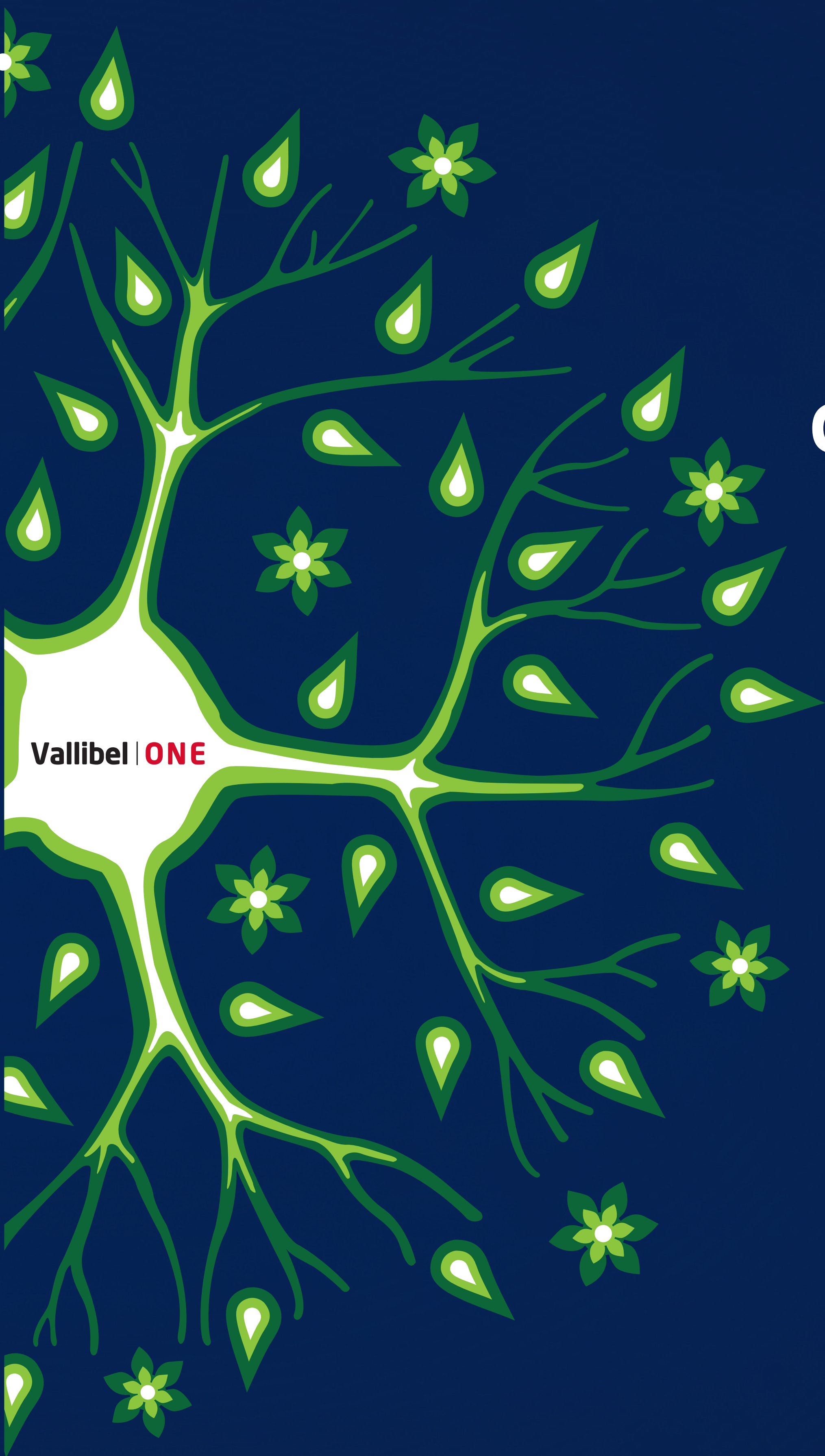
Vallibel ONE PLC

WEALTH CREATION FOR **VALUE CREATION**



2016/**17**

Annual Report

WEALTH CREATION FOR **VALUE CREATION**

Vallibel ONE PLC
Annual Report | 2016/17

VISION

Achieve uniqueness through diversity, leadership, creativity and inspiration.

MISSION

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

The Vallibel One 2016/17 Annual Report continues our story of Wealth Creation for Value Creation.

A tree in full bloom is symbolic of much value;
it stands firm and solid in an evolving eco-system, nurtured by its surrounds and nurturing its surrounds, presenting a canvas of opportunities through its thriving presence, signalling growth, prospects and infinite potential.

Just as a tree creates this wealth through its sturdy strength and cascades that wealth for sustainable value creation, Vallibel One is empowered by strong roots and robust fundamentals, creating value as it spreads its compelling presence to prompt wealth creation across multiple stakeholders, as it grows and flourishes, infinitely.

Vallibel | ONE

Vallibel | ONE

Constructed on a strong foundation of being responsive to change, the Vallibel One ethos since its incorporation in 2010 has been to innovate, transform and thereby lead. Our increasingly diversifying business portfolio exemplifies that responsiveness, portraying a synergy that is personified in our leadership. Driving our business with unparalleled passion and a strategic vision which have been the vital ingredients to our continued success, Vallibel One augments its leadership tenets with an uncompromising focus on ethics, values and accountability, operating our businesses with sincerity of action that reflects our deep-rooted commitment to governance in all forms. Pushing boundaries in our people and instilling a green consciousness in everything we do, Vallibel One is looking at the future with immense optimism, envisaging unparalleled opportunities that continue to unfold as we map our trajectory ahead.

CONTENTS

ABOUT THIS REPORT

Our internal capital, which consists of financial and institutional capital, is the value created by Vallibel One PLC for itself. Our external capital is the value delivered, both financial and non-financial, by the Company to its stakeholders.

In this Report we strive to build further on the concept of integrated reporting which we adopted last year. We will continue to focus on wealth creation which will in turn create value to all our stakeholders.

REPORT STRUCTURE

The Report describes concisely the different aspects and processes of our business as well as their interactions and interdependence. This includes strategy, governance, performance and prospects; it sets out how these mesh to create wealth, which in turn leads to value creation over the short, medium and long-term.

In this Report we have drawn on the concepts and principles set out in the following guides where applicable.

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4 (2013) *(www. globalreporting.org);*
- The International Integrated Reporting Framework (2013) *(www.theiirc.org)* and;
- The Smart Integrated Reporting Methodology *(www.smart.lk);*

CONCEPTS

The cornerstone of our reporting methodology is the integrated manner in which we carry out our business activities and engage with our stakeholders. Our integration of financial and sustainability reporting clearly articulates the dual process – value creation and value delivery – and how it leads to internal and external capital formation for our Company.

The two aspects of capital and value creation are interdependent and interlinked.

REPORTING CYCLE

This Integrated Annual Report covers the 12 month period from 1st April 2016 to 31st March 2017.

SCOPE AND BOUNDARY

Unless otherwise stated, the Annual Report 2016/17 covers the performance of all business entities belonging to the Vallibel One Group, based in Sri Lanka and overseas. The reporting on finance is based on Sri Lanka and overseas operations. The employee details exclude those of The Fortress Resorts PLC since it is an associate company.

Our report focuses on aspects that are material and relevant. Materiality is based on the extent to which a certain aspect will materially impact the ability of the Company to create value over the short, medium and long term.

Under Our Business Portfolio in this Report on pages 72 to 75 the principal subsidiary companies under Vallibel One are given. However, the sector classification used in the rest of the Report is by Business Operations and is not according to subsidiaries.

COMPLIANCE

The information contained in this Report is in compliance with all applicable laws, regulations and standards. In particular we are in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE) and subsequent amendments.

QUERIES

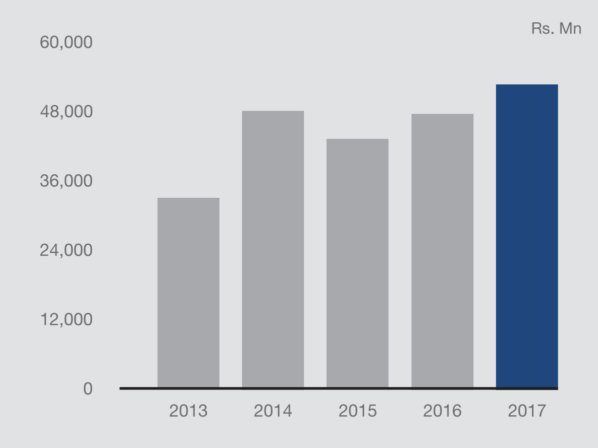
We welcome your comments or questions on this Report. You may forward your questions to e-mail info@vallibel.com.

GROUP AT A GLANCE

		2017	2016	Change %
Earning Highlights and Ratios				
Net Revenue	Rs. Mn	**52,936**	47,678	11
Results from Operating Activities	Rs. Mn	**10,356**	10,975	-6
Profit before Tax	Rs. Mn	**8,211**	10,970	-25
Profit After Tax	Rs. Mn	**4,254**	7,457	-43
Profit Attributable to Owners of the Parent	Rs. Mn	**540**	4,228	-87
Dividends	Rs. Mn	**543**	543	–
Gross Profit	%	**45**	44	2
Earnings per Share	Rs.	**0.50**	3.89	-87
Interest Cover	No. of times	**6.2**	9.3	-33
Financial Position Highlights and Ratios				
Total Assets	Rs. Mn	**175,582**	150,872	16
Total Debt	Rs. Mn	**42,792**	32,025	33
Equity Attributable to Equity Holders of the Parent	Rs. Mn	**41,352**	38,091	9
Gearing	%	**42**	37	13
Debt/Equity	%	**71**	59	20
Equity Asset Ratio	%	**34**	36	-5
Net Assets per Share	Rs.	**38**	35	9
No of shares in Issue	No. Mn	**1,087**	1,087	–
Market/Share holder information				
Market Value per Share	Rs.	**17.50**	17.80	-2
Dividend per Share	Rs.	**0.50**	0.50	-
Company Market Capitalisation	Rs. Mn	**19,015**	19,341	-2
Dividend Yield Ratio	%	**2.86**	2.81	2
Others				
Economic Value Generated	Rs. Mn	**23,179**	24,223	-4
Economic Value Distributed	Rs. Mn	**19,492**	17,160	14
Government	Rs. Mn	**8,900**	8,296	7
Employees	Rs. Mn	**7,138**	6,321	13
Others	Rs. Mn	**3,454**	2,543	38
Value Added per Employee	Rs. Mn	**1.67**	1.77	-6
Group Employment	Number	**13,862**	13,653	2

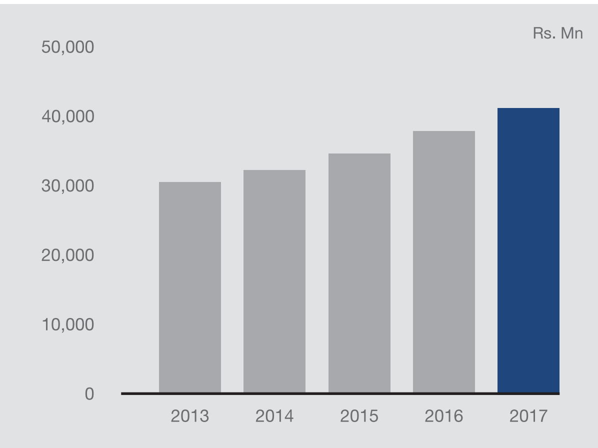
Increase in Turnover

Rs. 5.27 Bn



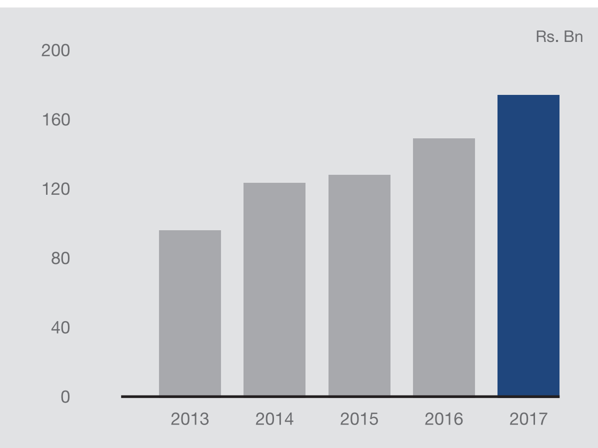
Increase in Shareholders' Fund

Rs. 3.26 Bn



Increase in Total Assets

Rs. 24.7 Bn



CHAIRMAN'S MESSAGE

DHAMMIKA PERERA
CHAIRMAN

"As is very much a hallmark at Vallibel One, we have made all possible efforts to ensure business integrity and maximum value for our shareholders, customers, employees and other stakeholders."

Dear Shareholder,

As your Chairman, it is my pleasure to report that Vallibel One PLC continued its highly conscious duty to ensure that wealth creation for the country via our impacts and operations are well-entrenched in the value creation we have always pursued in each of the industries and sectors we operate in. From a qualitative perspective, our businesses continued to retain leadership positions in their respective fields, contributing to industry developments and overall national growth, while quantitatively, our consistent performance overall gives evidence of this.

As is very much a hallmark at Vallibel One, we have made all possible efforts to ensure business integrity and maximum value for our shareholders, customers, employees and other stakeholders. Our ethos of 'wealth creation for value creation,' has been the guiding philosophy of the Group during the year as we faced challenges in the wake of reaching our business objectives.

PERFORMANCE AND GROWTH

The corporate sector faced a number of challenges during the financial year 2016/17, not only due to macro policy changes, but also due to various challenges impacting the industries we operate in. However, most of our subsidiary companies maintained sustained revenue and profit growth, ensuring overall positive growth for the year.

Driven by the strong financial performance of the subsidiary companies, Group revenue increased to Rs. 52.9 Bn from Rs. 47.7 Bn in the previous financial year. Similarly our Assets also increased by 16% and amounts to Rs. 175.6 Bn. Group Profit After Tax declined from Rs. 7.5 Bn last year to Rs. 4.3 Bn. This is mainly due to my ceasing to be Chairman of Sampath Bank having completed nine years as a Director and consequently reclassifying the investment in the Bank as 'available for sale financial assets' from the previously used 'equity method' of accounting. If this reclassification and Sampath Bank's results were not taken into account in both years, Vallibel One would have recorded a Group Profit After Tax of Rs. 7.9 Bn for the current financial year compared to Rs. 6.6 Bn in 2015/16.

Innovative thinking and pioneering initiatives remain the Vallibel One trademark and have been a central tenet of our value creation process. This enables us to develop strategic responses by leveraging innovative solutions to consolidate and grow market share and continuously augment value creation. This has led us to continually focus on astute strategies that would increase customer convenience and accessibility, expansion and cost efficiencies, while maintaining our emphasis on unwavering quality, cutting edge manufacturing processes and knowledge gain, coupled with uncompromising business ethics that will continue to hold us in good stead in retaining our market leadership in the industry sectors we operate in.

During the current financial year, Vallibel One and its subsidiaries made significant capital and human resource investments to improve competitiveness, while also pushing boundaries in innovation and product development.

Royal Ceramics invested over Rs. 1.2 Bn into its factories in Horana, Eheliyagoda and Homagama to expand tile and sanitary ware capacity and nearly Rs. 1 Bn was committed for the acquisition of lands and upgrading showroom facilities to consolidate market share of Rocell branded products. Focused on enhancing competitive advantages, Royal Ceramics, also sought-out new export markets.

Our financial services subsidiary L B Finance, now a Rs. 100 Bn asset Non-Bank Financial Institution and the third in the industry to achieve this milestone, continued growing its market share using incisive platforms of product innovation and service excellence. As is the hallmark in our corporate persona, the Company overcame industry challenges and added to its top line by growing the mortgage and gold loan portfolios impressively, while consolidating its leading position in lease financing.

The emphasis on creating value continued to be in focus for Delmege and its cluster companies too, with strategic interventions made in the previous year prompting steady growth during the current financial year.

Our debut into the luxury hospitality sector Grand Beach Hotel is now well-entrenched with construction of the superstructure well underway in Negombo following the completion of piling works.

FUTURE DIRECTION

Our unrelenting focus as we move into yet another year will be on supporting the economic and social progress of the country and people through the multifaceted application of our business philosophy of wealth creation for value creation. Companies in the Vallibel One Group have made significant progress during the current year in this context, by investing in people, innovation, new product and market development through expansion beyond Sri Lankan shores. This will continue to remain the strategic focus of the Group.

As Sri Lanka continues to experience rising cost structures especially in the energy sector, we have initiated focused efforts into cost containment and efficiency improvements that are already generating tangible returns. As a component of long term sustainability, our companies will redouble their efforts at integrating energy efficient solutions and waste reduction practices across the Group. We are fully appreciative of our employees' key role in our progress as a core stakeholder of the Group and we will continue to build their skills and capacities through training and development.

Vallibel One continues its strong focus on governance, business ethics and values, ensuring that it operates its business transparently and with accountability.

ACKNOWLEDGEMENTS

I would like to thank our shareholders for their continued faith in us and the Board of Directors for their invaluable advice and guidance throughout the year. I am also appreciative of the support extended by the former Deputy Chairman during his tenure. I extend my appreciation also to our business partners for the mutually respectful and beneficial relationships based on trust that we continue to enjoy.

Being a Group that has always remained focused on value creation in each industry we operate in, wealth creation would be natural consequence of the strategic and visionary pathways we have now chartered in reading for the future. As we step into another year, I see Vallibel One well prepared to craft new chapters of success.

DHAMMIKA PERERA
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REVIEW

YOGADINUSHA BHASKARAN

CHIEF EXECUTIVE OFFICER

“A large share of our success in wealth creation belongs to the diversity within the Vallibel One companies, each continuing to be proactive in the diverse economic sectors.”

The year has seen Vallibel One continue to remain committed to its guiding proposition of 'wealth creation for value creation', leading to strategic progress across our diversified Group of companies. This has always been our philosophy and in light of this sustained growth, it gives me a great pleasure to present the performance review of our subsidiaries and to explain how we have continued to generate wealth through our business proposition.

A large share of our success in wealth creation belongs to the diversity within the Vallibel One companies, each continuing to be proactive in the diverse economic sectors. Having already reached market leadership position in most of the sectors we operate in, we continue to maintain market share overall due to a constant focus on innovation, product and service excellence.

Vallibel One's Profit After Tax stated in the income statement is Rs. 4.3 Bn compared to last year's Rs. 7.5 Bn. This decline is due to the accounting treatment of the Sampath Bank investment, which is explained in greater detail in the Chairman's message. The Company recorded an asset growth of 16% and a revenue growth of 11% against the previous year.

The focus on innovation and contemporary thought processes has seen us formulate new applications, best practices and continuous improvement, thereby ensuring that wealth creation becomes an attainable goal in our daily business. In line with our business philosophy of sustainable value creation, the Group invested in capital projects in different businesses, including land acquisitions, plant and machinery, communication and technology. Our capital investments have also been conducted within relevant regulatory requirements including compliance with all relevant environmental regulations. Wherever possible, we have attempted to invest in energy saving and environmentally friendly technology solutions to minimize possible environmental impacts.

Vallibel One believes strongly in its human capital. The team has contributed immensely to the success of the Company, much beyond expectation, which undeniably is one of the core reasons for our success. We regard our people as the engine of growth and invest significantly in human resource development through training and skill development initiatives. Our far thinking strategy of investing in appropriate human capital has enabled us to reach each of our strategic goals this year.

SHOWCASING OF SECTOR PERFORMANCES

In our Non-Bank Financial Services (NBFI) sector, L B Finance despite adverse market conditions, achieved yet another milestone this year by recording the highest Profit Before Tax. The Company absorbed changes to the loan-to-value ratio twice during the year and experienced revenue losses from the decline in the motor leasing market, following the upward revision of vehicle import duties. Despite these constraints, L B Finance achieved a total asset growth of 22% from Rs. 84.51 Bn last year to Rs. 102.7 Bn, deposits grew by an impressive 13% from Rs. 53.37 Bn to Rs. 60.40 Bn, and the leasing portfolio expanded by 23% year-on-year. The total income of the Company surged by 24%. The Company's strategy of decentralisation, building internal skills and enhancing market share in its core areas of expertise, leasing, gold loans and financing were the drivers of this growth.

Concentrating on our strengths, prudent steps were taken to promote housing mortgage loans. In the backdrop of this challenging environment, the Company managed to improve the quality of the loan book through improved credit standards and investing in staff for close monitoring of advances. As a result, Non-Performing Loans (NPLs) recorded low levels, far below industry average.

Having earmarked one of the world's fastest growing industries as an opportunity that must be exploited, Vallibel One's insistence in asserting our presence in the country's leisure sector through the fast evolving hotel subsector is bearing fruit. Currently, our holdings include the Fortress Resort and Spa, a 53 room boutique hotel located in Koggala and our ongoing Grand Beach Hotel project in Negombo. The Grand Beach Hotel is designed to become a beacon in the local tourism industry and is conceptualised as a super-luxury five star beach resort, with a range of first-of-its-kind features.

Our flagship sector, the Royal Ceramics Group has continued to grow impressively despite numerous challenges emerging from both adverse economic conditions and business operations. The sector gained considerable edge by maintaining the Group's strategic philosophy in focusing on cost efficiencies, operational responsiveness to technological and industry demands, intense emphasis on innovation and R&D for expansive product diversity and timely product delivery through logistical advancements. A highly motivated team added the assured success factor. Resulting from these, Royal Ceramics recorded a growth of 7% in turnover and 14% incline in total assets over the last financial year. The Group's net profitability increased as well.

Swisstek Aluminium, Uni-Dil Packaging and Horana Plantations all of which are subsidiaries of Royal Ceramics added momentum to the Group's performance. The improved turnover posted by Swisstek Aluminium due to constant demand recorded a 30% profit growth. Uni-Dil, which strengthened its plans to capture market share, continued the enhancement of its production facilities and added to its product portfolio to make significant inroads in the business. Challenged by adverse weather conditions and labour shortages, Horana Plantations nevertheless reduced its operational losses from Rs. 73 Mn to Rs. 30 Mn due to a focused plan being implemented.

Our celebrated brands of tiles, Rocell and Lanka Tiles continued their upward trajectory in performance, despite intense competition arising in the tile sector. Infusing strategic investments that add significant value to its unwavering focus on innovation, quality and capacity, the sector is gearing for rapid growth in 2017/18.

The Delmege Group of companies is a conglomerate which encompasses eight business clusters operating in diverse economic segments of the country. The Group's corporate strategy was revised in the last financial year in response to emerging risks and opportunities in the economic landscape. The Group turnaround during the year under review witnessed the fruition of these growth objectives and revised operational strategy, showcasing a steady bottom line growth above 100% over the last financial year. Delmege interiors added Rs. 134 Mn to the Group Profit Before Tax which is the highest in this cluster so far. The healthcare cluster also concluded the year with Rs. 103 Mn Profit Before Tax, of which the medical equipment division recorded an all-time high profitability of Rs. 78 Mn. Insurance brokers and shipping also contributed significantly to Group profits with Rs. 35 Mn and Rs. 32 Mn respectively, while all other clusters contributed effectively to bottom line.

FUTURE OUTLOOK

Our observation of Sri Lanka moving towards rapid expansion and development herald new chapters for us to explore. A slew of national development projects coupled with the investment infusion into the real estate and leisure sectors, macro infrastructure projects, the International Finance Centre and numerous other focus areas are all envisaged to push the country into new domains. As these new projects materialise, it is essential that Vallibel One is geared to take advantage of these opportunities to create greater value for the nation. Hence, the formulating, forging and strengthening of our competitive advantages by investing in our capabilities, competencies and expertise is vital. This is being implemented through expansion, technology injections and skill developments with a focus on innovation, state of the art technology and continuous cost management, paving the way for us to create wealth which in turn, will create value.

Vallibel One excels in setting industry benchmarks in the respective industries and working towards daunting goals by inculcating a winning mind set and can-do-attitude that results in synergies and positive outcomes that go beyond expectations. As we continue to march forward, our focus across the Group will be on enhancing competitiveness and creating a positive customer experiences through the incorporation of innovative technology and management solutions along the value chain. This will ensure that this value creation embraces all stakeholders and continues to reach beyond expectations not only via quantitative returns but also in qualitative experiential benefits.

We anticipate that the national plans for the hospitality sector as well as real estate development projects will generate strong and sustained demand for many business sectors within the Vallibel One group. I have no doubt that the talent and skill of our team, coupled with the well regulated internal financial governance at our disposal will allow us to exploit these opportunities to reach greater heights in the ensuing financial year.

APPRECIATION

The past year has been an intensely exciting one for Valllibel One, more so due to the opportunities we have availed ourselves and the impressive progress we have achieved. This success would not have been possible if not for the guidance and support extended to me by the Chairman and Board of Directors. The Vallibel One team remains the backbone of our achievements and deserves to be commended for giving their best during the year. I express my appreciation to each of our companies' management and teams who have firmly focused on their objectives and delivered on their promise, which has resulted in our success.

As a new year emerges for this progressive group of companies, Vallibel One is poised to leverage on the synergies it has garnered through the years. We will optimise on the advantages we have within us and exploit the opportunities around us to ensure that our value creation will result in holistic wealth creation.

YOGADINUSHA BHASKARAN

CHIEF EXECUTIVE OFFICER

Management Discussion and Analysis

Our Business Operations

A tree garners strength from its roots and it is these roots that enriches it into a strong presence, prompting the coming of leaves and eventually flowers that make way for the tree to spread its wealth upon the earth. Similar to the depicted tree, as you read the following pages, you will see the breadth and depth of Vallibel One's quantitative and qualitative performance during the year. This evidences that the Group's consistent success is drawn from its stable roots which has seen the Group grow sustainably, to create wealth and through that, create value.

Vallibel One PLC has once again reached the pinnacle of success in operational activities and concluded yet another successful financial year.

Being a diversified holding company, Vallibel One continued to guide its subsidiaries in the right direction throughout the financial year in overcoming business challenges. The Group recorded a total assets growth of 16% and a revenue growth of 11% over the previous year. Group Net Profit After Tax has declined due to the accounting treatment of the investment in Sampath Bank PLC as 'available for sale financial assets' from the previously used 'equity method', subsequent to the relinquishment of our Chairman having completed 09 years as a Director of the Bank. The nature of this accounting treatment is explained in the Notes to the Financial Statements 11.3. If this reclassification and financial results of Sampath Bank were not considered in both years, Vallibel One would have recorded a Profit After Tax of Rs. 7.9 Bn for the current financial year, compared to Rs. 6.6 Bn in the previous financial year.

The group enhanced its presence in new business ventures and continuously made strategic decisions to enable growth and innovation during the year. The visionary leadership, execution of best practices, process driven financial governance and Group's compliance with regulations and statutory requirements have helped Vallibel One to become a vibrant catalyst of growth.

Given below is a snapshot of the performance of each of our sectors during the year under review, which showcases the extent of strategic reach and sustainability, despite an increasingly challenging external and internal environment. The results depicted below explain comprehensively how the overall business strategy of the Group helped in wealth creation for value creation.

SECTOR REVIEW
TILES

Flagship Store – Micham, Melbourne, Australia

Royal Ceramics Lanka (PLC) and its subsidiaries Royal Porcelain (Pvt) Ltd, Lanka Tiles PLC and Lanka Walltiles PLC collectively account for 40% of Sri Lanka's tile market.

Royal Ceramics manufactures and retails porcelain and ceramic tiles under the Rocell brand. The company has a state of the art manufacturing facility located in Eheliyagoda with a production capacity of 1.75 Mn square meters per year. The focus on uncompromising quality standards, highly advanced technology and unparalleled innovation has given the manufacturing plant the edge in producing an expansive array of tiles that are both stylish and visually artistic.

Royal Porcelain the fully owned subsidiary of Royal Ceramics, designs and manufactures superior quality glazed ceramic and vitrified glazed porcelain wall, floor and exterior tiles under the Rocell brand. The manufacturing plant in Horana has a production capacity of 3.85 Mn square meters per year. Infusing technologically driven systems and processes, the manufacturing facility's state of the art sorting and redline measuring ensures the output of defect minimised and designs optimised glazed ceramic and vitrified glazed porcelain tiles.

As a well-renowned brand, Rocell has initiated a paradigm shift in marketing models with the launch of its innovative Concept Stores to add to its dealer and franchise outlets across the country. Customers are availed the ease of accessibility and convenience through a network of 51 Rocell showrooms.

Lanka Tiles, the pioneer in floor tile manufacturing in Sri Lanka, has an expansive range of tiling concepts in an array of colours, textures and sizes.

Rocell Concept Store – Nawala

Marketed under the brand of Lanka Tiles, the ultra-modern technologically driven manufacturing facility in Ranala currently produces 4 Mn square meters of tile annually. The distinct advantage offered by Lanka Tiles is its delivery of total tiling solutions that blend innovation, design, quality and technology to suit designer, architect and individual homeowner requirements.

Lanka Walltiles, which is also a company within the Royal Ceramics Group, having produced wall tiles that have gained the confidence of the discerning consumer, continues to be the only manufacturer of glazed ceramic wall tiles in Sri Lanka. The company's manufacturing facility in Meepe produces 2.5 Mn square meters of wall tiles annually. Both Lanka Tiles and Lanka Walltiles market their expansive product range through a channel network of 48 own branded and franchise showrooms.

Expanding presence overseas remains a focus for Royal Ceramics, which through Rocell Pty Limited has established two Concept Stores. These Concept Stores are located in Melbourne, in the suburbs of Oakleigh and Mitcham. The latter, which is the flagship store, gained the design expertise of Italian designer, Simone Cagnazzo. As a brand Rocell has gained status not only in superior quality but also for innovative design and competitive pricing.

Our tile sector observe globally accepted industry best practices and has been commended with multiple international certifications for quality, safety and environmental consciousness. They have also invested extensively in research and development that has led us to introduce innovative and high quality products that conform to global marketplace benchmarks.

STRATEGY AND PERFORMANCE

During the year under review, the tiles sector contributed Rs. 17 Bn to Vallibel One Group revenue, which is a 33% contribution.

Both Royal Ceramics and Royal Porcelain with their impressive performance this year, recorded a revenue increase. Royal Ceramics had an incline from Rs. 3.4 Bn to Rs. 3.8 Bn while Royal Porcelain enhanced revenue from Rs. 4.4 Bn to Rs.4.7 Bn. This upward movement was well supported with the introduction of Total Productive Maintenance (TPM) which resulted in cost reduction and efficiencies across the board. Production yield was improved through mechanisms that ensure fewer damages and thereby increased yield. The companies worked closely with dealers for product optimisation and to ensure that adequate stocks of high demand products and designs were always available.

Lanka Tiles maintained its performance overall in the year under review, remaining vigilant and focused on numerous strategies that will minimise cost and infuse efficiencies of scale. Lanka Walltiles in the meanwhile posted a revenue of Rs. 3.3 Bn.

The companies in this sector have been pushing benchmarks in operational excellence. Each has directed focus on increasing efficiencies, enhancing brand status, upgrading and expanding accessibility through the showroom and distribution network and intensifying customer satisfaction levels to achieve these goals.

WAY FORWARD

Royal Ceramics is geared to maintain market leadership by leveraging new technologies and new design capabilities. The company's international quality standards will be an added competitive advantage to grow further market dominance. Expansion in global reach is being planned through new branches in Australia and Pakistan.

Royal Porcelain is now well positioned to expand market share due to capacity expansions and manufacturing advancements effected in the current financial year. The company intends to venture into high demand sizes and textures, while adding more 'structured' options which have been analysed as popular among consumers. Royal Porcelain will continue to focus on a demand driven production, thereby catering more specifically to customer needs.

Focusing on strengthening and building partnerships with dealers and franchisees to ensure better access for consumers, Lanka Tiles intends to optimise its value chain model. It will also establish an overseas operation that will enhance the brand presence. Brand visibility will be another priority to enhance competitiveness and maintain brand positioning.

With plans on expanding manufacturing facilities, Lanka Walltiles will, in tandem, also strengthen marketing and promotional activities as a means of increasing sales volumes and customer service levels. It plans to expand its footprint in a quest to open new overseas markets for growth of export volumes.

Reflecting the unwavering focus on growing its global footprint, Rocell Pty Limited will open its third Rocell showroom in Moonepond, Victoria. It also intends to expand its presence to other regions of Australia, re-iterating the customer confidence it has gained for design, innovation and quality.

SECTOR REVIEW
SANITARY WARE

Rocell Bathware, which is a total bathware solutions provider, is the country's premier sanitary ware manufacturer dominating 40% of the Sri Lankan market with its unique concept stores taking retail marketing to new heights. The company has been expanding its market reach through a dual strategy of opening Concept Stores in key locations which are designed to deliver inspirational experiences in simulated environments and also fostering a fast growing dealer and franchise network.

The company's state-of-the-art manufacturing facility in Homagama, well on par with some of the world's most contemporary and technologically driven facilities, has a total production capacity of 245,000 units per annum and is capable of producing world-class vitreous china and fire clay sanitary ware. Testifying to its international production standards, the manufacturing facility is ISO 9001:2005 certified and has also obtained the ISO 14001:2015 Environmental Management Systems Certification, Watermark Certificate for Conformity Levels 1 and 2, the Certificate and Declaration of Conformity for CE (European Compatibility), 4 star Rating – Water Efficiency Labelling Scheme and the Green Label Certificate for sustainable building materials and products.

STRATEGY AND PERFORMANCE

A strong financial performance was achieved during the year and the sector revenue grew by 25%. The company achieved a Net Profit growth of 16%. This was due to a combination of strategic moves including production capacity expansion, harnessing modern IT solutions, expansion of the product portfolio and continued growth of the distribution network. The company invested in a new casting machinery and a new kiln at an investment of Rs. 580 Mn, which can increase the overall production capacity by 100% with a few additional machinery. Exampling the emphasis on continued IT infusion, the latest Oracle EBS ERP was installed during the year under review and implementation of the systems Manufacturing module has commenced. The procurement policies were rationalised for maximum cost efficiencies.

Consolidating its position as a total solutions provider for bathware, the company commenced the design and manufacture of a range of bathroom accessories including cabinets, mirrors under the Rocell brand, while also unveiling state of the art bathware suites including the Urbanity Urinal and Xeon wash basin. Expanding reach and accessibility, two A Grade showrooms and three factory outlets were opened this year.

WAY FORWARD

Under the growth vision of the company, 2017/18 has been designated the Year of the Customer, where Rocell Bathware will focus on adding more customer value across the supply chain from manufacture to design and to delivery.

This customer value drive has already commenced with Rocell planning to introduce its own bathroom accessories and by setting new benchmarks in customer service excellence. Enhanced value creation will be achieved through improved showroom quality, greater accessibility, innovative products, continued research and development and training and development of the team to attain higher levels of customer service excellence.

The company will realise the full potential on the enhanced capacity with the increase in demand and will continue to maintain a strong cost and productivity focus. In its farsighted outlook, the company is already strategising to meet demand growth over the medium to long term, particularly in terms of increased capacity.

Rocell Concept Store – Nawala

Enjoying approximately 40% of market share, Swisstek Aluminum is a frontrunner in the rapidly expanding aluminium profile market.

Swisstek Aluminium being the newest entrant to the market is rapidly expanding its footprint through the introduction of new profiles supported by constant focus on market research and product development. Its manufacturing plant currently has an impressive capacity of 450 MT which has increased two fold in as many years. The company has made its mark in the domestic construction industry through the production of trendy and modern aluminum profiles in a range of finishes including natural, bronze, powder coated and wood. The profiles are compliant with all relevant international standards which enables the company to strengthen its status as the fastest growing aluminium extruder in the country.

STRATEGY AND PERFORMANCE

During the year under review, the aluminium sector contributed Rs. 2.8 Bn to Vallibel One Group revenue, which is a 29% revenue growth compared to last year.

The company remains watchful of emerging trends in the construction industry. The demand for large size aluminium extrusions has been on the rise in recent years, necessitating the company to invest in technology that would deliver these profiles to discerning customers. This trend is expected to gather momentum in the years ahead as the country's construction sector continues to be dominated by upmarket real estate developers requiring superior products to adorn luxury living spaces. This year, the company introduced mirror finished profiles, a product that gained instant popularity.

WAY FORWARD

Swisstek Aluminium is geared to maintain its upward trajectory in 2017/18, with a Rs. 1 Bn capacity expansion that is currently underway allowing the company to introduce a new range of products that will include a proprietary system developed with a foreign collaboration. By August 2017, plant capacity will increase from the current 450 MT to 1,000 MT, which will enable manufacture of bigger aluminium extrusions and also add 30% capacity to the anodizing department. The company is also striving to expand its footprint overseas, especially in Maldives. To ensure compliance with constantly improving international quality standards, the company is also working towards the Qualicoat Certification for its powder coated products.

Uni-Dil Packaging continues to affirm its position as one of Sri Lanka's undisputed leaders in corrugated carton manufacturing, having etched a track record of novel applications and designs especially structured to support domestic and export industries. Timely, strong and biodegradable, thus environmentally safe, packaging options are customised to the unique needs of a diverse customer base. In the overall packaging sector, the company ranks second with approximately 13% of market share.

In its drive to retain market leadership, Uni-Dil Packaging ensures that customers receive the most cost effective and innovative, customised packaging and also paper sacking solutions, by harnessing the creativity, knowledge and skills of its highly trained team. State-of-the-art machinery has placed Uni-Dil Packaging as a supplier who used cutting edge technology to produce high quality products that most often exceed the stringent demands expected in long distance storage and transportation. Customer value is enhanced through timely delivery, accuracy and assured quality while technical consultation on package designing to improve packaging efficiency at the customer's end is an unmatched value addition that the company offers.

Decades of experience, expertise and unparalleled competencies being infused into the sector has seen the company's thought leadership spearhead customised and sometimes pioneering packaging solutions for any product genre. This has resulted in the collation of an innovation oriented skill pool that comprises expertise in multiple aspects of the industry supported by enhanced efficiency parameters, which have been attained through targeted productivity enhancement processes and systems regularly monitored by a dedicated Productivity Committee.

STRATEGY AND PERFORMANCE

The Company faced a revenue drop of 2%.

The domestic packaging industry is characterised by its distinct oligapolistic makeup and is currently experiencing a situation of oversupply in production, compounding towards an operating environment of extreme competition among existing producers. As the total industry production capacity exceeded demand volumes during the year, the sector experienced intense price competition and greater buyer power. The industry also faces a shortage of skilled labor which impacts productivity and growth negatively.

At Uni-Dil Packaging, these obstacles were addressed with customary responsiveness during the current financial year through ongoing and focused skill development initiatives that have continued to sustain the company's leadership position as an innovator and thought leader.
In 2016, the company reached its maximum production capacity where no further improvement could be done on the existing old machinery. Hence, it was necessary to acquire new machinery leading to the purchase of a state of the art machine, which increased corrugated production capacity from 1500 MT to 3500 MT per month. This acquisition also addressed the industry wide challenge of low automation.
Adding further to technology upgrades, an automatic computer controlled high speed corrugator machine and printer with slotter, inline gluer and strapping unit were also installed. These technology enhancements have significantly contributed towards cost savings and efficiency gains, while also ramping up overall productivity by reducing the manual components in the manufacturing process.

