ANNUAL REPORT 2018/19

MAKING THINGS HAPPEN

Vallibel | ONE

Making Things Happen

Our success in enterprise is mostly down to our ability to "Make Things Happen" for our stakeholders and the Company too.

In nine short years, Vallibel One has cemented its position as a formidable force in Sri Lanka's corporate sphere, aptly positioning itself in key growth sectors of the economy. Innovation, creativity and a relentless focus on redefining industry standards has enabled the Group to achieve dominant market positions across many of its sectors.

From our business model, strategies, drive and innovation to recognising opportunities in challenge, Vallibel One has always been ahead of the game when it comes to "Making Things Happen" in the business firmament both in Sri Lanka and internationally.

The premier and highly successful brands that comprise our portfolio today stand testimony to how successfully... we make things happen.

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.

Contents

Scan to access the Annual Report
http://www.vallibelone.com/investor_relations/annual_reports.html

Welcome to Our Integrated Annual Report

Welcome to our Integrated Annual Report This year we present our fourth integrated annual report which is structured and to present a balanced review of Vallibel One PLC's financial, social and environmental performance. 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. The Report presents a comprehensive overview of the Group's strategy, performance, operating landscape, corporate governance, and risk management, and narrates the story of how we make things happen and create value to our diverse stakeholders during the year.

2017/18

Scope and Boundary

This Report covers the operations of Vallibel One PLC and its subsidiaries, (further elaborated on page 150) for the period from 1 April 2018 to 31 March 2019. 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 can significantly impact the Group's ability to create value for its stakeholders over the short, medium and long term. The process for determining materiality is described on page 27 of this Report. We adopt an annual reporting cycle and this Report builds on the Group's previous Annual Report for the period ending 31 March 2018. The financial and non-financial information presented herein represents consolidated figures for the Company and its subsidiaries unless otherwise stated.

Reporting Principles

The guiding principles, regulations, codes and Acts used for financial and narrative reporting, reporting on sustainability goals and practices and for governance is depicted below:

Financial Reporting

Sri Lanka Financial Reporting Standards
Companies Act No. 07 of 2007
The Institute of Chartered Accountants of Sri Lanka (LKAS)
International Financial Reporting Standards (IFRS)

Sustainability Reporting

GRI Standards – In Accordance with 'Core'
UN Sustainability Development Goals (SDGs)

Narrative Reporting

Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)

Corporate Reporting

Listing Requirements of the Colombo Stock Exchange

Assurance

Listing Requirements of the Colombo Stock Exchange

Quality Assurance

We have taken every effort to ensure that our Report reflects a balanced review that is complete and accurate. It is our intention to provide credible information concisely with the aid of visual elements such as graphs and tables in a consistent manner facilitating clarity and comparability. The Company has obtained an independent opinion on the Financial Statements from its External Auditors Messrs Ernst & Young. The independent opinion of Messrs Ernst & Young in respect of the financial statement of the Company and the Group is detailed on page 138 of the report.

Improvements to the Report

The following improvements have been introduced to our Annual Report this year to improve the readability and quality of information provided to our shareholders;

- Improved connectivity using navigation icons
- Enhanced the quantitative disclosures pertaining to the Group's social and environmental performance
- Demonstrated the relevance of Sustainable Development Goals wherever relevant

Forward looking statements

Our Report includes forward-looking statements, which discusses the possible future financial position and results of the Group's operations. These statements however involve an element of risk and uncertainty. We do not undertake to update or revise these statements publicly in the event of a change of circumstances.

Navigating our Report

In order to demonstrate connectivity between information as prescribed by the <IR> Framework, we have used the following navigation icons throughout the Report.

Capitals

- Manufactured capital
- Financial capital
- Human capital
- Social and relationship capital
- Natural capital
- Intellectual capital

Stakeholders

- Shareholders and investors
- Employees
- Customers
- Business partners/ suppliers
- Community
- Government

Feedback

We understand that Integrated Reporting is a journey of continuous improvement and welcome your comments or questions on this Report. Please direct your feedback to -

Manager – Finance
Vallibel One PLC
29th Floor, West Tower
World Trade Centre
Colombo 01

Tel: +94 11 244 5577
Email: info@vallibel.com

Who We Are

Overview of Our Group

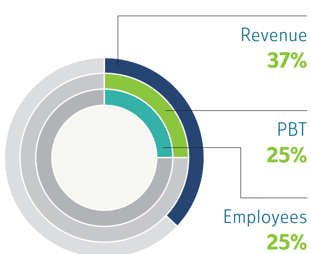
With 47 subsidiaries across seven industry sectors Vallibel One PLC has over a span of just nine years gained the status of a leading conglomerate in the country achieving both depth and breadth in its operations. The Group commands dominant market positions in several key sectors including tiles and sanitaryware finance and consumer products and consistently strives to redefine industry standards through innovative solutions, transformative ideas and decisive leadership. The Group is powered by a team of **14,473** highly-skilled, enthusiastic professionals who drive its strategic aspirations. As a responsible corporate citizen, the multi-award-winning Group adopts a triple bottom line focus to ensure that we create value for all our stakeholders in a sustainable and responsible manner.

Our Portfolio	Our Brands	Our People	Our Achievements
Our portfolio is spread out across key growth industries in the country	Our brands hold a dominant market positions in several of our industry segments	Our dynamic team of employees is one of our key strengths	The numerous awards and accolades are a testament to our commitment to excellence in everything we do
Lifestyle	Rocell Lanka Tiles/Lanka Walltiles Delmege	**3,668**	CA Sri Lanka Annual Reports Awards 2018 • Royal Ceramics Lanka PLC–manufacturing companies with turnover above LKR 5 Bn. – Gold • Lanka Walltiles PLC–manufacturing companies with turnover up to LKR 5 Bn. – Gold
Finance	LB Finance	**3,618**	CA Sri Lanka Annual Reports Awards 2018 • Gold award for Finance Companies and Leasing Companies (Total Asset above LKR 20 Bn.) • SLIM Nielsen People's Award 2019 – People's Choice Award for Financial Service Provider of the year
Aluminium	Swisstek Aluminium	**448**	• ISO 9001:2015 • SLS 1410:2011 • QUALICOAT Certificate
Plantations	Horana Plantations	**5,769**	• ISO 22000:2005 • ISO 9001:2008 • Ethical Tea Partnership (ETP) Certificate
Leisure	The Fortress Resort and Spa *associate	**220**	• TripAdvisor – 2019 Travelers Choice Award – Seventh of Top 25 Hotels – Sri Lanka • Condé Nast Johansens Excellence Award for Best Luxury Value – 2019
Consumer	Delmege	**204**	• SLS/ISO 22000:2005
Investments and Others	Vallibel One Uni-Dil Packaging Lanka Ceramic	**732**	• Vallibel One PLC ranked No. 10 in Business Today Top 30 – 2018 • Included in S&P SL20 Index during the period under review.

Our Portfolio of Businesses

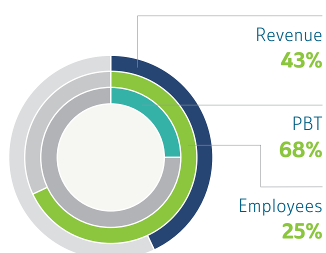
Lifestyle

We are Sri Lanka's leading tile and sanitaryware manufacturer and are rapidly expanding our lifestyle portfolio with a range of products such as kitchen sinks, furniture and interior decor solutions.



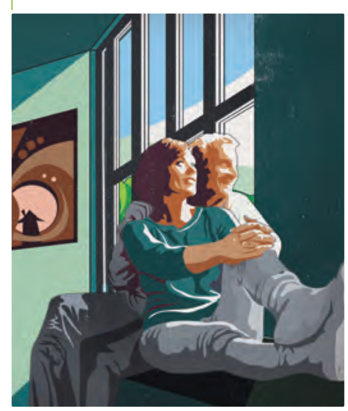
Finance

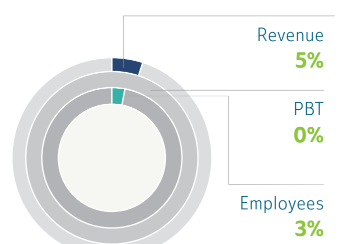
LB Finance PLC is one of the largest NBFIs in the country and has built a strong reputation for innovative solutions and effective strategic implementation.



Aluminium

We are one of the leading players in the aluminium extrusions market.

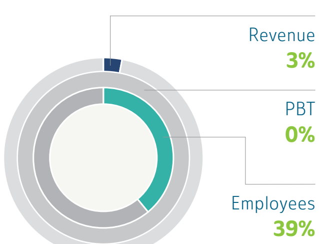




Our Portfolio of Businesses

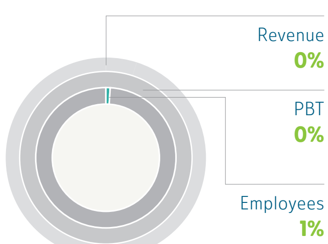
Plantations

With a history of 26 years, Horana Plantations PLC is one of the oldest plantation companies in the country. Horana Plantations PLC accounts for 1% of the country's tea production and 1.2% of the country's rubber production.



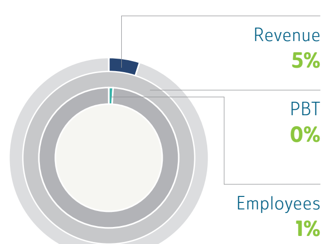
Leisure

We continue to redefine the standards of the hospitality industry through our award winning luxury boutique hotel Fortress Resort and Spa and ongoing Greener Water Hotel Project.



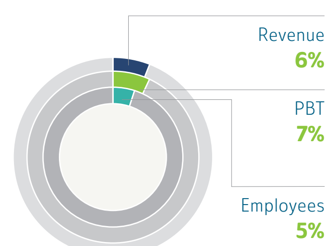
Consumer

Our consumer portfolio includes household brands such as Motha and Delmege as well as a range of reputable medical equipment.



Investments and others

The sector includes Vallibel One PLC's investments in a range of sectors such as packaging, mining, insurance brokering, travel and transportation etc.



Our Milestones and Key Events

2010/11

- Incorporation of Vallibel One PLC
- Acquisition of Royal Ceramics Lanka PLC, LB Finance PLC, and Greener Water Limited as its subsidiary companies and a stake in Sampath Bank as a long-term strategic investment.
- Royal Ceramics Lanka PLC was listed under Forbes "Asia's Best Under a Billion" during the year.

2011/12

- Vallibel One PLC was listed on the Colombo Stock Exchange.
- Vallibel One PLC acquired Delmege Group, a highly diversified conglomerate.

2012/13

- Vallibel One PLC acquired Grip Nordic through Delmege Limited.
- LB Finance PLC was adjudged "Best Retail Finance Company in Sri Lanka for 2013". by Global Banking and Finance Review.
- Royal Ceramics Lanka PLC was listed under Forbes "Asia's Best Under a Billion" during the year.

2013/14

- Vallibel One PLC acquired Lanka Ceramic Group through Royal Ceramics Lanka PLC.
- LB Finance PLC becomes the first finance company to obtain Carbon Conscious Status by the Sri Lanka Carbon Fund (SLCF) under Ministry of Environmental and Renewable Energy.

Our Milestones and Key Events

2014/15

- Royal Ceramics Lanka PLC invested LKR 170 Mn. to increase its tile mortar manufacturing capacity.

2015/16

- Commenced construction of Greener Water Hotel Project.
- LB Finance PLC opened its 100th branch in Jaffna.

2016/17

- The Total Productive Maintenance (TPM) initiative is rolled out in Royal Ceramics Lanka PLC, Royal Porcelain (Pvt) Ltd. Rocell Bathware Ltd., Lanka Walltiles PLC and Lanka Tiles PLC.
- LB Finance PLC celebrates 45 years in the finance industry and records its highest ever profit of LKR 3.7 Bn. (PAT).

2017/18

- Royal Ceramics Lanka PLC and LB Finance PLC are listed under Top 20 best Sri Lankan brands at the Interbrand Best Sri Lankan Brands 2017.
- Royal Ceramics Lanka PLC launches The Rocell Bathware Design Hub in Nawala.
- LB Finance PLC opened its first overseas branch LB Microfinance Myanmar Company Limited (LBMM) in Pyay Township, Myanmar.
- LB Finance PLC asset base exceeded LKR 100 Bn. to reach LKR 102.8 Bn. as at 31 March 2017.
- Lanka Tiles PLC launches a mobile app under their brand name "Lankatiles"– one of the first comprehensive apps by a Sri Lankan tile manufacturer.

2018/19

- Royal Ceramics Lanka PLC and LB Finance PLC won the Gold Award in the manufacturing and finance and leasing sectors respectively at the 54th Annual Report Award Ceremony conducted by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) with the Colombo Stock Exchange (CSE).

Key Events during the year

August 2018

LB Microfinance Myanmar (LBM)

opened its 3rd Branch in Shwedaung Township, Myanmar

September 2018

Mission *Thuru Wawamu*

LB Finance PLC launched the Thuru App to promote tree planting among their customers by giving an additional interest of 0.25% on Fixed Deposits for the individuals who have planted trees with the Thuru App.

December 2018

Rocell launches a dedicated consumer care center enabling a more integrated approach to customer care

December 2018

A new range of designer tiles, bathware and kitchen accessories was introduced at a brand new Rocell concept Centre in Dehiwela.

December 2018

Rocell opens three new hybrid showrooms in Kesbewa, Matugama, and Warakapola providing customers a novel retail experience.

January 2019

Lanka Tiles PLC's Italian Technology driven state-of-the-art floor tile manufacturing unit was commissioned at its Ranala factory.

January 2019

The Fortress Resort and Spa wins TripAdvisor Travellers' Choice Award Top 25 Hotels – Sri Lanka, for 2019.

March 2019

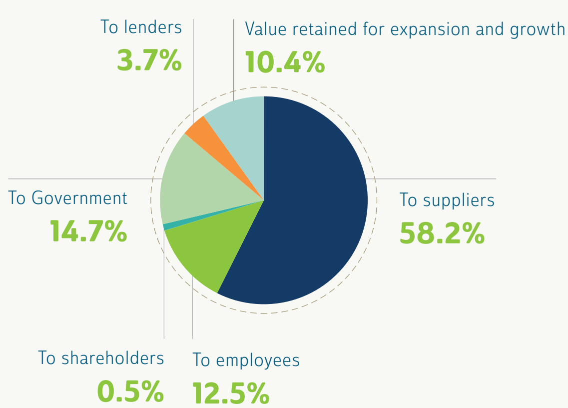
LB Finance PLC wins SLIM Nielsen Peoples Award for Financial Service Provider of the year

Our Impact

How we distributed our value

	2018/19 LKR Mn.	2017/18 LKR Mn.
To suppliers	41,771	38,847
To employees	9,000	7,737
To shareholders	368	1,720
To Government	10,526	10,241
To lenders	2,662	1,973
Value retained for expansion and growth	7,468	5,539

Value distributed



Our economic impact

14,473
Direct employment

LKR 15,538 Mn.
Market capitalisation

We account for
1%
of the country's tea production

LKR 858 Mn.
in export revenue

Our contribution to Sustainable Development

We support an island network of **4,543** small scale tilers, **1,678** SME suppliers and **5,443** plantation workers.

Welfare support provided to plantation communities including maternal and children health project, dental and eye care facilities etc.

We dedicate significant resources for the upliftment of maternal and child health and nutrition in the plantation sector.

Our training investment for the year amounted to **LKR 32.5 Mn**.

We are an equal opportunity employer with a **35.4%** female representation.

Our pre-school project aims to improve infrastructure facilities relating to hygiene.

Horana Plantations PLC has commenced moving towards less harmful energy sources like firewood and briquettes to meet its energy requirement.

The Group provides employment to **14,473** individuals across the country.

LKR 72 Mn. was spent on Research and Development during the year.

We continue to expand our footprint to the provinces, offering our products and services across the country.

We engage in developing community infrastructure such as roads around our factories and estates.

10,846 MT of our raw materials in the lifestyle sector are recycled.

We monitor our Carbon Footprint to ensure minimal negative impact on the environment.

Our plantation sector adopts practices such as field development through crop diversification, zero deforestation and habitat enrichment.

SUSTAINABLE DEVELOPMENT GOALS

Our Awards

LB Finance PLC

1. Gold Award at the 54th CA Sri Lanka Annual Report Awards – 2018 for Finance Companies and Leasing Companies (Total asset above LKR 20 Bn.)
2. Silver Award at the 54th CA Sri Lanka Annual Report Awards – 2018 for "Integrated Reporting: Best Disclosure on Capital Management."
3. "Award for the Ten Best Integrated Reports" at CMA Excellence in Integrated Reporting Awards – 2018
4. SLIM Nielsen Peoples Award – 2019 for Financial Service Provider of the Year
5. "Award for the Best Disclosure on Strategic Focus" at CMA Excellence in Integrated Reporting Awards – 2018

Royal Ceramics Lanka PLC

6. Gold Award at the 54th CA Sri Lanka Annual Report Awards – 2018 for Manufacturing Companies (Turnover above LKR 5 Bn.)
7. Bronze Award in the Extra Large Category at CNCI Achiever Awards for Industrial Excellence – 2018
8. Top 10 Award at CNCI Achiever Awards for Industrial Excellence – 2018

Our Awards

Lanka Walltiltes PLC

9 Gold Award at the 54th CA Sri Lanka Annual Report Awards – 2018 for Manufacturing Companies (Turnover up to LKR 5 Bn.)

Lanka Tiles PLC

10 Bronze Award at the 54th CA Sri Lanka Annual Report Awards – 2018 for Manufacturing Companies (Turnover above LKR 5 Bn.)

Vallibel One PLC

11 Ranked at the 10th position in the Business Today Top 30, 2017-2018

Our Investment Case

Strong market position

Market leader in tiles

Market leader in sanitaryware sector

Leading player in the aluminium extrusions sector

Extensive distribution network

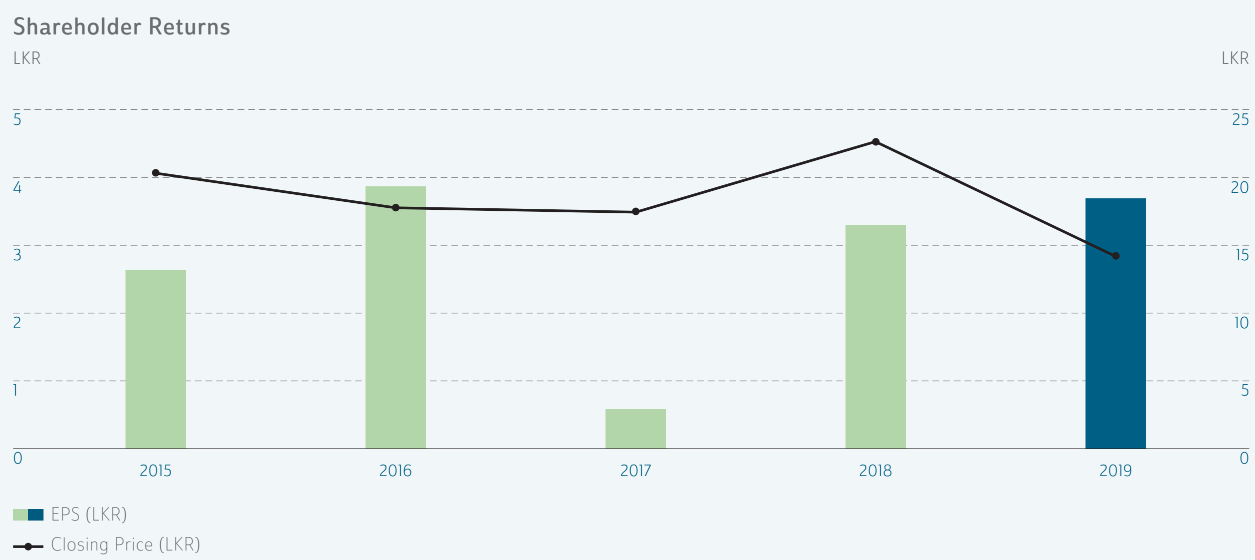
Presence in nine provinces island-wide through an extensive network of distributors, dealers, and outlets across business sectors

Presence in key growth sectors of the economy

Strong presence in industry sectors which are positioned for growth given the country's rapid urbanisation, increasing disposable incomes and expanding middle class

Professional leadership team

Our experienced and highly competent leadership team combine deep industry insights and established track records in their respective sectors



Snapshot of 2018/19

Financial Highlights

Profitability

		2018/19	2017/18
Revenue	LKR Mn.	**66,691**	60,969
Results from operating activities	LKR Mn.	**14,989**	13,723
Profit before tax	LKR Mn.	**10,542**	10,737
Profit after tax	LKR Mn.	**6,734**	6,770
Profit attributable to owners of the parent	LKR Mn.	**4,042**	3,609
Dividends	LKR Mn.	**–**	543
Gross profit margin	%	**42.4**	42.9
Operating profit margin	%	**22.5**	22.5
Net profit margin	%	**10.1**	11.1
Return on assets (ROA)	%	**3.0**	3.3
Return on equity (ROE)	%	**9.4**	9.8
Interest cover	Number of times	**5.6**	7.0

Financial Position

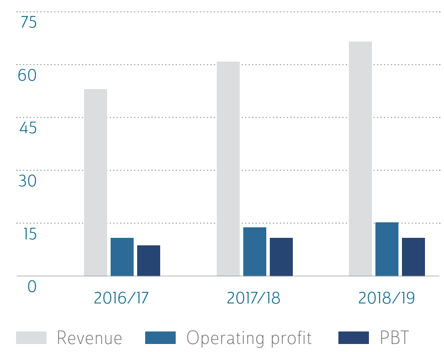
		2018/19	2017/18
Total assets	LKR Mn.	**224,988**	**206,173**
Total liabilities	LKR Mn.	**153,494**	**137,710**
Total debt	LKR Mn.	**52,172**	**48,295**
Equity attributable to equity holders of the parent	LKR Mn.	**48,339**	**47,891**
Net worth	LKR Mn.	**71,493**	**68,463**
Debt/equity	%	**72.97**	**70.54**
Equity asset ratio	%	**31.78**	**33.21**
Current ratio	Number of times	**0.95**	**1.18**
Quick asset ratio	Number of times	**0.82**	**1.03**

Market and Shareholder Information

		2018/19	2017/18
Shares in issue	Nos. Mn.	**1,087**	1,087
Market value per share	LKR	**14.30**	22.60
Earnings per share	LKR	**3.72**	3.32
Net assets per share	LKR	**44.5**	44.1
Company market capitalisation	LKR Mn.	**15,538**	24,230
Dividend yield ratio	%	**–**	2.91

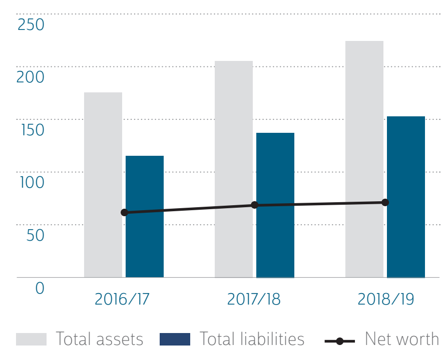
Profitability

LKR Bn.



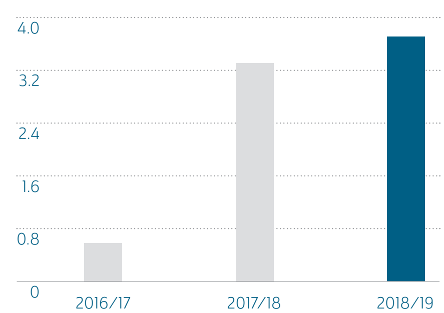
Financial position

LKR Bn.



Earnings per share

LKR



Non-Financial Highlights

Manufactured Capital

		2018/19	2017/18
Property, plant and equipment	LKR Mn.	**43,428**	37,480
Capital expenditure	LKR Mn.	**7,705**	5,611
Depreciation and amortisation	LKR Mn.	**2,111**	1,906
Investment in research and development	LKR Mn.	**72**	92

Human Capital

		2018/19	2017/18
Employees – Total	No.	**14,473**	13,739
Employees – Male	No.	**9,345**	8,695
Employees – Female	No.	**5,128**	5,044
New recruits	No.	**3,690**	2,481
Productivity (rev/employee)	LKR Mn.	**4.6**	4.4
Investment in training	LKR Mn.	**32.5**	19
Total training	Hours	**11,634**	33,177
Retention rate	%	**73**	84

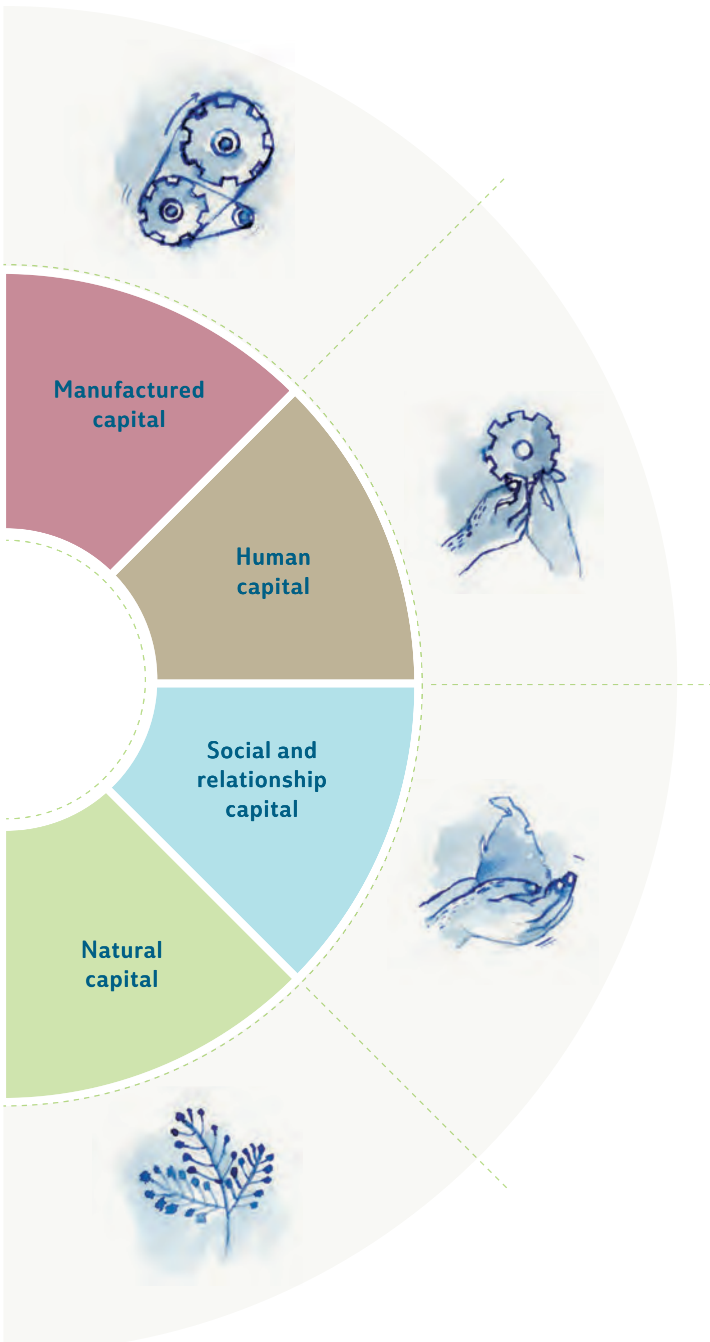
Social and Relationship Capital

		2018/19	2017/18
Rocell showrooms	No.	**55**	56
Lanka Tiles showrooms	No.	**48**	48
LB Finance branches	No.	**127**	123
Gold loan centres	No.	**36**	36
Total number of suppliers	No.	**4,620**	4,386
Investment in CSR initiatives	LKR Mn.	**72**	102

Natural Capital

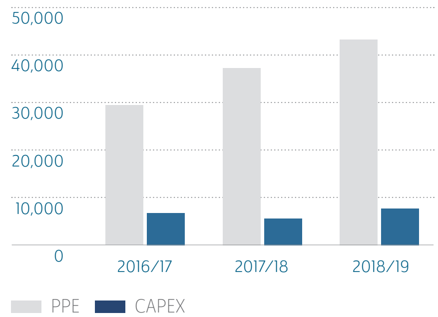
		2018/19	2017/18
Raw material consumption			
– Feldspar	MT	**129,746**	98,763
– Ball clay	MT	**94,558**	79,454
– Aluminium billets	MT	**5,367**	5,991
Electricity consumption	Units Mn.	**82.8**	52.02
Water recycled	%	**30**	25

Non-Financial Highlights



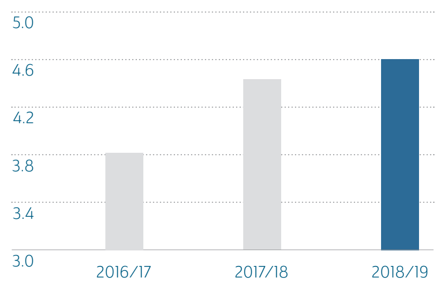
Property, plant and equipment

LKR Mn.



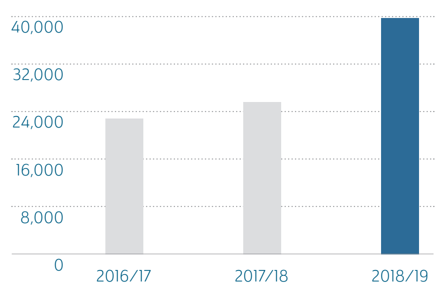
Revenue per employee

LKR Mn.



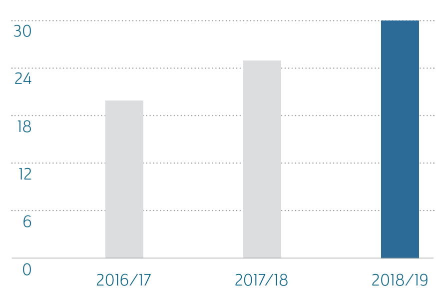
Total payments to suppliers

LKR Mn.



Water recycled

%



Chairman's Message

Chairman's Message

I am pleased to welcome you to the 9th Annual General Meeting of Vallibel One PLC and present the Audited Financial Statements and Annual Report for the financial year ending 31 March 2019. Despite a challenging operating environment, the Group delivered a resilient performance recording revenue growth of 9% while profit before tax amounted to LKR 10.54 Bn. We continued to invest in enhancing capacity, resulting in total assets growing by 9% to LKR 224.98 Bn. by the end of the year.

Dear Shareholders,

Vallibel One PLC has evolved as a diversified conglomerate focused on manufacturing, financial services and leisure sectors of the economy, acquiring mature businesses with a view to unlocking their potential. The diversity and depth of the businesses under the Vallibel One umbrella have enabled the Group to remain resilient through economic cycles, sustaining its competitive edge and enhancing brand value. Since its inception our growth strategy has been one which is centred on technology, development of expertise and capacity expansion in growth industries and I am indeed proud of the Group's undisputed leadership positions in several of its key sectors.

Driving growth

We invested LKR 7.7 Bn. in capital expenditure to enhance capacity across the Group; this included investments in the Lifestyle sector as we increased capacity at Lanka Tiles by 35% and enhanced value adding capabilities. The capital expenditure also includes ongoing investments in the Group's leisure project – Greener Water Hotel project. Our growth strategy has also focused on enhancing efficiencies and we have implemented initiatives such as Total Productive Maintenance (TPM) to drive productivity. We are encouraged by the positive results observed across our factories where it was rolled out under a 3-year plan as a holistic approach to equipment maintenance and achieving seamless production. Our team is a key factor supporting the Group's success and we are working towards developing an efficient and multi-skilled workforce that can drive our strategic aspirations.

Fit for future

The effective deployment of technology and artificial intelligence has presented significant opportunities to drive production and supply chain efficiencies while supporting better decision-making. For instance, LB Finance is using Artificial Intelligence to improve decision support and processes while Royal Ceramics has engaged customers through its website allowing them to explore collections in a range of modern settings. We are also investing in cloud computing and at LB Finance we strengthened our existing system to enable migration to the latest cloud technologies with the aim of enhancing key customer experiences.
Our dedicated Research and Development team persistently pursue opportunities in developing new products, improving processes and driving operational efficiencies across the Group.

Looking Ahead

The global and local economic outlooks reflect a moderation with increased levels of uncertainty over the short to medium term. In the aftermath of the Easter Sunday attacks, it is also important to focus on returning to normalcy and realigning the country to its former growth agenda and we are conscious of our role in this regard. We will look to maintain leadership in our sectors while increasing our exports to drive growth and earnings capacity. Artificial Intelligence will play an increasing role to gain insights and support decisions within the Group to optimise performance.

Appreciation

I commend the CEOs and all employees across the Group for their commitment to delivering growth in these challenging times. I also wish to thank the Boards of Directors of the Group companies for their leadership in aligning with our vision.
I thank my fellow Board members for their counsel and oversight of the affairs of the Group. I take this opportunity to also thank our shareholders, customers, business partners and other stakeholders for their continued support and confidence.

Dhammika Perera
Chairman

6 June 2019

Chief Executive Officer's Review

Chief Executive Officer's Review

Dear Shareholder,

Vallibel One PLC is positioned to unlock the potential of key subsidiaries, ensuring that we are fit for the future, following a year in which the Group proved its resilience and mettle. The Group delivered a revenue growth of 9% and a profit after tax of LKR 6.7 Bn. for the year ending 31 March 2019, while total assets of the Group increased by 9% to LKR 225 Bn. as we invested LKR 7.7 Bn. in enhancing our physical infrastructure and manufacturing capabilities.

Group performance

Group revenue maintained its growth trajectory increasing by 9% to LKR 66.6 Bn. supported by the lifestyle, finance and other sectors. Gross profit and Operating profit increased by 8% and 9.2% respectively to LKR 28.2 Bn. and LKR 15 Bn. supported by increased margins in the finance sector which cushioned margin pressure in the lifestyle, aluminium and plantation sectors. Net Finance costs increased by 61% to LKR 2.5 Bn. as the Lifestyle and Aluminium sectors increased borrowings to finance capital expenditure. Consequently, profit before value added tax increased by 4% to LKR 12.6 Bn. during the year. The imposition of the Debt Repayment Levy (DRL) on financial institutions and an increase in the value added tax on financial services resulted in profit before tax declining marginally by 2% to LKR 10.5 Bn., while profit after tax also decreased marginally by 0.5% to LKR 6.7 Bn.

Delivering strategy through our sectors

LB Finance retained its position as one of the leading finance companies in the country, recording strong growth in earnings and contributing LKR 5.1 Bn. equivalent to 75% of Group PAT. The sector accounts for 61% of total assets of the Group and 77% of total liabilities of the Group. Aggressive client acquisition, a growing domestic franchise, and innovative products supported growth as the Company maintained its track record of outperforming industry benchmarks. Its financial health is affirmed by the National Long-term rating of A-(lka) with a stable outlook assigned by Fitch Ratings Lanka Ltd. and a strong balance sheet. We are excited by the opportunities presented in this sector and LB Finance is geared for growth with a pipeline of projects in Artificial Intelligence and Robotics to further drive efficiencies within the Company, strengthening the positive outlook.

The lifestyle sector comprising of Tiles, Sanitaryware, a range of complementary products and interiors is the leader in several of these markets with an established track record for innovation. The sector achieved a commendable top-line growth of 9.4% to LKR 25 Bn. despite a contraction in the construction sector, increased competition from cheaper tiles and reduced disposable income. However, PAT declined by 27% to LKR 1.9 Bn. reflecting increasing pressure on margins and increased finance costs as capital expenditure was funded through borrowings. The debt-funded expansion in recent years has positioned the sector for strong growth and we look forward to reaping the benefits of these investments in the future. The Group has set its eyes further afield and is looking to manufacture sanitaryware under license to globally renowned brands while simultaneously expanding export sales in the tiles segment. Earnings and margins are also expected to improve as the benefits of Total Productive Maintenance (TPM), energy efficiencies and automation bear fruit. Importantly, the sector has deployed technology to drive higher levels of engagement with customers to attract and supply solutions at the customers' convenience.

The "Others" sector comprises our interests in a diverse mix of industries such as packaging, mining, insurance brokering, travel, aviation, and shipping. The sector recorded a profit after tax of LKR 0.256 Bn. compared to LKR 0.20 Bn. in the previous year mainly on account of the improved performance in the packaging and insurance brokering businesses. We continue to see strong potential for growth in our insurance brokering business and expect it to be contributor to earnings over the medium to long term.

The aluminium sector faced several challenges during the year stemming from the contraction of the construction sector, the depreciation of the Rupee and the increase in industry supply which resulted in intense competition in a lackluster market. Consequently, the sector generated an operating profit of LKR 0.15 Bn. during the year.

Falling tea and rubber prices resulted in a 10% decrease in the plantation sector top-line while cost escalations stemming from wage negotiations and declining productivity further depressed margins. The consumer sector was affected by the non-conducive operating environment, experiencing a decline in top-line and gross profit as disposable incomes continued to decline during the year depressing demand. Net finance costs continued to erode profits. We continue our efforts to grow our distribution networks to position the Company for future growth. The sector is also pursuing opportunities in new product development and investing in enhancing its brand value.

Sustainability at Vallibel

Companies within the Vallibel Group have developed sustainability frameworks according to their specific industry sector requirements and have implemented numerous initiatives to minimise adverse social and environment impacts out of which many are active champions of sustainable business models.

Vallibel has coordinated an effort across the entire Vallibel Group to improve its sustainability reporting with a view to enhancing its measuring, monitoring, and reporting of material matters. The results are reflected in the improved reporting of data in this year's Annual Integrated Report which is the result of this exercise.

Acknowledgements

I am deeply appreciative of the guidance and counsel of the Board which has been invaluable in driving performance. I thank the Vallibel Team and the extended Vallibel Group for their commitment and hard work during a challenging year. I thank our shareholders for their confidence in us and look forward to your support on the next phase of our journey.

Yogadinusha Bhaskaran
Chief Executive Officer

6 June 2019

Board of Directors

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, leisure, aluminium extrusion, packaging, plantations, lifestyle, healthcare, consumer and hydro power generation.

He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies.

Mr Perera is the Chairman of Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Uni-Dil Packaging Limited, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC.

Mr Harsha Amarasekara

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), Swisstek (Ceylon) PLC (Chairman), & Swisstek Aluminium Limited (Chairman), Royal Ceramics Lanka PLC, Expolanka Holdings PLC, Chevron Lubricants Lanka PLC, Ambeon Capital PLC, Amana Bank PLC, Amaya Leisure PLC, and Vallibel Power Erathna PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

Mr Amarasekera was admitted to the Bar in November 1987 and took oath as a President's Counsel in November 2012.

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 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.

Mr Sumith Adhihetty

Independent 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 LB Finance PLC. He also serves on the Boards of Summer Season Residencies Limited, Summer Season Limited, Summer Season Mirissa Ltd. and La Forteresse (Private) Limited, LB Microfinance Myanmar Company Ltd., Greener Water Limited.

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

Ms Kimarli Fernando

Non-Executive Director

Ms Kimarli Fernando brings to the Board over 30 years' experience in the field of banking built on her legal background. 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 LB 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. A very focused result-oriented individual who has driven business performance in Deutsch Bank, Standard Chartered and Pan Asia Bank where she was the CEO. Ms. Fernando has a proven track record of good corporate governance, ethical practices in the banking industry including in local and foreign Banks, together with international experience in Frankfurt Germany in the area of Corporate Finance, Aircraft Financing. Ms Fernando sit on several key committees including chairing several of them. In recognition of her achievements in the banking industry she was awarded Professional Woman of the Year in 2007 and Woman of Achievement for Banking in 2009.

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 an Attorney-at-Law, Sri Lanka. She is a life member of the Sri Lanka Bar Association and Law Society of Sri Lanka and Author of "Company Law of Sri Lanka" 2nd Edition, which was the definitive reference book for students and practitioners of Company Law in Sri Lanka.

All About Strategy

Our Value Creation Model

Our strategy while constantly evolving in response to the changing dynamics in our complex operating environment, remains firmly rooted to our core values of diversity, creativity, leadership, innovation and people and is driven by our vision of creating wealth for our stakeholders through growth, leadership, sustainability and people.

Capital inputs

Financial capital

Shareholders' funds:
LKR 71,493 Mn.
Debt:
LKR 52,172 Mn.
(For more details refer page 86)

Manufactured capital

8 Manufacturing facilities in 3 sectors
(For more details refer page 89)

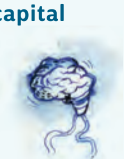
Human capital

14,473 employees
(For more details refer page 93)

Social and relationship capital

Supplier relationships with distributors, dealer outlets, franchisees
(For more details refer page 103)

Intellectual capital



Tacit knowledge
Systems, processes, and standards
(For more details refer page 107)

Natural capital

Raw materials: **27,582 MT**
Water use:
387.4 Mn. Liters
Electricity consumption:
82.8 Mn. Units
(For more details refer page 114)

Governance (for more details refer page 120)

Value creation process

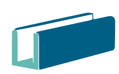
Our vision

Achieving uniqueness through diversity, leadership, creativity, and inspiration

Business verticals

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

Finance
- Leasing
- Loans
- Deposits

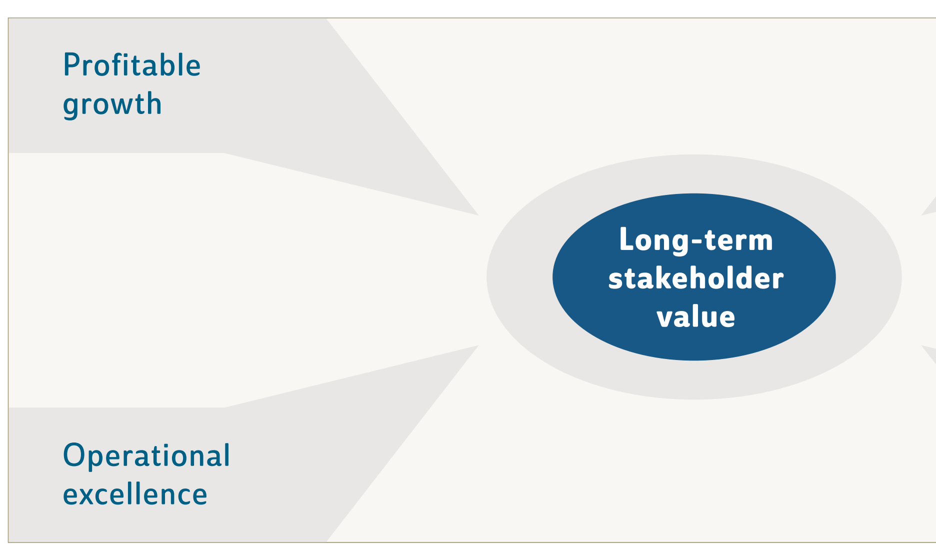


Aluminium
- Aluminium extrusions

Plantations
- Tea
- Rubber
- Other agricultural products

Leisure
- Boutique hotel
- Resorts

Business verticals



Our Value Creation Model

Consumer

FMCG
Pharma
Medical equipment

Investments and others

Packaging
Mining
Insurance brokering
Travel
Shipping

Synergistic relationships

Sustainability

Risk Management (for more details refer page 133)

Value delivered

Outputs

11.5 Mn. sq. metres
of tiles

180,408 units
of sanitaryware

2.6 Mn. kg
of tea

0.7 Mn. kg
of rubber

LKR 858 Mn.
in export revenue

LKR 9,000 Mn.
as payments to employees

LKR 32.5 Mn.
investment in training

LKR 10,526 Mn.
in tax payments

LKR 41,771 Mn.
in payments to suppliers

LKR 72 Mn.
of community investments

Outcomes

Shareholders
Sustained growth for shareholders

KPIs
- PAT
- Dividends
- Share price

For more details refer page 86 (Financial capital)

Customers
Increased customer convenience

KPIs
- Customer satisfaction
- Customer complaints

For more details refer page 107 (Social and relationship capital)

Employees
Opportunities for career progression

KPIs
- Employee productivity
- Payments to employees
- Training per employee

For more details refer page 93 (Human capital)

Suppliers
Stronger partnerships

KPIs
- Payments to suppliers
- Investment in supplier development initiatives

For more details refer page 107 (Social and relationship capital)

Community
More responsible consumption of raw materials

KPIs
- Investment in CSR
- Energy consumption
- Raw material consumption
- Percentage of recycled materials

For more details refer page 107 (Social and relationship capital)

How We Engage with Our Stakeholders

Stakeholder engagement is a key element of our value creating process as it ensures that our priorities are aligned to those of our stakeholders. It is also a way of assessing our impact on our stakeholders while better understanding our operating environment to constantly enhance our value proposition. We engage with our stakeholders through multiple channels to obtain both formal and informal feedback, which subsequently feeds into our strategy formulation process.

Level of engagement

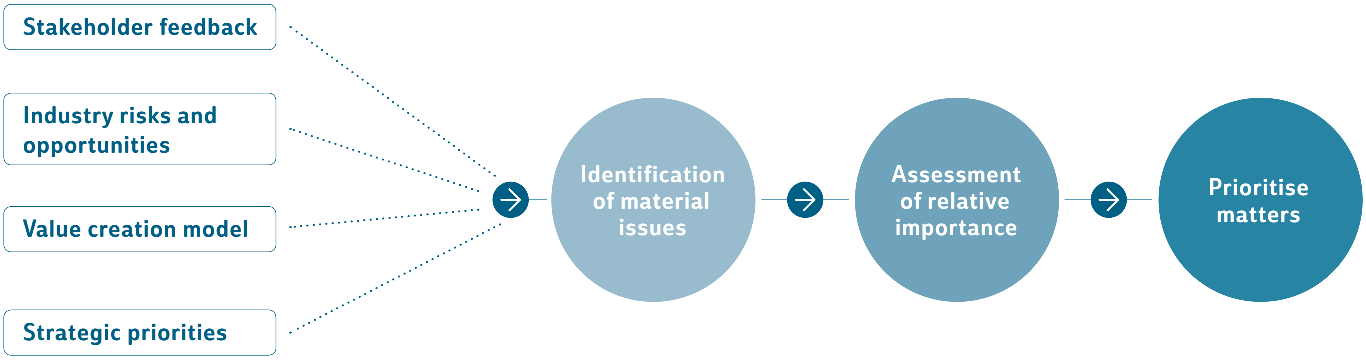
High

Step 1 Identify stakeholders	Step 2 Engage with stakeholders	Step 3 Identify material issues	Step 4 Formulate strategy
Shareholders and investors	• Annual General Meeting • Financial reporting (quarterly and annual) • Corporate website (ongoing) • Media (ongoing) • Investor forums (quarterly) • Written communication (ongoing)	• Financial performance • Governance • Risk management • Sustainable growth	Identify growth sectors Identify key risks Page 133 (Risk Management)
Employees	• Performance management system (Annually or biannually) • Formal and informal meetings (ongoing) • Interactive forums with Senior Management (ongoing) • Employee newsletters (Monthly) • Email broadcast system (ongoing) • Social occasions and other events	• Performance and reward management • Work-life balance • Diversity and inclusion • Career progression	Recruitment policies Remuneration and benefits scheme Promote greater employee engagement Page 93 (Human Capital)
Customers	• Customer satisfaction surveys (Monthly) • Customer relationship managers • Customer visits and review (ongoing) • Customer hotline (ongoing) • Feedback portal at outlets (ongoing)	• Product quality • Customer service • Availability of product	Product development Customer service training programme Expansion of distribution network Page 107 (Social and Relationship Capital)
Business partners	• Dealer and distribution conventions (Annual) • Visits from principals and visits to principals' locations • Participation at international trade fairs (Periodic)	• Future business opportunities	Supplier development initiatives Page 107 (Social and Relationship Capital)
Community	• CSR Initiatives (ongoing) • Community Leaders	• Impact on environment responsible sourcing • Community investment	GRI Reporting to ensure better monitoring of impacts Pages 107 and 114 (Social and Relationship Capital, Natural Capital)

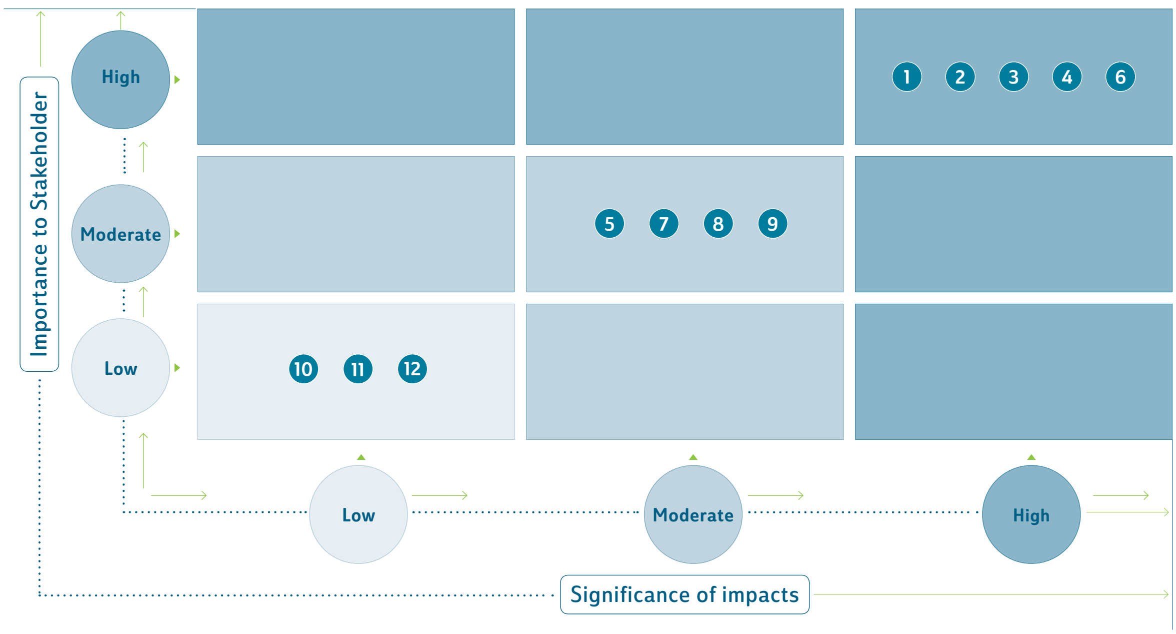
What is Material to Us

The Group's material topics are those that impact its value creation process in the short, medium and long term. We have a systematic approach to determine materiality which involves assessing risks, opportunities and issues in terms of relative importance to shareholders and impact on operations of the Group. The material issues thus identified and prioritised, form the basis of our strategy, risk management practices and reporting practices.

The process we adopt for determining material issues is graphically illustrated below;



The Group's material matters for 2018/19 are listed below and are discussed in detail throughout the narrative report presented in subsequent pages;

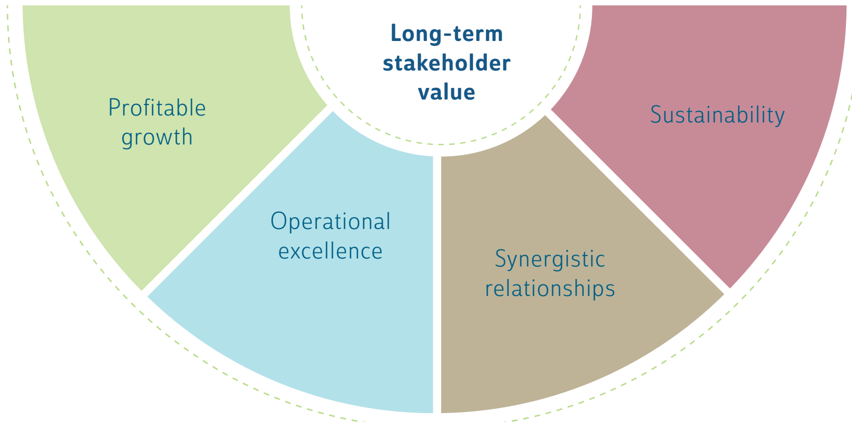


What is Material to Us

	Material issue in 2018/19	Stakeholder impacted	Strategic pillar affected	Corresponding GRI topics
1.	**Financial performance** Sustainable and profitable growth is essential in driving shareholder value.	Shareholders	Growth	–
2.	**Exchange rate exposure** Financial performance is impacted by exchange rate volatility due to our significant exposure to export market and reliance of raw material imports.	Shareholders	Growth	–
3.	**Exposure to commodity prices** Commodity prices impact financial performance as it has a direct impact on cost of production and revenue.	Shareholders	Growth	–
4.	**Operational efficiency** Driving cost efficiencies through operational efficiencies is increasingly important to maintain market share.	Shareholders	Growth, Innovation	–
5.	**Talent attraction and retention** Attracting and retaining employees with the right skill set is critical for our long-term sustainability.	Employees	Innovation	Employment (401-1, 401-2, 401-3) Labour/Management Relations (402-1) Occupational Health and Safety (403-2) Diversity and Equal Opportunity (405-1)
6.	**Talent development** Talent development is a critical component of our employee value proposition.	Employees	Leadership	Training and Education (404-1, 404-2, 404-3)
7.	**Sustainable sourcing** As an operation heavily dependent on natural resources, sustainable sourcing ensures availability of resources in the long term.	Community	Sustainability	Materials (301-1, 301-2) Water (303-1, 303-3) Procurement Practices (204-1)
8.	**Climate change** Climate change impacts the availability of natural raw materials required in our operations.	Community	Sustainability	
9.	**Product quality and responsibility** Ensuring the highest standards of product quality is a key differentiator of our customer value proposition.	Customers	Leadership	Customer health and safety (416-2) Marketing and Labelling (417-2,417-3)
10.	**Preserving the environment** We are committed to minimising negative environmental impacts from our operation and contribute positively to the environment through sustainable production processes.	Community	Sustainability	Energy (302-1, 302-2,302-3, 302-4) Emissions (305-1, 305-2) Effluents and Waste (306-1, 306-2)
11.	**Compliance** As a responsible corporate entity we ensure that we are compliant with all relevant laws and regulations.	Community	Sustainability	Environmental Compliance (307-1) Socio-economic Compliance (419-1)
12.	**Community engagement** Our CSR initiatives and community engagement is aimed at uplifting the communities we operate in.	Community	Sustainability	Local Communities (413-1,)

Our Strategy

Given the diversity of the Group's operations, each sector operates relatively independently in strategy formulation and delivery. That said sectors are broadly aligned to the Group's long-term strategic aspirations, which are refined at sector level based on industry dynamics. The Group's strategy during the year was focused towards generating long-term stakeholder value by driving profitable growth, operational excellence, synergistic relationships and sustainability throughout the Group. The following chapter provides a high-level overview of the Group strategy during the year, the challenges we faced and outlook for 2019/20.



Strategic Pillars	Profitable growth	Operational excellence	Synergistic relationships	Sustainability
Objective	• Drive profitable growth through product diversification and strategic capacity enhancement	• Drive operational excellence by leveraging on technology	• Generate synergies through mutually beneficial relationships with our employees, business partners and communities	• Find innovative solutions to drive sustainability throughout Group operations
Strategic actions 2018/19	• Allocation of specific resources for research and development relating to new product development • LKR 3,040 Mn. Capex in enhancing capacity and productivity • Increased focus on export markets	• Increased use of AI to facilitate better decision-making and risk management • Employee training on TPM initiatives • Ongoing investment in strengthening digital channels	• Deployed increased resources towards employee engagement • Ongoing investment in employee training and development • Leverage Group synergies for better channel management • Ongoing investment in supplier development programmes • Ongoing investment in strategic CSR initiatives	• Greater focus on recycling initiatives • Implementation of TPM initiatives aimed at reducing waste and inefficiencies
Risks/Challenges 2018/19	• Sluggish Economic Growth	• Rising cost of production	• Employee retention and growing competition for market share	• Availability of raw materials
Outlook for 2019/20	• Sluggish demand conditions due to unfavourable economic conditions • Intense competition	• Continued escalation in energy, raw material and labour prices	• Changing labour market dynamics and increasing complexity of customer requirements.	• Restrictions on mining activities is likely to impact availability of raw materials.

Driving Strategy through Our Sectors

Operating Environment

The challenging economic conditions of 2017 continued through 2018 with subdued economic growth, political instability and volatility in exchange rates impacting many of our sectors. We navigated these challenges with prudent and strategic action plans ensuring that we continued to make things happen in our sectors despite these challenging conditions.

Economic growth

The Sri Lankan economy grew at a modest pace of 3.2% in 2018 compared to 3.4% during the previous year. The growth was supported by the services sector and the recovery of the agriculture sector. The services sector recorded a growth of 4.7% due to robust demand for wholesale and retail trade, transportation, food and accommodation while the agriculture sector recorded a growth of 4.8% as a result of improved weather conditions. Performance of the industrial sector however slowed down significantly, recording a growth of only 0.9% (compared to 4.1% last year) due to a subdued construction sector, increasing interest rates and an uncertain political landscape.

Exchange rate

The Rupee depreciated by almost 16% against the US dollar in the 12 month period ending December 2018. A widening trade deficit continued to negatively impact the value of the rupee. Meanwhile heavy foreign investment outflows due to monetary policy normalisation in the United State of America and the broad-based strengthening of the US dollar in the global market was aggravated by political uncertainty that prevailed during the last quarter and the subsequent down grading of Sri Lanka's sovereign rating by three major rating agencies. The combined impact of domestic and external developments resulted in significant pressure on the exchange rate. The first quarter of 2019 however saw the Rupee strengthening somewhat, in response to Government efforts to curtail import expenditure.

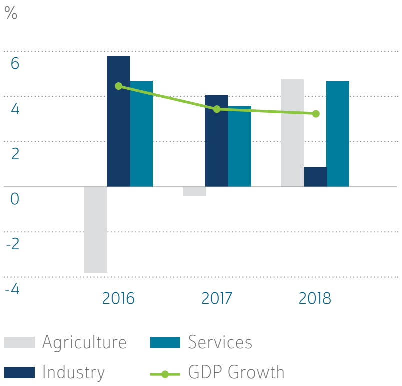
Inflation

Despite the sharp depreciation of the Rupee and the introduction of the pricing formula for domestic petroleum price adjustments, headline and core inflation remained in the low single digit region due to subdued aggregate demand conditions, improved domestic supply conditions due to recovery from extreme weather conditions and measures taken to contain monetary expansion and credit growth within a desired level. The NCPI based annual average inflation declined continuously from 7.6 % in January 2018 to 2.1% in December 2018.

Interest rates

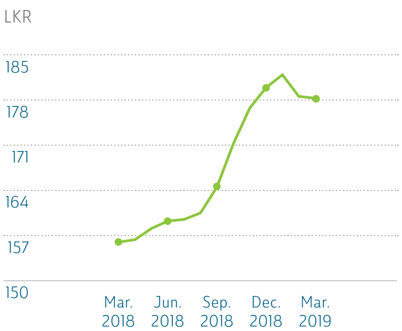
The Central Bank maintained a neutral monetary policy as inflationary pressures eased. Interest rate reduced to 8.5% in April 2018 after hikes for two consecutive years. Despite that, market interest rates continued to increase thereafter as liquidity deficits in money markets continued to be high. Bank-wise average weighted lending rates were in the range of 10.96-17.25% at end 2018 compared to the range of 10.22-16.23% observed at end 2017.

