

MARK OF DISTINCTION



MARK OF DISTINCTION



OUR VISION

To be a leading Sri Lankan conglomerate excelling through sunshine industries with a global presence and cutting edge technology.

OUR MISSION

With generations of trust and reliability, our aim is to continuously enhance the value propositions to our stakeholders through innovative and customer-centric solutions.

At Brown and Company, we have never taken for granted the trust and loyalty of generations of Sri Lankans whose confidence in the company has only grown stronger over the 140 years we have been in business. As one of the nation's oldest trading houses, we know we have to be progressive, resilient and innovative if we are to stay relevant to the nation's changing needs. Our success in doing so is evidenced by this report of positive year on year progress that we are proud to present to you our shareholder, today.

A vibrant business portfolio and a bold attitude have seen your company grow and expand to become the icon of business excellence it is today. And our local understanding, experience and reach will ensure that we dominate the diverse industry sectors we operate in, well into the future as well.

Our roots in this country are strong, going back to 1875. Today we can confidently say that we have spent those years profitably and well, raising standards, guaranteeing quality and placing our own unique mark of distinction on everything we undertake to do.



OUR OWN UNIQUE MARK OF DISTINCTION

The Browns Group is one of the most diversified entities in Sri Lanka with 50 plus subsidiaries and associates focused on trading and strategic investments. The Group traces its history back to James Brown, a young engineer and mechanic from London who arrived in Ceylon in 1872, seeking the adventure and fortunes of the Orient. He launched Brown and Company Limited in 1875 to manufacture and repair agricultural machinery. Over the next decade Browns grew in size and scope and was incorporated as a Rupee Company. In 1947 the Company bought over the total equity capital of the Hatton Bank Limited and the Hatton Transport & Agency Co. Ltd. to become the Browns Group. The Group has since forged ahead, seeking opportunities in sunshine industries and establishing for itself a reputation of solidity and resilience.

OUR ROOTS IN THIS COUNTRY
ARE STRONG...



Main Hub for Business in
the old days, the city of
Colombo.



One of the first tractors to operate in the hill country of Old Ceylon, Massey Ferguson Tractors



Browns Group was the pioneers in engineering work in Sri Lanka



A training given to the estate workers at a plantation in the hill countries.



Machinery inspection by Browns Group Engineering Department.



Rubber Industry
being introduced
by new technology
for enhanced
productivity.

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A B O U T T H I S R E P O R T

SCOPE AND BOUNDARY

This is Brown and Company PLC's first Integrated Annual Report and covers the activities of the holding company and its subsidiaries for the financial year of 1st April 2015 to 31st March 2016.

Subscribing to the principles of materiality-focused reporting, this report illustrates how material aspects are established through active stakeholder feedback and then goes on to examine the risks and opportunities arising therefrom. The report further discusses how these aspects are integrated into the operational framework and the key strategies deployed to ensure the desired results are achieved.

In response to the international drive toward more transparent and clear-cut reporting, this report has been prepared as per the latest guidelines released by the International Integrated Reporting Council (IIRC), vis-à-vis the six capitals reporting framework. Meanwhile, in reporting of non-financial aspects, a concerted effort has been made to also align with the Global Reporting Initiative (GRI) G4 guidelines for sustainability reporting.

All financial and non-financial data contained in this report has been gathered from various operational sources and integrated at the Group level to maintain greater uniformity in the presentation of the content.

FORWARD LOOKING STATEMENTS

Throughout this report there will be statements made that are 'forward-looking statements'. By their nature, forward-looking statements are speculative and allude to known and unknown risks, opportunities, macro-economic issues and any factors that could cause the actual results, performance or achievements of the company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and reflect the Group view at the date of publication of this report. Brown and Company PLC is not obliged to publicly update or revise these forward-looking statements on events or circumstances occurring after the date of publication of this report.

BOARD RESPONSIBILITY STATEMENT

The Board of directors (the Board) of Brown and Company PLC acknowledges its responsibility to ensure the accuracy of the integrated annual report for the 2015/16 financial year and in doing so has applied its collective expertise in the compilation of this report. Accordingly, the Board is of the opinion that this report successfully addresses all material issues and is a balanced and accurate representation of the Groups' performance in the year under review.

REPORT FEEDBACK

We welcome feedback on any aspect of this report and request that all inquiries be directed to:

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A JOURNEY OF 140 YEARS

From humble beginnings over 140 years ago, Browns has risen to the highest echelons of business and continues its heritage of service to the people of Sri Lanka, as a pioneer, a trusted icon and an undisputed business legend.



1875

Mr. James Brown, the founder of the company arrived in Ceylon from Aberdeen in 1872 and incorporated Brown and Company Ltd in 1875.



1875 - 1900

1876

The first branch of Brown and Company was opened in Maskeliya in 1876.

1882

On learning that the Railway was to be extended beyond Nawalapitiya, Mr. James Brown selected the excellent site at Hatton for an engineering business, and opened another branch in 1882.

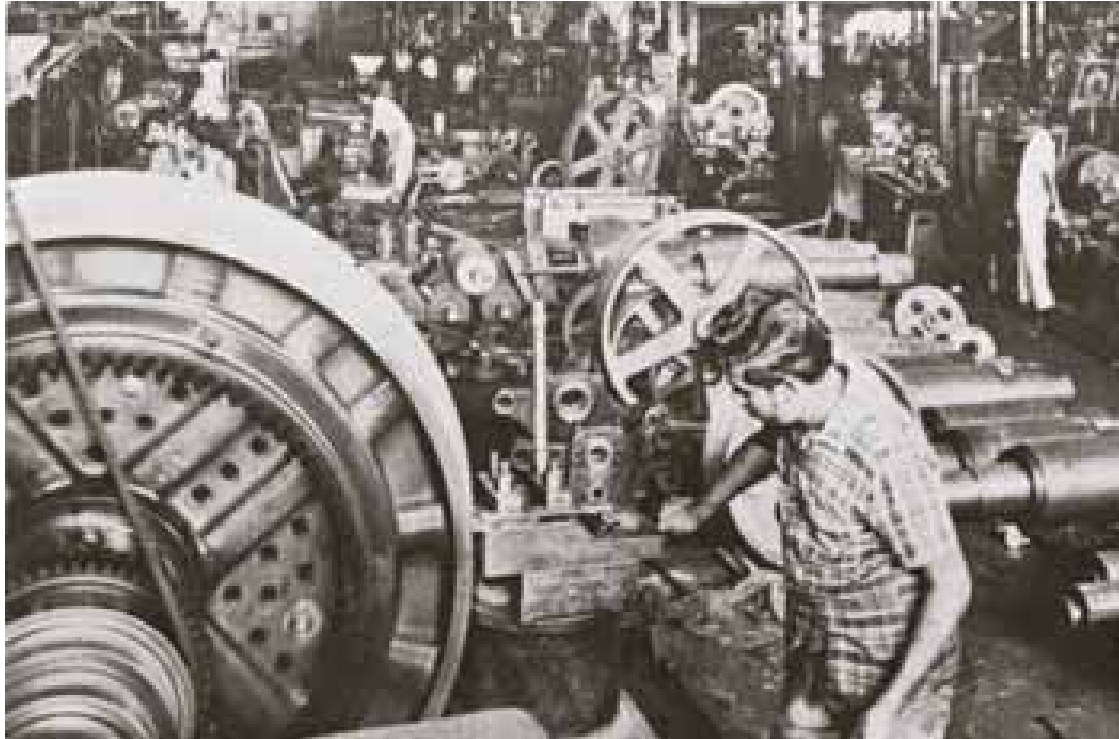
1886

A large measure of success was achieved by the firm in the early days, and on the advent of the tea industry the business increased rapidly. To the original Engineering establishment was gradually added the General Stores and Chemists, the business being confined to Hatton in the Dikoya District.

1897

In 1897, a great move was made by the company in opening the Lanka Works in Colombo.

A JOURNEY OF 140 YEARS



1900 - 1925

1909

In 1909, the Adam's Peak Hotel in Hatton was purchased by the company.

1916

All the Engineering works of the business were transferred to Darley Road premises, where they had been re-built. The Motor department remained at Union Place.



1925 - 1950

1933

The Hatton Transport & Agency Co. Ltd was incorporated in 1933 to provide transport to the plantation sector in the up-country area and also to provide services as a clearing agent to the Group and to outside parties.

1947

Purchased Hatton Bank Limited and Hatton Transport Agency Co. Ltd and becomes Browns Group.

A JOURNEY OF 140 YEARS



1950 - 1975

1953

Agriculture division was set up with the establishment of a franchise with Massey Ferguson four wheel tractors.

1960

A year of acquisitions and new beginnings as the Company acquired Hoares (Ceylon) Limited (which was re-named as Engineering Services Ltd.), Standard Finance Ltd. to handle hire-purchase and finance, Walker & Grieg Ltd. which was a major competitor and Mason's Mixture Ltd. In the same year, Associated Battery Manufacturers (Ceylon) Ltd began commercial production of automotive batteries.

1963

Incorporated Browns Group Industries Limited for local manufacturing of items which were originally imported.

1964

Cement Paints (Ceylon) Ltd was incorporated in 1964 for the manufacture of Pharmacem and Snowcem which were hitherto imported.

1965

The Badulla Transport & Agency Co. Ltd was formed to take over business carried out by a leading outstation firm of transport agents.

1966

Browns Tours (Pvt) Limited was incorporated offering a wide range of travel services.

1967

Berec (Ceylon) Ltd was incorporated in 1967 to manufacture torch, radio and transistor batteries.

1968

Browns Group Motels Ltd. was established in 1968 as a public company to manage and operate the motels and hotels established by the Group. In that same year, Ceylon Marine Products Ltd. amalgamated with Browns Group of Companies, to become processors of frozen sea foods, and pioneered the exports of shellfish.

1973

Browns (MT & E) Handicrafts Ltd. was incorporated in 1973 to assist the local craftsmen with financial facilities to practice their craft and provide avenue for distribution of their products in Sri Lanka and abroad. The main sales outlet operated on Race Course Avenue, Colombo 07 under the name of "Lakpahana".



1975 - 2000

1980

Browns Group became the leading blue-chip conglomerate in the country with an extensive network of engineering projects aiding the estate sector.

1982

Acquired 95% shares of C.F.T. Engineering Ltd. which is the sole agent for Renault and Lacia Franchise in Sri Lanka.

1983

Secured the sole agency for Korean Kukje Corporation for two wheel tractors.

1991

Listed on the Colombo Stock Exchange.

1995

Expanded into MF Generators and high horsepower tractors for large scale sugar plantations and other special projects. Mini hydro systems and small generators from China were introduced. The Motor division was appointed as the sole distributor of AP filters from Japan. Implemented the IBM RS 6000 system for a smooth back-office function.

A JOURNEY OF 140 YEARS



2000 - 2015

2003

Obtained sole distributorship of TAFE India – Four Wheel Tractors.

2006

Change of Management for Browns Group.

2007

Browns together with LOLC entered into a Public-Private partnership agreement with the Government of Sri Lanka in 2007 to revive the Gal Oya Sugar Factory (Hingurana).

2008

Incorporated Browns Investments which is the strategic investment arm of Browns Group of Companies.

2011

Browns Group moved into a new office premises located at Colombo 03.

2012

Implemented cutting edge technology through the new ERP system – Microsoft Dynamics AX.

2015

First hospital of Browns Group, Browns Hospitals was opened in Ragama.



2016

The Company ventured into Human Pharmaceuticals with its new division Browns Pharmaceuticals.

FINANCIAL HIGHLIGHTS

31st March		Group				
		2016	2015	2014	2013	2012
Results for the Year						
Revenue (Gross)	Rs.Mn	19,890	10,073	9,750	14,184	14,387
EBIT	Rs.Mn	134	2,084	2,834	1,525	3,881
Profit before Taxation	Rs.Mn	(1,237)	1,190	1,811	455	3,462
Profit after Taxation	Rs.Mn	(1,311)	1,114	1,673	412	3,077
Group Profit Attributable to Equityholders	Rs.Mn	(205)	1,332	1,675	360	1,171
Position at the Year end						
Shareholders' Funds	Rs.Mn	16,014	15,489	13,888	15,101	13,881
Total Assets	Rs.Mn	61,538	54,785	35,261	30,989	32,831
Market Capitalisation	Rs.Mn	5,656	6,839	6,379	8,356	10,993
Retained Earnings	Rs.Mn	11,997	12,201	10,810	9,108	8,409
Financial Ratios						
Gross Profit	%	19.00	28.53	23.81	20.50	23.50
Interest Cover	Times	0.10	2.33	2.77	1.42	9.26
Current Ratio	Times	0.81	0.92	0.89	1.35	1.80
Price/earnings (year-end)	Times	(27.57)	5.17	3.81	23.21	9.39
Debt to Equity	%	47.13	41.22	45.58	34.65	23.07
Return on Shareholders' funds	%	(1.28)	8.60	12.06	2.38	8.44
Per Share						
Earnings per Share	(Rs.)	(2.89)	18.79	23.63	5.08	16.52
Market Price per Share	(Rs.)	79.80	96.50	90.00	117.90	155.10
Net Assets per Share (year-end)	(Rs.)	225.94	218.54	195.95	213.06	195.85
Dividend per Share	(Rs.)	0.30	2.65	-	0.50	1.32
Value Generated						
Gross Economic Value Generated	Rs.Mn	21,256	11,872	13,014	15,608	17,689
Cost of Goods and Services Provided	Rs.Mn	(15,997)	(8,444)	(9,359)	(11,997)	(12,433)
Net Economic Value Addition	Rs.Mn	5,259	3,428	3,655	3,611	5,256
Economic Value Distributed						
Employees	Rs.Mn	4,259	736	552	1,587	1,236
Government	Rs.Mn	128	84	84	122	245
Providers of Funds	Rs.Mn	1,515	1,097	1,024	1,202	560
Economic Value Retained	Rs.Mn	(643)	1,511	1,995	700	3,215

REVENUE (GROSS)

19.9RS. BN

SHAREHOLDERS' FUNDS

16.0RS. BN

**NUMBER OF HOTEL ROOMS
IN OPERATION**

371

NO.

TOTAL ASSETS

61.5RS. BN

MARKET CAPITALISATION

5.6RS. BN

**NUMBER OF BROWNS
CENTERS**

09

NO.

PROPERTIES

31.6RS. BN

FINANCIAL ASSETS

3.6RS. BN

TOTAL ACREAGE OF TEA

18,520

ACRES

A W A R D S & A C C O L A D E S

1 Browns Agriculture division at TAFE International Distributors Business Conference held in Chennai India. The TAFE organisation is in partnership with reputed organisations in about 75 countries worldwide. Among these, 40 dealer organisations were shortlisted for the Awards assessment.

- Chairman's Trophy for Sustained & Committed Business Performance
- The Chairman's Trophy takes a holistic view of the overall performance of a distributor: Marketing, Systems, Customer Service, Distributorship, Team Strength, After Sales Service, to name a few.
- Best Sales Performance Trophy
- New Product, Eco System & Performance Trophy
- Long Association Award
- Service Excellence Trophy – 1st Runner up.

2 Brown and Company PLC won the Silver award (trading sector) at the 51st Annual Report Awards ceremony organised by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

3 Brown and Company PLC won the Gold award for best display of local products at the Techno Exhibition held at BMICH and a Bronze award for Best Demonstration and an appreciation token for being the Gold Sponsors of Techno 2015.



4 Browns Exide won two awards at the SLIM NASCO Awards ceremony held in July 2015. The company took away a Gold and Bronze award under the Automotive Category. The proud winners were Lakshman Sanjeewa Konara and Chinthaka Herath respectively.

5 The manufacturing arm of Exide Lead Acid batteries, Associated Battery Manufacturers (Ceylon) Ltd (ABM), was awarded the Merit Certification in the medium sector manufacturing category at the SLSI National Quality Awards held at the BMICH.

6 HolidayCheck.com has rated The Eden Resort & Spa as one the best hotels to visit in the world in the year 2016. This is the eleventh consecutive year in which the most popular hotels across the world have been awarded based on current reviews. Over 1.08 million guest reviews from 2015 were looked at for the decision.

7 The Chefs Guild of Lanka organised the 16th Culinary Art Food Expo in July this year at the Sirimavo Bandaranaike Memorial Exhibition Centre. The exhibition featured an array of culinary arts including a culinary arts competition. The 3 day competition and live show that took place from



the 24th July to 26th July, saw an impressive participation of about 2000 members from 250 hotels and catering establishments island-wide. The Eden Resort & Spa is honoured to have been a part of the prestigious event. Personnel from the culinary segment took part in the main event, whilst members from the F&B Department competed in the Beverage Challenge section.

Our star players achieved the following accolades.

Culinary Segment – Carving & Live Cooking

- 7 Gold Excellence and gold medals, 14 silver and 14 bronze

Special awards:

- “Anchor Pastry Challenge” - Down South Joint Champs
- “Anchor Pastry Challenge” - All-Island 2nd Runners-up
- “Nestle Dochello Best Dessert” – Award

This accomplishment further strengthens Eden’s standing in the highly competitive local market as well as marking its presence in the global arena.

8 The Eden Resort & Spa was recognised as a TripAdvisor® Certificate of Excellence Hall of Fame winner. The Certificate of Excellence award celebrates excellence in hospitality and is given only to establishments that consistently achieve great traveller reviews on TripAdvisor. The ‘Hall of Fame’ was created to honour those businesses that have earned a Certificate of Excellence for five consecutive years. Winners include accommodations, eateries and attractions located all over the world that have continually delivered a superior customer experience.

9 The Paradise Resort & Spa received a TripAdvisor® Certificate of Excellence award. Now in its fifth year, the award celebrates excellence in hospitality and is given only to establishments that consistently achieve great traveller reviews on TripAdvisor. Certificate of Excellence winners include accommodations, eateries and attractions located all over the world that have continually delivered a superior customer experience.

10 The Eden Resort & Spa was awarded with the prestigious ISO 22000:2005 certification in relation to food safety and food quality standards.

CHAIRMAN'S MESSAGE



A VIBRANT BUSINESS PORTFOLIO.
A BOLD ATTITUDE.

Ishara Nanayakkara
Executive Chairman



The Pharmaceuticals division was built upon the platform afforded by its strong veterinary pharmaceutical products by venturing into a new division, namely, Human Pharmaceuticals. The division is poised for growth with a number of new products in the pipeline, assisted by the expansion of its boundaries into previously untapped markets.

CHAIRMAN'S MESSAGE

It is my pleasure to present to you the Annual Report and Audited Financial Statements for the year ended 31st March 2016, in which the Company registered an excellent performance cross-cutting the economic, social and environmental domains.

This report, which has been prepared using the principles of integrated reporting, seeks to illustrate the progress made in these areas and highlight the Company's commitment to create value for all stakeholders of the business.

GLOBAL ECONOMY

Following the 2008 financial crisis, the global economy has shown positive growth, but recovery has been weaker than expected, with rates trending below 4% in the face of weaker global demand and the decline of commodity prices. This year the global economy recorded a 2.4% growth, which is further below the projections made by IMF of 3.5%. These figures reflect some possible challenges to global growth in 2016 and beyond. Currency depreciations and a gyrating stock market in China, intensifying geo-political tensions in the Middle East, concerns of stagnation in European economies and falling oil prices have slowed down top players in the world economy, such as Venezuela, Brazil and Russia. As an oil consuming nation, our economy benefited from the lower oil prices, helping to narrow the trade deficit. Looking ahead, Chinese consumer confidence has been resilient and India continues with above-trend growth due to structural and regulatory reforms, so the forecast for the next year looks hopeful. Growth is expected to reach 2.9% in 2016 as a modest recovery

“The Agriculture division introduced a range of new products during the year in order to match growing consumer demands. TAFE tractors are the market leaders for the tractor segment in the country and took necessary measures to maintain the pristine position of the division. The Browns Agriculture division has now become a one-stop location”

while advanced economies continue and activity stabilises among major commodity exporters.

LOCAL ECONOMY

The Sri Lankan economy grew at 4.8% in real terms compared to a 4.9% growth last year. This was mainly driven by heightened consumer confidence during the second half of 2015, following the stabilisation of the investor market after the two elections. Salary hikes in both the public and private sectors of the country boosted GDP per capita from USD 3,853 in 2015 to USD 3,924, additionally lifting consumption. The agriculture forestry and fishing activities grew by 5.5% in value added terms in 2015 and this shows an increase in the sector when compared to 4.9% last year.

Meanwhile, Services activities, which account for 56.6% of Sri Lanka's GDP, grew at 5.3% in gross value added terms in 2015 when compared to 5.2% growth in 2014. This sector was bolstered by the robust growth of 15.8% in the country's financial services industry, catalysed by fortified regulations implemented by the CBSL, which helped to improve the credit risk management framework as well as the expanded outreach, signalling the country's commitment to increased financial inclusion.

The industrial sector, comprising of mining and quarrying, manufacturing, electricity, water, waste treatment and construction collectively grew at 3.0% in value added terms during 2015, compared to a 3.5% growth recorded in 2014. This in turn is owed to the significant growth in manufacturing activities. Construction however recorded a decline of 0.9% over the previous year, slowing due to political changes in 2015. We expect the industrial sector to resume its place as the key driver of growth in 2016 with the resumption of major construction projects, which the new government has verified will continue.

The Sri Lankan rupee further depreciated to Rs. 144.06 / USD at the end of the year from Rs. 131.05 / USD in 2014. Meanwhile, the rupee, which remained broadly stable during the first eight months of the year, depreciated at a faster pace from early September with the Central Bank's decision to allow greater flexibility in the determination of the exchange rate, based on market forces. A combination of lower oil prices and a projected fall in other commodity prices will ease some of the inflationary concerns in the country, but the rupee depreciation is likely to place inflationary pressure due to Sri Lanka's higher propensity to import for consumption and as valuable inputs for the export industry. Accordingly, as of end



Chairman addressing the employees at a training programme

2015, the rupee had recorded a depreciation of 9.03 percent against the US dollar.

Average weighted prime lending rate (AWPLR) increased during the year to 7.53% from 6.26% in 2014. The increasing trend in interest rates continued into the first quarter of 2016, mainly reflecting the monetary policy tightening measures adopted by the Central Bank, reducing levels of excess liquidity in the money market, and the continued high financing requirement of the government. As a result, companies' cost of capital has risen, dragging up finance costs alongside it.

Inflation, based on CCPI remained below mid-single digit levels at 0.9% in 2015 when compared to 3.3% in 2014, supported by the downward adjustment of prices of several key consumer items, favourable supply of side developments in the domestic and international markets, and well contained inflation expectations.

In the leisure sector, tourist arrivals to the country surpassed the initial target for the year and reached 1.8 Mn, which is a growth of 39% over the previous year. The aim for 2016, which was set in 2012, is to welcome 2.5 Mn tourists to Sri Lanka and we are well on track. As at April 2016, tourist arrivals had reached 721,185 which is a 20% growth

over the same period last year. Furthermore, Sri Lanka's increased involvement in the global community as evidenced by the strengthened ties with the USA, EU and India, as well as the increased number of flights to China will likely pave the way for a swell in the number of tourist arrivals.

Exports earned USD. 10,505 Mn. while imports amounted to USD. 18,935 Mn. during the year 2015. While there was a decrease in exports and imports, the trade deficit increased to USD. 8,430 Mn. when compared to USD. 8,287 Mn. in 2014.

BUSINESS ENVIRONMENT

With the new government in place and the change in the political environment, stability can be expected in the coming years in the political arena. The new government's commitment for good governance will create a conducive environment for business especially in the eyes of foreign investors.

SECTOR PERFORMANCE

Trading

The trading sector is the core business of Brown and Company PLC and the main contributor to the bottom-line. This consists of agriculture, battery, general trading, pharmaceuticals, radiators, power systems, heavy machinery, home and office solutions and the newly formed Browns Deals division.

The Agriculture division introduced a range of new products during the year in order to match growing consumer demands. TAFE tractors are the market leaders for the tractor segment in the country and took necessary measures to maintain the pristine position of the division. Browns Agriculture division has now become a one-stop location for all

CHAIRMAN'S MESSAGE

“This was the first full year of operation for Browns Hospitals and we are proud to say it has leveraged on the iconic brand power associated with “Browns”, to create a differentiated value proposition in the market.”

farming needs, boasting to be the pioneers in agriculture mechanisation, providing many new products and services in order to improve productivity.

The Battery division also re-introduced Exide batteries with a new brand, Fully Loaded Exide, which was successfully marketed during the year. The warranty levels were also increased in order to remain the market leader in the country. Competition in the automotive battery market is gradually increasing and the division took necessary measures to overcome challenges.

The Pharmaceuticals division was built upon the platform afforded by its strong veterinary pharmaceutical products by venturing into a new division, namely, Human Pharmaceuticals. The division is poised for growth with a number of new products in the pipeline, assisted by the expansion of its boundaries into previously untapped markets.

The Home and Office Solutions division also fared well during the year. The division took a vital decision during the year to cater to the consumer electronics market with a new brand-Browns Deals. Browns Deals has an extensive range of consumer electronics and consumers are now given the luxury of a

choice in selecting a number of high quality brands under one roof.

The General Trading division is the branded market leader for power tools, cutting and grinding wheels and hacksaw blades; but the department faced heavy competition during the year with the influx of relatively lower priced Chinese products. As a response to increased competition, the division forged ahead with the introduction of air compressors, tile cutters, measuring tapes and air tools during the year.

The Power Systems, Marine & Leisure, Heavy Machinery, Boiler and Plantation Support Services divisions also fared well during the year in the face of difficult market conditions.

Manufacturing

The Browns Thermal division, which markets the Radco radiators, expanded its market base by adding new products such as aluminium plastic radiators and coolants to its product list. The company is the largest and the only manufacturer of brass and copper radiators in the country. With top-line growth on track, the company also looked at streamlining costs by refining operational efficiencies in order to boost the bottom-line.

Agstar Fertilizers, undoubtedly one of the most trusted and highly used fertilisers, continued its consistent growth in 2015, with an increase by 10% in sales. The Company offers a wide range of organic and chemical fertilisers in different quantities to be used in agriculture, horticulture, floriculture, home gardens and green houses, a pivotal agent in Sri Lanka's growth industries.

Healthcare

This was the first full year of operation for Browns Hospitals and we are proud to say it has leveraged on the iconic brand power associated with “Browns”, to create a differentiated value proposition in the market. This has helped the hospital to slowly but surely gain visibility as the only fully-fledged general hospital in the Gampaha district.

Plantations & Renewable Energy

Tea production at Maturata Plantations and Pussellewa Plantations continued to decline due to unfavourable weather conditions during the greater part of the year and the “go slow” labour action in the plantation sector in July 2015 demanding a wage hike, which affected tea production. In addition, demand from major exporting countries took a hit due to the rise in the oil prices and increased geo-political uncertainties which exacerbated the issues caused by the continued decline in tea prices throughout 2015.

Rubber production also witnessed a downward trend as the international market prices were low. Added to that, adverse weather conditions in the second and third

quarters of the year were factors which affected rubber production adversely.

Galoya Plantations, proved to be fruitful during the year. Out of 5,000 hectares of land available for sugarcane cultivation 600 ha were successfully cultivated during the year to reach 4,500 ha of cultivated land in total. Sugar production for the year amounted to 13,983 MT.

Travel & Leisure

Browns Hotels & Resorts holds, 'The Eden Resort & Spa, The Paradise Resort & Spa, The Calm Resort & Spa and Dickwella Resort & Spa' under its portfolio. Increased tourist arrivals to the country provided the hotels with a higher occupancy rate throughout the year with The Eden Resort & Spa boasting the highest occupancy level in the leisure portfolio. Dickwella Resort & Spa was closed for a soft-refurbishment during the year and re-opened in the third quarter of the year. The latest addition to the hotel chain was The Calm Resort & Spa in Passikudah which has attracted a significant number of tourists and locals. We are currently in the final stages of negotiations for management of The Turtle Beach Resort & Spa in Kosgoda with a leading International firm. Riverina hotel poised to be a star class hotel in the Golden Mile with 400 rooms, is under construction and will be ready for guests in a couple of years.

Browns Tours and Ceylon Roots are two of the major destination management companies in Sri Lanka specialising in inbound travel as well as outbound travel and are now in the process of increasing its island wide outreach.

Excel World Entertainment Park, located in the heart of Colombo, continues to offer the whole family a one-stop location for wholesome entertainment.

Investments

Browns Investments PLC continues with its bold strategy to invest in sunshine industries and in the year under review, its focus on the leisure sector grew with the construction of hotels in many locations in the country as well as in the Maldives.

Sierra Group has been the main partner in the Group's construction projects and the company has also attracted many large scale projects during the year.

FINANCIAL PERFORMANCE

We are happy to announce that we have made an Operational profit of Rs. 0.7 Bn. for the year under review. The Company achieved a revenue of Rs. 10.5 Bn while the gross profit recorded was Rs. 2.1 Bn. Further, the Company recorded Rs. 0.6 Bn of profit before tax and Rs. 0.5 Bn of profit after tax notwithstanding the significant loss in other income as opposed to the previous year. The marked to market loss of Rs. 344 Mn for the year was a steep decrease compared to the marked to market gain of Rs. 886 Mn reported in the previous year. Further, the management took a strategic decision to optimise inventory management by taking measures to manage inventory provisioning and an efficient debtor collection mechanisms that have negatively reflected in the operating profits but will positively impact in long term operational management.

The Group achieved revenue of Rs. 19.9 Bn while the gross profit recorded was Rs. 3.8 Bn. The Group recorded Rs. 1.2 Bn of loss before tax and Rs. 1.3 Bn of loss after tax. This is mainly due to the fact that most of the investments in Browns Investments are longer term in nature and will generate results in the next 3 to 5 years. The negative growth in plantations also adversely contributed to the Group's profitability. The local market conditions, stemming from the fluctuating borrowing costs, directly impacted the Group cost of funds that resulted in a negative contribution at the Group level. However, we are confident that this will be mitigated in time to come with the realisation of revenues from our long term investments.

CORPORATE STEWARDSHIP

Known as pioneers in introducing agriculture mechanisation in Sri Lanka and enriching the lives of the farming communities, Browns continued to provide incentives and training programmes to farmers to further enhance their knowledge. Browns believes that through education, the lives of the farmers, whether it is as users of agricultural machinery or veterinary pharmaceuticals, can be improved, enabling them to increase their productivity and their household income resulting an upgrade in their standards of living.

The revival of the Gal Oya sugar factory has enriched the lives of over 4,000 farmer families. The direct employment generated by the factory is over a 1,000 while indirectly the local economy has grown in the last two years due to the improved

CHAIRMAN'S MESSAGE

“The Home and Office Solutions division also fared well during the year. The division took a vital decision during the year to cater to the consumer electronics market with a new brand- Browns Deals. Browns Deals has an extensive range of consumer electronics and consumers are now given the luxury of choice in selecting a number of high quality brands under one roof.”

livelihood of the farming communities. There is also a company-run water purification plant that provides clean water to over 1,000 families in the area.

The Outlook

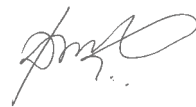
As tourism in Sri Lanka continues to surge forward, Browns will be a dedicated partner to this growth by contributing approximately 1,000 rooms in the next two years and aiding in earning foreign exchange.

Healthcare will take the lead in growth as Browns Hospitals will pursue strategic locations in the urban areas of the country. Also, Browns Human Pharma will take a new leap especially through the existing distribution channels. The Consumer Durable division will also revamp its business plan to attract new market segments while Agriculture and Battery units will continue to grow their positions as the market leaders.

APPRECIATIONS

I wish to express my sincere appreciation to the Browns Team for their commitment and dedication, in spite of the volatile market conditions, which had given the company a new form to perform better in the next financial year. I also wish to thank the Board of Directors for their continued guidance and support. My sincere appreciation to our principals and partners, shareholders and all other stakeholders for the trust and confidence placed in the company for over 140 years.

The legacy continues, with a mark of distinction!



Ishara Nanayakkara
Executive Chairman

20th June 2016



B O A R D O F D I R E C T O R S

BUILDING ON OUR
140 YEAR HERITAGE



- 1** **Ishara Nanayakkara**
Executive Chairman
- 2** **Kapila Jayawardena**
Non-Executive Director
- 3** **Kalsha Amarasinghe**
Non-Executive Director
- 4** **Rajah Nanayakkara**
Non-Executive Director
- 5** **Janaka de Silva**
Independent Non-Executive Director
- 6** **Tissa Bandaranayake**
Independent Non-Executive Director



B O A R D O F D I R E C T O R S

ISHARA NANAYAKKARA*Executive Chairman*

Ishara Nanayakkara is a prominent entrepreneur serving on the Boards of many corporates and conglomerates in the region. He initially ventured into the arena of financial services with a strategic investment in Lanka ORIX Leasing Company PLC and was appointed to the Board in 2002. Today, he is the Deputy Chairman of LOLC and the Executive Deputy Chairman of LOLC Finance PLC (previously known as Lanka ORIX Finance Company PLC), holding directorships in many of its subsidiaries and associate companies.

Backed by over a decade of professional experience in the industry, Ishara Nanayakkara holds the role of Chairman of Commercial Leasing & Finance PLC, one of Sri Lanka's leading financial service providers for over 27 years, as well as LOLC Life Assurance Limited. He is also Deputy Chairman of Seylan Bank PLC, a premier commercial bank in the country. His vision to cater to the entire value chain of the finance sector manifested in the development of Micro Finance, Islamic Finance, factoring through LOLC Factors Limited, LOLC Life Assurance Limited & General Insurance Companies and stock broking through LOLC Securities Ltd.

Leveraging LOLC Group's expertise in the SME sector, the expansion into the Micro Sector was spearheaded by Ishara Nanayakkara, who is the Chairman of their Micro Credit Companies: LOLC Micro Credit Company Ltd, the only private sector

microfinance institution in the country with foreign equity, PRASAC, the largest microfinance Company in Cambodia and BRAC Lanka Finance PLC. Ishara Nanayakkara's interest in microfinance led to the inauguration of LOLC Myanmar Micro Finance Company Ltd, a greenfield investment in Myanmar in which he was the founding Chairman and currently serves as a Director. His proficiency in microfinance in the region is further demonstrated by his involvement at strategic level in LOLC Cambodia Ltd (Previously known as Thaneakea Phum Ltd), the 5th largest microfinance company in Cambodia. He was also recently appointed as a Director in LOLC International Private Limited.

Ishara Nanayakkara's motivation to expand into various growth peripheries is further illustrated through his role as the Executive Chairman of Brown and Company PLC & Browns Investments PLC. Browns Group is a renowned conglomerate with a leading market position in trade, leisure, power generation, healthcare, manufacturing, consumer appliances and agriculture equipment. Through strategic investments, he is committed to catalysing development in the growth sectors of the Sri Lankan economy such as construction. Ishara Nanayakkara's involvement in the Boards of Agstar PLC, Associated Battery Manufacturers (Cey) Ltd, Sierra Constructions Ltd. and Sagasolar Power (Private) Limited reflects this business philosophy.

His passion for sustainable investment is reflected through his involvement in renewable energy, forestry and plantations. As such, Ishara Nanayakkara was also appointed as the Chairman of Browns Capital PLC (Previously known as FLC Holdings PLC), Browns Hydro Power PLC (Previously known as F L C Hydro Power PLC), and a Director at Pussellawa Plantations Ltd and FLMC Plantations (Pvt) Ltd, subsequent to a recent acquisition.

Endorsing his entrepreneurial spirit, Ishara Nanayakkara received the prestigious 'Young Entrepreneur of the Year' Award at the Asia Pacific Entrepreneurship Awards (APEA) in 2012. He holds a diploma in Business Accounting from Australia.

KAPILA JAYAWARDENA*Non-Executive Director*

Kapila Jayawardena holds a MBA in Financial Management and is a fellow member of the Institute of Bankers and an Associate Member of the Institute of Cost and Executive Accountants, London. He served as Country Head and CEO (Sri Lanka and Maldives) of Citibank NA from 1998 to 2007.

He has varied experience in the fields of Investment Banking, Banking Operations, Audit, Relationship Management, Corporate Finance, Corporate Banking and Treasury Management.

Kapila Jayawardena was appointed as the Chairman of the Sri Lanka Banks' Association (SLBA) in 2003/04. He has also served as President of the American Chamber of Commerce in Sri Lanka in 2006/2007 and was appointed to the Financial Sector Reforms Committee (FSRC) and was a member of the National Council of Economic Development (NCED). He also served as a Board Member of the United States - Sri Lanka Fulbright Commission.

He joined LOLC in the year 2007 as the Group Managing Director/CEO. He is the Chairman of the following companies and is also on the Boards of the subsidiaries of the LOLC Group.

- 1 Chairman - Eden Hotel Lanka PLC
- 2 Chairman - LOLC Finance PLC
- 3 Chairman - LOLC General Insurance Ltd
- 4 Chairman - LOLC Insurance Co. Ltd
- 5 Chairman - LOLC Securities Ltd
- 6 Chairman - Speed Italia (Pvt) Ltd
- 7 Chairman - Palm Garden Hotels PLC

In 2012, he was appointed to the Board of Browns Investments PLC and in 2013 to Seylan Bank PLC.

KALSHA AMARASINGHE*Non- Executive Director*

Kalsha Amarasinghe holds an Honours Degree in Economics. She serves on the Boards of Lanka ORIX Leasing Company PLC, LOLC Finance PLC, LOLC Micro Credit Ltd, LOLC Life Assurance Limited, Palm Garden Hotels PLC, Riverina Resorts (Pvt) Ltd and Eden Hotel Lanka PLC. She also serves as a Director on the Boards of Commercial Leasing & Finance PLC, Browns Investments PLC, Browns Capital PLC, Pussellawa Plantations Ltd, Browns Hydro Power PLC, Melfort Green Teas (Pvt) Ltd and FLMC Plantations (Pvt) Limited.

B O A R D O F D I R E C T O R S

RAJAH NANAYAKKARA*Non-Executive Director*

Rajah Nanayakkara is the founder and Executive Chairman of Ishara Traders (Pvt) Ltd., a business which pioneered the import and sale of new and reconditioned motor vehicles. Thirty years later, this organisation remains an industry leader. He was also the founder Chairman of the Motor Vehicle Importers Association of Sri Lanka, and continues to play a significant role.

Rajah Nanayakkara is also the Chairman of Ishara Plantations (Pvt) Ltd - an award winning estate of tea and spices and Chairman of Ishara Property Development, a company which has been involved in construction for the past 19 years.

Rajah Nanayakkara is the Chairman of Lanka Orix Leasing Company PLC and also a Director of Browns Holdings Limited and Diriya Investments Limited. He also serves on the Board of Browns Investments PLC.

JANAKA DE SILVA*Independent Non-Executive Director*

Janaka de Silva holds a B.Sc., (Ceylon) and a M.B.A. (Sri Jayawardenapura). He is a Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Chartered Institute of Management Accountants and the Institute of Bankers of Sri Lanka.

He served as a Consultant to the National Development Bank during the period of August 2003 to December 2007 and advised the Bank on the integration of financial and accounting systems during the merger of National Development Bank with NDB. He joined the Union Bank of Colombo Ltd at the pre-operational stage of the Bank as General Manager/Chief Operations Officer and was responsible for the design and implementation of all operational policies, procedures and systems. He designed and implemented the information systems topology, pioneered web presence and Internet banking amongst indigenous banks. Under his direction the Bank obtained ISO 9002 Quality Certification covering all divisions and became the first bank in Sri Lanka to connect ATMs to a major international network and Janaka de Silva was appointed Managing Director/CEO in May 2002.

During April 1992 to April 1995 he served as the Director - Operations of American Express Bank, Colombo and was responsible for all operational activities and functioned as the Quality Coordinator of the Colombo Office.

In February 1987 he joined Sampath Bank and was the founder General Manager/CEO. He made the bank the most technologically advanced financial institution with all branches connected online for the first time in Sri Lanka. He was the first to introduce credit cards with a major international franchise and a multipoint ATM network. He pioneered many new innovations such as extended banking hours, interest on daily balance on Savings Accounts, and the use of UV lights for signature verification. In September 1976 he joined Bank of Ceylon as Assistant General Manager/Controller and was elevated to the position of Corporate Advisor in 1979. He set up the IT function in 1978 which was the largest IT facility in the country by the end of 1985. He introduced computerised banking with central processing and multipoint access to Sri Lanka. He was the head of the Audit function, conducting the internal audits of over 200 branch offices throughout the country. Further he introduced new techniques such as statistical sampling. He was also a member of the Steering Committee created to set up the Automated Clearing House of Sri Lanka.

Janaka De Silva was a Senior Accountant of the State Engineering Corporation during the period 1970 to 1972 and was the Finance Manager at Building Material Corporation during the period 1972 to 1973. He also served as a Lecturer/ Accountant at Indeco Ltd, Lusaka, Zambia from 1973 -1976.

TISSA BANDARANAYAKE*Independent Non-Executive Director*

Tissa Bandaranayake is a fellow member of the Institute of Chartered Accountants of Sri Lanka and he holds a B.Sc. Degree from the University of Ceylon.

He has more than 45 years of commercial and professional experience. He was with Ernst & Young, Sri Lanka for 27 years until retirement as a Senior Partner in April 2009, managing a large portfolio of clients both local and multinational, in various industries.

Tissa Bandaranayake was a Past Chairman of the Audit Faculty of the Institute of Chartered Accountants of Sri Lanka and a Past President of the Practicing Chartered Accountants Forum.

He is also a Vice President of National Stroke Association of Sri Lanka, a member of the Rotary International Finance Committee 2013-2016 and the Rotary International District Governor for Sri Lanka in 1999-2000.

Tissa Bandaranayake currently serves as the first Chairman of the Quality Assurance Board of Sri Lanka, comprising of very senior representatives of the private sector and of the regulatory bodies such as the Central Bank, the Sri Lanka Accounting & Auditing Standards Monitoring Board, the Insurance Board and the Securities and Exchange Commission.

He also serves as an Independent Non-Executive Director of Nawaloka Hospital PLC, Laugfs Gas PLC, Samson International PLC, Overseas Realty (Ceylon) PLC, Renuka Holdings PLC, Renuka Foods PLC, Harischandra Mills PLC and Micro Holdings (Pte) Ltd.

C O R P O R A T E S E N I O R M A N A G E M E N T

PEOPLE, SERVICE, QUALITY,
PERFORMANCE, INNOVATION, GROWTH
AND LEADERSHIP - THE CORE VALUES THAT
PERSONIFY THE “BROWNS” LEGACY.



- 1 Kennedy Joseph**
Senior Vice President - Power Systems,
Environmental Engineering & Heavy Machinery
- 2 Manjula Wijemanne**
Senior Vice President - Integrated Business
Solutions / Consumer
- 3 Paduma Subasinghe**
Senior Vice President - Group Human Resources
- 4 Thamotharampillai Sanakan**
Group Chief Financial Officer
- 5 Nayantha Delpechitra**
General Manager - Group Legal/Group Secretary
- 6 C. N. Rathakrishnan**
Chief Process Officer
- 7 Gunendra Jayasena**
Chief Administration Officer, CEO Browns
Industrial Park Ltd and Browns Thermal
Engineering (Pvt) Ltd
- 8 Conrad Dias**
Group Chief Information Officer - LOLC Group
- 9 Sanjaya Kalidasa**
Group Treasurer
- 10 Susaan Bandara**
Chief Officer - Marketing & Communications
- 11 Dr. Iraivan Thiyagarajah**
Chief Executive Officer- Browns Healthcare
(Pvt) Ltd and Browns Healthcare North
Colombo (Pvt) Ltd
- 12 Jeremy Rajiah**
General Manager - Plantation Support Services
- 13 Anoj Munidasa**
Director / GM- Browns Thermal Engineering
(Pvt) Ltd
- 14 Mangala Wijesinghe**
General Manager - Pharmaceuticals
- 15 Nalin Jayawardena**
General Manager - Consumer
- 16 Manoj Hadapangoda**
General Manager - Power Systems
- 17 Dimantha Nanayakkara**
General Manager - Integrated Business
Solutions
- 18 Ajith De Silva**
Deputy General Manager - Battery
- 19 Piyal Pathirana**
Deputy General Manager - General
Trading
- 20 Sanjaya Nissanka**
Deputy General Manager - Agriculture
- 21 Niyas Ahamed**
Assistant General Manager - Agriculture
- 22 Manjula Premarathna**
Assistant General Manager Marine &
Leisure
- 23 Asanga Pieris**
Assistant General Manager - Browns
Thermal Engineering (Pvt) Ltd



C O R P O R A T E S E N I O R M A N A G E M E N T





C O R P O R A T E G O V E R N A N C E

“The Company holds itself accountable to the highest standards of Corporate Governance and provides public accessibility to the information of the Company. Corporate Governance lays the basis for responsible, performance-oriented management and control which is geared towards sustainable value creation.”

We firmly believe in good Corporate Governance, a system by which companies are directed and controlled. The Corporate Governance philosophy at Browns is based on a culture of performance within a framework of compliance and conformance. It is a reflection of our culture, policies, relationship with stakeholders and commitment to values. This philosophy also expects a high level of commitment across the Company and creation of awareness at all levels.

The Company holds itself accountable to the highest standards of Corporate Governance and provides public accessibility to the information of the Company. Corporate Governance lays the basis for responsible, performance-oriented management and control which is geared towards sustainable value creation. Corporate Governance has been institutionalised at all levels within the Company and also in the Group through a strong set of corporate values which have been followed by the Senior Management and Board of Directors in the performance of their official duties. The Management is committed to the highest standards of integrity, ethical values and professionalism in all its activities.

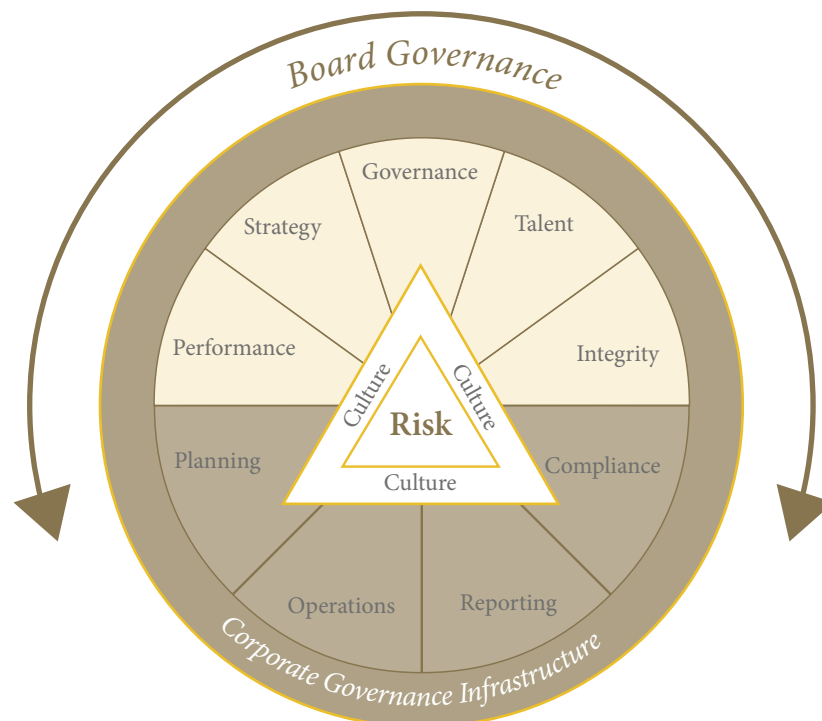
Formal publication of the Code of Best Practice on Corporate Governance Rules issued jointly by the Securities and

Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) are considered a strong gesture to strengthen the transparency, accountability and disclosure of the Company’s and the Group’s business practices. The Company is committed to its corporate values and adheres to the Code of Best Practice on Corporate Governance. The consistent adherence to the principles and

practices of good Corporate Governance has resulted in the Company acquiring a matchless reputation among all its stakeholders in Sri Lanka.

The Corporate Governance framework has been incorporated within the Company and Group with adherence to the following:

- Complying with laws, rules and regulations within the territory.
- Allegiance to the Group Values.
- Ensuring that no individual has unfettered decision making powers.
- Exercising professionalism and integrity in all business transactions.
- Timely and efficient decision making.



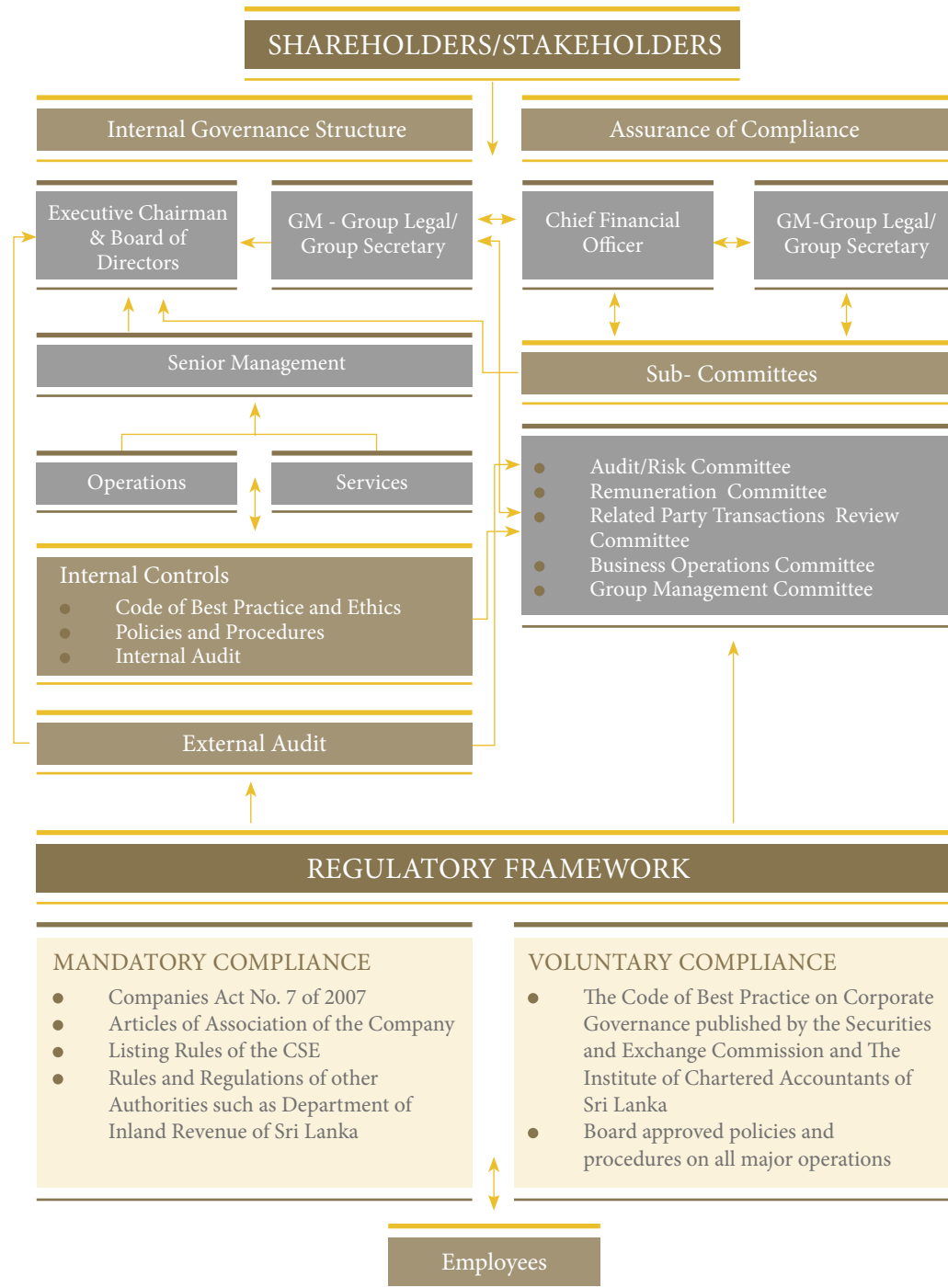
CORPORATE GOVERNANCE FRAMEWORK

The key components of the Corporate Governance framework of the company is based on the following key elements:

- a) **Internal Governance Structure**
It comprises of units or committees within the company that ensure effective monitoring and execution of governance related processes, policies and systems. This ensures the accountability and sustainability of the business.
- b) **Assurance of Compliance**
The supervisory arm of the company's Corporate Governance Mechanism which guides the Company's progress by way of developing and implementing appropriate corporate strategies. This supervisory arm enables regular review of progress, highlights deviations (if any), suggests corrective methods and ultimately ensures the integrity of operations.
- c) **Regulatory Framework**
The Regulatory Framework governs the company's operations. This includes Article of Association of the Company, Companies Act No. 07 of 2007, Listing Rules of the CSE, rules of the SEC and other applicable laws, regulations and best practices.

These key elements are discussed in detail in this report.

CORPORATE GOVERNANCE FRAMEWORK AT BROWNS



CORPORATE GOVERNANCE

1. INTERNAL GOVERNANCE STRUCTURE

The main three pillars of the internal governance structure of the Company are as follows;

- a) The Executive Chairman and the Board of Directors
- b) Sub-Committees
- c) Internal Controls

1-a The Executive Chairman and the Board of Directors

The Role of the Executive Chairman

The Executive Chairman's primary role is to ensure that the Board is effective in its tasks of setting and implementing the Company's directions and strategy. The Executive Chairman is also expected to act as the Company's leading representative who will be involved in the presentation of the Company's aims and policies to the external world. While providing leadership to the Board, the Executive Chairman should ensure that the participation and contribution of the Executive, Non-Executive and Independent Directors are encouraged and their views on matters under consideration are determined.

Key responsibilities of the Executive Chairman are as follows;

- a) Provides leadership to the Company and ensures the Board of Directors work effectively and discharges its responsibilities.
- b) Ensures that the Directors receive accurate, timely and clear information, including on the Company's current performance, to enable the Board

to take sound decisions, monitor effectively and provide advice to promote the success of the Company.

- c) Ensures the continual improvement in quality and calibre of the Executives.
- d) Ensures with the assistance of the Company Secretary that;
 - a. Board procedures are followed.
 - b. Timely disclosure is made as per the requirements of the SEC/CSE.
- e) Ensures an effective communication with shareholders and ensures an appropriate balance is maintained between the interests of shareholders and other stakeholders.
- f) Ensures that the operating model of the Group is aligned to the short term and long term strategies pursued by the Group and thereby ensures the long term sustainability of the business through guiding the senior management of the company.

The Board considers that none of the Executive Chairman's other commitments interfere with the discharge of his responsibilities to the Company/Group. The Board is satisfied that the Executive Chairman makes sufficient time to serve the Company effectively.

Board of Directors

The Board of Directors, along with the Executive Chairman is the ultimate governing body of the Company and offers an abundance in experience and professionalism with a wide range of expertise in diverse fields as set out on pages 36 to 39.

The Board provides leadership in setting the strategic direction, establishing a sound control framework for the successful function of the Company. The Board is responsible for the ultimate supervision and accountability in relation to the stewardship function of the Group. Its overriding objective is to deliver superior returns to stakeholders, demonstrating responsible corporate behaviour and acting in a transparent manner. In all actions taken by the Board, the Directors are expected to exercise their business judgment in considering the best interests of the Company.

The Directors participate in defining goals, visions, strategies and business targets. All Directors are able to and willingly add value and independent opinion on the decision making process, which is of immense benefit to the effective functioning of the Board. The questions raised by shareholders at General Meetings are readily answered by the Board members and they maintain an appropriate dialogue with them.

The Board's composition reflects a sound balance of independence and anchors.

Composition of the Board

As at date, the Board consists of 6 members comprising of-

- 3 Non-Executive Directors
- 2 Independent Non-Executive Directors
- 1 Executive Director

Independence of the Directors have been determined in accordance with the Colombo Stock Exchange Rules and the Independent Non- Executive Directors have submitted signed confirmations of their independence.

NO	NAME OF DIRECTOR	EXECUTIVE / NON EXECUTIVE	INDEPENDENT/ NON INDEPENDENT	INVOLVEMENT/ INTEREST IN SHARE HOLDING	GENDER REPRESENTATION
01	Ishara Nanayakkara	Executive	Non Independent	Yes	Male
02	Kapila Jayawardena	Non-Executive	Non Independent	No	Male
03	Kalsha Amarasinghe	Non-Executive	Non Independent	No	Female
04	Rajah Nanayakkara	Non-Executive	Non Independent	No	Male
05	Janaka de Silva	Non-Executive	Independent	No	Male
06	Tissa Bandaranayake	Non-Executive	Independent	No	Male

The Non-Executive Directors are required to notify the Executive Chairman of their external Board appointments and the Executive Chairman reviews such appointments in consultation with the other Directors where necessary, to ascertain any possible conflict of interest.

Board Balance

The Company is committed towards a diversified Board which provides a long term vision, thereby improving the quality of the governance.

The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board who are professionals/ academics or business leaders holding senior positions in their respective fields ensure an even balance between executive expediency and independent judgment, as no individual Director or small groups of Directors dominate the Board discussion and decision-making.

The Non-Executive Directors bring a wealth of experience and add value through their knowledge, ensuring adequate Board diversity in accordance with the principles of Corporate Governance, while the Independent Directors avoiding potential conflicts, adhere to best practices to ensure equal benefits for all shareholders, with independent views and opinions.

The Directors are required to follow the 'Best Practices' as illustrated below:

PRIOR TO APPOINTMENT	→	Nominees are requested to make known their various interests that could potentially be in conflict with the interests of the Company.
ONCE APPOINTED	→	Directors obtain Board clearance prior to engaging in any transaction that could create a potential conflict of interest. All Non-Executive Directors shall notify the Executive Chairman of any changes to their current Board representations or interest including related parties. All Directors should make a general disclosure of interest every year and also of any changes thereto.
DURING BOARD MEETINGS	→	Directors who have interest in a matter under discussion; <ul style="list-style-type: none"> ● Excuse themselves from deliberations on the subject matter ● Abstain from voting on the subject matter (abstentions where applicable to form decisions are duly minuted) ● Declare interest and comment if needed

CORPORATE GOVERNANCE

Appointment and Re-election of Directors

All new appointments are communicated to the shareholders via the Colombo Stock Exchange. The profiles of the current Directors are given on pages 36 to 39.

The Company's Articles of Association call for one of the Directors in office to retire at each Annual General Meeting. The Director who retires will be the one who has been longest in office since their appointment/re-appointment. Retiring Directors are generally eligible for re-election by the shareholders.

The Board is actively engaged in succession planning to ensure that the Board composition is periodically renewed and that the Board retains its effectiveness at all times.

Board Responsibilities and Decision Rights

The business of the Company is conducted by its managers, officers and employees

under the direction of the Chairman/ Executive Director and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board aims at fulfilling its responsibilities by creating value that is sustainable and beneficial for all stakeholders. The Board of Directors is well equipped to realize the Company's corporate business.

The Board meets monthly and gives full consideration to the following:-

- Review strategic and operational issues.
- Approve interim and full year financial statements and annual budgets.
- Review profit and working capital forecasts and monthly management accounts.
- Provide advice and guidelines to Divisional Heads and Senior Managers.
- Provide and circulate timely and periodic reports to shareholders.
- Sanction major investments.

- Adopt annual and interim reports before they are published.

The Board is ultimately responsible for the Group's financial performance.

All Directors receive appropriate training relevant to their experience and position within the Company.

Transactions which have a material bearing on the Company are disclosed by way of circulars to shareholders and by announcements to the Colombo Stock Exchange.

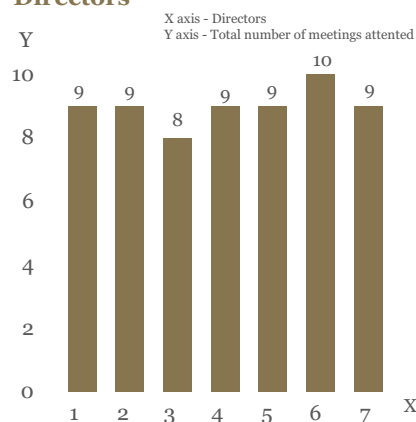
Board Meetings and Attendance

For the financial year ending 31st March 2016 there has been a total number of 10 Board Meetings and the Directors' attendance for same is shown below. Any instances of non-attendance at Board Meetings were generally related to prior business, personal commitments or illness.

