ONE

JOURNEY. BELIEF. ASPIRATION.

Vallibel | ONE

Annual Report 2020/21

ONE journey

At Vallibel One we are on a journey; one which continues to inspire growth and progress along the way. Our path is always enlightened with values of foresight and forward-thinking which have paved the way for your Company to grow and prosper in the years ahead. Today as we progress as a guiding light to the people, we are seizing new opportunities as we walk into a future of hope.

ONE

belief

We believe in the collective strength and determination of our people, and that's why we are empowering the nation by creating hope and inspiring belief towards a better tomorrow. Today as we leverage the trust and faith each stakeholder has placed in the potential of our conglomerate; we are serving them through a multitude of sectors to enhance the way they live.

ONE

aspiration

We are directing our hopes and ambitions towards achieving progress and growth, with the power to inspire success and achievement. As we share every milestone with our valued stakeholders who are at the heart of all we do - your Company aspires to serve the people of Sri Lanka through any eventuality.

Contents

Scan to view this Annual Report online at https://www.vallibelone.com

ONE

journey
belief
aspiration

Sometimes all it takes is one idea; or a single action or step in the right direction to ensure positive change. At Vallibel One, we believe in the power of one relying on a spirit of togetherness and a single-minded focus on our vision, in order to achieve unmatched stakeholder wealth. Ours is an unstoppable journey in the pursuit of excellence. Even as we stand together with our stakeholders as a single entity, we are united with a purpose – driving growth and enriching lives across a nation. Strengthened by the core belief in our values, we are poised to venture into a future of change, helping people meet their aspirations and goals through a vast portfolio of products and services designed to meet the needs of the days and months and years ahead.
Vallibel One.

One Journey. One Belief. One Aspiration.

GRI Disclosure 102-16

Vision

Achieve uniqueness through diversity, leadership, creativity and inspiration.

Mission

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

ONE
Year

Countless
Achievements

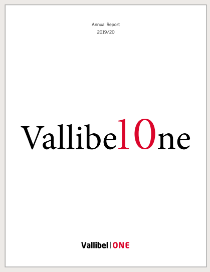
About Our 5th Integrated Annual Report

GRI Disclosure : 102-12 to 56 and 102-51

It is our pleasure to present the 5th integrated annual report - "One Journey, One Belief, One Aspiration". The report seeks to extend a comprehensive and an impartial account on how we blend in integrated thinking into our operations to create value, overtime.

The annual report for the preceding year 2019/20, was limited to mandatory areas including the key operational and financial results of our business portfolio. However, given our commitment to uphold excellence in reporting, this year, once again, we picked up our integrated reporting process.

This report herein seeks to bring in further improvements to content as well as to the presentation structure as per the guidelines set by the Integrated Reporting Framework, published by the Integrated Reporting Council; along with the sustainability reporting guidelines set by the Global Reporting Initiative.



REPORT SCOPE & BOUNDARY

GRI Disclosure : 102-50, 102-52

Reporting Period

Following an annual reporting cycle, the report covers the financial year from 1st April 2020 to 31st March 2021. Wherever applicable, we have benchmarked our reporting year performance with the results of the preceding financial year, 2019/20.

The audited financial statements and related notes are presented with comparative information and analysis of the preceding year. The future outlook and plans are discussed with targets covering the next financial year ending 31st March 2022.

GRI Disclosure : 102-46

Reporting Boundary

The report covers Vallibel One PLC as the holding company along with its subsidiaries in seven sectors including lifestyle, finance, aluminium, plantations, leisure, consumer and investments and others. The report presents the consolidated results for the Vallibel One Group unless otherwise stated.

GRI Disclosure : 102-54

Reporting Content and Scope

Reporting Standards, Principles, Frameworks and Codes

Narrative Reporting

- Integrated Reporting Framework - International Integrated Reporting Council (IIRC)

Sustainability Reporting

- GRI Standards - 'In Accordance - Core' - Global Reporting Initiative
- United Nations Sustainable Development Goals (SDGs)

Financial Reporting

- Sri Lanka Financial Reporting Standards - Institute of Chartered Accountants of Sri Lanka (SLFRS)
- Company's Act No. 07 of 2007
- International Financial Reporting Standards (IFRS)
- Continuous Listing Requirements of the Colombo Stock Exchange

Corporate Governance

- Continuous Listing Requirements of the Colombo Stock Exchange
- Code of Best Practices on corporate Governance jointly advocated by the Securities and Exchange Commission of Sri Lanka(SEC) and the Institute of Chartered Accountants of Sri Lanka(CA Sri Lanka)
- Laws and Regulations of the Companies Act No.07 of 2007
- Code of Best Practice on Corporate Governance, 2017 - The Institute of Chartered Accountants of Sri Lanka, to extent of business exigency and as required by the Group

GRI Disclosure : 102-54

Following best practices in reporting, our integrated annual report content is developed in line with the recognised reporting and regulatory standards, principles, frameworks and codes. This report has been prepared in accordance with the GRI standard: Core option. The content is based on the materiality principle—focusing on matters that have considerable impacts or influences on our value creation process and in meeting stakeholder expectations over short, medium to long-term. Our stakeholder engagement, risk analysis, trends in our operating backdrop along with the management insight underline the process of identifying and prioritising our material issues (refer page 41 for materiality assessment).

GRI Disclosure : 102-48

The report presents our business model, with emphasis on how we integrate our capitals to create value. Our strategy and performance, both at the group and at the sector level, are discussed at length; whilst shedding light on our efforts in risk management, compliance and governance. There are no restatements of information given in period of report.

Reporting Improvements

Bringing greater clarity and structure to the report, we have introduced the following improvements to our report:

Reporting Improvements in 2020/21

Report Content Improvements	Structural Improvements
• Strengthened the content development process by collecting data and information more systematically, using the Vallibel One sustainability portal. • Obtained independent assurance on sustainability reporting as set out on page 286. • Improved the natural capital section with the report on the Group's carbon footprint including Scope 3 emissions.	• Better connectivity - consistent use of navigational icons • Improved GRI reporting – use of GRI references wherever applicable to connect the content to the GRI Content Index set out on page 288. • Improved tracking and reporting on the UN Sustainable Development Goals set out on page 23.

Data and Information Collection

The information and data were collected from relevant departments of the Company and from the respective sector companies. The data thus collected was compiled using Vallibel One Sustainability Portal. Key interviews were carried out with management personnel at the Company as well as at the sector level. We used management information reports and audited financial statements and the related notes along with government and international publications to ascertain the trends in the external environment. We are assured that all material information has been addressed and disclosed in this report and completeness of information and data is verified at the company and the group level.

Targeted Audience

This report primarily seeks to support our shareholders and prospective investors to make informed decisions of the Vallibel One Group. It also reaches out to meet the information requirements of other stakeholders including our customers, employees and business partners.

Quality Assurance

GRI Disclosure : 102-56

The report is prepared conscientiously following through best practices in reporting; ensuring the integrity, credibility, completeness and conciseness of the information presented. We have obtained independent assurance from the external auditors—Messrs Ernst & Young—on both financial and sustainability reporting. The independent assurance on the Company and the consolidate financial statements and notes are set out on page 154 whilst the assurance on sustainably reporting, based on Sri Lanka Standard on Assurance Engagements, is set out on page 286. These assurances establish the quality of the report and confirm the absence of any material misstatements.

Forward-looking Statements

The report includes forward-looking statements on the Group's future—the outlook, plans and financial and operational projections and targets. Although the futuristic statements are made responsibly, we caution the reader to bear in mind the possibilities that the reality may differ. We do not take responsibility nor are we liable to publicly update or revise these statements after the publication date of this report.

NAVIGATING THE REPORT

Capitals

Stakeholders

GRI Disclosure : 102-53

Feedback

We welcome your comments on our 5th Integrated Annual Report 2020/21 along with your queries and suggestions for improvement. Please direct your feedback to:

Assistant General Manager - Finance
Vallibel One PLC
29th Floor, West Tower,
World Trade Center,
Echelon Square,
Colombo 1.
Telephone: 0112445577
Fax: 0112445500
Email Address: info@vallibel.com

Feedback form is on page 299.

MANY BUSINESSES.

ONE ambition.

Here at Vallibel One, we believe that together, we can achieve the impossible. Relying on our combined strength, we are focused on empowering every stakeholder with the strength to face the future - promising infinite possibilities for the people and partnerships that comprise our group of companies.

Ants represent the power of collective strength. Each member contributes towards the entire colony's progress; purposefully striving onwards to achieve a future of growth for all.

WHO WE ARE AND WHAT WE DO

Overview of the Group

GRI Disclosure : 102-1 to 7

OVERVIEW OF THE GROUP

Established in 2010 and listed on the Colombo Stock Exchange in 2011, Vallibel One PLC has grown to be one of the leading, most competitive yet youngest diversified conglomerates in the country. With 47 subsidiaries in our portfolio, we have a significant presence across key thrust sectors including market leadership in tiles and sanitaryware, and 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.

We have what it takes to be successful...

DECISIVE LEADERSHIP

We have the highest decision making authority with a strong sense of business acumen, making decisive decisions on strategy and leading the team to deliver our corporate goals.

- *Strategic training exposure for the management cadre*
- *Succession planning*
- *Well-rounded management trainee programmes*
- *Mentoring the next generation leaders*

- Vallibel One PLC recognised by Business Today Top 30 - 2019/20
- Vallibel One PLC, Royal Ceramics Lanka PLC, and LB Finance PLC recognised by LMD 100 - Sri Lanka's leading listed companies, 2020
- LB Finance ranked among LMD - Top 20 'Most Respected Entities', and adjudged the Sri Lanka's Financial Service Provider at SLIM Nielsen Peoples Awards 2020
- Restructured the tile product portfolio to meet market trends
- Controlled the quality of the finance sector portfolio despite market vulnerabilities

TOP BRANDS

With valuable brands featured in our portfolio, we retain market dominance in key industry segments.

- *Customer-centricity at its best*
- *Focused on quality and standards*
- *Consistent brand innovation and positioning strategy*

- ROCELL, LANKA TILES & LB FINANCE - named in Brand Finance Sri Lanka's most valuable and strongest brands
- LANKATILES - Only global brand from Sri Lanka that carries the country's name LANKA
- Obtained marketing and distribution rights for world renowned Kelloggs
- Relaunched consumer brands, 'Motha' and 'Hiru Kahata' for stronger positioning

TALENTED PEOPLE

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

Uphold equal opportunity

Focused on talent development

Industry aligned remuneration and benefits

Ensure employee wellbeing

- Employee productivity - 20% growth of revenue per employee
- 170+ new promotions

INNOVATIVE THINKING

Giving us an edge in the competitive marketplace, we seek for new ways to do things.

- *Encourage creative thinking in problem-solving*
- *Invest in latest technology*
- *Invest in new product development*

- Launched LB Cash in Mobile (CIM) - a Mobile Wallet - with the aim of revolutionising the traditional cash payment habit amongst Sri Lankans
- 560+ new products

Our Portfolio of Businesses

GRI Disclosure : 102-2

LIFESTYLE

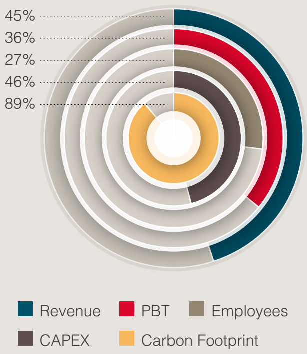
At the forefront of the country's tile and sanitaryware industry, we offer an extensive range of lifestyle products and solutions

Product Mix

- Tiles
- Sanitaryware
- Kitchen cabinets and sinks
- Grout and mortar
- Interior décor solutions
- Furniture

Performance Highlights

- 50% Turnover
- 185% PBT
- 4.6% Assets



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FINANCE

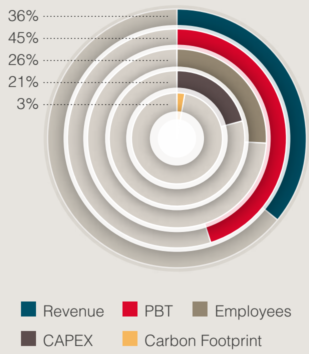
With one of the largest non-bank financial institutions in the portfolio—LB Finance PLC—we have a solid reputation for providing versatile and innovative financial products and services

Product Mix

- Leasing
- Fixed Deposits
- Gold Loans
- Mortgage loans
- Savings
- Cash In Mobile
- Money Exchange

Performance Highlights

- 4.6% Turnover
- 21.9% PBT
- 2.5% Assets



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ALUMINIUM

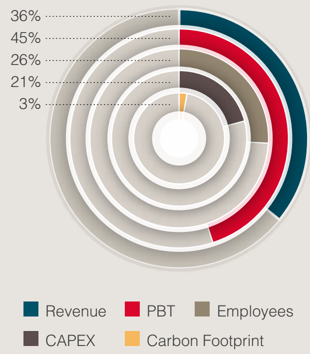
Over a span of years, we have built a strong presence in the aluminium extrusion market and claims the mastery of offering tailored products and services.

Product Mix

- Aluminium Extrusions
- Folding sliding doors
- Sliding windows and doors
- Partitions
- Swing doors
- Multi-Purpose Ladders
- Solar railings & accessories

Performance Highlights

- 20.4% Turnover
- 947% PBT
- 3.9% Assets



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PLANTATIONS

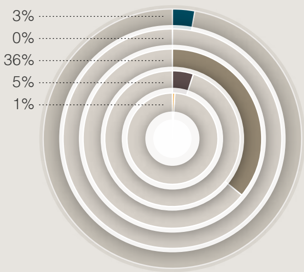
With one of the oldest plantation companies in the portfolio—Horana Plantations PLC—our contribution to the nation's tea and rubber industries is significant.

Product Mix

- Tea
- Rubber
- Oil Palm
- Coconut
- Minor crops and others

Performance Highlights

- 20.6% Turnover
- 83% PBT
- 2% Assets



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LEISURE

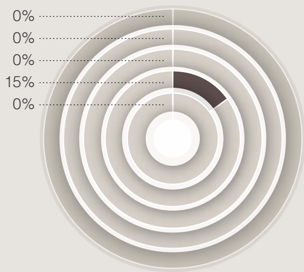
We have successfully ventured into the hospitality industry, setting standards with the ongoing Greener Water Hotel project in Negombo.

Product Mix

- Boutique hotel Resorts operations
- Spa and travel

Performance Highlights

- 542% Associate Results
- 8.8% PBT
- 11% Assets



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CONSUMER

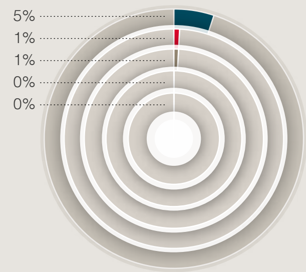
We have made our name in the consumer market with our household brands such as 'Motha' and 'Delmege' and in the medical equipment market.

Product Mix

- FMCG
- Pharma
- Medical Equipment

Performance Highlights

- 10% Turnover
- 330% PBT
- 3% Assets



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INVESTMENTS AND OTHERS

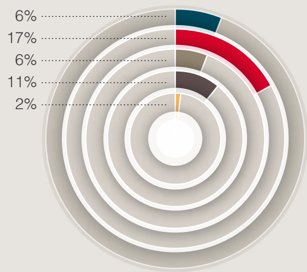
Apart from the key sectors, we have invested in other sectors with noteworthy stakes in packaging, mining, insurance brokering, travel and transport etc.

Product Mix

- Packaging
- Mining
- Insurance brokering
- Travel
- Shipping

Performance Highlights

- 1% Turnover
- 157% PBT
- 5% Assets



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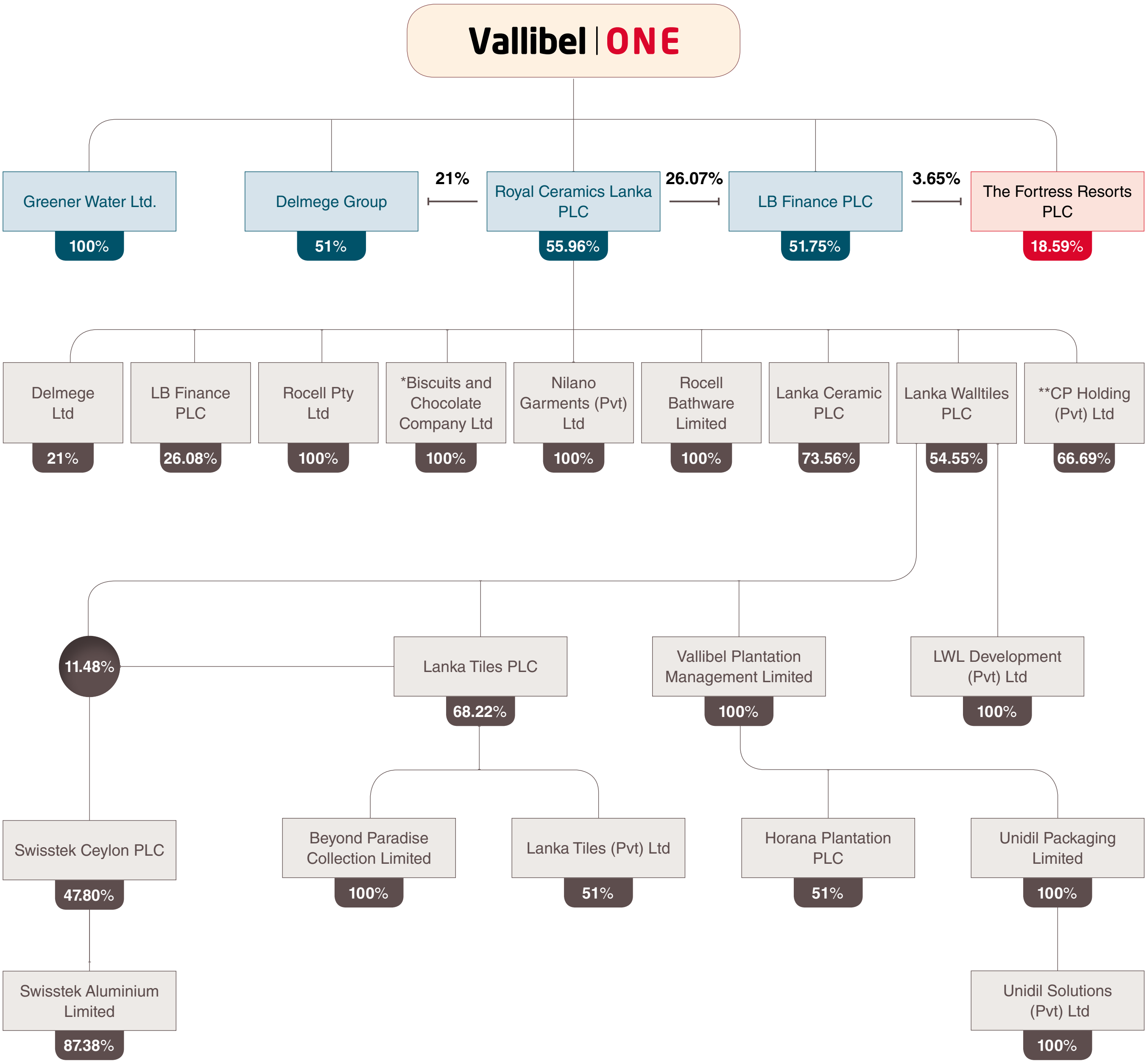
Group Structure

GRI Disclosure : 102-45



** Previously known as Rocell Ceramics Ltd*

*** Effective Holding*

Holding Company
Sub-subsidiary Company
Subsidiary Company
Associate Company

Our Presence

GRI Disclosure : 102-4 and 102-6

CONNECTING OUR CUSTOMERS WITH OUR BUSINESSES

We connect with our customers all across the island with multiple, strategically placed touchpoints. The following is the breakdown of how some of our businesses are positioned to serve the people better.

★ **ROCELL**

- Showrooms ... 56
- Hybrid showrooms ... 5
- Factory outlets ... 11

▲ **LB FINANCE**

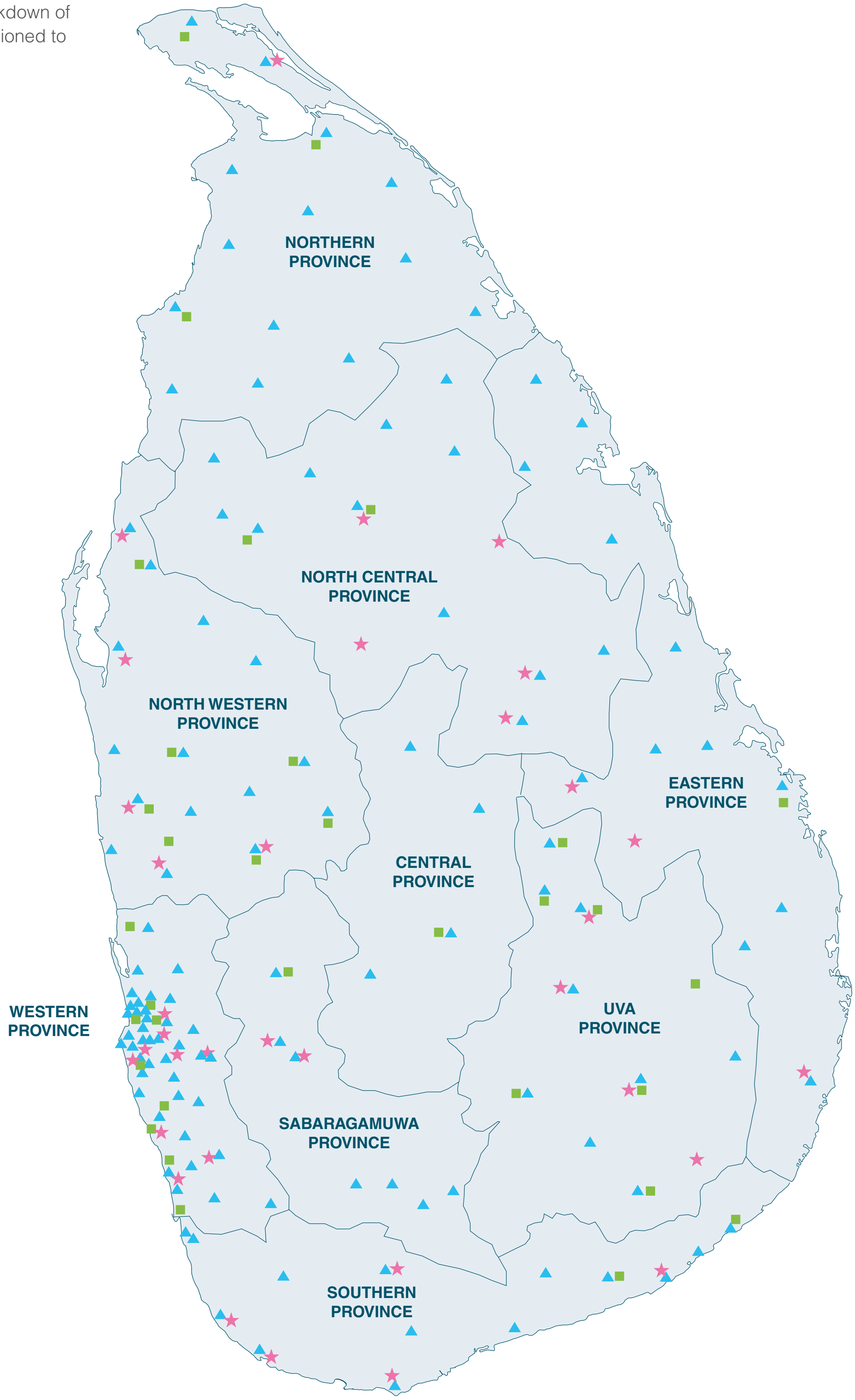
- Gold Loan Centers ... 17
- LB Finance branches ... 152

■ **LANKA TILES**

- Showroom ... 47
- Factory outlet ... 19
- Concept stores ... 2

We have 12 branches in Myanmar

LB Microfinance Myanmar Company (LBMF)

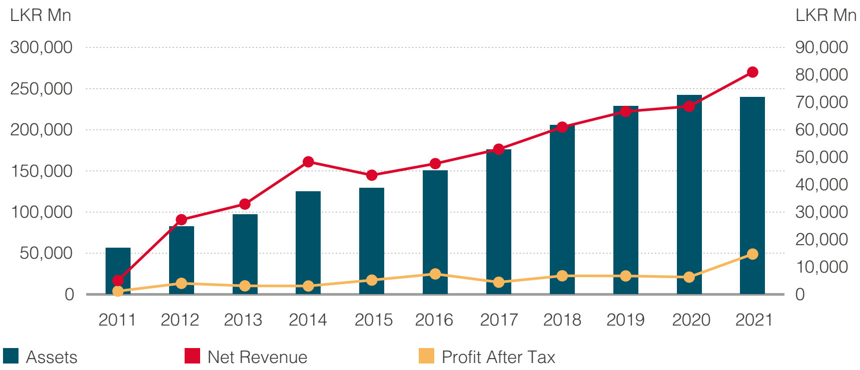


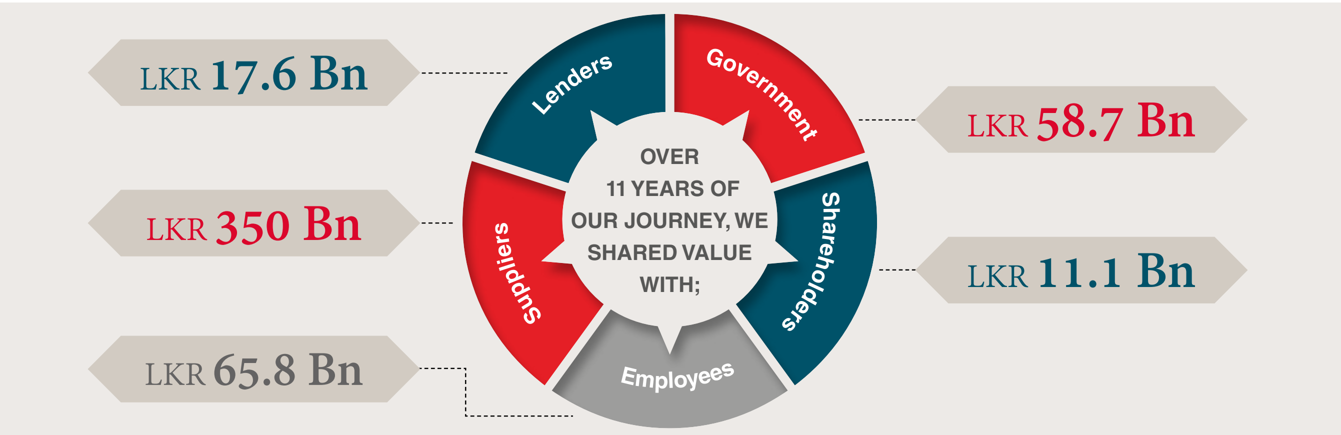
An Exemplary Journey

A decade ago, with an inspiring vision, Vallibel One PLC stepped into the forefront of the corporate world of Sri Lanka. Since then, we have been on an amazing journey, reaching out to greater heights and carefully nurturing our success story—of who we are today…

Eleven years in the making, we have much to celebrate. Distinctly positioned across seven sectors, we have made our mark with quality brands, versatile products, service excellence and more so, with our passion and commitment to be responsible and accountable in all what we do. Our acquisitions and mergers have been well thought-out—striving to understand and nurture the dynamics of each business, whilst progressively blending in our aspired values to shape the business as an integral part of the Vallibel One Culture. In this journey, we are humbled by the lessons learnt; take pride in the milestones we have achieved as a diversified conglomerate in just over 10 years; and excited to see how we would stretch our targets, work out new ideas and grow as a responsible corporate in the new decade.

Our Growth in the Last Decade





Founded - 2010 Listed on the CSE - 2011	Vallibel ONE	2021
LKR 56,742	Asset Base	LKR 240,132
Lifestyle Finance Investments and Others	Diversified Sectors	Lifestyle Finance Aluminium Plantations Leisure Consumer Investments and Others
08	Subsidiary/Associate Companies	47
02	Listed Companies on the CSE	09

Recognised within the Top 20 LMD 100 Sri Lanka's leading listed companies for 09 consecutive years

Recognised within the Top 30 Business Today for 09 consecutive years

Recognised within the Top 20 LMD corporate leaders by profits, assets and shareholder funds

Value Creation and Sharing

GRI Disclosure: 103-2,103-3, 201-1

OUR APPROACH

As a diversified conglomerate, the Vallibel One group is positioned to create value with far-reaching socio-economic benefits, both direct and indirect, in line with the country's development agenda. We have the expertise in key sectors, enabling us to create and share substantial value with diverse stakeholder segments.

We approach value creation from a long-term, triple-bottom-line standpoint. Our businesses strive to harmonize profits with social and environmental goals. The strategic focus is to deliver operational viability whilst ensuring responsibility to the environment and to society as a good corporate citizen. This approach sets the tone for each business in formulating their respective corporate strategy and related action plans.

VALUE CREATION CONTEXT

ECONOMIC

- Sustainable value to shareholders
- Generation of Employment Opportunities
- Commitment to government through taxes
- Foreign Currency Generation to the Country

ENVIRONMENTAL

- Energy management
- Moving to renewable energy sources
- Solid waste management
- Waste water management through effluent treatment
- Reduction of carbon footprint
- Adhering with Environmental laws and regulations

SOCIAL

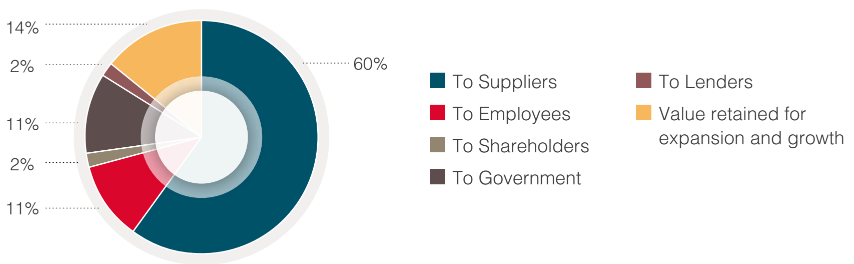
- Best practices in human resources management
- Quality and standards of products and services
- Health and safety of workplaces and employees
- Local community development
- Responsible engagement with business partners
- Compliance with rules and regulations

	VALUE CREATED	
2019/20 LKR 86.2 Bn		2020/21 LKR 72.6 Bn

	VALUE RETAINED	
2019/20 LKR 12.2 Bn		2020/21 LKR 6.9 Bn

Stakeholder	Value Shared	2020/21 LKR Mn	2019/20 LKR Mn
To shareholders	Stable dividends as returns on equity	2,249	590
To employees	Due compensation, defined benefits, rewards and incentives	9,856	9,512
To lenders	Debt payments - Interest and capital repayments	1,882	3,078
To government	Tax obligations - corporate and indirect taxes	9,160	9,839
	Value retained for expansion and growth	12,206	6,904

Value Distributed



Value Creation Impacts

ECONOMIC IMPACTS

Direct Employment
13,519

Manufactured Capital - NBV
LKR 52,595 Mn

Local Procurement
LKR 22 Bn

Export Revenue
LKR 1,336 Mn

Contribution to Country's Tea Production
1%
2,552 MT

Market Capitalisation
LKR 53,643 Mn

SOCIAL IMPACTS

Workers Trained
4,677

Social Responsibility Investment
LKR 75 Mn

Community Welfare
Estate Sector Beneficiaries
+29,700

Investment in Community Welfare
Estate Sector
LKR 47 Mn

ENVIRONMENTAL IMPACTS

Carbon Footprint
100,280 tCO_2e

Water Usage
447 Mn liters

Effluents
188 Mn liters

Solid Waste Generated
35,553 MT

Trees Planted
+50,000

Our Commitment to the SDGs

UN SUSTAINABLE DEVELOPMENT GOALS- TRACKING OUR CONTRIBUTION IN 2020/21

GOAL 1
No Poverty

- Employment created for 13,000+
- Business opportunities extended for 4,769 local suppliers
- Tax payments of LKR 9,160 Mn to support public finance
- Providing living facilities to 7700+ persons living in family units

Refer Pages 109 & 124

GOAL 2
Zero Hunger

- LKR 47 Mn invested in welfare and nutrition programmes for factory and estate workers and communities
- Building income opportunities for 4500+ plantation workers 93% from our total plantation sector employees

Refer Page 124

GOAL 3
Good Health and Wellbeing

- Key health and safety programmes with employee engagement implemented across the businesses
- Training Initiatives for mental health of the employees - SMILE Programme
- Invested LKR 53 Mn as per health guidelines to curtail COVID-19 spread in workplaces.

Refer Page 109

GOAL 4
Quality Education

- 4,677 employees trained for 18,310 hours at a total investment of LKR 6.3 Mn
- A reimbursement scheme for professional studies in place
- Support educational needs of children living within the estate communities

Refer Page 109

GOAL 5
Gender Equality

- As an equal opportunity employer, 36% of the cadre is female
- Follow best labour practices

Refer Page 109

GOAL 6
Clean Water and Sanitation

- Clean water and sanitation facilities provided within workplaces
- Invested LKR 15 Mn on water and sanitation infrastructure

Refer Page 132

GOAL 7
Affordable and Clean Energy

- Advocating renewable energy sources in estate operations - the use of briquettes and firewood

Refer Page 132

GOAL 8
Decent Work and Economic Growth

- Job opportunities across seven growth sectors
- Follow best practices in labour relations and management

Refer Page 109

Our Commitment to the SDGs

GOAL 9

Industry Innovation and Infrastructure

- Product innovation prioritised across operations
- Invested LKR 91 Mn on research and development

Refer Page 119

GOAL 10

Reduced Inequalities

- A wide distribution network across the island
- Community recruitment policy
- Engage and give business opportunities to uplift small and medium enterprises

Refer Pages 109 & 124

GOAL 11

Sustainable Cities and Communities

- Invested LKR 8 Mn on developing infrastructure including roads surrounding estates and factories
- LKR 7 Mn spent on philanthropic initiatives to uplift living areas of underprivileged communities

Refer Page 124

GOAL 12

Responsible Consumption and Production

- Proactive measures in place to manage solid waste and energy usage
- 19,169 MT of recycled materials used in the production
- Consumed 175,537 MT of renewable materials

Refer Page 132

GOAL 13

Climate Action

- Adopted energy efficient measures and invest in biodiversity initiatives to reduce the Group's carbon footprint by.
- Advocating and 'going green' through our tree planting programme - 50000+ trees planted

Refer Page 132

GOAL 15

Life on Land

- Invested LKR 2 Mn on biodiversity initiatives to increase forest cover and to protect habitats

Refer Page 132

Our Investment Case

DRIVING FOR GROWTH

Delivering a focused growth strategy across seven thrust sectors.

11.2%	14.5%
5-year CAGR- Revenue	5-year CAGR- PAT

STRONG ASSET POSITION

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

LKR 52,595 Mn

Cumulative Capex

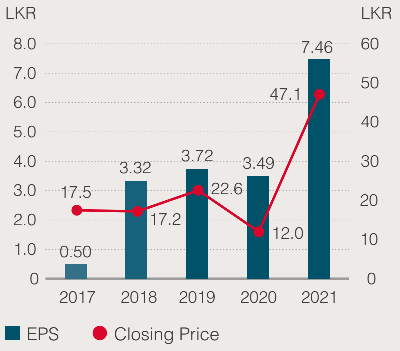
SUSTAINABLE SHAREHOLDER VALUE

Inculcating best practices and principles of corporate sustainability across the business lines

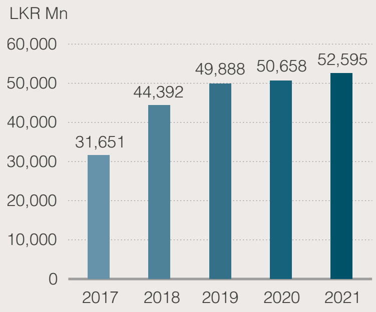
17%

Return on Capital Employed

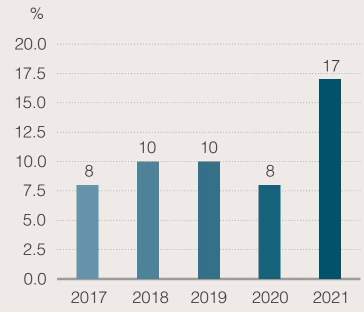
Shareholder Returns



5-year Capex



5-Year Return on Capital Employed



MARKET PRESENCE

Islandwide distribution network including distributors, dealers, branches and outlets

294

Direct Customer Touch Points

STRONG MARKET POSITION

Well-positioned in the respective sectors with solid brands

Top-tier market positioning

Tiles and sanitaryware

Aluminium extrusion

Non-bank financial sector

QUALITY FOCUSED

Continuous investment on product development and process improvements

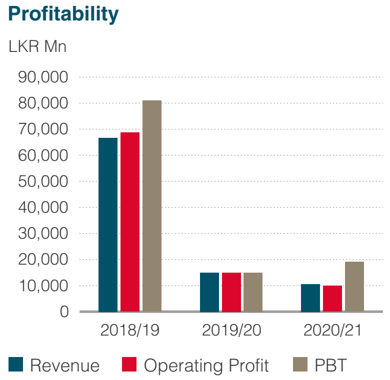
LKR 342 Mn

5-year Cumulative Investment Research and Development

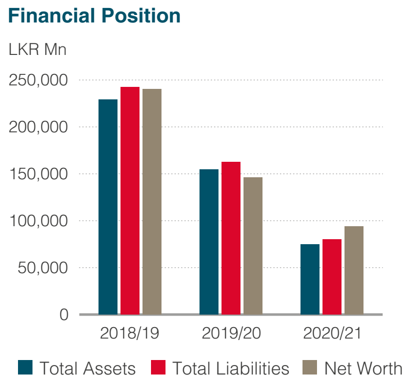
Financial Highlights

GRI Disclosure : 102-7

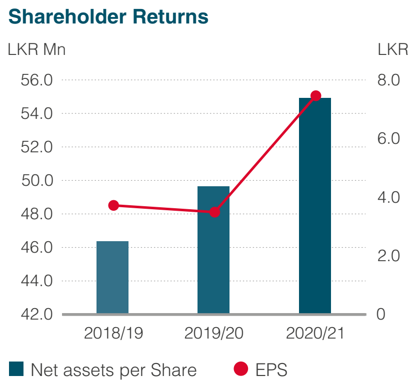
Profitability		2020/21	2019/20
Revenue	LKR Mn	81,035	68,569
Results From Operating activities	LKR Mn	22,472	15,068
Profit before tax	LKR Mn	19,032	9,870
Profit after tax	LKR Mn	14,689	6,296
Profit attributable to owners of the parent	LKR Mn	8,118	3,794
Dividends	LKR Mn	3,855	-
Gross profit	%	45.3	43.2
Operating profit margin	%	27.7	22.0
Net profit margin	%	18.1	9.2
Return on Assets	%	6.1	2.6
Return on equity (ROE)	%	15.6	7.9
Interest Cover	No of times	11.9	4.9



Financial Position		2020/21	2019/20
Total Assets	LKR Mn	240,132	242,467
Total Liabilities	LKR Mn	145,942	162,408
Total Debt	LKR Mn	37,290	55,565
Equity attributable to equity holders of the parent	LKR Mn	62,556	53,944
Net Worth	LKR Mn	94,190	80,060
Debt/Equity	%	39.59	69.40
Equity asset ratio	%	39.22	33.02
Current ratio		0.94	1.16
Quick assets ratio		0.82	0.99



Market and Shareholder Information		2020/21	2019/20
No of shares in issue	No. Mn	1,139	1,139
Market value per share	LKR	47.10	12.00
Earnings per share	LKR	7.13	3.33
Net assets per share	LKR	54.93	47.36
Company Market Capitalization	LKR Mn	53,643	13,039
Dividend yield ratio	%	7.43	-



Non-Financial Highlights

GRI Disclosure : 102-7

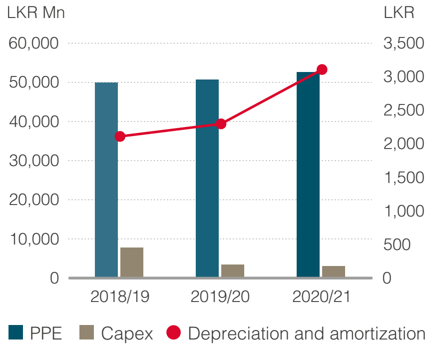
Manufactured Capital		2020/21	2019/20
Property Plant and Equipment	LKR Mn	52,595	50,658
Capital Expenditure	LKR Mn	3,047	3,425
Depreciation and Amortization	LKR Mn	3,108	2,298
Investment in Research and Development	LKR Mn	91	87

Human Capital		2020/21	2019/20
Total Employees	Number of:	13,519	13,793
Female workforce	Number of:	4,873	5,000
Male workforce	Number of:	8,646	8,793
New recruitments	Number of:	2,567	3,303
Plantation workers	Number of:	4,543	5,030
Employees represent outside the western province	Number of:	6,807	7,123
Productivity (revenue/employee)	LKR Mn	5	5
Investment in Training	LKR Mn	6.3	16
Total Training hours	Hours	18,310	70,167
Employees trained	Number of:	4,677	
Retention rate	%	81	66

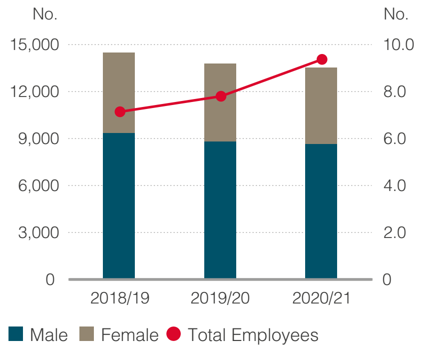
Social and Relationship Capital		2020/21	2019/20
Rocell own Showrooms	Number of:	72	68
Lanka Tiles own showrooms & Outlets	Number of:	21	16
LB Finance Branches & Gold Loan Centers	Number of:	169	165
Suppliers	Number of:	5,378	5,140
Small and Medium suppliers	Number of:	3,504	3,501
Payments to suppliers	LKR Mn	31,860	33,468
Investment in CSR Initiatives	LKR Mn	75	37

Natural Capital		2020/21	2019/20
Energy Consumption	GJ	1,247,878	3,987,493
Raw Material Consumption	MT	6,331,115	363,033
Total Water Usage	Liters Mn	447.2	397.2
Carbon Footprint	TCO2	100,280	-
Total Waste	MT	35,553	38,336

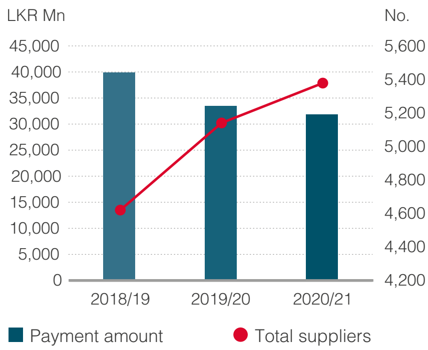
Property, Plant and Equipment



Total Employees and Revenue per Employee



Total Suppliers and Payments to Suppliers



Chairman's Message

Dear Shareholders,

I warmly welcome you to the 11th Annual General Meeting of Vallibel One PLC. On behalf of my Board, I am pleased to present our Annual Report along with the financial statements and notes for the financial year ended 31st March 2021.

In an extraordinary year, Vallibel One stood well-poised as a young and a dynamic diversified conglomerate, built on a solid pillar of fundamentals. Our business perceptiveness combined with market dominance in key sectors of the economy, underlined our resilience against a pandemic-hit operating backdrop. We delivered a well-thought-out strategy across our businesses—leveraging on our expertise and consolidating the positioning, to secure our strategic aspirations whilst paving the path ahead for greater feats.

RESPONDING TO THE PANDEMIC

Surmounting the grave challenges that prevailed in our operating landscape, our businesses responded with agility, decisiveness and quality governance—making critical decisions to meet the exigencies in the year. Our management teams worked closely with the Board to step-up risk management—assessing and making tactical adjustments to best-fit the changing risk profiles of our key sectors. This process enabled us to make the right investment decisions in terms of capacities, processes, markets, product innovation, brand building and enhancing quality and standards. These investments, in effect, braced our operational cashflows, reinforced our market presence and safeguarded our employees, their jobs and their wellbeing.

CONSOLIDATED PERFORMANCE

Notwithstanding the complex market conditions, we marked a record-breaking consolidated performance in the year under review. Our top-line earnings increased by a noteworthy 18 percent to touch LKR 81,035 million whilst net profits reached record-highs of LKR 14,689 million. Led by lifestyle and finance sectors, our group capex reached LKR 52,595 million whilst our asset position as at the year-end stood at

> In an extraordinary year, Vallibel One stood well-poised as a young and a dynamic diversified conglomerate, built on a solid pillar of fundamentals.

LKR 240,132 million. Our return on equity was positive at 15.6 percent.

This year, we paid LKR 3.50 per share as dividends to our valued shareholders.

CORPORATE RESPONSIBILITY

As an exemplary conglomerate, corporate responsibility has always been an essential part of our value system. We guide our businesses to look beyond short-term gains and adopt and uphold best management practices to create shared value, encompassing all stakeholder interests. This assumed much more significance in the year, with so much economic strife widening the disparities in our society. We strived to be more structured and focused in our social initiatives, enabling the disadvantaged masses greater access to education, employment and healthcare. This reporting year, we mainly focused on pre-school development; relief support for COVID-19 including LKR 56.2 million worth donation of 13 ventilators to national hospitals; and comprehensive welfare measures for our estate communities.

We also adopted and strengthened best measures to manage our group's environmental footprint. This included investments in alternative renewable energy, as initiated through roof-top solar projects within the lifestyle, aluminium, plantations sectors and packaging;

MOVING FORWARD

These are challenging times. The COVID-19 pandemic is still at large, demanding major shifts in the status-quo, particularly, in the short-term. As a top-tier conglomerate, we recognise the catalytic role we could take, to support our nation in its development drive. With significant presence in key sectors, we have a strong edge to thrive in a burgeoning economy. We are confident and spirited to weather the challenges therein whilst exploring the prospects to gain higher goals, especially in the more positive medium to long-term.

This calls for our businesses to take a deeper and a broader approach in managing risks whilst focusing on potential growth opportunities both within and beyond borders. It is imperative that we look at bracing our operations for higher productivity; optimising cost structures; and focusing on quality management, thus, securing sustainable returns on our investments.

APPRECIATION

It is with deep gratitude that I place my appreciation to my colleagues on the Board, for their visionary direction and commitment to guide Vallibel One amidst grave challenges. I commend and thank our management teams and their staff across our businesses, for all their hard work and dedication, achieving solid results in a demanding year. I am indeed inspired by their work ethic. I also wish to thank our shareholders and all other stakeholders, for having confidence in our strategic path in a rapidly changing world.

Dhammika Perera
Chairman

3 June 2021

Chief Executive Officer's Review

It is with great pride that I announce the commendable performance of the Vallibel One Group which transcended all barriers to post yet another commendable year with great results. We were able to overcome all challenges as we have perfected the art of wealth creation and growth enterprise which is now part of our core business and firmly entrenched in the DNA of the organization.

Consolidating our group strength of diversity, we stayed true to our business ideals and core values to overcome the risks by raising the bar of entrepreneurship and service excellence throughout the group. With lateral thinking and decisive action, the group, which spans across a diverse portfolio of carefully curated growth sectors of the economy, was able to steer through significant disruptions and varying challenges, to post creditable results during the financial year 2020/21. The review herein seeks to outline how the leadership delivered an insightful and proactive strategy against uncertainties whilst planning, steering and propelling the company forward towards long-term prosperity.

DECISIVE DECISION-MAKING

Driving a well-planned and integrated business strategy, our aim was to achieve sustainable growth for the sectors which were more resilient and well established whilst treading more carefully with the sectors that were impacted. It was critical to take rational decisions on scale and discretionary cost across our business lines as some sectors needed to stay afloat whilst others needed to reach higher ground. We focused and invested well on bringing in greater innovation and efficiency to our operational processes; adding value to products; reinforcing our top brands; leveraging on group synergies; and more importantly, developing and looking into the well-being of our much-valued employees. We also sought to be more focused on corporate responsibility, advocating more meaningful initiatives to bring in social change and curtail our carbon footprint. This well-rounded strategy,

> Fostering our group strength and diversity, we stayed true to our business ideals and strived to outweigh the risks and secure the bar of entrepreneurial and service excellence.

paved the platform for our businesses to stay competitive, capitalise on the emerging market opportunities and create long-term value.

CONSOLIDATED RESULTS

Notwithstanding the widespread challenges in our operating landscape, we succeeded in achieving an exceptional overall performance during the year under review. Our consolidated revenue posted a noteworthy growth of 18.1 percent year-on-year to reach Rs. 81.6 billion. Our flagship sectors of Lifestyle led the top-line, reporting outstanding results whilst the Finance sector too achieved strong results due to the timely initiatives taken

Revenue	18%
Profit Before Tax	93%
Profit After Tax	133%
New Rocell & Lanka Tiles Showrooms and Outlets	09
Converted Gold Loan Centers into fully Fledged Branches	18
New LB Finance Branches in Myanmar	4

Chief Executive Officer's Review

to overcome the economic downturn. Combined, these two sectors accounted for an impressive 81.5 percent share of the consolidated revenue. Overcoming all challenges the Plantations, Aluminium, Consumer goods and Packaging sectors also registered positive results, registering a healthy 12.6 percent share of the top-line.

Complemented by our solid top-line results, the profitability during the year was remarkable. Our drive to maintain an optimal cost structure, prudent measures of debt across our businesses combined with lower finance costs, ultra-expansionary monetary policy measures, and lower corporate taxes, helped strengthen our bottom-line further. Our profits before taxation stood at LKR 19 billion, up by 93 percent over the preceding financial year. The annualised return on equity registered a 15.6 percent, an improvement of 7.73 percentage points whilst earnings per share reached LKR 7.13. Our financial position as at 31st March 2021 adequately covers our liabilities.

SECTOR RESULTS

Lifestyle

The lifestyle sector witnessed a stellar year for all sectors in the group due to increased demand, from both the local market and exports, improved working capital cycles, and decreased finance costs. The demand for tiles was mainly from the local market whilst an unprecedented demand for sanitaryware was created from both the export and local markets. The challenge was the capacity expansion to cater to the booming demand. Responding with greater agility and pragmatism, the companies sought to fine-tune the production line and increase productivity and efficiency to meet the improved and robust demand. The previous initiatives taken to modernise and expand the factories paid dividend. Buoyed by this improved market demand, our top brands, Rocell as well as Lanka Tiles performed exceptionally well, leading the sector top-line to post 50.3 percent year-on-year growth whilst net profits increased by 232 percent to Rs. 6179 million.

Finance

Contending with, fiscal policy uncertainty and lower business confidence, LB Finance made a judicious decision to seek new potential opportunities, embark on prudent lending strategies, consolidate its deposit base; reinforce service excellence and improve risk management which proved to be a winner. Although the import ban on motor vehicles dampened the company's top-line earnings by 4.6 percent year-on-year the demand for registered vehicles helped to negate the situation to a certain extent. Due to the focused efforts the demand for gold loans showed a strong increase. The frontline and call centre staff played a pivotal role in garnering recoveries, which helped the company maintain liquidity at healthy levels. It was also heartening to witness the LB Microfinance business in Myanmar do exceedingly well during the year prompting the business to expand its footprint to 12 outlets in the country. Complemented by low-cost funds and downward tax revisions, the sector bottom-line profits after taxation improved further by 30 percent year-on-year to Rs. 6806 million.

Aluminium

Steering through increased market volatilities, the aluminium sector recorded a strong performance turning around the company from a loss-making situation to record an impressive profit of LKR 342 Mn during the year. The change of focus to increase value added products assisted and projected the company image resulting in large infrastructure projects and high-rise buildings being secured. We also continued to develop and expand the dealer network, bring in product and process innovation, and improve quality and standards and minimise discretionary expenditure.

Plantations

Dealing with multiple challenges, Horana Plantations delivered a coherent and meaningful strategy—rationalising the crop portfolio; enhancing quality and standards; managing industrial peace; and improving productivity levels on selected crops. Although the overall crop production levels dropped during the year, the tea sector rebounded, supported by bullish price trends at the Colombo Tea Auctions. Our rubber business also turned around, registering a notable improvement both in terms of production volumes and prices. Overall, the sector was able to reduce the losses significantly during the year.

Consumer

Reinforcing our market presence, our ever-evolving consumer goods sector made excellent progress and a remarkable turnaround during the year under review. Notwithstanding the lower consumer sentiment that prevailed, the sector firmed up growth strategies—building the product portfolio; leveraging on power brands; strengthening the supply chain; and driving for greater point of sale presence and awareness. A well-structured campaign was rolled out to relaunch our top brand Motha along with Delmege tea, Hiru Kahata whilst adding the leading international cereal brand Kellogg's into the portfolio. With a higher market share created within the food and beverage segment together with popular personal and health care products, the year recorded strong top-line of Rs. 4,432 mn and profit of Rs. 50mn turning around a loss making situation in the previous year.

Leisure

Our exposure to the leisure sector through our associate company, the Fortress Hotel, came under severe pressure during this pandemic afflicted year. With the tourism industry at its lowest ebb, the Fortress grappled with the implications and strived to adjust and adapt to the 'new normal' following protocols introduced by the tourism authority. The hotel operated with limited room capacity and the occupancy

level was a meagre 10 percent during the year under review. Hotel revenue plummeted by nearly 84.7 percent year-on year. Furthermore, the timelines of our integrated resort project in Negombo which is currently under construction, had be revisited and reviewed to reflect the industry realities.

Investments and Others

"Investments and Others" comprises a multitude of sectors ranging from investments, insurance brokering, travel, transportation, mining and the packaging industry which in particular continued to grow recording an impressive increase of 154% in profits. The favouarble cost of raw materials during the first half of the year, improved production and cost rationalisation, process efficiencies and capacity expansion helped buttress the performance. The prudent investments in printing machinery supported the cause to a great extent.

PATH AHEAD

The COVID-19 pandemic, which is currently raging on, mutating with new variants and the vaccination roll-out, will preoccupy the entire nation in the year ahead. Although socio-economic issues and discretionary spending will continue to affect the business landscape in the short-term, we are confident of posting healthy results and moving into the next growth phase, in view of the visionary thinking, vast repository of skills and initiatives we have laid out. Looking beyond, we expect the nation to revive with greater level of economic activity and optimism, setting in business confidence and drawing in the much-needed investments into the country in the mid and long term. The potential to gain and grow within this emerging economic scenario is immense, more so, for a diversified group such as ours. We have the expertise blended with contemporary and pragmatic thinking to manage the risks and to take on new opportunities that will complement the group businesses. As a large diversified conglomerate the Group remains positive that the business models we have developed around each of the portfolios will be able to absorb any unexpected shocks and navigate ahead with confidence.

Appreciation

Despite the unprecedented challenges, the Vallibel One group continued its victory march posting yet another year of successful results. Our success was achieved through the energy and support of many. Our customers continued to support and believe in us and our group mission during this year of turbulence. My sincere appreciation to all our valued customers for their continued patronage. I am also grateful to all our Business partners, advisors and friends who have continued our journey with us and added immense value to our brand.

I extend my deep gratitude to the Chairman and to the Board of Directors for their strategic direction, and guidance which helped us to overcome all challenges during this period of extreme volatility.

I also wish to thank all our shareholders for their confidence and trust and wish to assure you of our continued and improved performance in the years to come.

I salute the resilience and fortitude of the management and their respective teams across our business lines who worked tirelessly and stayed fully committed to ensure we achieve our collective goals. To the team at Vallibel I am indeed privileged to work with such a committed group and look forward to continue our journey together.

As we step ahead in the 'new normal', we look forward, with great optimism, to take the Vallibel One Group to the next strata of success, weathering the headwinds that may blow in our direction..

Dinusha Bhaskaran
Chief Executive Officer

3 June 2021

Board of Directors

Mr Dhammika Perera
Chairman/Managing Director

Mr Harsha Amarasekera
Independent Non-Executive Director

Mr Rajan Asirwatham
Independent Non-Executive Director

Mr Sumith Adhihetty
Non-Executive Director

Mrs Shirani Jayasekara
Independent Non-Executive Director

Our Group has strived to adopt and uphold best practices in business, redefining and improving standards in the industries we operate in.

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 Resorts 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 serves as a member of the said Committee.

Skills and Expertise:

Mr Harsha Amarasekera, President's Counsel is a leading luminary 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 Sampath Bank PLC, CIC Holdings PLC, Swisstek (Ceylon) PLC, Swisstek Aluminium Limited as Chairman and Vallibel Power Erathna PLC as Deputy Chairman. He is also an Independent Non-Executive Director of Royal Ceramics Lanka PLC, Expolanka Holdings PLC, Chevron Lubricants Lanka PLC, Ambeon Capital PLC and Amaya Leisure 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 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, 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. He is a Member of the Board of Management of S W R D Bandaranaike Memorial Foundation, Council of the University of Wayamba and also on the Board of Post Graduate Institute of Medicine.

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 L B Finance PLC since 25th August 2010 and served as Chairperson from 18th September 2017 till her retirement on 25 August 2019. She was the Head of Audit, British American Tobacco Sri Lanka and Bangladesh. She was Head of Group Internal Audit of Carsons Cumberbatch PLC covering operations in Sri Lanka and Indonesia.

She was also a Director of Asian Hotels and Properties PLC, a subsidiary of John Keells Holdings PLC.

She has served on the Audit Committee of the Institute of Chartered Accountants of Ceylon and was a member of the Corporate Governance Committee which contributed to the process of developing a Code of Best Practices of Corporate Governance – issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka in 2008

Current Appointments:

None

Value Creation Model

BRINGING CAPITALS TOGETHER TO CREATE VALUE

Financial Capital
- Shareholders' funds: **LKR 94,190 Mn**
- Debt: **LKR 37,290 Mn**
- Cash flow from operations: **LKR 19,227 Mn**
- Stated capital: **LKR 29,337 Mn**
- Retained earnings and other reserves: **LKR 33,219 Mn**

Manufactured Capital
- Investment in PPE: **LKR 52,595 Mn**
- Investment in CAPEX: **LKR 3,047 Mn**
- New Showrooms & Outlets: **9**
- Islandwide operational foot print

Human Capital
- Workforce: **13,915**
- New recruitments: **2,567**
- Investment in training: **LKR 6 Mn**
- Payments to employees: **LKR 9,856 Mn**
- Flexible working environment
- Specialized business development team

Intellectual Capital
- Investment in R&D: **LKR 91 Mn**
- Intangible assets: **LKR 181 Mn**
- Brand stewardships
- Investment in TPM training: **LKR 136 Mn**
- Devoted and experienced team for Research and Development Tacit knowledge

Social and Relationship Capital
- Investment in CSR Projects: **LKR 75 Mn**
- Stakeholder management

Natural Capital
- Energy consumption: **1,247,878 GJ**
- Waste consumption: **447.2 Liters Mn**
- Cultivated area (agricultural): **4,032 Ha**

INTERNAL STRENGTHS AND WEAKNESSES

VISION | MISSION | STRATEGIC DIRECTION

CREATING VALUE IN SEVEN BUSINESS VERTICALS

Lifestyle
Manufacturing tiles and bathware and providing interior solutions
Page 51

Finance
Financial services - leases, loans and deposits
Page 59

Aluminium
Manufacturing aluminium extrusions
Page 66

Plantations
Producing tea, rubber and other crops
Page 72

Leisure
Owning and operating hotels and resorts
Page 79

Consumer
Manufacturing and retailing of fast-moving goods, pharma and medical equipment
Page 85

Investments and others
Packaging, mining, insurance brokering, travel, shipping
Page 91

Profitability growth | Synergistic relationships | Sustainability | Operational excellence

STRATEGIC PRIORITIES

CREATING LONG TERM STAKEHOLDER VALUE

Guiding Principles

Uphold best practices in corporate governance
Page 140

Risk management with internal controls for checks and balances
Page 151

Be an equal opportunity employer and treat all employees with dignity and respect
Page 109

Follow best practices and standards in health and safety across businesses
Page 119

Product stewardship to maximise value to customers
Page 104

Nurture sustainable corporate values to uphold social and environmental responsibility
Page 132

RISK MANAGEMENT

CORPORATE GOVERNANCE

SHAREHOLDER ENGAGEMENT

STRATEGY AND RESOURCE DISTRIBUTION

THREATS AND OPPORTUNITIES DERIVED

TRANSFORMING CAPITALS & SHARING VALUE WITH OUR STAKEHOLDERS

Segment Output	Outcomes		Capitals Affected	Impact
Lifestyle • 10,574,886 Sq. meters of tiles 4,642,627 pieces of sanitary ware 236,107 units of bath ware accessories 40,162 MT of grout and mortar	**Shareholder** Profitability and returns **KPIs** • Net profits: LKR 14,688 Mn • Dividends paid: LKR 3,855 Mn • Return on assets: 6.1% • Earnings per share: LKR 7.46	• Sustained shareholder value	Financial Capital Social and Relationship Capital	
Finance • Lease granted LKR 47,360 Mn • Gold loans and other advances granted LKR 36,212 Mn • Numbers of customers deposits: 395,115	**Customer** • Customer service with quality products and services **KPIs** • Total revenue: LKR 81,035 Mn • New products launched: 550+ • 152 process improvement initiatives in manufacturing plants	• Futuristic manufacturing culture to sustain a high-quality product offer • Product responsibility • Customer loyalty, positive word-of-mouth and brand enhancement	Intellectual Capital Manufactured Capital	
Aluminium • Powder coat: 1,637 MT • Wood finish: 244 MT • Other Aluminium extrusions: 2,707 MT	**Employees** • Improved skills, higher productivity and lower staff turnover **KPIs** • Diversified pool 8,646 male 4,873 female • Training hours: 18,310 • No. of trained employees: 4,677 • Staff turnover: 19% • Retention Rate: 81% • Revenue per employee: LKR 5 Mn	• Competent and professional employees with opportunities for career advancement • An enabling work environment with employee engagement and wellbeing • Employee loyalty	Human Capital	
Plantation 2,552 MT of Tea 873 MT of Rubber **Consumer - Sales Revenue** General trade: 65% Modern trade: 25% HORECA: 4% Wholesale: 2% Export: 4%	**Business partners** • Mutually beneficial business links **KPIs** • Total suppliers: 5,378 • No. of SME suppliers: 3,504 • Payments to small and medium enterprises: LKR 12,845 Mn	• Trust and respect to form long-standing and loyal relationships	Social and Relationship Capital	
Leisure Completed super structure of Greener Water project	**Community** • Community engagement **KPIs** • Beneficiaries From CSR initiatives: 50,000+ • Tiler club members: 5,000+ • Plantation workers: 4,543	• Community empowerment • Trust and confidence in the Vallibel Group	Social and Relationship Capital	
Investments and others **Mined output** Kaolin: 8,560 MT Feldspar: 19,047 MT Ball Clay: 16 MT	**Environment** • Corporate environmental footprint **KPIs** • Solid waste: 35,553 MT • Wastewater discharged: 188 Mn liters • Carbon footprint: 100,280 tCO2e • Investments in long-term renewable energy: LKR 163.5 Mn • No. of trees planted: +50,000	• Resource stewardship • Moving towards sustainable energy sources • Lesser carbon footprint to control global warming	Natural Capital	

FROM EXTERNAL ENVIRONMENT

Engaging with Stakeholders

GRI Disclosure: 102-40, 42, 43, 44

OUR APPROACH

With extensive operations in key sectors of the economy, it is of strategic significance for our Group to engage and sustain meaningful relationships with our key stakeholders. Hence, we give top priority to stakeholder engagement—seeking to create and deliver value to meet their diverse expectations. We have aligned our operations to this engagement process, be it in terms of strategy formulation or day-to-day management.

1. Identify and prioritises stakeholders
2. Determine the level of engagement
3. Engage with stakeholders
4. Identify material issues
5. Formulate strategy in response

OUR STAKEHOLDERS	
Shareholders and Investors	+15,290 shareholders and investors with a significant equity base of LKR 94,190 Mn
Employees	+13,500 dedicated and hardworking employees
Customers	+600,000 direct customers from all 'walks of life' reaching out from across the island
Business Partners	+5,300 local and international suppliers/business partners across diverse supply chains
Government, Statutory and Regulatory Bodies	Statutory and regulatory bodies guiding us with best business practices
Society	Reaching out and engaging diverse community groups
Environment	Managing an extensive environmental footprint with responsibility

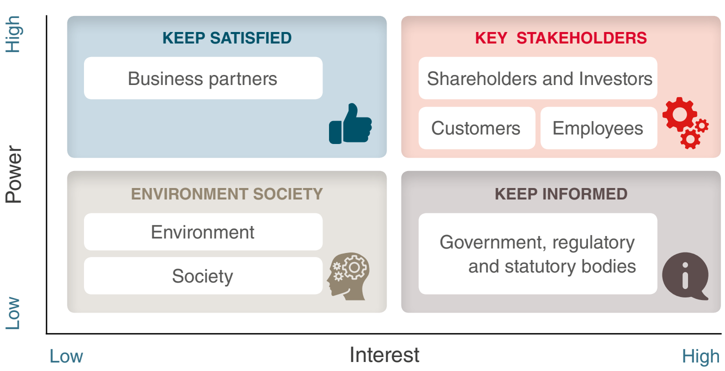
IDENTIFYING AND PRIORITISING OUR STAKEHOLDERS

As set out in the Mendelow Matrix, we have identified and prioritised our stakeholder groups, based on their level of interest and their power or influence on the Vallibel One Group. We give strategic precedence to our key stakeholders falling under the category—'high power - high interest'—including shareholders and investors, customers and our employees.

ENGAGING WITH STAKEHOLDERS

Key stakeholder issues, concerns and expectations as identified from our engagement process is set out below. This forms the basis for our material disclosures in the report as will be discussed in the materiality analysis section.

MENDELOW MATRIX



Statement of Stakeholder Engagement					
Key Stakeholder Groups	Mode of Engagement	Frequency	Material Issues/ Concerns	Strategic Response	Refer
Shareholders and Investors *Level of engagement* High	• Annual general meeting • Extraordinary general meeting • Interim financial statements • Financial reporting - annual report • Investor forums • CSE disclosures • Press releases • Correspondence • Corporate website	Annual As and when required Quarterly Annual Quarterly As and when required As and when required As and when required Ongoing	• Profitability and returns • Corporate sustainability • Good governance • Risk management • Filing disclosures and responsible reporting	• Deliver a growth strategy for higher returns • Uphold best practices in business • Ensure timeliness and transparency in disclosing material matters	Financial capital, page 100 Sector reviews, page 47 Corporate governance, page 140 Risk management, page 151
Customers *Level of engagement* High	• One-to-one meetings • Customer hotline • Customer surveys • Feedback portal at outlets • Corporate website • Communication materials • Customer visits and review • Social media • Interact through customer relationship teams	As and when required Ongoing Periodic Ongoing Ongoing As and when required Periodic Ongoing Ongoing	• Product accessibility • Product quality and standards • Fair pricing • Customer service	• Extensive distribution network • Product development • Adopting best business practices and certification on standards • Training on customer service	Social and relationship capital, page 124
Employees *Level of engagement* High	• Team and staff meetings • Management forums • Performance appraisals - annual • Training programmes • Newsletter • Email broadcast system • Intranet • Networking events	Ongoing As and when required Bi-annual Ongoing Monthly Ongoing Ongoing Periodic	• Diversity and inclusivity • Remuneration • Performance, promotions and rewards management • Skills development • Work-life balance • Career planning	• Provide equal opportunity employment and give industry competitive remuneration and perks • Recognise and reward on performance merits • Extend training opportunities to develop skills • Ensure employee wellbeing	Human capital, page 109

Engaging with Stakeholders

Statement of Stakeholder Engagement					
Key Stakeholder Groups	**Mode of Engagement**	**Frequency**	**Material Issues/ Concerns**	**Strategic Response**	**Refer**
Business Partners *Level of engagement* Medium	• Meetings • Correspondence • Site visits • Interact through Tiler club • Dealer and distributor conventions • Networking with principals • Trade fairs and conferences • Supplier training sessions • Supplier development initiatives • Supplier screening • Annual reports	As and when required As and when required Periodic Ongoing Annual Periodic Periodic Periodic Periodic Ongoing Annual	• Payments and business opportunities • Ethical business practices	• Ensuring timely payments • Supplier development initiatives • Upholding best business practices • Fair referrals	Social and relationship capital, page 124
Government, Statutory and Regulatory Bodies *Level of engagement* Medium	• Meetings and Discussions • Correspondence • Audits and disclosures • Directives and circulars • Workshops, awareness programmes and trainings • Announcements to CSE • Mandatory reporting and disclosures • Submission of tax returns	As and when required As and when required Periodic and as and when required Periodic Periodic As and when required Ongoing Annual	• Compliance with statutory and regulatory requirements • Good governance • Risk management and internal controls	• Comply with applicable rules and regulations • Responsible reporting and filing disclosures	Social and relationship capital, page 124 Corporate governance, page 140 Risk management, page 151
Society *Level of engagement* Medium	• Meetings with community leaders and not-for-profit organisations • Sponsorships • National campaigns • Annual Reports • Industry forums • CSR projects • Employee volunteerism • Corporate website • Social media	Periodic As and when required Periodic Annual Periodic Periodic As and when required Ongoing Ongoing	• Employment and business opportunities • Community development and philanthropy • Compliance with rules and regulations • Policy advocacy	• Community recruitments • Community development projects	Social and relationship capital, page 124
Environment *Level of engagement* Medium	• Energy management practices • Eco-friendly green initiatives	Ongoing Periodic	• Environment Preservation • Efficiency of resource utilization • Environmental best practices	• Stakeholder awareness on sustainability practices • Environmental oriented campaigns • Sustainable manufacturing in certain sectors	Natural capital page 132

Materiality Assessment

GRI Disclosure: 102-46, 47, 49

Following our reporting guidelines, our report content is developed on material topics that have a significant bearing on our ability to create value overtime. Our approach to determining materiality is well-structured, relying on the findings ascertained during the stakeholder engagement process and taking into account the operating environment along with our core values, policies and strategic aspirations. Accordingly, our report focuses on nine material topics which are validated by the senior management. The topics are prioritised based on both the importance to our stakeholder and the impact they have on the Group's operations. Although there are minor adjustments in the materiality analysis, the reporting focus is broadly comparable to the preceding financial year.

DETERMINING MATERIAL ASPECTS IMPACTING OUR GROUP

Guided by the Integrated Reporting Framework and aligned to the GRI Standards and the UN Sustainable Development Agenda

1	2	3	4	5	6
Establish the scope of the process	Evaluate and identify relevant matters	Assess importance to value creation	Prioritise material matters	Set reporting boundary	Finalise reporting disclosures
Economic, social and environmental perspective	Risks and Opportunities Strategic Priorities Stakeholder feedback Boardroom discussion areas	Potential impact on our value creation Likelihood of occurrence and or magnitude of relevant matters	What matters most		

MENDELOW MATRIX

Importance to Stakeholders	Impact on the Vallibel Group: Medium	Impact on the Vallibel Group: High
High	8. Preserving the environment 6. Community engagement	1. Financial performance 3. Talent development
Medium	2. Talent attraction and retention 4. Sustainable sourcing 5. Product quality and responsibility 7. Climate change	9. Compliance

Materiality means identifying what matters most - so that reporting can be concise and effective, thus, enabling our stakeholders to make their decisions with ease and clarity.

NOTE: Materiality matrix only focuses on the material topics which are high or medium in relevance to the Vallibel group and to stakeholders.

Changes made to materiality analysis - FY 2020/21 vs 2018/19

- Streamlined the materiality topics by bringing three main topics identified in the previous year - exchange rate exposure, exposure to commodity prices and operating efficiency under one main topic - financial performance.
- Adjusted the materiality status of two topics - 'Preserving the Environment' and 'Community Engagement' from low impact on the Group and low importance to stakeholders to high-medium status.
- Adjusted the materiality status of topic 'Compliance' from low impact on the Group and low importance to stakeholders to medium-high status.

