212
Net Increase/(Decrease) in Cash & Cash Equivalents		19,038,427	401,282,521
Cash and Cash Equivalents at the beginning of the Period		-	-
Cash and Cash Equivalents at the end of the Period	27	19,038,427	401,282,521

The Accounting Policies and the Notes on pages 22 through 65 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

The Consolidated Financial Statements of the company for the period ended 31 March 2011 comprise of Vallibel One PLC (Parent Company) and its subsidiaries (together referred to as the “Group”) Royal Ceramics Lanka PLC, Royal Ceramics Distributors (Private) Limited, Royal Porcelain (Private) Limited, Rocell Bathware Limited, L B Finance PLC and Greener Water Ltd.

1.2 Parent Enterprise and Ultimate Parent Enterprise

Vallibel One PLC does not have an identifiable parent of its own.

1.3 Principal Activities and Nature of Operations

During the period the principal activities of the group were as follows:

Vallibel One PLC - Investments

Royal Ceramics - Manufacturing and marketing of Lanka PLC floor and wall tiles.

Royal Ceramics - Non Operational.
Distributors
(Private) Limited

Royal Porcelain - Manufacturing and marketing of (Private) Limited floor and wall tiles.

Rocell Bathware - Manufacturing and marketing of sanitaryware.
Limited

L B Finance PLC - Acceptance of Deposits, Granting Lease facilities, Hire Purchase, Mortgage Loans, Gold Loans and other credit facilities, Real Estate Development and related services
Factoring

Greener Water - Intended Hotel Operator
Ltd

1.4 Date of Authorization for Issue

The Financial Statements of Vallibel One PLC, for the 10 months period ended 31 March 2011 were authorized for issue in accordance with the resolution of the Board of Directors on 24 August 2011

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements have been prepared on a historical cost basis, except for certain land and buildings of subsidiaries that have been measured at fair value. The Financial Statements are presented in Sri Lankan Rupees and for the purpose of presentation of the Balance Sheet, the Directors are of the opinion that the liquidity basis presents fairly the performance of the group. The Income Statement has been presented on the function of expenses method as described in 2.7. The Management is responsible for the preparation and presentation of these Financial Statements and these Financial Statements are in compliance with the Companies Act. No. 7 of 2007.

2.1.1 Statement of Compliance

The Financial Statements of Vallibel One PLC and all its subsidiaries (The Group) have been prepared in accordance with Sri Lanka Accounting Standards.

2.1.2 Comparative Information

Since this is the first period of operations, there are no comparative information to be disclosed.

2.1.3 Business Combinations and Goodwill

Business Combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

On 31 October 2010, the group acquired 51.01% and 52.73% of the voting shares of Royal Ceramics Lanka PLC and LB Finance PLC, listed companies engaged in the business of Manufacturing and Financial Services sectors respectively. In March 2011, the Company acquired further 1.08% of the voting shares of LB Finance PLC. Further, on 28 December 2010, group acquired 100% voting shares of Greener Water Ltd which is intended to be hotel operating company. The acquisitions have been accounted for using the purchase method of accounting.

Acquisition of Subsidiaries

The fair value of assets acquired and liabilities assumed of Royal Ceramics Lanka PLC, LB Finance PLC and Greener Water Limited were as follows;

ASSETS	Rs.
Cash and Cash Equivalents	364,348,849
Treasury Bills & Other bills eligible for re-discounting with Central Bank	1,702,978,576
Placements with other banks	864,917,827
Loans and Advances	1,367,775,387
Gold Loans	4,106,475,269
Lease rentals receivables & Stock out on hire	13,144,973,677
Real Estate Stock	200,903,363
Advance for Vehicle Stock	195,466,850
Other Debtors, Deposits and Prepayments	916,457,391
Investments in Securities	1,510,792,917
Intangible Assets	7,650,557
Property, Plant & Equipments	4,579,698,171
Income Tax Recoverables	66,350,427
Inventories	1,350,587,124
LIABILITIES	
Deposits from non-bank customers	(14,978,053,223)
Interest Bearing Loans and Borrowings	(5,087,738,107)
Trade & Other Payables	(1,647,789,657)
Debentures	(450,000,000)
Retirement Benefit Liability	(123,883,728)
Deferred Taxation	(513,969,348)
Dividends Payable	(22,902,780)
Income Tax Payable	(11,674,535)
Bank Overdraft	(879,563,654)
Amount Due To Related Parties	(19,282)
NET ASSETS	6,663,782,071

Notes to the Financial Statements

Net Assets Acquired (51.01 % in RCL, 53.81% in LB and 100% in Greener Water)	(3,586,573,399)
Goodwill	(11,387,706,376)
Total Value of Investment Acquired	(14,974,279,775)
Value of shares Transferred	14,898,736,955
Cash consideration paid on acquisition of subsidiaries	(75,542,820)
Cash and Cash Equivalents acquired with subsidiaries	(364,261,323)
Net cash outflow on acquisition of subsidiaries	(439,804,143)

Note: The assets and liabilities as at the acquisition date are stated at their provisional fair values and may be amended in accordance with SLAS 25 (Revised 2004) - Business Combination.

From the date of acquisition, Subsidiaries have contributed a profit of Rs.656,206,186/- to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the period would have been Rs.1,281,879,608/-

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The Consolidated Financial Statements of the Company for the period ended 31 March 2011 comprise of the

Company and its Subsidiaries. The details of Subsidiaries are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Vallibel One PLC	2010/2011	
Royal Ceramics Lanka PLC	1990/1991	51.01%
Royal Ceramics Distributors (Private) Limited.	1993/1994	51.01%
Royal Porcelain (Private) Limited	2000/2001	51.01%
Rocell Bathware Limited	2005/2006	51.01%
L B Finance PLC	1971/1972	53.81%
Greener Water Ltd	2010/2011	100%

The Consolidated Financial Statements incorporating all Subsidiaries in the Group are prepared to a common financial period ending March 31 using uniform Accounting Policies for like transactions and in similar circumstance and are applied consistently.

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 that such control ceases.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Goodwill acquired in business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill

is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Associate – Waskaduwa Beach Resorts Limited

Associates are those investments over which the group has significant influence and holds 20% to 50% of the equity.

Associates are accounted for using the equity method and are recognized initially at cost.

The Consolidated Financial Statements include the Group's share of income and expenses and equity movements of associates, from the date on which significant influence commences until the date on which significant influence ceases. When the Group's share of losses in an associate equals or exceeds the interest in the undertaking, the group does not recognize further losses unless it has incurred obligations or made payments on behalf of the entity. The group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The Financial Statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the Balance Sheet and amounts charged to the Income Statement. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities.

Judgment

In the process of applying the Group's Accounting Policies, the management is required to make judgments, apart from those involving estimations, which may have a significant effect on the amounts recognised in the Financial Statements

Impairment Losses on Leases, Stock out on Hire and Loans and Advances

In addition to the provisions made for possible loan losses based on the parameters and directives for specific provisions on Leases, Stock out on Hire and Loans and Advances by the Central Bank of Sri Lanka, the Group reviews its loans and advances portfolio at each reporting date to assess whether a further allowance for impairment should be provided in the Income Statement. The Judgments by the management required in the estimation of these amounts and such estimations are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

Review of Impairment Losses on Non-Financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date or more frequently if events or changes in circumstances require doing so. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Useful lives of Property, Plant and Equipment

The Group reviews the asset's residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rates and methods, and hence, they are subject to uncertainty.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Value of Unquoted Equity Investments

The unquoted equity investments have been accounted at cost and were valued by Directors by considering the recoverability of the investment.

Defined Benefit Plans

The Defined Benefit Obligation and the related charge for the period are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty.

Real Estate Stocks

Real Estate Stocks have been accounted at cost as disclosed under Accounting Policy 2.4.12. The Directors have evaluated the recoverability considering the current market prices of respective stocks.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 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 was determined.

2.4.2 Taxation

(a) Income Tax

Vallibel One PLC, Royal Ceramics Lanka PLC, Royal Ceramics Distributors (Private) Limited, L B Finance PLC and Greener Water Ltd

The Provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

Royal Porcelain (Private) Limited.

Pursuant to agreement dated 20 December 2001 entered into with Board of Investment under section 17 of the Board of Investment Law, Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of 10 years from the year of

assessment 2002/2003. This exemption expires on year of assessment 2012/2013.

Rocell Bathware Limited.

Pursuant to agreement dated 07 July 2006 entered into with Board of Investment under section 17 of the Board of Investment Law, Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of 06 years from the year of assessment in which the company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever year is earlier. After the expiration of tax exemption period the profit and income of the Company shall be charged for any year of assessment at the rate of 15 %.

(b) Deferred Tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit 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:

- where the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income 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 deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or subsequently enacted as at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in the equity statement and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

Royal Porcelain (Private) Limited, and Rocell Bathware Limited.

As the Inland Revenue Act does not apply as stated above, temporary differences do not exist during the tax exemption period. Therefore deferred tax does not apply.

(c) Economic Service Charge (ESC)

As per the provisions of the Economic Service Charges Act No 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for further four years.

(d) Social Responsibility Levy (SRL)

As per the provisions of the Finance Act No 5 of 2005, as amended by the Finance Act no 11 of 2006, SRL was introduced with effect from 1 January 2005. SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the First schedule of the said Act. However, SRL has been abolished with effect from 01 April 2011.

(e) Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT), Turnover Tax and Nation Building Tax. The Company/ Group pays such Taxes in accordance with the respective

statutes. However, turnover tax has been abolished with effect from 01 January 2011.

2.4.3 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent where borrowing cost that are directly attributable to acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalized as part of those assets.

