Annual Report

WEALTH CREATION FOR **VALUE CREATION**

2015/**16**

Vallibel ONE PLC

WEALTH CREATION FOR VALUE CREATION

Vallibel One PLC
Annual Report 2015/16

VISION

Achieve uniqueness through diversity, leadership, creativity and inspiration.

MISSION

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

Business Today Top 25 - 2014/15
CIMA LMD 100 - 2014/15

The tree creates a wealth of oxygen
for the planet; oxygen that powers
the entire eco-system.

A business powers economies and
communities by creating wealth.
And it is through the creation of wealth
that the business can create value
for all its stakeholders.

This philosophy is what drives
and empowers us at Vallibel One.

Vallibel | ONE

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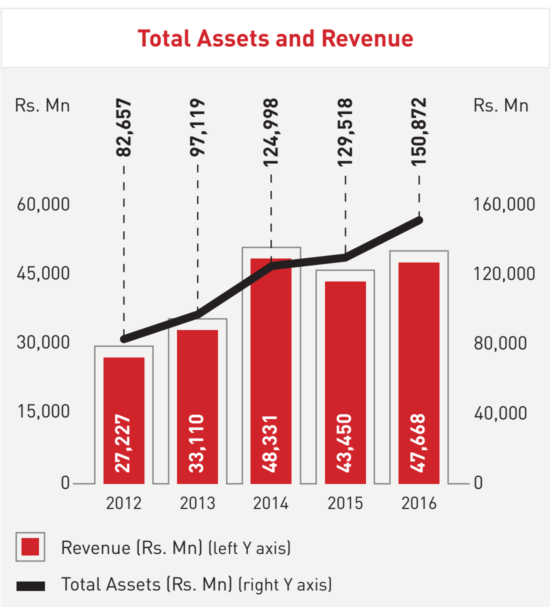
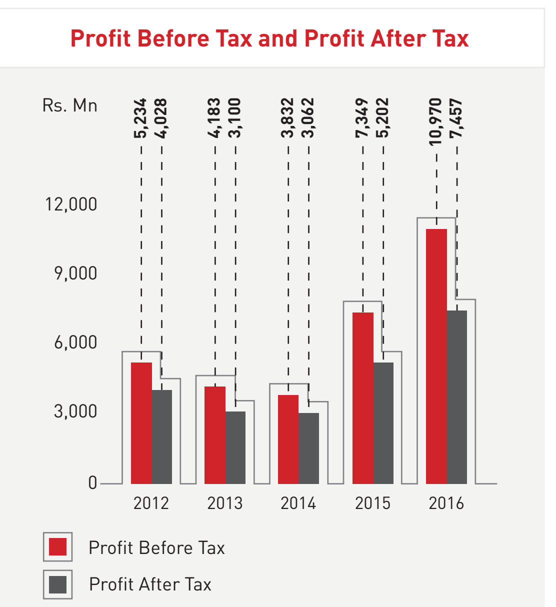
GROUP FINANCIAL HIGHLIGHTS

	2016 Rs. '000	2015 Rs. '000	Change %
For the Year ended 31st March			
Turnover	**47,667,846**	43,449,784	9.71
Profit Before Tax	**10,969,687**	7,348,664	49.27
Profit After Tax	**7,456,720**	5,201,892	43.35
Profit Attributable to Equity Holders of the Company	**4,227,980**	2,891,094	46.24
As at 31st March			
Shareholders' Funds	**38,091,062**	34,736,706	9.66
Market Capitalisation - Company	**19,340,756**	22,057,155	(12.32)
Total Assets	**150,871,742**	129,517,572	16.49
Per Share			
(Issued and Fully paid Shares 1,086,559,353)			
Earnings (Rs.)	**3.89**	2.66	46.24
Net Assets (Rs.)	**35.06**	31.97	9.66
Market Value - Company (Year-end) (Rs.)	**17.80**	20.30	(12.32)
Price Earnings (Year-end) (No. of Times)	**4.57**	7.63	(40.04)
Gross Profit (%)	**44.38**	40.55	9.45





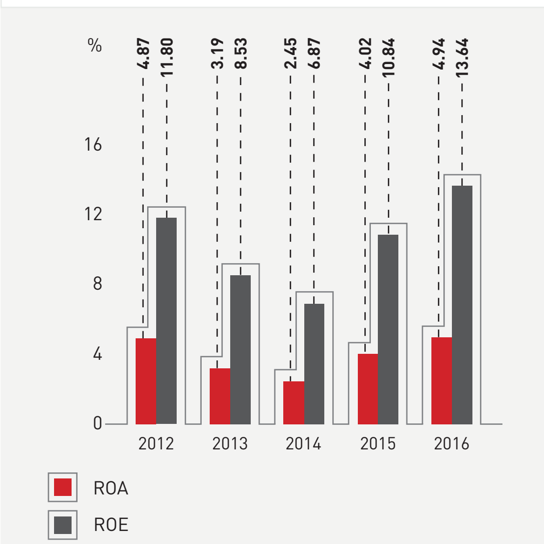
GROUP GROWTH RECORD

Indicator	2012	2016	**4-year CAGR***
Revenue (Rs. Mn)	27,227	47,668	**15.03%**
Profit Before Tax (Rs. Mn)	5,234	10,970	**20.32%**
Profit After Tax (Rs. Mn)	4,028	7,457	**16.65%**
Total Assets (Rs. Mn)	82,657	150,872	**16.23%**
Shareholders' Funds (Rs. Mn)	28,979	38,091	**7.07%**
Earnings Per Share (Rs.)	2.34	3.89	**13.56%**
Net Assets Per Share (Rs.)	26.67	35.06	**7.07%**
Return on Assets (ROA) (%)	4.87	4.94	**0.35%**
Return on Equity (ROE) (%)	11.80	13.64	**3.69%**

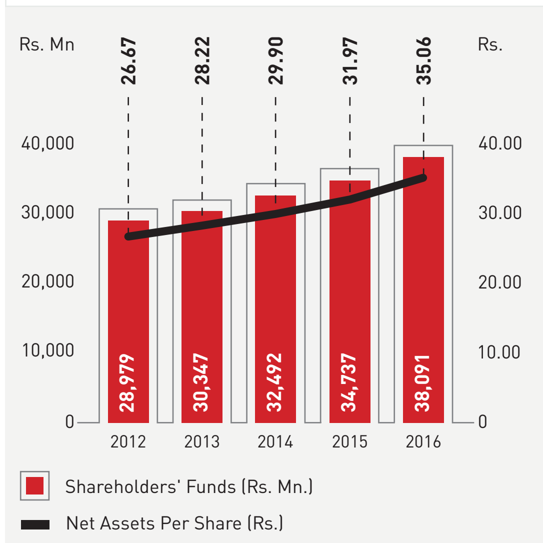
** Taking 2012 as the base year.*

Compound Annual Growth Rate (CAGR) is the average growth rate over a specified number of years as if the growth had occurred at a constant rate each year over that time period.

ROA and ROE



Shareholders' Funds and Net Assets Per Share



DHAMMIKA PERERA
CHAIRMAN

A large part of our success in wealth creation is owed to the resilience we derive through diversity.

Wealth and value have been at the heart of our business proposition since the inception of Vallibel One in 2010. In fact, they are the fundamental core pillars of our business. This wealth value proposition has been propelled through innovation across business sectors, and our shareholders and stakeholders will agree that innovation is indeed the spark that differentiates how we do business and the business that we do.

For Vallibel One, wealth creation has always been about value creation through innovation. We recognise that wealth creation is the outcome of the judicious deployment of capital to create value, and it is this constant exploration to invest towards enhancing our resources, enlarging our capacity for value creation that has been the bedrock for our continued growth.

We view this wealth-value proposition as a conduit in creating 'advantage' as a means to be a step ahead, as a catalyst to amplifying the impact of our operations on not just our balance sheet but also in transcending sustainable business practice across all stakeholders.

A large part of our success in wealth creation is owed to the resilience we derive through diversity. The potent mix of diverse businesses under the Vallibel One umbrella, have, and continues to deliver value, balancing out the impact of socio-economic constraints and contractions. These well-known businesses and brands, both old and new, have succeeded in winning hearts and minds in their respective markets.

Truly, the law of 2+2=5, a concept that I have elaborated on in previous years, continues to validate the case for diversity, with Vallibel One witnessing persistent growth, as we leverage greater returns across core sectors. In looking to the future, Vallibel One's onus will be to further extrapolate returns by amplifying this learning curve, with the execution of a strategy of investment towards diversification. We also understand that we need to continue to innovate to ensure we can build our capability in our growth areas.

Given our strong performance despite a difficult socio-economic climate, I am cautiously optimistic about our future outlook. Our performance this year is convincing proof of our ability to achieve strong and sustainable growth that benefits all our stakeholders.

I would like to thank our Shareholders for their continued faith in us, our Business Partners for a much valued and mutually beneficial relationship and members of our Board of Directors for their commitment and support.

I close with these wise words from Benjamin Franklin, which resonate with meaning in the context of our beliefs. *"Without continual growth and progress, such words as improvement, achievement and success have no meaning."*

DHAMMIKA PERERA
CHAIRMAN/MANAGING DIRECTOR

YOGADINUSHA BHASKARAN
CHIEF EXECUTIVE OFFICER

The unwavering focus on wealth creation for value creation constructed on a 'continuing business' formula, has enabled the Group to post phenomenal results this year.

A corporate spearhead such as ours has a crucial responsibility within our stakeholders' overarching development matrix. It is we who must formulate the pathways of growth, innovation, best practices and continuous improvement and thereby ensure that the wealth creation is prompted by this singular focus. Looking at Vallibel One, we have done just that and within that formula, become the champion of value creation in each of our businesses and the industries we operate in. This has naturally set in motion the wheels for the Group to achieve very impressive results, in which backdrop, it gives me great pleasure to present to you a comprehensive review of our strategy, performance and outlook in this Annual Report for the financial year 2015/16.

A well established feature in the Vallibel One philosophy is the steadfast approach we adopt towards investments that garner long term value. This indisputably assures that we create sustainable value to our diverse stakeholder groups and our strategy is designed to ensure that we balance competing stakeholder needs in an equitable manner.

The unwavering focus on wealth creation for value creation constructed on a 'continuing business' formula, has enabled the Group to post phenomenal results this year. The Vallibel One Group posted an impressive Profit After Tax of Rs. 7.456 Bn, which is a substantial 43.35% growth over last year's Rs. 5.201 Bn. The Group has also focused on strengthening its presence in our growth industries including tile and sanitaryware, banking, finance and leisure. This growth focus has enabled us to achieve positive results from these entities, especially in the manufacturing and finance sectors, whose financial performance has been outstanding, despite the local and global marketplace showcasing unpredictable paradigms.

Generally favourable macroeconomic conditions and a booming construction sector added significant fillip to Rocell, the country's market leader in tile manufacturing. Resultantly, Rocell recorded an impressive Net Profit After Tax of Rs. 4.091 Bn during the year under review. Rocell and its subsidiaries across all sectors, excluding the plantation sector, which was impacted negatively due to volatile global commodity prices, also experienced a notable bottom line growth of 33.41%. Meanwhile top-line inclined by 11.28%. Rocell's international footprint, which was first mooted with its first concept store in Victoria, Australia, is being earmarked for further expansion across that continent, while the new markets of Karachi in Pakistan and the Maldives are also being pursued.

We have always embraced a culture of responsible and accountable business fundamentals. These rudiments remain extremely crucial to maintaining consistent and reliable operations in the financial services sector, which has afforded us a stable foundation when operating in a volatile external environment over the year. L B Finance, our financial service arm, thus showcased exceptional resilience to achieve a record of 70.37% Net Profit After Tax growth, further consolidating its market share and strengthening stakeholder relationships. Net Profit After Tax increased to Rs. 3.717 Bn from Rs. 2.182 Bn, which is highly commendable given the uncertainties and adversities in the industry landscape. Despite contending with shrinking net interest margins, the Company recorded a Net Interest Income growth of 11.86% due to the efficient management of funds, while deposits experienced a robust growth of 17.50%. These strengths, together with the Company's consistent focus on maintaining a healthy Non-Performing Loans ratio of 3.28%, well below industry average, L B Finance continues to be among the market leaders in deposits, leasing and gold loans in the Non Banking Financial Institution sector in Sri Lanka.

Furthermore, we have placed strategic emphasis on strengthening the performance of the Delmege, a 165-year old entity that was brought under the Vallibel Group a few years ago. During the year under review, we reformulated the Company's overall business strategy and initiated several leadership changes with the objective of driving sustainable growth. I am humbled to report that these initiatives have already borne fruit with Delmege interiors, the healthcare cluster, construction products, insurance brokers, shipping, freight and travels, all recording remarkable growth in excess of 100% Net Profit After Tax.

Our leisure investment arm, Greener Water will soon change the landscape of the hospitality industry in Sri Lanka, painting a unique canvas with its first of a kind super luxury integrated resort in Sri Lanka. The BOI agreement for Grand Beach Hotel located in Negombo, on 18 acres of freehold land, was signed in October last year, while the project construction team that will spur the construction of this hotel nestled between the Maha Oya River and the Indian Ocean, began work in earnest in January 2016. Piling is in progress and the super structure construction will commence in June 2016.

The award winning 53 roomed Small Luxury Hotel in Koggala, The Fortress Resorts continued to perform admirably in an environment in which the hospitality and leisure industries continue to showcase better prospects. The Company's inclusion in the Vallibel One portfolio as an Associate Company has further strengthened the Group's business portfolio. The property, which hosts some of the world's most discerning clientele, continues to raise the bar in product and service offerings, which also brought in ample rewards this year including the hospitality industry's most prestigious food and beverage laurel, the Bocuse d'Or Sri Lanka.

Wealth creation for value creation continues to lie at the core of our business strategy. This is a single-minded application for the entirety of our Group, where each of our entities uncompromisingly continues to move upwards and outwards, etching market leadership along the way. However, to achieve our ambitious goals, we continue to inculcate a culture of continuous improvement, best practices and excellence, while nurturing accountability and transparency as an imperative expected of a responsible corporate entity. The absolute professionalism and emphasis on good governance will augment the sound fundamentals we have in place to take this Group to the next level of excellence.

Our shareholders and customers have continued to have confidence in us, displaying immense loyalty, a dynamic which has pushed us to continually raise the bar in our innovations, product and service offerings.

The making of a great company involves the absolute commitment of a winning team, which we are proud to possess. It is with immense appreciation that I recognise our team as being the best there is, for driving our strategy, embodying our corporate values and facilitating our value creation process.

To our valued business partners and the communities we work in, you have truly been strong trusses in our journey. I hope these partnerships will continue to grow exponentially, as we forge new pathways for mutual benefit, together.

YOGADINUSHA BHASKARAN
CHIEF EXECUTIVE OFFICER

Our Guiding Philosophy

Wealth creation is our reason for being. It drives us to create value for our stakeholders. It is a vision that is powered by our core guiding philosophy; a uniqueness that stems from three essential values: leadership, diversity and innovation.

LEADERSHIP

"Leadership is the capacity to translate vision into reality."

- Warren Bennis -

MARKET LEADERSHIP

A market leader is one who has etched an indelible presence in the market, working on the fundamentals of innovation and product and service excellence, pushing boundaries beyond the possible and contributing inimitably to the development of both industry and country. The market leadership Vallibel One espouses, is all this and more!

REVOLUTIONISING INTERIORS

Instilling leadership through uncompromising excellence, which embraces the uniqueness of the 'Made in Sri Lanka' concept, Rocell has trailblazed pathways with its top of the line production facilities manufacturing some of the world's most elegantly stylish products, infusing best in class technology and standards. The brand denotes an aesthetic that remains unique to the industry, constructed on the platforms of design, innovation and craftsmanship, which have all enabled the product portfolio to build a sustainable growth paradigm.

The plummeting global oil prices had a positive impact on the tile and sanitaryware industries; bringing down the production costs advantageously. With energy costs being one of the largest expenditure components in the production process, the industry and the Company gained considerable advantages with production costs declining sharply compared to previous years. In addition, Rocell's strong fundamentals continued to augment performance, which in turn, reiterated its presence as the market leader in the local market. With quality and innovation being the two primary dynamics that energise the brand, the highly motivated team of vibrant individuals remain the backbone of this high performing portfolio.

With a product portfolio that has gained in expanse as it has in design and innovation, having entered the market to solely produce ceramic and porcelain tiles, the concentration on diversification in production and manufacturing has enabled the brand to conquer the most discerning clientele. The concentration on infusing constantly evolving technology into the manufacturing process this year saw a new powder mixing system installed to improve the quality of tiles.

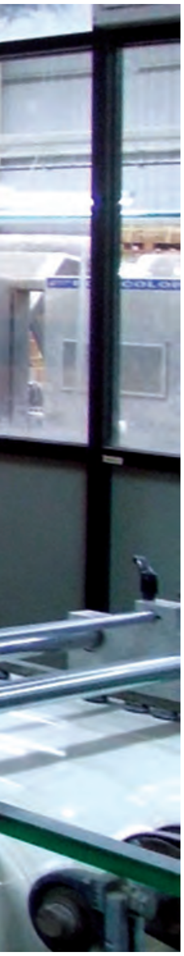
'CRETA' Digital Printing Machine – Eheliyagoda

In complimenting the extensive focus on design, development and manufacturing to build a portfolio of products that are truly superior, Rocell has also implemented a robust marketing framework that comprises a continually expanding network of franchise dealers and dealers, transformations of existing showrooms aligned to global design concepts and ensuring accessibility and reach through the establishment of showrooms in strategic locations. Into this is added an experienced team of trend forecasters whose market knowledge enables the brand to be cognisant of emerging trends, ensuring that its creative portfolio matches the expectations of the ever evolving customer mindset.

The brand has always maintained an inherent green ethos, an ecological commitment that marries cutting edge production processes and global standards with permeating environmental best practices throughout the entirety of the product life cycle, to ensure that the brand's carbon footprint continues to decline.

ADVANCED CERTIFICATION

A definite imperative that drives market leadership is the unwavering focus on stringent quality standards, that vouch for an entity's sincerity of action, principles, governance and most of all, the need to constantly etch a leadership stance.



Royal Ceramics Lanka PLC has continued to consolidate its market leadership with this emphasis on standard certifications, gaining the prestigious Green Labelling Certification for sustainable building materials and products and the CE Marks Certification for products against EN 144411:2012 and ISO13006:2012. The CE Mark is an essential precursor to certain products, including tiles and tile adhesives, being marketed in EU member states.

The Company, which currently conforms stringently to the ISO 9001:2008 Quality Management System Certification, has also gained the Sri Lanka Standards Specification for ceramic tiles, SLS 1181:2005 conferred by the Sri Lanka Standards Institution (SLSI).

The continuing prominence given by the Company of these assurances of quality and best practices forms a definite value addition in instilling stakeholder confidence in the expansive portfolio of products the Company continues to develop. It also cements the Company's status as a respected corporate steward whose ethics and ways of doing business have written new chapters and well reinforces its position as market leader.

LEADING THE SECTOR

A Company that has continued to shape the NBFI sector in the country for over four decades, L B Finance commands trust, loyalty and confidence due to its uncompromising stance on strengthening its financial foundations. All this while continuing to present a portfolio of timely, innovative technologically driven financial solutions which have garnered the acceptance of corporates, SMEs and individuals alike. This surely is the hallmark of a true market leader.

Having operated through the negativities prompted by the fallout of the global gold market, L B Finance worked on a unique formula that continued to concentrate on its gold loans, which strategy gained fruition with an impressive growth of 26.55% in its gold loans advances portfolio. This portfolio is now at Rs 13,136.35 Mn. The Company has firmly established itself as a leader in gold loans.

Entrenching our accessibility and reach further, the Company opened nine new branches and two new Gold Loan Centres to count a complete network of 146 touchpoints across the country.

Another area of business in which it firmly stamped its presence is in the Licensed Finance Company sector (LFC) is in deposits, the primary source of funding, which saw the assets portfolio incline by an impressive 63.16%. The good performance has resulted from the strategy employed to diversify funding sources and consolidate the deposit base in order to improve the deposit mix.

Emerging as the largest interest contributor to the Company, the leasing portfolio showcased a notable 60.59% of interest income to performance figures. The increase seen in lease rental receivables, was primarily due to expanded portfolios and heralded an upward trajectory in top-line growth.

One of the biggest highlights for the year was L B Finance being certified carbon neutral, once again trailblazing as the first finance company in the country to be conferred with such a laurel. Believing strongly that leadership is a holistic characteristic and should not simply be based on quantifiable facets, the Company's commitment to the environment evidenced by this certification, showcases the emphasis it places on this holistic leadership in its most complete form.

THOUGHT LEADERSHIP

The Vallibel One mindset is trained to think and act beyond parameters; this is the seed that plants itself within the psyche of the team of leaders we have nurtured. These collective thinkers inspire, innovate and pioneer pathways that shape the business, industry and the nation. It is this unique brand of thought leadership that gives Vallibel One its unmatched competitive advantage.

OUR JOURNEY SO FAR

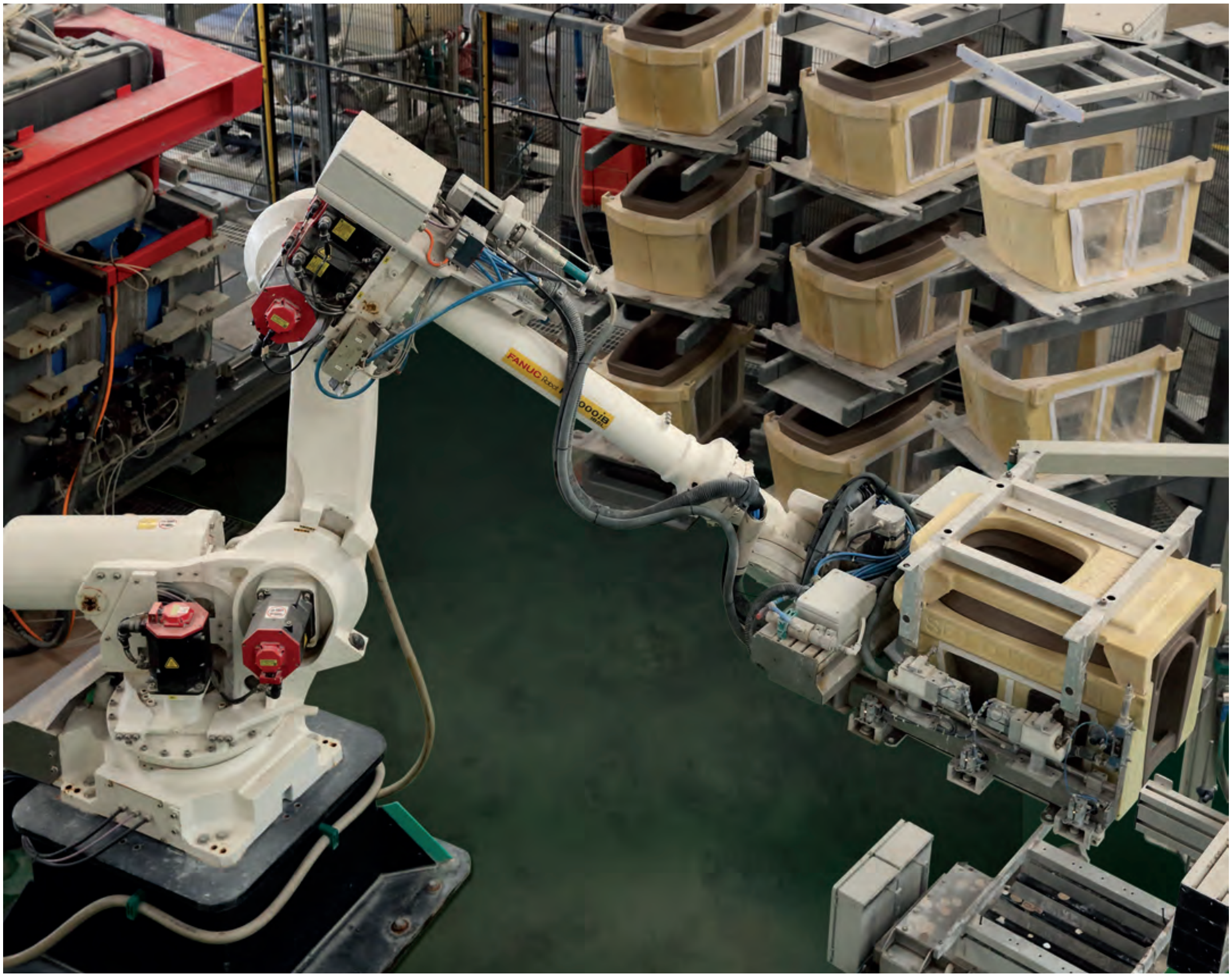
Instigating new ideas through innovative experiences is the formula that Rocell has been instilling since its inception. These experiences are prompted by fashioning personal spaces that are more than simply functional, but rather crafted to depict individuality. Encouraging thought processes that become inventive in design to initiate this individuality, is how the journey from thought to execution begins at Rocell.

Rocell's entry into bathware manufacture heralded a completely new mindset in the way these personal spaces are viewed. Depicted as one would a panoramic canvas, Rocell Bathware fills these spaces with a masterpiece in artistry and functionality.

Working with a thought leadership team that includes professionals in research, creativity, design and production, creating and manufacturing high quality bathware that complies with stringent international standards, the end products become a true *tour de force* that continues to increase its presence in a highly competitive market space. The state-of-the-art technology infused manufacturing plant continues to set benchmarks locally and internationally, ensuring that the high expectations of creative collaborator, Italian Designer Dr. Stefano Giovannoni are always exceeded.

This need to always be ahead, to lead and pioneer is well demonstrated with the addition of the Australian Watermark Certification for the WC

Rocell Concept Store – Nawala



Robotic High Pressure Casting Machine-Rocell Bathware Factory – Homagama

range, which augments the Company's unrelenting emphasis to conquer international markets. The Green Certification for its entire product range underscoring the ecological ethos which remains a strong thread within the Company's leadership psyche is another. The unrelenting focus on continuing to add value into its expansive product portfolio available across the country and in some earmarked foreign spaces as well, is undoubtedly due to a thought leadership that is founded on building continued success.

Instigating new ideas through innovative experiences is the formula that Rocell has been instilling since its inception.

STRIKING A DISTINCT PATH

Even after the acquisition by Rocell Group, Lanka Walltiles and Lanka Tiles (Lanka Tiles Group) continued to focus on their own business strategies with greater vigour.

Lanka Tiles Group, have always maintained their product niches and hence, construct business strategies founded on strong innovation that has added impressive value to these legendary brands.

This innovative stance not only applies to product design and delivery, but also to introducing thought strategies that would enhance the overall brand and product experience. Reach and accessibility has been expanded through a showroom network of 47 across the country, all of which are manned by teams trained under a singular strategy of service excellence. IT infrastructure has been augmented to automate the dealer and distribution networks enabling timely information on availability of products and instituting cost efficiencies.

The introduction of lean management practices cascading across the Group has resulted in astute cost management and working environments that add value to the team's mindset. These initiatives enabled the Group to maintain prices which in turn made its products more competitive both locally and internationally.

Lanka Tiles Main Showroom – Nawala

PEOPLE LEADERSHIP

Building a winning team can be challenging; it involves identifying, nurturing and strengthening people who are trained to think and act unconventionally. Our empowered team of leaders at Vallibel One don't believe in boundaries nor convention; for them leading means being different, unique, trailblazing pathways and being pioneers.

BUILDING TOMORROW'S LEADERS TODAY

Earmarking leadership in highly competitive territories is not an easy task, but it is a leadership that L B Finance has perfected. Given the highly competitive environment the Company operates in, being acknowledged by peers as one of the major players in the challenging gold loans, leasing and NBFI sector deposits areas has certainly set it apart as a differentiator. This differentiation has undoubtedly been driven by its people, leaders who are not afraid to think differently, act differently and are unafraid to move into unknown territory.

The employee development programme at L B Finance is designed to equip and empower the team to continue reaching new heights. From recruitment to succession planning, rewards and recognition, training and development, each team member gains the individual attention of mapping their career path aligned to the Company's goals and vision. The well founded training and development calendar excels in its knowledge gaining culture, empowering team members to harness knowledge, skills and competencies for better opportunity. This year, the team at L B Finance enjoyed a total of 30,467 hours of training and development in numerous competencies including technical, functional, language, IT, soft skills, life skills, general management training through workshops, short tutorials, symposiums, conferences and web based training.

Strongly believing in nurturing holistic leaders, 'L B Volunteering' which was launched this year, creates a pathway for team members to tap into their inherent resources and talent, sharing it with disadvantaged communities. Team members are encouraged to volunteer as part of their character building process, an initiative that has seen immense dedication and commitment emerge, where 2,094 volunteer hours were contributed to 62 corporate social responsibility projects this year.

DIVERSITY

"Diversity is the art of thinking independently, together."

- Malcolm Forbes -

ENTREPRENEURIAL COURAGE

Entrepreneurs are known to have spark, spirit and a touch of the audacious; they are fearless, undaunted and defy the odds. The diversity that is a hallmark of Vallibel One has nurtured a unique brand of entrepreneurial courage within the Group, girding it with valour, fortitude and determination to venture into unchartered domains with enthusiasm and a sense of purpose.

VENTURING OVERSEAS

Entrepreneurship is inherent in the Rocell persona. It is the perfect example of a brand that has ventured where others feared to tread, launching its presence in international markets, standing shoulder to shoulder with global giants and building a successful business that's destined to grow.

The thirst for exploration began with the genesis of the very first international concept store in Oakleigh, Melbourne in Australia. Using the creative artistry of renowned architect Terry Davis, the sophistication of this contemporary Rocell Concept Store matched the infinite modernity of the products within, garnering the attention and loyalty of a discerning Australian clientele. Displaying the innate entrepreneurial trait of a need to explore further, building on its initial success, Rocell has already begun the framework for the launch of yet another Rocell Concept Store, under the architectural prowess of Italian architect Simone Cagnazzo. This includes a Rocell Gallery imbuing futuristic vignettes in design, which will be added into the same locale soon. With this strategy, Rocell would have augmented its presence in the State of Victoria, giving it a strong brand presence which it can build on as it moves into other Australian states.

Further plans are being etched for entry into Karachi in Pakistan and the Maldives, both markets that have immense potential and are defining the concepts of new age living into its lifestyles. Thus, Rocell will be offering these markets a comprehensive portfolio of customised products designed specifically to meet the emerging trends seen in these countries.

Concept Store – Oakleigh, Melbourne, Australia

ENHANCED CREATIVITY

A palette of diverse hues in creativity and innovation forms the quintessence of the Group's enabling factors, presenting a portfolio of total solutions that only diversity in form, product and style can offer.

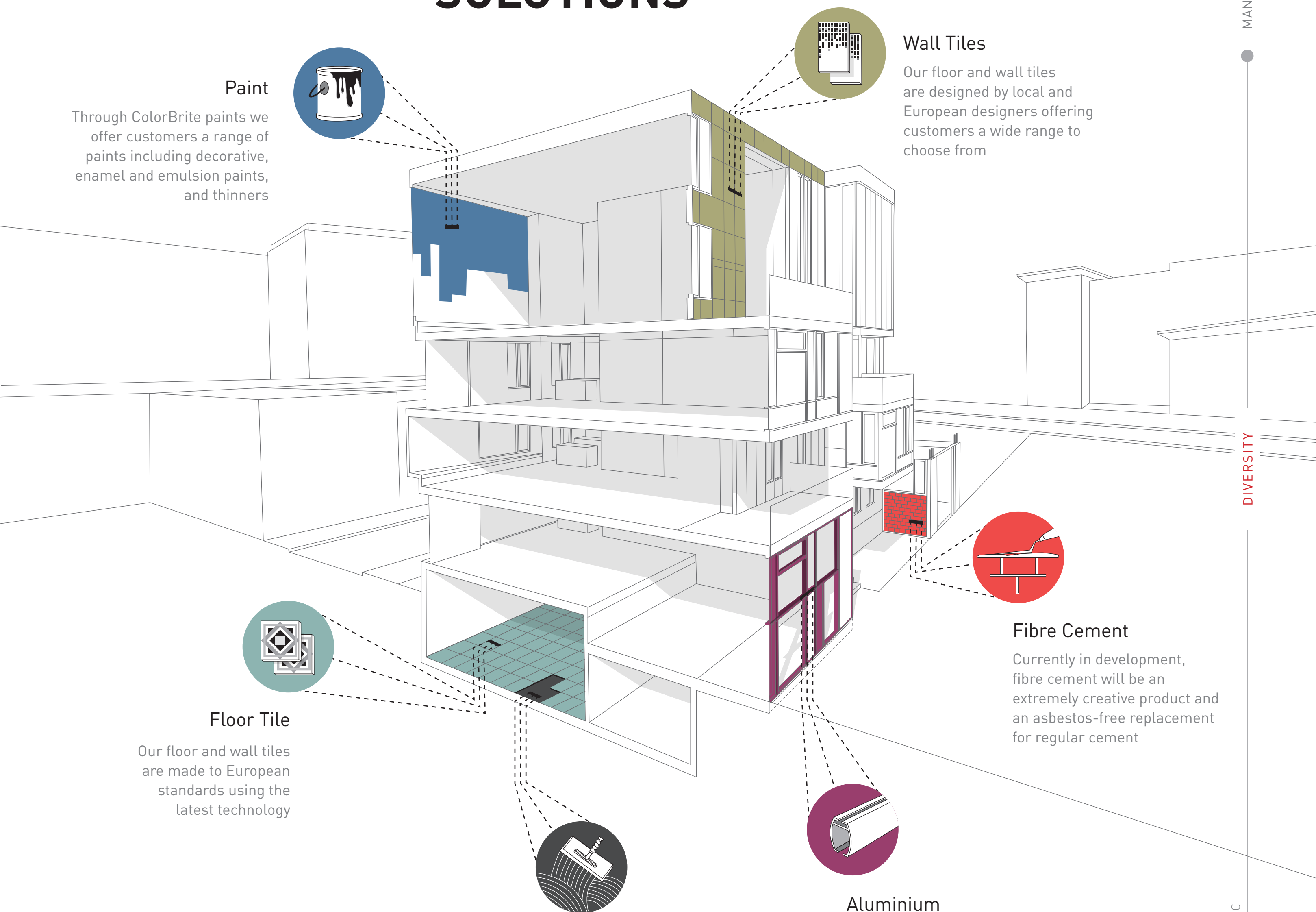
TOTAL SURFACE SOLUTIONS

An expansive portfolio of total solutions from roofs to floors, countertops to interior and exterior walls has enabled the Group to continue building a product range that is always ahead of trends and customer expectations. This year, heralded yet another chapter when a slew of new products were manufactured, cementing the status of the Rocell Group as a one-stop-shop of total solutions for all surface finishing materials. Using the enhanced creativity it possesses within its diverse solutions portfolio, the Group intends to optimise on the rapidly growing construction industry in the country, playing a key role in transforming the skyscape of the metropolis and key cities around the country.