Annual GDP Growth Rate



Source: CBSL Annual Report

USD exchange rate



Source: CBSL

Impact on our sectors

Sector/industry	Macro-economic impact on sector
Lifestyle, aluminium and mining	The slow down of the construction sector had a significant impact on demand for building related products such as tiling, sanitaryware and aluminium as well as mining. Meanwhile depreciation of the rupee continued to impact margins in these sectors.
Finance	Slower credit growth due to subdued economic growth, volatile interest rates and macroprudential measures imposed on leasing advances for vehicles had a negative impact on the sector. Meanwhile NPLs saw a sharp increase during the year due to moderating economic conditions, slowdown in the construction sector and adverse weather conditions in certain parts of the country.
Plantations	Although Sri Lankan tea and rubber prices were positively impacted by the depreciating Rupee, supply and demand conditions such as lower production volumes and lower demand from key buyers negatively impacted the sector.
Leisure	The general upswing in the global economy positively impacted tourist arrivals to the country in 2018.
Consumer	Weaker consumer confidence, higher inflationary pressures, tight liquidity conditions and lower discretionary spending negatively impacted the consumer sector. Meanwhile the depreciating rupee had a negative impact on margins particularly in import segments such as medical equipment, imported consumables etc.
Investments and Others	Rising paper prices in the world market, depreciation of the Rupee and subdued demand conditions made 2018/19 a challenging year for the packaging industry.

Outlook

The tragic events of Easter Sunday and heightened security situation in the country will no doubt have a significant impact on the economy in the short to medium term. Key sectors such as tourism and construction in particular are expected to bear the brunt of this impact. In the longer term however, prospects seem more favourable due to more stable macro-economic fundamentals, the Government's ongoing fiscal consolidation efforts and rising disposable incomes.

Lifestyle

Lifestyle

Opportunities

- Increasing urbanisation
- Mixed developments and hotel projects gaining momentum
- Increasing demand from overseas markets (US, Australia, India)

Risks

- Rising cost of production
- Intensifying competitive pressures
- Low cost imports
- Subdued construction industry
- Raw material supply

Challenging market conditions of the last financial year persisted for the most part of 2018/19, with the downturn in the construction industry and rising production costs continuing to pressure industry margins. Amidst these challenges we embarked on reviewing our operations, rationalising our portfolio, exploring innovative cost management approaches and strengthening our brand proposition to pave way for a new trajectory of growth.

Relevance to Group

LKR 25,106 Mn.
37% of Group revenue

LKR 3,755 Mn.
49% of Group CAPEX

LKR 47,778 Mn.
21% of Group assets

3,668 Employees
25.3% of Human capital

Lifestyle

Strategic priorities

Expand overseas production (OEMs)

Growth in export volumes

Cost rationalisation

Revamp product portfolio

Strengthen distribution network

Capitals by relevance to sector	Capital inputs	How we created value	Outputs and outcomes	Contribution to SDGs
Manufactured capital 	**6 state-of-the-art** manufacturing facilities Island wide network of Rocell and Lanka Tiles showrooms	**7 new OEM** factories in India	Increased overseas production capacity **1.5 million** Sq metres per annum	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Social and relationship capital 	Island-wide franchisee and dealer network	Development of franchise showroom network **5** new franchisees **LKR 0.18 Mn.** spent on training for franchisees	**4,500+** Tiler Club members	8 DECENT WORK AND ECONOMIC GROWTH
Intellectual capital 	Rocell, Lanka Tiles and Delmege brands Locally and internationally accepted quality certifications	Several new products and quality certifications	Increased access to export markets Export volumes increased by **34%**	8 DECENT WORK AND ECONOMIC GROWTH
Financial capital 	Equity: **LKR 19,639 Mn.** Debt: **LKR 14,360 Mn.**	Cost saving of **LKR 480 Mn.** through TPM projects	Revenue: **LKR 25,106 Mn.** Profit before tax: **LKR 2,483 Mn.**	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Human capital 	**3,668** strong employee base	Overseas training opportunities for **25** employees	Employee productivity: **LKR 0.46 Mn.** revenue per employee	4 QUALITY EDUCATION
Natural capital 	Raw material consumption Feldspar **104,432 MT** Ball Clay **83,533 MT** Water **213 Mn. Litres** Electricity **55 Mn. Units**	**LKR 28.2 Mn.** spent on waste heat recovery system in factories	**4.2%** of recycled input material used in production **2 Mn. kJ** per annum of energy saving	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Key strengths

- State-of-the-art manufacturing facilities
- Multi-channel distribution channel
- Compliance with local and international quality standards
- Strong domestic franchise
- Group presence across value chain
- Provision of technical support across the value chain
- Lanka Tiles has the largest single customer in India
- "Lanka Tiles" is the only export brand which carries the Sri Lankan name

Performance

KPI	2018/19	2017/18	Change yoy (%)
Operating income (LKR Mn.)	**4,230**	4,800	(11.8)
Profit after tax (LKR Mn.)	**1,913**	2,609	(26.6)
Return on equity (%)	**10**	15	(5)
Operating margin (%)	**17**	21	(4)
Net profit margin (%)	**8**	11	(3)

Overview of the business

The lifestyle sector offers our customers a comprehensive range of interior solutions including floor tiles, wall tiles, sanitary ware, faucets, showers and other bathroom accessories, kitchen sinks, tiling accessories and design solutions. Our tiling range marketed under the lifestyle brands Rocell and Lanka Tiles, renowned locally and internationally for its quality, elegance and innovative designs and are the undisputed market leaders in the tile sector with a combined market share of 33% for floor tiles and 35% for wall tiles. Our sanitary ware range, Rocell Bathware continues to be recognised as the topmost sanitary ware brand in Sri Lanka with a market share of 40%. Complementing our tiling and sanitary ware range is a gamut of interior and building solutions offered through the Delmege Group of Companies.

Our operations

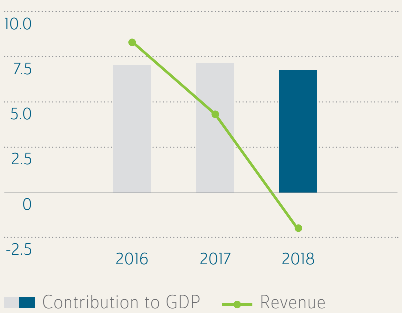
Tiling	Sanitaryware	Mortar/Grout	Interior and building solutions
Royal Ceramics Lanka PLC (Eheliyagoda) Production capacity (p.a): **2.2 Mn.** square metres	Rocell Bathware Ltd. (Homagama) Production capacity (p.a): **326,000 units** of sanitaryware	Swisstek Ceylon (PLC) (Balummahara) Production capacity (p.a): Mortar: **35,000 MT** Grout: **1,440 MT**	Delmege Forsyth and Company Ltd. Interior and construction products
Royal Porcelain (Pvt) Ltd. (Horana) Production capacity (p.a): **3.5 Mn.** square metres			Grip Delmege (Pvt) Ltd. Panel furniture and complete interior design solutions
Lanka Tiles PLC (Ranala) Production capacity (p.a): **4 Mn.** square metres			Grip Nordic (Pvt) Ltd. Layer glued furniture
Lanka Walltiles PLC (Meepe) Production capacity (p.a): **2.5 Mn.** square metres			

Performance highlights

Despite sluggish conditions in the construction industry...

Construction sector performance

%

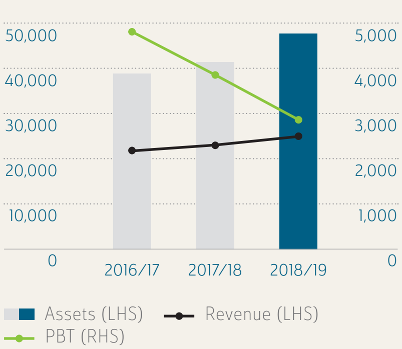


Source: CBSL Annual Report

...the lifestyle sector recorded a marginal growth in revenue, although profits were impacted by narrowing margins.

Revenue, PBT, Assets

LKR Mn.



Our multi-channel distribution network consisting of owned showrooms, dealers, distributors and franchisees is one of our key strengths.

Operating environment

The value added of construction activities recorded 2.1% contraction in 2018, against 4.3% growth observed in 2017. Fiscal consolidation efforts by the Government resulted in a slowdown in Government led infrastructure projects, while rising raw material costs due to the depreciation of the rupee and labour shortages put a damper on apartment and other private development projects. Residential housing demand too remained weak on the back of high interest rates and reduced spending power due to slow economic growth. As a result, demand for construction material was subdued during the year. Meanwhile depreciation of the rupee and rising cost of production continued to impact the local construction material sector, squeezing margins amidst growing competition from cheaper imports from China and India.

Strategy and performance

Revenue from the lifestyle sector increased marginally by 9% in 2018 to LKR 25 Bn. amidst tough market conditions and lower production volumes due to trial runs carried out as part of commissioning a new factory for Lanka Tiles. Meanwhile rising cost of production and increasing competition from cheaper imports exerted significant pressure on margins during the year resulting in a 26% drop in PBT during the period.

With margins increasingly being impacted by the rising cost of production locally, we continue to invest in OEM manufacturing bases overseas. During the year seven new production facilities in India were contracted to manufacture tiles under our brands. This strategy has enabled us to leverage on the lower production costs in India and offer our customers a wider range of products at affordable price points. In the bathware segment, we are in negotiation with two world class buyers to manufacture under their trade names at our factory. These OEM products are expected to be exported in the first quarter of 2019/20.

Cost rationalisation through process improvements was a main focus during the year. Total Productive Maintenance (TPM) initiatives aimed at cutting out wastage and improving processes continued during the year bringing about a cost saving of LKR 480 Mn. We are also increasingly exploring Artificial Intelligence (AI) tools in strategising cost reduction initiatives.

Our multi-channel distribution network consisting of owned showrooms, dealers, distributors and franchisees is one of our key strengths. We continued to strengthen our distribution channel, by expanding our franchisee showroom network, enhancing our warehousing capacity and introducing greater automation to distribution channels such as online order placing to improve service delivery. Meanwhile we focused on leveraging on our cross-sell during the year by introducing sanitaryware products in Rocell and Lanka Tiles showrooms.

	2018/19
Own showrooms	72
Distributors	81
Dealers	87
Franchisees	46
Tiler club members	4,543
Warehousing capacity (Sq.ft.)	544,325

During the year we also sought to increase customer engagement to better understand pain points and future demand trends. Our Tile app and web tools provide customers with several unique features such as allowing customers to get look and feel of the entire Lanka Tile collection and visualise the end result of the tiled space. The app also provides a data base of over 2,000 trained tilers around the country together with contact details of local showrooms and international distributors. We also introduced a system of implementing real time customer feedback from all showrooms including franchisee showrooms, in order to be able to address customer feedback on an ongoing basis.

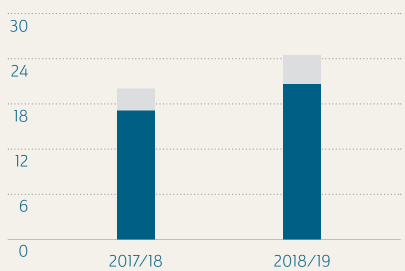
We defend our market share against low cost imports by continuously upgrading and expanding our product range whilst strictly adhering to both local and international quality standards. During the year Rocell enhanced its product portfolio with new introductions such as a new kitchen sink, branded accessories, and a new range of kitchen pantries. The Lanka Tiles range was also expanded with more tile sizes and finishes as well as a sanitary ware range. A new product line of kitchen pantries will also be introduced in early 2019/20. During the year we also focused on strengthening the design solutions offered through the Delmege interiors cluster by offering more customised, value added design solutions for large scale projects. Grip Nordic, also introduced a new locally manufactured bentwood furniture range, which is expected to gain significant

Nurturing our capitals

We increased overseas production capacity and strengthened our distribution network...

Capex investment

LKR Bn.



PPE (Opening balance)

Capital expenditure during the year

...and continued to improve our product portfolio through quality and product enhancements.

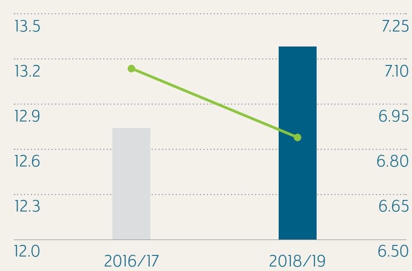
Key certifications in the sector

Certification/standard
GREENSL® Labelling System
Watermark Certification

We expose our people to international best practices through ongoing training programmes locally and overseas...

Training investment and productivity

LKR Mn. LKR Mn.



Training investment (LHS)

Revenue per employee (RHS)

...adopt sustainable practices across our operations to ensure minimal impact on the environment.

	2018/19
Material consumption	
Materials (MT)	257,089
Electricity (Mn. Units)	54.7
Water (Mn. Litres)	213
Efficient production	
Energy intensity (MT)	164,815
Estimated savings from energy saving initiatives (Mn. kJ)	2
Recycled materials (MT)	10,846
Recycled water (%)	30

traction. In a bid to increase export volumes, we also obtained several country specific certifications, that have greatly enhanced the overall quality of our products. (for comprehensive list of certifications please refer page 105).

Driven by the mindset of continuous improvement, we offer our employees ongoing training opportunities both locally and overseas. 25 employees were seconded to OEM factories in India giving them exposure to international best practices. Meanwhile several of our factories have recruited Indian production managers as part of a knowledge exchange programme initiated during the year. We also extend our training to franchisee employees. A comprehensive training programme including topics such as customer service, post transaction record keeping was carried out for all franchisees by a dedicated training manager.

We remain committed to reducing our impact on the environment both through responsible consumption of raw materials and sustainable management of outputs.

Outlook

Whilst the construction industry can expect some setback due to the impact on the economy from the tragic events of Easter Sunday, we expect domestic demand in the medium term to bounce back and be driven mainly by large scale mixed development projects, increasing demand for office space and recovery of the tourism sector. We will continue to enhance our product portfolio through innovative design concepts to deliver value to these niche segments. Meanwhile in order to meet the growing demand for lower cost and mass market tiling solutions, we are aggressively expanding our manufacturing capacity overseas to leverage lower production costs.
We also see significant opportunities to grow export volumes, particularly to countries such as the US, Australia and Canada. We will continue to focus on improving quality standards in order to meet the standards required to strengthen our market share in these markets.

Finance

Finance

Opportunities

- Growth opportunities in auto-financing
- Stable gold prices
- Frontier markets – North Eastern Province
- Strengthening the digital proposition
- New customer segments

Risks

- Inconsistent Government policy
- Deterioration of asset quality
- Devaluation of currency
- Slowdown in the construction sector
- Impact on vehicle sector due to increase in taxes

Despite marginal credit growth and rising NPL levels in the industry, LB Finance PLC performed well during the year recording a revenue growth of 17% and profit growth of 20%. The key challenge during the year was to manage NPL levels whilst simultaneously consolidating our position in core product segments. We achieved this by adopting a two-pronged approach, involving a more proactive and robust monitoring mechanism combined with focused lending to targeted segments.

Relevance to Group

LKR 29,207 Mn.
44% of Group revenue

LKR 2,320 Mn.
30% of Group CAPEX

LKR 136,517 Mn.
60% of Group assets

3,618 Employees
24.9% of Human capital

Strategic priorities

Strengthen position in auto-financing

Expanding the pawning portfolio

Preserving portfolio quality

Strengthening IT infrastructure

Capitals by relevance to sector	Capital inputs	How we created value	Outputs and outcomes	Contribution to SDGs
Financial capital 	Equity: **LKR 18,467 Mn.** Debt: **LKR 27,741 Mn.** Deposits: **LKR 83,243 Mn.**	Smart margin management Proactive monitoring mechanism for loans Cost management initiatives Targeted lending	Improved financial performance Net interest income growth of **22%** PBT growth of **20%** Earnings per share growth **20%**	8 DECENT WORK AND ECONOMIC GROWTH
Manufactured capital 	Island-wide network of **163 branches, pawning centres and gold loan centres**	Relocation of **13 outlets** (branches and gold loan centres) Introduction of digital financial services, ATM Switch migration Investment in cloud-based ERP system (Oracle Fusion) and continued upgrades to core system	Improved customer service	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Social and relationship capital 	Diverse customer base consisting of corporates, SME's and individuals	Providing access to finance to underserved segments Focus on enhancing customer experience Deeper engagement with business partners	Stronger relationships with existing customers, community Increase in customer base **11.42%** Investment in CSR: **LKR 10.4 Mn.**	10 REDUCED INEQUALITIES
Human capital 	**3,618** employees	Training investment of **LKR 10.95 Mn.** **33%** of new recruits were female	Greater employee engagement Improved employee productivity (Refer page 94) Greater gender diversity **38.3%** of our total employees are female	4 QUALITY EDUCATION 5 GENDER EQUALITY
Intellectual capital 	Brand equity	Deposit mobilisation in provinces Brand enhancement through promotions and stakeholder engagement	Greater brand awareness in provinces Brand value enhanced, **2018/19 LKR 5,133 Mn.** 2017/18 LKR 4,236 Mn. Adjudged People's Financial Services Provider of the year at SLIM Nielsen Peoples Awards 2019	

Key strengths

- Third largest player in terms of assets and leasing portfolio
- Largest player in gold loans segment
- Island-wide branch network
- The top-of-the-mind financial brand for Sri Lankan customers

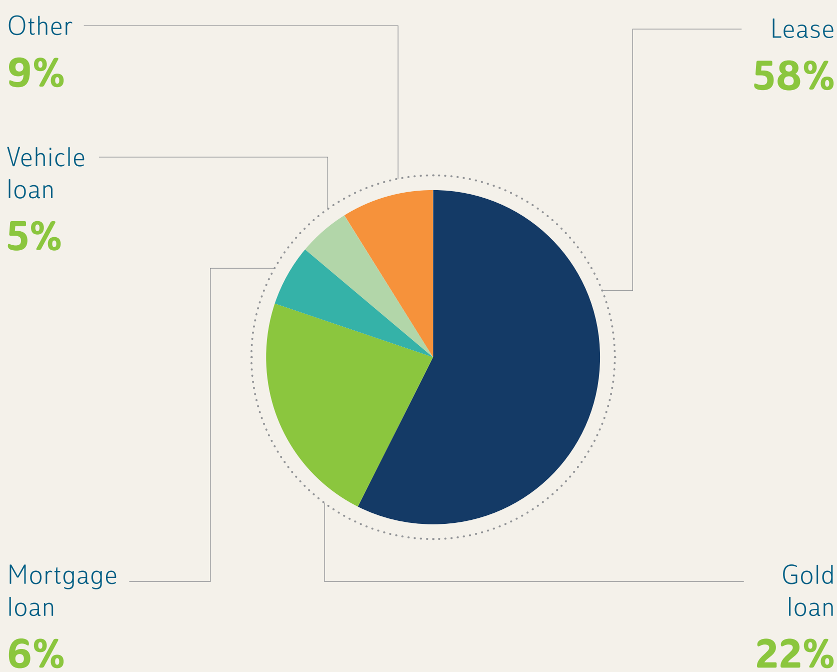
Performance

KPI	2018/19	2017/18	Change yoy (%)
Operating income (LKR Mn.)	**9,788**	7,808	25
Profit after tax (LKR Mn.)	**5,079**	4,245	20
Return on equity (%)	**28**	28	–
Operating margin (%)	**33**	31	2
Net profit margin (%)	**17**	17	–

Overview of the business

With an asset base of LKR 136,471 Mn. as at end-March 2019 and an island-wide network of 127 branches and 36 gold loan centres, LB Finance PLC is one of Sri Lanka's leading non-bank financial institutions. In operation for over 45 years, we offer a wide range of lending and deposit products including leasing, factoring, hire purchasing, microfinance, mortgage loans, housing loans, education loans, gold loans, currency exchange and Western Union Money Transfer services. LB Finance PLC is licensed by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011 and listed on the Main Board of the Colombo Stock Exchange. The Company has an A-(lka) rating from Fitch Ratings Lanka Ltd. with a stable outlook.

Portfolio composition



Branch network

Central Province

1. Gampola – 2
2. Gelioya
3. Kandy – 2
4. Katugastota – 2
5. Nawalapitiya
6. Pilimathalawa
7. Pussellawa
8. Dambulla
9. Matale
10. Hatton
11. Maskeliya
12. Nuwara Eliya

Eastern Province

1. Akkaraipattu
2. Ampara
3. Dehiattakandiya
4. Kalmunai
5. Pothuvil
6. Saindamaruthu
7. Samanturei
8. Batticaloa
9. Chenkalady
10. Kalawanchikudy
11. Kaththankudi
12. Kokkadicholai
13. Valaichchenai
14. Kinniya
15. Trincomalee

Northern Province

1. Achchuveli
2. Chavakachcheri
3. Chunnakam
4. Jaffna – 3
5. Thirunelvely
6. Manipay
7. Nelliady
8. Kilinochchi
9. Mannar
10. Puthukudiyiruppu
11. Vavuniya
12. Mulathive

North Central Province

1. Anuradhapura – 2
2. Kekirawa
3. Medawachchiya
4. Thambuththegama
5. Medirigiriya
6. Polonnaruwa

North Western Province

1. Kuliyapitiya
2. Kurunagala –3
3. Narammala
4. Anamaduwa
5. Chilaw
6. Puttalam
7. Wennappuwa

Sabaragamuwa

1. Kegalle
2. Warakapola
3. Balangoda
4. Eheliyagoda
5. Embilipitiya
6. Ratnapura

Southern Province

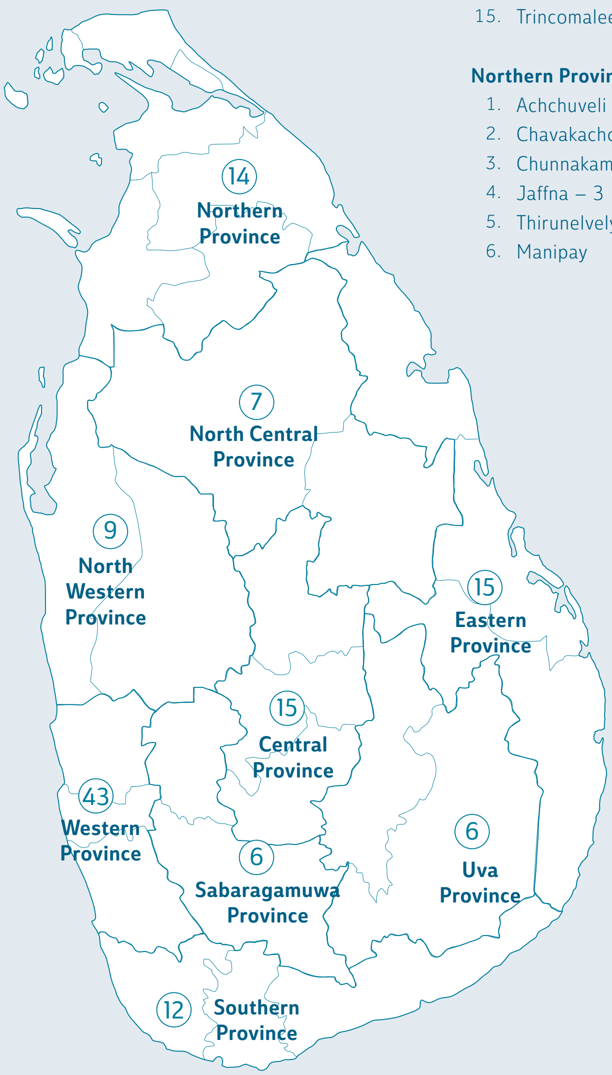
1. Ambalangoda
2. Elpitiya
3. Galle
4. Karapitiya
5. Neluwa
6. Pitigala
7. Tangalle
8. Tissamaharama
9. Akuressa
10. Deniyaya
11. Matara – 2

Uva Province

1. Badulla – 2
2. Bandarawela
3. Mahiyanganaya
4. Welimada
5. Monaragala

Western Province

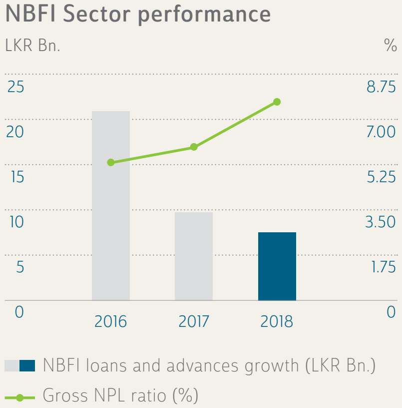
1. Avissawella
2. Battaramulla
3. Boralesgamuwa
4. Colombo
5. Corporate office
6. Dam street
7. Dehiwala
8. Delkanda
9. Homagama
10. Kadawatha
11. Kaduwela
12. Kohuwala
13. Kotahena
14. Kottawa
15. Kotte
16. Maharagama
17. Malabe
18. Maradana
19. Moratumulla
20. Moratuwa
21. Mount Lavinia
22. Negombo
23. Nugegoda
24. Piliyandala
25. Rajagiriya
26. Sea Street
27. Delgoda
28. Divulapitiya
29. Gampaha
30. Ja Ela
31. Kandana
32. Kiribathgoda
33. Kochchikade
34. Wattala
35. Aluthgama
36. Dharga Town
37. Horana
38. Kalutara
39. Matugama
40. Panadura
41. Wadduwa
42. Minuwangoda
43. City Office



Performance highlights

Despite slower credit growth and rising NPL levels in the industry...

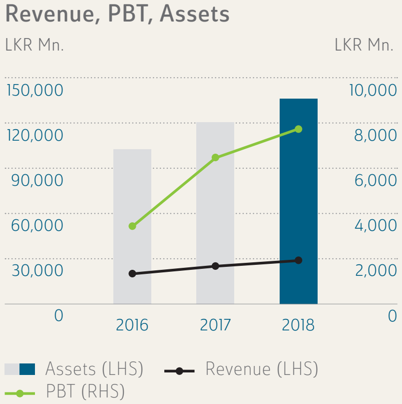
NBFI Sector performance



Source: CBSL Annual Report

...we recorded a profit growth of 20% and asset growth of 13%.

Revenue, PBT, Assets



During the year we also actively sought to solidify our position as the preferred partner for auto financing by nurturing relationships through greater engagement with industry stakeholders such as industry Associations, vehicle dealers etc.

Operating environment

The year proved to be a challenging one for Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) amidst marginal credit growth and weakening portfolio quality. Credit growth slowed down in the sector due to subdued economic growth, natural calamities and macroprudential measures imposed on leasing advances for vehicles. Volatile interest rates and regulatory restrictions to curb vehicle imports (such as loan to value restrictions and cash margin requirements) continued to impact vehicle registrations during the year. Meanwhile NPLs saw a sharp increase during the year due to moderating economic conditions, slowdown in the construction sector and adverse weather conditions in certain parts of the country. The Sector's Gross NPL ratio increased to 7.7% during the year compared to 5.9% in the previous year. The combined effect of slower credit growth and higher NPLs resulted in the sector witnessing a drop in overall profitability during the year.

Strategy and performance

With significant pressures on credit growth and asset quality, the key challenge during the year was to manage NPA levels whilst simultaneously consolidating our position in core product segments. We adopted a two-pronged approach, involving more proactive and robust monitoring combined with targeted lending to increase share of wallet of existing customers in core segments such as vehicle financing and gold loans. Resultantly, the Company's loan portfolio grew by 27.89% during the reviewed period. Gross NPL ratio while increasing to 2.67% during the year, remained below the industry average of 7.7%.

Increasing the share of wallet of our existing customers was a key strategy during the year. We commenced tracking repeat businesses at branches through data analytics to better understand our existing customer base and more effectively address their pain points. The strategic relocation of branches, various upgrades to branches and process improvements such as the newly introduced VIP and fast-track counters were in response to these findings and have contributed significantly to improving the overall customer experience, further strengthening our customer relationships. During the year we also actively sought to solidify our position as the preferred partner for auto financing by nurturing relationships through greater engagement with industry stakeholders such as industry Associations, vehicle dealers etc. As part of these efforts we sponsored the inaugural LB Big Wheels Motor Show 2018, organised by the Vehicle Importers Association of Sri Lanka.

During the year we continued with our strategy of broad basing our deposit base by focusing on driving retail deposits particularly in provincial areas. Whilst enabling us to access low cost funds, this strategy also allows us to drive brand value across a wider cross section of customers. Meanwhile cost rationalisation continued throughout the year with initiatives such as branch optimisation, process improvements etc. As a result of these targeted strategies the Company recorded a PBT growth of 20% despite the challenging market conditions that prevailed during the year.

We continued to upgrade our IT infrastructure during the year, investing a total of LKR 150.52 Mn. in IT software and hardware added during the year. Revamping of our core system continued during the year, with one of our primary products gold loans going live during the year. We are also in the process of implementing Sri Lanka's first cloud based integrated ERP system, Oracle Fusion in order to improve operational efficiencies, provide better management information and strengthen risk management. Meanwhile we began on developing a digital wallet which would serve as a highly functional tool to facilitate cash transactions.

Although we did not expand our branch network during the year, we focused on strategic relocations of selected branches in order to optimise our reach and penetrate new market segments. During the year 13 outlets were relocated and renovated with the aim of enhancing customer experience and attracting new customer segments.

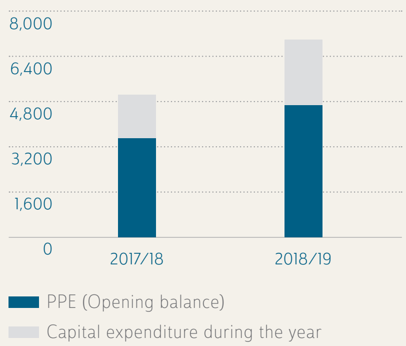
Reflecting industry trends, attracting and retaining employees, particularly at entry levels continues to be a challenge. We actively address this issue through our "Triple E approach" aimed at increasing staff engagement and motivation through education, experiences and exposure. Our training investment during the year amounted to LKR 10.95 Mn. with a total of 38,832 of training hours provided to employees during the year. Meanwhile, events such as soft skills and technical skills development training programmes contributed to greater staff engagement. As an equal opportunity employer we strive to promote gender diversity and inclusivity at all level. 38% of our employees are female and 31% of new recruits during the year were female.

Nurturing our capitals

We continued to upgrade our IT infrastructure...

Capex investment

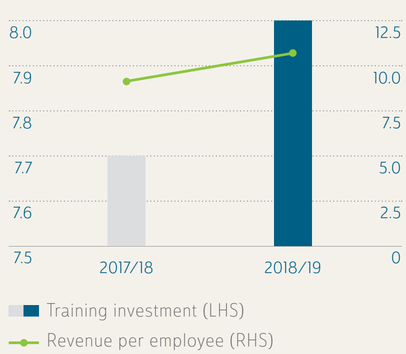
LKR Mn.



...and invest in developing our people through targeted training.

Training investment and productivity

LKR Mn. LKR Mn.



Meanwhile, we continue to engage with our communities through ongoing CSR initiatives such as the 50,000 tree planting programme, "*Thuru*", the pre-school development programme, stock market quiz competition for university students. We were also the sponsors for a number of cultural programmes such as the "Inter University Talent Competition, LB *Suwanda Padma* etc.

Outlook

We expect moderating asset quality and tight credit conditions to continue through much of 2019/20 amidst sluggish economic conditions and rising interest rates. Rising vehicle prices as a result of the increased taxes on vehicle imports in line with 2019 budget proposals is also expected to negatively impact performance of one of our core products, vehicle financing. Meanwhile, the Debt Repayment Levy (DRL) which came into effect from 1 October 2018 is expected to increase the effective tax rate, further impacting sector bottom line. Despite these challenging conditions, we remain committed to positioning ourselves as the preferred partner for auto financing in the country whilst continuing to improve our value proposition to a wider range of customer segments across the country.

Aluminium

Aluminium

Opportunities

- Demand for cost effective building material for construction industry
- Growth in construction of hotels, high rise buildings and mixed development projects
- Growth in export markets
- Demand for value added products

Risks

- Excess production capacity in the market
- Volatility of aluminium prices
- Exchange rate fluctuations
- Dependence on imported raw material

The Group's aluminium sector is represented by Swisstek Aluminium Limited, one of Sri Lanka's leading extrusion manufacturers. In 2018/19, sector performance was impacted by excess production capacity in the market, subdued demand conditions, rising aluminium prices and the depreciation of the rupee. Despite these conditions we maintained our market position by steadfastly focusing on quality and innovation to enhance our product range and customer value proposition.

Relevance to Group

LKR 3,133 Mn.
4.7% of Group revenue

LKR 175 Mn.
2% of CAPEX

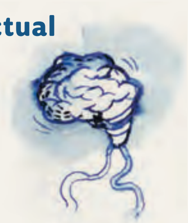
LKR 4,424 Mn.
2% of Group assets

448 Employees
3.09% of Human capital

Aluminium

Strategic priorities

- Product and market diversification
- Cost rationalisation
- Product quality
- Moving away from traditional aluminium profiles
- Pricing strategy

Capitals by relevance to sector	Capital inputs	How we created value	Outputs and outcomes	Contribution to SDGs
Intellectual capital 	"AluSys" design calculation software system Local and international quality certifications (Refer table on page 105) Technically qualified teams for product development	New product development (Pre-finished profiles, a new range of aluminium furniture, solar panel mounts, multi-purpose ladder, doors, windows, a range of aluminium accessories.)	**41%** increase in customers Export sales **LKR 10.7 Mn.**	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Manufactured capital 	State-of-the-art production facility in Dompe	**LKR 107 Mn.** invested in new machinery (Multi-purpose ladder manufacturing line, Power press machine and Bending machine)	Greater production efficiency (Capacity Utilisation **61 %**)	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Financial capital 	Equity: **LKR 1,214 Mn.** Debt: **LKR 2,623 Mn.**	**LKR 19.13 Mn.** cost saving through **3 TPM** projects **12** cost saving initiatives Better inventory and debtor control	Revenue: **LKR 324 Mn.** Loss before tax: **LKR (179) Mn.**	8 DECENT WORK AND ECONOMIC GROWTH
Social and relationship capital 	Island-wide distribution Network	Expansion of distribution channels (**61** new dealers during the year)	Improved availability of products Increase in customer base	10 REDUCED INEQUALITIES
Human capital 	**448** strong employee-base	Employee development Training investment **LKR 3.5 Mn.** **LKR 252.7 Mn.** in payments to employees	Greater employee engagement Improved employee productivity	8 DECENT WORK AND ECONOMIC GROWTH
Natural capital 	Raw material consumption **5,998.8 MT** Electricity consumption **6,618,499 Units** Water consumption **40,410,166 Litres**	Adoption of environmentally friendly production systems	More efficient use of resources **1,303.3 MT (21.7%)** of input material recycled	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Key strengths

Innovative product designs driven by advanced technology such as "AluSys" design calculation software system

Strong brand name and market position

Strong distribution network

Compliance with local and international standards

Performance

KPI	2018/19	2017/18	Change yoy (%)
Operating income (LKR Mn.)	**155**	455	(66)
Profit/(Loss) (LKR Mn.)	**(124)**	254	(148)
Return on equity (%)	**(10)**	36	(46)
Operating margin (%)	**5**	14	(9)
Net profit margin (%)	**(4)**	8	(12)

Product and process certifications

QUALICOAT certification

ISO 9001:2015 certification

SLS1410:2011 certification

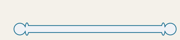
Overview of the business

Since entering the aluminium extrusions industry in 2009, Swisstek Aluminium Limited has within a short span of time established itself as one of Sri Lanka's premier aluminium extrusion manufacturers. The Company manufactures a range of aluminium profiles including prefabricated windows, doors, partitions and accessories etc. With a market share of 27% we are currently the second largest player in the aluminium extrusions market. The Company's state-of-the-art plant in Dompe, recently expanded production capacity to 1000 MT per month and continues to enhance its product range through continuous research and development.

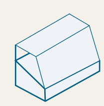
Product portfolio

General applications

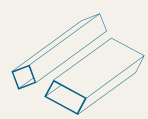
Curtain Rails



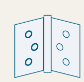
Show Case



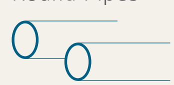
Square and Rectangular Tubes



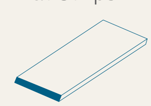
Hinges



Round Pipes

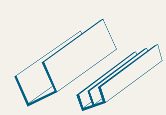


Flat Strips



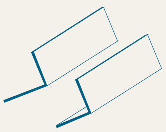
Glazing Beads

Single and Double Channels



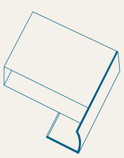
Aluminium

Equal and Unequal Angles

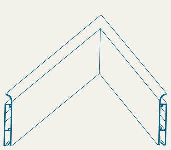


Thick Angles

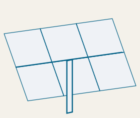
Tile Beadings



Tile skirting

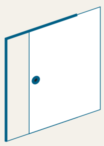


Solar Mount

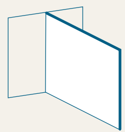


Architectural applications

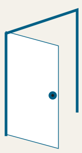
Sliding Doors



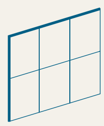
Partitions



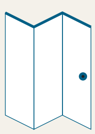
Swing Doors



Curtain Wall

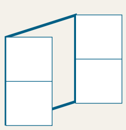


Folding Doors

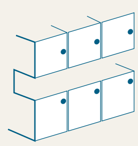


Roller Shutters

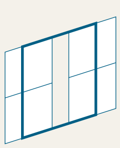
Casement Windows



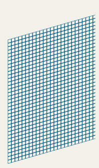
Pantry Cupboard



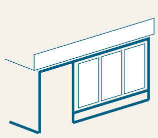
Sliding Windows



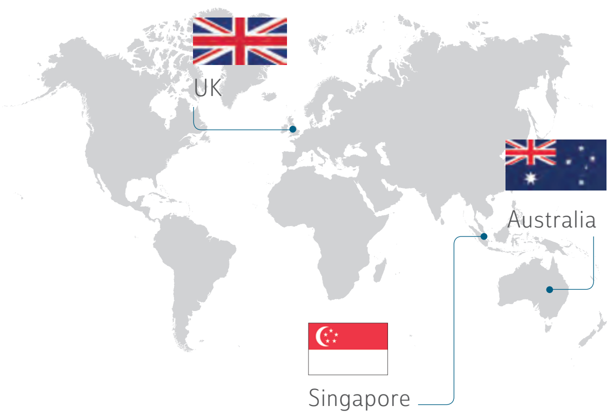
Fly Screen



Shop Fronts



Our export markets

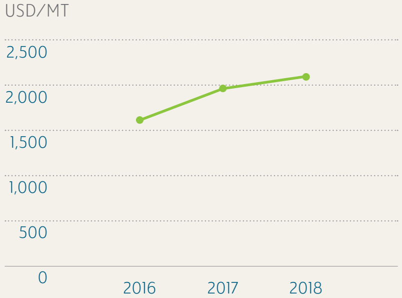


We are the only aluminium exporter to Europe

Performance highlights

The aluminium extrusions industry was impacted by excess production capacity, subdued demand conditions in the domestic market and rising aluminium prices in the global market...

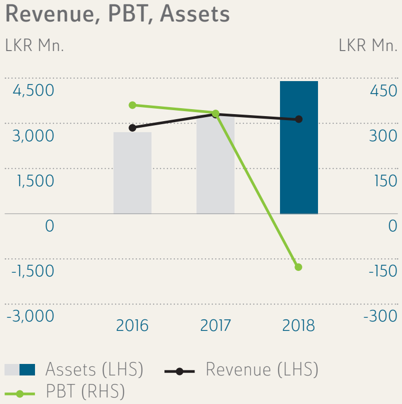
Global aluminium prices (Annual average)



Source: World Bank commodity prices

...resulting in a decline in performance of the sector.

Revenue, PBT, Assets



During the year we also were awarded the QUALICOAT certification for our powder coated aluminium products. Swisstek Aluminium is the first and only aluminium manufacturer in Sri Lanka to receive this international certification enabling it to successfully penetrate the European market.

Operating environment

Excess production capacity in the market due to recent capacity expansions by major players and subdued demand conditions due to a sluggish construction industry resulted in a challenging operating environment for the Aluminium sector. The situation of excess capacity also led to severe price competition. Meanwhile global aluminium prices too continued to increase during the first half of the year, as a result of US sanctions against aluminium giant Rusal and simmering trade tensions between China and the US. Although global aluminium prices stabilised towards the latter part of the year, the depreciation of the rupee continued to have severe impact on the industry margins.

Strategy and performance

Revenue decreased by 6% to LKR 3,133 Mn. amidst subdued demand conditions and severe price competition between players in the market. Meanwhile rising Aluminium prices in the world market, the depreciating rupee and rising finance costs continued to impact margins resulting in the Company's PAT declining by 148% to LKR (124) Mn. for the period.

With the market for standard aluminium profiles becoming increasingly competitive, we are looking at expanding our portfolio with value added products to reduce our dependence on traditional aluminium profiles. Among the new products introduced to the market are a new range of pre-finished profiles, a new range of aluminium furniture, solar panel mounts, a multi-purpose ladder as well as a range of aluminium accessories. During the year we also were awarded the QUALICOAT certification for our powder coated aluminium products. Swisstek Aluminium is the first and only aluminium manufacturer in Sri Lanka to receive this international certification enabling it to successfully penetrate the European market.

Cost rationalisation continued to be a focus with 12 group-wide cost saving initiatives and three new TPM projects implemented during the year aimed at bringing about greater efficiencies. Emphasis was also placed on improving cash flows through better inventory and debtor management.

We continued to aggressively expand our distribution channels to strengthen our market presence. During the year we expanded our distributor, dealer and franchisee network across the country. (Refer table alongside). Meanwhile we are exploring ways in which we can leverage on group synergies to enhance and expand our channel presence in different product segments.

Driving the quality mindset amongst our 448 strong employee base was the focus of our human capital efforts during the year. Our training investment during the year amounting to LKR 3.5 Mn. was significantly higher than previous years due to an increased focus on employee talent development. Training was provided in areas such as performance management, ISO certifications, total productive maintenance and wastewater management with the aim of nurturing a quality conscious culture through our Organisation. We expect the benefits of this training investment to bare fruit in the next few years.

Our high standards of quality extend to our interactions with the environment and community. We strive to reduce the negative impact of our operation on the environment by adhering to all relevant regulations whilst incorporating environmentally sustainable practices into our operation. 1,303 MT of our input material (aluminium billets) are recycled. Meanwhile we continue to support our surrounding communities by investing in roads and other infrastructure facilities.

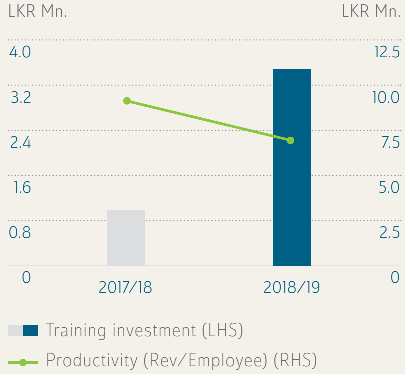
Nurturing our capitals

We continued to strengthen our distribution network by leveraging group synergies...

	2018/19	2017/18
Distributors and dealers	211	150
Franchisees	12	9
Other	87	61
Total	310	220

...while ongoing training ensures our quality mindset cascades down to our employees.

Return on training investment



Meanwhile sustainable business practices strive to minimise the negative impact on our environment.

	2018/19
Material consumption	
Materials (MT)	5999
Electricity consumption (Units)	6,618,499
Water (Litres)	40,410,166
Efficient production	
Energy intensity (MT)	5,099
Recycled materials (MT)	1,303
Waste material (MT)	982

Outlook

We will continue to focus on quality and innovation to consolidate our position in an increasingly competitive market. We see significant potential in the pre-finished profiles segment due to its relative cost effectiveness and ease of installation and will continue to strengthen our presence in this segment while expanding our value added product portfolio. Meanwhile we will continue to pursue penetration in export markets such as Australia and Singapore as we see significant growth opportunities in these markets.

Plantations

Plantations

Opportunities

- Growing demand for alternate crops
- New markets
- Use of locations for tourism and recreation activities
- Opportunities for product development such as value added Teas

Risks

- Rising labour costs
- Increasing competition in world markets
- Climate change
- Migration of skilled labour
- Acquisition of cultivatable land by Government for alternate purposes

Comprising of sixteen estates spread out across 7,534 hectares, Horana Plantations PLC (HOPL) is one of Sri Lanka's premier plantation companies. The sector's performance during the year was impacted by the dismal performance of the tea and rubber industries mainly due to the adverse weather conditions that prevailed during the year. Despite the challenging conditions, HOPL remained committed to its long-term strategy of crop and market diversification whilst continuing with its productivity enhancing initiatives.

Relevance to Group

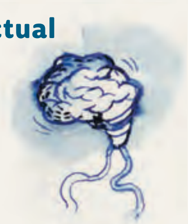
LKR 2,020 Mn.
3% of Group revenue

LKR 116 Mn.
2% of Group CAPEX

LKR 3,800 Mn.
2% of Group assets

5,769 Employees
39% of Human capital

Strategic priorities
- Crop diversification
- Productivity improvements
- Cost management
- Product quality improvement
- Entering into new market segments
- Digitalisation of processes

Capitals by relevance to sector	Capital inputs	How we created value	Outputs and outcomes	Contribution to SDGs
Manufactured capital 	**7,534 hectares** of cultivatable land Nine Tea factories and Four Rubber factories	**LKR 96 Mn.** spent on biological assets for crop diversification	**Increased income from new revenue streams** Oil Palm: **LKR 28 Mn.** Coconut: **LKR 9 Mn.** Cinnamon: **LKR 3 Mn.** Fruits and other crops: **LKR 5 Mn.**	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Financial capital 	Equity: **LKR 1,307 Mn.** Debt: **LKR 1,433 Mn.**	Crop and market diversification Traditional wage labour model was replaced with a revenue sharing model to reduce labour costs which account for almost **70%** of total costs.	**Revenue growth of 86% due to crop diversification**	8 DECENT WORK AND ECONOMIC GROWTH
Human capital 	**5,769** employees	**LKR 26 Mn.** spent on employee welfare/community development programmes **LKR 0.5 Mn.** spent on employee training	**Greater employee engagement** Employee retention rate **83%** Absentism rate: **15%** **78%** of female employees returned to work after parental leave	1 NO POVERTY
Social and relationship capital 	Estate communities consisting of **32,400** individuals	Green Gold housing project carried out with the assistance of Estate Worker Housing Corporative Societies	**158 houses** built for **632 beneficiaries**	11 SUSTAINABLE CITIES AND COMMUNITIES
Intellectual capital 	Locally and internationally accepted quality certifications	**LKR 1.6 Mn**. invested in quality systems (Cost of complying with international quality standards + Cost of audits and renewal of standards)	**Improved quality** High Grown Tea NSA: **LKR 631.86** compared to industry average of **LKR 586.06**	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Natural capital 	Electricity consumption **2,784,326 Units** Water consumption **89,872,674 Litres**	Investment of **LKR 0.836 Mn**. for protection of biodiversity on estates	**Best practices in agro management and resource management**	13 CLIMATE ACTION 15 LIFE ON LAND

Key strengths

- 7,534 hectares of cultivatable land across the Central and Western Provinces
- 5,769 strong employee base
- Globally accepted certifications including being recognised as the first palm grower in the world to obtain the FSC certification
- Top quality tea producer
- Well established systems and management processes

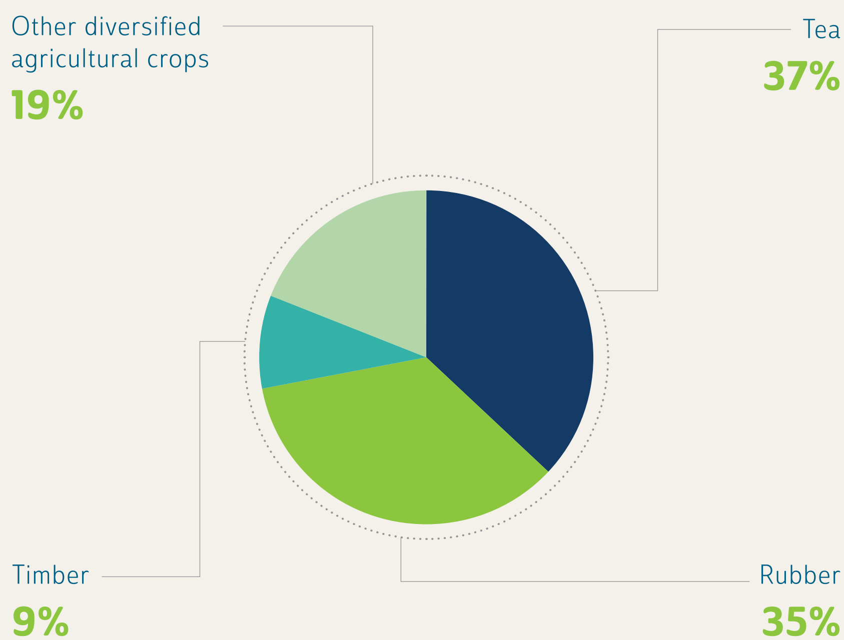
Performance

KPI	2018/19	2017/18	Change yoy (%)
Operating income (LKR Mn.)	135	141	(4)
Profit after tax (LKR Mn.)	2	36	(94)
Return on equity (%)	–	4	(4)
Operating margin (%)	7	6	1

Overview of the business

Comprising sixteen estates spread out across 7,534 hectares, Horana Plantations PLC (HOPL) is one of Sri Lanka's premier plantation companies. 37% of the cultivated area has been dedicated to Tea, 35% to Rubber, 9% to Timber, and 19% to other diversified agricultural crops. The Company has an annual production of 2.6 million kg of Tea and 0.7 million kg of Rubber. HOPL is listed on the Colombo Stock Exchange with a market capitalisation of LKR 208 Mn. as at 31 March 2019.

Crop Mix



Total employees
5,769

Male
2,575

Female
3,194

Number of estates
16

Up country
8

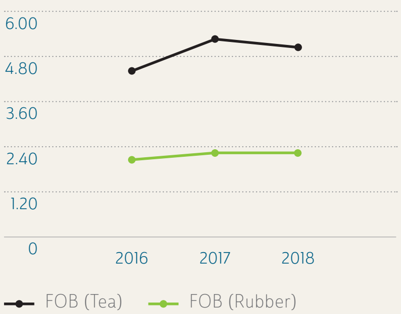
Low country
8

Performance highlights

Subdued performance in the tea and rubber sectors...

Tea and rubber sector performance

USD Kg

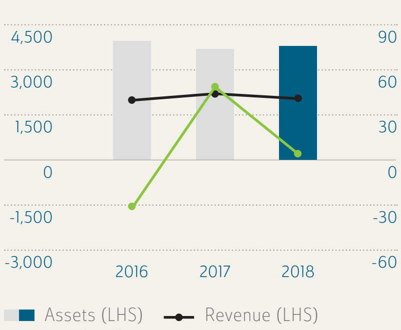


Source: CBSL Annual Report

...resulted in a drop in revenue and profits during the year.

Revenue, PBT, Assets

LKR Mn. LKR Mn.



We invest in staff and estate community welfare as this has a direct impact on productivity, labour relations and employee retention. Community empowerment is a key area of focus of our worker development agenda.

Operating environment

The tea industry faced a challenging year in 2018 affected by adverse weather conditions, labour disruptions due to wage negotiations and prolonged impacts of the Glyphosate ban since 2015. These factors collectively led to a decline in production volumes by 3.2 Mn. kg while Auction prices and export volumes too ended lower in 2018, due to the impact of US sanctions on Iran, and the cascading impact on some of Sri Lanka's main markets for tea in the Middle East. Meanwhile concerns about permitted micro residual levels also impacted demand from Japan, one of Sri Lankan's key markets.

Performance of the rubber industry too remained subdued during the year. Rubber production which has witnessed a declining trend in recent years due to rubber cultivations being gradually replaced with more lucrative agricultural crops, was further impacted by adverse weather conditions that prevailed during the year. Meanwhile rubber FOB prices remained at the same levels as last year.

Strategy and performance

The sector's performance during the year was impacted by the dismal performance of the tea and rubber industries. Revenue declined by 10% during the year reflecting subdued tea and rubber prices as well as the decline in volumes. Meanwhile rising interest rates continued to pressure the bottom line, with finance expenses increasing by almost 43% during the year. Consequently, the Company recorded a profit of LKR 2 Mn. for the year 2018/19.

Having identified the long-term risk of being solely reliant on traditional crops such as tea and rubber, we are firmly committed to a strategy of diversification of crops and markets. We continued to invest in our crop diversification initiative with almost 480 hectares being converted to alternate crops such as oil palm, coconut, cinnamon, intercropping with fruits and other ancillary crops. The Company carried out various field development projects for the estate communities ammounting to LKR 170 Mn.

Another key area of focus is productivity and efficiency improvement. During the year the Company introduced the Prompt Management System which enables our managers to monitor estate operations online and track KPIs on a real time basis. We also digitised the weighing process with the introduction of weigh bridges and electronic weighing scales to two of our factories to improve efficiency of the process. Meanwhile, we are continuously exploring ways in which technology could be integrated into agro-practices. Currently we are in the process of deploying drones for micro nutrient foliar applications and for soil and leaf analysis.

Attracting and retaining labour is a challenge faced by the plantation industry as a whole. We invest in staff and estate community welfare as this has a direct impact on productivity, labour relations and employee retention. Community empowerment is a key area of focus of our worker development agenda. During the year we introduced an innovative labour model, where estate communities can maintain cultivations on estates, which will be operated on a

Nurturing our capitals

We are committed to uplifting our estate communities...

Employee empowerment

Revenue sharing labour model

LKR 18 Mn. loans granted through State Worker Housing Co-operative Societies

LKR 0.5 Mn. spent on training employees including plantation workers

Health and nutrition

Maternal and Children Health project

Certified as a Mother and Child friendly plantation by Save the Children International

Prevention of communicable diseases

Dental and eye care facilities

Improve living standards

350 new houses through Green Gold housing project carried out, **158** houses completed

77 houses for land-slide victims

Infrastructure projects for community water and sanitation projects, concreting roads, re-roofing and community centre

revenue share model. Whilst empowering communities, this model is a viable alternative to the traditional wage labour model which is becoming increasingly cost ineffective. Our Estate Worker Housing Co-operative Society is also a mechanism to empower estate workers by providing financial assistance for a range of requirements in the form of loans through societies established on individual estates.

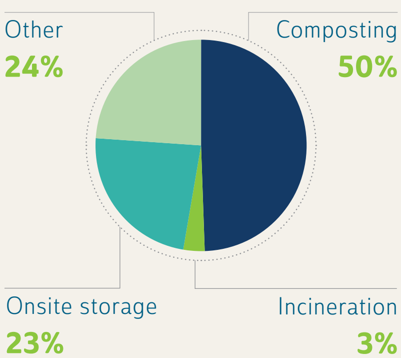
Our health and nutrition initiatives benefit not only our 5,769 employees but also the wider communities surrounding our estates. With a female workforce of almost 55%, maternal and children's health continues to be a priority area. A number of initiatives are carried out throughout the year to address other health concerns such as communicable diseases, eye and dental care. We also contributed in improving the socio-economic status of our estate worker communities. During the year, 158 houses were built for 632 beneficiaries. Meanwhile, a stringent health and safety policy is adopted across our estates. Health and safety training programmes are conducted at regular intervals while the need of abiding with the health and safety practices will be emphasised to all workers at regular meetings such as Muster Meetings.

As an industry heavily dependent on the health of the ecosystem, we are very conscious of our impact on our environment and strive to build sustainable business practices into all our operations. We have obtained a range of international certifications including the Rain Forest Alliance, Ethical Tea Partnership and the Forest Stewardship Council certification, ensuring that international best practices in agro-management are implemented across our operations. We have also taken a conscious effort to reduce our resource consumption and carbon footprint by adopting more environmentally friendly practices. We are increasingly moving towards less harmful energy sources like firewood and briquettes to meet our energy requirements while conducting awareness programmes to educate our communities on sustainable use of water and energy. During the year 103 awareness programmes were carried out to over 953 beneficiaries. An integrated waste management system has been implemented across our estates to segregate and dispose of waste in a systematic manner. Meanwhile water discharge is monitored and released back into the system responsibly through effluent plants and soakage pits.

With Sri Lanka's position in the world tea and rubber markets increasingly being challenged, maintaining the quality and standards of our products whilst increasing productivity and yields have become an imperative to survive in the market. We have obtained several certifications that ensure the quality and standards of our products and continue to improve our operations to obtain certifications for our new crops as well. (Please refer page 105). As a result of this commitment to quality, the Company has been able to command above average prices for high grown tea.

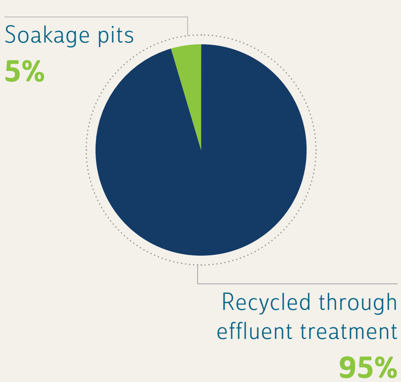
...and protecting our environment through sustainable business practices.

Waste disposal methods



Water discharge by destination

%



Certification	Certified estates
HACCP/ISO 22000:2005	7 Tea estates
Ethical Tea Partnership (ETP) and Fair Trade	8 Tea estates
Rainforest Alliance Certification (RA)	8 Tea estates
Forest Stewardship Council (FSC)	6 Rubber estates
QMS 9001:2008	2 Rubber factories
Fair Trade Certification	2 Tea estates
Internal policy framework of Child Protection Policy and Occupational Health and Safety Policy	All 16 Tea and Rubber Estates

Outlook

Although the Government's decision to lift the ban on the use of Glyphosate and allow a more liberal policy on fertilizer is expected to offer much needed relief to the sector in the short term, issues such as increasing labour costs, low productivity and declining margins continue to plague the industry impacting the long-term viability of the sector. Diversification of crops and markets whilst increasing productivity will thus remain as our key priorities for the upcoming year.

Leisure

Leisure

The leisure sector of the Group includes the award-winning Fortress Resort and Spa in Koggala and Greener Water Hotel Project, Negombo currently under construction. Reflecting the overall improvement in tourist arrivals to the country. The Fortress Resort and Spa recorded an overall improvement in its performance during the year. Our unique brand of hospitality which combines modernity with tradition continues to break barriers in the hospitality industry while firmly placing Sri Lanka on the luxury tourism map.

Opportunities

- Growth in demand for a more differentiated hospitality offering
- Opening of areas that were not accessible during the civil war
- Recent investment on multi-mode transportation network

Risks

- Negative perceptions of Sri Lanka as a tourist destination due to recent terror attacks
- Escalation of construction costs
- Increasing competition from established international hotel chains
- Growing competition from boutique style accommodation
- Shortage of skilled labour in the tourism industry
- Regulation barriers from CEA on coastal conservation

Relevance to Group

LKR 44 Mn.
Associates Results

LKR 3.7 Mn.
0.03% of Group PBT

LKR 5,983 Mn.
3% of Group assets

34 Employees
1% of Human capital

Leisure

Strategic priorities

Focus on new markets such as India and China

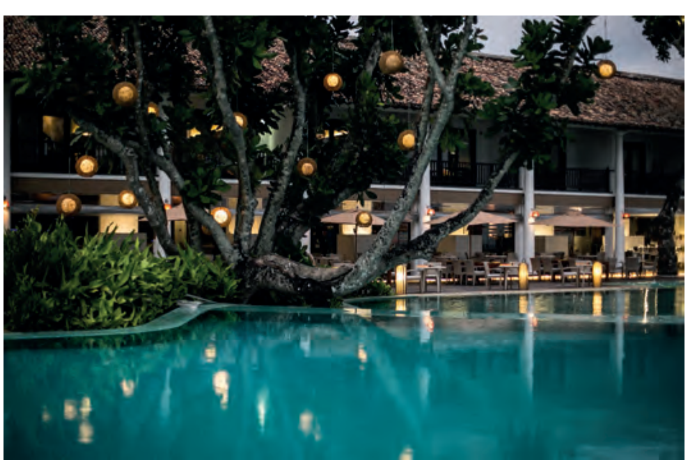
Create Brand Value and customer loyalty

Penetrate local market through promotions

Continue to innovate and benchmark against global competition to position ourselves as a trend setter in the industry

Capitals by relevance to sector	Capital inputs	How we created value	Outputs and outcomes	Contribution to SDGs
Financial capital 	Fortress Resort Equity: **LKR 1,853 Mn.** Fortress Resort Debt: **LKR 19 Mn.**	**LKR 4.6 Mn.** saving from cost management initiatives Marketing spend: **LKR 25.4 Mn.**	Fortress Resort PAT: **LKR 209 Mn.**	8 DECENT WORK AND ECONOMIC GROWTH
Manufactured capital 	Fortress Resort PPE: **LKR 1,343 Mn.**	Capex during the year **LKR 37 Mn.** out of which **LKR 30 Mn.** was spent on the renovation of Beach front rooms at Fortress Resort and Spa.	Occupancy increased from **60%** to **67%** at Fortress Resort and Spa	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Greener Water Hotel Project **LKR 5,932 Mn.**	Currently under construction.		