NAME OF DIRECTOR	06/04/15	28/04/15	26/05/15	02/07/15	28/07/15	25/08/15	10/09/15	22/09/15	13/11/15	26/01/16	TOTAL NUMBER OF MEETINGS ATTENDED
Ishara Nanayakkara	√	√	√	√	√	√	√	√	x	√	09/10
*Shanker Somasunderam	√	√	√	√	√	√	√	√	√	x	09/10
Kapila Jayawardena	√	√	√	√	√	√	√	x	√	x	08/10
Kalsha Amarasinghe	√	√	√	x	√	√	√	√	√	√	09/10
Rajah Nanayakkara	√	√	√	√	x	√	√	√	√	√	09/10
Janaka de Silva	√	√	√	√	√	√	√	√	√	√	10/10
Tissa Bandaranayake	√	√	√	√	x	√	√	√	√	√	09/10

* Shanker Somasunderam, Non- Executive Director resigned from the Board of Directors on 04th December 2015

Attendance of Board of Directors



1. Ishara Nanayakkara
2. *Shanker Somasunderam
3. Kapila Jayawardena
4. Kalsha Amarasinghe
5. Rajah Nanayakkara
6. Janaka de Silva
7. Tissa Bandaranayake

* Shanker Somasunderam resigned on 04th December 2015

The Directors are provided with monthly reports of performance and minutes of the Board Meetings and are given the specific documentation necessary, in advance of such meetings.

The Executive Director/Chairman ensures that all Directors are adequately briefed on issues arising at meetings.

Professional Advice

The Directors obtain independent and professional advice with regard to decision making in their duties.

Financial Acumen

Financial acumen is a key factor in the successful careers of the Directors who have held senior management positions in other institutions.

The Board consists of four senior accountants who possess the necessary knowledge to offer the Board guidance on matters of finance.

Subsidiary Company's Monitoring Framework

All subsidiary companies of Brown and Company PLC are managed by their respective Boards according to the respective companies' Articles of Associations and in the best interest of their stakeholders. Brown and Company PLC monitors the performance of subsidiary companies.

Company Secretaries

The Company Secretaries are responsible for ensuring that Board procedures are followed and that all relevant information, details and documents are made available to the Directors to ensure effective decision making at meetings. All Directors have access to the Company Secretaries, S.F.L. Services (Pvt) Ltd. The Secretaries provide support to the Board on all Corporate Governance matters and ensures compliance with applicable rules and regulations.

1.b Sub-Committees

The Board has delegated some of its functions to Board committees while retaining final decision rights pertaining to matters under the purview of these committees.

The Sub-Committees are;

- Audit Committee - Oversight of internal controls and financial reporting
- Remuneration Committee - Recommendations regarding the remuneration framework of the Company
- Related Party Transactions Review Committee- To assist the Board in reviewing all related party transactions
- Business Operations Committee - Oversight of the business operations of the Company
- Group Management Committee - Oversight of Group management

CORPORATE GOVERNANCE

The compositions of the Sub-Committees as at date are as follows:

SUB-COMMITTEES				
AUDIT COMMITTEE	REMUNERATION COMMITTEE	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	BUSINESS OPERATIONS COMMITTEE	GROUP MANAGEMENT COMMITTEE
<ul style="list-style-type: none"> Two Non-Executive Independent Directors One Non-Executive Director 	<ul style="list-style-type: none"> Two Independent Non-Executive Directors One Non-Executive Director 	<ul style="list-style-type: none"> Two Independent Non-Executive Directors Two Non-Executive Directors One Executive Director (Chairman) 	<ul style="list-style-type: none"> One Executive Director (Chairman) Two Non-Executive Directors 	<ul style="list-style-type: none"> One Executive Director (Chairman) Senior Management

Audit Committee

The Audit Committee meets on a quarterly basis to approve the Quarterly and Annual Financial Statements and to recommend the same to the Board prior to its issuance. The Committee also meets as and when required to review the Audit Reports provided by the Internal Auditors to review the audits of the business units of the Company.

The Committee comprises of :

- **Tissa Bandaranayake**
Chairman/Independent Non-Executive Director
- **Janaka de Silva**
Member/Independent Non-Executive Director
- **Kalsha Amarasinghe**
Member/Non-Executive Director

The Chairman, Group Chief Financial Officer and representatives of the Internal Auditors join the meetings of the committee by invitation.

For the financial year ending 31st March 2016 there has been a total number of four (04) Audit Committee Meetings and the attendance of the members is shown below:

NAME OF MEMBER	DATE OF MEETING				ATTENDANCE
	14/08/2015	22/09/2015	13/11/2015	12/02/2016	
Tissa Bandaranayake	√	√	√	√	4/4
Janaka de Silva	√	√	√	√	4/4
Kalsha Amarasinghe	√	√	√	x	3/4

The Audit Committee recommends the appointment of the Internal Auditors. The LOLC-Enterprise Risk Management Team functions as the Internal Auditors.

The Internal Auditors carry out financial audits and systems audits on a pre-planned basis to ensure the effectiveness of the various functions, reviews the internal controls, checks compliance with the accounting standards and reports noncompliance and serious errors to the Executive Chairman, Senior Management and concerned Managers for rectification or corrective action.

The Audit Committee also meets with the External Auditors M/s. KPMG, Chartered Accountants to review the Audits, the objectivity and independence of the Auditors. The Audit Committee report is given on pages 71 to 72 of the Annual Report.

Remuneration Committee

The Remuneration Committee, which met on regular occasions during the period under review, comprises of;

- **Kalsha Amarasinghe**
Chairman/Non-Executive Director
- **Tissa Bandaranayake**
Member/Independent Non-Executive Director
- **Janaka De Silva**
Member/Independent Non-Executive Director

The Remuneration Committee is responsible for:

- assisting the Board of Directors in establishing remuneration policies and practices in the Group.
- evaluating the performance of the Executives of the Group.
- reviewing and recommending to the Board appropriate remuneration packages based on industry standards and contributions made to the organisation.

The detailed Remuneration Committee Report is given on page 73 of the Annual Report.

Related Party Transactions Review Committee

The Related Party Transaction Review Committee constituted on 21st December 2015, which meets on quarterly basis, comprises of:

- **Tissa Bandaranayake**
Chairman /Independent Non-Executive Director
- **Janaka De Silva**
Member/Independent Non-Executive Director
- **Kalsha Amarasinghe**
Member /Non-Executive Director
- **Kapila Jayawardena**
Member/Non-Executive Director
- **Ishara Nanayakkara**
Member/Executive Director

The purpose of the Committee is to review in advance all proposed Related Party Transactions of the Company as per the terms given in the Listing Rules of CSE.

The Related Party Transaction Review Committee is responsible for:

- Reviewing in advance all proposed Related Party Transactions of the Company except those explicitly exempted.
- Adopting policies and procedures to review Related Party Transactions of the Company and reviewing and overseeing existing policies and procedures.
- Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- To establish separate guide lines to follow Recurrent Related Party Transactions of the Company.
- Ensures that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.
- If there is any potential conflict in any Related Party Transaction, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.

CORPORATE GOVERNANCE

“The Company believes that there should be a proper and advanced Information Technology (IT) Governance within the Company, which forms an integral part of the day-to-day business, in order to align the Company’s IT strategy with business strategy, ensuring that companies stay on track to achieve their strategies and goals, and implementing good ways to measure IT’s performance.”

- Ensures that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

The detailed Related Party Transaction Review Committee Report is given on page 74 of the Annual Report.

Business Operations Committee

The Business Operations Committee meets at regular intervals depending on the requirement.

The Committee comprises of;

- **Ishara Nanayakkara**
Executive Chairman
- **Kalsha Amarasinghe**
Member/Non-Executive Director
- **Kapila Jayawardena**
Member/Non-Executive Director
- **Shanker Somasunderam**
Member/Non-Executive Director
(resigned on 04th December 2015)

The Business Operations Committee Report is given on page 75 of the Annual Report.

Management Committee

The Group Management Committee formulates strategies, seeks Board approval and implements the same within the policy framework, which demands best practices in dealing with stakeholders.

The Management Committee is chaired by the Executive Chairman and the Senior Management participates, every month to review Group Corporate, Divisional and Departmental performances against pre-determined Annual Business Plans and Budgets.

The introduction of peer adjusted organisational ratings in determining pay for performance has resulted in the search by business units, sectors and industry groups for productivity enhancements, process improvements and cost efficiencies within a framework of better teamwork.

1-c Internal Control

These are designed to support and maintain a transparent and effective internal control system and institutionalisation of the best processes of governance. Some of the policies which play a key role in this respect are:

1) Code of Business Conduct and Ethics

This applies to all the employees of the company. The code ensures that there is no conflict of interest where individuals’ interest conflicts with the interests of the Company, and makes timely disclosure of such situations; maintains confidentiality of information, ensures fair dealing with the Company’s customers and suppliers and refrains from any unfair dealing and manipulations, thereby promoting ethical behaviour within the Company.

2) IT Governance

The Company believes that there should be a proper and advanced Information Technology (IT) Governance within the Company which forms an integral part of the day-to-day business, in order to align the Company’s IT strategy with business strategy, ensuring that companies stay on track to achieve their strategies and goals, and implementing good ways to measure IT’s performance.

The strong IT governance structure in place at Browns ensures that the effective and efficient use of IT enables the Company to achieve its goals.

3) Enterprise Resources Planning (ERP)

The Microsoft Dynamics AX-2009 is a tier one global Enterprise Resources Planning (ERP) programme owned and marketed by the Microsoft Corporation, USA. This was implemented by the Company in 2012.

Where common business processes were identified, Browns Group’s Shared Services Centre (SSC) which is a single entity that

will consolidate the entire back office operations of Financial and Accounting (F & A) of many Groups, Companies and Divisions to improve processes and efficiency was also set up as a direct benefit of the ERP programme.

With the implementation of ERP, a major change was that the entire organisation was converted to a full time Microsoft ERP platform. The overall business information model has improved tremendously and further improvements were added in the areas of after sales and front- end services. This enhanced the quality of information processes along with the new standard operating procedure and ERP functional user manuals which were developed in order to set the ground rules for continued good administration.

The ERP also assisted the organisation in its business expansion programme by providing flexibility in decision making with both speed and volume of data availability.

4) *Internal Audit*

Internal Audit focuses on providing an independent risk based oversight to the Audit Committee on the process and controls within the Company. It is responsible for the assurance of the internal control mechanism of the Company.

The LOLC-Enterprise Risk Management Team continued to be the internal auditors to monitor and report on the adequacy of the Financial and Operational systems of the divisions, in order to strengthen internal controls.

ASSURANCE OF COMPLIANCE

This element is the supervisory module of the Group Corporate Governance framework, where a range of assurance mechanisms such as monitoring, tests on effectiveness are carried out and corrective actions are proposed and implemented towards a sound governance system.

The Board is conscious of its responsibility to the shareholders, the Government and the society in which it operates and is committed to uphold the highest standards of ethical behaviour in conducting its business. The Board, through the Group Legal Division, the Group Finance Division and its other operating structures, monitors and assesses the level of compliance of the Company with laws and regulations. It also reviews the changes in regulations and strives to ensure that the Company is in compliance with the regulatory requirements of the country.

When carrying out the function of compliance, the Internal and External audit as well as Board Sub-Committees also play a vital role in the governance structure of the Company.

Accountability

The Board places great emphasis on complete disclosure of Group financial information within the bounds of commercial reality and has taken the necessary steps to ensure the integrity of the Group's accounting and financial reporting systems and internal control systems and also their review and monitoring on a periodic basis.

The Board is responsible for formulating internal controls and implementing an adequate and appropriate internal control system.

External Audit

The External Audit report enables the Board to determine the adequacy and effectiveness of the Company's internal controls. M/s. KPMG, Chartered Accountants have been appointed as the external auditors of the Company.

Going Concern

The Board of Directors, after reviewing the financial position and the cash flow of the Company are of the belief that the Company has adequate resources to continue operations well into the foreseeable future. Therefore the Board adopts the going concern basis in preparing financial statements.

Ethical Standards

The Board is committed to maintaining high ethical standards in conducting its business and to communicate its values to its employees and agents and ensure their conduct is based on such values.

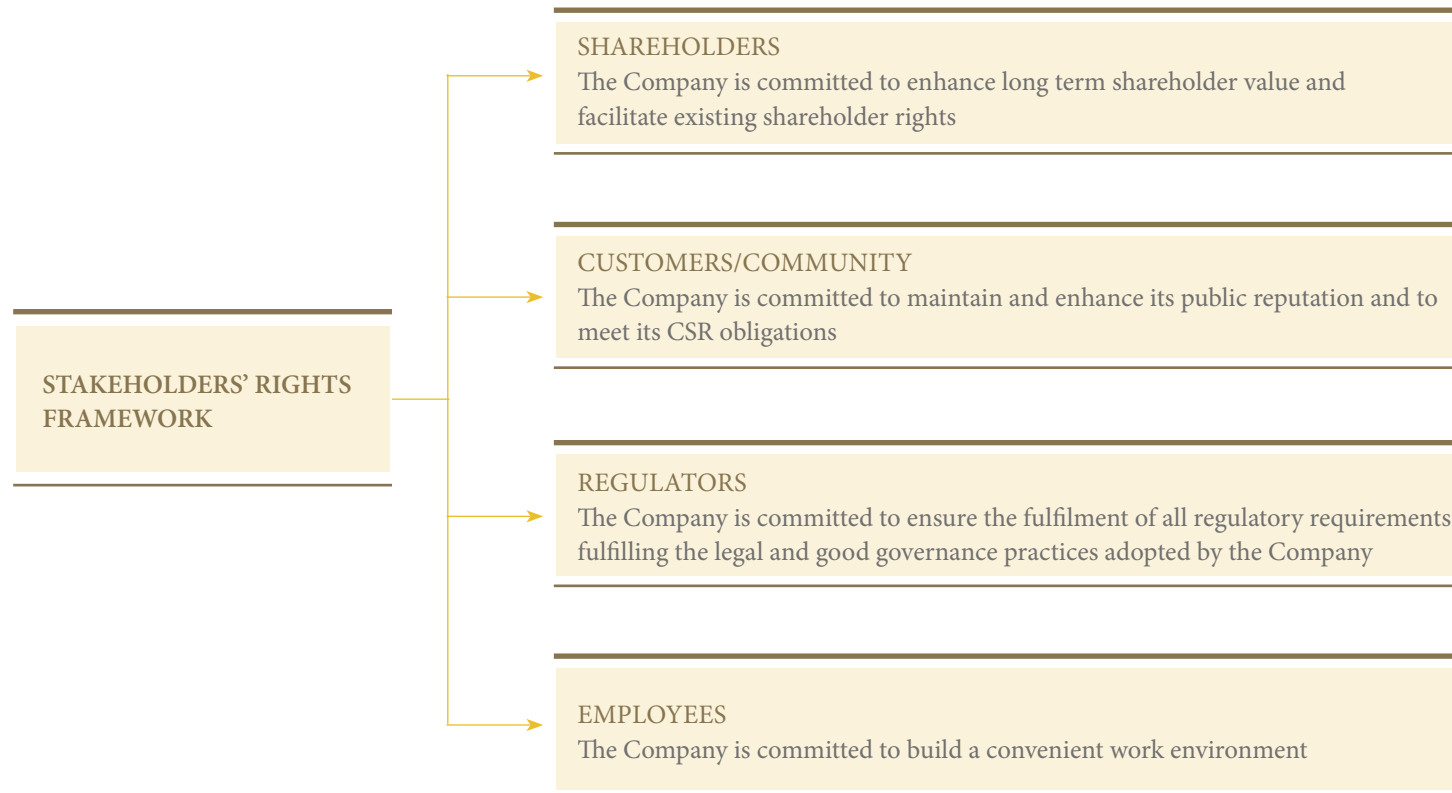
Stakeholder Engagement

The Board recognises the rights of all stakeholders which encourages active co-operation between the Company and the stakeholders.

Browns has adopted a comprehensive policy for communication based on efficiency, transparency and clarity.

C O R P O R A T E G O V E R N A N C E

STAKEHOLDERS' RIGHTS FRAMEWORK



● Shareholder Value

The Board constantly strives to enhance shareholders' values who have built this winning organisation.

● Shareholder Relations

The Board considers the Annual General Meeting as a prime opportunity to communicate with shareholders. Shareholders are given the opportunity of exercising their rights at the Annual General Meeting. Each resolution brought before the shareholders at the Annual General Meeting

is voted on separately by them. The notice of the Annual General Meeting and the relevant documents required are published and sent to the shareholders within the statutory period. The Company circulates the agenda for the meeting and shareholders vote on each issue separately. All shareholders are invited and encouraged to participate at the Annual General Meeting. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and

to informally meet the Directors. The external auditors are also present at the Annual General Meeting to render any professional assistance that may be required. Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their choice.

The Company published and circulated Quarterly Accounts in a timely manner as its principal communications with shareholders and others. This enables the

stakeholders to make a rational judgement of the Company.

CORPORATE SOCIAL RESPONSIBILITY

The rights and claims of other stakeholder groups such as employees, consumers, clients, suppliers, creditors and the government are also considered important, apart from the shareholders. Corporate decisions are made with due consideration of these stakeholders' interests.

The Group acknowledges the issues facing the environment and adopts a responsible attitude whilst meeting all of its business objectives.

Risk assessments carried out across the Group's operations take account of environmental, social and ethical matters.

REGULATORY FRAMEWORK

This refers to the regulatory structure within which the Group operates in conforming to established governance related laws, regulations and best practice. This comprises, among others, the Companies Act No 07 of 2007, Listing Rules of the CSE, rules of the SEC and the benchmarks set for the Group in working towards local and global best practices.

SELF-GOVERNANCE PRACTICES BY THE COMPANY

The Solvency Statements prepared by the Group Chief Financial Officer are tabled every quarter at the Board Meeting in order to ascertain whether the Company is solvent.

As provided by the Companies Act No.7 of 2007, the Company has obtained insurance cover for Directors and key officials of the Company.

The new rules of Corporate Governance and disclosure requirements for listed companies as mandated by the Securities Exchange Commission of Sri Lanka and also in the requirements of the listing rules of the Colombo Stock Exchange are complied with, as this helps to build an ethical environment in the Company.

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON CORPORATE GOVERNANCE.

(Implemented on 1st April 2009 and includes amendments to date)

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
7.10 Compliance			
a/b/c	Compliance with Corporate Governance Rules.	√	The Company is in compliance with Corporate Governance Rules and any deviations are explained where applicable.
7.10.1 Non-Executive Directors (NED)			
a/b/c	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs.	√	5 out of the 6 Board members are NEDs. The Company is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time, in line with needs.
7.10.2 Independent Directors			
a.	2 or 1/3 of NEDs, whichever is higher shall be 'independent'	√	2 out of the 5 Board members who are NEDs are independent.
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence.	√	Independence of the Directors has been determined in accordance with CSE Listing Rules and all Non-Executive Directors have submitted signed confirmation of their independence during the year under review.
7.10.3 Disclosures relating to Directors			
a/b	Names of the Independent Directors should be disclosed in the Annual Report The Board shall annually determine the independence or otherwise of NEDs.	√	The Company's Independent Non-Executive Directors are Janaka De Silva Tissa Bandaranayake Independent Non-Executive Directors have submitted declarations as to their independence.
c	A brief resume of each Director should be included in the Annual Report including the Director's experience.	√	Complied. Refer the Board of Directors section of the Annual Report.
d	Provide a resume of new Directors appointed to the Board along with details	√	No New directors appointed during the year under review.
7.10.4 Criteria for defining the Independence of Directors			
a.to h.	Requirements for meeting the criteria to be an Independent Director.	√	All of the Independent Directors of the Company met the criteria for independence specified in this rule.

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
7.10.5 Remuneration Committee			
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	√	The Remuneration Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director.
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors.	√	A Non-Executive Director is the Chairman of the committee.
b.	The Remuneration Committee shall recommend the remuneration of the Executive Directors.	√	The remuneration of the Chairman /Executive Director is determined as per the remuneration principles of the Group and recommended by the Remuneration Committee.
c.1	Names of Remuneration Committee members.	√	Refer the Board Sub Committees section of the Annual Report.
c.2	Statement of Remuneration Policy	√	Refer Remuneration Committee Report
c.3	Aggregate remuneration paid to EDs and NEDs.	√	Aggregate remuneration - Company EDs - Rs. 2.9 million NEDs - Rs. 4.5 million
7.10.6 Audit Committee			
a.1	The Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent.	√	The Audit Committee comprises of two Independent Non-Executive Directors and one Non- Executive Director.
a.2	A NED shall be the Chairman of the Committee.	√	The Chairman of the Audit Committee is an Independent Non-Executive Director.
a.3	The CFO should attend AC meetings.	√	The Group Chief Financial Officer and the Internal Auditors attended most parts of the Audit Committee meetings by invitation.
a.4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	√	The Chairman of the Audit Committee is a member of a professional accounting body.
b.	Functions of the AC	√	The AC carries out all the functions stated in this section
b.1	Overseeing the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS.	√	The Audit Committee assists the Board in fulfilling its oversight responsibilities regarding the integrity of the financial statements of the Company and the Group.
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations.	√	The Audit Committee has overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also for recommending to the Board, the adoption of best accounting policies.

CORPORATE GOVERNANCE

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
7.10.6 Audit Committee Contd.			
b.3	Ensuring that the internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS.	√	The Audit Committee assesses the role and effectiveness of the Group Business Process which is largely responsible for internal controls and risk management.
b.4	Assessment of the independence and performance of the Entity's external auditors.	√	The Audit Committee assesses the external auditor's performance qualifications and independence.
b.5	Make recommendations to the Board pertaining to external auditors.	√	The Committee is responsible for appointment, re-appointments, removal of external auditors and also the approval of remunerations and terms of engagements.
c.1	Names of the Audit Committee members shall be disclosed.	√	Refer the Board Committee section in the Annual Report.
c.2	Audit Committee shall make a determination of the independence of the external auditors.	√	Refer the Report of the Audit Committee in the Annual Report.
c.3	Report on the manner in which Audit Committee carried out its functions.	√	Refer the Report of the Audit Committee in the Annual Report.

CODE OF BEST PRACTICES OF CORPORATE GOVERNANCE JOINTLY ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA (SEC) AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CA SRI LANKA)

(Issued on 1st July 2008 and includes amendments to date)

This provides prerequisites for the establishment and maintenance of a sound corporate governance environment within the Company.

A. DIRECTORS

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
A.1 The Board			
A.1	The Company to be headed by an effective Board to direct and control the Company.	√	The Company is headed by an effective Board of Directors who are responsible and accountable for the stewardship function of the Company.
A.1.1.	Regular Board meetings	√	The Board of BCL meets at least every month.
A.1.2.	The Board should be responsible for matters including the implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions.	√	<p>Powers specifically vested in the Board to execute their responsibility include:</p> <ul style="list-style-type: none"> ● Providing direction and guidance to the Company in the formulation of its strategies, with emphasis on the medium and long term, in the pursuance of its operational and financial goals. ● Reviewing and approving annual budget plans. ● Reviewing HR processes with emphasis on top management succession planning. ● Monitoring systems of governance and compliance ● Overseeing systems of internal control and risk management. ● Determining any changes to the discretions/authorities delegated from Board to executive levels. ● Reviewing and approving major acquisitions, disposals and capital expenditure. ● Approving any amendments to constitutional documents.

CORPORATE GOVERNANCE

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
A.1 The Board Contd.			
A.1.3.	Act in accordance with the laws of the country and obtain professional advice as and when required.	√	<p>The Board seeks independent professional advice when deemed necessary. During the year under review, professional advice was sought on various matters, including the following:</p> <ul style="list-style-type: none"> • Impacts on BCL's business operations as a result of the current and future economic and geo-political shifts. • An employee satisfaction survey and participation in employee compensation and benefit surveys done to ensure that BCL is more than just a workplace of the highest standards. • Legal, tax and accounting aspects, particularly where independent external advice was deemed necessary in ensuring the integrity of the subject decision. • Market surveys, as necessary for business operations. • Valuation of property including that of investment property. • Specific technical know-how and domain knowledge required for identified project feasibilities and evaluations.
A.1.4.	Access to advice and services of the Company Secretary.	√	To ensure robust deliberation and optimum decision making, the Directors have access to the services of the Company Secretaries whose appointment and/or removal is the responsibility of the Board.
A.1.5.	Bring independent judgement on various business issues and standards of business conduct.	√	Collectively, the Non-Executive Directors bring a wealth of value adding knowledge, ranging from domestic and international experience to functional know-how, thus ensuring adequate Board diversity in accordance with the principles of corporate governance. Furthermore, every member of the Board brings independent judgement on various business issues.
A.1.6.	Dedication of adequate time and effort.	√	Allowing for Non-Executive Director's involvement in various Board Committees and time spent by them in considering various matters that require discussion and decision in between the formal Board meetings, the Company estimates that Non-Executive Directors devote approximately a minimum of 30 full time equivalent days each to the Group during the year, with more than 15 per cent of the time devoted to strategy formulation.

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
A1.7.	Board induction and training.	√	In instances where Non-Executive Directors are newly appointed to the Board, they are apprised of the: <ul style="list-style-type: none"> • Values and culture. • Operations of the Group and its strategies. • Operating model. • Policies, governance framework and processes. • Responsibilities as a Director in terms of prevailing legislation. • Important developments in the business activities of the Group.
A.2 The Chairman			
A.2.1.	Maintain a clear division between Chairman and the Chief Executive Officer.	√	Presently the Company has an Executive Chairman. The appropriateness of having only the Executive Chairman was established after rigorous evaluation and debate both internally and externally. The appropriateness continues to be discussed periodically, and at least, once a year.
A.3 Chairman's role			
A.3.1.	The Chairman should ensure that Board proceedings are conducted in a proper manner	√	Refer Chairman's role in the Corporate Governance section in the Annual Report.
A.4. Financial acumen			
A.4.	The Board should ensure the availability of reasons with adequate financial acumen and knowledge to offer guidance on matters of finance.	√	Four Board members hold membership in professional accounting bodies. Refer Board Member Profiles for more information.
A.5 Board balance			
A.5.1.	The Board should include Non-Executive Directors of sufficient calibre.	√	As at 31st March 2016, the Board consisted of 6 Directors, with a majority being Non-Executive Directors.
A.5.2.	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be Independent Directors.	N/A	Not applicable as the BCL Board comprises more than two Non-Executive Directors.
A.5.3.	Definition of Independent Directors	√	All the Independent Directors of the Company are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

CORPORATE GOVERNANCE

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
A.5 Board balance Contd.			
A.5.4.	Declaration of Independent Directors	√	Each Non-Executive Director has submitted a signed and dated declaration of his/her independence.
A.5.5.	Board determinations on independence or non-independence of Non-Executive Directors	√	All of the Independent Directors of the Company met the criteria for independence specified in this rule.
A.5.6.	Alternate Director		Not Applicable.
A.5.7.	In the event the Chairman and the CEO are the same person, the Board should appoint one of the Independent Non-Executive Directors to be the 'Senior Independent Director' (SID)		Not Applicable.
A.5.8.	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns		Not Applicable.
A.5.9.	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, at least once each year.	√	All the Directors other than the Chairman are Non-Executive Directors.
A.5.10.	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes	√	All the Board meeting proceedings are comprehensively recorded in the Board Minutes.
A.6 Supply of information			
A.6.1.	The Board should be provided with timely information to enable it to discharge its duties.	√	The Board is provided with, <ul style="list-style-type: none"> ● Information as is necessary to carry out their duties and responsibilities effectively and efficiently. ● Information updates from management on topical matters, new regulations and best practices as relevant to the Group's business. ● External and internal auditors opinions. ● Experts and other external professional services. ● The services of the Company Secretary. ● Periodic performance reports.
A.6.2.	Timely submission of the minutes, agenda and papers required for the Board meeting.	√	Board agendas and necessary Board Papers and minutes are dispatched at least 7 days prior to the Board meeting.

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
A.7 Appointment to the Board			
A.7.1.	Formal and transparent procedure for Board appointments.	√	Board appointments follow a transparent and formal process.
A.7.2.	Assessment of the capability of the Board to meet strategic demands of the Company.	√	<p>The Board as a whole assesses its own composition to ascertain whether the experience and exposure of the Board members are adequate to meet the strategic demands faced by the Company.</p> <p>Currently the Board members have varying qualifications in economic, environmental and social topics and are involved in many committees and associations that serve the business community as a whole.</p>
A.7.3.	Disclosure of new Board member profile and interests.	√	<p>Refer Board Member Profiles for more information.</p> <p>All appointments of new Directors are informed to the shareholders via the Colombo Stock Exchange.</p>
A.8 Re-election			
A.8.1. / 8.2.	Re-election at regular intervals and should be subject to election and re-election by Shareholders.	√	<p>The Non-Executive Directors are appointed and recommended for re-election until their prescribed Company retirement age.</p> <p>The Directors are subject to re-election on the basis of 'longest in the office' as provided in the Articles of the Association.</p> <p>One Director shall retire by rotation on the basis prescribed in the articles of the Company. A Director retiring by rotation or a Director who is subject to appointment is eligible for re-election by a shareholder resolution at the AGM.</p>
A.9 Appraisal of Board performance			
A.9.1.	The Board should annually appraise itself on its performance in the discharge of its key responsibilities	√	The Board continued with its annual Board performance appraisal. This is a formalised process of self-appraisal, whereby each member assesses, on an anonymous basis, the performance of the Board

CORPORATE GOVERNANCE

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
A.9 Appraisal of Board performance Contd.			
A.9.2.	The Board should also undertake an annual self-evaluation of its performance and that of its Committees.	√	Under the areas of: <ul style="list-style-type: none"> ● Role clarity and effective discharge of responsibilities ● People mix and structures ● Systems and procedures ● Quality of participation ● Board image
A.9.3.	The Board should state how such performance evaluations have been conducted	√	The performance evaluation is analysed to give the Board an indication of its effectiveness as well as areas that required addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow, including some Directors identifying themselves as the person making the remark, reflects the keenness of the Board.
A.10 Disclosure of information in respect of Directors			
A.10.1.	Profiles of the Board of Directors Director's interests Board meeting attendance Board Committee memberships	√	Refer Board profiles section

B. DIRECTORS' REMUNERATION

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
B.1 Remuneration procedure			
B.1.1.	The Board of Directors should set up a Remuneration Committee	√	<p>The Remuneration Committee primarily focused on the remuneration policies and practices of the Executive Chairman and the Board of Directors.</p> <p>The Remuneration Committee is entrusted with the following duties and responsibilities:</p> <ul style="list-style-type: none"> ● Review and approval of the overall compensation and benefit policy for the Group ● Review performance, compensation and benefits of the Board of Directors and Key Executive who support, and implement at an apex level the overall business strategy and make recommendations thereon to the Board of Directors ● Review and monitor the performance of the Company's top talent for purposes of organizational growth and succession planning, with particular emphasis on succession at Key Executive level
B.1.2.	Remuneration Committees should consist exclusively of Non-Executive Directors	√	All members of the Remuneration Committee are Non-Executive Directors
B.1.3.	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year	√	Refer Board Committees
B.1.4.	Determination of the remuneration of Non-Executive Directors	√	Compensation of NED's determined in reference to fees paid to other NED's of comparable companies. NEDs receive a fee for devoting time and expertise for the benefit of the Group in their capacity as Director and additional fees for either chairing or being a member of a Committee.
B.1.5.	The Remuneration Committee should consult the Chairman about its proposals relating to the remuneration of other Executive Directors	√	There are no other Executive Directors other than the Chairman.
B.2 The level and makeup of remuneration			
B.2.1.	Performance related elements in pay to structure and alignment to industry practices	√	The Remuneration Committee as a whole is aware that the reward structure should be designed to attract and motivate high calibre people in a highly competitive environment.
B.2.2.	Competitiveness of levels of remuneration	√	This will be considered when designing the remuneration structure of the company.

CORPORATE GOVERNANCE

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
B.2 The level and makeup of remuneration Contd.			
B.2.3./ B.2.4.	Comparison of remuneration with other companies in the Group	√	During the Financial year, the Remuneration Committee conducted a market survey of Executive Director remuneration with a view to assessing the appropriateness of compensation with market benchmarks. Having taken into account the complexities associated with the Group, it was established that the compensation is in line with the market. Benchmarking exercises of this nature will continue to take place in the future at regular intervals.
B.2.5.	Executive share options not to be offered at a discount	√	No share options were granted during the year.
B.2.9.	Level of remuneration of Non-Executive Directors	√	Compensation of NED's determined in reference to fees paid to other NED's of comparable companies. The fees received by NEDs are determined by the Board and reviewed annually.
B3 Disclosure of Remuneration			
B.3.	Disclosure of remuneration policy	√	Please refer to the Remuneration Committee report

C. RELATIONS WITH SHAREHOLDERS

Shareholders have the opportunity at the BCL AGM, to question the Chairman and the Board of Directors in order to gain greater familiarity with the Group's business and operational workings.

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings			
C.1.1.	Counting of proxy votes.	√	As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered for each resolution.
C.1.2.	Separate resolution to be proposed for each item.	√	The Company proposes separate resolutions on each item giving shareholders the opportunity to vote on each issue separately.
C.1.3.	Heads of Board subcommittees to be available to answer queries.	√	All the Non-Executive Directors who are the heads of Board subcommittees are available to answer queries.

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
C.1.4.	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute.	√	<p>Notice of the AGM and related documents are sent to shareholders along with the Annual Report, within the specified period.</p> <p>The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.</p>
C.1.5.	Summary of procedures governing voting at General meetings to be informed.	√	Refer Notice of Meeting.
C.2 Major transactions			
C.2.1.	Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets.	√	All material and price sensitive information about the Company is promptly communicated to the Colombo Stock Exchange where the shares of the Company are listed, and released to the employees, press and shareholders.

D. ACCOUNTABILITY AND AUDIT

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
D.1. Financial reporting			
D.1.1.	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	√	<p>The Board of Directors in consultation with the Audit Committee, has taken all reasonable steps to ensure the accuracy and timeliness of published information and to present an honest and balanced assessment of results in the quarterly and annual financial statements.</p> <p>All price sensitive information has been made known to the Colombo Stock Exchange, shareholders and the press in a timely manner and in keeping with the regulations.</p>
D.1.2.	Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	√	Refer Annual Report of the Board of Directors.

CORPORATE GOVERNANCE

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
D.1. Financial reporting			
D.1.3.	Statement of Directors' responsibility	√	Refer Statement on Directors' Responsibility.
D.1.4.	Management Discussion and Analysis	√	Refer Management Discussion and Analysis.
D.1.5.	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	√	The Board of Directors, upon the recommendation of the Audit Committee, is satisfied that the Company has sufficient resources to continue in operation for the foreseeable future.
D.1.6.	Remedial action at Extraordinary General Meeting (EGM) if net assets fall below half of value of Shareholders' funds	√	In the unlikely event that the net assets of the Company fall below a half of Shareholders' funds, shareholders would be notified and an extraordinary resolution passed on the proposed way forward.
D.1.7.	Disclosure of Related party Transactions	√	Refer Notes to the Financial Statements
D.2 Internal Control			
D.2.1.	Annual review of effectiveness of the system of internal control and report to shareholders as required	√	The Board has taken the necessary steps to ensure the integrity of the Company's accounting and Financial reporting systems and internal control systems remain effective via the review and monitoring of such systems on a periodic basis
D.2.2.	Internal Audit Function	√	The internal audit function in Group companies is not outsourced to the external auditor of the Company in a further attempt to ensure external auditor independence. The Auditor's report on the Financial statements of the Company for the year under review is found in the Financial information section of the Annual Report.
D.2.3./ D.2.4.	Maintaining sound system of Internal Control	√	Refer Corporate Governance Report
D.3 Audit Committee			
D.3.1.	The Audit Committee should comprise of a minimum of two independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board.	√	The Audit Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director.

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
D.3.2.	Terms of reference, duties and responsibilities.	√	The Audit Committee has the overall responsibility for overseeing the preparation of Financial Statements in accordance with the laws and regulations of the Country and also for recommending to the Board, the adoption of best accounting policies. The Committee is also responsible for maintaining the Company's relationship with the external auditors.
D.3.3.	The Audit Committee to have written terms of reference covering the salient aspects as stipulated in the section.	√	The Audit Committee has written terms of reference outlining the Scope.
D.3.4.	Composition of the Audit Committee independence of the Auditors.	√	Refer the Audit Committee Report.
D.4	Code of Business Conduct and Ethics.	√	Business ethics at the Company ensure the business is carried out in an ethical manner.
D.5 Corporate Governance disclosures			
D.5.1.	The Directors should include a Corporate Governance Report in the Company's Annual Report.	√	Refer the Corporate Governance Section.

E. INSTITUTIONAL INVESTORS

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
E.1 Shareholder voting			
E.1.1.	A listed Company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	√	The Company has a well-developed investor relations programme to address the information needs of investment institutions and analysts regarding the Company, its strategy, performance and competitive position.
E.2 Evaluation of governance disclosures			
E.2.1.	When evaluating the Company's governance arrangements, particularly those relating to the Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	√	Institutional investors are kept informed on any changes to the Group governance structure.

CORPORATE GOVERNANCE

F. OTHER INVESTORS

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
F.1 Investing divesting decisions			
F.1.1.	Individual shareholders, investing directly in shares of Companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	√	The Company maintains an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties. Any concerns raised by a shareholder are addressed promptly and forwarded when necessary to the Company Secretary for consideration and advice.
F.2 Shareholder voting			
F.2.1.	Individual shareholders should be encouraged to participate in General Meetings of Companies and exercise their voting rights.	√	All steps are taken to facilitate the exercise of shareholder rights at AGMs, including the receipt of notice of the AGM and related documents within the specified period. Shareholders exercise their voting rights for the election of new Directors or any other issue of materiality that requires a shareholder's approval.

G. SUSTAINABILITY REPORTING

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
G.1 Sustainability Reporting			
G.1.1. - G.1.7.	Disclosure on adherence to the sustainability principles	√	Refer Sustainability Report

A U D I T C O M M I T T E E R E P O R T

ROLE OF THE COMMITTEE

The role of the Audit Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting of the Company, review and advise internal and external audit processes of the Company and advise on maintaining a sound internal control and risk management system according to the legal and regulatory requirements. The Committee also assesses the independence of the Company's External Auditors.

COMPOSITION

The Audit Committee, appointed by and responsible to the Board of Directors, comprises of two Independent Non-Executive Directors and one Non-Executive Director, with the Company Secretary functioning as its Secretary. Tissa Bandaranayake, Independent Non-Executive Director acted as the Chairman of the Audit Committee during the year under review and is also a Fellow of CA Sri Lanka and the Chartered Institute of Management Accountants of Sri Lanka. The Independent Non-Executive Director satisfies the criteria for independence as specified in the Standards on Corporate Governance for listed Companies issued by the Securities & Exchange Commission of Sri Lanka.

The members of the Audit Committee as at date are:-

- **Tissa Bandaranayake**
Chairman/Non-Executive Independent Director
- **Janaka de Silva**
Member/ Non-Executive Independent Director
- **Kalsha Amarasinghe**
Member/Non-Executive Director

The Group Chief Financial Officer attends all meetings of the Committee by invitation. The other Senior Managers, Internal and External Auditors are invited to attend meetings as and when required. The Executive Chairman also attends to meetings of the Committee on regular basis.

MEETINGS

The Audit Committee had four (04) meetings during the year under review. The minutes of the Audit Committee are circulated among the Board and are signed by the Chairman of the Board. The attendance of the members at the meetings is given on the Report on Corporate Governance.

FINANCIAL REPORTING

The Committee oversees the Company's financial reporting on behalf of the Board of Directors as part of its responsibility and reviews the Quarterly and Annual Financial Statements and recommends them to the Board for its deliberations prior to their issuance.

The Committee reviews the Financial Statements to ensure consistency of the accounting policies and their compliance with the Sri Lanka Accounting Standards.

INTERNAL AUDIT

The Internal Audit of the Company is carried out by LOLC's Enterprise Risk Management Team. The main focus of the Internal Audit is to evaluate the overall system of internal controls and governance of all business units and to advise on adequacy of internal controls, compliance with laws and regulations and established policies and procedures of the Company.

According to the periodic reviews on the internal controls and systems of the business units of the company carried out by the Internal Auditors, the reports are submitted to the Audit Committee for its review and advice. These periodic reports are discussed at length at Audit Committee meetings where the Senior Managers of the Company are invited. Once the reports are reviewed the Senior Managers are advised to follow the recommendations and corrective actions in compliance with the recommendations of the Internal Auditors.

CONTROLS & RISKS

During the year, the Committee reviewed the effectiveness of the Company's system of Internal Control. The Committee also assessed the major business and control risks and the control environment prevalent in the Company and advised the Board on action to be taken where weaknesses were observed.

A U D I T C O M M I T T E E R E P O R T

EXTERNAL AUDITORS

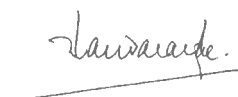
During the year under review, the Audit Committee evaluated the independence of the External Auditors and the effectiveness of the audit process. The Committee met with the External Auditors in relation to the scope of the audit and also to discuss the Management Letter at the conclusion of the audit.

The Committee reviewed the audited financial statements with the External Auditors who are responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards. The External Auditors also kept the Audit Committee advised on an on-going basis regarding any unresolved matters of significance. The Audit Committee evaluated the independence of the External Auditors and recommended to the Board of Directors that M/s. KPMG be re-appointed as Auditors for the financial year ending 31st March 2017, subject to the approval of the shareholders at the Annual General Meeting.

CONCLUSION

Considering the reports submitted by the External Auditors and the Internal Auditors of the Company and the certification provided by the Senior Management, the Committee is of the view that the financial position of the Company has been adequately monitored. The Committee has ensured that good corporate governance was practiced during the year under review in conformity with the Companies Act No

07 of 2007, Listing Rules of CSE and Code of Best practices on Corporate Governance issued jointly by SEC and CASL.



Tissa Bandaranayake
Chairman - Audit Committee

20th June 2016

REMUNERATION COMMITTEE REPORT

The Remuneration Committee which is re-constituted under the Corporate Governance rules of the Colombo Stock Exchange is responsible to the Board of Directors. It comprises of two Independent Non-Executive Directors and one Non-Executive Director while the Executive Chairman participates by invitation of its members, with the Company Secretary functioning as its Secretary.

The members of the Remuneration Committee are:

- **Kalsha Amarasinghe**
Chairman/Non-Executive Director
- **Tissa Bandaranayake**
Member/Independent Non - Executive Director
- **Janaka De Silva**
Member/Independent Non-Executive Director

THE ROLE OF THE COMMITTEE

The Remuneration Committee is established for the purpose of recommending the remuneration policies to the Board of Directors with regard to the remuneration of the Executive Directors.

The Committee also recommends the remuneration of the members of senior management based on the performance evaluations carried out by the Head of each division, in consultation of the Head of HR, in order to ensure that remuneration arrangements of the Company support the

strategic aims of the business and enable the recruitment, motivation and retention of senior management, while complying with the requirements of regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the employees of the Company.

The main responsibilities of the Remuneration Committee are:

- To recommend the remuneration payable to the Directors and members of the senior management
- To recommend the policy governing annual increments to staff
- To recommend the policy governing annual ex-gratia payments to staff
- Draft the remuneration policy and presents to the Board for approval and adoption.

COMMITTEE MEETINGS

The Remuneration Committee meets as and when required and interact with Board members to keep them informed of the decisions of the committee.



Kalsha Amarasinghe
Chairman, Remuneration Committee

20th June 2016

THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Committee was constituted on 21st December 2015. It comprises of a combination of Non-Executive Directors, Executive Director (Chairman) and Independent Non-Executive Directors. One Independent Non-Executive Director was appointed as Chairman of the Committee.

The members are;

- **Tissa Bandaranayake**
Chairman /Independent Non-Executive Director
- **Janaka De Silva**
Member/Independent Non-Executive Director
- **Kalsha Amarasinghe**
Member /Non-Executive Director
- **Kapila Jayawardena**
Member/Non-Executive Director
- **Ishara Nanayakkara**
Member/Executive Director

The Group Chief Finance Officer attends meetings by invitation and the Company Secretary serves as the Secretary to the Committee.

ROLE OF THE COMMITTEE

The role of the Committee is to review in advance all proposed Related Party Transactions (other than those exempted by the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka) of the Company as per the terms given in the Listing Rules.

The Committee ensures that the interests of shareholders as a whole are taken into account by the Company when entering into Related Party Transactions, so that it provides certain safeguards to prevent Directors, Chief Executives or Substantial Shareholders taking advantage of their positions.

The role of the Committee further includes;

- Formulating and recommending a policy for adoption on related party transactions for the Company which is consistent with the Operating Model of the Company and the Listing Rules.
- Reviewing in advance all proposed Related Party Transactions of the Company except those explicitly exempted (if the transaction is expressed to be conditional on such review, prior to the completion of the transaction to be reviewed)
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- To establish separate guidelines to follow Recurrent Related Party Transactions of the Company
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.

- If there is any potential conflict in any Related Party Transaction, the Committee recommends the creation of a special committee to review and approve the proposed Related Party Transaction.
- Ensure that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

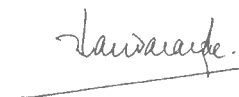
The Committee in discharging its function ensures:

- that there is compliance with the Listing Rules of CSE;
- that shareholder interests are protected; and
- that fairness and transparency are maintained.

The Committee has drafted a policy to be adopted by the Committee for reviewing the Related Party Transactions.

COMMITTEE MEETINGS

The Committee has decided to meet at least quarterly and as and when necessity arises. The minutes of all meetings will be properly documented and communicated to the Board of Directors.



Tissa Bandaranayake
Chairman- Related Party Transactions Review Committee

20th June 2016

B U S I N E S S O P E R A T I O N S C O M M I T T E E R E P O R T

The committee presently comprises of the Executive Chairman and two Non-Executive Directors namely,

- **Ishara Nanayakkara**
Executive Chairman
- **Kalsha Amarasinghe**
Non- Executive Director
- **Kapila Jayawardena**
Non- Executive Director

Shanker Somasunderam who was a member to the Committee resigned from the Board on 04th December 2015.

The primary responsibility of this Committee is to look at strategic directives and investments for the Group, prior to being ratified by the Board, so as to have a better representation in this process and to expedite decisions.

The Committee meets at regular intervals depending on need and urgency.

The Browns Group is in the process of expanding, which includes not only investments into the existing manufacturing and trading operations but also in areas that are strategic and would complement the core growth strategies of the organization. The committee also evaluates the pros and cons of such substantial investments and the

related opportunity costs of funds, to have a better balance between the growth strategies and stakeholder requirements. In such evaluations the committee endeavours to strike a balance between the short, medium and long-term investments in order to post continuous and harmonious growth without interruption.



Ishara Nanayakkara
Executive Chairman

20th June 2016

R I S K M A N A G E M E N T R E P O R T

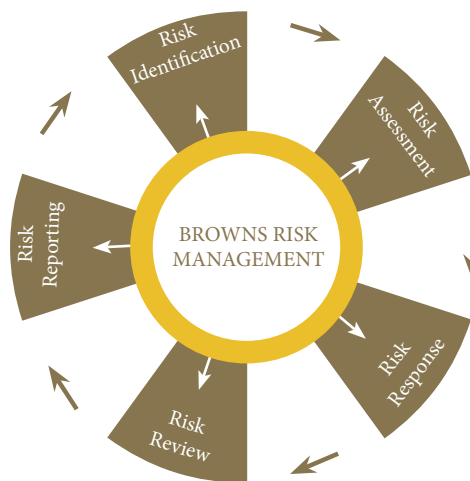
The Enterprise Risk Management function of Brown and Company PLC plays a significant role in managing the Group Risk framework and uses a formal, structured approach to identify, monitor and manage risks. Meanwhile, a transparent reporting process, which functions as an effective decision making tool, helps to prioritise the necessary actions.

Based on the results of these reports, risks are then ranked as high, medium or low, based on probability of occurrence, risk impact and effectiveness of existing controls. Risks ranked as “high” are deemed to require urgent management attention and are immediately passed onto to relevant business unit/segment/department owners for immediate action.

In general, risk response and mitigation activities are influenced mainly by the Group’s risk appetite, and are based on the risk- return trade-off and the availability of resources.

A dedicated internal audit team is tasked with reviewing the effectiveness of the Group’s internal control system and conducts regular monthly and quarterly audits to detect deviations from established controls and risk parameters.

As per the Group’s Risk Governance Framework, the Enterprise Risk Management function reports to the Chairman of the Board of Directors via the Audit Committee. This demonstrates the responsibility of the Board of Management and ensures independence from operational management, while endorsing a strong risk management culture within the organisation.



IT RISK MANAGEMENT

Dependence on Information Technology can present significant risks, which if not addressed systematically, may have a negative impact on the business strategy and in turn achievement of Group objectives.

Testing and assessing technology controls, providing assurance on automated controls, and reviewing risks of confidentiality, integrity and availability of information regarding assets and processes, are carried out routinely by the internal IT audit team. Further, the group also obtains services of reputed, independent professional auditing firms to independently review internal controls, and IT systems, to supplement the work carried out by the internal audit.

1.0 Strategic Risk

Strategic risk arises as a result of ineffective strategies that do not reflect changing market dynamics.

To mitigate strategic risk as much as possible, the Group continues to align its corporate strategy based on the market advancements and technological

improvements, in order to remain competitive and attract customers. In addition, the Group uses market research and business intelligence techniques to develop new strategies in response to market demands.

2.0 Compliance Risk

Compliance risk is the risk that the Government, through its regulatory actions will impose additional cost or cause the Group to change business models or practices. Currently, this includes risks related to financial reporting, environmental health and safety and intellectual property.

There exists also the unforeseen risk of new rules and regulations, which can be set by the Government in the future.

The Company is responsible for ensuring compliance with all necessary regulations, including, but not limited to the following;

1. Companies Act No 7 of 2007
2. Code of Best Practice of Corporate Governance issued jointly by CA Sri Lanka and the Securities Exchange Commission of Sri Lanka
3. Listing rules of the Colombo stock Exchange
4. Inland revenue act No 10 of 2006 and subsequent amendments
5. Consumer Protection Act
6. Exchange Control Act
7. Customs Ordinance

3.0 Operational Risk

Operational risk refers to unexpected failures that may occur within the course of day-to-day operations of the Group. This can be due to technological failures, stock out situations, manufacturing delays, procurement delays etc.

The Group has established sound internal control systems to prevent such operational malfunctions and continuously monitors these procedures to ensure accountability and transparency in all its operations.

4.0 Financial Risk

Financial Risk as the term suggests, is the risk of financial loss, generally the result of instability and losses in the financial market caused by movements in stock prices, currencies, interest rates and more.

Being a high-priority area for the Group, Financial risk is strictly monitored, with adequate controls and risk mitigation strategies in place to prevent potential risks.

4.1 Market Risk

This type of risk arises due to movement in prices of financial instruments. Market risk can be classified as Directional Risk and Non - Directional Risk. Directional risk is caused due to movement in stock price, interest rates and more. Non- Directional risk on the other hand can be volatility risks.

In order to mitigate these risks, the Group continuously monitors and evaluates market forces and implements adequate controls.

4.2 Credit Risk

This type of risk arises when one fails to fulfill their obligations towards their counter parties. Credit risk can be classified into Sovereign Risk and Settlement Risk. Sovereign risk usually arises due to difficult foreign exchange policies. Settlement risk on the other hand arises when one party makes the payment while the other party fails to fulfill the obligations.

Due to the nature of operations and economic conditions, the Group has provided its customers with fair credit periods to facilitate a smooth flow in operations. Further, proper credit control

policies, which evaluates customers periodically, structured approval levels, recovery procedures, obtaining adequate security via bank guarantees and debt collection policies ensures that the Group selects and maintains only reliable distributors/customers who are able to honour their debts.

4.3 Liquidity Risk

This type of risk arises out of inability to execute transactions. Liquidity risk can be classified into Asset Liquidity Risk and Funding Liquidity Risk. Asset Liquidity risk arises either due to insufficient buyers or insufficient sellers against sell orders and buy orders respectively.

Due to the diverse nature of the businesses that the Group operates in, it is imperative that working capital cycles are properly maintained to ensure that operations are not compromised due to the lack of adequate working capital. Therefore, the Group implements effective credit control policies to ensure collection from debtors, maintain proper inventory levels and the obligations to its creditors are met on time.

4.4 Interest Rate Risk

This risk may arise due to potential losses as a result of adverse movement of interest rates. The Rupee interest rates saw an upward movement in the latter half of the current financial year as a result of the Central Bank's revision of Statutory Reserve Ratios and policy rates. However, this did not have a material impact on the Group since the Rupee share of debt declined in the previous year.

By having a centralised treasury management system and appropriate financial risk management techniques, the Group has been able to mitigate losses arising through interest rate fluctuations.

4.5 Exchange Rate Risk

The Central Bank's adoption of a flexible exchange rate policy amidst growing reserve and balance of payment concerns gave way to volatility in the USD/LKR exchange rate in the latter half of the financial year.

Given the heavy dependence on imports the Group remains exposed to foreign exchange rate fluctuations. Accordingly, regular review of rates vis-à-vis its impact on pricing help minimise the adverse effects of its foreign exchange exposure.

5.0 Competitor and Marketplace Risk

Competitor and Marketplace risk arises as a result of an increase in the number of direct competitors vying for market share. Further, variations in consumer spending patterns and effects of the weather conditions for certain business segments is another significant Marketplace Risk that the Group faces.


To a gain a competitive edge and mitigate Marketplace risk, the Group continues to make necessary adjustments to its product portfolio and service offerings together with value additions, all of which are maintaining the position as the customer's first preference.



6.0 Human Resource Risk

Human Resource Risk arises due to failure to attract skilled employees, and or failing to develop and retain existing employees.

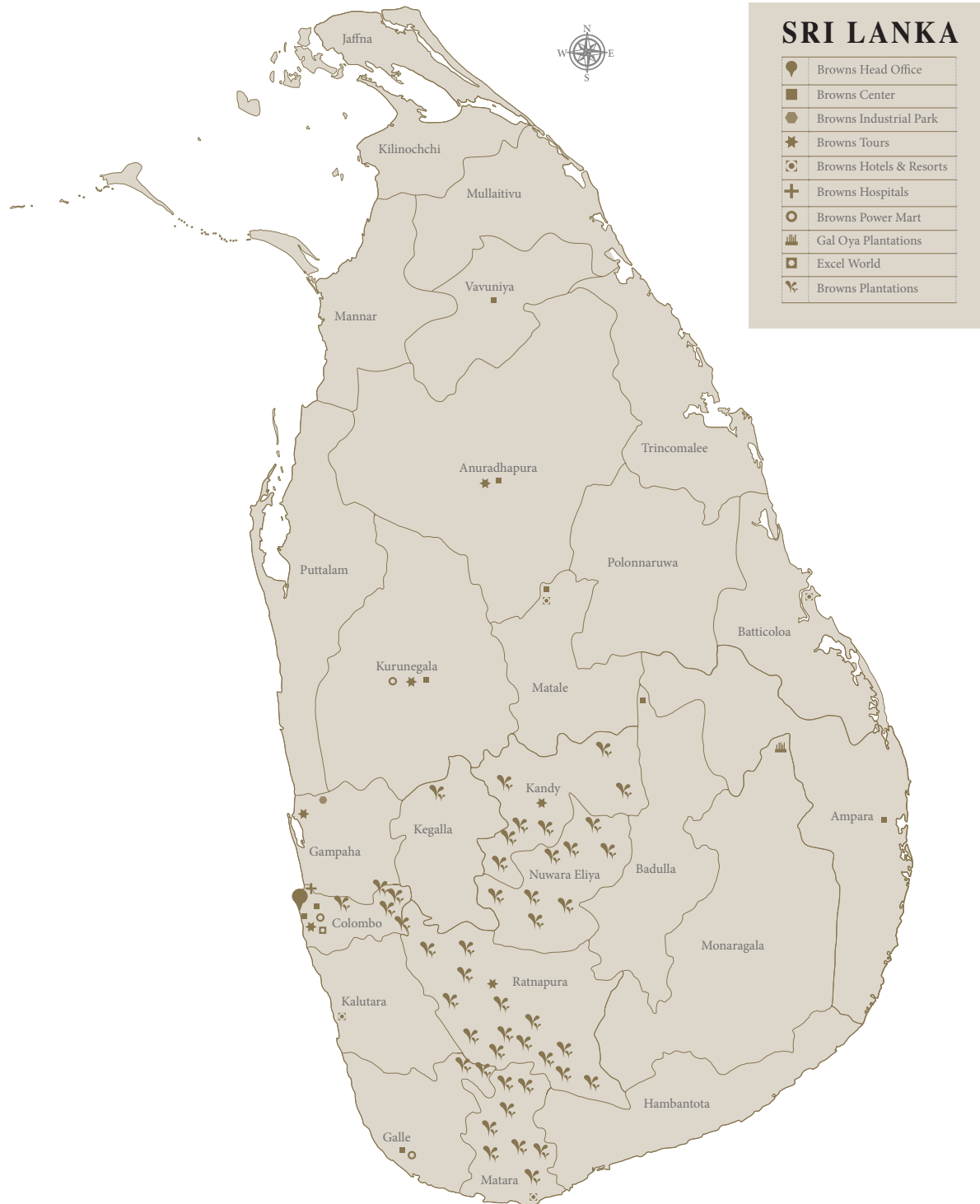
The Group HR department remains fully committed to retain its key members of the group. Well-structured processes are in place to identify critical employees, while retention strategies are formulated in cognizance with medium term business objectives and long term corporate goals.

B R A N D S R E P O R T

Brand	Description	No. of years dealing with the supplier	No. of years the brand is existing globally
EXIDE	Exide Technologies is an American manufacturer of lead-acid batteries, including automotive batteries and industrial batteries. Its four global business groups provide stored electrical energy products and services.	90	136
 MASSEY FERGUSON	Massey Ferguson Limited is an American-owned major manufacturer of agricultural equipment until recently based in Brantford, Ontario, Canada.	63	169
Makita	Makita Corporation is a manufacturer of power tools. Founded on March 21, 1915, it is based in Anjō, Japan, and operates factories in Brazil, Canada, China, Japan, Mexico, Romania, the United Kingdom, Germany and the United States.	30	101
TAILIN®	TAILIN Group designs, manufactures, and distributes a wide range of resin-bonded abrasive products such as cut-off and grinding discs, coated abrasives, flap disc, mounted points, and conventional grinding wheels.	30	46
SHARP	Sharp Corporation is a Japanese multinational corporation that designs and manufactures electronic products, headquartered in Abeno-ku, Osaka.	30	104

Brand	Description	No. of years dealing with the supplier	No. of years the brand is existing globally
	<p>FG Wilson offers reliable, fuel-efficient diesel and gas generator sets manufactured to the highest standards.</p>	20	50
	<p>Tractors and Farm Equipment Limited (TAFE), is an Indian tractor major incorporated in 1960 in Chennai. It is the third-largest tractor manufacturer in the world.</p>	13	56
	<p>Firman delivers over 150 million watts annually worldwide. Whether it is powering villages and businesses in Africa, providing portable power in Saudi Arabia, or in Europe, from a single family home to camping or tailgating at a game, we strive to deliver the most power when and where it's needed most.</p>	10	15

REACHING YOU



BROWNS HEAD OFFICE

- No. 34, Sir Mohamed Macan Markar Mawatha, Colombo 03.

BROWNS CENTER

- No. 481, T.B. Jayah Mawatha, Colombo 10.
- No. 758, Ampara Road, Dambulla.
- Browns Junction, Kalmunai Road, Ampara.
- S1, New Town, Girandurukotte.
- No.561/6, Maithripala Senanayaka Mawatha, Anuradhapura.
- No.119, Kandy Road Vavuniya.
- No.170, Main Street, Galle.
- No.59, Main Street Pettah
- No.163, Puttalam Road, Kurunegala.

BROWNS INDUSTRIAL PARK

- Makadura, Gonawila

BROWNS TOURS

- No. 481, T.B. Jayah Mawatha, Colombo 10.
- No. 116/B, St Joseph Street, Negombo.
- C/O Lanka Orix Leasing Company (LOLC), No 22, Mihindu Mawatha, Kurunagala.
- C/O Lanka Orix Leasing Company (LOLC), 240 A, Colombo Road, Ratnapura.
- C/O Browns Regional Center, No. 561/6, Maithripala Senanayaka Mawatha, Anuradhapura.
- C/O Lanka Orix Leasing Company (LOLC), 245, Katugastota Road, Kandy.

