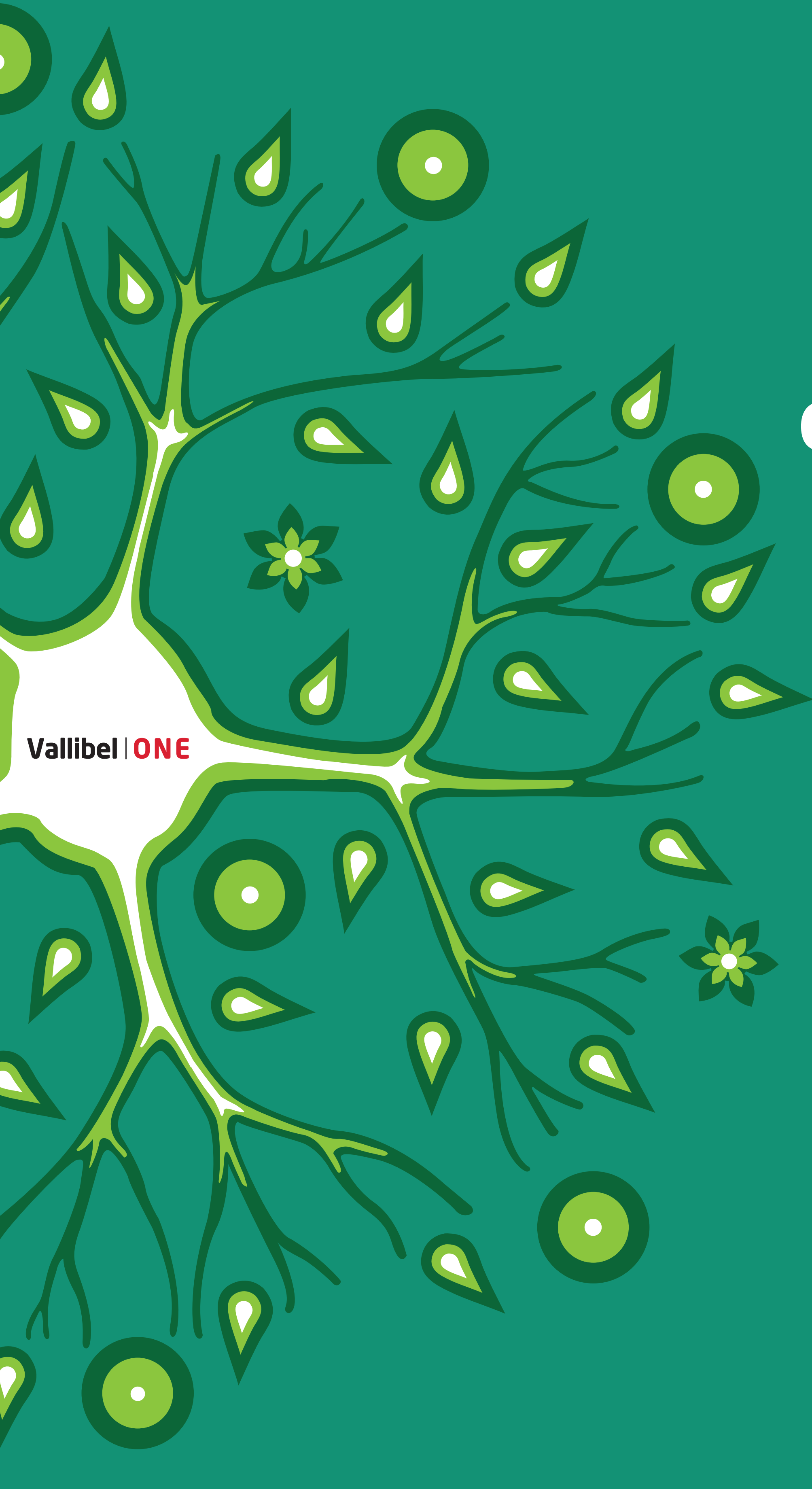


WEALTH CREATION FOR **VALUE CREATION**

2017/**18**

Vision

Achieve uniqueness through diversity, leadership, creativity and inspiration.

MISSION

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

The Vallibel One PLC 2017/18 Annual Report continues our story of Wealth Creation for Value Creation.

CONTENTS

A tree bearing fruit symbolises energy, prosperity and the beginning of life that will give life to the next generation and nourish living beings. It has reached maturity having sprouted from a seed, branched out and stands firm with the promise of many years of abundance.

Vallibel One has grown branches as we diversified our portfolio, seeking new opportunities and anchoring itself through strong networks of business partners to stand firm and tall. Our investments, like the fruit, are yielding positive returns and hold the promise of sustainable value creation for our stakeholders in the years to come.

About Our Report

We present our third Integrated Annual Report, which sets out a balanced and concise assessment of the Group's financial, social and environmental performance and how we drive sustainable growth balancing stakeholder interests. This Report is the primary publication to the shareholders of Vallibel One PLC and has been prepared in accordance with the Integrated Reporting Framework published by the International Integrated Reporting Council.

Scope and Boundary

The Report covers the operations of Vallibel One PLC and its subsidiaries, based in Sri Lanka and overseas for the period from 1st April 2017 to 31st March 2018 which is the Group's annual reporting cycle. Our report focuses on aspects that are material and relevant to the Group's operations and to our key stakeholders. Materiality is based on the extent to which a certain aspect will materially impact the Group's ability to create value over the short, medium and long term. The process for determining material content to be included in this Report is described on page 27 of this Report.

Key Concepts

In preparing this Report, we have given due consideration to the following principles:

- Connectivity of Information
- Accuracy and Completeness
- Balance
- Consistency

Improvements to Annual Report

Corporate reporting is an evolving process for us and we constantly strive to enhance the quality and readability of our Annual Report. This year too we have introduced a number of improvements to provide more meaningful and relevant information to our stakeholders while keeping abreast of latest developments in corporate reporting.

- Adoption of the GRI standards for sustainability reporting
- Disclosure of comprehensive qualitative information for social and environmental performance for sectors and at Group level

Guiding Principles and Assurance

	Integrated Report	Annual Financial Statements	Corporate Governance Risk Management Report	Sustainability Performance
Standards and Principles	Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)	Sri Lanka Financial Reporting Standards Companies Act No. 07 of 2007 Listing Requirements of the Colombo Stock Exchange	Code of Best Practice on Corporate Governance issued jointly by the CA Sri Lanka and SEC	GRI-G4 Guidelines (Core) UN Sustainability Development Goals (SDGs)
Assurance	Assurance on the Financial Statements has been provided by Messrs Ernst & Young			

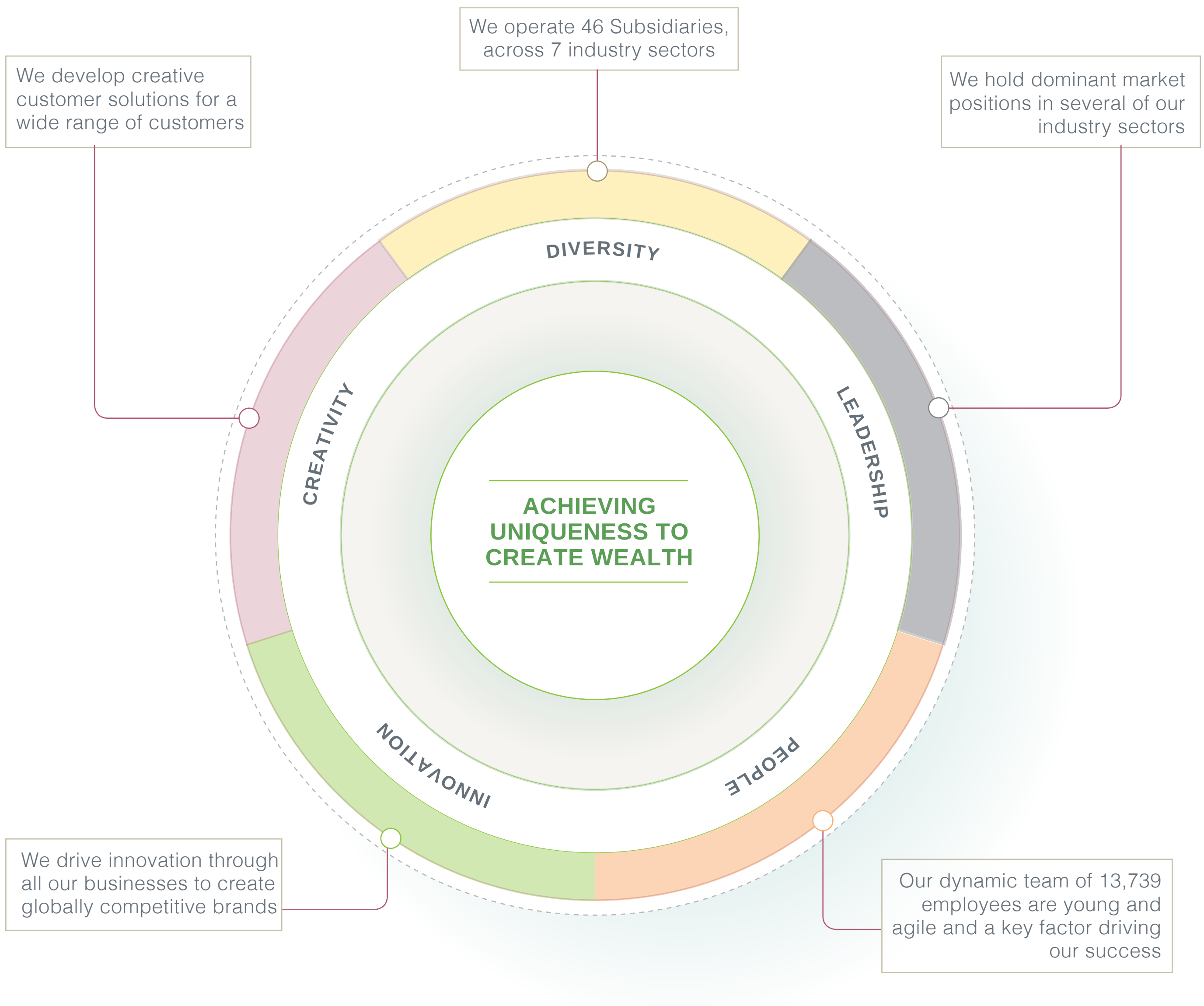
Feedback

We welcome your comments or questions on this Report. Please direct your feedback to:

Email: info@vallibel.com

About Us

We are an innovation driven diversified conglomerate with a compelling purpose: to power our communities and economy by creating wealth and value for all our stakeholders. The Group has aligned its growth strategy to that of the broader economy and is strongly positioned within the country's key growth sectors of manufacturing, leisure and finance among others. Decisive leadership, an agile business model and transformative ideas have enabled the Group to sustain its competitive position in several key sectors.



Our Impact on the Sri Lankan Economy

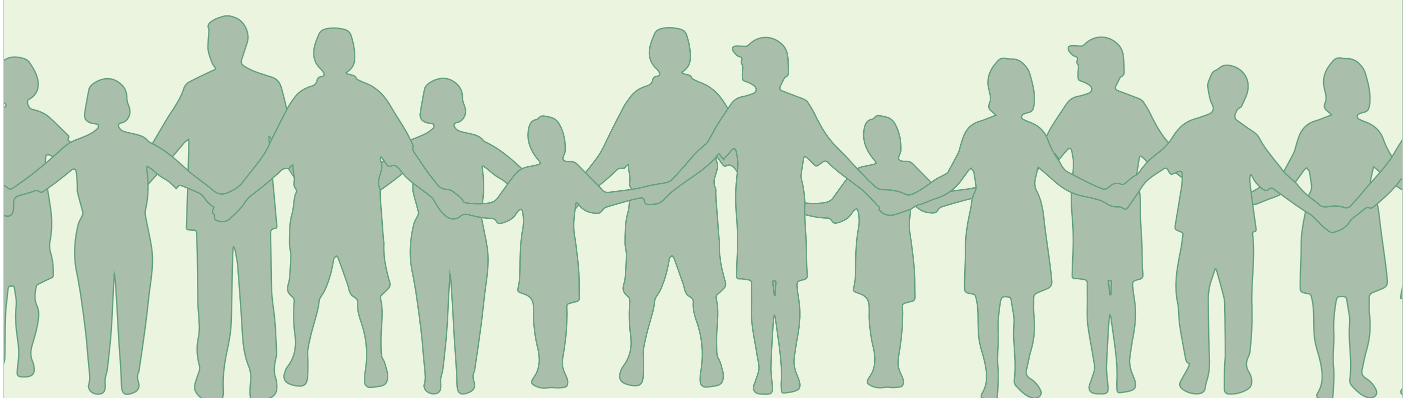
Diversified conglomerate with a strong presence in **7 key Industries**

Government Taxes Paid in FY 2017/18
Rs. 10,076 Mn

Market Capitalisation of
Rs. 18,689 Mn
as at 31st March 2018

Total Number of Employees
13,739

Export Revenue of
Rs. 1,054 Mn
in FY 2017/18



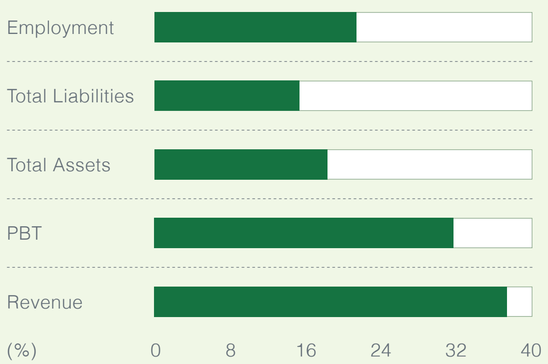
Investment in Community Programmes and Initiatives **Rs. 102 Mn**

Our Business Sectors

Lifestyle

Sri Lanka's leading tile and sanitaryware manufacturer and retailer, we are rapidly becoming one of Sri Lanka's leading lifestyle brands. Our lifestyle portfolio also includes Interior Décor, Office Furniture, Power Tools and Home Appliances.

Contribution to Group



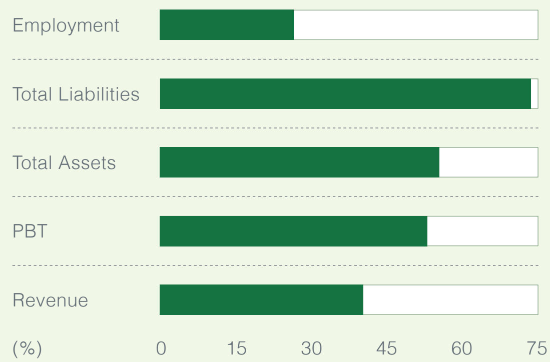
Accolades/Accreditations

- Rocell among Top 20 Best Sri Lankan Brands – Interbrand Awards 2017
- Among Forbes Asia's 200 Best under a Billion (2016)

Finance

We continue to transform the NBFI sector in the country through our involvement in L B Finance PLC, one of Sri Lanka's premier NBFIs.

Contribution to Group



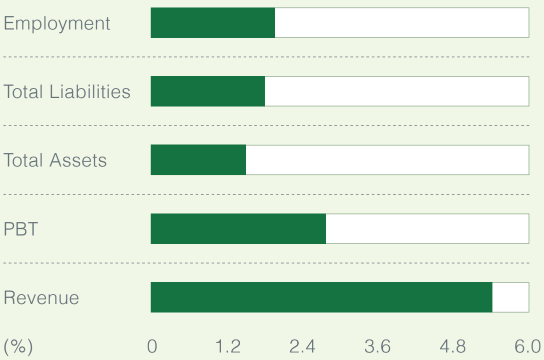
Accolades/Accreditations

- Ranked 33rd in LMD's Most Respected Entities in 2017 with 2 Gold, 3 Silver and 2 Bronze medals
- L B Finance among Top 20 Best Sri Lankan Brands – Interbrand Awards 2017
- National Long-Term Rating at "A-(lka)"; Outlook Stable
- National Long-Term Rating for subordinated debt at "BBB+(lka)"

Aluminium

We are a leading player in the rapidly expanding aluminium extrusion market.

Contribution to Group



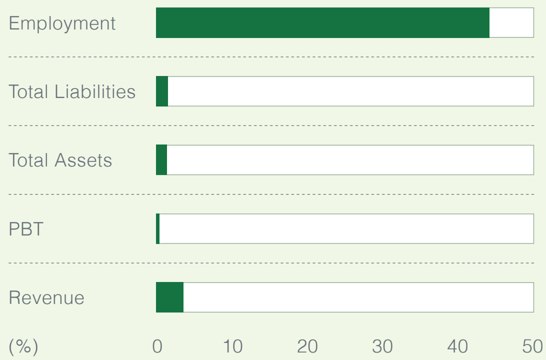
Accolades/Accreditations

- ISO 9001:2008
- SLS 1410:2011 Specification for Extracted Aluminium alloy profiles for architectural applications

Plantations

Horana Plantations accounts for almost 1% of the total tea production and 1.2% of the country's rubber production.

Contribution to Group



Accolades/Accreditations

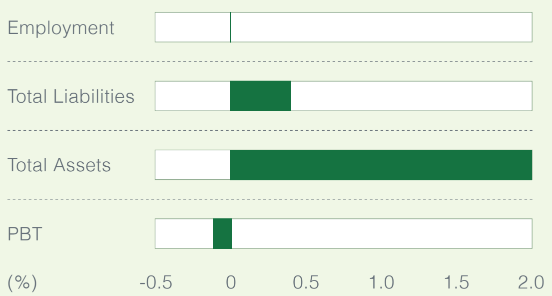
- Ranked No. 1 in the High Grown Category among Regional Plantations Companies in the CTTA ranking for the year 2017
- ISO 22000:2005 and HACCP to all Tea Factories
- ISO 9001 QMS certification to all Rubber factories

Leisure

Our plans to transform the concept of hospitality and position Sri Lanka as a world class destination are taking shape with the construction of the Greener Water Hotel Project scheduled for completion in 2020.

The Fortress Resorts and Spa will continue to redefine the standards of luxury boutique hospitality in Sri Lanka.

Contribution to Group



Accolades/Accreditations

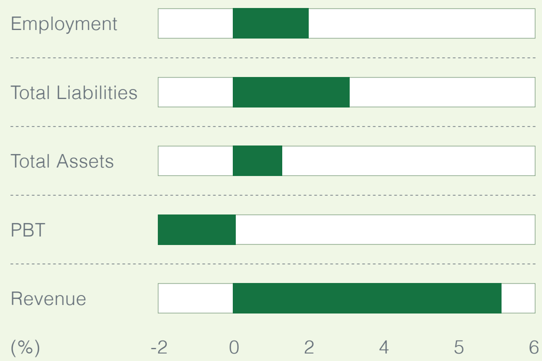
The Fortress Resorts & Spa

- Best Luxury Boutique Spa – Country Winner, Sri Lanka (2017)
- Listed among Top Hotels in Sri Lanka by TripAdvisor (2012 and 2017)
- Best Small Hotel in Sri Lanka (2016/2017) Awarded by International Hotel Awards and International Five Star Standards in association with Rolls Royce Motor Cars
- CONDÉ NAST JOHANSENSA – global collection approved by local experts (2017)

Consumer

Our consumer sector includes well known food and beverages brands such as Motha and Delmege as well as a wide range of medical equipment and pharmaceuticals.

Contribution to Group



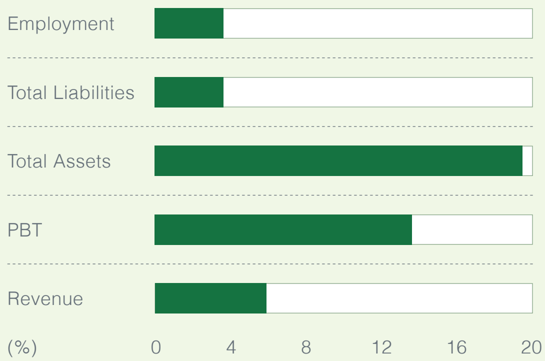
Accolades/Accreditations

- Kiwani Team Excellence Award – 2016/17

Investments & Others

This sector represents Vallibel One PLC's investments and other sectors which includes packaging, mining, insurance brokering, travel and transportation.

Contribution to Group

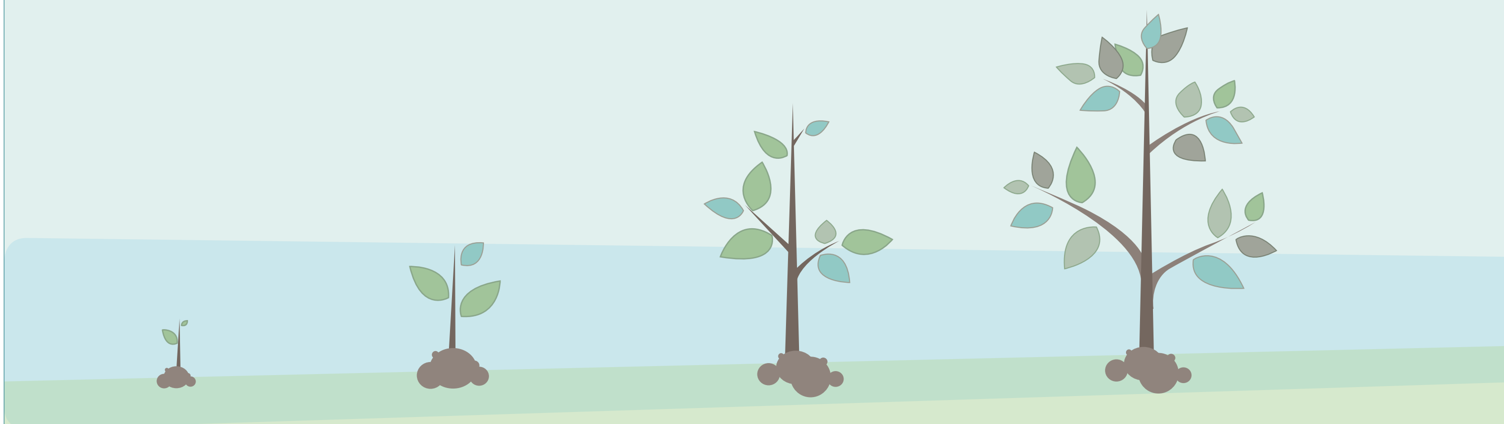


Accolades/Accreditations

- Among the Business today Top 30 business entities for 2016-17
- Among the CIMA-LMD Top 100 companies

Our Milestones

The Group's growth trajectory has been defined by its unique ability to predict industry growth trends and position itself to capture these emerging opportunities. Well-timed acquisitions and judicious organic growth has cemented the Group's position in several key sectors of the economy, affording it a strong platform for earnings expansion over the medium to long term.



2010

Incorporation of Vallibel One

2010/11

Acquisition of Royal Ceramics Lanka PLC, L B Finance PLC and Greener Water Ltd. as its subsidiary companies and a stake in Sampath Bank as a long-term strategic investment

2011

Listed on the Colombo Stock Exchange

2011/12

Acquisition of the Delmege Group, a highly diversified conglomerate

2012/13

Acquired Grip Nordic through Delmege Ltd.

2013/14

Acquired Lanka Ceramic Group through Royal Ceramics Lanka PLC

2015/16

Signed the Agreement with BOI and commenced construction of Greener Water Hotel Project

Performance Highlights

Financial Capital Highlights

Consolidated Statement of Financial Performance

		2017/18	2016/17 (Restated)	Change %
Earnings Highlights and Ratios				
Revenue	Rs. Mn	60,969	52,936	15
Results from Operating Activities	Rs. Mn	13,723	10,535	30
Profit before Tax	Rs. Mn	10,737	8,391	28
Profit after Tax	Rs. Mn	6,769	4,434	53
Profit Attributable to Owners of the Parent	Rs. Mn	3,609	640	464
Dividends	Rs. Mn	543	543	–
Gross Profit Margin	Rs. Mn	42.9	44.8	-4
Operating Profit Margin	%	22.5	19.9	13
Net Profit Margin	%	11.1	8.4	32
Return on Assets (ROA)	%	3.3	2.5	32
Return on Equity (ROE)	%	10	7	42
Interest Cover	No. of Times	6.9	6.3	10
Financial Position Highlights and Ratios				
Total Assets	Rs. Mn	206,173	176,050	17
Earnings per Share (Basic)	Rs.	3.32	0.59	462
Net Assets per Share	Rs.	44.1	38.3	15
Equity Attributable to Equity Holders	Rs. Mn	47,891	41,582	15
Equity Asset Ratio	%	33.2	34.4	-3
No. of Shares in Issue	No. Mn	1,087	1,087	–
Market/Shareholders Information				
Market Value per Share	Rs.	17.20	17.50	-2
Dividend per Share	Rs.	0.50	0.50	–
Company Market Capitalisation	Rs. Mn	18,689	19,015	-2
Dividend Yield Ratio	%	2.9	2.9	–
Economic Value				
Economic Value Generated	Rs. Mn	27,116	23,647	15
Economic Value Distributed	Rs. Mn	21,506	19,493	10
Government	Rs. Mn	10,076	8,900	13
Employees	Rs. Mn	7,737	7,139	8
Others	Rs. Mn	3,693	3,454	7

Operational and Non-Financial Highlights

Manufactured Capital

Property, plant and equipment

Rs. 37,480 Mn

Capital expenditure

Rs. 5,611 Mn

Manufacturing capacity

12.7 Mn sqm of tiles per annum

360,000 pieces of sanitaryware per annum

Human Capital

Group employment

13,739

New recruits

2,481

Gender representation

Male **63%**
Female **37%**

Revenue per employee

Rs. 4.4 Mn

Investment in training

Rs. 19 Mn

Total number of training hours

33,177

Retention rate

84%

Social and Relationship Capital

Customers

Customer Touch Points

56 Rocell showrooms
48 Lanka Tiles showrooms
123 L B Finance branches
36 Gold Loan centres

Suppliers and Business Partners

Total No. of suppliers

> 700

Small and medium-scale suppliers

> 500

Community Engagement

Investment in CSR initiatives

Rs. 102 Mn

Beneficiaries reached

> 10,000

Natural Capital

Main Raw Materials consumed:

Feldspar: **98,763 MT**
Ball Clay: **79,454 MT**
Aluminium Billets: **5,991 MT**

Electricity Consumption:

65 Mn kWh

Water usage

270 Mn M^3

Recycled Input Materials

6,017 MT

Estimated savings from Energy Reduction initiatives

183,169 Joules

Water recycled

25%

Board of Directors

Standing from Left
Mr. Harsha Amarasekera – Independent Non-Executive Director, **Mrs. Kimarli Fernando** – Independent Non-Executive Director, **Mr. Sumith Adhihetty** – Non-Executive Director

Seated from Left
Mr. Rajan Asirwatham – Independent Non-Executive Director, **Mr. Dhammika Perera** – Chairman

MR. DHAMMIKA PERERA

Chairman

Mr. Dhammika 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, Delmege Limited, and L B Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC, Singer (Sri Lanka) 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, and Hayleys Global Beverages (Pvt) Limited.

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.

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. 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 and The Fortress Resorts PLC. He was formerly the Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Company Limited, Grand Hotel (Private) Limited, Royal Palm Beach Hotels Limited, Tangerine Tours Limited, Security Ceylon (Private) Limited, Vallibel Finance PLC and Pan Asia Banking Corporation PLC.

MS. KIMARLI FERNANDO

Independent Non-Executive Director

Ms. Kimarli Fernando brings to the Board over 30 years experience in the field of banking built on her legal background. She holds a LLB (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 National Development Bank PLC, Delmege Limited and Richard Pieris Distributors Limited. Previously, she was the Acting Chairperson of L B Finance PLC and has held senior positions at Pan Asia Banking Corporation PLC, Standard Chartered Bank, Sri Lanka and Deutsche Bank AG, Sri Lanka and in Frankfurt, Germany.

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. He is also the Chairman of the Financial Systems Stability Committee of the Central Bank of Sri Lanka and Chairman of the Audit Committee of The Institute of Chartered Accountants of Sri Lanka.

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, Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Ceylon Agro Industries, 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.

Chairman's Message

It is my pleasure to present the Annual Report for Vallibel One PLC for the year ended 31st March 2018 and welcome you to the 8 Annual General Meeting. The Group delivered a commendable performance recording a profit before tax of Rs. 10.7 Bn reflecting growth of 28%. Balance Sheet growth was 17% as we continued to invest in capacity expansion in key sectors recording Total Assets of Rs. 206 Bn at the close of the year.

Creating Sustainable Value

Sustainable value creation is the core business proposition of Vallibel One since inception in 2010. A relatively young conglomerate that has grown through acquisition of mature businesses across diverse industry sectors, we have established a track record of adding value to our investments by sharpening focus on potential areas for growth and investing for long term growth. Today, many of our brands are trendsetters in their respective industries, serving as a catalyst to drive change and ensure that our businesses are future ready with strong innovation capability and agile strategy.

Creating sustainable value is the art of allocating finite resources to those areas where they will be utilised to drive meaningful and positive change. We ensure that we nurture our capitals to this effect, deploying resources astutely to create broad based competitive advantage. As a Group, we also drive synergies within our businesses, leveraging expertise and networks to augment and magnify the impact of resources deployed. Our top line and balance sheet growth bear testimony to our impact and efficient utilisation of resources over the long term.

Taking the long term view has ensured that our businesses integrate sustainability into their business models and practices. In fact, we believe that sustainability and long term value creation are synonymous and it is reflected in our business decisions whether it is investing in energy efficient plants or driving responsible consumption through out our manufacturing facilities. We are also reaping the benefits of integrated sustainability into our business models as a plethora of certifications enhance access to global markets and underpin our brand equity in the respective business sectors.

Vallibel One continues to review our business portfolios to ensure alignment with forecast growth areas, seeking new opportunities for growth and changing strategy with visionary business acumen to deliver shareholder value. Our portfolio of investments are at different stages of maturity, offsetting impacts of varying business cycles to deliver sustained earnings despite volatility in our respective operating environments as we have done this year.

A Positive Outlook

Despite the moderation in growth witnessed in the economy this year, I am optimistic about the Group's prospects for profitable growth. Vallibel One well positioned for growth with investments in thriving sectors of the economy which will pick up pace as projects in the pipeline are implemented, driving growth. We will also continue to drive change to ensure that productivity and efficiency in utilisation of resources is enhanced through innovation and lean workflows. Our strong performance despite a challenging socio-economic climate, stands testimony to our ability to deliver value.

Acknowledgements

The Board joins me in extending our appreciation to employees of the Vallibel Group for their commitment and hard work which is reflected in this Annual Report. I also wish to thank the Boards of the Group companies for the leadership provided by them in alignment with our vision. I thank my fellow Board members for their counsel and diligent oversight of the affairs of the Group. I close by thanking our shareholders for their confidence in our leadership and vision and count on their continued support as we move forward.

Dhammika Perera
Chairman

30th May 2018

DHAMMIKA PERERA
CHAIRMAN

Chief Executive Officer's Review

Dear Shareholder,

I am pleased to report on Vallibel One PLC's exceptional performance – as the Group went from strength to strength, delivering a profit after tax of Rs. 6.78 Bn for the year ended 31st March 2018. Once again, the Group's Finance sector posted strong earnings. The combination of the Finance and Lifestyle sectors were the main contributors to Group profitability for the year under review. The balance sheet too strengthened noticeably during the period under review, with total assets increasing by 17% due to investments in increased capacity in the Lifestyle sector and capital investments made in the Leisure sector.

Sector Review

I am elated to report that five sectors of the Group delivered profits – as Horana Plantations too experienced a turnaround, supported by buoyant markets. However, sectors engaged in manufacturing and distribution faced significant challenges owing to the devaluation of the rupee against the dollar, resulting in a sharp rise in raw materials and energy and labour costs, which combined to make this year an extremely challenging one.

The ongoing Greener Water Hotel project in Negombo, the maiden investment by Greener Water, is expected to complete the super structure by end of this year and commercial operations scheduled to commence in April 2020.

The Finance sector, comprising L B Finance, contributed Rs. 4.24 Bn to Group PAT, which accounts for 63% of Group profits. Rising interest rates, innovative products and a strong market presence, backed by growth and market penetration enabled the Company to outperform industry benchmarks. Its ranking among the country's top 20 brands by Interbrand reflects its strong domestic franchise, while a National Long term rating of A-(lka) with a stable outlook by Fitch Ratings Lanka Ltd. affirms its sound financial health. This sector accounts for 59% of the total Group assets and 77% of total liabilities of the Group. The positive outlook for this Company is evident in its balance sheet while its robust performance for the year can also be attributed to well-established financial governance systems and processes.

Meanwhile, the Lifestyle sector, comprising Tiles, Bathware and Interiors, recorded a commendable performance – contributing Rs. 2.6 Bn to Group profits, which reflects a decline of 29% over the previous year due to higher input costs and a decline in disposable incomes. This sector accounts for 19% of total assets of the Group and 16% of its liabilities. The Group is the market leader and trendsetter in tiles and bathware backed by product innovation and investments in technology. With four entities producing tiles under the "Rocell" and "Lanka Tiles" brands, we are well positioned for growth in this sector. Additionally, Rs. 2.86 Bn was invested in capital expenditure in the sector to focus on manufacturing larger tile sizes, driving economies of scale and ushering in more energy efficiency. Future plans include expansion of export markets and increasing market share in the domestic market where it aspires to be the undoubted market leader, as affirmed by the inclusion of Rocell in the country's top 20 brands by Interbrand as well.

The Aluminium sector comprising Swisstek Aluminium delivered strong top line growth of 18% driven by strong demand in both domestic market and regional markets. However, margins were impacted by increased costs of Aluminium in global markets and higher distribution expenses, as we pursued a strategy of growth in regional markets. Profit for the year declined by 22% due to increased distribution and interest costs since interest rates and borrowings rose during the year. Expanded capacity and increasing capacity utilisation supported performance and positions the Company to realise its growth aspirations in the South Asian region in the coming years.

Buoyant tea and rubber prices supported top line growth of 15% in the Plantations sector, enabling a turnaround in this sector, which recorded a profit of Rs. 36 Mn for the reporting year. Cost escalations stemming from declining productivity due to the glyphospate ban and inclement weather were largely cushioned by improved profitability. The sector continued its strategy of crop diversification, increasing the hectares of Palm Oil plantations during the year and introducing cinnamon and coconut to the low country plantations. Upcoming wage negotiations scheduled for October 2018 remain a concern despite the shift to a revenue-based model.

Performance of the Consumer sector was dampened by the continuous decline in household consumption which was observed throughout the industry. Despite this, the sector continues to strengthen its marketing and distribution channels to support growth and is optimistic about the outlook for this sector.

The other sector comprises a diverse mix of investments in packaging, mining, insurance brokering, travel and transport. However, the Packaging sector, which was a key contributor in the previous reporting year, was impacted by a sharp increase in paper costs, which eroded profit margins significantly. Profitability of this segment is expected to grow in the upcoming financial year as Uni-Dil Packaging improves in


YOGADINUSHA BHASKARAN
CHIEF EXECUTIVE OFFICER

profitability. Downside risks include supply issues related to paper while export opportunities in the region support forecasts.

Financial Review

On a consolidated basis, Group turnover was Rs. 60.9 Bn, with the Lifestyle and Finance sectors accounting for 37% and 41% of revenue respectively. Margin pressures were evident across all sectors due to increased input costs and high levels of price sensitivity in the market. Operating profit of Rs. 13.7 Bn was supported by the improved performance of the Financial and Plantation sectors while the Lifestyle sector also made a vital contribution. Finance costs increased across the Group as interest rates and borrowings incresed by 8% across all sectors except Plantations. Profit after tax recorded for the year amounted to Rs. 6.76 Bn. The earnings per share during the year under review was Rs. 3.32.

Further, Net assets per share increased from Rs. 38.27 to Rs. 44.08, reflecting the strengthening of the balance sheet as sectors enhanced capacity and grew their respective portfolios, positioning the Company for sustainable growth in the future.

Sustainability at Vallibel

As Vallibel One grows via acquisition of mature businesses, sustainability of our businesses remains the responsibility of the various sectors. Most of our group companies are active champions of sustainable business models such as the Tiles sector, which holds ISO 14000:2004 certification; and the Plantations sector, which is certified by Rainforest Alliance and the Ethical Tea Partnership, discussed in greater detail in the relevant sections of the Annual Report.

Vallibel One commenced an initiative to capture information on material issues relating to the Group during the reporting year, which has enabled us to publish information on a number of key indicators for the first time in the history of the Group – bearing testimony to the Group's commitment to integrating sustainability in a holistic manner. We are conscious that it is a journey and that we have just started on ours. Our experience inspired us to sustain the momentum, as we found many instances of sustainable practices within the Group. We look forward to sharing these best practices across the Group to raise awareness and embed sustainability principles into our operations.

Our CSR initiatives go beyond philanthropy to strategically provide tangible long term support facilitating community empowerment and development. We continue to operate in communities where we provide employment and support development through numerous initiatives.

Our flagship philanthropy project, which consisted of upgrading 450 preschools, was successfully completed with the year under review, with the valuable cooperation by all group entities. This initiative will enhance the learning environment for young children at these preschools.

Group Performance 2017/18

Group Revenue
Rs. 60.9 Bn
↑ 15%

PBT Rs. 10.7 Bn
↑ 28%

PAT Rs. 6.7 Bn
↑ 53%

Total Assets Rs. 206 Bn
↑ 17%

Sector Review

Lifestyle Sector

PAT Rs. 2.6 Bn
Total Assets Rs. 42 Bn
Total Liabilities Rs. 21.8 Bn

Finance Sector

PAT Rs. 4.25 Bn
Total Assets Rs. 121 Bn
Total Liabilities Rs. 105 Bn

Aluminium Sector

PAT Rs. 0.2 Bn
Total Assets Rs. 3.2 Bn
Total Liabilities Rs. 2.6 Bn

Plantations Sector

PAT Rs. 0.03 Bn
Total Assets Rs. 3.3 Bn
Total Liabilities Rs. 2.3 Bn

Leisure Sector

PAT (Rs. 0.02 Bn)
Total Assets Rs. 4.6 Bn
Total Liabilities Rs. 0.6 Bn

Consumer Sector

PAT (Rs. 0.2 Bn)
Total Assets Rs. 2.8 Bn
Total Liabilities Rs. 4.4 Bn

Investments and Others

PAT Rs. 1.3 Bn
Total Assets Rs. 42.2 Bn
Total Liabilities Rs. 5.7 Bn

Acknowledgements

I take this opportunity to thank the Board for their vision and guidance, which has been invaluable in helping us to deliver the performance set out in this annual report. I also thank the Boards of our subsidiaries who have exercised diligent oversight of their respective operations to propel our growth. We thank our business partners who play a key role in driving our growth and success. I extend my sincere appreciation of the hard work and dedication of the team at Vallibel One and our extended family across the Group for the exceptional results. I thank our shareholders who have placed their confidence in our ability to deliver shareholder value and I look forward to your continued support in the future as we raise the bar with each passing year.

Yogadinusha Bhaskaran
Chief Executive Officer

30th May 2018

Creating Value for Our Stakeholders

How We Create Value

We create value by continuously finding unique and innovative ways to leverage our resources and relationships to create sustainable wealth for our stakeholders. Our strategy which centres on the key strategic pillars of growth, people, leadership and sustainability has enabled us to remain relevant and unique in a dynamic operating landscape. It is this uniqueness that helps us stay ahead of the game and consistently deliver value to our stakeholders.

Capital Inputs

Financial Capital
Shareholders' funds
(page 70)

Manufactured Capital
Property, Plant and Equipment
Manufacturing facilities:
(page 74)

Human Capital
Team of employees
(page 77)

Social and Relationship Capital
Customer relationships
Supplier relationships
Relationships with our communities
(page 83)

Intellectual Capital
Tacit knowledge
Brand
Research and development capabilities
(page 81)

Natural Capital
Raw material consumption
Water use
Energy consumption
(page 88)

Value Added to Our Business Verticals

Lifestyle
- Titles
- Sanitaryware
- Wooden and steel furniture
- Interior and building products
- Power tools and home appliances

Aluminium
- Aluminium Extrusions

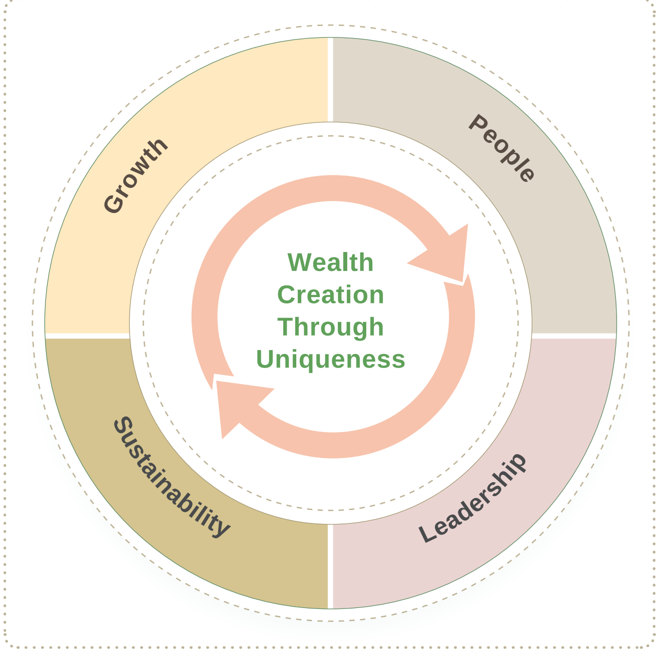
Finance
- Leasing
- Loan facilities
- Deposits

Leisure
- Fortress Resort and Spa
- Ongoing Greener Water Hotel Project

Plantations
- Tea
- Rubber
- Other agricultural products

Consumer
- FMCG
- Pharmaceutical items
- Medical equipment

Investments & Others
- Packaging
- Mining
- Insurance brokering
- Travel
- Shipping agency



Value Delivered and Shared	KPIs
Shareholders (page 73) Wealth Maximisation	• ROE • Dividends paid • EPS
Employees (page 77) Employee Satisfaction	• Payments to employees • Productivity • Rev/Employee
Customers (page 84) Customer Satisfaction	• Market Share
Suppliers (page 86) Mutually Beneficial Relationships	• Payments to suppliers • Investment in supplier development
Community Empowered Communities	• Investment in CSR • No. of Beneficiaries • Raw material consumption • Waste • Energy consumption

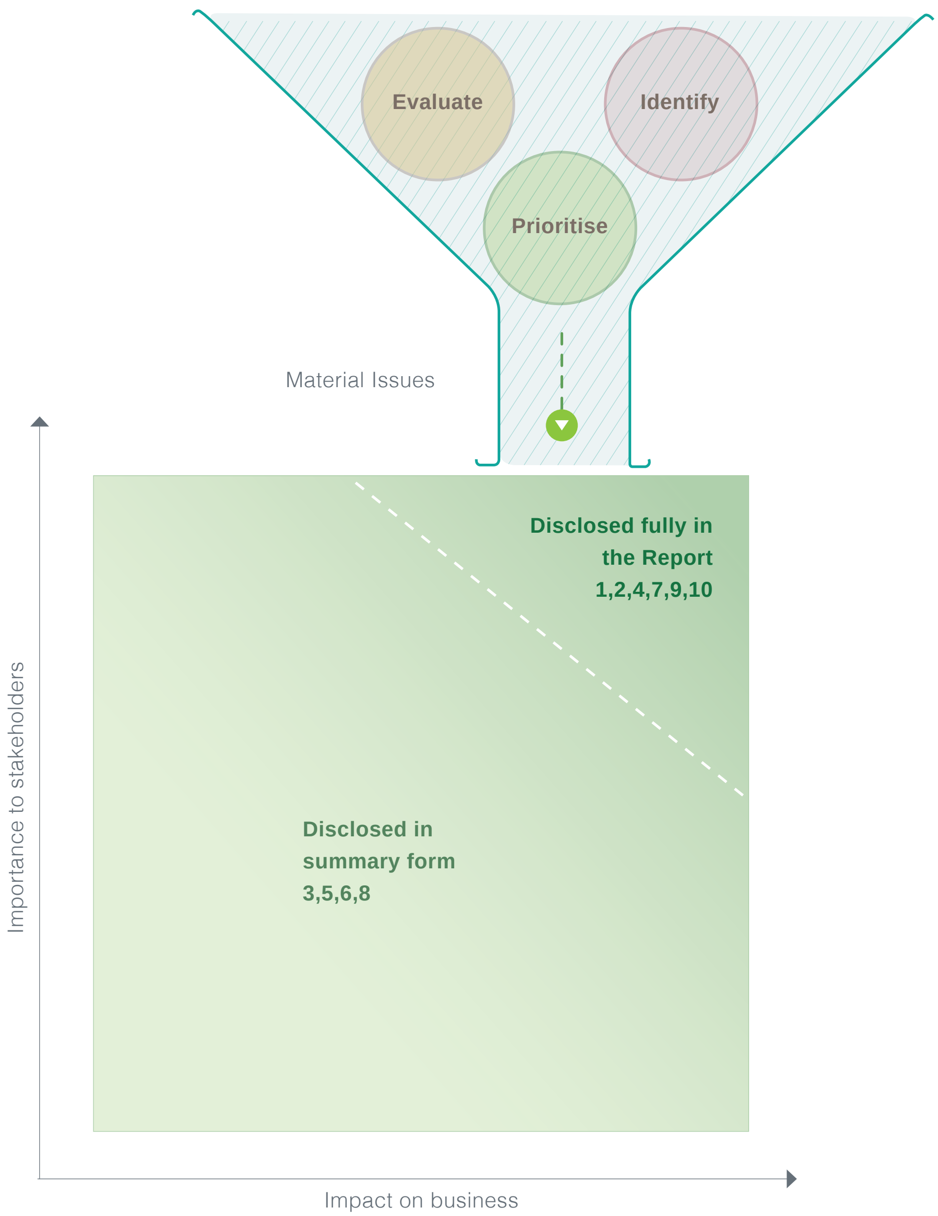
Stakeholder Engagement

Stakeholder engagement is our way of gauging the pulse of our stakeholders and is a key determinant of our strategic direction. Formal mechanisms are in place for engaging with each group of stakeholders which have enabled us to pro-actively identify opportunities, continuously enhance our value propositions and forge ahead in an increasingly complex business environment.