2.4.4 Intangible Assets

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.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is 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 is accounted for by changing the amortisation period or method, as appropriate, and 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.

Computer Software

Computer software is amortised over 5 years from the month of acquisition

2.4.5 Development Cost

Development expenditure incurred on product development is recognized as an asset to the extent that such expenditure is expected to generate future economic benefits and amortized over the expected useful life time which is 5 years.

2.4.6 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 actual cost on first-in-first-out (FIFO) basis.
- (b) Finished goods and Work in progress - at the cost of direct material, direct labour and appropriated proportion of fixed production overheads based on normal operating capacity.
- (c) Goods in transit have been valued at cost

2.4.7 Trade and Other Receivables

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

Other receivables and dues from Related Parties are recognized at cost less allowances for bad and doubtful receivables.

2.4.8 Loans and Advances

Loans and advances to customers are stated net of provision for bad and doubtful loans and interest not accrued to revenue.

2.4.9 Lease Rentals Receivable & Stock Out on Hire

Assets leased to customers under agreements, which transfer substantially all the risks and rewards associated with ownership other than legal title are classified as finance leases. Lease rentals receivable represents the total minimum lease payments due net of unearned income and allowance for doubtful recoveries.

Assets sold to customers under fixed rate hire agreements, which transfer all the risks and rewards as well as the legal title at the end of such contractual period are classified as stock out on hire. Such assets are accounted for in a similar manner as finance leases.

2.4.10 Operating Lease

Assets leased to customers under agreements by which all the risk and rewards incident to ownership of an asset remains with lessor, are classified as operating leases. Lease rentals receivable are recognized on a straight line basis over the term of the lease.

2.4.11 Provisions for Bad and Doubtful Debts

Amounts are set aside with regard to possible losses on loans, advances, hire purchase, finance leases and operating leases in line with Finance Companies (Provision for Bad and Doubtful Debts) Direction No. 3 of 2006 issued by the Central Bank of Sri Lanka.

2.4.12 Real Estate Stock

Real estate stock comprises all costs of purchase, cost of conversion and other costs incurred in bringing the real estate to its saleable condition.

Purchase Cost	-	Land cost with legal charges.
Cost of conversion	-	Actual Development costs

2.4.13 Cash and Cash Equivalents

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

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

2.4.14 Property, Plant and Equipment

(a) Cost and valuation

All items of property, plant and equipment are initially recorded at cost.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Subsequent to the initial recognition as an asset at cost, re-valued assets are carried at re-valued amounts less any subsequent depreciation thereon. All other property, plant and equipment are stated at cost less accumulated depreciation. Accumulated depreciation is provided for, on the bases specified in (c) below.

Where an item of property, plant and equipment comprises major components having different useful lives, they are

accounted for as separate items of property, plant and equipment.

(b) Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure incurred on repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance is recognised as an expense when incurred.

(c) Depreciation

Depreciation is calculated by using a straight-line basis on all property, plant and equipment, other than freehold land, in order to write off the cost and valuation over the estimated economic life of such assets. The annual rates of depreciation generally used by the Companies in the Group are as follows.

Building, Water Supply Scheme & Electricity Scheme	Over 25 to 40 years
Motor Vehicles, Furniture & Fittings, Construction and Other Equipment	Over 4 to 6 years
Tools and Sundry Inventory	Over 2 years
Factory Equipment, Plant & Machinery, Moulds and Communication Equipment	Over 10 to 20 years
Office Equipment	Over 6.67 years
Household Items - Light	Over 02 years
Household Items - Heavy	Over 05 years

(d) Revaluation

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(e) De-recognition

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

(f) Capital Work in Progress

Capital work in progress represents the cost of civil construction work not completed and property plant and equipment that are not ready for their intended use.

2.4.15 Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair

value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in note 2.4.14(c).

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

2.4.16 Investments**(a) Short Term Investments**

Short-term investments are stated at lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognized in the income statement in Royal Ceramics Lanka PLC and short term investment in L B Finance PLC are stated at market value.

Treasury bill investments are stated at cost plus a portion of discount or premium.

The cost of the investment is the cost of acquisition inclusive of brokering fee, duties and bank fees.

(b) Long Term Investments

Quoted and unquoted investments in shares held on long-term basis are stated at cost. The cost of the investment is the cost of acquisition inclusive of brokering fee, duties and bank fees.

Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions, other than temporary declines in carrying amounts are charged to income statement.

2.4.17 Provisions

Provisions are recognized when the Company/Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.4.18 Retirement Benefit Obligations

(a) Defined Benefit Plan - Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary once in every three (03) years using the Projected Unit Credit Method (PUC) as required by Sri Lanka Accounting Standards No 16-Employee Benefits (Revised 2006).

The item is stated under Retirement Benefit Liability in the Balance Sheet.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognised as income or expenses when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation.

The gains/losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Funding Arrangements

The Gratuity liability is not externally funded.

(b) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. These are recognized as an expense in the income statement as incurred.

The group contributes 12% - 15% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.4.19 Impairment of Assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating

unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously re-valued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

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 makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

2.5 Income Statement

2.5.1

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue and associated costs incurred or to be incurred

can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods has not passed to the buyer; with the group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Interest Income

Interest income from loans and advances is recognised on an accrual basis. However, income from loans and advances ceases when the account is overdue for more than six months in compliance with Direction No. 15 of 1991 (Accrued Interest) and thereafter recognised on a cash basis.

Interest income from Government of Sri Lanka Treasury Bills is recognised on a time proportion basis and discounts on purchase are amortised to income on a straight line basis over periods to maturity.

Income from all other interest bearing investments is recognised as revenue on an accrual basis.

(c) Dividends

Dividend Income is recognised when the shareholders' right to receive the payment is established.

(d) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

(e) Rental Income

Rental income is recognised on an accrual basis.

(f) Income from leasing activities and hire purchase agreements

Income from Finance leases is recognised on the basis of the financing method. The excess of aggregate rental receivable over the cost of the leased assets constitute the total unearned income at the commencement of the contract. The earned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed in proportion to the declining receivable balance of the lease.

Income from operating leases is recognised on a straight line basis over the term of the lease.

Income arising from the residual interest in hire purchase agreements is credited to the profit and loss account as it accrues in proportion to the declining receivable balance of the agreement.

However, accrual of income both from leases and hire purchase agreements ceases when the account is overdue for more than six months in compliance with Direction No. 15 of 1991 (Accrued Interest) and thereafter recognised on a cash basis.

(g) Insurance agency fees

Agency Fees received in respect of insurance is recognized on accrual basis.

(h) Overdue Interests

Overdue interest income from leasing and other loans have been accounted for on a cash received basis.

(i) Real Estate Sales

Revenue is recognised when properties are sold and the buyer has taken possession of such properties. However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted for on a cash received basis.

(j) Other

Other income is recognised on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of property, plant and equipment and other non current assets including investments have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, amount remaining in Revaluation Reserve relating to that asset is transferred directly to Retained Earnings.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.6 Segment Reporting

individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments.

In accordance with SLAS 28 on Segment Reporting, segment information is presented in respect of the Group.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting the Financial Statements of the Group.

2.7 Expenditure Recognition

Expenses are recognised 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 for the period.

2.8 Future changes in accounting policies

Effect of Sri Lanka Accounting Standard issued but not yet effective

a) The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka.

- Sri Lanka Accounting Standard 44 Financial Instruments; Presentation (SLAS 44)
- Sri Lanka Accounting Standard 45 Financial Instruments; Recognition and Measurement (SLAS 45)
- Sri Lanka Accounting Standard 39 Share Based Payments (SLAS 39)

The effective date of SLAS 44, 45 and 39 was changed during the year to be effective for financial periods beginning on or after 01 January 2012. These three standards have been amended and forms a part of the new set of financial reporting standards mentioned under note (b) below.

- b) Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards, the Council of the Institute of Chartered Accountants of Sri Lanka has adopted a new set of financial reporting standards that would apply for financial periods beginning on or after 01 January 2012. The application of these financial reporting standards is substantially different to the prevailing standards.

	Company 2011	Group 2011
	Rs.	Rs.
3. TREASURY BILLS & OTHER BILLS ELIGIBLE FOR RE-DISCOUNTING WITH CENTRAL BANK		
Government of Sri Lanka Treasury Bills - Face Value	-	152,842,298
Less : Income allocated for future periods	-	(1,874,306)
Re-Purchase Agreements	-	1,471,189,965
	-	<u>1,622,157,957</u>
4. PLACEMENTS WITH OTHER BANKS		
Fixed Deposits	-	302,583,827
	-	<u>302,583,827</u>
5. LOANS AND ADVANCES		
Real Estate Loans	-	6,345,247
Term Loans (Note 5.1)	-	739,199,381
Trade Finance	-	28,780,422
Quick Loan	-	525,000
Factoring Receivable	-	115,217,728
Power Drafts	-	27,544,834
Vehicle Loans	-	1,006,569,945
	-	<u>1,924,182,557</u>
Less : Provision for Bad Debts		
- Charged against Profit and Loss Account	-	(15,270,060)
- Appropriations	-	(8,228,088)
	-	<u>(23,498,148)</u>
Finance charges in suspense	-	(24,430,506)
	-	<u>1,876,253,903</u>
5.1 Term Loans include loans granted to Subsidiary Company Officers, the movement of which is as follows :		
As at the beginning of the period	-	3,019,248
Add : Loans granted during the period	-	6,557,242
Less : Repayments during the period	-	(6,652,698)
As at the end of the period	-	<u>2,923,792</u>

