Annual Report

2019/20

Vallibel10ne

Vallibel | ONE

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Form of Proxy Enclosed

Corporate Information Inner Back Cover

http://www.vallibelone.com/investor_relations/annual_reports.html

Vallibel10ne

Vallibel celebrates ten years of enterprise this year. As "youthful" as this figure may seem, the company has achieved a maturity and success far beyond its years. Ten years of business excellence has seen the Company build - a portfolio of diversity whose impact has been felt far and wide across the country – a repository of great employee strength and skill – a supplier network of quality and standard-driven entities. All of these strengths, delivered via high quality and diversified constituent business arms, have allowed Vallibel to make valid contribution towards the Nation, its economy and people.

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.

Overview of The Group

Established in 2010, Vallibel One PLC was later listed on the Colombo Stock Exchange in 2011 and has grown to be one of Sri Lanka's leading, most competitive yet youngest diversified conglomerates. With 47 subsidiaries in our portfolio, we have a significant presence across key thrust sectors including market leadership in tiles and sanitaryware, and a dominant market position in the finance sector and in several other key sectors.

Over a short span of 10 years, our Group has strived to adopt and uphold best practices in business, redefining and improving standards in the industries we operate in.

Our passion for innovation and transformative thinking, top brands, decisive leadership along with our talented and skilled team have underpinned our success we have achieved thus far in the respective sectors.

LKR 242 Bn.

Total Assets

Our continuous investments to strengthen the asset base with due maintenance and upgrading.

LKR 69 Bn.

Revenue

The Group's strategy of capacity augmentation and value addition enabled a growth in revenue despite the challenging operating landscape during the year.

562,000 +

Direct Customers

Nurturing relationships responsibly, we continue to engage our customers from all "walks of life" reaching out from across the island, gaining their confidence amidst intense competition in our operating backdrop.

13,793

Direct Employees

We have a dynamic team – skilled, hardworking and dedicated –to reach out to our corporate aspirations

LKR 16 Mn.

Investment in Training
70,167 Training Hours

40% + Jobs created to young employees (Under 30 years)

Amidst emerging market trends, continuing to invest in our teams across the Group remains significant and highly warranted – essentially underlining our progress from a long-term perspective.

5000 +

Suppliers and Business Partners

We have built a solid base of business partners, principals and suppliers – supporting us to be competitive at the forefront of the country's business domain.

LKR 37 Mn.

Investment in CSR

Well aligned to our integrated approach to value creation – internalised across our business lines – we stand committed to be responsible and accountable to our communities and to the society at large.

Playing a critical role in creating significant value overtime across seven sectors, we entail our corporate reputation, brand equity, quality and standards and institutional expertise.

Ranked in LMD 100 among top 20 companies and in Business Today top 30

One of the youngest companies in Sri Lanka, largest by profit, by shareholder funds and by assets.

Top 10 conglomerate brands in Sri Lanka as ranked by Brand Finance

7

Diversified Sectors

Giving us an edge in the competitive marketplace, we seek for new ways to expand our business to create wealth and add value...

Snapshot of 2019/20

Financial Highlights

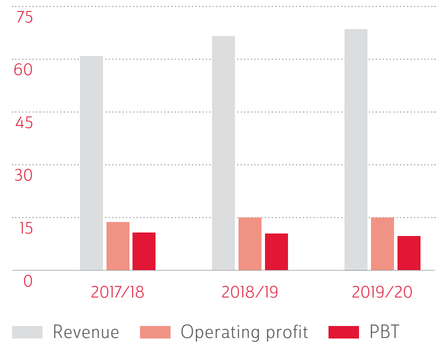
Profitability		2019/20	2018/19
Revenue	LKR Mn.	**68,703**	66,691
Results from operating activities	LKR Mn.	**14,961**	14,988
Profit before tax	LKR Mn.	**9,757**	10,541
Profit after tax	LKR Mn.	**6,296**	6,733
Profit attributable to the owners of the parent	LKR Mn.	**3,794**	4,041
Gross profit	%	**43.1**	42.4
Operating profit margin	%	**21.8**	22.5
Net profit margin	%	**9.2**	10.1
Return On Assets (ROA)	%	**2.6**	2.9
Return On Capital Employed (ROCE)	%	**7.9%**	9.4%
Interest cover	Number of times	**4.9**	5.6

Financial position		2019/20	2018/19
Total assets	LKR Mn.	**242,467**	229,342
Total liabilities	LKR Mn.	**162,408**	154,786
Total debt	LKR Mn.	**55,565**	52,170
Equity attributable to equity holders of the parent	LKR Mn.	**53,944**	50,371
Net worth	LKR Mn.	**80,060**	74,556
Debt/Equity	%	**69.40**	69.98
Equity asset ratio	%	**33.02**	32.51
Current ratio	Number of times	**0.94**	0.95
Quick asset ratio	Number of times	**0.79**	0.82

Market and Shareholder information		2019/20	2018/19
Shares in issue	Number Mn.	**1,087**	1,087
Market value per share	LKR	**12.00**	14.30
Earnings per share	LKR	**3.5**	3.7
Net assets per share	LKR	**49.65**	46.36
Company Market Capitalisation	LKR Mn.	**13,039**	15,538

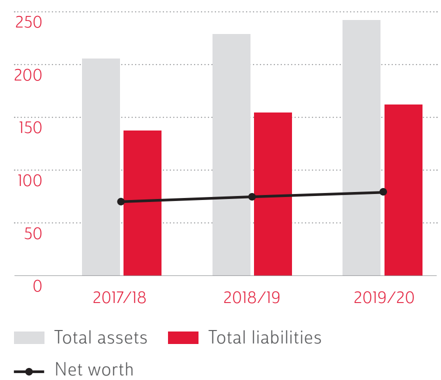
Profitability

LKR Bn.



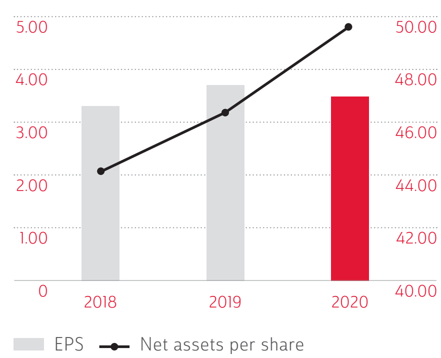
Financial position

LKR Bn.



Shareholder returns

LKR



Non-Financial Highlights

Manufactured Capital		2019/20	2018/19
Property plant and equipment	LKR Mn.	**50,658**	49,888
Capital expenditure	LKR Mn.	**3,425**	7,768
Depreciation and amortisation	LKR Mn.	**2,298**	2,111

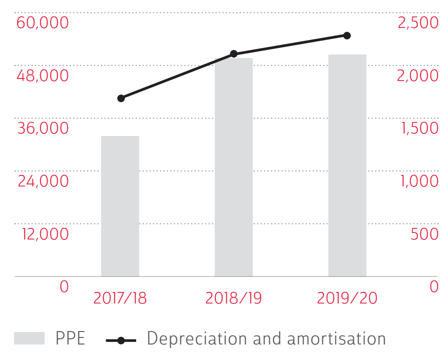
Human Capital		2019/20	2018/19
Total employees	Number of:	**13,793**	14,473
Female workforce	Number of:	**5,000**	5,128
Male workforce	Number of:	**8,793**	9,345
New recruitments	Number of:	**3,303**	3,690
Employees represent outside the western province	Number of:	**7,123**	7,202
Productivity (rev/employee)	LKR Mn.	**5**	4.6
Investment in training	LKR Mn.	**16**	32.5
Total training hours	Hours	**70,167**	75,125

Social and Relationship Capital		2019/20	2018/19
Rocell Showrooms	Number of:	**59**	55
LB Finance Branches	Number of:	**129**	127
LB Finance Gold Loan Centres	Number of:	**36**	36
Suppliers	Number of:	**5,140**	4,620
Payments to suppliers	LKR Mn.	**33,468**	39,866
Investment in CSR Initiatives	LKR Mn.	**37**	72

Natural Capital		2019/20	2018/19
Raw material consumption	MT	**363,033**	241,983
Total water usage	Liters Mn.	**397.2**	387.4
Total waste	MT	**38,336**	19,661

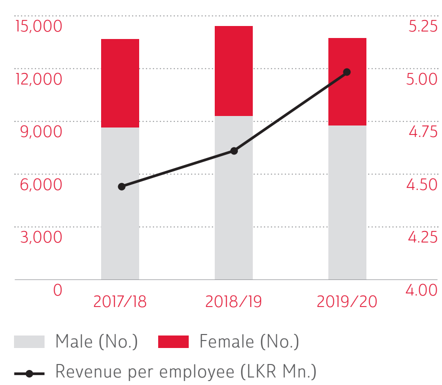
Property plant and equipment

LKR Mn.



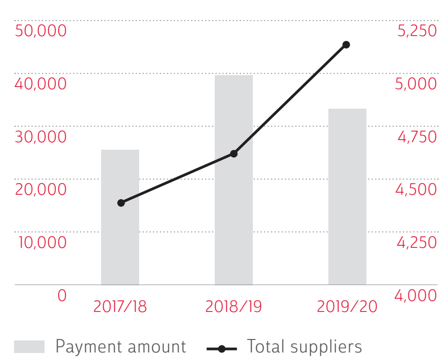
Total employees and revenue per employee

No. LKR Mn.



Total suppliers and payments to suppliers

LKR Mn.



Chairman's Message

Within ten years of commercial operations, we have forged ahead whilst leveraging on our capabilities, to become one of the most agile, dynamic and diversified conglomerates in Sri Lanka.

Dear Shareholders,
I am delighted to share with you the celebration of a decade long journey that has amplified and epitomised the spirit of our success. It is my pleasure to present the Annual Report for Vallibel One PLC for the year ended 31 March 2020 and I wish to warmly welcome you to the 10th Annual General Meeting.

Within ten years of commercial operations, we have forged ahead whilst leveraging on our capabilities, to become one of the most agile, dynamic and diversified conglomerates in Sri Lanka.

Looking back on our victorious journey, since the inception, Vallibel One has contributed to the country's growth themes and thrust sectors with strategic investments in key business areas in the country.

Our strategic priorities together with the guiding principles we uphold within our business model, sets the tone for all Group companies to formulate their individual strategies that will best suit their business and competitive identity to navigate through potentially turbulent waters whilst excelling in the respective sectors they operate in.

Business resilience

We have faced unprecedented events during the year under review which has presented many challenges in our operating landscape. Despite these roadblocks, we have remained resilient, on all fronts, posting a commendable LKR 6,296 Mn. in earnings for the year. The Group delivered a marginal 3% increase in revenue amidst several challenging backdrops in the form of the Easter Attacks in 2019 and the more recent COVID-19 pandemic. Our continuous investments in capacity expansion in the key sectors resulted in the Group recording total assets of LKR 242 Bn. at the end of the financial year.

The diversity and depth of our operations due to the offering of a myriad of products and services under Vallibel One has enabled the Group to stand firm even in the toughest of market condition.

Value focused

Reinforcing our customer centric approach, we remained committed to serve our customers responsibly. Our lifestyle sector showrooms including the premium concept showrooms and third-party channels were geared to not only meet but surpass customer expectations in service and product quality. We Invested in innovation to add value to the product offer; follow best practices in business to ensure quality and standards; and promote brands through focused marketing initiatives. During the year the Group invested LKR 3,425 Mn. in capital expenditure to ensure business wide capacity enhancements, primarily in lifestyle and finance sectors which collectively accounts for 63% of the Group CAPEX. Strengthening our presence across the island, we continued to invest in consolidating the extensive multi-channel distribution network with strategic expansions, improved warehousing facilities and automation of systems and processes.

Assuming greater significance in today's world, we sought to invest and leverage on IT, seeking to bring in process improvements and add value to the product—enabling greater flexibility and responsiveness to meet market demands. LB Finance launched its mobile wallet, LB Cash-In-Mobile (CIM) during the financial period with the aim of revolutionising the traditional cash payment habit among the Sri Lankans. Further, exploring new business avenues, we expect to strengthen our leisure arm with the Greener Water Hotel Project, a plush five-star integrated resort complex which is currently under construction. Focusing on the operational efficiencies, we initiated several total productive maintenance (TPM) initiatives at factories to increase productivity.

Future acceptance

Whilst we can boldly state that we are the market leader in several segments, we continue to explore and secure export opportunities. We continue to make changes to ensure that productivity and efficiency is maintained while utilising resources through innovative and streamlined workflows. Given the agile, dynamic and adaptive DNA that runs through our corporate chromosomes, we are optimistic for the medium to long term, with significant growth prospects identified and envisaged in the Group's post COVID-19 strategic plan.

Appreciation

I wish to extend my sincere appreciation to the Board of Directors for their far-sighted guidance in leading the company and also the Boards of Directors of the Group companies for their leadership in aligning with our vision. I take this opportunity to thank all our shareholders and other stakeholders for the trust placed in the company as we continue to deliver on our mandate.

Dhammika Perera
Chairman

3 July 2020

Chief Executive Officer's Review

Our focus this year was on innovation and processes improvement to ensure wealth creation becomes a sustainable goal in our daily business. Our strategy of investing in top of the range human capital complimented our efforts in reaching our goals.

Dear shareholders,
The year under review has been volatile due to many extraneous factors such as the Easter bomb attack and disruptions during the latter part of the financial year created by the COVID-19 pandemic. These unprecedented events had varying levels of impact on some of the companies in the Group.

Nevertheless, due to the strong resilience, best of in class practices adopted and unlocking the power of human capital, Vallible One Plc ensured strong sustainability. Once again, the diversity of the Group contributed to wealth creation by being proactive and successful in their own economic sectors acting as a safety net and negating the effects of those that were most impacted. The company was also able to skillfully balance profits with consideration for impacts on the economy, society, and the environment.

Despite the challenges posed by the lockdown resulting from the COVID-19 pandemic we have endeavoured to provide timely disclosure of our financial reports. It gives me great pleasure to provide you an in-depth understanding of the Group's performance , the agile strategies adopted across our diversified Group of Companies and challenges faced.

Group performance

On a consolidated basis, Vallible One recorded a turnover of LKR 68.7 Bn., which is a 3% year on year increase. Following tradition, the Finance and Lifestyle sectors were the main contributors accounting for 45% and 35% of revenue respectively by continuing to maintain market leadership, innovation and exceptional customer service.

The Group delivered an after-tax profit of LKR 6.29 Bn. for the year ended March 2020 which is marginally below that of last years after tax profit of LKR 6.7 Bn.

Our focus this year was on innovation and processes improvement to ensure wealth creation becomes a sustainable goal in our daily business. Our strategy of investing in top of the range human capital complimented our efforts in reaching our goals.

With sound decisions and prudent judgement, the Group increased the value of its assets from LKR 224 Bn. to LKR 242 Bn. The Group also managed to maintain its Earnings Per Share despite several challenges, ensuring continued shareholder confidence.

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

Summary of how our sectors performed

In our Non-Bank Financial Institution (NBFI) sector, LB Finance despite adverse market conditions, achieved an increase of 7% in turnover and 3% in PAT compared to last year. The main reason for this strong performance can be attributed to the companies solid positioning as a front line organisation, wide outreach , excellent and innovative product offering ,strong market presence and the well-established financial governance systems .A range of innovative products such as the mobile wallet, LB Cash in mobile (CIM) revolutionized the traditional cash payment habit of the community. In August 2019 LB Finance added a new feather to its cap when it opened its new, first of its kind Premier Centre at Dharmapala Mawatha, Colombo 7.

The Life Style sector propelled by our flagship product Royal Ceramics saw a marginal decline of 1.8% in turnover due to adverse conditions affecting consumer discretionary spending resulting from the COVID-19 pandemic, which unfortunately occurred during the traditional peak period of the fourth quarter. However, Rocell's passion to transcend the ordinary, keeps us at the cutting edge of design, innovation, and attuned responsiveness to customer needs. The addition of complimentary items such as bath ware, sanitary ware and the newly introduced Rocell branded kitchens to the portfolio of products has been commended by the consumers who are now able to make a holistic choice.

Rocell was also the proud recipient of the Presidential Environmental Merit Award for the first time for its contribution towards nature conservation as a result of the environmental business strategies adopted. With four entities producing tiles under the "Rocell" and "Lanka Tiles" brands, we are confident of maintaining our envious position of market leader in the local market whilst focusing on exports.

The Aluminium sector recorded an increase of 3% in revenue and a remarkable improvement of 68% in the bottom line through cost efficiencies, operational responsiveness to technological and industry demands and intense emphasis on innovation.

However, in the Plantations sector Horana Plantations was challenged by climate changes, dismal market conditions and lower production compared to the previous year. Although the operating environment is expected to be complicated and challenging, the Plantations sector is supposed to gain from the health benefits of tea and increased demand for rubber due to a surge in personal protective equipment requirements. The sector is also focusing on diversification into non-traditional crops to stabilize earnings.

The Packaging and Paper Solutions sector is another area that needs mention as it surpassed all expectations to record an unprecedented net profit of over 100% year on year driven by new customer acquisitions and enhanced capability. We expect the need for Packaging to continue as it is likely to be more resilient as demand for products continues to gather momentum.

The overall performance of the Delmege Consumer sector was commendable with a 79% improvement in the FMCG and Health care bottom lines. The Consumer Division driven by the introduction of new personal care products, items of high utility value and insights gathered from heightened market intelligence was able to increase market share. Healthcare benefitted by adopting a strategic initiative of project-based sales to negate the low demand in the market.

In the aftermath of the Easter terror attacks the leisure sector comprising the Fortress Hotel saw a major decline in occupancy levels and yields. However, the timely action taken saw an improvement in the short term. However, the COVID-19 pandemic dealt a severe blow to the momentum and positive trend that was being created.

The "Investments and Others" sector comprises a diverse mix of investments, insurance brokering, travel, transportation, mining and the above highlighted packaging industries.

Outlook

We need to be cognizant that we are living through unprecedented times as a highly connected world struggles with the challenges of the COVID-19 pandemic and a simultaneous economic crisis. However, the Management is confident that the Group has the adequate resources, expertise and ability to withstand the adversities and return to its original robust form in the short term. With the initiatives of the government, we note a resumption of consumer activity and expect more projects to commence by the end of the second quarter, which will propel the country into new domains. As these new projects materialise, Vallibel One as the market leader in several spheres will gear itself to take advantage of these opportunities and shift into a growth phase.

Appreciation

The past year has been challenging due to the many unprecedented factors which impacted both the local and global markets. However, despite these adverse situations there were several companies in the Group that defied all odds to emerge profitable. This success would not have been possible if not for the vision, guidance and support extended to me by the Chairman and Board of Directors. The Vallibel One team remains the backbone of our achievements and deserves to be commended for giving their best during the year. I express my appreciation to each of our companies' the managements, and teams who have firmly focused on their objectives and delivered on their promise, which has resulted in our success. I also take this opportunity to thank all our valuable stakeholders for the confidence shown and the continued support. Going forward we strongly affirm that we are geared to face the challenges in store by leveraging on synergies and experiences garnered over the years.

Yogadinusha Bhaskaran
Chief Executive Officer

3 July 2020

Board of Directors

Mr Dhammika Perera

Chairman/Managing Director

Appointed as Chairman of the Board in October 2010

Membership of Board Subcommittees:

Serves as a member of the Nomination Committee since February 2019.

Skills and Expertise:

Mr Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydropower 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 unquoted companies.

Current Appointments:

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, 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. Also, a Director of Dhammika and Priscilla Perera Foundation.

Mr Harsha Amarasekera

Independent Non-Executive Director

Appointed to the Board in November 2010

Membership of Board Subcommittees:

Chairman of the Remuneration Committee and a member of the Audit Committee since November 2010, and Chairman of the Nomination Committee since February 2019. He also served as the Chairman of the Related Party Review Committee from February 2016 to February 2020 and currently services as a member of the said Committee.

Skills and Expertise:

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

Current Appointments:

He serves as an Independent Director in several companies listed on the Colombo Stock Exchange including CIC Holdings PLC (Chairman), Swisstek (Ceylon) PLC (Chairman), and 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 Rajan Asirwatham

Independent Non-Executive Director

Appointed to the Board in January 2011

Membership of Board Subcommittees:

The Chairman of the Audit Committee since November 2010, and a member of the Related Party Transactions Review Committee since February 2016.

Skills and Expertise:

Mr Rajan Asirwatham, who is a renowned accounting professional, was a Senior Partner and Country Head of KPMG Ford Rhodes Thornton & Co. 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 a Fellow member of The Institute of Chartered Accountants of Sri Lanka.

Current Appointments:

He is 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. 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, Yaal Hotels (Private) Limited, Three Acre Farms PLC, Ceylon Grain Elevators PLC, and Browns Beach Hotels PLC.

Mr Sumith Adhihetty

Non-Executive Director

Appointed to the Board in November 2010

Membership of Board Subcommittees:

A member of the Remuneration Committee since November 2010 and a member of the Nomination Committee since February 2020.

Skills and Expertise:

Mr Sumith Adhihetty is a top-notch marketing professional who counts over 42 years of experience in the finance sector. He was formerly the Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Company 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.

Current Appointments:

He is the Managing Director of LB Finance PLC. He also serves on the Boards of The Fortress Resorts PLC, La Forteresse (Private) Limited, LB MicroFinance Company Myanmar Limited, Greener Water Ltd, Summer Season Residencies Limited, Summer Season Limited and Summer Season Mirissa (Pvt) Ltd.

Mrs Shirani Jayasekara

Independent Non-Executive Director

Appointed to the Board in February 2020

Membership of Board Subcommittees:

Serves as the Chairperson of the Related Party Transactions Review Committee, member of the Audit Committee, and the Remuneration Committee since February 2020.

Skills and Expertise:

Mrs Shirani Jayasekara brings to the Board over 40 years experience in the fields of Finance, IT, Audit and Risk Management in Sri Lanka, Zambia, and Bahrain. She is a Fellow of The Institute of Chartered Accountants of Sri Lanka and a Fellow member of the Chartered Institute of Management Accountants UK.

She was a Director of LB Finance PLC since 25th August 2010 and served as Chairperson from 18 September 2017 till her retirement on 25 August 2019. She was the Head of Audit, British American Tobacco Sri Lanka and Bangladesh and Head of Group Internal Audit of Carsons Cumberbatch PLC. She was also a Director of Asian Hotels and Properties PLC, a subsidiary of John Keells Holdings PLC.

Current Appointments:

None

Lifestyle Sector

Well-positioned across the high-end and middle-tier market, our lifestyle sector offers a total interior product range from floor and wall tiles, bathware and accessories, kitchens, tiling accessories for masonry work, and design solutions. Renowned for quality and standards, our top brands – "Rocell" and "Lanka Tile"–hold the undisputed market leadership within the tile segment and Rocell Bathware is also at the forefront. Further enhancing the portfolio, interior building solutions are offered through the Delmege group of companies.

LKR 24,647 Mn.
35% of Group Revenue

LKR 2,452 Mn.
25% Group Profit Before Tax

LKR 47,752 Mn.
19% of Group Assets

LKR 1,382 Mn.
40% of Group CAPEX

3,485
25.3% of Employees

Performance results

Key performance indicators	2019/20	2018/19	% change
Net operating income (LKR Mn.)	**4,251**	4,230	0.5
Profit after tax (LKR Mn.)	**1,746**	1,913	(8.7)
Return on equity (%)	**8**	10	(2)
Operating margin (%)	**17**	17	–
Net profit margin (%)	**7**	8	(1)

Notwithstanding the volatility in the operating landscape, the overall lifestyle operations were well-managed and sustained moderate financial results. Performing ahead of the industry, our tile segment recorded a year-on-year 0.5 growth in production. This was led by local factory operations with a share of 70% despite the bottle-necks due to technical difficulties faced in commissioning the new plant installed in the preceding year at Lanka Tiles factory, OEM production overseas accounted for the balance 30%.
The bathware factory in Homagama also faced technical difficulties, impeding on realising the optimum capacity. Yet, bathware production saw 18% decrease year-on-year.

The market dynamics, however, did not complement our revenue goals in the year, with sales below production levels, leading up to inventory issues. Pricing also had to fit-in with cheaper imports. In this context, our export market sales assumed greater significance. Revenue in the year was modest at LKR 24,647 Mn., with a year-on-year drop of 2%. The rising costs continued to exert pressure on our margins, registering 14% drop in profit before tax.

Key indicators

	2019/20	2018/19
Equity (LKR Mn.)	**21,702**	19,639
Debt (LKR Mn.)	**15,895**	14,360
Raw material consumption consumption (MT)	**279,861**	257,089
Water consumption (Mn. Liters)	**220**	213
Total wastage (MT)	**31,021**	21,510
Male employees (No. of)	**3,168**	3,305
Female employees (No. of)	**317**	363
New recruitments (No. of)	**794**	877
Employee turnover (No. of)	**683**	595
Investment in training (LKR Mn.)	**3.9**	13.28
Investment in CSR initiatives (LKR Mn.)	**6.2**	33.1
Suppliers (No. of)	**2,625**	2,461
Payments to suppliers (LKR Mn.)	**21,339**	28,323

Outlook and plans

The construction industry in the country is set to pick-up in the medium term in line with the country's development aspirations. With upper-mid tier income levels and higher disposable income—given the concessionary tax regime, if sustained—the demand for our lifestyle products is expected to improve in the ensuing years. The condominium market along with public sector building projects will give us a strong platform to progress in the medium-term.

In this context, it will be critical to follow-through with our volume-driven strategy with lower cost structure to maintain our margins. We intend to further rationalise our portfolio; add value to offer a total solution in interior spaces; leverage on group synergies in terms of material sourcing and marketing; and strengthen our brands to defend market share against the competition from cheap imports. Apart from strengthening our local market presence, we will further explore and secure export opportunities including in the United States of America, Australia, and Canada.

Finance Sector

With nearly five decades in operation, LB Finance PLC has a solid positioning as a frontline organisation within the non-bank financial institution (NBFI) sector. Licensed under the Finance Act No. 42 of 2011 and listed on the Colombo Stock Exchange, LB Finance has established a wide outreach across the island, extending a versatile product offer ranging from leases, loans, micro facilities to deposits. As one of the largest finance companies, the asset base touched LKR 144.5 Bn. as at the year-end 31 March 2020, with a five-year average growth of 12%.

Performance results

Key performance indicators	2019/20	2018/19	% change
Net operating income (LKR Mn.)	**9,932**	9,788	1.5
Profit after tax (LKR Mn.)	**5,211**	5,079	3
Return on equity (%)	**22**	28	(6)
Operating margin (%)	**32**	33	(1)
Net profit margin (%)	**17**	17	–

LKR 31,247 Mn.
45% of Group Revenue

LKR 7,653 Mn.
70% Group Profit Before Tax

LKR 144,549 Mn.
60% of Group Assets

LKR 777 Mn.
23% of Group CAPEX

3,583
25.98% of Employees

With sluggish credit growth and deteriorating asset quality combined with intense competition set a difficult operating backdrop in the year under review. Our credit performance in this scenario was modest, well below our potential. Auto finance grew by a mere 1.8% whilst gold loans registered 20.4% growth. Cumulative lending portfolio reached LKR 119.4 Mn., up by 4.9% compared to 11.2% growth in the preceding year.

NPA ratio stood at 3.93% albeit, higher compared to the ratio of 2.69% recorded in the preceding year. This, however, was well below the industry ratio of 10.6% as at 31 December 2019.

Despite the interest rates following an increasingly accommodative stance and a cap imposed on deposit rates, deposit growth was increased at 7.4% year-on-year. Deposits took up 64.5% of our funding requirement.

Vehicle financing segment, our topline interest income reached LKR 29,297 Mn., representing a growth of 6.8% as against the previous year. Cost of funds were lower given the accommodative policy stance whilst cost to income ratio was well-managed at 33.50% compared to 34.25 % in the previous year. Profit after tax stood at LKR 5,211 Mn., 2.6 % increase over the previous year.

Key indicators

	2019/20	2018/19
Equity (LKR Mn.)	23,159	18,467
Debt (LKR Mn.)	25,994	27,741
Deposits (LKR Mn.)	89,315	83,243
Gross NPL ratio (%)	3.93	2.69
Total branches (No. of)	165	163
Male employees (No. of)	2,190	2,232
Female employees (No. of)	1,393	1,386
New recruitments (No. of)	1,286	1,407
Employee turnover (No. of)	1,296	1,230
Investment in training (LKR Mn.)	10	11
Investment in CSR Initiatives (LKR Mn.)	15.2	10.4

Outlook and plans

The present uncertainties and sluggishness that prevails in the economy—particularly due to the COVID-19 pandemic—is expected to ease out in the medium term. The accommodative monetary policy along with tax concessions are expected to kick start the economy to reach out to our national development goals. This will support the NBFI sector to rebound with higher credit growth and better asset quality. In this backdrop, LB Finance as a leading player in the financial arena will have much potential to grow and secure a large share in the market. We intend to reinforce our brand positioning, consolidate our outreach and tailor the product to meet the new age customer needs, underlining our top-line strategy. Our strategic priorities will be further nurtured, ensuring that we are prepared to take on the emerging opportunities whilst managing the down-side risks.

Aluminium Sector

Swisstek Aluminium Ltd is well-positioned as a premium quality manufacturer of aluminium extrusions, for both local and international markets. With a share of 27% as the second largest in the market, the Company offers a range of aluminium profiles made to British standards – from hardware for general applications to architectural solutions including prefabricated windows, doors, partitions, and accessories. It is also the largest exporter of aluminium products.

Performance results

Key performance indicators	2019/20	2018/19	% change
Net operating income (LKR Mn.)	**243**	155	57
Profit after tax (LKR Mn.)	**(40)**	(125)	68
Return on equity (%)	**(3.4)**	(10)	6.6
Operating margin (%)	**7.5**	5	2.5
Net profit margin (%)	**(1.2)**	(4)	2.8

LKR 3,235 Mn.
5% of Group Revenue

LKR (53) Mn.
(0.5%)
Group Profit Before Tax

LKR 3,884 Mn.
1.6% of Group Assets

LKR 45 Mn.
1% of Group CAPEX

282
2.04% of Employees

Swisstek Aluminium witnessed difficult market conditions in the year under review. With expansionary initiatives of the preceding year, the factory operated under higher capacity. However, with subdued demand in the marketplace, capacity utilisation in the year had to be capped at 46% with production volumes decreasing by 24% to 3,869 metric tons. Yet, sales – both local and exports – were above production by 180 metric tons.

In this context and given price competitiveness, revenue remained modest at LKR 3,235 Mn. This represented an increase of 3.2% over the previous year which is commendable given the operating backdrop. The year also saw downward trends in aluminium prices which together with a more stable exchange rate enabled us to manage costs and support sector margins. Yet, the Company had to reckon with higher finance costs. The bottom-line losses prevailed, although lower by 68% compared to the previous year losses of LKR 125 Mn.

Key indicators

	2019/20	2018/19
Equity (LKR Mn.)	1,174	1,214
Debt (LKR Mn.)	2,251	2,623
Raw material consumption (MT)	5,371	5,999
Water consumption (Mn. Liters)	26	40
Male employees (No. of)	253	420
Female employees (No. of)	29	28
New recruitments (No. of)	93	196
Employee turnover (No. of)	111	136
Investment in training (LKR Mn.)	0.27	3.5
Suppliers (No. of)	208	244
Payments to suppliers (LKR Mn.)	1,929	3,461
Distributors and dealers (No. of)	243	211
Franchisees (No. of)	21	12

Outlook and plans

The country's economy is expected to grow in the medium-term. The aluminium extrusion industry will see better demand prospects from the construction sector, which will pave the way to balance out the excess production capacity issues overtime.

Swisstek Aluminium is expected to move up in the ensuing years —with focused strategic delivery to diversify products and markets whilst driving to keep our margins intact. We see much potential in reinforcing our brand in the local market whilst proactively building our export market opportunities. It is critical that we allocate necessary resources to strengthen our quality and standards in systems and processes, bring in new technology, encourage innovation and build employee capacity.

Plantations Sector

Spanning across 7,534 hectares with sixteen estates, Horana Plantations PLC is a leading diversified regional plantation company in the country – engaged in producing tea, followed by rubber and other minor crops. The Company in the recent years has also diversified into oil palm cultivation. It is listed on the Colombo Stock Exchange, with a market capitalisation of LKR 425 Mn. as at 31 March 2020.

Performance results

Key performance indicators	2019/20	2018/19	% change
Net operating income (LKR Mn.)	**(326)**	135	(341)
Profit after tax (LKR Mn.)	**(497)**	2	(249.5)
Return on equity (%)	**(62)**	–	(62)
Operating margin (%)	**(18)**	7	(25)
Net profit margin (%)	**(28)**	1	(29)

LKR 1,762 Mn.
2.5% of Group Revenue

LKR (472) Mn.
(5%) Group Profit Before Tax

LKR 3,724 Mn.
1.5% of Group Assets

LKR 155 Mn.
5% of Group CAPEX

5,399
39.14% of Employees

Our plantation business as was the case across the industry, grappled with dismal market conditions in the year under review. Our tea subsector with estates in both high and low grown areas had to reckon with lower production volumes, down by 10% to 2.4 Mn. kilograms. In a bearish market, the prices at the Colombo Auctions were on downward trend—although our consistent focus on producing quality teas buttressed the sector results from falling deeper.

With regard to rubber, production volumes fell whilst prices remained modest. Our palm oil operations and minor crops were relatively buoyant, supporting our earnings.

