

FINANCIAL CAPITAL

OVERVIEW

The Group's performance during the year reflects challenges in the operating environment as well as the strategies and actions we put in place to effectively respond to these trends. A primary objective of the Group is to deliver a sustainable attractive return

on investment to our shareholders while ensuring their well-being. We remain fully committed to generating competitive sustainable value while ensuring the Group's sustainability, before short-term maximization of profits.

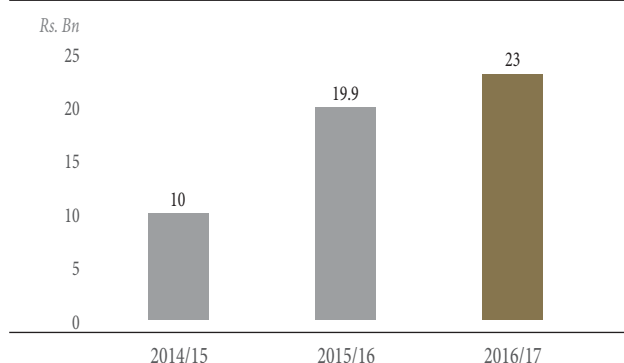
KEY PERFORMANCE INDICATORS

INDICATOR	UOM	2016/17	2015/16	YEAR ON YEAR CHANGE (%)
Revenue	Rs. Mn.	22,648	19,890	14
Profit/(Loss) Before Taxation	Rs. Mn.	4,420	(1,237)	457
Profit/(Loss) for the Year	Rs. Mn.	3,961	(1,311)	(402)
Earnings/ (Loss) Per Share	Rs.	26.78	(2.89)	(1,026)
Total Assets	Rs. Mn.	66,055	61,538	7
Total Debt	Rs. Mn.	15,405	16,099	(4)
Shareholders' Funds	Rs. Mn.	18,210	16,014	14
Share Price	Rs.	71.00	79.80	(11)
Market Capitalisation	Rs. Mn.	5,032	5,656	(11)
ROCE	%	15.07%	0.27%	5,481

REVENUE

In the year under review, the Browns Group recorded a 14% growth in its Group revenue to Rs. 23 billion from Rs.20 billion recorded in the previous period. The growth is mainly supported by the Trading, Leisure and Plantations sectors. The contributions and the changes will be discussed in the sector revenue analysis.

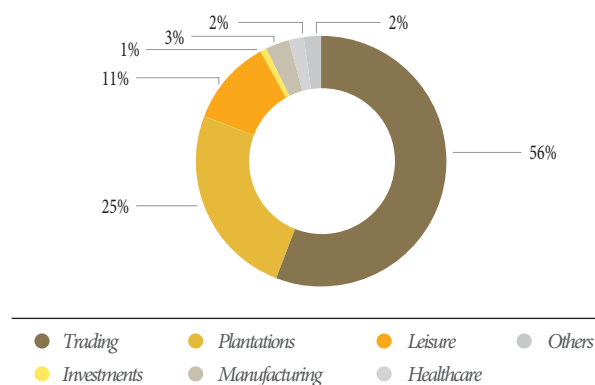
GROUP REVENUE



SECTOR REVENUE

The Trading sector contributed 56% to the total revenue with an increase of Rs. 1.7 billion over the last year. The Leisure sector reflects 11% of the Group's revenue and has recorded a revenue of Rs. 2.4 Bn. in the year under review. The Plantations sector contributed 25% to total revenue with Rs. 5.7 billion. The Investments and Manufacturing sectors has recorded Rs. 331 million and Rs. 643 million in revenues respectively – a contribution of 4% to the total revenue. The Healthcare sector contributed Rs. 0.4 billion to Group revenue.

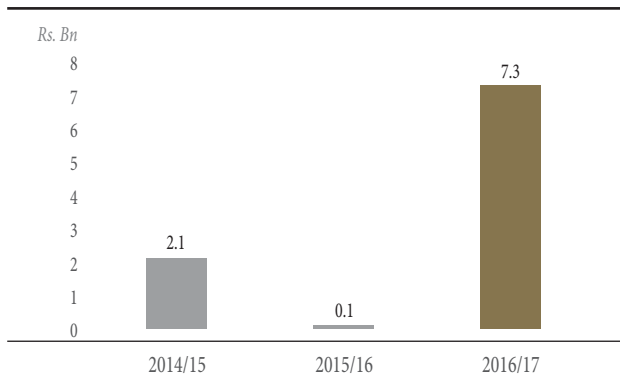
SECTOR REVENUE



EBIT

Earnings Before Interest and Tax (EBIT) increased to Rs. 7 billion from Rs. 0.1 billion in the previous year. The increase is mainly reflected through the gain on fair value of investment properties by Rs. 2.3 billion and the gain from the disposal of Rs. 2.7 billion from the Plantations and Hydro sectors. Apart from these, a revaluation of the balance stake with FLMC also provided a gain of Rs. 892 million.

