



Growth strategies, mergers, acquisitions and strong partnerships are all integral to success in a contemporary business environment.

Our Vision

Achieve uniqueness through diversity, leadership, creativity and inspiration.

Our Mission

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

The Spirit of Success

Vallibel One is a diversified holding company with a strong record of making smart, value creating investments in a number of fast growing sectors of Sri Lanka. We are proud to see that this year, as in others, we can once again record another fine set of results for our shareholders. Today, we're proud to celebrate our spirit of success as we continue to diversify our interests to make our company bigger, stronger and more valuable.

This is who we are. And this is what powers our drive to greatness.

The Vallibel One *Spirit of Success*

51% holding of Royal Ceramics Lanka PLC

51% holding of LB Finance PLC

50% holding of Orit Apparels Lanka (Private) Ltd

51% holding of Delmege (Private) Limited

100% holding of Greener Water Ltd

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Chairman's Statement

A year that defines our Spirit of Success

Vallibel One became a commercial reality last year, and today just one financial year later, we have seen the Group bring to life the concept of synergy, accruing value that is more than the sum of the Group's parts.

2011/2012 has indeed been a year that has defined our spirit of success. We pursued our interests and strategic intentions with rigueur and relied on continuous innovation as a tool to create wealth, not only for our shareholders but also most definitely for all of our stakeholders. Our successes in 2011/2012 were not however without challenges. Every aspect of our business was affected by the pressures of the global economy, the euro-zone crisis and of course the consequent impact on the domestic economy. Yet as business innovators, each of our subsidiaries took on the challenge to not only persevere to overcome, but also to achieve resounding financial success within these confines.

As I have often said, our subsidiary companies are all individually established, they have deconstructed the "established norms", by innovating beyond the conventional and by believing in the principle that Sri Lanka can be world-class. It is this conviction that has enabled our subsidiary companies such as Royal Ceramics Lanka PLC and L B Finance PLC to post not just strong financial returns in 2011/2012, but admittedly their best financial returns since incorporation. Excellence of this nature truly needs applauding and appreciation.

Vallibel One in turn, has posted commendable results for the year, and I am sure that our shareholders will be pleased to note that during the financial year, the Group

posted a Net Profit of Rs. 3.6 billion. Our Net Assets now stand at approximately Rs. 35 billion. I must remind our shareholders that this is just our beginning. In the years ahead, I can conclusively make an assurance of greater successes. By leading in growth themes that are critical to the national economy Vallibel One will catalyse wealth creation across key sectors, precipitating economic growth whilst empowering the communities across Sri Lanka.

Into the future, we will continue our journey of spirited success, embracing every Sri Lankan with opportunity and new horizons. We will continue to test the status quo and revolutionise the businesses that we are passionate about and bring to reality our vision to become the powerhouse of corporate Sri Lanka. Financial accountability, strategic thinking and an absolute resolve to succeed for our country, will be the foundation of our growth in the years ahead.

Let me borrow a thought from Wilfred A. Peterson, the author of Art of Living as I conclude this statement. "Big thinking precedes great achievement", and as we chart our future, we will dream big, look beyond the conventional and strive for the very best for all of Sri Lanka.



Dhammika Perera
Chairman

15 June 2012

The Spirit of Success



“In the years ahead, I can conclusively make an assurance of greater successes, by leading in growth themes that are critical to the national economy”

Board of Directors



Seated Left to Right: Mr Nimal Perera (Executive Deputy Chairman) and Mr Dhammika Perera (Chairman / Managing Director)

Standing Left to Right: Ms Kimarli Fernando (Independent Non-Executive Director), Mr Harsha Amarasekera (Independent Non-Executive Director), Mr Sumith Adhihetty (Non-Executive Director) and Mr Rajan Asirwatham (Independent Non-Executive Director)

Board of Directors

Mr Dhammika Perera

Chairman / Managing Director

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

He serves as the Chairman of Sampath Bank PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC, Delmege (Private) Limited and Greener Water Ltd. He is the Deputy Chairman of Hayleys PLC and Royal Ceramics Lanka PLC, the Executive Deputy Chairman of L B Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Dipped Products PLC, Orit Apparels Lanka (Private) Limited, Nirmalapura Wind Power (Private) Ltd, Alutec Anodising & Machine Tools (Private) Ltd and Sri Lanka Insurance Corporation 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 Chairman of Pan Asia Banking Corporation PLC, Managing Director of Royal Ceramics Lanka PLC, Chairman of Don Wilbert Capital Ltd, N Sports (Private) Ltd, N Capital (Private) Ltd, and also serves on the Boards of Hayleys PLC, Haycarb PLC, Hotel Services (Ceylon) PLC, Vallibel Power Erathna PLC, Thalawakele Tea Estates PLC, Amaya Leisure PLC, L B Finance PLC and Vallibel Finance PLC.

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.

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 and Amaya Leisure PLC. He is also a Director of CIC Agri Business Private Limited and an Alternate Director of Amana Bank.

Mr Sumith Adhietty

Non-Executive Director

A well-known professional in the marketing field, Mr Adhietty 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) Limited, Tangerine Tours Limited and Security Ceylon (Pvt) Limited. Mr Adhietty presently serves as the Managing Director of L B Finance PLC being appointed to the said position on 6th January 2004. He also serves on the Boards of Vallibel Finance PLC, Pan Asia Banking Corporation PLC and is the Managing Director of The Fortress Resorts PLC.

Board of Directors

Ms Kimarli Fernando

Independent Non-Executive Director

Ms Kimarli Fernando holds an LLB (Hons) from the London School of Economics and 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 L B Finance PLC, Delmege (Private) Limited and National Development Bank PLC.

She has more than 20 years of experience in the field of Banking and has 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 at Lanka Clear (Private) 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 a 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 amongst which are Boards of Ceylon Tea Services PLC, Aitken Spence PLC, CIC Holdings PLC, Royal Ceramics Lanka PLC and Renuka Hotels (Private) Ltd.

Group Financial Highlights

	2012 Rs '000	2011* Rs '000	Change %
For the year ended 31 March			
Turnover	26,605,697	5,065,243	425
Profit before tax	4,544,455	1,489,145	205
Profit after tax	3,645,153	1,180,338	209
Profit attributable to equity holders of the company	2,024,989	578,612	250
As at 31 March			
Shareholders' funds	29,893,832	27,212,055	10
Company Market Capitalisation	20,644,628	-	-
Total assets	83,583,038	56,742,994	47
Employment (No of persons)	9,701	2,835	242
Per Share			
(Issued and fully paid shares, 31.03.2012 - 1,086,559,353 and 31.03.2011 - 1,065,247,483)			
Earnings (Rs)	1.87	1.30	44
Net Assets (Rs)	27.51	25.55	8
Market Value (Year-end) (Rs)	19.00	-	-
Price earnings (year-end) (times)	10.16	-	-
Gross Profit (%)	31.94	50.83	(37)

* For the period from 09 June 2010 to 31 March 2011

Subsidiary Review

Royal Ceramics Lanka PLC

51% stake in Royal Ceramics



Rocell is in the business of enhancing the quality of life by adding color, style and elegance to life. It creates a sense of aspiration, expectation, fashion and style always stirring aspirations around good living. Creating sensorial pleasures of an aesthetically appealing living ambiance. Since 1990, Royal Ceramics Lanka PLC has set their vision of absolutism in motion, manufacturing only the finest tiles and bathware to a discerning market here and overseas. Today their collection of artistically stirring, functionally liberating masterpieces have grown in demand; earning not only myriad commendations from design critics and persistent customers alike, but opened up phenomenal business probabilities.

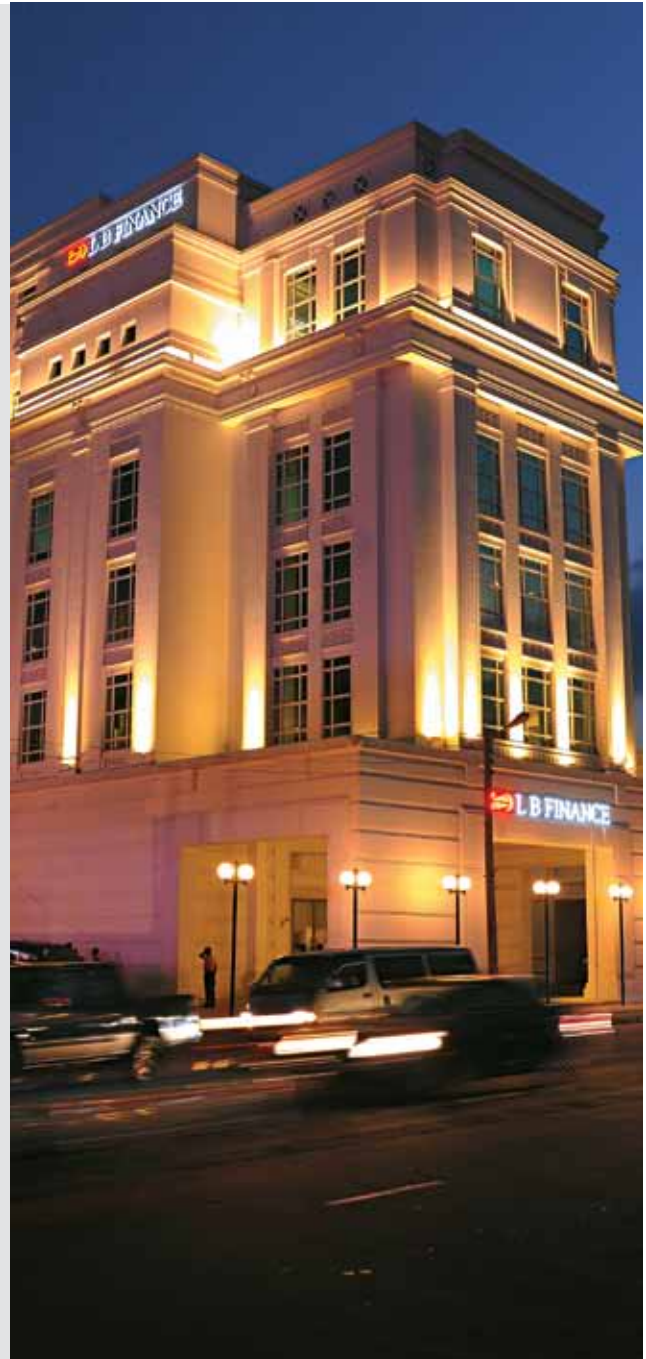


L B Finance PLC

51% stake in L B Finance



L B Finance is a leading name in Sri Lanka's financial service industry with a strong and diverse portfolio of fixed deposits, leasing, hire purchase, inland money transfer, gold loans, microfinance, factoring, margin trading and Islamic finance. With a vision to contribute to the quality of life of stakeholders through partnerships that fuel the growth of the Company, L B Finance successfully creates shareholder value both in the short and long term. With a branch network spanning the length and breadth of the country, the financier has reached a wide customer base and has enjoyed strong growth driven by volume, sustainability, portfolio quality, expansion, administrative control and new growth areas coupled with a very solid foundation. Its financial strength has been endorsed by RAM Ratings (Lanka) Limited with an A-/P2 rating.




Subsidiary
Review

Orit Apparels Lanka (Private) Ltd

50% stake in Orit Apparels



ORIT Apparel is Sri Lanka's Number One specialist manufacturer of denim-based apparel. Their core strength lies in their single minded dedication to the Art of Denim. The knowledge bank of its design and technical teams engaged in developing new washing techniques and quality finishes is unsurpassed in the world of apparel. Since inception, Orit Apparel has grown phenomenally and today, its client list magnifies their impressive collection of world renowned denim clothing brands such as Levi's, Gloria Vanderbilt, Grane, GLO and Zara.

-  Outstanding performance known internationally
- r** Responsibility towards internal & external communities!
- i** Integrity & honesty that we live with!
- t** Teamwork that challenges processes for further improvement!



Delmege (Pvt) Limited

(Formerly known as Lewis Brown & Company (Pvt) Limited)

51% Stake in Delmege



Delmege (Pvt) Limited, traces its roots to 1850, “to the firm of Alexander Reid, established as a merchant at Pedlar Street, Galle” (Mercantile Lore). Alexander was succeeded by his brother James Reid, who became partners with American E. T. Delmege – together they expanded the business and opened a trading house in Colombo in 1865. A. A. Delmege (Sam), soon followed his brother to Ceylon. Today, Delmege (Pvt) Limited, a member of The Ceylon Chamber of Commerce for more than a hundred years, is a widely diversified Group of Companies. While retaining and expanding their original business of imports, the Group has diversified into exports, airline services, travel, freight forwarding and more. The Delmege Group of Companies has firmly established itself as an integral part of the Sri Lankan economy and strives to maintain this position, while continuing to seek opportunities for growth and development with its local and international partners.



Subsidiary Review

Greener Water Ltd

100% stake in Greener Water



Greener Water Ltd is the leisure sector investment arm of Vallibel One PLC. Under the purview of Greener Water Ltd, investments have been made towards the establishment of a unique hospitality project that is billed to be the first of its kind in Sri Lanka. Currently under design stage, the Grand Beach Hotel is a luxury resort that is scenically located between the river, Maha Oya and the Indian Ocean. Surrounded by pristine blue waters, the resort will redefine the hospitality offer in Sri Lanka. The Grand Beach Hotel is a 400 luxury roomed, 5 star property that will bring alive the colonial charms and the lavish lifestyle that is synonymous with the era. As an architectural masterpiece, the property will be crafted to be one of the most impressive hospitality structures in the region. It will be the epitome of contemporary luxurious living and will offer sumptuous suites, elegant ballrooms, 4 fine-dining restaurants, luxury spa and fitness centers plus the excitement of a fully equipped water park.



Financial Information

Financial Calendar

Interim Report - 1st half year 2011/2012	30 November 2011
Interim Report - 2nd half year 2011/2012	31 May 2012
Annual Report 2011/2012	15 June 2012
2nd Annual General Meeting	18 July 2012

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

The Directors of Vallibel One PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31st March 2012.

General

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

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

The Company carried on business as a diversified investment holding company during the period under review. In addition to the investments made during the preceding year it made investments in Lewis Brown & Company Limited [now known as “Delmege (Private) Limited”], the holding company of a diversified group of companies, and Orit Apparels Lanka (Private) Ltd, a company in the Manufacturing sector.

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

Financial Statements

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

Independent Auditors’ Report

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

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements given on pages 29 to 43 are consistent with those of the previous period.

Stated Capital

The Stated Capital of the Company as at 31st March 2012 was Rs 27,163,983,720/- represented by 1,086,559,353/- Ordinary Shares.

Initial Public Offer

The Company had an Initial Public Offer (“IPO”) in June 2011 of 21,311,870 Ordinary Shares at an issue price of Rs. 25.00 each. Resulting from the said IPO, the Stated Capital increased by Rs.532,796,750/-

The objective of the issue was to raise funds to finance the balance capital requirement of Greener Water Ltd, a fully owned subsidiary of the company and the funds raised from the IPO of Rs. 532,796,750/- are held in deposits.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, shareholder analysis, net assets per share, twenty largest shareholders of the Company, Directors’ shareholding and percentage of shares held by the public as per the Listing and rules of the Colombo Stock Exchange are given on page 91 to 93 under Shareholders’ Information.

The Spirit of Success

Directors

Directors of the Company

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

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. K Fernando	Independent Non-Executive Director
Mr. R N Asirwatham	Independent Non-Executive Director

Directors of the subsidiary companies as at the end of the accounting period:

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 Samarawickrema	Director
Mr. R D P Godawatta Arachchige	Director
Mr. M D S Goonatilleke	Director
Mr. R N Asirwatham	Director

L B Finance PLC

Mr. L N de Silva Wijeyeratne	Acting Chairman
Mr. K D D Perera	Executive Deputy Chairman
Mr. J A S S Adhietty	Managing Director
Mr. W D N H Perera	Director
Mr. A M Weerasinghe	Director
Mr. K D A Perera	Director
Mr. N Udage	Executive Director
Mr. B D St A Perera	Executive Director
Ms. K Fernando	Director
Ms. S Jayasekara	Director

Greener Water Ltd

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

Delmege (Private) Limited [formerly known as Lewis Brown & Company (Private) Limited]

Mr. K D D Perera	Chairman
Mr. W D N H Perera	Director
Mr. A M Pandithage	Director
Mr. T G Thoradeniya	Director
Mr. L N de Silva Wijeyeratne	Director
Ms. K Fernando	Director
Mr. M Dayananda	Director
Mr. L D E A de Silva	Director
Mr. C De Silva	Director
Mr. S H Amarasekera	Director

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

Orit Apparels Lanka (Private) Limited

Mr. C P Palansuriya	Chairman
Mr. H M S A Herath	Director
Mr. P A J I Perera	Director
Mr. K D D Perera	Director
Mr. W D N H Perera	Director
Ms. M H S M Tissera	Director
Mr. W B M B Wijeratne	Director

Interests Register

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

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

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2012 as recorded in the Interests Register are given on page 93 of the Annual Report under Directors' shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 40 to the financial statements on page 88.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Independent Auditors to the Company and also provided tax compliance services / acted as Auditors and Reporting Accountants to the Company's Initial Public Offering.