BROWNS HOTELS & RESORTS

- **The Eden Resort & Spa**
Kaluwanmodara, Beruwela.
- **The Paradise Resort & Spa**
Kubukkadanwala, Dambulla,
- **The Calm Resort & Spa**
Coconut Cultivation Board Road, Pasikuda.
- **Dickwella Resort & Spa**
Batheegama, Dickwella.

BROWNS HOSPITALS

- No 43, Mahabage Road, Ragama.

BROWNS POWER MART

- No 107B, Havelock Road, Colombo 05.
- No. 155, Puttalam Road, Kurunegala.
- No. 72/1, Colombo Road, Kaluwella, Galle.

GAL OYA PLANTATIONS

- Gal Oya Plantations, Hingurana.

EXCEL WORLD**ENTERTAINMENT PARK**

- No. 338, T.B. Jayah Mawatha, Colombo 10.

BROWNS PLANTATIONS**Maturata**

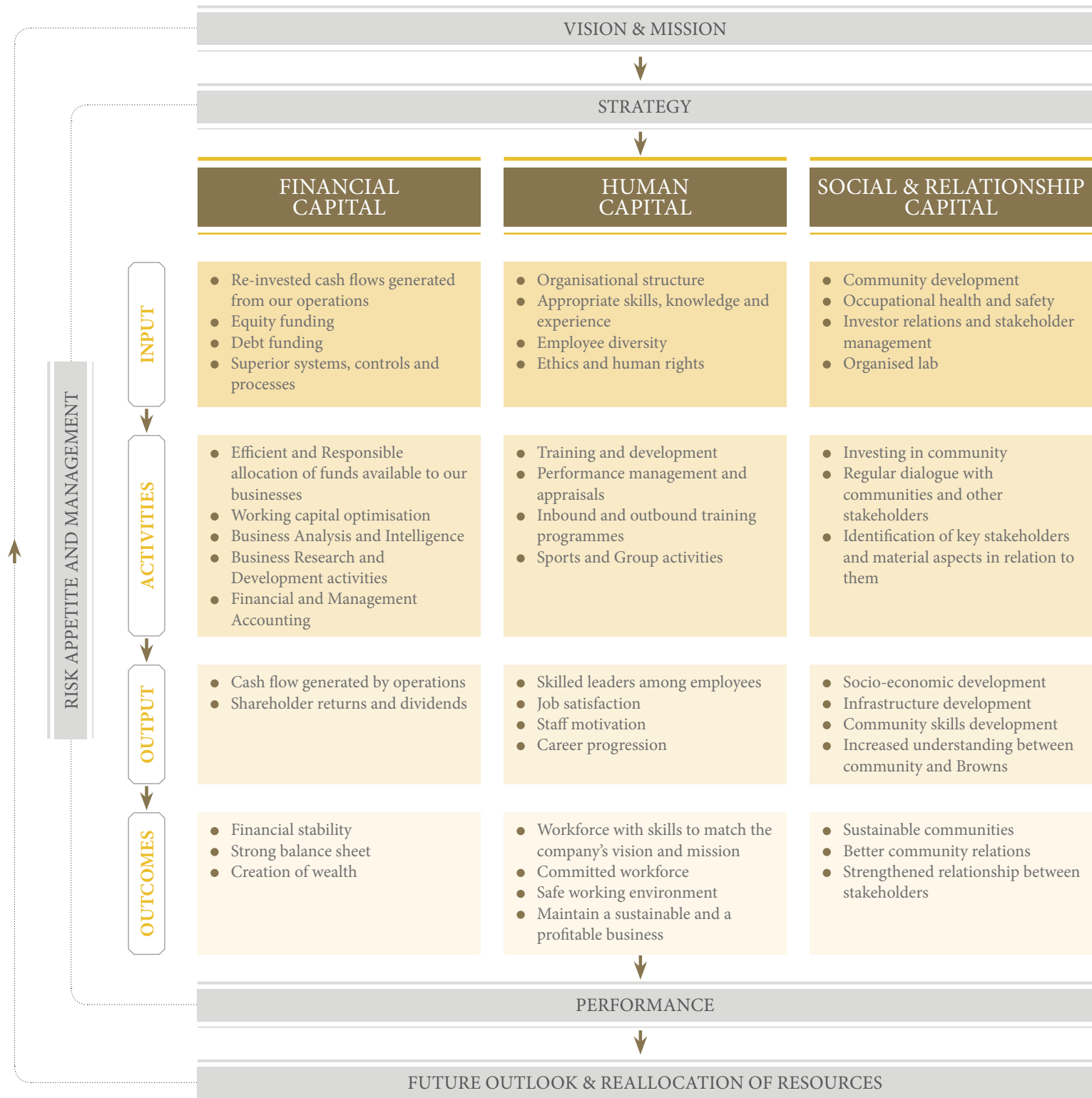
- Alma, Kandapola, Nuwaraeliya
- Bramley, Kandapola, Nuwaraeliya
- Gonapitiya, Kandapola, Nuwaraeliya
- High Forest, Kandapola, Nuwaraeliya
- Kabargalla, Padiyapelella, Nuwaraeliya

- Liddesdale, Halgranoya, Nuwaraeliya
- Mahacoodagalla, Halgranoya, Nuwaraeliya
- Maha Uva, Harasbedda, Nuwaraeliya
- Maturata, Kandapola, Nuwaraeliya
- Ragalla, Halgranoya, Nuwaraeliya
- St.Leonards, Halgranoya, Nuwaraeliya
- Andapana, Kamburupitiya, Matara
- Anningkanda, Deniyaya, Matara
- Beverley, Deniyaya, Matara
- Diddenipotha, Mulatiyana Inc., Matara
- Enselwatte, Deniyaya, Matara
- Hayes, Ullinduwwa, Ratnapura
- Lankaberiya, Ittakanda, Ratnapura
- Wilpita, Akuressa, Matara

Pussellewa

- Mooloya, Hewaheta, Kandy
- Hellbodde, Katukitula, Nuwera Eliya
- Beaumont, Pupuressa, Nuwera Eliya
- Delta, Pupuressa, Nuwera Eliya
- Geragama, Pilimatalawa, Kandy
- Kaloogalla, Pussellawa, Nuwera Eliya
- Melfort, Pussellawa, Nuwera Eliya
- Rothschild, Pussellawa, Nuwera Eliya
- Sogama, Pussellawa, Nuwera Eliya
- Stellenberg, Pupuressa, Nuwera Eliya
- Sanquhar, Paradeka, Nuwera Eliya
- Hemingford, Parakaduwa, Kegalle
- Keragala, Kuruwita, Rathnapura
- Pambegama, Parakaduwa, Rathnapura/Kegalle
- Siriniwasa, Waga, Colombo
- Ayr, Padukka, Colombo
- Durampitiya, Getahetta, Rathnapura
- Eheliyagoda, Eheliyagoda, Rathnapura
- Elston, Puwakpitiya, Colombo
- Halpe, Tummodara, Colombo
- Penrith, Avissawella, Colombo
- Pussella, Parakaduwa, Rathnapura
- Salawa, Hanwella, Colombo

VALUE CREATION MODEL





S T A K E H O L D E R E N G A G E M E N T

Stakeholder	Engagement Method	Frequency	Concern	Response
Investors	One-to-one meetings	As necessary	<ul style="list-style-type: none"> ● Growth in profits, dividends ● Adaptability of the product base to face and competition 	<ul style="list-style-type: none"> ● Browns commits to fulfil shareholder concerns with a focused business strategy. ● Introduced new products in order to cater to the whole market.
	Shareholder Meetings / AGM	Annually		
	Annual Report	Annually		
	Quarterly Financial Statements	Quarterly		
	Announcements to CSE	Ad-hoc as necessary		
	Extra-ordinary General Meetings	Ad-hoc as necessary		
	Browns Web site	Online		
	CSE Web site	Online		
	Press releases and articles	At least one release per month		
Customers	One-to-one meetings	As necessary	<ul style="list-style-type: none"> ● Product availability ● After sales service and customer satisfaction ● Quality of products 	<ul style="list-style-type: none"> ● Browns provides the products through its extended island-wide dealer network and showrooms. ● Browns assures all the customers the best customer service and has improved technology. ● All the products are backed by the Browns warranty and the quality of the product is assured.
	Direct customer feedback to any of the Browns outlets	On a regular basis		
	Service campaigns	At least once a quarter		
	Field visits / Sales visits	On a regular basis		
	Town Storming	At least once a quarter		
	Customer suggestions via suggestion boxes and follow up	On a regular basis		
	Telephone discussions and emails	On a regular basis		
	Browns web site	Online		
	Batt-Mobile Service	On a regular basis		
Business Partners / Suppliers	One-to-one meetings	As necessary	<ul style="list-style-type: none"> ● Long term contracts for purchases ● On time payments 	<ul style="list-style-type: none"> ● Browns, with many years of trust, maintains a solid relationship with its suppliers. ● Browns makes the payments on time in order to maintain the relationship.
	Periodic visits by either party	As necessary		
	Routine telephone discussions	On a regular basis		
	Telephone discussions and emails	On a regular basis		
	Browns web site	Online		

Stakeholder	Engagement Method	Frequency	Concern	Response
Employees	One-to-one meetings	As necessary	<ul style="list-style-type: none"> ● Increased salaries and wages ● Job satisfaction and motivation ● Training and continuous development 	<ul style="list-style-type: none"> ● Based on the two performance appraisals, Browns offers its employees the required level of salaries in order to be on par or higher with market levels. ● The company has arranged many outbound trainings to create team work and to build confidence among employees, which in turn has created job satisfaction along with the best working environment. ● In-house training and bringing industry specialists to provide adequate training and development to employees.
	Monthly divisional meetings	Once a month		
	Company's open door policy encourages direct employee-management dialogue	On a regular basis		
	Employee suggestions via suggestion boxes and follow up	On a regular basis		
	Browns API internal magazine and articles	Once a quarter		
	Corporate communication via emails, circulars, memos	On a regular basis		
	Performance appraisal and individual review meetings	Bi-annually		
	Employee reward and recognition	Bi-annually		
	Outbound training	At least once a quarter		
	In-house or outsourced training and development	At least once a month		
	Company social events such as Sports day, get-togethers, celebrations and religious activities	Sports day – Annual Pirith – Annual Other events – Ad-hoc		
Society <ul style="list-style-type: none"> ● Regulators ● Society / Environmental groups ● Government 	One-to-one meetings	As necessary	<ul style="list-style-type: none"> ● Compliance of rules and regulations including tax payments ● Creation of job opportunities ● Minimising threats to the environment 	<ul style="list-style-type: none"> ● Browns complies with all applicable rules and regulations while conducting its operations. ● Browns Group is constantly creating many job opportunities in different industries and is expecting to recruit further in the future. ● Browns has been taking precautions to minimise the environmental impact in all its daily operations.
	Dialogue with religious dignitaries	On a regular basis		
	Communicating with society with press releases and media	As necessary		
	Public events and sponsorships	Foxhill Motor Cross – Annual		
	Branch and dealer network	Other events - Ad-hoc		
	Browns web site	As necessary		
		Online		

I N T E G R A T E D M A N A G E M E N T D I S C U S S I O N
& A N A L Y S I S

P R O G R E S S I V E , R E S I L I E N T
A N D I N N O V A T I V E



As a progressive business, innovation lies at the heart of our corporate strategy and as we strive to engage more and more customers, our goal is to provide high quality, innovative products and services that will help position Browns as the one and only “go to” brand in the market. At the same time, we will continue to work towards building

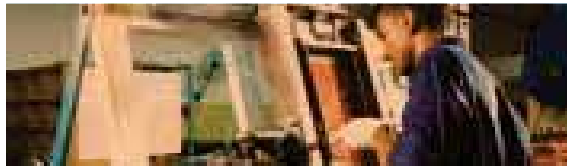
a more resilient business that will ensure continuity and safeguard our 140-year-old legacy.

In doing so, we remain committed to conducting our business with purpose and prudence using sound and proven business methods for benefit of all stakeholders.



TRADING

- ◆ Agriculture
- ◆ Pharmaceuticals
- ◆ Plantation Support Services
- ◆ Battery
- ◆ General Trading
- ◆ Boiler
- ◆ Generators
- ◆ Home & Office Solutions
- ◆ Heavy Machinery



MANUFACTURING

- ◆ Browns Thermal Engineering
- ◆ Ajax Engineering
- ◆ Agstar Fertilizers



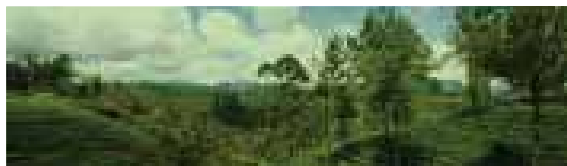
HEALTHCARE

- ◆ Browns Hospitals



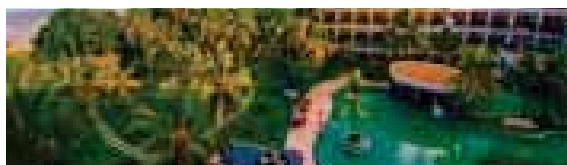
INVESTMENTS

- ◆ Browns Investments



PLANTATIONS & RENEWABLE ENERGY

- ◆ Browns Plantations
- ◆ Melfort Green Tea Estates
- ◆ Gal Oya Plantations
- ◆ Browns Hydro Power



TRAVEL & LEISURE

- ◆ Browns Hotels & Resorts
- ◆ BG Air Services
- ◆ Ceylon Roots & Browns Tours
- ◆ Excel World



REAL ESTATE

- ◆ Browns Industrial Park
- ◆ Browns Properties

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - AGRICULTURE



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO GROUP REVENUE

4.6

RS. BN

CONTRIBUTION TO GROUP GROSS PROFIT

598

RS. MN

NUMBER OF YEARS IN OPERATION

63

YEARS

“Supported by the strong acceptance of these key brands, the company maintained its leadership position in the tractor market, with an over 57% market share as at 31st March 2016, compared to 46% in the previous year.”



Farmers enjoying a prestigious TAFE Tractor

REVIEW OF OPERATIONS

It is a well-known fact that agriculture has been the mainstay of Sri Lanka's economy for centuries and even today, despite the rapid growth in industry and services, the country's economy is heavily dependent on agriculture. The sector continues to evolve and recent trends indicate a move towards greater mechanisation, as farming practices ease away from the dependence on manual labour.

It was this environment that underpinned the key strategic thrust for Browns Agriculture, during the year under review. In addition to being the sole agent in Sri Lanka for the world-renowned “Massey Ferguson” brand of tractors, during 2015/16, Browns Agriculture widened its portfolio and now represents a host of other popular brands including “TAFE” low-horse power tractors from India. Manufactured using technology similar to that of the premium “Massey Ferguson” brand, “TAFE” tractors have, within a short space of time, become the preferred choice in Sri Lanka's agriculture sector. Given the healthy results shown by the “TAFE” brand in Sri Lanka, Browns Agriculture was recognised by TAFE India and awarded the Chairman trophy for the “Sustained and Committed Business Performance”. The division also bagged the Best Sales Performance award, New Product, Eco system & Performance trophy, Long Association award and Service

excellence trophy (1st runners up) at the TAFE International business conference held in 19th April 2016, beating competitors from 75 countries to which TAFE products are exported.

Supported by the strong acceptance of these key brands, the company maintained its leadership position in the tractor market, with an over 57% market share as at 31st March 2016, compared to 46% in the previous year.

Efforts to further strengthen the tractor market and highlight the versatility of the tractor itself, the company introduced a range of tractor-based complementary agricultural tools, including mini tillers for coconut plantations and upcountry plantations, rice trans-planters, ridge forming machines and bailers and the “Bull” front loader, among others.

The most significant development however, was the company's re-entry to the Combine Harvester market, after a lapse of five years, a segment that had previously been discontinued due to the lack of market potential. Re-entry into this market was based on the emerging demand for more efficient and cost effective agricultural solutions. To test the market, the company launched the low-capacity “Browns Crop Master” in 2015, followed by the Massey Ferguson Combine Harvester in June 2015,

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - AGRICULTURE CONTD.

“Browns Agriculture tied up with Fieldking and Shaktiman Machinery of India, to become the sole distributor in Sri Lanka for Fieldking branded Tine Tillers, Disk Ploughs, Mould Board Plough etc. and for Browns - Shaktiman Rotavators.”



TAFE tractor at a coconut estate

and then tied up with Yanmar Co. Ltd in Japan, to bring in the “Yanmar” brand, in response to the growing demand for high capacity Combine Harvesters. Given the positive results generated across all three categories, the re-entry into the Combine Harvester market was seen as a timely move that is likely to deliver sustainable results in the coming years as well.

Being the core business of Browns Agriculture, securing the tractor market in this manner remained a key priority.

Accordingly, four new tractor models were introduced in the current financial year. Meanwhile the company also took steps to further expand the portfolio and introduce new revenue streams in order to boost and stabilise returns, while reducing the dependency on the highly seasonal income from tractors.

The key strategic thrust in this regard was to promote agriculture implements, which was found to be a large underserved market in Sri Lanka. Following this decision,

Browns Agriculture tied up with Fieldking and Shaktiman Machinery of India, to become the sole distributor in Sri Lanka for Fieldking branded Tine Tillers, Disk Ploughs, Mould Board Plough etc. and for Browns - Shaktiman Rotavators. While all these products were well received in the local agriculture sector, the “Browns - Shaktiman Rotavator” proved immensely popular among many farmers, which helped the company secure over a 55% market share in the implement market within the first 18 months since the launch of these products.

Meanwhile, to widen the island-wide reach, the division took steps to reinforce the dealer network, by increasing the number of exclusive dealers to 62%. As at 31st March 2016, the company’s island-wide network consisted of 63 exclusive dealers and 38 non-exclusive dealers. The scope of activities carried out by exclusive dealers was also expanded during the year, encouraging them to promote package deals for the sale of tractors, equipment and implements. The move proved successful, delivering good results for the year. Meanwhile, the performance of dealers as well as the sales force was strictly monitored and high-performers for the year were incentivised accordingly.

From a marketing perspective, it was felt that strengthening the “Browns” brand value, as a leading agricultural brand would be crucial, particularly given the number of imported brands now under the Brown Agriculture portfolio. Being a well-established brand in existence for the past 90 years, the key brand strategy for the year



Browns Tractors on the field

revolved around promoting Browns as the “first choice” in the agriculture equipment market. Cognizant to this goal, the company leveraged on its partnerships with major global brands; Massey Ferguson, TAFE and Yanmar to reposition the “Browns” brand as a dynamic and innovative proposition geared to facilitate the needs of Sri Lanka’s fast-developing agriculture sector. A highly focused above-the-line promotional campaign was also carried out to create awareness regarding new products and build brand value across a broader customer segment vis-à-vis a range of seasonal offers.

With the development of the product portfolio, providing after-sales services became another vital part of the business. Accordingly, during the year, the company made substantial investments in training and development of the service team and providing the necessary support infrastructure.

FUTURE PLANS

Moving forward, the main focus for the next financial year would be to develop the after-sales service for tractors, harvesters and the other machinery. At the same time the company hopes to strengthen market share in existing segments, while further product diversifications would be considered in order to reposition Browns Agriculture as the leading supplier not only in the Rice sector but also the Sugar Cane industry and other highland crops.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - BATTERY & GENERATORS



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

3.6

RS. BN

CONTRIBUTION TO
GROUP GROSS PROFIT

879

RS. MN

NUMBER OF YEARS
IN OPERATION

90

YEARS

“EXIDE, Lucas and Dagenite brands hold more than 55% of the market share for automotive batteries in Sri Lanka.”



Enhanced BattMobile service ready to serve you

BATTERY REVIEW OF OPERATIONS

The portfolio of the Browns battery division consists of EXIDE, Lucas and Dagenite automotive batteries, which have been manufactured locally for the past fifty six years, by Associated Battery Manufacturers (Ceylon) Limited (ABM). For the past year, ABM has also been the exclusive OEM

(Original Equipment Manufacturer) in Sri Lanka for EXIDE batteries used in Bajaj three-wheelers.

EXIDE is marketed as the mass brand, while Lucas and Dagenite are positioned as mass-premium and Entry-level brands respectively. Distributed island-wide through Browns outlets and the

800+Browns-appointed dealer network, EXIDE, Lucas and Dagenite brands hold more than 55% of the market share for automotive batteries in Sri Lanka.

While global trends in the automotive industry have impacted the battery business over the years, more recent changes have led to some new business developments for the Browns Battery Division, especially in the current financial year. The most significant being the customer trend towards “Maintenance-free” (MF) batteries with extended warranty options, which prompted a substantial investment to completely restructure the manufacturing plant and introduce MF production technology for the entire EXIDE, Lucas and Dagenite range, signalling the end of the conventional Dry-charge battery model. Complementing the move towards MF batteries, the dealer network was strengthened to create greater visibility regarding the new product. Further, the delivery mechanism was also streamlined in order to minimise delays that may occur in the delivery process.

The changeover to MF technology proved to be a timely investment that registered positive results during the year under review.

Further efforts to widen revenue streams led to the import of AOTELI branded tires from China, primarily for passenger cars and vans. The brand was well received by the target market and shows promising growth prospects for the future.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - BATTERY & GENERATORS CONTD.



A technician replacing a car battery with a maintenance free fully loaded EXIDE battery.

Coupled with the steps taken to broadbase the product range, the BattMobile concept offered to existing customers was also enhanced, with the island-wide reach being widened in the current financial year.

FUTURE PLANS

With the EXIDE, Lucas and Dagenite brands entering a new growth phase under the MF model, the medium term prospects look strong. However, for the long term, it is important to consider further widening the product range in order to tap into new market segments, particularly the two-wheeler battery market and the Radial Tire market. At the same time, a competitive pricing structure and quality improvements are seen as critical to grow market share in the EXIDE range. ABM has recently invested money to establish a fully sealed motorcycle battery plant in Sri Lanka to cater to the rising Motorcycle battery demand.

Although the main focus thus far has been on developing the automotive battery range, in the coming years the Browns Battery



A FG Wilson Generator on display

Division will also look to strategically expand the industrial battery line that caters to the telecommunication and power generation industries.

GENERATORS REVIEW OF OPERATIONS

A trusted name for all power-based solutions, the Browns Power Systems Division has, for the past 20 years, been an authorised agent for FG Wilson generators, which is positioned among the top-three generator brands in the world.

For the Browns Power Systems Division, the traditional target market for the FG Wilson generators has been the large commercial institutions and manufacturing plants. Moreover, in recent years, the increase in the number of construction projects has opened out a host of opportunities to

service this market segment. However, the slowdown in the construction activities in 2015, affected sales volumes for the premium range during the twelve months ending 31st March 2016.

To overcome these challenges, the division then began looking into the possibility of promoting a more energy efficient range that would appeal to a more cost-conscious customer segment. Stemming from this decision, the company launched the latest “F-model” range of silent generators in the current financial year. This new range is known for being reliable and fuel-efficient and is a more affordable option that targets mainly the Projects and B2B markets. The new range was well received by the market and shows strong growth potential for the future.

“A trusted name for all power-based solutions, the Browns Power Systems Division has, for the past 20 years, been an authorised agent for FG Wilson generators, which is positioned among the top-three generator brands in the world.”



*Fully operational FG Wilson
Generator at site*

Meanwhile, to support the extended product range, the Power Systems division continued with efforts to improve customer service standards, with a special emphasis on service enhancements.

FUTURE PLANS

The main focus for the future would be to widen the customer segments. This would mean continuously realigning the

product range in tandem with global trends accompanied by an unmatched service that would enhance the value proposition offered to the customer in the long term.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - PHARMACEUTICALS



OUR BRANDS

EUKANUBA



ZAGRO



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

705

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

200

RS. MN

NUMBER OF YEARS
IN OPERATION

26

YEARS

“The division also took the bold step to venture into the human pharma sphere in the current financial year.”



Vaccines for poultry and dairy industries

REVIEW OF OPERATIONS

Having entered the pharmaceutical business in 1990 with the launch of a vitamin range for pets, Browns Pharmaceuticals has since then grown its portfolio, which now encompasses not only pet products, but also a wide range of vaccines, vitamins, antibiotics and other supportive medicine for the dairy, poultry and the fish industries.

As the market leader in Veterinary Pharmaceuticals in key segments, the main focus for 2015 was to consolidate the leadership position in poultry and dairy sector especially in the biological and premixes segment. A series of new products were introduced during the year, targeting the poultry sector: Di Calcium phosphate in powder form imported from Malaysia, Lysine poultry feed materials from China, Agro top poultry houses from Israel and a number of new poultry vaccines imported from Holland, while a premix cattle feed,

imported from Singapore was introduced for the dairy sector.

Meanwhile, in order to grow market share and to enhance the brand awareness of new products, a series of below-the-line activities were carried out. These were aimed at forming strategic partnerships with key customers in the poultry and dairy sectors and providing them with a total end-to-end solution for their needs, in addition to the supply of pharma products. Customers who sign up for the additional service package will receive advice regarding international quality certifications and safety standards, benefit from the extension programmes covering best practices for farm management and access the newly set up lab testing facilities among others.

The efforts proved successful as evidenced by the growth in market share, both in the poultry feed and dairy segments.

The pet range was expanded with the launch of a series of new vitamins, manufactured by Intervet India under license from Ventri- Science laboratories in the USA. It is hoped that this new addition will help grow market share in the petpharma segment. Meanwhile, with the increasing number of cheaper generic pet food imported into the country, the division launched an aggressive above-the-line promotional campaign to boost retail sales of the branded petpharma products in the market. The island-wide distribution channel was also strengthened

with the inclusion of an e-commerce portal that enables customers to order online and make use of the door-to-door free delivery service offered by the division.

The division also took the bold step to venture into the human pharma sphere in the current financial year. Having obtained the necessary approvals from the Ministry of Health in October 2015, Browns Pharmaceuticals then tied up with INTEC Products of China to import the Dengue Rapid Test Kit, a disposable unit designed to quickly identify the dengue antibody IgG&IgM. A sales team was also established to create awareness regarding the product and on the distribution side, three local agents were appointed as island-wide distributors following a strict vetting process to assess their distribution framework, warehousing capacity and conformity with the Sri Lanka Ministry of Health guidelines. With the initial groundwork more or less complete, commercial sales of the Dengue Rapid Test Kit are expected to commence in April 2016.

FUTURE PLANS

Given the recent diversification of the revenue streams, the key strategic thrust for the future would be to grow market share, by widening the offerings under each business pillar. Meanwhile, in addition to broadening the medical apparatus portfolio, further expansion of the human pharma line remains a key priority for the forthcoming year. In this context negotiations are underway to import a range of dermatological products and oncological treatments from Pakistan.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - GENERAL TRADING



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

733

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

175

RS. MN

NUMBER OF YEARS
IN OPERATION

35

YEARS

“The focus for the current financial year was to create greater brand visibility and widen captive market share for power tools and accessories, as well as generators, while at the same time tapping into new and emerging market segments via product diversity strategies...”



The high quality product features being explained to a customer

REVIEW OF OPERATIONS

The general trading division deals with power tools, related accessories and a range of industrial equipment including generators and water pumps. Supported by long-standing partnerships with some of the world leading brands, the division's portfolio currently consists of some world renowned

names including Makita power tools, Tailin cutting and grinding wheels, Eclipse (UK) hacksaw blades and other accessories and Firman generators for industrial and domestic use.

The focus for the current financial year was to create greater brand visibility and widen captive market share for power tools and accessories, as well as generators, while at the same time tapping into new and emerging market segments via product diversity strategies that will offer the customer a wider choice ranging from premium products to more price competitive options. Accordingly, the Hyundai range of industrial equipment and Shijing brand of tile cutter from China was introduced, aiming to capture the price competitive market. Further, the premium Makita range was expanded during the year, with the launch of the new state-of-the-art cordless option, equipped with lithium-iron batteries for enhanced safety and durability.

Having widened the product mix in this manner, the division then looked at enhancing the profitability of the portfolio through an aggressive marketing drive and widespread end-user interactions to boost island-wide sales. This also led to the expansion of the distributor / dealer network from 450 to 650 as at 31st March 2016.

Furthermore from a service perspective, five new service agents were appointed in 2015, bringing the total number of island-wide service agents to ten as at the end of the year. Meanwhile, to service the needs of customers in the Western Province, a service mobile was commissioned to provide door-to-door convenience to the customer, while plans to set up a fully-fledged servicing unit in Bloemendhal, Colombo – 15, were expedited during the year.

It was a positive year in terms of growth for the trading division with all products tabling improved year-on-year results for the year ended 31st March 2016.

FUTURE PLANS

Moving forward, the main business thrust would be to build market share across all customer segments. This calls for a widening of the island-wide reach, specifically to strengthen the distribution channel and the service platform. These measures would need to be combined with ongoing efforts to facilitate a dynamic product portfolio that represents the latest technological developments. However, given the stiff market competition, striking the right balance between quality and price would be crucial in maintaining a leadership position in the long term.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - HOME AND OFFICE SOLUTIONS



OUR BRANDS



SHARP



DocuLineo
DRIVING YOUR DOCUMENT BUSINESS



vivitek
Vivid Colors. Vivid Life.

OLYMPUS
Your Vision, Our Future

GE
Giesecke & Devrient

SCAN COIN

sundaya

Pitney Bowes

KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

776

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

207

RS. MN

NUMBER OF YEARS
IN OPERATION

35

YEARS

“... an aggressive multi-brand marketing strategy was initiated to appeal to a wider customer bracket, with the branch network identified as the key driver of the strategy.”

REVIEW OF OPERATIONS

Office Solutions

Cognizant to IT-driven changes in the global business landscape, the office solutions business has evolved rapidly over the past decade or so. Recent developments in information technology have prompted corporates to embrace the convenience of e-communication, mobile technology and social media. With companies becoming increasingly reluctant to invest in office hardware, the emphasis has now shifted towards a solution-based approach that will deliver greater cost efficiencies for the corporate customer.

It is this rationale that has underpinned the operations of Brown Office solutions for the past two years, where the focus has been to provide customised Office Solutions for the corporate sector. With the demand for conventional office equipment on the decline, the division moved towards promoting integrated solutions and cost effective equipment rental solutions in response to specific corporate needs. One such business line is the “Doculine” rental copier/printer business, where Browns is currently the market leader. In developing this line of business further, the main focus for the year was to promote long-term tie ups with large corporate groups, which resulted in Doculine recording strong growth for the year.

Meanwhile, MFP (Multi Functional Printer) sales of the flagship “Sharp” brand grew by 5% during the year. These growth numbers

helped reinforce the Browns market share in Sri Lanka’s MFP business.

With the recent growth in the financial services sector, the sales of automated cash counter machines also increased during the year.

Browns Deals - Consumer Electronics

As economic development reaches more and more people across the world, the demand for consumer electronics has also witnessed exponential growth in the recent past. In Sri Lanka too the market for consumer electronics is on the rise, with consumers rushing to embrace the latest trends in household electronics equipment.

Tapping into this thriving market was the main strategic thrust for the Browns Home Solutions division, in the year under review. In doing so, an aggressive multi-brand marketing strategy was initiated to appeal to a wider customer bracket, with the branch network identified as the key driver of the strategy. As a first step, the Division looked at improving product diversity through the introduction of reputed brands. The well-known Japanese Brand ‘Sanford’ was added to facilitate the small appliances range. The enhanced product portfolio was re-launched under the “Browns Deals” label, where the main goal is to always provide the customer with the best available deal in the market.

A volume-driven marketing strategy was then deployed to boost sales via the island-

wide branch network. Further, the branch network was strengthened with the addition of three new branches in Kandy, Galle and Pettah, bringing the total number of island-wide branches to ten, as at 31st March 2016.

Two new products were introduced during the year; The Olyset Mosquito-Repellent Net, manufactured by the Sumitomo Chemicals of Japan, which is a WHO approved product for the mass market and the Personal solar lighting system under ‘Sundaya’ Brand for the home.

From a business perspective, maintaining cost leadership was seen as vital for the success of the “Browns Deals” model. Accordingly, the procurement mechanisms were enhanced and all cost structures across the business were streamlined in order to maximise returns.

FUTURE PLANS

Moving forward, the focus for the Office Solutions segment would be to strengthen existing offerings, while the key thrust would be to promote integrated solutions that add value to the bottom line of the corporate client.

With regard to home solutions, the strategy would be to improve the versatility of the “Browns Deals” model and reposition it as a unique brand that offers the best deal in Sri Lanka’s retail market. Meanwhile, in order to broaden the reach and facilitate greater customer convenience in the longer term, plans are underway for the “Browns Deals” concept to be made available on the e-commerce platform as well, in the forthcoming year.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - PLANTATION SUPPORT



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

87

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

30

RS. MN

NUMBER OF YEARS
IN OPERATION

8

YEARS

“As a pioneering engineering firm serving Sri Lanka’s plantation sector since its infancy, Browns Plantation Support Services Division primarily focuses on servicing the needs of the tea & rubber industries.”



Green Tea processing machinery at one of the plantation estates

REVIEW OF OPERATIONS

As a pioneering engineering firm serving Sri Lanka’s plantation sector since its infancy, Browns Plantation Support Services Division primarily focuses on servicing the needs of the tea & rubber industries. Accordingly, the division undertakes project-based activities to assist plantation companies and private tea factory owners to set up new operations or migrate to new technologies.

During the current financial year, the Plantations Support Services Division carried out two major projects:

Project 1: Setting up of a high-tech Green Tea Factory at the Norwood Estate.

Profile: Situated in an area bordering the Castlereigh reservoir and the Bogawantalawa valley, Norwood Estate, is

part of Bogawantalawa Plantations PLC. Traditionally involved in the business of manufacturing Black tea commonly known as orthodox type of manufacture, the strategic decision to establish a Green tea manufacturing plant at the Norwood estate was mainly to tap into the current global health phenomenon, which espouses the properties of Green tea.

Scope: The setting up of a new Green tea processing plant at the Norwood Estate, including the total electrification of the new factory, was entrusted to the Browns Plantation Support Division. This included the commissioning of the complete range of machinery needed for the manufacturing of high-quality Green tea, with an approximate processing capacity of 7,500 kgs of green leaf per day. The machinery installed in the Processing Room consists of the Panner, the Green tea steamer and boiler, Moon type rollers, circulation type automatic tea drier for secondary drying of tea, Ball tea machines, Green Tea rollers and sorting machines, among others.

The project, which commenced in April 2015 and took 9 months to complete, was handed over in January 2016.

Project 2: Commissioning of Sri Lanka’s first-ever Oolong Tea factory at Waldemar Estate.

Profile: Part of the Finlays Group, Waldemar Estate, was at the time,

equipped only to manufacture Black Tea. This factory nestled between the extreme cold temperatures in the highlands of Nuwara Eliya and the Up-country / Mid-country climate of the Uda Pussellawa region, Waldemar estate is blessed with the ideal agro-climatic conditions for the manufacture of Oolong Tea, which prompted the decision to convert the factory into a dual purpose facility to feed the demand for Green and Oolong Tea in the world market.

Scope: This was a turnkey project undertaken by Browns Plantation Support Services Division. The project involved providing an end-to-end solution, starting from the planning stage, the import of machinery and right up to installation and testing. The end result was that the four-loft structure at Waldemar factory was rationalised into a more efficient two-loft facility that can accommodate the manufacture of Oolong Tea and switch to the manufacture of Green Tea, when needed. The manufacturing line was automated to minimise the need for manual handling, while further structural modifications were carried out to the main building in order to facilitate smoother internal operations.

The project, which took almost a year from start to finish, was completed on schedule and handed over in March 2016.

FUTURE PLANS

In order to remain competitive in the future, the division would need to refine its core competencies and look to expand the range of specialist services offered in cognizance with emerging global trends.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - MARINE SERVICES



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

257

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

42

RS. MN

NUMBER OF YEARS
IN OPERATION

43

YEARS

“The Browns Marine Services Division’s outboard motor (OBM) segment caters to small deep-sea fishing craft owners.”

REVIEW OF OPERATIONS

Being an island nation, the fishing industry has been the backbone of the coastal region economies. Having evolved rapidly over the past few decades, fishing is now one of Sri Lanka’s most dynamic industries, generating USD 267 million in foreign income annually, through the export of fish and seafood to Europe and East Asia. This is in addition to the thriving domestic industry, which has become the livelihood of thousands of families across the island.

As a supplier of outboard and inboard motors for fishing and other sea tone vessels, the fishing industry is the primary market for Browns Marine Services. In line with the goal to be “The preferred supplier of equipment to the Marine Industry” the Marine Services Division continues to leverage on market opportunities to grow volumes and build market share.

A notable trend for the year under review was the newly introduced EU rules for responsible fishing that require vessels to be equipped with IMO standard engines. With the EU being a key export market for Sri Lanka’s fishing industry, the main marketing thrust for the year was to promote IMO certified Hyundai and Yanmar inboard motors for vessels engaged in fishing for the export market. The move helped the division to capture nearly 40% of the market share in the inboard segment.

The Browns Marine Services Division’s outboard motor (OBM) segment caters

to small deep-sea fishing craft owners. Operating amidst stiff competition in a highly price-sensitive market, the Division initiated a direct marketing campaign to promote the Chinese-made Parsun OBM’s to small-scale fisherman across the country. The key thrust was to present the Parsun 40HP Kerosene OBM, as a cost effective alternative to the costly Japanese OBM being used in the industry at present. Well received by the market, the strategy led to an increase in volume-driven market share for the year.

Parallel to the direct marketing approach, the dealer-based sales model was further strengthened, allowing dealers to carry stocks. The after-sales service mechanism was also enhanced. In related developments, a central service center was commissioned in Negombo to carry out OBM testing and after-sales-service. Negombo was seen as the ideal choice to service a broader geographical range, given its strategic location as a key fisheries harbour and easy access to the north and east.

With these new developments taking place, the OBM field force and service team was also strengthened during the year, together with competency development programmes to sharpen the skills of the entire workforce.

The OBM segment has, for the past 03 years, been catering to the needs of naval vessels belonging to the defence forces. More recently however, Browns Marine Services has only been involved in the servicing and

maintenance of these naval vessels. In an effort to further develop this line of business, the division conducted training programmes for defence force personnel on the proper use of marine equipment in compliance with international standards.

The Marine Services Division also facilitates the requirements of ship handlers and shipping agents, offering Yanmar- branded marine products. Although currently only a small component of the business, it was felt that expanding the product portfolio will help to tap into the country’s fast-developing ocean freight industry.

In the leisure sports segment, the focus was to grow visibility and strengthen brand presence.

FUTURE PLANS

The current regulatory framework, which has been increasingly supportive of deep sea and offshore fishing, as well as inland fisheries, has provided numerous opportunities for Browns Marine Services to expand into new business lines in the coming years. The main focus for the immediate future therefore would be two fold: to create a budget OBM option by offering reconditioned engines and to widen the marine services portfolio to provide more value added services and products.

For the long term, the goal would be to become an end-to-end supplier for the fisheries and marine industries. This would require diversifying into other areas of the business and creating greater visibility to promote Browns Marine Services as a total solutions provider for the industry.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - BOILER



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

51

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

18

RS. MN

NUMBER OF YEARS
IN OPERATION

43

YEARS

“... the company also began marketing a secondary range of solid fuel fired boilers, namely: Daelim Royal Boilers from Korea and VBC boilers from Vietnam, both of which are also serviced through Browns.”



A Cochran Boiler Machine fully operational at a plant

REVIEW OF OPERATIONS

Having been in the business for over four decades, traditionally, the main focus for Browns has been to promote the Solid Fuel Fired Cochran Boilers from the United Kingdom, a premium brand known the world over for its superior quality and high performance.

More recently, the company also began marketing a secondary range of solid fuel

fired boilers, namely: Daelim Royal Boilers from Korea and VBC boilers from Vietnam, both of which are also serviced through Browns. Being a lower cost alternative to the Cochran Boiler, both these options have grown in popularity, since their introduction to the market a few years ago. Nevertheless, of late, the market has been flooded with cheaper, Indian origin boilers and both the Daelim and VBC brands now face severe competition in the market.

Meanwhile, with many industries moving towards renewable energy sources, the demand for solid fuel fired Boilers, especially the high-cost Cochran Boilers, appears to be on the decline. Hence 2015/16 was a tough year for the division, which was further affected by the slowdown in the industrial sector seen during the year.

Given these challenges, the division focused mainly on developing the engineering services arm of the business, which offers specialised technical services to existing industries. Backed by the Browns name and the long-standing expertise in the field, the division was able to grow this line of business, recording good results for the current financial year

FUTURE PLANS

Given the increasingly tough operating environment, a more dynamic approach would be required in the years to come. This would mean realigning the business model cognizant to emerging trends and sharpening core competencies in order to broaden the prospects for the future.

MANAGEMENT DISCUSSION & ANALYSIS

TRADING - HEAVY MACHINERY



OUR BRANDS

SAKAI® **HITACHI**

KEY STATISTICS

CONTRIBUTION TO GROUP REVENUE	CONTRIBUTION TO GROUP GROSS PROFIT	NUMBER OF YEARS IN OPERATION
120 RS. MN	21 RS. MN	1 YEARS

“... as the local agent for the globally renowned Hitachi Excavators, Wheel Loaders and Sakai Compaction products, the division was able to retain its position as the market leader for this type of equipment.”



A Sakai heavy machinery at a warehouse

FUTURE PLANS

The prospects for the future will be strongly appended to the proposed developments likely to take place in Sri Lanka’s construction industry in the coming years. Should these plans materialise and the infrastructure projects such as road construction, highways, bridges, irrigation, port and aviation do get off the ground, it will offer considerable opportunities to develop the heavy machinery arm, in the next 3 - 5 year time frame.

REVIEW OF OPERATIONS

In this, the first full year of operations, the Heavy Machinery Division was affected by the slowdown in construction activities in the country, especially as many government sponsored infrastructure projects were being put on hold.

However, as the local agent for the globally renowned Hitachi Excavators, Wheel Loaders and Sakai Compaction products, the division was able to retain its position

as the market leader for this type of equipment, by securing a few large orders to supply wheel loaders and other equipment for private construction projects taking place in the country.

Meanwhile, given the dull market conditions, the focus for the year shifted towards providing service enhancements. Consequently, work commenced to construct a fully-fledged workshop facility in January 2016 which is due to be completed by July 2016.

MANAGEMENT DISCUSSION & ANALYSIS

MANUFACTURING - THERMAL ENGINEERING



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

411

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

146

RS. MN

NUMBER OF YEARS
IN OPERATION

48

YEARS

“RADCO copper-brass radiators currently commands over 50% of the retail market ...”

REVIEW OF OPERATIONS

The largest copper-brass radiator manufacturer in Sri Lanka, Browns Thermal Engineering (Pvt) Ltd. (BTEPL), caters to the country’s automotive, locomotive and industrial markets.

The company’s fully equipped plant in Pannala manufactures RADCO branded copper-brass radiators, which are distributed island-wide through authorised Browns distributors. RADCO copper-brass radiators currently commands over 50% of the retail market, but BTEPL’s ultimate goal is to be “The exclusive automotive radiator supplier for the local automotive industry”. In this regard, the company tied up with a leading automotive manufacturer in the country to become the sole supplier of copper-brass radiators for a leading brand of vehicles assembled in Sri Lanka.

Meanwhile, with many of the newer vehicles being equipped with lightweight plastic-aluminum radiators, BTEPL resumed importing these radiators in the current financial year, a practice that had been discontinued a few years ago, as many of the suppliers at the time failed to meet with the required quality and automotive safety standards. Through a new tie up with an Indian supplier, the company began importing plastic-aluminum radiators, which were released to the retail market as well, under the RADCO label.

However, there was a new challenge that needed to be addressed, that being, the often unregulated import of low-quality plastic-aluminum radiators for use in the retail automotive industry. To overcome these challenges, the company leveraged on the strength of the Browns group and promoted the island-wide reach to highlight the quality and credibility of RADCO branded radiators.

All these efforts to develop the automotive radiator line led to a considerable increase in sales volumes of RADCO branded radiators.

BTEPL’s industrial radiators also recorded good growth during the current financial year, bolstered by strong demand in the local market and as a result of more Sri Lanka Railways tenders being secured for locomotive radiators. Meanwhile, higher export volumes to the Maldives and the Middle East helped to further boost the overall results for the Industrial segment

As the exclusive supplier of plastic components for Exide batteries, BTEPL also focused on strengthening the alignment with the Browns battery unit, a move that paid off, leading to a notable increase in volumes for the year.

The radiator maintenance business also made steady progress, as large state institutions expanded their maintenance contracts.

With topline growth on track, the company also looked at streamlining costs refining operational efficiencies in order to boost the bottom line and investment made in new machinery/equipment, while work-flow systems were streamlined to handle hazardous material etc. Further, the disposal mechanism was restructured in conformity with the new guidelines set out under the EPL.

The ensuing cost efficiencies together with higher revenue coming from strong sales growth from all business lines, resulted in record profits for the year.

FUTURE PLANS

The strong performance registered during the year, would likely provide a

solid foundation for future growth of the business. However, in order to strengthen the prospects in the coming years, BTEPL would need to strategically expand the each business line in tandem with emerging market opportunities.

For the development of the Radiator business, strengthening the retail market for RADCO copper-brass radiators will be critical. The main strategies in this regard will be centered around the island-wide branch network and the service workshops to enhance visibility among end-users. Meanwhile, to widen the captive market for plastic-aluminum radiators, the company would need to explore possible business opportunities arising from the new vehicle assembly plants that are due to be set up in the country in the next few years. Should these plans materialise, BTEPL would also need to consider setting up a new assembly plant to manufacture RADCO plastic-aluminum radiators to meet the increased demand, which in turn will help minimise the uncertainties associated with the overdependence on imports.

Furthermore, strengthening export markets for industrial radiators is also deemed to be vital in repositioning RADCO as a regional player.

Meanwhile, as the only local supplier of locomotive radiators and industrial radiators, expanding these business lines is another key medium term priority. The key consideration in this regard would be to widen the regional presence by setting up radiator workshops across the region, the first being in Maldives.

In addition to the core business, the company will also focus on diversifying the portfolio through the introduction of a range of complementary and value added products.

MANAGEMENT DISCUSSION & ANALYSIS

MANUFACTURING - AJAX ENGINEERING



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

231

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

149

RS. MN

“... the company invested Rs. 130 million to commission a new 40,000 sqft multiple-line production facility in Minuwangoda, a considerable upgrade from the 4,000 sqft single-line factory in Ragama.”



*One of the projects by
Ajax Engineers*

REVIEW OF OPERATIONS

Ajax Engineers (Pvt) Ltd., is now a fully owned subsidiary of the Browns Group. Having previously owned only 51%, the remaining 49% stake was also transferred to the Browns Group in the current financial year. The investment in Ajax, which provides specialised cladding and glazing solutions for large scale construction projects, is part of the Groups’ backward integration strategy, aimed at supporting the requirements of hotel projects in the leisure sector.

In addition to these Group commitments, over the years Ajax has pursued independent construction projects as well. However growth in this line of business has been limited due to capacity constraints.

In a bid to overcome these limitations, the Company invested Rs. 130 million to commission a new 40,000 sqft multiple-line production facility in Minuwangoda, a considerable upgrade from the 4,000 sqft single-line factory in Ragama. Having previously focused only on high-end

European solutions, the new factory, which is equipped with multiple production lines, will allow the company to offer a wider range of price competitive solutions. To support this goal, the procurement mechanism was also widened by tying up with new raw material suppliers in China and India to source more price competitive options.

Meanwhile, the ICTAD SP1 certification was also renewed to validate the quality of the products coming out of the new factory.

FUTURE PLANS

With the key infrastructure in place, the strategy for the next few years would be to secure more independent projects. It is hoped that the current lull in Sri Lanka’s construction sector is only a temporary setback and that the expected pick up towards mid 2016, will provide Ajax with new opportunities for growth of this business line. At the same time the Company would also consider expanding beyond Sri Lanka and tapping into the large-scale hotel projects in the Maldives in the years ahead.

Meanwhile, developing solutions for the domestic construction industry would be another focus area in the coming years.

MANAGEMENT DISCUSSION & ANALYSIS

MANUFACTURING - AGSTAR FERTILIZERS



OUR BRANDS



KEY STATISTICS

PRODUCTION OF
PREMIUM QUALITY RICE

8,000

METRIC TON

NUMBER OF YEARS
IN OPERATION

14

YEARS

“... the company prudently restructured its operations, with product diversification being the main revenue driver for the year. The key thrust was to promote higher yielding products and reduce the over-reliance on one single product category.”

REVIEW OF OPERATIONS

The Agri-business sector is represented by AgStar PLC, which provides complete Agri-Business solutions, ranging from the supply of seeds and the manufacture of grains to the sale of commercial fertilizer and cropcare solutions. More recently, the company has also diversified into the business of exporting value added products, specifically spices, condiments and organic food, to cater to the growing global demand for such products.

The 2015/16 financial year was a very significant one for the company as it witnessed a major transformation amidst a series of external challenges arising from adverse regulatory pressures, inclement weather conditions and unfavourable market demand for some key client sectors. In response to these challenges the company prudently restructured its operations, with product diversification being the main revenue driver for the year. The key thrust was to promote higher yielding products and reduce the over-reliance on one single product category. Meanwhile, product innovation and targeted relationships with customers and suppliers also helped boost overall profitability and reinforce the company's position as a critical business partner in the customer supply chain.

In the Fertilizer segment, sales were first affected by the government's decision to limit the Fertilizer quota, but took an even worse hit when the Government then completely eliminated fertilizer subsidy to farmers in lieu of a cash for

cultivation method. The process, which took an inordinate amount of time to implement, had a serious negative impact on sales volumes and the bottom line of the Fertilizer unit.

The Cropcare segment on the other hand leveraged, on its diverse product portfolio to register profit growth in the year under review. This is seen as a commendable achievement, given the tight input controls on certain key products within the portfolio arising as a result of Sri Lanka's highly regulated agro chemicals industry.

It was a busy year for the Seeds division, which was acquired by AgStar in May 2015. Following the acquisition, the product range was widened with the introduction of new local and imported seed varieties. Meanwhile, major structural changes at the Paddy unit were aimed at increasing overall efficiency of the division, which did yield good results, leading a significant improvement of the seed paddy business along with better utilization of the processing and storage facilities.

The Grains business too came under severe pressure in the current financial year and witnessed a drastic drop in margins, owing to the governments' post-election decision to reduce the market price of Rice, while at the same time promising a minimum guaranteed price to the farmer. Nevertheless, the Grains business pursued its target of supplying 8,000 MT of Rice to the local market, in addition to diversifying into other high -yielding specialty products,

export markets and other grain categories, all aimed at boosting the bottom line as much as possible.

In yet another encouraging development, the Grains unit overcame the initial start-up issues to proceed with the commissioning of a state-of-the-art rice mill at Anuradhapura, which began commercial operations in June 2015. As at the end of the current financial year, 4,200 MT of premium quality rice was produced at this facility and sold in the market under the brand name of “Ran Sahal”.

During the period under review, AgStar's exports experienced satisfactory growth, driven by a two-pronged strategy; firstly by expanding the portfolio and secondly by tapping into new markets in Europe.

FUTURE PLANS

Moving forward, the company expects to leverage on the market opportunities to grow volumes. In the Fertilizer segment, the issues surrounding the removal of the fertilizer quotas are seen only as a temporary glitch, with the imminent rebound likely to result in strong demand, allowing the company to secure higher volumes in the long term. Meanwhile, product diversification would be the key marketing thrust for both the Cropcare and Seeds divisions. In the Grains section, the main focus would be to use cost leadership as the key driver for strategic brand positioning.

Growing exports also remains a key priority and in this regard, the company will look to expand its market presence by broadbasing global distribution channels and also widen the existing product line to help tap into mainstream and niche markets in the coming years.

MANAGEMENT DISCUSSION & ANALYSIS

HEALTHCARE - BROWNS HOSPITALS



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

244

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

157

RS. MN

NUMBER OF YEARS
IN OPERATION

1

YEARS

“... Browns Hospitals has leveraged on the iconic brand power associated with “Browns”, to create a differentiated value proposition in the market.”



Browns Hospital at Ragama

REVIEW OF OPERATIONS

In this, the first full year of operation for Browns Hospitals, it has leveraged on the iconic brand power associated with “Browns”, to create a differentiated value proposition in the market. This has helped the hospital to slowly but surely gain visibility as the only fully-fledged general hospital in the Gampaha district.

However, as a stand-alone operator breaking into the highly competitive health care market, attracting specialist doctors and other medical personnel remains an ongoing challenge, particularly given the doctor-driven operating model that has become the norm in the industry at present.

Having understood these market mechanics, the key thrust for Browns Hospitals, in the current financial year was to strengthen its image as a state-of-the-art facility in order to draw in the most sought-after medical

practitioners in the country. At the same time, from a customer perspective, the focus was to develop a distinctive value proposition that will build customer loyalty, and position Browns Hospitals as a multi-faceted healthcare facility in the country.

Having to compete with well-established hospital chains in the market, the main focus for the year, was to realign the business model and promote a new USP as a full-service general surgical hospital. Achieving this meant offering a wider range of both primary and specialist healthcare facilities, while at the same time improving operational efficiencies in order to reposition the hospital as the most affordable healthcare provider in the region.

To strengthen the surgical facilities, a fertility center and a wound care unit was set up during the year. Steps were also taken to expand the kidney care center beyond its current dialysis unit. Accordingly, a nephrology center was opened to provide the full range service for kidney ailments, including kidney transplants. These measures were aimed at increasing the volume of surgical in-patients coming into the hospital to help boost the earnings of the surgical theatres, pharmacy, laboratory and other diagnostic facilities.

As a first step towards improving operational aspects of the business, the 5S concept was introduced and the ISO 9001-2015 Quality Management Systems

certification process was initiated in the current financial year. Further, the supplier evaluation mechanism was reinforced and new inventory controls were established along with measures to strengthen core procurement processes in order to streamline the supply chain. Meanwhile, strategic recruitments, alongside ongoing training of medical and non-medical staff were aimed at improving productivity in the long term.

FUTURE PLANS

Moving forward, market competition is likely to be the most crucial challenge that would impact Browns Hospital and overcoming these challenges would call for a clear strategic vision that would reinforce brand identity and spearhead growth in the coming years.

The plan for the immediate future therefore is to expand bed capacity of the Ragama facility and work towards securing a JCI accreditation. In line with this expansion strategy, a new 200-bed flagship hospital would also be set up in the heart of Colombo by 2018. This new facility is expected to be a fully-fledged super specialty tertiary care hospital, with international accreditations and high tech laboratory facilities.

The long term sustainability of the business would however depend on the successful migration to a holistic healthcare model that would encompass not only general and surgical treatments, but a wider range of healthcare support systems, targeting non communicable diseases and elderly hospice facilities.

MANAGEMENT DISCUSSION & ANALYSIS

INVESTMENTS - BROWNS INVESTMENTS



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

559

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

559

RS. MN

NUMBER OF YEARS
IN OPERATION

8

YEARS

“As per BI’s business model, the company pursues investment opportunities that are already generating favourable economic results or have the potential to generate positive results within a 5 – 10 year time frame.”

REVIEW OF OPERATIONS

A subsidiary of Brown and Company PLC, Browns Investments PLC (BI) is the strategic investment vehicle of the Browns Group, with interests in a number of fast-growing sectors in Sri Lanka, including; Leisure, Travel, Entertainment, Plantations, Agri-Business, Renewable Energy and Construction.

As per BI’s business model, the company pursues investment opportunities that are already generating favourable economic results or have the potential to generate positive results within a 5 – 10 year time frame. BI’s core strategy is however to optimise returns and therefore selective divestment remains an integral part of the company’s operational framework.

CURRENT INTERESTS

Leisure, Travel & Entertainment

Currently the largest chunk of the BI portfolio in terms of investment value. BI’s interests in the sector include:

Leisure

Representing over 69% of the group’s property footprint, investments in the leisure sector are seen as long-term undertakings and are brought under Browns Hotels and Resorts (BH). The BH portfolio consists of:

- The Eden Resort & Spa
- The Paradise Resort & Spa
- The Calm Resort & Spa
- Dickwella Resort & Spa
- Riverina Hotels (Under Construction as at 31st March 2016)
- The Turtle Beach Resort & Spa (Under Construction as at 31st March 2016)
- Nasandhura – Maldives (Under Construction as at 31st March 2016)
- Bodhufarufinolhu in South Ari Atol – Maldives (Under Construction as at 31st March 2016)

The key operational goal for each of these BH properties is to generate sustainable returns vis-à-vis an outsourced management

model and whenever possible, through a tie up with international hospitality brands.

Travel

The services offered by the travel arm are geared to complement the leisure sector and forms part of BI’s overall strategy to develop an end-to-end leisure and travel solution.

At present the travel arm consists of Browns Tours (Private) Ltd, BG Air Services (Private) Ltd and Ceylon Roots (Pvt) Ltd.

Entertainment

The entertainment segment is represented by Excel World Colombo’s largest entertainment center, where selective refurbishments are continuously being made to upgrade the facilities on par with similar entertainment centers in the region.

Plantations

BI’s plantation sector consists of Maturata Plantations and Pussellawa Plantations. Having previously owned only a 50% stake in both companies, BI acquired the balance 50% during the current financial year, which makes both companies fully owned subsidiaries of BI as at 31st March 2016. Having gained control over all 44 estates under the two plantation companies, the immediate priority is to revive the business by rationalising the processes and modernising the infrastructure. In this regard, BI is committed to deploy aggressive strategies that will deliver the expected turnaround within the shortest possible time frame.

Renewable Energy

BI’s renewable energy sector is represented by Browns Hydro Power PLC, which consists of four mini-hydro plants located within the plantation estates. These mini-hydros possess the collective capacity to provide 4.9Mw of power to the national grid.

Agri-Business

AgStar PLC is the main component of BI’s Agri-Business sector. The company

provides complete Agri-Business solutions, ranging from the supply of seeds and the manufacture of grains to the sale of commercial fertiliser and crop care solutions. More recently, the company has also diversified into value added exports, especially cinnamon. The move has delivered good results, prompting the company to grow this line of business and look into the possibility of the exporting organic food products in the coming years.

Construction

BI’s interests in the construction sector stem from the backward integration strategy aimed at supporting the construction projects in the leisure sector. Currently, the interests in this sector are limited to Sierra Group of Companies, Ajax Engineers (Pvt) Ltd and Creation Construction and Engineering (Pvt) Ltd.

FUTURE PLANS

Moving forward, the goal for the long term is to consolidate the holdings in existing sectors in order to ensure stakeholder value creation goals are met.

In the leisure sector, this would mean tying up with more international leisure brands to sharpen the alignment of each management model and generate better returns from all properties in Sri Lanka and the Maldives.

Meanwhile, in the plantation sector, it would be imperative to strengthen core business fundamentals, especially to manage BI’s large land bank. In this context, BI would look to improve the long-term profitability of all estates through diversification into other commercially viable crops, including Commercial Timber and Cinnamon.

At the same time, BI also remains open to explore viable opportunities in other sectors that may arise as a result of macro-economic changes that may occur from time to time.

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATIONS & RENEWABLE ENERGY - BROWNS PLANTATIONS



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

5.3

RS. BN

TOTAL ACREAGE OF
TEA

18,520

ACRES

TOTAL ACREAGE OF
RUBBER

13,211

ACRES

“... Pussellawa Plantations and Maturata Plantation companies, which together comprise of 43 estates comprising 26 Tea estates, 9 Rubber estates and another 8 estates, which consist of both Tea cum Rubber.”

REVIEW OF OPERATIONS

Browns Plantations (BP) consists of Pussellawa Plantations and Maturata Plantation companies, which together comprise of 43 estates comprising 26 Tea estates, 9 Rubber estates and another 8 estates, which consist of both Tea cum Rubber. Both companies have also invested in commercial Timber and fuel wood, although to a lesser extent than Tea and Rubber.

The year 2015/16 was a difficult one for BP, as was the case for Sri Lanka's plantation sector as a whole, where for the second consecutive year, weak global demand for Tea and natural Rubber led to a sharp drop in trading prices and volumes at the Colombo auction.