While total solutions continue to remain at the fore, the Group is much aware of its use of resources, ensuring that raw material usage is managed efficiently and green practices are infused wherever possible. Continuing to upgrade and introduce new technology and machinery into the manufacturing process to ensure conformity to international standards which call for stringent resource and environmental management, has thus become an everyday imperative within the Group.

The health hazards posed by the use of asbestos has been gaining increased public awareness with the State declaring its intention to ban the importation of the material, encouraging corporate stewards to seek a healthier alternate for roofing. Having already identified fibre cement and steel roofing material as the ideal alternative, given its wide use in other countries, the Group is now seeking to expand the business potential this brings into the equation. Fibre cement exterior wall cladding and internal wall partitioning are two additional products that can be added into the Group's total solutions portfolio and given the advantage of a significant decrease in construction cost this imparts, a noteworthy benefit for the country as a whole.

TOTAL SURFACE SOLUTIONS



Paint

Through ColorBrite paints we offer customers a range of paints including decorative, enamel and emulsion paints, and thinners

Wall Tiles

Our floor and wall tiles are designed by local and European designers offering customers a wide range to choose from

Fibre Cement

Currently in development, fibre cement will be an extremely creative product and an asbestos-free replacement for regular cement

Floor Tile

Our floor and wall tiles are made to European standards using the latest technology

Tile Mortar

A slow drying replacement for cement, tile mortar keeps pace with a tile's need to absorb water before resting in place

Aluminium Frames

Our aluminium frames are made to measure and put to a wide range of uses including for casement windows and sliding doors

The diversity, which the Group embraces, will also herald a diversification of our product portfolio to optimise on emerging new opportunities. Swisstek Aluminium Limited (subsidiary of Royal Ceramics) which manufactures aluminium extrusions with powder coating, wood graining and anodised finishes for architectural applications including doors, windows, facades, shop facades and partitions, has plans to enhance the creativity of its product portfolio aligned with developing requirements of its clientele.

The Swisstek Plant – Dompe

An expansive portfolio of total solutions has enabled the Group to continue building a product range that is always ahead of trends and customer expectations.

DIVERSE PLANTATIONS

Being in an industry whose profitability to a great extent is dependent on the weather and global paradigms, Horana Plantations (subsidiary of Royal Ceramics) took a defining step this year to restrategise its business model based on a blueprint of long term profitability. The year in itself saw the entire industry struggle with the vagaries of the weather and the global challenge of declining prices for synthetic rubber cascading to less demand for natural rubber and political upheavals in the Middle East and other key importing nations adding to the industry's woes. The drop in production combined with lacklustre demand in export markets thus impacted the Company's bottom line as well. This led the Company to implement a diversification strategy into its portfolio, replacing some low yielding rubber growing areas with oil palm, ancillary crops and timber.

Being one of the largest producers of quality Ceylon Tea, cultivating a total extent of 2,324 hectares, to produce approximately 4.2 million kgs of tea, the Company encompasses eight high grown and two low grown estates. This year, the yield per hectare declined considerably from 1,606 kgs to 1,418 kgs due to the permeating challenges that continued to ensue. The State's decision to establish a ceiling on the importation of fertilizer was also a cause for concern, given that the shortage it prompted impacted leaf quality.

Horana Plantations is one of Sri Lanka's leading natural rubber producers. The year's results however saw a decline in production due to the extreme weather conditions from dry to heavy rains, which disrupted the tapping of latex. Rubber production hence plunged to 843,000 kgs from 1.1 million kgs last year, with the yield per hectare also plummeting to 548 kgs.

However, the Company continued its replanting programmes, adding 17 hectares of tea and 45.72 hectares of rubber into its portfolio, while maintaining its emphasis on international best practices. It is commendable that every estate has been conferred with Non-Timber Forest Products certification by the Forest Stewardship Council recognising the commitment to minimise loss in biodiversity, instilling responsible business practices and sustainability.

In addition, the pledge to maintaining high quality standards in the totality of the business, from sourcing to manufacturing, systems, processes and environmental conservation has seen an impressive number of our estates being bestowed with internationally recognised certification of excellence such as Rainforest Alliance, Fair Trade, Ethical Tea Partnership Certification and the Company certified with HACCP, ISO 22000:2005, ISO 9001:2008 QMS and SGS Product Certification.

INNOVATION

"Innovation distinguishes between
a leader and a follower."

- Steve Jobs -

INNOVATIVE NEW VENTURES

There remains an inherent need within Vallibel One to innovate, leading us to pioneer new ideas into strong partnerships. This innovative stance gives us critical insights into expanding our business to create wealth and add value.

UNIQUELY DIFFERENT

Having observed the hospitality and leisure landscape in the country, which is now seeing burgeoning investment and a slew of diverse product and service offerings, charting a new path through a super luxury integrated resort was deemed as the niche that would be an incisive and defining chapter in the Group's annals. This innovative new venture which will include an indoor water park is Greener Water Limited's maiden investment into the hospitality sector and will be fuelled by world renowned architects and leisure industry specialists.

Grand Beach Hotel, a landmark project will be the very first in Sri Lanka, promising experiences that are uniquely different. Work on the project has already begun, with the Board of Investment agreement already signed and piling work in progress. Grand Beach Hotel is billed to open its doors for commercial operations in April 2019, while construction is to be completed by February 2019.

Beach view, Grand Beach Hotel - Negombo

CONNECTING TWO GIANTS

By the mid 2000s, Royal Ceramics Lanka PLC and the Lanka Walltiles PLC Group were the two largest ceramic tile manufacturers in Sri Lanka. Together, they comprised of the entirety of the locally produced tile and bathware industry.

In May 2013, when Royal Ceramics Lanka PLC and its affiliates acquired the controlling stake of 77% in Lanka Ceramic PLC, which is the parent company of Lanka Walltiles PLC, the pathway to new ventures being the champions of innovation was being forged. After this acquisition, the ultimate parent company of Lanka Walltiles Group became Vallibel One PLC, which today wears the laurel of being one of the most innovative corporate spearheads in the country, having strategically created a corporate portfolio of diverse business sectors in various industries to dominate the corporate landscape of Sri Lanka.

Combining the strengths, experience, knowledge and capabilities of these acquisitions, Royal Ceramics began innovating with greater agility and expansive creativity.

Combining the strengths, experience, knowledge and capabilities of these acquisitions, Royal Ceramics began innovating with greater agility and expansive creativity, while Lanka Walltiles further permeated international best practices and quality standards into its systems and processes. With knowledge sharing, higher productivity and greater efficiencies, both businesses now stand on a firm platform of sound financials, well founded operational features and constant innovation, while retaining their individuality in sales and marketing, designed to augment each Companies' competitive advantages.

Lanka Tiles Factory - Ranala

CREATIVE BUSINESS SOLUTIONS

Business solutions encompass a formula of ideas, creativity, innovation, strategy, resourcefulness and practicality. It is this combination that has enabled Vallibel One to articulate business solutions that are pioneering, timely, profitable and sustainable.

INNOVATIVE BREAKTHROUGHS

The ceramic and porcelain tile industry in Sri Lanka has seen a slew of pioneering business solutions emerge from the Group, which have shaped the entire industry to set its benchmarks higher. This will continue as a fundamental feature in the Group's business operations, where developing and innovating breakthroughs from the moment of the conceptual idea to final product will ensure a better, technologically superior, high quality uniquely differentiated product. This is well exampled in the polished tile devoid of any nano application, with zero staining qualities, developed by Royal Porcelain (subsidiary of Royal Ceramics).

Plans are being mooted for the manufacture of the largest floor tile to a size of 600 mm x 1200 mm once the new press is operational. While utilising the existing production facilities, Royal Porcelain will also manufacture thin wall tiles in rectangular format to meet a growing demand for this tile genre.

TILE MORTAR

Innovative business solutions most often stem from thinking beyond paradigms. The introduction of tile mortar by the Lanka Tiles Group, the pioneer producer of tile mortar in the country, has heralded a significant development to the Group's total surface solutions portfolio. Tile mortar has better bonding and water repellent properties and it replaces conventional cement used for tiling. Given the slow drying characteristics, it allows enough time for tiles to absorb water bringing about a proper adhesion resulting in even surfaces with no hollow spaces between the tile and cement.

Creating awareness on the positives of the product has included educating both tile layers and customers. Given the demand growth since its launch five years ago, capacity has been expanded, while emphasising on quality standards, with periodic laboratory tests conducted independently to ensure conformance.

STRATEGIC USE OF BRANDS

In encapsulating the Group's corporate soul and the heart of what we espouse in our vision, mission and objectives, over time our brands have influenced our stakeholders, become leaders, gained a timelessness and evolved into powerful tools that etch iconic legacies into the Vallibel One ethos.

SHOWCASING SRI LANKA TO THE WORLD

Embracing the azure waters of the Indian Ocean and the buzz of Koggala a fishing village just beyond, The Fortress Resort & Spa has earned a reputation of being an iconic brand in Sri Lankan hospitality, capturing the ideals of modernity, luxury and history within its bastion of hospitality. This Small Luxury Boutique Resort which has donned many a crown including that of the Best Luxury Spa Hotel in the Indian Ocean and Best Luxury Boutique Hotel in Sri Lanka at the World Luxury Hotel Awards 2015, the Gold at Bocuse d'Or Sri Lanka 2015 and Best Small Hotel in Sri Lanka (International Hotel Awards 2016/17), showcases the best of Sri Lanka by strategically displaying 'Made in Sri Lanka' exemplars that are renowned brands in the country.

A resort that has been architecturally lauded for concept, design and finishes, The Fortress Resort & Spa proudly exhibits creative artistry in its bathware, floor and wall tiles sourced from Royal Ceramics Lanka PLC whose degree of innovation and technological prowess is well renowned.

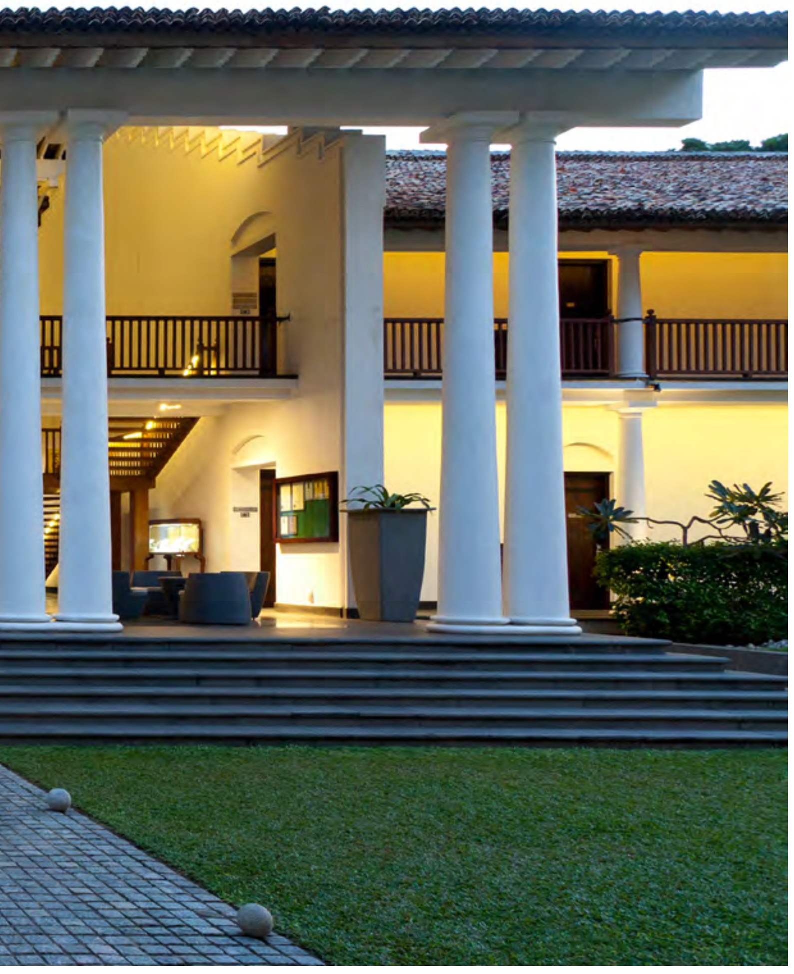
The property has also built its brand around an innovative gourmet palette, promoting the use of locally sourced organic produce, which in turn has forged strong relationships with local communities by sourcing fruit and vegetables, dairy products and micro entrepreneurs for honey, jaggery (palm sugar) and Sri Lankan delicacies. While the resort's gift shop promotes and markets handicrafts, wood carvings and paintings created by local artistes, the expansive artistic pool living in and around the vicinity are also sourced to perform cultural shows, which garners a supplementary income generation for these communities.

The brand has established itself as a firm partner in the community and has gained the support of the Koggala Three Wheeler and Taxi Drivers Association, which, together with the Fortress team, implemented an innovative, safe convenient commuting option for hotel guests to experience the historic and diverse attractions in and around the Galle and Matara cities.

The Fortress Resort & Spa has earned a reputation of being an iconic brand in Sri Lankan hospitality.

TOTAL PACKAGING SOLUTIONS

A brand that has firmly established itself as a leading corrugated carton manufacturer in Sri Lanka, UniDil's (subsidiary of Royal Ceramics) superior environmentally friendly packaging range has captured a significant share in both local and export sectors serving diverse industries. Specialising in standard cartons, printed Die Cut, trays and hangar packs, the customisation and detailed attention has enabled the brand to become a strategic partner to leading industries in the country. With an uncompromising stance on quality and standards, the Company is certified with ISO 9001:2008 for manufacturing processes, ISO 14001:2004 for its commitment to astute



environmental management and ISO 22000 Quality Management System for food safety. The Company ensures that all raw materials are sourced from leading raw material suppliers in the world that are approved by the United States Food & Drug Administration (USFDA).

UniDil has posted the best results in its history this year with the highest turnover and profitability. The Company managed to build its brand to garner the confidence of some of the leading multinationals in the country including Nestlé and Ansell as well as industry giants Dilmah, Brandix and Imperial. Hence UniDil is now on the verge of being recognised as the number one packaging company in Sri Lanka.

THE TOTAL SOLUTION IN EYE CARE

Building on the tangible positives of globally renowned Alcon Laboratories Inc., the business partnership forged with this pharmaceutical manufacturing company is a strategic venture that enables us to build a strong brand portfolio in the eye care industry. The expansive product portfolio has chartered innovative business routes in ophthalmic surgical procedures, proffering diverse options in total eye care solutions to ophthalmologists and healthcare providers.

The infinite possibilities that emerge from the emphasis the Group places on innovation, has seen the introduction of exciting and convenient customer options which are only provided by Delmege, adding to the Company's competitive edge. Patients prescribed with AcrySof® Intraocular Lenses can take their biometry testing at showroom itself and are given the option of purchasing the entire surgical procedure pack, which includes the Lens, Viscoelastics, blades, drapes, pre and post–operative eye drops. Cataract, vitreo-retinal and improved LASIK surgery is performed on Alcon machines, another innovation that has transformed the ophthalmology landscape in the country.

Given the specialty and the need for expert handling of both customers and machinery, training and development remains high on the Company's agenda with all bio-medical engineers undergoing training overseas prior to certification. In addition, the experienced sales and marketing team are also trained to amass comprehensive knowledge, all of which adds immense advantage to the strong presence the brand has etched in the market.

Our Business Impact

We strive to have a positive business impact on all stakeholders including the Sri Lankan economy, our shareholders, business partners, employees and customers.

THE ECONOMY

We deliver value to our stakeholders over time in the context of the socio-economic environment in which we operate.

ECONOMIC VALUE ADDED

We foster an entrepreneurial culture in our enterprise and encourage the management too to think like shareholders in their decisions. We constantly ask ourselves whether our investment generates a return that outweighs the risk and truly generates value. We champion the idea that a business is only profitable when it creates wealth and returns for shareholders, which requires performance above its cost of capital.

Accordingly, we continue our efforts to evolve as a corporate that truly creates and delivers sustainable value to our shareholders. Shareholders have a multitude of alternative investment avenues. So, it is imperative that we create a return in excess of what these alternatives would have generated for them plus a reasonable risk premium given our risk profile. As a result, going beyond the conventional measures, we evaluate our performance in terms of Economic Value Added (EVA). True value is created only when the return on the invested capital exceeds the cost of such capital (opportunity cost). It is only then that the investment is worthwhile from the shareholders' perspective.

We believe that EVA is a measure of financial performance that calculates the true economic profit and also provides valuable insights about our financial performance and ways for improving same. The Capital intensive nature of our businesses is another factor that makes EVA most appropriate.

EVA takes into account the total invested equity, earnings thereon and the cost of invested equity which the opportunity cost is based on, in our case, the 12 month weighted average Treasury Bill rate (risk free return) plus 2% for the risk premium. In order to better reflect the economic value, we have effected a few adjustments to arrive at the invested equity and the earnings thereon.

Given below is our EVA computation for the past five years, taking into account total shareholders' funds (including minority interest) and Profit after Taxation (before deducting what is attributable to Minority Interest).

For the year ended March 31,	**2016** Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Invested Equity:					
Shareholders' Funds	**54,670.528**	47,967.790	44,592.787	36,346.800	34,135.866
Add: Provision for Impairment	**2,641.758**	2,667.632	1,754.906	1,244.193	827.752
	57,312.286	50,635.422	46,347.693	37,590.993	34,963.618
Earnings:					
Profit after Taxation	**7,456.720**	5,201.891	3,062.067	3,018.062	4,027.839
Add: Impairment Charges for Loans	**407.272**	1,807.587	573.665	411.808	86.341
Less: Loan Losses Written-off	**433.145**	897.760	63.403	-	-
	7,430.847	6,111.718	3,572.329	3,429.870	4,114.180
Cost of Equity* (%)	**10.00%**	8.66%	12.63%	13.97%	9.53%
Cost of Average Equity	**5,397.385**	4,199.369	5,300.728	5,067.940	3,170.204
Economic Value Added	**2,033.461**	1,912.349	-1,728.399	-1,638.070	943.976

**Based on 12 months weighted average Treasury Bill rate plus 2% for the risk premium.*

Given that we are a relatively new diversified holding company incorporated in 2010, the trend in EVA is as valuable as the absolute EVA itself. It is not uncommon for a business still finding its feet, to operate at a loss. In our case, we have been reporting accounting profits throughout the period but made "economic losses" in some of the years. Nevertheless, as can be seen from the significant improvement in 2014/15 over 2013/14 and the continuing positive economic value added in 2015/16, we are pleased to report that we continue to improve our performance, signifying creation of true value.

Accordingly, in EVA terms too, we view our progress so far with satisfaction and assure you that we are determined to substantially improve the value creation going forward.

SHAREHOLDERS

Creating wealth in order to create value for shareholders.

Holding true to our reason for being, which is to create wealth, Vallibel One Group posted an outstanding overall performance in the financial year 2015/16, crossing the milestone of Rs. 10 Bn in profit before tax for the first time within a short span of six years after incorporation. All the companies in the Group, Royal Ceramics Lanka PLC and L B Finance PLC in particular, continued strong growth during the year. With a strong commitment to improving performance, all the companies in the Group are constantly exploring their trajectory for growth, diligently integrating their businesses, creating efficiencies and improving customer service.

A 10% growth in revenue with a mere 3% growth in cost of sales contributed to a 45% growth in the profit from operating activities. This coupled with an increase in the share of profit of equity accounted Investees caused the profit before tax to increase by 49% to Rs. 10,970 Mn and profit after tax to increase by 43% to Rs. 7,457 Mn for the year. As a result, Earnings per Share grew from Rs. 2.66 in 2014/15 to Rs. 3.89 in 2015/16. Return on Assets and Return on Equity too improved to 4.94% and 13.64% from 4.02% and 10.84% respectively in the previous year.

In Economic Value Added terms too, we generated Rs. 2,033 Mn over and above the cost of funds of invested equity taken at 5,397 Mn (details given on page 51).

Reflecting primarily the growth in business volumes of L B Finance PLC, total assets of the Group reached Rs. 151 Bn as at 31st March 2016, a growth of 16% compared to Rs. 130 Bn a year ago. The Group is financially strong and operationally reliable.

At the Company level, reflecting the improving performance of the related companies, dividend income, the primary source of income of Vallibel One PLC grew to Rs. 808 Mn compared to Rs. 632 Mn received last year. In addition to dividend income, results for 2014/15 also included a one off gain of Rs. 144 Mn on disposal of Orit Apparels Lanka (Pvt) Limited, a subsidiary company. Administration expenses increased by 15Mn to Rs. 109 Mn and a fair value adjustment of Rs. 138 Mn on account of deemed disposal of Waskaduwa Beach Resorts PLC increased other operating expenses, during the year. Finance cost for 2015/16 comprised a fall in value of trading investments only, compared to a fall in value of trading investments of Rs. 13 Mn and a fair value loss on the shares of The Fortress Resorts PLC of Rs. 66 Mn included in 2014/15. On the other hand, finance income for 2015/16 amounted to Rs. 206 Mn compared to Rs. 186 Mn in 2014/15. However, finance income for 2014/15 also included an increase in the fair value of trading investments and an adjustment on available-for-sale investment in an associate.

Consequently, profit before tax for the year amounted to Rs. 721 Mn compared to Rs. 893 Mn recorded in 2014/15. Profit after tax for the year was Rs. 664 Mn compared to Rs. 759 Mn reported last year. Consequently, Earnings per Share dropped to Rs. 0.61 in 2015/16 from Rs. 0.70 in 2014/15.

The drop in profit after tax coupled with the unrealised loss on available-for-sale investments. During the financial year, the Company paid Rs. 65 Mn as super gains tax. The Company's net assets value reduced to Rs. 27,575 Mn, compared to Rs. 27, 713 Mn in 2014/15, resulting in the net assets value per share dropping to Rs. 25.38 as at 31st March 2016 compared to Rs. 25.51 a year ago.

Stated capital as well as the number of shares in issue of the Company remained unchanged during the year. There were no significant changes in the shareholding structure either.


Vallibel | ONE

BUSINESS PARTNERS

Building a strategic business portfolio designed to create wealth and add value to the corporate environment we function in, has been at the forefront of the Vallibel One formula for success. Each business partnership is forged on a mutually beneficial platform, designed to craft a sustainable relationship that will establish new avenues of leadership, innovation and growth.

OPHTHALMIC SOLUTIONS

The 25 year partnership established between Delmege and the undisputed market leader in ophthalmology Alcon, has enabled it to shape the industry's growth paradigm with a best in class offering of complete eye care solutions. Alcon, which is owned by Novartis, the world's premier pharmaceutical company, has gained immense recognition and established an unparalleled reputation among the country's leading eye specialists. Their trust in Alcon Intraocular lenses is well evidenced with the high recommendations given for use of this product in cataract surgery. The state-of-the-art ophthalmic instruments used for surgery in both state and private healthcare entities are also sourced from Alcon.

Delmege continues to strengthen its presence in the industry as the sole agent for Alcon lenses and surgical equipment.

INSURANCE SOLUTIONS

With its premium portfolio of Rs 1 Bn, Delmege Insurance Brokers (Pvt) Limited has constructed a strong and vibrant presence in Sri Lanka's competitive insurance space as a leading insurance broker. Building on a partnership of over two decades, Delmege uses its partnership with global risk management, insurance and reinsurance brokerage, human resources solutions and outsourcing services provider Aon, to influence and lead the insurance brokering industry in the country.

As correspondent for Aon, which has 72,000 employees in more than 120 countries holding an annual revenue exceeding US $ 10 Bn, Delmege has now firmly established its expertise in providing seamless client centric services between insurers, risk engineering specialists, claims specialists and placement specialists. With market leading claims advocacy being an integral facet within the structure, the end-to-end solutions espoused by Delmege has continued to gain credence with an exceptional track record collating Sri Lanka's largest conglomerates, MNCs and corporate entities engaged in financial services, manufacturing, plantations, leisure and healthcare services.

INTERIOR AND FLOORING SOLUTIONS

Having nurtured an expansive collective of valued business partners since 1980, some who represent the world's best brands, Delmege Interiors has firmly established itself as the market leader in Sri Lanka for interior solutions and have been providing the world's most renowned brands of Carpets, Vinyl, Healthcare Flooring, Timber/Sports Flooring, Office Furniture, Ceilings, Partition Systems and Wall Coverings and continues to be sourced by Star Class Hotels, Healthcare Entities, International and Local Banks, Diplomatic Missions, Corporate Offices and Government Institutions.

"Balmoral", The Kingsbury – Carpet supplied by Delmege Lifestyle

A few of the global brands we represent are Carpets - **Brintons, Interface, Shaw,** Vinyl/ Healthcare/Sports Flooring - **Gerflor**, Laminate Flooring - **Quick-Step**, Office Furniture - **Haworth,** Ceilings - **Hunter Douglas,** Partition System - **Hufcor**.

MARKET LEADER IN PREMIXED DESSERT MIXES

A strong brand that carries with it a legacy of nearly sixty years, the partnership that Motha has with Delmege for almost three decades is one which has grown the business of premixed desserts exponentially in that time. The brand is the undisputed market leader, having always espoused a high quality value for money product persona, to gain the absolute confidence of the Sri Lankan consumer. Motha, which has now become a generic name for jelly and dominates the jelly market with an impressive market share of 85%, in addition to commanding market leadership for its continually expanding portfolio of premixed desserts and beverages and cake ingredients.

Having always recognised the crucial imperative of growing a partnership for mutual benefit, Delmege is currently supporting Motha in R&D for new products, while also venturing into emerging new opportunities overseas.

Motha Laboratory

EYEING THE GLOBAL SPACE IN BATHWARE

The stylish and elegant transformer of the world's largest design portfolio of single branded sanitary fittings Grohe AG of Germany, gives Rocell Bathware Limited added impetus in climbing towards its ultimate vision of being a world leader and designer of bathware solutions. This partnership enables Rocell to directly import and retail Grohe sanitary fittings, adding a fitting tribute to the growing Rocell product portfolio, which continues to make inroads through its bathware solutions combining creative artistry and practical functionality.

EMPLOYEES

Employees are Our Greatest Asset.

Over the last six years, Vallibel One has benefited from a dedicated team of employees across the Group who work hard to understand and meet the needs of our customers. Our 13,653 employees work in sectors ranging from Ceramics and Finance to Leisure and Consumer.

We are proud to be an equal opportunity employer who ensures that its employees receive the skills development and career planning assistance required to be motivated and dedicated to both, the organisation and their own communities.

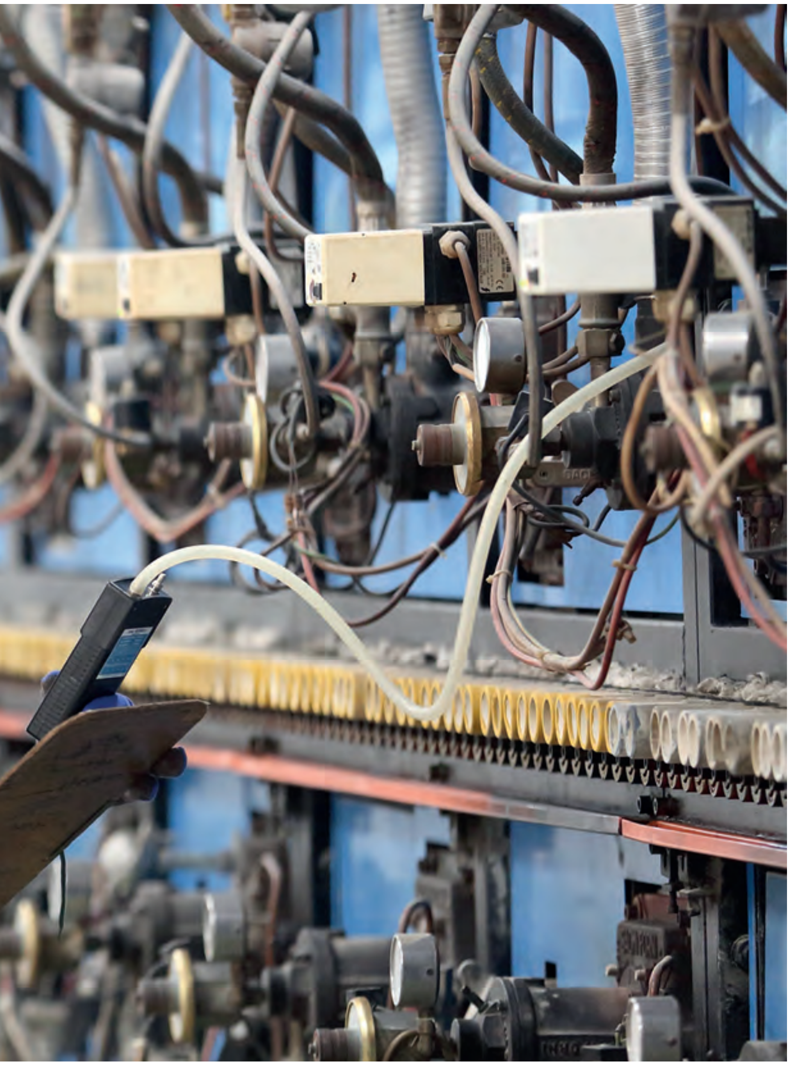
Within the various organisations of our Group we conduct team-building activities and channel our people's dedication to give back to the community and the environment by organising Corporate Social Responsibility programmes.

Lanka Tiles Factory – Ranala

GENDER ANALYSIS

Around 8,600 of our staff are males and 5,000 are females.

	VONE		RCL		LB		Delmege		GW		**Total**	
Years	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	**Male**	**Female**
18 -30	8	10	1,853	740	1,303	827	229	57	4	2	**3,397**	**1,636**
31-40	-	2	2,060	1,361	350	129	191	32	4	1	**2,605**	**1,525**
41-50	1	2	1,458	1,041	84	21	92	22	-	-	**1,635**	**1,086**
51-55	-	-	536	442	14	8	22	6	-	-	**572**	**456**
over 55	-	-	400	306	8	-	19	7	1	-	**428**	**313**
	9	14	6,307	3,890	1,759	985	553	124	9	3	**8,637**	**5,016**



AGE ANALYSIS

A large number of our employees – over 9,000 – are under 40 years of age.

	VONE	RCL	LB	Delmege	GW	**Total**
18 -30	18	2,593	2,130	286	6	**5,033**
31-40	2	3,421	479	223	5	**4,130**
41-50	3	2,499	105	114	-	**2,721**
51-55	-	978	22	28	-	**1,028**
over 55	-	706	8	26	1	**741**
	23	10,197	2,744	677	12	**13,653**

Over 6,600 employees have been with their respective companies for five years or less. Permanent employees across the Group enjoy a range of benefits such as healthcare (including surgical hospitalisation and workman compensation coverage), hotel discounts, annual Company trips, special staff loan facilities etc.

At every possible opportunity we make it a point to hire people who are committed to our goal of wealth creation for value creation and are an integral part of the communities in which we operate.

CUSTOMERS

Undoubtedly a vital rudiment in our formula for success, it is our customers who continue to drive us to venture into the unfamiliar, break moulds, craft paradigms and map new courses. Their expectations must be exceeded and their aspirations met because it is their confidence, trust and loyalty that help us create wealth and add value in the businesses we operate in.

ENDURING PRODUCTS

In any business, understanding customer requirements is the key to meeting or exceeding customer expectations. With customers now being exposed to international trends, demands are more as are their expectations, which spurs Rocell to be continually vigilant about its clientele. The multichannel distribution strategy through a network of 51 showrooms, over 100 direct dealers and 350 sub dealers across the country enhances accessibility and reach of our diverse and expansive portfolio of over 700 products. A knowledgeable team of project and service professionals augment our high benchmarks of customer service through interactive relationship building, which has enabled Rocell to build a significant clientele of repeat customers.

Constant customer engagement is an imperative that fuels customer relationships. The continuous dialogue through feedback and other modes of communication enables Rocell to be cognisant of its strengths, weaknesses, gaps and threats, highlighting areas that require attention and others that can be further strengthened. This customer engagement process is conducted throughout the entire network across the country and gives Rocell a comprehensive idea of customer perceptions, trends and expectations.

This open dialogue also opens an inclusive pathway of communication when dealing with customer complaints, which is dealt with through a dedicated centralised unit. A formal complaint management process assists in identifying areas that require immediate attention for both product and service.

A culture of regular quality testing and continuous product development and improvement has encouraged Rocell to set unparalleled benchmarks in quality and safety standards as well.

ENDEARING EXPERIENCE

Being a key player in gold loans, deposits and leasing in the NBFI sector, L B Finance has over four decades of remarkable history, cultivated unequivocal confidence and trust among a large and expansive client portfolio. This is primarily

due to its sound financial foundation, unwavering stance on transparency, accountability and governance, its social consciousness and service levels built on uncompromising excellence.

The wide range of products and services offered by L B Finance which nurtures its investment and financing products and margin trading as its core business, includes a host of customer oriented services designed to enrich a customer's relationship with the Company. As a result, some services including utility payments and international money transfer services gives the Company negligible returns, but remain crucial to building a total solutions portfolio that will benefit every customer.

With the ultimate aim of becoming a financial supermarket to meet the financing needs under a single roof, L B Finance works on an ethos of financial inclusion, believing strongly that every Sri Lankan should have access to funds for self development. This has spurred the Company to boost micro and SME entrepreneurs, giving them access to finance, while inculcating a savings mindset among them which constructs a sustainable economic foundation for their business. The country-wide network has proved to be a beneficial in persuading unbanked communities around the country to become financially sound as well.

Product development has always been a tool used by the Company to add fillip to customer experiences and expectations. Using established avenues of stakeholder engagement, the Product Development Committee, which facilitates Company strategy for long term value creation, also encourages team members to suggest innovative products and services, some of which are now firmly established in our product portfolio.

Our Business Portfolio

Building a robust and vibrant business portfolio that has diversification and sustainability at its core, have been the key drivers that Vallibel One has employed to ensure wealth and value to our stakeholders. Each of our businesses have been built, acquired, strengthened and nurtured to contribute towards this objective. Being a spearhead in each industry we are involved in, has also brought in multiple awards for the various entities in the Group, a fact we are extremely proud of. This is the *raison d'etre* for Vallibel One's competitive edge and the continued prestige it garners among Corporate Sri Lanka.