With innovation being the forerunner to market leadership and better value options to be presented to customers, the company introduced a new flute combination for 5 ply boxes, where the consumption of the raw material is lower. Also, this new combination helps enhance print quality of the box. In another industry first, Uni-Dil Packaging introduced the concept of selling packaging to customers on the basis of a strength test worked via a box compression test, instead of the conventional method of selling packaging based on weight, which is a relatively higher cost to customers.

WAY FORWARD

As industry competition intensifies, Uni-Dil Packaging will promote business growth through the implementation of a two-pronged strategy of innovative and customised packaging solutions together with diversification into new products and new markets. In the new financial year, the company plans to expand the business into the laminated carton market for which machinery has been sourced and acquired and training of personnel has been completed.

Uni-Dil Packaging is also exploring export opportunities given its undisputed international quality standards maintained throughout the entire value chain process of raw material to production and into the final product. Market penetration will continue with new products and the existing portfolio being introduced to current and potential customers, and in particular through the acquisition of larger buyers to facilitate economies of scale in production runs. Groundbreaking initiatives towards cost and waste reduction will be further improved through ongoing productivity management processes and tools, which will be given further fillip through ongoing automation initiatives to mechanise manual processes.

Gouravilla Estate

Spanning a land area of 7,534 Ha in both low and up country, the company has a capacity of 3.8 MKgs of tea and stands proudly as a producer of premium quality tea, single handedly accounting for 1% of total tea production of the country. The quality of tea is amply demonstrated with Horana Plantations commanding the second highest tea prices in the country and also being acknowledged as the second best leading small leaf tea producer for tea bags. Horana Plantations is also one of the leading rubber producers in the country accounting for 1.2% of total national production with an output of 1.4MKgs.

The thought leadership the company displays is well observed in its visionary approach to expanding its agricultural profile. The company has diversified into ancillary crops, Oil palm, Cinnamon, Coconut and fruits in some of the low country estates in order to reduce its reliance on primary crops that are subject to the vagaries of the weather. In addition, it advocates GMPs and GAPs in all its plantations ensuring that quality and environmental certification are imperatives. The company exports FSC certified rubber on request of the Fair Rubber Association and is well entrenched into product purity and quality accreditation with ISO 22000:2005:HACCP for all tea factories and ISO 9001 QMS certification for all its rubber factories.

STRATEGY AND PERFORMANCE

The plantation sector achieved a revenue growth of 8%. However, due to the prevalent geopolitical volatility in 2016 for the first six months of the year tea prices remained unfavourable. This trend changed from the third quarter; prices improved and contributed towards a profitable year-end performance from the tea sector. In rubber, with Horana Plantations being one of Sri Lanka's leading natural rubber producers, the continued slump in rubber prices depressed the top line.

Horana Plantations has etched a lasting legacy in Sri Lankas centuries old tea and rubber plantation.

Rubber production was also curtailed due to inclement weather. However, the rubber sector was able to reduce its losses this year following some improvements to price during the last quarter of the year. Restrictions imposed on harvesting commercial timber by Government authorities further inhibited top line growth.

However, the improvements seen in quantitative numbers especially from the second half of the year, combined with cost containment activities and the ongoing crop-diversification strategy contributed towards a significant reduction in losses from Rs. 73 Mn in the previous year, to about Rs. 30 Mn by the end of the current financial year. A serious ongoing challenge faced by the company is the continued migration of skilled labor which makes it difficult to maintain the required quality of product and production parameters both in tea and rubber. The low outturn of tea pluckers and rubber tappers has been a constraint in recent years to plantation sector expansion. However, the company has been successful in stemming attrition due its well targeted sustainable community projects and employee welfare schemes, which have also prompted better working conditions.

WAY FORWARD

Horana Plantations assumes an obligatory duty towards introducing innovative technologies, management practices and quality control. As the company makes headway with its diversification strategy, these value creating concepts will form the guiding paths to escalate pace of recovery and growth. Framed within these sustainable business practices, the company is exploring possibilities to export tea to Taiwan and China. Further expansions in the diversification strategy will include the introduction of a variety of other crops to expand the multi-cropping model into a more sustainable and commercially viable paradigm.

An unparalleled spearhead in thought and people leadership.

L B Finance is a financial institution with 45 years of expertise that combines an excellent understanding of the Sri Lankan customer and a savvy outlook on the transformative financial environment. With this institutionalised knowledge, L B Finance is uniquely placed to serve the varied aspirations and expectations of all its stakeholders, underlining the true ethos of creating value through a culture of service excellence. Its unblemished track record of conducting business with uncompromising ethics, principles, accountability and integrity has earned L B Finance unparalleled respect and the confidence of investors and customers alike, well augmented with a team of professionals who possess unrivaled financial acumen to prudently manage stakeholder interests.

Besides complying with all the regulatory requirements in the spirit of good governance, it has built adequate safeguards against downturns and any other challenges that are characteristic of the financial services industry. L B Finance has a constantly expanding, widespread network of branches and gold loan centres, an asset that only a few financial institutions in the country can hold aloft, enabling L B Finance to build lasting relationships with the local communities and thereby build confidence and loyalty for its brand name.

L B Finance is constantly innovating and developing new products and services and channels of delivery to be ahead of changing times, well aligned to the transforming demands of customers as well, which quintessentially keeps pushing the company into loftier areas of leadership.

STRATEGY AND PERFORMANCE

During the year under review, the finance sector contributed Rs. 19 Bn to Vallibel One Group revenue, which is a 36% contribution to the Group.

During the current financial year, the company adopted a well considered strategic position of focusing on core business, which has been leasing, asset finance and gold loans, with its established dominance as a market leader. All strategies were attuned towards consolidating the core businesses, while also accommodating growth in other products.

Aligned with its IT strategic objective to build a paperless organisation and exercising its technological leadership status, L B Finance is also a carbon neutral company indicating an exceptionally advanced level of commitment towards sustainability. Another feature demonstrating L B Finance's commitment to sustainable development is the emphasis placed on the recruitment and training of school leavers to enhance and enrich the labour pool of the sector which, as all other sectors, faces a dearth of young blood entering the industry. While the industry practice has been to recruit from the industry rather than train new staff, L B Finance prides itself on developing the human capital of the financial services sector by training new talent. Business growth is also driven by incentivising L B Finance employees, where the non-sales staff can introduce new business to the company and thereby be rewarded.

The current financial year has been a record year for the company with L B Finance celebrating its 45th anniversary and recording the highest Profit Before Tax in the company history, for the year, while also attaining the prestige of becoming one of the country's three Rs. 100 Bn asset finance companies.

The company experienced regulatory changes to the loan-to-value ratio twice during the year and endured revenue losses from the decline in the motor leasing market following the upward revision of vehicle import duties. Business expansion was constrained due to delays in branch expansion approvals, which in turn, constrained the top line growth. During the year, the company expanded its presence in the mortgage loans market, two-wheeler leasing sector and in gold loans, while also venturing into the new areas such as money exchange services. Notably this portfolio growth has been achieved while maintaining significantly lower Non Performing Loans.

WAY FORWARD

The company has set its sights to be the most profitable Non Banking Financial Institution in Sri Lanka and expects to provide the highest possible return to its shareholders.

In moving towards our ambitious targets, L B Finance is establishing various initiatives in place including continuing to decentralise operations by expanding further into regions, which will fast track market penetration in the designated 18 regions. Another is in infusing investment into state-of-the art technology where systems and processes will be on par with globally adopted procedures, further transforming the company into a globally recognised leader transferring those key values to customers while also supporting business growth. Proactive as always L B Finance is already working with Microsoft and will be in a position to harness new technology and be a pioneer in the industry once more. In addition, more customer focused campaigns will gain focus in the new financial year with unparalleled benefits to boost demand for financial services.

Being the fastest and most strongly growing industry in the world, Vallibel One's decision to enter the vibrant hospitality and leisure sector has been asserted through the fast evolving hotel subsector.

Currently the Group holdings include the ongoing Grand Beach Hotel project in Negombo, which is the fully owned subsidiary of Greener Water and the award winning Fortress Resort & Spa in Koggala, under The Fortress Resorts PLC.

The Grand Beach Hotel, the 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 counter parts.

Grand Beach Hotel, which is now in construction, is billed to transform the concept of five star beach resorts with its first of its kind features.

The Fortress Resort & Spa, the boutique hotel caters to the high-end tourism market with its contemporary look and feel embracing the colonial town of Galle. The resort has 53 rooms which includes two Presidential Suites with private pools and two Junior Suites with in-room plunge pools. Product and service offerings are enhanced with experiential dining produced through the three restaurants, while a luxury spa adds the concept of wellness luxury into the equation. The Fortress Resort & Spa holds close to 5% market share in the high-end market and boutique category within Sri Lanka's room inventory.

The Fortress Resort & Spa has already initiated a refurbishment programme of approximately Rs. 175 Mn to reposition itself in the luxury hotel market.

The Fortress Resort & Spa

SECTOR REVIEW
OTHER

Through ground breaking innovations that have gained recognition, public trust and credibility over the years, the brands have become household names in Sri Lanka.

Delmege, our diversified subsidiary has a legacy of 165 years in continuous business that has left its indelible mark in the range of industry sectors its multiple companies operate in. These include consumer retail, lifestyle, transportation and healthcare. Over the years, companies within the Delmege Group have introduced an expansive portfolio of new products to domestic consumers, enhancing convenience and introducing new lifestyle experiences, becoming a partner in the growth and development of the nation.

STRATEGY AND PERFORMANCE

The overall Healthcare sector performed impressively during the year with the Medical Equipment section showcasing record breaking net profit of Rs. 78 Mn and firmly affirmed its market leader position in the year under review. With its partner Alcon, the healthcare sector remains the undisputed market leader in ophthalmology, offering the industry's most complete portfolio of ophthalmic products. The Consumer sector too has performed significantly well. It re-positioned some products within the range to regain top of mind recall among consumers. The penetration strategy has seen this sector advance considerably within the market being supported by a strong distributor network. A newly introduced sales force automation system facilitated the capture of market dynamics on an online real time basis. The Group's construction products division has contributed effectively to the construction industry, growing a formidable presence via renowned brands.

The Lifestyle sector has earned Rs. 177 Mn in net profit, the highest in history.

WAY FORWARD

Determination and dedication has always been the formula for success for this sector, which firmly believes that these would hold the company in good stead to execute strategy. Good governance and innovation runs strong to enhance potential. As a new strategic outlook, the Group will embark on heightening its presence in major export destinations for its consumer products. This will be in tandem with developing the company's core capabilities of retail and wholesale distribution of FMCGs and brand management. These will ideally be supported through an expansive distribution network covering over 40,000 outlets, geared to meet present day challenges of reaching myriad consumer groups. The Medical segment will also continue to expand market reach, adding many new brands to its portfolio. The Transport and Travel sector also observes numerous opportunities emerging through macroeconomic developments that must be exploited.

Our Business Impact

Our goal is to see that our wealth creation process uplifts all our stakeholders economically and socially.

Business Model

The wealth that we create at Vallibel One leads to the creation of sustainable value in the short, medium and long term.

Value creation is a dual process – we derive value from our stakeholders just as we deliver value to them. The wealth that we create at Vallibel One leads to the creation of sustainable value to our stakeholders in the short, medium and long term.

We operate in a dynamic socio-economic environment and craft our strategies, policies and processes to create value. We build and nurture relationships with our stakeholders in order to make the process of value creation sustainable. Our business processes result in creation of value, our capital, both internal and external. Our internal capital comprises financial and institutional capital. Institutional capital includes intangibles such as ethics, values, corporate culture and organisational knowledge. It also includes systems, procedures, information technology and intellectual property such as brands and patents.

External capital is our stakeholder capitals that are external to Vallibel One; including investors, business partners, employees, customers, regulatory bodies, community and the environment.

The process of value creation involves the flow between different forms of capital. It is often, though not always a trade-off process. In creating value for ourselves we draw on both these internal as well as external capitals.

Stakeholders are individuals or entities who are significantly affected by the Company's activities, products and services. Their actions, attitudes and perceptions have a significant impact on the ability of the Company to carry on its activities and attain its goals.

The modes of engagement with the various groups of stakeholders of the Company are described below:

SHAREHOLDERS

The Annual General Meeting is the most important forum for communication with the shareholders and shareholders have the opportunity to review the year's performance and engage in discussion with the Management.

Shareholders are given a more regular picture of the Company's performance through quarterly financial reports disseminated via the Colombo Stock Exchange. The corporate website, which is regularly updated provides information to shareholders and shareholders are able to communicate through an email address which is provided.

BUSINESS PARTNERS

Engagement with business partners is facilitated both through visits from principals and visits to principals' locations. Further opportunities are provided to cement relationships with partners, distributors and dealers at conventions which are held annually or at regular intervals. Regular communications foster dialogue on product quality, marketing, customer satisfaction and problem solving.

We also expand our network of partners and the distribution of our products by participation at international trade fairs.

Further details are given under 'Business Partners' section on pages 54 to 56.

EMPLOYEES

It is our employees who are on our frontlines and are a vital part of our comparative advantage. We need to ensure that they are motivated and possess adequate skills and competencies to fulfil their responsibilities.

We have placed a performance management system which ensures employees are evaluated equitably and fairly. It also makes the process transparent, facilitates dialogue and performance based rewards.

Employees are also engaged through formal meetings and less structured contact on a daily basis. They also get insights into the current performance and the future prospects of the Company through interactive forums with Senior Management. Such forums are followed by a question and answer session where communication flow is encouraged.

Information is also disseminated to employees through a group wide employee intranet and email broadcast system which is accessible to employees through emails. Social occasions and other events provide opportunities for fellowship.

Further details are given under Employees section on pages 57 to 63.

CUSTOMERS

The level of customer satisfaction is gauged by conducting a customer satisfaction survey through which a customer satisfaction index is derived by most of our companies. Group companies also maintain a close communication loop with their customers on a regular basis through Customer Relationship Managers. Customer relationships are further strengthened through regular customer visits and reviews. Our dealer and distribution conventions which are held periodically, also contribute greatly to this. Our website, provides information that is of importance to customers.

Further details are given under Customers section on pages 64 to 67.

The Economy

In an era of globalisation our strategies, plans and operations need to be crafted taking into account a multitude of influences both local and international; economic, financial, social; and legislative. In 2016/17 we had to contend with sluggish growth and many other adverse factors. However we were able to weather the storms and report a commendable performance. With promising developments on the horizon we can look forward to going from good to great in the coming years.

OPERATING ENVIRONMENT

GLOBAL ECONOMY

The global economy recorded a modest growth, approximately 3% in 2016, though it was uneven between regions and countries. Global trade growth was also weak and was around 2%. Global growth was again driven by emerging economies as the Chinese economy grew at 6.7% in 2016. The Indian economy grew 6.8% in spite of constraints due to cash shortages and payment disruptions associated with the recent Indian banknote demonetisation.

With strong infrastructure and real estate investments in emerging Asia coupled with fiscal easing in the United States prices of base metals also strengthened. Headline inflation rates recovered as a result of commodity prices rising, but the core inflation remained mostly unchanged.

There was an upward trend towards higher global interest rates from July 2016 onwards. This intensified after the US Presidential Election in November, with expectations of a change in US policy mix. The US Dollar was also appreciated against other key currencies in response to the rising interest rates in the US. The Euro has weakened; however other advanced commodity exporting economies appreciated their currencies.

Looking forward to 2017, growth in advanced economies, emerging and developing economies is expected to pick up modestly. There is however, some uncertainty surrounding the policies of the new administration in the US and its global ramifications.

SRI LANKAN ECONOMY

In 2016, the Sri Lankan economy recorded a growth of 4.4%, compared to 4.8% in 2015 amidst adverse domestic and external circumstances. The growth was mainly driven by the industrial and services sectors which grew by 6.7% and 4.2% respectively during the year. This compensated for a slump in the agricultural sector which contracted by 4.2% during the same period.

Inflation was moderate in 2016, being mainly driven by supply side disruptions due to adverse weather conditions and increases in key tax rates. Overall inflation during the year was ranging between 4-6%. The gap between total savings and total investments in the country narrowed from January to September 2016 mainly due to remittances from overseas and earnings from tourism. The Government also secured a three year Extended Fund Facility (EFF) of US $ 1.5 Bn. from the IMF.

There was considerable depreciation pressure on the Rupee in the first few months of the year which was caused by import expenditure, debt service payments and the unwinding of investments in the government securities markets. However it became more stable during the latter part of the year. Fiscal performance during the first seven months of the year improved with government revenue as a percentage of GDP picking up, mainly due to new tax measures. The budget deficit for the same period in 2016 was Rs. 432.7 Bn mainly bridged through domestic sources.

The Sri Lankan economy is forecasted to grow to 4.5% to 5% in 2017. Growth is expected to be mainly driven by tourism, transport, ports, telecommunications and financial services. Sectors where Sri Lanka enjoys a comparative advantage such as information technology and logistics are expected to draw the majority of the foreign investments. Several large infrastructure projects that the Government has embarked on are expected to drive growth in the medium term. With the contribution from all the above developments, Sri Lanka can be optimistic about reaching a per capita income of around US$ 5,500 in year 2020.

The government expects to implement several macro-economic strategies to promote growth. The fiscal framework will be strengthened so as to attain more fiscal sustainability in the medium term. Further, an inflation targeting framework will be developed, supporting a more robust monetary policy. Finally, a new framework will also be adopted for exchange rate management to move towards a market exchange rate.

IMPACT ON THE GROUP

In broader terms there were adverse economic impact on the Group as a whole, due to rising interest rates and depreciation of the Sri Lankan Rupee. However, due the diversified business operations the impact on the Group was less than expected.

The tile sector has to contend with competition from cheap low quality imports. On the other hand, demand for trend setting cutting-edge designs have opened up opportunities to develop new products. The consumer goods sector is hampered because only a minority of the population has yet reached the middle class status. The increase in VAT and the consequent price increase also contributed to a reduction in consumer demand. However, for both the above sectors, increasing internet penetration and the growing influence of social media has opened up opportunities for digital marketing and online purchases.

Although there is competition from global brands, the leisure cluster of the Group has favourable prospects due to the general boom in the industry. The leisure industry has been identified by the Government as a growing sector. Though there is a slowdown in some traditional markets, especially Europe due to recession, there are opportunities in niche markets. The increase in tourist arrivals has favourably impacted the transportation cluster although there were negative impacts from the unstable exchange rates.

However, with the prospects of more rapid economic growth in the next few years we can look forward to the future with optimism.

TAXES PAID TO THE GOVERNMENT

As a socially conscious enterprise we unfailingly pay all taxes due, making a considerable contribution to the Government's finances.

Main tax contributors to the Group are Royal Ceramics and L B Finance.

Year	Taxes Paid Rs. Mn
2013/14	3,424
2014/15	5,027
2015/16	8,296
2016/17	**8,900**

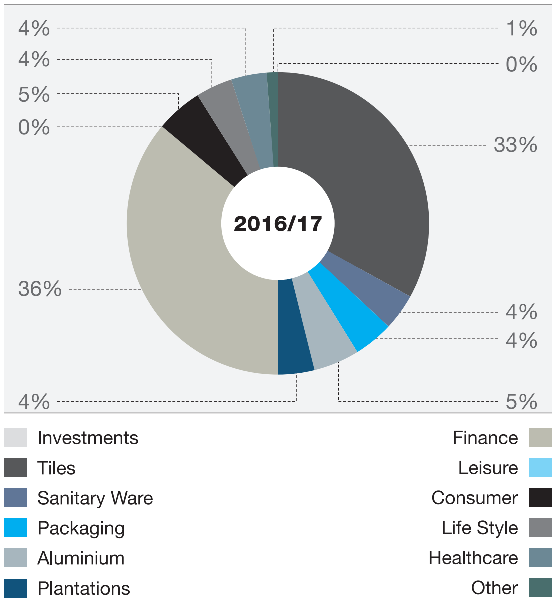
Shareholders

Although a business entity such as ours has to consider the interests of a wide gamut of stakeholders, the traditional main stakeholder, the shareholder remains a vital player. When raising capital the reputation we enjoy among the investor community is paramount. It is imperative that we deliver to our shareholders a return that more than compensates for our risk profile.

Our shareholders are one of our key stakeholders. Therefore we intend to meet their expectations. An investor in any enterprise has an array of other possible investment options and these options would offer varying returns albeit with varying degrees of risk. As a minimum, we need to deliver to our shareholders a return that adequately compensates for our risk profile.

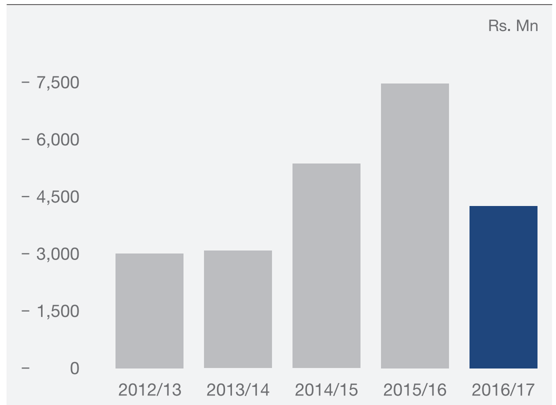
Driven by the strong financial performance of our subsidiaries, Group revenue increased by 11% to Rs. 52.9 Bn from Rs. 47.7 Bn in the previous financial year. The main contributors to the Group revenue were the finance sector and tile sector which contributed 36% and 33% of the total revenue respectively.

GROUP REVENUE SECTOR-WISE



The gross profit of the Group increased by 12% in 2016/17. However, the group Profit After Tax declined from Rs. 7,456 Mn in the previous year to Rs. 4,254 Mn in the current year.

GROUP NET PROFIT AFTER TAX

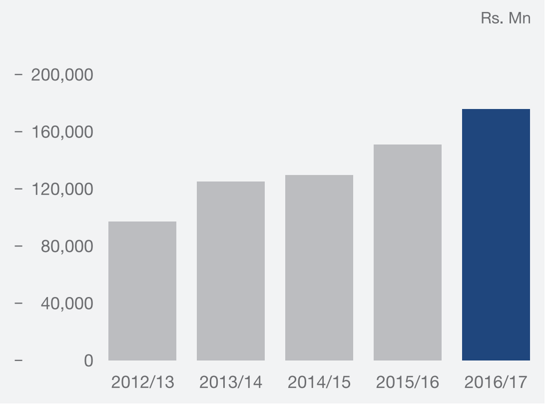


This is mainly due to the reason of the reclassification of the Sampath Bank investment as 'available for sale financial assets' from the previously used 'equity method'. Accordingly, the effect of mark to market loss of Rs. 828 Mn as at 31st July 2016, reversal of share of profits of Rs. 2,469 Mn of previous years and that up to 31st July 2016 and a loss of Rs. 648 Mn of previous years and that up to 31st July 2016 which was recognised through other comprehensive income, are now accounted under Group Statement of Income.

If this reclassification and Sampath Bank's financial results were not considered in both years, Vallibel One would have earned a Group Profit After Tax of Rs. 7.9 Bn for the current financial year, compared Rs. 6.6 Bn in 2015/16.

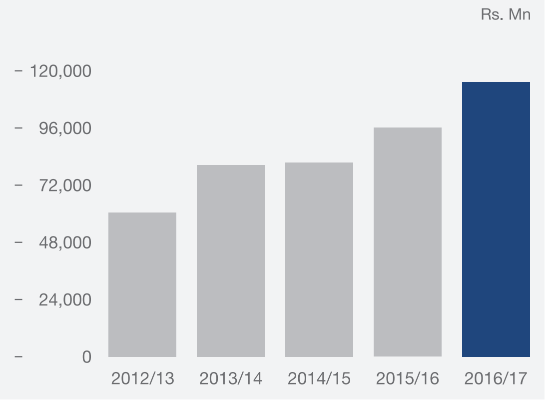
The total assets of the group reached Rs. 175.5 Bn as at 31st March 2017, with a growth of 16% compared to the last year ensuring the financial stability and operational viability of the Group. The growth is mainly derived from L B Finance.

TOTAL ASSETS



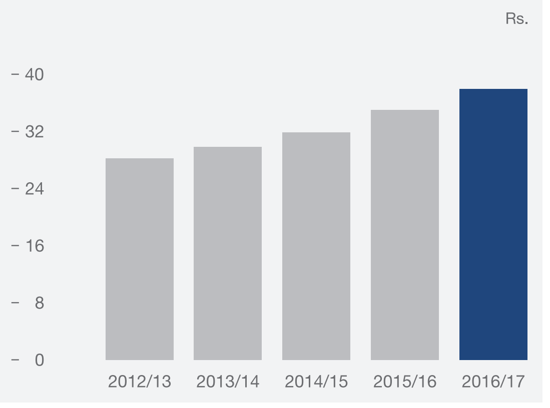
Following the increase in the asset base total liabilities of the Group also increased to Rs.115.5 Bn as at 31st March 2017, with a growth of 20% compared to last year.

TOTAL LIABILITIES



Although there is a decrease in Profit After Tax due to reclassification of Sampath Bank investment, the Net Assets per share of the Group increased by 9% to Rs.38.06.

NET ASSETS VALUE PER SHARE



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.

Business Partners

Business partnerships are an important element of our strategy which support long term value creation. The business networks we have formed include those within the Group as well as with outside parties. When forming business partnerships we seek agreements which will be mutually beneficial and lasting. The relationships we have formed will generate synergy as well as opening doors to new sources of leadership, innovation and diversity.

OPHTHALMIC SOLUTIONS

Delmege has long established itself in the forefront of the market for ophthalmic solutions in Sri Lanka through its partnership with ALCON, the undisputed global market leader in the field. While ALCON offers the industry's most comprehensive line of products, the star product is Intraocular Lenses. ALCON's intraocular lenses are also the preferred solution of most leading Sri Lankan eye surgeons for cataract surgeries, and command over a 60% share of the Sri Lankan market. In addition many Sri Lankan hospitals also use ALCON equipment which is on the cutting edge of technology. ALCON has the strongest install base on Phaco and Vitreoretinal equipment with 35 Phaco machine installations and 40 Vitreoretinal machine installations, which account for approximately 70% share in Phaco and 100% share in Vitreoretinal segments.

MARKET LEADER IN PREMIXED DESSERT MIXES

With a brand reputation built up over nearly six decades, the partnership that MOTHA has established with Delmege has borne fruit in the form of exponential growth of the premixed dessert business. MOTHA has become a brand name which Sri Lankan consumers instantly recognise in many consumer products especially Jelly, for which it has become synonymous with a generic name. Recognising the importance of partnerships yielding mutual benefits, Delmege, is currently supporting MOTHA in R & D for new products while jointly exploring opportunities that are opening up overseas.

INTERIOR AND FLOORING SOLUTIONS

Since 1980 Delmege has established partnerships linking with agents of some of the world's best brands in the space of interior and flooring solutions. Delmege interiors is widely recognised as the market leader in Sri Lanka for interior solutions. The company is proud to be the supplier of some of the world's most renowned brands of carpets, vinyl, healthcare flooring, timber/sports flooring, office furniture, ceilings, partition systems and wall coverings. Its premier customers include star class hotels, healthcare entities, international and local banks, diplomatic missions, corporate offices and government institutions.

Global brands we represent are carpets - BRINTONS, SHAW, INTERFACE; vinyl /healthcare / sports flooring - GERFLOR, laminate flooring - QUICK-STEP, office furniture - HAWORTH, GODREJ, ceilings - HUNTER DOUGLAS, partition system – HUFCOR.

BUILDING PRODUCTS

With a range of trusted and proven products, Delmege – building products has over 30 years' experience in the industry. Delmege is the sole agents for all high-end hot water pipes and fittings, water heaters and geysers and cladding and is supported by an experienced, trained and fully equipped installation unit. Projects vary from 5 star hotels, international banks and embassies to government institutions and corporate offices.

Global brands we represent are hot water pipes – DUX, cladding- ALUCOWORLD, water heaters – JOVEN, water geysers – USATON and HAVELLS.

INSURANCE SOLUTIONS

Delmege Insurance Brokers (Pvt) Limited, incorporated in 1994, has established a niche for itself in Sri Lanka's insurance industry, both in retail and wholesale business. The company leverages its partnerships with global risk management, insurance and reinsurance brokerage, human resources solutions and outsourcing provider AON to be on the forefront of the insurance brokering industry in the country. With a premium portfolio of Rs. 1 Bn, Delmege has now acquired a strong reputation for its services including risk engineering specialists, claims specialists and placement specialists.

STRENGTHENING TOOLS AND MACHINERY LINE

At present there are seven effective partnership agreements with suppliers of tools and machinery. Of these three are based in India, two in Dubai and one each in China and Japan. While two new agreements were entered into this year, our relationship with Black and Decker overseas (Gmbh) goes back 25 years.

LINKING IN TRAVEL AND TRANSPORTATION SERVICES

Lewis Brown Air Services (Pvt.) Limited continues the General Sales Agency for Lufthansa Cargo, which it has held since 1993. Lufthansa Cargo services the needs of a number of industries including apparel and food.

Delmege Air Services (Pvt.) Limited has been the General Sales Agent for Kuwait Airways for the territories of Sri Lanka and the Maldives since October 2013. This partnership has served to grow the passenger and cargo movement between the two countries and Kuwait Airways' network.

Besides, the Cargo GSA for Philippines and Kenyan Airlines are held by Delmege Aviation Services and Delmege Airline services receptively.

Employees

Our employees are deployed in an extremely diverse range of industries and services; also in an extremely diverse range of occupations. However they are united in one purpose, that of creating long term sustainable value. Our people receive the best of training, capacity building and guidance to fulfill their roles and are generously compensated in all aspects, monetary and non-monetary.

The Company reaps its rewards by way of their commitment and dedication towards its goals.

Since its inception Vallibel One has nurtured a dedicated workforce across the Group who are dedicated to the Company's vision and mission. We have a total of 13,862 employees who work in a diversity of sectors including tile and sanitary ware manufacturing, plantations, finance, leisure, lifestyle, travel and transport etc. Significantly, 63.2% of our workforce is female reflecting our commitment to gender equality. Royal Ceramics and L B Finance are the largest employers in the Group, together accounting for about 95% of total employees.

AGE AND GENDER ANALYSIS

	18-20 years		21-30 years		31-40 years		41-50 years		51-55 years		56 years and above		Total		
Subsidiary/Company	F	M	F	M	F	M	F	M	F	M	F	M	F	M	All
Vallibel One PLC	–	–	9	5	3	2	2	–	–	–	–	–	14	7	21
Royal Ceramics Lanka PLC	209	245	1,044	1,637	1,203	2,015	756	1,338	290	647	329	301	3,831	6,183	10,014
L B Finance PLC	21	59	941	1,471	141	404	22	87	8	19	1	10	1,134	2,050	3,184
Delmege Ltd.	2	5	31	215	29	173	18	93	23	4	4	17	107	507	614
Greener Water Ltd.	–	–	5	8	5	8	–	2	–	–	–	1	10	19	29
Total	232	309	2,030	3,336	1,381	2,602	798	1,520	321	670	334	329	5,096	8,766	13,862

SERVICE AND GENDER ANALYSIS

	0-5 Years		6-10 Years		11-15 Years		16-20 Years		21 Years and above		Total		
Subsidiary/Company	F	M	F	M	F	M	F	M	F	M	F	M	All
Vallibel One PLC	14	7	–	–	–	–	–	–	–	–	14	7	21
Royal Ceramics Lanka PLC	1,331	2,320	804	1,163	441	656	505	783	750	1,258	3,831	6,183	10,014
L B Finance PLC	928	1,725	164	256	26	53	5	10	11	6	1,134	2,050	3,184
Delmege Ltd.	72	418	19	47	8	15	2	17	6	10	107	507	614
Greener Water Ltd.	8	16	2	3	–	–	–	–	–	–	10	19	29
Total	2,353	4,486	989	1,469	474	724	512	810	767	1,274	5,096	8,766	13,862

ANALYSIS BY TYPE OF EMPLOYMENT

Subsidiary/Company	Permanent		Contract		Trainee Assistants		Internships		Total		
	F	M	F	M	F	M	F	M	F	M	All
Vallibel One PLC	14	7	–	–	–	–	–	–	14	7	21
Royal Ceramics Lanka PLC	3,785	5,785	37	219	9	61	0	118	3,831	6,183	10,014
L B Finance PLC	1,129	2,039	1	7	–	–	4	4	1,134	2,050	3,184
Delmege Ltd.	97	465	10	42	–	–	–	–	107	507	614
Greener Water Ltd.	6	7	3	12	1	–	–	–	10	19	29
Total	5,031	8,303	51	280	10	61	4	122	5,096	8,766	13,862

RECRUITMENT

All companies across the Group strive to provide equal opportunities to all employees and practice non-discrimination on grounds of gender, race and religion. Appointments therefore would be based strictly on the applicant's suitability for the job and his ability to contribute to the company. Our process also ensures that people are recruited for the positions that best suit their talents and capabilities. Recruitment is also compliant with all legislative requirements.

While the Group in general follows certain practices and policies, individual Group companies also have their specific recruitment practices tailored to their needs.

During the year we recruited a total of 2,190. Out of this 1,588 were under 30 years of age highlighting our contribution to alleviating youth unemployment in the country.

RECRUITMENT BY AGE AND GENDER

	18-20 Years		21-30 Years		31-40 Years		41-50 Years		51-55 Years		56 Years and above		Total		
Subsidiary/Company	F	M	F	M	F	M	F	M	F	M	F	M	F	M	All
Vallibel One PLC	–	–	1	1	2	–	–	–	–	–	–	–	3	1	4
Royal Ceramics Lanka PLC	30	87	112	213	108	110	60	78	23	28	30	42	363	553	921
L B Finance PLC	21	58	314	566	–	–	–	15	–	3	1	3	336	645	981
Delmege Ltd.	1	15	20	140	4	58	5	15	1	6	3	4	34	232	266
Greener Water Ltd.	–	–	3	6	2	3	–	2	–	1	–	1	5	13	18
Total	52	160	450	926	116	171	65	110	24	38	34	50	741	1,444	2,190

TURNOVER

Resignations during the year totalled 2,399 amounting to a staff turnover rate of 17.3%.

RESIGNATION BY AGE AND GENDER

	18-20 Years		21-30 Years		31-40 Years		41-50 Years		51-55 Years		56 Years and above		Total		
Subsidiary/Company	F	M	F	M	F	M	F	M	F	M	F	M	F	M	All
Vallibel One PLC	–	–	–	4	2	–	–	–	–	–	–	–	2	4	6
Royal Ceramics Lanka PLC	4	68	117	239	136	176	106	109	61	80	77	80	501	752	1,253
L B Finance PLC	–	17	206	485	18	62	–	13	–	–	–	1	224	578	802
Delmege Ltd.	–	18	17	120	9	65	17	10	7	59	5	8	55	280	335
Greener Water Ltd.	–	–	–	1	–	–	–	–	–	2	–	–	–	3	3
Total	4	103	340	849	165	303	123	132	68	141	82	89	782	1,617	2,399

BENEFITS

Entitled for benefits such as out-patient treatment schemes, hospitalisation insurance, annual company trips and gratuity.

TRAINING AND DEVELOPMENT

We ensure that employees receive the necessary skills, training and career guidance to deliver outstanding performance in their job roles. The various Group companies conduct team building activities as well as community development and environmental projects. Participation in community development projects give the employees the satisfaction of contributing to society. Our philosophy of wealth creation for value creation is inculcated into every employee in the Group.

A total of 29,447 hours of training was provided to the staff during the year. Out of this 15,397 hours or 52.2% related to non-executive staff demonstrating the importance we give to their career development.

NO. OF HOURS OF TRAINING OF EMPLOYEE

Subsidiary/Company	Senior Management and above F	Senior Management and above M	Executive Staff F	Executive Staff M	Non-Executive Staff F	Non-Executive Staff M	Security Staff F	Security Staff M	Janitorial Staff F	Janitorial Staff M	Total F	Total M	Total All
Vallibel One PLC	–	23	56	24	32	–	–	–	–	–	88	47	135
Royal Ceramics Lanka PLC	50	614	108	1,280	304	3,331	–	4	–	–	428	5,194	5,622
L B Finance PLC	16	238	2,522	6,169	3,963	7,767	–	–	–	–	6,501	14,174	20,675
Delmege Ltd.	40	150	625	2,200	–	–	–	–	–	–	665	2,350	3,015
Greener Water Limited	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	106	1,025	3,334	9,673	4,299	11,098	–	4	–	–	7,682	21,705	29,447

Rocell Bathware conducts a structured induction and orientation programme for all newly recruited employees which they go through at the commencement of their employment. The programme includes visits to factories, sales channels and warehouses. Knowledge of production and sales staff is further upgraded by visits to international exhibitions and world class manufacturing plants.

Lanka Tiles identifies the training requirement through a Performance Management System and according to the common company requirement. Lanka Walltiles conducts training according to a training calendar.

Uni-Dil Packaging identifies the training needs based on a number of inputs such as performance evaluation forms, customer complaints, compliance requirements, health and safety issues and technological changes/ market requirements.

L B Finance adopts a policy and process oriented approach to the overall training and development function which is focused on identification of training needs and encouraging staff members in continuous learning leading to developing a learning culture within the organsation. The policy seeks to ensure mutual benefits for both the company and the employee. A systematic process is in place at all stages from identification of training needs to evaluation of training outcomes to monitoring and ensuring transfer of learning. Line Managers/ Heads of Department are primarily responsible for identification of training needs and proper implementation.

Delmege too has aligned its training policy towards meeting the competencies necessary from the staff to fulfil the demands of a competitive business environment.

HEALTH, SAFETY AND WORK LIFE BALANCE

Throughout the Group we take great care to ensure that our employees work in a healthy and safe environment though the specific practices vary from company to company based on needs. We also carefully comply with all statutory provisions on health, safety and welfare. Many companies also organise activities such as trips, get-togethers, religious activities, spiritual management, counseling programmes and sports events to help employees unwind.

Rocell Bathware has implemented a rigorous risk mitigation and accident prevention code. The measures taken include identification of hazardous and dangerous areas, protective covering for both machines and persons, 'near miss' identification and correction and safety training. Lanka Tiles conducts risk assessment awareness through external parties. For identified critical areas a zero accident culture is in place to minimise losses due to accidents. Horana Plantations conducts health and safety programmes tailored to the needs of the plantation workers.

L B Finance is dedicated to providing a positive and collaborative working environment for employees. This has contributed to building more cohesive teams, a culture of inclusion and developing a more productive workforce. We believe that this will foster employee retention in the long run. L B Finance is also in the process of implementing a corporate wellness programme which deals not only with health and safety but with wellness in a broader sense.

PERFORMANCE EVALUATION AND REWARDS

All Group Companies have systems in place for performance evaluation and compensation allowing for needs of individual companies. Appraisals are usually conducted on an annual basis. At Royal Ceramics, Royal Porcelain and Rocell Bathware, performance goals are evaluated by the immediate supervisor and tabulated by the unit head to ensure consistency. Lanka Tiles have developed tailor made evaluation criteria, with different evaluation forms for different categories of staff. L B Finance strives to nurture an environment which creates a link between individual performance, organisational goals and personal growth. This is accomplished through a strong performance based management programme which culminates in an annual performance review. Performance evaluation at Delmege identifies the employees performance levels.