In the case of Tea, while there was a general drop in price across all varieties, the low-grown Teas experienced the sharpest drop

of 14.7%, whereas the price of high-growns fell by 7.6% and mid-growns by 11.6% compared to the previous year.

In addition to the throwback from the low prices, erratic weather patterns, particularly the lack of adequate rainfall in the first two quarters and then again in the 4th quarter also affected production volumes for 2015/16. National production statistics indicate that the country produced nearly 2.7% less Tea in 2015 than in 2014.

From BP's perspective too, production volumes were lower than in the previous year, as both Pussellawa and Maturata halted the sourcing of bought leaf and continued processing only leaf harvested at the estates. While the aforementioned macro factors did play a part in this strategy, the government's decision to ban the weedicide and remove the fertilizer subsidy, were the other key aspects responsible for

the lower volumes. These factors have also resulted in significant cost increases, causing severe stress on the bottom line of both Pussellawa and Maturata Plantations for the year ended 31st March 2016.

The turnover generated from Tea was Rs. 4,050 Million while profit for the twelve months ending 31st March 2016 was Rs. 569 Million.

Meanwhile, the Rubber sector too experienced some turbulence during the year. This was mainly due to the drop in world oil prices, which made it cheaper to produce synthetic Rubber leading to an automatic reduction in the global demand for natural rubber and a drop in Rubber prices at the Colombo auction.

As manufacturers of natural Rubber, both Pussellawa and Maturata plantations were impacted by these unfavourable conditions and in response began to control the tapping schedule, with only one shift in operation from June 2015. Meanwhile, with 970.16 new acres of revenue-generating Rubber coming to bearing, production volumes for 2015/16 were 5.2% higher than the previous year. However, the sharp drop in prices meant revenue targets could not be met and BP's Rubber Revenue for the year reached only Rs. 988 Millions, 17% short of the target for the year.

FUTURE PLANS

The strategy for the immediate future would be to generate sustainable returns from all of BP's investments. Creating a scalable platform for growth of both Tea and Rubber would therefore be the main priority, in the next few years. At the same time, BP would also need to consider aggressive crop diversification strategies to reduce the over-reliance on traditional crops and safeguard the bottom line from unforeseen changes in the external environment.

Sector		Pussellawa Plantations	Maturata Plantations	Total
Tea	Estates	15	19	34
	Revenue Generating acreage	6,157.09	11,977.20	18,134.29
	Non-revenue Generating acreage	368.43	18.20	386.63
	Total Acreage	6,525.52	11,995.40	18,520.92
Rubber	Estates	14	3	17
	Revenue Generating acreage	8,330.24	1,022.80	9,353.04
	Non-revenue Generating acreage	3,375.39	482.70	3,858.29
	Total Acreage	11,705.62	1,505.70	13,211.32
Timber		2,493.91	2,229.0	4,722.91
Fuel Wood		463.63	465.9	463.63

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATIONS & RENEWABLE ENERGY - GAL OYA PLANTATIONS



OUR BRANDS



KEY STATISTICS

PRODUCTION OF
SUGAR

14,707

METRIC TON

PRODUCTION OF
MOLASSES

10,221

METRIC TON

“... the company implemented a strict cost management strategy to streamline operations and improve cost efficiencies at all levels of the business ...”

REVIEW OF OPERATIONS

According to statistics made available with Sugarcane Research Institute, Sri Lanka's average annual sugar requirement is 600,000 MT, of which currently only 9% is being met by the local sugar industry, while the remainder is imported from countries mainly India, Thailand and Pakistan. In 2015 Sri Lanka imported 606,066 MT of sugar, which is 14.3% more than what was imported in 2014, pointing to the growing demand for sugar in the local market.

It appears therefore that the local industry, which consists of a few large players involved in the manufacture of sugar, has considerable opportunities for growth. However, 2015 was a challenging time, mainly due to a policy decision by the new government to reduce the sugar import tariff. This, together with the low world market prices led to a flood of imports entering the market, leaving local sugar manufacturers to compete with the cheaper imported products.

In addition to these factors, the higher sugarcane prices and adverse weather conditions also affected production volumes at Gal Oya Plantations (Pvt) Ltd, the sugar manufacturing plant under the Browns group umbrella. As such the company was able to produce only 14,706.87 MT of Sugar and 10,221.61 MT of Molasses, during the current financial year, compared to 19,938.78 MT of Sugar and 12,193.31 MT of molasses in the previous financial year.

Consequently, revenue declined by 41% for the twelve months ending 31st March 2016.

In an effort to overcome these market challenges, the company implemented a strict cost management strategy to streamline operations and improve cost efficiencies at all levels of the business and thereby relieve the stress on the bottom line. Meanwhile, to address the high cost of labour and other issues arising from the manual harvesting process, the company introduced harvester machines for some sections of the harvesting process, while changes made to the planting and harvesting schedule were aimed at minimising the risks associated with heavy rainfall. Meanwhile, certain areas of the production floor were automated to reduce costs and increase productivity. Further, the company also looked to improve the environmental performance of the factory and spent Rs.1.5 million to install a “Spray Tower Scrubber” to the boiler chimneys, in an effort to reduce the fly-ash being discharged to the atmosphere.

Meanwhile, a series of capital investments were made with a view to improving the long-term sustainability of the business processes. Key among them was the ongoing investments in the distillery project. Costing a mammoth Rs. 800 million, the project is a long-term investment that is expected to be the catalyst in bringing about a business turnaround for Gal-Oya Plantations (Pvt) Ltd in the next 5 – 10 years. The first phase of the project, which was launched in the

year 2014, was nearing completion by the end of the current financial year and is due to conclude by September 2016, with commercial operations scheduled to start in October 2016.

FUTURE PLANS

Having embarked on a strict cost reduction strategy in 2015, the next few years would likely be crucial for the company. During this time, the main focus would be to improve production efficiencies by investing in new technologies at multiple levels of the business. One of the key areas earmarked for development is power generation, where an ambitious Rs. 2.5 billion investment targets a capacity expansion of upto 10 MW per annum. The project is expected to bring about a significant reduction in the company's direct energy cost. Furthermore, once fully operational, the plant would also be equipped to provide as much as 7.5 MW to the national grid. With the groundwork almost complete, the project will be kicked off in July 2017, and is due to be completed by December 2018.

The second phase of the distillery project will also be rolled out in the forthcoming year. This is a Rs. 200 million undertaking aimed at extracting CO₂ for commercial use and is due to be fully operational by early 2017.

A further Rs. 250 million would also be invested to construct a bio fertilizer chamber as part of the second phase of the distillery project.

Being long-term investments, it is expected that these developments would begin to deliver results only within the next 3 – 5 year time frame.

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATIONS & RENEWABLE ENERGY - MELFORT GREEN TEA ESTATES



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

128

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

35

RS. MN

“Over the years, both Melfort & Sanquhar Green Teas have been recognised for the superior quality and unique taste, winning multiple international awards for “Innovation & Exquisite quality” in USA, Russia & UAE.”



One of our speciality tea produce by Melfort Green Teas (Pvt) Ltd.

REVIEW OF OPERATIONS

Melfort Green Teas (Pvt) Ltd is a subsidiary of the Browns Group. The Company specialises in the manufacture of Pan-fired Green tea and Steam Green tea, in addition to a range of other specialty teas, produced to order for the export market. The manufacture of Pan-fired Green tea is done at the company’s own Melfort Estate plant, while Steam Green Tea is produced at the Sanquhar estate plant, owned by Pussellawa Plantations Limited, also under the Browns Group umbrella.

As a result of the ongoing global challenges affecting Sri Lanka’s Tea industry, the demand for green tea also dipped considerably during the financial year ending 31st March 2016, compared to the previous years. The main reason for this was the weak demand from traditional Tea buyers, including Russia and other

CIS countries as well as countries in the Middle-East. Lower demand also meant the company had to contend with lower prices.

However, given the high quality of the Green Tea manufactured at both plants, Net Sales Averages (NSA) remained high throughout the year. In fact, Melfort Green Tea was able to secure No 1 spot, while Sanquhar held the No 2 position, among all Pussellawa Valley estates for the year under review. This helped Melfort Green Teas (Pvt) Ltd table good results, with revenue of Rs. 128.20 Mn and net profit of Rs. 13.51 Mn for the 2015/16 year, adding to the company’s excellent track record of maintaining a return on investment of 1185% per shareholder.

Over the years, both Melfort and Sanquhar Green Teas have been recognised for the superior quality and unique taste, winning multiple international awards for “Innovation & Exquisite quality” in USA, Russia & UAE.

FUTURE PLANS

Given that Green Tea is a niche market offering, the key focus for the future would be to enhance the value proposition presented to the customer. In this regard, the requirement for the immediate future would be to obtain the Rainforest Alliance Certification and the ETP / Fair Trade certifications. The key expectation here is to improve the alignment with international

best practices and give the company the leverage to claim a premium price in the world market.

Meanwhile, the medium term growth strategy will be underpinned by direct exports aimed at deepening the market penetration. In this regard, investments in research and development would be critical, in order to develop new product variants that will appeal to a wider global audience across mainstream and niche markets.

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATIONS & RENEWABLE ENERGY - BROWNS HYDRO POWER



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

203

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

106

RS. MN

INSTALLED CAPACITY

4.9

MEGA WATT

“Browns Hydro Power PLC (BHP), formerly known as FLC Hydro Power PLC, consists of four mini hydro plants with a total installed capacity of 4.9 MW.”



One of Browns Hydro Power Plants in Operation

Meanwhile, the CEB’s decision to increase the rate applied on “avoided-cost” based Power Purchase agreements (PPA) helped the Sanquhar and Delta plants benefit from a slight increase in revenues despite the lower output volumes, as both these PPA’s have been entered into on the “avoided-cost basis. However, the Stellenberg and Thebuwana plants were not affected by this change, as the PPA’s for both these mini hydro’s are on the fixed-tariff basis.

REVIEW OF OPERATIONS

Browns Hydro Power PLC (BHP), formerly known as FLC Hydro Power PLC, consists of four mini hydro plants with a total installed capacity of 4.9 MW.

The Sanquhar Plant, which was commissioned in year 2003 has a total installed capacity of 1.6 MW. Being the oldest of the four, the Sanquhar mini hydro was closed for repairs, between February – July 2015, which meant production for the year under review was 43% less than in the previous year.

The Delta Mini hydro Plant, commissioned in 2006 and equipped with a capacity of 1.6 MW and the Stellenberg mini hydro Plant with a Capacity of 0.9 MW, were both affected by low rainfall in the first half of 2015, again leading to lower output volumes as at 31st March 2016. The Thebuwana mini hydro with an installed capacity of 0.8 MW, is the most recent addition to the portfolio and was commissioned in June 2015.

Operating for nine months of the current year, the Thebuwana plant generated 1.5 million units in output.

MANAGEMENT DISCUSSION & ANALYSIS

TRAVEL & LEISURE - BROWNS HOTELS & RESORTS



OUR BRANDS



Riverina Resorts

KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

1.2

RS. BN

CONTRIBUTION TO
GROUP GROSS PROFIT

927

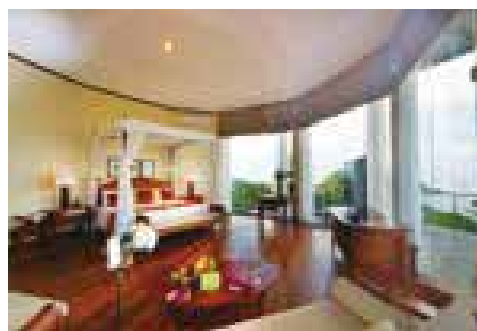
RS. MN

NUMBER OF ROOMS
IN OPERATION

371

NUMBER

“Having ventured into the leisure sector a few years ago, the Browns group too has continued to expand its leisure footprint, with investments being made in a series of iconic locations across the island.”



Suite – Penthouse at The Eden Resort & Spa

REVIEW OF OPERATIONS

As tourist arrivals hit record numbers with each successive year, Sri Lanka’s tourism and leisure sector has, for the past four years been experiencing what can only be termed as runaway growth.

Having ventured into the leisure sector a few years ago, the Browns group has continued to expand its leisure footprint, with investments being made in a series of iconic locations across the island.

Concurrent to the ongoing investments in the local market, the company has more recently, strategically ventured into other territories in the region, in particular the Maldives.

EXISTING INVESTMENTS

The Eden Resort & Spa - Beruwala

The Eden Resort & Spa is a 158-room luxury resort in a sprawling 6-acre property located on the iconic “Golden Mile”, a pristine stretch of beach in Beruwala. Over the years, the hotel has been a popular choice for tourists from across the world. The results for the current year reveal that the main source market was Germany, a position traditionally held by Russia. However, the drop in arrivals from Russia was made up for by the pick-up observed in other source markets, mainly China, India and the Middle East. This was the result of an aggressive strategy to increase the penetration into the travel agent market. Following this strategy, the top 10 agents were found to be responsible for 71% of volumes for the year, in comparison to only 51% in the year before. Online sales also registered an increase as the hotel strengthened partnerships with key booking engines. Led by a healthy occupancy rate and a consistent average room rate, the hotel recorded year-on-year topline growth. In recognition of the performance for the year, the hotel was awarded the Holiday Check Award from Germany, Tripadvisor – Travellers Choice award.

Dickwella Resort & Spa - Dickwella

The 76-room Dickwella Resort & Spa is a 1.9-acre beachfront property located on a unique promontory that is surrounded by golden sun kissed beaches and the endless pristine Indian Ocean on either side. The hotel, which was closed for refurbishment for a period of six months, resumed operations in December 2015. Upon completion of the renovation, 60% of the room inventory was handed over to an Italian operator on a guaranteed contract covering the peak, November - April season for the next three years, with the balance 40% being made available for online sales during the same period. As per the agreement, sales during the off-peak season would be managed directly by Browns Leisure, where the hotel enjoyed a successful season.

The Paradise Resort & Spa - Dambulla

A four-star property with 67 rooms, The Paradise Dambulla, which is located amidst 14 acres of lush greenery reminiscent of the golden age of Sri Lanka, was introduced to the market in 2014, following a strategic purchase by the Browns Group.

The hotel’s main revenue driver for the year was the Chinese market, which registered a year-on-year increase of 38% in terms of arrival numbers. The Sri Lankan market, which is the second largest segment next to China, decreased in the current year. However, arrivals from other source markets including France, Italy, UK, Germany and the Middle East, were on the rise compared to the previous year. This points to better

MANAGEMENT DISCUSSION & ANALYSIS

TRAVEL & LEISURE - BROWNS HOTELS & RESORTS



The elegant Swimming Pool at Dickwella Resort & Spa

volumes generated by the top 10 travel agents, which moved up from 48% in 2014/15 to 53% in the current year. Online sales remained on par with the previous year. Occupancy levels were also satisfactory and show an increase over the previous year. This, together with a stable average room rate helped boost total revenue for the financial year.

Meanwhile, based on the positive feedback from online customers, the hotel received the Tripadvisor – Travellers Choice award for 2015.

The Calm Resort & Spa - Passikudah

The Calm Resort and Spa is a 4-star, 70-room property located on the iconic shallow coastlines and mesmerizing blue waters of Passikudah beach.

The hotel was introduced to the market with a soft opening in April 2015, and commercial operations commencing in June 2015. Being a highly seasonal offering, the peak revenue-generation period for The Calm Resort and Spa is between June – November each year. Online travel agents and booking engines were the key revenue

drivers during this short seasonal window, while revenue generated during the off-peak period was mainly from credit card offers for locals. Being the first year of operation, the key strategy for The Calm Resort & Spa was to establish market presence and create greater visibility for the future. Encouragingly, despite being only the first season of operation, the hotel generated positive market feedback.

ONGOING PROJECTS

Sheraton Turtle Beach Resort - Kosgoda

A 172-room super-luxury property, uniquely positioned alongside the Nilwala estuary on the South Western Beaches of Sri Lanka, The Turtle Beach Resort is a 5-star property that will be operated and managed by Sheraton International, with the scheduled launch due to take place in late-2016.

Riverina Hotel - Beruwela

Construction is in progress to convert the former Riverina hotel into a 365-room upscale resort. The hotel, which is spread across 25 acres, with 600 meters of beach front along the iconic “Golden Mile” in Beruwela, is designed as a 5-star property that will offer world-class luxury. With major portion of the construction already complete, negotiations are underway to secure a management contract with an international hotel chain to operate and manage the hotel on a long-term basis.



*The place for relaxation, truly a paradise
“The Paradise Resort & Spa - Dambulla”*

Nasandura - Maldives

Work has commenced to construct an ultra-modern integrated city hotel in Male city. Consisting of a 150-room hotel and 150 apartments, in addition to a high-end retail mall, the project would likely be the most iconic location in the capital city of the Republic of Maldives.

Bodhufarufinolhu in South Ari Atol – Maldives

Work has commenced to construct two high-end resorts in close proximity to the Maamigili Domestic airport. Located in an environmentally protected zone, each resort will consist of 100-rooms and will be located in adjoining islands of approximately 5 hectares each.

FUTURE PLANS

Moving forward, the focus would be to widen the presence both in Sri Lanka and in the Maldives. This would however, be a strategic expansion that will be underpinned by the primary USP of the Browns leisure sector. Accordingly, the following projects have been earmarked for development within the next 3 – 5 year time frame.

City Hotel - Colombo

Currently at the planning stage, the proposed project will see the construction of a 100-room City Hotel, within the Colombo city limits.

Heritage Hotel - Kandy

A project to construct a 4-star hotel designed to exemplify the Kandyan heritage artfully blended with ancient Chinese influences. Currently at the final approval stage, construction of this 99-room property is set to begin in mid-2016 and upon completion, would likely be given out for management to an international hotel chain keen to establish a presence in Kandy.

Bodhufarufinolhu in Raa Atol - Maldives

The proposed project is to construct a resort comprising of four different categories of Villas in this iconic location. Conceptualised to be distinctly different from other offerings in the Maldives, each villa would be symbolic of the finest worldly luxury possible within any individual space.

MANAGEMENT DISCUSSION & ANALYSIS

TRAVEL & LEISURE - CEYLON ROOTS & BROWNS TOURS



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

537

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

21

RS. MN

“Ceylon Roots (Pvt) Ltd, is the fully fledged destination management company and the Inbound travel arm of Browns group.”



A tourist enjoying the scenic beauty of a Sri Lankan village

REVIEW OF OPERATIONS

Ceylon Roots (Pvt) Ltd, is the fully fledged destination management company and the Inbound travel arm of the Browns Group. Ceylon Roots is also contributing significantly to filling the Group hotels and resorts and taking the Browns Group Hotel brands into the international tourism market.

It was a successful year for the company, with strong topline and bottom line growth, led by high volumes generated from all major source markets, including China, India, Europe and the Middle East. This was the result of a concerted effort made throughout the year with reasonable expansions, to promote the group’s leisure brands in these key markets.

From a marketing perspective, the steps taken to consolidate the Ceylon Roots presence and deepen the penetration across all market segments saw the company increase its ground representation in China, India, Italy, Spain, Russia and Middle East.

This helped to boost the mainstream FIT and MICE market segments, especially from India and China. Further efforts to widen the local presence in all other major source markets prompted the company to engage in direct promotional activities to build awareness among travel agencies and tour operators in those countries. As part of the promotional campaign, Ceylon Roots also participated in a number of key travel exhibitions, such as BITE China GITE China / BIT – Milan / Leisure travel fair in Russia / IFTM in Paris.

From an operational perspective, the company continued to invest in improving internal systems and enhancing back-end support to cater to the growing volumes. In this regard, a fully integrated DMC software system was rolled out during the year to streamline internal operational aspects of the system and facilitate online real-time connectivity across all business units.

Work also commenced on the development of an online B2B platform to promote the Group’s leisure brands in Sri Lanka and the Maldives. While the move is aimed at bolstering volumes from key source markets, especially India and China, it is also expected to help in widening the company’s global reach. Designed to be more than just a transitional tool, this online B2B portal which is due to be launched in June 2016, will also act as an easy-travel-guide equipped with a host of useful travel-related information and quick tips for both first-time or even repeat clients booking through Tour Operator and travel agents who wish to explore Sri Lanka or the Maldives.

FUTURE PLANS

Moving forward, the priority for the medium term would be to grow volumes in the mainstream FIT and MICE segments, across all source markets. The success of this strategy would, however, depend on creating greater visibility and marketing Sri Lanka as a must-visit destination.

For Ceylon Roots, this would mean strengthening partnerships to retain existing retail tour operators and online travel agents in all key source markets, together with an aggressive strategy to widen the agent base by directly tapping into tour operators / agents from European countries. The main retention and penetration strategy in this regard would be the interline offers given to retail agents and tour operators in key source markets. Parallel to this effort, the company would also look into possible tie-ups with leading international airlines in order to leverage on their promotional campaigns to market the group’s leisure brands to a wider international traveller base.

As part of the long-term expansion strategy, the Company further expects to tap into the luxury traveller segment as well. In readiness for this move, a dedicated travel unit would be set up in the forthcoming year and will focus on attracting high-spending luxury travellers from UK, Italy, Spain, France, Russia, India and China.

Furthermore, Ceylon Roots will be opening up a service office central to all major cities in China, to service all tour operators who are contracted with Ceylon Roots and lessen the gap of communication and adopting to the working environments with Chinese operators/travel agents.

MANAGEMENT DISCUSSION & ANALYSIS

TRAVEL & LEISURE - BG AIR SERVICES



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

54

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

54

RS. MN

NUMBER OF YEARS
IN OPERATION

50

YEARS

“Having been in the business for the past 50 years, BG Air Services (Pvt) Ltd. is among the top 10 agents in the country ...”



The newly built office premises located at T.B. Jayah Mawatha, Colombo 10.

REVIEW OF OPERATIONS

The tour arm consists of BG Air Services (Pvt) Ltd., where the focus is on outbound tours and specialists in corporate travel.

Having been in the business for the past 50 years, BG Air Services (Pvt) Ltd. is among the top 10 agents in the country, with a market share of approximately 1%. The year 2015/16 was a challenging one for all in the industry including BG Air Services (Pvt) Ltd. The terror attacks in Europe and the Ebola virus were the main challenges that determined the outbound travel patterns in the 2015/16 year. At the same time, the frequent fluctuations in key global currencies led to constant changes in airfares, driving up costs of tours.

Stemming from these uncertainties, mainly Free Independent Travellers (FIT) began postponing travel to conventional outbound destinations, including France, Kenya and

South Africa. BG Air Services (Pvt) Ltd. too was affected by this trend and witnessed a decline in the number of FIT travellers to these destinations. However, to make up for the loss in volumes, the company made a concerted effort to promote other destinations, mainly Indonesia, where the on-arrival Visa process was introduced for Sri Lankans with effect from last March. The move to promote new destinations was spearheaded by a massive above-the-line promotional campaign to create awareness and interest among the FIT market. Following the campaign, Vietnam, Cambodia and the Philippines were some of the other destinations found to be popular choices among the company’s FIT market.

Meanwhile, the head office was relocated to a new, more spacious location in order to accommodate the growing volumes and introduce new value added services to facilitate additional travel requirements that the client may have.

Further efforts to grow this market segment, saw an aggressive strategy to widen the client base across the island. Accordingly two new branches were opened in Anurdhapura and Ratnapura, bringing the total network to 5 branches as at 31st March 2016. Moreover, selective expansion into other areas in the country saw the company leverage on the Browns branch network to appoint authorised agents. The Browns Dambulla branch was the first to be appointed as a BG Air Services (Pvt) Ltd.

authorised agent, with more on the cards for the forthcoming year.

The steps taken to increase the number of destinations on offer along with efforts to widen the customer base, led to a year-on-year increase of 20% in volumes along with a healthy increase in the topline.

Meanwhile, as many of the leading airlines began tightening credit terms across the industry, the company too began aggressively encouraging cash settlements from clients. While this signaled a change from the conventional credit-based operational model, the move nevertheless helped to improve cash flows and profitability.

FUTURE PLANS

With the branch network fast becoming a key revenue driver, the main priority for BG Air Services (Pvt) Ltd. in the forthcoming year, would be to expand the branch coverage across the island. This would however be a selective strategy that would be underpinned by the market potential in the area.

In addition, expanding the number of destinations on offer would also be critical in order to remain competitive and grow market share in the FIT segment. This would require strengthening existing partnerships and looking into possible new tie-ups, in order to continuously enhance the value proposition offered to the customer.

MANAGEMENT DISCUSSION & ANALYSIS

TRAVEL & LEISURE - EXCEL WORLD



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

158

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

91

RS. MN

“Service levels and F & B offerings were also upgraded to give customers a truly world-class experience.”



A customer enjoying a game of pool at Excel World Entertainment Park

REVIEW OF OPERATIONS

Excel World Entertainment Park (EWE) - earlier Excel World is now a fully owned subsidiary of Browns Investments PLC. From a business perspective, the investment in EWE forms part of the group strategy to build a fully-fledged leisure and entertainment model to cater to Sri Lanka’s growing tourism industry.

In line with this thinking, the company continues to make selective investments to remodel the facility on par with international standards.

The introduction of new entertainment equipment, upgrading the food court area and expanding the capacity of the banquet halls are among the major developments that took place during the current financial

year. Service levels and F & B offerings were also upgraded to give customers a truly world-class experience.

FUTURE PLANS

In the long term, the Company expects to convert the six-acre land into a mixed development project consisting of a hypermarket, restaurants, and a conference centre alongside the entertainment centre. It is hoped that this endeavour would help position the Excel World Entertainment Park as one of the major entertainment hotspots in Sri Lanka in the coming years.

MANAGEMENT DISCUSSION & ANALYSIS

REAL ESTATE - BROWNS INDUSTRIAL PARK



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP REVENUE

58

RS. MN

CONTRIBUTION TO
GROUP GROSS PROFIT

55

RS. MN

“Browns Industrial Parks Limited (BIPL) is located within the industrial Zone of Makandura, a highly sought-after industrial region 55km north east of Colombo.”



Warehouse operation at Browns Industrial Park

REVIEW OF OPERATIONS

Browns Industrial Park Limited (BIPL) is located within the industrial Zone of Makandura, a highly sought-after industrial region 55 km north east of Colombo. One of the largest such facilities available in the country, the 25-acre property houses the radiator manufacturing plant of Browns Thermal Engineering Ltd and the three-wheeler battery-manufacturing unit of Browns Motors, in addition to a fully-fledged industrial complex equipped with two main work-floor buildings covering

over 360,000 sqft, a centralized AC system, underground fume extraction tunnel system, a set of 500,000 litre fuel storage tanks and a 4.8MW diesel back-up power plant, capable of supplying electricity to the national grid.

It also contains a waste treatment facility and a chemical treatment plant, which have been constructed in conformity with all the environmental regulations of the country. A separate office and recreational facility building space of nearly 25,000

sqft, cafeteria and other service buildings consisting of over 110,000 sqft are also part of this massive facility.

At present, BIPL operates mainly as a service center catering to the logistical support needs of companies under the Browns Group umbrella. In a bid to consolidate group-wide warehousing operations and improve overall inventory management systems, all warehouse operations were brought under BIPL during the current financial year. As per these new changes, the battery warehouse in Ratmalana and the Browns Healthcare feeder warehouse in Bloomendhal now come under the purview of BIPL.

FUTURE PLANS

With only 14 of the 25 acres currently in use, the Group continues to explore multiple investment opportunities to set up manufacturing businesses at BIPL with potential for expansion.

MANAGEMENT DISCUSSION & ANALYSIS

REAL ESTATE - BROWNS PROPERTIES



OUR BRANDS



KEY STATISTICS

CONTRIBUTION TO
GROUP INCOME

101

RS. MN

“... Browns Properties (Pvt) Ltd., owns and manages the Browns Capital Building, a commercial property located at 19, Dudley Senanayake Mawatha, Colombo 08.”



Modern office space at Browns Capital Building

Both properties were revalued during the year and recorded a fair value gain of Rs. 133 million.

The company declared a dividend of Rs. 14,025,000 for the year, paid to Browns Capital PLC on 16th March 2016.

REVIEW OF OPERATIONS

FLC Properties (Pvt) Ltd., which was renamed Browns Properties (Pvt) Ltd., on 14th January 2016, owns and manages the Browns Capital Building, a commercial property located at 19, Dudley Senanayake Mawatha, Colombo 08. All 11 floors of the building are currently fully occupied and have been rented out to a number of group companies as well as other institutions.

The income generated through rent of commercial space, led to an operating profit of Rs. 98.8 million for the year ended 31st March 2016.

In addition to this building, Browns Properties (Pvt) Ltd., also owns 33.75 perches at No. 05, Sumnar Place, Colombo 08, which is currently being used as a car park for tenants.

FINANCIAL CAPITAL

REVENUE

In the year under review, total revenue for the Browns Group increased to Rs. 19.9 Bn., up 98% from the Rs. 10.0 Bn. recorded in the previous financial year, mainly supported mainly by the plantations and the trading sectors. The contributions made by other sectors and changes to the revenue composition are discussed in the sector revenue analysis below.

SECTOR REVENUE

Trading sector contributed 55% to the total revenue with an increase of Rs. 3.4 Bn. over the previous year. The Plantations sector accounts for 27% of the total revenue through a contribution of Rs. 5.3 Bn., which is reflected in total, for the first time in the Browns Group accounts as at 31st March 2016. The Leisure sector, which tabled revenue of Rs. 1.8 Bn. in the year under review, accounted for 9% to the Group revenue, while the Investments and Manufacturing sectors recorded Rs. 0.7 Bn. and Rs. 0.7 Bn. revenue respectively, together accounted for 8% to the total revenue. Meanwhile, the Healthcare sector, which completed its full year of operation contributed Rs. 0.2 Bn. to the group revenue as at 31st March 2016.

EBIT

Earnings Before Interest and Tax (EBIT) declined to Rs. 134 Mn. from Rs. 2.0 Bn. in the previous year, due mainly to the change in fair value of financial assets, where the Mark to market gain of Rs. 886 Mn. recorded in the previous year, became a mark to market loss of Rs. 344 Mn. in the current financial year. The sharp decline in Capitals markets in the current financial year can be attributed for the mark to market losses as at 31st March 2016.

FINANCE EXPENSES

The Group finance cost increased from Rs. 0.9 Bn. in 2014/15 to Rs. 1.4 Bn. during the year under review, an increase of 54% when compared to the last financial year. This was mainly due to the impact of acquiring Browns Capital Holdings (Pvt) Ltd. and the higher cost of funds resulting from the increase in the Average Weighted Prime Lending Rate (AWPLR) from 6.2% in 2014 to 7.5% in 2015.

SUPER GAIN TAX

Under part III of the Finance Act, No 10 of 2015, the Government imposed a Super Gain Tax, where all companies whose PBT (Profit-Before-Tax) was Rs. 2.0 Bn. or above for the year 2013/14, were liable to pay a one-off tax charge of 25% of the taxable income for that year. The Browns Group Super Gain Tax liability was Rs. 56.1 Mn., which was paid during the current financial year.

LOSS AFTER TAX

The Group made a loss of Rs. 1.3 Bn. during the year under review as opposed to a profit of Rs. 1.1 Bn. in the previous year. The key reason for the loss was the negative impact on the bottom line resulting from the investments made by Browns Investments PLC, particularly the plantations companies, which are expected to show a turnaround in performance only in the longer term. In addition, the mark to market loss and the increase in the finance cost outlined above, together with the fluctuating market conditions are also partly responsible for the Group loss as at 31st March 2016.

TOTAL ASSETS

Total Assets increased to Rs. 61.5 Bn. in the year under review, from Rs. 54.8 Bn. in the last financial year. The resulting increase of Rs. 6.7 Bn. was mainly due investments made in the Leisure, Trading and Investments sectors.

CURRENT RATIO

The current ratio for the year under review dropped to 0.81 from 0.92 in the previous year. However the group continues to maintain a sound asset base to match its liabilities.

DEBT TO EQUITY RATIO

Debt to Equity (D/E) ratio remained at 47% in the year under review, when compared to 41% in the previous year. In order to optimize the utilisation of its debt to equity composition, the Browns Group has made a conscious effort to remain at all times, within Industry D/E levels.

INTEREST COVER

Interest cover has dropped significantly during the year under review to 0.1 times as opposed to 2.3 times in the previous year. This was mainly due to the increase in the finance cost and the sharp decrease of EBIT.

MARKET PRICE PER SHARE (MPS)

In general, trading activity at the Colombo Stock Exchange remained dull throughout the year under review, resulting in overall decline in the ASPI. The price of a Browns share therefore stood at Rs. 79.80 as at 31st March 2016, compared to Rs. 96.50 registered at the end of the last financial year-end.

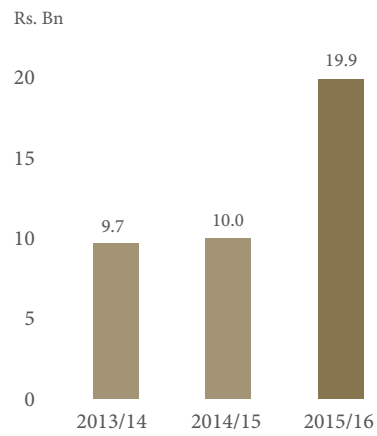
MARKET CAPITALISATION

Market capitalisation decreased to Rs. 5.6 Bn. during the year under review, from Rs. 6.8 Bn. recorded in the previous year, owing to the deteriorating capital market conditions witnessed throughout the year under review.

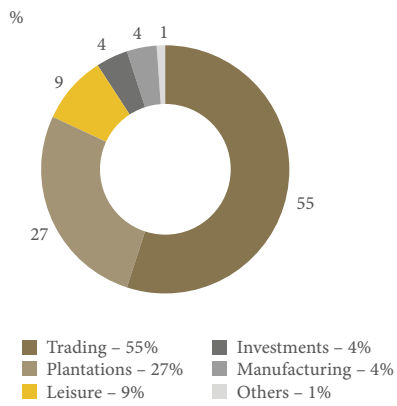
NET ASSETS PER SHARE (NPS)

Net Assets per share increased during the year under review to Rs. 225.90 from Rs. 218.54 a year ago.

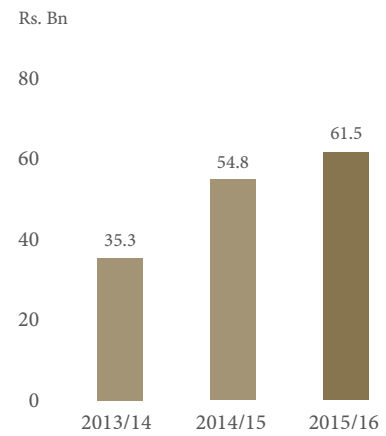
Group Revenue



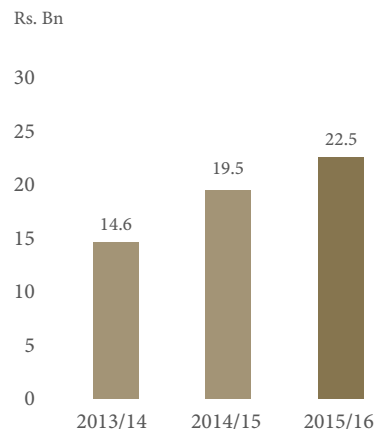
Sector Revenue



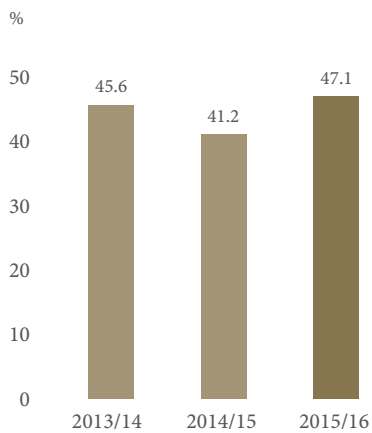
Total Assets



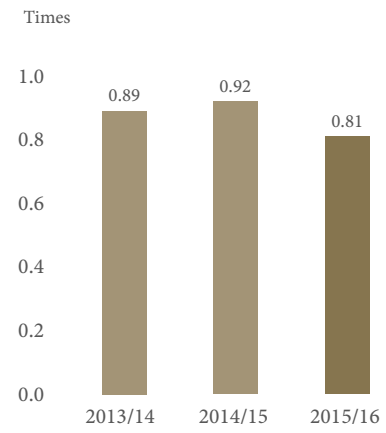
Property, Plant & Equipment



Debt to Equity Ratio



Current Ratio



HUMAN CAPITAL

“A capable and motivated workforce is essential for the success of our business, to achieve outstanding corporate performance and occupy a leading position among Sri Lanka’s corporate sector.”



A capable and motivated workforce is essential for the success of our business, to achieve outstanding corporate performance and occupy a leading position among Sri Lanka’s corporate sector. Which is why we at Brown and Company PLC have put in place a Code of Business Conduct that is binding throughout the Group. This code defines our values and the ethical and legal standards that apply across the group. We are governed by the human rights standards proclaimed by the UN and the conventions of the ILO, which broadly covers the following:

- Freedom of Association and the right to collective bargaining
- Elimination of all forms of forced or compulsory labour
- The effective abolition of child labour
- The elimination of sexual harassment in the workplace

- The elimination of discrimination with respect to employment

These principles are followed when formulating all policies and procedures across the group. The Senior Vice President group HR, who reports directly to the board of directors, is held accountable for compliance and is held answerable for any human rights issues that may arise at an operational level.

Meanwhile, our leadership guidelines provide binding definitions of all management-related principles, which, among other things, specify the respectful treatment of colleagues, the maintenance of a strong feedback culture and the professional development of our employees.

To ensure greater uniformity and better control, we centralised our Human

Resources function, in the current financial year, a move that has led to productive controls, increased efficiencies and economies of scale, which are beginning to show a strong positive impact on our business. However, the process did lead to some degree of involuntary attrition during the current financial year. In this context we made a concerted effort to retain critical talent and focused mainly on nurturing employees within the probationary term.

RECRUITMENT

Our recruitment policy requires us to hire only those candidates who are the most appropriate for open positions, using fair, objective and internationally accepted measurements and evaluation methods. We recruit at three critical entry points, at trainee level, mid career and senior management / leadership level. For mid career and leadership levels, through our internal talent development model we allocate first preference to the internal talent identified through our robust and integrated organisational talent review programme. Further, we also believe that new talent from outside needs to be infused into the system from time to time, in order bring innovative thinking into the system.

This combination allows us to mould leaders for the future based on our defined leadership platform.

REMUNERATION & BENEFITS

Our remuneration systems are based on our employees’ performance and results, in accordance with the industry standards. This is in addition to their fixed salaries, which are specified by collective bargaining agreements or individual employment contracts. Our employees also receive variable remuneration components that depend on their individual job performance and the success of the

company. Accordingly, we have put in place a performance-based reward structure to incentivise those who have delivered results and have done so by exemplifying the Group values.

COLLECTIVE BARGAINING

Where workers elect to be part of the collective bargaining process, working conditions are collectively bargained in good faith. Subjects covered by collective bargaining agreements in effect or negotiated with trade unions include but are not limited to: wages, hours of work, terms and conditions of employment, work rules, health and safety, grievance and disciplinary processes among others. However, our performance driven bonus mechanism is applicable to all, even those employees who are covered under the rules of the collective bargaining agreement.

During the current financial year, we signed a collective bargaining agreement with the CMU, which will be in effect for a period of three years covering clerical and manual staff of the Group.

HEALTH AND SAFETY

The Group takes full responsibility in providing and maintaining a safe and healthy work environment, in accordance with industry standards and in compliance with legislative requirements, and will strive to eliminate any foreseeable hazards which may result in property damage, accidents, or personal injury or illness. Based on our 'Internal Responsibility System', the responsibility for health and safety is shared among all employees. Safety equipment and protective gear are provided, while trained Health and Safety Officers are deployed to ensure compliance with safety procedures.

Supervisors are responsible to ensure that safe and healthy work conditions are maintained within their specific areas and workers are responsible to work safely

by following legislated and Safe Work Procedures and/or Practices within our facilities.

Regular awareness programmes are also carried out, to educate employees, particularly those at our production facilities, regarding Health and Safety aspects. We monitor all accidents (major and minor) that occur at these facilities and ensure that corrective action is initiated to prevent future recurrence.

EMPLOYEE ENGAGEMENT

We realise that employee engagement plays a key role in motivating employees and have identified that an engaged employee experiences meaningful job satisfaction, and feelings of empowerment, leading to greater organisational commitment. In the current financial year, we launched a structured employee engagement calendar, which seeks to achieve the following objectives:

- Provide open and honest communication to employees on both business and individual performance.
- Seek input from employees on important initiatives that impact on their role and work environment.
- Collaborate on the development of business and individual objectives.
- Carefully consider employee feedback and where appropriate act on suggestions offered and/or concerns raised.
- Provide mechanisms for the investigation and resolution of grievances.

TRAINING AND DEVELOPMENT

As a leading corporate in Sri Lanka, we are committed to ensuring that all staff have access to learning, development and training opportunities which enable them to be suitably knowledgeable and skilled to carry out their role within the companies

or divisions they are attached to, and to develop their talents in line with the Groups' overall strategic objectives.

While technical skills are considered particularly important for the manufacturing sectors, our training initiatives also seek to cultivate leadership skills by focusing on five key pillars; Entrepreneurship, Business Achievement, Empowering and Developing, Collaborating for Success, Customer Delight.

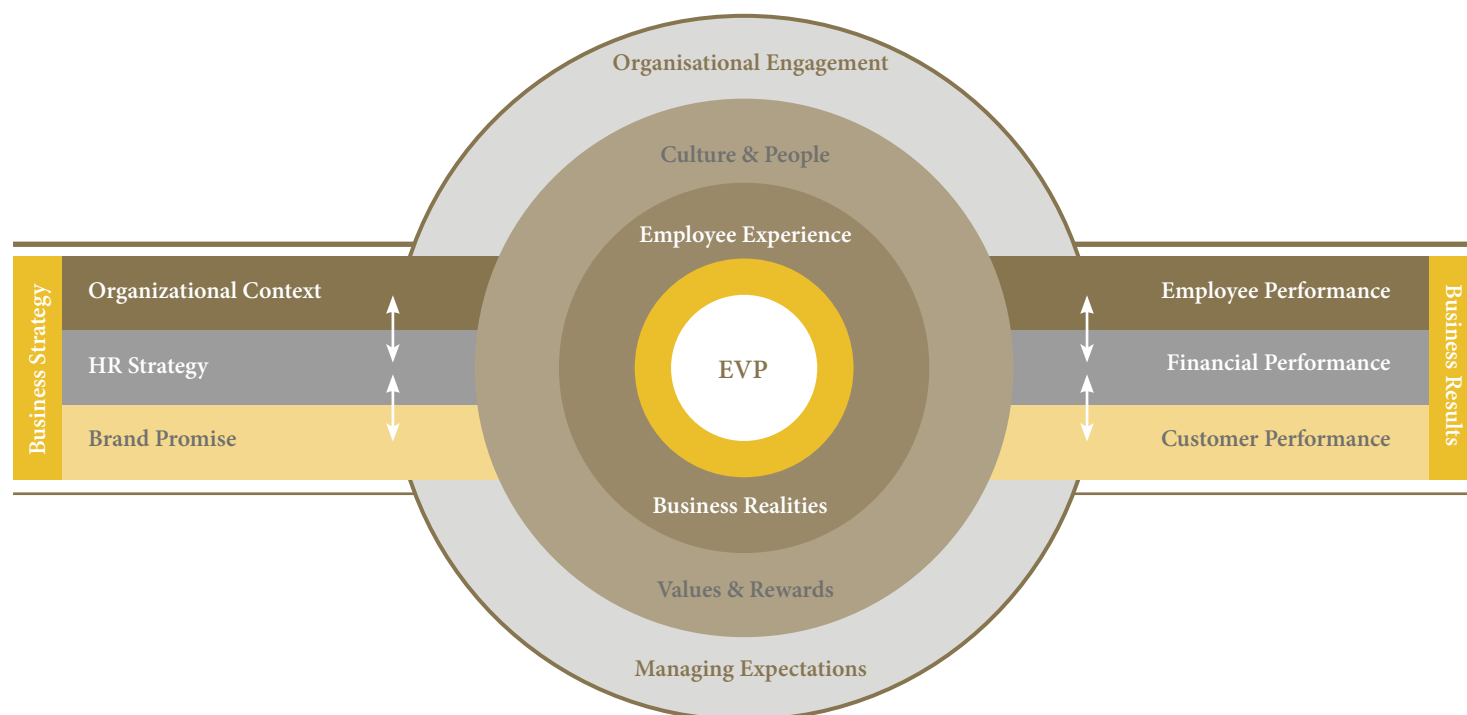
Training accounts for almost 1.5% - 2% of the Groups' total cost, annually.

TALENT MANAGEMENT

As an organisation committed to a strong performance driven culture, our HR philosophy seeks to develop human resources as an asset that would facilitate a competitive advantage in the market. The broader purpose here is workforce optimisation, which is achieved in two ways: continuous cadre rationalisation aimed at improving efficiency levels and keeping employees motivated by providing them with opportunities in tandem with their career goals. In doing so, we see ourselves as a trusted business partner geared to help employees unleash their full potential, both professionally and personally.

Underpinned by this rationale, we have created an employee value proposition (EVP), where employee development is viewed as part of the core business strategy aimed at producing strong business results for the Group. In essence, the EVP model seeks to enhance the professional and personal skills and abilities employees would need to ensure their own success as well as the success of our business.

HUMAN CAPITAL



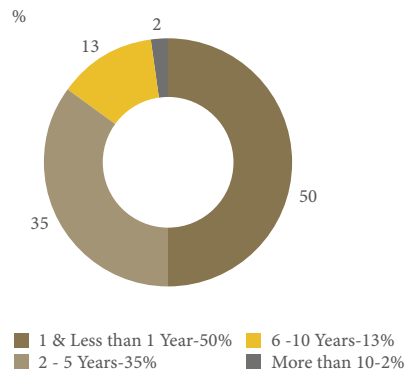
Performance reviews are an integral component of the EVP model, serving as the basis of strategic executive development and effective succession planning. As part of the EVP execution process, we are currently in the process of developing a structured talent review mechanism that seeks to achieve the following objectives;

- Integrated approach to managing talent.
- Visibility of talent pool at top level.
- Organisation-wide process to identify, develop and retain high-potential individuals.
- Leveraging ‘One Browns’ Talent pool.
- Succession Planning for critical positions.
- Assess and address capability/skill gaps.
- Focused approach for developing talent for critical roles.

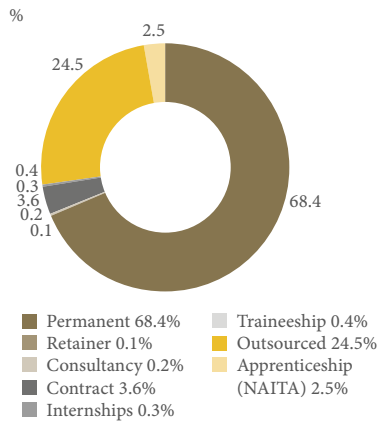
Statistics for 2015/16
Level-wise Gender mix - Brown Group (Excluding companies under Browns Investments)

LEVELS	MALE	FEMALE	TOTAL
UV	1	0	1
SVP	5	0	5
GM	9	1	10
DGM	2	0	2
AGM	8	3	11
Chief Manager	23	5	28
Manager	42	8	50
Assistant Manager	30	6	36
Senior Executive	24	2	26
Executive	73	45	118
Junior Executive	76	26	102
Officer	21	64	85
Clerical & Allied	146	34	180
Manual	80	1	81
Total No. of Employees	540	195	735

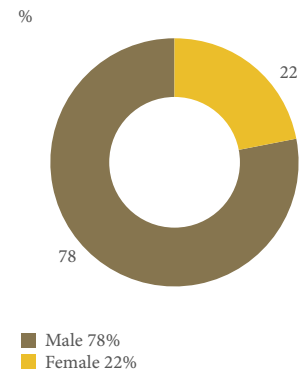
Attrition Rate



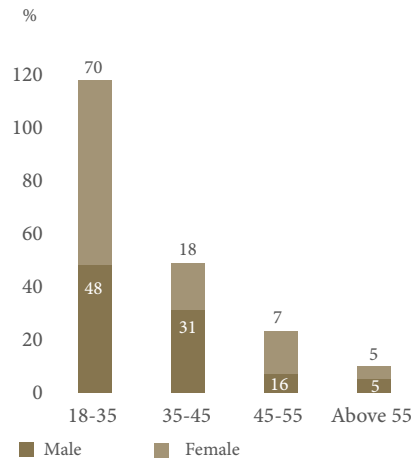
Employee Categorisation



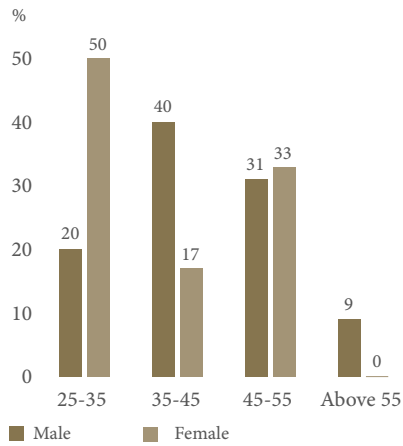
Overall Gender Diversity



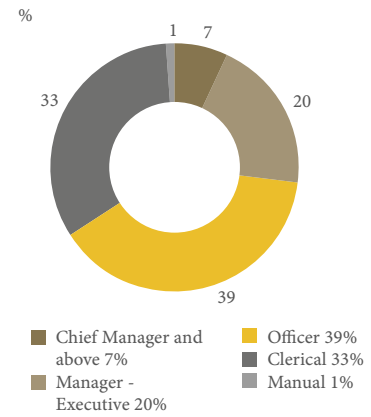
Gender Wise Age Mix



Gender Wise Age Mix - Senior Management



Training Hours



S O C I A L C A P I T A L

“We also play an active role in tackling social issues in order to create a more equitable and inclusive society.”



COMMUNITY SERVICE POLICY

Our corporate responsibility is not limited to our business processes and their direct impact. We also play an active role in tackling social issues in order to create a more equitable and inclusive society.

This understanding of our role is the driving force behind our Group-wide Corporate Citizenship Guidelines, which defines the general criteria and objectives derived from our sense of social responsibility. In this regard, we focus mainly on supporting communities who are closely connected to our work in various locations across the country. In most of our projects, we work in

partnership with like-minded organizations to produce sustainable transformation and greater social integration of these communities.

OUR PROJECTS

Social Upliftment of Worker Communities

Maturata and Pussellawa Plantations

An ongoing capacity building initiative by the plantation companies is to provide estate worker communities with housing and basic community infrastructure to improve their quality of life. Where necessary, collaborative partnerships with local authorities are established to ensure

environmental sustainability and safety management. During the year, the following activities were carried out.

Gal Oya Sugar Factory

Gal-Oya Plantations (Pvt) Ltd consists of 7,659 ha of plantation land with approximately 5,200 ha of cultivatable extent allotted amongst 4,400 families. Given the large number of communities depending on the business, the company has always extended its support to ensure the socio-economic wellbeing of these communities through regular interventions for the upkeep of community infrastructure, improvement of community health and sanitation standards and support of religious and cultural activities that the community engages in.

The company also owns and operates a fully equipped RO water purification plant, with an installed capacity of 100,000 litres per day. Chemical testing and monitoring is done daily by the Gal-Oya staff and verified by experts at the National Water Supply and Drainage Board (NWSDB) to ensure water quality is maintained in accordance with NWSDB parameters.

Commissioned at a cost of Rs. 15 million, the plant currently provides clean drinking water for over 1,000 families who lack access to clean drinking water. Clean drinking water is seen as a dire need for these communities, given the high incidence of CKD (Chronic Kidney Disease), in the area.

Special Project to Assist Rural Farmers

The General Trading Division (GTD), as part of its ongoing initiatives to facilitate the irrigation requirements of rural farmers, launched a special programme to assist local farmers in the Aralaganwila area, in the Polonnaruwa District to enable them to purchase BG Gold Water Pumps on an easy payment scheme. The project, which is carried out in collaboration with the Regional Development Bank (RDB), aims to also provide farmers with the tools needed to carry out their livelihoods successfully and make a worthwhile contribution to their local economy.

Promoting Sustainable Agriculture Communities

As a pioneer in agricultural mechanisation in Sri Lanka, Brown and Company PLC has been changing the face of the agriculture industry and enriching the lives of farming communities for nearly five decades. In addition to the core business activities, various divisions in the Group partner with government and non-governmental organisations to provide extension services to local farming communities through farmer education programmes that promote sustainable farming practices.

Agriculture Division

The ongoing MoU between the Agriculture division and the Farm Machinery Training Centre (FMTC) facilitates training programmes to introduce agricultural mechanisation to farmer communities. Programmes are conducted mainly in the Kurunegala, Puttalam, Anuradhapura, Polonnaruwa Ampara, Trincomalee, Batticaloa and Moneragala districts all areas

that have a high concentration of small Agri-farmers.

The 'SAPSA Sisu Nena Pahana' programme, a special programme for students of agriculture studies to educate them on the use of farm machinery, is also part of the same initiative.

Veterinary Pharmaceuticals Division

The Veterinary Pharmaceuticals division conducts ongoing educational programmes for farmers across Sri Lanka, to create awareness regarding modern farming practices, including the latest trends in the broiler and layer industries, chronic farm animal diseases, methods on increasing productivity and the prevention of disease. During the year, two programmes were held in Galmuruwa, Dummalasooriya. Both were well attended, with over fifty participants at each programme.

A third programme was conducted in Kirindiwela, in partnership with Nevil Farm and supported by Zagro, a company specialising in avian biological products. The programme, which saw the participation of over 100 farmers in the area, is part of a series of monthly educational programmes, aimed at reaching farmers across the country.

Keen to understand farming communities and their need for the latest in product knowledge and good farming practices, such programmes have now become a routine activity for the Veterinary Pharmaceuticals division.

Special Community Service Initiatives

Towards a rabies-free Sri Lanka

The Veterinary Pharmaceutical Division joined hands with Animal SOS Sri Lanka, a local charitable organisation, to provide free rabies vaccinations for outreach programs conducted island-wide, with the aim eradicating rabies from Sri Lanka. In addition to the free vaccinations, the Veterinary Pharmaceutical Division also provided educational material to create awareness among the public on the importance of preventative measures and other information regarding canine health and nutrition.

ENVIRONMENT & NATURAL CAPITAL

“To carry out these activities on a day-to-day basis, we have put in place a comprehensive set of policies and practices to identify, evaluate and manage these impacts.”



ENVIRONMENTAL MISSION STATEMENT

Brown and Company PLC understands and accepts responsibility for the harmful effects that the business operations may have on nature and the environment, which is why we remain fully committed to reduce these impacts as much as possible. At a minimum we will comply with all national environmental regulations and other applicable environmental requirements specific to each business. Further, will ensure adequate resources including personnel are made available to establish, document, implement and maintain environmental programs that will safeguard our natural capital.

This includes promoting re-use and recycling whenever possible and practical, and striving to prevent release of pollutants to the atmosphere, land and water, in addition to adopting preventive programs that help to protect natural resources.

To carry out these activities on a day-to-day basis, we have put in place a comprehensive set of policies and practices to identify, evaluate and manage these impacts.

We remain committed to improving the effectiveness of our environmental management system, evaluating our environmental performance, and reducing

any environmental impacts by setting timely measurable goals to reduce these impacts.

Furthermore, we will continually invest in environmental training and provide information to employees and contractors to promote environmental awareness on the job. We will communicate our environmental commitment and efforts to our customers, staff and community, which we hope will inspire the movement for broader environmental change in the longer term.

CASE STUDIES

Bio-diversity Conservation (Plantation Sector)

Key Objective:

Preservation of waterways and tributaries in the up-country Montane forests and low-country tropical rainforests, located within the estates of the plantation sector companies.

Scope of activities:

Carrying out conservation and habitat enrichment activities by improving the microenvironment suitable for the subsequent introduction of native flora. Monitoring of human activity in these protected areas is also part of the conservation effort.

Waste Management (Browns Hospitals)

Key Objective:

Implement practices and procedures to minimise the environmental impact resulting from the operations.

Scope of activities:

All wastewater generated as part of the day-to-day operations is first treated at the in-house wastewater treatment plant prior to its release to the environment.

Meanwhile, to handle the issue of clinical waste, the hospital has partnered with Finlay Rentokil Ceylon (Pvt) Ltd, a CEA licensed infectious/clinical waste management firm, which ensures the safe collection and proper disposal of infectious waste.

All bio-medical waste is segregated from municipal waste, and preliminary arrangements have been made with the Kandy Four Gravets and Gangawata Korale Pradeshiya Saba for the safe removal on a daily basis. A separate biomedical waste storage chamber has also been set up prevent odour generation and spill runoffs during the handling process.

Battery Recycling Project (Battery Division)

Key Objective:

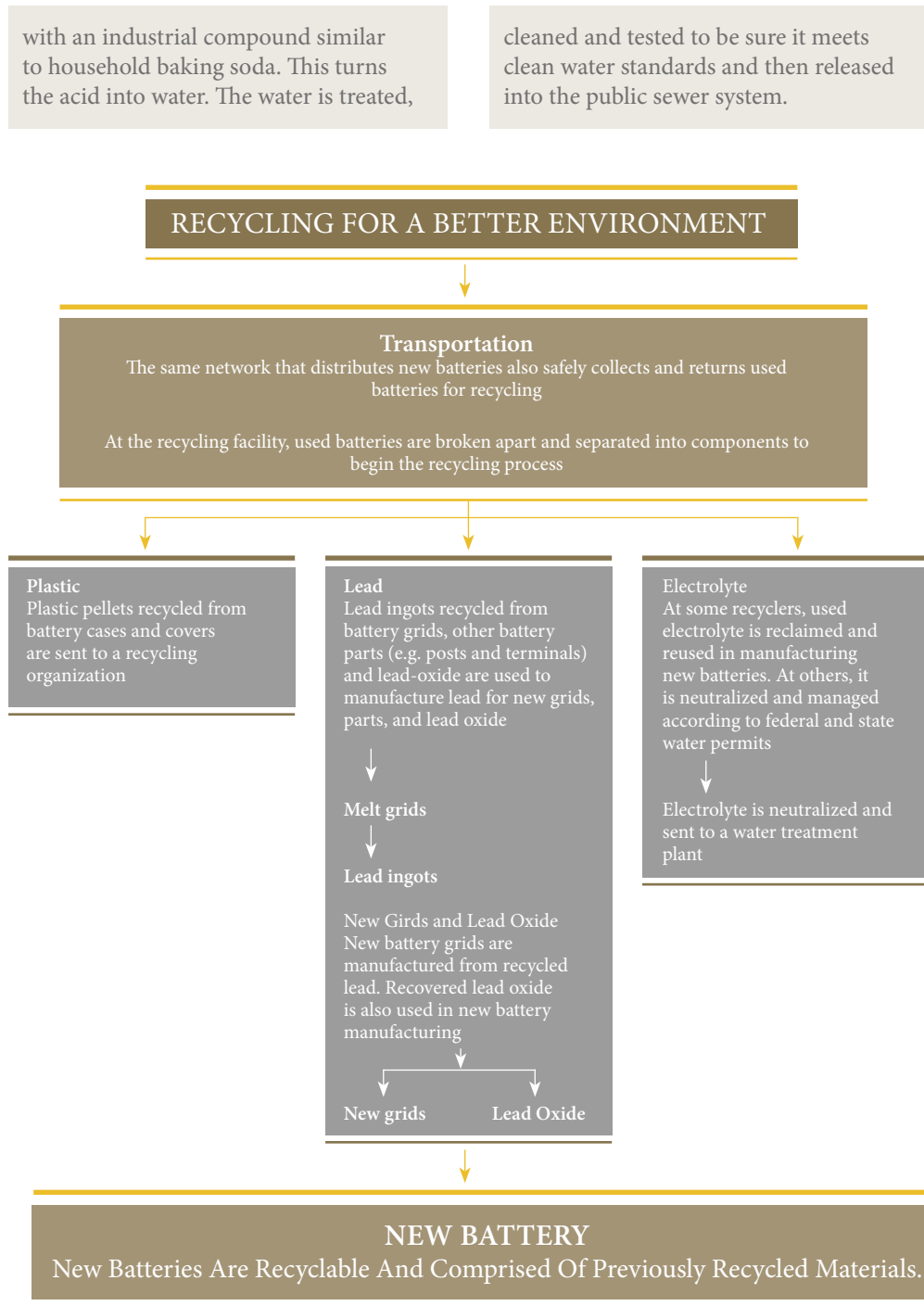
Recycling all components of used lead batteries

Scope of activities:

The closed-loop cycle of the lead battery allows almost 99% of the used automotive battery unit to be recycled, which means a typical new lead battery contains 60% to 80% recycled lead and plastic. All used lead batteries collected by Browns dealers and distributors are fully recycled at the in-house recycling unit. All components so recycled are then reused in the manufacturing process. Broadly, the recycling process generates plastic, which is recycled and reused for the manufacture of battery casings and lead, which is used in the production of new lead plates and other parts needed for the manufacture of new batteries. The Sulfuric Acid in the battery is neutralised

with an industrial compound similar to household baking soda. This turns the acid into water. The water is treated,

cleaned and tested to be sure it meets clean water standards and then released into the public sewer system.