Vallibel ONE

GREENER WATER LIMITED — 100%

21%

DELMEGE GROUP — 51%

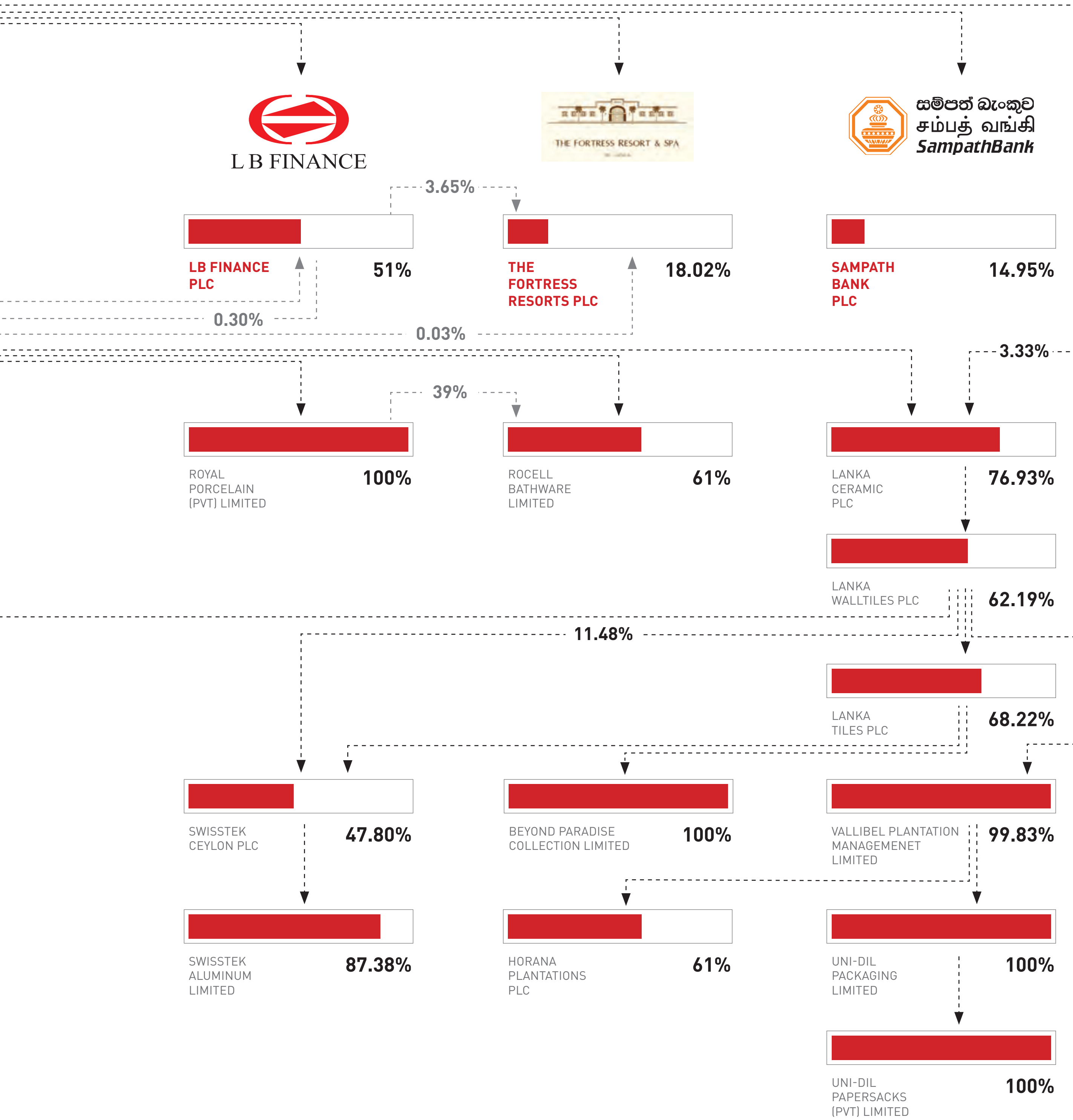
ROYAL CERAMIC LANKA PLC — 51%

26.10%

ROCELL PTY. LIMITED — 100%

EVERPAINT & CHEMICAL INDUSTRIES (PVT) LIMITED — 100%

LWL DEVELOPMENT (PVT) LIMITED — 100%


L B FINANCE
THE FORTRESS RESORT & SPA
සම්පත් බැංකුව
சம்பத் வங்கி
SampathBank
3.65%
LB FINANCE PLC
51%
THE FORTRESS RESORTS PLC
18.02%
SAMPATH BANK PLC
14.95%
0.30%
0.03%
3.33%
39%
ROYAL PORCELAIN (PVT) LIMITED
100%
ROCELL BATHWARE LIMITED
61%
LANKA CERAMIC PLC
76.93%
LANKA WALLTILES PLC
62.19%
11.48%
LANKA TILES PLC
68.22%
SWISSTEK CEYLON PLC
47.80%
BEYOND PARADISE COLLECTION LIMITED
100%
VALLIBEL PLANTATION MANAGEMENET LIMITED
99.83%
SWISSTEK ALUMINUM LIMITED
87.38%
HORANA PLANTATIONS PLC
61%
UNI-DIL PACKAGING LIMITED
100%
UNI-DIL PAPERSACKS (PVT) LIMITED
100%

Rocell
Eternal elegance

ROYAL CERAMICS LANKA PLC

A public quoted company listed on the Colombo Stock Exchange, Royal Ceramics Lanka PLC has earned a reputation as a true market leader due to its uncompromising stance on quality, innovative mindset and sound fundamentals. Delivering the best in state-of-the-art surface and bathware solutions constructed on a platform of contemporary style and elegance, the portfolio of products today commands the largest market share in the industry.

The two decade journey embarked on by Royal Ceramics Lanka PLC has seen the Company augment its skills, knowledge, stature and experience in an industry where expertise and knowledge remains key to producing uncompromising quality. The diversification of the Group is well evinced in its expansive portfolio, ranging from wall and floor tiles to bathware, aluminium extrusions, plantations and packaging, while eyeing emerging opportunities that will augment both Company's growth trajectory and nation's economic growth.

Constructing a solid foundation for our core business in the manufacture of floor tiles, wall tiles and bathware, the best in class technology and exceptional expertise we have infused into our systems, processes and overall operations ensures that our portfolio is strong in efficiencies, productivity and function. We have reshaped the industry by introducing contemporary trends to design and in setting benchmarks that have led the industry to emulate our blueprint.

As undisputed as the Group stands as a benchmarked leader which contributes to the national economy significantly through employment and proactive wealth creation, the synergies we have leveraged has enabled us to build a robust balance sheet that permeates positives across our multiple stakeholders. The continued need to remain at the zenith will drive the Group's objectives into crafting a business that will add value and create wealth sustainably.

L B FINANCE PLC

Heralding a legacy of 45 years in the competitive financial industry space, L B Finance PLC is a licensed finance company listed on the Colombo Stock Exchange, an entity that has continued to reiterate its strength and resilience through formidable fundamentals. Collating an expansive portfolio of financial services solutions which have gained the trust of corporates, SMEs and individuals, the growth strategy permeating the Company is constructed on the four pillars of People, Reach, Technology and Quality of Service.

Now donning the laurel as the undisputed trailblazer in the financial services sector, given the market share size it has gained in the gold loans, leasing and deposits in the NBFI sector, L B Finance focuses emphatically on its four pillars to ensure a holistic growth strategy that remains sustainable and consistent.

Having garnered the confidence and trust of multiple customer segments through its unique interactive customer service formula, the Company continues to seek new opportunities, while analysing emerging paradigms judiciously. This led it to venture into the lucrative lending arena, further entrenching its market share and adding further value to customer offerings. Adding defining economic and social fundamentals into the way it operates, the Company's unique brand of financial stewardship has earned it many a laurel, fueling further impetus to its determined efforts to maintain constant growth.

DELMEGE LIMITED

Encompassing a rich corporate heritage of over 165 years, the Delmege's diversified business scope continues to enrich the country's corporate landscape. The conglomerate's influence in the macro environment is well evidenced in its Ceylon Chamber of Commerce membership dating back over a century and the prominent role it plays in Corporate Sri Lanka.

Having already constructed a firm foundation that combines its historic strengths with an eye on emerging business opportunities, the Group will leverage on its synergies to reinforce its presence as a forceful and formidable business strategist and driver in the larger milieu. While retaining their original business of imports, the Group has diversified into FMCG, Healthcare, Interior Décor, Construction Products, Insurance Brokering, Exports, Airline Services, Travel, Shipping and Freight Forwarding.

GREENER WATER LIMITED

From the leisure investment arm of Vallibel One will emerge the newest product offering into Sri Lanka's hospitality milieu. The opening of the Grand Beach Hotel in Negombo in 2019, which comes under the umbrella of Green Water Limited will herald the etching of a completely new chapter for Sri Lanka. The super-luxury fully-integrated five star beach resort with the first of its kind indoor water park, stands on 18 acres of freehold land, sitting on the cusp of the picturesque meeting of the river and ocean.

This maiden investment by Greener Water will be the first step to transforming the hospitality landscape in Sri Lanka, propositioning the country as a world class destination, adding immense fillip to the country's plans in growing the industry and excelling against regional counterparts.

THE FORTRESS RESORT & SPA
SRI LANKA

THE FORTRESS RESORTS PLC

The Fortress Resort & Spa located on the tranquil Southern Coast of Sri Lanka, unfolds its modernity and contemporary indulgence through an architectural canvas of beauty, grace and comfort. The multi award winning 53-roomed boutique property, a member of Small Luxury Hotels of the World illustrates cameos of Galle's famed Dutch Fort, blending the colonial influences of both the Dutch and the Portuguese architecture, married through indigenous motifs and furnishing derived from Old Ceylon and the chic minimalist style of modern Sri Lanka.

With six distinct interior styles in the guest rooms and residences echoing understated elegance which is the resort's hallmark, each room enjoys an unadulterated view of the Indian Ocean or the lush gardens from private balconies and patios. Product and service offerings continue to be unique with the three restaurants offering gastronomic excellence, which has seen the resort win Gold at the *Bocuse d'Or* Culinary Challenge Sri Lanka in 2015 and also gain the 5 Crowns Certification in Food Hygiene. The Spa embraces the traditional age old science of Ayurveda as well as the more contemporary spa therapies within its calming milieu of plush and restful interiors.

Cementing its presence as a leader in the small luxury boutique hotel sphere in Sri Lanka's hospitality industry, the resort now proudly dons the laurels of being the Best Luxury Spa Hotel in the Indian Ocean category presented at the World Luxury Hotel Awards, gained a Trip Advisor's Traveller's Choice Award, won the International Hotel Award for the Best Small Hotel in Sri Lanka and was conferred with an International Five Star Hotel Standards Certification.

SAMPATH BANK PLC

Stranding strong and vibrant as one of the most powerful indigenous banks in the country, Sampath Bank PLC has continued to pioneer banking initiatives that gives it a competitive edge, an edge it honed since its inception two decades ago. Combining traditional Sri Lankan values with state-of-the-art innovations, the Bank's progress has been built on a strong platform of constant ground-breaking milestones that has seen it amass local and international laurels, cementing its reputation as an eminent corporate spearhead.

The Bank's sustainable business model has been lauded repeatedly as was seen in the London base Financial Times awarding the Bank with the globally acclaimed Banker Award and as Sri Lanka's Bank of the Year 2015. In addition, the Bank's corporate stewardship was applauded with the coveted Overall Best Corporate Citizen 2015 Award by the Ceylon Chamber of Commerce at the Best Corporate Citizen Sustainability Awards.

The very first fully-automated Bank in Sri Lanka, the uni-banking model mooted by Sampath to provide customers with seamless connectivity in a multi-channel environment revolutionised the banking milieu. The Bank is now being emulated by the industry for its best practices, innovative product development and customer service excellence. It is well observed then, that through its journey, the futuristic banking products and service options Sampath Bank continues to present to its diverse stakeholders, gives it the apt reputation of a highly committed banking industry trailblazer.

BOARD OF DIRECTORS

1. MR. DHAMMIKA PERERA

CHAIRMAN/MANAGING DIRECTOR

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He has over 27 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC, The Fortress Resorts PLC and Delmege Limited. He is the Co-Chairman of Hayleys PLC, Co-Chairman (Non-Executive) of The Kingsbury PLC. Executive Deputy Chairman of L B Finance PLC. Deputy Chairman of Horana Plantations PLC and Lanka Ceramic PLC. He is the Executive Director of Vallibel Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Lanka Tiles PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, Sun Tan Beach Resorts Limited and Hayleys Global Beverages (Pvt) Limited.

2. **MR. NIMAL PERERA**
DEPUTY CHAIRMAN

Mr. Perera counts over 32 years of experience in the fields of Finance, Capital Market Operations, Manufacturing, Marketing and Management Services. Mr. Perera, is a member of the Sri Lanka Institute of Marketing. Mr. Nimal Perera serves of the Board of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, Swisstek Aluminum Limited, Vallibel Plantations Limited, Uni Dil Packaging Limited, N P Capital Limited, N Capital (Pvt) Limited as the Chairman, Royal Ceramics Lanka PLC as the Managing Director. L B Finance PLC as the Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as Alternate Directors. Holds directorships in, Hayleys PLC, Haycarb PLC, Thalawakele Tea Estates PLC, Kingsbury PLC and Amaya Leisure PLC. He is a renowned business magnate, stock trader and shareholder of many companies in the country.

3. **MR. SUMITH ADHIHETTY**
NON-EXECUTIVE DIRECTOR

Mr. Sumith Adhihetty is a well-known professional in the marketing field. He has over 34 years of experience in the finance sector. He is the Managing Director of L B Finance PLC and The Fortress Resorts PLC. He also serves on the Boards of Summer Season Residencies Limited, Summer Season Limited and La Fortressee (Private) Limited. He was formerly the Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Company Limited, Grand Hotel (Pvt) Limited, Royal Palm Beach Hotels Limited, Tangerine Tours Limited, Security Ceylon (Pvt) Limited and Pan Asia Banking Corporation PLC.

4. **MR. HARSHA AMARASEKERA**
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

5. **MRS. KIMARLI FERNANDO**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mrs. Kimarli Fernando brings to the Board her in depth experience holds a LLB (Hons) from the London School of Economics and Political Science, London, UK. She is a Barrister-at-Law, Lincoln's Inn, UK. (1987) and an Attorney-at-Law, Sri Lanka. She has more than 25 years experience in the field of banking. She currently serves as a Director of L B Finance PLC, National Development Bank PLC and Delmege Limited. She has held senior positions at Pan Asia Banking Corporation PLC, Standard Chartered Bank, Sri Lanka and Deutsche Bank AG, Sri Lanka.

6. **MR. RAJAN ASIRWATHAM**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Rajan Asirwatham was a Senior Partner and Country Head of KPMG from 2001 to 2008. He was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and also a member of the Presidential Commission on Taxation, appointed by His Excellency the President. Mr. Asirwatham is a fellow member of the Institute of Chartered Accountants of Sri Lanka. He is also a member of the Council of the University of Colombo and the Board of Management Post Graduate Institute of Medicine. He also serves on the Boards of Royal Ceramics Lanka PLC, Ceylon Tea Services PLC, CIC Holdings PLC, Aitken Spence PLC, Aitken Spence Hotels PLC, Dial Tex Industries Private Limited, Renuka Hotels Private Limited, Mercantile Merchant Bank, Dankotuwa Porcelain PLC, Colombo City Holdings PLC, Peninsular Properties (Pvt) Limited and Yaal Hotels Private Limited.

CORPORATE GOVERNANCE

"If management is about running the business, governance is about seeing that it is run properly."

- R Tricker

We conduct our affairs and manage our resources with utmost intellectual honesty and diligence for achieving our strategic corporate objectives, with due care to corporate ethics and our social responsibility. Members of our Board of Directors are fully aware of the responsibilities of their directorships to ensure the Company's prosperity by collectively directing its affairs. The Board as a whole remains responsible for its actions and as a result, ensures that executive authority is only granted to appropriate persons with unblemished track records and that adequate reporting systems and other effective processes are in place to maintain overall control. As you would find detailed in this report, we are bold in our ambitions and it makes good governance even more relevant.

Our governance system is characterised by participatory decision making, accountability to all stakeholders, transparency in our dealings, responsiveness to the needs of all stakeholders, effective and efficient utilisation of resources, equitability and inclusiveness and compliance with the rule of law in the spirit of good governance.

Accordingly, we are pleased to confirm that, as at the date of this annual report, we have complied with all the Corporate Governance Rules enumerated in Section 7.10 and Section 9 of the Listing Rules of the Colombo Stock Exchange.

We do periodically review the principles of our governance system to assess its effectiveness and refine it as necessary to suit the evolving needs of our enterprise and the regulatory environment.

STATEMENT ON RISK

"You cannot swim for new horizons until you have courage to lose sight of the shore."

- William Faulkner

Corporate organisations face risks of different types and magnitudes and they may arise from internal or external events. The management of such risks forms an integral part of the business planning process. Being a diversified entity, the need to successfully manage risk at Vallibel One PLC cannot be overemphasised. Risks may affect our operations internally, our stakeholders externally or the society and environment in general. Failure to manage them may damage our reputation, affect our financial performance or lead to penalties and reprimands by the regulators – among other impacts – all negatively affecting our strategic objective of wealth creation. Conversely, effective management of such risks may generate opportunities for wealth creation.

While the subsidiaries and associates of the Company have established separate risk management functions, we at Vallibel One PLC manage these risks through a governance framework that integrates management control into the day-to-day operations, ensures compliance with all applicable rules and regulations, avoids conflict of interest, promotes transparency and accountability and safeguards the integrity of the Company's financial reporting and disclosures. The Management of all our companies are responsible for identifying specific critical business risks and for the implementation of effective risk management measures, with appropriate oversight of the Board. We view diversification into various sectors, industries, markets, products etc. too as a risk management measure from the Company's as well as the shareholders' perspectives.

We are cognisant of the need to strengthen this framework further and will be taking steps to establish a structured risk management process.

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 2016.

GENERAL

The Company was incorporated as a limited liability company on 09th June 2010. It obtained a listing for its shares on the *Diri Savi* Board of the Colombo Stock Exchange on 08th July 2011 and consequent thereto the name of the Company was changed to Vallibel One PLC on 25th August 2011.

PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

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

Principal activities of the subsidiary companies are set out in Note 1.2 of the Financial Statements.

This Report together with the Financial Statements, Chairman's Message and Chief Executive Officer's Review reflect the state of affairs of the Company and its subsidiaries.

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 are included in this Annual Report and form part and parcel hereof.

AUDITORS' REPORT

The Report of the Auditors on the Financial Statements is on page 86.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The accounting policies adopted in the preparation of the Financial Statements are given on pages 96 to 124. There were no significant changes to the accounting policies used by the Company and/or its subsidiaries during the year under review vis-à-vis those used in the previous year.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2016 was Rs. 27,163,983,720/- represented by 1,086,559,353 ordinary shares.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, net assets per share, twenty largest shareholders of the Company, Directors' shareholding, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 194 to 195 under Shareholders' Information.

DIRECTORS

DIRECTORS OF THE COMPANY

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

Mr. K D D Perera
Chairman/Managing Director

Mr. W D N H Perera
Deputy Chairman

Mr. S H Amarasekera
Independent Non-Executive Director

Mr. J A S S Adhihetty
Non-Executive Director

Mrs. K Fernando
Independent Non-Executive Director

Mr. R N Asirwatham
Independent Non-Executive Director

Mr. J A S S Adhihetty and Mrs. K Fernando retire by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible are recommended by the Directors for re-election.

At the conclusion of the forthcoming Annual General Meeting Mr. R N Asirwatham who has reached the age of 73 years, will vacate office in pursuance of Section 210 of the Companies Act No. 07 of 2007. A resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the reappointment of Mr. R N Asirwatham.

DIRECTORS OF THE PRINCIPAL SUBSIDIARY COMPANIES AS AT THE REPORTING DATE

ROYAL CERAMICS LANKA PLC

Mr. K D D Perera
Chairman

Mr. A M Weerasinghe
Deputy Chairman

Mr. W D N H Perera
Managing Director

Mr. T G Thoradeniya
Executive Director

Mr. L T Samarawickrema
Director

Mr. R D P Godawatta Arachchige
Director

Mr. M D S Goonatilleke (Resigned on 12th May 2016)
Director

Mr. R N Asirwatham
Director

Mr. S H Amarasekera
Director

Mrs. N R Thambiayah
Director

[Mr. Lalit N De S Wijeyeratne was appointed a Director on 16th May 2016]

L B FINANCE PLC

Mr. T Hewage
*Chairman**

Mr. K D D Perera
Executive Deputy Chairman

Mr. L N de S Wijeyeratne
Director

Mr. J A S S Adhihetty
Managing Director

Mr. W D N H Perera
Executive Director

Mr. N Udage
Executive Director

Mr. B D A Perera
Executive Director

Mr. Ravi Yatawara
Executive Director

Mrs. K Fernando
Director

Mrs. S Jayasekara
Director

Mrs. A K Gunawardhana
Director

Mrs. Y Bhaskaran
Director

**Stepped down as Chairman on 17th May 2016 and Mrs. K Fernando was appointed the Acting Chairperson, effective from the said date.*

GREENER WATER LIMITED

Mr. J A S S Adhihetty
Director

Mr. K D A Perera
Director

Mr. K D H Perera
Director

Mr. T G Thoradeniya
Director

DELMEGE LIMITED

Mr. K D D Perera
Chairman

Mr. A M Pandithage
Director

Mr. T G Thoradeniya
Director

Mrs. K Fernando
Director

Mr. S H Amarasekera
Director

Mr. Sean Wilson
Director

Mrs. Y Bhaskaran
Director

Mr. D J Silva
Director

INTERESTS REGISTER

The Company maintains an Interests Register in terms of the Companies Act No. 07 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' AND CEO'S SHAREHOLDING

The relevant interests of Director's and CEO's in the shares of the Company as at 31st March 2016 as recorded in the Interests Register are given on page 194 of the Annual Report under Directors' and CEO's Shareholding.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under Key Management Personnel compensation in Note 40.1 to the Financial Statements on page 181.

AUDITORS

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

A total amount of Rs. 1,944,937/- is payable by the Company to the Auditors for the year under review comprising Rs. 209,790/- as audit fees and Rs. 1,735,147/- for non-audit services.

DONATIONS

The Company has paid a sum of Rs. 237,000/- as donations during the year under review.

DIVIDENDS

An interim dividend of 50 cents per share was paid for the year under review on 14th September 2015.

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. The Board is of the view that the land and buildings owned by subsidiaries are reflected in their respective Financial Statements at their market values and there are no significant changes in the Company's or its subsidiaries' fixed assets.

MATERIAL FORESEEABLE RISK FACTORS

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

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

CORPORATE GOVERNANCE

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

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

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

COMPOSITION OF THE BOARD

The Board of Vallibel One PLC comprises six members, five of whom are Non-Executive Directors. The Chairman serves as the Managing Director.

Based on the declarations submitted by the Non-Executive Directors, the Board has determined that three Non-Executive Directors – Mr. S H Amarasekera, Mrs. 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 determining the Directors' independence, the Board has taken into consideration that Mr. S H Amarasekera and Mr. R N Asirwatham serve as Independent Directors of Royal Ceramics Lanka PLC whilst Mrs. K Fernando serves as an Independent Director of L B Finance PLC and that in both L B Finance PLC and Royal Ceramics Lanka PLC, a majority of the Directors of the Company serve as Directors.

The Board has decided that those Directors shall nevertheless be treated as Independent Directors, on the basis that the aforesaid factor do not compromise the independence and objectivity of the said Directors in discharging their functions as Independent Directors.

BOARD SUB–COMMITTEES

AUDIT COMMITTEE

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

The Committee is responsible for the following:

- Evaluating and monitoring the Company's control environment and risk management function
- Overseeing and reviewing the quality, cost and scope of internal and external audits
- Reviewing the reports presented to the Committee by both Auditors and management
- Recommending to the Board the appointment of External Auditors
- Reviewing the Company's management and statutory reporting
- Reviewing and approving of finance and accounting policies and the ongoing monitoring of their implementation and effectiveness

- Ongoing financial monitoring of the Company's various disclosure obligations
- The review and pre-approval of any non-audit services provided by the External Auditors to ensure their independence is maintained at all times

The report of the Audit Committee appears on page 84.

REMUNERATION COMMITTEE

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

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

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

The Remuneration policy is to attract and retain a highly–qualified and experienced Staff.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee consists of three Independent Non-Executive Directors. They are Mr. S H Amarasekera (Chairman), Mrs. K Fernando and Mr. R N Asirwatham.

The Related Party Transactions Review Committee was formed during the year under review in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange. The report of the Related Party Transactions Review Committee appears on page 81.

The Board confirms that during the quarter ended 31st March 2016, the Company has not entered into any Related Party Transactions which fall within the ambit of the Listing Rules of the Colombo Stock Exchange.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 12th July 2016 at 9.30 a.m. at The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01.

The Notice of the Annual General Meeting appears on page 198.

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

Dhammika Perera
Chairman/Managing Director

W D N H Perera
Deputy Chairman

Anusha Wijesekara
P W Corporate Secretarial (Pvt) Limited
Secretaries

08th June 2016

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee of the Company was formed by the Board on 12th February 2016 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee of the Company comprises the following Non-Executive Directors:

Mr. S H Amarasekera
Independent Non-Executive Director (Chairman)

Mrs. K Fernando
Independent Non-Executive Director

Mr. R N Asirwatham
Independent Non-Executive Director

POLICIES AND PROCEDURES

The Charter of the Committee was adopted by the Board on 12th February 2016. It includes a Related Party Transactions (RPT) Policy whereby the categories of persons/entities who shall be considered as 'related parties' have been identified. In accordance with the RPT Policy, self-declarations are obtained from each Director for the purpose of identifying parties related to them.

MEETINGS

The Committee met once during the financial year under review. Except the recurrent Related Party Transactions, the Company did not enter into any Related Party Transactions during the quarter ended 31st March 2016 that were required to be reviewed by the Committee.

DECLARATION

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a negative statement is set out on page 80 of the Annual Report.

S H Amarasekera
Chairman
Related Party Transactions Review Committee

08th June 2016

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The following statement sets out responsibility of the Directors in relation to the Financial Statements of the Company and its subsidiaries prepared in accordance with the provisions of the Companies Act No. 07 of 2007.

The responsibility of the External Auditor in relation to the Financial Statements are set out in the report of the Auditors given on page 86 of the Annual Report.

As per the provisions of sections 150 (1), 151, 152 (1) and (2), and 153 (1) and (2) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company as at the reporting date and its profit or loss for the financial year then ended and place them before a General Meeting.

In preparing the Financial Statements, the Directors are responsible to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company and its subsidiaries have adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Companies within the Group maintain sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and the subsidiaries.

Financial Statements prepared and presented in this Report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS) which came to effect from 01st January 2012 and are consistent with the underlying books of account and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 16 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording evaluating and managing the significant risks faced by the Company throughout the year.

The Directors have taken appropriate steps to ensure that the Company and its subsidiaries maintain proper books of accounts and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee. The Board of Directors also approves the Interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company and its subsidiaries have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by the Section 152 (1) (b) and they have also been signed by two Directors of the Company as required by Section 152 (1) (c) of the Companies Act.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company and its subsidiaries as at the reporting date have been paid or where relevant, provided for.

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

By Order of the Board,
Vallibel One PLC

P W Corporate Secretarial (Pvt) Limited
Company Secretaries

08th June 2016

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

Mrs. 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 and the Risk Management function.

The Committee along with the Board reviewed the Consolidated Financial Statements for the year ended 31st March 2016 to ensure compliance with mandatory and statutory requirements. The Managing Director, Chief Executive Officer (from 01st February 2016) and the Accountant attend the meetings by invitation.

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

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

The Committee has recommended to the Board of Directors that Messrs Ernst & Young, Chartered Accountants be reappointed the Auditors for the year ending 31st March 2017 subject to the approval of the Shareholders at the Annual General Meeting.

R.Asirwatham

R N Asirwatham
Chairman – Audit Committee

08th June 2016

FINANCIAL REPORTS

FINANCIAL CALENDAR

Interim Financial Statements - 2015/16 1st quarter	11th August 2015
Rs. 0.50 Per Share Interim Dividend 2015/16	14th September 2015
Interim Financial Statements - 2015/16 2nd quarter	13th November 2015
Interim Financial Statements - 2015/16 3rd quarter	12th February 2016
Interim Financial Statements - 2015/16 4th quarter	31st May 2016
Annual Report 2015/16	08th June 2016
5th Annual General Meeting	12th July 2016

INDEPENDENT AUDITORS' REPORT

Building a better
working world

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

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

BW/CSW/SJJC

TO THE SHAREHOLDERS OF VALLIBEL ONE PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Vallibel One PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors (the "Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a. The basis of opinion and scope and limitations of the audit are as stated above.

b. In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- the financial statements of the Company give a true and fair view of the financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- the financial statements of the Company and the Group, comply with the requirements of Sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

08th June 2016
Colombo

STATEMENT OF FINANCIAL POSITION

		Company		Group	
As at 31st March		**2016**	2015	**2016**	2015
	Notes	**Rs.**	Rs.	**Rs.**	Rs.
ASSETS					
Cash and Bank	29	**41,298,454**	19,885,841	**8,578,411,050**	7,869,209,297
Financial Assets – Fair Value through Profit or Loss	4.2	**236,350,258**	264,800,891	**169,891,753**	295,327,213
Short Term Investments		**2,021,783,465**	1,895,468,651	**1,375,604,261**	1,141,498,788
Loans and Receivable	5	**375,000,000**	375,000,000	**26,824,169,365**	22,637,761,408
Lease Rentals Receivables and Stock Out on Hire	6	**–**	–	**45,102,039,180**	33,691,338,393
Financial Assets – Available-for-Sale	4.1	**640,082,179**	654,775,200	**722,993,211**	730,674,734
Other Financial Assets	7	**–**	–	**4,360,564,843**	2,265,837,328
Trade and Other Debtors, Deposits and Prepayments	8	**87,259,655**	88,370,462	**5,389,838,754**	5,079,531,604
Other Non-Financial Assets	9	**1,204,936**	204,808	**1,687,060,466**	1,875,423,381
Investments in Subsidiaries	10	**16,501,650,646**	16,501,650,646	**–**	–
Investment in Associate	11	**7,392,900,690**	7,710,662,861	**9,700,149,230**	9,214,980,398
Amount Due from Related Parties	13	**251,709,172**	189,853,664	**–**	11,735,655
Deferred Tax Assets	12	**–**	–	**469,734,310**	495,294,985
Income Tax Recoverable		**6,411,679**	4,708,245	**73,011,893**	105,529,431
Inventories	14	**–**	–	**8,670,793,592**	8,792,756,134
Intangible Assets	15	**–**	–	**13,130,583,151**	13,173,051,382
Property, Plant and Equipment	16	**43,625,191**	28,865,605	**22,013,782,828**	19,717,584,739
Biological Assets	16.5/16.6	**–**	–	**2,356,319,273**	2,180,121,273
Investment Property	18	**–**	–	**238,714,000**	239,404,000
Leasehold Rights Over Mining Lands	17	**–**	–	**8,080,500**	511,500
Total Assets		**27,599,276,324**	27,734,246,873	**150,871,741,660**	129,517,571,643
LIABILITIES					
Due to Banks	19	**–**	–	**17,039,812,212**	10,466,126,998
Due to Customers	20	**–**	–	**52,733,622,292**	44,665,615,455
Interest Bearing Loans and Borrowings	21	**–**	–	**14,984,759,603**	16,522,220,471
Trade and Other Payables	22	**1,499,893**	2,610,359	**5,364,778,349**	5,466,723,449
Other Non-Financial Liabilities	23	**–**	–	**1,967,060,622**	1,617,739,093
Dividend Payable	24	**6,783,826**	5,017,421	**170,126,424**	107,784,635
Retirement Benefit Liability	25	**3,416,899**	2,369,044	**1,192,535,325**	1,127,384,613
Income Tax Liabilities		**9,407,476**	6,827,757	**1,392,211,517**	715,063,885
Deferred Tax Liabilities	12	**3,006,581**	4,090,703	**1,222,007,882**	739,509,051
Deferred Income and Capital Grants		**–**	–	**134,299,000**	121,613,000
Total Liabilities		**24,114,675**	20,915,282	**96,201,213,227**	81,549,780,649

As at 31st March	Notes	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Shareholders' Funds					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	26	**27,163,983,720**	27,163,983,720	**27,163,983,720**	27,163,983,720
Reserves	27	**411,177,929**	549,347,871	**10,927,177,794**	7,572,722,659
		27,575,161,649	27,713,331,591	**38,091,161,514**	34,736,706,379
Non-Controlling Interest		**–**	–	**16,579,366,919**	13,231,084,615
Total Equity		**27,575,161,649**	27,713,331,591	**54,670,528,433**	47,967,790,994
Total Equity and Liabilities		**27,599,276,324**	27,734,246,873	**150,871,741,660**	129,517,571,643

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

Shyamalie Weerasooriya
Chief Financial Officer

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

Signed for and on behalf of the Board by;

Dhammika Perera
Chairman/Managing Director

Nimal Perera
Deputy Chairman

The Accounting Policies and Notes on pages 96 through 190 form an integral part of these Financial Statements.