All companies link their reward systems to their performance appraisals. Annual increments are usually based on the appraisals and sometimes bonuses as well. The latter is sometimes also linked to the company performance. The tile and sanitary ware companies also have productivity measurements and productivity based incentive schemes.

COLLECTIVE BARGAINING

Several of the group companies have entered into collective bargaining with the employees. At Royal Ceramics Lanka all factory grade employees are unionised and are covered by collective bargaining agreements for a duration of three years. Lanka Tiles and Lanka Walltiles have similar arrangements. Horana Plantations channels collective bargaining matters through the Employers Federation of Ceylon.

L B Finance on the other hand has been able to eliminate the need for trade unions and collective bargaining due to the company's ethos and its HR practices and policies.

Customers

In a fluid business and socio-economic environment, customer requirements, attitudes and perceptions are constantly changing. This creates a need for us to be constantly abreast of the changing landscape. It drives us to think out of the box, be creative and prompts us to reach out and connect with the customer in the most effective manner.

UNDERSTANDING THE CUSTOMER

The Group deals with a diverse range of products and services and so our customers cover a broad spectrum of Sri Lanka's socio-economic landscape. Catering to such diverse needs requires an in depth understanding of the market and customer psychology.

With regards to the Tile and Sanitary Ware sectors for instance there is a constant need to be on par with Industry and lifestyle trends, whereby we should be consistently vigilant about the ever evolving expectations of our widespread clientele. Customers are becoming more discerning by being exposed to international products, and this brings increasing pressure on us to establish our competitive advantage. Since the products deal with personal spaces, an understanding of living styles is vital to tailor our products to consumer needs. However, it is not only end domestic customers, there are many others who influence the buying decision such as architects, tillers, contractors and corporate buyers. Continuous engagement with all the players in purchasing is necessary to maintain and improve our market position.

L B Finance is a leading financial institution in Sri Lanka with a long history spanning over 45 years and carries a solid reputation as one of the most trusted financial service providers in the country. Attesting to its sound growth, the company has reached an asset base of Rs. 103 Bn as at 31st March 2017, backed by prudent financial management, transparency and good governance.

With a branch network of 154 outlets, L B Finance stands as the financial institution with the largest reach and has successfully penetrated to all regions of the island. This is evidenced by the company generating almost 60% of its business outside of the Western Province. The company provides an array of products including Leasing, Factoring, Hire Purchasing, Micro Finance, Mortgage Loans and Gold Loans and many more, designed to cater to the diverse needs of the Sri Lankan community with a high degree of flexibility.

The Fortress Resorts, as a luxury hotel, seeks high end tourists with a high net worth profile who require luxury and boutique experience. It however faces competition from new foreign branded hotels, with modern facilities, a larger number of rooms and market strength.

CONNECTING WITH THE CUSTOMER

The diversity of the Group demands a diversity of channels to reach the customer, whether for sales or advertising. In today's business environment there are numerous and changing channels, traditional and new.

As we believe in reaching out to all classes of customers and all regions of the country, in many of our businesses, we continue to expand our presence island-wide. Royal Ceramics, Royal Porcelain, Rocell Bathware, Lanka Tiles and Lanka Walltiles have a nationwide presence though naturally there is a certain concentration of our business in the Western Province.

Subject to the constraints imposed by the geographical distribution of customers and purchasing power, we spread our reach as far as possible. During the year L B Finance also opened nine new branches and made three new strategic relocations.

Due to intensively competitive nature of its business L B Finance utilises advertising extensively to sustain and advance its market position. Advertising is conducted through electronic media as well as through press and web media. Web communication takes place through the L B Finance official website as well as social media networks. L B Finance also has an official Facebook fan page where advertisements are portrayed on a regular basis whilst maintaining customer engagement. Media related advertisements are mostly designed by the external agents according to requirements given by the marketing team. L B Finance also conducts business promotions and campaigns targeting specific customers. From past experience seasonal promotions are extremely effective in reaching new and potential customer segments.

Delmege, with its wide spread of product clusters, offers products to meet the challenges of various consumer groups. Accordingly it has developed a channel management strategy which is flexible and varied to suit the needs of the retail, wholesale food service and modern trade channels. Delmege consumer cluster distributes its products through 40,000 outlets islandwide. The lifestyle cluster added 120 machinery and hardware dealers, 47 home appliances dealers and 21 project customers to the distribution network during the year.

LISTENING TO THE CUSTOMER

Vallible One belives that being aware of customers' views and perceptions is an essential part of maintaining good customer relationships thus it is inbuilt to our business processe.

The tile and sanitary ware companies have systems in place to qualitatively evaluate customer satisfaction on a regular basis. Lanka Tiles and Lanka Walltiles evaluate all complaints scrupulously; those that are accepted are settled by giving an equivalent number of new tiles. Several companies have also taken steps to ensure that the customers can source whatever products they wish as conveniently as possible. Royal Porcelain, Rocell Bathware, Lanka Tiles and Lanka Walltiles have upgraded their showrooms to promote accessibility. Our close attention to the customers and their tastes, needs and concerns have germinated several new products. Several innovations have been launched in tiles and bathware such as 900x45 Tiles & Flanks from Italy, accessories and a new bathware suite, Urbanity Urinal and Xeon Wash Basin (Lab Sink).

Horana Plantations obtains feedback regarding customer satisfaction through the brokers and takes appropriate steps.

Customer centricity is a pivotal part of L B Finance's marketing strategy; learning and continuous improvement through customer feedback has been utilised by the company to assist the expansion of its loyal customer base. L B Finance conducted a customer satisfaction survey in August 2016 with a sample of 2,380 new customers. A positive feedback was obtained from 87% of the respondents on the service quality at L B Finance outlets, which is indicative of the high quality of service offered by the company.

The company also conducted mystery shopping visits to identify the effectiveness of the customer relationship building skills of L B Finance employees and utilised the satisfactory outputs of the study to further enhance these elements in the corporate culture. In addition to this L B Finance pays special attention to customer complaints through a standardised procedure that stores all customer complaints in a database, attends

to complaints promptly and prevents them from escalating into customer dissatisfaction.

In addition, the group companies pay special attention to customer complaints. L B Finance stores all customer complaints in a database, attends to complaints promptly, preventing them from escalating into customer dissatisfaction.

The company introduced several new investment products which are very attractive to customers, as well as a gift store.

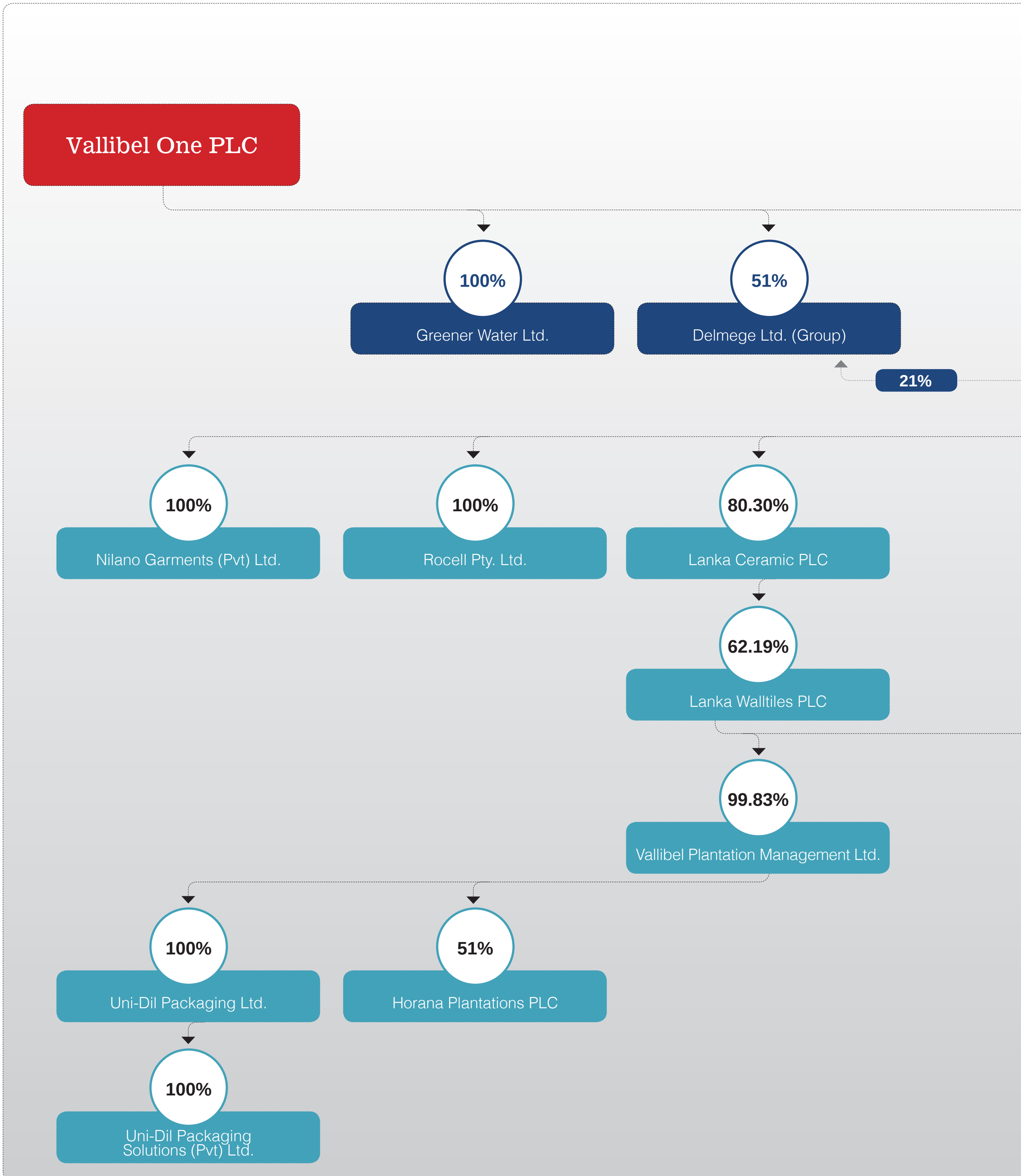
Delmege provides a courier service to collect and redeliver warranty repair machines to customer points.

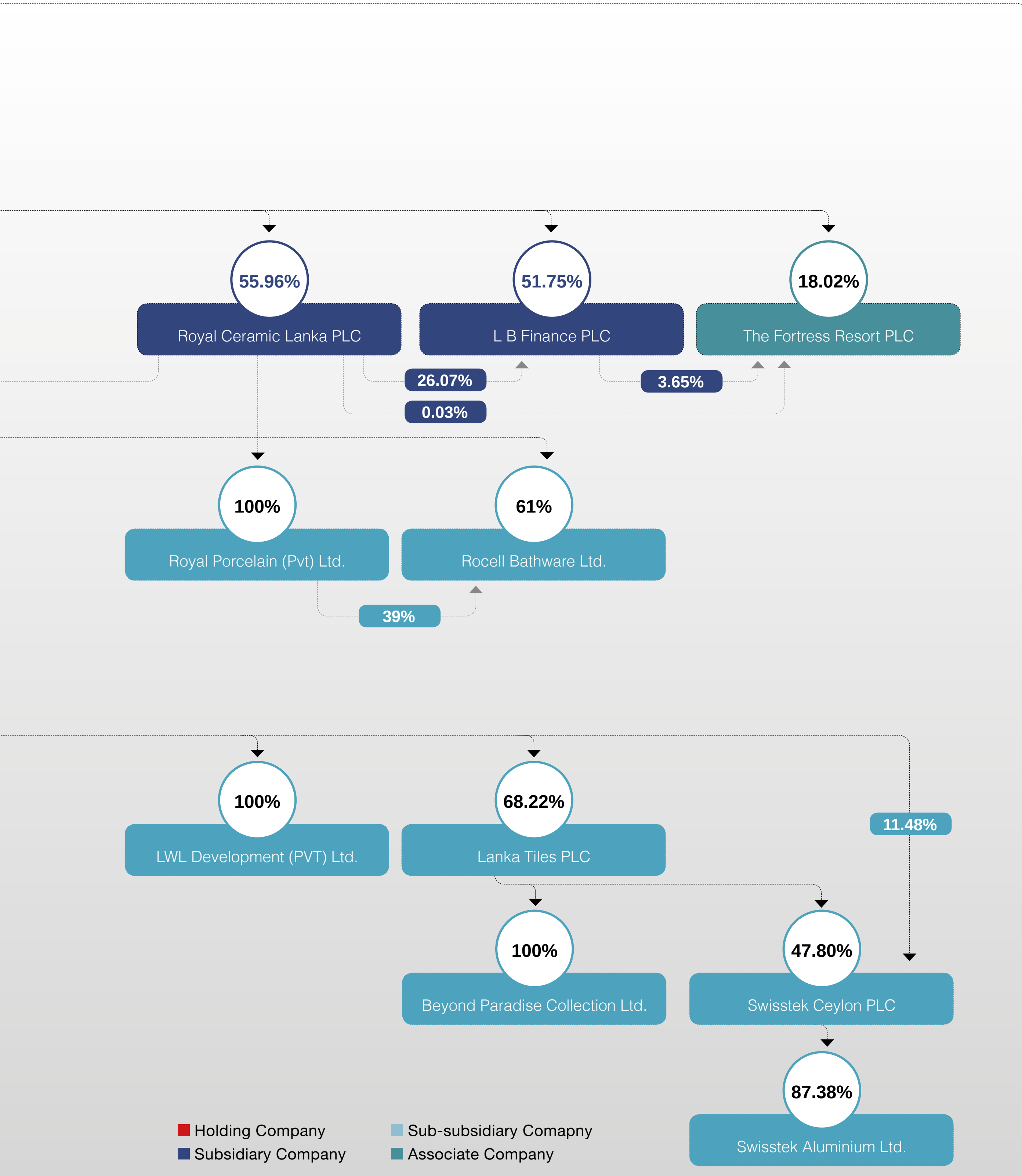
The Fortress Resorts solicits the sentiments of the guest through a customer satisfaction report prepared based on feedback from guests at the point of departure.

Right through the supply chain process our attention is focused on the customer and we consider his needs and preferences as paramount at all times.

Our Business Portfolio

As a corporate spearhead we need to harness all our diverse strengths to ensure our existing businesses flourish and nurture new enterprises. Thus we can maximise wealth and value for all our stakeholders.


Vallibel One PLC
100%
Greener Water Ltd.
51%
Delmege Ltd. (Group)
21%
100%
Nilano Garments (Pvt) Ltd.
100%
Rocell Pty. Ltd.
80.30%
Lanka Ceramic PLC
62.19%
Lanka Walltiles PLC
99.83%
Vallibel Plantation Management Ltd.
100%
Uni-Dil Packaging Ltd.
51%
Horana Plantations PLC
100%
Uni-Dil Packaging Solutions (Pvt) Ltd.


55.96%
Royal Ceramic Lanka PLC
51.75%
L B Finance PLC
18.02%
The Fortress Resort PLC
26.07%
3.65%
0.03%
100%
Royal Porcelain (Pvt) Ltd.
61%
Rocell Bathware Ltd.
39%
100%
LWL Development (PVT) Ltd.
68.22%
Lanka Tiles PLC
11.48%
100%
Beyond Paradise Collection Ltd.
47.80%
Swisstek Ceylon PLC
87.38%
Swisstek Aluminium Ltd.
Holding Company
Subsidiary Company
Sub-subsidiary Comapny
Associate Company

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.

Eternal elegance

KEY PERFORMANCE INDICATORS

Indicator	Measure	Unit	FYE 31st March 2016/17	2015/16	2014/15
Growth	Revenue	Rs. Mn	26,413	24,782	22,379
	Earnings before interest and tax	Rs. Mn	7,091	6,152	4,615
	Profit After Tax	Rs. Mn	4,457	4,092	3,067
	Total Assets	Rs. Mn	44,799	39,173	35,097
	Capital Employed	Rs. Mn	38,466	33,343	30,305
Profitability	Return on average capital employed	%	20%	19%	15%
Liquidity	Current ratio	Times	1.48	1.44	1.30
Stability	Gearing	%	32%	33%	41%
Asset utilisation	Asset turnover ratio	Times	0.59	0.63	0.64
Productivity	EBIT per Employee	Rs. Mn	0.70	0.62	0.45

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.

L B FINANCE

KEY PERFORMANCE INDICATORS

Indicator	Measure	Unit	FYE 31st March		
			2016/17	2015/16	2014/15
Growth	Revenue	Rs. Mn	19,363	15,646	14,788
	Net Interest Income	Rs. Mn	9,798	8,655	7,738
	Profit before Tax	Rs. Mn	5,875	5,325	3,323
	Profit After Tax	Rs. Mn	3,918	3,718	2,182
	Total Assets	Rs. Mn	102,763	84,517	67,543
	Shareholders' Fund	Rs. Mn	12,510	10,479	7,927
Profitability	Return on Equity	%	34.09	40.40	30.88
Liquidity	Liquidity Ratio	%	14.47	18.04	17.78
Stability	Debt Equity Ratio	Times	6.89	6.73	7.15
Productivity	Profit before Tax per Employee	Rs. Mn	1.85	1.67	1.05

DELMEGE LIMITED

Encompassing a rich corporate heritage of 165 years, the Delmege's diversified business scope continues to enrich the country's corporate landscape. The Delmege trademark is a trusted household name, predominantly known for popular consumer brands, lifestyle concepts and industrial products. The company's interests extend into marketing and distributing world renown interior, building and industrial products, healthcare products, manufacturing of office furniture, coir products for export market, shipping and freight forwarding with seamless supply chain solutions..

DELMEGE
SINCE 1850

KEY PERFORMANCE INDICATORS

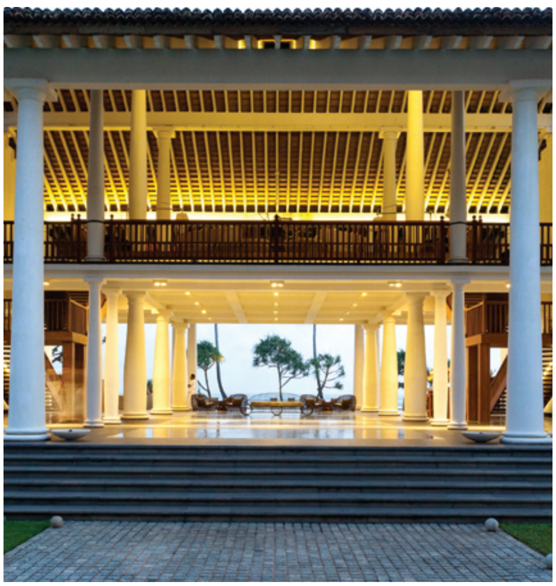
Indicator	Measure	Unit	FYE 31st March		
			2016/17	2015/16	2014/15
Growth	Revenue	Rs. Mn	7,415	7,182	6,432
	Earnings before interest and tax	Rs. Mn	645	139	179
	Profit/(Loss) after tax	Rs. Mn	101	(215)	(228)
	Total Assets	Rs. Mn	9,629	7,418	7,201
	Capital Employed	Rs. Mn	7,699	5,316	5,063
Profitability	Return on average capital employed	%	10%	3%	4%
Liquidity	Current ratio	Times	0.88	0.90	0.94
Stability	Gearing	%	54%	75%	69%
Asset utilisation	Asset turnover ratio	Times	0.77	0.97	0.89
Productivity	EBIT per Employee	Rs. Mn	1.05	0.21	0.25

GREENER WATER LIMITED

From the leisure investment arm of Vallibel One will emerge the newest product offering into Sri Lanka's hospitality milieu. The Grand Beach Hotel in Negombo, which comes under the umbrella of Green Water Limited will herald the etching of a completely new chapter for Sri Lanka. The super-luxury 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.

GREENER WATER LIMITED

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.

THE FORTRESS RESORT & SPA
SRI LANKA

Stewardship

Our stewardship extends over 40 entities which employ 13,862 employees. Given the economic and social relevance of our Group, we are conscious of the need to balance entrepreneurship with formal governance structures, policies and procedures to ensure compliance and an equitable balancing of stakeholder interests. This section sets out how we govern these diverse businesses and manage risks as a holding company of one of the most valuable conglomerates in the country

BOARD OF DIRECTORS

1. MR. DHAMMIKA PERERA

Chairman/
Managing Director

Mr. Dammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including manufacturing, banking and finance, hospitality and hydropower generation. He has nearly thirty years of experience in building formidable business through unmatched strategic foresight.

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

2. **MR. HARSHA AMARASEKERA**

Independent
Non-Executive Director

Mr. Harsha Amarasekera, President Counsel is a leading light in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include 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, Amãna Bank PLC, Amaya Leisure PLC and Vallibel Power Erathna PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

3. **MR. SUMITH ADHIHETTY**

Non-Executive Director

Mr. Sumith Adhihetty is a top-notch marketing professional who counts over 35 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 Forteresse (Private) Limited, Greener Water Limited and Alila Hotels and Resorts (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 (Private) Limited, Royal Palm Beach Hotels Limited, Tangerine Tours Limited, Security Ceylon (Private) Limited, Vallibel Finance PLC and Pan Asia Banking Corporation PLC.

4. **MS. KIMARLI FERNANDO**

Independent
Non-Executive Director

Ms. Kimarli Fernando brings to the Board over 25 years experience in the field of banking built on her legal background. She holds a LL B (Hons.) from the London School of Economics and Political Science, London, UK, is a Barrister-at-Law, Lincoln's Inn, UK (1987) and also an Attorney-at-Law, Sri Lanka. Ms. Fernando currently serves as a Director of L B Finance PLC, National Development Bank PLC, Delmege Limited and Richard Pieris Distributors Limited. Previously she has held senior positions at Pan Asia Banking Corporation PLC, Standard Chartered Bank, Sri Lanka and Deutsche Bank AG, Sri Lanka.

5 **MR. RAJAN ASIRWATHAM**

Independent
Non-Executive Director

Mr. Rajan Asirwatham, who is a renowned accounting professional, 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 was 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, Postgraduate Institute of Medicine. He has made his mark in the corporate world by serving on the Boards of Royal Ceramics Lanka PLC, Dilmah Ceylon Tea Company PLC, CIC Holdings PLC, Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Dial Tex Industries (Private) Limited, Renuka Hotels (Private) Limited, Mercantile Merchant Bank, Dankotuwa Porcelain PLC, Colombo City Holdings PLC, Peninsular Properties (Private) Limited, Yaal Hotels (Private) Limited and Browns Beach Hotels PLC.

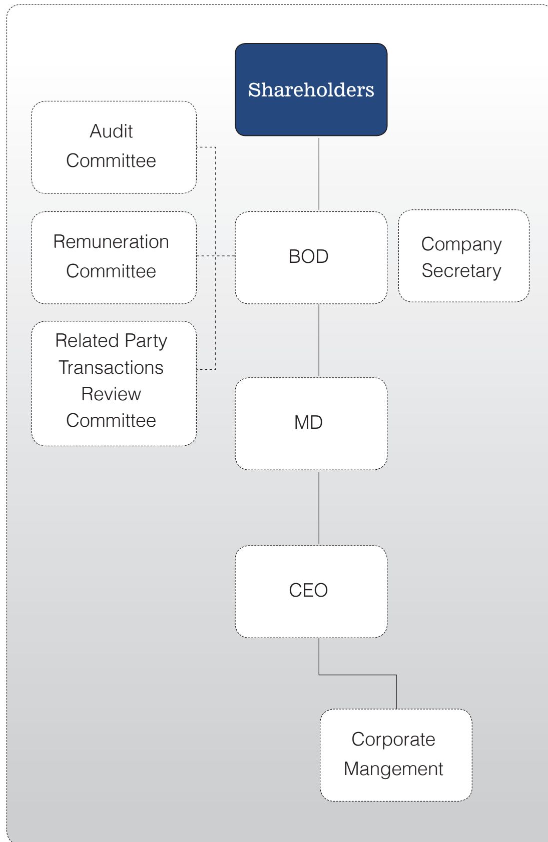
CORPORATE GOVERNANCE

Vallibel One is a diversified investment holding company with controlling stakes in L B Finance PLC, Royal Ceramics Lanka PLC, Delmege Ltd. and Greener Water Ltd. The Fortress Resorts PLC is accounted for as an Associate Company. It is noteworthy that the investment in Sampath Bank is not accounted as an Associate this year as the Chairman of Vallibel One who was also the Chairman of Sampath Bank PLC retired from the Board of Sampath Bank during the financial year under review on completion of the maximum tenure of nine years. The super-luxury five star resort under Greener Water Ltd., the leisure investment arm of Vallibel One is under construction as at the date of this report.

L B Finance PLC, Royal Ceramics Lanka PLC, and Delmege Ltd. were acquired by Vallibel One as mature businesses. These subsidiaries operate as autonomous businesses and have their own, wellestablished, Corporate Governance structures and frameworks. Moreover, L B Finance conforms to the Corporate Governance directions issued by the Central Bank of Sri Lanka for Non-Bank Financial Institutions as well. As a relatively new public limited company managing its investments, Vallibel One has opted to rely on the Corporate Governance frameworks in place at the subsidiaries, while monitoring performance of the key investments through exercise of shareholder rights while also developing its own Corporate Governance framework simultaneously.

The Governance structure of Vallibel One is inset. Vallibel One conforms to the regulatory requirements of the Companies Act No. 07 of 2007, Articles of Association of the Company and the Listing Rules of the Colombo Stock Exchange. Consequently, this report explains conformance with the provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange and the measures taken to monitor performance of the significant investments made in the subsidiaries and associates of Vallibel One.

Roles and responsibilities of shareholders and the Board are explored together with a description of the mechanisms to ensure healthy returns from investments.



SHAREHOLDERS

Vallibel One had 11,928 shareholders as at the close of the year of which the largest shareholder is Mr. K D D Perera who holds 63.5%. Shareholders receive the Annual Report including Financial Statements, Annual Report of the Board of Directors on the Affairs of the Company and Notice of Meeting, 15 working days prior to the Annual General Meeting. They vote at the Annual General Meeting to re-elect/appoint Directors and appoint Auditors on a regular basis in accordance with the Companies Act and the

Articles of Association of the Company. The Board recommends re-election/appointment of Directors to shareholders for consideration and voting at the Annual General Meetings. They also recommend re-appointment/appointment of Auditors based on the recommendations of the Audit Committee who evaluate the competence, independence and objectivity of the Auditors. Chairman of the Audit Committee and the Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

The Company complies with the Continuing Listing Rules by ensuring that shareholders are kept informed about the performance of the Company on a quarterly basis through press releases and interim financial statements. Additionally, timely notice is given to the Colombo Stock Exchange on appointment and resignation of Directors and other material developments deemed price sensitive in accordance with the Continuing Listing Rules. The Articles of association also provide for Extra-Ordinary General Meetings to be convened by the Directors, whenever they think fit or on the requisition of shareholders holding (as at the date of deposit of the requisition) shares which carry not less than 10%of the votes which may be cast on an issue, ensuring timely communication of matters significantly affecting the sustained operations of the Company.

BOARD OF DIRECTORS

The Board comprises one Executive Director and four Non-Executive Directors of whom three are Independent Non-Executive Directors in accordance with the criteria set out in the Continuing Listing Rules of the Colombo Stock Exchange. There is broad range of skills and attributes amongst the Board members ranging from entrepreneurship, finance, banking, legal and marketing. They are all business leaders and professionals of high repute as evinced by their profiles given on pages 78 and 79. Roles of the Chairman and Managing Director are combined facilitating business alignment.

As set out in the Continuing Listing Rules and the Companies Act No.7 of 2007, the Board is responsible for providing strategic direction, monitoring performance and ensuring that a system of internal controls is in place to facilitate sound financial reporting and decision-making. As an investment holding company, matters requiring Board attention centre around investment and divestment decisions and monitoring performance of key investments.

Directors who are initially appointed by the Board are required to seek re-election by the shareholders in terms of the Articles of Association. A Director appointed to the office of Chairman, Deputy Chairman, Chief Executive, Managing or Joint Managing Director or other Executive Officer shall not, whilst holding that office be subject to retirement by rotation. Extension of tenures by Directors over 70 years of age are approved by the shareholders in accordance with the Companies Act.

Matters Addressed by the Board

- Investment decisions
- Monitoring performance of investments
- Divestments
- Delegation of Authority
- Voting at key AGMs of investee companies
- Appointment of Company Secretary
- Policy Formulation
- Directors' Remuneration

BOARD COMMITTEES

The Board has appointed three committees to assist in the discharge of its duties as summarised below:

Board Committee	Composition	Scope
Audit Committee	Comprises three Independent Non-Executive Directors: • Mr. R N Asirwatham (Chairman) • Mr. S H Amarasekera • Ms. K Fernando	Exercising oversight over the following functions: • Control environment and risk management • Quality, cost and scope of external audits • Evaluating and recommending appointment of Auditors to Board • Management and statutory reporting including financial reporting processes • Review and approval of accounting policies and implementation of the same • Preapproval of any non-audit services obtained from External Auditors to ensure independence is maintained Please refer the Report of the Audit Committee given on page 101 for more information
Remuneration Committee	Comprises three Non-Executive Directors of whom two are Independent: • Mr. S H Amarasekera (Chairman) • Ms. K Fernando • Mr. J A S S Adhihetty	Making recommendations to the Board on the following matters: • Remuneration framework of the Senior Management • Remuneration of Executive Director and the Chief Executive Officer The remuneration policy is set out in the Annual Report of the Board of Directors.
Related Party Transactions Review Committee	Comprises three Independent Non-Executive Directors: • Mr. S H Amarasekera (Chairman) • Ms. K Fernando • Mr. R N Asirwatham	Independent review, approval and oversight of related party transactions Please refer the Report of the Related Party Transactions Review Committee is given on page 98 for more information

MEETINGS

The Board, Audit Committee and Related Party Transactions Review Committee meet quarterly with provision to schedule additional meetings if required. The Remuneration Committee meets as and when necessary.

	Attendance		
Director	Board Meetings	Audit Committee	Related Party Transactions Review Committee
Mr. K D D Perera	4/4	–	–
Mr. W D N H Perera (resigned on 8th March 2017)	3/4	–	–
Mr. S H Amarasekera	4/4	4/4	4/4
Mr. J A S S Adhihetty	4/4	–	–
Ms. K Fernando	4/4	4/4	4/4
Mr. R A Asirwatham	4/4	4/4	4/4

MONITORING OF INVESTMENTS

Dividends from investments is the principal source of revenue for the Company making monitoring investments a key priority. This is done by judicious exercise of shareholder rights and rigorous analysis of information published by/received from investee companies (as applicable). Directors of Vallibel One and the Chief Executive Officer also sit on the Boards of subsidiaries and associates as Non-Independent, Non-Executive Directors as given in the next page:

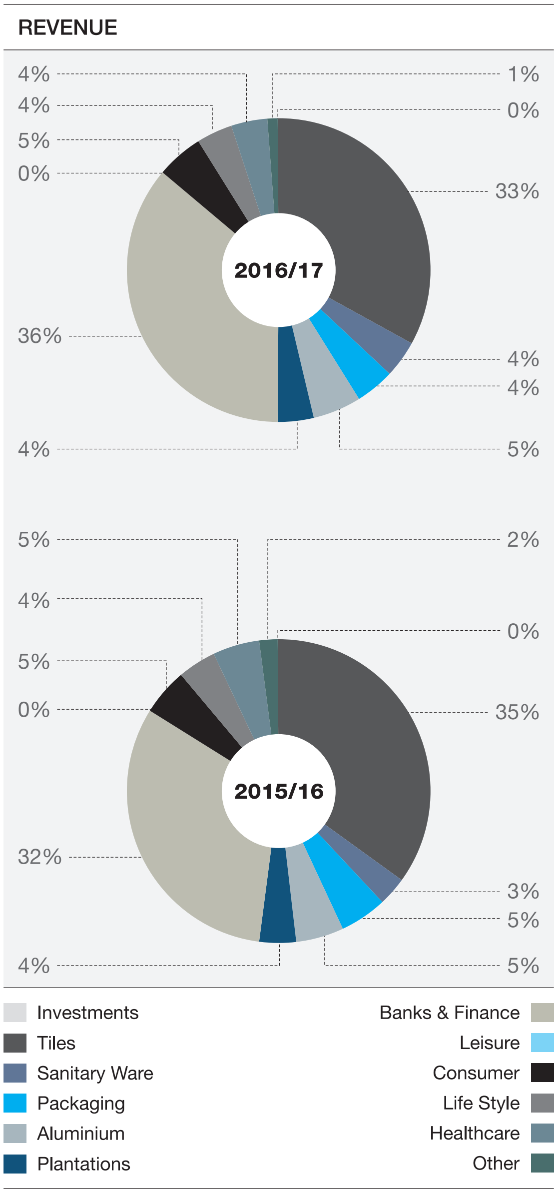
Investee	Investment Category	Common Directors
L B Finance PLC	Subsidiary	• Ms. K Fernando (Acting Chairperson) • Mr. K D D Perera (Executive Deputy Chairman) • Mr. J A S S Adhihetty (Managing Director) • Mr. W D N H Perera (Executive Director resigned with effect from 30.04.2017) • Ms. Y Bhaskaran
Royal Ceramics Lanka PLC	Subsidiary	• Mr. K D D Perera (Chairman) • Mr. R N Asirwatham • Mr. S H Amarasekera • Mr. W D N H Perera (Managing Director, resigned with effect from 07.03.2017)
Delmege Ltd.	Subsidiary	• Mr. K D D Perera (Chairman) • Ms. K Fernando • Mr. S H Amarasekera • Ms.Y Bhaskaran
Greener Water Ltd.	Subsidiary	• Mr. J A S S Adhihetty
The Fortress Resorts PLC	Associate	• Mr. K D D Perera (Chairman) • Mr. J A S S Adhihetty (Managing Director)
Sampath Bank PLC	Former associate now classified as an Investee due to the retirement of common Chairman. Vallibel One is the largest shareholder. Refer Note 11.3 for further information.	Mr. K D D Perera who served as Chairman of the Board retired with effect from 31.07.2016 on completion of 9 years.

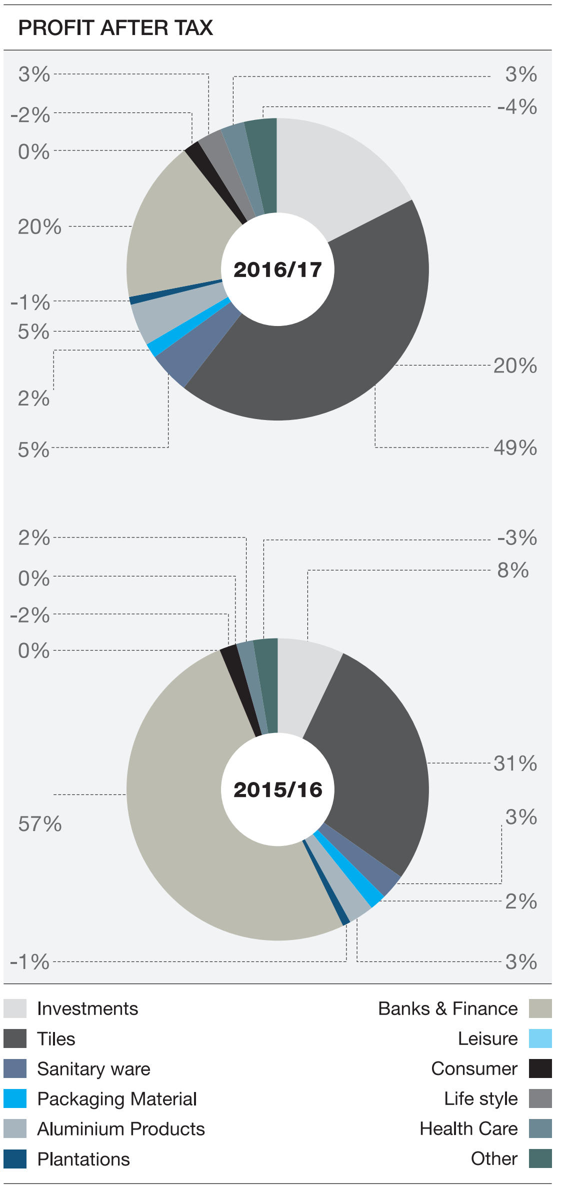
As experienced entrepreneurs and professionals, all Directors are fully aware of the need to act in the best interests of the respective companies in which they serve as Directors in accordance with the Companies Act and recuse themselves from voting on matters which have a potential conflict of interest. Annual declarations of interests are filed with both Vallibel One and the investee company by the Directors.