FINANCIAL STATEMENTS

POSITIVE YEAR ON
YEAR PROGRESS



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ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Brown and Company PLC have pleasure in presenting to members their Report and the Audited Consolidated Financial Statements for the year ended 31st March 2016.

The Financial Statements and the disclosures made herein conform to the requirements of the Companies Act No. 7 of 2007. The Report also includes relevant disclosures required to be made under the Listing Rules of the Colombo Stock Exchange and is guided by the recommended best practices on accounting and corporate governance.

BROWN AND COMPANY PLC

Brown and Company PLC is a public limited liability company incorporated in Sri Lanka on 17th August 1892 under Joint Stock Companies Ordinance 1861 and the Company was re-registered as required under the provisions of the Companies Act No. 07 of 2007 on 25th July 2007. The Company was listed on the Main Board of the Colombo Stock Exchange on 25th April 1991. The Registered Office of the Company is 481, T.B. Jayah Mawatha, Colombo 10. The Business Office is situated at No. 34, Sir Mohamed Macan Markar Mawatha, Colombo 3.

VISION, MISSION AND CORPORATE CONDUCT

The Vision and Mission statements are given on page 2 of this Annual Report.

The Company conducts its business activities at a high level and ethical standard in achieving its vision and mission. The Board of Directors of the Company as well as its employees have pledged to abide by and comply with the respective Codes of Conducts and Ethics.

PRINCIPAL ACTIVITIES

Browns Group consists of a portfolio of diverse business operations in the commercial market today by continuously expanding in all business segments in line with the core strategy of creating wealth for all stakeholders.

The principal activities of Brown and Company PLC are described in the Integrated Management Discussion and Analysis on pages 78 to 151 of the Report.

The review of the Group progress and performance during the year with comment on the financial results and prospects is contained in the Chairman's Review.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Browns Group will continue to align itself with strategic areas in the national economy, with Sri Lanka well positioned to grow in sectors such as leisure and tourism, construction, agri-business and healthcare, among others. Large construction projects that are in the pipeline offer significant potential for related goods and services marketed by the organization.

GROUP TURNOVER

The Turnover of the Group was Rs. 19.9 Bn as compared with Rs. 10.1 Bn in the previous year. A detailed analysis of the Group Turnover is given in Note No. 4 of the Financial Statements.

GROSS PROFIT

The Group Gross Profit for the year was Rs. 3.8 Bn compared with the Group Gross Profit of Rs. 2.9 Bn for the previous year.

GROUP INVESTMENTS

Investments of the group and company in subsidiaries, associates, joint ventures, long term and short term investments amounted to Rs. 3,908 Mn (2015 - Rs. 5,405 Mn) and Rs. 10,360 Mn (2015 - Rs. 10,907 Mn) respectively. A detailed description of the subsidiaries, associates, joint ventures, long term and short term investments are fully described in Notes 18 to 20 and Note 28.

PROPERTY, PLANT AND EQUIPMENT

Information relating to the movement in Property, Plant and Equipment is given in Note 12 of this Financial Statements.

MARKET VALUE OF PROPERTIES

Revaluations are made with sufficient regularity for land and buildings owned by the Group and the Company by independent professional valuers. A detailed description is given in Notes 12 and 13 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company as at the date of this Report is Rs.2,005,601,000 which consists 70,875,000 ordinary shares (2015 - Rs.2,005,601,000).

RESERVES

The total Group Reserves at 31st March 2016 amounts to Rs. 14 Bn as compared with Rs. 13 Bn in the previous year.

SEGMENT REPORTING

Segment wise contribution to group revenue, results, assets and liabilities is provided in Note 48 to the Financial Statements.

TAXATION

Income tax expense for the Group is Rs. 74 Mn compared to Rs. 76 Mn in the previous year. Income tax expense for the Company is Rs. 48 Mn compared to Rs. 48 Mn in the previous year. Taxation has been provided at the appropriate rates indicated in Note No 9 of the Financial Statements

SHARE HOLDINGS / SHARE INFORMATION

The market value of an ordinary share of the Company as at 31st March 2016 was Rs. 79.80 (31st March 2015 – Rs. 96.50). The number of shareholders as at 31st March 2016 was 2,593 (31st March 2015 – 2,519). An analysis of shareholders based on shares held, the distribution of ownership and market values for the last five years are provided on pages 278 to 279.

The information in respect of earnings, dividends, net assets per share is given on page 22.

SHAREHOLDERS

It is a Group policy to treat its shareholders equitably and maximize shareholder wealth. Quarterly returns of financial results with any developments or changes would be circulated to the shareholders on a timely basis.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Events Occurring after the Balance Sheet Date are disclosed in Note No 47 to the Financial Statements.

EMPLOYMENT POLICIES

The Group employment policies respects the individuals and offers equal career

opportunities, regardless of sex, race or religion and consider the relationship with the employees to be good. The number of persons employed in the Company as at 31st March 2016 was 501 (31st March 2015 was 465).

The Company promotes a culture of teamwork, integrity and dedication and remuneration is linked to performance by annual appraisals of both qualitative and quantitative performance of all employees.

CUSTOMERS

The Group firmly believes in investing time and effort in discovering exactly what the customer wants and then giving it to them at the best price and building relationship and loyalty by supplying the demand in the best manner possible every single time. In other words, we believe in selling customer excellence. In addition the Company also carries out customer awareness programmes and customer service campaigns. The Company deals with both corporate and retail customers.

SUPPLIER POLICY

The Group places great emphasis on the importance of suppliers to the Group and building loyalty and ensure payments promptly. Further a clear communication terms of payment as part of commercial agreements is being maintained.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Group Companies, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and its Group Companies and all other known

statutory dues as were due and payable by the Company and Group Companies as at the statement of financial position date have been paid or, where relevant provided for.

ENVIRONMENTAL PROTECTION

It is the Group policy to keep the adverse effect on the environment to a minimum and to promote co-operation and compliance with the relevant authorities and regulations.

CORPORATE GOVERNANCE & INTERNAL CONTROL

The information called for by this item with respect to the practice followed by the Group is set out in the Corporate Governance statement on pages 44 to 70.

GOING CONCERN

As in the statement of Directors' Responsibilities given on page 159 the Directors are satisfied that the Company, its subsidiaries and associates have adequate resources to continue in operational existence for the foreseeable future to justify in adopting the going concern basis in preparing the Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

PROFIT AND APPROPRIATIONS

Group	2016 Rs.000	2015 Restated Rs.000
Retained Profit brought forward	12,200,875	10,809,655
Super Gain Tax	(56,173)	-
Profit/(loss) for the year	(205,109)	1,331,699
Defined Benefit Plan Actuarial Gain/ (Loss), (Net of Tax)	53,690	(8,333)
Realized Revaluation on Disposals	11,695	16,484
Share of other comprehensive income of equity accounted investees (Net of Tax)	-	(15,105)
Realized Revaluation on Disposal of equity accounted investees	24,678	-
Change in effective holding	(9,670)	176,480
Other Movement in Net Assets in Equity Accounted Investees	-	88,941
Dividend Paid	(21,802)	(187,819)
Transaction Cost of share issue	(1,108)	(11,127)
Retained Profit carried forward	11,997,076	12,200,875

Company	2016 Rs.000	2015 Rs.000
Retained Profit brought forward	10,722,435	9,585,355
Super Gain Tax	(31,435)	-
Profit for the year	536,488	1,331,258
Defined Benefit Plan Actuarial Losses, (Net of Tax)	(2,716)	(6,359)
Dividend paid	(21,263)	(187,819)
Retained Profit carried forward	11,203,509	10,722,435

DIRECTORATE

The Directors of the Company during the year under review were as follows:

Ishara Nanayakkara
Executive Chairman

Kapila Jayawardena
Non-Executive Director

Kalsha Amarasinghe
Non-Executive Director

Rajah Nanayakkara
Non-Executive Director

Janaka de Silva
Independent Non-Executive Director

Tissa Bandaranayake
Independent Non-Executive Director

Shanker Somasunderam
Non-Executive Director (Resigned w.e.f. 04.12.2015)

DIRECTORS' MEETINGS

The Directors conduct Board Meetings on a monthly basis. Board decisions are resolved by resolutions at meetings, by circulation and also through circular Board papers which are approved and signed by all the Directors and tabled at the Board Meetings. The Minutes of the Board Meetings, the Agenda for the next meeting and the monthly Management Reports are circulated to all the Directors in advance to the meetings.

A schedule of Directors' attendance at Board Meetings and at Board Sub-Committee Meetings is appended in the Corporate Governance Report on pages 44 to 70.

RE-ELECTION OF DIRECTORS

In accordance with Article No. 24(6) of the Articles of Association of the Company Kalsha Amarasinghe, Non-Executive Director retires by rotation and being eligible offers herself for re-election.

In accordance with Section 210 of the Companies Act No. 7 of 2007 Janaka de Silva, Independent Non-Executive Director retires and offers himself for re-election. A Special Notice has been received pursuant to Sections 145 and 211 of the Companies Act No. 7 of 2007 of the intention to propose ordinary resolution for such re-election notwithstanding the age limit of 70 years stipulated by Section 210 of the said Companies Act for a period of one year or until the conclusion of the next Annual General Meeting which ever occurs first.

In accordance with Section 210 of the Companies Act No. 7 of 2007 Rajah Nanayakkara, Non-Executive Director retires and offers himself for re-election. A Special Notice has been received pursuant to Sections 145 and 211 of the Companies Act No. 7 of 2007 of the intention to propose ordinary resolution for such re-election notwithstanding the age limit of 70 years stipulated by Section 210 of the said Companies Act for a period of one year or until the conclusion of the next Annual General Meeting which ever occurs first.

In accordance with Section 210 of the Companies Act No. 7 of 2007 Tissa Bandaranayake, Independent Non-Executive Director retires and offers himself for re-election. A Special Notice has been received pursuant to Sections 145 and 211 of the Companies Act No. 7 of 2007 of the intention

to propose ordinary resolution for such re-election notwithstanding the age limit of 70 years stipulated by Section 210 of the said Companies Act for a period of one year or until the conclusion of the next Annual General Meeting which ever occurs first.

BOARD COMMITTEES

The Board has established committees for better monitoring and guidance of different aspects of operations and control.

Audit Committee

Tissa Bandaranayake
Chairman / Independent Non-Executive Director

Janaka de Silva

Independent Non-Executive Director

Kalsha Amarasinghe

Non-Executive Director

The Audit Committee reviewed the type and quantum of non-audit services provided by the External Auditors to the Group to ensure that their independence as Auditors has not been impaired.

The report of the Audit Committee is given on pages 71 to 72.

Remuneration Committee

Kalsha Amarasinghe
Non-Executive Director

Tissa Bandaranayake

Independent Non-Executive Director

Janaka de Silva

Independent Non-Executive Director

The report of the Remuneration committee is given on page 73.

Related Party Transactions Review Committee

The Related Party Transaction Review Committee was constituted on 21st December 2015.

Tissa Bandaranayake

Independent Non-Executive Director/ Chairman

Janaka De Silva

Independent Non-Executive Director

Kapila Jayawardena

Non-Executive Director

Kalsha Amarasinghe

Non-Executive Director

Ishara Nanayakkara

Executive Director

The report of the Related Party Transaction Review Committee is given on page 74.

Business Operations Committee

Ishara Nanayakkara
Executive Chairman

Kalsha Amarasinghe

Non-Executive Director

Kapila Jayawardena

Non-Executive Director

Group Management Committee

Ishara Nanayakkara
Executive Chairman and Senior Management

The report of the Business Operations committee is given on page 75.

INTEREST REGISTER

The Directors have made the declarations required by the Companies Act No. 7 of 2007. These have been entered into the

Interest Register which is maintained by the Company.

The Company carried out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note No 42 to the Financial Statements.

DIRECTORS' SHAREHOLDINGS

The Directors interests in shares as at 31st March 2016 and 31st March 2015 were as follows :-

	As at 31st March 2016	As at 31st March 2015
Ishara Nanayakkara	99,900	99,900
Kapila Jayawardena	Nil	Nil
Kalsha Amarasinghe	Nil	Nil
Rajah Nanayakkara	Nil	Nil
Janaka de Silva	Nil	Nil
Tissa Bandaranayake	Nil	Nil

REMUNERATION OF DIRECTORS

The Directors emoluments are disclosed in Note No 8 to the Financial Statements.

LIST OF MAJOR SHAREHOLDERS

The list of 20 major shareholders and the percentage held by each at 31st March 2016 is given on page 279 of the Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

SUBSIDIARY AND ASSOCIATE COMPANIES AND IT'S DIRECTORS

The Directors of subsidiary and associate companies as at date are given on pages 280 to 282 of the Annual Report.

AUDITORS' REPORT

The Auditors of the Company Messrs KPMG, Chartered Accountants have carried out the audit of the Consolidated Financial Statements for the financial year ended 31st March 2016 and their Report on the Financial Statements appear on pages 160 to 161 of this Annual Report.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 170 to 187.

ANNUAL REPORT

The Board of Directors approved the consolidated financial statements on 20th June 2016. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitory Board on or before 13th August 2016.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Park Premier, Excel World, No. 338, T.B. Jayah Mawatha, Colombo 10 on the Fifth day of August 2016 at 03 : 00 p.m. The Notice of the Annual General Meeting is given on page 285.

AUDITORS

In accordance with Section 154 (1) of the Companies Act No. 7 of 2007 a resolution proposing the reappointment of Messrs. KPMG, Chartered Accountants as Auditors

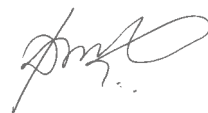
of the Company for the ensuing year will be proposed at the Annual General Meeting.

In terms of Section 155 (a) of the Companies Act No. 7 of 2007 a resolution authorizing the Directors to fix the remuneration of the Auditors Messrs. KPMG, Chartered Accountants for the ensuing year will be proposed at the Annual General Meeting.

The fees paid to Auditors are disclosed in Note 8 to the financial statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries other than those disclosed above. The Auditors also do not have any interest in the Company or any of its group Companies.

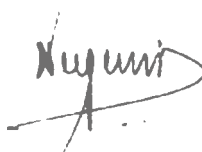
For and on behalf of the Board



Ishara Nanayakkara
Executive Chairman



Kapila Jayawardena
Director



S.F.L. SERVICES (PVT) LTD
Secretaries

Colombo
20th June 2016

S T A T E M E N T O F D I R E C T O R S ' R E S P O N S I B I L I T Y

The responsibility of the Directors in relation to the Financial Statements for the year ended 31st March 2016 which have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Listing Rules of the Colombo Stock Exchange and the Companies Act No.7 of 2007, is set out in the following statement.

The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors on pages 160 to 161 of the Report. As per the provisions of the Companies Act No. 7 of 2007, the Directors are required to prepare Financial Statements, for each financial year and place before a General Meeting which comprise of:

- 1) An Income Statement, which presents a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year;
- 2) A Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year;
- 3) A Statement of changes in Equity which presents a true and fair view of the changes in the Company's and its Subsidiaries retained earnings for the financial year;
- 4) A Statement of Cash Flow which presents a true and fair view of the flow of cash in and out of the business for the financial year

and which comply with the requirements of the Act.

The Directors are of the view that, in preparing these Financial Statements :

- The appropriate accounting policies have been selected and applied in a consistent manner. Material deviations, if any have been disclosed and explained;
- All applicable Accounting Standards, as relevant, have been followed.
- Judgements and estimates have been made which are reasonable and prudent.

The Directors are also of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group, also to reflect the transparency of transactions and to ensure that the Financial Statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the Assets of the Company and that of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their Audit Opinion.

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

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the Balance Sheet date have been paid or, where relevant provided for.

The Board of Directors confirms that the Company, based on the information available, satisfies the Solvency test as and when required according to the Section 56(2) of the Companies Act No 07 of 2007.

By order of the Board



Ishara Nanayakkara
Executive Chairman

20th June 2016

I N D E P E N D E N T A U D I T O R S ' R E P O R T



KPMG
 (Chartered Accountants)
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 Sri Lanka.

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 Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF BROWN AND COMPANY PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Brown and Company PLC, (“the Company”), and the consolidated financial statements of the Company and its subsidiaries (“Group”), which comprise the statement of financial position as at March 31, 2016, and the income statement, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 162 to 274 of the annual report.

Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial

statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

A handwritten signature of the KPMG firm, written in a dark ink.

CHARTERED ACCOUNTANTS

Colombo.

June 20, 2016

I N C O M E S T A T E M E N T S

For the year ended 31st March	Notes	Group		Company	
		2016 Rs.000	2015 (Restated) Rs.000	2016 Rs.000	2015 Rs.000
Revenue	4	19,890,181	10,072,684	10,547,248	7,060,886
Cost of Sales		(16,060,382)	(7,199,297)	(8,436,179)	(5,548,236)
Gross Profit		3,829,799	2,873,387	2,111,069	1,512,650
Other Income	5	1,009,342	1,679,370	793,662	1,588,765
Distribution Expenses		(683,269)	(489,879)	(402,093)	(256,981)
Administrative Expenses		(3,336,241)	(2,470,139)	(1,031,384)	(964,497)
Other Expenses	6	(660,048)	(88,310)	(424,315)	(168,916)
Finance Costs	7	(1,370,381)	(893,396)	(462,766)	(353,720)
Change in Fair Value of Investment Properties	13	114,950	(55)	237	21,545
Change in fair Value of consumable biological assets		(194,354)	-	-	-
Gain on Bargaining Purchases		-	495,468	-	-
Share of Profit of Equity Accounted Investees (Net of Tax)	19	53,651	83,718	-	-
Profit/(loss) before Taxation	8	(1,236,551)	1,190,164	584,410	1,378,846
Income Tax Expense	9	(74,201)	(75,793)	(47,922)	(47,588)
Profit/(loss) for the Year		(1,310,752)	1,114,371	536,488	1,331,258
Profit/(loss) Attributable to:					
Equity holders of the Company		(205,109)	1,331,699	536,488	1,331,258
Non-Controlling Interests		(1,105,643)	(217,328)	-	-
Profit/(loss) for the year		(1,310,752)	1,114,371	536,488	1,331,258
Basic Earnings/(loss) per Share (Rs.)	10.1	(2.89)	18.79		
Diluted Earnings/(loss) per Share (Rs.)	10.2	(2.89)	18.79		

The Notes as set out in Pages 170 to 274 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 (Restated) Rs.000	2016 Rs.000	2015 Rs.000
Profit/(loss) for the Year	(1,310,753)	1,114,371	536,488	1,331,258
Other Comprehensive Income				
Items that will never be Reclassified to Profit or Loss				
Revaluation of property, plant and equipment	1,821,091	340,692	285,729	171,959
Deferred Tax impact on Revaluation	(106,711)	2,266	-	2,266
Actuarial Gains / (Losses) on defined benefit obligations, (Net of Tax)	464,353	(9,645)	(2,716)	(6,359)
Realization of previously recognized revaluation gains	(81,041)	-	-	-
Share of other comprehensive income of equity accounted investees (Net of Tax)	56,055	(35,553)	-	-
Items that are or may be Reclassified to Profit or Loss				
Net Change in Fair Value of Available-for-Sale Financial Assets	169,350	109,968	(386)	(114,374)
Exchange gain from translation of foreign operations	39,101	-	-	-
Other Comprehensive Income for the year	2,362,199	407,728	282,627	53,492
Total Comprehensive Income for the year	1,051,446	1,522,099	819,115	1,384,750
Attributable to:				
Equity holders of the Company	613,059	1,534,005	819,115	1,384,750
Non-Controlling Interests	438,387	(11,906)	-	-
Total Comprehensive Income for the year	1,051,446	1,522,099	819,115	1,384,750

The Notes as set out in Pages 170 to 274 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

As at 31st March	Notes	Group			Company	
		2016 Rs.000	2015 (Restated) Rs.000	01st April 2014 (Restated) Rs.000	2016 Rs.000	2015 Rs.000
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	12	22,499,974	19,464,012	14,625,051	2,814,103	4,332,196
Investment Properties	13	9,112,316	7,199,267	6,185,968	2,079,695	55,192
Prepaid Lease Rentals	14	1,212,254	818,140	51,088	123,392	125,203
Intangible Assets	15	1,587,350	1,462,618	1,393,307	5,492	25,881
Bearer Biological Assets	16	4,811,350	4,657,515	-	-	-
Consumable Biological Assets	17	6,150,989	6,383,655	-	-	-
Investments in Subsidiaries	18	-	-	-	7,989,642	8,192,061
Investments in Equity Accounted Investees	19	291,323	1,256,886	2,169,554	261,998	261,998
Other Financial Assets	20	1,024,588	895,131	1,187,307	-	454
Deferred Tax Assets	21	878,606	428,568	231,533	214,081	198,991
Loans to Related Parties	22	253,948	230,086	685,045	124,128	111,386
Amounts due from Related Parties	26	-	-	-	830,000	-
Total Non-Current Assets		47,822,698	42,795,878	26,528,853	14,442,531	13,303,362
Current Assets						
Inventories	23	3,096,549	1,673,916	1,593,220	2,268,179	849,253
Trade and Other Receivables	24	5,245,649	4,297,701	2,916,150	2,513,612	2,063,059
Loans to Related Parties	25	772,526	1,596,627	848,629	2,291,051	3,096,344
Amounts due from Related Parties	26	113,540	236,123	467,914	460,086	393,272
Income Tax Recoverable	27	48,384	58,184	81,077	4,768	14,787
Other Financial Assets	28	2,592,277	3,253,081	2,487,689	2,108,623	2,452,593
Cash and Cash Equivalents	29	1,846,355	873,780	337,233	202,747	117,841
Total Current Assets		13,715,280	11,989,412	8,731,912	9,849,066	8,987,149
TOTAL ASSETS		61,537,978	54,785,290	35,260,765	24,291,597	22,290,511
EQUITY AND LIABILITIES						
Stated Capital	30	2,005,601	2,005,601	2,005,601	2,005,601	2,005,601
Capital Reserves	31.1	2,010,848	1,282,743	1,072,759	1,881,139	1,595,796
Revenue Reserves	31.2	11,997,076	12,200,875	10,809,655	11,203,509	10,722,435
Equity Attributable to Equity holders of the Company		16,013,525	15,489,219	13,888,015	15,090,249	14,323,832
Non-Controlling Interests		18,145,838	17,499,633	8,462,687	-	-
Total Equity		34,159,364	32,988,852	22,350,702	15,090,249	14,323,832

As at 31st March	Notes	Group			Company	
		2016 Rs.000	2015 (Restated) Rs.000	01st April 2014 (Restated) Rs.000	2016 Rs.000	2015 Rs.000
Non-Current Liabilities						
Interest Bearing Borrowings	32	5,260,908	4,575,834	2,681,819	1,589,182	438,106
Finance Lease Obligations	33.1	316,574	337,277	7,386	430	2,000
Retirement Benefit Obligations	34	1,735,268	2,229,246	121,773	101,544	85,369
Deferred Tax Liabilities	35	1,611,206	1,026,960	251,838	-	-
Deferred Income	36	652,105	632,879	27,551	9,786	9,123
Loans from Related Parties	38	925,360	-	-	-	-
Total Non-Current Liabilities		10,501,421	8,802,196	3,090,367	1,700,942	534,598
Current Liabilities						
Trade and Other Payables	37	3,476,608	3,083,506	1,623,694	1,409,956	1,423,979
Interest Bearing Borrowings	32	3,169,098	3,376,773	4,658,792	734,290	288,182
Finance Lease Obligations	33.2	25,751	25,446	4,981	1,595	3,085
Loans from Related Parties	38	950,225	252,846	250,000	8,670	150,917
Amounts due to Related Parties	39	3,643,520	612,376	456,289	66,232	579,715
Income Tax Payable	40	96,916	63,065	73,131	28,925	-
Dividend Payable		64,308	64,848	47,054	55,010	51,368
Short Term Interest Bearing Borrowings		4,755,237	5,013,913	2,404,754	4,710,098	4,673,000
Bank Overdrafts	29	695,530	501,469	301,001	485,630	261,835
Total Current Liabilities		16,877,193	12,994,242	9,819,696	7,500,406	7,432,081
TOTAL EQUITY AND LIABILITIES		61,537,978	54,785,290	35,260,765	24,291,597	22,290,511

The Notes as set out in Pages 170 to 274 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

I certify that these Financial Statements have been prepared and presented in compliance with the requirements of the Companies Act No.7 of 2007.



Thamotharampillai Sanakan
Group Chief Financial Officer

The Board of Directors is responsible for the Preparation and Presentation of these Financial Statements.

Signed for and on behalf of the Board,



Ishara Nanayakkara
Executive Chairman



Kapila Jayawardena
Director

Colombo
20th June 2016

STATEMENT OF CHANGES IN EQUITY - GROUP

	Equity Attributable to Equity holders of the Company						Non-Controlling Interests Rs.000	Total Equity Rs.000
	Stated Capital Rs.000	Revaluation Reserve Rs.000	Available - for - Sale Reserve Rs.000	Foreign Exchange Reserve Rs.000	Retained Earnings Rs.000	Total Rs.000		
Balance as at 1st April 2014	2,005,601	1,362,951	(290,192)	-	10,911,989	13,990,349	8,624,917	22,615,266
Effects of changes in Accounting Policy (Note 46)	-	-	-	-	(102,334)	(102,334)	(162,230)	(264,564)
Balance as at 1st April 2014 (Restated)	2,005,601	1,362,951	(290,192)	-	10,809,655	13,888,015	8,462,687	22,350,702
Profit/(loss) for the year	-	-	-	-	1,331,699	1,331,699	(217,328)	1,114,371
Other Comprehensive Income								
Revaluation of Property, Plant and Equipment	-	239,031	-	-	-	239,031	101,661	340,692
Deferred Tax impact on Building Revaluation	-	2,266	-	-	-	2,266	-	2,266
Share of other comprehensive income of equity accounted investees (Net of Tax)	-	765	213	-	(15,105)	(14,127)	(21,426)	(35,553)
Net Change in Fair value of Available-For-Sale Financial Assets	-	-	(16,531)	-	-	(16,531)	126,499	109,968
Defined Benefit Plan Actuarial Losses, (Net of Tax)	-	-	-	-	(8,333)	(8,333)	(1,312)	(9,645)
Total Other Comprehensive Income for the year	-	242,062	(16,318)	-	(23,438)	202,306	205,422	407,728
Transactions with owners directly recorded in the Equity								
Realized Revaluation on Disposals	-	(16,484)	-	-	16,484	-	22,246	22,246
Change in effective holding	-	-	-	-	176,480	176,480	(135,035)	41,445
On Acquisition of Subsidiary with Non-Controlling Interests	-	-	-	-	-	-	7,633,479	7,633,479
Other Movement in Net Assets in Equity								
Accounted Investees	-	36	688	-	88,941	89,665	135,920	225,585
Dividend Paid	-	-	-	-	(187,819)	(187,819)	(15,447)	(203,266)
Issue of Ordinary shares by Subsidiaries	-	-	-	-	-	-	1,425,690	1,425,690
Transaction Cost of share issue	-	-	-	-	(11,127)	(11,127)	(18,001)	(29,128)
Balance as at 31st March 2015	2,005,601	1,588,565	(305,822)	-	12,200,875	15,489,219	17,499,633	32,988,852
Super Gain Tax (Note 9.5)	-	-	-	-	(56,173)	(56,173)	-	(56,173)
Adjusted Balance as at 01st April 2015	2,005,601	1,588,565	(305,822)	-	12,144,702	15,433,046	17,499,633	32,932,679
Loss for the year	-	-	-	-	(205,109)	(205,109)	(1,105,643)	(1,310,752)
Other Comprehensive Income								
Revaluation of Property, Plant and Equipment	-	698,640	-	-	-	698,640	1,122,451	1,821,091
Deferred Tax impact on Revaluation	-	(21,630)	-	-	-	(21,630)	(85,081)	(106,711)
Net Change in Fair value of Available-For-Sale Financial Assets	-	-	67,326	-	-	67,326	102,024	169,350
Exchange gain from translation of foreign operations	-	-	-	11,264	-	11,264	27,837	39,101
Realization of previously recognized revaluation gain	-	(13,404)	-	-	-	(13,404)	(67,637)	(81,041)
Share of other comprehensive income of equity accounted investees (Net of Tax)	-	22,282	-	-	-	22,282	33,773	56,055
Defined Benefit Plan Actuarial Gain, (Net of Tax)	-	-	-	-	53,690	53,690	410,663	464,353
Total Other Comprehensive Income for the year	-	685,888	67,326	11,264	53,690	818,168	1,544,030	2,362,198
Transactions with owners directly recorded in the Equity								
Realized Revaluation on Disposals	-	(11,695)	-	-	11,695	-	-	-
Realized Revaluation on Disposal of equity accounted investees	-	(24,678)	-	-	24,678	-	-	-
Change in effective holding	-	-	-	-	(9,670)	(9,670)	(278,727)	(288,397)
On Acquisition of Subsidiary with Non-Controlling Interests	-	-	-	-	-	-	611,499	611,499
Dividend Paid	-	-	-	-	(21,802)	(21,802)	(123,275)	(145,077)
Transaction Cost of share issue	-	-	-	-	(1,108)	(1,108)	(1,679)	(2,787)
Balance as at 31st March 2016	2,005,601	2,238,080	(238,496)	11,264	11,997,076	16,013,525	18,145,838	34,159,364

The Notes as set out in Pages 170 to 274 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY - COMPANY

	Stated Capital Rs.000	Revaluation Reserve (PPE) Rs.000	Available - for-Sale Reserve Rs.000	Retained Earnings Rs.000	Total Equity Rs.000
Balance as at 1st April 2014	2,005,601	1,421,185	114,760	9,585,355	13,126,901
Profit for the year	-	-	-	1,331,258	1,331,258
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	-	171,959	-	-	171,959
Deferred Tax impact on Revaluation	-	2,266	-	-	2,266
Net Change in Fair value of Available-For - Sale Financial Assets	-	-	(114,374)	-	(114,374)
Defined Benefit Plan Actuarial Losses, (Net of Tax)	-	-	-	(6,359)	(6,359)
Total Other Comprehensive Income	-	174,225	(114,374)	(6,359)	53,492
Transactions with owners directly recorded in the Equity					
Dividend paid	-	-	-	(187,819)	(187,819)
Balance as at 31st March 2015	2,005,601	1,595,410	386	10,722,435	14,323,832
Super Gain Tax (Note 9.5)	-	-	-	(31,435)	(31,435)
Adjusted Balance as at 01st April 2015	2,005,601	1,595,410	386	10,691,000	14,292,397
Profit for the year	-	-	-	536,488	536,488
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	-	285,729	-	-	285,729
Deferred Tax impact on Building Revaluation	-	-	-	-	-
Net Change in Fair value of Available-For -Sale Financial Assets	-	-	(386)	-	(386)
Defined Benefit Plan Actuarial Losses, (Net of Tax)	-	-	-	(2,716)	(2,716)
Total Other Comprehensive Income	-	285,729	(386)	(2,716)	282,627
Transactions with owners directly recorded in the Equity					
Dividend paid	-	-	-	(21,263)	(21,263)
Balance as at 31st March 2016	2,005,601	1,881,139	-	11,203,509	15,090,249

The Notes as set out in Pages 170 to 274 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

STATEMENTS OF CASH FLOWS

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 (Restated) Rs.000	2016 Rs.000	2015 Rs.000
Cash flows from Operating Activities				
Profit/(loss) before Taxation	(1,236,551)	1,190,164	584,410	1,378,846
Adjustments for:				
Share of Profit of Equity Accounted Investees	(53,651)	(83,718)	-	-
Gain on Disposal of Group Investments	(45,357)	(166,847)	(232,489)	(132,573)
Depreciation on Property, Plant and Equipment	641,251	371,205	70,273	72,206
Amortization of Bearer Biological Assets	165,426	-	-	-
Amortization of Prepaid Lease Rentals	24,591	4,552	1,811	601
Amortization of Intangible Assets	26,242	25,224	20,451	20,546
Amortization of Deferred Income	(74,913)	(14,684)	(9,123)	(11,390)
Provision for Retirement Benefit Obligations	292,204	20,960	17,604	15,613
Provision / (Reversal of Provision) for Bad & Doubtful Debts	22,678	(17,817)	28,937	(17,418)
Impairment of Related Party Receivables	-	-	30,000	40,000
Impairment of Investment in Subsidiaries	-	-	12,000	120,000
Net Change in Available-for-Sale Financial Assets reclassified to Profit or Loss	145,262	-	-	-
Reversal of Impairment Losses for Inventories	(108,350)	(178,836)	(100,346)	(191,063)
Gain on Bargain Purchases	-	(495,468)	-	-
Write off of Bearer/ Consumable biological assets	33,531	-	-	-
Dividend Income	(139,422)	(63,498)	(71,052)	(61,833)
Interest Income	(266,689)	(224,241)	(346,225)	(261,467)
Change in Fair Value of Investment Properties	(114,950)	55	(237)	(21,545)
Change in Fair Value of Consumable Biological Assets	194,354	-	-	-
Impairment of Intangible Assets	-	25,289	-	-
(Gain)/Loss on Changes in Fair Value of Short term Investments	329,508	(858,494)	343,973	(886,037)
(Gain)/Loss on Disposal of Investment properties	(53,161)	-	979	-
(Gain)/Loss on Disposal of Property, Plant and Equipment	(10,506)	(3,473)	167	(8,399)
Interest Expense	1,370,381	893,396	462,766	353,720
Operating Profit before Working Capital Changes	1,141,877	423,769	813,899	409,808
Changes in				
Inventories	(1,313,615)	653,024	(1,318,580)	496,467
Trade and Other Receivables	(901,790)	(634,878)	(418,403)	(228,060)
Amounts due from Related Companies	122,583	368,512	(96,814)	(12,901)
Trade and Other Payables	386,881	430,363	(14,023)	378,710
Amounts due to Related Companies	3,029,718	(842,899)	(38,327)	92,844
Cash Generated from/ (Used in) Operations	2,465,654	397,891	(1,072,248)	1,136,868
Interest Paid	(1,370,381)	(893,396)	(462,169)	(352,570)
Income Tax / ESC Paid	(140,089)	(79,456)	(55,503)	(16,380)
Retiring Gratuity Paid	(240,964)	(16,951)	(4,145)	(13,292)
Net Cash Generated from/ (Used in) Operating Activities	714,220	(591,912)	(1,594,065)	754,626

For the year ended 31st March	Group		Company	
	2016	2015	2016	2015
	Rs.000	(Restated) Rs.000	Rs.000	Rs.000
Cash flows from Investing Activities				
Acquisition of Property, Plant and Equipment	(3,894,024)	(1,981,005)	(299,184)	(327,621)
Acquisition of Bearer Biological Assets	(349,001)	(11,807)	-	-
Acquisition of Investment Properties	(23,921)	-	-	-
Acquisition of leasehold properties	(424,827)	(300,761)	-	(81,359)
Proceeds from Disposal of Investment Properties	225,810	16,234	3,250	-
Acquisition of Intangible Assets	(26,126)	(7,290)	(62)	(837)
Investment in Subsidiaries	(682,222)	(853,216)	(52,636)	(1,146,461)
Deferred income Received	94,139	21,482	9,786	9,122
Net proceed from consumable biological assets	34,521	-	-	-
Net (Increase)/decrease in loans to related companies	800,239	(293,039)	(37,448)	(1,539,393)
Proceeds from Disposal of Property, Plant and Equipment	167,863	43,777	4,069	18,973
Proceeds from Disposal of Other Financial Assets	1,914,192	1,072,981	457	167,223
Dividend Income Received	70,586	515	9,964	6,598
Interest Income Received	266,689	224,241	346,225	261,467
Net Cash Generated from/ (Used in) Investing Activities	(1,826,082)	(2,067,888)	(15,579)	(2,632,288)
Cash flows from Financing Activities				
Proceeds from Interest Bearing Liabilities	4,601,128	5,330,494	2,095,000	-
Repayment of Interest Bearing Liabilities	(4,123,729)	(5,891,493)	(497,816)	(291,425)
Net change in short term interest bearing borrowings	(258,676)	2,268,245	37,097	2,268,242
Lease Rentals Paid	(47,682)	(7,924)	(3,657)	(4,368)
Net (Increase)/decrease in loans from related companies	1,622,739	2,846	(142,247)	90,786
Transaction Cost of share issue	(2,787)	(29,128)	-	-
Issue of Ordinary shares by Subsidiaries	245,000	1,508,311	-	-
Dividend Paid	(145,617)	(185,472)	(17,621)	(166,650)
Net Cash Generated from/ (Used in) Financing Activities	1,890,376	2,995,879	1,470,756	1,896,585
Net Increase/(Decrease) in Cash and Cash Equivalents during the year	778,514	336,079	(138,888)	18,923
Cash and Cash Equivalents at the beginning of the year	372,311	36,232	(143,994)	(162,917)
Cash and Cash Equivalents at the end of the year	1,150,825	372,311	(282,882)	(143,994)
Analysis of Cash and Cash Equivalents at the end of the year				
Cash at Bank and in Hand	1,846,355	873,780	202,747	117,841
Bank Overdrafts	(695,530)	(501,469)	(485,629)	(261,835)
	1,150,825	372,311	(282,882)	(143,994)

The Notes as set out in Pages 170 to 274 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

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Note No.	Note Name
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1. REPORTING ENTITY

1.1 General

Brown and Company PLC ('the Company') is a public quoted company incorporated on 17th August 1892 and domiciled in Sri Lanka. The address of the Company's registered office is at No. 481, T. B. Jayah Mawatha, Colombo 10, Sri Lanka and the business office is situated at No. 34, Sir Mohamed Macan Markar Mawatha, Colombo 3.

The consolidated financial statements of the Company as at, and for the year ended 31st March 2016 comprise the financial statements of Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

Ordinary shares of the company are listed on the main board of the Colombo Stock Exchange (CSE).

1.2 Principal Activities and Nature of Operation

Principle activities of the Company and the Group are described in the 'Integrated Management Discussion and Analysis' in pages 78 to 151 of this report.

1.3 Parent Entity and Ultimate Parent Entity

In the opinion of the Board of Directors, the Group's ultimate parent undertaking and controlling party as at the date of financial position is Lanka ORIX Leasing Company PLC, a Company incorporated and domiciled in Sri Lanka.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting

Standards (herein referred to as SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007. These Financial Statements also provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange.

The financial statements of the Group and Company for the year ended 31st March 2016 were authorized for issue by the Board of Directors on the 20th June 2016.

2.2 Basis of Measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following material items in the statement of financial position,

- Financial instruments at Fair Value through Profit or Loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- The liability for defined benefit obligations are measured at the present value
- Lands and buildings are measured at fair value
- Investment properties are measured at fair value
- Consumable biological assets are measured at fair value less cost to sell

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.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair Values are categorised into different levels in a fair

value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.3 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entities of the group operate.

The financial statements are presented in Sri Lankan Rupee (LKR), which is the functional currency and the Group's presentation currency. All financial information presented has been rounded to the nearest thousand unless stated otherwise.

2.4 Use of estimates and judgements

The preparation of the financial statements of the Group and Company in conformity with SLFRSs/LKASs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

The Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgements about the carrying amount of assets and liabilities that are not readily apparent from other sources.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes to these financial statements (Table 1).

2.5 Comparative Information

Previous period figures and notes have been restated and reclassified wherever necessary to conform to the current year's presentation.

Table 1

Critical accounting estimate/judgement	Note
Bearer Biological Assets	16
Consumable Biological Assets	17
Determination in fair value of Investment Properties	13
Revaluation of Lands and Buildings	12
Goodwill on Acquisition	15
Retirement Benefit Obligations	34
Deferred Tax Assets/ Liabilities	21, 35
Useful lives of Property, Plant and Equipment	3.4.1.6
Useful lives of Intangible Assets	3.7.5

2.6 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.

2.7 Offsetting

Assets and liabilities, and income and expenses, are not offset unless required or permitted by SLFRSs.

2.8 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

2.9 Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2.10 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards.

2.10.1 Sri Lanka Accounting Standard (LKAS 41)-'Agriculture'

The company has elected to early adopt the amendments to Sri Lanka Accounting Standard 41- "Agriculture- Bearer Plants with a date of initial application of 1st January 2016.

With the Transition of Local Financial Reporting Framework (SLAS) to International Financial Reporting Standards with effect from 1 January 2012, the Company has opted to record its Biological Assets at its Fair Value less cost to sell in compliance with LKAS 41. As a result the company has accounted its Bearer biological assets of Rubber, Coconut and its consumable biological assets timber at fair values previously.

Consequent to the early adoption of the amendments to Sri Lanka Accounting Standards 41 "Agriculture" the Company has changed the measurement of Rubber and Coconut from fair value less cost to sell to cost less accumulated depreciation retrospectively.

2.10.2 Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax

As per the provisions of Part III of the Finance Act No. 10 of 2015 which was certified on 30 October 2015, the group and the company is liable for Super Gain Tax amounting to Rs. 56 Mn and Rs. 31 Mn respectively. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013.

The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative.

Treatment (SoAT) on Accounting for Super Gain Tax issued by The Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

This SoAT supersedes paragraph 46 of LKAS 12 'Income Tax'. Further, this SoAT must be applied by all companies who are liable to pay Super Gain Tax as required under Part III of the Finance Act without any option.

As per the SoAT, Super Gain Tax expense is deemed to be an expenditure for the year ended 31st March 2014, it should be recorded as an adjustment to the opening retained earnings reported in Statement of Changes in Equity as at 1st April 2015.

2.11 New Accounting Standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements. The Group is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the reporting date. The Group will be adopting these standards as and when they become effective.

2.11.1 Sri Lanka Accounting Standard (SLFRS 9) – 'Financial Instruments: Classification and Measurement'

SLFRS 9 – 'Financial Instruments' replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual periods beginning on or after 1st January 2018 with early adoption permitted.

2.11.2 Sri Lanka Accounting Standard (SLFRS 14) – 'Regulatory Deferral Accounts'

SLFRS 14 establishes the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

SLFRS 14 is effective for annual reporting periods beginning on or after 1st January 2016, with early adoption permitted.

2.11.3 Sri Lanka Accounting Standard (SLFRS 15) – 'Revenue from Contracts with Customers'

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard (LKAS 18) – 'Revenue', Sri Lanka Accounting Standard (LKAS 11) – 'Construction Contracts' and IFRIC 13 – 'Customer Loyalty Programmes'. This standard is effective for the annual periods beginning on or after 1st January 2017.

2.11.4 Amendments to SLFRSs/ LKASs Disclosure Initiative (Amendments to LKAS 1) - effective for annual periods beginning on or after 1st January 2016.

Amendments to SLFRS 10, SLFRS 12 and LKAS 28 – Investment Entities: Applying the Consolidation Exception - effective for annual periods beginning on or after 1st of January 2016.

Amendments to LKAS 27 – Equity Method in Separate Financial Statements - effective for annual periods beginning on or after 1st of January 2016.

Amendments to SLFRS 10 and LKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - effective for annual periods beginning on or after 1st of January 2016.

Amendments to SLFRS 11 – Accounting for Acquisitions of Interests in Joint Operations - effective for annual periods beginning on or after 1st of January 2016.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by entities within the Group.

3.1 Basis of Consolidation

3.1.1 *Business combinations and Goodwill*

Business combinations are accounted for using acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity under a statute or an agreement, so as to obtain benefits from its activities.

Group measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset.

3.1.2 *Subsidiaries*

Subsidiaries are those entities controlled by the Group. 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

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights over the investee.

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.

Entities that are subsidiaries of another entity which is a subsidiary of the company are also treated as subsidiaries of the company.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

3.1.3 *Non-controlling interests*

Non-controlling Interests is the equity in a subsidiary not attributable, directly or indirectly, to the parent and presented in the Consolidated Statement of Financial Position within Equity, separately from the Equity Attributable to Equity Holders of the Parent (Company).

3.1.4 *Acquisition of Non-controlling interests*

Subsequent to the acquisition of control, any further acquisition of net assets from non-controlling interests is accounted for as transactions with owners in their capacity as owners. Therefore no goodwill is recognized as a result of such transactions.

Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

3.1.5 *Loss of control*

Loss of control of a subsidiary may occur with or without a change in absolute or relative ownership levels. Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as other financial asset depending on the level of influence retained.

3.1.6 Investments in associates - Equity accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating activities.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.1.7 Joint ventures – Equity accounted investees

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

As per SLFRS 11, the Group's interest in joint venture is required to be accounted for using the equity method.

3.1.8 Reporting Date

All the Group's Subsidiaries, Associate Companies and joint venture companies have a common financial year end which ends on 31st March.

3.1.9 Intra-group transactions

Transfer prices between Group entities are set on an arms-length basis in a manner similar to transactions with third parties.

3.1.10 Balances and transactions eliminated on Consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency

3.2.1 Foreign Currency transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees) of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency

translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss.

3.2.2 Foreign Operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into Sri Lankan Rupees (LKR) at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Sri Lankan Rupees at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI, and accumulated in the foreign exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Profit or Loss as part of the gain or loss on disposal.

If a settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the foreign currency differences arising on the item form part of the net

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investment in the foreign operation and are recognized in OCI, and accumulated in the translation reserve within equity.

3.3 Financial Instruments

3.3.1 Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the date at which they are originated, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk management or investment strategy.

Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in financial assets at fair value through profit or loss, held-to-maturity financial assets and loans and receivables categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in Comprehensive Income and presented in the Available-for-sale reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

The Group designates listed and unlisted equity investments that are not held for trading purposes as available-for-sale financial instruments.

Interest income on available-for-sale debt securities calculated using the effective interest method and dividend income on available for sale quoted and unquoted equity investments are recognised in the income statement.

3.3.1.1 Derecognition of financial assets

The Group derecognises a financial asset when;

- The right to receive cash flows from the asset have expired or the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either
- The entity has transferred substantially all the risks and rewards of the asset, or
- The entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the

sum of the consideration received together with receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

3.3.2 *Non-derivative financial liabilities*

3.3.2.1 *Other financial Liabilities*

All financial liabilities other than those at fair value through profit and loss are classified as other financial liabilities

All other financial liabilities are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

3.3.2.2 *Derecognition of financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.3.3 *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to

realise the assets and settle the liabilities simultaneously.

3.3.4 *Stated capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3.4 *Property, Plant and Equipment*

3.4.1 *Freehold Property, Plant and Equipment*

3.4.1.1 *Basis of Recognition*

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.4.1.2 *Basis of Measurement*

Items of property, plant and equipment are measured at cost/revalued amount less accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

3.4.1.3 *Cost Model*

The Group applies the cost model to all property, plant and equipment except freehold land and buildings which are

recorded at cost of purchase together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.4.1.4 *Revaluation Model*

The Group revalues its freehold land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of land and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it offsets a previous decrease in value of the same asset that was recognized in profit or loss. A decrease in value is recognized in profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

3.4.1.5 *Subsequent Costs*

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are expensed as incurred.

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3.4.1.6 Depreciation

Depreciation is based on the cost/revalued amount of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods, useful lives, residual values are assessed at the reporting date and adjusted if appropriate. The estimated useful lives for the current year are listed in Table 2.

Table 2

Property Plant & Equipment	No. of Years Range	Rate Range
Building	20-50 years	2% to 5%
Plant and Machinery	5-30 years	3.33% to 20%
Motor Vehicles	1-15 Years	6.66% to 100%
Furniture and Office Equipment	5-20 Years	5% to 20%
Ergonomic Equipment	25 Years	4%
Water, Sanitation and Others	20 Years	5%
Roads and Bridges	50 Years	2%
Penstock Pipeline	20 Years	5%
Security Fences	3 Years	33.33%
Power/Electricity Supply	13 1/3 years	7.5%
Air Conditioners	5 Years	20%
Generator	8 Years	12.5%
Cutlery, Crockery and Glassware	5 Years	20%
Linen	3 Years	33.33%
Sewage System	20 Years	5%
Hospital Equipment	10 Years	10%
Medical Equipment – Electronic	8 Years	12.5%
Medical Equipment - Non Electronic	10 Years	10%
Improvements to Leasehold Building	Over the lease period	

The cost of areas coming into bearing are transferred to mature plantations and depreciated as follows.

No depreciation is provided for immature plantations.

Table 3

Bearer Biological Assets	No. of Years Range	Rate Range
Tea	30 to 33 1/3 years	3% to 3.33%
Mixed/Other Crops	10 to 15 years	6.66% to 10%

3.4.1.7 De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/ other expenses in the Income Statement. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.4.2 Leasehold Property, Plant and Equipment (Assets Acquired on Finance Leases)

Leases in terms of which the Group assumes substantially obtained all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation.

3.4.2.1 Amortization

The leasehold rights are being amortized in equal amounts over the shorter of lease term and the expected useful lives of the assets are listed in Table 4.

3.5 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of building.

3.6 Investment Properties

3.6.1 Basis of Recognition

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

3.6.2 Basis of Measurement

3.6.2.1 Fair Value Model

Investment properties are initially recognized at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in profit or loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment

property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per LKAS 16 - Property, Plant and Equipment.

3.6.2.2 De-recognition

Investment properties are de-recognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

3.6.2.3 Subsequent Transfers to/from Investment Property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property

in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.6.2.4 Determining Fair Value

External and independent valuers, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

3.7 Intangible Assets

3.7.1 Basis of Recognition

An Intangible Asset is recognized if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

3.7.2 Basis of Measurement

Intangible assets acquired separately are measured as initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite useful life are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

Table 4

Class of Asset	No. of Years Range	Rate Range
Bare Land	53 years	1.89%
Mature Plantations – Tea	30 years	3.33%
Buildings	25 years	4%
Machinery	15 years	6.67%
Water and Sanitation	15 to 20 years	5% to 6.67%
Other Vested Assets	15 to 30 years	3.33% to 6.67%
Permanent Land Development	53 years	1.89%
Improvements to Lands	30 years	3.33%

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3.7.3 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied by these assets. All other expenditure is expensed when incurred.

3.7.4 De-recognition

Intangible assets are de-recognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

3.7.5 Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of each intangible asset is as follows;

Computer Software	3 - 8 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.8 Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested,

however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.8.1 Bearer Biological assets.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer plants (Tea, Rubber & Coconut fields), which come into bearing during the year, has been transferred to mature bearer biological assets and depreciated over their useful life in accordance with the LKAS16 – Property, Plant and Equipment.

(a) Immature and Mature Plantations

The cost of replanting and new planting are classified as immature plantations up to the time of being ready for harvesting.

Further, the general charges incurred on the plantation are apportioned based on the labour days spent on respective replanting and new planting areas and capitalized on the immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred.

The cost of areas coming into bearing is transferred to mature plantations at end of the financial year.

(b) Growing Crop Nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

(c) Infilling Costs on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling standard of performance assessment. Infilling costs so capitalized are depreciated over the newly assessed remaining useful life of the relevant mature plantation or the unexpired lease period, whichever is lower.

Infilling cost that are not capitalized have been charged to the Profit or loss for the year in which they are incurred.

(d) Amortization

The cost of areas coming into bearing are transferred to mature plantations and depreciated as follows.

Bearer Biological Assets (Mature Plantations) at Cost - Replanting and New Planting

Category	No. of Years
Tea	30 Years
Rubber	20 Years
Coconut	50 Years
Cinnamon	30 Years
Other Crops	15 – 30 Years

No amortization is provided for immature plantations.

3.8.2 Consumable Biological Assets

Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The managed timber trees of the 19 estates of the company are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell in terms of LKAS 41 – ‘Agriculture’. The cost of young plants which are below 4 years is treated as an approximation to the fair value as the impact on biological transformation of such plants to price during the period is immaterial. All assumptions and sensitivity analysis are given in Note 17.

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

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

3.9 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 Income Statement.

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 be ceased when the crops are ready for commercial harvest.

The amount so capitalized and the capitalization rates are disclosed in the notes to the financial statements.

3.10 Permanent Land Development Costs

Permanent land development costs are those costs incurred making significant 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 Profit or loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.11 Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

Agricultural Produce Harvested from Biological Assets

Agricultural produce harvested from the Group’s biological assets is measured at its fair value less cost to sell at the point of harvest. Such measurement is deemed to be the cost at the time of transferring the harvested crop to inventories.

Finished goods manufactured from agricultural produce of biological assets These are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items.

Input Material, Spares and Consumables At actual cost on weighted average basis.

Finished Goods

First In First Out (FIFO) basis.

Food and Beverages

Weighted average cost basis.

3.12 Impairment

3.12.1 Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3.12.1.1 *Loans and Receivables*

The objective evidence of impairment could include significant financial difficulty of the issuer or counter party, breach of contract such as default in interest or principal payments, or it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping them together based on similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the income statement. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

3.12.1.2 *Available for sale*

For equity instruments classified as available for sale financial assets a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

Impairment losses of an available-for-sale security investment are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to the income statement as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to the income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, with the amount of the

reversal recognised in the income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.12.2 *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in the Income Statement. Impairment losses recognized in respect of CGUs are allocated

first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3.13 Deferred income

(a) *Government Grants and Subsidies*

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 over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

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

Grants related to property, plant and equipment and bearer biological assets are initially deferred and allocated to the Profit or loss on a systematic basis over the useful life of the related property, plant and equipment.

Revenue grants are recognized in the profit or loss in the period in which they are receivable.

(b) *PHDT Lease Rentals*

Premises at St. Andrew's Drive in NuwaraEliya has been leased out to Plantation Human Development Trust (PHDT) for a period of 20 years commencing from August 2005 at a total lease rental of Rs.10,734,696/-.

Lease Rentals received are deferred and amortized over the lease period commenced from August 2005.

(c) *Rain Forest Eco Loge (Private) Limited (RFELL)*

Value of 6,399,375 Ordinary Shares received by Maturata Plantations Limited, which is equivalent to 14.5%% of the issued Ordinary Shares of RFELL at Rs.10/= each in lieu of releasing the company's right to use the leasehold land of 488 Hectares in Enselwatte, Deniyaya to RFELL for Eco Tourism Project is deferred and amortized as income to the income statement over the unexpired balance lease period.

(d) *Profit on Sale and Lease Back Transactions*

If a sale and lease back transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset sold and leased back is deferred and amortized over the lease term.

3.14 Employee benefits

3.14.1 *Defined contribution plans*

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Plans are recognized as an employee benefit expense to profit or loss in the periods during which services are rendered by employees.

3.14.2 *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed every year by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used.

The Group recognizes all actuarial gains and losses arising from the defined benefit plan in Statement of Comprehensive Income and all other expenses related to defined benefit plans are recognized in profit loss. The retirement benefit obligation is not externally funded.

3.14.3 *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount

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expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.15 Leases

3.15.1 Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate interest on the remaining balance of the liability.

3.15.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

3.15.3 Prepaid Lease Rentals

The initial cost of acquiring a leasehold property treated as an operating lease is recognised as a non-current asset and is amortised over the period of the lease in accordance with the pattern of benefits

expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

3.15.4 Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether such an arrangement is a lease or contains a lease. This will be apparent if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At the inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those in respect of the lease and those for other elements, on the basis of their relative fair values. In respect of a finance lease, if the Group concludes that it is impractical to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently as payments are made the liability is reduced and imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

3.16 Provisions

Provisions are made for all obligations existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

3.16.1 Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.17 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, net of sales within the Group.

3.17.1 Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

3.17.2 *Rendering of Services*

Revenue from services rendered is recognized in the Income Statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.17.3 *Hotel Operations*

Revenue from accommodation sales is recognized for the rooms occupied on a daily basis, together with outlet sales and other income from hotel operations.

3.17.4 *Sale of live timber trees and rubber trees*

Revenue from the sale of live timber trees and Rubber trees is recognised at the point that the legal ownership, risk of loss and the rewards have been passed to the purchaser and the quantity sold is determinable. Revenue on harvesting of live timber trees and Rubber trees is recognised when the purchaser acquires the right to harvest specified no of trees on a tract of land, at an agreed-to price by entering into a contractual agreement at which point the risk and rewards are transferred. Those revenue are deducted from the relevant biological assets to arrive at gain/ (loss) on valuation in income statement.

3.17.5 *Energy Supplied*

Revenue from energy supplied is recognised upon delivery of energy to Ceylon Electricity Board. Delivery of electrical energy shall be completed when electrical energy meets the specifications as set out in Power Purchase Agreements (PPA) is received at the metering point.

3.17.6 *Other Income*

Rent income is accounted for on accrual basis.

Dividend income is recognized when the right to receive payment is established.

Interest income is recognized in profit or loss as it accrues, using the effective interest method.

Gain on disposal of property, plant and equipment and other non-current assets, including investments held by the Group have been accounted for in the Income Statement, after deducting from the net sales proceeds on disposal of the carrying amount of such assets.

3.18 *Expenses Recognition*

Expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of the Income Statement the Directors are of the opinion that the function of the expenses method present fairly the elements of the Company's performance, and hence such a presentation method is adopted.

Preliminary and pre-operational expenditure is recognized in the Income Statement.

Repairs and renewals are charged to the Income Statement in the year in which the expenditure is incurred.

3.19 *Finance costs*

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets (other than trade receivables), are recognized in the Income Statement.

Borrowing costs that are not directly attributable to the acquisition, construction

or production of a qualifying asset are recognized in profit and loss using the effective interest method.

3.20 *Statement of Cash Flows*

The Statement of Cash Flows has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows.'

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

3.21 *Tax Expense*

Tax expense comprises of current, deferred tax and other statutory taxes. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or comprehensive income.

3.21.1 *Current Tax*

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act. No 10 of 2006 and subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at

NOTES TO THE FINANCIAL STATEMENTS

the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

3.21.2 *Deferred Tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are not discounted.

3.21.3 *Economic Service Charge (ESC)*

As per the provisions of Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability.

3.21.4 *Companies enjoying tax holidays*

Group companies enjoying a tax exemption period shall only recognize deferred tax in their financial statements for temporary differences, where reversals of such differences extend beyond the tax exemption period.

Deferred Tax shall not be considered nor provided for assets/liabilities for which tax impacts and reversals take place within the tax exemption period. If there will be no tax implications that take place after the expiration of the tax exemption period for such assets.

Where a Company is entitled to claim the total value or any part of expenditure made during the tax holiday period, as deductions for tax purposes after the tax holiday period, such an entity will treat such amount of expenditure as part of the tax base throughout the tax holiday period in the purpose of recognizing deferred tax.

3.22 *Related Party Transactions*

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price is being charged or not.

3.23 *Earnings Per Share (EPS)*

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year.

3.24 *Commitments and Contingencies*

Contingencies are possible assets or obligations that arise from a past event and whose existence confirmed only on the occurrence or non-occurrence of uncertain future events which are beyond the group & Company's control.

3.25 *Events Occurring After the Reporting Period*

All material events occurring after the reporting period have been considered, disclosed and adjusted where applicable.

3.26 *Segment Reporting*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by Group Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The group's reportable segments comprise of Trading, Manufacturing, Plantation, Investments, Leisure and Health Care and others.

Segment results, assets and liabilities 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 segment assets that are expected to be used for more than one period.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

3.27 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

3.27.1 Property, plant and equipment acquired in business combinations

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction. The fair value of items of plant, equipment fixtures and fittings is based on market prices for similar items when available and depreciated replacement cost when appropriate.

3.27.2 Property, plant and equipment owned by the Group

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land and building owned by the Group based on market values, this 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.