08th June 2016
Colombo

STATEMENT OF COMPREHENSIVE INCOME

		Company		Group	
For the year ended 31st March		**2016**	2015	**2016**	2015
	Notes	**Rs.**	Rs.	**Rs.**	Rs.
Revenue	30	**–**	–	**47,667,846,114**	43,449,784,018
Cost of Sales		**–**	–	**(26,513,404,828)**	(25,831,623,050)
Gross Profit		**–**	–	**21,154,441,286**	17,618,160,968
Dividend Income	31	**808,133,606**	632,401,641	**24,510,247**	18,292,022
Other Operating Income	32	**–**	144,183,081	**301,147,331**	483,331,162
Administrative Expenses		**(109,531,107)**	(94,032,791)	**(4,404,991,834)**	(4,018,167,725)
Distribution Expenses		**–**	–	**(3,950,800,512)**	(3,155,194,318)
Other Operating Expenses		**(138,434,488)**	(12,500,000)	**(2,119,721,357)**	(3,185,069,111)
Gold Loan Auction Losses				**(29,358,088)**	(214,928,977)
Result from Operating Activities		**560,168,011**	670,051,931	**10,975,227,073**	7,546,424,020
Finance Cost	33	**(45,503,975)**	(79,256,072)	**(1,214,178,636)**	(1,312,382,468)
Finance Income	34	**206,195,328**	302,578,994	**269,402,812**	284,291,965
Share of Results of Equity Accounted Investees		**–**	–	**1,532,686,923**	1,145,562,925
Operating Profit before Value Added Tax		**720,859,364**	893,374,853	**11,563,138,172**	7,663,896,442
Value Added Tax on Financial Services		**–**	–	**(593,451,556)**	(315,232,097)
Profit before Tax	36	**720,859,364**	893,374,853	**10,969,686,616**	7,348,664,345
Income Tax Expense	35	**(56,660,336)**	(134,233,776)	**(3,512,967,015)**	(2,003,137,060)
Profit for the Year from Continuing Operations		**664,199,028**	759,141,076	**7,456,719,601**	5,345,527,285
Discontinued Operation					
Loss after Tax for the Year from Discontinued Operations		**–**	–	**–**	(143,635,637)
Profit for the Year		**664,199,028**	759,141,076	**7,456,719,601**	5,201,891,648
Attributable to:					
Equity Holders of the Parent		**664,199,028**	759,141,076	**4,227,980,081**	2,891,094,095
Non-Controlling Interest		**–**	–	**3,228,739,520**	2,310,797,553
		664,199,028	759,141,076	**7,456,719,601**	5,201,891,648

For the year ended 31st March	Notes	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Other Comprehensive Income					
To be Reclassified to Profit or Loss in Subsequent Period					
Share of Other Comprehensive Income of Equity Accounted Investees		**–**	–	**(28,439,832)**	(129,002,994)
Net Gain/(Loss) on Available-for-Sale Financial Assets		**(194,020,704)**	32,738,760	**(187,087,477)**	32,521,484
Reclassification of Loss on Available-for-Sale Financial Assets to Profit or Loss		**–**	65,786,663	**4,626,984**	65,786,663
Income Tax Effect		**–**	–	**–**	11,635,643
Exchange Difference on Translation of Foreign Operations		**–**	–	**4,470,186**	(16,830,141)
Not to be Reclassified to Profit or Loss in Subsequent Period					
Share of Other Comprehensive Income of Equity Accounted Investees		**–**	–	**17,140,822**	(104,898,564)
Income Tax Effect		**–**	–	**(4,777,928)**	31,546,648
Revaluation of Land and Building		**–**	–	**1,779,778,000**	165,260,000
Income Tax Effect		**–**	–	**(210,965,690)**	–
Revaluation Reserve on Disposal of Land and Building		**–**	–	**–**	(10,185,000)
Acturial Gain/(Loss) on Retirement Benefit Obligation		**(34,879)**	(23,263)	**51,620,881**	(9,082,272)
Income Tax Effect		**9,766**	6,514	**(8,166,573)**	3,423,255
Other Comprehensive Income for the Year, Net of Tax		**(194,045,817)**	98,508,674	**1,418,199,373**	40,174,721
Total Comprehensive Income for the Year, Net of Tax		**470,153,211**	857,649,750	**8,874,918,974**	5,242,066,369
Total Other Comprehensive Income Attributable to:					
Equity Holders of the Parent		**470,153,211**	857,649,750	**4,428,847,903**	2,804,131,701
Non-Controlling Interest		**–**	–	**4,446,071,071**	2,437,934,668
		470,153,211	857,649,750	**8,874,918,974**	5,242,066,369
Basic Earnings Per Share	37	**0.61**	0.70	**3.89**	2.66
Basic Earnings Per Share for Continuing Operations	37	**0.61**	0.70	**3.89**	2.72

The Accounting Policies and Notes on pages 96 through 190 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

COMPANY

For the year ended 31st March	Stated Capital Rs.	Available for sale Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01st April 2014	27,163,983,720	(255,622,912)	381,944,774	27,290,305,582
Net Profit for the Year	–	–	759,141,076	759,141,076
Dividend Paid	–	–	(434,623,741)	(434,623,741)
Other Comprehensive Income/(Loss)	–	32,738,760	(16,749)	32,722,011
Reclassification of Loss on Available-for-Sale Financial Assets to Profit or Loss	–	65,786,663	–	65,786,663
Balance as at 31st March 2015	27,163,983,720	(157,097,489)	706,445,360	27,713,331,591
Super Gain Tax 2013/2014	–	–	(65,043,477)	(65,043,477)
Adjusted Balance as at 01st April 2015	27,163,983,720	(157,097,489)	641,401,883	27,648,288,114
Net Profit for the Year	–	–	664,199,028	664,199,028
Dividend Paid	–	–	(543,279,677)	(543,279,677)
Other Comprehensive Income/(Loss)	–	(194,020,704)	(25,113)	(194,045,817)
Balance as at 31st March 2016	**27,163,983,720**	**(351,118,193)**	**762,296,122**	**27,575,161,649**

The Accounting Policies and Notes on pages 96 through 190 form an integral part of these Financial Statements.

GROUP

For the year ended 31st March			Capital Reserves		Other Component of Equity		
	Stated Capital	Treasury Shares	Reserve Fund	Investment Fund Reserve	Available-for-Sale Reserve	Foreign Currency Translation Reserve	Revaluation Reserve
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2014	27,163,983,720	(67,671,631)	628,231,500	378,195,795	(753,125,339)	158,816,801	721,251,545
Profit for the Year	–	–	–	–	–	–	–
Other Comprehensive Income							
Share of Other Comprehensive Income of Equity Accounted Investees	–	–	–	–	(129,778,556)	775,562	7,973,450
Revaluation of Land and Buildings	–	–	–	–	–	–	23,647,755
Exchange Difference on Translation of Foreign Operations	–	–	–	–	–	(8,457,181)	–
Net Gain/(Loss) on Available-for-Sale Financial Assets	–	–	–	–	105,867,433	–	–
Actuarial Gain or Loss on Retirement - Benefit Obligations	–	–	–	–	–	–	–
Total Other Comprehensive Income	–	–	–	–	(23,911,123)	(7,681,619)	31,621,204
Disposal of Subsidiary	–	21,850,000	–	–	–	(152,486,439)	–
Dividend Write-back	–	–	–	–	–	–	–
Transfer to/(from) during the Year	–	–	280,621,424	(378,195,795)	–	–	–
Treasury Share Adjustment	–	1,709,915	–	–	–	–	–
Effect of Change in Holding	–	–	–	–	–	–	–
Dividend Paid	–	–	–	–	–	–	–
Balance as at 31st March 2015	27,163,983,720	(44,111,716)	908,852,924	–	(777,036,462)	(1,351,257)	752,872,749
Balance as at 01st April 2015	27,163,983,720	(44,111,716)	908,852,924	–	(777,036,462)	(1,351,257)	752,872,749
Super Gain Tax 2013/2014	–	–	–	–	–	–	–
Profit for the Year	–	–	–	–	–	–	–
Other Comprehensive Income							
Share of Other Comprehensive Income of Equity Accounted Investees	–	–	–	–	(33,469,429)	5,029,598	–
Revaluation of Land and Buildings	–	–	–	–	–	–	391,000,368
Exchange Difference on Translation of Foreign Operations	–	–	–	–	–	2,378,932	–
Net Gain/(Loss) on Available-for-Sale Financial Assets	–	–	–		(186,465,613)	–	–
Actuarial Gain or Loss on Retirement - Benefit Obligations	–	–	–	–	–	–	–
Total Other Comprehensive Income	–	–	–	–	(219,935,042)	7,408,530	391,000,368
Dividend Write-back	–	–	–	–	–	–	–
Transfer to/(from) during the Year	–	–	524,453,100	–	–	–	–
Effect of Change in Holding	–	–	–	–	–	–	–
Dividend Paid	–	–	–	–	–	–	–
Balance as at 31st March 2016	**27,163,983,720**	**(44,111,716)**	**1,433,306,024**	**–**	**(996,971,504)**	**6,057,273**	**1,143,873,117**

The Accounting Policies and Notes on pages 96 through 190 form an integral part of these Financial Statements.

Revenue Reserve						
General Reserve	Retained Earnings	Actuarial Gain/(loss) Reserve	Hedge Reserve	Shareholders' Fund	Non-Controlling Interest	Total Equity
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
50,178,869	4,262,036,872	(49,706,269)	(125,718)	32,492,066,143	12,100,720,953	44,592,787,096
–	2,891,094,095	–	–	2,891,094,095	2,310,797,553	5,201,891,648
–	(81,319,297)	–	–	(202,348,841)	(6,069)	(202,354,910)
–	–	–	–	23,647,755	131,427,245	155,075,000
–	–	–	–	(8,457,181)	(8,372,959)	(16,830,140)
–	–	–	–	105,867,433	4,076,357	109,943,790
–	–	(5,671,558)		(5,671,558)	12,540	(5,659,018)
–	(81,319,297)	(5,671,558)	–	(86,962,392)	127,137,114	40,174,721
–	152,486,439	–	–	21,850,000	(585,708,438)	(563,858,438)
–	3,057,570	–		3,057,570	2,002,821	5,060,391
–	97,574,371	–	–	–	–	–
–	–	–		1,709,915	–	1,709,915
–	(151,930,975)	–	–	(151,930,975)	(20,542,402)	(172,473,377)
–	(434,177,977)	–	–	(434,177,977)	(703,322,986)	(1,137,500,963)
50,178,869	6,738,821,098	(55,377,827)	(125,718)	34,736,706,379	13,231,084,615	47,967,790,994
50,178,869	6,738,821,098	(55,377,827)	(125,718)	34,736,706,379	13,231,084,615	47,967,790,994
–	(534,677,228)	–	–	(534,677,228)	(275,624,268)	(810,301,496)
–	4,227,980,081	–	–	4,227,980,081	3,228,739,520	7,456,719,601
–	–	12,367,767		(16,072,065)	(4,873)	(16,076,938)
–	–	–	–	391,000,368	1,177,811,942	1,568,812,310
–	–	–	–	2,378,932	2,091,254	4,470,186
–	–	–	–	(186,465,613)	4,005,120	(182,460,493)
–	–	10,026,201	–	10,026,201	33,428,108	43,454,309
–	–	22,393,968	–	200,867,823	1,217,331,551	1,418,199,373
5,006,925	–	–		5,006,925	913,028	5,919,953
523,263,455	(1,047,716,555)	–	–	–	–	–
–	(982,085)	–	–	(982,085)	(968,227)	(1,950,312)
–	(543,740,381)	–	–	(543,740,381)	(822,109,300)	(1,365,849,681)
578,449,249	**8,839,684,930**	**(32,983,859)**	**(125,718)**	**38,091,161,514**	**16,579,366,919**	**54,670,528,433**

CONSOLIDATED STATEMENT OF CASH FLOW

	Company		Group	
For the year ended 31st March	**2016**	2015	**2016**	2015
	Rs.	Rs.	**Rs.**	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit before Taxation	**720,859,364**	893,374,853	**10,969,686,616**	7,348,664,345
Discontinued Operation	**–**	–	**–**	(143,635,637)
ADJUSTMENTS FOR				
Profit/(Loss) on Sale of Property, Plant and Equipment	**–**	–	**20,292,675**	(39,413,007)
Depreciation	**8,647,432**	9,157,511	**1,613,036,153**	1,561,319,934
Provision for Fall in Value of Investments	**45,503,975**	13,469,477	**74,341,859**	4,374,573
Amortisation	**–**	–	**87,801,129**	69,828,866
Share of Results of Equity Accounted Investees	**–**	–	**(1,532,686,923)**	(1,145,562,925)
Loss on Deemed Disposal of Equity Accounted Investees	**138,434,488**	–	**39,467,878**	–
Gain/(Loss) on Foreign Exchange	**–**	–	**(13,703,794)**	(16,830,141)
Provision for Impairment of Subsidiaries	**–**	12,500,000	**–**	–
Provision for Impairment of Assets	**–**	–	**456,409,083**	908,629,399
Provision for Defined Benefit Plan Costs	**1,012,976**	569,425	**216,999,264**	204,189,192
Deferred Income/Capital Grants Amortisation	**–**	–	**(4,953,000)**	(4,653,000)
Gain on Disposal of Financial Assets – Available-for-Sale	**–**	–	**–**	67,818,662
Loss on Disposal of Subsidiary	**–**	–	**–**	(75,122,107)
Profit/(Loss) from Sale of Investments	**–**	(259,915,701)	**–**	–
Profit/(Loss) from Sale of Financial Assets – Fair Value through Profit or Loss	**–**	–	**–**	(20,071,960)
Fair Value Change of Biological Assets	**–**	–	**40,768,000**	(56,640,000)
Provision for Inventory	**–**	–	**75,316,305**	53,783,348
Dividend Received	**–**	–		(18,292,022)
Finance Cost	**–**	65,786,663	**1,214,178,636**	1,235,579,159
Finance Income	**(206,195,328)**	(186,846,374)	**(269,402,812)**	(138,849,977)
Operating Profit/(Loss) before Working Capital Changes	**708,262,907**	548,095,852	**12,987,551,068**	9,795,116,704
(Increase)/Decrease in Loans and Advances	**–**	–	**4,186,407,957**	(3,529,839,973)
(Increase)/Decrease in Trade and Other Debtors, Deposits and Prepayments	**20,996,392**	(179,175)	**(358,931,841)**	310,082,145
(Increase)/Decrease in Other Financial Assets	**–**	–	**(2,094,727,515)**	2,985,135,695
(Increase)/Decrease in Lease Rental Receivable	**–**	–	**(11,758,851,568)**	(4,148,938,992)
(Increase)/Decrease in Other Non-Financial Assets	**–**	–	**188,362,915**	(330,295,909)
Increase/(Decrease) in Due to Banks	**–**	–	**7,157,601,793**	4,438,228,573
Increase/(Decrease) in Due to Customers	**–**	–	**8,068,006,837**	(667,042,192)
Increase/(Decrease) in Trade and Other Payables	**(1,110,468)**	1,484,924	**101,945,100**	1,323,591,859
(Increase)/Decrease in Other Non-Financial Liabilities	**–**	–	**349,321,529**	487,530,540
(Increase)/Decrease in Inventories	**–**	–	**46,646,237**	(835,407,628)
Increase/(Decrease) in Amounts Due to Related Companies	**–**	–	**–**	(91,602,247)
Increase/(Decrease) in Amounts Due from Related Companies	**(68,343,397)**	(65,716,234)	**11,735,655**	(11,735,655)
Cash Generated from Operations	**659,805,433**	483,685,366	**10,308,362,054**	9,724,822,920

For the year ended 31st March	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Retirement Benefits Liabilities Paid	**–**	–	**(100,228,406)**	(107,076,230)
Finance Cost Paid	**–**	–	**(1,214,178,636)**	(1,235,579,159)
Interest Received	**191,797,506**	186,617,425	**283,106,606**	138,849,977
Super Gain Tax Paid	**(65,043,477)**	–	**(810,301,497)**	
Taxes Paid	**(56,858,404)**	(125,231,145)	**(1,624,287,804)**	(944,125,115)
Net Cash from Operating Activities	**729,701,059**	545,071,645	**6,842,472,318**	7,576,892,393
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	**(23,407,019)**	(2,749,566)	**2,561,378,036**	(1,971,856,605)
Purchase of Intangible Assets	**–**	–	**(41,295,698)**	(73,248,573)
Proceeds from Sale of Property, Plant and Equipment	**–**	–	**695,567,879**	154,592,762
Net Change Short Term Investments	**(126,314,814)**	(705,005,411)	**(234,105,473)**	(750,961,322)
Net Proceeds of Fair Value through Profit and Loss Financial Assets	**(17,053,342)**	–	**51,093,600**	129,430,744
Disposal of Subsidiary	**–**	748,546,681	**–**	748,546,681
Investment in Associate	**–**	(125,430,731)	**–**	(125,430,731)
Proceeds from Leasehold Right on Mining	**–**		**(8,080,000)**	
Net Proceeds from Available-for-Sale Financial Assets	**–**	(36,212,296)	**4,547,583**	1,415,974,519
Dividend Received	**–**	–	**133,526,349**	201,037,705
Net Cash used in Investing Activities	**(166,775,175)**	(120,851,325)	**(1,960,123,797)**	(271,914,820)
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal Payment under Finance Lease Liability	**–**	–	**–**	(46,046,929)
Proceeds from Interest-Bearing Loans and Borrowings	**–**	–	**5,707,855,945**	18,469,970,053
Acquisition of Non-Controlling Interest	**–**	–	**(1,950,309)**	(164,330,640)
Proceeds from Non-Controlling Interest on Disposal of Stake in Subsidiary	**–**	–	**–**	15,417,182
Repayment of Interest-Bearing Loans and Borrowings	**–**	–	**(8,015,186,475)**	(20,147,490,097)
Capital Grant Received	**–**	–	**17,639,000**	7,855,000
Dividend Written Back	**–**	–	**5,919,542**	4,088,225
Dividend Paid	**(541,513,272)**	(433,264,925)	**(1,303,507,891)**	(1,079,837,180)
Net Cash used in Financing Activities	**(541,513,272)**	(433,264,925)	**(3,589,230,188)**	(2,940,374,387)
Net Increase/(Decrease) in Cash and Cash Equivalents	**21,412,613**	(9,044,605)	**1,293,118,332**	4,364,603,186
Cash and Cash Equivalents at the beginning of the Year	**19,885,841**	28,930,447	**4,123,442,703**	(241,160,483)
Cash and Cash Equivalents at the end of the Year	**41,298,454**	19,885,841	**5,416,561,035**	4,123,442,703

The Accounting Policies and Notes on pages 96 through 190 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 GENERAL

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

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

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

VALLIBEL ONE PLC

Group holding company manages a portfolio of diversified business holdings.

ROYAL CERAMICS LANKA PLC GROUP

Royal Ceramics Lanka PLC (RCL) is engaged in manufacturing and marketing of floor and wall tiles. Subsidiaries of RCL were engaged in the business of property holding, manufacturing and marketing of floor and wall tiles, raw material to the ceramic industry, sanitaryware, paints and allied products, cartons and paper sacks for packing, aluminium extrusions, agricultural production and providing management services to the plantation industry.

L B FINANCE PLC

The Company provides a comprehensive range of financial services encompassing acceptance of deposits, granting lease facilities, hire purchase, mortgage loans, gold loans, personnel loans, factoring, margin trading, trade finance loans, microfinance and other credit facilities, real estate development and other related services.

GREENER WATER LIMITED

Greener Water Limited is an intended hotel operator.

DELMEGE LIMITED GROUP (FORMERLY KNOWN AS LEWISBROWN & COMPANY (PRIVATE) LIMITED)

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

In addition to the above Company holds investments in Sampath Bank PLC and The Fortress Resorts PLC which are accounted as investment in associates.

1.3 PARENT ENTITY AND ULTIMATE PARENT ENTITY

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

1.4 CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of Vallibel One PLC, as at and for the year ended 31st March 2016 encompass the Company, its subsidiaries (together referred to as the "Group") and the Group's interest in Equity Accounted Investees (Associates).

1.5 DATE OF AUTHORISATION FOR ISSUE

The Consolidated Financial Statements of Vallibel One PLC and its subsidiaries for the year ended 31st March 2016 were authorised for issue in accordance with a resolution of the Directors on 08th June 2016.

1.6 RESPONSIBILITY FOR FINANCIAL STATEMENTS

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in this Annual Report.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The Financial Statements which comprise the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and the Cash Flows Statements, together with the accounting policies and notes (the Financial Statements) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

2.2 BASIS OF MEASUREMENT

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

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

The Consolidated Financial Statements are presented in Sri Lankan Rupees except when otherwise indicated.

The Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the Reporting date (current) and more than 12 months after the Reporting date (non-current) is presented in Note 41.

COMPARATIVE INFORMATION

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

2.3 FOREIGN CURRENCIES

The Group's Consolidated Financial Statements are presented in Sri Lankan Rupees, which is Group's functional currency except for Rocell Pty Limited. For each entity, the Group determines the functional currency and items included in the Financial Statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

TRANSACTIONS AND BALANCES

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

Differences arising on settlement or translation of monetary items are recognised in Statement of Comprehensive Income.

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

GROUP COMPANIES

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

2.4 MATERIALITY AND AGGREGATION

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

2.5 BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2016. Subsidiaries as at 31st March 2016 are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Royal Ceramics Lanka PLC	1990/91	51.01%
L B Finance PLC	1971/72	64.30%
Greener Water Limited	2010/11	100%
Delmege Limited	1915/16	61.20%

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2016. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Statement of Comprehensive Income and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in comprehensive income. Any investment retained is recognised at fair value.

COMPANIES WITH DIFFERENT ACCOUNTING YEARS

The Financial Statements of all the subsidiaries in the Group other than Rocell Pty Limited and the Sampath Bank PLC (Associate of Vallibel One PLC) are prepared for a common financial year which ends on 31st March. Rocell Pty Limited prepares their Financial Statements for the financial year end 30th June each year and Sampath Bank PLC prepares their Financial Statements for the financial year ended 31st December each year.

2.5.1 BUSINESS COMBINATIONS AND GOODWILL

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the Statement of Comprehensive Income.

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

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

2.5.2 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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

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

The Statement of Comprehensive Income reflects the Group's share of net of tax results of operations of the associates. When there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of the Statement of Comprehensive Income of an associate is shown on the face of the Statement of Comprehensive Income.

Equity method of accounting has been applied for associates Financial Statements using their corresponding/matching 12 month financial period. In the case of associates, where the Reporting dates are different to Group Reporting dates, adjustments are made for any significant transactions or events up to 31st March.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates. The Group determines at each Reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share of losses of an associate' in the Statement of Comprehensive Income. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in Statement of Comprehensive Income.

Equity accounted investees as at 31st March 2016
- Sampath Bank PLC
- The Fortress Resort PLC

The basis for Accounting Sampath Bank as an Equity Accounted Investee of the Group
- Vallibel One PLC is the single largest shareholder of Sampath Bank PLC owning 25,765,740 shares representing 14.95% of the issued shares of the Bank.
- Mr. Dhammika Perera who is the Chairman and Managing Director and the major shareholder of Vallibel One PLC, is the Chairman of Sampath Bank PLC.
- Mr. Dhammika Perera, also serves as the Chairman of the Strategic Planning Committee of Sampath Bank PLC and a member of the Nominations Committee of the Bank.
- The second largest shareholder of Sampath Bank PLC holds less than 10% of the issued shares of the Bank.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, ASSUMPTIONS AND POLICIES

3.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

JUDGMENTS

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the Financial Statements.

ESTIMATES AND ASSUMPTIONS

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

The most significant uses of judgments and estimates are as follows:

I. TAXATION

The Group is subject to income taxes and other taxes including VAT on financial services. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

The Group recognised assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

II. IMPAIRMENT LOSSES ON LOANS AND ADVANCES (LEASES, HIRE PURCHASE AND OTHER LOANS)

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

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.

The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates).

III. IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

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

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

IV. DEFERRED TAX ASSETS

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profits will be available against which such tax losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

V. USEFUL LIFETIME OF THE PROPERTY AND EQUIPMENT

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

VI. DEFINED BENEFIT PLANS

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

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

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Group. Actuarial gain/loss arising on the valuation of defined benefit obligation is recognised in the Statement of Other Comprehensive Income.

VII. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

VIII. VALUATION OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND CONSUMABLE BIOLOGICAL ASSETS

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Other Comprehensive Income and in the Statement of Changes in Equity. The Group engaged independent valuation experts to determine fair value of land and buildings. Fair value related disclosures for assets measured at fair value are summarised in the Note 3 to the Financial Statements.

The valuer has used valuation techniques such as market values and discounted cash flow method where there was lack of comparable market data available based on the nature of the property.

The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate. The methods used to determine the fair value of the investment properties, are further explained in Note 18.

The fair value of managed timber determined based on discounted cash flow method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in Note 16.7.

IX. PROVISION FOR SLOW-MOVING INVENTORIES

A provision for slow-moving inventories is recognised based on the best estimates available to management on their future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these Financial Statements (Note 14).

3.2 SIGNIFICANT ACCOUNTING POLICIES

3.2.1 STATEMENT OF FINANCIAL POSITION

(I) PROPERTY, PLANT AND EQUIPMENT

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

RECOGNITION AND MEASUREMENT

INITIAL RECOGNITION

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

SUBSEQUENT MEASUREMENT

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

DEPRECIATION

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

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

Category of Asset	Period
Building	50 years
Furniture and fittings	6.67 years
Equipment	5 years
Motor vehicles and accessories	4-8 years
Computer hardware	5 years
Air condition	5 years
Telephone system	5 years
Fire protection equipment	5 years
Leasehold improvement	6.67 years
Fixtures & fittings	3 years

Category of Asset	Period
Water supply scheme, electricity distribution, household items – heavy	25 – 40 years
Tools & sundry inventory & Household items - Light	02 years
Factory equipment, plant & machinery, moulds & communication equipment	10 – 20 years

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

REVALUATION

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is recognised in Other Comprehensive Income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Income, in which case the increase is recognised in the Statement of Income. A revaluation deficit is recognised in the Statement of Income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Cost of repairs and maintenance are charged to the Statement of Income during the period in which they are incurred.

DERECOGNITION

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

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.

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 capitalised as part of those assets.

(II) BIOLOGICAL ASSETS

1. BEARER BIOLOGICAL ASSETS AND CONSUMER BIOLOGICAL ASSETS

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

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

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

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

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

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

The managed timber trees are measured on initial recognition and at the end of each Reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial.

The fair value of timber trees are measured using DCF method taking into consideration the current market prices of timber, applied to expected timber content of a tree at maturity by an independent professional valuer.

The main variables in DCF model concerns,

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

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

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in the Statement of Comprehensive Income for the period in which it arises.

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

2. INFILLING COST ON BIOLOGICAL ASSETS

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

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

(III) INVESTMENT PROPERTIES

Properties held for capital appreciation and properties held to earn rental income have been classified as Investment Property.

BASIS OF RECOGNITION

Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured.

MEASUREMENT

INITIAL MEASUREMENT

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment is its cost at the date when the construction or development is complete.

SUBSEQUENT MEASUREMENT

The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard (LKAS) - “Investment Property”. Accordingly, land and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

DEPRECIATION

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

Class of tangible assets	Useful life
Buildings	Over 50 years

(IV) INTANGIBLE ASSETS

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

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

USEFUL LIVES OF INTANGIBLE ASSETS

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

AMORTISATION

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

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

(V) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

(VI) FINANCE AND OPERATING LEASES

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

FINANCE LEASE

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

When the Group is a lessee under finance leases, the leased assets are capitalised and included in 'Property and equipment' and the corresponding liability to the lessor is included in interest-bearing loans and other borrowings. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

OPERATING LEASE

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

When the Group is the lessee, leased assets are not recognised on the Statement of Financial Position.

Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'other operating expenses' and 'other operating income', respectively.

(VII) PROVISIONS

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

(VIII) EMPLOYEE BENEFIT OBLIGATIONS

(1) GRATUITY

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

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

The valuation was carried out as at 31st March 2016 by qualified actuaries.

RECOGNITION OF ACTUARIAL LOSSES/GAINS

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

RECOGNITION OF PAST SERVICE COST (APPLICABLE ONLY WHEN A PLAN HAS BEEN CHANGED)

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

FUNDING ARRANGEMENTS

The gratuity liability is not externally funded.

(2) DEFINED CONTRIBUTION PLAN

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

The Group contributes to the following Schemes:

- EMPLOYEES' PROVIDENT FUND

The Group and employees contribute 12%-15% and 8%-10% respectively of the employee's monthly gross salary (excluding overtime) to the Ceylon Planters' Provident Society (CPPS), Estate Staff's Provident Society (ESPS) and Employees' Provident Fund (EPF).

- EMPLOYEES' TRUST FUND

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

(IX) NON-CURRENT ASSETS HELD FOR SALE/DISTRIBUTION TO OWNERS AND DISCONTINUED OPERATIONS

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

(X) FINANCIAL ASSETS

FINANCIAL ASSETS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

Financial assets within the scope of LKAS 39 are classified as financial assets held for trading, loans and receivables, lease rentals receivable and stock out on hire, financial assets available-for-sale, financial assets held-to-maturity and other financial assets.

(1) DATE OF RECOGNITION

All financial assets are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.

This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(2) INITIAL MEASUREMENT OF FINANCIAL ASSETS

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

(3) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

(4) HELD-TO-MATURITY FINANCIAL ASSETS

Held to maturity financial investments are financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial investments are measured at amortised cost using the effective interest rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Comprehensive Income. The losses arising from impairment of such investments are recognised in the Statement of Comprehensive Income line 'finance cost'.

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

(5) LOANS, LEASE RENTAL RECEIVABLES, STOCK OUT ON HIRE AND OTHER FINANCIAL ASSETS

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

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

(6) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group has not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'Available-for-sale-reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income in 'Finance Income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the EIR.

Dividends earned whilst holding available-for-sale financial investments are recognised in Statement of Comprehensive Income as Finance Income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Statement of Comprehensive Income in 'Finance Cost' and removed from the 'Available-for-sale-reserve'.

(7) 'DAY 1' PROFIT OR LOSS

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

(8) RECLASSIFICATION OF FINANCIAL ASSETS

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

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

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

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to Statement of Comprehensive Income over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Comprehensive Income.

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

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

Fair Value of Financial Instruments

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

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

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

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

Derecognition of Financial Assets

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

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

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

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

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

(9) IMPAIRMENT OF FINANCIAL ASSETS

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

(a) Loans and Advances to Customers and Lease and Stock Out on Hire

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

Individually Assessed Loans and Advances and Lease and Stock Out on Hire

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

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

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

- Group's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- The amount and timing of expected receipts and recoveries;

- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realisable value of security and likelihood of successful repossession; and
- The likely deduction of any costs involved in recovery of amounts outstanding;

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

Collectively Assessed Loans and Advances and Lease and Stock Out on Hire

Impairment is assessed on a collective basis in two circumstances:

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

Incurred but not yet Identified Impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the Reporting date, which the Group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

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

Homogeneous Groups of Loans and Advances and Lease and Stock Out on Hire

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

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

- Net flow rate method

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

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

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

These additional macro and portfolio risk factors may include:

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

Write-off of Loans and Advances

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

Reversals of Impairment

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

(b) Available-for-Sale Financial Assets

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

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

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Comprehensive Income is removed from equity and recognised in the Statement of Comprehensive Income.

Impairment losses on equity investments are not reversed through the Statement of Comprehensive Income; increases in the fair value after impairment are recognised in Other Comprehensive Income.

(c) Held-To-Maturity Financial Assets

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

Collateral Valuation

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

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

Collateral Repossessed

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

Repurchase Agreements

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

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

(XI) FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities within the scope of LKAS 39 are classified as due to customers (Deposits), due to banks, debt issued and other borrowed funds and other financial liabilities as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group recognises financial liabilities in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the financial liability.

OTHER FINANCIAL LIABILITIES

Other financial liabilities including due to customers (Deposits), due to banks, debt issued and other borrowed funds and other financial liabilities are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortised cost using the EIR method.

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if:

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

(XII) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash at bank and in hand, call 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 Statement of Cash Flows, cash and cash equivalents consist of cash in hand, cash at bank, deposits in banks, net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosedunder due to banks in the Statement of Financial Position.

3.2.2 STATEMENT OF COMPREHENSIVE INCOME

(I) REVENUE RECOGNITION

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

SALE OF GOODS

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

RENDERING OF SERVICES

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

INTEREST INCOME AND COMMISSION FEE INCOME

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

INTEREST INCOME AND INTEREST EXPENSE

For all financial assets measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through Statement of Comprehensive Income, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

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

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

FEE AND COMMISSION INCOME

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

(A) FEE INCOME EARNED FROM SERVICES THAT ARE PROVIDED OVER A CERTAIN PERIOD OF TIME

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

(B) FEE INCOME FROM PROVIDING TRANSACTION SERVICES

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

Dividends

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

Rental Income

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

Dividends on Ordinary Shares

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

(II) GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group/Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to Statement of Comprehensive Income over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by the Governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a Government grant.

(III) EXPENDITURE RECOGNITION

a. Expenses are recognised in the Statement of Comprehensive Income 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 and Equipment in a state of efficiency has been charged to income in arriving at the Profit/(Loss) for the year.

b. For the purpose of presentation of Statement of Comprehensive Income the Directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

(IV) TAXES

CURRENT INCOME TAX

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

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

The statutory tax rates of below companies which are enjoying tax exemptions in accordance with the provisions of the Inland Revenue Act No. 10 of 2006.

SWISSTEK ALUMINIUM LIMITED

Swisstek Aluminium Limited is exempted from income tax for a period of five years, commencing from the Year of Assessment 2012/13.

ROYAL PORCELAIN (PVT) LIMITED

In terms of Section 17(A) of the Inland Revenue Amendment Act No.10 of 2006 and its subsequent amendments, the profits from new undertakings is exempted for income tax for seven years commencing from the Year of Assessment 2012/13. The profits on the existing business is liable for tax at 28% on local sales and 12% on qualified export profit.

ROCELL BATHWARE LIMITED

Pursuant to agreement dated 07th July 2006 entered into with Board of Investment under Section 17 of the Board of Investment Law, Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of six years from the Year of Assessment in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever year is earlier. The tax expiration period expires on Year of Assessment 2016/17 and after the expiration of tax exemption period the profits and income of the enterprise shall be charged for any year of assessment at the rate of 15%.

VAT ON FINANCIAL SERVICES

VAT on financial services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendment thereto.

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.

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.

Revenue, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable are stated with the amount of sales tax included. The amount of sales tax recoverable and payable to taxation authorities is included as a part of other receivables and other payables in the Statement of Financial Position.

DEFERRED TAX

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

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

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

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

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

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

3.2.3 STATEMENT OF CASH FLOWS

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

3.3 GENERAL

3.3.1 EARNINGS PER SHARE

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

3.3.2 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

All operating segments' operating results are reviewed regularly by the Chairman to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire Property, Plant and Equipment, and intangible assets other than goodwill.

3.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 9 - FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

SLFRS 14 – REGULATORY DEFERRAL ACCOUNTS

The scope of this Standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their Financial Statements. Consequently, the Financial Statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this Standard. This Standard is effective for the annual periods beginning on or after 01st January 2016.

SLFRS 15 – 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

SLFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under SLFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SLFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under SLFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1st January 2018 with early adoption permitted. The Company is currently assessing the impact of SLFRS 15 and plans to adopt the new Standard on the required effective date.

AMENDMENT TO LKAS 41 – AGRICULTURE AND LKAS 16 – PROPERTY, PLANT AND EQUIPMENT

This amendment define a bearer plant and accordingly, require bearer plants to be accounted for as Property, Plant and Equipment and include within the scope of LKAS 16, instead of LKAS 41. Entities are required to apply the amendments for annual period beginning on or after 01st January 2016. However, this amendment has no impact on Group's current accounting treatment on recognition and measurement. Since, currently the group continued to recognise and measure bearer plant in accordance with LKAS 16. Further, the above amendment requires entity to recognise agricultural produce at fair value separately from its bearer plants prior to harvest. Determining the point at which to recognise the agricultural produce separately will require judgment.