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.1(a)	No. of Non-Executive Directors	Board shall include at least two Non Executive Directors or such number of non Executive Directors equivalent to one third of the total number of Directors whichever is higher.	Yes	Corporate Governance
7.10.2(a)	No. of Independent Directors	Two or one third of the Non Executive Directors, whichever is higher shall be independent .	Yes	Annual Report of the Board of Directors - Section on 'Independence of Directors'
7.10.2(b)	Submission of Declarations by Non Executive Directors of his/her Independence/ Non Independence	The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence against the specified criteria	Yes	– do –
7.10.3(a)	Annual determination by the Board of the Independence/ Non Independence of Non Executive Directors	The Board shall make a determination annually as to the independence or non independence of each Non Executive Director and shall set out in the Annual Report the names of the Directors determined to be independent	Yes	– do –
7.10.3(b)	Basis for the Board's determination as per 7.10.3(a)	In the event a Director does not qualify as independent against any criteria as per Rule 7.10.4 but if the Board taking into account all the circumstances is of the opinion that the Director is nevertheless independent the Board shall specify the criteria not met and the basis for determination in the Annual Report.	Yes	Annual Report of the Board of Directors - Section on 'Independence of Directors'
7.10.3(c)	Brief Resume of each Director to be published in the Annual Report	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Yes	Profiles of Board of Directors appear on pages 78 and 79 in the Annual Report
7.10.3(d)	Resume of new Directors to be provided to CSE	Upon appointment of new Directors the Company shall provide a brief resume of that Director to the Colombo Stock Exchange	N/A No new Directors were appointed during the year	N/A
7.10.5(a)	Composition of Remuneration Committee	Remuneration Committee shall consist of a minimum of two Independent Non Executive Directors or Non Executive Directors a majority of whom shall be independent, whichever is higher.	Yes	Annual Report of the Board of Directors and Corporate Governance
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors and the Chief Executive Officer.	Yes	– do –
7.10.5(c)	Disclosure in the Annual Report relating to the Remuneration Committee,	The Annual Report should set out the names of the Directors comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non Executive Directors	Yes	Annual Report of the Board of Directors
7.10.6(a)	Composition of Audit Committee	The Audit Committee shall comprise of two Independent Non Executive Directors or Non Executive Directors a majority of whom shall be independent, whichever is higher and the Chairman or a member should be a member of a recognised professional body and unless otherwise determined by the Audit Committee Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings	Yes	Report of the Audit Committee
7.10.6(b)	Audit Committee Functions	Functions of the Audit Committee shall include those set out in (i) to (v) of Rule 7.10.6(b)	Yes	Report of the Audit Committee and Corporate Governance
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	The Annual Report should set out the names of the Directors comprising the Audit Committee and disclose the basis of determination of the independence of the Auditors and shall contain a report by the Audit Committee of the manner of compliance by the Company.	Yes	Annual Report of the Board of Directors and the Report of the Audit Committee

MANAGING RISK

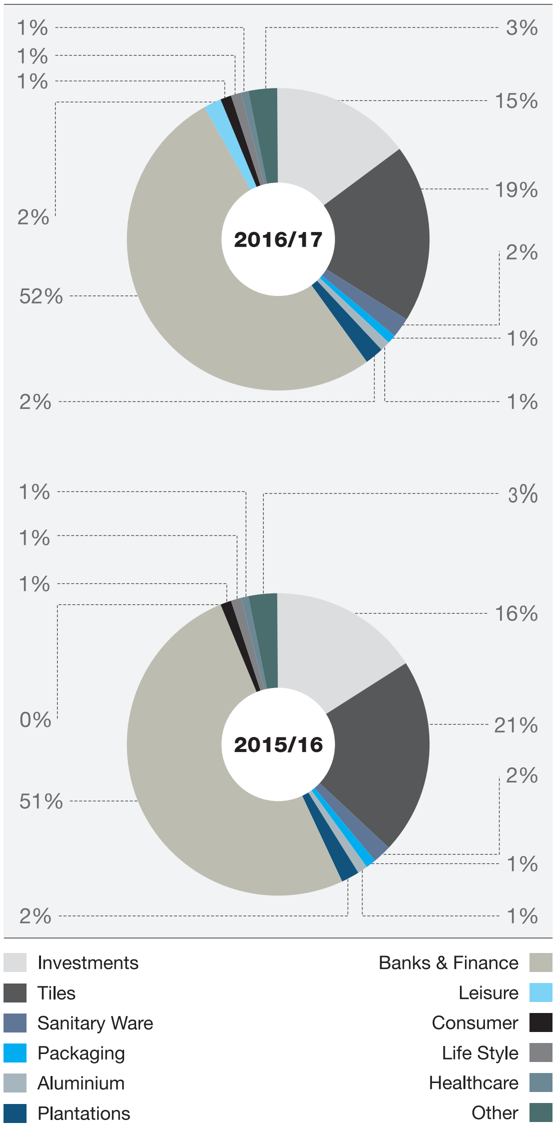
Our direct investments in five companies, many of which are groups in their own right, results in the consolidation of the Financial Statements of 39 entities with a further entity accounted as an Associate compan. Classified across 12 sectors, our risk profile is a complex matrix that changes with the risk profiles of key sectors. Here, we provide a snapshot of our earnings and exposures to key sectors which provides context to our risk review.



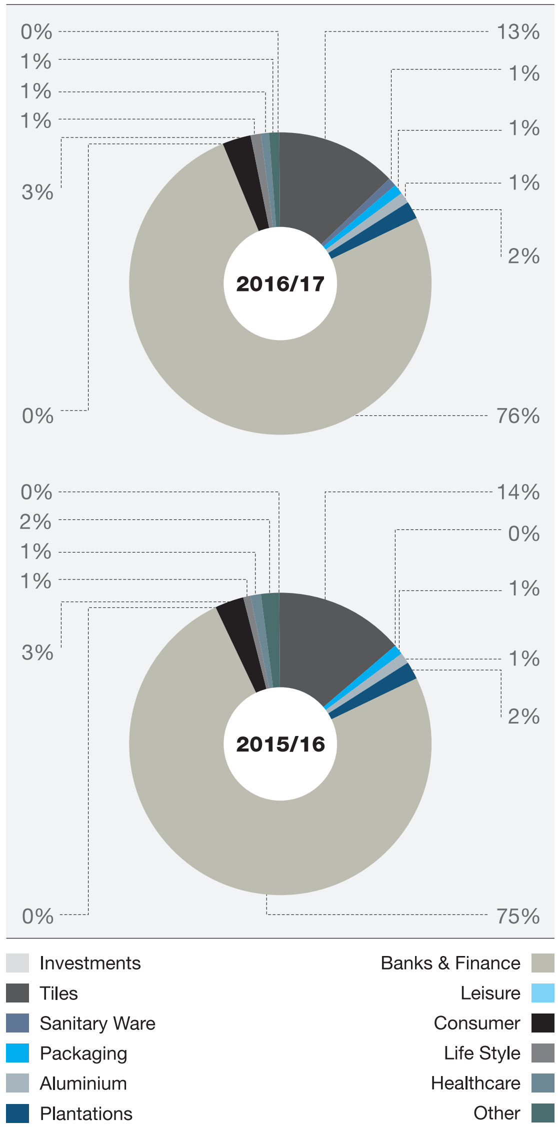


The sector contributions to revenue, assets and liabilities saw a change from the previous year, while the sector contribution of PAT changed significantly. This is attributable mainly to the change in accounting treatment arising from the Chairman's retirement from the Board of Sampath Bank PLC, which is now accounted for as an investment held for sale. In the previous year it was accounted for as an Associate due to the common Chairman and the assumption of significant influence. Without considering Sampath Bank, L B Finance Profit After Tax for the year would be Rs. 3,718 Mn and Rs. 3,918 Mn for the financial years ended 31st March 2016 and 17 respectively.

ASSETS



LIABILITIES



Based on the above analysis, it is evident that the profitability and the stability of the Group is significantly impacted by the performance of the Banking & Finance, Tiles and Sanitaryware sectors. Taking this, and other factors in to account, our principal risks are as follows:

Risk	Mitigating Actions	Risk Rating
Concentration Risk The risk that an investor will suffer from lack of diversification, investing too heavily in one industry, one geographic area or one type of security	The portfolio is skewed towards the most profitable sectors of the economy and we believe these exposures are an optimum mix which will yield returns above market rates in the long term in a proactive manner.	Moderate
Relative Autonomy of Investee Companies	Directors of Vallibel One are also Directors of investee companies where Vallibel One has a significant stake. This enables the Board to monitor the performance of Group companies.	Moderate
Macro Economic Policy Changes	Fiscal and monetary policy changes can have significant impacts on the operations of various entities in the Group.	Moderate
Inflation	Inflation increased to 8.6% for the year ended 31st March 2017 with food inflation increasing to 11.2% and non-food inflation increasing to 6.7%. This will be a key concern as it diminishes consumer purchasing power, which could have an adverse impact on volume growth for the Group. However, the stated Government policy of managing inflation within the high mid-single digit range is welcome in this regard.	High

Risk	Mitigating Actions	Risk Rating
Interest Rates	Due to exposure to the Banking & Financial sector, interest rates play a key role in determining the profitability of the Group. However, the track record of the institutions in managing interest rates reduces the risk, although interest rates are expected to maintain an upward trend. Profitability of other companies in the Group will also be impacted due to increased costs of debt. However, we expect business growth to compensate for this, ensuring growth in profitability of the Group over the long term.	Moderate
Exchange Rates	Depreciation of the Sri Lankan Rupee impacts the Group as many of the investee companies import key inputs which may exert pressure over margins. Group foreign exchange earnings are minimal, confined mainly to the Leisure sector as most entities derive revenue from the local market. Ability to pass on cost increases may be limited if inflation also increases simultaneously, diminishing the purchasing power of consumers.	High
Equity Price Risk	As a holding company, Vallibel One is exposed to volatility in the market price of its equity investments. Market values of its investments are reviewed on a regular basis to monitor their performance and further information in this regard is provided in Note 43 to the Financial Statements, including a sensitivity analysis of the same.	Moderate
Credit Risk The risk of default on a debt that may arise from a borrower failing to make required payments	The Group has significant exposure to credit risk, mainly through the investments in the Banking & Finance sector and, to a lesser extent, through other Group companies. However, the prudent policies in place for managing credit risk are expected to facilitate management of risk within the Group.	Moderate
Liquidity Risk The risk that a company may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process	Group debt equity remains at satisfactory levels with sufficient cashflow to facilitate repayment of debt and interest without impairment of its financial strength.	Moderate

Risk	Mitigating Actions	Risk Rating
Supply Chain Risk Routine and exceptional risks along the supply chain	The relative autonomy enjoyed by the holding companies within the Group is a key mitigant as the entities operate with their own supply chains rather than a centralised one.	Low
Compliance Risk Exposure to legal penalties, financial forfeiture and material loss an organisation faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.	Compliance risk is managed by the individual Boards of the various entities. This risk is mitigated at entity level for large exposures as many are mature businesses with highly evolved governance processes. Additionally, our own Board members are on the Boards of subsidiary entities, further moderating this risk.	Moderate
Litigation Risk The possibility that legal action will be taken because of an individual's or corporation's actions, inactions, products, services or other events.	This risk is inevitable, given the diversity and scope of operations of the Group. Pending litigation is disclosed in Note 41 to the Financial Statements.	High

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Vallibel One PLC has pleasure in presenting to the shareholders their Annual Report on the affairs of the Company, together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the financial year ended 31st March 2017, conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act, No.7 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices.

GENERAL

Vallibel One PLC (the Company) was incorporated as a limited liability company under the name 'Vallibel One Limited' on 9th June 2010 under the Companies Act, No.7 of 2007.

The Registered Office of the Company is situated at Level 29, West Tower, World Trade Centre, Echelon Square, Colombo 1.

The ordinary shares of the Company are listed on the Diri Savi Board of the Colombo Stock Exchange since 8th July 2011 and consequent thereto its name was changed to Vallibel One PLC on 25th August 2011, under Registration No. PB 3831 PQ.

PRINCIPAL ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

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

The principal activities of the subsidiary companies are referred to in Note 1.2 to the Financial Statements on page 114.

There have been no significant changes in the nature of activities of the Company and its subsidiaries during the financial year under review.

REVIEW OF BUSINESS

REVIEW OF OPERATIONS

The Chairman's Message on pages 10 to 13 CEO's Review on pages 14 to 18 provide an overall assessment of business performance of the Company and its subsidiaries (hereinafter sometimes collectively referred to as the Group) and the associate company and future developments. These Reports, together with the Financial Statements, reflect the state of affairs of the Company and its subsidiary companies.

The segment-wise contribution to Group Results, Assets and Liabilities are provided in Note 40 to the Financial Statements on pages 200 to 206.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No. 7 of 2007.

The aforesaid Financial Statements, duly signed by the Chief Financial Officer, two Directors on behalf of the Board and the Auditors are included in this Annual Report and form an integral part of this Annual Report of the Board of Directors.

AUDITORS' REPORT

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

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The accounting policies adopted in the preparation of the Financial Statements are given on pages 114 to 140. There were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

DIRECTORS RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of affairs.

The Directors are of the view that the Statement of Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 105 to 218 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibility for Financial Reporting is given on page 99.

NET REVENUE

The net revenue of the Group during the year under review was Rs. 52.9 Bn (Rs. 47.7 Bn in the year 2015/16).

RESULTS AND APPROPRIATIONS

PERFORMANCE OF THE GROUP AND THE COMPANY AND TRANSFERS TO RESERVES

The Net Profit Before Tax of the Group and the Company amounted to Rs. 8.2 Bn and Rs. 1.3 Bn respectively in the year under review (Rs. 10.9 Bn and Rs. 0.7 Bn respectively in 2015/16).

The Net Profit After Tax of the Group and the Company amounted to Rs. 4.2 Bn and Rs. 1.2 Bn respectively in the year under review (Rs. 7.4 Bn and Rs. 0.7 Bn respectively in 2015/16).

Details of Appropriations are given in the Statement of Changes in Equity on pages 109 to 111.

DIVIDENDS ON ORDINARY SHARES

An interim dividend of 50 cents per share was paid for the year under review on 29th July 2016.

RESERVES

A summary of the Group's Reserves is given in Note 27.2 to the Financial Statements on pages 186 and 187.

PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

Information on Property, Plant & Equipment and Intangible Assets of the Group and the Company are given in Notes 15 and 16 of Financial Statements on pages 156 to 169 respectively.

The Company does not own any land or buildings.

INVESTMENTS

Information on investments held by the Group and the Company are given in Notes 4, 10 and 11 on pages 141, 142, 151 and 152 respectively.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2017 was Rs. 27,163,983,720/-, represented by 1,086,559,353/- Ordinary Shares. There were no changes in the Stated Capital of the Company during the year.

SHARE INFORMATION

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

Information on the distribution of shareholding and the respective percentages and analysis of shareholders are given on page 222 and 223 under Shareholders' Information.

EARNINGS, DIVIDENDS, NET ASSETS AND MARKET VALUE OF SHARES

Information relating to earnings, dividend, net assets and market value per share are given on pages 220 and 223.

MAJOR SHAREHOLDERS

Information on the twenty largest shareholders of the Company are given on page 223 under Shareholders' Information.

PUBLIC HOLDING

Information on public holding in terms of the Listing Rules is given on page 222 under Shareholders' Information.

INFORMATION ON THE DIRECTORS OF THE COMPANY AND THE GROUP

DIRECTORS OF THE COMPANY AS AT 31ST MARCH 2017

The Board of Directors of the Company as at 31st March 2017 consisted of five (5) Directors [six (6) as at 31st March 2016], with wide knowledge and experience in business, finance, banking, legal and marketing as detailed in the brief Profiles of the Directors on pages 78 and 79.

Names of the Directors who held office as at 31st March 2017 as required by section 168(1) (h) of the Companies Act are given below:

Name of Director	Executive	Non-Executive	Independent Non-Executive
Mr. K D D Perera (Chairman/Managing Director)	√		
Mr. S H Amarasekera			√
Mr. J A S S Adhihetty		√	
Ms. K Fernando			√
Mr. R N Asirwatham			√

New Appointments during the year
None

Resignations during the year
Mr. W D N H Perera, Deputy Chairman resigned with effect from 8th March 2017

DIRECTORS OF THE SUBSIDIARIES AND THE ASSOCIATE COMPANY AS AT 31ST MARCH 2017

Names of the Directors of all subsidiaries and the associate company are given on pages 224 to 230.

RECOMMENDATIONS FOR RE-ELECTION OF DIRECTORS WHO RETIRE BY ROTATION

Mr. S H Amarasekera retires by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible is recommended by the Directors for re-election.

RE-APPOINTMENT OF DIRECTORS WHO ARE OVER 70 YEARS OF AGE

Mr. R N Asirwatham who is 74 years of age and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2)(b) of the Companies Act No.7 of 2007, is recommended by the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

BOARD MEETINGS

Four (4) Board Meetings of the Company were held during the year under review and the Directors' attendance at those Meetings are set out on page 83.

BOARD SUB COMMITTEES

The Board of Directors have formed three Mandatory Board Subcommittees in terms of the Listing Rules of the Colombo Stock Exchange, namely, Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee.

The composition of the said Board Subcommittees appear on page 95 and as required by the Listing Rules, the Reports of the Audit Committee and the Related Party Transactions Review Committees are on pages 98 and 101 respectively.

DIRECTORS INTERESTS IN SHARES

The information pertaining to the Directors' Shareholding in the Company is given on page 222.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under key management personnel compensation in Note 42.1 to the Financial Statements on page 208.

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 judgement in Board discussions and decisions.

The Directors confirm that, during the applicable financial period the Company was 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 comprised five (5) members as at the end of the financial year, four (4) of whom are Non-Executive Directors. The Chairman serves as the Managing Director.

INDEPENDENCE OF DIRECTORS

Based on the declarations submitted by the Non-Executive Directors, the Board has determined that three Non-Executive Directors – Mr. S H Amarasekera, Ms. K Fernando and Mr. R N Asirwatham are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

In 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 Ms. 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. Additionally, both Mr. S H Amarasekera and Ms. K Fernando serve as Directors of Delmege Ltd. along with Mr. K D D Perera and consequent to the number of Directors of the Company reducing to five (5) with effect from 8th March 2017, a majority of the Directors of the Company serve as Directors of the said Delmege Ltd. As such the said Directors fall under Rule 7.10.4.g(i) of the Listing Rules.

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

AUDIT COMMITTEE

The Audit Committee consists of three Independent Non-Executive Directors, namely,

Mr. R N Asirwatham (Chairman of the Committee),
Mr. S H Amarasekera
Ms. K Fernando

The Report of the Audit Committee appears on page 101.

REMUNERATION COMMITTEE

The Remuneration Committee consists of a Non-Executive Director and two Independent Non- Executive Independent Directors, namely,

Mr. S H Amarasekera (Chairman of the Committee)
Mr. J A S S Adhihetty
Ms. K Fernando.

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

- Remuneration framework of the Senior Management
- Remuneration of Executive Director and the Chief Executive Officer.

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 namely,

Mr. S H Amarasekera
(Chairman of the Committee)
Ms. K Fernando
Mr. R N Asirwatham

The Report of the Related Party Transactions Review Committee appears on page 99.

DECLARATION

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the year under review.

DIRECTORS INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS AND INTERESTS REGISTER

INTERESTS REGISTER

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

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.

Financial Risk Management objectives and policies are set out in Note 45 on pages 213 to 217.

DONATIONS

During the year donations amounting to Rs. 328,033/- were made by the Company, and the subsidiaries have not made donations during the year.

INDEPENDENT AUDITORS

COMPANY

Messrs Ernst &Young, Chartered Accountants served as the Auditors of the Company and also provided tax compliance services and other permitted non-audit services.

A total amount of Rs. 1,646,760/- is payable by the Company to the Auditors for the year under review comprising Rs. 239,200/- as audit fees and Rs. 1,407,560/- for other services.

The retiring Auditors have expressed willingness to continue in office. A resolution to re-appoint the Auditors and to authore the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

GROUP

The audits of subsidiary companies are handled by reputed firms of Chartered Accountants in Sri Lanka.

Details of payments to such audit firms on account of audit fees and for permitted non-audit services, are set out in Note 36 to the Financial Statements on page 194.

INDEPENDENCE OF AUDITORS

Based on the declaration provided by Messrs Ernst & Young, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, as applicable on the date of this Report.

HUMAN RESOURCES

The Group continued to invest in Human Capital Development and implement effective Human Resource Practices and Policies to develop and build an efficient and effective workforce and to ensure that its employees are possessed of skills and knowledge required for the future growth of the respective companies of the Group and for their own career development.

RESEARCH AND DEVELOPMENT

The Group has endeavoured to invest in research and development and has made and will continue to make substantial efforts to introduce new products and processes and develop existing products and processes to improve operational efficiency.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other regulatory institutions and related to employees have been paid on their due dates or where relevant have been provided for in the Financial Statements.

CONTINGENT LIABILITIES

The contingent liabilities as at 31st March 2017 are given in Note 41.1 to the Financial Statements on page 207.

EVENTS OCCURRING AFTER THE REPORTING DATE

No event of material significance that require adjustments to the Financial Statements, has occurred subsequent to the Reporting period other than those disclosed in Note 46 to the Financial Statements on page 218.

GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has resources to continue in business for the foreseeable future.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 30th June 2017 at 3.00 p.m. at 'Balmoral' The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01.

The Notice of the Annual General Meeting appears on page 235.

ACKNOWLEDGEMENT

The Board of Directors have approved the Audited Financial Statements together with the Annual Report of the Board of Directors and the Reviews which form part of the Annual Report on 26th May 2017.

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

Dhammika Perera
Chairman / Managing Director

Sumith Adhihetty
Director

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

26th May 2017
Colombo

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee (RPTRC) 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)*
- Ms. 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.
- The RPTRC reviews all the RPTs of the Company, and during the year under review, all RPTs the Company entered into being Recurrent RPTs, which were carried out on an arm's length basis as per the guidelines issued in that respect such review did not necessitate seeking approval of the RPTRC/Directors.
- In its review of RPTRC/RPTs, RPTRC considers the terms and conditions of the RPT, value, and the aggregate value of transactions with the said related party during the financial year, in order to determine whether they are carried out on an arms length basis, the disclosure requirements as per the Listing Rules of the CSE and the level of approval required for the respective RPTs.
- The RPTRC ensures that all transactions with Related Parties were in the best interests of all shareholders, adequate transparency is maintained and are in compliance with the Listing Rules.
- The Committee has established guidelines in respect of Recurrent RPTs to be followed by the Management of the Company, in the Company's dealings with Related Parties.

RELATED PARTY TRANSACTIONS DURING THE YEAR UNDER REVIEW

Details of the Recurrent RPTs entered into by the Company during the year is disclosed in Note 42 of the Financial Statements.

The Company did not enter into any Non-Recurrent RPTs during the year.

MEETINGS

The Committee met four times during the financial year under review.

DECLARATION

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions, is given on page 95 of the Annual Report.

S H Amarasekera
Chairman
Related Party Transactions Review Committee

26th May 2017

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. 7 of 2007.

The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors given on page 104 of the Annual Report.

As per the provisions of sections 151, 152 (1) and (2), 153 (1) and (2) and 150 (1) of the Companies Act No. 7 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 and its subsidiaries as at the Reporting date and its profit or loss for the financial year then ended, ensure that they are completed within six months or such extended period as may be determined by the Registrar of Companies, certified by the person responsible for the preparation of the Financial Statements that it is in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166 (1) read together with sections 168 (1) (b) and (c) and section 167 (1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the Annual Report of the Board of Directors of the Company prepared as per section 166 (1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual 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 judgements 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) and are consistent with the underlying books of accounts 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. 15 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 the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee. The Report of the said Committee is given on page 101.

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) Ltd
Company Secretaries

26th May 2017

REPORT OF THE AUDIT COMMITTEE

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

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

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

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

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

The Committee along with the Board reviewed the Consolidated Financial Statements for the year ended 31st March 2017 to ensure compliance with mandatory and statutory requirements. The Chief Executive Officer and Manager – Finance attend the meetings by invitation.

The Audit Committee is of the view that the internal controls prevalent within the Company are satisfactory and provide 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 Independent Auditors to ensure that the provision of these services do not impair their independence.

The Committee has recommended to the Board of Directors that Messrs Ernst & Young, Chartered Accountants be re-appointed the Auditors for the year ending 31st March 2018 subject to the approval of the Shareholders at the Annual General Meeting.

R N Asirwatham
Chairman –
Audit Committee

26th May 2017

Financial Reports

Interim Financial Statements – 2016/17 1st quarter	11th August 2016
Rs. 0.50 Per Share Interim Dividend 2016/17	29th June 2016
Interim Financial Statements – 2016/17 2nd quarter	15th November 2015
Interim Financial Statements – 2016/17 3rd quarter	15th February 2017
Interim Financial Statements – 2016/17 4th quarter	26th May 2017
Annual Report 2016/17	26th May 2017
7th Annual General Meeting	30th June 2017

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/JJ

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALLIBEL ONE PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Vallibel One PLC, (the 'Company'), and the consolidated financial statements of the Company and its subsidiaries (the 'Group'), which comprise the statement of financial position as at 31st March 2017, and the statement of Profit or Loss and 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 controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 misstatements.

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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 controls. 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 31st March 2017, 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. 7 of 2007, we state the following:

(a) The basis of opinion, 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 31st March 2017, 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

26th May 2017
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
ASSETS					
Cash and Bank	29	**399,210,107**	41,298,454	**5,378,756,448**	8,578,411,050
Financial Assets – Fair Value through Profit or Loss	4.2	**110,560,185**	236,350,258	**161,264,120**	169,891,753
Short Term Investments		**1,400,762,161**	2,021,783,465	**1,400,762,161**	1,375,604,261
Loans and Receivable	5	**150,000,000**	375,000,000	**33,638,779,282**	26,824,169,365
Lease Rentals Receivables and Stock out on hire	6	**–**	–	**55,659,387,808**	45,102,039,180
Financial Assets – Available-for-sale	4.1	**7,883,555,153**	640,082,179	**7,951,947,177**	722,993,211
Other Financial Assets	7	**–**	–	**6,853,422,854**	4,360,564,843
Trade and Other Debtors, Deposits and Prepayments	8	**230,981,466**	87,259,655	**6,584,067,280**	5,389,838,754
Other Non-Financial Assets	9	**–**	1,204,936	**1,296,826,031**	1,687,060,466
Investments in Subsidiaries	10	**18,802,889,684**	16,501,650,646	**–**	–
Investment in Associate	11	**405,891,320**	7,392,900,690	**587,838,401**	9,700,149,230
Amount Due from Related Parties	13	**26,073,645**	251,709,172	**–**	–
Deferred Tax Assets	12	**–**	–	**340,548,697**	469,734,310
Income Tax Recoverable		**5,269,642**	6,411,679	**115,943,422**	73,011,893
Inventories	14	**–**	–	**10,031,784,843**	8,670,793,592
Intangible Assets	15	**–**	–	**13,046,741,647**	13,130,583,151
Property, Plant and Equipment	16	**37,131,763**	43,625,191	**29,566,426,018**	22,013,782,828
Biological Assets	16.5/16.6	**–**	–	**2,575,552,000**	2,356,319,273
Investment Property	18	**–**	–	**238,024,000**	238,714,000
Leasehold Rights Over Mining Lands	17	**–**	–	**16,080,000**	8,080,500
Assets – Held-for-sale	38	**–**	–	**137,815,270**	–
Total Assets		**29,452,325,125**	27,599,276,324	**175,581,967,459**	150,871,741,660
LIABILITIES					
Due to Banks	19	**2,004**	–	**26,636,388,491**	17,039,812,212
Due to Customers	20	**–**	–	**60,401,954,526**	52,733,622,292
Interest-Bearing Loans and Borrowings	21	**400,000,000**	–	**16,155,167,092**	14,984,759,603
Trade and Other Payables	22	**8,855,425**	1,499,893	**4,954,352,948**	5,364,778,349
Other Non-Financial Liabilities	23	**–**	–	**2,842,747,244**	1,967,060,622
Dividend Payable	24	**7,647,865**	6,783,826	**113,083,111**	170,126,424
Employee Benefit Liabilities	25	**3,808,881**	3,416,899	**1,211,122,077**	1,192,535,325
Income Tax Liabilities		**6,061,747**	9,407,476	**1,220,668,421**	1,392,211,517
Deferred Tax Liabilities	12	**2,461,089**	3,006,581	**1,711,056,168**	1,222,007,882
Deferred Income and Capital Grants		**–**	–	**153,189,000**	134,299,000
Liabilities Directly Associated with the Assets classified as Held-for-Sale	38	**–**	–	**137,943,727**	–
Total Liabilities		**428,837,011**	24,114,675	**115,537,672,806**	96,201,213,227

As at 31st March	Notes	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 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	**1,859,504,394**	411,177,929	**14,187,517,216**	10,927,177,794
		29,023,488,114	27,575,161,649	**41,351,500,936**	38,091,161,514
Non-Controlling Interest		–	–	**18,692,793,717**	16,579,366,919
Total Equity		**29,023,488,114**	27,575,161,649	**60,044,294,653**	54,670,528,433
Total Equity and Liabilities		**29,452,325,125**	27,599,276,324	**175,581,967,459**	150,871,741,660

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

Sumith Adhihetty
Director

The Accounting Policies and Notes on pages 114 through 218 form an integral part of these Financial Statements.

26th May 2017
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Notes	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Revenue	30	**–**	–	**52,936,401,547**	47,667,846,114
Cost of Sales		**–**	–	**(29,205,628,525)**	(26,513,404,828)
Gross Profit		**–**	–	**23,730,773,022**	21,154,441,286
Dividend Income	31	**2,020,304,582**	808,133,606	**473,325,814**	24,510,247
Other Operating Income	32	**48,215,887**	–	**542,486,263**	301,147,331
Administrative Expenses		**(162,505,542)**	(109,531,107)	**(5,031,122,279)**	(4,404,991,834)
Distribution Expenses		**–**	–	**(4,196,336,284)**	(3,950,800,512)
Other Operating Expenses		**–**	(138,434,488)	**(1,863,688,222)**	(2,119,721,357)
Loss on Reclassifying the Investment to Available-for-Sale Financial Asset from Investment in Associate	11	**(828,882,412)**	–	**(3,297,524,816)**	–
Gold Loan Auction Losses		**–**	–	**(2,200,719)**	(29,358,088)
Result from Operating Activities		**1,077,132,515**	560,168,011	**10,355,712,779**	10,975,227,073
Finance Cost	33	**(14,186,890)**	(45,503,975)	**(1,611,278,651)**	(1,214,178,636)
Finance Income	34	**242,759,430**	206,195,328	**455,606,975**	269,402,812
Net Finance Income/(Cost)		**228,572,540**	160,691,354	**(1,155,671,676)**	(944,775,824)
Share of Results of Equity Accounted Investees		**–**	–	**687,149,968**	1,532,686,923
Reclassification of the Gain/Loss Recognised in OCI through Retained Earnings		**–**	–	**(648,593,981)**	–
Operating Profit Before Tax on Financial Services		**1,305,705,055**	720,859,364	**9,238,597,091**	11,563,138,172
Tax on Financial Services		**–**	–	**(1,027,100,778)**	(593,451,556)
Profit Before Tax	36	**1,305,705,055**	720,859,364	**8,211,496,313**	10,969,686,616
Income Tax Expense	35	**(65,932,211)**	(56,660,336)	**(3,761,721,632)**	(3,512,967,015)
Profit for the Year from Continuing Operations		**1,239,772,844**	664,199,028	**4,449,774,681**	7,456,719,601
Discontinued Operation					
Loss after Tax from Discontinued Operations	38	**–**	–	**(195,549,696)**	–
Profit for the year		**1,239,772,844**	664,199,028	**4,254,224,985**	7,456,719,601
Attributable to:					
Equity Holders of the Parent		**1,239,772,844**	664,199,028	**539,789,010**	4,227,980,081
Non-Controling Interests		**–**	–	**3,714,435,975**	3,228,739,520
		1,239,772,844	664,199,028	**4,254,224,985**	7,456,719,601
Earnings Per Share		**1.14**	0.61	**0.50**	3.89

The Accounting Policies and Notes on pages 114 through 218 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

	Company		Group	
For the year ended 31st March	**2017**	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.
Profit for the Year	**1,239,772,844**	664,199,028	**4,254,224,985**	7,456,719,601
Other Comprehensive Income				
Other Comprehensive Income to be Reclassified to Income Statement in Subsequent Periods				
Share of Other Comprehensive Income of Equity Accounted Investees	**–**	–	**23,432,032**	(28,439,832)
Reclassification of the Gain/Loss Recognised in OCI through Retained Earnings	**–**	–	**648,593,981**	–
Net Gain/(Loss) on Available-for-Sale Financial Assets	**751,336,400**	(194,020,704)	**724,209,106**	(182,460,493)
Exchange Difference on Translation of Foreign Operations	**–**	–	**3,030,642**	4,470,186
Other Comprehensive Income not to be Reclassified to Income Statement in Subsequent Periods				
Share of Other Comprehensive Income of Equity Accounted Investees	**–**	–	**–**	17,140,822
Income Tax Effect	**–**	–	**–**	(4,777,928)
Realisation of Revaluation Reserve – Transfer Out	**–**	–	**(202,635,276)**	–
Realisation of Actuarial Loss – Transfer Out	**–**	–	**39,734,253**	–
Revaluation of Land & Building	**–**	–	**2,387,695,614**	1,779,778,000
Income Tax Effect	**–**	–	**–**	(210,965,690)
Acturial Gain/(Loss) on Retirement Benefit Obligation	**690,136**	(34,879)	**61,778,470**	51,620,881
Income Tax Effect	**(193,238)**	9,766	**(11,590,756)**	(8,166,573)
Other Comprehensive Income for the Year, Net of tax	**751,833,298**	(194,045,817)	**3,674,248,066**	1,418,199,373
Total Comprehensive Income for the year, Net of Tax	**1,991,606,142**	470,153,211	**7,928,473,050**	8,874,918,974
Total Other Comprehensive Income Attributable to:			**–**	
Equity Holders of the Parent	**1,991,606,142**	470,153,211	**3,045,492,449**	4,428,847,903
Non-Controlling Interests	**–**	–	**4,882,980,601**	4,446,071,071
	1,991,606,142	470,153,211	**7,928,473,050**	8,874,918,974

The accounting policies and Notes on pages 114 through 218 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/Loss Rs.	Total Equity Rs.
Balance as at 31st March 2015	27,163,983,720	(157,097,489)	706,445,360	27,713,331,591
Super Gain Tax 2013/14	–	–	(65,043,477)	(65,043,477)
Adjusted Balance as at 1st April 2015	27,163,983,720	(157,097,489)	641,401,883	27,648,288,114
Net Profit/(Loss) for the Year	–	–	664,199,027	664,199,027
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
Dividend Paid	–	–	(543,279,677)	(543,279,677)
Net Profit/(Loss) for the Year	–	–	1,239,772,844	1,239,772,844
Other Comprehensive Income	–	751,336,400	496,898	751,833,298
Balance as at 31st March 2017	**27,163,983,720**	**400,218,207**	**1,459,286,187**	**29,023,488,114**

The Accounting Policies and Notes on pages 114 through 218 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	Available-for-Sale Reserve	Foreign Currency Translation Reserve	Revaluation Reserve
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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
Super Gain Tax						
Adjusted Balance as at 1st April 2015	27,163,983,720	(44,111,716)	908,852,924	(777,036,462)	(1,351,257)	752,872,749
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 Building				–	–	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) from Retirement Benefit Obligation		–	–	–	–	–
Total Other Comprehensive Income	–	–	–	(219,935,042)	7,408,530	391,000,368
Transfers	–		524,453,100	–	–	–
Effect on Changes in Holdings	–	–	–	–	–	–
Written Back of Unclaimed Dividend	–	–	–	–	–	–
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
Profit for the Year	–	–	–	–	–	–
Realisation of Revaluation Reserve – Transfer in	–	–	–	–	–	–
Realisation of Actuarial Loss – Transfer in	–	–	–	–	–	–
Other Comprehensive Income						
Share of Other Comprehensive Income of Equity Accounted Investees	–	–	–	23,693,446	(261,414)	–
Reclassification of the Gain/(Loss) Recognised in OCI by the Investment in Associate to Retained Earnings	–	–	–	654,012,009	(5,543,745)	–
Realisation of Revaluation Reserve – Transfer Out	–	–	–	–	–	(202,635,276)
Realisation of Actuarial Loss – Transfer Out	–	–	–	–	–	–
Revaluation of Land and Building	–	–	–	–	–	1,255,448,944
Exchange Difference on Translation of Foreign Operations	–	–	–	–	1,545,930	–
Net Gain/(Loss) on Available-for-Sale Financial Assets	–	–	–	733,756,196	–	–
Actuarial Gain/(Loss) from Retirement Benefit Obligation	–	–	–	–	–	–
Total Other Comprehensive Income	–	–	–	1,411,461,651	(4,259,229)	1,052,813,668
Written Back of Unclaimed Dividend	–	–	–	–	–	–
Transfers	–	–	783,640,862	–	–	–
Effect of Change in Holding	–	–	–	–	–	–
Dividend Paid	–	–	–	–	–	–
Balance as at 31st March 2017	27,163,983,720	(44,111,716)	2,216,946,886	414,490,147	1,798,044	2,196,686,785

The Accounting Policies and Notes on pages 114 through 218 form an integral part of these Financial Statements.