3.27.3 Investment property

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land and building owned by the Group based on market values, this

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.

3.27.4 Equity securities

The fair value of the equity securities is determined by reference to their quoted share price at the reporting date if quoted; or if unquoted either using discounted cash flow analysis using expected future cash flows and a market related discounted rate, or based on the net assets of the investee company.

3.27.5 Financial instruments other than equity securities carried at fair value through profit or loss and available-for-sale investments

Fair value of these financial instruments is estimated by discounting the difference between the contractual price of the instrument and the current price of the instrument for the residual maturity of the contract based on quoted price, or obtained from brokers if not quoted, using a credit adjusted risk free interest rate.

3.27.6 Defined benefit plan – retirement benefit obligations

The define benefit plan is valued by a professionally qualified external actuary using the projected unit credit method using the standard rate of inflation, an appropriate discount rate and anticipation of future salary increases.

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Gross Revenue (Note 4.1)	19,890,181	10,072,684	10,547,248	7,060,886
4.1 Revenue				
Sale of goods	17,229,675	8,586,153	10,547,248	7,060,886
Provision of services	2,583,503	1,544,026	-	-
Interest income	64,329	24,663	-	-
Dividend Income	78,160	9,511	-	-
Gain on Disposal of Investments	44,968	2,216	-	-
Revenue Tax	(110,454)	(93,885)	-	-
Total Segment Revenue	19,890,181	10,072,684	10,547,248	7,060,886

5 OTHER INCOME

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Rent Income	159,765	5,237	16,453	5,227
Gain on Disposal of Property, Plant and Equipment	12,475	8,399	1,802	8,399
Gain on Disposal of Investment Properties	54,140	-	-	-
Gain on Foreign Currency Translation	27,848	19,992	-	16,766
Secretarial Fees	138	150	-	-
Management Fee	-	-	9,000	-
Net Gain on Disposal of Investments	390	164,631	232,489	132,573
Change in Fair Value of Other Financial Assets	14,465	886,037	-	886,037
Dividend Income	61,262	53,987	71,052	61,833
Interest Income	202,364	199,578	346,225	261,467
Reversal of Provision for Trade Receivables and Inventories	134,234	196,653	100,346	208,481
Sale of old Rubber Trees and other related income	183,664	-	-	-
Miscellaneous Income	158,597	144,706	16,295	7,982
	1,009,342	1,679,370	793,662	1,588,765

6 OTHER EXPENSES

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Loss on Disposal of Property, Plant and Equipment	1,969	4,926	1,969	-
Loss on Disposal of Investment Property	979	-	979	-
Change in Fair Value of Other Financial Assets	343,973	27,543	343,973	-
Loss on Foreign Currency Translation	22,442	-	22,442	-
Impairment Loss on Intangible Assets	-	25,289	-	-
Impairment Loss on Investment in Subsidiaries	-	-	12,000	120,000
Impairment Loss on Related Party Receivables	-	-	30,000	40,000
Net Change in Available-for-Sale Financial Assets reclassified to Profit or Loss	145,262	-	-	-
Write off of Bearer/ Consumable biological assets	33,531	-	-	-
Foreign Investment development expenses	11,903	-	-	-
Others	99,989	30,552	12,952	8,916
	660,048	88,310	424,315	168,916

7 FINANCE COSTS

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Interest on Borrowings	1,306,046	889,253	462,169	353,173
Interest on Finance Leases	64,335	4,143	597	547
	1,370,381	893,396	462,766	353,720

8 PROFIT BEFORE TAXATION

Profit before Taxation is stated after charging / (crediting) all expenses / (income) including the following:

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Directors' Emoluments	37,443	25,916	7,399	8,707
Auditors' Remuneration	16,704	6,708	1,700	1,500
Depreciation on Property, Plant and Equipment	641,251	371,205	70,273	72,206
Amortization of Intangible Assets	26,242	25,224	20,451	20,546
Impairment Losses/(Reversal of Provision) for Bad & Doubtful Debts and Write offs	22,678	(17,817)	28,937	(17,418)
Reversal of Provision for Slow Moving Inventories	(108,350)	(178,836)	(100,346)	(191,063)
Amortisation of Prepaid Lease Rental	24,591	4,552	1,811	601
Amortisation of Deferred Income	(74,913)	(14,684)	(9,123)	(11,390)
Salaries and Wages	3,412,718	632,707	259,072	270,568
Defined Contribution Plan Cost- EPF and ETF	554,014	79,226	49,403	44,155
Defined Benefit Plan Cost- Retiring Gratuity	292,204	20,960	17,604	15,613

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE

The Company and its Subsidiaries are liable to taxation at the rate of 28%,12% and 10% in accordance with the provisions of Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
9.1 Income Tax Expense				
Current Tax Expense				
Income Tax on current year profits (Note 9.2)	125,276	72,923	63,013	47,588
Under/(Over) Provision in respect of previous years	(641)	10,592	-	-
Withholding Tax on Dividends Paid by Subsidiaries	2,933	-	-	-
	127,568	83,515	63,013	47,588
Deferred Tax				
Origination and Reversal of Temporary Difference (Note 9.4)	(53,367)	(7,722)	(15,091)	-
	74,201	75,793	47,922	47,588
9.2 Reconciliation of Accounting Profit/(loss) to Income Tax				
Accounting Profit/(loss) before Taxation	(1,236,551)	1,190,164	584,410	1,378,846
Consolidation Adjustments	163,465	(128,220)	-	-
Adjustment on Disallowable Expenses	2,249,365	800,676	246,436	318,961
Adjustment on Allowable Expenses	(1,456,852)	(963,816)	(121,851)	(156,058)
Income from Other Sources and Exempt Income	(1,078,699)	(1,554,859)	(383,817)	(1,288,895)
Tax Losses Utilized (Note 9.3)	(129,433)	(112,565)	(121,179)	(91,514)
Tax Loss incurred for the year (Note 9.3)	2,079,328	1,052,811	21,046	8,616
Taxable Income	590,623	284,191	225,046	169,956
Income Tax @ 28%	95,230	67,935	63,013	47,588
Income Tax @ 12%	29,966	4,988	-	-
Income Tax @ 10%	80	-	-	-
Income Tax on Current year Profits	125,276	72,923	63,013	47,588

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
9.3 Tax Losses Utilized				
Tax Loss Brought Forward	7,180,001	3,128,775	1,439,359	1,534,533
Adjustments for brought forward tax losses	(206,371)	(22,956)	(2,486)	(12,276)
Acquisition of Subsidiary	-	3,133,936	-	-
Tax Losses Utilized during the year	(129,433)	(112,565)	(121,179)	(91,514)
Loss incurred during the year	2,079,328	1,052,811	21,046	8,616
Tax Losses carried forward	8,923,525	7,180,001	1,336,740	1,439,359
9.4 Deferred Tax Expense				
Origination and Reversal of Temporary Difference	(53,367)	(7,722)	(15,091)	-
	(53,367)	(7,722)	(15,091)	-

9.5 Super Gain Tax

As per the provisions of part III of the Finance Act No. 10 of 2015, the Group and the Company paid super gain tax of Rs. 56 million and Rs. 31 million respectively. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015. As recommended by the SoAT, this expenditure has been recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity as at 1st April 2015.

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE CONTD.

9.6 Following Companies exempt from income tax/liable to tax at concessionary rates

a) Companies exempt from income tax

Company	Statute	Exemption period
Green Paradise (Pvt) Ltd.	Section 17 of BOI Law no .04 of 1978.	5 years ending 2016/17
Samudra Beach Resorts (Pvt) Ltd.	Section 17 of BOI Law no .04 of 1979.	10 years
Thebuwana Hydro Power (Pvt) Ltd.	Section 17 of BOI Law no .04 of 1980.	5 years ending 2019/20
Stellenberg Hydro Power (Pvt) Ltd.	Section 17 of BOI Law no .04 of 1981.	5 years ending 2018/19
Browns Properties (Pvt) Ltd.	Section 17 of BOI Law no .04 of 1983.	5 years ending 2020/21

b) Companies liable to tax at concessionary rates

Company	Concessionary rate and statute	Period
Maturata Plantations Ltd.	10% under section 48A-14A of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Pussellawa Plantations Ltd.	10% under section 48A-14A of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Browns Hydro Power PLC	12% under section 59E of the Inland Revenue (amendment) Act No. 18 of 2013.	Indefinite
FLPC Management (Pvt) Ltd.	12% under section 45(2)(a)(i1) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
FLMC Plantations (Pvt) Ltd.	12% under section 45(2)(a)(i1) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Melfort Green Teas (Pvt) Ltd.	12% under section 56 of Inland Revenue Act No.10 of 2006.	Indefinite
Ajax Engineers (Pvt) Ltd.	12% under section 46(c) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Eden Hotel Lanka PLC	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Palm Garden Hotels PLC	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Tropical Villas (Pvt) Ltd.	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Dickwella Resorts (Pvt) Ltd.	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Riverina Resorts (Pvt) Ltd.	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
BG Air Services (Pvt) Ltd.	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Ceylon Roots (Pvt) Ltd.	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Creations Wooden Fabrication (Pvt) Ltd.	12% under section 46(c) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
Excel Restaurant (Pvt) Ltd.	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite

10 EARNINGS/(LOSS) PER SHARE

10.1 Basic Earnings/(Loss) per Share

The calculation of basic earnings/(loss) per share is based on the Profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

Basic earnings/(loss) per share is calculated as follows:

For the year ended 31st March	Group	
	2016	2015
Profit/(loss) Attributable to Equity holders of the Company (Rs.000)	(205,109)	1,331,699
Weighted Average Number of Ordinary Shares in Issue ('000)	70,875	70,875
Basic Earnings/(Loss) per Share (Rs.)	(2.89)	18.79

10.2 Diluted Earnings/(Loss) Per Share

There were no potentially dilutive ordinary shares outstanding at any time during the year / previous year, hence diluted earnings per share is equal to the basic earnings per share.

11 DIVIDEND PER SHARE

The dividend per share is based on the dividend paid for the period covered by the financial statements.

For the year ended 31st March	2016	2015
Dividends Paid (Rs.000)	21,263	187,819
Weighted average number of Ordinary Shares in issue ('000)	70,875	70,875
Dividend per Share (Rs.)	0.30	2.65

11.1 Dividend Payout

For the year ended 31st March	2016	2015
Dividend Payout (%)	4	14

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Property, Plant and Equipment - Group

As at 31st March	Assets on Finance Lease (Note - 12.1.1) Rs.000	Freehold Land Rs.000	Freehold Buildings Rs.000	Leasehold Buildings Rs.000	Plant and Machinery Rs.000
Cost/Valuation					
Balance at the beginning of the year	270,215	8,939,888	5,552,018	335,016	1,590,750
On Acquisition of subsidiary	-	-	-	-	-
Additions	34,937	309,420	1,105,425	39,690	117,128
Revaluation	-	1,183,801	521,820	-	-
Disposals/ Derecognition	(3,512)	(16,422)	(96,361)	(644)	(2,983)
WIP Capitalisation	-	-	-	-	-
Transfers from/(to) Investment Property	-	(1,748,000)	(198,827)	-	-
Balance at the end of the year	301,640	8,668,687	6,884,075	374,062	1,704,895
Accumulated Depreciation					
Balance at the beginning of the year	172,670	-	667,770	141,964	913,212
On Acquisition of subsidiary	-	-	-	-	-
Charge for the year	18,052	-	174,883	27,675	130,705
Disposals	(1,371)	-	(10,134)	-	(1,622)
On Revaluation	-	-	(100,854)	-	-
Balance at the end of the year	189,351	-	731,665	169,639	1,042,295
Carrying Value					
As at 31st March 2016	112,289	8,668,687	6,152,410	204,423	662,600
As at 31st March 2015	97,545	8,939,888	4,884,248	193,052	677,538

12.1.1 These immovable/movable assets vested in the Company's sub-subsidiaries by Gazette Notification on the date of formation of the those Companies. All the investments made in the tangible assets by the said sub-subsidiaries since their formation have been classified as above. Details of the assets taken over by way of finance leases are set out in Note 12.3.1.

12.1.2 The fully depreciated Property, Plant and Equipment of the group, which are still in use as at the reporting date is Rs. 1,287,251,865 (2014/15- Rs. 1,007,002,391).

12.1.3 During the year the group capitalised borrowing cost amounting to Rs. 185,062,264 (2014/15- Rs. 87,149,382).

	Furniture and Office Equipments Rs.000	Freehold Motor Vehicles Rs.000	Leasehold Motor Vehicles Rs.000	Loose Tools & Computers Rs.000	Other Tangible Assets Rs.000	Medical Equipment Rs.000	Work in progress (Note - 12.5) Rs.000	Total 2016 Rs.000	Total 2015 Rs.000
	1,047,433	684,870	12,515	81,352	1,084,709	270,678	2,912,636	22,782,080	15,943,642
	-	-	-	-	-	-	53,858	53,858	4,600,916
	129,762	35,035	-	25,437	211,921	86,340	2,887,402	4,982,497	1,665,283
	-	-	-	-	(101,130)	-	-	1,604,491	337,783
	(5,136)	(111,096)	-	(2,243)	(762)	-	(14,921)	(254,080)	(81,266)
	-	-	-	-	-	-	(1,076,040)	(1,076,040)	-
	-	-	-	-	-	-	-	(1,946,827)	315,722
	1,172,059	608,809	12,515	104,546	1,194,738	357,018	4,762,935	26,145,979	22,782,080
	569,107	519,445	7,603	46,266	276,613	3,418	-	3,318,068	1,318,591
	6	-	-	4	-	-	-	10	1,673,667
	109,090	54,686	2,797	12,754	77,168	33,441	-	641,251	371,205
	(3,088)	(77,940)	-	(2,060)	(508)	-	-	(96,723)	(42,486)
	-	-	-	-	(115,747)	-	-	(216,601)	(2,909)
	675,115	496,191	10,400	56,964	237,526	36,859	-	3,646,005	3,318,068
	496,944	112,618	2,115	47,582	957,212	320,159	4,762,935	22,499,974	
	478,326	165,425	4,912	35,086	808,096	267,260	2,912,636	19,464,012	

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT CONTD.

12.2 Property, Plant and Equipment - Company

As at 31st March,	Freehold Land	Freehold Buildings	Leasehold Buildings	Plant and Machinery	Furniture and Office Equipments	Freehold Motor Vehicles	Leasehold Motor Vehicles	Computers	Capital Work in progress (Note - 12.5)	Total 2016	Total 2015
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Cost/Valuation											
Balance at the beginning of the year	3,927,878	106,194	316,839	25,489	220,399	32,446	11,187	22,711	-	4,663,143	4,197,875
Additions	110,389	101,551	37,098	8,252	12,924	9,840	-	8,830	148,925	437,809	328,933
On Revaluation	164,273	119,956	-	-	-	-	-	-	-	284,229	169,050
WIP Capitalisation	-	-	-	-	-	-	-	-	(138,625)	(138,625)	-
Transfers from/(to) Investment Property	(1,748,000)	(280,495)	-	-	-	-	-	-	-	(2,028,495)	-
Disposals	-	(877)	(644)	(1,872)	-	(13,140)	-	-	-	(16,533)	(32,715)
Balance at the end of the year	2,454,540	46,329	353,293	31,869	233,323	29,146	11,187	31,541	10,300	3,201,528	4,663,143
Accumulated Depreciation											
Balance at the beginning of the year	-	-	140,339	6,223	131,660	26,967	6,843	18,915	-	330,947	283,793
Charge for the year	-	2,647	25,889	2,513	30,236	3,692	2,797	2,499	-	70,273	72,206
On Disposals	-	-	-	(948)	-	(11,347)	-	-	-	(12,295)	(22,143)
On Revaluation	-	(1,500)	-	-	-	-	-	-	-	(1,500)	(2,909)
Balance at the end of the year	-	1,147	166,228	7,788	161,896	19,312	9,640	21,414	-	387,425	330,947
Carrying Value											
As at 31st March 2016	2,454,540	45,182	187,065	24,081	71,427	9,834	1,547	10,127	10,300	2,814,103	
As at 31st March 2015	3,927,878	106,194	176,500	19,266	88,739	5,479	4,344	3,796	-	4,332,196	

12.3 Property, Plant and Equipment - Group

12.3.1 Assets on Finance Lease - Group

All JEDB/SLSPC estate lease deeds have been executed to date. In terms of the ruling of the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in the JEDP/SLSPC estates under finance leases have been taken into the books of the Company's Subsidiaries retroactive to 15th / 22nd June 1992. For this purpose, the Board of Company's Subsidiaries decided at their meetings, that these assets be revalued at their book values as they appear in the books of the JEDP/SLSPC, on the day immediately preceding the date of formation of the Company's Subsidiaries. These assets are taken into the Statement of Financial Position of Company's Subsidiaries as at 15th / 22nd June 1992 and depreciated as follows:

As at 31st March	Vested Unimproved Land Rs.000	Improvements To Land Rs.000	Motor Vehicles Rs.000	Buildings Rs.000	Plant & Machinery Rs.000	Water Sanitation Rs.000	Permanent Land Development Rs.000	Roads and Bridges Rs.000	Other Vested Assets Rs.000	Total 2015 Rs.000
Cost/ Valuation										
Balance at the beginning of the year	889	6,844	29,911	131,614	74,039	16,383	501	1,277	8,757	270,215
Additions	-	-	8,402	26,535	-	-	-	-	-	34,937
Disposals	-	-	(3,512)	-	-	-	-	-	-	(3,512)
Balance at the end of the year 31st March 2016	889	6,844	34,801	158,149	74,039	16,383	501	1,277	8,757	301,640
Amortisation										
Balance at the beginning of the year	644	5,174	7,418	106,863	30,029	16,337	215	955	5,035	172,670
Charge for the year	29	219	6,681	6,463	3,438	11	9	4	1,198	18,052
Disposals	-	-	(1,371)	-	-	-	-	-	-	(1,371)
Balance at the end of the year 31st March 2016	673	5,393	12,728	113,326	33,467	16,348	224	959	6,233	189,351
Carrying Value										
As at 31st March 2016	216	1,451	22,073	44,823	40,572	35	277	318	2,524	112,289
As at 31st March 2015	245	1,670	22,493	24,751	44,010	46	286	322	3,722	97,545

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT CONTD.

12.4 Property, Plant and Equipment - Group

12.4.1 Revaluation of Land and Buildings

Details of Group's land and building stated at valuation are indicated below;

Company	Property	Effective Date of Valuation	Total Land Extent	Main Building Sq.Ft.	Land and Building Rs.000
Brown and Company PLC	Land & Building At No. 75, Devanampiyatissa Mawatha, Colombo-10	31st March 2015	A2-R0-P34.80	5,000	1,280,348
Brown and Company PLC	Land At No. 201, Devanampiyatissa Mawatha, Colombo-10	31st March 2015	A0-R0-P25.4	-	110,841
Brown and Company PLC	Land At No. 223, Devanampiyatissa Mawatha, Colombo-10	31st March 2015	A0-R0-P17.7	-	80,129
Brown and Company PLC	Land & Building At Negombo-Divulapitiya Road, Demanhandiya	31st March 2015	A25-R1-P15	1,000	415,353
Brown and Company PLC	Land & Building At Dambulla	31st March 2015	A0-R3-P10	9,362	154,213
Brown and Company PLC	Land At Nagoda, Kaluthara	Cost *	A0-R0-P16	-	2,400
Brown and Company PLC	Land At Palle Bogala, Kegalle	Cost *	A0-R1-P16.5	-	800
Brown and Company PLC	Land At Main Street, Ambalantota	31st March 2015	A0-R1-P24.8	-	46,980
Browns Investments PLC	Land At Tuduwu Road, Dampe	31st March 2014	A3-R0-P5	-	314,000
Browns Investments PLC	Land At Hiddaruwa, Kosgoda	Cost**	A0-R1-P16.3	-	12,615
Browns Investments PLC	Land & Building At Batawala Road, Meegoda	31st March 2016	A2-R3-P12.9	20,073	70,000
Samudra Beach Resorts (Pvt) Ltd.	Land At Okade Road, Kosgoda	31st March 2015	A6-R0-P16	-	334,369
Samudra Beach Resorts (Pvt) Ltd.	Land At Okade Road, Kosgoda	Cost**	A0-R1-P17	-	4,421
Samudra Beach Resorts (Pvt) Ltd	Land Okade Road, Kosgoda	Cost*	A0-R3-P22	-	17,309
Green Paradise (Pvt) Ltd.	Land & Building At Kubukkandanwala, Dambulla	5th July 2012	A14-R0-P11.61	37,966	985,394
Palm Gardens Hotel PLC	Land At Kaluwamodara, Aluthgama	31st March 2016	A17-R3-P32.5	-	2,585,286
Eden Hotel Lanka PLC	Land & Building At Kaluwamodara, Aluthgama	31st March 2016	A6-R0-P15.66	238,615	2,735,000
Tropical Villas (Pvt) Ltd.	Land At Moragalle, Beruwala	31st March 2016	A2-R1-P27	87,500	381,780
Dickwella Resort (Pvt) Ltd.	Land & Building At Batheegama, Dickwella	31st March 2016	A8-R3-P33.18	100,316	1,623,454
Dickwella Resort (Pvt) Ltd.	Land At Batheegama, Dickwella	31st March 2016	A1-R3-P29.25	-	154,625
Browns Capital PLC (Note 12.4.1.1)	Building	Cost	-	-	1,255,801
BI Commodities & Logistics (Pvt) Ltd	Land Nagoda Village, Ja-ela	31st March 2016	A2-R3-P0.36	-	138,000
Sun & Fun Resorts (Pvt) Ltd	Land At Pasikuda Village, Kalkuda	31st March 2016	A7-R1-P27.43	-	806,887
Browns Hotels & resorts (Pvt) Ltd	Land At Duwemodara, Kosgoda	Cost*	A1-R0-P16.98	-	35,296
Browns Health Care (Pvt) Ltd.	Land & Building At Mahabage Rd, Ragama	31st March 2014	A1-R0-P19.37	56,512	867,138
					14,821,097

* Year of acquisition is 2014/15 ** Year of acquisition is 2013/14.

The above land and buildings have been revalued by qualified valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the revalued properties on the basis of current market value method of valuation.

12.4.1.1 Property, Plant and Equipment - Group

These Land & Buildings are belong to following Group Companies which are not revalued.

Company	Estate	Total Extent (Hect)	Location	Carrying Value of Buildings
Maturata Plantations Ltd.	Alma	636.25	Kandapola	3,538
Maturata Plantations Ltd.	Bramley	224.49	Kandapola	2,362
Maturata Plantations Ltd.	Gonapitiya	716.00	Kandapola	4,102
Maturata Plantations Ltd.	High Forest	628.00	Kandapola	14,865
Maturata Plantations Ltd.	Kabaragalla	504.75	Padiyapalalla	5,937
Maturata Plantations Ltd.	Liddesdale	639.00	Halgaranoya	7,319
Maturata Plantations Ltd.	Mahacoodagalla	252.00	Halgaranoya	5,724
Maturata Plantations Ltd.	Maha Uva	397.25	Walapane	3,506
Maturata Plantations Ltd.	Maturata	544.74	Kandapola	2,430
Maturata Plantations Ltd.	Ragalla	640.75	Halgaranoya	8,061
Maturata Plantations Ltd.	St Leonards	355.65	Halgaranoya	3,120
Maturata Plantations Ltd.	Andapana	348.95	Kamburupitiya	547
Maturata Plantations Ltd.	Anningkanda	624.00	Deniyaya	6,116
Maturata Plantations Ltd.	Beverely	388.00	Deniyaya	1,981
Maturata Plantations Ltd.	Diddenipotha	676.05	Mulatiyana	2,061
Maturata Plantations Ltd.	Enselwatta	2,207.63	Deniyaya	5,913
Maturata Plantations Ltd.	Hayes	895.75	Deniyaya	8,314
Maturata Plantations Ltd.	Lankaberiya	400.40	Ithakanda	1,738
Maturata Plantations Ltd.	Wilpita	510.50	Akurassa	1,832
Maturata Plantations Ltd.	Regional Office	-	-	75
Pussellawa Plantations Ltd.	Mooloya	588.00	Hewaheta	19,200
Pussellawa Plantations Ltd.	Hellbodde	498.25	Katukitula	32,134
Pussellawa Plantations Ltd.	Beaumont	145.85	Pupuressa	9,048
Pussellawa Plantations Ltd.	Delta	652.10	Pupuressa	41,056
Pussellawa Plantations Ltd.	Kaloogalla	203.70	Pussellawa	9,139
Pussellawa Plantations Ltd.	Melfort	253.23	Pussellawa	14,096
Pussellawa Plantations Ltd.	Rothschild	516.25	Pussellawa	26,662
Pussellawa Plantations Ltd.	Sogama	470.61	Pussellawa	13,836
Pussellawa Plantations Ltd.	Stellenberg	367.16	Pupuressa	11,776
Pussellawa Plantations Ltd.	Sanquhar	259.86	Paradeka	20,442
Pussellawa Plantations Ltd.	Geragama	501.34	Pilimalawa	35,425
Pussellawa Plantations Ltd.	Hemingford	307.98	Parakaduwa	23,123
Pussellawa Plantations Ltd.	Keragala	501.84	Kuruwita	14,425
Pussellawa Plantations Ltd.	Pambegama	900.75	Parakaduwa	49,723
Pussellawa Plantations Ltd.	Siriniwasa	422.61	Waga	11,975
Pussellawa Plantations Ltd.	Ayr	460.50	Padukka	27,306
Pussellawa Plantations Ltd.	Durampitiya	336.00	Getahetta	7,761
Pussellawa Plantations Ltd.	Eheliyagoda	517.25	Eheliyagoda	12,774
Pussellawa Plantations Ltd.	Elston	810.89	Puwakpitiya	26,286
Pussellawa Plantations Ltd.	Halpe	744.52	Tummodara	32,970
Pussellawa Plantations Ltd.	Penrith	652.00	Avissawella	23,322
Pussellawa Plantations Ltd.	Pussella	563.03	Parakaduwa	14,435
Pussellawa Plantations Ltd.	Salawa	614.66	Hanwella	11,219
Pussellawa Plantations Ltd.	Sunderland	322.51	Eheliyagoda	7,264
Pussellawa Plantations Ltd.	Head office / Tea Villa	-	Hanwella	8,268
Browns Hydro Power PLC	Hydro Power Plant	12.47	Pupuressa / Paradeka	80,904
Thebuwana Hydro Power (Pvt) Ltd.	Hydro Power Plant	-	Thebuwana - Keeragala	182,280
Stellenberg Hydro Power (Pvt) Ltd.	Hydro Power Plant	2.51	Stellenberg widen Division/Hellbodde North Division/ Delta East Division	91,515
Browns Properties (Pvt) Ltd.	Group occupied component	-	No. 19, Dudley Senanayake Mawatha, Colombo 08	296,629
Ceylon Estate Teas (Pvt) Ltd.	Tea Factory	0.06	No.14/7 Dutugemunu Mw, Peliyagoda	11,268
				1,255,801

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT CONTD.

12.5.1 Revaluation of Land and Buildings - Company

Property	Effective Date of Valuation	Total Extent Land	Main Building Sq.Ft.	Carrying Value of Land & Building Rs.000
Land & Building At No. 75, Devanampiyatissa Mawatha, Colombo-10	31st March 2015	A2-R0-P34.80	5,000	1,280,348
Land At No. 201, Devanampiyatissa Mawatha, Colombo-10	31st March 2015	A0-R0-P25.4	-	110,841
Land At No. 223, Devanampiyatissa Mawatha, Colombo-10	31st March 2015	A0-R0-P17.7	-	80,129
Land & Building At Negombo-Divulapitiya Road, Demanhandiya	31st March 2015	A25-R1-P15	1,000	415,353
Land & Building At Dambulla	31st March 2015	A0-R3-P10	9362	154,213
Land At Nagoda, Kaluthara	Cost *	A0-R0-P16	-	2,400
Land At Palle Bogala, Kegalle	Cost *	A0-R1-P16.5	-	800
Land At Devanampiyatissa Mawatha	Cost*	A0-R3-P31.42	-	408,660
Land At Main Street, Ambalantota	31st March 2015	A0-R1-P24.8	-	46,980
				2,499,722

The above land and buildings have been revalued by qualified valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the revalued properties on the basis of current market value method of valuation.

12.6 Capital Work in Progress

Capital Work in Progress comprises of the following items:

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Buildings	4,110	2,591,278	4,110	-
Water Sanitation	-	4,866	-	-
Hydro Power	4,674,141	305,918	-	-
Others	84,684	10,574	6,190	-
	4,762,935	2,912,636	10,300	-

13 INVESTMENT PROPERTIES

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Balance at the beginning of the year	7,199,267	6,185,968	55,192	33,647
On Acquisition of Subsidiary	-	1,029,588	-	-
Additions	23,921	-	-	-
Disposals	(172,649)	(16,234)	(4,229)	-
Transfers from/(to) Property, Plant and Equipment	1,946,827	-	2,028,495	-
Change in Fair Value during the year	114,950	(55)	237	21,545
Balance at the end of the year	9,112,316	7,199,267	2,079,695	55,192

13.1 Income Earned from Investment Properties

For the year ended 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Rental income	228,354	93,504	10,236	321
Direct Operating expenses	(17,397)	(32,553)	-	-

13.2 Summary of Investment Properties - Group

As at 31st March	Group	
	2016	2015
Land	6,825,038	5,110,817
Buildings	2,287,278	2,088,450
	9,112,316	7,199,267

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT PROPERTIES

13.3 Investment Properties of the Group Include the Following

Company	Property	Effective Date of Valuation	Total Land Extent	Land Rs.000	Building Rs.000
Brown and Company PLC	Land & Building At No. 481, T.B. Jayah Mawatha, Colombo-10	31st March 2016	A1-R2-P3.20	1,748,000	280,495
Brown and Company PLC	Land At Dunbar Rd, Dumburugiriya, Hatton	31st March 2016	A1-R1-P0	51,200	-
Millennium Development (Pvt) Ltd.	Land & Building At No. 338, T.B. Jayah Mawatha, Colombo-10	31st March 2016	A5-R2-P17	3,364,000	126,000
Browns Properties (Pvt) Ltd.	Land & Building At No 19. Dudley Senanayake Mawatha, Colombo-08	31st March 2016	A0-R1-P9.5	396,000	518,805
Browns Properties (Pvt) Ltd.	Land At No.05, Summer Place, Colombo 08.	31st March 2016	A0-R0-P33.75	135,000	-
Browns Investments PLC	Land At Kuchchaveli, Trincomalee	31st March 2016	A5-R0-P14.5	81,000	-
Browns Investments PLC	Land At Nalluruwa, Panadura	31st March 2016	A0-R1-P38.87	50,000	-
Browns Investments PLC	Land At Etul Kotte Rd, Battaramulla	31st March 2016	A0-R1-P25.1	227,000	-
Browns Investments PLC	Land At Kaduwela Rd, Malabe	31st March 2016	A0-R2-P5.05	200,000	-
Browns Investments PLC	Land At Egoda Uyana, Moratuwa	31st March 2016	A1-R2-P6.5	144,000	-
Browns Investments PLC	Apartment 506, 2000 plaza Residencies, Sri Jayawardenapura , Nugegoda	31st March 2016	-	-	12,000
S. F. L. Services (Pvt) Ltd.	Land At Glennie Street, Colombo-02	31st March 2016	A0-R0-P30.5	152,500	-
S. F. L. Services (Pvt) Ltd.	Land At Malabe Rd, Malabe	31st March 2016	A0-R2-P20.5	76,338	-
Browns Group Industries (Pvt) Ltd.	Land & Building At Shantha Sebastiyen Mw, Mudungoda, Kadawatha	31st March 2016	A0-R1-P20.63	13,000	-
Browns Industrial Park Ltd.	Land & Building At Gonawila, Markandura	31st March 2016	A25-R2-P0	187,000	1,349,978
				6,825,038	2,287,278

The above land and buildings have been revalued by qualified valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the revalued properties on the basis of current market value method of valuation.

13.4 Summary of Investment Properties - Company

As at 31st March	Company	
	2016	2015
Land	1,799,200	55,192
Buildings	280,495	-
	2,079,695	55,192

13.5 Investment Properties of the Company Include the Following

Company	Property	Effective Date of Valuation	Total Land Extent	Land Rs.000	Building Rs.000
Brown and Company PLC	Land & Building At No. 481, T.B. Jayah Mawatha, Colombo-10	31st March 2016	A1-R2-P3.20	1,748,000	280,495
Brown and Company PLC	Land At Dunbar Rd, Dumburugiriya, Hatton	31st March 2016	A1-R1-P0	51,200	-
				1,799,200	280,495

13.6 Land and buildings are considered under Level 3 of fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

14 PREPAID LEASE RENTALS

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Right to use the leasehold land	502,924	489,130	-	-
Prepaid lease rentals	709,330	329,010	123,392	125,203
	1,212,254	818,140	123,392	125,203
Right to use the leasehold land/Prepaid lease rentals				
Balance at the beginning of the year	1,051,493	57,932	130,012	48,653
On acquisition of Subsidiary	364	692,800	-	-
Additions during the Period	424,827	300,761	-	81,359
Transferred to Property, Plant and Equipment	(6,486)	-	-	-
Balance at the end of the year	1,470,198	1,051,493	130,012	130,012
Amortisation				
Balance at the beginning of the year	233,353	6,844	4,809	4,208
On acquisition of Subsidiary	-	221,957	-	-
Amortisation during the Period	24,591	4,552	1,811	601
Balance at the end of the year	257,944	233,353	6,620	4,809
Carrying Value	1,212,254	818,140	123,392	125,203

14.1 Bodufaru Beach Resorts (Pvt) Ltd.

Bodufarufinolhu Island

Persuent to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 23rd November 2014 the company has obtained the leasehold rights of the Bodufarufinolhu Island in Raa Atoll for a period of 50 years commencing from 23rd November 2014.

Bodufinlhu Island

Persuent to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 7th June 2015 the company has obtained the leasehold rights of Bodufinlhu Island in South Ari Atoll for a period of 50 years commencing from 7th June 2015. The amount paid to acquire the lease right is recognized over the lease term.

Lagoon In Male' Atoll

Persuant to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 13th September 2015 the company has obtained the leasehold rights of the plot of lagoons in Male' Atoll for a period of 50 years commencing from 13th September 2015. The amount paid to acquire the lease right is recognized over the lease term.

14.2 Maturata/Pussellawa Plantations - Lease of JEDB/SLSPC Estates

Lease agreements of all JEDB/SLSPC estates handed over to the Company's Sub-Subsidiaries have been executed to date. All of these lease are retroactive to 15th / 22nd June 1992, the dates of formation of the Company's Sub Subsidiaries. The leasehold rights to the bare land on all of these estates have been taken into the books of the Company's Sub-Subsidiaries on 15th / 22nd June 1992, immediately after formation of the Company's Sub Subsidiaries, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, Board of the company's Sub Subsidiaries decided at its meetings that lease bare land would be revalued at the value established for this land by Valuation Specialist Dr. Wickramasinghe just prior to the formation of the Company's Sub Subsidiaries. The values as at 22nd June 1992 and 15th June 1992 were taken in to the books of Maturata Plantations Limited and Pussellawa Plantations Limited respectively.

The Leasehold right to bare land of JEDB/SLSPC estates is being amortized by equal amounts over a 53 year period and the unexpired period of the lease as at the financial reporting date is 30.25 years.

14.2.1 Land acquired/ in the process of being acquired by the government and divested as at 31st March 2016 - Group

Maturata Plantations Limited (MPL)

The government of Sri Lanka has already acquired a total land extent of 218.1915 hectares (As at 31st March 2015 - 218.1915 hectares) and also is in the process of being acquired a further total land extent of 1,282.3620 hectares (As At 31st March 2015 - 1,282.3620 hectares).

Land divested is totalling to 822.00 hectares. (As at 31st March 2015 - 822.00 hectares).

Pussellawa Plantations Limited (PPL)

The government of Sri Lanka has acquired a total land extent of 82.50 hectares in 2007 and a further total land extent of 7.02 hectares in 2008.

This includes a land extent of 50.3285 Hectares belonging to Pitipana Estate, Homagama acquired by the government under the Section 2 of the Urban Development Authority [Special Projects] Act through Section 38[a] for town development by Extra Ordinary Gazette notification no.1539/9 dated 03rd March 2008.

PPL filed a fundamental rights case against the Minister of Lands and Land Development at Supreme Courts stating that the Gazette notification is illegal, null and void which is pending as at the reporting date.

No adjustments have been made to the financial statements in respect of the land acquired as the compensation receivable on the major acquisitions are not known and the transactions pertaining to those acquisitions have not been completed as at 31st March 2016. However, compensations received for land acquired have been accounted for on cash basis.

14.3 Browns Hydro Power PLC

A sub subsidiary of the group acquired 12.47 hectares of land on lease for a period of 41 years for mini hydro projects. The written down value of the leasehold property as at the reporting date amounts to Rs. 4,391,681/-.

NOTES TO THE FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

As at 31st March	Group		Company (Software)	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Gross Value				
Balance at the beginning of the year	1,565,042	1,471,702	116,867	116,030
On Acquisition of Subsidiary	124,848	114,058	-	-
Additions during the year	26,126	7,290	62	837
Impairment Losses for the year	-	(25,289)	-	-
Disposal	-	(2,719)	-	-
Balance at the end of the year	1,716,016	1,565,042	116,929	116,867
Amortisation				
Balance at the beginning of the year	102,424	78,395	90,986	70,440
Amortisation during the year	26,242	25,224	20,451	20,546
Disposal	-	(1,195)	-	-
Balance at the end of the year	128,666	102,424	111,437	90,986
Carrying Value	1,587,350	1,462,618	5,492	25,881

15.1 Summary of Intangible Assets - Group

	31st March 2016			31st March 2015		
	Goodwill Rs.000	Software Rs.000	Total Rs.000	Goodwill Rs.000	Software Rs.000	Total Rs.000
Gross value						
Balance at the beginning of the year	1,434,379	130,663	1,565,042	1,345,636	126,066	1,471,702
Additions during the year	-	26,126	26,126	-	7,290	7,290
Acquisition of subsidiary	17,053	107,795	124,848	114,032	26	114,058
Impairment Losses for the year	-	-	-	(25,289)	-	(25,289)
Disposal	-	-	-	-	(2,719)	(2,719)
Balance at the end of the year	1,451,432	264,584	1,716,016	1,434,379	130,663	1,565,042
Amortisation						
Balance at the beginning of the year	-	102,424	102,424	-	78,395	78,395
Amortisation during the year	-	26,242	26,242	-	25,224	25,224
Disposal	-	-	-	-	(1,195)	(1,195)
Balance at the end of the year	-	128,666	128,666	-	102,424	102,424
Carrying Value	1,451,432	135,918	1,587,350	1,434,379	28,239	1,462,618

15.2 Summary of Goodwill - Group

	Carrying Value	
	31st March 2016 Rs.000	31st March 2015 Rs.000
Klevenberg (Pvt) Ltd.	51,805	51,805
Gal Oya Holdings (Pvt) Ltd.	5,026	5,026
Browns Motors (Pvt) Ltd.	250	250
Browns Investments PLC	9,564	9,564
Browns Hydro Power PLC	2,863	2,863
Ajax Engineers (Pvt) Ltd.	25,057	25,057
Excel Restaurants (Pvt) Ltd.	20,524	20,524
Browns Hotels & Resorts Ltd.	1,205,258	1,205,258
Ceylon Roots (Pvt) Ltd.	47,718	47,718
Creations Wooden Fabricators (Pvt) Ltd.	8,673	8,673
Sun & Fun Resorts Ltd.	57,641	57,641
Saga Solar Power (Pvt) Ltd.	17,053	-
	1,451,432	1,434,379

15.3 Goodwill as at the reporting date has been tested for impairment and during the year and it was concluded that no impairment loss for the year.

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The key assumptions used are given below;

Business growth rate – Based on the long term average growth rate for each business unit.

Inflation rate – Based on current inflation rate.

Discount rate – Risk free rate adjusted for the specific risk relating to the industry.

15.4 Software with a finite life is amortized over the period of the expected economic benefit. As per the Group policy, software is amortized over 3 to 8 years.

NOTES TO THE FINANCIAL STATEMENTS

16 BEARER BIOLOGICAL ASSETS

As at 31 March	Group		Company	
	2016	2015	2016	2015
On Finance Lease	155,679	175,407	-	-
Investments after formation of the Company	4,631,760	4,455,043	-	-
Growing Crop Nurseries	23,911	27,065	-	-
	4,811,350	4,657,515	-	-

At Cost	On Finance Lease	Investments after formation of the Company	Growing Crop Nurseries	Total 2016	On Finance Lease	Investments after formation of the Company	Growing Crop Nurseries	Total 2015
Cost	596,305	5,696,615	23,911	6,316,831	596,305	5,374,200	27,065	5,997,570
Accumulated Amortisation	(440,626)	(1,064,855)	-	(1,505,481)	(420,898)	(919,157)	-	(1,340,055)
	155,679	4,631,760	23,911	4,811,350	175,407	4,455,043	27,065	4,657,515

On Finance Lease	Mature Plantations Tea		Mature Plantations Rubber		Mature Plantations Coconut		Total 2016	Total 2015
	2016	2015	2016	2015	2016	2015		
For the year ended 31 March								
Cost								
Balance as at the beginning of the period	371,934	-	212,786	-	11,585	-	596,305	-
On acquisition of subsidiaries	-	371,934	-	212,786	-	11,585	-	596,305
Balance as at the end of the period	371,934	371,934	212,786	212,786	11,585	11,585	596,305	596,305
Accumulated Amortisation								
Balance as at the beginning of the period	263,390	-	149,474	-	8,034	-	420,898	-
On acquisition of subsidiaries	-	263,388	-	149,474	-	8,036	-	420,898
Charge for the year	12,249	-	7,092	-	387	-	19,728	-
Balance as at the end of the period	275,639	263,388	156,566	149,474	8,421	8,036	440,626	420,898
Carrying amount								
As at 31st March 2016	96,295	108,546	56,220	63,312	3,164	3,549	155,679	
As at 31st March 2015	108,544	120,795	63,312	70,404	3,551	3,935	175,407	

Investments after formation of the Company	Immature Plantations					Mature plantations						Total 2016	Total 2015
	Tea	Rubber	Cinnamon	Mixed Crops	Total	Tea	Rubber	Cinnamon	Coconut	Mixed Crops	Total		
Cost/Valuation													
Balance as at the beginning of the period	446,995	1,814,512	80,757	30,382	2,372,646	1,389,644	1,542,617	41,461	27,832	-	3,001,554	5,374,200	-
On acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	5,374,200
Additions	57,487	209,300	16,911	53,232	336,930	-	-	-	-	15,225	15,225	352,155	-
Disposals/ Written off	(3,037)	-	(715)	(25,988)	(29,740)	-	-	-	-	-	-	(29,740)	-
Transfers	(75,853)	(434,457)	(43,522)	-	(553,832)	75,853	434,457	43,522	-	-	553,832	-	-
	425,592	1,589,355	53,431	57,626	2,126,004	1,465,497	1,977,074	84,983	27,832	15,225	3,570,611	5,696,615	5,374,200
Accumulated Depreciation													
Balance as at the beginning of the period	-	-	-	-	-	389,865	521,453	2135	5,704	-	919,157	919,157	-
On acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	919,157
Charge for the year	-	-	-	-	-	47,222	96,334	990	539	613	145,698	145,698	-
	-	-	-	-	-	437,087	617,787	3,125	6,243	613	1,064,855	1,064,855	919,157
Carrying amount													
As at 31st March 2016	425,592	1,589,355	53,431	57,626	2,126,004	1,028,410	1,359,287	81,858	21,589	14,612	2,505,756	4,631,760	
As at 31st March 2015	446,995	1,814,512	80,757	30,382	2,372,646	999,779	1,021,164	39,326	22,128	-	2,082,397	4,455,043	

Growing Crop Nurseries	2016				2015			
	Tea	Rubber	Mixed crops	Total	Tea	Rubber	Mixed crops	Total
Cost/Valuation								
Balance as at the beginning of the period	18,858	6,684	1,523	27,065	-	-	-	-
On acquisition of subsidiaries	-	-	-	-	18,858	6,684	1,523	27,065
Additions	-	-	6,470	6,470	-	-	-	-
Transfers	(7,025)	(2,179)	(420)	(9,624)	-	-	-	-
Balance as at the end of the period	11,833	4,505	7,573	23,911	18,858	6,684	1,523	27,065

NOTES TO THE FINANCIAL STATEMENTS

16 BEARER BIOLOGICAL ASSETS CONTD.

Amortization/ Depreciation for the period recognized for bearer biological assets

for the year ended 31 March	2016	2015
On Finance Lease	19,728	19,727
Investments after formation of the Company	145,698	121,218
	165,426	140,945

These are investments in bearer biological assets carried at cost (Tea, Rubber, Coconut, Cinnamon and Mixed Crop) which comprises of immature/mature plantations since the formation of the Company. The assets (including plantations assets) taken over by way of estate leases. Further, investment in immature plantations taken over by way of leases are shown in this note. When such plantations become mature, the additional investments since, taken over to bring them to maturity will be moved from immature to mature. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will also be carried out.

Pursuant to the amendments on Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41), issued in March 2015 by the Institute of Chartered Accountants of Sri Lanka the Company has decide to early adopt the said amendments by voluntarily from its existing accounting policy on Bearer Biological Assets on Fair Value to Historical Cost Model in compliance to the LKAS 16 Paragraph 22A. The rubber and coconut (Bearer Plants) were measured at fair value less cost to sale, under LKAS 41. The requirement of recognising the bearer biological assets at its fair value under LKAS 41 has now been change with the aforesaid amendments issued on March 2015. Accordingly, the Group has elected to measure the bearer biological assets i.e. tea, rubber, coconut and mixed crop using LKAS 16 – Property Plant & Equipment and continued the historical cost model of recording them.

17 CONSUMABLE BIOLOGICAL ASSETS

As at 31st March	Group	
	2016 Rs.000	2015 Rs.000
Balance as at 01 April	6,383,655	-
Increase due to new planting	10,302	3,518
Acquisition of subsidiaries	-	6,380,137
Net increase due to births/deaths (Growing Crop Nurseries)	558	-
Written off during the year	(3,791)	-
Decrease due to harvesting of timber trees	(45,381)	-
Change in fair value less estimated costs to sell	(194,354)	-
Balance as at 31 March	6,150,989	6,383,655

17.1 The carrying value of timber as at the year end has been computed as follows;

As at 31st March	Group	
	2016 Rs.000	2015 Rs.000
Valuation of consumable biological assets	6,122,019	6,353,743
Cost of timber plant below three years of age, not considered for valuation	26,005	25,367
Growing Crop Nurseries	2,965	4,545
	6,150,989	6,383,655

17.2 The Consumable Biological Assets as at 31st March 2016 of the Group was valued by Mr. K.T.D. Tissera, an independent Chartered Valuation Surveyor as per the Valuation Report dated 09 May 2016 prepared on the physically verified timber statistics provided by the Group on a tree by tree basis. The timber trees were valued as at 31st March 2015 by the same Chartered valuation Surveyor on a field by field basis as per the timber statistics provided by the Group.

17.3 Timber Trees namely Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Turpentine, Rubber, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of Timber Trees.

17.4 In valuing the timber plantations, under-mentioned factors have been taken into consideration

- 1 The present age of trees.
- 2 Maturity age of the tree - Maturity of the tree is based on the variety of the species of the tree.
- 3 Annual marginal increase in timber content.
- 4 Number of years to harvest.
- 5 Timber content of harvestable trees on maturity.
- 6 Timber Plants having below three years of age have not been taken into the valuation.
- 7 The timber content of immature trees at an estimated future harvestable year.
- 8 The current price of species of timber per cubic foot at the relevant year.

17.5 Trees have been valued as per the current timber prices in the domestic market based on the price list of the State Timber Corporation and prices of timber trees sold by estates and prices of logs and sawn timber in the popular timber traders in Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

17 CONSUMABLE BIOLOGICAL ASSETS CONTD.

- 17.6 The fair value is determined on the basis of net present value of expected future cash flows using a discount rate of 13% per annum. The significant assumptions used in the valuation of Consumable Biological Assets are as follows:
- 1 Future cash flows are determined by references to current timber prices without considering the inflationary effect.
 - 2 The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms.
 - 3 Timber trees that have not come upto a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size.
 - 4 The present value of the trees is worked out based on the projected size and the estimated number of years it would take to reach the size. This is worked out on the basis of an annual marginal increase of timber content which normally ranges from 0.50 to 1.50 cm per year for trees of diameter girth over 10 cm.
 - 5 The value of each matured species of timber is worked out on the price of a cubic foot of timber in the market of the species and the available cubic content of timber in the tree.
 - 6 Due consideration has been given for cost of felling, transport, sawing, cost to sell including obtaining of approval for felling.
- 17.7 Managed trees include commercial timber plantations cultivated in estates. The cost of immature trees is treated at approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.
- 17.8 The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by the Institute of Chartered Accountants of Sri Lanka. The valuation was carried out by using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.
- 17.9 The valuations, as presented in the external valuation models based on net present values, takes into account 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 realisable value. The Board of Directors of respective subsidiaries retains their view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in LKAS 41 against his own assumptions.
- 17.10 The biological assets of the Group is cultivated in the leased lands. When measuring the fair value of the biological assets it was assumed that these concessions 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.

17.11 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques in measuring Level 3 fair value of consumable biological asses as well as the significant unobservable inputs used.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber older than 4 years.	<p>Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis .</p> <p>Expected cash flows are discounted using a risk-adjusted discount rate of 15% comprising a risk premium of 4%.</p>	<ul style="list-style-type: none"> ● Determination of Timber Content Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age. ● Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size. ● Determination of Price of Timber Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation and prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration. <ol style="list-style-type: none"> a) Cost of obtaining approval of felling. b) Cost of felling and cutting into logs. c) Cost of transportation. d) Sawing cost. ● Risk-adjusted discount rate. 2015/2016 - 15% (risk premium - 4%). 2014/2015 - 13% (risk premium - 4%). 	<p>The estimated fair value would increase/(decrease) if;</p> <ul style="list-style-type: none"> ● the estimated timber content were higher/(lower). ● the estimated timber prices per cubic meter were higher/(lower). ● the estimated selling related costs were lower/(higher). ● the estimated maturity age were higher/(lower). ● the risk-adjusted discount rate were lower/(higher).

NOTES TO THE FINANCIAL STATEMENTS

17 CONSUMABLE BIOLOGICAL ASSETS CONTD.

17.12 Sensitivity Analysis for biological assets

17.12.1 Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for rubber, coconut and timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

As at 31st March	2016		2015	
	10% Variance Rs.	-10% Variance Rs.	10% Variance Rs.	-10% Variance Rs.
Managed Timber	612,201	(612,201)	372,355	(372,355)

17.12.2 Sensitivity Variation on Discount Rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for rubber, coconut and timber show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets;

As at 31st March	2016		2015	
	1% Variance Rs.	-1% Variance Rs.	1% Variance Rs.	-1% Variance Rs.
Managed Timber	(196,624)	198,130	(239,417)	288,310

The Group is exposed to a number of risks related to its timber plantations;

Regulatory and environmental risks

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

Supply and demand risk

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

Climate and other risks

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

18 INVESTMENTS IN SUBSIDIARIES

	Company					
	Holding %		No. of shares		Amount	
	As at 31st March 2016	As at 31st March 2015	As at 31st March 2016	As at 31st March 2015	As at 31st March 2016 Rs.000	As at 31st March 2015 Rs.000
Browns Group Motels Ltd. (Note 42.3.6)	79.97%	65%	399,859	323,588	6,739	5,267
CFT Engineering (Pvt) Ltd.	95%	95%	3,450	3,450	448	448
The Hatton Transport & Agency Co. (Pvt) Ltd. (Note 42.3.7)	100%	100%	1,000	111,300	210	23,422
S.F.L. Services (Pvt) Ltd. (Note 42.3.7)	100%	100%	986,591	1,329,673	632,198	852,041
Browns Group Industries (Pvt) Ltd.	100%	100%	2,800,000	2,800,000	122,119	122,119
Browns Thermal Engineering (Pvt) Ltd.	100%	100%	1,499,997	1,499,997	116,288	116,288
Snowcem Products Lanka (Pvt) Ltd.	100%	100%	400,000	400,000	3,374	3,374
Klevenberg (Pvt) Ltd. (Note 42.3.6)	100%	76%	15,600,000	11,856,000	205,264	154,100
Browns Motors (Pvt) Ltd.	100%	100%	5,000,000	5,000,000	5,000	5,000
Walker & Greig (Pvt) Ltd.	100%	100%	1	1	38,638	38,638
Browns Investments PLC. (Note 18.3)	39.75%	39.75%	1,478,712,425	1,478,712,425	6,636,614	6,636,614
Browns Health Care (Pvt) Ltd.	100%	100%	67,000,000	67,000,000	667,210	667,210
Browns Real Estates (Pvt) Ltd.	100%	100%	5,000,000	5,000,000	50,000	50,000
					8,484,102	8,674,521
Provision for fall in value of Investments (Note 18.1)					(494,460)	(482,460)
					7,989,642	8,192,061

18.1 Provision for fall in value of Investments

	As at 31st March 2016 Rs.000	As at 31st March 2015 Rs.000
Browns Investments PLC	440,000	440,000
Snowcem Products Lanka (Pvt) Ltd.	3,374	3,374
Walker & Greig (Pvt) Ltd.	38,638	38,638
Browns Real Estate (Pvt) Ltd	12,000	-
CFT Engineering Ltd.	448	448
	494,460	482,460

NOTES TO THE FINANCIAL STATEMENTS

18 INVESTMENTS IN SUBSIDIARIES CONTD.

18.2 Group Holdings in Subsidiaries

As at 31 March Subsidiary	Principal Activity	2016		2015	
		No of Shares	Control Holding %	No of Shares	Control Holding %
Ajax Engineers (Pvt) Ltd.	Aluminium Fabrication	469,987	100%	239,694	51%
B G Air Services (Pvt) Ltd.	Travel	50,000	100%	50,000	100%
BI Logistics and Commodities (Pvt) Ltd.	Pre-Operational	1,000,000	100%	-	-
BI Zhongtian Holdings (Pvt) Ltd.	Pre-Operational	25,500,000	51%	-	-
Bodufaru Beach Resorts (Pvt) Ltd.	Hotelier - Pre operational	35,000	100%	802	100%
Browns Hydro Power PLC	Hydro power generation	77,713,512	71%	77,713,512	71%
Browns Capital PLC	Holding Company	831,578,217	61%	747,600,000	54.65%
Browns Global Farm (Pvt) Ltd.	Agriculture	9,305,000	100%	3,605,000	100%
Browns Group Industries (Pvt) Ltd.	Trading	2,800,000	100%	2,800,000	100%
Browns Group Motels Ltd.	Non-operating	399,859	80%	399,859	80%
Browns Health Care (Pvt) Ltd.	Healthcare	67,000,000	100%	67,000,000	100%
Browns Health Care North Colombo (Pvt) Ltd.	Healthcare	10,000,000	100%	10,000,000	100%
Browns Hotels and Resorts Ltd.	Holding Company	849,166,000	100%	1,349,166,000	100%
Browns Industrial Park Ltd.	Renting Premises	15,405,137	100%	15,405,137	100%
Browns Investments PLC	Holding Company	1,478,712,425	39.75%	1,478,712,425	39.75%
Browns Motors (Pvt) Ltd.	Non-operating	5,000,000	100%	5,000,000	100%
Browns Real Estate (Pvt) Ltd.	Non-operating	5,000,000	100%	5,000,000	100%
Browns Thermal Engineering (Pvt) Ltd.	Trading	1,499,997	100%	1,499,997	100%
Browns Tours (Pvt) Ltd.	Travel	2,030,000	100%	2,030,000	100%
Ceylon Estate Teas (Pvt) Ltd.	Marketing & distribution of teas	455,000	100%	455,000	100%
Ceylon Roots (Pvt) Ltd.	Travel	150,000	60%	150,000	60%
CFT Engineering Ltd.	Non-operating	3,450	95%	3,450	95%
Creations Wooden Fabrication (Pvt) Ltd.	Wooden Fabrication	20,000	50%	20,000	50%
Dickwella Resort (Pvt) Ltd.	Hotelier	481,314	100%	481,314	100%
Dolekanda Power (Pvt) Ltd.	Hydro power generation	10,000,000	100%	10,000,000	100%
Eden Hotels Lanka PLC	Hotelier	24,560,733	46.52%	24,398,472	46.21%
Enselwatte Power (Pvt) Ltd.	Hydro power generation	10,000,000	100%	10,000,000	100%
Excel Global Holding Ltd.	Holding Company	53,448,329	100%	53,448,329	100%
Excel Restaurant (Pvt) Ltd.	Food & beverages	10,004	100%	10,004	100%
F L C Estates Bungalows (Pvt) Ltd.	Pre-Operational	1,000,000	100%	1,000,000	100%
Browns Capital Holdings (Pvt) Ltd.	Holding Company	100,000,000	100%	100,000,000	100%
Browns Power Holding (Pvt) Ltd.	Investing	100,000,000	100%	100,000,000	100%
Browns Properties (Pvt) Ltd.	Real estate	60,000,000	100%	60,000,000	100%
F L M C Plantations (Pvt) Ltd.	Plantation management	92,052,842	95.34%	92,052,842	95.34%
F L P C Management (Pvt) Ltd.	Plantation management	5,500,000	55%	5,500,000	55%
Galoya Holdings (Pvt) Ltd.	Management Company Sugar Plantation	1,300,000	50%	1,300,000	50%
Green Paradise Resorts (Pvt) Ltd.	Hotelier	2,800,007	56%	2,550,006	51%
Halgranoya Hydro Power (Pvt) Ltd.	Hydro power generation	10,000,000	100%	10,000,000	100%
Klevernberg (Pvt) Ltd.	Trading	15,600,000	100%	11,856,000	76%
Maturata Plantation Ltd.	Plantations	25,200,000	72%	25,200,000	72%

As at 31 March Subsidiary	Principal Activity	2016		2015	
		No of Shares	Control Holding %	No of Shares	Control Holding %
Melfort Green Tea Ltd.	Manufacturing green tea	650,000	46%	650,000	46%
Millennium Development (Pvt) Ltd.	Renting Premises	44,390,823	100%	44,390,823	100%
Palm Garden Hotels PLC	Holding Company	38,671,013	89%	38,671,013	89%
Pussellawa Plantations Ltd.	Plantations	14,236,986	59.70%	14,236,986	59.70%
Riverina Resort (Pvt) Ltd.	Hotelier - Pre operational	35,050,000	100%	35,050,000	100%
S.F.L. Services (Pvt) Ltd.	Intra-Group Funding	986,591	100%	1,329,673	100%
Sagasolar Power (Pvt) Ltd.	Solar power generating - Pre operational	38,703,370	50%	-	-
Sifang Lanka (Pvt) Ltd.	Non-operating	2,050,000	100%	2,050,000	100%
Sifang Lanka Trading (Pvt) Ltd.	Non-operating	3,000,002	100%	3,000,002	100%
Snowcem Products Lanka (Pvt) Ltd.	Non-operating	400,000	100%	400,000	100%
Stellenberg Hydro Power (Pvt) Ltd.	Hydro power generation	150,000,000	100%	150,000,000	100%
Samudra Beach Resorts (Pvt) Ltd.	Hotelier - Pre operational	171,127,500	100%	171,127,500	100%
Sun & Fun Resorts (Pvt) Ltd.	Hotelier	16,287,848	51%	16,287,848	51%
Tea Leaf Resort Ltd.	Leisure	250,000	50%	250,000	50%
The Hatton Transport & Agency Company (Pvt) Ltd.	Non-operating	1,000	100%	111,300	100%
Thebuwana Hydro Power (Pvt) Ltd.	Hydro power generation	77,713,512	100%	77,713,512	100%
Tropical Villas (Pvt) Ltd.	Non-operating	10,344,300	100%	10,344,300	100%
Walker & Greig (Pvt) Ltd.	Non-operating	1	100%	1	100%

18.3 Browns Investments PLC - (BI) Brown and Company PLC has entered into a formal shareholder agreement with LOLC Investments Limited which holds 13.71% of the shareholding of Browns Investments PLC which amounts to 509,855,000 shares, together shall hold 53.46% in Browns Investments PLC, whilst Brown and Company PLC and LOLC Investments Limited are desirous of entering into this Agreement to guarantee achieving the objective of setting forth the terms and conditions under which the parties intend to co-operate and participate jointly in granting the authority to Brown and Company PLC to appoint the members to the Board of Directors of Browns Investments PLC, and accordingly both parties entered into a formal written agreement on 22nd January 2013, by setting out above terms and conditions agreed upon by them.