A sum of Rs. 448,000 is payable by the Company to the Auditors as Audit Fees for the year under review. The fee paid for non-audit services during the year under the review was Rs. 200,200/-

Donations

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

Dividends

No dividends are recommended for the period under review.

Property, Plant and Equipment

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

Land Holdings

The Company does not own any land or buildings.

In regard to the land holdings of subsidiary companies, the Board is of the view that their carrying value is not materially different to the market values thereof.

Material Foreseeable Risk Factors

Vallibel One PLC is a diversified conglomerate of which the primary business is “Investment Holding”

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

Corporate Governance

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

In line with this and in terms of the Listing Rules of the Colombo Stock Exchange the Company has appointed three Independent Directors to the Board of Vallibel One PLC facilitating independent judgment in Board discussions and decisions.

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

Composition of the Board

The Board of Vallibel One PLC comprises 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. K Fernando and Mr. R N Asirwatham are ‘Independent’ as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

In the said determination, the Board has considered that Ms. Kimarli Fernando serves as a Director of L B Finance PLC along with Messrs K D D Perera, W D N H Perera and J A S S Adhietty (Constituting a majority of the Board of Vallibel One PLC) and, that by virtue thereof Ms. Fernando does not qualify as ‘Independent’ against the criteria set out in Rule 7.10.4.g(i) of the Listing Rules.

However, the Board having further considered that Ms. Fernando serves on the Board of L B Finance PLC as an Independent Director and other relevant factors vis-a-vis her independence, has determined in terms of Rule 7.10.3.b that Ms. Fernando is nevertheless “Independent”

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. K Fernando.

The report of the Audit Committee appears on page 20.

Remuneration Committee

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

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

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

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

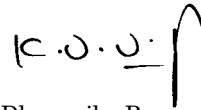
The Remuneration policy is to attract and retain a highly qualified and experienced Senior Management.

Annual General Meeting

The Annual General Meeting will be held on Wednesday, 18th of July at 9.30 a.m. at Crystal Upper Floor, Taj Samudra, No. 25, Galle Face Centre Road, Colombo 3.

The Notice of the Annual General Meeting appears on page 94.

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



Dhammika Perera
Chairman / Managing Director



Nimal Perera
Executive Deputy
Chairman



Anusha Wijesinghe
P W Corporate Secretarial (Pvt) Ltd
Secretaries

15 June 2012
Colombo

Statement on Directors' Responsibility for Preparation of Financial Statements

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the balance sheet date and the income and expenditure of the Company 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 regards to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue in operation and have applied the going concern basis in preparing the financial statements.

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

By Order of the Board of
Vallibel One PLC



Anusha Wijesinghe
P W Corporate Secretarial (Pvt) Ltd
Secretaries

15 June 2012
Colombo

Report of the Audit committee

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

Mr. R N Asirwatham	Chairman - Independent Non-Executive Director
Mr. S H Amarasekera	Independent Non-Executive Director
Ms. K Fernando	Independent Non-Executive Director

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

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

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

The Committee, along with the Board, reviewed the consolidated financial statements for the year ended 31st March 2012 to ensure compliance with mandatory and statutory requirements. The 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 as the Auditors for the year ending 31st March 2013 subject to the approval of the shareholders at the Annual General Meeting.



R N Asirwatham
Chairman – Audit Committee

15 June 2012

Independent Auditors' Report



Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka
Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

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, 2012 and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

Company

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

Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2012 and the profit and cash flows for the year 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.

15 June 2012
Colombo

Balance Sheet

	Note	Company		Group	
		As at 31.03.2012 Rs.	As at 31.03.2011 Rs.	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.(Restated)
ASSETS					
Cash and Cash Equivalents		16,837,661	19,038,427	1,836,106,993	427,845,146
Short Term Investments		2,298,000,000	4,417,810,959	513,000,000	1,417,810,959
Treasury Bills and other bills eligible for re-discounting with Central Bank	3	-	-	1,266,964,280	1,622,157,957
Placements with other banks	4	-	-	963,593,487	302,583,827
Loans and Advances	5	-	-	4,401,175,201	1,876,253,903
Gold Loans	6	-	-	8,490,950,281	5,666,977,116
Lease Rentals receivable and Stock out on hire	7	-	-	23,820,179,162	16,329,573,406
Advance for Vehicle Stock		-	-	127,212,567	519,705,853
Real Estate Stock	9	-	-	143,212,184	237,520,182
Trade and other Debtors, Deposits and Prepayments	10	75,442,368	73,622,142	4,627,984,129	1,169,692,401
Investments in Securities	11	7,890,384,619	6,910,395,270	8,990,606,620	8,772,247,702
Investments in Subsidiaries	12	17,316,095,291	14,822,125,320	-	-
Investment in Associate	12.1	317,476,813	280,000,000	323,935,187	280,000,000
Amounts Due From Related Parties	13	88,022,907	25,434,257	192,395,446	183,961,983
Deferred Tax Assets		-	23,263,788	35,213,068	23,263,788
Income Tax Recoverable		7,175,308	1,246,903	41,392,594	2,185,254
Inventories	14	-	-	4,446,540,389	1,380,703,093
Intangible Assets	15	-	-	12,743,220,757	11,246,030,419
Property, Plant and Equipment	16	43,804,606	28,882,759	10,619,355,408	5,284,481,504
Total Assets		28,053,239,573	26,601,819,825	83,583,037,753	56,742,994,492
LIABILITIES					
Deposits from non-bank customers	17	-	-	24,425,133,299	16,619,680,724
Interest Bearing Loans and Borrowings	18	-	-	17,140,758,965	5,989,876,418
Trade and Other Payables	19	488,277,043	8,646,083	5,231,638,732	2,216,058,404
Amount Due To Related Parties	20	46,700	22,114,064	25,000	21,447,400
Dividend Payable	21	-	-	26,674,704	15,826,051
Debentures	22	-	-	995,000,000	450,000,000
Retirement Benefit Liability	23	1,720,067	-	333,115,102	134,658,434
Income Tax Liabilities		8,404,017	-	367,774,875	266,645,929
Deferred Tax Liabilities		2,161,673	-	98,672,872	154,805,163
Total Liabilities		500,609,500	30,760,147	48,618,793,549	25,868,998,523

The Spirit of Success

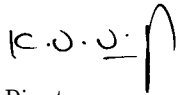
	Note	Company		Group	
		As at 31.03.2012 Rs.	As at 31.03.2011 Rs.	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.(Restated)
Shareholders' Funds					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	24	27,163,983,720	26,631,186,970	27,163,983,720	26,631,186,970
Reserves	25	388,646,353	(60,127,292)	2,729,848,217	580,868,012
		27,552,630,073	26,571,059,678	29,893,831,937	27,212,054,982
Minority Interest		-	-	5,070,412,267	3,661,940,987
Total Equity		27,552,630,073	26,571,059,678	34,964,244,204	30,873,995,969
Total Equity and Liabilities		28,053,239,573	26,601,819,825	83,583,037,753	56,742,994,492

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



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;



Director



Director

The Accounting Policies and the Notes on pages 28 through 90 form an integral part of these Financial Statements.

15 June 2012
Colombo

Income Statement

For the year ended 31 March

	Note	Company		Group	
		2012 Rs.	2011 * Rs.	2012 Rs.	2011 * Rs.(Restated)
Revenue	27	-	-	26,605,697,373	5,065,243,240
Cost of Sales		-	-	(18,107,983,967)	(2,490,817,775)
Gross Profit/ (Loss)		-	-	8,497,713,406	2,574,425,465
Dividend Income	28	360,072,195	-	27,502,362	194,155
Other Operating Income	29	347,690,985	85,860,329	1,061,151,527	264,259,604
Administrative Expenses		(85,490,714)	(162,083,990)	(2,094,981,557)	(654,284,817)
Distribution Expenses		-	-	(1,974,834,506)	(430,822,640)
Finance Cost	30	(75,125,572)	(7,167,419)	(697,958,936)	(84,870,204)
Provision for fall in value of Investments		(24,520,482)	-	(189,459,905)	(71,501,688)
Bad and Doubtful Loans and Write Offs		-	-	(78,430,618)	-
Amortisation of Intangible Assets		-	-	(50,520,782)	(18,851,902)
Negative Goodwill		-	-	201,136,342	-
Profit From Operations	31	522,626,412	(83,391,080)	4,701,317,333	1,578,547,973
Value Added Tax on Financial Services		-	-	(156,861,925)	(89,403,270)
Profit / (Loss) before tax		522,626,412	(83,391,080)	4,544,455,408	1,489,144,703
Profit from Associate Company		-	-	9,567,875	-
Income Tax Expense	32	(73,852,767)	23,263,788	(908,870,171)	(308,807,073)
Net Profit / (Loss) for the Year		448,773,645	(60,127,292)	3,645,153,112	1,180,337,630
Attributable to :					
Equity holders of the Parent		448,773,645	(60,127,292)	2,024,988,623	578,612,492
Minority Interest		-	-	1,620,164,489	601,725,138
Net Profit / (Loss) for the Year		448,773,645	(60,127,292)	3,645,153,112	1,180,337,630
Earnings / (Loss) Per Share	33	0.42	(0.14)	1.87	1.30

The Accounting Policies and the Notes on pages 28 through 90 form an integral part of these Financial Statements.

*For the period from 09 June 2010 to 31 March 2011

Statement of Changes in Equity

For the year ended 31 March 2012

Company	Stated Capital	Reserve Fund	Investment Fund Reserve	General Reserve	Exchange Equalisation Reserve	Investments in Parent Company Shares	Retained Earnings	Minority Interest	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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
Issue of Shares	532,796,750	-	-	-	-	-	-	-	532,796,750
Profit/ (Loss) for the period	-	-	-	-	-	-	448,773,645	-	448,773,645
Balance as at 31 March 2012	27,163,983,720	-	-	-	-	-	388,646,353	-	27,552,630,073
Group									
Balance as at 09 June 2010									
Profit for the period (Restated)	-	-	-	-	-	-	578,612,492	601,725,138	1,180,337,630
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	-	-	-	-	-	-	-	3,058,279,731	3,058,279,731
Transfers	-	58,951,071	16,602,912	-	-	-	(75,553,983)	-	-
Balance as at 31 March 2011 (Restated)	26,631,186,970	58,951,071	16,602,912	-	-	-	505,314,029	3,661,940,987	30,873,995,969
Profit for the year	-	-	-	-	-	-	2,024,988,623	1,620,164,489	3,645,153,112
Appropriation of Bad Debts	-	-	-	-	-	-	5,500,182	4,559,747	10,059,929
Issue of Shares	532,796,750	-	-	-	-	-	-	-	532,796,750
Acquisition of Subsidiaries	-	-	-	-	-	-	-	1,372,868,217	1,372,868,217
Adjustment due to changes in holding	-	-	-	26,584,821	-	-	(30,626,961)	(1,467,295,396)	(1,471,337,536)
Investment in Parent Company Shares	-	-	-	-	-	(42,275,500)	-	-	(42,275,500)
Disposal Adjustment on Revalued Assets	-	-	-	-	-	-	(1,601,743)	-	(1,601,743)
Transfers	-	178,160,193	93,011,165	24,080,435	-	-	(295,251,793)	42,459,021	42,459,021
Dividend paid to Minority Share holders	-	-	-	-	-	-	-	(330,695,582)	(330,695,582)
Exchange Equalization for the year	-	-	-	-	166,410,784	-	-	166,410,784	332,821,567
Balance as at 31 March 2012	27,163,983,720	237,111,264	109,614,077	50,665,256	166,410,784	(42,275,500)	2,208,322,337	5,070,412,267	34,964,244,204

The Accounting Policies and the Notes on pages 28 through 90 form an integral part of these Financial Statements.

Cash Flow Statement

	Note	31.03.2012 Rs.	Company 31.03.2011* Rs.	31.03.2012 Rs.	Group 31.03.2011* Rs.(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit/ (Loss) before Taxation		522,626,412	(83,391,080)	4,544,455,408	1,489,144,703
ADJUSTMENTS FOR					
Depreciation		6,117,878	-	695,877,214	184,822,290
Amortization		-	-	50,520,782	20,542,137
(Appreciation) / Depreciation in Market value of Quoted shares		24,520,482	-	282,201,039	(63,565,207)
Interest cost on Finance Leases		-	-	5,132,479	1,333,511
Provision For doubtful debts		-	-	78,430,618	65,335,921
Provision for impairment of assets		-	-	1,595,088	(4,550,827)
Provision For Defined Benefit Plan Costs		1,373,585	-	71,460,175	12,516,333
Profit / (Loss) from sale of Property, Plant & Equipment		-	-	(31,758,218)	35,775,056
Withholding Tax attributed to					
Fixed Deposit & professional fees		-	-	(6,766,394)	(5,751,737)
Notional Tax Credit on Interest on Treasury Bills		-	-	(11,270,585)	(2,235,074)
(Gain) /Loss from Sale of Investments		(8,398,024)	-	(318,717,370)	(39,693,576)
Finance Cost		75,125,572	7,167,419	697,958,936	84,869,655
Interest Income		(339,292,962)	(85,860,329)	(102,815,844)	(86,147,544)
Negative Goodwill		-	-	(201,136,342)	-
Dividend Written Back		-	-	-	(3,167,073)
Exchange Loss / (Gain)		-	-	32,397,639	-
Reversal of Stock Provision		-	-	(15,719,849)	-
Dividends Received		-	-	(27,502,362)	(198,062)
Operating Profit/ (Loss) before Working Capital Changes		282,072,943	(162,083,990)	5,744,342,414	1,689,030,505
(Increase)/Decrease in Real Estate Stock		-	-	94,307,999	(21,936,881)
(Increase)/Decrease in Lease Rentals					
Receivable and Stock out on hire		-	-	(7,533,739,863)	(3,232,714,364)
(Increase)/Decrease in Government of					
Sri Lanka Treasury Bills		-	-	350,967,991	641,567,467
(Increase)/Decrease in Loans and Advances		-	-	(2,547,724,282)	(514,713,221)
(Increase)/Decrease in Gold Loans		-	-	(2,823,973,165)	(1,567,655,210)
(Increase)/Decrease in Trade & Other Debtors,					
Deposits & Prepayments		(10,452,072)	(498,357)	175,918,210	(221,047,457)
(Increase)/Decrease in Vehicle Stocks		-	-	392,493,285	(324,239,001)
(Increase)/Decrease in Placements with Banks		-	-	(644,891,715)	562,334,000
Increase/(Decrease) in Deposits from Non Bank Customers		-	-	6,638,018,622	1,641,627,501
Increase/(Decrease) in Trade & Other Payables		(7,876,164)	9,312,747	4,497,056,245	238,229,246

The Spirit of Success

	Note	Company 31.03.2012 Rs.	Company 31.03.2011* Rs.	Group 31.03.2012 Rs.	Group 31.03.2011* Rs.(Restated)
Increase/(Decrease) in Accrued Charges		-	-	366,710,041	-
(Increase)/Decrease in Inventories		-	-	(673,540,578)	(30,115,966)
Increase/(Decrease) in Amounts Due to Related Companies		(22,067,366)	21,447,400	(117,523,321)	21,428,118
Increase/(Decrease) in Amounts Due from Related Companies		(62,242,168)	(25,434,257)	25,802,438	-
Cash Generated from Operations		179,435,173	(157,256,457)	3,944,224,321	(1,118,205,261)
Retirement Benefits Liabilities paid		-	-	(45,114,513)	(1,741,627)
WHT Paid		(45,951,693)	(1,246,903)	(45,951,693)	(1,246,903)
Interest Received		347,924,806	12,736,544	111,447,688	13,023,759
Finance Cost Paid		(63,697)	(7,167,419)	(622,897,061)	(84,869,655)
Taxes Paid		-	-	(976,108,651)	(242,698,658)
Net Cash from/(Used in) Operating Activities		481,344,589	(152,934,235)	2,365,600,091	(1,435,738,345)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Property, Plant & Equipment		(21,039,724)	(28,882,759)	(2,375,332,694)	(607,851,485)
Proceeds from Sale of Property, Plant & Equipment		-	-	75,670,331	3,035,596
Acquisition of Intangible Assets		-	-	(27,703,193)	(3,721,515)
(Acquisition) / Proceeds from sale of Other Investments		(996,111,806)	(35,235,270)	1,811,723,741	88,051,879
Investment in Associates		(37,476,813)	(280,000,000)	(37,476,813)	(280,000,000)
Acquisition / Increase in Interest in Subsidiaries		-	-	(2,557,424,563)	-
Acquisition of Short Term Investment		-	(4,417,810,959)	(1,541,085,913)	(2,354,339,477)
Disposal of Short Term Investments		2,119,810,959	-	2,113,206,159	319,624,732
Dividends Received		-	-	27,502,362	198,066
Disposal of Subsidiaries		-	-	(14,741,766)	-
Acquisition of Subsidiaries	2.1.3	(2,081,524,721)	(75,542,820)	(2,460,950,287)	(439,804,143)
Net Cash used in Investing Activities		(1,016,342,105)	(4,837,471,808)	(4,986,612,636)	(3,274,806,347)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal Payment under Finance Lease Liability		-	-	(30,676,214)	(8,584,086)
Issue of Shares		532,796,750	5,009,444,470	532,796,750	5,009,444,470
Net Proceeds from Non interest Bearing Loans & Borrowings		-	-	139,993,372	-
Proceeds from Interest Bearing Loans & Borrowings		-	-	3,151,651,489	1,362,410,859
Repayment of Interest Bearing Loans & Borrowings		-	-	(2,247,284,471)	(1,247,534,334)
Debenture Issue		-	-	545,000,000	-
Dividend Paid		-	-	(370,513,592)	(3,909,656)
Net Cash from Financing Activities		532,796,750	5,009,444,470	1,720,967,334	5,111,827,212
Net Increase / (Decrease) in Cash & Cash Equivalents		(2,200,766)	19,038,427	(900,045,211)	401,282,520
Cash and Cash Equivalents at the beginning of the Period		19,038,427	-	401,282,520	-
Cash and Cash Equivalents at the end of the Period	26	16,837,661	19,038,427	(498,762,691)	401,282,520

The Accounting Policies and the Notes on pages 28 through 90 form an integral part of these Financial Statements.