In this setting, our top-line earnings fell to LKR 1,762 Mn., down by 12.8% year-on-year. On the cost side, higher production cost remained across the subsectors, increasing by 9%. This combined with higher overheads including finance costs and the lower top-line dampened our bottom-line by (249.5)% over the preceding year, recording net losses of LKR 497 Mn.

Key indicators

	2019/20	2018/19
Equity (LKR Mn.)	800	1,307
Debt (LKR Mn.)	1,855	1,433
Raw material consumption (MT)	13,158	14,697
Water consumption (Mn. Liters)	90.5	89
Total wastage (MT)	24	18.4
Male employees (No. of)	2,341	2,575
Female employees (No. of)	3,058	3,194
Plantation workers (No. of)	5,030	5,443
New recruitments (No. of)	818	918
Employee turnover (No. of)	1,188	974
Investment in training (LKR Mn.)	1.6	0.5
Suppliers (No. of)	1,018	1,023
Payments to suppliers (LKR Mn.)	248	294

Outlook and plans

Our operating environment will continue to be complicated and challenging in the ensuing years—be it in terms of global economic and geopolitical outlook, macroeconomic fundamentals, labour issues, ad hoc government policy directives, climate change to the impacts from COVID-19. Horana Plantations will have to brace its operations—focusing and investing wisely on strategic priorities to meet these challenges ahead.

A paradigm shift is essential for the survival of the tea industry. The revenue share model which has been already implemented on a pilot basis will be our way forward. In this regard, we will continue to work in concert with relevant stakeholders including our employees, trade unions, and the Government to maintain a consistent dialogue on the necessity of adopting this model and making it a norm in the industry. We will also continue to restructure our businesses, phasing out unviable operations whilst following through with our crop and market diversification plans.

We will also engage our stakeholders in terms of our oil palm operations to dispel any unsubstantiated concerns whilst intending to lobby with the government to consider removing the current restriction imposed on the industry. Apart from this, we are also concerned and will continue to lobby with the government on the policy decision taken to acquire 237 acres of our land in Horana for an alternate development agenda.

Leisure Sector

Our associate company with a stake of 20.61%, The Fortress Resort PLC is a renowned 53-room luxurious boutique property catering to the high-end tourism market. Apart from the Fortress, Vallibel One has 100% ownership stake in Greener Water Limited which is currently building an integrated resort complex in Negombo. The report herein will primarily focus on the operations of Fortress whilst giving an overview of the new hotel project.

Performance results

(The Fortress Resort and Spa)

Key performance indicators	2019/20	2018/19	% change
Net operating income (LKR Mn.)	4.5	206	(38)
Profit after tax (LKR Mn.)	27.4	209.5	(87)
Return on equity (%)	2	11	(9)
Operating margin (%)	11	33	(22)
Net profit margin (%)	6	26	(20)

LKR 6 Mn.
Associate Results

LKR (36) Mn.
(0.3%) Group Profit Before Tax

LKR 6,929 Mn.
2.8% of Group Assets

LKR 962 Mn.
29% of Group CAPEX

35
0.25% of Employees

The widespread negativism challenged the leisure sector leading up to the slump in tourist arrivals by 18% year-on-year in 2019. Reflecting industry challenges, Fortress registered a 80% drop in profit before tax whilst the share of returns to the Group dropped by 9 percentage points to 2%.

Amidst intense challenges that prevailed in the operating backdrop, accommodation, spa, food and beverage and other sundry segments registered a sub-par performance. The total number of room nights dropped from 12,979 to 8,047 nights. The share of local room nights however, increased from 10% to 19%. The average occupancy stood at 41%, down by 26 percentage points.

In this scenario, our overall revenue was subdued at LKR 489 Mn., down by 38% year-on-year whilst profit before tax recorded 80% drop to LKR 52 Mn.

Key indicators

	2019/20	2018/19
Equity (Fortress Resort) (LKR Mn.)	**1,772**	1,853
Debt (Fortress Resort) (LKR Mn.)	**220**	19
Occupancy rate (Fortress Resort) (%)	**41**	67
Male employees (No. of)	**188**	190
Female employees (No. of)	**20**	24
Suppliers (No. of)	**180**	192
Payments to suppliers (LKR Mn.)	**223**	274

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.

Outlook and plans

The short-term outlook for the leisure sector is bleak. Widespread uncertainty that prevails both globally and within the country—particularly, with COVID-19 epidemic—does not bode well on the sector prospects. Yet, we are optimistic on our medium to long-term. It is in this light that we intend to consolidate Fortress operations with due allocation of resources on strategic priorities whilst looking at expanding as a chain with a new property in Mirissa to leverage on synergies and achieve economies of scale for cost benefits.

Greener Water Limited signed a Memorandum of Understanding with Luxury Hotels International of Hong Kong Limited, the owners of the brand name "JW Marriott" and an Interim Advisory Services Agreement with Marriott International Design and Construction Services, Inc., towards making a proposal for the management of the Greener Water's 500 roomed Five Star Hotel located in Negombo under the brand name "JW Marriott". It is expected that the soft launch of the Hotel will be in the fourth quarter of the year 2021.

Consumer Sector

With over 160 years of experience, Delmege Forsyth is well positioned as one of the largest fast-moving consumer goods (FMCG) company in the country. Focusing on food and beverage sector, with leading brands of Motha, Delmege canned fish, Soya and Berri which have firmly established the hearts and minds of consumers. In the F & B sector the company is well poised to leverage in to adjacent categories. During the financial year consumer sector entered the personal care category taking over the distribution of Good Look hair care brand further strengthening its presence. The company also provides medical products including medical equipment and pharmaceuticals to both the public and private sector healthcare organisations.

Performance results

Key performance indicators	2019/20	2018/19	% change
Net operating income (LKR Mn.)	396	141	181
Profit after tax (LKR Mn.)	(73)	(323)	77
Return on equity (%)	3.6	16	12.4
Operating margin (%)	9.8	4	5.8
Net profit margin (%)	(2)	(8.7)	6.7

LKR 4,011 Mn.
6% Group Revenue

LKR (73) Mn.
(1%) Group Profit Before Tax

LKR 2,433 Mn.
1% of Group Assets

LKR 1.2 Mn.
0.03% of Group CAPEX

176
1.28% of Employees

The environment operated under difficult market conditions. Amidst subdued demand, our FMCG recorded a modest performance in the year under review with Revenue of 2,533 Mn., growth of 20%, in a year with both April 2019 due to Easter attack and March 2020 ending with COVID-19 which impacted an even better top line results. The consumer sector aggressively set out in restructuring by modifying task in the current context. With the entry into Personnel care the sector now operates in F&B & PC where intermediary customer interaction is maximised. The sector strategic decisions are derived with much more emphasis on insights gathered from market intelligent and internal data which opens up an array of potential enablers to focus on. The top line improvement with tight control on expenses & outbound operations enabled the F & B sector to grow Operating Profit by 233% at 250 Mn. The sector finance cost was rationalised and controlled by better alignment on terms and efficient operational practices.

Underlined by our modest performance in both food and beverage and the healthcare segments, our revenue saw a 9% increase year-on-year to LKR 4,011 Mn. With inflationary pressures, our purchase costs as well as overheads registered an increase. This together with sub-par top-line weighed down on the bottom-line results. The year saw losses amounting to LKR 73 Mn, although lower amount compared to the previous year losses of LKR 323 Mn.

Key indicators

	2019/20	2018/19
Equity (LKR Mn.)	(1,589)	(1,926)
Debt (LKR Mn.)	3,268	3,330
Male employees (No. of)	160	189
Female employees (No. of)	16	15
New recruitments (No. of)	40	68
Employee turnover (No. of)	44	123
Suppliers (No. of)	154	119
Payments to suppliers (LKR Mn.)	3,485	4,327
Distributors (No. of)	65	82

Outlook and plans

Socio-political issues and macroeconomic imbalances will no doubt continue to impact the country in the short-term. The world at large is currently apprehensive and is taken back by the virus –COVID-19 –spreading rapidly, wrecking economic activity and causing supply chain disruptions. Yet, there is much optimism for the medium to long term, with significant growth prospects for the FMCG sector. Modern trade is expected to further expand whilst traditional outlets are expected to go in for upgrades, taking advantage of greater urbanisation and the rise of the middle-class. E-channels will definitely gain ground.

In this setting, the solid positioning of our food and beverage brands and the synergistic opportunities available across the Vallibel One Group will support the consumer sector to reach out for higher growth goals in the medium term. To this end, it will be important to rethink our strategy to meet the rapidly evolving consumer trends–streamlining our product portfolio, building strong relationship within the distribution network whilst venturing out to new products and different market segments along with focused marketing communications. Product responsibility with due emphasis on quality and standards will continue to be given strategic precedence. We also see much potential with the rise in public and private healthcare sectors, especially given the growing concerns on health issues and the need to modernise the hospitals and clinics.

Investments and Others Sector

Investments and others sector contributes 6% to the consolidated revenue of Vallibel One. This sector is wide ranging – comprising the Group's investments and exposure to other industries including packaging, mining, insurance brokering, travel and transport, with noteworthy stakes in packaging and mining industries to the overall sector revenue.

Performance results

Key performance indicators	2019/20	2018/19	% change
Net operating income (LKR Mn.)	**1,562**	1,049	49
Profit after tax (LKR Mn.)	**1,220**	722	69
Return on equity (%)	**3.4**	2	1.4
Operating margin (%)	**29**	38	(9)
Net profit margin (%)	**27**	17	10

LKR 4,587 Mn.
6% Group Revenue

LKR 1,338 Mn.
12.4% Group Profit Before Tax

LKR 40,693 Mn.
16.8% of Group Assets

LKR 102 Mn.
3% of Group CAPEX

833
6.04% of Employees

With a share of 90% within the investments and other sectors and 6% in with respect to the consolidated revenue of Vallibel One, packaging industry comes under the management of Uni-Dil group. Established in 1994, Uni-Dil is well-positioned as a leading corrugated carton manufacturer in the country, offering a range of products to exporters and manufacturers in the local market.

Notwithstanding the market lull and its impact on the packaging industry, Uni-Dil in the year 2019/20 recorded a sound financial performance. With a share of 17%, we retained our market leadership in corrugated packaging. Exceeding budgets, our revenue touched LKR 4,041 Mn., registering a year-on-year growth of 9%. Declining world market trends in paper prices along with a lower depreciation of the rupee in the year buttressed our cost of production, resulting in stronger margins. Our net profits were notable at LKR 210 Mn., an increase of 862% over the preceding year.

With a share of 3.6% within the investments and others sector and 0.2% in terms of the consolidated revenue of Vallibel One, our mining operations specialise in mining raw materials for the ceramic and tile industries. This comes under the purview of Lanka Ceramics PLC which is a public quoted company under the Lanka Walltiles Group.

Disruptions to mining operations, inclement weather conditions, delays in granting of mining licenses and ad hoc policy changes challenged the sector performance. The Company revenue increased marginally by 1% compared with LKR 164 Mn. in the previous year to LKR 166 Mn. during the year under review. Profit before tax of the mining sector plummeted to LKR. 28 Mn., recording a decrease of 81%.
The year saw bottom line profit amounting to LKR 23 Mn., although lower by 83% compared to the previous year profits of LKR 138 Mn.

Key indicators

	2019/20	2018/19
Equity (LKR Mn.)	35,291	34,187
Debt (LKR Mn.)	2,194	2,038
Water consumption (Mn. Liters)	39	43
Total wastage (MT)	7,291	9,872
Male employees (No. of)	657	602
Female employees (No. of)	176	130
New recruitments (No. of)	264	220
Employee turnover (No. of)	231	182
Investment in training (LKR Mn.)	0.28	3.6
Investment in CSR initiatives (LKR Mn.)	16	0.03
Suppliers (No. of)	1,053	724
Payments to suppliers (LKR Mn.)	5,858	3,499

Outlook and plans

There is much potential for the economy to grow in the medium term. Manufacturing sector along export industries is expected to revive, bringing in better opportunities for our packaging sector. We see growth opportunities in the FMCG sector, especially in terms of fruit and vegetable packaging. Aside, e-business opportunities are also gaining momentum. In this scenario, the industry is tipped to grow by 25% in the next two years; and we intend to reinforce our critical success factors to take advantage of the emerging opportunities. With better economic prospects and optimism in the tile and ceramic industries, we see potential for our mining operations in the medium term. Increased capacity and focused strategic initiatives will buoy our efficiency and responsibility in the ensuing years. We will also continue to diversify and look for alternative revenue streams for sustainable future prospects.

Corporate Governance

Vallibel One believes that robust corporate governance is vital in reaching our short-term objectives while endeavouring to achieve the Group's long-term vision and places great emphasis on good corporate governance practices. Company Directors are committed to the highest standards of corporate governance within the Group. As a diversified investment holding company with investments across key seven industrial sectors we have fully-fledged through acquisition of stable businesses to which we provide strategic direction to realise their potential. The well-structured corporate governance framework of the Group we have built has been the cornerstone of the Group's steady growth for over ten years.

In our decade of business journey, we have acquired controlling stakes in LB Finance PLC, Royal Ceramic Lanka PLC, Delmege Limited and invested in our first greenfield project, Greener Water Ltd Our portfolio includes a 20.46% stake in The Fortress Resorts PLC which is accounted for as an Associate Company and a 14.95% in Sampath Bank PLC. Vallibel One has 100% ownership stake in Greener Water Ltd which is currently building an integrated resort complex— in Negombo. The Group has 9 public listed companies which have their own governance framework in place and at least one member from the Vallibel One Board also sits on these Boards facilitating communication and oversight. Additionally, L B Finance conforms to the Corporate Governance Directions issued by the Monetary Board of the Central Bank of Sri Lanka for Non-Bank Financial Institutions as well.

At Vallibel One, we have 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.

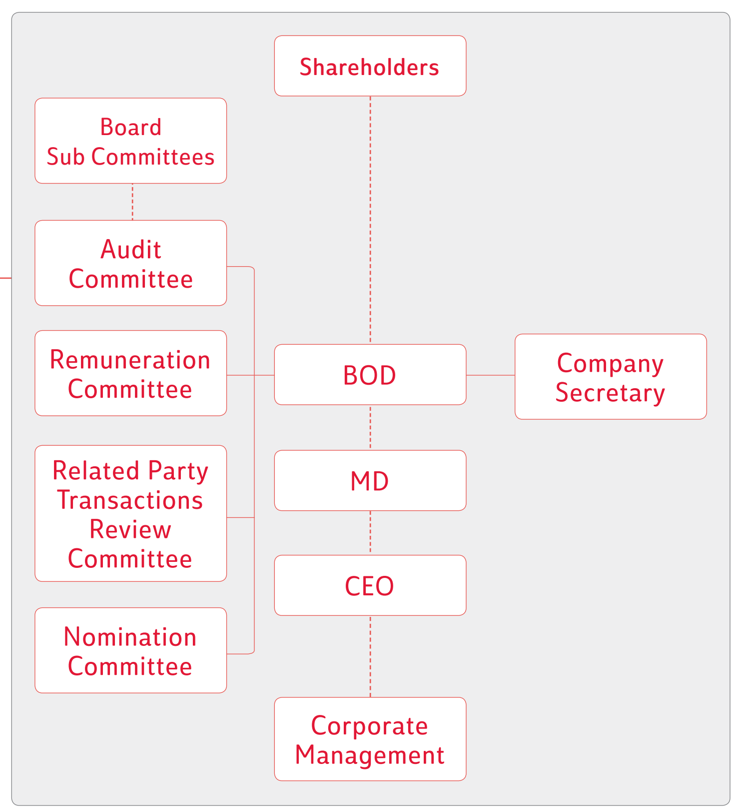
Compliance with Guiding Principles

Mandatory

- Companies Act No. 07 of 2007
- Continuing listing requirements of the colombo stock exchange
- Articles of Association of the respective Companies

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, finance, audit, legal, marketing and banking. They are all business leaders and professionals of high repute as evinced by their profiles given on page 9.

Socially and professionally diverse board smooths us to devise more inclusive policies, practices, and to elevate different perspectives when conducting board business and developing strategies.

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

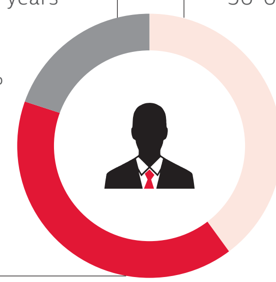
Power Balance

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
1	1	3
20%	80%	

Age

>60 years
1
20%

56-60 years
1
40%



50-55 years
2
40%

Diversity of Thought

Economics
Risk Management
Accounting and Finance
Entrepreneurship
Banking and Management
Marketing and Sales
Corporate and Commercial Law

Note: An individual director may fall into several areas of expertise

Gender Diversity

Female Directors	Male Directors
1	4
20%	80%

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 S H Amarasekera retires by rotation and (ii) in terms of the provisions of the Companies Act, Mr R N Asirwatham who is 77 years of age and was appointed 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 Amarasekera 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 S H Amarasekera/ Mr R N Asirwatham, to the shareholders and the said matters will be placed before the shareholders at the forthcoming Annual General Meeting.

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, Mr R N Asirwatham and Mrs Shirani Jayasekara of the present Board and Mrs Kimali Fernando (who resigned w.e.f 11 February 2020) 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 served 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 Board of those two Companies during the relevant period was three (3) being a majority of the Directors of the Company. As such, the said Directors, namely Mr S H Amarasekera, Mrs Kimarli Fernando (who was a Director upto 11 February 2020) and Mr R N Asirwatham do not qualify under the criteria set out in Rule 7.10.4 (g) (i) of the Listing Rules.

In determining the Directors Independence, the Board has also considered the period of office of Mr S H Amarasekera who was appointed to the Board on 15 November 2010. Mr Amarasekera's period of office therefore exceeds nine years and Rule 7.10.4 (e) of the Listing Rules applies to Mr Amarasekera

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 (Chairman) • Mr S H Amarasekera • Mrs Shirani Jayasekara (from 11 Feb 2020) • Mrs K Fernando (upto 11 Feb 2020)	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 36 for more information

Board Committee	Composition	Scope
Remuneration Committee	Comprises three Non-Executive Directors of whom two are independent: • Mr S H Amarasekera (Chairman) • Mr J A S S Adhihetty • Mrs Shirani Jayasekara (from 11 Feb 2020) • Mrs K Fernando (upto 11 Feb 2020)	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: • Mrs Shirani Jayasekara (Chairperson w.e.f 11 Feb 2020) • Mr S H Amarasekera • Mr R N Asirwatham • Mrs K Fernando (upto 11 Feb 2020)	Independent review, approval and oversight of related party transactions Please refer the Report of the Related Party Transactions Review Committee on page 34 for more information.
Nomination Committee	Comprises three Directors of whom two are Non-Executive Directors: • Mr S H Amarasekera (Chairman) • Mr K D D Perera • Mr J A S S Adhihetty (w.e.f 11 Feb 2020) • Mrs K Fernando (upto 11 Feb 2020)	Assisting the Board with oversight on competence and composition of the Board of the Company and its subsidiaries and other key personnel. • 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.

Meetings and information

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

Director	Attendance				
	Board Meetings	Audit Committee	Related Party Transactions Review Committee	Remuneration Committee	Nomination Committee
Mr K D D Perera	4/4	N/A	N/A	N/A	2/2
Mr S H Amarasekera	4/4	4/4	4/4	1/1	2/2
Mr J A S S Adhihetty	4/4	N/A	N/A	1/1	–
Mr R N Asirwatham	3/4	4/4	4/4	N/A	N/A
Mrs Shirani Jayasekara (appointed on 11 February 2020)	–	–	–	–	N/A
Mrs K Fernando (resigned on 11 February 2020)	2/3	2/3	2/3	1/1	1/2

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.

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 Independent Non-Executive, Non-Independent Non-Executive and Executive Directors as given below:

Investee	Investment Category	Common Directors
L B 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 (resigned w.e.f 27 April 2020) • Mrs K Fernando (resigned w.e.f 11 February 2020) • Mrs Y Bhaskaran
Greener Water Ltd.	Subsidiary	• Mr K D D Perera (Chairman) • Mr J A S S Adhihetty
The Fortress Resorts 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 34 to the Financial Statements on page 131.

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

The Board presents an Annual Report each year in compliance with the regulatory requirements and voluntary reporting standards. 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 30 to 33 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 35.
- Auditor's Report on Financial Statements is set out on page 42 of this report.
- Sector Review from pages 10 to 23.
- Related party transactions disclosures in Note 45 to the Financial Statements on page 146 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 36 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 34.

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.

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 31 March 2020 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 1.2 to the Financial Statements on page 54.

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 6, CEO's Review on pages 7 to 8 provide an overall assessment of business performance of the Company and its subsidiaries (hereinafter sometimes collectively referred to as the Group) and the associate company and future developments. These Reports together with the Financial Statements reflect the state of affairs of the Company and its subsidiary companies.

The segment-wise contribution to Group Results, Assets and Liabilities are provided in Note 42.1 to the Financial Statements on pages 142 to 143.

Financial statements

The Financial Statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and the Sri Lanka Accounting Standards (LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

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 Independent Auditors on the Group Financial Statements is on pages 42 to 44.

Accounting policies and changes during the year

The accounting policies adopted in the preparation of the Financial Statements are given on pages 52 to 160 Except as stated in Note 2.8 to the Financial Statements there were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

Directors responsibilities for financial reporting

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

The Directors are of the view that the Statement of Financial Position, Statement of Profit or Loss, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 45 to 53 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 35

Results and appropriations

The net revenue of the Group during the year under review was LKR 68.7 Bn. (LKR 66.6 Bn in the year 2018/19).

The Net Profit before tax of the Group and the Company amounted to LKR 9.8 Bn. and LKR 0.88 Bn. respectively in the year under review [LKR 10.5 Bn. and LKR 0.5 Bn. respectively in 2018/19].

The Net Profit after tax of the Group and the Company amounted to LKR 6.3 Bn. and LKR 0.87Bn. respectively in the year under review [LKR 6.7 Bn and LKR 0.47 Bn. respectively in 2018/19].

Details of Appropriations are given in the Statement of Changes in Equity on pages 49, 50 and 51.

Dividends on ordinary shares

The Directors do not recommend the payment of a dividend for the year under review.

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

Reserves

A summary of the Group's Reserves is given in Note 29 to the Financial Statements on page 125.

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 16 and 15 of Financial Statements on pages 87 to 99 and 85 to 86 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 11, 12 and 4 on pages 78 to 82 and 60 to 65 respectively.

Stated capital

The Stated Capital of the Company as at 31 March 2020 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 164 to 165 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 162.

Major shareholders

Information on the twenty largest shareholders of the Company is given on page 165 under Shareholders' Information.

Public holding

Information on public holding in terms of the Listing Rules is given on page 164 under Shareholders' Information.

Information on the Directors of the Company and the Group

Directors of the Company as at 31 March 2020

The Board of Directors of the Company as at 31 March 2020 consisted of five (5) Directors, with a broad range of skills, experience and attributes which include entrepreneurship, finance, audit, legal, marketing and banking, as detailed in the brief Profiles of the Directors on page 9.

Names of the Directors who held office during the year and as at 31 March 2020 as required by section 168(1) (h) of the Companies Act are given below:

Name of Director	Executive	Non-Executive	Independent Non-Executive
Mr K D D Perera (Chairman/Managing Director)	✓		
Mr S H Amarasekera			✓
Mr J A S S Adhihetty		✓	
Mr R N Asirwatham			✓
Mrs Shirani Jayasekara (appointed on 11 February 2020)			✓
Mrs Kimarli Fernando (resigned on 11 February 2020			✓

New Appointments during the year

Mrs Shirani Jayasekara was appointed as an Independent Non Executive Director with effect from 11 February 2020

Resignations during the year

Mrs Kimarli Fernando an Independent Non Executive Director resigned with effect from 11 February 2020

Directors of the subsidiaries and the associate company as at 31 March 2020

Names of the Directors of the subsidiaries and the associate company are given on pages 166 to 167.

Recommendation for re-election of Directors who retire by rotation

Mrs Shirani Jayasekara retires in terms of Article 94 of the Articles of Association and Mr S H Amarasekera retires by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible are recommended by the Board for re-election.

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

Appointment of Directors who are over 70 years of age

Mr R N Asirwatham who is 77 years of age will vacate office on 4th July 2020 being the day on which one year is completed from his last appointment. The Board recommends the appointment of Mr R N Asirwatham 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 27.

Board sub committees

The Board of Directors has formed three Mandatory Board Sub Committees 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 Sub Committees appear on pages 26 to 27 and as required by the Listing Rules, the Reports of the Audit Committee and the Related Party Transactions Review Committee are on pages 36 and 34 respectively, whilst the remuneration policy is on page 27.

In line with the best practices on Corporate Governance the Board has also formed a Nomination Committee.

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 2020.

Directors' interests in shares

The information pertaining to the Directors' Shareholding in the Company is given on page 164.

Directors' Remuneration

The Directors' remuneration is disclosed under Key Management Personnel Compensation in Note 34 to the Financial Statements on page 131.

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

Material foreseeable risk factors

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

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

Financial Risk Management objectives and policies are set out in Note 48 on page 152 to 160.

Donations

The Company did not make any donations, during the year under review. The donations made by subsidiary companies during the year are set out in Note 34 to the Financial Statements on page 131.

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 1,850,862- is payable by the Company to the Auditors for the year under review comprising LKR 277,592/- as audit fees and LKR 1,573,270/- for other services.

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

Group

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

Details of payments to such audit firms on account of audit fees and for permitted non audit services, are set out in Note 34 to the Financial Statements on page 131.

Independence of auditors

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.

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

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 2020 are given in Note 43 to the Financial Statements on page 144.

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 44 to the Financial Statements on page 146.

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 31 July 2020 at 2.45 pm. which will be a Virtual Annual General Meeting held by way of electronic means centered at No. 20, R A De Mel Mawatha, Colombo 03. The Notice of the Annual General Meeting appears on page 173.

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 3 July 2020.

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

3 July 2020
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:

Mrs Shirani Jayasekara	– Independent Non-Executive Director (Chairperson w.e.f. 11.2.2020)
Mr S H Amarasekera	– Independent Non-Executive Director (Chairman upto 11.2.2020)
Mr R N Asirwatham	– Independent Non-Executive Director
Mrs Kimarli Fernando	– Independent Non-Executive Director (upto 11.2.2020)

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 4 times during the financial year under review and attendance of the members is as follows:

Name of Director	Attendance
Mrs Shirani Jayasekara (w.e.f. 11 February 2020)	–
Mr S H Amarasekera	4/4
Mr R N Asirwatham	4/4
Mrs Kimarli Fernando (upto 11 February 2020)	2/3

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 32 of the Annual Report.

Shirani Jayasekara
Chairperson
Related Party Transactions Review Committee

3 July 2020

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 Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on page 42 of the Annual Report.

As per the provisions of Sections 150 (1), 151, 152 (1) and (2) and 153 (1) and (2) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company 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 (SLFRSs/LKASs) 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 36.

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

3 July 2020

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 Shirani Jayasekara
  Independent Non Executive Director
  from 11 February 2020
- Mrs Kimarli Fernando
  Independent Non Executive Director
  upto 11 February 2020

The Chairman, 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 9 of this report.

The Company Secretary acts as the Secretary to the Audit Committee.

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

Meetings

Four meetingsof 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 Shirani Jayasekara (w.e.f. 11 February 2020)	–
Mrs Kimarli Fernando (upto 11 February 2020)	2/3

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 ad 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 were also reviewed to ensure that the provision of these services does 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 2021, 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 Auidited Accounts are free from, any material mis-statements.

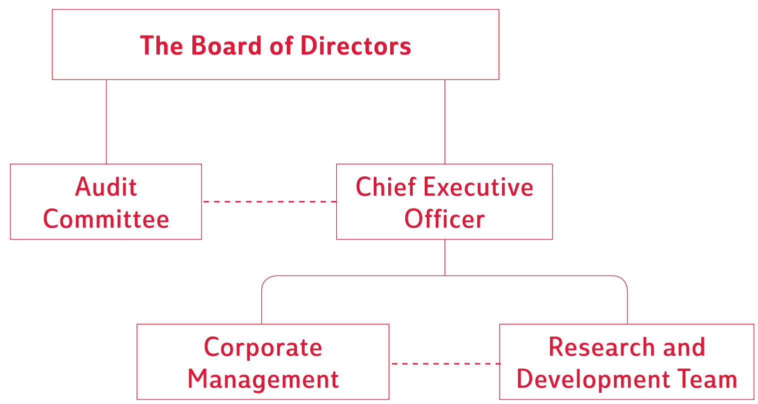
R N Asirwatham
Chairman
Audit Committee

3 July 2020

The Board emphasises and reviews the risk management relating to the operations of Vallibel One PLC. The Audit Committee assists with oversight responsibility in assessing and managing risks. Our Research and Development team also connects to the risk management role as they continuously 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 2019/20	Mitigating activities
Lifestyle		
Poor industry stance	With the uncertainties that prevailed within the country's economic front, the construction industry in the year remained below potential. Medium-size builders continued to grapple with market dynamics. The post results of the Easter Sunday attack and the onset of the COVID-19 epidemic have created high levels of volatility for all market-driven variables, and global and local economic outlooks reflect an increased uncertainty.	• Considering the volatile and evolving landscape, Group subsidiaries continue to monitor the impact of COVID-19 outbreak on its operations and to ensure the business continuity. • The Corporate Management Team extended comprehensive surveillance of the operations and performance metrics across the sectors. • Strategic investments are made across diversified business sectors that cover a wide range of activities.
Subdued demand in the local market	The value-added construction activities grew by 4%, moving away from the contraction of 2.5% registered in the preceding year. Subdued economic growth and high-interest rates combined to depress demand for our lifestyle segment products in the local market.	• Group companies remained focused in their strategic delivery to secure market positioning and the top-line performance during the year under review. • Aligned to the strategic focus areas and drove towards differentiating the product offer in terms of customer engagement, product accessibility, brand, quality and standards and product innovation and responsibility, thereby, defending against the competition in the market.

Risk	Potential impact and developments in 2019/20	Mitigating activities
Increased cost of key inputs	Energy costs and imported raw materials costs increased during the year with the volatility and of global markets. Revenues of our manufacturing businesses are mainly derived from the local markets which remained subdued during the year under review.	• Driving to maintain a rationalised cost structure, and to bring down the rising cost of production in local factories, we followed through with our process improvement initiatives including the Total Productive Maintenance (TPM) programme. • We also focused on maintaining an effective pricing strategy and was consistent in our efforts control costs.
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. The subsequent adverse economic effects have caused financial stress among our retail, SME and corporate clients which may lead to elevated levels of credit risk in the short term.	• In the process of providing relief for the affected businesses and individuals in line with the directions issued by the CBSL • Adherence to clearly defined credit procedures and guidelines • Thorough investigation of the customers' background to assess creditworthiness
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.	• Strengthening the contingency funding arrangements using standby facilities • Increasing the exposure to shorter duration assets to minimise maturity mismatches. e.g. Gold backed loans, Factoring, Daily Loans, Power Drafts
Market risk	Changes in market factors such as interest rates, exchange rates, equity prices and commodity prices impact profitability of the company. Among them Interest rate is the key component as it affects both asset and liability portfolios.	• The Company has adopted a dynamic lending strategy to determine the Loan to Value ratio based on the global gold prices. • Exploring opportunities to hedge the interest rate risk synthetically using interest rate swaps. • Managing the risk arising from the USD/LKR exchange rate volatility through maintaining an adequate safety margin on the gold advances.
Operational risk	Operational risk is the risk of loss resulting from inadequate internal controls or failed internal processes, people and systems, or external events.	• Segregation of duties, well defined demarcated responsibilities for employees, use of procedural manuals, dual controls covering all operational aspect of the businesses.

Risk Management

Risk	Potential impact and developments in 2019/20	Mitigating activities
Aluminium		
Industry competition and price undercutting	With the downward trend in global aluminium prices, the aluminium sector continued to grapple with excess production capacity and lower market sentiment. The sluggishness in the construction industry reflects challenged condition, dampening the demand and leading to intense competition in the marketplace.	• Investing in product development initiatives. In the year, we offered and promoted a versatile range of products including new products like aluminium furniture, multi-purpose ladder, doors, beading and skirting for flooring and walls. • As a market diversification priority, we continued to strengthen our export presence in the existing markets in the United Kingdom, Singapore, and Australia whilst seeking to venture into new markets in Europe, United States of America, and Far East countries. • We broadly followed a competition-based pricing strategy. In this regard, we closely monitored and factored in the industry pricing trends in determining our pricing formula, thereby maintaining price competitiveness.
Plantations		
Ageing workforce and outmigration of younger labour	Plantation industry experiences a shortage of labour mainly due to urbanisation and availability of alternate employment opportunities.	• The Company considers employee management is vital for business continuity and provide continuous training, motivation and empowerment. • worker well-being programmes were carried out to boost morale and productivity.
The Government directives to the wage structure	The Government directive to offer higher wages without linking to productivity was critical that we remained entirely focused in managing our cost. Wage structure is not aligned to worker productivity and market conditions as the most recent wage negotiations resulted in removal of all productivity incentives.	• With the implementation of revenue share model, we continue to work in concert with relevant stakeholders including our employees, trade unions and the Government to maintain a consistent dialogue.
Impact of climate changes on crop volumes and quality	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.	• We continued in the year to restructure our crop portfolio by phasing out commercially unviable crops and that are more resilient to weather patterns.
Leisure		
Business interruptions	The Easter Sunday attack had a with widespread cancellations from key tourism markets. The impact with after-shocks reverberated having triple-effects across the board. The COVID-19 outbreak is a set-back to an already afflicted sector.	• We are focused on the post COVID-19 action plan to revive the tourism sector and to response the market opportunities.
Geopolitical and global economic uncertainties	The growth in tourist arrivals in 2019 fell sharply by 18% to 1.9 Mn. compared to 2.3 Mn. in the previous year. Adhoc tourism policies and regulations were affected the tourism sector.	• Focused over negative impacts from tourism - spread of infections and socio-cultural issues.