	Company 2011 Rs.	Group 2011 Rs.		
6. GOLD LOANS				
Gold Loan Capital	-	5,413,773,876		
Gold Loan Interest Receivable	-	302,910,972		
	-	5,716,684,848		
Finance Charges in suspense	-	(41,128,126)		
Provision for Bad Debts	-	(8,579,606)		
	-	5,666,977,116		
7. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE - GROUP				
	Within one year 2011 Rs.	1 - 5 years 2011 Rs.	Over 5 years 2011 Rs.	Total 2011 Rs.
Gross Investment				
- Lease Rentals	5,684,810,279	7,810,265,744	5,097,136	13,500,173,159
- Amounts receivable from hirers	3,958,112,478	4,879,467,974	24,947,099	8,862,527,551
	9,642,922,757	12,689,733,718	30,044,235	22,362,700,710
Less: Unearned Income	(2,983,615,726)	(2,372,195,307)	(2,238,480)	(5,358,049,513)
Net Investment	6,659,307,031	10,317,538,411	27,805,755	17,004,651,197
Less : Provision for Bad and Doubtful Debts				
- Charged against Profit and Loss Account				(527,712,403)
- Appropriations				(1,831,384)
				(529,543,787)
Rentals received in advance				(20,986,896)
Finance charges in suspense				(124,547,108)
				16,329,573,406
7.1 Lease & Hire Purchase receivable granted to subsidiary Company Officers, the movement of which is as follows :				
As at the beginning of the period				73,588,454
Add : Granted during the period				74,644,523
Less : Repayments during the period				(41,484,365)
As at the end of the period				106,748,612

7. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE (Contd..)

7.2 Non-Performing Advances included in the above Lease Rentals Receivable, Stock Out on Hire and Loans & Advances are as follows.

	Lease & Hire Purchase (Rs.) 2011	Loans and Advances (Rs.) 2011	Gold Loan (Rs.) 2011	Total (Rs.) 2011
Amount				
Receivable	860,595,279	116,607,708	178,315,140	1,155,518,127
Less:				
Finance Charges				
Suspended	124,547,108	26,019,983	41,128,126	191,695,217
Provision for				
Bad Debts	529,543,787	23,498,148	8,579,606	561,621,541
Net non-performing advances	206,504,384	67,089,577	128,607,408	402,201,369

7.3 Segmental Analysis of Loans and Advances, Leases, Hire Purchase by Industry

	2011 Rs.
Agriculture	818,204,683
Manufacturing & Distribution	1,998,789,551
Hotels & Tourism	301,688,727
Services	16,580,884,391
Trading	8,169,632,809
Transport	1,093,202,752
Construction	378,715,835
Others	662,449,367
Distribution of Total Advances	30,003,568,115
Lease & Hire Purchase Receivables	22,362,700,710
Loans & Advances	7,640,867,405
Total Advances	30,003,568,115

	Company 2011 Rs.	Group 2011 Rs.
8. PROVISION FOR LOSSES		
8.1 Movement in provision for Bad and Doubtful Debts		
Balance at the beginning of the year	-	445,712,667
Charge/Appropriation during the year	-	191,718,898
Reversals during the year	-	(64,187,536)
Written off during the year	-	(10,736,238)
	-	562,507,791
8.2 Provision for Bad and Doubtful Debts consist of provisioning against ;		
Leases and Hire Purchase	-	529,543,787
Loans & Advances	-	23,498,148
Gold Loan	-	8,579,606
	-	561,621,541
Investment Securities	-	886,250
	-	562,507,791
9. REAL ESTATE STOCKS		
Real Estate Stocks	-	210,336,921
Lands Transferred from Mortgaged Loans	-	27,183,261
Less : Advances received against Real Estate Stocks	-	-
	-	237,520,182
10. TRADE AND OTHER DEBTORS, DEPOSITS & PREPAYMENTS		
Debtors	-	782,120,506
Deposits, Prepayments and Advances	73,622,142	387,571,895
	73,622,142	1,169,692,401
11. INVESTMENT IN SECURITIES		
Non Current Investments - Quoted (Note 11.1)	6,910,395,270	6,912,711,953
- Unquoted (Note 11.2)	-	25,433,720
Current Investments - Quoted (Note 11.3)	-	1,834,102,029
	6,910,395,270	8,772,247,702

11.1 Investment in Securities

Non Current Investments

	Number of Shares 2011	Cost 2011 Rs.	Market Value 2011 Rs.
Company (Quoted Shares)			
Sampath Bank PLC	22,917,200	6,910,395,270	6,607,028,760
	22,917,200	6,910,395,270	6,607,028,760
Group (Quoted Shares)			
Bank Finance and Insurance			
Commercial Bank of Cey. PLC	40	5	10,632
Merchant Bank PLC	61	6,027	2,818
Seylan Bank PLC	2,500	155,396	188,000
Union Bank of Colombo PLC	7,900	280,880	282,820
Sampath Bank PLC	22,917,200	6,910,395,270	6,607,028,760
Beverages, Food and Tobacco			
Keells Food Products PLC	500	21,420	75,000
Lanka Milk Foods PLC	5,500	249,732	642,950
Soy Foods (F&W) Ltd	22	880	8,914
Hotels and Travels			
Aitken Spence Hotel Holdings PLC	308	5,672	30,184
Hotel Sigiriya PLC	700	30,333	53,270
Riverina Hotels PLC	72	3,467	9,266
Manufacturing			
Blue Diamond Jewellery PLC	74	848	133
Central Industries PLC	4,092	149,805	393,241
Ceylon Grain Elevators PLC	44	5,214	7,396
Dankotuwa Porcelain PLC	14,450	867,938	865,555
Samson International PLC	5,363	929,800	536,300
Stores and Supplies			
Hunter Ltd	10	2,767	14,900
		6,913,105,454	6,610,150,139
Less: Provision for fall in value of investment		(393,501)	-
		6,912,711,953	6,610,150,139

11.2 Non Current Investments

Group (Unquoted Shares)

	Number of Shares 2011	Cost 2011 Rs.	Directors Valuation 2011 Rs.
Samuel Sons & Company Ltd	16,000	492,750	-
Credit Information Bureau	1,047	104,700	104,700
Finance House Association	20,000	200,000	200,000
Free Lanka Capital Holding (Pvt) Ltd	5,320,000	25,129,020	25,129,020
		25,926,470	25,433,720
Less: Fall in Value of Investment		(492,750)	-
Net Investment in Unquoted shares		25,433,720	25,433,720

11.3 Current Investments

Group (Quoted Shares)

	Number of Shares 2011	Cost 2011 Rs.	Market Value 2011 Rs.	Valuation 2011 Rs.
Current Investments				
Group (Quoted Shares)				
Bank Finance and Insurance				
Seylan Bank (Non Voting)	90,700	1,685,000	3,564,510	3,564,510
Pan Asia Banking Corporation PLC	1,906,600	95,913,921	97,808,580	95,913,921
Softlogic Finance PLC	1,540,000	63,155,870	96,249,999	96,249,999
Central Finance Company PLC	30,100	36,012,743	38,338,370	36,012,743
Beverages, Food and Tobacco				
Bairaha Farms PLC	17,600	424,979	7,057,600	7,057,600
Hotels and Travels				
John Keells Hotels PLC	2,000,000	42,428,400	34,400,000	42,428,400
Aitken Spence PLC	225,000	44,328,088	36,517,500	44,328,088
The Fortress Resorts PLC	17,727,450	258,031,202	444,958,994	277,723,856

11.3 Current Investments (Contd.)

Group (Quoted)

	Number of Shares 2011	Cost 2011 Rs.	Market Value 2011 Rs.	Valuation 2011 Rs.
Manufacturing				
Lanka Floortiles PLC	2,397	51,510	314,247	51,510
Lanka Walltiles PLC	21,840	830,372	3,153,500	2,836,990
Tokyo Cement PLC	13,500	532,327	594,000	532,327
Telecommunication				
ACL Cables PLC	19,600	1,881,196	1,842,400	1,881,196
Trading				
Hayleys PLC	3,496,855	1,143,279,189	1,336,148,295	1,143,538,875
Laugfs Gas PLC	587,300	31,475,546	26,076,120	31,475,546
Free Lanka Capital Holding PLC	5,320,000	25,129,020	25,129,020	25,129,020
Health Care				
The Lanka Hospital Corporation PLC	475,800	25,377,448	21,315,840	25,377,448
Net Investment in quoted shares		1,770,536,811	2,173,468,975	1,834,102,029

12. INVESTMENT IN SUBSIDIARIES

	Number of Shares 2011	Holding (%)	Company 2011 Rs.	Group 2011 Rs.
Quoted Investments				
Royal Ceramics Lanka PLC (Market Value - Rs.8,870,908,200/-)	56,502,600	51.01	9,228,728,572	-
LB Finance PLC (Market Value - Rs.6,184,742,120/-)	35,321,200	53.81	5,325,333,098	-
			14,554,061,670	-
Unquoted Investments				
Greener Water Ltd (Directors Valuation - Rs.268,063,650/-)	26,673,000	100	268,063,650	-
Total			14,822,125,320	-

12.1 Investment in Associates

	Holding 2011 %	Company 2011 Rs.	Group 2011 Rs.
Unquoted Investments			
Waskaduwa Beach Resorts Limited	20	280,000,000	280,000,000
		280,000,000	280,000,000

Summarised Information of Associate Waskaduwa Beach Resorts Limited	2011 Rs.
Revenue	-
Profit/ (Loss) Before Tax	(613,083)
Total Assets	1,402,872,697
Total Liabilities	11,426,080

Note: The 20% shareholdig was acquired on 31st March 2011.