Shareholders and Investors	Employees	Customers	Business Partners	Society and Environment
Key Engagement Activities • Annual General Meeting • Quarterly Financial Reports disseminated through Colombo Stock Exchange • Corporate website	**Key Engagement Activities** • Performance management system • Formal and informal meetings • Interactive forums with Senior Management followed by a question and answer sessions • Group-wide employee intranet • Email broadcast system • Social occasions and other events	**Key Engagement Activities** • Customer satisfaction surveys • Customer Relationship Managers • Customer visits and review • Dealer and distribution conventions	**Key Engagement Activities** • Visits from principals and visits to principals' locations • Distributor and dealer conventions • Participation at international trade fairs	**Key Engagement Activities** • CSR initiatives
Key Concerns • Financial Performance • Governance • Risk Management • Sustainable growth	**Key Concerns** • Performance and Reward Management • Investment in HR • Work Life Balance • Recruitment, Retention and Turnover • Diversity and Inclusion • Career Progression	**Key Concerns** • Product Quality • Customer Service • Availability of Product	**Key Concerns** • Future Business Opportunities • Contractual Performance • Responsible Sourcing	**Key Concerns** • Impact on Environment • Responsible Sourcing • Community Investments

Determining Material Content

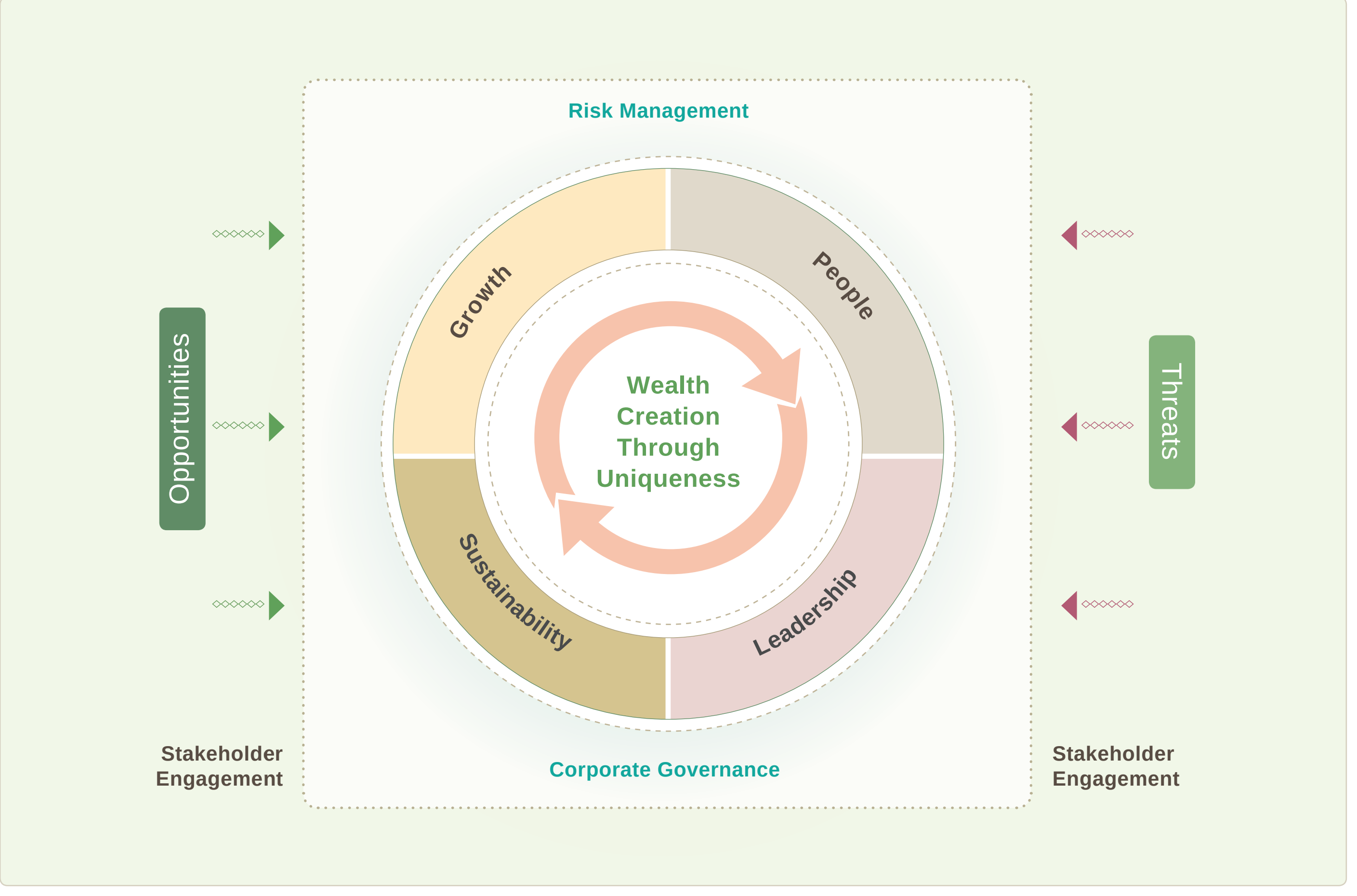
Materiality assessment is a vital element of our value creation process as it ensures that we remain focused on what really matters to our stakeholders. Our material matters constitute those risks, opportunities or issues that could substantively affect the Group's ability to create value in the short, medium and long term. To assess materiality, we evaluate all possible risks, opportunities and issues in terms of relative importance to stakeholders and impact on the operations of the Group. The material issues we identify form the basis of our internal and external reporting throughout the year and reflect the issues we focus on to maximise value for our stakeholders.



Material Issue in 2017/18	Strategic Pillar Affected	Corresponding GRI Topics	Aspect Boundary
1 **Financial performance** Effective management of the Group's financial performance is critical in delivering continued stakeholder value while driving the Group's organic and inorganic growth aspirations.	Growth Sustainability	GRI: Economic performance	Internal
2 **People management** Our employees deliver our strategic ambitions, facilitate the customer experience and drive innovation and are therefore a vital aspect of our value creation process.	Innovation	GRI: Employment, Labour/management relations, Training and education, Freedom of association and collective bargaining, Equal remuneration, Child labour, Forced/ compulsory labour, Occupational health and safety	Internal
3 **Sustainable sourcing** As a Group with substantial interests in manufacturing, the uninterrupted supply of high quality raw materials is essential in ensuring the continuity of operations.	Sustainability	GRI: Procurement practices, Supplier assessment for labour practices	External
4 **Product quality and responsibility** Given intensifying competitive pressures in most of our business sectors, delivering products of the highest quality is essential to customer retention.	Leadership	GRI: Customer health and safety, Compliance – Product responsibility	Internal/ External
5 **Satisfied customers** Customers who are satisfied with our products and services are highly likely to return to us, supporting our retention levels and growth aspirations.	Leadership		External
6 **Preserving the environment** As a responsible corporate citizen, we are cognisant of the potential environmental impacts of our operations, particularly with regards to the consumption of non-renewable natural resources.	Sustainability	GRI: Energy, Water, Waste and effluents, Emissions	Internal/ External
7 **Compliance** Compliance to all relevant laws and regulations is a prerequisite for business continuity	Sustainability	GRI: Compliance (EN)	Internal
8 **Community engagement** Inability to maintain healthy relationships with the communities we operate with could lead to reputational damage and threaten our social license to operate.	Innovation	GRI: Local communities	External
9 **Product and process efficiencies** As operating environments become increasingly challenging, we are pursuing ways to drive lean and process efficiencies to preserve profitability.	Growth		Internal
10 **Marketing communications** Responsible communications with our customers and other stakeholders are essential to maintaining proactive and meaningful engagement.	Leadership	GRI: Marketing communications	External

Our Strategy

Our strategy revolves around the four strategic objectives of Growth, Leadership, People and Sustainability. Whilst evolving in response to the dynamic and complex business environment we operate in, our strategy is firmly rooted in our core values of diversity, creativity, leadership, innovation and people and has the singular vision of achieving our fundamental objective; creating wealth for our stakeholders.

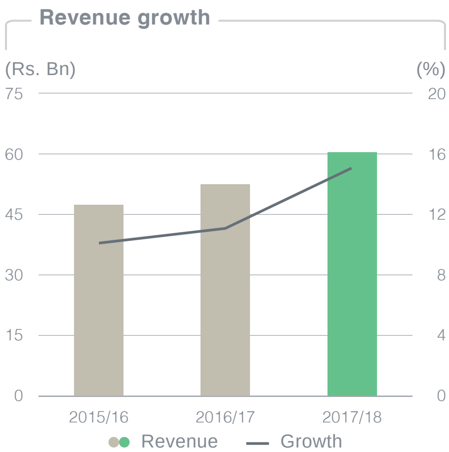


The table below provides a summary of our performance, based on the aforementioned strategic objectives. A detailed discussion on these indicators is available in the respective capital reports on pages 70 to 90 of this Report.

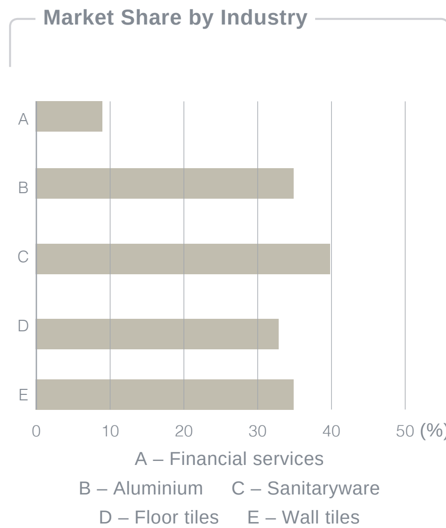
	Growth	Leadership
Strategic drivers	• Revenue Growth • New Markets	• Market Position • Satisfied customers

Key performance indicators

Growth



Leadership



Growing distribution network

- During the year we expanded our branch network with 4 new Lanka Tiles showrooms and 3 new Rocell showrooms

Growing global presence

- Lifestyle sector expanded its global presence in Australia, India and the Maldives
- L B Finance expanded into Myanmar

	Growth	Leadership
Risks/ challenges in 2017/18	Sluggish economic conditions during the year had a negative impact on the construction industry which had a knock-on effect on the tiling and aluminium sectors. Meanwhile slower private consumption had a negative impact on the consumer sector and packaging as well.	Growing competition from cheaper imports particularly from India and China continued to pose a challenge in the tiling, aluminium and packaging industries.
Outlook for 2018/19	The pickup in the global economy together with structural reforms currently underway is expected to improve prospects for the economy in 2018. The construction and manufacturing industries are expected to pick up as large-scale infrastructure developments such as the Port City Project gain momentum. Meanwhile prospects for the tourism sector are also positive due to the recovery of the global economy and growing importance of emerging markets.	Growing trade with China and India is likely to increase competition from cheaper imports, however our focus on cost management and productivity enhancements across sectors will enable us to leverage on comparatively lower costs while delivering a superior value proposition.

Sustainability

- Responsible consumption of raw materials
- Empowering communities

Recycled Input Materials — **6,017 MT**

Savings from Energy Reduction initiatives — **183,169 Joules**

Community Engagement

Sector	New Markets Expanded Into
Investment in CSR during the period	Rs. 102 Mn
Number of Beneficiaries	>10,000

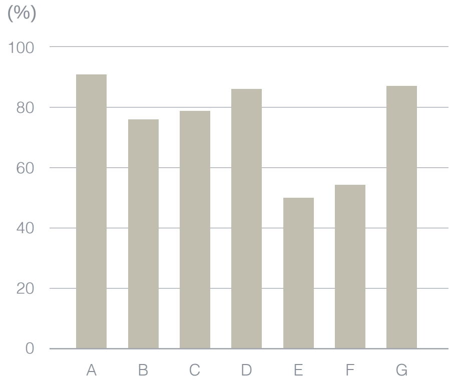
Adverse weather conditions had a significant impact on the plantations sector while impacting some of our mining sources as well.

Climate change will continue to impact our operations however we continue to invest in sustainable technology and processes in order to ensure our long-term sustainability.

People

- Employee engagement
- Training and development
- Health and Safety
- Remuneration and Rewards
- Employee productivity

Employee Retention by Sector



A – Lifestyle B – Finance C – Aluminium
D – Plantations E – Leisure F – Consumer
G – Investments and Others

Employee retention was a challenge particularly in the consumer and finance sectors mainly due to increasing mobility of employees at lower employment grades.

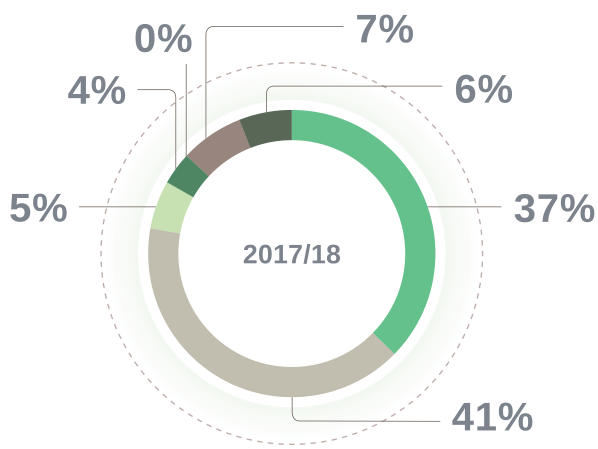
We will continue to focus on engaging with our employees, empowering and developing them in response to changing labour dynamics.

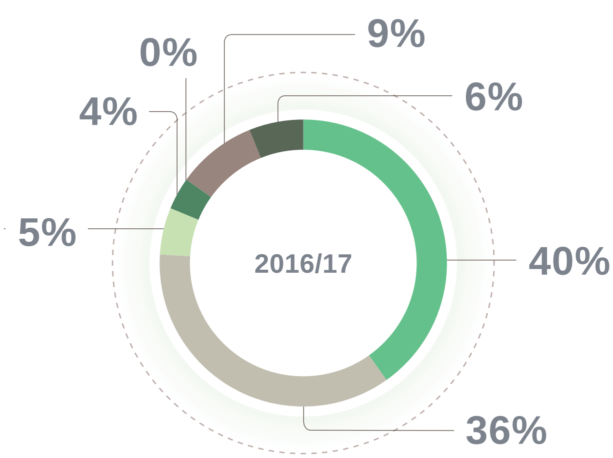
Risk Management

The depth and diversity of the Group's operations render our risk profile a complex matrix which reflects the risk exposures of the key sectors. Vallibel One Group comprises of investments in 4 subsidiaries, a further 42 entities held under those subsidiaries and another entity accounted as an associate company.

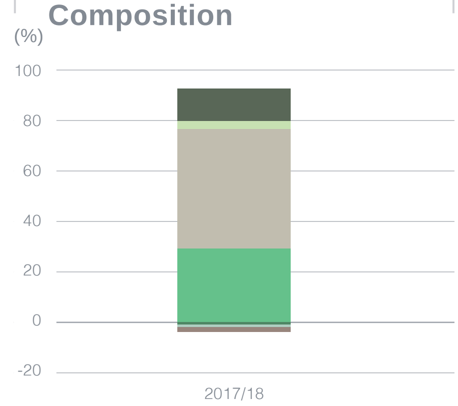
The Group turned in a year of strong growth with consolidated revenue and pre-tax profit increasing by 15% and 28% respectively.

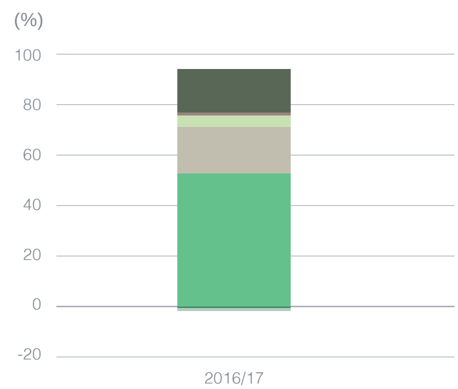
Revenue Composition





Profit after Tax Composition





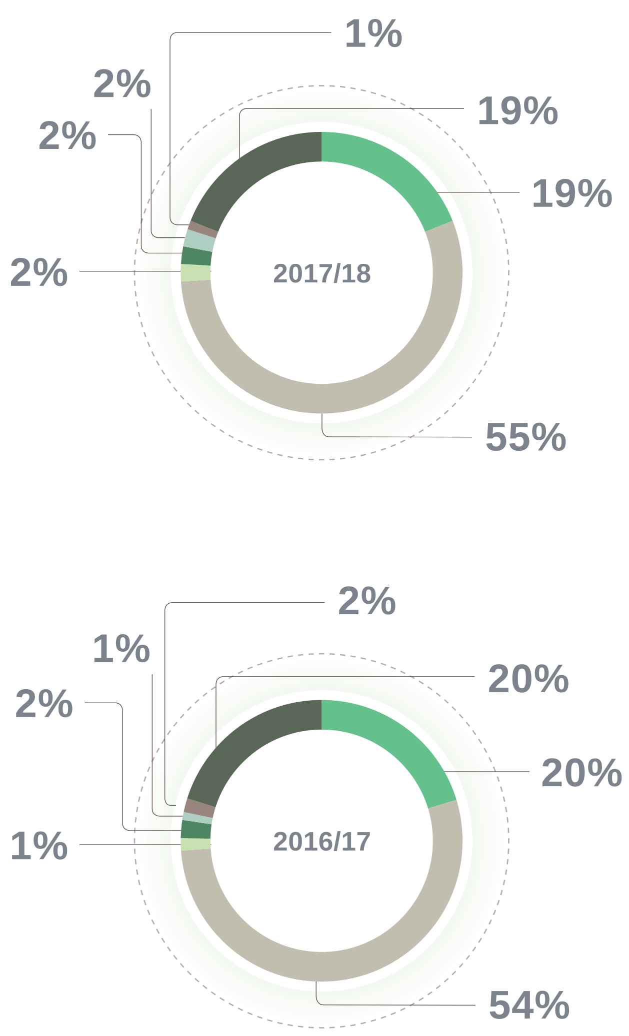
Note: "Consolidate adjustments" not accounted for in above graphs.

● Lifestyle Sector ● Finance Sector ● Aluminium Sector ● Plantation sector ● Leisure Sector ● Consumer Sector ● Investments & Other Sector

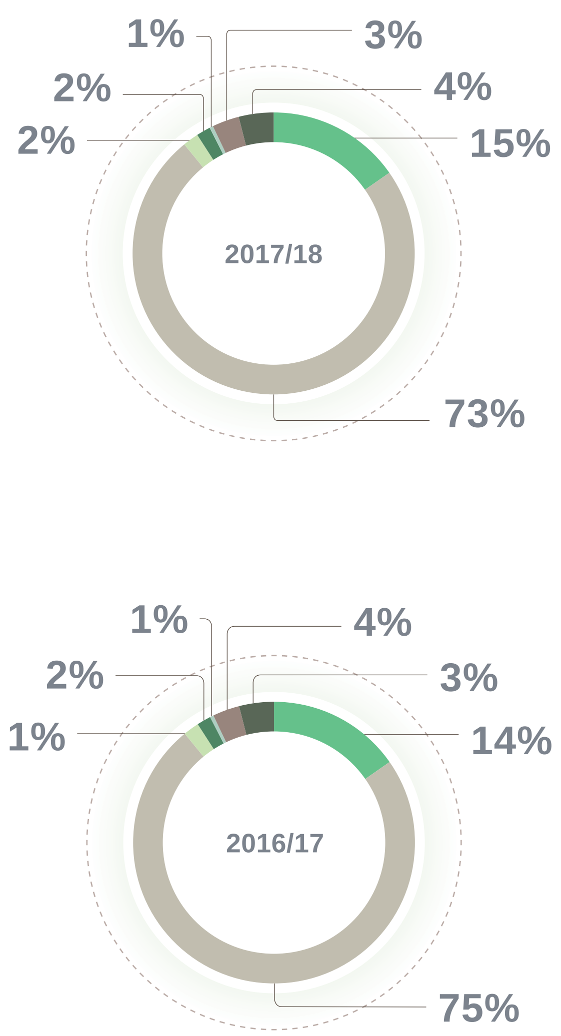
The earnings profile is dominated by the Lifestyle and Finance Sectors which collectively accounted for 96% of consolidated earnings.

Profit growth during the year primarily reflects the improved profitability of the Finance sector which saw pre-tax profit widening by 10% supported by good loan growth and wider NIMs.

Total Asset Composition



Total Liabilities Composition



Note: "Consolidate adjustments" not accounted for in above graphs.

- Lifestyle Sector
- Finance Sector
- Aluminium Sector
- Plantation sector
- Leisure Sector
- Consumer Sector
- Investments & Other Sector

Given the relative contribution of the Lifestyle and Finance sectors, it is evident that the risk arising from these sectors will determine the Group's overall risk profile. Taking this, and other factors into account, our principal risks for the year under review are as follows:

Risk	Mitigating Actions	Risk Rating	Trend Compared to 2016/17
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 and growing sectors of the economy and we believe these exposures are an optimum mix which will yield returns above market rates in the long term.	Moderate	Unchanged
Relative Autonomy of Investee Companies Could lead to weaknesses in implementing Group-wide policy frameworks and/or governance structures.	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	Unchanged
Macro-economic policy changes	Fiscal and monetary policy changes can have significant impacts on the operations of various entities in the Group.	Moderate	
• Inflation	Inflationary pressures increasing during the year due to a tighter monetary policy, depreciation of the exchange rate and weather-related food supply constraints. 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	
• Interest Rates	Due to the exposure to the Banking & Financial sector, interest rates play a key role in determining the profitability of the Group. Rising interest rates during most part of the year, resulted in an increase in the Finance arm's cost of funding, thereby pressurizing NIMs. However, the track record of the institutions in managing interest rates reduces the risk, although interest rates are expected to maintain their 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	

Risk	Mitigating Actions	Risk Rating	Trend Compared to 2016/17
• 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	Unchanged
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	Unchanged
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	Unchanged
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 mitigating factor as the entities operate with their own supply chains rather than a centralized one.	Low	Unchanged
Compliance Risk Exposure to legal penalties, financial forfeiture and material loss an organization 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	Unchanged
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 43 to the financial statements.	High	Unchanged

Operating Environment

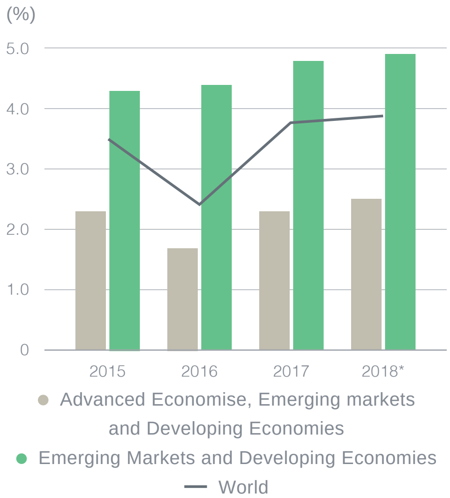
Global Economic Conditions

The Global Economy performed above expectations in 2017 recording a growth of 3.7%, compared to a growth of 3.2 % in 2016, and the highest rate of global growth recorded since 2011. Both advanced and emerging economies improved economic performances, bolstered by a strong revival in global trade and investment as well as an overall improvement in business sentiments. Growth in advanced economies, particularly the United States, and Japan were above expectations upheld by a recovery in investments following accommodative monetary policies and stronger balance sheets. Emerging markets and developing economies grew by 4.8% in 2017 with stronger private consumption and a recovery in trade. Meanwhile, commodity exporting countries like Brazil and Russia also contributed to the growth following the uptick in commodity prices during the year.

Commodity Prices

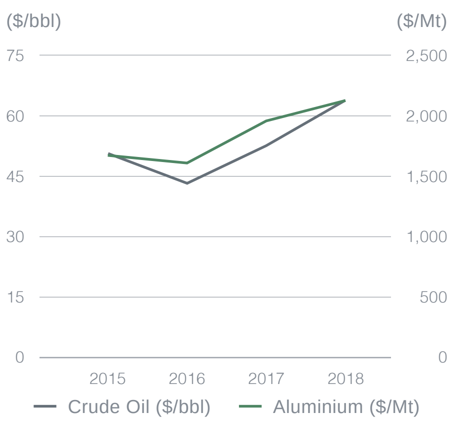
Global commodity prices were on an upward trend for most part of 2017, driven by increasing oil and natural gas prices. Oil prices increased by around 23% in 2017 due to unplanned outages in several oil-producing nations and further extension of the OPEC production agreement. Meanwhile industrial metals also witnessed notable increases in price with Aluminium recording a growth of almost 23% during the year. Agricultural commodities including Tea and Rubber increased during 2017 as well although prices have stabilised during the first quarter of 2018.

Global Economic Growth



Source – CBSL Annual Report

Commodity Prices (Annual Averages)



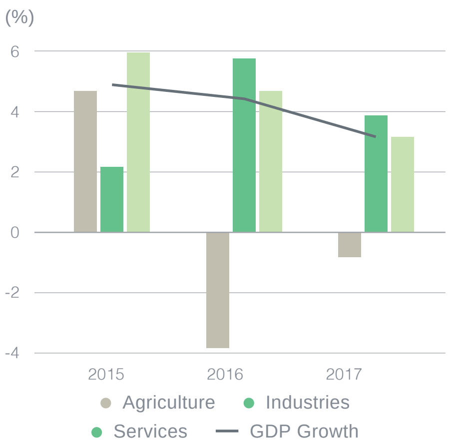
Economic Growth

2017 was a challenging year for the Sri Lankan economy with GDP growth slowing down to 3.1%, the lowest recorded since 2001. Adverse weather conditions and their spill over effects together with a tightening monetary and fiscal policy stance were the main factors contributing to the slower growth during the year. Adverse weather conditions in several parts of the country resulted in the Agricultural sector contracting by 0.8% during the year. The Industries Sector grew by 3.9% supported by the expansion in construction, mining and quarry activities. Expansion in the services sector was also moderate at 3.2% driven mainly by growth in financial services, telecommunication and wholesale and retail trade activities.

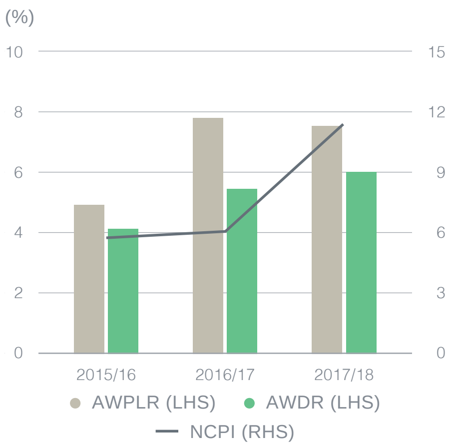
Inflation

Inflation continued to increase during 2017 and remained relatively high during the year. The prolonged drought in most parts of the country from the latter part of 2016 and throughout most of 2017 had a negative impact on key domestically produced goods, exerting upward pressure on their prices. Meanwhile higher prices of non-food commodities, due to upward revisions on the prices of certain items also contributed to the upward trend in general price levels. Accordingly, the year-on-year headline inflation remained above the desired mid-single digit levels during much of 2017. With monetary measures to contain inflation taking to effect during the latter part of 2017 however, headline inflation showed a deceleration during the first quarter of 2018, reducing to 6.7% in March 2018 compared to 7.7% at the end of 2017.

GDP Growth



Inflation and Interest Rates



Interest Rates

A relatively tight monetary policy stance was maintained during most part of the year with a view to addressing inflationary pressures. The policy rate was raised by 25 bps in March 2017, resulting in the Standing Deposit Facility Rate (SDFR) and the Standard Lending Facility Rate (SLFR) increasing to 7.25% and 8.75% respectively. As a result, market interest rates moved up during the first half of the year, with commercial banks' deposit and lending rates also increasing. However, liquidity improvements in the domestic money market during the second half of 2017 resulted in market interest rates tapering off towards the latter part of 2017.

Exchange Rates

The Rupee remained relatively stable in 2017, depreciating by around 2% during the year. The first quarter of 2018 however witnesses some downward pressure as a result of increased foreign outflows following the political instability brought about by the local council elections.

Outlook

The pickup in the global economy together with structural reforms currently underway is expected to improve prospects for the economy in 2018. Growth is projected to rebound in 2018 from a low base and continue to be around 4.5% in the medium term, driven by private consumption and investment. Inflation is expected to stabilize at mid- single digit level as the impact of natural disasters wears off, although the upward trend in oil prices may exert some upward pressure. The construction and manufacturing industries are expected to pick up as large-scale infrastructure developments such as the Port City Project gain momentum. Meanwhile prospects for the tourism sector is also positive due to the recovery of the global economy and growing importance of emerging markets.

Sector Review

Lifestyle

The year under review proved to be a difficult year for the lifestyle sector amidst rising manufacturing costs, increasing competition and subdued demand conditions. The sector demonstrated resilience against these challenges, to maintain market position through targeted volume growth whilst ensuring quality and value to our customers by adopting process efficiencies and supply chain improvements across our operation.

Market Position

Market leader in floor and walltiles with respective market shares of 33% and 35% in the local market and a growing presence in international markets such as Australia, India, Maldives.

Strategy

Enhancing customer value proposition through value addition.

Outlook

Cautiously optimistic considering expected growth prospects in construction sector

Key Indicators 2017/18

Financial Capital

Revenue (Rs. Mn)	22,948	Total Assets (Rs. Mn)	41,523
PBT (Rs. Mn)	3,852	Total Liabilities (Rs. Mn)	21,885

Human Capital

Head count	3,233	Net profit/Employee (Rs. Mn)	0.80

Social and Relationship Capital

Investment in CSR (Rs. Mn)	32	Payments to suppliers (Rs. Mn)	18,399

Manufactured Capital

PPE (Rs. Mn)	20,683	Capital Expenditure (Rs. Mn)	2,847

Intellectual Capital

New products	Tiles: 13 new collections and 1 new large size Sanitaryware: new collections	Investments in R&D (Rs. Mn)	92

Natural Capital

Water Use (M^3)	158,943	Energy Consumption	
Raw Material Consumption (MT)	Feldspar: 98,763 Ball Clay: 79,454	Electricity (Mn kWh) LPG (Mn Kg)	50.02 20.4

Rocell Bathware Design Hub in Nawala

Our Business

We are the country's leading floor, walltile and sanitaryware manufacturer with market shares of 33%, 35% and 40% respectively. Our pioneering lifestyle brands Rocell and Lanka Tiles have nurtured a reputation for quality, elegance and uniqueness and continue to be proud ambassadors for the "Made in Sri Lanka" brand both locally and overseas.

Operating Environment

Construction industry growth moderated in 2017, recording a marginal growth of only 3.1% compared to a growth of 7.6% in 2016. The Government's fiscal consolidation efforts resulted in a slow-down of Government infrastructure projects, while private investors adopted a "wait and see" approach given moderating economic conditions and policy instability. As a result, the tiling subsector too witnessed a subdued growth of 7.5% during the year. Profit margins were also affected by rising manufacturing costs stemming from an increase in global commodity prices (including fuel) and the depreciation of the Rupee. Meanwhile growing competition from cheaper imports particularly from India and China continued to pose a challenge for domestic manufacturers.

Company	Product	Factory Location	Production Capacity
Royal Ceramics Lanka (PLC)	Manufacture and retail of Homogeneous verified porcelain tiles and glazed porcelain tiles for the Rocell brand.	Eheliyagoda	2.35 Mn square meters per annum
Royal Porcelain (Pvt) Ltd.	Designs and manufactures glazed ceramic, vitrified glazed porcelain and vitrified glazed polished porcelain floor tiles under Rocell brand	Horana	3.85 Mn square meters per annum
Lanka Tiles PLC	Manufacture of glazed porcelain and ceramic floor tiles under the brand Lanka Tiles	Ranala	4 Mn square meters per annum
Lanka Walltiles PLC	Manufacture of ceramic walltiles	Meepe	2.5 Mn square meters per annum
Rocell Bathware Ltd.	Manufacture of Sanitaryware solutions	Homagama	360,000 units per annum

Lanka Walltiles – Meepe – Glazing Line

By Delmege Interior

Strategy and Performance

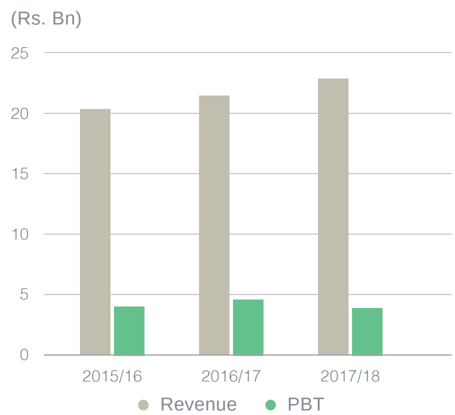
The lifestyle sector which contributed 38.5% to Group profits, saw revenue increasing by 7%; however profit declined by 29% due to the escalation in input costs. Our strategy during the year centered on defending our market share from cheaper imports to maintain our competitive edge through targeted volume growth. During the year, Lanka Tiles PLC which accounts for almost 27% of the sector's revenue, recorded a revenue growth of 18% by successfully capturing market share from importers by strengthening its customer value proposition through value added products and importing and selling tiles at competitive prices. Royal Ceramics Lanka PLC, which caters mainly to the mass affluent market, enhanced its customer proposition by offering more competitive prices which enabled it to sustain its market share. Consequently, despite a volume growth of 5%, revenue growth remained flat during the year. The interior solutions cluster under Delmege Interiors too recorded a revenue growth of 5% contributing to the revenue growth in the sector. Meanwhile, Lanka Walltiles PLC recorded a revenue of Rs. 3.316 Bn, a 1% decline from last year, mainly due to the decline in demand for the 8" X 12" wall tiles which were gradually phased out and replaced with a larger tile size.

The sanitaryware sector recorded a growth of 3.7% in FY 2017/18 compared to a growth of 25% last year reflecting subdued economic conditions. Volume growth was maintained by offering discounts and promotions enabling it to retain market share despite the sluggish economic conditions.

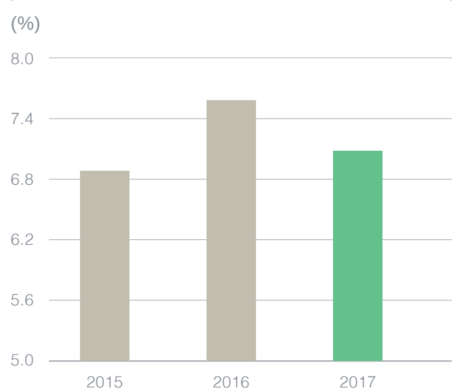
Capital Expenditure for FY 2017/18

Factory Location	Capex (Rs. Mn)
Ranala	402
Meepe	167
Eheliyagoda	760
Horana	128
Homagama	78

Sector Financial Performance



Construction Sector Contribution to GDP



Source: CBSL Annual Report

With margins being severely pressured by increasing cost of production and intense price competition, we adopted proactive cost optimisation strategies across the sector to maintain margins. During the year we implemented 100 Kobutzu Kaizen (focused improvement) projects aimed at improving organisational equipment and resources by improving productivity, quality, cost effectiveness, delivery, safety and morale. We also significantly reduced production cost by implementing Total Productive Maintenance (TPM) initiatives while eliminating losses and waste across the Group that are inherent to production system. This cohesive cost management strategy which resulted in a total cost saving of Rs. 542 Mn enabled the sector to maintain margins without increasing prices.

Our manufactured capital consisting of our state-of-the art factories, technologically advanced machinery and extensive showroom network is one of our key strengths, setting us apart as pioneers and visionaries in the industry. We continue to invest in our manufactured capital, to increase capacity, efficiency and capability. During the year, we intend to invest Rs. 1.2 Bn in our Royal Ceramics factory in Eheliyagoda, expanding its capacity by 35% and enabling the plant to increase production of full body porcelain tiles, a tile category in which we see significant growth potential. Meanwhile, technology and machinery upgrades were carried out across the factories in order to improve efficiencies and productivity.

Achieving deeper market penetration by leveraging on our extensive distribution network to enhance customer accessibility was a key priority during the year. We increased our warehousing capacity across the country to 240,000 sq. ft. in order to increase the speed to market while continuing to upgrade and enhance our showroom and branch network. During the year, we expanded our showroom network with 4 new Lanka Tiles show rooms and 3 new Rocell showrooms. We are cognisant of the vital role played by our value chain partners, and continue to invest in providing technological and financial support to our dealers and suppliers to support their sustainable business growth.

As a responsible corporate citizen, we continuously strive to minimise the environmental footprint of our operations. Investments were made throughout the Group to ensure environmental compliance, energy efficiency, emission reduction, as well as water and waste management.

We continue to focus on employee development and engagement programmes to ensure that our team is fulfilled both professionally and personally. Technical and soft skills training programmes are conducted for employees, including overseas exposure in international exhibitions and manufacturing plants. During the year we also introduced a spiritual management programme for our staff. Our commitment to consistently enhancing our employee value proposition is demonstrated in our healthy retention rate of over 95% and a consistently high “great place to work” score.

Outlook

With large scale infrastructure developments such as the Port City Project expected to gain momentum, we expect the high-end luxury housing and business space segments to be key areas for growth in the medium to long term. While we target growth in these niche markets, we also expect the growth momentum in mass

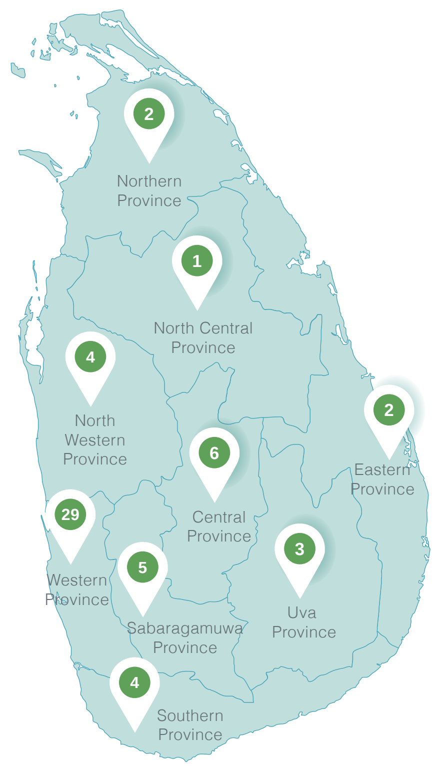
Robotised Glazing Machine – Rocell Bathware Godagama markets to continue due to rising demand for affordable housing particularly in urban areas. Our key focus for FY 2018/19 would therefore be to continue to grow our distribution network and consolidate our market position both in the local and export market while increasing capacity in identified growth segments. To this end, the proposed Rs. 2 Bn investment in the Lanka Tiles factory in Ranala will increase capacity by 30% adding capabilities to manufacture a wider range of floor tiles including larger tiles. The sanitary ware manufacturing plant in Homagama will also see capacity increase by 40% through a Rs. 580 Mn investment in 6 new lines, a new kiln and a pressure casting machine.

The Rocell Bathware Design Hub - Nawala

Our Expanding Footprint

The Rocell retail network comprises of 56 island-wide showrooms. This includes 35 concept centres aimed at providing customers inspirational experiences. The Lanka Tiles network consists of 48 own branded and franchise showrooms.

We continue to expand our overseas presence with concept centres in key locations. Rocell currently has two concept centres in Melbourne, in the suburbs of Oakleigh and Mitcham.



Finance

The finance sector performed well during the year despite an environment of increasing interest rates, restrictions in the leasing market and curtailed credit growth. The sector recorded a commendable revenue growth of 30% and profit growth of 8% (excluding the impact of Sampath Bank), supported by entry into new market segments, strategic focus on consolidating its position in core businesses and careful management of costs.

Market Position

9% of the industry's assets
and deposit portfolio

Source: CBSL Annual Report 2017

Strategy

Customer acquisition by targeting untapped customer segments
Diversification of deposit base

Outlook

Positive Outlook for gold loans and asset financing

Cautious outlook for leasing

Key Indicators 2017/18

Financial Capital

Revenue (Rs. Mn)	24,900	Total Assets (Rs. Mn)	120,821
PBT (Rs. Mn)	6,472	Total Liabilities (Rs. Mn)	105,471

Human Capital

Head count	3,468	Net profit/Employee (Rs. Mn)	1.2

Social and Relationship Capital

Investment in CSR (Rs. Mn)	42

Manufactured Capital

PPE (Rs. Mn)	4,682	Capital Expenditure (Rs. Mn)	1,539

Intellectual Capital

Brand Value – LMD (Rs. Mn)	3,853

Natural Capital

Water Use (M^3)	29,891	Non-renewable Sources	16,131
		Electricity (Mn kWh)	3.9
		Diesel (L)	54,900

L B Finance Building

Our Business

L B Finance PLC, is one of the country's largest NBFI's, with an established track record of over 47 years and an asset base of Rs. 121 Mn as at 31st March 2018. We offer a gamut of lending products including leasing, vehicle loans, mortgage loans, gold loans, factoring, working capital solutions and Islamic Finance as well as a range of deposit products to a wide spectrum of customers including Corporates, SMEs and individuals through our expanding network of 123 branches and 36 gold loan centres.

Pushing the Frontiers of Our Business

We continue to push the boundaries of our industry by expanding into frontier market and reaching out to new customer segments.

New customer segments

- Two wheeler segment for leasing.
- Salaried, middle income segment for gold loans.
- Pensioners through the relaunched "*Sanda Saviya*" personal loan.

Frontier markets

- Increased presence in the Northern and Eastern province.
- Increased presence in Myanmar.

Operating Environment

Fiscal consolidation and macro prudential policy measures taken to curtail imports, restrict credit growth as well as the increasing trend in lending rates during the year the negatively affected the demand for core lending products in the Non-Banking Financial Sector. Total vehicle registrations which dropped drastically in 2016 continued to decline steadily in 2017. As a result, expansion of the NBFI sector slowed down noticeably during the year with credit extended by LFC's and SLC expanding 9.8% to Rs. 1,057.1 Bn in 2017 compared to the growth of 21% in 2016. The Sector maintained its moderate growth momentum by shifting focus to other areas of lending, as the leasing sector was affected by LTV restrictions. Amid concerns of overdependence of the industry on borrowings for expansion, there was also a gradual shift toward deposit financing in 2017.

Strategy and Performance

With vehicle financing accounting for almost 70% of our lending portfolio, FY 2017/18 proved to be a challenging year due measures taken by the Government to curtail vehicle imports. The significant drop in three-wheeler registrations, one of our key growth markets had a substantial impact on asset expansion, Despite these challenges, we stood firm in our strategy of consolidating our position in our core businesses; leasing, gold loans and asset financing by exploring new target markets. During the year, we shifted focus to the two-wheeler segment to compensate for the volume drop in the three-wheeler segment. We adopted a dual approach to growth in gold loans, seeking deeper penetration in the rural markets while also tapping the salaried, middle income segment. We also continue to introduce and relaunch targeted products to segments in which we see

L B Corporate Office

potential for growth. During the year we introduced "*mul gala* home loans". We also relaunched our existing personal loans "*Saviya*" as "*Sanda Saviya*" specifically targeting pensioners.

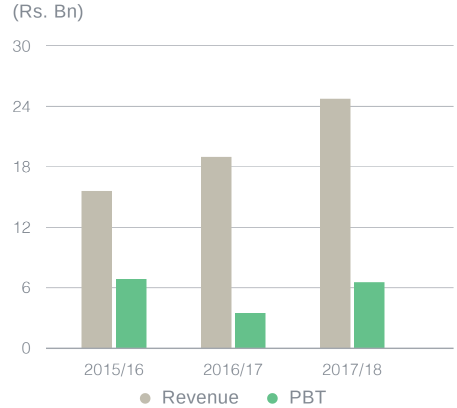
Broad-basing our deposit base was a key strategy during the year and will continue to drive our liability strategy going forward. This strategy not only enabled us to build brand value across a wider cross section of customers it also enabled to achieve increased granularity and access low cost funds in a high interest rate environment. A greater focus on cost management combined with targeted volume growth resulted in the sector recording a profit growth of 8% despite the challenging market conditions. It is also noteworthy that we maintained our NPL ratio at 2.75% compared to 5.5% in the industry.

Our staff consisting of 3,468 employees is one of our greatest strengths. Our talent acquisition strategy involves recruiting school leavers and providing training opportunities to groom them to become the next generation of leaders in the organisation and society as a whole. In line with industry trends, retention at entry levels continues to be challenging, however our "Triple-E approach" which involves increasing staff engagement and motivation through Education, Experiences and Exposure has proved to be successful as indicative from our increased retention ratio during the year. The Company's retention ratio increased to 76% during the period.

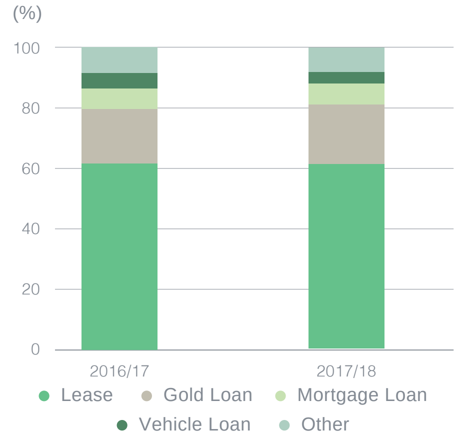
As we extend the boundaries of our operations by moving beyond traditional customer segments, we continue to find ways in which we can promote economic empowerment amongst unbanked and under-banked communities of this country. Targeting lower income groups through tailor made products such as the "*mul gala* home loans" and "*Saviya*" personal loan is an example of our endeavours in this regard. With a 60% customer penetration outside of the Western Province we strive to drive a more equitable growth by providing more individuals the opportunities to productively participate in the country's economy.

During the year we expanded our branch network by adding 5 new branches in the Northern and the Eastern Provinces. We also strengthened our island wide presence with several new CDM's across the country. In addition to the "brick and mortar" branches, we continue to develop our digital platforms in order to offer more convenience to our customers while attracting a new generation of more tech savvy customers. During the year we also expanded our overseas presence, opening our second branch in Myanmar under our subsidiary "L B Micro Finance Myanmar".