4. FINANCIAL INVESTMENTS

4.1 FINANCIAL ASSETS – AVAILABLE-FOR-SALES

As at 31st March,	2016 Number of Shares	2016 Rs.	2015 Number of Shares	2015 Rs.
COMPANY				
Quoted Investments				
Hayleys PLC	**2,182,584**	**536,260,889**	2,182,584	654,775,200
Waskaduwa Beach Resorts PLC	**31,460,997**	**103,821,290**	–	–
Total	**33,643,581**	**640,082,179**	2,182,584	654,775,200
GROUP				
Quoted Investments				
Diversified Holding				
Hayleys PLC	**2,183,806**	**536,561,134**	2,183,806	655,141,800
Manufacturing				
Blue Diamond Jewellery PLC	**74**	**74**	74	103
Central Industries PLC	**4,092**	**351,094**	–	–
Ceylon Grain Elevators PLC	**44**	**3,032**	44	1,672
Dankotuwa Porcelain PLC	**32,512**	**221,082**	14,450	161,840
Samson International PLC	**5,899**	**619,395**	5,363	557,752
Hotels and Travels				
Aitken Spence Hotel Holdings PLC	**308**	**16,324**	308	20,636
Hotel Sigiriya PLC	**700**	**67,200**	700	61,530
Palm Garden Hotels PLC	**36**	**1,076**	36	1,652
Waskaduwa Beach Resort PLC	**31,460,997**	**103,821,290**	-	-
Trading				
Softlogic Finance PLC	**2,090,000**	**80,047,000**	2,090,000	72,941,000
Stores and Supplies				
Hunter PLC	**10**	**4,005**	10	3,900
Bank, Finance and Insurance				
Commercial Bank of Ceylon PLC	**272**	**34,136**	270	44,659
Merchant Bank PLC	**61**	**622**	61	964
Seylan Bank PLC	**2,538**	**218,268**		
Beverages, Food and Tobacco				
Keells Food Products PLC	**500**	**85,000**	500	54,150
Lanka Milk Foods PLC	**5,500**	**629,750**	5,500	770,000
Soy Foods (F&W) PLC	**22**	**8,030**	22	7,165
		722,688,511		730,370,034

As at 31st March,	2016 Number of Shares	2016 Rs.	2015 Number of Shares	2015 Rs.
Unquoted Investments				
Credit Information Bureau	**1,047**	**104,700**	1,047	104,700
Finance House Association	**20,000**	**200,000**	20,000	200,000
		304,700		304,700
Total		**722,993,211**		730,674,734

4.2 FINANCIAL ASSETS – FAIR VALUE THROUGH PROFIT OR LOSS

As at 31st March,	2016 Number of Shares	2016 Rs.	2015 Number of Shares	2015 Rs.
COMPANY				
Quoted Investments				
Lanka Ceramics PLC	**1,000,000**	**130,000,000**	1,000,000	116,600,000
The Kingsbury PLC	**3,216,146**	**48,242,190**	2,242,048	36,321,178
Citrus Leisure PLC	**8,672,846**	**58,108,068**	8,672,810	111,879,713
Total		**236,350,258**		264,800,891
GROUP				
Quoted Investments				
Bank, Finance and Insurance				
Softlogic Finance PLC	**8**	**310**	1,414,414	49,363,049
Seylan Bank PLC (Non-Voting)	**93,032**	**5,861,016**	93,032	5,898,228
Food Processing				
Bairaha Farms PLC	**17,600**	**2,534,400**	17,600	1,907,840
Manufacturing				
Lanka Walltiles PLC	**–**	**–**	19,740	1,891,092
Kelani Cables PLC	**–**	**–**	7,000	560,000
Hotels and Travels				
Aitken Spence PLC	**225,000**	**16,537,500**	225,000	22,387,500
Hotel Developers (Lanka) PLC	**–**	**–**	71,200	6,749,760
Royal Palms Beach Hotels PLC	**4,299**	**131,120**	4,299	154,764
John Keells Hotels PLC	**45,009**	**540,108**	45,009	643,629
The Kingsbury PLC	**3,216,146**	**48,242,190**	2,242,048	36,321,178
Citrus Leisure PLC	**11,441,122**	**77,209,173**	11,441,086	147,603,806
Citrus Leisure PLC - Warrant 2015	**–**	**–**	10	2
Waskaduwa Beach Resorts PLC	**1,400,145**	**4,620,479**	1,400,145	7,140,740
Serendib Hotels PLC	**16,000**	**440,000**	16,000	448,000

As at 31st March,	2016		2015	
	Number of Shares	**Rs.**	Number of Shares	Rs.
Diversified Holdings				
Browns Investments PLC	**522,619**	**679,403**	522,619	836,190
Free Lanka Capital Holdings Limited	**1,161,600**	**1,393,920**	1,161,600	1,858,560
Ascot Holding PLC	**30,000**	**714,000**	30,000	1,080,000
Health Care				
The Lanka Hospital Corporation PLC	**45,519**	**2,321,469**	45,519	1,816,208
		161,225,086		286,660,546
Unquoted Investments				
MBSL Insurance Company Limited	**4,666,667**	**8,666,667**	4,666,667	8,666,667
Total		**169,891,753**		295,327,213

4.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

THE FOLLOWING METHODS AND ASSUMPTIONS WERE USED TO ESTIMATE THE FAIR VALUE

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

Cash and short term deposits, trade receivables, trade payables and other financial liabilities, long term variable-rate borrowings approximate at their carrying amounts due to the short term maturities of these current financial instruments.

Hence the above carrying amounts of Group's financial instruments are reasonable approximation of their fair value.

FINANCIAL ASSETS – FAIR VALUE THROUGH PROFIT OR LOSS

Fair value of quoted equity shares is based on price quotations at the reporting date.

FINANCIAL ASSETS – AVAILABLE-FOR-SALE

Financial Investments - Available-for-Sale, primarily consist of equity securities and Government debt securities are valued using valuation techniques or pricing models. These assets are valued using models that use observable data. Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka and Fair value of quoted equity shares is based on price quotations at the Reporting date.

DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at 31 March 2016, the Group held the following financial instruments carried at fair value in the Statement of Financial position:

Group

As at 31st March 2016	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Assets - Fair Value Through Profit or Loss				
Quoted Equities	161,225,086	–	–	161,225,086
Unquoted Equities	–	–	8,666,667	8,666,667
Financial Assets - Available-for-Sale				
Quoted Equities	722,688,511	–	–	722,688,511
Unquoted Equities	–	304,700	–	304,700
Total	883,913,597	304,700	8,666,667	892,884,964

As at 31st March 2015	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Assets - Fair Value Through Profit or Loss				
Quoted Equities	286,660,546	–	–	286,660,546
Unquoted Equities	–	–	8,666,667	8,666,667
Financial Assets - Available-for-Sale				
Quoted Equities	730,370,034	–	–	730,370,034
Unquoted Equities	–	304,700	–	304,700
Total	1,017,030,580	304,700	8,666,667	1,026,001,947

5. LOANS AND RECEIVABLES

	Company	
	2016	2015
	Rs.	Rs.
Debentures	**375,000,000**	375,000,000
	375,000,000	375,000,000

	Group	
	2016	2015
	Rs.	Rs.
Debentures	**375,000,000**	375,000,000
Gold Loans	**13,164,981,736**	10,436,665,984
Real Estate Loans	**2,152,442**	3,284,964
Term Loans	**6,506,958,677**	3,839,069,484
Quick Loans	**12,558,183**	5,367,759
Margin Trading	**69,864,158**	54,808,517
Factoring Receivable	**558,513,684**	544,935,747
Power Drafts	**1,509,408,857**	605,831,788
Vehicle Loans	**5,348,694,709**	7,449,736,527
	27,548,132,445	23,314,700,770
Less : Allowance for Impairment Losses (Note 5.1)	**(723,963,080)**	(676,939,362)
	(723,963,080)	(676,939,362)
Net Loans and Receivables	**26,824,169,365**	22,637,761,408

5.1 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2016	2015
	Rs.	Rs.
5.1.1		
At the beginning of the Year	**676,939,363**	516,642,315
Charge/(Reversal) for the Year	**61,449,496**	185,850,697
Amounts Written Off	**(14,425,779)**	(27,067,804)
Interest Accrued on Impaired Loans and Receivables	**-**	1,514,154
At the end of the Year	**723,963,080**	676,939,362
5.1.2		
Individual Impairment	**634,805,654**	567,784,305
Collective Impairment	**89,157,426**	109,155,057
Total	**723,963,080**	676,939,362
Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	**1,352,153,840**	1,220,078,289
Gross Amount of Loans Collectively Assessed for the Impairment	**26,195,978,605**	22,094,622,481
	27,548,132,445	23,314,700,770

The recorded loans and receivables that were impaired at 31st March 2016 and 2015 were 3.60% of receivables, and 3.68% of receivables, respectively. Lease Rentals Receivable and Stock Out on Hire that were impaired at 31st March 2016 and 2015 were 4.39% of receivables, and 7.56% of receivables, respectively.

	Group	
	2016	2015
	Rs.	Rs.
5.1.3		
Gold Loans	**28,630,528**	55,961,947
Vehicle Loans	**249,131,282**	254,240,384
Quick Loans	**217,619**	410,717
Margin Trading	**52,064,238**	51,935,662
Term Loans	**235,458,035**	174,908,403
Power Drafts	**54,151,072**	41,922,039
Factoring Receivable	**104,310,305**	97,560,210
Total	**723,963,080**	676,939,362

5.2 TERM LOANS INCLUDE LOANS GRANTED TO COMPANY OFFICERS, THE MOVEMENT OF WHICH IS AS FOLLOWS

	Group	
	2016	2015
	Rs.	Rs.
At the beginning of the Year	**81,281,511**	6,402,791
Add: Loans granted during the Year	**227,502,752**	79,603,957
Less: Repayments during the Year	**(30,756,372)**	(4,725,237)
At the end of the Year	**278,027,891**	81,281,511

5.3 CONTRACTUAL MATURITY ANALYSIS OF LOANS AND RECEIVABLES

As at 31st March 2016	Within One Year	1-5 Years	Over 5 Years	**Total**
	Rs.	Rs.	Rs.	**Rs.**
Debentures	225,000,000	150,000,000	–	**375,000,000**
Gold Loans	13,164,981,736	–	–	**13,164,981,735**
Vehicle Loans	2,379,617,315	2,927,877,379	41,200,015	**5,348,694,709**
Medium and Short Term Loans	1,999,942,909	578,872,820	–	**2,578,815,729**
Mortgage Loans	894,719,995	2,112,151,349	921,271,606	**3,928,142,950**
Quick Loans	12,299,037	259,146	–	**12,558,183**
Power Drafts	1,084,601,337	424,807,519	–	**1,509,408,857**
Margin Trading	69,864,158	–	–	**69,864,158**
Factoring Receivable	554,449,223	4,064,461	–	**558,513,684**
Real Estate Loans	2,152,442	–	–	**2,152,442**
Gross Loans and Receivables	2,038,762,815	6,198,032,673	962,471,620	**27,548,132,445**
Allowance for Impairment Losses (Note 5.1.3)				**(723,963,080)**
Net Loans and Receivables				**26,824,169,365**

As at 31st March 2015	Within One Year Rs.	1-5 Years Rs.	Over 5 Years Rs.	**Total Rs.**
Debentures	–	375,000,000	–	**375,000,000**
Gold Loans	10,436,665,984	–	–	**10,436,665,984**
Vehicle Loans	3,002,445,324	4,415,959,583	31,331,620	**7,449,736,527**
Medium and Short Term Loans	1,052,954,528	375,489,745	468,873	**1,428,913,146**
Mortgage Loans	680,960,323	1,338,562,749	390,633,266	**2,410,156,338**
Quick Loans	4,907,320	460,439	–	**5,367,759**
Power Drafts	134,208,105	471,623,683	–	**605,831,788**
Margin Trading	54,808,517	–	–	**54,808,517**
Factoring Receivable	535,539,156	9,396,591	–	**544,935,747**
Real Estate Loans	3,054,208	230,756	–	**3,284,964**
Gross Loans and Receivables	15,905,543,466	6,986,723,546	422,433,760	**23,314,700,770**
Allowance for Impairment Losses (Note 5.1.3)				**(676,939,362)**
Net Loans and Receivables				**22,637,761,408**

Loans and receivables are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

6. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE

	Group	
	2016 Rs.	2015 Rs.
Gross Rentals Receivables		
- Lease Rentals	**56,665,353,550**	38,033,006,105
- Amounts Receivable from Hirers	**3,417,862,104**	7,738,386,646
	60,083,215,654	45,771,392,751
Unearned Income	**(13,054,924,139)**	(10,082,076,108)
Net rentals receivable	**47,028,291,515**	35,689,316,643
Rentals Received in Advance	**(8,457,131)**	(7,284,527)
Allowance for Impairment Losses (Note 6.1)	**(1,917,795,205)**	(1,990,693,724)
	(1,926,252,336)	(1,997,978,251)
Total Net Rentals Receivable (Note 6.2 (a) & 6.2 (b))	**45,102,039,180**	33,691,338,393

6.1 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group 2016 Rs.	2015 Rs.
At the beginning of the Year	**1,990,693,724**	1,238,264,799
Charge for the Year	**345,823,896**	1,621,737,090
Amounts Written Off	**(418,722,415)**	(870,693,597)
Effect of Interest Unwinding	**-**	1,385,432
At the end of the Year	**1,917,795,205**	1,990,693,724
Individual Impairment	**1,577,761,902**	1,804,560,595
Collective Impairment	**340,033,303**	186,133,129
	1,917,795,205	1,990,693,724
Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	**2,063,714,137**	2,697,097,024
Gross Amount of Loans Collectively Assessed for the Impairment	**44,964,577,378**	32,992,219,619
	47,028,291,515	35,689,316,643

6.2 (a) AS AT 31ST MARCH 2016

	Lease Within one year Rs.	1-5 years Rs.	Over 5 years Rs.	Total Rs.	Hire Purchase Within one year Rs.	1-5 years Rs.	Over 5 years Rs.	**Total Rs.**
Gross Rentals Receivables	22,975,143,108	33,681,865,006	8,345,435	56,665,353,550	1,914,035,067	1,499,513,958	4,313,079	**3,417,862,104**
Unearned Income	(6,190,912,232)	(6,323,327,964)	(650,225)	(12,514,890,422)	(338,765,753)	(201,098,189)	(169,775)	**(540,033,717)**
Net Rentals Receivables	16,784,230,876	27,358,537,042	7,695,210	44,150,463,128	1,575,269,314	1,298,415,769	4,143,304	**2,877,828,387**
Rentals Received in Advance				(8,457,131)				**-**
Allowance for Impairment Losses				(1,552,549,785)				**(365,245,420)**
Total Net Rentals Receivable				42,589,456,212				**2,512,582,968**
Total Net Rentals Receivable from Lease and Hire Purchase								**45,102,039,180**

	Lease				Hire Purchase			
	Within one year	1-5 years	Over 5 years	Total	Within one year	1-5 years	Over 5 years	**Total**
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**
6.2 (b) AS AT 31ST MARCH 2015								
Gross Rentals Receivables	17,603,492,108	20,424,295,501	5,218,496	38,033,006,105	3,460,234,730	4,257,564,812	20,587,106	**7,738,386,648**
Unearned Income	(4,555,963,791)	(3,885,697,822)	(370,089)	(8,442,031,703)	(857,135,384)	(781,416,076)	(1,492,945)	**(1,640,044,406)**
Net Rentals Receivables	13,047,528,317	16,538,597,679	4,848,407	29,590,974,402	2,603,099,346	3,476,148,736	19,094,159	**6,098,342,241**
Rentals Received in Advance				(7,284,527)				**-**
Allowance for Impairment Losses				(1,548,990,052)				**(441,703,672)**
Total Net Rentals Receivable				28,034,699,824				**5,656,638,569**
Total Net Rentals Receivable from Lease and Hire Purchase								**33,691,338,393**

6.3 LEASE AND HIRE PURCHASE FACILITIES GRANTED TO COMPANY OFFICERS, THE MOVEMENT OF WHICH IS AS FOLLOWS:

	2016	2015
	Rs.	Rs.
As at the beginning of the Year	**141,511,198**	134,211,105
Add: Loans Granted during the Year	**42,883,684**	44,788,076
Less: Repayments during the Year	**(89,470,010)**	(37,487,983)
As at the end of the Year	**94,924,872**	141,511,198

7. OTHER FINANCIAL ASSETS

	Group	
	2016	2015
	Rs.	Rs.
Treasury Bills/Repurchases	**819,319,827**	875,190,762
Insurance Premium Receivables	**168,628,400**	129,742,674
Investment in Fixed Deposits	**3,343,819,535**	1,258,985,351
Others	**28,797,081**	1,918,541
	4,360,564,843	2,265,837,328

8. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Company	
	2016	2015
	Rs.	Rs.
Deposits	**15,072,664**	40,022,664
Interest Receivable	**57,705,113**	36,819,401
Other Advances	**13,582,302**	10,715,401
Other Receivable	**899,576**	812,996
	87,259,655	88,370,462

	Group	
	2016	2015
	Rs.	Rs.
Trade Receivables	**4,155,461,554**	4,179,142,273
Deposits	**125,179,065**	117,584,451
Other Advances	**60,831,302**	48,666,401
Interest Receivables	**46,841,493**	25,853,064
Other Receivables	**1,001,525,341**	708,285,414
	5,389,838,754	5,079,531,604

9. OTHER NON-FINANCIAL ASSETS

	Company	
	2016	2015
	Rs.	Rs.
Advances and Prepayments	**1,204,936**	204,808
	1,204,936	204,808

	Group	
	2016	2015
	Rs.	Rs.
Receivable From Inland Revenue Department	**11,896,945**	35,441,828
Real Estate Stock	**161,181,726**	317,176,363
Advance for Vehicle Stock	**118,631,840**	527,494,240
Advances & Prepayments	**1,266,686,914**	923,329,816
Gold Stock	**5,563,739**	6,203,219
Stationery Stock	**10,243,935**	7,568,046
Sundry Debtors	**4,000,891**	841,837
Prepaid Staff Cost	**3,497,384**	6,084,302
Receivables and Others	**78,072,092**	23,998,729
Advance Company Tax Receivable	**27,285,000**	27,285,000
	1,687,060,466	1,875,423,381

10. INVESTMENT IN SUBSIDIARIES

	Holding (%) 2016	Holding (%) 2015	Number of Shares 2016	Number of Shares 2015
Company				
Quoted Investments				
Royal Ceramics Lanka PLC	**51**	51	**56,502,600**	56,502,600
L B Finance PLC	**51**	51	**70,642,400**	35,321,200
Unquoted Investments				
Delmege Limited	**51**	51	**253,314**	253,314
Greener Water Limited	**100**	100	**36,673,000**	36,673,000

	Cost 2016 Rs.	Cost 2015 Rs.	Market Value 2016 Rs.	Market Value 2015 Rs.
Quoted Investments				
Royal Ceramics Lanka PLC	**9,228,728,572**	9,228,728,572	**5,650,260,000**	6,384,793,800
L B Finance PLC	**5,325,333,098**	5,325,333,098	**7,417,452,000**	5,301,712,120
	14,554,061,670	14,554,061,670	**13,067,712,000**	11,686,505,920

	Cost 2016 Rs.	Cost 2015 Rs.	Directors Valuation 2016 Rs.	Directors Valuation 2015 Rs.
Unquoted Investments				
Delmege Limited	**1,592,025,326**	1,592,025,326	**1,592,025,326**	1,592,025,326
Greener Water Limited	**368,063,650**	368,063,650	**368,063,650**	368,063,650
Provision for Impairment	**(12,500,000)**	(12,500,000)	**(12,500,000)**	(12,500,000)
	1,947,588,976	1,947,588,976	**1,947,588,976**	1,947,588,976
Total	**16,501,650,646**	16,501,650,646	**15,015,300,976**	13,634,094,896

11. INVESTMENT IN ASSOCIATES

11.1 COMPANY

			Number of Shares	
	2016	2015	**2016**	2015
	%	%		
Quoted Investments				
Sampath Bank PLC	**14.95**	14.95	**25,765,740**	25,107,454
Waskaduwa Beach Resorts PLC	**–**	20.22	**–**	31,460,997
The Fortress Resorts PLC	**18.02**	18.02	**19,977,345**	19,977,345

	Cost		Market Value	
	2016	2015	**2016**	2015
	Rs.	Rs.	**Rs.**	Rs.
Sampath Bank PLC	**6,987,009,370**	6,987,009,370	**5,823,057,240**	6,352,185,862
Waskaduwa Beach Resorts PLC	**–**	317,762,171	**–**	160,451,085
The Fortress Resorts PLC	**405,891,320**	405,891,320	**259,705,485**	303,655,644
	7,392,900,690	7,710,662,861	**6,082,762,725**	6,816,292,591

11.2 GROUP

	Waskaduwa Beach Resort PLC	Sampath Bank PLC	The Fortress Resorts PLC	**Total**
	Rs.	Rs.	Rs.	**Rs.**
Balance at the 31st March 2014	321,781,392	8,047,058,826	–	**8,368,840,218**
Transfers from AFS/FVTPL Investments	–	–	369,959,427	**369,959,427**
Investments made during the Year	–	–	125,430,731	**125,430,731**
Share of Profit Net of Tax and Dividend	(72,901,043)	583,323,289	41,709,219	**552,131,465**
Share of Other Comprehensive Income	7,973,450	(210,236,564)	(91,795)	**(202,354,910)**
Share of Other Equity Items	–	973,467	–	**973,467**
Balance at the 31st March 2015	256,853,799	8,421,119,018	537,007,582	**9,214,980,398**
Investments made during the Year	–	1,130	–	**1,130**
Share of Profit Net of Tax and Dividend	(38,058,238)	853,164,602	21,272,270	**836,378,634**
Share of Other Comprehensive Income	–	(16,003,241)	(73,696)	**(16,076,938)**
Share of Other Equity items	–	(116,338,434)	–	**(116,338,434)**
Loss on disposal of Investments	(39,467,878)	–	–	**(39,467,878)**
Transfer to Available-for-Sale Financial Assets	(179,327,683)	–	–	**(179,327,683)**
Balance as at 31st March 2016	–	9,141,943,075	558,206,155	**9,700,149,230**

11.3 DEEMED DISPOSAL OF EQUITY ACCOUNTED INVESTEES

Consequent to the new share issue of Waskaduwa Beach Resort PLC (Rights Issue) where the Company has not subscribed to such rights issue the holding percentage in Waskaduwa Beach Resort reduced to 15.59% form 20.22%. Therefore Waskaduwa Beach Resort is not an Associate of the Group with effect from 31st December 2015. Hence, the Company discontinued the use of equity method of accounting and fair value the investment in Waskaduwa Beach Resort an available-for-sale Financial Asset.

11.4 SUMMARISED FINANCIAL INFORMATION OF EQUITY ACCOUNTED INVESTEES HAS NOT BEEN ADJUSTED FOR GROUP SHARE,

11.4.1 STATEMENT OF PROFIT OR LOSS

	2016 Rs.	2015 Rs.
Revenue	**43,225,925,792**	42,202,174,738
Cost of Sales	**(23,328,922,785)**	(21,480,790,217)
Income (Includes Other Income, Finance Income)	**10,071,782,124**	2,908,368,490
Expenses (Includes Operating, Administration & Distribution expenses)	**(17,719,771,964)**	(14,050,728,760)
Finance Cost	**(162,530,499)**	(164,199,994)
Value Added Tax on Financial Services	**(2,051,834,035)**	(1,730,592,406)
Income Tax	**(3,316,363,486)**	(2,284,116,122)
Profit after Tax	**6,718,285,147**	5,400,115,730
Other Comprehensive Income	**(67,947,054)**	(1,367,248,940)

11.4.2 STATEMENT OF FINANCIAL POSITIONS

	2016 Rs.	2015 Rs.
Non-Current Assets	**520,481,542,139**	363,669,458,473
Current Assets	**52,222,521,323**	92,151,529,012
Non-Current Liabilities	**452,800,178,875**	54,979,749,063
Current Liabilities	**78,660,499,183**	363,251,347,082
Net Assets	**41,243,385,404**	37,589,891,340

11.4.3 COMMITMENTS AND CONTINGENCIES

	2016 Rs.	2015 Rs.
Capital Expenditure		
Approved and Contracted for	**76,247,000**	117,527,000
Approved and but not Contracted for	**108,528,000**	141,553,000
Commitments		
Commitment for Unutilised Facilities	**98,004,556,000**	51,227,794,715
Finance Lease Commitment in Present Value Term	**–**	12,451,958
Operating Lease Commitments	**–**	58,259,732
Contingent Liabilities	**72,778,944,000**	106,358,179,897

12. DEFERRED TAX ASSETS (LIABILITIES)

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
At the beginning of the Year	**(4,090,703)**	(3,601,776)	**(244,214,067)**	(84,260,125)
Recognised in Profit or Loss	**1,074,356**	(495,442)	**(288,927,242)**	(152,089,923)
Recognised in Other Comprehensive Income	**9,766**	6,514	**(219,132,263)**	15,058,897
Deferred Tax on Disposal of Subsidiaries	**–**	–	**–**	(22,922,917)
At the end of the Year	**(3,006,581)**	(4,090,703)	**(752,273,572)**	(244,214,067)
Deferred Tax Assets	**–**	–	**469,734,310**	495,294,985
Deferred Tax Liabilities	**(3,006,581)**	(4,090,703)	**(1,222,007,882)**	(739,509,051)
	(3,006,581)	(4,090,703)	**(752,273,572)**	(244,214,067)

12.1 THE CLOSING NET DIFFERED TAX LIABILITY RELATE TO THE FOLLOWING:

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Property, Plant and Equipment	**(3,963,313)**	(4,754,035)	**(2,072,308,669)**	(1,482,165,384)
Defined Benefit Obligation	**956,732**	663,332	**253,093,142**	233,538,841
Provisions	**–**	–	**38,321,000**	278,753,322
Unutilised Tax Losses	**–**	–	**1,028,620,955**	725,659,153
	(3,006,581)	(4,090,703)	**(752,273,572)**	(244,214,067)

13. AMOUNTS DUE FROM RELATED PARTIES

		Company		Group	
		2016	2015	**2016**	2015
	Relationship	**Rs.**	Rs.	**Rs.**	Rs.
Greener Water Limited	Subsidiary	**251,709,172**	156,630,119	**–**	–
Delmege Limited	Subsidiary	**–**	21,487,890	**–**	–
Queensberry Leisure Limited	Related Company	**–**	11,735,655	**–**	11,735,655
		251,709,172	189,853,664	**–**	11,735,655

14. INVENTORIES

	2016	2015	**2016**	2015
	Rs.	Rs.	**Rs.**	Rs.
Raw Materials	**–**	–	**1,549,003,059**	1,515,159,127
Construction Consumables	**–**	–	**14,702,100**	11,178,749
Spares and Consumables	**–**	–	**1,746,998,304**	831,940,131
Work In Progress	**–**	–	**254,961,320**	280,617,367
Harvested crops			**142,645,000**	196,866,000
Seat Covers and Accessories	**–**	–	**542,301,951**	410,421,235
Finished Goods	**–**	–	**4,674,012,881**	5,479,263,422
Goods in Transit	**–**	–	**56,238,297**	302,063,118
	–	–	**8,980,862,912**	9,027,509,149
Less: Provision for Obsolete and Slow-Moving Inventory	**–**	–	**(310,069,320)**	(234,753,015)
			8,670,793,592	8,792,756,134

15. INTANGIBLE ASSETS

	Group			
	Software Rs.	Brand Name Rs.	Goodwill Rs.	Total Rs.
Cost				
As at 31st March 2014	295,509,197	904,891,300	12,313,661,197	**13,514,061,694**
Acquired during the Year	71,216,773	–	2,031,800	**73,248,573**
Disposal of Subsidiaries	(26,014,415)	–	–	**(26,014,415)**
As at 31st March 2015	340,711,555	904,891,300	12,315,692,997	**13,561,295,852**
Acquired during the Year	41,295,698	–	–	**41,295,698**
Effect of Change in Exchange Rate	–	–	171,200	**171,200**
As at 31st March 2016	382,007,253	904,891,300	12,315,864,197	**13,602,762,750**
Amortisation				
As at 31st March 2014	70,614,812	154,585,598	96,524,136	**321,724,546**
Disposal during the Year	(1,903,942)	–	–	**(1,903,942)**
Charge for the Year	23,179,300	45,244,566	–	**68,423,866**
As at 31st March 2015	91,890,170	199,830,164	96,524,136	**388,244,470**
Charge for the Year	38,690,564	45,244,565	–	**83,935,129**
As at 31st March 2016	130,580,734	245,074,729	96,524,136	**472,179,599**
Net Book Value				
Net Book Value as at 31st March 2015	248,821,385	705,061,136	12,219,168,861	**13,173,051,382**
Net Book Value as at 31st March 2016	251,426,519	659,816,571	12,219,340,061	**13,130,583,151**

15.1 GOODWILL

Goodwill allocated through business combination, has been allocated to four Cash Generating Units (CGU) for impairment testing as follows:

	2016 Rs.	2015 Rs.
Royal Ceramic Lanka PLC and its Subsidiaries	**7,446,877,764**	7,446,706,564
L B Finance PLC	**3,966,204,093**	3,966,204,093
Greener Water Limited	**3,419,869**	3,419,869
Delmege Limited and its Subsidiaries	**802,838,335**	802,838,335
	12,219,340,061	12,219,168,861

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

KEY ASSUMPTIONS USED IN VIU CALCULATION

GROSS MARGIN

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

DISCOUNT RATE

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

INFLATION

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

VOLUME GROWTH

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

16. PROPERTY, PLANT AND EQUIPMENT

16.1 COMPANY

	Computers Rs.	Furniture & Fittings Rs.	Office Equipments Rs.	Motor Vehicles Rs.	Total Rs.
Gross Carrying Amounts					
Balance as at 31st March 2014	16,120,828	32,439,632	1,634,428	7,914,740	58,109,627
Additions	2,713,566	36,000	–	–	2,749,566
Balance as at 31st March 2015	18,834,394	32,475,632	1,634,428	7,914,740	60,859,193
Depreciation					
Balance as at 31st March 2014	9,948,331	9,141,617	417,486	3,328,642	22,836,077
Depreciation Charge for the Year	4,164,159	3,246,961	163,443	1,582,948	9,157,511
Balance as at 31st March 2015	14,112,490	12,388,578	580,929	4,911,590	31,993,588
Net Book Value					
As at 31st March 2014					35,273,551
As at 31st March 2015					28,865,605

	Computers Rs.	Furniture & Fittings Rs.	Office Equipments Rs.	Motor Vehicles Rs.	Total Rs.
Gross Carrying Amounts					
Balance as at 31st March 2015	18,834,394	32,475,632	1,634,428	7,914,740	60,859,194
Additions	2,354,977	752,042	–	20,300,000	23,407,019
Balance as at 31st March 2016	21,189,370	33,227,674	1,634,428	28,214,740	84,266,212
Depreciation					
Balance as at 31st March 2015	14,112,490	12,388,579	580,929	4,911,591	31,993,589
Depreciation Charge for the Year	2,539,902	3,294,472	163,443	2,649,615	8,647,433
Balance as at 31st March 2016	16,652,393	15,683,052	744,372	7,561,205	40,641,022
Net Book Value					
As at 31st March 2015					28,865,605
As at 31st March 2016					43,625,191

16.2 GROUP

GROSS CARRYING AMOUNTS

	Balance as at 01.04.2015 Rs.	Additions During the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	**Balance As at 31.03.2016 Rs.**
Cost/Valuation						
Land & Building	11,255,257,456	691,916,696	1,403,749,482	(31,820,230)	–	**13,319,103,404**
Furniture & Fittings	787,941,667	115,722,158	–	(3,564,449)	48,532	**900,147,908**
Equipment	1,219,231,416	109,225,888	–	170,396	762,844	**1,329,390,543**
Fire Protection Equipment	13,384,589	2,593,379	–	–	–	**15,977,968**
Motor Vehicles and Accessories	1,013,473,861	123,069,924	–	(401,539,169)	692,080	**735,696,696**
Computer Hardware	397,717,545	65,108,467	–	(9,015,622)	–	**453,810,389**
Air Conditioning	127,548,082	43,597,949	–	(1,587,052)	–	**169,558,978**
Telephone System	72,989,862	3,009,400	–	(358,753)	–	**75,640,509**
Leasehold Improvements	563,741,657	165,162,499	–	(1,363,845)	–	**727,540,312**
Fixtures and Fittings	564,642,556	125,424,107	–	–	–	**690,066,663**
Water Supply Scheme	343,984,893	36,084,000	–	3,750,000	–	**383,818,893**
Electricity Distribution	30,086,845	204,900	–	–	–	**30,291,745**
Tools and Implements	666,400,794	87,490,901	–	(13,280,000)	16,463	**740,628,158**
Plant and Machinery - Polishing Plant	10,693,221,834	423,138,395	–	(1,460,000)	–	**11,114,900,230**
Moulds	128,779,909	64,409	–	–	–	**128,844,318**
Household Item - Light	209,490	–	–	–	–	**209,490**
Stores Buildings on Leasehold Land	317,886,106	48,435,096	–	–	3,818,830	**370,140,032**
Civil Construction	93,681,489	62,067,924	–	–	–	**155,749,413**
	28,290,180,051	2,102,316,092	1,403,749,482	(460,068,725)	5,338,749	**31,341,515,649**

	Balance as at 01.04.2015 Rs.	Additions During the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	**Balance As at 31.03.2016 Rs.**
Assets on Finance Lease						
Plant & Machinery	56,275,887	13,113,000	–	(38,518,000)	–	**30,870,887**
Leasehold Land	14,600,000	–	–	–	–	**14,600,000**
Transport & Communication Equipment	59,164,000	–	–	–	–	**59,164,000**
Motor Vehicle	33,075,224	13,883,000	–	(13,162,767)	–	**33,795,457**
	163,115,111	26,996,000	–	(51,680,767)	–	**138,430,344**
Total Value of Depreciable Assets	28,453,295,161	2,129,312,092	1,403,749,482	(511,749,492)	5,338,749	**31,479,945,993**

CAPITAL WORK-IN-PROGRESS

	As at 01.04.2015 Rs.	Additions During the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfer Disposal Rs.	Exchange Translation Difference Rs.	**Balance As at 31.03.2016 Rs.**
Capital Work-In-Progress	578,053,365	946,655,113	–	(856,105,688)	1,692,520	**670,295,310**
	578,053,365	946,655,113	–	(856,105,688)	1,692,520	**670,295,310**

DEPRECIATION

	Balance as at 01.04.2015 Rs.	Charge for the Year Rs.	Transfer to Revaluation Reserves Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	**Balance as at 31.03.2016 Rs.**
Building	673,142,079	139,840,152	(376,028,000)	(2,257,518)	–	**434,696,713**
Furniture and Fittings	426,582,753	104,646,175	–	(1,739,725)	10,324	**529,499,527**
Equipment	810,675,900	135,744,104	–	(15,856,846)	210,779	**930,773,937**
Fire Protection Equipment	8,635,471	2,952,275	–	–	–	**11,587,747**
Motor Vehicles and Accessories	573,201,191	118,772,913	–	(286,292,903)	87,527	**405,768,728**
Computer Hardware	285,492,821	54,037,962	–	(5,518,781)	–	**334,012,003**
Air Conditioning	76,121,968	26,016,931	–	(1,345,486)	–	**100,793,413**
Telephone System	54,978,044	10,087,678	–	(358,753)	–	**64,706,969**
Leasehold Improvements	269,509,608	82,892,637	–	(927,217)	–	**351,475,028**
Fixtures and Fittings	191,229,728	41,495,016	–	–	–	**232,724,744**
Water Supply Scheme	222,087,757	21,777,000	–	–	–	**243,864,757**
Electricity Distribution	8,297,552	1,259,971	–	–	–	**9,557,523**
Tools and Implements	474,687,558	80,007,850	–	(15,738,000)	11,533	**538,968,941**
Plant and Machinery	5,243,332,459	673,120,434	–	(11,248,913)	–	**5,905,203,979**
Molds	86,083,230	10,443,963	–	–	–	**96,527,194**
Household Item - Light	128,723	26,132	–	–	–	**154,855**
Stores Buildings on Leasehold Land	23,862,601	18,636,575	–	–	85,234	**42,584,410**
	9,428,049,443	1,521,757,769	(376,028,000)	(341,284,142)	405,398	**10,232,900,468**

	Balance as at 01.04.2015 Rs.	Charge for the Year Rs.	Transfer to Revaluation Reserves Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	**Balance as at 31.03.2016 Rs.**
Assets on Finance Lease						
Plant & Machinery	23,165,376	6,570,000	–	(10,895,000)	–	**18,840,376**
Leasehold Land	974,000	487,000	–	–	–	**1,461,000**
Transport & Communication Equipment	36,704,000	9,674,000	–	–	–	**46,378,000**
Motor Vehicle	14,883,970	6,297,383	–	(7,314,723)	–	**13,866,630**
	75,727,347	23,028,383	–	(18,209,723)	–	**80,546,007**
Total	9,503,776,790	1,544,786,153	(376,028,000)	(359,493,865)	405,398	**10,313,446,475**

Net Book Value	
As at 31st March 2015	**18,949,518,371**
As at 31st March 2016	**21,166,499,518**
Capital Work-in-Progress	
As at 31st March 2015	**578,053,365**
As at 31st March 2016	**670,295,310**

CARRYING AMOUNT

	Note	**As at 31st March 2016 Rs.**	As at 31st March 2015 Rs.
Property, Plant and Equipment		**21,836,794,828**	19,527,571,739
Immovable JEDB/SLSPC Estate Assets on Finance Leases (other than Right to Bare Land)	16.3	**64,001,000**	73,160,000
Leasehold Right to Bare Land of JEDB/SLSPC Estates	16.4	**112,987,000**	116,853,000
		22,013,782,828	19,717,584,739

16.3 IMMOVABLE JEDB/SLSPC ESTATE ASSETS ON FINANCE LEASES (OTHER THAN RIGHT TO BARE LAND)

	Bearer Biological Assets		Permanent Land Development Cost	Buildings	Plant & Machinery	**2016**	2015
	Immature Plantations	Mature Plantations					
	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**	Rs.
Revaluation							
As at 22nd June 1992	–	214,810,000	4,014,000	47,173,000	6,818,000	**272,815,000**	272,815,000
Transfers to Mature							
At the beginning of the Year	–	145,993,000	–	–	–	**–**	–
At the end of the Year	–	360,803,000	4,014,000	47,173,000	6,818,000	**272,815,000**	272,815,000

	Bearer Biological Assets Immature Plantations	Bearer Biological Assets Mature Plantations	Permanent Land Development Cost	Buildings	Plant & Machinery	**2016**	2015
	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**	Rs.
Amortisation							
Opening Balance	–	146,804,000	3,050,000	42,983,000	6,818,000	**199,655,000**	190,473,000
During the Period	–	7,160,000	112,000	1,887,000	–	**9,159,000**	9,182,000
At the end of the Year	–	153,964,000	3,162,000	44,870,000	6,818,000	**208,814,000**	199,655,000
Written Down Value							
At the end of the Year	–	206,839,000	852,000	2,303,000	–	**64,001,000**	73,160,000

All immovable estate Property, Plant and Equipment under finance leases have been taken into the books of Horana Plantation PLC retrospective to 22nd June 1992. For this purpose all estate immovable have been revalued at their book values as they appear in the books of the lessor (JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of Horana Plantation PLC.