13. AMOUNTS DUE FROM RELATED PARTIES

	Company 2011 Rs.	Group 2011 Rs.
Greener Water Limited	25,434,257	-
Rocell Ceramics Limited	-	183,961,983
	25,434,257	183,961,983

14. INVENTORIES

	Company 2011 Rs.	Group 2011 Rs.
Raw Materials	-	321,120,110
Construction Consumables	-	4,192,884
Spares and Consumables	-	319,990,873
Work In Progress	-	52,281,346
Seat Covers and Accessories	-	80,304,395
Finished Goods	-	614,587,904
Goods in Transit	-	18,480,100
	-	1,410,957,612
Less : Provision for Obsolete and Slow Moving Inventory	-	(30,254,519)
	-	1,380,703,093

15. GOODWILL ON CONSOLIDATION

	Company 2011 Rs.	Group 2011 Rs.
Cost		
At the beginning of the period	-	-
Additions during the period	-	11,387,706,376
At the end of the period	-	-
	-	11,387,706,376
Amortisation		
At the beginning of the period	-	-
Impairment of Goodwill	-	-
At the end of the period	-	-
Net carrying amount at the end of the period	-	11,387,706,376

The assets and liabilities as at the acquisition dates are stated at their provisional fair values, and maybe amended in accordance with the SLAS 25 - Business Combinations, thus resulting an increase/decrease in the above goodwill.

16. INTANGIBLE ASSETS

	Company 2011 Rs.	Group 2011 Rs.
16.1 Summary		
Cost		
As at the Beginning of the period	-	39,118,024
Acquired during the period	-	3,721,514
As at the end of the period	-	42,839,538
Amortisation		
As at the Beginning of the period	-	31,467,466
Charge for the period	-	1,690,235
As at the end of the period	-	33,157,701
Net book value	-	9,681,837

16.2 Intangible Assets include computer software of the Group.

17. PROPERTY, PLANT & EQUIPMENT - Company

17.1 Gross Carrying Amounts/Net Book Values

	Balance as at 09.06.2010 Rs.	Additions During the period Rs.	Disposals During the period Rs.	Balance as at 31.03.2011 Rs.
Cost/ Valuation				
Computers	-	6,077,085	-	6,077,085
Furniture & Fittings	-	22,797,674	-	22,797,674
Office Equipments	-	8,000	-	8,000
	-	28,882,759	-	28,882,759

Note

Company's Property, Plant & Equipment are purchased at the end of the Financial Period. Therefore, no provision is made for depreciation in the Financial Statements.

17.2 Property, Plant & Equipment - Group

Gross Carrying Amounts

Cost	Balance as at 09.06.2010 Rs.	Acquisition Rs.	Additions During the period Rs.	Transfers/ Disposals Rs.	Balance as at 31.03.2011 Rs.
Freehold Assets					
Land	-	775,114,221	23,722,819		798,837,040
Building	-	1,114,199,947	4,792,959	(20,002,181)	1,098,990,725
Furniture and Fittings	-	184,651,313	53,115,076	(61,300)	237,705,089
Equipments	-	322,386,030	27,567,393	(13,167)	349,940,256
Fire Protection Equipments	-	787,609	83,000		870,609
Motor Vehicles and Accessories	-	149,547,402	36,643,147	(900,000)	185,290,549
Computer Hardware	-	98,783,988	22,520,775		121,304,763
Air Conditioning	-	24,476,296	3,514,232		27,990,528
Telephone System	-	25,094,868	1,078,900		26,173,768
Leasehold Improvements	-	152,246,059	26,501,693	(912,833)	177,834,919
Fixtures and Fittings	-	250,146,169	21,709,000	(2,000)	271,853,169
Water Supply Scheme	-	295,687	-		295,687
Electricity Distribution	-	12,592,145			12,592,145
Tools and Implements	-	71,989,983	1,350,073		73,340,056

17.2 Gross Carrying Amounts (Contd.)

	Balance as at 09.06.2010 Rs.	Acquisition Rs.	Additions During the period Rs.	Transfers/ Disposals Rs.	Balance as at 31.03.2011 Rs.
Plant and Machinery	-	2,928,003,588	88,894,514	(37,876,380)	2,979,021,722
Plant and Machinery - Polishing Plant	-	62,295,726			62,295,726
Moulds	-	124,527,774	1,770,558		126,298,332
Household Item - Heavy	-	8,406,057	163,880		8,569,937
Household Item - Light	-	4,834,904	207,000		5,041,904
Stores Buildings on Leasehold Land	-	9,038,945	-	-	9,038,945
	-	6,319,418,711	313,635,019	(59,767,861)	6,573,285,869
Assets on Finance Lease					
Furniture and Fittings	-	12,653,596	-	-	12,653,596
Construction and Other Equipments	-	5,329,148	-	-	5,329,148
Motor Vehicle	-	34,410,800	36,932,370	-	71,343,170
Total Value of Depreciable Assets	-	6,371,812,255	350,567,389	(59,767,861)	6,662,611,783

17.3 In the course of construction

	Balance As At 09.06.2010 Rs.	Acquisition Rs.	Additions During the period Rs.	Disposal/ Transferred Rs.	Balance As At 31.03.2011 Rs.
Capital work in progress	-	334,041,978	883,446,841	(569,915,927)	647,572,892
Total Gross Carrying Amount	-	6,705,854,233	1,234,014,230	(629,683,788)	7,310,184,675

17.4 Depreciation & Impairment

	Balance as at 09.06.2010 Rs.	Acquisition Rs.	Charge for the Period Rs.	Transfers/ Disposals Rs.	Balance as at 31.03.2011 Rs.
Freehold Assets					
Building	-	82,456,391	14,004,030	(1,804,960)	94,655,461
Furniture and Fittings	-	91,214,774	17,249,037	(61,300)	108,402,511
Equipments	-	213,335,338	14,823,531	(13,167)	228,145,702
Fire Protection Equipments	-	587,234	29,557		616,791
Motor Vehicles and Accessories	-	89,764,464	10,223,755	(566,666)	99,421,553
Computer Hardware	-	57,818,137	6,615,284		64,433,421
Air Conditioning	-	13,393,214	1,581,976		14,975,190
Telephone System	-	11,396,347	2,049,044		13,445,391
Leasehold Improvements	-	55,194,793	9,612,526	(912,833)	63,894,486
Fixtures and Fittings	-	57,021,232	9,038,563	(2,000)	66,057,795
Water Supply Scheme	-	160,742	4,929		165,671
Electricity Distribution	-	4,230,166	134,678		4,364,844
Tools and Implements	-	65,436,866	2,631,717		68,068,583
Plant and Machinery	-	1,268,532,340	79,162,185	(17,598,894)	1,330,095,631
Plant and Machinery - Polishing Plant	-	54,299,535	1,368,088		55,667,623
Moulds	-	24,259,649	6,218,543		30,478,192
Household Item - Heavy	-	5,162,551	579,883		5,742,434
Household Item - Light	-	5,539,595	496,286		6,035,881
Stores Buildings on Leasehold Land	-	6,269,426	1,994,734		8,264,160
	-	2,106,072,794	177,818,346	(20,959,820)	2,262,931,320
Assets on Finance Lease					
Furniture and Fittings	-	421,787	527,233		949,020
Construction and Other Equipments	-	177,638	444,096		621,734
Motor Vehicle	-	14,933,014	4,658,907		19,591,921
	-	2,106,072,794	183,448,582	(20,959,820)	2,284,093,995
Impairment/Derecognition					
(Provision) / Reversal for Impairment	-	(4,550,827)	-	4,550,827	-
Net Book Value					5,026,090,672

Notes to the Financial Statements

17.5 During the financial period, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.607,851,485/-.

17.6 The fair value of land and buildings of Royal Ceramic Lanka PLC, Royal Porcelain (Pvt) Ltd and Rocell Bathware Ltd was determined by means of a revaluation during the financial year 2008 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 from its effective date, which is 31 March 2008. The surplus arising from the revaluation net of deferred tax was transferred to a Revaluation Reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows.

Class of Asset	Cost Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 31.03.2011 Rs.
Land	159,107,402	-	159,107,402
Building	415,757,216	128,292,059	287,465,157
	574,864,618	128,292,059	446,572,559

17.7 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.485,190,106/-.