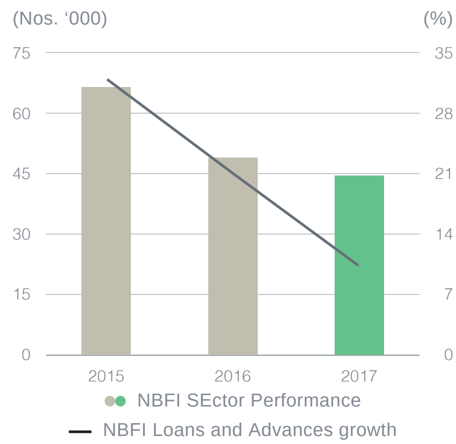
Sector Financial Performance



Our Portfolio Composition



NBFI Sector Performance



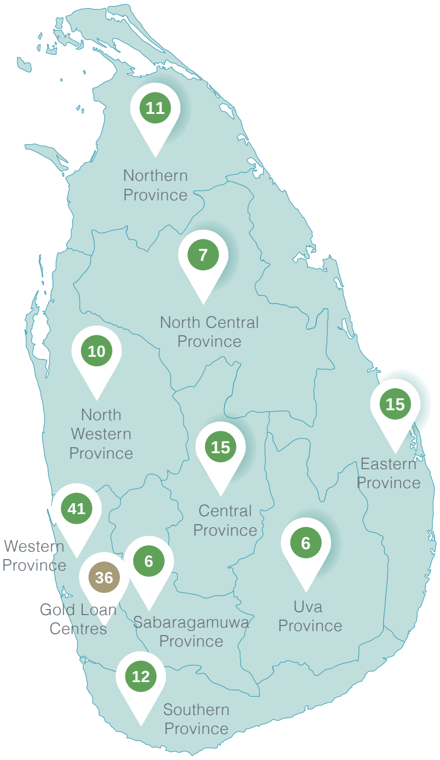
Source: CBSL Annual Report, SLTB

Outlook

We expect FY 2018/19 to be somewhat of a challenging year with asset quality and profitability being stressed by lower economic growth, higher credit costs and inflation. Despite these challenges, we will continue to focus on deepening relationships with our customers through new product development and expansion into new market segments. We have strengthened our credit underwriting and risk management processes, as the industry is likely to see a deterioration in asset quality given moderating economic growth. We are positive about the recent changes to the risk management, liquidity and provisioning regulations for the industry, which we are confident will result in the stability of the sector in the medium to long term.

Our Reach

Our presence in all 9 districts of the country through our extensive network of 123 branches and 36 Gold loan centres enables us to reach Sri Lankans across the country, promoting financial inclusivity amongst all segments of society.



Aluminium

The subdued performance of the construction industry together with rising aluminium prices in the global market resulted in the aluminium sector performing below expectations in FY 2017/18. Despite these external challenges, we continued with a two-pronged strategy of aggressively expanding our distribution network in tandem with capacity expansion to fortify our position in the market.

Market Position

A leading player in the Aluminium Profiles Market with a 35% market share

Strategy

Fortify market position through a two-pronged strategy of capacity expansion and network expansion

Outlook

Optimistic considering the long-term growth prospects in the construction sector

Key Indicators 2017/18

Financial Capital

Revenue (Rs. Mn)	3,341	Total Assets (Rs. Mn)	3,299
PBT (Rs. Mn)	339	Total Liabilities (Rs. Mn)	2,600

Human Capital

Head count	261	Net profit/Employee (Rs. Mn)	1

Social and Relationship Capital

Investment in CSR (Rs. Mn)	1	Payments to suppliers (Rs. Mn)	2,201

Manufactured Capital

PPE (Rs. Mn)	1,395	Capital Expenditure (Rs. Mn)	490

Natural Capital

Raw Material Consumption (MT)	Aluminium Billet 5,991 Chemicals 384	Energy Consumption	Electricity: 5.7 (Mn kWh) LPG 0.67 (Mn kg) Furnace Oil 188,505 Litres
Water Use (M^3)	39,554		

Our Business

Despite being a relatively new entrant into the market, Swisstek Aluminium Limited is rapidly gaining ground in the aluminium profiles market with its innovative and expanding product portfolio and uncompromising focus on quality. In response to increasing market demand, the Company increased capacity in its Dompe Factory from 400 MT to 1,000 MT during FY 2017/18 enabling it to manufacture a wider range of products including larger sized aluminium extrusions used in high rise buildings.

Operating Environment

Demand for aluminium profiles is on an upward trajectory, despite the modest performance of the construction industry during the second half of the year. The growth in the market for mid to low cost apartments and high-rise office space continued to drive demand for aluminium profiles. Aluminium profiles are also emerging as a popular alternative to timber profiles in residences, due to durability, ease of maintenance and lower cost. Meanwhile, global primary aluminium prices were on the rise during the year, negatively impacting the margins of manufacturers engaged in the processing of aluminium.

Our Expanding Product Portfolio

Our relentless focus on research and development and investments in cutting edge technology enable us to continue to expand our product portfolio to address ever evolving customer requirements.

Our Expanding Product Range

2017	Sand blasted and polished anodized range
2016	Wood and Bright finish range
2015	Special architectural range

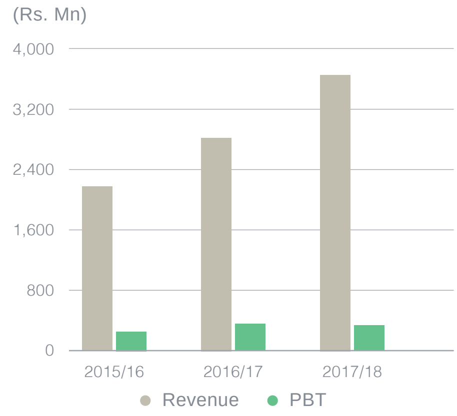
Strategy and Performance

The Sector's revenue growth was commendable at 18%, although slowed in comparison to the previous year. Investments in capacity expansions came into operation in August 2017, contributing to a manufacturing volume growth of almost 12%.

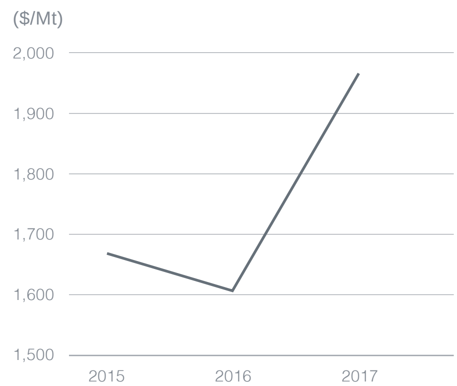
Rising global aluminium prices and the 2% depreciation of the Rupee continued to strain our margins during the year. Careful management of costs however enabled us to minimise the impact on GP margins which witnessed a decline of only 2% despite aluminium import prices increasing by almost 20%. In spite of GP margins declining only by 2%, the sector profits in FY 2017/18 declined by 22% to Rs. 254 Mn compared to Rs. 325 Mn in FY 2016/17 mainly due to rise in both finance and tax charges.

Whilst expanding capacity we also aggressively expanded our distribution network by increasing the number of franchise and direct dealers islandwide. During the year, we added 24 dealers to our network increasing our network to 133 dealers islandwide.

Sector Financial Performance



Aluminium Prices (Annual Averages)



Source: World Bank Commodity Prices

Swisstek Concept Centre – Nawala

During the year, we continued to focus on improving our labour relations. Approximately 95% of our employees are unionised and we are currently in the process of negotiating a collective agreement with our factory employees aimed at nurturing a more conducive work environment.

As an industry with significant environmental impacts, we are cognisant of our obligations in minimising the negative impact from our operations. We also engage in an ongoing dialogue with our community to proactively identify and address any concerns they may have.

Outlook

Demand is expected to pick-up over the medium term given the gradual recommencement of construction projects together with the increased substitution of timber windows with aluminium particularly in the residential segment. On the costs front, whilst global aluminium prices are expected to soften in 2018, high energy costs and labour costs are expected to continue to negatively impact margins.

Alton Estate, Upcot

Plantations Sector

We continue to introduce sustainable agricultural practices, innovation, new management practices and quality assurance techniques to drive sustainable long term growth in a mature plantations sector. During the year, the plantation sector contributed Rs. 36.4 Mn to Group profits with a revenue growth of 15%.

Market Position

- 1% of total national tea production
- 1.2% of total national rubber production

Strategy

Diversification of crops, markets and technology

Outlook

Increasing costs are expected to continue to pressure margins

Key Indicators 2017/18

Financial Capital

Revenue (Rs. Mn)	2,248	Total Assets (Rs. Mn)	3,348
PBT (Rs. Mn)	50	Total Liabilities (Rs. Mn)	2,309

Human Capital

Head count	5,825	Net profit/Employee (Rs. Mn)	0.01

Social and Relationship Capital

Investment in CSR (Rs. Mn)	27	No. of Beneficiaries	7,253

Manufactured Capital

PPE (Rs. Mn)	572	Capital Expenditure (Rs. Mn)	15

Natural Capital

Water Use (Mn L)	0.30	Energy Consumption (Mn kWh)	3.2
Raw Material Consumption (MT)	Bought Leaf 14,124 Natural Latex 833		

Our Business

Horana Plantations PLC (HPL) is one of Sri Lanka's leading plantation companies, comprising 16 estates and employing a workforce of 5,825. The Company's estates are spread over a total area of 7,534 hectares, primarily in the Central and Western Provinces of Sri Lanka. 40% of the cultivated area has been dedicated to tea, 39% to rubber, 9% to timber, and 11% to other diversified agricultural crops. HPL has an annual production of 4 Mn Kg of tea and 1.4 Mn Kg of rubber.

The Company strives to embed sustainable business practices in every aspect of its operation. Its emphasis on uplifting the social standards of its workforce at every level, investing in adequate and relevant training, protecting and conserving the environment as well as being a responsible player by way of its ethical agricultural practices is evidence of the Company ethos of sustainable value creation for all its stakeholders.

Validation of our Commitment to Sustainability

- First Company to be accredited for "Certified Oil Palm" in the world by the Forest Stewardship Council (FSC) which certifies sustainable forest management practices after a thorough evaluation of all three pillars namely being environmentally friendly, socially acceptable and economically viable.
- ISO 22000:2005:HACCP for all tea factories and ISO 9001-2008 Certification for all rubber factories
- Ethical Tea Partnership (ETP) and Fair Trade Certification
- Rainforest Alliance Certification (RA) for 8 estates

Our Diversification Strategy

Given Sri Lanka's waning competitiveness in the world tea and rubber markets, and increasingly serious impacts of climate change, diversification of markets, products and technology will be the key to the long-term sustainability of the sector.

Our Diversification Strategy

- Market Diversification
  New Export Markets in China, Taiwan
- Crop Diversification
- Diversification into ancillary crops such as Oil Palm, Cinnamon, Coconut, Timber, Fruits
- Technology Diversification
  Introduction of newer agricultural practices to improve productivity and lower cost of production

Operating Environment

The country's tea production which was severely affected by erratic weather conditions in 2016, increased only marginally by 5% to 307.08 Mn kg in 2017 from an all-time low of 292.57 Mn kg in 2016. Total tea export volumes in 2017 increased only marginally by 0.1% compared to 2016 as well. Despite the poor performance in terms of production and export volumes, 2017 proved to be a favourable year for Sri Lankan tea prices, with average sales prices (FOB) prices

Gouravilla Estate, Upcot

Moussella Tea Factory

reaching Rs. 618.14 per kg, the highest achieved during the last four years and increasing almost 32% over 2016 prices. The buoyant prices however were mainly attributed to the increase in international prices as a result of a global supply shortage and the depreciation of the Rupee and therefore cannot be expected to be sustained throughout 2018/19.

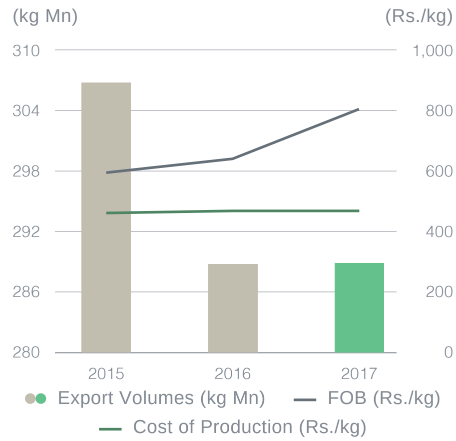
Rubber production too grew only by 7% to 85,000 tons in 2017. The extent under tapping has gradually declined over the years due to competition for land for more lucrative agricultural crops such as oil palm and for real estate development. Persistently low prices in the world market as well rising cost of production is increasingly making the rubber industry an unviable sector.

Low productivity, high labour costs and declining margins continue to plague the plantation sector, increasingly affecting the country's competitiveness in the world market. Contributing to this are factors such as stagnation or shrinkage of areas under cultivation, inadequate replanting, higher production costs, labour shortages as well as ad hoc policy decisions such as the decision to ban weedicides such as Glyphosate which in turn significantly affect yield, productivity, profitability and long-term sustainability of the industry.

Strategy and Performance

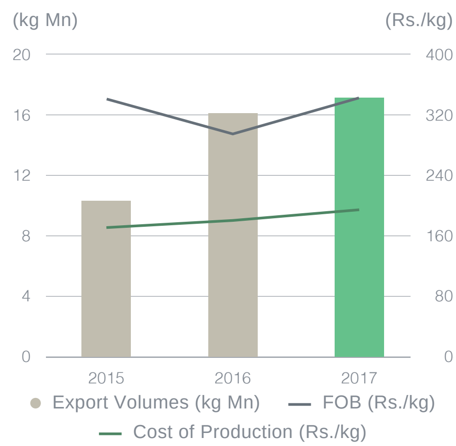
FY 2017/18 saw Horana Plantations PLC record a revenue growth of 15% to achieve a revenue of Rs. 2.2 Bn and a post-tax profit of Rs. 84.3 Mn after two consecutive years of losses. Buoyant tea prices during the year, saw the tea sector perform exceptionally well with a turnover and PAT of Rs. 1.8 Bn and Rs. 275.6 Mn respectively whilst the rubber sector reported a loss of Rs. 35.5 Mn due to low yield owing to less tapping days (Adverse weather). Continued focus on product quality through the adoption of locally and internationally-

Tea Sector Performance



Source: CBSL Annual Report

Rubber Sector Performance



Source: CBSL Annual Report

accepted product certifications and sustainable agricultural practices has enabled Horana Plantations to consistently command premium pricing in the tea auctions.

Despite the improved performance during the year, the Company recognises the long-term risk of being solely reliant on tea and rubber and is steadfastly committed to its crop diversification initiative. The Company thus continued its diversification into Oil Palm, Cinnamon, Coconut and other ancillary crops during the year, significantly increasing its future revenue potential.

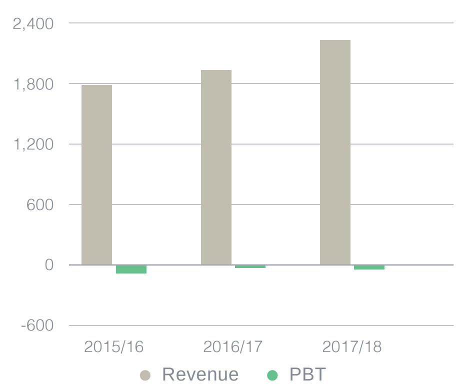
Uplifting the living conditions and standards of our estate worker base and their families is integral to our business as it has a direct impact on productivity and labour relations. We believe in creating empowered communities that can actively participate in their own welfare and development. To this end, HPL's initiative to develop Community Development Forums in several estates has given ownership of the development work to communities. Through this programme estate Worker Housing Corporative Societies are established on the estates to provide assistance in disbursing loans for housing, construction, and distress assistance etc. Whilst empowering our estate worker communities, we continue to directly invest in the socioeconomic progress of our workers and their families. During the year, 27 housing units were completed at an investment of Rs. 27 Mn. We also work closely with Non-Governmental Institutions such as World Vision, ADRA, Berendina etc. In the implementation of social programmes aimed at eradicating malnutrition and creating an Anemia free population within our communities.

We continue to enhance the quality of our natural capital through sustainable business practices and community initiatives. Whilst adopting sustainable business practices by complying with multiple local and international certifications of environmental management including Rainforest Alliance, Ethical Tea Partnership Certification and Forest Stewardship Council Certification we are also committed to promoting sustainable practices in our estate worker communities. During the year (2012) HPL commenced a centralised waste disposal mechanism for its estate communities. Meanwhile we are increasing by moving towards renewable energy sources such as solar power to fulfil our energy requirement.

Outlook

We expect tea prices to stabilise during the year, and for demand conditions to pick-up due to the improving geopolitical situation in main import destinations in the Middle East and Russia. With a plantation sector wage negotiation expected during the third quarter of 2018, our cost base is expected to continue to increase in 2018. However, the Government's decision to lift the ban on Glyphosate with effect from May 2018 is a welcome development which is expected to significantly ease the pressure on industry margins.

Sector Financial Performance



Leisure

Our award-winning boutique resort, The Fortress Resort and Spa, Koggala has successfully maintained its edge by offering world-class service, indulgent luxury and eco experiences to the discerning traveller. During the year, The Fortress Resort and Spa contributed Rs. 30 Mn to Group profit.

Market Position

An established brand in the high-end Luxury Hotel Category

Strategy

Creating brand value and customer loyalty through a unique hospitality offering

Outlook

Changing supply and demand dynamics expected to drive demand for a more differentiated offering

Key Indicators 2017/18

Financial Capital

Associate Results from Fortress Resort (Rs. Mn)	30	Total Assets (Rs. Mn)	4,690
PBT (Rs. Mn)	(15)	Total Liabilities (Rs. Mn)	585

Manufactured Capital

PPE (Rs. Mn)	4,669	Capital Expenditure (Rs. Mn)	651

The Fortress Resort and Spa is accounted for as an Associate while "Greener Water Hotel Project" Negombo is currently under construction.

Our Business

Currently the Group's holdings include the award-winning Fortress Resort & Spa in Koggala and the ongoing Greener Water Hotel project in Negombo. The Fortress Resort & Spa located in Koggala is a 53 room boutique hotel which caters to the high-end tourism market. The resort includes two Presidential Suites with private pools, two Junior Suites with in-room plunge pools, a luxury spa and three fine dining restaurants.

The ongoing Greener Water Hotel Project in Negombo once completed will comprise of luxurious five-star rooms, a world-class water park and 110 m swimming pool among other amenities. The resort will also provide unique experiences through three fine-dining restaurants and a luxury healing and wellness spa spanning the entirety of the 2600 M^2 mezzanine floor. The project, which brings together some of the world's most renowned architects and design teams is expected to redefine the standards of the Sri Lankan five-star beach resort proposition, through its unique, super luxury integrated resort concept. Construction is currently underway with commercial operations scheduled to commence in April 2020.

The resort project has been designed by world renowned architect WATG while the supporting designing teams include well known international names such as T.Y.Lin Associates, Singapore, KK Lim Associates, Bo Steiber Lighting,Singapore, Jokomo Design, Malaysia, Cloward H2O, USA and EDSA – USA.

Our Brand Value

Our unique brand of hospitality which combines modernity and luxury with tradition and holistic well-being has brought us many awards and helped place Sri Lanka firmly on the World's luxury tourism map.

Award Name	Received for
Wellness & Spa Europe Certificate	Evaluated as “Leading Spa Selection” 2018
GMP Certification – by Sri Lanka Standards Institution	Good Manufacturing Practices
Conde Nast Johansens	A Global collection approved by local experts for Luxury Hotels, Spas and Venues for 2018
Trip Advisor	Traveller’s Choice Award Winner of Top 25 Hotels – Sri Lanka
Luxury Travel Guide (LTG) – Asia & Australasia Awards 2017	Luxury Hotel & Spa – Sri Lanka
TripAdvisor	Certificate of Excellence

The Fortress Resort and Spa, Koggala

Operating Environment

Performance of the tourism industry was below expectations in 2017 with tourist arrivals recording a growth of just 3.2% over the previous year. The moderate growth reflects subdued growth from key source markets such as Germany, France and China during the second half on 2017. Factors such as travel advisories issued due to the Dengue outbreak, floods and landslides that affected the country and the temporary closure of the Bandaranaike International Airport for renovations also negatively impacted tourist arrivals during 2017.

On the supply side, the industry has seen a sharp increase in room inventory over the last few years, with the total number of graded rooms surging by over 40% during the last 4 years. Meanwhile, the informal sector consisting of alternative accommodation such as home-stays, residential apartments etc. too have witnessed significant growth, in response to a rising preference for more authentic travel experiences.

A key challenge for the tourism and hospitality industry is a lack of skilled labour particularly in key operational areas such as in Kitchen, F & B, House Keeping and Front Office operations. Meanwhile, the demand for skilled employees in these areas is growing at a substantial rate as larger international hotel franchises make their way into the Sri Lankan market, consequently, recruitment continues to be a significant challenge industry faces.

Strategy and Performance

Occupancy rates of Fortress Resort and Spa declined marginally to 60% in FY 2017/18 from 65% during the previous year. The decline reflects the slower growth in tourist arrivals, intense competitive pressures and the Resort being closed for two months due to renovations. Average Room Rate however increased during the year increasing from Rs. 30,414 to Rs. 34,341. As a result, turnover grew by 2% to Rs. 639 Mn while profits after tax increased by 5% due to a greater emphasis on cost management.

We place strategic emphasis on continuously upgrading our Manufactured Capital and during the year, Fortress Resort and Spa invested approximately Rs. 89 Mn on refurbishments and developments to its property. This includes refurbishments to the lobby area and upgrading some of the interiors to improve the customer experience and ambience of the property.

We make every effort to hire resort staff from surrounding communities and our employee value proposition ensures that we contribute directly to their socio economic progress and skill development. During the year, we invested Rs. 1.3 Mn in 282 training hours for our people while total payments to employees increased by 20%. With regard to labour shortages, The Fortress Resort PLC is actively working to improve the flow of talent into the organisation through partnerships with leading local hospitality training organisations such as the NAB and SLITHEM to train their students in the hotel as part of their curriculum and then absorbing them into the hotel cadre at the end of their training period.

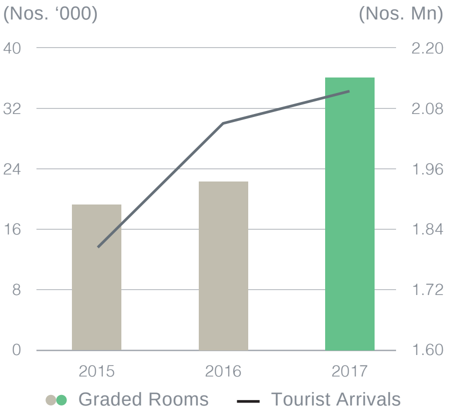
Traditional markets such as EU, UK and Australia continue to be our main markets and we work closely with tour operators in these countries to promote our brand. Whilst focusing on these traditional markets we are also increasingly looking at attracting the luxury traveller from emerging markets such as India and China.

Progress on the super structure contractor's work of the Greener Water Hotel Project was delayed due to a shortage of local labour for construction work. Absorbing this factor, we have rescheduled the expected completion date to 2020.

Outlook

Evolving dynamics in the country's tourism supply and demand are re-shaping how hospitality operators can drive sustainable business growth. Guests are increasingly looking for more authentic personal experiences, while emerging markets such as India and China are growing in importance as source markets. On the supply side, significant investments from established international chains as well as the growth in boutique style accommodation and the informal sector has resulted in intensified competitive pressures. Understanding these diverse trends, we will continue to strive to differentiate ourselves by offering a brand proposition that revolves around offering an unique experience that combines modern luxury with traditional Sri Lankan hospitality.

Tourism Industry Trends



Source: CBSL Annual Report

Consumer

The Group's Consumer sector consists of the Food and Beverage and Healthcare clusters. The Sector performed moderately well amidst the challenging macro economic conditions that prevailed during the year. Being attuned to changing market dynamics and responding agilely to these changes record a revenue decline of 9% over FY 2016/17.

Market Position

- Sole distributor for Motha Products
- Market leader in ophthalmology and physiotherapy.

Strategy

- Strategic diversification of portfolio and distribution channels

Outlook

- Cautious outlook in the short term due to inflationary pressures.
- Positive outlook in the medium to long term due to the changing demographic landscape to continue to pressure margins

Key Indicators 2017/18

Financial Capital

Revenue (Rs. Mn)	4,387	Total Assets (Rs. Mn)	2,831
PBT (Rs. Mn)	(191)	Total Liabilities (Rs. Mn)	4,421

Human Capital

Head count	265	Net profit/Employee (Rs. Mn)	(0.8)

Social and Relationship Capital

Payments to suppliers (Rs. Mn)	2,490

Manufactured Capital

PPE (Rs. Mn)	19	Capital Expenditure (Rs. Mn)	9

Intellectual Capital

New products	>15

Natural Capital

Energy Consumption	Electricity: 0.29 Mn kWh Fuel (Company owned vehicles and commute): 229,154 L

Our Business

Food and Beverage

Over its history of almost 166 years, Delmege Forsyth & Co Ltd. has grown to be one of the most trusted names in Sri Lanka's FMCG industry. Our food and beverage cluster which includes leading brands such as Motha dessert pre-mix range, Delmege Soya meat range, Delmage Hiru Kahata and Breez tea range,Delmege Mackeral Tinned fish and Delmege tea have continued to delight generations of Sri Lankans.

Healthcare

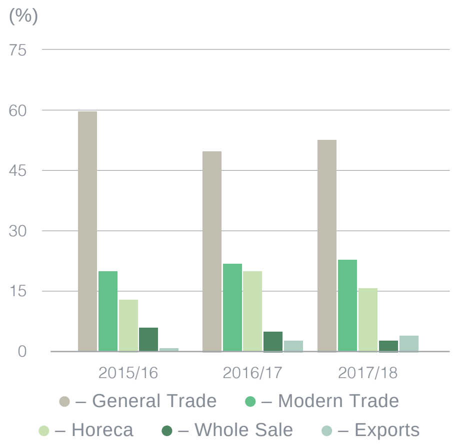
Our healthcare cluster concentrates on three main product categories; pharmaceuticals, medical equipment and medical devices. With links to over 25 established principals we are one of the leading suppliers of medical equipment to Government and private sector hospitals in the country. Together with our long standing partner Alcon, Enraf, Olympus, and Thermo. We remain the undisputed market leader in ophthalmology, physiotherapy, medical and laboratory microscope and blood bags centrifuge.

Managing our Channels

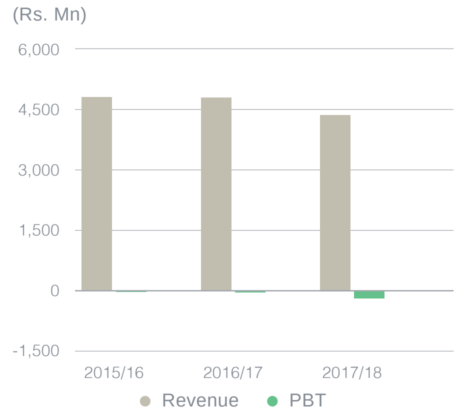
We use multiple channels which evolve in response to changing demographic dynamics to reach our diverse customer segments.

Our Channels

F&B Revenue by Channel



Sector Financial Performance



Operating Environment

Private consumption which slowed down considerably in 2016 due to the impact on disposable income levels from the increased value-added tax, higher inflation and interest rates, improved only marginally in 2017. Total Private Consumption Expenditure (PCE) grew in 2017 compared to the marginal growth in 2016. Meanwhile the share of private consumption expenditure on food and beverages too has remained relatively stagnant at 28% during the last three years.

Inflationary pressures continued to affect margins due to higher administration, medical regulatory and distribution costs. The depreciation of the Sri Lankan Rupee against the US Dollar also pushed up the prices of imported goods, affecting margins particularly in the healthcare cluster. This was further aggravated by Government imposed price controls on imported medicines which does not allow price increases to be passed on to the consumer.

Strategy and Performance

Sluggish consumer spending during the year resulted in a revenue drop of almost 9% for the food and beverage cluster. Despite these conditions, we continued with our strategy of maximising product availability and visibility through greater outlet penetration in the retail sector and better utilization of category space in the modern trade sector. While consolidating our position in the domestic market we also continued to explore export markets as the means of further diversifying our customer base. During the year we expanded into UAE, Italy and France and Germany taking our products to over 10 countries worldwide.

We remain cognisant of the evolving nature of customer tastes and preferences and continued to introduce innovative products to our portfolio such as the “double layer pudding”, while relaunching new and improved versions of some of our existing products. Meanwhile continuous efforts were taken to build brand awareness among consumers as well as distributors and agents.

Managing our costs is a key strategic focus in an environment of rising inflation. The sales force automation system implemented in 2016/17 bore fruit in 2017/18 by enabling us to better monitor retail coverage and performance of our distribution system while continuously identifying areas for improvement.

We view our employees as the ambassadors of our brand and therefore invest time, effort and money in talent development and talent retention. Training is provided for sales staff through monthly sales conferences and sales representatives are given the opportunity to interact closely with senior management and address any issues and concerns on an ongoing basis. We also revamped our incentive scheme during the year in order to bring about greater alignment between performance and strategic objectives.

Amidst a year of restructure and realignment, performance of the healthcare cluster was subdued in FY 2017/18 with a negative revenue growth of only 25% compared to a growth of 0.10% in FY 2016/17 and incurred a loss of Rs. 19.3 Mn compared to a profit of Rs. 94.3 Mn. During the year, we re-evaluated our business to identify product segments which were not aligned to our business model. Accordingly, we exited from two pharma agencies replacing them with new agencies including local Ayurveda manufacturers and medical equipment suppliers better able to benefit from the synergies in our operation. Performance of the cluster was also affected by delayed payments from Government agencies which resulted in a relatively high interest cost during the year.

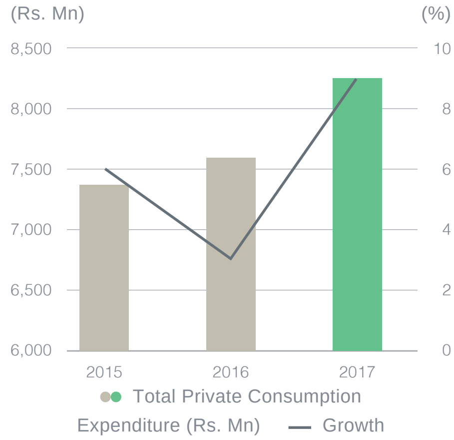
We view our role in the healthcare industry as extending beyond merely being a supplier to the industry to that of an influencer and catalyst for change. We continue to work closely with industry stakeholders to promote awareness on latest technology and research in order take the industry to the next level of excellence. During the year, we conducted 15 road shows for physiotherapists, microbiologist as well as 10 workshops for lab technicians with the aim of creating awareness on latest technology and trends in the industry.

We continue to develop our staff by providing ongoing training including overseas training in order to expose them to global best practices. During the year, our staff participated in 30 local programmes and 10 overseas training programmes.

Outlook

We see significant opportunities for long term growth in the FMCG sector due to an increasingly urbanised population and the growing importance of modern trade. We are well poised to capitalise on these opportunities by expanding our distribution channels and product range to increase our market presence. Meanwhile, in response to changing consumer preferences and a decline in demand for sugar-based products we are pro actively identifying new food categories in which we can strengthen our presence while re launching our existing products with further value additions.

Private Consumption Expenditure at Current Prices (PCE)



Source: CBSL Annual Report

In the healthcare segment, we view ourselves as a catalyst for introducing cutting-edge medical technologies such as cytogenetics and pulmonary testing to the Sri Lankan health sector. An aging population, a rise in non-communicable diseases (NCDs) together with rising income levels is expected to drive demand for medical equipment and pharmaceuticals and we will continue to seek ways in which we can meet this demand with the most up-to-date technology.

Investments and Others

The Investments and Others sector represent Vallibel One PLC's investments in a wide range of industries including finance, packaging, mining, insurance brokering, travel, and transportation. This sector collectively accounted for 6% of group revenue in FY 2017/18 while dividend income during the year amounted to Rs. 1,221 Mn.

Market Position

Diversified conglomerate with interests in a wide range of industries.

Strategy

Continue to invest in growth sectors and add value through strategic involvement.

Outlook

Positive outlook considering growth potential in industries with significant interests.

Key Indicators 2017/18

Financial Capital

Revenue (Rs. Mn)	3,654	Total Assets (Rs. Mn)	42,235
PBT (Rs. Mn)	1,513	Total Liabilities (Rs. Mn)	5,704

Human Capital

Head count	657	Net profit/Employee (Rs. Mn)	3.1

Social and Relationship Capital

Investment in CSR (Rs. Mn)	0.035	Payments to suppliers (Rs. Mn)	2,368

Manufactured Capital

PPE (Rs. Mn)	5,460	Capital Expenditure (Rs. Mn)	60

Natural Capital

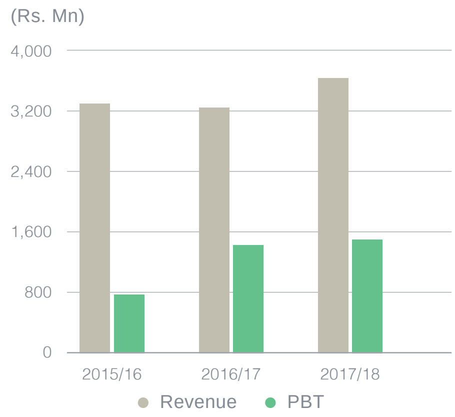
Water Use (M^3)	41,906	Energy Usage	Electricity: 1.83 (Mn kWh)

Unidil production facility at Moragala, Dekatana

Our Business

Clusters in Sector	Contribution to Sector
Investments	PBT: 80%
Packaging	Revenue: 80% PBT: 1%
Mining	Revenue: 5% PBT: 5%
Insurance Brokering	Revenue: 3% PBT: 4%
Travel	Revenue: 1% PBT: 0.2%
Shipping Agency	Revenue: 3% PBT: 2%
Administration Services	Revenue: 0.2% PBT: 2%

Sector Financial Performance



In line with the principles of materiality, the subsequent discussion will focus on the Packaging and Mining sub-sectors which collectively generate 5% of the other Sector's profits. Financial investments discussed will be limited to Sampath Bank PLC where Vallibel One PLC is the single largest shareholder with 32,481,024 shares, or 14.95% of the issued shares of the Bank as at 31st March 2018.

Nearly 80% of Sector's pre-tax profit represents dividend income up-streamed from Vallibel One PLC's investment.

Strategy and Performance

Uni-Dil Packaging Limited and Uni-Dil Packaging Solution Ltd.

The Uni-Dil Group consisting of Uni-Dil Packaging Limited and Uni-Dil Packaging Solution Ltd is a major player in the packaging industry in Sri Lanka manufacturing a wide range of Corrugated packaging solutions. The packaging industry which accounts for 80% of the "Others" sector's revenue, witnessed a revenue growth of 22% in FY 2017/18 compared to a revenue drop of 2% in FY 2016/17. The growth was achieved by successfully leveraging existing relationships to source more volumes from existing customers while actively exploring new markets. PAT of the packaging industry however decreased by 83% due to continued pressure on margins.

Whilst increasing capacity to meet long term demand expectations, we continue to invest in technology upgrades and process automation which brought about significant cost savings and efficiency gains. During the year we invested in new technology bringing about productivity enhancements across the production process.

Our employee base of over 300 is one of our key strengths, bringing in a level of expertise and skills which sets us apart in the industry. We continue to place emphasis on nurturing our human capital with ongoing skill development initiatives across all employee categories. Understanding and effectively responding to customers' requirements on marketing, operational and distribution needs is key to nurturing long term relationships. We invest considerable time, effort and money in understanding these unique needs and developing customised solutions.

The performance of the sector is strongly linked to world paper prices, as paper costs account for nearly 70% of corrugated carton manufacturing costs. World paper prices escalated by almost 50% in 2017 due to supply deficits arising from the closure of several large paper mills in China. Meanwhile demand conditions remained subdued due to moderated growth in key consumer industries such as tea exports and FMCG. Amidst these unfavourable conditions, competition between players intensified, due to excess production capacity exerting further pressure on margins. The ongoing paper crisis is expected to continue through FY 2018/19, and we expect margins in the packaging industry to continue to be pressured in the short to medium term. We are however more optimistic about demand conditions due to the gradual recovery of the economy and our internal efforts to diversify and broad base our customer segments.

Lanka Ceramic PLC

Lanka Ceramic PLC, the mining arm of the group performed well during the year contributing 45% to sector profits. The Company's mines are located in Meetiyagoda, Owala, Balangoda and Dediyawela from which Kaolin, Feldspar and Ball Clay are mined. During the year under review the company's production volume decreased from 74,000 MT in the year 2016/17 to 41,666 MT in 2017/18 while revenue decreased from Rs. 282 Mn to Rs. 178 Mn.

We continue to capitalise on our specialised mining expertise by diversifying into other mining categories. We commenced the manufacture of quartz and powdered dolomite and have plans to supply the plantation sector with mineral fertilizer. We remain committed to the sustainability of the resources we consume and continue to work in close collaboration with the Geological Survey and Mines Bureau to ensure the quality of our mines.

Negative weather conditions and a subdued construction industry impacted the mining and quarrying industry during the year. Meanwhile strict government regulations on mining and growing competition from imported ceramic raw material suppliers continue to be key challenges faced by the industry. We are however confident about the prospects for FY 2018/19 considering the expected gain in momentum in the construction industry.

Sampath Bank PLC

Sampath Bank is a leading player in the Sri Lankan banking industry and a systemically important bank; accounting for 9% of the licensed commercial banking sector's asset base. The Bank operates an island-wide network of 229 branches, covering all districts in the island. The Bank performed commendably well in 2017 with gross income increasing by 37% to Rs. 92.6 Bn and PAT increasing by 33% to Rs. 12.1 Bn. During the year the Bank rolled out "Paradigm Shift" an internal restructuring effort aimed at improving efficiency and effectiveness and providing greater clarity between corporate and consumer banking models. 2017 also saw the Bank venture into offshore lending through its first offshore banking unity in Myanmar. Efforts are also underway to pursue offshore lending opportunities in other regions including several East African countries. Bolstered by its financial performance and forward looking strategic direction, the Bank's share price moved up during the year increasing from Rs. 260.40 as at the end of December 2016 to Rs. 315.79 as at the end of December 2017.Sampath Bank PLC is listed is on Colombo Stock exchange an as at 28th May 2018 had a market capitalisation of Rs. 87,023 Mn.

Delivering Value

Financial Capital

The Group’s financial capital comprises of its shareholders’ funds, borrowings and customer deposits of the Financial Services arm. Financial Capital is vital in driving the Group’s strategic aspirations and day-to-day operations and effective management of the financial resources is critical in generating long term shareholder value.

Financial Performance

Revenue

The Group's revenue increased by 15% to Rs.60.97 Bn during the year, led by commendable top line growth in the finance sector (+30%) which witnessed robust loan expansion and widening Net Interest Margins. The lifestyle sector recorded a 7% increase in revenue supported by the strategy of value addition that was pursued during the year. It is noteworthy that all sectors other than Consumer recorded top line growth. The Group's revenue composition is dominated by the finance and lifestyle sectors which contributed a respective 41% and 37% to Consolidated Revenue.

Operating Costs

The Group's operating costs increased by 17% to Rs.13.03 Bn, mainly led by a near 70% increase in other operating expenses. This increase stemmed primarily from the Finance Sector due to a rise in impairment charges on loans and advances. The increase in administrative expenses was curtailed to 1% reflective of cost optimisation and lean initiatives in several sectors while distribution expenses grew by 14% during the year primarily due to increased marketing and promotional activities in the Lifestyle sector.

Operating Profits

Consolidated earnings before interest and tax widened by 30% to Rs. 13.72 Bn; this reflects a normalisation of profits following a one-off loss of Rs.3.90 Bn on the reclassification of Sampath Bank PLC from an associate to an investment in 2016/17. Excluding this effect, the Group operating profit demonstrated a marginal decline of 1% during the year. The Finance Sector saw commendable profit growth, which saw operating profit increasing by nearly 13% to Rs. 7.81 Bn. The Lifestyle sector recorded a 13% drop in operating profits primarily due to a narrowing of gross profit margins against the backdrop of rising input costs.

The aluminium, plantations, investments and others sectors also showed improvements at EBIT level while the consumer sector recorded a 45% decline reflecting the contraction in top line. Over the past 5 years, the Group has recorded robust profit growth with operating profit increasing at a CAGR of 27% since 2013.

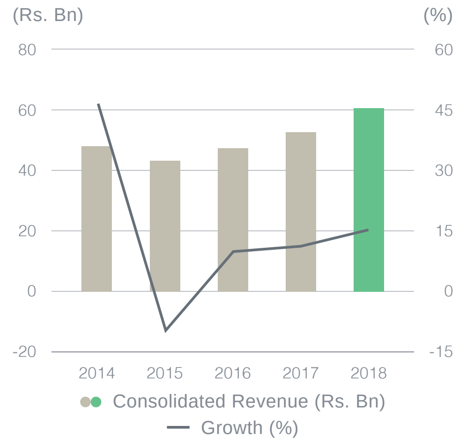
Net Finance Cost

The Group's net finance cost increased by 33% to Rs.1.53 Bn due to the prevalent rising interest rate scenario coupled with a 8% increase in the Group's total debts (excluding customer deposits and borrowing of L B Finance PLC). Finance costs increased by 19% while finance income declined by 16% during the year.

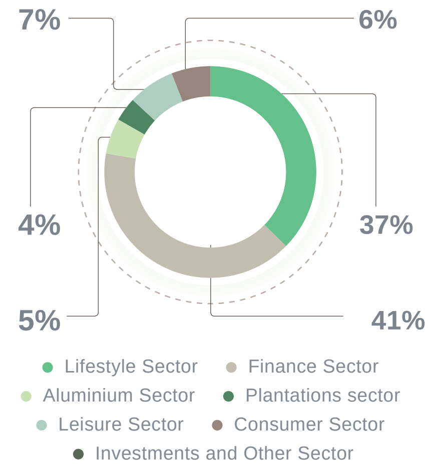
Profitability

Consolidated pre-tax profit increased by 28% to Rs.10.74 Bn during the year, supported by the profit contributions from the finance and lifestyle sectors. During the year share of profits from equity accounted investees declined to Rs.30.55 Mn, from Rs. 687.15 Mn the year before due to the reclassification of the holding in Sampath Bank. The Finance Sector's pre-tax profit (excluding the impact of Sampath Bank) increased by 10% reflecting strong loan growth and wider NIMs while the Lifestyle sector's pre-tax profit declined by 20% during the year. These two sectors collectively accounted for 96% of the Group's consolidated earnings. Income tax expenses increased by 4% to Rs. 3.93 Bn demonstrating continued value creation to the government in the form of taxes. Meanwhile, the Group's Return on Assets and Return on Capital Employed widened to 3.3% and 15% respectively compared to 2.6% and 13% the year before.

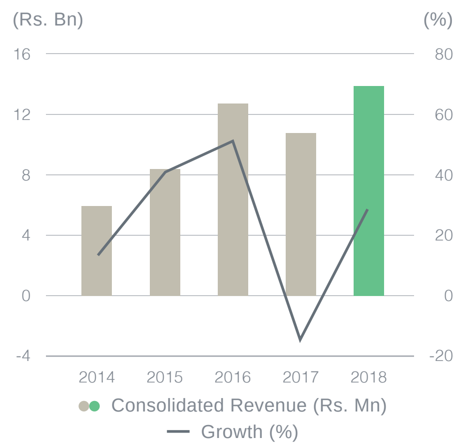
Revenue Trends



Revenue Composition



Consolidated EBIT



Financial Position

Total Assets

The Group's total assets increased by 17% to Rs. 206.17 Bn during the year, upheld by the Finance Sector's 15% portfolio expansion. Credit assets accounted for nearly 50% of the Group's total assets as at end-March 2018 relatively unchanged compared to last year's composition. Property, plant and equipment also increased by 27% during the year reflecting ongoing capital investments in manufactured capital in both the lifestyle and leisure sectors. The Group's capital expenditure for the year amounted to Rs. 5.61 Bn, the sectoral composition of which is given below. The year under review also saw more intense working capital requirements with inventories increasing by 25% during the year.

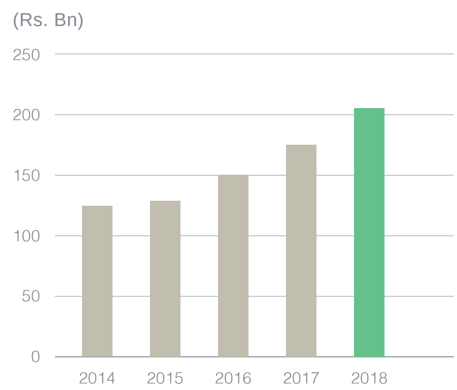
Total Liabilities

Consolidated liabilities increased by 19% to Rs.137.71 Bn mainly due to an expansion in LB Finance's customer deposit base which grew by 21% during the year. Other borrowings also increased by 13%, reflecting an increase of debt at Company level and in the Lifestyle Sector. Segment liabilities in the Leisure sector also grew substantially to Rs. 584.85 Mn compared to Rs. 61.74 Mn due to deferred tax adjustments on revaluation of property. The Group's capital position strengthened during the year supported by profit retention with total shareholders' funds increasing by 13% to Rs. 68.46 Bn and funding 33% of the Group's total assets. Despite the increase in borrowings, the Group's gearing level remained relatively unchanged at 0.19 times; including customer deposits and borrowings of L B Finance PLC the gearing level amounted to 0.64 times compared to 0.63 the year before.

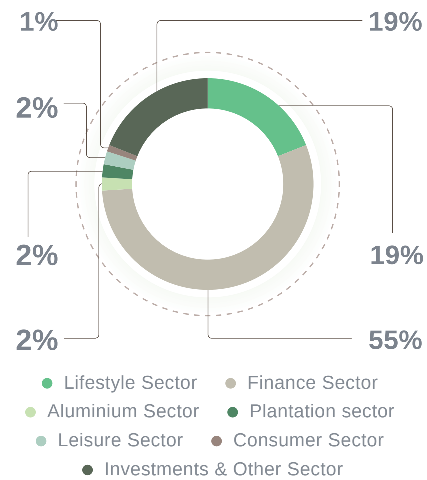
Cash Flow

The Group's stronger performance was reflected in its cash flows with net operating cash flow increasing by 43% to Rs. 586 Bn during the year. Net cash from investing activities amounted to an outflow of Rs. 7.81 Bn demonstrating the Group's continued commitment to strengthen its physical infrastructure- these investments primarily reflect ongoing investments in the Group's new hotel project. Net cash inflows from financing activities amounted to Rs. 3.7 Bn during the year; the Group's proceeds from borrowings were Rs. 20.4 Bn while settlements amounted to Rs. 14.9 Bn during the year. Overall the Group's CCE position strengthened by Rs.1.76 Bn.

Total Assets



Asset Composition

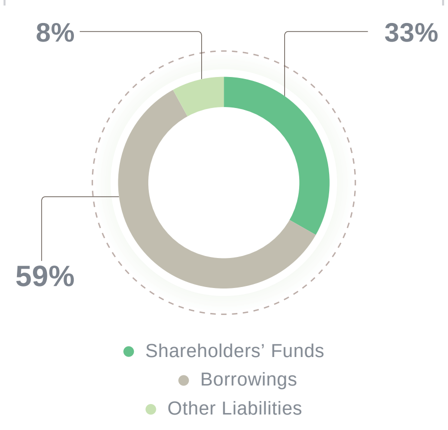


Shareholder Value Creation

The Group continued to deliver on its shareholder value commitments recording an increase in EPS and Net Asset value per Share. The market price per share declined marginally to Rs.17.20 from Rs.17.50 the year before, reflecting the broader market conditions. The Company's share is currently trading at a discount of around 60% to its net asset value and is attractively priced.