18.4 Eden Hotels Lanka PLC - (Eden)The Group considers Eden as a subsidiary by virtue of de facto control though the Group owns less than half of the Eden (46.21%) and has less than half of the voting power. It is able to govern the financial and operating policies of Eden and on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercising their votes collectively.

18.5 Melfort Green Tea Limited - (MGTL) Although the group owns less than half of the voting power of MGTL (46.43%), management has determined that the group has control over the investee. This is because the group holds significantly more Board control over MGTL than other vote holders.

As per the above, the group has the control to govern the financial and operating policies of BI, EDEN and MGTL, as per SLFRS 3 'Business Combinations' and the Group has accounted for BI, Eden and MGTL as Subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS

18 INVESTMENTS IN SUBSIDIARIES CONTD.

18.6 Maturata Plantations Ltd.

Debentures issued on 19th June, 1997 to the value of Rs.150 Mn have been converted to ordinary shares on 22nd June 2002 as stipulated in the agreement. The basis and/or ratio of conversion has been contested by the golden shareholder in year 2008. The details of conversion are as follows:

i. Basis of conversion

Nos.4,575,000,732 ordinary shares at par value of Rs.10/= each per debenture of par value of Rs.10/- each.

ii. Number of shares resulting from the above conversion

Nos.15,000,000 ordinary shares (i.e. 21% incremental shareholding to the subsidiary of the group, Free Lanka Plantation Company (Pvt) Ltd. (from 51% to 72%)).

iii. Possible impact on group shareholding of Maturata Plantations Ltd.,

The number of shares resulting from the above conversion would be reduced from Nos.15,000,000 to 3,278,688 ordinary shares in the event the conversion is made as suggested by the golden shareholder. (i.e. incremental shareholding to the subsidiary of the group, Free Lanka Plantation Company (Pvt) Ltd., would be reduced from 72% to 57.90%).

18.7 During the year the Browns Investment PLC, a subsidiary of group acquired 50% stake in Saga Solar Power (Pvt) Ltd.(SSPL) The acquisition had the following effect on the Group's assets and liabilities on the acquisition date.

As at 31 March 2016	SSPL Rs.000
Property, plant and equipment	54,016
Intangible assets	107,795
Other non current financial assets	8,440
Trade and other receivables	668
Other current financial assets	580,000
Cash and cash equivalents	13,238
Amounts due to related parties	(1,426)
Accounts payable and accrued expenses	(6,221)
Net identifiable assets and liabilities	756,510
Total cash consideration	407,064
Non-controlling interests, based on their proportionate interest	366,499
Less	
Fair value of identified net assets	(756,510)
Goodwill	17,053
Analysis of cash on acquisition of the subsidiaries	
Cash paid on acquisition	407,064
Cash at bank acquired	(13,238)
Net cash outflow	393,826

19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

19.1 Investments in Equity Accounted Investees - Group

As at 31st March	Group			
	Holding %		No. of shares	
	2016	2015	2016	2015
Unquoted Investments				
Gal Oya Holdings (Pvt) Ltd. (GHPL) Investor - Brown and Company PLC	50%	50%	1,300,000	1,300,000
Associated Battery Manufacturers (Cey) Ltd. (ABM) Investor - S.F.L. Services (Pvt) Ltd.	38.50%	38.50%	2,439,355	2,439,355
Gal Oya Plantations (Pvt) Ltd.(GPPL) Investor - Brown and Company PLC	22.10%	22.10%	22,309,412	22,309,412
Virginia International Investments Ltd. (VIIL) Investor - Browns Investments PLC	40%	40%	800,000	800,000
Taprobane Holdings PLC (THPLC) Investor - Browns Investments PLC	-	20.38%	-	200,587,305

19.1.1 Group share of Net Assets of Equity Accounted Investees

	Equity Value of Investment in Equity Accounted Investees - Group						
	THPLC Rs.000	VIIL Rs.000	ABM Rs.000	FLCJVPL Rs.000	GHPL Rs.000	GPPL Rs.000	Total Rs.000
Equity Value of Investment as at 1st April 2014	770,038	4,000	224,701	1,170,815	-	-	2,169,554
Share of Profit of Equity Accounted Investees (Net of Tax)	36,223	-	38,122	9,373	-	-	83,718
Share of other comprehensive income of equity accounted investees (Net of Tax)	6,059	-	-	(41,612)	-	-	(35,553)
Other equity movements	192,379	-	-	33,207	-	-	225,585
Transfer to Subsidiary	-	-	-	(1,152,783)	-	-	(1,152,783)
Dividend Paid	-	-	(14,636)	(19,000)	-	-	(33,636)
Equity Value of Investment as at 31st March 2015	1,004,699	4,000	248,187	-	-	-	1,256,886
Share of Profit of Equity Accounted Investees (Net of Tax)	(5,000)	1,001	57,650	-	-	-	53,651
Share of other comprehensive income of equity accounted investees (Net of Tax)	56,055	-	-	-	-	-	56,055
Dividend Paid	-	-	(19,515)	-	-	-	(19,515)
Disposal	(1,055,754)	-	-	-	-	-	(1,055,754)
Equity Value of Investment as at 31st March 2016	-	5,001	286,322	-	-	-	291,323

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES CONTD.

Summarised Financial Information of Equity Accounted Investees

	For the year ended 31st March 2016				
	THPLC Rs.000	VIII Rs.000	ABM Rs.000	GHPL Rs.000	GPPL Rs.000
Revenue	4,856,799	2,555	2,340,979	-	1,004,642
Cost of sales	(3,968,678)	-	(2,062,822)	-	(1,007,861)
Other Income	69,152	-	16,764	1,045	55,472
Expenses	(772,301)	(52)	(89,066)	(974)	(947,167)
Profit/(Loss) before taxation	184,972	2,503	205,855	71	(894,914)
Taxation	(42,595)	(1)	(57,683)	-	-
Profit/(Loss) after taxation	142,377	2,502	148,172	71	(894,914)
Loss from discontinued operations	(95,763)	-	-	-	-
Profit/(Loss) for the year	46,614	2,502	148,172	71	(894,914)

	As at 31st March 2016				
	THPLC Rs.000	VIII Rs.000	ABM Rs.000	GHPL Rs.000	GPPL Rs.000
Non Current Assets	-	-	473,420	430	1,735,729
Current Assets	-	12,734	853,854	366	651,651
Total Assets	-	12,734	1,327,274	796	2,387,380
Non Current Liabilities	-	-	(110,987)	-	(159,254)
Current Liabilities	-	(227)	(472,593)	(14,574)	(4,319,554)
Net Assets	-	12,507	743,694	(13,778)	(2,091,428)

During the year Browns Investments PLC, a subsidiary of the group divested its 20% stake in Taprobane Holdings PLC at a value of Rs. 5.50 per share accepting the mandatory offer made by the major shareholder.

19.2 Investments in Equity Accounted Investees - Company

As at 31st March	Holding %		No. of shares		Company	
	2016	2015	2016	2015	2016 Rs.000	2015 Rs.000
Unquoted Investments						
Gal Oya Plantations (Pvt) Ltd.	22.10%	22.10%	22,309,412	22,309,412	248,998	248,998
Gal Oya Holdings (Pvt) Ltd.	50.00%	50.00%	1,300,000	1,300,000	13,000	13,000
					261,998	261,998

Gal Oya Plantations (Pvt) Ltd. is the private public partnership entered into by the Group where a total of 49% of the Company is held by LOLC PLC and Brown and Company PLC.

Gal Oya Plantation which had been closed for a period of over 15 years was refurbished over a period and the plantations which had been abandoned cultivated with sugar cane. The company commenced production in May 2012 and the area under cultivation and output of sugar has increased on an yearly basis. The company is also investing on an Ethanol plant which will further increase profitability.

Gal Oya Holdings (Pvt) Ltd. is the management company of Gal Oya Plantations (Pvt) Ltd.

20 OTHER NON CURRENT FINANCIAL ASSETS

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Quoted Investments (Notes 20.1, 20.2)	155,319	163,976	-	454
Other Investments (Notes 20.3, 20.4)	869,269	731,155	-	-
	1,024,588	895,131	-	454

NOTES TO THE FINANCIAL STATEMENTS

20 OTHER NON CURRENT FINANCIAL ASSETS CONTD.

20.1 Quoted Investments - Group

As at 31st March	Number of shares		Carrying Values	
	2016	2015	2016 Rs.000	2015 Rs.000
Hatton National Bank PLC	-	2,026	-	454
Lanka IOC PLC	27,800	27,800	904	1,122
Vallibel Finance PLC	33,900	33,900	1,820	1,526
DFCC Bank PLC	3,810	3,810	522	773
Raigam Wayamba Salterns PLC	26,200	26,200	52	71
Sierra Cables PLC	7,400	7,400	21	30
Commercial Leasing & Finance PLC	40,000,000	40,000,000	152,000	160,000
			155,319	163,976

20.2 Quoted Investments - Company

As at 31st March	Number of shares		Carrying Values	
	2016	2015	2016 Rs.000	2015 Rs.000
Hatton National Bank PLC	-	2,026	-	454
			-	454

20.3 Other Investments - Group

As at 31st March	Number of shares		Carrying Values	
	2016	2015	2016 Rs.000	2015 Rs.000
Motor Marvels (Pvt) Ltd.	4,800,000	4,800,000	4,800	4,800
Sierra Construction (Pvt) Ltd.	12,490,250	12,490,250	432,553	366,938
Sierra Holdings (Pvt) Ltd.	4,494,492	4,494,492	320,225	298,325
Hapugastenna Plantation Ltd.	100	100	2	3
Rain Forest Eco Lodge (Pvt) Ltd.	6,483,375	6,483,375	42,166	43,262
Confifi Finance (Pvt) Ltd.	39,100	39,100	1,865	1,762
Investment in Term Deposits			58,535	20,828
Others			13,923	37
			874,069	735,955
Provision for fall in Value of Investment			(4,800)	(4,800)
			869,269	731,155

20.4 Other Investments - Company

As at 31st March	Number of shares		Carrying Values	
	2016	2015	2016 Rs.000	2015 Rs.000
Motor Marvels (Pvt) Ltd.	4,800,000	4,800,000	4,800	4,800
Provision for fall in Value of Investment			(4,800)	(4,800)
			-	-

21 DEFERRED TAX ASSETS

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Balance at the beginning of the year	428,568	231,533	198,991	196,725
On Acquisition of Subsidiary	-	221,065	-	-
Transfer from Deferred Tax Liability	468,123	(1,812)	-	-
Deferred tax expense recognise in income statement	62,392	(24,484)	15,090	-
Deferred tax expense recognise in other comprehensive income	(80,477)	2,266	-	2,266
Balance at the end of the year	878,606	428,568	214,081	198,991

21.1 The Closing Deferred Tax Asset balance relates to the following Temporary Differences;

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Property, Plant & Equipment / Investment Properties	(443,398)	(281,686)	(412,859)	(244,890)
Employee Benefit Liabilities	837,498	1,031,504	101,544	85,369
Losses available for offset against future Taxable Income	3,938,291	1,509,913	1,075,890	870,200
	4,332,391	2,259,731	764,575	710,679

NOTES TO THE FINANCIAL STATEMENTS

22 LOANS TO RELATED PARTIES - DUE AFTER ONE YEAR

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Dankotuwa Porcelain PLC (Note 22.1)	253,948	228,486	124,128	111,386
Loans to Key Management Personnel	-	1,600	-	-
	253,948	230,086	124,128	111,386

22.1 Dankotuwa Porcelain PLC

This unsecured loan was granted to Dankotuwa Porcelain PLC in 2013 will be recovered after 1st January 2019 with a 6% interest accretion.

23 INVENTORIES

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Raw Material	126,463	123,793	389	232
Work-in-Progress	26,557	14,009	17,146	7,051
Finished Goods	2,342,724	1,097,475	2,150,080	899,711
Input Material	126,556	55,333	-	-
- Tea	315,613	378,936	-	-
- Rubber	54,593	50,317	-	-
- Coconut	834	739	-	-
- Other	5,813	-	-	-
Consumables and Spares	42,006	53,080	-	-
Goods - in - Transit	204,400	142,557	194,306	136,347
	3,245,559	1,916,239	2,361,921	1,043,341
Less: Impairment of Inventories	(149,010)	(242,323)	(93,742)	(194,088)
	3,096,549	1,673,916	2,268,179	849,253

24 TRADE & OTHER RECEIVABLES

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Trade Receivables	3,727,809	3,165,422	2,305,008	2,008,238
Other Receivables (Note 24.1)	1,890,136	1,472,349	466,198	290,737
	5,617,945	4,637,771	2,771,206	2,298,975
Less: Impairment of Trade Receivables	(372,296)	(340,070)	(257,594)	(235,916)
	5,245,649	4,297,701	2,513,612	2,063,059

24.1 Other Receivables

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Value Added Tax Recoverable	52,010	26,927	-	25,071
Staff Loan	557	29,976	326	326
Withholding Tax Recoverable	5,200	6,936	9	146
Dividend Receivable	68,836	62,983	61,088	55,235
Deposits and Advances	476,291	22,561	19,009	11,002
Prepayments	299,665	257,278	113,237	141,545
Mobilisation Advances	401,681	641,308	-	-
Others	585,897	424,380	272,529	57,412
	1,890,136	1,472,349	466,198	290,737

25 LOANS TO RELATED PARTIES - DUE WITHIN ONE YEAR

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Browns Investments PLC	-	-	487,418	793,005
Browns Capital PLC	-	-	72,898	-
Gal Oya Plantations (Pvt) Ltd.	603,337	712,658	603,337	712,658
S.F.L.Service (Pvt)Ltd.	-	-	91,599	-
Klevenberg (Pvt) Ltd.	-	-	11,821	-
Browns Thermal Engineering (Pvt) Ltd	-	-	89,136	-
Riverina Resorts (Pvt) Ltd.	-	-	74,844	66,586
Dickwella Resorts (Pvt) Ltd.	-	-	199,342	177,346
Browns Hotels and Resorts Ltd.	-	-	556,577	495,162
Browns Group Industries (Pvt) Ltd.	-	-	3,856	-
Eden Hotel Lanka PLC	-	-	10,867	-
Alpha Kinam Holdings (Pvt) Ltd.	79,833	32,382	-	-
Lanka Orix Leasing Company PLC	89,356	851,587	89,356	851,587
	772,526	1,596,627	2,291,051	3,096,344

NOTES TO THE FINANCIAL STATEMENTS

25 LOANS TO RELATED PARTIES - DUE WITHIN ONE YEAR CONTD.

25.1 Security and Repayment Terms of Related Party Loans

Name of the Company	Repayment	Security	Outstanding As at 31st March 2016	
			Group Rs.000	Company Rs.000
Browns Investments PLC	On demand	Unsecured	-	487,418
Browns Capital PLC	On demand	Unsecured	-	72,898
Gal Oya Plantations (Pvt) Ltd.	On demand	Unsecured	603,337	603,337
S.F.L.Service (Pvt)Ltd.	On demand	Unsecured	-	91,599
Klevenberg (Pvt) Ltd.	On demand	Unsecured	-	11,821
Browns Thermal Engineering (Pvt) Ltd	On demand	Unsecured	-	89,136
Riverina Resorts (Pvt) Ltd.	On demand	Unsecured	-	74,844
Dickwella Resorts (Pvt) Ltd.	On demand	Unsecured	-	199,342
Browns Hotels and Resorts Ltd.	On demand	Unsecured	-	556,577
Browns Group Industries (Pvt) Ltd.	On demand	Unsecured	-	3,856
Eden Hotel Lanka PLC	On demand	Unsecured	-	10,867
Alpha Kinam Holdings (Pvt) Ltd.	On demand	Unsecured	79,833	-
Lanka Orix Leasing Company PLC	On demand	Unsecured	89,356	89,356
			772,526	2,291,051

26 AMOUNTS DUE FROM RELATED PARTIES

26.1 Amounts Due From Related Parties - Due After One Year

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Browns Health Care (Pvt) Ltd. (Note 47 a)	-	-	830,000	-
	-	-	830,000	-

26.2 Amounts Due From Related Parties - Due Within One Year

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Associated Battery Manufacturers (Cey) Ltd.	138	1,523	-	-
Commercial Leasing & Finance PLC	331	35,350	331	-
BG Air Services (Pvt) Ltd.	-	-	17,019	2,801
Browns Group Industries (Pvt) Ltd.	-	-	12,559	9,409
Browns Industrial Park Ltd.	-	-	5,285	-
Browns Investments PLC	-	-	44,442	11,502
Browns Thermal Engineering (Pvt) Ltd.	-	-	25,171	56,737
Browns Global Farm (Pvt) Ltd.	-	-	54,043	16,545
Browns Tours (Pvt) Ltd.	-	-	-	402
C.F.T. Engineering Ltd.	-	-	6,992	7,257
Engineering Services (Pvt) Ltd.	30,209	26,103	30,209	26,103
Gal Oya Holdings (Pvt) Ltd.	72	72	72	72
Gal Oya Plantations (Pvt) Ltd.	18,346	1,542	18,346	1,542
Klevenberg (Pvt) Ltd.	-	-	7,444	21,973
Masons Mixture Ltd.	17,746	17,288	17,537	17,078
Samudra Beach Resorts (Pvt)Ltd.	-	-	-	4,500
Sifang Lanka (Pvt) Ltd.	-	-	134,093	207,307
Sifang Lanka Trading (Pvt) Ltd.	-	-	3	-
Snowcem Products Lanka (Pvt) Ltd.	-	-	24,936	24,765
Ishara Traders (Pvt) Ltd.	-	189	-	-
Browns Holdings Ltd.	1,725	471	1,725	471
LOLC Finance PLC	32,946	137,934	-	-
Lanka Orix Leasing Company PLC	-	25	-	-
Sierra Construction (Pvt) Ltd.	39	417	-	-
Taprobane Plantations Ltd.	18,569	11,132	-	-
Mutugala Estates (Pvt) Ltd.	-	255	-	255
Pathregalla Estates (Pvt) Ltd.	-	322	-	322
Due from Key Management Personnel	-	3,500	-	-
Browns Hotels & Resorts Ltd.	-	-	328	98
Browns Health Care North Colombo (Pvt) Ltd.	-	-	9,008	3
Browns Health Care (Pvt) Ltd.	-	-	173,721	80,348
Sun & Fun Resorts Ltd.	-	-	3,000	-
LOLC Insurance Co Ltd.	40	-	40	-
Walker & Greig (Pvt) Ltd.	-	-	-	3
	120,161	236,123	586,304	489,493
Less: Provision for Intercompany Receivables (Note 26.3)	(6,621)	-	(126,218)	(96,221)
	113,540	236,123	460,086	393,272

NOTES TO THE FINANCIAL STATEMENTS

26 AMOUNTS DUE FROM RELATED PARTIES CONTD.

26.3 Provision for Intercompany Receivables

As at 31st March	Company	
	2016 Rs.000	2015 Rs.000
Snowcem Products Lanka (Pvt) Ltd.	24,597	24,597
Walker & Greig (Pvt) Ltd.	-	3
Masons Mixture Ltd.	6,621	6,621
Sifang Lanka (Pvt) Ltd.	95,000	65,000
	126,218	96,221

27 INCOME TAX RECOVERABLE

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Balance at the beginning of the year	58,184	81,077	14,787	45,994
On Acquisition of Subsidiary	-	12,898	-	-
Transfer to Income Tax Payables	(16,579)	1,021	(10,019)	-
Under provision in respect of previous years	(11)	-	-	-
ESC Recoverable	4,817	-	-	-
Provision for the Period	(1,698)	(55,455)	-	(47,587)
Payments made during the year	3,671	18,643	-	16,380
Balance at the end of the year	48,384	58,184	4,768	14,787

28 OTHER CURRENT FINANCIAL ASSETS

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Fixed and Call Deposits	281,859	463,083	-	-
Investment in Quoted Shares (Notes 28.1, 28.2)	2,310,418	2,789,998	2,108,623	2,452,593
	2,592,277	3,253,081	2,108,623	2,452,593

28.1 Investments in Quoted Shares

As at 31st March	Group					
	Number of Shares		Cost		Carrying Values	
	2016 Number of Shares	2015 Number of Shares	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
John Keells Holdings PLC	343	343	26	26	49	64
Seylan Bank PLC- Voting	24,416,752	24,416,752	2,122,020	2,122,020	2,099,841	2,441,675
Hayleys PLC	28,705	28,705	11,314	11,314	7,053	8,612
Seylan Bank PLC- Non Voting	-	136,761	-	4,733	-	8,671
F L C Holdings PLC	1,420,900	45,399,113	7,105	51,083	1,705	72,639
Lanka Century Investments PLC	100	100	-	-	1	1
The Finance Company PLC	20	20	1	1	-	-
Agstar PLC	43,670,061	43,670,061	306,646	306,646	200,882	257,653
CT Land Development PLC	19,500	19,500	195	195	887	683
			2,447,307	2,496,018	2,310,418	2,789,998

28.2 Investments in Quoted Shares

As at 31st March	Company					
	Number of Shares		Cost		Carrying Values	
	2016 Number of Shares	2015 Number of Shares	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
John Keells Holdings PLC	343	343	26	26	49	64
Seylan Bank PLC- Voting	24,416,752	24,416,752	2,122,020	2,122,020	2,099,841	2,441,675
Hayleys PLC	28,600	28,600	11,279	11,279	7,027	8,580
F L C Holdings PLC	1,420,900	1,420,900	7,105	7,105	1,705	2,273
Lanka Century Investments PLC	100	100	-	-	1	1
			2,140,430	2,140,430	2,108,623	2,452,593

NOTES TO THE FINANCIAL STATEMENTS

29 CASH AND CASH EQUIVALENTS

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Cash at Bank	1,821,983	426,732	197,887	110,337
Cash in Hand	24,372	447,048	4,860	7,504
	1,846,355	873,780	202,747	117,841
Bank Overdraft	(695,530)	(501,469)	(485,630)	(261,835)
Cash and Cash Equivalents for the purpose of Statement of Cash Flows	1,150,825	372,311	(282,883)	(143,994)

30 STATED CAPITAL

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
70,875,000 Ordinary Shares	2,005,601	2,005,601	2,005,601	2,005,601

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders.

31 RESERVES

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
31.1 Capital Reserves				
Revaluation of Property, Plant and Equipment	2,238,080	1,588,565	1,881,139	1,595,410
Available-for-Sale Reserve	(238,496)	(305,822)	-	386
Other Reserve	11,264	-	-	-
	2,010,848	1,282,743	1,881,139	1,595,796
31.2 Revenue Reserves				
Retained Earnings	11,997,076	12,200,875	11,203,509	10,722,435
	11,997,076	12,200,875	11,203,509	10,722,435

31.3 Revaluation Reserves

The Revaluation reserve relates to the revaluation surplus of property, plant & equipment. Once the respective revalued items have been disposed, the relevant portion of the revaluation surplus is transferred to retained earnings.

31.4 Available-for-sale reserve

The available-for-sale reserve comprises the cumulative net charges in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

32 INTEREST BEARING BORROWINGS

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Balance at the beginning of the year	7,952,607	7,340,611	726,288	1,017,713
On Acquisition of Subsidiary	-	1,172,995	-	-
Obtained during the year	4,601,128	5,330,494	2,095,000	-
Repayments	(4,123,729)	(5,891,493)	(497,816)	(291,425)
Balance at the end of the year	8,430,006	7,952,607	2,323,472	726,288
Due after one Year	5,260,908	4,575,834	1,589,182	438,106
Due within one Year	3,169,098	3,376,773	734,290	288,182
	8,430,006	7,952,607	2,323,472	726,288

32.1 Analysis of Interest Bearing Borrowings - Company

Name of the Lending Institution	Payable Within One year Rs.000	Payable after One year			As at 31st March 2016 Rs.000	As at 31st March 2015 Rs.000
		Payable 1-2 years Rs.000	Payable 2-5 Years Rs.000	More than 5 Years Rs.000		
Hatton National Bank PLC	152,500	100,000	8,333	-	260,833	430,833
Commercial Bank PLC	100,008	100,008	291,650	-	491,666	-
Sampath Bank PLC	219,600	219,600	234,500	-	673,700	-
Seylan Bank PLC	144,000	144,000	432,000	-	720,000	-
DFCC Bank PLC	118,182	59,091	-	-	177,273	295,455
Total	734,290	622,699	966,483	-	2,323,472	726,288

NOTES TO THE FINANCIAL STATEMENTS

32 INTEREST BEARING BORROWINGS CONTD.

32.2 Security and Repayment Terms - Company

Name of the Lending Institution	Nature of facility	Repayment Terms	Security	Outstanding Balance as at 31 st March 2016 Rs.000
Hatton National Bank PLC	Term Loan	108 monthly instalments	Mortgage over Land and Buildings at TB Jayah Mawatha and Devanampiyatissa Mawatha Colombo 10 for Rs.792 Mn.	208,333
Hatton National Bank PLC	Term Loan	60 monthly instalments		52,500
Commercial Bank PLC	Term Loan	60 monthly instalments	Mortgage over stocks of Brown and Company PLC.	491,666
Sampath bank PLC	Term Loan	48 monthly instalments	Mortgage over ordinary shares of Browns Investment PLC and Land and Buildings at TB Jayah Mawatha.	673,700
Seylan Bank PLC	Term Loan	60 monthly instalments	Building and Medical Equipments of Browns Healthcare (Pvt) Ltd.	720,000
DFCC Bank PLC	Term Loan	66 monthly instalments	Mortgage over 24 Mn ordinary shares of Seylan Bank PLC held by the Brown and Company PLC in favour of DFCC Bank PLC.	177,273
Company Total				2,323,472

32.3 Security and Repayment Terms - Group

Name of the Lending Institution	Nature of facility	Repayment Terms	Security	Outstanding Balance as at 31 st March 2016 Rs.000
Browns Industrial Park Ltd.				
Bank of Ceylon	Term Loan	9 annual instalments	Mortgage over leasehold property at Makandura.	27,998
				27,998
Browns Investment PLC				
Sampath Bank PLC	Term loan	16 quarterly instalments	Pledged short term quoted investments.	51,801
Bank of Ceylon	Term loan	120 monthly instalments including 24 months grace period	Mortgaged over freehold land and Building of Samudra Beach Resorts (Pvt) Ltd.	853,911
Hatton National Bank PLC	Term loan	48 equal monthly instalments	Corporate guarantee of Brown & Co, PLC.	645,890
Hatton National Bank PLC	Short term loan	-	Corporate guarantee of Brown & Co, PLC.	999,999
				2,551,601

Name of the Lending Institution	Nature of facility	Repayment Terms	Security	Outstanding Balance as at 31 st March 2016 Rs.000
Maturata Plantations Limited				
Seylan Bank PLC	Term loan	60 monthly Instalments	Leasehold rights of Bramley estate for Rs.13.0 Mn. Corporate guarantee of Browns Capital PLC for Rs. 75 Mn.	20,000
	Term loan	48 monthly Instalments	Mortgage over leasehold rights of ragala estate for Rs. 120 Mn.	66,667
	Term loan	36 monthly Instalments	Primary mortgage for Rs. 36 Mn secondary mortgage bond for Rs. 50 Mn over leasehold rights of Gonapitiya estate.	5,700
	Concessionary loan	19 monthly Instalments	Mortgage over leasehold rights of alma estate for Rs. 26 Mn.	126,000
National Development Bank PLC				
	Term loan	48 monthly Instalments	Securitised debt certificates Rs 500 Mn.	261,328
				479,695
Pussellawa Plantations Limited				
Bank of Ceylon	Term loan	24 monthly instalments	Negative pledge over Melfort and Mooloya Estates and crop bond signed by the Bank of Ceylon.	167,192
Sampath Bank PLC	Term loan	94 monthly instalments	Primary mortgage over Leasehold rights together with Factory building therein of Halpe Estate.	16,594
Commercial Bank of Ceylon PLC	Term loan	36 monthly instalments	Primary mortgage over Lease hold rights together with factory building therein of Rothchild and Sanquhar estates.	28,894
				212,680
FLC Properties (Pvt) Ltd				
Seylan Bank PLC	Term loan	36 monthly instalments with one year grace period	Primary mortgage over freehold land & Building in extent of 49.5 perches at No.19, Dudley Senanayake Mawatha, Colombo 08.	36,111
				36,111

NOTES TO THE FINANCIAL STATEMENTS

32 INTEREST BEARING BORROWINGS CONTD.

32.2 Security and Repayment Terms - Group

Name of the Lending Institution	Nature of facility	Repayment Terms	Security	Outstanding Balance as at 31 st March 2016 Rs.000
Stellenberg Hydro Power (Pvt) Ltd				
Sampath Bank PLC	Term loan	Within 7 years with one year grace period	Primary mortgage bond for Rs.80,000,000/-over the leasehold rights of the project lands, civil structures, power generating plant, machinery and other equipment of the hydro power project. Corporate guarantee for Rs.80,000,000/-from Browns Hydro Power PLC.	54,470
				54,470
Thebuwana Hydro Power (Pvt) Ltd				
Sampath Bank PLC	Term loan	Within 7 years with one year grace period	Primary mortgage bond for Rs.100,000,000/-over entirety of shares issued/to be issued by Thebuwana Hydro Power (Pvt) Ltd, supported by an irrevocable power of attorney in favour Sampath Bank from share holders. Corporate guarantee for Rs.100,000,000/- from Browns Hydro Power PLC.	87,490
				87,490
Sun & Fun Resorts (Pvt) Ltd				
Sampath Bank PLC	Term loan	Within 7 years with one year grace period	Primary floating mortgage of property in Pasikudah.	213,100
				213,100
Eden Hotels Lanka PLC				
Seylan Bank PLC	Term loan	10 Bi-annually instalments	Primary floating mortgage bond over freehold property at Kaluwamodera, Aluthgama.	1,399,600
				1,399,600
Ajax Engineers (Pvt) Ltd				
Commercial Leasing & Finance PLC	Loan	-	Mortgage over moter car	4,446
				4,446
Creation Construction & Engineers (Pvt) Ltd				
Commercial Bank of Ceylon PLC	Term loan	24 monthly instalments	-	3,610
				3,610

Name of the Lending Institution	Nature of facility	Repayment Terms	Security	Outstanding Balance as at 31 st March 2016 Rs.000
Saga Solar (Pvt) Ltd.				
DFCC Bank	Term Loan	108 Equal monthly instalments (capital) after a grace period of 12 month from the date of first disbursement.	<p>Primary sum of Rs. 723 Mn to be secured by a concurrent mortgage over the leasehold rights of land together with proposed buildings, Solar Power plant Complete with civil Structures, Solar Panels and the electrical grid station and everything else standing thereon of the 10 MW solar power Plant Located in Baruthankanda Village in Hambanthota together with specific machinery and everything else thereon.</p> <p>A sum of Rs. 127,000,000/- to be secured under a Primary Concurrent mortgage over 73,109,000 Ordinary Shares of the company to the value of Rs. 731,090,000/- held by the Promoters.</p> <p>Additional primary Concurrent mortgage of project documents. (license/ approvals/ agreements/ contracts/ bonds etc.)</p> <p>Undertaking by the shareholders that they will meet project cost overrun.</p>	654,550
Commercial Bank		To be repaid from commencing the 13th month after first disbursement.	<p>Primary concurrent mortgage bond for Rs.100 Mn over the leasehold rights of land at Baruthakanda village in Hambanthota owned by Mahaweli Authority of Sri Lanka and Immovable Project asset including Plant, Machinery and accessories in favour of DFCC Bank PLC, Commercial Bank Ceylon PLC and Hatton National Bank PLC (participating Lenders) Securing interest of Commercial Bank upto Rs 28 Mn.</p> <p>Primary mortgage for Rs.1,405.5 Mn over Movable project Assets in favour of DFCC Bank PLC, Commercial Bank and HNB PLC Securing interest of Commercial Bank up to Rs. 393 Mn.</p> <p>Primary Concurrent mortgage bond for Rs. 264.5 Mn over all Shares of the company securing interest of Commercial Bank up to Rs. 74 Mn.</p> <p>Additional Primary mortgage for Rs 264.5 Mn over Book debts, Insurance Proceeds and receivables of the project company in favour of participating lenders securing the interest of Commercial Bank upto Rs 74 Mn.</p> <p>Additional Concurrent mortgage over all the project documents (Power Purchase Agreement and other approvals) in favour of the participating lenders and lodging them with one of the banks.</p>	381,183
				1,035,733
Group Total				8,430,006

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCE LEASE OBLIGATIONS

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Balance at the beginning of the year	595,448	14,433	5,836	8,892
On Acquisition of Subsidiary	-	580,525	-	-
Obtained during the year	8,890	8,414	-	1,312
Paid during the Year	(47,682)	(7,924)	(3,657)	(4,368)
Balance at the end of the year	556,656	595,448	2,179	5,836
Unamortised future finance charges	(214,331)	(232,725)	(154)	(751)
Capital outstanding at the end of the year	342,325	362,723	2,025	5,085
33.1 Lease Payable due after one year				
Amounts due after one Year	513,315	550,050	464	2,329
Less: Unamortised future finance charges	(196,741)	(212,773)	(34)	(329)
	316,574	337,277	430	2,000
33.2 Lease Payable due within one year				
Amounts due within one Year	43,341	45,398	1,715	3,507
Less: Unamortised future finance charges	(17,590)	(19,952)	(120)	(422)
	25,751	25,446	1,595	3,085

34 RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Change in the Retirement Benefit Obligations are as follows				
Defined Benefit Obligation at the beginning of the year	2,229,246	121,773	85,369	76,869
On Acquisition of Subsidiary	-	2,090,534	-	-
Interest on Benefit Liability	280,825	8,888	8,537	7,669
Current Service Cost	11,379	12,072	9,067	7,944
Actuarial Loss / (Gain)	(545,060)	12,732	2,716	6,357
Transfers	(158)	198	-	(178)
Benefit paid	(240,964)	(16,951)	(4,145)	(13,292)
Defined Benefit Obligation at the end of the year	1,735,268	2,229,246	101,544	85,369

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st March 2016. The actuarial present value of the promised retirement benefits as at 31st March 2016 amounted to Rs. 1,735 Mn (Company - Rs. 101 Mn). The liability is not externally funded.

34.1 The total amount charged to the Income Statement in respect of Retirement Benefit Obligations is made up as follows:

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Gratuity charge for the year				
Interest charge for the year	280,825	8,888	8,537	7,669
Current service cost	11,379	12,072	9,067	7,944
	292,204	20,960	17,604	15,613

34.2 The principal assumptions used in the actuarial valuation are as follows:

34.2.1 *Financial Assumptions*

As at 31st March	Company	
	2016 Rs.000	2015 Rs.000
a) <i>Discount rate</i> (The rate of interest used to discount the future cash flows in order to determine the present value)	10%	10%
b) <i>Future salary increase</i>		
Executive	10%	10%
Non - Executive	9%	9%
c) <i>Retirement age</i>	60yrs	60yrs
d) <i>The Company will continue as a going concern</i>		

34.2.2 *Demographic Assumptions*

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. "A 67/07 mortality table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the Company.

NOTES TO THE FINANCIAL STATEMENTS

34 RETIREMENT BENEFIT OBLIGATIONS CONTD.

34.2.3 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

As at 31st March 2016	Group			
	Discount rate		Future salary increases	
	-1%	1%	-1%	1%
	Rs.000	Rs.000	Rs.000	Rs.000
Impact on financial position	129,065	(106,264)	(63,970)	68,997

As at 31st March 2016	Company			
	Discount rate		Future salary increases	
	-1%	1%	-1%	1%
	Rs.000	Rs.000	Rs.000	Rs.000
Impact on financial position	5,517	(4,980)	(5,441)	5,928

35 DEFERRED TAX LIABILITIES

As at 31st March	Group	
	2016	2015
Balance at the beginning of the year	1,026,960	251,838
On Acquisition of Subsidiary	-	809,140
Transfer from Deferred Tax Asset	468,123	(1,812)
Other movements	155	-
Deferred tax expense recognised in income statement	9,026	(32,206)
Deferred tax expense recognised in other comprehensive income	106,942	-
Balance at the end of the year	1,611,206	1,026,960

35.1 The Closing Deferred Tax Liability balance relates to the following temporary differences;

As at 31st March	Group	
	2016 Rs.000	2015 Rs.000
Property Plant & Equipment/ Investment Properties	3,837,788	2,677,185
Bearer Biological Assets	4,613,565	3,450,128
Consumable Biological Assets	6,150,989	4,475,703
Employee Benefit Liabilities	(213,490)	(34,925)
Losses available for offset against future taxable income	(234,463)	(492,062)
	14,154,389	10,076,029

36 DEFERRED INCOME

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Capital Grants (Note 36.1)	581,461	535,037	-	-
PHDT Lease Rentals (Note 36.2)	5,022	5,558	-	-
Income Received in Advance (Note 36.3)	9,786	9,123	9,786	9,123
Deferred Lease Rentals (Note 36.4)	366	25,224	-	-
Rain Forest Eco Lodge (Pvt) Ltd. (Note 36.5)	54,387	56,248	-	-
Others	1,083	1,689	-	-
	652,105	632,879	9,786	9,123

NOTES TO THE FINANCIAL STATEMENTS

36 DEFERRED INCOME CONTD.

36.1 Capital Grants

As at 31st March	Group	
	2016 Rs.000	2015 Rs.000
Gross Value		
Balance at the beginning of the year	781,598	-
On Acquisition of Subsidiary	-	781,598
Additions during the year	75,836	-
Balance at the end of the year	857,434	781,598
Amortization		
Balance at the beginning of the year	246,561	-
On Acquisition of Subsidiary	-	246,561
Amortisation during the year	29,412	-
Balance at the end of the year	275,973	246,561
Balance at the end of the year- Net	581,461	535,037

The above represents the following,

The funds received from the Plantation Housing and Social Welfare Trust (PHSWT), MTIP, PDP and PHDT for the development of workers' welfare facilities and improvement to institutional facilities.

The funds received from the plantation reform project for the development of forestry plantations.

The amount spent is capitalised under the relevant classification of property, plant and equipment and corresponding grant component is reflected under capital grants and is being amortized over the useful life span of the related asset.

Grant related to the biological assets which are measured at fair value less point to sell cost is directly charged to the carrying value of such assets in accordance with the applicable financial framework.

36.2 PHDT Lease Rentals

As at 31st March	Group	
	2016 Rs.000	2015 Rs.000
Balance at the beginning of the year	5,558	-
On Acquisition of Subsidiary	-	5,558
Amortisation during the Period	(536)	-
Balance at the end of the year	5,022	5,558

Premises at St.Andrew's Drive in Nuwara Eliya has been leased out to Plantation Human Development Trust (PHDT) for a period of 20 years commencing from August 2005 at a total lease rental of Rs. 10.7 Mn.

Lease rentals received are deferred and amortized over the lease period commencing from August 2005.

As at 31st March	Group	
	2016 Rs.000	2015 Rs.000
Maturity analysis		
Not later than one year	537	537
Later than one year and not later than five years	2,147	2,147
Later than five years	2,338	2,874
	5,022	5,558

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
36.3 Income Received in Advance				
Balance at the beginning of the year	9,123	11,390	9,123	11,390
Additions during the year	9,786	9,123	9,786	9,123
Amortisation during the year	(9,123)	(11,390)	(9,123)	(11,390)
Balance at the end of the year	9,786	9,123	9,786	9,123
36.4 Deferred Lease Rentals				
Balance at the beginning of the year	25,224	16,161	-	-
Additions during the year	-	12,357	-	-
Amortisation during the year	(24,858)	(3,294)	-	-
Balance at the end of the year	366	25,224	-	-
36.5 Rain Forest Eco Lodge (Pvt) Ltd (RFELL)				
Balance at the beginning of the year	56,248	-	-	-
On Acquisition of Subsidiary	-	56,248	-	-
Amortisation during the year	(1,861)	-	-	-
Balance at the end of the year	54,387	56,248	-	-

This represents the value of 6,399,375 Ordinary Shares received by Maturata Plantations Ltd. equivalent to 20% of the issued Ordinary Shares of RFELL at Rs. 10/- each in lieu of releasing the leasehold rights of 488 Hectares in Enselwatte Estate, Deniyaya for Eco Tourism Project. The value of Ordinary Shares are deferred and amortized over the unexpired balance lease period.

NOTES TO THE FINANCIAL STATEMENTS

36 DEFERRED INCOME CONTD.

As at 31st March	Group	
	2016 Rs.000	2015 Rs.000
Maturity analysis		
Not later than one year	1861	1,862
Later than one year and not later than five years	7,444	7,444
Later than five years	45,082	46,942
	54,387	56,248

37 TRADE AND OTHER PAYABLES

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Trade Payable	1,864,371	1,833,702	948,270	1,089,522
Accrued Expenses	542,844	349,968	130,716	124,308
Value Added Tax Payable	80,060	52,401	9,105	-
Nation Building Tax payables	8,868	19,743	-	-
Warranty Provision	64,782	44,175	44,676	40,205
Turnover Tax Payable	1,075	1,075	1,075	1,075
Withholding Tax Payable	495	3,215	236	237
Advances from Customers	125,738	84,367	122,113	76,217
Other Payables	788,375	694,860	153,765	92,415
	3,476,608	3,083,506	1,409,956	1,423,979

38 LOANS FROM RELATED PARTIES

38.1 Due After One Year

As at 31st March	Group	
	2016 Rs.000	2015 Rs.000
Lanka Orix Leasing Co PLC	925,360	-
	925,360	-

38.2 Due Within One Year

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Klevenberg (Pvt) Ltd.	-	-	-	72,286
Browns Group Industries (Pvt) Ltd.	-	-	-	46,463
Austin Fund (Pvt) Ltd.	251,281	252,846	-	-
Lanka Orix Leasing Co PLC	274,545	-	-	-
Ishara Traders (Pvt) Ltd.	345,710	-	-	-
Nasandura	78,689	-	-	-
Browns Industrial Park Ltd.	-	-	8,670	32,168
	950,225	252,846	8,670	150,917

38.3 Security and Repayment Terms of Related Party Loans

Name of the Company	Repayment Terms	Security	Outstanding Balance as at 31st March 2016	
			Group Rs.000	Company Rs.000
Austin Fund (Pvt) Ltd.	On demand	Unsecured	251,281	-
Lanka Orix Leasing Co PLC	Repayable after a grace period of one year starting from December 2007 in 108 equated monthly instalments of Rs.40,993/- together with interest.	Primary Continuing mortgage bond for Rs. 42.93 Mn over the unexpired leasehold rights over the land called Anningkanda and Panilkanda Estates in Deniyaya.	328	-
	Repayable in 96 equated monthly instalments of Rs.616,725/- together with interest, with a grace period of one year started from May 2010.	Primary continuing mortgage bond on all unexpired leasehold rights over Land, Estate and Premises called "Hayes Group" in Deniyaya/Rathnapura.	14,801	-
	Capital is payable on demand/or at any time the capital and interest exceed the maximum credit limit.	On demand promissory notes Rs.17.759 Mn.	32,641	-
	Capital is payable on demand/or at any time the capital and interest exceed the maximum credit limit.	Corporate Guarantee of M/s F L C Holdings PLC for Rs. 275 Mn.	45,500	-
		A counter guarantee was given by MPL for Rs. 275 Mn in favor of F L C Holdings PLC on the same terms and conditions with 1% guarantee fee.		
		On demand promissory note Rs. 275 Mn.		
	36 Monthly instalments from May 2016.	LOLC reserve the right to require additional security from MPL from time to time at there sole discretion.	350,000	-
	Paid in full at the expire of 36 months commencing from the date of disbursement of advance.	Unsecured	743,000	-
	On demand	Unsecured	13,635	-

NOTES TO THE FINANCIAL STATEMENTS

38 LOANS FROM RELATED PARTIES

38.3 Security and Repayment Terms of Related Party Loans Contd.

Name of the Company	Repayment Terms	Security	Outstanding Balance as at 31st March 2016	
			Group Rs.000	Company Rs.000
Ishara Traders (Pvt) Ltd.	On demand	Unsecured	345,710	-
Nasamdura	On demand	Unsecured	78,689	-
Browns Industrial Park Ltd.	On demand	Unsecured	-	8,670
			1,875,585	8,670

39 AMOUNTS DUE TO RELATED PARTIES

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Agstar PLC	22,035	10,325	-	-
Agstar Cropcare (Pvt) Ltd.	111	-	-	-
Cricket Club Café	1,008	-	-	-
Commercial Leasing & Finance Company PLC	-	88	-	40
Engineering Services (Pvt) Ltd.	2	2	-	-
Associated Battery Manufacturers (Cey) Ltd.	69,513	48,859	-	-
Sierra Construction (Pvt) Ltd.	-	8,126	-	-
LOLC Investments Ltd.	-	4,743	-	-
LOLC Insurance Company Limited	1,097	-	-	-
LOLC Motors Ltd.	11	-	-	-
Ishara Traders (Pvt) Ltd.	17	17	-	-
Lanka ORIX Leasing Company PLC	3,543,651	477,721	11,428	35,548
Sierra Cables Ltd	2,500	-	-	-
Sierra Civil Engineering (Pvt) Ltd.	1,000	-	-	-
LOLC Finance PLC	-	61,550	-	-
Lanka Orix Information Technology Services Ltd.	2,575	945	790	945
Eden Hotel Lanka PLC	-	-	-	2,731
The Hatton Transport & Agency Co. (Pvt) Ltd.	-	-	1,630	74,831
Browns Group Motels Ltd.	-	-	9,199	9,465
Browns Motors (Pvt) Ltd.	-	-	4,634	4,666
Browns Industrial Park Ltd.	-	-	-	4,557
S. F. L. Services (Pvt) Ltd.	-	-	734	408,346
Browns Real Estates (Pvt) Ltd.	-	-	37,817	38,586
	3,643,520	612,376	66,232	579,715

39.1 The subsidiaries of the Group had the following transactions with the ultimate parent company, Lanka Orix Leasing Company PLC.

Name of the Subsidiary	2016		
	Funds Received Rs.000	Settlements Rs.000	Interest Expense Rs.000
Ceylon Roots (Pvt) Ltd.	238,586	-	-
Browns Investment PLC	1,499,770	(781,250)	14,852
Dickwella Resorts (Pvt) Ltd.	181,350	-	-
Eden Hotel Lanka PLC	621,899	-	37,178
Riverina Resorts (Pvt) Ltd.	992,900	-	88,034
Browns Hotels & Resorts Ltd.	29,280	(38,222)	22,048
Palm Garden Hotels PLC	72,177	-	1,573
Browns Capital PLC	72,178	-	1,618

40 INCOME TAX PAYABLE

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Balance at the beginning of the year	63,065	73,131	-	-
Acquisition of Subsidiary	-	21,645	-	-
On Disposal	-	(8)	-	-
Provision for the year	123,578	17,468	63,013	-
Economic Service Charges Recoverable	(201)	-	-	-
Withholding Tax Recoverable	(5,015)	(174)	(146)	-
Under Provision during prior year	630	10,593	-	-
Transfer to Income Tax Recoverable	(16,579)	1,021	(10,019)	-
Payments made during the year	(68,562)	(60,611)	(23,923)	-
Balance at the end of the year	96,916	63,065	28,925	-

41 NET ASSETS PER SHARE

As at 31st March	Group		
	2016	2015	2014
Equity Attributable to Equity holders of the Company (Rs.000)	16,013,525	15,489,219	13,888,015
Weighted Average Number of Ordinary Shares in Issue ('000)	70,875	70,875	70,875
Net Assets per Share (Rs.)	225.94	218.54	195.95

NOTES TO THE FINANCIAL STATEMENTS

42 RELATED PARTY DISCLOSURES

42.1 Ultimate controlling party

The ultimate controlling party of the Group is Lanka ORIX Leasing Company PLC.

42.2 Transactions with key management personnel

Key management personnel compensation

According to Sri Lanka Accounting Standard- LKAS 24 “Related Party Disclosures”, Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly, the Board of Directors (including executive and Non-executive Directors) has been classified as Key Management Personnel of the Company. Emoluments paid to Key Management Personnel have been disclosed in Note 8.

This note should be read in conjunction with Note 22, 25 - Loans to Related Parties, Note 26 - Amounts due from Related Parties, Note 38 - Loans from Related Parties and Note 39 - Amounts due to Related Parties.

42.3 Other Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard-LKAS 24 “Related Party Disclosures”, the details of which are reported below. The pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company, and is comparable with what is applied to transactions between the Company and its unrelated customers.

Transactions of Brown and Company PLC with Related Companies

As at 31st March	Note	2016 Rs.000	2015 Rs.000
SUBSIDIARIES			
Purchase of Goods/ Services	42.3.1	21,194	43,197
Sale of Goods	42.3.1	5,271	14,687
Loan			
Granted	42.3.2	2,947,573	2,729,235
Recovered	42.3.2	3,170,098	2,199,097
Obtained	42.3.3	227,048	1,350,350
Settled	42.3.3	373,165	1,287,674
Interest			
Received	42.3.2	113,350	40,195
Paid	42.3.3	4,409	28,109
Expenses Transferred To	42.3.4	387,516	246,161
Shares			
Investments made	42.3.6	52,636	1,196,710
Disposal Proceeds	42.3.7	475,155	49,939
Dividend			
Received	42.3.8	9,790	6,450

As at 31st March	Note	2016 Rs.000	2015 Rs.000
ASSOCIATES			
Purchase of Goods/Services	42.3.1	2,012,675	1,844,558
Sale of Goods	42.3.1	-	105,201
Loan			
Recovered	42.3.2	215,057	50,000
Interest			
Received	42.3.2	103,538	136,217
Expenses Transferred To	42.3.4	12,889	1,584
OTHER RELATED COMPANIES			
Purchase of Goods/Services	42.3.1	4,014	7,173
Sale of Goods	42.3.1	115	957
Loan			
Granted	42.3.2	1,515,445	1,561,464
Recovered	42.3.2	2,211,326	762,171
Interest			
Received	42.3.2	124,538	83,550
Expenses Transferred To	42.3.4	2,050	13,679
Expenses Transferred From	42.3.5	83,667	59,592
Dividend			
Received	42.3.8	61,088	55,222
Paid	42.3.9	11,596	102,428

NOTES TO THE FINANCIAL STATEMENTS

42 RELATED PARTY DISCLOSURES CONTD.

42.3.1 Trading Transactions

The Company has engaged in the following trading transactions with Related Companies.

Name of the Company	2016		2015	
	Sales Rs.000	Purchases Rs.000	Sales Rs.000	Purchases Rs.000
SUBSIDIARIES				
Browns Thermal Engineering (Pvt) Ltd.	208	2,095	612	856
Browns Group Industries (Pvt) Ltd.	1,936	-	1,074	473
Browns Tours (Pvt) Ltd.	-	-	109	35
B.G Air Services (Pvt) Ltd.	-	15,720	42	7,340
S. F. L. Services (Pvt)Ltd.	10	-	-	300
Browns Industrial Park Ltd.	620	-	880	18,472
Klevenberg (Pvt) Ltd.	2,147	51	2,488	600
Sifang Lanka (Pvt) Ltd.	-	3,281	948	15,121
Browns Investments PLC	-	-	613	-
Browns Health Care (Pvt) Ltd.	349	-	7,921	-
Browns Real Estates (Pvt) Ltd.	-	48	-	-
	5,271	21,194	14,687	43,197
ASSOCIATE				
Gal Oya Plantations (Pvt) Ltd.	-	-	104,106	-
Associated Battery Manufacturers (Cey) Ltd.	-	2,012,675	1,095	1,844,558
	-	2,012,675	105,201	1,844,558
OTHER RELATED COMPANIES				
Engineering Services (Pvt) Ltd.	-	4,014	934	7,159
Royal Fernwood Porcelain Ltd.	115	-	23	14
	115	4,014	957	7,173

42.3.2 Loans granted to Related Companies

The Company has granted and recovered the following Loan balances during the year.

Name of the Company	2016			2015		
	Loan Granted Rs.000	Interest Charged Rs.000	Loan Recovered Rs.000	Loan Granted Rs.000	Interest Charged Rs.000	Loan Recovered Rs.000
SUBSIDIARIES						
BG Air Services (Pvt) Ltd.	9,500	5	9,505	7,000	958	47,496
Sifang Lanka (Pvt) Ltd.	-	-	-	-	11,996	70,404
Browns Industrial Park Ltd.	-	-	-	-	5,867	98,639
Klevenberg (Pvt) Ltd.	113,703	618	102,500	-	-	-
Browns Investments PLC	2,016,471	82,826	2,404,884	2,713,635	21,260	1,970,104
S. F. L. Services (Pvt) Ltd.	580,286	26,273	514,960	-	-	-
Browns Thermal Engineering Ltd.	194,182	3,754	108,800	8,600	114	8,714
Browns Group Industries (Pvt) Ltd.	33,431	(126)	29,449	-	-	3,740
	2,947,573	113,350	3,170,098	2,729,235	40,195	2,199,097
ASSOCIATE						
Gal Oya Plantations (Pvt) Ltd.	-	103,538	215,057	-	136,217	50,000
	-	103,538	215,057	-	136,217	50,000
OTHER RELATED COMPANIES						
Masons Mixture Ltd.	-	-	-	-	3,504	70,688
Engineering Services (Pvt) Ltd.	-	-	-	-	1,182	25,804
Dankotuwa Porcelain PLC	-	12,742	-	-	8,968	-
Browns Hotel & Resorts Ltd.	-	61,415	-	323,000	22,162	-
LOLC Factors Ltd.	-	-	-	300,000	5,761	430,761
Eden Hotel Lanka PLC	10,000	867	-	-	14,269	144,269
Browns Capital PLC	66,958	5,940	-	-	-	-
Dickwella Resorts (Pvt) Ltd.	-	21,996	-	-	17,346	-
Riverina Resorts (Pvt) Ltd.	-	8,259	-	-	6,586	-
Browns Holdings Ltd.	-	-	-	38,464	2,185	40,649
Lanka ORIX Leasing Company PLC	1,238,487	13,320	2,011,326	900,000	1,587	50,000
	1,315,445	124,538	2,011,326	1,561,464	83,550	762,171

NOTES TO THE FINANCIAL STATEMENTS

42 RELATED PARTY DISCLOSURES CONTD.

42.3.3 Loans obtained from Related Companies

Name of the Company	2016			2015		
	Loan Obtained Rs.000	Interest Charged Rs.000	Loan Settled Rs.000	Loan Obtained Rs.000	Interest Charged Rs.000	Loan Settled Rs.000
SUBSIDIARIES						
S. F. L. Services (Pvt) Ltd.	-	-	-	706,827	19,904	761,823
Browns Group Industries (Pvt) Ltd.	93,048	1,537	140,686	64,623	1,539	19,700
Browns Investments PLC	-	-	-	29,000	139	29,139
Klevenberg (Pvt) Ltd.	84,800	1,053	157,960	43,000	4,247	-
LOLC Factors Ltd.	-	-	-	475,000	2,012	477,012
Browns Industrial Park Ltd.	49,200	1,819	74,518	31,900	268	-
	227,048	4,409	373,165	1,350,350	28,109	1,287,674
OTHER RELATED COMPANIES						
Lanka ORIX Leasing Company PLC	424,674	1,195	425,869	-	-	-
	424,674	1,195	425,869	-	-	-

42.3.4 The Company has incurred Group Expenses on behalf of the Related companies during the year on reimbursement basis as follows;

Name of the Company	2016 Expenses Transferred To Rs.000	2015 Expenses Transferred To Rs.000
SUBSIDIARIES		
Browns Group Industries (Pvt) Ltd.	59,091	36,477
Sifang Lanka (Pvt) Ltd.	565	3,372
Browns Health Care (Pvt) Ltd	103,984	27,232
Browns Thermal Engineering (Pvt) Ltd.	79,025	38,432
Klevenberg (Pvt) Ltd.	44,472	54,030
S. F. L. Services (Pvt)Ltd.	16,458	4,074
BG Air Services (Pvt) Ltd.	22,218	2,966
Browns Group Motels Ltd.	266	200
Browns Tours (Pvt) Ltd.	686	963
Browns Investments PLC	26,940	34,619
Snowcem Products Lanka (Pvt) Ltd.	171	168
C.F.T. Engineering (Pvt) Ltd.	-	1
Browns Industrial Park Ltd.	25,744	20,975
The Hatton Transport Agency Co. (Pvt) Ltd.	506	174
Browns Real Estates (Pvt) Ltd.	792	3,280
Browns Global Farm (Pvt) Ltd.	6,593	19,195
Browns Health Care North Colombo (Pvt) Ltd.	6	3
	387,516	246,161
ASSOCIATE		
Gal Oya Plantations (Pvt) Ltd.	12,889	1,584
	12,889	1,584
OTHER RELATED COMPANIES		
Masons Mixture Ltd.	459	5,513
Engineering Services (Pvt) Ltd.	306	2,356
Browns Holdings Ltd.	1,055	431
Muthugala Estates (Pvt) Ltd.	-	2,667
Pathregalla Estates (Pvt) Ltd.	-	2,614
Browns Hotel & Resorts Ltd.	231	98
	2,050	13,679

NOTES TO THE FINANCIAL STATEMENTS

42 RELATED PARTY DISCLOSURES CONTD.

42.3.5 Following companies have incurred Expenses on behalf of the company during the year on reimbursement basis as follows;

Name of the Company	2016 Expenses Transferred From Rs.000	2015 Expenses Transferred From Rs.000
OTHER RELATED COMPANY		
Lanka Orix Information Technology Services Ltd.	13,504	9,269
Lanka ORIX Leasing Company PLC	70,163	50,323
	83,667	59,592

42.3.6 The Company has made the following new investments during the year.

Name of the Company	2016		2015	
	No of Shares	Rs.000	No of Shares	Rs.000
SUBSIDIARIES				
Browns Investments PLC (Note 42.3.6.1)	-	-	761,686,212	954,765
Browns Health Care (Pvt) Ltd	-	-	9,500,000	92,210
Browns Group Industries (Pvt) Ltd.	-	-	200,000	10,203
Browns Group Motels Ltd.	76,001	1,472	212,933	4,160
The Hatton Transport Agency Co. (Pvt) Ltd.	-	-	58,000	19,084
Browns Thermal Engineering (Pvt) Ltd.	-	-	1,499,997	116,288
Klevenberg (Pvt) Ltd.	3,744,000	51,164	-	-
		52,636		1,196,710

42.3.6.1 Investment of Shares in Browns Investments PLC

Name of the Company	2015	
	No of Shares	Rs.000
Investment Made on 21 August 2014	717,026,213	896,283
Investment Made on 25 August 2014	39,999,999	50,000
Investment Made on 14 November 2014	4,660,000	8,482
	761,686,212	954,765

42.3.7 Divestments

Name of the Company	2016		2015	
	No. of Shares	Sale Proceeds Rs.000	No of Shares	Sale Proceeds Rs.000
SUBSIDIARIES				
S.F.L. Services (Pvt) Ltd.	343,082	400,720	-	-
The Hatton Transport Agency Co. (Pvt) Ltd.	110,200	74,435		
Browns Capital (Pvt) Ltd.	-	-	5,000,000	49,689
Browns Global Farm (Pvt) Ltd.	-	-	25,000	250
		475,155		49,939

42.3.8 The Company recognised dividends from the following related companies during the year.

Name of the Company	2016 Rs.000	2015 Rs.000
SUBSIDIARIES		
S.F.L. Services (Pvt)Ltd.	1,312	6,382
Klevenberg (Pvt) Ltd.	1,707	-
The Hatton Transport Agency Co. (Pvt) Ltd.	3,746	-
Browns Group Industries (Pvt) Ltd.	3,024	-
Browns Capital PLC	-	68
	9,790	6,450
OTHER RELATED COMPANIES		
Seylan Bank PLC	61,088	55,222
	61,088	55,222

42.3.9 The Company has paid an interim dividend of Rs.0.30 per share to its shareholders during the 2015/16 year including the following related companies.(2014/15-Rs 2.65 per share)

Name of the Company	2016 Rs.000	2015 Rs.000
OTHER RELATED COMPANIES		
Engineering Services (Pvt) Ltd.	4,977	43,961
Masons Mixture Ltd.	4,120	36,391
Mutugala Estates (Pvt) Ltd.	896	7,914
Lanka ORIX Leasing Company PLC	1,015	8,964
Pathregalla Estates (Pvt) Ltd.	588	5,198
	11,596	102,428

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also holds available-for-sale investments. The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group is exposed to market risk, credit risk and liquidity risk.