18. DEPOSITS FROM NON BANK CUSTOMERS

	Company 2011 Rs.	Group 2011 Rs.
Fixed Deposits	-	16,286,476,186
Certificates of Deposit (Note 18.1)	-	333,204,538
	-	16,619,680,724

18.1 Certificates of Deposit

Certificates of Deposit - Face Value	-	353,200,000
Less : Interest allocated for future periods	-	(19,995,462)
	-	333,204,538

19. BORROWINGS

	Company			Group		
	Current	Non Current	Total	Current	Non Current	Total
	2011	2011	2011	2011	2011	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans (Note19.1)	-	-	-	1,449,997,249	3,178,300,161	4,628,297,410
Bank Overdrafts	-	-	-	1,297,752,591	-	1,297,752,591
Finance Lease (Note 19.2)	-	-	-	6,904,076	56,922,341	63,826,417
	-	-	-	2,754,653,916	3,235,222,502	5,989,876,418

19.1 Bank Loans

Group	As at	Loans	Repayments	As at	Terms of the Loan	Security Offered
	01.11.2010	Obtained		31.03.2011		
	Rs.	Rs.	Rs.	Rs.		
Ceylon Income Fund	22,500,000	-	-	22,500,000	48 months	Promissory Notes
Seylan Bank	4,010,197		(876,111)	3,134,086	48 months	Vehicle
Bank of Ceylon 100M	4,166,667		(4,166,667)	-	48 months	Book Debts/shares
Bank of Ceylon 100M	10,416,667		(10,416,667)	-	48 months	Book Debts/shares
Cey Lease		200,000,000	(200,000,000)	-		
Bank of Ceylon 150M	12,500,000	-	(12,500,000)	-	36 months	Book Debts/shares
NDB		400,000,000	(200,000,000)	200,000,000	01 month	Book Debts
Deutsche Bank						
Securitization 199.78M	144,839,922		(43,119,206)	101,720,716	09 months	Book Debts
Deutsche Bank						
Securitization 150 M	300,000		(300,000)	-	47 months	Book Debts
Deutsche Bank						
Securitization 158 M	28,600,000		(15,400,000)	13,200,000	48 months	Book Debts
Deutsche Bank						
Securitization 408 M	332,809,626		(71,227,434)	261,582,192	06 months	Book Debts
Deutsche Bank						
Securitization 50 M	18,000,000		(6,000,000)	12,000,000	37 months	Book Debts
Deutsche Bank						
Securitization 49.99 M	12,499,014		(6,944,445)	5,554,569	36 months	Book Debts
Deutsche Bank						
Securitization 450 M	388,100,000		(61,100,000)	327,000,000	48 months	Book Debts
Deutsche Bank						
Securitization 216 M	148,900,000		(38,400,000)	110,500,000	48 months	Book Debts
Deutsche Bank						
Securitization 804 M	746,797,626		(141,220,000)	605,577,626	46 months	Book Debts

19.1 Bank Loans (Contd.)

Group	As at 01.11.2010 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2011 Rs.	Terms of the Loan	Security Offered
Deutsche Bank Securitization 903.8 M	903,800,000		(56,400,000)	847,400,000	48 months	Book Debts
Deutsche Bank Securitization 400 M	315,300,000		(52,600,000)	262,700,000	48 months	Book Debts
PABC Short Term Loan		900,000,000	(900,000,000)	-	01 month	Book Debts
Commercial Bank of Ceylon PLC	934,886,500	633,293,781	(425,827,058)	1,142,353,223	} Refer Note 19.3 for details	
Hatton National Bank PLC	344,175,799	82,759,612	(56,867,330)	370,068,081		
DFCC Bank PLC	-	46,276,289		46,276,289		
HSBC Bank	70,505,885	50,639,967	(77,520,910)	43,624,942		
NDB Bank	2,884,150	-	(2,884,150)	-		
Seylan Bank	43,237,000	65,071,000	(71,739,000)	36,569,000		
Standard Chartered Bank	2,286,905	419,347,736	(205,097,955)	216,536,686		
	4,491,515,958	2,797,388,385	(2,660,606,933)	4,628,297,410		

19.2 Finance Leases

	As at 01.11.2010 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.03.2011 Rs.
Commercial Bank of Ceylon PLC	39,049,330	15,029,563	(10,365,592)	43,713,301
Seylan Bank PLC	8,038,702	25,528,070	(2,860,208)	30,706,564
	47,088,032	40,557,633	(13,225,800)	74,419,865
Gross Liability		47,088,032		81,272,203
Finance Charges allocated for future periods		(11,294,559)		(17,295,293)
Down payment		(150,493)		(150,493)
Net Liability		35,642,980		63,826,417

19. BORROWINGS (Contd..)
19.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.	Included Under
Company : Royal Ceramics Lanka PLC						
Hatton National Bank PLC	Rs.100 Million	For the expansion of showroom network	59 equal monthly installments of Rs.1.67 Mn each & final installment of Rs.1.47 Mn	Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	100 Mn	Property Plant & Equipment
Hatton National Bank PLC	Rs.100 Million	To finance Capital Expenditure.	60 equal monthly installments commencing from September 2006	Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	100 Mn	Property Plant & Equipment
Commercial Bank of Ceylon PLC	Rs.185 Million	To finance the cost of machinery imported for Rocell bathware Ltd/ or to meet construction cost relating to the Rocell Bathware project	65 equal monthly installments commencing from August 2008	Tripple agreement between the company, Bank and the share broker over 1.1 Mn shares of Hayleys PLC	60 Mn	Investment
				Pari-Pasu concurrent registered primary floting Mortgage bond (between HNB and DFCC) over the factory premises of RPL in horana together with existing machinery and machinery to be imported.	60 Mn	Property Plant & Equipment
Commercial Bank of Ceylon PLC	Rs.300 Million	To part finance the purchase of 1.1 Mn share of Hayleys PLC	48 equal monthly installments commencing from January 2011.	Tripple agreement between the company, Bank of the share broker over 1.1 Mn Hayleys PLC	300 Mn	Investment
				Corporate guarantee of Royal Porcelain (Pvt) Ltd	300 Mn	
HSBC Limited	Rs.310 Million	To finance the cost of machinery imported for Rocell Bathware Ltd	48 installments- 6months grace period commencing from June 2008	Primary mortgage over selected machinery at roccll Bathware Ltd.	300 Mn	Property Plant & Equipment
				Corporate guarantee from Rocell Bathware Ltd	300 Mn	

Notes to the Financial Statements

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.	Included Under
Company : Royal Porcelain (Pvt) Ltd						
DFCC Bank PLC	Rs.150 Million	To part finance the factory capacity enhancement project at Horana including cost of machinery imported	60 equal monthly installments with Eighteen months grace period commencing from first drawn	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.	150 Mn	Property Plant & Equipment
				Corporate guarantee from Royal Ceramics Lanka PLC	150 Mn	
Commercial Bank of Ceylon PLC	Rs.400 Million	To finance Capital expenditure of the group	60 equal monthly installments commencing from December 2006	Primary Concurrent mortgage bond (Between HNB & DFCC) over the factory premises and machinery at Lot No.A1 situated in Uduwa, Horana.	400 Mn	Property Plant & Equipment
				Corporate guarantee from Royal Ceramics Lanka PLC	400 Mn	
Commercial Bank of Ceylon PLC	Rs. 45 Million	To finance importation of a printing machine & a complete sorting & palletizer machine for the walltile manufacturing project.	60 equal monthly installments commencing from July 2006	Primary Mortgage bond over a printing machine & a complete sorting & palletizer machine.	45 Mn	Property Plant & Equipment
				Corporate guarantee from Royal Ceramics Lanka PLC	45 Mn	
Commercial Bank of Ceylon PLC	Rs.55 Million	To finance the cost of 02 Ball Mills and batch Feeder	60 equal monthly installments commencing from April 2008	Primary Mortgage bond over 2 Ball Mills & Batch Feeder.	55 Mn	Property Plant & Equipment
				Corporate guarantee from Royal Ceramics Lanka PLC	55 Mn	
Commercial Bank of Ceylon PLC	Rs.22 Million	To finance the cost of a Roto color Machine	60 equal monthly installments commencing from February 2008	Primary Mortgage bond over Roto color Machine.	22 Mn	Property Plant & Equipment
				Corporate guarantee from Royal Ceramics Lanka PLC	22 Mn	

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.	Included Under
Commercial Bank of Ceylon PLC	Rs.14 Million	To finance the cost of a Dedusting System and Vaccum Cleaner	60 equal monthly installments commencing from April 2008	Primary mortgage bond over Dedusting System & vaccum Cleaner Corporate guarantee from Royal Ceramics Lanka PLC	14 Mn 14 Mn	Property Plant & Equipment
Commercial Bank of Ceylon PLC	Rs.15 Million	To finance the cost of an additional raw material storage building at the factory premises at Horana	60 equal monthly installments commencing from June 2008	Corporate guarantee from Royal Ceramics Lanka PLC	15 Mn	Property Plant & Equipment
Commercial Bank of Ceylon PLC	Rs.280 Million	To part finance the factory capacity enhancement project at Horana including cost of machinery imported	59 equal monthly installments of Rs.4.67 Mn each and final installement of Rs.4.47 Mn commencing on November 2011	Corporate guarantee from Royal Ceramics Lanka PLC	280 Mn	
Commercial Bank of Ceylon PLC	Rs.150 Mn	For the expansion of the group's show room network & to finance the increased cost of the Ball Mill, Batch Feeder & raw material storage yard at Horana	48 equal monthly installments with three months grace period commencing from May 2009	Corporate guarantee from Royal Ceramics Lanka PLC	150 Mn	Property Plant & Equipment
Commercial Bank of Ceylon PLC	Rs.100 Mn	To finance the cost of Press and Sorting machine	59 equal monthly installments with three months grace period commencing from first drawn	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 machinery to be imported.	100 Mn 100 Mn	Property Plant & Equipment

Notes to the Financial Statements

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.	Included Under
Hatton National Bank PLC	Rs.75 Mn	To finance factory expansion & to purchase of new machinery	60 equal monthly installments with 12 months grace period	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 machinery to be imported.	75 Mn 75 Mn	Property Plant & Equipment
Company : Rocell Bathware Limited						
Commercial Bank of Ceylon PLC	Rs.150 Million	To part finance the cost of machines imported through bank	66 installments with grace period of 15 months commencing from December 2008	Primary concurrent mortgage bond to be executed with HNB over Leasehold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	150 Mn 150 Mn	Property Plant & Equipment
Hatton National Bank PLC	Rs.300 Million	Importation of plant & machinery & to meet other cost associated with the RBL project.	66 installments with grace period of 15 months commencing from July 2008	Primary Concurrent Mortgage bond with Commercial Bank of Ceylon PLC over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	300 Mn 300 Mn	Property Plant & Equipment
Hatton National Bank PLC	Rs.150 Million	To retire the L/C's opened for Rocell Bathware Ltd . To import required plant & machinery / pre engineerd structure	66 instalment with grace period of 15 months commencing from March 2009	Primary Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	150 Mn 150 Mn	Property Plant & Equipment

20. TRADE & OTHER PAYABLES

	Company 2011 Rs.	Group 2011 Rs.
Trade & Other Payables	-	268,892,159
Accrued Expenses	8,646,083	1,947,166,245
	<u>8,646,083</u>	<u>2,216,058,404</u>

21. AMOUNTS DUE TO RELATED PARTIES

Royal Ceramics Lanka PLC	666,664	-
Vallibel Lanka (Pvt) Ltd	21,422,400	21,422,400
Directors Current Account	25,000	25,000
	<u>22,114,064</u>	<u>21,447,400</u>

22. DIVIDENDS PAYABLE

Unclaimed Dividends	-	15,826,051
	<u>-</u>	<u>15,826,051</u>

23. DEBENTURES

Unsecured Debentures	-	450,000,000
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The Rs.450,000,000 Unsecured Redeemable Subordinated listed Debentures were issued by LB Finance PLC at following rates and will mature on 20 th September 2013.