*For the period from 09 June 2010 to 31 March 2011

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 Centre, Echelon Square, Colombo – 01.

The Consolidated Financial Statements of the company for the year ended 31 March 2012 comprise the Vallibel One PLC (Parent Company) and its subsidiaries (together referred as the “Group”) Royal Ceramics Lanka PLC, L B Finance PLC, Greener Water Ltd, Delmege (Private) Limited (Formally known as Lewis Brown & Co (Private) Limited) and Orit Apparels Lanka (Private) Limited.

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

Group holding company which manage a portfolio of diversified business holdings.

Royal Ceramics Lanka PLC

Manufacture and marketing of floor and wall tiles. Subsidiaries of the group were engaged in manufacturing and marketing of floor and wall tiles, sanitaryware and paints and allied products.

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 and Factoring.

Greener Water Ltd

Intended Hotel Operator

Delmege (Pvt) Limited (Formally known as Lewis Brown & Company (Private) Limited)

Managing its subsidiaries, carrying out Investment activities and providing management and administration services to the companies within the Group. Subsidiaries of the Group were engaged in the business of Manufacturing, Trading, Shipping, Logistics, Airline and travel, and Insurance Brokering.

Orit Apparels Lanka (Private) Limited

Manufacturing and Selling of denim based apparels.

1.4 Date of Authorization for Issue

The Financial Statements of Vallibel One PLC, for the Year Ended 31 March 2012 were authorized for issue in accordance with the resolution of the Board of Directors on 15 June 2012.

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 Note 2.7. The Management is responsible for the preparation and presentation of these Financial Statement 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

Comparative information given for the period 31 March 2011 is from 09 June 2010 to 31 March 2011.

The accounting policies adopted are consistent with those used in the previous financial year. Certain prior year figures and phases are rearranged whenever necessary to conform to the current year presentation.

The accounting policies adopted are consistent with those used in previous year except for the restatement disclosed in Note 35.

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.

During the year the group has acquired 61.2% of Delmege (Private) Limited (Formally known as Lewis Brown and company (Private) Limited), 50% of Orit Apparels Lanka (Private) Limited and 51.01% of Ever Paint and Chemical Industries (Private) Ltd. The group further acquired 10.37% voting shares of L B Finance on 01st March 2012. The acquisitions have been accounted for using the purchase method of accounting.

The fair value of assets acquired and liabilities assumed of Delmege (Private) Limited (Formally known as Lewis Brown & Co (Pvt) Limited), Orit Apparels Lanka (Private) Limited and Ever Paint and Chemical Industries (Pvt) Limited were as follows.

	Rs.
ASSETS	
Cash and Cash Equivalents	(113,312,541)
Trade and other Debtors, Deposits and Prepayments	3,227,739,993
Investments in Securities	463,833,309
Deferred Tax Assets	14,802,236
Income Tax Recoverable	52,913,832
Inventories	2,359,883,564
Intangible Assets	3,311,254
Property, Plant and Equipment	3,372,582,346
	<u>9,381,753,993</u>

Notes to the Financial Statements

	Rs.
LIABILITIES	
Interest Bearing Loans and Borrowings	(3,321,076,655)
Non Interest Bearing Loans and Borrowings	(462,786,373)
Trade and Other Payables	(1,461,512,641)
Dividend Payable	(1,782,315)
Debentures	(50,376,121)
Retirement Benefit Liability	(106,973,391)
Income Tax Liabilities	176,074
Deferred Tax Liabilities	(47,271,017)
	<u>(5,451,602,439)</u>
Net Assets	<u>3,930,151,554</u>
Net Assets Acquired (61.2% in Lewis Brown & Co (Pvt) Limited, 50% of Orit Apparels Lanka (Pvt) Limited and 51.01% of Ever Paint and Chemical Industries (Pvt) Limited	
	(2,154,034,352)
Good Will	(807,184,986)
Negative Goodwill	201,136,342
Total Value of Investment Acquired	<u>(2,760,082,996)</u>
Payable in Consideration	412,445,250
	<u>(2,347,637,746)</u>
Cash and Cash Equivalents of Subsidiaries Acquired	(113,312,541)
Net Cash Out Flow on Acquisition of Subsidiaries	<u>(2,460,950,287)</u>

From the date of acquisition, above Subsidiaries have contributed a loss of Rs.101, 651,562/- 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.3,729,905,701/-

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 year ended 31 March 2012 comprise of the Company and its Subsidiaries. The details of Subsidiaries are as follows:

<u>Company Name</u>	<u>Year of Incorporation</u>	<u>Ownership Percentage</u>
Vallibel One PLC	2010/2011	
Royal Ceramics Lanka PLC	1990/1991	51.01%
L B Finance PLC	1971/1972	64.18%
Greener Water Ltd	2010/2012	100%
Delmege (Private) Limited (Formerly known as Lewis Brown & Co (Pvt) Limited)	1915/1916	61.2%
Orit Apparels Lanka (Private) Limited	1997/1998	50.00%

The Consolidated Financial Statements incorporating all Subsidiaries in the Group are prepared to common financial year ended March 31 using uniform Accounting Policies for like transactions and in similar circumstances 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.

Negative goodwill arising on acquisition of subsidiaries is credited to the income statement.

Associate - Waskaduwa Beach Resorts PLC

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.

Judgements

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 is 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

Notes to the Financial Statements

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 adjustment 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 Note 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, other than the Orit Apparels Lanka (Private) Limited where their functional currency is US dollars and it's presentation Currency is the Sri Lankan Rupees. 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, L B Finance PLC, Greener Water Ltd, Delmege (Private) Limited (Formally known as Lewis Brown & Company (Private) Limited) and Orit Apparels Lanka (Private) Limited.

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.

(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.

Notes to the Financial Statements

(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) Turnover Based Taxes

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

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 are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits

embodied in the asset 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the Cash generating unit level. Such intangible are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis

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

Brand Name – Amortised over 20 years from the date of acquisition.

Goodwill – Tested for impairment annually.

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** - 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.

Trade receivable of Orit apparels Lanka (Private) Limited are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of 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.

Notes to the Financial Statements

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 revalue 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 except for the 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.

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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 Recognition

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 amortized 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.

Notes to the Financial Statements

(c) Dividends

Dividend Income is recognised when the shareholders' right to receive the payment is established. Dividend income of Lewis brown and Company (Private) Limited is recognised on a cash basis

(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

A business segment is a distinguishable component of an enterprise that is engaged in providing an 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 Sri Lanka Accounting Standards effective from 01 January 2012

The Company will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Company has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Company has a 31 March year end, priority has been given to considering

the preparation of an opening balance sheet in accordance with the new SLASs as at 01 April 2012. This will form the basis of accounting for the new SLASs in the future, and is required when the Company prepares its first new SLAS compliant financial statements for the year ending 31 March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Company. The Company is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

- (a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Company to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Company shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements.
- (b) LKAS 1 – Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Company to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
- (c) LKAS 16 – Property Plant and Equipment requires a Company to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash

Notes to the Financial Statements

price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalized at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

- (d) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') coupled with a reliable estimate of the loss event (or events) impact on the estimated future cash flows of the financial asset or group of

financial assets. As such the current method of assessing for impairment will have to be changes to meet the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the Company does not identify, categorize and measure financial assets and liabilities as per the requirements of the standard and also does not recognize certain derivative instruments on the balance sheet

- (e) SLFRS 2 – Share Based Payments, will require the Company to reflect in its profit or loss and financial position the effects of share based payment transactions, including expenses associated with share options granted to employees. An entity is required to recognize share based payment transactions when goods are received or services obtained based on the fair value of goods or services or the fair value of equity instruments granted. Hence the Company will be required to determine the fair value of options issued to employees as remuneration and recognize an expense in the statement of financial performance. This standard is not limited to options and extends to all forms of equity based remuneration and payments.
- (f) SLFRS 3 – Business combinations will require the Company to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets(inputs) and activities(processes) which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognizing and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires

recognition and measurement of any non-controlling interest in the acquire and re-measuring to fair value any previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be accounted for as equity transactions and cannot be recognized as profit/loss on disposal of investments in the statement of financial performance.

- (g) LKAS 12 – Income Tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.
- (h) LKAS 18 – Revenue requires the Company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Company needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

The Institute of Chartered Accountants of Sri Lanka has resolved an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 – Accounting Policies, Changes in Accounting Estimates and Errors would not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transition is not required to be disclosed in these financial statements.

Notes to the Financial Statements

3 TREASURY BILLS & OTHER BILLS ELIGIBLE FOR RE-DISCOUNTING WITH CENTRAL BANK

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Government of Sri Lanka Treasury Bills - Face Value	-	-	-	152,842,298
Less : Income allocated for future periods	-	-	-	(1,874,306)
Re-Purchase Agreements	-	-	1,266,964,280	1,471,189,965
	-	-	1,266,964,280	1,622,157,957

4 PLACEMENTS WITH OTHER BANKS

Fixed Deposits	-	-	963,593,487	302,583,827
	-	-	963,593,487	302,583,827

5 LOANS AND ADVANCES

Real Estate Loans	-	-	5,118,971	6,345,247
Term Loans (Note 5.1)	-	-	912,399,617	739,199,381
Trade Finance	-	-	175,039,059	28,780,422
Quick Loan	-	-	3,702,314	525,000
Margin Trading	-	-	128,284,232	-
Factoring Receivable	-	-	1,107,924,663	115,217,728
Power Drafts	-	-	181,779,650	27,544,834
Vehicle Loans	-	-	1,921,320,217	1,006,569,945
	-	-	4,435,568,723	1,924,182,557
Less : Provision for Bad debts				
- Charged against Profit and Loss Account	-	-	(13,249,372)	(15,270,060)
- Appropriations	-	-	-	(8,228,088)
	-	-	(13,249,371)	(23,498,148)
Finance charges in suspense	-	-	(21,144,150)	(24,430,506)
	-	-	4,401,175,201	1,876,253,903

5.1 Term Loans include loans granted to Subsidiary Company Officers, the movement of which is as follows :

As at the beginning of the year	-	-	2,923,792	3,019,248
Add : Loans granted during the year	-	-	7,931,400	6,557,242
Less : Repayments during the year	-	-	(6,965,658)	(6,652,698)
As at the end of the year	-	-	3,889,534	2,923,792

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
6 GOLD LOANS				
Gold Loan Capital	-	-	8,197,495,377	5,413,773,876
Gold Loan Interest Receivable	-	-	347,650,113	302,910,972
	-	-	8,545,145,490	5,716,684,848
Finance Charges in suspense	-	-	(33,987,034)	(41,128,126)
Provision for Bad Debts	-	-	(20,208,175)	(8,579,606)
	-	-	8,490,950,281	5,666,977,116

7 LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE - GROUP

	Within	Within	1 - 5 years	1 - 5 years	Over 5 years	Over 5 years	Total	Total
	one year	one year	2012	2011	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Investment								
- Lease Rentals	9,614,959,752	5,684,810,279	14,243,372,632	7,810,265,744	5,580,157	5,097,136	23,863,912,541	13,500,173,159
- Amounts receivable from hirers	3,761,274,357	3,958,112,478	4,662,818,830	4,879,467,974	23,547,349	24,947,099	8,447,640,536	8,862,527,551
	13,376,234,109	9,642,922,757	18,906,191,462	12,689,733,718	29,127,506	30,044,235	32,311,553,077	22,362,700,710
Less: Unearned Income	(4,251,670,641)	(2,983,615,726)	(3,501,563,470)	(2,372,195,307)	(1,896,410)	(2,238,480)	(7,755,130,521)	(5,358,049,513)
Net Investment	9,124,563,468	6,659,307,031	15,404,627,992	10,317,538,411	27,231,096	27,805,755	24,556,422,556	17,004,651,197
Less : Provision for bad and doubtful debts							(577,000,765)	(527,712,403)
- Charged against Profit and Loss Account							-	(1,831,384)
- Appropriations							(577,000,765)	(529,543,787)
- Rentals received in advance							(22,154,743)	(20,986,896)
Finance charges in suspense							(137,087,886)	(124,547,108)
							23,820,179,162	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 year	106,748,612	73,588,454
Add : Granted during the year	72,436,907	74,644,523
Less : Repayments during the year	(76,369,153)	(41,484,365)
As at the end of the year	102,816,366	106,748,612

Notes to the Financial Statements

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.

	Trade Finance Loans		Lease & Hire Purchase		Loans and Advances		Gold Loan
	(Rs.) 2012	(Rs.) 2011	(Rs.) 2012	(Rs.) 2011	(Rs.) 2012	(Rs.) 2011	(Rs.) 2012
Amount Receivable	816,967,378	860,595,279	88,048,332	116,607,708	152,030,688	178,315,140	1,057,046,398
Less: Finance							
Charges Suspended	137,087,886	124,547,108	24,283,896	26,019,983	27,051,249	41,128,126	188,423,031
Provision for Bad Debts	577,000,765	529,543,787	13,249,373	23,498,148	20,208,175	8,579,606	610,458,313
Net non-performing advances	102,878,727	206,504,384	50,515,063	67,089,577	104,771,264	128,607,408	258,165,054

	2012 Rs.	2011 Rs.
7.3 Segmental Analysis of Loans and Advances, Leases, Hire Purchase by Industry		
Agriculture	2,038,866,528	818,204,683
Manufacturing & Distribution	2,256,356,231	1,998,789,551
Hotels & Tourism	449,240,550	301,688,727
Services	23,887,065,669	16,580,884,391
Trading	12,461,708,692	8,169,632,809
Transport	1,915,371,253	1,093,202,752
Construction	1,657,781,873	378,715,835
Others	640,433,910	662,449,367
Distribution of Total Advances	45,306,824,706	30,003,568,115
Lease & Hire Purchase Receivables	32,326,110,492	22,362,700,710
Loans & Advances	12,980,714,214	7,640,867,405
Total Advances	45,306,824,706	30,003,568,115

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
8 PROVISION FOR LOSSES				
8.1 Movement in provision for Bad and Doubtful Debts				
Balance at the beginning of the year	-	-	562,507,791	445,712,667
Charge/Appropriation during the year	-	-	149,340,538	191,718,898
Reversals during the year	-	-	(99,415,527)	(64,187,536)
Written off during the year	-	-	(1,088,240)	(10,736,238)
	-	-	611,344,562	562,507,791
8.2 Provision for Bad and Doubtful Debts consist of provisioning against				
Leases and Hire Purchase	-	-	577,000,765	529,543,787
Loans & Advances	-	-	20,208,175	23,498,148
Gold Loan	-	-	13,249,372	8,579,606
	-	-	610,458,312	561,621,541
Investment Securities	-	-	886,250	886,250
	-	-	611,344,562	562,507,791
9 REAL ESTATE STOCKS				
Real Estate Stocks	-	-	143,212,184	210,336,921
Lands Transferred from Mortgaged Loans	-	-	-	27,183,261
	-	-	143,212,184	237,520,182
10 TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS				
Debtors	-	-	3,522,502,113	782,120,506
Deposits, Prepayments and Advances	10,950,427	73,622,142	566,501,484	387,571,895
Interest Receivable	64,491,941	-	67,112,155	-
Other Receivable	-	-	471,868,377	-
	75,442,368	73,622,142	4,627,984,129	1,169,692,401
11 INVESTMENT IN SECURITIES				
		Company		Group
Non Current investments - Quoted (Note 11.1)	6,926,041,349	6,910,395,270	6,928,372,928	6,912,711,953
- Unquoted (Note 11.2)	225,000,000	-	226,692,901	25,433,720
Current Investments - Quoted (Note 11.3)	739,343,270	-	1,824,530,791	1,834,102,029
- Unquoted (Note 11.4)	-	-	11,010,000	-
	7,890,384,619	6,910,395,270	8,990,606,620	8,772,247,702