Materiality Assessment

GRI Disclosure : 103-1

Materiality Assessment – 2020/21				
Material Topics	Stakeholder Boundary	Corresponding GRI Reference	Linking UN SDGs	Refer Page
1. Financial performance Managing macroeconomic and market challenges are crucial to deliver a strong financial performance with revenue growth and profitability to meet shareholder expectations.	Shareholder	• GRI 201 Economic performance	8	Value creation and sharing, page 36 Sector reviews, page 47 Financial capital, page 100
2. Talent attraction and retention Talented and dedicated employees play a vital role in our value creation process. Hence, following best practices in HR management in terms of recruitment and retention underlines the Group's success.	Employee	• 401 Employment • 402 Labour/ management relations • 403 Occupational health and safety • 405 Diversity and equal opportunity • 406 Non discrimination • 408 Child labour • 409 Forced or compulsory labour	1, 2, 3, 5, 6, 8, 10	Human capital, Page 109
3. Talent development Developing skills and mentoring high achievers are given strategic precedence, empowering employees to meet corporate goals.	Employee	• 404 Training and education	4	Human capital, Page 109
4. Sustainable sourcing With an extensive supplier chain, following best practices in procurement and supporting local suppliers underscore the Group's sustainability agenda.	Supplier	• 204 Procurement practices	1, 10	Social and relationship capital, Page 124
5. Product quality and responsibility Sustaining quality and standards in the product offer is intertwined with the Group's value proposition, in turn, building brand equity and customer confidence and trust.	Customer	• 416 Customer health and safety • 417 Marketing and labelling	9	Social and relationship capital, Page 124
6. Community engagement As a principled Group, we are committed to build good relations and uplift communities we operate in, thereby, securing their confidence and support for our business aspirations.	Society	• 413 Local community	6, 10, 11	Social and relationship capital, Page 124
7. Climate change With a large presence in several sectors, our carbon footprint is extensive. Effective energy management and controlling emissions are highly warranted to arrest climate change and global warming.	Society	• 302 Energy • 305 Emissions	7, 13	Natural capital, Page 132
8. Preserving the environment Being responsible in resource consumption and waste and effluents management stands significant in meeting our sustainability goals.	Society	• 301 Materials • 303 Water • 306 Effluents and Waste • 303 Water	12, 15	Natural capital, page 132
9. Compliance As a responsible Group, we comply with relevant laws, rules and regulations.	Society	• 307 Environmental compliance • 419 Socio-economic compliance	16	Natural capital, Page 132 Social and relationship capital, Page 124

Group Strategy

As a leading diversified conglomerate, we deliver a four-pillar strategy—directing our businesses to create and deliver value to our stakeholders over short, medium to long-term. Our strategy together with the guiding principles we uphold within our business model, sets the tone for all line companies to formulate their individual strategies with a best fit to navigate through the dynamics of their respective sectors they operate in.

This section will focus on the overall group strategy in response to the principal risks and opportunities as set out in the Group SWOT analysis below; whilst the sector reviews will present the strategy at the business level.

STRENGTHS

- Sectoral diversity
- Solid portfolio with top brands
- Market leadership position in key industries
- Extensive distribution network
- Human capital – skills and experience of employees
- Solid corporate culture and reputation

WEAKNESSES

- Fragmentary exposure in some sectors
- Limited focus on non-core businesses

OPPORTUNITIES

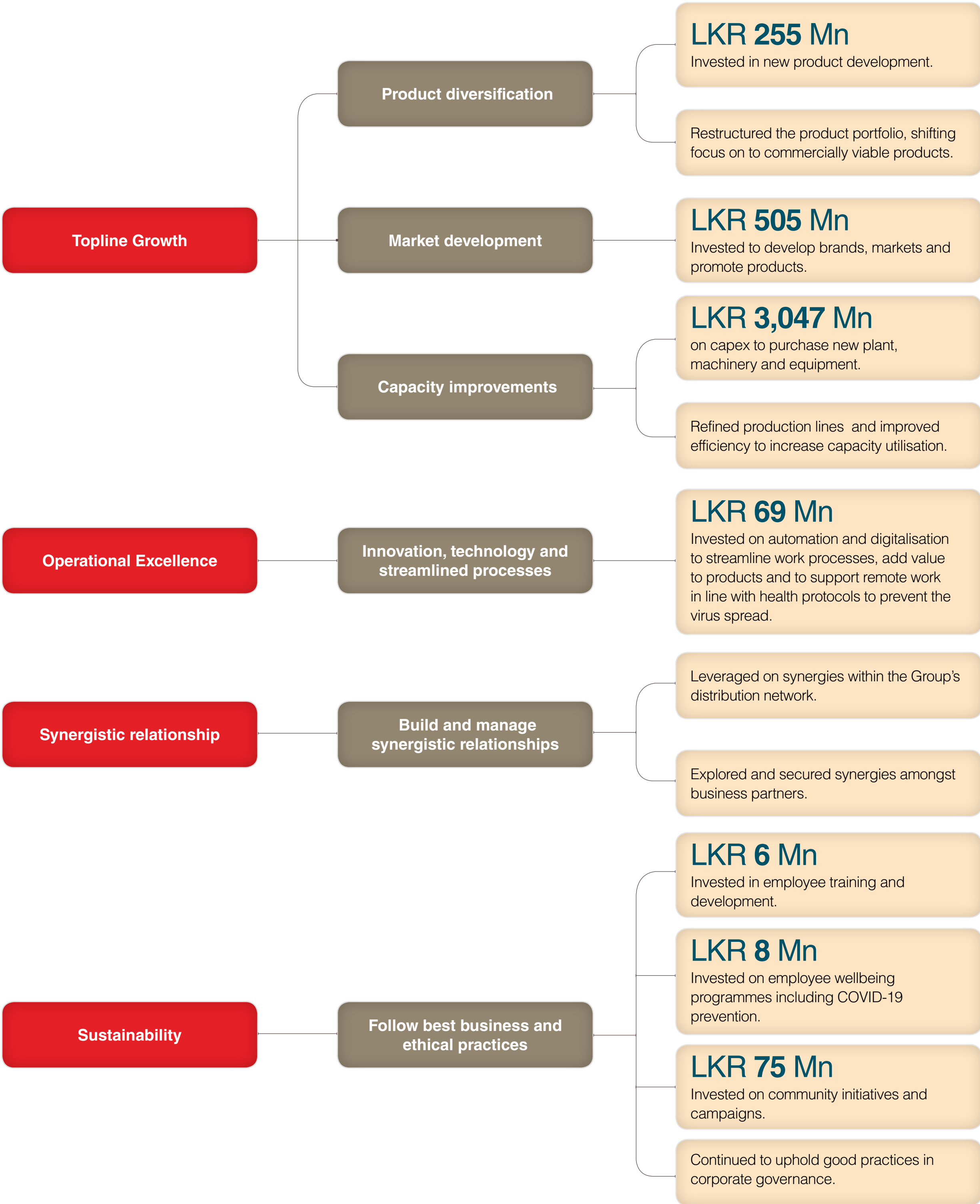
- Economic turn-around
- Growing disposable incomes and the middle-class market
- Changes in consumer trends and preferences
- Presence in key growth sectors
- Growing brands
- Potential to enter export markets
- Synergies within the group
- Strategic investments in research and development
- More conducive taxation policy

THREATS

- COVID-19 pandemic, variants and consequences on businesses
- Exposure to exchange rate fluctuations
- Exposure to world market commodity fluctuations
- Intense competition and price undercutting
- Shortage of skilled labour

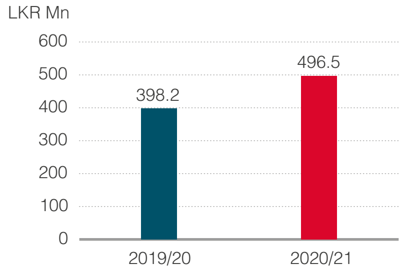
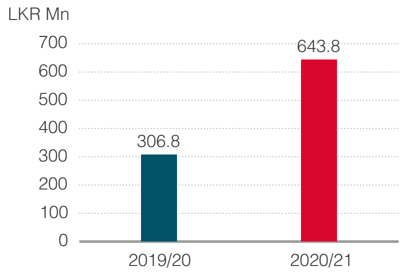
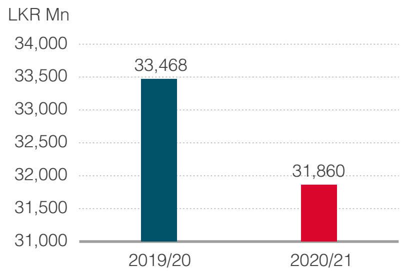
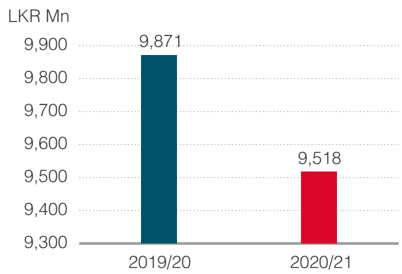
Group Strategy

STRATEGIC PRIORITIES AND KEY ACTIONS 2020/21



PESTLE Analysis – Vallibel Group		
Factors	**Risks**	**Opportunities**
Political	• Political instability will dampen the economic growth trajectory and impact consumer and investor confidence. • Ad-hoc policies on corporate taxation will impact business confidence and pressure bottom-line profitability. • Government policies on exchange controls and import restrictions will impact import reliant businesses. • Trade union activities may give way to irrational wage demands and disrupt industrial peace and affect profitability.	• Political vision to develop rural areas will open up new market segments. • Conducive corporate tax policies will support bottom line profitability.
Economic	• Economic downturn trends will impact business confidence and earning potential. • Inflationary pressures will lower spending capacity and demand for high-end products and services. • Depreciation of the rupee will impact import cost of raw materials and result in lower margins.	• Emerging economy will open up opportunities to invest in expansions and in new ventures. • Higher disposable incomes will expand market opportunities and increase market share.
Socio-cultural	• An ageing population will impact market opportunities and labour markets. • Higher expectations of wages without productivity gains will impact margins and profitability. • Societal exposure to new viruses may trigger health risks within the organisation and lead to work disruptions.	• Higher disposable incomes will change consumer preferences and increase demand for quality products versus costs. • An effective vaccination programme will lead to pent-up demand and improve topline performance.
Technological	• Evolving technology may not be suitable or compatible with the workplace dynamics. • Adopting technology may discourage social bonds within the workplace. • Automating processes could trigger employee insecurities and cause labour unrest.	• Technology can be leveraged to venture into new products and new markets for greater diversification. • Technology can bring in process improvements to control costs and therefore, improve margins. • Technology facilitates remote work which is essential for business continuity during the pandemic along with movement restrictions.
Legal	• Ad-hoc statutory and regulatory changes will create uncertainty and may impact operations in the short-term.	• Statutory and regulatory policies, rules and regulations will bring in discipline and a level-playing field to the markets.
Environmental	• Adopting and complying with ad-hoc environmental laws, rules and regulations may impact operations in the short-term.	• Commitment to environmental responsibility may boost the organisation reputation, reduce financial implications and strengthen and build brands positively.

Group Strategy

Resource Allocation and Trade-off			
Strategic Priority	Resource Allocation	Capital Trade-off	
		Investing for the medium to long-term as against short-term impacts on financial capital	Impact on capitals
Topline Growth	**Investments in product diversification, market development and capacity improvements** 	Investments made for product development branding, marketing and promotions and for capital expenditure will secure growth and profitability in the medium to long-term.	Financial Capital Manufactured Capital Social and Relationship Capital
Operational Excellence	**Investments in innovation technology and process improvements** 	Investing in innovation, technology, and process improvements will reduce costs, strengthen the intellectual capital base and complement customer centricity.	Financial Capital Intellectual Capital Social and Relationship Capital
Synergistic Relationships	**Investments in supply chains and business partners** 	Investing in building synergistic relationships will strengthen supply chains and enhance the power to negotiate for better terms in procurement and business deals.	Social and Relationship Capital
Sustainability	**Investments in HR training and compensation, benefits and welfare** 	Investing in training will have significant benefits to develop employee skills and expertise to deliver corporate goals. Ensuring fair compensation, benefits and welfare will boost employee morale, productivity and secure their loyalty.	Financial Capital Manufactured Capital Human Capital

MANY STRATEGIES.

ONE purpose.

Every day is a hive of activity at Vallibel One. Ours is a structure that is built to endure - with multiple interconnected sectors creating a strong, overarching system that drives growth and prosperity across the board.

Strategically designed and structured for maximum efficiency and strength, every component of a beehive plays a unique role in producing the finest outcomes; delivering unparalleled value in more ways than one.

DRIVING STRATEGY THROUGH OUR SECTORS

Economic Review

GLOBAL ECONOMY

Economic Growth (%)	2019	2020	2021
World	2.8	-3.3	6.0
Advanced Economies	1.6	-4.7	5.1
Emerging Market and Developing Economies	3.6	-2.2	6.7

Source: World Economic Outlook, April 2021, IMF

With the COVID-19 outbreak and the containment measures adopted across nations, the global economy witnessed a severe recession in the year 2020, with a sharp contraction of 3.3 percent. Far worse than the global financial crisis in 2009, the implications were widespread and serious, particularly, impacting the vulnerable communities like the poor and those employed in the informal sector. This combined with the geopolitical tension along with macroeconomic stresses, weighed down on economic activities, be it in advanced economies and or emerging market and developing economies. Most countries adopted accommodative monetary policies and extended fiscal support to stimulate their economies and manage liquidity issues amidst this crisis.

Underscored by multilateral corporation, the ongoing vaccination programmes have given the world hope of turnaround in the year 2021 and thereafter. The downside risks however are still significant, especially the threat of new waves, the rapidly evolving virus mutations and the possibilities of these retarding the success of the vaccinations. The World Economic Outlook, April 2021, published by the International Monetary Fund (IMF), has set the global economic growth to rebound in 2021 to 6.0 percent.

SRI LANKAN ECONOMY

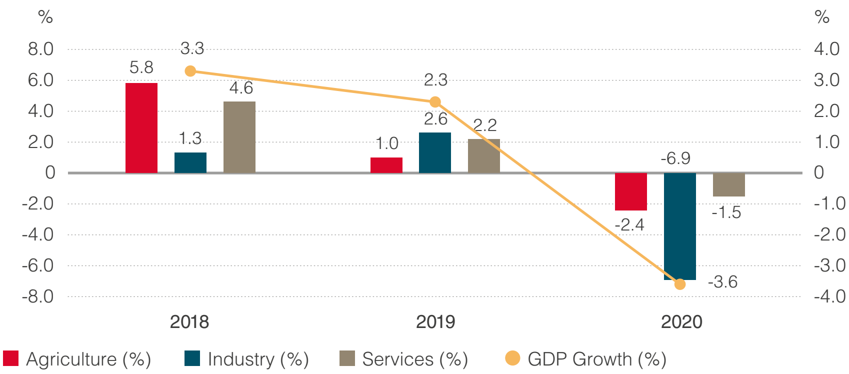
Key Indicators	2019	2020
GDP Growth (%)	2.3	-3.6
Per Capita Income (US$)	3,852	3,682
NCPI – Year-on-Year (%)	6.2	4.6
Balance of Payment (US$ Mn)	377	-2,328
Exchange Rate (LKR /US$)	181.63	186.41
Budget Deficit (% of GDP)	-9.6	-11.1
Average Weighted Prime Lending Rate (%)	9.74	5.81

Source: Annual Report 2020, Central Bank of Sri Lanka

REAL GDP

Mirroring the global economic woes, the Sri Lankan economy in 2020 grappled with the challenges set forth by the pandemic on multiple fronts. The first wave and the resultant lockdown from mid-March to May severely affected economic activity. The second wave towards the latter part of the year and the partial lockdown further pressured the results. Real GDP in the year plummeted to record lows, with a of negative growth 3.6 percent as compared to the growth of 2.3 percent in 2019. For the first time in the nation's history, all three key sectors recorded negative results. The agriculture and service sectors contracted by 2.4 percent and 1.5 percent respectively. Manufacturing sector, led by the manufacturing, construction, mining and quarrying activities, registered a steeper drop of 6.9 percent.

Annual GDP Growth Rate



Source: CBSL Annual Report 2020

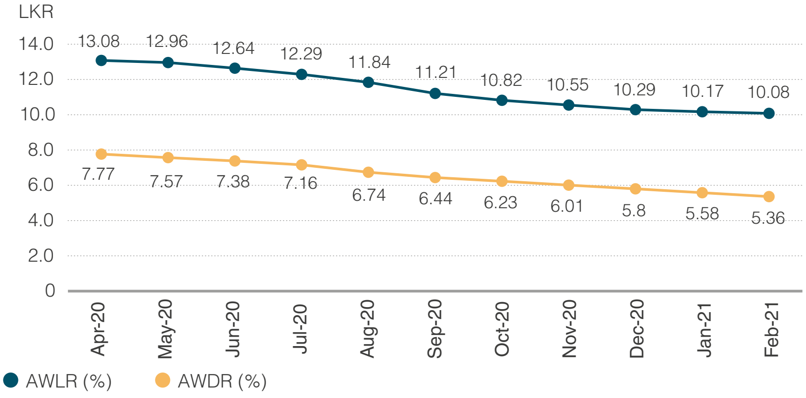
INFLATION

Inflation in the year was largely contained just around mid-single digit levels. Supply-side shortages and subdued aggregate demand conditions for non-essentials amidst sluggish economic activities, eased the inflationary pressures. Price levels, however, increased for food category, despite administrative price controls. The headline inflation measured by the National Consumers' Price Index (2013=100) settled at 4.6 percent year-on-year whilst the annual average rate stood at 6.2 percent. The Colombo Consumer Price Index (2013=100) moved downwards from 4.8 percent year-on-year in 2019 to 4.2 percent in 2020.

MONETARY POLICY AND INTEREST RATES

Amidst modest inflationary pressures, the Central Bank moved on to an extremely-accommodative monetary policy stance to kick-start the economy from contractionary trends in a pandemic afflicted year. Policy interest rates were sharply adjusted downwards by a total of 250 basis points. Statutory Reserve Ratio was also relaxed twice, by three percentage points, injecting liquidity into the system. Market interest rates, in response, fell to an all-time low whilst debt moratorium packages were offered to ailing businesses and retailers. Private sector credit growth stood at 6.5 percent whilst the Average Weighted Prime Lending Rate (AWPR) closed at 5.81 percent.

Interest Rate Movement



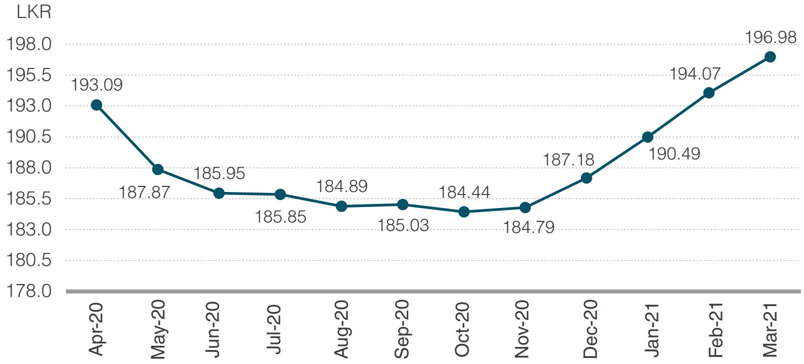
Source: CBSL Annual Report 2020

EXTERNAL SECTOR

The external sector performance vulnerabilities increased amidst the challenges of the pandemic and the Sovereign rating downgrade. Merchandise exports struggled with lower demand and logistical issues especially in the early part of the year. However, with import restrictions in place for non-essentials including personal motor vehicles, combined with lower crude oil prices, the import expenditure declined significantly. This outweighed the drop in export earnings and therefore, cushioned the trade deficit. With border controls and quarantining regulations, tourism sector earnings plummeted. However, worker remittances picked up in the second half of the year, to ease the pressure on the current account balance. With increased uncertainty in the global markets, inflows of foreign direct investment were low whilst outflows continued in terms of government securities and within the stock market. The balance of payment position, registered a deficit of US dollars 2,328 from a surplus position of US dollars 377 in the previous year. The gross official reserve position stood at 4.2 months of imports.

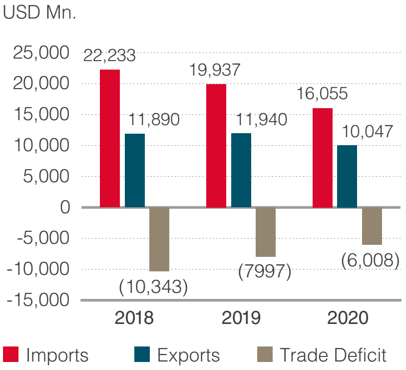
The exchange rate which came under pressure in March, April and since end November was broadly managed, with imports restrictions in place on non-essentials during the year under review. The Central Bank of Sri Lanka also intervened to stabilise the market volatilities. The overall rupee depreciation at the year-end was 2.6 percent against the US dollar to close at LKR 186.41. The rupee also depreciated against the euro, pound sterling and the Japanese yen whilst remaining steady against the Indian rupee.

Exchange Rate Movement



Source: CBSL

External Trade



Source: CBSL Annual Report 2020

FISCAL PERFORMANCE

Amidst the challenges of the virus outbreak, the fiscal performance declined in the year under review. Plans for revenue collections did not materialise as expected. Revenue and grants including both tax and non-tax revenue were below expectations at 9.2 percent of GDP compared to 12.6 percent in 2019. However, expenditure and net lending remained high at 20.3 percent of GDP. The overall budget deficit reached 11.1 percent of GDP, above the deficit of 9.6 percent of GDP in 2019. The domestic debt component took up 11.7 percent of GDP whereas foreign debt dropped significantly to 0.6 percent of GDP. The Government was able to meet all its debt servicing payments notwithstanding the downgrade of the sovereign credit ratings.

Economic Review

Sri Lankan Economy 2020 Impact on Our Business Verticals	
Lifestyle Aluminium Investments and Others	• Virus outbreak and movement restrictions adversely affected the construction sector along with building related industries like tiles, sanitaryware and aluminium extrusions. • The import restrictions on tiles and sanitaryware products increased the demand for local manufactured products. • Construction sector strengthened towards the latter part of the year, benefiting our lifestyle, aluminium and mining businesses.
Finance	• The economic contraction and the import ban on motor vehicles, dampened credit growth within the finance sector. • Moratorium packages extended to COVID affected customers led to liquidity issues and compromised sector stability in the early part of the year. • With the Central Bank reducing the Statutory Reserve Ratios, policy rates improved liquidity within the sector in the latter part of the year. • Portfolio quality deteriorated with non-performing loans at 13.9 percent over 10.6 percent in 2019. • Cost of funds declined towards the latter part of the year due to accommodative monetary policy stance.
Plantations	• Short supply in the global market led to stronger price trends on the Colombo Tea Auctions. • Intense wage negotiations disrupted industrial peace and productivity levels. • Inclement weather and lower productivity adversely affected production levels.
Leisure	• The pandemic along with the border controls, quarantining laws and health guidelines adversely affected the tourism and leisure sector. Tourist arrivals fell by 73.5 percent as compared to 2019.
Consumer	• A slowdown in the economy resulted in lower consumer sentiment and discretionary spending. This impacted the demand for fast moving consumer goods sector.
Investments and Others	• Sluggish economic conditions led to subdued market demand. • Lower paper prices in the world market complemented packaging business margins.

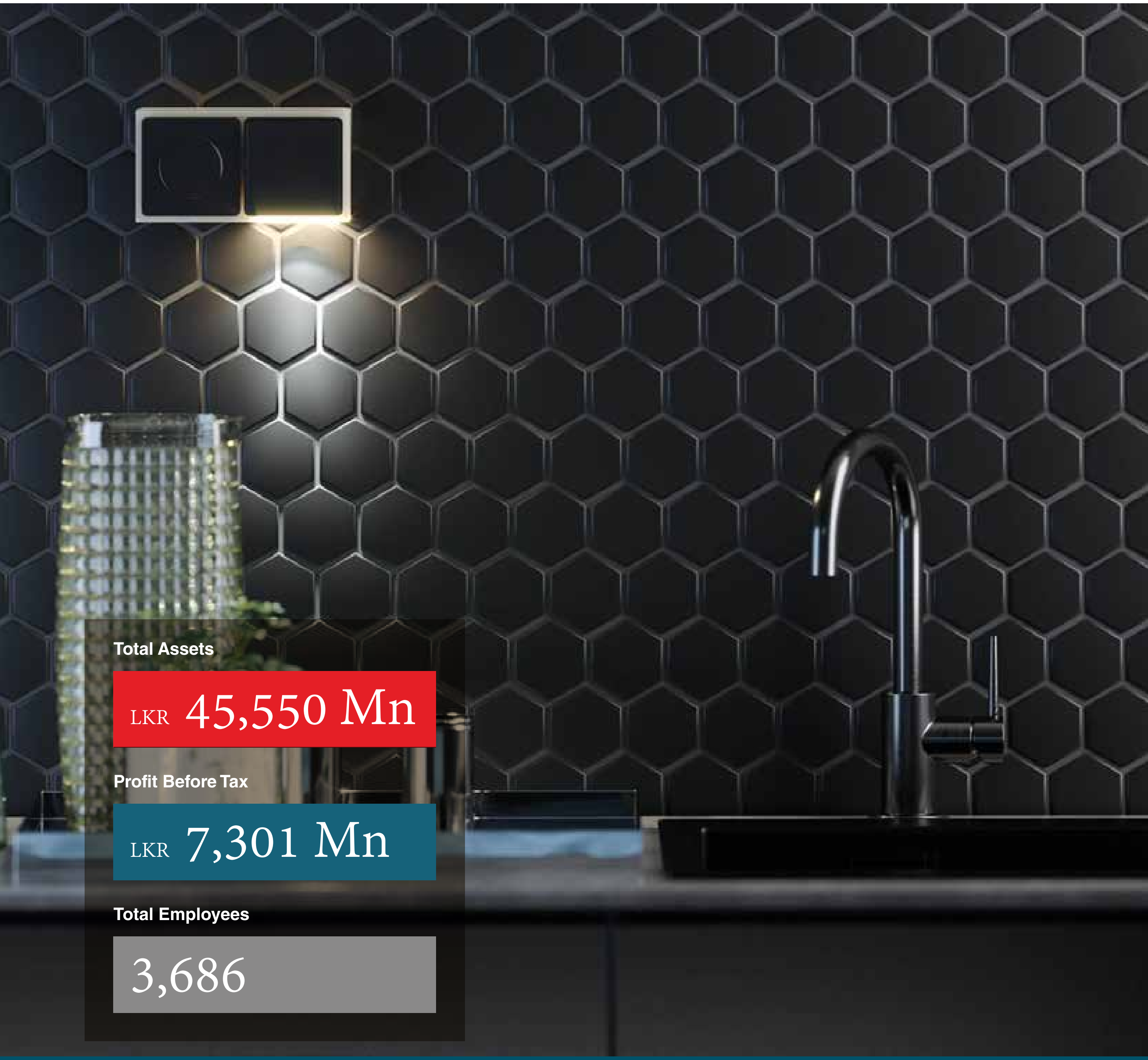
ECONOMIC OUTLOOK

The COVID-19 pandemic has changed the way we live—changing our supply chains, distribution and demand. The global recession is far-reaching and serious. This together with geopolitical tension, trade wars amongst major economies and climate change impacts, inter-alia, has weighed down nations across the board, with consequences spreading across the short to medium term.

Extremely vulnerable, Sri Lanka has to reckon with global economic risks and the challenges that are brewing within the domestic front—including the evolving virus mutations, the third wave with community spread and vaccination challenges combined with socio-economic and political uncertainties. The country is still grappling with ailing businesses, low consumer and investor confidence, share market volatilities and low foreign direct investment.

The expected global economic recovery, the effectiveness of the vaccination programme that is currently being rolled out and the successful negotiations to acquire other vaccines will underpin economic recovery perhaps from the latter part of 2021. In this regard, a synchronized development plan will be crucial if Sri Lanka is to pick up in the ensuing years. As per the Central Bank of Sri Lanka, GDP is forecast to grow at 6.0 percent in 2021 and to be more robust in 2022.

Lifestyle Sector



Total Assets

LKR 45,550 Mn

Profit Before Tax

LKR 7,301 Mn

Total Employees

3,686

At the forefront of the country's tile and sanitaryware industry, we offer an extensive range of lifestyle products and solutions.

Lifestyle Sector

OVERVIEW

Well renowned and positioned at the forefront, our lifestyle sector extends a rounded interior product offer for the high and middle end market, be it tiles, tiling accessories for masonry work, bathware, kitchens, to design solutions. With a commitment to quality and standards, we dominate the tile segment as market leaders with our top brands 'Rocell' and 'Lanka Tile', accounting for over 60 percent combined market share. In terms of bathware, Rocell holds a significant market share of around 40 percent. Interior building and design solutions are offered by the Delmege group of companies.

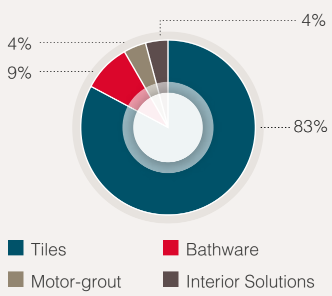
LIFESTYLE - STRUCTURE AND SCALE

Tiling	Royal Ceramics Lanka PLC	**2.2 mn sq.m** p.a production capacity Eheliyagoda and **3.6 mn sq.m** p.a Horana factory
	Lanka Tiles PLC	**4.2 mn sq.m** p.a production capacity Ranala factory
	Lanka Walltiles PLC	**2.6 mn sq.m** p.a production capacity Meepe factory
Bathware	Rocell Bathware Ltd	**300,000 Pcs** p.a production capacity Homagama factory
Mortar-grout	Swisstek Ceylon PLC	**Mortar: 1,172 MT** p.a **Grout: 40,148 MT** p.a production capacity Balummahara factory
		Timber flooring solutions (imported wood)
Interior and building solutions	Delmege Forsyth and Company Ltd	Interior and construction products
	Grip Delmege (Pvt) Ltd	Panel furniture and interior design solutions
	Grip Nordic (Pvt Ltd	Layer glued furniture

LIFESTYLE SALIENT FEATURES

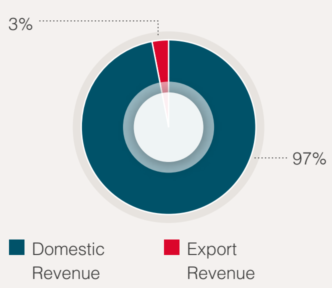
Products

Product Mix



Markets

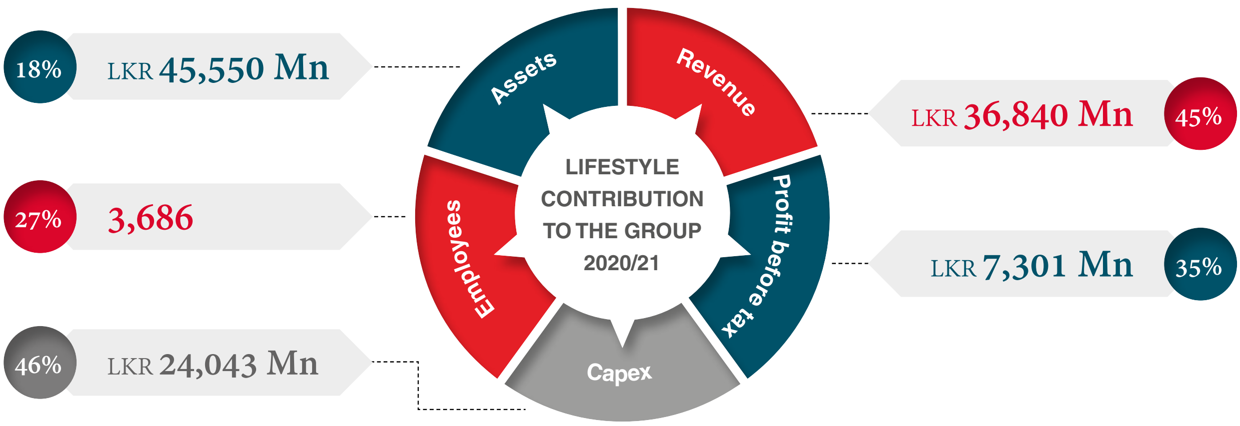
Market Mix



Distribution

- 58 Main Showrooms
- 35 Hybrid and Factory Outlets
- 95 Franchised Showrooms
- 466 Dealers

Strategic Focus	Management Approach
Customer engagement	Closely engage customers, address their grievances promptly and offer them a total solution in interior spaces to match the evolving trends.
Distribution network	Consolidate main showrooms in key strategic locations and ensure greater engagement with dealers and franchisees to maintain the required quality and standards across the distribution network.
Product rationalisation	Allocate necessary resources to shift focus and modify factory operations to produce commercially viable products as per demand trends whilst discontinuing or limiting unviable products.
Brand communication and marketing	Strengthen brand positioning and promote the product offer, focusing on cost-effective digital marketing channels.
Product responsibility	Invest in innovation to add value to the product offer and follow best practices to ensure quality and standards.
Cost optimisation	Streamline and bring in greater efficiency to factory systems and processes to optimise the cost structure.
Employee engagement	Extend an enabling workplace with focused training, performance-based rewards and ensure employee wellbeing including health and safety.



Lifestyle Sector

Lifestyle Sector Value Creation – 2020/21 Snapshot

Capital	Capital Input	Value Creating Activities	Output/Outcome	UNSDGs
Financial Capital	• LKR 26,911 Mn equity • LKR 5,825 Mn debt	• Financial management including inventory control	• 50% y-o-y growth in revenue • 232% y-o-y growth in profit before tax	
Manufactured Capital	• 7 manufacturing plants • 132 showrooms and factory outlets LKR 24,043 Mn capex	• Production of tiles, bathware and accessories • Warehousing and retail activities	• Production of 10.57 Mn sq.m tiles, 236,107 units of bathware and 183,577 pieces of sanitaryware	
Intellectual Capital	• LKR 82 Mn research and development • Brand equity of Rocell, Lanka Tiles and Delmege • Quality certification	• New product development • Brand enhancement • Maintaining quality and standards in processes, products and distribution outlets	• 450+ new products of 400+ new designs and sizes • Top of the mind brand recall • Market leadership • Quality and standards	
Human Capital	• 3,686 workforce LKR 2.5 Mn training investment	• Recruitment • Skills development • Maintaining health and safety protocols in factories • Employee compensation, benefits and performance incentives	• 967 new recruits • 1,267 employees trained for 6,701 hours • 74% employee retention • 21% employee turnover • Employee wellbeing	
Social and Relationship Capital	• 600+ franchisee and dealer network • 2,650+suppliers • 5,000+ tile club members • LKR 20,587 Mn payments to suppliers LKR 20 Mn community responsibility investment	• Training new franchisees and dealers • Developing franchisee' showrooms • Training members in the tile club • Engaging suppliers on material quality • Community recruitment	• Well-trained franchisees and dealers on product offer • Quality conscious supplier chain	

Natural Capital	• Raw material
	  • Renewable: 6,127,969 MT
	  • Non-renewable: 96,626 MT
	• 254.62 Mn liters Water
	• 1,158,989 GJ Energy
		• Solid waste management
		• Energy management
		• Obtaining and maintaining environmental certifications and clearances
			• 29,807 GJ of saved energy
			• Structured solid waste management system
			• Heat recovery system in factories
			• Environmental certifications	

BUSINESS REVIEW

OPERATING ENVIRONMENT

As per the Annual Report 2020, published by the Central Bank of Sri Lanka, the value-added construction activities recorded a sharp contraction of 13.2 percent as compared to a growth of 4.0 percent in the preceding year. With slower economic activity, amidst the COVID-19 spread and the subsequent movement controls, the construction sector performance was weak, particularly, in the first two quarters of 2020.

Although there was a pick-up towards the latter part of the year, following the rebound of the housing construction segment in a low interest rate environment, the overall results of the construction sector for the year remained well below potential. The medium-size builders as well as mega projects of both private and public sectors did not take-off as anticipated. The sector was also grappling with cashflow issues. In this setting, the demand for construction related material remained sluggish.

As part of the stringent measures adopted to safeguard the currency and the depleting foreign reserves in the country, the government imposed an import ban on tiles and sanitaryware in April 2020. This turned the market dynamics 'topsy-turvey'—resulting in a windfall for the local manufacturers. This gave the local industry an edge over the competition from cheap imports—from China and India. However, towards the latter part of the year, the ban led to a short-fall of tiles and sanitaryware, in turn, pushing up the prices in the market.

STRATEGY

RISKS

- Virus spread and movement controls
- Macroeconomic imbalances
- Socio-political instability
- Subdued construction industry trends
- Competition from low costs imports

OPPORTUNITIES

- Emerging economy
- Increasing urbanisation and the rise of the middle-class
- Proposed tax concessions
- Mixed development and hotel projects gaining ground
- Export market potential

STRENGTHS

- State-of-the-art manufacturing facilities
- Multichannel distribution channel
- Solid franchise operations
- Renowned brands with top-of-the-mind recall
- Quality and standards certifications
- Group synergies across the value chain

Lifestyle Sector

With an import ban in place, the market status-quo for our lifestyle sector changed in the year under review. This, together with other operating challenges amidst a pandemic situation, demanded the sector companies to revisit, adapt and adjust the market strategy to best-fit the new opportunities—retaining the market positioning and strengthening the top-line performance.

In this backdrop, we continued to work on and reinforce our differentiation strategy to capitalise on the operating dynamics whilst closely monitoring and managing costs to improve our bottom-line profitability.

Customer engagement: Reinforcing our customer centric approach, we remained committed to serve our customers with responsibility. Our showrooms including the premium concept showrooms and third-party channels were geared to meet customer expectations, in service as well as product quality. This included obtaining their feedback and addressing their complaints. This was more pronounced when dealing with customers on any short-fall of 'fast-moving' products, especially towards the latter part of the year.

Distribution network: Consolidating our presence across the island including the North and East, lifestyle sector continued to give strategic precedence to the extensive multi-channel distribution network. We continued to work towards uplifting quality and standards of our own network whilst maintaining ties with third-party dealers, distributors and franchisees.

We also gave due precedence to online marketing channels. However, we moderated our efforts to tap into the export market opportunities given the local market dynamics. Lanka Tiles' initiative in the previous year of tying up with Amazon for the US retail market was also kept on hold.

Product rationalisation: Focusing on commercial viability, we continued in the year to rationalise and bring in greater efficiency to our product portfolio. We assessed the demand factors for each product; and gave strategic precedence to more profitable and customer appealing products. In this regard, we took necessary steps to scale down operations of low-leverage products.

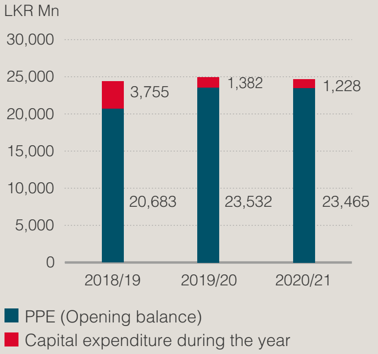
Accordingly, with most of the government and private sector commercial projects on hold, in the year under review, we modified

MANAGING CAPITALS

Manufactured Capital

We increased and modified our production capacities to glaze porcelain tiles which are sought after by the more buoyant home builders' market.

CAPEX Investment



Intellectual Capital

Our point of differentiation comes from the quality and standards we maintain in our work processes and products aligned to …

- ISO 14000 – Environmental Management
- ISO 13000 – Plastics
- ISO 9000 – Quality Management
- ISO 27000 – Information Security Management
- OSHA - Occupational Safety and Health Administration Standards (certification process initiated)
- Green Building Certification – GREENSL Labelling System
- WaterMark Certification – for bathware
- Water Efficiency Labelling and Standards (WELS) – for bathware

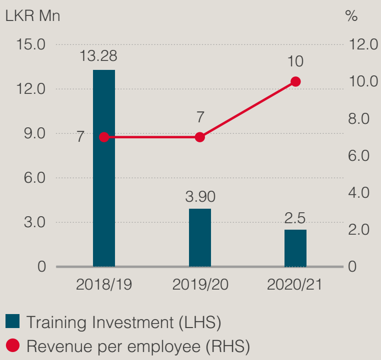
Social and Relationship Capital

We engage and work closely with our tile club including 1000 fitters, tilers and plumbers along with engineers and architects. Our in-house trainers give them focused training and certification on the product and manufacturers specifications…

Human Capital

We offer our employees ongoing training opportunities and continued our training agendas in various fields.…

Training Investment and Productivity



GRI disclosure: 103-2, 103-3

MANAGING CAPITALS

Natural Capital

GRI Disclosure: 301-1,2 & 302-1,3,4

Waste heat recovery system, a successful pilot initiative…

We invested a sum of LKR 135.8 Mn on a waste heat recovery system including an automated temperature censor at the Rocell factory in Horana in the previous financial year, 2019/20. With a share of 30 percent of thermal energy in factory operations, we reaped benefits with significant cost savings of around LKR 5.5 million per month, particularly, in the last two quarters in the year under review. Plans are now underway to introduce this system to other factories of Rocell and Lanka Tiles. The pay back of the initiative is twenty months.

Reprocessing and recycling solid waste and wastewater to minimise our environmental footprint

Environmental Footprint 2020/21

6,224,596	Materials (MT)
262,668	Electricity (GJ)
254.62	Water (Mn ltr)
14,793	Recycled Materials (MT)

our factory in Eheliyagoda, (including changes to the production line) to shift production from homogeneous tiles to glaze porcelain tiles which are sought after by the more buoyant home builders' market. We added an extra kiln to increase Horana factory capacity for glaze porcelain tiles. Our wall tile factory also converted part of the operations to produce floor tiles which are more competitive than wall tiles against cheap imports (prior to the ban).

Product innovations: Continuously adding value to keep up and meet the evolving customer trends, we continued to invest in research and development for product innovation. We have, in effect, brought in new product designs, features and sizes to our product offer. In the preceding year, we invested in chromatic double-charge technology to produce long-wearing designs on non-homogeneous tiles under Rocell brand and initiated a new range of Rocell bathware inspired by Italian designers.

We have also entered into kitchen spaces—under the Rocell brand where we collaborate with a reputed third-party contractor to support the manufacturing process.

Branding and marketing: Given the market dynamics, we moderated our marketing and communication campaigns and initiatives in conventional ways. We focused and relied on digital marketing techniques—campaigns on social media sites—showcasing our brands, seeking to gain market share cost effectively and in line with changing trends. We also relied on our official website to attract customers online. The 'visualisation app' remained an advantage to our online marketing efforts.

Product responsibility: Well-aligned to our value proposition, we continued to prioritise product quality and standards. World renowned certifications were maintained, covering standards on product quality and responsibility.

Employee engagement: We continued to closely engage and empower employees at all levels—driving for a performance-based work culture and building capacity; ensuring their wellbeing; and working towards maintaining industrial peace in collaboration with the unions. We gave our utmost attention to maintain health and safety at the workplace, particularly, following up with COVID-19 prevention guidelines.

Cost optimisation: We combined our top-line strategy with an optimised cost structure to maintain our margins. In the year under review, our factories were running at full capacity, leading to economies of scale and cost efficiency. We also followed through with our process improvement initiatives, particularly, focusing on pruning our energy costs. The waste heat recovery system is a case in point.

PERFORMANCE RESULTS

The market dynamics in the year under review were complicated and uncertain. The virus outbreak and the lockdown measures adopted to prevent the spread, took a heavy toll on the lifestyle sector performance in the early part of the year. Following the sluggish demand for both tiles and bathware, local sales did not match up with the factory capacity, thus, resulting in stock build-up and in turn, affecting the sector margins.

However, this status-quo changed with the import restrictions coming into play by April 2020. Subsequently, sales for tiles and bathware gathered momentum. Towards the latter part of the year, sales exceeded the production whilst inventory levels fast depleted. Responding swiftly, production process was fine-tuned with extra production lines, double-shifts and increased labour productivity to match up to the local demand. Yet, our factory capacity did not fully meet the demand, creating a shortfall, especially for fast-moving items. With local sales on the rise, our export drive had to be curtailed to limited orders. Our OEM operations were also curtailed whilst our showroom in Australia had to be closed down.

Riding on the tile sector performance, mortar and grout sub-sector under Swisstek Ceylon recorded best-ever financial results. With strong group synergies, net profits recorded 74 percent increase over the previous financial year. Timber flooring business was more subdued in the year with the sluggish performance of ongoing projects.

The interior solutions businesses under the Delmege Group of companies recorded a subdued performance in the reporting year. The weak construction sector performance due to the virus implications did not portend well on the interior solutions for the local market; which comprises 60 percent of the interior revenue. Exports were also subdued. The sharp depreciation of the rupee together with very high freight rates

Lifestyle Sector

pressured costs (with high component of imported raw material within the product mix), and in turn, reflecting adversely on the bottom-line results.

Overall revenue of the lifestyle sector including tiles and bathware in the year, picked up, to LKR 36,840 million, with a noteworthy year-on-year increase of 50 percent compared to the drop of two percent recorded in the preceding year. The tiles, wall and floor tiles, contributed 82 percent of the revenue whilst bathware accounted for 9 percent. Interior solutions accounted for 4 percent. The impressive top-line performance cushioned cost increases, resulting in a strong bottom-line. Profits before tax reached LKR 7,301 million, up by 184 percent over the preceding year.

Key Performance Indicators	2020/21	2019/20	% change
Net operating income (LKR Mn)	8,295	4,357	90
Profit after tax (LKR Mn)	6,175	1,860	232
Return on equity (%)	23	8	15
Operating margin (%)	23	18	5
Net profit margin (%)	17	8	9

OUTLOOK AND PLANS

There is much hopes for the economy to revive in the ensuing year, particularly, if the vaccination programme is successfully implemented. This will pave the way for the country's development agenda, securing its aspirations to be reach upper-mid income level status in the medium term. In this burgeoning economic landscape, the construction sector and related industries including condominiums, high-risers and public sector building projects, is expected to rebound and progress.

This will give a strong platform for our lifestyle sector to move forward. However, we have to be mindful of the dynamics underlining the government's fiscal and monetary policy, including import restrictions.

We will await for solid policy direction, before firming up our expansionary plans for the next five years, focusing on the domestic market. Our export sector aspirations will also be pursued moderately until are medium term plans are steady.

In the meanwhile, we will continue to consolidate our product offer to add value as a total solution in interior spaces, focusing on product innovation in terms of sizes and designs. We will work towards rolling-out on our new tile brand, 'Sevilli' targeting the low-end market through our vast distribution agent network. We also expect to see our pantry product take-off in collaboration with our joint partner in the ensuing year. We will continue to drive for process improvements and optimise our cost structures for better margins. We will also work on group synergies whilst reinforcing our brand positioning as market leaders. Our roof-top solar initiative, (with a generation capacity of 10 mega-watts and an expected IRR of 25 percent), will be pursued to strengthen our bottom-line as well as fulfil our aspirations to reduce our carbon footprint.

PERFORMANCE HIGHLIGHTS

Financial Capital

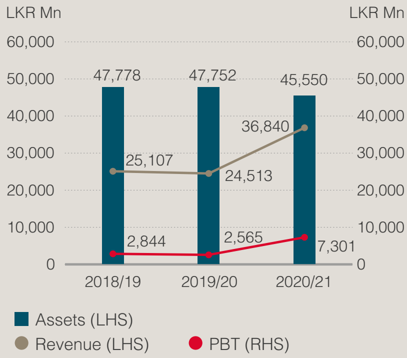
Notwithstanding the subdued construction industry results, our lifestyle sector recorded an impressive revenue growth, underscored by import restrictions.

Construction Sector Performance

Source: CBSL Annual Report 2020

The impressive top-line cushioned the rising costs, in turn, resulting in a higher profit before tax margin in 2020/21.

Revenue, PBT, Assets



Finance Sector

Total Assets

LKR 140,943 Mn

Profit Before Tax

LKR 9,328 Mn

Employees

3,564

With one of the largest non-bank financial institutions in the portfolio—LB Finance PLC—we have a solid reputation for providing versatile and innovative financial products and services.

Finance Sector

OVERVIEW

Licensed under the Finance Act No. 42 of 2011, LB Finance PLC is positioned as one of the largest and most respected non-bank financial institutions in the country. With an extensive outreach across the island, L B Finance offers a well-rounded product, ranging from leases, loans, micro facilities to deposits. Marking 50 years in business, the Company's asset base touched LKR 141 billion as at the year-end 31st March 2021, with a five-year average growth of 11.05 percent. It is listed on the Colombo Stock Exchange, with a market capitalisation of LKR 26,262.31 million.

FINANCE - STRUCTURE AND SCALE

FINANCE SECTOR SALIENT FEATURES

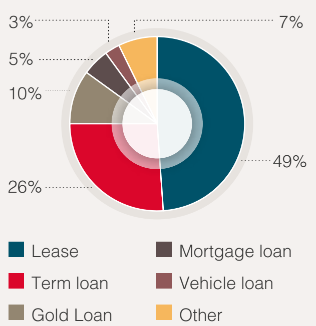
Rating

A-(lka)

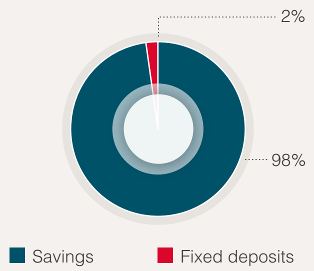
Stable Outlook

Fitch Rating Lanka Ltd

Loans and Leases



Deposits



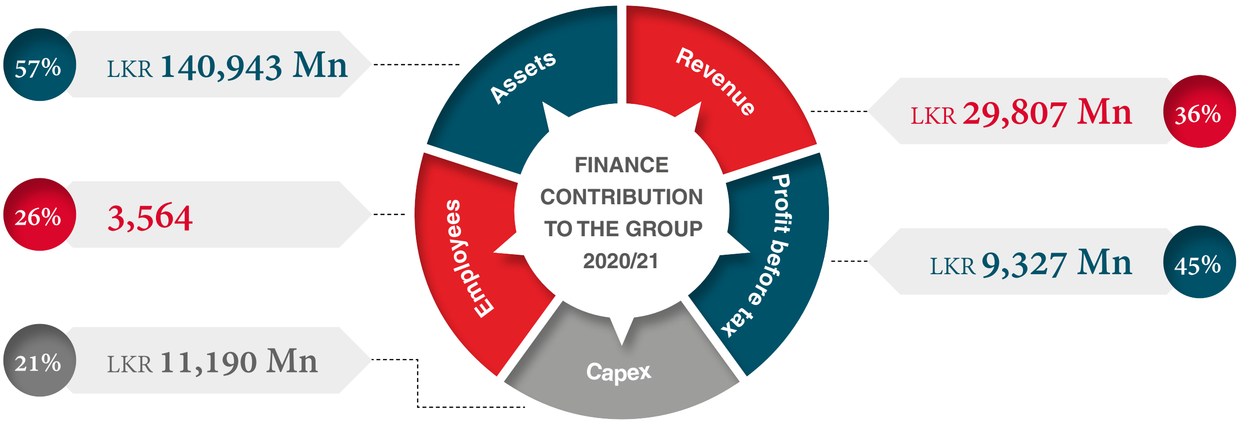
Distribution Network Islandwide

Head Office Colombo 3

152 Branches

17 Gold loan centres

Strategic Focus	Management Approach
Service quality	Extend the best in service to ensure seamless transactions and build customer loyalty.
Quality portfolio	Be pragmatic and cautious to sustain a quality portfolio, with credit screening and monitoring.
Market outreach	Re-organise and consolidate the branch network and expand the outreach for higher market share.
Cost optimisation	Adopt cost optimisation measures to control overheads and leverage on low cost of funds.
Information technology	Invest in latest technology to bring productivity improvements to operational processes and to strengthen the product with value-addition.
Employee relations	Uphold best HR policies and practices to extend an enabling workplace for employees and retain them within the organisation.
Governance and compliance	Uphold corporate stewardship and comply with laws, rules and regulations.



Finance Sector Value Creation – 2020/21 Snapshot				
Capital	Capital Input	Value Creating Activities	Output/Outcome	UNSDGs
Financial Capital	• LKR 28,387 Mn equity • LKR 19,640 Mn debt • LKR 85,940 Mn deposits	• Financial management including treasury management and cost controls	• LKR 16,068 Mn net interest income with 3% y-o-y growth • LKR 6,807 Mn profit after tax with 31% y-o-y growth • 31% earnings per share growth	
Manufactured Capital	• Head office and 169 branches and gold loan centres • 24 CDM machines • Computer hardware LKR 487 Mn capex	• Relocation of branches • Converting gold loans centres to branches • Revamping and renovating buildings • Setting up ATM machines and other computer hardware	• Islandwide customer outreach • 185,164 +ATM customer transactions with 6.76% growth	
Intellectual Capital	• Good reputation and brand equity • IT software	• Branding, marketing and promotions • Process improvements	• Top of the mind brand recall • Improved processes	
Human Capital	• 3,564 workforce LKR 3.2 Mn training investment	• Recruitment • Training employees Compensation, benefits and incentives for performance	• 999 new recruits with 33% female employees • Skilled workforce • Employee wellbeing • Higher productivity • 71% employee retention • 29% employee turnover	
Social and Relationship Capital	LKR 37.3 Mn community responsibility investment	• Community recruitment • Community engagement	• Community trust and support	

Finance Sector

BUSINESS REVIEW

OPERATING ENVIRONMENT

Amidst the COVID-19 pandemic and the uncertainties that prevailed with lockdowns and movement restrictions, the financial sector weakened in 2020, albeit, broadly resilient and stable. The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) were sluggish, with reduced loans and advances, leading to negative asset growth of 2.2 percent in 2020. Asset quality of the sector deteriorated. Non-performing loans and advances (NPA) increased in the year, with the ratio worsening to 13.9 percent compared to 10.6 percent in 2019. High NPAs affected the profitability of the sector.

The debt moratorium which came in effect in the year, resulted in lower debt repayments and pressured the sector liquidity. However, countering these implications, the Central Bank of Sri Lanka resorted to multiple reductions in policy rates and the Statuary Reserve Ratio, under an extremely accommodative monetary policy regime. This led to higher market liquidity and significantly lowered market interest rates. However, due to subdued economic activities and the 100 percent import ban on motor vehicles, the LFCs and SLCs sector grappled with lower business sentiments. With the deposit rates adjusted to an all-time low, the LFCs and SLCs sector managed to lower their cost of funds. The sector remained fairly stable, complying with the stipulated minimum capital requirements, with the exception of a few companies. (Annual Report 2020, Central Bank of Sri Lanka)

Navigating through difficult challenges in the operating backdrop, in the midst of a pandemic, we sought to be agile and resilient in our strategic delivery. Our strategic focus during the year, was on customer service whilst working towards consolidating and managing the quality of our portfolio in an overcrowded market.

Service quality: Building solid relationships with service excellence has always been a top strategic priority. Due to lockdown challenges in the year, this assumed greater significance. Our priority was to be accessible and support our customers, facilitating their needs, be it our borrowers or depositors. To this end, LB Finance branches were opened for business, with limited staff during the lockdown period, whilst also enabling online options to carry out transactions without social contact.

STRATEGY

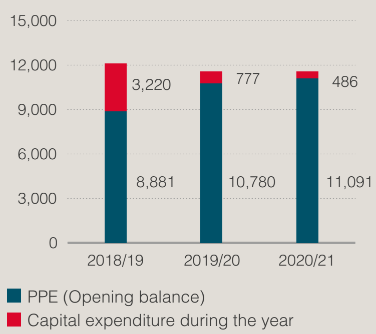
RISKS	OPPORTUNITIES	STRENGTHS
• Macroeconomic imbalances and socio-political instability • Uncertainties and lower levels of economic activity due to the implications from the COVID-19 pandemic • Import restrictions on motor vehicles given the balance of payment difficulties • Intense competition from banks and within the NBFI sector • Ad-hoc changes in rules and regulations • Maturity mismatches between assets and liabilities • Trained staff turnover	• Emerging economy • Increasing urbanisation and rise of the middle-class • Rural development • Proposed tax concessions • Accommodative monetary policy • Technology advancements • Recognition and acceptance of socially responsible and principled organisations	• Solid brand and market reputation • Strong distribution channel • Investments in technology • Corporate stewardship

MANAGING CAPITALS

Manufactured Capital

We converted our gold loan centres into fully fledged branches to increase our outreach.

CAPEX Investment



Intellectual Capital

Promoted 'Cash-in-Mobile', with a first mover advantage

We promoted LB 'Cash-in-Mobile'—mobile wallet app—facilitating a range of transactions to be made via the smart phone with greater security and convenience. The App is mainly targeted and promoted amongst small and medium retail merchants, particularly, in rural areas. The App which is available on Google Play and Apple App Store processed LKR 718 million worth of transactions as at the year-end March 2021.

Aligned to the policy directives of the Central Bank, we also offered and processed moratorium packages to our borrowers. Nearly 30 percent of our borrowers were given moratorium options. This in effect accounted for more than 10 percent of the gold and vehicle loan portfolio—mainly three-wheel vehicle borrowers. In this regard, we trained our employees and were prompt to address any grievances.

Quality portfolio: With challenges in our business backdrop, it was critical that a cautious approach was followed to ensure the quality of our portfolio, with lower non-performing facilities. We were proactive, worked in concert and closely monitored the portfolio to be timely in collections and recoveries to minimise defaults. These measures underlined the stability we maintained in the year, with greater asset quality compared to industry trends. We also continued to be cautious with well-defined risk parameters to identify credit worthiness prior to extending facilities.

Market Outreach: Consolidating our market outreach, we sought in the year to bring in a rationalised structure, process improvements and quality management to our branch network. We sought to convert 18 of our gold loan centres into fully fledged branches to increase our outreach. As at the year-end, the distribution network stood at a total of 169, covering the entire island.

MANAGING CAPITALS

Social and Relationship Capital

We allocate one percent of our profits after tax for social responsibility initiatives…

- 150 pre-school development programme: Under this initiative, this year, we supported around six underprivileged pre-schools, developing school infrastructure and providing them with basic amenities.
- Facilitating the school students in Sri Lanka, LB Finance PLC collaborated to provide with "DP Education Digital Classroom". Under this initiative, LB Finance has partnered with Dhammika & Priscilla Perera Foundation to take forward DP Education content- an innovative online platform available on You Tube channel. During the period under review, we provided DP Education content along with a state of the art interactive TV system to access unlimited educational content at any given time to Holy Cross College, Payagala.
- We donated five ventilators, costing LKR 21.6 million to the National Hospital in Kandy and Apeksha Hospital in Maharagama.
- We dedicated to our Sustainable community development initiatives mainly focusing empowering entrepreneurs, community wellbeing and youth empowerment.

Finance Sector

MANAGING CAPITALS

Natural Capital

'Mission Thuru Wawamu' - 50-50 Thousand

Spanning over three years, our tree planting campaign aspires to plant 50,000 trees to mark our 50th anniversary which falls in 2021. Addressing the dire need to arrest deforestation, this initiative is carried out in collaboration with the Tri-forces and will engage school children, community islandwide. This reporting year, we collaborated with Sri Lanka Navy to plant trees including Teak, Nedun and Satinwood covering naval bases across the island. At a cumulative level, we have planted more than 42,000 trees as at the year-end, March 2021. The 'thuru app' is used to engage our customers and the public in this initiative, even offering bonus interest on fixed deposits.

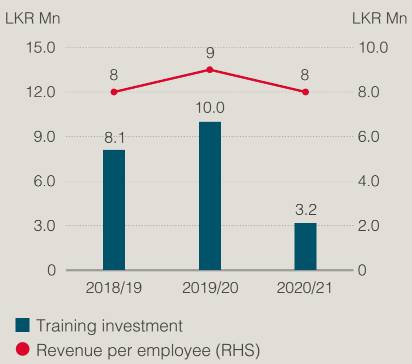
Human Capital

Carolling online

Due to social distancing, this year, we celebrated Christmas on YouTube. Our talented staff joined Mariazelle Goonetilleke, to sing carols and wish all employees for Christmas and new year. Our team at LB Micro Finance in Myanmar also joined us on YouTube.

We invested in developing our people through targeted training.

Training Investment and Productivity



Cost optimisation: We continued to exercise proper checks and controls to keep a trim cost structure to prop up our bottom-line amidst difficult market conditions. We gave precedence to monitor our portfolio quality, streamline our processes and look for cost savings. Besides, our overheads were low due to limited operations including subdued marketing and promotional activities. The sharp drop in interest rates also resulted in lowering our cost of funds, thus, complementing our bottom-line profitability.

Information technology (IT): Assuming greater significance in today's context, we sought to invest and leverage on IT, seeking to bring in process improvements to enable greater flexibility and responsiveness to meet market demands. This year, we invested LKR 48 million on IT hardware and software, in terms of automating branch operations, enhancing management information systems, enabling staff to work remotely and on product improvements with smart phone apps.

Employee relations: Creating a progressive workplace, we invested in our employees—empowering them with training to face the 'new normal' challenges and looking into their wellbeing. This year, our training investment stood at LKR 6 million covering COVID-19 prevention wellbeing programmes.

Governance and compliance: Aligned with the macro prudential measures and regulatory guidelines effected across the LFCs and SLCs sector, we continued to strengthen our governance and compliance function. Our Board was fully responsible to meet the latest governance guidelines whilst complying with all applicable statutory requirements and regulations.

PERFORMANCE RESULTS

Key Performance Indicators	2020/21	2019/20	% change
Net operating income (LKR Mn)	10,997	9,931	11
Profit after tax (LKR Mn)	6,806	5,201	31
Return on equity (%)	24	22	2
Operating margin (%)	36	31	5
Net profit margin (%)	23	16	7

Lower business sentiments and an import ban on motor vehicles in a highly competitive market along with weakening asset quality, challenged our finance sector performance in the year under review. Gold loans performed well due to the increased demand for consumption and working capital needs of the informal sector. However, loan portfolio, led by vehicle loans and leases, performed well below potential, resulting in a minor contraction in loan book. This was despite the lower interest rate environment that prevailed for most part of the year. Cumulative disbursements stood at LKR 133,848 million, increasing by 10 percent year-on-year.

Given the lockdown in the first months of the year, our collections weakened and NPA ratio increased compared to the previous year. This was despite the moratorium packages extended to COVID affected customers. However, with consistent efforts to manage the portfolio quality, our NPA ratio ended the year commendably at 5.36 percent, albeit, higher compared to 3.93 percent in the previous year. This ratio however, was well below the double-digit industry ratio of 12.8 percent.

During the early part of the year, with liquidity issues in the market, confidence levels in finance companies declined, compromising the sector stability. However, LB Finance was able to manage liquidity challenges and successfully met demands on premature deposit withdrawals, thus maintaining stability. With an ultra-accommodative monetary policy in place, deposit interest rates were at the lowest levels. The average deposit interest rate stood at 7.72 percent compared to 10.96 percent in the previous year. Overall deposit performance was modest, registering a 4 percent decrease year-on-year. Deposits accounted for 61 percent of our funding requirement.

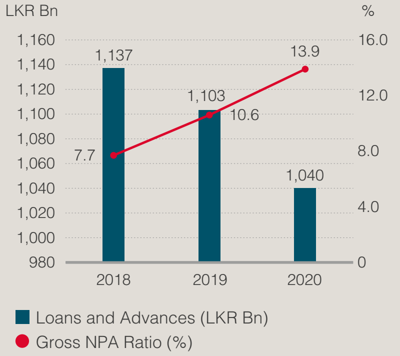
Our topline interest income stood at LKR 27,611 million, registering a marginal decline of 6 percent as against the previous year. Prudent cost management measures helped the company to improve the cost to income ratio at 30.79 percent

PERFORMANCE HIGHLIGHTS

Financial Capital

With subdued economic trends amidst the pandemic, LFCs and SLCs sector loans and advances sharply contracted, posting a negative growth of 5.7 percent whilst NPA ratio deteriorated to 13.9 percent.

NBFI Sector Performance

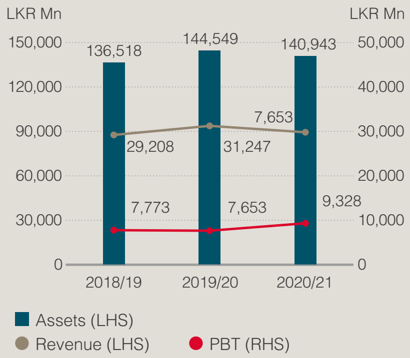


Source: CBSL Annual Report 2020

We upheld the quality of our portfolio, with our NPA ratio at 7 percent below the industry average.

With low cost of funds in an accommodative monetary policy regime, we achieved a 21.8 percent growth in profit before tax, despite a contraction in the top-line.

Revenue, PBT, Assets

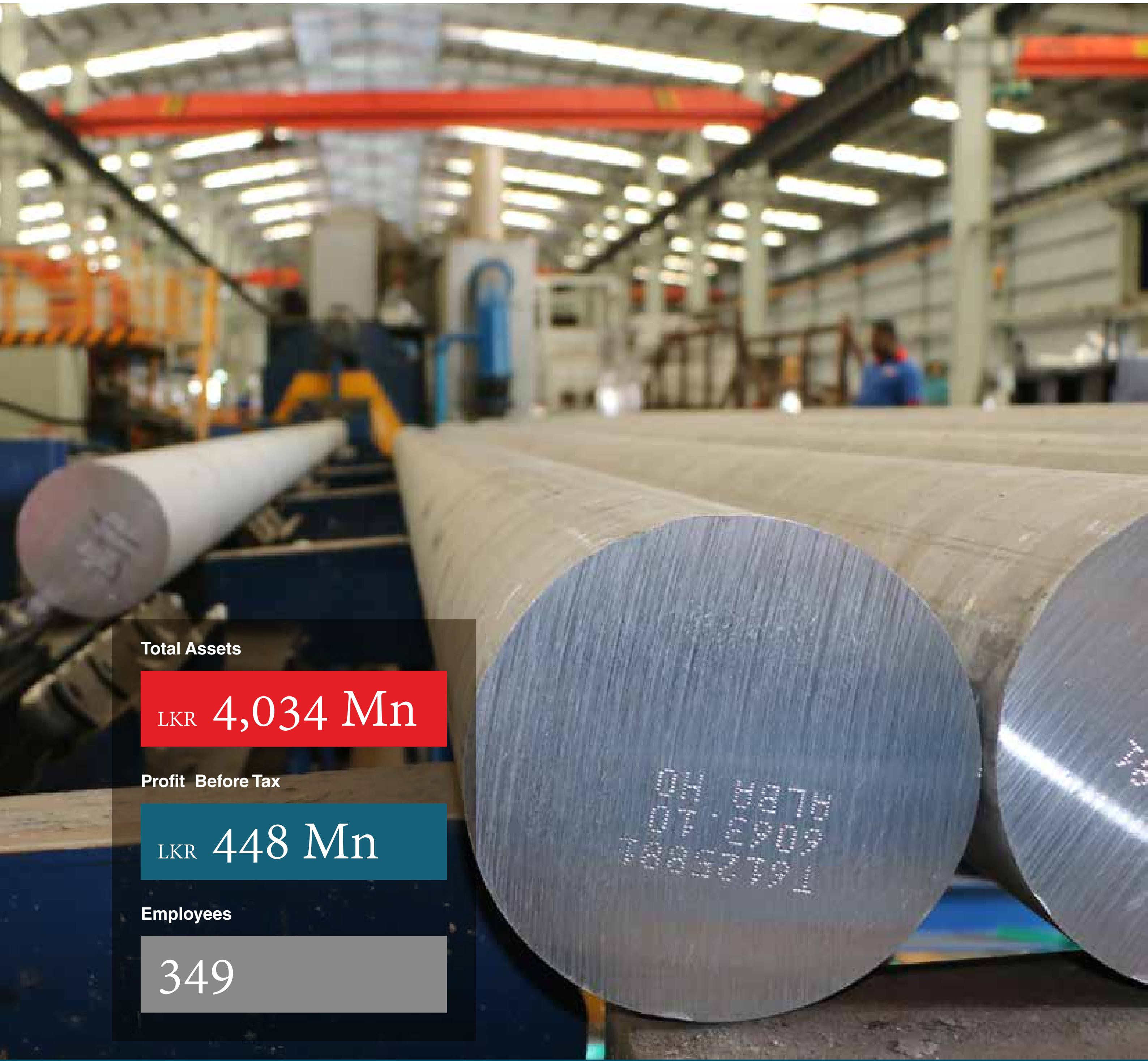


compared to 33.51 percent in the previous year, contributing to growth of 21.8 percent in profit before taxes. The tax changes including the abolition of the debt repayment levy and the lower corporate tax rate of 24 percent instead of 28 percent, also cushioned the bottom-line result. Net profits after taxation stood at LKR 6,807 million, representing a 31 percent increase over the preceding year.

OUTLOOK AND PLANS

There is much hope and optimism for the economy to recover in the ensuing year, especially with the ongoing vaccination programme. The accommodative stance in monetary policy is expected to moderate with interest rates to settle at mid-levels. However, the un-certainty over the import restrictions on motor vehicles remains the key challenge in growing the vehicle financing business. Our immediate strategy will be to compete in the marketplace to grow volumes, particularly, targeting our existing customer base with top-up loans. We are also quite bullish on the Gold Loans business as we expect demand to remain strong throughout the year supported by stable outlook for local & global gold prices. Our customer relationships nurtured thus far, combined with our positioning as a top finance company and our vast outreach will play a pivotal role in helping us achieve an above industry growth. With the economy expected to iron out the present difficulties and pick-up in the medium term, the outlook is more stable and is expected to bring in opportunities for the sector to progress.

Aluminium Sector



Total Assets

LKR 4,034 Mn

Profit Before Tax

LKR 448 Mn

Employees

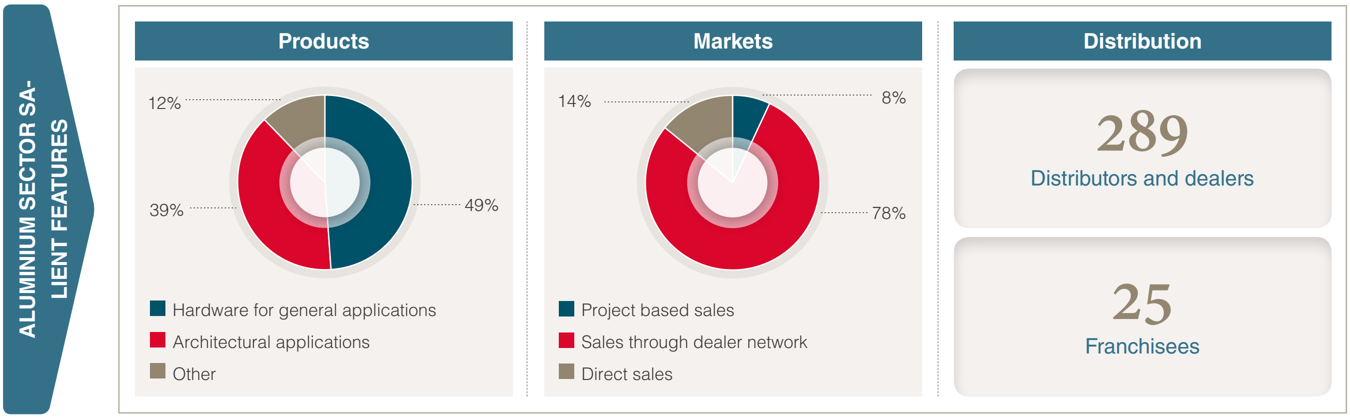
349

Over a span of years, we have built a strong presence in the aluminium extrusion market and claims the mastery of offering tailored products and services.