	2018	2017
Earnings per share (Rs.)	3.32	0.59
Net asset value per share (Rs.)	44.08	38.27
P/E ratio (No. of time)	5.18	29.66
Dividend per share (Rs.)	0.50	0.50
Market price per share (Rs.)	17.20	17.50
Price to book value (%)	39	45

Funding composition



Manufactured Capital

Our Manufactured capital consists of state-of-the-art manufacturing facilities, technologically advanced machinery, an extensive network of showrooms and branches and hotel infrastructure of international standards. The Group's Manufactured Capital is a vital component of its value creation and has been instrumental in achieving the manufacturing excellence we are renowned for. Our steadfast focus on expanding and upgrading our manufactured capital continues to drive value across the Group, setting us apart as pioneers and visionaries in the industries we operate in.

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Manufacturing Facilities

The Group's Manufactured capital consists of its property, plant and equipment, which had a net book value of Rs. 37,480 Mn as at end-March 2018. As a Group with substantial manufacturing interests across a range of industries, a significant portion of our capital stock consists of manufacturing facilities and related fixed assets. Our manufacturing facilities which are equipped with the latest machinery and technology continue to lead the way in the industries we operate in while enabling us to consistently maintain the quality and efficiency standards that have come to be associated with our brands.

The table below lists the Group's key manufacturing facilities and the current aggregate net book value of these assets by sector. Please refer to Note 3.2 of the Financial Statements for the accounting policy pertaining to the measurement and recognition of these assets.

<table>
<tr><th>Sector</th><th>Company</th><th>Product/Service</th><th>Factory Location</th><th>Net Book Value of PPE (March 2018) (Rs. Mn)</th></tr>
<tr><td rowspan="5">Lifestyle</td><td>Royal Ceramics Lanka (PLC)</td><td>Manufacture and retail of Homogeneous verified porcelain tiles and glazed porcelain tiles for the Rocell brand</td><td>Eheliyagoda</td><td rowspan="5">14,092</td></tr>
<tr><td>Royal Porcelain (Pvt) Limited</td><td>Designs and manufactures glazed ceramic, vitrified glazed porcelain and vitrified glazed polished porcelain floor tiles under Rocell brand</td><td>Horana</td></tr>
<tr><td>Lanka Tiles PLC</td><td>Manufacture of glazed porcelain and ceramic floor tiles under the brand Lanka Tiles</td><td>Ranala</td></tr>
<tr><td>Lanka Walltiles PLC</td><td>Manufacture of ceramic walltiles</td><td>Meepe</td></tr>
<tr><td>Rocell Bathware Limited</td><td>Manufacture of Sanitaryware solutions</td><td>Homagama</td></tr>
<tr><td>Aluminium</td><td>Swisstek Aluminium Limited</td><td>Aluminium Extrusions</td><td>Dompe</td><td>892</td></tr>
<tr><td>Plantations</td><td>Horana Plantations PLC</td><td>Tea and rubber</td><td>16 estates in the Western and Central Provinces</td><td>420</td></tr>
<tr><td>Investments and Others</td><td>Unidil Packaging Limited</td><td>Corrugated cartons</td><td>Dekatana</td><td>601</td></tr>
</table>

Retail Network

Our Manufactured capital also includes extensive networks of showrooms and branches in several of our sectors.

Sector	Retail/Branch Network
Lifestyle	56 Rocell showrooms and 48 Lanka Tiles Showrooms are spread out across the country.
Finance	123 branches across 9 provinces

Value Addition

We create value from our manufactured capital through continuous capital expenditure investments aimed at enhancing capacity, product quality, productivity and sustainability throughout our operations. Total capital expenditure during the year amounted to Rs. 5,611.8 Mn, with significant investments in the tiling, finance and leisure sectors.

Capacity Enhancement

During the year we increased the capacity in several of our factories in response to market trends and envisaged growth opportunities.

Company	Factory Location	Capex Rs. Mn	Percentage Increase in Capacity
Royal Ceramics Lanka (PLC)	Eheliyagoda	76	35
Lanka Tiles PLC	Ranala	402	35
Rocell Bathware Limited	Homagama	78	25
Lanka Walltiles PLC	Meepe	167	5.7
Royal Porcelain (Pvt) Limited	Horana	128	6.5

We also expanded our reach across sectors through investments in warehousing capacity as well as showroom and branch network expansion. During FY 2017/18 we increased our warehousing capacity for the tiling sector by 240,000 sq ft. We also expanded our showroom network with 4 new Lanka Tiles show rooms and 3 new Rocell showrooms whilst continuing to upgrade and enhance our existing showrooms. Meanwhile LB finance too expanded its branch network with 5 new branches during FY 2017/18.

Technology Upgrades

We continue to invest in upgrading our technology across almost all our manufacturing facilities to improve product quality, productivity and efficiency. During the year we invested in cutting-edge technology and machine upgrades across our manufacturing facilities.

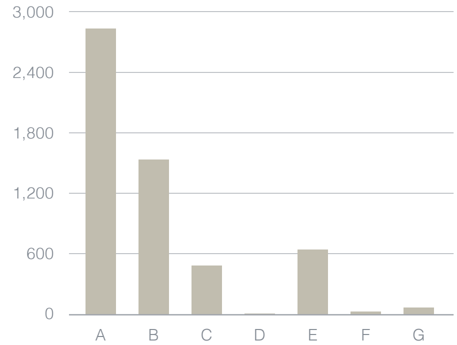
Investment in Sustainable Operations

Driving sustainable manufacturing practices through more energy efficient technology and processes continues to be a priority. During the year we invested in green technology across the group. Details of some of the initiatives are given below:

Sector	Green Initiative
Lifestyle	Solarizing Main Warehoused
Aluminium	New Effluent System
Plantations	Energy Efficient Utilities

Sector-Wise Capital Expenditure

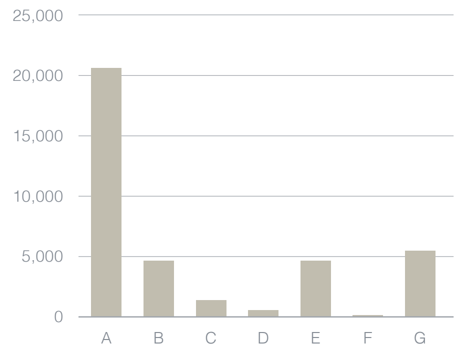
(Rs. Mn)



A – Lifestyle B – Finance C – Aluminium
D – Plantations E – Leisure
F – Consumer G – Investments and Others

Property Plant and Equipment by Sector

(Rs. Mn)



A – Lifestyle B – Finance C – Aluminium
D – Plantations E – Leisure F – Consumer
G – Investment and Other

Creating value through our Manufactured Capital

Enhanced capacity | **Enhanced product quality and productivity** | **Enhanced sustainability**

Human Capital

Our strength as a group lies in the innovative and pioneering spirit our employees. Fostering this spirit by embracing the diversity of our employees and creating an engaged and empowered team is the basis of our employee value proposition.

Our Team Profile

Our team of 13,739 employees is as diverse in composition as the skills and experiences they bring to the table. Whilst embracing this diversity and understanding the intricacies of each sector, we ensure formalized governance structures and policy frameworks that are uniform across sectors and compliant with all relevant regulations. With a significant presence in the manufacturing, plantation and finance sectors, almost 91% of our employees are concentrated in the lifestyle, plantation and finance sectors. We strive to bring in gender balance into our operations and are proud that 36.7% of our workforce is female. Meanwhile we continue to contribute to regional employment by providing employment to youth across the nine provinces.

Talent Attraction

Our recruitment polices across the group are aimed at ensuring that people are recruited for positions that best suit their talents and capabilities. We are an equal opportunity employer that provides opportunities for all employees regardless of their gender race or religion. We ensure that our recruitment policies are compliance with all legislative requirements.

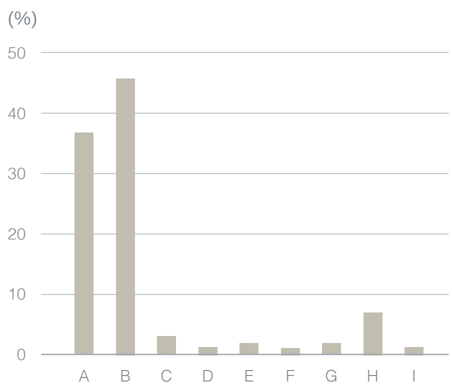
During the year, the Group added 2,481 new recruits. 78% of these new recruits were under the age of 30 while females accounted for 34% of new employee hires during the year.

Gender Analysis

Employment Category	Gender Analysis by Category	
	Male	Female
Senior management and above	190	18
Executive staff	1,714	762
Non-Executive staff	3,493	1,064
Other	3,298	3,200
Total	8,695	5,044

Regional Distribution

Percentage of Total Employees by Region

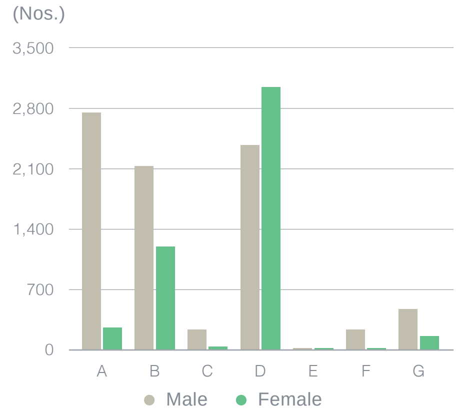


A – Central Province B – Western Province
C – Southern Province D – Northern Province
E – Eastern Province F – North Central Province
G – North Western Province
H – Sabaragamuwa Province I – Uva Province

Learning and Development

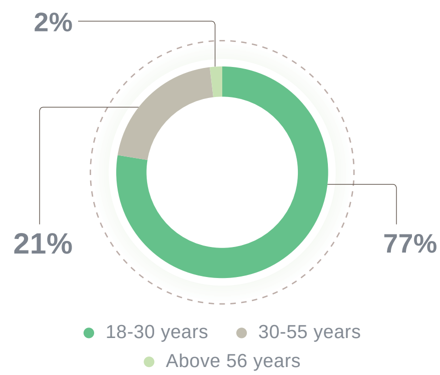
Empowering our people through continuous learning forms the basis of our talent management framework. Training needs are identified through a continuous process of performance management and employee engagement in order to ensure close alignment between business objectives and personal aspirations.

Gender Analysis by Sector

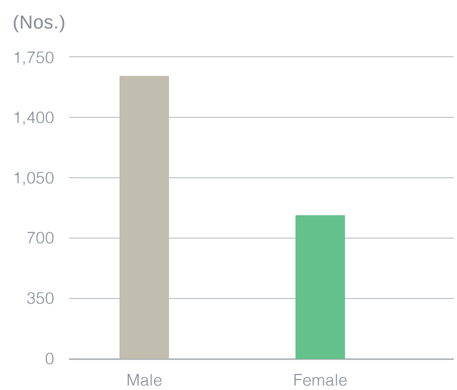


A – Lifestyle B – Finance C – Aluminium
D – Plantations E – Leisure
F – Consumer G – Investments and Others

New Recruits by Age



New Recruits by Gender



Source: CBSL Annual Report

Employees at all levels across the group are provided multiple opportunities for knowledge and skill development through on-the-job training, cross functional and cross sectoral exposure and structured training programs. International exposure forms a vital component of our learning and development and we continue to provide opportunities for our employees to participate in international exhibitions and visit world class manufacturing plants.

The Group invested Rs. 18.94 Mn in training initiatives during the year. Out of the total training hours provided to employees across the group amounting to 2,977, 48% of hours were dedicated for non-executive staff training indicating our commitment to developing all categories of our employees.

Training Hours per Employee Category

	No. of Hours	% of Total Hours
Senior management and above	1,515	4
Executive staff	14,858	45
Non-Executive staff	15,843	48
Other	962	3
Total	33,177	100

Rewards and Remuneration

Remuneration is made up of guaranteed pay and performance-based variable pay to encourage productivity. Remuneration is determined based on competency level and market rates and is linked to performance appraisals which are carried out on an annual or bi-annual basis. Several our companies are currently in the process of upgrading their performance evaluation systems in order to streamline the process further. The Group does not practice any form of gender-based discrimination when determining remuneration.

Full time employees receive a wide range of benefits including as out-patient treatment schemes, hospitalisation insurance, annual company functions and gratuity etc.

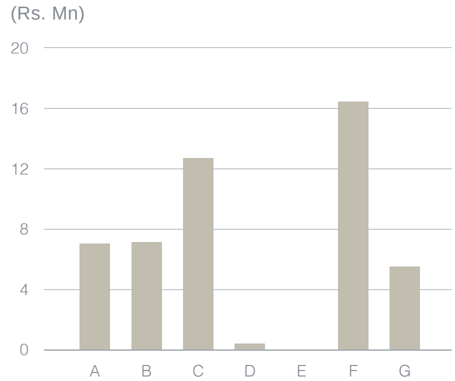
Employee Productivity

Measuring employee productivity is an ongoing process which enables us to pro-actively address gaps and take necessary counter measures. Productivity measurement is carried out on a daily basis for most of our manufacturing facilities while other sectors too have stringent systems to measure employee productivity.

Career Progression

Career development is a critical component of our HR development framework as it ensures effective succession planning and professionally and personally fulfilled employees. High performers are identified and groomed for leadership positions while employees are given multiple opportunities for cross functional and cross sectorial exposure.

Revenue per Employee



A – Lifestyle B – Finance
C – Aluminium D – Plantations
E – Leisure F – Consumer
G – Investments and Others

Health and Safety

Work-related fatalities	2
Lost working days	1,013
Work-related injuries	202

The health and safety of our employees is of utmost importance to us. Health and safety policies particularly in our manufacturing companies where the degree of occupational hazards is higher go well beyond the legal requirements. Rocell Bathware for example has implemented a stringent risk mitigation and accident prevention code which includes measures such as identification of hazardous areas, mandatory protective covering for persons and machines, identification of unsafe conditions and acts ongoing health and safety training for employees. Meanwhile factory specific awareness programs are conducted on a regular basis to ensure the highest degree of health and safety.

Our health and safety policy go beyond physical wellbeing to include spiritual and mental wellbeing as well. During the year we conducted several spiritual management programs for our employees while actively promoting work-life balance amongst our employees.

Industrial Relations

Positive industrial relations are critical for the smooth operation of our business and is therefore a key aspect of our employee engagement process. Many of our group companies have active trade unions and have entered into collective agreements which are valid for a period of 3 years. In the plantation sector however, collective bargaining matters are directed through the Employers Federation of Ceylon.

We actively engage with our trade unions in addition to continuously obtaining feedback from employees through employee surveys and open communication lines. This ongoing dialog has enabled us to pro-actively address any employee concerns and as a result, there were no incidents of industrial disputes during the year.

Grievance Handling

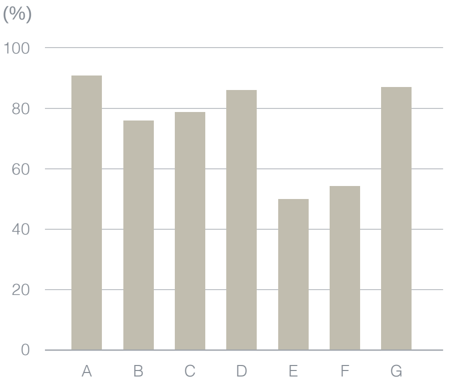
All companies within the group have formalised procedures to handle grievances. Supervisors are trained to handle grievances however an effective escalation procedure is also in place for employees to escalate issues to the HR department of Managing Director if required.

Employee Retention

Employee retention is the litmus test of our employee value proposition and the robustness of our HR policies. A holistic approach to nurturing our human capital which involves focusing on employee development and engagement to make our employees true partners of our growth trajectory has paid dividends by way of healthy retention rates across the Group.

Several of our companies participate in the Great Place to Work assessment and consistently receive high scores. During the year Lanka Wall Tiles satisfaction score improved to 75% from 64% the previous year, while Lanka Tiles score improved to 66% from 63%. The employee turnover rate was the highest in the consumer sector, due to high turnover levels at sales representative levels. We are actively addressing this issue by re-vamping our incentive schemes, conducting motivational programs and improving the prospects of our sales staff in this sector.

Employee Retention by Sector



A – Lifestyle B – Finance C – Aluminium
D – Plantations E – Leisure F – Consumer
G – Investments and Others

Intellectual Capital

Our intellectual capital consisting of our collective knowledge and unique systems and processes, continue to drive value by fostering innovation and excellence throughout our business. We nurture our intellectual capital by emphasising on a culture of continuous learning, knowledge sharing and ongoing focus on research and development. The Group's intellectual capital is a key source of competitive advantage and is reflected by our dominant market positions in several key business lines.

Brand Equity

Our brands which have grown to be synonymous with, quality, service excellence and innovation are an important part of who we are and the values we espouse. A number of our brands were recognised during the year as top brands in the country.

Rocell	• Ranked 20th in Interbrand top 100 for 2017 • Ranked 24th in Brand Finance 100 Most Valuable Brands in 2017
L B Finance	• Ranked 45th in LMD top 100 for 2016/17 • Ranked 17th in Intebrand top 100 for 2017 • Ranked 26th in Brand Finance 100 Most Valuable Brands in 2017 • Rank 33rd in LMD's Most Respected Entities in 2017
Vallibel One	• Ranked 16th in LMD top 100 for 2016/17 • Among the Business today Top 30 Business Entities for 2016-17
The Fortress Resort & Spa	• Adjudged Sri Lanka's Best at The World Luxury Spa Awards 2017

Tacit Knowledge

The vast amount of tacit knowledge our diverse pool of employees possess is one of our main competitive advantages. A culture of knowledge-sharing and mentoring and coaching has been nurtured across the Group to ensure this knowledge is passed down and nurtured as organisation capital.

Systems and Processes

We continue to refine our systems and processes by incorporating latest technology trends and industry best practices into our operations. Technical teams stay abreast of global trends through regular visits to international exhibitions and worldclass manufacturing facilities. Meanwhile we continue to introduce world class by complying with an expanding list of international quality and safety certifications. Please refer page 85 for more details on quality and safely certifications.

Research and Development

We continue to leverage our research and development capabilities to drive innovation across the Group. Each of our factories has a dedicated Research and Development unit to drive product development and process improvement in each of our factories. Meanwhile our partnerships with international production and design companies, enable us to benefit from the transfer of world-class knowledge. Details of key innovations during the year could be found on Page 84 of this Report.

Our Strong Market Position

Leader in floor and walltiles Market

Significant player in the aluminium extrusions market

Significant player in the NBFI Sector

Established presence in the plantation sector

Award winning boutique resort

Market leader in the dessert pre mixes food category

Market leader in ophthalmology products

A significant player in the corrugated carton manufacturing industry

Social and Relationship Capital

"The Group's Social and Relationship Capital reflects a vital element of its capital inputs and consists primarily of the relationships our businesses have nurtured with diverse stakeholders. In ensuring the creation of an enabling and conducive environment, we consistently strive to integrate the needs of our stakeholders into our business strategy."

Customers

Creating value for customers has and always will continue to be at the core of our business. Our customer value proposition which revolves around the pillars of innovation, product responsibility and service quality enable us to stay relevant amidst constantly evolving attitudes, perceptions and socio-economic trends while steadfastly gaining the trust of successive generations.

Customer Profile

Through its' strong market positions across diverse industries, the Group caters to individuals, SMEs and corporates across the island. A wide network of branches, showrooms and retail outlets ensure accessibility and act as key contact points for customer engagement.

Customer Reach and Accessibility

The diversity of our customer base has grown in tandem with the diversity of our expanding portfolio and today spans across a wide socio -economic and geographical spectrum. Whilst a large majority of our customers are concentrated in the western province we are actively expanding our local footprint through targeted geographical expansion. During the year the Group also expanded its overseas presence in the tiling and finance sectors.

Customer Satisfaction

Customer satisfaction is of paramount importance to us as it is the yardstick by which we measure the success of our customer value proposition. Structured mechanisms such as customer satisfaction indexes, customer satisfaction surveys, mystery shopping visits etc. are in place to quantitatively measure customer satisfaction across the group and the feedback is used continuously improve our offering.

Our Customer Value Proposition

Innovation

Our ability to astutely gauge our customers' changing expectations and fluidly evolve in response to these preferences is due to the ethos of innovation we drive through our entire business. We continued to expand our product ranges in several sectors including lifestyle, consumer and packaging while exploring innovative ways of improving processes and systems across sectors. (Please refer to page 81 Intellectual Capital for more information on innovation)

Product Responsibility

Product responsibility is the foundation on which we have nurtured the trust our customers have placed in our products. We comply with a range of domestic and international quality certifications and accreditations pertaining to our processes, systems and products across sectors and meticulously adhere to standards prescribed.

There were no instances of non-compliance to any regulations and/or guidelines pertaining to customer health and safety marketing communications and product and service labelling requirements.

Product responsibility for us goes beyond our own operation and includes that of our suppliers as well. We have adopted a policy of supporting the compliance journey of our suppliers and continue to act as a catalyst in their journey toward improved environmental and social compliance.

Service Quality

We believe in a holistic customer experience which includes an exceptional experience both in terms of the products and services. We place strong emphasis on customer convenience and continue to expand and develop our service channels

Customer Reach

Sector	No. of customer contact points
Lifestyle	56 Rocell outlets and 48 Lankatiles outlets
Finance	123 branches and 36 gold loan centres
Aluminium	Islandwide distribution network
Consumer	Islandwide distribution network

Key Innovations of 2017/18

Lifestyle	Tiles: 13 new collections and 1 new large size Sanitaryware: New collections
Finance	Targeting new customer categories through tailor made products such as 12 - month loan with flexible payment scheme, *Mul-gala* home loans, Saviya and Sanda Saviya loans etc.
Aluminium	Introduction of thermal resistant profiles
Consumer	Expansion of product portfolio to include more sugar free/ healthy products

Sector	Standards and Certifications
Lifestyle	**Royal Ceramics and Royal Porcelain** • ISO 13006:2012 • ISO 10545:2012 • ISO 14001:2004 • ISO 9001:2008 • SLS 1181:2005 • CE Certification • Green Label certificate for sustainable building materials and products.
	Rocell Bathware • ISO 9001:2005 • ISO 14001:2015 • Water mark certificate of conformity levels 1 and 2 • 4 star rating – water efficiency labelling scheme • Certificate and declaration of conformity for CE (European compatibility) • Green Label certificate for sustainable building materials and products.
	Lanka Tile • ISO 9001:2015 • ISO 14001:2015 • OHSAS 18001 • SLS • Green Label certification.
	Lanka Walltiles • ISO 9001:2015 • ISO 14001:2004 • SLS • Green Label certification.
Finance	**L B Finance** • National Long-Term Rating at “A-(lka)”; Outlook Stable – Nov 2017 • National Long-Term Rating for subordinated debt at “BBB+(lka)” – November 2017
Aluminium	**Swisstek Aluminium** • ISO 9001:2008 • SLS 1410:2011 • SLS 1411:2011
Plantations	• Accredited for “Certified Oil Palm” by the Forest Stewardship Council (FSC) • ISO 22000:2005:HACCP for all tea factories • ISO 9001 2008 certification for all rubber factories • Ethical Tea Partnership (ETP) and Fair Trade certification • Rainforest Alliance Certification (RA) for 8 estates
Leisure	• Wellness & Spa Europe Certificate • GMP Certification for good manufacturing practices – by Sri Lanka Standards Institution • Conde Nast Johansens 2017 • Trip Advisor – Certificate of Excellence
Investments and Others	**UNIDIL** • ISO 9001:2015 • ISO 14001:2015 • ISO 22000:2005 • HACCP • WRAP (Worldwide Responsible Accredited Production). • SMETA (Sedex Members Ethical Trade Audit)

across sectors to increase accessibility. We are increasingly exploring online channels such as online ordering, online banking etc. in addition to expanding our physical footprint.

Constantly engaging with our customers has enabled us to be more attuned to their expectations and concerns, monitor our service quality and proactively address issues that may arise. Most sectors have structured mechanisms such as formal complaint management processes and customer grievance frameworks to identify and respond to customer grievances. During the year Rocell introduced a "Customer Monitoring Centre" at their Head office in Colombo to pro-actively engage with customers and obtain real-time feed-back on customer experience. The Monitoring Centre is linked to showrooms across the country through CCTV's to ensure customer service excellence.

Ensuring that all our business partners adopt the same standards we do is an integral part of ensuring service quality. We carryout awareness and training programs for tilers and distributors on products and sales techniques on an ongoing basis to ensure that our customers receive the same high quality of service through all channels.

Suppliers and Business Partners

Suppliers and other business partners are integral to our business as the quality of our products and sustainability of our business depend on the strength of these relationships. A philosophy of creating true partners in progress underpins our relationships with our suppliers and partners and has enabled us to foster long-standing partnerships that continue to create synergies that drive mutual value.

Profile of Our Suppliers and Business Partners

The Group has a diverse pool of suppliers ranging from small scale suppliers to reputed global brands. Almost 71% of our suppliers are in the small and medium category. Over the years these partnerships have developed into symbiotic relationships that continue to drive mutual value and growth.

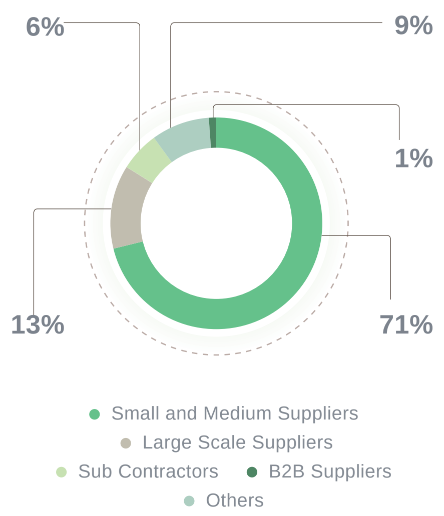
Our principles and business partners include a number of world renowned brands for many of which we are the sole agent in Sri Lanka.

Sector	Partners
Ophthalmic Solutions	Alcon
Premixed Dessert Mixes	Motha
Interior and Flooring Solutions	Brintons, Shaw, Interface; Gerflor, Quick-step, Haworth, Godrej, Hunter Douglas, Hufcor
Building Products	Dux, Alucoworld, Joven, Usaton and Havells
Insurance Solutions	AON
Tools and Machinery	Black and Decker
Travel and Transportation services	Lufthansa Cargo, Kuwait Airways, Philipines Airlines Cargo, Kenyan Airways Cargo

Supplier Engagement

We engage with our suppliers through monthly procurement committee meetings, supplier reviews and assessments, site visits and the annual registration of suppliers. Constantly engaging with our suppliers and business partners enables us share knowledge on best practices and industry developments while ensuring uniformity of compliance standards. Ongoing suppler engagement is also a key aspect of our supplier development programs particularly in relation to our small and medium suppliers as it an opportunity to provide support and guidance on becoming more sustainable businesses.

Supplier Profile



Supplier Development

We view our suppliers and principals as partners in our growth journey and strive to nurture mutually beneficial long-term relationships with them. During the year we continued to invest in supplier development programs aimed at capacity building and creating awareness on sustainable practices.

Capacity building	• Provision of fertilizer for tea smallholders • Assistance provided to SME suppliers to obtain all required approvals
Creating Awareness on sustainable practices	• Technical sessions for tilers • Technical Assistance for suppliers to obtain SLS certification

Community

Our CSR initiatives transcend philanthropy to strategically provide tangible long-term support to community empowerment and development. Over the years we have developed the communities surrounding our operations through infrastructure developments, socio-economic upliftment and environmental conservation.

Development of Community Infrastructure

We actively engage in infrastructure development in areas surrounding our factories and continue to invest in community infrastructure such as roads, hospitals and schools. During the year we were also involved in the renovation of the Ragama Hospital.

Pre-schools Project

The project aims to improve the quality of pre-school learning across the country. The initiative, funded by L B Finance PLC, Royal Ceramics Lanka PLC and Lanka Tiles PLC supported infrastructure improvements relating to hygiene and safety such as improved washroom facilities and boundary walls, class room improvement including provision of chairs and tables and the provision of early development toys. 450 schools across the country were selected for the project which was successfully completed during the year.

Tilers Club

Our tilers clubs which currently has over 1700 tilers, aims to empower self-employed tilers by providing financial and technical assistance. During the year we conducted awareness programs in addition to financial support to tilers across the country.

Plantation Sector Welfare

Good health and wellbeing is a key area of focus among our plantation communities and Horana Plantations continues to dedicate significant resources for the upliftment of the maternal and child health and nutrition. Other health related service provided to the community include immunizations, optical and dental care services as well as regular awareness programs relation to maternal and child health, family counseling services to discourage child abuse, domestic violence and teenage pregnancies. We continue to uplift the living conditions and standards of our estate worker base. Safe drinking was provided to the community through a large gravity fed water system constructed in collaboration with the Adventist Development and Relief Agency (ADRA). During the year 27 housing units were completed at an investment of Rs. 27 Mn in order to enhance the living standards of our estate workers.

Disaster Relief

As we have done in the past, we stepped into support communities affected by natural disasters. To this end we distributed stationary and school books to school children affected by land-slides and floods in selected areas.

Environmental Conservation

Environmental conservation is an important aspect of our CSR program and several of our companies are actively engaged in conservation efforts and promoting awareness. An e-waste art competition for employees and families was conducted by L B Finance with the aim of creating awareness on recycling and conservation. L B Finance also financed a program to install sign boards with environmentally friendly messages at national parks and selected urban locations. Meanwhile tree planting programs were carried out in several L B Finance branches. L B Finance also distributed wild life jackets for forest rangers in selected reserves as part of their wild-life conservation project. Horana Plantations is actively involved in protecting bio-diversity of vulnerable regions through habitat enrichment program across its plantations. Meanwhile they regularly conduct programs to increase awareness on bio diversity conservation among plantation communities.

Natural Capital

We recognise that our sustainability as a business is inextricably linked to the sustainability of our environment. Our Environmental Management Framework revolves around three pillars of Responsible Consumption, Minimising Negative Impacts and Ensuring Compliance.

Responsible Consumption

As a Group with substantial interests in the manufacturing sector, we are heavily dependent on the availability and quality of several key natural resources. Responsible consumption of these natural resources is thus vital for the long-term sustainability of our business.

Raw Materials

Efficient Consumption

We emphasise on responsible sourcing of raw materials by encouraging all our suppliers to comply with required environmental regulations. We also continue to invest in technology and machinery that improve our production processes and ensure greater efficiency in raw material usage. Key raw material used in each of our sectors are listed in the table alongside.

Recycling

Recycling continues to be an integral component of our raw material management process and is strictly adhered to across the sectors. In the tiling sector almost 99% of the raw materials used is recycled while the remaining 1% is crushed and used to refill source mines. Paper waste generated at Uni-dil, our corrugated packaging company is exported to India for recycling. Meanwhile 100% of billet scraps generated from aluminium extrusions production process is recycled inhouse while a third party has been contracted to recycle any waste that cannot be processed in-house.

Energy

Our main sources of energy include electricity from the national grid, fossil fuels and renewable energy. Part of our energy requirement is met by renewable energy sources such as hydro power and bio-mass and we are actively seeking to increase this percentage.

We continuously seek ways in which we can be more energy efficient. To this end we introduced several and sector-specific initiatives to improve energy efficiency across the Group.

Energy Initiatives 2017/18
Usage of a waste heat recovery system in several factories
Installation of capacitor banks at several factories
Energy generation from firewood in corrugated packaging
Routine machinery maintenance to reduce heat loss in Aluminium manufacturing
Energy Generation from firewood in the plantation sector
Installation of Energy saving utilities

We continually monitor the energy consumed outside the organisation. Consumption in 2017/18 amounted to 1,945,496 litres which included the fuel consumption by company owned vehicles, employee commuters and outsourced distributors.

Water

Water management is a key area of our sustainability agenda. we have incorporated water recycling and purification mechanisms into our operations where ever possible to increase water efficiency across the group. Almost 19% of water used in our tiling factories is recycled and either re-used in the production process or to meet ancillary water requirements such as gardening, floor washing and toilet flushing etc. All our estates also have water purification plants through which treated water is released back into the environment.

Minimising Our Environmental Impact

As a responsible corporate citizen, we take every precaution to minimise negative impacts on the environment arising from our operations.

Emissions Management

Dust is one of the primary pollutants in the manufacture of tiles and bathware. In order to reduce the impact from dust emissions, we are in the process of installing “water curtains” and dust suction plants in most of the factories involved in the tile manufacturing process. Meanwhile to contend with kiln exhaust and emissions, we are in the process of installing heat exchangers at the Eheliyagoda and Horana factories. Emissions from our Aluminium extrusions plant is safely discharged through a 100 feet chimney.

Effluent and Waste Management

Whilst we strive to minimize waste through innovative re-cycling mechanisms, any waste or effluents released into the environment is done so in a responsible manner in full compliance with regulatory requirements and industry best practices. In the tiling sector almost 99% of solid waste is recycled either by reusing in the production process or by converting into saleable forms such as mosaic tiles or as inputs to other industries. The remaining 1% of waste is used for quarry-filling. Segregation of solid waste is carried out across sectors. As part of our community involvement, we also commenced carrying out waste disposal in our plantation communities. Waste water from our manufacturing plants are all treated before being released into the environment while Swisstek Aluminium has a fully equipped sludge yard through which sludge is handed over to cement manufacturing companies.

Environmental Compliance

We pride ourselves in creating environmentally friendly, sustainable brands across the sectors we operate in. All factories operate within the legal and regulatory limits specified by the Central Environmental Authority (CEA). In addition, we have obtained and comply with several domestic and global environmental measures in order to ensure the highest environmental standards.

Sector	Environmental Certifications
Tiling and Sanitaryware	• ISO 14001:2004 certification for environment management • GREEN Label (Green Star) certification from the Green Building Council of Sri Lanka (GBSL) • CE certification indicating conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA) • Rocell Bathware has obtained water mark certification and WELS certification for water efficiency
Plantations	• Accredited for “Certified Oil Palm” by the Forest Stewardship Council (FSC) certifying that the Company adopts sustainable forest management practices • Rain Forest Alliance certification for estates
Packaging	• ISO 14001:2004 • Certificate of the Environmental Management System by the Sri Lanka Standards Institution

During the year we had one instance of non-compliance when effluent water from our Swisstek Aluminium factory leaked into a water-body in the area. We have however taken all necessary corrective and proactive actions to address the issue including investing in a new effluent system for this factory.

Governance

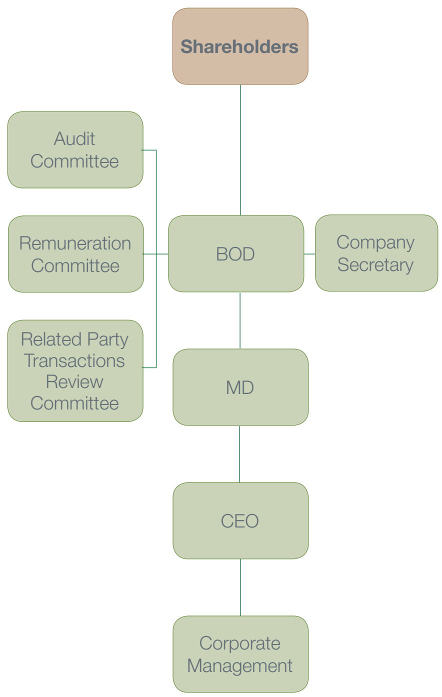
Corporate Governance

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

Being a diversified investment holding company, Vallibel One PLC has grown through acquisition of mature businesses across a number of industry sectors since inception. Vallibel One's portfolio of investments include controlling stakes in L B Finance PLC, Royal Ceramics Lanka PLC and Delmege Limited which are in turn holding companies with their own subsidiaries. Greener Water Limited is a fully-owned subsidiary whilst The Fortress Resorts PLC is an equity accounted Associate. The Group has 9 public listed companies which have their own governance framework in place and at least one member from the Vallibel One Board also sits on these Boards facilitating communication and oversight. Additionally, L B Finance conforms to the Corporate Governance Directions issued by the Monetary Board of the Central Bank of Sri Lanka for Non-Bank Financial Institutions as well.

As an investment company Vallibel One relies on the corporate governance framework in place at the subsidiaries while monitoring performance of the key investments through exercise of shareholder rights. The Group companies conform to the requirements of the Companies Act No. 07 of 2007, Articles of Association of the respective companies and (where applicable) Listing Rules of the Colombo Stock Exchange.

This Report sets out how Vallibel One complies with the provisions of the Companies Act and the Listing Rules and the measures taken to monitor performance of the significant investments made in the subsidiaries and the associate of Vallibel One.



Shareholders

Vallibel One had 11,075 shareholders as at the close of the year of which the largest shareholder is Mr. K D D Perera who holds 63.478% shares. Vallibel Investments (Private) Limited and Vallibel Leisure (Private) Limited, two related companies, hold 8.464% and 8.461% respectively. The public shareholding in Vallibel One is 19.32% held by 11,063 public shareholders.

Shareholders receive the Annual Report including Financial Statements, Report of the Independent Auditors, Annual Report of the Board of Directors, Notice of Meeting and the Form of Proxy, 15 working days prior to the Annual General Meeting.

They vote at the Annual General Meeting to re-elect/appoint Directors and to re-appoint/appoint Auditors on a regular basis in accordance with the Companies Act and the Articles of Association of the Company.

The Board recommends the re-election/ appointment of Directors, to shareholders for consideration at Annual General Meetings. They also recommend the re-appointment/appointment of the Auditors based on the recommendations of the Audit Committee, who evaluate the competence, independence and objectivity of the Auditors. Annual General Meetings provide a platform to the shareholders to raise any queries on the Financial Statements and the affairs of the Company and to seek clarification from the Board of Directors. The Chairman of the Audit Committee, Auditors and the Senior Management attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

Shareholders are informed about the performance of the Company and the Group on a quarterly basis through press releases (where necessary) and the circulation of Interim Financial Statements in compliance with the Continuing Listing Requirements of the Colombo Stock Exchange. Additionally, changes in appointments to or resignations from the Board or any material developments deemed price sensitive information are notified to the Colombo Stock Exchange. The Articles of association also provide for Extraordinary 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 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 set out in the Continuing Listing Rules and the Companies Act No. 07 of 2007.

As an investment holding company, matters requiring Board attention centre around investment and divestment decisions and monitoring performance of key investee companies and progress of key projects.

Directors have acted in conformity with the provisions of the Companies Act, on Directors' duties and also complied with the remaining provisions of the Companies Act and the Articles of Association of the Company. In the discharge of Directors' duties, the Board has been guided by professional/expert advice wherever necessary, in arriving at decisions in the interests of the Company.

The Directors have disclosed their interests in contracts and proposed contracts with the Company in terms of the Companies Act, and have refrained from participating in deliberations of the Board and of Subcommittees where any such transactions were the subject of discussion. Such-related party transactions were reviewed/recommended by the Related Party Transactions Review Committee as applicable, as set out in the Report of the Related Party Transactions Review Committee on page 101 of this Report.

Composition of the Board

The Board comprises one Executive Director and four Non-Executive Directors of whom three are Independent Non-Executive Directors, facilitating independent judgement in Board discussions and decisions. The names of the Directors who held office during and as at the end of the financial year appear on page 16 and their brief Profiles on page 17.

Collectively the Board has a broad range of skills, experience and attributes among its members which include entrepreneurship, financial, legal, marketing and banking. Their standing as entrepreneurs and professionals of high repute is evident in their profiles. Roles of the Chairman and Managing Director are combined facilitating business alignment across a diverse investment portfolio.

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

Retirement/re-election of Directors/Appointment of Directors over 70 years of age

The Directors who are initially appointed by the Board are required to seek re-election at the next Annual General Meeting and one third of the Directors retire by rotation and are eligible for re-election at each Annual General Meeting, 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. Directors over 70 years of age shall be appointed/ reappointed by the shareholders only. Accordingly, in terms of the provisions of the Companies Act, Mr. R.N. Asirwatham who is over 70 years of age was reappointed by the shareholders at the preceding Annual General Meeting and is recommended by the Board for reappointment at the forthcoming Annual General Meeting.

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, Mrs. Kimarli 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 Mr. S H Amarasekera and Mrs. Kimarli Fernando serve as Directors of Delmege Limited. Mr. Dhammika Perera is the Chairman of both Royal Ceramics Lanka PLC and Delmege Limited. Furthermore, Mrs. Kimarli Fernando served as an Independent Director/Acting Chairperson of L B Finance PLC upto 25th August 2017 where, Mr. Dhammika Perera and

Mr. J A S S Adhihetty serve as the Executive Deputy Chairman and the Managing Director, respectively. Accordingly, the total number of common Directors on the Boards of those three companies (upto 25th August 2017 in the case of L B Finance PLC) is three (3), being a majority of the Directors of the Company. As such, the said Directors, namely, Mr. S H Amarasekera, Mrs. Kimarli Fernando and Mr. R N Asirwatham 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.

Board Committees

In accordance with the Listing Rules, 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 Mr. S H Amarasekera Mrs. K Fernando	Exercising oversight over the following functions: • Control environment and risk management • Quality, cost and scope of external audit • 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 • Review 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 103 for more information.
Remuneration Committee	Comprises three Non-Executive Directors of whom two are Independent: Mr. S H Amarasekera (Chairman) Mrs. K Fernando Mr. J A S S Adhihetty	Making recommendations to the Board on the following matters: • Remuneration framework and levels of the Senior Management including the Chief Executive Officer • Remuneration of Executive Directors The remuneration policy is to attract and retain a highly qualified and experienced staff.
Related Party Transactions Review Committee	Comprises three Independent Non-Executive Directors: Mr. S H Amarasekera Mrs. 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 101 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.

Director	Board Meetings	Attendance Audit Committee	Related Party Transactions Committee
Mr. K D D Perera	4/4	–	–
Mr. S H Amarasekera	3/4	3/4	3/4
Mr. J A S S Adhihetty	3/4	–	–
Mrs. K Fernando	3/4	3/4	3/4
Mr. R N Asirwatham	4/4	4/4	4/4

Monitoring Investments

Vallibel One derives income from dividends from investments which is the principal source of revenue for the Company. Consequently, monitoring investments is a key priority and oversight of investments is exercised through appointment of members of the Board and the CEO to subsidiaries and the associate of the Company and judicious exercise of shareholder rights. The team at Vallibel One provide insights and analysis of information received from investee companies and developing trends to support oversight and strategy formulation and also process improvement to enhance efficiency.

Directors of Vallibel One and the Chief Executive Officer sit on the Boards of subsidiaries and the associate as given below:

Investee	Investment Category	Common Directors
L B Finance PLC	Subsidiary	Mrs. K Fernando (Acting Chairperson up to her retirement on 25th August 2017 on completion of nine years) Mr. K D D Perera (Executive Deputy Chairman) Mr. J A S S Adhihetty (Managing Director) Mrs. Y Bhaskaran
Royal Ceramics Lanka PLC	Subsidiary	Mr. K D D Perera (Chairman) Mr. R N Asirwatham Mr. S H Amarasekera
Delmege Ltd.	Subsidiary	Mr. K D D Perera (Chairman) Mrs. K Fernando Mr. S H Amarasekera Mrs. Y Bhaskaran
Greener Water Ltd.	Subsidiary	Mr. J A S S Adihetty
The Fortress Resorts PLC	Associate	Mr. K D D Perera (Chairman) Mr. J A S S Adhihetty (Managing Director upto 2 March 2018 and Non-Executive Director from 3 March 2018)
Sampath Bank PLC	Former associate and classified as an Investee from the FY 2016/17 due to the retirement of common Chairman. Vallibel One is the largest shareholder of Sampath Bank PLC. During the year, the Company subscribed for two Rights Issues of Sampath Bank PLC with a total investment of Rs. 3,010,740,770 and maintained its holding of 14.95%.	Mr. K D D Perera who served as Chairman of the Board retired with effect from 31 July 2016 on completion of nine years.

As experienced Directors of public listed companies, entrepreneurs and professionals, all Directors are fully aware of the need to act in the best interests of the respective companies on which they serve as Directors in accordance with the Companies Act. They are expected to and do 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.

Compliance with the Rules on Corporate Governance Contained in the Listing Rules of the Colombo Stock Exchange

As at the applicable financial period, the Company was in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange. The compliance status against applicable requirements is set out in the undernoted Table:

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 and Corporate Governance
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	Corporate Governance
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	– do –
7.10.3 (c)	Brief Résumé of each Director to be published in the Annual Report	A brief résumé of each Director should be included in the Annual Report including the Director's areas of expertise.	Yes	Profiles of Board of Directors

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.3 (d)	Résumé of new Directors to be provided to CSE	Upon appointment of new Directors the Company shall provide a brief résumé 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	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	Corporate Governance and 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

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 2018, conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act No. 07 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. 07 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 124.

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

(i) Lanka Walltiles PLC which was previously held by Royal Ceramics Lanka PLC through Lanka Ceramic PLC became a direct subsidiary of Royal Ceramics Lanka PLC consequent to the repurchase of 80% of its own shares by Lanka Ceramic PLC.

(ii) L B Finance PLC extended its presence to the Republic of the Union of Myanmar through the investment in its subsidiary L B Microfinance Myanmar Company Limited which commenced business during the year under review.

Review of Business

Review of Operations

The Chairman's Message on page 18 and CEO's Review on pages 20 to 23 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 42 to the Financial Statements on pages 206 to 212.

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) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No. 07 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 on pages 110 to 114.

Accounting Policies and changes during the year

The accounting policies adopted in the preparation of the Financial Statements are given on pages 128 to 146. 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 Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 115 to 220 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 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 102.

Net Revenue

The net revenue of the Group during the year under review was Rs. 60.9 Bn (Rs. 52.9 Bn in the year 2016/17).

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. 10.7 Bn and Rs. 1.2 Bn respectively in the year under review [Rs. 8.3 Bn (restated) and Rs 1.3 Bn respectively in 2016/17].

The Net Profit After Tax of the Group and the Company amounted to Rs. 6.7 Bn and Rs. 1.1 Bn respectively in the year under review [Rs. 4.4 Bn (restated) and Rs. 1.2 Bn respectively in 2016/17].

Details of Appropriations are given in the Statement of Changes in Equity on pages 119, 120 and 121.

Dividends on Ordinary Shares

An Interim Dividend of Fifty Cents per share was paid for the year under review on 17th July 2017.

In view of the significant investment made/ to be made in the Hotel Project undertaken by Greener Water Ltd. and the investment made in two Rights Issues of Sampath Bank PLC during the year under review, the Directors do not recommend the payment of a final dividend for the year under review.

Reserves

A summary of the Group's Reserves is given in Note 29 to the Financial Statements on pages 191 and 195.