Note: The Fortress Resort and Spa is accounted for as an Associate, therefore reporting on non-financial indicators is outside the scope of the Annual Report of Vallibel One PLC.



Key strengths

Unique brand of hospitality that combines modernity and luxury with tradition

Professional management teams with extensive industry experience

Recognised as an innovator and a trendsetter in the hospitality sector

Strategic location of properties

Performance
(The Fortress Resort and Spa)

KPI	2018/19	2017/18	Change yoy (%)
Operating income (LKR Mn.)	**206**	313	57
Profit after tax (LKR Mn.)	**209**	140	49
Return on equity (%)	**11**	8	3
Operating margin (%)	**26**	20	6
Net profit margin (%)	**26**	21	5

Overview of the business

The leisure sector of the Group includes the award-winning Fortress Resort and Spa in Koggala and Greener Water Hotel Project, Negombo currently under construction. The Fortress Resort and Spa which is accounted for as an Associate of the Group is a 53-room boutique hotel catering mainly to the high end tourism market.

Greener Water Hotel Project, once completed will be a super luxury integrated resort comprising of star class rooms, a world class water park, 110m swimming pool, three fine dining restaurants and a luxury wellness spa. The resort project has been designed by world renowned architects WATG while the supporting designing teams include well known international names such as T.Y. Lin Associates, Singapore, KK Lim Associates, Singapore Bo Steiber Lighting, Singapore, Jokomo Design, Malaysia, Cloward H2O, USA and EDSA-USA.

Our properties

Fortress Resort and Spa

53 Rooms

3 Restaurants

5 Stars

67% occupancy

Greener Water Hotel Project

Deluxe Suites, Twin Suites, Junior Suites, Presidential Suites and luxury rooms spread out across 63,226 square metres of building area.

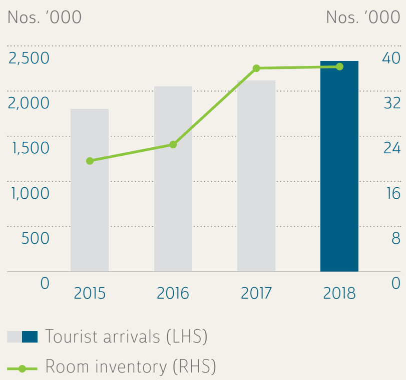
3 Restaurants

Water Park, Pool Bar, Beach club, spa, multi-functional ballroom

Performance highlights

The tourism industry picked up in 2018 with arrivals increasing by 10.3% during the year.

Tourist arrivals and room inventory

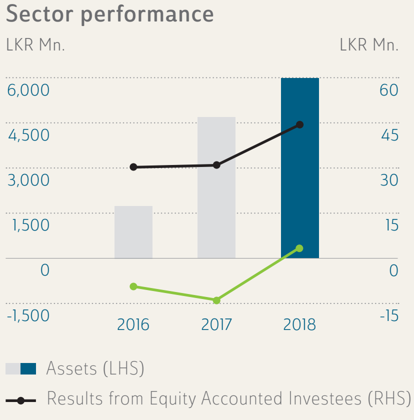


Source: CBSL,SLTDA

Note: 2018 room inventory is as at end June 2018. Room inventory refers to rooms of SLTDA registered accommodation establishments

As a result the share of results to the Group during the year amounted to LKR 44 Mn., up from LKR 30 Mn. the previous year.

Sector performance



Operating environment

Tourist arrivals increased by 10.3% in 2018, a noteworthy improvement from a growth of only 3.2% in 2017. The general upswing in the global economy, targeted tourist promotion campaigns as well as the low base for tourist arrivals in the previous year contributed to the higher growth. India, China, the United Kingdom, and Germany were the top source markets for Sri Lanka in 2018. The industry continued to attract investments in 2018, further increasing room inventory in the country. During the year SLTDA, granted approval for 44 new hotel projects with a total room capacity of 1,302 rooms. In addition, 35 hotel projects commenced operations, adding 1,125 rooms during this period.

Strategy and performance

Reflecting the overall improvement in tourist arrivals to the country, occupancy rates of Fortress Resort and Spa increased to 67% in FY 2018/19 compared to 60% during the previous year. Average Room Rate too increased from LKR 34,341.00 to LKR 36,520.00 resulting in revenue growing by 18% to LKR 793 Mn. during the year. Profits too improved during the year, increasing from LKR 140 Mn. in FY 2017/18 to LKR 209 Mn. in FY 2018/19. The share of results to the Group during the year amounted to LKR 44 Mn., up from LKR 30 Mn. the previous year.

Fortress Resort and Spa continued to upgrade its facilities, investing LKR 30 Mn. to renovate and upgrade its beach front rooms which contributed to almost 25% of the hotel's room revenue during the year. Meanwhile, a more energy efficient booster water pump was installed during the year contributing to the more efficient consumption of water and energy throughout the hotel.

Maintaining the highest standards in all aspects of the operation is a key element of our brand proposition. The Resort has been awarded Green Globe Certification, a Small Luxury Hotels brand ranking, Europa quality certification for Wellness and SPA and Trip Advisor Certificate of Excellence. During the year the Resort obtained SLAS-GMP for food preparation and is also in the process of obtaining ISO 22000 certification next year.

Nurturing our human capital is an ongoing process. During the year, ten resort staff underwent a butler training programme conducted in collaboration with the Australian Butlers Academy. Meanwhile English Skill Development workshops were conducted for all employees as part of an ongoing programme. Several programmes were also conducted on specific topics such as energy saving initiatives, boiler certification among others. Total investment of training and development amounted to LKR 1.5 Mn. during the year.

Engaging with our guests and obtaining feedback is an important element of our continuous improvement process. Customer satisfaction scores are reviewed on a monthly basis and inputs are taken into consideration in improving our value proposition. The Resort also has implemented a system to aggregate reviews across online platforms such as booking.com, Agoda, SLH and the hotels own website. It is noteworthy to mention that the resort has consistently maintained an average customer satisfaction score of 83% throughout the year.

Construction work on Greener Water Hotel Project continued during the year with the building structure fully completed and civil works at its final stage. Also MEP and landscaping are currently in progress.

Outlook

The recent terror attacks in the country is expected to have significant impact on the tourism sector with bookings and occupancy rates expected to be severely impacted in the short run. In light of these unexpected events, the industry together with the relevant authorities will need to come together to restore the industry's image as a safe tourist destination. Despite this setback we are confident about the long-term prospects for the industry and will continue to develop our unique brand of hospitality which combines modernity and luxury with tradition and holistic well-being.

Consumer

Consumer

Opportunities

- Growth in modern trade
- Growth in demand for convenience food
- Increased spending on healthcare by Government
- Export markets

Risks

- Subdued discretionary spending
- Increase in intensity in competitor behaviour

The Group's consumer sector consists of the food and beverage and healthcare clusters of the Delmege Forsyth Group. Despite recording a moderate performance during the year under review amidst subdued demand conditions, we are proactively revitalising our product portfolio and distribution channels to better respond to changing demand dynamics.

Relevance to Group

LKR 3,675 Mn.
5.5% of Group revenue

LKR 6 Mn.
0.001% of Group CAPEX

LKR 2,461 Mn.
1% of Group assets

204 Employees
1.41% of Human capital

Strategic priorities

Rationalisation of existing product portfolio to achieve greater customer focus

Strategic diversification of products and distribution channels

Cost rationalisation

Targeted marketing

Capitals by relevance to sector	Capital inputs	How we created value	Outputs and outcomes	Contribution to SDGs
Social and relationship capital 	Island-wide customer base Multi-channel distribution network Well established local and international principles and suppliers	Rationalisation of product portfolio Increased outlet penetration Supplier development and knowledge sharing	Increase in outlet throughput	9 Industry, Innovation and Infrastructure
Financial capital 	Equity: **LKR (1,926) Mn.** Debt: **LKR 3,330 Mn.**	Cost rationalisation through sales force automation system and better channel management	Revenue: **LKR 3,675 Mn.** Profit before tax: **LKR (323) Mn.**	8 Decent Work and Economic Growth
Intellectual capital 	Established brands such as Motha and Delmege	**52** road shows for industry stakeholders	Retained market share of **80%** for the Motha and Delmege dessert range	
Human capital 	**204** employee base	Total employee payments: **LKR 106 Mn.** Training investment of **LKR 0.7 Mn.** during the year	Retention rate **77%**	4 Quality Education
Natural capital 	Fuel Consumption **LKR 27 Mn.**	Improvements to distribution network aimed at reducing fuel consumption	Transportation expenses **LKR 69 Mn.**	12 Responsible Consumption and Production

Key strengths

Strong product portfolio

Well-developed sales and distribution network

Established principles

Performance

KPI	2018/19	2017/18	Change yoy (%)
Operating income (LKR Mn.)	**141**	229	(38)
Profit after tax (LKR Mn.)	**(323)**	(198)	(63)
Return on capital employed (%)	**13**	21	(8)
Operating margin (%)	**4**	5	(1)
Net profit margin (%)	**(8.7)**	(4.5)	(4.2)

Overview of the business

The Group's consumer sector consists of the food and beverage and healthcare clusters of the Delmege Forsyth Group. The food and beverage cluster includes an extensive range of products under Delmege, Motha, and Berri brands and over its history of almost 167 years nurtured some of the most trusted brands in Sri Lanka's FMCG industry. Our healthcare cluster which markets a range of pharmaceuticals, medical equipment and medical devices is a leading supplier to the healthcare industry in this country.

Product portfolio

Motha

Desserts, Ingredients, Beverages,

Delmege

Soya, *Hiru Kahata*, Breeze, Canned Fish, Canned Vegetables, Noodles and Pasta, Food Colouring, Essence, Basmati

Berri

Berri Juice

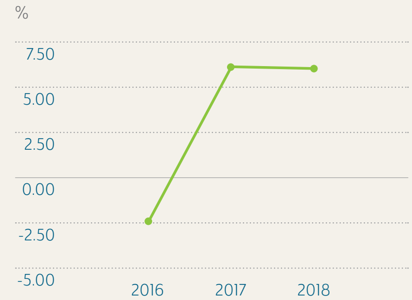
Alcon

Alcon eye care, Medical/laboratory equipment and surgical disposables Pharmaceuticals

Performance highlights

Consumer spending remained sluggish throughout much of the year, although some pickup was witnessed towards the end of the year...

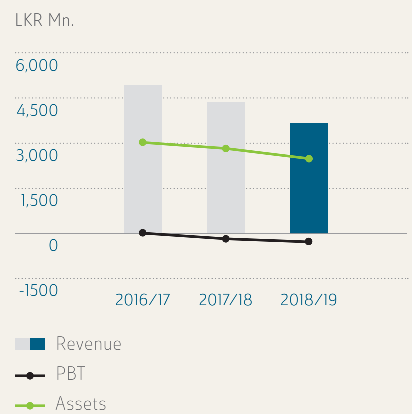
Growth in PCE on food and beverages – at current prices



Source: CBSL Annual Report

...as a result, the sector recorded a decrease in revenue and profits during the year.

Revenue, PBT, Assets



Operating environment

Private Consumption Expenditure (PCE) on food and non-alcoholic beverages at current prices grew by 6.1% in 2018, compared to 6.2% growth in 2017 amidst weaker consumer confidence, higher inflationary pressures, tight liquidity conditions and lower discretionary spending. Over the longer-term however, a growing urban middle class, rising disposable incomes, the growth in modern trade and increasing customer sophistication is expected to drive household consumption expenditure.

Strategy and performance

The consumer sector recorded a revenue of LKR 2,210 Mn. during FY 2018/19, a decline of almost 23% compared to the previous year. Almost 50% of revenue of the food and beverage cluster was generated from the Motha range. The canned fish segment also witnessed a decline in sales due to government regulations pertaining to imported canned fish. As a result, revenue from the food and beverage cluster decreased by almost 17% during the year. Meanwhile, the healthcare cluster too witnessed a decrease due to hospitals rationalising medical equipment budgets. The impact was further compounded by narrowing margins, resulting from the sharp depreciation in rupee which led to an escalation in import costs.

Strategic focus was placed on portfolio rationalisation and consolidation in both clusters to better meet our customers' evolving tastes and preference. We continue to monitor performance of our product portfolio on an ongoing basis to weed out under performing products and introduce more relevant products. During the year we discontinued products such as vegetable oil and DAAD as these were not aligned with our business model and customer value proposition. Meanwhile we are actively pursuing at new products such as juices, flour, etc. to revamp our Delmege product range and reposition our heritage brand as a more health conscious brand.

With margins increasingly being impacted by external factors such as inflation and the rupee depreciation, managing costs continues to be a key strategic focus. We continue to develop our sales force automation system to bring about greater efficiencies in our distribution network. Meanwhile greater channel management and customer and product rationalisation brought about more cost efficiencies.

Maximising product availability and visibility by developing our sales channels was also a focus during the year. Outlet penetration in general trade segment increased from 54% to 70% while higher sales were also recorded in the mordern trade segment. We also continue to work closely with outlets to increase shelf space and product visibility. While modern trade, general trade and HORECA continue to be our main channels of distribution, we continue to explore emerging channels such e-marketing in response to changing dynamics in the FMCG industry. We continue to develop our relationships with local and international principles and suppliers. We work closely with our local suppliers to ensure quality standards are met. We also work closely with our international principles, particularly in the healthcare cluster to develop mutually beneficial relationships through knowledge sharing. During the year we conducted 52 road shows.

During the year we invested LKR 0.7 Mn. in training, providing training opportunities to 124 employees. Training is provided through monthly sales conferences and overseas training programmes aimed at exposing our employees to global best practices.

We continued to build brand value particularly in the healthcare sector by working closely with industry stakeholders, to promote awareness on new developments in technology and research. This close interaction with the healthcare fraternity in the country has enabled us to be recognised as one of the preferred suppliers for medical equipment to both the private and public sectors.

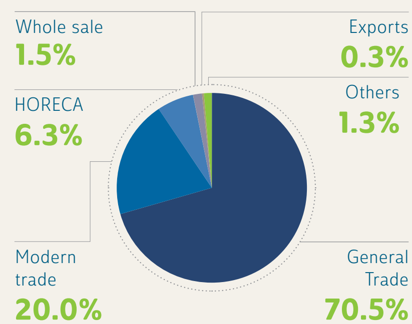
Outlook

Whilst inflationary pressures and lower discretionary spending are expected to impact demand conditions in the near term, we remain optimistic about our long-term prospects considering the significant growth in modern trade, a growing urbanised demographic and the expansion of the middle class. We will continue to revitalise our product range, aggressively relaunching conventional products and moving into new segments such as personal care in order to appeal to emerging consumer groups. Meanwhile, with healthcare spending both by the private sector and public sectors are on the rise, we see significant potential for our healthcare cluster to grow further. We will also continue to harness business synergies across the Group to improve our distribution channels and marketing efforts.

Nurturing our capitals

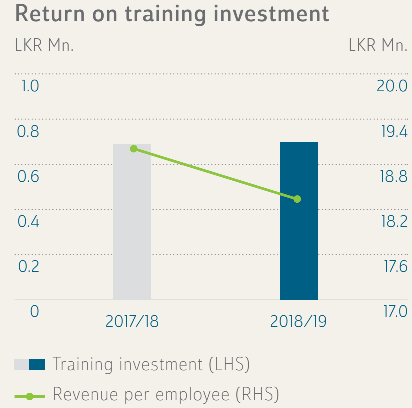
We focused on developing our sales channels during the year...

Revenue by channel



...and developing our sale staff through targeted training programmes.

Return on training investment



Investments and Others

Investments and Others

Opportunities

- Growing FMCG sector in Sri Lanka bodes well for packaging industry
- Opportunities in tableware sector

Risks

- Impact of exchange rate volatility on packaging industry
- Inconsistent Government policy regarding mining activities
- Volatility in paper prices

The investments and other sector comprises of Vallibel One PLC's investments and a wide range of industries including packaging, mining, insurance brokering, travel and transportation sectors. The packaging sector and mining sector were impacted by challenging macroeconomic factors. However, both sectors recorded commendable performance by implementing productivity and efficiency enhancing measures whilst remaining steadfastly committed to product and service quality.

Relevance to Group

LKR 4,328 Mn.	**LKR 65 Mn.**	**LKR 38,524 Mn.**	**732 Employees**
6.5% of Group revenue	**1%** of Group CAPEX	**17%** of Group assets	**5.05%** of Human capital

Investments and Others

Strategic priorities

Cost optimisation

Product and market diversifictaion

Capitals by relevance to sector	Capital inputs	How we created value	Outputs and outcomes	Contribution to SDGs
Manufactured capital 	Two production facilities for corrugated packaging and paper sacks	**7 TPM** projects implemented at Uni-Dil	Increased plant utilisation level by **8%** during the year	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Financial capital 	Equity: **LKR 34,187 Mn.** Debt: **LKR 2,038 Mn.**	Cost rationalisation **LKR 7,564 Mn.** in strategic financial investments	Revenue: **LKR 4,328 Mn.** Profit before tax: **LKR 847 Mn.**	8 DECENT WORK AND ECONOMIC GROWTH
Intellectual capital 	Brand equity of "Uni-Dil" and "Lanka Ceramics" Quality standards in packaging (refer page 105 for details) Mining expertise	Leveraged brand name to penetrate new markets Increased value added product range in packaging sector	Increased presence in local consumable packaging market and export market Relaunched Lanka Ceramics tableware range	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Human capital 	**490** employees (packaging and mining)	Training investment **LKR 3.6 Mn.** Promote gender diversity in traditionally male dominated industries	Retention rate: Packaging: **65%** Mining: **99%** **18%** of employees are female	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Natural capital 	Consumption of non-renewable material in mining sector Feldspar **25,314 MT** Ball clay **11,025 MT** Kaolin **3,360 MT** Paper consumption **24,026 MT**	**LKR 8 Mn.** spent on rehabilitation of mines Implementation of paper recycling initiative at Uni-Dil	Rehabilitated all mined areas during the year Reduced paper wastage at the plant	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Key strengths

Brand equity of "Uni-Dil "and "Lanka Ceramics" brands in the respective industries

Specialised mining experience

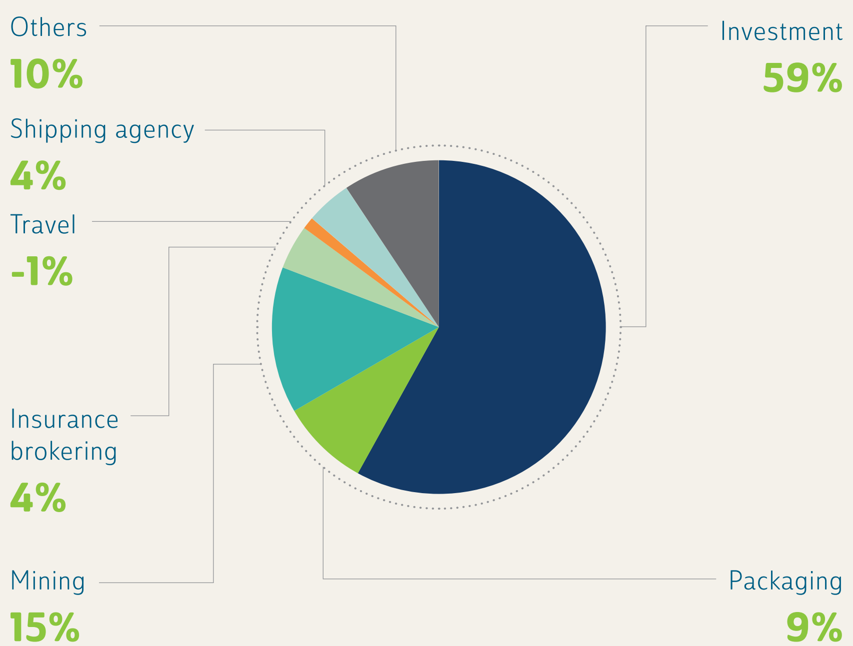
Performance

KPI	2018/19	2017/18	Change yoy (%)
Operating income (LKR Mn.)	**1,049**	1,619	(35)
Profit after tax (LKR Mn.)	**725**	1,361	(46)
Return on equity (%)	**2**	4	(2)
Operating margin (%)	**38**	41	(3)
Net profit margin (%)	**17**	37	(20)

Overview of the business

The investment and other sector collectively accounted for 6.5% of group revenue in FY 2018/19 while dividend income during the year amounted to LKR 571 Mn. In line with the principle of materiality, the subsequent discussion is limited to the packaging and mining sub-sectors, one of the main contributors to sector profits with a share of 9% and 15% respectively.

Our Portfolio



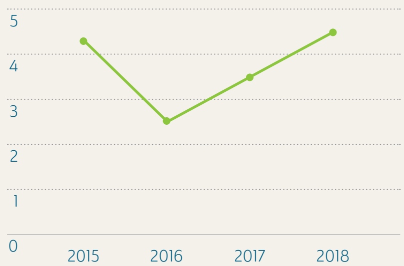
Industry	Packaging	Mining
Companies	Uni-Dil Packaging Limited Uni-Dil Packaging Solutions Limited	Lanka Ceramic PLC
Product portfolio	Range of corrugated cartons and environmentally friendly paper sacks	Mining of Feldspar, ball clay and kaolin

Performance highlights

Despite the escalation of paper prices by almost 60%, depreciation of the Rupee and subdued demand conditions...

World paper prices

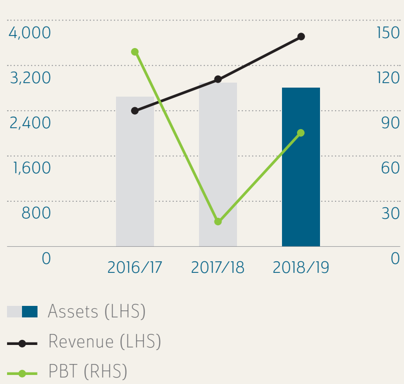
USD/kg



Source: World commodity prices

...the packaging sector recorded a commendable increase in PBT during the period under review due to cost saving and productivity improvement initiatives implemented during the year.

Packaging sector performance



Training and development of our staff continued during the year, with our ongoing focus on quality circle training, TPM implementation, skill development programmes and brainstorming.

Strategy, performance and outlook

Packaging

Rising paper prices in the world market, depreciation of the rupee and subdued demand conditions made 2018/19 a challenging year for the packaging industry. Despite these challenging conditions the packaging cluster recorded an impressive revenue growth of 26% driven by customer acquisitions in new markets while leveraging existing relationships to increase volumes.

Having identified customer concentration in the export segment as one of our key risks, we actively sought to diversify our customer base during the year. Accordingly, we increased our presence in the local consumables market adding several leading FMCG clients to our client portfolio. We also introduced a number of value added products in order to widen our customer base.

With production costs increasing steeply, cost saving through productivity gains was a key focus area during the year. We implemented several cost saving initiatives aimed at increasing productivity and reducing wastage such as the conversion from paper to box for several our product categories which resulted in significant cost savings. Meanwhile we continued to focus on improving service and product quality by ensuring on time delivery and assured quality products in order to grow our market share.

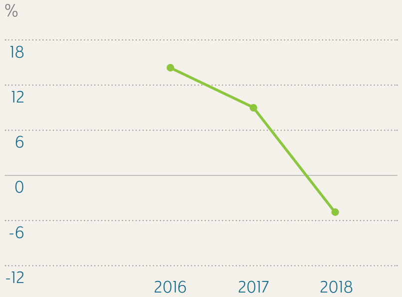
Training and development of our staff continued during the year, with our ongoing focus on quality circle training, TPM implementation, skill development programmes and brainstorming. During the year we invested LKR 3.6 Mn. in training and development, with 70% employees undergoing training.

We expect demand conditions in FY 2019/20 to remain sluggish amidst slower economic growth, particularly given the Sector's reliance on the industrial sector. We will however continue to increase our market share by diversifying our customer base, visualising factory by power BI and exploring new opportunities in new markets. Meanwhile, with world paper prices showing signs of stabilising, we expect margins to improve during the year.

Performance highlights

Mining and quarrying activities contracted by 5.1% in 2018, compared to the growth of 9.1% in 2017 due to the subdued performance observed in construction activities...

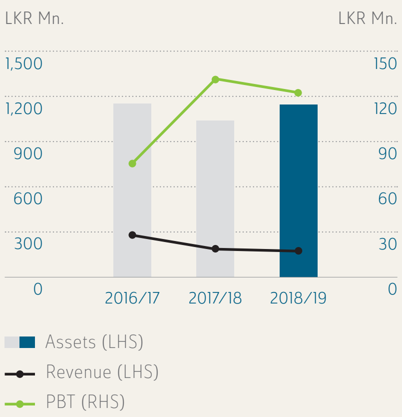
Growth in the mining and quarrying sector



Source: CBSL Annual Report

...as a result. (statement on LCP performance)

Mining sector performance



Mining

Lanka Ceramic PLC (LCP) primarily engages in mining, providing raw material to the ceramic and tile industry. The company's mines are located in Meetiyagoda, Owala, Dediyawela from which kaolin, feldspar and ball clay are mined.

2018/19 was a transformational year for the Company. Further to the restructure carried out during FY 2017/18, the Company embarked on expanding its mining capacity and diversifying its operations. During the year, LCP's feldspar mining capacity was enhanced by around 25% following the expansion of the mining operations. The Company has also identified a potential ball clay mining land in Akurassa which will increase its ball clay mining capacity as well.

During the year the Company diversified into the tableware segment. Leveraging on the strong brand equity of the "Lanka Ceramics", the Company recommenced importing sanitaryware under the brand "Deluxe" after a period of 10 years.

We remain committed to responsible consumption of resources and work in close collaboration with the Geological Survey and Mines Bureau to ensure the quality of our mines. Meanwhile, rehabilitation of mines is an ongoing process, where used mines are back-filled and recultivated. We invested LKR 8 Mn. in mine rehabilitation during the year.

With our diversification strategy well underway, we are optimistic about 2019/20. Meanwhile, we will continue to expand our mining operation in line with projected growth of the ceramic and tiling industry.

Nurturing our Capitals

Financial Capital

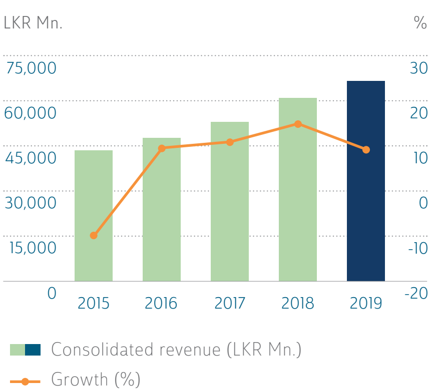
The Group delivered a resilient performance during the year as our strategy of capacity augmentation and value addition enabled a growth in revenue. Despite a challenging operating landscape, the Group maintained its profitability recording a net profit of LKR 6.73 Bn. during the year.

Financial performance

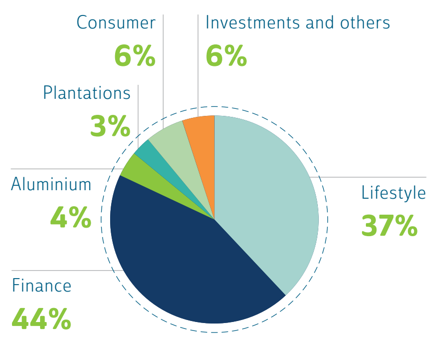
Revenue

Vallibel One achieved a 9% growth in consolidated revenue to LKR 66.69 Bn. during the year, driven by the finance sector (+17%) and lifestyle sector (+9%) which continue to be the largest contributors to revenue with a share of 44% and 37% respectively. Top line growth in the finance sector is reflective of strong portfolio expansion at LB Finance, which maintained its market composition as one Sri Lanka's leading non-bank financial institutions. Despite a challenging operating landscape, the lifestyle sector recorded a growth in revenue supported by a strategy of capacity expansion and value addition. The others sector also recorded a growth in top line, although the consumer and plantations sector saw revenue declining during the year (Refer to sector reviews on page 33 for further information).

Revenue trends



Revenue composition



Gross profit

The Group's gross profit increased by 8% to LKR 28.24 Bn. during the year, a commendable achievement given cost escalations seen across industries. The consolidated GP margin clocked in at at 42%, compared to 43% the year before. The finance sector was the key contributor to GP growth, recording an expansion of 21% led by smart margin management in a rising interest rate scenario.

Operating costs

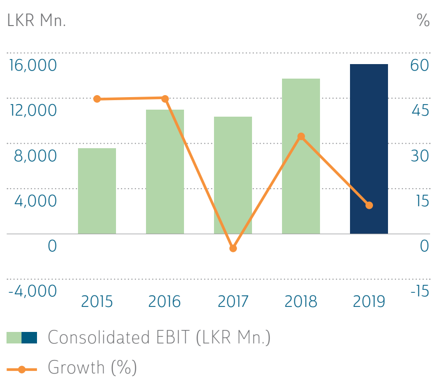
Operating costs increased by 10% to LKR 14.4 Bn., reflecting increases in administrative expenses (+11%), distribution expenses (+7%) and other operating expenses (+32%). The increase in administrative expenses stemmed primarily higher personnel costs while the increase in distribution expenses stemmed from proactive marketing and promotion activities in the lifestyle sector. The escalation in other expenses reflect an increase in the impairment charges on loans and advances due to the moderating economic conditions that prevailed during the year.

Operating profits

The Group's consolidated earnings before interest and tax (EBIT) increased by 9% to LKR 14.98 Bn., a commendable achievement given escalating costs and subdued consumer sentiments. EBIT margin remained relatively unchanged at 22% reflecting ongoing efforts towards driving productivity and efficiency improvements.

Earnings growth was driven by the finance sector which saw operating profit increasing by 25% to LKR 9.79 Bn. during the year. Meanwhile the lifestyle sector saw operating profit declining by 12% compared to the previous year due to a narrowing of GP margins given escalation in raw material costs during the year. The aluminium sector saw its operating profit declining to LKR 155.33 Mn. (from LKR 455.81 Mn.) impacted by the depreciation of the exchange rate which resulted in a sharp increase in the import cost of aluminium billets, and the scenario of industry over supply which rendered it challenging to pass on cost increases. The Group's EBIT has grown at a CAGR of around 18% over the past five years, reflecting the timeliness and relevance of its capacity expansion and value addition strategy.

Consolidated EBIT



Net finance cost

Net finance costs increased by 62% to LKR 2.47 Bn. during the year mainly due to the higher interest rate scenario that prevailed for most part of the year coupled with an increase in total borrowings, particularly in the lifestyle sector which resorted to short-term borrowings to fund investment in working capital (refer to page 36 for further information). Finance costs increased by 36% while finance income declined by 70% during the year.

Profitability

Consolidated pre-tax profit declined marginally by 2% to LKR 10.54 Bn. during the year partly due to a 51% increase in tax on financial services. The finance sector retained its position as the largest contributor to Group profitability, growing its PBT by 20% to LKR 7.77 Bn. during the year and accounting for 74% of consolidated earnings. The lifestyle sector's PBT declined by 26% reflecting margin contraction and an increase in finance costs. The Aluminium Sector generated a pre-tax loss of LKR 124.81 Mn. given a sharp increase in finance costs, as the Company was compelled to increase its short-term borrowings to fund working capital requirements. Meanwhile income tax expenses for the year amounted to LKR 3.79 Bn.

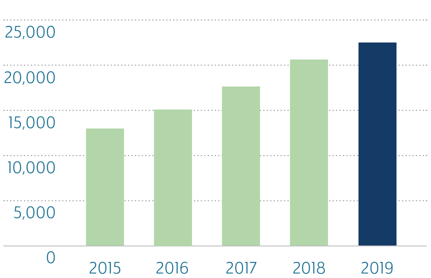
Financial position

Total assets

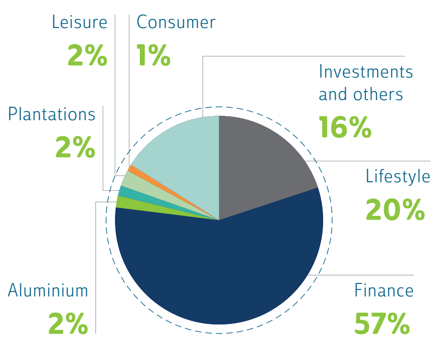
The Group continued to record balance sheet expansion with total assets increasing by 9% to LKR 224.98 Bn. by end-March 2019. Asset growth was upheld by a 11% expansion in the finance sector's credit assets, capital expenditure of LKR 7.73 Bn. from the Group's lifestyle and leisure sectors and increased investments on working capital. Credit assets accounted for 51% of consolidated assets during the year. Property, plant and equipment increased by 16% during the year and accounted for 19% of consolidated assets. The Group's asset composition remained largely unchanged compared to the previous year.

Total assets

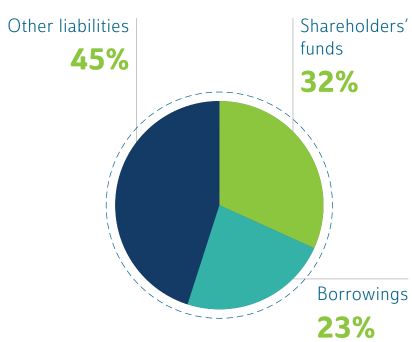
LKR Mn.



Asset composition



Funding composition



Funding

The Group's funding profile is relatively healthy, with shareholders' funds accounting for 31% of total assets during the year. The capital position strengthened, with total equity increasing by 4% to LKR 71.49 Bn. during the year. Consolidated liabilities increased by 12% mainly due to an expansion in LB Finance's customer deposit base which grew by 14% during the year. Other borrowings increased by 8% mainly due to bank loans obtained at the finance sector level. Despite the increase in borrowings, the Group's gearing level (excluding customer deposits) clocked in at 0.42 times relatively unchanged over the previous year; including customer deposits the gearing level recorded a marginal increase to 0.66 times compared to 0.65 the year before.

Cash flow

The Group's cashflow position moderated during the year reflecting increased working capital requirements and capital expenditure. Net operating cashflow declined by 35% to LKR 3.8 Bn. during the year while net cash from investing activities recorded an outflow of LKR 7.45 Bn. reflecting capital expenditure in both the Lifestyle and Leisure sectors. Net cash outflow from financing activities amounted to LKR 340.04 Mn. mainly in view of dividends paid to non-controlling interests. Overall the Group recorded a net decrease of LKR 3.99 Bn. in cash and cash equivalents.

Shareholder value creation

Shareholder returns as measured through net asset value per share increased during the year reflecting the Group's strategic growth agenda. EPS recorded a marginal decline, mirroring the drop in profitability during the year. The market price share per share also declined to LKR 14.30 from (LKR 22.30 the year before) mainly due to the broad market decline. The Group sought to retain funds for its future expansions plans and therefore opted not to pay out dividends for the year under review.

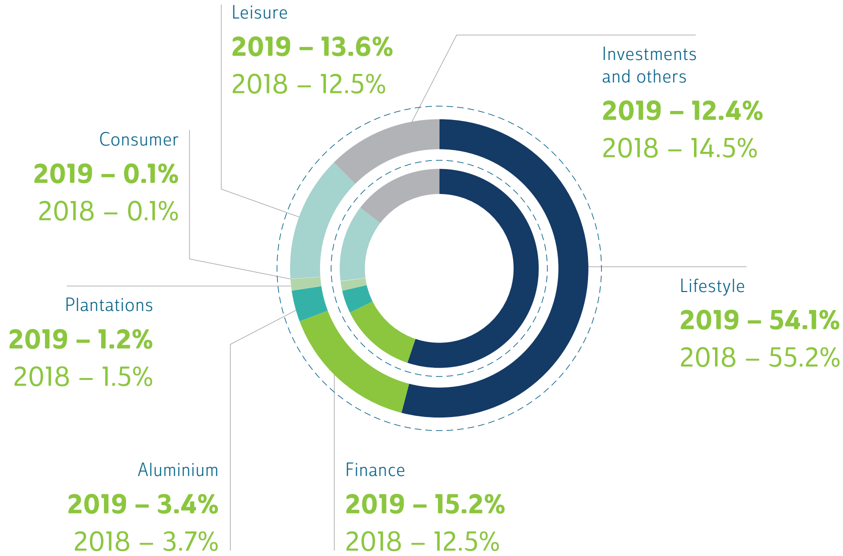
	2019	2018
Earnings per share (LKR)	3.72	3.32
Net asset value per share (LKR)	44.50	44.08
P/E ratio (Number of times)	3.84	5.18
Dividend per share (LKR)	–	0.50
Market price per share (LKR)	14.30	22.30
Price to book value (%)	32	39

Manufactured Capital

Optimising our infrastructure

Our infrastructure consisting of our state-of-the-art manufacturing facilities, extensive showroom and branch network, as well as our warehousing facilities is a vital element of our value creation process. Having invested significantly in expanding our production capacity during the last few years, this year we focused on leveraging on this physical infrastructure to optimise productivity and efficiency gains in our operations through technology upgrades and strengthening our distribution channel to maximise our reach.

Property, plant and equipment by sector
(N.B.V. as at 31 March 2019 and 31 March 2018)



How we created value in 2018/19

Digital infrastructure	Physical infrastructure
• Continued focus on upgrading systems • Increased spending on developing digital channels	• Expansion of production capacity and distribution network • Increase in the number of customer contact points

The value we created in 2018/19

Strengthening our supply chain

We continued to strengthen our supply chain by strategically increasing production capacity in growth areas and upgrading our delivery channels.

Increased production capacity

Increased warehouse capacity
Upgraded Rocell and Lanka Tiles show rooms
Upgraded 13 LB Finance branches

Our Manufactured Capital

As a Group with significant manufacturing interests, nearly 21% of our total assets are in the form of physical infrastructure and related facilities. Our manufacturing facilities are equipped with the latest machinery and technology enabling us to consistently meet our manufacturing goals of superior quality, production efficiency, energy and resource efficiency. Our manufactured capital also includes our extensive network of customer contact points including showrooms and branches and our network of warehouses. Net book value of Group property, plant and equipment as at 31 March 2019 amounted to LKR 43,427 Mn.

Royal Ceramics Lanka PLC
(Eheliyagoda)
Production capacity (p.a.): 2.2 Mn. Sq Meters

Royal Porcelain (Pvt) Ltd.
(Horana)
Production capacity (p.a.): 3.5 Mn. Sq Meters

Lanka Tiles PLC
(Ranala)
Production capacity (p.a.): 4.0 Mn. Sq Meters

Horana Plantations PLC
16 estates in the Western and Central and Provinces
Production capacity:
Tea: 2.6 Mn. kg
Rubber: 0.7 Mn. kg

55 Rocell Showrooms and 48 Lanka Tile Showrooms islandwide

Lanka Walltiles PLC
(Meepe)
Production capacity (p.a.): 2.5 Mn. Sq Meters

Rocell Bathware Ltd.
(Homagama)
Production capacity (p.a.): 326,000 units of sanitaryware

LB Finance PLC
127 branches and pawing centers
13 gold loan centers

Uni-Dil Packaging Limited
(Dekatana)
Production capacity 2,500 MT

Swisstek Ceylon (PLC)
(Balummahara)
Production capacity:
Motar: 35,000 MT
Grout: 1,440 MT

CAPEX during financial year 2018/19 (by sector)

LKR 3,755 Mn.
to increase capacity, for productivity improvement and to upgrade showrooms

LKR 2,320 Mn.
to upgrade branches and improve technology platforms

LKR 175 Mn.
invested in new machinery for new product lines

LKR 116 Mn.
invested in mechanising several key production processes

LKR 1,270 Mn.
spent on upgrading beach front rooms

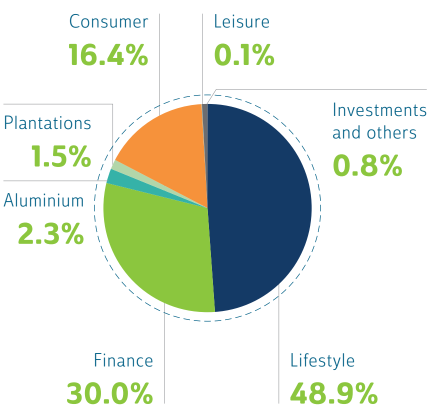
LKR 6 Mn.
spent on expanding warehouse capacity and improving distribution channel

LKR 63 Mn.
spent on warehousing facilities and new machinery

Value addition

We continued to strengthen our manufacturing capital through capital expenditure investments in technology upgrades and strategic capacity enhancements. Total Capital expenditure for the Group amounted to LKR 7,705 Mn.

CAPEX Breakdown



Upgrading out digital infrastructure

We invest in technology aimed at improving product and service quality, productivity and efficiency. With digital platforms becoming increasingly important in reaching new customer segments, we focused on developing online channels such as the "Lankatiles" mobile app, a Digital Financial Services Unit by LB Finance and online marketing by the consumer segment. Meanwhile we continued to invest in technology and system upgrades to further enhance service quality and productivity across sectors.

Upgrading our physical infrastructure

During the year we continue to invest in our physical infrastructure, strategically increasing our production capacity while upgrading and enhancing our distribution infrastructure. Expansion of our tiling sector capacity which commenced during the last financial year, continued through FY 2018/19 with Lanka Tiles PLC investing to increase its production capacity at its Ranala factory. TPM initiatives were carried out across the tiling sector to increase productivity and efficiency in production processes. The total investment to date in the Green Water Hotel project amounting to LKR 3.9 Mn. will significantly increase our asset base in the leisure sector. Meanwhile we continued to invest in upgrading our distribution channels including our showrooms and LB Finance branches in order to widen our reach and create greater brand value.

Investing in a green technology

We continue to explore ways in which we can drive green technology and more sustainable manufacturing production practices across the industries we operate in. From installing dust suction plants in our tiling factories to the heat exchangers under installation in the Eheliyagoda and Horana factories, to the technology introduced to increase the percentage of recycled material we use in our production, we are committed to investing in energy efficient, sustainable technology. During the year Royal Porcelain (Pvt) Ltd. installed a fresh air ventilation system to reduced ambient temperature.

Way forward

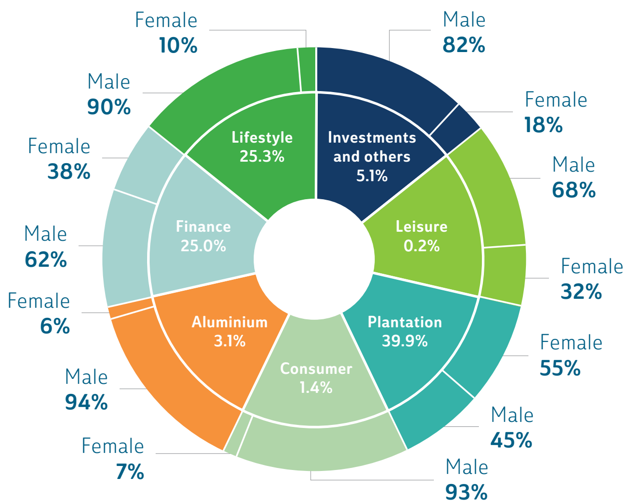
In 2019/20 we will continue to roll-out TPM initiatives aimed at upgrading our infrastructure and driving efficiencies across our operations. Meanwhile we will continue to invest in digital infrastructure particularly relating to online channels of marketing and distribution.

Sector	Initiatives to develop physical infrastructure	Initiatives to develop digital infrastructure
Lifestyle	• TPM initiatives aimed at increasing process efficiencies	• Introduction of a new mobile app "Lankatiles"
Finance	• Upgraded 13 LB Finance branches	• Implementation of Oracle Fusion • System upgrades • Establishment of a Digital Financial Services Unit
Aluminium	• Multi-purpose ladder manufacturing line, • New power press machine and bending machine	• Improvements to e-presence by upgrading website
Plantations	• Upgrading worker facilities	• Digitisation of weighing process
Consumer	• Increased warehouse capacity	• Increased focus on e-marketing
Investments and others (Mining)	• New machinery including weigh bridge, ball mill for pebbles, new machinery for skim coat manufacturing, automated sludge disposal system and dust suction system.	

Human Capital

Nurturing our people

Our team consists of 14,473 employees, spread across seven industry sectors and nine provinces. The strength of our people lies in the diversity of skills, experience and knowledge they bring to our business. Harnessing this diversity to foster a creative, innovative, empowered and satisfied workforce that is in sync with our organisational goals enables us to create value for our Organisation and its people simultaneously.



How we created value in 2018/19

Attracting the right talent	• Recruited 3,690 new employees
Targeted training	• Invested LKR 32.5 Mn. in training to provide 75,125 hours of training across the Group
Career progression	• 76% of employees received formal performance appraisals and training needs assessments • 963 were promoted during the year
Remuneration, rewards and recognition	• Total remuneration of LKR 9,000 Mn.
Creating a conducive work environment	• Employee satisfaction surveys were carried out in three of our companies • Zero industrial disputes recorded during the year • 73% average retention rate across the Group

The value we created in 2018/19

Productivity

The overarching goal of our HR strategy is to improve employee productivity by empowering and motivating our employees to reach their full potential. Revenue per employee increased during the year, a reflection of the effectiveness of our policies and strategies.

Retention

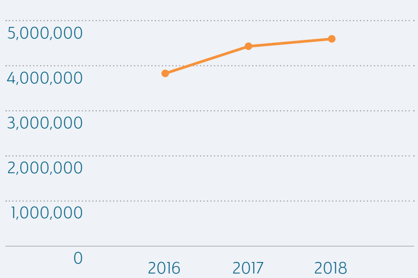
Retention rates have been maintained above 55% across most of our sectors, an indication of the success of our employee value proposition. Reflecting industry trends, retention in the consumer and finance sectors, continues to be a challenge. We are however proactively addressing this challenge through industry specific initiatives focusing on greater employee engagement.

Training

A total of 11,634 employees were trained during the year across the Group. We take a holistic view of training, focusing not only technical and operational aspects but also personal development and leadership training through a range of training modalities including class room training, on-the-job training, overseas training and cross sectorial exposure among others.

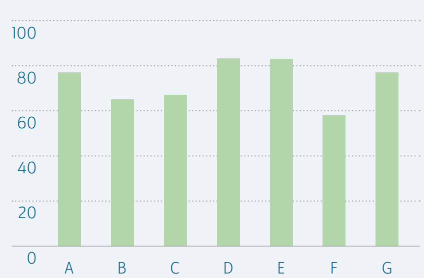
Revenue per employee

LKR Mn.



Retention levels

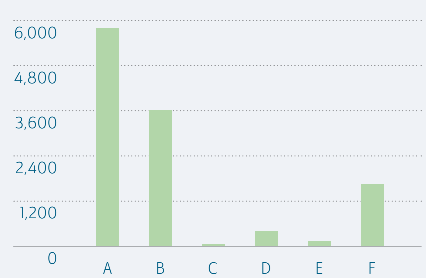
%



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

Number of employees trained

Nos.



A – Lifestyle
B – Finance
C – Aluminium
D – Plantations
E – Consumer
F – Investments and other

Our approach to human capital management

Our employees belong to a diverse range of sectors with industry specific employee profiles and requirements. Each company within the Group has its own HR department and HR policy framework. The HR department of each company is headed by a HR manager who reports to respective Managing Directors. Divisional managers collaborate with the HR managers through monthly meetings to discuss key employee related matters. These are escalated to the Managing Director at periodic meetings. Use of child labour and forced labour is prohibited and stringent policies are in place to ensure compliance.

Driving a Total Productive Maintenance (TPM) culture amongst our employees is a critical success factor of our Group wide cost saving initiative. During the year we focused on developing this culture through targeted training programmes and employee engagement initiatives revolving around TPM.

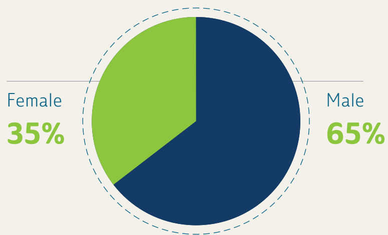
TPM Objectives	KPI
People development	Over 3,529 hours of TPM training provided to employees across the companies
Employee engagement	Further to training and launching the Kaizen suggestion system a total of 46 Kaizen suggelstions were generated.
Problem solving and continuous improvement culture	

Our team profile

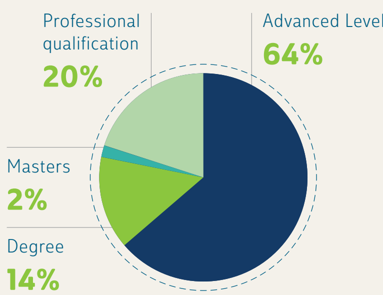
Diverse employee pool brings in a range of skills, experiences and knowledge...

GRI 102-8

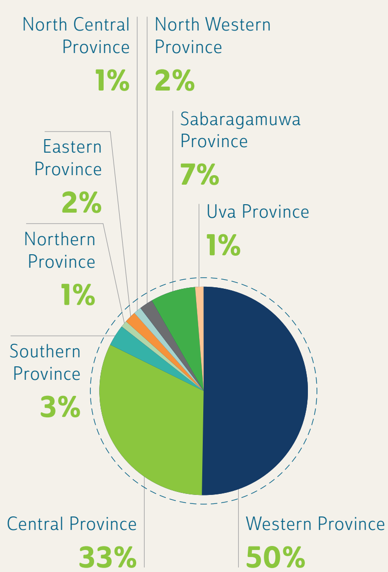
Team by gender



Team by level of education

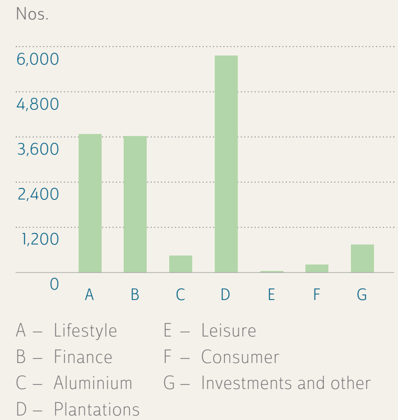


Team by region

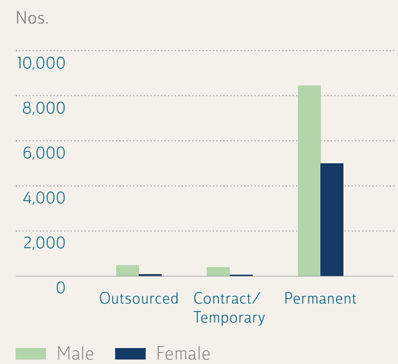


...enabling them to fulfil a multitude of roles across our industries.

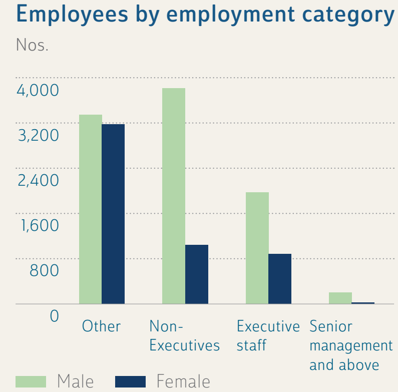
Employees by sector



Employee by type of employment

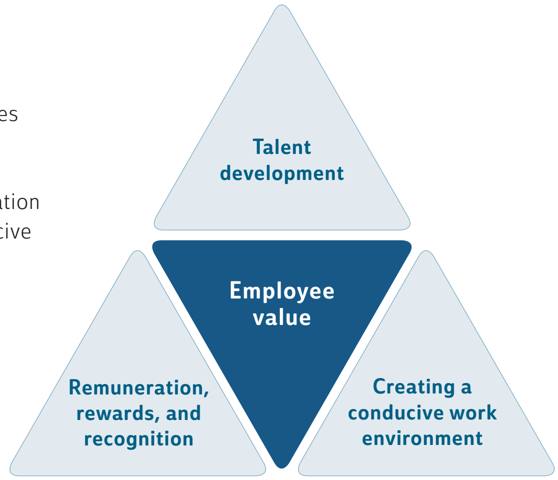


Employees by employment category



Employee value proposition

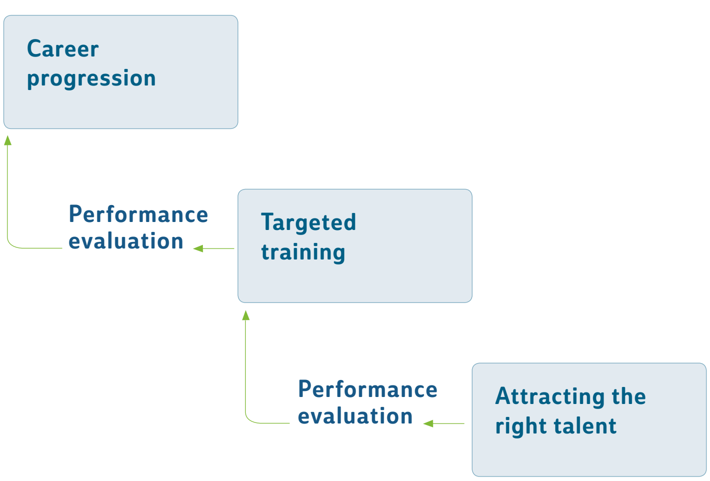
Our employee value proposition revolves around offering our employees talent development opportunities, providing unbiased performance-based remuneration and rewards and engendering a conducive work environment.



Talent development

Talent development is a key aspect of our employee value proposition as it nurtures engaged, professionally and personally fulfilled employees while ensuring effective succession planning. Developing our talent is a multistep process that involves attracting the right talent, providing targeted training and ensuring career progression for all our employees.

We offer ongoing opportunities for developing technical and soft skills through on the job training, structured programmes and overseas exposure. During the year the Group invested LKR 32.5 Mn. in training and investment which translated to a total training hours of 75,125, an increase of 71.6% over the previous year.



Attracting the right talent

3,690

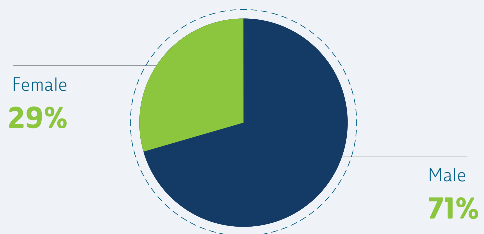
New recruits

The finance, plantation, and lifestyle sectors accounted for the highest number of new recruits, accounting for 38%, 25%, and 24% of new recruits during the year.

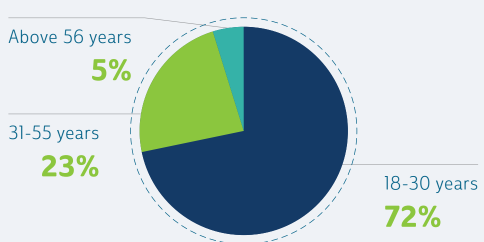
GRI 401-1

We are an equal opportunity employer and do not discriminate based on gender, race, or religion. Our recruitment policies are aimed at ensuring that people are recruited for positions that best suit their skills and capabilities.

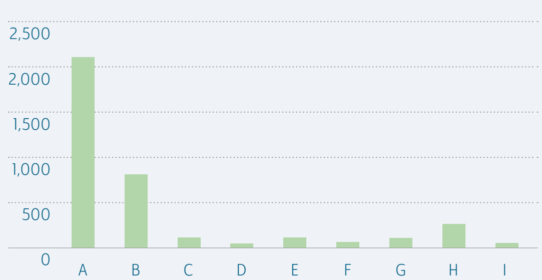
New recruits by gender



New recruits by age



New recruits by region



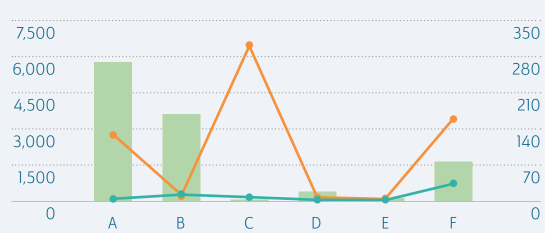
Targeted training

LKR 32.5 Mn.	**75,125**	**11,634**
Total training investment	Total number of training hours	Total number of employees trained

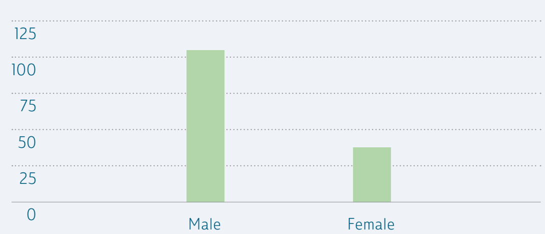
Training is provided for employees across all levels. Training requirements are aligned to our strategic direction and are identified through a continuous process of performance management and employee engagement. During the year, training was provided in key areas such as quality management, productivity enhancement, leadership skills and personal development.

Refer page 98 for list of key training initiatives during the year.

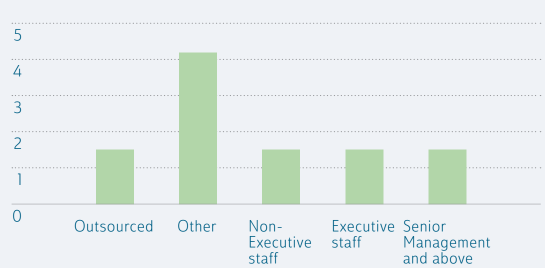
Sector-wise training



Average training hours by gender



Average training hours by employment category



Key training initiatives during the year GRI 404-2

	Lifestyle	Finance	Aluminium	Consumer	Plantations	Investments and others
Quality management	• ISO training (RCL, RPL, RBL) • Customer satisfaction enhancement programme (LT) • SLSI training (RCL) • Kaizen training (RCL, RPL) • Awareness of QM Matrix and Q component (RPL) • Logistic management (SCPLC)	• Compliance procedure training • Internal audit forum • AML training • Call centre training and evaluations • Identifying and preventing key risk indicators • Tax obligations	• ISO training • Training in quality management	–	• Kaizan training	• ISO training (Uni-Dil) • Maintenance excellence (Uni-Dil) • Customer satisfaction (Uni-Dil) enhancement
Productivity	• TPM training (LT, LWT, RCL, RPL, RBL) • 5S (LT, LWT, RCL, RPL, RBL) • Logistic management (LT) • Ergonomics training programme (LT, LWT) • PM-Pillar training (RCL) • WWBLA training (RCL, RPL, RBL) • OEE and problem solving (RPL)	• Masterful negotiations – skill training • Prospecting and base building process training workshops • Credit back office process training • Daily collection training programme • Technology training	• TPM • Waste management • Training in practicing performance management	–	• Seminar on productivity concepts and techniques • Skill development training programme for tea factory officers	• TPM training (Uni-Dil) • 5S training (Uni-Dil)
Technical	• Ceramic technology (LT, LWT) • Forklift operation (RPL)	• Orientation and On-boarding • Product training • Vehicle valuation procedure and training • Micro Finance officer training • Credit evaluations to refresh the credit knowledge	• Certificate programme in aluminium fabrication	• Programme on supply chain and profitability. • Warehouse training	• Field Staff Training Programme – NVQ Level 04 • Coconut cultivation certificate course • Training programme of IT controls and policies • Workshops on strengthening capacity for climate change adoption • Soil conversation and management • Training for export agri business (organised by Export Agriculture Department) • Forest Stewardship Council (FSC) training	• Chemical handling training (Uni-Dil) • Special marketing training (Uni-Dil) • Key account management (Uni-Dil) • Training on preventing maintenance issues (LCPLC) • Training on imports documentation (LCPLC)

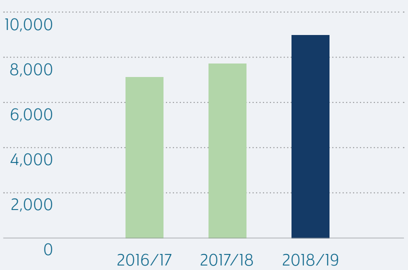
	Lifestyle	Finance	Aluminium	Consumer	Plantations	Investments and others
Health and safety	• Occupational health and safety awareness (LT, RCL, RPL) • Fire training (LT, LWT, RPL, SCPLC) • Industrial safety for higher productivity (RPL) • First aid training (RPL)	• Basic fire prevention training for wardens • Fire risk training • Psychological training • Stress management workshop • Yoga sessions • Mental health training for managers	–	–	• Fire training • First Aid Training	• Fire training (Uni-Dil) • Health and Safety (Uni-Dil) • Office Ergonomics (Uni-Dil)
Personal development	• Spiritual management (LT, LWT) • Health development programme (LT) • Communication development (RCL, RPL) • Motivation series (RPL)	• Personal branding programmes • Toastmasters • Confidence building programmes	• Human resource management programme • Certificate programme in Labour Law and Industrial Relations	–	• Language Proficiency examination 2018	• Personal Hygiene(Uni-Dil) • Motivational and Attitude Change Program (Uni-Dil) • Time Management (Uni-Dil)
Leadership skills	• Supervisory development programme (LT, LWT, RPL, RBL, SCPLC) • Leadership training programme (LT, LWT) • Outbound training (LWT) • Transforming managers to become leaders (SCPLC) • CLI training (RPL) • Train the training (RPL) • Executive development (SCPLC)	• Management training programme • Supervisory skills and leadership development programme • Leadership and capacity building • Competency assessment and development programmes for management	–	–	• Training programmes on leadership, teamwork, gender equality and gender based violence for team leaders	• Supervisory development programme (Uni-Dil) • Motivational programme for supervisors (Uni-Dil) • Transforming managers to become leaders (Uni-Dil)

Remuneration, rewards, and recognition

Given the diversity of the Group's operations, the reward and remuneration structures broadly reflect industry specific practices. Remuneration consists of a fixed pay component and a performance-based variable pay component. Fulltime employees are also entitled to a range of benefits including out patient treatment schemes, medical insurance, gratuity, parental leave, etc. Remuneration policies comply with labour regulations and all companies within the Group contribute to defined benefit schemes such as Employee's Provident Fund (EPF) and Employees' Trust Fund (ETF).