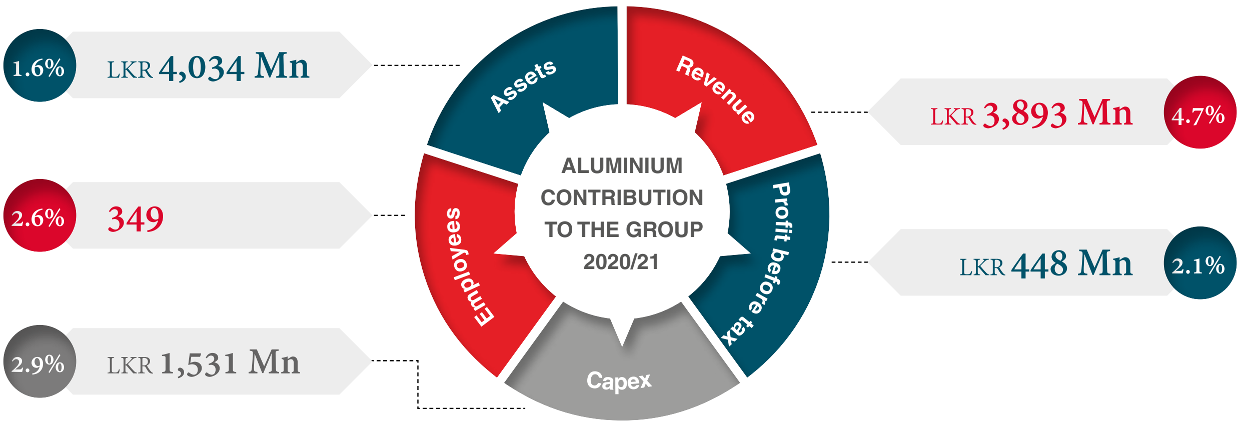
OVERVIEW

With over ten years in business, Swisstek Aluminium Ltd is a well-renowned, premium quality manufacturer of aluminium extrusions, for both local and international markets. Managed under the Lanka Walltile Group, the company has the expertise to manufacture an array of aluminium profiles in line with British standards, ranging from hardware for general applications to architectural solutions including prefabricated windows, doors, partitions and accessories. Enjoying a market share of 30 percent, it is the second largest manufacturer and the largest exporter of aluminium products.

ALUMINIUM - STRUCTURE AND SCALE



Strategic Focus	Management Approach
Product diversification	Invest in product development to add value to the existing range and to initiate new products, moving away from traditional profiles.
Quality and standards	Invest in state-of-the-art technology to enhance the production process and obtain certification for quality and standards.
Pricing	Fine-tune the pricing formula to be competitive and in line with the industry benchmark.
Cost rationalisation	Follow best management practices and bring in process improvements to optimise the cost structure.



Aluminium Sector

Aluminium Sector Value Creation – 2020/21 Snapshot				
Capital	**Capital Input**	**Value Creating Activities**	**Output/Outcome**	**UNSDGs**
Financial Capital	• LKR 1,445 Mn equity • LKR 1,689 Mn debt	• Financial management including costs, inventory and debtor control	• LKR 137 Mn cost savings • LKR 3,893 Mn revenue with 20 % y-o-y growth	8
Manufactured Capital	• State-of-the-art manufacturing plant in Dompe LKR 1,531 Mn Capex	• Manufacture of aluminium extrusions and profiles	• 60% capacity utilisation • 4,591 MT of quality aluminium extrusions	9
Intellectual Capital	• Leading brand SWISSTEK • Design software system • Quality certification	• New product development • Quality certification • Branding and marketing comm	• Quality and standards maintained in factory processes and products • Acceptance in the export markets	8, 9
Human Capital	• 349 workforce LKR 0.36 Mn training investment	• Recruitment • Training • Compensation, benefits and incentives for performance	• 160 new recruits • Skilled workforce • Employee wellbeing • Higher productivity • 55% employee retention • 45% employee turnover	3, 4, 8
Social and Relationship Capital	• 285+ distribution and dealer network LKR 0.75 Mn community responsibility investment	• Engaging dealers • Community recruitment • Community engagement	• Loyal distributors and dealers • Community trust and support	1, 8, 10
Natural Capital	Raw material • Raw materials - Aluminium Billets 5,522 MT • 25.72 Mn liters Water • 48,135 GJ Energy	• Recycling • Solid waste management • Energy management	• Environmentally friendly production systems • Consumption of recycled material • Environmental certification • 1,473 MT of recycled inputs materials in production	7, 12, 13

GRI disclosure: 103-2, 103-3

BUSINESS REVIEW

OPERATING ENVIRONMENT

The economy struggled to cope with the COVID-19 pandemic and the consequent movement controls brought in to curtail the spread. The construction industry almost came to a stand-still, particularly, in the first wave of the virus outbreak. Although the industry rebounded in later months, the implications at the onset underlined the sub-par performance of the construction sector along with the related industries. The demand for the aluminium sector came from the existing projects which were incomplete. However, the year did not see new projects coming on board. The lower world market aluminium prices, particularly, in the first part of the year 2020, amidst downward trends in the global economy, buttressed the sector performance to manage the margins.

STRATEGY

RISKS

- Geopolitical and global economic uncertainities
- World market aluminium price trends
- Uncertainity arising from the pandemic and work disruptions due to lockdowns
- Macroeconomic imbalances and socio-political instability
- Dependence on imported raw material and exposure to exchange rate fluctuations
- Industry competition and price undercutting

OPPORTUNITIES

- Emerging economy
- Increasing urbanisation and rise of the middle-class
- Proposed tax concessions
- Demand for cost effective building material
- Mixed development and hotel projects gaining ground
- Export market potential

STRENGTHS

- Expertise
- State-of-the-art manufacturing plant
- Solid brand and market reputation
- Strong distribution channel
- Tile sector synergies within the group
- Quality and standards certifications
- Investments in advanced technology

Notwithstanding the intense challenges that prevailed in the year under review, amidst the pandemic and sub-par economic performance, our aluminium sector sought to deliver a consistent strategy and achieve sound results in the year under review.
In this context, we continued to focus on product development, maintain quality and standards and drive for higher productivity and thereby, achieve cost efficiencies across the factory.

Product diversification: Seeking to diversify from traditional aluminium profiles, we have been investing in new product development over the past few years. In the year under review, we offered a versatile range of products including new products like aluminium furniture, step ladders, multi-purpose ladders, doors, beading and skirting for flooring and walls. Apart from the dealer network, we traded these new products on the online shopping platform, Daraz.lk. We also have new products at the development stage which we hope to launch on a commercial basis in the near future.

MANAGING CAPITALS

Financial Capital

GRI Disclosure: 301-1,2 & 302-1,3,4

We are concerned and proactive in managing our carbon footprint…

- Heat recovery system to minimise heat emissions
- Effluent treatment plant to treat wastewater prior to disposal and recycling
- Recycling and reusing scrap aluminium, consisting of 15%-20% of raw material
- Compliance with environmental laws, rules and regulations

Environmental Footprint 2020/21

35,291 MT
Materials

18,993 GJ
Electricity

25.72 Mn ltr
Water

1,473 MT
Recycled Materials

Aluminium Sector

Preparation for aluminium anodizing process-Swisstek Aluminium Ltd Dompe

Quality and standards: We continued in the year to give due precedence to maintain quality and standards in terms of factory processes and management and environmental responsibility practices. As initiated in the preceding year and as the first in the industry, we followed through with the QUALICOAT certification guidelines in our powder coating operations. We also maintained certification under ISO and Sri Lanka Standards.

Pricing: We broadly followed a competition-based pricing strategy. In this regard, we closely followed the industry pricing trends in determining our pricing formula. This year, we went in for a price increase of 10 percent. However, with discounts offered in the year, the effective price increase was lower—in the range of six percent.

Cost rationalisation: Well-disciplined and focused in cost management, we carried out 20 cost saving initiatives across our operations. These contributed to substantial cost savings, in turn, complementing the bottom-line.

We kept a tight control on cashflow management with a cautious and consistent approach to inventory and debtor control. We also looked at restructuring our cadre and rosters, thereby, increasing productivity of our workforce. Our contract and non-permanent staff were reduced, temporarily, especially due to health protocols followed to contain the spread of the virus.

MANAGING CAPITALS

Intellectual Capital

In a competitive landscape, it is of strategic importance to brand 'Swisstek' on quality and standards set by:

- ISO 9001: 2015 Certification
- SLS1410: 2015 Certification
- QUALICOAT – Aluminium Powder Coating

Social and Relationship Capital

Supporting our local communities in times of need, we spent LKR 0.75 million to build a waiting area for COVID-19 patients at the Dompe hospital

We launched a special website www.alumenters.lk, hosting an online directory to give information and showcase aluminium fabricators in the industry under one platform.

Human Capital

We did not report incidents of COVID-19 afflicted patients in our factory.

We were extremely conscious and followed strict health protocols to prevent infection in our factory. We educated and created awareness amongst our staff through a guideline booklet and supported them with necessary personal protective equipment.

Continuous training ensures our quality mind-set to our employees.

Training Investment and Productivity

Performance Results

Key Performance Indicators	2020/21	2019/20	% change
Net operating income (LKR Mn)	620	242	156
Profit after tax (LKR Mn)	341	(39)	974
Return on equity (%)	23	(3)	26
Operating margin (%)	16	7	9
Net profit margin (%)	9	(1)	10

Due to lockdown restrictions in both, the first and second waves of the pandemic, Swisstek Aluminium was effectively in operation for about nine months of the financial year.

The demand for aluminium products saw a pick-up towards the latter part of the year, given the renewed activity from existing and incomplete construction sector projects. With higher duty structure, imported aluminium profiles also registered a drop. In response, we increased our production levels by 20 percent year-on-year to 4,591 metric tons, with the capacity utilisation at 60 percent. The temporary ban on imported raw materials (which was in effect for just two months) had no impact on our production performance due to sufficient inventories.

Our dealer network performance improved with the market share expanding by about two to three percent, taking the overall to 38 percent. Our prices were also revised upwards.

With higher volumes and upward revision of prices, our aluminium sector top-line recorded a year-on-year improvement of 2 percent to LKR 3,893 million. The downward price trends in the world market for aluminium (taking up 65 percent share of the total raw material usage)—particularly, in the first part of the year, reduced our cost of production, in turn, buttressing the sector margins. The rupee depreciation was also offset by the lower trends in raw material prices. The lower interest rate environment also cushioned our finance cost and thereby, the bottom-line results. In the reporting year, the sector recorded net profits of LKR 341 million compared to the losses of LKR 39 million in the previous year.

OUTLOOK AND PLANS

The country's economy is set to rebound in the ensuing year; following the vaccination programme that is currently being rolled out to stop the virus spread. With an optimistic medium-term economic outlook, the construction sector is expected to gather momentum, giving a lead to other related industries including the aluminium extrusion industry.

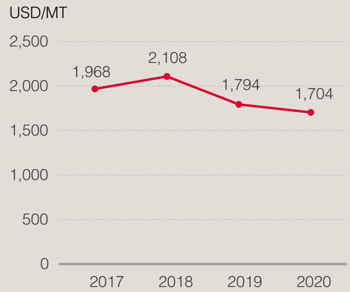
In the short to medium term, Swisstek Aluminium will continue to focus on the key priority areas—developing new products especially targeting the home market, invest in quality and standards, develop employee productivity and take forward the cost saving initiatives. We will look to strengthen our ties with the dealer network, further improve our concept store whilst exploring our export potential, with emphasis on market diversification. Our plans also include a greater presence online, increasing our activity on web-based shopping platforms as well as relaunching our website to match the 'look and feel' of our brand image and values.

PERFORMANCE HIGHLIGHTS

Financial Capital

With demand picking-up for aluminium products within the local market combined with a price increase, revenue recorded a year-on-year growth of 20 percent.

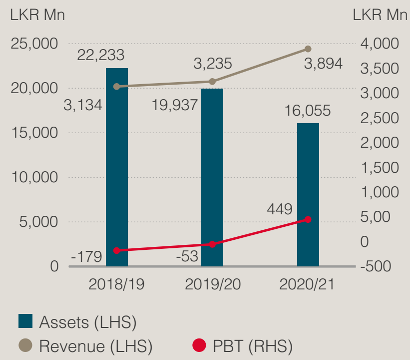
Global Aluminium Prices (Annual Average)



Source: World Bank Commodity prices

The downward trends in the world market aluminium prices in the first part of the year, cushioned the cost of production, thereby improving the bottom-line result to minimise.

Revenue, PBT, Assets



Plantations Sector

Total Assets

LKR 3,798 Mn

Profit Before Tax

LKR (81) Mn

Employees

4,895

With one of the oldest plantation companies in the portfolio—Horana Plantations PLC—our contribution to the nation's tea and rubber industries is significant.

OVERVIEW

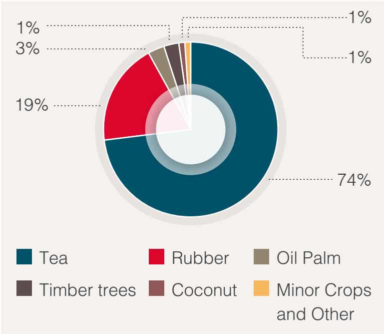
With fifteen estates across 6,519 hectares, Horana Plantations PLC is one of the top-tier diversified regional plantation companies in the country. The company is well-renowned for producing premium quality teas in both high and low grown elevations. It also has an exposure to rubber, oil palm, coconut, timber and other minor crops. The market capitalisation on the Colombo Stock Exchange stands at LKR 580 million as at the year-end 31st March 2021.

PLANTATIONS - STRUCTURE AND SCALE

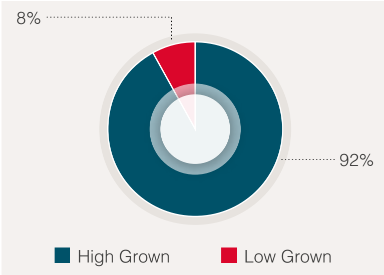
Tea, rubber, oil palm, timber, coconut and other minor crops — **Horana Plantations PLC** — **6,519 ha - 15** estates in Horana, Maskeliya and Lindula

PLANTATION SECTOR SA-LIENT FEATURES

Products



Tea



Revenue Streams

Tea **1991 Ha**

Rubber **1166 Ha**

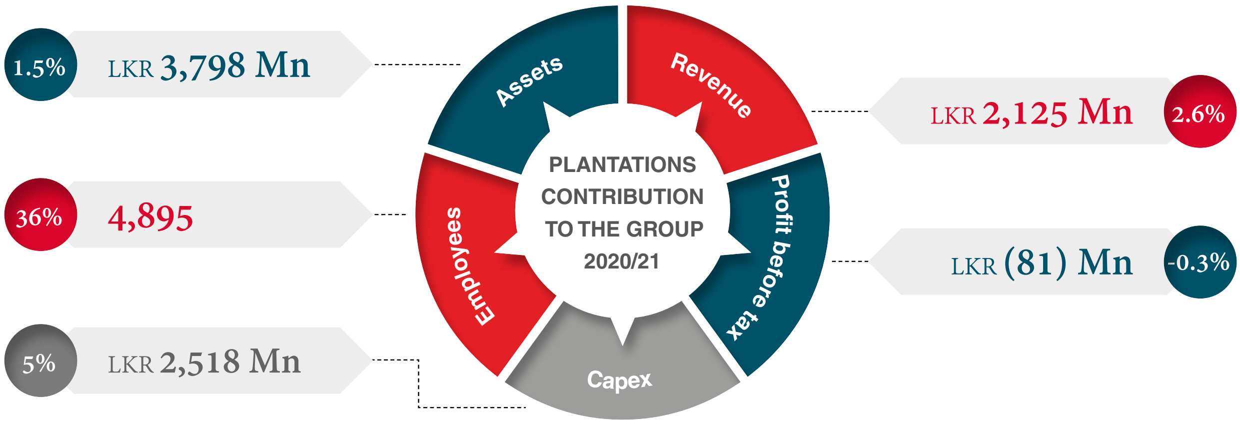
Timber, Forestry **519 Ha**

Oil Palm **274 Ha**

Fruits & Other Crops **185 Ha**

Coconut **135 Ha**

Strategic Focus	Management Approach
Crop diversification	Rationalise revenue streams by phasing out commercially unviable crops and increasing the exposure of crops with potential to be commercially gainful.
Productivity improvements	Follow sustainable practices, engage and motivate the workforce, pursue the revenue-share model and invest in mechanisation to improve productivity in the fields and factories.
Quality and standard	Follow best practices in the fields and factories to maintain quality and standards as prescribed by renowned certification bodies.
Social and environmental responsibility	Support and uplift communities living in estates and in neighbouring villages whilst following best practices in environment management to minimise the carbon footprint.
Cost management	Follow best management practices to minimise wastage and leakages and invest in digital technology to improve field and factory processes for cost optimisation.



Plantations Sector

Plantation Sector Value Creation – 2020/21 Snapshot				
Capital	Capital Input	Value Creating Activities	Output/Outcome	UNSDGs
Financial Capital	• LKR 747 Mn equity • LKR 1,982 Mn debt	• Financial management including restructuring crop portfolio, productivity improvements and cost control	• LKR 2,125 Mn revenue with 20% y-o-y growth • 37 % growth in diversified revenue streams	
Manufactured Capital	• Plant, machinery and equipment in • 9 tea factories • 4 rubber factories LKR 2,518 Mn Capex	• Produce tea, rubber, oil palm, coconut and other minor crops	• 2.6 Mn Kg tea • 0.9 Mn Kg rubber	
Intellectual Capital	• Quality and standards • Solid reputation for premium quality teas	• Improve product quality and standards as per certification guidelines • Branding, marketing and promotions	• Quality and standards certification Acceptance in export markets • Good prices at the auctions above industry average	
Human Capital	• 4,895 workforce	• Recruitment • Productivity improvements • Training • Compensation, benefits and incentives for performance	• Employee wellbeing • Higher productivity • 81% female employee returned to work after maternity	
Social and Relationship Capital	• 29,700 + people as estate communities LKR 47 Mn community responsibility investment	• Community recruitment • Community engagement • Community welfare and capacity building	• Community wellbeing • Community trust and support	
Natural Capital	Raw material • 112.46 Mn liters Water • 6,950 GJ Energy	• Biodiversity conservation • Solid waste management • Water management • Energy management • Compliance with environmental regulations	• Environmental certification	

BUSINESS REVIEW

OPERATING ENVIRONMENT

Continuing to be challenged on multiple fronts, the tea industry in the year 2020 recorded sub-par results. Inclement weather combined with lower productivity and intensified union activities dampened crop performance. National tea production declined by 7.1 percent to reach 279 million kilograms. With short-supply conditions in the global market, tea prices, however, were strong on the Colombo Tea Auctions, with the average price increasing by 15.9 percent to LKR 633.85 per kilogram.

Despite the reduced tapping days due to lockdown restrictions, favourable weather conditions that prevailed in the second half of the year, rubber production recorded an improvement. The production volumes grew by 4.6 percent over the previous year. Prices were more stable and recorded an upward trend.

RISKS

- Geopolitical and global economic uncertainties
- Macroeconomic imbalances and socio-political instability
- Pandemic and lockdown uncertainties and work disruptions
- Increasing competition in world markets
- Ageing tea and rubber fields and high cost of replanting and long pay-back time
- Ageing workforce and outmigration of younger labour for better prospects
- Negative perception on being a plantation worker
- Rising labour costs
- Union agitation and work disruptions
- Climate change impacting crop volumes and quality
- Land acquisition by government for alternate development plans
- Misconceptions on the sustainability aspects of oil palm operations
- Stakeholder resistance on restructuring crop portfolio

OPPORTUNITIES

- New market potential with emerging Asia
- Demand for value-added teas
- Greater acceptance of tea as a healthy beverage
- Solid brand - 'Ceylon Tea'
- Growing demand for alternate crops coconut

STRENGTHS

- Solid reputation for quality teas
- Quality and standards certification
- Upgraded and modern processing facilities
- Strong and loyal relationships with buyers
- Diversified plantation operations
- Sustainable agricultural and manufacturing practices
- Well spread tea portfolio with exposure to both elevations
- Trust and support of the estate communities and neighbouring villages

In a challenging market backdrop, Horana Plantations delivered a 'total systems management' strategy—seeking to bring in holistic results beyond profits. In this setting, we looked at rationalising our crop portfolio, focusing on improving productivity, managing cost effectively and ensuring product responsibility.

Crop diversification: We continued in the year to restructure our crop portfolio, seeking to diversify or phase out commercially unviable crops. Accordingly, with the market upturn for rubber, we relooked at consolidating our exposure by closely managing and monitoring productivity and enhancing production with higher yield techniques; such as rain guards to protect the rubber tapping process. In addition, with the ban on oil palm cultivation in place, we had to stall our plans to increase our exposure. Instead, we invested on coconut which is now a lucrative product in the local market. We also looked at increasing our exposure in timber along

Plantations Sector

GRI disclosure: 103-2, 103-3

with fruit and other minor crops. We have invested a sum of LKR 70 million on our diversification initiatives in the year under review.

Productivity improvements: In a dwindling operating backdrop, it was significant that we gave strategic precedence to productivity, both in terms of land and labour. We followed through with our sustainable agricultural practices including soil management, replanting, crop rotation especially in line with our diversification plans. We continued to invest in our field mechanisation initiatives.

As for labour productivity, we continued to closely engage our workers, monitor, incentivise and recognise them for performance. Although market conditions were tough, we did not compromise on our training initiatives alongside worker wellbeing programmes carried out to boost their morale and productivity.

Complementing these efforts and progressively setting the way forward for the industry, we carried on with our revenue-share initiatives where we encouraged our workers to partner us and manage their individual plots in terms of plucking. The proposed coconut cultivation plans are also looked at from an 'outgrower model' where we will look at engaging small-holders for the initial stage of cultivation.

MANAGING CAPITALS

Natural Capital

GRI disclosure: 306-1, 2

We spent LKR 6 million in 2020/21 on energy, water and solid waste management along with soil conservation and biodiversity initiatives-thus, curtailing our operational impact and our environmental footprint.

Environmental Footprint 2020/21

6,950 GJ
Energy

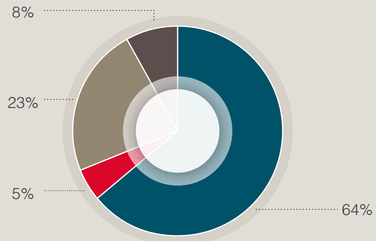
112.46 Mn ltr
Water

5 ha
Replanting tea

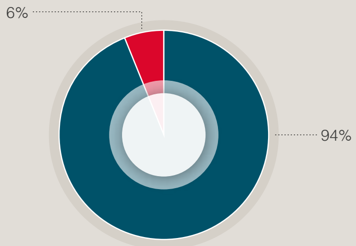
LKR 2 Mn
biodiversity

9.87 ha
fuelwood planting

Waste Disposal Methods



Water Discharge by Destination



Quality and standards: Investing in quality and standards in the field and factory operations continued to hold strategic importance. We followed through with quality guidelines set by well-renowned certification bodies with regard to product and processes.

Social and environmental responsibility: As a plantation company, our operations are inextricably linked to the environment and to the communities, particularly to those living as residents in our estates. This underlines our focused efforts to be responsible, accountable and fair in our daily operations. We have set in place key measures to ensure the wellbeing of our communities. This was more so during the pandemic where we sought to keep the community within a 'bubble', under strict health protocols to contain the virus spread. In addition, we also continued to give priority to minimise our operational impacts on the environment, thus, curtailing our carbon footprint.

With nearly 29,704 people living in our tea and rubber estates in the central and western provinces, our estate community engagement is essential and strategically significant. We have a well-structured programme rolled out to support the estate community—providing them, inter-alia, housing, water and sanitation facilities; healthcare; and skills development for the youth. The Estate Worker Housing Cooperative Societies established in the respective estates extend financial assistance to empower these communities—further complementing our initiatives. In the reporting year, our plantation company, Horana Plantations PLC incurred a sum of LKR 47 million in uplifting their lives. This also included the cost incurred to protect the resident communities from the COVID-19 spreading across the estates.

Cost management: In a difficult market backdrop along with unrealistic wage expectations, rising cost is increasingly exerting pressure on our bottom-line results. Giving top priority to manage costs—improve productivity as discussed above, trim unnecessary expenditure wherever possible, and prevent any leakages—stands more significant and warrants our attention than ever before. Our efforts to be hands-on in estate management, supported by the online KPI dashboards with real-time information for close monitoring, underlined our resilience in this regard, amidst serious challenges that we faced in the year.

MANAGING CAPITALS

We deeply care for our communities, spending LKR 47 million in 2020/21 to uplift their standards of living and their quality of life.

Community capacity building

(vocational training, housing and micro loans through the Estate Worker Housing Co-operative Societies)

Woman and child Rights

(in collaboration with the 'Save the Children Fund')

- Investment: LKR 1.2 Mn
- Estates: 08
- Beneficiaries: 71

Health and nutrition

(COVID-19 prevention controls, immunisation, pre and post natal clinics, eye and dental clinics and medical camps)

- Donations received from Government as well as Non Government Organisations.
- Number of programmes: 108
- Beneficiaries: 6000+

Estate infrastructure

(housing, water, sanitation and roads)

- Investment: LKR 12.5 Mn
- Beneficiaries: 6000+

Intellectual Capital

Following best practices, our estates and factories were well managed, aligned to quality and standards set by:

Certification/Standard	Estates
ISO 22000: Food Safety Management System	09
ISO 9001: 2015 Quality Management Systems	02
ISO 14001 : 2015 Environmental Management Systems	01
Ethical Tea Partnership (ETP)	09
Fair Trade Certification	02
Rainforest Alliance Certificate (Tea)	08
Forest Stewardship Council Certification (Rubber)	02
Green House Gas Inventor Verification Certificate (Carbon Foot print) Ministry of Environment	08

Plantations Sector

Performance Results

Key Performance Indicators	2020/21	2019/20	% change
Net operating income (LKR Mn)	56	(325)	82
Profit after tax (LKR Mn)	(94)	(496)	80
Return on equity (%)	(12)	(62)	50
Operating margin (%)	3	(18)	21
Net profit margin (%)	(4)	(28)	24

The volumes increased by 5 percent to 2.6 million kilograms. With upward price trends on the Colombo Tea Auctions, our teas (renowned for quality) were able to fetch remunerative prices, in turn, bolstering our topline results. Due to low volumes, our cost of production was lower compared to the previous year.

The rubber sector rebounded and turned around positively compared to the last year. Both yield and prices registered an improvement. With relatively favourable weather conditions along with close management, production levels increased by an impressive 47 percent—highest ever crop volume. Prices recorded an improvement of 27 percent. However, with higher crop volumes, cost of production also increased.

Our palm oil operations remained buoyant, with improved volumes and prices, above the budgets.

The overall top-line earnings touched LKR 2,125 million, representing an increase of 20 percent year-on-year. The overall cost of production remained high. Finance costs, however, were under control, given the low interest rate environment and the moratorium offered by the banks. This combined with a more buoyant top-line revenue cushioned our bottom-line result. Our net losses in the year were significantly curtailed, falling by 80 percent to LKR 94 million.

Outlook and Plans

The plantation sector will continue to operate against a complicated environment in the year ahead. The wage increase of LKR1000 as extended by the Government along with the role given to the Wages Board will no doubt have serious ramifications across the industry. In this regard, the future of the collective bargaining process with trade unions is still unclear. The industry's future lies in the hands of all stakeholders. A paradigm shift where the worker becomes an entrepreneur and share revenue, will still hold true in the ensuing year. A broad consensus on this is an absolute necessity for the industry to move forward sustainably.

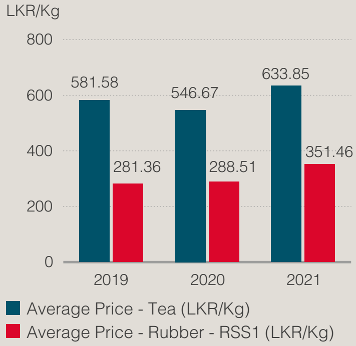
Horana Plantations is agile and resilient to navigate through complexities and meet the short to medium term goals. In this regard, we will continue to work towards consolidating the crop portfolio—following through with our diversification plans. Aside crop diversification, we will also invest in roof top solar, covering all possible factories under the concessionary rate scheme extended by the Tea Board.

PERFORMANCE HIGHLIGHTS

Financial Capital

Our teas as well as rubber fetched remunerative prices amidst a bullish market scenario.

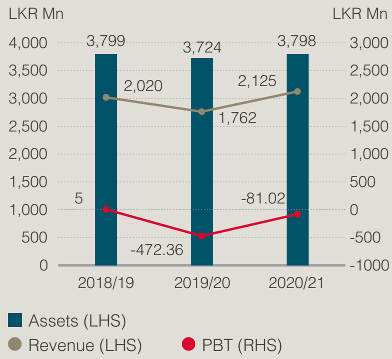
Average Price - Tea & Rubber



Source: CBSL Annual Report 2020

With buoyant prices fetched for teas and overall improvement in rubber, our top-line was strong, resulting in lower net losses as compared to the preceding year.

Revenue, PBT, Assets



Leisure Sector

Total Assets

LKR 7,710 Mn

Profit Before Tax

LKR (39) Mn

Employees

36

> We have successfully ventured into the hospitality industry, setting standards with the ongoing Greener Water Hotel project in Negombo.

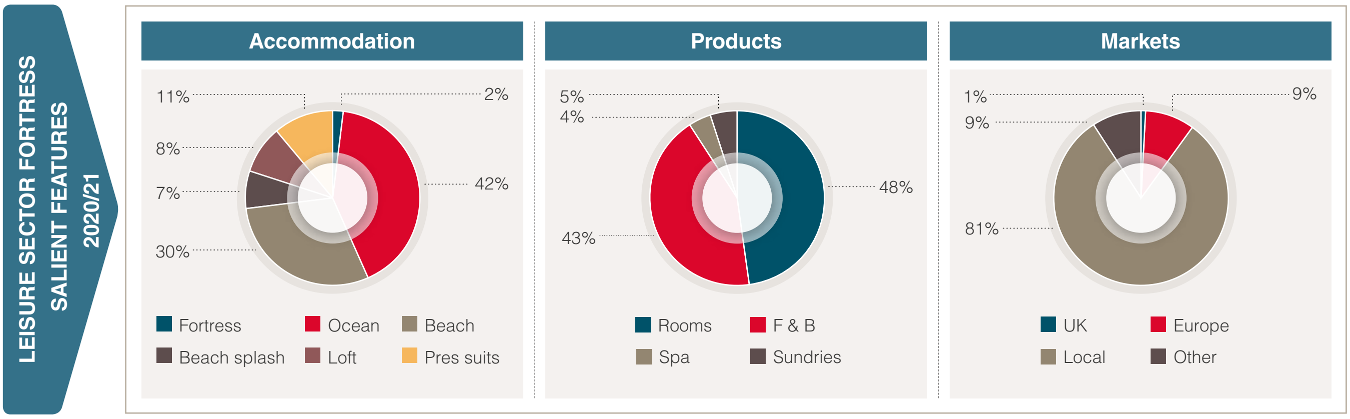
Leisure Sector

OVERVIEW

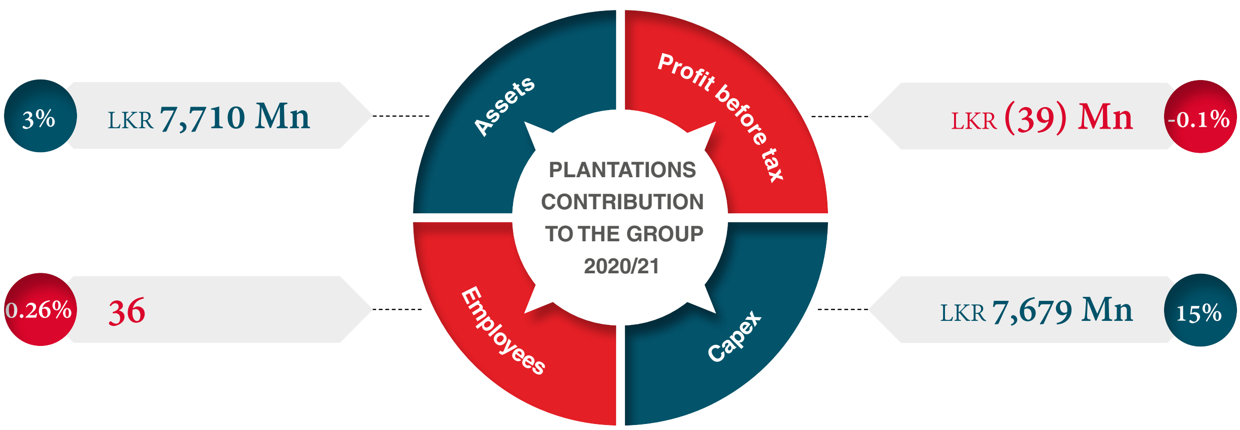
Fortress Resorts and Spa (Fortress), a luxury boutique hotel property, serving the up-market tourism segment, is an associate company of Vallibel One. Our stake in the hotel is 21.18 percent. The leisure sector report herein will primarily focus on the strategy and operational performance of the Fortress in the reporting year, along with the future outlook and plans. The report will also give a brief review of the status of the upcoming integrated resort complex project which is under our fully owned subsidiary, Greener Water Ltd.

LEISURE - STRUCTURE AND SCALE

FORTRESS RESORT AND SPA



Strategic Focus	Management Approach
Product improvements	Invest in necessary capex and extend 'best-in-class' customer service to offer a luxurious and high-end product, in keeping with the brand.
Product responsibility	Follow best practices in hospitality combined with health protocols and standards as stipulated by the tourism and health authorities.
Market diversification	Shift focus from traditional market, UK, and explore opportunities in non-traditional markets whilst increasing the local market share.



Leisure Sector - Fortress Resort and Spa Value Creation – 2020/21 Snapshot				
Capital	Capital Input	Value Creating Activities	Output/Outcome	UNSDGs
Financial Capital	• LKR 1,596 Mn equity • LKR 295.6 Mn debt	• Disciplined financial management with a leaner cost structure • Downsizing operations with job cuts of contract and temporary staff and Salary cuts of management level staff	• Keeping steady financial results amidst the pandemic	
Manufactured Capital	Hotel property and equipment LKR 1,268 Mn Capex	• Selective capex investments to maintain property, plant and equipment	• 20 refurbished rooms	
Intellectual Capital	• Fortress brand • Quality and standards certification	• Brand marketing communications • Certification audits on quality and standards - health protocols and guidelines set by SLTDA and health authorities	• Solid reputation as a high-end boutique hotel • Category 1 'safe and secure' certification	
Human Capital	• 160 work force	• Staff training • Monitoring performance • Remuneration and reward payments • Maintain and train staff on health and safety standards	• Service oriented workforce • Employee wellbeing	
Social and Relationship Capital	• 20 + community suppliers • 50 + three-wheel drivers • 70% community employees of the total cadre	• Purchasing from community suppliers and engaging three-wheel drivers • Community engagement • Community recruitment and retention	• Loyal relationships with local suppliers and three-wheel drivers • Community trust and support	

Leisure Sector

BUSINESS REVIEW

OPERATING ENVIRONMENT

With the COVID-19 pandemic, travel and tourism industry witnessed an unparalleled setback across nations. There was a massive decline in demand amidst strict health protocols, movement controls, border restrictions and lowest levels of traveler confidence. According to the UNWTO World Tourism Barometer, the pandemic resulted in a 72 percent drop in international tourist arrivals between the first ten months of 2020 against the corresponding period in the preceding year. Asia-Pacific region alone recorded an 82 percent drop in arrivals, followed by more than 50 percent drop in the Middle East, Europe and the Americas.

In this depressive setting, the leisure sector (already afflicted by the Easter Sunday attack in the preceding year) came under severe pressure in the year 2020. The operations were almost at a stand-still from April to December, with widespread implications across the value chain. The growth in tourist arrivals in the country plummeted by 73.5 percent, to a mere 507,704, as against 1.9 million recorded in the previous year. All source markets registered a decline in arrivals—Asia Pacific region was down by 78 percent and the European region by 68 percent. Arrivals from the United Kingdom, our top market, fell by 72 percent. (Source: Monthly Tourist Arrivals Report, December 2020, Sri Lanka Tourism Development Authority).

STRATEGY

RISKS

- New variations of the COVID-19 and the possible ineffectiveness of the vaccines to contain the spread
- Further border controls and lockdowns to curtail the spread of the pandemic
- Geopolitical and global economic uncertainties
- Macroeconomic imbalances and socio-political instability
- Travel advisories and bans
- Growing competition from emerging hotel chains and aggressive pricing strategies
- Shortage of skilled labour in the tourism industry
- Escalation of refurbishment cost
- Ad-hoc tourism policies and regulations

OPPORTUNITIES

- Latent demand for travel post pandemic
- Effective and extensive roll-out of the vaccination programme
- Emerging economy
- Infrastructure development
- Government's policy positioning on tourism as a thrust sector
- Sri Lanka's reputation as a destination
- Proposed tax concessions
- Demand for experiential hospitality offering

STRENGTHS

- Hotel management expertise
- Scenic property
- Solid brand and market reputation
- Quality and standards certifications
- Service excellence
- Health and safety standards certifications - Level 1 safe and secure hotel

Fortress strived be agile and resilient in the year under review, amidst extreme hardships and complications that prevailed in the industry. Our corporate strategy and plans were revisited and adjusted to meet the exigencies in the year, keeping intact our positioning as a foremost boutique hotel. It was imperative that we sustained our operations during the lockdown period along with the border restrictions up until January 2021.

Product offer: Notwithstanding the adversities, we continued to invest on planned capex, to upgrade, renovate and refurbish our property, thus, maintaining a quality product offer.

Product responsibility: In keeping with our brand values, we gave top priority to manage our property aligned to the health guidelines set by our regulator, Sri Lanka Tourism Development Authority (SLTDA) and health authorities. Focused and consistent measures were implemented to maintain the health and safety of our people— both our guests and employees.

Market diversification: Under the new normal, it was critical that we responded positively to market dynamics at hand. Given border controls, we had to move away from our primary market, United Kingdom; and focus on increasing the local guest nights, for around six months of the year, from July 2021. In this regard, we had to step up our promotional initiatives including bringing down hotel rates, even up to 50 percent.

However, after the borders were opened up in January 2021, we obtained Level 1 hotel status under SLTDA to welcome international travellers (only) within the bio-bubble protocols. As was the case across the industry, the market focus, thereafter, shifted to Eastern European countries including Russia, Kazakhstan and Ukraine.

Cost controls: We also focused on maintaining a lean cost structure to navigate through the challenges faced in the year. Operations were downsized—laying off contract and temporary staff along with 25 percent salary cuts for the management grade permanent staff. The hotel also focused on trimming down non-essential costs along with disciplined inventory controls.

MANAGING CAPITALS

Intellectual Capital

Fortress has been audited and awarded certification as a 'Level 1 Safe & Secure' hotel, to welcome tourists under the 'bio-bubble' initiative of the Sri Lanka Tourism Development Authority.

- Maintained occupancy below 75 percent
- Invested in personal protective gear for the front-line staff
- Rolled out a room allocation plan and roster to quarantine staff as per the 'bio bubble' requirements
- Trained the staff on the new health protocols
- Ensured basic hygiene, sanitisation and social distancing

Human Capital

Although we had to downsize our operations, we kept our permanent cadre intact including community-based employees; and salary cuts were limited to the management grade employees.

Leisure Sector

PERFORMANCE RESULTS

Key Performance Indicators	2020/21	2019/20	% change
Operating income (LKR Mn)	(235)	5	(4,700)
Profit after tax (LKR Mn)	(175)	27	(748)
Return on equity (%)	(10)	2	(12)
Operating margin (%)	(317)	1	(318)
Net profit margin (%)	(236)	5	(241)

With the industry in crisis, Fortress performance was down, with all departments including accommodation, spa, food and beverage and other sundry segments, registering a substantial dip in the reporting year. Operating at 75 percent capacity as prescribed, the total number of room nights dropped by a significant 76 percent year-on-year to 1944 nights. The share of local room nights was 78 percent given the border restrictions for almost 10 months of the financial year. Only in the last two months of the reporting year that international room nights picked up, with 418 nights. Average occupancy for the year was a mere 10 percent.

Revenue in this operational setting dropped by almost 84 percent to LKR 74 million. The closely monitored lean cost structure cushioned the bottom-line to an extent, controlling the steep fall. Net losses before taxes stood at LKR 175 million, down by 748 percent compared to the previous year

FUTURE OUTLOOK AND PLANS

With the COVID-19 pandemic still rampant, with serious implications on peoples' lives, the future of the leisure sector, especially in the short-term, is still very bleak. The vaccination programme, (if it is effectively rolled out) is expected to bring in greater optimism to the sector. The evolving new and stronger variants of the virus may, however, hinder people from taking up international travel 'en masse' again.

Sri Lanka Tourism has set out a comprehensive plan to revive the tourism and leisure sector. As a 'Level 1' hotel under this plan, Fortress is confident to even out the odds, and aggressively position the property as safe and secure boutique hotel. Our largest market, United Kingdom, is still uncertain. Therefore, market diversification will be our top priority, particularly, tapping into the Indian and Easter European markets. Local market may also ensue, given the flexibility to move in and out of the bio-bubble scheme, if it is not feasible.

We have much hope set for the medium to long-term where we will explore our opportunities to expand as a chain for scale benefits.

GREENER WATER LTD

Currently under construction, the Greener Water Hotel is a 500 rooms five-star integrated resort complex, sprawled across, 18-acres on the coastal belt in Kochichikade, Negombo. Approved by the Board of Investment of Sri Lanka and managed by JW Marriott, the resort was scheduled to be launched at the end of 2021. This launch had to be postponed indefinitely in the wake of COVID-19 and its grave implications on the entire leisure industry.

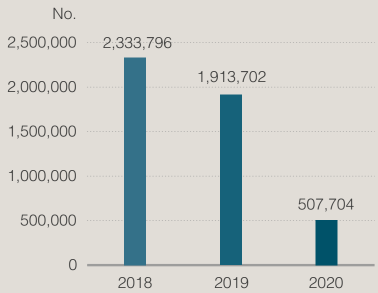
The civil and structural phases of the project is fully completed. Thirty percent of the installation work for mechanical, electrical and plumbing has also been completed. Furniture and interior fitout works are not commenced yet. A comprehensive review will be done on the industry prior to commencing the balance work which will take around 20 months for completion.

PERFORMANCE HIGHLIGHTS

Financial Capital

The COVID-19 outbreak brought the entire leisure sector to an almost stand-still in 2020, with tourist arrivals plunging by 73.5 percent year-on-year—an all-time low…

Tourist Arrivals



Source: CBSL Annual Report 2020

With the leisure sector in distress, Fortress registered a 85 percent slump in revenue.

Greener Water Hotel project Negombo - under construction

Consumer Sector

Total Assets

LKR 2,506 Mn

Profit Before Tax

LKR 51 Mn

Employees

175

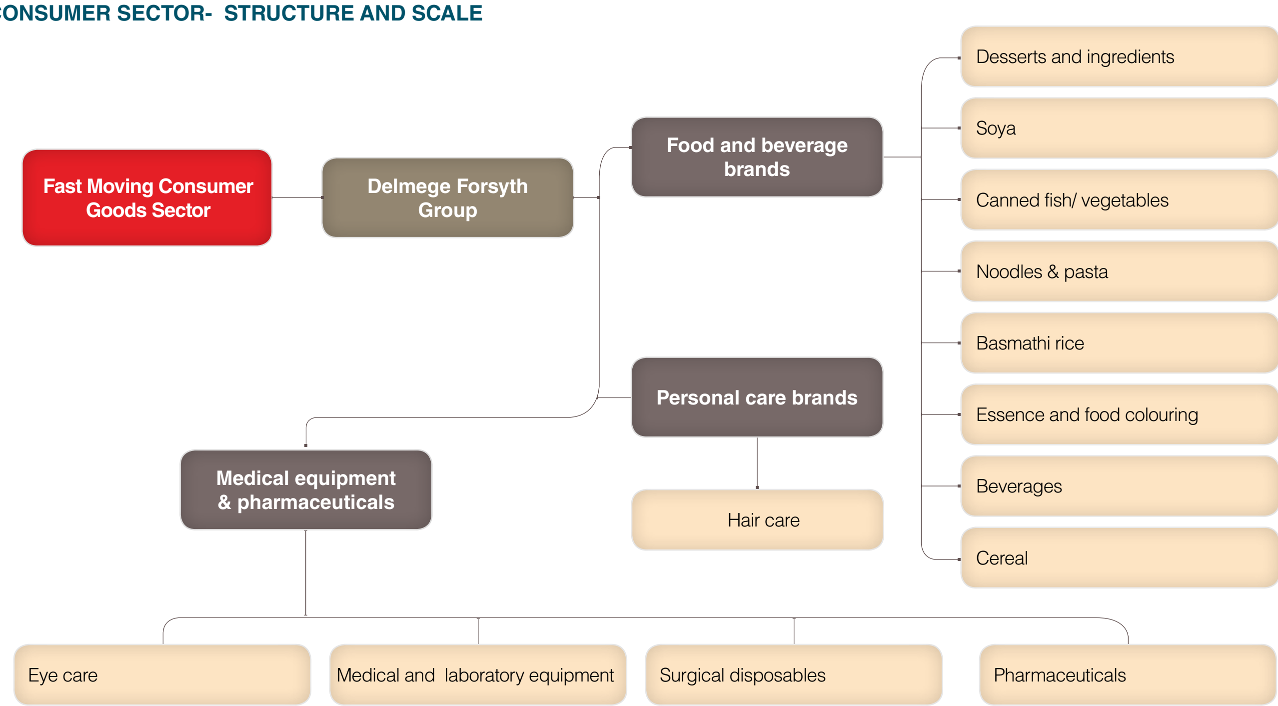
We have made our name in the consumer market with our household brands such as 'Motha' and 'Delmege' and in the medical equipment market.

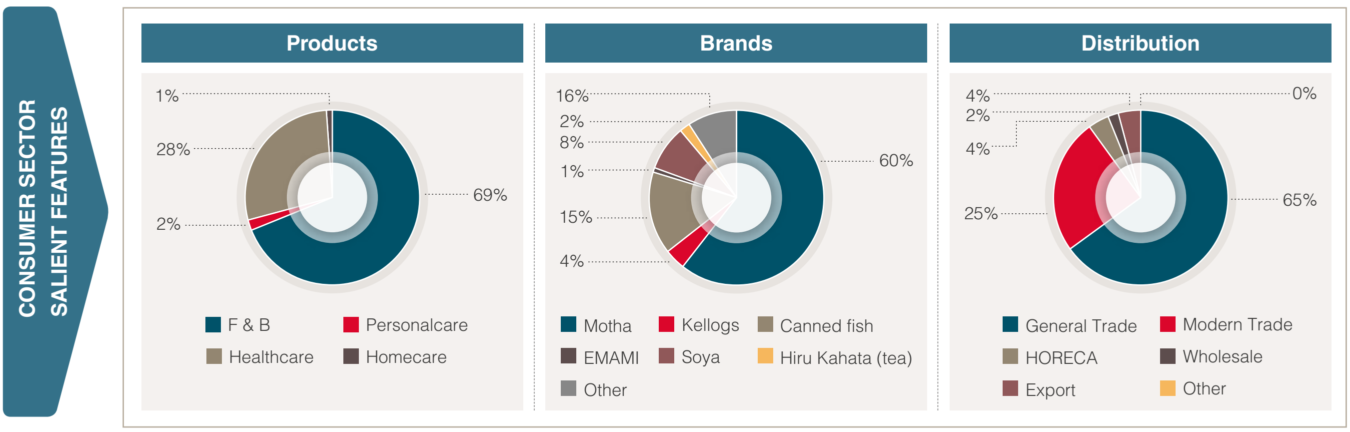
Consumer Sector

OVERVIEW

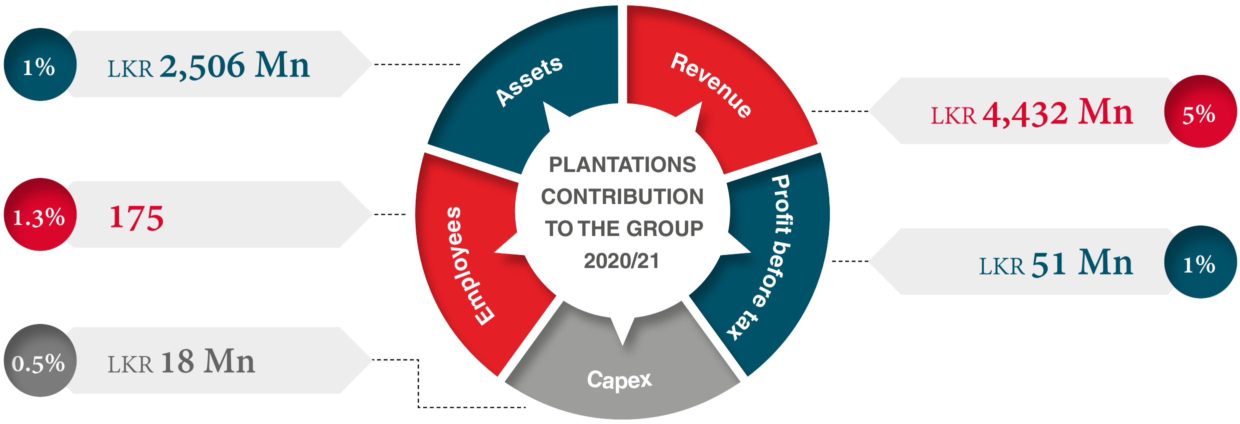
Delmege Forsyth & Co. Ltd (Delmege) has been operating as one of the largest companies in the fast-moving consumer goods (FMCG) sector for over 160 years. Catering to a wide audience across the island, its top brands like 'Motha' and 'Delmege' have firmly established their presence as trusted household names within the food and beverage (F&B) market segment. In the reporting year, Delmege also brought in a leading cereal brand, Kelloggs into its F&B portfolio. Aside, the company has also moved into adjacent business verticals including the personal care range with the brand 'Good Looks' for hair care and medical equipment and pharmaceuticals for both public and private sector healthcare organisations.

CONSUMER SECTOR- STRUCTURE AND SCALE





Strategic Focus	Management Approach
Power brands	Consolidate the product portfolio by securing and leveraging on power brands and vie for power supplier status in offering rounded consumer product solutions.
Product responsibility	Develop and strengthen the all-island distribution network by focusing on the accessibility, relevance and visibility across multiple channels.
Market diversification	Build brand equity and be creative and cost-effective in marketing and promotions to capture the targeted audience.
Product responsibility	Uphold product responsibility with focused efforts on research and development to ensure quality and standards of the product offer.
Capability development	Build a learning culture to empower the workforce, support them to work in cross-functional teams and nurture their sense of passion to drive for and achieve corporate targets.



Consumer Sector Value Creation– 2020/21 Snapshot

Capital	Capital Input	Value Creating Activities	Output/Outcome	UNSDGs
Financial Capital	• LKR (1,967) Mn equity • LKR 2,919 Mn debt	• Financial management including cost optimisation and rationalisation of the product portfolio	• 10% y-o-y growth in revenue • 330% y-o-y growth in profit before tax	8
Manufactured Capital	• Office building LKR 18 Mn capex	• Building improvements	• LKR 2 Mn refurbishment and renovations	9
Intellectual Capital	• LKR 1,356 Mn brand value of Motha and LKR 929 Mn brand value of Delmege	• Branding, marketing and promotions	• Brand loyalty and top-of-the-mind brand recall • Market share for FMCG brands- Motha 79%, Kelloggs 70%, canned fish 10%	8, 9
Human Capital	• 175 workforce	• Recruitment • Training • Compensation, benefits and incentives for performance	• 23 new recruits trained workforce • 91% employee retention rate • 9% employee turnover	3, 4, 8
Social and Relationship Capital	• 66+ general trade distributors • 650+ supermarkets and hypermarkets • 1200+ HORECA • 140+ suppliers	• Engaging distributors, suppliers and partners • Supplier training and development	• 29% sales growth in general outlets • 25% sales growth in modern outlets	1, 8, 10
Natural Capital	• 387.96 GJ energy	• Fuel management in terms of transport in distribution	• LKR 3.5 Mn in fuel savings	12, 13

Consumer Sector

BUSINESS REVIEW

OPERATING ENVIRONMENT

The sub-par economic performance recorded in the year 2020, did not complement the FMCG sector. The overall consumer sentiment was low amidst the COVID-19 pandemic and the resultant impacts from lockdowns and movement restrictions on our lives and our businesses.

Private consumption expenditure levels at current prices, moderated in 2020 to 1.0 percent growth compared to the previous year growth of 7.3 percent. However, food and non-alcoholic beverages sub-sector, taking up 30.9 percent share in private consumption expenditure, recorded a notable improvement from 2.6 percent in 2019 to 11.5 percent. The value added of wholesale and retail trade activities were also subdued, with the growth rate at 1.4 percent compared to 3.0 percent in the previous year. (Annual Report 2020, Central Bank of Sri Lanka).

STRATEGY

RISKS

- COVID-19 spread and related implications on every-day life and businesses
- Sub-par economic performance due to socio-political instability
- Lower consumer confidence and high cost of living impacting purchasing power
- Susceptible to exchange rate fluctuations
- Intense competition, price undercutting and vying for shelf space
- Higher attrition of trained staff due to competition

OPPORTUNITIES

- Emerging economy
- Increasing urbanisation and rise of the middle-class
- Proposed tax concessions
- Growth in modern trade
- Higher demand for convenience food
- Increased spending by public and private sector healthcare
- Export market potential

STRENGTHS

- Versatile product offer
- Strong product portfolio with power brands
- Excellent market reputation
- Strong distribution channel
- Strong sales force
- Solid ties with renowned healthcare principals

Managing and navigating the complexities that prevailed during the year, our consumer sector responded with speed and agility; delivering a coherent strategy to drive for top-line growth and gain share in the market. Taking on the challenges with positivity, we sought to manage our suppliers, strengthen our power brands and consolidate the portfolio whilst bolting on all avenues to secure emerging opportunities for greater point of sales presence, in an intensely competitive market place. We also stepped-up risk management with higher bank guarantees from our distribution agents and closely monitored our targets.

Power brands: Having restructured our operations and streamlined our product portfolio over the past two years, our strategic focus in this reporting year, was to firm up and leverage on our power brands to gain share and retain market positioning. We gave high priority and allocated resources to consolidate and further develop our top five brands—Motha, canned fish, soya, food colouring and essence, and tea which cover over 90 percent of our revenue. We also worked on securing new power brands in adjacent verticals to fortify our portfolio and to offer well-rounded product solutions to our customers.

Distribution Network: Seeking to optimise our distribution, we looked at rolling out a five-pronged distribution strategy, focusing on availability, visibility, channel development, activation and merchandising. Aligned to this, we continued in the year, to engage and build relationships with our retailers across multiple channels including general outlets, modern outlets like super market chains and hotels, restaurants and cafés (HORECA). We sought to obtain maximum exposure on shelf space for greater visibility. Trade discounts and incentives were given in this regard; whilst extending training on products. In the year under review, our sales in general trade and modern trade increased by 29 percent and 25 percent respectively. Sales for HORECA were low given the difficulties faced by the tourism and leisure sector.

We also looked at developing out options in line with business to customer (B2C) distribution which were timely given the challenges brought on by the COVID-19 pandemic. To this end, we initiated door-to-door distribution, both through our sales team as well as teaming up with other external distributors. Apart from physical channels, we also looked at increasing our outreach through e-channels which are currently gaining ground within the FMCG segment, particularly, given the pandemic dynamics. In effect, e-channels took up 40 percent of our total sales in the year under review.

Marketing and promotions: With subdued consumer sentiment, following through with a well-structured marketing and promotional plan remained strategically significant. In the year, we continued to engage in demand generation marketing activities, targeting both traders and consumers. This included brand campaigns, special trade incentive schemes, conventional below-the-line marketing tactics, as well as digital marketing through social media platforms.

Product responsibility: In keeping with our brand values, we followed through with necessary checks on quality and standards on our product offer, along with due investments for research and development initiatives. We closely engaged our suppliers, collaborated and extended due training on maintaining quality across the value chain. All our products are certified under ISO and Sri Lanka Institute of Standards.

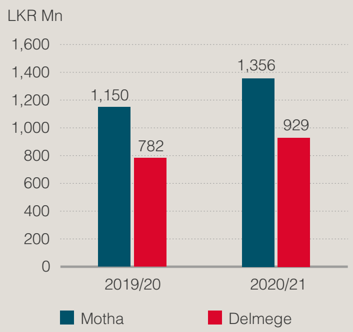
Capability development: We continued to give strategic precedence to build our team—bracing and empowering them through thought leadership amidst intense challenges we faced in the reporting year. It is in this light that developing a learning work culture with a positive mindset and adept strategies, is warranted than ever before. We remained focused in guiding the team and encouraging them to be passionate and to take ownership in their job roles. In turn, the team was agile and quick in the year, responding well in delivering our sector plans and targets as envisaged.

MANAGING CAPITALS

Intellectual Capital

Building brand equity, we relaunched Motha, our flagship brand, after 15 years along with Delmege tea, 'Hiru Kahata'. A well-structured brand communication campaign on digital platforms was rolled out to showcase the brands…

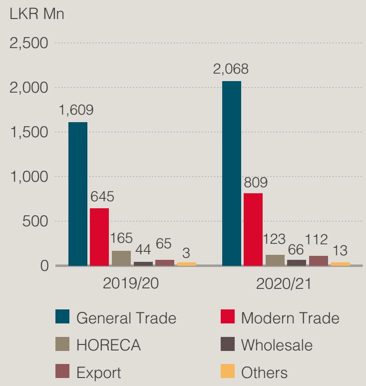
Brand Value



We collaborated with an international research agency to further improve the quality and standards of the Delmege colouring and essence range.

With thought leadership, we were able to influence and inspire the team to be passionate in delivering a 'go-to-market strategy'— positioning our brands with relevance for greater accessibility and visibility.

Revenue by Segments



Another power brand was added to our portfolio—the world-renowned cereal brand, Kelloggs.

Consumer Sector

Performance Results

Key Performance Indicators	2020/21	2019/20	% change
Operating income (LKR Mn)	407	396	18
Profit after tax (LKR Mn)	50	(73)	168
Return on equity (%)	-	-	-
Operating margin (%)	11	10	1
Net profit margin (%)	1	(2)	3

Notwithstanding the difficult market conditions with the COVID-19 taking a heavy toll on the economy, our FMCG sector recorded an impressive performance in the year under review. The restructuring of operations including product rationalisation carried out in the past two-years combined with a focused strategy on team development and brand marketing promotions complemented the consumer sector to turn-around operations and become a profitable entity after seven years.

Our overall FMCG sector revenue, stood at LKR 3,194 million, with a significant growth of 26 percent year-on-year. F&B sub-sector accounted for the largest share of 72 percent of the total revenue followed by personal care and health care sub-sectors of 18 percent and 910 percent respectively.

With strong top-line results combined with cost optimisation and 32 percent lower finance cost (in an accommodative interest rate regime and part-settlement of loans), cushioned the bottom-line to sustain positive results throughout the year. Profit before tax reached LKR 168 million as compared to the loss of LKR 73 million in the previous year.

Outlook and Plans

The short-term outlook is still uncertain, with many challenges brewing within the socio-economic and political front. There is much hope, however, that the COVID-19 vaccines which are currently being rolled out, will support the country to revive and turn-around the ailing economy. FMCG sector holds much promise in this backdrop, particularly, in the medium to long-term. Greater urbanisation and the burgeoning middle class will open up many opportunities for modern trade to expand and the general trade to upgrade and modernise. E-trading platforms are rapidly gaining share.

It is in this light that our power brands will continue to hold the key to achieve our medium-term growth goals. We will give top precedence to build brand equity with focused and relevant marketing communications, in particular, of Motha, Delmege and our newest addition to our portfolio, Kelloggs. In this regard, we will also continue to develop our distribution channels for greater accessibility and visibility. We will also remain steadfast in our research and development initiatives to uphold product responsibility and maintain quality and standards of our product portfolio.

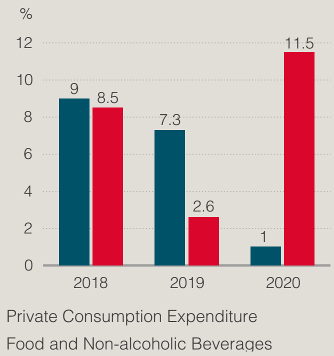
Apart from the consumer brands, we will also give precedence on promoting our healthcare range, which has shown much promise given the rising demand from both the public and private sector hospitals and clinics.

PERFORMANCE HIGHLIGHTS

Financial Capital

With lower consumer confidence, the growth in private consumption expenditure was a mere 1.0 percent in 2020 although food and non-alcoholic beverages sub-sector recorded an improvement.

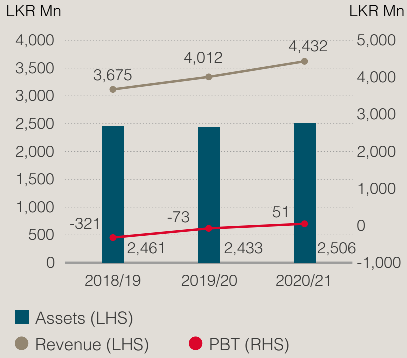
Private consumption Expenditure Growth



Source: CBSL Annual Report 2020

Despite a sluggish market backdrop, our FMCG sector posted impressive results, turning around operations after seven years, from losses to net profits.

Revenue, PBT, Assets



Investments and Others Sector

Total Assets

LKR 42,883 Mn

Profit Before Tax

LKR 3,439 Mn

Employees

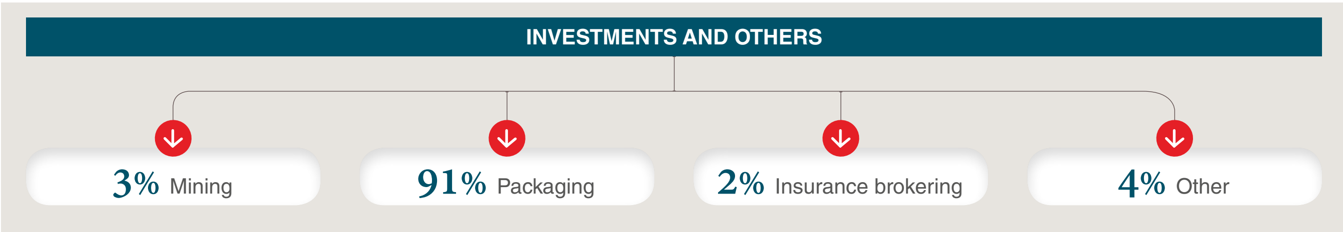
814

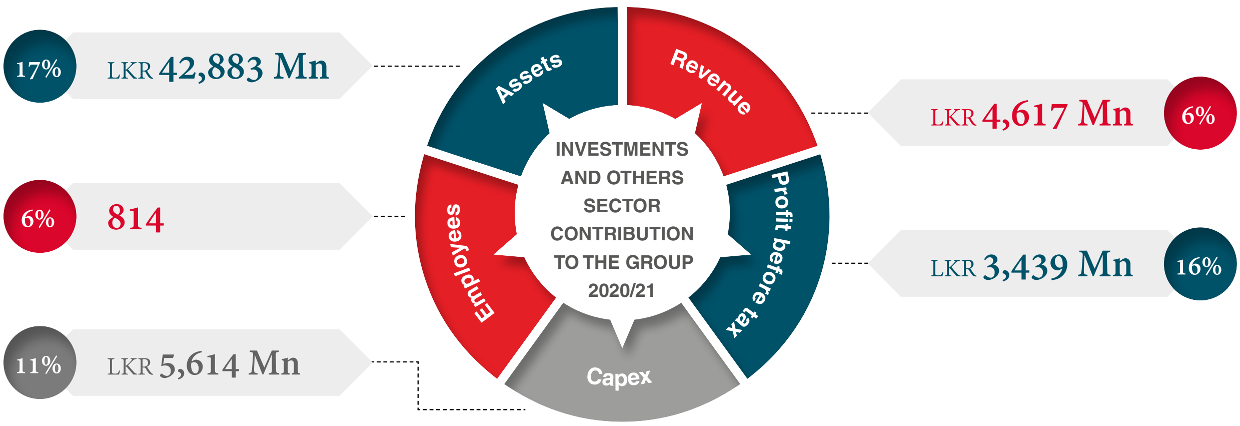
Apart from the key sectors, we have invested in other sectors with noteworthy stakes in packaging, mining, insurance brokering, travel and transport etc.

Investments and Others Sector

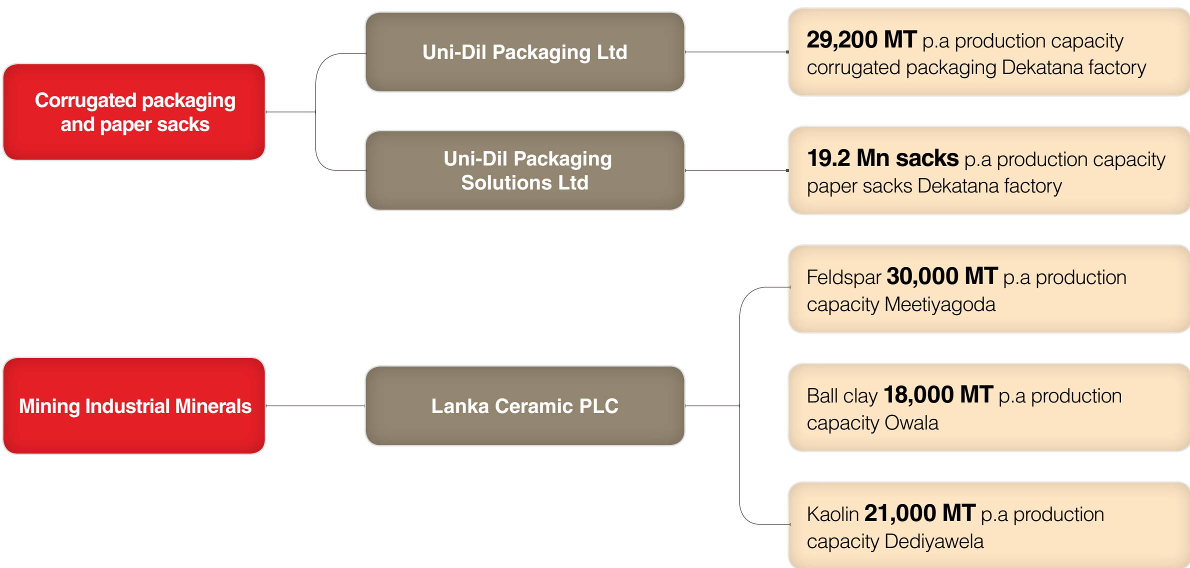
OVERVIEW

Accounting for 5.7 percent share of the of the consolidated revenue, investments and others sector encompasses Vallibel One's investments and exposure to other industries. This primarily includes the long and short-term investments of the Group; along with the exposure to the packaging, mining, insurance brokering, travel and transport sectors. Following the principle of materiality, the report herein will focus and review the packaging and mining sectors, with a combined contribution of 93 percent to the investments and others sector revenue.





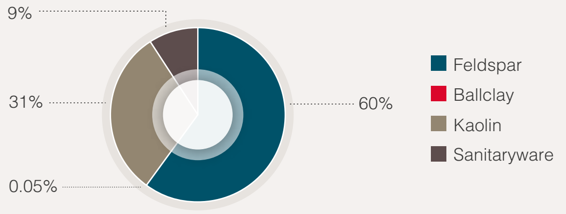
PACKAGING AND MINING - STRUCTURE AND SCALE



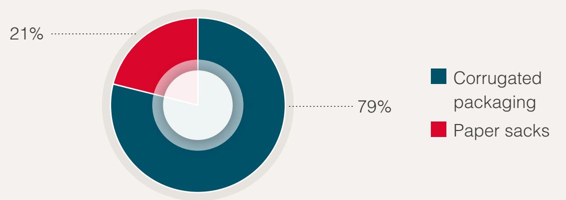
PACKAGING AND MINING SECTORS SALIENT FEATURES

Products

Products-Mining

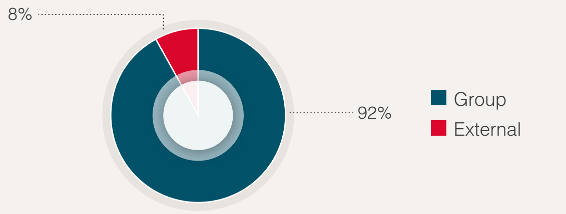


Products-Packaging

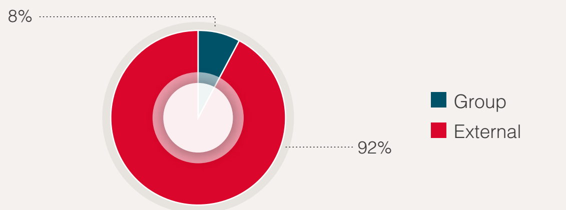


Markets

Markets-Mining



Markets- Packaging



Packaging and Mining Sectors Value Creation – 2020/21 Snapshot

Capital	Capital Input	Value Creating Activities	Output/Outcome	UNSDGs
Financial Capital	**Packaging** • LKR 1,586 Mn equity • LKR 1,103 Mn debt	• Financial management including cost rationalisation	• LKR 10 Mn cost savings • LKR 4,182 Mn revenue with 3.4% y-o-y growth • LKR 357 Mn profit before tax with 64% y-o-y growth	
	Mining • LKR 970 Mn equity • LKR 205 Mn debt		• LKR 121 Mn revenue with 27% y-o-y growth • LKR 67 Mn profit before tax with 190% y-o-y growth	
Manufactured Capital	**Packaging** Property plant and equipment in Dekatana LKR 1,103 Mn capex	• Manufacture of corrugated packaging and sacks	• 23,292 MT corrugated packages with 92% capacity utilisation • 12,365 MT paper sacks with 65% capacity utilisation	
	Mining • Machinery and equipment in 3-mining facilities LKR 205 Mn capex	• Mining raw material for tile and ceramic industries	• 27,623 MT of industrial minerals with 40% capacity utilisation of mining assets	
Intellectual Capital	**Packaging** • Brand equity • Certification quality and standards	• Value addition to product • Branding and marketing • Certification activity	• Market leadership in corrugated packaging • Quality certification	
	Mining • Mining technology and expertise • Mining license, clearances and certification	• Mining and processing industrial minerals responsibly • Specialised training on mining and occupational health and safety	• Quality raw material • Specialised staff with mining expertise	

Investments and Others Sector

Packaging and Mining Sectors Value Creation – 2020/21 Snapshot				
Capital	**Capital Input**	**Value Creating Activities**	**Output/Outcome**	**UNSDGs**
Human Capital	**Packaging** • 542 workforce	• Recruitment • Training • Compensation and benefits and performance incentives	• 103 new recruits • Skilled workforce • Employee wellbeing • Higher productivity	
	Mining • 67 workforce	• Recruitment • Training • Compensation, benefits and performance incentives	• 13 new recruits • Skilled workforce • Employee wellbeing • Higher productivity	

Strategic Focus	Management Approach
Packaging	
Capacity improvements	Extend an uninterrupted service to buyers through on-time delivery.
Market development	Invest in branding, marketing and promotions to reinforce market presence and develop new market opportunities.
Cost rationalisation	Adopt best practices and streamline processes to increase productivity and drive for cost rationalisation.
Mining	
Product optimisation	Expand the capacity and increase asset utilisation to optimise the value of mineral sites whilst looking for alternatives to diversify the product portfolio.
Cost rationalisation	Plan mining operations and closely monitor labour productivity and efficiency of equipment for cost rationalisation.
Responsible mining	Adopt and follow best practices in mining to ensure health and safety of the workforce and environmental and social responsibility.

Large Carton Jumbo Printer at Unidil Packaging Ltd

BUSINESS REVIEW

PACKAGING SECTOR

The packaging sector comes under the management purview of the Uni-Dil Packaging group. Established in 1994, the company is a leading corrugated carton and paper sacks manufacturer in the country—offering a range of packaging material and paper sacks to the local market including exporters. The packaging sector contributes 91 percent to the investments and others sector whilst accounting for 5.1 percent of the consolidated revenue.

OPERATING ENVIRONMENT

The subdued economy in the year 2020 amidst the COVID-19 pandemic and the consequent lockdown restrictions imposed, affected the packaging industry performance. Most companies operated at a lower capacity compared to the previous year. The demand was also limited due to the sub-par performance of the trading and the manufacturing sectors. The downward trends that prevailed in paper prices during the year, however, buttressed the packaging sector cost of production and margins.