Property, Plant and Equipment and Intangible Assets

Information on Property, Plant and Equipment and Intangible Assets of the Group and the Company are given in Notes 15 and 16 of Financial Statements on pages 161 and 170 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 147, 157 and 158 respectively.

Stated Capital

The Stated Capital of the Company as at 31st March 2018 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 is given on page 224 under Shareholders' Information.

Earnings, Dividends, Net Assets and Market Value of Shares

Information relating to earnings, dividend, net assets and market value per share is given on page 222.

Major Shareholders

Information on the twenty largest shareholders of the Company is given on page 225 under Shareholders' Information.

Public Holding

Information on public holding in terms of the Listing Rules is given on page 224 under Shareholders' Information.

Information on the Directors of the Company and the Group

Directors of the Company as at 31st March 2018

The Board of Directors of the Company as at 31st March 2018 consisted of five (5) Directors, with a broad range of skills, experience and attributes which include entrepreneurship, financial, legal, marketing and banking, as detailed in the brief Profiles of the Directors on page 17.

Names of the Directors who held office during the year and as at 31st March 2018 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		√	
Mrs. Kimarli Fernando			√
Mr. R N Asirwatham			√

New Appointments during the year
None

Resignations during the year
None

Directors of the subsidiaries and the associate company as at 31st March 2018

Names of the Directors of the subsidiaries and the associate company are given on pages 226 to 231.

Recommendation for re-election of Directors who retire by rotation

Mrs. Kimarli Fernando retires by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible is recommended by the Board for re-election.

Re-appointment of Directors who are over 70 years of age

Mr R N Asirwatham who is 75 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. 07 of 2007, is recommended by the Board, for reappointment 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 94.

Board SubCommittees

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 93 and as required by the Listing Rules, the Reports of the Audit Committee and the Related Party Transactions Review Committee are on pages 103 and 101 respectively, whilst the remuneration policy is on page 93.

Declaration under Rule 9.3.2 (d) of Listing Rules

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 Transitions during the financial year ended 31st March 2018.

Directors' Interests in Shares

The information pertaining to the Directors' Shareholding in the Company is given on page 224.

Directors' Remuneration

The Directors' remuneration is disclosed under Key Management Personnel Compensation in Note 44 to the Financial Statements on page 214.

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

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 47 on page 217 to 220.

Donations

During the year, neither the Company nor the subsidiaries have made any donations.

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. 1,433,062/- is payable by the Company to the Auditors for the year under review comprising Rs. 220,500/- as audit fees and Rs. 1,212,562/- for other services.

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

Group

The audits of subsidiary companies are handled by firms of Chartered Accountants in Sri Lanka or their respective countries of incorporation.

Details of payments to such audit firms on account of audit fees and for permitted non-audit services, are set out in Note 38 to the Financial Statements on page 200.

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 at the reporting date.

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 of the relevant Group Companies.

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 2018 are given in Note 43 to the Financial Statements on page 213.

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 48 to the Financial Statements on page 220.

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 29th June 2018 at 3.00 p.m. at The Victorian, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01.

The Notice of the Annual General Meeting appears on page 233.

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 30th May 2018.

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

30th May 2018
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. Harsha Amarasekera – Chairman
Independent Non-Executive Director

Mrs. Kimarli 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 Non-Recurrent RPTs of the Company, whilst Recurrent RPTs are entered into on an arm's length basis determined by market forces and details of those Recurrent RPTs are presented to the Committee every quarter. During the year under review, the Company entered into Non-Recurrent RPTs on two occasions which were reviewed and recommended by the Committee and approved by the Board. In its review of one RPT, the Committee was also guided by the advice provided by an expert in the relevant field. The said Non-Recurrent RPTs did not require an immediate market announcement or disclosure in the Annual Report as per the Listing Rules.
- In its review of 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 arm's length basis, the disclosure requirements as per the Listing Rules of the Colombo Stock Exchange and the level of approval required for the respective RPTs.
- The RPTRC ensures that all transactions with Related Parties are 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.
- Reviewing and approval of RPTs are either by meeting of at least members who form the quorum or by circulation, approved by all the members.

Disclosure requirements of Related Party Transactions during the year under review

The aggregate value of Recurrent RPTs entered into by the company during the year were below the threshold for disclosure in the Annual Report as per the Listing Rules.

The value of Non-Recurrent RPTs too were below the threshold for immediate market announcement or disclosure in the Annual Report as per the Listing Rules.

Meetings

The Committee met four (4) times during the financial year under review and attendance of the members is given on page 94.

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 99 of the Annual Report.

S H Amarasekera
Chairman
Related Party Transactions
Review Committee

30th May 2018

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 110 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 General 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. 07 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 103.

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

30th May 2018

Report of the Audit Committee

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

- Mr. R N Asirwatham
  Chairman – Independent Non-Executive Director
- Mr. S H Amarasekera
  Independent Non-Executive Director
- Mrs. Kimarli Fernando
  Independent Non-Executive Director

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

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

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

The Committee along with the Board reviewed the Consolidated Financial Statements for the year ended 31st March 2018 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 2019 subject to the approval of the Shareholders at the Annual General Meeting.

R N Asirwatham
Chairman –
Audit Committee

30th May 2018

GRI Content Index

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General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	5	
	102-2 Activities, brands, products and services	8	
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	102-48 Restatement of information	_	Not applicable
	102-49 Changes in reporting	5	
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GRI Standard	Disclosure	Page Number	Omission
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Economic Performance			
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	103-2 The Management approach and its components	70	
	103-2 Evaluation of the Management approach	70	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	14	
	201-2 Financial Implications and other risks and opportunities due to climate change	31	
	201-3 Defined benefit plan obligations and other retirement plans	129	
Procurement Practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	86	
	103-2 The Management approach and its components	86	
	103-2 Evaluation of the Management Approach	86	
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	39,50,63,67	
Raw materials			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	89	
	103-2 The Management Approach and its components	89	
	103-2 Evaluation of the Management Approach	89	
GRI 301: Raw Materials (2016)	301-1 Raw materials used by weight or volume	39,50,54	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	89	
	103-2 The Management Approach and its components	89	
	103-2 Evaluation of the Management Approach	89	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	39,45,50,54,63,67	
	302-4 Reduction of energy consumption	89	
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	89	
	103-2 The Management Approach and its components	89	
	103-2 Evaluation of the Management Approach	89	
GRI 303: Water 2016	303-1 Water withdrawal by source	39,45,50,54,67	

GRI Standard	Disclosure	Page Number	Omission
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	90	
	103-2 The Management Approach and its components	90	
	103-2 Evaluation of the Management Approach	90	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	90	
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	78	
	103-2 The Management Approach and its components	78	
	103-2 Evaluation of the Management Approach	78	
GRI 401: Employment 2016	401-1 Employee hires and turnover	78,80	
	401-2 Benefits provided to fulltime employees that are not provided to temporary or part time employees	79	
Labour Management			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	80	
	103-2 The Management Approach and its components	80	
	103-2 Evaluation of the Management Approach	80	
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	80	
Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	80	
	103-2 The Management Approach and its components	80	
	103-2 Evaluation of the Management Approach	80	
GRI 403: Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	80	
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	78	
	103-2 The Management Approach and its components	78	
	103-2 Evaluation of the Management Approach	78	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	79	
	404-2 Programmes for upgrading skills and transition assistance programmes	79	
	404-3 Percentage of employees receiving regular performance and career development reviews	79	

GRI Standard	Disclosure	Page Number	Omission
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	87	
	103-2 The Management Approach and its components	87	
	103-2 Evaluation of the Management Approach	87	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	87	
Customer health and safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	84	
	103-2 The Management Approach and its components	84	
	103-2 Evaluation of the Management Approach	84	
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	84	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	84	
Marketing and Labelling			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	84	
	103-2 The Management Approach and its components	84	
	103-2 Evaluation of the Management Approach	84	
GRI 417: Marketing and Labelling	417-1 Requirement for product and service information and labelling	84	
	417-2 Incidents of non-compliance concerning product and service information and labelling	84	
	417-3 Incidents of non- compliance concerning marketing communications	84	
Socio Economic Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	84	
	103-2 The Management Approach and its components	84	
	103-2 Evaluation of the Management Approach	84	
GRI 419: Socio Economic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	84	

Financial Calendar

Interim Financial Statements – 2017/18 1st Quarter	15th August 2017
Rs. 0.50 per Share Interim Dividend – 2017/18	17th July 2017
Interim Financial Statements – 2017/18 2nd Quarter	09th November 2017
Interim Financial Statements – 2017/18 3rd Quarter	15th Feb 2018
Interim Financial Statements – 2017/18 4th Quarter	28th May 2018
Annual Report 2017/18	30th May 2018
8th Annual General Meeting	29th June 2018

Financial Reports

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

TO THE SHAREHOLDERS OF VALLIBEL ONE PLC

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the 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 March 31, 2018, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of loans and receivables and lease rentals receivable and stock out on hire As at 31 March 2018, loans and receivables and lease rentals receivable and stock out on hire (net of impairment) amounted to Rs. 39.8 Bn and Rs. 62.4 Bn respectively. These collectively contributed 50% to the Group's total assets. The allowance for impairment (both individual and collective) of these financial assets is estimated by management. The estimation involves a complex calculation. Assumptions used by management in this calculation are inherently judgemental. Accounting Policy Notes 10.1 and 10.2 to the financial statements more fully describes the assumptions to which this estimate is most sensitive. We considered the estimation of allowance for impairment as a Key Audit Matter due to sensitivity of reported results (on financial performance) to this allowance and the inherent uncertainty involved in its estimation.	To assess the reasonableness of the allowance for impairment, We performed the following procedures, among others; – We understood and evaluated the key internal controls over estimation of the allowance for impairment including those over identifying occurrence of loss events; – We test – checked the underlying calculations and data used in such calculations; – In addition to the above, focused procedures were performed as follows: • Individual allowance for impairment: For a sample of non-performing loans & leases, checked the management's assessment of effectiveness of controls over the identification of customers for whom an impairment event has occurred. Further, for such customers, we test-checked the appropriateness of management's calculation over the estimation of recoverable amount; • Collective allowance for impairment: For loss rates used by management, we assessed the appropriateness of the loss emergence period including consistency with historical loss experience; assessed the reasonableness of the assumptions on effects arising from macroeconomic factors; – We assessed the adequacy of the related financial statement disclosures as set out in Note(s) 5, 6 and 47.
Provision for obsolete and slow moving Inventories As at 31 March 2018, the carrying amount of inventories amounted to Rs. 12.5 Bn, net of the provision for obsolete and slow moving inventories of Rs. 332 Mn. These inventories include finished goods and general stocks representing "tiles & associated Items" and "sanitaryware" inventories which together represents 62% of total value of the Group inventories. A provision for obsolete and slow moving inventories of the above mentioned inventories is recognised based on the best estimates available to management on the future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses could vary from the provision made. The significance of the balance coupled with the management's judgement and estimation of the future usability/sale, the provision for obsolete and slow moving inventories has been considered a key audit matter.	Our procedures included, the following: – Assessed the reasonableness of the allowance policy based on historical usage of general stocks and historical sales of finished goods. – Checked the relevant information to assess the reasonability of the valuation and net realisable value of the related inventories on a sample basis. – We have reviewed the working papers of the component auditor for the audit procedures performed to assess the adequacy of the provision for obsolete and slow moving inventories and test the key controls on a sample basis over inventory valuation at lower of cost and net realisable value. – In addition, assessed the adequacy of the Group's disclosures in Accounting Policy Note 3.2.1 (v), Note 3.2.1 (vi) and Inventory Note 14.

Key Audit Matter	How our audit addressed the key audit matter
Annual impairment of goodwill Intangible assets include Goodwill on consolidation with infinite useful life. Goodwill is subject to an annual impairment test using significant estimates as disclosed in Note 15 to the financial statements. Therefore, we have determined this to be a Key Audit Matter.	We performed the following procedures among others: – We have involved our internal specialists to assist us, in assessing the appropriateness of the models and reasonableness of estimates used by the management. – We also assessed the adequacy of the related disclosures in Note 15 to the financial statements.
Valuation of land and buildings As at 31 March 2018, Land and Buildings carried at fair value, classified as Property, Plant & Equipment and Investment Property amounted to Rs. 23 Bn and Rs. 1.3 Bn respectively represents 12% of the total assets of the Group. The fair value of such properties was determined by external valuers engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot.	Our audit procedures focused on the valuations performed by the external valuers engaged by the Group, and included the following: – Assessed the competency, capability and objectivity of the external valuers engaged by the Group. – Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value. – Engaged our internal specialised resources to assess the reasonableness of the valuation techniques, per perch price and value per square foot. – We have also assessed the adequacy of the disclosures made in Notes 16.6 and 19.1 to the financial statements relating to the valuation technique and estimates used by the external valuers.

OTHER INFORMATION INCLUDED IN THE 2018 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also –

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this Independent Auditor's Report is M-1697.

Ernst+Young

Ernst and Young
Chartered Accountants

30th May 2018
Colombo

Statement of Financial Position

As at 31st March	Notes	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 (Restated) Rs.
ASSETS					
Cash and Bank	31	**9,838,289**	399,210,107	**7,384,584,190**	5,378,756,448
Financial Assets – Fair Value Through Profit or Loss	4.2	**65,046,345**	110,560,185	**118,234,338**	161,264,120
Loans and Receivable	5	**–**	150,000,000	**39,894,276,133**	33,638,779,282
Lease Rentals Receivables and Stock Out on Hire	6	**–**	–	**62,489,685,766**	55,659,387,808
Financial Investments – Available-for-Sale	4.1	**11,618,686,194**	7,883,555,153	**11,694,855,586**	7,951,947,177
Other Financial Assets	7	**718,942,715**	1,400,762,161	**7,918,184,001**	8,386,081,868
Trade and Other Debtors, Deposits and Prepayments	8	**67,051,364**	211,720,619	**6,843,603,108**	6,452,170,427
Other Non-Financial Assets	9	**–**	–	**1,892,176,250**	1,296,826,030
Investments in Subsidiaries	10	**19,318,389,684**	18,802,889,683	**–**	–
Investment in Associate	11	**405,891,320**	405,891,320	**618,391,822**	587,838,401
Amount due from Related Parties	13	**215,624,662**	45,334,491	**–**	–
Deferred Tax Assets	12	**–**	–	**14,686,000**	340,548,697
Income Tax Recoverable		**4,219,107**	5,269,642	**136,770,945**	115,943,422
Inventories	14	**–**	–	**12,552,520,329**	10,031,784,843
Intangible Assets	15	**–**	–	**12,983,838,866**	13,046,741,647
Property, Plant and Equipment	16	**29,219,132**	37,131,763	**37,479,879,581**	29,566,426,018
Biological Assets	17	**–**	–	**2,712,627,000**	2,575,552,000
Investment Property	19	**–**	–	**1,287,007,000**	706,000,000
Leasehold Rights Over Mining Lands	18	**–**	–	**6,536,000**	16,080,000
Assets Held for Sale	41	**–**	–	**145,006,622**	137,815,270
Total Assets		**32,452,908,812**	29,452,325,125	**206,172,863,537**	176,049,943,457
LIABILITIES					
Due to Banks	20	**63,243,199**	2,004	**25,693,372,083**	26,636,388,491
Due to Customers	21	**–**	–	**72,946,010,796**	60,401,954,526
Interest-Bearing Loans and Borrowings	22	**1,000,000,000**	400,000,000	**22,601,387,336**	16,155,167,093
Trade and Other Payables	23	**6,006,869**	8,855,425	**5,389,102,192**	4,954,352,948
Other Financial Liabilities	24	**–**	–	**2,192,470,402**	2,403,942,650
Other Non-Financial Liabilities	25	**–**	–	**853,165,028**	591,993,595
Dividend Payable	26	**9,455,593**	7,647,865	**208,562,933**	113,083,111
Employee Benefit Liabilities	27	**5,975,791**	3,808,881	**1,478,706,517**	1,211,122,077
Income Tax Liabilities		**17,198,255**	6,061,747	**937,286,941**	1,220,668,424
Deferred Tax Liabilities	12	**1,280,322**	2,461,089	**5,391,523,503**	1,711,056,168
Liabilities Directly associated with the Assets Classified as Held for Sale	41	**–**	–	**18,822,478**	137,943,724
Total Liabilities		**1,103,160,029**	428,837,011	**137,710,410,209**	115,537,672,807

As at 31st March	Notes	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 (Restated) Rs.
Shareholders' Funds					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	28	**27,163,983,720**	27,163,983,720	**27,163,983,720**	27,163,983,720
Reserves	29	**4,185,765,063**	1,859,504,394	**20,726,930,186**	14,417,588,493
		31,349,748,783	29,023,488,114	**47,890,913,906**	41,581,572,213
Non-Controlling Interest		–	–	**20,571,539,422**	18,930,698,437
Total Equity		**31,349,748,783**	29,023,488,114	**68,462,453,328**	60,512,270,650
Total Equity and Liabilities		**32,452,908,812**	29,452,325,125	**206,172,863,537**	176,049,943,457

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 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 124 through 220 form an integral part of these Financial Statements.

30th May 2018
Colombo

Statement of Profit or loss

For the year ended 31st March	Notes	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 (Restated) Rs.
Revenue	32	**–**	–	**60,968,861,713**	52,936,401,547
Cost of Sales		**–**	–	**(34,808,482,313)**	(29,205,628,525)
Gross Profit		**–**	–	**26,160,379,400**	23,730,773,022
Dividend Income	33	**1,221,111,519**	2,020,304,582	**18,431,322**	473,325,814
Other Operating Income	34	**157,613,991**	48,215,887	**575,007,262**	721,926,263
Administrative Expenses		**(183,596,340)**	(162,505,542)	**(5,075,198,378)**	(5,031,122,279)
Distribution Expenses		**–**	–	**(4,786,366,939)**	(4,196,336,284)
Other Operating Expenses		**(166,796)**	–	**(3,165,882,895)**	(1,863,688,222)
Loss on reclassifying the Investment to Available-for-Sale Financial Asset from Investment in Associate		**–**	(828,882,412)	**–**	(3,297,524,816)
Gold Loan Auction Losses		**–**	–	**(2,995,010)**	(2,200,719)
Result from Operating Activities	38	**1,194,962,374**	1,077,132,515	**13,723,374,762**	10,535,152,779
Finance Cost	35	**(2,183,119)**	(14,186,890)	**(1,915,045,056)**	(1,611,278,651)
Finance Income	36	**165,025,705**	242,759,430	**381,975,173**	455,606,975
Net Finance Income/(Cost)		**162,842,586**	228,572,540	**(1,533,069,883)**	(1,155,671,676)
Share of Results of Equity Accounted Investees		**–**	–	**30,553,421**	687,149,968
Reclassification of the Gain/Loss Recognised in OCI Through Retained Earnings		**(147,163,699)**	–	**(147,163,699)**	(648,593,981)
Operating Profit before Value Added Tax		**1,210,641,261**	1,305,705,055	**12,073,694,601**	9,418,037,091
Value Added Tax on Financial Services		**–**	–	**(1,336,693,020)**	(1,027,100,778)
Profit Before Tax		**1,210,641,261**	1,305,705,055	**10,737,001,581**	8,390,936,312
Income Tax Expense	37	**(55,792,090)**	(65,932,211)	**(3,926,814,560)**	(3,761,721,632)
Profit for the Year from Continuing Operations		**1,154,849,171**	1,239,772,844	**6,810,187,021**	4,629,214,680
Discontinued Operation					
Loss After Tax for the Year from Discontinued Operations	41	**–**	–	**(40,673,143)**	(195,549,696)
Profit for the Year		**1,154,849,171**	1,239,772,844	**6,769,513,878**	4,433,664,985
Attributable to:					
Equity Holders of the Parent		**1,154,849,171**	1,239,772,844	**3,609,109,440**	640,203,634
Non-Controlling Interests		**–**	–	**3,160,404,438**	3,793,461,351
		1,154,849,171	1,239,772,844	**6,769,513,878**	4,433,664,985
Earnings Per Share	39	**1.06**	1.14	**3.32**	0.59

The Accounting Policies and Notes on pages 124 through 220 form an integral part of these Financial Statements.

Statement of Comprehensive Income

	Company		Group	
For the year ended 31st March	**2018**	2017	**2018**	2017 (Restated)
	Rs.	Rs.	**Rs.**	Rs.
Profit for the Year	**1,154,849,171**	1,239,772,844	**6,769,513,878**	4,433,664,985
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
Reclassification of the Gain/Loss Recognised in OCI through Retained Earnings	**147,163,699**	–	**147,163,699**	648,593,981
Net Gain/(Loss) on Available-for-Sale Financial Assets	**1,567,952,949**	751,336,400	**1,575,587,266**	724,209,106
Exchange Difference on Translation of Foreign Operations	**–**	–	**8,453,676**	3,030,642
Other Comprehensive Income not to be Reclassified to Income Statement in Subsequent Periods				
Realisation of Revaluation Reserve – Transfer Out	**–**	–	**–**	(202,635,276)
Realisation of Actuarial Loss – Transfer Out	**–**	–	**–**	39,734,253
Revaluation of Land and Building – Net of tax	**–**	–	**1,564,625,424**	2,387,695,614
Actuarial Gain/(Loss) on Retirement Benefit Obligation	**(590,936)**	690,136	**(154,280,242)**	61,778,470
Income Tax Effect	**165,462**	(193,238)	**36,248,514**	(11,590,756)
Other Comprehensive Income for the Year, Net of tax	**1,714,691,174**	751,833,298	**3,177,798,337**	3,674,248,066
Total Comprehensive Income for the year, Net of Tax	**2,869,540,345**	1,991,606,142	**9,947,312,215**	8,107,913,050
Total Comprehensive Income Attributable to:				
Equity Holders of the Parent	**2,869,540,345**	1,991,606,142	**6,919,351,020**	3,145,907,072
Non-Controlling Interests	**–**	–	**3,027,961,195**	4,962,005,978
	2,869,540,345	1,991,606,142	**9,947,312,215**	8,107,913,050

The Accounting Policies and Notes on pages 124 through 220 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 01st April 2016	27,163,983,720	(351,118,193)	762,296,122	27,575,161,649
Net Profit/(Loss) for the Period	–	–	1,239,772,844	1,239,772,844
Dividend Paid	–	–	(543,279,677)	(543,279,677)
Other Comprehensive Income/(Loss)	–	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
Dividend Paid	–	–	(543,279,677)	(543,279,677)
Net Profit/(Loss) for the Period	–	–	1,154,849,171	1,154,849,171
Other Comprehensive Income/(Loss)	–	1,567,952,949	(425,474)	1,567,527,475
Reclassification of the Gain/loss recognised in OCI by the Available for Sale Reserve to Retained Earnings	–	147,163,699	–	147,163,699
Balance as at 31st March 2018	**27,163,983,720**	**2,115,334,855**	**2,070,430,207**	**31,349,748,783**

The Accounting Policies and Notes on pages 124 through 220 form an integral part of these Financial Statements.

GROUP

For the year ended 31st March	Stated Capital	Treasury Shares	Capital Reserves Reserve Fund	Other Component of Equity Available-for-Sale Reserve	Foreign Currency Translation Reserve	Revaluation Reserve
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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
Prior Year Adjustment						
Balance as at 01st April 2016 (Restated)	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	–	–	–	–	–	1,255,448,944
Exchange Difference on Translation of Foreign Operations	–	–	–	–	1,545,930	–
Net Gain/(Loss) on Available for Sale	–	–	–	733,756,196	–	–
Actuarial Gain or Loss	–	–	–	–	–	–
Total Other Comprehensive Income	–	–	–	1,411,461,651	(4,259,229)	1,052,813,668
Dividend Write Back	–	–	–	–	–	–
Transfer	–	–	783,640,862	–	–	–
Effect of change in holding	–	–	–	–	–	–
Dividend Paid	–	–	–	–	–	–
Balance as at 31st March 2017 (Restated)	27,163,983,720	(44,111,716)	2,216,946,886	414,490,147	1,798,044	2,196,686,785
Profit for the Period						
Other Comprehensive Income						
Reclassification of the Gain/Loss recognised in OCI by the Available for Sale Reserve to Retained Earnings	–	–	–	147,163,699	–	–
Revaluation	–	–	–	–	–	1,655,026,911
Exchange difference on translation of foreign operations	–	–	–	–	5,275,295	–
Net Gain/(Loss) on Available for Sale	–	–	–	1,573,017,461	–	–
Actuarial Gain or Loss	–	–	–	–	–	–
Total Other Comprehensive Income	–	–	–	1,720,018,160	5,275,295	1,655,026,911
Dividend Write Back of Unclaimed dividend	–	–	–	–	–	–
Transfer	–	–	850,144,268	–	–	–
Share Issue – Minority Interest	–	–	–	–	–	–
Acquisition of Non-Controlling Interest	–	–	–	–	–	–
Effect of Change in Holding	–	–	–	–	–	–
Dividend Paid	–	–	–	–	–	–
Balance as at 31st March 2018	27,163,983,720	(44,111,716)	3,067,091,154	2,134,671,307	7,073,339	3,851,713,696

The Accounting Policies and Notes on pages 124 through 220 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.
578,449,249	8,839,684,930	(32,983,859)	(125,718)	38,091,161,514	16,579,366,919	54,670,528,433
–	129,656,654	–	–	129,656,654	158,879,345	288,535,999
578,449,249	8,969,341,584	(32,983,859)	(125,718)	38,220,818,169	16,738,246,264	54,959,064,432
–	640,203,634	–	–	640,203,634	3,793,461,351	4,433,664,985
–	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	648,593,981	–	648,593,981
–	–	–		(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	2,505,703,438	1,168,544,627	3,674,248,065
–	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	9,040,751,328	12,577,772	–	41,581,572,213	18,930,698,437	60,512,270,650
	3,609,109,440	–	–	3,609,109,440	3,160,404,438	6,769,513,878
–	–	–	–	147,163,699	–	147,163,699
–	–	–	–	1,655,026,911	(90,401,487)	1,564,625,424
–	–	–	–	5,275,295	3,178,381	8,453,676
–	–	–	–	1,573,017,461	2,569,805	1,575,587,266
–	–	(70,241,785)	–	(70,241,785)	(47,789,942)	(118,031,727)
–	–	(70,241,785)	–	3,310,241,581	(132,443,243)	3,177,798,338
–	4,231,479	–	–	4,231,479	3,620,801	7,852,280
–	(850,144,268)	–	–	–	–	–
–	–	–	–	–	5,996,000	5,996,000
–	(71,421,836)	–	–	(71,421,836)	(219,616,055)	(291,037,891)
–	–	–	–	–	–	–
–	(542,818,972)	–	–	(542,818,972)	(1,177,120,956)	(1,719,939,928)
578,449,249	11,189,707,171	(57,664,013)	–	47,890,913,905	20,571,539,422	68,462,453,328

Statement of Cash Flows

As at 31st March	Notes	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 (Restated) Rs.
Cash Flows from Operating Activities					
Net Profit/(Loss) before Taxation		**1,210,641,261**	1,305,705,057	**10,737,001,581**	8,390,936,312
Loss from Discontinued operation	41	**–**	–	**(40,673,143)**	(195,549,696)
Adjustments for					
Profit/(Loss) on sale of Property, Plant and Equipment	34	**166,798**	(2,856,667)	**(17,676,580)**	(20,861,038)
Depreciation	16	**10,227,613**	10,566,912	**1,820,215,783**	1,602,438,577
Change in Fair Value of Available-for-Sale Financial Assets				**(5,395,848)**	(3,413,677)
Provision/(Reversal) for Change in Market Value of the Investments of Fair Value Through Profit or Loss Financial Assets	36	**(5,368,162)**	(3,413,677)	**(10,671,699)**	(13,908,916)
Change in Fair Value of Biological Assets	34	**–**	–	**(44,995,000)**	(89,187,000)
Change in Fair Value of Investment Property	34	**–**	–	**(121,600,000)**	(179,440,000)
Change in Fair Value of Fair Value Through Profit or Loss Financial Assets		**–**	–	**(12,040,942)**	72,249,540
Script Dividend		**–**	(334,009,615)	**–**	(334,009,615)
Impairment of Assets Held for Sale		**–**	–	**–**	131,480,476
Impairment of Loans	5.1	**–**	–	**341,654,637**	–
Impairment of Goodwill	15	**–**	–	**2,387,160**	71,866,701
Allowance for Impairment Losses				**195,831,158**	–
Amortisation		**–**	–	**232,007,951**	83,876,430
Lease Hold Right Amortisation/Capital Grant Amortisation		**–**	–	**(2,407,000)**	(3,522,000)
Share of Results of Equity Accounted Investees	11.2	**–**	–	**(30,553,421)**	(687,149,968)
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		**147,163,699**	828,882,412	**147,163,699**	3,297,524,253
Gain/(Loss) on Foreign Exchange		**(84,638)**	(1,235,250)	**(40,699,784)**	(12,363,217)
Profit/(Loss) on disposal of Investment		**–**	–	**(1,453,491)**	–
Provision for impairment of Financial Assets	4.1	**–**	–	**3,361,951**	8,738,678
Provision for Employee Benefit Liabilities	27	**1,575,974**	1,390,118	**265,273,651**	230,348,774
Provision for Inventory	14	**–**	–	**63,703,313**	36,937,974
Dividend Received	33	**–**	–	**(18,431,322)**	(468,687,609)
Finance Cost	35	**2,183,119**	14,186,889	**1,915,045,056**	1,610,700,651
Finance Income	36	**(159,572,904)**	(238,110,503)	**(324,912,059)**	(348,477,240)
Operating Profit/(Loss) before Working Capital Changes		**1,206,932,760**	1,581,105,676	**15,052,135,651**	13,829,122,372
(Increase)/Decrease in Loans and Advances		**150,000,000**	225,000,000	**(6,255,496,851)**	(6,814,609,917)
(Increase)/Decrease in Trade and Other Debtors, Deposits and Prepayments		**119,680,068**	(152,795,245)	**(391,432,681)**	(1,202,967,204)
(Increase)/Decrease in Other Financial Assets		**681,819,446**	621,021,304	**467,897,867**	(2,536,839,404)
(Increase)/Decrease in Lease Rental Receivable		**–**	–	**(7,026,129,116)**	(10,557,348,629)
(Increase)/Decrease in Other Non-Financial Assets		**–**	–	**(595,350,220)**	395,611,435
Increase/(Decrease) in due to Banks		**–**	–	**(1,190,197,014)**	8,864,917,096
Increase/(Decrease) in due to Customers		**–**	–	**12,544,056,270**	7,668,332,234
Increase/(Decrease) in Trade and Other Payables		**(2,379,190)**	5,681,778	**434,749,244**	(463,141,959)
(Increase)/Decrease in Other Non-Financial Liabilities		**–**	–	**261,171,433**	738,225,623
(Increase)/Decrease in Other Financial Liabilities		**–**	–	**(211,472,248)**	137,461,000
(Increase)/Decrease in Inventories				**(2,584,438,799)**	(1,397,929,255)
Increase/(Decrease) in Asset Held for Sale		**–**	–	**(7,191,352)**	(131,352,001)
(Increase)/Decrease in Amounts due from Related Companies		**(154,213,386)**	225,635,527	**–**	–

As at 31st March	Notes	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 (Restated) Rs.
Cash Generated from Operations		**2,001,839,698**	2,505,649,041	**10,498,302,185**	8,529,481,421
Retirement Benefits Liabilities Paid	27	**–**	(308,000)	**(151,969,453)**	(149,547,483)
Finance Cost Paid	35	**(2,652,485)**	(12,513,137)	**(1,973,065,973)**	(1,610,700,651)
Interest Received	36	**169,662,658**	249,624,131	**324,912,059**	437,664,240
Taxes Paid		**(45,255,290)**	(68,874,630)	**(2,831,085,164)**	(3,126,580,746)
Net Cash from/(Used in) Operating Activities		**2,123,594,580**	2,673,577,403	**5,867,093,654**	4,080,316,781
Cash Flows from Investing Activities					
Purchase of Property, Plant and Equipment	16.2	**(2,481,779)**	(4,316,819)	**(5,601,075,726)**	(6,788,788,131)
Proceeds from Sale of Property, Plant and Equipment		**–**	3,100,000	**129,500,356**	72,527,641
Increase the Stake of Subsidiaries		**(515,500,000)**	(1,473,500,000)	**–**	–
Purchase of Intangible Assets	15	**–**	–	**(25,693,501)**	(33,612,692)
Cost on Bearer Biological Assets	17	**–**	–	**(241,550,000)**	(209,348,000)
Net Change Short-Term Investment		**–**	–	**–**	(25,157,900)
Net Change of Available-for-Sale Financial Assets		**(2,167,635,867)**	–	**(1,863,607,561)**	–
Net Change of Fair Value Through Profit or Loss Financial Assets		**50,882,003**	129,203,750	**60,466,572**	(2,562,164)
Acquisition of Subsidiary		**–**	–	**–**	(59,999,000)
Proceeds from leasehold right on mining		**–**	–	**6,414,000**	(7,999,500)
Acquisition of Non-Controlling interest		**–**	(827,739,038)	**(291,037,891)**	(950,124,189)
Dividend Received	33	**–**	–	**18,431,322**	583,107,602
Net Cash used in Investing Activities		**(2,634,735,643)**	(2,173,252,107)	**(7,808,152,429)**	(7,421,956,333)
Cash Flows from Financing Activities					
Proceeds from Interest-Bearing Loans and Borrowings		**600,000,000**	400,000,000	**20,400,408,893**	7,995,942,966
Repayment of Interest Bearing Loans and Borrowings		**–**	–	**(14,980,763,056)**	(6,825,535,477)
Capital Grant Received		**–**	–	**–**	22,412,000
Dividend Paid		**(541,471,949)**	(542,415,638)	**(1,719,939,928)**	(1,782,493,723)
Net Cash from Financing Activities		**58,528,051**	(142,415,638)	**3,699,705,909**	(589,674,234)
Net Increase/(Decrease) in Cash and Cash Equivalents		**(452,613,013)**	357,909,659	**1,758,647,134**	(3,931,313,785)
Cash and Cash Equivalents at the beginning of the Year		**399,208,103**	41,298,444	**1,485,247,252**	5,416,561,035
Cash and Cash Equivalents at the end of the Year		**(53,404,910)**	399,208,103	**3,243,894,386**	1,485,247,250

The accounting policies and Notes on pages 124 through 220 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 No. 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.

LB FINANCE PLC GROUP

LB 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, micro-finance and other credit facilities, real estate development and related services.

GREENER WATER LTD.

Greener Water Ltd., is an intended hotel operator.

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

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

In addition to the above investments, Company holds an investment in the 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 Valiibel One PLC, as at and for the year ended 31st March 2018 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 2018 were authorised for issue in accordance with a resolution of the directors on 30th May 2018.

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 & 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 45.

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 Profit or Loss.

2.4 MATERIALITY AND AGGREGATION

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

2.5 BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2018. Subsidiaries as at 31st March 2018 are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Royal Ceramics Lanka PLC	1990/91	55.96
L B Finance PLC	1971/72	66.34
Greener Water Ltd.	2010/11	100
Delmege Ltd.	1915/16	62.75

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 31st March 2018. 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.

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 acquire. For each business combination, the Group elects whether to measure the non-controlling interest in the acquire at fair value or at the proportionate share of the acquire 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

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

3.1 SIGNIFICANT ACCOUNTING JUDGEMENTS, 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 judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

JUDGEMENTS

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

ESTIMATES AND ASSUMPTIONS

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

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

I. TAXATION

The Group is subject to income taxes and other taxes including VAT on financial services. Significant judgement 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 judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

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

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

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 judgement 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 judgement. In making this judgement, 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 estimates 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 – "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	15 – 50 years
Furniture and Fittings	3 – 6.67 years
Equipment	3 – 5 years
Motor Vehicles and Accessories	4 – 8 years
Computer Hardware	4 – 5 years
Motor Bike	3 years
Mobile Accessories	2 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	02 years
Factory Equipment, Plant and Machinery, Moulds and Communication Equipment	10 – 20 years

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

REVALUATION

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

DERECOGNITION

Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the Statement of 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 in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

The cost of land preparation, rehabilitation, new planting, 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 recognises 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."

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

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

The main variables in DCF model concerns –

Variable	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 Profit or Loss for the period in which it arises.

Permanent impairments to Biological Assets are charged to the Statement of Profit or Loss 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 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 Fair Value 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 fair value.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

DETAILS OF FAIR VALUE MEASUREMENT IS PRESENTED IN NOTE 19

(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 – 15 Years	Straight line method
Brand Name	20 Years	Straight line method

(V) INVENTORIES

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

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

(a) Raw material – At purchase cost on weighted average cost basis, except for, Vallibel Plantation Management Limited and Swisstek (Ceylon) PLC which is on a first in first out basis.

(b) Consumable and spares – At purchase cost on weighted average cost basis.

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

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

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

(VI) 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.

(VII) 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.

(VIII) 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.

(IX) 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 2018 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 Employees' Trust Fund Board.

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

The Group classifies non-current assets and disposal groups as held for sale/distribution to owners if their carrying amounts will be recovered principally through a sale/distribution rather than through continuing use. Non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held-for-sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of 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 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 Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss 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 Profit or Loss 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 Profit or Loss 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 "profit or loss".

(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.

(10.1) ALLOWANCE FOR IMPAIRMENT LOSSES

ACCOUNTING ESTIMATES

The allowance for credit losses represents our estimate of the probable loss on the collection of finance receivables from customers as of the balance sheet date. The adequacy of the allowance for credit losses is assessed monthly and the assumptions and models used in establishing the allowance are evaluated regularly. Because credit losses may vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain. The credit losses are attributable to lease, hire purchase, loans and receivables portfolio.

The uncollectible portion of finance receivables are charged to the provision for impairment when an account is deemed to be uncollectible taking into consideration the financial condition of the customer, borrower, or lessee, the value of the collateral, recourse to guarantors, and other factors. Recoveries on finance receivables previously taken as impaired are debited to the allowance for credit losses.

INDIVIDUALLY IMPAIRED RECEIVABLES

Finance receivables that are more than five months in arrears, related to repossessed collaterals, subjected to legal action/ ongoing legal action, untraceable or unattainable collaterals, or are determined to be uncollectible, are identified as individually impaired. Impairment is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate or the fair value of any collateral adjusted for estimated costs to sell. Loss severity/Loss Given Default (LGD) of each category of impaired receivable is assumed to be a vital factor for the allowance for impairment.

The LGD assumptions are based on historical information and may not fully reflect losses inherent in the present portfolio. Therefore, we may adjust the estimate to reflect management judgement regarding observable changes in recent economic trends and conditions, portfolio composition, and other relevant factors.

COLLECTIVELY IMPAIRED RECEIVABLES

The collective impairment is evaluated primarily using rating migration matrixes and loss severity models that based on historical experience, indicates credit losses have been incurred in the portfolio even though the particular accounts that are uncollectible cannot be specifically identified. In addition to the Loss Given Default (LGD), we make projections for Probability of Default (PD) to estimate the collective impairment for receivables. We have used the rating migration matrixes to compute the PD.

The rating migrating matrix models are based on the most recent years of history. Each PD is calculated by dividing default contracts of each age category by beginning of period total contacts of each age category (Cohort method). The loss emergence period is a key assumption within our models and represents the average amount of time between when a loss event first occurs and when it is incurred. This time period starts when the consumer begins to experience financial difficulty. It is evidenced, typically through observable data for above average company NPL, historically low collection ratio, historically high rental arrears, and unacceptable low level of business volumes which may result in a portfolio level impairment.

(10.2) ACCOUNTING POLICY

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 financial asset impairment allowance account accordingly. The write-back is recognised in the Statement of Comprehensive Income.

WRITE-OFF OF LOANS AND RECEIVABLES

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

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, vehicles, gold, securities, letters of guarantees, real estate, receivables, inventories, 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.

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers.

COLLATERAL REPOSSESSED

Repossessed collateral will not be taken into books of accounts unless the Group has taken those collaterals into its business operations. However such additions from the repossessed collaterals to the business operations are not significant.

(A) AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the “statement of profit or loss”. 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.

(B) 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 VAT Act No. 14 of 2002 and subsequent amendment thereto.

DEFERRED TAX

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

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

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

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

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

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

The carrying amount of a deferred tax asset is reviewed at each 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 flow 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 Group. Group has calculated the potential impact of the new requirement based on 31st March 2018 figures. The increase in total balance sheet impairment provision is as follows:

As at 31st March 2018	Rs. '000
Total Expected Loss (SLFRS 9)	754,360
Less – Collective Provision for Unimpairment Loans (LKAS 39)	763.030
Increase in Total Balance Sheet Impairment Provision	(8.670)

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 AVAILABLE FOR SALE – FINANCIAL ASSETS

As at 31st March	2018		2017	
	Number of Shares	Rs.	Number of Shares	Rs.
COMPANY				
Quoted Investments				
Hayleys PLC	–	–	2,182,584	578,384,760
Waskaduwa Beach Resort PLC	–	–	31,460,997	94,382,991
Sampath Bank PLC	32,481,024	9,744,307,200	27,840,878	7,210,787,402
Advanced Towards Right Issue – Sampath Bank PLC	7,495,621	1,873,905,000	–	–
Unquoted Investments				
LB Micro Finance Myanmar Company Limited	3,000	473,994		–
Total		11,618,686,194		7,883,555,153
GROUP				
Quoted Investments				
Diversified Holding				
Hayleys PLC	–	–	2,182,584	578,384,760
Manufacturing				
Blue Diamond Jewellery PLC	–	–	74	67
Central Industries PLC	8,184	321,631	8,184	360,096
Ceylon Grain Elevators PLC	44	3,146	44	3,324
Dankotuwa Porcelain PLC	32,512	224,333	32,512	195,072
Samson International PLC	5,899	519,702	5,899	583,411
Hotels and Travels				
Aitken Spence Hotel Holdings PLC	308	10,318	308	10,842
Hotel Sigiriya PLC	700	43,960	700	68,110
Palm Garden Hotels PLC	–	–	36	868
Waskaduwa Beach Resort PLC	–	–	31,460,997	94,382,991
Trading				
Stores and Supplies				
Hunter PLC	10	4,950	10	4,000
Bank, Finance and Insurance				
Commercial Bank of Ceylon PLC	275	37,345	275	35,860
Merchant Bank & Finance PLC	–	–	61	659
Sampath Bank PLC	32,481,029	9,744,308,700	27,840,883	7,210,788,402
Advanced Towards Right Issue – Sampath Bank PLC	7,495,621	1,873,905,000	–	–
Seylan Bank PLC	2,538	220,298	2,538	220,806
Softlogic Finance PLC	2,090,000	73,150,000	2,090,000	65,085,986

As at 31st March	2018		2017	
	Number of Shares	**Rs.**	Number of Shares	Rs.
Beverages, Food and Tobacco				
Keells Food Products PLC	**500**	**64,950**	500	72,500
Lanka Milk Foods PLC	**5,500**	**869,550**	5,500	643,500
Convenience Food (Lanka) PLC	**22**	**9,460**	22	6,820
		11,693,693,343		7,950,848,072
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**	**1,164,490**	25,000	1,044,405
Asian Paints (Pvt) Limited	**205,891**	**2,980,004**	205,891	2,980,003
eConsultant Limited	**5,000**	**75,000**	5,000	75,000
Total Investments in Non-Quoted Equity Securities		**4,219,494**		4,099,408
Provision for Financial Assets – Available for Sale		**(3,361,951)**		(3,305,003)
Total Carrying Value of Financial Assets – Available for Sale		**857,543**		794,405
		11,694,855,586		7,951,947,177

4.2 FAIR VALUE THROUGH PROFIT OR LOSS – FINANCIAL ASSETS

As at 31st March	2018		2017	
	Number of Shares	**Rs.**	Number of Shares	Rs.
COMPANY				
Quoted Investments				
The Kingsbury PLC	–	–	3,216,146	49,850,263
Citrus Leisure PLC	**8,672,846**	**65,046,345**	8,672,846	60,709,922
Total		**65,046,345**		110,560,185
GROUP				
Quoted Investments				
Bank, Finance and Insurance				
Softlogic Finance PLC	**8**	**280**	8	248
Seylan Bank PLC (Non-Voting)	**93,032**	**5,126,065**	93,032	5,088,850
Food Processing				
Bairaha Farms PLC	**17,600**	**2,368,960**	15,999	2,562,993

As at 31st March	2018		2017	
	Number of Shares	**Rs.**	Number of Shares	Rs.
Hotels and Travels				
Aitken Spence PLC	**225,000**	**11,385,000**	225,000	12,645,000
Royal Palms Beach Hotels PLC	**4,299**	**77,382**	4,299	94,148
John Keells Hotels PLC	**45,009**	**418,584**	45,009	450,090
The Kingsbury PLC	**–**	**–**	3,216,146	49,850,263
Citrus Leisure PLC	**11,441,122**	**85,808,411**	11,441,122	80,087,854
Waskaduwa Beach Resort PLC	**–**	**–**	1,400,145	4,200,435
Serendib Hotels PLC	**16,000**	**280,000**	16,000	369,600
Kalpitiya Beach Resorts PLC	**583,393**	**4,200,430**	–	–
Diversified Holdings				
Browns Investments PLC	**522,619**	**1,411,071**	522,619	731,667
Browns Capital PLC	**1,161,600**	**4,181,760**	1,161,600	1,369,723
Hayleys PLC	**1,222**	**245,255**	1,222	323,830
Healthcare				
The Lanka Hospital Corporation PLC	**45,519**	**2,731,140**	45,519	2,799,419
Investment Trust				
Ascot Holding PLC	**–**	**–**	30,000	690,000
Total		**118,234,338**		161,264,120

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 2018, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

Group

As at 31st March 2018	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Assets – Fair Value Through Profit or Loss				
Quoted Equities	**118,234,338**	**–**	**–**	**118,234,338**
Unquoted Equities	**–**	**–**	**–**	**–**
Financial Assets – Available for Sale				
Quoted Equities	**11,693,693,343**	**–**	**–**	**11,693,693,343**
Unquoted Equities	**–**	**1,162,243**	**–**	**1,162,243**
Total	**11,811,927,681**	**1,162,243**	**–**	**11,813,089,924**

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
Unquoted Equities	–	–	–	–
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

5. LOANS AND RECEIVABLES

	Company	
	2018	2017
	Rs.	Rs.
Debentures	**–**	150,000,000
	–	150,000,000

	Group	
	2018	2017
	Rs.	Rs.
Debentures	**–**	150,000,000
Gold Loans	**20,139,331,673**	16,289,995,717
Real Estate Loans	**975,761**	1,850,087
Term Loans	**13,108,060,213**	10,803,432,125
Quick Loans	**11,335,694**	18,014,843
Margin Trading	**20,964,467**	31,933,976
Factoring Receivable	**537,287,994**	338,454,562
Power Drafts	**2,734,171,011**	2,139,040,576
Vehicle Loans	**4,208,804,222**	4,391,057,661
	40,760,931,035	34,163,779,547
Less: Allowance for Impairment Losses (Note 5.1)	**(866,654,902)**	(525,000,265)
	(866,654,902)	(525,000,265)
Net Loans and Receivables	**39,894,276,133**	33,638,779,282

5.1 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2018	2017
	Rs.	Rs.
5.1.1		
As at 1st April	**525,000,265**	723,963,080
Charge/(Reversal) for the Year	**415,853,417**	6,289,714
Amounts Written Off	**(74,211,471)**	(205,252,529)
Exchange Rate Variance on Foreign Currency Provisions	**12,691**	–
As at 31st March	**866,654,902**	525,000,265

	Group 2018 Rs.	Group 2017 Rs.
5.1.2		
Individual Impairment	**697,504,783**	414,698,714
Collective Impairment	**169,150,119**	110,301,551
Total	**866,654,902**	525,000,265
Gross Amount of Loans Individually Determined to be Impaired before Deducting the Individually Assessed Impairment Allowance	**1,546,030,359**	861,403,549
Gross Amount of Loans Collectively Assessed for the Impairment	**39,214,900,676**	33,302,375,998
	40,760,931,035	34,163,779,547

The recorded loans and receivables that were impaired at 31st March 2018 and 2017 were 3.80% of receivables and 2.09% of receivables, respectively. Lease Rentals Receivable and Stock Out On Hire that were impaired at 31st March 2018 and 2017 were 5.85% of receivables and 3.08% of receivables, respectively.