Total payments to employees

LKR Mn.

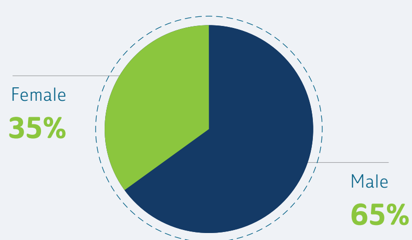


Employee benefit	2018/19 LKR Mn.	2017/18 LKR Mn.
Salaries and related expenses	**7,995**	6,828
Employers contribution to EPF and ETF	**729**	642
Gratuity	**276**	265

"The Group does not practice any form of gender based discrimination when determining remuneration or promotions".

GRI 405, 406

Promotions by gender



Performance management

GRI 404-3

Rewards and promotions are linked to performance appraisals which are carried out on an annual or biannual basis. Approximately 76% of our employees undergo performance appraisals on industry specific key competencies and evaluated under perdefined Likert scales by respective sectional heads. Several of our companies also implement a self-assessment as part of its performance evaluation process. Areas for improvement are identified through this process of performance management, and individual training needs are drawn up and discussed with respective employees.

Career progression

Career progression opportunities are made available to all employees through cross functional and cross sectorial exposure, leadership positions and opportunities for skill development. Career progression is strictly merit based with performance evaluations forming the basis of promotions and rewards. During the year a total of 963 promotions were given across the Group with 35% of promotions being to women.

Lifestyle

- Medical insurance
- Part reimbursement of higher level qualifications
- Facilities to buy consumer items at special rates
- Staff loan facilities

Finance

- Life insurance
- Disability and invalidity coverage
- Stock ownership

Aluminium

- Workmen compensation for all employees
- Hospitalisation covers
- Professional education fee reimbursement
- Fuel reimbursement

Plantations

- Subsidised meals to employees
- Estate housing with sanitation, water, and electrification facilities
- Daycare centers for children of estate workers

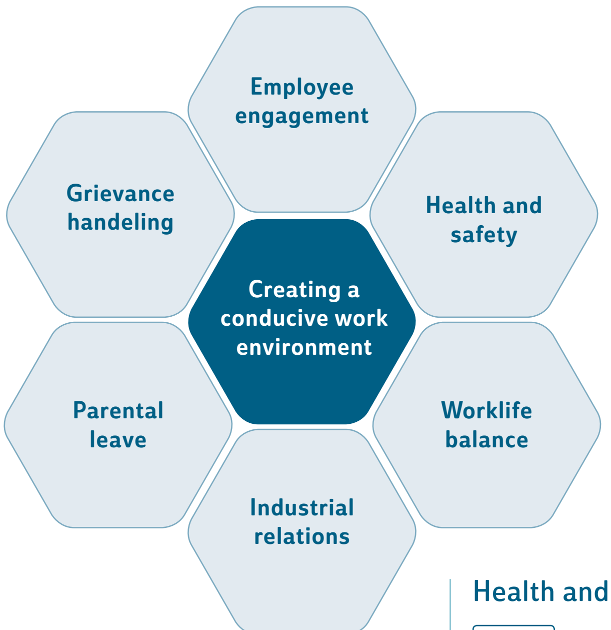
Consumer

- Insurance coverage
- Facilities to buy consumer items at special rates
- Staff loan facilities

Investments and others

- Health insurance scheme
- Transportation facilities
- Medical and casual leave payments
- Vacation leave payments

Creating a conducive work environment



We strive to provide our employees a conducive work environment, by striving for greater employee engagement, providing a safe and healthy work environment that promotes worklife balance and by maintaining good industrial relations by proactively addressing grievances if and they do arise.

Employee engagement

Several of our companies conduct employee satisfaction surveys as the means of gauging the level of employee engagement and satisfaction. In addition to the surveys carried out in-house, Lanka Tiles and Lanka Walltiles also participated in the employee satisfaction survey conducted by the Great Place To Work Institute receiving scores of 66% and 75% respectively.

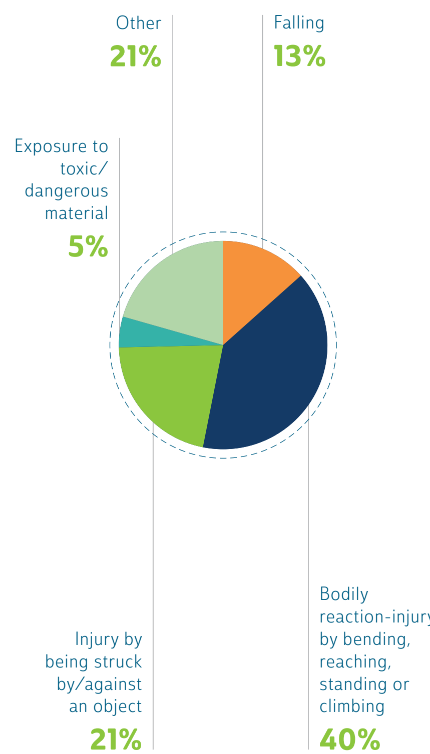
Health and safety

GRI 403

All our factories adhere to strict health and safety codes that extend beyond legal requirements to embrace industry best practices. Health and safety aspects are critical in our manufacturing facilities (particularly in the lifestyle and Aluminium sectors) as well as in our plantation sector companies. Risk mitigation codes in factories include measures such as identification of hazardous areas, mandatory protective covering for persons and machines, identification and communication of risk factors, and ongoing training on health and safety, First Aid and other relevant issues. Lanka Tiles PLC and Lanka Walltiles PLC has also obtained SLS ISO 18001 certification based on the occupational health and safety assessment series.

Total work related injuries	209
Injury rate (per 100 workers)	0.5
Total work related fatalities	No
Lost working days	946

Type of injury



Sector	Key engagement initiatives in 2018/19	Results of employee satisfaction surveys (if applicable)
Lifestyle	Lanka Tiles and Lanka Walltiles participated in the employee satisfaction survey	Lanka Tiles: Score 66% Lanka Walltiles: Score 75%
Investments and others	Uni-Dil Packaging Limited carried out internal satisfaction surveys at its factories	Uni-Dil Packaging Limited: Score 73.4%

Work-life balance

Spiritual and mental well-being is also an important aspect of our health and safety policy. Work-life balance is promoted among our employees through various initiatives such as annual staff trips, sports events, religious and cultural celebrations carried throughout the year.

Industrial relations

GRI 402-1, 407

We recognise our employees' right to freedom of association. Many of our factories have active trade unions with collective agreements signed for a period of three years. In the tiles and accessories sector we engage with our employees through a trade union while in the plantation sector however collective bargaining matters are directed through the Employers Federation of Ceylon. We continued to maintain sound relationships with all trade unions, hence no industrial disputes were reported during the review period. Minimum notice periods regarding operational changes are specified in collective agreements and employment contracts.

Sector	Employees represented by trade unions (%)
Lifestyle	49
Aluminium	40
Plantations	98

Parental leave

With almost 35.4% of our employee base consisting of females, we strive to ensure a conducive work environment for women which promotes work-life balance.

Total number of female employees	5,128
Employees on parental leave	191
Employees who returned to work during the period after parental leave	168
Employees who are still in employment 12 months after returning from parental leave	60

Grievance handling

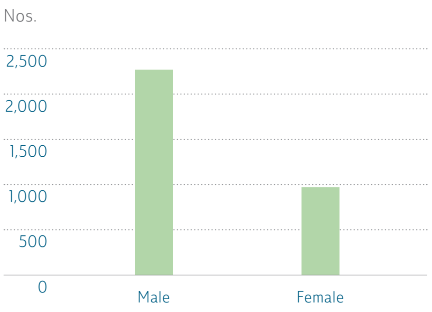
Whilst maintaining an open door policy where employees are encouraged to direct any concerns or issues they may have with their immediate line manager, a formal grievance handling procedure is also in place. This procedure ensures anonymity and includes an escalation procedure where employees can report issues directly to the HR Department or Managing Director. Grievances received were all managed satisfactorily with no adverse consequences.

Employee retention

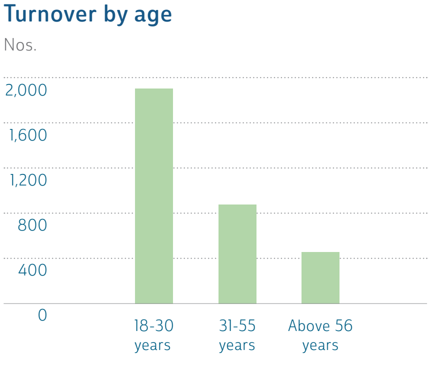
GRI 401-1

We have maintained an average retention rate of 73% across the Group during the year. Turnover is highest among male employees, between the ages 18-30 years and in the Western and Central provinces. Key causes of employee turnover included foreign migration and career migration particularly executive levels.

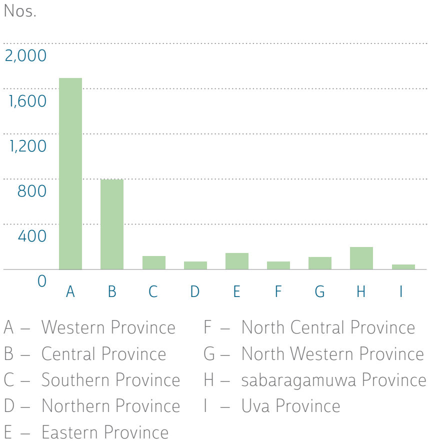
Turnover by gender



Turnover by age



Turnover by region



Way forward

Changing labour market dynamics and a rapidly evolving market environment, necessitates an innovative approach to attracting, developing and retaining talent. We will continue to hone our HR framework, policies and procedures in response to these changes while continuing to empower our employees to reach their full potential.

Intellectual Capital

A commitment to quality

Our commitment to quality and excellence is reflected in our brands which continue to enjoy a dominant position in their respective industries. Driving this brand value is our intellectual capital consisting of our collective knowledge, skills and experience as well as our systems and processes that reflect local and international best practices. We nurture our intellectual capital by harnessing our collective knowledge to create a culture of innovation and excellence.

How we created value in 2018/19

Greater brand awareness	• Focused on greater brand visibility at customer touchpoints
Collective knowledge	• Continued development of R & D Capabilities • Ongoing investment in training and development • A mentoring culture which fosters knowledge sharing across the organisation
Maintained standards	• New standards and certifications across all sectors

Our brands

The value we created in 2018/19

Several of our brands continued to be recognised among Sri Lanka's top brands during the year.

Vallibel One PLC

- Ranked 17th in LMD TOP 100 – 2017/2018
- Ranked 24th in THE "MOST RESPECTED ENTITIES" in Sri Lanka by LMD – 2018

Royal Ceramics Lanka PLC

- Ranked 26th in Top 100 Most Valuable Consumer Brands by Brand Finance
- Brand Value LKR 6,004 Mn.
- Brand Rating: AA+

LB Finance PLC

- Ranked 30th in Top 100 Most Valuable Consumer Brands by Brand Finance
- Brand Value LKR 5,133 Mn.
- Brand Rating: AA

Brand equity

Our brand portfolio includes several recognisable names that continue to drive our market leadership position across many of the sectors we operate in. Over the years our brands have come to be associated with quality, service excellence and innovation, and we strive to deliver on these values in all our products and services. During the year we focused on emphasising our brand image through newly re-furbished Rocell and Lanka Tiles showrooms as well as upgraded LB Finance branches. Meanwhile in the consumer sector, we increased visibility of our Brands by incorporating more effective merchandising techniques at sales outlets.

Tacit knowledge, skills and experience

Our diverse employee base creates a wealth of knowledge, skills and experience which we continue to harness by promoting a culture of knowledge sharing and mentoring across the organisation. Cross sectoral exposure to employees has also been an effective mechanism to facilitate best practices across sectors. Meanwhile we continue to develop our research and development capabilities through partnerships with international production and design companies and dedicated research and development units at each of our factories.

Sector	Company	New products/services introduced in FY 2018/19
Lifestyle	Royal Ceramics Lanka PLC	Double charge tiles, wash basin for OEM Global Brands, kitchen sinks
	Lanka Tiles PLC	120 new tile designs
	Swisstek Ceylon PLC	Swisstek tile sealant
Finance	LB Finance PLC	Digital financial services unit established
Aluminium	Swisstek Aluminium Limited	Multi-purpose ladder, solar mount, banquet chair
Consumer	Distributed by Delmege	Singer alkaline battery
Investments and others	Lanka Ceramics	Sanitaryware under "Deluxe" Brand

Standards and certifications

We incorporate industry best practices and global standards into all our operations by continuously upgrading our technology, systems and processes and expanding the list of international and local standards and certifications we adhere to.

Our list of standards and certifications.

Sector	Company	Certifications
Lifestyle	Royal Ceramics Lanka PLC and Royal Porcelain (Pvt) Ltd.	• ISO 13006:2012 • ISO 10545:2012 • SLS ISO14001:2004 • SLS ISO 9001:2008 • SLS 1181:2005 • CE Marking • Green Label Certificate
	Rocell Bathware Ltd.	• SLS ISO 9001:2005 • SLS ISO 14001:2015 • Water mark certificate of conformity Levels 1 and 2 • CE Marking • Green Label Certificate • WELS – Water Efficiency Labelling Scheme (4 star rating)

Sector	Company	Certifications
	Lanka Tiles PLC and Lanka Walltiles PLC	• SLS ISO 9001:2015 • SLS ISO 14001:2015 • OHSAS 18001:2007 • SLS 1181 • Green Label Certificate
	Swisstek Ceylon PLC	• ISO 9001:2015
Finance	LB Finance PLC	• ISO 27001:2013
Aluminium	Swisstek Aluminium Limited	• ISO 9001:2008 • SLS 1410:2011 • SLS 1411:2011 • ISO 14001 • QUALICOAT Certificate
Plantations	Horana Plantations PLC	• Accredited for "Certified Oil Palm" by the Forest Stewardship Council (FSC) • ISO 22000:2005:HACCP for all tea factories • ISO 9001:2008 • Ethical Tea Partnership (ETP) and Fair Trade Certification • Rainforest Alliance Certification (RA) for eight estates
Leisure	Fortress Resort and Spa	• Wellness and Spa Europe Certificate • GMP certificate • Tripadvisor – Certificate of Excellence
Consumer	Delmege Forsyth & Co. Ltd.	• SLS ISO 22000:2005
Investments and others	Uni-Dil Packaging Limited	• ISO 9001:2015 • ISO 14001:2015 • ISO 22000:2005 • HACCP • WRAP (Worldwide Responsible Accredited Production) • SMETA (Sedex Members Ethical Trade Audit)

Social and Relationship Capital

Creating partnerships

The diverse nature of our operation extends our reach across an extensive customer base that spans a wide socio-economic and geographical spectrum and a supplier base of over 4,620 suppliers and business partners. We continue to invest in our relationships with our customers, business partners and our communities, nurturing mutually beneficial, value generating relationships. We create value for our stakeholders by ensuring customer satisfaction, syncing our growth journey with that of our business partners and by empowering our communities. In turn we derive value from customer loyalty, a more sustainable value chain and community goodwill that contribute to our long-term sustainability.

Customers

- Distributors, franchisees and retailers
- Tea brokers
- Fabricators
- End customers

Suppliers

- SME suppliers
- Large scale suppliers
- Subcontractors
- B2B suppliers
- Others

Community

- Plantation community
- Communities surrounding factories

How we created value in 2018/19

Customers	Suppliers	Community
• LKR 72 Mn. invested in Research and Development • Introduction of mobile app "Lankatiles" • Established a Digital Financial Services Unit • A dedicated customer care line for "Rocell" customers	• LKR 86.28 Mn. in supplier development initiatives • 36.3% of suppliers belong to the SME category	• LKR 72 Mn. on CSR initiatives

The value we created in 2018/19

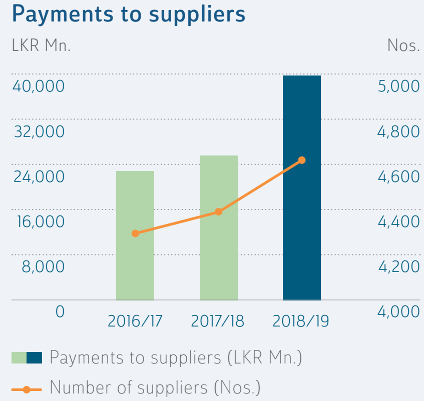
Customer relationships

We continued to drive value for our customers through our steadfast focus on innovation, product responsibility and the highest service quality across our entire product and service offering. Consistently high customer satisfaction scores across sectors are a validation of our customer value proposition.

Supplier and business partner relationships

We expanded our supplier network during the year, while continuing to strengthen existing relationships through greater engagement with our suppliers and business partners. Our Supplier development programmes continued throughout the year, particularly in the tiling and plantation sector with a total of LKR 86.28 Mn. spent on capacity building and awareness programmes and financial support.

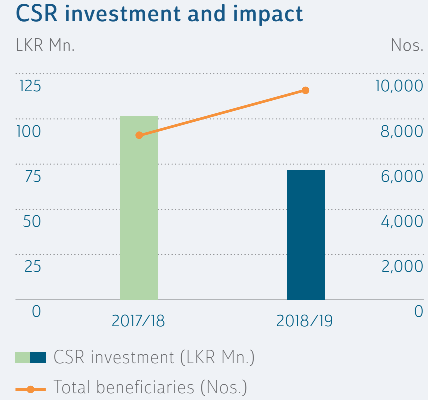
Payments to suppliers



Community relationships

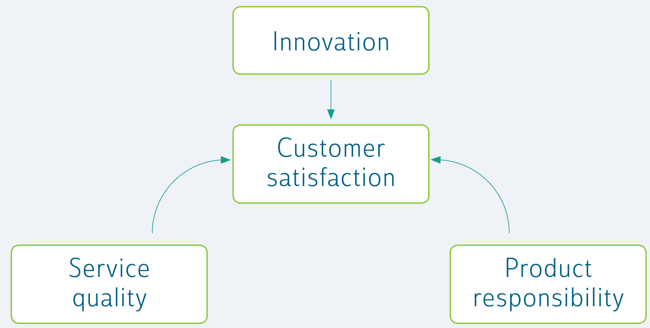
We continued to build good-will throughout the communities we operate in while positively contributing to the socio-economic growth of Sri Lanka directly and indirectly. Our CSR initiatives benefited 13,022 individuals across the country.

CSR investment and impact



Creating value for our customers

Our expanding product and service portfolio caters to increasingly diverse customer base across a wide socio-economic and geographical spectrum. Our clients consist of individuals, SMEs and corporates across the island and continues to grow as we widen our operations and extend our geographical reach.



Value drivers

How we create value

Our customer value proposition

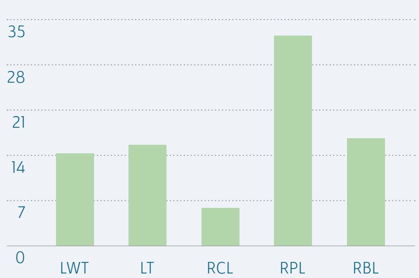
Our customer value proposition is centered on driving customer satisfaction by continuously striving for innovation, product responsibility and service quality.

Value created

Innovation

We invested a total of LKR 79 Mn. in new product development during the year. Our ability to identify and respond to emerging customer needs through innovative product offerings has enabled us to sustain our competitive edge in key sectors. (Please refer page 103 intellectual capital for full list of new products)

Research and development investment



Product responsibility

We comply with a range of domestic and international quality certifications and accreditations, ensuring that our processes, systems and products meet the highest quality standards. (Please refer page 105 for full list of industry specific standards and certifications.)

Compliance	18/19
Incidents of non-compliance relating to health and safety of products resulting in a fine/ warning	No
Incidents of non-compliance relating to product labelling	No
Incidents of non-compliance relating to marketing communications	No
Substantiated complaints concerning breaches of customer privacy	No
Non-compliance with any social/ economic laws and regulations	No

Service quality

Engagement and accessibility

Customer reach

Sector	Number of customer touch points
Lifestyle	55 Rocell outlets and 48 Lanka Tiles outlets
Finance	127 branches and 36 gold loan centres
Aluminium	Island-wide distribution network
Consumer	Island-wide distribution network

We continued to focus on increasing accessibility to our products and services by expanding and enhancing our distribution and service channels through greater automation and digitisation.

Key Initiatives

- Introduction of Lanka Tiles mobile app "Lankatiles"
- Digital Financial Services Unit by LB Finance

Real-time customer feedback

We continue to fine tune our customer engagement mechanisms enabling us to obtain real-time customer feedback.

Key Initiatives

- Dedicated Help line for Lanka Tiles Customers
- Realtime customer satisfaction surveys are conducted at all Lanka Tiles and Lanka Walltiles showrooms
- LB Finance Mystery shopping initiative

Creating value for our suppliers and business partners

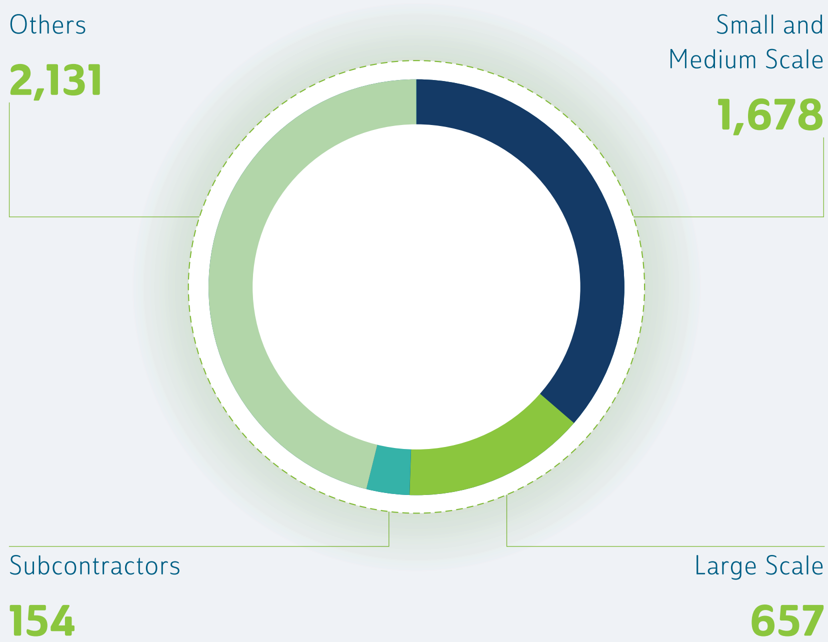
Our suppliers and business partners are a vital link in our value creation process as they impact the quality of the products and services we offer. Our relationships with our suppliers and business partners are based on the philosophy of fostering true partnerships that create synergies and mutual value.

Our suppliers and business partners

The Group has a diverse pool of suppliers ranging from SME's to large scale corporates. We have developed long standing relationships with world renowned brands, for many of which we are the sole agents in Sri Lanka. Meanwhile almost 36.3% of our suppliers belong to the SME category.

Suppliers and business partners

Number of suppliers by category

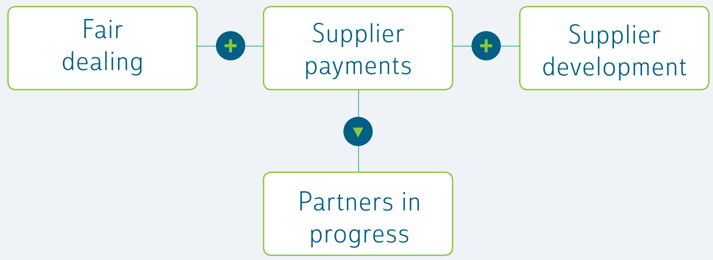


Business partners	Length of relationship	Products
Motha	35 years	Premixed dessert mixes
Alcon	25 years	Ophthalmic solutions
Black and Decker	30 years	Tools and machinery
Dux	37 years	Building products
Alucoworld	8 years	
Joven	2.5 years	
Havells	2 years	
Hunter Douglas	30 years	Interior and flooring solutions
Brintons	35 years	
Gerflor	20 years	
Interface	30 years	
Quick-step	20 years	
Shaw	24 years	
Godrej,	5 years	
Hufcor	15 years	

Value drivers

How we create value

We consider our suppliers, business partners and principals as partners in progress and strive to create true partnerships that engender mutual growth and value. We engage with our suppliers and principals on an ongoing basis through monthly procurement meetings, regular site visits and through reviews and assessments in order to pro-actively address pain points and ensure the smooth running of our supply chain.



Value created

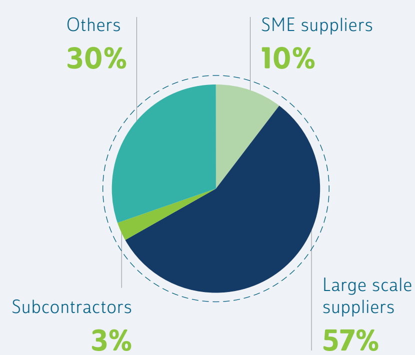
Fair dealing

We ensure all our dealings are transparent and that we strictly adhere to contract obligations. Procurement of suppliers is based on procurement guidelines set out by respective companies. Monthly Procurement Committee meetings ensure ongoing engagement with suppliers.

Supplier payments

Total payments to suppliers amounted to LKR 39,866 Mn. during the year. Approximately 56% of total supplier payments were to local suppliers whilst almost 10% of payments were to SME suppliers.

Breakdown of supplier payments



Geographical breakdown of supplier payments

Supplier development

During the year we invested LKR 86.28 Mn. in [in supplier development initiatives aimed at capacity building and knowledge sharing. Meanwhile regular reviews and site visits are conducted on an ongoing basis to share knowledge on industry best practices and compliance standards.

Creating value for our communities

We create value in our communities by operating sustainable businesses that contribute positively to economic development and social empowerment and through strategic CSR initiatives that provide tangible long-term support for our communities. Each sector engages in CSR activities that drive meaningful change in the communities they operate in. During the year the Group invested LKR 72 Mn. in CSR activities such as community development, environmental conservation, youth development and cultural upliftment.

Economic Development and Social Empowerment

SME Suppliers	We continue to support the growth of the SME sector in this country by actively supporting our SME suppliers. 36.3% of our supplier base across the Group belong to the SME category and payments to local suppliers amounted to LKR 22.3 Mn. during the year.
Tilers club	We provide financial and technical assistance to 4,543 members of our tilers' club with the aim of empowering small scale tilers across the island. • During the year over tilers were trained through monthly tiler training workshops conducted across the country. • Members are also provided basic tools free of charge or at a minimal cost • Loyalty points reimbursement programme for tiler club members
Franchisee network	Our network of 46 franchisees in the lifestyle sector continues to benefit from on the job-offsite and foreign training provided by us. A dedicated training manager facilitates training on aspects such as customer service, product knowledge and operational excellence on an ongoing basis.
Estate worker housing cooperative initiative	Our Estate Worker Housing Coorporative society aims to empower estate workers by providing financial assistance for a range of requirements in the form of loans through societies established on individual estates. We also operate a revenue share model with our estate workers where estate communities can maintain cultivations on estates.

Community Development

Pre-school development project

The Pre-school development project which aims to improve the standard of pre-school education through improvements to basic infrastructure and facilities of selected pre-schools across the country, continued during the year with Lanka Tiles PLC upgrading 149 schools in addition to the 450 schools already upgraded by the group in FY 2017/18. A further no. of schools are also currently being upgraded by Royal Ceramics Lanka PLC and LB Finance PLC. Through this project Pre -schools are provided basic facilities such as desks, chairs and educational toys etc.

Plantation welfare	• We continue to uplift the living conditions and standards of our estate worker base. • During the year 158 new houses were constructed for manual workers while existing housing, sanitation, water and electrification facilities were improved across estates • Provision of field and factory restrooms • Immunisations, optical and dental care services continued to be provided through community centers • Awareness programmes on maternal and child health was conducted on an ongoing basis • Family counselling provided on issues such as domestic violence, teenage pregnancies and child abuse • Provision Child Development Centres • The total investment on plantation sector welfare amounted to LKR 26 Mn. during the year.

Environmental Conservation	
"Mission Thuru Wawamu, 50-50 Thousand"	The project initiated by LB Finance PLC aims to grow and maintain 50,000 trees by the Company's 50th Anniversary by 2021. As at date more than 20,000 trees have been planted in public spaces such as schools, army camps and community spaces.

Youth Development	
Skill development for youth	We continue to support youth development initiatives by promoting skill development, cultural integration and access to education amongst youth and children. Some of the initiatives carried out during the year are as follows: • Lanka Walltiles PLC supported an initiative to teach English and Maths for Grade 5 students at Kellaniya Wedamulla Maha Vidyalaya • LB Finance PLC sponsored a Quiz Competition with the University of Kelaniya to promote financial knowledge amongst undergraduates • LB Finance PLC also sponsored the inter university talent show which was organised by University of Sri Jayewardenepura in 2018 • Royal Ceramics Lanka PLC supports its community school children through cash donations and organised educational excursions • Donation of school uniforms, stationery and books for school children by Royal Porcelain (Pvt) Ltd.

Way forward

The complexity of our relationships with our customers, business partners and community grows in tandem with our business growth. We are actively exploring the usage of Artificial Intelligence tools to navigate these complexities and pro-actively respond to these changes. Meanwhile we will continue to strengthen our relationships with our customers, business partners and communities through mechanisms for greater engagement.

Natural Capital

Protecting our eco system

As a Group with significant interests in the manufacturing sector, we are cognisant of the extent to which we are dependent on environmental resources as well as the significant impact our operations have on the environment. Our environmental management agenda aims to build sustainable business operations by ensuring responsible consumption, minimising negative impacts on the environment and by continuing to emphasise on environmental compliance and standards.

The value we created in 2018/19

Recycling	Energy savings
Raw material consumption	• Rehabilitation of all mines at a total investment of LKR 8 Mn. • TPM initiatives across the Group to improve more efficient use of resources
Energy consumption	• LKR 42 Mn. spent on energy saving initiatives
Water consumption	• 30% of water recycled and reused
Waste management	• Responsible disposal of solid waste
Emissions	• Installation of water curtains and dust suction plants in factories at Ehaliyagoda • Installation of heat exchanger at Eheliyagoda and Horana factories.
Effluents	• Recycling and reuse of effluents for ancillary functions to reduce water consumption.

Inputs

Mined inputs 291,111 MT	**Paper pulp** 24,026 MT	**Aluminium** 5,367.2 MT
Water 387.4 Mn. Litres	**Electricity** 82.8 Mn. units	**Land used in plantations** 7,534 hectares

Outputs and impacts

Finished products	**Solid waste** 32,383 MT	**Emissions**
Effluents 696.8 Litres		

The value we created in 2018/19

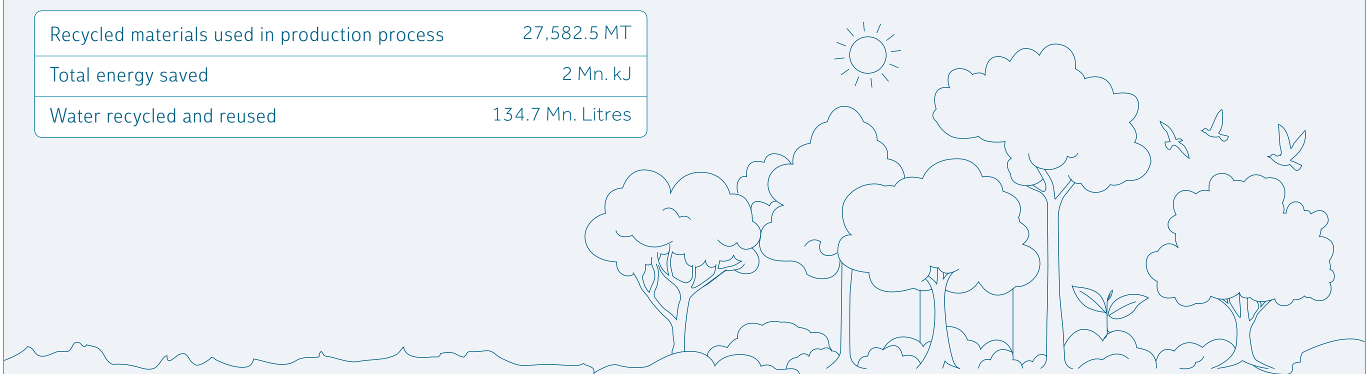
Recycling

Whilst continuously improving our technology and processes to ensure the most efficient consumption of resources, we are increasingly looking at ways in which we can increase the share of recycled materials we use in our operations.

Recycled materials used in production process	27,582.5 MT
Total energy saved	2 Mn. kJ
Water recycled and reused	134.7 Mn. Litres

Energy savings

We continued to invest in more energy efficient technology, particularly in our more energy intensive factories in the lifestyle sector.



Managing our inputs

We drive the ethos of responsible consumption of resources across all our operations, through the use of more efficient, environmentally friendly technology and engaging employees and stakeholders on environmentally friendly practices.

The resources we consume GRI 301-1

Raw materials

Our presence in the mining, tiling and sanitaryware, aluminium, plantation, and packaging industries makes us significant users of natural resources. Almost 86% of the resources we consumer are non-renewable. Consequently, ensuring the responsible consumption of these resources is one of our key priorities as the long-term sustainability of our business depends on the availability and quality of these resources.

How we ensure responsible consumption

Responsible sourcing

We operate four mines through Lanka Ceramic PLC and work closely with the Geological Survey and Mines Bureau to ensure the sustainability and quality of our mines. We are committed towards the rehabilitation of these mines, and invested LKR 8 Mn. in the rehabilitation of all our mines. Our efforts also include an annual payment to the authorities for mine rehabilitation and our own actions to back-fill and recultivate unused mines. Meanwhile we ensure that all our raw material suppliers comply with required environmental regulations and standards. Regular supplier visits are carried out to ensure compliance and aid in mine rehabilitation.

Good agricultural practices such as field development through crop diversification, zero deforestation, habitat enrichment among others are practised in the plantation sector, supporting long-term sustainability of the land resources we consume.

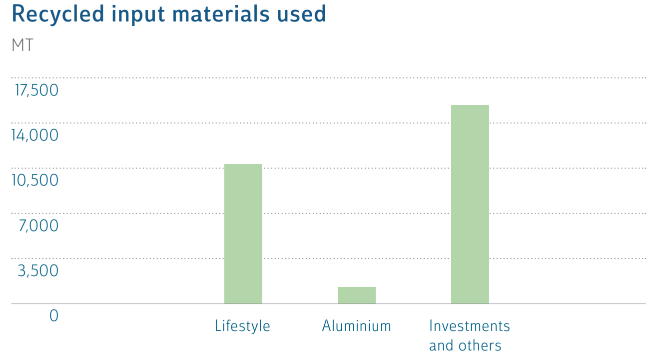
Efficient consumption

We continue to invest in process improvements and technology aimed at reducing wastage and increasing efficiency of raw material usage. Lanka Tiles PLC continues to research on substitute materials such as clay feldspar and green tiles for tile production that will have a lower impact on the environment. Meanwhile TPM initiatives continued in all the tile manufacturing companies while we are increasing the use AI across the Group to improve efficiency and waste management.

Recycling GRI 301-2

Recycling is carried out in all our factories. A portion of our tiling and ceramic waste is recycled while the remainder is used for re-filling mines. Aluminium billet scraps from Swisstek Aluminium are recycled inhouse and reused in the production process. Paper waste from our packaging companies is exported to India for recycling.

Recycled input materials used

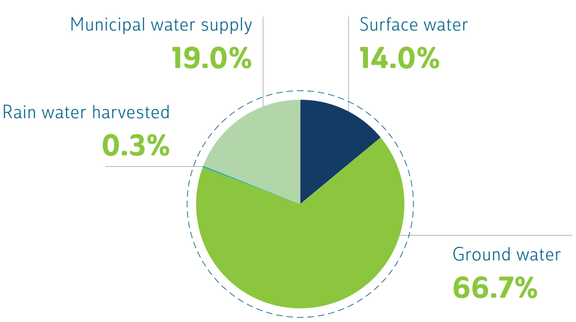


The resources we consume GRI 303-1, 303-3

Water

Total amount of water consumed during the year amounted to 387.4 Mn. Litres. The lifestyle, plantation, investments and others, and aluminium sectors accounted for the highest water consumption accounting for 55%, 23%, 11.2% and 10.4% of total water consumption respectively. 66.7% of the water we consumed is withdrawn from ground water sources.

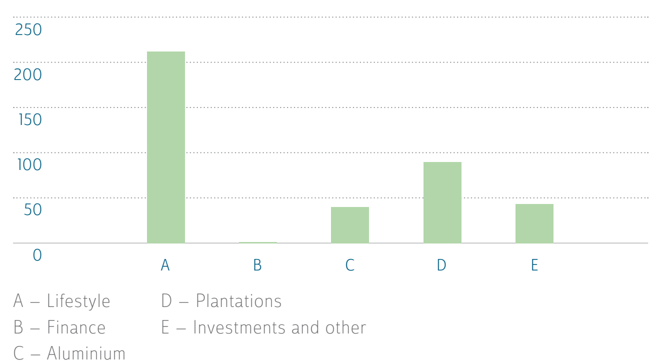
Volume of water withdrawn (%) – by source



How we ensure responsible consumption

We ensure stringent monitoring of water consumption through water flow control systems implemented in four of our factories. All our factories and estates have its own purification plants through which water is treated and recycled and reused in the production process, for ancillary water requirements or released back into the environment. Meanwhile in the plantation sector 5% of land is conserved as water retention areas while chemical buffer zones around waterways reduce the risk of chemical contamination.

Water consumption by sector



The resources we consume GRI 302-1, 302-2, 302-3

Energy

Energy consumption within the organisation

Our main source of energy is electricity sourced from the national grid, while the lifestyle sector is the largest consumer. Other significant non-renewable sources include LPG, Diesel and Furnace oil. Our main renewable source of energy is bio-mass, used primarily in the plantations and investments and others sectors.

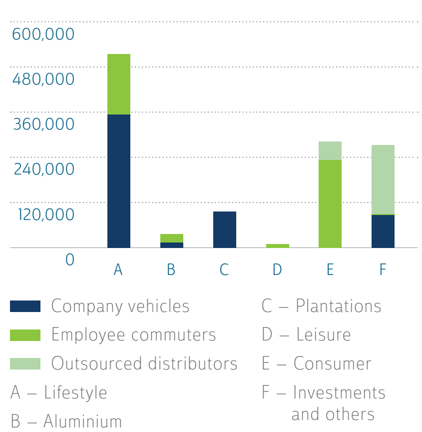
Total Energy consumption by source

Electricity from the grid	Mn. units	82.8
LPG	Mn. kg	25.4
Diesel	Mn. Litres	1.04
Furnace oil	Mn. Litres	0.70
Other (Petrol, Kerosene)	Mn. Litres	3.20
Firewood/ Bio Mass	Mn. units	12.00

Energy consumption outside the organisation

Energy consumed outside the organisation is monitored by tracking fuel consumed by company owned vehicles, employee computers and outsourced distributors. Total energy consumed outside the organisation during FY 2018/19 amounted to 1,218,295 Litres and was mainly on account of fuel consumed by company vehicles.

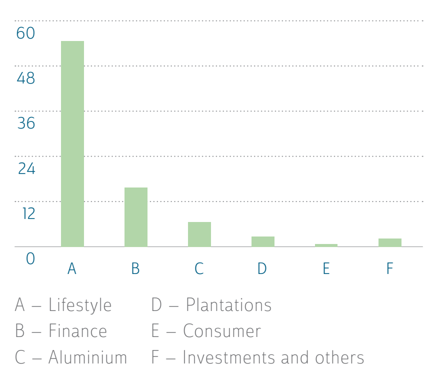
Energy consumption outside the organisation by source and sector



How we ensure responsible consumptio GRI 302-4

During the year we implemented several sector specific initiatives to improve energy efficiency across the Group. As a result estimated savings from energy saving initiatives across the Group amounted to 2 Mn. kJ.

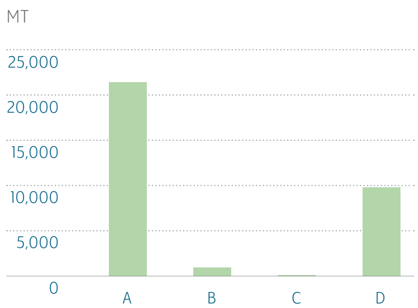
Electricity consumption by sector



Managing our outputs

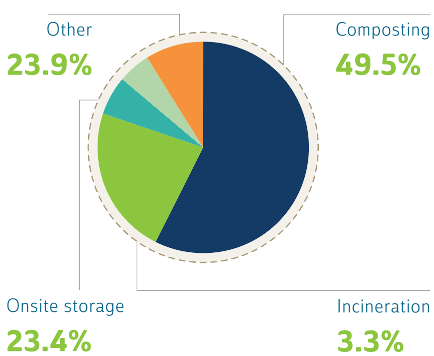
We are committed to reducing the negative environmental impacts of our manufacturing operations by having in place stringent standards relating to waste, effluent and emission management.

Waste material by sector



A – Lifestyle
B – Aluminium
C – Plantations
D – Investments and others

Waste disposal methods



Waste management GRI 306-2

Waste generated include rejected tiles, aluminium billet scraps, paper waste and solid waste. Waste material from our production processes are disposed of in a responsible manner in full compliance with regulatory requirements and industry best practices.

Lifestyle

- 40% of solid waste generated in the tiling operation is re-cycled and reused in the production process or by converting to saleable items such as mosiac tiles. Approximaetly 42.3% of solid waste is used for quarry filling

Aluminium

- 100% of waste from our aluminium plant is recycled and reused in the production process

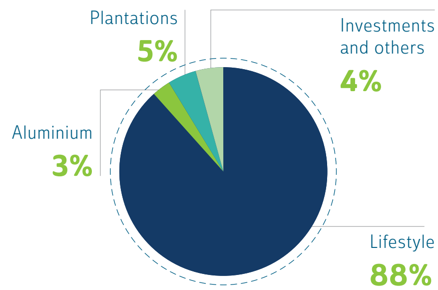
Investments and others

- 96% of solid waste from our packaging operation is recycled and reused

Effluents GRI 306-1

During the year 696.8 Mn. Litres of effluents were discharged, mainly from the lifestyles, plantations, aluminium sectors and packaging operations. Waste water generated from our tiling factories was recycled through effluent treatment plants at each of our factories. Swisstek Aluminium has an on-site sludge yard through which sludge is handed over to cement factories. Waste water treatment plants have also been constructed on several of our estates and at our packaging factory. The water quality parameters are monitored consistently to ensure compliance to national environmental standards.

Effluents discharged by manufacturing sectors



Emissions management

The primary sources of emissions are dust arising from manufacturing operations and emissions from burning of fuel. The following measures have been implemented to reduce the impact of emissions;

- Installation of water curtains and dust suction plants in most manufacturing plants
- Heat exchanges at the Eheliyagoda and Horana factories
- Horana Plantations PLC has commenced moving towards less harmful energy sources like firewood and briquettes to meet its energy requirement

Compliance

We ensure that all our factories and locations comply with the applicable environmental regulations. We also comply with a wide range of international and local environmental standards, ensuring our operations adopt the highest standards in sustainability management.

Way forward

TPM initiatives across the group are expected to gain momentum in FY 2019/20 resulting in greater efficiencies relating to resource consumption and output management. Meanwhile we will continue to explore ways in which we can incorporate environmentally practices into all aspects of our operation.

Governance and Risk Management

Corporate Governance

Vallibel One PLC is a diversified investment holding company with investments across a number of active sectors of the economy and were included in the elite list of S&P 20 companies during the year in the Colombo Stock Exchange. We have grown through acquisition of stable businesses to which we provide strategic direction to realise their potential. Over a span of nine years, we have acquired controlling stakes in LB Finance PLC, Royal Ceramic Lanka PLC, Delmege Limited and invested in our first greenfield project, Greener Water Limited. Our portfolio includes a 20.46% stake in The Fortress Resort PLC which is accounted for as an Associate Company and a 14.95% in Sampath Bank PLC. The ultra luxury five star resort under Greener Water Limited, the leisure investment arm of Vallibel One is under construction as at the date of this Report.

Many of our businesses were acquired as mature businesses with well-established, Corporate Governance structures and frameworks. Additionally, LB Finance complies with the Corporate Governance Directions issued by the Central Bank of Sri Lanka for Non-Bank Financial Institutions, facilitating sound governance. Vallibel One has set in place a governance structure which is compliant with legal enactments and regulatory requirements with high levels of reliance on corporate governance framework in place at key subsidiaries.

Vallibel One unlocks value of the subsidiaries through regular Strategic Meetings of the Centralised Research and Development Team and management of subsidiaries which cover growth and development aspects as well as governance of the subsidiaries.

The Governance structure of Vallibel One is inset. This Report explores the roles and responsibilities of shareholders and the Board and describes the mechanisms set in place by the Board to facilitate discharge of their duties.

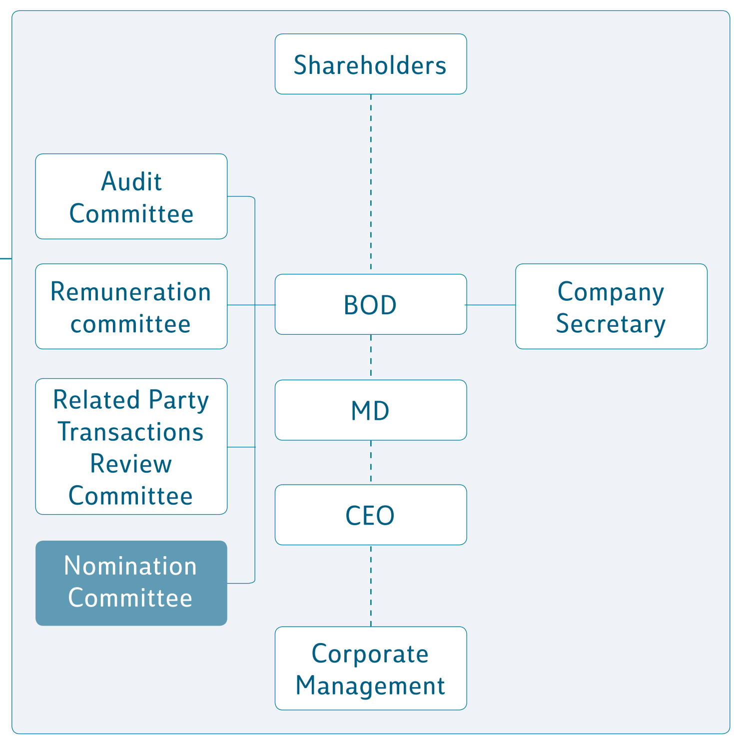
Compliance Framework

Mandatory

- Companies Act No. 07 of 2007
- CSE continuing Listing Requirements
- Articles of association

Voluntary

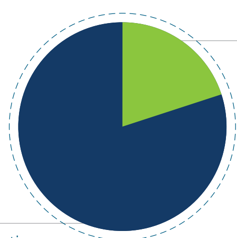
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lankan (partial compliance)



An effective Board

The Board is the highest authority and is responsible for setting in place a sound governance framework to drive performance and safeguard the assets of the Group. It comprises one Executive Director and four Non-Executive Directors of whom three are Independent Non-Executive Directors in accordance with the CSE Listing Rules and the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Charted Accountants of Sri Lanka (Code). The Board collectively possesses a diverse range of skills and competencies including entrepreneurship, financial, legal, marketing and banking. They are all business leaders and professionals of high repute as evinced by their profiles given on page 23.

Composition of the board



Board members allocate sufficient time to fulfil their duties and express their individual opinions using their professional judgement on matters set before the Board. Other directorships of Directors are disclosed and updated annually to reflect any new appointments through annual declarations. Directors declare their interest on matters set before the Board and excuse themselves from the discussion and abstain from voting on the same, ensuring that their other interests do not conflict or impair the discharge of their duties as Directors of Vallibel One.

The Board is aware of other directorships/substantial shareholdings of its Directors and is satisfied that these neither conflict nor impair their performance of duties as Directors of Vallibel One. Each member allocates sufficient time to fulfil his/her duties.

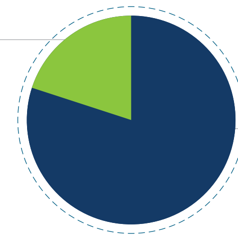
The roles of the Chairman and Managing Director are merged for alignment of Vallibel One's wide ranging businesses, driving Group synergies.

The Board is responsible for providing strategic direction, monitoring performance and ensuring that a system of internal controls is in place to facilitate sound financial reporting and decision-making. As an investment holding company, matters requiring Board attention centre around investment and divestment decisions and monitoring performance of key investments.

Matters addressed by the Board

- Investment decisions
- Monitoring performance of investments
- Divestments
- Delegation of authority
- Voting at key AGMs of investee companies
- Policy formulation
- Directors' remuneration
- Compliance and risk-related matters as reported by the Audit Committee
- Matters escalated to the Board by the Related Party Transactions Review Committee
- Re-election/appointment/reappointment of Directors as recommended by the Nomination Committee

Gender diversity



Appointment and re-election of Directors/appointment or 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. Pursuant thereto, (i) in terms of the Articles of Association Mr J A S S Adhihetty retires by rotation and (ii) in terms of the provisions of the Companies Act, Mr R N Asirwatham who is 76 years of age was reappointed by the shareholders at the preceding Annual General Meeting, will vacate office on completion of one year from the date of the preceding Annual General Meeting. The Nomination Committee having reviewed the re-election of Mr Adhihetty/the proposed appointment of Mr Asirwatham under Section 211 of the Companies Act at the forthcoming Annual General Meeting, recommended such re-election/appointment. Accordingly, the Board recommends the re-election/appointment of Mr J A S S Adhihetty/Mr R N Asirwatham, to the shareholders and the said matters will be placed before the shareholders at the forthcoming Annual General Meeting.

Nomination Committee

The Board appointed a Nomination Committee during the year as a step on its journey towards full compliance with the Code. Its duties are:

- Advise on and recommend appointments and re-appointments/re-election of Directors to the Board including but not limited to:
  - Ensuring that Directors are fit and proper persons to hold office
  - Ascertain eligibility criteria such as qualifications, experience, independence of the Directors and their capability to meet the strategic demands of the Company.
- Evaluate as to whether each of such nominees or Directors as the case may be is capable of adequately carrying out his/her duties.
- Regularly review the structure, size, composition and competencies of the Board and recommend changes to the Board;
- Consider succession plan for the Chief Executive Officer and all other Key Management Personnel.

Induction and training

The Board is cognisant of the benefits of continuous training and development in corporate governance and in their specialist skills to enhance the collective skills of the Board. Management of the Company also provides information and facilitate visits to project sites and other locations of business operations as may be required or requested. Directors also meet with service providers and other key stakeholders as deemed appropriate or necessary. All Directors are encouraged to attend relevant programmes to sharpen their skills and update their knowledge on matters that are likely to have an impact on the business interests of the Company and the Group.

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 Non-Executive 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. Accordingly, the total number of common Directors on the Boards of those two companies 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 do not qualify under the criteria set out in 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 Subcommittees

The Board has appointed four 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 internal and external audits • evaluating and recommending appointment of Auditors to Board • management and statutory reporting including financial reporting processes • review and approval of accounting policies and implementation of the same • pre-approval of any non-audit services obtained from External Auditors to ensure independence is maintained Please refer the Report of the Audit Committee on page 132 for more information.

Board Committee	Composition	Scope
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 of the Company including Senior Management • Senior Management performance incentives • Remuneration of Executive Directors and the Chief Executive Officer The remuneration policy of the Company is to attract and retain a highly qualified and experienced staff
Related Party Transactions Review Committee	Comprises three independent Non-Executive Directors: • Mr R N Asirwatham • Mr S H Amarasekera • Mrs K Fernando	Independent review, approval and oversight of related party transactions Please refer the Report of the Related Party Transactions Review Committee on page 130 for more information.
Nomination Committee	Comprises three Directors of whom two are independent: • Mr S H Amarasekera (Chairman) • Mr K D D Perera • Mrs K Fernando	Assisting the Board with oversight on competence and composition of the Board of the Company and its subsidiaries and other key personnel. Please refer the inset on page 122 for more information.

Meetings and information

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

Director	Attendance			
	Board Meetings	Audit Committee	Related Party Transactions Committee	Remuneration Committee
Mr K D D Perera	4/4	–	–	–
Mr S H Amarasekera	4/4	4/4	4/4	1/1
Mr J A S S Adhihetty	3/4	–	–	1/1
Mrs K Fernando	3/4	3/4	3/4	0/1
Mr R N Asirwatham	4/4	4/4	4/4	–

Board packs for the meetings containing the Notice of Meeting, Agenda and papers relating to Agenda items are circulated prior to the meeting to provide sufficient time for review and clarification from management if required by Directors.

A typical Board Agenda

- Minutes of the previous meeting
- Matters arising from the previous minutes
- Performance review
- Status updates of major projects
- Quarterly/annual Financial Statements
- Circular Resolutions
- Major Shareholders/Directors shareholding
- Disclosure of interests of Directors
- Dealings in relevant interests in shares
- Board Subcommittee reports
- Other agenda items that may arise

Monitoring investments

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

Investee	Investment Category	Common Directors
LB Finance PLC	Subsidiary	• Mr K D D Perera (Executive Deputy Chairman) • Mr J A S S Adhihetty (Managing Director) • Mrs Y Bhaskaran (Non-Executive Director)
Royal Ceramics Lanka PLC	Subsidiary	• Mr K D D Perera (Chairman) • Mr R N Asirwatham (Independent Non-Executive Director) • Mr S H Amarasekera (Independent Non-Executive Director)
Delmege Limited	Subsidiary	• Mr K D D Perera (Chairman) • Mr S H Amarasekera • Mrs K Fernando • Mrs Y Bhaskaran
Greener Water Limited	Subsidiary	• Mr K D D Perera (Chairman) • Mr J A S S Adhihetty
The Fortress Resort PLC	Associate	• Mr K D D Perera (Chairman) • Mr J A S S Adhihetty (Non-Executive Director)

As experienced entrepreneurs and professionals, all Directors are fully aware of the need to act in the best interests of the Company on which they serve in accordance with the Companies Act and recuse themselves from voting on matters which have a potential conflict of interest.

Directors' remuneration

Remuneration for Non-Executive Directors reflect the time commitment and responsibilities of their role, taking into consideration market practice. The Board approves remuneration for the Directors. Directors' remuneration is set out in Note 36 to the Financial Statements on page 228.

The Company Secretary

Secretarial services are provided by P W Corporate Secretarial (Pvt) Ltd who have assigned an Attorney-at-Law to provide Secretarial services to the Board. The Board Secretary is responsible for maintaining Board minutes and Board records, support timely circulation of relevant information and advise on matters relating to corporate governance, Board procedures, rules and regulations. All Directors have access to the advice and services of the Company Secretary. Removal and appointment of the Company Secretary is a matter for the Board as a whole.

Shareholder relations

Shareholders receive the Annual Report including Financial Statements and Notice of Meeting 15 working days prior to the Annual General Meeting. They vote at the Annual General Meeting to elect/re-elect Directors, on resolutions pertaining to the appointment/re-appointment of Directors who are over 70 years of age and to appoint Auditors in accordance with the Companies Act and the Articles of Association of the Company and to authorise the Directors to make donations in terms of the Companies (Donations) Ordinance. The Board recommends the election/re-election/appointment/re-appointment of Directors to shareholders based on the recommendations of the Nomination Committee. They also recommend appointment of Auditors based on the recommendations of the Audit Committee who evaluate the competence, independence and objectivity of the Auditors. Chairman of the Audit Committee and the Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

The Company complies with the continuing Listing rules by ensuring that shareholders are kept informed about the performance of the Company on a quarterly basis through press releases (if any) and Interim Financial Statements. Additionally, timely notice is given to the Colombo Stock Exchange on appointment and resignation of Directors and other material developments deemed price sensitive in accordance with the continuing listing requirements, rules on corporate disclosure and related party transactions (as applicable).

Accountability and Audit

Business reporting

The Board presents an Annual Report each year in compliance with the regulatory requirements and voluntary reporting standards such as the Integrated Reporting Framework issued by the International Integrated Reporting Council and the Sustainability Reporting Standards issued by the Global Reporting Initiative. The Board present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects in the Quarterly/Annual Financial Statements. A declaration is obtained from the Chief Executive Officer and Chief Financial Officer prior to approval of the Financial Statements by the Board in maintaining financial records, preparing Financial Statements in line with relevant standards and operating effectiveness of the systems of risk management and internal control. The following reports included in the Annual Report provide information in compliance with the Code of Best Practice on Corporate Governance:

- Annual Report of the Board of Directors on pages 126 to 129 includes a declaration by the Directors setting out the responsibilities of the Board in preparation and presentation of Financial Statements and other representations on the level of compliance with other requirements set out in the Statement of Directors Responsibility for Financial Reporting on page 131.
- Auditor's Report on Financial Statements is set out on page 138 of this report.
- Sector Review from pages 34 to 84.
- Related party transactions disclosures in Note 42 to the Financial Statements on page 237 and the Annual Report of the Board of Directors comply with the requirements of the applicable Listing Rules.

Audit committee

The Board has established an Audit Committee which has oversight responsibility for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the External Auditors. The Committee comprises three Independent Non-Executive Directors and the Chairman is a senior Chartered Accountant. The Report of the Audit Committee on page 132 provides a summary of their activities during the year.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Company has oversight responsibility for related party transactions. The Committee comprises of three Independent Non-Executive Directors. Its functions comply with the requirements of Section 9 of the Listing Rules of the CSE and LKAS 24 and its written Terms of Reference as set out in the Report of the Committee on page 130.