Category	Interest payable	Amount (Rs.)	Interest rate
Type ' A '	Monthly	149,480,000	21% p.a
Type ' B '	Annually	296,570,000	24% p.a
Type ' C '	Variable quarterly	2,500,000	Simple Average of the weighted average three months gross Treasury Bill rate published by the Central Bank of Sri Lanka at the primary auctions during the month immediately preceding the end of the Quarter plus 3.5% p.a
Type ' D '	Variable annually	1,450,000	Simple Average of the weighted average one year gross Treasury Bill rate published by the Central Bank of Sri Lanka at the primary auctions during the month immediately preceding the end of the Quarter plus 3.5% p.a

24. RETIREMENT BENEFIT LIABILITY

	Company 2011 Rs.	Group 2011 Rs.
Retirement Benefit Obligations - Gratuity		
Balance at the beginning of the period	-	123,883,728
Amount Charged for the period	-	12,516,333
Payments made during the period	-	(1,741,627)
Balance at the end of the period	-	134,658,434

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31 March 2009 and 2011 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 SLAS No.16.

24.1 Actuarial assumptions

Discount Rate	11%
Future Salary increase	10% to 15% p.a.
Staff Turnover	
LB Finance PLC	
20 years	} 25%
25 years	
30 years	
35 years	
40 years	
45 years	1%
50 years	1%
Royal Ceramic Lanka PLC Group	10%

Retirement age -	Normal retirement Age, or age on valuation date, if greater	-	LB Finance PLC
-	Male 55 Years	}	- Royal Ceramics Lanka PLC Group
-	Female 50 Years		

25. STATED CAPITAL

	Company 2011		Group 2011	
	Number of voting shares	Rs.	Number of voting shares	Rs.
25.1 Fully paid ordinary shares	1,065,247,483	26,631,186,970	1,065,247,483	26,631,186,970

26. RESERVES - COMPANY

	Retained Profits/(Losses) Rs.
At the beginning of the period	-
Profit/ (Loss) for the period	(60,127,292)
At the end of the period	(60,127,292)

RESERVES - Group

	Investment Fund Rs.	Reserve Fund Rs.	Retained Profits Rs.	Total Rs.
At the beginning of the period				
Profit for the period			598,165,123	598,165,123
			598,165,123	598,165,123
Appropriation of Bad Debts			2,255,520	2,255,520
Transfers to/(from) during the period	58,951,071	16,602,912	(75,553,983)	-
At the end of the period	58,951,071	16,602,912	524,866,660	600,420,643

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.

The Investment Fund Reserve is created in accordance with the Central Bank guidelines issued to create an Investment Fund Reserve 8% of the profits liable for VAT on Financial Services is transferred to this reserve monthly when the payment of VAT on Financial Services for such month becomes due.

In accordance with the guidelines issued, the company maintains government securities equivalent to the value of the reserve. These government securities are included in the treasury bills value presented on balance sheet.

27. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Company 2011 Rs.	Group 2011 Rs.
Cash and Bank Balances	19,038,427	427,845,146
Re - Purchase Agreements (Less Than 03 Months)	-	1,271,189,966
Bank Overdrafts	-	(1,297,752,591)
	<u>19,038,427</u>	<u>401,282,521</u>

28. INCOME**28.1 Summary**

Manufacturing Sector	-	2,707,479,726
Financial Services Sector	-	2,357,763,514
	-	<u>5,065,243,240</u>

29. OTHER OPERATING INCOME

	Company 2011 Rs.	Group 2011 Rs.
Interest Income	85,860,329	24,709,187
Income from Investments - quoted	-	194,155
Profit/(Loss) on Disposal of Investments	-	39,693,576
Appreciation in Market Value of Quoted shares	-	63,565,218
Profit/(Loss) on Sale of Fixed Assets	-	(15,178,338)
Real Estate Income (net of cost)	-	2,087,848
Profit from Fee based activities	-	123,287,601
Commission on sale of vehicles	-	2,149,266
Other Income on Factoring & Power Drafts	-	1,827,309
Hiring Income	-	4,403,849
Management Fee Income	-	100,000
Recoveries of Bad Debts on write offs	-	9,646,789
Sundry Income	-	7,967,299
	<u>85,860,329</u>	<u>264,453,759</u>

	Company 2011 Rs.	Group 2011 Rs.
30. FINANCE COST		
Interest on Loans	1,043,444	59,815,129
Bank Charges	6,123,975	6,124,524
Interest on Bank Overdrafts	-	16,641,947
Interest on Finance Leases	-	2,288,604
	7,167,419	84,870,204
31. PROFIT FROM OPERATION STATED AFTER CHARGING THE FOLLOWING EXPENSES		
Transport Costs	-	7,237,160
Advertising Costs	-	27,320,298
Auditors' Remuneration (Fees and Expenses)	408,000	3,148,416
Depreciation	-	176,202,009
Amortization of Intangible Assets- Software	-	1,690,235
Employee Benefits including the following	-	309,430,620
Defined Benefit Plan Costs - Gratuity	-	20,244,138
Defined Contribution Plan Costs - EPF & ETF	-	23,920,667
Export Duty Rebate	-	1,173,467
Provision/(Reversal) for Inventory	-	(79,262,578)
Loss on translation of foreign currency	-	2,214,758
Damage Stocks net of insurance claims received	-	(206,164)
Sales Promotion	-	16,060,003

32. PROVISION FOR INCOME TAX

The major components of income tax expense for the period ended 31 March are as follows :

Income Statement

	Company 2011 Rs.	Group 2011 Rs.
Current Income Tax		
Current Income Tax charge	-	604,895,727
Deferred Income Tax		
Deferred Tax Reversal	-	(272,824,866)
Deferred Tax Asset	(23,263,788)	(23,263,788)
Income Tax Expense/(Income) Reported in the Income Statement	(23,263,788)	308,807,073

The above Tax is a provisional computation.

The Carry forward tax losses of the company as of 31 March 2011 is Rs. 89,164,764/-.

33. EARNINGS PER SHARE

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

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

	Company 2011 Rs.	Group 2011 Rs.
Amounts Used as the Numerators:		
Net Profit Attributable to Ordinary Shareholders of the Parent for Basic Earnings Per Share	(60,127,292)	598,165,123
	2011 Number	2011 Number
Number of Ordinary Shares Used as Denominators for Basic Earnings per share		
Weighted Average number of Ordinary Shares in issue Applicable to Basic Earnings Per Share	444,235,207	444,235,207

34. SEGMENT INFORMATION**34.1 Segment Results**

	Investments Sector Rs.	Manufacturing Sector Rs.	Finance Sector Rs.	Hotel Sector Rs.	Group Rs.
Revenue	-	2,707,479,726	2,357,763,514	-	5,065,243,240
Cost of Sales	-	(1,438,813,617)	(1,050,369,469)	-	(2,489,183,086)
Gross Profit/(Loss)	-	1,268,666,109	1,307,394,045	-	2,576,060,154
Other Income and Gains	24,421,971	7,489,990	232,541,798	-	264,453,759
Administrative Expenses	(162,083,990)	(222,141,661)	(269,807,822)	(251,344)	(654,284,817)
Distribution Expenses	-	(198,261,942)	(232,821,679)	-	(431,083,621)
Finance Cost	(7,167,419)	(77,702,236)	-	(549)	(84,870,204)
Provision for fall in value of Investments, Bad and Doubtful Loans and Write Offs	-	-	(71,501,688)	-	(71,501,688)
Profit From Operations	(144,829,438)	778,050,260	965,804,654	(251,893)	1,598,773,584
Value Added Tax on Financial Service	-	-	(89,403,270)	-	(89,403,270)
Profit /(Loss) before tax	(144,829,438)	778,050,260	876,401,384	(251,893)	1,509,370,314
Income Tax Expense	23,263,788	(64,878,429)	(267,192,432)	-	(308,807,073)
Net Profits for the Period	(121,565,650)	713,171,831	609,208,952	(251,893)	1,200,563,241