	Group 2018 Rs.	Group 2017 Rs.
5.1.3		
Gold Loans	**31,089,113**	22,490,325
Vehicle Loans	**154,251,948**	206,971,645
Quick Loans	**1,711,274**	308,578
Margin Trading	**1,497**	–
Term Loans	**548,616,740**	272,380,715
Power Drafts	**75,564,495**	21,365,805
Factoring Receivable	**55,419,835**	1,483,197
Total	**866,654,902**	525,000,265

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

	Group 2018 Rs.	Group 2017 Rs.
As at 1st April	**324,475,203**	278,027,891
Add: Loans granted during the year	**244,225,337**	234,943,717
Less: Repayments during the year	**(211,758,464)**	(188,496,405)
As at 31st March	**356,942,076**	324,475,203

5.3 CONTRACTUAL MATURITY ANALYSIS OF LOANS AND RECEIVABLES (COMPANY)

	Company 2018 Rs.	Company 2017 Rs.
Within one year	**–**	150,000,000
1-5 Years	**–**	–
Total	**–**	150,000,000

5.3 CONTRACTUAL MATURITY ANALYSIS OF LOANS AND RECEIVABLES (GROUP)

As at 31st March 2018	Within One Year Rs.	1-5 Years Rs.	Over 5 Years Rs.	**Total Rs.**
Gold Loans	**20,139,331,673**	**–**	**–**	**20,139,331,673**
Vehicle Loans	**1,826,854,244**	**2,332,233,196**	**49,716,781**	**4,208,804,221**
Medium and Short-Term Loans	**3,949,984,966**	**1,759,006,778**	**33,911,314**	**5,742,903,058**
Mortgage Loans	**1,903,819,857**	**4,471,592,947**	**989,744,352**	**7,365,157,156**
Quick Loans	**11,310,199**	**25,495**	**–**	**11,335,694**
Power Drafts	**1,619,246,174**	**1,114,924,837**	**–**	**2,734,171,011**
Margin Trading	**20,964,467**	**–**	**–**	**20,964,467**
Factoring Receivable	**537,287,994**	**–**	**–**	**537,287,994**
Real Estate Loans	**975,761**	**–**	**–**	**975,761**
Gross Loans and Receivables	**30,009,775,335**	**9,677,783,253**	**1,073,372,447**	**40,760,931,035**
Allowance for Impairment Losses (Note 5.1.3)				**(866,654,902)**
Net Loans and Receivables				**39,894,276,133**

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

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	
	2018	2017
	Rs.	Rs.
Gross Rentals Receivables		
– Lease Rentals	**85,706,798,698**	74,521,690,005
– Amounts Receivable from Hirers	**455,938,539**	1,251,200,053
	86,162,737,237	75,772,890,058
Unearned Income	**(21,662,824,928)**	(18,301,275,264)
Net Rentals Receivable	**64,499,912,309**	57,471,614,794
Rentals Received in Advance	**(9,093,527)**	(6,925,128)
Allowance for Impairment Losses (Note 6.1)	**(2,001,133,016)**	(1,805,301,858)
	(2,010,226,543)	(1,812,226,986)
Total Net Rentals Receivable [Notes 6.2 (a) and 6.2 (b)]	**62,489,685,766**	55,659,387,808

6.1 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2018	2017
	Rs.	Rs.
At the beginning of the Year	**1,805,301,857**	1,917,795,205
Charge for the Year	**364,808,853**	94,016,018
Amounts Written Off	**(168,977,695)**	(206,509,365)
At the end of the Year	**2,001,133,015**	1,805,301,857
Individual Impairment	**1,406,863,551**	1,347,444,908
Collective Impairment	**594,269,465**	457,856,950
	2,001,133,016	1,805,301,858
Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	**3,771,230,438**	1,771,225,253
Gross Amount of Loans Collectively Assessed for the Impairment	**60,728,681,871**	55,700,389,541
	64,499,912,309	57,471,614,794

6.2 CONTRACTUAL MATURITY ANALYSIS

(A) AS AT 31ST MARCH 2018

	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	**35,693,565,329**	**49,960,849,272**	**52,384,097**	**85,706,798,697**	**415,440,884**	**40,497,656**	**–**	**455,938,540**
Unearned Income	**(10,956,305,785)**	**(10,683,824,539)**	**(4,077,576)**	**(21,644,207,901)**	**(16,643,393)**	**(1,973,634)**	**–**	**(18,617,027)**
Net Rentals Receivables	**24,737,259,544**	**39,277,024,733**	**48,306,521**	**64,062,590,796**	**398,797,491**	**38,524,022**	**–**	**437,321,513**
Rentals Received in Advance				**(9,093,527)**				**–**
Allowance for Impairment Losses				**(1,774,407,162)**				**(226,725,854)**
Total Net Rentals Receivable				**62,279,090,107**				**210,595,659**
Total Net Rentals Receivable from Lease and Hire Purchase								**62,489,685,766**

(B) 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

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

	2018 Rs.	2017 Rs.
As at the beginning of the Year	**70,832,798**	94,924,872
Add: Loans Granted during the Year	**47,753,819**	38,186,631
Less: Repayments during the Year	**(54,415,063)**	(62,278,704)
As at the end of the Year	**64,171,554**	70,832,798

7. OTHER FINANCIAL ASSETS

	Company 2018 Rs.	2017 Rs.
Investment in Fixed Deposits	**718,942,715**	1,400,762,161
	718,942,715	1,400,762,161

	Company 2018 Rs.	2017 Rs.
Treasury Bills/Repurchases	**3,532,440,589**	3,787,538,345
Insurance Premium Receivables	**326,627,989**	244,385,064
Investment in Fixed Deposits	**4,030,864,432**	4,344,855,523
Others	**28,250,991**	9,302,935
	7,918,184,001	8,386,081,868

8. TRADE OTHER DEBTORS DEPOSITS AND PREPAYMENTS

	Company 2018 Rs.	2017 Rs.
Deposits	**19,754,482**	19,323,970
Interest Receivable	**37,971,915**	47,426,731
Other Advances	**457,775**	10,784,152
Other Receivable	**8,867,192**	134,185,766
	67,051,364	211,720,619

	Company 2018 Rs.	2017 Rs.
Trade Receivables	**5,605,611,462**	4,967,586,366
Deposits	**60,079,191**	28,286,847
Other Advances	**39,454,775**	58,390,152
Interest Receivables	**37,971,915**	47,426,731
Other Receivables	**1,100,485,765**	1,350,480,331
	6,843,603,108	6,452,170,427

9. OTHER NON-FINANCIAL ASSETS

	Company	
	2018 Rs.	2017 Rs.
Real Estate Stock	**–**	580,532
Advance for Vehicle Stock	**18,574,450**	–
Advances and Prepayments	**1,669,309,303**	1,221,285,540
Gold Stock	**1,513,533**	5,805,271
Stationery Stock	**8,769,407**	9,145,209
Sundry Debtors	**6,150,904**	6,067,520
Prepaid Staff Cost	**58,462,746**	19,068,108
Receivables and Others	**16,598,918**	7,588,850
Advance Company Tax Receivable	**27,285,000**	27,285,000
Other Long Term Receivable	**85,511,989**	–
	1,892,176,250	1,296,826,030

10. INVESTMENT IN SUBSIDIARIES

	Effective Holding (%)		Number of Shares	
	2018	2017	**2018**	2017
Quoted Investments				
Royal Ceramics Lanka PLC	**55.96**	55.96	**62,002,600**	62,002,600
L B Finance PLC	**66.34**	66.34	**71,681,257**	71,681,257
Unquoted Investments				
Delmege Limited	**62.75**	62.75	**253,314**	253,314
Greener Water Limited	**100.00**	100.00	**2,355,730,010**	184,023,000

	Cost		Market Value	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Quoted Investments				
Royal Ceramics Lanka PLC	**9,920,439,510**	9,920,439,509	**6,535,074,040**	7,378,309,400
L B Finance PLC	**5,461,361,198**	5,461,361,198	**8,522,901,457**	8,487,060,829
	15,381,800,708	15,381,800,707	**15,057,975,497**	15,865,370,229

	Cost		Directors Valuation	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Unquoted Investments				
Delmege Limited	**1,579,525,326**	1,579,525,326	**1,579,525,326**	1,579,525,326
Greener Water Limited	**2,357,063,650**	1,841,563,650	**2,357,063,650**	1,841,563,650
Total	**3,936,588,976**	3,421,088,976	**3,936,588,976**	3,421,088,976
Total	**19,318,389,684**	18,802,889,683	**18,994,564,473**	19,286,459,205

11. INVESTMENT IN ASSOCIATES

11.1 COMPANY

	Effective Holding		Number of Shares	
	2018	2017	**2018**	2017
	%	%		
Quoted Investments				
The Fortress Resorts PLC	**20.46**	20.46	**19,977,345**	19,977,345

	Cost		Market Value	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
The Fortress Resorts PLC	**405,891,320**	405,891,320	**209,762,123**	259,705,485
	405,891,320	405,891,320	**209,762,123**	259,705,485

11.2 GROUP

	The Fortress Resorts PLC	Total
	Rs.	Rs.
Balance at the 31st March 2016	558,437,660	558,437,660
Investments made during the Year	–	–
Share of Profit Net of Tax and Dividend	29,629,739	29,629,739
Share of Other Comprehensive Income	(228,999)	(228,999)
Balance at the 31st March 2017	587,838,400	587,838,400
Share of Profit Net of Tax and Dividend	30,553,422	30,553,422
Balance as at 31st March 2018	618,391,822	618,391,822

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

11.3.1 STATEMENT OF PROFIT OR LOSS

	2018	2017
	Rs.	Rs.
Revenue	**638,705,923**	625,422,392
Cost of Sales	**(222,459,605)**	(191,738,064)
Income (Includes Other Income, Finance Income)	**79,932,474**	85,601,212
Expenses (Includes Operating, Administration and Distribution Expenses)	**(320,041,916)**	(355,929,736)
Finance Cost	**(3,124,571)**	(404,751)
Value Added Tax on Financial Services		
Income Tax	**(32,213,121)**	(28,086,513)
Profit after Tax	**140,799,184**	134,864,540
Other Comprehensive Income	**(242,843)**	(1,042,324)

11.3.2 STATEMENT OF FINANCIAL POSITION

	2018 Rs.	2017 Rs.
Non-Current Assets	**1,375,574,039**	1,360,688,970
Current Assets	**583,070,613**	431,188,549
Non-Current Liabilities	**73,067,802**	69,598,588
Current Liabilities	**130,497,888**	107,756,311
Net Assets	**1,755,078,961**	1,614,522,620

11.3.3 COMMITMENTS AND CONTINGENCIES

	2018 Rs.	2017 Rs.
Commitments		
Operating Lease Commitments	**39,389,795**	41,626,437

12. DEFERRED TAX ASSETS (LIABILITIES)

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
As at 1st April	**(2,461,089)**	(3,006,581)	**(1,370,507,471)**	(752,273,568)
Recognised in Profit or Loss	**1,015,305**	738,730	**(986,876,519)**	(601,750,652)
Recognised in Other Comprehensive Income	**165,462**	(193,238)	**(3,019,099,513)**	(11,590,756)
Deferred Tax on Acquisition of Subsidiaries	**–**	–	**–**	(4,892,495)
At the end of the Year	**(1,280,322)**	(2,461,089)	**(5,376,483,503)**	(1,370,507,471)
Deferred Tax Assets	**–**	–	**14,686,000**	340,548,697
Deferred Tax Liabilities	**(1,280,322)**	(2,461,089)	**(5,391,523,503)**	(1,711,056,168)
	(1,280,322)	(2,461,089)	**(5,376,837,503)**	(1,370,507,471)

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

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Property, Plant and Equipment	**(2,953,543)**	(3,611,060)	**(6,771,627,512)**	(2,571,606,547)
Defined Benefit Obligation	**1,673,221**	1,149,971	**340,719,463**	257,731,062
Provisions	**–**	–	**61,958,387**	162,667,222
Unutilised Tax Losses	**–**	–	**992,112,159**	780,700,792
	(1,280,322)	(2,461,089)	**(5,376,837,503)**	(1,370,507,471)

13. AMOUNTS DUE FROM RELATED PARTIES

	Relationship	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 Rs.
Amounts Due From Related Parties	Subsidiary	**215,624,662**	45,334,491	**–**	–
		215,624,662	45,334,491	**–**	–

14. INVENTORIES

	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Raw Materials	**–**	–	**3,038,604,008**	2,027,139,112
Construction Consumables	**–**	–	**16,338,829**	14,007,906
Spares and Consumables	**–**	–	**1,818,919,072**	1,738,616,776
Non-Harvested Produce on Bearer Biological Assets	**–**	–	**6,210,000**	6,860,000
Work-in-Progress	**–**	–	**398,581,861**	301,076,646
Harvested Crops	**–**	–	**223,516,000**	189,715,000
Seat Covers and Accessories	**–**	–	**801,500,529**	543,717,234
Finished Goods	**–**	–	**6,424,149,215**	5,452,119,323
Goods-in-Transit	**–**	–	**156,801,263**	26,929,980
	–	–	**12,884,620,777**	10,300,181,978
Less: Provision for Obsolete and Slow-Moving Inventory	**–**	–	**(332,100,448)**	(268,397,135)
			12,552,520,329	10,031,784,843

15. INTANGIBLE ASSETS

	Group			
	Software Rs.	Brand Name Rs.	Goodwill Rs.	Total Rs.
Cost				
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
Acquired during the Year	25,693,501	–	–	25,693,501
As at 31st March 2018	441,313,446	904,891,300	12,354,153,132	13,700,357,878
Amortisation				
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
Charge for the Year	41,018,386	45,244,565	–	86,262,951
Impairment of Goodwill	–	–	2,387,160	2,387,160
Effect of Change in Exchange Rate	14,044	–	(67,873)	(53,829)
As at 31st March 2018	210,245,029	335,563,859	170,710,124	716,519,012
Net Book Value				
Net Book Value as at 31st March 2017	246,407,346	614,572,006	12,185,762,295	13,046,741,647
Net Book Value as at 31st March 2018	231,068,417	569,327,441	12,183,443,008	12,983,838,866

15.1 GOODWILL

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

	2018 Rs.	2017 Rs.
Royal Ceramic Lanka PLC and its Subsidiaries	**7,410,980,811**	7,413,300,098
L B Finance PLC	**3,966,204,093**	3,966,204,093
Greener Water Limited	**3,419,869**	3,419,869
Delmege Limited and its Subsidiaries	**802,838,235**	802,838,235
	12,183,443,008	12,185,762,295

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 Equipments Rs.	Motor Vehicles Rs.	Total 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

	Computers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Total Rs.
Gross Carrying Amounts					
Balance as at 31st March 2017	23,836,494	34,897,369	1,634,428	24,564,740	84,933,031
(Disposals)/Adjustments	(7,789,602)	3,110,954	995,376	–	(3,683,272)
Additions	2,245,714	226,565	9,500	–	2,481,779
Balance as at 31st March 2018	18,292,606	38,234,888	2,639,304	24,564,740	83,731,538
Depreciation					
Balance as at 31st March 2017	18,716,156	19,002,253	907,815	9,175,043	47,801,267
(Disposals)/Adjustments	(7,001,622)	3,123,709	361,437	–	(3,516,476)
Depreciation Charge for the Year	2,297,833	3,489,737	163,681	4,276,364	10,227,615
Balance as at 31st March 2018	14,012,367	25,615,699	1,432,933	13,451,407	54,512,406
Net Book Value					
As at 31st March 2017	5,120,338	15,895,116	726,613	15,389,697	37,131,763
As at 31st March 2018	4,280,239	12,619,189	1,206,371	11,113,333	29,219,132

16.2 GROUP

GROSS CARRYING AMOUNTS

	Balance as at 01st April 2017 Rs.	Additions during the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	Assets Held for Sale Rs.	**Balance As at 31st May 2018 Rs.**
Cost/Valuation							
Land and Building	18,150,476,340	2,178,287,334	4,189,753,805	(629,872,326)	–	(40,431,478)	**23,848,213,675**
Furniture and Fittings	978,664,346	238,847,896	–	(25,102,215)	111,461	(42,440)	**1,192,479,048**
Equipment	1,486,375,603	261,761,157	–	(14,904,223)	339,989	(2,572,058)	**1,731,000,468**
Fire Protection Equipment	17,446,968	7,044,002	–	158,100	–	–	**24,649,070**
Motor Vehicles and Accessories	815,975,444	140,445,649	–	6,558,805	433,897	(392,000)	**963,021,795**
Computer Hardware	529,872,496	190,176,821	–	(27,907,317)	–	–	**692,142,000**
Air Conditioning	222,542,978	38,591,569	–	(4,162,866)	–	–	**256,971,681**
Telephone System	78,646,509	2,706,617	–	(195,500)	–	–	**81,157,626**
Leasehold Improvements	838,684,312	100,959,745	–	(8,835,900)	–	–	**930,808,157**
Fixtures and Fittings	884,573,842	293,842,699	–	199,905,590	–	–	**1,378,322,131**
Water Supply Scheme	392,900,500	24,407,560	–	–	–	–	**417,308,060**
Electricity Distribution	34,019,243	–	–	–	–	–	**34,019,243**
Tools and Implements	793,041,709	103,317,941	–	(17,532,525)	7,620	–	**878,834,745**
Plant and Machinery – Polishing Plant	12,358,198,369	1,269,947,022	–	(21,734,450)	–	(9,240,119)	**13,597,170,822**
Moulds	129,351,442	3,382,470	–	–	–	–	**132,733,912**
Household Item – Light	78,830	–	–	–	–	–	**78,830**
Stores Buildings on Leasehold Land	478,326,630	49,678,658	10,655,287	(61,885,825)	4,687,182	–	**481,461,932**
Civil Construction	1,301,140,590	–	–	(1,301,140,590)	–	–	**–**
	39,490,316,151	4,903,397,140	4,200,409,092	(1,906,651,242)	5,580,149	(52,678,095)	**46,640,373,195**
Assets on Finance Lease							
Plant and Machinery	20,184,680	–	–	–	–	–	**20,184,680**
Leasehold Land	14,600,000	–	–	–	–	–	**14,600,000**
Motor Vehicles	20,483,000	–	–	–	–	–	**20,483,000**
Transport and Communication Equipment	58,560,000	–	–	(5,134,000)	–	–	**53,426,000**
	113,827,680	–	–	(5,134,000)	–	–	**108,693,680**
Total Value of Depreciable Assets	39,604,143,831	4,903,397,140	4,200,409,092	(1,911,785,242)	5,580,149		**46,749,066,876**

CAPITAL WORK-IN-PROGRESS

	As at 01.04.2017 Rs.	Additions during the Year Rs.	Increase/ (Decrease)/ Revaluation Rs.	Transfer Disposal Rs.	Exchange Translation Difference Rs.	**Balance As at 31.03.2018 Rs.**
Capital Work-in-Progress	1,459,727,460	3,753,578,749	–	(1,719,747,777)	573,980	**3,494,132,412**
	1,459,727,460	3,753,578,749	–	(1,719,747,777)	573,980	**3,494,132,412**

DEPRECIATION

	Balance as at 01st April 2017 Rs.	Change for the Year Rs.	Transfer to Revaluation Reserves Rs.	Transfers/ Disposals Rs.	Exchange Translation Difference Rs.	Assets Held for Sale Rs.	**Balance as at 31.03.2018 Rs.**
Building	595,070,713	213,173,138	(418,243,253)	(7,645,248)	–	(15,511,738)	**366,843,612**
Furniture and Fittings	635,276,732	123,174,389	–	(6,425,417)	(217,418)	(42,440)	**751,765,846**
Equipment	1,057,347,094	141,631,280	(5,269)	(12,714,823)	180,823	(1,615,140)	**1,184,823,965**
Fire Protection Equipment	14,228,748	1,780,919	5,270	–	–	–	**16,014,937**
Motor Vehicles and Accessories	436,665,955	108,328,364	–	(12,395,183)	462,311	(392,000)	**532,669,447**
Computer Hardware	385,784,429	72,492,484	–	(7,606,958)	1,570	–	**450,671,525**
Air Conditioning	131,860,413	31,357,536	–	(4,154,743)	–	–	**159,063,206**
Telephone System	72,715,969	2,501,799	–	(52,133)	–	–	**75,165,635**
Leasehold Improvements	451,938,028	107,602,333	(14,267)	(275,805)	–	–	**559,250,289**
Fixtures and Fittings	290,272,487	75,456,526	–	31,591,725	–	–	**397,320,738**
Water Supply Scheme	265,791,757	22,074,210	–	(3,000)	–	–	**287,862,967**
Electricity Distribution	10,918,487	1,465,982	–	–	–	–	**12,384,469**
Tools and Implements	614,119,674	88,448,658	–	(17,310,460)	5,736	–	**685,263,608**
Plant and Machinery	6,464,455,043	736,027,177	–	(13,476,567)	–	(7,513,923)	**7,179,491,730**
Molds	106,978,769	10,784,485	–	–	–	–	**117,763,254**
Household Item – Light	59,093	–	–	–	–	–	**59,093**
Stores Buildings on Leasehold Land	69,400,665	66,745,852	(39,967,873)	(24,754,330)	1,131,204	–	**72,555,518**
	11,602,884,056	1,803,045,132	(458,225,392)	(75,222,942)	1,564,226	(25,075,241)	**12,848,969,839**
Assets on Finance Lease							
Plant and Machinery	8,074,169	4,149,722	–	–	–	–	**12,223,891**
Leasehold Land	1,948,000	485,329					**2,433,329**
Transport and Communication Equipment	41,592,000	5,309,000	–	(5,834,000)	–	–	**41,067,000**
Motor Vehicle	6,887,048	4,096,600	–	–	–	–	**10,983,648**
	58,501,218	14,040,651	–	(5,834,000)	–	–	**66,707,868**
Total	11,661,385,274	1,817,085,783	(458,225,392)	(81,056,942)	1,564,226	(25,075,241)	**12,915,677,707**

Net Book Value	
As at 31st March 2017	**27,942,758,558**
As at 31st March 2018	**33,833,389,169**
Capital Work-in-Progress	
As at 31st March 2017	**1,459,727,460**
As at 31st March 2018	**3,494,132,412**

16.3 CARRYING AMOUNT

	As at 31st March 2018 Rs.	As at 31st March 2017 Rs.
Property, Plant and Equipment	**37,327,521,581**	29,402,486,018
Immovable JEDB/SLSPC Estate Assets on Finance Leases (Other than Right to Bare Land) (Note 16.4)	**47,105,000**	54,820,000
Leasehold Right to Bare Land of JEDB/SLSPC Estates (Note 16.5)	**105,253,000**	109,120,000
	37,479,879,581	29,566,426,018

16.4 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 and Machinery Rs.	2018 Rs.	2017 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	161,124,000	3,296,000	46,757,000	6,818,000	**217,995,000**	208,814,000
During the Period	7,161,000	138,000	416,000	–	**7,715,000**	9,181,000
At the end of the Year	168,285,000	3,434,000	47,173,000	6,818,000	**225,710,000**	217,995,000
Written Down Value						
At the end of the Year	46,525,000	580,000	–	–	**47,105,000**	54,820,000

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 17.1 Bearer Biological Assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 17.1 – Bearer Biological Assets. (Immature Plantations).

16.5 LEASEHOLD RIGHT TO BARE LAND OF JEDB/SLSPC ESTATES

	2018 Rs.	2017 Rs.
Capitalised Value		
As at 22nd June 1992	**204,931,000**	204,931,000
Amortisation		
Opening Balance	**95,811,000**	91,944,000
Charge for the Year	**3,867,000**	3,867,000
At the end of the Year	**99,678,000**	95,811,000
Carrying Amount		
At the end of the Year	**105,253,000**	109,120,000

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.

16.6 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) (Level 3).

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant Unobservable Input: Price per Perch/Acre/Range	Fair Value Measurement using Significant Unobservable Inputs (Level 3) Rs. Mn
Royal Ceramics Lanka PLC	Factory at Ehaliyagoda	A50-R1-P34.72	Mr. A A M Fathihu	31.03.18	Market-based evidence	Rs. 56,250 per perch	454,203 Mn
	Showroom and Cutting Centere Land at Kottawa	A1-R1-P24.75				Rs. 1,528,026 per perch	343,437 Mn
	Land at Meegoda Warehouse	A2-R3-P31.29				Rs. 255,017 per perch	120,187 Mn
	Land at Nawala for Nawala New Showroom	P24.90				Rs. 7,000,000 per perch	174,300 Mn
	Land at Nattandiya	A10				Rs. 18,750 per perch	30,000 Mn
	Land at Kaluthara	A4-R3-P8.20				Rs. 15,602 per perch	11,986 Mn
	Land at Seeduwa	R1-P12.50				Rs. 2,500,000 per perch	131,250 Mn
	Land at Narahenpita	P17.02				Rs. 7,000,000 per perch	119,140 Mn
	Land at Colpitty	P19.97				Rs. 15,022,533 per perch	300,000 Mn
	Land at Panadura	P18.82				Rs. 3,500,000 per perch	65,870 Mn
	Land at Dehiwela	P14.83				Rs. 7,000,000 per perch	103,810 Mn
	Land at Narahenpita	R1-P5.32				Rs. 6,430,714 per perch	291,440 Mn
Royal Porcelain (Pvt) Ltd.	Factory Land at Horana	A.14 - R.1- P.7.36	Mr. A A M Fathihu	31.12.17	Market-based evidence	Rs. 62,500 per perch	89.088 Mn
	Factory Building at Horana	285,168 sq.ft.				Rs.1,250 to Rs. 5,000 per sq.ft	142.96 Mn
	Warehouse Building at Meegoda	77,467 sq.ft.				Rs.3,500 to Rs. 4,000 per sq.ft	566.073 Mn
Rocell Bathware Ltd.	Factory Land at Homagama	A1-R2-P19.60	Mr. A A M Fathihu	31.03.18	Market-based evidence	Rs. 150,000 per perch	38.94 Mn
	Land at Meegoda	A1-R3-P04.10				Rs. 200,000 per perch	64.320 Mn
	Factory Complex at Homagama	202,003 Sq. ft.				Rs. 800/- to 4,500/- per Sq. ft	632.8955 Mn
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	Mr. Ranjan J Samarakone	31.03.17	Market-based evidence	Rs. 4,500,000 per Acre	219,875
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9P				Rs.2,500,000 per Acre	11,000
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	A48-R03-P17.9	Mr. Ranjan J Samarakone	31.03.17	Market-based evidence		223,800
	House	981.Sq.ft.					
Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr. Ranjan J Samarakone	31.03.16	Market-based evidence		557,357
	Land at Biyagama	02A-00R-15.93P					285,541
	Marawila Silica Land	13A-0R-02P					35,780
	Ball Clay land at Kaluthara	5A-01R-0.83P					52
Uni Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr. D G Newton	31.03.16	Market-based evidence		102,046
	Building and Land Improvement at Narampola road, Moragala, Deketana	25,551 sq.ft.			Depreciated Replacement cost		179,254
Uni Dil Packaging Solutions Ltd.	Land at Narampola Road, Moragala, Deketana	A2-R2-P35	Mr. D G Newton	31.03.16	Market based evidence		26,100
	Building at Narampola Road, Moragala, Deketana	25,551 sq.ft.			Depreciated Replacement cost		46,400

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant Unobservable Input: Price per Perch/Acre/Range	Fair Value Measurement using Significant Unobservable Inputs (Level 3) Rs. Mn
Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda – Land	980 Perches	Mr.K T D Tissera	31.03.16	Market-based evidence		600,000
	No:334/5, Colombo Road, Belummahara, Imbulgoda – Land	20 Perches	Mr.K T D Tissera	31.03.16	Market-based evidence		6,700
	Factory Complex, Belummahara, Imbulgoda – Building	54,647 sq.ft.	Mr.K T D Tissera	31.03.16	Contractors method		75,000
	No:334/5, Colombo Road, Belummahara, Imbulgoda – Building	1,384 sq.ft.	Mr.K T D Tissera	31.03.16	Depreciated Replacement cost		300
	Factory Complex, Belummahara, Imbulgoda – Tile Stores	24,444 sq.ft.	Mr.K T D Tissera	31.03.16	Investment method		63,351
	Factory Complex, Belummahara, Imbulgoda –Sales centre	4890 sq.ft.	Mr.K T D Tissera	31.03.16	Investment method		21,122
	Factory Complex, Belummahara, Imbulgoda – Open Shed	1600 sq.ft.	Mr.K T D Tissera	31.03.16	Investment method		2,073
	Factory Complex, Belummahara, Imbulgoda – Warehouse	5,000 sq.ft.	Mr.K T D Tissera	31.03.16	Investment method		17,278
Swisstek Aluminum Ltd.	Land at Pahala Dompe, Dompe	A08-R02-P20	Mr. T J Tissera	30.03.16	Market-based evidence		180,000
	Building at Pahala Dompe, Dompe		Mr. T J Tissera	30.03.16	Contractors Method		229,627
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
	Land Situated at Owala	1A-1R-02.0P	Mr. P B Kalugalagedera	31.03.16	Market-based evidence	Rs. 400,000 per acre	500
	Factory Building and Office Building at Owala Mine	7038 Sq.ft.	Mr. P B Kalugalagedera	31.03.16	Depreciated cost method	Rs. Nil to Rs. 1,000 per sq.ft	5,157
	Mining Land at Meetiyagoda	35A-10R-4.33P	Mr. P B Kalugalagedera	31.03.16	Market-based evidence	Rs. 300,000 to Rs. 1,000,000 per acre	17,051
	Mining Land at Dediyawala	50A-0R-05.48P	Mr. P B Kalugalagedera	31.03.16	Market-based evidence	Rs. 200,000 per acre	10,007
	Land Situated at Meetiyagoda	7A-2R-28P	Mr. P B Kalugalagedera	31.03.16	Market-based evidence	Rs. 750,000 to Rs. 1,750,000 per acre	12,931
	Factory Building and Office Building at Meetiyagoda Mine	39,512sq.ft.	Mr. P B Kalugalagedera	31.03.16	Depreciated cost method	Rs. 100 to Rs. 500 per sq.ft.	13,557
Delmege Forsyth and Company Limited	No. 101, Vinayalankara Mawatha, Colombo 10	2 A 0 R 14.05 P	Mr. H B Manjula Basnayake	31.03.17	Market-based evidence	Rs. 10,000,000 to Rs. 15,000,000 per perch	4,328

INFORMATION ON THE FREEHOLD LAND AND BUILDINGS – LB FINANCE PLC

Location	Extent (Perches)	Buildings (Sq.ft.)	Revalued Amount (As at 31 March 2018) Rs. '000	Net Book Value (As at 31 March 2018) Rs. '000	Revalued Amount as a % of Net Book Value (As at 31st March 2018)	Net Book Value (As at 31st March 2017) Rs. '000
Kollupitiya No. 20, Dharmapala Mawatha, Colombo 3	52.82	65,000	1,525,000	906,946	168	919,496
Kollupitiya No 676, Galle Road, Colombo 3	149.35	51,410	3,733,750	1,964,097	190	1,351,260
Kandy No. 226, D.S. Senanayaka Street, Kandy	7.05	3,674	61,000	10,466	583	10,527
Kandy Moragaspitiyawatta Road, Balagolla, Kegalle	110.00	–	43,800	29,919	146	21,544
Kandy No. 47/10 A, Luwiss Pieris Mawatha, Buwelikada, Kandy	42.40	–	35,000	34,085	103	33,974
Maradana No. 104/1, Vipulasena Mawatha, Colombo 10	50.60	–	320,850	44,768	717	43,044
Nuwara Eliya No. 35/4, Upper Lake Road, Nuwara Eliya	359.00	–	245,000	64,906	377	64,906
Wellawatta No. 51A, W.A. Silva Mawatha, Colombo 6	14.23	–	156,107	156,107	100	N/A*
Panadura No. 37, Jayathilake Mawatha, Panadura	42.00	–	104,224	104,224	100	N/A*

Valuation of freehold land and buildings of the Company was carried out as at 31 March 2018 by H B Manjula Basnayaka. AIV (Sri Lanka), N C T, QS, (COT), incorporated valuer. Investment method, Contractor's Test method and Comparison method have been used for the valuation.

Freehold land and buildings of the Company are considered under level 3 of fair value hierarchy.

*Freehold land and buildings purchased during the financial year ended 31st March 2018.

17. BIOLOGICAL ASSETS

	2018 **Rs.**	2017 Rs.
Bearer Biological Assets (Note 17.1)	**2,176,052,000**	2,085,018,000
Consumable Biological Assets (Note 17.2)	**536,575,000**	490,534,000
	2,712,627,000	2,575,552,000

17.1 BEARER BIOLOGICAL ASSETS

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Diversification Rs.	**Total 2018 Rs.**	Total 2017 Rs.
Immature Plantations						
Cost or Valuation:						
Opening Balance	146,697,000	375,630,000	58,800,000	56,037,000	**637,164,000**	717,283,000
Additions	46,264,000	80,000,000	59,724,000	43,076,000	**229,064,000**	194,708,000
Transfers to Mature	(94,324,000)	(204,901,000)	(53,660,000)	(14,456,000)	**(367,341,000)**	(274,084,000)
Transferred to Income Statement	–	–	–	–	**–**	(743,000)
At the end of the Year	98,637,000	250,729,000	64,864,000	84,657,000	**498,887,000**	637,164,000
Mature Plantations						
Cost or Valuation:						
Opening Balance	697,998,000	1,133,145,000	50,219,000	31,226,000	**1,912,588,000**	1,638,504,000
Transfers from Immature	94,324,000	204,901,000	53,660,000	14,456,000	**367,341,000**	274,084,000
At the end of the Year	792,322,000	1,338,046,000	103,879,000	45,682,000	**2,279,929,000**	1,912,588,000
Accumulated Amortisation						
Opening Balance	142,666,000	312,165,000	1,520,000	8,383,000	**464,734,000**	395,600,000
Charge for the Year	40,165,000	92,828,000	2,510,000	2,527,000	**138,030,000**	69,134,000
At the end of the Year	182,831,000	404,993,000	4,030,000	10,910,000	**602,764,000**	464,734,000
Written Down Value	609,491,000	933,053,000	99,849,000	34,772,000	**1,677,165,000**	1,447,854,000
Total Bearer Biological Assets	708,128,000	1,183,782,000	164,713,000	119,429,000	**2,176,052,000**	2,085,018,000

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 Notes 16.4 and 16.5. Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

17.2 CONSUMABLE BIOLOGICAL ASSETS

	2018 Rs.	2017 Rs.
Immature Plantations		
Cost:		
At the beginning of the Year	**39,339,000**	24,699,000
Additions	**12,486,000**	14,640,000
At the end of the Year	**51,825,000**	39,339,000
Mature Plantations		
Cost:		
At the beginning of the Year	**451,195,000**	371,434,000
Increase/(Decrease)	**(5,230,000)**	–
Change in Fair Value Less Costs to Sell	**38,785,000**	79,761,000
At the end of the Year	**484,750,000**	451,195,000
Total Consumable Biological Assets	**536,575,000**	490,534,000

17.3 BASIS OF VALUATION

Under LKAS 41 the Group has valued its managed plantations at fair value less cost to sell, Managed timber plantations as at 31st March 2018 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 51,825 Mn as at 31st March 2018. 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 Incorporated Valuers Mr. A A M Faithu, FIV, for 2017/18 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	14% - 16%	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 Group 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 Group is subject to laws and regulations in Sri Lanka. The Group 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 Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group'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 Group's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group 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%
	2017	Rs. Mn	406.076	451.195	496.315
	2018	Rs. Mn	445.921	484.750	520.906

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%
	2017	Rs. Mn	465.507	451.195	437.774
	2018	Rs. Mn	497.513	484.750	472.813

CAPITALISATION OF BORROWING COST

Borrowing costs amounting to Rs. 59.531 Mn (Rs. 60.013 Mn in 2016/17) directly relating to investment in biological assets (immature plantations) have been capitalised during the period, at an average borrowing rate of 13.01% (11.92% in 2016/17).

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

	2018 Years	2017 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
Mature Plantations (Oil Palm)	**20**	20
Permanent Land Development Costs	**40**	40

18. LEASEHOLD RIGHT OVER MINING LAND

	Group	
	2018	2017
	Rs.	Rs.
Cost		
At the beginning of the Year	**23,880,000**	15,880,000
Acquisition	**–**	8,000,000
Disposals	**(8,080,000)**	–
At the end of the Year	**15,800,000**	23,880,000
Accumulated Depreciation		
At the beginning of the Year	**7,800,000**	7,800,000
Charge for the Year	**3,130,000**	–
Disposals	**(1,666,000)**	–
At the end of the Year	**9,264,000**	7,800,000
Written Down Value	**6,536,000**	16,080,000

19. INVESTMENT PROPERTY

	Group	
	2018	2017
	Rs.	Rs.
At the beginning of the year	**706,000,000**	238,714,000
Prior Year Adjustment	**–**	288,536,000
At the beginning of the Year – as Restated	**706,000,000**	527,250,000
Transfer from Property Plant and Equipment	**459,407,000**	–
Depreciation for the period	**–**	(690,000)
Change in Fair Value	**121,600,000**	179,440,000
At the end of the Year	**1,287,007,000**	706,000,000

LANKA CERAMICS PLC

As at 31st March 2018, 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).

19.1 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 2018). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and current open market value of land.

Investor Property	Group Fair Value Measurement Using Significant Unobservable Inputs (Level 3) **2018** **Rs.**	 2017 Rs.
Date of Valuation	**31st March**	31st March
Land at Fair Value	**740,200,000**	617,000,000
Building at Fair Value	**87,400,000**	89,000,000
Significant Unobservable Input:		
Price per Perch	**18,000,000**	15,000,000
Price per Square Feet	**2,000 – 3,900**	2,000 – 4,000

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

19.2 Rental Income earned from Investment Property by the Group amounted Rs. 36.75 Mn (2017 – Rs. 36.37 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.39 Mn (2017 – Rs. 1.86 Mn).

19.3 Rental income receivable under the operating lease agreement of investment property as follows:

	Less than 1 Year Rs.	Between 1 Year and 5 Years Rs.	Over 5 Years Rs.
2017/18	39,000,000	208,500,000	–
2016/17	36,750,000	147,000,000	73,500,000

20. DUE TO BANKS

	Company		Group	
	2018 **Rs.**	2017 Rs.	**2018** **Rs.**	2017 Rs.
Bank Overdrafts	**63,243,199**	2,004	**4,140,689,804**	3,893,509,198
Syndicated Loans and Other Bank Facilities (Note 20.1)	**–**	–	**21,552,682,279**	22,742,879,293
	63,243,199	2,004	**25,693,372,083**	26,636,388,491

20.1 SECURITISED BORROWINGS, SYNDICATED LOANS AND OTHER BANK FACILITIES

	As at 01.04.2017 Rs.	Loans Obtained Rs.	Interest Recognised Rs.	Repayments Capital Rs.	Repayments Interest Rs.	**As at 31.03.2018** **Rs.**
Syndicated Loans						
Syndication 1	201,312,457	–	21,466,592	(70,312,500)	(22,267,846)	**130,198,703**
Syndication 2	2,035,086,564	–	167,222,685	(675,000,000)	(168,156,678)	**1,359,152,571**
Syndication 3	2,883,200,874	–	281,059,796	(660,000,000)	(281,989,911)	**2,222,270,759**
Syndication 4	2,260,744,104	–	300,805,862	(341,250,000)	(295,097,287)	**1,925,202,679**

	As at 01.04.2017 Rs.	Loans Obtained Rs.	Interest Recognised Rs.	Repayments Capital Rs.	Repayments Interest Rs.	**As at 31.03.2018 Rs.**
Syndication 5	–	1,491,938,469	171,970,123	(100,000,000)	(105,471,749)	**1,458,436,843**
Syndication 6	–	1,984,408,163	3,614,456	–	–	**1,988,022,619**
	7,380,343,999	3,476,346,632	946,139,514	(1,846,562,500)	(872,983,471)	**9,083,284,174**
Term Loans						
Bank of Ceylon 1	873,948,549	–	63,494,963	(500,000,004)	(61,245,775)	**376,197,733**
Bank of Ceylon 2	4,161,371,590	–	387,215,076	(1,250,000,004)	(378,287,671)	**2,920,298,991**
Commercial Bank 1	1,780,042,506	–	128,480,065	(666,000,000)	(129,031,935)	**1,113,490,636**
Commercial Bank 2	813,720,711	–	75,251,784	(250,000,000)	(75,531,678)	**563,440,817**
Commercial Bank 3	2,003,419,014	–	283,424,760	(333,000,000)	(283,517,260)	**1,670,326,514**
Commercial Bank 4	–	500,000,000	4,410,959	(500,000,000)	(4,410,959)	**–**
Commercial Bank 5	–	1,000,000,000	4,997,260	–	–	**1,004,997,260**
Nations Trust Bank 1	402,293,151	–	10,571,849	(400,000,000)	(12,865,000)	**–**
Nations Trust Bank 2	1,001,151,109	–	131,430,163	(210,000,000)	(131,160,253)	**791,421,019**
Hatton National Bank 1	1,174,210,873	–	81,282,333	(399,960,000)	(83,688,996)	**771,844,210**
Hatton National Bank 2	1,124,088,617	–	141,406,111	(300,000,000)	(140,821,233)	**824,673,495**
Hatton National Bank 3	–	800,000,000	64,909,726	(140,000,000)	(61,302,329)	**663,607,397**
Union Bank	301,978,703	–	23,946,929	(125,000,004)	(23,765,645)	**177,159,983**
Habib Bank	300,107,260	–	20,216,959	(300,000,000)	(20,324,219)	**–**
Public Bank 1	180,286,023	–	18,564,322	(40,000,008)	(18,607,785)	**140,242,552**
Public Bank 2	99,950,142	–	10,659,035	(20,000,004)	(10,606,945)	**80,002,228**
Seylan Bank	945,686,497	–	121,562,066	(250,008,000)	(123,543,674)	**693,696,889**
Standard Chartered Bank 1	200,280,548	–	6,247,671	(200,000,000)	(6,528,219)	**–**
Standard Chartered Bank 2	–	250,000,000	15,965,753	(250,000,000)	(15,965,753)	**–**
Standard Chartered Bank 3	–	300,000,000	2,958,904	(300,000,000)	(2,958,904)	**–**
DFCC Bank	–	748,750,000	45,852,725	(78,125,000)	(38,479,344)	**677,998,381**
	15,362,535,294	3,598,750,000	1,642,849,413	(6,512,093,024)	(1,622,643,577)	**12,469,398,105**
	22,742,879,293	7,075,096,632	2,588,988,927	(8,358,655,524)	(2,495,627,048)	**21,552,682,279**

20.2 CONTRACTUAL MATURITY ANALYSIS OF SYNDICATED LOANS AND OTHER BANK FACILITIES

As at 31st March 2018	Within One Year Rs.	1–5 Years Rs.	Over 5 Years Rs.	Total Rs.
Syndicated Loans	**2,631,707,700**	**6,451,576,474**	**–**	**9,083,284,174**
Term Loans	**6,097,049,209**	**6,372,348,896**	**–**	**12,469,398,105**
	8,728,756,909	**12,823,925,370**	**–**	**21,552,682,279**

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

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

21. DUE TO CUSTOMERS

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Fixed Deposits	**–**	–	**69,888,343,402**	57,888,811,359
Certificates of Deposit	**–**	–	**100,771,680**	153,987,192
Saving Deposit	**–**	–	**2,956,895,714**	2,359,155,975
	–	–	**72,946,010,796**	60,401,954,526

21.1 CONTRACTUAL MATURITY ANALYSIS OF CUSTOMER DEPOSITS

As at 31st March 2018	**Within One Year Rs.**	**1–5 Years Rs.**	**Over 5 Years Rs.**	**Total Rs.**
Fixed Deposits	**54,641,273,156**	**15,247,070,246**	**–**	**69,888,343,402**
Certificates of Deposit	**100,771,680**	**–**	**–**	**100,771,680**
Savings Deposits	**2,955,294,701**	**1,601,013**	**–**	**2,956,895,714**
	57,697,339,537	**15,248,671,259**	**–**	**72,946,010,796**

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

Group 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.