Internet of things and Cybersecurity

The Board has identified the need for management of IT and Cyber risk, and is initiating action towards this endeavour.

ESG Reporting

The following reports address the requirements of the Code:

Principle as per Code	Reference
Principle 1 – Reporting of Economic Sustainability	Financial Capital – page 86
Principle 2 – Reporting on Environment	Natural Capital – page 114
Principle 3 – Reporting on Labour Practices	Human Capital – page 93
Principle 4 – Reporting on Society	Social and Relationship Capital – page 107
Principle 5 – Reporting on Product Responsibility	Intellectual Capital – page 103
Principle 6 – Reporting on Stakeholder identification, engagement and effective communication	Stakeholder Engagement – page 26
Principle 7 – Sustainable reporting to be formalised as part of the reporting process and to take place regularly	Welcome to our integrated Annual Report – page 3

Improving governance

Vallibel One is keen to improve its governance processes and mechanisms and commenced its journey to comply with the Code of Best Practice on Corporate Governance during the current financial year. The Board is committed to driving improvement in its governance processes and expect to make significant progress in the year that has commenced.

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 2019, 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 9 June 2010 under the Companies Act No. 07 of 2007.

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

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

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 to the Financial Statements on page 150.

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

Review of business

Review of operations

The Chairman's Message on pages 18 and 19 CEO's Review on pages 20 and 21 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 39 to the Financial Statements on pages 232 and 233.

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 138 and 139.

Accounting policies and changes during the year

The accounting policies adopted in the preparation of the Financial Statements are given on pages 152 to 176 Except as stated in Note 3 to the Financial Statements there were no significant changes to the accounting policies used by the Company and the subsidiaries during the year under review vis-à-vis those used in the previous year.

Directors' responsibility 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 Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 141 to 149 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 131.

Net revenue

The net revenue of the Group during the year under review was LKR 66.6 Bn. (LKR 60.9 Bn. in the year 2017/18).

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 LKR 10.5 Bn. and LKR 0.5 Bn. respectively in the year under review [LKR 10.7 Bn. and LKR 1.2 Bn. respectively in 2017/18].

The net profit after tax of the Group and the Company amounted to LKR 6.7 Bn. and LKR 0.47 Bn. respectively in the year under review (LKR 6.7 Bn. and LKR 1.1 Bn. respectively in 2016/17).

Details of appropriations are given in the Statement of Changes in Equity on pages 145 to 147.

Dividends on ordinary shares

In view of the significant investment made/ to be made in the Hotel Project undertaken by Greener Water Limited and the financing arrangements in respect of the investment made in the Rights Issue of Sampath Bank PLC, the Directors do not recommend the payment of a dividend for the year under review.

Reserves

A summary of the Group's reserves is given in Note 24 to the Financial Statements on page 27.

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 14 of Financial Statements on pages 193, 194, 195 and 196, 192 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 10, 11 and 4 on pages 188, 189 and 177 respectively.

Stated capital

The Stated Capital of the Company as at 31 March 2019 was LKR 27,163,983,720.00 represented by 1,086,559,353 ordinary shares. There were no changes in the Stated Capital of the Company during the year.

Share information

Distribution schedule of shareholdings

Information on the distribution of shareholding and the respective percentages and analysis of shareholders are given on page 250 to 257 under shareholders' information.

Earnings, dividends, net assets and market value of shares

Information relating to earnings, dividend, net assets and market value per share are given on page 254.

Major shareholders

Information on the twenty largest shareholders of the Company is given on page 257 under shareholder information.

Public holding

Information on public holding in terms of the Listing Rules is given on page 256 under shareholder information.

Information on the Directors of the Company and the Group

Directors of the Company as at 31 March 2019

The Board of Directors of the Company as at 31 March 2019 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 pages 22 and 23.

Names of the Directors who held office during the year and as at 31 March 2019 as required by Section 168 (1) (h) of the Companies Act are given below:

Name of Director	Executive	Non-executive	Independent Non-executive
Mr Dhammika Perera (Chairman/Managing Director)	✓		
Mr S H Amarasekera			✓
Mr J A S S Adhihetty		✓	
Mrs K 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 31 March 2019

Names of the Directors of the subsidiaries and the associate company are given on pages 256 to 263.

Recommendation for re-election of Directors who retire by rotation

Mr J A S S Adhihetty 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.

Appointment of Directors who are over 70 years of age

Mr R N Asirwatham who is 76 years of age and vacates office on completion of one year from the date of the last Annual General Meeting is recommended by the Board, for appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Board meetings

Four (4) Board Meetings of the Company were held during the year under review and the Directors' attendance at those Meetings is set out on page 123.

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 pages 122 and 123 and as required by the Listing Rules, the Reports of the Audit Committee and the Related Party Transactions Review Committee are on pages 132 and 130 respectively, whilst the remuneration policy is on page 123.

In line with the best practices on Corporate Governance, a Nomination Committee was formed by the Board at its meeting held on 13 February 2019.

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 transactions during the Financial Year ended 31 March 2019.

Directors' interests in shares

The information pertaining to the Directors' Shareholding in the Company is given on page 256.

Directors' Remuneration

The Directors' remuneration is disclosed under Key Management Personnel Compensation in Note 36 to the Financial Statements on page 228.

Directors interests in contracts or proposed contracts and Interests Register

Directors interests in contracts

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

Material foreseeable risk factors

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

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

Risk Management disclosures are set out in Note 45 on page 241 to 252.

Donations

The Company did not make any donations, during the year under review. The donations made by subsidiary companies during the year amounted to LKR 8,100,00 and USD 191.60.

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 LKR 1,710,616. is payable by the Company to the Auditors for the year under review comprising LKR 242,500. as audit fees and LKR 1,408,116 for other services.

The retiring Auditors have expressed willingness to continue in office. A resolution to reappoint the Auditors 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 36 to the Financial Statements on page 227.

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 31 March 2019 are given in Note 40 to the Financial Statements on page 235.

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 41 to the Financial Statements on page 236.

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 5 July 2019 at 9.30am at The Kingsbury, Janadhipathi Mawatha, Colombo 01.

The Notice of the Annual General Meeting appears on page 267.

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 6 June 2019.

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

6 June 2019
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 12 February 2016 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

Composition of the Committee

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

Mr S H Amarasekera	–	Independent Non-Executive Director (Chairman)
Mrs K Fernando	–	Independent Non-Executive Director
Mr R N Asirwatham	–	Independent Non-Executive Director

Policies and procedures

- The Charter of the Committee was adopted by the Board on 12 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 two non-recurrent RPTs which were reviewed and recommended by the Committee and approved by the Board. 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.

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 were below the threshold for immediate market announcement or disclosure in the Annual Report as per the Listing Rules.

Meetings

The Committee met four times during the financial year under review and attendance of the members is as follows:

Name of Director	Attendance
Mr S H Amarasekera	4/4
Mrs K Fernando	3/4
Mr R N Asirwatham	4/4

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 237 of the Annual Report.

S H Amarasekera
Chairman
Related Party Transactions Review Committee

6 June 2019

Directors' Responsibility for Financial Reporting

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

The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors given on page 138 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. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company 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 account 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 are 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 132.

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 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

6 June 2019

Audit Committee Report

Composition of the Audit Committee

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

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

The Chairman of the Committee Mr R N Asirwatham is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka. Brief profiles of each member are given on page 23 of this report.

Company Secretary acts as the Secretary to the Audit Committee.

The Chief Executive Officer and Manager – Finance attend the meetings by invitation.

Meetings

Four meetings of the Committee were held during the year. The attendance of the members at these meetings is as follows:

Name of Director	Attendance
Mr R N Asirwatham	4/4
Mr S H Amarasekera	4/4
Mrs K Fernando	3/4

Role of the Committee

The Committee has a written Terms of Reference, which clearly defines the oversight role and responsibility of the Audit Committee as given below:

1. The integrity of the Financial Statements in accordance with Sri Lanka Accounting Standards.
2. The Company's compliance with legal and regulatory requirements.
3. Ensuring the External Auditor's independence
4. The performance of the Company's internal audit functions in order to ensure that the Company's internal controls and risk management are adequate.

Financial reporting

The Committee reviewed and discussed the un-audited Interim Financial Statements and the Financial Statements for the year with the management and the External Auditors ensuring that the Company's financial reporting gives a true and fair view in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 prior to the recommendation of same to the Board.

External Auditors

The Committee meets the External Auditors at least once a year to review their findings, issues raised, as well as the effectiveness of the internal controls in place.

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

The Audit Committee having evaluated the performance of the External Auditors, has decided to recommend to the Directors the re-appointment of Messrs Ernst & Young, Chartered Accountants for the financial year ending 31 March 2020 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Conclusion

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position and the results disclosed in the Audited Accounts are free from any material mis-statements.

R N Asirwatham
Chairman
Audit Committee

6 June 2019

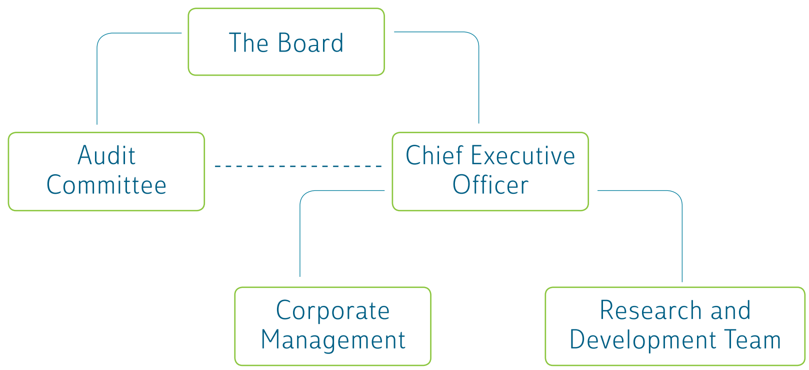
Risk Management

Risk governance

Responsibility for managing risk relating to the operations of Vallibel One PLC lies with the Board. They are assisted in this regard by the Audit Committee who have oversight responsibility for the same. The Research and Development team also plays a role in risk management as they seek to enhance the value in the subsidiaries through process and product improvements while also researching opportunities and risks within the industry sectors.

As a conglomerate, significant risks to Vallibel One's operations arise from its investee entities. Large SBU's within the Group have their own internal audit functions which report to the respective Audit Committees. LB Finance has its own Internal Audit, Compliance and Risk Management divisions supporting risk management in line with regulatory requirements. There are multiple communications channels for escalating risks to the Audit Committee and Board of Vallibel One through the risk governance structure set out below as the Research and Development team and the CEO regularly review the risk profiles of the subsidiaries.

Additionally, Directors of Vallibel One also serve on the Boards of subsidiaries and collectively have knowledge of the entire Group's operations, enabling them to assess Group risk. This report sets out the risks impacting the Group according to the sectors, reflecting Group management of the same.



Risk	Potential impact and developments in 2018/19	Mitigating activities
Lifestyle		
Political and policy uncertainty	• Introduction and implementation of new government policies and custom duties affecting mining and cost of production.	• Engaged with Government Chambers and panels to provide industry recommendations. • Staying up to date with regards to information on policy changes which are communicated by Chamber of Commerce.
Increased costs of key inputs	• Energy costs and imported raw material costs increased significantly during the year impacted by volatility in global markets and a depreciating rupee. As our revenues are derived mainly from the local market which remained subdued during the reporting year, we were unable to pass through increasing costs resulting in significant pressure on margins. • The industry also witnessed a declining supply of kaolin, ball clay, feldspar, silica quartz and dolomite which also exerted upward pressure on costs.	• Total Productive Management (TPM) was implemented during the year to reduce the cost, streamline processes and to create a platform for continuous corporate and individual performance improvement.
Subdued demand in domestic market	• Subdued economic growth, high interest rates and increasing construction costs combined to depress demand for tiles in the local market.	• Enhance overall supply chain management to provide a comprehensive value added solutions to the local customers. • Assignment of Biannual targets to the sales force and rewarding the achievers. • Review opportunities to increase exports to existing markets. • Explore opportunities to enter into new export markets.

Risk	Potential impact and developments in 2018/19	Mitigating activities
Fast paced changes in design trends	• Interior design trends drive demand necessitating an ever-widening portfolio of sizes, shapes, colours and textures at varying price points coupled with accessories.	• Modifying manufacturing facilities to produce larger sizes to cater to current design trends. • Launch of digital platforms to inspire/design such as the Virtual Design Hub by Rocell and the Lankatiles app driving demand.
Data protection and cybersecurity	• The risk of loss of data or information due to system failures. • Threat of cyber-attacks and IT security risks. • Threat of continuous changes in the information technology sector.	• Maintain up to date IT systems. • Working on compliance to ISO standards in information technology. • Training on existing and latest suited technologies. • Improvement of existing IT security infrastructure. • Strong processes to maintain backup storage.
Finance		
Credit risk	• Risk of default arising from borrowers' inability or unwillingness to settle capital and/or interest on borrowings in accordance with agreed terms and conditions. • Implementation of SLFRS 9 based on Expected Loss model necessitated increased impairment charges. • Impairment charges increased by 48% during the year reflecting both changes due to changes in basis of computation and elevated levels of credit risk stemming from subdued economic growth and uncertainty.	• Processes have been established to identify, measure, monitor and manage credit risk throughout the lifecycle of the loan both on an individual basis and a portfolio basis. These cover management of various components of credit risk including default risk, counterparty risk, concentration risk and recovery risk.
Market risk	• Movements in market factors including interest rates impact profitability as asset and liability portfolios and most transactions involve at least one element of market risk. • Foreign exchange rates impact the prices of motor vehicles negatively impacting demand for leasing facilities. Foreign exchange rates declined sharply by 16% in 2018 due to global and local factors.	• Market risk is managed adhering to the risk appetite of the group. • All key market risks are subjected to factor sensitivity analysis to measure the impact on the earning • Exposures are managed carefully to limit the impact on earnings at desired levels.
Liquidity risk	• Liquidity risk is the risk that the entity may be unable to meet its short term financial obligations. It arises from the possibility that counterparties who provide short-term funding, may withdraw or fail to roll over that funding, or normally liquid assets become illiquid as a result of a disruption in asset markets.	• Maintain a sufficient buffer of liquid assets. • Contingency funding arrangements have been established.
Operational risk	• Operational risk is the risk of loss resulting from inadequate internal controls or failed internal processes, people and systems, or from external events.	• Processes have been established to segregate well defined responsibilities for employees covering all operational aspects of the businesses.

Risk Management

Risk	Potential impact and developments in 2018/19	Mitigating activities
Cyber risk and IT Security	• Cyber risks and IT security continues to evolve at a rapid pace due to enhanced connectivity and advancement of technology. • Threat of scams and frauds.	• A robust system architecture with adequate firewalls is in place. • Comprehensive IT policy framework implemented to safeguard information assets. • Systems users are educated on the need for sound IT security practices. • Implementation of disaster recovery with latest technologies to support business continuity. • Strong processes to maintain backup storage. • Enhancing the IT security system and implementation of new firewall system to support branch network.
Aluminium		
Intense competition	• Contraction of construction sector coupled with increased capacity of major Aluminium manufacturers in the country has intensified competition between manufacturers and importers	• Expansion of distribution channels • Expansion of product portfolio, adding tile accessories, pre finished doors and windows etc. to the core product of Aluminium profiles.
Plantations		
Political and Policy Uncertainty	• Changes in laws and regulations (such as the ban of weedicides and other chemicals).	• Continuing representations through industry associations and chambers.
Impact of climate changes	• Changes in rainfall pattern and ambient temperature. • Water scarcity due to climate change and high consumption by the estate community. • Depletion of soil organic matter and nutrients.	• Voluntary compliance with international benchmarks such as Rainforest Alliance and RSPO certifications. • Crop diversification to plants that are more resilient to weather patterns. • Targeted application of fertilizer/plant nutrients to replace nutrients in soil.
Emissions, Effluents and Waste Management	• Emissions and waste are inevitable in manufacturing operations while effluents are negligible in Tea and Rubber manufacturing processes.	• Safe disposal of waste.
Employee Relations	• Plantation industry experiences a shortage of labour as a more educated youth migrate to cities and towns. • Politically aligned trade unions play an active role in determining wages which resulted in a significant wage increase during the year. • Wage structure is not aligned to worker productivity and market conditions as the most recent wage negotiations resulted in removal of all productivity incentives.	• The Company considers employee management is vital for business continuity and provide continuous training, motivation and empowerment. • Collective agreement is signed between trade union and Employers' Federation of Ceylon, which our Company is a member.

Risk	Potential impact and developments in 2018/19	Mitigating activities
Leisure		
Competitive risk	• There has been a sharp increase in the supply of hotel rooms due to completion of new projects leading to intense price competition in the industry.	• Differentiate offering through service excellence. • Monitor guest ratings on social media to address concerns. • Promotions at tour and travel exhibitions and online.
Political uncertainty	• Despite extremely favourable ratings by prestigious and influential travel magazines, tourist bookings were cancelled post constitutional/political crisis October – December 2018 and post-balance sheet events of April 2019.	• Work together with industry and the regulator to restore normalcy to market and change tourist perceptions. • Aggressive promotions.
Operational risk	• Operational risk is the risk of loss resulting from inadequate internal controls or failure of internal processes, people and systems, or from external events.	• Establishing a comprehensive system of internal controls • Regular review of effectiveness of internal controls by internal audit
Reputation risk	• Reputation risk arising from third party operators of spa, retail outlets and other services provided to guests.	• Careful screening and selection process for third parties located on premises and specification of terms and condition to operate in premises.
Consumer		
Market risk	• Competition through new entrants and increase in existing competition. • Changes in customer preference. • Political and environmental changes.	• Continuous research and development activities. • Continuous innovations and new product developments. • Monitor market data and statistics.
Brand image and reputational risk	• Risk that the Group may incur losses due to damage to our credibility or the value.	• Continuous monitoring of customer feedback and suggestions. • Maintaining ethical standards throughout in all business activities.
Quality risk	• Potential quality failures in products and services	• Stringent quality control measures at procurement and point of receiving.
Others		
Macroeconomic impacts	• Subdued economic growth resulting in moderating demand for construction industry inputs and packaging.	• Client acquisition, retention and relationship growth. • Streamline production processes to eliminate unnecessary costs.
Raw material price volatility	• Increase in world paper prices due to regulatory and consumer driven changes from plastic packaging to paper based alternatives and increased e-commerce.	• Review of supply chains to optimize input cost structures. • Agile purchasing strategies to identify and maximise potential pricing advantages in procurement of raw materials.
Market risks	• Growing competition. (e.g.: imported ceramic raw materials) • Changes in customer needs.	• Continuous research and development of customer preferences. • Formulating products with competitive advantages. • Providing customers with total solutions.

Financial Reports

Financial Calendar

Interim Financial Statements – 2018/19 1st Quarter	13 August 2018
Interim Financial Statements – 2018/19 2nd Quarter	15 November 2018
Interim Financial Statements – 2018/19 3rd Quarter	15 Feb 2019
Interim Financial Statements – 2018/19 4th Quarter	31 May 2019
Annual Report 2018/19	6 June 2019
9th Annual General Meeting	5 July 2019

Independent Auditors' Report

EY
Building a better working world

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TO THE SHAREHOLDERS OF VALLIBEL ONE PLC

Report on the audit of the 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 31 March 2019, 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 31 March 2019, 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 matter
Impairment allowance for loans and receivables and lease rentals receivable and stock out on hire including Group's transition to SLFRS 9: We considered the impairment allowance for loans and receivables and lease rentals receivable and stock out on hire as a key audit matter. Significant judgements and assumptions were used by the management to determine the impairment allowance and complex calculations were involved in its estimation. The higher level of estimation uncertainty involved, materiality of the amounts reported in the Group's Financial Statements, and impact of transition to Sri Lanka Financial Reporting Standard 9: Financial Instruments (SLFRS 9) underpinned our basis for considering it as a Key Audit Matter. Loans and receivables and lease rentals receivable and stock out on hire amounted to LKR 47,773,705 (LKR '000) and LKR 66,050,429 (LKR '000) after deducting an impairment allowance of LKR 1,325,326 (LKR '000) and 2,425,788 (LKR '000) respectively. The Note 3.4.1 (xii) of the Financial Statements describes the basis of impairment allowance and assumptions used by the management in its calculation. The impact on transition to SLFRS 9 on the Group's Financial Statements has been quantified and presented in Note 3 1 (b) of the Financial Statements.	We designed our audit procedures to obtain sufficient appropriate audit evidence on the reasonableness of the impairment allowance; these included the following procedures: • Focusing on the oversight, review and approval of impairment policies by the board audit committee and management, we evaluated the design effectiveness of controls over impairment allowance, in the light of the requirements in SLFRS 9. • We understood and evaluated the model used to calculate impairment allowance to assess its appropriateness. • We assessed the completeness and relevance of the underlying information used in the impairment calculations by agreeing details to source documents and information in IT systems; underlying calculations were also re-checked. • We also considered reasonableness of macro-economic factors used, by comparing them with publicly available data and information sources. • By using a set of procedures similar to those enumerated above, we validated the quantitative impact of transition. • We assessed the adequacy of the related Financial Statement disclosures as set out in Note(s) 3.1(b), 5 and 6 of the Financial Statements.

Key audit matter	How our audit addressed the matter
Valuation of inventories	
Inventories amount to LKR 15,674,464 (LKR '000) as at the reporting date, being 7% of the Total Assets of the Group. The Group has applied judgement in the determination of inventories that are slow moving or obsolete also considering the age of inventories. Judgement has also been applied by management in determining the Net Realisable Value (NRV). The estimates and judgements applied in the determination of NRV are influenced by expectations of sales relating to identified goods and historically realised sales prices. The significance of the balance coupled with the judgement involved has resulted in the valuation of inventories being identified as a key audit matter. To validate the valuation of inventories, we;	To validate the valuation of inventories, we: – assessed the appropriateness of the impairment recognised by the Group, checking inventory ageing reports to determine whether management has appropriately considered slow moving and non-moving inventories and – Checked the appropriateness of the net realisable value, performing tests on sales prices secured by the Group for similar or comparable items of inventories. We also assessed the adequacy of disclosures made in relation to the valuation of inventories in Note 13 to the Financial Statements.
Impairment of goodwill	
The Group's Statement of Financial Position includes an amount of LKR 12,183,553 (LKR '000) relating to goodwill acquired on consolidations. Goodwill has been allocated to Cash Generating Units (CGUs) which are tested annually for impairment using discounted cash-flow models of each Cash Generating Unit's (CGU) recoverable value compared to the carrying value of the assets. A deficit between the recoverable value and the CGUs net assets would result in impairment. The annual impairment test was significant to our audit because the balance is material to the Financial Statements. In addition, management's assessment process is complex and highly judgemental and is based on assumptions relating to expected sales growth, profit margin and working capital cash flows which are affected by expected future market and/or economic conditions.	Our procedures included, among others, using our internal specialised resources to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth, profit margins and working capital cash flows of the separate CGUs of the Group. We also focused on the adequacy of the disclosure about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of Goodwill. We also assessed the adequacy of disclosures made in the Financial Statements of the Group in Note 14.

Other information included in the 2018/19 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

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 scepticism 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 1697.

Ernst and Young
Chartered Accountants

6 June 2019
Colombo

Statement of Financial Position

As at 31 March	Notes	Company 2019 LKR '000	Company 2018 LKR '000	Group 2019 LKR '000	Group 2018 LKR '000
ASSETS					
Cash and cash equivalent	29	13,662	9,838	5,238,208	7,384,584
Financial assets measured at fair value through profit or loss	4.2	36,426	65,046	72,557	118,234
Loans and receivable	5	–	–	47,773,705	39,894,276
Lease rentals receivables and stock out on hire	6	–	–	66,050,429	62,489,686
Equity instruments measured at fair value through OCI	4.1	7,564,746	11,618,686	7,612,690	11,694,856
Other financial assets	7	–	718,943	11,070,794	7,918,184
Trade and other debtors and deposits	8	201,271	60,507	7,345,669	6,843,603
Contract asset	23.3	–	–	67,190	–
Other non-financial assets	9	2,671	6,545	2,196,026	1,892,176
Investments in subsidiaries	10	20,230,723	19,318,390	–	–
Investment in associate	11	405,891	405,891	640,394	618,392
Amount due from related parties		94,490	215,625	–	–
Deferred tax assets	12	–	–	108,344	14,686
Income tax recoverable		–	4,219	202,038	136,764
Inventories	13	–	–	15,674,646	12,552,520
Leasehold rights over mining lands	17	–	–	4,238	6,536
Intangible assets	14	–	–	12,921,477	12,983,839
Consumable biological assets	16.2	–	–	585,918	536,575
Bearer biological assets	16.1	–	–	2,206,929	2,176,052
Investment property	18	–	–	1,725,250	1,287,007
Property, plant and equipment	15	47,595	29,219	43,427,643	37,479,885
Assets held for sale	38	–	–	63,520	145,007
Total assets		28,597,475	32,452,909	224,987,665	206,172,862
LIABILITIES					
Due to banks	19	298,417	63,243	29,544,912	25,693,372
Due to customers	20	–	–	83,242,617	72,946,011
Interest-bearing loans and borrowings	21	500,000	1,000,000	22,626,965	22,601,388
Trade and other payables	22	5,565	6,007	7,819,647	7,581,571
Other non-financial liabilities	23	–	–	895,158	853,165
Contract liabilities	23.2	–	–	588,028	–
Dividend payable	24	7,325	9,456	234,721	208,563
Employee benefit liabilities	25	8,473	5,976	1,648,314	1,478,706
Income tax liabilities		5,667	17,198	1,461,264	937,287
Deferred tax liabilities	12	289	1,280	5,413,939	5,391,524
Liabilities directly associated with the assets classified as held for sale	38	–	–	18,692	18,822
Total liabilities		825,736	1,103,160	153,494,257	137,710,409

Statement of Financial Position

As at 31 March	Notes	Company 2019 LKR '000	Company 2018 LKR '000	Group 2019 LKR '000	Group 2018 LKR '000
Shareholders' funds					
Equity attributable to equity holders of the parent					
Stated capital	26	**27,163,984**	27,163,984	**27,163,984**	27,163,984
Retained earnings		**2,545,886**	2,070,430	**13,991,027**	11,132,043
Other components of equity	27	**(1,938,131)**	2,115,335	**7,183,758**	9,594,887
		27,771,739	31,349,749	**48,338,769**	47,890,914
Non-controlling interest		**–**	–	**23,154,639**	20,571,539
Total equity		**27,771,739**	31,349,749	**71,493,408**	68,462,453
Total equity and liabilities		**28,597,475**	32,452,909	**224,987,665**	206,172,862

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 150 through 252 form an integral part of these Financial Statements.

6 June 2019
Colombo

Statement of Profit or Loss

For the year ended 31 March	Notes	Company 2019 LKR '000	Company 2018 LKR '000	Group 2019 LKR '000	Group 2018 LKR '000
Revenue from contracts with customers		–	–	39,270,169	36,068,674
Interest income		–	–	27,420,842	24,900,188
Total revenue	30	–	–	66,691,011	60,968,862
Cost of sales		–	–	(38,444,089)	(34,808,482)
Gross profit		–	–	28,246,922	26,160,380
Dividend income	31	571,441	1,221,112	187,476	18,431
Other operating income	32	267,296	157,614	958,498	575,007
Administrative expenses		(233,457)	(183,596)	(7,507,349)	(6,778,851)
Distribution expenses		–	–	(5,732,607)	(5,365,406)
Other operating expenses		(28,620)	(167)	(1,162,742)	(883,191)
Gold loan auction losses		–	–	(1,043)	(2,995)
Result from operating activities	36	576,660	1,194,962	14,989,155	13,723,375
Finance cost	33	(111,383)	(2,183)	(2,603,197)	(1,915,045)
Finance income	34	38,389	165,026	127,108	381,975
Net finance income/(cost)		(72,994)	162,843	(2,476,089)	(1,533,070)
Share of results of equity accounted investees	11	–	–	44,667	30,553
Reclassification of the loss recognised in OCI through retained earnings		–	(147,164)	–	(147,164)
Operating profit before value added tax		503,666	1,210,641	12,557,733	12,073,694
Tax on financial services	35.2	–	–	(2,015,619)	(1,336,693)
Profit before tax		503,666	1,210,641	10,542,114	10,737,001
Income tax expense	35	(27,861)	(55,792)	(3,799,818)	(3,926,815)
Profit for the year from continuing operations		475,805	1,154,849	6,742,296	6,810,187
Discontinued operation					
Loss after tax for the year from discontinued operations	38	–	–	(8,387)	(40,673)
Profit for the year		475,805	1,154,849	6,733,908	6,769,514
Attributable to:					
Equity holders of the parent		475,805	1,154,849	4,041,612	3,609,109
Non-controlling interests		–	–	2,692,296	3,160,404
		475,805	1,154,849	6,733,908	6,769,514
Earnings per share	37	0.44	1.06	3.72	3.32

The Accounting Policies and Notes on pages 150 through 252 form an integral part of these Financial Statements.

Statement of Comprehensive Income

	Company		Group	
For the year ended 31 March	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Profit for the year	**475,805**	1,154,849	**6,733,908**	6,769,514
Other comprehensive income				
Other comprehensive income to be reclassified to income statement in subsequent periods				
Reclassification of the gain/loss recognised in OCI through retained earnings	**–**	147,164	**–**	147,164
Net gain/(loss) on available-for-sale financial assets	**–**	1,567,953	**–**	1,575,587
Exchange difference on translation of foreign operations	**–**	–	**21,042**	8,454
Other comprehensive income not to be reclassified to income statement in subsequent periods				
Net gain/(loss) on equity instruments measured at fair value through OCI	**(4,053,466)**	–	**(4,081,901)**	–
Revaluation of land and building – Net of tax	**–**	–	**1,048,121**	1,564,625
Acturial gain/(loss) on retirement benefit obligation – Net of tax	**(349)**	(425)	**(36,405)**	(118,031)
Other comprehensive income for the year, net of tax	**(4,053,815)**	2,869,540	**(3,049,144)**	3,177,799
Total comprehensive income for the year, net of tax	**(3,578,011)**	2,869,540	**3,684,765**	9,947,313
Total comprehensive income attributable to:				
Equity holders of the parent	**(3,578,011)**	2,869,540	**601,843**	6,919,351
Non-controlling interests	**–**	–	**3,082,922**	3,027,961
	(3,578,011)	2,869,540	**3,684,765**	9,947,313

The Accounting Policies and Notes on pages 150 through 252 form an integral part of these Financial Statements.

Statement of Changes in Equity

Company

For the year ended 31 March	Stated capital LKR '000	Other component of equity Available-for-sale reserve LKR '000	Retained earnings LKR '000	Total equity LKR '000
Balance as at 31 March 2017	27,163,984	400,218	1,459,286	29,023,488
Profit for the year			1,154,849	1,154,849
Other comprehensive income				
Reclassification of the gain/loss recognised in OCI by the investment in associate to retained earnings	–	147,164	–	147,164
Revaluation				–
Net gain/(loss) on available for sale	–	1,567,953	–	1,567,953
Actuarial gain or loss	–	–	(425)	(425)
Total other comprehensive income	–	1,715,117	(425)	1,714,691
Dividend paid	–	–	(543,280)	(543,280)
Balance as at 31 March 2018	27,163,984	2,115,335	2,070,430	31,349,749
Profit for the year	–	–	475,805	475,805
Other comprehensive income				
Net gain/(loss) on equity instruments measured at FVOCI	–	(4,053,466)	–	(4,053,466)
Actuarial gain or loss	–	–	(349)	(349)
Total other comprehensive income	–	(4,053,466)	(349)	(4,053,815)
Balance as at 31 March 2019	27,163,984	(1,938,131)	2,545,886	27,771,738

The Accounting Policies and Notes on pages 150 through 252 form an integral part of these Financial Statements.

Statement of Changes in Equity

Group

For the year ended 31 March			Statutory	Other component of equity		
	Stated capital	Treasury shares	Reserve fund	Fair value reserve	Foreign currency translation reserve	Revaluation reserve
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 31 March 2017	27,163,984	(44,112)	2,216,947	414,490	1,798	2,196,687
Profit for the year	–	–	–	–	–	–
Other comprehensive income						
Reclassification of the gain/loss recognised in OCI by the investment in associate to retained earnings	–	–	–	147,164	–	–
Revaluation	–	–	–	–	–	1,655,027
Exchange difference on translation of foreign operations	–	–	–	–	5,275	–
Net gain/(loss) on available for sale	–	–	–	1,573,017	–	–
Actuarial gain or loss	–	–	–	–	–	–
Total other comprehensive income	–	–	–	1,720,181	5,275	1,655,027
Dividend write back of unclaimed dividend	–	–	–	–	–	–
Transfer	–	–	850,144	–	–	–
Share issue – Minority interest	–	–	–	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	–
Balance as at 31 March 2018	27,163,984	(44,112)	3,067,091	2,134,671	7,073	3,851,714
Impact of adopting SLFRS 09	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–
Other comprehensive income						
Transfer from revaluation reserve on disposal of land	–	–	–	–	–	(1,180)
Revaluation (net of tax)	–	–	–	–	–	638,054
Exchange difference on translation of foreign operations	–	–	–	–	13,394	–
Net gain/(loss) on equity instruments measured at FVOCI	–	–	–	(4,072,329)	–	–
Actuarial gain or loss (net of taxes)	–	–	–	–	–	–
Total other comprehensive income	–	–	–	(4,072,329)	13,394	636,874
Dividend write back of unclaimed dividend	–	–	–	–	–	–
Transfer	–	–	1,010,932	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	–
Balance as at 31 March 2019	27,163,984	(44,112)	4,078,023	(1,937,658)	20,468	4,488,588

The Accounting Policies and Notes on pages 150 through 252 form an integral part of these Financial Statements.

Statement of Changes in Equity

General reserve LKR '000	Retained earnings LKR '000	Shareholders' funds LKR '000	Non-controlling interest LKR '000	Total equity LKR '000
578,449	9,053,329	41,581,572	18,930,698	60,512,271
–	3,609,109	3,609,109	3,160,404	6,769,514
–	–	147,164	–	147,164
–	–	1,655,027	(90,401)	1,564,625
–	–	5,275	3,178	8,454
–	–	1,573,017	2,570	1,575,587
–	(70,242)	(70,242)	(47,790)	(118,032)
–	(70,242)	3,310,242	(132,443)	3,177,798
–	4,231	4,231	3,621	7,852
–	(850,144)	–	–	–
–	–	–	5,996	5,996
–	(71,422)	(71,422)	(219,616)	(291,038)
–	(542,819)	(542,819)	(1,177,121)	(1,719,940)
578,449	11,132,043	47,890,914	20,571,539	68,462,453
–	(198,374)	(198,374)	(100,652)	(299,026)
–	4,041,612	4,041,612	2,692,296	6,733,908
				–
–	1,180	–	–	–
–	–	638,054	410,067	1,048,121
–	–	13,394	7,647	21,042
–	–	(4,072,329)	(9,571)	(4,081,901)
–	(18,889)	(18,889)	(17,517)	(36,405)
–	(17,709)	(3,439,770)	390,626	(3,049,144)
–	12,298	12,298	4,343	16,641
–	(1,010,932)	–	–	–
–	32,088	32,088	(35,523)	(3,435)
–	–	–	(367,991)	(367,991)
578,449	13,991,027	48,338,769	23,154,639	71,493,408

Statement of Cash Flows

As at 31 March	Notes	Company 2019 LKR '000	Company 2018 LKR '000	Group 2019 LKR '000	Group 2018 LKR '000
Cash flows from operating activities					
Net profit/(loss) before taxation		**503,666**	1,210,641	**10,542,113**	10,737,002
Loss from discontinued operation	38	**–**	–	**(8,387)**	(40,673)
Adjustments for					
Profit/(loss) on sale of property, plant and equipment	32	**(2,890)**	167	**14,215**	(17,677)
Depreciation	15	**12,116**	10,228	**2,026,033**	1,820,216
Change in fair value of available for sale assets		**–**	–	**–**	(5,396)
Provision/(reversal) for change in market value of the investments FVTPL assets		**28,620**	(5,368)	**45,709**	(10,672)
Change in fair value of biological assets	16	**–**	–	**(22,386)**	(44,995)
Change in fair value of investment property	18	**–**	–	**(436,476)**	(121,600)
Change in fair value of FVTPL assets		**–**	–	–	(12,041)
Impairment of loans	5/6	**–**	–	**883,326**	341,655
Impairment of goodwill		**–**	–	**–**	2,387
Allowance for impairment losses	8	**–**	–	**22,272**	195,831
Amortisation intangible assets	14	**–**	–	**84,521**	86,216
Amortisation of biological assets	16	**–**	–	**112,223**	138,030
Amortisation of leasehold assets	15	**–**	–	**3,867**	3,837
Amortisation of JEDB	15	**–**	–	**7,179**	7,715
Capital grant amortisation	23	**–**	–	**(13,179)**	(2,407)
Lease hold right amortisation	17	**–**	–	**2,298**	3,130
Share of results of equity accounted investees	11	**–**	–	**(44,667)**	(30,553)
Net adjustments in investment in associates due to the reclassification		**–**	147,164	**–**	147,164
Gain/(loss) on foreign exchange		**–**	(85)	**15,993**	(47,621)
Profit/(loss) on disposal of investment		**–**	–	**–**	(1,453)
Provision for impairment of financial assets		**–**	–	**–**	3,362
Provision for employee benefit liabilities	25	**2,032**	1,576	**274,236**	265,274
Provision for inventory	13	**–**	–	**75,776**	63,703
Dividend income	31	**–**	–	**(187,476)**	(18,431)
Finance cost	33	**111,383**	2,183	**2,603,197**	1,915,045
Finance income	34	**(38,389)**	(159,573)	**(127,108)**	(324,912)
Operating profit/(loss) before working capital changes		**616,538**	1,206,933	**15,873,280**	15,052,135
(Increase)/decrease in loans and advances		**–**	150,000	**(8,039,073)**	(6,255,497)
(Increase)/decrease in trade and other debtors, deposits and prepayments		**(178,736)**	119,680	**(524,338)**	(391,433)
(Increase)/decrease in other financial assets		**718,943**	681,819	**(3,152,610)**	467,898
(Increase)/decrease in lease rental receivable		**–**	–	**(3,985,397)**	(7,026,129)
(Increase)/decrease in other non-financial assets		**3,874**	–	**(371,040)**	(595,350)
Increase/(decrease) in due to banks		**–**	–	**2,012,463**	(1,190,197)

Statement of Cash Flows

As at 31 March	Notes	Company 2019 LKR '000	Company 2018 LKR '000	Group 2019 LKR '000	Group 2018 LKR '000
Increase/(decrease) in due to customers		–	–	10,296,605	12,544,056
Increase/(decrease) in trade and other payables		(861)	(2,379)	238,076	434,749
(Increase)/decrease in other non-financial liabilities		–	–	640,826	49,699
(Increase)/decrease in inventories		–	–	(3,197,902)	(2,584,439)
Increase/(decrease) in asset held for sale		–	–	81,356	(7,191)
(Increase)/decrease in amounts due from related companies		121,035	(154,213)	–	–
Cash generated from operations		1,280,793	2,001,840	9,872,246	10,498,301
Retirement benefits liabilities paid	25	–	–	(137,959)	(151,969)
Finance cost paid	33	(112,588)	(2,652)	(2,603,197)	(1,973,066)
Interest received	34	79,308	169,663	127,108	324,912
Taxes paid		(36,796)	(45,255)	(3,412,350)	(2,831,085)
Net cash from/(used in) operating activities		1,210,717	2,123,595	3,845,848	5,867,093
Cash flows from investing activities					
Purchase of property, plant and equipment	15	(30,493)	(2,482)	(7,598,724)	(5,601,076)
Proceeds from sale of property, plant and equipment		2,890	–	50,704	129,500
Increase the stake of subsidiaries		(912,334)	(515,500)	–	–
Purchase of intangible assets	14	–	–	(22,049)	(25,694)
Cost on biological assets	16	–	–	(170,057)	(241,550)
Purchase of investment property		–	–	(1,767)	–
Net change available for sale financial assets		–	(2,167,636)	–	(1,863,608)
Net change FVTPL assets		–	50,882	(33)	60,467
Proceeds from leasehold right on mining		–	–	–	6,414
Acquisition of non-controlling interest		–	–	(2,275)	(291,038)
Dividend received	31	–	–	187,476	18,431
Dividend income from associate	11	–	–	22,665	–
Net cash used in investing activities		(939,936)	(2,634,736)	(7,534,060)	(7,808,152)
Cash flows from financing activities					
Net change in interest-bearing loans and borrowings		(500,000)	600,000	25,577	5,419,646
Capital grant received	23	–	–	2,374	–
Dividend paid		(2,130)	(541,472)	(325,192)	(1,719,940)
Net cash from financing activities		(502,130)	58,528	(297,241)	3,699,706
Net increase/(decrease) in cash and cash equivalents		(231,350)	(452,613)	(3,985,453)	1,758,646
Cash and cash equivalents at the beginning of the period		(53,405)	399,208	3,243,892	1,485,247
Cash and cash equivalents at the end of the period	29	(284,754)	(53,405)	(741,560)	3,243,892

The accounting policies and Notes on pages 150 through 252 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Corporate information >>

(1.1) Reporting entity >>

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

(1.2) Principal activities and nature of operations >>

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

Vallibel One PLC >>

Group holding company manages a portfolio of diversified business holdings.

Royal Ceramics Lanka PLC Group >>

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

LB Finance PLC >>

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, microfinance and other credit facilities, real estate development and related services.

Greener Water Ltd. >>

Greener Water Ltd. is an intended hotel operator.

Delmage Ltd. Group (Formally 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 investment in Fortress Resorts PLC which is accounted as investment in associates.

(1.3) Parent entity and ultimate parent entity >>

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

(1.4) Consolidated financial statements >>

The Consolidated Financial Statements of Vallibel One PLC, as at and for the year ended 31 March 2019 encompass the Company, its Subsidiaries (together referred to as the "Group") and the Group's interest in Equity Accounted Investees (Associates).

(1.5) Approval for financial statements >>

The Consolidated Financial Statements of Vallibel One PLC and its subsidiaries for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Directors on 31 May 2019.

(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 (SLFRSs/LKAS) as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

(2.2) Basis of measurement >>

The Consolidated Financial Statements have been prepared on accrual basis and under the historical cost convention, except for land and buildings, derivative financial instruments, fair value through profit or loss financial assets and fair value through other comprehensive income financial assets.

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

The Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 43.

(2.3) 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.

(2.4) Functional and presentation currency >>

The Group'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. These Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency.

(2.5) Use of materiality, aggregation, offsetting and rounding >>

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

(2.6) Basis of consolidation >>

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 (Consolidated Financial Statements).

(2.7) Investment in subsidiaries >>

The Company recognises investment in subsidiary at cost.

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2019. 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 ownership of the subsidiary companies as at 31 March 2019 are as follows:

Company name	Year of incorporation	Effective percentage
Royal Ceramics Lanka PLC	1990/91	55.98
LB Finance PLC	1971/72	66.34
Greener Water Limited	2010/11	100.00
Delmege Limited	1915/16	62.75

The Group re-assesses 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 in 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.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of the subsidiary in the Group has a common financial year which ends on 31 March. The Financial Statements of the Company's subsidiary are prepared using consistent accounting policies.

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

There are no significant restrictions on the ability of the subsidiary to transfer funds to the Parent (the Company) in the form of cash dividend or repayment of loans and advances.

(2.8) Business combinations and goodwill >>

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

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

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

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

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

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

(2.9) 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.

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) Changes in accounting standards and standards issued but not yet effective >>

Changes in accounting standards >>

The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the preparation of the Group's Financial Statements for the year ended 31 March 2018, except for the adoption of new standards effective as of 1 April 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, SLFRS 15 – "Revenue from contracts with customers" and SLFRS 9 – "Financial Instruments", the nature and effect of the subsidiaries on the application of these changes are disclosed below:

(a) SLFRS 15 – "revenue from contracts with customers" >>

SLFRS 15 – "supersedes" LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 April 2018. The cumulative effect of initially applying SLFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under LKAS 18 and related Interpretations. The impact on the amount of revenue to be recognised on adoption of SLFRS 15 using the modified retrospective method is disclosed below. The adoption of SLFRS 15 did not have a significant impact other than disclosed below:

Statement of financial position – Group >>

As at 31 March 2019	Amount prepared under		
	SLFRS 15 LKR '000	Previous LKAS LKR '000	Increase/ (decrease) LKR '000
Inventories	15,674,646	15,741,836	(67,190)
Contract assets	67,190	–	67,190
Trade and other payables	7,819,647	8,407,675	(588,028)
Contract liabilities	588,028	–	588,028

As required for the Financial Statements, the Group's disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer Note 3.3.2 for the accounting policy on revenue

(b) SLFRS 9 – "Financial Instruments" >>

The Company adopted Sri Lanka Accounting Standard SLFRS 9 – "Financial Instruments" effective from 1 April 2018. This Standard replaces LKAS 39 – "Financial Instruments: Recognition and Measurement". The resulting impact on the adoption of SLFRS 9 is disclosed in the table of Transition Disclosures and impact on the adoption of SLFRS 9 on the comparative financial information is incorporated to Equity as at 1 April 2018 in the presentation of these Financial Statements. The comparative figures for the year ended 31 March 2018 remains as audited and published as per the LKAS 39 – "Financial Instruments: Recognition and Measurement" and the figures and phrases have been rearranged wherever necessary to conform to the current financial year's presentation.

The following tables set out the transition impact of adoption of SLFRS 9 – "Financial Instruments on the Statement of Financial Position", and the retained earnings including the effect of replacing LKAS 39: "Financial Instruments: Recognition and Measurement" incurred credit loss calculations with SLFRS 9 – "Expected Credit Losses" (ECLs).

The SLFRS 9 impact significantly arises from the financial sector of the Group consisting of LB Finance PLC therefore the notes pertaining to impact of transition arising from LB Finance PLC has been detailed in the Notes given below:

Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as at 1 April 2018 >>

Description	LKAS 39 measurement as at 31 March 2018			Remeasurement		SLFRS 9 Measurement as at 1 April 2018	
	Category	LKR '000	Reclassification	ECL	Other	LKR '000	Category
Assets							
Cash and cash equivalents	Loans and receivables	7,384,584	–	–	–	7,384,584	Financial assets at amortised cost
Loans and receivables	Loans and receivables	39,894,276	–	(139,955)	–	39,754,321	Financial assets at amortised cost
Lease rentals receivable and stock out on hire	Loans and receivables	62,489,686	–	(151,713)	–	62,337,973	Financial assets at amortised cost
Other financial assets	Loans and receivables	7,918,184	–	(552)	–	7,917,632	Financial assets at amortised cost
Financial investments – held for trading	Fair value through profit or loss	118,234	–	–	–	118,234	Fair value through profit or loss
Financial investments – available for sale	Available for sale	11,694,856	–	–	–	11,694,856	Financial assets measured at fair value through other comprehensive income
Total financial assets		129,499,820	–	(292,220)	–	129,207,600	
Total assets subject to transition impact		129,499,820	–	(292,220)	–	129,207,600	

Description	LKAS 39 measurement as at 31 March 2018			Remeasurement		SLFRS 9 Measurement as at 1 April 2018	
	Category	LKR '000	Reclassification	ECL	Other	LKR '000	Category
Liabilities							
Due to banks	Financial liabilities at amortised cost	25,693,372	–	–	–	25,693,372	Financial liabilities at amortised cost
Due to customers	Financial liabilities at amortised cost	72,946,011	–	–	–	72,946,011	Financial liabilities at amortised cost
Debt instruments issued and other borrowed funds	Financial liabilities at amortised cost	22,601,388	–	–	–	5,152,388	Financial liabilities at amortised cost
Other financial liabilities	Financial liabilities at amortised cost	3,805,712	–	–	–	3,805,712	Financial liabilities at amortised cost
Total financial liabilities		125,046,483	–	–	–	125,046,483	–
Other non-financial liabilities	N/A	853,165	–	6,806	–	860,523	N/A
Total non-financial liabilities	–	853,165	–	6,806	–	860,523	–
Total liabilities subject to transition impact	–	125,899,648	–	6,806	–	125,906,454	–

Impact of transition to SLFRS 9 on impairment >>

	Group LKR '000
Impairment under LKAS 39 as at 31 March 2018	2,867,788
Remeasurement – loans and receivables, lease rentals receivable and stock out on hire/ financial assets at amortised cost under SLFRS 9)	292,220
Remeasurement – other financial assets/financial assets at amortised cost under SLFRS 9)	5,789,008
Re-measurement – off-balance sheet credit exposures	6,806
ECLs under SLFRS 9 as at 1 April 2018	5,795,814

(3.2) Standards issued but not yet effective >>

Sri Lanka Accounting Standards issued but not yet effective as at 31 March 2019 >>

The following new accounting standards/amendments 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 accounting standards will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future Financial Statements. None of those have been early adopted by the Group.

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. Those currently classified as operating leases will create on balance sheet long term asset and lease creditor. 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).

Sri Lanka Accounting Standard – SLFRS 16 (Leases) is effective for annual reporting periods beginning on or after 1 January 2019.

The Group and the Company are assessing the potential financial impact on its Financial Statements from Sri Lanka Accounting Standard – SLFRS 16 (Leases). We expect to have the main impact from the properties which has taken (as a lessee) on long-term rent basis.

(3.3) Significant accounting judgements, estimates and assumptions >>

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make assumptions, judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty involved with estimates, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3.3.1 Going Concern >>

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group, continue in operational existence for the foreseeable future.

3.3.2 Fair value of Freehold Land and Buildings and Land classified as Investment properties >>

The Group measures freehold land and buildings as well as Land classified as Investment properties at fair value with changes in fair value being recognised in other comprehensive income and statement of profit and loss respectively. Land and buildings were valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The valuer has used valuation techniques such as market values and discounted cash flow method where there was lack of comparable market data available based on the nature of the property. Key assumptions and sensitivity analysis of the assets are given in 15.5.

3.3.3 Provision for Slow moving inventories >>

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

3.3.4 Fair Valuation of Biological Assets >>

The fair value of managed timber determined based on discounted cash flow method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are subject to higher level at uncertainty. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 16.5

3.3.5 Assets held for sales and discontinued operations >>

On 25th July 2016, the Board of Directors took a decision to cease the operations of Ever Paint and Chemical Industries (Private) Limited ("EPCI") and to dispose of the assets thereof. Therefore, the operations of the Company is classified as a disposal group held for sale as at the reporting date.

For more details on the discontinued operation refer to Note 38

The most significant areas of estimation uncertainties and critical judgements in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Group are as follows:

Impairment of non-financial assets	3.4.1 (v)
Taxation	3.4.2 (viii)
Impairment of financial assets	3.4.1 (xii)
Useful life time of the property, plant and equipment	3.4.1 (i)
Useful life time of the intangible assets	3.4.1 (iii)
Deferred taxation	3.4.2 (viii)
Post-employment benefit liability	3.4 (ix)
Classification of financial assets and liabilities	3.4.1 (xi)
Fair value of financial instruments	3.4.1 (xi)

(3.4) Significant accounting policies >>

(3.4.1) Statement of financial position >>

(i) Property, plant and equipment >>

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

Recognition and measurement >>

Initial recognition

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

Subsequent measurement

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

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives and full depreciation is 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	0-2 years
Factory equipment, plant and machinery, moulds and communication equipment	10 - 20 years

The Groups reviews the residual values, useful lives and methods of depreciation of Property Plant and Equipment at each reporting date, judgement of the management is exercised in the estimation of these values, methods and hence they are subject to uncertainty.

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 de-recognition 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.

Capital work-in-progress

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

Borrowing 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.

(ii) Investment properties >>

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

Basis of recognition >>

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

Initial measurement >>

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

Subsequent measurement >>

The Group applies the 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 19.1.

(iii) 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

Derecognition of intangible assets >>

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of intangible asset is included in the Income Statement when the item is derecognised.

(iv) 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.

(v) Impairment of non-financial assets >>

The Group assess 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 excluding goodwill, 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 Company 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 Income Statement.

(vi) Finance and operating leases >>

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

Finance lease >>

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

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

Operating Lease >>

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

When the Group is the lessee, leased assets are not recognised on the Statement Financial Position. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in "other operating expenses" and "other operating income", respectively.

(vii) Foreign currency >>

Foreign currency transactions and balances >>

Foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions on which first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange 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 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 the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign operations >>

The results and financial position of overseas operations that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange ruling as at the reporting date.

Income and expenses are translated at the average exchange rate for the period, unless this average rate is not a reasonable approximation of the rate prevailing at the transaction date, in which case income and expenses are translated at the exchange rates ruling at the transaction date.

All resulting exchange differences are recognised in the OCI and accumulated in the Foreign Currency Translation Reserve (Translation Reserve), which is a separate component of Equity, except to the extent that the translation difference is allocated to the NCI.

When a foreign operation is disposed of such that the control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Income Statement as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount of the translation reserve is reattributed to NCI.

(viii) Provisions >>

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement or Loss net of any reimbursement.

(ix) Employee benefit obligations >>

(1) Gratuity >>

Our end of defined benefit plan service benefit obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date. The measurement of projected future benefits is dependent on the stipulated formula, salary assumptions, demographics of the Group covered by the plan, and other key measurement assumptions. The net periodic benefit costs associated with the Company's defined benefit plans are determined using assumptions regarding the benefit obligations. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. 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 Company.

The valuation was carried out as at 31 March 2019 by qualified actuaries.

Recognition of actuarial losses/gains

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

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.

(x) 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.

(xi) Financial instruments >>

Accounting Policy (Applicable from 1 April 2018)

Date of recognition >>

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to depositors, 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. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to depositors when funds are transferred to the Group.

Notes to the Financial Statements

Classification and Initial measurement of financial instruments >>

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables of subsidiaries are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss.

Day 1 profit or loss >>

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and the fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Classification and subsequent measurement of financial assets >>

From 1 April 2018 as per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

*Amortised cost
*Fair value through other comprehensive income (FVOCI)
*Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Details of the impact on reclassification and measurement from LKAS 39 to SLFRS 9 are disclosed in transition disclosures given in Note 3.1 (b) to these Financial Statements.

Business model assessment

Group determines it's business model at the level that best reflects how it manages the financial assets to achieve it's objectives. The Group's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial asset held within that business model are evaluated and reported to the entity's Key Management Personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flow collected)
- The expected frequency, value and timing of sales

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress Case" scenarios in to account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectation, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

Contractual cash flow characteristic test (The SPPI Test)

As the second test of the classification process the Group assesses the contractual terms of the financial asset to identify whether those meet "Solely the Payment of Principal and Interest" (SPPI) criteria.

Principle for the purpose of this test is defined as the fair value of the financial asset at initial recognition which may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Group applies judgement and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, short-term deposits and cash and bank.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

Financial assets at fair value through OCI

Financial assets at fair value through profit or loss include financial assets held for trading when they are acquired for the purpose of selling or repurchase in the near future plus the financial assets hold till maturity with the purpose of collecting contractual cash flows.

Financial assets at fair value through other comprehensive income are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Other Comprehensive Income.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 – "Financial Instruments": Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Classification and subsequent measurement of financial liabilities >>

As per SLFRS 9, the Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

Financial liabilities at fair value through profit or loss, and within this category as

- Held-for-trading; or
- Designated at fair value through profit or loss.

Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

Reclassification of financial assets and financial liabilities >>

As per SLFRS 9, financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

Derecognition of financial assets and financial liabilities >>

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 financial asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Accounting Policy (Applicable up to 31 March 2018)

Date of recognition >>

All financial assets and liabilities 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". Regular way trades means 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.

Classification and initial measurement of financial instruments >>

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the Management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and financial liabilities at fair value through profit and loss as per the Sri Lanka Accounting Standard LKAS 39 – "Financial Instruments: Recognition and Measurement". Transaction costs in relation to financial assets and financial liabilities at fair value through profit and loss are dealt with through Income Statement.

"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 "net trading income".

Classification and subsequent measurement of financial assets >>

Financial assets held for trading and available-for-sale financial investments are subsequently measured at fair value. Changes in fair value of financial assets held for trading are recognised in "net trading income". Unrealised gains and losses from available-for-sale financial investments are recognised directly in equity through "other comprehensive income/ expense" 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 Income Statement in "other operating income". Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a weighted average basis. Interest earned whilst holding "available-for-sale financial investments" is reported as "interest income" using the effective interest rate (EIR).

Financial assets classified under loans and advances are substantially 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. The EIR amortisation is included in "interest income" in the Income Statement.

Classification and subsequent measurement of financial liabilities >>

At the inception the Group determines the classification of its financial liabilities. Accordingly, all financial liabilities are classified as financial liabilities at amortised cost.

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under "due to banks", "due to customers", "debt issued and other borrowed funds" and other financial liabilities as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially 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. The EIR amortisation is included in "interest expenses" in the Income Statement. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

Reclassification of financial instruments >>

The Group does not reclassify any financial instrument into the "fair value through profit or loss" category after initial recognition. Also the Group does not reclassify any financial instrument out of the "fair value through profit or loss" category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non-derivative financial assets out of the "held for trading" category and into the "available for sale", "loans and receivables", or "held to maturity" categories as permitted by the Sri Lanka Accounting Standard – LKAS 39 "Financial Instruments: Recognition and Measurement". In certain circumstances the Group is also permitted to reclassify financial assets out of the "available for sale" category and into the "loans and receivables", "held for trading" or "held-to-maturity'" category. 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 effective interest rate (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 Income Statement.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group has not reclassified any financial assets during the year.

Derecognition of financial instruments >>

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. 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 the Income Statement.

Offsetting of financial instruments >>

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

The impact from offsetting of financial instruments significantly arises from the financial sector of the Group consisting of LB Finance PLC therefore the notes pertaining to LB Finance PLC has been detailed in the Notes given below:

Offsetting of financial instruments based on the rights of set-off relating to the financial instruments and cash collateral is as follows:

As at 31 March 2019	Company and Group					
	Gross amounts LKR '000	Gross amounts set off on the statement of financial position LKR '000	Net amounts presented on the statement of financial position LKR '000	Cash collateral LKR '000	Financial instrument collateral LKR '000	Net amount LKR '000
Financial assets						
Lease rentals receivable and stock out on hire	66,050,429	–	66,050,429	–	28,094,634	37,955,795
Financial liabilities						
Due to customers	83,214,949	–	83,214,949	–	2,855,607	80,359,342
As at 31 March 2018						
Financial assets						
Lease rentals receivable and stock out on hire	62,489,686	–	62,489,686	–	26,511,882	35,977,804
Financial liabilities						
Due to customers	72,943,833	–	72,943,833	–	2,579,869	70,363,964

Fair Value Measurement >>

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability; or
2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1: Inputs include quoted prices for identical instruments,

Level 2: Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves.

Level 3: Inputs include data not observable in the market and reflect management judgement about the assumptions market participants would use in pricing the instruments.

Valuation framework >>

The Company has an established control framework for the measurement of fair values. Finance Department is responsible for the valuation of financial instruments. Obtaining input data, valuing of financial instruments and verifying the valuation models are being segregated with in the finance department.

We review the inputs to the fair value measurements to ensure they are appropriately categorised within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.