Investments in Bearer Biological Assets which were immature, at the time of handing over to the Company by way of estate lease, are shown under Bearer Biological Assets - immature (Revalued as at 22.06.1992). Further investments in such a Bearer Biological Assets (Immature to mature bring them to maturity are shown under " Note 16.5 Bearer Biological Assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 16.5 - Bearer Biological Assets. (Immature Plantations).

16.4 LEASEHOLD RIGHT TO BARE LAND OF JEDB/SLSPC ESTATES

	2016	2015
	Rs.	Rs.
Capitalised Value		
As at 22nd June 1992	**204,931,000**	204,931,000
Amortisation		
Opening Balance	**88,078,000**	84,212,000
Charge for the Year	**3,866,000**	3,866,000
At the end of the Year	**91,944,000**	88,078,000
Carrying Amount		
At the end of the Year	**112,987,000**	116,853,000

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

16.5 BEARER BIOLOGICAL ASSETS

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Diversification Rs.	**Total 2016 Rs.**	Total 2015 Rs.
Immature Plantations						
Cost or Valuation:						
Opening Balance	170,018,000	525,998,000	65,200,000	6,549,000	**767,754,273**	734,851,000
Additions	45,765,000	96,210,000	17,022,000	28,982,000	**187,979,000**	231,854,273
Transfers to Mature	(60,672,000)	(145,986,000)	(30,397,000)	(1,396,000)	**(238,451,000)**	(198,951,000)
At the end of the Year	155,111,000	476,222,000	51,825,000	34,135,000	**717,282,273**	767,754,273
Mature Plantations						
Cost or Valuation:						
Opening Balance	576,721,000	799,510,000	–	23,822,000	**1,400,053,000**	1,201,102,000
Transfers from Immature	60,672,000	145,986,000	30,397,000	1,396,000	**238,451,000**	198,951,000
At the end of the Year	637,393,000	945,496,000	30,397,000	25,218,000	**1,638,504,000**	1,400,053,000
Accumulated Amortisation						
Opening Balance	106,242,000	224,915,000	–	6,042,000	**337,199,000**	287,174,000
Charge for the Year	17,302,000	39,975,000	–	1,124,000	**58,401,000**	50,025,000
At the end of the Year	123,544,000	264,890,000	–	7,166,000	**395,600,000**	337,199,000
Written Down Value	513,849,000	680,606,000	30,397,000	18,052,000	**1,242,904,000**	1,062,854,000
Total Bearer Biological Assets	668,960,000	1,156,828,000	82,222,000	52,187,000	**1,960,186,273**	1,830,608,273

These are investments in immature/mature plantations since the formation of Horana Plantations PLC. The lease liability over the assets (including plantations) taken over by way of estate leases are set out in Note 16.3. Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when the field become mature.

16.6 CONSUMABLE BIOLOGICAL ASSETS

	2016 Rs.	2015 Rs.
Immature Plantations		
Cost:		
At the beginning of the Year	**23,436,000**	20,916,000
Additions	**5,852,000**	8,945,000
Transfers to Mature Plantations	**(4,589,000)**	(6,425,000)
At the end of the Year	**24,699,000**	23,436,000
Mature Plantations		
Cost:		
At the beginning of the Year	**326,077,000**	263,012,000
Increase due to New Plantations	**4,589,000**	6,425,000
Change in Fair Value Less Costs to Sell	**40,768,000**	56,640,000
At the end of the Year	**371,434,000**	326,077,000
Total Consumable Biological Assets	**396,133,000**	349,513,000

16.7 BASIS OF VALUATION

Under LKAS 41 the Company has valued its managed plantations at fair value less cost to sell, managed timber plantations as at 31st March 2016 comprised approximately 276.27 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 24.669 Mn as at 31st March 2016. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuers Mr. S M Wijepala for 2015/16 using Discounted Cash Flow (DFC) method. In ascertaining the fair value of timber, physical verification was carried covering all the estates.

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING UNOBSERVABLE INPUTS (LEVEL 3)

Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
Discounting Rate	10% - 12%	The higher the discount rate, the lesser will be the fair value.

OTHER KEY ASSUMPTION USED IN VALUATION;

- The prices adopted are net of expenditure.

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

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

**THE GROUP IS EXPOSED TO
THE FOLLOWING RISKS RELATING TO ITS TIMBER PLANTATION:**

REGULATORY AND ENVIRONMENTAL RISKS

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

SUPPLY AND DEMAND RISKS

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

CLIMATE AND OTHER RISKS

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

SENSITIVITY ANALYSIS

Sensitivity Variation on Sales Price

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

Managed Timber		-10%		10%
	2015	Rs. 293.47 Mn	Rs. 326.08 Mn	Rs. 358.69 Mn
	2016	Rs. 284.22 Mn	Rs. 371.43 Mn	Rs. 458.64 Mn

SENSITIVITY VARIATION ON DISCOUNT RATE

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

Managed Timber		-1%		1%
	2015	Rs. 340.37 Mn	Rs. 326.08 Mn	Rs. 312.82 Mn
	2016	Rs. 391.41 Mn	Rs. 371.43 Mn	Rs. 363.65 Mn

CAPITALISATION OF BORROWING COST

Borrowing costs amounting to Rs. 46.886 Mn (Rs. 48.664 Mn in 2014/15) directly relating to investment in biological assets (immature plantations) have been capitalised during the period, at an average borrowing rate of 7.50% (7.58% in 2014/15).

16.8 FAIR VALUE HIERARCHY - NON FINANCIAL ASSETS

The following properties are revalued and recorded under freehold land and clay mining land. Fair Value measurement disclosure for revalued land based on un-observable input as follows:

A. Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).

B. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level - 2)

C. Input for the assets or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input: price per perch/ acre/range	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
Royal Ceramics Lanka PLC	Factory at Ehaliyagoda	A49-R1-P29.45	Mr. A A M Fathihu	30.04.12	Market based evidence	Rs. 31,534/- per perch	247.150 Mn
	Showroom and Cutting Centred Land at Kottawa	A1-R1-P30.72				Rs. 457,199/- per perch	105.485 Mn
	Land at Meegoda Warehouse	A2-R2-P24				Rs. 119,043/- per perch	46.6 Mn
	Land at Nawala for Nawala New Showroom	P24.96				Rs. 3,491,586/- per perch	87.150 Mn
	Land at Nattandiya	A10				Rs. 12,500/- per perch	20 Mn
	Land at Kaluthara	A04-R3-P8.16				Rs. 15,003/- per perch	11.525 Mn
Royal Porcelain (Pvt) Limited	Factory Land at Horana	A13-R3-P27.07	Mr. A A M Fathihu	31.03.12	Market based evidence	Rs. 40,000/- per perch	89.088 Mn
Rocell Bathware Limited	Factory land at Homagama	A1-R2-P19.60	Mr. A A M Fathihu	01.04.12	Market based evidence	Rs. 85,000/- per perch	22.066 Mn
	Land at Meegoda Warehouse	R3		01.04.12		Rs. 90,000/- per perch	10.8 Mn
Ever Paint And Chemical Industries (Pvt) Limited	Factory land at Hanwella	A1-R2-P22.75	Mr. A A M Fathihu	31.03.12	Market based evidence	Rs. 24,689/- per perch	6.487 Mn
Lanka Walltiles PLC	No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	Mr. Ranjan J Samarakone	31.03.16	Market based evidence	Rs. 4,000,000/- per perch	808.4 Mn
		35,990 Square feet building			Contractor's basis method valuation	Rs.1,000/-to Rs 3,500/- per square feet	87.151 Mn
	Plan No. 2205 Situated at Mawathgama and Galagedara Village	A23-R1-P24.16			Contractor's basis method valuation	Rs. 150,000/- per perch	561.624 Mn
		279,361 Square Feet building			Market based evidence	Rs. 2,000/-to Rs. 4,000/- per square feet	716.716 Mn

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input: price per perch/ acre/range	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
Lanka Tiles PLC	Factory at Jaltara, Ranala Biyagama stores	A38-R03-P23.28	Mr. Ranjan J Samarakone	31.03.16	Market based evidence	Rs. 40,000/-to Rs. 175,000/- per perch	524.639 Mn
	Marawila silica land	A13-R0-P02				Rs. 17,187.50 per perch	218.354 Mn
	Ball Clay land at Kalutara	A5-R01-P0.83				Rs. 62.50 per perch	35.784 Mn
Uni Dil Packing Limited	Land at Narampola Road, Moragala, Deketana	A9-R0-P17.8	Mr. D G Newton	31.03.16	Market based evidence	Rs. 70,000/- per perch	102.046 Mn
	Building and land improvement at Narampola road, Moragala, Deketana	25,551 sq.ft			Depreciated replacement cost	Rs. 650/- to Rs. 2,000/- per square feet	179.250 Mn
Uni Dil Paper Sacks (Pvt) Limited	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D G Newton	31.03.16	Market based evidence	Rs. 60,000/- per perch	26.1 Mn
	Building at Narampola road, Moragala, Deketana	25,551 sq.ft			Depreciated Replacement cost	Rs.1,750/- to Rs. 2,500/- per square feet	46.596 Mn
Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda-Land	980 Perches	Mr. K T D Tissera	31.03.16	Market based evidence	Rs. 612,245/- per perch	600 Mn
	No. 334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 Perches			Market based evidence	Rs. 335,000/- per perch	6.7 Mn
	Factory Complex, Belummahara, Imbulgoda-Building	54,647 sq.ft			Contractor's method	Rs. 1,372/- per square feet	75.Mn
	No. 334/5, Colombo Road, Belummahara, Imbulgoda-Building	1,384 sq.ft			Contractor's method	Rs. 217/- per square feet	0.3 Mn
Swisstek Aluminum Limited	Land at Pahala Dompe, Dompe	A08-R02-P20	Mr. T J Tissera	30.03.16	Market based evidence	Rs. 130,434/- per acre	180 Mn
	Building at Pahala Dompe, Dompe				Contractors Method of working		229.627 Mn
Lanka Ceramic PLC	Mining Land at Owala	25A-2R-15P	Mr. P B Kalugalagedera	31.03.16	Market based evidence	Rs. 100,000/- to Rs. 250,000/- per acre	4.809 Mn
	Land situated at Owala	1A-1R-02.0P			Market based evidence	Rs. 400,000/- per acre	0.5 Mn
	Factory building & office building at Owala mine	7038 Sq.ft			Depreciated cost method	Rs. 200/- to Rs. 1,000/- per square feet	5.157 Mn
	Mining Land at Meetiyagoda	35A-7R-124.33P			Market based evidence	Rs. 300,000/- to Rs. 1,000,000/- per acre	17.051 Mn
	Mining Land at Dediyawala	50A-0R-05.48P			Market based evidence	Rs. 200,000/- per acre	10.007 Mn
	Land situated at Meetiyagoda	7A-2R-28P			Market based evidence	Rs. 750,000/- to Rs. 1,750,000/- per acre	12.931 Mn
	Factory building & office building at Meetiyagoda mine	39,512 sq.ft			Depreciated cost method	Rs. 100/- to Rs. 500/- per square feet	13.557 Mn

16.9 THE USEFUL LIVES OF THE ASSETS ARE ESTIMATED AS FOLLOWS:

	2016 Years	2015 Years
Non-Plantation Assets		
Buildings on Freehold Land and Roadway	**25,40 & 50**	25,40 & 50
Plant and Machinery	**5-20**	5-20
Water Supply and Electricity Distribution Scheme	**5-25**	5-25
Tools, Implements and Furniture and Fittings	**2,4,5 & 10**	2,4,5 & 10
Transport and Communication Equipment	**4 to 12**	4 to 12
Plantation Assets		
The Leasehold Rights to JEDB/ SLSPC are Amortised in Equal Amounts Over the following Years		
Bare Land	**53**	53
Mature Plantations	**30**	30
Permanent Land Development Costs	**30**	30
Buildings	**25**	25
Plant and Machinery	**15**	15
Mature Plantation (Re-planting and New Planting)		
Mature Plantations (Tea)	**33 1/3**	33 1/3
Mature Plantations (Rubber)	**20**	20
Mature Plantations (Coconut)	**50**	50
Mature Plantations (Cinnamon)	**15**	15
Mature Plantations (Coffee and Pepper)	**4**	4
Mature Plantations (Pineapple)	**3**	3

17. LEASEHOLD RIGHT OVER MINING LAND

	Group	
	2016 Rs.	2015 Rs.
Cost		
At the beginning of the Year	**7,800,000**	7,800,000
Acquisition	**8,080,000**	–
At the end of the Year	**15,880,000**	7,800,000
Accumulated Depreciation		
At the beginning of the Year	**7,288,500**	6,573,500
Charge for the Year	**511,000**	715,000
At the end of the Year	**7,799,500**	7,288,500
Written Down Value	**8,080,500**	511,500

18. INVESTMENT PROPERTY

	Group	
	2016	2015
	Rs.	Rs.
At the beginning of the Year	**239,404,000**	240,094,000
Depreciation of Investment Property	**(690,000)**	(690,000)
At the end of the Year	**238,714,000**	239,404,000

LANKA CERAMICS PLC

As at 31st March 2016, the investment property includes land and building at No. 696, 696 1/1, 696 2/1, 696 3/1, 696 4/1, Kollupitiya Road, Colombo 03 (1R - 1.12 P). The fair value of freehold land and buildings were determined by P B Kalugalagedara and Associates an independent professionally qualified valuer in reference to market based evidence.

18.1 FAIR VALUE OF INVESTMENT PROPERTY

The fair value of freehold land and buildings were determined by P B Kalugalagedara and Associates an independent professionally qualified valuer (Valuation report dated 31st March 2016). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and current market value of land.

	Group Fair Value measurement using Significant unobservable inputs (Level 3)	
	2016	2015
	Rs.	Rs.
Date of Valuation	**31 March**	07 May
Land at Fair Value	**452,250,000**	370,000,000
Building at Fair Value	**75,000,000**	75,000,000
Significant Unobservable Input:		
Price per Perch	**11,000,000**	9,000,000
Price per Square Feet	**2,000 - 3,250**	2,000 - 3,250

Significant increases (decrease) in estimated price per perch/ price per square feet in isolation would result in a significantly higher (lower) fair value.

18.2 Rental Income earned from Investment Property by the Group amounted Rs. 36. 37 Mn (2015 - Rs. 36.75 Mn). Direct operating expenses incurred by the Group amounted to Rs. 2.0 Mn (2015 - Rs. 1.2 Mn).

19. DUE TO BANKS

	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Bank Overdrafts	**–**	–	**3,161,850,015**	3,745,766,594
Syndicated Loans and Other Bank Facilities	**–**	–	**13,877,962,197**	6,720,360,404
	–	–	**17,039,812,212**	10,466,126,998

19.1 SECURITISED BORROWINGS, SYNDICATED LOANS AND OTHER BANK FACILITIES

	As at 01.04.2015 Rs.	Loans Obtained Rs.	Interest Recognised Rs.	Repayments Capital Rs.	Repayments Interest Rs.	**As at 31.03.2016 Rs.**
Syndicated Loans						
Syndication 2	341,839,797	–	25,776,179	(70,312,500)	(26,019,682)	**271,283,794**
Syndication 3	–	2,238,187,500	147,380,815	–	(129,615,616)	**2,255,952,698**
Syndication 4	–	3,281,036,939	41,694,293	–	–	**3,322,731,232**
	341,839,797	5,519,224,439	214,851,287	(70,312,500)	(155,635,298)	**5,849,967,724**
Term Loans						
Bank of Ceylon 1	29,801,253	–	1,550,940	(29,767,000)	(1,585,193)	**–**
Bank of Ceylon 3	83,006,300	–	4,284,077	(82,500,000)	(4,790,376)	**–**
Bank of Ceylon 5	1,880,676,368	–	139,337,899	(500,000,004)	(140,531,392)	**1,379,482,871**
Commercial Bank 1	2,002,876,712	–	175,479,452	–	(175,479,452)	**2,002,876,712**
Commercial Bank 2	–	989,205,567	91,334,834	–	(85,150,685)	**995,389,716**
Nations Trust Bank	402,208,217	–	31,064,047	–	(31,070,080)	**402,202,184**
Hatton National Bank	1,979,951,757	–	149,261,999	(399,960,000)	(151,992,002)	**1,577,261,753**
NDB Bank 1	–	446,810,700	16,934,413	–	–	**463,745,113**
NDB Bank 2	–	148,936,900	5,284,188	–	–	**154,221,088**
NDB Bank 3	–	322,696,617	5,846,608	–	–	**328,543,225**
Union Bank	–	495,956,333	24,265,816	(72,916,669)	(22,545,872)	**424,759,608**
Habib Bank	–	297,873,800	8,090,354	–	(6,451,950)	**299,512,203**
	6,378,520,606	2,701,479,917	652,734,627	(1,085,143,673)	(619,597,004)	**8,027,994,473**
	6,720,360,404	8,220,704,356	867,585,914	(1,155,456,173)	(775,232,302)	**13,877,962,197**

19.2 CONTRACTUAL MATURITY ANALYSIS OF SYNDICATED LOANS AND OTHER BANK FACILITIES

As at 31st March 2016	Within One Year Rs.	1-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Syndicated Loans	**784,660,858**	**5,065,306,866**	**–**	**5,849,967,724**
Term Loans	**2,699,816,991**	**5,328,177,482**	**–**	**8,027,994,473**
	3,484,477,849	**10,393,484,348**	**–**	**13,877,962,197**

As at 31st March 2015	Within One Year Rs.	1-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Syndicated Loans	72,308,547	269,531,250	–	341,839,797
Term Loans	1,036,810,607	5,341,710,000	–	6,378,520,607
	1,109,119,154	5,611,241,250	–	6,720,360,404

We don't have pre-termination options for Syndicated Loans and Other Bank Facilities.

20. DUE TO CUSTOMERS

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Fixed Deposits	**–**	–	**49,949,581,208**	42,017,159,746
Certificates of Deposit	**–**	–	**185,247,552**	207,246,189
Saving Deposit	**–**	–	**2,598,793,532**	2,441,209,520
	–	–	**52,733,622,292**	44,665,615,455

20.1 CONTRACTUAL MATURITY ANALYSIS OF CUSTOMER DEPOSITS

As at 31st March 2016	Within One Year Rs.	1-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	**38,907,561,767**	**11,042,019,441**	**–**	**49,949,581,208**
Certificates of Deposit	**182,085,113**	**3,162,439**	**–**	**185,247,552**
Savings Deposits	**2,598,793,532**	**–**	**–**	**2,598,793,532**
	41,688,440,412	**11,045,181,880**	**–**	**52,733,622,292**

As at 31st March 2015	Within One Year Rs.	1-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	33,037,476,443	8,979,683,303	–	42,017,159,746
Certificates of Deposit	202,643,152	4,603,037	–	207,246,189
Savings Deposits	2,441,209,520	–	–	2,441,209,520
	35,681,329,115	8,984,286,340	–	44,665,615,455

We have raised fixed deposits with a pre-termination option to the customers, so fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

21. INTEREST-BEARING LOANS AND OTHER BORROWINGS

	2016			2015		
	Amount Repayable Within 1 Year Rs.	**Amount Repayable After 1 Year Rs.**	**Total Rs.**	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Finance Leases (Note 21.1)	**18,993,521**	**120,356,497**	**139,350,018**	22,338,963	119,711,580	142,050,543
Bank Loans/Term loans	**1,933,952,170**	**6,018,160,957**	**7,952,113,126**	3,665,729,834	7,553,910,745	11,219,640,579
Short Term Loan	**4,292,013,955**	**–**	**4,292,013,955**	2,563,479,932	–	2,563,479,932
Unsecured Debentures (Note 21.3)	**606,429,073**	**1,994,853,432**	**2,601,282,504**	64,447,122	2,532,602,295	2,597,049,417
Others	**–**	**–**		–	–	–
	6,851,388,718	**8,133,370,885**	**14,984,759,603**	6,315,995,851	10,206,224,620	16,522,220,471

21.1 FINANCE LEASES

	2016 Rs.	2015 Rs.
JEDB/SLSPC Estates (21.1.1)	**151,614,000**	156,840,000
Other Finance Lease Creditors (21.1.2)	**60,127,886**	61,162,009
Gross Liability	**211,741,886**	218,002,009
Finance Charges Allocated to Future Periods	**(72,389,869)**	(75,951,466)
Net Liability	**139,352,018**	142,050,543
Payable Within 1 Years	**18,993,521**	22,338,963
Payable Within 1 Years before 5 Years	**120,356,497**	119,711,580
Total	**139,350,018**	142,050,543

21.1.1 JEDB/SLSPC ESTATES

	2016 Rs.	2015 Rs.
At the beginning of the Year	**156,840,000**	162,068,000
New Leases Obtained during the Year	**13,294,000**	12,393,000
Repayments during the Year	**(18,520,000)**	(17,621,000)
At the end of the Year	**151,614,000**	156,840,000

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

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

Future liability on the revised annual lease payment of Rs. 7.472 Mn will continue until 21st June 2008, and thereafter from 22nd June 2008, annual lease payment will remain at Rs. 5.228 Mn, until 21st June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs. 87.953 Mn.

The net present value as at date is represented by:

		2016 Rs.
Gross Liability	- Overdue	–
	- 29 Years @ Rs. 5.228 Mn per annum	151,612
		151,612
Less: Interest in Suspense		(63,659)
Net Present Value		87,953

The contingent rental charged during the current year to Statement of Comprehensive Income amounted to Rs. 13,291,708/-and the gross liability to make contingent rentals for the remaining 29 years of lease term at the current rate would be estimated to Rs. 385,459,532/- as at 31st March 2016.

21.1.2 OTHER FINANCIAL LEASE CREDITORS

	2016 Rs.	2015 Rs.
At the beginning of the Year	**61,067,379**	114,133,391
On Acqusition of Subsidiaries	**–**	–
New Leases Obtained during the Year	**32,042,727**	34,109,000
Repayments during the Year	**(32,982,220)**	(87,080,382)
At the end of the Year	**60,127,886**	61,162,009

21.2 DETAILS OF THE LONG TERM LOANS – GROUP

Lender	Approved Facility Rs.	Repayment Terms	Security
Delmege Limited Group			
Standard Chartered Bank	676 Mn	3 months	Fixed Deposit
National Development Bank PLC	1,173.6 Mn	2 months	Fixed Deposit, Stock & Debtors Mortgage
Commercial Bank of Ceylon PLC	54 Mn	–	Corporate Guarantee - DF & Co. Limited
DFCC Bank PLC	175 Mn	2 months	Letter of Comfort/Negative Pledge/Fixed Deposit
	79 Mn	54 instalments with 6 month grace period	Land & Buildings
Nation Trust Bank PLC – Factor	100 Mn	4 months	Land & Building
Union Bank PLC	150 Mn	4 months	Stock & Debtor Mortgage
Union Bank PLC – Factor	75 Mn	4 months	Corporate Guarantee – Delmege Frosyth & Co. (Shipping) Limited
Union Bank PLC	200 Mn	24 Instalment	Biona Stock
MCB	250 Mn	3 months	Letter of Comfort – Delmege Limited
Hatton National Bank PLC	1,303 Mn	3 months	Mortgage – Land & Building
	700 Mn	95 instalments with 12 months grace period	
Amãna Bank PLC	600 Mn	3 months	Corporate Guarantee – Delmege Limited
Pan Asia Bank Corporation PLC	80 Mn	–	–
Seylan Bank PLC	25 Mn	–	Corporate Guarantee
Royal Ceramics Lanka PLC			
Commercial Bank of Ceylon PLC	500 Mn	60 equal monthly instalments	Tripartite Agreement with Company, share broker and the Bank over 10.5 Mn shares of L B Finance PLC
			Corporate Guarantee of Royal Porcelain (Pvt) Limited
Commercial Bank of Ceylon PLC	175 Mn	48 equal monthly instalments	174.9 Mn in mortgage over properties at Baddegedaramulla, Meegoda, No. 101, Nawala Road, Nawala and No. 472, High Level Road Kottawa
			Corporate Guarantee of Royal Porcelain (Pvt) Limited
Commercial Bank of Ceylon PLC	41 Mn	48 monthly instalments	Primary Mortgage Bond for 41 Mn over the Polishing line
			Corporate Guarantee of Royal Porcelain (Pvt) Limited

Lender	Approved Facility Rs.	Repayment Terms	Security
Commercial Bank of Ceylon PLC	24 Mn	60 equal monthly instalments	Primary Mortgage Bond for 24 Mn over the two LP Gas Tanks
			Corporate Guarantee of Royal Porcelain (Pvt) Limited
Commercial Bank of Ceylon PLC	3.0 Bn	8 years – (first 48 monthly instalments of Rs. 20 Mn each and subsequent 48 monthly instalments of Rs. 42.5 Mn each)	Tripate agreement between the Company/ custodian company and bank over a portfolio of 23,009,036 shares of Lanka Ceramics PLC and 7,545,422 shares of L B Finance PLC (Market value as at 15.09.2014 – Rs. 3,905 Mn)
Commercial Bank of Ceylon PLC	260 Mn	60 equal monthly instalments	Primary Mortgage Bond over Land and Building at No. 20, R.A. De Mel Mawatha, Colombo 03.
Commercial Bank of Ceylon PLC	109 Mn	59 equal monthly instalments	Corporate guarantee of Royal Porcelain (Pvt) Limited
Hatton National Bank PLC	100 Mn	59 equal monthly instalments	Primary registered concurrent mortgage bond of Rs. 650 Mn – (HSBC 500 Mn/HNB 150 Mn) over factory premises at Eheliyagoda to be executed
Hatton National Bank PLC	50 Mn	59 equal monthly instalments	Primary registered concurrent mortgage bond of Rs. 650 Mn – (HSBC 500 Mn/HNB 150 Mn) over factory premises at Eheliyagoda to be executed
Hatton National Bank PLC	23 Mn	59 equal monthly instalments	Corporate Guarantee of Royal Porcelain (Pvt) Limited
Hatton National Bank PLC	07 Mn	59 equal monthly instalments	Corporate Guarantee of Royal Porcelain (Pvt) Limited
Hatton National Bank PLC	14 Mn	59 equal monthly instalments	Corporate Guarantee of Royal Porcelain (Pvt) Limited
Hatton National Bank PLC	34 Mn	59 equal monthly instalments	Corporate Guarantee of Royal Porcelain (Pvt) Limited
HSBC Bank	USD 4 Mn	60 equal monthly instalments	Pari-Pasu Concurrent Registered Primary Mortgage Bond (between HNB & HSBC) over the manufacturing plant in Eheliyagoda to be executed
Royal Porcelain (Pvt) Limited			
Commercial Bank of Ceylon PLC	280 Mn	59 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC
Hatton National Bank PLC	75 Mn	60 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery therein

Lender	Approved Facility Rs.	Repayment Terms	Security
DFCC Bank PLC	150 Mn	60 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery therein
Commercial Bank of Ceylon PLC	80 Mn	59 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	56 Mn	59 equal monthly instalments	Mortgage over line Sorting Palertizer Machine. Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	67 Mn	59 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC
			Mortgage over Tile Printing Machine
Commercial Bank of Ceylon PLC	48 Mn	60 equal monthly instalments	Mortgage over Glazed Polishing Line
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	67 Mn	60 equal monthly instalments	Motgage over Digital Ceremic Printing Machine
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	200 Mn	60 equal monthly instalments	Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Limited
Commercial Bank of Ceylon PLC	48.56 Mn	60 equal monthly instalments	Mortgage over 4 units 4 wheel Forklifts and 4 units reach trucks
Commercial Bank of Ceylon PLC	53 Mn	60 equal monthly instalments commencing from March 2014	Mortgage over the Nano coating line, Unloading Polythene Machine, Batching and Mill Feeding Machine and Air Compressor
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	37 Mn	59 equal monthly instalments	Primary Mortgage over the Automatic easy Line Sorting Line
			Corporate Guarantee from Royal Ceramics Lanka PLC
Hatton National Bank PLC	300 Mn	54 equal monthly instalments	Primary Mortgage over machinery
Commercial Bank of Ceylon PLC	28 Mn	59 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC

Lender	Approved Facility Rs.	Repayment Terms	Security
Rocell Bathware Limited			
Hatton National Bank PLC	160 Mn	54 monthly instalment	Primary Mortgage Bond for Rs. 250 Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed
			Corporate guarantee of RCL
Hatton National Bank PLC	70 Mn	54 monthly instalments	Primary Mortgage Bond for Rs. 250 Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed
			Corporate guarantee of RCL
Commercial Bank PLC	25 Mn	53 equal monthly instalments	Primary Martgage Bond over Water closet casting machine for 25 Mn
Hatton National Bank PLC	20 Mn	64 equal monthly instalments	Corporate guarantee of RCL
Ever Paint and Chemical Industries (Pvt) Limited			
Commercial Bank of Ceylon PLC	100 Mn	59 monthly instalment	Primary concurrent Mortgage Bond over Company Factory premise at Hanwella, stocks in trade and assignment over book debts and mortgage over movable machinery equipment, furniture fittings at Malabe
			Corporate guarantee of RCL
Lanka Ceremic PLC			
Hatton National Bank PLC	500 Mn	08 annual instalments	Mortgage for Rs. 500 Mn over Lanka Walltiles PLC shares
Lanka Walltiles PLC			
Hatton National Bank PLC	300 Mn	60 monthly instalments	Primary Mortgage Bond for Rs. 390 million over the project assets comprising land, building and machinery at Meepe
Hatton National Bank PLC	USD 1.8 Mn	60 monthly instalments	Secondary Mortgage Bond for USD 1.8 million over the project assets comprising land, building and machinery at Meepe
Commercial Bank of Ceylon PLC	584 Mn	60 monthly instalments	Tripartite agreement for Rs. 392.8 Mn between Bank, Lanka Walltiles PLC and the custodian (Pan Asia Bank) over 7,210,000 share of Lanka Tiles PLC
Commercial Bank of Ceylon PLC	200 Mn	60 monthly instalments	Primary Mortgage Bond for Rs. 200 Mn over the property situated at 215, Nawala Road, Colombo 5