22. INTEREST-BEARING LOANS AND OTHER BORROWINGS

Company

	2018 Rs.	2017 Rs.
Short-Term-Loan	**1,000,000,000**	400,000,000
	1,000,000,000	400,000,000

Group

	2018			2017		
	Amount Repayable within 1 Year Rs.	**Amount Repayable after 1 Year Rs.**	**Total Rs.**	Amount Repayable within 1 Year Rs.	Amount Repayable after 1 Year Rs.	Total Rs.
Finance Leases (Note 22.1)	**20,595,967**	**96,392,942**	**116,988,909**	16,764,887	112,968,779	129,733,666
Bank Loans/Term loans	**2,521,691,316**	**8,132,421,557**	**10,654,112,873**	2,136,517,302	6,730,894,575	8,867,411,877
Short Term Loan	**5,937,923,960**	**–**	**5,937,923,960**	3,755,494,533	–	3,755,494,533
Unsecured Debentures (Note 22.3)	**2,163,728,703**	**2,989,102,808**	**5,152,831,511**	–	2,044,216,323	2,044,216,323
Others	**739,530,083**	**–**	**739,530,083**	1,358,310,693	–	1,358,310,693
	11,383,470,029	**11,217,917,307**	**22,601,387,336**	7,267,087,416	8,888,079,677	16,155,167,093

22.1 FINANCE LEASES

	2018 Rs.	2017 Rs.
JEDB/SLSPC Estates (22.1.1)	**146,055,000**	146,386,000
Other Finance Lease Creditors (22.1.2)	**30,149,222**	49,782,774
Gross Liability	**176,204,222**	196,168,774
Exchange Rate Difference	**310,777**	–
Finance Charges Allocated to Future Periods	**(59,524,091)**	(66,435,108)
Net Liability	**116,990,908**	129,733,666
Payable within 1 Year	**20,595,967**	16,764,887
Payable within 1 Year before 5 Years	**96,392,942**	112,968,779
Total	**116,988,909**	129,733,666

22.1.1 JEDB/SLSPC ESTATES

	2018 Rs.	2017 Rs.
At the beginning of the Year	**146,386,000**	151,614,000
New Leases Obtained during the Year	**14,361,000**	13,681,000
Repayments during the Year	**(14,692,000)**	(18,909,000)
At the end of the Year	**146,055,000**	146,386,000

22.1.1.1 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 Deflator 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. 86.46 Mn.

The net present value as at date is represented by –

		2018 Rs.
Gross Liability	– Overdue Rental/GDP Deflator (Contingent Rental)	4.90
	– 27 Years @ Rs. 5.228 Mn per Annum	141.16
		146.05
Less: Interest in Suspense		(59.59)
Net Present Value		86.46

The contingent rental charged during the current year to Statement of Profit or Loss amounted to Rs. 14.361 Mn and the gross liability to make contingent rentals for the remaining 27 years of lease term at the current rate would be estimated to Rs. 387.747 Mn as at 31st March 2018.

22.1.2 OTHER FINANCIAL LEASE CREDITORS

	2018 Rs.	2017 Rs.
At the beginning of the Year	**49,782,774**	60,127,886
New Leases Obtained during the Year	**–**	14,029,055
Repayments during the Year	**(19,633,552)**	(23,522,777)
Transfer to Discontinued Operations	**–**	(851,390)
At the end of the Year	**30,149,222**	49,782,774

22.2 DETAILS OF THE LONG TERM LOANS

Lender	Approved Facility Rs.	Repayment Terms	Security
Vallibel One PLC			
Standard Chartered Bank	Rs. 1,000 Mn	One Year (To be paid bi–annually in equal instalments of Rs. 500 Mn)	Mortgage of 5.1 Mn shares of Sampath Bank PC
Royal Ceramics Lanka PLC			
Commercial Bank of Ceylon PLC	Rs. 175 Mn	48 equal monthly instalments	174.9 Mn in mortgage over properties at Baddegedaramulla, Meegoda, No. 101, Nawala Road, Nawala and No 472, Highlevel Road, Kottawa
Commercial Bank of Ceylon PLC	Rs. 24 Mn	60 equal monthly instalments	Primary Mortgage bond for 24 Mn over the two LP Gas Tanks
			Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	Rs. 3.0 Bn	8 years-(first 48 monthly instalment of Rs. 20 Mn each and subsequent 48 monthly instalments of Rs. 42.5 Mn each	Triparty 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 LB Finance PLC (Market value as at 15/09/2014 – Rs. 3,905 Mn)
Commercial Bank of Ceylon PLC	Rs. 300 Mn	60 equal monthly instalments with six months grace period commencing from April-2014	Primary mortgage bond over Land and Building at No. 20, R A De Mel Mawatha, Colombo 03.
Commercial Bank of Ceylon PLC	Rs. 109 Mn	59 equal monthly instalments of Rs. 1,816,700 each and final instalment of Rs. 1,814,700	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Commercial Bank of Ceylon PLC	Rs. 95 Mn	59 equal monthly instalments of Rs. 1,585,000 each and final instalment of Rs. 1,485,000	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Commercial Bank of Ceylon PLC	Rs. 200 Mn	59 equal monthly instalments of Rs. 3,335,000 and a final instalment of Rs. 3,235,000 after a grace period of 6 months	Additional mortgage bond over the property at Baddegedaramulla, Meegoda to be executed
Commercial Bank of Ceylon PLC	Rs. 100 Mn	59 equal monthly instalments of Rs. 1,667,000 and a final instalment of Rs. 1,647,000 after a grace period of 6 months	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 interet – Rs. 350.3m our total interest – AUD 2,407,000/- or equivalent in LKR and Rs. 100 Mn

Lender	Approved Facility Rs.	Repayment Terms	Security
Commercial Bank of Ceylon PLC	Rs. 150 Mn	60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months	Corporate guarantee of Royal Porcelain (Pvt) Ltd. Additional mortgage bond for Rs. 110,000,000 Mn over the property bearing assessment No. 20, R.A De Mel Mawatha, Kollupitiya to be executed.
Commercial Bank of Ceylon PLC	Rs. 150 Mn	60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months	Floating primary mortgage bond for Rs. 150 Mn to be executed over the property bearing assessment No. 106, 106/1/1, 106/2/1, 106/3/1, Galle Road, Dehiwala.
Commercial Bank of Ceylon PLC	AUD 2,407,000	59 equal monthly instalments of AUD. 40,100 each and the final instalment of AUD 41,100	Floating Primary Concurrent mortgage for AUD 2407000 over the property at Eheliyagoda owned by the Company to be executed – (HNB's interest Rs. 350.3 M)
Commercial Bank of Ceylon PLC	Rs. 500 Mn	59 equal monthly instalments of Rs. 8,334,000 after a grace period of 6 months	Primary mortgage bond over Sacmi machine and other related machinery to be executed.
Commercial Bank of Ceylon PLC	Rs.106 Mn	59 equal monthly instalments of Rs. 1,766,000 and the final instalment of Rs. 1,806,000	Simple deposit of 10,633,974 shares of Swisstek Aluminium Ltd.
			Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Commercial Bank of Ceylon PLC	Rs.100 Mn	59 equal monthly instalments of Rs. 1,666,000 and the final instalment of Rs. 1,706,000	Tertiary mortgage bond for Rs. 100 Mn executed over the property at R A De Mel Mawatha, Colombo 03.
DFCC Bank PLC	Rs. 292 Mn	60 equal monthly instalment 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	Rs. 100 Mn	59 equal monthly instalments of Rs. 1.67 Mn and the final instalment of Rs. 1.47 Mn	Existing primary mortgage bond For Rs. 350.3 Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon.
Hatton National Bank PLC	Rs. 50 Mn	59 equal monthly instalments of Rs. 833,400 and a final instalment of Rs. 770,400 after a grace period of 6 months	Existing primary mortgage bond For Rs. 350.3 Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon.
Hatton National Bank PLC	Rs. 23 Mn	59 equal monthly instalments of Rs. 383,400 and a final instalment of Rs. 379,400 after a grace period of 6 months	Corporate guarantee of Royal Porcelain (Pvt) Ltd.

Lender	Approved Facility Rs.	Repayment Terms	Security
Hatton National Bank PLC	Rs. 07 Mn	59 equal monthly instalments of Rs. 116,700 and a final instalment of Rs. 114,700 after a grace period of 6 months	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Hatton National Bank PLC	Rs. 14 Mn	59 equal monthly instalments of Rs. 233,330 and a final instalment of Rs. 233,520	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Hatton National Bank PLC	Rs. 28.5 Mn	60 equal monthly instalments of Rs. 475,000	Corporate Guarantee from RPL
Hatton National Bank PLC	Rs. 5.5 Mn	59 equal monthly instalments of Rs. 91,600 and a final instalment of Rs. 95,600	Corporate Guarantee from RPL
Hatton National Bank PLC	Rs. 12.9 Mn	60 equal monthly instalments of Rs. 215,000	Corporate Guarantee from RPL
Hatton National Bank PLC	Rs. 130 Mn	59 equal monthly instalments of Rs. 2.15 Mn 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
Hatton National Bank PLC	Rs. 500 Mn	47 equal monthly instalments of Rs. 10,400,000 and a final instalment of Rs. 11,200,000	Existing primary mortgage bond For Rs. 350.3 Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon (including the existing building or the buildings which are to be constructed in the future.
			Negative pledge over machinery for Rs. 233 Mn to be obtained.
Royal Porcelain (Pvt) Ltd.			
DFCC Bank PLC	Rs. 150 Mn	60 equal monthly instalments with Eighteen months grace period commencing from Oct-2012	Corporate Guarantee from Royal Ceramics Lanka PLC
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery therein.
Commercial Bank of Ceylon PLC	Rs. 56 Mn	59 equal monthly instalments with three months grace period commencing from Dec-2012	Mortgage over line Sorting Appetizer Machine.
			Corporate Guarantee from Royal Ceramics Lanka PLC

Lender	Approved Facility Rs.	Repayment Terms	Security
Commercial Bank of Ceylon PLC	Rs. 67 Mn	59 equal monthly instalments with three months grace period commencing from February 2013	Mortgage over Tile Printing Machine.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	Rs.48 Mn	60 equal monthly instalments with six months grace period commencing from April 2014	Mortgage over Glazed Polishing Line.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	Rs. 67 Mn	60 equal monthly instalments with six months grace period commencing from June 2014	Mortgage over Digital Ceramic Printing Machine.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	Rs. 200 Mn	60 equal monthly instalments with six months grace period commencing from May 2014	Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Ltd.
Commercial Bank of Ceylon PLC	Rs. 48.56 Mn	60 equal monthly instalments commencing from April 2014	Mortgage over 4 units 4 wheel Forklifts and 4 units reach trucks.
Commercial Bank of Ceylon PLC	Rs. 53 Mn	60 equal monthly instalments commencing from March 2014	Mortgage over the Nano coating line , Unloading Polishing Machine, Batching and mill Feeding Machine and Air Compressor.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	Rs. 37 Mn	59 equal monthly instalments of Rs. 615,000 and a final instalment of Rs. 715,000 following the grace period of 6 months	Primary Mortgage over the Automatic easy Line Sorting Line.
			Corporate Guarantee from Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	Rs. 28 Mn	59 equal monthly instalments of Rs. 466,700 and a final instalment of Rs. 464,700 commencing from 25th August 2015	Corporate Guarantee – RCL
Commercial Bank of Ceylon PLC	Rs.114 Mn	59 equal monthly instalments	Primary mortgage bond over Land at Marawila to be executed.
Hatton National Bank PLC	Rs. 300 Mn	60 equal monthly instalments of Rs. 5,000,000 plus interest commencing after a grace period of six months.	Corporate Guarantee – RCL
Hatton National Bank PLC	Rs. 200 Mn	59 equal monthly instalments of Rs. 3,33Mn each and final instalment of Rs. 3.53 Mn plus interest commencing after a grace period of six months.	Corporate Guarantee – RCL
Hatton National Bank PLC	Rs. 90 Mn	59 equal monthly instalments	Negative Pledge Over Machinery to be Purchased for Rs.90 Mn

Lender	Approved Facility Rs.	Repayment Terms	Security
Rocell Bathware Limited			
Hatton National Bank PLC	Rs.160 Mn	54 equal 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 from Royal Ceramics Lanka PLC
Hatton National Bank PLC	Rs.70 Mn	54 instalment with grace period of 06 months	Concurrent Mortgage bond for Rs. 250 Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda.
			Corporate guarantee from Royal Ceramics Lanka PLC
Hatton National Bank PLC	Rs. 20 Mn	64 equal monthly instalment	Concurrent Mortgage bond for Rs. 250 Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda.
			Corporate guarantee of RCL
Commercial Bank of Ceylon PLC	Rs. 25 Mn	53 equal monthly instalment of Rs. 462,960 and a final instalment of Rs. 463,120	Primary Mortgage bond over Water closet casting machine for 25 Mn
Commercial Bank of Ceylon PLC	Rs. 210 Mn	60 equal monthly instalment 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
Commercial Bank of Ceylon PLC	Rs. 57.7 Mn	59 equal monthly instalment 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 glazing cell for Rs. 57.7 Mn
Commercial Bank of Ceylon PLC	Rs. 70 Mn	59 equal monthly instalment of Rs. 1,165,000 and a final instalment of Rs. 1,265,000	Corporate Guarantee – RCL
Commercial Bank of Ceylon PLC	Rs.300 Mn	60 equal monthly instalment of Rs. 5,000,000 with a grace period of 6 months	Primary Mortgage bond over Water Closet Machine,water treatment plant,Central UPS system for 240 Mn to be executed.
			Corporate guarantee of RCL
Pan Asia Bank	Rs. 200 Mn	60 equal monthly instalment with a grace period of six months	Mortgage bond for Rs. 400 Mn of force sale value of machinery as per bank's special valuation
Peoples Bank	Rs. 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 – RCL

Lender	Approved Facility Rs.	Repayment Terms	Security
Rocell (Pty) Ltd.			
Commercial Bank of Ceylon PLC	AUD 1,175,000	60 equal monthly instalment	Corporate Guarantee of Royal Ceramics Lanka PLC
Lanka Ceramic PLC			
Hatton National Bank PLC	Rs. 500 Mn	08 annual instalments	Mortgage for Rs. 500 Mn over Lanka Walltiles PLC shares held monthly in the custodial account with HNB.
Lanka Walltiles PLC			
Hatton National Bank PLC	Rs. 300 Mn	60 monthly instalments	Primary mortgage bond for Rs. 390 Mn over the project assets comprising land, building and machinery at Meepe.
Hatton National Bank PLC	USD 1.8 Mn	60 monthly instalments	Secondary mortgage bond for USD 1.8 Mn over the project assets comprising land, building and machinery at Meepe.
Commercial Bank of Ceylon PLC	Rs. 584 Mn	60 monthly instalments	Tripartite agreement for Rs. 392.8 Mn between Bank, Lanka Walltiles PLC and the custodian (Pan Asia Bank) over 7,210,000 share of Lanka Tiles PLC
Commercial Bank of Ceylon PLC	Rs. 80 Mn	60 monthly instalments	Primary Mortgage bond for Rs. 80 Mn over the ceramic printer
DFCC Bank	Rs. 200 Mn	60 monthly instalments	Primary mortgage over movable machinery at Meepe.
Lanka Tiles PLC			
DFCC Bank	Rs. 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
DFCC Bank	Rs. 165 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
DFCC Bank	Rs. 287.712 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
DFCC Bank	Rs. 80 Mn	59 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 300 Mn

Lender	Approved Facility Rs.	Repayment Terms	Security
Uni-Dil Packaging Limited			
HSBC	USD 310,000	US$ 7,380.95 monthly instalments	Mortgage bond for USD 310,000 over Moveable machinery.
HSBC	USD 310,000	US$ 7,380.95 monthly instalments	Mortgage bond for USD 310,000 over Moveable machinery & vehicle.
Standard Chartered Bank	USD 2500	Monthly instalment	Mortgage bond for USD 310,000 over Moveable machinery & Vehicle.
Horana Plantations PLC			
Hatton National Bank PLC	550 Mn	72 monthly instalments	Primary mortgage for 150 Mn over the leasehold rights of Frocester Estate.
Indian Bank	Rs. 75 Mn	54 monthly instalments	Primary mortgage over leasehold rights of Tillicoultry Estate.
Hatton National Bank PLC	Rs. 100 Mn	60 monthly instalments	Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla.
Hatton National Bank PLC	Rs. 130.114 Mn	60 monthly instalments	Primary mortgage over leasehold rights of Bambarakelly Estate.
Sri Lanka Tea Board	Rs. 33 Mn	48 monthly instalments	
Industry Distress Financing Facility	Rs. 46.935 Mn		
Replanting of Main Crops	Rs. 100 Mn		Primary Floating Mortgage for Rs.120.00 Mn, over the leasehold rights land and buildings of Stockholm Estate.
Swisstek (Ceylon) PLC			
Bank of Ceylon	Rs. 25.817 Mn + 31.736 Mn	58 monthly instalments	Mortgage over immovable property at Balummahara, Imbulgoda.
Bank of Ceylon	Rs. 170 Mn	54 monthly instalments	Mortgage over immovable property at Balummahara, Imbulgoda.
Commercial Bank	Rs. 35 Mn	60 monthly instalments	Mortgage over immovable property at Balummahara, Imbulgoda.
Swisstek Aluminium Limited			
DFCC Bank	Rs. 290 Mn	78 monthly instalments	Primary mortgage over land and building and machinery of LKR 500 Mn
	Rs. 50 Mn	60 monthly instalments	
	Rs. 10 Mn	60 monthly instalments	
	Rs. 500 Mn	60 monthly instalments	
	Rs. 193.032 Mn	60 monthly instalments	Movable Machinery.
Hatton National Bank PLC	Rs. 80 Mn	48 monthly instalments	Simple Receipt

Lender	Approved Facility Rs.	Repayment Terms	Security
Vallibel Plantation Management Limited			
Commercial Bank of Ceylon PLC	Rs. 144.79 Mn	60 monthly instalments	12,750,000 shares of Horana Plantation PLC
LB Finance PLC			
Syndicated Loans			
Syndication 1	Rs. 562.5 Mn	96 months	Mortgage over Land and Building.
Syndication 2	Rs. 2,250 Mn	48 months	Mortgage over Lease, Hire Purchase receivables.
Syndication 3	Rs. 3,300 Mn	48 months	Mortgage over Lease, Hire Purchase receivables.
Syndication 4	Rs. 2,275 Mn	47 months	Mortgage over Lease, Hire Purchase receivables.
Syndication 5	Rs. 1,500 Mn	48 months	Mortgage over Lease, Hire Purchase receivables.
Syndication 6	Rs. 2,000 Mn	60 months	Mortgage over Lease, Hire Purchase receivables.
Term Loans			
Bank of Ceylon 1	Rs. 2,000 Mn	48 months	Mortgage over Hire Purchase receivables.
Bank of Ceylon 2	Rs. 5,000 Mn	48 months	Mortgage over Lease, Hire Purchase receivables.
Commercial Bank 1	Rs. 2,000 Mn	60 months	Mortgage over Hire Purchase receivables.
Commercial Bank 2	Rs. 1,000 Mn	60 months	Mortgage over Lease, Hire Purchase receivables.
Commercial Bank 3	Rs. 2,000 Mn	60 months	Mortgage over Lease, Hire Purchase receivables.
Commercial Bank 4	Rs. 500 Mn	01 month	
Commercial Bank 5	Rs. 1,000 Mn	01 month	
Nations Trust Bank 1	Rs. 400 Mn	36 months	Mortgage over Hire Purchase receivables.
Nations Trust Bank 2	Rs. 1,000 Mn	36 months	Mortgage over Lease, Hire Purchase receivables.
Hatton National Bank 1	Rs. 2,000 Mn	60 months	Mortgage over Hire Purchase receivables.
Hatton National Bank 2	Rs. 1,200 Mn	48 months	Mortgage over Lease, Hire Purchase receivables.
Hatton National Bank 3	Rs. 800 Mn	40 months	Mortgage over Lease, Hire Purchase receivables.
Union Bank	Rs. 500 Mn	48 months	Mortgage over Lease, Hire Purchase receivables.
Habib Bank	Rs. 300 Mn	12 months	Mortgage over Lease, Hire Purchase receivables.

Lender	Approved Facility Rs.	Repayment Terms	Security
Public Bank 1	Rs. 200 Mn	60 months	Mortgage over Lease, Hire Purchase receivables
Public Bank 2	Rs. 100 Mn	60 months	Mortgage over Lease, Hire Purchase receivables
Seylan Bank	Rs. 1,000 Mn	48 months	Mortgage over Lease, Hire Purchase receivables
Standard Chartered Bank 1	Rs. 200 Mn	03 months	Mortgage over Lease, Hire Purchase receivables
Standard Chartered Bank 2	Rs. 250 Mn	03 months	Mortgage over Lease, Hire Purchase receivables
Standard Chartered Bank 3	Rs. 300 Mn	03 months	Mortgage over Lease, Hire Purchase receivables
DFCC	Rs. 750 Mn	48 months	Promissory Note

22.3 DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS

	2018 Rs.	2017 Rs.
Unsecured Debentures (Note 22.3.1)	**5,152,831,507**	2,044,216,323
	5,152,831,507	2,044,216,323

22.3.1 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	639,496,966	640,140,000	14.00% p.a.	29.11.13	29.11.18
Type B	Biannually	Listed	783,288,080	757,010,000	14.50% p.a.	29.11.13	29.11.18
Type C	Annually	Listed	624,519,219	602,850,000	15.00% p.a.	29.11.13	29.11.18
Type A	Biannually	Listed	1,034,166,545	1,000,000,000	12.75% p.a.	11.12.17	11.12.22
Type B	Biannually	Listed	2,071,360,697	2,000,000,000	13.25% p.a.	11.12.17	11.12.22
Total			5,152,831,507	5,000,000,000			

23. TRADE AND OTHER PAYABLES

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade and Other Payables	**50,000**	–	**3,805,712,094**	3,393,650,100
Accrued Expenses	**2,701,150**	3,478,135	**1,578,227,049**	1,555,375,554
Other Payable	**3,255,719**	5,327,290	**5,163,049**	5,327,294
	6,006,869	8,855,425	**5,389,102,192**	4,954,352,948

24. OTHER FINANCIAL LIABILITIES

	Company		Group	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Insurance Premium Payable	**–**	–	**632,727,478**	555,153,380
Unclaimed Balances	**–**	–	**529,474,540**	549,243,363
Advances collected from Customers	**–**	–	**473,759,474**	731,464,352
Sundry Creditors	**–**	–	**97,672,430**	78,427,352
Deferred Income and Capital Grants	**–**	–	**151,532,000**	153,189,000
Others	**–**	–	**307,304,480**	336,465,203
	–	–	**2,192,470,402**	2,403,942,650

25. OTHER NON–FINANCIAL LIABILITIES

	Company		Group	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Provisions	**–**	–	**667,097,356**	516,347,905
Others	**–**	–	**186,067,672**	75,645,690
	–	–	**853,165,028**	591,993,595

26. DIVIDENDS PAYABLE

	Company		Group	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Unclaimed Dividend	**9,455,593**	7,647,865	**208,562,933**	113,083,111
	9,455,593	7,647,865	**208,562,933**	113,083,111

27. EMPLOYEE BENEFIT LIABILITIES

	Company		Group	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Balance at the beginning of the Year	**3,808,881**	3,416,899	**1,211,122,077**	1,192,535,325
Amount Charged for the Year	**1,118,908**	1,048,428	**126,431,325**	104,960,524
Interest Cost	**457,066**	341,690	**138,842,326**	125,388,250
Actuarial Gain/Loss	**590,936**	(690,136)	**154,280,242**	(62,214,539)
(Payments)/Transfers Made during the Year	**–**	(308,000)	**(151,969,453)**	(149,547,483)
Balance at the end of the Year	**5,975,791**	3,808,881	**1,478,706,517**	1,211,122,077

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31st March 2018 and 2017 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.

	2018	2017
Actuarial Assumptions		
Discount Rate (%)	**10-13**	10-13
Future Salary Increase (%)	**10-12.5**	10-12.5
Staff Turnover (%)	**8-25**	8-25
Retirement Age (Years)	**55-60**	55-60

28. STATED CAPITAL

	2018		2017	
	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

29. RESERVES

29.1 RESERVES – COMPANY

	Retained Profits/(Losses) 2018	**Available-for-Sale Reserve 2018**	**Total 2018**	Retained Profits/(Losses) 2017	Available-for-Sale Reserve 2017	Total 2017
	Rs.	**Rs.**	**Rs.**	Rs.	Rs.	Rs.
At the beginning of the Year	**1,459,286,188**	**400,218,207**	**1,859,504,395**	762,296,122	(351,118,193)	411,177,929
Profit for the Year	**1,154,849,171**	**–**	**1,154,849,171**	1,239,772,844	–	1,239,772,844
Other Comprehensive Income	**(425,474)**	**1,567,952,949**	**1,567,527,475**	496,898	751,336,400	751,833,298
Reclassification of AFS Loss to Profit or Loss	**–**	**147,163,699**	**147,163,699**	–	–	–
Dividend Paid	**(543,279,677)**	**–**	**(543,279,677)**	(543,279,677)	–	(543,279,677)
At the end of the Year	**2,070,430,209**	**2,115,334,855**	**4,185,765,063**	1,459,286,188	400,218,207	1,859,504,394

29.2 RESERVES – GROUP

		Capital Reserves	Other Component of Equity		
	Treasury Shares	Reserve Fund	Available for Sale Reserve	Foreign Currency Translation	Revaluation Reserve
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2016	(44,111,716)	1,433,306,024	(996,971,504)	6,057,273	1,143,873,117
Prior Year Adjustment	–	–	–	–	–
Balance as at 1st April 2016 (Restated)	(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	–	–	–	–	1,255,448,944
Exchange difference on translation of foreign operations	–	–	–	1,545,930	–
Net Gain/(Loss) on Available for sale	–	–	733,756,196	–	–
Actuarial Gain or loss	–	–	–	–	–
Total Other Comprehensive Income	–	–	1,411,461,651	(4,259,229)	1,052,813,668
Dividend Write Back	–	–	–	–	–
Transfer	–	783,640,862	–	–	–
Effect of Change in Holding	–	–	–	–	–
Dividend Paid	–	–	–	–	–
Balance as at 31st March 2017 (Restated)	(44,111,716)	2,216,946,886	414,490,147	1,798,044	2,196,686,785

Revenue Reserve				
General Reserve	Retained Earnings	Actuarial Gain/(Loss) Reserve	Hedge Reserve	Reserves
Rs.	Rs.	Rs.	Rs.	Rs.
578,449,249	8,839,684,930	(32,983,859)	(125,718)	10,927,177,795
–	129,656,654	–	–	129,656,654
578,449,249	8,969,341,584	(32,983,859)	(125,718)	11,056,834,450
–	640,203,634	–	–	640,203,634
–	202,635,276	–	–	202,635,276
–	(39,734,253)	–	–	(39,734,253)
–	–	–	–	23,432,032
–	–	–	125,718	648,593,981
–	–		–	(202,635,276)
–	–	39,734,253	–	39,734,253
–	–	–	–	1,255,448,944
–	–	–	–	1,545,930
–	–	–	–	733,756,196
–	–	5,827,378	–	5,827,378
–	–	45,561,631	125,718	2,505,703,438
–	15,010,056	–	–	15,010,056
–	(783,640,862)	–	–	–
–	580,215,569	–	–	580,215,569
–	(543,279,677)	–	–	(543,279,677)
578,449,249	9,040,751,328	12,577,772	–	14,417,588,493

	Treasury Shares	Capital Reserves	Other Component of Equity		
		Reserve Fund	Available for Sale Reserve	Foreign Currency Translation	Revaluation Reserve
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2017	(44,111,716)	2,216,946,886	414,490,147	1,798,044	2,196,686,785
Profit for the Year	–	–	–	–	–
Other Comprehensive Income					
Reclassification of the Gain/Loss Recognised in OCI Through Retained Earning	–	–	147,163,699	–	–
Revaluation	–	–	–	–	1,655,026,911
Exchange difference on Translation of Foreign Operations	–	–		5,275,295	–
Net Gain/(Loss) on Available-for-sale	–	–	1,573,017,461	–	–
Actuarial Gain or Loss	–	–	–	–	–
Total Other Comprehensive Income	–	–	1,720,181,160	5,275,295	1,655,026,911
Dividend Write back of Unclaimed Dividend	–	–	–	–	–
Transfer	–	850,144,268	–	–	–
Acquisition of NCI	–	–	–	–	–
Dividend Paid	–	–	–	–	–
Balance as at 31 March 2018	(44,111,716)	3,067,091,154	2,134,671,307	7,073,339	3,851,713,696

Revenue Reserve				
General Reserve	Retained Earnings	Actuarial Gain/(Loss) Reserve	Hedge Reserve	Reserves
Rs.	Rs.	Rs.	Rs.	Rs.
578,449,249	9,040,751,328	12,577,772	–	14,417,588,494
–	3,609,109,440	–	–	3,609,109,440
–	–	–	–	147,163,699
–	–	–	–	1,655,026,911
–	–	–	–	5,275,295
–	–	–	–	1,573,017,461
–	–	(70,241,785)	–	(70,241,785)
–	–	(70,241,785)	–	3,310,241,581
–	4,231,479	–	–	4,231,479
–	(850,144,268)	–	–	–
–	(71,421,836)	–	–	(71,421,836)
–	(542,818,972)	–	–	(542,818,972)
578,449,249	11,189,707,171	(57,664,013)	–	20,726,930,186

30. 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	33.66	37.25
Accumulated Balance of Non-Controlling Interest	8,894,286,957	458,951	204,940,841
Summarised Statement of Profit or Loss for the Year ended 31st March 2018			
Revenue	29,090,447,197	23,395,887,243	7,028,582,750
Cost of Sales	(18,157,798,701)	(11,498,459,769)	(5,197,320,910)
Administrative Expenses	(1,595,010,141)	(5,068,165,350)	(642,104,448)
Finance Cost	(1,363,379,741)	–	(549,334,812)
Finance Income	131,574,147	–	84,349,605
Profit before Tax	5,373,095,327	6,472,021,083	52,248,478
Income Tax	(1,501,195,990)	(2,226,968,696)	(50,782,429)
Profit after Tax	3,871,899,337	4,245,052,387	1,466,049
Loss from Discontinuing Operations	(20,848,383)	–	(19,824,760)
Profit from Continuing Operations			
Attributable to Owners	2,880,385,325	4,245,068,898	(356,053)
Attributable to Non-Controlling Interests	970,665,629	(17,012)	(18,002,658)
Total Comprehensive Income	4,342,626,125	4,223,938,871	(1,190,879,222)
Dividend paid to Non-Controlling Interests	(414,913,226)	–	–
Summarised Statement of Financial Position as at 31st March 2018			
Current Assets	17,812,780,827	13,704,773,753	4,548,602,141
Non-Current Assets	35,353,800,106	107,118,672,562	4,522,385,796
Current Liabilities	13,592,943,967	4,537,630,998	3,552,391,903
Non-Current Liabilities	10,357,913,087	100,936,880,358	3,255,893,394
Total Equity Attributable to:			
Equity Holders of Parent	20,321,436,922	10,234,439,756	2,106,973,892
Non-Controlling Interests	8,894,286,957	458,951	204,940,841
Summarised Statements of cash flows for the year ended 31st March 2018			
Operating Cash Flows	1,610,922,143	3,088,391,407	198,291,616
Investing Cash Flows	(3,531,607,807)	(777,004,794)	(22,375,691)
Financing Cash Flows	724,453,205	533,735,544	382,519,949
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,196,232,459)	2,845,122,157	558,435,874

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

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Cash in Hand and at Bank	**9,838,289**	399,210,107	**3,913,838,700**	3,005,721,808
Short-Term Bank Deposits	**–**	–	**251,439,225**	1,310,270,325
Treasury Bill Repurchase Agreement	**–**	–	**3,219,306,265**	1,062,764,315
	9,838,289	399,210,107	**7,384,584,190**	5,378,756,448
Bank Overdrafts (Note 22)	**(63,243,199)**	(2,004)	**(4,140,689,804)**	(3,893,509,198)
Cash and Cash Equivalents at the end of the Period	**(53,404,910)**	399,208,103	**3,243,894,386**	1,485,247,250

32. INCOME

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Summary				
Manufacturing Sector	**–**	–	**29,054,864,879**	26,412,846,431
Financial Services Sector	**–**	–	**24,900,187,781**	19,119,127,665
Sale of Goods	**–**	–	**6,486,930,290**	6,941,591,938
Rendering of Services	**–**	–	**526,878,763**	462,835,513
	–	–	**60,968,861,713**	52,936,401,547

33. DIVIDEND INCOME

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Income from Investment in Related Parties	**1,221,111,519**	2,020,304,582	**18,431,322**	472,890,776
Income from Other Investments	**–**	–	**–**	435,038
	1,221,111,519	2,020,304,582	**18,431,322**	473,325,814

34. OTHER OPERATING INCOME

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Profit on Sale of Property, Plant and Equipment	**–**	2,856,667	**17,676,580**	20,861,037
Real Estate Income (net of cost)	**–**	–	**3,290,961**	200,102,541
Commission Income	**–**	–	**27,938,375**	26,839,810
Reversal of Debtors Impairment	**–**	–	**–**	5,623,000
Rent-income	**–**	–	**36,750,000**	25,875,000
Change in Fair Value of Consumable Biological Assets	**–**	–	**44,995,000**	89,187,000
Change in fair value of Investment Property	**–**	–	**121,600,000**	179,440,000
Amortisation of Capital and Revenue Grants	**–**	–	**6,274,000**	4,760,000
Sundry Income	**157,613,991**	45,359,221	**315,028,855**	169,237,875
Profit on Disposal of Investment	**–**	–	**1,453,491**	–
	157,613,991	48,215,887	**575,007,262**	721,926,263

35. FINANCE COST

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Interest on Loans	**1,963,001**	10,715,097	**754,558,744**	677,702,693
Interest on Bank Overdrafts	**220,118**	3,471,792	**1,194,423,647**	975,905,517
Interest on Finance Leases	**–**	–	**17,151,180**	16,713,039
RTS International and Trade Card Charged	**–**	–	**6,932,402**	739,571
Net Loss on Financial Assets at Fair Value Through Profit or Loss	**–**	–	**1,510,083**	230,831
Less: Capitalisation of Borrowing Costs on Immature Plantations	**–**	–	**(59,531,000)**	(60,013,000)
	2,183,119	14,186,890	**1,915,045,056**	1,611,278,651

36. FINANCE INCOME

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Exchange Gain	**84,639**	1,235,250	**41,023,252**	12,363,217
Interest Income	**159,572,904**	238,110,503	**324,912,059**	438,346,810
Appreciation in Market Value of Quoted Shares	**–**	–	**10,671,699**	1,483,271
Realised Gain on Disposal of AFS Investment	**5,368,162**	3,413,677	**5,368,162**	3,413,677
	165,025,705	242,759,430	**381,975,173**	455,606,975

37. INCOME TAX EXPENSE

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

INCOME STATEMENT

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Current Income Tax				
Current Income Tax Charge (Note 37.1)	**62,793,691**	66,670,941	**2,803,991,023**	2,607,675,155
WHT on Dividend	**–**	–	**91,888,675**	–
Share of Associate Company Income Tax	**–**	–	**–**	520,424,001
Under/(Over) Provision of Current Taxes in Respect of Prior Years	**(5,986,296)**	–	**25,853,124**	31,871,824
Unrecoverable ESC			**18,205,219**	–
Deferred Income Tax				
Deferred Tax Charge/(Reversal)	**(1,015,305)**	(738,730)	**986,876,519**	601,750,652
Income Tax Expense Reported in the Income Statement	**55,792,090**	65,932,211	**3,926,814,560**	3,761,721,632
Consolidated Statements of Other Comprehensive Income				
Deferred tax	**–**	–	**–**	–
Income Tax on Revaluation of Buildings	**–**	–	**2,982,850,999**	–
Income Tax on Actuarial Gain/(Loss)	**165,462**	(193,238)	**36,248,514**	11,590,756
	165,462	(193,238)	**3,019,099,513**	11,590,756

37.1 RECONCILIATION BETWEEN TAX CHARGE AND THE PRODUCT OF ACCOUNTING PROFIT

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Accounting Profit (PBT)	**1,357,804,959**	1,305,705,055	**10,737,001,581**	8,390,936,312
Exempt Profit	**–**	–	**(2,434,296,214)**	(1,214,641,917)
Non-deductible Expenses	**5,429,325**	714,599,527	**35,654,989,520**	31,269,803,582
Deductible Expenses	**(1,298,544,005)**	(2,020,304,582)	**(37,669,508,402)**	(33,278,590,280)
Aggregate Allowable Income	**–**	–	**–**	–
Tax losses Utilised	**–**	–	**(161,262,390)**	(508,426,668)
Interest Income	**159,572,904**	238,110,503	**258,282,639**	493,190,399
Rent Income	**–**	–	**5,491,020**	25,875,000
Qualifying Payment Relief	**–**	–	**(91,488,000)**	(432,367,882)
Non-deductible Expenses	**224,263,183**	238,110,503	**6,299,209,754**	4,745,778,546
Income Tax on Profit of the local sales @ 28%	**62,793,691**	66,670,941	**2,628,605,372**	2,413,050,215
Income Tax on Profit of the local sales @ 20%	**–**	–	**25,568,084**	20,266,000
Income Tax on Profit of the local sales @ 15%	**–**	–	**16,458,913**	50,715,289
Income Tax on Profit of the export sales @ 12%	**–**	–	**27,699,287**	21,815,655
Dividend Tax @ 10%	**–**	–	**105,659,367**	101,827,996
	62,793,691	66,670,941	**2,803,991,023**	2,607,675,155

38. PROFIT FROM OPERATION STATED AFTER THE FOLLOWING EXPENSES

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Directors' Fees	**11,192,244**	13,335,455	**79,839,532**	57,446,281
Auditors' Remuneration (Fees and Expenses)	**1,433,062**	1,646,760	**23,277,464**	20,051,305
Depreciation	**10,227,613**	10,566,913	**1,820,215,783**	1,602,438,577
Amortisation	**–**	–	**232,007,951**	83,876,430
Employee Benefits Including the following:				
Other Staff Costs	**54,454,909**	38,810,994	**6,828,855,950**	6,293,446,302
Defined Benefit Plan Costs – Gratuity	**1,575,974**	1,390,118	**265,273,651**	230,348,774
Defined Contribution Plan Costs – EPF & ETF	**6,643,216**	4,940,353	**642,447,888**	614,913,766
Gain/(Loss) on Translation of Foreign Currency	**–**	–	**(17,753,424)**	9,901,096
Donation	**–**	328,033	**–**	328,033

39. 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	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Amounts Used as the Numerators:				
Net Profit Attributable to Ordinary Shareholders of the Parent for Basic Earnings Per Share	**1,154,849,171**	1,239,772,844	**6,769,513,878**	4,433,664,985

	2018 Number	2017 Number	**2018 Number**	2017 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

	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 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 the basic and diluted amounts is as per the table above. The Following table provides the profit/(loss) amount used:

	Company		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Net Profit Attributable to Ordinary Equity Holders of the Parent from Continuing Operations	**1,154,849,171**	1,239,772,844	**3,649,782,583**	835,753,330
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent from Discontinued Operations	**–**	–	**(40,673,143)**	(195,549,696)
Net Profit Attributable to Ordinary Equity Holders of the Parent for Basic Earnings	**1,154,849,171**	1,239,772,844	**3,609,109,440**	640,203,634
Net Profit Attributable to Ordinary Equity Holders of the Parent Adjusted for the Effect of Dilution	**1,154,849,171**	1,239,772,844	**3,609,109,440**	640,203,634

	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
Basic/Diluted Earnings Per Share	**1.06**	1.14	**3.32**	0.59
Basic/Diluted Earnings Per Share for Continuing Operations	**1.06**	1.14	**3.32**	0.59

40. CHANGE IN ACCOUNTING POLICY

The Group has changed its Accounting Policy in relation to Accounting for Investment Property by changing from cost model to fair value model according to LKAS 40. Retrospective adjustments have been made according to LKAS 8 "Accounting Policies, Changes in Accounting Estimates & Errors" to reflect the change in accounting policy in the Financial Statements.

The fair value of freehold land and buildings were determined by P B Kalugalagedara and Associates an independent professionally qualified valuer (Valuation report dated 31 March 2018). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and Current Open Market Value of land.

The Total effect to the Financial Statements of the Group is summarised below:

	Previously Reported Amount Rs.	Adjustment Amount Rs.	Restated Amount Rs.
Statement of Financial Position			
Investment Property			
Balance as at 1st April 2016	238,714,000	288,536,000	527,250,000
Balance as at 1st April 2017	238,024,000	467,976,000	706,000,000
Retained Earnings			
Balance as at 1st April 2016	8,839,684,930	129,656,655	8,969,341,584
Balance as at 1st April 2017	8,940,336,704	100,414,624	9,040,751,328
Non-Controlling Interest			
Balance as at 1st April 2016	16,579,366,919	158,879,345	16,738,246,264
Balance as at 1st April 2017	18,851,673,061	79,025,376	18,930,698,437
Statement of Profit or Loss			
For the year ended 31st March 2017			
Other Operating Income	542,486,263	179,440,000	721,926,263
Statement of Cash Flows			
For the year ended 31st March 2017	–	–	–
Profit before Tax	8,211,496,313	179,440,000	8,390,936,313
Adjustments for Non-cash items			
Change in fair value of investment property	–	(179,440,000)	(179,440,000)

41. DISCONTINUED OPERATIONS

DELMEGE COIR (PRIVATE) LIMITED

On 12th February 2018, the Board of Directors of Delmege Limited took a decision to cease the operations of Delmege Coir (Private) Limited and to dispose of the assets thereof. Further, the Company is available for immediate sale in its current condition and the actions to complete the sale were initiated. Delmege Forsyth & Co. (Exports) Ltd. owns 60% and ESNA Exports (Pvt) Ltd. owns 40% of Delmege Coir (Private) Limited and both shareholders are incorporated in Sri Lanka. It was engaged in the business of manufacturing and export of Coir. The results of Delmege Coir (Private) Limited for the year is presented below:

EVER PAINT AND CHEMICAL INDUSTRIES (PRIVATE) LIMITED ("EPCI")

On 25th July 2016, the Board of Directors of Royal Ceramics Lanka PLC 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:

	Delmege Coir (Private) Limited		Ever Paint and Chemical Industries (Private) Limited ("EPCI")	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Revenue	**93,707,290**	123,953,551	**2,355,780**	24,814,745
Cost of Sales	**(89,470,727)**	(109,233,995)	**(12,905,648)**	(35,159,348)
Gross Profit	**4,236,564**	14,719,556	**(10,549,868)**	(10,344,603)
Finance Income	**1,059,571**	1,166,018	**–**	–
Other Income and Gains	**614,365**	–	**3,682,929**	12,480,219
Selling and Distribution Costs	**(2,840,731)**	(1,196,410)	**(7,343,182)**	(29,199,525)
Administrative Expenses	**(17,257,975)**	(15,329,732)	**(5,499,304)**	(12,378,507)
Other Operating Expenses	**–**	–	**2,324,203**	(131,480,477)
Finance Cost	**(5,636,554)**	(3,391,716)	**(3,463,161)**	(24,626,803)
Loss for the year from discontinued operations	**(19,824,760)**	(4,032,284)	**(20,848,383)**	(195,549,696)
Loss from discontinued operations (Group) for the year ended 31st March 2018				(40,673,143)

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

	Delmege Coir (Private) Limited		Ever Paint and Chemical Industries (Private) Limited	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Assets				
Property, Plant and Equipment	**27,602,853**	–	**45,282,742**	75,143,049
Inventories	**10,819,959**	–	**18,560,494**	37,000,685
Trade and Other Receivables	**9,966,148**	–	**15,822,452**	25,016,112
Cash and Cash Equivalents	**696,347**	–	**5,582,029**	655,424
Assets – Held for Sale	**49,085,307**	–	**85,247,716**	137,815,270
Current Liabilities				
Trade and Other Payables	**(10,546,814)**	–	**(7,873,907)**	(14,442,267)
Interest-Bearing Loans & Borrowings	**–**	–	**–**	(121,501,969)
Retirement Benefit Liability	**–**	–	**(401,757)**	(1,999,488)
Liabilities Directly Associated with the Assets – Held for Sale	**(10,546,814)**	–	**(8,275,664)**	(137,943,724)
Net Assets Directly Associated with Disposal Group	**38,538,493**	–	**76,972,052**	(128,454)

The net cash flows incurred by Delmege Coir (Private) Limited and Ever Paint and Chemical Industries (Private) Limited are as follows:

	Delmege Coir (Private) Limited		Ever Paint and Chemical Industries (Private) Limited	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Operating	**15,140,464**	6,848,325	**91,142,429**	108,427,402
Investing	**(1,512,998)**	(8,787,417)	**35,286,143**	2,461,459
Financing	**–**	–	**(120,879,837)**	(27,650,537)
Net Cash (Outflow)/Inflow	**13,627,467**	(1,939,091)	**5,548,736**	83,238,324

	Delmege Coir (Private) Limited		Ever Paint and Chemical Industries (Private) Limited	
	2018	2017	**2018**	2017
	Rs.	Rs.	**Rs.**	Rs.
Earnings Per Share				
Basic, Profit/(Loss) for the Year from Discontinued Operations	**(5.66)**	(1.15)	**(1.04)**	(1.77)

ASSET HELD FOR SALE – PROPERTY, PLANT AND EQUIPMENT

The Management has decided on 2016/17 year to dispose of the fixed assets having net book value of Rs. 10,673,599.39 thereof. These assets are available for immediate sale in its current condition. The actions to complete the sale were initiated and expected to be completed within one year from the reporting date. Therefore, the said fixed assets are classified as a non-current assets held for sale as at the reporting date.