STRATEGY

RISKS

- World market paper price trends
- Macroeconomic imbalances and socio-political instability
- COVID-19 spread and implications on health and safety of the workforce
- Dependence on imported raw material and exposure to exchange rate fluctuations
- Industry competition

OPPORTUNITIES

- Emerging economy
- Increasing urbanisation and rise of the middle-class
- Increasing demand for innovative packaging
- Growing environmental and health concerns on plastic packaging
- Growing FMCG sector

STRENGTHS

- Expertise
- Fully-fledged manufacturing plant
- Solid brand and market reputation
- Group synergies
- Quality and standards certifications

Amidst subdued market conditions, Uni Dil was able to follow through a consistent strategy—seeking to bring in capacity and productivity improvements; whilst reducing wastage and optimising cost to maintain margins.

Production capacity: Expanding our factory capacity, we invested a sum of LKR 38 million in new machinery to increase the production of corrugated boxes. Our in-house technical team also fabricated a 'bottomer' to part automate the production process of paper sacks and a tuber machine for the production of paper sacks. This was done at a fraction of the cost of buying brand new or even refurbished machines.

The new machinery is expected to bring in significant efficiency gains and reduce hidden wastage cost.

MANAGING CAPITALS

Intellectual Capital

We follow best business practices aligned to:

- ISO 9000 - Quality Management
- ISO 14000 – Environmental Management
- ISO 18000 – Information Technology
- 5S – Japanese organisation programme
- Quality Circles
- Health and Safety Executive certification

Social and Relationship Capital

We provided basic amenities to support two COVID-19 wards in our community hospital in Dompe whilst providing sanitizer liquids to the Bodiraja Maha Vidyalaya.

Celebrating our 25th anniversary, we launched a rebranding campaign

UNIDIL THE LEADER IN PACKAGING

Investments and Others Sector

Market development: Our products are predominately marketed to exporters in the local market. In our quest to expand our market presence, this year, we initiated a rebranding campaign which was launched in February 2020. This campaign entailed a new look and feel to our brand proposition along with a new logo and tagline.

Cost rationalisation: We continued to give strategic precedence to our cost rationalisation efforts—bringing in innovation, driving for higher productivity and achieving process improvements. In this regard, the '5S' organisation practices we followed through across our organisation remained significant. We also relied on our in-house expertise to bring in factory and machinery improvements to drive for cost savings and efficiency gains as discussed above.

MANAGING CAPITALS

Natural Capital

We are increasingly moving towards greater environmental sustainability

- Wastewater treatment
- Solid waste management through a third-party waste disposal company
- Replacing furnace oil with firewood

Environmental Footprint 2020/21

54,982 MT
Materials

32 Mn ltr
Water

2,903 MT
Recycled Materials

10,125 GJ
Electricity

5.5 Mn Kg
Firewood

PERFORMANCE RESULTS

Key Performance Indicators	2020/21	2019/20	% change
Operating income (LKR Mn)	408	369	10
Profit after tax (LKR Mn)	345	210	64
Return on equity (%)	22	16	6
Operating margin (%)	10	9	1
Net profit margin (%)	8	5	3

Despite the difficult market conditions, Uni-Dil in the year 2020/21, recorded a sound financial performance. Although we were able to operate during the lockdown period, sales volumes were subdued in the first few months of the financial year, in line with the market demand. Subsequently, with the easing of restrictions, sales picked-up and we were able to meet our budgetary targets. Our revenue for the year reached LKR 4,182 million, an increase of 3.4 percent year-on-year. With lower world market paper prices that prevailed in the year, we were able to keep our cost of production in control. Although, we had to incur substantial cost to prevent COVID-19, our overheads were well managed. This together with the downward revision of tax rate from 28 percent to 18 percent, cushioned our bottom line. Net profits for the year were the highest ever at LKR 345 million, a growth of 64 percent over the preceding year.

OUTLOOK AND PLANS

There is much hope for the economy to revive in the ensuing year, with strong medium-term prospects. The expected rallying of export-led manufacturing businesses along with growing opportunities within the FMCG sector and e-commerce, will extend a strong platform for the packaging sector to grow in the short to medium term. Uni-Dil is well prepared and has already invested in new machinery to have sufficient capacity to meet the growing demand. However, the increasing trend witnessed in paper prices in the world market (owing to the shortage of paper pulp and higher freight rates) is of concern which may significantly pressure the sector margins in the ensuing year.

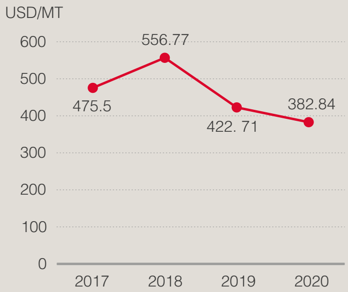
The company also intends to drive a total digitalisation programme across the operations, including website development, and launching a 'B2B' interactive portal to support buyers with end-to-end service including options on tracking orders and payment gateways.

PERFORMANCE HIGHLIGHTS

Financial Capital

Notwithstanding the subdued market conditions, packaging sector met its budgetary targets and sustained year-on-year revenue growth of 3.4 percent.

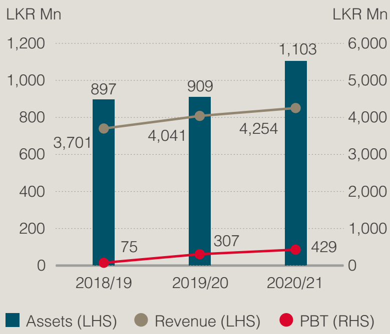
World Paper Prices



Lower paper prices in the world market along with tax benefits, resulted in strong net profits, the highest in the company's 25 year history.

Source: World Commodity prices

Packaging Sector Performance



MINING

Contributing 3% percent to the investments and others sectors, our mining sector provides raw materials—feldspar, ball clay and kaolin—for the ceramic and tile industries. The management of the mining sector comes under the purview of Lanka Ceramics PLC, a public quoted company under the Lanka Walltile group. The three mines of the company are located in Meetiyagoda, Owala and Dediyawela.

OPERATING ENVIRONMENT

As per the Annual Report 2020 published by the Central Bank of Sri Lanka, the mining and quarrying sector contracted by 12.5 percent as compared to 2.8 percent growth in 2019. The slowdown in economic activity in the year along with the construction sector due to the pandemic lockdown, did not reflect well on mining activities. The sector performance was well below potential.

The import ban on tiles and sanitaryware which prevailed in the year, buoyed our lifestyle sector performance in turn, our mining activities. The sector was well managed on three strategic priorities:

Product optimisation: We continued to expand our mining capacity and increase the utilisation levels with respect to feldspar and ball clay operations. We invested well on specialised training, quality control and productivity enhancements to ensure that we optimised exploration, mining and processing.

With regard to product diversification, we had to moderate our plans due low market sentiment. With the import ban and subsequent increase in duty structure, we also had to stall our imported sanitaryware range under the brand 'Deluxe'.

Cost rationalisation: Driving for lower operating costs, we followed through a well-structured plan to bring in cost efficiencies across our mining operations. We continued to restructure our operations—closing down unprofitable business units, and looked for greater collaboration between cross-sites to optimise on resources. We also continued to drive for productivity gains both in terms of mining equipment and labour whilst closely monitoring the mining quality to reduce impurities in the final output.

Responsible mining: Upholding responsible mining practices, we worked closely with Geological Survey and Mines Bureau to safeguard the quality of our mines. We also gave due precedence to extend an enabling workplace with key measures in place to ensure health and safety aspects across our mining operations.

RISKS

- Subdued demand from ceramic and tile sector
- Ad-hoc government policy and regulations on mining
- COVID-19 pandemic spread and lockdown implications

OPPORTUNITIES

- Growing demand from hotel and mixed development projects for tile and ceramic products

STRENGTHS

- Expertise in mining
- Group synergies and captive demand
- Responsible mining practices

MANAGING CAPITALS

Intellectual Capital

We to supported and improved occupational health and safety, of mining workers and contractors.

- Engaging mining employees and improving their compliance with Lanka Ceramic safety standards
- An intensive monitoring programme to reduce injuries and completely eradicate fatalities.
- Specialised training for mining workforce
- Creating awareness and providing the necessary protective gear to safeguard the workforce from COVID-19.

Investments and Others Sector

Performance Results

Key Performance Indicators	2020/21	2019/20	% change
Operating income (LKR Mn)	83	42	97
Profit after tax (LKR Mn)	67	23	191
Return on equity (%)	7	3	4
Operating margin (%)	68	25	41
Net profit margin (%)	55	14	41

Given the COVID-19 pandemic restrictions in the first quarter of the year, mining production declined by 27.3 percent as compared to the previous year to 27,615 metric tons. Revenue from mining operations in the year fell by 22.5 percent year-on-year to LKR 110 million.

OUTLOOK AND PLANS

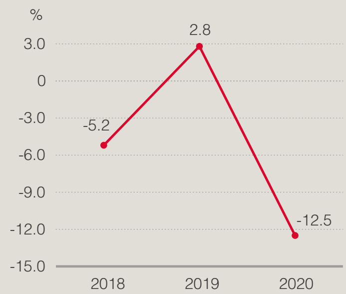
With the economy set to rebound, we see potential for our mining operations in the short to medium term. Increased capacity and focused strategic initiatives will buoy our efficiency and responsibility in the ensuing years. We will also continue to diversify and look for alternative revenue streams for sustainable future prospects.

PERFORMANCE HIGHLIGHTS

Financial Capital

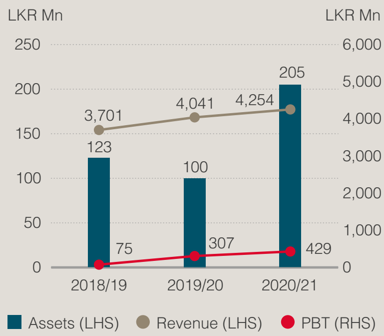
The mining and quarrying sector contracted by 12.5 percent as compared to 2.8 percent growth in 2019.

Growth in the Mining and Quarrying Sector



Source: CBSL Annual Report 2020

Mining Sector Performance



MANY RESOURCES.

ONE objective.

As custodians of the resources we possess today, we believe in nurturing, safeguarding and cultivating them for the generations of tomorrow; even as we renew our commitment to invest in long-term growth and sustainable values.

With sufficient care and nurturing, the smallest sapling can grow into a vast structure - a resilient symbol that can impact countless individuals with endless value for the foreseeable future.

NURTURING OUR CAPITALS

Financial Capital

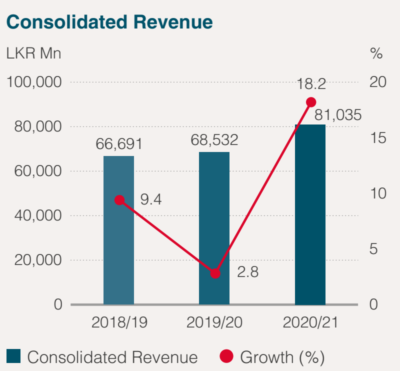
DELIVERING SHAREHOLDER VALUE

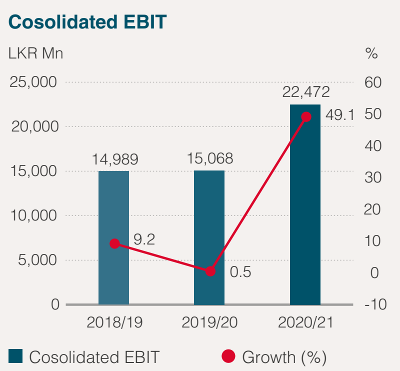
As a leading diversified conglomerate, it is our duty by our valued shareholders to effectively and efficiently manage our line businesses—optimising the growth and profits whilst creating value from a long-term standpoint. Financial capital management plays a fundamental role within this process. This is more significant amidst the many complexities we face today in a rapidly changing operating backdrop. It is in this light that we stand focused and committed to follow best and current practices in accounting and management whilst complying with relevant laws, rules and regulations with regard to financial management, risk and governance.

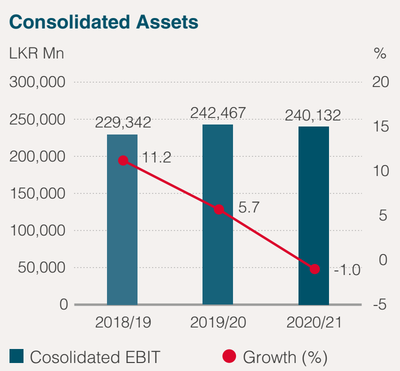
Financial capital at Vallibel One comprises equity, debt and earnings generated internally.

VALUE CREATION PERFORMANCE HIGHLIGHTS 2020/21

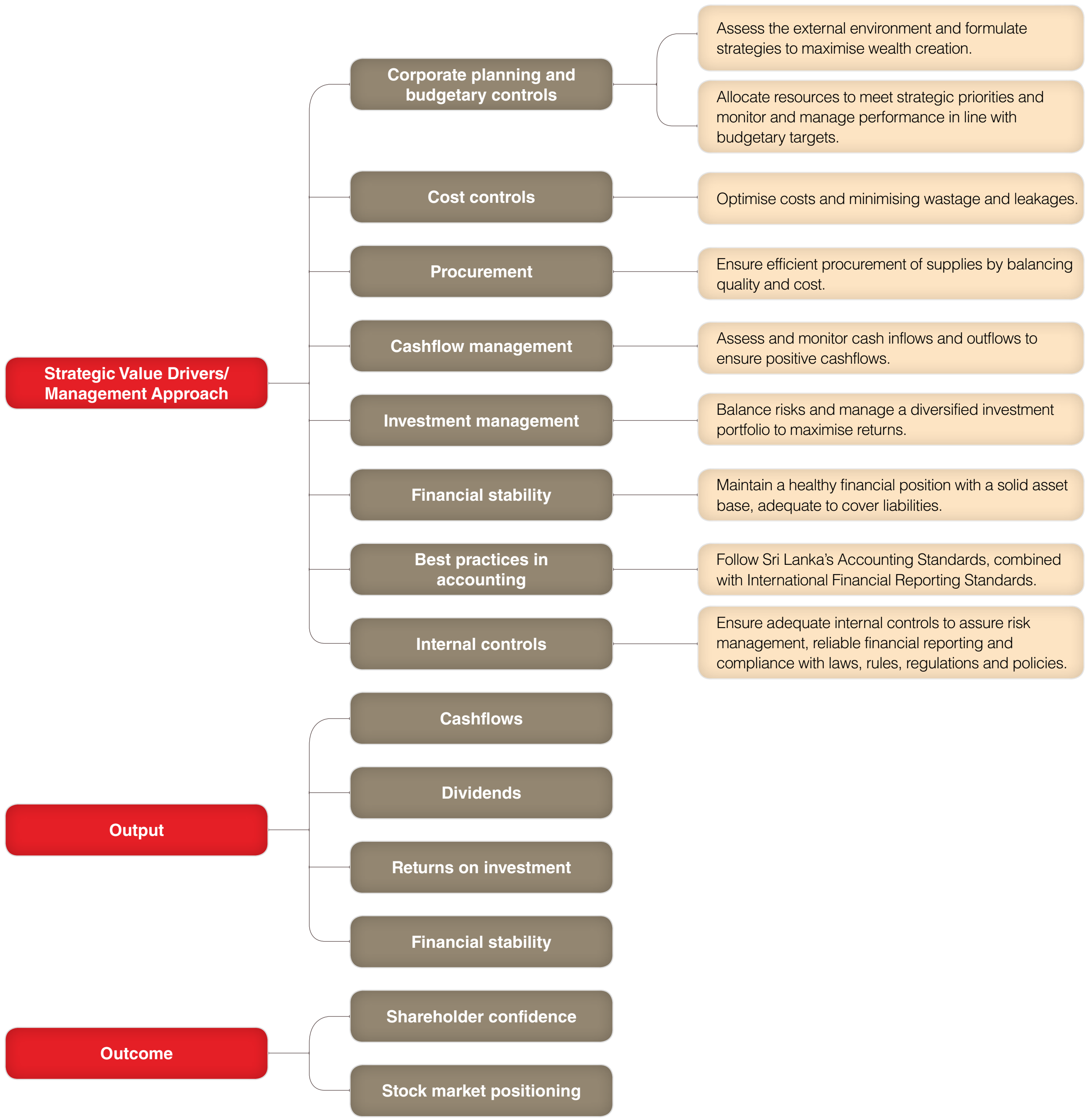
- Almost all of our key sectors performed well, complementing the consolidated revenue to record a year-on-year growth of 18 percent.
- Lifestyle sector dominated, accounting for 45 percent of the consolidated revenue of 81,035 million, followed by the finance sector of 36 percent.
- With focused efforts to improve on cost efficiencies, six out of seven sectors recorded operating level profits, totaling to LKR 22,473 million.
- Consolidated net profits stood at LKR 14,689 million, representing 133 percent increase year-on-year.
- Asset position of LKR 240,132 million as at the year-end, adequately covered the liabilities of LKR 145,942 million.
- The group maintained a healthy leveraged position with the gearing ratio at 28 percent.







FINANCIAL CAPITAL - IN VALUE CREATION

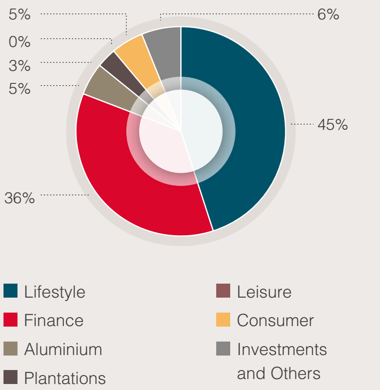


Financial Capital - Key performance indicators			
KPIs	2020/21	2019/20	% change
Revenue growth (%)	18.18	2.82	15.36
Earnings before interest and taxes (LKR Mn)	22,472	15,068	49
Current ratio	0.94	1.16	18.9
Gearing ratio	28.36	40.97	12.61
Earnings per share (%)	7.13	3.33	3.8

Financial Capital

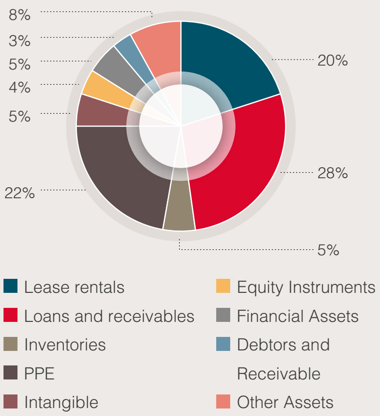
LKR 81,035 Mn
Revenue

Revenue Composition



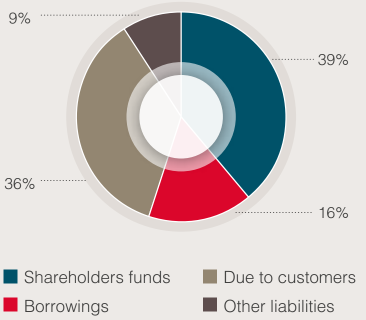
LKR 240,132 Mn
Assets

Asset Composition



LKR 145,942 Mn
Liabilities and funds

Funding Composition



FINANCIAL PERFORMANCE

As was the case across the business arena, Vallibel One marked a challenging year following the consequences of the COVID-19 pandemic. Yet, the group was resilient and managed to achieve record profits and maintain a sound financial position.

REVENUE

Our consolidated revenue recorded a notable growth of 18.18 percent year-on-year, reaching to LKR 81,035 million. This was led by the lifestyle sector which contributed almost 45 percent of the consolidated revenue. The lifestyle sector recorded a strong performance, with 50.3 percent revenue growth, benefiting from the import ban on the tile and bathware industry. The finance sector top-line registered a contraction of 4.6 percent amidst the complex industry dynamics. Amongst the other sectors, plantations, aluminium, consumer and packaging posted revenue growth over the preceding year. The leisure sector, as was the case across the globe, grappled with the COVID-19 implications, recording a contraction of 8 percent year-on-year.

GROSS PROFIT

The Group's gross profit for the reporting year was strong, with a steady growth of 24 percent over the previous year to LKR 36,717 million. Lifestyle sector was also booming, accounting for 41 percent of the consolidated gross profit. The overall GP margin improved by 2.1 percentage points to 45.3 percent.

OPERATING COSTS

With greater efforts to bring in process improvements, drive productivity and cost controls across the network, our operating costs were well-managed in the year. Our administration costs decreased by 4.2 percent whilst distribution costs recorded on increase of 17.9 percent and other expenses by 16.9 percent. The overall operating costs increased by 8.3 percent over the preceding year to LKR 16,253 million.

OPERATING PROFITS

Notwithstanding the operating expenses, operating profits (earnings before interest and taxes) increased by 49 percent compared to the previous year to reach LKR 22,472 million. Leading, our lifestyle sector posted a 90 percent increase year-on-year in operating profits. Notwithstanding a slowdown within the non-bank financial sector, finance sector operating profits increased by 10.7 percent. Aluminium, packaging and consumer sectors posted operating profits whilst aluminium, plantations and leisure sectors recorded negative results. The compound annual growth rate for the past five years stood at 10.3 percent.

NET FINANCE COSTS

With an accommodative monetary policy in place, with interest rates at lowest levels, the Group's net finance costs moderated by 26 percent to LKR 1,669 million. This is compared to 18.3 percent growth recorded in the preceding year. The lifestyle sector contributed to 57 percent of finance cost followed by other sectors with 43 percent.

PROFITABILITY

The Group's profit before tax stood at LKR 19,031 million, representing an increase of 92 percent over the preceding year. With lower cost of funds, the finance sector continued to lead the Group's profitability—with a share of 46 percent of the total profit before tax. This is despite the subdued top-line growth. Lifestyle sector contributed 41.6 percent of the consolidated result. For the first time, consumer sector posted positive results, contributing 0.3 percent to the consolidated profits whilst the aluminium sector contributed 2.3 percent. Packaging sector was also robust, accounting for 2.8 percent. Plantations and leisure sectors recorded negative contributions.

With the latest tax concessions, the effective tax rate declined to 20 percent from 28 percent in the previous year. The Group's corporate taxes increased by 21 percent to LKR 4,208 million in the year. With this, net profits after tax stood at LKR 14,689 million—a significant increase of 133 percent over the previous year.

FINANCIAL POSITION

Assets

The Group registered a healthy financial position as at 31st March 2021. The asset position marginally dropped by 0.8 percent to LKR 240,132 million. Comparable to the position of the preceding year-end, finance sector assets took up 51 percent share of the consolidated asset base. Credit assets including lease rentals fell by 3 percent, primarily due to the 100 percent import ban on motor vehicles. Lifestyle sector assets declined by 4.6 percent, with a 18.9 percent share of the total. Property plant and equipment representing all sectors took up 21.9 percent of the total, with an increase of 3.82 percent over the position as at the preceding year-end. The asset base adequately covered the liability position of LKR 145,942 million.

Funding

The funding composition as at 31st March 2021 was similar to the position of the preceding year-end. Shareholder's funds registered a 17.6 percent increase over the previous year's position of LKR 94,189 million, covering 39.2 percent of the assets. Group liabilities recorded a 10.1 percent decrease over the position as at the previous financial year end. Deposits accounted for 58.8 percent share of the total liabilities. The Bank and other borrowings accounted for the balance 25.5 percent, falling by 32 percent over the previous year's position. The Group's gearing ratio, without deposits, was healthy at 28.3 times, compared to the ratio of 40.97 times in the preceding year-end. However, the ratio including the deposits stood at 57 percent.

Cashflow

With higher operating profits in the year, the cash generated from operations was stronger compared to the preceding year. Net cash from operating activities increased by 268 percent to LKR 19,227 million. Cash outflows for investment activities, in terms of property, plant and equipment, decreased by 12.4 percent to LKR 2,871 million. Net cash outflows from financing activities stood LKR 8,838 million. Overall, the Group recorded positive cashflows in the year with cash and cash equivalent at LKR 9,156 million.

Despite the uncertainty widespread in the market amidst a pandemic, our business performance was healthy in the year under review. Earnings per share and market price per share improved by 114 and 292 percent to LKR 7.13 and LKR 47.10 respectively. Net asset value per share moved from LKR 47.36 to LKR 54.93.

FUTURE FOCUS

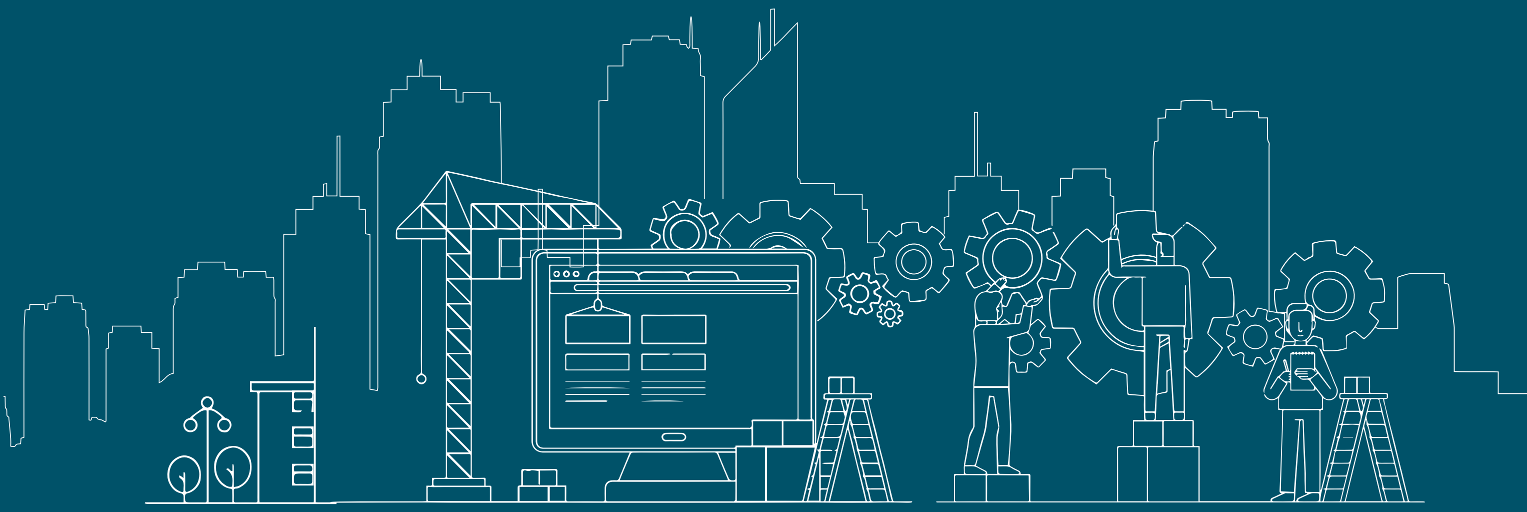
With unprecedented ramifications, COVID-19 has effectively altered our socio-political and economic landscape in the short-term, intensifying downturn trends across the corporate world. It is in this context that we have to be smart, resilient and take advantage of the risk management systems we have in place—navigating through the downside-risks and consolidating our businesses to maximise wealth for our shareholders in the medium-term.

- Consolidate operations and cautiously and selectively deliver a growth strategy.
- Exercise austerity measures across the businesses to control costs and leakages, thus, improving bottom-line profitability and margins.
- Take advantage of the stimulus packages offered to vulnerable sectors like leisure to reassess and revive operations.

Shareholder Value

	2020/21	2019/20
Earnings per share (LKR)	7.13	3.33
Net asset value per share (LKR)	54.93	47.36
Price earnings ratio (times)	6.61	3.60
Dividends per share (LKR)	3.5	-
Market price per share (LKR)	47.10	12
Price to book value (times)	0.86	0.25

Manufactured Capital

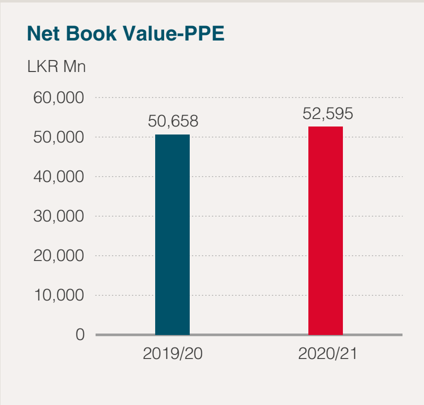


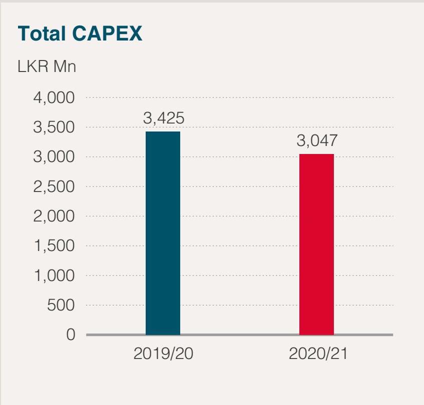
INVESTING FOR FUTURE GROWTH

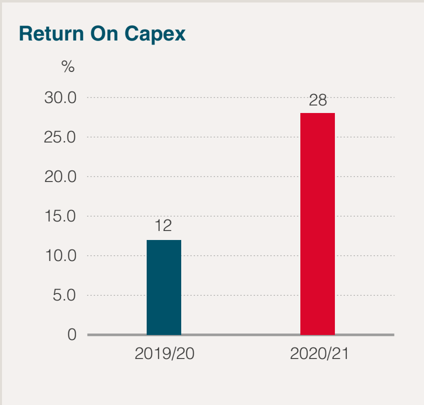
With a wide-ranging portfolio of businesses, our group has an extensive manufactured capital base—playing an essential role in our value creation process. Comprising our offices, modern manufacturing plants, extensive distribution outlets and warehouse buildings, our manufactured resources are well-managed and maintained, with carefully-planned out capital expenditure (capex). The focus is on expansions to increase production capacity in factories and market outreach through distribution outlets; new projects for higher returns; as well as for upgrading the existing capital base to improve on quality, productivity and resource efficiency. The net book value of the group manufactured capital as at 31st March 2021 stood at LKR 52,595 Mn.

VALUE CREATION PERFORMANCE HIGHLIGHTS 2020/21

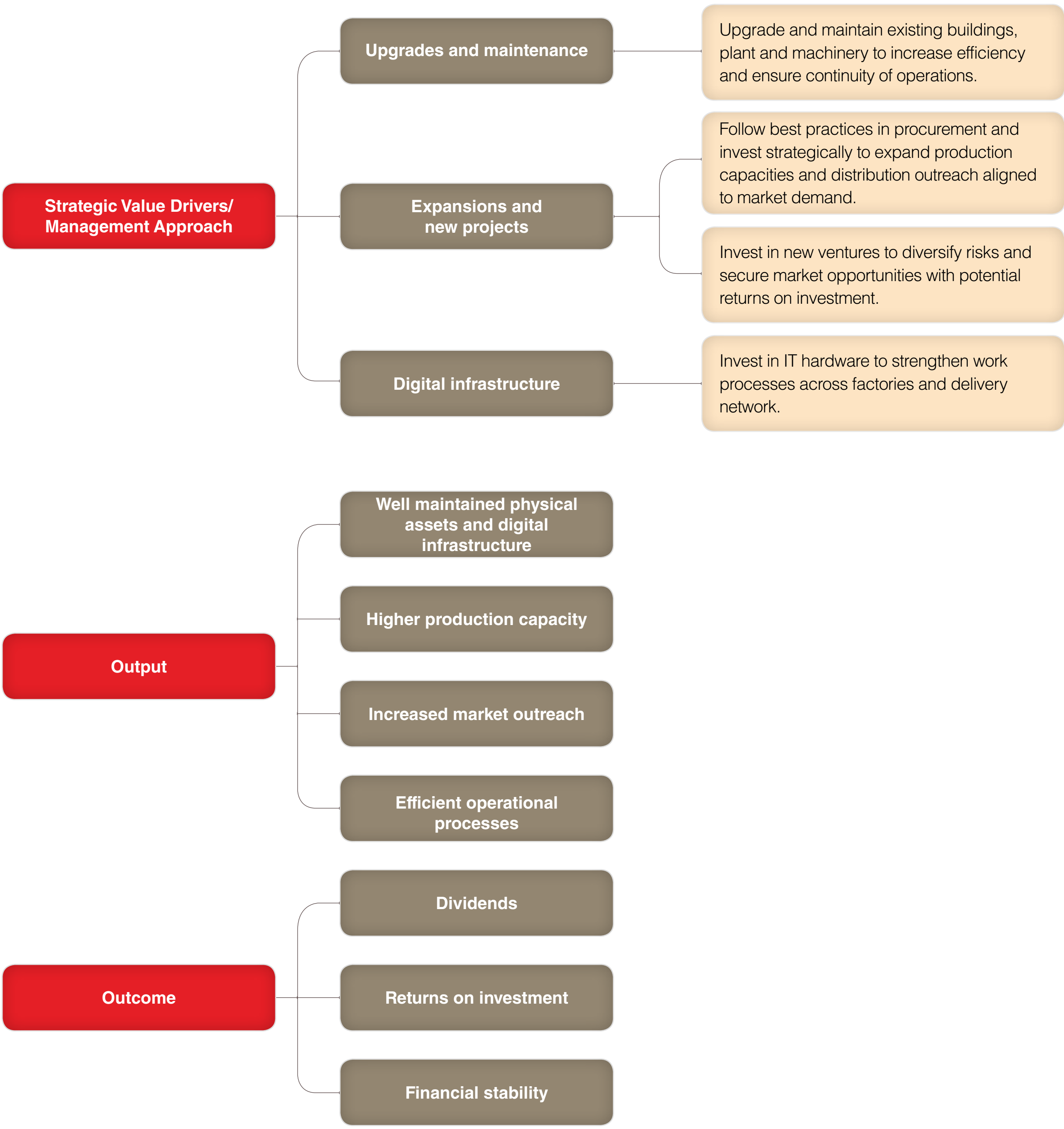
- Invested LKR 7,679 million on the Greener Water Hotel project in Negombo as at the year-end.
- Rocell and Lanka Tiles operated at full capacity to meet the short-supply in the tile market.
- Swisstek Ceylon PLC invested LKR 5.6 million in machinery to control ambient dust and noise pollution.
- Successfully launched a heat recovery system as a pilot project at Rocell's Horana factory.
- Rocell and Horana Plantations initiated a roof-top solar project at a total investment of LKR 313 million.
- Installed and commissioned new corrugated machinery along with in-house fabricated machinery to expand production of corrugated boxes and paper sacks.
- Continued to invest in digital infrastructure for automation and process improvements.







MANUFACTURED CAPITAL - IN VALUE CREATION



Manufactured Capital - Key performance indicators		
KPIs	2020/21	2019/20
Total capex (LKR Mn)	3,047	3,425
Average return on assets (%)	6.1	2.6
Capex - land and buildings (LKR Mn)	32,456	31,001
Capex - plant, machinery and equipment (LKR Mn)	9,827	10,064
Investments in digital hardware (LKR Mn)	50	251
Cost savings from TPM (LKR Mn)	725	419

Manufactured Capital

VALLIBEL ONE GROUP MANUFACTURED CAPITAL BASE NET BOOK VALUE AS AT 31ST MARCH 2021

Lifestyle

Tile and Bathware
Rocell and Lanka Tile

LKR 24,043 Mn

05 factories, plant and machinery

Eheliyagoda, Horana, Ranala and Meepe and Homagama

Finance

Non-bank financial institution

LKR 11,190 Mn

Branches and Gold loan center

Islandwide

Aluminium

Non-bank financial institution

LKR 1,531 Mn

Factory building, plant and machinery

Balummahara

Plantations

Tea, rubber, oil palm and other estates

LKR 2,518 Mn

9 tea factories 4 rubber factories plant & machinery

Horana, Maskeliya and Lindula

Leisure

Hotel, resort and spa

LKR 7,679 Mn

Hotel building, fixed assets and building under construction

Galle and Negombo

Consumer

Office building

LKR 19 Mn

Household brands

Motha, Delmege and others

Investments and Others

Corrugated packaging and paper sacks packaging -mining

LKR 5,614 Mn

Factory building, plant and machinery

Dekatana

Aluminium extrusion process Swisstek Aluminium Ltd

The Japanese inspired 'Total Productive Maintenance' (TPM) programme we initiated in the preceding year, in several of our factories, encouraged our staff and instilled discipline to take ownership of their machines and carry out timely maintenance work. This programme stood us in good stead—reducing down-time, bringing in greater efficiency in maintenance work and reaping cost benefits. We also strengthened our distribution channels, with improvements to Rocell and Lanka Tile showrooms as well as to the branch network under LB Finance. In the reporting year, we added 4 new Rocell showrooms to our showroom network and 12 new LB Finance branches in Myanmar.

MAINTENANCE AND UPGRADES

We are timely and pragmatic in the way we manage, maintain and upgrade our manufactured capital across the group. All maintenance work along with upgrades to modernise and improve our physical assets are well planned out, taking into account the feasibilities in terms of availability of spares, technical training and timelines. We have in place a team of engineers and technical staff to support our maintenance work. We also engage the manufacturers in after-sale services and ensure timely claims against warranties.

Digital printing for tiles - RPL Factory Horana

EXPANSIONS AND NEW PROJECTS

Refer: social and relationship capital, business partner/supplier engagement, page 127.

Bolting on growth opportunities in our existing businesses as well as pursuing new projects, we are pragmatic and disciplined in the way we allocate capex budgets in new buildings, plant and machinery. Our investment strategy is in line with the respective sector strategies whilst being in sync with the group agenda and values. Due diligence is carried out prior to investments in terms of budgets and potential returns. Our procurement process follows best practices—calling for tenders in the case of large-scale procurement and three quotations for minor procurement. Selections are done based on costs and quality with respect to the manufacturer's credentials, timelines, currency of technology, capacity, availability of spares, maintenance support, training along with sustainability aspects.

In the reporting year, we invested in expansions and new projects. The Greener Water Hotel Project currently under construction in Negombo within the leisure sector. We also continued to invest in green technology—setting up a heat recovery system for the Rocell Tile factory in Horana for an investment of LKR 136 million along with an investment of LKR 5.6 million to control ambient dust and noise pollution at the mortar and grout factory of Swisstek Ceylon PLC.

INVESTING IN DIGITAL INFRASTRUCTURE

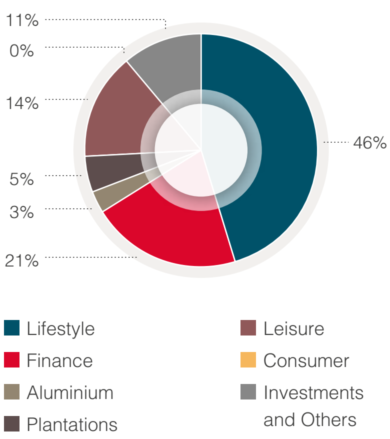
Refer: Intellectual Capital, Page 123.

With digitalisation at the forefront of our business world today, we continue to invest in digital infrastructure—computers, laptops, printers, smartphones etc., to facilitate both automation and process improvements to enhance product and service quality and productivity. In the reporting year, we invested LKR 89 million on procuring, updating and maintaining IT hardware.

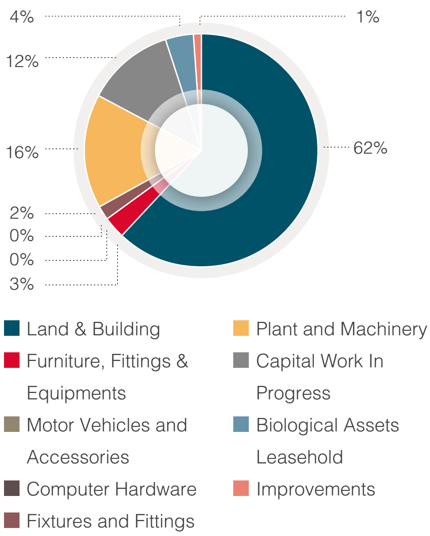
OVERALL CAPEX

In the year under review we incurred a sum of LKR 3,047 million as capex on physical assets and digital hardware on a consolidated level as set out below:

Total CAPEX by Sector



CAPEX Components



Manufactured Capital

KEY CAPEX 2020/21

Lifestyle
- Heat recovery system LKR 136 Mn - Horana factory
- LKR 5.6 Mn ambient dust and noise control at mortar and grout factory

Finance
- LKR 487 Mn Capex including branch upgrade and technology advancements

Aluminium
- LKR 157 Mn initial investment on roof-top solar project

Plantations
- LKR 27.4 Mn for factory upgrades (factory machinery and buildings)

Leisure
- LKR 495 Mn for the Greener Water Hotel project - ongoing

Consumer
- LKR 6.3 Mn Capex for software upgrades and digital hardware

FUTURE PLANS

With significant business lines, we will continue to rely and leverage on our manufactured capital base with focused investments to meet our growth targets:

- Maintain the existing manufactured capital base with necessary upgrades.
- Selectively expand the production capacity in factories in line with the market demand.
- Selectively set up new showroom outlets/branches for greater product accessibility.
- Upgrade our delivery touch points to be more streamlined in customer service.
- Further invest in digital infrastructure at the factories and distribution outlets.

Final product inspection to assure product quality - Rocell Bathware Ltd

Human Capital

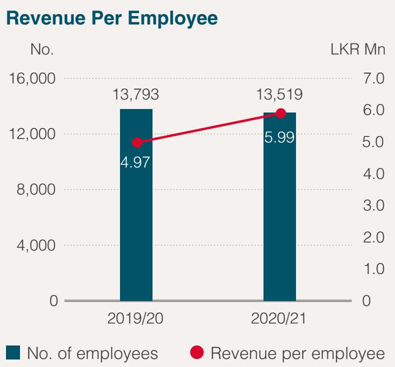
BUILDING A DYNAMIC TEAM

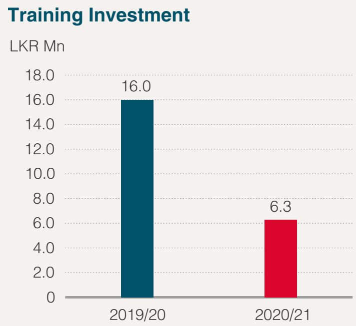
With a total cadre of 13,519 we have the strength and expertise across seven key sectors in the economy to shape and lead the Vallibel One group, against the complexities widespread in today's business environment. We are fully aware of the necessity and stand steadfast in our efforts to extend a progressive workplace within our businesses—enabling them to be innovative, creative and perform at their best to pave the way forward.

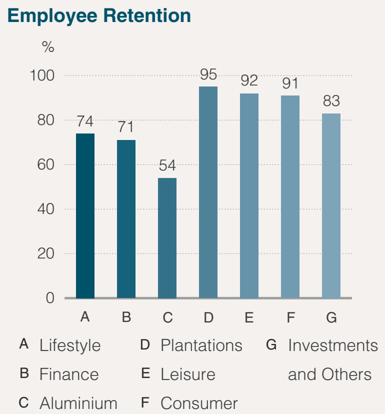
Our HR function comes under the purview and is managed at the individual company level. All our businesses have in place a fully-fledged HR department—following coherent HR policies, practices and procedures to best suit their respective business dynamics whilst broadly aligned to the work ethics upheld by Vallibel One.

VALUE CREATION PERFORMANCE HIGHLIGHTS 2020/21

- 2,567 new employees joined the Vallibel One group, representing 40 percent outside the western province.
- Training opportunities extended to 35 percent of the cadre covering 18,310 training hours.
- Average retention rate of 81% across the group.
- 176 employees were promoted based on their performance merits.
- 4 percent year-on-year increase in total value created to our employees.
- Special awareness and prevention programme on COVID-19 along with necessary personal protective gear was rolled out to curtail the virus spread and safeguard employee wellbeing.

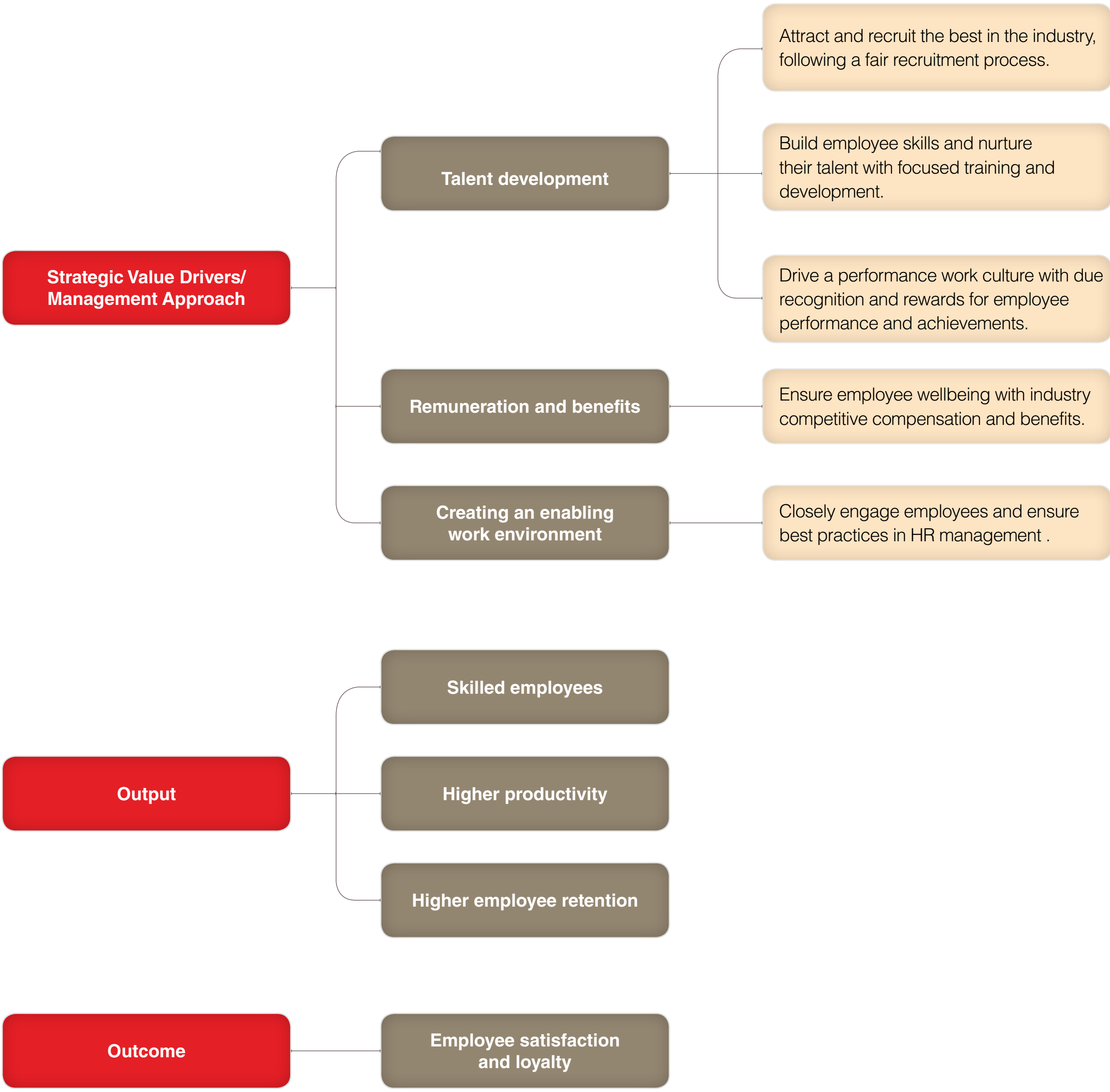






Human Capital

HUMAN CAPITAL - IN VALUE CREATION



Human Capital - Key indicators

KPIs	2020/21	2019/20
Permanent recruitments (Number)	2,567	3,303
Training investment (LKR Mn)	6.3	16
Total training (hours)	18,310	70,167
Employee productivity - Revenue per employee (LKR Mn)	5.9	4.9
Overall retention Rate (%)	81	66
Average turnover rate (%)	18.62	26.21

GRI Disclosure 102-8 and 405-1 *Refer: Corporate Governance*

TEAM PROFILE

As a principled conglomerate and upholding 'equal opportunity', we seek to nurture an inclusive workplace. Our group ethos encourages everyone from the Board level, management and their respective teams, to respect diversity at the workplace and foster a collaborative spirit.

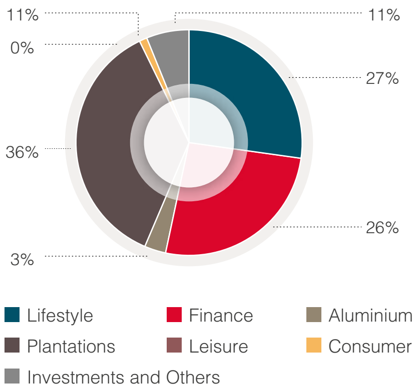
Our team of 13,519 employees across seven sectors, are diverse and well-balanced in terms of gender, age and regional representation. The management and executive cadre is represented by female employees with over 8 percent of the total. In effect, our group is led by an accomplished female chief executive officer. With regard to age, we have a fair balance between younger staff with vitality and creativity and senior staff with maturity and stability. As for regional representation, nearly 50 percent comes from the Western province, followed by 32 percent from Central province and 8 percent from Sabaragamuwa province.

The Group employees are on full time basis and no employees on partime basis.

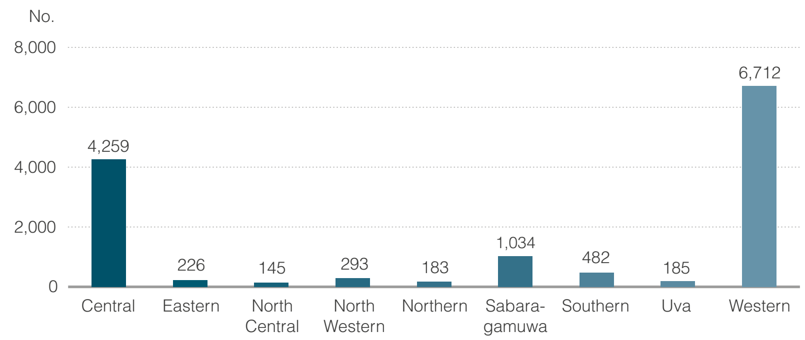
GRI disclosure: 103-2, 103-3

	Permanent	Contract	Outsourced
Central	4,223	36	-
Eastern	216	10	-
North Central	135	10	-
North Western	278	15	-
Northern	179	4	-
Sabaragamuwa	868	85	81
Southern	452	30	-
Uva	176	4	5
Western	6,067	435	210

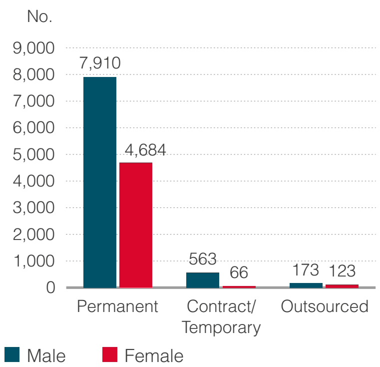
Team By Sector



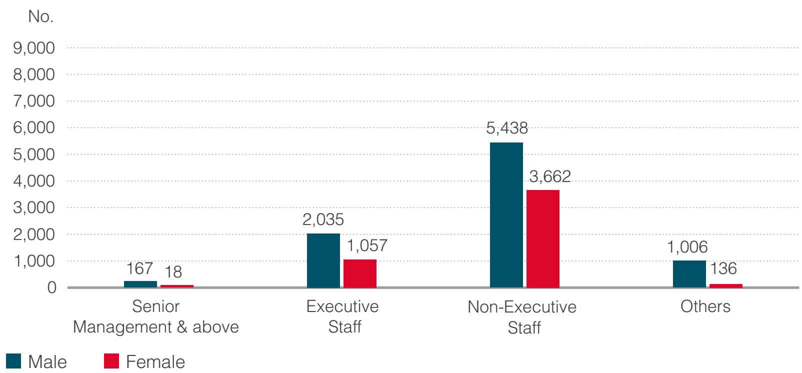
Team by Region



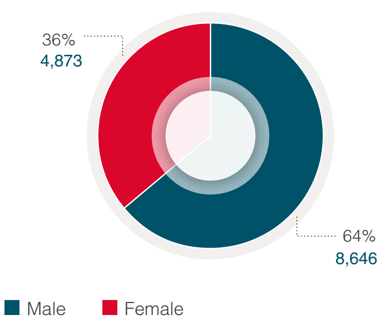
Employees by Type of Employment



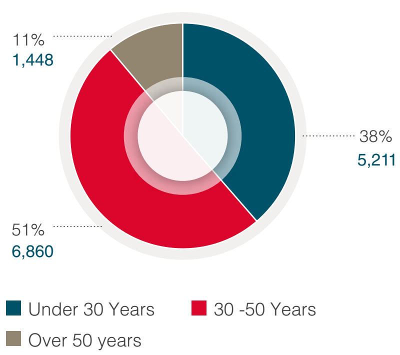
Employees by Employee Category



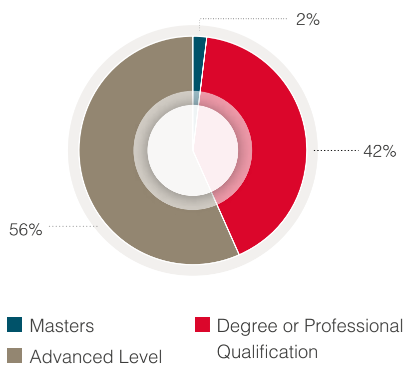
Team by Gender



Team by Age



Team by Level of Education



Human Capital

Talent Development

GRI Disclosure : 409-103-2, 103-3

Recruiting the Right Talent

GRI disclosure: 103-2, 103-3

GRI Disclosure 408-1

As per Sri Lanka's labour laws, our minimum age of employment is 18 years and above. There are no incidents of child labour recorded in the reporting year across the group as well as in relation to supplier operations.

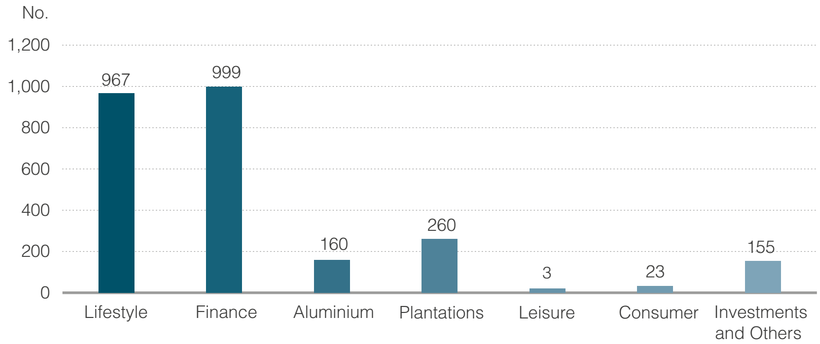
GRI Disclosure 401-1

Guided by the equal opportunity principle, our recruitment policy seeks to nurture an inclusive workplace without socio-cultural preconceptions. The process is well-structured and transparent—purely based on pre-determined selection criteria to best-fit the vacancy and the organisation culture. In the reporting year, due to COVID-19 issues, our recruitment plans were subdued and we recruited only 2,567 new employees to the group, down by 22.3 percent over the preceding year.

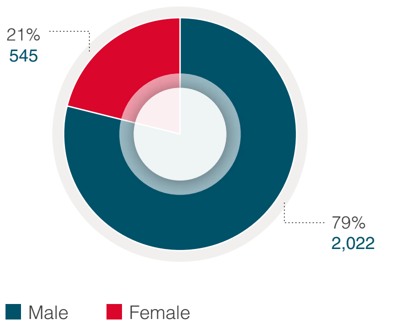
Well-integrated to our employee value proposition in a rapidly evolving and complicated operating backdrop, talent development continued to be significant and warranted top strategic priority by our line companies across the Group. Our approach is three-pronged—focusing on recruiting the right people to the organisation; building a well-rounded team with multi-disciplinary skills and professionalism; and nurturing a performance work culture.

Recruitment in 2020/21 **2,567**

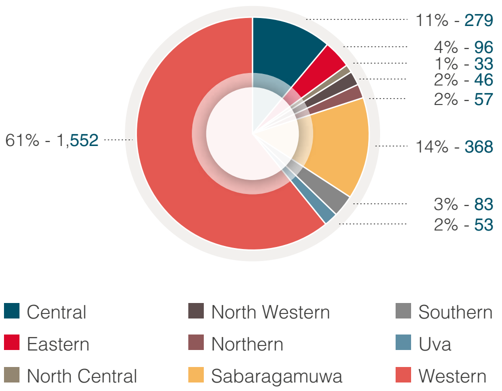
Recruitment by Sector



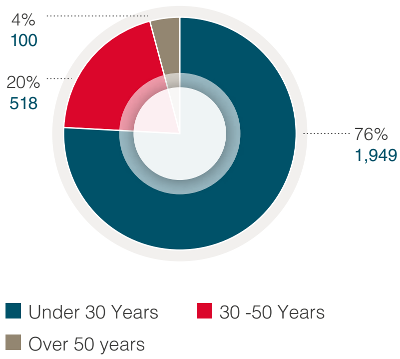
Recruitment by Gender



Recruitment by Region



Recruitment by Age

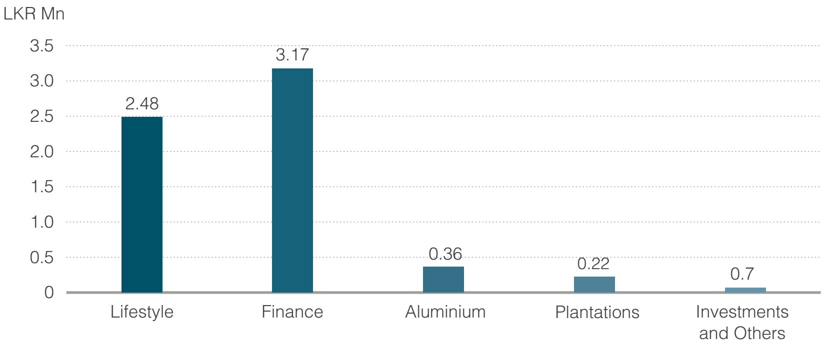


TRAINING AND DEVELOPMENT

GRI Disclosure : 103-2, 103-3 404-1,2

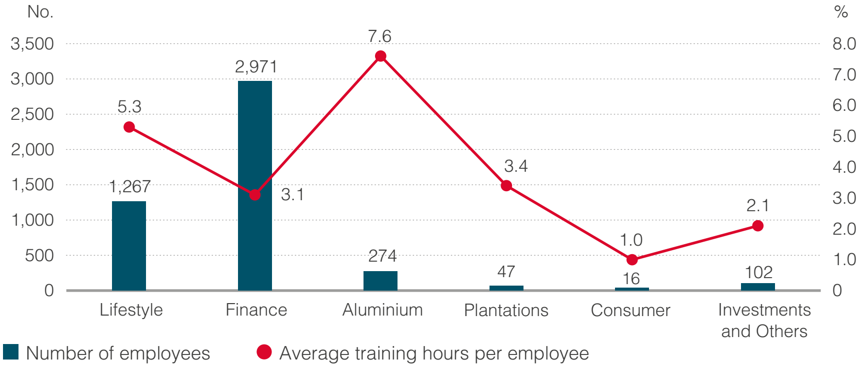
Training Investment LKR 6.3 Mn

Investment in Training by Sector



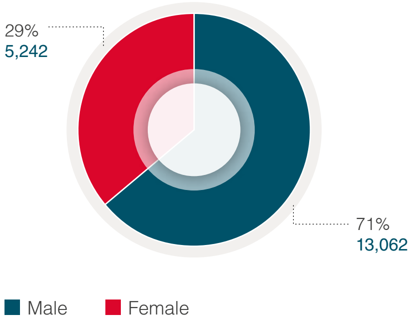
Employees Trained 4,677

Total Employees Trained by Sector

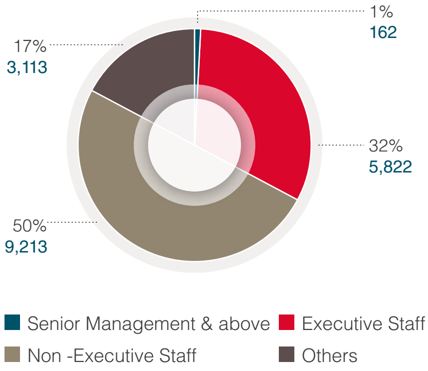


Training Hours 18,310

Training Hours by Gender



Training Hours by Employment Category



We have consistently and continuously invested in training our employees at all levels across our line companies. Well aligned to our group strategic direction, training needs are ascertained systematically during performance evaluations. Our training initiatives cover both on-the-job training as well as structured programmes—in-house and external, including foreign training. The team is also given opportunities to gain cross-sector exposure. The training focuses on four key areas: quality management, productivity development, management and leadership and personal development.

In the reporting year, given the complications that prevailed, we had to limit our training initiatives and some of the programmes were carried out online. We trained employees mainly covering productivity, quality management, health and safety issues particularly creating awareness on COVID-19 and on prevention protocols. The total training investment stood at LKR 6.3 million, corresponding to a decrease of 61 percent year-on-year.

Induction Training

Our new recruits are given an opportunity to follow a comprehensive induction programme. This programme gives an overall exposure to the line company operations and supports new recruits to align their work ethics to blend in with the group's vision, policies, practices and procedures.

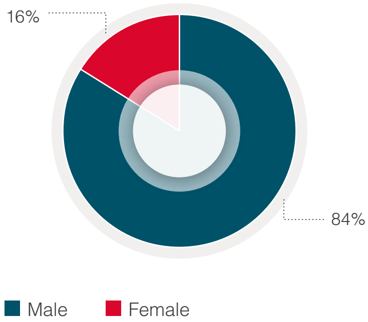
Professional Development

We have a talented set of employees across the group. Our executives and managers are well-qualified, holding academic, professional and/or technical qualifications. Nurturing their talent, we always encourage them to take up further studies at well-recognised universities and institutions. We partly reimburse the course fees whilst supporting our employees to obtain and maintain memberships in key professional bodies. Our investment in this regard in the reporting year stood at LKR 0.9 million.

PERFORMANCE MANAGEMENT

GRI Disclosure 404-3

Promotions by Gender



Human Capital

GRI Disclosure : 103-2, 103-3

Aligned to current practices, we have a well-structured performance management scheme established in all line companies. The scheme monitors and evaluates employee performance annually and/or bi-annually on a transparent platform—based on pre-agreed targets in line with individual companies as well as collective goals. All of our employees receive performance review. Our rewards and recognition are based on the performance rating ascertained during this process. Our training calendars are also drawn up on this basis. High achievers identified during this process were well recognised with due promotions along with necessary skills training to take up their new job roles.

Succession Planning and Mentoring

Most of our line companies give due precedence to mentoring and succession planning. At the holding company level, we give our utmost support and encouragement for this ongoing process. Our Boards play a key role in identifying leadership gaps, earmarking and mentoring employees and paving the way for succession at the senior and middle management level. Our high achievers are also mentored by our managers with focused career planning. We also invest well in our management trainee programmes with due training and exposure to gain management skills. Currently, 300+ management trainees are following these programmes across the group network.

Remuneration and Benefits

No Forced Labour

GRI Disclosure 409-1

As an integral part of our workplace values, we respect our employees and do not resort to any form of exploitation. There were no incidents reported in the year of forced or compulsory labour across the group operations as well as amongst our suppliers to the best of our knowledge.

Remuneration and Benefits – Permanent Cadre		
KPIs	2020/21	2019/20
	LKR Mn	LKR Mn
Salaries and related expenses	8,671	8,381
Employers' contribution to EPF and ETF	618	791
Gratuity	565	338
Average turnover rate (%)	19	34

The Group compensation is structured in line with respective industry standards and relevant labour laws and regulations. Our compensation is fair, based on job responsibilities, employee skills and experience. Performance merits ascertained on a structured evaluation scheme as discussed above determines salary increments, incentives and rewards. Our permanent employees are also entitled to a range of welfare and benefits. The Group's total compensation and benefits for the year reached LKR 8,671 million—an increase of 3.45 percent over the preceding year.

Internal training on Gold Loan - LB Finance PLC

We are also consistent and timely in meeting our defined benefit obligations including contributions to the Employee Provident Fund, Employee Trust fund and gratuity. In the reporting year, our contributions for defined obligations stood at LKR 618 million and the gratuity provision stood at LKR 565 million.

GRI Disclosure : 401-2

BENEFITS OFFERED TO PERMANENT EMPLOYEES

Lifestyle

- Medical insurance
- Reimbursement of fees for professional studies/memberships
- Facilities to buy consumer items at special rates
- Staff loans at concessionary interest

Finance

- Life and medical insurance
- Disability and invalidity coverage
- Staff loans at concessionary interest
- Employee stock options

Aluminium

- Workmen compensation
- Medical insurance
- Reimbursement of fees for professional studies/memberships
- Fuel reimbursements

Plantations

- Subsidised meals
- Estate housing facilities
- Day care facilities for estate workers
- Healthcare and nutrition support

Leisure

- Medical insurance

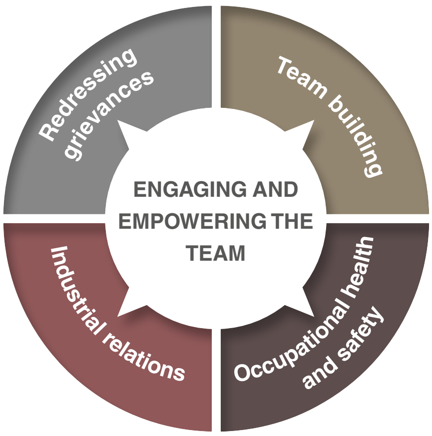
Consumer

- Medical insurance
- Consumer goods at discounted prices

Investments and Others

- Medical insurance
- Transport facilities
- Medical and casual and vacation leave payments

An Enabling Workplace



GRI disclosure: 103-2, 103-3

Non-discrimination

GRI Disclosure : 406-1

Advocating an inclusive workplace culture, we appreciate team diversity. As an equal opportunity employer, we extend a non-discriminatory workplace with fair and responsible work ethics.

There were no incidents reported across the group in terms of discrimination on any form of social prejudices during the reporting period. The HR departments have drawn up guidelines and have in place well-structured mechanisms to deal with such incidents if and when they occur.

Creating and nurturing an enabling workplace essentially underline our success as a well-respected conglomerate within the corporate sector. We are well aware of the necessity and the significance of ensuring the wellbeing of our people, thus, motivating and improving their productivity and retaining them within the network. Our management approach in this regard is comprehensive—giving precedence to health and safety, industrial peace, work-life balance, building the team spirit, engaging the staff and handling their grievances.

Redressing Grievances

Following an open-door policy, we maintain a positive dialogue with our employees across the group, seeking to redress their issues and grievances promptly and effectively. We encourage our employees to openly communicate with their line supervisors and managers. Our performance appraisals mechanism plays a key role in this process. If, however, the first level of communication is not successful, employees are encouraged to remedy their grievances formally through a more structured process managed by their respective HR departments. Some have also set up whistleblower mechanism where employees could address their concerns on their rights, violations or misdeeds of others under anonymity. In the year under review, there were no lawsuits filed over violating human rights.

Team Building

Building a collaborative workplace culture, we strive to inculcate and encourage our employees to come together and work as a team. We closely engage our employees and seek to harness their team spirit and nurture confidence and trust in each other. Our welfare societies established across our line companies clearly complement our aspirations in this regard. This year, due to lockdowns and social distancing, the societies had to keep their activities at bay.

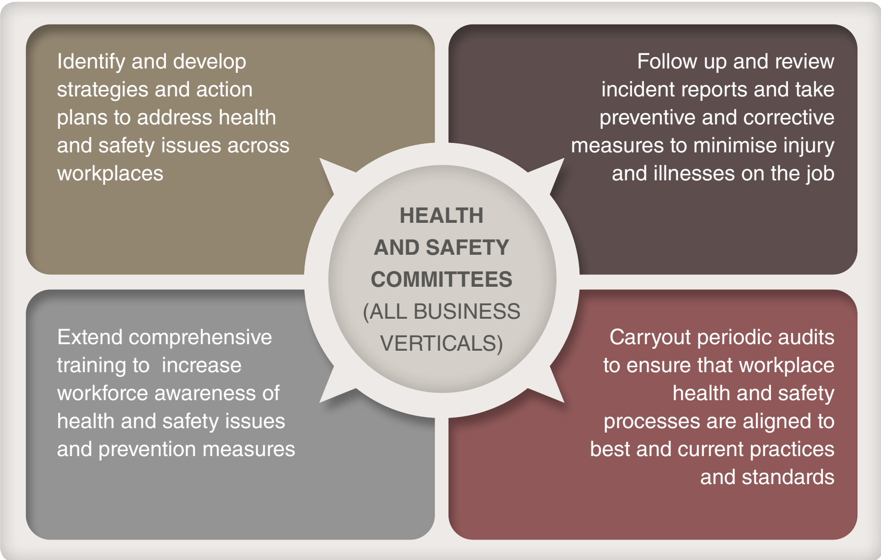
Staff motivational programme - LB Finance PLC Kandy Branch

Human Capital

GRI disclosure: 103-2, 103-3

Occupational Health and Safety

GRI Disclosure 403-1 to 9



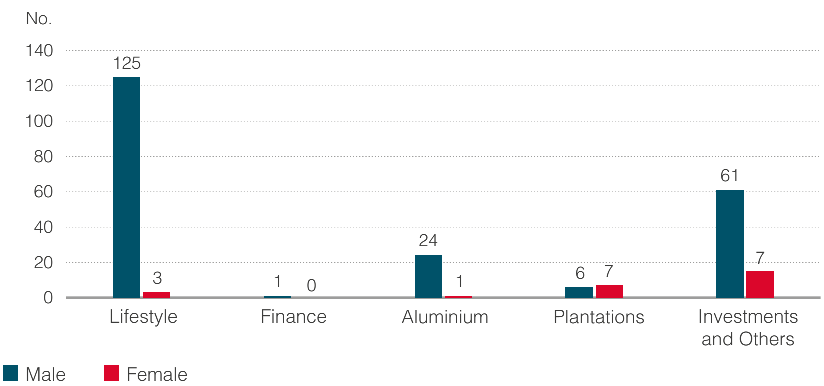
Occupational Health and Safety - 2020/21		
Sectors	**key Initiatives**	**Key Indicators**
All sectors	Followed COVID-19 health protocols	• Occupational Injuries 243
Lifestyle, Aluminium	OHSAS 18001 certification	• Slips, trips and fall
Plantations	Ergonomic tea plucking baskets	• Toxic chemicals
All sectors	First aid in factories	• Muscle strains
All sectors	Fire equipment and fire drills	• Repetitive strains.
All sectors	Personal protective gear	• Struck by objects
All sectors	Training on health and safety	• No work related fatalities: • Number of COVID-19 Positive cases: 106

Creating healthy and safe workplaces is fundamental to our group; especially given our exposure to the manufacturing sector with over 21 factories and 54 percent of permanent employees along with temporary and contract employees out of the total cadre, covering key sectors in the economy. Our approach to health and safety management is hands-on, with proactive measures aligned to best practices, codes and standards advocated across the respective businesses. The collective bargaining agreements we have drawn with trade unions (mainly within the plantation and the manufacturing sectors) stipulates health and safety aspects of the workers.

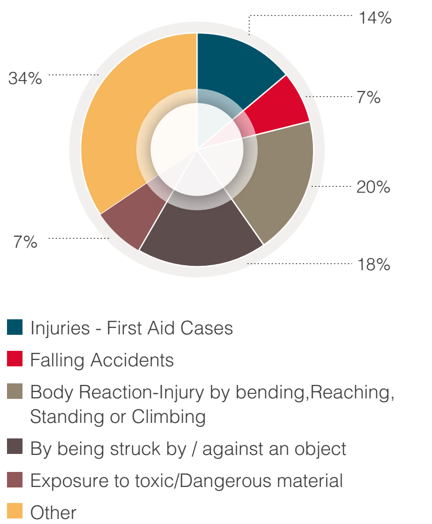
Our group companies have in place well-structured health and safety committees with a fair representation of employees across all grades. The committees follow a systematic process, built on best practices, to monitor, identify, assess and mitigate health and safety risks including occupational diseases, workplace accidents and fatalities. The committee members set up regular meetings to look into incident reports, gaps and further improvements.