Risk	Potential impact and developments in 2019/20	Mitigating activities
Consumer		
Market risk	Competition through new entrants and increase in existing competition and changes in customer preferences.	• During the year under review our consumer sector entered the personal care by further strengthening its presence. • The strategic emphasis on market intelligence and insights gained from internal data which opens a multitude of potential enablers to focus on.
Quality risk	Potential quality failures in products and services	• Stringent quality control measures at procurement and point of receiving.
Investments and Others		
Intense competition in the packaging industry	The downward trends in paper prices in the world market along with a lower depreciation of the rupee, cushioned the packaging sector cost of production and margins.	• We continued to look for new market opportunities, particularly, within the FMCG sector. • Our packaging sector launched a rebranding campaign to our brand proposition along with a new logo and tagline.
Responsible mining operations	Upholding responsible mining practices and giving due precendence to extend an enabling workplace with key measures in place to ensure health and safety aspects across our mining operations.	• Mining sector worked closely with Geological Survey and Mines Bureau to safegurard the quality of our mines. • We invested in restoration of mines with back-filling and recultivation.

Financial Reports

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Financial Calendar

Interim Financial Statements – 2019/20 1st Quarter	13 August 2019
Interim Financial Statements – 2019/20 2nd Quarter	14 November 2019
Interim Financial Statements – 2019/20 3rd Quarter	11 Feb 2020
Interim Financial Statements – 2019/20 4th Quarter	29 June 2020
Annual Report 2019/20	3 July 2020
10th Annual General Meeting	31 July 2020

Independent Auditors' Report

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 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statements of Cash Flows Statement 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 2020, 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 the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Measurement of carrying value of land and buildings Included within property, plant and equipment and investment property are land and buildings carried at fair value. As of reporting date, such land and buildings within property, plant and equipment and investment property amounted to LKR 31 Bn. and LKR 1.7 Bn. respectively. The fair values of land and buildings were determined mainly using independent external valuers engaged by the Group. The valuation of land and buildings was considered a key audit matter due to the use of significant judgments and estimates which included the assessment of the impact of the COVID-19 outbreak on such valuations as disclosed in Notes 16 and 20 in the Financial Statements.	Our audit procedures included the following: – We evaluated the competence, capability and objectivity of the external valuers engaged by the Group; – We read the external valuers reports and understood the key estimates made and the approach taken by the valuers in determining the valuation of land and buildings; – We engaged our internal specialised resources to assist us in assessing appropriateness of the valuation techniques used and the reasonableness of the significant judgements and assumptions such as per perch price and value per square foot used by the valuers; and – We have also assessed the adequacy of the disclosures made in Notes 16 and 20 in the Financial Statements.

Key audit matter	How our audit addressed the key audit matter
Impairment allowance for loans and receivables and lease rentals receivable and stock out on hire	
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. Probable impacts of COVID-19 outbreak on the economically impacted customers and related government relief measures on the key assumptions, the higher level of estimation uncertainty involved, and materiality of the amounts reported in the Group's Financial Statements, underpinned our basis for considering it as a Key Audit Matter. Loans and advances and lease rentals receivable and stock out on hire amounted to LKR 58.8 Bn. and LKR 60.6 Bn. after deducting an impairment allowance of LKR 2.4 Bn. and LKR 2.9 Bn. respectively. These collectively contributed 50% to the Group's total assets. The Note 7 of the Financial Statements describes the basis of impairment allowance and assumptions used by the management in its calculation.	We designed our audit procedures to obtain sufficient appropriate audit evidence on the reasonableness of the impairment allowance; these included the following procedures: – We evaluated the design effectiveness of controls over impairment allowance, in the light of the requirements in SLFRS 9 focusing on the oversight, review and approval of impairment policies by the board audit committee and management; – We assessed whether the Group has applied a sufficiently rigorous criteria to identify specific credit – impaired balances; – We 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; Our assessment included evaluating whether the underlying historical information was up to the reporting date; – We rechecked the underlying calculations. – We also considered the reasonableness of macro-economic factors used by comparing them with publicly available data and information sources. Our considerations included assessing the appropriateness of the weightages assigned to possible economic scenarios; and – We assessed the adequacy of the related Financial Statement disclosures as set out in Notes 5, 6 and 7 of the Financial Statements.
Impairment test of goodwill	
The Group's Statement of Financial Position includes an amount of LKR 12.2 Bn. relating to goodwill acquired on the business combinations. Goodwill is tested annually for impairment based on the recoverable amount determined using value in use computations (VIU). Such VIU calculations are based on the discounted cash-flow models of each Cash Generating Unit (CGU) to which Goodwill has been allocated. A deficit between the recoverable value and the carrying values of the CGUs including Goodwill would result in an impairment. The VIU calculations are significant to our audit as in involves management's estimation of future cashflows which is complex and highly judgmental due to considerations relating to expected sales growth, profit margin, working capital cash flows, discount rates and includes the impact assessment of the COVID-19 outbreak as disclosed in Note 15 in the Financial Statements.	Our audit procedures included the following: – We obtained an understanding of the management's impairment assessment process; – We engaged our internal specialised resources to assist us in assessing the reasonableness of the significant assumptions and judgements used by the Group, in particular those relating to the forecasted revenue growth, profit margins, working capital cash flows and discount rates of the separate CGUs of the Group; and – We have also assessed the adequacy of the disclosures made in Note 15 in the Financial Statements.

Other Information included in the 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The 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 the management and those charged with governance for the Financial Statements

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

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant 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 2471.

Ernst and Young
Chartered Accountants

3 July 2020
Colombo

Statement of Financial Position

As at 31 March	Notes	Company 2020 LKR '000	Company 2019 LKR '000	Group 2020 LKR '000	Group 2019 LKR '000
Assets					
Cash and cash equivalents	3	10,134	13,662	7,684,456	5,238,208
Financial assets recognised through profit or loss	4.1	48,608	36,426	84,630	72,557
Financial assets at amortised cost – Loans and advances	5	–	–	58,793,345	47,773,705
Financial assets at amortised cost – Lease rentals receivable and stock out on hire	6	–	–	60,626,670	66,050,429
Equity instruments measured at fair value through OCI	4.2	9,097,725	7,564,746	9,124,104	7,612,690
Other financial assets	8	–	–	9,337,263	11,070,794
Trade and other debtors, deposits and prepayments	9	169,975	295,761	7,472,006	7,345,669
Contract asset	25.3	–	–	50,476	67,190
Other non-financial assets	10	2,224	2,671	1,376,650	2,196,026
Investments in subsidiaries	11	20,230,723	20,230,723	–	–
Investment in associate	12	405,891	405,891	622,465	640,394
Deferred tax assets	13	2,690	–	269,987	208,182
Income tax recoverable		1,175	–	99,039	202,030
Inventories	14	–	–	18,055,557	15,674,646
Intangible assets	15	–	–	12,884,917	12,921,477
Consumable biological assets	18.2	–	–	632,176	585,918
Investment property	20	–	–	1,727,301	1,725,250
Property, plant and equipment	16	39,425	47,595	50,658,035	49,888,573
Leasehold rights over mining lands	19	–	–	1,619	4,238
Right-of-use assets	17	97,001	–	2,911,354	–
Assets held for sale	39.5	–	–	55,081	63,520
Total assets		30,105,571	28,597,475	242,467,131	229,341,504
Liabilities					
Due to banks	21	603,298	298,417	29,451,416	29,544,912
Due to customers	22	–	–	89,315,098	83,242,617
Interest-bearing loans and borrowings	23	1,100,557	500,000	26,113,624	22,626,965
Trade and other payables	24	20,504	5,565	6,845,403	7,819,647
Other non-financial liabilities	25	–	–	501,651	895,158
Contract liabilities	25.2	–	–	634,606	588,028
Dividend payable	26	7,312	7,325	81,273	234,721
Employee benefit liabilities	27	12,041	8,473	1,911,183	1,648,314
Income tax liabilities		–	5,667	955,249	1,561,101
Deferred tax liabilities	13	–	289	6,583,607	6,605,437
Liabilities directly associated with the assets classified as held for sale	39.6	–	–	14,413	18,692
Total liabilities		1,743,712	825,736	162,407,523	154,785,593

As at 31 March	Notes	Company 2020 LKR '000	Company 2019 LKR '000	Group 2020 LKR '000	Group 2019 LKR '000
Shareholders' funds					
Equity attributable to equity holders of the parent					
Stated capital	28	**27,163,984**	27,163,984	**27,163,984**	27,163,984
Retained earnings		**3,413,066**	2,545,886	**16,754,896**	13,990,132
Other components of equity	29	**(2,215,191)**	(1,938,131)	**10,024,732**	9,216,451
Total equity attributable to equity holders of the parent		**28,361,859**	27,771,739	**53,943,612**	50,370,567
Non-controlling interest	30	**–**	–	**26,115,996**	24,185,344
Total equity		**28,361,859**	27,771,739	**80,059,608**	74,555,911
Total equity and liabilities		**30,105,571**	28,597,475	**242,467,131**	229,341,504

These Financial Statements are in compliance with the requirements of the 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 52 through 160 form an integral part of these Financial Statements.

3 July 2020
Colombo

Statement of Profit or Loss

For the year ended 31 March	Notes	Company 2020 LKR '000	Company 2019 LKR '000	Group 2020 LKR '000	Group 2019 LKR '000
Revenue from contracts with customers		–	–	37,455,417	39,270,169
Interest income		–	–	31,247,283	27,420,842
Total revenue	31	–	–	68,702,700	66,691,011
Cost of sales		–	–	(39,059,134)	(38,444,089)
Gross profit		–	–	29,643,566	28,246,922
Dividend income	32	1,007,750	571,441	3,377	187,476
Other operating income	33	280,582	267,296	481,896	958,498
Administrative expenses		(265,964)	(233,457)	(8,017,000)	(7,508,698)
Distribution expenses		–	–	(5,451,151)	(5,732,607)
Other operating expenses		–	(28,620)	(1,699,825)	(1,162,742)
Gold loan auction losses		–	–	–	(1,043)
Result from operating activities	34	1,022,368	576,660	14,960,863	14,987,806
Finance cost	35	(150,763)	(111,383)	(3,017,953)	(2,603,197)
Finance income	36	2,594	38,389	86,299	127,108
Net finance income (cost)		(148,169)	(72,994)	(2,931,654)	(2,476,089)
Share of results of equity accounted investees	12.2	–	–	6,016	44,667
Operating profit before tax on financial services		874,199	503,666	12,035,225	12,556,385
Tax on financial services	37	–	–	(2,278,561)	(2,015,619)
Profit before tax		874,199	503,666	9,756,664	10,540,766
Income tax expense	38	(6,609)	(27,861)	(3,453,368)	(3,799,818)
Profit for the year from continuing operations		867,590	475,805	6,303,296	6,740,948
Discontinued operation					
Loss after tax for the year from discontinued operations	39	–	–	(7,200)	(8,387)
Profit for the year		867,590	475,805	6,296,096	6,732,559
Attributable to:					
Equity holders of the parent		867,590	475,805	3,793,640	4,040,717
Non-controlling interests		–	–	2,502,456	2,691,842
		867,590	475,805	6,296,096	6,732,559
Earnings per share	40	0.80	0.44	3.48	3.71

The Accounting Policies and Notes on pages 52 through 160 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 March	Note	Company 2020 LKR '000	Company 2019 LKR '000	Group 2020 LKR '000	Group 2019 LKR '000
Profit for the year		867,590	475,805	6,296,096	6,732,559
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange difference on translation of foreign operations		–	–	95,289	21,042
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		–	–	95,289	21,042
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Actuarial gain/(loss) on retirement benefit obligation	27	(570)	(465)	(100,821)	(33,329)
Less: deferred tax charge/reversal on actuarial gain/(loss) on retirement benefit obligation	38.1	160	116	24,165	(3,076)
Actuarial gain/(loss) on retirement benefit obligation – net of tax		(410)	(349)	(76,656)	(36,405)
Revaluation of property, plant and equipment		–	–	96,972	2,998,663
Less: deferred tax charge revaluation		–	–	(6,107)	(981,323)
Revaluation – net of tax		–	–	90,865	2,017,339
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		(277,060)	(4,053,466)	(298,619)	(4,081,901)
Share of other comprehensive income of an associate		–	–	420	–
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		(277,470)	(4,053,815)	(283,990)	(2,100,967)
Other comprehensive income/(loss) for the year, net of tax		(277,470)	(4,053,815)	(188,701)	(2,079,925)
Total comprehensive income/(loss) for the year, net of tax		590,120	(3,578,010)	6,107,395	4,652,635
Total other comprehensive income attributable to:					
Equity holders of the parent		590,120	(3,578,010)	3,575,120	1,243,970
Non-controlling interests		–	–	2,532,275	3,408,664
		590,120	(3,578,010)	6,107,395	4,652,635

The Accounting Policies and Notes on pages 52 through 160 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 Fair value reserve LKR '000	Retained earnings LKR '000	Total equity LKR '000
Balance as at 1 April 2018	27,163,984	2,115,335	2,070,430	31,349,749
Profit for the period	–	–	475,805	475,805
Other comprehensive income, net of tax	–	(4,053,466)	(349)	(4,053,815)
Total comprehensive income	–	(4,053,466)	475,456	(3,578,010)
Balance as at 31 March 2019	27,163,984	(1,938,131)	2,545,886	27,771,739
Balance as at 1 April 2019	27,163,984	(1,938,131)	2,545,886	27,771,739
Profit for the period	–	–	867,590	867,590
Other comprehensive income, net of tax	–	(277,060)	(410)	(277,470)
Total comprehensive income	–	(277,060)	867,180	590,120
Balance as at 31 March 2020	27,163,984	(2,215,191)	3,413,066	28,361,859

The Accounting Policies and Notes on pages 52 through 160 form an integral part of these Financial Statements.

Group

For the year ended 31 March	Stated capital	Other component of equity: Treasury shares	Statutory reserve fund	Fair value reserve	Foreign currency translation reserve
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 April 2018	27,163,984	(44,112)	3,067,091	2,134,671	7,073
Effect on adopting uniform accounting policies in consolidation	–	–	–	–	–
Adjusted balance as at 1 April 2018	27,163,984	(44,112)	3,067,091	2,134,671	7,073
Impact of adopting SLFRS 9	–	–	–	–	–
Profit for the period	–	–	–	–	–
Other comprehensive income, net of tax	–	–	–	(4,072,329)	13,394
Total comprehensive income	–	–	–	(4,072,329)	13,394
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
Balance as at 1 April 2019	27,163,984	(44,112)	4,078,023	(1,937,658)	20,468
Impact on adopting SLFRS 16	–	–	–	–	–
Profit for the period	–	–	–	–	–
Other comprehensive income, net of tax	–	–	–	(291,363)	63,356
Total comprehensive income	–	–	–	(291,363)	63,356
Transfer	–	–	1,037,411	(56,821)	–
Dividend paid	–	–	–	–	–
Balance as at 31 March 2020	27,163,984	(44,112)	5,115,434	(2,285,842)	83,824

The Accounting Policies and Notes on pages 52 through 160 form an integral part of these Financial Statements.

Statement of Changes in Equity

Other component of equity					
Revaluation reserve LKR '000	General reserve LKR '000	Retained earnings LKR '000	Total equity attributable to equity holders of the parent LKR '000	Non-controlling interest LKR '000	Total equity LKR '000
3,851,714	578,449	11,132,043	47,890,914	20,571,539	68,462,453
1,389,671	–	–	1,389,671	704,962	2,094,633
5,241,385	578,449	11,132,043	49,280,585	21,276,501	70,557,086
–	–	(198,374)	(198,374)	(100,652)	(299,026)
–	–	4,040,717	4,040,717	2,691,842	6,732,559
1,279,896	–	(17,709)	(2,796,748)	716,823	(2,079,925)
1,279,896	–	4,023,008	1,243,970	3,408,665	4,652,634
–	–	12,298	12,298	4,343	16,641
–	–	(1,010,932)	–	–	–
–	–	32,088	32,088	(35,523)	(3,434)
–	–	–	–	(367,991)	(367,991)
6,521,281	578,449	13,990,132	50,370,568	24,185,344	74,555,911
6,521,281	578,449	13,990,132	50,370,568	24,185,344	74,555,911
–	–	(2,076)	(2,076)	(11,243)	(13,319)
–	–	3,793,640	3,793,640	2,502,456	6,296,096
55,698	–	(46,210)	(218,519)	29,819	(188,701)
55,698	–	3,747,430	3,575,121	2,532,275	6,107,396
–	–	(980,590)	–	–	–
–	–	–	–	(590,380)	(590,380)
6,576,979	578,449	16,754,896	53,943,613	26,115,996	80,059,608

Statement of Cash Flows

Accounting Policy

The Cash flows statement is prepared using the indirect method, as stipulated in LKAS 7 on "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.

		Company		Group	
As at 31 March	Notes	**2020 LKR '000**	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Cash flows from operating activities					
Net profit/(loss) before taxation		**874,199**	503,666	**9,756,664**	10,540,766
Loss from discontinued operation	39	**–**	–	**(7,200)**	(8,387)
Adjustments for					
Net gain on financial assets recognised through profit or loss	33	**(13,906)**	–	**(32,748)**	–
Impairment of financial assets at amortised cost – loans and advances		**–**	–	**1,057,712**	883,326
Impairment of financial assets at amortised cost – lease rentals receivable and stock out on hire		**–**	–	482,245	–
Impairment provision/(reversal) of trade and other debtors, deposits and prepayments		**–**	–	**(86,961)**	22,272
Share of profits of equity accounted investees		**–**	–	**(6,016)**	(44,667)
Provision for inventory	14.1	**–**	–	**194,733**	75,776
Amortisation intangible assets	15	**–**	–	**89,562**	84,521
Change in fair value of consumable biological assets	18.2	**–**	–	**(53,331)**	(22,386)
Change in fair value of investment property	20	**–**	–	**(2,051)**	(436,476)
Depreciation on property, plant and equipment	16	**16,141**	12,116	**2,209,101**	2,027,382
Loss/(profit) on sale of property, plant and equipment	33	**–**	(2,890)	**54,507**	14,215
Amortisation of biological assets	18.1	**–**	–	**128,500**	112,223
Bearer biological assets write off during the year		**–**	–	**14,660**	–
Amortisation of leasehold rights over mining lands	19	**–**	–	**2,619**	2,298
Depreciation of right-of-use assets	17	**16,141**		**572,874**	–
Provision for employee benefit liabilities	27	**2,998**	2,032	**341,778**	274,236
Provision/(reversal) for change in market value of the investments FVTPL assets		**–**	28,620	**–**	45,709
Amortisation of JEDB	16.3	**–**	–	**–**	7,179
Amortisation of capital grant	25.1	**–**	–	**(6,799)**	(13,179)
Lease hold right amortisation		**–**	–	**–**	3,867
Loss/(profit) on disposal of investment	33	**(2,140)**	–	**(2,140)**	–
Dividend income	32	**(1,007,750)**	(571,441)	**(3,377)**	(187,476)
Finance cost	35	**150,763**	111,383	**3,017,953**	2,603,197
Finance income	36	**(2,594)**	(38,389)	**(86,299)**	(127,108)
Operating profit/(loss) before working capital changes		**33,852**	45,097	**17,635,986**	15,857,287
(Increase)/decrease in financial assets at amortised cost – loans and advances		**–**	–	**(12,077,352)**	(8,039,073)
(Increase)/decrease in financial assets at amortised cost – lease rentals receivable and stock out on hire		**–**	–	**4,941,513**	(3,985,397)
(Increase)/decrease in other financial assets		**–**	718,943	**1,733,531**	(3,152,610)
(Increase)/decrease in trade and other debtors, deposits and prepayments		**125,786**	(178,736)	**(39,376)**	(524,338)

Statement of Cash Flows

As at 31 March	Notes	Company 2020 LKR '000	Company 2019 LKR '000	Group 2020 LKR '000	Group 2019 LKR '000
(Increase)/decrease in other non-financial assets		447	3,874	623,858	(371,039)
(Increase)/decrease in inventories		–	–	(2,575,644)	(3,197,902)
(Increase)/decrease in consumable biological assets		–	–	7,073	–
Increase/(decrease) in asset held for sale		–	–	4,772	81,356
Increase/(decrease) in due to banks		–	–	(2,467,436)	2,012,463
Increase/(decrease) in due to customers		–	–	6,072,481	10,296,605
Increase/(decrease) in trade and other payables		14,939	(861)	(2,232,594)	238,076
Increase/(decrease) in other non-financial liabilities		–	–	(344,034)	640,826
(Increase)/decrease in amounts due from related companies		–	121,035	–	–
Cash generated from operations		175,024	709,352	11,282,778	9,856,254
Retirement benefits liabilities paid	27	–	–	(179,730)	(137,959)
Finance cost paid		(150,763)	(112,588)	(1,953,134)	(2,603,197)
Interest received		2,594	79,308	86,299	127,108
Taxes paid		(16,270)	(36,796)	(4,021,799)	(3,412,350)
Net cash from/(used in) operating activities		10,585	639,276	5,214,414	3,829,856
Cash flows from investing activities					
Sale/(purchase) of financial assets recognised through profit or loss		3,864	–	22,815	(33)
Sale/(purchase) of equity instruments measured at fair value through OCI		(1,810,039)	–	(1,810,033)	–
Purchase of intangible assets	15	–	–	(52,842)	(22,049)
Purchase of investment property	20	–	–	–	(1,767)
Purchase of property, plant and equipment	16	(7,971)	(30,493)	(3,280,408)	(7,598,724)
Proceeds from sale of property, plant and equipment		–	2,890	1,596,709	50,704
Cost on bearer biological assets	18.1	–	–	(145,174)	(170,057)
Acquisition of right of use assets	17	(89,951)	–	(462,240)	–
Acquisition of non-controlling interest		–	(912,334)	–	(2,275)
Dividend received		1,007,750	571,441	3,377	187,476
Dividend income from associate	12	–	–	24,365	22,665
Net cash used in investing activities		(896,347)	(368,496)	(4,103,431)	(7,534,060)
Cash flows from financing activities					
Net change in interest-bearing loans and borrowings		577,366	(500,000)	663,404	25,577
Capital grant received		–	–	3,904	2,374
Dividend paid		(13)	(2,130)	(743,828)	(325,192)
Net cash from financing activities		577,353	(502,130)	(76,520)	(297,241)
Net increase/(decrease) in cash and cash equivalents		(308,409)	(231,350)	1,034,464	(4,001,445)
Net unrealised exchange (gains)/losses		–	–	103,278	15,993
Cash and cash equivalents at the beginning of the year		(284,755)	(53,405)	(741,560)	3,243,892
Cash and cash equivalents at the end of the year	3.2	(593,164)	(284,755)	396,182	(741,560)

The Accounting Policies and Notes on pages 52 through 160 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 — Corporate information >>

(1.1) General >>

Vallibel One PLC ("Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at Level 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. >>

Principal activities of the Company are to engage in the business of leisure sector. However, Company is yet to start its commercial operations.

Delmage Ltd. >>

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 2020 encompass the Company, its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees (Associates).

(1.5) Date of authorisation for issue >>

The Consolidated Financial Statements of Vallibel One PLC and its subsidiaries for the Year ended 31 March 2020 were authorised for issue in accordance with a resolution of the Directors on 3 July 2020.

(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 Statement of Cash Flows, together with the Accounting Policies and Notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 07 of 2007.

(2.2) Basis of measurement >>

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

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

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

The Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 46.

(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) Materiality and aggregation >>

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 on "Presentation of Financial Statements".

(2.6) Basis of consolidation >>

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

Details of the Company's subsidiary are set out in Note 11 to these Financial Statements

(2.7) Going Concern>>

The impact of the COVID-19 pandemic on Sri Lanka's economy and global demand and supply cannot be predicted at this time. Therefore, the overall future impact on the operations of the Group is not predictable as more time is required to measure and quantify the exact impact of COVID-19 on the Group's operation. The necessary cost controlling mechanisms have been adapted by the Group to overcome the risk of rising cost of production and required strategies have been implemented to preserve liquidity and curtail losses.

As COVID-19 pandemic is expected to be short term and business operations are getting back to normalcy, we do not expect any impairment provisioning on the carrying value of assets in the balance sheet. The Group Management is confident that the Group has the resources and capability to withstand the negative effect and uncertainty this pandemic has created.

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

(2.8) Changes in accounting policies >>

New and amended standards and interpretations >>

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 2019, except for the adoption of new standards effective as of 1 April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied IFRS 16 – "Leases" for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described in Note 17.

(2.9) Significant accounting judgements, estimates, 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.

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	2.9.1 (i)
Classification of financial assets and liabilities	2.9.1 (vii)
Fair value of financial instruments	41
Allowance for impairment losses	7
Deferred taxation	13
Useful lifetime of the property, plant and equipment	16
Useful lifetime of the intangible assets	15
Employee benefit liability	27
Taxation	38

(2.10) Significant accounting policies >>

(2.10.1) Statement of Financial Position >>

(i) 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.

(ii) 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.

(iii) 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.

(iv) Employee benefit obligations >>

(1) Gratuity >>

Refer Note 27 for detailed policy on defined benefit obligation.

(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 Employees' 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.

(v) Non-current/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.

(vi) Financial instruments >>

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 marketplace. 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.

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.

Business model assessment >>

Group determines its business model at the level that best reflects how it manages the financial assets to achieve its 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 into 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 Principle 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 principle 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.

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.

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.

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.

During the year Group has not offset any financial assets and financial liabilities in the Statement of Financial Position.

(2.10.2) Statement of Profit or Loss >>

(i) Revenue recognition >>

Refer Note 31 for detailed policy on revenue recognition.

(ii) Impairment charges and other losses

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 7 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.

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.

(v) 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.

(vi) Directors’ emoluments >>

Directors' Emoluments include fees paid to Non-Executive Directors. Remunerations paid to Executive Directors are included under administrative expenses in these financial statements.

(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 instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

(2.11) 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.

- Lease hold right to bare land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 16.3 and 16.4
- 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".

(2.12) Standards issued but not yet effective >>

The amended standards that are issued, but not yet effective up to the date of issuance of these financial statements are disclosed below. The Group/Company intends to adopt these amended standards, if applicable, when they become effective.

Amendments to LKAS 1 and LKAS 8: definition of material >>

Amendments to LKAS 1 "Presentation of Financial Statements" and LKAS 8 – "Accounting policies, Changes in accounting Estimates and Errors" are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

Amendments to SLFRS 3: Definition of a business >>

Amendments to the definition of a business in SLFRS 3 "Business Combinations" are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to references to the conceptual framework in SLFRS standards >>

Revisions to the conceptual framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised conceptual framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

3 — Cash and cash equivalents

Accounting Policy

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. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at 31 March	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Cash in hand and at bank	10,134	8,662	2,040,342	2,003,277
Cash in transit	–	–	52,215	–
Short-term bank deposits	–	–	3,992,864	1,421,665
Treasury bill repurchase agreement	–	5,000	1,542,844	1,768,694
Deposits	–	–	56,191	44,572
	10,134	13,662	7,684,456	5,238,208

(3.1) The collateral value of repurchase agreements reflected on the Statement of Financial Position under cash and cash equivalents as at 31 March 2020 and 31 March 2019 was LKR 1,685,700,000/- and LKR 3,543,494,000/-, respectively.

(3.2) Cash and cash equivalents for the purpose of the Cash Flow Statement >>

Accounting policy

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.

As at 31 March	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Cash in hand and at bank	10,134	13,662	7,684,456	5,238,208
Cash and cash equivalents attributable to discontinued operations	–	–	612	–
Bank overdrafts (Note 21)	(603,298)	(298,417)	(7,288,886)	(5,979,768)
Cash and cash equivalents at the end of the period	(593,164)	(284,755)	396,182	(741,560)

4 — Financial investments

(4.1) Financial assets measured at fair value through profit or loss >>

Accounting policy

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.

(4.1.1) Investment in shares – Company >>

As at 31 March	2020		2019	
	Number of shares	LKR '000	Number of shares	LKR '000
Hotels and travels				
Citrus Leisure PLC	8,380,767	48,608	8,672,846	36,426
		48,608		36,426

(4.1.2) Investment in shares – Group >>

As at 31 March	2020		2019	
	Number of shares	LKR '000	Number of shares	LKR '000
Quoted				
Bank, finance and insurance				
Softlogic Finance PLC	8	–	–	–
Seylan Bank PLC (Non-voting)	104,110	2,301	96,257	3,456
Browns Investments PLC	2,845,819	5,407	522,619	836
Food processing				
Bairaha Farms PLC	17,600	1,385	17,600	2,020
Hotels and travels				
Aitken Spence PLC	225,000	6,908	225,000	9,225
Royal Palms Beach Hotels PLC	4,299	55	4,299	69
John Keells Hotels PLC	45,009	302	45,009	342
Citrus Leisure PLC	11,149,043	64,664	11,441,122	48,053
Serendib Hotels PLC	16,000	338	16,000	254
Kalpitiya Beach Resorts PLC	–	1,867	583,393	2,159
Diversified holdings				
Browns Capital PLC	–	–	1,161,600	3,949
Hayleys PLC	1,222	151	1,222	205
Healthcare				
The Lanka Hospitals Corporation PLC	45,519	1,252	45,519	1,989
Manufacturing				
Total quoted investments		84,630		72,557
Non-quoted				
MBSL Insurance	4,666,667	8,667	4,666,667	8,667
Less: Impairment	–	(8,667)	–	(8,667)
Total		84,630		72,557

(4.2) Financial assets measured at fair value through other comprehensive income >>

Accounting policy

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.

Equity instruments measured at fair value through other comprehensive income >>

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.

Investment in shares – Company >>

As at 31 March	2020		2019	
	Number of shares	LKR '000	Number of shares	LKR '000
Quoted				
Bank, finance and insurance				
Sampath Bank PLC	57,039,028	9,097,725	42,003,031	7,564,746
Total	57,039,028	9,097,725	42,003,031	7,564,746

Investment in shares – Group >>

As at 31 March	2020		2019	
	Number of shares	LKR '000	Number of shares	LKR '000
Quoted				
Manufacturing				
Central Industries PLC	8,184	268	8,184	231
Ceylon Grain Elevators PLC	44	2	44	2
Dankotuwa Porcelain PLC	32,512	146	32,512	172
Samson International PLC	5,899	425	5,899	578
Hotels and travels				
Aitken Spence Hotel Holdings PLC	308	5	308	7
Hotel Sigiriya PLC	700	25	700	41
Stores and supplies				
Hunter PLC	10	4	10	4
Bank, finance and insurance				
Commercial Bank PLC	285	17	278	27
Sampath Bank PLC	57,039,033	9,097,726	42,003,036	7,564,746
Seylan Bank PLC	2,718	91	2,590	163
Softlogic Finance PLC	2,090,000	24,035	2,090,000	45,144

As at 31 March	2020		2019	
	Number of shares	LKR '000	Number of shares	LKR '000
Beverages, food and tobacco				
Keells Food Products PLC	500	54	500	62
Lanka Milk Foods PLC	5,500	407	5,500	605
Convenience Food (Lanka) PLC	22	7	22	9
Total quoted investments		9,123,212		7,611,792
Non-quoted				
Credit Information Bureau	1,047	105	1,047	105
Finance House Association	20,000	200	20,000	200
National Asset Management Limited	25,000	1,035	25,000	1,110
eConsultant Limited	–	75	–	–
Total non-quoted investments		1,415		1,415
Less: Provision for financial assets – equity instruments measured at FVOCI		(523)		(517)
Total carrying value of financial assets – Equity instruments measured at FVOCI		9,124,104		7,612,690

(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 2020, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

Company >>

As at 31 March 2020	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets – fair value through profit or loss				
Quoted equities	48,608	–	–	48,608
	48,608	–	–	48,608
Financial assets measured at fair value through OCI				
Quoted equities	–	9,097,725	–	9,097,725
	–	9,097,725	–	9,097,725
Total	48,608	9,097,725	–	9,146,333

As at 31 March 2019	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets – fair value through profit or loss				
Quoted equities	36,426	–	–	36,426
	36,426	–	–	36,426
Financial assets measured at fair value through OCI				
Quoted equities	7,564,746	–	–	7,564,746
	7,564,746	–	–	7,564,746
Total	7,601,172	–	–	7,601,172

Group >>

As at 31 March 2020	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets – fair value through profit or loss				
Quoted equities	84,630	–	–	84,630
	84,630	–	–	84,630
Financial assets measured at fair value through OCI				
Quoted equities	25,487	9,097,725	–	9,123,212
Unquoted equities	–	587	305	892
	25,487	9,098,312	305	9,124,104
Total	110,117	9,098,312	305	9,208,734

As at 31 March 2019	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets – Fair value through profit or loss				
Quoted equities	72,557	–	–	72,557
	72,557	–	–	72,557
Financial assets measured at fair value through OCI				
Quoted equities	7,611,792	–	–	7,611,792
Unquoted equities	–	593	305	898
	7,611,792	593	305	7,612,690
Total	7,684,349	593	305	7,685,247

(4.4) Reconciliation of fair value measurement for unquoted equity securities under Level 2 hierarchy >>

Group investments in quoted shares of Sampath Bank PLC transferred to Level 2 in the fair value hierarchy and valued based on the share price as at 28 February 2020 on the basis that the transactions taken place after that date are assumed to be not orderly. As per management judgement, quoted price as at 28 February 2020 is assumed to be the best approximation for the fair value due to the absence of most recent exit prices.