Lender	Approved Facility Rs.	Repayment Terms	Security
Commercial Bank of Ceylon PLC	80 Mn	60 monthly instalments	Primary Mortgage Bond for Rs. 80 Mn over the ceramic printer
DFCC Bank PLC	200 Mn	60 monthly instalments	Primary Mortgage over movable machinery at Meepe
Lanka Tiles PLC			
DFCC Bank PLC	150 Mn	48 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 300 Mn
	165 Mn	84 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 300 Mn
	287.71 Mn (USD 3 Mn)	85 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 300 Mn
	80 Mn	59 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 300 Mn
Uni Packaging Limited			
Central Finance PLC	42.5 Mn	LKR 991,106 monthly instalments	Mortgage Bond for Rs. 42.5 Mn over Movable machinery
HSBC	USD 310,000	US$ 7,380.95 monthly instalments	Mortgage Bond for USD 310,000 over Movable machinery
HSBC	USD 310,000	US$ 7,380.95 monthly instalments	Mortgage Bond for USD 310,000 over Movable machinery
Hatton National Bank PLC	10 Mn	LKR 308,300 monthly instalments	Concurrent Mortgage Bond for LKR 110 Mn over immovable property
Horana Plantations PLC			
Hatton National Bank PLC	550 Mn	72 monthly instalments	Primary Mortgage for 550 Mn over the leasehold rights of Frocestor Estate
Indian Bank	75 Mn	54 monthly instalments	Primary Mortgage over leasehold rights of Tillicoultry Estate
Hatton National Bank PLC	100 Mn	60 monthly instalments	Primary Mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla
Hatton National Bank PLC	130.114 Mn	60 monthly instalments	Primary Mortgage over leasehold rights of Bambarakelly Estate
Swisstek (Ceylon) PLC			
Bank of Ceylon	25.817	58 equal monthly instalments	Mortgage over Immovable property at Balummahara, Imbulgoda

Lender	Approved Facility Rs.	Repayment Terms	Security
Swisstek Aluminium Limited			
DFCC Bank PLC	290 Mn	78 equal monthly instalments	Mortgage over Land, Building, Plant & Machinery Stocks and Book Debts
	50 Mn	60 monthly instalments	
	10 Mn	60 monthly instalments	
Vallibel Plantation Management Limited			
Commercial Bank of Ceylon PLC	145 Mn	60 monthly instalments	12,750,000 shares of Horana Plantation PLC
L B Finance PLC			
Syndicated Loans			
Syndication 1		96 equal monthly instalments	Mortgage over Land and Building
Syndication 2		48 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Syndication 3		48 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Direct Bank Borrowings			
Bank of Ceylon 1		48 equal monthly instalments	Mortgage over Lease receivables
Bank of Ceylon 2		48 equal monthly instalments	Mortgage over Hire Purchase receivables
Bank of Ceylon 3		48 equal monthly instalments	Mortgage over Hire Purchase receivables
Commercial Bank of Ceylon PLC 1		60 equal monthly instalments	Mortgage over Hire Purchase receivables
Commercial Bank of Ceylon PLC 2		60 equal monthly instalments	Mortgage over Lease, Hire purchase receivables
Nations Trust Bank PLC		36 equal monthly instalments	Mortgage over Hire Purchase receivables
Hatton National Bank PLC		60 equal monthly instalments	Mortgage over Hire Purchase receivables
NDB Bank 1		12 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
NDB Bank 2		12 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
NDB Bank 3		12 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Union Bank		48 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Habib Bank		12 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables

21.3 DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS

	2016 Rs.	2015 Rs.
Unsecured Debentures (Note 21.3.1)	**2,601,282,504**	2,597,049,417
	2,601,282,504	2,597,049,417

21.3.1 UNSECURED DEBENTURES

The terms and features of Unsecured Redeemable Subordinated Debentures are as follows:

Category	Interest Payable	Features	Amortised Cost Rs.	Face Value Rs.	Interest Rate	Issued date	Maturity Date
RUSRD II	Annually	Unlisted	223,628,261	215,000,000	12.68% p.a.	05.12.11	04.12.16
RUSRD I	Bi Annually	Unlisted	103,890,646	100,000,000	12.30% p.a.	05.12.11	04.12.16
RUSRD I	Bi Annually	Unlisted	232,223,106	230,000,000	12.30% p.a.	01.03.12	01.03.17
Type A	Monthly	Listed	637,568,384	640,140,000	14.00% p.a.	29.11.13	29.11.18
Type B	Bi Annually	Listed	781,150,903	757,010,000	14.50% p.a.	29.11.13	29.11.18
Type C	Annually	Listed	622,821,204	602,850,000	15.00% p.a.	29.11.13	29.11.18
Total			2,601,282,504	2,545,000,000			

22. TRADE & OTHER PAYABLES

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Trade & Other Payables	**215,000**	50,000	**3,452,239,414**	3,705,882,141
Accrued Expenses	**1,284,893**	2,560,359	**1,912,538,935**	1,760,841,308
	1,499,893	2,610,359	**5,364,778,349**	5,466,723,449

23. OTHER NON-FINANCIAL LIABILITIES

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Provisions	**–**	–	**82,816,382**	68,741,982
Advances	**–**	–	**763,839,741**	516,174,275
Others	**–**	–	**1,120,404,500**	1,032,822,835
	–	–	**1,967,060,622**	1,617,739,093

24. DIVIDENDS PAYABLE

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Unclaimed Dividend	**6,783,826**	5,017,421	**170,126,424**	107,784,635
	6,783,826	5,017,421	**170,126,424**	107,784,635

25. RETIREMENT BENEFIT LIABILITY

	Company		Group	
	2016	2015	**2016**	2015
	Rs.	Rs.	**Rs.**	Rs.
Balance at the beginning of the Year	**2,369,044**	1,776,356	**1,127,385,348**	1,146,769,617
Amount Charged for the Year	**776,072**	391,789	**105,194,097**	97,249,530
Interest Cost	**236,904**	177,636	**111,805,167**	106,939,661
Actuarial Gain/Loss	**34,879**	23,263	**(51,620,881)**	9,082,272
Disposal during the Year	**–**	–	**–**	(122,156,983)
(Payments)/Transfers Made during the Year	**–**	–	**(100,228,406)**	(104,932,155)
Benefits Payable	**–**	–	**–**	(5,567,330)
Balance at the end of the Year	**3,416,899**	2,369,044	**1,192,535,325**	1,127,384,613

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31st March 2016 and 2015 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 LKAS 19.

	2016	2015
Actuarial Assumptions		
Discount Rate	**9.5% – 12%**	9.5% – 11%
Future Salary Increase	**10%**	5%–16%
Staff Turnover	**15%–30%**	10%–25%
Retirement Age	**55–60**	55–60

26. STATED CAPITAL

	2016		2015	
	Number of Voting Shares	**Rs.**	Number of Voting Shares	Rs.
Balance as at the beginning of the Year	**1,086,559,353**	**27,163,983,720**	1,086,559,353	27,163,983,720
Balance as at the end of the Year	**1,086,559,353**	**27,163,983,720**	1,086,559,353	27,163,983,720

27. RESERVES

27.1 RESERVES – COMPANY

	Retained Profits/(Losses) 2015	Available-for-Sale Reserve 2015	Total 2015	**Retained Profits/(Losses) 2016**	**Available-for-Sale Reserve 2016**	**Total 2016**
	Rs.	Rs.	Rs.	**Rs.**	**Rs.**	**Rs.**
At the beginning of the Year	381,944,774	(255,622,912)	126,321,862	**706,445,360**	**(157,097,489)**	**549,347,871**
Super Gains Tax 2013/14	–	–	–	**(65,043,477)**	**–**	**(65,043,477)**
Profit for the Year	759,141,076	–	759,141,076	**664,199,028**		**664,199,028**
Other Comprehensive Income	(16,749)	32,738,760	32,722,011	**(25,113)**	**(194,020,704)**	**(194,045,817)**
Reclassification of Loss on Available-for-Sale Financial Assets to Profit or Loss	–	65,786,663	65,786,663	**–**	**–**	**–**
Dividend Paid	(434,623,741)	–	(434,623,741)	**(543,279,677)**	**–**	**(543,279,677)**
At the end of the Year	706,445,360	(157,097,489)	549,347,871	**762,296,122**	**(351,118,193)**	**411,177,929**

27.2 RESERVES – GROUP

	Capital Reserve		Other Component of Equity		
	Reserve Fund	Investment Fund	Revaluation Reserve	Foreign Currency Translation Reserve	Available-for Sale Reserve
	Rs	Rs	Rs	Rs.	Rs.
2015					
At the beginning of the Year	628,231,500	378,195,795	721,251,545	158,816,801	(753,125,339)
Profit for the Year	–	–	–	–	–
Other Comprehensive Income					
Share of Other Comprehensive Income of Equity Accounted Investees	–	–	7,973,450	775,562	(129,778,556)
Revaluation of Land and Buildings			23,647,755		
Exchange Difference – on Translation of Foreign Operations	–	–	–	(8,457,181)	–
Net Gain/(Loss) on Available-for-Sale Financial Assets	–	–	–	–	105,867,433
Actuarial Gain/(Loss) on Retirement Benefit Obligation	–	–	–	–	–
	–	–	31,621,204	(7,681,619)	(23,911,123)
Disposal of Subsidiaries	–	–	–	(152,486,439)	–
Write Back of Unclaimed Dividends	–	–	–	–	–
Transfers to/(from) during the Year	280,621,424	(378,195,795)	–	–	–
Treasury Share Adjustment	–	–	–	–	–
Effect of Change in Holding	–	–	–	–	–
Dividend Paid	–	–	–	–	–
At the end of the Year	908,852,924	–	752,872,749	(1,351,257)	(777,036,462)

Treasury Shares	Actuarial Gain/(Loss) Reserve	Revenue Reserve		Hedge Reserve	Total
		General Reserve	Retained Earnings		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(67,671,631)	(49,706,269)	50,178,869	4,262,036,871	(125,718)	5,328,082,423
–	–	–	2,891,094,095	–	2,891,094,095
–	–	–	(81,319,297)	–	(202,348,841)
					23,647,755
–	–	–	–	–	(8,457,181)
–	–	–	–	–	105,867,433
–	(5,671,558)	–	–	–	(5,671,558)
–	(5,671,558)	–	(81,319,297)	–	(86,962,393)
21,850,000	–	–	152,486,439	–	21,850,000
–	–	–	3,057,570	–	3,057,570
–	–	–	97,574,371	–	–
1,709,915	–	–		–	1,709,915
–	–	–	(151,930,975)	–	(151,930,975)
–	–	–	(434,177,977)	–	(434,177,977)
(44,111,716)	(55,377,827)	50,178,869	6,738,821,098	(125,718)	7,572,722,659

	Capital Reserve		Other Component of Equity		
	Reserve Fund	Investment Fund	Revaluation Reserve	Foreign Currency Translation Reserve	Available-for Sale Reserve
	Rs	Rs	Rs	Rs.	Rs.
2016					
At the beginning of the Year	**908,852,924**	**-**	**752,872,749**	**(1,351,257)**	**(777,036,462)**
Super Gain Tax 2013/14					
Profit for the Year	-	-	-	-	-
Other Comprehensive Income					
Share of Other Comprehensive Income of Equity Accounted Investees	-	-	-	**5,029,598**	**(33,469,429)**
Revaluation of Land and Buildings			**391,000,368**		
Exchange Difference on Translation of Foreign Operations	-	-	-	**2,378,932**	-
Net Gain/(Loss) on Available-for-Sale Financial Assets	-	-	-	-	**(186,465,613)**
Actuarial Gain/(Loss) on Retirement Benefit Obligation	-	-	-	-	-
	-	-	**391,000,368**	**7,408,530**	**(219,935,042)**
Dividend Written Back	-	-	-	-	-
Transfers to/(from) during the Year	**524,453,100**	-	-	-	-
Effect of Change in Holding	-	-	-	-	-
Dividend Paid	-	-	-	-	-
At the end of the Year	**1,433,306,024**	**-**	**1,143,873,117**	**6,057,273**	**(996,971,504)**

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.

27.3 As per the provisions of Part III of the Finance Act No. 10 of 2015, the Company was liable for Super Gain Tax of Rs. 810,301,496/-. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SOAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

Treasury Shares	Actuarial Gain/(Loss) Reserve	Revenue Reserve: General Reserve	Revenue Reserve: Retained Earnings	Hedge Reserve	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(44,111,716)	**(55,377,827)**	**50,178,869**	**6,738,821,098**	**(125,718)**	**7,572,722,659**
			(534,677,228)		**(534,677,228)**
–	**–**	**–**	**4,227,980,081**	**–**	**4,227,980,081**
–	**12,367,767**	**–**	**–**	**–**	**(16,072,065)**
					391,000,368
–	**–**	**–**	**–**	**–**	**2,378,932**
–	**–**	**–**	**–**	**–**	**(186,465,613)**
–	**10,026,201**	**–**	**–**	**–**	**10,026,201**
–	**22,393,968**	**–**	**–**	**–**	**200,867,823**
–	**–**	**5,006,925**	**–**	**–**	**5,006,925**
–	**–**	**523,263,455**	**(1,047,716,555)**	**–**	**–**
–	**–**	**–**	**(982,085)**	**–**	**(982,085)**
–	**–**	**–**	**(543,740,381)**	**–**	**(543,740,381)**
(44,111,716)	**(32,983,859)**	**578,449,249**	**8,839,684,930**	**(125,718)**	**10,927,177,794**

28. PRINCIPLE SUBSIDIARIES WITH NON–CONTROLING INTERESTS

Summarised financial information in respect of Vallibel One PLC's subsidiaries that have non-controlling interest, reflecting amounts before inter-company eliminations, is set out below:

	Royal Ceramics Lanka PLC Rs.	L B Finance PLC Rs.	Delmege Limited Rs.
Non-Controlling Interests in %	48.99	35.70	38.80
Accumulated Balance of Non-Controlling Interest	13,573,745,417	2,697,790,547	307,830,955
Summarised Statement of Profit or Loss for the Year ended 31st March 2016			
Revenue	24,904,750,261	15,646,467,206	7,182,347,344
Cost of Sales	(15,347,764,025)	(5,773,255,097)	(5,439,983,505)
Administrative Expenses	(1,399,337,726)	(2,155,849,448)	(734,917,945)
Finance Cost	(822,747,972)	–	(327,148,143)
Finance Income	68,818,196	582,213	38,509,890
Profit/(Loss) before Tax	5,707,555,890	5,324,615,526	(187,871,142)
Income Tax	(1,615,810,868)	(1,606,822,662)	(26,678,144)
Profit/(Loss) after Tax	4,091,745,022	3,717,792,864	(214,549,286)
Attributable to Owners	1,496,803,386	2,390,540,812	(67,008,509)
Attributable to Non-Controlling Interest	2,594,941,636	1,327,252,052	(147,540,777)
Total Comprehensive Income	5,702,610,963	3,729,029,226	(214,274,571)
Dividend paid to Non-Controlling Interest	(550,136,503)	(271,972,797)	–
Summarised Statement of Financial Position as at 31st March 2016			
Current Assets	13,161,469,062	48,253,738,764	4,672,842,003
Non-Current Assets	26,011,568,976	36,262,897,967	2,745,597,026
Current Liabilities	9,144,864,643	50,333,797,277	5,216,615,643
Non-Current Liabilities	7,569,379,368	23,703,520,265	848,852,483
Total Equity	22,458,794,024	10,479,319,188	1,352,970,902
Attributable to:			
Equity Holders of Parent	7,462,662,647	6,738,202,238	458,931,265
Non-Controlling Interest	14,996,131,377	3,741,116,950	894,039,637
Summarised Statements of Cash Flows for the Year ended 31st March 2016			
Operating Cash Flows	4,882,397,888	(5,272,850,502)	(690,768,032)
Investing Cash Flows	(1,492,750,108)	4,108,465	(77,594,276)
Financing Cash Flows	(1,859,778,162)	5,535,615,475	244,360,362
Net Increase/(Decrease) in Cash and Cash Equivalents	1,529,869,619	266,873,438	(524,001,945)

29. CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Cash in Hand and at Bank	**41,298,454**	19,885,841	**2,640,934,985**	2,688,692,895
Short Term Bank Deposits	**–**	–	**972,006,424**	11,720,332
Treasury Bill Repurchase Agreement	**–**	–	**4,965,469,641**	5,168,796,070
	41,298,454	19,885,841	**8,578,411,050**	7,869,209,297
Bank Overdrafts (Note 19)	**–**	–	**(3,161,850,015)**	(3,745,766,594)
Cash and Cash Equivalents at the end of the Year	**41,298,454**	19,885,841	**5,416,561,035**	4,123,442,703

30. REVENUE

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Summary				
Manufacturing Sector	**–**	–	**24,896,301,896**	22,379,069,222
Financial Services Sector	**–**	–	**15,589,285,974**	14,646,909,976
Sale of Goods	**–**	–	**6,717,929,149**	5,968,329,002
Rendering of Services	**–**	–	**464,329,095**	455,475,818
	–	–	**47,667,846,114**	43,449,784,018

31. DIVIDEND INCOME

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Income from Investment in Related Parties	**808,133,606**	632,401,641	**–**	–
Income from Other Investments	**–**	–	**24,510,247**	18,292,022
	808,133,606	632,401,641	**24,510,247**	18,292,022

32. OTHER OPERATING INCOME

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Profit on Sale of Property, Plant and Equipment	**–**	–	**(20,292,675)**	39,413,007
Real Estate Income (Net of Cost)	**–**	–	**11,506,880**	536,306
Commission Income	**–**	–	**16,058,165**	14,763,381
Hiring Income	**–**	–	**55,311,291**	134,047,031
Rent Income	**–**	–	**31,283,000**	26,988,000
Change in Fair Value of Consumable Biological Assets	**–**	–	**40,768,000**	56,640,000
Amortisation of Capital & Revenue Grants	**–**	–	**4,953,000**	4,653,000
Sundry Income	**–**	–	**155,124,855**	131,168,329
Profit on Disposal of Investment	**–**	144,183,081	**6,434,815**	75,122,107
	–	144,183,081	**301,147,331**	483,331,162

33. FINANCE COST

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Interest on Loans	**–**	–	**1,000,413,960**	1,069,579,380
Interest on Bank Overdrafts	**–**	–	**104,864,749**	143,984,597
Interest on Finance Leases	**–**	–	**16,574,172**	20,849,180
RTS international and Trade Card Charged	**–**	–	**8,918,721**	1,166,002
Net loss on Financial Assets at Fair Value through Profit or Loss	**45,503,975**	13,469,409	**83,407,034**	8,984,647
Net Loss on Available-for-Sale Financial Assets	**–**	65,786,663	**–**	65,786,662
Write Off of Intercompany Balances	**–**	–	**–**	2,032,000
	45,503,975	79,256,072	**1,214,178,636**	1,312,382,468

34. FINANCE INCOME

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Exchange Gain	**–**	–	**13,703,794**	25,964,385
Interest Income	**206,195,328**	186,846,374	**246,633,843**	138,849,977
Appreciation in Market Value of Quoted Shares	**–**	17,167,485	**9,065,175**	20,912,468
Realised Gain on Disposal of AFS Investment	**–**	98,565,135	**–**	98,565,135
	206,195,328	302,578,994	**269,402,812**	284,291,965

35. INCOME TAX EXPENSE

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

INCOME STATEMENT

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Current Income Tax				
Current Income Tax charge (Note 35.1)	**57,734,692**	52,316,984	**2,428,882,569**	1,448,436,070
Share of Associate Company Income Tax	**–**	–	**562,702,990**	410,685,775
Under/(Over) Provision of Current Taxes in Respect of Prior Years	**–**	81,421,350	**232,454,213**	(8,074,710)
Deferred Income Tax				
Deferred Tax Charge/(Reversal)	**(1,074,356)**	495,442	**288,927,242**	152,089,925
Income Tax Expense Reported in the Income Statement	**56,660,336**	134,233,776	**3,512,967,015**	2,003,137,060

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Consolidated Statements of Other Comprehensive Income				
Income Tax on Available-for-Sale	**–**	–	**–**	11,635,643
Income Tax on Revaluation of Buildings	**–**	–	**(210,965,690)**	–
Income Tax on Acturial Gain/(Loss)	**9,766**	6,514	**(8,166,573)**	3,423,255
	9,766	6,514	**(219,132,263)**	15,058,897

35.1 RECONCILIATION BETWEEN TAX CHARGE AND THE PRODUCT OF ACCOUNTING PROFIT

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Accounting Profit (PBT)	**720,859,364**	893,374,853	**10,969,686,616**	7,348,664,345
Share of Results of Equity Accounted Investees	**–**	–	**(1,532,686,923)**	(1,145,562,925)
	720,859,364	893,374,853	**9,436,999,692**	6,203,101,420
Exempt Profit	**–**	–	**(414,064,491)**	(2,433,528,621)
Non-Deductible Expenses	**87,274,242**	2,173,079	**2,379,994,295**	2,751,035,090
Deductible Expenses	**(808,133,606)**	(895,547,932)	**(4,255,201,011)**	(4,133,823,176)
Tax Losses Utilised	**–**	–	**(388,201,581)**	(212,809,829)
Interest Income	**206,195,328**	186,846,374	**246,633,843**	138,849,977
Qualifying Payment Relief	**–**	–	**(265,421,634)**	–
Taxable Income	**206,195,328**	186,846,375	**6,740,739,113**	2,312,824,861
Income Tax on Profit of Local Sales @ 28%	**57,734,692**	52,316,984	**2,278,100,738**	1,356,580,272
Income Tax on Profit of Export Sales @ 12%	**–**	–	**38,018,836**	17,581,159
Income Tax on Profit @ 10%	**–**	–	**112,762,995**	74,274,639
	57,734,692	52,316,984	**2,428,882,569**	1,448,436,070

36. PROFIT FROM OPERATION STATED AFTER THE FOLLOWING EXPENSES

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Directors' Fees	**1,800,000**	7,200,000	**40,713,486**	41,581,119
Auditors' Remuneration (Fees and Expenses)	**209,790**	190,400	**17,676,475**	16,217,538
Depreciation	**8,647,432**	9,157,513	**1,613,036,153**	1,561,319,934
Amortisation	**–**	–	**87,801,129**	69,828,866
Employee Benefits including the following				
Other Staff Costs	**22,504,565**	13,248,898	**5,580,467,406**	5,220,351,908
Defined Benefit Plan Costs – Gratuity	**1,012,976**	569,425	**216,999,264**	204,189,192
Defined Contribution Plan Costs – EPF & ETF	**2,633,579**	1,504,489	**523,541,838**	477,471,020
Export Duty Rebate	**–**	–	**4,248,609**	(8,662,402)
Loss on Translation of Foreign Currency	**–**	–	**22,841,460**	14,919,199
Donation	**237,000**	–	**3,017,916**	2,257,916
Damage Stocks Net of Insurance Claims Received	**–**	–	**48,067,795**	33,473,034

37. EARNINGS PER SHARE

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

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

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Amounts Used as the Numerators:				
Net Profit Attributable to Ordinary Shareholders of the Parent for Basic Earnings Per Share	**664,199,028**	759,141,076	**4,227,980,081**	2,891,094,095

	2016 Number	2015 Number	**2016 Number**	2015 Number
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Weighted Average Number of Ordinary Shares in issue				
Applicable to Basic Earnings Per Share	**1,086,559,353**	1,086,559,353	**1,086,559,353**	1,086,559,353

	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Weighted Average Number of Ordinary Shares for Basic Earnings per Share Effect of Dilution:	**1,086,559,353**	1,086,559,353	**1,086,559,353**	1,086,559,353
Weighted Average Number of Ordinary Shares Adjusted for the Effect of Dilution	**1,086,559,353**	1,086,559,353	**1,086,559,353**	1,086,559,353

To calculate the earnings per share amounts for discontinued operation is the weighted average number of ordinary shares for both the basic and diluted amounts is as per the table above. The Following table provides the profit/(loss) amount used:

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Net Profit Attributable to Ordinary Equity Holders of the Parent from Continuing Operations	**664,199,028**	759,141,076	**4,227,980,081**	2,957,707,306
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent from Discontinued Operations	**–**	–	**–**	(66,613,211)
Net Profit Attributable to Ordinary Equity Holders of the Parent for Basic Earnings	**664,199,028**	759,141,076	**4,227,980,081**	2,891,094,095
Net Profit Attributable to Ordinary Equity Holders of the Parent Adjusted for the Effect of Dilution	**664,199,028**	759,141,076	**4,227,980,081**	2,891,094,095

	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Basic/Diluted Earnings Per Share	**0.61**	0.70	**3.89**	2.66
Basic/Diluted Earnings Per Share for Continuing Operations	**0.61**	0.70	**3.89**	2.72

38. OPERATING SEGMENT INFORMATION

	Investment Sector		Tiles Sector	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Revenue	**–**	–	**16,986,148,546**	14,824,351,788
Cost of Sales	**–**	–	**(9,216,184,520)**	(8,873,799,449)
Gross Profit	**–**	–	**7,769,964,025**	5,950,552,339
Dividend Income	**15,021,837**	17,012,938	**–**	472,784
Other Operating Income	**–**	75,122,107	**38,289,997**	69,204,298
Administrative Expenses	**(109,089,146)**	(94,032,790)	**(1,073,929,218)**	(988,045,104)
Distribution Expenses	**–**	–	**(2,654,136,757)**	(2,165,089,442)
Other Operating Expenses	**(39,467,878)**	–	**(9,580,211)**	(8,393,707)
Results from Operating Activities	**(133,535,187)**	(1,897,745)	**4,070,607,837**	2,858,701,168
Finance Cost	**(58,903,975)**	(65,786,663)	**(579,577,495)**	(652,168,207)
Finance Income	**158,976,045**	225,855,383	**66,627,745**	1,244,156
Net Finance Cost	**100,072,071**	160,068,720	**(512,949,750)**	(650,924,051)
Share of Results of Equity Accounted Investees	**–**	–	**–**	–
Gold Loans Auction Losses	**–**	–	**–**	–
Profit Before Value Added Tax	**(33,463,117)**	158,170,975	**3,557,658,087**	2,207,777,117
Value Added Tax on Financial Services	**–**	–	**–**	–
Profit/(Loss) before Tax	**(33,463,117)**	158,170,975	**3,557,658,087**	2,207,777,117
Income Tax Expense	**(101,192,678)**	(179,250,918)	**(1,079,856,671)**	(131,798,466)
Profit/(Loss) for the Period	**(134,655,795)**	(21,079,943)	**2,477,801,416**	2,075,978,651

	Consumer Sector		Life Style Sector	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Revenue	**2,549,973,671**	2,834,295,409	**1,839,747,124**	1,394,165,857
Cost of Sales	**(2,057,474,460)**	(2,299,000,308)	**(1,387,530,773)**	(1,048,920,606)
Gross Profit	**492,499,211**	535,295,101	**452,216,351**	345,245,251
Dividend Income	**–**	–	**–**	–
Other Operating Income	**724,243**	712,441	**6,316,808**	16,897,427
Administrative Expenses	**(172,252,270)**	(132,473,568)	**(123,138,856)**	(132,295,633)
Distribution Expenses	**(320,637,702)**	(384,396,626)	**(160,256,950)**	(139,977,884)
Other Operating Expenses	**–**	(51,465,736)	**(112,000,000)**	–
Results from Operating Activities	**333,483**	(32,328,388)	**63,137,354**	89,869,161
Finance Cost	**(174,603,477)**	(200,121,503)	**(32,465,123)**	(47,411,967)
Finance Income	**7,386,233**	12,413,729	**8,872,794**	10,672,890
Net Finance Cost	**(167,217,244)**	(187,707,775)	**(23,592,329)**	(36,739,077)
Share of Results of Equity Accounted Investees	**–**	–	**–**	–
Gold Loans Auction Losses	**–**	–	**–**	–
Profit Before Value Added Tax	**(166,883,761)**	(220,036,163)	**39,545,024**	53,130,084
Value Added Tax on Financial Services	**–**	–	**–**	–
Profit/(Loss) before Tax	**(166,883,761)**	(220,036,163)	**39,545,024**	53,130,084
Income Tax Expense	**(1,371,645)**	–	**(1,774,662)**	(435,573)
Profit/(Loss) for the Period	**(168,255,406)**	(220,036,163)	**37,770,362**	52,694,511

Sanitaryware Secor		Plantation Sector		Bank & Finance		Hotel	
2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
1,578,465,557	1,353,789,249	1,799,830,000	2,164,859,000	15,597,411,280	14,646,909,976	–	–
(948,032,602)	(880,230,620)	(1,798,215,000)	(2,023,283,000)	(5,726,657,184)	(5,883,907,418)	–	–
630,432,955	473,558,628	1,615,000	141,576,000	9,870,754,096	8,763,002,558	–	–
–	–	–	–	6,754,204	806,300	–	–
12,189,725	307,157	45,815,000	69,493,000	75,541,090	134,820,417	–	–
(26,491,396)	(25,370,917)	(88,386,000)	(87,406,000)	(2,147,724,143)	(1,848,849,019)	(20,910,279)	(18,807,629)
(223,933,604)	(56,448,823)	–	–	–	–	–	–
–	–	–	–	(1,825,151,183)	(3,121,280,057)	–	–
392,197,680	392,046,046	(40,956,000)	123,663,000	5,980,174,064	3,928,500,199	(20,910,279)	(18,807,629)
(37,682,400)	(36,204,311)	(48,539,000)	(39,793,000)	–	–	(64,950)	(42,010)
81,517	1,501	488,000	–	582,213	2,468,577	212,945	201,034
(37,600,883)	(36,202,810)	(48,051,000)	(39,793,000)	5,980,756,277	2,468,577	147,995	159,024
–	–	–	–	1,516,547,494	1,167,035,242	16,139,429	(21,472,317)
–	–	–	–	(29,358,088)	(214,928,977)	–	–
354,596,797	355,843,236	(89,007,000)	83,870,000	7,467,945,683	4,883,075,042	(4,622,855)	(40,120,922)
–	–	–	–	(593,451,556)	(315,232,097)	–	–
354,596,797	355,843,236	(89,007,000)	83,870,000	6,874,494,127	4,567,842,944	(4,622,855)	(40,120,922)
(16,169,195)	(16,695,227)	2,906,000	(24,576,000)	(2,156,656,550)	(1,149,727,591)	(12,964,661)	(15,681)
338,427,602	339,148,009	(86,101,000)	59,294,000	4,717,837,577	3,418,115,353	(17,587,516)	(40,136,603)

Health Sector		Other		Group	
2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
2,277,781,349	1,691,265,122	5,038,488,587	4,540,147,616	47,667,846,114	43,449,784,018
(1,856,756,846)	(1,369,502,181)	(3,522,553,443)	(3,452,979,468)	(26,513,404,828)	(25,831,623,050)
421,024,503	321,762,942	1,515,935,145	1,087,168,148	21,154,441,286	17,618,160,968
–	–	2,734,206	–	24,510,247	18,292,022
410,082	7,526	121,860,385	116,766,789	301,147,331	483,331,162
(62,665,540)	(74,273,813)	(580,404,986)	(620,753,253)	(4,404,991,834)	(4,018,167,725)
(193,546,682)	(151,620,627)	(398,288,819)	(257,660,916)	(3,950,800,512)	(3,155,194,318)
–	–	(133,522,085)	(3,929,612)	(2,119,721,357)	(3,185,069,111)
165,222,363	95,876,027	528,313,845	321,591,156	11,004,585,161	7,761,352,998
(34,937,210)	(55,300,532)	(247,405,006)	(215,554,274)	(1,214,178,636)	(1,312,382,468)
399,114	5,131,481	25,776,207	26,303,214	269,402,812	284,291,965
(34,538,096)	(50,169,050)	(221,628,799)	(189,251,060)	(944,775,823)	(1,028,090,502)
–	–	–	–	1,532,686,923	1,145,562,925
–	–	–	–	(29,358,088)	(214,928,977)
130,684,267	45,706,977	306,685,046	132,340,096	11,563,138,172	7,663,896,442
–	–	–	–	(593,451,556)	(315,232,097)
130,684,267	45,706,977	306,685,046	132,340,096	10,969,686,616	7,348,664,345
(770,280)	–	(145,116,673)	(500,637,604)	(3,512,967,015)	(2,003,137,060)
129,913,987	45,706,977	161,568,373	(368,297,508)	7,456,719,601	5,345,527,285

	Investment Sector		Tiles Sector	
	2016 **Rs.**	2015 Rs.	**2016** **Rs.**	2015 Rs.
Assets and Liabilities				
Segment Assets	**10,161,859,513**	10,174,901,586	**27,945,190,224**	25,049,116,229
Total Assets	**10,161,859,513**	10,174,901,586	**27,945,190,224**	25,049,116,229
Segment Liabilities	**24,760,512**	21,561,119	**11,438,593,095**	11,849,888,841
Total Liabilities	**24,760,512**	21,561,119	**11,438,593,095**	11,849,888,841
Other Segment Information				
Total Cost Incurred during the Period to Acquire, Property, Plant and Equipment	**23,407,019**	2,749,566	**1,499,635,295**	1,147,936,735
Intangible Assets	**–**	–	**12,090,377**	60,194,091
Depreciation and Amortisation	**8,647,432**	9,157,513	**915,719,374**	821,726,764
Provisions for Employment Benefit Liability	**1,012,976**	569,425	**75,114,018**	84,252,538

	Consumer Sector		Life Style Sector	
	2016 **Rs.**	2015 Rs.	**2016** **Rs.**	2015 Rs.
Assets and Liabilities				
Segment Assets	**2,043,474,095**	2,018,150,792	**1,133,932,167**	948,671,117
Total Assets	**2,043,474,095**	2,018,150,792	**1,133,932,167**	948,671,117
Segment Liabilities	**2,733,152,425**	2,400,816,484	**722,500,815**	543,877,565
Total Liabilities	**2,733,152,425**	2,400,816,484	**722,500,815**	543,877,565
Other Segment Information				
Total Cost Incurred during the Period to Acquire, Property, Plant and Equipment	**3,084,653**	5,427,038	**22,926,130**	19,608,306
Intangible Assets	**12,430,488**	–	**–**	257,141
Depreciation and Amortisation	**9,462,819**	3,209,134	**16,190,597**	12,680,746
Amortisation of Leasehold Right Over Land	**–**	–	**–**	–
Provisions for Employment Benefit Liability	**1,743,355**	2,659,658	**4,302,660**	1,593,099

39. COMMITMENTS AND CONTINGENCIES

39.1 CONTINGENT LIABILITIES

	Company		Group	
	2016 **Rs.**	2015 Rs.	**2016** **Rs.**	2015 Rs.
Cases Pending Against the Company (Values Claimed)	**–**	–	**–**	70,083,323
Guarantees issued to Banks and Other Institutions	**–**	–	**22,660,000**	18,150,000
Import LC and Ordinary Guarantees	**–**	–	**182,361,157**	254,449,909
Total	**–**	–	**205,021,157**	342,683,232

Sanitary Secor 2016 Rs.	Sanitary Secor 2015 Rs.	Plantation Sector 2016 Rs.	Plantation Sector 2015 Rs.	Bank & Finance Sectors 2016 Rs.	Bank & Finance Sectors 2015 Rs.	Hotel Sector 2016 Rs.	Hotel Sector 2015 Rs.
3,265,298,901	3,416,563,224	**3,719,218,000**	3,705,607,000	**91,693,796,764**	74,050,416,509	**538,415,067**	437,799,111
3,265,298,901	3,416,563,224	**3,719,218,000**	3,705,607,000	**91,693,796,764**	74,050,416,509	**538,415,067**	437,799,111
600,640,830	721,123,027	**2,093,094,000**	2,070,230,000	**73,380,274,718**	58,850,490,836	**26,720,253**	23,285,854
600,640,830	721,123,027	**2,093,094,000**	2,070,230,000	**73,380,274,718**	58,850,490,836	**26,720,253**	23,285,854
118,103,367	111,748,626	**205,803,000**	277,779,000	**499,456,226**	260,481,444	**66,042,381**	48,870,199
–	–	**–**	–	**13,589,391**	11,353,396	**–**	–
100,416,531	100,912,895	**131,956,000**	121,246,000	**352,496,090**	351,423,046	**182,364**	92,067
3,454,161	321,294	**76,633,000**	62,526,000	**33,039,556**	29,799,053	**848,165**	280,105

Health Sector 2016 Rs.	Health Sector 2015 Rs.	Other 2016 Rs.	Other 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
1,795,872,192	1,846,302,748	**8,574,684,737**	7,870,043,325	**150,871,741,660**	129,517,571,643
1,795,872,192	1,846,302,748	**8,574,684,737**	7,870,043,325	**150,871,741,660**	129,517,571,643
1,365,310,064	1,425,094,892	**3,816,166,517**	3,643,412,031	**96,201,213,227**	81,549,780,649
1,365,310,064	1,425,094,892	**3,816,166,517**	3,643,412,031	**96,201,213,227**	81,549,780,649
663,288	1,852,774	**222,256,677**	95,402,916	**2,561,378,036**	1,971,856,604
3,185,441	1,443,945	**–**	–	**41,295,697**	73,248,573
2,808,204	1,759,316	**162,957,870**	209,656,319	**1,700,837,281**	1,631,863,800
–	–	**–**	–	**–**	–
1,844,125	2,579,117	**19,007,247**	19,608,902	**216,999,264**	204,189,192

LITIGATION

Royal Ceramics Lanka PLC & Its Subsidiaries

a) Companies within the Group issued corporate guarantees in favour of Royal Ceramics Lanka PLC, Royal Porcelain (Pvt) Limited, Rocell Bathware Limited and Ever Paint and Chemical Industries (Pvt) Limited guaranteeing loans, interest and other charges of the loans as stated in Note 21.

b) Horana Plantations PLC is defendant in lawsuits in respect of labour tribunal cases filed by employees for which maximum liability cannot be reliably measured as at the reporting date. Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly, no provision for any liability has been made in the Financial Statements.

c) Lanka Walltiles PLC

As at the reporting date, Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue in respect of Income tax, Value added tax and economic service charge totaling Rs. 52,581,411/- for the years of assessments 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch.