Notes to the Financial Statements

11.1 Non Current Investments

Company - Quoted	Number of Shares 2012	Number of Shares 2011	Cost as at 31.03.2012	Cost as at 31.03.2011	Market Value as at 31.03.2012	Market Value as at 31.03.2011
Investment in shares						
Sampath Bank PLC	23,528,128	22,917,200	6,926,041,349	6,910,395,270	6,231,186,680	6,607,028,760
			6,926,041,349	6,910,395,270	6,231,186,680	6,607,028,760
Group - Quoted						
Investment in shares						
Bank Finance and Insurance						
Commercial Bank of Cey. PLC	122	40	14,901	5	1,488	10,632
Merchant Bank PLC	61	61	6,027	6,027	109	2,818
Seylan Bank PLC	2,500	2,500	155,396	155,396	418,125	188,000
Union Bank of Colombo PLC	7,900	7,900	280,880	280,880	1,092,175	282,820
Sampath Bank PLC	23,528,128	22,917,200	6,926,041,349	6,910,395,270	6,231,186,680	6,607,028,760
Beverages, Food and Tobacco						
Keells Food Products PLC	500	500	21,420	21,420	25,000	75,000
Lanka Milk Foods PLC	5,500	5,500	249,732	249,732	2,958,450	642,950
Soy Foods (F&W) Ltd	22	72	880	880	85	8,914
Hotels and Travels						
Aitken Spence Hotel Holdings PLC	308	308	5,672	5,672	6,640	30,184
Hotel Sigiriya PLC	700	700	30,333	30,333	35,084	53,270
Riverina Hotels PLC	72	72	3,467	3,467	482	9,266
Manufacturing						
Blue Diamond Jewellery PLC	74	74	848	848	33	133
Central Industries PLC	4,092	4,092	149,805	149,805	1,172,112	393,241
Ceylon Grain Elevators PLC	44	44	5,214	5,214	118	7,396
Dankotuwa Porcelain PLC	14,450	14,450	867,938	867,938	3,403,481	865,555
Samson International PLC	5,363	5,363	929,800	929,800	2,588,559	536,300
Stores and Supplies						
Hunter and Company Ltd	10	10	2,767	2,767	35	14,900
			6,928,766,429	6,913,105,454	6,242,888,656	6,610,150,139
Less: Provision for Fall in value of investments			(393,501)	(393,501)	-	-
			6,928,372,928	6,912,711,953	6,242,888,656	6,610,150,139

11.2 Non Current Investments (Contd.)

Company (Unquoted)	Number of Shares 2012	Number of Shares 2011	Cost as at 31.03.2012 Rs.	Cost as at 31.03.2011 Rs.	Dirrectors Valuation As at 31.03.2012 Rs.	Dirrectors Valuation As at 31.03.2011 Rs.
Investment in debentures						
Vallibel Finance PLC			225,000,000	-	225,000,000	-
			225,000,000	-	225,000,000	-
Group (Unquoted)						
Investment in debentures						
Vallibel Finance PLC			225,000,000	-	225,000,000	-
Investment in Shares						
Asian Paints (Pvt) Limited	205,891	-	2,980,003	-	1,063,201	-
Credit Information Bureau	1,047	1,047	104,700	104,700	104,700	104,700
E Consultant Ltd	5,000	-	75,000	-	75,000	-
Finance House Association	20,000	20,000	200,000	200,000	200,000	200,000
Free Lanka Capital Holding (Pvt) LTD	-	5,320,000	-	25,129,020	-	25,129,020
National Asset Management	250,000	-	250,000	-	250,000	-
Samual Sons & Company Ltd	16,000	16,800	492,750	492,750	-	-
			229,102,453	25,926,470	226,692,901	25,433,720
Less: Provision for Fall in Value of Investments			(2,409,552)	(492,750)	-	-
Net Investment in Unquoted shares			226,692,901	25,433,720	226,692,901	25,433,720

11.3 Current Investments

Company (Quoted shares)	Number of Shares 2012	Number of Shares 2011	Cost as at 31.03.2012 Rs.	Cost as at 31.03.2011 Rs.	Market Value as at 31.03.2012 Rs.	Market Value as at 31.03.2011 Rs.	Carrying * Value as at 31.03.2012 Rs.	Carrying * Value as at 31.03.2011 Rs.
Hotel Services PLC	583,346	-	8,468,362	-	10,150,220	-	8,468,362	-
Citrus Leisure PLC	2,620,223	-	81,261,214	-	78,344,668	-	78,344,668	-
Hayleys PLC	1,812,584	-	674,134,175	-	652,530,240	-	652,530,240	-
			763,863,752	-	741,025,128	-	739,343,270	-
Less: Provision for Fall in Value of Investments			(24,520,482)	-	-	-	-	-
Net Investment in Quoted shares			739,343,270	-	741,025,128	-	739,343,270	-

Notes to the Financial Statements

11.1 INVESTMENT IN SECURITIES (Contd.)

11.3 Current Investments

Group (Quoted shares)	Number of Shares	Number of Shares	Cost as at 31.03.2012 Rs.	Cost as at 31.03.2011 Rs.	Market Value as at 31.03.2012 Rs.	Market Value as at 31.03.2011 Rs.	Carrying * Value as at 31.03.2012 Rs.	Carrying * Value as at 31.03.2011 Rs.
Bank Finance and Insurance								
Central Finance Company PLC	-	30,100	-	36,012,743	-	38,338,370	-	36,012,743
Ceylinco Insurance PLC	17,400	-	12,727,895	-	14,432,420	-	12,727,896	-
Commercial bank PLC	48,908	-	6,269,549	-	4,890,800	-	4,890,800	-
National Development Bank	62,738	-	11,140,813	-	7,707,267	-	7,707,267	-
Pan Asia Banking Corporation PLC	4,902,182	1,906,600	120,170,285	95,913,921	115,201,277	97,808,580	115,201,277	95,913,921
Sampath Bank PLC	20,460	-	5,903,600	-	3,681,777	-	3,681,777	-
Seylan Bank (Non Voting)	90,700	90,700	1,685,000	1,685,000	2,630,300	3,564,510	2,630,300	3,564,510
Seylan Merchant PLC	261	-	196	-	278	-	196	-
Softlogic Finance PLC	2,638,100	1,540,000	119,548,269	63,155,870	72,476,110	96,249,999	72,476,110	96,249,999
Union Bank Of Colombo PLC	2,400	-	185,536	-	42,000	-	42,000	-
Vanik Incorporation PLC	587,975	-	2,201,130	-	470,320	-	470,320	-
Beverages, Food and Tobacco								
Bairaha Farms PLC	17,600	17,600	424,979	424,979	2,288,000	7,057,600	2,288,000	7,057,600
Keells Food Products PLC	76,500	-	11,808,648	-	7,840,800	-	7,840,800	-
Footwear & Textiles								
Kuruwita Textiles Mills PLC	60,600	-	1,933,910	-	1,557,420	-	1,557,420	-
Hotels and Travels								
Aitken Spence Hotel Holdings PLC	80,644	-	7,909,684	-	5,645,080	-	5,645,080	-
Aitken Spence PLC	300,000	225,000	56,906,251	44,328,088	33,821,250	36,517,500	33,638,335	44,328,088
Citrus Leisure PLC	4,117,333	-	171,252,739	-	123,108,035	-	123,108,035	-
Waskaduwa Beach Resorts PLC	1,400,145	-	20,546,401	-	13,301,378	-	13,301,378	-
Confifi Hotel Holdings PLC	2,500	-	3,136	-	416,250	-	-	-
Eden Hotels Lanka PLC	20,000	-	658,172	-	616,000	-	616,000	-
Hotel Developers (Lanka) PLC	71,200	-	9,940,748	-	5,801,760	-	5,801,760	-
John Keells Hotels PLC	2,165,075	2,000,000	41,671,499	42,428,400	27,279,945	34,400,000	27,279,945	42,428,400
Riverina Hotels PLC	70	-	840	-	6,505	-	-	-
Royal Palm Beach Hotels PLC	4,300	-	301,000	-	206,400	-	206,400	-

11.3 Current Investments (Contd.)

Group (Quoted shares)	Number of Shares	Number of Shares	Cost as at 31.03.2012	Cost as at 31.03.2011	Market Value as at 31.03.2012	Market Value as at 31.03.2011	Carrying * Value as at 31.03.2012	Carrying * Value as at 31.03.2011
	2012	2011	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Serandib Hotel	3,905,500	-	126,022,380	-	96,856,400	-	96,856,400	-
Hotel Services	583,346	-	8,468,362	-	10,150,220	-	8,468,362	-
Tangerin Beach Hotel PLC	13,900	-	1,362,200	-	1,292,700	-	1,292,700	-
The Fortress Resorts PLC	18,063,550	17,727,450	264,670,777	258,031,202	310,693,060	444,958,994	310,693,060	277,723,856
Manufacturing								
Dipped Products PLC	16	-	1,296	-	1,600	-	1,296	-
Heyleys Exports PLC	152	-	5,852	-	4,408	-	4,408	-
Kelani Cables PLC	22,400	-	2,557,786	-	1,500,800	-	1,500,800	-
Lanka Cement PLC	15,000	-	456,109	-	165,000	-	165,000	-
Lanka Floortiles PLC	2,397	2,397	51,510	51,510	156,045	314,247	156,045	51,510
Lanka Walltiles PLC	21,840	21,840	830,372	830,372	1,528,800	3,153,500	1,528,800	2,836,990
Tokyo Cement PLC	263,500	13,500	10,012,402	532,327	7,114,500	594,000	7,114,500	532,327
Telecommunication								
ACL Cables PLC	19,600	19,600	1,881,196	1,881,196	1,226,960	1,842,400	1,226,960	1,881,196
Trading								
Browns & Company PLC	500,000	-	4,552,500	-	1,650,000	-	1,650,000	-
Power & Energy								
Vallibel Power Eranthna	1,654,900	-	14,361,979	-	12,818,560	-	12,818,560	-
Health Care								
The Lanka Hospital Corporation PLC	475,800	475,800	25,377,448	25,377,448	15,511,080	21,315,840	15,511,080	25,377,448
Construction & Engineering								
Access Engineering PLC	2,000,000	-	50,000,000	-	53,400,000	-	53,400,000	-
Investment Trust								
Ceylon Guardian PLC	66,752	-	14,805,465	-	15,419,712	-	15,419,712	-

Notes to the Financial Statements

11.3 Current Investments (Contd...)

Group (Quoted shares)	Number of Shares	Number of Shares	Cost as at 31.03.2012 Rs.	Cost as at 31.03.2011 Rs.	Market Value as at 31.03.2012 Rs.	Market Value as at 31.03.2011 Rs.	Carrying * Value as at 31.03.2012 Rs.	Carrying * Value as at 31.03.2011 Rs.
Land and Property								
Colombo Land	182,900	-	9,463,295	-	7,133,100	-	7,133,100	-
Diversified Holdings								
Browns Investment PLC	2,000,000	-	17,045,000	-	6,600,000	-	6,600,000	-
Expo lanka Holdings PLC	3,437,700	-	57,213,678	-	21,313,740	-	21,313,740	-
Free lanka Capital Holding PLC	1,149,800	5,320,000	5,749,000	25,129,020	2,251,510	25,129,020	2,251,510	25,129,020
Hayleys PLC	2,183,806	3,496,855	804,187,295	1,143,538,875	786,170,231	1,336,148,295	786,170,231	1,143,538,875
Hemas Holding PLC	91,500	-	4,052,903	-	2,406,450	-	2,406,450	-
John Keels PLC	208,000	-	9,382,045	-	13,867,520	-	9,382,045	-
John Keels Holdings PLC	16,666	-	3,736,738	-	3,433,196	-	3,433,196	-
Laugfs Gas PLC	-	587,300	-	31,475,546	-	26,076,120	-	31,475,546
Softlogic Holding PLC	86,100	-	2,093,800	-	801,420	-	801,420	-
Sunshine Holdings PLC	59,000	-	1,046,900	-	404,320	-	404,320	-
CT Land Development PLC	100,000	-	2,585,894	-	2,420,000	-	2,420,000	-
Chemicals & pharmaceuticals								
Haycrab PLC	83,100	-	13,690,041	-	13,296,000	-	13,296,000	-
			2,058,854,504	1,770,796,497	1,833,008,702	2,173,468,975	1,824,530,791	1,834,102,029
Less: Provision for Fall in Value of Investment			(234,232,713)	-	-	-	-	-
Net Investment in Quoted shares			1,824,530,791	1,770,796,497	1,833,008,702	2,173,468,975	1,824,530,791	1,834,102,029

•Carrying value is arrived as per the accounting policy identified in Note 2.4.16

Group (Unquoted)	Number of Shares 2012	Number of Shares 2011	Cost as at 31.03.2012 Rs.	Cost as at 31.03.2011 Rs.	Dirrectors Valuation as at 31.03.2012 Rs.	Dirrectors Valuation as at 31.03.2011 Rs.
MBSL Insurance			3,670,000	-	11,353,335	-
					11,353,335	-
Less: Provision for Fall in Value of Investments					(343,335)	-
Net Investment in Unquoted Shares					11,010,000	-

12 INVESTMENT IN SUBSIDIARIES

Company	Number of Shares 2012	Holding (%)	Cost		Market Value	
			2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Quoted Investments						
Royal Ceramics Lanka PLC	56,502,600	51.01	9,228,728,572	9,228,728,572	6,497,799,000	8,870,908,200
L B Finance PLC	35,321,200	64.18	5,325,333,098	5,325,333,098	4,764,829,880	6,184,742,120
			14,554,061,670	14,554,061,670	11,262,628,880	15,055,650,320
	Number of Shares 2012	Holding (%)	2012 Rs.	Cost 2011 Rs.	Directors Valuation 2012 Rs.	2011 Rs.
Unquoted Investments						
Greener Water Ltd	36,673,000	100	368,063,650	268,063,650	368,063,650	268,063,650
Delmege (Pvt) Limited (Formally known as Lewis Brown & Company (Private) Limited	253,314	61.2	1,592,025,326	-	1,592,025,326	-
Orit Apparels Lanka (Pvt) Ltd	24,416,301	50	801,944,645	-	801,944,645	-
			2,762,033,621	268,063,650	2,762,033,621	268,063,650
Total			17,316,095,291	14,822,125,320	17,316,095,291	14,822,125,320

12.1 Investment in Associate

	Holding (%)	2012 Rs.	Company 2011 Rs.	2012 Rs.	Group 2011 Rs.
Unquoted Investments (Waskaduwa Beach Resorts PLC)					
Balance at the beginning of the year	20.19	280,000,000	280,000,000	280,000,000	280,000,000
Investments made during the year		37,476,813	-	37,476,813	-
Share of Profit Net of Tax		-	-	6,458,374	-
Balance at the end of the year		317,476,813	280,000,000	323,935,187	280,000,000

Summarized Information of Associate Waskaduwa Beach Resorts PLC

Group share of,					
Income				13,002,146	-
Expenses				(6,543,772)	-
Profit for the year				6,458,374	-
Group share of,					
Total Assets				328,064,174	280,574,539
Total Liabilities				(2,572,266)	(2,285,216)
Net Assets				325,491,908	278,289,323
Goodwill				1,710,677	1,710,677
Unrealised Profit				(3,267,398)	-
				323,935,187	280,000,000
Contingent Liabilities					
Capital and other commitments				1,800,000,000	1,800,000,000

The group and the company have neither contingent liabilities nor capital and other commitments in respect of its associate.