All other investments under this category valued based on net asset value per share.

	Group	
	2020 LKR '000	2019 LKR '000
As at 1 April	**593**	857
Transfers from Level 1 hierarchy	**7,564,746**	–
Purchases	**1,810,038**	–
Remeasurement recognised in other comprehensive income	**(277,065)**	(264)
As at 31 March	**9,098,312**	593

(4.5) Reconciliation of fair value measurement for unquoted equity securities under Level 3 hierarchy >>

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

	Group	
	2020 LKR '000	2019 LKR '000
As at 1 April	**305**	305
As at 31 March	**305**	305

5 — Financial assets at amortised cost – loans and advances

Accounting policy

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

After initial measurement loans and advances are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

COVID-19 impact assessment

The outbreak of COVID-19 has caused disruptions to business and economic activities and uncertainty to the global and local economy. The subsequent adverse economic effects have caused financial stress among our retail, SME and corporate clients which may lead to elevated levels of credit risk in the short term. Therefore the Company is currently in the progress of providing relief for the affected businesses and individuals in line with the Directors issued b the CBSL. The relief measures include deferment of repayment terms of credit facilities, offering concessionary rates of interest to eligible loan and products and waiving off certain fees and charges. The Management of the Company is in the process of finalising the moratorium applications and the recovery efforts have been strengthened on the customers who were not affected by COVID-19 and not eligible for CBSL debt moratoriums.

	Group	
	2020 LKR '000	2019 LKR '000
Gold loan	31,017,589	25,766,906
Vehicle loans	12,125,470	5,899,422
Medium and short-term loans	7,511,281	6,424,565
Mortgage loans	6,456,908	6,810,784
Quick loans	9	6,474
Power drafts	3,960,962	3,805,755
Margin trading	–	17,142
Factoring receivable	103,636	367,073
Real estate loans	528	910
	61,176,383	49,099,031
Less: Allowance for impairment losses (Note 7)	(2,383,038)	(1,325,326)
Net loans and receivables	58,793,345	47,773,705
Fair value	59,836,524	39,801,010

(5.1) Medium and short-term loans include loans granted to company officers, the movement of which is as follows: >>

	Group	
	2020 LKR '000	2019 LKR '000
As at 1 April	508,402	356,942
Add: Loans granted during the year	588,462	393,286
Less: Repayments during the year	(532,011)	(241,826)
As at 31 March	564,853	508,402

(5.2) Contractual maturity analysis of loans and advances – Group >>

As at 31 March 2020	Within 1 year LKR '000	1 – 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Gold loans	31,017,589	–	–	31,017,589
Vehicle loans	3,910,128	8,138,698	76,644	12,125,470
Medium and short-term loans	4,600,008	2,911,273	–	7,511,281
Mortgage loans	2,055,326	3,783,094	618,488	6,456,908
Quick loans	9	–	–	9
Power drafts	3,305,596	655,366	–	3,960,962
Factoring receivable	99,579	4,057	–	103,636
Real estate loans	528	–	–	528
Gross loans and receivables	44,988,763	15,492,488	695,132	61,176,383
Allowance for impairment losses				(2,383,038)
Net loans and advances				58,793,345

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	2,165,139	3,661,443	72,840	5,899,422
Medium and short-term loans	3,957,942	2,466,623		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
Gross loans and advances	36,720,150	11,596,137	782,744	49,099,031
Allowance for impairment losses				(1,325,326)
Net loans and advances				47,773,705

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

(5.3) Credit exposure movement – ECL stage-wise loans and advances >>

	Group			
	2020 Stage 1 LKR '000	2020 Stage 2 LKR '000	2020 Stage 3 LKR '000	2020 Total LKR '000
Gross carrying amount as at 1 April	42,239,348	4,329,972	2,529,711	49,099,031
Transfer to Stage 1	424,101	(396,489)	(27,612)	–
Transfer to Stage 2	(2,143,465)	2,256,215	(112,750)	–
Transfer to Stage 3	(979,231)	(1,323,489)	2,302,720	–
New assets originated or purchased	23,016,720	5,287,797	2,921,470	31,225,987
Financial assets derecognised or repaid	(11,822,909)	(4,049,202)	(3,256,963)	(19,129,074)
Write-offs	(35)	(226)	(84,436)	(84,697)
Exchange rate variance on foreign currency provisions	65,136	–	–	65,136
As at 31 March	50,799,665	6,104,578	4,272,140	61,176,383

	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	23,913,414
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	42,239,347	4,329,973	2,529,711	49,099,031

6 — Financial assets at amortised cost – Lease rentals receivable and stock out on hire

Accounting policy

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 the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are recognised on the Statement of Financial Position. The finance income receivable is recognised in "Interest income" over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Lease and stock out on hire include financial assets measured at amortised cost if both of the following conditions are met:

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, lease receivable and stock out on hire are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest income" in the Income Statement. The losses arising from impairment are recognised in "impairment charges and other losses" in the Income Statement.

COVID-19 impact assessment >>

The outbreak of COVID-19 has caused disruptions to business and economic activities and uncertainty to the global and local economy. The subsequent adverse economic effects have caused financial stress among our retail, SME and corporate clients which may lead to elevated levels of credit risk in the short term. Therefore the Group is currently in the progress of providing relief for the affected businesses and individuals in line with the Directors issued b the CBSL. The relief measures include deferment of repayment terms of credit facilities, offering concessionary rates of interest to eligible loan and products and waiving off certain fees and charges. The Management of the Group is in the process of finalising the moratorium applications and the recovery efforts have been strengthened on the customers who were not affected by COVID-19 and not eligible for CBSL debt moratoriums.

As at 31 March 2020	Group		
	Lease LKR '000	Hire LKR '000	Total LKR '000
Gross rentals receivables	82,924,583	117,309	83,041,892
Less: Unearned income	(19,502,060)	(87)	(19,502,147)
Net rentals receivables	63,422,523	117,222	63,539,745
Less: Rentals received in advance	(5,042)	–	(5,042)
Less: Allowance for impairment losses (Note 7)	(2,793,393)	(114,640)	(2,908,033)
Total net rentals receivable subject to fair value	60,624,088	2,582	60,626,670
Fair value	–	–	62,563,940

As at 31 March 2019	Group		
	Lease LKR '000	Hire LKR '000	Total LKR '000
Gross rentals receivables	91,216,888	216,907	91,433,796
Unearned income	(22,949,287)	(1,013)	(22,950,300)
Net rentals receivables	68,267,601	215,895	68,483,496
Rentals received in advance	(7,279)	–	(7,279)
Allowance for impairment losses (Note 7)	(2,237,742)	(188,046)	(2,425,788)
Total net rentals receivable subject to fair value	66,022,580	27,849	66,050,429
Fair value	–	–	67,417,086

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.

(6.1) Lease and hire purchase facilities granted to company officers, the movement of which is as follows: >>

	Group	
	2020 LKR '000	2019 LKR '000
As at the beginning of the year	48,957	64,172
Add: Loans granted during the year	17,448	26,745
Less: Repayments during the year	(31,237)	(41,959)
At the end of the year	35,168	48,957

(6.2) Contractual maturity analysis of lease rentals receivable and stockout and on hire >>

As at 31 March 2020	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	36,692,691	46,202,072	29,821	82,924,584	116,644	665	–	117,309
Unearned income	(10,079,620)	(9,420,682)	(1,759)	(19,502,061)	(64)	(23)	–	(87)
Net rentals receivable	26,613,071	36,781,390	28,062	63,422,523	116,580	642	–	117,222
Rentals received in advance				(5,042)				–
Allowance for impairment losses				(2,793,393)				(114,640)
Total net rentals receivable				60,624,088				2,582
Total net rentals receivable from lease and hire purchase								60,626,670

As at 31 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	91,216,888	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	68,267,601	214,120	1,774	–	215,895
Rentals received in advance				(7,279)				–
Allowance for impairment losses				(2,237,742)				(188,046)
Total net rentals receivable				66,022,580				27,849
Total net rentals receivable from lease and hire purchase								66,050,429

Our lease rentals receivable and stock out on hire are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

(6.3) Credit exposure movement – ECL stage-wise lease rentals receivable and stock out on hire >>

	Group			
	2020 Stage 1 LKR '000	2020 Stage 2 LKR '000	2020 Stage 3 LKR '000	2020 Total LKR '000
Gross carrying amount as at 1 April	44,672,064	18,700,586	5,103,566	68,476,216
Transfer to Stage 1	2,257,459	(2,095,376)	(162,083)	–
Transfer to Stage 2	(12,202,504)	12,624,522	(422,018)	–
Transfer to Stage 3	(2,531,399)	(4,398,591)	6,929,990	–
New assets originated or purchased	29,602,847	17,016,383	7,044,877	53,664,107
Financial assets derecognised or repaid	(29,317,133)	(19,862,726)	(9,119,208)	(58,299,067)
Write-offs	(50)	(687)	(305,816)	(306,553)
As at 31 March	32,481,284	21,984,111	9,069,308	63,534,703

	Group			
	2019 Stage 1 LKR '000	2019 Stage 1 LKR '000	2019 Stage 1 LKR '000	2019 Stage 1 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	34,341,787	14,049,525	3,513,503	51,904,815
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	44,672,064	18,700,586	5,103,566	68,476,216

7 — Allowance for impairment losses

Accounting policy

Overview of the expected credit loss (ECL) principles >>

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 into 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 acollective 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 Stages 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 Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). 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 PD. The client has two credit statuses which can be identified as default or not default. We used Cohort method (CM) to compute the PD.
- 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 percentage 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.

The published global financial sector credit rating migration matrix probability of default used for fixed income (bank deposits) securities expected loss calculation, value at risk methodology (VAR) is used for gold based loan expected loss calculation and bi-nominal distribution models used for small number of obligors portfolio expected loss calculation. Any financial asset, fully secured through a cash collateral, has not taken into the expected loss calculation.

Forward-looking information >>

Group 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.

The model predicts the one year forward industry Non Performing Loans (NPL) levels and which has been used to adjust the Company PD curve using statistically quantified variance. The economic factor model is developed by the University of Colombo, Science and Technology CELL and consent to use with an annual review. The economic factor model predicts the NPL as an output and use some key economic factors as an input to the model. The key variables of the model is as follows;

- Industry NPL
- Business Confidence Index
- All Share Price Index (ASPI)
- Exchange rates

- Fuel prices
- GDP growth rate
- Disposable income
- Real interest rates
- Inflation rates
- Unemployment rates
- Rainfall
- Assets recovery ratio
- Company probability of default curve

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 advances >>

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.

(7.1) Loans and advances >>

	Group							
	2020 Stage 1 LKR '000	2020 Stage 2 LKR '000	2020 Stage 3 LKR '000	2020 Total LKR '000	2019 Stage 1 LKR '000	2019 Stage 2 LKR '000	2019 Stage 3 LKR '000	2019 Total LKR '000
As at 1 April	583,904	477,048	2,690,163	3,751,115	503,826	416,582	2,239,048	3,159,456
Charge/(reversal) for the year	13,149	52,540	1,864,821	1,930,510	80,532	64,675	931,427	1,076,634
Amounts written off	(15)	(461)	(390,793)	(391,269)	(529)	(4,210)	(480,312)	(485,051)
Exchange rate variance on foreign currency provisions	714	–	–	714	76	–	–	76
As at 31 March	597,752	529,127	4,164,191	5,291,070	583,904	477,048	2,690,163	3,751,115
Loans and advances				2,383,038				1,325,326
Lease rental receivables and stock out on hire				2,908,033				2,425,788
				5,291,071				3,751,114

(7.2) Lease rental receivables and stock out on hire >>

	Group							
	2020 Stage 1 LKR '000	2020 Stage 2 LKR '000	2020 Stage 3 LKR '000	2020 Total LKR '000	2019 Stage 1 LKR '000	2019 Stage 2 LKR '000	2019 Stage 3 LKR '000	2019 Total LKR '000
Individual impairment	–	–	4,164,191	4,164,191	–	–	2,690,163	2,690,163
Collective impairment	597,753	529,126	–	1,126,879	583,905	477,047	–	1,060,952
Total	597,753	529,126	4,164,191	5,291,070	583,905	477,047	2,690,163	3,751,115
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	–	–	13,341,448	13,341,448	–	–	7,633,276	7,633,276
Gross amount of loans collectively assessed for the impairment	83,280,534	28,089,102	–	111,369,636	86,911,411	23,030,560	–	109,941,971
Gross receivables	83,280,534	28,089,102	13,341,448	124,711,084	86,911,411	23,030,560	7,633,276	117,575,247
Gross amount of loans individually determined to be impaired				10.70%				6.49%

(7.3) Product-wise analysis of the allowance for impairment losses >>

	Group							
	2020 Stage 1 LKR '000	2020 Stage 2 LKR '000	2020 Stage 3 LKR '000	2020 Total LKR '000	2019 Stage 1 LKR '000	2019 Stage 2 LKR '000	2019 Stage 3 LKR '000	2019 Total LKR '000
Gold loans	141,187	–	10,619	151,806	20,996	–	28,745	49,740
Vehicle loans	58,667	49,200	154,918	262,785	34,333	20,823	130,882	186,038
Medium and short-term loans	79,282	17,767	287,421	384,470	58,977	22,480	220,613	302,070
Mortgage loans	30,535	52,609	1,276,216	1,359,360	43,107	73,314	466,714	583,135
Quick loans	–	–	3	3	–	–	4,002	4,002
Power drafts	5,093	8,480	105,883	119,456	10,478	8,220	105,000	123,698
Margin trading	–	–	2	2	–	–	1	1
Factoring receivable	–	–	104,628	104,628	19,107	–	56,625	75,732
Real estate loans	–	–	528	528	–	–	910	910
Loans and advances	314,764	128,056	1,940,218	2,383,038	186,997	124,836	1,013,493	1,325,326
Leases	282,988	401,059	2,109,346	2,793,393	396,773	352,130	1,488,839	2,237,742
Hire purchase	–	12	114,628	114,640	134	80	187,832	188,046
Lease rental receivables and stock out on hire	282,988	401,071	2,223,974	2,908,033	396,907	352,210	1,676,671	2,425,788
Total allowance for impairment losses	597,752	529,127	4,164,192	5,291,071	583,904	477,046	2,690,163	3,751,114

(7.4) Stage movements in allowance for impairment losses >>

	Group							
	2020 Stage 1 LKR '000	2020 Stage 2 LKR '000	2020 Stage 3 LKR '000	2020 Total LKR '000	2019 Stage 1 LKR '000	2019 Stage 2 LKR '000	2019 Stage 3 LKR '000	2019 Total LKR '000
Opening balance	583,905	477,047	2,690,163	3,751,115	503,826	416,582	2,239,048	3,159,456
Transfer to Stage 1	72,001	(57,090)	(14,911)	–	117,038	(88,719)	(28,319)	–
Transfer to Stage 2	(131,195)	164,685	(33,490)	–	(89,586)	128,242	(38,656)	–
Transfer to Stage 3	(38,409)	(131,718)	170,127	–	(17,436)	(53,158)	70,594	–
New assets originated or purchased	476,274	444,683	2,485,651	3,406,608	352,186	374,799	1,352,922	2,079,907
Financial assets derecognised or repaid	(365,521)	(368,020)	(742,576)	(1,476,117)	(281,670)	(296,489)	(425,114)	(1,003,273)
Write-offs	(15)	(461)	(390,773)	(391,249)	(529)	(4,210)	(480,312)	(485,051)
Exchange rate variance on foreign currency provisions	714	–	–	714	76	–	–	76
Closing balance	597,754	529,126	4,164,191	5,291,071	583,904	477,047	2,690,163	3,751,114

(7.5) Sensitivity analysis of allowance for impairment losses >>

		Sensitivity effect on impairment allowance increase	
		2020 LKR '000	2019 LKR '000
Changed criteria	**Changed factor**		
Loss given default (LGD)	Increase by 10%	197,181	211,772
Probability of default (PD)	Increase by 1%	16,403	11,526

8 — Other financial assets

Accounting policy

These include Treasury Bills repurchase agreements, where we are the transferee and investments in fixed deposits with banks and other financial institutions. Treasury Bills repurchase agreements allow us to offset our entire gross exposure in the event of default or breach of contract. Other financial assets are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (Net of transaction cost) and the receivable amount (including interest income) is recognised in the Income Statement over the period of the assets using effective interest method.

	Group	
	2020 LKR '000	2019 LKR '000
Treasury bills/repurchases	5,462,735	5,138,730
Insurance premium receivables	206,038	349,425
Investment in fixed deposits (Note 8.2)	3,654,677	5,557,589
Others	13,813	25,050
	9,337,263	11,070,794
Fair value	9,337,263	11,070,794

(8.1) The collateral value of repurchase agreements reflected on the Statement of Financial Position under other financial assets as at 31 March 2020 and 31 March 2019 was LKR 6,090,600,000/- and LKR 6,058,900,000/-, respectively.

(8.2) Investment in fixed deposits >>

	Group	
	2020 LKR '000	2019 LKR '000
Counterparty external credit rating*		
AA	52,949	104,287
AA-	838,314	31,930
A+	732,992	3,387,026
A-	2,038,010	2,030,437
BBB	739	3,961
Investment in fixed deposits	3,663,004	5,558,141
Less: Impairment allowance	(8,327)	(552)
	3,654,677	5,557,589

*Fitch Ratings Lanka Ltd.

9 — Trade and other debtors, deposits and prepayments

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.

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Gross trade receivables	–	–	5,885,399	6,273,367
(-) Bad debt provision	–	–	(319,624)	(406,585)
Net trade receivables	–	–	5,565,775	5,866,782
Amounts due from related parties (Note 9.1)	146,141	94,490	22,103	–
Deposits	23,834	20,400	1,011,460	58,883
Other advances	–	–	3,646	58,355
Interest receivables	–	–	–	–
Principle receivable	–	–	139,452	234,871
Other debtors	–	–	–	289,557
Other receivables	–	180,871	729,570	837,221
	169,975	295,761	7,472,006	7,345,669

(9.1) Amounts due from related parties >>

Related party transactions disclosures in Note 45.

		Company		Group	
Related party	Relationship	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Royal Ceramic Lanka PLC	Subsidiary	20,019	7,685	–	–
Rocell Bathware Ltd.	Subsidiary	4,681	2,777	–	–
Royal Porcelain Ltd.*	Subsidiary	–	6,506	–	–
Lanka Walltiles PLC	Subsidiary	12,268	4,899	–	–
Lanka Tiles PLC	Subsidiary	41,564	16,144	–	–
Swisstech Ceylon PLC	Subsidiary	27,304	27,305	–	–
Uni Dill Packaging Ltd.	Subsidiary	23,537	22,833	–	–
LB Microfinance Myanmar Company Limited	Subsidiary	–	474	–	–
Singer (Sri Lanka) PLC	Other related company	16,200	5,867	17,336	–
V CASHE Fintech (Pvt) Ltd.	Affiliate	568	–	568	–
The Kingsbury PLC	Affiliate	–	–	1,700	–
Hayleys Agriculture Holdings Limited	Affiliate	–	–	391	–
Hayleys Agro Fertilizers (Pvt) Ltd.	Affiliate	–	–	76	–
Talawakelle Tea Estates PLC	Affiliate	–	–	49	–
Kelani Valley Plantations PLC	Affiliate	–	–	1,588	–
Hayleys Advantis Ltd.	Affiliate	–	–	89	–
Haycarb PLC	Affiliate	–	–	306	–
		146,141	94,490	22,103	–

* Amalagamated Royal Porcelain Ltd. with Royal Ceramics Lanka PLC.

10 — Other non-financial assets

Accounting policy

Group classifies all other non-financial assets other than intangible assets and property, plant and equipment under other non-financial assets. Other non-financial assets include real estate stock, vehicle stock, gold stock, deposits, advances and prepayments, etc. These assets are non-interest earning and recorded at the amounts that are expected to be received.

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Advance for vehicle stock	–	–	14,673	22,041
Advances and prepayments	2,224	2,671	1,187,711	2,029,473
Gold stock (Note 10.1)	–	–	1,514	1,514
Stationary stock	–	–	15,361	10,626
Sundry debtors	–	–	–	11,769
Prepaid staff cost (Note 10.2)	–	–	23,153	25,865
Receivables and others	–	–	106,953	61,820
Advance company tax receivable	–	–	27,285	32,918
	2,224	2,671	1,376,650	2,196,026

(10.1) Gold stock >>

The gold inventory is valued at lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

(10.2) The movement in the pre-paid staff cost >>

	Group	
	2020 LKR '000	2019 LKR '000
As at the beginning of the year	25,865	19,735
Adjustment for new grants and settlements	3,721	12,490
Charge to personnel expenses	(6,433)	(6,361)
As at the end of the year	23,153	25,865

11 — Investment in subsidiaries

Accounting policy

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 2020. 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 the reporting date are as follows:

	Year of Incorporation	Effective Holding (%)		Number of shares	
		2020	2019	**2020**	2019
Quoted investments					
Royal Ceramics Lanka PLC	1990/91	**55.98%**	55.98%	62,002,600	62,002,600
LB Finance PLC	1971/72	**66.34%**	66.34%	71,682,400	71,682,400
Unquoted investments					
Delmege Limited	1915/16	**62.75%**	62.75%	253	253
Greener Water Limited	2010/11	**100.00%**	100.00%	326,805	326,805

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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.

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.

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

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement, the Company continues to recognise the investments in subsidiaries at cost.

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.

	Cost		Market value	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Quoted investments				
Royal Ceramics Lanka PLC	**9,920,440**	9,920,440	**3,465,945**	3,658,153
LB Finance PLC	**5,461,361**	5,461,361	**8,637,729**	8,608,919
	15,381,801	15,381,801	**12,103,674**	12,267,072

	Cost		Director's valuation	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Unquoted investments				
Delmege Limited	**1,579,525**	1,579,525	**1,579,525**	1,579,525
Greener Water Limited	**3,269,397**	3,269,397	**3,269,397**	3,269,397
Total	**4,848,922**	4,848,923	**4,848,922**	4,848,923
Total	**20,230,723**	20,230,723	**16,952,596**	17,115,995

12 — Investment in associates

Accounting policy

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.

(12.1) Company >>

	Effective holding (%)		Number of shares	
	2020	2019	**2020**	2019
Quoted investments				
The Fortress Resorts PLC	**20.61**	20.61	**19,977,345**	19,977,345

	Cost		Market value	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
The Fortress Resorts PLC	**405,891**	405,891	**155,823**	199,773
	405,891	405,891	**155,823**	199,773

(12.2) Group >>

	2020 LKR '000	2019 LKR '000
Balance at the beginning of the year	**640,394**	618,392
Share of profit	**6,016**	44,667
Share of other comprehensive income	**420**	–
Less: Dividend	**(24,365)**	(22,665)
Balance at the end of the year	**622,465**	640,394

(12.3) Summarised financial information of equity accounted investees has not been adjusted for Group share >>

(12.3.1) Statement of Profit or Loss >>

	2020 LKR '000	2019 LKR '000
Revenue	**489,320**	787,788
Cost of sales	**(155,351)**	(217,206)
Income (Includes other income, finance income)	**59,212**	61,047
Expenses (Includes operating, administration and distribution expenses)	**(330,294)**	(370,246)
Finance cost	**(10,554)**	(2,300)
Income tax	**(24,952)**	(49,560)
Profit after tax	**27,381**	209,521
Other comprehensive income	**1,911**	(440)

(12.3.2) Statement of Financial Positions >>

	2020 LKR '000	2019 LKR '000
Non-current assets	1,379,315	1,347,190
Current assets	781,680	716,951
Non-current liabilities	208,540	73,043
Current liabilities	180,777	137,824
Net assets	1,771,678	1,853,273

(12.3.3) Commitments and contingencies >>

	2020 LKR '000	2019 LKR '000
Commitments		
Lease commitments	64,013	54,322
Contingent liabilities	–	–

13 — Deferred tax assets (liabilities)

Accounting policy

Deferred tax is provided 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:

- 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.
- 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:

- 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.
- 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.

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
As at 1 April	(289)	(1,280)	(6,397,255)	(6,191,417)
Effect of adopting IFRIC 23	–	–	–	99,838
Adjusted opening balance as at 1 April	(289)	(1,280)	(6,397,255)	(6,091,579)
Recognised in profit or loss	2,819	875	65,571	675,648
Recognised in other comprehensive income	160	116	18,064	(981,323)
At the end of the year	2,690	(289)	(6,313,620)	(6,397,255)
Deferred tax assets	2,690	–	269,987	208,182
Deferred tax liabilities	–	(289)	(6,583,607)	(6,605,437)
	2,690	(289)	(6,313,620)	(6,397,255)

(13.1) The closing net differed tax liability relate to the following: >>

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Property, plant and equipment and revaluations	(1,678)	(2,662)	(4,646,102)	(6,793,190)
Right-of-use assets	996	2,372	(1,001,557)	–
Defined benefit obligation	3,371	–	445,872	376,956
Provisions	–	–	302,369	60,839
Revaluation surplus	–	–	(2,316,778)	(1,191,498)
Unutilised tax losses	–	–	902,578	1,149,638
	2,690	(289)	6,313,620	(6,397,255)

(13.2) IFRIC interpretation 23 uncertainty over income tax treatment >>

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group/Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group/Company considered whether it has any uncertain tax positions particularly those relating to transfer pricing. Accordingly, the Group/Company determined, based on its tax compliance review, that it is probable that its tax treatments (including those for transfer pricing) will be accepted by the taxation authorities.

The effect of adopting IFRIC 23 is, as follows: >>

Effect on adopting IFRIC 23 in the group level was resulted a classification change between Deferred Tax liability and Income Tax liability as given below:

	As at 31.03.2019 LKR '000
Impact on the Statement of Financial Position – Increase/(decrease):	
Deferred tax liability	(99,838)
Income tax liabilities	99,838
Total liabilities	–

14 — Inventories

Accounting policy

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 formulas:

- 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.
- Consumable and spares – At purchase cost on weighted average cost basis.
- 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.
- Goods in transit have been valued at cost.
- Trading goods – At purchase cost on weighted average basis except for Lanka Walltiles Group which is on first-in first-out basis.

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.

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 cost or NRV.

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.

	Group	
	2020 LKR '000	2019 LKR '000
Raw materials	3,370,010	3,376,255
Other consumables	23,771	–
Spares and consumables	1,457,286	2,454,038
Non-harvested produce on bearer biological assets	3,361	5,845
Work-in-progress	483,821	467,836
Harvested crops	153,484	272,712
Seat covers and accessories	649,495	761,312
Finished goods	12,005,716	8,580,619
Goods in transit	406,155	163,906
	18,553,099	16,082,523
Less: Provision for obsolete and slow-moving inventory (Note 14.1)	(497,542)	(407,877)
	18,055,557	15,674,646

(14.1) Movement of the provision for obsolete and slow-moving inventory >>

	Group	
	2020 LKR '000	2019 LKR '000
Opening balance	407,877	332,100
Reversal of write-off	(105,068)	–
Charge to P & L (Profit or loss)	194,733	75,777
Closing balance	497,542	407,877

15 — Intangible assets

An intangible asset is an identifiable monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

The Group's intangible assets include the value of computer software, brand name and goodwill on business combination.

Accounting policy

Basis of recognition >>

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.

	Group			
	Software LKR '000	Brand name LKR '000	Goodwill LKR '000	Total LKR '000
Cost				
As at 31 March 2018	441,313	904,891	12,354,153	13,700,358
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	13,722,517
Acquired during the year	52,842	–	–	52,842
Effect of change in exchange rate	873	–	(168)	705
As at 31 March 2020	**517,077**	**904,891**	**12,354,095**	**13,776,064**
Amortisation				
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	380,808	170,710	801,040
Charge for the year	44,317	45,245	–	89,562
Effect of change in exchange rate	545	–	–	545
As at 31 March 2020	**294,383**	**426,053**	**170,710**	**891,147**
Net book value				
Net book value as at 31 March 2020	222,694	478,838	12.183.553	12,884,917
Net book value as at 31 March 2019	**213,841**	**524,083**	**12,183,553**	**12,921,477**

(15.1) Software >>

Cost of all computer software licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure >>

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

(15.2) Goodwill >>

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

	Group	
	2020 LKR '000	2019 LKR '000
Royal Ceramic Lanka PLC and its subsidiaries	**7,410,923**	7,411,091
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
	12,183,385	12,183,553

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

The key assumptions used to determine the recoverable amount for the significant cash generating units, are as follows: >>

Gross margins >>

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. The discount rate applied to cash flow projections range between 12.47% – 15.30%.

Inflation >>

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

Growth rate >>

The Management has estimated growth rate range between 1% – 2.5% in the cash flow beyond the forecasted period.

Impact of COVID-19 >>

In determining the recoverable value of each cash generating unit, the group has taken into account possible impacts on cash flows due to the COVID-19 pandemic.

16 — Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on "Property, Plant and Equipment" in accounting for these assets.

Accounting policy

Basis of recognition >>

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 reliably measured.

Measurement >>

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Subsequent cost >>

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are charged to the Income Statement as incurred. Costs incurred in using or redeploying an item is not included under carrying amount of an item.

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	Useful life
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 cycles	3 years
Mobile accessories	2 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

Accounting estimates >>

Useful life of the property, plant and equipment >>

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in “Other operating income” in the statement of profit or loss in the year the asset is derecognised.

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.

(16.1) Property, plant and equipment – Company >>

(a) Company – 2020 >>

	Balance as at 1 April 2019 LKR '000	Additions during the year LKR '000	Transfers/ disposals LKR '000	**Balance as at 31 March 2020 LKR '000**
Cost				
Furniture and fittings	40,607	–	–	**40,607**
Equipment	2,877	244	–	**3,121**
Motor vehicles and accessories	43,286	5,575	–	**48,861**
Computer hardware	23,376	2,152	(3,556)	**21,972**
	110,146	7,971	(3,556)	**114,561**

	Balance as at 1 April 2019 LKR '000	Charge for the year LKR '000	Transfers/ disposals LKR '000	**Balance as at 31 March 2020 LKR '000**
Depreciation				
Furniture and fittings	29,188	3,747	–	**32,935**
Equipment	1,707	303	–	**2,010**
Motor vehicles and accessories	15,296	9,270	–	**24,566**
Computer hardware	16,360	2,821	(3,556)	**15,625**
	62,551	16,141	(3,556)	**75,136**
Carrying value	47,595			**39,425**

(b) Company – 2019 >>

	Balance as at 1 April 2018 LKR '000	Additions during the year LKR '000	Transfers/ disposals LKR '000	Balance as at 31 March 2019 LKR '000
Cost				
Furniture and fittings	38,235	2,372	–	40,607
Equipment	2,640	237	–	2,877
Motor vehicles and accessories	24,565	22,800	(4,079)	43,286
Computer hardware	18,293	5,083	–	23,376
	83,733	30,492	(4,079)	110,146

	Balance as at 1 April 2018 LKR '000	Charge for the year LKR '000	Transfers/ disposals LKR '000	Balance as at 31 March 2019 LKR '000
Depreciation				
Furniture and fittings	25,617	3,571	–	29,188
Equipment	1,433	274	–	1,707
Motor vehicles and accessories	13,452	5,923	(4,079)	15,296
Computer hardware	14,012	2,348	–	16,360
	54,514	12,116	(4,079)	62,551
Carrying value	29,219			47,595

	As at 31 March 2020 LKR '000	As at 31 March 2019 LKR '000
Carrying amount – Company		
Property, plant and equipment	**39,425**	47,595
	39,425	47,595

(16.1.1) Property, plant and equipment acquired during the financial year – Company >>

During the financial year, the Company acquired property, plant and equipment to the aggregate value of LKR 7,971,463/- (2019 – LKR 30,492,587/-). Cash payments amounting to LKR 7,971,463/- (2019 – LKR 30,492,587/-) was paid during the year for purchases of property, plant and equipment.

(16.1.2) Fully-depreciated property, plant and equipment – Company >>

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date is LKR 9,700,333/- (2019 – LKR 11,671,416/-).