The fair value measurement for LB Finance PLC is given below: >>

Financial assets measured at amortised cost

As at 31 March	Group									
	2019					2018				
	Fair value measurement using					Fair value measurement using				
	Quoted prices in active markets Level 1 LKR '000	Significant observable inputs Level 2 LKR '000	Significant unobservable inputs Level 3 LKR '000	Total fair value LKR '000	Carrying value at amortised cost LKR '000	Quoted prices in active markets Level 1 LKR '000	Significant observable inputs Level 2 LKR '000	Significant unobservable inputs Level 3 LKR '000	Total fair value LKR '000	Carrying value at amortised cost LKR '000
Cash and cash equivalents										
Notes and coins held	873,251	–	–	873,251	873,251	793,847	–	–	793,847	793,847
Balances with banks	1,421,665	–	–	1,421,665	1,421,665	1,977,142	–	–	1,977,142	1,977,142
Treasury Bills repurchase agreements	–	1,763,694	–	1,763,694	1,763,694	–	3,219,306	–	3,219,306	3,219,306
	2,294,916	1,763,694	–	4,058,610	4,058,610	2,770,989	3,219,306	–	5,990,295	5,990,295
Financial assets at amortised cost/loans and receivables (net of allowance for impairment losses)										
Gold loans	–	–	25,717,165	25,717,165	25,717,165	–	–	20,108,243	20,108,243	20,108,243
Vehicle loans	–	–	5,671,597	5,671,597	5,713,384	–	–	4,017,216	4,017,216	4,054,552
Medium and short-term loans	–	–	6,156,723	6,156,723	6,122,494	–	–	5,560,972	5,560,972	5,597,649
Mortgage loans	–	–	2,857,320	2,857,320	6,227,649	–	–	7,004,345	7,004,345	6,962,770
Quick loans	–	–	2,472	2,472	2,472	–	–	7,673	7,673	9,624
Power drafts	–	–	3,682,897	3,682,897	3,682,057	–	–	2,599,730	2,599,730	2,658,607
Margin trading	–	–	17,141	17,141	17,141	–	–	20,963	20,963	20,963
Real estate loans	–	–	–	–	–	–	–	–	–	–
Factoring receivable	–	–	291,342	291,342	291,342	–	–	481,868	481,868	481,868
	–	–	44,396,657	44,396,657	47,773,705	–	–	39,801,010	39,801,010	39,894,276
Financial assets at amortised cost/lease rentals receivable and stock out on hire (net of allowance for impairment losses)										
Lease rentals receivable	–	–	67,385,922	67,385,922	66,022,580	–	–	63,287,175	63,287,175	62,279,090
Stock out on hire	–	–	31,164	31,164	27,849	–	–	211,085	211,085	210,596
	–	–	67,417,086	67,417,086	66,050,429	–	–	63,498,260	63,498,260	62,489,686
Other financial assets										
Treasury Bills repurchase agreements	–	5,138,730	–	5,138,730	5,138,730	–	3,532,441	–	3,532,441	3,532,441
Investment in fixed deposits	–	5,281,468	–	5,281,468	5,281,468	–	2,879,390	–	2,879,390	2,879,390
Insurance premium receivable	–	349,425	–	349,425	349,425	–	326,628	–	326,628	326,628
Due from subsidiary	–	–	–	–	–	–	–	–	–	–
Sundry debtors	–	25,050	–	25,050	25,050	–	28,251	–	28,251	28,251
	–	10,794,673	–	10,794,673	10,794,673	–	6,766,710	–	6,766,710	6,766,710

Sensitivity analysis of financial assets measured at amortised cost under Level 3 category

	Company	
	2019 LKR '000	2018 LKR '000
Increase/(decrease) in interest rate		
1bp up	**(9,418)**	(9,119)
1bp down	**9,419**	9,120

Unobservable inputs used in measuring fair value under Level 3 category

The following table sets out information about significant unobservable inputs used as at 31 March 2019 and 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instrument	Group Fair values as at 31 March 2019 LKR '000	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Financial assets at amortised cost/loans and receivables (net of allowance for impairment losses)	47,978,092 (2018) 39,801,010	Discounted cash flow	Spread	2-13% (2018 - 2-13%)	A significant increase in the spread would result in a lower fair value.
			Probability of default	2-6% (2018 - 2-6%)	Significant increases in probability of default isolation would result in lower fair values.
			Loss severity	25-100% (2018 - 25-100%)	A significant reduction would result in higher fair values.
			Expected prepayment rate	0.03-3.4% (2018 - 0.03-3.4%)	Correlates with the current interest rates
Financial assets at amortised cost/lease rentals receivable and stock out on hire (net of allowance for impairment losses)	67,417,086 (2018) 63,498,260	Discounted cash flow	Spread	7.5-10.5% (2018 - 7.5-10.5%)	A significant increase in the spread would result in a lower fair value.
			Probability of default	2-6% (2018 - 2-6%)	Significant increases in probability of default isolation would result in lower fair values.
			Loss severity	25-100% (2018 - 25-100%)	A significant reduction would result in higher fair values.
			Expected prepayment rate	0.5-3.85% (2018 - 0.5-3.85%)	Correlates with the current interest rates

There were no transfers into and transfers out of the hierarchy levels during 2019 and 2018.

Valuation methodologies and assumptions >>

Cash and cash equivalents

Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalents. Time deposits, certificates of deposit and money market accounts that meet the above criteria are reported at par value on our Statement of Financial Position.

Finance receivables (loans, lease rentals receivable and stock out on hire)

We measure performing finance receivables at fair value for purposes of disclosure using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, prepayment speed, and applicable spreads to approximate current rates.

Our assumptions regarding prepayment speed and credit losses are based on historical performance. We use the fair value of collateral to determine the fair value of non-performing finance receivables. The collateral for finance receivable is the vehicle financed, real estate, gold or other property. The fair value of finance receivables is categorised within Level 3 of the fair value measurement hierarchy. Loans and advances granted to customers with a variable rate are considered to be carried at fair value in the books net of credit losses.

Other financial assets

Since all the balances which are under other financial assets have short-term maturities, it is assumed that the carrying amounts of those balances approximate their fair values.

Financial liabilities measured at amortised cost – Group

As at 31 March	2019					2018				
	Fair value measurement using					Fair value measurement using				
	Quoted prices in active markets Level 1 LKR '000	Significant observable inputs Level 2 LKR '000	Significant unobservable inputs Level 3 LKR '000	Total fair value LKR '000	Carrying value at amortised cost LKR '000	Quoted prices in active markets Level 1 LKR '000	Significant observable inputs Level 2 LKR '000	Significant unobservable inputs Level 3 LKR '000	Total fair value LKR '000	Carrying value at amortised cost LKR '000
Due to banks										
Bank overdrafts	–	1,068,362	–	1,068,362	1,068,362	–	1,285,356	–	1,285,356	1,285,356
Syndicated loans and other bank facilities	–	23,788,928	–	23,788,928	23,565,146	–	21,520,515	–	21,520,515	21,552,682
	–	24,857,290	–	24,857,290	24,633,508	–	22,805,871	–	22,805,871	22,838,038
Financial liabilities at amortised cost – due to depositors										
Fixed deposits	–	–	81,096,420	81,096,420	80,250,164	–	–	70,561,713	70,561,713	69,888,343
Certificates of deposit	–	–	88,737	88,737	88,737	–	–	100,772	100,772	100,772
Savings deposits	–	–	2,903,715	2,903,715	2,903,715	–	–	2,956,896	2,956,896	2,956,896
	–	–	84,088,873	84,088,873	83,242,617	–	–	73,619,381	73,619,381	72,946,011
Debt instruments issued and other borrowed funds										
Unsecured debentures	–	3,026,629	–	3,026,629	3,107,783	–	5,270,741	–	5,270,741	5,152,832
	–	3,026,629	–	3,026,629	3,107,783	–	5,270,741	–	5,270,741	5,152,832
Other financial liabilities										
Trade payables	–	620,323	–	620,323	620,323	–	462,654	–	462,654	462,654
Insurance premium payable	–	657,018	–	657,018	657,018	–	632,727	–	632,727	632,727
Unclaimed balances	–	573,891	–	573,891	573,891	–	529,475	–	529,475	529,475
Advances collected from customers	–	27,862	–	27,862	27,862	–	38,889	–	38,889	38,889
Sundry creditors	–	95,395	–	95,395	95,395	–	97,673	–	97,673	97,673
	–	1,974,490	–	1,974,490	1,974,490	–	1,761,418	–	1,761,418	1,761,418

Sensitivity analysis of financial liabilities measured at amortised cost under Level 3 category

	Group	
	2019 LKR '000	2018 LKR '000
Increase/(decrease) in interest rate		
1bp up	**(9,888)**	(6,329)
1bp down	**9,890**	6,303

Unobservable inputs used in measuring fair value under Level 3 category

The following table sets out information about significant unobservable inputs used as at 31 March 2019 and 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instrument	Group Fair values as at 31 March 2019 LKR '000	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Financial liabilities at amortised cost – Due to Depositers	84,088,873 (2018) 73,619,380	Discounted cash flow	Spread	0-2.1% (2018 : 0-2.8%)	A significant increase in the spread would result in a lower fair value.
			Expected premature rate		Correlates with the current interest rates

There were no financial liabilities recorded at fair value as at 31 March 2019 and 2018. There were no transfers into and transfers out of the hierarchy levels during 2019 and 2018.

Valuation methodologies and assumptions >>

Due to customers

We measure the fair value using internal valuation models. These models project future cash flows of fixed deposits based on scheduled maturities (including principal and interest) and prematurities of deposits. The projected cash flows are discounted to present value based on applicable spreads to approximate current deposit rates for each tenor. Our assumptions regarding prematurity speed and spreads are based on historical performance. Certificate of deposits that have a maturity less than one year and savings deposits without a specific maturity are assumed that the carrying amounts approximate their fair values. The fair value of due to customers is categorised within Level 3 of the hierarchy.

Listed and unlisted debentures, bank borrowings, securitised notes and debt instruments

We measure fair value for listed debentures using quoted prices for our own debentures with approximately the same remaining maturities, where possible. If the particular debenture is off the run, we estimate the fair value using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of the debenture. Comparable on the run debenture yield to maturity (YTM) assumed to be a good approximation for the fair value estimation of off the run debentures.

We estimate the fair value of Bank borrowings and debt instruments using discounted cash flows and use the most recent transacted rate and/or unexpired offered rate of a similar instrument or borrowing. Debt instrument and bank borrowing do not carry prepayment or embedded options. The fair value of debt is categorised within Level 2 of the hierarchy.

Other financial liabilities

Since all the liabilities which are under other financial liabilities have short-term maturities, it is assumed that the carrying amounts of those liabilities approximate their fair values.

(xii) Impairment of financial assets >>

Accounting Policy (Applicable from 1 April 2018)

Overview of the Expected Credit Loss (ECL) principles>>

The adoption of SLFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing LKAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. From 1 April 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset.

The 12 months ECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both lifetime ECLs and 12 months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on such process Group allocates loans in to stage 1, stage 2, Stage 3 as described below:

Stage 1

When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2

When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3

When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Group records an allowance for the life time ECLs.

Significant increase in credit risk >>

The Group continuously monitors all assets subject to ECL, in order to determine whether there has been a significant increase in credit risk since initial recognition and whether the instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime ECL. The Group considers an exposure to have a significant increase in credit risk at 30 days passed due.

Individually significant impairment assessment and loans which are not impaired individually Group will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 3. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Group will consider the following criteria:

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument
- Other information related to the borrower, such as changes in the price of a borrower's debt/equity instrument
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioural score used to assess credit risk internally
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its obligation
- An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems
- Significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligation

Grouping financial assets measured on a collective basis >>

As explained above, Group calculates ECL either on a collective or individual basis. Asset classes where the Company calculates ECL on an individual basis includes all individually significant assets which belong to Stage 3. All assets which belong to Stage 1 and 2 will be assessed collectively for impairment.

The Group allocates smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

Calculation of ECL >>

The expected cash shortfalls are calculated by multiplying respective loan level PDs, EADs and LGDs. The cash shortfall is discounted to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

PDs and LGDs are adjusted to the forward-looking information using statistically quantified variance.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

- Probability of Default (PD): PD is an estimate of the likelihood of default over a given time horizon. Hence majority of our client base being retail; we use internal information to estimate the PDs. The client has two credit statuses which can be identified as default or not default. We used Cohort method (CM) to compute the PDs.
- Exposure at Default (EAD): EAD is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.
- Loss Given Default (LGD): LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as a % of the EAD.

For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Forward-looking information >>

Company relies on broad range of qualitative/quantitative forward-looking information as economic inputs in the multiple economic factor model developed to forecast the expected non-performing loans.

Accounting policy (applicable up to 31 March 2018) >>

The allowance for credit losses represents our estimate of the probable loss on the collection of finance receivables from customers as of the reporting 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.

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 Income Statement.

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.

Non-accrual receivables* >>

The accrual of revenue is discontinued at the time of receivable is determined to be fully impaired. Fully impairment point is triggered out when the receivables are more than 11 months in arrears, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

3.3.2 Statement of profit or loss >>

(i) Revenue recognition >>

Policy applicable before 1st April 2018 >>

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group 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 sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer; with the Group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Rendering of services

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

Policy applicable after 1 April 2018.

Revenue from contracts with customers

The Group is primarily involved in manufacturing and marketing of tiles and associated items, sanitaryware, packing material, aluminium products and agricultural products in Sri Lanka and overseas as detailed in Note. 31. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group/Company is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

Services transferred over time

Under SLFRS 15, the Group determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

Disaggregation of revenue

The Group presented disaggregated revenue with Group's reportable segments based on timing of revenue recognition and operating segment information section.

(a) Sale of goods – tiles and associated items, sanitaryware, packing material, aluminium products

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. Control transition point to recognise the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, which is not materially affect on the recognition of revenue.

(b) Sale of plantation produce

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (plantation produce).

Revenue from sale of plantation produce is recognised at the point in time when the control of the goods are transferred to the customer. Black tea and rubber produce are sold at the Colombo Tea/Rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods.

(c) Sale of timber with installation services

The supply of timber is recognised at the point of delivery the goods to the customer and the revenue for installation services is recognised over installation period for the transactions that consumes a significant time period for installation. The revenue is recognised at a point in a time either for the transactions which consumes an insignificant installation period or for the transactions where the installation services provided on the same day delivery of goods.

(d) Rendering of services

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the profit and loss in proportion to the services delivered at the reporting date.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unexpired service warranties. Contract liabilities of the Group have been disclosed in other non-current liabilities, trade and other payables and other current liabilities in Note 24.2 respectively.

Interest income

The Group use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of financial assets and financial liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 9 and the same method followed by the Group for the financial assets and financial liabilities classified as held for trading and as available for sale and financial assets and liabilities measured at amortised cost under LKAS 39 in the comparative financial year. 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 of EIR 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 Group 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 an impairment charge or reversal to the Income Statement.

Interest income on impaired financial instruments continues to be recognised at original EIR to the unadjusted carrying amount until the financial asset has been classified as fully impaired. Until such the accrued interest added to the unadjusted carrying amount has been impaired to the estimated Loss Given Default (LGD). Interest from overdue rentals have been accounted for on a cash received basis.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. These fees include credit-related fees and commission income. All fees and commissions are recognised to the Income Statement on an accrual basis. Fee and commission income that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

Dividend income

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

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.

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.

Gain or loss – exchange or actuarial

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

Net trading income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities "held for trading" other than interest income.

Dividend income received from financial investments – Held for Trading is recognised when the Group's right to receive the payment is established.

Other operating income

Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as other operating income on an accrual basis.

Dividend income received from financial investments – available for sale is recognised when the Group's right to receive the payment is established.

The profit/(loss) on disposal of property, plant and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of "other operating income" in the year in which significant risks and rewards of ownership are transferred to the buyer.

Income on operating leases are accounted for on a straight-line basis over the periods of the leases.

(ii) Impairment charges and other losses >>

Accounting Policy (Applicable from 1 April 2018)

The Group recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments". The methodology adopted by the Group is explained in the Note 3.3.1 (xii) to these Financial Statements. Recovery of amounts written-off as bad and doubtful debts is recognised on a cash basis.

Accounting Policy (Applicable up to 31 March 2018)

The Group recognises the changes to the impairment provision which are assessed based on the incurred loss method in accordance with Sri Lanka Accounting Standard LKAS 39 – "Financial Instruments; Recognition and Measurement" up to 31 March 2018. The methodology adopted by the Group is explained in the Note 3.3.1 (xii) to these financial statements. Recovery of amounts written-off as bad and doubtful debts is recognised on a cash basis.

(iii) Personal expenses >>

Personnel expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Expenses relating to defined and contribution and benefit plans are discussed employee benefit obligation note.

Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund >>

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard – LKAS 19 "Employee Benefits".

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The Company and the employees contribute 15% and 10% respectively on the salary of each employee to the Employees' Provident Fund.

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

Defined benefit plans >>

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity was considered as defined benefit plan as per Sri Lanka Accounting Standard – LKAS 19 "Employee Benefits".

(iv) Other operating expenses >>

Other operating expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earnings of the specific items of the income. All the 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 the Income Statement in arriving at the profit for the year.

Crop insurance levy >>

As per provisions of the Section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and was payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax.

Directors' emoluments >>

Directors' Emoluments include fees paid to Non-Executive Directors. Remunerations paid to Executive Directors are included under Salaries and Other Related Expenses in Note 37 to these Financial Statements.

(v) Tax on financial services >>

Tax on financial services include Value Added Tax on Financial Services and Nation Building Tax on Financial Services.

Value Added Tax (VAT) on financial services >>

VAT on financial services is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. The base for the computation of Value Added Tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT rate applied for the current financial year is 15% (2018 - 15%).

Nation Building Tax (NBT) on financial services >>

As per provisions of the Nation Building Tax Act (NBT) Act No. 9 of 2009 and amendments thereto, NBT on financial services was payable at 2% on Company's value additions attributable to financial services with effect from 1 January 2014. The value addition attributable to financial service is same as the value using to calculate VAT on financial services.

Debt Repayment Levy (DRL) on financial services >>

As per the Finance Act No. 35 of 2018, with effect from 1 October 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services.

(vi) Notional tax credit for withholding tax on Government Securities on secondary market transactions >>

The Inland Revenue Act No. 10 of 2006, effective up to 31 March 2018, provided that a company which derives interest income from the secondary market transactions in Government Securities would be entitled to a notional tax credit (being one-ninth of the net interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

However, as per the provision of the Inland Revenue Act No. 24 of 2017 effective from 1 April 2018, interest income from Government Securities are excluded from withholding tax. Hence, notional tax credit hitherto claimed by the Company was discontinued from 1 April 2018 with implementation of Inland Revenue Act No. 24 of 2017.

(vii) 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 installments. 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 favorable interest is regarded as a government grant.

(viii) 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.

Significant judgement was required to determine the total provision for current and deferred 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 company recognised assets and liabilities for current and deferred taxes based on estimates of whether additional taxes will be due. Whether 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.

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 and 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 and associates 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 are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with the future tax planning strategies.

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.

Cash and Cash Equivalents

Cash and cash equivalents are cash at bank and in hand, call deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of Statement of Cash Flows, cash and cash equivalents consist of cash in hand, cash at bank deposits in banks net of outstanding bank overdrafts.

Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest Bearing Liabilities in the Statement of Financial Position.

(3.3.3) Statement of cash flows >>

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

(3.4) Significant accounting policies that are specific to the business of plantation >>

Basis of preparation >>

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the Statement of Financial Position.

- Leasehold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 16.6
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 – "Agriculture".
- Liability for retirement benefit obligation is recognised as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19 – "Employee benefits".
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41 – "Agriculture".

(3.4.1) Property, plant and equipment >>

(a) Permanent land development cost >>

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalised and amortised over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

(b) Biological assets >>

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, those that are not intended to be sold or harvested, but are however, used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as biological assets).

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

Recognition and measurement >>

The entity recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, 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 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.

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

Permanent impairments to Bearer Biological assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduce the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

Infilling cost on bearer biological assets >>

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalised are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

Growing crop nurseries >>

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

Consumer biological assets >>

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 – "Agriculture". 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 Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns.

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of each spices. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Group.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees into saleable condition.
Discount rate	Discount rate reflects the possible variations in the cash flows and the risk related to the biological assets.

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

Borrowing Cost >>

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 – "Borrowing Costs".

Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

Produce on bearer biological asset >>

"The Company recognises its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognised in profit or loss at the end of each reporting period.

When deriving the estimated quantity the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered."

(3.4.2) Inventories >>

(a) Agricultural produce harvested from biological assets >>

Agricultural produce harvested from biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

(b) Agricultural produce after further processing >>

Further processed output of agricultural produce are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input material

At actual cost on first-in first-out basis.

Spares and consumables

At actual cost on first-in first-out basis.

Produced stocks

Valued at a lower of cost or NRV.

(3.4.3) Retirement benefit obligation >>

(a) Defined benefit plan >>

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983 and the Indian Repatriate Act No. 34 of 1978 to eligible employees. This item is grouped under retirement benefit liability in the Statement of Financial Position.

Provision for gratuity on the employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 – "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Mesrss Actuarial Management Consultants (Private) Limited as at 31 March 2019.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of five years continued services.

The liability is not externally funded.

(b) Defined contribution plans – provident funds and trust fund >>

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff's Provident Society (ESPS)/Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

(3.4.4) Deferred income >>

(a) Grants and subsidies >>

Grants related to property, plant and equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related property, plant and equipment is more fully mentioned in Note 16 to the Financial Statements.

Grants related to income are recognised in the Statement of Comprehensive Income in the year which it is receivable.

Unconditional grants received for consumer biological assets are measured at fair value less cost to sell are recognised in the Statement of Comprehensive Income when and only when such grants become receivable.

(3.4.5) Revenue recognition >>

Policy applicable prior to 1 April 2018 >>

Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The fair value gain arising on the valuation of harvested crops has been separately disclosed as part of the revenue.

Policy applicable after to 1 April 2018

Refer Note 3.3.2 (b) for the policy of revenue recognition on the sale of plantation products.

4 — Financial investments

(4.1) Equity instruments measured at fair value through OCI >>

As at 31 March	2019		2018	
	Number of shares	LKR '000	Number of shares	LKR '000
Company				
Quoted investments				
Sampath Bank PLC	42,003,031	7,564,746	32,481,024	9,744,307
Advanced Towards Right Issue – Sampath Bank PLC	–	–	7,495,621	1,873,905
Unquoted Investments				
LB Micro Finance Myanmar Company Limited	–	–	3,000	474
Total		7,564,746		11,618,686
Group				
Group's quoted investments				
Manufacturing				
Central Industries PLC	8,184	231	8,184	322
Ceylon Grain Elevators PLC	44	2	44	3
Dankotuwa Porcelain PLC	32,512	172	32,512	224
Samson International PLC	5,899	578	5,899	520
Hotels and travels				
Aitken Spence Hotel Holdings PLC	308	7	308	10
Hotel Sigiriya PLC	700	41	700	44
Stores and supplies				
Hunter & Company PLC	10	4	10	5
Bank, finance and insurance				
Commercial Bank of Ceylon PLC	278	27	275	37
Sampath Bank PLC	42,003,036	7,564,747	32,481,029	9,744,309
Advanced Towards Right Issue – Sampath Bank PLC	–	–	7,495,621	1,873,905
Seylan Bank PLC	2,590	163	2,538	220
Softlogic Finance PLC	2,090,000	45,144	2,090,000	73,150
Beverages, food and tobacco				
Keells Food Products PLC	500	62	500	65
Lanka Milk Foods PLC	5,500	605	5,500	870
Convenience Foods (Lanka) PLC	22	9	22	9
		7,611,792		11,693,693

As at 31 March	2019		2018	
	Number of shares	LKR '000	Number of shares	LKR '000
Unquoted investments				
Credit Information Bureau	1,047	105	1,047	105
Finance House Association	20,000	200	20,000	200
National Asset Management Limited	25,000	1,110	25,000	1,164
		1,415		1,469
Unquoted investments – Impaired				
Asian Paints (Pvt) Limited	–	–	205,891	2,980
eConsultant Limited	–	–	5,000	75
Total investments in non-quoted equity securities				3,055
Provision for financial assets – Equity instruments measured at FVOCI	–	(517)	–	(3,362)
Total carrying value of financial assets – Equity instruments measured at FVOCI		7,612,690		11,694,856

(4.2) Fair value through profit and loss – Financial assets >>

As at 31 March	2019		2018	
	Number of shares	LKR '000	Number of shares	LKR '000
Company				
Quoted investments				
Citrus Leisure PLC	8,672,846	36,426	8,672,846	65,046
		36,426		65,046
Group				
Quoted investments				
Bank, finance and insurance				
Seylan Bank PLC (Non-voting)	96,257	3,456	93,032	5,126
Browns Investments PLC	522,619	836	522,619	1,411
Food processing				
Bairaha Farms PLC	17,600	2,020	17,600	2,369
Hotels and travels				
Aitken Spence PLC	225,000	9,225	225,000	11,385
Royal Palms Beach Hotels PLC	4,299	69	4,299	77
John Keells Hotels PLC	45,009	342	45,009	419
Citrus Leisure PLC	11,441,122	48,053	11,441,122	85,808
Serendib Hotels PLC	16,000	254	16,000	280
Kalpitiya Beach Resorts PLC	583,393	2,159	583,393	4,200

As at 31 March	2019		2018	
	Number of shares	LKR '000	Number of shares	LKR '000
Diversified Holdings				
Browns Capital PLC	1,161,600	3,949	1,161,600	4,182
Hayleys PLC	1,222	205	1,222	245
Healthcare				
The Lanka Hospitals Corporation PLC	45,519	1,989	45,519	2,731
Total		72,557		118,234
Non-quoted				
MBSL Insurance	4,666,667	8,667	4,666,667	8,667
Impairment	–	(8,667)	–	(8,667)
		72,557		118,233

(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 cash equivalents, 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.

Equity instruments measured at fair value through OCI >>

Equity instruments measured at fair value through OCI, primarily consist of equity securities and Government debt securities are valued using valuation techniques or pricing models. These assets are valued using models that use observable data. Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka and fair value of quoted equity shares is based on price quotations at the reporting date.

Determination of fair value and fair value hierarchy >>

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

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

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

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

As at 31 March 2019, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

Company >>

As at 31 March 2019	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets				
Financial assets – Fair value through profit or loss				
Quoted equities	36,426	–	–	36,426
Equity instruments measured at fair value through OCI				
Quoted equities	7,564,746	–	–	7,564,746
Total	7,601,172	–	–	7,601,172

As at 31 March 2018	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets				
Financial assets – Fair value through profit or loss				
Quoted equities	65,046	–	–	65,046
Equity instruments measured at fair value through OCI				
Quoted equities	11,618,212	–	–	11,618,212
Unquoted equities	–	474	–	474
Total	11,683,258	474	–	11,683,712

Group >>

As at 31 March 2019	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets				
Financial assets – Fair value through profit or loss				
Quoted equities	72,557	–	–	72,557
Equity instruments measured at fair value through OCI				
Quoted equities	7,611,792	–	–	7,611,792
Unquoted equities	–	898	–	898
Total	7,684,349	1,162,243	–	7,685,247

As at 31 March 2018	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets				
Financial assets – Fair value through profit or loss				
Quoted equities	118,233	–	–	118,233
Equity instruments measured at fair value through OCI				
Quoted equities	11,693,693	–	–	11,693,693
Unquoted equities	–	1,162	–	1,162
Total	11,811,926	1,162	–	11,813,088

5 — Loans and receivables

	Group	
	2019 LKR '000	2018 LKR '000
Gold loan	**25,766,906**	20,139,332
Term loans	**13,235,349**	13,108,060
Vehicle loans	**5,899,422**	4,208,804
Power drafts	**3,805,755**	2,734,171
Factoring receivable	**367,073**	537,288
Margin trading	**17,142**	20,964
Quick loan	**6,474**	11,336
Real estate loans	**910**	976
Gross loans and receivables	**49,099,031**	40,760,931
Less: Allowance for impairment losses (Note 5.1)	**(1,325,326)**	(866,655)
Net loans and receivables	**47,773,705**	39,894,276
Fair value	**47,978,092**	39,801,010

(5.1) Allowance for impairment losses >>

	Group	
	2019 LKR '000	2018 LKR '000
(5.1.1)		
As at 1 April	**866,655**	525,000
Transition adjustment on adoption of SLFRS 9	**139,955**	–
Charge/(reversal) for the year	**370,702**	415,853
Amounts written off	**(52,062)**	(74,211)
Exchange rate variance on foreign currency provisions	**76**	13
As at 31 March	**1,325,326**	866,655

	Group	
	2019 LKR '000	2018 LKR '000
(5.1.2)		
Individual impairment	**1,013,492**	697,505
Collective impairment	**311,834**	169,150
Total	**1,325,326**	866,655
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**2,529,712**	1,546,030
Gross amount of loans collectively assessed for the impairment	**46,569,319**	39,214,901
	49,099,031	40,760,931

	Group	
	2019 LKR '000	2018 LKR '000
(5.1.3)		
Term loans	**885,204**	548,617
Vehicle loans	**186,038**	154,252
Power drafts	**123,698**	75,564
Factoring receivable	**76,643**	55,420
Gold loans	**49,741**	31,089
Quick loans	**4,002**	1,711
Total	**1,325,326**	866,655

(5.2) Term loans include loans granted to Company Officers, the movement of which is as follows: >>

	Group	
	2019 LKR '000	2018 LKR '000
As at 1 April	**356,942**	324,475
Add: Loans granted during the year	**393,286**	244,225
Less: Repayments during the year	**(241,826)**	(211,758)
As at 31 March	**508,402**	356,942

(5.3) Contractual maturity analysis of loans and receivables >>

	Group	
	2019 LKR '000	2018 LKR '000
Within one year	**36,720,150**	30,000,243
1 – 5 years	**11,596,137**	9,721,227
Over 5 years	**782,744**	1,039,461
Total	**49,099,031**	40,760,931

5.3 (a) Contractual maturity analysis of loans and receivables (Group) >>

As at 31 March 2019	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Gold loans	25,766,906	–	–	25,766,906
Vehicle loans	2,165,140	3,661,442	72,840	5,899,422
Medium and short-term loans	3,957,941	2,466,624	–	6,424,565
Mortgage loans	1,892,927	4,207,953	709,904	6,810,784
Quick loans	6,474	–	–	6,474
Power drafts	2,549,431	1,256,324	–	3,805,755
Margin trading	17,142	–	–	17,142
Factoring receivable	363,279	3,794	–	367,073
Real estate loans	910	–	–	910
Fixed deposit and call deposit	–	–	–	–
Gross loans and receivables	36,720,150	11,596,137	782,744	49,099,031
Allowance for impairment losses (Note 5.1.3)				(1,325,326)
Net loans and receivables				47,773,705

As at 31 March 2018	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Gold loans	20,139,332	–	–	20,139,332
Vehicle loans	1,826,854	2,332,233	49,717	4,208,804
Medium and short-term loans	3,940,453	1,802,451	–	5,742,904
Mortgage loans	1,903,820	4,471,593	989,744	7,365,157
Quick loans	11,310	25	–	11,335
Power drafts	1,619,246	1,114,925	–	2,734,171
Margin trading	20,964	–	–	20,964
Factoring receivable	537,288	–	–	537,288
Real estate loans	976	–	–	976
Gross loans and receivables	30,000,243	9,721,227	1,039,461	40,760,931
Allowance for impairment losses (Note 5.1.3)				(866,655)
Net loans and receivables				39,894,276

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

(5.4) Credit exposure movement – ECL stage-wise loans and receivables >>

	Group			
	2019 Stage 1 LKR '000	2019 Stage 2 LKR '000	2019 Stage 3 LKR '000	2019 Total LKR '000
Gross carrying amount as at 1 April	34,347,600	3,991,280	2,422,051	40,760,931
Transfer to Stage 1	791,071	(607,195)	(183,876)	–
Transfer to Stage 2	(1,550,690)	1,670,294	(119,604)	–
Transfer to Stage 3	(769,259)	(503,377)	1,272,636	–
New assets originated or purchased	19,361,626	3,128,837	1,422,952	23,913,415
Financial assets derecognised or repaid	(9,940,652)	(3,349,786)	(2,232,476)	(15,522,914)
Write-offs	(9)	(81)	(51,972)	(52,062)
Exchange rate variance on foreign currency provisions	(339)	–	–	(339)
As at 31 March	42,239,348	4,329,972	2,529,711	49,099,031

6 — Lease rentals receivable and stock out on hire

As at 31 March	Group					
	2019 Lease LKR '000	2019 Hire purchase LKR '000	2019 Total LKR '000	2018 Lease LKR '000	2018 Hire purchase LKR '000	2018 Total LKR '000
Gross rentals receivables	91,216,889	216,907	91,433,796	85,706,799	455,939	86,162,738
Unearned income	(22,949,287)	(1,013)	(22,950,300)	(21,644,208)	(18,617)	(21,662,825)
Net rentals receivables	68,267,602	215,894	68,483,496	64,062,591	437,322	64,499,913
Rentals received in advance	(7,279)	–	(7,279)	(9,094)	–	(9,094)
Allowance for impairment losses (Note 6.1)	(2,237,742)	(188,046)	(2,425,788)	(1,774,407)	(226,726)	(2,001,133)
Total net rentals receivable subject to fair value	66,022,581	27,848	66,050,429	62,279,090	210,596	62,489,686
Fair value			67,417,086			63,498,260

(6.1) Allowance for impairment losses >>

	Group	
	2019 LKR '000	2018 LKR '000
At the beginning of the year	2,001,133	1,805,302
Transition adjustment on adoption of SLFRS 9	151,713	–
Charge for the year	705,931	364,809
Amounts written off	(432,989)	(168,978)
At the end of the year	2,425,788	2,001,133
Individual impairment	1,676,670	1,406,864
Collective impairment	749,118	594,269
	2,425,788	2,001,133

	Group	
	2019 LKR '000	2018 LKR '000
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**5,103,566**	3,771,230
Gross amount of loans collectively assessed for the impairment	**63,379,930**	60,728,683
	68,483,496	64,499,913

6.2 (a) Credit exposure movement – ECL stage-wise lease rentals receivable and stock out on hire >>

	Group			
	2019 Stage 1 LKR '000	2019 Stage 2 LKR '000	2019 Stage 3 LKR '000	2019 Total LKR '000
Gross carrying amount as at 1 April	43,008,567	17,130,475	4,351,777	64,490,819
Transfer to Stage 1	3,734,909	(3,470,004)	(264,905)	–
Transfer to Stage 2	(8,899,518)	9,409,933	(510,415)	–
Transfer to Stage 3	(1,246,415)	(1,981,043)	3,227,458	–
New assets originated or purchased	34,349,066	14,049,525	3,513,503	51,912,094
Financial assets derecognised or repaid	(26,266,745)	(16,434,171)	(4,785,512)	(47,486,428)
Write-offs	(521)	(4,129)	(428,340)	(432,989)
As at 31 March	44,679,343	18,700,587	5,103,566	68,483,496

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 reporting 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.

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.

6.2 (b) Contractual maturity analysis of lease rentals receivable and stockout and on hire >>

As at 31st March 2019	Lease				Hire purchase			
	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Gross rentals receivable	37,888,372	53,263,612	64,905	91,216,889	215,036	1,871	–	216,907
Unearned income	(11,429,758)	(11,514,781)	(4,748)	(22,949,287)	(916)	(97)	–	(1,013)
Net rentals receivable	26,458,614	41,748,831	60,157	68,267,602	214,120	1,774	–	215,894
Rentals received in advance				(7,279)				–
Allowance for impairment losses				(2,237,742)				(188,046)
Total net rentals receivable				66,022,581				27,848
Total net rentals receivable from lease and hire purchase								66,050,429

6.2 (c)

As at 31st March 2018	Lease				Hire purchase			
	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Gross rentals receivable	35,693,565	49,960,849	52,384	85,706,799	415,441	40,498	–	455,939
Unearned income	(10,956,306)	(10,683,825)	(4,078)	(21,644,208)	(16,643)	(1,974)	–	(18,617)
Net rentals receivable	24,737,260	39,277,025	48,307	64,062,591	398,797	38,524	–	437,322
Rentals received in advance				(9,094)				
Allowance for impairment losses				(1,774,407)				(226,726)
Total net rentals receivable				62,279,090				210,596
Total net rentals receivable from lease and hire purchase								62,489,686

(6.3) Lease and hire purchase facilities granted to Company Officers, the movement of which is as follows: >>

	2019 LKR '000	2018 LKR '000
As at the beginning of the year	**64,172**	70,833
Add: Loans granted during the year	**26,745**	47,754
Less: Repayments during the year	**(41,959)**	(54,415)
As at the end of the year	**48,958**	64,172

Notes to the Financial Statements

7 — Other financial assets

	Company	
	2019 LKR '000	2018 LKR '000
Investment in fixed deposits	–	718,943

	Group	
	2019 LKR '000	2018 LKR '000
Treasury Bills/repurchases	5,138,730	3,532,441
Insurance premium receivables	349,425	326,628
Investment in fixed deposits	5,557,589	4,030,864
Others	25,050	28,251
	11,070,794	7,918,184

8 — Trade other debtors, deposits and prepayments

	Company	
	2019 LKR '000	2018 LKR '000
Deposits	20,400	19,754
Interest receivables	–	37,972
Other advances	–	458
Other receivables	180,871	2,323
	201,271	60,507

	Group	
	2019 LKR '000	2018 LKR '000
Gross trade receivables	6,273,367	5,989,924
(-) Bad debt provision	(406,585)	(384,313)
Net trade receivables	5,866,782	5,605,611
Deposits	58,883	60,079
Other advances	58,355	39,455
Principle receivable	234,871	–
Other debtors	289,557	37,972
Other receivables	837,221	1,100,486
	7,345,669	6,843,603

9 — Other non-financial assets

	Company 2019 LKR '000	Company 2018 LKR '000
Advances and prepayments	**2,671**	6,544

	Group 2019 LKR '000	Group 2018 LKR '000
Advance for vehicle stock	**22,041**	18,574
Advances and prepayments	**2,029,473**	1,669,309
Gold stock	**1,514**	1,514
Stationary stock	**10,626**	8,769
Sundry debtors	**11,769**	6,151
Prepaid staff cost	**25,865**	58,463
Receivables and others	**61,820**	16,599
Advance company tax receivable	**32,918**	27,285
Othe receivable	**–**	85,512
	2,196,026	1,892,176

10 — Investment in subsidiaries

	Effective holding 2019 %	Effective holding 2018 %	Number of shares 2019 '000	Number of shares 2018 '000
Quoted investments				
Royal Ceramics Lanka PLC	**55.96**	55.96	**62,003**	62,003
LB Finance PLC	**66.34**	66.34	**71,681**	71,681
Unquoted investments				
Delmege Limited	**62.75**	62.75	**253**	253
Greener Water Limited	**100.00**	100.00	**326,806**	235,573

	Cost 2019 LKR '000	Cost 2018 LKR '000	Market value 2019 LKR '000	Market value 2018 LKR '000
Quoted investments				
Royal Ceramics Lanka PLC	**9,920,440**	9,920,440	**3,658,153**	6,535,074
LB Finance PLC	**5,461,361**	5,461,361	**8,608,919**	8,522,901
	15,381,801	15,381,801	**12,267,072**	15,057,975

	Cost 2019 LKR '000	Cost 2018 LKR '000
Unquoted investments		
Delmege Limited	**1,579,525**	1,579,525
Greener Water Limited	**3,269,397**	2,357,064
Total	**4,848,923**	3,936,589
Total	**20,230,723**	19,318,390

Investment in subsidiaries and initially recognised at cost in the Financial Statement at the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement after the initial recognition. Investment in subsidiaries are carried at cost less any accumulated impairment losses.

The Financial Statements of the subsidiary in the Group has a common financial year which ends on 31 March. The Financial Statements of the Company's Subsidiary are prepared using consistent accounting policies.

There are no significant restrictions on the ability of the Subsidiary to transfer funds to the Parent (the Company) in the form of cash dividend or repayment of loans and advances.

11 — Investment in associates

(11.1) Company >>

	Effective Holding (%)		Number of shares	
	2019	2018	**2019**	2018
Quoted investments				
The Fortress Resorts PLC	**20.46**	20.46	**19,977,345**	19,977,345

	Cost		Market value	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
The Fortress Resorts PLC	**405,891**	405,891	**199,773**	209,762

(11.2) Group >>

	The Fortress Resorts PLC	
	2019 LKR '000	2018 LKR '000
Balance at the beginning of the year	**618,392**	587,838
Share of profit	**44,667**	30,554
Dividend	**(22,665)**	–
Balance at the end of the year	**640,394**	618,392

(11.3) Summarised financial information of equity accounted investees has not been adjusted for Group share >>

(11.3.1) Statement of profit or loss >>

	2019 LKR '000	2018 LKR '000
Revenue	**787,788**	638,706
Cost of sales	**(217,206)**	(222,460)
Income (includes other income, finance income)	**61,047**	79,932
Expenses (includes operating, administration and distribution expenses)	**(370,246)**	(320,042)
Finance cost	**(2,300)**	(3,125)
Income tax	**(49,560)**	(32,213)
Profit after tax	**209,521**	140,799
Other comprehensive income	**(440)**	(243)

(11.3.2) Statement of financial position >>

	2019 LKR '000	2018 LKR '000
Non-current assets	**1,347,190**	1,375,574
Current assets	**716,951**	583,071
Non-current liabilities	**73,043**	73,068
Current liabilities	**137,824**	130,498
Net assets	**1,853,273**	1,755,079

(11.3.3) Commitments and contingencies >>

	2019 LKR '000	2018 LKR '000
Commitments		
Finance lease commitment in present value term	**17,169**	22,010
Operating lease commitments	**37,153**	39,390

12 — Deferred tax assets (liabilities)

	Company		Group	
	2019 LKR '000	2018 LKR '000	2019 LKR '000	2018 LKR '000
As at 1 April	(1,280)	(2,462)	(5,376,838)	(1,370,507)
Recognised in profit or loss	875	1,015	675,648	(986,877)
Recognised in other comprehensive income	116	165	(604,405)	(3,019,454)
At the end of the year	(289)	(1,280)	(5,305,595)	(5,376,838)
Deferred tax assets	–	–	108,344	14,686
Deferred tax liabilities	(289)	(1,280)	(5,413,939)	(5,391,524)
	(289)	(1,280)	(5,305,595)	(5,376,838)

(12.1) The closing net deferred tax liability relate to the following: >>

	Company		Group	
	2019 LKR '000	2018 LKR '000	2019 LKR '000	2018 LKR '000
Property, plant and equipment and revaluations	(2,662)	(2,954)	(6,793,190)	(6,771,628)
Defined benefit obligation	2,372	1,673	376,956	340,719
Provisions	–	–	60,839	61,958
Unutilised tax losses	–	–	1,049,800	992,112
	(289)	(1,280)	(5,305,595)	(5,376,838)

13 — Inventories

	Group	
	2019 LKR '000	2018 LKR '000
Raw materials	3,376,255	3,038,604
Construction consumables	–	16,339
Spares and consumables	2,454,038	1,818,919
Non-harvested produce on bearer biological assets	5,845	6,210
Work-in-progress	467,836	398,582
Harvested crops	272,712	223,516
Seat covers and accessories	761,312	801,501
Finished goods	8,580,619	6,424,149
Goods in transit	163,906	156,800
	16,082,523	12,884,621
Less: Provision for obsolete and slow-moving inventory	(407,877)	(332,100)
	15,674,646	12,552,520

	Group	
	2019 LKR '000	2018 LKR '000
Movement of the provision for obsolete and slow-moving inventory		
Opening balance	**332,100**	263,241
Reversal of inventory	**–**	(13,584)
Charge to P&L	**75,777**	82,443
Closing balance	**407,877**	332,100

14 — Intangible assets

	Group			
	Software LKR '000	Brand Name LKR '000	Goodwill LKR '000	Total LKR '000
Cost				
As at 31 March 2017	**415,620**	904,891	**12,354,153**	13,674,664
Acquired during the year	**25,694**	–	**–**	25,694
As at 31 March 2018	**441,313**	904,891	**12,354,153**	13,700,357
Acquired during the year	**22,049**	–	**–**	22,049
Effect of change in exchange rate	**–**	–	**110**	110
As at 31 March 2019	**463,362**	904,891	**12,354,263**	13,722,516
Amortisation				
As at 31 March 2017	**169,213**	290,319	**168,391**	627,923
Charge for the year	**41,018**	45,245	**–**	86,263
Impairment of goodwill	**–**	–	**2,387**	2,387
Effect of change in exchange rate	**14**	–	**(68)**	(54)
As at 31 March 2018	**210,245**	335,564	**170,710**	716,519
Charge for the year	**39,276**	45,245	**–**	84,521
As at 31 March 2019	**249,521**	380,809	**170,710**	801,040
Net book value				
Net book value as at 31 March 2018	**231,068**	569,327	**12,183,443**	12,983,839
Net book value as at 31 March 2019	**213,841**	524,082	**12,183,553**	12,921,476

(14.1) Goodwill >>

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

	2019 LKR '000	2018 LKR '000
Royal Ceramic Lanka PLC and its subsidiaries	**7,411,091**	7,410,981
LB Finance PLC	**3,966,204**	3,966,204
Greener Water Limited	**3,420**	3,420
Delmege Limited and its subsidiaries	**802,838**	802,838
	12,183,553	12,183,443

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.

15 — Property, plant and equipment

(15.1) Company >>

	Balance as at 31 March 2018 LKR '000	Additions during the year LKR '000	Disposals LKR '000	**Balance as at 31 March 2019 LKR '000**
Gross carrying amounts				
Cost				
Furniture and fittings	38,235	2,372	–	**40,607**
Equipment	2,639	237	–	**2,877**
Motor vehicles and accessories	24,565	22,800	(4,079)	**43,286**
Computer hardware	18,293	5,083	–	**23,376**
Total value of depreciable assets	83,732	30,493	(4,079)	**110,145**

	Balance as at 31 March 2018 LKR '000	Charge for the year LKR '000	Disposals LKR '000	**Balance as at 31 March 2019 LKR '000**
Depreciation				
Furniture and fittings	25,616	3,571	–	**29,187**
Equipment	1,433	274	–	**1,707**
Motor vehicles and accessories	13,451	5,923	(4,079)	**15,295**
Computer hardware	14,012	2,348	–	**16,360**
Total	54,512	12,116	(4,079)	**62,550**

	As at 31 March 2019 LKR '000	As at 31 March 2018 LKR '000
Carrying amount		
Property, plant and equipment	**47,595**	29,219
	47,595	29,219

(15.2) Group >>

	Balance as at 31 March 2018 LKR '000	Additions/ transfers during the year LKR '000	Revaluation LKR '000	Transfers/ disposals LKR '000	Exchange translation difference LKR '000	**Balance as at 31 March 2019 LKR '000**
Property, plant and equipment						
Cost/valuation						
Gross carrying amounts						
Land and building	23,909,091	2,252,386	440,438	(41,469)	(125)	**26,560,321**
Furniture and fittings	1,179,901	130,478	–	(8,338)	179	**1,302,220**
Equipment	2,012,620	213,843	–	(114,905)	550	**2,112,108**
Motor vehicles and accessories	963,023	90,416	–	(12,869)	120	**1,040,690**
Computer hardware	773,300	153,720	–	73,450	(5)	**1,000,465**
Leasehold improvements	930,808	32,811	–	(357,318)	–	**606,301**
Fixtures and fittings	1,390,976	251,293	–	383,411	–	**2,025,680**
Water supply scheme	417,308	75,056	–	–	–	**492,364**
Electricity distribution	34,019	1,207	–	–	–	**35,226**
Tools and implements	878,835	111,468	–	(6,370)	12	**983,945**
Plant and machinery	13,530,782	3,040,311	–	(65,837)	–	**16,505,256**
Moulds	132,734	3,044	–	–	–	**135,778**
Stores buildings on leasehold land	481,462	–	–	(51,972)	9,915	**439,405**
	46,634,859	6,356,034	440,438	(202,217)	10,646	**53,239,759**

Notes to the Financial Statements

	Balance as at 31 March 2018 LKR '000	Additions/ transfers during the year LKR '000	Revaluation LKR '000	Transfers/ disposals LKR '000	Exchange translation difference LKR '000	**Balance as at 31 March 2019 LKR '000**
Assets on finance lease						
Cost						
Plant and machinery	20,185	–	–	–	–	**20,185**
Leasehold land	14,600	–	–	–	–	**14,600**
Motor vehicles	20,483	–	–	–	–	**20,483**
Transport and communication equipment	53,426	–	–	(36,787)	584	**17,223**
	108,694	–	–	(36,787)	584	**72,491**
Total value of depreciable assets	46,743,553	6,356,034	440,438	(239,004)	11,230	**53,312,250**

	Balance as at 31 March 2018 LKR '000	Additions/ during the year LKR '000	Increase/ (decrease)/ revaluation LKR '000	Transfer LKR '000	Exchange translation difference LKR '000	**Balance as at 31 March 2019 LKR '000**
Capital work in progress						
Capital work in progress	3,499,648	3,029,293	–	(1,786,603)	–	**4,742,338**
	3,499,648	3,029,293	–	(1,786,603)	–	**4,742,338**

	Balance as at 31 March 2018 LKR '000	Charge for the year LKR '000	Disposals/ transfers LKR '000	Exchange translation difference LKR '000	**Balance as at 31 March 2019 LKR '000**
Depreciation					
Property, plant and equipment					
Building	366,553	210,113	(38,807)	–	**537,859**
Furniture and fittings	751,823	141,947	(11,650)	98	**882,218**
Equipment	1,359,902	179,028	(78,501)	461	**1,460,890**
Motor vehicles and accessories	532,913	120,936	(12,381)	(3,630)	**637,838**
Computer hardware	526,126	101,291	52,119	6	**679,542**
Leasehold improvements	559,250	57,598	(174,635)	–	**442,213**
Fixtures and fittings	397,321	181,293	195,621	–	**774,235**
Water supply scheme	287,863	24,183	–	–	**312,046**
Electricity distribution	12,384	1,870	–	–	**14,254**
Tools and implements	685,264	89,366	(6,274)	24	**768,380**
Plant and machinery	7,179,248	863,866	(52,275)	–	**7,990,839**
Molds	117,763	10,511	–	–	**128,274**
Stores buildings on leasehold land	72,556	25,631	(10,515)	3,677	**91,349**
	12,848,966	2,007,633	(137,298)	636	**14,719,937**

	Balance as at 31 March 2018 LKR '000	Charge for the year LKR '000	Disposals/ transfers LKR '000	Exchange translation difference LKR '000	**Balance as at 31 March 2019 LKR '000**
Depreciation					
Assets on finance lease					
Plant and machinery	12,224	6,567	–	–	**18,791**
Leasehold land	2,433	6,942	–	–	**9,375**
Transport and communication equipment	41,067	3,571	(36,787)	–	**7,851**
Motor vehicle	10,984	1,320	–	–	**12,304**
	66,708	18,400	(36,787)	–	**48,321**
Total	12,915,674	2,026,033	(174,085)	636	**14,768,258**
Net book value					
As at 31 March 2018	–	–	–	–	**33,827,879**
As at 31 March 2019	–	–	–	–	**38,543,992**
Capital work in progress					
As at 31 March 2018	–	–	–	–	**3,499,648**
As at 31 March 2019	–	–	–	–	**4,742,338**

	As at 31 March 2019 LKR '000	As at 31 March 2018 LKR '000
Carrying Amount		
Property, plant and equipment (including Capital work in progress)	**43,286,330**	37,327,527
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) (Note 15.3)	**39,927**	47,105
Leasehold right to bare land of JEDB/SLSPC Estates (Note 15.4)	**101,386**	105,253
	43,427,643	37,479,885

(15.3) Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare lands) >>

	Mature plantations (bearer biological assets) LKR '000	Permanent land development cost LKR '000	Buildings LKR '000	Plant and machinery LKR '000	**2019 LKR '000**	2018 LKR '000
Revaluation						
As at 22 June 1992	214,810	4,014	47,173	6,818	**272,815**	272,815
At the end of the year	214,810	4,014	47,173	6,818	**272,815**	272,815
Amortisation						
Opening balance	168,285	3,433	47,173	6,818	**225,709**	217,995
During the period	7,160	19	–	–	**7,179**	7,715
At the end of the year	175,445	3,452	47,173	6,818	**232,888**	225,710
Written down value						
At the end of the year	39,365	562	–	–	**39,927**	47,105

In terms of the opinion obtained from the UITF all immovable estate Property, Plant and Equipment under finance leases have been taken into the books of the Company retroactive to 22 June 1992. For this purpose all estate immovables 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 the group. Subsidiary operating in the plantation business.

Investments in bearer biological assets which were immature, at the time of handing over to the Group by way of estate lease, are shown under bearer biological assets – immature (Revalue as at 22 June 1992). Further investments in such a bearer biological assets [Immature to bring them to maturity are shown under Note 16 bearer biological assets (immature plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 16 – Bearer biological assets immature plantations] to Note 16 – Bearer biological assets mature plantations) shown under Note 16 and corresponding move from bearer biological assets (immature) to bearer biological assets (mature) will be made in the above category, namely cost incurred before take over.

(15.4) Leasehold right to bare land of JEDB/SLSPC estates >>

	As at 31 March 2019 LKR '000	As at 31 March 2018 LKR '000
Capitalised value	**204,931**	204,931
As at 22 June 1992	**204,931**	204,931
Amortisation		
Opening balance	**99,678**	95,811
Charge for the year	**3,867**	3,867
At the end of the year	**103,545**	99,678
Carrying amount		
At the end of the year	**101,386**	105,253

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 22 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 LKR 204.931 Mn. being the value established for these lands by Valuation Specialist, D R Wickremasinghe just prior to the formation of HPPLC.

(15.5) Fair value hierarchy – Non-financial assets>>

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

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

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

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

Company	Location	Extent	Valuer	Valuation date	Valuation details	Significant unobservable input: Price per perch/acre/range	Fair value measurement using significant unobservable inputs (Level 3) LKR Mn.
Royal Ceramics Lanka PLC	Factory at Ehaliyagoda	A50-R1-P34.72	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 56,250.00 per perch	454
	Showroom and Cutting Centere Land at Kottawa	A1-R1-P24.75				LKR 1,528,026.00 per perch	343
	Land at Meegoda Warehouse	A2-R3-P31.29				LKR 255,017.00 per perch	120
	Land at Nawala for Nawala New Showroom	P24.90				LKR 7,000,000.00 per perch	174
	Land at Nattandiya	A10				LKR 18,750.00 per perch	30
	Land at Kalutara	A4-R3-P8.20				LKR 15,602.00 per perch	12
	Land at Seeduwa	R1-P12.50				LKR 2,500,000.00 per perch	131
	Land at Narahenpita	P17.02				LKR 7,000,000.00 per perch	119
	Land at Colpitty	P19.97				LKR 15,022,533.00 per perch	300
	Land at Panadura	P18.82				LKR 3,500,000.00 per perch	66
	Land at Dehiwela	P14.83				LKR 7,000,000.00 per perch	104
	Land at Narahenpita	R1-P5.32				LKR 6,430,714.00 per perch	291
Royal Porcelain (Pvt) Ltd.	Factory Land at Horana	A.14 - R.1- P.7.36	Mr A A M Fathihu	31 December 2018	Market based evidence	LKR 62,500.00 per perch	89
	Factory Building at Horana	285,168 sq.ft.				LKR1,250 to LKR 5,000.00 per sq.ft.	143
	Warehouse Building at Meegoda	77,467 sq.ft.				LKR 3,500 to LKR 4,000.00 per sq.ft.	566
Rocell Bathware Ltd.	Factory land at Homagama	A1-R2-P19.60	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 150,000.00 per perch	39
	Land at Meegoda	A1-R3-P04.10				LKR 200,000.00 per perch	64
	Factory complex at Homagama	202,003 Sq. ft.				LKR 800.00 to 4,500.00 per Sq. ft.	633
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 4,500,000.00 per acre	220
	Waradala Village, Divulapitiya, Gampha	4A-01R-15.9P				LKR 2,500,000.00 per acre	11
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	A48-R03-P17.9	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 4,500,000.00 per acre	224
	House	981. sq. ft				LKR 4,000.00 per sq.ft.	
Lanka Walltiles PLC	Land at No. 215, Nawala Road, Narahenpita, Colombo 05.	A1-R1-P24.16	Mr Ranjan J Samarakone	31-Mar-19	Market based evidence	LKR 7,000,000 per Perch	1,415
	Plan at No 215, Nawala Road, Narahenpita, Colombo 05	279,361 sq. ft			Contractors basis method valuation	LKR 1,000/- to 3,500/- per sq.ft.	85

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) LKR Mn.
	Land at No. 2205 situated at Mawathagama and Galagedara Village	A23-R1-P24.16			Market based evidence	Rs.300,000 per Perch	1,123
	Plan at No. 2205, situated at Mawathagama and Galagedara Village	35,990 sq. ft			Contractors basis method valuation	Rs. 2,000/- to 4,000/- per sq.ft	717
Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 40,000.00 to LKR 175,000.00 per perch	557
	Land at Biyagama	02A-00R-15.93P				LKR 950,000.00 per perch	285
	Marawila Silica Land	13A-0R-02P				LKR 18,752.52 per perch	36
	Ball Clay land at Kaluthara	5A-01R-0.83P				LKR 62.50 per perch	52
Uni Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr D G Newton	31 March 2016	Market based evidence	LKR 70,000.00 per perch	102
	Building and land improvement at Narampola Road, Moragala, Deketana	25,551 sq.ft.			Depreciated replacement cost	LKR 650.00 to LKR 2,000.00 per sq.ft.	179
Uni Dil Packaging Solutions Ltd.	Land at Narampola Road, Moragala, Deketana	A2-R2-P35	Mr D G Newton	31 March 2016	Market based evidence	LKR 60,000.00 per perch	26
	Building at Narampola Road, Moragala, Deketana	25,551 sq.ft.			Depreciated replacement cost	LKR 1,750.00 to LKR 2,500.00 per sq.ft.	46
Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda – Land	980 Perches	Mr K T D Tissera	31 March 2016	Market based evidence	LKR 646,429.00 per perch	600
	No. 334/5, Colombo Road, Belummahara, Imbulgoda – Land	20 Perches			Market based evidence	LKR 567,500.00 per perch	7
	Factory Complex, Belummahara, Imbulgoda – Building	54,647 sq.ft.			contractor's method	LKR 3,750.00 per sq.ft.	75
	No. 334/5, Colombo Road, Belummahara, Imbulgoda – Building	1,384 sq.ft.			Depreciated Replacement cost	LKR 361.00 per sq.ft.	300
	Factory Complex, Belummahara, Imbulgoda – Tile Stores	24,444 sq.ft.			Investment Method	LKR 15.00 to 40.00 per sq.ft.	63
	Factory Complex, Belummahara, Imbulgoda – Sales Center	4890 sq.ft.			Investment Method	LKR 15.00 to 40.00 per sq.ft.	21

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) LKR Mn.
	Factory Complex, Belummahara, Imbulgoda – Open Shed	1600 sq.ft.			Investment Method	LKR 15.00 to 40.00 per sq.ft.	2
	Factory Complex, Belummahara, Imbulgoda – Warehouse	5,000 sq.ft.			Investment Method	LKR 15.00 to 40.00 per sq.ft.	17
Swisstek Aluminum Ltd.	Land at Pahala Dompe, Dompe	A08-R02-P20	Mr Ranjan J Samarakone	30 March 2016	Market based evidence	LKR 17,567,247.00 per arce	11
	Dompe Lot 2	A9-R1-P15.9			Market based evidence	LKR 18,834,861.00 per arce	176
	Domepe Lot 3	A0-R2-P5.2			Market based evidence	LKR 7,511,737.00 per arce	4
	Building at Pahala Dompe, Dompe	141,294 Sq.ft.			Contractors method	LKR 40,000.00 to LKR 175,000.00 per perch	465
Lanka Ceramic PLC	Mining land at Owala	25A-2R-15P	Mr P B Kalugalagedera	31 March 2016	Market based evidence	LKR 100,000.00 to LKR 250,000.00 per acre	5
	Land situated at Owala	1A-1R-02.0P			Market based evidence	LKR 400,000.00 per acre	500
	Factory building and office building at Owala mine	7038 sq.ft.			Depreciated cost method	LKR Nil to LKR 1,000.00 per sq.ft.	5
	Mining land at Meetiyagoda	35A-10R-4.33P			Market based evidence	LKR 300,000.00 to LKR 1,000,000.00 per acre	17
	Mining land at Dediyawala	50A-0R-05.48P			Market based evidence	LKR 200,000.00 per acre	10
	Land situated at Meetiyagoda	7A-2R-28P			Market based evidence	LKR 750,000.00 to LKR 1,750,000.00 per acre	13
	Factory building and office building at Meetiyagoda mine	39,512 sq.ft.			Deprecciated cost method	LKR 100 to LKR 500.00 per sq.ft.	14
Delmege Forsyth and Company Limited	No. 101, Vinayalankara Mawatha, Colombo 10	2 A 0 R 14.05 P	H B Manjula Basnayaka	31 March 2017	Market based evidence	LKR 10,000,000.00 to LKR 15,000,000.00 per perch	4
LB Finance PLC	Kollupitiya, No. 20, Dharmapala Mawatha, Colombo 03.	52.82 Perches 57,020 sq.ft.	H B Manjula Basnayaka	31 March 2019	Market based evidence	LKR 25,000,000.00 per perch LKR 14,000.00 per sq.ft.	1,321 798
	Kollupitiya No. 676, Galle Road, Colombo 03.	167.65 Perches 59,999 sq.ft.			Market based evidence	LKR 25,000,000.00 per perch LKR 5,000.00 per sq.ft.	4,191 300
	Cinnamon Gardens No. 165, Dharmapala Mawatha, Colombo 07.	48.95 Perches 7,400 sq.ft.			Market based evidence	LKR 22,500,000.00 per perch LKR 5,000.00 per sq.ft.	1,101 37

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) LKR Mn.
	Kandy No. 115B, Kotugodella Veediya, Kandy.	25.2 Perches 7,780 sq.ft.			Market based evidence	LKR 19,903,000.00 per perch LKR 2,370.00 per sq.ft.	502 18
	Kandy No. 226, D S Senanayaka Street, Kandy.	7.05 Perches 3,674 sq.ft.			Market based evidence	LKR 8,244,000 Per Perch LKR 1,600 per sq.ft.	58 6
	Kandy Moragaspitiyawatta Road, Balagolla, Kengalla.	110 Perches 300 sq.ft.			Market based evidence	LKR 396,000.00 per perch LKR 17,000.00 per sq.ft.	44 5
	Kandy No. 47/10 A, Luwiss Pieris Mawatha, Buwelikada, Kandy.	42.4 Perches			Market based evidence	LKR 850,000.00 per perch	36
	Maradana No. 104/1, Vipulasena Mawatha, Colombo 10.	50.6 Perches 5,750 sq.ft.			Market based evidence	LKR 6,500.00 per perch LKR 3,500.00 per sq.ft.	329 20
	Nuwara Eliya No. 35/4, Upper Lake Road, Nuwara Eliya.	359 Perches			Market based evidence	LKR 820,000.00 per perch	294
	Wellawatta No. 51A, W A Silva Mawatha, Colombo 06.	14.225 Perches			Market based evidence	LKR 11,000,000.00 Per perch	157
	Panadura No. 37, Jayathilake Mawatha, Panadura.	42 Perches			Market based evidence	LKR 2,400,000.00 Per perch	119
	Kalutara No. 334, Main Street, Kalutara South.	26.27 Perches 1,0620 sq.ft.			Market based evidence	LKR 6,500.00 per perch LKR 3,500.00 Per sq.ft	171 37
	Borella No. 1,024, Maradana Road, Borella.	25.5 Perches			Market based evidence	LKR 13,000,000.00 Per perch	332
Greener Water Ltd.	Land Mosque Lane, Poruthota, Kochchikade	18 A 2 R 7.8 P	H B Manjula Basnayaka	31 March 2018	Market based evidence	LKR 900,000.00 Per perch	2,672

Significant increases (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.]