Health and safety committees are also responsible for periodic audits on all health and safety processes adopted within the respective workplaces. The committees work closely with the internal audit teams in this regard. Audit findings are taken note at regular management meetings—for necessary and prompt action and for continuous improvements. Significant findings are escalated up to the senior management and/or to the Board for top-level deliberation, in turn, leading up to stronger internal controls.

Occupational Injures by Gender



Occupational Injures by Type



GRI disclosure: 103-2, 103-3

Most operational units have established and internalised a formal health and safety incident reporting process. In the event of an incident, the department or the operational units are encouraged to originate the report through the immediate supervisor and/or the head of department. The report is escalated up to health and safety committees, to initiate an inquiry, to apply for workman compensation insurance and to take preventive measures from such incidents happening again. We focused on health and safety initiatives for our workforce. All work-related injuries including COVID-19 spread were well managed—with necessary medical expenses covered by the Company's insurance and due leave granted without any material change to the employees' remuneration.

SPECIAL REPORT

COVID-19 Response – 2020/21

Rising up to face the COVID-19 pandemic, Group was proactive and prioritised the health and wellbeing of the teams across the Group. With an extensive workforce spread across the island, it was crucial that we laid down the guidelines to be followed by the management, employees and even customers and suppliers aligned to the national level policies, protocols and initiatives as set out below. As at the reporting date, there were 106 active cases recorded within the group.

- Created awareness through structured training programmes on the disease and the spread of infection.
- Employees were advised to self-quarantine if they were exposed to the virus or if there was a possibility of infection.
- All factories and offices were closed down as per regulations and encouraged staff to work remotely from home.
- Created awareness on hand washing and basic hygiene and ensured the cleanliness with due sanitisation at the workplaces.
- Made available the personal protective gear including surgical masks, gloves, tissues and hand sanitizers for good respiratory hygiene.
- Discouraged unnecessary face-to-face meetings, instead encouraged online meetings and guidelines were issued on keeping social distancing during essential meetings.
- Encouraged social distancing and protection with face masks within the workplaces at all times.
- Encouraged all high risks age groups to consider taking the vaccine under the national programme currently being rolled out by the Government.

Work-life Balance

We recognise the importance of employees striking a balanced lifestyle between work and life. We are sincere in our efforts and seek to ensure that our employees at all levels are given space to manage their job responsibilities without undue stress. To this end, we encourage our management across the group to be fair in delegating work, plan leave and support the staff to manage their time productively.

Given the COVID-19 outbreak in the reporting year, we encouraged our staff to work remotely from home, wherever and whenever possible. However, we were mindful on how they would adjust to the 'new normal' without undue stress. Accordingly, we gave them the necessary IT facilities, training and structured guidelines to follow, thereby, empowering them to manage their time productively and balance work-life from a home environment.

Industrial Relations

GRI disclosure 402-1 and 102-41

We respect our employees' right to freedom of association. Over 5,728 of our employees within the lifestyle sector, aluminium and plantations are members of trade unions and are covered by collective bargaining agreements, renewed every three years. The agreements stipulate employee rights and management obligations to be open and accountable, inter alia, on any changes that may have material implications on the organisation. The minimum notice period in this regard is set out in the agreements.

In the reporting year, we continued to work closely with the union representatives to maintain industrial peace.

Maternity Leave

GRI Disclosure 401-3

As guided by the Shop and Office Employees Act, we give our female employees maternity leave benefits of 84 working days and 42 days for the third child. We also have made provision to give our female employees their feeding entitlement of one hour after returning from maternity leave.

Total number of female employees	4,873
Employees on parental leave	226
Employees who returned to work during the period after parental leave	138
Employees who are still in employment 12 months after returning from parental leave	155

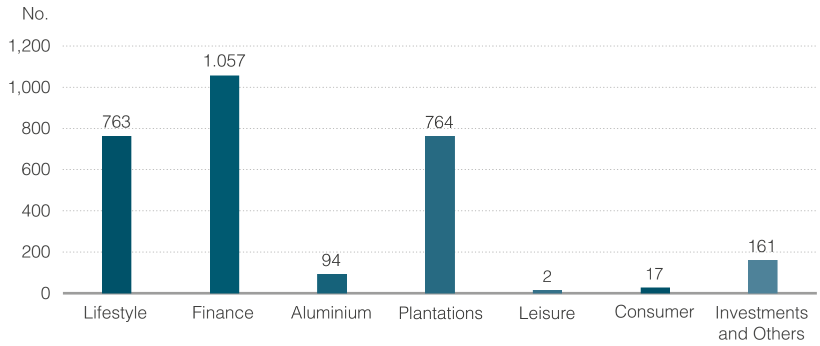
Human Capital

Retention and Turnover

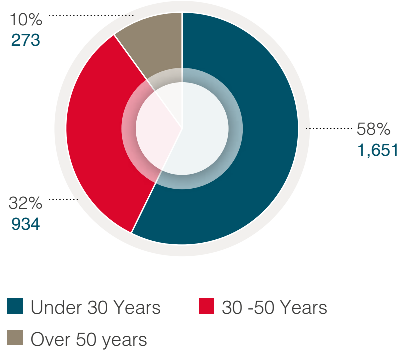
Staff turnover 2,858

GRI Disclosure : 103-2, 103-3, 401-1

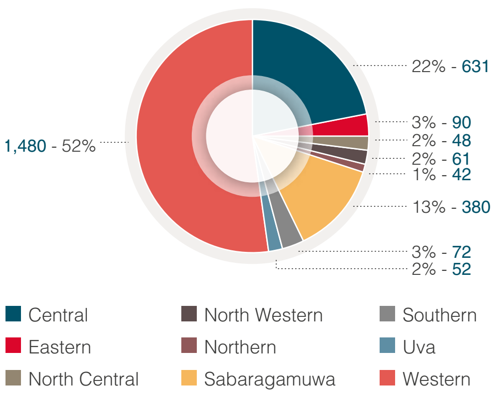
Employee Turnover by Sector



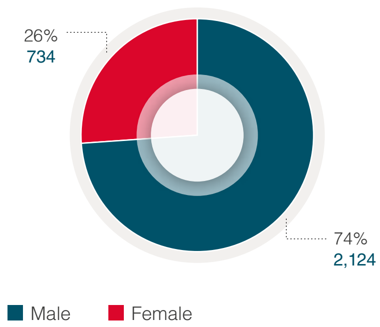
Employee Turnover by Age



Employee Turnover by Region



Employee Turnover by Gender



Our progressive HR policies and key measures adopted to engage and ensure employee wellbeing underscore our efforts in retaining our talented staff within the Vallibel Group network. In the reporting year, with the complexities that prevailed, we had to lay off contract and temporary staff in some of the sectors including leisure, aluminium and investments and others. We also had to adjust the remuneration levels of the management cadre and temporary stop the incentives and some of the benefits. However, our overall retention rate stood at 81 percent whilst staff turnover was 2,858 employees with a ratio at 19 percent.

Compliance

Our businesses across the group are fully committed and comply with Sri Lanka's labour laws, rules, regulations and directives. Most companies also follow best practices in labour management as laid down by well-renowned certification bodies and other HR institutions like the Best Place to Work. The Group did not record any fines or non-monetary sanctions with regard to labour management practices.

Future Focus

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.

- Consolidate and synchronize HR policies, processes and practices across the business verticals to reflect group aspirations and values.
- Attract and recruit employees selectively and follow through internal recruitment and cross-sector transfers to best-fit the workplace planned expansions.
- Strengthen employee engagement and ensure quality workplaces across the group to be recognised as a 'Great place to Work'.

Intellectual Capital

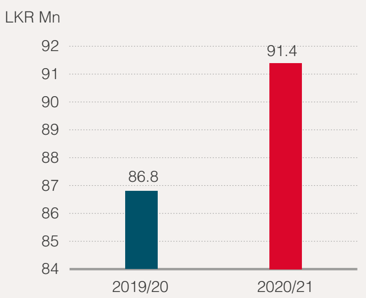
POSITIONING FOR SUCCESS

As a leading diversified conglomerate, we have a strong intellectual capital base, playing a critical role in creating significant value overtime across seven sectors. Entailing intangible assets like our corporate reputation, brand equity, quality and standards and institutional expertise, we give top strategic priority to optimise and manage this capital, thus, facilitating a platform to differentiate our product offer and reinforce our positioning against mounting competition in the marketplace.

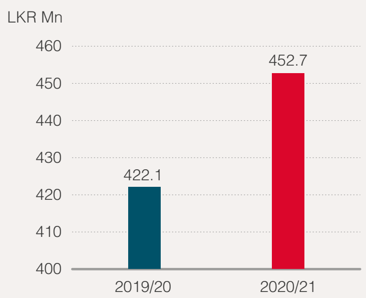
VALUE CREATION PERFORMANCE HIGHLIGHTS 2020/21

- Vallibel One PLC and Royal Ceramics Lanka PLC recognised by LMD 100 amongst the top 50 'Most Respected Entities', 2020, with a ranking of 32 and 45 respectively.
- Vallibel One PLC adjudge in Business Today Top 30 - 2019/20 with a ranking of 11.
- LB Finance, Lanka Tiles, Rocell are ranked amongst the top 100 most valuable customer brands in Sri Lanka 2020, by Brand Finance.
- LB Finance PLC recognised by LMD 100 amongst the top 20 'Most Respected Entities', 2020, with a ranking of 16 and clinched the Peoples Award for Best Financial Service Provider of 2020 at the SLIM Nielsen Peoples Awards.
- Invested in research and development within the lifestyle sector to develop the product portfolio.
- Focused on process improvements at an investment of LKR 453 million and achieved LKR 725 million cost savings from TPM initiatives.
- Promoted 'Cash-in-Mobile', a mobile wallet app to carryout transactions with smart phones and 4110 CIM wallet merchant registration.

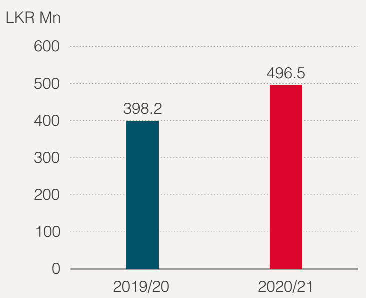
Research and Development Investment



Investment in Process Improvements

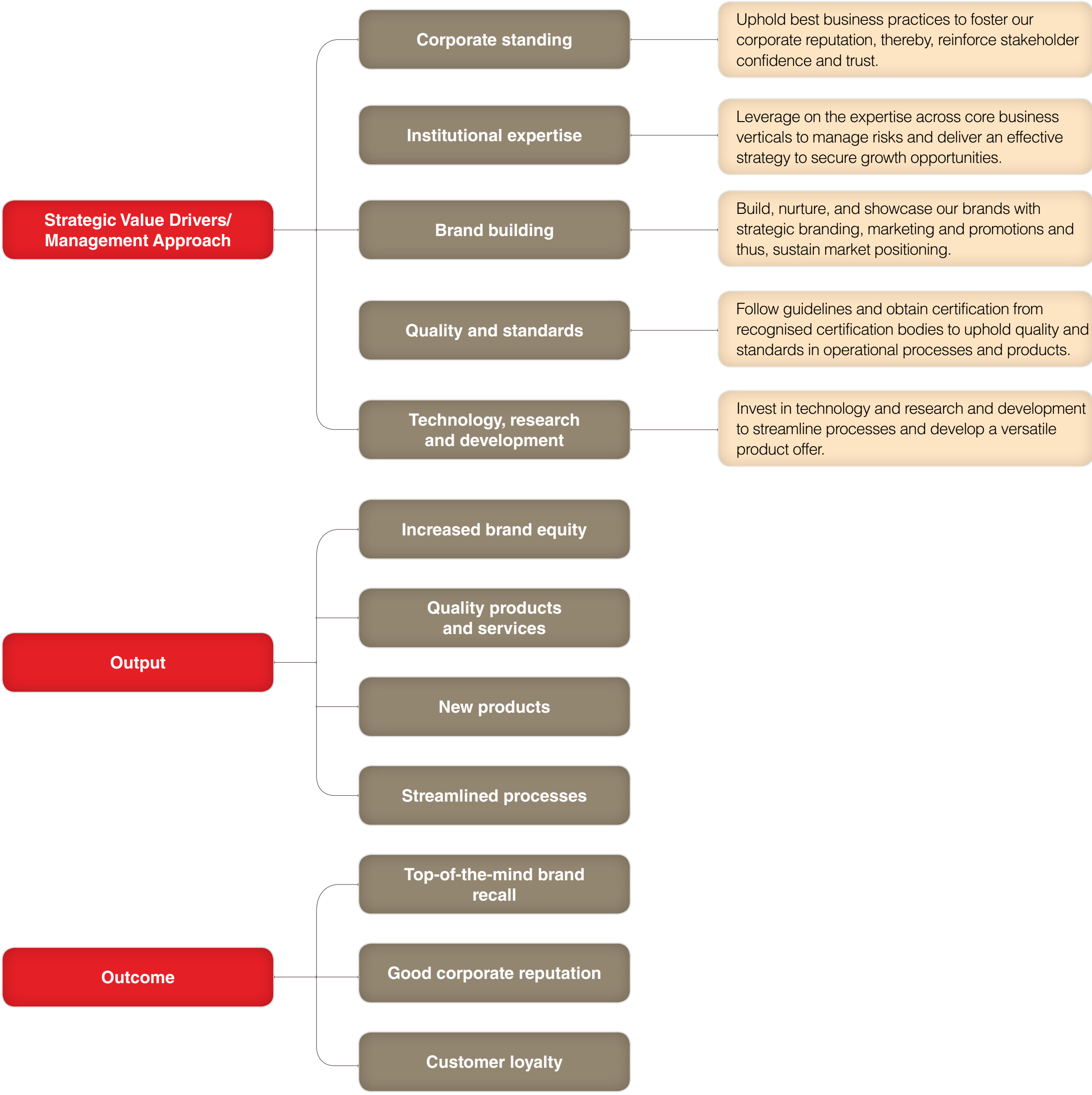


Investment in New Product Development



Intellectual Capital

INTELLECTUAL CAPITAL - IN VALUE CREATION



Intellectual Capital- Key performance indicators		
KPIs	2020/21	2019/20
Market share - lifestyle – tile (%)	60	38
Market share - Bathware (%)	40	18
IT software investment (LKR Mn)	181,837	222,694
Research and development investment (LKR Mn)	91	87
Investment in new product development (LKR Mn)	255	266

Corporate Standing

Refer: our awards, page 15

In just above ten years, we have established solid fundamentals to be amongst the frontline organisations in the country's business arena. The trust and respect we have earned as a conglomerate have served us well—essentially, standing as our forte and supporting our businesses to be competitive, and deliver a higher growth and sustainability agenda. In this regard, we are steadfast in our commitment to further our corporate standing on best business practices and ethical values—be it in terms of governance, policy making, management decision making and day-to-day operations. The many awards and recognition we have received as Vallibel One as well as at the individual company levels within seven diversified sectors, stand as a testimony to our commitment to being a good corporate citizen.

Institutional expertise stands as our pillar of strength, underlining our success as a diversified conglomerate in a short span of time. Our Board and the senior management are proficient and have the foresight to strategically guide our organisation, navigating through the challenges that are widespread in our operating environment. Our management teams across the businesses are talented and have the necessary skills to deliver their respective strategies.

We have in place a proactive platform where management teams can come together, network, share their learning and support each other to make smart management decisions in line with the group's growth agenda and business ethics and values. We also invest well in training our management teams with learning opportunities and exposure to best practices within the group and foreign training. Our mentoring programmes along with succession planning are carefully delivered to mentor and motivate our high achievers—supporting them to take up management and leadership roles across the group.

Brand Building

Refer: social and relationship capital, marketing and communications, page 124

Vallibel One - valuing diversity

Rocell - premium brand in the lifestyle sector

LB Finance - with a strong financial tradition

Lanka Tiles - only brand showcasing the country's name

Swisstek Aluminium - second largest aluminium brand in the industry

Horana Plantations - Ceylon's finest tea and rubber

Delmege - with a brand legacy

Uni-Dil - leader in corrugated carton industry

Fortress - luxury beach escape

Rocell Bathware - bathware masterpieces

Kellogg's - world renowned consumer brand

Motha - popular household brand

Intellectual Capital

OUR BRAND ACHIEVEMENTS

Most valuable Consumer Brands
Brands Annual 2020 Brand Finance

LB FINANCE	Rocell	LANKATILES
25 Ranked	72 Ranked	58 Ranked
LKR 6,327 Mn Brand Value (23% up)	LKR 572 Mn Brand Value (29% down)	LKR 1,113 Mn Brand Value (New Entrant)
AA- Brand Rating	AA+ Brand Rating	AA Brand Rating

Vallibel One has a solid business portfolio with top brands, well positioned and some even leading the market in their respective sectors. In keeping with our group values, we strive to build brand equities across our businesses on quality, service excellence and innovation. Necessary investments are made on branding initiatives and campaigns, using above-the-line as well as below-the-line communications to showcase brand values and create 'top-of-the-mind recall in the targeted segments. In the reporting year, the group spent LKR 505 million in total for brand building, marketing and promotions.

Quality and Standards

Refer: sector reviews Social and relationship capital, product responsibility, page 124.

Operating in key sectors with leading industries, upholding operational excellence with quality and standards is significant and warrants strategic precedence.
Our businesses have pledged to follow guidelines set by internationally and locally acclaimed certification programmes. In the reporting year, we invested a sum of LKR 16 million on obtaining and maintaining certifications.

Sector/Certification	SLS	ISO	Other certifications/programmes
Lifestyle	✓	✓	Green Label, CE Marking, Water mark, OHASA
Aluminium	✓	✓	QUALICOAT
Plantations		✓	Ethical Tea Plantation, Rainforest Alliance, Forest Stewardship Council
Leisure			Wellness and Spa Europe, GMP certificate
Packaging	✓		HACCP, 5S programme, Quality Circle

Research and development facility - Rocell Bathware Ltd

Technology and Research and Development

As a forward-thinking group, we rely and invest in technology across our business verticals, enabling us to be current and responsive to manage the rapidly changing operating backdrop. We strategically invest in latest systems, processes and smart mobile technology. Our focus is on automation and streamlining our processes to enable higher productivity, better quality and cost efficiency. We also invest in innovation—strengthening our research and development units at our factories and leveraging on our partnerships with international production and design companies—to further develop our products to fit in with modern consumer trends. In the year under review, we spent LKR 91.4 million on research and development whilst spending LKR 453 million on process improvements through technology solutions. Our lifestyle sector invested in an enterprise resource planning software—SAP solutions, integrating all functions of the business under one platform.

KEY CAPEX 2020/21

Lifestyle	Finance	Aluminium	Consumer
• Long-wearing tile designs with chromatic double charge technology • Glazed porcelain tiles	• Cash-in-Mobile - Mobile Wallet app	• Household products - step ladder, multipurpose ladder, furniture	• Enhanced range of Delmege colouring and essence

Future Plans

Recognising the significance, we will continue to give strategic precedence to build and nurture our intellectual capital base:

- Use a mix of brand communication tools to build brands and retain market share.
- Step-up our presence on social media.
- Give more structure to management training and mentoring in line with Vallibel One' corporate agenda and culture.
- Further Invest on latest technology for process improvement.
- Invest, add value and develop new products.
- Focus on quality and standards under certification guidelines.

Our Membership of Associations

GRI Disclosure 102-13

Sri Lanka Ceramics and Glass Council, Chamber of Commerce

Sri Lanka-Italy business Council

The Institute of Chartered Accountants of Sri Lanka

The Ceylon Chamber of Commerce

The International Chamber of Commerce

Chamber of Construction Industry of Sri Lanka

Social and Relationship Capital

BUILDING AND NURTURING RELATIONSHIP THAT MATTER

With extensive operations covering a range of key sectors in the economy, our stakeholders are wide and varied. It is strategically significant and warrants our focus to build, engage and mange positive relationships with our key stakeholders—our customers, business partners and suppliers, and the communities in which we operate. This is more so now with the COVID-19 pandemic, bringing in a mix of challenges to our everyday life.

VALUE CREATION PERFORMANCE HIGHLIGHTS 2020/21

Customer

- Produced glaze porcelain tiles, shifting focus from homogeneous tiles aligned to market trends.
- Launched a low-cost market tile product 'Sevilli'
- Developed new aluminium products for the household market and tied up with daraz.lk to market online.
- Relaunched the flagship brand Motha after 15 years.
- Rebranded Delmege tea, 'Hiru Kahata'.
- Refined' the quality of the Delmege colouring and essence range.
- Secured the marketing rights for the world renowned brand, Kelloggs.
- Uni Dil launched a rebranding campaign, celebrating 25 years in business.
- Promoted 'Cash-in-Mobile', an app to support customers to carryout transactions on smart phones.

Business Partner/ Supplier

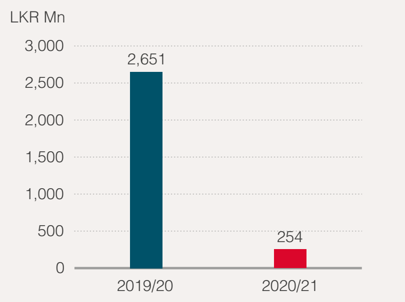
- Launched an online directory of aluminium fabricators 'alupenters. lk'.
- Closely engaged and supported the members of the tiler club.
- Maintained strong ties with general and modern trade network along with focused promotional activities and incentives.

Community

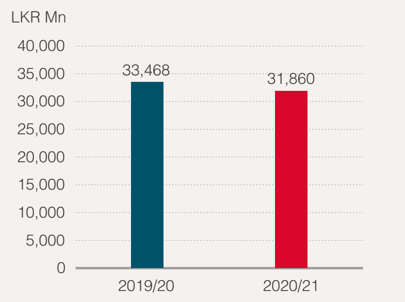
- Extended a well-structured welfare and development programme to support in estate communities.
- Collaborated with the 'Save the Children Fund' to protect and safeguard the rights of women and children in estates.
- Supported pre-schools under the pre-school development project.

  Partnered to provide "DP Education digital class rooms" to Schools, enabling the access to DP education content.

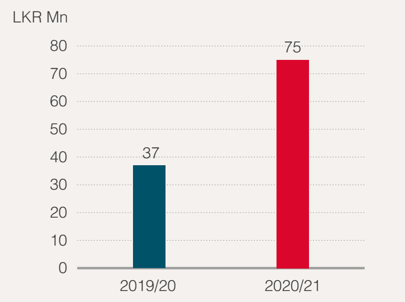
Investment in Product Development



Supplier Payments



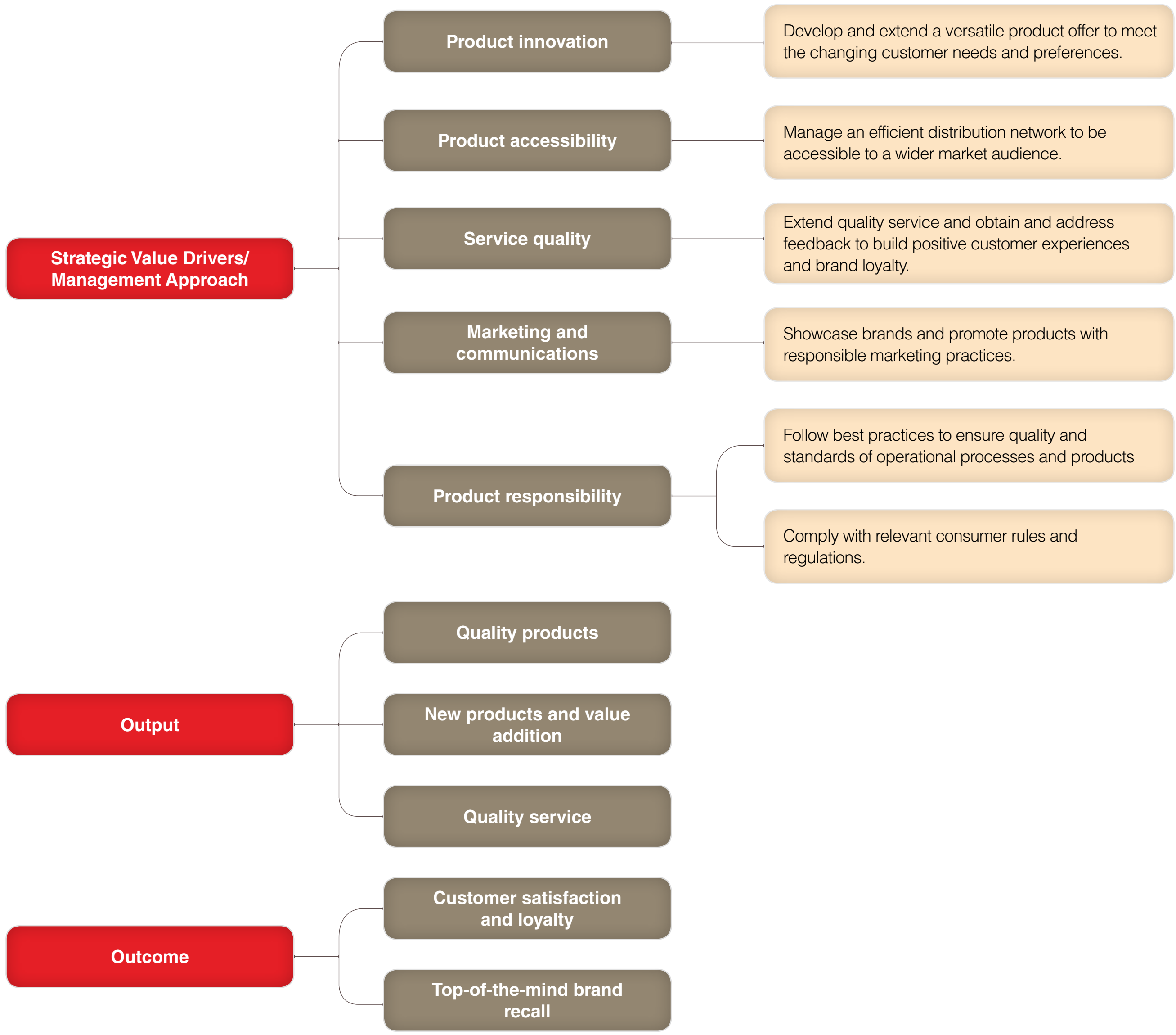
CSR Investment



Customer Relationships

Nurturing relationships responsibly, we continue to engage our customers, gaining their confidence amidst intense competition and challenges in our operating backdrop. With customer satisfaction at the core, we give strategic precedence to create value for all our customers—focusing on product innovation, accessibility, service quality, marketing communications and product responsibility practices.

SOCIAL AND RELATIONSHIP CAPITAL - IN VALUE CREATION



Customer - Key performance indicators	2020/21	2019/20
LB Finance branches	169	165
Rocell and Lanka Tiles showroom and outlets	93	84
Product innovation (LKR Mn)	255	265
Customer privacy breaches (Number)	Nil	Nil
Non compliance relating to product labelling and marketing communications	Nil	Nil

Social and Relationship Capital

Product Innovation

Refer: Intellectual capital,"technology and research and development", page 123.

As a diversified conglomerate, we have a comprehensive business portfolio offering a range of products in seven key sectors. We give precedence and invest well in research and development for product improvements and innovation. In the reporting year, we spent LKR 255 million on product development at the group level.

Product Accessibility

DISTRIBUTION NETWORK 2020/21

93	169	+280	+54,500
showrooms and outlets	branches and gold loan centres	Dealers and distributors	Dealers and distributors
Lifestyle	Finance	Aluminium	Consumer

ONLINE PRESENCE 2020/21

Amazon retailing for USA Mobile App www.lankatile.com	Virtual tour design hub www.rocell.com	Online shopping portal daraz.lk	Utility payments on www.lbfinance.com & Cash-in-Mobile App
Lifestyle - Lanka Tile	Lifestyle - Rocell	Aluminium	Finance

Ensuring greater product accessibility, we have a solid distribution network with strategically located showrooms and branches across the country. Our lifestyle segment has a vast delivery network along with synergies between Rocell and Lanka Tile showrooms and outlets. Aluminium and consumer sectors have well established links with distributors islandwide whilst L B Finance PLC has a well-positioned branch and gold loan network. Apart from the physical presence, the businesses have also established and are in the process of rapidly developing their e-channels including their official websites, online distribution platforms and social media presence to capture a wider outreach online.

Service Quality

With customer centricity at the core of our operations, service excellence essentially underlines our value proposition. The overarching focus is to give best-in-class service to all customers to meet their expectations and create a positive experience. Our employees are consistently trained on customer service whilst encouraging them to build positive relationships to nurture customer loyalty and trust. We are open to customer feedback whilst responding proactively to address their complaints and grievances. The customer surveys we carry out periodically, the official website and the hotlines support our efforts in this regard.

Marketing and Communication

Refer: Intellectual capital, brand building, page 121.

We continue to rely on branding, marketing communications and promotions to build our brands amongst the targeted market segments. We make use of print and electronic media for above-the-line advertising whilst depending on direct marketing initiatives like roadshows and door-to-door promotions, targeting both consumers as well as traders. We also use brochures and leaflets with product information. In the year under review, we spent LKR 505 million on branding, marketing and promotions on a consolidated basis.

GRI Disclosure 417-103-2, 103-3

Product Responsibility

GRI Disclosure 416-2 and 417-2 & 3

Refer: Intellectual capital, quality and standards, page 119.

Following through an integrated approach, we are committed to uphold best quality and standards within our value creation process. We have adopted and follow the guidelines as set out by locally and internationally renowned certification bodies. We abide by all relevant product and consumer related laws, rules and regulations. In the year under review, there were no incidences and the Vallibel Group did not record any fines or warnings for non-compliance with respect to products and services. There were no incidence of non compliance concerning the health and safety impacts of products and services. Also, there were no incidence of non compliance concerning product and service information, labelling, marketing communications and customer privacy.

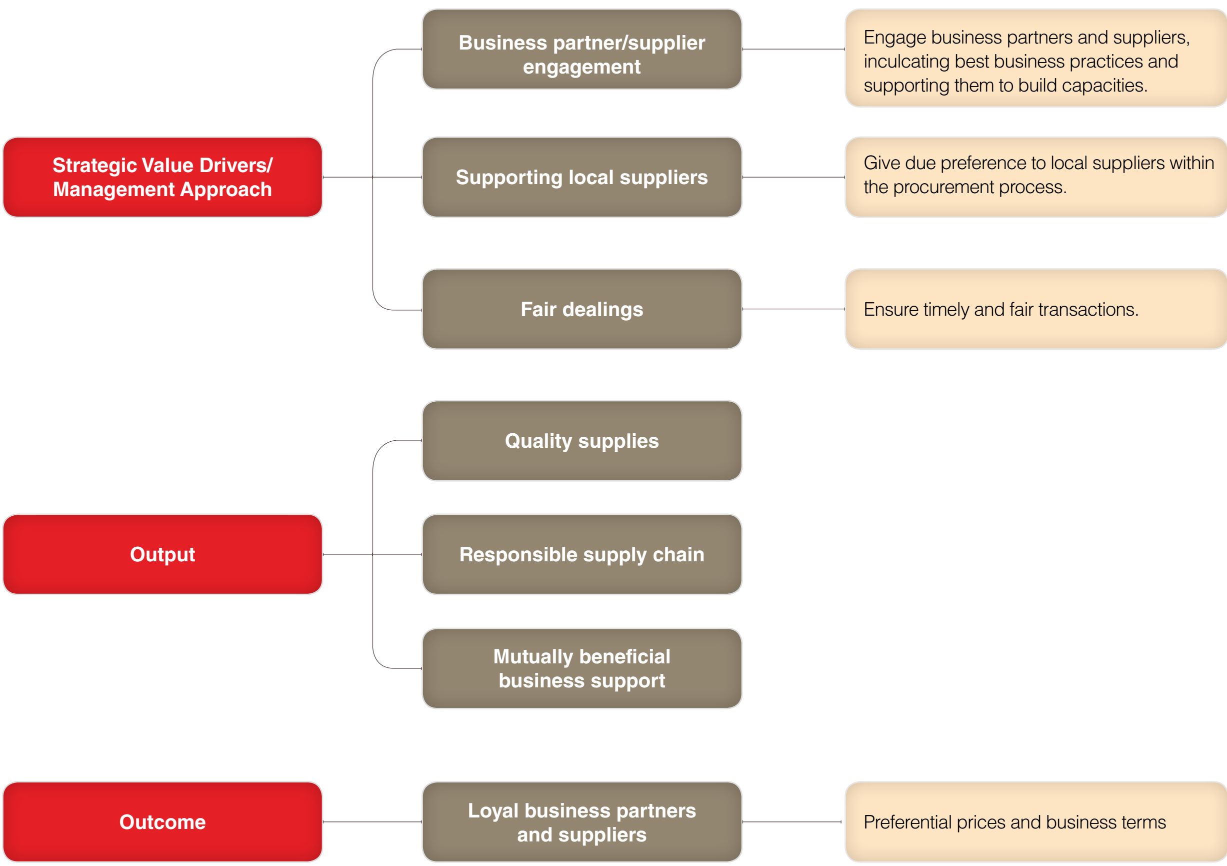
Business Partner and Supplier Relationships

GRI Disclosure 102-9

Over the years and across our businesses, we have built a solid base of business partners, principals and suppliers including large scale entities to small and medium enterprises. Some of our businesses also hold sole agency rights and marketing and distribution rights for renowned brands in Sri Lanka. Taking on a significant role within our value creation process, their products and services, capital, technical know-how and market insights underscore our operational goals. Hence, we continue to be focused in our approach to collaborate, build and manage mutually beneficial relationships with them. There are no significant changes to the organization across our business verticals and their supply chains of the period under review.

GRI Disclosure 102-10

BUSINESS PARTNERS/SUPPLIERS - IN VALUE CREATION



Business Partner/Suppliers - Key performance indicators	2020/21	2019/20
Total supplier payments (LKR Mn)	31,860	33,468
Local supplier payments (%)	70	67
Payments to small and medium enterprises (%)	12,845	23,441
Small and medium suppliers (Number)	3,504	3,501

Social and Relationship Capital

Business Partner/Supplier Engagement

GRI disclosure: 102-9, 103-2, 103-3

Refer: manufactured capital, expansions and new projects, page 104.

BUSINESS PARTNER/SUPPLIER DEVELOPMENT 2020/21

Lifestyle	Aluminium	Consumer	Lifestyle
LKR 3 Mn/132 hours Technical training and financial assistance **+5,000** Members in the Tiler Club	**110** Number of aluminium fabricators hosted on alupenters.lk platform	**+50,000** Distributors engaged islandwide	**+680** Distributors and franchisees engaged islandwide

Upholding best practices, we have built strong relationships with like-minded suppliers and business partners. We carry out due diligence on their credentials and their commitment to quality and standards prior to engagement. We work closely with them through our procurement committees, sharing knowledge and experiences; monitoring them on their contractual obligations; advocating responsible practices in managing environmental and social risks; along with compliance with relevant laws, rules and regulations. We undertake regular site visits, periodic reviews and assessments across the supply chain whilst extending training opportunities to build their capacity, supporting them to develop linkages and giving them business opportunities.

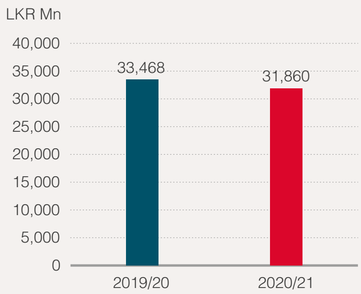
Aluminium fabricator programme - Swisstek Aluminium Ltd

Supporting Local Suppliers

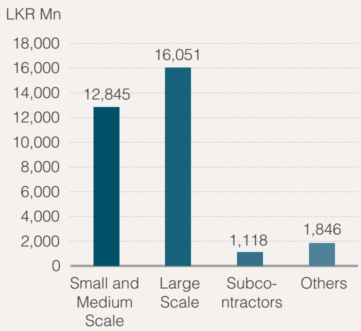
GRI disclosure: 204-1

Our businesses, as a policy, give due preference to local suppliers, provided they meet our procurement criteria. With a supplier base of almost 31,860 our supplier payments reached LKR 5,378 million at the consolidated level during the year under review. Out of this, 70 percent was for local suppliers, whilst 40.3 percent was for the small and medium sector.

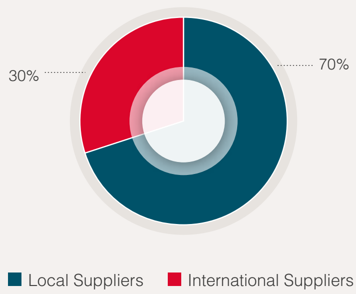
Supplier Payments



Supplier Payments by Type



Geographical Breakdown of Supplier Payments



GRI disclosure: 103-2, 103-3

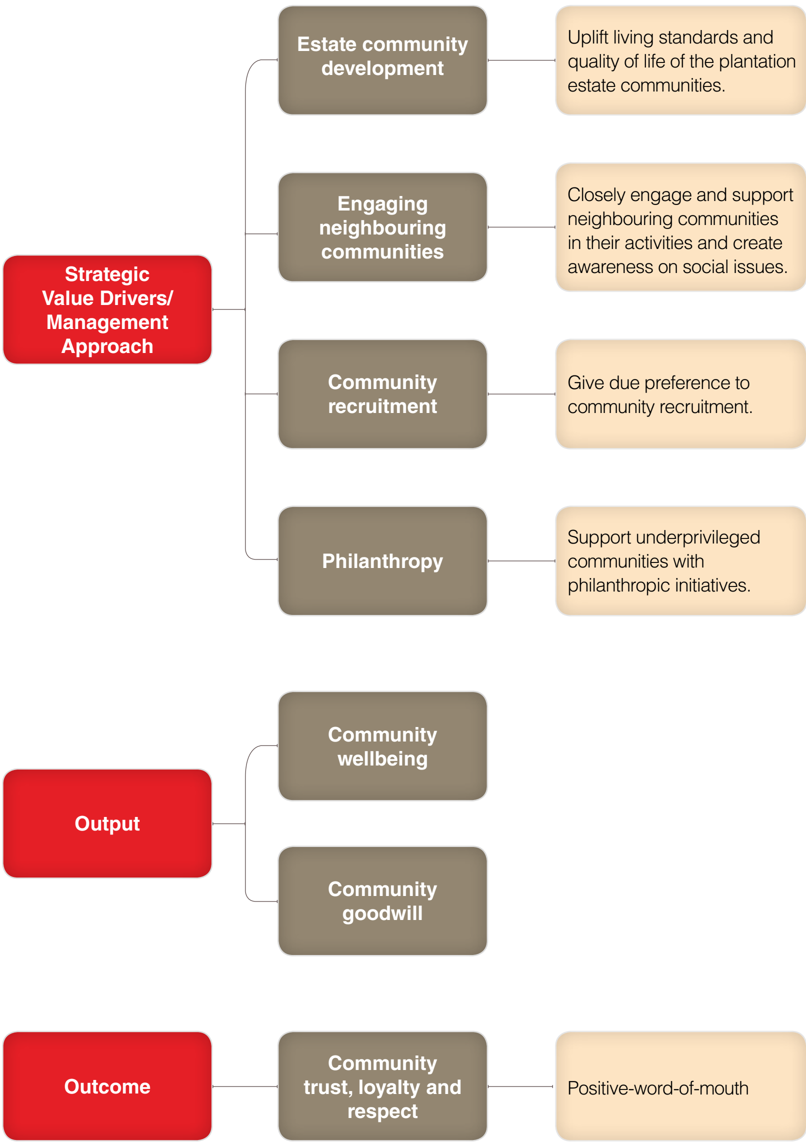
Fair Dealings

Principled and conscientious, we ensure that all our transactions and dealings are fair by our suppliers and business partners. We are transparent, timely and disciplined in making our payments and meeting our contractual obligations. All procurement is carried out with integrity, following best practices. Our procurement committees set in place at our respective businesses are responsible in this regard.

COMMUNITY RELATIONSHIPS

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. To this end, our businesses strive to engage and build meaningful relationships, be it with our resident estate communities within the plantation sector or with the neighbouring communities in the areas we operate in.

COMMUNITY - IN VALUE CREATION



Estate Community Development

GRI Disclosure 413-1

SUPPORTING ESTATE COMMUNITIES 2020/21

LKR **47** Mn

+29,000 Beneficiaries

Infrastructure facilities

(Road development, housing, water and sanitation)

Healthcare

(medical camps, dental and eye clinics, pre and post natal clinics, immunisation, nutrition and awareness building on non-communicable disease)

Child beneficiaries Child development

(pre-school programmes through child development centres and child rights and safety in collaboration with the Save the Children Fund)

Social and Relationship Capital

With nearly 29,704 people living in our tea and rubber estates in the central and western provinces, our estate community engagement is essential and strategically significant. We have a well-structured programme rolled out to support the estate community—providing them, inter-alia, housing, water and sanitation facilities; healthcare; and skills development for the youth. The Estate Worker Housing Cooperative Societies established in the respective estates extend financial assistance to empower these communities—further complementing our initiatives. In the reporting year, our plantation company, Horana Plantations PLC incurred a sum of LKR 47 million in uplifting their lives. This also included the cost incurred to protect the resident communities from the COVID-19 spreading across the estates.

Engaging Neighbouring Communities

Our businesses—in particular, leisure sector together with lifestyle, aluminium and packaging sector companies—recognise the significance of engaging local communities to secure their trust and goodwill. We maintain a consistent dialogue with community leaders on our business activities whilst participating and even extending funding support for their religious, cultural and recreational events and activities. We also engage them in our socio-cultural and environmental campaigns whilst supporting them to develop their communities and their living environment.

Community Recruitment

We give strategic precedence to local community recruitment, mainly targeting the youth of the areas in which we operate. This strategy has served us well—enabling us to build solid ties with our communities. Our leisure sector associate company has extensively recruited community youth for their operations whilst consumer and finance sectors recruit their staff, particularly, the marketing and sales staff, from the local areas. Our plantation sector is well integrated, both with the estate as well as with the neighbouring communities. .

Philanthropy

Supporting and enabling communities, we spent a sum of LKR 75 million on community service through philanthropic initiatives.

Donation of ventilators to Kandy National Hospital by LB Finance PLC.

Donation of Digital classroom to access DP Education content - Siri Kurusa Vidyalaya, Payagala by LB Finance PLC.

Donation of waiting area to COVID-19 patients to District Hospital - Dompe by Swisstek Aluminium Limited.

GRI disclosure: 103-2, 103-3

COMMUNITY SUPPORT

LKR 75.3 Mn
CSR Investment

Community support

Supporting the nation's fight against COVID-19, our Group donated 13 ventilators (Hemilton C3) to national hospitals, at a cost of LKR 56.2 million.

LB FINANCE	Vallibel ONE	Rocell	LANKATILES
LKR 21.6 Mn	LKR 17.3 Mn	LKR 8.65 Mn	LKR 8.65 Mn
LB Finance PLC donated 4 ventilators to Cardiology unit, National Hospital of Kandy and 1 ventilator to surgical unit, Apeksha Hospital, Maharagama with the investment of LKR 21.6 Mn.	Vallibel One PLC donated 4 ventilators to Cardiology ICU, General Hospital of Kalutara with the investment of LKR 17.3 Mn	Royal Ceramics Lanka PLC donated 2 ventilators to Neuro unit of Teaching Hospital Kurunagala with the investment of LKR 8.65 Mn	Lanka Tiles PLC donated 2 ventilators to Cardiology ICU and Isolation ward-1 of Teaching Hospital Ragama with the investment of LKR 8.65 Mn

Supporting our local communities in times of need, Swisstek Aluminium Limited spent LKR 0.75 million to build a waiting area for COVID-19 patients at the Dompe hospital.

Our Group of companies including LB Finance PLC, Unidil Packaging Limited, Horana Plantations PLC supported the communities by providing basic amenities to hospitals, sanitization facilities and dry rations to COVID-19 affected areas.

Access to Education

Facilitating the school students in Sri Lanka, LB Finance PLC collaborated to provide with "DP Education Digital Classroom". Under this initiative, LB Finance has partnered with Dhammika & Priscilla Perera Foundation to take forward DP Education content- an innovative online platform available on You Tube channel. During the period under review, we provided DP Education content along with a state of the art interactive TV system to access unlimited educational content at any given time to Holy Cross College, Payagala.

Socioeconomic Compliance

GRI Disclosure 419-1

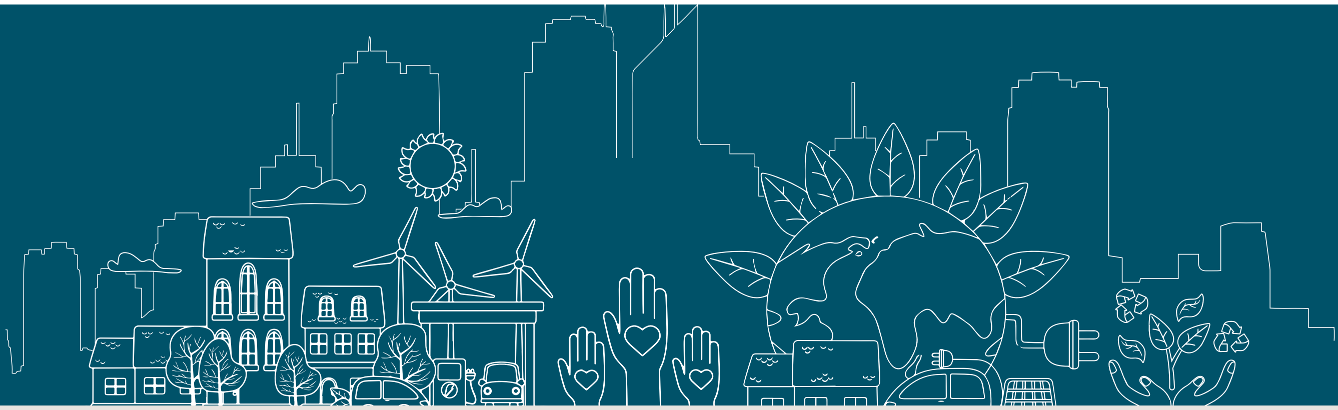
In the year under review, we did not record any fines and non-monetary sanctions for non-compliance with laws, rules and regulations in the social and economic areas.

Future Focus

Continuing to give strategic precedence, we will allocate time and resources to sustain and nurture our relationships with our customers, business partners/suppliers and our communities.

- Consolidate the distribution channels for wide customer outreach.
- Ensure quality and standards in product and services whilst upholding product responsibility.
- Strengthen the quality of our supply chain, extending opportunities for learning best business practices.
- Support our local suppliers with business opportunities.
- Engage estate and neighbouring communities to look into their welfare and wellbeing.
- Give precedence to community recruitment.

Natural Capital



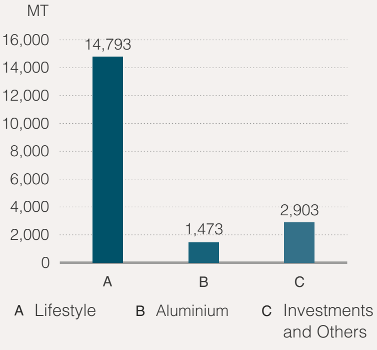
REDUCING OUR ENVIRONMENTAL FOOTPRINT

As a diversified conglomerate, with a wide exposure to the manufacturing sector, our environmental footprint is substantial. Our businesses give due consideration to integrate best and well-structured environmental practices across our operations—both, in terms of strengthening our natural capital base; as well as minimising our impacts from value creation on the environment—and thus, doing our share to abate pressing issues of climate change and global warming. We stand committed to be responsible and comply with applicable regulations and standards.

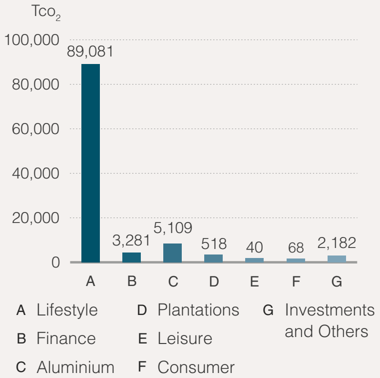
VALUE CREATION PERFORMANCE HIGHLIGHTS 2020/21

- Lifestyle sector set up a heat recovery system at the Horana factory with an average cost savings of LKR 6 million per month.
- Invested in new machinery to reduce ambient dust and noise pollution at the mortar and grout factory in Balummahara.
- Aluminium sector initiated 20 environmentally responsible cost saving projects to recycle aluminium waste and increase the usage efficiency of energy to reduce the carbon footprint.
- 28.8% of total water was recycled and reused in production across through effluent treatment manufacturing facilities.
- 54% of total solid waste was recycled and reused in production across all manufacturing facilities.
- Aluminium sector collaborated with the community to launch a tree planting programme, covering 800 metres near the factory road way.
- Plantations sector continued to take forward their reforestation campaign.
- Finance sector collaborated with the Tri-Forces to plant trees covering naval bases across the island.
- The Gouravilla estate in Maskeliya obtained ISO 14000 environmental certification for the very first time.
- Lifestyle sector initiated a 10 megawatt roof-top solar project at an investment of LKR 228 million, covering Rocell factories in Horana and Ehaliyagoda.
- Horana Plantations initiated a roof-top solar project at an investment of LKR110 million, covering all estates.
- Finance sector planted more than 42,000 trees as at the year end under the "Thuru Wavamu Campaign".

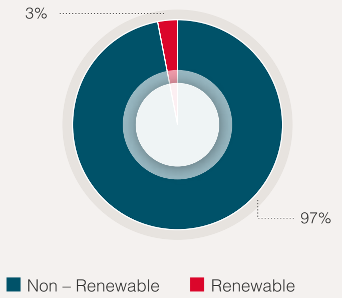
Recycled Input Materials in Production



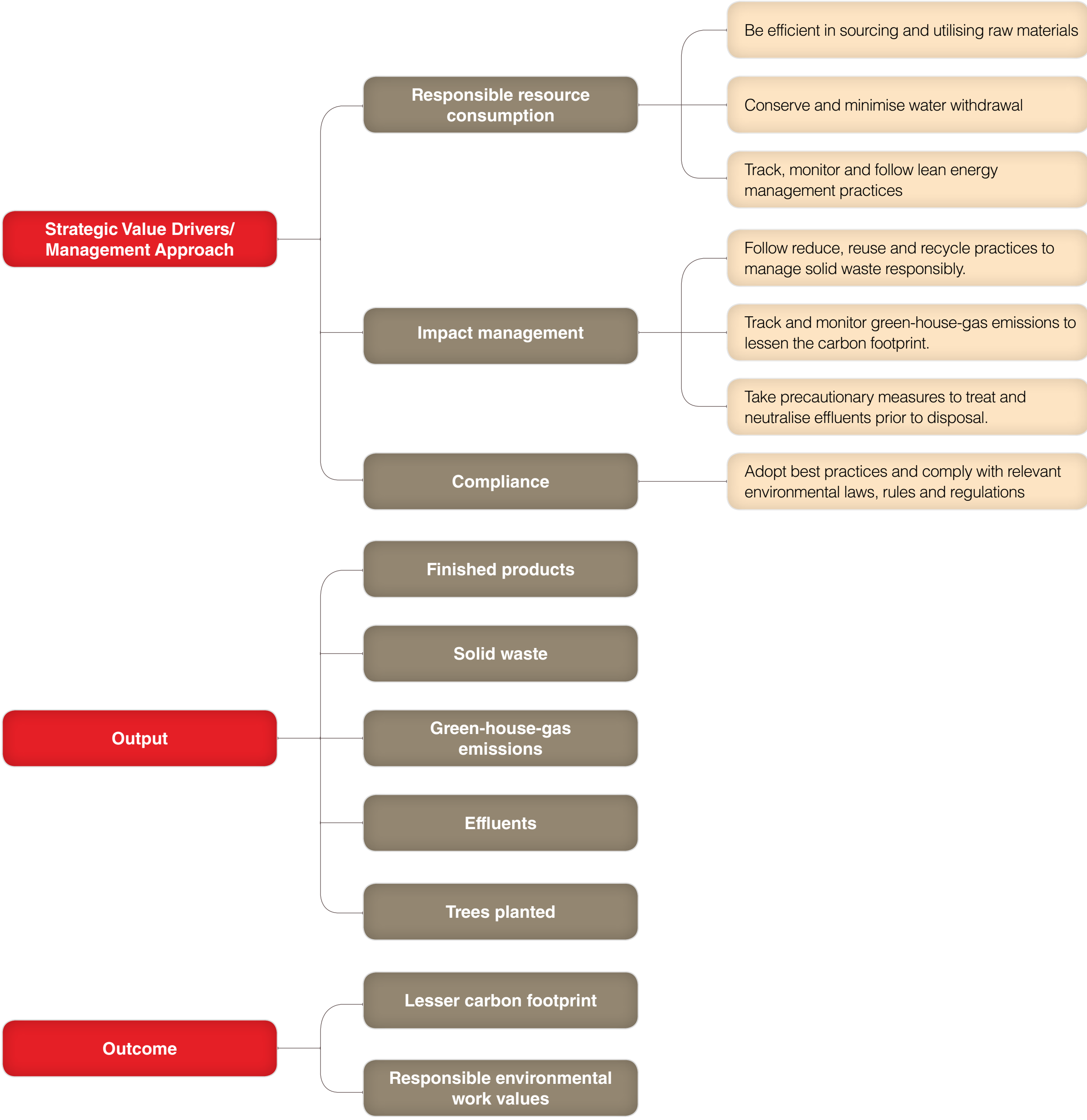
Emissions



Material Consumption



NATURAL CAPITAL - IN VALUE CREATION



Natural Capital - Key performance indicators		
KPIs	2020/21	2019/20
Recycled material used in production (MT)	19,169	39,596
Carbon emissions (tCo2e)	100,280	-
Biodiversity protected within estates (Hectares)	211.48	211.48
Energy consumption (GJ)	1,247,878	3,987,493
Renewable material consumption (MT)	175,537	222,294

Natural Capital

Responsible Resource Consumption

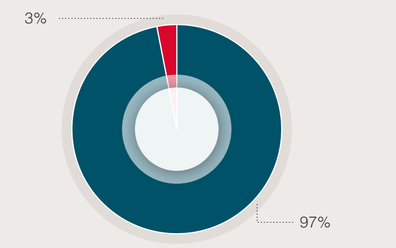
GRI disclosure: 103-2, 103-3, 301-1, 301-2

Material Consumption

Material Consumption 2020/21

6,331,115 MT
Total consumption

Material Consumption



Non-renewable Materials

2,917,400 MT Feldspar	**72,119 MT** Ball clay
491,432 MT Silica sand	**5,522 MT** Aluminium billets

Renewable Materials

12,319 MT Bought leaf	**26,796 MT** Paper
3,925 MT Latex rubber	

Majority of our businesses including tile production, aluminium, packaging, plantations and mining rely on natural resources for raw materials. In the reporting year, we used a total of 6,331,115 metric tons as raw materials out of which nearly 97 percent came under non-renewable resources. It is in this context that we have adopted and follow sustainable practices in way we use our resources. Our approach in this regard is three-fold—sourcing materials with responsibility; producing efficiently; and following 3R practices—reducing, reusing and recycling. Recycled input materials used in production reached 0.3 percent from total material consumption which amount to 19,169 metric tons.

Tree planting campaign international Forest Day - LB Finance PLC

RESPONSIBLE SOURCING

- Follow good agricultural practices under plantations sector including soil conservation, water management, replanting and enriching biodiversity and habitats.
- Collaborate with the Geological Survey and Mines Bureau to maintain the quality of mines and restore used mines with back-filling and recultivation.
- Advocate best practices in environmental management and ensure compliance with relevant laws, rules and regulations across the supply chains.

EFFICIENT PRODUCTION

- Invest in process improvements through digital solutions to enhance productivity.
- Invest on research and development to increase the use of renewable resources within the tile manufacturing process.
- 'Total Productive Maintenance' programme rolled out across the manufacturing operations to improve productivity.

3R PRACTICES

- Tiling and ceramic waste reused to refill mines.
- Using waste heat recovery system to save thermal energy.
- Aluminium scraps are recycled in-house for reusing in production.
- Paper waste in packaging is exported to India for recycling.

GRI disclosure: 103-2, 103-3

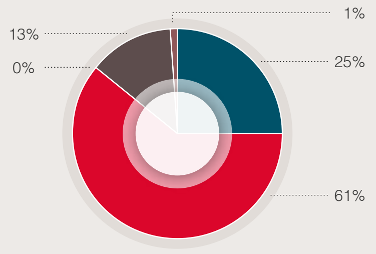
Water Consumption

GRI Disclosure 303-1 & 3

The total water consumption in the year under review stood at 447.21 million litres, representing 12.6 percent increase over the preceding year. Our manufacturing operations led by the lifestyle sector accounted for 57 percent of the total water consumption; followed by plantations accounting for 25.1 percent. In terms of water withdrawal, we mainly relied on ground water and on the municipality water supply, accounting for 61 percent and 25 percent respectively.

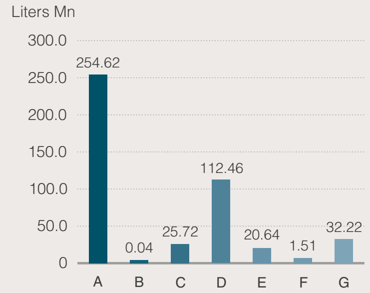
Advocating water conservation, some of our factories recycled and reused water after purification for both operations and for ancillary purposes. This corresponded in the year to 28.8 percent of the total water consumption. Estates within the plantation sector also resorted to rain water harvesting, with proper precautionary measures taken to safeguard the water quality. This year, we withdrawn 2.3 Mn liters water by rainwater-harvested.

Volume of Water Withdrawn – by Source



- Municipal Water Supply
- Ground Water
- Third Party Supply
- Surface Water - River, Lakes, Wetlands
- Rainwater - Harvested

Water Consumption by Sector



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

PROTECTING WATER SOURCES

Water flow control system

Lifestyle

Track and monitor water consumption

2 factories

Chemical buffer zones

Plantations

Protecting water sources from chemical contamination

15 estates

Water retention areas

Plantations

5% land protected in

15 estates

Effluent treatment plants

Lifestyle | Aluminium | Packaging | Plantations

8 water treatment plants at factories and 2 estates

Natural Capital

Energy Management

GRI Disclosure 302-1-4

Energy Consumption & Intensity	
Energy Source	Consumption Level
	2020/21
Internal – non-renewable	
Electricity (GJ)	262,668
LP gas (Kg)	22,912,205
Diesel (litre)	926,398
Furnace oil (litre)	255,619
Kerosene (litre)	348,941
Internal – non-renewable	
Biomass/firewood (Kg)	9,485,496
Hydro power	2,318,581
External	
Diesel and Petrol (litres)	1,638,733
Energy intensity – electricity usage per employee (KWh)	13,717.5

We rely on electricity from the national grid as our primary energy source—used for factory operations, air conditioning and lighting of premises. Other non-renewable sources include diesel, petrol, LP gas, and furnace oil whilst bio-mass/firewood, Hydro power is used as a renewable energy sources within the plantations and the packaging operations. Outside the organisation, the main energy source is fuel for office transport purposes, logistics and employee business travel.

GRI disclosure : 103-2, 103-3

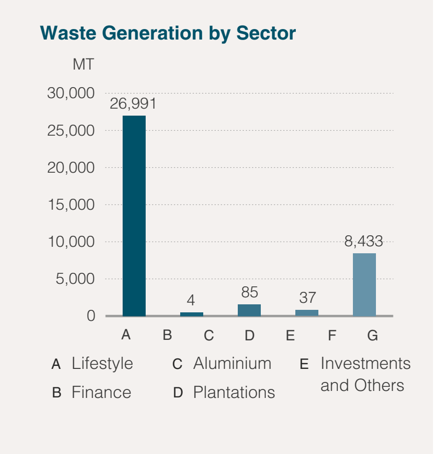
With a substantial exposure, we give due consideration to track and closely monitor our energy usage across our group companies. We invest well in key initiatives to bring in greater energy efficiency to our work processes. In the preceding year, 2019/20, our lifestyle sector invested in a heat recovery system as a pilot project in Rocell's Horana factory. The Aluminium sector also initiated key measures to reduce the usage of electricity, gas and furnace oil. These measures along with our other initiatives including deploying technology for process improvements and encouraging staff and changing their mindset to be thrifty in energy consumption, resulted in energy reduction of 68 percent over the previous year.

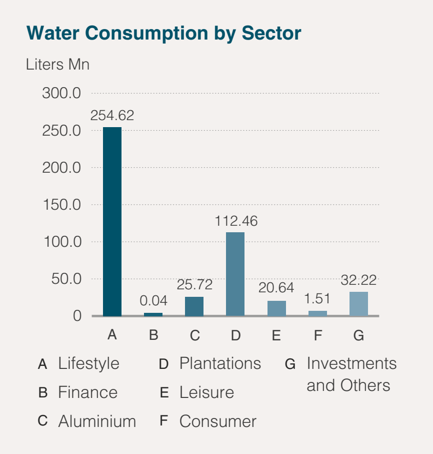
Impact Management

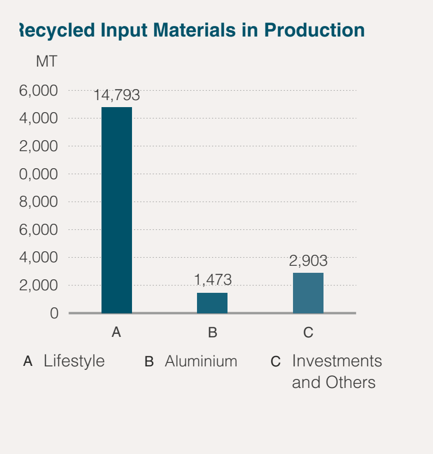
With an extensive corporate footprint, our operational impacts on the environment is considerable. Conscious decisions and actions are in place to manage and minimise our environmental impacts in three areas—solid waste, effluents and emissions.

Solid Waste Management

GRI Disclosure 306-2







We continued in the year under review to follow through our solid waste management programme, covering both hazardous and non-hazardous waste. This programme focused on waste segregation, storage and responsible disposal aligned to best practices upheld across the respective businesses. In the reporting year, we disposed 35,554 metric tons of waste mainly generated from the manufacturing sectors. Out of the total, 99.8 percent was non-hazardous waste, comprising paper, aluminium scraps and tile rejects.

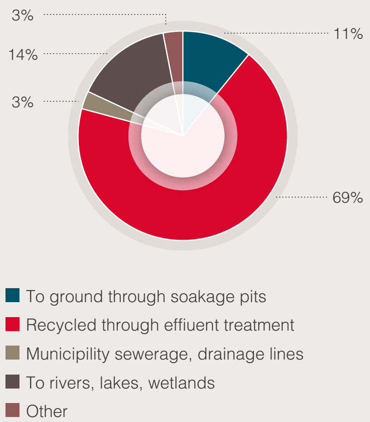
Effluent Treatment

GRI Disclosure 306-1

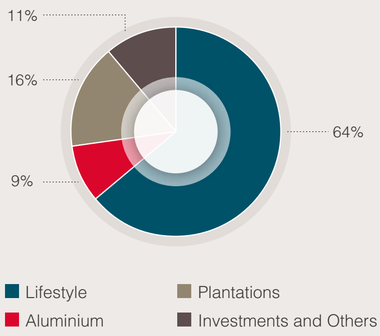
GRI disclosure: 103-2, 103-3

Lifestyle	Aluminium	Plantations
6 effluent treatment plants Rocell and Lanka Tile factories	On-site sludge yard	2 effluent treatment plants at estates

Effluent Treated Water Discharge



Effluent Water Discharged by Manufacturing Sectors



With a wide exposure to the manufacturing sector, effluent generation from operations is significant. Necessary measures, however, are in place to treat effluents generated prior to discharging them to the water bodies. Some of our factories are fully equipped with effluent treat plants together with facilities to monitor water quality aligned to the national environmental standards and best practices.

In the reporting year, we discharged 187 Mn litres of effluent water across our businesses. Out of this, 129 Mn litres were treated through our effluent treatment plants, representing 69 percent of the total discharged. The lifestyle sector treated and discharged almost 120 Mn litres of effluents, accounting for nearly 64 percent of the total discharged. This was followed by the plantations and investments and others sectors accounting for 16 percent and 11 percent respectively.

Emissions Management

GRI Disclosure 1-4

EMISSIONS MANAGEMENT INITIATIVES

Lifestyle	Lifestyle	Plantations
Heat Recovery System Horana Tile Factory	Ambient dust and noise prevention mortar and grout factory	Fuelwood and briquettes Using sustainable energy sources

Effluent treatment plants

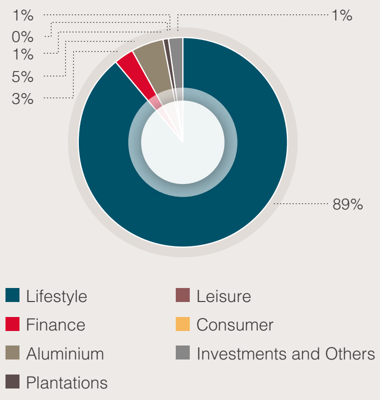
Lifestyle Aluminium Leisure Plantations

Track, monitor and manage green house gas emissions

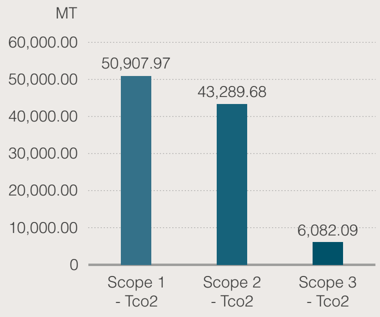
Natural Capital

GRI disclosure : 103-2, 103-3, 305-1,2,3

GHG Emissions by Sectors



GHG Emissions Scope 1,2,3



Environmental Compliance

GRI Disclosure : 307-1

We follow best practices and standards in environmental management, both in terms of resource consumption and impact management across our business lines. Our internationally acclaimed certification bodies guide and support us in this regard. In the reporting year, the Group did not record any fines and non - monitory sanctions for non-compliance with environmental laws, rules and regulations.

Primarily led by our manufacturing operations and leisure, our carbon footprint during the year under review stood at 100,279 tonnes CO2e. Accounting for 51 percent of the total, Scope 1 green-house-gas emissions were from the combustion of fuel, mainly within the lifestyle sector. Lifestyle sector dominated the GHG emissions over 88 percent of total emissions and this was followed by the Aluminium and investments and others sectors respectively.

Future Focus

With most of our businesses inextricably linked, we recognise the strategic significance to develop, nurture and be responsible in using and managing our natural capital base.

- Opt for renewable materials sources to bring in greater sustainability to the manufacturing process.
- Invest in digital solutions to improve work processes and thereby, reduce resource consumption.
- Be more structured and further invest in solid waste disposal, focusing on recycling and reusing.
- Advocate lean energy management practices across all business lines.
- Improve and invest in effluent treatment and testing water quality facilities.
- Continue to track and monitor green-house gas emissions and take due measures to reduce the Group's carbon footprint.

MANY CHALLENGES.

ONE assurance.

Our vision for the future stands tall. As we continue to build and craft the perfect structure designed to withstand any challenge, we rely on time-tested strategies to mitigate risk, face uncertainty and remain steadfast at all times.

The more daunting the project, the greater the risks and challenges involved. However, with the right mechanisms in place, the protection and defense of an entity can be secured.

GOVERNANCE AND RISK MANAGEMENT

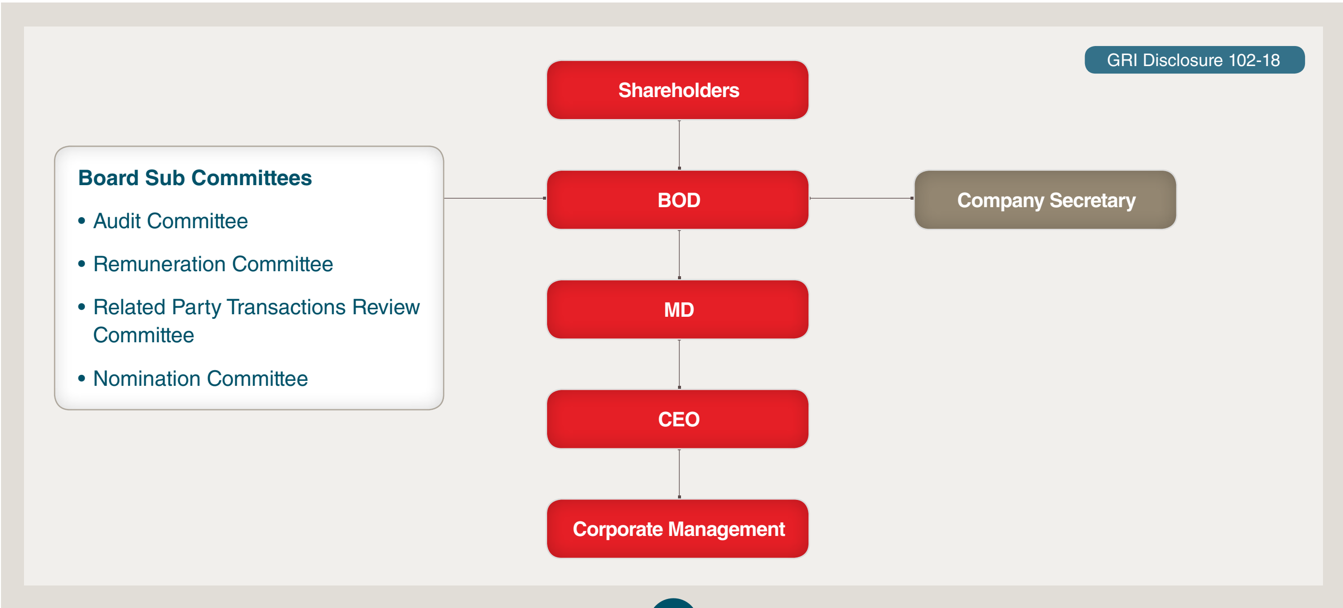
Corporate Governance

Vallibel One believes that robust corporate governance is vital in reaching our short-term objectives while endeavoring 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 Limited. 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 percent ownership stake in Greener Water Ltd which is currently building an integrated resort complex—'Greener Water Hotel' 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.

Vallibel One has set in place, a governance structure which is compliant with legal enactments and regulatory requirements with high levels of reliance on corporate governance framework in place at key subsidiaries. Vallibel One unlocks value of the subsidiaries through regular Strategic Meetings of the Centralised Research and Development Team and management of subsidiaries which cover growth and development aspects as well as governance of the subsidiaries.

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



Compliance with Guiding Principles

Mandatory

Companies Act No.07 of 2007

Continued 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 Lanka in 2017 (partial compliance)

AN EFFECTIVE BOARD

The Board is the highest authority and is responsible for setting in place a sound governance framework to drive performance and safeguard the assets of the Group. It comprises one Executive Director and four Non-Executive Directors of whom three are Independent Non-Executive Directors in accordance with the CSE Listing Rules and the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Charted Accountants of Sri Lanka (Code). The Board collectively possesses a diverse range of skills and competencies including entrepreneurship, financial, legal, marketing and banking. They are all business leaders and professionals of high repute as evinced by their profiles given on page 35.

> 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.