(16.2) Property, plant and equipment – Group >>

(a) Group – 2020 >>

	Balance as at 1 April 2019 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 2020 LKR '000
Cost/valuation						
Land and building	30,714,394	877,684	96,972	(80,090)	–	**31,608,960**
Furniture and fittings	1,302,220	87,322	–	(6,828)	(170)	**1,382,544**
Equipment	2,112,108	190,294	–	(28,038)	(676)	**2,273,688**
Motor vehicles and accessories	1,040,690	17,867	–	(19,976)	(136)	**1,038,445**
Computer hardware	1,000,465	104,612	–	(14,089)	298	**1,091,286**
Leasehold improvements	606,301	100,277	–	(11,369)	–	**695,209**
Fixtures and fittings	2,025,680	233,197	–	(7,700)	–	**2,251,177**
Water supply scheme	492,364	128,398	–	–	–	**620,762**
Electricity distribution	35,226	30,182	–	(205)	–	**65,203**
Tools and implements	983,945	139,398	–	(5,030)	(22)	**1,118,291**
Plant and machinery	16,505,256	948,292	–	(23,531)	–	**17,430,017**
Moulds	135,778	3,084	–	–	–	**138,862**
Household Item – Light	–	–	–	79	–	**79**
Stores buildings on leasehold land	439,405	–	–	(99,379)	(11,636)	**328,390**
Assets on finance lease	72,491	–	–	(72,491)	–	–
Capital work-in-progress	4,742,338	1,678,151	–	(1,383,519)	–	**5,036,970**
	62,208,661	4,538,758	96,972	(1,752,166)	(12,342)	**65,079,883**

	Balance as at 1 April 2019 LKR '000	Charge for the Year LKR '000	Transfers/ disposals LKR '000	Exchange translation difference LKR '000	**Balance as at 31 March 2020 LKR '000**
Accumulated depreciation					
Building	437,930	221,959	(52,516)	–	**607,373**
Furniture and fittings	882,218	135,814	(4,592)	(128)	**1,013,312**
Equipment	1,460,890	192,856	(46,108)	(731)	**1,606,907**
Motor vehicles and accessories	637,838	104,929	(8,922)	(143)	**733,702**
Computer hardware	679,542	110,630	(17,492)	126	**772,806**
Leasehold improvements	442,213	58,822	(10,627)	–	**490,408**
Fixtures and fittings	774,235	218,792	(7,231)	–	**985,796**
Water supply scheme	312,046	32,459	–	–	**344,505**
Electricity distribution	14,254	1,999	(204)	–	**16,049**
Tools and implements	768,380	99,815	(17,287)	(20)	**850,888**
Plant and machinery	7,990,839	1,014,456	(3,633)	–	**9,001,662**
Moulds	128,274	2,827	–	–	**131,101**
Household Item – Light	–	–	59	–	**59**
Stores buildings on leasehold land	91,349	13,743	(25,388)	(3,481)	**76,223**
Assets on finance lease	48,321	–	(48,321)	–	–
	14,668,329	2,209,101	(242,262)	(4,377)	**16,630,791**
Carrying value	47,540,332				**48,449,092**

(b) Group – 2019 >>

	Balance as at 1 April 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
Cost/valuation						
Land and building	26,735,470	2,252,386	1,786,575	(59,912)	(125)	30,714,394
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
Assets on finance lease	108,694	–	–	(36,787)	584	72,491
Capital work-in-progress	3,499,648	3,029,293	–	(1,786,603)	–	4,742,338
	53,069,580	9,385,326	1,786,575	(2,044,050)	11,230	62,208,661

	Balance as at 1 April 2018 LKR '000	Charge for the Year LKR '000	Transfers/ disposals LKR '000	Exchange translation difference LKR '000	Balance as at 31 March 2019 LKR '000
Accumulated depreciation					
Building	283,718	211,462	(57,250)	–	437,930
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
Moulds	117,763	10,511	–	–	128,274
Stores buildings on leasehold land	72,556	25,631	(10,515)	3,677	91,349
Assets on finance lease	66,708	18,400	(36,787)	–	48,321
	12,832,839	2,027,382	(192,528)	636	14,668,329
Carrying value	40,236,740				47,540,331

(C) Effect on adopting uniform accounting policies in consolidated financial statements >>

The following adjustments have been made in the Group financial statements in order to ensure the adoption of uniform accounting practices as per SLFRS 10 – "consolidated financial statements".

	Group		
	As at 31 March 2020 LKR '000	As at 31 March 2019 LKR '000	As at 31 March 2018 LKR '000
Impact on the statement of financial position – increase/(decrease):			
Property, plant and equipment	**(51,075)**	1,346,137	2,909,213
Total assets	**(51,075)**	1,346,137	2,909,213
Liabilities			
Deferred tax liability	**(14,301)**	376,918	814,580
Total liabilities	**(14,301)**	376,918	814,580
Shareholders' funds			
Equity attributable to equity holders of the parent			
Other components of equity – revaluation reserve	**(24,398)**	643,022	1,389,671
Non-controlling interest	**(12,377)**	326,197	704,962
Total equity	**(36,774)**	969,218	2,094,633
Total equity and liabilities	**(51,075)**	1,346,137	2,909,213

	Group		
	As at 31 March 2020 LKR '000	As at 31 March 2019 LKR '000	As at 31 March 2018 LKR '000
Impact on the statement of profit of loss – decrease/(increase):			
Administrative expenses – depreciation	(3,283)	(1,349)	–
Profit for the year	(3,283)	(1,349)	–
Attributable to:			
Equity holders of the Parent	(2,178)	(895)	–
Non-controlling interests	(1,105)	(454)	–
	(3,283)	(1,349)	–
Impact on the statement of other comprehensive income – increase/(decrease):			
Revaluation of property, plant and equipment	(51,075)	1,346,137	–
Less: Deferred tax charge revaluation	14,301	(376,918)	–
Revaluation – Net of tax	(36,774)	969,218	–
Other comprehensive income/(loss) for the year, net of tax	(36,774)	969,218	–
Total comprehensive income for the year, net of tax	(40,057)	967,870	–
Attributable to :			
Equity holders of the parent	(26,576)	642,127	–
Non-controlling interests	13,482	325,743	–
	40,057	967,870	–
Impact on statement of cash flows – Increase/(decrease):			
Cash flows from operating activities			
Net profit/(Loss) before taxation	(3,283)	(1,349)	–
Adjustments	3,283	1,349	–
	–	–	–

(16.2.1) 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.

(16.2.2) 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.

(16.2.3) Property, plant and equipment acquired during the financial year – Group >>

During the financial year, the Group acquired property, plant and equipment to the aggregate value of LKR 4,538,757,573/- (2019 – LKR 7,598,724,000/-). Cash payments amounting to LKR 3,280,407,550/- (2019 – LKR 7,598,724,000/-) was paid during the year for purchases of property, plant and equipment.

(16.2.4) Fully-depreciated property, plant and equipment – Group >>

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date is LKR 7,589,551,987/-
(2019 – LKR 5,771,229,802/-).

(16.3) Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare lands) >>

Group – 2020 >>

	Mature plantations (bearer biological assets) LKR '000	Permanent land development cost LKR '000	Buildings LKR '000	Plant and machinery LKR '000	**Total LKR '000**
Revaluation					
As at 22 June 1992	214,810	4,014	47,173	6,818	**272,815**
Transferred to right-of-use asset (Note 17)	(214,810)	(4,014)	(47,173)	(6,818)	**(272,815)**
At the end of the year	–	–	–	–	**–**
Amortisation					
Opening balance	175,445	3,452	47,173	6,818	**232,888**
Transferred to right-of-use asset (Note 17)	(175,445)	(3,452)	(47,173)	(6,818)	**(232,888)**
At the end of the year	–	–	–	–	**–**
Written down value					
At the end of the year	–	–	–	–	**–**

Group – 2019 >>

	Mature plantations (bearer biological assets) LKR '000	Permanent land development cost LKR '000	Buildings LKR '000	Plant and machinery LKR '000	**Total LKR '000**
Revaluation					
As at 22 June 1992	214,810	4,014	47,173	6,818	**272,815**
At the end of the year	214,810	4,014	47,173	6,818	**272,815**
Amortisation					
Opening balance	168,285	3,433	47,173	6,818	**225,709**
During the period	7,160	19	–	–	**7,179**
At the end of the year	175,445	3,452	47,173	6,818	**232,888**
Written down value					
At the end of the year	39,365	562	–	–	**39,927**

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 Company.

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 18.1 bearer biological assets (immature plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from bearer biological assets Immature plantations bearer biological assets mature plantations 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. biological assets (immature) to bearer biological assets (mature) will be made in the above category, namely cost incurred before take over.

(16.4) Leasehold right to bare land of JEDB/SLSPC estates >>

	2020 LKR '000	2019 LKR '000
Capitalised value		
Revaluation – as at 22 June 1992	**204,931**	204,931
Remeasurement of leasehold right on initial application of SLFRS 16	**(204,931)**	–
	–	204,931
Amortisation		
Opening balance	**103,545**	99,678
Remeasurement of leasehold right on initial application of SLFRS 16	**(103,545)**	–
Charge for the year	**–**	3,867
At the end of the year	**–**	103,545
Carrying amount		
At the end of the year	**–**	101,386

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.

Carrying amount – Group >>

	As at 31 March 2020 LKR '000	As at 31 March 2019 LKR '000
Property, plant and equipment (Note 16.2)	**48,449,092**	47,540,331
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare lands) (Note 16.3)	**–**	39,927
Leasehold right to bare Land of JEDB/SLSPC Estates (Note 16.4)	**–**	101,386
Bearer biological assets (Note 18.1)	**2,208,943**	2,206,929
	50,658,035	49,888,573

(16.5) 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 unobservable input as follows:

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

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

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

Company	Location	Extent	Valuer	Valuation date	Valuation details	Significant unobservable input: Price per perch/acre/range	Fair value measurement using significant unobservable inputs (Level 3) LKR Mn. 2020	2019
Greener Water Limited	Mosque Lane, Poruthota, Kochchikade	A18-R2-P7.8	H B Manjula Basnayaka	31 March 2018	Market approach valuation method	Estimated price per perch – LKR 900,000/- per perch	**2,672**	2,672
Delmege Forsyth and Company Limited	No. 101, Vinayalankara Mawatha, Colombo 10	A2-R0-P14.05	H B Manjula Basnayaka	17 March 2020	Land Building	LKR 11,500,000/-	**3,842** **281**	– –
Grip Delmage (Pvt) Ltd.	No. 125C, Mabima Road, Heiyanthuduwa, Sapugaskanda	A0-R3-P36.25	H B Manjula Basnayaka	17 March 2020	Land Building	LKR 375,000/-	**59** **29**	– –
Grip Delmage (Pvt) Ltd.	Lot No. 170, Ekamuthu Mawatha, Mattegoda, Polgasowita	A0-R0-P14.03	H B Manjula Basnayaka	17 March 2020	Land	LKR 275,000/-	**4**	–
Grip Delmage (Pvt) Ltd.	No. 125/55, Sri Bodhiraja Mawatha, Mattegoda, Polgasowita	A0-R1-P5.88	H B Manjula Basnayaka	17 March 2020	Land Building	LKR 400,000/-	**18** **2**	– –
Grip Nordic (Pvt) Ltd.	No. 125/26, Sri Bodhiraja Mawatha, Mattegoda, Polgasowita	A0-R1-P7.06	H B Manjula Basnayaka	17 March 2020	Land Building	LKR 400,000/-	**19** **12**	– –
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/- per perch	**454**	454
	Showroom and Cutting Centre Land at Kottawa	A1-R1-P24.75	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 1,528,026/- per perch	**343**	343
	Land at Meegoda Warehouse	A2-R3-P31.29	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 255,017/- per perch	**120**	120
	Land at Nawala for Nawala New Showroom	P24.90	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 7,000,000/- perperch	**174**	174
	Land at Nattandiya	A10	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 18,750/- per perch	**30**	30
	Land at Kaluthara	A4-R3-P8.20	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 15,602/- per perch	**12**	12
	Land at Seeduwa	R1-P12.50	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 2,500,000/- per perch	**131**	131
	Land at Narahenpita	P17.02	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 7,000,000/- per perch	**119**	119
	Land at Colpitty	P19.97	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 15,022,533/- per perch	**300**	300
	Land at Panadura	P18.82	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 3,500,000/- per perch	**66**	66
	Land at Dehiwela	P14.83	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 7,000,000/- per perch	**104**	104
	Land at Narahenpita	R1-P5.32	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 6,430,714/- per perch	**291**	291
	Factory Buildings Eheliyagoda	315,609 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 2,044.64 per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	**645**	–
	Showroom Building – Kottawa	9,556 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 5,700/- per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	**54**	–
	Warehouse Building at Meegoda	36,982 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 4,031/- per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	**149**	–
	Showroom Building at Nawala, 101	8,470 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 6,255/- per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	**53**	–
	Showroom Building at Narahenpita, 100	13,410 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 10,260 per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	**138**	–
	Showroom Building at Panadura	5,176 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 8,026.20 per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	**42**	–
	Showroom Building at Seeduwa	7,320 sq.ft	Mr A A M Fathihu	1 April 2018	Market based evidence	LKR 5,307.78 per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	**39**	–

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. 2020	2019
	Showroom Building at Dehiwela	11,574 sq.ft	Mr A A M Fathihu	2 April 2018	Market based evidence	LKR 3,000 per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	35	–
	Head Office Building No. 20, Colombo	28,278 sq.ft	Mr A A M Fathihu	3 April 2018	Market based evidence	LKR 11,387 per sq.ft LKR 3,500/- to LKR 4,000/- per sq.ft	322	–
	Factory Land at Horana	A.14-R.1-P.7.36	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 62,500/- per perch	143	89
	Factory Building at Horana	285,168 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 1,250/- to LKR 5,000/- per sq.ft	566	566
	Warehouse Building at Meegoda	77,467 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 3,500/- to LKR 4,000/- per sq.ft	263	263
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/- per perch	39	39
	Land at Meegoda	A1-R3-P04.10	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 200,000/- per perch	64	64
	Factory Complex at Homagama	202,003 sq.ft	Mr A A M Fathihu	31 March 2018	Market based evidence	LKR 800/- to 4,500/- per sq.ft	633	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/- per acre	220	220
	Waradala Village, Divulapitiya, Gampha	4A-01R-15.9P	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 2,500,000/- per acre	11	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/- per acre	224	224
	House	981.Sq.ft	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 4,000/- per sq.ft		
Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 40,000/- to LKR 175,000/- per perch	559	557
	Land at Biyagama	2A-00R-15.93P	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 950,000/- per perch	319	285
	Marawila Silica Land	13A-0R-02P	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 18,752.52 per perch	39	36
	Ball Clay Land at Kaluthara	5A-01R-0.83P	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 62.50 per perch	0.052	52
Lanka Walltiles PLC	Land at No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	Mr Ranjan J Samarakone	31 March 2019	Market based evidence	LKR 7,000,000/- per perch	1,415	1,415
	Plan No. 2205 Situated at Mawathagama and Galagedara Village	A23-R1-P24.16	Mr Ranjan J Samarakone	31 March 2019	Market based evidence	LKR 300,000/-per perch	1,123	1,123
	Land at No. 215, Nawala Road, Narahenpita, Colombo 05.	35,990 sq.ft	Mr Ranjan J Samarakone	31 March 2018	Contractor's basis method valuation	LKR 1,000/- to LKR 3,500/- per sq.ft	85	85
	Plan No. 2205 Situated at Mawathagama and Galagedara Village	279,361 sq.ft	Mr Ranjan J Samarakone	31 March 2018	Contractor's basis method valuation	LKR 2,000/- to LKR 4,000/- per sq.ft	727	717
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/- per perch	102	102
	Building and land improvement at Narampola Road, Moragala, Deketana	25,551 sq.ft	Mr D G Newton	31 March 2016	Depreciated Replacement cost	LKR 650/- to LKR 2,000/- per sq.ft	179	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/- per perch	26	26
	Building at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr D G Newton	31 March 2016	Depreciated Replacement cost	LKR 1,750/- to LKR 2,500/- per sq.ft	46	46

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. 2020	2019
Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda – Land	980 perches	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 646,429/- per perch	**634**	600
	No. 334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 perches	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 567,500/- per perch	**11**	7
	Factory Complex, Belummahara, Imbulgoda – Building	54,647 sq.ft	Mr Ranjan J Samarakone	31 March 2018	Contractor's method	LKR 3,750/- per sq.ft	**113**	75
	No. 334/5, Colombo Road, Belummahara, Imbulgoda – Building	1,384 sq.ft	Mr Ranjan J Samarakone	31 March 2018	Depreciated Replacement cost	LKR 361/- per sq.ft	**500**	300
	Factory Complex, Belummahara, Imbulgoda – Tile Stores	24,444 sq.ft	Mr Ranjan J Samarakone	31 March 2018	Investment Method	LKR 15/- to LKR 40/- per sq.ft	**63**	63
	Factory Complex, Belummahara, Imbulgoda – Sales Centre	4,890 sq.ft	Mr Ranjan J Samarakone	31 March 2018	Investment Method	LKR 15/- to LKR 40/- per sq.ft	**27**	21
	Factory Complex, Belummahara, Imbulgoda – Open Shed	1,600 sq.ft	Mr Ranjan J Samarakone	31 March 2018	Investment Method	LKR 15/- to LKR 40/- per sq.ft	**3**	2
	Factory Complex, Belummahara, Imbulgoda – Warehouse	5,000 sq.ft	Mr.K.T.D.Tissera	31 March 2016	Investment Method	LKR 15/- to LKR 40/-per sq.ft	**22**	17
Swisstek Aluminium Ltd.	Land at Pahala Dompe, Dompe Lot 01	R02-P17.7	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 17,567,247 per acre	**11**	11
	Dompe Lot 02	A9-R1-P15.9	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 18,834,861/- per acre	**176**	176
	Dompe Lot 03	A0-R2-P5.2	Mr Ranjan J Samarakone	31 March 2018	Market based evidence	LKR 7,511,737/- per acre	**4**	4
	Building at Pahala Dompe, Dompe		Mr Ranjan J Samarakone	31 March 2018	Contractors Method	LKR 40,000/-to LKR 175,000/- per perch	**465**	465
Lanka Ceramic PLC	Mining Land at Owala	25A-2R-15P	Mr P B Kalugalagedera	31 March 2016	Market based evidence	LKR 100,000/- to LKR 250,000/- per acre	**5**	5
	Land situated at Owala	1A-1R-02.0P	Mr P B Kalugalagedera	31 March 2016	Market based evidence	LKR 400,000/- per acre	**500**	500
	Factory building and Office Building at Owala mine	7,038 sq.ft	Mr P B Kalugalagedera	31 March 2016	Depreciated cost method	LKR Nil to LKR 1,000/- per sq.ft	**5**	5
	Mining Land at Meetiyagoda	35A-10R-4.33P	Mr P B Kalugalagedera	31 March 2016	Market based evidence	LKR 300,000/- to LKR 1,000,000/- per acre	**17**	17
	Mining Land at Dediyawala	50A-0R-05.48P	Mr P B Kalugalagedera	31 March 2016	Market based evidence	LKR 200,000/- per acre	**10**	10
	Land situated at Meetiyagoda	7A-2R-28P	Mr P B Kalugalagedera	31 March 2016	Market based evidence	LKR 750,000/- to LKR 1,750,000/- per acre	**13**	13
	Factory Building and Office Building at Meetiyagoda mine	39,512 sq.ft	Mr P B Kalugalagedera	31 March 2016	Depreciated cost method	LKR 100/- to LKR 500/- per sq.ft	**14**	14
Rocell Ceramics Ltd.	Kiriwaththuduwa Estate, Moonamalwatta Road, Kiriwaththuduwa, Homagama	33A-2R-26.0P	Mr A A M Fathihu	22 February 2017	Market based evidence	LKR 12,000,000/- per acre	**404**	–

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.	
							2020	2019
LB Finance PLC	Kollupitiya - No. 20, Dharmapala Mawatha, Colombo 03	52.82P , 57020 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 25,000,000/ per perch	**2,096**	2,119
	Kollupitiya - No. 676, Galle Road, Colombo 03	167.65P , 63251 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 25,000,000/- per perch	**4,191**	4,491
	Cinnamon Gardens – No. 165, Dharmapala Mawatha, Colombo 07	48.95P , 7400 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 22,500,000/- per perch	**1,155**	1,138
	Kandy – No 115B, Kotugodella Veediya, Kandy	25.76P , 7780 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 20,000,000/- per perch	**531**	520
	Kandy – No 226, D S Senanayake Street, Kandy	7.05P, 3674 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 10,000,000/- per perch	**76**	64
	Kandy – Moragaspitiya watta Road, Balagolla, Kengalla	110P, 2400 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 450,000/- per perch	**55**	49
	Kandy – No. 47/10 A, Luwiss Pieris Mawatha, Buwelikada, Kandy	42.4P	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 900,000/- per perch	**38**	36
	Maradana – No. 104/1, Vipulasena Mawatha, Colombo 10	50.60 P , 5750 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 6,500,000/- per perch	**347**	349
	Nuwara Eliya – No. 35/4, Upper Lake Road, Nuwara Eliya	359P	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 1,200,000/- per perch	**392**	294
	Wellawatta – No. 51A, W A Silva Mawatha, Colombo 06	14.23 P	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 12,000,000/- per perch	**170**	157
	Panadura - No. 37, Jayathilake Mawatha, Panadura	42P , 1925 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 3,000,000/- per perch	**130**	119
	Kalutara – No. 334, Main Street, Kaluthara South	26.27 P, 10620 sq.ft	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 5,000,000/- to LKR 6,500,000/- per perch	**218**	208
	Borella – No. 1024, Maradana Road, Borella	25.5 P	H B Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer	31 March 2020	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 13,500,000/- per perch	**332**	332

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was mainly performed using external independent professional valuers. Based on such assessment no significant change to the revalued carrying amount as at 31 March 2020.

17 — Right-of-use assets

Accounting policy

SLFRS 16 supersedes 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". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under SLFRS 16 is substantially unchanged under LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Under the modified retrospective method the Company has selected to measure the ROU asset, an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying LKAS 17, IFRIC 4 and SoAT on right-to-use of land on lease at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The effect of adoption SLFRS 16 as at 1 April 2019 [increase/(decrease)] is as follows:

	Company	Group
	LKR '000	LKR '000
Assets		
Right-of-use asset	23,191	2,961,170
Property, plant and equipment	–	(178,779)
Other non-financial assets (Lease rentals paid in advance)	–	(260,958)
Total assets	23,191	2,521,433
Liabilities		
Interest-bearing loans and borrowings	23,191	1,348,613
Trade and other payables/liability	–	1,172,821
Total liabilities	23,191	2,521,434

Nature of the effect of adoption of SLFRS 16 >>

The Company has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of SLFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously classified as finance leases >>

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under LKAS 17).
The requirements of SLFRS 16 was applied to these leases from 1 April 2019.

Leases previously accounted for as operating leases >>

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows: >>

	Company	Group
	LKR '000	LKR '000
Operating lease commitments as at 31 March 2019	24,014	5,205,409
Incremental borrowing rate as at 1 April 2019	13.50%	12%–15%
Discounted operating lease commitments at 1 April 2019	23,191	2,821,486
Less:		
Commitments related to short-term leases	–	(46,574)
Add:		
Commitments related to leases previously classified as finance leases	–	19,134
Payments in optional extension periods not recognised as at 31 March 2019	–	22,549
Lease liabilities as at 1 April 2019	23,191	2,816,595

Right-of-use assets/lease liabilities – Company >>

Set below, are the carrying amounts of the Group's right-of-use assets and liabilities and the movements during the period.

	Buildings	Total	Lease liability
	LKR '000	**LKR '000**	LKR '000
Right-of-use asset			
As at 1 April 2019	23,191	23,191	
Additions	112,647	112,647	
Less: depreciation expense	(38,837)	(38,837)	
As at 31 March 2020	97,001	97,001	
Lease liability			
As at 1 April 2019	23,191		23,191
Additions	112,646		112,646
Interest expense	6,728		6,728
Less: payments	(42,008)		(42,008)
As at 31 March 2020	100,557		100,557

Right-of-use assets/lease liabilities – Group >>

Set below, are the carrying amounts of the Group's right-of-use assets and liabilities and the movements during the period.

	Land LKR '000	Buildings LKR '000	Motor vehicles LKR '000	Plant and machinery LKR '000	*Land and immovable estate asset – plantation LKR '000	**Total LKR '000**	Lease liability LKR '000
Right-of-use asset							
As at 1 April 2019	58,420	2,735,653	11,197	14,590	141,311	2,961,171	–
Remeasurement of leasehold right on initial application of SLFRS 16	–	–	–	–	61,001	61,001	–
Additions	–	462,240	–	–	–	462,240	–
Effect of exchange rate differences	–	–	(184)	–	–	**(184)**	–
Less: depreciation expense	(2,511)	(546,236)	(7,615)	(3,088)	(13,424)	**(572,874)**	–
As at 31 March 2020	55,909	2,651,657	3,398	11,502	188,888	**2,911,354**	–
Lease liability							
As at 1 April 2019	43,758	2,597,977	11,092	8,042	88,066	–	2,748,935
Remeasurement of leasehold right on initial application of SLFRS 16	–	–	–	–	67,661	–	67,661
Adjusted balance as at 1 April 2019	43,758	2,597,977	11,092	8,042	155,727	–	2,816,596
Interim remeasurement of leasehold right	–	–	–	–	6,659	–	6,659
Additions	–	411,715	–	–	–	–	411,715
Interest expense	6,049	333,789	645	857	21,331	–	362,671
Less: payments	(4,325)	(597,062)	(8,247)	(4,438)	(27,406)	–	(641,478)
As at 31 March 2020	45,482	2,746,419	3,490	4,461	156,311	–	2,956,163

Useful lives of right of use assets are estimated at the rate of 3 – 36 years.

The following are the amounts recognised in profit or loss >>

	Company **LKR '000**	Group LKR '000
Depreciation expense of right-of-use assets	38,837	572,874
Interest expense on lease liabilities	6,728	362,671
Expense relating to short-term leases (included in cost of sales)	–	2,344
Expense relating to leases of low-value assets (included in administrative expenses)	–	61,112
Total amount recognised in profit or loss	45,565	999,001

Cash outflow from short term leases and leases of low value assets for the year ended 31 March 2020 for the Group is LKR 63,456,000/-.

18 — Biological assets

A biological asset is a living animal or plant. Biological assets are classified as bearer biological assets and consumable 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.

(18.1) Bearer biological assets >>

A bearer plant is a living plant that:

- is used in the production or supply of agricultural produce;
- is expected to bear produce for more than one period; and
- has a remote likelihood of being sold as agricultural produce.

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).

Accounting policy

Basis of recognition >>

Bearer biological assets 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 reliably measured.

Measurement >>

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.

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 labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

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.

Bearer biological assets >>

	Tea LKR '000	Rubber LKR '000	Oil Palm LKR '000	Diversification LKR '000	**Total 2020 LKR '000**	Total 2019 LKR '000
Immature plantations						
Cost or valuation:						
At the beginning of the year	121,578	198,386	91,767	108,100	**519,831**	498,888
Additions	23,652	36,610	44,963	39,949	**145,174**	155,784
Transfers to mature	(48,019)	(42,875)	(12,381)	(24,849)	**(128,124)**	(122,240)
Transfers (from)/to	–	–	(871)	871	**–**	–
Transferred to income statement	–	(11,558)	(1,187)	(1,078)	**(13,823)**	(12,601)
At the end of the year	97,211	180,563	122,291	122,993	**523,058**	519,831
Mature plantations						
Cost or valuation:						
At the beginning of the year	793,951	1,426,032	104,156	77,603	**2,401,742**	2,279,929
Transfers from immature	48,019	42,875	12,381	24,849	**128,124**	122,239
Transferred to income statement	–	(6,437)	–	–	**(6,437)**	(426)
Write off during the year	(73)	–	–	(6,829)	**(6,902)**	–
At the end of the year	841,897	1,462,470	116,537	95,623	**2,516,527**	2,401,742
Accumulated amortisation						
At the beginning of the year	210,903	481,670	9,285	12,786	**714,644**	602,763
Charge for the year	28,864	79,645	5,207	14,784	**128,500**	112,223
Transferred to income statement	–	(6,313)	–	–	**(6,313)**	(342)
Write off during the year	(67)	–	–	(6,122)	**(6,189)**	–
At the end of the year	239,700	555,002	14,492	21,448	**830,642**	714,644
Written down value (mature plantation)	602,197	907,468	102,045	74,175	**1,685,885**	1,687,098
Total bearer biological assets	699,408	1,088,031	224,336	197,168	**2,208,943**	2,206,929

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 17. 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.

(18.2) Consumable biological assets >>

Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets.

Accounting policy

Basis of recognition

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.

Measurement >>

A consumable biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest.

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.

Growing crop nurseries >>

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

	2020 LKR '000	2019 LKR '000
Immature plantations		
Cost:		
At the beginning of the year	36,211	51,824
Additions	9,814	14,273
Transfers to mature plantations	(1,734)	(29,886)
Transferred to statement of profit or loss	(19)	–
At the end of the year	44,272	36,211
Mature plantations		
Cost:		
At the beginning of the year	549,708	484,751
Decrease due to harvest	(16,869)	(45,593)
Increase due to new plantations	1,734	29,886
Change in fair value less costs to sell	53,331	80,662
At the end of the year	587,904	549,706
Total consumable biological assets	632,176	585,918

(18.2.1) Basis of valuation >>

Under LKAS 41 the Company has valued its managed plantations at fair value less cost to sell, Managed timber plantations as at 31 March 2020 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting LKR 44,273 Mn. as at 31 March 2020. 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 2019/20 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 Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

Regulatory and environmental risks >>

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

Supply and demand risks >>

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

Climate and other risks >>

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

Sensitivity analysis >>

Sensitivity variation on sales price >>

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

Managed timber	5%	Base	5%
2020 (LKR Mn.)	LKR 580.54 Mn.	LKR 587.70 Mn.	LKR 595.93 Mn.

Sensitivity variation on discount rate >>

Managed timber	-1%	Base	1%
2020 (LKR Mn.)	LKR 606.95 Mn.	LKR 587.90 Mn.	LKR 570.85 Mn.

Capitalisation of borrowing cost >>

Borrowing costs amounting to LKR 59.723 Mn. (LKR 58.723 Mn. in 2018/19) directly relating to investment in biological assets (immature plantations) have been capitalised during the period, at an average capitalisation rate of 13.59% (13.59% in 2018/19).

(18.3) The useful lives of the assets are estimated as follows: >>

	Group	
	2020 Number of years	2019 Number of years
Non-plantation assets		
Buildings	**40**	40
Plant and machinery	**13**	13
Permanent land development costs	**40**	40
Tools, implements and furniture and fittings	**5-10**	5-10
Motor vehicles	**4 and 5**	4 and 5
Computer hardware and software	**4 and 8**	4 and 8
Plantation assets		
The leasehold rights to JEDB/SLSPC are amortised in equal amounts over the following years		
Bare land	**53**	53
Mature plantations	**30**	30
Permanent land development costs	**30**	30
Buildings	**25**	25
Plant and machinery	**15**	15
Mature plantation (re-planting and new planting)		
Mature plantations (Tea)	**33 1/3**	33 1/3
Mature plantations (Rubber)	**20**	20
Mature plantations (Coconut)	**50**	50
Mature plantations (Cinnamon)	**15**	15
Mature plantations (Coffee and Pepper)	**4**	4
Mature plantations (Pineapple)	**3**	3
Mature plantations (Oil Palm)	**20**	20
Permanent land development costs	**30**	40

No depreciation is provided for immature plantations

19 — Leasehold right over mining lands

	Group 2020 LKR '000	Group 2019 LKR '000
Cost		
At the beginning of the year	15,800	15,800
At the end of the year	15,800	15,800
Accumulated amortisation		
At the beginning of the year	11,562	9,264
Charge for the year	2,619	2,298
At the end of the year	14,181	11,562
Written down value	1,619	4,238

20 — Investment property

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

Accounting policy

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 >>

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

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.

	Group 2020 LKR '000	Group 2019 LKR '000
At the beginning of the year	1,725,250	1,287,007
Additions	–	1,767
Change in fair value	2,051	436,476
At the end of the year	1,727,301	1,725,250

(20.1) Fair value of investment property >>

The following investment properties are revalued during the financial year 2019/20.

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 Ceramic PLC	No. 696,696 1/1, 696 2/1, 696 3/1, 696 4/1, Kollupitiya Road, Colombo 3	1R - 1.12 p	31 March 2020	Mr A A M Fathihu	Market based evidence	LKR 19,000,000/- per Acre	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 2020	Mr A A M Fathihu	Depreciated replacement cost	LKR 7,600/- LKR 10,450/- per sq.ft	129,216
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2020	Mr Ranjan J Samarakone	Market based evidence	LKR 8,000,000/- per Acre	390,895
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9P	31 March 2020	Mr Ranjan J Samarakone	Market based evidence	LKR 5,000,000/- per acre	21,746
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45P	31 March 2020	Mr Ranjan J Samarakone	Market based evidence	LKR 200,000/- per perch	9,000
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90P	31 March 2020	Mr Ranjan J Samarakone	Market based evidence	LKR 50,000/- per perch	345
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2020	Mr Ranjan J Samarakone	Market based evidence	LKR 8,000,000/- per Acre	390,895
	House	981 sq.ft	31 March 2020	Mr Ranjan J Samarakone	Market based evidence	LKR 4,000/- per sq.ft	3,924

"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 Ceramic 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	Mr A A M Fathihu	Market based evidence	LKR 19,000,000/- per acre	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	Mr A A M Fathihu	Depreciated replacement cost	LKR 7,000/- LKR 9,800/- per sq.ft	127,165
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 8,000,000/- per acre	390,895
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 5,000,000/- per acre	21,746
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 200,000/- per perch	9,000
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 50,000/- per perch	345
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 8,000,000/- per acre	390,895
	House	981 sq.ft	31 March 2019	Mr Ranjan J Samarakone	Market based evidence	LKR 4,000/- per sq.ft	3,924

Significant increases (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was obtained by the same independent professional valuer who determined no significant change to the revalued carrying amount provided as at 31 March 2020.

(20.2) Rental income earned from investment property by the Group amounted LKR 36.75 Mn. (2019 – LKR 36. 75 Mn.) Direct operating expenses incurred by the Group amounted to LKR 1.58 Mn. (2019 – LKR 1.64 Mn.).