Notes to the Financial Statements

13 AMOUNTS DUE FROM RELATED PARTIES

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Greener Water Limited	17,937,099	25,434,257	-	-
Rocel Ceramics Ltd	-	-	192,395,446	183,961,983
Delmege (Pvt) Limited	70,085,808	-	-	-
	88,022,907	25,434,257	192,395,446	183,961,983

14 INVENTORIES

Raw Materials	-	-	910,770,773	321,120,110
Construction Consumables	-	-	6,214,646	4,192,884
Spares and Consumables	-	-	691,077,159	319,990,873
Work In Progress	-	-	772,295,954	52,281,346
Seat Covers and Accessories	-	-	149,213,996	80,304,395
Finished Goods	-	-	1,706,002,733	614,587,904
Machinery Spares	-	-	37,867,508	-
Goods in Transit	-	-	200,458,190	18,480,100
	-	-	4,473,900,959	1,410,957,612
Less : Provision for Obsolete and Slow Moving Inventory	-	-	(27,360,570)	(30,254,519)
	-	-	4,446,540,389	1,380,703,093

15 INTANGIBLE ASSETS

Summary

Group	Software Rs.	Brand Name Rs.	Goodwill Rs.	2012 Rs.	2011 Rs.(Restated)
Cost					
As at the Beginning of the year (Restated)	42,839,538	904,891,300	10,350,309,184	11,298,040,022	39,118,024
Acquired during the year	27,703,193	-	1,520,007,927	1,547,711,120	11,258,921,998
As at the end of the year	70,542,731	904,891,300	11,870,317,111	12,845,751,142	11,298,040,022
Amortization					
As at the Beginning of the year	33,157,701	18,851,902	-	52,009,603	31,467,466
Charge for the year	5,276,217	45,244,565	-	50,520,782	20,542,137
As at the end of the year	38,433,918	64,096,467	-	102,530,385	52,009,603
Net book value	32,108,813	840,794,833	11,870,317,111	12,743,220,757	11,246,030,419

16 PROPERTY, PLANT & EQUIPMENT - Company

16.1 Gross Carrying Amounts

Cost/ Valuation	Balance as at 01.04.2011 Rs.	Additions During the Year Rs.	Disposals During the Year Rs.	Balance as at 31.03.2012 Rs.
Computers	6,077,085	8,208,392	-	14,285,477
Furniture & Fittings	22,797,674	7,523,983	-	30,321,657
Office Equipment	8,000	1,536,409	-	1,544,409
Motor vehicles	-	3,770,940	-	3,770,940
	28,882,759	21,039,724	-	49,922,483
Depreciation				
Computers	-	2,676,529	-	2,676,529
Furniture & Fittings	-	2,960,322	-	2,960,322
Office Equipment	-	101,917	-	101,917
Motor Vehicle	-	379,110	-	379,110
	-	6,117,878	-	6,117,878
Net Book Value	28,882,759	28,882,759	-	43,804,606

PROPERTY, PLANT & EQUIPMENT - Group

16.2 Gross Carrying Amounts

Freehold Assets	Balance as at 01.04.2011 Rs. (Restated)	Acquisition During the Year Rs	Additions Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	Balance as at 31.03.2012 Rs.
Land & Building	2,071,632,689	2,347,012,723	1,291,370,574	(8,680,573)	158,282,800	5,859,618,213
Furniture and Fittings	237,705,089	114,847,878	151,194,667	(24,800,440)	6,232,484	485,179,678
Equipment	349,940,256	146,817,959	171,968,238	(27,213,936)	10,975,987	652,488,504
Fire Protection Equipment	870,609	-	12,029,136	-	-	12,899,745
Motor Vehicles and Accessories	185,290,549	112,319,157	257,913,780	(33,495,686)	5,933,573	527,961,373
Computer Hardware	121,304,763	103,531,397	62,645,206	(14,867,053)	-	272,614,313
Air Conditioning	27,990,528	-	55,683,522	-	-	83,674,050

Notes to the Financial Statements

16 PROPERTY, PLANT & EQUIPMENT - Group (Contd.)

16.2 Gross Carrying Amounts (Contd.)

Freehold Assets	Balance as at 01.04.2011 Rs. (Restated)	Acquisition During the Year Rs	Additions Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	Balance as at 31.03.2012 Rs.
Telephone System	26,173,768	-	41,598,413	-	-	67,772,181
Leasehold Improvements	177,834,919	-	109,347,015	-	-	287,181,934
Fixtures and Fittings	271,853,169	-	17,790,014	-	-	289,643,183
Water Supply Scheme	295,687	-	-	-	-	295,687
Electricity Distribution	12,592,145	-	5,679,980	-	-	18,272,125
Tools and Implements	73,340,056	917,464	6,804,359	(82,500)	-	80,979,379
Plant and Machinery	2,979,021,722	717,011,943	494,574,506	(1,041,626)	144,124,964	4,333,691,509
Plant and Machinery-Polishing Plant	62,295,726	-	-	-	-	62,295,726
Moulds	126,298,332	-	590,618	-	-	126,888,950
Household Item - Heavy	8,569,937	-	890,704	-	-	9,460,641
Household Item - Light	5,041,904	-	1,545,850	-	-	6,587,754
Stores Buildings on Leasehold Land	9,038,945	-	74,547,664	-	-	83,586,609
	6,747,090,793	3,542,458,521	2,756,174,246	(110,181,814)	325,549,808	13,261,091,554
Assets on Finance Lease						
Furniture and Fittings	12,653,596	-	-	-	-	12,653,596
Construction and Other Equipment	5,329,148	-	-	-	-	5,329,148
Motor Vehicle	71,343,170	47,371,635	16,714,773	(31,652,603)	-	103,776,975
Total Value of Depreciable Assets	6,836,416,707	3,589,830,156	2,772,889,019	(141,834,417)	325,549,808	13,382,851,273

16.3 Capital work in progress

	Balance as at 01.04.2011 Rs.	Acquisition During the Year Rs	Additions Rs.	Disposal/ Transferred Rs.	Exchange Translation Difference Rs.	Balance as at 31.03.2012 Rs.
Capital work in progress	647,572,892	120,116,284	1,692,180,461	(2,073,022,013)	4,244,046	391,091,670
	647,572,892	120,116,284	1,692,180,461	(2,073,022,013)	4,244,046	391,091,670
Total Gross Carrying Amount	7,483,989,599	3,709,946,440	4,465,069,480	(2,214,856,430)	329,793,854	13,773,942,943

16 PROPERTY, PLANT & EQUIPMENT - Group (Contd.)

16.4 Depreciation

Freehold Assets	Balance as at 01.04.2011 Rs. (Restated)	Acquisition During the Year Rs.	Charge for the Year Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	Balance as at 31.03.2012 Rs.
Building	10,069,553	16,693,826	81,977,767	(385,678)	3,320,381	111,675,849
Furniture and Fittings	108,402,511	59,637,516	48,048,020	(23,528,669)	686,903	193,246,281
Equipment	228,145,702	63,251,325	68,067,183	(26,050,369)	1,713,970	335,127,811
Fire Protection Equipment	616,799	-	555,852	-	-	1,172,651
Motor Vehicles and Accessories	99,421,553	69,765,852	56,517,188	(14,087,074)	946,451	212,563,970
Computer Hardware	64,433,421	87,163,959	28,550,967	(14,603,528)	-	165,544,819
Air Conditioning	14,975,190	-	6,860,625	-	-	21,835,815
Telephone System	13,445,391	-	5,774,070	-	-	19,219,461
Leasehold Improvements	63,894,486	-	32,220,108	-	-	96,114,594
Fixtures and Fittings	66,057,795	250,000	22,723,501	-	-	89,031,296
Water Supply Scheme	165,671	-	11,827	-	-	177,498
Electricity Distribution	4,364,844	-	323,226	-	-	4,688,070
Tools and Implements	68,068,583	855,941	5,948,361	(82,500)	-	74,790,385
Plant and Machinery	1,330,095,631	17,790,199	283,206,686	(1,041,626)	10,117,617	1,640,168,507
Plant and Machinery-Polishing Plant	55,667,623	-	2,836,748	-	-	58,504,371
Moulds	30,478,192	-	15,110,467	-	-	45,588,659
Household Item - Heavy	5,742,434	-	1,426,509	-	-	7,168,943
Household Item - Light	6,035,881	-	884,079	-	-	6,919,960
Stores Buildings on Leasehold Land	8,264,160	-	7,727,304	-	-	15,991,464
	2,178,345,420	315,408,618	668,770,488	(79,779,444)	16,785,322	3,099,530,404
Assets on Finance Lease						
Furniture and Fittings	949,020	-	1,265,360	-	-	2,214,380
Construction and Other Equipment	621,734	-	1,065,830	-	-	1,687,564
Motor Vehicle	19,591,921	21,955,479	24,775,536	(15,167,749)	-	51,155,187
	2,199,508,095	337,364,097	695,877,214	(94,947,193)	16,785,322	3,154,587,535
Net Book Value	5,284,481,504					10,619,355,408

Notes to the Financial Statements

16.5 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.2,375,332,694/-. (2011 - Rs. 607,851,480)

16.6 The free hold land and buildings of the Group were revalued as of 30 June 2011 by an independent professional valuer in reference to market based evidence. The results of such valuation was incorporated in the financial statements from its effective date, which is 30 June 2011. The surplus arising from the revaluation net of deferred taxes was transferred to a Revaluation Reserve. However, on the acquisition of subsidiaries by the company, such revaluation reserves were allocated to equity holders of the parent and to the minority.

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.

	Net Carrying	
	Amount 31.03.2012 Rs.	Amount 31.03.2011 Rs.
Cost	3,952,733,815	574,864,618
Accumulated Depreciation	(1,707,128,441)	(128,292,059)
	2,245,605,374	446,572,559

16.7 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 981,039,756/-. (2011 - Rs. 485,190,106/-)

17 DEPOSITS FROM NON BANK CUSTOMERS

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Fixed Deposits	-	-	23,918,763,152	16,286,476,186
Certificates of Deposit (17.1)	-	-	448,287,954	333,204,538
Saving Deposit	-	-	58,082,193	-
	-	-	24,425,133,299	16,619,680,724

17.1 Certificates of Deposit

Certificates of Deposit - Face Value	-	-	471,900,000	353,200,000
Less : Interest allocated for future periods	-	-	(23,612,046)	(19,995,462)
	-	-	448,287,954	333,204,538

18 INTEREST BEARING LOANS AND BORROWINGS

	Current 2012 Rs.	Non Current 2012 Rs.	Group Total 2012 Rs.	Current 2011 Rs.	Non Current 2011 Rs.	Group Total 2011 Rs.
Bank Loans (Note 18.1)	5,174,018,959	7,798,478,660	12,972,497,619	1,449,997,249	3,178,300,161	4,628,297,410
Bank Overdrafts	3,601,833,964	-	3,601,833,964	1,297,752,591	-	1,297,752,591
Finance Lease (Note 18.2)	13,111,037	54,938,618	68,049,655	6,904,076	56,922,341	63,826,417
Commercial Paper	498,377,727	-	498,377,727	-	-	-
	9,287,341,687	7,853,417,278	17,140,758,965	2,754,653,916	3,235,222,502	5,989,876,418

18.1 Bank Loans

Group	As at 01.04.2011 Rs.	Acquisition Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.	Terms of the Loan	Security Offered
Ceylon Income Fund	22,500,000	-	-	-	22,500,000	48 months	Promissory Notes
Seylan Bank	3,134,086	-	-	(1,916,820)	1,217,266	48 months	Vehicle
Deutsche Bank Securitization 199.78M	101,720,716	-	-	(94,433,547)	7,287,169	09 months	Book Debts
Deutsche Bank Securitization 158 M	13,200,000	-	-	(13,200,000)	-	48 months	Book Debts
Deutsche Bank Securitization 408 M	261,582,191	-	-	(152,958,321)	108,623,870	06 months	Book Debts
Deutsche Bank Securitization 50 M	12,000,000	-	-	(12,000,000)	-	37 months	Book Debts
Deutsche Bank Securitization 49.99 M	5,554,569	-	-	(5,554,569)	-	36 months	Book Debts
Deutsche Bank Securitization 450 M	327,000,000	-	-	(142,500,000)	184,500,000	48 months	Book Debts
Deutsche Bank Securitization 216 M	110,500,000	-	-	(78,200,000)	32,300,000	48 months	Book Debts

Notes to the Financial Statements

18 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

18.1 Bank Loans (Contd.)

Group	As at 01.04.2011 Rs.	Acquisition Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31-03-2012 Rs.	Terms of the Loan	Security Offered
Deutsche Bank Securitization 804 M	605,577,626	-	-	(313,253,383)	292,324,243	46 months	Book Debts
Deutsche Bank Securitization 903.8 M	847,400,000	-	-	(310,500,000)	536,900,000	48 months	Book Debts
Deutsche Bank Securitization 400 M	262,700,000	-	-	(119,100,000)	143,600,000	48 months	Book Debts
NDB Bank	200,000,000	-	1,550,000,000	(1,150,000,000)	600,000,000	01 month	Book Debts
Deutsche Bank Securitization 1 Bn	-	-	1,000,000,000	(266,181,802)	733,818,198	42 months	Book Debts
Deutsche Bank Securitization 1.2Bn	-	-	1,253,000,000	(207,500,000)	1,045,500,000	48 months	Book Debts
Deutsche Bank Securitization 650M	-	-	525,000,000	(156,930,570)	368,069,430	36 months	Book Debts
Deutsche Bank Securitization 1.214 bn	-	-	1,214,800,000	-	1,214,800,000	48 months	Book Debts
Seylan Bank Term Loan - 400Mn	-	-	400,000,000	(400,000,000)	-	01 month	Book Debts
Syndication Loan NSB	-	-	562,500,000	(11,718,750)	550,781,250	96 months	Book Debts
Term loan Union Bank	-	-	900,000,000	(750,000,000)	150,000,000	01 month	Book Debts
Term loan CBCL Reid	-	-	60,000,000	(60,000,000)	-	01 month	Book Debts
Term loan NTB	-	-	800,000,000	(600,000,000)	200,000,000	03 months	Book Debts
Term Loan BOC - 130Mn	-	-	130,000,000	(2,709,000)	127,291,000	48 months	Book Debts
Term Loan BOC -220M	-	-	220,000,000	(6,112,000)	213,888,000	36 months	Book Debts
Term Loan BOC -330M	-	-	330,000,000	-	330,000,000	48 months	Book Debts
Term Loan BOC -20M	-	-	20,000,000	-	20,000,000	36 months	Book Debts
Term Loan Public Bank	-	-	75,000,000	-	75,000,000	60 months	Book Debts

The Spirit of Success

Group	As at 01.04.2011 Rs.	Acquisition Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.	Terms of the Loan	Security Offered
Commercial Bank of Ceylon PLC	1,142,353,223	-	1,947,386,631	(1,009,386,980)	2,080,352,874	Refer Note 18.3 for details	
Hattan National Bank PLC	370,068,081	-	24,497,462	(131,080,370)	263,485,173		
DFCC Bank PLC	41,560,000	6,686,936	108,440,000	(6,686,936)	150,000,000		
HSBC Bank	43,624,942	-	85,181,941	(125,489,446)	3,317,437		
Seylan Bank	36,569,000	-	43,052,000	(60,659,000)	18,962,000		
Standard Chartered Bank	216,536,686	-	900,544,402	(904,668,912)	212,412,176		
NDB Bank	-	412,425,011	200,000,000	(96,742,542)	515,682,469	2-6Months	Letter of Confort
Commercial Bank Ceylon PLC	-	102,468,877	219,136,603	(91,046,184)	230,559,297	2-6 Months	Letter of Confort
MCB	-	110,000,000	39,621,260	(23,453,245)	126,168,015	2 Months	Letter of Confort
HSBC Bank	-	99,802,941	75,966,485	(20,657,905)	155,111,521	2Months	Letter of Confort
Standard Chartered Bank	-	135,959,401	250,222,893	(74,612,567)	311,569,727	2 Months	Corporated Gurantee
NTB	-	7,912,476	58,950,120	-	66,862,596	2Months	Letter of Confort
Union Bank PLC	-	14,437,413	-	-	14,437,413	2 Months	Letter of Confort
Peoples Leasing Company PLC	-	8,789,218	-	-	8,789,218	36 Months	Promisory note, Cash
AMANA Bank	-	-	41,541,171	-	41,541,171	2 Months	Letter of undertaking
DFCC Bank	-	12,499,979	22,009,050	-	34,509,029	48 Months	Fixed Deposits
NDB Bank	-	788,563,075	2,521,575,697	(2,394,054,400)	916,084,372	Refer Note 18.3 for details	
HSBC Bank	-	240,733,191	600,431,126	(751,218,262)	89,946,055		
CITI Bank	-	573,784,806	1,546,040,031	(1,683,890,984)	435,933,853		
NDB -OAL	-	-	3,481,100	-	3,481,100		
NDB (USD 2.6M Project Loan)	-	117,853,097	-	(48,581,666)	69,271,431		
NDB (Ayagama)	-	51,029,431	88,798,974	5,615,545	145,443,950		
NDB (Acquisition of GC)	-	121,811,201	-	(1,634,886)	120,176,315		
	4,628,297,410	2,804,757,054	17,817,176,946	(12,273,017,501)	12,972,497,619		
Payable within 1 year	1,449,997,249				5,174,018,959		
Payable after 1 year, before 5 years	3,178,300,161				7,599,259,910		
Payable after 5 years	-				199,218,750		
	4,628,297,410				12,972,497,619		

Notes to the Financial Statements

18 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

18.2 Finance Leases

	As at 31.03.2011 Rs.	Acquisition Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.
Commercial Bank of Ceylon PLC	33,119,853	-	-	(8,781,947)	24,321,681
People Leasing Co PLC	-	2,449,704	463,623	(1,472,609)	1,440,718
People Leasing Finance Co PLC	-	2,207,590	870,354	(705,745)	2,372,199
Seylan Bank PLC	30,706,564	-	14,867,857	(10,823,000)	34,751,421
Commercial Bank of Ceylon PLC	-	666,644	-	-	666,644
NDB	-	736,880	3,760,111	-	4,496,991
	63,826,417	6,060,818	19,961,945	(21,783,301)	68,049,655
Gross Liability	81,272,203				82,644,246
Finance Charges allocated for future periods	(17,295,293)				(14,444,097)
Down payment	(150,493)				(150,493)
Net Liability	63,826,417				68,049,655

18.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount	Included Under
Company : Royal Ceramics Lanka PLC						
Hatton National Bank PLC	Rs 100 Million	For the expansion of the showroom network	59 equal monthly installments of Rs 1.67 Mn each & final installment of Rs 1.47 Mn commencing from Dec 2008	Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	Rs.100 Mn	Property, Plant and Equipment