16 — Biological assets

(16.1) Bearer biological assets >>

	Tea LKR '000	Rubber LKR '000	Oil Palm LKR '000	Diversification LKR '000	**Total 2019 LKR '000**	Total 2018 LKR '000
Immature plantations						
Cost or valuation:						
At the beginning of the year	98,639	250,726	64,864	84,659	**498,888**	637,164
Additions	24,765	47,171	27,179	56,669	**155,784**	229,065
Transfers to mature	(1,825)	(87,987)	(277)	(32,151)	**(122,240)**	(367,341)
Transferred to income statement	–	(11,526)	–	(1,075)	**(12,601)**	–
At the end of the year	121,579	198,384	91,766	108,102	**519,831**	498,888
Mature plantations						
Cost or valuation:						
At the beginning of the year	792,323	1,338,045	103,880	45,681	**2,279,929**	1,912,588
Transfers from immature	1,825	87,987	277	32,150	**122,239**	367,341
Transferred to income statement	(196)	–	–	(230)	**(426)**	
At the end of the year	793,952	1,426,032	104,157	77,601	**2,401,742**	2,279,929
Accumulated amortisation						
At the beginning of the year	182,830	404,992	4,031	10,910	**602,763**	464,735
Charge for the year	28,185	76,678	5,254	2,106	**112,223**	138,030
Transferred to income statement	(112)	–	–	(230)	**(342)**	
At the end of the year	210,903	481,670	9,285	12,786	**714,644**	602,765
Written down value (mature plantation)	583,049	944,362	94,872	64,815	**1,687,098**	1,677,164
Total bearer biological assets	704,628	1,142,746	186,638	172,917	**2,206,929**	2,176,052

These are investments in immature/mature plantations since the formation of Horana Plantations PLC. The lease liability over the assets (including plantations) taken over by way of estate leases are set out in Note 15.3. Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

(16.2) Consumable biological assets >>

	2019 LKR '000	2018 LKR '000
Immature plantations		
Cost:		
At the beginning of the year	51,824	39,339
Additions	14,273	12,485
Transfers to mature plantations	(29,886)	
At the end of the year	36,211	51,824
Mature plantations		
Cost:		
At the beginning of the year	484,751	451,196
Decrease due to Havest	(45,593)	(5,230)
Increase due to new plantations	29,886	–
Change in fair value less costs to sell	80,662	38,785
At the end of the year	549,706	484,751
Total consumable biological assets	585,918	536,575

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 22 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 LKR 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.

(16.2.1) 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 31 March 2019 comprised approximately 319.02 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting LKR 36.611 Mn. as at 31 March 2019. 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 Mr A A M Fathihu-proprietor of FM Valuers for 2018/19 using Discounted Cash Flow (DCF) 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.

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.

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 5% of the estimated future selling price has the following effect on the Net present value of the biological assets.

Managed timber	-5%	Base	5%
2019 (LKR Mn.)	534.50	549.71	569.93

Sensitivity variation on discount rate >>

Managed timber	1%	Base	1%
2019 (LKR Mn.)	568.37	549.71.	532.82

Capitalisation of borrowing cost >>

Borrowing costs amounting to LKR 58.723 Mn. (LKR 76.731 Mn. in 2017/18) directly relating to investment in biological assets (immature plantations) have been capitalised during the year, at an average borrowing rate of 13.59% (13.01% in 2017/18).

(16.4) The useful lives of the assets are estimated as follows: >>

	2019 years	2018 years
Non-plantation assets		
Buildings on free hold land and roadway	**40**	25,40 and 50
Plant and machinery	**5-20**	5-20
Water supply and electricity distribution scheme	**5-25**	5-25
Tools, implements and furniture and fittings	**5-10**	2,4,5 and 10
Transport and communication equipment	**4- 8**	4-12
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 (replanting 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
No depreciation is provided for immature plantations		

17 — Leasehold right over mining lands

	Group	
	2019 LKR '000	2018 LKR '000
Cost		
At the beginning of the year	**15,800**	23,880
Disposals	**–**	(8,080)
At the end of the year	**15,800**	15,800
Accumulated amortisation		
At the beginning of the year	**9,264**	7,800
Charge for the year	**2,298**	3,130
Disposals	**–**	(1,666)
At the end of the year	**11,562**	9,264
Written down value	**4,238**	6,536

18 — Investment property

	Group	
	2019 LKR '000	2018 LKR '000
At the beginning of the year	**1,287,007**	706,000
Additions	**1,767**	–
Transfer from property, plant and equipment	**–**	459,407
Change in fair value	**436,476**	121,600
At the end of the year	**1,725,250**	1,287,007

Lanka Ceramics PLC >>

As at 31 March 2019, 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).

(18.1) Fair value of investment property >>

The following investment properties are revalued during the financial year 2018/19

Company	Location	Extent	Valuation date	Valuer	Valuation details	Significant unobservable input: price per perch/acre/range	Significant unobservable inputs (Level 3) LKR 000's
Lanka Ceramics PLC	No. 696,696 1/1, 696 2/1, 696 3/1, 696 4/1, Kollupitiya Road, Colombo 3	1R - 1.12P	31 March 2019	A A M Fathihu	Market based evidence	LKR 19,000,000/- per Perch	781,280
	No. 696,696 1/1, 696 2/1, 696 3/1, 696 4/1, Kollupitiya Road, Colombo 3	27,712 Sq.ft	31 March 2019	A A M Fathihu	Depreciated replacement cost	LKR 7,000.00 – LKR 9,800.00 per Sq.ft	127,165
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9 P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 8,000,000.00 per acre	390,895
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9 P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 5,000,000.00 per acre	21,746
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 200,000.00 per perch	9,000
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 50,000.00 per perch	345
	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9 P	31 March 2018	Mr Ranjan J Samarakone	Market based evidence	LKR 4,500,000.00 per acre	219,875
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9 P	31 March 2018	Mr Ranjan J Samarakone	Market based evidence	LKR 2,500,000.00 per acre	11,000
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P	31 March 2018	Mr Ranjan J Samarakone	Market based evidence	LKR 200,000.00 per perch	4,732
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9 P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 8,000,000.00 per acre	390,895
	House	981.sq.ft	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 4,000.00 per sq.ft	3,924
	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9 P	31 March 2018	Mr Ranjan J Samarakone	Market based evidence	LKR 4,500,000.00 per acre	219,876
	House	981.sq.ft	31 March 2018	Mr Ranjan J Samarakone	Market based evidence	LKR 4,000.00 per sq.ft	3,924

Significant increases (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.

Purchase of land at Divulapitiya under LWL Development (Pvt) Ltd.

Company	Location	Extent	Purchase date	Value LKR '000
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampha	00A-00R-6.90 P	4 March 19	1,767

(18.2) Rental income earned from investment property by the Group amounted LKR 36.75 Mn. (2018 – LKR 36.75 Mn.). Direct operating expenses incurred by the Group amounted to LKR 1.64 Mn. (2018 – LKR 1.39 Mn.).

(18.3) Rental income receivable under the operating lease agreement of investment property as follows:

	Less than 1 year LKR '000	Between 1 year and 5 years LKR '000
2019	36,750	147,000
2018	39,000	208,500

19 — Due to banks

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Bank overdrafts	**298,417**	63,243	**5,979,768**	4,140,690
Syndicated loans and other bank facilities (Note 19.1)	**–**	–	**23,565,144**	21,552,682
	298,417	63,243	**29,544,912**	25,693,372

(19.1) Securitised borrowings, syndicated loans and other bank facilities >>

	As at 1 April 2018 LKR '000	Loans obtained LKR '000	Interest recognised LKR '000	Repayments		**As at 31 March 2019 LKR '000**
				Capital LKR '000	Interest LKR '000	
Syndicated loans						
Syndication 1	130,199	–	9,392	(128,906)	(10,685)	**–**
Syndication 2	1,359,153	–	84,456	(900,000)	(90,119)	**453,489**
Syndication 3	2,222,271	–	214,571	(877,800)	(221,613)	**1,337,429**
Syndication 4	1,925,203	–	246,227	(455,000)	(241,656)	**1,474,774**
Syndication 5	1,458,436	–	195,517	(300,000)	(111,513)	**1,242,440**
Syndication 6	1,988,022	–	246,264	–	–	**2,234,285**
Syndication 7	–	992,782	70,620	–	–	**1,063,402**
Syndication 8	–	992,663	53,115	–	–	**1,045,778**
	9,083,282	1,985,445	1,120,161	(2,661,706)	(675,585)	**8,851,597**

	As at 1 April 2018 LKR '000	Loans obtained LKR '000	Interest recognised LKR '000	Repayments Capital LKR '000	Repayments Interest LKR '000	As at 31 March 2019 LKR '000
Term Loans						
Bank of Ceylon 1	376,198	–	20,925	(375,000)	(22,123)	–
Bank of Ceylon 2	2,920,299	–	249,711	(1,250,000)	(247,008)	1,673,002
Commercial Bank 1	1,113,491	–	69,950	(666,000)	(70,757)	446,683
Commercial Bank 2	563,441	–	48,917	(250,000)	(49,282)	313,076
Commercial Bank 3	1,670,327	–	219,108	(444,000)	(219,715)	1,225,720
Commercial Bank 4	1,004,997	–	625	(1,000,000)	(5,622)	–
Commercial Bank 5	–	1,000,000	78,116	(1,000,000)	(78,116)	–
Nations Trust Bank 1	791,421	–	74,161	(504,000)	(74,903)	286,679
Nations Trust Bank 2	–	499,950	46,161	–	(41,948)	504,163
Nations Trust Bank 3	–	998,679	21,508	(42,000)	(20,024)	958,163
Hatton National Bank 1	771,844	–	47,128	(399,960)	(49,692)	369,320
Hatton National Bank 2	824,673	–	98,398	(300,000)	(98,061)	525,010
Hatton National Bank 3	663,607	–	77,161	(240,000)	(78,473)	422,296
Union Bank	177,160	–	5,305	(166,667)	(15,798)	–
Public Bank 1	140,243	–	13,697	(40,000)	(13,731)	100,209
Public Bank 2	80,002	–	8,045	(20,000)	(7,999)	60,048
Seylan Bank 1	693,697	–	83,914	(250,008)	(86,042)	441,560
Seylan Bank 2	–	1,000,000	7,572	–	–	1,007,572
DFCC Bank 1	677,998	–	77,000	(187,500)	(77,900)	489,599
DFCC Bank 2	–	998,000	100,398	(187,500)	(90,411)	820,487
DFCC Bank 3	–	1,197,359	40,121	(28,571)	(27,060)	1,181,848
AXIS Bank	–	498,471	44,054	(83,200)	(39,492)	419,833
Habib Bank	–	299,481	15,724	(41,667)	(15,406)	258,133
	12,469,398	6,491,940	1,447,700	(7,476,073)	(1,429,564)	11,503,401
Securitisation Loans						
Sampath Bank	–	2,983,446	226,701	–	–	3,210,146
	–	2,983,446	226,701	–	–	3,210,146
	21,552,680	11,460,830	2,794,562	(10,137,779)	(2,105,149)	23,565,144

(19.2) Contractual maturity analysis of syndicated loans and other bank facilities >>

As at 31 March 2019	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Syndicated loans	2,824,821	6,026,775	–	8,851,596
Securitisation loans	396,923	2,813,223	–	3,210,146
Term loans	6,541,666	4,647,492	314,245	11,503,404
	9,763,410	13,487,490	314,245	23,565,146

As at 31 March 2018	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Syndicated loans	2,631,708	6,451,576	–	9,083,284
Term loans	6,097,049	6,372,349	–	12,469,398
	8,728,757	12,823,925	–	21,552,682

The Group doesn't have pre-termination options for syndicated loans and other bank facilities.

20 — Due to customers

	Group	
	2019 LKR '000	2018 LKR '000
Fixed deposits	80,250,164	69,888,343
Certificates of deposit	88,737	100,772
Savings deposits	2,903,716	2,956,896
	83,242,617	72,946,011

(20.1) Contractual maturity analysis of customer deposits >>

As at 31 March 2019	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Fixed deposits	62,423,413	17,826,751	–	80,250,164
Certificates of deposit	88,737	–	–	88,737
Savings deposits	2,903,716	–	–	2,903,716
	65,415,866	17,826,751	–	83,242,617

As at 31st March 2018	Within 1 year LKR '000	1 - 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Fixed deposits	54,641,273	15,247,070	–	69,888,343
Certificates of deposit	100,772	–	–	100,772
Savings deposits	2,955,295	1,601	–	2,956,896
	57,697,340	15,248,671	–	72,946,011

21 — Interest-bearing loans and other borrowings

Company >>

	2019 LKR '000	2018 LKR '000
Short-term loan	500,000	1,000,000

Group >>

	2019			2018		
	Amount repayable within 1 year LKR '000	Amount repayable after 1 year LKR '000	Total LKR '000	Amount repayable within 1 year LKR '000	Amount repayable after 1 year LKR '000	Total LKR '000
Finance leases (Note 21.1)	18,188	89,012	107,200	20,596	96,393	116,989
Bank loans/term loans	3,035,524	8,982,803	12,018,327	2,521,691	8,132,422	10,654,113
Short-term loan	2,671,766	–	2,671,766	5,937,924	–	5,937,924
Unsecured debentures (Note 21.3)	116,205	2,991,578	3,107,783	2,163,729	2,989,103	5,152,832
Import loans	659,883	–	659,883	–	–	–
Factoring	137,883	–	137,883	–	–	–
Others	3,924,123	–	3,924,123	739,530	–	739,530
	10,563,572	12,063,393	22,626,965	11,383,470	11,217,918	22,601,388

(21.1) Finance leases >>

	2019 LKR '000	2018 LKR '000
JEDB/SLSPC Estates	141,229	146,055
Other finance lease creditors	21,350	30,149
Gross liability	162,579	176,204
Exchange rate difference	368	311
Finance charges allocated to future periods	(55,745)	(59,524)
Net liability	107,202	116,991
Payable within 1 year	18,188	20,596
Payable within 1 year before 5 years	89,012	96,393
Total	107,200	116,989

(21.1.1) JEDB/SLSPC estates >>

	2019 LKR '000	2018 LKR '000
At the beginning of the year	146,055	146,386
New leases obtained during the year	15,968	14,361
Repayments during the year	(20,794)	(14,692)
At the end of the year	141,229	146,055

(21.1.1.1) JEDB/SLSPC estates >>

The lease rentals have been amended with effect from 22 June 1996 to an amount substantially higher than the previous nominal lease rental of LKR 500.00.00 per estate per annum.The basic rental payable under the revised basis is LKR 5.228 Mn. per annum. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 10 June 2005, freezing the annual lease rental at LKR 7.472 Mn. for a period of six years commencing from 22 June 2002. Hence, the GDP Deflator adjustment will be frozen at LKR 2.244 Mn. per annum until 21 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 LKR 7.472 Mn. will continue until 21 June 2008, and thereafter from 22 June 2008, annual lease payment will remain at LKR 5.228 Mn., until 21 June 2045. The net present value of this liability at a 4% discounting rate would result in a liability of LKR 88.066 Mn.

The net present value as at date is represented by

	2019 LKR '000	2018 LKR '000
Gross liability	141,226	146,053
	141,226	146,053
Less: interest in suspense	(53,160)	(59,592)
Net present value	88,066	86,461

The contingent rental charged during the current year to Statement of Profit or Loss amounted to LKR 15.968 Mn. and the gross liability to make contingent rentals for the remaining 26 years of lease term at the current rate would be estimated to LKR 415.168 Mn. as at 31 March 2019.

(21.1.2) Other financial lease creditors >>

	2019 LKR '000	2018 LKR '000
At the beginning of the year	30,149	49,783
New leases obtained during the year	7,276	–
Repayments during the year	(16,074)	(19,634)
At the end of the year	21,350	30,149

(21.2) Details of the long-term loans

Lender	Approved facility	Repayment terms	Security
Company: Vallibel One PLC			
Standard Chartered Bank	LKR 1,000 Mn.	One year (To be paid biannually in equal instalments of LKR 500 Mn.)	Mortgage of 5.1 Mn. shares of Sampath Bank PC
Company: Greener Water			
Hatton National Bank PLC	LKR 1,700 Mn.	To be repaid in 60 equal instalments (5 years) subsequent to the initial grace period of 2 years Interest	Corporate Gurantee from Vallibel One PLC

Notes to the Financial Statements

Lender	Approved facility	Repayment terms	Security
Company: Delmege			
Delmege Forsyth & Co. Ltd.	LKR 2,250 Mn.	Within 7 years	Mortgage over land and buildings/ Stocks and Book Debts
Delmege Forsyth & Co. Ltd.	LKR 500 Mn.	Within 5 years	Corporate Guarantee-Delmege Ltd.
Grip Delmege (Pvt) Ltd.	60 Mn.	Within 6 years	Mortgage over land and buildings – Grip Delmege (Pvt) Ltd. – Corporate – Guarantee-Delmege Ltd.
Company: Royal Ceramics Lanka PLC			
Commercial Bank of Ceylon PLC	LKR 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	LKR 3.0 Bn.	8 years-(first 48 monthly instalment of LKR 20 Mn. each and subsequent 48 monthly instalments of LKR 42.5 Mn. each	Tripate agreement between the company /custodian company and bank over a portfolio of 23,009,036 shares of Lanka Ceramics PLC and 7,545,422 shares of LB Finance PLC (Market value as at 15 September 2014 – LKR 3,905 Mn.)
Commercial Bank of Ceylon PLC	LKR 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 3.
Commercial Bank of Ceylon PLC	LKR 109 Mn.	59 equal monthly instalments of LKR 1,816,700 each and final instalment of LKR 1,814,700	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Commercial Bank of Ceylon PLC	LKR 95 Mn.	59 equal monthly instalments of LKR 1,585,000 each and final instalment of LKR 1,485,000	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Commercial Bank of Ceylon PLC	LKR 200 Mn.	59 equal monthly instalments of LKR 3335000 and a final instalment of LKR 3235000 after a grace period of 6 months	Additional mortgage bond over the property at Baddegedaramulla, Meegoda to be executed
Commercial Bank of Ceylon PLC	LKR 100 Mn.	59 equal monthly instalments of LKR 1,667,000 and a final instalment of LKR 1,647,000 after a grace period of 6 months	Additional concurrent mortgage bond with HNB bank PLC for Rs 100Mn. over the factory property at Eheliyagoda to be executed by the Company. (HNB interest – LKR 350.3 Mn. our total interest – AUD 2,407,000/- or equivalent in LKR and LKR 100 Mn.
Commercial Bank of Ceylon PLC	LKR 150 Mn.	60 equal monthly instalments of LKR 2,500,000 after a grace period of 6 months	Corporate guarantee of Royal PorAdditional mortgage bond wfor LKR 110000,000 Mn. over the property bearing assessment No 20, R.A De Mel Mawatha, Kollupitiya to be executedcelain (Pvt) Ltd.
Commercial Bank of Ceylon PLC	LKR 150 Mn.	60 equal monthly instalments of LKR 2,500,000 after a grace period of 6 months	Floating primary mortgage bond for LKR 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 2,407,000 over the property at Eheliyagoda owned by the Company to be executed-(HNB 's interest LKR 350.3 Mn.)
Commercial Bank of Ceylon PLC	LKR 500 Mn.	59 equal monthly instalments of LKR 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	LKR 106 Mn.	59 equal monthly instalments of LKR 1,766,000 and the final instalment of LKR 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	LKR 100 Mn.	59 equal monthly instalments of LKR 1,666,000 and the final instalment of LKR 1,706,000	Teritary mortgage bond for LKR 100 Mn. executed over the property at R A De Mel Mawatha, Colombo 03.
Commercial Bank of Ceylon PLC	LKR 152 Mn.	59 equal monthly instalments of LKR 2,550,000 each and the final instalment of 1,550,000	To purchase 1,365,460 number of shares of Lanka Wall Tiles PLC

Lender	Approved facility	Repayment terms	Security
Commercial Bank of Ceylon PLC	LKR 500 Mn.	59 equal monthly instalments of LKR 8,400,000 each and the final instalment of LKR 4,400,000	To reimburse the expenditure incurred for construction/Refurbishment of show rooms
DFCC Bank PLC	LKR 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	LKR 100 Mn.	59 equal monthly instalments of LKR 1.67 Mn. and the final instalment of LKR 1.47 Mn.	Existing primary mortgage bond For LKR 350.3 Mn. over factory premises at Eheliyagoda and plant and machinery and everything standing thereon
Hatton National Bank PLC	LKR 50 Mn.	59 equal monthly instalments of LKR 833,400 and a final instalment of LKR 770,400 after a grace period of 6 months	Existing primary mortgage bond For LKR 350.3 Mn. over factory premises at Eheliyagoda and plant and machinery and everything standing thereon
Hatton National Bank PLC	LKR 23 Mn.	59 equal monthly instalments of LKR 383,400 and a final instalment of LKR 379,400 after a grace period of 6 months	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Hatton National Bank PLC	LKR 7 Mn.	59 equal monthly instalments of LKR 116,700 and a final instalment of LKR 114,700 after a grace period of 6 months	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Hatton National Bank PLC	LKR 14 Mn.	59 equal monthly instalments of LKR 233,330 and a final instalment of LKR 233,520	Corporate guarantee of Royal Porcelain (Pvt) Ltd.
Hatton National Bank PLC	LKR 28.5 Mn.	60 equal monthly instalments of LKR 475,000	Corporate Guarantee from RPL
Hatton National Bank PLC	LKR 5.5 Mn.	59 equal monthly instalments of LKR 91,600 and a final instalment of LKR 95,600	Corporate Guarantee from RPL
Hatton National Bank PLC	LKR 12.9 Mn.	60 equal monthly instalments of LKR 215,000	Corporate Guarantee from RPL
Hatton National Bank PLC	LKR 130 Mn.	59 equal monthly instalments of LKR 2.15 Mn. each and a final instalment of LKR 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	LKR 500 Mn.	47 equal monthly instalments of LKR 10,400,000 and a final instalment of LKR 11,200,000	Existin primary mortgage bond for LKR 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 LKR 233 Mn. to be obtained
Hatton National Bank PLC	LKR 175 Mn.	66 months in 59 equal monthly instalments of LKR 2,900,000 and a final instalment of LKR 3,900,000 with a grace period of 6 months.	To import machinery and spare parts/renovation of the main building for expansion of Eheliyagoda factory.
Company: Royal Porcelain (Pvt) Ltd.			
Commercial Bank of Ceylon PLC	LKR 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	LKR 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	LKR 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 Limited
Commercial Bank of Ceylon PLC	LKR 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	LKR 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

Notes to the Financial Statements

Lender	Approved facility	Repayment terms	Security
Commercial Bank of Ceylon PLC	LKR 37 Mn.	59 equal monthly instalments of LKR 615,000 and a final instalment of LKR 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	LKR 28 Mn.	59 equal monthly instalments of LKR 466,700 and a final instalment of LKR 464,700 commencing from 25 August 2015	Corporate Guarantee-RCL
Commercial Bank of Ceylon PLC	LKR 114 Mn.	59 equal monthly instalments	Primary mortgage bond over Land at Marawila to be executed
Hatton National Bank PLC	LKR 300 Mn.	60 equal monthly instalments of LKR 5,000,000 plus interest commencing after a grace period of 6 months.	Corporate Guarantee-RCL
Hatton National Bank PLC	LKR 200 Mn.	59 equal monthly instalments of LKR 3,33 Mn. each and final instalment of LKR 3.53 Mn. plus interest commencing after a grace period of 6 months.	Corporate Guarantee-RCL
Hatton National Bank PLC	LKR 90 Mn.	60 equal monthly instalments of LKR 1.5Mn. each plus interest commencing after a grace period of 6 months.	Negative pledge over Machinery to be purchased for LKR 90 Mn.
Hatton National Bank PLC	LKR 100 Mn.	59 equal monthly instalments of LKR 1.66 Mn. each and final instalment of LKR 2.06 Mn. plus interest commencing after a grace period of 6 months	Negative pledge over Heat Recovery system
Hatton National Bank PLC	LKR 45 Mn.	60 equal monthly instalments of LKR 75 Mn. each plus interest commencing after a grace period of 6 months	Negative pledge over Machinery to be purchased for LKR 45 Mn.
Company: Rocell Bathware Limited			
Hatton National Bank PLC	LKR 160 Mn.	54 equal monthly instalments	Primary Mortgage bond for LKR 250Mn. 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	LKR 70 Mn.	54 instalments with grace period of 6 months	Concurrent mortgage bond for LKR 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	LKR 20 Mn.	64 equal monthly instalments	Primary mortgage bond for LKR 250Mn. over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed. Corporate guarantee of RCL
Commercial Bank of Ceylon PLC	LKR 25 Mn.	53 equal monthly instalments	Primary Mortgage bond over Water closet casting machine for 25 Mn.
Commercial Bank of Ceylon PLC	LKR 210 Mn.	60 equal monthly instalments of LKR 3,500,000 with a grace period of 6 months	Primary mortgage bond over the shuttle Kiln burner machine for LKR 210 Mn.
Commercial Bank of Ceylon PLC	LKR 57.7 Mn.	59 equal monthly instalments of LKR 961,600 and a final instalment of LKR 965,600.00	Primary Mortgage bond over Water Closet casting Machine,stock tank propeller dissolver and modification to the existing glazing cell for LKR 57.7 Mn.
Commercial Bank of Ceylon PLC	LKR 70 Mn.	59 equal monthly instalments of LKR 1,1165,000 and a final instalment of LKR 1,265,000.00	Corporate Guarantee-RCL

Lender	Approved facility	Repayment terms	Security
Commercial Bank of Ceylon PLC	LKR 300 Mn.	60 equal monthly instalment of LKR 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
People's Bank	LKR 160 Mn.	59 equal monthly instalments of LKR 2.7 Mn. each and final instalment of LKR 7 Mn. after a grace period of 6 months.	Corporate Guarantee – RCL
Company: Rocell (Pty) Ltd.			
Commercial Bank of Ceylon PLC	AUD 1,175,000	60 equal monthly instalments	Corporate Guarantee of Royal Ceramics Lanka PLC
Company: Lanka Ceramic PLC			
Hatton National Bank PLC	LKR 500 Mn.	8 annual instalments	Mortgage for LKR 500 Mn. over investment property of 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).
Company: Lanka Walltiles PLC			
Hatton National Bank PLC	USD 1.8 Mn.	60 monthly instalment	Secondary mortgage bond for USD 1.8 million over the project assets comprising land, building and machinery at Meepe.
Commercial Bank of Ceylon PLC	LKR 584 Mn.	60 monthly instalments	Tripartite agreement for LKR 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	LKR 80 Mn.	60 monthly instalments	Primary mortgage bond for LKR 80 Mn. over the ceramic printer
DFCC Bank	LKR 200 Mn.	60 monthly instalments	Primary mortgage over movable machinery at Meepe
Company: Lanka Tiles PLC			
DFCC Bank	LKR 150 Mn.	48 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to LKR 300 Mn.
DFCC Bank	LKR 165 Mn.	48 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to LKR 300 Mn.
DFCC Bank	LKR 80 Mn.	59 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to LKR 300 Mn.
DFCC Bank	LKR 1,500 Mn.	72 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to LKR 1,500 Mn.
Company: Uni-Dil Packaging Limited			
HSBC	USD 310,000	USD 7,380.95 monthly instalments	Mortgage bond for USD 310,000 over Moveable machinery
Standard Chartered Bank	USD 310,000	USD 114,074 quarterly instalment	Mortgage bond for USD 310,000 over Moverble machinery and Vehicle

Lender	Approved facility	Repayment terms	Security
Company: Horana Plantations PLC			
Hatton National Bank PLC	150 Mn.	72 monthly instalments	Primary mortgage for 150 Mn. over the leasehold rights of Frocester Estate
Hatton National Bank PLC	LKR 100 Mn.	60 monthly instalments	Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla
Hatton National Bank PLC	LKR 130.114 Mn.	60 monthly instalments	Primary mortgage over leasehold rights of Bambarakelly Estate
Sri Lanka Tea Board	LKR 33 Mn.	48 monthly instalments	No Security has been offered
Industry Distress Financing Facility	LKR 46.935 Mn.	36 monthly instalments	No Security has been offered
Replanting of Main Crops	LKR 100 Mn.	48 monthly instalments after 24 months grace period	Primary floating mortgage for LKR 120.00 Mn., over the leasehold rights land and buildings of Stockholm Estate.
Company: Swisstek (Ceylon) PLC			
Bank of Ceylon	LKR 170 Mn.	54 monthly instalments	Mortgage over immovable property at Balummahara, Imbulgoda
Commercial Bank	LKR 35Mn.	60 monthly instalments	Mortgage over immovable property at Balummahara, Imbulgoda
DFCC Bank	LKR 110 Mn.	60 monthly instalments	Mortgage over land,building,plant and machinery,stocks and book debt own by Swisstek Aluminium Ltd.
Company: Swisstek Aluminum Limited			
DFCC Bank	LKR 290 Mn.	78 monthly instalments	Primary mortgage over land and building and machinery of LKR 500 Mn.
	LKR 50 Mn.	60 monthly instalments	
	LKR 10 Mn.	60 monthly instalments	
	LKR 500 Mn.	60 monthly instalments	
	LKR 193.032 Mn.	60 monthly instalments	Movable machinery
Hatton National Bank PLC	LKR 80 Mn.	48 monthly instalments	Simple receipt
Company: Vallibel Plantation Management Limited			
Commercial Bank of Ceylon PLC	LKR 144.79 Mn.	60 monthly instalments	12,750,000 shares of Horana Plantation PLC

(21.3) Debt instruments issued and other borrowed funds >>

	2019 LKR '000	2018 LKR '000
Unsecured debentures (Note 21.3.1)	**3,107,783**	5,152,832
	3,107,783	5,152,832

(21.3.1) Unsecured debentures >>

The terms and features of unsecured redeemable subordinated debentures are as follows:

Category	Interest payable	Features	Amortised cost LKR '000	Face value LKR '000	Interest rate	Issued date	Maturity date
Senior	Biannually	Listed	1,034,918	1,000,000	12.75% p.a	11 December 2017	11 December 2022
Subordinate	Biannually	Listed	2,072,865	2,000,000	13.25% p.a	11 December 2017	11 December 2022
Total			3,107,783	3,000,000			

22 — Trade and other payables

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Trade and other payables	**357**	50	**3,926,421**	3,805,712
Accrued expenses	**507**	2,701	**827,743**	1,578,227
Other payable	**4,701**	3,256	**344,313**	561,671
Payable to related parties	**–**	–	**50,817**	–
Bills payables and current account with principal	**–**	–	**114,192**	–
Unclaimed balances	**–**	–	**574,396**	529,475
Sundry creditors including accrued expenses	**–**	–	**1,296,885**	–
Insurance premium payable			**657,018**	632,727
Advances collected from customers			**27,862**	473,759
	5,565	6,007	**7,819,647**	7,581,571

23 — Other non-financial liabilities

	Group	
	2019 LKR '000	2018 LKR '000
Provisions	**112,590**	530,565
Capital grants (Note 23.1)	**125,726**	136,532
Refundable deposits	**15,000**	–
Other statutory payables	**634,485**	186,068
Impairment provision in respect of off-balance sheet credit exposure	**7,357**	–
	895,158	853,165

(23.1) Capital grants >>

Granted by	Purpose of the grant	Basis of amortisation	Amount received LKR '000	Opening balance LKR '000	Received during the year LKR '000	Amortised during the year LKR '000	Closing balance LKR '000
Sri Lanka Tea Board	Tea factory modernisatiion	Rate of depreciation applicable to plant and machinery (7.5% p.a.)	701	371	55	(53)	373
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	4,866	–	–	4,866
Plantation development project/Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	17,700	–	(1,128)	16,572
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture and fittings (2.5% and 10% p.a.)	45,143	28,737	–	(1,600)	27,137
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	288	–	(17)	271
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	14,616	–	(716)	13,900
	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,854	–	–	–	–
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,464	–	(165)	3,299
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	7,652	–	(361)	7,291
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	58,597	2,319	(9,088)	51,828
	Rubber factory development	Rate of depreciation applicable to plant and machinery (7.5% p.a.)	675	110	–	(51)	59
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	76	130	–	–	130
Total			172,714	136,531	2,374	(13,179)	125,726

(23.2) Contract liability >>

	Group	
	2019 LKR '000	2018 LKR '000
As at 1 April	**–**	–
During the year recognised	**588,028**	–
As at 31 March	**588,028**	–

This liability will be realised within the next financial year.

The contract liability primarily relates to the advance consideration received from customers for supply of timber and installation of timber flooring, for which revenue is recognised overtime. This will be recognised as revenue when the Company issues an invoice to the customer, which is expected to occur over the next year.

(23.3) Contract asset >>

	Group	
	2019 LKR '000	2018 LKR '000
As at 1 April	**–**	–
During the year recognised	**67,190**	–
As at 31 March	**67,190**	–

The contract assets primarily relate to rights to consideration for work completed but not billed at the reporting date. The contract asstes are transferred to receivables when the rights become unconditional this usually occurs when the Company issues an invoice to the customer.

24 — Dividends payable

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Unclaimed dividend	**7,325**	9,456	**234,721**	208,563

25 — Employee benefit liabilities

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Balance at the beginning of the year	**5,976**	3,809	**1,478,706**	1,211,122
Current service cost	**1,434**	1,119	**128,925**	126,431
Interest cost	**598**	457	**145,311**	138,842
Actuarial (gain)/loss	**465**	591	**33,329**	154,280
Payments made during the year	**–**	–	**(137,959)**	(151,969)
Balance at the end of the year	**8,473**	5,976	**1,648,314**	1,478,706

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31 March 2019 and 31 March 2018 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.

Actuarial assumptions >>

	Company		Group	
	2019	2018	**2019**	2018
Discount rate	**11%**	10%	**10.77% – 11.50%**	10.00% – 13.00%
Future salary increase	**10%**	8%	**10.00%**	10.00% – 12.50%
Staff turnover	**5%**	5%	**10.00% – 48.00%**	8.00% – 25.00%
Retirement age	**55 Yrs**	55 Yrs	**49 – 55 Yrs**	55 – 60 Yrs

(25.1) Sensitivity analysis >>

In order to illustrate the significance of the salary escalation rates and discount rates assumed in these valuations a sensitivity analysis for all employees of Vallibel One PLC and its subsidiaries is carried out as follows;

	Company	Group
	LKR '000	LKR '000
Discount rate as at 31 March 2019		
Effect on DBO due to decrease in the discount rate by 1%	611	**111,371**
Effect on DBO due to increase in the discount rate by 1%	(547)	**(95,559)**
Salary escalation rate as at 31 March 2019		
Effect on DBO due to decrease in salary escalation rate by 1%	(582)	**(83,303)**
Effect on DBO due to increase in salary escalation rate by 1%	641	**94,214**
Discount rate as at 31 March 2018		
Effect on DBO due to decrease in the discount rate by 1%	427	**121,151**
Effect on DBO due to increase in the discount rate by 1%	(382)	**(108,311)**
Salary escalation rate as at 31 March 2018		
Effect on DBO due to decrease in salary escalation rate by 1%	(410)	**(98,579)**
Effect on DBO due to increase in salary escalation rate by 1%	452	**107,392**

26 — Stated capital

	Company		Group	
	Number of voting shares	**LKR '000**	Number of voting shares	LKR '000
Fully paid ordinary shares				
Balance as at the beginning of the year	**1,086,559,353**	**27,163,984**	1,086,559,353	27,163,984
Balance as at the end of the year	**1,086,559,353**	**27,163,984**	1,086,559,353	27,163,984

27 — Other components of equity

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Treasury shares	**–**	–	**(44,112)**	(44,112)
Reserve fund	**–**	–	**4,078,023**	3,067,091
Fair value reserve	**(1,938,131)**	2,115,335	**(1,937,658)**	2,134,671
Foreign currency translation reserve	**–**	–	**20,468**	7,073
Revaluation reserve	**–**	–	**4,488,588**	3,851,714
General reserve			**578,449**	578,449
	(1,938,131)	2,115,335	**7,183,758**	9,594,887

Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and equity accounted investees into Sri Lankan rupees.

The equity instruments measured at FVOCI comprises the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

Statutory reserve is a capital reserve which contains profits transferred as required by Section 3 (b) (ii) of Central Bank Direction No. 1 of 2003.

28 — Principal subsidiaries with non-controling interests

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

	LB Finance PLC	Royal Ceramic Lanka PLC	Delmege Limited
Non-controlling interests in (%)	33.66	44.04	**37.25**
Accumulated balance of non-controlling interest	0.50	9,260,501	**182,475**
Summarised statement of profit or loss for the year ended 31 March 2019			
Revenue	29,342,212	31,499,457	**6,088,349**
Cost of sales	(12,953,155)	(21,203,790)	**(4,350,151)**
Administrative expenses	(5,613,352)	(1,764,984)	**(687,722)**
Finance cost	–	(1,907,269)	**(584,368)**
Finance income	–	37,050	**51,776**
Profit before tax	7,773,193	4,085,008	**(87,803)**
Income tax	(2,693,771)	(991,157)	**(35,317)**
Profit after tax	5,079,422	3,093,851	**(123,120)**
Loss from discontinuing operations	–	(10,924)	**2,537**
Profit from continuing operations			
Attributable to owners	5,079,348	2,631,549	**(98,117)**
Attributable to non-controlling interests	74	451,378	**(22,466)**
Total comprehensive income	5,080,361	3,469,307	**635,113**
Summarised statement of financial position as at 31 March 2019			
Current assets	129,847,058	21,466,600	**3,096,682**
Non-current assets	6,624,248	39,811,812	**5,740,203**
Current liabilities	81,808,293	17,483,588	**3,915,056**
Non-current liabilities	36,196,046	11,466,759	**1,974,802**
Total equity attributable to:			
Equity holders of parent	18,466,967	23,067,563	**2,764,553**
Non-controlling interests	–	9,260,501	**182,476**

	LB Finance PLC	Royal Ceramic Lanka PLC	Delmege Limited
Summarised statements of cash flows for the year ended 31 March 2019			
Operating cash flows	(48,628)	222,984	**(71,015)**
Investing cash flows	(1,079,422)	(3,758,569)	**(1,431)**
Financing cash flows	(586,642)	1,895,656	**(310,824)**
Net increase/(decrease) in cash and cash equivalents	(1,714,692)	(1,639,930)	**(383,270)**

29 — Cash and cash equivalents in the statement of cash flows

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Cash in hand and at bank	**8,662**	9,838	**2,003,277**	3,913,839
Short-term bank deposits	**–**	–	**1,421,665**	251,439
Treasury bill repurchase agreement	**5,000**	–	**1,768,694**	3,219,306
Deposits	**–**	–	**44,572**	–
	13,662	9,838	**5,238,208**	7,384,584
Bank overdrafts (Note 19)	**(298,417)**	(63,243)	**(5,979,768)**	(4,140,690)
Cash and cash equivalents at the end of the period	**(284,755)**	(53,405)	**(741,560)**	3,243,892

30 — Revenue

(30.1) Disaggregated revenue information >>

Set out below is the disaggregation of the Group's/ Company's revenue from contracts with customers:

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Geographical markets				
Export sales	**–**	–	**868,482**	1,054,366
Local sales	**–**	–	**38,401,687**	35,014,308
Total revenue contracts with customers	**–**	–	**39,270,169**	36,068,674
Income from financial services	**–**	–	**27,420,842**	24,900,188
Total revenue	**–**	–	**66,691,011**	60,968,862
Timing of revenue recognition				
Goods transferred at a point in time	**–**	–	**38,808,505**	35,541,795
Services transferred over time	**–**	–	**461,664**	526,879
Total revenue contracts with customers	**–**	–	**39,270,169**	36,068,674
Interest income	**–**	–	**27,420,842**	24,900,188
Total revenue	**–**	–	**66,691,011**	60,968,862

(30.2) Contract balances >>

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Trade receivables (Note 8)	**–**	–	**5,866,782**	5,605,611
Contract assets (Note 24.3)	**–**	–	**67,190**	–
Contract liabilities (Note 24.2)	**–**	–	**588,028**	–

31 — Dividend income

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Income from investment in related parties	**571,441**	1,221,112	**177,645**	18,431
Income from other investments	**–**	–	**9,831**	–
	571,441	1,221,112	**187,476**	18,431

32 — Other operating income

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Profit/(loss) on sale of property, plant and equipment	**2,890**	–	**(14,215)**	17,677
Real estate income (net of cost)	**–**	–	**–**	3,291
Commission income	**–**	–	**12,759**	27,938
Hiring income	**–**	–	**111,121**	–
Rent income	**–**	–	**36,750**	36,750
Change in fair value of consumable biological assets and agricultural produce	**–**	–	**86,509**	44,995
Change in fair value of investment property	**–**	–	**436,476**	121,600
Amortisation of capital and revenue grants	**–**	–	**13,179**	6,274
Sundry income	**–**		**246,564**	315,029
Profit on disposal of investment	**–**	–	**–**	1,453
Appreciation/(depreciation) in market value of financial investments – held for trading	**–**	–	**(2,817)**	–
Management fee	**–**	–	**1,560**	–
Technical fee income	**264,406**	157,614	**30,612**	–
	267,296	157,614	**958,498**	575,007

33 — Finance cost

	Company		Group	
	2019 LKR '000	2018 LKR '000	2019 LKR '000	2018 LKR '000
Interest on loans	89,730	1,963	2,199,805	754,559
Interest on bank overdrafts	21,653	220	397,667	1,194,424
Interest on finance leases	–	–	64,448	17,151
RTS international and trade card charged	–	–	–	6,932
Net loss on financial assets at fair value through profit or loss	–	–	–	1,510
Less: capitalisation of borrowing costs on immature plantations	–	–	(58,723)	(59,531)
	111,383	2,183	2,603,197	1,915,045

34 — Finance income

	Company		Group	
	2019 LKR '000	2018 LKR '000	2019 LKR '000	2018 LKR '000
Exchange gain	–	85	15,555	41,023
Interest income	38,389	159,573	111,553	324,912
Appreciation in market value of quoted shares	–	–	–	10,672
Realised gain on disposal of AFS investment	–	5,368	–	5,368
	38,389	165,026	127,108	381,975

35 — Income tax expense

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

Income statement

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Current income tax				
Current income tax charge (Note 35.1)	**28,736**	62,794	**2,953,088**	2,803,991
WHT on dividend	**–**	–	**109,206**	91,889
Share of associate company income tax	**–**	–	**4,349**	–
Under/(over) provision of current taxes in respect of prior years	**–**	(5,987)	**(3,000)**	25,853
Unrecoverable ESC	**–**	–	**60,527**	18,205
Deferred income tax				
Deferred tax charge/(reversal)	**(875)**	(1,015)	**675,648**	986,877
Income tax expense reported in the income statement	**27,861**	55,792	**3,799,818**	3,926,815
Other comprehensive income				
Deferred tax expense arising from				
Revaluation of land and building	**–**	–	**607,683**	2,982,851
Actuarial gain/(loss) defined benefit obligation	**116**	165	**(3,077)**	36,249
	116	165	**604,425**	3,019,100

(35.1) Reconciliation between tax charge and the product of accounting profit >>

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Accounting profit (PBT)	**503,666**	1,357,805	**10,542,114**	10,737,001
	503,666	1,357,805	**10,542,114**	10,737,001
Income tax expense at the statutory income	**141,026**	380,185	**3,312,052**	2,698,332
Tax effect of non-deductible expenses	**49,959**	1,520	**1,147,958**	1,194,014
Tax effect of allowable credits	**(172,998)**	(363,592)	**(1,206,841)**	(1,056,781)
Tax effect of exempt income	**–**	–	**(255,267)**	(425,530)
Income tax expenses as the statutory income	**–**	–	**–**	380,185
Tax effect of income from other sources/interest income	**10,749**	44,680	**10,993**	–
Dividend tax	**–**	–	**57,748**	105,659
Unrecoverable ESC	**–**	–	**60,527**	18,205
Adjustments of taxes in respect of prior years	**–**	(5,986)	**(3,000)**	25,853
	28,736	56,807	**3,124,170**	2,939,938
Charge/(reversal) for deferred tax	**(875)**	(1,015)	**675,648**	986,877
	27,861	55,792	**3,799,818**	3,926,815
Effective tax rate (%)	**5.53**	4.11	**36.04**	36.57
Effective tax rate (excluding deferred tax) (%)	**5.71**	4.18	**30.97**	27.38

(35.2) Tax on financial services >>

	Group	
	2019 LKR '000	2018 LKR '000
Value added tax on financial services	**1,424,376**	1,179,435
Nation building tax on financial services	**189,712**	157,258
Debt repayment levy on financial services	**401,531**	–
	2,015,619	1,336,693

36 — Profit from operation stated after the following expenses

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Directors' fees	**11,192**	11,192	**85,033**	79,840
Auditors' remuneration (fees and expenses)	**1,711**	1,433	**24,370**	23,277
Depreciation	**12,116**	10,228	**2,026,033**	1,802,216
Amortisation of intangible assets	**–**	–	**84,521**	86,216
Employee benefits including the following:				
– Other staff costs	**71,693**	54,455	**7,994,377**	6,828,856
– Defined benefit plan costs – Gratuity	**2,032**	1,576	**276,568**	265,274
– Defined contribution plan costs – EPF and ETF	**7,959**	6,643	**729,165**	642,448
Loss on translation of foreign currency	**–**	–	**(52,594)**	(17,753)

37 — 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.

The following reflects the income and share data used in the basic earnings per share computation;

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Amounts used as the numerators:				
Net profit attributable to ordinary shareholders of the parent for basic earnings per share	**475,804**	1,154,849	**4,041,612**	3,609,109

	2019		2018	
	Number	**Number**	Number	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

	2019 LKR '000	2018 LKR '000	2019 LKR '000	2018 LKR '000
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	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**475,804**	1,154,849	**4,049,998**	3,649,783
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	**–**	–	**(8,386)**	(40,673)
Net profit attributable to ordinary equity holders of the parent for basic earnings	**475,804**	1,154,849	**4,041,612**	3,609,109
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**475,804**	1,154,849	**4,041,612**	3,609,109

	2019 LKR	2018 LKR	**2019 LKR**	2018 LKR
Basic/diluted earnings per share	**0.44**	1.06	**3.72**	3.32
Basic/diluted earnings per share for continuing operations	**0.44**	1.06	**3.72**	3.32

38 — Discontinued operations

Delmege Coir (Private) Limited >>

On 12 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.

Ever Paint and Chemical Industries (Private) Limited ("EPCI") >>

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

During the year 2018/19, Management has reassessed the recoverability of the remaining assets and liabilities as at the reporting date. Management has continued to take steps to dispose the remaining assets of the Company. The result of Delmege Coir (Private) Limited and Ever Paint and Chemical Industries (Private) Limited for the year are presented below:

The resulf of Delmege Coir (Pvt) Ltd. and Ever Paint and Chemical Industries (Pvt) Ltd. for the year are pesented below:

	Delmege Coir (Private) Limited		Ever Paint and Chemical Industries (Private) Limited ("EPCI")	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Revenue	**–**	93,707	**10,238**	2,356
Cost of sales	**–**	(89,471)	**(24,664)**	(12,906)
Gross profit	**–**	4,237	**(14,426)**	(10,550)
Finance income	**229**	1,060	**–**	–
Other income and gains	**15,080**	614	**(1,100)**	3,683
Selling and distribution costs	**84**	(2,841)	**(2,175)**	(7,343)
Administrative expenses	**(5,293)**	(17,258)	**6,777**	(5,499)
Other operating expenses	**(4,362)**	–	**–**	2,324
Finance cost	**(3,201)**	(5,637)	**–**	(3,463)
Loss for the year from discontinued operations	**2,537**	(19,825)	**(10,924)**	(20,848)

	2019 LKR '000	2018 LKR '000
Loss from discontinued operations (Group) for the year ended	8,387	40,673

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	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Assets				
Property, plant and equipment	**786**	27,603	**36,722**	45,283
Inventories	**5,536**	10,820	**–**	18,560
Trade and other receivables	**2,266**	9,966	**15,683**	15,822
Cash and cash equivalents	**523**	696	**2,004**	5,582
Assets held for sale	**9,111**	49,085	**54,409**	85,248
Current liabilities				
Trade and other payables	**(10,469)**	(10,547)	**(8,223)**	(7,874)
Retirement benefit liability	**–**	–	**–**	(402)
Liabilities directly associated with the assets held for sale	**(10,469)**	(10,547)	**(8,223)**	(8,276)
Net assets directly associated with disposal group	**(1,358)**	38,538	**46,186**	76,972

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	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Operating	**(37,062)**	15,140	**(10,449)**	(6,806)
Investing	**41,110**	(1,513)	**6,871**	35,286
Financing	**–**	–	**–**	(120,880)
Net cash (outflow)/inflow	**4,048**	13,627	**(3,578)**	(92,400)

	2019 LKR	2018 LKR	**2019 LKR**	2018 LKR
Earnings per share				
Basic, profit/(loss) for the year from discontinued operations	**0.72**	(5.66)	**(0.55)**	(1.04)

Asset held-for-sale – property plant and equipment >>

	2019 LKR '000	2018 LKR '000
Assets		
Delmege Coir (Private) Limited	**9,111**	49,085
Ever Paint and Chemical Industries (Private) Limited	**54,409**	85,248
Delmege Interior Deco (Pvt) Ltd.	**–**	10,674
	63,520	145,007
Liabilities		
Delmege Coir (Private) Limited	**(10,469)**	(10,547)
Ever Paint and Chemical Industries (Private) Limited	**(8,223)**	(8,276)
	(18,692)	(18,822)

39 — Segment information

(39.1) Operating segment information >>

	Lifestyle sector		Finance sector		Alluminium sector		Plantation sector	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Income statement								
Reveune	**25,090,887**	22,936,228	**29,207,761**	24,900,784	**3,089,557**	3,340,583	**2,020,360**	2,214,284
Intra group revenue	**15,929**	11,593	**–**	–	**44,065**	–	**–**	34,178
Total revenue	**25,106,816**	22,947,821	**29,207,761**	24,900,784	**3,133,622**	3,340,583	**2,020,360**	2,248,462
Results								
Gross profit	**9,689,661**	9,916,167	**16,254,606**	13,401,728	**533,355**	1,013,412	**165,106**	202,098
Dividend Income	**825**	476	**9,831**	–	**–**	–	**–**	–
Other operating income	**629,378**	250,727	**124,620**	146,152	**8,395**	5,569	**106,549**	51,563
Administrative expenses	**(1,483,547)**	(1,322,030)	**(5,055,687)**	(4,470,073)	**(188,162)**	(164,718)	**(136,222)**	(112,290)
Distribution expenses	**(4,529,512)**	(3,889,317)	**(539,173)**	(579,039)	**(198,261)**	(398,456)	**–**	–
Loss on reclassifying the available-for-sale asset through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–
Other operating expenses	**(76,672)**	(155,980)	**(1,004,341)**	(687,059)	**–**	–	**–**	–
Gold loans auction losses	**–**	–	**(1,043)**	(2,995)	**–**	–	**–**	–
Results from operating activities	**4,230,134**	4,800,044	**9,788,813**	7,808,714	**155,327**	455,807	**135,433**	141,371
Finance cost	**(1,438,617)**	(1,111,996)	**–**	–	**(334,630)**	(116,621)	**(130,699)**	(91,607)
Finance income	**52,467**	164,223	**–**	–	**–**	–	**–**	–
Net finance cost	**(1,386,150)**	(947,773)	**–**	–	**(334,630)**	(116,621)	**(130,699)**	(91,607)
Share of results of equity accounted investees	**–**	–	**–**	–	**–**	–	**–**	–
Reclassification of the gain/loss recognised in OCI through retained earnings	**–**	–	**–**	–	**–**	–	**–**	–
Profit before value added tax	**2,843,983**	3,852,271	**9,788,813**	7,808,714	**(179,303)**	339,186	**4,734**	49,764
Value added tax on financial services	**–**	–	**(2,015,619)**	(1,336,693)	**–**	–	**–**	–
Profit/(loss) before tax	**2,843,983**	3,852,271	**7,773,193**	6,472,021	**(179,303)**	339,186	**4,734**	49,764
Tax expense	**(930,040)**	(1,242,411)	**(2,693,771)**	(2,226,969)	**54,496**	(84,978)	**(2,546)**	(13,271)
Profit for the year from continuing operations	**1,913,944**	2,609,860	**5,079,422**	4,245,052	**(124,807)**	254,208	**2,188**	36,493
Profit/(loss) after tax for the year from discontinued operations	**–**	–	**–**	–	**–**	–	**–**	–
Profit/loss for the year	**1,913,944**	2,609,860	**5,079,422**	4,245,052	**(124,807)**	254,208	**2,188**	36,493
Assets and liabilities								
Segment assets	**47,778,474**	41,523,929	**136,517,813**	120,820,780	**4,424,811**	3,298,891	**3,799,058**	3,347,599
Total assets	**47,778,474**	41,523,929	**136,517,813**	120,820,780	**4,424,811**	3,298,891	**3,799,058**	3,347,599
Segment liabilities	**28,139,101**	21,884,526	**118,050,291**	105,471,884	**3,209,960**	2,600,456	**2,491,171**	2,308,928
Total liabilities	**28,139,101**	21,884,526	**118,050,291**	105,471,884	**3,209,960**	2,600,456	**2,491,171**	2,308,928
Other segment information								
Total cost incurred during the period to acquire, property, plant and equipment	**3,755,472**	2,866,287	**2,320,005**	1,537,335	**175,487**	489,727	**10,080**	15,556
Intangible assets	**12,412**	1,545	**9,215**	22,739	**–**	–	**–**	–
Depreciation and amortisation	**1,210,380**	1,109,484	**436,930**	384,234	**99,463**	62,468	**168,690**	157,666
Provisions for employment benefit liability	**147,815**	117,692	**39,130**	44,689	**4,349**	4,000	**62,829**	74,718

Notes to the Financial Statements

Leisure sector		Consumer sector		Investment sector		Other sector		Total segments		Eliminations / adjustments		Group	
2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
–	–	**3,675,134**	4,387,209	**–**	–	**3,786,935**	3,195,366	**66,870,634**	60,974,454	**(179,623)**	(5,592)	**66,691,011**	60,968,862
–	–	**–**	–	**–**	–	**541,016**	458,777	**601,010**	504,548	**(601,010)**	(504,548)	**–**	–
–	–	**3,675,134**	4,387,209	**–**	–	**4,327,951**	3,654,142	**67,471,644**	61,479,002	**(780,633)**	(510,140)	**66,691,011**	60,968,862
–	–	**779,847**	905,992	**–**	–	**865,896**	732,683	**28,288,471**	26,172,080	**(41,549)**	(11,701)	**28,246,922**	26,160,380
–	–	**–**	–	**571,441**	1,221,112	**–**	6,217	**582,098**	1,227,804	**(394,621)**	(1,209,373)	**187,476**	18,431
–	–	**28,911**	25,029	**267,296**	157,614	**535,727**	472,766	**1,700,875**	1,109,420	**(742,377)**	(534,413)	**958,498**	575,007
(41,613)	(45,682)	**(211,519)**	(205,381)	**(233,457)**	(183,596)	**(735,838)**	(624,295)	**(8,086,045)**	(7,128,069)	**578,696**	349,213	**(7,507,349)**	(6,778,851)
–	–	**(453,983)**	(496,627)	**–**	–	**(186,761)**	(162,808)	**(5,907,690)**	(5,526,246)	**175,082**	160,840	**(5,732,607)**	(5,365,406)
–	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
–	–	**(1,979)**	–	**(28,620)**	(167)	**(5,885)**	–	**(1,117,497)**	(843,206)	**(45,245)**	(39,985)	**(1,162,742)**	(883,191)
–	–	**–**	–	**–**	–	**–**	–	**(1,043)**	(2,995)	**–**	–	**(1,043)**	(2,995)
(41,613)	(45,682)	**141,277**	229,013	**576,660**	1,194,962	**473,138**	424,564	**15,459,169**	15,008,793	**(470,014)**	(1,285,419)	**14,989,155**	13,723,375
(177)	(147)	**(500,133)**	(510,139)	**(111,383)**	(2,183)	**(231,583)**	(223,052)	**(2,747,223)**	(2,055,746)	**144,026**	140,701	**(2,603,197)**	(1,915,045)
873	1,026	**38,337**	90,039	**38,389**	165,026	**102,438**	101,996	**232,504**	522,309	**(105,396)**	(140,334)	**127,108**	381,975
696	878	**(461,796)**	(420,101)	**(72,994)**	162,843	**(129,145)**	(121,056)	**(2,514,719)**	(1,533,437)	**38,629**	367	**(2,476,089)**	(1,533,070)
44,667	30,553	**–**	–	**–**	–	**–**	–	**44,667**	30,553	**–**	–	**44,667**	30,553
–	–	**–**	–	**–**	(147,164)	**–**	–	**–**	(147,164)	**–**	–	**–**	(147,164)
3,750	(14,250)	**(320,519)**	(191,088)	**503,666**	1,210,641	**343,994**	303,508	**12,989,117**	13,358,746	**(431,384)**	(1,285,051)	**12,557,733**	12,073,694
–	–	**–**	–	**–**	–	**–**	–	**(2,015,619)**	(1,336,693)	**–**	–	**(2,015,619)**	(1,336,693)
3,750	(14,250)	**(320,519)**	(191,088)	**503,666**	1,210,641	**343,994**	303,508	**10,973,497**	12,022,053	**(431,384)**	(1,285,051)	**10,542,114**	10,737,001
(254)	(187)	**(2,786)**	(7,776)	**(27,861)**	(55,792)	**(87,854)**	(97,260)	**(3,690,616)**	(3,728,644)	**(109,202)**	(198,171)	**(3,799,818)**	(3,926,815)
3,496	(14,437)	**(323,306)**	(198,864)	**475,805**	1,154,849	**256,139**	206,248	**7,282,881**	8,293,409	**(540,586)**	(1,483,222)	**6,742,296**	6,810,187
–	–	**–**	–	**–**	–	**–**	–	**–**	–	**(8,387)**	(40,673)	**(8,387)**	(40,673)
3,496	(14,437)	**(323,306)**	(198,864)	**475,805**	1,154,849	**256,139**	206,248	**7,282,881**	8,293,409	**(548,973)**	(1,523,895)	**6,733,908**	6,769,514
5,983,842	4,690,297	**2,461,323**	2,831,488	**28,598,748**	32,452,909	**9,925,621**	9,782,466	**239,489,689**	218,748,359	**(14,502,026)**	(12,575,495)	**224,987,665**	206,172,862
5,983,842	4,690,297	**2,461,323**	2,831,488	**28,598,748**	32,452,909	**9,925,621**	9,782,466	**239,489,689**	218,748,359	**(14,502,026)**	(12,575,495)	**224,987,665**	206,172,862
1,007,209	584,853	**4,387,499**	4,421,193	**820,474**	1,103,160	**3,498,101**	4,601,298	**161,603,805**	142,976,298	**(8,128,242)**	(5,265,888)	**153,494,255**	137,710,410
1,007,209	584,853	**4,387,499**	4,421,193	**820,474**	1,103,160	**3,498,101**	4,601,298	**161,603,805**	142,976,298	**(8,128,242)**	(5,265,888)	**153,494,255**	137,710,409
1,270,333	650,838	**6,119**	9,407	**30,493**	2,482	**30,735**	29,443	**7,598,724**	5,601,076	**–**	–	**7,598,724**	5,601,076
–	–	**–**	–	**–**	–	**422**	1,410	**22,049**	25,694	**–**	–	**22,049**	25,694
6,562	6,514	**8,853**	11,946	**12,116**	10,228	**122,314**	118,647	**206,530**	1,861,187	**45,245**	45,245	**2,110,554**	1,906,432
632	674	**2,656**	3,790	**2,032**	1,576	**14,794**	18,134	**274,236**	265,273	**–**	–	**274,236**	265,273

Reconciliation of reportable segment profit or loss, assets and liabilities >>

Reconciliation of net profit for the year	2019 LKR '000	2018 LKR '000
Segment net profit for the year	**7,282,881**	8,293,409
Loss after tax for the year from discontinued operations	**(8,387)**	(40,673)
Inter company dividend income (elimination)	**(394,621)**	(1,209,373)
Dividend tax on inter company dividend income	**(109,202)**	(198,171)
Inter/intra segment elimination	**(36,763)**	(75,678)
Group net profit for the year	**6,733,908**	6,769,514
Reconciliation of assets		
Segment assets	**239,489,689**	218,748,359
Assets of discontinued operations	**63,520**	134,333
Investment in subsidiaries (elimination)	**(20,230,723)**	(19,318,390)
Inter company balance (elimination)	**(6,183,964)**	(5,294,948)
Financial assets – fair value through PNL (elimination)	**(17,814)**	(26,925)
Financial assets – AFS (elimination)	**(42,359)**	(2,122)
Intangible assets (elimination)	**11,674,810**	11,720,055
Share of associate companies accumulated profit net of dividend received	**234,503**	212,501
Group assets	**224,987,663**	206,172,864
Segment liabilities	**161,603,805**	142,976,298
Liabilities of discontinued operations	**18,692**	(18,822)
Inter company balance (eliminations)	**(8,128,242)**	(5,247,066)
Group liability	**153,494,255**	137,710,410

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.