Revenue Reserve						
General Reserve	Retained Earnings	Actuarial Gain/ (Loss) Reserve	Hedge Reserve	Shareholders' Funds	Non-Controlling Interest	Total Equity
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
50,178,869	6,738,821,098	(55,377,827)	(125,718)	34,736,706,380	13,231,084,615	47,967,790,995
–	(534,677,228)	–	–	(534,677,228)	(275,624,268)	(810,301,496)
50,178,869	6,204,143,870	(55,377,827)	(125,718)	34,202,029,152	12,955,460,347	47,157,489,499
–	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	1,418,199,374
523,263,455	(1,047,716,555)	–	–	–	–	–
–	(982,085)	–	–	(982,085)	(968,227)	(1,950,312)
5,006,925	–	–	–	5,006,925	913,028	5,919,953
–	(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
–	539,789,010	–	–	539,789,010	3,714,435,975	4,254,224,985
–	202,635,276	–	–	202,635,276	–	202,635,276
–	(39,734,253)	–	–	(39,734,253)	–	(39,734,253)
–	–	–	–	–	–	–
–	–	–	–	23,432,032	–	23,432,032
			125,718	648,593,982	–	648,593,982
–	–	–	–	(202,635,276)	–	(202,635,276)
–	–	39,734,253	–	39,734,253	–	39,734,253
–	–	–	–	1,255,448,944	1,132,246,669	2,387,695,613
–	–	–	–	1,545,930	1,484,712	3,030,642
–	–	–	–	733,756,196	(9,547,090)	724,209,106
–	–	5,827,378	–	5,827,378	44,360,336	50,187,714
–	–	45,561,631	125,718	2,505,703,439	1,168,544,627	3,674,248,066
–	15,010,056	–	–	15,010,056	–	15,010,056
–	(783,640,862)	–	–	–	–	–
–	580,215,569	–	–	580,215,569	(1,530,339,758)	(950,124,189)
–	(543,279,677)	–	–	(543,279,677)	(1,239,214,046)	(1,782,493,723)
578,449,249	8,810,680,050	12,577,772	–	41,351,500,936	18,692,793,717	60,044,294,653

STATEMENT OF CASH FLOWS

		Company		Group	
As at 31st March	Note	**2017**	2016	**2017**	2016
Cash Flows From Operating Activities					
Profit before Taxation		**1,305,705,055**	720,859,364	**8,211,496,313**	10,969,686,616
Profit from Discontinued Operation	38	**–**	–	**(195,549,696)**	–
Adjustments For					
Profit/(Loss) on Sale of Property, Plant and Equipment	32	**(2,856,667)**	–	**(20,861,038)**	20,292,675
Depreciation		**10,566,913**	8,647,432	**1,602,438,577**	1,613,036,153
Gain on Disposal of Available-for-Sale Investments	34	**(3,413,677)**	–	**(3,413,677)**	–
Provision for Fall in Value of Investments		**–**	45,503,975	**(13,908,916)**	74,341,859
Amortisation		**–**	–	**83,876,430**	87,801,129
Impairment of Goodwill	15	**–**	–	**71,866,701**	–
Share of Results of Equity Accounted Investees		**–**	–	**(687,149,968)**	(1,532,686,923)
Reclassification of the Loss Recognise in OCI by the Investment in Associate		**–**	–	**648,593,981**	–
Net Adjustments in Investment in Associates due to the Reclassification		**828,882,412**	–	**3,297,524,253**	–
Loss on Deemed Disposal of Equity Accounted Investees		**–**	138,434,488	**–**	39,467,878
Script Dividend		**(334,009,615)**	–	**(334,009,615)**	–
Impairment of Assets Held-for-Sale		**–**	–	**131,480,476**	–
Gain/(Loss) on Foreign Exchange	34	**(1,235,250)**	–	**(12,363,217)**	(13,703,794)
Provision for Impairment of Assets		**–**	–	**8,738,678**	456,409,083
Provision for Defined Benefit Plan Costs	25	**1,390,118**	1,012,976	**230,348,774**	216,999,264
Deferred Income/Capital Grants Amortisation		**–**	–	**(3,522,000)**	(4,953,000)
Profit/ (Loss) from Sale of Fair Value Through Profit or Loss Investments		**–**	–	**72,249,540**	–
Fair Value Change of Biological Assets	32	**–**	–	**(89,187,000)**	(40,768,000)
Provision for Inventory		**–**	–	**36,937,974**	75,316,305
Dividend Received		**–**	–	**(468,687,609)**	–
Finance Cost		**14,186,890**	–	**1,610,700,651**	1,214,178,636
Finance Income		**(238,110,503)**	(206,195,328)	**(348,477,240)**	(228,634,812)
Operating Profit/ (Loss) before Working Capital Changes		**1,581,105,676**	708,262,907	**13,829,122,372**	12,946,783,068
(Increase)/Decrease in Loans and Advances	5	**225,000,000**	–	**(6,814,609,917)**	(4,186,407,957)
(Increase)/Decrease in Trade and Other Debtors, Deposits and Prepayments		**(152,795,257)**	20,996,392	**(1,202,967,204)**	(358,931,841)
(Increase)/Decrease in Other Financial Assets		**–**	–	**(2,536,839,404)**	(2,094,727,515)
(Increase)/Decrease in Lease Rental Receivable	6	**–**	–	**(10,557,348,629)**	(11,758,851,568)
(Increase)/Decrease in Other Non-Financial Assets		**–**	–	**395,611,435**	188,362,915
Increase/(Decrease) in Due to Banks	19	**–**	–	**8,864,917,096**	7,157,601,793
Increase/(Decrease) in Due to Customers	20	**–**	–	**7,668,332,234**	8,068,006,837
Increase/(Decrease) in Trade and Other Payables		**5,681,778**	(1,110,468)	**(463,141,959)**	(101,945,100)
(Increase)/Decrease in Other Non-Financial Liabilities	23	**–**	–	**875,686,623**	349,321,529
(Increase)/Decrease in Inventories		**–**	–	**(1,397,929,225)**	46,646,237
Increase/(Decrease) in Asset Held-for-Sale		**–**	–	**(131,352,001)**	–
Increase/(Decrease) in Amounts Due from Related Companies	13	**225,635,527**	(68,343,397)	**–**	11,735,655
Cash Generated from Operations		**1,884,627,724**	659,805,433	**8,529,481,419**	10,267,594,054

As at 31st March	Note	Company 2017	Company 2016	Group 2017	Group 2016
Retirement Benefits Liabilities Paid	25	**(308,000)**	–	**(149,547,483)**	(100,228,406)
Finance Cost Paid		**(12,513,137)**	–	**(1,610,700,651)**	(1,214,178,636)
Interest Received		**249,624,131**	191,797,506	**437,664,240**	283,106,606
Super Gain Tax Paid		**–**	(65,043,477)	**–**	(810,301,497)
Taxes Paid		**(68,874,629)**	(56,858,404)	**(3,126,580,746)**	(1,624,287,804)
Net Cash from/(Used in) Operating Activities		**2,052,556,089**	729,701,059	**4,080,316,780**	6,801,704,318
Purchase of Property, Plant and Equipment		**(4,316,819)**	(23,407,019)	**(6,788,788,131)**	(2,326,779,036)
Purchase of Intangible Assets	15	**–**	–	**(33,612,692)**	(41,295,698)
Cost on Bearer Biological Assets	16.5/ 16.6	**–**	–	**(209,348,000)**	(193,831,000)
Proceeds from Sale of Property, Plant and Equipment		**3,100,000**	–	**72,527,641**	695,567,879
Net Change Short-Term Investments		**621,021,304**	(126,314,814)	**(25,157,900)**	(234,105,473)
Net Proceeds of Fair Value through Profit and Loss Financial Assets		**–**	(17,053,342)	**14,491,178**	51,093,600
Purchase of of Fair Value through Profit and Loss Financial Assets		**129,203,750**	–	**(17,053,342)**	–
Acquisition of Subsidiary		**–**	–	**(59,999,000)**	–
Increase the Stake of Subsidiaries		**(1,473,500,000)**	–	**–**	–
Acquisition of Non-Controlling Interest		**(827,739,038)**	–	**(950,124,189)**	(1,950,309)
Proceeds from Leasehold Right on Mining		**–**	–	**(7,999,500)**	(8,080,000)
Net Proceeds from Available-for-Sale Financial Assets		**–**	–	**–**	4,547,583
Dividend Received		**–**	–	**583,107,602**	133,526,349
Net Cash used in Investing Activities		**(1,552,230,802)**	(166,775,175)	**(7,421,956,333)**	(1,921,306,106)
Cash Flows from Financing Activities					
Proceeds from Interest-Bearing Loans & Borrowings		**400,000,000**	–	**7,995,942,966**	5,707,855,945
Repayment of Interest-Bearing Loans & Borrowings		**–**	–	**(6,825,535,477)**	(8,015,186,475)
Capital Grant Received		**–**	–	**22,412,000**	17,639,000
Dividend Written Back		**–**	–	**–**	5,919,542
Dividend Paid		**(542,415,638)**	(541,513,272)	**(1,782,493,723)**	(1,303,507,891)
Net Cash used Financing Activities		**(142,415,638)**	(541,513,272)	**(589,674,234)**	(3,587,279,879)
Net Increase/(Decrease) in Cash & Cash Equivalents		**357,909,659**	21,412,603	**(3,931,313,784)**	1,293,118,332
Cash and Cash Equivalents at the beginning of the Period		**41,298,444**	19,885,841	**5,416,561,035**	4,123,442,703
Cash and Cash Equivalents at the end of the Period		**399,208,103**	41,298,444	**1,485,247,251**	5,416,561,035

The Accounting Policies and Notes on pages 114 through 218 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 Centre, Echelon Square, Colombo 01.

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

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

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, supply of raw material to the ceramic industry, sanitary ware, cartoons and paper sacks for packing, aluminium extrusions, agricultural production and providing management services to the plantation industry.

L B FINANCE PLC

L B Finance PLC provides a comprehensive range of financial services encompassing acceptance of deposits, granting lease facilities, hire purchases, mortgage loans, gold loans, personal loans, factoring, margin trading, trade finance loans, microfinance and other credit facilities, real estate development and related services.

GREENER WATER LTD.

Greener Water Ltd. is an intended hotel operator.

DELMEGE LIMITED GROUP [FORMALLY KNOWN AS LEWIS BROWN & COMPANY (PRIVATE) LIMITED]

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

In addition to the above investments, company holds investment in Fortress Resorts PLC which is 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 2017 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 2017 were authorised for issue in accordance with a resolution of the Directors on 26th May 2017.

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 the Annual Report.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

The Consolidated Financial Statements have been prepared on a historical cost basis, except for land and 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 43.

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

TRANSACTIONS AND BALANCES

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

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

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

GROUP COMPANIES

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange at the Reporting date and their Statement of Profit or Loss 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 on '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 2017. Subsidiaries as at 31st March 2017 are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Royal Ceramics Lanka PLC	1990/91	55.96
L B Finance PLC	1971/72	65.05
Greener Water Ltd.	2010/11	100
Delmege Ltd.	1915/16	61.20

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2017. 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.

Profit or loss 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 interests, 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 interest and other components of equity while any resultant gain or loss is recognised in profit or loss. 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 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.

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 interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets.

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

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

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

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

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

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 Profit or Loss 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 profit or loss of an associate is shown on the face of the Statement of Comprehensive Income.

Equity method of accounting has been applied for 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 Profit or Loss. 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 profit or loss.

EQUITY ACCOUNTED INVESTEES

- The Fortress Resort PLC
- Sampath Bank PLC – Has been an associate till 31st July 2016.

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

- Vallibel One PLC is the single largest shareholder of Sampath Bank PLC owning 25,107,454 shares representing 14.95% of the issued shares of the Bank.
- Mr. K D D Perera who is the Chairman and Managing Director and the major shareholder of Vallibel One PLC, is the Chairman of Sampath Bank PLC.
- Mr. K D D Perera, also serves as the Chairman of the Strategic Planning Committee of Sampath Bank PLC and a member of the Nominations Committee of the Bank.
- The second largest shareholder of Sampath Bank PLC holds less than 10% of the issued shares of the Bank.

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

The Board, considering the above factors, approved the preparation and presentation of Financial Statements with Sampath Bank PLC being treated as an associate of the Group in terms of LKAS 28 up until 31st July 2016.

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

3.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, ASSUMPTIONS

The preparation of Financial Statements requires the application of certain critical accounting and assumptions 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 judgement and estimates in determining the amounts recognised in the Financial Statements.

ESTIMATES AND ASSUMPTIONS

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

The most significant uses of 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 into account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates,).

III. IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

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

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

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. Judgement 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 LIFE-TIME OF THE PROPERTY AND EQUIPMENT

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

VI. DEFINED BENEFIT PLANS

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

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

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

VII. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

VIII. REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group measures land and buildings at revalued amounts with changes in fair value being recognised Other Comprehensive Income and in the Statement of Equity. The Group engaged independent valuation specialists to determine fair value land and buildings. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

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 on 'Property, Plant and Equipment'. Initially property and equipment are measured at cost.

RECOGNITION AND MEASUREMENTT

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 charge 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 and Fittings	3 years
Water Supply Scheme, Electricity Distribution, Household Items – Heavy	25-40 years
Tools and Sundry Inventory and Household Items – Light	2 years
Factory Equipment, Plant and Machinery, Moulds and Communication Equipment	10-20 years

The assets 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 Profit or Loss in the year the asset is derecognised.

(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 fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

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

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

The entity 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 and Equipment' as per the option provided by the ruling issued by ICASL.

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

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

The main variables in DCF model concerns,

Variable	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	Estimated based on the normal life span of each species by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition
Planting cost	Estimated costs for the further development of immature arrears are deducted.
Discount rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

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

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

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

2. INFILLING COST ON BIOLOGICAL ASSETS

The land development costs incurred in the form of in filling 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 40 (LKAS 40) – '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 Profit or Loss 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 Profit or Loss.

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

BORROWING COSTS

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

(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 Profit or Loss 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 five years.

The valuation was carried out as at 31st March 2017 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 Provident Fund.

– EMPLOYEES' TRUST FUND

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employee's 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 Profit or Loss. 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 market place.

(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 Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss 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 profit or loss 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 '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 profit or loss 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 Profit or Loss.

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.

(9) 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.

(10) 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 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 Profit or Loss.

(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-or-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 Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

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 Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss.

Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; 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 profit or loss. 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 profit or loss.

COLLATERAL VALUATION

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

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

COLLATERAL REPOSSESSED

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

REPURCHASE AGREEMENTS

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

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

(X) 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 profit or loss.

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.

3.2.2 STATEMENT OF PROFIT OR LOSS

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

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

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

FEE AND COMMISSION INCOME

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

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

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

(B) FEE INCOME FROM PROVIDING TRANSACTION SERVICES

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the purchase or sale of business is 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 profit or loss 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 Governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a Government grant.

(III) EXPENDITURE RECOGNITION

(a) Expenses are recognised in the Statement of Profit or Loss 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 Profit or Loss 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 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 Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

VAT ON FINANCIAL SERVICES

VAT on Financial Services is calculated in accordance with Value Added Tax Act No.14 of 2002 and subsequent amendments thereto. thr base fot the computation of Value Added Tax on Financial Services is the accounting profit before Vat and income tax adjusted for the economic depreciation and emoluments of employees.

VAT rates applied during the financial year ended 31st March 2017 were as follows (2016 – 11%):

Period	Rate
1st April 2016 – 1st May 2016	11
2nd May 2016 – 11th July 2016	15
12th July 2016 – 30th October 2016	11
1st November 2016 – 31st March 2017	15

DEFERRED TAX

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

(a) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(a) When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each 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 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.

3.2.4 ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all financial periods presented in these Financial Statements, unless otherwise indicated.

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.

3.3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 9 – FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT

Sri Lanka Accounting Standard – SLFRS 9 – 'Financial Instruments' replaces the existing guidance in Sri Lanka Accounting Standard – LKAS 39 – 'Financial Instruments: Recognition and Measurement'. Sri Lanka Accounting Standard – SLFRS 9 – 'Financial Instruments' 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 Sri Lanka Accounting Standard – LKAS 39 – 'Financial Instruments: Recognition and Measurement'.

Sri Lanka Accounting Standard – SLFRS 9 – 'Financial Instruments' is effective for Annual Reporting periods beginning on or after 1st January 2018, with early adoption permitted.

Compared to existing accounting requirements, Sri Lanka Accounting Standard – SLFRS 9 – 'Financial Instruments' is expected to require higher impairments earlier in a debt asset's life and the recognition of losses on Off-Balance Sheet facilities. Together this will result in a higher overall Balance Sheet impairment requirement.
This difference is expected, on transition to Sri Lanka Accounting Standard – SLFRS 9 – 'Financial Instruments', to be recognised at the time of the implementation. It is anticipated that the impact will be significant to the Company.
We have calculated the potential impact of the new requirement based on 31st March 2017 figures. The increase in total Balance Sheet impairment provision is as follows:

As at 31st March 2017	Rs. '000
Total expected Loss (SLFRS 9)	754,360
Less – Collective provision for unimpairment loand (LKAS 39)	568,159
Increase in total balance sheet impairment provision	186,201

SRI LANKA ACCOUNTING STANDARD – SLFRS 15 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

Sri Lanka Accounting Standard – SLFRS 15 – 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard – LKAS 18 – 'Revenue', Sri Lanka Accounting Standard – LKAS 11 – 'Construction Contracts' and IFRIC 13 – 'Customer Loyalty Programmes'.

Sri Lanka Accounting Standard – SLFRS 15 – 'Revenue from Contracts with Customers' is effective for Annual Reporting periods beginning on or after 1st January 2018, with early adoption permitted.

Implementation of the Sri Lanka Accounting Standard – SLFRS 15 – 'Revenue from Contracts with Customers' is not expected to have an impact on the Financial Statements.

SRI LANKA ACCOUNTING STANDARD – SLFRS 16 'LEASES'

Sri Lanka Accounting Standard – SLFRS 16 – 'Leases' provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: Sri Lanka Accounting Standard – LKAS 17 – 'Leases', IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 – Operating Leases – Incentives; and SIC 27 Evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply Sri Lanka Accounting Standard – SLFRS 15 – 'Revenue from Contracts with customers'.

Sri Lanka Accounting Standard – SLFRS 16 – 'Leases' is effective for Annual Reporting periods beginning on or after 1st January 2019.

4. FINANCIAL INVESTMENTS

4.1 FINANCIAL ASSETS – AVAILABLE-FOR-SALE

As at 31st March	2017		2016	
	Number of Shares	Rs.	Number of Shares	Rs.
COMPANY				
Quoted Investments				
Hayleys PLC	2,182,584	578,384,760	2,182,584	536,260,889
Waskaduwa Beach Resorts PLC	31,460,997	94,382,991	31,460,997	103,821,290
Sampath Bank PLC	27,840,878	7,210,787,402	–	–
Total		7,883,555,153		640,082,179
GROUP				
Quoted Investments				
Diversified Holding				
Hayleys PLC	2,182,584	578,384,760	2,183,806	536,561,134
Manufacturing				
Blue Diamond Jewellery PLC	74	67	74	74
Central Industries PLC	8,184	360,096	4,092	351,094
Ceylon Grain Elevators PLC	44	3,324	44	3,032
Dankotuwa Porcelain PLC	32,512	195,072	32,512	221,082
Samson International PLC	5,899	583,411	5,899	619,395
Hotels and Travels				
Aitken Spence Hotel Holdings PLC	308	10,842	308	16,324
Hotel Sigiriya PLC	700	68,110	700	67,200
Palm Garden Hotels PLC	36	868	36	1,076
Waskaduwa Beach Resort PLC	31,460,997	94,382,991	31,460,997	103,821,290
Trading				
Softlogic Finance PLC	2,090,000	65,085,986	2,090,000	80,047,000
Stores and Supplies				
Hunter PLC	10	4,000	10	4,005
Bank, Finance and Insurance				
Commercial Bank of Ceylon PLC	275	35,860	272	34,136
Merchant Bank & Finance PLC	61	659	61	622
Sampath Bank PLC	27,840,883	7,210,788,402	–	–
Seylan Bank PLC	2,538	220,806	2,538	218,268
Beverages, Food and Tobacco				
Keells Food Products PLC	500	72,500	500	85,000
Lanka Milk Foods PLC	5,500	643,500	5,500	629,750
Soy Foods (F&W) PLC	22	6,820	22	8,030
		7,950,848,072		722,688,511

As at 31st March	2017 Number of Shares	2017 Rs.	2016 Number of Shares	2016 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
Unquoted Investments – Impaired				
National Asset Management Limited	**25,000**	**1,044,405**	25,000	250,000
Asian Paints (Pvt) Limited	**205,891**	**2,980,003**	205,891	2,980,003
eConsultant Limited	**5,000**	**75,000**	5,000	75,000
Total Investments in Non-Quoted Equity Securities	**–**	**4,099,408**	–	3,305,003
Provision for Financial Assets – Available-for-Sale	**–**	**(3,305,003)**	–	(3,305,003)
Total Carrying Value of Financial Assets – Available-for-Sale	**–**	**794,405**	–	–
		7,951,947,177		722,993,211

4.2 FINANCIAL ASSETS – FAIR VALUE THROUGH PROFIT OR LOSS

As at 31st March	2017 Number of Shares	2017 Rs.	2016 Number of Shares	2016 Rs.
COMPANY				
Quoted Investments				
Lanka Ceramics PLC	**–**	**–**	1,000,000	130,000,000
The Kingsbury PLC	**3,216,146**	**49,850,263**	3,216,146	48,242,190
Citrus Leisure PLC	**8,672,846**	**60,709,922**	8,672,846	58,108,068
Total		**110,560,185**		236,350,258
GROUP				
Quoted Investments				
Bank, Finance and Insurance				
Softlogic Finance PLC	**8**	**248**	8	310
Seylan Bank PLC (Non-Voting)	**93,032**	**5,088,850**	93,032	5,861,016
Food Processing				
Bairaha Farms PLC	**15,999**	**2,562,993**	17,600	2,534,400

As at 31st March	2017		2016	
	Number of Shares	Rs.	Number of Shares	Rs.
Hotels and Travels				
Aitken Spence PLC	225,000	12,645,000	225,000	16,537,500
Royal Palms Beach Hotels PLC	4,299	94,148	4,299	131,120
John Keells Hotels PLC	45,009	450,090	45,009	540,108
The Kingsbury PLC	3,216,146	49,850,263	3,216,146	48,242,190
Citrus Leisure PLC	11,441,122	80,087,854	11,441,122	77,209,173
Waskaduwa Beach Resorts PLC	1,400,145	4,200,435	1,400,145	4,620,479
Serendib Hotels PLC	16,000	369,600	16,000	440,000
Diversified Holdings				
Browns Investments PLC	522,619	731,667	522,619	679,403
Free Lanka Capital Holdings Limited	1,161,600	1,369,723	1,161,600	1,393,920
Ascot Holding PLC	30,000	690,000	30,000	714,000
Trading				
Hayleys PLC	1,222	323,830	–	–
Healthcare				
The Lanka Hospital Corporation PLC	45,519	2,799,419	45,519	2,321,469
		161,264,120		161,225,086
Unquoted Investments				
MBSL Insurance Company Limited	–	–	4,666,667	8,666,667
Total		161,264,120		169,891,753

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 31st March 2017, the Group held the following financial instruments carried at fair value in the Statement of Financial position:

Group

As at 31st March 2017	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Assets – Fair Value Through Profit or Loss				
Quoted Equities	161,264,120	–	–	161,264,120
Financial Assets – Available-for-Sale				
Quoted Equities	7,950,848,072	–	–	7,950,848,072
Unquoted Equities	–	1,099,105	–	1,099,105
Total	8,112,112,192	1,099,105	–	8,113,211,297

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

5. LOANS AND RECEIVABLES

	Company 2017 Rs.	Company 2016 Rs.
Debentures	**150,000,000**	375,000,000
	150,000,000	375,000,000

	Group 2017 Rs.	Group 2016 Rs.
Debentures	**150,000,000**	375,000,000
Gold Loans	**16,289,995,717**	13,164,981,736
Real Estate Loans	**1,850,087**	2,152,442
Term Loans	**10,803,432,125**	6,506,958,677
Quick Loans	**18,014,843**	12,558,183
Margin Trading	**31,933,976**	69,864,158
Factoring Receivable	**338,454,562**	558,513,684
Power Drafts	**2,139,040,576**	1,509,408,857
Vehicle Loans	**4,391,057,661**	5,348,694,709
	34,163,779,547	27,548,132,445
Less: Allowance for Impairment Losses (Note 5.1)	**(525,000,265)**	(723,963,080)
Net Loans and Receivables	**33,638,779,282**	26,824,169,365

5.1 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group 2017 Rs.	Group 2016 Rs.
5.1.1		
As at 1st April	**723,963,080**	676,939,363
Charge/(Reversal) for the Year	**6,289,714**	61,449,496
Amounts Written Off	**(205,252,529)**	(14,425,779)
As at 31st March	**525,000,265**	723,963,080
5.1.2		
Individual Impairment	**414,698,714**	634,805,654
Collective Impairment	**110,301,551**	89,157,426
Total	**525,000,265**	723,963,080
Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	**861,403,549**	1,352,153,840
Gross Amount of Loans Collectively Assessed for the Impairment	**33,302,375,998**	26,195,978,605
	34,163,779,547	27,548,132,445

The recorded loans and receivables that were impaired at 31st March 2017 and 2016 were 2.09% of receivables and 3.60% of receivables, respectively. Lease Rentals Receivable and Stock Out On Hire that were impaired at 31st March 2017 and 2016 were 3.08% of receivables and 4.39% of receivables, respectively.

	Group	
	2017	2016
	Rs.	Rs.
5.1.3		
Gold Loans	**22,490,325**	28,630,528
Vehicle Loans	**206,971,645**	249,131,282
Quick Loans	**308,578**	217,619
Margin Trading	**–**	52,064,238
Term Loans	**272,380,715**	235,458,035
Power Drafts	**21,365,805**	54,151,072
Factoring Receivable	**1,483,197**	104,310,305
Total	**525,000,265**	723,963,080

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

	Group	
	2017	2016
	Rs.	Rs.
As at 1st April	**278,027,891**	81,281,511
Add: Loans granted during the year	**234,943,717**	227,502,752
Less: Repayments during the year	**(188,496,405)**	(30,756,372)
As at 31st March	**324,475,203**	278,027,891

5.3 CONTRACTUAL MATURITY ANALYSIS OF LOANS AND RECEIVABLES

	Company	
	2017	2016
	Rs.	Rs.
Within one year	**–**	225,000,000
1 – 5 Year	**150,000,000**	150,000,000
Total	**150,000,000**	375,000,000

5.3 CONTRACTUAL MATURITY ANALYSIS OF LOANS AND RECEIVABLES (GROUP)

As at 31st March 2017	Within One Year Rs.	1-5 Years Rs.	Over 5 Years Rs.	**Total Rs.**
Debentures	**–**	**150,000,000**	**–**	**150,000,000**
Gold Loans	**16,289,995,718**	**–**	**–**	**16,289,995,718**
Vehicle Loans	**1,958,355,779**	**2,390,736,478**	**41,965,404**	**4,391,057,661**
Medium and Short Term Loans	**3,477,833,100**	**915,458,738**	**–**	**4,393,291,838**
Mortgage Loans	**1,537,482,301**	**3,717,089,547**	**1,155,568,439**	**6,410,140,287**
Quick Loans	**17,354,478**	**660,364**	**–**	**18,014,843**
Power Drafts	**1,252,113,172**	**886,927,404**	**–**	**2,139,040,576**
Margin Trading	**31,933,976**	**–**	**–**	**31,933,976**
Factoring Receivable	**318,246,169**	**20,208,392**	**–**	**338,454,561**
Real Estate Loans	**1,850,087**	**–**	**–**	**1,850,087**
Gross Loans and Receivables	**24,885,164,780**	**8,081,080,923**	**1,197,533,843**	**34,163,779,547**
Allowance for Impairment Losses (Note 5.1.3)				**(525,000,265)**
Net Loans and Receivables				**33,638,779,282**

As at 31st March 2016	Within One Year Rs.	1-5 Years Rs.	Over 5 Years Rs.	**Total Rs.**
Debentures	225,000,000	150,000,000	–	375,000,000
Gold Loans	13,164,981,736	–	–	13,164,981,736
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	20,387,628,150	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

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	
	2017	2016
	Rs.	Rs.
Gross Rentals Receivables		
– Lease Rentals	**74,521,690,005**	56,665,353,550
– Amounts Receivable from Hirers	**1,251,200,053**	3,417,862,104
	75,772,890,058	60,083,215,654
Unearned Income	**(18,301,275,264)**	(13,054,924,139)
Net Rentals Receivable	**57,471,614,794**	47,028,291,515
Rentals Received in Advance	**(6,925,128)**	(8,457,131)
Allowance for Impairment Losses (Note 6.1)	**(1,805,301,858)**	(1,917,795,205)
	(1,812,226,986)	(1,926,252,336)
Total Net Rentals Receivable [Notes 6.2 (a) & 6.2 (b)]	**55,659,387,808**	45,102,039,180

6.1 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2017	2016
	Rs.	Rs.
At the beginning of the Year	**1,917,795,205**	1,990,693,724
Charge for the Year	**94,016,018**	345,823,896
Amounts Written Off	**(206,509,365)**	(418,722,415)
At the end of the Year	**1,805,301,857**	1,917,795,205
Individual Impairment	**1,347,444,908**	1,577,761,902
Collective Impairment	**457,856,950**	340,033,303
	1,805,301,858	1,917,795,205
Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	**1,771,225,253**	2,063,714,137
Gross Amount of Loans Collectively Assessed for the Impairment	**55,700,389,541**	44,964,577,378
	57,471,614,794	47,028,291,515

6.2 (A) AS AT 31ST MARCH 2017

	Lease				Hire Purchase			
	Within one year Rs.	1-5 years Rs.	Over 5 years Rs.	Total Rs.	Within one year Rs.	1-5 years Rs.	Over 5 years Rs.	**Total Rs.**
Gross Rentals Receivables	29,472,322,036	45,032,083,269	17,284,700	74,521,690,005	910,754,275	340,283,039	162,739	**1,251,200,053**
Unearned Income	(8,820,103,119)	(9,355,718,906)	(1,298,851)	(18,177,120,876)	(93,573,484)	(30,579,692)	(1,211)	**(124,154,387)**
Net Rentals Receivables	20,652,218,917	35,676,364,363	15,985,848	56,344,569,129	817,180,791	309,703,347	161,528	**1,127,045,666**
Rentals Received in Advance	–	–	–	(6,925,128)	–	–	–	**–**
Allowance for Impairment Losses	–	–	–	(1,523,428,588)	–	–	–	**(281,873,270)**
Total Net Rentals Receivable	–	–	–	54,814,215,413	–	–	–	**845,172,395**
Total Net Rentals Receivable from Lease and Hire Purchase	–	–	–	–	–	–	–	**55,659,387,808**

6.2 (B) AS AT 31ST MARCH 2016

Gross Rentals Receivables	22,975,143,108	33,681,865,006	8,345,436	56,665,353,550	1,914,035,067	1,499,513,958	4,313,079	3,417,862,105
Unearned Income	(6,190,912,232)	(6,323,327,964)	(650,226)	(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	2,877,828,388
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

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

	2017 Rs.	2016 Rs.
As at the beginning of the Year	**94,924,872**	141,511,198
Add: Loans Granted during the Year	**38,186,631**	42,883,684
Less: Repayments during the Year	**(62,278,704)**	(89,470,010)
As at the end of the Year	**70,832,798**	94,924,872

7. OTHER FINANCIAL ASSETS

	Group	
	2017	2016
	Rs.	Rs.
Treasury Bills/Repurchases	**3,787,538,345**	819,319,827
Insurance Premium Receivables	**244,385,064**	168,628,400
Investment in Fixed Deposits	**2,812,196,509**	3,343,819,535
Others	**9,302,935**	28,797,081
	6,853,422,854	4,360,564,843

8. TRADE OTHER DEBTORS DEPOSITS AND PREPAYMENTS

	Company	
	2017	2016
	Rs.	Rs.
Deposits	**19,323,970**	15,072,664
Interest Receivable	**47,426,731**	57,705,113
Other Advances	**10,784,152**	13,582,302
Other Receivable	**153,446,613**	899,576
	230,981,466	87,259,655

	Group	
	2017	2016
	Rs.	Rs.
Trade Receivables	**4,967,586,366**	4,155,461,554
Deposits	**160,183,700**	125,179,065
Other Advances	**58,390,152**	60,831,302
Interest Receivables	**47,426,731**	46,841,493
Other Receivables	**1,350,480,331**	1,001,525,341
	6,584,067,280	5,389,838,754

9. OTHER NON-FINANCIAL ASSETS

	Company	
	2017	2016
	Rs.	Rs.
Advances and Prepayments	**–**	1,204,936
	–	1,204,936

	Group	
	2017	2016
	Rs.	Rs.
Receivable from Inland Revenue Department	**–**	11,896,945
Real Estate Stock	**580,532**	161,181,726
Advance for Vehicle Stock	**–**	118,631,840
Advances and Prepayments	**1,221,285,540**	1,266,686,914
Gold Stock	**5,805,271**	5,563,739
Stationery Stock	**9,145,209**	10,243,935
Sundry Debtors	**6,067,520**	4,000,891
Prepaid Staff Cost	**19,068,108**	3,497,384
Receivables and Others	**7,588,850**	78,072,092
Advance Company Tax Receivable	**27,285,000**	27,285,000
	1,296,826,031	1,687,060,466

10. INVESTMENT IN SUBSIDIARIES

	Holding (%)		Number of Shares	
	2017	2016	**2017**	2016
Quoted Investments				
Royal Ceramics Lanka PLC	**55.96**	51.00	**62,002,600**	56,502,600
L B Finance PLC	**65.05**	64.30	**71,681,257**	70,642,400
Unquoted Investments				
Delmege Ltd.	**61.20**	61.20	**253,314**	253,314
Greener Water Ltd.	**100.0**	100.0	**36,673,000**	36,673,000

	Cost		Market Value	
	2017	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.
Quoted Investments				
Royal Ceramics Lanka PLC	**9,920,439,509**	9,228,728,572	**9,920,439,510**	5,650,260,000
L B Finance PLC	**5,461,361,198**	5,325,333,098	**5,461,361,198**	7,417,452,000
	15,381,800,707	14,554,061,670	**15,381,800,708**	13,067,712,000

	Group		Directors Valuation	
	2017	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.
Unquoted Investments				
Delmege Ltd.	**1,579,525,326**	1,592,025,326	**1,579,525,326**	1,592,025,326
Greener Water Ltd.	**1,841,563,650**	368,063,650	**1,841,563,650**	368,063,650
Provision for Impairment	**–**	(12,500,000)	**–**	(12,500,000)
	3,421,088,976	1,947,588,976	**3,421,088,976**	1,947,588,976
Total	**18,802,889,684**	16,501,650,646	**18,802,889,684**	15,015,300,976

11. INVESTMENT IN ASSOCIATES

11.1 COMPANY

	2017 %	2016 %	Number of Shares 2017	Number of Shares 2016
Quoted Investments				
Sampath Bank PLC	–	14.95	–	25,765,740
The Fortress Resorts PLC	**18.02**	18.02	**19,977,345**	19,977,345

	Cost 2017 Rs.	Cost 2016 Rs.	Market Value 2017 Rs.	Market Value 2016 Rs.
Sampath Bank PLC	–	6,987,009,370	–	5,823,057,240
The Fortress Resorts PLC	**405,891,320**	405,891,320	**259,705,485**	259,705,485
	405,891,320	7,392,900,690	**259,705,485**	6,082,762,725

11.2 GROUP

	Waskaduwa Beach Resort PLC Rs.	Sampath Bank PLC Rs.	The Fortress Resorts PLC Rs.	Total Rs.
Balance at the 31st March 2015	256,853,799	8,421,119,018	537,007,582	9,214,980,399
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)	(16,076,937)
Loss on Disposal of the Investment	(39,467,878)	–	–	(39,467,878)
Transfer to Available-for-Sale Financial Assets	(179,327,683)	–	–	(179,327,683)
Share of Other Equity Items	–	(116,338,434)	–	(116,338,434)
Balance at the 31st March 2016	–	9,141,943,075	558,206,156	9,700,149,231
Share of Profit Net of Tax and Dividend	–	441,053,212	29,861,243	470,914,455
Share of Other Comprehensive Income	–	23,432,595	(228,999)	23,203,596
Dividend Elimination	–	(150,777,107)	–	(150,777,107)
Transfer to Available-for-Sale Financial Assets	–	(6,158,126,958)	–	(6,158,126,958)
Loss on Disposal of Investments	–	(3,297,524,816)	–	(3,297,524,816)
Balance as at 31st March 2017	–	–	587,838,401	587,838,401

11.3 DEEMED DISPOSAL OF EQUITY ACCOUNTED INVESTEES

CHANGE IN EQUITY ACCOUNTED INVESTEE: SAMPATH BANK PLC

The Investment in Sampath Bank PLC was accounted as equity accounted investee as per the provisions of LKAS 28 on the following grounds where it demonstrated significant influence over the investee:

Vallibel One PLC is the single largest shareholder of Sampath Bank PLC owning 26,463,803 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, was the Chairman of Sampath Bank PLC.

Mr. Dhammika Perera, also served as the Chairman of the Strategic Planning Committee of Sampath Bank PLC and as 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.

Mr. Dhammika Perera relinquished his role as the Chairman of Sampath Bank PLC with effect from 31st July 2016 on completion of his term of nine years as a Director of the Bank. Consequently, the Board of Directors of Vallibel One PLC decided that the existence of significant influence over Sampath Bank PLC by Vallibel One PLC was no longer applicable as per the provisions of LKAS 28. Hence, the Company discontinued the use of equity method of accounting from 31st July 2016 and in terms of LKAS 39 and decided to exercise the option to treat the investment as being available-for-sale. Accordingly, the effect of mark to market loss of Rs. 828 Mn as at 31st July 2016, reversal of share of profits of Rs. 2,469 Mn of previous years and that up to 31st July 2016 and a loss of Rs. 648 Mn of previous years and that up to 31st July 2016, which was recognised through other comprehensive income, are now accounted under Group Statement of Income.