18 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

18.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount	Included Under
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 with one year grace period from August 2008	Tripate agreement between the Company,Bank and the Share broker Over 10.5 Mn Shares of L B Finance PLC	Rs. 60 Mn	Investment
				Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery & the machinery to be imported.	Rs. 60 Mn	Property, Plant and Equipment
Commercial Bank of Ceylon PLC	Rs 300 Million	To part finance the purchase of 1.1Mn shares of Hayleys PLC	48 equal monthly installment commencing from 'January 2011	Tripartie Agreement with company, company, share broker & the Bank over 10.50 Mn shares of L B Finance PLC	Rs. 300 Mn	Investment
				Corporate guarantee from Royal Porcelain (Private) Limited	Rs. 300 Mn	

Notes to the Financial Statements

18 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

18.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount	Included Under
Commercial Bank of Ceylon PLC	Rs. 500 Million	To Finance the purchase of 1.315M shares of Hayleys PLC	60 equal monthly installment commencing from February 2012	Tripartite Agreement with company, company, share broker & the Bank over 10.50 Mn shares of L B Finance PLC	Rs. 500Mn	Investment
				Corporate guarantee from Royal Porcelain (Private) Limited	Rs. 500Mn	
Commercial Bank of Ceylon PLC	Rs. 620 Million	To reimburse the cost of purchase relating to 20% stake in Delmage (Private) Ltd	48 equal monthly installment commencing from February 2012	Simple deposit of 100001 (20% stake) of Delmage (Private) Ltd	Rs. 620Mn	Investment
				Corporate guarantee from Royal Porcelain (Private) Limited	Rs. 620Mn	
Company : Royal Porcelain (Pvt) Ltd						
Commercial Bank of Ceylon PLC	Rs. 80 Million	To finance the decoration inject machine and installation charges	59 equal monthly installments of Rs. 1.35Mn each and final installment of Rs.350,000/- commencing from February 2012	Corporate guarantee from Royal Ceramics Lanka PLC	Rs. 80 Mn	
Commercial Bank of Ceylon PLC	Rs. 55 Million	To finance the cost of 02 Ball Mills and Batch Feeder	59 equal monthly installments of Rs. 915,000/- each and final installment of Rs.1,015,000/- commencing from April 2008	Corporate guarantee from Royal Ceramics Lanka PLC	Rs 55 Mn	
				Primary Mortgage bond over 2 Ball Mills & Batch Feeder.	Rs 55 Mn	Property, Plant and Equipment

18 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

18.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount	Included Under
Commercial Bank of Ceylon PLC	Rs 22 Million	To finance the cost of a Rotocolor Machine	59 equal monthly installments of Rs.366,000/- each and final installment of Rs.406,000/- commencing from February 2008	Corporate guarantee from Royal Ceramics Lanka PLC Primary Mortgage bond over Roto Color Machine	Rs 22 Mn Rs 22 Mn	Property, Plant and Equipment
Commercial Bank of Ceylon PLC	Rs 14 Million	To finance the cost of a Deducting System and Vacuum Cleaner	59 equal monthly installments of Rs. 236,000/- each and final installment of Rs.76,000/- commencing from April 2008	Corporate guarantee from Royal Ceramics Lanka PLC Primary mortgage bond over Deducting System & vacuum Cleaner	Rs 14 Mn Rs 14 Mn	Property, Plant and 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 of Rs.0.25 Mn each commencing from June 2008	Corporate guarantee from Royal Ceramics Lanka PLC	Rs 15 Mn	
Commercial Bank of Ceylon PLC	Rs 150 Million	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 of Rs. 3.125 Mn each commencing from May 2009	Corporate guarantee from Royal Ceramics Lanka PLC	Rs 150 Mn	

Notes to the Financial Statements

18 BORROWINGS (Contd.)

18.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount	Included Under
Commercial Bank of Ceylon PLC	Rs 100 Million	To finance import bills under One Off letter of Credit Facility for Press & Sorting machine	59 equal monthly installments of Rs.1,681,470/- each commencing from February 2012	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 & the machinery to be imported.	Rs 100 Mn Rs 100 Mn	Property, Plant and 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 & final installment of Rs.4.47 Mn commencing from February 2012	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 280Mn	

18 BORROWINGS (Contd.)

18.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount	Included Under
Hatton National Bank PLC	Rs. 75 Million	To finance factory expansion and purchase of new machinery	60 equal monthly installments of Rs. 1.25 Mn each with twelve months grace period commencing from date of last disbursement or five months from the first disbursement whichever falls first	Corporate Guarantee from Royal Ceramics Lanka PLC Pari-Parsu concurrent registered primary mortgage bond (between HNB & DFCC) over the factory premises of the company in Horana together with existing machinery & the machinery to be imported.	Rs 75Mn Rs 75Mn	Property, Plant and Equipment
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 of Rs.2.5 Mn each with eighteen months grace period commencing from first drawn	Corporate Guarantee from Royal Ceramics Lanka PLC Pari-Parsu concurrent registered primary mortgage bond (between HNB & DFCC) over the factory premises of the company in Horana together with existing machinery & the machinery to be imported.	Rs 150Mn Rs 150Mn	Property, Plant and Equipment

Notes to the Financial Statements

18 BORROWINGS (Contd.)

18.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount	Included Under
Company : Rocell Bathware Limited						
Commercial Bank PLC	Rs. 150 Million	To part finance the cost of machines imported	66 installments with grace period of 15 months commencing from December 2008	Primary concurrent mortgage bond to be executed with HNB over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	Rs. 150Mn Rs. 150 Mn	Property, Plant and Equipment
Hatton National Bank PLC	Rs. 300 Million	Importation of plant & machinery & to meet other cost associated with the Rocell Bathware Ltd Project.	66 installments with grace period of 15 months commencing from July 2008	Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	Rs.300 Mn Rs. 300 Mn	Property, Plant and Equipment

18 BORROWINGS (Contd.)

18.3 Details of the Long Term Loans; Group

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount	Included Under
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	Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	Rs 150 Mn	Property, Plant and Equipment
Company : Orit apparels Lanka (Private) Limited						
NDB Bank PLC	USD 2,465,480.60	Capital expenditure - SW 02 Plant	60 Equal Monthly Instalments of Rs 62,887.32 from February 2008	Mortgage over Equipments	USD 2,465,480.60	Property, Plant and Equipment
NDB Bank PLC	USD 1.3Mn	Capital expenditure - GC Plant SW 02	60 Equal Monthly Instalments of Rs.29,443 from May 2011	Mortgage over stocks	USD 3 Mn	Inventory
HSBC Bank PLC	USD 1.2 Mn	Capital expenditure - GC Plant	60 Equal Monthly Instalments of Rs 23,921 from March 2011	Mortgage over stocks	USD 3 Mn	Inventory

Notes to the Financial Statements

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
19 TRADE & OTHER PAYABLES				
Trade & Other Payables	487,507,164	-	4,066,202,719	268,892,159
Accrued Expenses	769,879	8,646,083	1,165,436,013	1,947,166,245
	488,277,043	8,646,083	5,231,638,732	2,216,058,404
20 AMOUNTS DUE TO RELATED PARTIES				
Vallibel Lanka (Pvt) Ltd.	-	21,422,400	-	21,422,400
Directors Current Account	25,000	25,000	25,000	25,000
Royal Ceramics Lanka PLC	21,700	666,664	-	-
	46,700	22,114,064	25,000	21,447,400
21 DIVIDENDS PAYABLE				
Unclaimed Dividend	-	-	26,674,704	15,826,051
	-	-	26,674,704	15,826,051
22 DEBENTURES				
Unsecured Debentures	-	-	995,000,000	450,000,000

The Rs.995,000,000 Unsecured Redeemable Subordinated listed Debentures were issued by L B Finance PLC at following rates and will mature on 20 th September 2013, 04th December 2016 and 01st March 2017

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.
RUSRD 11	Annually	215,000,000	12.68% p.a
RUSRD 1	Bi Annually	100,000,000	12.30% p.a
RUSRD 1	Bi Annually	230,000,000	12.30% p.a

23 RETIREMENT BENEFIT LIABILITY

	Company		Group	
	2012 Rs.	2012 Rs.	2012 Rs.	2011 Rs.
Retirement Benefit Obligations - Gratuity				
Balance at the beginning of the year	-	-	134,658,434	123,883,728
Acquisition during the year	-	-	156,217,127	-
Amount Charged/(Reversed) for the year	1,720,067	-	71,460,175	12,516,333
(Payments)/Transfers made during the year	-	-	(45,114,513)	(1,741,627)
Impact of Exchange rate changes on conversions	-	-	15,893,879	-
Balance at the end of the year	1,720,067	-	333,115,102	134,658,434

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31 March 2011 and 2012 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.

23.1 Actuarial assumptions

	2012	2011
Discount Rate	10%-11%	11%
Future Salary increase	08% to 15% p.a.	10% to 15% p.a.
Staff Turnover		
L B Finance PLC		
20 years	25%	25%
25 years		
30 years		
35 years		
40 years		
45 years	1%	1%
50 years	1%	1%
Royal Ceramic Lanka PLC Group	10%	
Retirement age	- Normal retirement Age, or age on valuation date, if greater - L B Finance PLC	
	- Male 55 Years } Royal Ceramics Lanka PLC Group, Delmage (Private) Limited (Formally known as Lewis	
	- Female 50 Years } Brown & Co (Private) Limited, Orit Apparels Lanka (Private) Limited	

Notes to the Financial Statements

24 STATED CAPITAL - Company / Group

	2012		2011	
	Number of Voting Shares	Rs.	Number of Voting Shares	Rs.
24.1 Balance as at the beginning of the year	1,065,247,483	26,631,186,970	1,065,247,483	26,631,186,970
Issue of Shares	21,311,870	532,796,750	-	-
Balance as at the end of the year	1,086,559,353	27,163,983,720	1,065,247,483	26,631,186,970

	Retained Profits/ (Losses) 2012 Rs.	Retained Profits/ (Losses) 2011 Rs.
At the beginning of the year	(60,127,292)	-
Profit / (Loss) for the year	448,773,645	(60,127,292)
At the end of the year	388,646,353	(60,127,292)

25 RESERVES - Company

At the beginning of the year	(60,127,292)	-
Profit / (Loss) for the year	448,773,645	(60,127,292)
At the end of the year	388,646,353	(60,127,292)

RESERVES - Group	Reserve Fund Rs.	Investment Fund Rs.	General Reserves Rs.	Equalisation Reserve Rs.	Parent Company Shares	Retained Profits Rs.	2012 Total Rs.	2011 Total Rs. (Restated)
At the beginning of the year	58,951,071	16,602,912	-	-	-	505,314,029	580,868,012	-
Profit for the year	-	-	-	-	-	2,024,988,623	2,024,988,623	578,612,492
	58,951,071	16,602,912	-	-	-	2,530,302,652	2,605,856,635	578,612,492
Appropriation of Bad debts	-	-	-	-	-	5,500,182	5,500,182	2,255,520
Transfers to / (from) during the year	178,160,193	93,011,165	24,080,435	-	-	(295,251,793)	-	-
Adjustment due to change in Holding	-	-	26,584,821	-	-	(30,626,961)	(4,042,140)	-
Disposal Adjustment on Revalued Assets	-	-	-	-	-	(1,601,743)	(1,601,743)	-
Equalisation Reserve	-	-	-	166,410,784	-	-	166,410,784	-
Parent Company Shares	-	-	-	-	(42,275,500)	-	(42,275,500)	-
At the end of the year	237,111,264	109,614,077	50,665,256	166,410,784	(42,275,500)	2,208,322,337	2,729,848,217	580,868,012

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.

The Spirit of Success

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
26 CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT				
Cash and Bank Balances	2,837,661	19,038,427	1,836,106,993	427,845,146
Re - Purchase Agreements (Less Than 03 Months)	14,000,000	-	1,266,964,280	1,271,189,966
Bank Overdrafts	-	-	(3,601,833,964)	(1,297,752,592)
	16,837,661	19,038,427	(498,762,691)	401,282,520
27 INCOME				
Summary				
Manufacturing Sector	-	-	6,950,979,392	2,707,479,726
Financial Services Sector	-	-	7,238,586,619	2,357,763,514
Sale of goods	-	-	12,200,620,921	-
Rendering of services	-	-	215,510,441	-
	-	-	26,605,697,373	5,065,243,240
28 DIVIDEND INCOME				
Income from investment in related parties	360,072,195	-	4,524,391	-
Income from other investments	-	-	22,977,971	194,155
	360,072,195	-	27,502,362	194,155
29 OTHER OPERATING INCOME				
Interest Income	339,292,961	85,860,329	102,815,844	24,709,187
Profit / (Loss) on Disposal of Investments	8,398,024	-	318,717,370	39,693,576
Appreciation / Depreciation in Market Value of Quoted shares	-	-	(92,724,842)	63,565,218
Profit / (Loss) on Sale of Property, Plant & Equipment	-	-	31,758,218	(15,178,338)
Real Estate Income (net of cost)	-	-	30,130,894	2,087,848
Profit from Fee based activities	-	-	496,243,285	123,287,601
Commission Income	-	-	54,810,720	2,149,266
Other Income on Factoring	-	-	20,660,291	1,827,309
Hiring Income	-	-	42,563,613	4,403,849
Management Fee Income	-	-	-	100,000
Recoveries of Bad Debts on write offs	-	-	14,438,450	9,646,789
Sundry Income	-	-	14,739,894	7,967,299
Exchange Gain	-	-	26,997,790	-
	347,690,985	85,860,329	1,061,151,527	264,259,604

Notes to the Financial Statements

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
30 FINANCE COST				
Interest on Loans	-	1,043,444	514,655,266	59,815,129
Bank Charges	63,697	6,123,975	100,801	6,124,524
Interest on Bank Overdrafts	-	-	71,085,226	16,641,947
Interest on Finance Leases	-	-	5,525,608	2,288,604
Discount charges	-	-	31,530,160	-
Exchange loss/(gain)	75,061,875	-	75,061,875	-
	75,125,572	7,167,419	697,958,936	84,870,204
31 PROFIT FROM OPERATION STATED AFTER CHARGING THE FOLLOWING EXPENSES				
Transport Costs	-	-	16,328,262	7,237,160
Advertising Costs	57,600	-	60,942,794	27,320,298
Auditors' Remuneration (Fees and Expenses)	448,000	408,000	5,586,873	3,148,416
Depreciation	6,117,877	-	686,535,111	177,575,717
Amortization of Intangible Assets	-	-	57,083,315	20,542,137
Employee Benefits including the following	9,494,229	-	2,193,038,773	309,430,620
Defined Benefit Plan Costs - Gratuity	1,373,585	-	36,553,122	20,244,138
Defined Contribution Plan Costs - EPF & ETF	1,427,071	-	254,059,779	23,920,667
Export Duty Rebate	-	-	(2,102,404)	1,173,467
Provision/(Reversal) for Inventory	-	-	-	(79,262,578)
Loss on translation of foreign currency	75,061,875	-	83,969,681	2,214,758
Damage Stocks net of insurance claims received	-	-	8,022,556	(206,164)
Provision for Fall in Value of Investments	-	-	93,194,205	-
Write off of Capital Working Progress	-	-	10,364,659	-
Sales Promotion	-	-	78,288,490	16,060,003

32 PROVISION FOR INCOME TAX

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

Income Statement

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Current Income Tax				
Current Income Tax charge	48,427,306	-	993,508,931	604,895,727
Deferred Income Tax				
Deferred Tax Reversal	25,425,461	-	26,213,150	(272,824,866)
Deferred Tax Asset	-	(23,263,788)	(125,312,474)	(23,263,788)
Deferred Tax Liability	-	-	14,460,564	-
Income tax expense reported in the Income Statement	73,852,767	(23,263,788)	908,870,171	308,807,073

33 EARNINGS / (LOSS) PER SHARE

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

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

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.(Restated)
Amounts Used as the Numerators:				
Net Profit Attributable to Ordinary Shareholders of the Parent for Basic Earnings Per Share	448,773,645	(60,127,292)	2,024,988,623	578,612,492
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	1,081,231,386	444,235,207	1,081,231,386	444,235,207

Notes to the Financial Statements

34 SEGMENT INFORMATION

34.1 Segment Results

	Investment		Tiles		Sanitaryware	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Revenue	-	-	5,909,929,847	2,406,700,728	897,368,049	300,778,998
Cost of Sales	-	-	(2,943,965,754)	(1,202,499,014)	(609,740,059)	(237,949,292)
Gross Profit/ (Loss)	-	-	2,965,964,093	1,204,201,714	287,627,990	62,829,706
Dividend Income	15	-	22,068,426	194,155	-	-
Other Operating Income	99,093,321	24,421,971	276,842,000	7,204,949	508,260	90,886
Administrative Expenses	(85,490,714)	(162,083,990)	(373,890,537)	(214,066,452)	(18,441,360)	(8,075,209)
Distribution Expenses	-	-	(812,321,188)	(194,248,396)	(20,286,690)	(3,752,565)
Finance Cost	(75,125,572)	(7,167,419)	(290,441,520)	(62,492,621)	(35,404,260)	(15,209,615)
Provision for fall in value of Investments	(24,520,482)	-	(80,764,229)	-	-	-
Bad and Doubtful Loans and Write Offs	-	-	-	-	-	-
Amortisation of Intangible Assets	-	-	(25,173,435)	(10,488,931)	-	-
Negative Good will	-	-	-	-	-	-
Profit From Operations	(86,043,432)	(144,829,438)	1,682,283,610	730,304,418	214,003,940	35,883,203
Value Added Tax on Financial Service	-	-	-	-	-	-
Profit/(Loss) before tax	(86,043,432)	(144,829,438)	1,682,283,610	730,304,418	214,003,940	35,883,203
Profit from Associates Company	-	-	-	-	-	-
Income Tax Expense	(73,852,767)	23,263,788	(15,716,481)	(64,878,429)	-	-
Net Profits for the Year	(159,896,199)	(121,565,650)	1,666,567,129	665,425,989	214,003,940	35,883,203