The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly, no provision for liability has been made in these Financial Statement.

d) Horana Plantation PLC

Unfulfilled condition on capital grants - Capital grants received from Ceylon Electricity Board for stand by power generators is subject to a condition of minimum usage of CEB power as against the Generator power. A liability will arise only if the above condition is not fulfilled.

Horana Planatation PLC - Contingent Rent (Refer Note 21.1.1.1 to the Financial Statements)

The case bearing No 27692/L filed by Rev. Hadapanagoda Mahinda Thero, claiming the possession of Dumbara Estate, on the basis that the terms of the indenture of the aforesaid lease agreement have been violated. The Thero also made the claims for the value of rubber trees excavated together with the interest. Furthermore the thero claims for the loss incurred due to the non-cultivation on the property leased.

The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly, no provision for liability has been made in these Financial Statements.

Delmege Limited and its Subsidiaries

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

39.2 COMMITMENTS

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Contracted but Not Provided for	**–**	–	**–**	106,568,084
Unutilised Facilities	**–**	–	**1,070,593,149**	833,384,923
	–	–	**1,070,593,149**	939,953,007

40. RELATED PARTY DISCLOSURES

TRANSACTIONS WITH KEY MANAGERIAL PERSONS

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

40.1 COMPENSATION TO KEY MANAGERIAL PERSONNEL

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Short Term Employment Benefits				
- Executive Directors	**2,714,404**	2,400,000	**284,555,141**	287,316,147
- Non-Executive Directors	**5,547,856**	4,800,000	**16,343,571**	19,897,500
Post Employment Benefits				
- Executive Directors	**–**	–	**14,293,294**	12,442,518

40.2 OTHER TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

	Company		Group	
	2016 Rs.	2015 Rs.	**2016 Rs.**	2015 Rs.
Fixed Deposits Accepted during the Year	**–**	–	**100,000,000**	287,547,120
Interest Expense on Fixed Deposits	**–**	–	**11,667,047**	42,229,455
Rental Paid	**–**	–	**8,184,306**	8,184,306
Sales	**–**	–	**879,629**	879,629
Transport Charges	**–**	–	**1,327,500**	1,327,500

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

Transactions with related parties other than disclosed above Note 40.2.

		Company		Group	
Nature of Transaction	Note	**2016 Rs.**	2015 Rs.	**2016 Rs.**	2015 Rs.
Fixed Deposits Accepted during the Period		**–**	–	**20,022,498**	37,483,545
Dividend Paid on Shareholding		**–**	–	**663,600**	3,259,718
Other Interest Income	40.3	**163,345,717**	116,140,472	**163,345,717**	116,140,472
Divedend Income	40.3	**33,678,202**	10,912,920	**33,678,202**	10,912,920
Investment in Fixed Deposits/ Debenture	40.3	**1,775,604,261**	1,510,350,843	**1,775,604,261**	1,510,350,843

40.3 RELATED COMPANIES

	Company	
	2016 Rs.	2015 Rs.
Other Interest Income		
Vallibel Finance PLC	**132,961,250**	82,668,942
Pan Asia Banking Corporation PLC	**30,384,467**	33,471,531
	163,345,717	116,140,472
Dividend Income		
Hayleys PLC	**13,095,504**	10,912,920
The Kingsburry PLC	**605,353**	–
The Fortress Resorts PLC	**19,977,345**	–
	33,678,202	10,912,920
Investment in Fixed Deposits/Debenture		
Vallibel Finance PLC		
– Investment in Debentures	**375,000,000**	375,000,000
– Investment in Fixed Deposits	**1,375,604,261**	551,794,240
Pan Asia Banking Corporation PLC		
– Investment in Fixed Deposits	**–**	571,556,603
– Investments in Repurchase Agreements	**25,000,000**	12,000,000
	1,775,604,261	1,510,350,843

40.4 TRANSACTION WITH RELATED ENTITIES

	Note	Company 2016 Rs.	2015 Rs.
Subsidiaries			
Fund Transfers		**95,079,052**	56,575,800
Interest Received	40.5	**47,219,283**	72,076,819
Investment made in Fixed Deposit	40.5	**1,687,298,133**	1,522,117,808
Dividend Income Received	40.5	**694,727,600**	455,598,200
Associates			
Dividend Income			
Sampath Bank PLC		**125,537,270**	200,859,632
The Fortress Resorts PLC		**19,977,187**	–
		145,514,457	200,859,632
Equity Investment in Associates			
The Fortress Resorts PLC		**–**	125,430,731
		–	125,430,731

40.5 TRANSACTION WITH RELATED ENTITIES

	Company 2016 Rs.	2015 Rs.
Investment made in Fixed Deposit		
L B Finance PLC	**1,687,298,133**	1,522,117,808
	1,687,298,133	1,522,117,808
Withdrawal of Fixed Deposit		
L B Finance PLC	**1,813,236,737**	1,500,000,000
	1,813,236,737	1,500,000,000
Dividend Income Received		
L B Finance PLC	**353,212,000**	229,587,800
Royal Ceramics Lanka PLC	**339,015,600**	226,010,400
Lanka Ceramic PLC	**2,500,000**	–
	694,727,600	455,598,200
Interest Received		
Delmege Limited	**621,370**	6,487,890
L B Finance PLC	**46,597,913**	65,588,929
	47,219,283	72,076,819

41. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2016			2015		
	Within 12 months	**After 12 months**	**Total**	Within 12 months	After 12 months	Total
	Rs.	**Rs.**	**Rs.**	Rs.	Rs.	Rs.
ASSETS						
Cash and Bank	**8,578,411,050**	**–**	**8,578,411,050**	7,869,209,297	–	7,869,209,297
Financial Assets - Fair Value through Profit or Loss	**169,891,753**	**–**	**169,891,753**	295,327,213	–	295,327,213
Short Term Investments	**1,375,604,261**	**–**	**1,375,604,261**	1,141,498,788	–	1,141,498,788
Loans and Receivables	**20,162,628,148**	**6,661,541,217**	**26,824,169,365**	15,558,330,588	7,079,430,820	22,637,761,408
Lease Rentals Receivables and Stock out on Hire	**16,784,230,876**	**28,317,808,304**	**45,102,039,180**	14,868,344,490	18,822,993,903	33,691,338,393
Financial Assets - Available-for-Sale	**722,993,211**	**–**	**722,993,211**	730,674,734	–	730,674,734
Other Financial Assets	**4,360,564,843**	**–**	**4,360,564,843**	2,265,837,328	–	2,265,837,328
Trade and Other Debtors, Deposits and Prepayments	**5,389,838,754**	**–**	**5,389,838,754**	5,079,531,604	–	5,079,531,604
Other Non-Financial Assets	**1,687,060,465**	**–**	**1,687,060,465**	1,875,423,380	–	1,875,423,380
Investment Associate	**–**	**9,700,149,230**	**9,700,149,230**	–	9,214,980,398	9,214,980,398
Amount Due From Related Parties	**–**	**–**	**–**	11,735,655	–	11,735,655
Deferred Tax Assets	**–**	**469,734,310**	**469,734,310**	–	495,294,985	495,294,985
Income Tax Recoverable	**73,011,893**	**–**	**73,011,893**	105,529,431	–	105,529,431
Inventories	**8,670,793,592**	**–**	**8,670,793,592**	8,792,756,134	–	8,792,756,134
Intangible Assets	**–**	**13,130,583,151**	**13,130,583,151**	–	13,173,051,382	13,173,051,382
Property, Plant and Equipment	**–**	**22,013,782,828**	**22,013,782,828**	–	19,717,584,739	19,717,584,739
Biological Assets	**–**	**2,356,319,273**	**2,356,319,273**	–	2,180,121,273	2,180,121,273
Investment Property	**–**	**238,714,000**	**238,714,000**	–	239,404,000	239,404,000
Mining Lands	**–**	**8,080,500**	**8,080,500**	–	511,500	511,500
Total Assets	**67,975,028,847**	**82,896,712,813**	**150,871,741,660**	58,594,198,640	70,923,373,003	129,517,571,643
LIABILITIES						
Due to Banks	**6,646,327,864**	**10,393,484,348**	**17,039,812,212**	4,854,885,753	5,611,241,245	10,466,126,998
Due to Customers	**41,688,440,412**	**11,045,181,880**	**52,733,622,292**	35,680,359,017	8,985,256,438	44,665,615,455
Interest Bearing Loans and Borrowings	**6,244,959,645**	**8,739,799,958**	**14,984,759,603**	6,251,548,728	10,270,671,742	16,522,220,470
Trade and Other Payables	**5,364,778,349**	**–**	**5,364,778,349**	5,466,723,449	–	5,466,723,449
Other Non-Financial Liabilities	**1,967,060,622**	**–**	**1,967,060,622**	1,617,739,093	–	1,617,739,093
Dividend Payable	**170,126,424**	**–**	**170,126,424**	107,784,635	–	107,784,635
Retirement Benefit Liability	**–**	**1,192,535,325**	**1,192,535,325**	–	1,127,384,613	1,127,384,613
Income Tax Liabilities	**1,392,211,517**	**–**	**1,392,211,517**	715,063,885	–	715,063,885
Deferred Tax Liabilities	**–**	**1,222,007,882**	**1,222,007,882**	–	739,509,051	739,509,051
Deferred Income and Capital Grants	**–**	**134,299,000**	**134,299,000**	–	121,613,000	121,613,000
Total Liabilities	**63,473,904,834**	**32,727,308,393**	**96,201,213,227**	54,694,104,560	26,855,676,089	81,549,780,649

42. ASSETS PLEDGED

The following assets have been pledged as security for liabilities other than that is disclosed under Note 21.2.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2016 Rs.	Carrying Amount Pledged 2015 Rs.	Included Under
Lease Rental Receivables and Stock out on Hire	Loans, Overdrafts and Syndicated Loan	17,761,939,036	9,624,616,863	Lease Rentals Receivables and Stock out on hire
Real Estate Loan	Overdraft	65,000,000	65,000,000	Other Non-Financial Assets
Freehold Building	Syndicated loans	271,283,794	341,839,797	Property, Plant and Equipment
Deposits	Overdraft & Guarantee	60,000,000	60,000,000	Investment
Fixed Deposits	Overdraft & Corporate Guarantee	8,093,090	6,641,144	Investment
Land and Building	Overdraft & Corporate Guarantee	70,601,840	78,703,700	Property, Plant and Equipment
Inventory and Debtors	Overdraft	19,575,000	19,575,000	Inventory & Receivables
Land and Building	LC/Import Loan, Overdraft, Term Loan & Bank Guarantee	2,282,316,176	2,282,316,176	Property, Plant and Equipment
Fixed Deposits	Overdraft, LC, Import Finance, Short term loan and Guarantee	100,818,969	63,000,000	Cash and Bank
Inventory and Debtors	Overdraft, LC, Import Finance, Short term loan and Guarantee	3,434,216,546	–	Inventory Trade & Other Receivables
		24,073,844,452	12,592,692,680	

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

THE GROUP HAS EXPOSURE TO THE FOLLOWING RISKS FROM FINANCIAL INSTRUMENTS

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

There are no other circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the Financial Statements.

1. CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Credit risk constitutes the Group's largest risk exposure category. This can be broadly categorised into three types; default, concentration and settlement risk.

DEFAULT RISK

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

CONCENTRATION RISK

The credit exposure being concentrated as a result of excessive build-up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

SETTLEMENT RISK

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis.

COMMODITY PRICE RISK - GOLD LOAN

Commodity risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. Given the significance of the Gold Loans to the Company's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price risk could arise from either of adverse movements in the world prices, exchange rates, basis risk between local and world prices.

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

- Quicker repricing cycle: Group as a strategy grants for shorter periods, allowing it to reprice its cost promptly.
- Frequent revisions of Loan-to-Value (LTV) ratio: the Group practices a process of revising advance offered per sovereign to reflect market value fluctuations to maintain the desired loan to value ratio.

TRADE RECEIVABLES

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

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

2. LIQUIDITY RISK

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

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

3. MARKET RISK

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

FOREIGN CURRENCY RISK

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

INTEREST RATE RISK

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

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

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

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

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

	Change in basis points (+/-)	Company Effect on Profit Before Tax (+/-) Rs. '000	Group Effect on Profit Before Tax (+/-) Rs. '000
2016	100 bps	–	79,521
2015	100 bps	–	137,831

EQUITY PRICE RISK

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

At the reporting date, the exposure to listed equity shares at fair value was Rs. 883,913,597/- (2015 – Rs. 1,017,030,580/-). A decrease of 10% on the ASPI could have a negative impact of approximately Rs. 16,122,509/- (2015 – Rs. 28,666,055/-) on the statement of comprehensive income (P&L) and Rs. 72,268,964/- (2015 – Rs. 73,037,003/-) on statement of comprehensive income (OCI) depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed shares could have a positive impact of approximately Rs. 16,122,509/- (2015 – Rs. 28,666,055/-) on the statement of comprehensive income (P&L) and Rs. 72,268,964 (2015 – Rs. 73,037,003/-) on the statement of comprehensive income (OCI).

CAPITAL MANAGEMENT

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

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

	2016 Rs.	2015 Rs.
Interest-Bearing Loans and Borrowings (Note 21)	**14,984,759,603**	16,522,220,471
Due to Customers (Note 20)	**52,733,622,292**	44,665,615,455
Due to Banks - Long Term Loan (Note 19)	**13,877,962,197**	6,720,360,404
Total Debt	**81,596,344,092**	67,908,196,330
Equity	**38,091,161,514**	34,736,706,379
NCI	**16,579,366,919**	13,231,084,615
	54,670,528,433	47,967,790,994
Total Capital	**136,266,872,525**	115,875,987,322
Gearing Ratio	**60%**	59%

43.1 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

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

There are no other circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the Financial Statements.

	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Assets						
Cash and Bank Balances	1,086,429,072	4,989,109,288	–	–	–	6,075,538,360
Financial Assets - Fair Value through Profit or Loss	10,645,973	–	–	–	–	10,645,973
Loans and Receivables	4,578,657,700	10,224,120,713	7,077,008,773	7,945,439,102	1,354,542,979	31,179,769,268
Lease Rentals Receivable and Stock out on Hire	2,640,832,834	6,020,750,629	16,296,902,196	35,179,068,618	12,676,586	60,150,230,863
Financial Assets - Available-for-Sale	138,411,349	–	–	–	–	138,411,349
Other Financial Assets	197,425,481	1,920,905,925	2,152,431,694	–	–	4,270,763,100
Total Financial Assets	8,652,402,410	23,154,886,555	25,526,342,663	43,124,507,720	1,367,219,565	101,825,358,914

	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Liabilities						
Due to Banks	699,271,523	575,308,097	4,019,824,217	11,925,243,402	–	17,219,647,240
Due to Customers	2,598,793,532	18,260,503,495	23,701,589,478	12,636,035,449	–	57,196,921,955
Debt Instruments Issued and Other Borrowed Funds	–	83,438,125	819,227,425	2,549,753,900	–	3,452,419,450
Other Financial Liabilities	1,869,940,600	–	–	–	–	1,869,940,600
Total Financial Liabilities	5,168,005,656	18,919,249,717	28,540,641,121	27,111,032,751	–	79,738,929,245
Total Net Financial Assets/(Liabilities)	3,484,396,754	4,235,636,838	(3,014,298,457)	16,013,474,970	1,367,219,565	22,086,429,669

44. EVENTS AFTER THE REPORTING DATE

L B FINANCE PLC

Subsequent to the reporting date, the Board of Directors of the Company recommended a first & final dividend of Rs. 7.50 per share for the year ended 31st March 2016.

ROYAL CERAMICS LANKA PLC

Subject to the approval of the shareholders at the Annual General Meeting Directors recommended payment of a final dividend of Rs. 4/- per share for the year ended 31st March 2016.

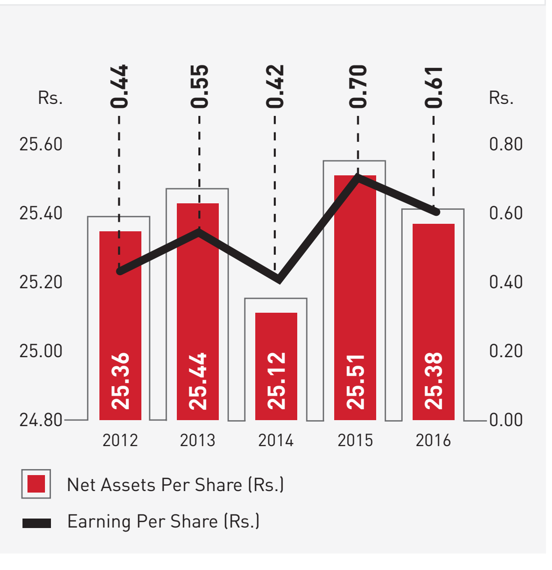
Other than the above, there have been no material events occurring after the balance sheet date that require adjustment or disclosure in the Financial Statements.

ANNEXES

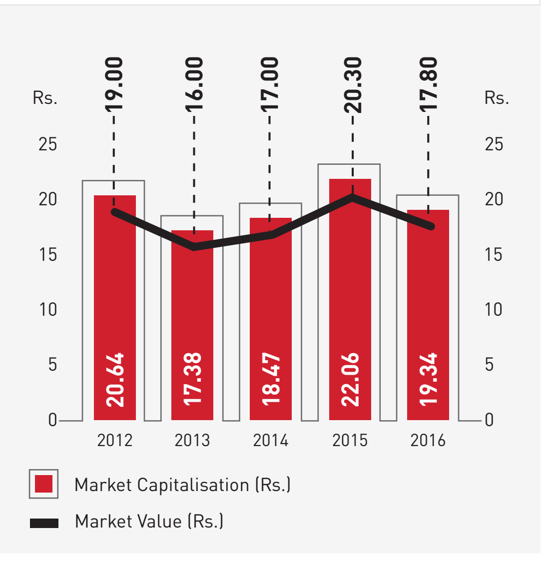
FIVE YEAR SUMMARY - COMPANY

	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Statement of Income					
Dividend Income	**808,134**	632,402	353,110	379,366	360,072
Other Income	**206,195**	446,762	299,963	368,887	347,691
Profit/(Loss) Before Tax	**720,859**	893,375	508,029	650,337	545,771
Tax Reversal/(Expenses)	**(56,660)**	(134,234)	(48,258)	(54,266)	(73,853)
Profit/(Loss) After Tax	**664,199**	759,141	459,771	596,071	471,918
Statement of Financial Position					
Stated Capital	**27,163,984**	27,163,984	27,163,984	27,163,984	27,163,984
Reserves	**411,178**	549,348	126,322	479,988	390,187
Shareholders' Fund	**27,575,162**	27,713,332	27,290,306	27,643,972	27,554,171
Assets	**27,599,276**	27,734,247	27,304,665	27,917,891	28,054,780
Liabilities	**24,115**	20,915	14,359	273,920	500,609
Ratios and Statistics					
Ordinary Dividends	**543,280**	434,624	760,592	325,968	–
Dividend per Share	**0.50**	0.40	0.70	0.30	–
Dividend Payout Ratio (%)	**82**	57	167	55	–
Earnings per Share	**0.61**	0.70	0.42	0.55	0.44
Market Value per Share (Year-End)	**17.80**	20.30	17.00	16.00	19.00
Net Assets per Share	**25.38**	25.51	25.12	25.44	25.36

Earnings and Net Assets Per Share



Market Capitalisation and Market Value



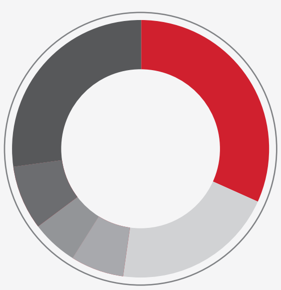
GROUP VALUE ADDED STATEMENT

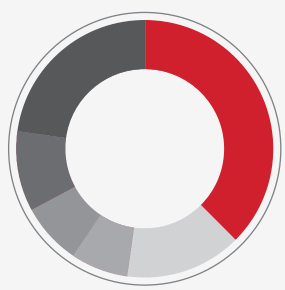
	2016 Rs.'000	2015 Rs.'000
Turnover	**47,667,846**	43,449,784
Finance & Other Income	**595,060**	785,915
Share of Associate Company's Profit	**1,532,687**	1,145,563
	49,795,593	45,381,262
Less: Cost of Material & Services bought in	**(29,809,264)**	(29,619,333)
	19,986,330	15,761,929

	2016 Rs.'000	%	2015 Rs.'000	%
Employees	**6,321,009**	**32**	5,902,012	37
Government of Sri Lanka	**4,106,419**	**20**	2,318,369	15
Shareholders	**1,365,850**	**7**	1,137,501	7
Lenders of Capital	**1,130,772**	**6**	1,235,579	8
Retained for Future as Depreciation	**1,613,036**	**8**	1,561,320	10
Retained Profit	**5,449,245**	**27**	3,607,148	23
	19,986,330	**100**	15,761,929	100

Value Addition

2016		2015
32%	Employees	37%
20%	Government of Sri Lanka	15%
7%	Shareholders	7%
6%	Lenders of Capital	8%
8%	Retained for Future as Depreciation	10%
27%	Retained Profit	23%





SHAREHOLDER INFORMATION

1. GENERAL

Stated Capital Rs. 27,163,983,720/-.

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 08th July 2011.

3. PUBLIC HOLDING

Shares held by the public as at 31st March 2016 was 19.243% comprising of 12,398 shareholders.

4. DISTRIBUTION OF SHAREHOLDERS AS AT 31ST MARCH 2016

From	To	No. of Holder	No. of Shares	%
1	1,000	9,096	2,730,851	0.25
1,001	10,000	2,577	7,249,409	0.67
10,001	100,000	594	21,265,088	1.96
100,001	1,000,000	119	31,912,856	2.94
Over	1,000,000	26	1,023,401,149	94.19
		12,412	1,086,559,353	100.00

5. ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2016

	No. of Holders	No. of Shares	%
Local Individuals	11,979	741,038,123	68.20
Local Institutions	375	338,263,982	31.13
Foreign Individuals	50	2,275,625	0.21
Foreign Institutions	8	4,981,623	0.46
	12,412	1,086,559,353	100.00

6. DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2016

	No of Shares	%
Mr. K D D Perera	689,726,471	63.478
Mr. W D N H Perera	–	–
Mr. J A S S Adhihetty	100,000	0.009
Mr. S H Amarasekara		
Shares held in the following manner		
Pan Asia Banking Corporation PLC/Mr. S H Amarasekara	1,000,000	0.092
Mrs. K Fernando	800,000	0.074
Mr. R N Asirwatham	800	0.000
Mrs. Y Bhaskaran (CEO)	–	–

7. TWENTY MAJOR SHAREHOLDERS

		31st March 2016		31st March 2015	
		No. of Shares	**%**	No. of Shares	%
1.	Mr. K D D Perera	**689,726,471**	**63.478**	689,726,471	63.478
2.	Employees' Provident Fund	**101,549,200**	**9.346**	101,549,200	9.346
3.	Vallibel Investments (Pvt) Limited	**91,966,451**	**8.464**	91,966,451	8.464
4.	Vallibel Leisure (Private) Limited	**91,929,063**	**8.461**	91,929,063	8.461
5.	Bank of Ceylon A/C Ceybank Unit Trust	**8,850,404**	**0.815**	6,497,409	0.598
6.	Mercantile Investments and Finance PLC	**5,176,000**	**0.476**	5,176,000	0.476
7.	National Savings Bank	**3,143,693**	**0.289**	3,330,000	0.306
8.	Mellon Bank N.A. – UPS Group Trust	**2,800,000**	**0.258**	2,800,000	0.258
9.	Bank of Ceylon No. 1 Account	**2,427,704**	**0.223**	1,567,604	0.144
10.	Merrill J Fernando & Sons (Pvt) Limited	**2,299,000**	**0.212**	2,299,000	0.212
11.	Mr. K D A Perera	**2,079,039**	**0.191**	1,231,361	0.113
12.	Mr. H R S Wijeratne	**2,069,000**	**0.190**	2,069,000	0.190
13.	Mr. A M Weerasinghe	**2,000,000**	**0.184**	2,000,000	0.184
14.	Wickramaratnes (Pvt) Limited	**1,865,000**	**0.172**	1,865,000	0.172
15.	Hatton National Bank PLC/ Sanka Ramoorthy Nadaraj	**1,760,383**	**0.162**	–	–
16.	Employees' Trust Fund Board	**1,722,140**	**0.158**	1,722,140	0.158
17.	Prof. M T A Furkhan	**1,672,000**	**0.154**	1,672,000	0.154
18.	Mr. A Sithampalam	**1,567,000**	**0.144**	1,567,000	0.144
19.	Bartleet Asset Management (Pvt) Limited	**1,314,000**	**0.121**	1,314,000	0.121
20.	People's Leasing & Finance PLC/L P Hapangama	**1,203,700**	**0.111**	-	-
		1,017,120,248	**93.609**	1,010,281,699	92.980
	Others	**69,439,105**	**6.391**	76,277,654	7.020
	Total	**1,086,559,353**	**100.000**	1,086,559,353	100.000

8. SHARE PRICES FOR THE YEAR

	2015/16		2014/15	
Market price per share	**Date**	**Price**	Date	Price
Highest during the Year	**07.08.2015**	**Rs. 26.70**	17.11.2014	Rs. 27.90
Lowest during the Year	**09.03.2016**	**Rs. 15.30**	07.04.2014	Rs. 16.70
As at end of the Year		**Rs. 17.80**		Rs. 20.30

9. NET ASSET PER SHARE

Net asset per share of the Company is Rs. 25.38 (2015 – Rs. 25.51).

GRI CONTENT INDEX

This report contains 'Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines'. This is the Organisation's first attempt to comply with the Guidelines and hence is not in accordance with core or comprehensive criteria.

GRI Indicator	Description	Page No./ Explanations
General Standard Disclosures		
Strategy and Analysis		
G4-1	Statement from the most senior decision-maker	08
Organisational Profile		
G4-3	Name of the Organisation	Back inner cover
G4-4	Primary brands, products and services	64 and 65
G4-5	Location of the Organisation's headquarters	Back inner cover
G4-6	Countries where the Organisation operates	32
G4-7	Nature of ownership and legal form	Back inner cover
G4-8	Markets served	12 to 14
G4-9	Scale of the reporting Organisation	04
G4-10	Workforce	58 and 59
G4-13	Changes during the reporting period regarding size, structure or ownership	None
G4-14	How the precautionary approach or principle is addressed by the Organisation	75
G4-16	List of memberships of associations	Back inner cover
Identified Material Aspects and Boundaries		
G4-17	List of all entities included in the Organisation's consolidation Financial Statements	64 and 65
G4-19	List of all material aspects identified in the process for defining report content	197
G4-20	Aspect boundary within the Organisation	Vallibel One PLC Group is the boundary for the report
G4-22	Restatements of previous information	None
G4-23	Significant changes to the scope and boundary from previous reporting periods	This is the first report in compliance with GRI guidelines
Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the Organisation	49
Report Profile		
G4-28	Reporting period	01st April 2015 to 31st March 2016
G4-29	Date of most recent previous report	This is the first report in compliance with GRI guidelines

GRI Indicator	Description	Page No./ Explanations
G4-30	Reporting cycle	Annual
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GRI Content Index		
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G4-EC3	Organisation's defined benefit plan obligations	109 and 110
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Sub-Category: Labour Practices and Decent Work		
Aspect: Employment		
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Aspect: Local Communities		
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Aspect: Customer Health and Safety		
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Aspect: Product and Service Labelling		
G4-PR5	Customer satisfaction surveys	60

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth (06th) Annual General Meeting of the Company will be held at "Balmoral" The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01 on 12th July 2016 at 9.30 a.m. for the following purposes:

1. To receive 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 2016 with the Report of the Auditors thereon.

2. To re-elect as a Director Mr. J A S S Adhihetty who retires by rotation in terms of Articles 87 and 88 of the Articles of Association of the Company.

3. To re-elect as a Director Mrs. K Fernando who retires by rotation in terms of Articles 87 and 88 of the Articles of Association of the Company.

4. To pass the ordinary resolution set out below to re-elect Mr. R N Asirwatham who is 73 years of age, as a Director of the Company:

   "**IT IS HEREBY RESOLVED THAT** the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. R N Asirwatham who is 73 years of age and that he be and is hereby re-elected a Director of the Company."

5. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.

6. To authorise the Directors to determine donations for the year ending 31st March 2017 and up to the date of the next Annual General Meeting.

By Order of the Board,
Vallibel One PLC

P W Corporate Secretarial (Pvt) Limited
Director/Secretaries

08th June 2016
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 Secretaries Office, P W Corporate Secretarial (Pvt) Limited, No. 3/17, Kynsey Road, Colombo 08 not later than 47 hours before the time appointed for the Meeting.*

FORM OF PROXY

I/We* ....

(NIC No. ....) of ....

being a shareholder/shareholders of VALLIBEL ONE PLC hereby appoint ....

.... (NIC No. ....) of ....

.... (or failing him).

Mr. K D D Perera	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*
Mrs. K Fernando	of Colombo or failing her*
Mr. R N Asirwatham	of Colombo

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Sixth (6th) Annual General Meeting of the Company to be held on 12th July 2016 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. To re-elect Mr. J A S S Adhihetty as a Director in terms of Articles 87 and 88 of the Articles of Association of the Company.		
2. To re-elect Mrs. K Fernando as a Director in terms of Articles 87 and 88 of the Articles of Association of the Company.		
3. To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr. R N Asirwatham as a Director.		
4. To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.		
5. To authorise the Directors to determine donations for the year ending 31st March 2017 and up to the date of the next Annual General Meeting.		

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

**Please delete as appropriate.*

....

Signature of Shareholder/s

Notes:

1. *A proxy need not be a Shareholder of the Company.*
2. *Instructions as to completion appear overleaf.*

INSTRUCTIONS FOR COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the proxy and the relevant details of the proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed proxy should be deposited at the Secretaries Office, P W Corporate Secretarial (Pvt) Limited, No. 3/17, Kynsey Road, Colombo 08 not later than 47 hours before the time appointed for the Meeting.

3. The proxy shall –
   (a) in the case of an individual be signed by the shareholder or by his Attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed proxy if it has not already been registered with the Company.

   (b) in the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

4. Please indicate with a 'X' how the proxy should vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.

CORPORATE INFORMATION

NAME OF COMPANY

Vallibel One PLC

LEGAL FORM

A public Quoted Company with limited liability incorporated under the provision of the companies Act, No. 07 of 2007

DATE OF INCORPORATION

09th June 2010

COMPANY REGISTRATION NUMBER

PB 3831 PQ

NATURE OF THE BUSINESS

Diversified holding company with strategic investments.

BOARD OF DIRECTORS

Mr. K D D Perera *(Chairman/Managing Director)*
Mr. W D N H Perera *(Deputy Chairman)*
Mr. J A S S Adhihetty
Mr. S H Amarasekara
Mrs. K Fernando
Mr. R N Asirwatham

HEAD OFFICE AND REGISTERED OFFICE

29 West Tower, World Trade Center,
Echelon Square, Colombo 1.

Telephone: 011 244 5577
Fax: 011 244 1444
Email: info@vallibel.com
Web: www.vallibelone.com

SUBSIDIARY COMPANIES

QUOTED

L B Finance PLC
Royal Ceramic Lanka PLC

SUBSIDIARY COMPANIES

UN-QUOTED

Delmege Limited
Greener Water Limited

ASSOCIATE COMPANIES

QUOTED

Sampath Bank PLC
The Fortress Resorts PLC

COMPANY SECRETARIES

P W Corporate Secretarial (Pvt) Limited
No. 3/17, Kynsey Road, Colombo 8.

Telephone: 011 464 0360
Fax: 011 474 0588
E-mail: pwcs@pwcs.lk

AUDITORS

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

BANKERS

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

This Annual Report is Carbon Neutral

This Vallibel One PLC annual report has been produced by Smart Media The Annual Report Company, a certified carbon neutral organisation. Additionally, the greenhouse gas emissions resulting from activities outsourced by Smart Media in the production of this annual report, including the usage of paper and printing, are offset through verified sources.

This is an Integrated Annual Report

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