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

11.4.1 STATEMENT OF PROFIT OR LOSS

	2017 Rs.	2016 Rs.
Revenue	**625,422,392**	43,225,925,792
Cost of Sales	**(191,738,064)**	(23,328,922,785)
Income (Includes Other Income, Finance Income)	**85,601,212**	10,071,782,124
Expenses (Includes Operating, Administration & Distribution Expenses)	**(355,929,736)**	(17,719,771,964)
Finance Cost	**(404,751)**	(162,530,499)
Value Added Tax on Financial Services	**–**	(2,051,834,035)
Income Tax	**(28,086,513)**	(3,316,363,486)
Profit after Tax	**162,951,053**	6,718,285,147
Other Comprehensive Income	**(1,042,324)**	(67,947,054)

11.4.2 STATEMENT OF FINANCIAL POSITION

	2017 Rs.	2016 Rs.
Non-Current Assets	**1,360,688,970**	520,481,542,139
Current Assets	**431,188,549**	52,222,521,323
Non-Current Liabilities	**69,598,588**	452,800,178,875
Current Liabilities	**107,756,311**	78,660,499,183
Net Assets	**1,614,522,620**	41,243,385,404

11.4.3 COMMITMENTS AND CONTINGENCIES

	2017 Rs.	2016 Rs.
Capital Expenditure		
Approved and Contracted for	**–**	76,247,000
Approved and but not Contracted for	**–**	108,528,000
Commitments		
Commitment for Unutilised Facilities	**–**	98,004,556,000
Finance Lease Commitment in Present Value Term	**–**	–
Contingent Liabilities	**–**	72,778,944,000

12. DEFERRED TAX ASSETS (LIABILITIES)

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
As at 1st April	**(3,006,581)**	(4,090,703)	**(752,273,568)**	(244,214,067)
Recognised in Profit or Loss	**738,730**	1,074,356	**(601,750,652)**	(288,927,242)
Recognised in Other Comprehensive Income	**(193,238)**	9,766	**(11,590,756)**	(219,132,263)
Deferred Tax on Acquisition of Subsidiaries	**–**	–	**(4,892,495)**	–
At the end of the Year	**(2,461,089)**	(3,006,581)	**(1,370,507,471)**	(752,273,572)
Deferred Tax Assets	**–**	–	**340,548,697**	469,734,310
Deferred Tax Liabilities	**(2,461,089)**	(3,006,581)	**(1,711,056,168)**	(1,222,007,882)
	(2,461,089)	(3,006,581)	**(1,370,507,471)**	(752,273,572)

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

	Company		Group	
	2017	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.
Property, Plant and Equipment	**(3,611,060)**	(3,963,313)	**(2,571,606,547)**	(2,072,308,669)
Defined Benefit Obligation	**1,149,971**	956,731	**257,731,062**	253,093,142
Provisions	**–**	–	**162,667,222**	38,321,000
Unutilised Tax Losses	**–**	–	**780,700,792**	1,028,620,955
	(2,461,089)	(3,006,581)	**(1,370,507,471)**	(752,273,572)

13. AMOUNTS DUE FROM RELATED PARTIES

		Company		Group	
		2017	2016	**2017**	2016
	Relationship	**Rs.**	Rs.	**Rs.**	Rs.
Greener Water Ltd.	Subsidiary	**26,073,645**	251,709,172	**–**	–
		26,073,645	251,709,172	**–**	–

14. INVENTORIES

	2017	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.
Raw Materials	**–**	–	**2,027,139,112**	1,549,003,059
Construction Consumables	**–**	–	**14,007,906**	14,702,100
Spares and Consumables	**–**	–	**1,738,616,776**	1,746,998,304
Harvestable Produce on Bearer Biological Assets	**–**	–	**6,860,000**	–
Work-in-Progress	**–**	–	**301,076,646**	254,961,320
Harvested Crops	**–**	–	**189,715,000**	142,645,000
Seat Covers and Accessories	**–**	–	**543,717,234**	542,301,951
Finished Goods	**–**	–	**5,452,119,323**	4,674,012,881
Goods-in-Transit	**–**	–	**26,929,980**	56,238,297
	–	–	**10,300,181,978**	8,980,862,912
Less: Provision for Obsolete and Slow-Moving Inventory	**–**	–	**(268,397,135)**	(310,069,320)
			10,031,784,843	8,670,793,592

15. INTANGIBLE ASSETS

	Group			
	Software Rs.	Brand Name Rs.	Goodwill Rs.	Total Rs.
Cost				
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
Acquired during the Year	33,612,692	–	38,172,535	71,785,227
Effect of Change in Exchange Rate	–	–	116,400	116,400
As at 31st March 2017	415,619,945	904,891,300	12,354,153,132	13,674,664,377
Amortisation				
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
Charge for the Year	38,631,865	45,244,565	–	83,876,430
Impairment of Goodwill	–	–	71,866,701	71,866,701
As at 31st March 2017	169,212,599	290,319,294	168,390,837	627,922,730
Net Book Value				
Net Book Value as at 31st March 2016	251,426,519	659,816,571	12,219,340,061	13,130,583,151
Net Book Value as at 31st March 2017	246,407,346	614,572,006	12,185,762,295	13,046,741,647

15.1 GOODWILL

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

	2017 Rs.	2016 Rs.
Royal Ceramic Lanka PLC and its Subsidiaries	**7,413,300,098**	7,446,877,764
L B Finance PLC	**3,966,204,093**	3,966,204,093
Greener Water Ltd.	**3,419,869**	3,419,869
Delmege Ltd. and its Subsidiaries	**802,838,235**	802,838,235
	12,185,762,295	12,219,339,961

The recoverable amount of all CGUs 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 the growth rates of one of four years immediately subsequent to the budgeted year, based on industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

16. PROPERTY, PLANT AND EQUIPMENT

16.1 COMPANY

	Computers Rs.	Furniture & Fittings Rs.	Office Equipment 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 for the Year	2,354,976	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
Charge for the Year	2,539,902	3,294,472	163,443	2,649,615	8,647,433
Balance as at 31st March 2016	16,652,392	15,683,051	744,372	7,561,206	40,641,022
Net Book Value					
As at 31st March 2015	4,721,904	20,087,053	1,053,499	3,003,149	28,865,605
As at 31st March 2016	4,536,978	17,544,623	890,056	20,653,534	43,625,191

	Computers	Furniture & Fittings	Office Equipment	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Carrying Amounts					
Balance as at 31st March 2016	21,189,370	33,227,674	1,634,428	28,214,740	84,266,212
Disposals	–	–	–	(3,650,000)	(3,650,000)
Additions	2,647,124	1,669,695	–	–	4,316,819
Balance as at 31st March 2017	23,836,494	34,897,369	1,634,428	24,564,740	84,933,031
Depreciation					
Balance as at 31st March 2016	16,652,392	15,683,051	744,372	7,561,205	40,641,022
Disposals	–	–	–	(3,406,667)	(3,406,667)
Depreciation Charge for the Year	2,063,764	3,319,202	163,443	5,020,505	10,566,913
Balance as at 31st March 2017	18,716,156	19,002,253	907,815	9,175,043	47,801,267
Net Book Value					
As at 31st March 2016	4,536,978	17,544,623	890,056	20,653,535	43,625,191
As at 31st March 2017	5,120,338	15,895,116	726,613	15,389,697	37,131,763

16.2 GROUP

GROSS CARRYING AMOUNTS

	Balance as at 01.04.2016	Additions During the Year	Increase/ (Decrease)/ Revaluation	Transfers/ Disposals	Exchange Translation Difference	**Balance As at 31.03.2017**
	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**
Cost/Valuation						
Land & Building	13,319,103,404	2,527,106,944	2,387,695,614	(83,429,622)	–	**18,150,476,340**
Furniture & Fittings	900,147,908	86,278,336	–	(7,933,425)	171,527	**978,664,346**
Equipment	1,329,390,543	165,635,486	–	(9,226,746)	576,319	**1,486,375,603**
Fire Protection Equipment	15,977,968	1,469,000	–	–	–	**17,446,968**
Motor Vehicles and Accessories	735,696,696	159,717,593	–	(80,152,023)	713,178	**815,975,444**
Computer Hardware	453,810,389	76,062,107	–	–	–	**529,872,496**
Air Conditioning	169,558,978	54,281,000	–	(1,297,000)	–	**222,542,978**
Telephone System	75,640,509	3,006,000	–	–	–	**78,646,509**
Leasehold Improvements	727,540,312	113,482,000	–	(2,338,000)	–	**838,684,312**
Fixtures and Fittings	690,066,663	203,322,054	–	(8,814,875)	–	**884,573,842**
Water Supply Scheme	383,818,893	9,134,607	–	(53,000)	–	**392,900,500**
Electricity Distribution	30,291,745	3,727,498	–	–	–	**34,019,243**
Tools and Implements	740,628,158	77,015,494	–	(24,614,811)	12,868	**793,041,709**
Plant and Machinery – Polishing Plant	11,114,900,230	1,355,182,566	–	(111,884,427)	–	**12,358,198,369**
Moulds	128,844,318	507,125	–	–	–	**129,351,442**
Household Item – Light	209,490	–	–	(130,660)	–	**78,830**
Stores Buildings on Leasehold Land	370,140,032	23,314,733	–	77,492,815	7,379,049	**478,326,630**
Civil Construction	155,749,413	1,145,391,177	–	–	–	**1,301,140,590**
	31,341,515,649	6,004,633,721	2,387,695,614	(252,381,774)	8,852,941	**39,490,316,151**

	Balance as at 01.04.2016 Rs.	Additions During the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	**Balance As at 31.03.2017 Rs.**
Assets on Finance Lease						
Plant and Machinery	30,870,887	2,374,000	–	(13,060,207)	–	**20,184,680**
Leasehold Land	14,600,000	–	–	–	–	**14,600,000**
Transport and Communication Equipment	59,164,000	4,530,000	–	(5,134,000)	–	**58,560,000**
Motor Vehicles	33,795,457	–	–	(13,312,457)	–	**20,483,000**
	138,430,344	6,904,000	–	(31,506,664)	–	**113,827,680**
Total Value of Depreciable Assets	31,479,945,993	6,011,537,721	2,387,695,614	(283,888,439)	8,852,941	**39,604,143,831**

CAPITAL WORK-IN-PROGRESS

	As at 01.04.2016 Rs.	Additions During the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfer Disposal Rs.	Exchange Translation Difference Rs.	**Balance As at 31.03.2017 Rs.**
Capital Work-in-Progress	670,295,310	2,934,831,240	–	(2,146,415,306)	1,016,217	**1,459,727,460**
	670,295,310	2,934,831,240	–	(2,146,415,306)	1,016,217	**1,459,727,460**

DEPRECIATION

	Balance as at 01.04.2016 Rs.	Charge for the Year Rs.	Transfer to Revaluation Reserves Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	**Balance as at 31.03.2017 Rs.**
Building	434,696,713	172,577,191	–	(12,203,191)	–	**595,070,713**
Furniture and Fittings	529,499,527	109,417,399	–	(3,667,022)	26,829	**635,276,732**
Equipment	930,773,937	135,813,345	–	(9,538,486)	298,298	**1,057,347,094**
Fire Protection Equipment	11,587,747	2,641,001	–	–	–	**14,228,748**
Motor Vehicles and Accessories	405,768,728	97,016,103	–	(66,312,431)	193,555	**436,665,955**
Computer Hardware	334,012,003	51,772,426	–	–	–	**385,784,429**
Air Conditioning	100,793,413	32,055,000	–	(988,000)	–	**131,860,413**
Telephone System	64,706,969	8,009,000	–	–	–	**72,715,969**
Leasehold Improvements	351,475,028	100,463,000	–	–	–	**451,938,028**
Fixtures and Fittings	232,724,744	58,939,426	–	(1,391,683)	–	**290,272,487**
Water Supply Scheme	243,864,757	21,930,000	–	(3,000)	–	**265,791,757**
Electricity Distribution	9,557,523	1,360,964	–	–	–	**10,918,487**
Tools and Implements	538,968,941	87,959,456	–	(12,816,873)	8,150	**614,119,674**
Plant and Machinery	5,905,203,979	676,671,656	–	(117,420,592)	–	**6,464,455,043**
Molds	96,527,194	10,451,576	–	–	–	**106,978,769**
Household Item – Light	154,855	13,066	–	(108,829)	–	**59,093**
Stores Buildings on Leasehold Land	42,584,410	26,167,571	–	–	648,684	**69,400,665**
	10,232,900,468	1,593,258,179		(224,450,107)	1,175,515	**11,602,884,056**

	Balance as at 01.04.2016	Charge for the Year	Transfer to Revaluation Reserves	Transfers/ Disposals	Exchange Translation Difference	**Balance as at 31.03.2017**
	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**
Assets on Finance Lease						
Plant & Machinery	18,840,376	2,293,000	–	(13,059,207)	–	**8,074,169**
Leasehold Land	1,461,000	487,000	–	–	–	**1,948,000**
Transport & Communication Equipment	46,378,000	348,000	–	(5,134,000)	–	**41,592,000**
Motor Vehicle	13,866,630	4,186,883	–	(11,166,464)	–	**6,887,048**
	80,546,007	7,314,883	–	(29,359,671)	–	**58,501,218**
Total	10,313,446,475	1,600,573,062	–	(253,809,778)	1,175,515	**11,661,385,273**

Net Book Value	
As at 31st March 2016	21,166,499,518
As at 31st March 2017	**27,942,758,558**
Capital Work-in-Progress	
As at 31st March 2016	670,295,310
As at 31st March 2017	**1,459,727,460**

CARRYING AMOUNT

	As at 31st March 2017	As at 31st March 2016
	Rs.	Rs.
Property, Plant and Equipment	**29,402,486,018**	21,836,794,828
Immovable JEDB/SLSPC Estate Assets on Finance Leases (other than Right to Bare Land)	**54,820,000**	64,001,000
Leasehold Right to Bare Land of JEDB/SLSPC Estates	**109,120,000**	112,987,000
	29,566,426,018	22,013,782,828

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

	Bearer Biological Assets Mature Plantations Rs.	Permanent Land Development Cost Rs.	Buildings Rs.	Plant & Machinery Rs.	**2017 Rs.**	2016 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
At the end of the Year	214,810,000	4,014,000	47,173,000	6,818,000	**272,815,000**	272,815,000
Amortisation						
Opening Balance	153,964,000	3,162,000	44,870,000	6,818,000	**208,814,000**	199,655,000
During the Period	7,160,000	134,000	1,887,000	–	**9,181,000**	9,159,000
At the end of the Year	161,124,000	3,296,000	46,757,000	6,818,000	**217,995,000**	208,814,000
Written Down Value						
At the end of the Year	53,686,000	718,000	416,000	–	**54,820,000**	64,001,000

All immovable estate Property, Plant and Equipment under finance leases have been taken into the books of Horana Plantations 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 Plantations 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 22nd June 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

	2017 Rs.	2016 Rs.
Capitalised Value		
As at 22nd June 1992	**204,931,000**	204,931,000
Amortisation		
Opening Balance	**91,944,000**	88,078,000
Charge for the Year	**3,867,000**	3,866,000
At the end of the Year	**95,811,000**	91,944,000
Carrying Amount		
At the end of the Year	**109,120,000**	112,987,000

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	Rubber	Oil Palm	Diversification	**Total 2017**	Total 2016
	Rs.	Rs.	Rs.	Rs.	**Rs.**	Rs.
Immature Plantations						
Cost or Valuation:						
Opening Balance	155,101,000	476,222,000	51,825,000	34,135,000	**717,283,000**	767,754,273
Additions	52,944,000	87,057,000	26,797,000	27,910,000	**194,708,000**	187,979,000
Transfers to Mature	(60,605,000)	(187,649,000)	(19,822,000)	(6,008,000)	**(274,084,000)**	(238,451,000)
Transferred to Income Statement	(743,000)	–	–	–	**(743,000)**	–
At the end of the Year	146,697,000	375,630,000	58,800,000	56,037,000	**637,164,000**	717,282,273
Mature Plantations						
Cost or Valuation:						
Opening Balance	637,393,000	945,496,000	30,397,000	25,218,000	**1,638,504,000**	1,400,053,000
Transfers from Immature	60,605,000	187,649,000	19,822,000	6,008,000	**274,084,000**	238,451,000
At the end of the Year	697,998,000	1,133,145,000	50,219,000	31,226,000	**1,912,588,000**	1,638,504,000
Accumulated Amortisation						
Opening Balance	123,544,000	264,890,000	–	7,166,000	**395,600,000**	337,199,000
Charge for the Year	19,122,000	47,275,000	1,520,000	1,217,000	**69,134,000**	58,401,000
At the end of the Year	142,666,000	312,165,000	1,520,000	8,383,000	**464,734,000**	395,600,000
Written Down Value	555,332,000	820,980,000	48,699,000	22,843,000	**1,447,854,000**	1,242,904,000
Total Bearer Biological Assets	702,029,000	1,196,610,000	107,499,000	78,880,000	**2,085,018,000**	1,960,186,273

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 leases 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 becomes mature.

16.6 CONSUMABLE BIOLOGICAL ASSETS

	2017 Rs.	2016 Rs.
Immature Plantations		
Cost:		
At the beginning of the Year	**24,699,000**	23,436,000
Additions	**14,640,000**	5,852,000
Transfers to Mature Plantations	**–**	(4,589,000)
At the end of the Year	**39,339,000**	24,699,000
Mature Plantations		
Cost:		
At the beginning of the Year	**371,434,000**	326,077,000
Increase due to New Plantations	**–**	4,589,000
Change in Fair Value Less Costs to Sell	**79,761,000**	40,768,000
At the end of the Year	**451,195,000**	371,434,000
Total Consumable Biological Assets	**490,534,000**	396,133,000

16.7 BIOLOGICAL ASSETS

	2017 Rs.	2016 Rs.
Bearer Biological Assets (Note 16.5)	**2,085,018,000**	1,960,186,273
Consumable Biological Assets (Note 16.6)	**490,534,000**	396,133,000
	2,575,552,000	2,356,319,273

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 2017 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 39.340 Mn as at 31st March 2017. 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. Ariyatillake for 2016/17 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	13% - 15%	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%	Base	10%
	2016	Rs. Mn	284.22	371.43	458.64
	2017	Rs. Mn	406.076	451.195	496.315

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%	Base	1%
	2016	Rs. Mn	391.41	371.43	363.65
	2017	Rs. Mn	465.507	451.195	437.774

CAPITALISATION OF BORROWING COST

Borrowing costs amounting to Rs. 60.013 Mn (Rs. 46.886 Mn in 2015/16) directly relating to investment in biological assets (immature plantations) have been capitalised during the period, at an average borrowing rate of 11.95% (7.5% in 2015/16).

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 unobservable 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) (Leve-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.
Royal Ceramics Lanka PLC	Factory at Eheliyagoda	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
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

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.
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 Solutions (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
	Factory Complex, Belummahara, Imbulgoda–Tile Stores	24,444 sq.ft			Investment method	Rent at Rs.30/– per sq.ft p.m	63.351 Mn
	Factory Complex, Belummahara, Imbulgoda–Sales Center	4,890 sq.ft			Investment method	Rent at Rs.50/– per sq.ft p.m	21.122 Mn
	Factory Complex, Belummahara, Imbulgoda–Open Shed	1,600 sq.ft			Investment method	Rent at Rs.15/– per sq.ft p.m	2.073 Mn
	Factory Complex, Belummahara, Imbulgoda–Warehouse	5,000 sq.ft			Investment method	Rent at Rs.40/– per sq.ft p.m	17.278 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

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.
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	7,038 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
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampha	A48–R03–P17.9	Mr. Ranjan J Samarakone	31.03.17	Market based evidence	Rs. 4,500,000/– per Acre	219.88 Mn
	Waradala Village, Divulapitiya, Gampha	A4–R01–P15.9	Mr. Ranjan J Samarakone	31.03.17	Market based evidence	Rs.2,500,000/– per Acre	11 Mn

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

	2017 Years	2016 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
Clay mining Land	**Unit of production basis**	Unit of production basis
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	
	2017 Rs.	2016 Rs.
Cost		
At the beginning of the Year	**15,880,000**	7,800,000
Acquisition	**8,000,000**	8,080,000
At the end of the Year	**23,880,000**	15,880,000
Accumulated Depreciation		
At the beginning of the Year	**7,800,000**	7,288,500
Charge for the Year	**–**	511,000
At the end of the Year	**7,800,000**	7,799,500
Written Down Value	**16,080,000**	8,080,500

18. INVESTMENT PROPERTY

	Group 2017 Rs.	2016 Rs.
At the beginning of the Year	**238,714,000**	239,404,000
Depreciation of Investment Property	**(690,000)**	(690,000)
At the end of the Year	**238,024,000**	238,714,000

LANKA CERAMICS PLC

As at 31st March 2017, 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 2017). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and current market value of land.

Investor Property	Group Fair Value measurement using Significant unobservable inputs (Level 3) 2017 Rs.	2016 Rs.
Date of Valuation	**31 March**	31 March
Land at Fair Value	**617,000,000**	452,250,000
Building at Fair Value	**89,000,000**	75,000,000
Significant Unobservable Input:		
Price per Perch	**15,000,000**	11,000,000
Price per Square Feet	**2,000 – 4,000**	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. 36.75 Mn (2016 – Rs. 36.37 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.86 Mn (2016 – Rs. 2 Mn).

19. DUE TO BANKS

	Company		Group	
	2017	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.
Bank Overdrafts	**2,004**	–	**3,893,509,198**	3,161,850,015
Syndicated Loans and Other Bank Facilities	**–**	–	**22,742,879,293**	13,877,962,197
	2,004	–	**26,636,388,491**	17,039,812,212

19.1 SECURITISED BORROWINGS, SYNDICATED LOANS AND OTHER BANK FACILITIES

	As at 01.04.2016	Loans Obtained	Interest Recognised	Repayments Capital	Interest	**As at 31.03.2017**
	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**
Syndicated Loans						
Syndication 1	271,283,794	–	28,778,350	(70,312,500)	(28,437,186)	**201,312,457**
Syndication 2	2,255,952,698	–	208,393,386	(225,000,000)	(204,259,521)	**2,035,086,564**
Syndication 3	3,322,731,232	–	326,714,034	(442,200,000)	(324,044,392)	**2,883,200,874**
Syndication 4	–	2,258,872,245	52,396,873	–	(50,525,014)	**2,260,744,104**
	5,849,967,724	2,258,872,245	616,282,643	(737,512,500)	(607,266,112)	**7,380,343,999**
Term Loans						
Bank of Ceylon 1	1,370,052,069	–	101,598,564	(500,000,004)	(97,702,081)	**873,948,549**
Bank of Ceylon 2	–	4,949,216,837	370,047,164	(833,333,336)	(324,559,075)	**4,161,371,590**
Commercial Bank 1	2,001,178,634	–	173,508,922	(222,000,000)	(172,645,050)	**1,780,042,506**
Commercial Bank 2	1,001,002,002	–	100,346,278	(187,500,000)	(100,127,568)	**813,720,711**
Commercial Bank 3	–	1,997,500,000	60,165,589	–	(54,246,575)	**2,003,419,014**
Nations Trust Bank 1	402,202,184	–	31,020,885	–	(30,929,918)	**402,293,151**
Nations Trust Bank 2	–	998,140,000	61,150,699	–	(58,139,590)	**1,001,151,109**
Hatton National Bank 1	1,576,026,334	–	115,555,105	(399,960,000)	(117,410,567)	**1,174,210,873**
Hatton National Bank 2	–	1,197,970,000	42,421,537	(75,000,000)	(41,302,919)	**1,124,088,617**
NDB Bank 1	465,506,507	–	28,488,699	(450,000,000)	(43,995,205)	**–**
NDB Bank 2	154,808,219	–	10,052,877	(150,000,000)	(14,861,096)	**–**
NDB Bank 3	329,815,342	–	16,306,763	(325,000,000)	(21,122,105)	**–**
NDB Bank 4	–	400,000,000	15,856,438	(400,000,000)	(15,856,438)	**–**
NDB Bank 5	–	300,000,000	11,892,329	(300,000,000)	(11,892,329)	**–**
NDB Bank 6	–	150,000,000	5,750,137	(150,000,000)	(5,750,137)	**–**
Union Bank	426,716,709	–	35,980,595	(125,000,004)	(35,718,597)	**301,978,703**
Habib Bank 1	300,686,466	–	25,775,338	(300,000,000)	(26,461,803)	**–**
Habib Bank 2	–	300,000,000	3,322,192	–	(3,214,932)	**300,107,260**
Public Bank 1	–	200,000,000	11,294,437	(20,000,004)	(11,008,410)	**180,286,023**
Public Bank 2	–	99,781,375	168,767	–	–	**99,950,142**
Seylan Bank	–	998,800,000	45,602,963	(62,502,000)	(36,214,466)	**945,686,497**
Standard Chartered Bank	–	199,250,000	1,030,548	–	–	**200,280,548**
	8,027,994,473	11,790,658,212	1,267,336,825	(4,500,295,348)	(1,223,158,863)	**15,362,535,294**
	13,877,962,197	14,049,530,457	1,883,619,468	(5,237,807,848)	(1,830,424,976)	**22,742,879,293**

19.2 CONTRACTUAL MATURITY ANALYSIS OF SYNDICATED LOANS AND OTHER BANK FACILITIES

As at 31st March 2017	Within One Year Rs.	1–5 Years Rs.	Over 5 Years Rs.	Total Rs.
Syndicated Loans	**1,787,032,542**	**5,593,311,458**	**–**	**7,380,344,000**
Term Loans	**5,285,015,068**	**10,077,520,225**	**–**	**15,362,535,293**
	7,072,047,610	**15,670,831,683**		**22,742,879,293**

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

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

20. DUE TO CUSTOMERS

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Fixed Deposits	**–**	–	**57,888,811,359**	49,949,581,208
Certificates of Deposit	**–**	–	**153,987,192**	185,247,552
Saving Deposit	**–**	–	**2,359,155,975**	2,598,793,532
	–	–	**60,401,954,526**	52,733,622,292

20.1 CONTRACTUAL MATURITY ANALYSIS OF CUSTOMER DEPOSITS

As at 31st March 2017	Within One Year Rs.	1–5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	**42,553,415,754**	**15,335,395,605**	**–**	**57,888,811,359**
Certificates of Deposit	**153,987,192**	**–**	**–**	**153,987,192**
Savings Deposits	**2,359,155,975**	**–**	**–**	**2,359,155,975**
	45,066,558,921	**15,335,395,605**	**–**	**60,401,954,526**

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

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

	2017			2016		
	Amount Repayable Within 1 Year	**Amount Repayable After 1 Year**	**Total**	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	Rs.	**Rs.**	**Rs.**	Rs.	Rs.	Rs.
Finance Leases (Note 21.1)	**16,764,887**	**112,968,779**	**129,733,666**	18,993,521	120,356,497	139,350,018
Bank Loans/Term loans	**2,136,517,302**	**6,730,894,575**	**8,867,411,877**	1,933,952,170	6,018,160,957	7,952,113,126
Short Term Loan	**3,755,494,533**	**–**	**3,755,494,533**	4,292,013,955	–	4,292,013,955
Unsecured Debentures (Note 21.3)	**–**	**2,044,216,323**	**2,044,216,323**	606,429,073	1,994,853,432	2,601,282,504
Packing Credit Loan	**1,358,310,693**	**–**	**1,358,310,693**	–	–	
	7,267,087,415	**8,888,079,677**	**16,155,167,092**	6,851,388,718	8,133,370,885	14,984,759,603

21.1 FINANCE LEASES

	2017	2016
	Rs.	Rs.
JEDB/SLSPC Estates (21.1.1)	**146,386,000**	151,614,000
Other Finance Lease Creditors (21.1.2)	**49,782,774**	60,127,886
Gross Liability	**196,168,774**	211,741,886
Finance Charges Allocated to Future Periods	**–**	–
Net Liability	**(66,435,108)**	(72,389,869)
	129,733,666	139,352,018
Payable Within 1 Year	**16,764,887**	18,993,521
Payable Within 1 Years before 5 Year	**112,968,779**	120,356,497
Total	**129,733,666**	139,350,018

21.1.1 JEDB/SLSPC ESTATES

	2017	2016
	Rs.	Rs.
At the beginning of the Year	**151,614,000**	156,840,000
New Leases Obtained during the Year	**13,681,000**	13,294,000
Repayments during the Year	**(18,909,000)**	(18,520,000)
At the end of the Year	**146,386,000**	151,614,000

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:

		2017 Rs.
Gross Liability	– Overdue	–
	– 29 Years @ Rs. 5.228 Mn per annum	146,384,000
		146,384,000
Less: Interest in Suspense		(60,092,000)
Net Present Value		86,292,000

The contingent rental charged during the current year to Statement of Comprehensive Income amounted to Rs. 13,681,000/- 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. 387,057,000/– as at 31st March 2017.

21.1.2 OTHER FINANCIAL LEASE CREDITORS

	2017 **Rs.**	2016 Rs.
At the beginning of the Year	**60,127,886**	61,067,379
New Leases Obtained during the Year	**14,029,055**	32,042,727
Repayments during the Year	**(23,522,777)**	(32,982,220)
Transfer to Discontinued Operations	**(851,390)**	–
At the end of the Year	**49,782,774**	60,127,886

21.2 DETAILS OF THE LONG TERM LOANS – GROUP

Lender	Approved Facility Rs.	Repayment Terms	Security
Delmege Limited Group			
Standard Chartered Bank	69.7 Mn	3 months	Fixed Deposit
	155 Mn	3 months	Corporate Guarantee – Delmege Ltd.
National Development Bank PLC	148.2 Mn	4 months	Fixed Deposit, Stock & Debtors Mortgage
Commercial Bank of Ceylon PLC	29 Mn	–	Corporate Guarantee – DF & Co. Limited
DFCC Bank PLC	42.83 Mn	2 months	Letter of Comfort/Negative Pledge/Fixed Deposit
	125 Mn	54 instalments with 6 month, grace period	Land & Buildings
Nation Trust Bank PLC – Factor	–	2 months	Land & Building
Union Bank PLC	150 Mn	4 months	Stock & Debtor Mortgage
Union Bank PLC – Factor	100 Mn	4 months	Corporate Guarantee – Delmege Frosyth & Co. (Shipping) Limited
MCB	850 Mn	3 months	Letter of Comfort – Delmege Ltd.
Hatton National Bank PLC	2,000 Mn	3 months	Mortgage – Land & Building
		95 instalments with 12 months grace period	
Amãna Bank PLC	350 Mn	3 months	Corporate Guarantee – Delmege Ltd.
Pan Asia Bank Corporation PLC	–	3 months	–
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
	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

Lender	Approved Facility Rs.	Repayment Terms	Security
Commercial Bank of Ceylon PLC	41 Mn	48 equal monthly instalments	Primary Mortgage Bond for 41 Mn over the Polishing line
			Corporate Guarantee of Royal Porcelain (Pvt) Limited
	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
	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)
	260 Mn	60 equal monthly instalments	Primary Mortgage Bond over Land and Building at No. 20, R.A. De Mel Mawatha, Colombo 03
	109 Mn	59 equal monthly instalments	Corporate guarantee of Royal Porcelain (Pvt) Limited
	200 Mn	59 equal monthly instalments	Additional mortgage bond over the property at Baddegedaramulla, Meegoda to be executed
	100 Mn	59 equal monthly instalments	Additional concurrent mortgage bond with HNB Bank PLC for Rs. 100 Mn over the factory property at Eheliyagoda to be executed by the Company. (HNB interest – Rs. 350.3 Mn our total interest – AUD 2,407,000 or equivalent in LKR and Rs. 100 Mn
DFCC Bank PLC	292 Mn	60 equal monthly instalments after a grace period of 12 months	Land and building bearing assessment No. 223, Nawala Road, Narahenpita containing in extent Ao-Ro-Po5.4 of Royal Ceramics Lanka PLC (Plan No. 3534)
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
	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

Lender	Approved Facility Rs.	Repayment Terms	Security
	23 Mn	59 equal monthly instalments	Corporate Guarantee of Royal Porcelain (Pvt) Limited
	07 Mn	59 equal monthly instalments	Corporate Guarantee of Royal Porcelain (Pvt) Limited
	14 Mn	59 equal monthly instalments	Corporate Guarantee of Royal Porcelain (Pvt) Limited
	28.5 Mn	60 equal monthly instalments of Rs. 475,000	Corporate Guarantee from RPL
	5.5 Mn	59 equal monthly instalments of Rs. 91,600 and a final instalment of Rs. 95,600	Corporate Guarantee from RPL
	12.9 Mn	60 equal monthly instalments of Rs. 215,000	Corporate Guarantee from RPL
	130 Mn	59 equal monthly instalments of Rs. 2.15Mn each and a final instalment of Rs. 3.15 Mn	Tripartite agreement between Royal Ceramics Lanka PLC, HNB and share brokering company along with irrevocable power of attorney over 1,000,000 Nos. company shares of Lanka Ceramics PLC
Royal Porcelain (Pvt) Limited			
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	56 Mn	59 equal monthly instalments	Mortgage over line Sorting Palertizer Machine. Corporate Guarantee from Royal Ceramics Lanka PLC
	67 Mn	59 equal monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC
			Mortgage over Tile Printing Machine
	48 Mn	60 equal monthly instalments	Mortgage over Glazed Polishing Line
			Corporate Guarantee from Royal Ceramics Lanka PLC
	67 Mn	60 equal monthly instalments	Motgage over Digital Ceremic Printing Machine

Lender	Approved Facility Rs.	Repayment Terms	Security
Commercial Bank of Ceylon PLC			Corporate Guarantee from Royal Ceramics Lanka PLC
	200 Mn	60 equal monthly instalments	Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Limited
	48.56 Mn	60 equal monthly instalments	Mortgage over 4 units 4 wheel Forklifts and 4 units reach trucks
	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
	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
Hatton National Bank PLC	200 Mn	59 equal monthly instalments of Rs. 3.33 Mn each and final instalment of Rs. 3.53 Mn plus interest commencing after a grace period of six months	Corporate Guarantee – RCL
Rocell Bathware Limited			
Hatton National Bank PLC	160 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
	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 Mortgage Bond over Water closet casting machine for 25 Mn

Lender	Approved Facility Rs.	Repayment Terms	Security
Hatton National Bank PLC	20 Mn	64 equal monthly instalments	Corporate guarantee of RCL
Commercial Bank of Ceylon PLC	210 Mn	60 equal monthly instalments of Rs. 3,500,000/- with a grace period of six months	Primary mortgage bond over the shuttle Kiln burner machine for Rs. 210 Mn
	57.7 Mn	59 equal monthly instalments of Rs. 961,600/- and a final instalment of Rs. 965,600/-	Primary Mortgage bond over Water Closet casting Machine, stock tank propeller dissolver and modification to the existing glasing cell for Rs. 57.7 Mn
	70 Mn	59 equal monthly instalments of Rs. 1,1165,000/- and a final instalments of Rs. 1,265,000/-	Primary Mortgage bond over to finance and construct land at Panagoda RBL factory
Pan Asia Bank	200 Mn	60 equal monthly instalments with a grace period of six months	Mortgage bond for Rs. 400 Mn of force sale value of machinary as per bank's special valuation
People's Bank	160 Mn	59 equal monthly instalments of Rs. 2.7 Mn each and final instalment of Rs. 7 Mn after a grace period of six months	Corporate Guarantee of RCL.
Ever Paint and Chemical Industries (Pvt) Limited			
Commercial Bank of Ceylon PLC	100 Mn	59 monthly instalments	Primary concurrent Mortgage Bond over Company Factory premise at Hanwella, stocks in trade and assignment over book debts and mortgage over movable machinery equipment, furniture fittings at Malabe
			Corporate guarantee of RCL
Lanka Ceramic PLC			
Hatton National Bank PLC	500 Mn	08 annual instalments	Mortgage for Rs. 500 Mn over Lanka Walltiles PLC shares

Lender	Approved Facility Rs.	Repayment Terms	Security
Lanka Walltiles PLC			
Hatton National Bank PLC	300 Mn	60 monthly instalments	Primary Mortgage Bond for Rs. 390 Mn over the project assets comprising land, building and machinery at Meepe
	USD 1.8 Mn	60 monthly instalments	Secondary Mortgage Bond for USD 1.8 Mn 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
	200 Mn	60 monthly instalments	Primary Mortgage Bond for Rs. 200 Mn over the property situated at 215, Nawala Road, Colombo 5
	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	
Uni-Dil Packaging Limited			
HSBCZ	USD 310,000	USD 7,380.95 monthly instalments	Mortgage Bond for USD 310,000 over movable machinery
	USD 310,000	USD 7,380.95 monthly instalments	Mortgage Bond for USD 310,000 over movable machinery
Standard Chartered Bank	USD 250,000	monthly instalments	Mortgage Bond for USD 310,000 over movable machinery and Vehicle

Lender	Approved Facility Rs.	Repayment Terms	Security
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
	130.114 Mn	60 monthly instalments	Primary Mortgage over leasehold rights of Bambarakelly Estate
Sri Lanka Tea Board	33 Mn	48 monthly instalments	
Swisstek (Ceylon) PLC			
Bank of Ceylon	26 Mn	58 equal monthly instalments	Mortgage over Immovable property at Balummahara, Imbulgoda
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	Movable Machinery
	10 Mn	60 monthly instalments	Movable Machinery
	193 Mn	60 monthly instalments	Movable Machinery
Vallibel Plantation Management Limited			
Commercial Bank of Ceylon PLC	145 Mn	60 monthly instalments	12,750,000 shares of Horana Plantations 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
Syndication 4		47 equal monthly instalments	Mortgage over Lease 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

Lender	Approved Facility Rs.	Repayment Terms	Security
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
Commercial Bank of Ceylon PLC 3		60 equal monthly instalments	Mortgage over Lease receivables
Nations Trust Bank PLC 1		36 equal monthly instalments	Mortgage over Hire Purchase receivables
Nations Trust Bank PLC 2		36 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Hatton National Bank PLC 1		60 equal monthly instalments	Mortgage over Hire Purchase receivables
Hatton National Bank PLC 2		48 equal monthly instalments	Mortgage over Lease 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
NDB Bank 4		03 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
NDB Bank 5		03 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
NDB Bank 6		03 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Union Bank		48 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Habib Bank 1		12 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Habib Bank 2		12 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Public Bank 1		60 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Public Bank 2		60 equal monthly instalments	Mortgage over Lease, Hire Purchase receivables
Seylan Bank		48 equal monthly instalments	Mortgage over Lease receivables
Standard Chartered Bank		03 equal monthly instalments	Mortgage over Lease receivables

21.3 DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS

	2017 Rs.	2016 Rs.
Unsecured Debentures (Note 21.3.1)	**2,044,216,323**	2,601,282,504
	2,044,216,323	2,601,282,504

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
Type A	Monthly	Listed	638,532	640,140	14.00% p.a.	29.11.13	29.11.18
Type B	Bi-annually	Listed	782,107	757,010	14.50% p.a.	29.11.13	29.11.18
Type C	Annually	Listed	623,577	602,850	15.00% p.a.	29.11.13	29.11.18
Total			2,044,216	2,000,000			

22. TRADE AND OTHER PAYABLES

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade and Other Payables	**50,000**	215,000	**3,393,650,100**	3,452,239,414
Accrued Expenses	**3,478,135**	1,284,893	**1,555,375,554**	1,912,538,935
Other Payable	**5,327,290**	–	**5,327,294**	–
	8,855,425	1,499,893	**4,954,352,948**	5,364,778,349

23. OTHER NON–FINANCIAL LIABILITIES

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Provisions	**–**	–	**719,957,163**	82,816,382
Advances	**–**	–	**650,024,175**	763,839,741
Others	**–**	–	**1,472,765,906**	1,120,404,500
	–	–	**2,842,747,244**	1,967,060,622

24. DIVIDENDS PAYABLE

	Company		Group	
	2017	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.
Unclaimed Dividend	**7,647,865**	6,783,826	**113,083,111**	170,126,424
	7,647,865	6,783,826	**113,083,111**	170,126,424

25. RETIREMENT BENEFIT LIABILITY

	Company		Group	
	2017	2015	**2017**	2015
	Rs.	Rs.	**Rs.**	Rs.
Balance at the beginning of the Year	**3,416,899**	2,369,044	**1,192,535,325**	1,127,385,348
Amount Charged for the Year	**1,048,428**	776,072	**104,960,524**	105,194,097
Interest Cost	**341,690**	236,904	**125,388,250**	111,805,167
Actuarial Gain/Loss	**(690,136)**	34,879	**(62,214,539)**	(51,620,881)
(Payments)/Transfers Made during the Year	**(308,000)**	–	**(149,547,483)**	(100,228,406)
Balance at the end of the Year	**3,808,881**	3,416,899	**1,211,122,077**	1,192,535,325

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31st March 2017 and 2016 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.

	2017	2016
Actuarial Assumptions		
Discount Rate (%)	**10-13**	9.5-12
Future Salary Increase (%)	**10-12.5**	10
Staff Turnover (%)	**8-50**	15-30
Retirement Age (Years)	**55-60**	55-60

26. STATED CAPITAL

	2017		206	
	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) 2017	**Available-for-Sale Reserve 2017**	**Total 2017**	Retained Profits/(Losses) 2016	Available-for-Sale Reserve 2016	Total 2016
	Rs.	**Rs.**	**Rs.**	Rs.	Rs.	Rs.
At the beginning of the Year	**762,296,122**	**(351,118,193)**	**411,177,929**	706,445,360	(157,097,489)	549,347,871
Super Gain Tax 2013/14	**–**	**–**	**–**	(65,043,477)	–	(65,043,477)
Profit for the Year	**1,239,772,844**	**–**	**1,239,772,844**	664,199,027	–	664,199,027
Other Comprehensive Income	**496,898**	**751,336,400**	**751,833,298**	(25,113)	(194,020,704)	(194,045,817)
Dividend Paid	**(543,279,677)**	**–**	**(543,279,677)**	(543,279,677)	–	(543,279,677)
At the end of the Year	**1,459,286,187**	**400,218,207**	**1,859,504,394**	762,296,122	(351,118,193)	411,177,929

27.2 RESERVES – GROUP

	Capital Reserve	Other Component of Equity		
	Reserve Fund Rs.	Revaluation Reserve Rs.	Currency Translation Reserve Rs.	Available-for-Sale Reserve Rs.
2017				
At the beginning of the Year	1,433,306,024	1,143,873,117	6,057,273	(996,971,504)
Profit for the Year	–	–	–	–
Realisation of Revaluation Reserve – Transfer in	–	–	–	–
Realisation of Actuarial Loss – Transfer in	–	–	–	–
Other Comprehensive Income				
Share of Other Comprehensive Income of Equity Accounted Investees	–	–	(261,414)	23,693,446
Reclassification of the Gain/loss Recognised in OCI by the Investment in Associate to Retained Earnings	–	–	(5,543,745)	654,012,009
Realisation of Revaluation Reserve – Transfer Out	–	(202,635,276)	–	–
Realisation of Acturial Loss – Transfer Out	–	–	–	–
Currency Translation Reserve	–	–	1,545,930	–
Actuarial Gain/(Loss) on Defined Benifit Obligation	–	–	–	–
Net Gain/(Loss) on Available-for-sale Financial Assets	–	–	–	733,756,196
Revaluation of Land and Buildings	–	1,255,448,944	–	–
		1,052,813,668	(4,259,229)	1,411,461,651
Transfers	783,640,862	–	–	–
Adjustment due to Change in Holding	–	–	–	–
Write Back of Unclaimed Dividends	–	–	–	–
Dividend Paid	–	–	–	–
At the end of the Year	2,216,946,886	2,196,686,785	1,798,044	414,490,147

	Treasury Shares	Revenue Reserve			Hedge Reserve	Total
		Actuarial Gain/(Loss) Reserve	General Reserve	Retained Earnings		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	(44,111,716)	(32,983,859)	578,449,249	8,839,684,930	(125,718)	10,927,177,794
	–	–	–	539,789,010	–	539,789,010
	–	–	–	202,635,276	–	202,635,276
	–	–	–	(39,734,253)	–	(39,734,253)
	–	–	–	–	–	23,432,032
	–	–	–	–	125,718	648,593,982
	–	–	–	–	–	(202,635,276)
	–	39,734,253	–	–	–	39,734,253
	–	–	–	–	–	1,545,930
	–	5,827,378	–	–	–	5,827,378
	–	–	–	–	–	733,756,196
	–	–	–	–	–	1,255,448,944
		45,561,631	578,449,249	–	–	2,505,703,439
	–	–	–	(783,640,862)	–	–
	–	–	–	580,215,569	–	580,215,569
	–	–	–	15,010,056	–	15,010,056
	–	–	–	(543,279,677)	–	(543,279,677)
	(44,111,716)	12,577,772	578,449,249	8,810,680,050	–	14,187,517,216

	Capital Reserve	Other Component of Equity		
	Reserve Fund	Revaluation Reserve	Currency Translation Reserve	Available-for-Sale Reserve
	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)
Currency Translation Reserve	–	–	2,378,932	–
Actuarial Gain/(Loss) on Defined Benefit Obligation	–	–	–	–
Net Gain/(Loss) on Available-for-Sale Financial Assets	–	–	–	(186,465,613)
Revaluation of Land & Buildings	–	391,000,368	–	–
	–	391,000,368	7,408,530	(219,935,042)
Transfers	524,453,100	–	–	–
Adjustment due to Change in Holding	–	–	–	–
Write Back of Unclaimed Dividends	–	–	–	–
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.