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

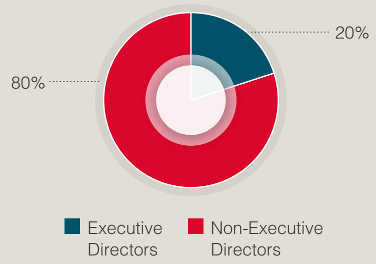
- Investment decisions
- Monitoring performance of investments
- Divestments
- Delegation of authority
- Voting at key AGMs of investee companies
- Policy formulation
- Directors' remuneration
- Compliance and risk-related matters as reported by the Audit Committee
- Matters escalated to the Board by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

APPOINTMENT AND RE-ELECTION OF DIRECTORS/ APPOINTMENT OR DIRECTORS OVER 70 YEARS OF AGE

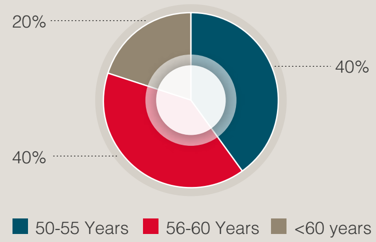
The Directors who are initially appointed by the Board are required to seek re-election at the next Annual General Meeting and one third of the Directors retire by rotation and are eligible for re-election at each Annual General Meeting, in terms of the Articles of Association, a Director appointed to 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, both Mr R N Asirwatham and Mr J A S S Adhihetty who are over 70 years of age and were re-appointed by

GRI disclosure: 103-2, 103-3, 405-1

Power Balance



Age

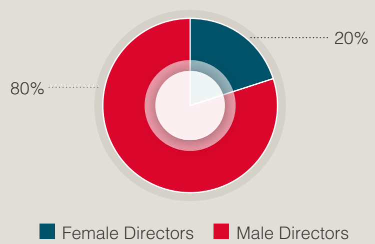


Diversity of Thought

- 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



the shareholders at the preceding Annual General Meeting, will vacate office at the conclusion of the forthcoming Annual General Meeting unless re-appointed by the shareholders in terms of Section 211 of the Companies Act. The Nomination Committee having reviewed the re-election of Mr S H Amarasekera and the proposed re-appointment of Mr R N Asirwatham and Mr J A S S Adhihetty under Section 211 of the Companies Act at the forthcoming Annual General Meeting, recommended such re-election/re-appointment. Mr S H Amarasekera who is the Chairman of the Nomination Committee did not participate in deliberations pertaining to his re-election and the decision on the said matter was made by the remaining two members of the Committee. Accordingly, the Board recommends the re-election/re-appointment of Mr S H Amarasekera / Mr J A S S Adhihetty and 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, Mrs Kimarli Fernando and Mr R N Asirwatham are "Independent" as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

In determining the Directors' independence, the Board has taken into consideration that Mr S H Amarasekera and Mr R N Asirwatham serve as Independent Non-Executive Directors of Royal Ceramics Lanka PLC whilst Mr S H Amarasekera and Mrs Kimarli Fernando serve as Directors of Delmege Limited. Mr Dhammika Perera is the Chairman of both Royal Ceramics Lanka PLC and Delmege Limited. Accordingly, the total number of common Directors on the Boards of those two companies is three (3) being a majority of the Directors of the Company. As such, the said Directors, namely Mr S H Amarasekera, Mrs Kimarli Fernando and Mr. R N Asirwatham do not qualify under the criteria set out in Rule 7.10.4 (g) (i) of the Listing Rules.

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

BOARD SUBCOMMITTEES

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

Board Committee	Composition	Scope
Audit Committee	Comprises three Independent Non-Executive Directors: • Mr R N Asirwatham • Mr S H Amarasekera • Mrs S Jayasekara	Exercising oversight over the following functions: • control environment and risk management, quality, cost and scope of internal and external audits • evaluating and recommending appointment/re-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 150 for more information
Remuneration Committee	Comprises three Non-Executive Directors of whom two are independent: • Mr S H Amarasekera (Chairman) • Mrs S Jayasekara • Mr J A S S Adhihetty	Making recommendations to the Board on the following matters: • Remuneration framework of the Company including Senior Management • Senior Management performance incentives • Remuneration of Executive Directors and the Chief Executive Officer The remuneration policy of the Company is to attract and retain a highly qualified and experienced staff
Related Party Transactions Review Committee	Comprises three independent Non-Executive Directors: • Mr R N Asirwatham • Mr S H Amarasekera • Mrs S Jayasekara	Independent review, approval and oversight of related party transactions Please refer the Report of the Related Party Transactions Review Committee on page 149 for more information.

Board Committee	Composition	Scope
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	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 ✓ Ascertaining 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 Review Committee meet quarterly with provision to schedule additional meetings if required. The Remuneration Committee and the Nomination Committee 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	-	-	-	3/3
Mr S H Amarasekera	4/4	4/4	4/4	1/1	3/3
Mr J A S S Adhihetty	4/4	-	-	1/1	3/3
Mr R N Asirwatham	4/4	4/4	4/4	-	-
Mrs S Jayasekara	4/4	4/4	4/4	1/1	-

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

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

Corporate Governance

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 241.

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 advice on matters relating to corporate governance, Board procedures, rules and regulations. All Directors have access to the advice and services of the Company Secretary. Removal and appointment of the Company Secretary is a matter for the Board as a whole.

SHAREHOLDER RELATIONS

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

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

ACCOUNTABILITY AND AUDIT

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

- Annual Report of the Board of Directors on pages 145 to 147 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 148.
- Auditor's Report on Financial Statements is set out on page 154 of this report.
- Sector Review from pages 48 to 98.
- Related party transactions disclosures in Note 45 to the Financial Statements on page 257 and the Annual Report of the Board of Directors comply with the requirements of the applicable Listing Rules.

INTERNET OF THINGS AND CYBERSECURITY

The Board has identified the need for management of IT and Cyber risk, and has initiated 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 previous financial year. The Board is committed to driving improvement in its governance processes and with significant achievements made so far, expects to make further progress in the year that has commenced.

AFFIRMATIVE STATEMENT ON COMPLIANCE WITH THE LISTING RULES ON CORPORATE GOVERNANCE

Vallibel One PLC has, during the year under review and as at the date of this Report, complied with the Corporate Governance Rules as contained in the Listing Rules of the Colombo Stock Exchange.

By order of the Board

VALLIBEL ONE PLC

P W CORPORATE SECRETARIAL (PVT) LTD

Secretaries

3 June 2021

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

The Board of Directors of Vallibel One PLC has pleasure in presenting to the shareholders their Annual Report on the affairs of the Company together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the financial year ended 31st March 2021 conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act, No.07 of 2007, Listing Rules of the Colombo Stock Exchange and the Recommended Best Practices.

GENERAL

Vallibel One PLC (the Company) was incorporated as a limited liability company under the name 'Vallibel One Limited' on 9th June 2010 under the Companies Act, No.07 of 2007.

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

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 166.

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 28 to 29, CEO's Review on pages 30 to 33 provide an overall assessment of business performance of the Company and its subsidiaries (hereinafter sometimes collectively referred to as the Group) and the associate company and future developments. These Reports together with the Financial Statements reflect the state of affairs of the Company and its subsidiary companies.

The segment-wise contribution to Group Results, Assets and Liabilities are provided in Note 42 to the Financial Statements on pages 251 to 254.

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 (SLFRS) and the Sri Lanka Accounting Standards (LKAS) 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 154 to 156.

Accounting Policies and changes during the year

The accounting policies adopted in the preparation of the Financial Statements are given on pages 164 to 273. 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 157 to 273 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 148.

Net Revenue, Results and Appropriations

The net revenue of the Group during the year under review was LKR 81 Bn (LKR 68.5 Bn in the year 2019/20).

The Net Profit before tax of the Group and the Company amounted to LKR 19 Bn and LKR 2.8 Bn respectively in the year under review [LKR 9.8 Bn and LKR 0.88 Bn respectively in 2019/20].

The Net Profit after tax of the Group and the Company amounted to LKR 14.7 Bn and LKR 2.6 Bn respectively in the year under review [LKR 6.3 Bn and LKR 0.87 Bn respectively in 2019/20].

Details of Appropriations are given in the Statement of Changes in Equity on pages 161 and 163.

Dividends on Ordinary Shares

An Interim Dividend of Rupees Two and Cents Fifty (LKR 2.50) per share was paid to the shareholders for the year under review by way of a cash / scrip dividend.

The Board has approved the payment of a final dividend of LKR 1/- per share for the year under review, payable on 30th June 2021 subject to obtaining a certificate of solvency from the Auditors. As for shareholders who have provided accurate dividend disposal instructions, this dividend will be payable on the 2nd market day from and excluding the XD date, subject to the solvency as aforesaid.

Reserves

A summary of the Group's Reserves is given in Note 29 to the Financial Statements on page 235.

Property, Plant & Equipment and Intangible Assets

Information on property, plant and equipment and intangible assets of the Group and the Company are given in Notes 16.2 and 16.1 of Financial Statements on pages 203 to 211 and 202 respectively.

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

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 191 to 194 and 173 to 177 respectively.

Stated Capital

The Stated Capital of the Company as at 31st March 2021 was LKR 29,337,102,427/- represented by 1,138,915,644 Ordinary Shares. The Stated Capital of the Company increased from LKR 27,163,983,720 represented by 1,086,559,353 shares to LKR 29,337,102,427/- represented by 1,138,915,644 shares resulting from the issue of 52,356,291 shares on 3rd March 2021 pursuant to the scrip dividend in the proportion of 1:20.75000007.

SHARE INFORMATION

Distribution Schedule of Shareholdings

Information on the distribution of shareholding and the respective percentages and analysis of shareholders are given on page 278 to 279 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 276.

Major Shareholders

Information on the twenty largest shareholders of the Company is given on page 279 under Shareholders' Information.

Public Holding

Information on public holding in terms of the Listing Rules is given on page 278 under Shareholders' Information.

Information on the Directors of the Company and the Group as at 31st March 2021

The Board of Directors of the Company as at 31st March 2021 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 35.

Names of the Directors who held office during the year and as at 31st March 2021 as required by section 168 (1) (h) of the Companies Act are given below :

Name of Director	Executive	Non-Executive	Independent
Mr. Dhammika Perera (Chairman / Managing Director)	√		
Mr. S H Amarasekera			√
Mr. J A S S Adhihetty		√	
Mr. R N Asirwatham			√
Mrs Shirani Jayasekara			√

Directors of the subsidiaries and the associate company as at 31st March 2021

Names of the Directors of the subsidiaries and the associate company are given on pages 280 to 285.

Recommendation for re-election of Directors who retire by rotation

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

Appointment of Directors who are over 70 years of age

Mr R N Asirwatham who is 78 years of age and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2)(b) of the Companies Act No.7 of 2007, is recommended by the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Mr J A S S Adhihetty who attained the age of 70 years on 4th July 2020 and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2)(b) of the Companies Act No.7 of 2007, is recommended by the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Board Meetings

Four (4) Board Meetings of the Company were held during the year under review and the Directors' attendance at those Meetings is set out on page 143.

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 appears on page 142 and as required by the Listing Rules, the Reports of the Audit Committee and the Related Party Transactions Review Committee are on pages 150 and 149 respectively, whilst the remuneration policy is on page 142.

In line with the Best Practices on Corporate Governance the Board has also formed a Nomination Committee as set out on page 143.

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 31st March 2021.

Directors' Interests in Shares

The information pertaining to the Directors' Shareholding in the Company is given on page 278.

Directors' Remuneration

The Directors' remuneration is disclosed under Key Management Personnel Compensation in Note 45.1 to the Financial Statements on page 257.

DIRECTORS INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS AND INTERESTS REGISTER

Interests Register

The Company maintains an Interests Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

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

Material Foreseeable Risk Factors

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

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

Financial Risk Management objectives and policies are set out in Note 48 on page 264 to 273.

Donations

The Company has made a donation of LKR 1,300,000/- 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 241.

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.1,865,516/- is payable by the Company to the Auditors for the year under review comprising LKR.254,400/- as audit fees and LKR.1,611,116/- for other services.

The retiring Auditors have expressed willingness to continue in office. A resolution to re-appoint the Auditors and authorizing 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 241.

Human Resources

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

Research and Development

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

Statutory Payments

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

Contingent Liabilities

The contingent liabilities as at 31st March 2021 are given in Note 43.1 to the Financial Statements on pages 255 to 256.

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 257.

Going Concern

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

Annual General Meeting

The Annual General Meeting will be held on 30th June 2021 at 3.00 p.m. 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 292.

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 3rd June 2021.

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 June 2021
Colombo

Directors' Responsibility for Financial Reporting

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

The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors given on pages 154 to 156 of the Annual Report.

As per the provisions of sections 151, 153(1) and (2), 150 (1) and 152(1) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company and its Subsidiaries as at the reporting date and its profit or loss for the financial year then ended, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that it is in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the annual report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting. However, under the current travel/ health restrictions / regulations imposed by the health authorities and the Government in view of the COVID-19 pandemic, the above obligation is discharged by the Directors by making available, a copy of the Annual Report on the Company's official Website and the Colombo Stock Exchange Website. Alternatively, hard copies will be made available to shareholders on request.

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

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

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

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRSs/LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 directions and guidelines issued under the Finance Business Act No. 42 of 2011 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, which is primarily handled through the Audit Committee.

The Directors have taken appropriate steps to ensure that the Company and its Subsidiaries maintain proper books of accounts and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee.

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

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

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

By Order of the Board

Vallibel One PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

3 June 2021

Report of the Related Party Transactions Review Committee

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

COMPOSITION OF THE COMMITTEE

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

Mrs. Shirani Jayasekara	Independent Non-Executive Director (Chairperson)
Mr. Harsha Amarasekera	Independent Non-Executive Director
Mr. R N Asirwatham	Independent Non-Executive Director

POLICIES AND PROCEDURES

- The Committee operates within the Charter of the Committee as approved by the Board. 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 RPT 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 Company did not enter into any non-recurrent RPTs during the year under review.

MEETINGS

The Committee met 04 times during the financial year under review and attendance of the members is given on page 143.

Name of Director	Attendance
Mrs. Shirani Jayasekara	4/4
Mr. S H Amarasekera	4/4
Mr. R N Asirwatham	4/4

DECLARATION

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page 146 of the Annual Report.

Shirani Jayasekara
Chairperson

Related Party Transactions Review Committee

3 June 2021

Report of the Audit Committee

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

Mr. R N Asirwatham	Chairman - Independent Non Executive Director
Mr. S H Amarasekera	Independent Non Executive Director
Mrs. Shirani Jayasekara	Independent Non Executive Director

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 35 of this Report.

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

The Chief Executive Officer and the Assistant General Manager - Finance attend the meetings by invitation.

MEETINGS

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

Name of Director	Attendance
Mr. R N Asirwatham	4/4
Mr. S H Amarasekera	4/4
Mrs Shirani Jayasekara	4/4

ROLE OF THE COMMITTEE

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

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

FINANCIAL REPORTING

The Committee reviewed and discussed the unaudited 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 Independent 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

INDEPENDENCE OF AUDITORS

To the extent that the Audit Committee is 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 Audit Committee, 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.

RE-APPOINTMENT OF AUDITORS

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 31st March 2022 up to the next Annual General Meeting, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

CONCLUSION

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

R N Asirwatham
Chairman – Audit Committee

3 June 2021

Risk Management

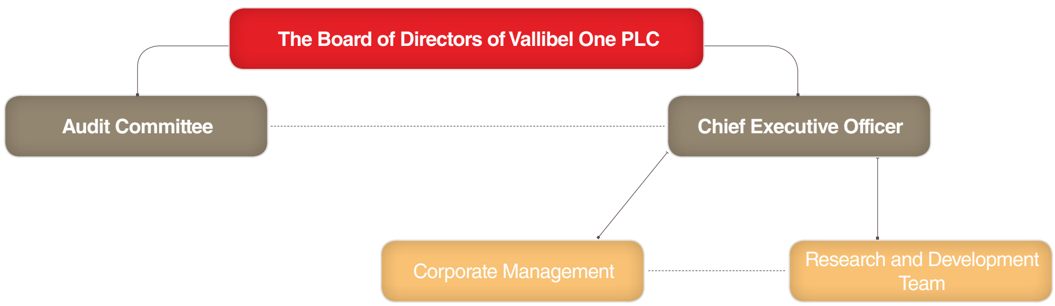
GRI Disclosure 102-11 and 102-15

OUR APPROACH

As a diversified conglomerate, Vallibel One PLC's notable risks arise from its investee entities. Large SBU's within the Group have their own internal audit functions which report to their own respective Audit Committees. The Board emphasizes 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 product and process improvements while also researching opportunities and risks within the industry sectors.

LB Finance has its own Internal Audit, Compliance and Risk Management divisions supporting risk management in line with regulatory requirements. The numerous communication 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. In addition, Directors of Vallibel One also serve on the Boards of subsidiaries and inclusively have knowledge of the entire Group's operations, allowing them to assess Group risk. This report presents the risks affecting the 7 sectors of the Group as a whole.

RISK GOVERNANCE STRUCTURE



Risk	Potential impact and developments in 2020/2021	Mitigating Activities
Poor industry stance	With the weakened economic conditions that prevailed within the country's economic front and 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.
Demand variations in the local market	The value-added construction activities recorded a sharp contraction of 13.2 percent as compared to a growth of 4.0 percent in the preceding year. Subdued economic growth and high interest rates combined to depress demand in the beginning of year for our lifestyle sector products in the local market. With the import restrictions imposed on tiles and sanitaryware by the Government as part of the stringent measures to safeguard the currency and the depleting foreign reserves in the country, the market status-quo for the lifestyle sector changed with increased demand.	• Group assessed the demand variations for each portfolio component; and gave strategic precedence to rationalize the portfolio. • Group companies remained focused in their strategic delivery to secure market positioning and adjust the market strategy to best-fit the new opportunities—retaining the market positioning and strengthening 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, changes in production lines, thereby, capturing the demand raised in the local market.

Risk Management

Risk	Potential impact and developments in 2020/2021	Mitigating Activities
Operational and supply chain risk	Health and safety measures and travel restrictions made due to COVID-19 second wave, resulted in business disruptions. This primarily impacted the delays in supply and challenges in logistics. Ensuring employees and third parties abide to health and safety protocols in line with WHO and local health authority requirements. Improving the reliability and effectiveness of business operations and enhance organisational capability in ensuring safety of staff.	• Group managed Supply of raw materials and adopted to prudent measures allowing for extended lead times. • All SBUs gave the utmost attention to maintain health and safety at the workplace, particularly, following up with COVID-19 prevention guidelines.
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 debt moratorium which came in effect in the year, resulted in lower debt repayments and pressured the sector liquidity. However, countering these implications, the Central Bank of Sri Lanka resorted to multiple reductions in policy rates and the Statuary Reserve Ratio, under an extremely accommodative monetary policy regime.	• In the process of providing relief for the COVID-19 affected businesses and individuals in line with the directions issued by the CBSL, we adherence to clearly define credit procedures and guidelines. • We strengthened our online solutions i.e. (CIM) application to carry out transactions without social contact. • We moved with proactive measures and closely monitored our portfolio to be timely in collections and recoveries to minimise defaults.
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.	• Our funding mix was systematically rearranged focusing on sustainable and larger deposits. Our extensive approach to manage the lower cash flows from customers, supported us to continue with consistent liquidity position.
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. Competition through new entrants and increase in existing competition and changes in customer preferences.	• Exploring opportunities to hedge the interest rate risk synthetically using interest rate swaps. • We promoted lending products with shorter re-pricing cycle to manage the interest rate risk. • Our manufacturing segments invested on product and process development initiatives whist we continued to look for new market opportunities, particularly, within the FMCG sector.
Operational Risk	Operational risk is the risk of loss resulting from inadequate internal controls or failed internal processes, people and systems, or from external events.	• Segregation of duties, well defined demarcated responsibilities for employees, use of procedural manuals, dual controls covering all operational aspect of the businesses. • All SBUs maintained health and safety at the workplace, particularly, following up with COVID-19 prevention guidelines to secure employee safety.

MANY ENTITIES.

ONE result.

No matter what the days ahead may hold, our purpose remains unchanged. Ours is a steadfast commitment to reap results in every climate, and to sustain our stakeholders with abundance and prosperity in the years ahead.

Vast, ripe paddy fields are a result of the hard work, commitment and dedication of every worker in the field, resulting in a harvest of infinite value for the nation and its people.

FINANCIAL REPORTS

Financial Calender

Interim Financial Statements - 2020/21 1st quarter	14th Aug 2020
Interim Financial Statements - 2020/21 2nd quarter	13th Nov 2020
Interim Financial Statements - 2020/21 3rd quarter	12th Feb 2021
Interim Dividend	22nd Feb 2021
Interim Financial Statements - 2020/21 4th quarter	28th May 2021
Final Dividend	01st June 2021
Annual Report 2020/21	04th June 2021
11th Annual General Meeting	30th June 2021

Independent Auditor's Report

Ernst & Young
Chartered Accountants
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Sri Lanka

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Fax Gen : +94 11 2697369
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eysl@lk.ey.com
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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 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, 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 judgment, 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 matters -

Key audit matter	How our audit addressed the key audit matter
Measurement of the carrying values 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 32.45 Bn and LKR 1.98 Bn respectively. The fair values of such land and buildings were determined using independent external valuers engaged by the Group. Fair valuation of Land and Buildings was a key audit matter due to: • the degree of significant assumptions, judgements and estimation uncertainties associated with such fair valuations which included consideration of the impacts of COVID-19. The fair valuation this year contains higher estimation uncertainties as there were fewer market transactions (as a consequence of the prevailing pandemic), which are ordinarily a strong source of evidence regarding fair value Key areas of significant assumptions, judgments, and estimates included the estimate of per perch value of land and per square foot value of buildings.	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 assumptions, judgments and estimates made and the approach taken by the valuers in determining the valuation; • We engaged our internal specialized resources to assist us in assessing the appropriateness of the valuation techniques used and the reasonableness of the significant assumptions, judgements and estimates such as per perch price of Land and per square foot value of Buildings used by the valuers; • We discussed with the external valuers and those charged with governance, the external valuers' assumptions, judgments and estimates used by the external valuers and compared the same with relevant published data; and • We assessed the adequacy of the disclosures made in Notes 16.5 and 20.1 in the financial statements.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Key audit matters -

Key audit matter	How our audit addressed the key audit matter
Impairment allowance for loans & receivables and lease rentals receivable & stock out on hire. As described in Note 7, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments (SLFRS 9). This was a key audit matter due to: • materiality of the reported impairment allowance which involved complex calculations; and • the degree of assumptions, judgements and estimation uncertainty associated with the calculations Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following; - the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the Group); and - forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.	We assessed the alignment of the Group's expected credit loss computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID 19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following: • We evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management; • We assessed the completeness and relevance of the underlying information used in the impairment calculations; Our procedures included; o evaluating whether the underlying historical information was up to the reporting date o testing the accuracy of underlying calculations. o checking the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records • As relevant, we assessed the reasonableness of the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID -19 pandemic including the provisions that were made by the Group with a particular focus on the impact of COVID-19 on high risk industries; • We also considered the reasonableness of macro-economic factors used by comparing them with publicly available data and information sources. Our considerations included evaluating assumptions and estimates made by management, forward-looking information used, and weightages assigned to possible economic scenarios; and • We assessed the adequacy of the related financial statement disclosures as set out in note 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 combination of the Royal Ceramics Lanka PLC Group, LB Finance PLC, Greener Water Limited and Delmege Limited Group. Goodwill is tested annually for impairment based on the recoverable amount determined by Management using value in use computations (VIU). Such Management VIU calculations are based on the discounted future cash-flows 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. Impairment testing of goodwill was a key audit matter due to: • the degree of underlying Management assumptions coupled with inherent estimation uncertainties that arise when deriving the estimated future cashflows used for value in use calculations Key areas of significant judgments, estimates and assumptions included the following: Key areas of significant judgments, estimates and assumptions included key inputs and assumptions related to the value in use computations of future cash flows, growth rates used for extrapolation purposes, discount rates and terminal yield rates including the potential impacts of the prevailing COVID-19 pandemic.	Our audit procedures included the following; • We gained an understanding of how Management has forecast its discounted future cash flows which included consideration of the impacts of the prevailing COVID-19 pandemic on its operations; • We checked the calculations of the discounted future cash flows and cross checked the data used by Management to relevant underlying accounting records, to evaluate their reasonableness; • We engaged our internal specialized resources to assist us in: o Assessing the reasonableness of significant assumptions used by the Group, in particular those relating to the forecast revenue growth, profit margins, working capital cash flows and discount rates of the CGUs of the Group; and o evaluating the sensitivity of the discounted cashflows, by considering possible changes in key assumptions • We assessed the adequacy of the disclosures made in Notes 15.2 in the financial statements.

Independent Auditor's Report

Other Information included in the 2021 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 1697.

Colombo

3 June 2021

Statement of Financial Position

As at 31 March	Note	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
ASSETS					
Cash and Cash Equivalent	3	88,931	10,134	11,517,402	7,684,456
Financial Assets Measured at Fair Value Through Profit or Loss	4.1	87,998	48,608	137,049	84,630
Financial Assets At Amortised Cost- Loans and Advances	5	-	-	67,466,580	58,793,345
Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out on Hire	6	-	-	47,359,635	60,626,670
Equity Instruments measured at Fair Value through OCI	4.2	9,206,099	9,097,725	9,231,268	9,124,104
Other Financial Assets	8	75,000	-	11,187,198	9,337,263
Trade and Other Debtors, Deposits and Prepayments	9	663,567	169,975	8,257,681	7,472,006
Contract Asset	25.3	-	-	52,561	50,476
Other Non Financial Assets	10	2,749	2,224	1,114,376	1,376,650
Investments in Subsidiaries	11	20,230,723	20,230,723	-	-
Investment in Associate	12	413,068	405,891	591,144	622,465
Deferred Tax Assets	13	3,954	2,690	37,510	269,987
Income Tax Recoverable		-	1,175	64,894	99,039
Inventories	14	-	-	12,318,317	18,055,557
Intangible Assets	15	-	-	12,798,873	12,884,917
Consumable Biological Assets	18.2	-	-	630,578	632,176
Investment Property	20	-	-	1,980,307	1,727,301
Property, Plant and Equipment	16	32,484	39,425	52,594,706	50,658,035
Leasehold Rights Over Mining Lands	19	-	-	1,619	1,619
Right of use assets	17	59,452	97,001	2,724,270	2,911,354
Assets held for sale	39.5	-	-	65,602	55,081
Total Assets		30,864,025	30,105,571	240,131,570	242,467,131
LIABILITIES					
Due to Banks	21	106	603,298	17,904,126	29,451,416
Due to Customers	22	-	-	85,940,213	89,315,098
Interest Bearing Loans and Borrowings	23	68,162	1,100,557	19,386,131	26,113,624
Trade and Other Payables	24	20,863	20,504	9,150,750	6,839,755
Other Non Financial Liabilities	25	-	-	729,673	501,651
Contract Liabilities	25.2	-	-	1,832,902	634,606
Dividend Payable	26	13,821	7,312	92,161	86,921
Employee Benefit Liabilities	27	14,689	12,041	2,093,302	1,911,183
Income Tax Liabilities		212,739	-	3,141,752	955,249
Deferred Tax Liabilities	13	-	-	5,501,377	6,583,607
Liabilities directly associated with the assets classified as held for sale	39.6	-	-	169,243	14,413
Total Liabilities		330,380	1,743,712	145,941,630	162,407,523

Statement of Financial Position

As at 31 March	Note	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
Shareholders' Funds					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	28	29,337,102	27,163,984	29,337,103	27,163,984
Retained Earnings		3,303,360	3,413,066	21,151,234	16,754,896
Other components of equity	29	(2,106,817)	(2,215,191)	12,068,011	10,024,732
Total Equity Attributable to Equity Holders of the Parent		30,533,645	28,361,859	62,556,348	53,943,612
Non Controlling Interest	30	-	-	31,633,592	26,115,996
Total Equity		30,533,645	28,361,859	94,189,940	80,059,608
Total Equity and Liabilities		30,864,025	30,105,571	240,131,570	242,467,131

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

Shyamalie Weerasooriya
Chief Financial Officer

The Board of Directors are responsible for these Financial Statements. Signed for and on behalf of the Board by.

Dhammika Perera
Chairman/Managing Director

Sumith Adhihetty
Director

3 June 2021
Colombo

The accounting policies and notes on pages 164 through 273 form an integral part of these Financial Statements.

Statement of Profit or Loss

For the year ended 31 March	Note	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
Revenue from Contracts with Customers		-	-	51,227,614	37,321,752
Interest Income		-	-	29,807,363	31,247,283
Total Revenue	31	-	-	81,034,977	68,569,035
Cost of Sales		-	-	(44,317,673)	(38,980,712)
Gross Profit		-	-	36,717,304	29,588,323
Dividend Income	32	2,869,006	1,007,750	1,144,120	3,377
Other Operating Income	33	373,179	280,582	563,992	481,896
Administrative Expenses		(260,617)	(265,964)	(7,448,701)	(7,776,415)
Distribution Expenses		-	-	(6,307,351)	(5,349,876)
Other Operating Expenses		-	-	(2,197,377)	(1,879,239)
Result from operating activities	34	2,981,568	1,022,368	22,471,987	15,068,066
Finance Cost	35	(93,684)	(150,763)	(1,840,668)	(3,011,438)
Finance Income	36	-	2,594	108,244	86,299
Net Finance Income/ (Cost)		(93,684)	(148,169)	(1,732,424)	(2,925,139)
Share of results of equity accounted Investees	12.2	-	-	(38,654)	6,016
Operating Profit before Tax on Financial Services		2,887,884	874,199	20,700,909	12,148,943
Tax on Financial Services	37	-	-	(1,669,323)	(2,278,561)
Profit before tax		2,887,884	874,199	19,031,586	9,870,382
Income Tax Expense	38	(281,804)	(6,609)	(4,208,230)	(3,453,368)
Profit for the year from continuing operations		2,606,080	867,590	14,823,356	6,417,014
Discontinued Operation					
Loss after tax for the year from discontinued operations	39	-	-	(134,588)	(120,918)
Profit for the year		2,606,080	867,590	14,688,768	6,296,096
Attributable to :					
Equity holders of the Parent		2,606,080	867,590	8,117,796	3,793,640
Non Controlling Interests		-	-	6,570,972	2,502,456
		2,606,080	867,590	14,688,768	6,296,096
Earnings Per Share	40	2.29	0.76	7.13	3.33
Dividend Per Share	40.1	2.39	-	2.39	-

The accounting policies and notes on pages 164 through 273 form an integral part of these Financial Statements.

Statement of Other Comprehensive Income

		Company		Group	
		2021	2020	2021	2020
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Profit for the year		2,606,080	867,590	14,688,768	6,296,096
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		-	-	23,948	95,290
"Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods"		-	-	23,948	95,290
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Acturial Gain/(loss) on retirement benefit obligation	27	806	(570)	29,091	(100,821)
Less: Deferred tax charge/ reversal on Acturial Gain/(loss) on retirement benefit obligation		(193)	160	(7,004)	24,165
Acturial Gain/(loss) on retirement benefit obligation - Net of tax		613	(410)	22,087	(76,656)
Revaluation of Property, Plant and Equipment		-	-	1,198,031	96,972
Less: Deferred tax charge revaluation		-	-	318,083	(6,107)
Revaluation - Net of tax		-	-	1,516,114	90,865
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		108,374	(277,060)	106,950	(298,619)
Share of other comprehensive income of an associate		-	-	156	420
"Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods"		108,987	(277,470)	1,645,307	(283,990)
Other comprehensive income/(loss) for the year, net of tax		108,987	(277,470)	1,669,255	(188,700)
Total Comprehensive Income for the year, net of tax		2,715,067	590,120	16,358,023	6,107,396
Total Other Comprehensive Income attributable to:					
Equity holders of the Parent		2,715,067	590,120	9,139,702	3,575,121
Non - Controlling Interests		-	-	7,218,321	2,532,275
		2,715,067	590,120	16,358,023	6,107,396

The accounting policies and notes on pages 164 through 273 form an integral part of these Financial Statements.

Statement of Changes in Equity

Company

	Stated Capital	Other Component of Equity			Retained Earnings	Total Equity
		Fair Value Reserve	Foreign Currency Translation Reserve	Revaluation Reserve		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01st 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/ (Expense), Net of Tax	-	(277,060)	-	-	(410)	(277,470)
Total Comprehensive Income	-	(277,060)	-	-	867,180	590,120
Balance as at 31st March 2020	27,163,984	(2,215,191)	-	-	3,413,066	28,361,859
Balance as at 01st April 2020	27,163,984	(2,215,191)	-	-	3,413,066	28,361,859
Profit for the Period	-	-	-	-	2,606,080	2,606,080
Other Comprehensive Income, Net of Tax	-	108,374	-	-	613	108,987
Total Comprehensive Income	-	108,374	-	-	2,606,693	2,715,067
Interim dividend in the form of issue and allotment of new shares	2,173,119	-	-	-	(2,173,119)	-
Dividend Paid	-	-	-	-	(543,280)	(543,280)
Balance as at 31st March 2021	29,337,102	(2,106,817)	-	-	3,303,360	30,533,645

The accounting policies and notes on pages 164 through 273 form an integral part of these Financial Statements.

Statement of Changes in Equity

Group

	Stated Capital	Other Component of Equity		
		Treasury Shares	Statutory Reserve Fund	Fair Value Reserve
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01st April 2019	27,163,984	(44,112)	4,078,023	(1,937,658)
Impact on adopting SLFRS 16	-	-	-	-
Profit for the Period	-	-	-	-
Other Comprehensive Income/ (Expense), Net of Tax	-	-	-	(291,363)
Total Comprehensive Income	-	-	-	(291,363)
Transfer	-	-	1,037,411	(56,821)
Dividend Paid	-	-	-	-
Balance as at 31st March 2020	27,163,984	(44,112)	5,115,434	(2,285,842)
Balance as at 01st April 2020	27,163,984	(44,112)	5,115,434	(2,285,842)
Profit for the Period	-	-	-	-
Other Comprehensive Income, Net of Tax	-	-	-	107,429
Total Comprehensive Income	-	-	-	107,429
Dividend Write back of uncliamed dividend	-	-	-	-
Transfer	-	-	1,037,411	-
Interim dividend in the form of issue and allotment of new shares	2,173,119	-	-	-
Dividend Paid	-	-	-	-
Subsidiary Dividends to Minority Shareholders	-	-	-	-
Balance as at 31st March 2021	29,337,102	(44,112)	6,152,845	(2,178,413)

The accounting policies and notes on pages 164 through 273 form an integral part of these Financial Statements.

Foreign Currency Translation Reserve	Revaluation Reserve	General Reserve	Retained Earnings	Total Equity Attributable to Equity Holders of the Parent	Non Controlling Interest	Total Equity
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
20,468	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
63,356	55,698	-	(46,210)	(218,519)	29,819	(188,700)
63,356	55,698	-	3,747,430	3,575,121	2,532,275	6,107,396
-	-	-	(980,590)	-	-	-
-	-	-	-	-	(590,380)	(590,380)
83,824	6,576,979	578,449	16,754,896	53,943,613	26,115,996	80,059,608
83,824	6,576,979	578,449	16,754,896	53,943,613	26,115,996	80,059,608
-	-	-	8,117,796	8,117,796	6,570,972	14,688,768
16,880	881,559	-	16,037	1,021,905	647,349	1,669,254
16,880	881,559	-	8,133,833	9,139,701	7,218,321	16,358,022
-	-	-	15,854	15,854	5,915	21,769
-	-	-	(1,037,411)	-	-	-
-	-	-	(2,173,119)	-	-	-
-	-	-	(542,819)	(542,819)	-	(542,819)
-	-	-	-	-	(1,706,640)	(1,706,640)
100,704	7,458,538	578,449	21,151,234	62,556,349	31,633,592	94,189,940

Consolidated Statement of Cash Flows

Accounting Policy

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

For the year ended 31 March	Note	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit before Taxation		2,887,884	874,199	19,031,586	9,870,382
Loss from Discontinued operation	39	-	-	(134,588)	(120,918)
ADJUSTMENTS FOR					
Net Gain on Financial Assets Recognised Through Profit or Loss	33	(39,390)	(13,906)	(68,634)	(32,748)
Impairment of Financial Assets At Amortised Cost- Loans and Advances		-	-	1,060,377	1,057,712
Impairment of Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out on Hire		-	-	253,238	482,245
Impairment Provision/(Reversal) of Trade and Other Debtors, Deposits and Prepayments		-	-	(2,291)	(86,961)
Share of profits of equity accounted Investees		-	-	38,654	(6,016)
Provision for inventory	14.1	-	-	370,448	194,733
Amortization Intangible assets	15	-	-	95,175	89,562
Change in fair Value of Consumable Biological Assets	18.2	-	-	(32,089)	(53,331)
Change in Fair Value of Investment Property	20	-	-	(37,576)	(2,051)
Depreciation on Property, plant and equipments	16	16,164	16,141	2,292,220	2,209,101
Loss/(Profit) on sale of Property,plant & equipment	33	-	-	(55,072)	54,507
Amortisation of biological assets	18.1	-	-	129,879	128,500
Bearer biological assets Write off during the year		-	-	37,469	14,660
Amortisation of Leasehold Rights Over Mining Lands	19	-	-	-	2,619
Depreciation of Right of Use Assets	17	37,549	16,141	590,883	572,874
Provision For Employee Benefit Liabilities	27	3,454	2,998	379,842	341,778
Amortization of Capital Grant	25.1	-	-	(7,386)	(6,799)
Loss/ (Profit) on disposal of investment	33	-	(2,140)	-	(2,140)
Dividend income	32	(2,869,006)	(1,007,750)	(1,144,120)	(3,377)
Finance Cost	35	93,684	150,763	1,840,668	3,017,953
Finance Income	36	-	(2,594)	(108,244)	(86,299)
Operating Profit before Working Capital Changes		130,339	33,852	24,530,439	17,635,986
(Increase)/Decrease in Financial Assets At Amortised Cost- Loans and Advances		-	-	(9,733,612)	(12,077,352)
(Increase)/Decrease in Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out on Hire		-	-	13,013,797	4,941,513
(Increase)/Decrease in Other Financial Assets		(75,000)	-	(1,849,935)	1,733,531
(Increase)/Decrease in Trade and Other Debtors, Deposits and Prepayments		(493,593)	125,786	(783,384)	(39,376)
(Increase)/Decrease in Other Non Financial Assets		(525)	447	245,858	623,857
(Increase)/Decrease in Inventories		-	-	5,366,792	(2,575,644)
(Increase)/Decrease in Consumable Biological Assets		-	-	33,687	7,073
Increase/(Decrease) in Asset held for Sale		-	-	148,150	4,772
Increase/(Decrease) in Due to Banks		-	-	(5,425,915)	(2,467,436)
Increase/(Decrease) in Due to Customers		-	-	(3,374,885)	6,072,481
Increase/(Decrease) in Trade & Other Payables		359	14,939	1,251,556	(2,232,594)
Increase/(Decrease) in Other Non Financial Liabilities		-	-	1,430,154	(344,034)
Cash Generated from/ (Used in) Operations		(438,420)	175,024	24,852,702	11,282,777

For the year ended 31 March	Note	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
Retirement Benefits Liabilities paid	27	-	-	(168,632)	(179,730)
Finance Cost Paid		(93,684)	(150,763)	(3,038,729)	(1,953,134)
Interest received		-	2,594	108,244	86,299
Taxes Paid		(69,347)	(16,270)	(2,526,256)	(4,021,799)
Net Cash from/ (Used in) Operating Activities		(601,451)	10,585	19,227,329	5,214,413
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale/(Purchase) of Financial Assets Recognised Through Profit or Loss		-	3,864	16,215	22,815
Sale/(Purchase) of Equity Instruments measured at Fair Value through OCI		-	(1,810,039)	(214)	(1,810,033)
Disposal/ (Investment) in Associate		(7,177)		(7,177)	-
Purchase of Intangible assets	15	-	-	(8,505)	(52,842)
Purchase of investment property	20	-	-	(215,430)	-
Purchase of Property, Plant & Equipment	16	(9,223)	(7,971)	(2,871,764)	(3,280,408)
Proceeds from Sale of Property, Plant & Equipment		-	-	908,044	1,596,709
Cost on Bearer Biological Assets	18.1	-	-	(114,369)	(145,174)
Acquisition of Right of use assets	17	-	(89,951)	(502,548)	(462,240)
Dividend Received		2,869,006	1,007,750	1,144,120	3,377
Dividend Income from Associate	12	-	-	-	24,365
Net Cash from/ (Used in) Investing Activities		2,852,606	(896,347)	(1,651,628)	(4,103,431)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds From Interest Bearing Loans & Borrowings		-	1,000,000	41,816,571	43,826,206
Repayment of Interest Bearing Loans & Borrowings		(1,032,395)	(422,634)	(48,436,419)	(43,162,802)
Capital Grant Received		-	-	3,550	3,904
Dividend Paid		(536,771)	(13)	(2,222,450)	(743,828)
Net Cash Generated from/ (Used in) Financing Activities		(1,569,166)	577,353	(8,838,748)	(76,520)
Net Increase / (Decrease) in Cash & Cash Equivalents		681,989	(308,409)	8,736,953	1,034,463
Net Unrealised Exchange (Gains)/Losses		-	-	23,153	103,279
Cash and Cash Equivalents at the beginning of the Year		(593,164)	(284,755)	396,182	(741,560)
Cash and Cash Equivalents at the end of the Year	3.2	88,825	(593,164)	9,156,288	396,182

The accounting policies and notes on pages 164 through 273 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

Vallibel One PLC

Group holding company manages a portfolio of diversified business holdings.

Royal Ceramics Lanka PLC Group

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

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

The Group's ultimate controlling party is Mr. K. D. D. Perera.

1.4 Consolidated Financial Statements

The Consolidated Financial Statements of Vallibel One PLC, as at and for the year ended 31st March 2021 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 Authorization for Issue

The Consolidated Financial Statements of Vallibel One PLC and its subsidiaries for the Year ended 31 March 2021 were authorised for issue in accordance with a resolution of the directors on 3 June 2021.

1.6 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements which comprise the Statement of profit or loss, Statements of comprehensive income, statements of financial position, statements of changes in equity and the cash flows statements, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

2.2 Basis of Measurement

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

The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized 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 & 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 1 on Presentation of Financial Statements.

2.6 Basis of Consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its 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 directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the existing and potential implications of COVID 19 pandemic on the business operations and performance of the Group and the measures adopted by the government to mitigate the pandemic's spread and support recovery of the economy. The, Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.8 Significant Accounting Judgments, Estimates, Assumptions

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make assumptions, judgments 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 judgments 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	2.10.1 (i)
Classification of Financial Assets & Liabilities	2.10.1 (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
Fair value of free hold land and buildings	16.5
Investment properties	20.1
Fair valuation of biological assets	18.2.1
Impairment of goodwill	15.2

2.9 Significant Accounting Policies

2.9.1 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.

Notes to the Financial Statements

(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.

(iv) 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.

(v) 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 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.

(vi) 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 amortized.

(vii) 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 market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to depositors when funds are transferred to the Group.

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

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

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress Case" scenarios in to account. If cash flows after initial recognition are realized 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 amortization 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 judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

Notes to the Financial Statements

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.

2.9.2 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 09 (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 recognized 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 recognized 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 recognized 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 instalment. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

2.10 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.

- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for Retirement Benefit Obligation is recognized 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.
- Investment Properties are measured at fair value as per LKAS 40 – Investment Property.

2.11 Changes in Accounting Policies

New and amended standards and interpretations

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2020.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group but may impact future periods should the Company enter into any business combinations.

Amendments to LKAS 1 and LKAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating 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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Group.

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.

These amendments had no impact on the financial statements of the Group.

Amendment to SLFRS 16- Covid-19 related rent concession

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payment resulting from

Covid-19 related rent concession the same way it would account for a change under SLFRS 16, if the change was not a lease modification. The amendments are applicable to annual reporting periods beginning on or after 1 June 2020.

This amendment had no impact on the consolidated financial statements of the Group.

2.12 Standards Issued but not yet Effective

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below. None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the Group in the foreseeable future. The Group intends to adopt these amended standards, if applicable, when they become effective.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

Amendments to SLFRS 3: Reference to the Conceptual Framework

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. IASB also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021 , ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS16- Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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 amortized cost in the Statement of Financial Position.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cash in hand and at Bank	88,931	10,134	8,098,736	2,040,342
Cash in transit	-	-	19,001	52,215
Short Term Bank Deposits	-	-	-	3,992,864
Treasury Bill Repurchase Agreement	-	-	3,399,665	1,542,844
Deposits	-	-	-	56,191
	88,931	10,134	11,517,402	7,684,456

3.1 The collateral value of repurchase agreements reflected on the Statement of Financial Position under cash and cash equivalents as at 31 March 2021 and 31 March 2020 was LKR 3,406,500,000/- and LKR 1,685,700,000/- 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cash and Cash Equivalents	88,931	10,134	11,517,402	7,684,456
Cash and Cash Equivalents attributable to discontinued operations	-	-	4,453	612
Bank Overdrafts (Note 21)	(106)	(603,298)	(2,365,567)	(7,288,886)
Cash and Cash Equivalents at the end of the Period	88,825	(593,164)	9,156,288	396,182

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 mandatory 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	2021		2020	
	Number of Shares	LKR '000	Number of Shares	LKR '000
Hotels and Travels				
Citrus Leisure PLC	8,380,767	87,998	8,380,767	48,608
		87,998		48,608

Notes to the Financial Statements

4.1.2 Investment in Shares - Group

As at 31 March	2021		2020	
	Number of Shares	LKR '000	Number of Shares	LKR '000
Quoted				
Bank, Finance and Insurance				
Softlogic Finance PLC	-	-	8	-
Seylan Bank PLC (Non- Voting)	107,479	4,643	104,110	2,301
Browns Investments PLC	-	-	2,845,819	5,407
Food Processing				
Bairaha Farms PLC	17,600	2,424	17,600	1,385
Hotels and Travels				
Aitken Spence PLC	225,000	12,488	225,000	6,908
Royal Palms Beach Hotels PLC	4,299	61	4,299	55
John Keels Hotels PLC	45,009	1,080	45,009	302
Citrus Leisure PLC	11,149,043	110,975	11,149,043	64,664
Serendib Hotels PLC	16,000	232	16,000	338
Kalpitiya Beach Resorts PLC	-	3,092	-	1,867
Diversified Holdings				
Hayleys PLC	1,222	74	1,222	151
Health Care				
The Lanka Hospital Corporation PLC	45,519	1,980	45,519	1,252
Total Quoted Investments		137,049		84,630
Non-Quoted				
MBSL Insurance	4,666,667	8,667	4,666,667	8,667
Less: Impairment	-	(8,667)	-	(8,667)
Total Non-quoted Investments		-		-
Total		137,049		84,630

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	2021		2020	
	Number of Shares	LKR '000	Number of Shares	LKR '000
Quoted				
Bank, Finance and Insurance				
Sampath Bank PLC *	171,117,084	9,206,099	57,039,028	9,097,725
Total Quoted Investments	171,117,084	9,206,099	57,039,028	9,097,725
Total	171,117,084	9,206,099	57,039,028	9,097,725

Investment in Shares - Group

As at 31 March	2021		2020	
	Number of Shares	LKR '000	Number of Shares	LKR '000
Quoted				
Manufacturing				
Central Industries PLC	8,569	883	8,184	268
Ceylon Grain Elevators PLC	44	5	44	2
Dankotuwa Porcelain PLC	32,512	335	32,512	146
Samson International PLC	5,899	792	5,899	425
Hotels and Travels				
Aitken Spence Hotel Holdings PLC	308	9	308	5
Hotel Sigiriya PLC	700	40	700	25
Stores and Supplies				
Hunter PLC	10	6	10	4
Bank Finance and Insurance				
Commercial Bank PLC	349	23	285	17
Sampath Bank PLC *	171,117,099	9,206,099	57,039,033	9,097,726
Seylan Bank PLC	2,774	136	2,718	91
Softlogic Finance PLC	2,090,000	20,900	2,090,000	24,035
Beverages, Food and Tobacco				
Keels Food Products PLC	500	81	500	54
Lanka Milk Foods PLC	5,500	826	5,500	407
Convenience Food (Lanka) PLC	22	27	22	7
Total Quoted Investments		9,230,162		9,123,212
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	801	25,000	1,035
eConsultant Limited	-	-	-	75
Total Non-quoted Investments		1,106		1,415
Less: Provision for Financial Assets - Equity Instruments measured at FVOCI		-		(523)
Total Carrying Value of Financial Assets - Equity Instruments measured at FVOCI		9,231,268		9,124,104

** On 17th March 2021, Sampath Bank PLC has sub-divided its shares in the proportion of three (03) ordinary shares in issue, which resulted in increasing the number of shares invested in Sampath Bank PLC as of 31st March 2021.*

4.3 Fair value of financial instruments

The Following Methods & 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 & cash equivalent, trade receivable, trade payable and other financial liabilities, Long term variable-rate borrowing 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.

The Group held the following financial instruments carried at fair value in the Statement of Financial position:

Company

As at 31st March 2021	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	87,998	-	-	87,998
	87,998	-	-	87,998
Financial Assets measured at Fair value through OCI				
Quoted equities	9,206,099	-	-	9,206,099
	9,206,099	-	-	9,206,099
Total	9,294,097	-	-	9,294,097

As at 31st 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

Group

As at 31st March 2021	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	137,049	-	-	137,049
	137,049	-	-	137,049
Financial Assets measured at Fair value through OCI				
Quoted equities	9,230,163	-	-	9,230,163
Un-Quoted equities	-	801	305	1,106
	9,230,163	801	305	9,231,269
Total	9,367,212	801	305	9,368,318

As at 31st 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
Un-Quoted equities	-	587	305	892
	25,487	9,098,312	305	9,124,104
Total	110,117	9,098,312	305	9,208,734

4.4 Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Fair Value Hierarchy

Group investments in quoted shares of Sampath Bank PLC transferred to Level 1 from Level 2 in the fair value hierarchy and which has been previously valued based on the share price as at 28th February 2020 on the basis that the transactions taken place after that date are assumed to be not orderly. During the year respective share investment has been valued based on the active market price as at 31st March 2021.

	Level 1		Level 2	
As at 31st March 2021	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 1 April	110,117	7,684,349	9,098,312	593
Transfers in/ (out)	9,097,725	(7,564,746)	(9,097,725)	7,564,746
Net investments made/ (disposals) during the year	-	-	-	1,810,038
Fair value gain/ (loss)	159,370	(9,486)	214	(277,065)
As at 31 March	9,367,212	110,117	801	9,098,312

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Gold Loans	-	-	36,656,594	31,017,589
Vehicle Loans	-	-	17,085,331	12,125,470
Medium and short term loans	-	-	7,549,198	7,511,281
Mortgage Loans	-	-	5,483,381	6,456,908
Quick loans	-	-	-	9
Power Drafts	-	-	4,052,550	3,960,962
Factoring Receivable	-	-	82,941	103,636
Real estate Loans	-	-	-	528
	-	-	70,909,995	61,176,383
Less : Allowance for Impairment Losses (Note 7)	-	-	(3,443,415)	(2,383,038)
Net Loans and Advances	-	-	67,466,580	58,793,345
Fair Value	-	-	68,707,912	59,836,524

5.1 Medium and Short Term Loans include loans granted to Company Officers, the movement of which is as follows :

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 1st April	-	-	564,853	508,402
Add : Loans granted during the year	-	-	464,052	588,462
Less : Repayments during the year	-	-	(612,459)	(532,011)
As at 31st March	-	-	416,446	564,853

5.2 Contractual Maturity Analysis of Loans and Advances- Group

As at 31st March 2021	Within 1 Year LKR '000	1 - 5 Years LKR '000	Over 5 Years LKR '000	Total LKR '000
Gold Loans	36,656,594	-	-	36,656,594
Vehicle Loans	5,301,055	11,745,962	38,314	17,085,331
Medium and short term loans	4,125,871	2,012,700	1,410,627	7,549,198
Mortgage Loans	2,325,310	2,746,738	411,333	5,483,381
Quick loans	-	-	-	-
Power Drafts	2,330,241	1,722,309	-	4,052,550
Factoring Receivable	77,535	5,406	-	82,941
Gross Loans and Receivables	50,816,606	18,233,115	1,860,274	70,909,995
Allowance for Impairment Losses				(3,443,415)
Net Loans and Advances				67,466,580

As at 31st 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 Advances	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

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

As at 31 March	Group			
	2021 Stage 01 LKR '000	2020 Stage 02 LKR '000	2021 Stage 03 LKR '000	2020 Total LKR '000
Gross Carrying Amount as at 1 April	50,799,665	6,104,577	4,272,140	61,176,382
Transfer to Stage 01	1,381,107	(1,225,972)	(155,135)	-
Transfer to Stage 02	(1,506,052)	1,748,495	(242,443)	-
Transfer to Stage 03	(819,185)	(793,698)	1,612,883	-
New Assets Originated or Purchased	21,988,117	5,699,812	3,543,275	31,231,204
Financial Assets Derecognised or Repaid	(13,358,889)	(5,260,957)	(2,786,547)	(21,406,393)
Write-offs	-	-	(121,132)	(121,132)
Exchange Rate Variance on Foreign Currency Provisions	29,934	-	-	29,934
As at 31 March	58,514,697	6,272,257	6,123,041	70,909,995

5.3 Credit Exposure Movement - ECL Stage-wise (Contd.)

Loans and Advances

As at 31 March	Group			
	2021 Stage 01 LKR '000	2020 Stage 02 LKR '000	2021 Stage 03 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 01	424,101	(396,489)	(27,612)	-
Transfer to Stage 02	(2,143,465)	2,256,215	(112,750)	-
Transfer to Stage 03	(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

6. FINANCIAL ASSETS AT AMORTISED COST- LEASE RENTALS RECEIVABLE & 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.

As at 31 March 2021	Company			Group		
	Lease LKR '000	Hire Purchase LKR '000	Total LKR '000	Lease LKR '000	Hire Purchase LKR '000	Total LKR '000
Gross Rentals Receivables	-	-	-	64,551,127	104,480	64,655,607
Less: Unearned Income	-	-	-	(14,131,368)	(25)	(14,131,393)
Net Rentals Receivables	-	-	-	50,419,759	104,455	50,524,214
Less: Rentals Received in Advance	-	-	-	(3,308)	-	(3,308)
Less: Allowance for Impairment Losses (Note 7)	-	-	-	(3,057,037)	(104,234)	(3,161,271)
Total Net Rentals Receivable	-	-	-	47,359,414	221	47,359,635
Fair Value			-			49,448,938

As at 31 March 2020	Company			Group		
	Lease LKR '000	Hire Purchase LKR '000	Total LKR '000	Lease LKR '000	Hire Purchase LKR '000	Total LKR '000
Gross Rentals Receivables	-	-	-	82,924,583	117,309	83,041,892
Unearned Income	-	-	-	(19,502,060)	(87)	(19,502,147)
Net Rentals Receivables	-	-	-	63,422,523	117,222	63,539,745
Rentals Received in Advance	-	-	-	(5,042)	-	(5,042)
Allowance for Impairment Losses (Note 7)	-	-	-	(2,793,393)	(114,640)	(2,908,033)
Total Net Rentals Receivable	-	-	-	60,624,088	2,582	60,626,670
Fair Value						62,563,940

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 & Hire Purchase facilities granted to Company Officers, the movement of which is as follows :

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at the beginning of the year	-	-	35,168	48,957
Add : Loans granted during the year	-	-	6,009	17,448
Less : Repayments during the year	-	-	(21,934)	(31,237)
As at the end of the year	-	-	19,243	35,168

6.2 Contractual Maturity Analysis of Lease Rentals receivable and Stockout on Hire- Group

As at 31 March 2021	Lease				Hire Purchase			
	Within one year LKR '000	1 - 5 years LKR '000	Over 5 years LKR '000	Total LKR '000	Within one year LKR '000	1 - 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Gross rentals receivables	28,863,006	35,682,196	5,925	64,551,127	104,401	79	-	104,480
Unearned Income	(7,483,700)	(6,647,373)	(295)	(14,131,368)	(24)	(1)	-	(25)
Net rentals receivables	21,379,306	29,034,823	5,630	50,419,759	104,377	78	-	104,455
Rentals Received in Advance				(3,308)				-
Allowance for Impairment Losses				(3,057,037)				(104,234)
Total net rentals receivable				47,359,414				221
Total net rentals receivable from lease and hire purchase								47,359,635

Notes to the Financial Statements

6.2 Contractual Maturity Analysis of Lease Rentals receivable and Stockout on Hire - Group (Contd.)

As at 31 March 2020	Lease				Hire Purchase			
	Within one year LKR '000	1 - 5 years LKR '000	Over 5 years LKR '000	Total LKR '000	Within one year LKR '000	1 - 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Gross rentals receivables	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 receivables	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

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

As at 31 March	Group			
	2021 Stage 01 LKR '000	2021 Stage 02 LKR '000	2021 Stage 03 LKR '000	2021 Total LKR '000
Gross Carrying Amount as at 1 April	32,481,283	21,984,111	9,069,308	63,534,702
Transfer to Stage 01	6,643,342	(5,895,550)	(747,792)	-
Transfer to Stage 02	(4,471,359)	5,457,333	(985,974)	-
Transfer to Stage 03	(1,315,361)	(2,993,444)	4,308,805	-
New Assets Originated or Purchased	18,672,755	10,189,423	4,825,552	33,687,730
Financial Assets Derecognised or Repaid	(20,409,212)	(17,725,983)	(8,208,391)	(46,343,586)
Write-offs	-	-	(357,941)	(357,941)
As at 31 March	31,601,448	11,015,890	7,903,567	50,520,905

As at 31 March	Group			
	2020 Stage 01 LKR '000	2020 Stage 02 LKR '000	2020 Stage 03 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 01	2,257,459	(2,095,376)	(162,083)	-
Transfer to Stage 02	(12,202,504)	12,624,522	(422,018)	-
Transfer to Stage 03	(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	21,984,110	9,069,308	63,534,703

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”.

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

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

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

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

Stage 1

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

Stage 2

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

Stage 3

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

Significant Increase in Credit Risk

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

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

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

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

Notes to the Financial Statements

7. ALLOWANCE FOR IMPAIRMENT LOSSES (CONTD.)

Accounting Policy

Grouping Financial Assets Measured on a Collective Basis

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

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

Calculation of ECL

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

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

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

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

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

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 model is 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 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

Accounting Policy

Reversals of impairment

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

Non performing classification point is triggered out when the receivables are more than five 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 recognized 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 Stage-wise Analysis of the Allowance for Impairment Losses

	Group							
As at 31 March	Stage 01 2021 LKR '000	Stage 02 2021 LKR '000	Stage 03 2021 LKR '000	Total 2021 LKR '000	Stage 01 2020 LKR '000	Stage 02 2020 LKR '000	Stage 03 2020 LKR '000	Total 2020 LKR '000
As at 01 April	597,753	529,126	4,164,191	5,291,070	583,904	477,048	2,690,163	3,751,115
Charge / (Reversal) for the year	689,805	(73,184)	1,174,350	1,790,971	13,149	52,540	1,864,821	1,930,510
Amounts written off	-	-	(479,073)	(479,073)	(15)	(461)	(390,793)	(391,269)
Exchange Rate Variance on Foreign Currency Provisions	314	145	1,259	1,718	714	-	-	714
As at 31 March	1,287,872	456,087	4,860,727	6,604,686	597,752	529,127	4,164,191	5,291,070
Loans and Advances				3,443,415				2,383,038
Lease Rental receivables and stock out on hire				3,161,271				2,908,033
				6,604,686				5,291,071

7.2

As at 31 March	Group Stage 01 2021 LKR '000	Stage 02 2021 LKR '000	Stage 03 2021 LKR '000	Total 2021 LKR '000	Stage 01 2020 LKR '000	Stage 02 2020 LKR '000	Stage 03 2020 LKR '000	Total 2020 LKR '000
Individual Impairment	-	-	4,860,728	4,860,728	-	-	4,164,191	4,164,191
Collective Impairment	1,287,872	456,086	-	1,743,958	597,753	529,126	-	1,126,879
Total	1,287,872	456,086	4,860,728	6,604,686	597,753	529,126	4,164,191	5,291,070
Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	-	-	14,027,867	14,027,867	-	-	13,341,448	13,341,448
Gross Amount of Loans Collectively Assessed for the Impairment	90,114,218	17,288,816	-	107,403,034	83,280,534	28,089,102	-	111,369,636
Gross Receivables	90,114,218	17,288,816	14,027,867	121,430,901	83,280,534	28,089,102	13,341,448	124,711,084
Gross Amount of Loans Individually Determined to be Impaired				11.55%				10.70%

7.3 **Product -wise Analysis of the Allowance for Impairment Losses**

As at 31 March	Group Stage 01 2021 LKR '000	Stage 02 2021 LKR '000	Stage 03 2021 LKR '000	Total 2021 LKR '000	Stage 01 2020 LKR '000	Stage 02 2020 LKR '000	Stage 03 2020 LKR '000	Total 2020 LKR '000
Gold Loans	373,668	48,518	22,557	444,743	141,187	-	10,619	151,806
Vehicle Loans	142,665	49,558	220,557	412,780	58,667	49,200	154,918	262,785
Medium and short term loans	202,375	28,824	227,083	458,282	79,282	17,767	287,421	384,470
Mortgage Loans	121,911	71,391	1,662,992	1,856,294	30,535	52,609	1,276,216	1,359,360
Quick loans	-	-	-	-	-	-	3	3
Power Drafts	20,701	10,410	157,264	188,375	5,093	8,480	105,883	119,456
Margin trading	-	-	-	-	-	-	2	2
Factoring Receivable	-	-	82,941	82,941	-	-	104,628	104,628
Real estate Loans	-	-	-	-	-	-	528	528
Loans and Advances	861,320	208,701	2,373,394	3,443,415	314,764	128,056	1,940,218	2,383,038
Leases	426,552	247,385	2,383,101	3,057,038	282,988	401,059	2,109,346	2,793,393
Hire Purchase	-	-	104,233	104,233	-	12	114,628	114,640
Lease Rental receivables and stock out on hire	426,552	247,385	2,487,334	3,161,271	282,988	401,071	2,223,974	2,908,033
Total Allowance for Impairment lossess	1,287,872	456,086	4,860,728	6,604,686	597,752	529,127	4,164,192	5,291,071

7.4 Stage Movements in Allowance for Impairment Losses

As at 31 March	Group							
	Stage 01 2021 LKR '000	Stage 02 2021 LKR '000	Stage 03 2021 LKR '000	Total 2021 LKR '000	Stage 01 2020 LKR '000	Stage 02 2020 LKR '000	Stage 03 2020 LKR '000	Total 2020 LKR '000
Opening Balance	597,755	529,126	4,164,190	5,291,071	583,905	477,047	2,690,163	3,751,115
Transfer to Stage 01	223,511	(151,440)	(72,071)	-	72,001	(57,090)	(14,911)	-
Transfer to Stage 02	(50,367)	119,414	(69,047)	-	(131,195)	164,685	(33,490)	-
Transfer to Stage 03	(18,168)	(82,271)	100,439	-	(38,409)	(131,718)	170,127	-
New Assets Originated or Purchased	1,017,424	492,567	2,094,385	3,604,376	476,274	444,683	2,485,651	3,406,608
Financial Assets Derecognised or Repaid	(482,594)	(451,454)	(879,357)	(1,813,405)	(365,521)	(368,020)	(742,576)	(1,476,117)
Write-offs	-	-	(479,073)	(479,073)	(15)	(461)	(390,773)	(391,249)
Exchange Rate Variance on Foreign Currency Provisions	314	145	1,258	1,717	714	-	-	714
Closing Balance	1,287,875	456,087	4,860,724	6,604,686	597,754	529,126	4,164,191	5,291,071

7.5 Sensitivity Analysis of Allowance for Impairment Losses

As at 31 March		Sensitivity Effect on Impairment Allowance Increase	
		2021 LKR '000	2020 LKR '000
Changed Criteria	Changed Factor		
Loss Given Default (LGD)	Increase by 10%	168,101	197,181
Probability of Default (PD)	Increase by 1%	5,434	16,403

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Treasury Bill / Repurchases	-	-	3,537,745	5,462,735
Insuarance premium receivables	-	-	331,731	206,038
Investment in Fixed Deposits (Note 8.2)	75,000	-	7,257,703	3,654,677
Others	-	-	60,019	13,813
	75,000	-	11,187,198	9,337,263
Fair Value	75,000	-	11,187,198	9,337,263

8.1 The collateral value of repurchase agreements reflected on the Statement of Financial Position under Other Financial Assets as at 31 March 2021 and 31 March 2020 was LKR 3,756,500,000/- and LKR 6,090,600,000/-, respectively.

Notes to the Financial Statements

8.1 The collateral value of repurchase agreements reflected on the Statement of Financial Position under Other Financial Assets as at 31 March 2021 and 31 March 2020 was LKR 3,756,500,000/- and LKR 6,090,600,000/-, respectively.

8.2 Investment in Fixed Deposits

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Counterparty External Credit Rating*				
AA+	75,000	-	75,000	-
AA	-	-	604,296	52,949
AA-	-	-	4,578,248	838,314
A+	-	-	1,986,144	732,992
A-	-	-	30,000	2,038,010
BBB	-	-	812	739
Investment in Fixed deposits	75,000	-	7,274,500	3,663,004
Less: Impairment Allowance	-	-	(16,797)	(8,327)
	75,000	-	7,257,703	3,654,677

**Fitch Ratings Lanka Ltd*

9. TRADE & 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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Gross Trade receivables	-	-	6,075,697	5,885,399
(-) Bad debt provision	-	-	(317,333)	(319,624)
Net Trade receivables	-	-	5,758,364	5,565,775
Amounts due from Related Parties (Note 9.1)	167,195	146,141	27,791	22,103
Deposits	23,834	23,834	948,588	1,011,460
Other Advances	-	-	35,522	3,646
Principle Receivable	-	-	112,992	139,452
Other Receivables	472,538	-	1,374,424	729,570
	663,567	169,975	8,257,681	7,472,006

9.1 Amounts due From Related Parties

Related party transactions disclosures in Note 44.

Related Party	Relationship	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
Royal Ceramics Lanka PLC	Subsidiary	17,137	20,019	-	-
Rocell Bathware Ltd	Subsidiary	9,372	4,681	-	-
Lanka Walltile PLC	Subsidiary	15,951	12,268	-	-
Lanka Tiles PLC	Subsidiary	60,659	41,564	-	-
Swisstek Ceylon PLC	Subsidiary	-	27,304	-	-
Uni Dill Packaging Ltd	Subsidiary	36,669	23,537	-	-
V CASHE Fintech (Pvt) ltd	Affiliate	-	568	-	568
Singer Sri Lanka PLC	Affiliate	27,407	16,200	27,407	17,064
Singhe Hospital PLC	Affiliate	-	-	-	72
The Kingsbury PLC	Affiliate	-	-	80	1,700
Hayleys Agriculture Holding	Affiliate	-	-	-	391
Hayleys Agro Fertilizer	Affiliate	-	-	223	76
Talawakelle Tea Estates PLC	Affiliate	-	-	-	49
Kelani Valley Plantations PLC	Affiliate	-	-	-	1,588
MN Properties (Pvt) Ltd	Affiliate	-	-	81	162
Waskaduwa Beach Resorts PLC	Affiliate	-	-	-	38
Hayleys Advantis Ltd	Affiliate	-	-	-	89
Haycarb PLC	Affiliate	-	-	-	306
		167,195	146,141	27,791	22,103

9.2 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.

As at 31 March	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
As at 1st April	-	-	50,476	67,190
During the year recognized	-	-	2,085	(16,714)
As at 31st March	-	-	52,561	50,476

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 company issues an invoice to the customer.

Notes to the Financial Statements

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Advance for Vehicle Stock	-	-	33,100	14,673
Advances & Pre-Payments	2,749	2,224	972,940	1,187,711
Gold Stock (Note 10.1)	-	-	1,514	1,514
Stationary Stock	-	-	15,854	15,361
Sundry Debtors	-	-	16,212	-
Pre-paid Staff Cost (Note 10.2)	-	-	10,484	23,153
Receivables & Others	-	-	64,272	106,953
Advance Company Tax Receivable	-	-	-	27,285
	2,749	2,224	1,114,376	1,376,650

10.1 Gold Stock

The gold inventory is valued at lower of cost and net realizable 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 realizable 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

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at the Beginning of the Year	-	-	23,153	25,865
Adjustment for New Grants and Settlements	-	-	(8,406)	3,721
Charge to Personnel Expenses	-	-	(4,263)	(6,433)
As at the End of the Year	-	-	10,484	23,153

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 2021. 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	
		2021	2020	2021	2020
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%	286,729,600	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 re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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.

11. INVESTMENT IN SUBSIDIARIES (CONTD.)

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 recognized 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 recognized 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.

Quoted Investments	Cost		Market Value	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Royal Ceramics Lanka PLC	9,920,440	9,920,440	15,934,668	3,465,945
LB Finance PLC	5,461,361	5,461,361	13,590,983	8,637,729
	15,381,801	15,381,801	29,525,651	12,103,674

Unquoted Investments	Cost		Market Value	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Delmege Limited	1,579,525	1,579,525	1,579,525	1,579,525
Greener Water Lmited	3,269,397	3,269,397	3,269,397	3,269,397
Total	4,848,922	4,848,922	4,848,922	4,848,922
Total	20,230,723	20,230,723	34,374,573	16,952,596

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

Quoted Investments	Effective Holding (%)		Number of Shares	
	2021	2020	2021	2020
The Fortress Resorts PLC	21.18%	20.61%	20,618,257	19,977,345

Quoted Investments	Cost		Market Value	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
The Fortress Resorts PLC	413,068	405,891	230,924	155,823
	413,068	405,891	230,924	155,823

Notes to the Financial Statements

12.2 Group

	2021 LKR '000	2020 LKR '000
Balance at the beginning of the year	622,465	640,394
Investment made during the year	7,177	-
Share of Profit/ (Loss)	(38,654)	6,016
Share of Other Comprehensive income	156	420
Less: Dividend	-	(24,365)
Balance at the end of the Year	591,144	622,465

12.3 Summarised financial information of equity accounted investees has not been adjusted for group share,

12.3.1 Statement of profit or loss

	2021 LKR '000	2020 LKR '000
Revenue	74,666	489,320
Cost of sales	(66,032)	(155,351)
Income (Includes Other Income, Finance Income)	69,250	59,212
Expenses (Includes Operating , Administration & Distribution expenses)	(244,784)	(330,294)
Finance Cost	(15,711)	(10,554)
Income Tax	7,005	(24,952)
Profit after Tax	(175,606)	27,381
Other comprehensive income	705	1,911

12.3.2 Statement of Financial Positions

	2021 LKR '000	2020 LKR '000
Non current assets	1,318,989	1,379,315
Current assets	711,869	781,680
Non current liabilities	193,203	208,540
Current liabilities	240,878	180,777
Net assets	1,596,777	1,771,678

12.3.3 Commitments and Contingencies

	2021 LKR '000	2020 LKR '000
Commitments		
Lease commitments	61,419	64,013

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 01 April	2,690	(289)	(6,313,620)	(6,397,255)
Recognized in Profit or Loss	1,458	2,819	538,674	65,571
Recognized in Other Comprehensive Income	(193)	160	311,079	18,064
Deferred tax on acquisition of subsidiaries	-	-	-	-
At the end of the year	3,955	2,690	(5,463,867)	(6,313,620)
Deferred Tax Assets	3,954	2,690	37,510	269,987
Deferred Tax Liabilities	-	-	(5,501,377)	(6,583,607)
	3,954	2,690	(5,463,867)	(6,313,620)

13.1 The closing net differed tax liability relate to the following ;

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Property, Plant & Equipments	(808)	(1,678)	(4,253,766)	(4,646,102)
Revaluation surplus on Investment Property	-	-	(255,746)	(287,869)
Right of use assets	1,237	996	56,998	(1,001,557)
Defined Benefit Obligation	3,525	3,371	387,704	445,870
Provisions	-	-	257,450	302,369
Deferred Taxation on Un distributed Associate Profit	-	-	(15,414)	-
Revaluation Surplus	-	-	(1,948,653)	(2,028,909)
Unutilized tax losses	-	-	307,560	902,578
	3,954	2,689	(5,463,867)	(6,313,620)

14 INVENTORIES

Accounting Policy

Deferred tax is provided on temporary differences at the financial position date between the tax bases of assets and liabilities Inventories are valued at lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

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

- Raw material – At purchase cost on weighted average cost basis, except for, Vallibel Plantation Management Limited, Swisstek Aluminium 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 realizable value, after making due allowance for obsolete and slow moving items. Net realizable 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.