(20.3) Rental income receivable under the operating lease agreement of investment property is as follows:

	Less than 1 year LKR '000	1-2 year LKR '000	2-3 year LKR '000	3-4 year LKR '000	4-5 year LKR '000	Over 5 years LKR '000
2020	**36,750**	**36,750**	**36,750**	**36,750**	**–**	**–**
2019	36,750	36,750	36,750	36,750	36,750	–

21 — Due to banks

Accounting policy

These include bank overdrafts, syndicated loans and other bank facilities. Due to bank balances are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (Net of transaction cost) and the repayable amount (including interest) is recognised in the statement of comprehensive income over the period of the loan using effective interest rate method.

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Bank overdrafts	**603,298**	298,417	**7,288,886**	5,979,768
Syndicated loans and other bank facilities (Note 21.1)	**–**	–	**22,162,530**	23,565,144
	603,298	298,417	**29,451,416**	29,544,912

(21.1) Securitised borrowings, syndicated loans and other bank facilities – Group >>

	As at 1 April 2019 LKR '000	Loans obtained LKR '000	Interest recognised LKR '000	Repayments Capital LKR '000	Repayments Interest LKR '000	**As at 31 March 2020 LKR '000**
Syndicated loans						
Syndication 1	453,489	–	6,440	(450,000)	(9,929)	**–**
Syndication 2	1,337,429	–	99,261	(1,320,000)	(116,690)	**–**
Syndication 3	1,474,774	–	166,851	(568,750)	(163,842)	**909,033**
Syndication 4	1,242,440	–	136,994	(475,000)	(53,642)	**850,793**
Syndication 5	2,234,285	–	276,245	–	–	**2,510,530**
Syndication 6	1,063,402	–	132,228	–	–	**1,195,630**
Syndication 7	1,045,778	–	131,156	–	–	**1,176,934**
Syndication 8	–	1,290,292	91,066	–	–	**1,381,359**
	8,851,597	1,290,292	1,040,240	(2,813,750)	(344,102)	**8,024,279**

	As at 1 April 2019 LKR '000	Loans obtained LKR '000	Interest recognised LKR '000	Repayments Capital LKR '000	Repayments Interest LKR '000	**As at 31 March 2020 LKR '000**
Term loans						
Bank of Ceylon 1	1,673,002	–	112,304	(1,250,000)	(115,967)	**419,339**
Commercial Bank 1	446,683	–	14,179	(446,000)	(14,862)	**–**
Commercial Bank 2	313,076	–	22,618	(250,000)	(23,068)	**62,626**
Commercial Bank 3	1,225,720	–	139,255	(444,000)	(140,512)	**780,463**
Commercial Bank 4	–	2,496,866	223,310	(468,750)	(217,412)	**2,034,014**
Commercial Bank 5	–	323,200	10,079	(31,200)	(7,430)	**294,649**
Nations Trust Bank 1	286,679	–	12,466	(286,000)	(13,145)	**–**
Nations Trust Bank 2	504,163	–	15,119	(500,000)	(19,282)	**–**
Nations Trust Bank 3	958,163	–	105,116	(252,000)	(105,079)	**706,200**
Nations Trust Bank 4	–	499,430	38,136	(112,000)	(35,580)	**389,986**
Hatton National Bank 1	369,320	–	13,204	(366,830)	(15,694)	**–**
Hatton National Bank 2	525,010	–	42,578	(525,000)	(42,588)	**–**
Hatton National Bank 3	422,296	–	33,086	(420,000)	(35,382)	**–**
Public Bank 1	100,209	–	8,792	(40,000)	(8,906)	**60,096**
Public Bank 2	60,048	–	5,510	(20,000)	(5,529)	**40,029**
Seylan Bank 1	441,560	–	44,290	(250,008)	(46,816)	**189,026**
Seylan Bank 2	1,007,572	–	27,963	(1,000,000)	(35,535)	**–**
Seylan Bank 3	–	1,998,425	62,538	(2,000,000)	(60,962)	**–**
Seylan Bank 4	–	2,000,000	593	(2,000,000)	(593)	**–**
Seylan Bank 5	–	2,000,000	7,693	(2,000,000)	(7,693)	**–**
DFCC Bank 1	489,599	–	49,115	(187,500)	(51,795)	**299,420**
DFCC Bank 2	820,487	–	83,350	(250,000)	(87,001)	**566,836**
DFCC Bank 3	1,181,848	–	126,335	(171,429)	(130,141)	**1,006,613**
DFCC Bank 4	–	997,781	26,869	(33,333)	(18,372)	**972,945**
AXIS Bank	419,833	–	32,988	(416,800)	(36,021)	**–**
Habib Bank	258,133	–	25,614	(100,000)	(25,471)	**158,276**
Sampath Bank	–	2,977,769	221,987	(150,000)	(184,932)	**2,864,825**
CB Bank	–	108,400	11,371	–	(7,915)	**111,856**
	11,503,401	13,401,871	1,516,459	(13,970,850)	(1,493,682)	**10,957,199**
Securitisation loans						
Sampath Bank	3,210,146	–	409,014	(375,000)	(63,109)	**3,181,052**
	3,210,146	–	409,014	(375,000)	(63,109)	**3,181,052**
	23,565,144	14,692,164	2,965,712	(17,159,600)	(1,900,893)	**22,162,530**

(21.2) Contractual maturity analysis of syndicated loans and other bank facilities – Group >>

As at 31 March 2020	Within 1 year LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Syndicated loans	1,882,308	6,141,971	–	8,024,279
Securitisation loans	4,116,438	6,697,944	142,817	10,957,199
Term loans	1,364,312	1,816,740	–	3,181,052
	7,363,058	14,656,655	142,817	22,162,530

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	2,824,822	6,026,775	–	8,851,597
Securitisation loans	396,923	2,813,223	–	3,210,146
Term loans	6,541,666	4,647,492	314,243	11,503,401
	9,763,411	13,487,490	314,243	23,565,145

The Group doesn't have pre-termination options for syndicated loans and other bank facilities.

22 — Due to customers

Accounting policy

Due to customers comprise of interest-bearing savings deposits and term deposits, customer deposits are initially recognised at fair value net of transactions cost. Subsequent to the initial recognition they are measured at their amortised cost using the effective interest rate method. Interest expense on these deposits is recognised to the Income Statement.

	Group	
	2020 LKR '000	2019 LKR '000
Fixed deposits	85,761,985	80,250,164
Certificates of deposit	10,373	88,737
Savings deposits	3,542,740	2,903,716
	89,315,098	83,242,617

(22.1) Contractual maturity analysis of customer deposits >>

As at 31 March 2020	Within 1 year LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Fixed deposits	71,230,588	14,531,397	–	85,761,985
Certificates of deposit	10,373	–	–	10,373
Savings deposits	3,542,740	–	–	3,542,740
	74,783,701	14,531,397	–	89,315,098

As at 31 st March 2019	Within 1 year LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Fixed deposits	62,423,414	17,826,751	–	80,250,164
Certificates of deposit	88,737	–	–	88,737
Savings deposits	2,903,715	–	–	2,903,715
	65,415,867	17,826,751	–	83,242,617

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

23 — Interest-bearing loans and other borrowings

Accounting policy

Debt instruments and other borrowings are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (Net of transaction cost) and the repayable amount (including interest) is recognised in the Income Statement over the period of the loan using effective interest rate method.

Under leases, the leased assets are capitalised and included in "property, plant and equipment" and the corresponding liability to the lessor is included in "Due to Banks". At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the incremental borrowing rate. Finance charges payable are recognised in "Finance Cost" 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 period of the liability.

Company >>

	2020			2019		
	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
Short-term loan	1,000,000	–	1,000,000	500,000	–	500,000
Lease liability (Note 17)	43,553	57,004	100,557	–	–	–
	1,043,553	57,004	1,100,557	500,000	–	500,000

Group >>

	2020			2019		
	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
Lease liability (Note 17)	378,022	2,578,142	2,956,163	18,188	89,012	107,200
Bank loans/Term loans	2,765,498	7,609,174	10,374,672	3,035,524	8,982,803	12,018,327
Short-term loan	8,900,335	–	8,900,335	2,671,766	–	2,671,766
Unsecured debentures (Note 23.2.1)	116,611	2,994,575	3,111,186	116,205	2,991,578	3,107,783
Import loans	771,267	–	771,267	659,883	–	659,883
Factoring	–	–	–	137,883	–	137,883
Others	–	–	–	3,924,123	–	3,924,123
	12,931,733	13,181,891	26,113,624	10,563,572	12,063,393	22,626,965

(23.1) Details of the long-term loans – Group >>

Lender	Approved facility	Rate of interest	Repayment terms	Security
Greener Water Limited.				
Hatton National Bank PLC	LKR 1.7 Bn.	AWPLR+1.5%	To be paid over 60 months (5 years) equal monthly instalments, Grace period – 2 years (Total tenure 7 years)	Corporate Gurantee of Vallibel One PLC
Sampath Bank PLC	LKR 2 Bn.	AWPLR+1%	Settlement - To be paid over 72 months (6 years) 71 equal monthly instalments and separate final instalment, Grace period – 4 Years (Total Tenure 10 years)	Corporate Gurantee of Vallibel One PLC
Delmege				
Muslim Commercial Bank Limited	LKR 500 Mn.	AWPLR+0.70%	Within 5 years	LKR 910,000,000/- Corporate Guarantee from Delmege Ltd.
Hatton National Bank PLC	LKR 125 Mn.	12.5%	Within 9 years	LKR 65,000,000/- Mortgage over land and buildings LKR 60,000,000/- Corporate Guarantee from Delmege Ltd.
Sampath Bank PLC	LKR 2,250 Mn.	AWPLR+2%	Within 7 years	Mortgage over land and buildings
Royal Ceramics Lanks PLC				
Commercial Bank of Ceylon PLC	LKR 3.0 Bn.	At 8.75%	Eight 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 Ceramic 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 109 Mn.	AWPLR+0.25%	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.	AWPLR+0.75%	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.	AWPLR+1.50%	59 equal monthly instalments of LKR 3,335,000/- and a final instalment of LKR 3,235,000/- after a grace period of 6 months	Additional mortgage bond over the property at Baddegedaramulla, Meegoda to be executed
Commercial Bank of Ceylon PLC	LKR 100 Mn.	AWPLR+2.00%	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 LKR 100 Mn. over the factory property at Eheliyagoda to be executed by the Company. (HNB interests –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.	AWPLR+1.50%	60 equal monthly instalments of LKR 2,500,000/- after a grace period of 6 months	Corporate Guarantee additional mortgage bond for LKR 110,000,000/- over the property bearing assessment No. 20, R. A. De Mel Mawatha, Kollupitiya.
Commercial Bank of Ceylon PLC	LKR 150 Mn.	AWPLR+1.50%	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/-	MP Bid and Offer Rate+3.5%	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 interests LKR 350.3 Mn.)

Lender	Approved facility	Rate of interest	Repayment terms	Security
Commercial Bank of Ceylon PLC	LKR 500 Mn.	AWPLR+1.50%	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.	AWPLR+1.25%	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.	AWPLR+1.50%	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.	AWPLR+1.5%	59 equal monthly instalments of LKR 2,550,000/- each and the final instalment of LKR 1,550,000/-	To purchase 1,365,460 Nos of shares of Lanka Walltiles PLC
Commercial Bank of Ceylon PLC	LKR 500 Mn.	AWPLR+1.25%	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 292Mn.	AWPLR+1.50%	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.	AWPLR+0.75%	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.	AWPLR+0.75%	59 equal monthly instalments of LKR 833,400/- and a final instalment of LKR 770,400/- after a grace period of six 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.	AWPLR+0.75%	59 equal monthly instalments of LKR 383,400/- and a final instalment of LKR 379,400/- after a grace period of six months	Corporate Guarantee
Hatton National Bank PLC	LKR 7 Mn.	AWPLR+0.75%	59 equal monthly instalments of LKR 116,700/- and a final instalment of LKR 114,700/- after a grace period of six months	Corporate Guarantee
Hatton National Bank PLC	LKR 14 Mn.	AWPLR+0.75%	59 equal monthly instalments of LKR 233,330/- and a final instalment of LKR 233,520/-	Corporate Guarantee
Hatton National Bank PLC	LKR 28.5 Mn.	AWPLR+0.75%	60 equal monthly instalments of LKR 475,000/-	Corporate Guarantee from
Hatton National Bank PLC	LKR 5.5 Mn.	AWPLR+1%	59 equal monthly instalments of LKR 91,600/- and a final instalment of LKR 95,600/-	Corporate Guarantee from
Hatton National Bank PLC	LKR 12.9 Mn.	AWPLR+1%	60 equal monthly instalments of LKR 215,000/-	Corporate Guarantee from
Hatton National Bank PLC	LKR 130 Mn.	AWPLR+2%	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 Ceramic PLC
Hatton National Bank PLC	LKR 500 Mn.	AWPLR+1.50%	47 equal monthly instalments of LKR 10,400,000/- and a final instalment of LKR 11,200,000/-	Existing 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.

Lender	Approved facility	Rate of interest	Repayment terms	Security
Hatton National Bank PLC	LKR 175 Mn.	AWPLR+1.25%	66 months in 59 equal monthly instalments of LKR 2,900,000/- and a final instalment of 3,900,000/- with a grace period of six months	Corporate guarantee
Commercial Bank of Ceylon PLC	LKR 28 Mn.	AWPLR+5%	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.	AWPLR+1.25.%	59 equal monthly instalments	Primary mortgage bond over Land at Marawila to be executed
Hatton National Bank PLC	LKR 300 Mn.	AWPLR+0.75%	60 equal monthly instalments of LKR 5,000,000/- plus interest commencing after a grace period of six months.	Corporate Guarantee – RCL
Hatton National Bank PLC	LKR 200 Mn.	AWPLR+1.50%	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.	AWPLR+1.50%	60 equal monthly instalments of LKR 1.5 Mn. 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.	AWPLR+1.25%	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.	AWPLR+1.25%	60 equal monthly instalments of LKR 75 Mn. each plus interest commencing after a grace period.	Negative pledge over machinery to be purchased for LKR 45 Mn.
Commercial Bank of Ceylon PLC	LKR 67 Mn.	AWPLR+1.%	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.	AWPLR+1.%	60 equal monthly instalments with six months grace period commencing from May 2014	Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Ltd.
Commercial Bank of Ceylon PLC	LKR 37 Mn.	AWPLR+5.%	59 equal monthly instalments of LKR 615,000/- and a final instalment of LKR 715,000/- following the grace period of six 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.	AWPLR+5.%	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.	AWPLR+1.25.%	59 equal monthly instalments	Primary mortgage bond over Land at Marawila to be executed
Hatton National Bank PLC	LKR 300 Mn.	AWPLR+0.75%	60 equal monthly instalments of LKR 5,000,000/- plus interest commencing after a grace period of six months	Corporate Guarantee – RCL
Hatton National Bank PLC	LKR 200 Mn.	AWPLR+1.50%	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.	AWPLR+1.50%	60 equal monthly instalments of LKR 1.5 Mn. each plus interest commencing after a grace period of 6 months	Negative pledge over machinery to be purchased for LKR 90 Mn.

Lender	Approved facility	Rate of interest	Repayment terms	Security
Hatton National Bank PLC	LKR 100 Mn.	AWPLR+1.25%	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 six months	Negative pledge over Heat Recovery system
Hatton National Bank PLC	LKR 45 Mn.	AWPLR+1.25%	60 equal monthly instalments of LKR 75 Mn. each plus interest commencing after a grace period of six months	Negative pledge over machinery to be purchased for LKR 45 Mn.
Rocell Bathware Limited				
Hatton National Bank PLC	LKR 20 Mn.	AWPLR+0.5%	64 equal monthly instalments	Primary mortgage bond for LKR 250 Mn. over leasehold land and building and machinary (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed. Corporate Guarantee of Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	LKR 25 Mn.	AWPLR+0.25%	53 equal monthly instalments	Primary mortgage bond over water closet casting machine for 25 Mn.
Commercial Bank of Ceylon PLC	LKR 210 Mn.	AWPLR+1.25%	60 equal monthly instalment of LKR 3,500,000/- with a grace period of six months	Primary mortgage bond over the shuttle kiln burner machine for LKR 210 Mn.
Commercial Bank of Ceylon PLC	LKR 57.7 Mn.	AWPLR+0.75%	59 equal monthly instalment of LKR 961,600/- and a final instalment of LKR 965,600/-	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.	AWPLR+0.5%	59 equal monthly instalment of LKR 1,165,000/- and a final instalment of LKR 1,265,000/-	Corporate Guarantee – Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	LKR 300 Mn.	AWPLR+1.50%	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 LKR 240 Mn. to be executed. Corporate Guarantee of Royal Ceramics Lanka PLC
People's Bank	LKR 160 Mn.	AWPLR+1 %	59 equal monthly instalments of LKR 2.7 Mn. each and final instalment of LKR 0.7 Mn. after a grace period of six months	Corporate Guarantee – Royal Ceramics Lanka PLC
Rocell (Pty) Ltd.				
Commercial Bank of Ceylon PLC	AUD 1,175,000	5.5%	60 equal monthly instalment	Corporate Guarantee of Royal Ceramics Lanka PLC
Lanka Ceremic PLC				
Hatton National Bank PLC	LKR 500 Mn.	AWPLR based	60 monthly 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 3 (1R - 1,12 P).
Lanka Walltiles PLC				
Commercial Bank of Ceylon PLC	LKR 584 Mn.	AWPLR+5%	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
DFCC Bank	LKR 100 Mn.	AWPLR+1%	48 monthly instalments	Corporate Grantee from Lanka Tiles PLC.

Lender	Approved facility	Rate of interest	Repayment terms	Security
Lanka Tiles PLC				
DFCC Bank	LKR 165 Mn.	AWPLR+0.5%	84 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.	AWPLR+0.5%	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 1500 Mn.	AWPLR+0.75%	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.
Uni-dil Packaging Limited				
Standard Chartered Bank	USD 310,000	LIBOR+3.8%	Monthly instalment	Mortgage bond for USD 310,000 over moveable machinery and Vehicle
Horana Plantation PLC				
Hatton National Bank PLC	LKR 150 Mn.	AWPLR+1%	72 monthly instalments	Primary mortgage for LKR 150 Mn. over the leasehold rights of Frocester Estate
	LKR 200 Mn.	AWPLR+1.00%		
	LKR 200 Mn.	AWPLR+0.75%		Primary mortgage for LKR 400 Mn. over the leasehold rights of Bambrakelly Estate
	LKR 250 Mn.	AWPLR+2.50%		
	LKR 200 Mn.	AWPLR+1.75%		
Hatton National Bank PLC	LKR 100 Mn.	AWPLR+0.75%	60 monthly instalments	Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla
Hatton National Bank PLC	LKR 130.114 Mn.	AWPLR+1.50%	60 monthly instalments	Primary mortgage over leasehold rights of Bambarakelly Estate
Sri Lanka Tea Board	LKR 33 Mn.	AWPLR+1.00%	48 monthly instalments	No security has been offered
Industry Distress Financing Facility	LKR 46.935 Mn.	5%	36 monthly instalments	No security has been offered
Commercial Bank of Ceylon PLC	LKR 100 Mn.	AWPLR+2.00%	48 monthly instalments, after a 24 months grace period	Primary Floating Mortgage for LKR 120 Mn., over the leasehold rights land and buildings of Stockholm Estate.
Sampath Bank PLC	LKR 100 Mn.	AWPLR+1.80%	72 monthly instalments, after a 24 months grace period	Primary Mortgage for LKR 200 Mn., over the leasehold rights land and buildings of Gouravilla Estate.
Hatton National Bank PLC	LKR 150 Mn.	AWPLR+1.25%	60 monthly instalments	Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla

Lender	Approved facility	Rate of interest	Repayment terms	Security
Swisstek (Ceylon) PLC				
Bank of Ceylon	LKR 170 Mn.	AWPLR+1.50%	54 monthly instalments	Mortgage over immovable property at Balummahara, Imbulgoda
Commercial Bank	LKR 35 Mn.	AWPLR+1.50%	60 monthly instalments	Mortgage over immovable property at Balummahara, Imbulgoda
Swisstek Aluminium Limited				
DFCC Bank	LKR 110 Mn.	AWPLR+1.50%	60 monthly instalments	Mortgage over land, building, plant and machinery, stocks and book debt own by Swisstek Aluminium Ltd.
DFCC Bank	LKR 10 Mn.	AWPLR+0.75%	60 monthly instalments	Mortgage over land, building, plant and machinery
	LKR 500 Mn.	AWPLR+1.4%	60 monthly instalments	
	LKR 193.032 Mn.	AWPLR+1.5%	60 monthly instalments	Movable machinery
Hatton National Bank PLC	LKR 80 Mn.	AWPLR+1.5%	48 monthly instalments	Simple receipt

(23.2) Debt instruments issued and other borrowed funds >>

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Unsecured debentures (Note 23.2.1)	–	–	**3,111,186**	3,107,783
	–	–	**3,111,186**	3,107,783

(23.2.1) 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
Type A (60 months)	Biannually	Listed	1,036,041	1,000,000	12.75% p.a	11 December 2017	11 December 2022
Type B (60 months)	Biannually	Listed	2,075,144	2,000,000	13.25% p.a	11 December 2017	11 December 2022
Total			3,111,186	3,000,000			

24 — Trade and other payables

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Trade and other payables	730	357	2,467,499	3,926,421
Accrued expenses	829	507	1,025,535	827,743
Other payable	3,044	4,701	671,928	344,313
Payable to related parties	15,901	–	24,375	50,816
Bills payables and current account with principal	–	–	366,445	114,192
Unclaimed dividends	–	–	5,648	574,396
Sundry creditors	–	–	1,702,563	1,296,885
Insurance premium payable	–	–	482,244	657,018
Advances collected from customers	–	–	99,166	27,862
	20,504	5,565	6,845,403	7,819,647

25 — Other non-financial liabilities

Accounting policy

Group classifies all non-financial liabilities other than post employment benefit liability, Deferred tax liabilities and current tax liabilities under other non-financial liabilities. Other non-financial liabilities include accruals, advances and provisions. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

Provisions >>

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

	Group	
	2020 LKR '000	2019 LKR '000
Provisions	155,961	112,590
Capital grants (Note 25.1)	29,055	–
Refundable deposits	122,832	125,726
Other statutory payables	15,000	15,000
Impairment provision in respect of off-balance sheet credit exposure	174,848	634,485
	3,955	7,357
	501,651	895,158

(25.1) 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	372	–	(57)	315
Sri Lanka Tea Board	Tea replanting subsidy	Will be amortised at rate applicable to tea mature plantations, after become mature (3.00%)	2,105	4,866	900	–	5,766
Plantation development project/Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	16,573	–	(1,128)	15,445
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	27,137	–	(1,600)	25,538
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	271	–	(17)	254
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	13,900	–	(717)	13,183
Plantation development project	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,854	–	–	–	–
Plantation development project	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,300	–	(165)	3,135
Plantation development project	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	7,290	–	(361)	6,929
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	51,829	3,004	(2,704)	52,129
Rubber Development Department	Rubber factory development	Rate of depreciation applicable to plant and machinery (7.5% p.a.)	675	60	–	(51)	9
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	125,728	3,904	(6,799)	122,833

(25.2) Contract liability >>

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.

	Group	
	2020 LKR '000	2019 LKR '000
As at 1 April	588,028	–
During the year recognised	94,217	588,028
Transfers	(47,639)	–
As at 31 March	634,606	588,028

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.

(25.3) Contract asset >>

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.

	Group	
	2020 LKR '000	2019 LKR '000
As at 1 April	67,190	–
During the year recognised	(16,714)	67,190
As at 31 March	50,476	67,190

The contract assets primarily relate to rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional this usually occurs when the Companies issues an invoice to the customer.

26 — Dividends payable

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.

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Unclaimed dividend	**7,312**	7,325	**81,273**	234,721
	7,312	7,325	**81,273**	234,721

27 — Employee benefit liabilities

Accounting estimates

Our end of 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.

Recognition of actuarial gains and losses >>

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

Expected return on assets >>

Expected return on assets is zero as the plan is not pre-funded.

Funding arrangements >>

The gratuity liability is not externally funded.

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Balance at the beginning of the year	**8,473**	5,976	**1,648,314**	1,478,706
Amount charged for the year	**2,066**	1,434	**166,818**	128,925
Interest cost	**932**	598	**174,960**	145,311
Actuarial (gain)/loss	**570**	465	**100,821**	33,329
Payments made during the year	**–**	–	**(179,730)**	(137,959)
Balance at the end of the year	**12,041**	8,473	**1,911,183**	1,648,314

(27.1) Actuarial assumptions >>

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31 March 2020 and 31 March 2019 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.

	Company		Group	
	2020	2019	**2020**	2019
Discount rate	**10%**	11%	**9% - 10%**	10.77% - 11.50%
Future salary increase	**10%**	10%	**9% - 10%**	10%
Staff turnover	**10%**	5%	**9% - 48%**	10% - 48%
Retirement age	**55 years**	55 years	**55 years**	49 - 55 years

(27.2) 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 2020		
Effect on DBO due to decrease in the discount rate by 1%	898	134,357
Effect on DBO due to increase in the discount rate by 1%	(800)	(117,357)
Salary escalation rate as at 31 March 2020		
Effect on DBO due to decrease in salary escalation rate by 1%	(844)	(102,401)
Effect on DBO due to increase in salary escalation rate by 1%	932	113,310
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

(27.3) The expected benefit payout in the future years for retirement >>

	Company		Group	
	2020	2019	**2020**	2019
Within the next 12 months	**1,002**	–	**276,801**	260,364
Between 1 and 5 years	**3,653**	–	**823,732**	714,675
Beyond 5 years	**7,386**	–	**862,737**	750,506
	12,041	–	**1,953,270**	1,725,545

28 — 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

(28.1) Rights of shareholders >>

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at meetings. All shares rank equally with regard to the Company's residual assets.

29 — Other components of equity

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Treasury shares	**–**	–	**(44,112)**	(44,112)
Statutory reserve fund	**–**	–	**5,115,434**	4,078,023
Fair value reserve	**(2,215,191)**	(1,938,131)	**2,285,842**	(1,937,658)
Foreign currency translation reserve	**–**	–	**83,823**	20,468
Revaluation reserve	**–**	–	**6,576,979**	6,521,281
General reserve	**–**	–	**578,449**	578,449
	(2,215,191)	(1,938,131)	**10,024,732**	9,216,451

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.

Fair value reserve of financial assets at FVOCI comprises the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

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.

Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

Hedge reserve includes the fair value changes on the effective portion of interest rate swaps designated as cash flow hedges.

General reserves are the retained earnings of a company which are kept aside out of company's profits to meet future (known or unknown) obligations.

30 — Non-controlling interests

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

	Group	
	2020 LKR '000	2019 LKR '000
Balance as at 1 April	**24,185,344**	20,571,539
Effect on adopting uniform accounting policies in consolidation	**–**	704,962
Adjusted balance as at 1 April	**24,185,344**	21,276,501
Impact on adopting SLFRS 9	**–**	(100,652)
Impact on adopting SLFRS 16	**(11,243)**	–
Profit for the year	**2,502,456**	2,691,842
Other comprehensive income net of tax	**29,819**	716,823
Dividend write back of unclaimed dividend	**–**	4,343
Acquisition of non-controlling interest	**–**	(35,523)
Dividend paid	**(590,380)**	(367,991)
Balance as at 31 March	**26,115,996**	24,185,344

Principal subsidiaries with non-controlling interests >>

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

	2020			2019		
	LB Finance (PLC)	Royal Ceramics Lanka PLC	Delmege Forsyth & Co. Ltd.	LB Finance (PLC)	Royal Ceramics Lanka PLC	Delmege Forsyth & Co. Ltd.
Non-controlling interests in (%)	33.66	44.02	37.25	33.66	44.02	37.25
Accumulated balance of non-controlling interest	–	9,408,457	289,477	–	9,260,501	182,475
Summarised statement of profit or loss for the year ended 31 March 2020						
Revenue	31,247,283	31,553,600	6,035,621	29,342,212	31,499,457	6,088,349
Cost of sales	(13,631,371)	(21,072,864)	(4,396,965)	(12,953,155)	(21,203,790)	(4,350,151)
Administrative expenses	(5,607,458)	(1,697,322)	(642,786)	(5,613,352)	(1,764,984)	(687,722)
Finance cost	–	(2,286,195)	(579,908)	–	(1,907,269)	(584,368)
Finance income	–	29,808	53,496	–	37,050	51,776
Profit before tax	7,653,186	3,565,717	126,061	7,773,193	4,085,008	(87,803)
Income tax	(2,442,327)	(802,715)	(40,674)	(2,693,771)	(991,157)	(35,317)
Profit after tax	5,210,859	2,763,002	85,388	5,079,422	3,093,851	(123,120)
Profit/(loss) from discountinuing operations	–	(1,663)	(5,537)	–	(10,924)	2,537
Profit:						
Attributable to owners	3,457,111	1,545,674	50,108	3,369,910	1,725,685	(75,668)
Attributable to non-controlling interests	1,753,748	1,215,665	29,743	1,709,512	1,357,242	(44,915)
Total comprehensive income	5,246,871	2,750,023	204,096	5,080,361	3,469,307	635,113
Attributable to owners	3,481,003	1,539,340	128,073	3,370,533	1,941,963	398,544
Attributable to non-controlling interests	1,765,867	1,210,683	76,022	1,709,828	1,527,344	236,569
Summarised statement of financial position as at 31 March 2020						
Current assets	86,207,305	25,307,990	3,958,417	129,847,058	21,466,600	3,096,682
Non-current assets	58,114,346	39,837,321	4,790,572	6,624,248	39,811,812	5,740,203
Current liabilities	86,249,929	19,489,024	3,689,170	81,808,293	17,483,588	3,915,056
Non-current liabilities	34,911,939	11,145,376	1,929,464	36,196,046	11,466,759	1,974,802
Summarised statements of cash flows for the year ended 31 March 2020						
Operating cash flows	4,552,720	1,307,971	(32,773)	(48,628)	222,984	(71,015)
Investing cash flows	165,605	(1,084,855)	(229,965)	(1,079,422)	(3,758,569)	(1,431)
Financing cash flows	(1,956,672)	(1,321,691)	10,198	(586,642)	1,895,656	(310,824)
Net increase/(decrease) in cash and cash equivalents	2,761,653	(1,098,575)	(252,540)	(1,714,692)	(1,639,929)	(383,270)

31 — Revenue

Accounting policy

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. 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.

Interest Income >>

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. The following specific recognition criteria must also be met before revenue is recognised.

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).

(31.1) 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 materials,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 Auctions 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.

(e) 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.

(f) 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.

Set out below is the disaggregation of the Group's/Company's revenue from contracts with customers:

(31.1.1) Geographical segmentation >>

	Group	
	2020 LKR '000	2019 LKR '000
Export sales	**932,959**	868,482
Local sales	**36,522,458**	38,401,687
Total revenue contracts with customers	**37,455,417**	39,270,169
Income from financial services	**31,247,283**	27,420,842
Total revenue	**68,702,700**	66,691,011

(31.1.2) Timing of revenue recognition >>

	Group	
	2020 LKR '000	2019 LKR '000
Goods transferred at a point in time	**36,877,549**	38,808,505
Services transferred over time	**577,868**	461,664
Total revenue contracts with customers	**37,455,417**	39,270,169
Income from financial services	**31,247,283**	27,420,842
Total revenue	**68,702,700**	66,691,011

(31.2) Contract balances >>

	Group	
	2020 LKR '000	2019 LKR '000
Trade receivables (Note 9)	**5,565,775**	5,866,782
Contract assets (Note 25.3)	**50,476**	67,190
Contract liabilities (Note 25.2)	**634,606**	588,028

32 — Dividend income

Accounting policy

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

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Dividend income from associate	**24,365**	22,665	**–**	–
Other	**983,385**	548,776	**3,377**	187,476
	1,007,750	571,441	**3,377**	187,476

33 — Other operating income

Accounting policy

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.

Profit/(loss) on disposal of property, plant and equipment >>

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.

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.

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.

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Profit/(loss) on disposal of property, plant and equipment	–	2,890	(54,507)	(14,215)
Fee and commission income	–	–	85,409	12,759
Hiring income	–	–	–	111,121
Rent income	–	–	162,333	36,750
Change in fair value of consumable biological assets	–	–	56,693	86,509
Change in fair value of investment property	–	–	2,052	436,476
Amortisation of capital and revenue grants	–	–	6,800	13,179
Sundry income	–	–	126,344	246,564
Profit on disposal of investment	2,140	–	2,140	–
Net gain on financial assets at FVTPL	13,906	–	32,748	(2,817)
Management fee	–	–	1,170	1,560
Technical fee income	264,536	264,406	60,714	30,612
	280,582	267,296	481,896	958,498

34 — Profit from operation stated after the following expenses

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Directors' fees	11,192	11,192	41,569	59,936
Auditors' remuneration (fees and expenses)	278	243	28,727	21,042
Audit-related expenses	–	–	6,775	2,734
Non-audit fees to auditors	1,573	1,468	3,826	1,954
Depreciation	54,978	12,116	2,781,975	1,697,880
Amortisation	–	–	114,842	20,042
Professional and legal expenses	–	–	58,277	71,702
Deposit insurance premium	–	–	118,134	106,064
General insurance expenses	299	357	135,593	154,052
Loss on translation of foreign currency	–	–	(23,551)	(51,822)
Donation	16,008	–	19,082	141
Employee benefits including the following				
Other staff costs	92,818	78,010	8,381,289	7,864,701
Defined benefit plan costs – gratuity	2,998	2,032	338,621	276,622
Defined contribution plan costs – EPF and ETF	8,742	7,959	791,879	722,293

35 — Finance cost

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Interest on loans	**115,864**	89,730	**2,325,368**	2,199,805
Interest on bank overdrafts and other charges	**28,171**	21,653	**514,523**	397,667
Interest on leases	**6,728**	–	**237,794**	64,448
Less: Capitalisation of borrowing costs on immature plantations	**–**	–	**(59,732)**	(58,723)
	150,763	111,383	**3,017,953**	2,603,197

36 — Finance income

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Exchange gain	**–**	–	**27,024**	15,555
Interest income	**2,594**	38,389	**59,275**	111,553
	2,594	38,389	**86,299**	127,108

37 — Tax on financial services

Accounting policy

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 NBT on financial services 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%.