34. SEGMENT INFORMATION (Cont.)
34.2 Segment Assets and Liabilities

	Investments Sector Rs.	Manufacturing Sector Rs.	Finance Sector Rs.	Hotel Sector Rs.	Group Rs.
ASSETS					
Cash and Cash Equivalents	19,038,427	61,167,881	347,445,557	193,281	427,845,146
Short Term Investment	1,417,810,959	-	-	-	1,417,810,959
Treasury Bills & Other bills eligible for re-discounting with Central Bank	-	-	1,622,157,957	-	1,622,157,957
Placements with Other banks	-	-	302,583,827	-	302,583,827
Loans and Advances	-	-	1,876,253,903	-	1,876,253,903
Gold Loans	-	-	5,666,977,116	-	5,666,977,116
Lease rentals receivables & Stock out on hire	-	-	16,329,573,406	-	16,329,573,406
Advance for Vehicle Stock	-	-	519,705,853	-	519,705,853
Real Estate Stock	-	-	237,520,182	-	237,520,182
Trade and Other Debtors, Deposits and Prepayments	12,183,784	646,712,816	510,215,800	580,000	1,169,692,401
Investments in Securities	6,910,395,270	-	27,750,403	-	6,938,145,673
Trading Securities	-	1,622,283,885	211,818,144	-	1,834,102,029
Investments in Subsidiaries	14,822,125,320	-	-	-	-
Investment Associate	280,000,000	-	-	-	280,000,000
Amount Due From Related Parties	-	183,961,983	-	-	183,961,983
Deferred Tax Asset	23,263,788	-	-	-	23,263,788
Income Tax Recoverables	1,246,903	938,350	-	-	2,185,254
Inventories	-	1,380,703,093	-	-	1,380,703,093
Goodwill	-	-	-	-	11,387,706,376
Intangible Assets	-	-	9,681,837	-	9,681,837
Property, Plant & Equipment	28,882,759	4,266,138,489	432,358,758	298,710,666	5,026,090,672
Total Assets	23,514,947,210	8,161,906,497	28,094,042,743	299,483,947	56,635,961,454
LIABILITIES					
Deposits from non-bank customers	-	-	16,619,680,724	-	16,619,680,724
Interest Bearing Loans and Borrowings	-	2,463,502,599	3,526,373,819	-	5,989,876,418
Trade & Other Payables	8,646,083	730,158,311	1,467,596,208	9,657,802	2,216,058,404
Amount Due To Related Parties	21,447,400	-	-	-	21,447,400
Dividend Payable	-	15,826,051	-	-	15,826,051
Debentures	-	-	450,000,000	-	450,000,000
Retirement Benefit Liability	-	100,788,775	33,869,659	-	134,658,434
Income Tax Liabilities	-	35,252,593	231,393,336	-	266,645,929
Deferred Tax Liabilities	-	61,555,765	93,249,397	-	154,805,162
Total Liabilities	30,093,483	3,407,084,094	22,422,163,143	9,657,802	25,868,998,522

35. MATURITY OF ASSETS AND LIABILITIES

An analysis of the total 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.	3-12 months Rs.	1-3 years Rs.	over 3 years Rs.	Total Rs.
Assets					
Cash and Bank	427,845,146	-	-	-	427,845,146
Short Term Investment	-	1,417,810,959	-	-	1,417,810,959
Treasury Bills & other bills eligible for re-discounting with Central Bank	1,422,157,957	200,000,000	-	-	1,622,157,957
Deposits with Banks	153,070,000	134,513,827	-	15,000,000	302,583,827
Loans and Advances	692,183,643	492,236,482	564,005,220	127,828,558	1,876,253,903
Gold Loans	5,145,538,682	521,438,435	-	-	5,666,977,116
Lease Rental Receivable and Stock out on Hire	1,897,578,497	4,136,258,608	8,474,800,091	1,820,936,211	16,329,573,406
Advance for Vehicle Stock	519,705,853	-	-	-	519,705,853
Real Estate Stock	59,380,046	178,140,137	-	-	237,520,182
Trade & Other Debtors, Deposits and Prepayments	839,650,438	145,236,012	39,850,293	144,955,658	1,169,692,401
Investment in Securities	-	-	-	6,938,145,673	6,938,145,673
Trading Securities	812,487,676	1,021,614,353	-	-	1,834,102,029
Investment in Associates	-	-	-	280,000,000	280,000,000
Amount Due From Related Parties	-	-	-	183,961,983	183,961,983
Deffered Tax Assets	-	-	23,263,788	-	23,263,788
Income Tax Recoverables	-	2,185,254	-	-	2,185,254
Inventories	828,421,856	552,281,237	-	-	1,380,703,093
Goodwill	-	-	-	11,387,706,376	11,387,706,376
Intangible assets	-	-	-	9,681,837	9,681,837
Property, Plant & Equipments	-	-	-	5,026,090,672	5,026,090,672
As at 31 March 2011	12,798,019,793	8,801,715,304	9,101,919,392	25,934,306,968	56,635,961,454
Liabilities					
Deposits from Non-Bank Customers	6,873,266,857	7,259,429,459	2,214,092,561	272,891,847	16,619,680,724
Borrowings	2,447,629,601	1,267,583,098	2,117,014,043	157,649,676	5,989,876,418
Trade and Other Payables & Accrued Charges	1,782,714,099	283,804,086	136,848,147	12,692,072	2,216,058,404
Amount Due To Related Parties	21,447,400	-	-	-	21,447,400
Dividend Payable	15,826,051	-	-	-	15,826,051
Debentures	-	-	-	450,000,000	450,000,000
Retirement Benefit Liability	-	-	-	134,658,434	134,658,434
Tax Liability	(113,065,077)	379,711,005	-	-	266,645,929
Deffered Taxation	-	-	-	154,805,162	154,805,162
As at 31 March 2011	11,027,818,932	9,190,527,648	4,467,954,751	1,182,697,192	25,868,998,522

36. COMMITMENTS AND CONTINGENCIES

36.1 Contingent Liabilities

	Company 2011 Rs.	Group 2011 Rs.
Guarantees issued to Banks and other Institutions	-	6,200,000
Cases pending against subsidiaries	-	9,053,210
Import LC and Ordinary Gurantees	-	181,581,795
	-	196,835,005

36.2 Commitments

Contracted but not provided for	-	934,960,201
Unutilised facilities		170,703,705
	-	1,105,663,906

37. ASSETS PLEDGED

The following assets have been pledged as security for liabilities other than that is disclosed under Note 19.3.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2011 Rs.	Included Under
Lease Receivables	Loans and Overdrafts	5,014,164,870	Lease Rentals Receivables & Stock out on hire
Real Estate	Overdraft	65,000,000	Real Estate Stock
Freehold Land	Overdraft	8,000,000	Property, Plant & Equipment
Vehicles	Loan	3,134,083	Property, Plant & Equipment
		5,090,298,953	

38. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements except for the followings.

- The Company on 22nd day of June 2011 acquired directly, 51% of Lewis Brown & Company Limited, the owning Company of Delmege Forsyth & Company Limited and its Group of Companies.

Royal Ceramics Lanka PLC, a subsidiary of the Company has acquired 20% of the shares of Lewis Brown & Company Limited and Messrs K. D. D. Perera and W. D. N. H. Perera respectively Executive Chairman and Executive Deputy Chairman of Vallibel One PLC (who are also the Deputy Chairman and Managing Director of Royal Ceramics Lanka PLC) and Messrs A.M.Weerasinghe and T.G Thoradeniya, Chairman and Executive Director respectively of Royal Ceramics Lanka PLC have acquired the balance 29% shares.

38. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE (contd.)

Delmage Forsyth Group of Companies is a diversified group of Companies engaged in the businesses of imports, exports, distribution, travel, shipping, freight forwarding, insurance broking, construction, interior décor, medical and air services.

The total purchase price is Rs.3.106 billion of which the obligation of the Company is to meet 51% constituting Rs.1,584,060,000/.

- b. Directors of Royal Ceramics Lanka PLC recommended payment of a second interim dividend of Rs.1.00 per share for the year ended 31 March 2011 paid to the shareholder on 20 May 2011.
- c. Subject to approval of the shareholders at the Annual General Meeting, the Directors of Royal Ceramics Lanka PLC recommended the payment of a Final Dividend of Rs.1.00 per share for the year ended 31 March 2011 on 20 May 2011.
- d. The Board of Directors of L B Finance PLC has declared an interim dividend of Rs.3.50 per share on 06 June 2011.
- e. The Company has entered into an Agreement on 30 June 2011 to acquire 24,416,299 Ordinary Shares constituting 50% of the issued shares of Orit Apparels Lanka (Private) Limited at a total consideration of United States Dollars Seven Million Two Hundred and Sixty Two Thousand Five Hundred (USD 7,262,500.00). As of August 24th 2011 the Company has paid USD 3,500,000.

Orit Apparels (Private) Limited is a Company incorporated in Sri Lanka, registered under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978 and engaged in the business of manufacture and export of apparels.
- f. Royal Ceramics Lanka PLC acquired 100% stake in Ever Paint and Chemical Industries (Pvt) Ltd as an Investment of Rs.125,000,000/- on 1st April 2011.
- g. In order to fund the balance capital requirement of Greener Water Ltd, a fully owned subsidiary of the Company, on 21st June 2011, the company made an initial public offering of 21,311,870 no of shares at Rs.25/- each which has been allotted to the shareholders on 30th June 2011. With the public issue the Stated Capital of the Company was increased to Rs.27,163,983,720.
- h. On 8th July 2011 the ordinary shares of the Company was listed on the Diri Savi Board of Colombo Stock Exchange.

39. RELATED PARTY DISCLOSURES**39.1 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.

39.1.1 Compensation to Key Managerial Personnel

	Company 2011 Rs.	Group 2011 Rs.
Short Term Employment Benefits - Executive Directors	-	72,704,000
- Non Executive Directors	-	2,195,000
Post Employment Benefits - Executive Directors	-	358,623

39.1.2 Other transactions with Key Managerial Personnel

Fixed Deposits Accepted during the period	-	28,450,000
Rental Paid	-	802,934
Transport Charges	-	264,075

39.1.3 LB Finance PLC entered into an Agreement with Mr. K D D Perera dated 15th January 2011 for the purchase of a land in extent One Rood and Twelve decimal Eight Two Perches (1 Rood 12.82 Perches) with the building thereon of a total floor area of 65,000 sq ft situated at Dharmapala Mawatha, Colombo 3 for a total consideration of Rs.700,000,000/- on or before 15th July 2011 subject to the terms and conditions stipulated therein inclusive of the relevant regulatory approvals.