Accounting Policy

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Raw Materials	-	-	4,003,037	3,370,010
Other Consumables	-	-	19,835	23,771
Spares and Consumables	-	-	1,670,079	1,457,286
Non-harvested Produce on Bearer Biological Assets	-	-	7,999	3,361
Shading Tree Nurseries	-	-	128	-
Work In Progress	-	-	500,977	483,821
Harvested crops	-	-	206,306	153,484
Seat Covers and Accessories	-	-	569,038	649,495
Finished Goods	-	-	5,772,867	12,005,716
Goods in Transit	-	-	176,533	406,155
	-	-	12,926,799	18,553,099
Less : Provision for Obsolete and Slow Moving Inventory (Note 14.1)	-	-	(608,482)	(497,542)
	-	-	12,318,317	18,055,557

14.1 Movement of the Provision for Obsolete and Slow Moving Inventory

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Opening Balance	-	-	497,542	407,877
Reversal of Write off	-	-	(259,508)	(105,068)
Charge to Profit or Loss	-	-	370,448	194,733
Closing Balance	-	-	608,482	497,542

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.

15. INTANGIBLE ASSETS (CONTD.)

Accounting Policy

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 01st April 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 31st March 2020	517,077	904,891	12,354,095	13,776,064
Acquired during the year	8,505	-	-	8,505
Disposals/ write-off	(9)	-	-	(9)
Effect of change in exchange rate	890	-	58	948
As at 31st March 2021	526,463	904,891	12,354,153	13,785,508
Amortization				
As at 01st April 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 31st March 2020	294,383	426,053	170,710	891,147
Charge for the year	49,930	45,245	-	95,175
Disposals/ write-off	(9)	-	-	(9)
Effect of change in exchange rate	322	-	-	322
As at 31st March 2021	344,626	471,298	170,710	986,635
Net Book Value				
Net book value as at 31st March 2021	181,837	433,593	12,183,443	12,798,873
Net book value as at 31st March 2020	222,694	478,838	12,183,385	12,884,917

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 ;

As at 31 March	Group 2021 LKR '000	Group 2020 LKR '000
Royal Ceramic Lanka PLC and its Subsidiaries	7,410,981	7,410,923
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
	12,183,443	12,183,385

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

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

Gross Margin

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

Discount Rate

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The discount rate applied to cash flow projections range between 9.66% - 11.04%.

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 2% growth rate in the cash flow beyond the five-year 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.

Notes to the Financial Statements

16. PROPERTY, PLANT & 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 (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 depreciation is charge when the underlying asset is available for use.

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 bike	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 Implements and sundry inventory and household items – light	0-2 years
Factory equipment, plant and machinery and moulds	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.

Accounting Policy

Revaluation

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

Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the Statement of Profit or Loss in the year the asset is derecognised.

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 capitalized and amortized 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 - 2021

Cost	Balance as at 01/04/2020 LKR '000	Additions During the Year LKR '000	Transfers/ Disposals LKR '000	Balance as at 31/03/2021 LKR '000
Furniture and Fittings	40,607	6,923	-	47,530
Equipment	3,121	2,300	-	5,421
Motor Vehicles and Accessories	48,861	-	-	48,861
Computer Hardware	21,972	-	-	21,972
	114,561	9,223	-	123,784

Depreciation	Balance as at 01/04/2020 LKR '000	Additions During the Year LKR '000	Transfers/ Disposals LKR '000	Balance as at 31/03/2021 LKR '000
Furniture and Fittings	32,935	3,743	-	36,678
Equipment	2,010	479	-	2,489
Motor Vehicles and Accessories	24,566	8,668	-	33,234
Computer Hardware	15,625	3,274	-	18,899
	75,136	16,164	-	91,300
Carrying value	39,425			32,484

Notes to the Financial Statements

16.1 Property, Plant and Equipment- Company (Contd.)

(b) Company - 2020

Cost	Balance as at 01/04/2019 LKR '000	Additions During the Year LKR '000	Transfers/ Disposals LKR '000	Balance as at 31/03/2020 LKR '000
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

Depreciation	Balance as at 01/04/2019 LKR '000	Additions During the Year LKR '000	Transfers/ Disposals LKR '000	Balance as at 31/03/2020 LKR '000
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

Carrying Amount - Company	As at 31/03/2021 LKR '000	As at 31/03/2020 LKR '000
Property, plant and equipment	32,484	39,425
	32,484	39,425

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 LKR9,222,824/- (2020 - LKR7,971,463/-). Cash payments amounting to LKR9,222,824/- (2020 - LKR7,971,463/-) 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 47,233,409/- (2020 - LKR 9,700,333/-).

16.2 Property, Plant and Equipment- Group

(a) Group - 2021

Cost / Valuation	Balance as at 01/04/2020 LKR '000	Additions/ Transfers During the Year LKR '000	Revaluation LKR '000	Transfers/ Disposals LKR '000	Exchange Translation Difference LKR '000	Balance as at 31/03/2021 LKR '000
Land & Building	31,608,960	503,807	1,198,031	(385,372)	-	32,925,426
Furniture and Fittings	1,382,544	86,699	-	(13,281)	110	1,456,072
Equipment	2,273,688	127,180	-	(39,887)	109	2,361,090
Fire Protection Equipment	-	-	-	-	-	-
Motor Vehicles and Accessories	1,038,445	20,739	-	(54,249)	5	1,004,940
Computer Hardware	1,091,286	50,048	-	(12,950)	234	1,128,618
Air Conditioning	-	-	-	-	-	-
Telephone System	-	-	-	-	-	-
Leasehold Improvements	695,209	65,004	-	(67,008)	-	693,205
Fixtures and Fittings	2,251,177	153,303	-	(22,826)	-	2,381,654
Water Supply Scheme	620,762	24,031	-	-	-	644,793
Electricity Distribution	65,203	-	-	-	-	65,203
Tools and Implements	1,118,291	236,913	-	(3,344)	-	1,351,860
Plant and Machinery	17,430,017	834,806	-	(2,302)	-	18,262,521
Moulds	138,862	1,631	-	-	-	140,493
Household Item - Light	79	-	-	-	-	79
Stores Buildings on Leasehold Land	328,390	-	-	-	-	328,390
Assets on Finance Lease	-	-	-	-	-	-
Capital Work In Progress	5,036,970	1,827,042	-	(800,748)	-	6,063,264
	65,079,883	3,931,203	1,198,031	(1,401,967)	458	68,807,608

Accumulated Depreciation	Balance as at 01/04/2020 LKR '000	Charge for the Year LKR '000	Transfers/ Disposals LKR '000	Exchange Translation Difference LKR '000	Balance as at 31/03/2021 LKR '000
Building	607,373	236,001	(373,676)	-	469,698
Furniture and Fittings	1,013,312	128,152	(12,561)	70	1,128,973
Equipment	1,606,907	193,663	(17,664)	87	1,782,993
Fire Protection Equipment	-	-	-	-	-
Motor Vehicles and Accessories	733,702	95,630	(30,706)	4	798,630
Computer Hardware	772,806	116,789	(12,241)	154	877,508
Air Conditioning	-	-	-	-	-
Telephone System	-	-	-	-	-
Leasehold Improvements	490,408	60,120	(65,176)	-	485,352
Fixtures and Fittings	985,796	234,358	(20,708)	-	1,199,446
Water Supply Scheme	344,505	41,400	-	-	385,905
Electricity Distribution	16,049	3,367	-	-	19,416
Tools and Implements	850,888	108,562	(3,081)	-	956,369
Plant and Machinery	9,001,662	1,065,571	(18,647)	-	10,048,586
Moulds	131,101	2,152	-	-	133,253
Household Item - Light	59	-	-	-	59
Stores Buildings on Leasehold Land	76,223	6,455	-	-	82,678
Assets on Finance Lease	-	-	-	-	-
	16,630,791	2,292,220	(554,460)	315	18,368,866
Carrying value	48,449,092				50,438,742

Notes to the Financial Statements

16.2 Property, Plant and Equipment- Group (Contd.)

(b) Group - 2020

Cost / Valuation	Balance as at 01/04/2019 LKR '000	Additions/ Transfers During the Year LKR '000	Revaluation LKR '000	Transfers/ Disposals LKR '000	Exchange Translation Difference LKR '000	Balance as at 31/03/2020 LKR '000
Land & 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

Accumulated Depreciation	Balance as at 01/04/2019 LKR '000	Charge for the Year LKR '000	Transfers/ Disposals LKR '000	Exchange Translation Difference LKR '000	Balance as at 31/03/2020 LKR '000
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

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.

The amount of borrowing costs capitalised during the year ended 31 March 2021 was LKR157,341,396/- (2020 - LKR LKR140,439,150/-). The rate used to determine the amount of borrowing costs eligible for capitalisation was 8%,which is the EIR of the specific borrowing.

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 LKR3,875,584,982/- (2020 - LKR4,538,757,573/-). Cash payments amounting to LKR2,871,764,020/- (2020 - LKR3,280,407,550/-) 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 8,483,185,013/- (2020 - LKR 7,589,551,987/-).

16.3 Carrying Value of Property, Plant and Equipment- Group

Carrying Amount - Company	As at 31/03/2021 LKR '000	As at 31/03/2020 LKR '000
Property, plant and equipment (Note 16.2)	50,438,742	48,449,092
Bearer Biological Assets (Note 18.1)	2,155,964	2,208,943
	52,594,706	50,658,035

16.5 Fair Value Hierarchy - Non Financial Assets

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

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

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

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

Notes to the Financial Statements

16.5 Fair Value Hierarchy - Non Financial Assets (Contd.)

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	
							2021	Fair value as per previous revaluation year
Greener Water LTD	Mosque lane, Poruthota, Kochchikade	18 A 2 R 7.8P	H.B. Manjula Basnayaka	31.03.2018	Market Approach valuation method	LKR900,000/- per perch	2,672	2,672
Delmege Forsyth & Co-Ltd	No 101, Vinayalankara Mawatha, Colombo 10	2 A 0 R 14.05P	H.B. Manjula Basnayaka	31st March 2020	Land	LKR 12,500,000 per perch	4,176	4,176
					Building		281	281
Grip Delmage (Pvt) Ltd	No. 125C, Mabima Road, Heiyanthuduwa, Sapugaskanda	A - 0 R - 3 P - 36.25	H.B. Manjula Basnayaka	31st March 2020	Land	LKR 375,000 per perch	59	59
					Building		29	29
Grip Delmage (Pvt) Ltd	Lot No 170, Ekamuthu Mawatha, Mattegoda, Polgasowita	A - 0 R - 0 P - 14.03	H.B. Manjula Basnayaka	31st March 2020	Land	LKR 275,000 per perch	4	4
Grip Delmage (Pvt) Ltd	No 125/55, Sri Bodhiraja Mawatha, Mattegoda, Polgasowita	A - 0 R - 1 P - 5.88	H.B. Manjula Basnayaka	31st March 2020	Land	LKR 400,000 per perch	18	18
					Building		2	2
Grip Nordic (Pvt) Ltd	No 125/26, Sri Bodhiraja Mawatha, Mattegoda, Polgasowita	A - 0 R - 1 P - 7.06	H.B. Manjula Basnayaka	31st March 2020	Land	LKR 400,000 per perch	19	19
					Building		12	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 Centere Land at Kottawa	A1-R1-P24.75	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR 1,250,000/- - LKR 2,500,000/- per perch	343	343
	Land at Meegoda Warehouse	A2-R3-P31.29	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR 250,000/- - LKR 300,000/- 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- per perch	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 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 15,000,000/- 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	315,609sq. ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR2,044.64 per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	645	645
	Showroom Building -kottawa	9,556sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR1,250/- - LKR7,000per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	54	54

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	
							2021	Fair value as per previous revaluation year
	Warehouse Building at Meegoda	36,982sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR1,540/- - LKR5,640per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	149	149
	Showroom Buildingat Nawala 101	8,470sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR1,560/- - LKR6,240per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	53	53
	Showroom Building at Narahenpita 100	13,410sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR10,260per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	138	138
	Showroom Building at Panadura	5,176sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR8,026.20per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	42	42
	Showroom Building at Seeduwa	7,320sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR3,325/- - LKR5,640per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	39	39
	Showroom Building at Dehiwela	11,574sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR3,000per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	35	35
	Head office Building No 20,Colombo	28,278sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR11,387per sq.ft LKR3,500/- to LKR 4,000/- per sq.ft	322	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	143
	Factory Building at Horana	285,168 sq.ft	Mr. A.A.M. Fathihu	31 March 2018	Market based evidence	LKR1,250/- 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	LKR3,500/- 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
Lanka Walltiles PLC	Land at No.215, Nawala Road, Narahenpita, colombo 05.	A1-R1-P2.1	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market based evidence	LKR 7,000,000 Per perch	1,415	1,415
		36,170 Square feet building	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's basis method valuation	LKR2,000/-to LKR 4,500/- per square feet	136	85
	Plan No 2205 Situated at Mawathagama and Galagedara Village	A23-R1-P24.16	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market based evidence	LKR 250,000 Per perch	1,019	1,123
		308,612 Square Feet building	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's basis method valuation	LKR2,000/-to LKR 6,000/- per square feet	897	727
Lanka Tiles PLC	Factory Premises , Jaltara , Ranala - Land	28A-02R-32.69P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	LKR 50,000/- to 120,000/- per perch	518	431

Notes to the Financial Statements

16.5 Fair Value Hierarchy - Non Financial Assets (Contd.)

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	
							2021	Fair value as per previous revaluation year
	Factory Premises , Jaltara , Ranala - Buildings	415,638 sqft	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's method	LKR 1000/- to LKR 4250/- per sq.ft	1,191	903
	Land Adjancent to the Factory Premises , Jaltara , Ranala	08A-02R-08.56P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	LKR 120,000/- to 200,000/- per perch	203	154
	Land Adjancent to the Factory Premises , Jaltara , Ranala	25,604 sqft	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's method	LKR 1,200/- to LKR 4500/- per sq.ft	49	31
	Lanka Tiles Warehouse , Samurdhi Mawatha Biyagama - Land	02A-00R-15.93P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	LKR 1,000,000/- per perch	336	319
	Lanka Tiles Warehouse , Samurdhi Mawatha Biyagama - Buildings	48,531 sqft	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's method	LKR 1500/- to LKR 4000/- per sqft	192	180
	Land at Nugegoda	00A-00R-32.03P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	LKR 7,500,000/- per perch	240	232
	Bare Land Henpola road Madampe	13A-0R-02P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	LKR 3,300,000/- per acre	43	39
	Ball Clay land at Kaluthara	5A-01R-0.83P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	LKR 10,000/- per acre	0.05	0.05
Uni Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A12-R03-P37.1	Mr. D.G.Newton	31 March 2021	Market based evidence	LKR85,000/- per perch	124	102
	Building and land improvement at Narampola road, Moragala, Deketana	179,357 sq.ft	Mr. D.G.Newton	31 March 2021	Depreciated Replacement cost	LKR750/- to LKR 2,000/- per sq.ft	334	179
Uni Dil Packaging Solutions Ltd	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton	31 March 2021	Market based evidence	LKR 80,000/- per perch	35	26
	Building at Narampola road, Moragala, Deketana	32103 sq.ft	Mr. D.G.Newton	31 March 2021	Depreciated Replacement cost	LKR1,750/- to LKR 2,500/- per sq.ft	66	46
Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda	984.5 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	LKR 750,000/- per perch	738	634
	No: 288/26, Colombo Road, Belummahara, Imbulgoda	81.6 perches	Mr. D.G.Newton	31 March 2021	Market based evidence	LKR 625,000 per perch	51	-
	No:334/5, Colombo Road, Belummahara, Imbulgoda	20.0 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	LKR 600,000 per perch	12	11
	No: 177/6, New Kandy Rd., Weliweriya	84.0 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	LKR 525,000 per perch	45	-
	Factory Complex, Belummahara, Imbulgoda	62,530 sq.ft	Mr. D.G.Newton	31 March 2021	Contractors Method	LKR 500/- to 4,000/- per sqft	139	113
	Factory Complex, Belummahara, Imbulgoda- Crushing Plant 2	7,000 sq.ft	Mr. D.G.Newton	31 March 2021	Contractors Method	LKR 4,000/- per sqft	28	21

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement using Significant unobservable inputs (Level 3) LKR Mn 2021	Fair value as per previous revaluation year
	No: 177/6, New Kandy Rd., Weliweriya	27,170 Sq.ft.	Mr. D.G.Newton	31 March 2021	Contractors Method	LKR 2,750/- to 3,250/- per sq.ft	80	-
	Factory Complex, Belummahara, Imbulgoda-Tiles Stores	27,285 sq.ft	Mr. D.G.Newton	31 March 2021	Income approach	LKR 3,191/- per sq.ft	87	63
	Factory Complex, Belummahara, Imbulgoda-Sales Center	4944 sq.ft	Mr. D.G.Newton	31 March 2021	Income approach	LKR 6,163/- per sq.ft	30	27
	Factory Complex, Belummahara, Imbulgoda-Open shed	3524 sq.ft	Mr. D.G.Newton	31 March 2021	Income approach	LKR 2,308/- per sq.ft	8	2.68
	Factory Complex, Belummahara, Imbulgoda-Warehouse	4,950 sq.ft	Mr. D.G.Newton	31 March 2021	Income approach	LKR 4,349/- per sq.ft	22	22
Swisstek Aluminum Ltd.	76/7, Pahala Dompe, Dompe	A11-R1-P22.8	Mr. D.G.Newton	31 March 2021	Market based evidence	LKR50,000/- to LKR150,000/- per perch	218	187
	76/7, Pahala Dompe, Dompe	171,861 Sq.ft	Mr. D.G.Newton	31 March 2021	Contractor's method	LKR 500/- to LKR 3,250/- per sq.ft	559	465
Lanka Ceramic PLC	Mining Land at Owala	25A-2R-3.5P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	LKR 100,000/- to LKR 1,000,000/- per acre	23	5
	Land situated at Owala	1A-1R-02.0P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	LKR 1,000,000/- per acre	1	1
	Factory, office building & other infrastructure at Owala mine	10,535 Sq.ft	Mr. A.A.M. Fathihu	31 March 2021	Depriciated Cost method	LKR 150/- to LKR 2,500/- per sq.ft	9	5
	Mining Land at Meetiyagoda	43A-3R-24.43P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	LKR 100,000/- to LKR 2,600,000/- per acre	51	17
	Mining Land at Dediyawala	50A-0R-05.48P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	LKR 500,000/- to LKR 1,500,000/- per acre	35	10
	Land situated at Meetiyagoda	14A-0R-24.26P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	LKR 100,000/- to LKR 3,500,000/- per acre	36	13
	Factory building & office building at Meetiyagoda mine	42,189sq.ft	Mr. A.A.M. Fathihu	31 March 2021	Depreciated cost method	LKR 275/- to LKR 2,500/- per sq.ft	33	14
Chocolate and Biscuit Company Limited (former name - Rocell Ceramics Ltd)	Kiriwaththuduwa Estate, Moonamalwatta Road, Kiriwaththuduwa, Homagama	33A-2R-26.0P	Mr. A.A.M. Fathihu	17 February 2017	Market based evidence	LKR 12,000,000 Per Acre	404	404
LB Finance PLC	Kollupitiya - No 20, Dharmapala Mawatha, Colombo 03	52.82P , 57020 Sq.ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 25,000,000 per perch	2,129	2,096

Notes to the Financial Statements

16.5 Fair Value Hierarchy - Non Financial Assets (Contd.)

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	
							2021	Fair value as per previous revaluation year
	Kollupitiya - No 676, Galle Road, Colombo 03	167.65P, 63251 Sq.ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 25,000,000 per perch	4,359	4,191
	Cinnamon Gardens - No 165, Dharmapala Mawatha, Colombo 07	48.95P, 7400 Sq.ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 22,500,000 per perch	1,178	1,155
	Kandy - No 115B, Kotugodella Veediya, Kandy	25.76P, 7780 Sq ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 20,000,000 per perch	580	531
	Kandy - No 226, D S Senanayake Street, Kandy	7.05P, 3674 Sq.ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 10,000,000 per perch	83	76
	Kandy -Moragaspitiyawatta Road, Balagolla, Kengalla	110P, 2400 Sq.ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 450,000 per perch	60	55
	Kandy- No 47/10 A, Luwiss Pieris Mawatha, Buwelikada, Kandy.	42.4P	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 900,000 per perch	40	38
	Maradana- No 104/1, Vipulasena Mawatha, Colombo 10	50.60 P, 5750 Sq.ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 6,500,000 per perch	359	347

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	
							2021	Fair value as per previous revaluation year
	Nuwara Eliya- No 35/4, Upper Lake Road, Nuwara Eliya	359P	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 1,200,000 per perch	467	392
	Wellawatta- No 51A, W A Silva Mawatha, Colombo 06	14.23 P	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 12,000,000 per perch	225	170
	Panadura - No 37, Jayathilake Mawatha, Panadura	42P , 1925 Sq ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 3,000,000 per perch	140	130
	Kalutara-No 334, Main Street, Kaluthara South	26.27 P, 10620 sq ft	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 5,000,000 to LKR 6,500,000 per perch	219	218
	Borella - No 1024, Maradana Road, Borella	25.5 P	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 13,500,000 per perch	344	332
	419, Old Kotte Road, Rajagiriya	16.3 P	H.B. Manjula Basnayaka.	31 March 2021	Investment method, Contractor's Test method and Comparison method, Residual method	LKR 7,853,000 per perch	128	-

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

** Reassessment of the fair valuation was obtained from the same independent professional valuer who determined that there would have been no substantial material change in the fair value between the last valuation date and reporting date.*

Notes to the Financial Statements

17. RIGHT OF USE ASSETS

Accounting Policy

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-Use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right of use assets are amortised on the straight line basis over the lease term.

The Group provides depreciation for Right of Use Assets as mentioned below:

- If the lease transfers ownership of the underlying asset to the Company/ Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Company/ Group will exercise a purchase option, the Company/ Group provides depreciation on right-of-use asset from the commencement date to the end of the useful life of the underlying asset.
- Otherwise, the Company/ Group provides depreciation on right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group has lease contracts for various items of property, plant & machinery, motor vehicles and land & immovable estate asset used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The lease terms of various items of right of use assets are listed below,

Item	Lease Term
Land	49 years
Building	3- 36 years
Motor Vehicles	5 years
Plant & Machinery	5 years
Land & immovable Estate Asset -Plantation	53 years

Right of Use Assets/ Lease Liabilities - Company

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

As at 31st March 2020	Building LKR '000	Total LKR '000	Lease Liability 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	
Additions	-	-	
Less: Depreciation Expense	(37,549)	(37,549)	
As at 31 March 2021	59,452	59,452	
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
Additions	-		-
Interest Expense	11,158		11,158
Less: Payments	(43,553)		(43,553)
As at 31 March 2021	68,162		68,162

Right of Use Assets/ Lease Liabilities- Group

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

Cost / Valuation	Land	Building	Motor Vehicles	Plant & Machinery	* Land & immovable Estate Asset -Plantation	Total	Lease Liability
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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	
Remeasurement of leasehold rights	-	10,840	-	-	3,495	14,335	
Additions	-	502,548	-	-	-	502,548	
Disposals / Lease term changes	-	(107,645)	-	-	-	(107,645)	
Transfer to property, plant and equipment	-	-	(558)	(4,907)	-	(5,465)	
Effect of Exchange Rate Differences	-	-	26	-	-	26	
Less: Depreciation Expense	(2,511)	(568,405)	(2,866)	(3,437)	(13,664)	(590,883)	
As at 31 March 2021	53,398	2,488,995	-	3,158	178,719	2,724,270	
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 1st 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
Remeasurement of leasehold rights	-	10,839	-	-	-		10,839
Additions	-	416,133	-	-	3,495		419,628
Termination and lease term changes	-	(113,884)	-	-	-		(113,884)
Interest Expense	6,305	351,275	201	511	21,819		380,111
Less: Payments	(1,200)	(690,385)	(3,691)	(2,047)	(22,593)		(719,916)
As at 31 March 2021	50,587	2,720,397	-	2,925	159,032		2,932,941

17. RIGHT OF USE ASSETS (CONTD.)

The following are the amounts recognised in profit or loss:

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Depreciation expense of right-of-use assets	37,549	38,837	590,883	572,874
Interest expense on lease liabilities	11,158	6,728	380,111	362,671
Expense relating to short-term leases (included in cost of sales)	-	-	41,688	2,344
Expense relating to leases of low-value assets (included in administrative expenses)	-	-	48,730	61,112
Total amount recognised in profit or loss	48,707	45,565	1,061,412	999,001

Cash outflow from short term leases and leases of low-value assets for the year ended 31 March 2021 in Group was LKR 69,151,956 (2020 - LKR365,015,521/-).

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, except for incidental scrap sales.

Bearer Biological assets include Oil Palm, tea & 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.

Accounting Policy

Infilling cost on bearer biological assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalised are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

Growing crop nurseries

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

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 capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized 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 capitalization are determined in accordance with LKAS 23 - “”Borrowing Costs””.

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

Produce on Bearer Biological Asset

The Company recognizes 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 recognized 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.

Notes to the Financial Statements

18.1 Bearer Biological Assets (Contd.)

Bearer Biological Assets

	Tea 2021 LKR '000	Rubber 2021 LKR '000	Oil Palm 2021 LKR '000	Diversification 2021 LKR '000	Total 2021 LKR '000	Total 2020 LKR '000
Immature Plantations						
Cost or Valuation :						
At the beginning of the year	97,210	180,563	122,291	122,993	523,057	519,831
Additions	17,477	26,527	34,602	35,763	114,369	145,174
Transfers to Mature	(24,042)	(75,000)	(70,268)	(22,833)	(192,143)	(128,124)
Transfers (from)/to	-	-	(871,000)	871,000	-	-
Write off during the year	-	(11,618)	(17,028)	(7,519)	(36,165)	(13,823)
At the end of the year	90,645	120,472	(801,403)	999,404	409,118	523,058
Mature Plantations						
Cost or Valuation :						
At the beginning of the year	841,897	1,462,470	116,537	95,623	2,516,527	2,401,742
Transfers from Immature	24,042	75,000	70,268	22,833	192,143	128,124
Disposal during the year	-	(19,760)	-	-	(19,760)	(6,437)
Write off during the year	-	-	-	-	-	(6,902)
At the end of the year	865,939	1,517,710	186,805	118,456	2,688,910	2,516,527
Accumulated Amortization						
At the beginning of the year	239,700	555,002	14,491	21,448	830,641	714,644
Charge for the year	30,830	81,237	5,827	11,985	129,879	128,500
Disposal during the year	-	(18,449)	-	(7)	(18,456)	(6,313)
Write off during the year	-	-	-	-	-	(6,189)
At the end of the year	270,530	617,790	20,318	33,426	942,064	830,642
Written Down Value	595,409	899,920	166,487	85,030	1,746,846	1,685,885
Total Bearer Biological Assets	686,054	1,020,392	(634,916)	1,084,434	2,155,964	2,208,943

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.

Accounting Policy

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

Consumable Biological Assets

	2021 LKR '000	2020 LKR '000
Immature Plantations		
Cost :		
At the beginning of the year	44,272	36,211
Additions	8,730	9,814
Transfers to Mature Plantations	(1,135)	(1,734)
Transferred to Statement of Profit or Loss	(2,404)	(19)
At the end of the year	49,463	44,272
Mature Plantations		
Cost :		
At the beginning of the year	587,905	549,708
Decrease due to Harvest	(40,014)	(16,869)
Increase due to new plantations	1,135	1,734
Change in Fair Value less costs to sell	32,089	53,331
At the end of the year	581,115	587,904
Total Consumable Biological Assets	630,578	632,176

18.2 Consumable Biological assets

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 31st March 2021 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, mounting LKR 49.464 Mn as at 31st March 2021 (31st March 2020- LKR 44.273 Mn). 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 2020/21 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%
2021 (LKR Mn.)	LKR 552.05 Mn	LKR 581.11 Mn	LKR610.17 Mn
2020 (LKR Mn.)	LKR 580.54 Mn	LKR 587.70 Mn	LKR 595.93 Mn

Sensitivity Variation on Discount Rate

Managed Timber	-5%	Base	5%
2021 (LKR Mn.)	LKR 604.49Mn	LKR 581.11 Mn	LKR560.33 Mn
2020 (LKR Mn.)	LKR 606.95Mn	LKR 587.90 Mn	LKR570.85 Mn

Capitalisation of borrowing cost

Borrowing costs amounting to LKR41.390 Million (LKR59.723 Million in 2019/20) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average capitalisation rate of 9.15% (12.72% in 2019/20).

18.3 The Useful Lives of the Assets are Estimated as Follows

As at 31 March	Group	
	2021 No. of Years	2020 No. of Years
Non plantation assets		
Building on free hold land and roadway	25,40-50	25,40-50
Plant and machinery,Other Equipment	5-20	5-20
Water supply and electricity distribution scheme	5-25	5-25
Tools, implements and furniture and fittings,Lab Equipment	2,4,5,&10	2,4,5,&10
Transport and communication equipment	4-12	4-12
Motor Vehicles	5	5
Computer Hardware & Software	8,4	8,4
Construction Equipment,Sundry Equipment,factory equipment	10-50	10-50
Construction equipment	20	20
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 (Oil palm)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4

No depreciation is provided for immature plantations.

Notes to the Financial Statements

19. LEASEHOLD RIGHT OVER MINING LAND

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cost				
At the beginning of the year	-	-	15,800	15,800
At the end of the year	-	-	15,800	15,800
Accumulated Amortization				
At the beginning of the year	-	-	14,181	11,562
Charge for the year	-	-	-	2,619
At the end of the year	-	-	14,181	14,181
Written Down Value	-	-	1,619	1,619

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

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	-	-	1,727,301	1,725,250
Additions	-	-	215,430	-
Change in Fair Value	-	-	37,576	2,051
At the end of the year	-	-	1,980,307	1,727,301

20.1 Fair Value of Investment Property

The following Investment properties are revalued during the financial year 2020/2021.

Company	Location	Extent	Valuation Date	Valuer	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Significant unobservable inputs (Level 3) LKR'000
Lanka Ceramics PLC	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03.	1R - 1.12 P	31 March 2021	Mr. A.A.M. Fathihu	Market based evidence	LKR 20,000,000/- per perch	822,400
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03.	27,712 Sq.ft	31 March 2021	Mr. A.A.M. Fathihu	Depreciated replacement cost	LKR 8,000/- - LKR 11,000/- per Sq.ft	128,858
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9 P	31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	LKR 8,000,000/- per Acre	390,900
	Waradala Village, Divulapitiya, Gampha	4A-01R-15.9P	31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	LKR5,000,000/- per Acre	21,800
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-45 P	31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	LKR125,000/- per Perch	5,625
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-6.90 P	31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	LKR70,000/- per Perch	475
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	LKR 8,000,000/- per Acre	390,895
	House	981.sq.ft	31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	LKR4,000/- per sq.ft	3,924

Addition of the investment properties represents the property (PARADUWA ESTATE) acquired by C P Holding (Pvt) Ltd, situated at Akuressa. The extent of the land is 184 A 22.8 perches.

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
Lanka Ceramics PLC	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03.	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, Kolupitiya Road, Colombo 03.	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, Gampha	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,Gampha	4A-01R-15.9P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	LKR5,000,000/- per Acre	21,746
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-45 P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	LKR200,000/- per Perch	9,000
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-6.90 P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	LKR50,000/- per Perch	345
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	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	LKR4,000/- per sq.ft	3,924

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

Notes to the Financial Statements

20.2 Rental Income earned from Investment Property by the Group amounted LKR 36.75 Mn. (2020 - LKR 36.75 Mn). Direct operating expenses incurred by the Group amounted to LKR 1.58 Mn (2020 - LKR 1.58 Mn.).

20.3 Rental income receivable under the operating lease agreement of investment property 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
2021	36,750	36,750	36,750	-	-	-
2020	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	
As at 31 March	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Bank Overdrafts	106	603,298	2,365,567	7,288,886
Syndicated Loans and Other Bank Facilities (Note 21.1)	-	-	15,538,559	22,162,530
	106	603,298	17,904,126	29,451,416

21.1 Securitised Borrowings, Syndicated Loans and Other Bank Facilities- Group

Cost / Valuation	As at 01.04.2020 LKR '000	Loans Obtained LKR '000	Interest Recognized LKR '000	Repayments Capital LKR '000	Repayments Interest LKR '000	As at 31.03.2021 LKR '000
Syndicated Loans						
Syndication 1	909,034	-	27,716	(910,000)	(26,750)	-
Syndication 2	850,793	-	34,729	(625,000)	(260,522)	-
Syndication 3	2,510,531	-	240,654	(2,000,000)	(751,186)	-
Syndication 4	1,195,631	-	117,175	(1,000,000)	(312,807)	-
Syndication 5	1,176,934	-	113,853	(1,000,000)	(290,787)	-
Syndication 6	1,381,358	-	126,168	(1,300,000)	(207,526)	-
	8,024,281	-	660,295	(6,835,000)	(1,849,578)	-

Cost / Valuation	As at 01.04.2020 LKR '000	Loans Obtained LKR '000	Interest Recognized LKR '000	Repayments Capital LKR '000	Repayments Interest LKR '000	As at 31.03.2021 LKR '000
Term Loans						
Bank of Ceylon	419,339	-	6,773	(416,667)	(9,445)	-
Commercial Bank 1	62,626	-	1,133	(62,500)	(1,259)	-
Commercial Bank 2	780,463	-	44,636	(779,000)	(46,099)	-
Commercial Bank 3	2,034,014	-	171,715	(625,000)	(173,471)	1,407,258
Commercial Bank 4	294,649	-	19,157	(124,800)	(20,887)	168,119
Nations Trust Bank 1	706,200	-	54,761	(252,000)	(54,907)	454,054
Nations Trust Bank 2	389,986	-	27,191	(168,000)	(28,479)	220,698
Hatton National Bank 1	-	1,495,763	111,178	(281,250)	(104,388)	1,221,303
Hatton National Bank 2	-	1,491,960	33,848	(1,500,000)	(25,808)	-
Hatton National Bank 3	-	1,500,000	1,125	(1,500,000)	(1,125)	-
Hatton National Bank 4	-	1,500,000	488	(1,500,000)	(488)	-
Hatton National Bank 5	-	1,000,000	137	(1,000,000)	(137)	-
Public Bank 1	60,096	-	3,461	(40,000)	(3,535)	20,022
Public Bank 2	40,029	-	2,567	(20,000)	(2,584)	20,012
Seylan Bank 1	189,026	-	8,635	(187,474)	(10,187)	-
Seylan Bank 2	-	250,000	1,282	(250,000)	(1,282)	-
Seylan Bank 3	-	500,000	66	(500,000)	(66)	-
DFCC Bank 1	299,420	-	13,131	(296,875)	(15,676)	-
DFCC Bank 2	566,836	-	38,088	(250,000)	(40,777)	314,147
DFCC Bank 3	1,006,613	-	74,434	(171,429)	(77,743)	831,875
DFCC Bank 4	972,945	-	72,962	(200,000)	(76,176)	769,731
Habib Bank	158,276	-	6,934	(158,333)	(6,877)	-
Sampath Bank 1	2,864,825	-	294,208	(750,000)	(299,470)	2,109,563
Sampath Bank 2	-	1,996,000	115,172	(416,750)	(111,991)	1,582,431
Standard Chartered Bank	-	750,000	16,068	(750,000)	(16,068)	-
National Development Bank 1	-	1,000,000	32,263	(583,800)	(32,166)	416,297
National Development Bank 2	-	700,000	22,581	(408,800)	(22,513)	291,268
National Development Bank 3	-	300,000	15,386	-	(15,306)	300,080
National Development Bank 4	-	1,500,000	76,932	-	(76,531)	1,500,401
National Development Bank 5	-	500,000	25,907	-	(25,772)	500,135
National Development Bank 6	-	1,300,000	67,358	-	(67,007)	1,300,351
CB Bank- Myanmar	111,856	-	16,946	(56,960)	(12,365)	59,477
	10,957,199	15,783,723	1,376,523	(13,249,638)	(1,380,585)	13,487,222
Securitisation Loans						
Sampath Bank	3,181,052	-	356,579	(1,125,000)	(361,295)	2,051,337
	3,181,052	-	356,579	(1,125,000)	(361,295)	2,051,337
	22,162,532	15,783,723	2,393,397	(21,209,638)	(3,591,458)	15,538,559

Notes to the Financial Statements

21.2 Contractual Maturity Analysis of Syndicated Loans and Other Bank Facilities- Group

As at 31st March 2021	Within One Year LKR '000	1 - 5 Years LKR '000	Over 5 Years LKR '000	Total LKR '000
Securitisation Loans	5,901,836	7,585,386	-	13,487,222
Term Loans	2,051,337	-	-	2,051,337
	7,953,173	7,585,386	-	15,538,559

As at 31st March 2020	Within One 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

The Group has unutilized borrowing facilities of LKR 5,453,000,000/- as at 31 March 2021 (2020 - LKR 4,492,727,321/-).

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.

	Company		Group	
As at 31 March	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Fixed Deposits	-	-	81,916,722	85,761,985
Certificates of Deposit	-	-	7,500	10,373
Saving Deposit	-	-	4,015,991	3,542,740
	-	-	85,940,213	89,315,098
Fair Value	-	-	87,275,072	89,906,266

22.1 Contractual Maturity Analysis of Customer Deposits

As at 31st March 2021	Within One Year LKR '000	1 - 5 Years LKR '000	Over 5 Years LKR '000	Total LKR '000
Fixed Deposits	68,380,102	13,536,620	-	81,916,722
Certificates of Deposit	7,500	-	-	7,500
Savings Deposits	4,015,991	-	-	4,015,991
	72,403,593	13,536,620	-	85,940,213

As at 31st March 2020	Within One 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

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	2021			2020		
	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
Lease liability (Note 17)	38,903	29,259	68,162	43,553	57,004	100,557
	38,903	29,259	68,162	1,043,553	57,004	1,100,557

Group	2021			2020		
	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)	344,110	2,588,831	2,932,941	378,022	2,578,142	2,956,164
Bank Loans / Term Loans	2,809,103	6,562,374	9,371,477	2,765,498	7,609,174	10,374,672
Short Term Loan	3,232,590	-	3,232,590	8,900,335	-	8,900,335
Unsecured Debentures (Note 23.2)	116,224	2,997,692	3,113,916	116,611	2,994,575	3,111,186
Import Loans	735,207	-	735,207	771,267	-	771,267
	7,237,234	12,148,897	19,386,131	12,931,733	13,181,891	26,113,624

Notes to the Financial Statements

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 1.7Bn	AWPLR+ 1.5%	To be paid over 60 months (5 Years) equal monthly instalments, Grace period - 5 Years (Total Tenure 10 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 installments and separate final installment, Grace period - 4 Years (Total Tenure 10 years)	Corporate Gurantee of Vallibel One PLC
Delmage Group				
DFCC Bank PLC	LKR 125 Mn	AWPLR + margin	Within 09 Years	"LKR.65,000,000/- Mortgage over Land & Buildings LKR.60,000,000/- Corporate Guarantee from Delmege Ltd"
Sampath Bank PLC	LKR 2,250 Mn	AWPLR + 1%	Within 07 Years	Mortgage over Land & Buildings
Sampath Bank PLC	LKR 200 Mn	AWPLR + 1%	Within 02 Years	Mortgage over Land & Buildings
Hatton National Bank PLC	LKR 8 Mn	4%	Within 02 Years	LKR.8,000,000/- Corporate Guarantee from Delmege Insurance Brokers (Pvt) Ltd
Seylan Bank PLC	LKR 5 Mn	4%	Within 02 Years	LKR.25,000,000/- Corporate Guarantee from Delmege Ltd
Royal Ceramics Lank PLC				
Commercial Bank of Ceylon PLC	LKR 3.0 Bn	Fixed	8 years-(first 48 monthly installments 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 29,710,800 shares of Lanka Walltiles PC and 2,009,036 shares of Lanka Ceramics PLC.
Commercial Bank of Ceylon PLC	LKR 109Mn	AWPLR+ margin	59 equal monthly installments of LKR 1816700 each and final installment of LKR 1814700	Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	LKR 95Mn	AWPLR+ margin	59 euual monthly installments of LKR 1585000 each and final installment of LKR 1485000	Corporate guarantee of Royal Porcelain (Pvt) Ltd
Commercial Bank of Ceylon PLC	LKR 200Mn	AWPLR+ margin	59 equal monthly installments of LKR 3335000 and a final instalment of LKR 3235000 after a grace period of 6 months	Secondary Mortgage bond over the property at Baddegedaramulla, Meegoda for LKR 200Mn
Commercial Bank of Ceylon PLC	LKR 100Mn	AWPLR+ margin	59 equal monthly installments of LKR 1,667,000 and a final instalment of LKR 1,647,000 after a grace period of 6 months	Leeway in existing facilities of LKR 100Mn
Commercial Bank of Ceylon PLC	LKR 150Mn	AWPLR+ margin	60 equal monthly installments of LKR 2,500,000 after a grace period of 6 months	Primary, secondary and tertiary Mortgage bond over Land and Building at No. 20, R.A De Mel Mawatha, Colombo 03. LKR 510Mn
Commercial Bank of Ceylon PLC	LKR 150Mn	AWPLR+ margin	60 equal monthly installments of LKR 2,500,000 after a grace period of 6 months	Floting primary mortgage bond for LKR 150Mn to be executed over the property at Dehiwala.
Commercial Bank of Ceylon PLC	AUD 2,407,000	MP bid and offer rate + margin	59 equal monthly installments of AUD. 40,100 each and the final installment of AUD 41,100	Floating Primary Concurrent Mortgage for AUD 2407000 over the property at Eheliyagoda owned by the Company.
Commercial Bank of Ceylon PLC	LKR 500Mn	AWPLR+ margin	59 equal monthly installments of LKR 8,334,000 after a grace period of 6 months	Primary mortgage bond for LKR 500Mn over machinery.
Commercial Bank of Ceylon PLC	LKR 106Mn	AWPLR+ margin	59 equal monthly installments of LKR 1,766,000 and the final installment of LKR 1,806,000	Simple deposit of 10,633,974 shares of Swisstek Aluminium Ltd.

Lender	Approved Facility	Rate of Interest	Repayment Terms	Security
Commercial Bank of Ceylon PLC	LKR 100Mn	AWPLR+ margin	59 equal monthly instalment of LKR 1,666,000 and the final installment of LKR 1,706,000	Primary, secondary and tertiary Mortgage bond over Land and Building at No. 20, R.A De Mel Mawatha, Colombo 03. LKR 510Mn.
Commercial Bank of Ceylon PLC	LKR 152Mn	AWPLR+ margin	59 equal monthly instalment of LKR2,550,000 each and the final installment of 1,550,000	To purchase 1,365,460 Nos of shares of Lanka Wall Tiles PLC
Commercial Bank of Ceylon PLC	LKR 500Mn	AWPLR+ margin	59 equal monthly instalment of LKR 8,400,000 each and the final installment of LKR 4,400,000	Leeway in existing securities of LKR 500Mn.
DFCC Bank PLC	LKR 292Mn	AWPLR+ margin	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 14Mn	AWPLR+ margin	59 equal monthly instalment of LKR 233,330 and a final instalment of LKR 233520	Corporate guarantee of Royal Porcelain (Pvt) Ltd
Hatton National Bank PLC	LKR 28.5Mn	AWPLR+ margin	60 equal monthly instalment of LKR 475,000	Corporate Guarantee from RPL
Hatton National Bank PLC	LKR 5.5Mn	AWPLR+ margin	59 equal monthly instalment of LKR 91600 and a final instalment of LKR 95600	Corporate Guarantee from RPL
Hatton National Bank PLC	LKR 12.9Mn	AWPLR+ margin	60 equal monthly instalment of LKR 215000	Corporate Guarantee from RPL
Hatton National Bank PLC	LKR 130Mn	AWPLR+ margin	59 equal monthly instalment of LKR 2.15Mn each and a final instalment of LKR 3.15 Mn	Tripartite agreement between Royal Ceramics Lanka PLC,Hatton National Bank PLC and share brokering company along with irrevocable power of attorney over 1,000,000 Nos company shares of Lanka Ceramics PLC.
Hatton National Bank PLC	LKR 500Mn	AWPLR+ margin	47 equal monthly instalment of LKR 10,400,000 and a final instalment of LKR 11,200,000	Existing primary mortgage bond For LKR 350.3Mn 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 233Mn to be obtained.
Hatton National Bank PLC	LKR 175Mn	AWPLR+ margin	66 months in 59 equal monthly instalment of LKR 2,900,000 and a final instalment of 3,900,000 with a grace period of 6 months	Negative Pledge Over Machinery
Commercial Bank of Ceylon PLC	LKR 28Mn	AWPLR+ margin	59 equal monthly instalment of LKR 466,700 and a final instalment of LKR 464,700 commencing from 25th August 2015	Corporate Guarantee-RCL
Commercial Bank of Ceylon PLC	LKR 114Mn	AWPLR+ margin	59 equal monthly instalment	Primary mortgage bond over Land at Marawila
Hatton National Bank PLC	LKR 300Mn	AWPLR+ margin	60 equal monthly instalment of LKR 5,000,000 plus interest commencing after a grace period of six months.	Corporate Guarantee-RCL
Hatton National Bank PLC	LKR 200Mn	AWPLR+ margin	59 equal monthly instalment of LKR 3,33Mn each and final instalment of LKR 3.53 Mn plus interest commencing after a grace period of six months.	Corporate Guarantee-RCL
Hatton National Bank PLC	LKR 90Mn	AWPLR+ margin	60 equal monthly instalment of LKR 1.5Mn each plus interest commencing after a grace period of six months.	Negative Pledge Over Machinery to be Purchased for LKR90Mn

Notes to the Financial Statements

23.1 Details of the Long Term Loans- Group (Contd.)

Lender	Approved Facility	Rate of Interest	Repayment Terms	Security
Hatton National Bank PLC	LKR 100 Mn	AWPLR+ margin	59 equal monthly instalment of LKR1.66 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	LK R45 Mn	AWPLR+ margin	60 equal monthly instalment of LKR 75Mn each plus interest commencing after a grace period	Negative Pledge Over Machinery to be purchased for RS 45 Mn
Rocell Bathware Limited				
Hatton National Bank PLC	LK R20 Mn	AWPLR+ margin	64 equal monthly instalment	Corporate Guarantee-RCL
Commercial Bank of Ceylon PLC	LKR 25 Mn	AWPLR+ margin	53 equal monthly instalment	Primary Mortgage bond over Water closet casting machine for 25Mn
Commercial Bank of Ceylon PLC	LKR 210 Mn	AWPLR+ margin	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+ margin	59 equal monthly instalment of LKR 961,600 and a final installment of LKR 965,600.00	Primary Mortgage bond over Water Closet casting Machine,stock tank propeller dissolver and modification to the existing glazing cell for LKR 57.7Mn
Commercial Bank of Ceylon PLC	LKR 70 Mn	AWPLR+ margin	59 equal monthly instalment of LKR 1,1165,000 and a final instalment of LKR 1,265,000.00	Corporate Guarantee-Royal Ceramics Lanka PLC
Commercial Bank of Ceylon PLC	LKR 300 Mn	AWPLR+ margin	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 240Mn to be executed.Corporate guarantee of Royal Ceramics Lanka PLC
People's Bank	LKR 160 Mn	AWPLR+ margin	59 equal monthly instalment of LKR 2.7Mn 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	Fixed	60 equal monthly installments	Corporate Guarantee of Royal Ceramics Lanka PLC
Lanka Ceramic PLC				
Hatton National Bank PLC	LKR 500 Mn	AWPLR+ margin	60 monthly installment	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, Kolupitiya Road, Colombo 03 (1R - 1,12 P).
Hatton National Bank PLC	LKR 9.5 Mn	Fixed	17 monthly installment	Mortgage for LKR, 9.5 Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03 (1R - 1.12 P).
Lanka Walltiles PLC				
Commercial Bank of Ceylon PLC	LKR 584 Mn	AWPLR+ margin	60 monthly installment	Tripartite agreement for LKR392.8 Mn between Bank, Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 share of Lanka Tiles PLC
DFCC Bank PLC	LKR 100 Mn	AWPLR+ margin	48 monthly installment	Corporate Grantee from Lanka Tiles PLC.
Lanka Walltiles PLC				
DFCC Bank PLC	LKR 1500 Mn	AWPLR+ margin	"72 monthly installment 12 month Grace period"	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to LKR1500 million

Lender	Approved Facility	Rate of Interest	Repayment Terms	Security
Uni-Dil Packaging Limited				
Standard Chartered Bank	USD 310,000	LIBOR+ margin	US $ 114,079 Quarterly instalment	Primary concurrent Mortgage bond for LKR 170 Mn over Property
Horana Plantations PLC				
Hatton National Bank PLC	LKR 150 Mn	AWPLR+ margin	72 monthly instalment	Primary mortgage for 550 million over the leasehold rights of Frocester Estate
	LKR 200 Mn	AWPLR+ margin		
	LKR 200 Mn	AWPLR+ margin		Primary mortgage for 400 million over the leasehold rights of Bambrakelly Estate
	LKR 250 Mn	AWPLR+ margin		
	LKR 200 Mn	AWPLR+ margin		
	LKR 200 Mn	AWPLR+ margin		
Hatton National Bank PLC	LKR 100 Mn	AWPLR+ margin	60 monthly installments	Primary mortgage over leasehold rights of Alton, Bambarakelly,Eildon Hall and Gouravilla
Hatton National Bank PLC	LKR 130.114 Mn	AWPLR+ margin	60 monthly instalment	Primary mortgage over leasehold rights of Bambarakelly Estate
Sri Lanka Tea Board	LKR 33 Mn	AWPLR+ margin	"36 monthly instalment 24 months grace period"	No security has been offered
Industry Distress Financing Facility	LKR 46.935Mn	Fixed	36 monthly instalment	No security has been offered
Commercial Bank of Ceylon PLC	LKR 100Mn	AWPLR+ margin	48 monthly instalment, After a 24 months grace period.	Primary Floating Mortgage for LKR120.00 Million, over the leasehold rights land and buildings of Stockholm Estate.
Sampath Bank PLC	LKR 100Mn	AWPLR+ margin	72 monthly instalment, After a 24 months grace period.	Primary Mortgage for LKR200 Million, over the leasehold rights land and buildings of Gouravilla Estate.
Hatton National Bank PLC	LKR 150Mn	AWPLR+ margin	60 monthly instalment	Primary mortgage over leasehold rights of Alton, Bambarakelly,Eildon Hall and Gouravilla
Seylan Bank PLC	LKR 350Mn	Fixed	60 monthly instalment	Primary mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (Pvt) Ltd and Jhon Keels PLC
Commercial Bank of Ceylon PLC	LKR 15Mn	Fixed	24 monthly instalment	No security has been offered
Swisstek (Ceylon) PLC				
Bank of Ceylon	LKR 170Mn	AWPLR+ margin	54 monthly instalment	Mortgage over immovable property at Balummahara, Imbulgoda
Commercial Bank of Ceylon PLC	LKR 35Mn	AWPLR+ margin	60 monthly instalment	Mortgage over immovable property at Balummahara, Imbulgoda
DFCC Bank PLC	LKR110Mn	AWPLR+ margin	60 monthly instalment	Mortgage over land,building,plant & machinery ,stocks and book debt own by Swisstek Aluminium Ltd
Swisstek Aluminum Limited				
DFCC Bank PLC	LKR 500Mn	AWPLR+ margin	60 monthly instalment	Mortgage over land, building, plant & machinery
	LKR 200 Mn	AWPLR+ margin	60 monthly instalment	Movable Machinery
Hatton National Bank PLC	LKR80 MN	AWPLR+ margin	48 monthly instalment	Simple Receipt

23.2 Debt Instruments Issued and Other Borrowed Funds

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Unsecured Debentures (Note 23.2.1)	-	-	3,113,916	3,111,186
	-	-	3,113,916	3,111,186

23.2.1 Unsecured Debentures

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

Category	Interest payable	Features	Amortized Cost (LKR'000)	Face Value (LKR'000)	Interest rate	Issued date	Maturity Date
Type A (60 Months)	Biannually	Listed	1,036,959	1,000,000	12.75% p.a	11-Dec-17	11-Dec-22
Type B (60 Months)	Biannually	Listed	2,076,957	2,000,000	13.25% p.a	11-Dec-17	11-Dec-22
Total			3,113,916	3,000,000			

24. TRADE & OTHER PAYABLES

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Trade & Other Payables	9,155	730	3,595,989	2,467,499
Accrued Expenses	5,436	829	1,291,782	1,025,535
Other Payable	6,272	3,044	151,862	671,928
Payable to Related Parties (Note 24.1)	-	15,901	54,071	24,375
Bills Payables and Current account with principal	-	-	420,517	366,445
Unclaimed Balances	-	-	678,459	-
Sundry Creditors	-	-	2,416,175	1,702,563
Insurance Premium Payable	-	-	495,145	482,244
Advances collected from customers	-	-	46,750	99,166
	20,863	20,504	9,150,750	6,839,755

24.1 Payable to Related Parties

As at 31 March		Company		Group	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Rocell Bathware Ltd	Subsidiary	-	15,901	-	-
Singer (Sri Lanka) PLC	Affiliate	-	-	6,021	917
Hayleys PLC	Affiliate	-	-	13,358	19,493
Hayleys Agriculture Holding Limited	Affiliate	-	-	1,269	472
Hayleys Agro Fertilizer (Private) Limited	Affiliate	-	-	645	2,519
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	-	-	13	-
Hayleys Electronics Lighting (Pvt) Ltd	Affiliate	-	-	63	44
Kelani Valley Plantations PLC	Affiliate	-	-	2,350	652
Puritas (Pvt) Ltd	Affiliate	-	-	13	19
Talawakelle Tea Estates PLC	Affiliate	-	-	217	-
Logiwiz Limited	Affiliate	-	-	3	-
The Kingsbery PLC	Affiliate	-	-	-	16
Hayleys Aventura (Pvt) Ltd	Affiliate	-	-	66	-
Diesel & Motor Engineering PLC	Affiliate	-	-	-	27
Country Energy (Pvt) Ltd	Affiliate	-	-	53	217
Payable to Mr. K D D Perera	Chairman	-	-	30,000	-
		-	15,901	54,071	24,375

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Provisions	-	-	292,547	155,961
Advances	-	-	-	29,055
Capital Grants (Note 25.1)	-	-	118,995	122,832
Refundable Deposits	-	-	15,000	15,000
Other Statutory Payables	-	-	298,756	174,848
Impairment provision in respect of Off Balance sheet credit exposure	-	-	4,375	3,955
	-	-	729,673	501,651

25.1 Capital grants

Category	Purpose of the grant	Basis of amortisation	Amount received	Opening Balance	Received during the year	Amortised during the year	Closing Balance
Sri Lanka Tea Board	Tea factory modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	756	315	-	(57)	258
Sri Lanka Tea Board	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	5,766	1,600	(374)	6,992
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	15,445	-	(1,128)	14,316
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	25,537	-	(1,600)	23,937
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	254	-	(17)	236
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	13,183	-	(716)	12,467
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	3,136	-	(165)	2,971
Plantation development project	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	6,928	-	(361)	6,567
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	52,129	1,950	(2,945)	51,134
Rubber Development Department	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	8	-	(8)	-
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	132	-	(14)	118
Total			172,769	122,832	3,550	(7,386)	118,995

Notes to the Financial Statements

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 1st April	-	-	634,606	588,028
During the year recognized	-	-	1,813,719	94,217
Transfers	-	-	(13,893)	(47,639)
Foreign exchange movement	-	-	(601,530)	-
As at 31st March	-	-	1,832,902	634,606

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 recognized overtime. This will be recognized as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Unclaimed Dividend	13,821	7,312	92,161	86,921
	13,821	7,312	92,161	86,921

27. EMPLOYEE BENEFIT LIABILITIES

Accounting Policy

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. In Sri lanka such plans are regulated by Payment of gratuity act no 12 of 1983. 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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance at the beginning of the year	12,041	8,473	1,911,183	1,648,314
Amount Charged for the year	2,250	2,066	192,240	166,818
Interest cost	1,204	932	182,792	174,960
Actuarial (gain)/loss	(806)	570	198,043	100,821
Payments made during the year	-	-	29,091	(179,730)
Transfer to discontinued Operations	-	-	(993)	-
Balance at the end of the year	14,689	12,041	2,093,302	1,911,183

27.1 Actuarial assumptions

An actuarial valuation of the gratuity of subsidiary companies was carried out as at 31st March 2021 and 31st March 2020 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.

As at 31 March	Company		Group	
	2021	2020	2021	2020
Discount Rate	8%	10%	7% - 10%	9% - 10%
Future Salary increase	8%	10%	8% - 10%	9% - 10%
Staff Turnover	10%	10%	5% - 25%	9% - 48%
Retirement age	55 Years	55 Years	50-55 Years	50-55 Years

Notes to the Financial Statements

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 LKR '000	Group LKR '000
Discount Rate as at 31 March 2021		
Effect on DBO due to decrease in the discount rate by 1%	977	203,579
Effect on DBO due to increase in the discount rate by 1%	(1,097)	(118,738)
Salary Escalation Rate as at 31 March 2021		
Effect on DBO due to decrease in salary escalation rate by 1%	(1,141)	(117,461)
Effect on DBO due to increase in salary escalation rate by 1%	1,033	203,155
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

27.3 The Expected Benefit Payout in the Future Years for Retirement

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Within the next 12 months	1,201	1,002	350,438	276,801
Between 1 and 5 years	4,183	3,653	720,626	823,732
Beyond 5 years	9,305	7,386	1,025,236	852,737
	14,689	12,041	2,096,300	1,953,270

28. STATED CAPITAL

	2021		2020	
	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
Scrip dividends paid during the year	52,356,291	2,173,118	-	-
Balance as at the end of the year	1,138,915,644	29,337,102	1,086,559,353	27,163,984

On 16 March 2021, the Company have been listed 52,356,291 ordinary voting shares pursuant to a Scrip Dividend in the proportion of 1: 20.75000007 on shares held as at the 3 March 2021.

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

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Treasury shares	-	-	(44,112)	(44,112)
Statutory reserve fund	-	-	6,152,845	5,115,434
Fair value reserve	(2,106,817)	(2,215,191)	(2,178,413)	(2,285,842)
Foreign currency translation reserve	-	-	100,704	83,824
Revaluation reserve	-	-	7,458,538	6,576,979
General Reserve	-	-	578,449	578,449
	(2,106,817)	(2,215,191)	12,068,011	10,024,732

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).

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 CONTROLING 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.

As at 31 March	Group	
	2021 LKR '000	2020 LKR '000
Adjusted Balance as at 01 April	26,115,996	24,185,344
Impact on adopting SLFRS 16	-	(11,243)
Profit for the year	6,570,972	2,502,456
Other Comprehensive Income Net of Tax	647,349	29,819
Dividend write back of unclaimed dividend	5,915	-
Subsidiary Dividends to Minority Shareholders	(1,706,640)	(590,380)
Balance as at 31 March	31,633,592	26,115,996

Notes to the Financial Statements

30. NON CONTROLING INTERESTS (CONTD.)

PRINCIPLE SUBSIDIARIES WITH NON CONTROLING INTERESTS

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

	2021			2020		
	LB Finance	Rocell	Delmege	LB Finance	Rocell	Delmege
Non controlling Interests in %	33.66%	44.02%	37.25%	33.66%	44.02%	37.25%
Accumulated Balance of Non Controlling Interest	-	11,580,363	307,121	-	9,408,457	289,477
Summarised statement of profit or loss for the year ended 31 March						
Revenue	29,807,363	44,972,372	6,335,829	31,247,283	31,553,600	6,035,621
Cost of sales	(11,543,326)	(28,168,940)	(4,659,093)	(13,631,371)	(21,072,864)	(4,396,965)
Administrative expenses	(5,397,832)	(1,743,014)	(605,312)	(5,607,458)	(1,697,322)	(642,786)
Finance cost	-	(1,406,494)	(340,306)	-	(2,286,195)	(579,908)
Finance Income	-	82,887	25,178	-	29,808	53,496
Profit before tax	9,327,812	9,859,753	344,501	7,653,186	3,565,717	126,061
Income Tax	(2,521,006)	(1,308,514)	(140,579)	(2,442,327)	(802,715)	(40,674)
Profit for the year from continuing operations	6,806,806	8,551,239	203,921	5,210,859	2,763,002	85,388
Profit/ (Loss) from Discontinuing operations	-	(133,306)	(1,282)	-	(1,663)	(5,537)
Profit:						
Attributable to owners	4,515,932	4,711,983	127,159	3,457,111	1,545,674	50,108
Attributable to non controlling interests	2,290,873	3,705,951	75,480	1,753,748	1,215,665	29,743
Other Comprehensive income	82,828	1,200,866	1,016	36,010	(11,316)	124,241
Total Comprehensive income	6,889,634	9,618,800	203,655	5,246,871	2,750,023	204,096
Attributable to owners	4,570,884	5,384,174	127,797	3,481,003	1,539,340	128,073
Attributable to non controlling interests	2,318,750	4,234,626	75,858	1,765,867	1,210,683	76,022
Summarised statement of financial position as at 31 March						
Current Assets	85,789,646	22,304,987	3,897,735	86,207,305	25,307,990	3,958,417
Non Current Assets	55,153,806	43,835,074	4,756,798	58,114,346	39,837,321	4,790,572
Current Liabilities	83,491,333	14,511,396	4,438,825	86,249,929	19,489,024	3,689,170
Non current Liabilities	29,064,874	9,651,145	861,044	34,911,939	11,145,376	1,929,464
Summarised statements of cash flows for the year ended 31 March						
Operating cash flows	8,353,215	18,436,759	660,206	4,552,720	1,307,971	(32,773)
Investing cash flows	(426,286)	(2,162,762)	84,058	165,605	(1,084,855)	(229,965)
Financing cash flows	(8,286,143)	(8,224,517)	(298,733)	(1,956,672)	(1,321,691)	10,198
Net increase/(decrease) in cash & cash equivalents	(359,214)	8,049,480	445,532	2,761,653	(1,098,575)	(252,540)

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

(c) Sale of timber with installation services

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

(d) Rendering of services

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

(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 Sector-wise Segmentation

	Company		Group	
As at 31 March	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Financial Services Sector	-	-	29,807,363	31,245,184
Sale of goods	-	-	50,914,240	36,877,688
Rendering of services	-	-	313,374	446,163
Total Revenue	-	-	81,034,977	68,569,035

Geographical Segmentation

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Export Sales	-	-	1,336,116	932,959
Local Sales	-	-	49,891,498	36,388,793
Total Revenue Contracts with Customers	-	-	51,227,614	37,321,752
Income from financial services	-	-	29,807,363	31,247,283
Total Revenue	-	-	81,034,977	68,569,035

31.1.2 Timing of Revenue Recognition

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Goods transferred at a point in time	-	-	49,340,270	36,743,884
Services transferred over time	-	-	1,887,344	577,868
Total Revenue Contracts with Customers	-	-	51,227,614	37,321,752
Income from financial services	-	-	29,807,363	31,247,283
Total Revenue	-	-	81,034,977	68,569,035

31.2 Contract Balances

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Trade Receivables (Note 9)	-	-	5,758,364	5,565,775
Contract Assets (Note 25.3)	-	-	52,561	50,476
Contract Liabilities (Note 25.2)	-	-	1,832,902	634,606

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Dividend income from Associate	-	24,365	-	-
Other	2,869,006	983,385	1,144,120	3,377
	2,869,006	1,007,750	1,144,120	3,377

Notes to the Financial Statements

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 & 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	
As at 31 March	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Profit / (Loss) on Disposal of Property, Plant & Equipment	-	-	55,072	(54,507)
Fee and Commission Income	-	-	39,416	85,409
Hiring Income	-	-	82,395	-
Rent income	-	-	62,173	162,333
Change in fair value of consumable biological assets	-	-	40,089	56,693
Change in fair value of investment property	-	-	37,576	2,052
Amortisation of capital & revenue grants	-	-	7,386	6,800
Sundry Income	-	-	167,070	126,344
Profit on Disposal of Investment	-	2,140	-	2,140
Net Gain on Financial Assets at FVTPL	39,390	13,906	68,634	32,748
Management Fee	-	-	2,601	1,170
Profit / (Loss) on Disposal of Lease Asset	-	-	1,580	-
Technical Fee income	333,789	264,536	-	60,714
	373,179	280,582	563,992	481,896

34. PROFIT FROM OPERATION STATED AFTER THE FOLLOWING EXPENSES

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Directors' Fees	11,192	11,192	91,502	41,569
Auditors' Remuneration (Fees and Expenses)	254	278	29,913	28,727
Audit-Related Expenses	-	-	3,078	6,775
Non-Audit Fees to Auditors	1,611	1,573	1,855	3,826
Depreciation	53,713	54,978	2,883,103	2,781,975
Amortization	-	-	128,500	114,842
Professional and Legal Expenses	-	-	58,576	58,277
Deposit Insurance Premium	-	-	122,113	118,134
General Insurance Expenses	1,314	299	137,267	135,593
Loss on translation of foreign currency	-	-	(34,377)	(23,551)
Donation	1,300	16,008	1,574	19,082
Crop Insurance Levy Expenses	-	-	67,711	52,064
Employee Benefits including the following				
Other Staff Costs	92,750	92,818	8,671,636	8,381,289
Defined Benefit Plan Costs - Gratuity	3,454	2,998	565,802	338,621
Defined Contribution Plan Costs - EPF & ETF	9,713	8,742	618,177	791,879

35. FINANCE COST

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Interest on Loans	59,278	115,864	1,371,458	2,318,853
Interest on Bank Overdrafts and Other charges	23,248	28,171	296,262	514,523
Interest on Leases	11,158	6,728	214,338	237,794
Less : Capitalisation of borrowing costs on immature plantations	-	-	(41,390)	(59,732)
	93,684	150,763	1,840,668	3,011,438

36. FINANCE INCOME

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Exchange gain	-	-	12,130	27,024
Interest Income	-	2,594	96,114	59,275
	-	2,594	108,244	86,299

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 01 January 2020.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Value Added Tax on Financial Services	-	-	1,669,323	1,456,843
Nation Building Tax on Financial Services	-	-	-	137,006
Debt Repayment Levy on Financial Services	-	-	-	684,712
	-	-	1,669,323	2,278,561

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 24 of 2017 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 judgment 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 recognized 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 :

38.1.1 Income Statement

	Company		Group	
As at 31 March	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Current Income Tax				
Income Tax for the year	289,474	9,528	4,633,954	3,343,921
WHT on Dividend	-	-	87,281	178,031
Under/(over) provision of current taxes in respect of prior years	(6,212)	(100)	(43,153)	(15,613)
Unrecoverable ESC	-	-	68,822	12,600
Deferred Income Tax				
Deferred tax charge / (reversal) (Refer Note 38.3)	(1,458)	(2,819)	(538,674)	(65,571)
	281,804	6,609	4,208,230	3,453,368
38.1.2 Consolidated Statements of Other Comprehensive Income				
Deferred tax related to items recognised in OCI during in the year:				
Revaluation of property, plant and equipments	-	-	(318,083)	6,107
Remeasurement (gain)/loss on actuarial gains and losses	193	(160)	7,004	(24,165)
	193	(160)	(311,079)	(18,058)
38.1.3 Total Tax Expense for the Financial Year	281,997	6,449	3,897,151	3,435,310

Notes to the Financial Statements

38.1.4 Impact on Deferred Tax Charge/ (Reversal) due to Change in Tax Rates

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Charge/ (Reversal) Recognised in Profit or Loss:	(1,097)	(2,819)	(173,449)	(65,571)
- Arising on During the Year Movement	(361)	-	(365,225)	-
- Due to Change in Tax Rates	(1,458)	(2,819)	(538,674)	(65,571)
Charge/ (Reversal) Recognised in Other Comprehensive Income:	216	(160)	260,058	(18,058)
- Arising on During the Year Movement	(23)	-	(571,137)	-
- Due to Change in Tax Rates	193	(160)	(311,079)	(18,058)

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Accounting profit before tax	2,887,884	874,199	19,031,586	9,870,382
Less: Share of results of associates	-	-	38,654	(6,016)
	2,887,884	874,199	19,070,240	9,864,366
Less: Exempt Profit	(910,984)	(1,026,390)	(943,271)	(1,425,210)
Add: Non deductible expenses	111,212	247,232	8,311,456	28,495,797
Less: Deductible expenses	(48,413)	(45,852)	(5,121,140)	(24,493,544)
Less: Tax losses utilised	-	-	(2,060,155)	(1,142,851)
Add: Income considered as a seporate source of income	-	2,594	964,894	135,198
Less: Qualifying payment relief	(1,300)	(16,000)	(2,857)	(16,000)
Taxable Income	2,038,399	35,783	20,219,167	11,417,756
Tax on taxable income @ 28%	-	6,577	-	2,714,043
Tax on taxable income @ 25%	-	-	14,369	10,725
Tax on taxable income @ 24%	9,836	2,951	3,248,959	615,922
Tax on taxable income @ 18%	-	-	906,479	3,231
Tax on taxable income @ 15%	-	-	21,485	-
Tax on taxable income @ 14%	-	-	163,024	-
Dividend Tax @ 14%	279,638	-	366,919	178,031
Adjustments inrespect of prior years	(6,212)	(100)	(43,153)	(15,613)
Unrecoverable ESC	-	-	68,822	12,600
	283,262	9,428	4,746,904	3,518,939
Deferred Tax Charge/(Reversal) @ 24%	(1,458)	(2,819)	(538,674)	(65,571)
Income Tax Expense charged to Profit or Loss	281,804	6,609	4,208,230	3,453,368
Effective Tax Rate	9.76%	0.76%	22.11%	34.99%
Effective Tax Rate (Excluding Deferred Tax)	9.81%	1.08%	24.94%	35.65%
Accounting Profit Before Tax on Financial Services	2,887,884	874,199	20,700,909	12,148,943
Effective Tax Rate (Excluding Tax on Financial Services)	9.76%	0.76%	20.33%	28.43%

Swisstek Aluminium Ltd

Income tax exemption given for the Swisstek Aluminium Ltd has been ended by 01st September 2016 and company lible to pay tax at a rate of 20% on trade profit and 24% on other income.

Horana Plantations PLC

Profit from Agricultural business will be taxed at rate of 14% as per the Inland Revenue Act No. 24 of 2017. Other income will be taxed at the rate of 24%.

Gains and profits earned or derived from the sale of produce of an undertaking for agro farming without subjecting such produce to any process of production or manufacture are exempted within the period of five years of assessment commencing on April 1, 2019. Further, Agro Processing and Other Income liable at the rates of 14% and 24% respectively.

38.3 Deferred Tax

Deferred tax recognised in statements of profit and loss relates to the following:

	Company		Group	
As at 31 March	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Property, Plant & Equipments	(870)	(985)	(154,509)	(1,027,349)
Investment Property	-	-	(32,123)	(560)
Right of use assets	(241)	1,376	(1,058,555)	1,001,557
Defined Benefit Obligation	(347)	(3,211)	51,162	(44,749)
Provisions	-	-	44,919	(241,530)
Deferred Taxation on Un distributed Associate Profit	-	-	15,414	-
Unutilized tax losses	-	-	595,018	247,060
	(1,458)	(2,819)	(538,674)	(65,571)

39. DISCONTINUED OPERATIONS

Delmege Coir (Pvt) Ltd

On 12th 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 25th July 2016, the Board of Directors took a decision to cease the operations of Ever Paint and Chemical Industries (Private) Limited ("EPCI") and to dispose of the assets thereof. EPCI is a fully owned subsidiary of Royal Ceramics Lanka PLC and it was engaged in the business of manufacturing and marketing of paints and allied products. With EPCI being classified as discontinued operations, the paint and allied products segment is no longer presented in the segment note. The results of EPCI for the year is presented below:

Rocell Pty Ltd

On 31st January 2021, the Board of Directors decided to cease the operations of Rocell Pty Ltd ("RPTY") and to dispose of the assets thereof. RPTY is a fully owned subsidiary of Royal Ceramics Lanka PLC and it was engaged in the business of wholesale and retailing of floor tiles and wall tiles in Australia. With RPTY being classified as discontinued operations, its figures are no longer taken to tiles and associated items segment. Accordingly, comparative figures has been reclassified in the Statement of Profit or Loss.

During the year 2020/21, 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.