Nation Building Tax (NBT) on financial services >>

As per provisions of the Nation Building Tax (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. As per Notice published by the Department of Inland Revenue dated 29 November 2019, NBT was abolished with effect from 1 December 2019.

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. As per notice published by the Department of Inland Revenue dated 20 January 2020, DRL was abolished with effect from 1 January 2020.

	Group	
	2020 LKR '000	2019 LKR '000
Value added tax on financial services	**1,456,843**	1,424,376
Nation building tax on financial services	**137,006**	189,712
Debt repayment levy on financial services	**684,712**	401,531
	2,278,561	2,015,619

38 — Income tax expense

Accounting policy

As per Sri Lanka Accounting Standard – LKAS 12 "Income Taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in "Equity" or "Other Comprehensive Income (OCI)", in which case it is recognised in equity or in OCI.

Current taxation >>

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. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified in Note 38.2 to these financial statements.

Accounting estimates >>

The Group is subject to income taxes and other taxes. Significant judgement was required to determine the total provision for current, deferred and other 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, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and other tax amounts in the period in which the determination is made.

Deferred taxation >>

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 13 to these financial statements.

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

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
(38.1.1) Income Statement >>				
Current income tax				
Income tax for the year	9,528	28,736	3,343,921	2,957,437
WHT on dividend	–	–	178,031	109,206
Under/(over) provision of current taxes in respect of prior years	(100)	–	(15,613)	(3,000)
Unrecoverable ESC	–	–	12,600	60,527
Deferred income tax				
Deferred tax charge/(reversal) (Refer Note 13)	(2,819)	(875)	(65,571)	675,648
	6,609	27,861	3,453,368	3,799,818
(38.1.2) Consolidated Statements of Other Comprehensive Income >>				
Deferred tax charge/(reversal) (Refer Note 13)	160	116	18,064	(984,399)
	160	116	18,064	(984,399)
(38.1.3) Total tax expense for the financial year >>	6,769	27,977	3,471,432	2,815,419

(38.2) Reconciliation between tax charge and the product of accounting profit >>

A reconciliation between the tax expense and the accounting profit multiplied by relevant tax rate for the years ended 31 March is as follows:

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Accounting profit before tax	874,199	503,666	9,756,664	10,540,766
Less: Share of results of associates	–	–	(6,016)	(44,667)
	874,199	503,666	9,750,648	10,496,099
Less: Exempt profit	(1,026,390)	(612,720)	(1,425,210)	(1,204,235)
Add: Non-deductible expenses	247,232	178,785	28,495,797	34,904,403
Less: Deductible expenses	(45,852)	(5,853)	(24,493,544)	(34,283,706)
Less: Tax losses utilised	–	–	(1,142,851)	(792,831)
Add: Income considered as a separate source of income	2,594	38,389	135,198	26,350
Less: Qualifying payment relief	(16,000)	–	(16,000)	–
Taxable income	35,783	102,267	11,304,038	9,146,080

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Tax on taxable income @ 28%	6,577	28,736	2,714,043	2,996,772
Tax on taxable income @ 25%	–	–	10,725	8,136
Tax on taxable income @ 24%	2,951	–	615,922	–
Tax on taxable income @ 18%	–	–	3,231	–
Dividend tax @ 14%	–	–	178,031	57,748
Adjustments inrespect of prior years	(100)	–	(15,613)	988
Unrecoverable ESC	–	–	12,600	60,526
	9,428	28,736	3,518,939	3,124,170
Deferred tax charge/(reversal) @ 28%	(2,819)	(875)	(65,571)	675,648
Income tax expense charged to profit or loss	6,609	27,861	3,453,368	3,799,818
Effective tax rate (%)	0.76	5.53	35.39	36.05
Effective tax rate (excluding deferred tax) (%)	1.08	5.71	36.07	29.64
Accounting profit before tax on financial services	874,199	503,666	12,035,225	12,556,385
Effective tax rate (excluding tax on financial services) (%)	0.76	5.53	28.69	30.26

39 — Discontinued operations

Delmege Coir (Pvt) Ltd. >>

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

Ever Paint and Chemical Industries (Pvt) Ltd. ("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. The results of EPCI for the year is presented below:

During the year 2019/20, Management has reassessed the recoverability of the remaining assets and liabilities as at the reporting date. Management is continued to take steps to dispose the remaining assets of the Company.

(39.1) Loss on discontinued operations >>

	Delmege Coir (Private) Limited		EPCI	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Revenue	–	–	–	10,238
Cost of sales	–	–	–	(24,664)
Gross profit	–	–	–	(14,426)
Finance income	–	229	–	–
Other income and gains	–	15,080	1,074	(1,100)
Selling and distribution costs	–	84	(2,155)	(2,175)
Administrative expenses	(5,536)	(5,293)	(582)	6,777
Other operating expenses	–	(4,362)	–	–
Finance cost	(1)	(3,201)	–	–
Loss for the year from discontinued operations	(5,537)	2,537	(1,663)	(10,924)

	Group	
	2020 LKR '000	2019 LKR '000
Loss from discontinued operations for the year ended	(7,200)	(8,387)
	(7,200)	(8,387)

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

	Delmege Coir (Private) Limited		EPCI	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Assets				
Property, plant and equipment	786	786	36,722	36,722
Inventories	–	5,536	–	–
Trade and other receivables	2,266	2,266	14,696	15,683
Cash and cash equivalents	–	523	612	2,004
Assets held for sale	3,052	9,111	52,030	54,409
Current liabilities				
Trade and other payables	(6,246)	(10,469)	(8,167)	(8,223)
Retirement benefit liability	–	–	–	–
Liabilities directly associated with the assets held for sale	(6,246)	(10,469)	(8,167)	(8,223)
Net assets directly associated with disposal group	(3,194)	(1,358)	43,863	46,186

(39.3) The net cash flows incurred by Delmege Coir (Private) Limited and Ever Paint and Chemical Industries (Pvt) Ltd. ("EPCI") are as follows: >>

	Delmege Coir (Private) Limited		EPCI	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Operating	(6,654)	(37,062)	(2,467)	(10,449)
Investing	1,117	41,110	1,074	6,871
Net cash (outflow)/inflow	(5,537)	4,049	(1,393)	(3,578)

(39.4) Earnings per share >>

	Delmege Coir (Private) Limited		EPCI	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Basic earnings/(losses) for the year from discontinued operations	(1.26)	0.72	(0.08)	(0.55)

(39.5) Asset held for sale – property plant and equipment >>

	Group	
	2020 LKR '000	2019 LKR '000
Delmege Coir (Private) Limited	3,052	9,111
Ever Paint and Chemical Industries (Private) Limited	52,029	54,409
	55,081	63,520

(39.6) Liabilities directly associated with the assets classified as held for sale >>

	Group	
	2020 LKR '000	2019 LKR '000
Delmege Coir (Private) Limited	6,246	10,469
Ever Paint and Chemical Industries (Private) Limited	8,167	8,223
	14,413	18,692

40 — Earnings per share

Accounting policy

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per the Sri Lanka Accounting Standard – LKAS 33 "Earnings Per Share".

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees. The Group does not have any potentially dilutive shares.

Profit and shares details used in the basic earning per share computation >>

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Amounts used as the numerators:				
Net profit attributable to ordinary shareholders of the Company/Parent	**867,590**	475,805	**3,793,640**	4,040,717

	Company		Group	
	2020	2019	**2020**	2019
Number of ordinary shares used as denominators for basic earnings per share				
Weighted average number of ordinary shares in issue	**1,086,559,353**	1,086,559,353	**1,086,559,353**	1,086,559,353

Profit and shares details used in the diluted earning per share computation >>

	Company		Group	
	2020 LKR '000	2019 LKR '000	**2020 LKR '000**	2019 LKR '000
Amounts used as the numerators:				
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**867,590**	475,805	**3,793,640**	4,040,717

	Company		Group	
	2020	2019	**2020**	2019
Number of ordinary shares used as denominators for basic earnings per share				
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	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Net profit attributable to ordinary equity holders of the parent from continuing operations	867,590	475,805	3,793,640	4,040,717
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	–	–	(7,200)	(8,387)
Net profit attributable to ordinary equity holders of the parent for basic earnings	867,590	475,805	3,786,440	4,032,330
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	867,590	475,805	3,786,400	4,032,330

	Company		Group	
	2020	2019	2020	2019
Basic earnings per share	0.80	0.44	3.48	3.71
Basic earnings per share for continuing operations	0.80	0.44	3.49	3.72
Diluted earnings per share	0.80	0.44	3.48	3.71

41 — Fair value measurement

Accounting policy

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/Group has an established control framework for the measurement of fair values. Management 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.

(41.1) Assets measured at fair value >>

As at 31 March	Notes	2020 Fair value measurement using: Quoted prices in active markets Level 1 LKR '000	2020: Significant observable inputs Level 2 LKR '000	2020: Significant unobservable inputs Level 3 LKR '000	2020: Total fair value LKR '000	2019 Fair value measurement using: Quoted prices in active markets Level 1 LKR '000	2019: Significant observable inputs Level 2 LKR '000	2019: Significant unobservable inputs Level 3 LKR '000	2019: Total fair value LKR '000
Financial assets									
Financial assets recognised through profit or loss	4.3	84,630	–	–	84,630	72,557	–	–	72,557
Equity instruments measured at fair value through oci	4.3	25,487	9,098,312	305	9,124,104	7,611,792	593	305	7,612,690
Non-financial assets									
Consumable biological assets	18.2	–	–	632,176	632,176	–	–	585,918	585,918
Investment property	20	–	–	1,727,301	1,727,301	–	–	1,725,250	1,725,250
Property, plant and equipment									
Land and building	16	–	–	31,001,587	31,001,587	–	–	30,276,463	30,276,463
Leasehold rights over mining lands	19	–	–	1,619	1,619	–	–	4,238	4,238
Assets held for sale	39.5	–	–	55,081	55,081	–	–	63,520	63,520
		110,117	9,098,312	33,418,069	42,626,498	7,684,349	593	32,655,694	40,340,636

Transfers into and transfers out of the hierarchy levels during 2019 and 2020 are disclosed in relevant notes.

Valuation methodologies and assumptions >>

Details of valuation methodologies and assumptions are disclosed in the relevant Notes to the Financial Statements.

(41.2) Assets not carrying at fair value in the financial statements and valued using significant unobservable inputs: >>

As at 31 March	Notes	2020 Fair value LKR '000	2020 Carrying value LKR '000	2019 Fair value LKR '000	2019 Carrying value LKR '000
Financial assets at amortised cost – loans and advances	5	59,836,524	58,793,345	39,801,010	47,773,705
Financial assets at amortised cost – lease rentals receivable and stock out on hire	6	62,563,940	60,626,670	67,417,086	66,050,429
		122,400,464	119,420,015	107,218,097	113,824,134

Valuation methodologies and assumptions >>

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, pre-payment speed, and applicable spreads to approximate current rates. Our assumptions regarding pre-payment 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.

(41.3) Other financial assets and financial liabilities not carried at fair value >>

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Majority of the interest-bearing loans and borrowing balances comprise floating rate instruments Therefore fair value of the value due to bonus approximate to the carrying value as at the reporting date.

Accordingly, the following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value.

Financial assets >>

Cash and cash equivalent
Other financial assets
Trade and other debtors

Financial liabilities >>

Due to banks
Due to customers
Interest bearing loans and borrowings
Trade and other payables

42 — Segment information

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.

(42.1) Operating segment information >>

	Lifestyle sector		Finance sector		Aluminium sector		Plantation sector	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Income statement								
Revenue	24,594,166	25,090,887	31,247,283	29,207,761	3,139,146	3,089,557	1,762,154	2,020,360
Intra group revenue	52,964	15,929	–	–	95,799	44,065	–	–
Total revenue	24,647,130	25,106,816	31,247,283	29,207,761	3,234,945	3,133,622	1,762,154	2,020,360
Results								
Gross profit	9,845,711	9,689,661	17,615,912	16,254,606	576,528	533,355	(217,542)	165,106
Dividend Income	972	825	6,777	9,831	–	–	–	–
Other operating income	276,087	629,378	105,357	124,620	11,040	8,395	63,593	106,549
Administrative expenses	(1,406,275)	(1,483,547)	(5,607,458)	(5,057,036)	(100,092)	(188,162)	(171,770)	(136,222)
Distribution expenses	(4,389,213)	(4,529,512)	(552,613)	(539,173)	(244,597)	(198,261)	–	–
Other operating expenses	(76,583)	(76,672)	(1,636,229)	(1,004,341)	–	–	–	–
Gold loans auction losses	–	–	–	(1,043)	–	–	–	–
Results from operating activities	4,250,699	4,230,134	9,931,746	9,787,464	242,879	155,327	(325,719)	135,433
Finance cost	(2,102,306)	(1,438,617)	–	–	(296,337)	(334,630)	(146,642)	(130,699)
Finance income	303,213	52,467	–	–	–	–	–	–
Net finance cost	(1,799,093)	(1,386,150)	–	–	(296,337)	(334,630)	(146,642)	(130,699)
Share of results of equity accounted investees	–	–	–	–	–	–	–	–
Reclassification of the gain/loss recognised in OCI through retained earnings	–	–	–	–	–	–	–	–
Profit before tax on financial services	2,451,606	2,843,984	9,931,746	9,787,464	(53,458)	(179,303)	(472,361)	4,734
Tax on financial services	–	–	(2,278,560)	(2,015,619)	–	–	–	–
Profit/(loss) before tax	2,451,606	2,843,984	7,653,186	7,771,844	(53,458)	(179,303)	(472,361)	4,734
Tax expense	(705,169)	(930,040)	(2,442,327)	(2,693,771)	13,571	54,496	(24,493)	(2,546)
Profit for the year from continuing operations	1,746,437	1,913,944	5,210,859	5,078,073	(39,887)	(124,807)	(496,854)	2,188
Profit/(loss) after tax for the year from discontinued operations	–	–	–	–	–	–	–	–
Profit/loss for the year	1,746,437	1,913,944	5,210,859	5,078,073	(39,887)	(124,807)	(496,854)	2,188
Assets and liabilities								
Segment assets	47,751,828	47,778,474	144,548,603	140,871,653	3,884,145	4,424,811	3,724,345	3,799,058
Total assets	47,751,828	47,778,474	144,548,603	140,871,653	3,884,145	4,424,811	3,724,345	3,799,058
Segment liabilities	26,050,320	28,139,101	121,388,823	119,360,320	2,710,419	3,209,960	2,924,629	2,491,171
Total liabilities	26,050,320	28,139,101	121,388,823	119,360,320	2,710,419	3,209,960	2,924,629	2,491,171
Other segment information								
Total cost incurred during the period to acquire	1,382,111	3,755,472	777,121	2,320,005	44,628	175,487	155,386	180,137
Intangible assets	2,062	12,412	29,339	9,215	–	–	–	–
Depreciation and amortisation PPE and intangible assets	1,431,815	1,210,380	476,057	438,279	104,800	99,463	187,691	168,690
Provisions for employment benefit liability	142,213	147,815	117,650	39,130	5,595	4,349	91,779	62,829

Leisure sector		Consumer sector		Investment sector		Other sectors		Total segments		Eliminations/ adjustments		Group	
2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
–	–	4,011,706	3,675,134	–	–	3,948,245	3,786,935	68,702,700	66,870,634	–	(179,623)	68,702,700	66,691,011
–	–	–	–	–	–	639,261	541,016	788,024	601,010	(788,024)	(601,010)	–	–
–	–	4,011,706	3,675,134	–	–	4,587,506	4,327,951	69,490,724	67,471,644	(788,024)	(780,633)	68,702,700	66,691,011
–	–	849,764	779,847	–	–	1,069,758	865,896	29,740,131	28,288,471	(96,565)	(41,549)	29,643,566	28,246,922
–	–	–	–	1,007,750	571,441	–	–	1,015,499	582,098	(1,012,122)	(394,621)	3,377	187,476
–	–	55,698	28,911	280,581	267,296	377,132	535,727	1,169,488	1,700,875	(687,592)	(742,377)	481,896	958,498
(41,795)	(41,613)	(165,819)	(211,519)	(265,962)	(233,457)	(713,226)	(735,838)	(8,472,397)	(8,087,394)	455,397	578,696	(8,017,000)	(7,508,698)
–	–	(342,842)	(453,983)	–	–	(193,614)	(186,761)	(5,722,879)	(5,907,690)	271,728	175,082	(5,451,151)	(5,732,607)
–	–	–	(1,979)	–	(28,620)	1	(5,885)	(1,712,811)	(1,117,497)	12,986	(45,245)	(1,699,825)	(1,162,742)
–	–	–	–	–	–	–	–	–	(1,043)	–	–	–	(1,043)
(41,795)	(41,613)	396,801	141,277	1,022,369	576,660	540,051	473,138	16,017,031	15,457,820	(1,056,168)	(470,014)	14,960,863	14,987,806
(1,087)	(177)	(487,310)	(500,133)	(150,763)	(111,383)	(196,188)	(231,583)	(3,380,633)	(2,747,223)	362,680	144,026	(3,017,953)	(2,603,197)
401	873	17,153	38,337	2,594	38,389	120,272	102,438	443,633	232,504	(357,334)	(105,396)	86,299	127,108
(686)	696	(470,157)	(461,796)	(148,169)	(72,994)	(75,916)	(129,145)	(2,937,000)	(2,514,719)	5,346	38,629	(2,931,654)	(2,476,089)
6,016	44,667	–	–	–	–	–	–	6,016	44,667	–	–	6,016	44,667
–	–	–	–	–	–	–	–	–	–	–	–	–	–
(36,465)	3,750	(73,356)	(320,519)	874,200	503,666	464,135	343,994	13,086,047	12,987,768	(1,050,822)	(431,384)	12,035,225	12,556,385
–	–	–	–	–	–	(1)	–	(2,278,561)	(2,015,619)	–	–	(2,278,561)	(2,015,619)
(36,465)	3,750	(73,356)	(320,519)	874,200	503,666	464,135	343,994	10,807,486	10,972,148	(1,050,822)	(431,384)	9,756,664	10,540,765
–	(254)	(48)	(2,786)	(6,608)	(27,861)	(103,599)	(87,854)	(3,268,673)	(3,690,616)	(184,695)	(109,202)	(3,453,368)	(3,799,818)
(36,465)	3,496	(73,404)	(323,306)	867,592	475,805	360,535	256,139	7,538,813	7,281,532	(1,235,517)	(540,586)	6,303,296	6,740,948
–	–	–	–	–	–	(7200)	(8,387)	(7200)	(8,387)	–	–	(7,200)	(8,387)
(36,465)	3,496	(73,404)	(323,306)	867,592	475,805	353,334	247,752	7,531,613	7,273,145	(1,235,517)	(540,586)	6,296,096	6,732,559
6,928,509	5,983,842	2,433,328	2,461,323	30,105,574	28,598,748	10,587,837	9,925,621	249,964,169	243,843,529	(7,497,038)	(14,502,026)	242,467,131	229,341,505
6,928,509	5,983,842	2,433,328	2,461,323	30,105,574	28,598,748	10,587,837	9,925,621	249,964,169	243,843,529	(7,497,038)	(14,502,026)	242,467,131	229,341,505
1,994,805	1,007,209	4,442,911	4,387,499	1,743,712	820,474	3,657,105	3,498,101	164,912,724	162,913,834	(2,505,201)	(8,128,242)	162,407,523	154,785,593
1,994,805	1,007,209	4,442,911	4,387,499	1,743,712	820,474	3,657,105	3,498,101	164,912,724	162,913,834	(2,505,201)	(8,128,242)	162,407,523	154,785,593
962,747	1,270,333	1,246	6,119	7,971	30,493	94,042	30,735	3,425,252	7,768,781	330	–	3,425,582	7,768,781
–	–	–	–	–	–	21,441	422	52,842	22,049	–	–	52,842	22,049
14,062	6,562	3,829	8,853	16,141	12,116	19,023	122,314	2,253,418	2,066,657	45,245	45,245	2,298,663	2,111,903
826	632	1,522	2,656	2,998	2,032	(20,805)	14,794	341,778	274,236	–	–	341,778	274,236

(42.2) Reconciliation of reportable segment profit or loss, assets and liabilities >>

Reconciliation of reportable segment profit or loss, assets and liabilities

	Group	
	2020 LKR '000	2019 LKR '000
Reconciliation of net profit for the year		
Segment net profit for the year	7,538,813	7,281,532
Loss after tax for the year from discontinued operations	(7,200)	(8,387)
Inter company dividend income (elimination)	(1,137,492)	(394,621)
Dividend tax on inter company dividend income	(184,695)	(109,202)
Inter/intra segment elimination	(38,700)	(36,763)
Group net profit for the year	6,296,096	6,732,559
Reconciliation of assets and liabilities		
Segment assets	249,964,169	243,843,529
Assets of discontinued operations	55,081	63,520
Investment in subsidiaries (elimination)	(20,230,723)	(20,230,723)
Inter company balance (elimination)	877,884	(6,183,961)
Financial assets – fair value through profit and loss (elimination)	(14,490)	(17,814)
Financial assets – fair value through OCI (elimination)	(33,349)	(42,359)
Intangible assets reconised/(eliminated)	11,631,985	11,674,810
Share of associate companies accumilated profit and OCI net of dividend received	216,574	234,503
Group assets	242,467,131	229,341,505
Segment liabilities	164,912,724	162,913,834
Liabilities of discontinued operations	14,413	18,692
Inter company balance (eliminations)	(2,519,614)	(8,146,934)
Group liability	162,407,523	154,785,592

43 — Commitments and contingencies

(43.1) 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.

	Group	
	2020 LKR '000	2019 LKR '000
Contingent Liabilities		
Guarantees issued to banks and other institutions	12,570	5,270
Counter indemnity issued to banks for guarantees*	76,202	–
Import LC and ordinary guarantees	83,753	–
Total contingent liabilities	172,525	5,270

* Contingent liability as at 31 March 2020, on counter indemnity for letter of guarantee issued by Sampath Bank PLC on behalf of LB Microfinance Myanmar Company Limited favouring CB Bank Limited, Myanmar. Total of this sum relates to the term loan facility obtained by LB Microfinance Myanmar Company Limited.

(a) Lanka Walltiles PLC >>

As at the reporting date, the Lanka Walltiles PLC has received assessments issued by the Department of Inland Revenue inrespect of Income tax, value added tax and economic service charge totalling LKR 46,988,405/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch. The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly no provision for liability has been made in these Financial Statements.

(b) Horana Planatations 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.

(c) Royal Ceramics Lanka PLC >>

Companies within the Group issued corporate guarantees in favour of Royal Ceramics Lanka PLC, Rocell Bathware Ltd. and Ever Paint and Chemical Industries (Pvt) Ltd. guaranteeing loans, interest and other charges of the loans. Further, Commercial Bank of Ceylon PLC has offered a combined letter of guarantee facility for the above-mentioned companies amounting to LKR 100 Mn. and at the reporting date total guaranteed value is LKR 41.4 Mn.

The Department of Inland Revenue has issued two assessments claiming an additional income tax of LKR 156 Mn. and penalty of LKR 78 Mn. for the year of assessments 2013/14 and 2014/15. The Company has filed appeals against these assessments and subsequent determinations on those appeals were not in favour of the Company. Currently the Company is in the process of appealing to the Tax Appeal Commission. The Directors believe, based on the information currently available, the amounts provided in the accounts based on the proposal submitted is reasonable and that the ultimate resolution of such assessments is not likely to have a material adverse effect on the Company. Accordingly, provision for additional income tax and penalties including the resulting adjustment of deferred taxation on carried forward tax losses have not been made in these Financial Statements.

(d) 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 is not likely to have a material impact on the Group.

(e) LB Finance PLC >>

LB Finance PLC has issued guarantees to Banks and other institutions amounting to LKR 172 Mn.

(f) Vallibel One PLC >>

The Company has issued a Corporate guarantee in favour of Greener water Limited as stated on Note 21.

(43.2) Commitments >>

	Group	
	2020 LKR '000	2019 LKR '000
Contracted but not provided for	**633,554**	94,735
Unutilised facilities	**1,644,424**	1,815,586
Rent	**–**	12,730
	2,277,978	1,923,052

(43.3) Litigation against the Company/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	
	2020 LKR '000	2019 LKR '000
Cases pending against the Company (values claimed)	83,260	39,260
	83,260	39,260

44 — Events after the reporting period

Subsequent to the outbreak of COVID-19, the Group has taken all recommended measures by the Government to ensure the health and safety of its employees, customers, suppliers and stakeholders during this challenging time. A procedure has been implemented to carry out regular (daily) health condition check of all employees and maintain a data base in order to ensure the safety of the employees. The Group have provided adequate work from home and remote working facilities for its employees to ensure the safety of the employees while avoiding unnecessary delays in operation.

The impact of the COVID-19 pandemic on Sri Lanka's economy and global demand and supply cannot be predicted at this time. Therefore, the overall future impact on the operations of the Group is not predictable as more time is required to measure and quantify the exact impact of COVID-19 on the Group's operation. The necessary cost controlling mechanisms have been adapted by the Group to overcome the risk of rising cost of production and required strategies have been implemented to preserve liquidity and curtail losses.

As COVID-19 pandemic is expected to be short term and business operations are getting back to normalcy, we do not expect any impairment provisioning on the carrying value of assets in the balance sheet. The Group management is confident that the Group has the resources and capability to withstand the negative effect and uncertainty this pandemic has created.

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

45 — Related party disclosures

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.

Details of related party transactions during the year are as follows;

(45.1) Transactions with Key Management Personnel (KMPs) >>

Related party includes KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Such KMPs include the Board of Directors of the Company (inclusive of Executive and Non-Executive Directors), KMPs of the subsidiary and KMPs of the parent company.

	Company		Group	
As at 31 March	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Short-term employment benefits	–	–	658,210	590,350
Directors' fees and expenses	11,186	11,186	50,939	15,149
Post employment benefits	–	–	121,892	56,283
	11,186	11,186	831,041	661,782

In addition to the above, the Company has also paid non-cash benefits such as vehicles and fuel to Key Management Personnel in line with the approved employment benefits of the Company.

(45.2) Transactions, arrangements and agreements involving KMPs and their close members of the family (CMFs >>

CMFs of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity.

	Group	
	2020 LKR '000	2019 LKR '000
Statement of Financial Position		
Liabilities		
Fixed deposits	523,210	895,284
Cash and cash equivalents	25,191	–
Trade debtors	8,387	–
	556,788	895,284
Income Statement		
Interest expense on customer deposits	84,617	83,835
Sale of goods/services	19,165	–
Purchase of goods/services	258,153	–
	361,936	83,835
Other transactions		
Deposits accepted during the year	96,232	244,761
Dividend paid on shareholdings	3,764	1,567
Rent expenses	7,309	8,234
Transport expenses	48,906	4,625
Sales	563	55
	156,772	259,241

(45.3) Transaction, arrangements and agreements involving entities which are controlled, and/or jointly controlled by the KMPs and their CMFs >>

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Statement of financial position				
Assets				
Due from other related parties	16,768	5,867	16,768	5,867
Repo	–	5,000	–	5,000
	16,768	10,867	16,768	10,867
Income statement				
Technical fees	60,714	30,612	60,714	30,612
Interest income on repo and fixed deposits	2,594	38,389	2,594	38,389
Sale of goods and services	–	–	7,309	19,165
Purchase of good and services	–	–	48,906	258,153
	63,308	69,001	119,523	346,320

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Other transactions				
Investment in fixed deposits	758,302	2,078,934	758,302	2,078,934
Withdrawal of fixed deposit	(758,302)	(2,797,876)	(758,302)	(2,797,876)
	–	(718,943)	–	(718,943)

(45.4) Transactions with group entities >>

The Group entities include the parent, fellow subsidiaries and associate companies of the parent.

Transactions with Parent Company >>

Vallibel One PLC does not have an identifiable parent of its own. The Group's ultimate controlling party is Mr K D D Perera and transactions with ultimate controlling party has been disclosed under KMP disclosures.

Transactions with subsidiary >>

	Company	
	2020 LKR '000	2019 LKR '000
Statement of Financial Position		
Assets		
Investment in equity securities	20,230,723	20,230,723
Due from related parties	129,373	94,490
	20,360,096	20,325,213
Liabilities		
Due to related parties	15,901	–
	15,901	–
Statement of Profit and Loss		
Dividend income	987,773	370,593
Technical fee income	203,821	233,794
	1,191,595	604,387

	Company		Group	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Transactions with fellow subsidiaries and associate				
Income statement				
Dividend income	19,977	19,977	24,365	22,665
	19,977	19,977	24,365	22,665
Other transactions				
Reimbursement of expenses	–	–	9,449	–
	–	–	9,449	–

All related party transactions disclosed under Note 45 were identified as arms length transactions and all settlements has been done when payment is due.

46 — 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.

	2020			2019		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and bank	7,684,456	–	7,684,456	5,238,208	–	5,238,208
Financial assets recognised through profit or loss	84,630	–	84,630	72,557	–	72,557
Financial assets at amortised cost – loans and receivables	43,995,961	14,797,384	58,793,345	35,394,824	12,378,881	47,773,705
Financial assets at amortised cost – lease rentals receivable and stock out on hire	25,645,341	34,981,329	60,626,670	25,707,053	40,343,376	66,050,429
Equity instruments measured at fair value through OCI	9,123,517	587	9,124,104	7,612,690	–	7,612,690
Other financial assets	9,337,263	–	9,337,263	11,070,794	–	11,070,794
Trade and other debtors, deposits and prepayments	6,715,339	756,667	7,472,006	7,345,669	–	7,345,669
Contract asset	50,476	–	50,476	67,190	–	67,190
Other non-financial assets	1,376,650	–	1,376,650	2,196,026	–	2,196,026
Investments in subsidiaries	–	–	–	–	–	–
Investment in associate	–	622,465	622,465	–	640,394	640,394
Deferred tax assets	–	269,987	269,987	–	108,344	208,182
Income tax recoverable	99,039	–	99,039	202,038	–	202,038
Inventories	18,055,557	–	18,055,557	15,674,646	–	15,674,646
Intangible assets	–	12,884,917	12,884,917	–	12,921,477	12,921,477
Consumable biological assets	632,176	–	632,176	585,918	–	585,918
Investment property	–	1,727,301	1,727,301	–	1,725,250	1,725,250
Property, plant and equipment	–	50,658,035	50,658,035	–	45,634,572	49,888,573
Leasehold rights over mining lands	–	1,619	1,619	–	4,238	4,238
Right-of-use assets	–	2,911,354	2,911,354	–	–	–
Assets held for sale	55,081	–	55,081	9,111	54,409	63,520
Total assets	122,855,486	119,611,645	242,467,131	111,176,724	113,810,941	229,341,505

	2020			2019		
	Within 12 months LKR '000	**After 12 months LKR '000**	**Total LKR '000**	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Liabilities						
Due to banks	**9,575,786**	**19,875,630**	**29,451,416**	29,230,667	314,245	29,544,912
Due to customers	**74,783,700**	**14,531,398**	**89,315,098**	65,415,867	17,826,750	83,242,617
Interest-bearing loans and borrowings	**12,931,733**	**13,181,891**	**26,113,624**	10,563,572	12,063,393	22,626,965
Trade and other payables	**6,303,672**	**541,731**	**6,845,403**	7,819,647	–	7,819,647
Other non-financial liabilities	**363,819**	**137,832**	**501,651**	754,432	140,726	895,158
Contract liabilities	**634,606**	**–**	**634,606**	588,028	–	588,028
Dividend payable	**81,273**	**–**	**81,273**	234,721	–	234,721
Employee benefit liabilities	**276,801**	**1,634,382**	**1,911,183**	260,364	1,387,950	1,648,314
Income tax liabilities	**955,249**	**–**	**955,249**	1,461,264	99,838	1,561,102
Deferred tax liabilities	**–**	**6,583,607**	**6,583,607**	–	6,605,437	6,605,437
Liabilities directly associated with the assets classified as held for sale	**14,413**	**–**	**14,413**	18,692	–	18,692
Total liabilities	**105,921,052**	**56,486,471**	**162,407,523**	116,347,254	38,438,339	154,785,593

47 — Assets pledged

The following assets have been pledged as security for liabilities other than that is disclosed under Note 23.1.