39.1.4 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.

Nature of Transaction	Company 2011 Rs.	Group 2011 Rs.
Fixed Deposits Accepted during the period	-	105,000
Fixed Deposits Held at the period end	-	3,055,414
Interest payable on Fixed Deposits	-	61,196,000
Interest paid on Fixed Deposits	-	19,156,000
Dividend paid on shareholding	-	230,206,000
Bank Balance	-	5,588,000
Letter of Credits opened during the period	-	39,792,000
Short Term loans	-	900,000,000
Short Term loans Repayment	-	900,000,000
Fixed Deposit & REPO Opened During the Year	-	8,306,000,000
Sales of Goods/ Services	-	18,752,700
Leasing Interest Income	-	1,458,000
Investments Made	6,910,395,270	-
Short Term Advances given	21,442,400	-

39.1.5 Transactions with related entities - Subsidiaries

Nature of Transaction	Company 2011 Rs.	Group 2011 Rs.
Sale of Goods/Services	-	3,287,189
Purchase of Goods/Services	-	(12,061,392)
Dividend Income	-	900,000,000
Service Charges	-	57,378,496
Investment made Net of fund transfers	14,822,125,320	(746,365,450)
Short Term Advances given	25,434,257	-

Shareholder Information

1. GENERAL

Stated Capital	Rs. 26,631,186,970
The number of shares representing the stated capital	1,065,247,483

2. STOCK EXCHANGE LISTING

Vallibel One PLC is a Public Quoted Company, the ordinary shares of which are listed on the Diri Savi Board of the Colombo Stock Exchange, the date of listing was 8th July 2011.

3. PUBLIC HOLDING

Shares held by the public as at 31st March 2011 was - 185,480,999 (17.41%)

4. DISTRIBUTION OF SHAREHOLDERS AS AT 31ST MARCH 2011

From	To	No of Holders	No of Shares	%
1	1,000	0	0	0.00
1,001	10,000	0	0	0.00
10,001	100,000	444	24,284,000	2.28
100,001	1,000,000	227	58,001,000	5.44
Over 1,000,000		61	982,962,483	92.28
		732	1,065,247,483	100.00

5. ANALYSIS OF SHAREHOLDERS

Category	No of Holders	No of Shares	%
Local Individuals	587	801,855,969	75.27
Local Institutions	126	254,673,514	23.91
Foreign Individuals	14	4,596,000	0.43
Foreign Institutions	5	4,122,000	0.39
	732	1,065,247,483	100.00

6. SHAREHOLDER BASE

The total number of shareholders as at 31st March 2011 was 732.

7. NET ASSETS PER SHARE

Net Assets Per Share of the Company is Rs. 24.94.

8. TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH 2011

Name of the Shareholder	No of Shares	%
1 Mr K D D Perera	685,351,969	64.337
2 Vallibel Investments (Private) Limited	91,966,451	8.633
3 Vallibel Leisure (Private) Limited	91,929,063	8.630
4 Mr Y S H I K Silva	10,446,000	0.981
5 Mr W D N H Perera	8,200,000	0.770
6 Rose Wood (Pvt) Ltd	4,180,000	0.392
7 Nuwaraeliya Property Developers (Pvt) Ltd	4,180,000	0.392
8 Mr I W Senanayake	4,000,000	0.375
9 Mr T G Thoradeniya	3,000,000	0.282
10 Mr S N Kumar	2,613,000	0.245
11 Merrill J Fernando & Sons (Pvt) Ltd	2,299,000	0.216
12 Wickramaratnes (Pvt) Ltd	2,090,000	0.196
13 Triad (Pvt) Ltd	2,090,000	0.196
14 Standard Chartered Bank Singapore/S/A HL Bank Sing 516FC0027L Apore Branch	2,090,000	0.196
15 Mr N Sritharan	2,090,000	0.196
16 Softlogic Capital Limited	2,090,000	0.196
17 Rubber Investment Trust Limited	2,090,000	0.196
18 Mr R F T Perera	2,090,000	0.196
19 Mercantile Investments Limited	2,090,000	0.196
20 Mrs D P N Kumar	2,090,000	0.196
Others	138,272,000	12.980
Total	1,065,247,483	100.000

9. DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2011

Name of the Director	No of Shares	%
K D D Perera	685,351,969	64.337
W D N H Perera	8,200,000	0.770
S H Amarasekera	1,000,000	0.094
J A S S Adhihetty	100,000	0.009
K Fernando	800,000	0.075
R N Asirwatham	Nil	0.000

Mr. K D D Perera is the Chairman/Major Shareholder of Vallibel Investments (Pvt) Ltd. and Vallibel Leisure (Pvt) Ltd. which held 91,966,451 shares and 91,929,063 shares respectively as at 31st March 2011.

10. SHARE TRADING INFORMATION

As at 31st March 2011 the Company was not listed on the Colombo Stock Exchange.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the First (01st) Annual General Meeting of the Company will be held at the Sapphire Ballroom of Ceylon Continental Hotel, No.48, Janadhipathi Mawatha, Colombo 1 on Tuesday, 27th September 2011 at 9.30 a.m. for the following purposes.

1. Routine Business
 - 1.1 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 period ended 31st March 2011 with the Report of the Auditors thereon.
 - 1.2 To re-elect as a Director, Mr. W D N H Perera who was appointed in terms of Article 94 of the Articles of Association of the Company.
 - 1.3 To re-elect as a Director, Mr. S H Amarasekera who was appointed in terms of Article 94 of the Articles of Association of the Company.
 - 1.4 To re-elect as a Director, Mr. J A S S Adihetty who was appointed in terms of Article 94 of the Articles of Association of the Company.
 - 1.5 To re-elect as a Director Ms. Kimarli Fernando who was appointed in terms of Article 94 of the Articles of Association of the Company.
 - 1.6 To re-elect as a Director, Mr. R N Asirwatham who was appointed in terms of Article 94 of the Articles of Association of the Company.
 - 1.7 To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to fix their remuneration.
 - 1.8 To authorize the Directors to determine donations for the year ending 31st March 2012 and up to the date of the next Annual General Meeting.

2. Special Business

To pass the following as a Special Resolution for amending the Articles of Association of the Company :

"IT IS HEREBY RESOLVED THAT Article 94 of the Articles of Association of the Company be amended by the addition of the words "Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for re-election" at the end of the said Article 94 which shall read as follows :

'94. The Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not at anytime exceed the maximum number fixed by or in accordance with these present. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.'

By order of the Board of

VALLIBEL ONE PLC



P W CORPORATE SECRETARIAL (PVT) LTD

Director/Secretaries

25 August 2011

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 Center, Echelon Square, Colombo 01, not later than 47 hours prior to the time appointed for the holding of the meeting.

Form of Proxy

I/We*(NIC No.).
of being a
member/members* of VALLIBEL ONE PLC hereby appoint
..... holder of NIC No. of(or failing him).

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

as my/our* proxy to represent and speak and vote for me/us* and on my/our* behalf at the First (1st) Annual General Meeting of the Company to be held at Sapphire Ballroom of Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 1 on Tuesday, 27th September 2011 at 9.30 am 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. Routine Business		
1.1 To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the period ended 31st March 2011 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
1.2 To re-elect Mr. W D N H Perera, as a Director	<input type="checkbox"/>	<input type="checkbox"/>
1.3 To re-elect Mr. S H Amarasekera as a Director	<input type="checkbox"/>	<input type="checkbox"/>
1.4 To re-elect Mr. J A S S Adhietty as a Director	<input type="checkbox"/>	<input type="checkbox"/>
1.5 To re-elect Ms. Kimarli Fernando as a Director	<input type="checkbox"/>	<input type="checkbox"/>
1.6 To re-elect Mr. R N Asirwatham as a Director	<input type="checkbox"/>	<input type="checkbox"/>
1.7 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"/>
1.8 To authorize the Directors to determine donations for the year ending 31st March 2012 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
2. Special Business To pass the Special Resolution set out in the Notice of Meeting for amending the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Eleven

*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/Company Registration No. 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 Center, Echelon Square, Colombo 01, Sri Lanka not later than forty seven (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.

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 th 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. Amarasekera
J.A.S.S. Adhihetty
K. Fernando
R.N. Asirwatham

Head Office and Registered Office

29, West Tower, World Trade Center
Echelon Square, Colombo 01.
Telephone : 011 2445577
Fax : 011 2441444
E-Mail : info@vallibel.com
Web : www.vallibelone.com

Subsidiary Companies - Quoted

L B Finance PLC
Royal Ceramics Lanka PLC

Subsidiary Companies – Unquoted

Lewis Brown & Company Limited
Orit Apparels Lanka (Private) Limited
Greener Water Limited
Rocell Bathware Limited
Royal Porcelain (Private) Limited
Royal Ceramics Distributors (Private) Limited

Associate Companies – Unquoted

Waskaduwa Beach Resorts Limited

Company Secretaries

P W Corporate Secretarial (Pvt) Limited
No.3/17, Kynsey Road,
Colombo 08.
Telephone : 011 4640360
Fax : 011 4740588
E-mail : pwcs@pwcs.lk

Auditors

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

Bankers

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