Notes to the Financial Statements

39.1 Loss on discontinued Operations

As at 31 March	Delmege Coir (Private) Limited		EPCI		Rocell Pty Ltd	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Revenue	-	-	-	-	84,832	133,665
Cost of Sales	-	-	-	-	(42,790)	(78,422)
Gross Profit	-	-	-	-	42,042	55,243
Finance Income	719	-	-	-	-	-
Other Income and Gains	-	-	-	1,074	30,439	-
Selling and Distribution Costs	(281)	-	(1,331)	(2,155)	(130,623)	(101,275)
Administrative Expenses	(1,720)	(5,536)	(421)	(582)	(3,030)	(2,481)
Other Operating Expenses	-	-	-	-	(65,319)	(58,690)
Finance Cost	-	(1)	-	-	(5,063)	(6,515)
Loss for the year from discontinued operations	(1,282)	(5,537)	(1,752)	(1,663)	(131,554)	(113,718)

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Loss from discontinued operations for the year ended	-	-	(134,588)	(120,918)
	-	-	(134,588)	(120,918)

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

As at 31 March	Delmege Coir (Private) Limited		EPCI		RPTY	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Assets						
Property, Plant and Equipment	786	786	36,722	36,722	-	-
Inventories	-	-	-	-	-	-
Trade and Other Receivables	264	2,266	12,022	14,696	23	-
Other Non Financial Assets	-	-	-	-	1,261	-
Other Financial assets	-	-	-	-	10,071	-
Cash and Cash Equivalents	-	-	791	612	3,662	-
Assets Held for Sale	1,050	3,052	49,535	52,030	15,017	-
Current Liabilities						
Trade and Other Payables	(6,246)	(6,246)	(7,849)	(8,167)	(29,148)	-
Other Current Liabilities	-	-	-	-	(3,345)	-
Interest Bearing Loans & Borrowings	-	-	-	-	(122,654)	-
Liabilities Directly Associated with the Assets Held for Sale	(6,246)	(6,246)	(7,849)	(8,167)	(155,147)	-
Net Assets Directly Associated with Disposal Group	(5,196)	(3,194)	41,686	43,863	(140,130)	-

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

As at 31 March	Delmege Coir (Private) Limited		EPCI		RPTY	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Operating	(719)	(6,654)	179	(2,467)	(9,668)	(33,253)
Investing	719	1,117	-	1,074	(2,209)	9,779
Financing	-	-	-	-	(2,320)	(27,577)
Net cash (outflow)/inflow	-	(5,537)	179	(1,393)	(14,197)	(51,051)

39.4 Earnings per Share

As at 31 March	Delmege Coir (Private) Limited		EPCI		RPTY	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Basic earnings/ (losses) for the year from discontinued operations	(0.37)	(1.26)	(0.09)	(0.08)	(52.75)	(45.60)

39.5 Asset Held For Sale- Property Plant & Equipment

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Delmege Coir (Private) Limited	-	-	1,050	3,052
Ever Paint and Chemical Industries (Private) Limited	-	-	49,535	52,029
Rocell Pty Ltd	-	-	15,017	-
	-	-	65,602	55,081

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

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Delmege Coir (Private) Limited	-	-	6,246	6,246
Ever Paint and Chemical Industries (Private) Limited	-	-	7,849	8,167
Rocell Pty Ltd	-	-	155,147	-
	-	-	169,243	14,413

39.7 Fair value of land and buildings of Discontinued Operations

The fair value of land and buildings amounting to LKR 36 Mn was determined by Mr. A.A.M. Fathihu, an independent professionally qualified valuer in reference to market based evidence. (valuation report dated 9 April 2018).

Reassessment of the fair valuation was obtained from the same independent professional valuer who determined that there would have been no substantial material change in the fair value between the last valuation date and reporting date.

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

Notes to the Financial Statements

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

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Amounts Used as the Numerators:				
Net Profit Attributable to Ordinary Shareholders of the Company/ Parent	2,606,080	867,590	8,117,796	3,793,640

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Number of Ordinary Shares Used as Denominators for Basic Earnings per Share				
Weighted Average number of Ordinary Shares in issue	1,138,915,644	1,138,915,644	1,138,915,644	1,138,915,644

Profit and Shares Details Used in the Diluted Earning per Share Computation

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Amounts Used as the Numerators:				
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	2,606,080	867,590	8,117,796	3,793,640

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Number of Ordinary Shares Used as Denominators for Diluted Earnings per Share				
Weighted average number of ordinary shares adjusted for the effect of dilution	1,138,915,644	1,138,915,644	1,138,915,644	1,138,915,644

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:

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Net profit attributable to ordinary equity holders of the parent from continuing operations	2,606,080	867,590	8,252,384	3,914,558
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	-	-	(134,588)	(120,918)
Net profit attributable to ordinary equity holders of the parent for basic earnings	2,606,080	867,590	8,117,796	3,793,640
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	2,606,080	867,590	8,117,796	3,793,640

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Basic Earnings Per Share	2.29	0.76	7.13	3.33
Basic Earnings Per Share for Continuing Operations	2.29	0.76	7.25	3.44
Diluted Earnings Per Share	2.29	0.76	7.13	3.33

On 16 March 2021, the Company have been listed 52,356,291 ordinary voting shares pursuant to a Scrip Dividend in the proportion of 1: 20.75000007 on shares held as at the 3 March 2021.

Basic/ Diluted Earnings Per Ordinary Share for the year 2020 have been restated based on the post scrip dividend weighted average number of ordinary shares.

40.1 Dividend Per Share

As at 31 March	Company	
	2021 LKR '000	2020 LKR '000
Scrip dividend	2,173,119	-
Cash Dividend	543,280	-
	2,716,399	-
Weighted average number of ordinary shares	1,138,915,644	1,138,915,644
Dividend Per Share	2.39	-

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:

01. In the principal market for the asset or liability; or"

02. 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 judgment 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 categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

41.1 Assets Measured at Fair Value:

		2021				2020			
		Fair Value Measurement Using			Total	Fair Value Measurement Using			Total
	Notes	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Fair Value LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Fair Value LKR '000
Financial Assets									
Financial Assets Recognised Through Profit or Loss	4.3	137,049	-	-	137,049	84,630	-	-	84,630
Equity Instruments measured at Fair Value through OCI	4.3	9,230,163	801	305	9,231,269	25,487	9,098,312	305	9,124,104
Non Financial Assets									
Consumable Biological Assets	18.2	-	-	630,578	630,578	-	-	632,176	632,176
Investment Property	20	-	-	1,980,307	1,980,307	-	-	1,727,301	1,727,301
Property, Plant and Equipment									
Land and Building	16	-	-	32,455,728	32,455,728	-	-	31,001,587	31,001,587
Leasehold Rights Over Mining Lands	19	-	-	1,619	1,619	-	-	1,619	1,619
Assets held for sale	39.5	-	-	65,602	65,602	-	-	55,081	55,081
		9,367,212	801	35,134,139	44,502,152	110,117	9,098,312	33,418,069	42,626,498

Transfers into and transfers out of the hierarchy levels during 2019/20 & 2020/21 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:

	Notes	2021		2020	
		Fair Value LKR '000	Carrying Value LKR '000	Fair Value LKR '000	Carrying Value LKR '000
Financial Assets At Amortised Cost- Loans and Advances	5	68,707,912	67,466,580	59,836,524	58,793,345
Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out on Hire	6	49,448,938	47,359,635	62,563,940	60,626,670
		118,156,850	114,826,215	122,400,464	119,420,015

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 categorized 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 borrowings balances comprise floating rate instruments therefore fair value of the value due to banks 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.

Notes to the Financial Statements

42.1 Operating Segment Information

As at 31 March	Lifestyle Sector		Finance Sector		Alluminium Sector		Plantation Sector	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Income Statement								
Revenue	36,840,290	24,460,501	29,807,363	31,247,283	3,767,191	3,139,146	2,125,306	1,762,154
Intra Group Revenue	-	52,964	-	-	126,630	95,799	-	-
Total Revenue	36,840,290	24,513,465	29,807,363	31,247,283	3,893,821	3,234,945	2,125,306	1,762,154
Results								
Gross Profit	15,105,758	9,790,468	18,264,037	17,615,912	1,075,230	576,528	200,455	(217,542)
Dividend Income	281	972	3,496	6,777	-	-	-	-
Other Operating Income	537,554	276,087	119,460	105,357	9,531	11,040	47,535	63,593
Administrative Expenses	(1,461,458)	(1,403,794)	(5,397,814)	(5,369,354)	(131,596)	(100,092)	(191,644)	(171,770)
Distribution Expenses	(5,538,067)	(4,287,938)	(244,099)	(552,613)	(333,102)	(244,597)	-	-
Other Operating Expenses	(348,392)	(17,892)	(1,747,927)	(1,874,333)	-	-	-	-
Gold loans auction losses	-	-	-	-	-	-	-	-
Results from Operating Activities	8,295,676	4,357,903	10,997,153	9,931,746	620,063	242,879	56,346	(325,719)
Finance Cost	(1,155,068)	(2,095,791)	-	-	(171,234)	(296,337)	(137,363)	(146,642)
Finance Income	160,535	303,213	-	-	-	-	-	-
Net Finance Cost	(994,533)	(1,792,578)	-	-	(171,234)	(296,337)	(137,363)	(146,642)
Share of Results of Equity accounted investees	-	-	-	-	-	-	-	-
Reclassification of the Gain/loss recognised in OCI through retained earnings	-	-	-	-	-	-	-	-
Profit Before Tax on Financial Services	7,301,143	2,565,325	10,997,153	9,931,746	448,829	(53,458)	(81,017)	(472,361)
Tax on Financial Services	-	-	(1,669,324)	(2,278,561)	-	-	-	-
Profit/(Loss) before tax	7,301,143	2,565,325	9,327,829	7,653,185	448,829	(53,458)	(81,017)	(472,361)
Tax Expense	(1,121,959)	(705,169)	(2,521,007)	(2,442,327)	(107,008)	13,571	(13,744)	(24,493)
Profit for the year from continuing operations	6,179,184	1,860,156	6,806,822	5,210,858	341,821	(39,887)	(94,761)	(496,854)
Assets and Liabilities								
Segment Assets	45,550,077	47,751,828	140,943,452	144,548,603	4,034,450	3,884,145	3,798,373	3,724,345
Total Assets	45,550,077	47,751,828	140,943,452	144,548,603	4,034,450	3,884,145	3,798,373	3,724,345
Segment Liabilities	18,638,264	26,050,320	112,556,207	121,388,823	2,589,180	2,710,419	3,051,100	2,924,629
Total Liabilities	18,638,264	26,050,320	112,556,207	121,388,823	2,589,180	2,710,419	3,051,100	2,924,629
Other Segment information								
Total Cost incurred during the period to Acquire,								
Property ,Plant and Equipment"	1,227,586	1,382,111	486,102	777,121	216,436	44,628	54,619	155,386
Intangible Assets	7,847	2,062	658	29,339	-	-	-	-
Depreciation and Amortisation PPE, ROUA and Intangible assets	1,843,191	1,383,365	753,093	476,057	107,156	104,800	206,739	187,691
Provisions for Employment Benefit Liability	154,148	142,213	53,568	75,995	7,281	5,595	92,941	91,779

Leisure Sector		Consumer Sector		Investment Sector		Other Sector		Total Segments		Eliminations / Adjustments		Group	
2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
-	-	4,432,187	4,011,706	-	-	4,062,640	3,948,245	81,034,977	68,569,035	-	-	81,034,977	68,569,035
-	-	-	-	-	-	554,991	639,261	681,621	788,024	(681,621)	(788,024)	-	-
-	-	4,432,187	4,011,706	-	-	4,617,631	4,587,506	81,716,598	69,357,059	(681,621)	(788,024)	81,034,977	68,569,035
-	-	1,004,705	849,764	-	-	1,094,020	1,069,758	36,744,205	29,684,888	(26,901)	(96,565)	36,717,304	29,588,323
-	-	-	-	2,869,006	1,007,750	2,304	-	2,875,087	1,015,500	(1,730,967)	(1,012,122)	1,144,120	3,377
-	-	13,021	55,699	373,178	280,581	438,561	377,131	1,538,840	1,169,487	(974,848)	(687,592)	563,992	481,895
(1,018)	(41,795)	(195,497)	(165,819)	(260,619)	(265,962)	(710,993)	(713,226)	(8,350,639)	(8,231,812)	901,938	455,397	(7,448,701)	(7,776,415)
-	-	(354,881)	(342,842)	-	-	(213,448)	(193,614)	(6,683,597)	(5,621,604)	376,246	271,728	(6,307,351)	(5,349,875)
-	-	-	-	-	-	(2,601)	-	(2,098,920)	(1,892,225)	(98,457)	12,986	(2,197,377)	(1,879,239)
-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1,018)	(41,795)	467,348	396,802	2,981,565	1,022,369	607,843	540,049	24,024,976	16,124,234	(1,552,989)	(1,056,168)	22,471,987	15,068,066
(185)	(1,087)	(330,147)	(487,310)	(93,684)	(150,763)	(84,639)	(196,188)	(1,972,320)	(3,374,118)	131,652	362,680	(1,840,668)	(3,011,438)
179	401	31,776	17,153	-	2,594	28,623	120,272	221,113	443,633	(112,869)	(357,334)	108,244	86,299
(6)	(686)	(298,371)	(470,157)	(93,684)	(148,169)	(56,016)	(75,916)	(1,751,207)	(2,930,485)	18,783	5,346	(1,732,424)	(2,925,139)
(38,654)	6,016	-	-	-	-	-	-	(38,654)	6,016	-	-	(38,654)	6,016
-	-	-	-	-	-	-	-	-	-	-	-	-	-
(39,678)	(36,465)	168,977	(73,355)	2,887,881	874,200	551,827	464,133	22,235,115	13,199,765	(1,534,206)	(1,050,822)	20,700,909	12,148,943
-	-	-	-	-	-	1	-	(1,669,323)	(2,278,561)	-	-	(1,669,323)	(2,278,561)
(39,678)	(36,465)	168,977	(73,355)	2,887,881	874,200	551,828	464,133	20,565,792	10,921,204	(1,534,206)	(1,050,822)	19,031,586	9,870,382
-	-	(118,288)	(48)	(281,804)	(6,608)	(29,250)	(103,599)	(4,193,060)	(3,268,673)	(15,170)	(184,695)	(4,208,230)	(3,453,368)
(39,678)	(36,465)	50,689	(73,403)	2,606,077	867,592	522,578	360,534	16,372,732	7,652,531	(1,549,376)	(1,235,517)	14,823,356	6,417,014
7,710,958	6,928,509	2,505,612	2,433,328	30,864,024	30,105,574	12,019,309	10,587,837	247,426,255	249,964,169	(7,294,685)	(7,497,038)	240,131,570	242,467,131
7,710,958	6,928,509	2,505,612	2,433,328	30,864,024	30,105,574	12,019,309	10,587,837	247,426,255	249,964,169	(7,294,685)	(7,497,038)	240,131,570	242,467,131
2,497,371	1,994,805	4,473,055	4,442,911	330,379	1,743,712	4,187,208	3,657,105	148,322,764	164,912,724	(2,381,134)	(2,505,201)	145,941,630	162,407,523
2,497,371	1,994,805	4,473,055	4,442,911	330,379	1,743,712	4,187,208	3,657,105	148,322,764	164,912,724	(2,381,134)	(2,505,201)	145,941,630	162,407,523
495,596	962,747	10,511	1,246	9,223	7,971	260,591	94,042	2,760,664	3,425,252	111,100	330	2,871,764	3,425,582
-	-	-	-	-	-	-	21,441	8,505	52,842	-	-	8,505	52,842
13,029	14,062	11,912	3,829	16,165	16,141	111,627	67,473	3,062,912	2,253,418	45,245	45,245	3,108,157	2,298,663
930	826	4,647	1,522	3,454	2,998	62,873	20,850	379,842	341,777	-	-	379,842	341,778

Notes to the Financial Statements

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

Reconciliation of reportable segment profit or loss, assets and liabilities

Reconciliation of net profit for the year

As at 31 March	Group 2021 LKR '000	Group 2020 LKR '000
Segment Net Profit for the year	16,372,732	7,652,531
Loss after tax for the year from Discontinued Operations	(134,588)	(120,918)
Elimination of Intercompany Dividend	(1,730,967)	(1,012,122)
Dividend Tax on Intercompany Dividend Income	(15,170)	(184,695)
Inter/ Intra Segment Elimination	196,761	(38,700)
Group Net Profit For the Year	14,688,768	6,296,096

Reconciliation of Assets and Liabilities

As at 31 March	Group 2021 LKR '000	Group 2020 LKR '000
Segment Assets	247,426,255	249,964,169
Assets of Discontinued Operations	65,602	55,081
Investment in subsidiaries (Elimination)	(20,230,723)	(20,230,723)
Inter company Balance (Elimination)	1,211,364	895,813
Finacial Assets - Fair Value Through P&L (Elimination)	(52,323)	(14,490)
Finacial Assets - Fair Value Through OCI (Elimination)	(53,422)	(33,349)
Intangible Assets reconised/(eliminated)	11,586,741	11,631,985
Share of Associate companies accumilated Profit and OCI net of dividend received	178,076	198,645
Group Assets	240,131,570	242,467,131
Segment Liabilities	148,322,764	164,912,724
Liabilities of discontinued operations	169,243	14,413
Inter company balance (Eliminations)	(2,550,377)	(2,519,614)
Group Liability	145,941,630	162,407,523

43. COMMITMENTS AND CONTINGENCIES

Accounting Policy

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit 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.

43.1 Contingent Liabilities

As at 31 March	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
Guarantees Issued to Banks and Other Institutions	-	-	33,800	12,250
Counter Indemnity Issued to Banks for Guarantees*	-	-	138,963	76,202
Import LC and Ordinary Guarantees	-	-	-	83,753
Total Contingent Liabilities	-	-	172,763	172,205

** Contingent liability as at 31 March 2021, on counter indemnity for letter of guarantee issued by Sampath Bank PLC on behalf of LB Microfinance Myanmar Company Limited favoring 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 in respect 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 Plantation PLC

Court of Appeal Case No CA WRIT 143/2021

In the past, wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without considering objections of the RPC's decided the daily wage rate of Tea / Rubber workers as LKR 1,000/- per day and gazetted its decision on 05th March 2021.

Therefore, a "Writ Application" was instituted by the RPCs in the Court of Appeal seeking an interim order, staying and /or suspending the operation of the Gazette issued by the Wages Board, but the Hon Judges of the Court of Appeal declined to issue an interim order but directed the respondents to file objections and the RPCs (Petitioners) to file Counter Objections. As at the date of the Statement of financial position, the above matter is under the purview of the Court of Appeal and, therefore the final decision is pending.

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unforeseen verdict unfavorable to the Company/Group from the above court case, the contingent liability on retirement benefit obligation liability would be LKR 142,435,779 and of which LKR 11,573,045 need to be charged to Profit or Loss and LKR 130,862,734 to be charged under Other Comprehensive Income for the year ended 31 March 2021. However, no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

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.

43.1 Contingent Liabilities (Contd.)

c) Royal Ceramics Lanka PLC

Companies with in 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 & 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) Chocolate and Biscuit Company Limited (Formally known as Rocell Ceramics Limited)

The Minister of Land has issued the Section 2 Notice of the Land Acquisition Act to acquire the Kiriwattuduwa Land owned by the wholly owned subsidiary of the Group namely Chocolate and Biscuit Company Limited (Formally known as Rocell Ceramics Limited). The Company has challenged the decision and filed a fundamental rights application in the supreme court. During the financial year 2018/19, UDA signed the MOU with the Company on the settlement and informed that it does not require the acquisition of the land. Based on the settlement agreed between UDA and the Company, Supreme court terminated the proceedings on 3 September 2019.

43.2 Commitments

	Company		Group	
As at 31 March	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Contracted but not provided for	-	-	725,024	633,554
Unutilised facilities	-	-	2,279,724	1,644,424
	-	-	3,004,748	2,277,978

Lease commitments

a). Lanka Tiles PLC is committed to pay LKR 2,000,000/- & LKR 2,300,471/- respectively as rent per month for the use of land & buildings situated in Nawala.

b). Horana Plantation PLC has commitments under operating lease rentals on Dumbara Estate as given below;

Finance lease rentals payable to the Secretary to the Treasury ;

22.06.2019 to 21.06.2045 (per annum)	LKR 5.228 million

c). Swisstek Aluminium Limited has a commitment on letter of credits amounting to LKR190.12 million as at the reporting date.

Swisstek Aluminium Ltd is committed to pay LKR 357,500 & LKR 100,000 respectively as rent per month for the use of building situated in Nawala

43.3 Litigation against the Company/ Group

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.

	Company		Group	
As at 31 March	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cases pending against the company (Values claimed)	-	-	141,916	83,260
	-	-	141,916	83,260

44. EVENTS AFTER THE REPORTING PERIOD

As the third wave of COVID-19 pandemic evolves, governments are implementing additional measures to address the resulting public health issues and the economic impact. To meet the additional challenges, we supplemented our existing approach to risk management with additional tools and practices. We increased our focus on the quality and timeliness of the data used to inform management decisions, through measures such as early warning indicators, prudent active risk management of our risk appetite, and ensuring regular communication with our key stakeholders.

The Group will continues to monitor the COVID-19 situation and will take further action as necessary in response to the economic disruption.

The Company declared a final dividend of LKR 1.00 per share for the year ended 31 March 2021 on 01 June 2021.

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.

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Short-Term Employment Benefits	-	-	723,708	658,210
Directors' Fees and Expenses	11,186	11,186	91,497	50,939
Post Employment Benefits	-	-	88,419	121,892
	11,186	11,186	903,624	831,041

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.

Notes to the Financial Statements

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.

As at 31 March	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
Statement of Financial Position				
Assets				
Loans against Deposit	-	-	8,484	-
Advance & Prepayments	-	-	32,068	-
	-	-	40,552	-
Liabilities				
Fixed Deposits	-	-	686,354	523,210
Savings Deposits	-	-	18,957	-
Cash and Cash equivalents	-	-	33,892	25,191
Trade Debtors	-	-	9,284	8,387
	-	-	748,488	556,788
Income Statement				
Interest Expense on Customer Deposits	-	-	(60,221)	(84,617)
Interest Income on Deposits	-	-	46	-
Sale of Goods/Services	-	-	7,309	19,165
Purchase of Goods/Services	-	-	(48,906)	(258,153)
Dividend Income	-	-	563	-
Other Operating Expenses	-	-	(6,425)	(56,777)
	-	-	(107,634)	(380,383)
Other Transactions				
Deposits Accepted During the Year	-	-	297,910	96,232
Dividend Paid on Shareholdings	2,189,284	-	2,189,284	3,764
	2,189,284	-	3,020,159	99,996

45.3 Transaction, Arrangements and Agreements Involving Entities which are Controlled, and/or Jointly Controlled by the KMPs and Their CMFs.

As at 31 March	Company 2021 LKR '000	Company 2020 LKR '000	Group 2021 LKR '000	Group 2020 LKR '000
Statement of Financial Position				
Assets				
Due from Other Related Parties	27,407	16,768	27,791	16,768
	27,407	16,768	27,791	16,768
Liabilities				
Due from Other Related Parties	-	-	24,071	24,375
	-	-	24,071	24,375
Income Statement				
Technical Fees	56,514	65,441	56,514	65,441
Interest Income on repo and Fixed Deposits	-	2,594	-	2,594
sale of goods & services	-	-	5,154	7,309
purchase of good & services	(4,961)	-	(49,416)	(48,906)
	51,552	68,035	12,252	26,438
Other Transactions				
Investment in Fixed Deposits	75,000	758,302	75,000	758,302
Withdrawal of Fixed Deposit	(75,000)	(758,302)	(75,000)	(758,302)
	-	-	-	-

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 Subsidiaries

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Statement of Financial Position				
Assets				
Investment in Equity Securities	20,230,723	20,230,723	-	-
Due from Related Parties	139,788	129,373	-	-
	20,370,511	20,360,096	-	-
Liabilities				
Due to Related Parties	-	15,901	-	-
	-	15,901	-	-
Statement of Profit and Loss				
Dividend Income	1,728,664	987,773	-	-
Technical fee income	333,789	203,821	-	-
	2,062,453	1,191,595	-	-
Other Transactions				
Dividend Paid	2,304	-	-	-
	2,304	-	-	-

Transactions with Fellow Subsidiaries and Associate Companies of the Parent

As at 31 March	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Income Statement				
Dividend Income	-	19,977	-	24,365
	-	19,977	-	24,365
Other Transactions				
Reimbursement of expenses	-	-	-	9,449
Investment in shares	7,176	-	7,176	-
	7,176	-	7,176	9,449

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

Notes to the Financial Statements

46. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

46.1 Company

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

	2021			2020		
	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000
ASSETS						
Cash and Bank	88,931	-	88,931	10,134	-	10,134
Financial Assets Recognised Through Profit or Loss	87,998	-	87,998	48,608	-	48,608
Equity Instruments measured at Fair Value through OCI	-	9,206,099	9,206,099	-	9,097,725	9,097,725
Other Financial Assets	75,000	-	75,000	-	-	-
Trade and Other Debtors, Deposits and Prepayments	663,567	-	663,567	169,975	-	169,975
Other Non Financial Assets	-	2,749	2,749	2,224	-	2,224
Investments in Subsidiaries	-	20,230,723	20,230,723	-	20,230,723	20,230,723
Investment in Associate	-	413,068	413,068	-	405,891	405,891
Deferred Tax Assets	-	3,954	3,954	-	2,690	2,690
Income Tax Recoverable	-	-	-	1,175	-	1,175
Property, Plant and Equipment	-	32,484	32,484	-	39,425	39,425
Right of use assets	-	59,452	59,452	37,549	59,452	97,001
Total Assets	915,495	29,948,529	30,864,025	269,665	29,835,906	30,105,571

	2021			2020		
	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000
LIABILITIES						
Due to Banks	106	-	106	603,298	-	603,298
Interest Bearing Loans and Borrowings	38,903	29,259	68,162	1,100,557	-	1,100,557
Trade and Other Payables	20,863	-	20,863	20,504	-	20,504
Dividend Payable	13,821	-	13,821	7,312	-	7,312
Employee Benefit Liabilities	-	14,689	14,689	1,002	11,039	12,041
Income Tax Liabilities	212,739	-	212,739	-	-	-
Total Liabilities	286,432	43,948	330,380	1,732,674	11,039	1,743,712

46.2 Group

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

	2021			2020		
	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000
ASSETS						
Cash and Bank	11,517,402	-	11,517,402	7,684,456	-	7,684,456
Financial Assets Recognised Through Profit or Loss	137,049	-	137,049	84,630	-	84,630
Financial Assets At Amortised Cost- Loans And Receivables	49,077,521	18,389,059	67,466,580	43,995,961	14,797,384	58,793,345
Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out On Hire	20,243,990	27,115,645	47,359,635	25,645,341	34,981,329	60,626,670
Equity Instruments measured at Fair Value through OCI	24,368	9,206,900	9,231,268	9,123,517	587	9,124,104
Other Financial Assets	9,859,811	1,327,387	11,187,198	9,337,263	-	9,337,263
Trade and Other Debtors, Deposits and Prepayments	8,257,681	-	8,257,681	6,715,339	756,667	7,472,006
Contract Asset	52,561	-	52,561	50,476	-	50,476
Other Non Financial Assets	1,055,016	59,360	1,114,376	1,376,650	-	1,376,650
Investments in Subsidiaries	(20,230,723)	20,230,723	-	-	-	-
Investment in Associate	(9,907,172)	10,498,316	591,144	-	622,465	622,465
Deferred Tax Assets	-	37,510	37,510	-	269,987	269,987
Income Tax Recoverable	64,894	-	64,894	99,039	-	99,039
Inventories	12,318,317	-	12,318,317	18,055,557	-	18,055,557
Intangible Assets	11,586,739	1,212,134	12,798,873	-	12,884,917	12,884,917
Consumable Biological Assets	-	630,578	630,578	632,176	-	632,176
Investment Property	-	1,980,307	1,980,307	-	1,727,301	1,727,301
Property, Plant and Equipment	-	52,594,706	52,594,706	-	50,658,035	50,658,035
Leasehold Rights Over Mining Lands	-	1,619	1,619	-	1,619	1,619
Right of use assets	-	2,724,270	2,724,270	-	2,911,354	2,911,354
Assets held for sale	65,602	-	65,602	55,081	-	55,081
Total Assets	94,123,056	146,008,514	240,131,570	122,855,486	119,611,645	242,467,131

	2021			2020		
	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000	With in 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Due to Banks	9,575,786	8,233,157	17,904,126	9,575,786	19,875,630	29,451,416
Due to Customers	74,783,700	13,536,622	85,940,213	74,783,700	14,531,398	89,315,098
Interest Bearing Loans and Borrowings	7,237,234	12,148,897	19,386,131	12,931,733	13,181,891	26,113,624
Trade and Other Payables	6,303,672	2,502,053	9,150,750	6,303,672	541,731	6,839,755
Other Non Financial Liabilities	363,819	443,172	729,673	363,819	137,832	501,651
Contract Liabilities	634,606	-	1,832,902	634,606	-	634,606
Dividend Payable	81,273	-	92,161	81,273	-	86,921
Employee Benefit Liabilities	350,438	2,093,076	2,093,302	276,801	1,634,382	1,911,183
Income Tax Liabilities	955,249	1,100,521	3,141,752	955,249	-	955,249
Deferred Tax Liabilities	-	3,925,745	5,501,377	-	6,583,607	6,583,607
Liabilities directly associated with the assets classified as held for sale	14,413	-	169,243	14,413	-	14,413
Total Liabilities	100,300,190	43,983,243	145,941,630	105,921,052	56,486,471	162,407,523

Notes to the Financial Statements

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 2021 LKR '000	Carrying Amount Pledged 2020 LKR '000	Included Under
Delmege Group				
Fixed Deposit	Primary mortgage for Overdraft facility	-	-	Other Financial Assets
Land & Building	Land & Building pledged for loan facility and Corporate Guarantee	65,000,000	65,000,000	Property, Plant and Equipment
Land & Building	Land & Building pledged for LC/ Import Loan, Overdraft, Term Loan & 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.	10,107,123	29,299,732	Other Financial Assets
Fixed Deposit	Lien over Fixed Deposit Pledged for Overdraft	-	143,837,476	Other Financial Assets
Stocks & Book Debtors	Lien over Stocks & Book Debtors Pledged for LC/Import Loan, Overdraft & Bank Guarantee facilities.	250,000,000	160,000,000	Inventories and Trade and Other Debtors
Stocks & Book Debtors	Lien over Stocks & Book Debtors Pledged for Overdraft	-	35,000,000	Inventories and Trade and Other Debtors
Stocks & Book Debtors	Lien over Stocks & Book Debtors Pledged for LC/Import Loan, Overdraft & Bank Guarantee facilities.	900,000,000	900,000,000	Inventories and Trade and Other Debtors
Stocks & Book Debtors	Lien over Stocks & 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	21,241,467	19,300,000	Other Financial Assets
Stocks & Book Debtors	Lien over Stocks & Book Debtors Pledged for LC,Short term loan and Guarantee Facilities	575,000,000	-	Inventories and Trade and Other Debtors
Stocks & Book Debtors	Lien over Stocks & Book Debtors Pledged for LC,Short term loan and Guarantee Facilities	150,000,000	150,000,000	Inventories and Trade and Other Debtors
LB Finance PLC				
Lease Rentals Receivable and Stock out on Hire/ Loans and Receivables	Debt Funding from Banks	19,374,902	24,730,786	Lease Rentals Receivable and Stock out on Hire / Loans and Advances
Freehold Land and Building	Term Loans	1,601,607	1,979,558	Property, Plant and Equipment
		5,342,325,099	4,879,147,552	

Royal Ceramics Lanka PLC/Rocell Bathware 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 known as "Uni Dil Paper Sacks (Pvt) Ltd")

Import Loans are secured by Primary on mortgage bond over land and building for LKR 30 million at Naranpola, Dekatana for the banking facilities of Hatton National Bank PLC and registered primary floating mortgage bond over stock and book debts for LKR 60 million for the banking facilities of Hong kong & 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.	AWPLR+2% (with the floor Rate of 8.5%)	100,000
Commercial Bank of Ceylon PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	AWPLR+0.5% (Weekly Review)	250,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings , fixed and floating assets.	AWPLR+0.75% (Weekly Review)	150,000
Sampath Bank PLC	Primary Mortgage Bond for LKR100 Million over leasehold rights of Gouravilla Estate.	AWPLR+1.8% (Monthly Review)	100,000

Lanka Walltiles PLC

Hatton National Bank LKR 100 Mn bank overdraft is secured primarily on register primary floating mortgage bond for LKR390 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+0.5%	300,000
DFCC Bank (Term loan)	Primary mortgage over plant and machinery	AWPLR+1.5%	200,000
DFCC Bank (Import loan and Bank Overdarfts)	Secondary mortgage over stock and book debtors	AWPLR+0.5%	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 optimized through the application and the embedment of the risk management process including risk identification, risk analysis, risk measurement, risk management decision and execution, risk monitoring and reporting.

The overall responsibility and oversight of the Risk Management framework of each subsidiary company is vested with the Board of Directors. The Integrated Risk Management Committee (IRMC), a sub-committee appointed by the Board, is responsible for developing and monitoring Group's risk management policies practised.

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 categorized 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, Deputy Managing Director, Executive Directors, Head of Finance and Head of Risk Management. 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.

COVID -19 Impact Assessment

The Company's Enterprise Risk Management Framework strives to manage the outcomes of adverse economic and market conditions proactively, whilst achieving the risk-return objectives of the Company. This has been proven through the Company's ability to maintain its NPL at a lower level compared to the industry average (LFCs & SLCs). Company has always acted with due care and taken prudent measures to ensure an effective, efficient and healthy repayment behavior of credit customers while safeguarding the interests of the stakeholders.

The subsequent adverse economic effects induced by the outbreak of Covid-19 pandemic, have caused financial stress among our retail, SME and corporate clients which led to elevated levels of credit risk in the short term and the Company has provided relief measures to the affected businesses and individuals who are eligible as per the directions issued by the CBSL.

Impact to Myanmar Subsidiary Operations

Further the impact on Myanmar business operations are closely supervised by the management and the directions issued by Myanmar Financial Regulatory Department in relation to Covid-19 are being strictly adhered to.

Operations of the subsidiary experienced short-term disruptions following the military coup in Myanmar. However, the operations are closely monitored and necessary actions are taken to strengthen the follow up mechanism.

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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.

As at 31 March	Company			
	2021		2020	
	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	88,931	-	10,134	-
Financial Assets Recognised Through Profit or Loss	87,998	87,998	48,608	48,608
Equity Instruments measured at Fair Value through OCI	9,206,099	9,206,099	9,097,725	9,097,725
Trade Receivables	663,567	169,977	146,141	146,141
Other Financial Assets	75,000	75,000	-	-
	10,121,594	9,539,074	9,302,608	9,292,474

As at 31 March	Group			
	2021		2020	
	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	11,517,402	5,044,766	7,684,456	7,684,456
Financial Assets Recognised Through Profit or Loss	137,049	137,049	84,630	84,630
Trade Receivables	7,590,904	7,097,315	5,885,399	5,885,399
Financial Assets At Amortised Cost- Loans And Receivables	70,909,995	6,972,230	61,176,382	6,290,708
Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out On Hire	50,520,906	2,856,391	63,534,702	3,117,674
Equity Instruments measured at FVOCI	9,231,268	9,231,268	9,124,104	9,124,104
Other Financial Assets*	11,187,198	7,649,453	9,337,262	3,874,527
Total Financial Assets	161,094,722	38,988,472	156,826,935	36,061,498

**Net exposure of the Other Financial Assets mainly includes investment in fixed deposits in banks and other financial institutions.*

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 Equivalent	88,931	-	-	88,931
Financial Assets Recognised Through Profit or Loss	87,998	-	-	87,998
Equity Instruments measured at Fair Value through OCI	9,206,099	-	-	9,206,099
Trade Receivables	663,567	-	-	663,567
Other Financial Assets	75,000	-	-	75,000
	10,121,594	-	-	10,121,594

Comparative Year	Company Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and Cash Equivalent	10,134	-	-	10,134
Financial Assets Recognised Through Profit or Loss	48,608	-	-	48,608
Equity Instruments measured at Fair Value through OCI	9,097,725	-	-	9,097,725
Trade Receivables	146,143	-	-	146,143
	9,302,610	-	-	9,302,610

Current Year	Group Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and Cash Equivalents	11,517,402	-	-	11,517,402
Financial Assets Recognised Through Profit or Loss	137,049	-	-	137,049
Trade Receivables	5,344,859	304,391	1,941,654	7,590,904
Financial Assets At Amortised Cost- Loans And Receivables	50,116,939	12,794,966	7,998,089	70,909,995
Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out On Hire	20,914,856	17,872,363	11,733,687	50,520,906
Equity Instruments measured at Fair Value through OCI	9,231,268	-	-	9,231,268
Other Financial Assets	11,187,198	-	-	11,187,198
Total Financial Assets	108,449,571	30,971,720	21,673,430	161,094,722

Comparative 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 & 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

Notes to the Financial Statements

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 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 2020, 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.

Capital Management

The primary objective of Company'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 maximize 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 summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at Current Year

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

Current Year	On Demand LKR '000	Less than 03 Months LKR '000	03-12 Months LKR '000	01-05 Years LKR '000	Over 05 Years LKR '000	Total LKR '000
Financial Assets						
Cash and Cash Equivalents	8,104,711	3,412,691	-	-	-	11,517,402
Financial Assets Recognised Through Profit or Loss	91,070	-	45,979	-	-	137,049
Financial Assets At Amortised Cost- Loans And Advances	8,895,653	31,587,748	16,663,261	23,335,362	2,459,566	82,941,590
Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out On Hire	4,417,018	6,724,062	18,236,573	35,691,618	5,925	65,075,196
Equity Instruments measured at Fair Value through OCI	9,230,467	-	-	801	-	9,231,268
Other Financial Assets	1,162,444	3,156,308	7,134,955	-	-	11,453,707
Trade and Other Debtors, Deposits	2,970,350	1,963,583	2,579,006	77,965	-	7,590,904
Total Financial Assets	34,871,713	46,844,392	44,659,774	59,105,746	2,465,491	187,947,116
Financial Liabilities						
Due to Banks	1,944,287	1,381,685	8,044,285	8,146,773	-	19,517,031
Due to Customers	12,503,374	16,416,604	46,735,233	15,251,257	-	90,906,468
Trade and Other Payables	-	5,410,256	1,383,973	-	-	6,794,229
Interest Bearing Loans and Borrowings	(3)	2,148,622	5,421,750	11,641,732	174,030	19,386,131
Total Financial Liabilities	14,447,659	25,357,168	61,585,240	35,039,763	174,030	136,603,859
Total Net Financial Assets/(Liabilities)	20,424,054	21,487,224	(16,925,466)	24,065,983	2,291,461	51,343,257

Comparative Year	On Demand LKR '000	Less than 03 Months LKR '000	03-12 Months LKR '000	01-05 Years LKR '000	Over 05 Years LKR '000	Total LKR '000
Financial Assets						
Cash and 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 & 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 and Other Payables	1,444,956	1,346,880	1,258,080	1,074,051	686,448	5,810,415
Interest Bearing Loans and Borrowings	2,267,948	4,605,675	6,601,976	11,789,734	1,364,079	26,629,411
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

48.4 Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by maturity of contingent liabilities and commitments. 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 03 Months LKR '000	03-12 Months LKR '000	01-05 Years LKR '000	Over 05 Years LKR '000	Total LKR '000
Contingent Liabilities						
Guarantees Issued to Banks and Other Institutions	-	5,000	28,800	-	-	33,800
Counter Indemnity Issued to Banks for Guarantees	-	-	-	138,963	-	138,963
Import LC and Ordinary Guarantees	-	-	-	-	-	-
Total Contingent Liabilities	-	5,000	28,800	138,963	-	172,763
Commitments						
Contracted but not provided for	725,024	-	-	-	-	725,024
Commitment for Unutilised Facilities	2,279,724	-	-	-	-	2,279,724
Total Commitments	3,004,748	-	-	-	-	3,004,748
Total Commitments and Contingencies	3,004,748	5,000	28,800	138,963	-	3,177,511

Comparative Year	On Demand LKR '000	Less than 03 Months LKR '000	03-12 Months LKR '000	01-05 Years LKR '000	Over 05 Years LKR '000	Total LKR '000
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

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 materialize 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 throughout the year 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.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD, AUD, EURO and GBP exchange rates, with all other variables held constant. The Group exposure to all the other currencies are not material. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Company		Group	
As at 31 March	Change in exchange rate	Change in Profit before tax LKR '000	Change in exchange rate	Change in Profit before tax LKR '000
2021	5%	-	5%	607
2020	5%	-	5%	1,351

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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 minimizing 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 scrutinizing 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

As at 31 March	2021		2020	
Impact on NII (LKR'000)	Parallel Increase 100 bps	Parallel Decrease 100 bps	Parallel Increase 100 bps	Parallel Decrease 100 bps
Annual Impact	1,410,279	(1,410,279)	1,392,413	(1,392,413)

48.5.4 (b) The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

Current Year	Up to 03 Months LKR '000	03-12 Months LKR '000	01-03 Years LKR '000	03-05 Years LKR '000	Over 05 Years LKR '000	Non-Interest Sensitive LKR '000	Total LKR '000
Financial Assets							
Cash and Cash Equivalents	10,264,487	10,107	-	-	-	1,242,808	11,517,402
Financial Assets Recognised Through Profit or Loss	-	-	-	-	-	137,049	137,049
Financial Assets At Amortised Cost- Loans and Advances	43,660,178	10,355,676	9,498,531	3,840,915	111,280	-	67,466,580
Financial Assets At Amortised Cost- Lease Rentals Receivable & Stock Out On Hire	8,218,233	12,025,759	21,964,625	5,145,758	5,260	-	47,359,635
Equity Instruments measured at Fair Value through OCI	-	-	-	-	-	9,231,268	9,231,268
Other Financial Assets	3,285,631	7,509,816	-	-	-	391,749	11,187,196
Trade and Other Debtors, Deposits	4,908,012	145,616	38,983	38,983	-	2,459,310	7,590,904
	70,336,541	30,046,974	31,502,139	9,025,656	116,540	13,462,184	154,490,034
Financial Liabilities							
Due to Banks	8,709,013	4,702,149	4,492,964	-	-	-	17,904,126
Due to Customers	28,164,812	44,238,780	12,034,344	1,502,276	-	-	85,940,212
Interest Bearing Loans and Borrowings	2,098,501	4,502,752	9,721,520	3,063,360	-	-	19,386,133
Trade and Other Payables	5,441,935	113,850	346,231	417,999	531,206	2,299,529	9,150,750
	44,414,261	53,557,531	26,595,059	4,983,635	531,206	2,299,529	132,381,221
Interest Sensitivity Gap	25,922,280	(23,510,557)	4,907,080	4,042,021	(414,666)	11,162,655	22,108,813

Comparative Year	Up to 03 Months LKR '000	03-12 Months LKR '000	01-03 Years LKR '000	03-05 Years LKR '000	Over 05 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 & 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 Payables	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

MANY CONNECTIONS.

ONE foundation.

As an impactful entity with a widespread presence across multiple sectors, Vallibel One believes in empowering our partnerships with the power to withstand any storm, strongly rooted on a foundation of strong principles that stand the test of time.

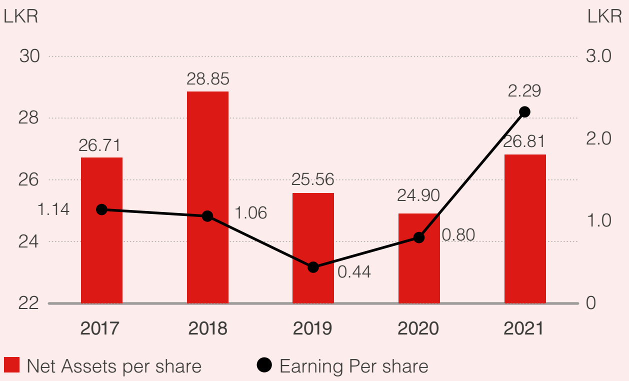
Trees consist of a vast network of branches that reach to the skies, extending strength and abundance, while instilling a sense of protection to all that fall within its purview.

ANNEXES

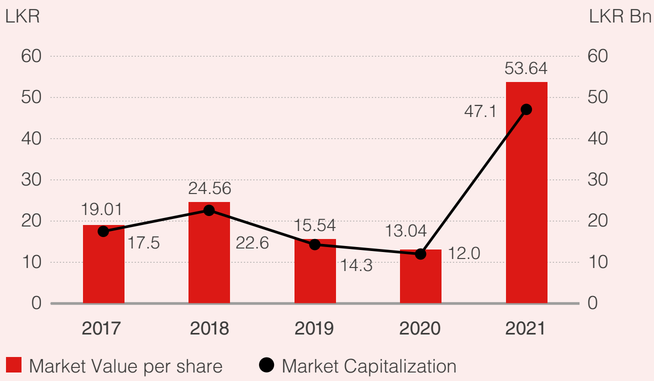
Five Year Summary - Company

	2021 LKR'000	2020 LKR'000	2019 LKR'000	2018 LKR'000	2017 LKR'000
Statement of Income					
Dividend Income	2,869,006	1,007,750	571,441	1,221,112	2,020,305
Other Income	373,179	280,582	267,296	322,640	290,975
Profit/(Loss) Before Tax	2,887,884	874,199	503,666	1,210,641	1,305,705
Tax Reversal / (Expenses)	(281,804)	(6,609)	(27,861)	(55,792)	(65,932)
Profit / (Loss) After Tax	5,848,265	867,590	475,804	1,154,849	1,239,773
Statement of Financial Position					
Stated Capital	29,337,102	27,163,984	27,163,984	27,163,984	27,163,984
Reserves	1,196,543	1,197,875	607,755	4,185,765	1,859,504
Shareholders Fund	30,533,645	28,361,859	27,771,739	31,349,749	29,023,488
Assets	30,864,025	29,506,008	28,597,475	32,452,909	29,452,325
Liabilities	330,380	1,743,712	825,738	1,103,160	428,837
Ratios and Statistics					
Ordinary Dividends	2,716,400	-	-	543,280	543,280
Dividend Per Share	2.50	-	-	0.50	0.50
Dividend Payout ratio (%)	105	-	-	47	44
Earning Per share	2.29	0.76	0.44	1.06	1.14
Market Value per share (Year-End)	47.10	12.00	22.60	17.20	17.50
Net Assets per share	26.81	24.90	25.56	28.85	26.71

Earnings and Net Assets Per Share



Market Capitalisation & Market Value

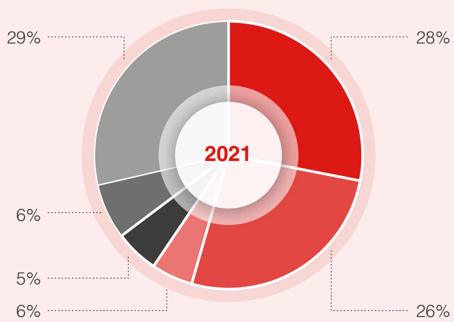


Group Value Added Statement

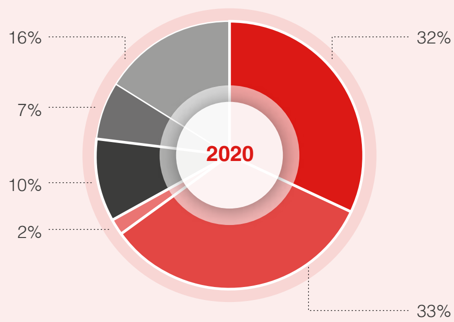
	2021 LKR '000	2020 LKR '000
Gross Turnover	84,436,833	72,104,555
Finance & Other Income	1,816,356	571,572
Share of Associate Company's Profit	(38,654)	6,016
	86,214,535	72,682,143
Less: Cost of Material & Services bought in	50,360,990	(42,758,303)
	35,353,545	29,923,840

	2021 LKR '000	%	2020 LKR '000	%
Employees	9,855,615	28	9,511,789	32
Government of Sri lanka	9,160,259	26	9,839,469	33
Shareholders	2,249,459	6	590,380	2
Lenders of Capital	1,882,058	5	3,077,685	10
Retained for future as depreciation	2,292,220	6	2,209,101	7
Retained Profit	9,913,934	29	4,695,416	16
	35,353,545	100	29,923,840	100

Value Addition



Employees
Government of Sri lanka
Shareholders
Lenders of Capital
Retained for future as depreciation
Retained Profit



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 08 July 2011.

2. PUBLIC HOLDING

2.1 Shares held by the public as at 31st March 2021 was 19.38% comprising of 15,299 shareholders.

2.2 The Float adjusted market capitalization as at 31st March 2021 - LKR 2,649,268,451.95.

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 31ST MARCH 2021

From	To	No of Holder	No of Shares	%
1	1,000	9,656	2,573,144	0.23
1,001	10,000	4,291	12,771,240	1.12
10,001	100,000	1,179	32,399,890	2.84
100,001	1,000,000	166	38,221,958	3.36
Over	1,000,000	19	1,052,949,412	92.45
		15,311	1,138,915,644	100.00

4. ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2021

	No of Holder	No of Shares	%
Local Individuals	14,726	788,489,694	69.23
Local Institutions	535	344,870,983	30.28
Foreign Individuals	44	2,287,143	0.20
Foreign Institutions	6	3,267,824	0.29
	15,311	1,138,915,644	100.00

5. DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2021

	No of Shares	%
Mr. K D D Perera	722,966,300	63.48
Mr. S H Amarasekara		
Shares held in the following manner		
Pan Asia Banking Corporation PLC / Mr. S H Amarasekara	1,048,192	0.09
Mr. J A S S Adhihetty	104,819	0.01
Mrs. Shirani Jayasekera	41,927	Nil
Mr. R N Asirwatham	838	0.00
Mrs. Y Bhaskaran (CEO)	Nil	Nil

6. TWENTY MAJOR SHAREHOLDERS

		31st March 2021		31st March 2020	
		No of Shares	%	No of Shares	%
1	Mr. Dhammika Perera	722,966,300	63.478	689,726,471	63.478
2	Employees Provident Fund	106,443,137	9.346	101,549,200	9.346
3	Vallibel Investments (Private) Limited	96,398,569	8.464	91,966,451	8.464
4	Vallibel Leisure (Private) Limited	96,359,379	8.461	91,929,063	8.461
5	Bank of Ceylon A/c Ceybank Unit Trust	6,204,322	0.545	15,812,876	1.388
6	Sri Lanka Insurance Corporation Ltd - Life Fund	3,215,968	0.282	65,900	0.006
7	Mercantile Investments and Finance PLC	3,051,685	0.268	4,850,250	0.426
8	Merrill J Fernando & Sons (Pvt) Limited	2,313,005	0.203	2,299,000	0.202
9	Mr. H R S Wijeratne	2,168,710	0.190	2,069,000	0.182
10	Mellon Bank N. A. -UPS Group Trust	1,922,903	0.169	2,800,000	0.246
11	Sri Lanka Insurance Corporation Ltd - General Fund	1,806,539	0.159	1,055,900	0.097
12	Mr A Sithampalam	1,634,096	0.143	1,567,000	0.138
13	Seylan Bank PLC/Punsisi Parakrama Hewa Matarage	1,602,117	0.141	-	-
14	Seylan Bank PLC/W.D.N.H.Perera	1,433,046	0.126	-	-
15	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	1,142,530	0.100	1,090,000	0.100
16	Renuka Consultants & Services Limited	1,095,361	0.096	1,045,000	0.096
17	International Construction Consorrtium (Private) Limited	1,095,361	0.096	1,045,000	0.096
18	Pan Asia Banking Corporation PLC/ Mr. Shiran Harsha Amarasekera	1,048,192	0.092	1,000,000	0.001
19	Mr. K D H Perera	1,048,192	0.092	1,000,000	0.001
20	Mr. K D A Perera	898,285	0.079	2,079,039	0.191
		1,053,847,697	92.531	1,012,950,150	92.918
	Others	85,067,947	7.469	73,609,203	7.082
	Total	1,138,915,644	100.000	1,086,559,353	100.000

7. SHARE PRICES FOR THE YEAR

Market price per share	2020/21		2019/20	
	Date	Price	Date	Price
Highest during the year	29.01.2021	LKR95.00	02.12.2019	LKR19.90
Lowest during the year	12.05.2020	LKR10.90	20.03.2020	LKR12.00
As at end of the year		LKR47.10		LKR12.00

	31.03.2021	31.03.2020
No. of transactions	104,800	8,577
No. of Shares traded	295,895,735	16,942,501
Value of Shares traded (LKR)	14,337,274,269	285,437,058

Subsidiary/Associate Companies of Vallibel One PLC

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC	Directors who held Office during the year ended 31st March 2021
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 Mr. G A R D Prasanna Mr. R N Asirwatham Mr. S H Amarasekera Ms. N R Thambiayah Mr. L N De S Wijeyeratne Mr. N J Weerakoon Mr. S M Liyanage
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. 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
Rocell Ceramics Limited (name changed to Biscuits and Chocolate Company Ltd on 22.2.2021)	PB 220	No. 20 R A De Mel Mawatha Colombo 3	Subsidiary	Mr. A M Weerasinghe Mr. T G Thoradeniya Mr. A K Dheerasinghe Mr. S M Liyanage (appointed on 19.4.2020) Ms A A K Amarasinghe (appointed on 19.4.2020)
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
Lanka Walltiles PLC	PQ 55	No. 215 Nawala Road Naranhenpita 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 Mr S R Jayaweera (appointed on 9.10.2020)

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC	Directors who held Office during the year ended 31st March 2021
Lanka Tiles PLC	PQ 129	No. 215 Nawala Road Naranhenpita 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 Mr. J R Gunaratne (appointed on 15.3.2021)
Swisstek (Ceylon) PLC	PQ 155	No. 215 Nawala Road Naranhenpita Colombo 5	Subsidiary	Mr. S H Amarasekera Mr. A M Weerasinghe 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 Aluminum Limited	PB 3277	No. 76/7, Pahala Dompe Dompe	Subsidiary	Mr. S H Amarasekera Mr. A M Weerasinghe 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
Swisstek Investments (Pvt) Ltd	PV 00229499	No. 76/7, Pahala Dompe Dompe	Subsidiary	Mr. A M Weerasinghe Mr. J A P M Jayasekara
Swisstek Development Ltd	PB00236125	No. 215 Nawala Road Naranhenpita Colombo 5	Subsidiary	Mr. K D A Perera Mr. J A P M Jayasekara
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 (resigned on 1.8.2020) Mr. W G R Rajadurai Mr. N T Bogahalande Mr. J A Rodrigo (appointed on 25.1.2021)
Horana Plantations PLC	PQ 126	No. 400 Deans Road Colombo 10	Subsidiary	Mr. Dhammika Perera Mr. A M Pandithage Mr. A N Wickremasinghe 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 Mr. J A Rodrigo Mr. S M Liyanage

Subsidiary/Associate Companies of Vallibel One PLC

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC	Directors who held Office during the year ended 31st March 2021
Uni Dil Packaging Limited	PB 544	Kosgahalanda Kosgahawatta, Katulanda Narampola Road, Moragala Dekatana	Subsidiary	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 (resigned on 1.8.2020) Mr. S Rajapakse (resigned on 31.10.2020) Mr. C U Weerawardena Mr. S M Liyanage
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 (resigned on 31.10.2020) Mr. C U Weerawardena
Beyond Paradise Collection Limited	PB 4706	No. 215 Nawala Road Naraheanpita Colombo 05	Subsidiary	Mr. M H Jamaldeen Mr .K D H Perera Mr. J A P M Jayasekara
L W L Development (Pvt) Ltd	PV 111856	No. 215, Nawala Road Naraheanpita, Colombo 05	Subsidiary	Mr .K D A Perera Mr. J A P M Jayasekara
L T L Development Ltd	PB 235929	No. 215, Nawala Road Narahenpita Colombo 05	Subsidiary	Mr. K D A Perera Mr. J A P M Jayasekera
L W Plantation Investments Ltd	PB 00229452	No. 215, Nawala Road Narahenpita Colombo 05	Subsidiary	Mr A M Weerasinghe Mr J A P M Jayasekara
L C Plantation Projects Ltd	PB 00229453	No. 215, Nawala Road Narahenpita Colombo 05	Subsidiary	Mr A M Weerasinghe Mr J A P M Jayasekara
C P Holdings (Pvt) Ltd	PV 83903	No. 215, Nawala Road Narahenpita Colombo 05	Subsidiary	Mr A M Weerasinghe Mr J A P M Jayasekara
L C Development (Pvt) Ltd	PV 00229454	No. 215, Nawala Road Narahenpita Colombo 05	Subsidiary	Mr A M Weerasinghe Mr J A P M Jayasekara
Lankatiles Private Company Limited	Company incorporation in India		Subsidiary	Mr A M Weerasinghe Mr J A P M Jayasekara Mr. Fatheraj Singhvi Mr. Praven Kumar Singhvi
Rocell Pty Ltd	Australian Company No.601612284	1392 Dandenong Road Oakleigh VIC 3166 , Australia	Subsidiary	Mr. T. G. Thoradeniya
Nilano Garments (Private) Limited	PV 14277	No. 20 R. A De Mel Mawatha, Colombo 03	Subsidiary	Mr. A N Seneviratne Ms. K N Suraweera Ms. W S B Gamage Mr. B K G S M Rodrigo Mr. H Somashantha
L B Finance PLC	PQ 156	No. 275/75 Prof. Stanley Wijesundera Mawatha Colombo 07	Subsidiary	Mrs. A K Gunawardhana Mr. Dhammika Perera Mr. J A S S Adhihetty Mr. N Udage Mr. B D A Perera Mr. R S Yatawara Mrs. Y Bhaskaran Mr. M A J W Jayasekara Mrs A Natesan Mr. D Rangalle

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC	Directors who held Office during the year ended 31st March 2021
L B Microfinance Myanmar 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, Lanmadav 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 01	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 Ms A A K Amarasinghe Mr. S J Wijesinghe
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 Mr. S R Jayaweera (appointed on 1.8.2020)
Delmege Forsyth & Co Ltd	PB 294	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias – resigned on 17/02/2021 Mr. J.A.N.R. Adhihetty – appointed on 24.08.2020 Mr. C L Indrapala – resigned on 25/09/2020 Mr. T. N. Abraham - appointed on 16/09/2020 Mr. H.P.G.P.P. De Alwis – appointed on 04/11/2020
Delmege Forsyth & Co. (Exports) (Pvt) Ltd	PV 9833	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 – resigned on 17/02/2021 Mr. N S L Fernando Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege Coir (Pvt) Limited	PV 1489	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 – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
L B Management Services (Pvt) Ltd	PV 3012	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N T Bogahalande Mr. J K A Srinatha Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege Forsyth & Co (Shipping) Ltd	PB 272	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 – resigned on17/02/2021 Mr. S N Wickremasooriya Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020

Subsidiary/Associate Companies of Vallibel One PLC

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC	Directors who held Office during the year ended 31st March 2021
Delshipping & Logistics (Pvt) Ltd	PV 95246	101 Vinayalankara Mawatha, Colombo 10	Associate of Delmege Limited	Mr. N S L Fernando Mr. M R K Dias – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege Freight Services (Pvt) Ltd	PV 3571	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. J K A Srinatha Mr. G A R D Prasanna Mr. N S L Fernando Mr. M R K Dias – resigned on 17/02/2021 Mr. S N Wickremasooriya Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Lewis Shipping (Pvt) Limited	PV 18008	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. A M Pandithage Mr. H Somashantha Mr. N S L Fernando Mr. M R K Dias – resigned on 17/02/2021 Mr. S N Wickremasooriya Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege Air Services (Pvt) Limited	PV 3373	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 – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020 Ms. D.K. Premachandra – appointed on 15/08/2020
Delmege Aviation Services (Pvt) Ltd	PV 99520	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. G A R D Prasanna Mr. N S L Fernando Mr. M R K Dias – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020 Ms. D.K. Premachandra – appointed on 15/08/2020
Lewis Brown Air Services (Pvt) Limited	PV 16022	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 – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delair Travels (Pvt) Limited	PV 3830	101,Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. H Somashantha Mr. N S L Fernando Mr. M R K Dias – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020 Ms. D.K. Premachandra – appointed on 15/08/2020
Grip Delmege (Pvt) Limited	PV 3439	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr. N S L Fernando Mr. M R K Dias – resigned on 17/02/2021 Mr. J.A.N.R. Adhihetty – appointed on 08/09.2020 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020

Name of Company	Company Registration No.	Situation of Registered Office	Relationship to Vallibel One PLC	Directors who held Office during the year ended 31st March 2021
Grip Nordic (Pvt) Limited	PV 2565	125/26, Sri Bodhiraja Mawatha Mattegoda	Subsidiary	Mr. N S L Fernando Mr. S E Hjerpbakk – ceased on 21/09/2020 Mr. M R K Dias – resigned on 17/02/2021 Mr. J.A.N.R. Adhihetty – appointed on 18/09/2020 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege Insurance Brokers (Pvt) Limited	PV 3273	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr S C Ganegoda Mr H Somashantha Mr G A R D Prasanna Mr. M R K Dias – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020 Mr. P.G. Welagedara – appointed on 11/09/2020
Delmege Risk Solutions (Pvt) Limited	PV 75927	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr S C Ganegoda Mr. M R K Dias – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege Airline Services (Private) Limited	PV 108869	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mrs. Y Bhaskaran Mr G A R D Prasanna Mr. M R K Dias – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020 Ms. D.K. Premachandra – appointed on 15/08/2020
Delmege Aero Services (Private Limited	PV121497	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mrs. Y Bhaskaran Mr G A R D Prasanna Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege Electronics (Private) Limited	PV21430	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr N S L Fernando Mr. M R K Dias – resigned on17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege Financial Services (Private) Limited	PV3398	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr N S L Fernando Mr. M R K Dias – resigned on 17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
Delmege General Equipment (Private) Limited	PV3550	101 Vinayalankara Mawatha, Colombo 10	Subsidiary	Mr N S L Fernando Mr. M R K Dias – resigned on17/02/2021 Mr. H.P.G.P.P. De Alwis – appointed on 15/12/2020
The Fortress Resorts 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 of Mr. Dhammika Perera) Mr. A H N Rodrigo (Alternate Director of Mr. M J Fernando - ceased on 11.8.2020) Mr. R N Malinga (Alternate Director of Mr. M J Fernando – appointed on 11.8.2020)

Sustainability Assurance Report

GRI Disclosure : 102-56

Building a better working world

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Independent Assurance Report to Vallibel One PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2020/21

Introduction and scope of the engagement

The management of Vallibel One PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2020/21 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 21 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("ICASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 20 May 2021. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the ICASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2021.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 21 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2021.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

Ernst & Young

Ernst & Young

3 June 2021
Colombo

GRI Context Index

GRI Standard	Disclosure	Reference Number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	12, Back cover	-
	102-2 Activities, brands, products and services	16-17	-
	102-3 Location of headquarters	Back cover	-
	102-4 Location of operations	19	-
	102-5 Ownership and legal form	Back cover	-
	102-6 Markets served	19	-
	102-7 Scale of the organisation	26-27	-
	102-8 Information on employees and other workers	111	-
	102-9 Supply chain	127-128	-
	102-10 Significant Changes to the organization and its supply chain	127	
	102-11 Precautionary principle	151	-Not formally adopted
	102-12 External initiatives	12	-
	102-13 Membership of associations	123	
	102-14 Statement from senior decision maker	28-29	-
	102-15 Key Impacts, risks and opportunities	151-152	-
	102-16 Values, principles, norms and standards of behaviour	10	-
	102-18 Governance Structure	140	-
	102-40 List of stakeholder groups	38-40	-
	102-41 Collective bargaining agreements	117	-
	102-42 Identifying and selecting stakeholders	38	-
	102-43 Approach to stakeholder engagement	39-40	-
	102-44 Key topics and concerns raised	39-40	-
	102-45 Entities included in the consolidated financial statements	18	-
	102-46 Defining report content and topic boundary	12, 41	-
	102-47 Material topics	42	-
	102-48 Restatement of Information	13	
	102-49 Changes in reporting	41	-
	102-50 Reporting period	12	-
	102-51 Date of most recent report	12	-
	102-52 Reporting cycle	12	-
	102-53 Contact point for questions regarding Report	13	-
	102-54 Claims of reporting in accordance with GRI Standards	13	-
	102-55 GRI context index	288-291	-
	102-56 External assurance	13, 286-287	-

GRI Standard	Disclosure	Reference Number	Omission
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	21, 114	-
	103-3 Evaluation of the Management Approach	21, 114	-
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	21	-
	201-3 Defined benefit plan obligations and other retirement plans	168	-
Procurement practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	128	-
	103-3 Evaluation of the Management Approach	128	-
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	128	-
Materials			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	57, 69, 134	-
	103-3 Evaluation of the Management Approach	57, 69, 134	-
GRI 301: Raw materials	301-1: Raw materials used by weight or volume	134	-
	301-2 Recycled input materials used	134	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	57, 69, 136	-
	103-3 Evaluation of the Management Approach	57, 69, 136	-
GRI 302: Energy	302-1 Energy consumption within the organization	136	-
	302-2 Energy Consumption outside of the organization	136	-
	302-3 Energy Intensity	136	
	302-4 Reduction of energy consumption	136	-
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	135	-
	103-3 Evaluation of the Management Approach	135	-
GRI 303: Water	303-1 Water withdrawal by source	135	-
	303-3 Water recycled and reused	135	
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	
	103-2 The Management Approach and its components	138	
	103-3 Evaluation of the Management Approach	138	
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	138	
	305-2 Energy indirect (Scope 2) GHG emissions	138	
	305-3 Other indirect (Scope 3) GHG emissions	138	
Effluents			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	
	103-2 The Management Approach and its components	76, 136, 137	
	103-3 Evaluation of the Management Approach	76, 136, 137	
GRI 306 : Effluents and Waste	GRI 306-1 Water discharge by quality and destination	76, 137	Water Discharge by Quality
	GRI 306-2 Waste by type and disposal method	76, 136	

GRI Context Index

GRI Standard	Disclosure	Reference Number	Omission
Environment Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	138	-
	103-3 Evaluation of the Management Approach	138	-
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	138	-
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	112, 118	-
	103-3 Evaluation of the Management Approach	112, 118	-
GRI 401: Employment 2016	401-1 Employee hires and turnover	112, 118	-
	401-2 Benefits Provided to fulltime employees that are not provided to temporary or part time employees	115	-
	401-3 Parental Leave	117	-
Labour/ Management Relations			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	117	-
	103-3 Evaluation of the Management Approach	117	-
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	117	-
Occupational Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	116, 117	-
	103-3 Evaluation of the Management Approach	116, 117	-
GRI 403: Health and Safety 2018	403-1 Occupational health and safety management system	116	-
	403-2 Hazard identification, risk assessment, and incident investigation	116	
	403-3 Occupational health services	116	
	403-4 Worker participation, consultation, and communication on occupational health and safety	116	
	403-5 Worker training on occupational health and safety	116	
	403-6 Promotion of worker health	116	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	116	
	403-8 Workers covered by an occupational health and safety management system	116	
	403-9 Work-related injuries	116	
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	113, 114	-
	103-3 Evaluation of the Management Approach	113, 114	-
GRI 404: Training and education	404-1 Average hours of training per year per employee	113	-
	404-2 Programs for upgrading skills and transition assistance programmes	113	-
	404-3 Percentage of employees receiving regular performance and career development reviews	113-114	-

GRI Standard	Disclosure	Reference Number	Omission
Diversity and Equal Opportunity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	
	103-2 The Management Approach and its components	111, 141	
	103-3 Evaluation of the Management Approach	111, 141	
	405-1 Diversity of governance bodies and employees	111, 141	
Non Discrimination			
GRI 406: Management Approach	103-1 Explanation of material topics and its boundaries	42	
	103-2 The Management Approach and its components	115	
	103-3 Evaluation of the Management Approach	115	
	406-1 Incidents of discrimination and corrective actions taken	115	
Child Labour			
GRI 408: Management Approach	103-1 Explanation of material topics and its boundaries	42	
	103-2 The Management Approach and its components	112	
	103-3 Evaluation of the Management Approach	112	
	408-1 Operations and suppliers at significant risk for incidents of child labour	112	
Forced or Compulsory Labour			
GRI 409: Management Approach	103-1 Explanation of material topics and its boundaries	42	
	103-2 The Management Approach and its components	114	
	103-3 Evaluation of the Management Approach	114	
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	114	
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	129	-
	103-3 Evaluation of the Management Approach	129	-
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	129-130	-
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	127	-
	103-3 Evaluation of the Management Approach	127	-
GRI 416 Customer Health and Safety	416-2 Incidents of non -compliance concerning the health and safety impacts of products and services	127	-
Marketing and Labelling			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	127	-
	103-3 Evaluation of the Management Approach	127	-
GRI 417: Marketing and Labelling	417-2 Incidents of non-compliance concerning product and service information and labelling	127	-
	417-3 Incidents of non- compliance concerning marketing communications	127	-
Socio economic Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42	-
	103-2 The Management Approach and its components	131	-
	103-3 Evaluation of the Management Approach	131	-
GRI 419: Socio economic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	131	-

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.

Notes

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh (11th) Annual General Meeting of the Company will be held by electronic means on 30th June 2021 at 3.00 p.m. 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 31st March 2021 with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. S H Amarasekera who retires by rotation in terms of Articles 87 and 88 of the Articles of Association of the Company.
3. To pass the ordinary resolution set out below to re-appoint Mr R N Asirwatham who is 78 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 78 years of age and that he be and is hereby re-appointed a Director of the Company."
4. To pass the ordinary resolution set out below to re-appoint Mr J A S S Adhihetty who attained the age of 70 years on 4th July 2020, 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 J A S S Adhihetty who attained the age of 70 years on 4th July 2020 and that he be and is hereby re-appointed a Director of the Company."
5. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.
6. To authorise the Directors to determine donations for the year ending 31st March 2022 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
Secretaries

3 June 2021
Colombo

Notes

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her 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. Shareholders are advised to follow the Guidelines and Registration Process for the Annual General Meeting attached hereto.

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,

Mr. Dhammika Perera	or failing him*
Mr. S H Amarasekera	or failing him*
Mr J A S S Adhihetty	or failing him*
Mr R N Asirwatham	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 Eleventh (11th) Annual General Meeting of the Company to be held by electronic means on 30th June 2021 at 3.00 p.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. To re-elect Mr. S H Amarasekera as a Director in terms of Articles 87 and 88 of the Articles of Association of the Company.		
2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr R N Asirwatham as a Director.		
3. To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr J A S S Adhihetty as a Director.		
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 authorize the Directors to determine donations for the year ending 31st March 2022 and up to the date of the next Annual General Meeting.		

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

....

Signature of Shareholder/s

*Please delete as appropriate

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 (email vone.pwcs@gmail.com) not later than 47 hours before the time appointed for the Meeting.

   In forwarding the completed and duly signed Proxy to the Company, please follow the **Guidelines and Registration Process for the Annual General Meeting** attached to 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 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.

Investor Feedback Form

To request information or direct your concerns about this annual report (2020/21), please complete the following and post or email your feedback to:

Assistant General Manager-Finance

Vallibel One PLC
29th Floor, West Tower,
World Trade Center,
Echelon Square,
Colombo 1.

Telephone: 0112445577
Fax: 011244550
Email Address: info@vallibel.com

Contact Details : ....

Name : ....

Permanent Address : ....

Contact Number : ....

Email : ....

Your relationship with Vallibel One PLC- please mark (√)

Shareholder : ☐

Employee : ☐

Regulatory body/Government : ☐

Customer/Business partner : ☐

Other : ☐

Your comments :

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 Jayasekara

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

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

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

BANKERS
Hatton National Bank PLC
Pan Asia Banking Corporation PLC
Sampath Bank PLC
Standard Charted Bank Limited
MCB Bank Limited
National Development Bank PLC
Commercial Bank of Ceylon PLC

Designed & produced by
emagewise
Digital plates and printing by Gunaratne Offset (Pvt) Ltd

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