43.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

Carrying Amount	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Trade and other receivable	3,797,202	3,258,381	2,366,422	2,063,799
Loans to related companies	1,026,474	1,826,713	2,415,179	3,207,730
Amount due from Related Companies	113,540	236,123	460,086	393,272
Cash at Bank	1,821,983	426,732	197,887	110,337
	6,759,199	5,747,949	5,439,574	5,775,138

Trade and other receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the default risk of the industry in which customers operate, as this industry may have an influence on credit risk.

Each new customer is analysed individually for creditworthiness before the Group's Standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the management. These limits are reviewed periodically. The Group has obtained customer deposits as collateral from major customers by reviewing their past performance and credit worthiness. In addition, receivable balances are monitored on an ongoing basis with the result that Group's exposure to bad debts is not significant.

Loans Given to Related Parties

The Group's amount due from related parties consist of the balances from affiliate companies.

Cash at Bank

The Group held cash at bank of Rs. 1.8 Bn as at the reporting date, which represents its maximum credit exposure on these assets. The Cash and cash equivalents are held with bank and financial institution counterparties, with good credit ratings.

Impairment losses

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

Collective impairments	Company Rs.000
Balance at 1 April 2014	238,246
Impairment loss recognised	-
Amounts written off	(2,330)
Balance at 31 March 2015	235,916
Impairment loss recognised	28,937
Amounts written off	(7,259)
Balance at 31 March 2016	257,594

43.2 Liquidity Risk

Liquidity risk is the risk that Group will encounter difficulty in meeting the Obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its short and medium term capital and funding obligations, including organic growth and acquisition activities, and meet any unforeseen obligations and opportunities. The Group hold cash and undrawn committed facilities to enable the group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash from operations.

The Group objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including debentures, bank loans, overdrafts and finance leases over a board spread of maturities.

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

Maturity Analysis	On demand Rs.000	Less than 3 months Rs.000	3 to 12 months Rs.000	1 to 5 years Rs.000	More than 5 years Rs.000	2016 Total Rs.000
Group						
Interest bearing borrowings	-	1,234,239	1,960,610	4,607,235	970,247	8,772,331
Short term interest bearing borrowings and bank overdrafts	-	5,450,767	-	-	-	5,450,767
Trade and Other payables	3,476,608	-	-	-	-	3,476,608
Amounts due to related parties	3,643,520	-	-	-	-	3,643,520
Loans from related parties	950,225	-	-	925,360	-	1,875,585
Other payables	-	161,224	-	-	-	161,224
	8,070,353	6,846,230	1,960,610	5,532,595	970,247	23,380,035
Company						
Interest bearing borrowings	-	-	735,885	1,589,612	-	2,325,497
Short term interest bearing borrowings and bank overdrafts	-	5,195,728	-	-	-	5,195,728
Trade and Other payables	1,409,956	-	-	-	-	1,409,956
Amounts due to related parties	66,232	-	-	-	-	66,232
Loans from related parties	8,670	-	-	-	-	8,670
Other payables	-	83,935	-	-	-	83,935
	1,484,858	5,279,663	735,885	1,589,612	-	9,090,018

43.2.1 Net Debt

As at 31st March	Group		Company	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
Other Current Financial Assets	2,592,277	3,253,081	2,108,623	2,452,593
Cash in hand and at bank	1,846,355	873,780	202,747	117,841
Total liquid assets	4,438,632	4,126,861	2,311,370	2,570,434
Non current portion of borrowings	5,260,908	4,575,834	1,589,182	438,106
Short term borrowings	4,755,237	5,013,913	4,710,098	4,673,000
Current portion of borrowings	3,169,098	3,376,773	734,290	288,182
Bank overdrafts	695,530	501,469	485,630	261,835
Total liabilities	13,880,773	13,467,989	7,519,200	5,661,123
Net debt	(9,442,141)	(9,341,128)	(5,207,830)	(3,090,689)

43.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

- Interest Rate Risk
- Currency Risk
- Commodity price risk
- Equity Price Risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The analysis excludes the impact of movements in market variables on the carrying values of other post-retirement obligations, provisions, and the non-financial assets and liabilities.

43.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. The management periodically analyse the interest rate movements to manage this risk by taking mitigating actions.

	Market Interest Rate	
	-1%	1%
	Rs.000	Rs.000
Impact on Net Interest Expense	(36,686)	36,686

43.3.2 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. Group treasury analyses the market condition of foreign exchange and provides market updates to the board, with the use of external consultants' advice. Based on the suggestions made by Group treasury, the board takes decisions on whether to hold, sell, or make forward bookings of foreign currency.

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. Capital consist of ordinary share, retained earnings and non- controlling interest of the group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary share holders.

The Board seeks to maintain a balance between the higher returns that might be possible with the higher levels of borrowings and the advantage and security afforded by a sound capital position.

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

43.4.1 Financial Instruments - Group

- a) The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced liquidation or sale.
- (i) Classes of financial instruments that are not carried at fair value and of which carrying amounts are a reasonable approximation of fair value are Current trade and other receivables, cash and cash equivalents, trade and other payables and loans and borrowings.

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories	Loans and receivables (L&R)		Financial assets at fair value through profit or loss (FVTPL)		Available-for-sale financial assets (AFS)	
	As at 31st March 2016	As at 31st March 2015	As at 31st March 2016	As at 31st March 2015	As at 31st March 2016	As at 31st March 2015
In Rs.000						
Financial instruments in non current assets						
Other non current financial assets	72,458	20,865	-	-	952,130	874,266
Loans to Related Parties	253,948	230,086	-	-	-	-
Financial instruments in current assets						
Trade and other receivables	3,797,202	3,258,381	-	-	-	-
Loans to Related Parties	772,526	1,596,627	-	-	-	-
Amounts due from related parties	113,540	236,123	-	-	-	-
Other Current Financial Assets	281,859	463,083	2,109,536	2,532,345	200,882	257,653
Cash at bank	1,821,983	426,732	-	-	-	-
Total	7,113,516	6,231,897	2,109,536	2,532,345	1,153,012	1,131,919

Both carrying amounts and fair value of Available-for-Sale financial assets and financial assets fair value through profit or loss are equal.

The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology.

As at 31st March In Rs.000	Financial liabilities measured at amortised cost	
	2016	2015
Financial instruments in non current liabilities		
Borrowings	5,577,482	4,913,111
Loan from Related parties	925,360	-
Total	6,502,842	4,913,111
Financial instruments in current liabilities		
Trade and other payables	3,476,608	3,083,506
Amounts due to related parties	3,643,520	612,376
Loan from Related parties	950,225	252,846
Short term borrowings	4,755,237	5,013,913
Current portion of borrowings	3,194,849	3,402,219
Other current financial liabilities	161,224	127,913
Bank overdrafts	695,530	501,469
Total	16,877,193	12,994,242

The fair value of financial liabilities does not significantly vary from the value based on the amortised cost methodology.

43.4.2 Financial Instruments - Company

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories In Rs.000	Loans and receivables (L&R)		Financial assets at fair value through profit or loss (FVTPL)		Available-for-sale financial assets (AFS)	
	As at 31st March 2016	As at 31st March 2015	As at 31st March 2016	As at 31st March 2015	As at 31st March 2016	As at 31st March 2015
Financial instruments in non current assets						
Other non current financial assets	-	-	-	-	-	454
Financial instruments in current assets						
Trade and other receivables	2,513,612	2,063,059	-	-	-	-
Loans to Related Parties	2,415,179	3,207,730	-	-	-	-
Amounts due from related parties	460,086	393,272	-	-	-	-
Other Current Financial Assets	-	-	2,108,623	2,452,593	-	-
Cash at bank	197,887	110,337	-	-	-	-
Total	5,586,764	5,774,398	2,108,623	2,452,593	-	454

Both Carrying amounts and fair value of Available - for - sale financial assets and financial assets fair value through profit or loss are equal.

The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology for the company.

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

As at 31st March In Rs.000	Financial liabilities measured at amortised cost	
	2016	2015
Financial instruments in non current liabilities		
Borrowings	1,589,612	440,106
Financial instruments in current liabilities		
Trade and other payables	1,409,956	1,423,979
Amounts due to related parties	66,232	579,715
Loan from Related parties	8,670	150,917
Short term borrowings	4,710,098	4,673,000
Current portion of borrowings	735,885	291,267
Other current financial liabilities	83,935	51,368
Bank overdrafts	485,630	261,835
Total	7,500,406	7,432,081

The Company has not designated financial liabilities upon initial recognition, fair value through profit or loss.

The fair value of financial liabilities does not significantly vary from the value based on the amortised cost methodology.

43.4.3 Financial Assets and Liabilities by Fair Value Hierarchy - Group

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs with significant effect on the recorded fair values are observable, either directly or indirectly;

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Fair value of financial instruments by classes that are not carried at fair value and of which carrying amounts are reasonable approximation of fair value are current trade and other financial receivables and payables, current and non-current loans and borrowings at floating rate, other bank deposits and cash and bank balances.

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The Group held the following financial instruments carried at fair value in the statement of financial position:

	Level 1		Level 2		Level 3	
	As at	As at	As at	As at	As at	As at
	31st March 2016	31st March 2015	31st March 2016	31st March 2015	31st March 2016	31st March 2015
Financial assets						
Fair value through profit or loss	2,109,536	2,532,345	-	-	-	-
Available for sale	1,153,012	1,131,919	-	-	-	-
Loans & Receivable	-	-	-	-	7,113,479	6,231,897
Total	3,262,548	3,664,264	-	-	7,113,479	6,231,897

For financial assets at Fair value through profit or loss and available-for-sale financial assets, the carrying amount and fair value are equal.

The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology.

43.4.4 Financial Assets and Liabilities by Fair Value Hierarchy - Company

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs with significant effect on the recorded fair values are observable, either directly or indirectly;

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The company held the following financial instruments carried at fair value in the statement of financial position:

	Level 1		Level 2		Level 3	
	As at	As at	As at	As at	As at	As at
	31st March 2016	31st March 2015	31st March 2016	31st March 2015	31st March 2016	31st March 2015
Financial assets						
Fair value through profit or loss	2,108,623	2,452,593	-	-	-	-
Available for sale	-	454	-	-	-	-
Loans & Receivables	-	-	-	-	5,586,764	5,774,398
Total	2,108,623	2,453,047	-	-	5,586,764	5,775,138

NOTES TO THE FINANCIAL STATEMENTS

44 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

44.1 Capital Commitments

Company

There have been no capital commitments contracted but provided for, or authorized by the board but not contracted for, outstanding as at the reporting date.

*Group Companies**a) Browns Capital PLC (BC)*

As per the Objectives of its IPO, BC is expected to invest 40% in equity of The Tea Leaf Resort Holding (Pvt) Ltd amounting to Rs. 250,000,000/= towards the development of two boutique style hotels. The hotel project at Ayr estate, Padukka was proved financially less attractive and the group is presently looking for a more suitable location with a better return on investment. The other hotel project was identified at Giragama in Kandy. This project is in progress and in the process of obtaining necessary clearance and approvals from relevant local and governmental authorities prior to the commencement of the construction. The investment as at 31st March 2016 is Rs.6,095,540 /-

b) Tea Leaf Resort Holding (Pvt) Ltd. (TLRHL)

TLRHL, a subsidiary of the group has entered into an agreement with Sierra Construction (Pvt) Ltd., for the construction of a boutique style hotel at Geragama, Kandy for Rs.494,261,681/=. TLRHL is in the process of obtaining required clearances and approvals from relevant local governmental authorities to commence construction. However, the existing agreement has become outdated.

c) Saga Solar Power (Pvt) Ltd. (SSPL)

SSPL has entered into the following contracts with the entities listed below during the year:

Entity	Amount	Nature of commitment
Sgurr Energy	US \$ 40,000	To act as engineer under the owner for the project which includes regular visits.
Industrial Solutions Lanka (Pvt) Ltd	Rs. 2.43 Mn	For site management and supervision
Faber Capital (Pvt) Ltd	US \$ 60,000	Technical advisory fee
Solon International LL Fze	US \$ 5.60 Mn	Supply of equipment for solar power plant
Solon India (Pvt) Ltd	US \$ 1.28 Mn	Installation & construction of solar power plant
Solon India (Pvt) Ltd	US \$ 125,000 per annum	Operational & maintenance agreement

d) Samudra Beach Resorts (Pvt) Ltd. (SBR)

SBR has entered into an agreement for a contract with Sierra Construction (Pvt) Ltd as designing and building a 5 star Hotel at Kosgoda. Total cost estimated to be Rs. 2,550 Mn and expended Rs. 1,912 Mn up to reporting date.

e) *Browns Hydro Power PLC (BHP)*

BHP has entered into various contract to construct the Mini Hydro Power Projects in Thebuwana Hydro Power (Pvt) Ltd.. According to those contracts the Group has following commitments as at statement of financial position date.

Entity	Amount	Nature of commitment
Thebuwana Hydro Power (Pvt) Ltd.	Rs. 929,250	Civil construction
	Rs. 4,310,935	Purchase/ installation of electromechanical equipment
	Rs. 10,875,465	Installation of penstock
	Rs. 22,517,060	Construction of power house

f) *Riverina Resorts (Pvt) Ltd. (RRP)*

The new hotel project of RRP is to be completed in year 2016. The estimated cost of the project is Rs.7.2 Bn.

Approximate amount approved but not contracted for Rs. 1,082,411,136/-.

Approximate amount contracted for but not incurred Rs. 4,558,086,513/.

44.2 Contingent Liabilities

Company

- A corporate guarantee has been issued to Lanka Orix Factors Ltd. for a sum of Rs. 50 Mn and Rs. 750 Mn for the Banking facilities obtained by Gal Oya Plantations (Pvt) Ltd. Further Corporate Guarantee issued to Peoples Bank for a sum of Rs. 300 Mn for the facilities obtained by Gal Oya Plantations (Pvt) Ltd.
- A corporate guarantee has been issued to Seylan Bank PLC for sum of Rs. 750 Mn, for the Banking facilities obtained by Browns Health Care (Pvt) Ltd.
- A corporate guarantee has been issued to Hatton National Bank PLC for sum of Rs. 2 Bn and to Union Bank of Colombo PLC for sum of Rs. 100 Mn respectively for the Banking facilities obtained by Browns Investments PLC.
- A corporate guarantee has been issued to People's Bank for sum of Rs. 570 Mn, for the Banking facilities obtained by Gal Oya Plantations (Pvt) Ltd.
- A corporate guarantee has been issued to Hatton National Bank PLC for sum of Rs. 27 Mn, for the Banking facilities obtained by BG Air Services (Pvt) Ltd.
- A corporate guarantee has been issued to Hatton National Bank PLC for sum of Rs. 6.85 Mn, for the Banking facilities obtained by BG Air Services (Pvt) Ltd.
- The contingent liabilities as at 31st March 2016 on guarantees obtained by the company are as follows,

Bank Name	Bank Guarantee	Shipping Guarantee
Hatton National Bank	Rs. 33,999,108	Rs. 397,116,000
Development Finance Corporation of Ceylon	-	USD 1,334,040
Sampath Bank	-	USD 824,490
National Development Bank	-	Rs. 364,552,002
Cargills Bank	Rs. 30,750,478	Rs. 30,430,980

NOTES TO THE FINANCIAL STATEMENTS

44 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

44.2 Contingent Liabilities Contd.

Group Companies

a) Browns Health Care (Pvt) Ltd.

A corporate guarantee has been issued to Seylan Bank PLC for sum of Rs. 400 Mn for the Banking facilities obtained by Browns Health Care North Colombo (Pvt) Ltd.

b) Browns Investment PLC

A corporate guarantee has been given to Hatton National Bank for a sum of Rs. 27 Mn for credit facilities obtained by Brown & Company PLC.

A corporate guarantee has been given to LOLC Factors Ltd for a sum of Rs.200mn for factoring facilities obtained by Brown & Company PLC.

A corporate guarantee has been given to Lank ORIX Leasing Company PLC for a sum of Rs.10 Mn for factoring facilities obtained by Ajax Engineers (Pvt) Ltd.

c) Browns Capital PLC

Browns Capital PLC has issued a corporate guarantee in favour of Lanka ORIX Leasing Co. PLC (LOLC) for Rs. 275,000,000/= on behalf of Maturata Plantations Limited (MPL), a sub-subsidiary of the Group, for a revolving credit facility obtained from LOLC by MPL.

d) Pussellawa Plantations Ltd.

District court of Colombo - (Case No-02501/2012/DMR) - Harvesting of pinus trees - Delta Estate

Forest Department has imposed Rs. 50.8 Mn as the stumpage payable to the Government by Pussellawa Plantations Ltd., (PPL) a sub-subsidiary of the Company for harvesting of Forest Department's pinus trees at Delta Estate by the timber lake Company. However, the company has requested forest department to reconsider the stumpage calculation, as the said fee is more than the market value of the Timber and is not in line with the Supreme court judgment. Therefore, the amount of liability and the date of liability are uncertain as at the reporting date and will depend on the response of the forest department.

The matter was filed by the Attorney General on behalf of the Forest Convertor General against Pussellawa Plantations' Ltd. and Tiberluke International Company Ltd. claiming the recovery of a sum of Rs. 50.8 Mn allegedly due and owing to the plaintiff as unpaid stumpage fees.

District court of Colombo - (Case No-34588/MR) - Justin Batepola Vs Pussellawa Plantations Ltd.

This is an action filed by Mr. Justin Batepola against Pussellawa Plantations' Ltd seeking to recover loss and damages in a sum of Rs.6 Mn purportedly caused to him by taking him into custody by police and by instituting action in the Magistrates Court Maliciously and without reasonable or probable cause.

The order in this matter was delivered on 23rd April, 2013 in favour of Pussellawa Plantation Ltd. This order has now been appealed by the plaintiff. However, only a notice of appeal has been filed in the High Court of civil appeals as of the reporting date.

e) Browns Properties (Pvt) Ltd. (BP)

BP has issued an indemnity in favour of Colombo Municipal Council against any claims or demands for any damages to the adjacent structures and movable and immovable properties due to the construction and also relating to boundary disputes and/or ownership disputes including access roads and service lines and issues relating to the height or number of floors issues at the property at No 19, Dudley Senanayake Mawatha., Colombo 08.

f) Samudra Beach Resorts (Pvt) Ltd. (SBR)

A corporate guarantee has been given to Board of Investments Sri Lanka (BOI) for a sum of Rs.60 Mn to obtain VAT deferment facility to SBR.

g) Maturata Plantations Ltd.

The 8% cumulative preference dividends computed upto 31st March, 2016 of the non-controlling interests amounted to Rs.25,237,380/= (2015 - Rs.22,143,584/=). However, this amount has not been accrued as payable in the financial statements as this has been classified under stated capital. However, due provisions have been made in the Statement of Changes in Equity at the group level.

h) Browns Hydro Power PLC

The contingent liabilities as at 31st March 2016 on corporate guarantees given by Browns Hydro Power PLC amounted to Rs. 180 Mn. This sum relates to facilities obtained by Thebuwana Hydro Power (Pvt) Ltd and Stellernberg Hydro Power (Pvt) Ltd.

44.3 Contingent Assets

There are no contingent assets as at the reporting date.

45 COMPARATIVE INFORMATION

Comparative information has been reclassified to conform to the current year's classification and presentation where necessary.

NOTES TO THE FINANCIAL STATEMENTS

46 EARLY ADOPTION OF AMENDMENTS TO LKAS 16 AND LKAS 41 AGRICULTURE :
BEARER PLANTS

With the transition from local financial reporting framework (SLAS) to corresponding International Financial Reporting Framework (SLFRS and LKAS) with effect from 1st January 2012, the Company opted to measure the bearer biological assets of rubber and coconut owned by the Company at fair value in compliance with LKAS 41 – “Agriculture”.

Pursuant to the amendments made to the International Financial Reporting Standards, the Institute of Chartered Accountants of Sri Lanka has issued the amendment “Agriculture: Bearer Plants” (Amendments to LKAS 16 and LAKS 41) in March 2015 which is to be effective for the annual financial reporting periods beginning on or after 1st January 2016 with early adoption being permitted. This amendment requires the bearer plants which were previously measured at fair value under LKAS 41 – “Agriculture” to be accounted within the scope of LKAS 16 – “Property, Plant and Equipment” at cost less accumulated depreciation and impairment.

The Company has decided to early adopt this amendment voluntarily for the year ended 31st March 2016 by restating the earliest period presented as required by LKAS 8 – “Accounting Policies, Changes in accounting estimates and Errors”. Accordingly, the amounts presented as at 1st April 2014 and 31st March 2015 are restated as follows;

	Note	Group					
		31st March 2014			31st March 2015		
		As Previously Reported Rs.000	Re-measurement Rs.000	Restated Rs.000	As Previously Reported Rs.000	Re-measurement Rs.000	Restated Rs.000
ASSETS							
Non-Current Assets							
Leasehold property							
Property, plant and equipment		14,625,051	-	14,625,051	19,464,012	-	19,464,012
Investment properties		6,185,968	-	6,185,968	7,199,267	-	7,199,267
Bearer biological assets		-	-	-	5,803,326	(1,145,811)	4,657,515
Consumable biological assets		-	-	-	6,383,655	-	6,383,655
Intangible assets		1,393,307	-	1,393,307	1,462,618	-	1,462,618
Investments in equity accounted investees		2,434,118	(264,564)	2,169,554	1,256,886	-	1,256,886
Other financial assets		1,187,307	-	1,187,307	895,131	-	895,131
Deferred tax assets		231,533	-	231,533	428,568	-	428,568
Loans to related parties		685,045	-	685,045	230,086	-	230,086
Prepaid Lease Rentals		51,088	-	51,088	818,140	-	818,140
		26,793,417	(264,564)	26,528,853	43,941,689	(1,145,811)	42,795,878
Current Assets							
Inventories		1,593,220	-	1,593,220	1,673,916	-	1,673,916
Trade and other receivables		2,916,150	-	2,916,150	4,297,701	-	4,297,701
Loans to related parties		848,629	-	848,629	1,596,627	-	1,596,627
Amounts due from related parties		467,914	-	467,914	236,123	-	236,123
Income tax recoverable		81,077	-	81,077	58,184	-	58,184
Other financial assets		2,487,689	-	2,487,689	3,253,081	-	3,253,081
Cash and cash equivalents		337,233	-	337,233	873,780	-	873,780
		8,731,912	-	8,731,912	11,989,412	-	11,989,412
Total Assets		35,525,329	(264,564)	35,260,765	55,931,101	(1,145,811)	54,785,290

	Note	Group					
		31st March 2014			31st March 2015		
		As Previously Reported Rs.000	Re-measurement Rs.000	Restated Rs.000	As Previously Reported Rs.000	Re-measurement Rs.000	Restated Rs.000
EQUITY AND LIABILITIES							
Stated capital		2,005,601	-	2,005,601	2,005,601	-	2,005,601
Reserves		1,072,759	-	1,072,759	1,282,743	-	1,282,743
Retained earnings		10,911,989	(102,334)	10,809,655	12,295,677	(94,802)	12,200,875
Equity attributable to equity holders of the Company		13,990,349	(102,334)	13,888,015	15,584,021	(94,802)	15,489,219
Non - controlling interest		8,624,917	(162,230)	8,462,687	18,585,274	(1,085,641)	17,499,633
Total Equity		22,615,266	(264,564)	22,350,702	34,169,295	(1,180,443)	32,988,852
Non-Current Liabilities							
Interest bearing borrowings loans and borrowings		2,681,819	-	2,681,819	4,575,834	-	4,575,834
Finance lease obligations		7,386	-	7,386	337,277	-	337,277
Retirement benefit obligations		121,773	-	121,773	2,229,246	-	2,229,246
Deferred tax liabilities		251,838	-	251,838	1,129,455	(102,495)	1,026,960
Deferred income		27,551	-	27,551	495,752	137,127	632,879
		3,090,367	-	3,090,367	8,767,564	34,632	8,802,196
Current Liabilities							
Trade and other payables		1,623,694	-	1,623,694	3,083,506	-	3,083,506
Interest bearing borrowings loans and borrowings		4,658,792	-	4,658,792	3,376,773	-	3,376,773
Finance lease obligations		4,981	-	4,981	25,446	-	25,446
Loans from related parties		250,000	-	250,000	252,846	-	252,846
Amounts due to related parties		456,289	-	456,289	612,376	-	612,376
Income tax payable		73,131	-	73,131	63,065	-	63,065
Dividend Payable		47,054	-	47,054	64,848	-	64,848
Other short term interest bearing liabilities		2,404,754	-	2,404,754	5,013,913	-	5,013,913
Bank overdraft		301,001	-	301,001	501,469	-	501,469
		9,819,695	-	9,819,696	12,994,242	-	12,994,242
Total Equity and Liabilities		35,525,329	(264,564)	35,260,765	55,931,101	(1,145,811)	54,785,290

NOTES TO THE FINANCIAL STATEMENTS

46 EARLY ADOPTION OF AMENDMENTS TO LKAS 16 AND LKAS 41 AGRICULTURE :
BEARER PLANTS CONTD.

	Twelve months ended 31st March 2015		
	As Previously Reported Rs.000	Re-measurement Rs.000	Restated Rs.000
Revenue	10,072,684	-	10,072,684
Cost of sales	(7,199,297)	-	(7,199,297)
Gross profit	2,873,387	-	2,873,387
Other income	1,679,370	-	1,679,370
Distribution expenses	(489,879)	-	(489,879)
Administrative expenses	(2,470,139)	-	(2,470,139)
Other expenses	(88,310)	-	(88,310)
Finance cost	(893,396)	-	(893,396)
Change in fair value of Investment Properties	(55)	-	(55)
Gain on Bargaining Purchases	621,335	(125,866)	495,468
Share of profit of equity accounted investees (Net of tax)	(61,096)	144,814	83,718
Profit before taxation	1,171,218	18,948	1,190,164
Taxation	(75,794)	-	(75,793)
Profit for the period	1,095,423	18,948	1,114,371
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	109,968	-	109,968
Revaluation of property, plant and equipment	340,692	-	340,692
Deferred Tax impact on Revaluation	2,266	-	2,266
Share of other comprehensive income of equity accounted investees (Net of Tax)	(35,553)	-	(35,553)
Defined benefit plan actuarial gains for the year	(9,645)	-	(9,645)
Total other comprehensive income	407,728	-	407,728
Total comprehensive income for the year	1,503,151	18,948	1,522,099
Profit attributable to			
Equity holders of the Company	1,324,167	7,532	1,331,699
Non- controlling interests	(228,744)	11,416	(217,328)
	1,095,423	18,948	1,114,371
Basic/Diluted earnings per share - Rs.	18.68		18.79

46.1 Impact to the balances reported in the statement of financial position

46.1.1 *Bearer Biological Assets*

As at		Group 31st March 2015 Rs.'000
Balance as previously reported		5,803,326
Less:		
Reversal of Fair value gain recognized on Bearer Biological Assets	- Rubber	(1,265,735)
	- Coconut	(37,378)
Amortization of bearer biological assets	- Rubber	(339,163)
	- Coconut	(4,031)
Add:		
Transfer of grants received on rubber replanting to deferred income		147,449
Reversal of sale of rubber trees		353,047
Total Impact due to restatement		(1,145,811)
Restated Balance		4,657,515

NOTES TO THE FINANCIAL STATEMENTS

46 EARLY ADOPTION OF AMENDMENTS TO LKAS 16 AND LKAS 41 AGRICULTURE :
BEARER PLANTS CONTD.

46.1 Impact to the balances reported in the statement of financial position Contd.

46.1.2 *Deferred Tax Liabilities*

Deferred tax effect arises due to the decrease of the taxable temporary difference as a result of reversal of fair valuation of bearer biological assets and charge of depreciation for the period.

As at	Group 31st March 2015 Rs.'000
Balance as previously reported	1,129,455
Impact on transfer from fair value to cost model	(102,495)
Restated Balance	1,026,960

46.1.3 *Deferred Income*

Grant relating to replanting of bearer biological assets (Rubber Replanting Subsidy) which was set off against carrying value of the immature bearer biological assets under LKAS 41 has been reinstated as deferred income and amortized over the useful life under LKAS 20.

As at	Group 31st March 2015 Rs.'000
Balance as previously reported	495,752
Grants received on rubber replanting	147,447
Amortization of deferred income relating to Mature Rubber Plantation	(10,320)
Total Impact due to restatement	137,127
Restated Balance	632,879

46.2 Impact to the balances reported in the statement of profit or loss

For the year ended 31 March 2015	Group Gain on bargain purchase Rs.'000
Amount as previously reported	621,334
Impact of the restatement	(125,866)
Restated amount	495,468

47 SUBSEQUENT EVENTS

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements other than the following.

- a) Browns Healthcare (Pvt) Ltd has issued 83Mn shares as at 29th April 2016 to Brown and Company PLC for Rs. 830 Mn against the advance received in lieu of shares.

NOTES TO THE FINANCIAL STATEMENTS

48 SEGMENTAL INFORMATION

48.1 Primary Segments (Business Segments)

48.1.1 Group

	Trading		Manufacturing		Investments		Plantation		
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000	
a) Segment Result									
Revenue	10,984,703	7,558,477	750,560	687,937	752,011	42,826	5,336,303	-	
Cost of Sales	(8,770,644)	(5,919,496)	(546,313)	(541,952)	-	-	(5,576,728)	-	
Gross Profit	2,214,059	1,638,981	204,247	145,985	752,011	42,826	(240,425)	-	
Add : Other Income	814,394	1,634,622	42,126	70,617	268,024	133,701	315,846	-	
Share of Profit of Equity Accounted Investees (Net of Income Tax)	-	-	-	-	(3,999)	45,596	-	-	
Change in fair value of Investment Properties	237	21,545	2,593	546	97,611	34,778	-	-	
Loss on change in fair value of consumable biological assets	-	-	-	-	-	-	(194,354)	-	
Gain on Bargaining Purchases	-	-	-	-	-	495,468	-	-	
Less : Expenses	(2,439,366)	(1,868,700)	(274,625)	(246,766)	(957,607)	(524,328)	(703,043)	(12,862)	
Profit before Taxation	589,325	1,426,448	(25,659)	(29,619)	156,041	228,041	(821,976)	(12,862)	
Income Tax Expense	(49,270)	(54,154)	(385)	2,067	(34,419)	(1,901)	68,776	-	
Profit for the Year	540,055	1,372,294	(26,044)	(27,552)	121,622	226,140	(753,200)	(12,862)	
b) Segment Asset									
Non-current Asset	14,494,302	13,370,280	39,274	32,608	21,332,577	17,435,918	13,520,573	13,653,915	
Current Asset	10,161,420	9,343,590	522,529	505,285	3,125,453	3,802,759	1,042,209	697,431	
	24,655,722	22,713,871	561,803	537,893	24,458,030	21,238,677	14,562,782	14,351,346	
c) Segment Liabilities									
Non-current Liabilities	1,703,877	536,922	11,070	8,796	1,155,422	1,392,962	4,968,654	4,118,496	
Current Liabilities	7,701,002	7,610,354	436,140	379,376	5,053,092	3,537,880	2,327,595	1,576,326	
	9,404,879	8,147,275	447,210	388,172	6,208,514	4,930,842	7,296,249	5,694,822	

	Leisure		Real Estate		Health Care		Others		Adjustments		Group Total	
	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000	2016 Rs.000	2015 Rs.000
	1,836,329	1,321,533	131,300	161,446	243,761	19,355	499,829	434,646	(644,615)	(153,536)	19,890,181	10,072,684
	(831,280)	(525,610)	(14,977)	(32,552)	(86,666)	(5,474)	(245,040)	(239,046)	11,265	64,833	(16,060,382)	(7,199,297)
	1,005,049	795,923	116,323	128,894	157,095	13,881	254,790	195,600	(633,350)	(88,703)	3,829,799	2,873,387
	92,266	19,566	101,699	666	64,027	3,860	27,237	33,020	(716,277)	(216,682)	1,009,342	1,679,370
	-	-	-	-	-	-	-	-	57,650	38,122	53,651	83,718
	-	-	22,532	(67,511)	-	-	31,900	10,588	(39,923)	-	114,950	(55)
	-	-	-	-	-	-	-	-	-	-	(194,354)	-
	-	-	-	-	-	-	-	-	-	-	-	495,468
	(1,603,143)	(1,292,012)	(141,066)	(94,243)	(388,984)	(119,017)	(185,605)	(146,411)	643,499	362,615	(6,049,939)	(3,941,724)
	(505,828)	(476,523)	99,489	(32,193)	(167,862)	(101,277)	128,322	92,795	(688,402)	95,352	(1,236,551)	1,190,164
	(10,336)	20,687	(630)	(2,347)	(182)	(414)	(44,822)	(39,730)	(2,933)	-	(74,201)	(75,793)
	(516,164)	(455,836)	98,858	(34,540)	(168,043)	(101,691)	83,500	53,065	(691,336)	95,352	(1,310,752)	1,114,371
	17,564,303	14,702,381	6,562,135	6,480,780	1,454,526	1,297,042	3,807,841	1,502,321	(30,952,834)	(25,679,367)	47,822,698	42,795,878
	2,250,010	1,451,722	432,923	409,581	318,555	315,084	973,957	1,351,035	(5,111,776)	(5,887,074)	13,715,280	11,989,412
	19,814,313	16,154,103	6,995,058	6,890,361	1,773,081	1,612,126	4,781,798	2,853,355	(36,064,610)	(31,566,442)	61,537,978	54,785,290
	1,443,868	1,942,212	174,071	79,768	1,161	528,889	1,205,988	214,456	(162,689)	(20,304)	10,501,421	8,802,196
	5,544,674	4,239,306	280,004	976,143	521,236	494,899	409,372	176,702	(5,395,923)	(5,996,743)	16,877,193	12,994,242
	6,988,542	6,181,518	454,075	1,055,911	522,397	1,023,788	1,615,360	391,158	(5,558,612)	(6,017,047)	27,378,614	21,796,439

NOTES TO THE FINANCIAL STATEMENTS

49 NON-CONTROLLING INTERESTS

The following table summarises the information relating to Browns Investments PLC that has material NCI. Inter-company eliminations have been made to the information for the Browns Investments PLC subgroup in order to show the interests of NCI in that subgroup as a whole.

	As at 31st March 2016 Browns Investments PLC
Holding %	39.75%
NCI%	60.25%
	Rs.000
Total assets	43,917,082
Total liabilities	19,581,066
Net assets attributable to Equity Holders	5,561,520
Carrying value of NCI	18,774,496
Gross income	7,904,353
Loss for the year	(1,476,678)
Loss attributable to Equity Holders	(374,950)
Loss attributable to NCI	(1,101,728)
OCI for the year	2,079,807
Net cash generated from Operating Activities	2,738,328
Net cash used in from Investing Activities	(1,957,536)
Net cash generated from Financing Activities	132,689
Total net cash inflow	913,481

	As at 31st March 2015 Browns Investments PLC
Holding %	39.75%
NCI%	60.25%
	Rs.000
Total assets	38,677,149
Total liabilities	15,192,467
Net assets attributable to Equity Holders	5,360,021
Carrying value of NCI	18,124,661
Gross income	1,815,710
Loss for the year	(214,582)
Loss attributable to Equity Holders	2,901
Loss attributable to NCI	(217,483)
OCI for the year	378,334
Net cash used in Operating Activities	(1,638,119)
Net cash used in Investing Activities	(950,125)
Net cash generated from Financing Activities	2,940,878
Total net cash inflow	352,632

E C O N O M I C V A L U E S T A T E M E N T

	Group	
	2016 Rs.000	2015 Rs.000
Economic Value Generated		
Revenue	19,890,181	10,072,684
Interest Income	266,689	224,241
Dividend Income	139,422	63,498
Share of Results of Associates	53,651	83,718
Other Income	790,683	1,428,021
Valuation gain/(loss) on Investment Properties	114,950	(55)
	21,255,576	11,872,107
Economic Value Distributed		
Operating Costs	15,997,020	8,443,969
Employee Wages and Benefits	4,258,936	736,661
Payments to Providers of Funds	1,515,458	1,096,662
Payments to Government	127,568	83,516
	21,898,981	10,360,808
Economic Value Retained		
Depreciation	642,215	371,704
Amortization	25,132	25,224
Profit/(Loss) for the year	(1,310,752)	1,114,371
	(643,405)	1,511,299

T E N Y E A R S U M M A R Y

Rs. 000'	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Group revenue	19,890,181	10,072,684	9,749,825	14,183,801	14,387,354	12,095,101	8,952,613	6,815,976	5,796,748	5,085,390
EBIT	133,830	2,083,560	2,834,467	1,525,039	3,880,945	3,895,431	1,741,717	882,064	693,118	589,397
Finance expenses	(1,370,381)	(893,396)	(1,023,541)	(1,070,375)	(418,956)	(291,605)	(473,551)	(418,116)	(429,157)	(185,160)
Share of results of Equity Accounted Investees	53,651	83,718	(37,707)	(301,790)	(94,931)	149,548	44,274	24,006	19,782	21,381
Profit before tax	(1,236,551)	1,190,164	1,810,926	454,664	3,461,989	3,603,827	1,268,166	463,948	263,961	404,237
Tax expense	(74,201)	(75,793)	(137,904)	(43,063)	(384,638)	(322,237)	(120,203)	(50,710)	146,189	119,542
Profit for the year	(1,310,752)	1,114,371	1,673,022	411,601	3,077,351	3,281,590	1,147,963	413,238	410,150	523,779
Attributable to:										
Equity holders of the parent	(205,109)	1,331,699	1,674,805	359,963	1,170,876	2,188,219	1,013,665	425,597	419,237	526,258
Non-Controlling interest	(1,105,643)	(217,328)	(1,783)	51,638	1,906,475	1,093,369	134,298	(12,359)	(9,087)	(2,479)
	(1,310,752)	1,114,371	1,673,022	411,601	3,077,351	3,281,588	1,147,963	413,238	410,150	523,779
CAPITAL EMPLOYED										
Stated capital	2,005,601	2,005,601	2,005,601	2,005,601	2,005,601	2,005,601	2,005,601	2,005,601	21,101	21,101
Capital reserves	2,010,848	1,282,743	1,072,759	3,987,572	3,465,922	5,401,247	4,495,526	2,715,232	907,023	4,733,031
Revenue reserves	11,997,076	12,200,875	10,809,655	9,107,685	8,409,224	7,507,046	3,103,269	1,329,875	6,154,142	528,023
Share holders funds	16,013,525	15,489,219	13,888,015	15,100,858	13,880,747	14,913,894	9,604,396	6,050,708	7,082,266	5,282,155
Non-Controlling interests	18,145,838	17,499,633	8,462,687	5,988,139	9,272,243	6,927,084	3,853,502	3,280,220	5,611	16,265
Total equity	34,159,364	32,988,852	22,350,702	21,088,997	23,152,990	21,840,978	13,457,898	9,330,928	7,087,877	5,298,420
Total debt	16,098,683	14,083,558	10,308,733	7,306,923	5,340,827	4,009,995	2,372,992	3,473,014	2,245,283	1,936,774
	50,258,047	47,072,410	32,659,435	28,395,920	28,493,817	25,850,973	15,830,890	12,803,942	9,333,160	7,235,194
ASSETS EMPLOYED										
Property, plant and equipment (PPE)	22,499,974	19,464,012	14,625,051	6,813,396	6,509,437	4,727,690	7,041,027	5,982,663	3,247,298	2,476,543
Non-current assets other than PPE	25,322,724	23,331,866	11,903,802	13,964,693	14,793,014	12,031,158	8,347,073	6,366,473	4,425,766	3,311,798
Current assets	13,715,280	11,989,412	8,731,912	10,211,008	11,528,464	10,523,057	3,203,089	3,357,331	3,093,472	2,743,307
Liabilities other than debt	(11,279,931)	(7,712,880)	(2,601,330)	(2,593,177)	(4,337,098)	(1,430,932)	(2,760,298)	(2,902,525)	(1,433,376)	(1,296,454)
	50,258,047	47,072,410	32,659,435	28,395,920	28,493,817	25,850,973	15,830,891	12,803,942	9,333,160	7,235,194

Rs. 000'	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
CASH FLOW										
Net cash flows generated from / (used in) operating activities	714,220	(633,413)	(1,347,635)	(1,355,187)	(588,276)	1,092,449	(297,565)	734,453	(251,184)	(519,410)
Net cash flows generated from / (used in) investing activities	(1,826,082)	(2,026,387)	87,306	(1,118,345)	(2,076,461)	(2,075,835)	841,490	(541,611)	(46,017)	64,005
Net cash flows generated from / (used in) financing activities	1,890,376	2,995,879	2,157,494	1,351,402	1,851,675	4,539,133	(48,303)	(376,572)	275,722	353,637
Net Increase / (decrease) in Cash and Cash Equivalents during the year	778,514	336,079	897,165	(1,122,130)	(813,063)	3,555,749	495,623	(183,730)	(21,479)	(101,768)
KEY INDICATORS										
Earnings per Share (Rs.)	(2.89)	18.79	23.63	5.08	16.52	30.87	14.3	6	5.92	7.43
Net Assets per Share (Rs.)	225.94	218.54	195.95	213.06	195.85	210.43	135.51	85.37	99.93	74.53
Market Price per Share (Rs.)	79.8	96.5	90	117.9	155.1	289.8	87.75	18	925.5	630
Market Capitalization	5,655,825	6,839,438	6,378,750	8,356,163	10,992,713	20,539,575	6,219,281	1,275,750	2,429,438	1,653,750
Return on Shareholders' funds (%)	(1.28)	8.60	12.06	2.38	8.44	14.67	10.55	7.03	5.92	9.96
Return on Capital Employed (%)	0.27	4.43	8.68	5.37	13.62	15.07	11	6.89	7.43	8.15
Price Earnings Ratio (times)	(27.57)	5.17	3.81	23.21	9.39	9.39	6.14	3	156.46	84.85
Interest Cover (times covered)	0.10	2.33	2.77	1.42	9.26	13.36	3.68	2.11	1.62	3.18
Current Ratio (times)	0.81	0.92	0.89	1.35	1.8	3.07	1.12	0.79	1.13	1.08
Debt to Equity Ratio (%)	47.13	41.22	45.58	34.65	23.07	18.36	17.63	37.22	31.68	36.55
Number of Shares	70,875	70,875	70,875	70,875	70,875	70,875	70,875	70,875	2,625	2,625

S H A R E I N F O R M A T I O N

SHARE PRICE INFORMATION ON ORDINARY SHARES OF THE COMPANY

	2015/2016 RS.	2014/2015 RS.	2013/2014 RS.	2012/2013 RS.	2011/2012 RS.
High	135.00	121.00	134.90	195.90	404.90
Low	72.00	87.00	78.20	103.00	149.00
Close	79.80	96.50	90.00	117.90	155.10

SHARE ANALYSIS AS AT 31ST MARCH 2016

	TOTAL		
	NO. OF SHAREHOLDERS	NO. OF SHARES	(%)
1 to 1,000 shares	1,568	478,153	0.68
1,001 to 10,000 shares	657	2,529,330	3.57
10,001 to 100,000 shares	337	9,241,005	13.04
100,001 to 1,000,000 shares	23	7,002,053	9.88
over 1,000,000 shares	8	51,624,459	72.84
Total	2,593	70,875,000	100

CATEGORIES OF SHAREHOLDERS

	NO. OF SHAREHOLDERS	NO. OF SHARES	(%)
Individual	2,418	16,408,403	23.15
Institutional	175	54,466,597	76.85
Total	2,593	70,875,000	100.00
Resident	2,364	64,558,662	91.09
Non-Resident	229	6,316,338	8.91
Total	2,593	70,875,000	100

DIRECTORS' SHAREHOLDINGS

	31ST MARCH 2016 NO. OF SHARES	31ST MARCH 2015 NO. OF SHARES
Ishara Nanayakkara	99,900	99,900
Kapila Jayawardena	Nil	Nil
Kalsha Amarasinghe	Nil	Nil
Rajah Nanayakkara	Nil	Nil
Janaka de Silva	Nil	Nil
Tissa Bandaranayake	Nil	Nil

LIST OF 20 MAJOR SHAREHOLDERS

31.03.2016			
	NAME	No.of shares	%
1	ENGINEERING SERVICES (PVT) LIMITED	16,588,962	23.41
2	MASONS MIXTURE LIMITED	13,732,632	19.38
3	EMPLOYEES PROVIDENT FUND	6,914,625	9.76
4	BROWNS HOLDINGS LTD	4,948,182	6.98
5	LANKA ORIX LEASING COMPANY PLC	3,382,800	4.77
6	MR. SHANKER VARADANANDA SOMASUNDERAM	3,146,361	4.44
7	ACE BONUS INVESTMENTS LIMITED	1,755,000	2.48
8	VYJANTHI & COMPANY LTD.	1,155,897	1.63
9	NATIONAL SAVINGS BANK	985,000	1.39
10	SRI LANKA INSURANCE CORPORATION LTD - LIFE FUND	906,990	1.28
11	BANK OF CEYLON NO. 1 ACCOUNT	809,616	1.14
12	COMMERCIAL BANK OF CEYLON PLC/S.A.GULAMHUSEIN	781,893	1.10
13	EST. OF LATE MR. MARIAPILLAI RADHAKRISHNAN(DECED)	575,640	0.81
14	MRS. PAMELA CHRISTINE COORAY	506,408	0.71
15	DR. RUWANPURA ROHITHA DE SILVA	289,855	0.41
16	LOLC FINANCE PLC/ J.M.S.ROHINI	269,075	0.38
17	DR. IAM DAVID GILCHRIST DONALDSON	160,380	0.23
18	PAUL CARTER	160,380	0.23
19	BRUCE DAVID DONALDSON	160,380	0.23
20	SISIRA INVESTORS LIMITED	148,500	0.21
	TOTAL	57,378,576	80.96
	No. of shares held by public	32,122,524	45.32
	No. of shareholders representing the public holding - 2,588		

31.03.2015			
	NAME	No.of shares	%
1	ENGINEERING SERVICES (PVT) LTD	16,588,962	23.41
2	MASONS MIXTURE LIMITED.	13,732,632	19.38
3	EMPLOYEES PROVIDENT FUND	6,813,967	9.61
4	LANKA ORIX LEASING COMPANY PLC	3,382,800	4.77
5	MR. SHANKER VARADANANDA SOMASUNDERAM	3,146,361	4.44
6	MUTUGALA ESTATES (PVT) LIMITED.	2,986,524	4.21
7	PATHREGALLA ESTATES (PVT) LIMITED	1,961,658	2.77
8	ACE BONUS INVESTMENTS LIMITED	1,755,000	2.48
9	VYJANTHI & COMPANY LTD.	1,155,897	1.63
10	NATIONAL SAVINGS BANK	1,000,000	1.41
11	SRI LANKA INSURANCE CORPORATION LTD - LIFE FUND	906,990	1.28
12	COMMERCIAL BANK OF CEYLON PLC/S.A.GULAMHUSEIN	781,846	1.10
13	EST. OF LATE MR. MARIAPILLAI RADHAKRISHNAN(DECED)	575,640	0.81
14	MRS. PAMELA CHRISTINE COORAY	506,408	0.71
15	J.B. COCOSHELL (PVT) LTD	478,926	0.68
16	BANK OF CEYLON NO. 1 ACCOUNT	396,073	0.56
17	DR. RUWANPURA ROHITHA DE SILVA	289,855	0.41
18	SEYLAN BANK PLC / THIRUGNANASAMBANDAR SENTHILVERL	209,546	0.30
19	MR. CHOKSHANADA KUMARA SANGAKKARA	182,943	0.26
20	DR. IAM DAVID GILCHRIST DONALDSON	160,380	0.23
	TOTAL	57,012,408	80.45
	No. of shares held by public	28,976,163	40.88
	No. of shareholders representing the public holding- 2,512		

P A R E N T , S U B S I D I A R Y A N D A S S O C I A T E
C O M P A N I E S

COMPANY	DIRECTORS
*Associated Battery Manufacturers (Ceylon) Ltd Reg. No: PB 240	Subir Chakraborty - Chairman (appointed w.e.f. 14/06/2016) Gautam Chatterjee (resigned on 14/06/2016) Ishara Nanayakkara Winston Wong Asish Kumar Mukherjee Saha Arnab Mani Ramachandran
S.F.L. Services (Pvt) Ltd Reg. No: PV 1463	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Engineering Services (Pvt) Ltd Reg. No: PV 7400	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara) Rajah Nanayakkara Ishara Nanayakkara (Alt. Dir. to Rajah Nanayakkara) Kithsiri Gunawardena
Masons Mixture Limited Reg. No: PB 181	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara) Rajah Nanayakkara Ishara Nanayakkara (Alt. Dir. to Rajah Nanayakkara) Kithsiri Gunawardena
Browns Group Motels Ltd Reg. No: PB 167	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
C.F.T. Engineering Ltd Reg. No: PB 318	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Browns Group Industries(Pvt)Ltd Reg. No: PV 1917	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
The Hatton Transport And Agency Company (Pvt) Ltd Reg. No: PV 2833	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Walker & Greig (Pvt) Ltd Reg. No: PV 66042	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)

COMPANY	DIRECTORS
Browns Investments PLC Reg. No: PV 66136 PB/PQ	Ishara Nanayakkara - Chairman Kamantha Amarasekera Kapila Jayawardena Kalsha Amarasinghe Rajah Nanayakkara Stefan Furkhan Dr. Harsha Cabral PC Dr. Jayanta Mootatamby Swaminathan
Klevenberg (Pvt) Ltd Reg. No: PV 5697	Kithsiri Gunawardena Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Sifang Lanka Trading (Pvt) Ltd Reg. No: PV 7363	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Sifang Lanka (Pvt) Ltd Reg. No: PV 7481	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara) Zhou Haifeng Huang Yilin
Gal Oya Holdings (Pvt) Ltd Reg. No. PV 7182	Kithsiri Gunawardena - Chairman Gamini Ratnayake Danesh Abeyrathne Sanjaya Kalidasa Jeyagowri Chandramohan
Gal Oya Plantations (Pvt) Ltd Reg. No: PV 7601	Dr. Keerthi Kotagama - Chairman Kithsiri Gunawardena Gamini Ratnayake Sellampola Gedara Senarathna Christine Sriyani Perera Thusitha Wanigasinghe Ruvini Saumya De Silva Dinesh Abeyrathne
Browns Thermal Engineering (Pvt) Ltd Reg. No. PV 5001	Rohini Nanayakkara - Chairperson Damascene Fernando Anoj Munidasa

PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES

COMPANY	DIRECTORS
Browns Motors (Pvt) Ltd Reg. No: PV 65726	Rajah Nanayakkara Indra Nanayakkara Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Browns Industrial Park Ltd Reg. No: PB 1100	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Snowcem Products Lanka (Pvt) Ltd Reg.No: PV 5900	Kithsiri Gunawardena Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Browns Health Care (Pvt) Ltd Reg.No- PV 77421	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Browns Real Estates (Pvt) Ltd Reg. No. PV 79609	Rohini Nanayakkara - Chairperson Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Browns Health Care North Colombo (Pvt) Ltd Reg. No. PV 89856	Rohini Nanayakkara Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
E.S.L. Trading (Pvt) Ltd Reg. No. PV 91036	Rohini Nanayakkara Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Browns Holdings Ltd Reg. No. PB 1183	Rajah Nanayakkara Nilmini Nanayakkara Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara and Rajah Nanayakkara)

* Indicate the Company whose accounts are audited by the Auditors other than KPMG who are the Auditors of Brown and Company PLC

G L O S S A R Y O F F I N A N C I A L T E R M S

ACCRUAL BASIS

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

CAPITAL EMPLOYED

Shareholders' funds plus non-controlling interests and debt.

CONTINGENT LIABILITIES

A condition or situation existing at the balance sheet date due to past events, where the obligation is crystallised by the occurrence or non-occurrence of one or more future events.

CURRENT RATIO

Current assets divided by current liabilities.

DEBT/EQUITY RATIO

Debt as a percentage of shareholders' funds and non-controlling interests.

DIVIDEND PAYABLE

Final dividend per share multiplied by the latest available total number of shares as at the date of the report.

DIVIDEND PAYOUT RATIO

Dividend as a percentage of company profits.

EARNINGS PER SHARE

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT

Earnings Before Interest and Tax (includes other income).

INTEREST COVER

Consolidated profit before interest and tax over finance expenses.

MARKET CAPITALISATION

Number of shares in issue at the end of period multiplied by the market price at the end of the period.

NET ASSETS

Total assets minus current liabilities minus long term liabilities minus non-controlling interests.

NET ASSETS PER SHARE

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

PRICE EARNINGS RATIO

Market price per share over earnings per share.

PUBLIC HOLDING

Percentage of shares held by the public calculated as per the Colombo Stock Exchange's Listing Rules as of the date of the Report.

RETURN ON CAPITAL EMPLOYED (ROCE)

Consolidated profit before interest and tax as a percentage of capital employed.

RETURN ON SHAREHOLDERS' FUND

Profit attributable to shareholders as a percentage of shareholders' funds.

SHAREHOLDERS' FUNDS

Total of stated capital, capital reserves and revenue reserves.

TOTAL DEBT

Long term loans plus short term loans plus overdrafts.

TOTAL EQUITY

Shareholders' funds plus non-controlling interest.

C O R P O R A T E I N F O R M A T I O N

BROWN AND COMPANY PLC LEGAL FORM

A Public Limited Liability Company incorporated in Sri Lanka on 17th August 1892 under the Joint Stock Companies Ordinance 1861 and re-registered under the Companies Act No. 07 of 2007. The Company was listed in the Colombo Stock Exchange on 25th April 1991.

COMPANY REGISTRATION NO. PQ 25

DIRECTORS

Ishara Nanayakkara
Executive Chairman

Kapila Jayawardena
Non-Executive Director

Kalsha Amarasinghe
Non-Executive Director

Rajah Nanayakkara
Non-Executive Director

Janaka de Silva
Independent Non-Executive Director

Tissa Bandaranayake
Independent Non-Executive Director

Shanker Somasunderam
Non-Executive Director
(Resigned w.e.f. 04.12.2015)

SECRETARIES

S. F. L. Services (Pvt) Ltd
No. 481, T. B. Jayah Mawatha,
Colombo 10.

REGISTERED OFFICE

No. 481, T. B. Jayah Mawatha (Darley Road),
P. O. Box 200, Colombo 10.
Fax No. 2307380
Tel. 2663000
Website: www.brownsgroup.com

BUSINESS OFFICE

No. 34, Sir Mohamed Macan Markar
Mawatha,
Colombo 3
Fax No. 2307380
Tel. 2663000
Website: www.brownsgroup.com

AUDITORS

Messrs KPMG
Chartered Accountants,
No. 32A, Sir Mohamed Macan Markar
Mawatha,
Colombo 3.

BANKERS

Bank of Ceylon
Commercial Bank of Ceylon PLC
Cargills Bank Ltd.
DFCC Bank PLC
DFCC Varadhana Bank PLC
Deutsche Bank
Hatton National Bank PLC
ICICI Bank Ltd.
MCB Bank Ltd.
National Development Bank PLC
Peoples Bank
Pan Asia Banking Corporation PLC
Standard Chartered Bank
Sampath Bank PLC
Seylan Bank PLC
Union Bank of Colombo PLC

N O T I C E O F T H E A N N U A L G E N E R A L M E E T I N G

BROWN AND COMPANY PLC REG. NO. PQ 25

NOTICE IS HEREBY GIVEN that the One Hundred and Twenty Fourth ANNUAL GENERAL MEETING of the Company will be held at Park Premier, Excel World, No. 338, T.B. Jayah Mawatha, Colombo 10 on the Fifth day of August 2016 at 03 : 00 p.m.

The business to be brought before the meeting will be :

- To receive and consider the Report of the Directors and Statement of Accounts and the Balance Sheet of the Company for the Financial Year ended 31st March 2016 with the Auditors' Report thereon.
- To re-elect Mrs. Kalsha Amarasinghe as a Non-Executive Director who retires by rotation in accordance with Article 24(6) of the Articles of Association of the Company.
- To re-elect Janaka de Silva as an Independent Non-Executive Director. In terms of Section 210 of the Companies Act No. 7 of 2007 Special Notice has been received from a shareholder, pursuant to Sections 145 and 211 of the Companies Act No. 7 of 2007 of the intention to propose the following resolution as an ordinary resolution.

RESOLUTION

“That Janaka de Silva who will be reaching the age of 72 years on 24th August 2016 be and is hereby re-elected as an Independent Non-Executive Director of the Company for a period of one year or until the conclusion of the next Annual General Meeting which ever occurs first and it

is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director.”

- To re-elect Rajah Nanayakkara as a Non-Executive Director. In terms of Section 210 of the Companies Act No. 7 of 2007 Special Notice has been received from a shareholder, pursuant to Sections 145 and 211 of the Companies Act No. 7 of 2007 of the intention to propose the following resolution as an ordinary resolution.

RESOLUTION

“That Rajah Nanayakkara who reached the age of 76 years on 26th February 2016 be and is hereby re-elected as a Non-Executive Director of the Company for a period of one year or until the conclusion of the next Annual General Meeting which ever occurs first and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director.”

- To re-elect Tissa Bandaranayake as an Independent Non-Executive Director. In terms of Section 210 of the Companies Act No. 7 of 2007 Special Notice has been received from a shareholder, pursuant to Sections 145 and 211 of the Companies Act No. 7 of 2007 of the intention to propose the following resolution as an ordinary resolution.

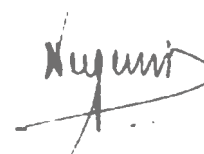
RESOLUTION

“That Tissa Bandaranayake who reached the age of 73 years on 3rd January 2016 be and is hereby re-elected as an Independent Non-Executive Director of the Company for a period of one year or until the

conclusion of the next Annual General Meeting which ever occurs first and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director.”

- To re-appoint M/s. KPMG, Chartered Accountants, as Auditors of the Company for the ensuing year.
- To authorize the Directors to fix the remuneration of the Auditors.

BY ORDER OF THE BOARD



S.F.L. SERVICES (PVT) LTD
Secretaries

Colombo,
20th June 2016

Notes:

- 1 A member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote in his stead
- 2 A proxy need not be a member of the Company. A Form of Proxy is found at the end of this Annual Report.
- 3 The instrument appointing such a proxy must be deposited at the Business office of the Company before Third day of August 2016.

F O R M O F P R O X Y

BROWN AND COMPANY PLC

REG. NO. PQ 25

I/Weof

..... being a member/members of the above named Company hereby appoint.

Ishara Nanayakkara	or failing him
Kapila Jayawardena	or failing him
Kalsha Amarasinghe	or failing her
Rajah Nanayakkara	or failing him
Janaka de Silva	or failing him
Tissa Bandaranayake	or failing him

Mr/ Mrs/Missof

..... as my/our proxy to represent me/us and to vote for me/us and on my/our behalf at the One Hundred and Twenty Fourth Annual General Meeting of the Company to be held on the Fifth day of August 2016 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this day of2016

.....
Signature/s

Please provide the following details :

Shareholder's NIC No. :

No. of shares held :

Proxy holder's NIC No. :
(if not a Director of this Company)

F O R M O F P R O X Y

NOTES:

- 1 The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy.
- 2 If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not been registered with the company.
- 3 In the case of a company/corporation, the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- 4 In the case of joint-holders, the senior should sign this form. Seniority shall be determined by the order in which names stand in the Register of Members in respect of the joint holding.
- 5 Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the person signing on the Form of Proxy.
- 6 To be valid the completed Form of Proxy should be deposited with the Secretaries at No.34, Sir Mohamed Macan Markar Mawatha, Colombo 3, not less than 48 hours before the time appointed for the holding of the meeting.



BROWN AND COMPANY PLC
www.brownsgroup.com