	Revenue Reserve				
Treasury Shares	Actuarial Gain/(Loss) Reserve	General 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)
–	–	–	–	–	2,378,932
–	10,026,201	–	–	–	10,026,201
–		–	–	–	(186,465,613)
–	–	–	–	–	391,000,368
–	22,393,968	–	–	–	200,867,823
–	–	523,263,455	(1,047,716,555)	–	–
–	–	–	(982,085)	–	(982,085)
–	–	5,006,925	–	–	5,006,925
–	–	–	(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-CONTROLLING 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 Ltd. Rs.
Non-Controlling Interests in %	44.04	34.95	38.80
Accumulated Balance of Non-Controlling Interest	13,964,220,962	3,635,508,501	1,278,764,431
Summarised Statement of Profit or Loss for the Year ended 31st March 2017			
Revenue	26,412,846,431	17,909,935,440	7,414,953,764
Cost of Sales	(15,550,090,889)	(8,112,336,789)	(5,536,361,985)
Administrative Expenses	(1,570,844,264)	(2,659,027,343)	(637,592,583)
Finance Cost	(1,103,829,864)	(578,000)	(492,528,754)
Finance Income	152,283,356	–	40,899,596
Profit before Tax	5,987,155,979	5,878,959,574	152,166,127
Income Tax	(1,334,536,448)	(1,956,638,913)	(51,363,136)
Profit after Tax	4,652,619,531	3,922,320,661	100,802,991
Loss from Continuing Operations	(195,549,696)	–	–
Profit from Continuing Operations	4,457,069,835	3,922,320,661	–
Attributable to Owners	3,231,003,554	2,551,469,590	94,693,965
Attributable to Non-Controlling Interest	1,226,066,282	1,370,851,071	6,109,026
Total Comprehensive Income	5,225,422,467	3,900,303,304	2,155,367,402
Dividend paid to Non-Controlling Interest	(344,668,367)	–	–
Summarised Statement of Financial Position as at 31st March 2017			
Current Assets	14,935,161,309	10,049,747,435	4,823,579,611
Non-Current Assets	29,864,211,359	92,713,287,659	4,805,380,987
Current Liabilities	10,094,852,286	4,029,037,705	5,475,801,506
Non-Current Liabilities	8,610,191,525	86,224,317,819	650,110,137
Total Equity			
Attributable to:			
Equity Holders of Parent	5,910,816,296	8,676,540,136	795,152,285
Non-Controlling Interest	13,964,220,962	3,635,508,501	1,278,764,431
Summary			
Operating Cash Flows	3,130,998,218	(8,688,417,524)	(302,687,002)
Investing Cash Flows	(3,739,438,248)	(1,242,299,852)	104,756,015
Financing Cash Flows	(259,785,448)	6,437,908,083	273,635,180
Net Increase/(Decrease) in Cash and Cash Equivalents	(868,225,478)	(3,492,809,292)	75,704,193

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

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Cash in Hand and at Bank	**399,210,107**	41,298,454	**3,005,721,808**	2,640,934,985
Short Term Bank Deposits	**–**	–	**1,310,270,325**	972,006,424
Treasury Bill Repurchase Agreement		–	**1,062,764,315**	4,965,469,641
	399,210,107	41,298,454	**5,378,756,448**	8,578,411,050
Bank Overdrafts (Note 19)	**(2,004)**	–	**(3,893,509,198)**	(3,161,850,015)
Cash and Cash Equivalents at the end of the Year	**399,208,103**	41,298,454	**1,485,247,250**	5,416,561,035

30. INCOME

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Summary				
Manufacturing Sector	**–**	–	**26,412,846,431**	24,896,301,896
Financial Services Sector	**–**	–	**19,119,127,665**	15,589,285,974
Sale of Goods	**–**	–	**6,941,591,938**	6,717,929,149
Rendering of Services	**–**	–	**462,835,513**	464,329,095
	–	–	**52,936,401,547**	47,667,846,114

31. DIVIDEND INCOME

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Income from Investment in Related Parties	**2,020,304,582**	808,133,606	**472,890,776**	–
Income from Other Investments	**–**	–	**435,038**	24,510,247
	2,020,304,582	808,133,606	**473,325,814**	24,510,247

32. OTHER OPERATING INCOME

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Profit on Sale of Property, Plant and Equipment	**2,856,667**	–	**20,861,037**	(20,292,675)
Real Estate Income (net of cost)	**–**	–	**200,102,541**	11,506,880
Commission Income	**–**	–	**26,839,810**	16,058,165
Hiring Income	**–**	–	**–**	55,311,291
Reversal of Debtors Impairment	**–**	–	**5,623,000**	–
Rent income	**–**	–	**25,875,000**	31,283,000
Change in Fair Value of Consumable Biological Assets	**–**	–	**89,187,000**	40,768,000
Amortisation of Capital and Revenue Grants	**–**	–	**4,760,000**	4,953,000
Sundry Income	**45,359,221**	–	**169,237,875**	155,124,855
Profit on Disposal of Investment	**–**	–	**–**	6,434,815
	48,215,887	–	**542,486,263**	301,147,331

33. FINANCE COST

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Interest on Loans	**10,715,097**	–	**677,702,693**	1,047,299,960
Interest on Bank Overdrafts	**3,471,792**	–	**975,905,517**	104,864,749
Interest on Finance Leases	**–**	–	**16,713,039**	16,574,172
RTS International and Trade Card Charged	**–**	–	**739,571**	8,918,721
Net Loss on Financial Assets at Fair Value Through Profit Or Loss	**–**	45,503,975	**230,831**	83,407,034
Less: Capitalisation of Borrowing Costs on Immature Plantations	**–**	–	**(60,013,000)**	(46,886,000)
	14,186,890	45,503,975	**1,611,278,651**	1,214,178,636

34. FINANCE INCOME

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Exchange Gain	**1,235,250**	–	**12,363,217**	13,703,794
Interest Income	**238,110,503**	206,195,328	**438,346,810**	246,633,843
Appreciation in Market Value of Quoted Shares	**–**	–	**1,483,271**	9,065,175
Realised Gain on Disposal of AFS Investment	**3,413,677**	–	**3,413,677**	–
	242,759,430	206,195,328	**455,606,975**	269,402,812

35. INCOME TAX EXPENSE

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

INCOME STATEMENT

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Current Income Tax				
Current Income Tax Charge (Note 35.1)	**66,670,941**	57,734,692	**2,607,675,155**	2,428,882,569
Share of Associate Company Income Tax	**–**	–	**520,424,001**	562,702,990
Under/(Over) Provision of Current Taxes in Respect of Prior Years	**–**	–	**31,871,824**	232,454,213
Deferred Income Tax				
Deferred Tax Charge/(Reversal) (Note 12)	**(738,730)**	(1,074,356)	**601,750,652**	288,927,242
Income Tax Expense Reported in the Income Statement	**65,932,211**	56,660,336	**3,761,721,633**	3,512,967,015
Consolidated Statements of Other Comprehensive Income				
Income Tax on Revaluation of Buildings (Note 12)	**–**	–	**–**	(210,965,690)
Income Tax on Actuarial Gain/(Loss) (Note 12)	**(193,238)**	9,766	**11,590,756**	(8,166,573)
	(193,238)	9,766	**11,204,280**	(219,132,263)

35.1 RECONCILIATION BETWEEN TAX CHARGE AND THE PRODUCT OF ACCOUNTING PROFIT

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Accounting Profit (PBT)	**1,305,705,055**	720,859,364	**13,437,415,681**	10,969,686,616
Share of Results of Associates	**–**	–	**(1,041,753,417)**	(1,532,686,923)
	1,305,705,055	720,859,364	**13,437,415,681**	9,436,999,693
Exempt Profit	**–**	–	**(1,214,641,917)**	(414,064,491)
Non-Deductible Expenses	**714,599,527**	87,274,242	**31,269,803,582**	2,379,994,295
Deductible Expenses	**(2,020,304,582)**	(808,133,606)	**(33,278,590,280)**	(4,255,201,011)
Tax Losses Utilised	**–**	–	**(508,426,668)**	(388,201,581)
Interest Income	**238,110,503**	206,195,328	**493,190,399**	246,633,843
Rent Income	**–**	–	**25,875,000**	–
Qualifying Payment Relief	**–**	–	**(432,367,882)**	(265,421,634)
Taxable Income	**238,110,503**	206,195,328	**9,792,257,915**	6,740,739,113
Income Tax on Profit of the Local Sales @ 28%	**66,670,941**	57,734,692	**2,455,131,871**	2,278,100,738
Income Tax on Profit of the Export Sales @ 12%	**–**	–	**50,715,289**	38,018,836
Income Tax on Profit @ 10%	**–**	–	**101,827,996**	112,762,995
	66,670,941	57,734,692	**2,607,675,156**	2,428,882,569

36. PROFIT FROM OPERATION STATED AFTER THE FOLLOWING EXPENSES

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Directors' Fees	**13,335,456**	1,800,000	**57,446,281**	40,713,486
Auditors' Remuneration (Fees and Expenses)	**1,646,760**	1,944,937	**20,051,305**	19,621,412
Depreciation	**10,566,913**	8,647,432	**1,602,438,577**	1,613,036,153
Amortisation	**–**	–	**83,876,430**	87,801,129
Employee Benefits Including the Following				
Other Staff Costs	**38,810,994**	22,504,565	**6,293,446,302**	5,580,467,406
Defined Benefit Plan Costs – Gratuity	**1,390,118**	1,012,976	**230,348,774**	216,999,264
Defined Contribution Plan Costs – EPF & ETF	**4,940,353**	2,633,579	**614,913,766**	523,541,838
Export Duty Rebate	**–**	–	**–**	4,248,609
Loss on Translation of Foreign Currency	**–**	–	**9,901,096**	22,841,460
Donation	**328,033**	237,000	**328,033**	2,780,916
Damage Stocks net of Insurance Claims Received	**–**	–	**–**	48,067,795

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	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Amounts Used as the Numerators:				
Net Profit Attributable to Ordinary Shareholders of the Parent for Basic Earnings Per Share	**1,239,772,844**	664,199,028	**4,254,224,985**	4,227,980,081
	2017 Number	2016 Number	**2017 Number**	2016 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
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 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 the weighted average number of ordinary shares for both basic and diluted amounts is as in the table above. The Following table provides the profit/(loss) amount used:

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Net Profit Attributable to Ordinary Equity Holders of the Parent from Continuing Operations	**1,239,772,844**	664,199,028	**735,338,706**	4,427,980,081
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent from Discontinued Operations	**–**	–	**(195,549,696)**	
Net Profit Attributable to Ordinary Equity Holders of the Parent for Basic Earnings	**1,239,772,844**	664,199,028	**539,789,010**	4,427,980,081

	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Earnings Per Share	**1.14**	0.61	**0.50**	3.89

38. DISCONTINUED OPERATIONS

On 25th July 2016, the Board of Directors took a decision to cease the operations of Ever Paint and Chemical Industries (Private) Limited ('EPCI') and to dispose of the assets thereof. EPCI is a fully-owned subsidiary of Royal Ceramics Lanka PLC and it was engaged in the business of manufacturing and marketing of paints and allied products. With EPCI being classified as discontinued operations, the paint and allied products segment is no longer presented in the segment note. The results of EPCI for the year is presented below:

	2017 Rs.	2016 Rs.
Net Revenue	**24,814,745**	122,661,094
Cost of Sales	**(35,159,348)**	(109,742,685)
Operating Income	**(10,344,603)**	12,918,409
Other Operating Income	**12,480,219**	1,362,720
Distribution Expenses	**(29,199,525)**	(44,707,008)
Administrative Expenses	**(12,378,507)**	(14,830,268)
Finance Expenses	**(24,626,803)**	(18,257,606)
Other Expenses	**(131,480,477)**	–
Loss for the Year from Discontinued Operations	**(195,549,696)**	(63,513,754)

The major classes of assets and liabilities of EPCI is classified as held-for-sale as at the end of the year:

	2017 Rs.
Assets	
Property, Plant and Equipment	**75,143,049**
Inventories	**37,000,685**
Trade and Other Receivables	**25,016,112**
Cash and Cash Equivalents	**655,424**
Assets Held for Sale	**137,815,270**
Liabilities	
Trade and Other Payables	**(14,442,267)**
Interest-Bearing Loans & Borrowings	**(121,501,969)**
Retirement Benefit Liability	**(1,999,488)**
Liabilities Directly Associated with the Assets Held-for-Sale	**(137,943,724)**
Net Assets Directly Associated with Disposal Group	**(128,454)**

The net cash flows incurred by EPCI is as follows:

	2017 Rs.	2016 Rs.
Operating	**108,427,402**	31,786,161.5
Investing	**2,461,459**	(2,701,213)
Financing	**(27,650,537)**	(33,885,318)
Net Cash (Outflow)/Inflow	**83,238,325**	(4,800,369)

	2017	2016
Earnings Per Share		
Basic, Profit/(Loss) for the Year from Discontinued Operations	**(1.77)**	(0.57)

Interest-bearing liabilities comprise a floating rate bank loan of Rs. 25,750,000/- having an EIR of AWPLR plus 1% that is repayable in full on 30th June 2018.

WRITE-DOWN OF ASSETS HELD-FOR-SALE

Following the classification, a write-down of Rs. 131,480,477/- was recognised at the end of Reporting period to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This was recognised in discontinued operations in the Statement of Profit or Loss.

39. BUSINESS COMBINATIONS

On 1st August 2016, the Company has acquired 100% of the voting shares of Nilano Garments (Pvt) Limited incorporated and domiciled in Sri Lanka currently engages in the business of manufacturing of value added tiles & retail and wholesale trading of ceramic tiles and allied products.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

The fair value of the identifiable assets and liabilities of Nilano Garments (Pvt) Limited as at the date of acquisition were:

	2017 Rs.
Assets	
Property, Plant and Equipment	**26,544,000**
Other Non-Financial Assets	**5,377,025**
Cash and Cash Equivalents	**772**
	31,921,797
Liabilities	
Trade and Other Payables	**5,201,833**
	5,201,833
Total Identifiable Net Assets Acquired	**26,719,963**
Goodwill Arising on Acquisition	**33,280,037**
Purchase Consideration paid	**60,000,000**
Cash and Cash Equivalents of Subsidiary Acquired	**772**
Net Cash Out Flow on Acquisition of Subsidiary	**59,999,228**

As at acquisition date, the Property, Plant and Equipment includes a building at Rs. 26,544,000/- (on a leasehold land). The fair value of building was determined by Mr. A A M Fathihu, an independent professionally qualified valuer in reference to market based evidence (valuation report dated 7th October 2016).

Significant unobservable input:

Price per square feet is Rs. 2,100/-.

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

From the date of acquisition, Nilano Garments (Pvt) Limited contributed Rs. 2,764,377/- of revenue and Rs. 11,276,801/- to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been Rs. 4,738,932/- and profit before tax from continuing operations for the Group would have been Rs. 19,331,658/-.

39.1 ACQUISITION OF ADDITIONAL INTEREST

ROYAL CERAMICS LANKA PLC

On 19th January 2017, the Group acquired an additional 4.96% interest in the voting shares of Royal Ceramics Lanka PLC, increasing its ownership interest to 55.96%. Cash consideration of Rs. 691,710,937/- was paid to the non-controlling shareholders. The carrying value of the net assets of Royal Ceramics Lanka PLC (excluding goodwill on the original acquisition) was Rs. 24,907,345,775/-. Following is a schedule of additional interest acquired in Royal Ceramics Lanka PLC:

L B FINANCE PLC

On 26th June 2016, the Group acquired an additional 0.75% interest in the voting shares of L B Finance PLC, increasing its effective ownership interest to 65.05%. Cash consideration of Rs. 136,028,100/- was paid to the non-controlling shareholders. The carrying value of the net assets of L B Finance PLC (excluding goodwill on the original acquisition) was Rs. 11,398,572,087/-. Following is a schedule of additional interest acquired in L B Finance PLC:

	Royal Ceramics Lanka PLC Rs.	L B Finance PLC Rs.
Cash Consideration Paid to Non-Controlling Shareholders	(691,710,937)	(136,028,100)
Carrying Value of the Additional Interest	1,236,493,938	85,489,291
Holding Change Recognised in Retained Earnings	544,783,001	(50,538,809)

40. OPERATING SEGMENT INFORMATION

	Investment Sector		Tiles Sector		Sanitaryware Sector	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.	**2017 Rs.**	2016 Rs.
Sales to External Customers	**–**	–	**17,477,412,663**	16,985,148,659	**1,974,941,590**	1,578,465,557
Intra Group Revenue	**–**	–	**–**	999,887	**1,249,478**	–
Total Revenue	**–**	–	**17,477,412,663**	16,986,148,546	**1,976,191,068**	1,578,465,557
Results						
Gross Profit	**–**	–	**8,456,990,449**	7,769,964,025	**838,474,568**	630,432,955
Dividend Income	**2,020,304,582**	808,133,606	**435,038**	2,773,028	**–**	–
Other Operating Income	**48,215,887**	–	**262,526,480**	155,224,042	**6,247,145**	14,722,145
Administrative Expenses	**(162,505,542)**	(109,531,107)	**(1,212,386,625)**	(1,073,929,218)	**(49,248,000)**	(26,491,396)
Distribution Expenses	**–**	–	**(2,768,672,154)**	(2,656,669,177)	**(354,825,234)**	(306,477,232)
Other Operating Expenses	**–**	(138,434,488)	**(58,258,373)**	(9,580,211)	**–**	–
Loss on reclassifying the Investment to Available-for-Sale Financial Asset from Investment in Associate	**(828,882,412)**	–	**–**	–	**–**	–
Gold Loans Auction Losses		–	**–**	–	**–**	–
Results from Operating Activities	**1,077,132,515**	560,168,011	**4,680,634,815**	4,187,782,490	**440,648,479**	312,186,472
Finance Cost	**(14,186,890)**	(45,503,975)	**(768,952,426)**	(579,577,495)	**(63,483,526)**	(37,682,400)
Finance Income	**242,759,430**	206,195,328	**168,873,054**	69,412,745	**235,391**	81,517
Net Finance Cost	**228,572,540**	160,691,354	**(600,079,372)**	(510,164,750)	**(63,248,136)**	(37,600,883)
Share of Results of Equity Accounted Investees	–	–	**–**	–	**–**	–
Reclassification of the Gain/Loss Recognised in OCI through Retained Earnings	**–**	–	**–**	–	**–**	–
Operating Profit/(Loss) Before Tax on Financial Services	**1,305,705,055**	720,859,364	**4,080,555,443**	3,677,617,740	**377,400,343**	274,585,589
Tax on Financial Services	**–**	–	**–**	–	**–**	–
Profit/(Loss) Before Tax	**1,305,705,055**	720,859,364	**4,080,555,443**	3,677,617,740	**377,400,343**	274,585,589
Tax Expense	**(65,932,211)**	(56,660,336)	**(1,071,691,507)**	(1,079,856,671)	**(76,399,262)**	(16,169,195)
Profit for the year from Continuing Operations	**1,239,772,844**	664,199,028	**3,008,863,936**	2,597,761,068	**301,001,081**	258,416,394
Profit/(Loss) after Tax for the Year from Discontinued Operations	**–**	–	**–**	–	**–**	–
Profit/(Loss) for the Year	**1,239,772,844**	664,199,028	**3,008,863,936**	2,597,761,068	**301,001,081**	258,416,394

Packaging Sector		Aluminium Sector		Plantation Sector		Bank & Finance	
2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.	**2017 Rs.**	2016 Rs.	**2017 Rs.**	2016 Rs.
2,175,430,659	2,258,568,867	**2,825,101,760**	2,160,187,277	**1,945,860,931**	1,798,733,530	**19,119,853,287**	15,597,411,280
218,928,006	188,155,309	**(692,760)**	28,694,723	**1,417,069**	1,096,470	**–**	–
2,394,358,665	2,446,724,176	**2,824,409,000**	2,188,882,000	**1,947,278,000**	1,799,830,000	**19,119,853,287**	15,597,411,280
350,763,930	363,004,331	**942,078,000**	690,035,000	**115,650,095**	1,615,000	**11,002,257,550**	9,824,156,183
–	–	**–**	–	**–**	–	**3,666,267**	8,075,184
71,027,090	65,053,897	**4,388,000**	(1,083,000)	**43,940,000**	45,815,000	**246,158,673**	75,541,090
(125,071,767)	(68,540,611)	**(155,290,000)**	(157,671,000)	**(94,436,000)**	(88,386,000)	**(2,659,027,343)**	(2,155,849,448)
(90,514,921)	(80,761,311)	**(338,526,000)**	(232,110,000)	**–**	–	**–**	–
–	–	**–**	–	**–**	–	**(1,687,919,835)**	(1,805,080,053)
–	–	**–**	–	**–**	–	**(2,468,642,404)**	–
–	–	**–**	–	**–**	–	**(2,200,719)**	(29,358,088)
206,204,332	278,756,306	**452,650,000**	299,171,000	**65,154,095**	(40,956,000)	**4,434,292,189**	5,917,484,868
(77,902,585)	(61,093,046)	**(88,008,000)**	(49,724,000)	**(96,868,000)**	(48,539,000)	**(578,000)**	–
–	–	**–**	–	**129,000**	488,000	**–**	582,213
(77,902,585)	(61,093,046)	**(88,008,000)**	(49,724,000)	**(96,739,000)**	(48,051,000)	**(578,000)**	582,213
–	–	**–**	–	**–**	–	**651,345,595**	1,516,547,494
–	–	**–**	–	**–**	–	**(648,593,981)**	–
128,301,747	217,663,260	**364,642,000**	249,447,000	**(31,584,905)**	(89,007,000)	**4,436,465,802**	7,434,614,575
–	–	**–**	–	**–**	–	**(1,027,100,778)**	(593,451,556)
128,301,747	217,663,260	**364,642,000**	249,447,000	**(31,584,905)**	(89,007,000)	**3,409,365,024**	6,841,163,019
(28,106,158)	(44,857,739)	**(38,981,000)**	1,181,000	**(2,063,000)**	2,906,000	**(2,166,931,296)**	(2,156,656,550)
100,195,589	172,805,521	**325,661,000**	250,628,000	**(33,647,905)**	(86,101,000)	**1,242,433,728**	4,684,506,469
–	–	**–**	–	**–**	–	**–**	–
100,195,589	172,805,521	**325,661,000**	250,628,000	**(33,647,905)**	(86,101,000)	**1,242,433,728**	4,684,506,469

	Hotel		Consumer Sector		Life Style Sector	
	2017	2016	**2017**	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
Sales to External Customers	**–**	–	**2,535,874,624**	2,549,973,671	**2,001,409,574**	1,824,084,240
Intra Group Revenue	**–**	–	**–**	–	**11,103,873**	15,662,884
Total Revenue	**–**	–	**2,535,874,624**	2,549,973,671	**2,012,513,447**	1,839,747,124
Results	**–**	–	**–**	–	**–**	–
Gross Profit	**–**	–	**527,480,105**	492,499,211	**511,941,726**	452,216,351
Dividend Income	**–**	–	**–**	–	**–**	–
Other Operating Income	**–**	–	**479,364**	724,243	**22,467,186**	6,316,808
Administrative Expenses	**(46,511,766)**	(21,018,492)	**(72,970,493)**	(172,252,270)	**(103,887,772)**	(123,138,856)
Distribution Expenses			**(288,203,033)**	(320,637,702)	**(199,726,491)**	(160,256,950)
Other Operating Expenses	**–**	–	**–**	–	**–**	(112,000,000)
Loss on Reclassifying the Investment to Available-for-Sale Financial Asset from Investment in Associate.	**–**	–	**–**	–	**–**	–
Gold Loans Auction Losses	**–**	–	**–**	–	**–**	–
Results from Operating Activities	**(46,511,766)**	(21,018,492)	**166,785,943**	333,483	**230,794,649**	63,137,354
Finance Cost	**(155,143)**	(64,950)	**(314,278,355)**	(174,603,477)	**(45,869,462)**	(32,465,123)
Finance Income	**1,261,153**	212,945	**5,408,386**	7,386,233	**3,548,736**	8,872,794
Net Finance Cost	**1,106,010**	147,995	**(308,869,970)**	(167,217,244)	**(42,320,726)**	(23,592,329)
Share of Results of Equity Accounted Investees	**35,804,374**	16,139,428	**–**	–	**–**	–
Reclassification of the Gain/ Loss Recognised in OCI through Retained Earnings	**–**	–	**–**	–	**–**	–
Operaing Profit/(Loss) before Tax on Financial Services	**(9,601,382)**	(4,731,069)	**(142,084,027)**	(166,883,761)	**188,473,923**	39,545,024
Tax on Financial Services						
Profit/(Loss) before tax	**(9,601,382)**	(4,731,069)	**(142,084,027)**	(166,883,761)	**188,473,923**	39,545,024
Tax Expense	**(6,400,831)**	(12,964,661)	**(4,814,328)**	(1,371,645)	**(10,745,974)**	(1,774,662)
Profit for the Year from Continuing Operations	**(16,002,213)**	(17,695,730)	**(146,898,354)**	(168,255,406)	**177,727,949**	37,770,362
Profit/(Loss) After Tax for the Year from Discontinued Operations	**–**	–	**–**	–	**–**	–
Profit for the Year	**(16,002,213)**	(17,695,730)	**(146,898,354)**	(168,255,406)	**177,727,949**	37,770,362

Health Sector		Other		Total Segments		Eliminations/Adjustment		Group	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,280,084,427	2,277,781,349	603,196,409	637,491,685	52,939,165,923	47,667,846,115	(2,764,377)	–	52,936,401,546	47,667,846,115
–	–	265,966,974	236,548,228	497,972,640	471,157,501	(497,972,640)	(471,157,501)	–	–
2,280,084,427	2,277,781,349	869,163,382	874,039,913	53,437,138,563	48,139,003,616	(500,737,017)	(471,157,501)	52,936,401,546	47,667,846,115
–	–	–	–	–	–	–	–	–	–
454,396,064	421,024,503	548,683,270	478,558,698	23,748,715,756	21,123,506,258	(17,942,735)	30,935,029	23,730,773,022	21,154,441,287
–	–	536,900	421,883	2,024,942,787	819,403,701	(1,551,616,973)	(794,893,454)	473,325,814	24,510,247
22,712,845	410,082	71,841,529	60,662,518	800,004,199	423,386,826	(257,517,936)	(122,239,493)	542,486,263	301,147,333
(67,790,757)	(62,665,540)	(445,935,619)	(428,682,225)	(5,195,061,684)	(4,488,156,163)	163,939,406	83,164,329	(5,031,122,279)	(4,404,991,834)
(185,468,312)	(193,546,682)	(74,227,029)	(85,417,507)	(4,300,163,175)	(4,035,876,561)	103,826,891	85,076,048	(4,196,336,284)	(3,950,800,513)
–	–	–	(117,928,861)	(1,746,178,208)	(2,183,023,613)	(117,510,014)	63,302,256	(1,863,688,222)	(2,119,721,357)
–	–	–	–	(3,297,524,816)	–	–	–	(3,297,524,816)	–
–	–	–	–	(2,200,719)	(29,358,088)	–	–	(2,200,719)	(29,358,088)
223,849,839	165,222,363	100,899,051	(92,385,494)	12,032,534,140	11,629,882,360	(1,676,821,362)	(654,655,285)	10,355,712,779	10,975,227,075
(37,376,097)	(34,937,210)	(132,589,121)	(131,153,539)	(1,640,247,606)	(1,195,344,215)	28,968,955	(18,834,421)	(1,611,278,651)	(1,214,178,636)
3,071,369	399,114	34,594,728	23,472,684	459,881,247	317,103,572	(4,274,272)	(47,700,760)	455,606,975	269,402,812
(34,304,728)	(34,538,096)	(97,994,393)	(107,680,855)	(1,180,366,359)	(878,240,643)	24,694,683	(66,535,181)	(1,155,671,676)	(944,775,824)
–	–	–	–	687,149,968	1,532,686,922	–	–	687,149,968	1,532,686,922
–	–	–	–	(648,593,981)	–	–	–	(648,593,981)	–
189,545,111	130,684,267	2,904,658	(200,066,349)	10,890,723,768	12,284,328,639	(1,652,126,678)	(721,190,466)	9,238,597,091	11,563,138,173
		–		(1,027,100,778)	(593,451,556)	–	–	(1,027,100,778)	(593,451,556)
189,545,111	130,684,267	2,904,658	(200,066,349)	9,863,622,990	11,690,877,083	(1,652,126,678)	(721,190,466)	8,211,496,313	10,969,686,617
(7,253,504)	(770,280)	(42,882,458)	(56,604,484)	(3,522,201,530)	(3,423,599,223)	(239,520,103)	(89,367,792)	(3,761,721,632)	(3,512,967,015)
182,291,607	129,913,987	(39,977,801)	(256,670,833)	6,341,421,460	8,267,277,861	(1,891,646,780)	(810,558,258)	4,449,774,681	7,456,719,603
–	–	(195,549,696)	–	(195,549,696)	–	–	–	(195,549,696)	–
182,291,607	129,913,987	(235,527,496)	(256,670,833)	6,145,871,764	8,267,277,861	(1,891,646,780)	(810,558,258)	4,254,224,985	7,456,719,603

	Investment Sector		Tiles Sector		Sanitary Sector	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.	**2017 Rs.**	2016 Rs.
Assets and Liabilities						
Segment Assets	**29,452,325,125**	27,599,276,324	**37,944,446,138**	34,612,389,076	**4,072,543,525**	3,265,298,901
Total Assets	**29,452,325,125**	27,599,276,324	**37,944,446,138**	34,612,389,076	**4,072,543,525**	3,265,298,901
Segment Liabilities	**428,837,015**	24,114,674	**14,684,211,416**	13,690,708,859	**1,139,250,823**	600,640,830
Total Liabilities	**428,837,015**	24,114,676	**14,684,211,416**	13,690,708,859	**1,139,250,823**	600,640,830
Other Segment Information						
Total Cost Incurred during the Period to Acquire, Property, Plant and Equipment	**4,316,819**	23,407,019	**2,218,066,289**	1,399,635,295	**527,568,513**	118,103,367
Intangible Assets	**–**	–	**–**	12,090,377	**–**	–
Depreciation and Amortisation	**10,566,913**	8,647,432	**902,457,014**	915,719,374	**104,040,604**	100,416,531
Provisions for Employment Benefit Liability	**1,390,118**	1,012,976	**87,228,097**	75,114,018	**4,571,696**	3,454,161

	Consumer Sector		Life Style Sector		Health Sector	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.	**2017 Rs.**	2016 Rs.
Assets and Liabilities						
Segment Assets	**1,254,265,257**	1,259,121,291	**1,231,501,363**	1,133,932,167	**1,799,558,739**	1,795,872,192
Total Assets	**1,254,265,257**	1,259,121,291	**1,231,501,363**	1,133,932,167	**1,799,558,739**	1,795,872,192
Segment Liabilities	**3,313,637,523**	2,735,949,341	**617,911,395**	722,500,815	**1,068,945,047**	1,365,310,064
Total Liabilities	**3,313,637,523**	2,735,949,341	**617,911,395**	722,500,815	**1,068,945,047**	1,365,310,064
Other Segment Information						
Total Cost Incurred during the Period to Acquire, Property, Plant and Equipment	**3,536,540**	3,084,653	**16,239,003**	22,926,130	**5,395,785**	663,288
Intangible Assets	**4,519,553**	12,430,488	**–**	–	**–**	3,185,441
Depreciation and Amortisation	**4,476,619**	9,462,819	**12,754,927**	16,190,597	**3,113,269**	2,808,204
Provisions for Employment Benefit Liability	**654,900**	1,743,355	**4,200,341**	4,302,660	**2,749,349**	1,844,125

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items.

Packaging Sector		Aluminium Sector		Plantation Sector		Bank & Finance Sectors		Hotel Sector	
2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
2,658,108,331	2,129,132,762	2,712,829,000	1,619,174,000	3,966,100,000	3,719,218,000	102,763,035,094	84,516,636,732	3,890,992,398	534,995,198
2,658,108,331	2,129,132,762	2,712,829,000	1,619,174,000	3,966,100,000	3,719,218,000	102,763,035,094	84,516,636,732	3,890,992,398	534,995,198
1,357,263,052	898,651,010	1,569,242,000	714,154,000	2,258,207,000	2,093,094,000	90,253,355,524	74,037,317,543	61,735,892	26,720,253
1,357,263,052	898,651,010	1,569,242,000	714,154,000	2,258,207,000	2,093,094,000	90,253,355,524	74,037,317,543	61,735,892	26,720,253
413,944,280	86,821,082	289,484,000	106,827,000	206,381,000	205,803,000	1,809,158,000	499,456,226	1,215,593,478	66,042,381
–	–	–	–	–	–	31,513,184	13,589,391	924,922	–
65,117,386	54,415,957	64,187,000	57,483,000	132,615,000	131,956,000	343,218,000	352,496,090	4,881,707	182,364
7,953,308	7,178,070	3,523,000	4,067,000	73,291,000	76,633,000	41,550,496	33,039,556	667,697	848,165

Other		Total Segments		Eliminations/Adjustment		Group	
2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
6,498,734,420	4,826,377,476	198,244,439,389	167,011,424,119	(22,662,471,934)	(16,139,682,459)	175,581,967,455	150,871,741,660
6,498,734,420	4,826,377,476	198,244,439,389	167,011,424,119	(22,662,471,934)	(16,139,682,459)	175,581,967,455	150,871,741,660
1,446,749,039	2,203,510,338	118,199,345,720	99,112,671,726	(2,661,672,914)	(2,911,458,499)	115,537,672,806	96,201,213,227
1,446,749,039	2,203,510,338	118,199,345,720	99,112,671,726	(2,661,672,914)	(2,911,458,499)	115,537,672,806	96,201,213,227
77,634,494	28,608,595	6,787,318,201	2,561,378,036	1,469,930	–	6,788,788,131	2,561,378,036
–	–	36,957,659	41,295,697	–	–	36,957,659	41,295,697
31,078,712	162,446,870	1,678,507,150	1,700,326,281	7,807,857	–	1,686,315,007	1,700,326,281
6,330,630	19,007,247	234,110,633	216,999,264	658,520	–	234,769,153	216,999,264

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other material items.

	2017 Rs.	2016 Rs.
Reconciliation of Net Profit for the Year		
Segment Net Profit for the Year	**6,341,421,461**	8,267,277,861
Loss After Tax for the Year from Discontinued Operations	**(195,549,696)**	–
Intercompany Dividend Income (Eliminations)	**(1,551,641,072)**	(794,893,454)
Dividend Tax on Intercompany Dividend Income	**(239,520,103)**	(89,367,792)
Deferred Tax Effect on Associate Undistributable Profit	**7,308,645**	50,824,575
Inter/Intra Segment Elimination	**(107,794,251)**	22,878,413
Group Net Profit for the Year	**4,254,224,985**	7,456,719,603
Reconciliation of Assets		
Segment Assets	**198,244,439,389**	167,011,424,119
Assets of Discontinued Operations	**137,815,270**	–
Investment in Subsidiaries (Elimination)	**(26,245,596,915)**	(23,722,687,718)
Investment in Associate (Elimination)	**1,330,275,798**	(4,674,560,994)
Intercompany Balances (Elimination)	**(3,946,134,382)**	(3,990,186,211)
Financial Assets – Fair Value Through P&L (Elimination)	**(22,488,441)**	(153,020,938)
Financial Assets – Available-for-Sale (Elimination)	**(6,206,277,700)**	(53,226,072)
Intangible Assets (Elimination)	**12,587,463,636**	12,635,128,560
Reclassification of Share of Sampath's Accumulated Profit into Available-for-sale	**(9,141,943,638)**	–
Reclassification of Investment in Sampath into Available-for-Sale	**6,158,126,958**	–
Share of Associate Company's Accumulated Profit Net of Dividend Received (Elimination)	**2,686,287,479**	3,818,870,913
Group Assets	**175,581,967,455**	150,871,741,660
Reconciliation of Liabilities		
Segment Liabilities	**118,199,345,724**	99,112,671,725
Liabilities of Discontinued Operations	**137,943,723**	–
Deferred Tax Effect on Associate Undistributable Profit	**(6,662,807)**	645,837
Intercompany Balances (Elimination)	**(2,792,953,837)**	(2,912,104,336)
Group Liabilities	**115,537,672,803**	96,201,213,226

41. COMMITMENTS AND CONTINGENCIES

41.1 CONTINGENT LIABILITIES

	Company		Group	
	2017	2016	**2017**	2016
	Rs.	Rs.	**Rs.**	Rs.
Cases Pending Against the Subsidiaries (Value Claimed)	**–**	–	**139,323,571**	119,604,503
Guarantees Issued to Banks and Other Institutions	**–**	–	**17,460,000**	22,660,000
Import LC and Ordinary Guarantees	**–**	–	**58,370,688**	182,361,157
Total	**–**	–	**215,154,259**	324,625,660

LITIGATION

ROYAL CERAMICS LANKA PLC AND 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) The Lanka Walltiles PLC, Vallibel Plantation Management Limited and Horana Plantations PLC are defendants 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, the 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 totalling 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 Handapanagoda 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, he 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.

DELMAGE LTD. AND IT'S SUBSIDIARIES

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

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Contracted but not Provided for	**–**	–	**699,162,714**	–
Unutilised Facilities	**–**	–	**918,304,812**	1,070,593,149
	–	–	**1,617,467,526**	1,070,593,149

42. 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.