The Spirit of Success

	Paints		Finance		Hotel		Consumer		Life style	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
	143,681,496	-	7,238,586,619	2,357,763,514	-	-	2,833,749,220	-	936,794,062	-
	(108,804,968)	-	(3,303,484,100)	(1,050,369,469)	-	-	(2,386,013,787)	-	(687,218,523)	-
	34,876,528	-	3,935,102,519	1,307,394,045	-	-	447,735,433	-	249,575,539	-
	-	-	2,205,815	-	-	-	318,825	-	298,898	-
	756,657	-	571,584,088	232,541,798	90,207	-	1,130,045	-	22,582,099	-
	(6,398,686)	-	(826,286,152)	(269,807,822)	(20,723,341)	(251,344)	(148,482,431)	-	(84,844,042)	-
	(25,737,671)	-	(854,613,869)	(232,821,679)	-	-	(169,005,615)	-	(69,788,550)	-
	(1,780,305)	-	-	-	(22,706)	(549)	(118,042,220)	-	(23,002,191)	-
	-	-	-	(71,501,688)	-	-	-	-	-	-
	-	-	(78,430,618)	-	-	-	-	-	-	-
	-	-	(25,347,347)	(8,362,971)	-	-	-	-	-	-
	1,716,523	-	2,724,214,436	957,441,683	(20,655,840)	(251,893)	13,654,037	-	94,821,753	-
	-	-	(156,861,925)	(89,403,270)	-	-	-	-	-	-
	1,716,523	-	2,567,352,511	868,038,413	(20,655,840)	(251,893)	13,654,037	-	94,821,753	-
	-	-	-	-	9,567,875	-	-	-	-	-
	(907,365)	-	(727,527,285)	(267,192,432)	(3,780,597)	-	(29,479,050)	-	(23,602,432)	-
	809,158	-	1,839,825,226	600,845,981	(14,868,562)	(251,893)	(15,825,013)	-	71,219,321	-

Notes to the Financial Statements

34 SEGMENT INFORMATION (Contd.)

34.1 Segment Results (Contd.)

	Tea & Coir		Health Care		Insurance	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Revenue	1,105,530,812	-	624,010,159	-	76,372,741	-
Cost of Sales	(1,023,303,402)	-	(548,544,631)	-	(1,930,600)	-
Gross Profit/ (Loss)	82,227,410	-	75,465,528	-	74,442,141	-
Dividend Income	438,384	-	-	-	-	-
Other Operating Income	13,894,414	-	57,615	-	(15,955,244)	-
Administrative Expenses	(71,006,383)	-	(48,133,505)	-	(65,756,980)	-
Distribution Expenses	(3,306,836)	-	(12,404,829)	-	2,831,739	-
Finance Cost	(7,408,016)	-	(4,009,372)	-	-	-
Provision for fall in value of Investments, Bad and Doubtful Loans and Write Offs	-	-	-	-	-	-
Amortisation of Intangible Assets	-	-	-	-	-	-
Negative Good will	-	-	-	-	-	-
Profit From Operations	14,839,373	-	10,975,437	-	(4,438,344)	-
Value Added Tax on Financial Service	-	-	-	-	-	-
Profit/(Loss) before tax	14,839,373	-	10,975,437	-	(4,438,344)	-
Profit from Associates Company	-	-	-	-	-	-
Income Tax Expense	(5,324,993)	-	(2,449,464)	-	(1,056,895)	-
Net Profits for the Year	9,514,380	-	8,525,973	-	(5,495,239)	-

The Spirit of Success

	Transport		Apparel Sector		Other Sectors		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.(Restated)
	137,113,725	-	6,701,436,954	-	1,123,644	-	26,605,697,373	5,065,243,240
	-	-	(6,494,978,098)	-	-	-	(18,107,983,967)	(2,490,817,775)
	137,113,725	-	206,458,856	-	1,123,644	-	8,497,713,406	2,574,425,465
	1,454,646	-	-	-	717,353	-	27,502,362	194,155
	49,292,213	-	30,845,656	-	10,429,796	-	1,061,151,527	264,259,604
	(68,189,541)	-	(193,674,824)	-	(83,663,061)	-	(2,094,981,557)	(654,284,817)
	(10,167,200)	-	-	-	(33,797)	-	(1,974,834,506)	(430,822,640)
	(14,372,032)	-	(120,680,880)	-	(7,669,862)	-	(697,958,936)	(84,870,204)
	(84,175,194)	-	-	-	-	-	(189,459,905)	(71,501,688)
	-	-	-	-	-	-	(78,430,618)	-
	-	-	-	-	-	-	(50,520,782)	(18,851,902)
	-	-	201,136,342	-	-	-	201,136,342	-
	10,956,617	-	124,085,150	-	(79,095,925)	-	4,701,317,333	1,578,547,973
	-	-	-	-	-	-	(156,861,925)	(89,403,270)
	10,956,617	-	124,085,150	-	(79,095,925)	-	4,544,455,408	1,489,144,703
	-	-	-	-	-	-	9,567,875	-
	(3,846,897)	-	(14,554,240)	-	(6,771,706)	-	(908,870,171)	(308,807,073)
	7,109,720	-	109,530,910	-	(85,867,631)	-	3,645,153,112	1,180,337,630

Notes to the Financial Statements

34 SEGMENT INFORMATION (Contd.)

34.1 Segment Assets and Liabilities

	Investment		Tiles		Sanitarywear	
	31-03-2012	31-03-2011	31-03-2012	31-03-2011	31-03-2012	31-03-2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS						
Cash and Cash Equivalents	16,837,661	19,038,427	110,534,395	54,954,183	8,532,335	6,213,698
Short Term Investment	513,000,000	1,417,810,959	-	-	-	-
Treasury Bills & Other bills eligible for re-discounting with Central Bank	-	-	-	-	-	-
Placements with Other banks	-	-	-	-	-	-
Loans and Advances	-	-	-	-	-	-
Gold Loans	-	-	-	-	-	-
Lease rentals receivables & Stock out on hire	-	-	-	-	-	-
Advance for Vehicle Stock	-	-	-	-	-	-
Real Estate Stock	-	-	-	-	-	-
Trade and other Debtors, Deposits and Prepayments	27,876,320	12,183,784	644,347,445	519,529,139	149,507,004	127,183,678
Investments in Securities	7,890,384,618	6,910,395,270	804,672,342	1,622,283,885	-	-
Investments in Subsidiaries	-	-	-	-	-	-
Investment Associate	323,935,187	280,000,000	-	-	-	-
Amount Due From Related Parties	-	-	192,395,446	183,961,983	-	-
Deferred tax Assets	-	23,263,787	-	-	-	-
Income Tax Recoverables	7,175,306	1,246,903	7,940,574	938,351	-	-
Inventories	-	-	1,286,029,403	909,319,510	581,327,543	471,383,583
Intangible Assets	11,798,450,411	10,350,309,184	539,673,035	492,979,769	-	-
Property, Plant & Equipment	43,804,606	28,882,759	3,106,875,946	2,980,126,563	1,443,798,728	1,544,402,759
Total Assets	20,621,464,109	19,043,131,073	6,692,468,586	6,764,093,383	2,183,165,609	2,149,183,718
LIABILITIES						
Deposits from non-bank customers	-	-	-	-	-	-
Interest Bearing Loans and Borrowings	-	-	3,804,778,911	2,142,618,917	287,386,618	320,883,682
Trade & Other Payables	488,277,043	8,646,083	219,873,956	413,190,749	194,677,674	316,967,562
Amount Due To Related Parties	25,000	21,447,400	-	-	-	-
Dividend Payable	-	-	26,674,704	15,826,051	-	-
Debentures	-	-	-	-	-	-
Retirement Benefit Liability	1,720,067	-	128,835,831	98,643,412	3,541,754	2,145,363
Income Tax Liabilities	8,404,017	-	-	35,252,593	-	-
Deferred Tax Liabilities	2,807,510	-	68,634,654	61,555,766	-	-
Total Liabilities	501,233,637	30,093,483	4,248,798,056	2,767,087,488	485,606,046	639,996,607
OTHER SEGMENT INFORMATION						
Property Plant & Equipment acquired on cash	21,039,724	28,882,759	402,987,650	148,458,212	20,005,097	1,935,997
Depreciation	6,117,878	-	289,725,978	100,429,519	94,977,641	47,463,234
Provision of employee benefit liabilities	1,373,585	-	33,757,551	14,682,551	1,396,391	436,350

The Spirit of Success

Paints		Finance		Hotel		Consumer	
31-03-2012	31-03-2011	31-03-2012	31-03-2011	31-03-2012	31-03-2011	31-03-2012	31-03-2011
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,207,197	-	669,506,362	347,445,557	1,818,782	193,281	19,791,594	-
-	-	-	-	-	-	-	-
-	-	1,266,964,280	1,622,157,957	-	-	-	-
-	-	963,593,487	302,583,827	-	-	-	-
-	-	4,401,175,201	1,876,253,903	-	-	-	-
-	-	8,490,950,281	5,666,977,116	-	-	-	-
-	-	23,820,179,162	16,329,573,406	-	-	-	-
-	-	127,212,567	519,705,853	-	-	-	-
-	-	143,212,184	237,520,182	-	-	-	-
75,253,341	-	831,463,632	510,215,800	1,522,584	580,000	1,182,271,278	-
-	-	121,713,290	239,568,547	-	-	16,218,820	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	34,964,272	-	-	-	-	-
788,199	-	-	-	-	-	-	-
49,698,731	-	-	-	-	-	374,660,567	-
-	-	392,328,293	402,741,466	-	-	-	-
52,604,833	-	1,868,286,218	432,358,757	369,620,663	298,710,666	10,578,659	-
180,552,301	-	3,131,549,229	28,487,102,371	372,962,029	299,483,947	1,603,520,918	-
-	-	24,425,133,299	16,619,680,724	-	-	-	-
5,897,370	-	8,975,715,853	3,526,373,819	1,449,762	-	1,299,962,051	-
174,224,716	-	2,152,830,261	1,467,596,208	9,721,595	9,657,802	270,588,213	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	995,000,000	450,000,000	-	-	-	-
450,312	-	44,231,036	33,869,659	117,526	-	9,654,154	-
-	-	342,026,762	231,393,336	25,258	-	1,540,141	-
637,447	-	-	93,249,397	-	-	(3,710,609)	-
181,209,845	-	36,934,937,211	22,422,163,143	11,314,141	9,657,802	1,578,033,950	-
19,518,891	-	1,595,904,644	129,863,851	70,928,786	298,710,666	3,460,403	-
3,312,334	-	174,845,040	36,929,537	18,789	-	1,008,301	-
(232,270)	-	11,260,778	(2,602,569)	117,526	-	1,985,822	-

Notes to the Financial Statements

34 SEGMENT INFORMATION (Contd.)

34.1 Segment Assets and Liabilities (Contd.)

	Life Style		Tea & Coir		Health Care	
	31-03-2012 Rs.	31-03-2011 Rs.	31-03-2012 Rs.	31-03-2011 Rs.	31-03-2012 Rs.	31-03-2011 Rs.
ASSETS						
Cash and Cash Equivalents	23,976,809	-	14,889,542	-	2,636,350	-
Short Term Investment	-	-	-	-	-	-
Treasury Bills & Other bills eligible for re-discounting with Central Bank	-	-	-	-	-	-
Placements with Other banks	-	-	-	-	-	-
Loans and Advances	-	-	-	-	-	-
Gold Loans	-	-	-	-	-	-
Lease rentals receivables & Stock out on hire	-	-	-	-	-	-
Advance for Vehicle Stock	-	-	-	-	-	-
Real Estate Stock	-	-	-	-	-	-
Trade and other Debtors, Deposits and Prepayments	210,999,525	-	64,422,498	-	115,565,936	-
Investments in Securities	15,230,406	-	22,037,197	-	-	-
Investments in Subsidiaries	-	-	-	-	-	-
Investment Associate	-	-	-	-	-	-
Amount Due From Related Parties	-	-	-	-	-	-
Deferred tax Assets	-	-	-	-	-	-
Income Tax Recoverables	-	-	-	-	4,760,267	-
Inventories	402,180,389	-	51,712,333	-	430,129,159	-
Intangible Assets	-	-	-	-	-	-
Property, Plant & Equipment	11,777,580	-	39,939,548	-	6,231,552	-
Total Assets	664,164,709	-	193,001,118	-	559,323,264	-
LIABILITIES						
Deposits from non-bank customers	-	-	-	-	-	-
Interest Bearing Loans and Borrowings	243,799,151	-	92,823,765	-	128,283,290	-
Trade & Other Payables	258,743,066	-	30,232,656	-	363,588,341	-
Amount Due To Related Parties	-	-	-	-	-	-
Dividend Payable	-	-	-	-	-	-
Debentures	-	-	-	-	-	-
Retirement Benefit Liability	10,783,805	-	4,018,247	-	4,096,511	-
Income Tax Liabilities	11,643,820	-	747,313	-	940,842	-
Deferred Tax Liabilities	(5,786,379)	-	-	-	(981,623)	-
Total Liabilities	519,183,463	-	127,821,981	-	495,927,361	-
OTHER SEGMENT INFORMATION						
Property Plant & Equipment acquired on cash	3,375,505	-	1,389,025	-	1,801,761	-
Depreciation	1,516,961	-	1,369,735	-	419,743	-
Provision of employee benefit liabilities	5,768,258	-	4,609,555	-	2,987,092	-

The Spirit of Success

Insurance		Transport		Apparel		Other		Group	Group
31-03-2012	31-03-2011	31-03-2012	31-03-2011	31-03-2012	31-03-2011	31-03-2012	31-03-2011	31-03-2012	31-03-2011
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.(Restated)
3,475,398	-	88,720,031	-	797,500,684	-	75,679,853	-	1,836,106,993	427,845,146
-	-	-	-	-	-	-	-	513,000,000	1,417,810,959
-	-	-	-	-	-	-	-	1,266,964,280	1,622,157,957
-	-	-	-	-	-	-	-	963,593,487	302,583,827
-	-	-	-	-	-	-	-	4,401,175,201	1,876,253,903
-	-	-	-	-	-	-	-	8,490,950,281	5,666,977,116
-	-	-	-	-	-	-	-	23,820,179,162	16,329,573,406
-	-	-	-	-	-	-	-	127,212,567	519,705,853
-	-	-	-	-	-	-	-	143,212,184	237,520,182
6,281,601	-	173,583,667	-	1,097,258,945	-	47,630,353	-	4,627,984,129	1,169,692,401
250,000	-	75,014,566	-	8,210,348	-	36,875,033	-	8,990,606,620	8,772,247,702
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	323,935,187	280,000,000
-	-	-	-	-	-	-	-	192,395,446	183,961,983
-	-	-	-	248,796	-	-	-	35,213,068	23,263,788
896,664	-	16,591,685	-	-	-	3,239,899	-	41,392,594	2,185,254
-	-	-	-	1,269,805,816	-	996,448	-	4,446,540,389	1,380,703,093
-	-	-	-	12,769,018	-	-	-	12,743,220,757	11,246,030,419
554,131	-	6,039,740	-	2,112,840,531	-	1,546,402,674	-	10,619,355,408	5,284,481,504
11,457,794	-	359,949,689	-	5,298,634,138	-	1,710,824,260	-	83,583,037,753	56,742,994,492
-	-	-	-	-	-	-	-	24,425,133,299	16,619,680,724
-	-	129,913,073	-	2,105,782,831	-	64,966,290	-	17,140,758,965	5,989,876,418
36,895,942	-	109,052,379	-	910,345,308	-	12,587,582	-	5,231,638,732	2,216,058,404
-	-	-	-	-	-	-	-	25,000	21,447,400
-	-	-	-	-	-	-	-	26,674,704	15,826,051
-	-	-	-	-	-	-	-	995,000,000	450,000,000
746,700	-	5,350,378	-	102,577,891	-	16,990,890	-	333,115,102	134,658,434
190,223	-	2,131,148	-	-	-	125,351	-	367,774,875	266,645,929
(100,210)	-	(580,534)	-	-	-	37,752,616	-	98,672,872	154,805,163
37,732,655	-	245,866,444	-	3,118,706,030	-	132,422,729	-	48,618,793,549	25,868,998,523
727,183	-	1,854,044	-	212,146,280	-	20,193,701	-	2,375,332,694	607,851,485
1,343,785	-	170,250	-	115,357,752	-	5,693,027	-	695,877,214	184,822,290
486,774	-	4,050,924	-	(9,707,167)	-	13,605,356	-	71,460,175	12,516,333