40 — Commitments and contingencies

(40.1) Contingent liabilities >>

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

(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 (Pvt) Ltd. guaranteeing loans, interest and other charges of the loans as stated in Note 21.

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

(b) 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 LKR 46,988,405.00 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.

(c) Horana Plantation PLC >>

Several other 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.

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 only arise if the above condition is not fulfilled.

(d) Royal Porcelain (Private) Limited >>

As at the reporting date, an assessment related to income tax for the year of assessment 2014/15 is on progress and currently the company has provided for respective tax liability in financial statements. However, resulting penalty has not been provided and management is of the view that it will not be a material adverse effect to the profitability of the company at the settlement in future.

There are no other material contingent liabilities as at the reporting date.

(e) Delmege Group and its subsidiaries >>

Delmege group and its subsidiaries 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.

(f) LB Finance PLC >>

LB Finance PLC has issued guarantees to banks and other institutions amounting to LKR 5.2 Mn.

(g) Vallibel One PLC >>

The Company has issued a corporate guarantee to Hatton National Bank PLC as security for the term loan facility of LKR 1.7 Bn. offered by the Bank to Greener Water Limited.

(40.2) Commitments >>

	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Contracted but not provided for	**–**	–	**94,736**	349,661
Unutilised facilities	**–**	–	**1,815,586**	1,217,412
Rent	**–**	–	**12,730**	–
	–	–	**1,923,052**	1,567,073

Lease commitments >>

(a). Lanka Ceramic PLC is committed to pay lease rental under finance leases as follows:

	LKR '000
Less than 1 year	3,336
Between 1 to 5 years	733

(b). Lanka Tiles PLC is committed to pay LKR 375,000.00 and LKR 2,300,471.00 respectively as rent per month for the use of buildings situated in Rajagiriya and Nawala.

(40.3) Litigation against the Group >>

LB Finance PLC has contingent liabilities in respect of legal claims arising in the ordinary course of business.

Based on the information currently available, the Board of Directors is of the opinion that the ultimate resolution of the litigations would not likely to have a material impact on the Group.

	Group	
	2019 LKR '000	2018 LKR '000
Cases pending against the Company (values claimed)	**39,260**	89,518
	39,260	89,518

41 — Events after the reporting period

Royal Ceramics Lanka PLC >>

The Company declared and paid an interim dividend of LKR 2.50 per share for the year ended 31 March 2019 on 11 April 2019 and 06 May 2019 respectively. Further, Subject to the approval of the shareholders at the Annual General Meeting Directors recommended payment of a final dividend of LKR 1.50 per share for the year ended 31 March 2019 on 27 May 2019.

LB Finance PLC >>

The Company declared and paid an interim dividend of LKR 8 per share for the year ended 31 March 2019 on 4 April 2019 and 18 April 2019 respectively.

Further, the Board of Directors of the Company recommended the payment of a final dividend of LKR 4 per share for the year ended 31 March 2019. This final dividend is yet to be approved at the Annual General Meeting to be held on 27 June 2019. In accordance with the Sri Lanka Accounting Standard – LKAS 10 – ("Events After the Reporting Period"), this proposed final dividend has not been recognised as a liability as at 31 March 2019. Under the Inland Revenue Act No. 24 of 2017, a withholding tax of 14% has been imposed on dividends declared.

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

42 — Related Party Transactions

Terms and conditions of transactions with related parties >>

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiaries, joint venture and associate companies have been disclosed in Subsidiary/Associate Companies of Vallibel One PLC Note under the Annexes section of the Annual Report.

The Group carried out transactions with key management and their related concerns and other related entities in the ordinary course of its business on an arms length basis at commercial rates except that the key management have availed facilities under the loan schemes uniformly applicable to all the staff.

Non-recurrent related party transactions >>

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2019 audited financial statements, which required additional disclosures listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Recurrent related party transactions, >>

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2019 audited financial statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Amounts due from related parties	Company		Group	
As at 31 March	2019 LKR '000	2018 LKR '000	2019 LKR '000	2018 LKR '000
Subsidiaries	94,490	215,625	–	–
Equity accounted investees	–	718,943	–	–
	94,490	934,568	–	–

Transactions with related parties	Company		Group	
As at 31 March	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Subsidiaries				
Fund transfers	–	154,213	–	–
Net investment through equity shares	**912,334**	515,500	–	–
Technical fees received	**233,794**	–	–	–
Dividend income	**370,593**	1,203,295	–	–

Key management personnel and close family members	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Sale of equity shares	–	894,919	–	–

Other related parties	Company		Group	
	2019 LKR '000	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Other interest income	**38,389**	159,573	–	–
Dividend income	–	17,817	–	–
Technical fees received	**30,612**	–	–	–
Investments in fixed deposits/debentures	**2,078,934**	3,410,726	–	–
Withdrawal of fixed deposits/debentures	**2,797,876**	4,242,545	–	–

Compensation of key management personnel	Company		Group	
As at 31 March	**2019 LKR '000**	2018 LKR '000	**2019 LKR '000**	2018 LKR '000
Short-term employee benefits	**11,192**	11,192	**605,499**	605,665
Post-employment benefits	–	–	**56,283**	42,441
	11,192	11,192	**661,782**	648,106

43 — Current and non-current analysis of assets and liabilities

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

	2019			2018		
	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and bank	5,238,208	–	5,238,208	7,384,584	–	7,384,584
Financial assets measured at fair value through profit and loss	72,557	–	72,557	118,234	–	118,234
Loans and receivables	35,394,824	12,378,881	47,773,705	29,133,588	10,760,688	39,894,276
Lease rentals receivables and stock out on hire	25,707,053	40,343,376	66,050,429	25,136,057	37,353,629	62,489,686
Equity instruments measured at fair value through OCI	7,612,690	–	7,612,690	11,694,856	–	11,694,856
Other financial assets	11,070,794		11,070,794	7,918,184	–	7,918,184
Trade and other debtors, deposits and repayments	7,345,669	–	7,345,669	6,843,603	–	6,843,603
Other non-financial assets	2,196,026	–	2,196,026	1,892,176	–	1,892,176
Investment in associate	–	640,394	640,394	–	618,392	618,392
Deferred tax assets	–	108,344	108,344	–	14,686	14,686
Income tax recoverable	202,038	–	202,038	136,764	–	136,764
Inventories	15,674,646	–	15,674,646	12,552,520	–	12,552,520
Intangible assets	–	12,921,477	12,921,477	–	12,983,839	12,983,839
Property, plant and equipment	–	43,427,643	43,427,643	–	37,479,885	37,479,885
Biological assets	–	2,792,847	2,792,847	–	2,712,627	2,712,627
Investment property	–	1,725,250	1,725,250	–	1,287,007	1,287,007
Mining lands	–	4,238	4,238	–	6,536	6,536
Asset held for sale	9,111	54,409	63,520	145,007	–	145,007
Contract assets	67,190	–	67,190	–	–	–
Total assets	110,590,806	114,396,859	224,987,664	102,955,573	103,217,289	206,172,862
Liabilities						
Due to banks	29,230,667	314,245	29,544,912	8,728,757	16,964,615	25,693,372
Due to customers	65,415,868	17,826,750	83,242,617	57,697,340	15,248,671	72,946,011
Interest-bearing loans and borrowings	10,563,572	12,063,393	22,626,965	11,383,470	11,217,917	22,601,388
Trade and other payables	7,819,647	–	7,819,647	7,581,571	–	7,581,571
Other non-financial liabilities	754,432	140,726	895,159	853,165	–	853,165
Contract liabilities	588,028	–	588,028	–	–	–
Dividend payable	234,721	–	234,721	208,563	–	208,563
Retirement benefit liability	61,819	1,586,495	1,648,314	–	1,478,707	1,478,707
Income tax liabilities	1,461,264	–	1,461,264	937,287	–	937,286
Deferred tax liabilities	–	5,413,939	5,413,939	–	5,391,524	5,391,524
Liabilities directly associated with the assets classified as held for sale	18,692	–	18,692	–	18,822	18,822
Total liabilities	116,148,709	37,345,548	153,494,257	87,390,153	50,320,256	137,710,409

44 — Assets pledged

The following assets have been pledged as security for liabilities other than that is disclosed under Note 22.1.

Nature of assets	Nature of liability	**Carrying amount pledged 2019 LKR '000**	Carrying amount pledged 2018 LKR '000	Included under
Investment in equity shares	Overdraft facility of LKR 500 Mn.	**600,334**	–	
Lease rental receivables and stock out on hire	Loans, overdrafts and syndicated loan	**28,094,634**	26,511,882	Lease rentals receivables and stock out on hire
Real estate loan	Overdraft	**–**	–	Other non financial assets
Freehold building	Syndicated loans	**1,181,848**	130,199	Property, plant and equipment
Deposits	Overdraft and guarantee	**8,000**	71,688	Investment
Fixed deposits	Overdraft and corporate guarantee	**–**	–	Investment
Land and building	Overdraft and corporate guarantee	**3,056,713**	56,713	Property, plant and equipment
Inventory and debtors	Overdraft	**817,300**	19,575	Inventory and receivables
Land and building	LC/import loan, overdraft, term loan and bank guarantee	**–**	7,328,750	Property, plant and equipment
Fixed deposits	Overdraft, LC, import finance, short-term loan and guarantee	**130,574**	107,221	Cash and bank
Stocks and book debtors	Overdraft, LC, import finance, short-term loan and guarantee	**–**	3,266,443	Inventory trade and other receivables
		33,889,403	37,492,471	

Royal Ceramics Lanka PLC/Rocell Bathware Ltd./Royal Porcelain (Pvt) Ltd./Ever Paint and Chemical Industries (Pvt) Ltd. >>

Bank overdrafts and short-term loans are secured primarily over stocks in Trade and over book debts.

Lanka Tiles PLC >>

Bank overdrafts are secured primarily on inventories.

Uni Dil Packaging Ltd. >>

		LKR
Import loan 1 (Hatton National Bank PLC)	Immovable property	110,000,000
	Stock and debtors	145,000,000
Import loan 2 (Standard Chartered Bank)	Stock and debtors	40,000,000
	Immovable property	70,000,000
Import loan 3 (DFCC Bank)	Stock and book debtors	150,000,000

Uni Dil Packaging Solutions Ltd. (Previously known as "Uni Dil Paper Sacks (Pvt) Ltd.") >>

Import loans are secured by primary on mortgage bond over land and building for LKR 30 Mn. at Naranpola, Dekatana for the banking facilities of Hatton National Bank PLC and registered primary floating mortgage bond over stock and book debts for LKR 60 Mn. for the banking facilities of Hong-kong and Shanghai Banking Corporation Limited.

Horana Plantations PLC >>

The following securities were offered for bank overdraft facilities .

Financial institution	Type of securities	Rate of interest	Facility available LKR '000
Seylan Bank PLC	Mortgage over leasehold rights of Mahanilu Estate and including buildings, fixed and floating assets	(AWPLR+0.5%)	100,000
Commercial Bank of Ceylon PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets	11.72% p.a.(AWPLR+0.5%)	200,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings, fixed and floating assets	13.26% p.a (AWPLR+0.75%) (AWPLR+0.75%)	100,000
			400,000

Lanka Walltiles PLC >>

Hatton National Bank LKR 100 Mn. bank overdraft is secured primarily on register primary floating mortgage bond for LKR 390 Mn. over the project assets comprising of land, building and machinery at Meepe.

Swisstek Aluminium Ltd. >>

Financial institution	Type of securities	Rate of interest	Facility available LKR '000
Hatton National Bank (Import loan)	Trading stock and trade debtors	AWPLR (11.79%)	300,000
DFCC Bank (Term Toan)	Primary mortgage over plant and machinery	AWPLR (11.79%)	200,000
DFCC Bank (Import Loan and Bank Overdrafts	Secondary mortgage over stock and book debtors	AWPLR (11.79%)	800,000

45 — Risk management disclosures

(45.1) Introduction >>

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for managing the risk exposures relating to his/her functional areas.

The Group identifies the following key financial risks in its business operations.

- Credit risk
- Liquidity risk
- Market risk
- Capital management

Risk Management Framework >>

The risk management framework is currently implemented at the individual subsidiary level as described below:

The risk management framework of each subsidiary company has been optimized through the application and the embedment of the risk management process including risk identification, risk analysis, risk measurement, risk management decision and execution, risk monitoring and reporting.

The overall responsibility and oversight of the risk management framework of each subsidiary company is vested with the Board of Directors. The Integrated Risk Management Committee (IRMC), a subcommittee appointed by the Board, is responsible for developing and monitoring Group's risk management policies practiced.

The following Management committees, each with a defined responsibility, support the IRMC by executing their respective risk management mandates:

- Asset and liability committee
- Credit committee
- IT steering committee
- Sustainability committee

Risk Management Department (RMD) >>

Whilst the business units have primary responsibility for Risk Management the RMD provides an independent oversight function acting as a second line of defence. RMD is headed by the CRO who directly reports to the Managing Director and also has a functional reporting to the IRMC. The RMD co-exists with other control functions in the Group that might uncover risk management issues, most notably Internal Audit, Compliance and Finance. Each of the control functions has a different focus and potential overlap between them is kept at a minimum, while ensuring that the approaches taken are complementary and lead to consistent, effective and timely escalation of risks.

(45.2) Credit risk >>

Credit risk is the risk of financial loss to the Group if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers/other companies and investments in debt securities. Credit risk constitutes the Group's largest risk exposure category. This can be broadly categorised into three types; default, concentration and settlement risk.

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

Group manages credit risk by focusing on following steps:

The loan origination stage comprises preliminary screening and credit appraisal. The objective of this process is to assess the borrower's ability to meet its obligations in an objective manner. The Company/Group has clearly defined guidelines for credit approvals where the limits have been set taking into consideration the factors such as maximum counterparty exposures, loan to value ratio and forced sale value. These steps enables the Company/Group in assessing the default risk of the borrower.

A comprehensive set of credit risk indicators are monitored monthly to review credit concentrations, status of loan recoveries and compliance with regulatory and prudent exposure limits.

Post-disbursement review >>

Initial monitoring and follow up activities are carried out by the Credit Department. Once a loan is overdue for a period exceeding the tolerance period, responsibility for recovery and collections is transferred to Recoveries Department. Risk Management Department (RMD) reviews asset quality performance regularly. Delinquencies are handled early with effective follow ups and reminders. Swift recovery actions are taken against critical exposures.

Management of large exposures >>

Credit committee >>

The Credit Committee consists of the Managing Director, Executive Directors, Chief Financial Officer and Chief Risk Officer. Sanctioning of large exposures are primarily handled by the Credit Committee. RMD independently monitors post sanctioning performance of large exposures.

Impairment assessment >>

The methodology of the impairment assessment has been explained in the Note 3.3.1 (xii) to these Financial Statements.

Collateral and other credit enhancements >>

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

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.

Repossession of collaterals is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and transparent manner through public auctions and the proceeds are used to reduce or recover the outstanding claims and the amount recovered in excess of the dues is refunded to the customer.

(45.2.1) Analysis of credit risk exposure >>

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the net exposure to credit risk:

As at 31 March	Company			
	2019		2018	
	Maximum exposure to credit risk LKR '000	Net exposure LKR '000	Maximum exposure to credit risk LKR '000	Net exposure LKR '000
Cash and cash equivalents	13,662	13,662	9,838	9,838
Financial assets measured at fair value through profit and loss	36,426	36,426	65,046	65,046
Amounts due from related parties	94,490	94,490	215,625	215,625
Equity instruments measured at FVOCI	7,564,746	7,564,746	11,618,686	11,618,686
Other financial assets*	–	–	718,943	718,943
	7,709,324	7,709,324	12,628,139	12,628,139

* Collectively assessed for impairment

As at 31 March	Group			
	2019		2018	
	Maximum exposure to credit risk LKR '000	**Net exposure LKR '000**	Maximum exposure to credit risk LKR '000	Net exposure LKR '000
Cash and cash equivalents	**5,238,208**	**5,238,208**	7,384,584	7,384,584
Financial assets measured at fair value through profit and loss	**72,558**	**72,558**	118,234	118,234
Trade receivables	**6,273,367**	**6,273,367**	5,989,924	5,989,924
Loans and receivables	**49,099,030**	**5,921,776**	40,760,931	4,530,441
Lease rentals receivable and stock out on hire	**91,433,796**	**3,111,225**	86,162,737	2,771,264
Equity instruments measured at FVOCI	**7,612,690**	**7,612,690**	11,694,856	11,694,856
Other financial assets*	**11,070,794**	**5,921,776**	7,918,184	4,407,622
Total financial assets	**170,800,443**	**34,151,600**	160,029,450	36,896,925

* Collectively assessed for impairment

(45.2.2) Credit quality by class of financial assets >>

Current Year	Company			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and cash equivalents	13,662	–	–	13,662
Financial assets measured at fair value through profit and loss	36,426	–	–	36,426
Equity instruments measured at FVOCI	7,564,746	–	–	7,564,746
Amounts due from related parties	94,490	–	–	94,490
	7,709,324	–	–	7,709,324

	Group			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and cash equivalents	5,238,208	–	–	5,238,208
Trade receivables	4,303,450	1,530,612	439,306	6,273,367
Financial assets measured at fair value through profit and loss	72,558	–	–	72,557
Loans and receivables	31,592,670	14,976,650	2,529,711	49,099,031
Lease rentals receivable and stock out on hire	29,125,389	34,247,262	5,103,566	68,476,217
Equity instruments measured at FVOCI	7,612,690	–	–	7,612,690
Other financial assets	11,035,742	35,052	–	11,070,794
Total financial assets	88,980,707	50,789,576	8,072,583	147,842,864

Comparative Year	Group			
	Neither past due nor impaired LKR '000	Past due but not impaired LKR '000	Individually impaired LKR '000	Total LKR '000
Assets				
Cash and cash equivalents	7,384,584	–	–	7,384,584
Trade receivables	5,989,924	–	–	5,989,924
Financial assets measured at fair value through profit and loss	118,234	–	–	118,234
Loans and receivables	24,461,516	14,753,385	1,546,030	40,760,931
Lease rentals receivable and stock out on hire	27,206,324	33,513,265	3,771,230	64,490,819
Equity instruments measured at FVOCI	11,694,856	–	–	11,694,856
Other financial assets	7,918,184	–	–	7,918,184
Total financial assets	84,773,622	48,266,650	5,317,260	138,357,532

Aging analysis of past due (i.e. Facilities in arrears of 1 day and above) but not impaired loans, by class of financial assets >>

	Past due but not impaired				
	Less than 31 days LKR '000	31 to 60 days LKR '000	61 to 90 days LKR '000	More than 90 days LKR '000	Total LKR '000
Loans and receivables	7,076,320	4,029,457	1,830,083	1,817,525	14,753,385
Lease rentals receivable and stock out on hire	14,350,222	11,430,372	5,379,292	2,353,379	33,513,265
	21,426,542	15,459,829	7,209,375	4,170,904	48,266,650

Past due but not impaired loans >>

Past due but not impaired loans are those for which contractual interest or principal payments are past due, however as per the Group's assessment do not need to be individually impaired.

(45.2.3) Industry-wise analysis of credit risk exposure >>

Industry-wise concentration >>

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

As at 31 March 2019 – Group >>

Sector-wise breakdown	Trade receivables LKR. '000	Cash and bank balances LKR. '000	Financial investments - measured at fair value through profit and loss LKR. '000	Loans and receivables ** LKR. '000	Lease rentals receivable and rtock out on hire ** LKR. '000	financial investments - measured at fair value through other comprehensive income LKR. '000	Other financial assets LKR. '000	Total financial assets LKR. '000
Agriculture	–	–	–	16,494,732	13,542,251	–	–	30,036,983
Manufacturing	–	–	–	2,796,920	2,335,810	–	–	5,132,730
Construction	–	–	–	670,951	999,796	–	–	1,670,747
Financial services	–	4,058,610	–	778,990	441,419	–	10,794,673	16,073,692
Trading	–	–	72,557	6,036,482	11,830,720	7,612,690	276,121	25,828,570
Retail	5,866,782	1,179,598	–	1,961,610	–	–	–	9,007,990
Hotels	–	–	–	557,864	543,602	–	–	1,101,466
Services	–	–	–	18,476,156	36,356,831	–	–	54,832,987
Total	5,866,782	5,238,208	72,557	47,773,705	66,050,429	7,612,690	11,070,794	143,685,163

Geographical concentration >>

**Geographical breakdown for (01) loans and receivable (02) lease rentals receivable and stock out on hire from customers is as follows:

As at 31 March 2019 – Group >>

Province/Country	Loans and receivables LKR '000	Lease rentals receivable and stock out on hire LKR '000	Total LKR '000
Central	3,777,181	7,387,091	11,164,272
Eastern	2,629,169	2,496,101	5,125,270
North Central	1,285,204	3,188,759	4,473,963
North Western	3,088,154	7,063,226	10,151,380
Northern	3,432,359	430,794	3,863,153
Sabaragamuwa	964,643	2,437,535	3,402,178
Southern	3,237,572	8,677,033	11,914,605
Uva	1,133,613	2,518,089	3,651,702
Western	27,847,130	31,851,801	59,698,931
Myanmar	378,680	–	378,680
Total	47,773,705	66,050,429	113,824,134

Industry-wise concentration >>

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

As at 31 March 2018 – Group >>

Sector-wise breakdown	Trade receivables LKR. '000	Cash and bank balances LKR. '000	Financial investments - measured at fair value through profit and loss LKR. '000	Loans and receivables ** LKR. '000	Lease rentals receivable and rtock out on hire ** LKR. '000	financial investments - measured at fair value through other comprehensive income LKR. '000	Other financial assets LKR. '000	Total financial assets LKR. '000
Agriculture	–	–	–	14,308,912	14,349,850	–	–	28,658,762
Manufacturing	–	–	–	1,888,521	1,830,137	–	–	3,718,658
Construction	–	–	–	810,943	1,108,874	–	–	1,919,817
Financial services	–	5,990,295	–	637,761	379,084	–	6,766,710	13,773,850
Trading	–	–	118,234	5,527,811	11,795,115	11,694,856	–	29,136,016
Retail	5,605,611	1,394,289	–	1,903,437	–	–	1,151,474	10,054,811
Hotels	–	–	–	604,263	481,567	–	–	1,085,830
Services	–	–	–	14,212,628	32,545,059	–	–	46,757,687
Total	5,605,611	7,384,584	118,234	39,894,276	62,489,686	11,694,856	7,918,184	135,105,431

Geographical concentration >>

**Geographical breakdown for (01) loans and receivable (02) lease rentals receivable and stock out on hire from customers is as follows.

As at 31 March 2018 – Group >>

Province/Country	Loans and receivables LKR '000	Lease rentals receivable and stock out on hire LKR '000	Total LKR '000
Central	3,156,668	6,922,955	10,079,623
Eastern	2,217,036	3,207,308	5,424,344
North Central	1,012,548	3,331,064	4,343,612
North Western	2,528,814	6,845,408	9,374,222
Northern	2,759,874	582,872	3,342,746
Sabaragamuwa	1,003,430	4,037,745	5,041,175
Southern	2,030,121	6,292,184	8,322,305
Uva	795,252	2,640,024	3,435,276
Western	24,351,655	28,630,126	52,981,781
Myanmar	38,878	–	38,878
Total	39,894,276	62,489,686	102,383,962

(45.3) Liquidity risk and funding management >>

In the context of a financial institution liquidity risk arises primarily due to mismatches in the maturity profile of assets and liabilities. Liquidity risk for a financial institution can take two forms; market liquidity risk and funding liquidity risk.

Market liquidity risk is the inability to easily exit a position. Group's market liquidity risk is low if assets can be liquidated without moving the price too much.

Funding liquidity risk means the Group's inability to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable. Funding liquidity risk would increase if the Group's credit quality is, or at least perceived to be, deteriorating, but also because financial conditions as a whole are deteriorating.

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 Group regularly monitors liquidity position and maintain an adequate buffer of liquid assets. Group also maintains access to diverse funding sources to meet unforeseen liquidity requirements. All statutory and prudent liquidity ratios are monitored against tolerance limits and stress testing is carried out regularly to assess the effectiveness of liquidity management.

Assets and liability management committee (ALCO) >>

ALCO is chaired by the Managing Director and comprises of Executive Directors, representatives from Treasury Department, Fixed Deposits, the Chief Financial Officer and the Chief Risk Officer. The Committee meets regularly and make all policy decisions with regard to funding matters, duration management of assets and liabilities and investments, to keep the liquidity at healthy levels, whilst satisfying regulatory requirements.

(45.3.1) Analysis of liquidity risk exposure >>

45.3.1 (a) The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at current year:

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

Current Year	On Demand LKR '000	Less than 3 months LKR '000	3-12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Financial assets						
Cash and bank balances	2,003,277	3,234,931	–	–	–	5,238,208
Financial assets measured at fair value through profit and loss	72,557	–	–	–	–	72,557
Trade receivables	–	6,273,368	–	–	–	6,273,367
Loans and receivables	8,136,233	20,790,367	11,840,363	15,553,266	1,777,630	58,097,859
Lease rentals receivable and stock out on hire	3,811,553	9,217,509	25,078,392	53,566,180	65,002	91,738,636
Equity instrument measured at FVOCI	7,612,097	–	592	–	–	7,612,690
Other financial assets	374,475	2,746,223	8,346,804	–	–	11,467,502
Total financial assets	22,010,192	42,262,398	45,266,151	69,119,446	1,842,632	180,500,819
Financial liabilities						
Due to banks	1,068,362	2,911,289	8,220,809	17,883,500	353,444	30,437,404
Due to customers	2,903,715	26,248,075	40,922,119	21,284,340	–	91,358,249
Trade payables	–	3,926,421	–	–	–	3,926,421
Interest-bearing loans and borrowings	–	6,248,736	5,194,239	16,784,771	503,162	28,730,908
Total financial liabilities	3,972,077	39,334,521	54,337,167	55,952,611	856,606	154,452,982
Total net financial assets/(liabilities)	18,038,116	2,927,876	(9,071,016)	13,166,835	986,026	26,047,837

45.3.1 (b) The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at comparative year:

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

Comparative year	On Demand LKR '000	Less than 03 months LKR '000	03-12 months LKR '000	01-05 years LKR '000	Over 05 years LKR '000	Total LKR '000
Financial assets						
Cash and bank balances	3,913,839	3,470,745	–	–	–	7,384,584
Financial assets measured at fair value through profit and loss	118,234	–	–	–	–	118,234
Trade receivables	–	5,989,924	–	–	–	5,989,924
Loans and receivables	7,217,140	15,536,486	10,296,151	13,920,058	1,421,371	48,391,206
Equity instrument measured at FVOCI	11,694,856	–	–	–	–	11,694,856
Lease rentals receivable and stock out on hire	3,378,193	8,714,343	23,994,138	50,284,196	52,464	86,423,334
Other financial assets	7,918,184	–	–	–	–	7,918,184
Total financial assets	34,240,446	33,711,498	34,290,289	64,204,254	1,473,835	167,920,322
Financial liabilities						
Due to banks	1,285,356	3,291,949	7,149,075	15,652,842	–	27,379,222
Due to customers	2,958,302	25,467,832	33,215,877	18,677,043	–	80,319,054
Trade payables	–	3,805,712	–	–	–	3,805,712
Interest-bearing loans and borrowings	–	272,488	12,988,629	13,023,852	–	26,284,968
Total financial liabilities	4,243,658	32,837,981	53,353,581	47,353,736	–	137,788,957
Total net financial assets/(liabilities)	29,996,786	873,517	(19,063,292)	16,850,517	1,473,835	30,131,363

(45.4) Contractual maturities of commitments and contingencies >>

The table below shows the contractual expiry by maturity of contingent liabilities and commitments of LB Finance PLC, a subsidiary of the Vallibel Group. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Current year	**On demand LKR '000**	**Less than 3 months LKR '000**	**3-12 months LKR '000**	**1-5 years LKR '000**	**Over 5 years LKR '000**	**Total LKR '000**
Contingent liabilities						
Guarantees Issued to banks and other institutions	–	–	5,270	–	–	5,270
Total contingent liabilities	–	–	5,270	–	–	5,270
Commitments						
Commitment for unutilised facilities	1,815,586	–	–	–	–	1,815,586
Total commitments	1,815,586	–	–	–	–	1,815,586
Total commitments and contingencies	1,815,586	–	5,270	–	–	1,820,856

Comparative year	On demand LKR '000	Less than 3 months LKR '000	3-12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Contingent liabilities						
Guarantees Issued to banks and other institutions	–	1,460	5,040	–	–	6,500
Import LC and ordinary guarantees	38,069	–	–	–	–	38,069
Total contingent liabilities	38,069	1,460	5,040	–	–	44,569
Commitments						
Commitment for unutilised facilities	1,217,412	–	–	–	–	1,217,412
Total commitments	1,217,412	–	–	–	–	1,217,412
Total commitments and contingencies	1,255,481	1,460	5,040	–	–	1,261,981

(45.5) Market risk >>

Market risk refers to the possible losses to the Group that could arise from changes in market variables like interest rates, exchange rates, equity prices and commodity prices. Among them, interest rate risk has been identified as the most critical risk given Group's nature of business.

(45.5.1) 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; disbursing of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Group, the impact of interest rate risk is mainly on the earnings of the Group rather than the market value of portfolios.

Excessive movements in market interest rate could result in severe volatility to Group's net interest income and net interest margin. 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.

Please refer 45.5.5 to Interest rate risk exposure.

(45.5.2) Commodity price risk >>

Commodity price 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 business to Group's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price fluctuations lead to market risk which is the primary source of credit risk associated with this product.

Group currently manages the credit and market risks arising from adverse movements in Gold prices by adopting the following strategies:

- Shorter product life: Group, as a credit risk management strategy lends for shorter periods allowing it to initiate its recovery process faster.
- Frequent revisions to Loan-to-Value (LTV) ratio: Group practices a process of revising advance offered per gold sovereign to reflect market value fluctuations to maintain the desired loan to value ratio.

(45.5.3) Equity price risk >>

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

(45.5.4) Exchange rate risk >>

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local (LKR) exchange rate with other major currencies. Exchange risk could materialise as an indirect risk too, affecting local gold prices resulting in exaggerated commodity risk.

Group is exposed to two types of risk caused by currency volatility.

Transaction risk – This risk arises whenever the Group has contractual cash flows (receivables and payables) whose values are subject to unanticipated changes in exchange rates due to a contract being denominated in a foreign currency. This type of exposure is short-term to medium-term in nature.

Translation risk – This exposure arises from the effect of currency fluctuations on the consolidated financial statements, particularly when it has foreign-subsidiaries. This type of exposure is medium-term to long-term.

(45.5.5) Interest rate risk exposure on financial assets and liabilities >>

45.5.5 (a) The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

Current year	Up to 3 months LKR '000	3-12 months LKR '000	1-3 years LKR '000	3-5 years LKR '000	Over 5 years LKR '000	Non-interest sensitive LKR '000	Total LKR '000
Financial assets							
Cash and bank balances	3,234,931	–	–	–	–	2,003,277	5,238,208
Financial investments – FVTPL	–	–	–	–	–	72,558	72,557
Trade receivables	–	–	–	–	–	5,866,782	5,866,782
Loans and receivables	33,902,278	6,906,862	5,097,638	1,785,056	81,871	–	47,773,705
Lease rentals receivable and stock out on hire	9,576,757	16,130,295	30,826,521	9,458,788	58,067	–	66,050,428
Equity instruments measured at FVOCI	–	592	–	–	–	7,612,097	7,612,690
Other financial assets	2,609,209	8,041,663	35,051	–	–	384,872	11,070,795
	49,323,175	31,079,412	35,959,210	11,243,844	139,938	15,939,586	143,685,165
Financial liabilities							
Due to banks	16,317,878	3,714,479	5,714,106	3,798,450	–	–	29,544,912
Due to customers	28,173,311	37,242,556	14,832,852	2,993,898	–	–	83,242,617
Interest bearing loans and borrowings	5,665,616	4,795,890	1,540,136	10,451,408	173,915	–	22,626,965
Trade payables	–	–	–	–	–	3,926,421	3,926,421
	50,156,804	45,752,925	22,087,094	17,243,756	173,915	3,926,421	139,340,915
Interest sensitivity gap	833,629	(14,673,513)	13,872,116	(5,999,912)	(33,977)	12,013,165	4,344,245

(45.5.5) Interest rate risk exposure on financial assets and liabilities >>

45.5.5 (a) The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

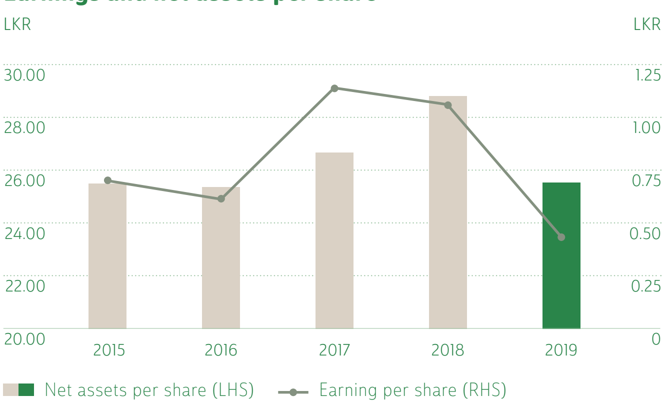
Comparative year	Up to 3 months LKR '000	3-12 months LKR '000	1-3 years LKR '000	3-5 years LKR '000	Over 5 years LKR '000	Non-interest sensitive LKR '000	Total LKR '000
Financial assets							
Cash and bank balances	3,470,745	–	–	–	–	3,913,839	7,384,584
Financial investments – FVTPL	–	–	–	–	–	118,234	118,234
Trade receivables	–	–	–	–	–	5,605,611	5,605,611
Loans and receivables	24,415,595	7,706,258	5,377,463	2,343,782	51,178	–	39,894,276
Lease rentals receivable and stock out on hire	8,864,049	15,464,800	29,962,900	8,151,043	46,894	–	62,489,686
Equity instruments measured at FVOCI	–	–	–	–	–	11,694,856	11,694,856
Other financial assets	1,138,983	6,403,146	15,332	–	–	360,723	7,918,183
	37,889,372	29,574,204	35,355,695	10,494,825	98,072	21,693,263	135,105,430
Financial liabilities							
Due to banks	13,187,406	3,687,074	6,566,270	2,253,621	–	–	25,693,372
Due to customers	27,529,747	30,167,513	10,940,977	4,307,774	–	–	72,946,011
Trade payables	5,325,819	7,291,411	1,249,678	8,558,410	176,069	–	22,601,388
Interest bearing loans and borrowings	–	–	–	–	–	3,805,712	3,805,712
	46,042,971	41,145,998	18,756,924	15,119,805	176,069	3,805,712	125,047,479
Interest sensitivity gap	(8,153,599)	(11,571,794)	16,598,770	(4,624,980)	(77,997)	17,887,551	10,057,951

Annexes

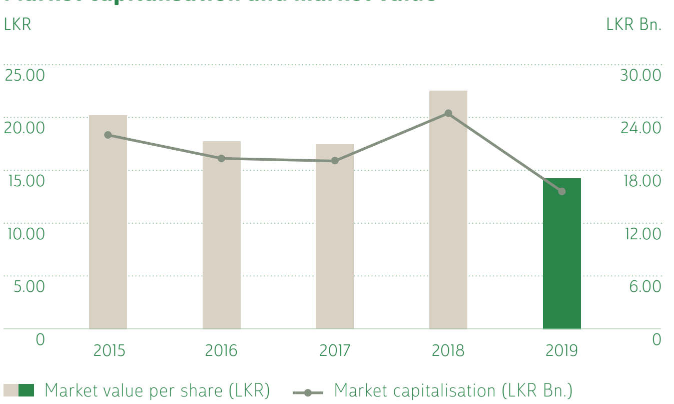
Five Year Summary – Company

	2019 LKR '000	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000
Statement of income					
Dividend income	**571,441**	1,221,112	2,020,305	808,134	632,402
Other income	**267,296**	322,640	290,975	206,195	446,762
Profit/(loss) before tax	**503,666**	1,210,641	1,305,705	720,859	893,375
Tax reversal/(expenses)	**(27,861)**	(55,792)	(65,932)	(56,660)	(134,234)
Profit/(loss) after tax	**475,804**	1,154,849	1,239,773	664,199	759,141
Statement of financial position					
Stated capital	**27,163,984**	27,163,984	27,163,984	27,163,984	27,163,984
Reserves	**607,755**	4,185,765	1,859,504	411,178	566,048
Shareholders fund	**27,771,739**	31,349,749	29,023,488	27,575,162	27,730,032
Assets	**28,597,475**	32,452,909	29,452,325	27,599,276	27,750,947
Liabilities	**825,738**	1,103,160	428,837	24,115	20,915
Ratios and statistics					
Ordinary dividends	–	543,280	543,280	543,280	434,624
Dividend per share	–	0.50	0.50	0.50	0.40
Dividend payout ratio (%)	–	47	44	82	57
Earning per share	**0.44**	1.06	1.14	0.61	0.70
Market value per share (year-end)	**14.30**	22.60	17.50	17.80	20.30
Net assets per share	**25.56**	28.85	26.71	25.38	25.52

Earnings and net assets per share



Market capitalisation and market value

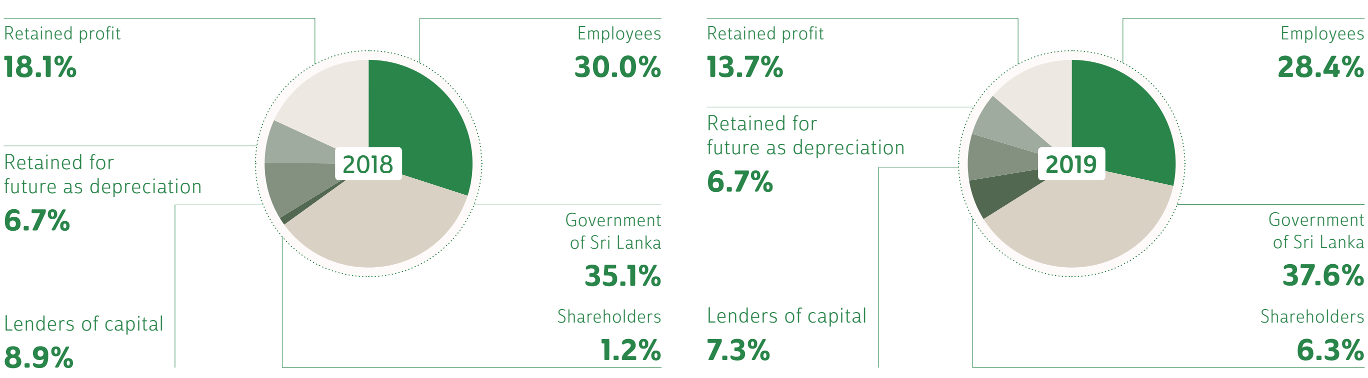


Group Value Added Statement

	2019 LKR '000	2018 LKR '000
Gross turnover	70,477,803	65,051,665
Finance and other income	1,273,082	975,414
Share of associate company's profit	44,667	30,553
Adjustments pertaining to the reclassification in investment in associates to available for sale financial asset	–	–
	71,795,552	66,057,632
Less: Cost of material and services bought in	(41,771,067)	(38,846,995)
	30,024,485	27,210,637

	2019 LKR '000	%	2018 LKR '000	%
Employees	9,000,110	30	7,736,577	28
Government of Sri Lanka	10,526,347	35	10,241,283	38
Shareholders	367,991	1	1,719,940	6
Lenders of capital	2,661,920	9	1,973,066	7
Retained for future as depreciation	2,026,033	7	1,820,216	7
Retained profit	5,442,084	18	3,719,555	14
	30,024,485	100	27,210,637	100

Value Distributed



Shareholder Information

1 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 8 July 2011.

2 Public holding >>

2.1 Shares held by the public as at 31 March 2019 was 19.25% comprising of 11,019 shareholders.

2.2 The Float adjusted market capitalisation as at 31 March 2019 – LKR 2,991,352,993.20.

2.3 The Float adjusted market capitalisation of the Company falls under Option 1 of Rule 7.13.1 (b) of the Listing Colombo Stock Exchange and the Company has complied with minimum public holding requirement applicable under the said option.

3 Distribution of shareholders as at 31 March 2019 >>

From	To	Number of holder	Number of shares	%
1	1,000	8,271	2,383,558	0.22
1,001	10,000	2,145	6,138,213	0.56
10,001	100,000	492	17,005,290	1.57
100,001	1,000,000	98	29,227,562	2.69
Over	1,000,000	26	1,031,804,730	94.95
		11,032	1,086,559,353	100.00

4 Analysis of shareholders as at 31 March 2019 >>

	Number of holder	Number of shares	%
Local individuals	10,656	735,256,861	67.67
Local institutions	326	342,242,020	31.50
Foreign individuals	43	4,000,367	0.37
Foreign institutions	7	5,060,105	0.46
	11,032	1,086,559,353	100.00

5 Directors' and CEO's shareholding as at 31 March 2019 >>

	Number 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 Amarasekara	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

6 Twenty major shareholders >>

	31 March 2019 Number of shares	%	31 March 2018 Number of shares	%
1. Mr K D D Perera	**689,726,471**	**63.548**	689,726,471	63.548
2. Employees Provident Fund	**101,549,200**	**9.356**	101,549,200	9.356
3. Vallibel Investments (Pvt) Limited	**91,966,451**	**8.473**	91,966,451	8.473
4. Vallibel Leisure (Private) Limited	**91,929,063**	**8.470**	91,929,063	8.470
5. Bank of Ceylon A/c Ceybank Unit Trust	**14,662,563**	**1.351**	10,211,380	0.941
6. Mercantile Investments and Finance PLC	**5,176,000**	**0.476**	5,176,000	0.477
7. National Savings Bank	**3,269,832**	**0.301**	3,143,693	0.290
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	**2,742,297**	**0.252**	1,661,632	0.153
10. Bank of Ceylon No. 1 Account	**2,427,704**	**0.224**	2,427,704	0.224
11. Merrill J Fernando & Sons (Pvt) Limited	**2,299,000**	**0.212**	2,299,000	0.212
12. Mr S L R R Premathilaka and Mrs A R N Perera	**2,100,000**	**0.193**	–	–
13. Mr K D A Perera	**2,079,039**	**0.192**	2,079,039	0.192
14. Mr H R S Wijeratne	**2,069,000**	**0.191**	2,069,000	0.191
15. Mr A M Weerasinghe	**2,000,000**	**0.184**	2,000,000	0.184
16. Wickramaratnes (Pvt) Limited	**1,865,000**	**0.172**	1,865,000	0.172
17. Employees Trust Fund Board	**1,722,140**	**0.159**	1,722,140	0.159
18. Prof M T A Furkhan	**1,672,000**	**0.154**	1,672,000	0.154
19. Mr A Sithampalam	**1,567,000**	**0.144**	1,567,000	0.144
20. Bartleet Asset Management (Pvt) Ltd.	**1,314,000**	**0.121**	1,314,000	0.121
	1,024,936,760	**94.33**	1,017,178,773	93.718
Others	**61,622,593**	**5.671**	68,176,880	6.282
Total	**1,086,559,353**	**100.000**	1,085,355,653	100.000

7 Share prices for the year >>

Market price per share	2018/19		2017/18	
	Date	**Price (LKR)**	Date	Price (LKR)
Highest during the year	**04.04.2018**	**23.60**	12.03.2018	Rs.25.00
Lowest during the year	**28.03.2019**	**13.90**	18.04.2017	Rs.17.00
As at end of the year		**14.30**		Rs.22.60

	2018/19	2017/18
Number of transactions	**6,063**	9,435
Number of shares traded	**9,491,290**	19,718,581
Value of shares traded (LKR)	**174,146,152.80**	415,031,658.30

Subsidiary/Associate Companies of Vallibel One PLC

Name of company	Company registration number	Situation of registered office	Relationship to Vallibel One PLC subsidiary/associate	Directors who held office as at 31 March 2019
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 (Resigned on 11 April 2019) 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 (Resigned on 11 April 2019) 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 (Resigned on 11 April 2019) 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 (Resigned on 11 April 2019) 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 (Resigned on 17 May 2018) 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 J D H Kekulawala (Appointed on 17 May 2018)

Subsidiary/Associate Companies of Vallibel One PLC

Name of company	Company registration number	Situation of registered office	Relationship to Vallibel One PLC subsidiary/associate	Directors who held office as at 31 March 2019
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) Mr J A N R Adhihetty (Appointed on 10 October 2018)
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 Mr S H Amarasekara (Appointed on 01 September 2018) Mr C U Weerawardena (Appointed on 01 October 2018)
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 Mr S H Amarasekara (Appointed on 01 September 2018) Mr C U Weerawardena (Appointed on 01 October 2018)
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

Subsidiary/Associate Companies of Vallibel One PLC

Name of company	Company registration number	Situation of registered office	Relationship to Vallibel One PLC subsidiary/associate	Directors who held office as at 31 March 2019
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) Mr S S Sirisena (Appointed on 01 June 2018)
Uni-Dil Packaging Limited	PB 544	Kosgahalanda, Kosgahawatta, Katulanda, Narampola Road, Moragala, Dekatana	Subsidiary	Mr K D D Perera (Appointed on 01 October 2018) 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 Mr S. Rajapakse (Appointed on 01 April 2018) Mr M R Zaheed (Appointed on 01 April 2018) Mr C U Weerawardena (Appointed on 01 October 2018)
Uni-Dil Packaging Solutions Limited	PV 7976 PB	Narampola Road, Moragala, Dekatana	Subsidiary	Mr J A P M Jayasekara Mr D B Gamalath Mr S. Rajapakse (Appointed on 01 April 2018) Mr M R Zaheed (Appointed on 01 April 2018) Mr K D H Perera (Appointed on 01 October 2018) Mr C U Weerawardena (Appointed on 01 October 2018)
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

Subsidiary/Associate Companies of Vallibel One PLC

Name of company	Company registration number	Situation of registered office	Relationship to Vallibel One PLC subsidiary/associate	Directors who held office as at 31 March 2019
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 N Udage Mr B D A Perera Ms Y Bhaskaran Ms A K Gunawardhana Mr R S Yatawara Mr M A J W Jayasekara Ms A Natesan (Appointed on 01 September 2018) Mr D Rangalle (Appointed on 10 April 2019)
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 Limited	PB 3837	Level 29, West Tower, World Trade Centre, Echelon Square, Colombo 1	Subsidiary	Mr K D D Perera (Appointed on 25 July 2018) Mr T G Thoradeniya Mr K D A Perera Mr K D H Perera Mr J A S S Adhihetty
Delmege Limited	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 Mr M R K Dias Mr N S L Fernando
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

Subsidiary/Associate Companies of Vallibel One PLC

Name of company	Company registration number	Situation of registered office	Relationship to Vallibel One PLC subsidiary/associate	Directors who held office as at 31 March 2019
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 Wickremesooriya
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 Wickremesooriya
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

Subsidiary/Associate Companies of Vallibel One PLC

Name of company	Company registration number	Situation of registered office	Relationship to Vallibel One PLC subsidiary/associate	Directors who held office as at 31 March 2019
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
Delmege Electronics (Private) Limited	PV 21430	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
Delshipping and Logistics (Pvt) Ltd.	PV 95246	No.101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr S N Wickremesooriya Mr N S L Fernando Mr M R K Dias
The Fortress Resort PLC	PQ 207	Level 29, West Tower World Trade Centre Echelon Square Colombo 01	Associate	Mr K D D Perera Mr K D H Perera Mr J A S S Adhihetty 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) Mr C U Weerawardena (Appointed on 19 September 2018) Mr R E U De Silva (Appointed on 10 December 2018) Mr A H Nalintha Rodrigo (Alternate Director to Mr Malik J Fernando-apponted on 04 January 2019)

GRI Context Index

GRI standard	Disclosure	Page number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General disclosures			
GRI 102: General disclosures 2016	102-1 Name of organisation	3, Back Cover	–
	102-2 Activities, brands, products and services	6	–
	102-3 Location of headquarters	Back Cover	–
	102-4 Location of operations	91	–
	102-5 Ownership and legal form	257, Back Cover	–
	102-6 Markets served	5	–
	102-7 Scale of the organisation	5	–
	102-8 Information on employees and other workers	94	–
	102-9 Supply chain	108	–
	102-10 Significant changes to the organisation and supply chain	Not applicable	–
	102-11 Precautionary principle	Not applicable	Not formally adopted
	102-12 External initiatives	About this report	–
	102-13 Membership of associations		Chamber of Commerce
	102-14 Statement from senior decision-maker	18	–
	102-15 Key Impacts, risks and opportunities	133	–
	102-16 Values, principles, norms and standards of behaviour	24	–
	102-18 Governance structure	120	–
	102-40 List of stakeholder groups	26	–
	102-41 Collective bargaining agreements	102	–
	102-42 Identifying and selecting stakeholders	26	–
	102-43 Approach to stakeholder engagement	26	–
	102-44 Key topics and concerns raised	26	–
	102-45 Entities included in the consolidated financial statements	150	–
	102-46 Defining report content and topic boundary	3	–
	102-47 Material topics	27	–
	102-48 Restatement of information	Not Applicable	Not applicable
	102-49 Changes in reporting	3	–
	102-50 Reporting period	3	–
	102-51 Date of most recent report	3	–
	102-52 Reporting cycle	3	–
	102-53 Contact point for questions regarding report	4	–
	102-54 Claims of reporting in accordance with GRI standards	3	–
	102-55 GRI context index	264	–
	102-56 External assurance	3	–
Economic performance			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	11	–
	103-2 The management approach and its components	11	–
	103-2 Evaluation of the management approach	11	–
GRI 201: Economic performance 2016	201-1- Direct economic value generated and distributed	11	–
	201-2 Financial implications and other risks and opportunities due to climate change	135	–
	201-3 Defined benefit plan obligations and other retirement plans	159	–

GRI Context Index

GRI standard	Disclosure	Page number	Omission
Procurement practices			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	110	–
	103-2 The management approach and its components	110	–
	103-3 Evaluation of the management approach	110	–
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	111	–
Materials			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	116	–
	103-2 The management approach and its components	116	–
	103-2 Evaluation of the management approach	116	–
GRI 301: Raw materials	301-1: Raw materials used by weight or volume	116	–
	301-2 Recycled input materials used	116	–
Energy			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	117	
	103-2 The management approach and its components	117	–
	103-3 Evaluation of the management approach	117	–
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	117	–
	302-2 Energy consumption outside of the organisation	117	–
	302-3 Energy intensity		Nor reported
	302-4 Reduction of energy consumption	117	
Water			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	117	–
	103-2 The management approach and its components	117	–
	103-3 Evaluation of the management approach	117	–
GRI 303: Water 2016	303-1 Water withdrawal by source	117	–
Effluents			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	118	
	103-2 The management approach and its components	118	
	103-3 Evaluation of the management approach	118	
GRI 306: Effluents and waste	GRI 306-1 Water discharge by quality and destination	118	Water discharge by quality
	GRI 306-2 Waste by type and disposal method	118	–
Environment compliance			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	118	–
	103-2 The management approach and its components	118	–
	103-3 Evaluation of the management approach	118	–
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	118	–

GRI Context Index

GRI standard	Disclosure	Page number	Omission
Employment			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	94	–
	103-2 The management approach and its components	95	–
	103-3 Evaluation of the management approach	95	–
GRI 401: Employment 2016	401-1 Employee hires and turnover	97, 102	–
	401-2 Benefits Provided to fulltime employees that are not provided to temporary or part time employees	100	–
	401-3 Parental leave	102	Number of employees that were entitled to parental leave
Labour/management relations			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	102	–
	103-2 The management approach and its components	102	–
	103-3 Evaluation of the management approach	102	–
GRI 402: Labour management relations	402-1 Minimum notice periods regarding operational changes	102	–
Occupational health and safety			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	101	–
	103-2 The management approach and its components	101	–
	103-3 Evaluation of the management approach	101	–
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	101	–
Training and education			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	97	–
	103-2 The management approach and its components	97	–
	103-3 Evaluation of the management approach	97	–
GRI 404: Training and education	404-1 Average hours of training per year per employee	97	–
	404-2 Programmes for upgrading skills and transition assistance programmes	98	–
	404-3 Percentage of employees receiving regular performance and career development reviews	100	–
Diversity and equal opportunity			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	95	–
	103-2 The management approach and its components	95	–
	103-3 Evaluation of the management approach	95	–
	405-1 Diversity of governance bodies and employees	95	–
Local communities			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	112	–
	103-2 The management approach and its components	112	–
	103-3 Evaluation of the management approach	112	–
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	112	–

GRI Context Index

GRI standard	Disclosure	Page number	Omission
Customer health and safety			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	109	–
	103-2 The management approach and its components	109	–
	103-3 Evaluation of the management approach	109	–
GRI 416 Customer health and safety	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	109	–
Marketing and labelling			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	109	–
	103-2 The management approach and its components	109	–
	103-3 Evaluation of the management approach	109	–
GRI 417: Marketing and labelling	417-2 Incidents of non-compliance concerning product and service information and labelling	109	–
	417-3 Incidents of non-compliance concerning marketing communications	109	–
Socio-economic compliance			
GRI 103: Management approach	103-1 Explanation of material topics and its boundaries	109	–
	103-2 The management approach and its components	109	–
	103-3 Evaluation of the management approach	109	–
GRI 419: Socio-economic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	109	–

Glossary of financial terms

Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

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.

Contingencies
A condition or situation existing at the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

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 Ninth (9th) Annual General Meeting of the Company will be held at The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 1 on 5 July 2019 at 9.30am 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 31 March 2019 with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr J A S S Adhihetty who retires by rotation in terms of Articles 87 and 88 of the Articles of Association of the Company.
3. To pass the ordinary resolution set out below to appoint Mr R N Asirwatham who is 76 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 76 years of age and that he be and is hereby appointed a Director of the Company."
4. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.
5. To authorise the Directors to determine donations for the year ending 31 March 2020 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

6 June 2019
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/her).

Mr K D D Perera	or failing him*
Mr S H Amarasekera	or failing him*
Mr J A S S Adhihetty	or failing him*
Mrs K Fernando	

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Ninth (9th) Annual General Meeting of the Company to be held on 5 July 2019 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. To re-elect Mr J A S S Adhihetty as a Director in terms of 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 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 31 March 2020 and up to the date of the next Annual General Meeting.		

Signed this .... day of .... Two Thousand and Nineteen.

*Please delete as appropriate

....

Signature of shareholder/s

Notes:

1. A proxy need not be a shareholder of the Company.
2. Instructions as to completion appear overleaf.

Form of Proxy

Instructions for completion

1. 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 Form 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

9 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
MCB Bank Limited

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Vallibel One PLC

Level 29, West Tower,
World Trade Centre,
Echelon Square,
Colombo 1.