GROUP

	2018	2017
	Rs.	Rs.
Assets		
Delmege Coir (Private) Limited	**49,085,307**	–
Ever Paint and Chemical Industries (Private) Limited	**85,247,716**	137,815,270
Delmege Interior Deco (Pvt) Ltd.	**10,673,599**	–
	145,006,622	137,815,270
Liabilities		
Delmege Coir (Private) Limited	**(10,546,814)**	–
Ever Paint and Chemical Industries (Private) Limited	**(8,275,664)**	(137,943,724)
	(18,822,478)	(137,943,724)

42. SEGMENT INFORMATION

42.1 OPERATING SEGMENT INFORMATION

	Lifestyle Sector		Finance Sector		Alluminium Sector	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.	**2018 Rs.**	2017 Rs.
Income Statement						
Sales to External Customers	**22,936,228,135**	21,453,763,828	**24,900,784,219**	19,119,853,287	**3,340,583,000**	2,825,101,760
Intra Group Revenue	**11,592,767**	12,353,351	**–**	–	**–**	(692,760)
Total Revenue	**22,947,820,902**	21,466,117,178	**24,900,784,219**	19,119,853,287	**3,340,583,000**	2,824,409,000
Results						
Gross Profit	**9,916,166,978**	9,807,406,743	**13,401,728,000**	11,002,257,550	**1,013,412,000**	942,078,000
Dividend Income	**475,696**	435,038	**–**	3,666,267	**–**	–
Other Operating Income	**250,727,321**	470,680,811	**146,152,000**	246,158,673	**5,569,000**	4,388,000
Administrative Expenses	**(1,322,029,575)**	(1,365,522,397)	**(2,766,420,000)**	(2,659,027,343)	**(164,718,000)**	(155,290,000)
Distribution Expenses	**(3,889,316,690)**	(3,323,223,880)	**–**	–	**(398,456,000)**	(338,526,000)
Loss from the difference between the Fair Value of the Retained Interest and the Carrying Value of the Investment in Associate	**–**	–	**–**	(2,468,642,404)	**–**	–
Other Operating Expenses	**(155,979,742)**	(58,258,373)	**(2,969,751,000)**	(1,687,919,835)	**–**	–
Gold Loans auction losses	**–**	–	**(2,995,000)**	(2,200,719)	**–**	–
Results from Operating Activities	**4,800,043,988**	5,531,517,942	**7,808,714,000**	4,434,292,189	**455,807,000**	452,650,000
Finance Cost	**(1,111,995,855)**	(878,305,415)	**–**	(578,000)	**(116,621,000)**	(88,008,000)
Finance Income	**164,222,877**	172,657,181	**–**	–	**–**	–
Net Finance Cost	**(947,772,978)**	(705,648,234)	**–**	(578,000)	**(116,621,000)**	(88,008,000)
Share of Results of Equity Accounted Investees	**–**	–		651,345,595	**–**	–
Reclassification of the Gain/Loss recognised in OCI through Retained Earnings	**–**	–	**–**	(648,593,981)	**–**	–
Operating Profit before Value Added Tax	**3,852,271,010**	4,825,869,708	**7,808,714,000**	4,436,465,803	**339,186,000**	364,642,000
Value Added Tax on Financial Services	**–**	–	**(1,336,693,020)**	(1,027,100,778)	**–**	–
Profit/(Loss) before Tax	**3,852,271,010**	4,825,869,708	**6,472,020,980**	3,409,365,025	**339,186,000**	364,642,000
Tax Expense	**(1,242,411,245)**	(1,158,836,743)	**(2,226,969,000)**	(2,166,931,296)	**(84,978,000)**	(38,981,000)
Profit for the Year from Continuing Operations	**2,609,859,765**	3,667,032,965	**4,245,051,980**	1,242,433,728	**254,208,000**	325,661,000
Profit/(Loss) after tax for the Year from Discontinued Operations	**–**	–	**–**	–	**–**	–
Profit/Loss for the Year	**2,609,859,765**	3,667,032,965	**4,245,051,980**	1,242,433,728	**254,208,000**	325,661,000

Plantation Sector		Leisure Sector		Consumer Sector	
2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
2,214,283,704	1,945,860,931	–	–	4,387,209,169	4,815,959,050
34,178,296	1,417,069	–	–	–	–
2,248,462,000	1,947,278,000	–	–	4,387,209,169	4,815,959,050
202,098,000	115,650,095	–	–	905,992,112	981,876,168
–	–	–	–	–	–
51,563,012	43,940,000	–	–	25,028,949	23,192,208
(112,290,000)	(94,436,000)	(45,681,778)	(46,511,766)	(205,381,415)	(140,761,250)
–	–	–	–	(496,626,755)	(473,671,345)
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
141,371,012	65,154,095	(45,681,778)	(46,511,766)	229,012,891	390,635,782
–	–	–	–	–	–
(91,607,000)	(96,868,000)	(147,380)	(155,143)	(510,139,429)	(351,654,452)
–	129,000	1,025,716	1,261,153	90,038,550	8,479,755
(91,607,000)	(96,739,000)	878,336	1,106,010	(420,100,879)	(343,174,697)
–	–	30,553,421	35,804,374	–	–
–	–	–	–	–	–
49,764,012	(31,584,905)	(14,250,021)	(9,601,382)	(191,087,988)	47,461,084
–	–	–	–	–	–
49,764,012	(31,584,905)	(14,250,021)	(9,601,382)	(191,087,988)	47,461,084
(13,271,000)	(2,063,000)	(186,680)	(6,400,831)	(7,775,531)	(12,067,832)
36,493,012	(33,647,905)	14,436,701	(16,002,213)	(198,863,519)	35,393,252
–	–	–	–	–	–
36,493,012	(33,647,905)	(14,436,701)	(16,002,213)	(198,863,519)	35,393,252

	Investment Sector		Other Sector		Total Segments	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Income Statement						
Sales to External Customers	–	–	3,195,365,684	2,778,627,067	60,974,453,911	52,939,165,923
Intra Group Revenue	–	–	458,776,769	484,894,980	504,547,832	497,972,640
Total Revenue	–	–	3,654,142,453	3,263,522,047	61,479,001,743	53,437,138,563
Results						
Gross Profit	–	–	732,683,208	899,447,201	26,172,080,298	23,748,715,758
Dividend Income	1,221,111,519	2,020,304,582	6,217,112	536,900	1,227,804,327	2,024,942,787
Other Operating Income	157,613,991	48,215,887	472,765,934	142,868,619	1,109,420,207	979,444,199
Administrative Expenses	(183,596,340)	(162,505,542)	(624,294,561)	(571,007,386)	(5,424,411,669)	(5,195,061,684)
Distribution Expenses	–	–	(162,807,753)	(164,741,950)	(4,947,207,198)	(4,300,163,175)
Loss from the difference between the Fair Value of the Retained Interest and the Carrying Value of the Investment in Associate	–	(828,882,412)	–	–	–	(3,297,524,816)
Other Operating Expenses	(166,798)	–	–	–	(3,125,897,540)	(1,746,178,208)
Gold Loans Auction Losses	–	–	–	–	(2,995,010)	(2,200,719)
Results from Operating Activities	1,194,962,372	1,077,132,515	424,563,940	307,103,384	15,008,793,415	12,211,974,141
	–	–	–	–	–	–
Finance Cost	(2,183,119)	(14,186,890)	(223,052,342)	(210,491,706)	(2,055,746,125)	(1,640,247,606)
Finance Income	165,025,705	242,759,430	101,996,241	34,594,728	522,309,089	459,881,247
Net Finance Cost	162,842,586	228,572,540	(121,056,101)	(175,896,978)	(1,533,437,036)	(1,180,366,359)
Share of Results of Equity Accounted Investees	–	–		–	30,553,421	687,149,968
Reclassification of the Gain/Loss recognised in OCI through Retained Earnings	(147,163,699)	–	–	–	(147,163,699)	(648,593,981)
Operating Profit Before Value Added Tax	1,210,641,259	1,305,705,055	303,507,839	131,206,406	13,358,746,101	11,070,163,769
Value Added Tax on Financial Services	–	–	–	–	(1,336,693,020)	(1,027,100,778)
Profit/(Loss) before tax	1,210,641,259	1,305,705,055	303,507,839	131,206,406	12,022,053,081	10,043,062,991
Tax Expense	(55,792,090)	(65,932,211)	(97,260,165)	(70,989,056)	(3,728,643,711)	(3,522,201,970)
Profit for the Year from Continuing Operations	1,154,849,169	1,239,772,844	206,247,674	60,217,350	8,293,409,370	6,520,861,021
Profit/(Loss) after Tax for the Year from Discontinued Operations	–	–	–	–	–	–
Profit/Loss for the Year	1,154,849,169	1,239,772,844	206,247,674	60,217,350	8,293,409,370	6,520,861,021

Eliminations / Adjustments 2018 Rs.	Eliminations / Adjustments 2017 Rs.	Group 2018 Rs.	Group 2017 Rs.
(5,592,198)	(2,764,376)	**60,968,861,713**	52,936,401,547
(504,547,832)	(497,972,641)	**–**	–
(510,140,030)	(500,737,017)	**60,968,861,713**	52,936,401,547
(11,700,898)	(17,942,735)	**26,160,379,400**	23,730,773,022
(1,209,373,005)	(1,551,616,973)	**18,431,322**	473,325,814
(534,412,945)	(257,517,936)	**575,007,262**	721,926,263
349,213,291	163,939,406	**(5,075,198,378)**	(5,031,122,279)
160,840,258	103,826,891	**(4,786,366,939)**	(4,196,336,284)
–	–	**–**	(3,297,524,816)
(39,985,355)	(117,510,014)	**(3,165,882,895)**	(1,863,688,222)
–	–	**(2,995,010)**	(2,200,719)
(1,285,418,654)	(1,676,821,362)	**13,723,374,762**	10,535,152,779
–	–	**–**	–
140,701,069	28,968,955	**(1,915,045,056)**	(1,611,278,651)
(140,333,914)	(4,274,272)	**381,975,172**	455,606,975
367,155	24,694,683	**(1,533,069,883)**	(1,155,671,676)
	–	**30,553,421**	687,149,968
–	–	**(147,163,699)**	(648,593,981)
(1,285,051,499)	(1,652,126,678)	**12,073,694,601**	9,418,037,091
–	–	**(1,336,693,020)**	(1,027,100,778)
(1,285,051,499)	(1,652,126,678)	**10,737,001,581**	8,390,936,312
(198,170,849)	(239,519,664)	**(3,926,814,560)**	(3,761,721,632)
(1,483,222,348)	(1,891,646,342)	**6,810,187,021**	4,629,214,680
(40,673,143)	(195,549,696)	**(40,673,143)**	(195,549,696)
(1,523,895,491)	(2,087,196,038)	**6,769,513,879**	4,433,664,985

42.2 OPERATING SEGMENT INFORMATION

	Lifestyle Sector		Finance Sector		Alluminium Sector	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.	**2018 Rs.**	2017 Rs.
Assets and Liabilities						
Segment Assets	**41,523,929,438**	38,960,047,537	**120,820,780,000**	102,763,035,094	**3,298,891,000**	2,712,829,000
Total Assets	**41,523,929,438**	38,960,047,537	**120,820,780,000**	102,763,035,094	**3,298,891,000**	2,712,829,000
Segment Liabilities	**21,884,525,583**	16,441,373,633	**105,471,884,000**	90,253,355,524	**2,600,456,000**	1,569,242,000
Total Liabilities	**21,884,525,583**	16,441,373,633	**105,471,884,000**	90,253,355,524	**2,600,456,000**	1,569,242,000
Other Segment Information						
Total Cost Incurred during the period to Acquire Property, Plant and Equipment	**2,866,287,316**	2,761,873,805	**1,537,334,911**	1,809,158,000	**489,727,000**	289,484,000
Intangible Assets	**–**	–	**17,565,600**	31,513,184		
Depreciation and Amortisation	**1,069,368,723**	1,019,252,545	**384,234,473**	343,218,000	**62,468,000**	64,187,000
Provisions for Employment Benefit Liability	**117,691,861**	96,000,134	**92,496,990**	41,550,496	**4,000,000**	3,523,000

	Investment Sector		Other Sector		Total Segments	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.	**2018 Rs.**	2017 Rs.
Assets and Liabilities						
Segment Assets	**32,452,908,811**	29,452,325,125	**9,782,465,579**	9,156,842,751	**218,748,359,023**	191,811,605,950
Total Assets	**32,452,908,811**	29,452,325,125	**9,782,465,579**	9,156,842,751	**218,748,359,023**	191,811,605,950
Segment Liabilities	**1,103,160,030**	428,837,015	**4,601,298,065**	2,804,012,091	**142,976,298,391**	118,199,345,724
Total Liabilities	**1,103,160,030**	428,837,015	**4,601,298,065**	2,804,012,091	**142,976,298,391**	118,199,345,724
Other Segment Information						
Total Cost Incurred during the period to Acquire Property, Plant and Equipment	**2,481,779**	4,316,819	**40,140,234**	686,286,774	**5,611,772,726**	6,787,318,201
Intangible Assets	**–**		**1,408,860**		**18,974,460**	36,957,659
Depreciation and Amortisation	**10,227,613**	105,668,913	**118,647,012**	96,196,098	**1,821,071,794**	1,773,609,151
Provisions for Employment Benefit Liability	**1,575,974**	1,390,118	**20,912,506**	14,283,938	**315,860,034**	234,110,632

	Plantation Sector		Leisure Sector		Consumer Sector	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.	**2018 Rs.**	2017 Rs.
	3,347,599,000	3,966,100,000	**4,690,297,432**	1,746,602,446	**2,831,487,763**	3,053,823,996
	3,347,599,000	3,966,100,000	**4,690,297,432**	1,746,602,446	**2,831,487,763**	3,053,823,996
	2,308,928,000	2,258,207,000	**584,853,306**	61,735,892	**4,421,193,407**	4,382,582,570
	2,308,928,000	2,258,207,000	**584,853,306**	61,735,892	**4,421,193,407**	4,382,582,570
	15,556,000	11,673,000	**650,838,140**	1,215,593,478	**9,407,346**	8,932,325
				924,922	**–**	4,519,553
	157,666,000	132,615,000	**6,513,889**	4,881,707	**11,946,084**	7,589,888
	74,718,000	73,291,000	**674,481**	667,697	**3,790,222**	3,404,249

	Elimination/Adjustments		Group	
	2018 Rs.	2017 Rs.	**2018 Rs.**	2017 Rs.
	(12,575,495,486)	(15,761,662,492)	**206,172,863,537**	176,049,943,458
	(12,575,495,486)	(15,761,662,492)	**206,172,863,537**	176,049,943,458
	(5,265,888,182)	(2,661,672,917)	**137,710,410,209**	115,537,672,807
	(5,265,888,182)	(2,661,672,917)	**137,710,410,209**	115,537,672,807
	(10,697,000)	1,469,930	**5,601,075,726**	6,788,788,131
	45,244,565		**221,885,025**	36,957,659
	63,625,000	7,807,857	**2052,223,734**	1,781,417,008
	–	658,520	**241,142,034**	234,769,152

42.3 OPERATING SEGMENT INFORMATION

	2018 Rs.	2017 Rs.
Reconciliation of Net Profit for the year		
Segment Net Profit for the year	**8,293,409,368**	6,520,861,021
Loss after Tax for the year from Discontinued Operations	**(40,673,143)**	(195,549,696)
Intercompany Dividend Income-Elimination	**(1,209,373,005)**	(1,551,616,973)
Dividend Tax on Intercompany Dividend Income	**(198,170,849)**	(239,520,103)
Deferred Tax Effect on Associate Undistributable Profit	**–**	7,308,645
Inter/Intra – Segment Elimination	**(75,678,494)**	(107,817,909)
Group Net Profit For the Year	**6,769,513,879**	4,433,664,985
Reconciliation of Assets		
Segment Assets	**218,748,359,023**	191,811,605,950
Assets of Discontinued Operations	**134,333,023**	137,815,270
Investment in Subsidiaries (Elimination)	**(19,318,389,684)**	(18,802,889,684)
Investment in Associate (Elimination)	**–**	3,474,665,489
Intercompany Balance (Elimination)	**(5,205,442,414)**	(3,216,411,925)
Financial Assets – Fair Value Through PNL (Elimination)	**(26,924,513)**	(22,488,441)
Financial Assets – AFS (Elimination)	**(2,121,839)**	(6,206,277,700)
Intangible Assets (Elimination)	**11,720,055,010**	11,765,299,664
Reclassification of share of Sampath Accumulated profit to AFS	**–**	(9,141,943,638)
Reclassification of Sampath AFS in to Profit/(Loss)	**–**	6,158,126,958
Share of Associate companies accumulated profit net of dividend received	**122,994,931**	92,441,515
Group Assets	**206,172,863,537**	176,049,943,458
Reconciliation of Liabilities		
Segment Liabilities	**142,976,298,391**	118,199,345,724
Liabilities of Discontinued Operations	**(18,822,478)**	137,943,723
Deferred tax effect on Associate Undistributed Profit	**–**	(6,662,805)
Intercompany Balance (Eliminations)	**(5,247,065,704)**	(2,792,953,835)
Group Liability	**137,710,410,209**	115,537,672,807

43. COMMITMENTS AND CONTINGENCIES

43.1 CONTINGENT LIABILITIES

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cases Pending Against the Company (Values Claimed)	–	–	–	139,323,571
Guarantees issued to Banks and other Institutions	–	–	6,500,000	17,460,000
Import LC and Ordinary Guarantees	–	–	38,068,918	58,370,688
Total	–	–	44,568,918	215,154,259

(a) Royal Ceramics Lanka PLC and its Subsidiaries

Companies with in the Group issued corporate guarantees in favour of Royal Ceramics Lanka PLC ,Royal Porcelain (Pvt) Ltd., Rocell Bathware Ltd. and Ever Paint and Chemical Industries (Private) Limited. guaranteeing loans, interest and other charges of the loans.

Further, Commercial Bank of Ceylon PLC has offered a combined letter of guarantee facility for the above mentioned companies amounting to Rs. 100 Mn and at the reporting date total guaranteed value is Rs. 20.5 Mn.

(b) Lanka Ceramic PLC

As at the reporting date, the Lanka Ceramic PLC has received assessments issued by the Department of Labour in respect of Surcharge on Employees' Provident Fund Contribution totalling Rs.1,823,098.72 for the period commencing 2000/January to 2015/March. The Company has appealed against the assessments. However Company has made the provision amounting Rs. 423,518.59 in the Financial Statement.

(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. 46,988,405 for the year of assessment 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 Statements.

(d) Horana Plantations PLC

Horana Plantations PLC, Several cases and disputes are pending against the Company in Labour Tribunal and Courts. All these cases are being vigorously contested/prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

Capital grant received from the Ceylon Electricity Board (CEB) 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.

(e) L B Finance PLC, Delmege Group and its Subsidiaries

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

43.2 COMMITMENTS

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Contracted but not Provided for	–	–	**349,660,668**	699,162,714
Unutilised Facilities	–	–	**1,217,412,000**	918,304,812
	–	–	**1,567,072,668**	1,617,467,526

44. 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 Managerial Personnel and their close family members.

44.1 COMPENSATION TO KEY MANAGERIAL PERSONNEL

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Nature of Transaction				
Short Term Employment Benefits	**11,192,244**	13,335,455	**605,665,086**	616,783,032
Post Employment Benefits	–	–	**42,441,360**	39,970,169

44.2 OTHER TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Nature of Transaction				
Fixed Deposits Accepted during the Year	–	–	**221,261,000**	518,401,000
Dividend Paid on Shareholding	–	–	**4,232,000**	4,024,000
Interest Expense on Fixed Deposits	–	–	**53,643,000**	46,475,000
Rental Paid	–	–	**8,098,800**	7,848,800
Sales	–	–	**160,160**	4,429,230
Transport Charges	–	–	**1,191,154**	1,338,100
Sale of Equity Shares	**894,918,675**		**894,918,675**	

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

44.3 TRANSACTIONS WITH OTHER RELATED COMPANIES

Transactions with related parties other than disclosed above Note 42.2.

	Company	
	2018 Rs.	2017 Rs.
Nature of Transaction		
Other Interest Income	159,572,904	220,167,771
Dividend Income	17,816,646	15,634,062
Investments in Fixed Deposits	3,410,725,886	3,879,389,925
Withdrawal of Fixed Deposits	4,092,545,334	3,854,232,025
Withdrawal of Debentures	150,000,000	225,000,000
Balances with other Related Companies		
As at 31st March		
Investment in Debentures	–	150,000,000
Investment in Fixed Deposit	718,942,715	1,400,762,161
	718,942,715	1,550,762,161

44.4 TRANSACTION WITH RELATED ENTITIES

	Company	
Subsidiaries	2018 Rs.	2017 Rs.
Nature of Transaction		
Withdrawal of Fixed Deposits	–	646,179,204
Fund Transfers	154,213,386	26,073,645
Net Investment through Equity Shares	515,500,000	1,473,500,000
Sale of Equity Shares	–	129,203,750
Interest Received	–	17,942,735
Dividend Income Received	1,203,295,102	1,411,964,560
Technical Fees Received	157,613,993	45,359,221

Balances with Subsidiaries	Company	
As at 31st March	2018 Rs.	2017 Rs.
Receivable Balances	215,624,661	45,334,492
	215,624,661	45,334,492

45. 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.

	2018			2017		
	Within 12 Months Rs.	After 12 Months Rs.	Total Rs.	Within 12 Months Rs.	After 12 Months Rs.	Total Rs.
Assets						
Cash at Bank	7,384,584,189	–	7,384,584,189	5,378,756,448	–	5,378,756,448
Fair Value Through P&L – Financial Investment	118,234,337	–	118,234,337	161,264,120	–	161,264,120
Loans and Receivables	30,009,775,334	9,884,500,798	39,894,276,132	24,885,164,780	8,753,614,501	33,638,779,281
Lease Rentals receivables and Stock out on hire	25,136,057,035	37,353,628,733	62,489,685,768	21,469,399,707	34,189,988,101	55,659,387,808
Available for Sales – Financial Investment	11,694,855,586	–	11,694,855,586	7,951,947,177	–	7,951,947,177
Other Financial Assets	7,918,184,001	–	7,918,184,001	8,386,081,868	–	8,386,081,868
Trade and Other Debtors, Deposits and Prepayments	6,843,603,108	–	6,843,603,108	6,452,170,427	–	6,452,170,427
Other Non-Financial Assets	1,892,176,250	–	1,892,176,250	1,296,826,031	–	1,296,826,031
Investment Associate	–	618,391,822	618,391,822	–	587,838,401	587,838,401
Deferred Tax Assets	–	14,686,000	14,686,000	–	340,548,697	340,548,697
Income Tax Recoverable	136,770,945	–	136,770,945	115,943,422	–	115,943,422
Inventories	12,552,520,329	–	12,552,520,329	10,031,784,843	–	10,031,784,843
Intangible Assets	–	12,983,838,866	12,983,838,866	–	13,046,741,647	13,046,741,647
Property, Plant and Equipment	–	37,479,879,581	37,479,879,581	–	29,566,426,018	29,566,426,018
Biological Assets	–	2,712,627,000	2,712,627,000	–	2,575,552,000	2,575,552,000
Investment Property	–	1,287,007,000	1,287,007,000	706,000,000	–	706,000,000
Mining Lands	–	6,536,000	6,536,000	–	16,080,000	16,080,000
Asset Held for Sale	145,006,622	–	145,006,622	137,815,270	–	137,815,270
Total Assets	103,831,767,737	102,341,095,800	206,172,863,537	86,973,154,093	89,076,789,365	176,049,943,458
LIABILITIES						
Due to Banks	8,728,756,909	16,964,615,174	25,693,372,083	10,965,556,808	15,670,831,683	26,636,388,491
Due to Customers	57,697,339,537	15,248,671,259	72,946,010,796	45,066,558,921	15,335,395,605	60,401,954,526
Interest-Bearing Loans and Borrowings	11,383,470,024	11,217,917,309	22,601,387,333	7,267,087,415	8,888,079,677	16,155,167,092
Trade and Other Payables	5,389,102,192	–	5,389,102,192	4,954,352,948	–	4,954,352,948
Other Non-Financial Liabilities	853,165,028	–	853,165,028	2,403,942,650	–	2,403,942,650
Other Financial Liabilities	2,192,470,402	–	2,192,470,402	591,993,595	–	591,993,595
Dividend Payable	208,562,933	–	208,562,933	113,083,111	–	113,083,111
Retirement Benefit Liability	–	1,478,706,517	1,478,706,517		1,211,122,077	1,211,122,077
Income Tax Liabilities	937,286,941	–	937,286,941	1,220,668,421		1,220,668,421
Deferred Tax Liabilities	–	5,391,523,503	5,391,523,503	–	1,711,056,168	1,711,056,168
Deferred Income and Capital Grants	–	–	–	–	–	–
Liabilities Directly Associated with the Assets classified as Held-for-sale	–	18,822,478	18,822,478	–	137,943,727	137,943,727
Total Liabilities	87,390,153,969	50,320,256,240	137,710,410,209	72,583,243,871	42,954,428,937	115,537,672,807

46. ASSETS PLEDGED

The following assets have been pledged as security for liabilities other than that is disclosed under Note 22.2:

Nature of Assets	Nature of Liability	**Carrying Amount Pledged 2018 Rs.**	Carrying Amount Pledged 2017 Rs.	Included Under
Lease Rental Receivables and Stock out on Hire	Loans, Overdrafts and Syndicated Loan	**26,511,882,242**	38,474,785,606	Lease Rentals Receivables and Stock out on hire
Freehold Building	Syndicated Loans	**130,198,703**	4,530,062,457	Property, Plant & Equipment
Deposits	Overdraft Facility and Guarantees	**71,688,074**	71,288,074	Investment
Inventory and Debtors	Overdraft Facility and Term Loan NDB	**19,575,000**	19,575,000	Inventory and Receivables
Land and Building	Loan Facility and Corporate Guarantee	**56,712,948**	56,712,948	Property, Plant & Equipment
Land and Building	LC/Import Loan, Overdraft, Term Loan & Bank Guarantee	**7,328,750,000**	–	Property, Plant & Equipment
Fixed Deposit	Overdraft, LC, Import Finance, Short-term Loan and Guarantee Facilities	**107,221,152**	107,221,152	Cash and Bank
Stocks and Book Debtors	Overdraft, LC, Import Finance, Short-term Loan and Guarantee Facilities	**3,266,443,156**	3,266,443,156	Inventories & Trade and Other Receivables
		37,492,471,275	46,526,088,393	

47. 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 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 build-up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

SETTLEMENT RISK

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

COMMODITY PRICE RISK – GOLD LOAN

Commodity risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. Given the significance of the Gold Loans to 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 lendings against gold by adopting following two strategies;

- Quicker repricing cycle: Group as a strategy grants for shorted periods allowing it to reprice its cost promptly.
- Frequent revisions to Loan-to-Value (LTV) ratio: 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 the customers. Outstanding customer receivables are regularly monitored. The requirement credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored.

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

2. LIQUIDITY RISK

Liquidity risk refers to the possibility of Group not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of 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.

4. 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).

5. INTEREST RATE RISK

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

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

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

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

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

The following table demonstrates the impact on net interest income to a reasonably possible change in interest rates based on the assumption that a rate sensitive asset surplus would be subjected to reinvestment risk whereas a rate sensitive asset deficit would be subjected to funding risk.

NET INTEREST INCOME (NII) SENSITIVITY BY INTEREST RATE CHANGE

		2018	2017
Annual Impact	+ 100 BPS	(15,113,659)	(8,696,490)
	- 100 BPS	15,113,659	8,696,490

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 and Due to Banks (Long Term).

	2018 Rs.	2017 Rs.
Interest-bearing Loans and borrowings (Note 22)	**22,601,387,336**	16,155,167,093
Due to customers (Note 21)	**72,946,010,796**	60,401,954,526
Due to Banks – Long-Term loan (Note 20)	**25,693,372,083**	26,636,388,491
Total Debt	**121,240,770,215**	103,193,510,110
Equity	**47,890,913,906**	41,581,572,213
NCI	**20,571,539,422**	18,930,698,437
	68,462,453,329	60,512,270,651
Total Capital	**189,703,223,544**	163,705,780,761
Gearing Ratio	**64%**	63%

47.1 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

An analysis of the LB Finance PLC's assets employed and total liabilities at the year-end, based on the remaining respective contractual maturity dates/recovery cycle as at the 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 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash and Bank Balances	2,655,069,054	3,236,437,003	–	–	–	5,891,506,057
Financial Investments – Held for Trading	9,682,695	–	–	–	–	9,682,695
Loans and Receivables	7,217,139,805	15,526,673,711	10,268,926,885	13,875,895,712	1,455,282,985	48,343,919,097
Lease Rentals Receivable and Stock out on Hire	3,378,192,715	8,714,342,942	23,994,138,144	50,284,195,635	52,463,701	86,423,333,137
Financial Investments – Available for Sale	121,623,521	–	–	–	–	121,623,521
Other Financial Assets	360,723,215	1,154,024,897	5,550,806,093	–	–	7,065,554,205
Total Financial Assets	13,742,431,005	28,631,478,554	39,813,871,122	64,160,091,346	1,507,746,686	147,855,618,713
Financial Liabilities						
Due to Banks	1,285,355,777	3,291,948,959	7,149,075,027	15,652,842,458	–	27,379,222,221
Due to Customers	2,958,302,234	25,467,832,101	33,215,379,202	18,675,362,825	–	80,316,876,361
Debt Instruments Issued and Other Borrowed Funds	–	272,487,975	2,362,319,280	4,570,000,000	–	7,204,807,255
Other Financial Liabilities	1,761,418,092	–	–	–	–	1,761,418,092
Total Financial Liabilities	6,005,076,103	29,032,269,035	42,726,773,508	38,898,205,283	–	116,662,323,930
Total Net Financial Assets/(Liabilities)	7,737,354,902	(400,790,481)	(2,912,902,386)	25,261,886,063	1,507,746,686	31,193,294,783

48. EVENTS AFTER THE REPORTING DATE

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. 2/- per share for the year ended 31st March 2018 on 24th May 2018.

SAMPATH BANK PLC

Sampath Bank has announced a rights issue of shares closer to the end of the financial year 2017/18. Company has carrying an Available For Sale (AFS) investment in Sampath Bank as at the Statement of Financial Position date and funds advanced towards the purchase of rights amounting in to Rs. 1,873,905,000 are included in Note 4.1 to the Financial Statements. On 23rd April 2018 the above rights were allotted by the issuer and accordingly, investment in Sampath Bank shares (AFS) increased by 7,495,621 subsequent to the year end. Further Sampath Bank announced a scrip dividend and thereby investment in Sampath Bank further, enhanced by 2,026,387 shares on 10th May 2018.

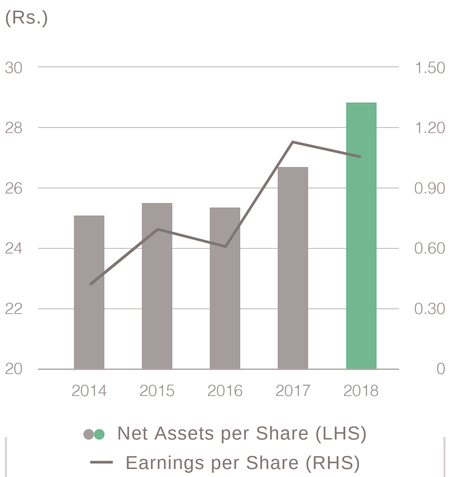
Other than the above there have been no material events occurring after the balance sheet date that require adjustment or disclosure in the Financial Statements.

Annexes

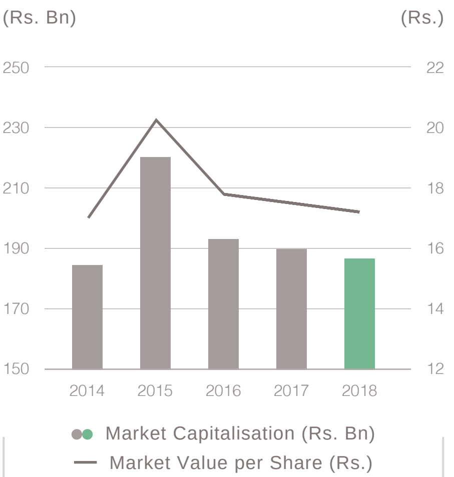
FIVE-YEAR SUMMARY – COMPANY

	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000
Statement of Income					
Dividend Income	**1,221,112**	2,020,305	808,134	632,402	353,110
Other Income	**322,640**	290,975	206,195	446,762	299,963
Profit/(Loss) before Tax	**1,210,641**	1,305,705	720,859	893,375	508,029
Tax Reversal/(Expenses)	**(55,792)**	(65,932)	(56,660)	(134,234)	(48,258)
Profit/(Loss) after Tax	**1,154,849**	1,239,773	664,199	759,141	459,772
Statement of Financial Position					
Stated Capital	**27,163,984**	27,163,984	27,163,984	27,163,984	27,163,984
Reserves	**4,185,765**	1,859,504	411,178	566,048	126,322
Shareholders' Fund	**31,349,749**	29,023,488	27,575,162	27,730,032	27,290,306
Assets	**32,452,909**	29,452,325	27,599,276	27,750,947	27,304,665
Liabilities	**1,103,160**	428,837	24,115	20,915	14,359
Ratios and Statistics					
Ordinary Dividends	**543,280**	543,280	543,280	434,624	760,592
Dividend per Share	**0.50**	0.50	0.50	0.40	0.70
Dividend Payout Ratio (%)	**47**	44	82	57	167
Earnings per Share	**1.06**	1.14	0.61	0.70	0.42
Market Value per Share (Year-End)	**17.20**	17.50	17.80	20.30	17.00
Net Assets per Share	**28.85**	26.71	25.38	25.52	25.12

Earnings and Net Assets per Share



Market Capitalisation and Market Value

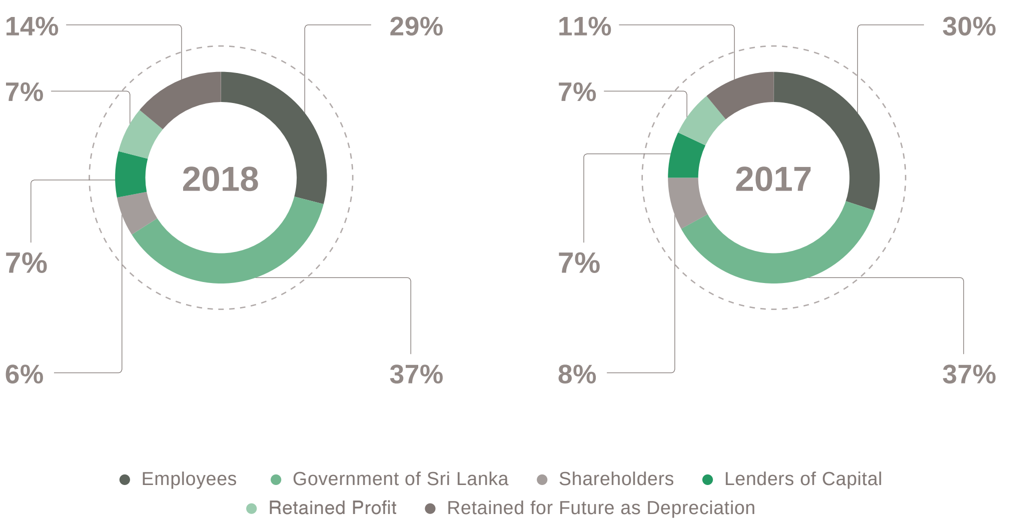


GROUP VALUE ADDED STATEMENT

	2018 Rs. '000	2017 Restated Rs. '000
Gross Turnover	**65,051,665**	56,204,076
Finance and Other Income	**975,414**	1,650,859
Share of Associate Company's Profit	**30,553**	441,053
Adjustments Pertaining to the Reclassification in Investment in Associates to Available-for-Sale Financial Asset	**–**	(3,945,849)
	66,057,632	54,350,140
Less: Cost of Material and Services bought in	**(38,941,846)**	(30,702,844)
	27,115,786	23,647,296

	2018 Rs. '000	%	2017 Rs. '000	%
Employees	**7,736,577**	**29**	7,138,709	30
Government of Sri Lanka	**10,076,190**	**37**	8,900,196	37
Shareholders	**1,719,940**	**6**	1,782,494	8
Lenders of Capital	**1,973,066**	**7**	1,671,061	7
Retained for Future as Depreciation	**1,820,216**	**7**	1,602,439	7
Retained Profit	**3,789,797**	**14**	2,552,397	11
	27,115,786	**100**	23,647,296	100

Value Addition



SHAREHOLDER INFORMATION

1. GENERAL

Stated Capital: Rs. 27,163,983,720 represented by 1,086,559,353 ordinary shares.

2. STOCK EXCHANGE LISTING

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

3. PUBLIC HOLDING

Shares held by the public as at 31st March 2018 was 19.32% comprising of 11,063 shareholders.

4. DISTRIBUTION OF SHAREHOLDERS AS AT 31ST MARCH 2018

		No. of Holders	No. of Shares	%
1	1,000	**8,273**	**2,388,645**	**0.22**
1,001	10,000	**2,169**	**6,044,556**	**0.56**
10,001	100,000	**503**	**17,760,542**	**1.63**
100,001	1,000,000	**105**	**31,190,202**	**2.87**
Over	1,000,000	**25**	**1,029,175,408**	**94.72**
		11,075	**1,086,559,353**	**100.00**

5. ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2018

	No. of Holders	No. of Shares	%
Local Individuals	**10,688**	**734,978,068**	**67.64**
Local Institutions	**333**	**342,373,449**	**31.51**
Foreign Individuals	**47**	**4,137,231**	**0.38**
Foreign Institutions	**7**	**5,070,605**	**0.47**
	11,075	**1,086,559,353**	**100.00**

6. DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2018

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

7. TWENTY MAJOR SHAREHOLDERS

		31st March 2018		31st March 2017	
		No. of Shares	**%**	No. of Shares	%
1.	Mr. K D D Perera	**689,726,471**	**63.478**	689,726,471	63.478
2.	Employees' Provident Fund	**101,549,200**	**9.346**	101,549,200	9.346
3.	Vallibel Investments (Pvt) Limited	**91,966,451**	**8.464**	91,966,451	8.464
4.	Vallibel Leisure (Private) Limited	**91,929,063**	**8.461**	91,929,063	8.461
5.	Bank of Ceylon A/c Ceybank Unit Trust	**14,435,414**	**1.329**	10,211,380	0.940
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.	Hatton National Bank PLC/Sanka Ramoorthy Nadaraj Kumar	**2,779,538**	**0.256**	1,661,632	0.153
10.	Bank of Ceylon No. 1 Account	**2,427,704**	**0.223**	2,427,704	0.223
11.	Merrill J Fernando & Sons (Pvt) Limited	**2,299,000**	**0.212**	2,299,000	0.212
12.	Mr. K D A Perera	**2,079,039**	**0.191**	2,079,039	0.191
13.	Mr. H R S Wijeratne	**2,069,000**	**0.190**	2,069,000	0.190
14.	Mr. A M Weerasinghe	**2,000,000**	**0.184**	2,000,000	0.184
15.	Wickramaratnes (Pvt) Limited	**1,865,000**	**0.172**	1,865,000	0.172
16.	Employees' Trust Fund Board	**1,722,140**	**0.158**	1,722,140	0.158
17.	Prof M T A Furkhan	**1,672,000**	**0.154**	1,672,000	0.154
18.	Mr. A Sithampalam	**1,567,000**	**0.144**	1,567,000	0.144
19.	Bartleet Asset Management (Pvt) Ltd.	**1,314,000**	**0.121**	1,314,000	0.121
20.	Mr. U F Strunk	**1,215,095**	**0.112**	963,526	0.089
		1,023,735,808	**94.219**	1,018,142,299	93.703
	Others	**62,823,545**	**5.781**	68,417,054	6.297
	Total	**1,086,559,353**	**100.000**	1,086,559,353	100.000

8. MARKET PRICE PER SHARE

	2017/18		2016/17	
Market Price per Share	**Date**	**Price**	Date	Price
Highest during the Year	**12.03.2018**	**Rs. 25.00**	12.05.2016	Rs. 23.00
Lowest during the Year	**18.01.2018**	**Rs. 17.00**	20.03.2017	Rs. 16.20
As at end of the Year		**Rs.17.20**		Rs. 17.50

	2017/18	2016/17
No. of Transactions	**9,435**	6,735
No. of Shares Traded	**19,718,581**	14,364,423
Value of Shares Traded (Rs.)	**415,031,657.40**	294,691,047.20

9. NET ASSETS PER SHARE

Net assets per share of the Company is Rs. 28.85 (2017 – Rs. 26.71)

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 as at 31st March 2018
Royal Ceramics Lanka PLC	PQ 125	No. 20, 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
Royal Porcelain (Private) Limited	PV 3290	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. M Y A Perera 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
Rocell Bathware Limited	PB 425	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. M Y A Perera Mr. T G Thoradeniya Mr. L T Samarawickrama Mr. G A R D Prasanna Mr. R N Asirwatham Mr. D J Silva
Royal Ceramics Distributors (Private) Limited	PV 2524	No. 20, 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
Rocell Ceramics Limited	PB 220	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. T G Thoradeniya
Ever Paint and Chemical Industries (Private) Limited	PV 2211	No. 20, 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
Lanka Ceramic PLC	PQ 157	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. K D D Perera Mr. A M Weerasinghe Mr. J A P M Jayasekara Dr. S Selliah Mr. T G Thoradeniya Mr. K D G Gunaratne Ms. A M L Page Mr. D J Silva Mr. G A R D Prasanna [Alternate Director to Mr. K D D Perera (Resigned w.e.f. 17th May 2018)]

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/Associate	Directors who held Office as at 31st March 2018
Lanka Walltiles PLC	PQ 55	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. K D D Perera Mr. A M Weerasinghe Mr. J A P M Jayasekara Dr. S Selliah Mr. T G Thoradeniya Mr. K D G Gunaratne Ms. A M L Page Mr. M W R N Somaratne Mr. J D N Kekulawala
Lanka Tiles PLC	PQ 129	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. K D D Perera Mr. A M Weerasinghe Mr. J A P M Jayasekara Dr. S Selliah Mr. T G Thoradeniya Mr. K D G Gunaratne Ms. A M L Page Mr. G A R D Prasanna (Alternate Director to Mr. K D D Perera)
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. J K A Sirinatha Mr. A S Mahendra Mr. K D G Gunaratne
Swisstek Aluminium Limited	PB 3277	No. 76/7, Pahala Dompe, Dompe	Subsidiary	Mr. A M Weerasinghe Mr. J A P M Jayasekara Dr. S Selliah Mr. T G Thoradeniya Mr. A S Mahendra Mr. B T T Roche
Swisstek Development (Pvt) Limited	PV 129622	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. K D A Perera Mr. J A P M Jayasekara
Vallibel Plantation Management Limited	PB 1030	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr. A M Pandithage Mr. W G R Rajadurai Mr. T G Thoradeniya Mr. J M Kariapperuma Mr. N T Bogahalande
Horana Plantations PLC	PQ 126	No. 400, Deans Road, Colombo 10	Subsidiary	Mr. K D D Perera Mr. A M Pandithage Mr. L J A Fernando Mr. A N Wickremasinghe Mr. J M Kariapperuma Mr. K D H Perera Mr. W G R Rajadurai Mr. S C Ganegoda 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)

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/Associate	Directors who held Office as at 31st March 2018
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. D B Gamalath Mr. T G Thoradeniya Mr. H Somashantha Mr. N T Bogahalande Mr. J M Kariapperuma
Uni-Dil Packaging Solutions Limited	PV 7976 PB	Narampola Road, Moragala, Dekatana	Subsidiary	Mr. A M Pandithage Mr. J A P M Jayasekara Mr. D B Gamalath
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
L T L Development (Pvt) Limited	PV 129638	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr. K D A Perera Mr. J A P M Jayasekara
Rocell (Pty) Limited	Incorporated in Australia 601612284	No. 1392, Dandenong Road, Oakleigh, VIC 3166 Australia	Subsidiary	Mr. T G Thoradeniya Mr. H Y N Perera
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 Mr. H Somashantha
Lanka Tiles (Private) Limited	Company incorporated in India U 26999 KA 2017 PTC 102730	No. 196A1 Anekal Taluk Bomman Sandra Industrial Area Bangalore 560099 India	Subsidiary	Mr. A M Weerasinghe Mr. J A P M Jayasekara Mr. P K Singhvi Mr. F Singhvi
L B Finance PLC	PQ 156	No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 7	Subsidiary	Ms. S Jayasekara Mr. K D D Perera Mr. J A S S Adhihetty Mr. T Hewage Mr. N Udage Mr. B D A Perera Ms. Y Bhaskaran Ms. A K Gunawardhana Mr. R S Yatawara Mr. M A J W Jayasekara

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/Associate	Directors who held Office as at 31st March 2018
L B Microfinance Myanmar Company Limited	Company incorporated in Myanmar 844 FC of 2016/17 (YGN)	Myawaddy Bank Luxury Complex 4th Floor, Apt 401 Bo Gyoke Road cnr Wa Dan Street Lanmadaw Township Yangon, Myanmar	Subsidiary	Mr. K D D Perera Mr. J A S S Adhihetty Mr. N Udage Mr. B D A Perera Mr. R S Yatawara Mr. Dulan R G de Silva
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
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 Mr. D J Silva
Delmege Forsyth & Co. Limited	PB 294	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias
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
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
L B Management Services (Pvt) Limited	PV 3012	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N T Bogahalande Mr. J K A Sirinatha
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
Delmege Freight Services (Pvt) Limited	PV 3571	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. J K A Sirinatha Mr. G A R D Prasanna Mr. N S L Fernando Mr. M R K Dias Mr. S N Wickremasooriya

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/Associate	Directors who held Office as at 31st March 2018
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
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
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
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
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
Grip Delmege (Pvt) Limited	PV 3439	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias
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
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
Delmege Risk Solutions (Pvt) Limited	PV 75927	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. S C Ganegoda Mr. M R K Dias
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
Delmege Aero Services (Private) Limited	PV 121497	No.101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. Y D Y Gopalakrishnan Mr. R R B De Silva Mr. G A R D Prasanna

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC Subsidiary/Associate	Directors who held Office as at 31st March 2018
Delmege Electronics (Private) Limited	PV 214330	No.101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias
Delmege Financial Services (Private) Limited	PV 3398	No.101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias
Delmege General Equipment (Private) Limited	PV 3550	No.101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias
The Fortress Resorts PLC	PQ 207	No. 101, Vinayalankara Mawatha, Colombo 10	Associate	Mr. K D D Perera Mr. K D H 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 Somashantha (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
Effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

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 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.

Proportion of total interest-bearing borrowings to capital employed.

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
Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRSs.

Related Parties
A related party is 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 to financing day-to-day operations, computed as the excess of current assets over current liabilities.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth (08th) Annual General Meeting of the Company will be held at The Victorian, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on 29th June 2018 at 3.00 pm 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 2018 with the Report of the Auditors thereon.

2. To re-elect as a Director, Mrs. Kimarli Fernando 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 75 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 75 years of age and that he be and is hereby re-appointed a Director of the Company."

4. To re-appoint Messrs Ernst and 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 2019 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

30th May 2018
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	of	Colombo or failing him*
Mr. S H Amarasekera	of	Colombo or failing him*
Mr. J A S S Adhihetty	of	Colombo or failing him*
Mrs. K Fernando	of	Colombo or failing her*
Mr. R N Asirwatham	of	Colombo

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Eighth (8th) Annual General Meeting of the Company to be held on 29th June 2018 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 Mrs. Kimarli Fernando 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 Director.		
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 2019 and up to the date of the next Annual General Meeting.		

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

*Please delete as appropriate.

……...…

Signature of Shareholder/s

Notes:

1. A Proxy need not be a shareholder of the Company.

2. Instructions as to completion appear overleaf.

INSTRUCTIONS FOR COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The completed Proxy should be deposited at the 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
Mrs. 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
Standard Charted Bank Limited

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Global Standard Annual Report Number©
LKA8700VOXXX0170180E104

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