42.1 COMPENSATION TO KEY MANAGERIAL PERSONNEL

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Short Term Employment Benefits				
– Executive Directors	**2,143,212**	2,714,404	**587,852,789**	284,555,141
– Non-Executive Directors	**11,192,243**	5,547,856	**28,930,243**	16,343,571
Post Employment Benefits – Executive Directors	**–**	–	**39,970,169**	14,293,294

42.2 OTHER TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

	Company		Group	
	2017 Rs.	2016 Rs.	**2017 Rs.**	2016 Rs.
Fixed Deposits Accepted during the Year	**–**	–	**518,401,000**	100,000,000
Interest Expense on Fixed Deposits	**–**	–	**46,475,000**	11,667,047
Rental Paid	**–**	–	**7,848,800**	8,184,306
Sales	**–**	–	**4,429,230**	879,629
Transport Charges	**–**	–	**1,338,100**	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 42.2.

		Company		Group	
Nature of Transaction	Note	**2017 Rs.**	2016 Rs.	**2017 Rs.**	2016 Rs.
Fixed Deposits Accepted during the Period		**–**	–	**518,401,000**	20,022,498
Dividend Paid on Shareholding		**–**	–	**4,024,000**	663,600
Other Interest Income	42.3	**220,167,771**	163,345,717	**220,167,771**	163,345,717
Dividend Income	42.3	**15,634,062**	33,678,202	**15,634,062**	33,678,202
Investment in Fixed Deposits/Debenture	42.3	**1,550,762,161**	1,775,604,261	**1,550,762,161**	1,775,604,261

42.3 RELATED COMPANIES

	Company	
	2017 Rs.	2016 Rs.
Other Interest Income		
Vallibel Finance PLC	**217,719,963**	132,961,250
Pan Asia Bank PLC	**2,447,808**	30,384,467
	220,167,771	163,345,717
Dividend Income		
Hayleys PLC	**14,186,796**	13,095,504
The Kingsburry PLC	**1,447,266**	605,353
Fortress Resorts PLC	**–**	19,977,345
	15,634,062	33,678,202
Investment in Fixed Deposits/Debenture		
Vallibel Finance PLC		
Investment in Debentures	**150,000,000**	375,000,000
Investment in Fixed Deposit	**1,400,762,161**	1,375,604,261
Pan Asia Bank PLC		
Investment in Fixed Deposit	**–**	–
Investment in Repurchase Agreements	**–**	25,000,000
	1,550,762,161	1,775,604,261

42.4 TRANSACTION WITH RELATED ENTITIES

	Note	Company 2017 Rs.	Company 2016 Rs.
Subsidiaries			
Fund Transfers		**1,273,500,000**	95,079,052
Net Settlement through Investment in Equity Shares		**1,473,500,000**	–
Sale of Equity Shares		**129,203,750**	–
Interest Received	42.5	**17,942,735**	47,219,283
Investments made in Fixed Deposits	42.5	**–**	1,687,298,133
Dividend Income Received	42.5	**1,411,964,560**	694,727,600
Associates			
Dividend Income			
Sampath Bank PLC		**139,676,512**	125,537,270
Fortress Resorts PLC		**–**	19,977,187
		139,676,512	145,514,457

42.5 TRANSACTION WITH RELATED ENTITIES

	Company 2017 Rs.	Company 2016 Rs.
Investment made in Fixed Deposit		
L B Finance PLC	**–**	1,687,298,133
	–	1,687,298,133
Withdrawal of Fixed Deposit		
L B Finance PLC	**646,179,204**	1,813,236,737
	646,179,204	1,813,236,737
Dividend Income Received		
L B Finance PLC	**870,941,160**	353,212,000
Royal Ceramics Lanka PLC	**536,023,400**	339,015,600
Lanka Ceramic PLC	**5,000,000**	4,000,000
	1,411,964,560	694,727,600
Interest Received		
Delmage (Pvt) Ltd.	**–**	621,370
L B Finance PLC	**17,942,735**	46,597,913
	17,942,735	47,219,283
Technical Fee Received		
Royal Ceramics Lanka PLC	**45,359,221**	–
	45,359,221	–

43. 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.

	2017			2016		
	Within 12 months Rs.	After 12 months Rs.	Total Rs.	Within 12 months Rs.	After 12 months Rs.	Total Rs.
Assets						
Cash and Bank	5,378,756,448	–	5,378,756,448	8,578,411,050	–	8,578,411,050
Fair Value Through P&L – Financial Investment	161,264,120	–	161,264,120	169,891,753	–	169,891,753
Short Term Investments	1,400,762,161	–	1,400,762,161	1,375,604,261	–	1,375,604,261
Loans and Receivables	24,885,164,780	8,753,614,501	33,638,779,282	20,162,628,148	6,661,541,217	26,824,169,365
Lease Rentals receivables and Stock out on hire	21,469,399,707	34,189,988,101	55,659,387,808	16,784,230,876	28,317,808,304	45,102,039,180
Available-for-Sale – Financial Investment	7,951,947,177	–	7,951,947,177	722,993,211	–	722,993,211
Other Financial Assets	6,853,422,854	–	6,853,422,854	4,360,564,843	–	4,360,564,843
Trade and Other Debtors, Deposits and Prepayments	6,584,067,280	–	6,584,067,280	5,389,838,754	–	5,389,838,754
Other Non-Financial Assets	1,296,826,031	–	1,296,826,031	1,687,060,465	–	1,687,060,465
Investment Associate	–	587,838,401	587,838,401	–	9,700,149,230	9,700,149,230
Deferred Tax Assets	–	340,548,697	340,548,697	–	469,734,310	469,734,310
Income Tax Recoverable	115,943,422	–	115,943,422	73,011,893	–	73,011,893
Inventories	10,031,784,843	–	10,031,784,843	8,670,793,592	–	8,670,793,592
Intangible Assets		13,046,741,647	13,046,741,647	–	13,130,583,151	13,130,583,151
Property, Plant and Equipment	–	29,566,426,018	29,566,426,018	–	22,013,782,828	22,013,782,828
Biological Assets	–	2,575,552,000	2,575,552,000	–	2,356,319,273	2,356,319,273
Investment Property	–	238,024,000	238,024,000	–	238,714,000	238,714,000
Mining Lands	–	16,080,000	16,080,000	–	8,080,500	8,080,500
Assets Held-for-Sale	137,815,270	–	137,815,270	–	–	–
Total Assets	86,267,154,094	89,314,813,365	175,581,967,458	67,975,028,847	82,896,712,813	150,871,741,660

	2017			2016		
	Within 12 months Rs.	**After 12 months Rs.**	**Total Rs.**	Within 12 months Rs.	After 12 months Rs.	Total Rs.
LIABILITIES						
Due to Banks	**10,965,556,808**	**15,670,831,683**	**26,636,388,491**	6,646,327,864	10,393,484,348	17,039,812,212
Due to Customers	**45,066,558,921**	**15,335,395,605**	**60,401,954,526**	41,688,440,412	11,045,181,880	52,733,622,292
Interest Bearing Loans and Borrowings	**7,267,087,415**	**8,888,079,677**	**16,155,167,093**	6,244,959,645	8,739,799,958	14,984,759,603
Trade and Other Payables	**4,954,352,948**	**–**	**4,954,352,948**	5,364,778,349	–	5,364,778,349
Other Non-Financial Liabilities	**2,842,747,244**	**–**	**2,842,747,244**	1,967,060,622	–	1,967,060,622
Dividend Payable	**113,083,111**	**–**	**113,083,111**	170,126,424	–	170,126,424
Retirement Benefit Liability	**–**	**1,211,122,077**	**1,211,122,077**	–	1,192,535,325	1,192,535,325
Income Tax Liabilities	**1,220,668,421**	**–**	**1,220,668,421**	1,392,211,517	–	1,392,211,517
Deferred Tax Liabilities	**–**	**1,711,056,168**	**1,711,056,168**	–	1,222,007,882	1,222,007,882
Deferred Income and Capital Grants	**–**	**153,189,000**	**153,189,000**	–	134,299,000	134,299,000
Liabilities Directly Associated with the Assets Classified as Held-for-Sale	**–**	**137,943,727**	**137,943,727**	–	–	–
Total Liabilities	**72,430,054,868**	**43,107,617,938**	**115,537,672,806**	63,473,904,834	32,727,308,393	96,201,213,227

44. 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 2017 Rs.**	Carrying Amount Pledged 2016 Rs.	Included Under
Lease Rental Receivables & Stock out on Hire	Loans, Overdrafts and Syndicated Loan	**38,474,785,606**	17,761,939,036	Lease Rentals Receivables and Stock out on hire
Real Estate Loan	Overdraft	**–**	65,000,000	Other Non-Financial Assets
Freehold building	Syndicated loans	**4,530,062,457**	271,283,794	Property, Plant and Equipment
Deposits	Overdraft & Guarantee	**60,000,000**	60,000,000	Investment
Fixed deposits	Overdraft & Corporate Guarantee	**11,288,074**	8,093,090	Investment
Land & Building	Overdraft & Corporate Guarantee	**56,712,948**	70,601,840	Property, Plant and Equipment
Inventory & Debtors	Overdraft	**19,575,000**	19,575,000	Inventory and Receivables

Nature of assets	Nature of Liability	**Carrying Amount Pledged 2017 Rs.**	Carrying Amount Pledged 2016 Rs.	Included Under
Land & Building	LC/Import Loan, Overdraft, Term Loan & Bank Guarantee	**–**	2,282,316,176	Property, Plant and Equipment
Fixed deposits	Overdraft, LC, Import Finance, Short term loan and Guarantee	**107,221,152**	100,818,969	Cash and Bank
Inventory & Debtors	Overdraft, LC, Import Finance, Short term loan and Guarantee	**3,266,443,156**	3,434,216,546	Inventory Trade and other Receivables
		46,526,088,393	24,073,844,452	

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risk from financial Instruments:

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

There are no other circumstances which 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 two types; default and concentration 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 buildup 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: The Group as a strategy, grants for shorted periods allowing it to reprice its costs promptly
- Frequent revisions to Loan-to-Value (LTV) ratio: The Company 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 customers. Outstanding customer receivables are regularly monitored. The requirement credit limits are defined in accordance with prior experience with 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 holds collateral/bank guarantee as security when it is necessary. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

2. LIQUIDITY RISK

Liquidity risk refers to the possibility of the 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 the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

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 risk: interest rate risk, currency risk, commodity price risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, equity investments classified as fair value through profit or loss financial assets, equity investments classified as available for sale financial assets.

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 the 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
2017	100 bps	–	108,704

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.8,112,112,192 (2016 – Rs. 883,914,72). A decrease of 10% on the ASPI could have a negative impact of approximately Rs.16,126,412 (2016 – Rs. 16,122,509) on the statement of profit or loss and Rs. 795,084,807 (2016 – Rs. 72,268,964) 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.16,126,412 (2016 – Rs. 16,122,509) on the statement of profit or loss and Rs. 795,084,807 (2016 – Rs. 72,268,964) 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).

	2017 Rs.	2016 Rs.
Interest-Bearing Loans and Borrowings (Note 21)	**16,155,167,093**	14,984,759,603
Due to Customers (Note 20)	**60,401,954,526**	52,733,622,292
Due to Banks – Long-Term Loan (Note 19)	**22,742,879,293**	13,877,962,197
Total Debt	**99,300,000,912**	81,596,344,092
Equity	**41,351,500,936**	38,091,161,514
NCI	**18,692,793,717**	16,579,366,919
	60,044,294,653	54,670,528,433
Total Capital	**159,344,295,565**	136,266,872,525
Gearing Ratio	**62%**	60%

45.1 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	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash and Bank Balances	1,832,320,918	1,068,479,617	–	–	–	2,900,800,535
Financial Investments – Held for Trading	10,068,020	–	–	–	–	10,068,020
Loans and Receivables	5,181,950,886	12,278,166,749	10,179,661,222	11,291,204,642	1,672,489,903	40,603,473,403
Lease Rentals Receivable and Stock out on Hire	2,747,306,236	7,368,090,312	20,393,167,560	45,372,839,865	17,450,420	75,898,854,393
Financial Investments – Available for Sale	118,021,476	–	–	–	–	118,021,476
Other Financial Assets	253,687,999	1,271,163,229	5,539,367,435	–	–	7,064,218,663
Total Financial Assets	10,143,355,536	21,985,899,906	36,112,196,217	56,664,044,507	1,689,940,323	126,595,436,490
Financial Liabilities						
Due to Banks	1,035,267,676	2,014,721,559	7,261,927,246	18,159,846,138	–	28,471,762,619
Due to Customers	2,364,446,503	20,222,029,434	25,526,034,092	18,152,979,459	–	66,265,489,488
Debt Instruments Issued and Other Borrowed Funds	–	77,288,125	212,525,425	2,259,940,350	–	2,549,753,900
Other Financial Liabilities	2,007,401,608	–	–	–	–	2,007,401,608
Total Financial Liabilities	5,407,115,787	22,314,039,117	33,000,486,763	38,572,765,947	–	99,294,407,615
Total Net Financial Assets/(Liabilities)	4,736,239,749	(328,139,211)	3,111,709,454	18,091,278,560	1,689,940,323	27,301,028,875

46. 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. 3/- per share for the year ended 31st March 2017 on 23rd May 2017.

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 2017 on 23rd May 2017.

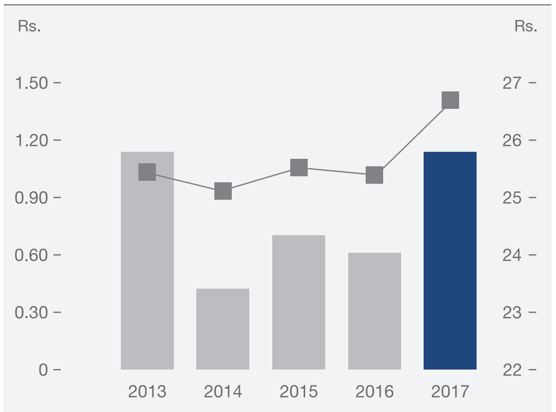
Other than the above there have been no material events occurring after the Balance Sheet date that require adjustment or disclosure in the Financial Statements.

Annexes

FIVE YEAR SUMMARY – COMPANY

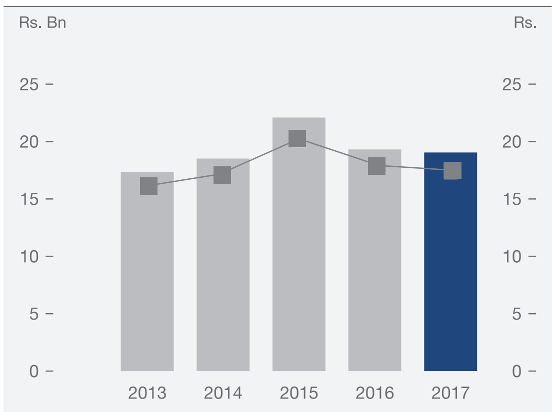
	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000
Statement of Income					
Dividend Income	**2,020,305**	808,134	632,402	353,110	379,366
Other Income	**290,975**	206,195	446,762	299,963	368,887
Profit Before Tax	**1,305,705**	720,859	893,375	508,029	650,337
Tax Expenses	**(65,932)**	(56,660)	(134,234)	(48,258)	(54,266)
Profit After Tax	**1,239,772**	664,199	759,141	459,771	596,071
Statement of Financial Position					
Stated Capital	**27,163,984**	27,163,984	27,163,984	27,163,984	27,163,984
Reserves	**1,859,504**	411,178	549,348	126,322	479,988
Shareholders' Fund	**29,023,488**	27,575,162	27,713,332	27,290,306	27,643,972
Assets	**29,452,325**	27,599,276	27,734,247	27,304,665	27,917,891
Liabilities	**428,837**	24,115	20,915	14,359	273,920
Ratios and Statistics					
Ordinary Dividends	**543,280**	543,280	434,624	760,592	325,968
Dividend per Share	**0.50**	0.50	0.40	0.70	0.30
Dividend Payout Ratio (%)	**44**	82	57	167	55
Earnings per Share	**1.14**	0.61	0.70	0.42	0.55
Market Value per Share (Year-End)	**17.50**	17.80	20.30	17.00	16.00
Net Assets per Share	**26.71**	25.38	25.51	25.12	25.44

EARNINGS AND NET ASSETS PER SHARE



Earnings Per Share (LHS) Net Assets Per Share (RHS)

MARKET CAPITALISATION VS MARKET VALUE PER SHARE



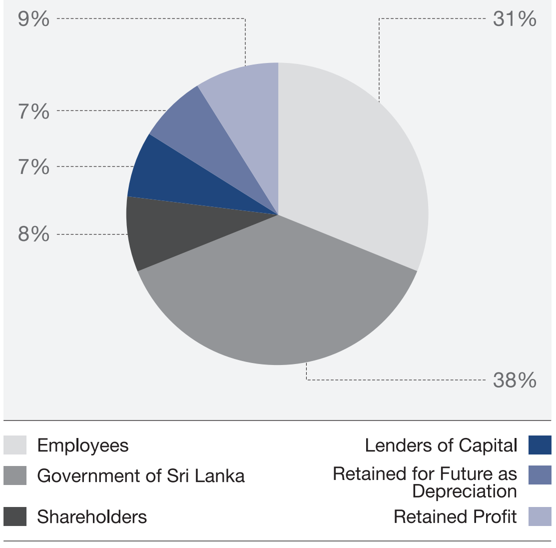
Market Capitalisation (Rs. Bn) Market Value Per Share (Rs.)

GROUP VALUE ADDED STATEMENT

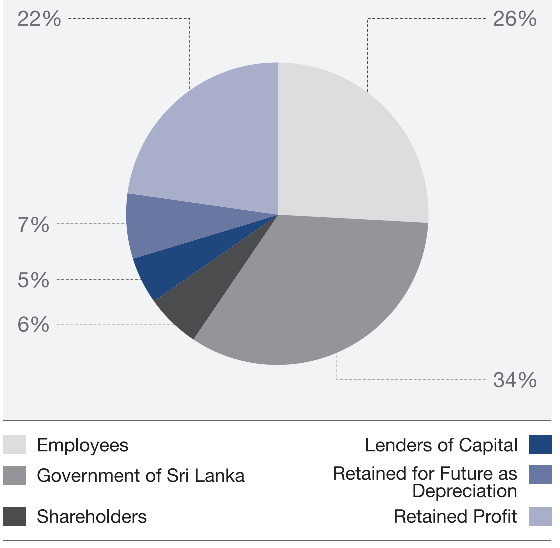
	2017 Rs.'000	2016 Rs.'000
Gross Revenue	**56,204,077**	50,563,013
Finance & Other Income	**1,471,419**	595,060
Share of Associate Company's Profit	**441,053**	1,145,563
Adjustments Pertaining to the reclassification in investment in associates to Available for sale Financial Asset	**(3,945,849)**	-
	54,170,700	52,303,636
Less: Cost of Material & Services bought in	**(30,991,380)**	(28,080,943)
	23,179,320	24,222,693

	2017 Rs.'000	%	2016 Rs.'000	%
Employees	**7,138,709**	**31**	6,321,009	26
Government of Sri Lanka	**8,900,196**	**38**	8,295,896	34
Shareholders	**1,782,494**	**8**	1,365,850	6
Lenders of Capital	**1,671,061**	**7**	1,177,658	5
Retained for Future as Depreciation	**1,602,439**	**7**	1,613,036	7
Retained Profit	**2,084,422**	**9**	5,449,245	22
	23,179,320	**100**	24,222,693	100

GROUP VALUE ADDED STATEMENT – **2017**



GROUP VALUE ADDED STATEMENT – **2016**



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 2017 was 19.25% comprising of 11,928 shareholders.

4. DISTRIBUTION OF SHAREHOLDERS AS AT 31ST MARCH 2017

		No. of Holder	No. of Shares	%
1	1,000	8,790	2,597,296	0.24
1,001	10,000	2,422	6,831,289	0.63
10,001	100,000	572	20,195,218	1.86
100,001	1,000,000	120	34,317,177	3.16
Over	1,000,000	24	1,022,618,373	94.11
		11,928	1,086,559,353	100.00

5. ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2017

	No. of Holders	No. of Shares	%
Local Individuals	11,506	739,418,262	68.05
Local Institutions	364	337,968,383	31.10
Foreign Individuals	49	4,002,578	0.37
Foreign Institutions	9	5,170,130	0.48
	11,928	1,086,559,353	100.00

6. DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2017

	No of Shares	%
Mr. K D D Perera	689,726,471	63.48
Mr. J A S S Adhihetty	100,000	0.01
Mr. S H Amarasekera		
Shares held in the following manner		
Pan Asia Banking Corporation PLC/Mr. S H Amarasekera	1,000,000	0.09
Ms. K Fernando	800,000	0.07
Mr. R N Asirwatham	800	0.00
Ms. Y Bhaskaran (CEO)	Nil	Nil

7. TWENTY MAJOR SHAREHOLDERS

		31st March 2017		31st March 2016	
		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 (Pvt) Limited	**91,929,063**	**8.461**	91,929,063	8.461
5.	Bank of Ceylon A/c Ceybank Unit Trust	**10,211,380**	**0.940**	8,850,404	0.815
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**	3,143,693	0.289
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**	2,427,704	0.223
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**	2,079,039	0.191
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.	Employees Trust Fund Board	**1,722,140**	**0.158**	1,722,140	0.158
16.	Prof. M T A Furkhan	**1,672,000**	**0.154**	1,672,000	0.154
17.	Hatton National Bank PLC/Sanka Ramoorthy Nadaraj Kumar	**1,661,632**	**0.153**	1,760,383	0.162
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**	1,203,700	0.111
		1,018,382,473	**93.725**	1,017,120,248	93.609
	Others	**68,176,880**	**6.275**	69,439,105	6.391
	Total	**1,086,559,353**	**100.000**	1,086,559,353	100.000

8. SHARE PRICES FOR THE YEAR MARKET PRICE PER SHARE

	2016/17		2015/16	
Market price per share	**Date**	**Price**	Date	Price
Highest during the Year	**02.05.2016**	**Rs. 23.00**	07.08.2015	Rs. 26.70
Lowest during the Year	**20.03.2017**	**Rs. 16.20**	09.03.2016	Rs. 15.30
As at end of the Year		**Rs.17.50**		Rs. 17.80

9. NET ASSET PER SHARE

Net asset per share of the Company is Rs. 26.71 (2016 – Rs. 25.38).

SUBSIDIARY/ASSOCIATE COMPANIES OF VALLIBEL ONE PLC

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/ Associate	Directors who held Office during the year ended 31st March 2017
Royal Ceramics Lanka PLC	PQ 125	No. 10, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. K D D Perera Mr. A M Weerasinghe Mr. M Y A Perera Mr. T G Thoradeniya (also functions as the Alternate Director to Mr. K D D Perera) Mr. L T Samarawickrama Mr. G A R D Prasanna Mr. R N Asirwatham Mr. S H Amarasekera Ms. N R Thambiayah Mr. L N De S Wijeyeratne Mr. W D N H Perera (resigned w.e.f. 07.03.2017)
Royal Porcelain (Private) Limited	PV 3290	No. 10, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. T G Thoradeniya Mr. L T Samarawickrama Mr. G A R D Prasanna Mr. R N Asirwatham Mr. H Somashantha Mr. M W R N Somaratne Mr. W D N H Perera (resigned w.e.f. 08.03.2017)
Rocell Bathware Limited	PB 425	No. 10, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. T G Thoradeniya Mr. L T Samarawickrama Mr. G A R D Prasanna Mr. R N Asirwatham Mr. D J Silva Mr. W D N H Perera (resigned w.e.f. 08.03.2017)
Royal Ceramics Distributors (Private) Limited	PV 2524	No. 10, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. T G Thoradeniya Mr. G A R D Prasanna Mr. L T Samarawickrama Mr. K D H Perera Mr. W D N H Perera (resigned w.e.f. 08.03.2017)
Rocell Ceramics Limited	PB 220	No. 10, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. T G Thoradeniya Mr. W D N H Perera (resigned w.e.f. 08.03.2017)
Ever Paint and Chemical Industries (Private) Limited	PV 2211	No. 10, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. H Somashantha Mr. M W R N Somaratna Mr. J K A Sirinatha Mr. D B Gamalath

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/ Associate	Directors who held Office during the year ended 31st March 2017
Lanka Ceramic PLC	PQ 157	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. K D D Perera Mr. A M Weerasinghe Dr. S Selliah Mr. J A P M Jayasekara Mr. T G Thoradeniya Mr. K D G Gunaratne Ms. A M L Page Mr. D J Silva Mr. R D P Godawatta Arachchige (Alternate Director to Mr. K D D Perera) Mr. W D N H Perera (resigned w.e.f. 08.03.2017) Mr. N A Abeyesekera (resigned w.e.f. 15.05.2017)
Lanka Walltiles PLC	PQ 55	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. K D D Perera Mr. J A P M Jayasekara Dr. S Selliah Mr. T G Thoradeniya Mr. T De Soysa Mr. K D G Gunaratne Ms. A M L Page Mr. M W R N Somaratne Mr. J D N Kekulawala Mr. W D N H Perera (resigned w.e.f. 08.03.2017)
Lanka Tiles PLC	PQ 129	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. K D D Perera Mr. J A P M Jayasekara Mr. A M Weerasinghe Dr. S Selliah Mr. T G Thoradeniya Mr. K D G Gunaratne Ms. A M L Page Mr. R D P Godawatta Arachchige (Alternate Director to Mr. K D D Perera) Mr. W D N H Perera (resigned w.e.f. 08.03.2017)
Swisstek (Ceylon) PLC	PQ 155	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. A M Weerasinghe Mr. J A P M Jayasekara Dr. S Selliah Mr. K Y Choi Mr. J K A Sirinatha Mr. T De Zoysa Mr. W D N H Perera (resigned w.e.f. 08.03.2017) Mr. S A D M Ratnayake (resigned w.e.f. 02.05.2017) Ms. K C Silva (resigned w.e.f. 27.04.2017) Mr. S R Fernando (resigned w.e.f. 07.02.2017)

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/ Associate	Directors who held Office during the year ended 31st March 2017
Swisstek Aluminium Limited	PB 3277	No. 76/7, Pahala Dompe, Dompe	Subsidiary	Mr. A M Weerasinghe Mr. J A P M Jayasekara Mr. A S Mahendra Mr. B T T Roche Mr. K Y Choi Dr. S Selliah Mr. T G Thoradeniya Mr. W D N H Perera (resigned w.e.f. 08.03.2017) Mr. D De Silva (resigned w.e.f. 25.04.2017) Mr. S A D M Ratnayake (resigned w.e.f. 01.05.2017) Ms. K C Silva (resigned w.e.f. 24.04.2017)
Vallibel Plantation Management Limited	PB 1030	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Pandithage Mr. T G Thoradeniya Mr. J M Kariapperuma Mr. W G R Rajadurai Mr. N T Bogahalande Mr. W D N H Perera (resigned w.e.f. 08.03.2017) Ms. K C Silva (resigned w.e.f. 30.03.2017) Mr. N A Abeyesekera (resigned w.e.f. 10.03.2017)
Horana Plantations PLC	PQ 126	No. 400, Deans Road, Colombo 10	Subsidiary	Mr. K D D Perera Mr. L J A Fernando Dr. S Selliah Mr. A M Pandithage Mr. A N Wickremasinghe Mr. J M Kariapperuma Mr. K D H Perera Mr. W G R Rajadurai Mr. K D G Gunaratne (Alternate Director to Mr. K D D Perera) Mr. N T Bogahalande (Alternate Director to Mr. K D H Perera) Mr. W D N H Perera (resigned w.e.f. 08.03.2017)
Uni-Dil Packaging Limited	PB 544	Kosgahalanda, Kosgahawatta, Katulanda, Narampola Road, Moragala, Dekatana	Subsidiary	Mr. A M Pandithage Mr. J A P M Jayasekara Mr. L D E A De Silva Mr. D B Gamalath Mr. T G Thoradeniya Mr. H Somashantha Mr. N T Bogahalande Mr. J M Kariapperuma Mr. N A Abeyesekera (resigned w.e.f. 10.03.2017) Ms. K C Silva (resigned w.e.f. 30.03.2017)

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/ Associate	Directors who held Office during the year ended 31st March 2017
Uni-Dil Packaging Solutions Limited	PV 7976 PB	Narampola Road, Moragala, Dekatana	Subsidiary	Mr. A M Pandithage Mr. J A P M Jayasekara Mr. L D E A De Silva Mr. D B Gamalath Mr. W D N H Perera (resigned w.e.f. 08.03.2017) Mr. N A Abeyesekera (resigned w.e.f. 10.03.2017) Ms. K C Silva (resigned w.e.f. 30.03.2017)
Beyond Paradise Collection Limited	PB 4706	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. M H Jamaldeen Mr. K D H Perera Mr. J A P M Jayasekara
L W L Development (Pvt) Limited	PV 111856	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. K D A Perera Mr. J A P M Jayasekara
Rocell Pty Limited	Australian Company No. 601612284	No. 1392, Dandenong Road, Oakleigh, VIC 3166 Australia	Subsidiary	Mr. T. G. Thoradeniya Mr. H Y Perera Mr. S A D M Ratnayake (resigned w.e.f. 01.05.2017) Ms. K C Silva (resigned w.e.f. 27.04.2017)
Nilano Garments (Private) Limited	PV 14277	No.10, R. A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A N Seneviratne Ms. K N Suraweera Mr. N T Bogahalande Ms. W S B Gamage Mr. B K G S M Rodrigo
L B Finance PLC	PQ 156	No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 7	Subsidiary	Ms. K Fernando Mr. K D D Perera Ms. S Jayasekara Mr. J A S S Adhihetty Mr. L N D S Wijeyeratne Mr. T Hewage Mr. N Udage Mr. B D St. A Perera Ms. A K Gunawardhana Mr. R S Yatawara Ms. Y Bhaskaran Mr. W D N H Perera (resigned w.e.f. 30.04.2017)
Greener Water Ltd.	PB 3837	Level 29, West Tower, World Trade Centre, Echelon Square, Colombo 1	Subsidiary	Mr. T G Thoradeniya Mr. K D A Perera Mr. K D H Perera Mr. J A S S Adhihetty

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/ Associate	Directors who held Office during the year ended 31st March 2017
Delmege Ltd.	PV 6351 PB	No.101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. K D D Perera Mr. A M Pandithage Mr. T G Thoradeniya Ms. K Fernando Mr. S H Amarasekera Mr. S Wilson Ms. Y Bhaskaran
Delmege Forsyth & Co. Limited	PB 294	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016) Mr. G A R D Prasanna (resigned w.e.f. 31.05.2016) Mr. T Sayandhan (resigned w.e.f. 29.01.2017)
Delmege Forsyth & Co. (Exports) (Pvt) Limited	PV 9833	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. T R Mendis Mr. H Somashantha Mr. G A R D Prasanna Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Delmege Coir (Pvt) Limited	PV 1489	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. N T Bogahalande Mr. H Somashantha Mr. G A R D Prasanna Mr. M R K Dias Mr. K N P Kularatne Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
L B Management Services (Pvt) Limited	PV 3012	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N T Bogahalande Mr. J K A Srinatha Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Delmege Forsyth & Co. (Shipping) Limited	PB 272	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. H Somashantha Mr. G A R D Prasanna Mr. N S L Fernando Mr. M R K Dias Mr. S N Wickremasooriya Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Delshipping & Logistics Services (Pvt) Limited	PV 95246	No. 101, Vinayalankara Mawatha, Colombo 10	Associate of Delmege Ltd.	Mr. S N Wickremesooriya Mr. N S L Fernando Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/ Associate	Directors who held Office during the year ended 31st March 2017
Delmege Freight Services (Pvt) Limited	PV 3571	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. J K A Srinatha Mr. G A R D Prasanna Mr. N S L Fernando Mr. M R K Dias Mr. S N Wickremasooriya Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Lewis Shipping (Pvt) Limited	PV 18008	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. H Somashantha Mr. N S L Fernando Mr. M R K Dias Mr. S N Wickremasooriya Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Delmege Air Services (Pvt) Limited	PV 3373	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. H Somashantha Mr. G A R D Prasanna Mr. R R B De Silva Mr. N S L Fernando Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Delmege Aviation Services (Pvt) Limited	PV 99520	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. G A R D Prasanna Mr. R R B De Silva Mr. N S L Fernando Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Lewis Brown Air Services (Pvt) Limited	PV 16022	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. L R V Waidyaratne Mr. G A R D Prasanna Mr. N S L Fernando Mr. M R K Dias Mr. R R B De Silva Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Delair Travels (Pvt) Limited	PV 3830	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. D E Silva Mr. H Somashantha Mr. N S L Fernando Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Grip Delmege (Pvt) Limited	PV 3439	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/ Associate	Directors who held Office during the year ended 31st March 2017
Grip Nordic (Pvt) Limited	PV 2565	No. 125/26, Sri Bodhiraja Mawatha Mattegoda	Subsidiary	Mr. N S L Fernando Mr. S E Hjerpbakk Mr. K C Wijesinhe Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016)
Delmege Insurance Brokers (Pvt) Limited	PV 3273	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. S C Ganegoda Mr. H Somashantha Mr. G A R D Prasanna Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016) Mr. W M W Warnasooriya (resigned w.e.f. 12.04.2017)
Delmege Risk Solutions (Pvt) Limited	PV 75927	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. S C Ganegoda Mr. M R K Dias Mr. K W N Wimalana (resigned w.e.f. 30.11.2016) Mr. W M W Warnasooriya (resigned w.e.f. 12.04.2017)
Delmege Airline Services (Private) Limited	PV 108869	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mrs. Y Bhaskaran Mr. R R B De Silva Mr. G A R D Prasanna Mr. M R K Dias
The Fortress Resorts PLC	PQ 207	No. 101, Vinayalankara Mawatha, Colombo 10	Associate	Mr. K D D Perera Mr. J A S S Adhihetty Mr. W A C J Wickramasinhe Mr. Merrill Joseph Fernando Mr. Malik Joseph Fernando Mr. S Senaratne Mr. L T Samarawickrama Mr. L N De S Wijeyeratne Mr. Denesh Eric Silva Mr. Jan Peter Van Twest Mr. C V Cabraal Mr. H Somasantha (Alternate Director to Mr. L T Samarawickrama) Ms. A A K Amarasinghe (Alternate Director to Mr. K D D Perera)

GLOSSARY OF FINANCIAL TERMS

Accrual Basis
Recording revenue and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period

Actuarial Gains and Losses
Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Available-for-Sale
Non-derivative financial asset that are designated as available-for-sale or are not classified as loans and receivable, held-to-maturity investment or financial assets at fair value though profit and loss.

Biological Asset
A living animal or plant

Capital Employed
Shareholders' funds plus Non-Controlling Interests and interest-bearing borrowings.

Capital Reserves
Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity available for distribution.

Cash Equivalents
Liquid investments with original maturity periods of three months or less.

Contingent Liability
A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Current Ratio
Current assets divided by current liabilities. A measure of liquidity.

Current Service Cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Deferred Taxation
The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover
Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout
Dividend per share as a percentage of the earnings per share.

Dividend Yield
Dividend per share as a percentage of the market price. A measure of return on investment.

Earnings per Share
Profits attributable to ordinary Shareholders divided by the number of ordinary shares in issue and ranking for dividend.

EBIT
Earnings before interest and tax.

Effect on changes in Holding
Financial effect in the Non-Controlling interest and reserves due to changes in the holding percentages

Effective Tax Rate
Income tax expense divided by profit before tax.

Equity
The values of an asset after all the liabilities or debts have been paid.

Equity Accounted investees
A method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net assets of the associate (investee).

Fair Value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value through Profit and Loss
A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term.

Financial Asset
Any asset that is cash, an equity instrument of another entity or a Contractual right to receive cash or another financial asset from another entity.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity. Liability or equity to another entity.

Financial Liability
Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Interest Cover
Profit before tax and net finance cost divided by net finance cost measure at an entity's debt service ability.

Key Management Personnel (KMP)
KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity

Market Capitalisation
Number of shares in issue multiplied by the market value of a share at the reported date.

Net Assets per Share
Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Non-Controlling Interest
Equity in subsidiary not attributable, directly or indirectly, to a parent.

Other comprehensive income
An entry that is generally found in the shareholders' equity section of the balance sheet.

Related Parties
A person or entity that is related to the entity that is preparing its Financial Statements.

Return on Capital employed
Profit before tax and net finance cost divided by average capital employed.

Revenue Reserves
Reserves considered as being available for distributions and investments.

Segments
Constituent business units grouped in terms of similarity of operations and location.

Shareholders' Funds
Total of issued and fully paid up capital and reserves

Value Addition
The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working Capital
Capital required financing day-to-day operations, computed as the excess of current assets over current liabilities

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at 'Balmoral' The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01 on 30th June 2017 at 3.00 p.m. for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2017 with the Report of the Auditors thereon.

2. To re-elect as a Director Mr. S H Amarasekera who retires by rotation in terms of Articles 87 and 88 of the Articles of Association of the Company.

3. To pass the ordinary resolution set out below to re-appoint Mr. R N Asirwatham who is 74 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 74 years of age and that he be and is hereby re-appointed a Director of the Company."

4. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.

5. To authorise the Directors to determine donations for the year ending 31st March 2018 and up to the date of the next Annual General Meeting.

By order of the Board
VALLIBEL ONE PLC
P W CORPORATE SECRETARIAL (PVT) LTD

Director/Secretaries

26th May 2017
Colombo

Notes

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

FORM OF PROXY

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

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

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Seventh Annual General Meeting of the Company to be held on 30th June 2017 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. S H Amarasekera as a Director in terms of Articles 87 and 88 of the Articles of Association of the Company.		
2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. R N Asirwatham as a Directors.		
3. To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.		
4. To authorise the Directors to determine donations for the year ending 31st March 2018 and up to the date of the next Annual General Meeting.		

Signed this …….....................................……… day of ……..................…...............……. Two Thousand and Seventeen.

*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 Form of Proxy should be deposited at the Registered Office of the Company Level 29, West Tower, World Trade Centre, Echelon Square, Colombo 1 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 provisions 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

BOARD OF DIRECTORS

Mr. K D D Perera
(Chairman/Managing Director)
Mr. S H Amarasekera
Mr. J A S S Adhihetty
Ms. K Fernando
Mr. R N Asirwatham

REGISTERED OFFICE

Level 29 West Tower,
World Trade Centre,
Echelon Square,
Colombo 1.
Telephone: 011 244 5577
Fax: 011 244 5500
Email: info@vallibel.com
Web: www.vallibelone.com

COMPANY SECRETARIES

P W Corporate Secretarial (Pvt) Ltd.
No. 3/17, Kynsey Road,
Colombo 8.
Telephone: 011 464 0360
Fax: 011 474 0588
E-mail: pwcs@pwcs.lk

AUDITORS

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

BANKERS

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

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

This Vallibel One PLC annual report has been prepared using the Smart Integrated Reporting Methodology™ of Smart Media The Annual Report Company.

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