Nature of assets	Nature of liability	**Carrying amount pledged 2020 LKR '000**	Carrying amount pledged 2019 LKR '000	Included under
Delmege Group				
Fixed deposit	Primary mortgage for overdraft facility	**–**	8,000,000	Other financial assets
Land and building	Land and building pledged for loan facility and corporate guarantee	**65,000,000**	65,000,000	Property, plant and equipment
Land and building	Land and building pledged for LC/Import loan, overdraft, term loan and bank guarantee facilities.	**3,000,000,000**	3,000,000,000	Property, plant and equipment
Fixed deposit	Lien over fixed deposit pledged for bank guarantee facilities.	**29,299,732**	26,836,154	Other financial assets
Fixed deposit	Lien over fixed deposit pledged for overdraft	**143,837,476**	130,573,739	Other financial assets
Stocks and book debtors	Lien over stocks and book debtors pledged for LC, Import finance, short term loan and guarantee facilities	**160,000,000**	160,000,000	Inventories and trade and other debtors
Stocks and book debtors	Lien over stocks and book debtors pledged for overdraft	**35,000,000**	150,000,000	Inventories and trade and other debtors
Stocks and book debtors	Lien over stocks and book debtors pledged for overdraft, LC, Import finance, short-term loan and guarantee facilities	**900,000,000**	650,000,000	Inventories and trade and other debtors
Stocks and book debtors	Lien over stocks and book debtors pledged for LC, short term loan and guarantee facilities	**350,000,000**	350,000,000	Inventories and trade and other debtors
Fixed deposit	Lien over fixed deposit pledged for overdraft	**19,300,000**	17,300,000	Other financial assets

Nature of assets	Nature of liability	Carrying amount pledged 2020 LKR '000	Carrying amount pledged 2019 LKR '000	Included under
LB Finance PLC				
Lease rentals receivable and stock out on hire/loans and receivables	Debt funding from banks	**24,730,786**	28,094,634	Lease rentals receivable and stock out on hire/Loans and advances
Freehold land and building	Term loans	**1,979,558**	1,181,848	Property, plant and equipment

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 '000
Import loan 1 (Hatton National Bank PLC)	Immovable property	110,000
	Inventories and debtors	145,000
Import loan 2 (Standard Chartered Bank)	Land and building, immovable machinery and debtors	70,000
	Inventories and debtors	134,000
Import loan 3 (DFCC Bank)	Inventories and debtors	150,000

Uni Dil Packaging Solutions Ltd. (Previously kown 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 Hong Kong and Shanghai Banking corporation.

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.	12.50% p.a.	100,000
Commercial Bank of Ceylon PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	9.97% p.a. (AWPLR+0.5%)	250,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings, fixed and floating assets.	10.22% p.a. (AWPLR+0.75%)	150,000
Sampath Bank PLC	Primary Mortgage Bond for LKR 100 Mn. over leasehold rights of Gouravilla Estate.	11.31% p.a. (AWPLR+1.8%)	100,000

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 loan)	Primary mortgage over plant and machinery	AWPLR (11.79%)	200,000
DFCC Bank (Import loan and Bank overdarfts	Secondary mortgage over stock and book debtors	AWPLR (11.79%)	800,000

48 — Risk management disclosures

(48.1) 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 optimised 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.

(48.2) 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 as 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 7 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.

(48.2.1) 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:

	Company			
As at 31 March	2020		2019	
	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 equivalent	**10,134**	**–**	13,662	13,662
Financial assets recognised through profit or loss	**48,608**	**48,608**	36,426	36,426
Equity instruments measured at fair value through OCI	**9,097,725**	**9,097,725**	7,564,746	7,564,746
Trade receivables	**146,141**	**146,141**	94,490	94,490
Other financial assets	**–**	**–**	–	–
	9,302,608	**9,292,474**	7,709,324	7,709,324

As at 31 March	Group			
	2020		2019	
	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 equivalent	7,684,456	7,684,456	5,238,208	5,238,208
Financial assets recognised through profit or loss	84,630	84,630	72,557	72,557
Trade receivables	5,885,399	5,885,399	6,273,367	6,273,367
Financial assets at amortised cost – loans and receivables	61,176,382	6,290,708	49,099,030	5,921,776
Financial assets at amortised cost – lease rentals receivable and stock out on hire	63,534,702	3,117,674	91,433,796	3,111,225
Equity Instruments measured at FVOCI	9,124,104	9,124,104	7,612,690	7,612,690
Other financial assets	9,337,262	3,874,527	11,070,794	5,921,776
Total financial assets	156,826,935	36,061,498	170,800,442	34,151,599

(48.2.2) 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	10,134	–	–	10,134
Financial investments – FVTPL	48,608	–	–	48,608
Equity instruments measured at FVOCI	9,097,725	–	–	9,097,725
Amounts due from related parties	146,143	–	–	146,143
	9,302,610	–	–	9,302,610

Comparative year	Group			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and cash equivalent	13,662	–	–	13,662
Financial assets recognised through profit or loss	36,426	–	–	36,426
Equity instruments measured at fair value through OCI	7,564,746	–	–	7,564,746
Amounts due from related parties	94,490	–	–	94,490
	7,709,324	–	–	7,709,324

Current Year	Group			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and cash equivalents	7,684,456	–	–	7,684,456
Trade receivables	4,220,272	582,333	1,082,794	5,885,399
Financial assets recognised through profit or loss	84,630	–	–	84,630
Financial assets at amortised cost – loans and receivables	34,471,513	22,430,940	4,273,929	61,176,382
Financial assets at amortised cost – lease rentals receivable and stock out on hire	13,119,185	41,346,210	9,069,308	63,534,703
Equity instruments measured at fair value through OCI	9,124,103	–	–	9,124,103
Other financial assets	9,337,263	–	–	9,337,263
Total financial assets	78,041,421	64,359,483	14,426,031	156,826,936

Comparative year	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	6,273,368
Financial assets recognised through profit or loss	72,557	–	–	72,557
Financial assets at amortised cost – loans and receivables	31,592,670	14,976,650	2,529,711	49,099,031
Financial assets at amortised cost – lease rentals receivable and stock out on hire	29,125,389	34,247,262	5,103,566	68,476,217
Equity instruments measured at fair value through OCI	7,612,690	–	–	7,612,690
Other financial assets	11,035,742	35,052	–	11,070,794
Total financial assets	88,980,706	50,789,576	8,072,583	147,842,865

(48.3) 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. With the onset of COVID-19 pandemic in late March of this year, the Group introduced more rigour to the processes already in place to manage its liquid assets. While closely monitoring any developments related to the pandemic, it has continued to keep its risk management measures under review to readily respond to changing circumstances. The Group is comfortable with its existing buffer of liquid assets. The actions taken will help to maintain existing liquidity position while mitigating any disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic.

Assets and Liability Management Committee (ALCO) >>

ALCO is chaired by the Managing Director and comprises 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.

Capital management >>

The primary objective of Group's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

The Companies with in the Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company/Group includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents.

(48.3.1) Analysis of liquidity risk exposure >>

48.3.1 (a) The table below summarises 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 cash equivalents	5,775,747	1,908,710	–	–	–	7,684,457
Financial assets recognised through profit or loss	67,808	–	16,820	–	–	84,628
Financial assets at amortised cost – Loans and advances	11,594,373	23,622,717	14,943,052	19,459,546	2,432,744	72,052,432
Financial assets at amortised cost – Lease rentals receivable and stock out on hire	5,629,677	8,541,583	22,927,722	46,402,437	29,862	83,531,281
Equity instruments measured at fair value through OCI	9,123,517	–	–	587	–	9,124,104
Other financial assets	230,017	1,262,702	8,354,280	–	–	9,846,999
Trade and other debtors, deposits	1,526,208	1,878,564	2,727,113	55,625	–	6,187,510
Total financial assets	33,947,347	37,214,276	48,968,987	65,918,195	2,462,606	188,511,411
Financial liabilities						
Due to banks	1,329,851	7,073,827	7,480,994	18,711,345	149,444	34,745,461
Due to customers	3,484,076	26,520,127	49,434,932	16,890,892	–	96,330,027
Trade payables	–	1,281,103	1,052,852	–	–	2,333,955
Interest bearing loans and borrowings	2,267,948	4,605,675	6,601,976	11,789,734	1,364,079	26,629,411
Other financial liabilities	1,444,956	65,777	205,228	1,074,051	686,448	3,476,460
Total financial liabilities	8,526,831	39,546,508	64,775,981	48,466,022	2,199,971	163,515,314
Total net financial assets/(liabilities)	25,420,516	(2,332,232)	(15,806,994)	17,452,173	262,635	24,996,097

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
Financial assets						
Cash and cash equivalents	2,003,277	3,234,931	–	–	–	5,238,208
Financial assets recognised through profit or loss	72,557	–	–	–	–	72,557
Financial assets at amortised cost – Loans and advances	8,136,233	20,790,367	11,840,363	15,553,266	1,777,630	58,097,859
Financial assets at amortised cost – 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

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
Equity instruments measured at fair value through OCI	7,612,097	–	592	–	–	7,612,689
Other financial assets	374,475	2,746,223	8,346,804	–	–	11,467,502
Trade and other debtors, deposits	–	6,273,368	–	–	–	6,273,368
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)	18,038,115	2,927,877	(9,071,016)	13,166,835	986,026	26,047,837

(48.4) 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	3,700,000	4,000	8,570	–	–	3,712,570
Counter indemnity issued to banks for guarantees	–	–	–	76,202	–	76,202
Import LC and ordinary guarantees	3,492,753	4,323	8,641	–	–	3,505,717
Total contingent liabilities	7,192,753	8,323	17,211	76,202	–	7,294,489
Commitments						
Commitment for unutilised facilities	1,644,424	–	–	–	–	1,644,424
Total commitments	1,644,424	–	–	–	–	1,644,424
Total commitments and contingencies	8,837,177	8,323	17,211	76,202	–	8,938,913

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	–	–	5,270	–	–	5,270
Import LC and ordinary guarantees	–	–	–	–	–	–
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

(48.5) 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.

(48.5.1) 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.

(48.5.2) 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.

The economic fallout of the COVID-19 pandemic resulted in sharp losses in equity market indexes and subsequent closure of the exchange for trading. However, equities have retraced slightly and Management is monitoring the equity price movements.

(48.5.3) 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.

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar in March 2020 on the back of economic fallout, resulting from the COVID-19 pandemic. Management analyses the market condition of foreign exchange and its likely impact to the Group.

(48.5.4) 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.

The Management is closely scrutinising the impact on NII/NIMs resulting from interest rate related relief measures announced by CBSL to the COVID-19 affected groups.

48.5.4 (a) Interest rate risk exposure on financial assets and liabilities >>

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

Impact on net interest income due to a parallel rate shock of 100 basis points (bps) on rate sensitive assets and liabilities is shown below.

Net interest income (NII) sensitivity by interest rate change >>

	Group			
As at 31 March	2020		2019	
Impact on NII (LKR '000)	Parallel increase 100 bps	Parallel decrease 100 bps	Parallel increase 100 bps	Parallel decrease 100 bps
Annual impact	1,392,413	(1,392,413)	1,277,456	(1,277,456)

48.5.4 (b) The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company'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 cash equivalents	6,606,195	56,191	–	–	–	1,022,071	7,684,457
Financial assets recognised through profit or loss	–	–	–	–	–	84,628	84,628
Financial assets at amortised cost – Loans and advances	39,056,629	9,076,993	7,321,665	3,153,889	184,169	–	58,793,345
Financial assets at amortised cost – Lease rentals receivable and stock out on hire	10,787,921	14,857,420	27,915,981	7,038,637	26,710	–	60,626,669
Equity instruments measured at fair value through OCI	–	–	–	–	–	9,124,104	9,124,104
Other financial assets	1,187,806	7,919,440	–	–	–	230,017	9,337,263
Trade and other debtors, deposits	3,404,772	591,289	27,813	27,813	–	1,932,619	5,984,306
	61,043,323	32,501,333	35,265,459	10,220,339	210,879	12,393,439	151,634,772
Financial liabilities							
Due to banks	12,787,585	4,871,985	9,167,247	2,624,600	–	–	29,451,417
Due to customers	29,111,477	45,672,223	13,210,448	1,320,949	–	–	89,315,097
Interest bearing loans and borrowings	6,796,613	9,073,872	7,769,985	3,486,875	1,364,079	–	28,491,424
Trade payable	3,630,843	–	–	–	–	551,707	4,182,550
	52,326,518	59,618,080	30,147,680	7,432,424	1,364,079	551,707	151,440,488
Interest sensitivity gap	8,716,805	(27,116,747)	5,117,779	2,787,915	(1,153,200)	11,841,732	194,284

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 cash equivalents	3,234,931	–	–	–	–	2,003,277	5,238,208
Financial assets recognised through profit or loss	–	–	–	–	–	72,557	72,557
Financial assets at amortised cost – Loans and advances	33,902,278	6,906,862	5,097,638	1,785,056	81,871	–	47,773,705
Financial assets at amortised cost – 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 fair value through OCI	–	592	–	–	–	7,612,097	7,612,689
Other financial assets	2,609,209	8,041,663	35,051	–	–	384,872	11,070,795
Trade and other debtors, deposits	–	–	–	–	–	5,866,782	5,866,782
	49,323,175	31,079,412	35,959,210	11,243,844	139,938	15,939,585	143,685,164
Financial liabilities							
Due to banks	16,317,878	3,714,479	5,714,106	3,798,450	–	–	29,544,913
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 payable	–	–	–	–	–	3,926,421	3,926,421
	50,156,805	45,752,925	22,087,094	17,243,756	173,915	3,926,421	139,340,916
Interest sensitivity gap	(833,630)	(14,673,513)	13,872,116	(5,999,912)	(33,977)	12,013,164	4,344,248

Annexes

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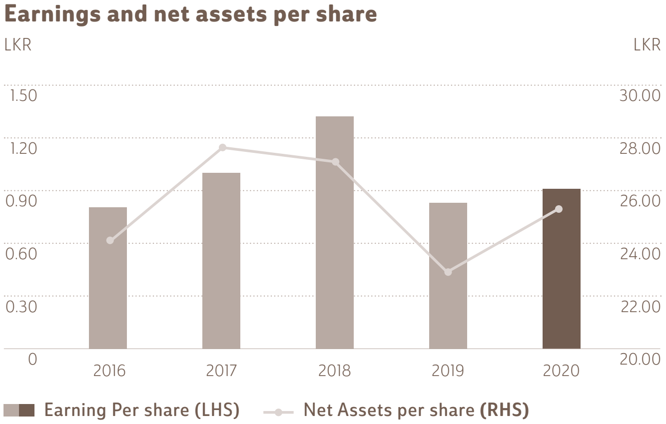
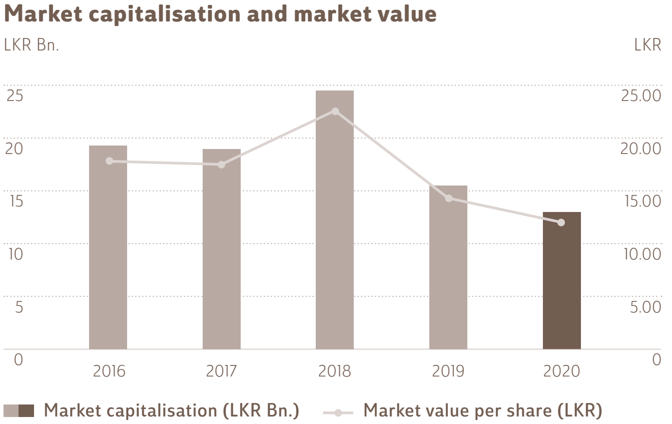
Five Year Summary – Company

	2020 LKR '000	2019 LKR '000	2018 LKR '000	2017 LKR '000	2016 LKR '000
Statement of income					
Dividend income	**1,007,750**	571,441	1,221,112	2,020,305	808,134
Other income	**280,582**	267,296	322,640	290,975	206,195
Profit/(loss) before tax	**874,199**	503,666	1,210,641	1,305,705	720,859
Tax reversal/(expenses)	**(6,609)**	(27,861)	(55,792)	(65,932)	(56,660)
Profit/(loss) after tax	**867,590**	475,804	1,154,849	1,239,773	664,199
Statement of financial position					
Stated capital	**27,163,984**	27,163,984	27,163,984	27,163,984	27,163,984
Reserves	**1,197,875**	607,755	4,185,765	1,859,504	411,178
Shareholders fund	**28,361,859**	27,771,739	31,349,749	29,023,488	27,575,162
Assets	**30,105,571**	28,597,475	32,452,909	29,452,325	27,599,276
Liabilities	**1,743,712**	825,738	1,103,160	428,837	24,115
Ratios and statistics					
Ordinary dividends	**–**	–	543,280	543,280	543,280
Dividend per share	**–**	–	0.50	0.50	0.50
Dividend payout ratio (%)	**–**	–	47	44	82
Earnings per share	**0.80**	0.44	1.06	1.14	0.61
Market value per share (year-end)	**12.00**	22.60	17.20	17.50	17.80
Net assets per share	**26.10**	25.56	28.85	26.71	25.38

Earnings and net assets per share



Market capitalisation and market value

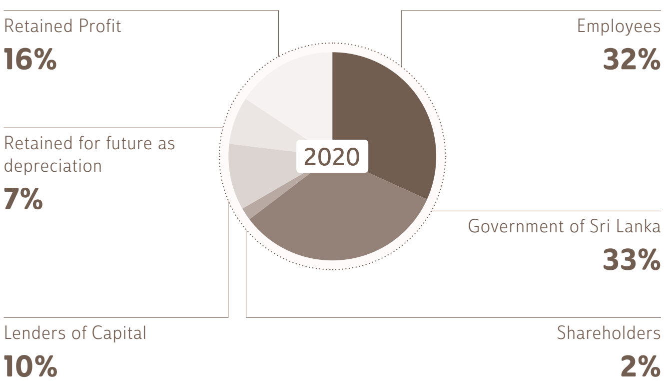


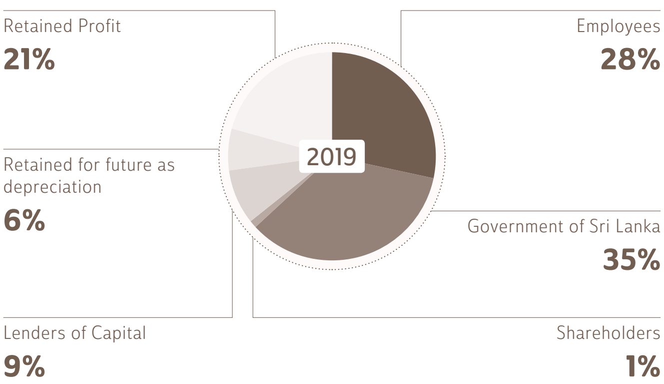
Group Value Added Statement

	2020 LKR '000	2019 LKR '000
Gross turnover	**72,104,555**	70,477,803
Finance and other income	**571,572**	1,273,082
Share of associate company's profit	**6,016**	44,667
	72,682,143	71,795,552
Less: Cost of material and services bought in	**(42,758,303)**	(40,529,121)
	29,923,840	31,266,431

	2020 LKR '000	%	2019 LKR '000	%
Employees	**9,511,789**	**31.79**	8,870,434	28
Government of Sri Lanka	**9,839,469**	**32.88**	10,866,810	35
Shareholders	**590,380**	**1.97**	367,991	1
Lenders of capital	**3,077,685**	**10.29**	2,661,920	9
Retained for future as depreciation	**2,209,101**	**7.38**	2,027,382	6
Retained profit	**4,695,416**	**15.69**	6,471,894	21
	29,923,840	**100**	31,266,431	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 2020 was 19.39% comprising of 11,057 shareholders.

2.2 The Float adjusted market capitalsation as at 31 March 2020 – LKR 2,527,554,708.00

2.3 The Float adjusted market capitalization falls under Option 1 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirment applicable under the said opton.

3 Distribution of shareholders as at 31 March 2020 >>

From	To	Number of holder	Number of shares	%
1	1,000	8,231	2,372,905	0.22
1,001	10,000	2,180	6,334,067	0.58
10,001	100,000	540	18,308,448	1.69
100,001	1,000,000	92	26,745,669	2.46
Over	1,000,000	26	1,032,798,264	95.05
		11,069	1,086,559,353	100.00

4 Analysis of shareholders as at 31 March 2020 >>

	Number of holder	Number of shares	%
Local individuals	10,686	736,842,816	67.81
Local institutions	334	341,307,944	31.41
Foreign individuals	44	3,842,810	0.36
Foreign institutions	5	4,565,783	0.42
	11,069	1,086,559,353	100.00

5 Directors' and CEO's shareholding as at 31 March 2020 >>

	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
Mr R N Asirwatham	800	0.00
Mrs Shirani Jayasakera (appointed w.e.f 11.02.2020)	Nil	Nil
Mrs K Fernando (resigned w.e.f 11.02.2020)	800,000	0.07
Mrs Y Bhaskaran (CEO)	Nil	Nil

6 Twenty major shareholders >>

		31 March 2020 Number of shares	%	31 March 2019 Number of shares	%
1.	Mr K D D Perera	689,726,471	63.478	689,726,471	63.478
2.	Employees Provident Fund	101,549,200	9.346	101,549,200	9.346
3.	Vallibel Investments (Pvt) Limited	91,966,451	8.464	91,966,451	8.464
4.	Vallibel Leisure (Private) Limited	91,929,063	8.461	91,929,063	8.461
5.	Bank of Ceylon A/c Ceybank Unit Trust	15,812,879	1.455	14,662,563	1.349
6.	Mercantile Investments and Finance PLC	4,850,250	0.446	5,176,000	0.476
7.	National Savings Bank	3,269,832	0.301	3,269,832	0.301
8.	Mr S L R R Premathilaka and Miss A R N Perera	3,000,000	0.276	2,100,000	0.193
9.	Mellon Bank N. A. – UPS Group Trust	2,800,000	0.258	2,800,000	0.258
10.	Hatton National Bank PLC/Sanka Ramoorthy Nadaraj Kumar	2,527,640	0.233	2,742,297	0.252
11.	Bank of Ceylon No. 1 Account	2,427,704	0.223	2,427,704	0.223
12.	Merrill J Fernando & Sons (Pvt) Limited	2,299,000	0.212	2,299,000	0.212
13.	Mr K D A Perera	2,079,039	0.191	2,079,039	0.191
14.	Mr H R S Wijeratne	2,069,000	0.190	2,069,000	0.190
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	0.158	1,722,140	0.158
18.	Mr A Sithampalam	1,567,000	0.144	1,567,000	0.144
19.	Prof M T A Furkhan	1,372,000	0.126	1,672,000	0.154
20.	Bartleet Asset Management (Pvt) Ltd.	1,314,000	0.121	1,314,000	0.121
		1,026,146,669	94.440	1,024,936,760	94.329
	Others	60,412,684	5.560	61,622,593	5.671
	Total	1,086,559,353	100.000	1,086,559,353	100.000

7 Share prices for the year >>

Market price per share	2019/20		2018/19	
	Date	Price (LKR)	Date	Price (LKR)
Highest during the year	02.12.2019	Rs.25.00	04.04.2018	Rs.23.60
Lowest during the year	20.03.2020	Rs.12.00	28.03.2019	Rs.13.90
As at end of the year		Rs.12.00		Rs.14.30

	2019/20	2018/19
Number of transactions	8,577	6,063
Number of shares traded	16,942,501	9,491,290
Value of shares traded (LKR)	285,437,058.30	174,146,152.80

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 during the year ended 31 March 2020
Royal Ceramics Lanka PLC	PQ 125	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr Dhammika Perera Mr A M Weerasinghe Mr M Y A Perera Mr T G Thoradeniya (also functioned as the Alternate Director to Mr Dhammika Perera upto 2020) Mr L T Samarawickrama (Resigned on 11 April 2019) Mr G A R D Prasanna Mr R N Asirwatham (Appointed w.e.f. 5 July 2019) Mr S H Amarasekera Ms N R Thambiayah Mr L N De S Wijeyeratne Ms N J Weerakoon (Appointed w.e.f. 17 May 2019) Mr S M Liyanage (Appointed w.e.f. 21 February 2020)
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 w.e.f. 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 K D H Perera Mr L T Samarawickrama (Resigned w.e.f. 11 April 2019)
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 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 N Kekulawala Mr S M Liyanage (Appointed w.e.f. 21 February 2020)
Lanka Walltiles PLC	PQ 55	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr Dhammika 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 Mr S M Liyanage (Appointed w.e.f. 21 February 2020)

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 during the year ended 31 March 2020
Lanka Tiles PLC	PQ 129	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr Dhammika 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 R D P Godawatta Arachchige (Alternate Director to Mr Dhammika Perera) Mr J A N R Adhihetty Mr S M Liyanage (Appointed w.e.f. 21 February 2020)
Swisstek (Ceylon) PLC	PQ 155	No. 215, Nawala Road, Narahenpita, Colombo 5	Subsidiary	Mr A M Weerasinghe Mr S H Amarasekera Mr J A P M Jayasekara Dr S Selliah Mr J K A Sirinatha Mr K D G Gunaratne Mr A S Mahendra Mr C U Weerawardena
Swisstek Aluminium Limited	PB 3277	No. 76/7, Pahala Dompe, Dompe	Subsidiary	Mr A M Weerasinghe Mr S H Amarasekera Mr J A P M Jayasekara Mr A S Mahendra Mr B T T Roche Dr S Selliah Mr T G Thoradeniya Mr C U Weerawardena Mr S M Liyanage (Appointed w.e.f. 21 February 2020)
Vallibel Plantation Management Limited	PB 1030	No. 400, Deans Road Colombo 10	Subsidiary	Mr A M Pandithage Mr T G Thoradeniya Mr J M Kariapperuma Mr W G R Rajadurai Mr N T Bogahalande
Horana Plantations PLC	PQ 126	No. 400, Deans Road, Colombo 10	Subsidiary	Mr Dhammika Perera Mr A M Pandithage Mr A N Wickremasinghe Mr J M Kariapperuma (Retired on 31 March 2020) Mr W G R Rajadurai Mr S C Ganegoda Mr K D G Gunaratne (also functions as the alternate Director to Mr Dhammika Perera) Mr S S Sirisena Mr L N De S Wijeyeratne (Appointed w.e.f. 3 January 2020) Mr J A Rodrigo (Appointed w.e.f. 1 April 2020) Mr S M Liyanage (Appointed w.e.f. 21 February 2020) Mr K D G Gunaratne – (Alternate Director to Mr Dhammika Perera) Mr K D H Perera (Resigned w.e.f. 8 November 2019) Mr L J A Fernando (Resigned w.e.f. 19 May 2020)

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 during the year ended 31 March 2020
Uni-Dil Packaging Limited	PB 544	Kosgahalanda, Kosgahawatta, Katulanda, Narampola Road, Moragala, Dekatana	Subsidiary	Mr Dhammika Perera (Resigned w.e.f. 30 June 2020) 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 Mr C U Weerawardena M r S M Liyanage (Appointed w.e.f. 21 February 2020) Mr M R Zaheed (Resigned w.e.f. 24 June 2019)
Uni-Dil Packaging Solutions Limited	PV 7976 PB	Narampola Road, Moragala, Dekatana	Subsidiary	Mr J A P M Jayasekara Mr D B Gamalath Mr K D H Perera Mr S Rajapakse Mr C U Weerawardena Mr M R Zaheed (Resigned w.e.f. 24 June 2019)
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) Ltd	PV 129638	No. 215, Nawala Road Narahenpita Colombo 05	Subsidiary	Mr K D A Perera Mr J A P M Jayasekera
Swisstek Development (Pvt) Ltd	PV 129622	No. 215, Nawala Road Narahenpita Colombo 05	Subsidiary	Mr K D A Perera Mr J A P M Jayasekera
Nilano Garments (Private) Limited	PV 14277	No. 20, R A De Mel Mawatha, Colombo 3	Subsidiary	Mr A N Seneviratne Ms K N Suraweera Ms W S B Gamage Mr B K G S M Rodrigo Mr H Somashantha Mr N T Bogahalande (Resigned w.e.f. 31 July 2019)
Rocell (Pty) Ltd.	Australian Company No. 601612284	No. 1392, Dandenong Road, Oakleigh, VIC 3166 Australia	Subsidiary	Mr T G Thoradeniya Mr H Y N Perera
L B Finance PLC	PQ 156	No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 7	Subsidiary	Mrs A K Gunawardhana Mr Dhammika Perera Mr J A S S Adhihetty Mr B D A Perera Mr N Udage Mr R S Yatawara Mrs Y Bhaskaran Mr M A J W Jayasekara Mrs A Natesan Mr D Rangalle (Appointed w.e.f. 10 April 2019) Mrs S Jayasekara (Ceased w.e.f. 24 August 2019)

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 during the year ended 31 March 2020
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 Dhammika Perera Mr J A S S Adhihetty Mr B D A Perera Mr N Udage Mr R S Yatawara Mr Dulan R G de Silva
Greener Water Ltd.	PB 3837	Level 29, West Tower, World Trade Centre, Echelon Square, Colombo 1	Subsidiary	Mr Dhammika Perera Mr T G Thoradeniya Mr K D A Perera Mr K D H Perera Mr J A S S Adhihetty Mr R J Karunarajah (Appointed w.e.f. 1 March 2020) Ms A A K Amarasinghe (Appointed w.e.f. 1 March 2020) Ms Y Amarasekera (Appointed w.e.f. 1 March 2020) Mr S J Wijesinghe (Appointed w.e.f. 16 March 2020)
Delmege Limited	PV 6351 PB	No.101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr Dhammika Perera Mr A M Pandithage Mr T G Thoradeniya Mr S Wilson Ms Y Bhaskaran Mr D J Silva Mr N J Weerakoon (Appointed w.e.f. 1 January 2020) Mrs Kimarli Fernando (Resigned w.e.f. 11 February 2020) Mr S H Amarasekera (Resigned w.e.f. 27 April 2020)
Delmege Forsyth & Co. Limited	PB 294	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr N S L Fernando Mr M R K Dias Mr C L Indrapala
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
L B Management Services (Pvt) Limited	PV 1489	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

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 during the year ended 31 March 2020
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 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 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
Delair Travels (Pvt) Limited	PV 3830	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	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 M R K Dias
Delmege Insurance Brokers (Pvt) Limited	PV 3273	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr S C Ganegoda Mr H Somashantha Mr G A R D Prasanna Mr M R K Dias
Delmege Risk Solutions (Pvt) Limited	PV 75927	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr S C Ganegoda Mr M R K Dias
Delmege Airline Services (Private) Limited	PV 108869	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mrs Y Bhaskaran Mr 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 during the year ended 31 March 2020
Delmege Aero Services (Private) Limited	PV 121497	No. 101, Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr Y D Y Gopalakrishnan 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 Dhammika Perera Mr K D H Perera Mr J A S S Adhihetty Mr Malik Joseph Fernando Mr Merril Joseph Fernando Mr L N De S Wijeyeratne Mr Jan Peter Van Twest Mr C V Cabraal Mr C U Weerawardena Mr R E U de Silva Ms A A K Amarasinghe (Alternate Director to Mr Dhammika Perera) Mr A H N Rodrigo (Alternate Director to Mr Malik Joseph Fernando) Mr L T Samarawickrama (Resigned w.e.f. 22 November 2019) Mr Denesh Eric Silva (Resigned w.e.f. 22 November 2019)
Lankatiles Private Limited	U26999KA 2017PTC 102730	196 A1, Anekal Taluk, Bommasandra Industrial Area, Attibele, Bengaluru, Bangalore, Karnataka, India, 560099.	Subsidiary	Mr A M Weerasinghe Mr J A P M Jayasekara Mr Fathieraj Signhvi Mr Praveen Kumar Singhvi

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 Tenth (10th) Annual General Meeting of the Company will be held by way of electronic means on 31 July 2020 at 2.45pm centered at No. 20, R A De Mel Mawatha, Colombo 03 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 2020 with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr S H Amarasekera who retires by rotation in terms of Articles 87 and 88 of the Articles of Association of the Company.
3 To pass the ordinary resolution set out below to appoint Mr R N Asirwatham who is 77 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 77 years of age and that he be and is hereby appointed a Director of the Company."
4. To re-elect as a Director, Mrs Shirani Jayasekara who was appointed to the Board since the last Annual General Meeting in terms of Article 94 of the Articles of Association of the Company.
5. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.
6. To authorise the Directors to determine donations for the year ending 31 March 2021 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.
Company Secretaries
3 July 2020

Notes

1. A Shareholder entitled to attend and vote at the above virtual meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Guidelines and Registration Process enclosed herewith.

Form of Proxy

I/We..

(NIC/Passport/Co. Reg. No. ....) of ....

.... being a shareholder/shareholders* of VALLIBEL ONE PLC hereby appoint

....

(NIC/Passport No. ....) of ....

.... (or failing him/her).

Mr Dhammika Perera	or failing him*
Mr S H Amarasekera	or failing him*
Mr J A S S Adhihetty	or failing him*
Mrs Shirani Jayasekara	

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Tenth (10th) Annual General Meeting of the Company to be held by way of electronic means on 31 July 2020 at 2.45pm 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 as a Director, Mr S H Amarasekera who retires in terms of Articles 87 and 88 of the Articles of Association of the Company.		
2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the appointment of Mr R N Asirwatham as a Director.		
3. To re-elect as a Director, Mrs Shirani Jayasekara who was appointed in terms of Article 94 of the Articles of Association of the Company.		
4. To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.		
5. To authorise the Directors to determine donations for the year ending 31 March 2021 and up to the date of the next Annual General Meeting.		

Signed this .... day of .... Two Thousand and Twenty.

*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 forwarded to the Company for deposit at the Registered Office through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd., No. 3/17, Kynsey Road, Colombo 08 or emailed to **vone.pwcs@gmail.com** to be received by the Company Secretaries not later than 47 hours before the time appointed for the Meeting, ie: before 3.45pm on 29 July 2020.

   In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Registration Process enclosed with the Notice of Annual General Meeting.
3. The Proxy shall –
   (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
   (b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer/s 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
Mr R N Asirwatham
Mrs Shirani Jayasekera
(appointed w.e.f. 11 February 2020)

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
MCB Bank Limited
Standard Charted Bank Limited

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