Notes to the Financial Statements

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	1,178,938,242	657,168,751	-	-	1,836,106,993
Short Term Investment	513,000,000	-	-	-	513,000,000
Treasury Bills & other bills eligible for re-discounting with Central Bank	1,266,964,280	-	-	-	1,266,964,280
Deposits with Banks	655,404,000	293,189,487	15,000,000	-	963,593,487
Loans and Advances	1,673,606,252	1,208,946,768	1,048,139,388	470,482,793	4,401,175,201
Gold Loans	8,135,409,060	355,541,221	-	-	8,490,950,281
Lease Rental Receivable and Stock out on Hire	1,958,307,828	5,885,546,495	12,699,960,616	3,276,364,223	23,820,179,162
Advance for Vehicle Stock	127,212,567	-	-	-	127,212,567
Real Estate Stock	35,803,046	107,409,138	-	-	143,212,184
Trade & Other Debtors, Deposits and Prepayments	3,383,579,964	719,262,377	77,135,791	448,005,997	4,627,984,129
Investment in Securities	119,077,011	1,715,620,555	1,388,201	7,154,520,853	8,990,606,620
Investment in Associates	-	-	-	323,935,190	323,935,187
Amount Due From Related Parties	-	-	-	192,395,446	192,395,446
Deferred Tax Assets	-	-	-	35,213,068	35,213,068
Income Tax Recoverables	-	34,217,289	7,175,305	-	41,392,594
Inventories	3,364,798,395	1,081,741,994	-	-	4,446,540,389
Intangible assets	-	-	-	12,743,220,754	12,743,220,757
Property, Plant & Equipment	-	-	22,968,660	10,596,386,748	10,619,355,408
As at 31 March 2012	22,412,100,645	12,058,644,075	13,871,767,961	35,240,525,072	83,583,037,753
Liabilities					
Deposits from Non-Bank Customers	12,102,799,012	8,242,010,586	3,570,107,784	510,215,917	24,425,133,299
Interest Bearing Loans and Borrowings	8,649,713,268	3,132,915,382	3,822,241,202	1,535,889,113	17,140,758,965
Trade and Other Payables & Accrued Charges	3,197,577,537	1,512,150,370	500,333,240	21,577,585	5,231,638,732
Amount Due To Related Parties	-	25,000	-	-	25,000
Dividend Payable	26,674,704	-	-	-	26,674,704
Debentures	-	-	450,000,000	545,000,000	995,000,000
Retirement Benefit Liability	-	-	-	333,115,102	333,115,102
Tax Liability	12,244,382	355,530,493	-	-	367,774,875
Deferred Taxation	-	-	2,807,510	95,865,362	98,672,872
As at 31 March 2012	23,989,008,903	13,242,631,831	8,345,489,736	3,041,663,079	48,618,793,549

Notes to the Financial Statements

37 COMMITMENTS AND CONTINGENCIES (Contd.)

37.2 Litigation

Delmage Distributors (Private) Limited

D.C.Colombo 97080/M-Self vs Jamalia Stores (Money recovery)

Terms of settlement entered into on the basis that the Defendant would settle the claim in monthly instalments.

D.C.Mt.Lavinia 705/95/M-Self vs Aparekka Distributors (Money recovery)

Case laid by since the Defendant was out of the Island.

D.C.Colombo 19692/MR-Self vs K.K.D.S.Perera (Lanka Marketing Services (Pvt) Ltd (Money Recovery)

Judgement was delivered in favour of Delmege Distributors on 2nd September 2005. Application for Writ was not made to Court as the Defendant had appealed against the said judgement and the Petition of Appeal had been filed. On 13 March 2012, the respondent appellant has suggested of a settlement as they also do not want to proceed with the matter.

D.C.N'Eliya 1844-Self vs Patana Distributors

Ex parte Decree to be served on the Defendant. Case laid by as the Defendant cannot be located. Case will be withdrawn in due course. Delmege Forsyth Company Limited

DC Marawila Case No.3086/M - I D P Wijesuriya vs Self

Ex-employee of Delmege Mr. I D P Wijesuriya has filed action to claim damages amounting to Rs.2Mn. for defamation after terminating from services. He was awarded damages by Labour Tribunal as Delmege was unable to prove "attempted theft". The matter has been re-fixed for 2nd May 2012 for further trial as the Proceedings of the previous date was not ready.

CA No.147/96 (Final) - (D.C. Colombo 12831/MR) - Self vs. Miranda Kegalle (Pvt) Ltd.

Order delivered in favour of Delmege Forsyth & Co. Ltd. and Defendant has appealed against the said Order. Case to be withdrawn. Instructing Attorneys were requested to do so.

D.C. Colombo 14792/MR - Hunter & Co. Ltd. vs. Self

Judgement delivered in favour of Delmege Forsyth & Co. Ltd. and Plaintiff has appealed against the said Judgement. Written submissions of Plaintiff – Appellant was filed.

D.C.Colombo 17148/MR - Self vs. D.L.Ebel Silva

Court has ordered to issue Writ against the Defendant. Case to be withdrawn.

D.C.Colombo 18743/MR - Self vs. L N T Enterprises

Case has been laid by since the Defendant has gone abroad. Case to be withdrawn.

CHC238/2003 (1) Self vs (1) Digital Computer Services (Pvt) Ltd (2) Institute of Data Management (Pvt) Ltd

Ex-parte judgement was to be delivered on 13th June 2011 but the Court has ordered fresh notices to be served on the defendants and their registered Attorneys by the registered Attorney of the Plaintiff (Delmege) as the procedure was said to be irregular due to which the Judge of the Commercial High Court had refused to deliver Ex-parte Judgement. There are 3 connected case to this.

37 COMMITMENTS AND CONTINGENCIES (Contd.)

37.2 Litigation (Contd.)

CALA 449/2004 (Court of Appeal) Self vs (1) Digital Computer Services (Pvt) Ltd (2) Institute of Data Management (Pvt) Ltd
According to the Journal Entry dated 5th June 2009 judgement was to be delivered on 13th January 2010. However the Instructing Attorneys had not been able as yet to obtain a copy of the judgement. They stated that as per the Court Clerk “docket is not available”. Instructing Attorneys are moving to take further steps to obtain a copy of the Judgement.

DC Colombo Case No.17126/MB New Crown Stores, Awissawella

Case to be withdrawn. Instructing Attorneys were requested to do so

37.3 Commitments

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Contracted but not provided for	-	-	369,630,065	934,960,201
Unutilised facilities	-	-	477,575,324	170,703,705
	-	-	847,205,389	1,105,663,906

38 ASSETS PLEDGED

The following assets have been pledged as security for liabilities other than that is disclosed under Note 18.3.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2012 Rs.	Carrying Amount Pledged 2011 Rs.	Included Under
Lease Receivables	Loans and Overdrafts	7,783,945,375	5,014,164,870	Lease Rentals Receivables & Stock out on hire
Real Estate	Overdraft	65,000,000	65,000,000	Real Estate Stock
Freehold Land	Overdraft	8,000,000	8,000,000	Property, Plant & Equipment
Vehicles	Loan	1,217,262	3,134,083	Property, Plant & Equipment
Fixed deposit	Overdraft	10,000,000	-	Cash & Bank
Deposits	Overdraft & Guarantee	58,352,000	-	Cash & Bank
Fixed deposits	Overdraft & Corporate Guarantee	1,813,479	-	Cash & Bank
Fixed deposits	Overdraft & Corporate Guarantee	1,544,341,601	-	Property, Plant & Equipment
Inventory & Debtors	Overdraft	18,825,000	-	Inventory & Receivables
Debtors		41,000,000	-	Trade and other receivables
Deposits	Overdraft	2,100,000	-	Cash & Bank
		9,534,594,717	5,090,298,953	

Notes to the Financial Statements

39 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.

- a. Royal Ceramics Lanka PLC , a subsidiary of the company has acquired 51% of the issued shares of Asia Siyaka Commodities (Pvt) Limited at a total consideration of Rs 336,600,000 on 5th April 2012
- b. The Board of Directors of the following companies resolved on 10 February 2012 to merge those companies into a single entity named Delmege Forsyth & Co. Ltd with effect from 01 April 2012 in accordance with the provisions of the Companies Act No 7 of 2007.

Delmege Forsyth & Co. Ltd, Delmege Distributors (Pvt) Ltd, Lewis Brown Pharmaceutical (Pvt) Ltd, Delmege Marketing (Pvt) Ltd, Delmege Construction Products (Pvt) Ltd, Delmege Interior Décor (Pvt) Ltd, Delmege Medical (Pvt) Ltd, Delship Services (Pvt) Ltd, Delmege Academy of Language & Skills (Pvt) Ltd, DelmegeTeas (Pvt) Ltd.

40 RELATED PARTY DISCLOSURES

40.1 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.

	Company		Group	
	2012 Rs	2011 Rs	2012 Rs	2011 Rs
40.1.1 Compensation to Key Managerial Personnel				
Short Term Employment Benefits - Executive Directors	1,800,000	-	191,223,193	72,704,000
- Non Executive Directors	3,600,000	-	10,400,000	2,195,000
Post Employment Benefits - Executive Directors	-	-	1,236,940	358,623
40.1.2 Other transactions with Key Managerial Personnel				
Fixed Deposits Accepted during the year	-	-	29,990,000	28,450,000
Fixed Deposits held at the end of the year	-	-	37,590,000	-
Interest Payable on Fixed Deposits	-	-	1,501,000	-
Interest Paid on Fixed Deposits	-	-	2,377,000	-
Rental Paid	-	-	4,473,338	802,934
Transport Charges	-	-	803,555	264,075

40.1.3 The Group has acquired land and building worth of Rs. 750,000,000/- from its major shareholder.

40.1.4 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		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Fixed Deposits Accepted during the period	-	-	55,000,000	105,000
Fixed Deposits Held at the period end	-	-	92,590,000	3,055,414
Interest payable on Fixed Deposits	-	-	2,311,000	61,196,000
Interest paid on Fixed Deposits	-	-	8,842,000	19,156,000
Dividend paid on shareholding	-	-	50,324,000	230,206,000
Bank Balance	-	-	(191,609,000)	5,588,000
Letter of Credits opened during the period	-	-	199,081,000	39,792,000
Short Term loans	-	-	1,000,000,000	900,000,000
Short Term loans Repayment	-	-	-	900,000,000
Fixed Deposit & REPO Opened During the Year	-	-	626,610,000	8,306,000,000
Sales of Goods/ Services	-	-	-	18,752,700
Leasing Interest Income	-	-	-	1,458,000
Other Interest Income	82,015,162	-	-	-
Investments Made	-	6,910,395,270	-	-
Short Term Advances given	-	21,442,400	-	-
Equity Investment in Associates	37,476,813	-	-	-
Other Equity Investments	698,248,616	-	-	-
Investment in Fixed Deposits / Debenture	752,000,000	-	-	-

Notes to the Financial Statements

40.1.5 Transactions with related entities - Subsidiaries

	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Sale of Goods/Services	-	-	35,188,725	3,287,189
Purchase of Goods/Services	-	-	(40,887,391)	(12,061,392)
Dividend Income	360,072,180	-	1,802,170,000	900,000,000
Service Charges	-	-	150,857,143	57,378,496
Investment in Fixed Deposits	1,785,000,000	-	-	-
Short Term Loan Given	70,000,000	-	-	-
Investment made Net of fund transfers	-	-	(1,761,143,323)	(746,365,450)
Short Tern Advances given	-	25,434,257	-	-
Rent Paid	-	-	742,239	-
Management Fees Received	-	-	2,170,000	-
Interest Income	248,597,664	-	2,581,359	-
Equity Investment in Subsidiaries	2,493,969,971	14,822,125,320	-	-

There have been no transactions with associate company during the year

Shareholder Information

1 GENERAL

Stated Capital	Rs. 27,163,983,720
The number of shares representing the stated capital	1,086,559,353

2 STOCK EXCHANGE LISTING

Vallibel One PLC is a Public Quoted Company, the ordinary shares of which are listed on the Diri Savi Board of the Colombo Stock Exchange. The date of listing was 08 July 2011.

3 PUBLIC HOLDING

Shares held by the public as at 31st March 2012 was 19.69%

4 DISTRIBUTION OF SHAREHOLDERS AS AT 31ST MARCH 2012

From	To	No. of Holders	No. of Shares	%
1	1,000	13,091	4,107,715	0.38
1,001	10,000	3,879	10,615,924	0.98
10,001	100,000	793	29,514,294	2.72
100,001	1,000,000	178	44,776,137	4.12
Over 1,000,000		38	997,545,283	91.80
		17,979	1,086,559,353	100.00

5 ANALYSIS OF SHAREHOLDERS

	No. of Holders	No. of Shares	%
Local Individuals	17,477	770,991,593	70.96
Local Institutions	424	308,458,925	28.39
Foreign Individuals	72	3,649,700	0.34
Foreign Institutions	6	3,459,135	0.31
	17,979	1,086,559,353	100.00

6 SHAREHOLDER BASE

The total number of shareholders as at 31st March 2012 was 17,979.

7 NET ASSETS PER SHARE

Net Assets Per Share of the Company is Rs. 27.51

Shareholder Information

8 TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH 2012

	31 March 2012		31 March 2011	
	No of Shares	(%)	No of Shares	(%)
1 K D D Perera	686,351,969	63.167	685,351,969	64.337
2 Vallibel Investments (Private) Limited	91,966,451	8.464	91,966,451	8.633
3 Vallibel Leisure (Private) Limited	91,929,063	8.461	91,929,063	8.630
4 Employees Provident Fund	61,258,500	5.638	-	-
5 Bank of Ceylon A/c Ceybank Unit Trust	5,898,401	0.543	-	-
6 Mercantile Investments and Finance PLC	5,176,000	0.476	-	-
7 Rosewood (Pvt) Limited-Account No.2	4,303,300	0.396	-	-
8 Aviva NDB Insurance PLC A/C No.7	3,150,000	0.290	-	-
9 Mr S N Kumar	2,613,000	0.240	2,613,000	0.245
10 Merrill J Fernando & Sons (Pvt) Ltd	2,299,000	0.212	2,299,000	0.216
11 Seylan Bank PLC / ARC Capital (Pvt) Ltd	2,174,599	0.200	-	-
12 Mrs D P N Kumar	2,090,000	0.192	2,090,000	0.196
13 Mr A Esufally	2,090,000	0.192	2,090,000	0.196
14 Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	2,090,000	0.192	2,090,000	0.196
15 Esna Holdings (Pvt) Ltd	2,090,000	0.192	2,090,000	0.196
16 Mr H R S Wijeratne	2,069,000	0.190	-	-
17 Mr M Sritharan	2,051,000	0.189	2,090,000	0.196
18 Employees Trust Fund Board	2,024,600	0.186	-	-
19 Mr A M Weerasinghe	2,000,000	0.184	-	-
20 Wickramaratnes (Pvt) Ltd	1,865,000	0.172	2,090,000	0.196
	975,489,883	89.778	886,699,483	83.239
Others	111,069,470	10.222	178,548,000	16.761
Total	1,086,559,353	100.000	1,065,247,483	100.000

9 DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2012

Name of the Director	No. of shares	%
K D D Perera	686,351,969	63.167%
W D N H Perera	Nil	Nil
S H Amarasekera	1,000,000	0.092%
J A S S Adhietty	100,000	0.009%
K Fernando	800,000	0.073%
R N Asirwatham	800	0.000%

Mr. Dhammika 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 2012.

10 SHARE TRADING INFORMATION

Market price per share	2012
Highest during the year	Rs.38.50
Lowest during the year	Rs.15.10
As at end of the year	Rs.19.00

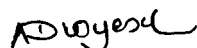
As at 31st March 2011 the Company was not listed on the Colombo Stock Exchange.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Second (02nd) Annual General Meeting of the Company will be held at the Crystal Upper Floor of Taj Samudra, No. 25, Galle Face Centre Road, Colombo 3 on Wednesday, 18th of July 2012 at 9.30 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the period ended 31st March 2012 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. S H Amarasekera who retires by rotation in terms of Article 87 of the Articles of Association of the Company.
3. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine donations for the year ending 31st March 2013 and as up to the date of the next Annual General Meeting.

By order of the Board of
VALLIBEL ONE PLC



P W CORPORATE SECRETARIAL (PVT) LTD
Director / Secretaries

15 June 2012
Colombo

Notes

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

Form of Proxy

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

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 Adhihetty	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 Second (2nd) Annual General Meeting of the Company to be held on Wednesday, 18 July 2012 and at any adjournment thereof and every poll which may be taken in consequence of the aforesaid meeting.

Signed this day of Two Thousand and Twelve

*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.

Form of Proxy

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company Level 29, West Tower, World Trade Centre, Echelon Square, Colombo 1, on or before 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 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

Delmege (Private) Limited
(Formally known as Lewis Brown & Company (Private) Limited)
Orit Apparels Lanka (Private) Limited
Greener Water Limited

Associate Companies - Quoted

Waskaduwa Beach Resorts PLC

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

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

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