EBIT



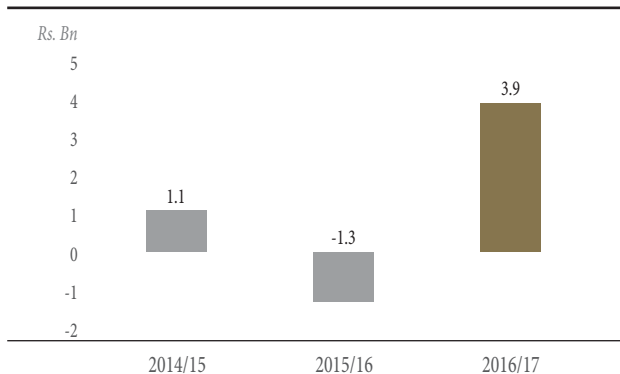
FINANCE EXPENSES

Group finance costs increased from Rs. 1.3 billion in 2015/16 to Rs. 2.9 billion during the year under review. This is an increase of 112% when compared to the last financial year. Average Weighted Prime Lending Rate (AWPLR) increased to 11.5% from 8.8% in the previous year. As a result, the Group's cost of capital has risen accordingly.

PROFIT AFTER TAX

The Group made a profit of Rs. 4 billion during the year under review as opposed to a loss of Rs. 1.3 billion in the previous year. The profit was primarily from the gains from disposals and the valuations.

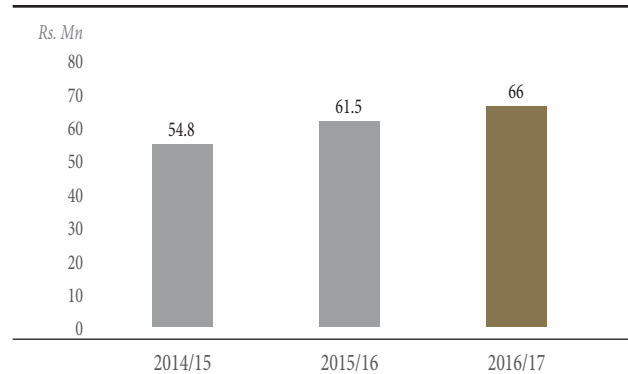
PROFIT AFTER TAX



TOTAL ASSETS

Total assets increased to Rs. 66 billion in the year under review from Rs. 61.5 billion during the last financial year. The increase of Rs. 4.5 billion was mainly from Browns investments, leisure and trading sectors.

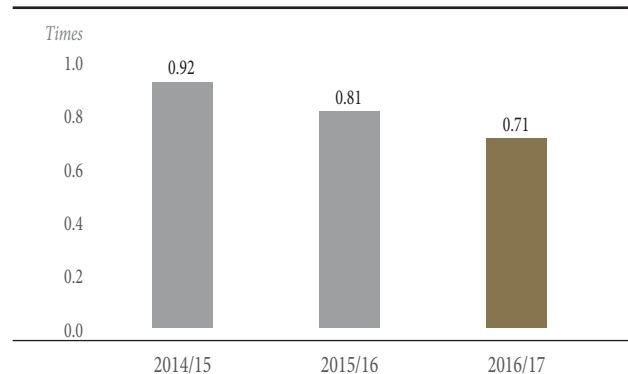
TOTAL ASSETS



CURRENT RATIO

Current ratio for the year under review dropped to .7 from .8 in the previous year. However, the Group maintains a sound asset base to match its liabilities.

CURRENT RATIO



INTEREST COVER

Interest cover went up significantly during the year under review to 2.5 times as opposed to once in the previous year.

CAPITAL STRUCTURE

Debt to Equity (D/E) ratio remained at a healthy level of 46.37% in the year under review when compared to 47.13% in the previous year. Industry D/E levels were at 40% to 60% and Browns remains within the lower level of the border providing optimum utilisation of its Debt to Equity composition.

FINANCIAL CAPITAL

MARKET PRICE PER SHARE (MPS)

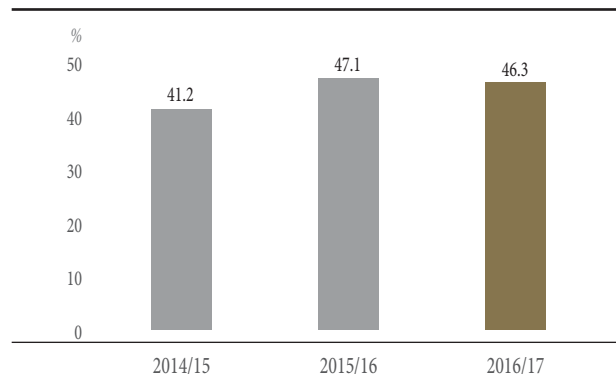
The Share market remained low during the year under review and as a result share prices further declined as a whole. Browns share price was Rs. 71 at the end of the financial year under review when compared to Rs. 79.80 reflected at the end of the previous year.

MARKET CAPITALISATION

Market capitalisation decreased to Rs. 5 billion during the year under review from Rs. 5.7 billion recorded in the previous year. This was mainly due to declining capital market conditions which was witnessed throughout the year under review.

NET ASSETS PER SHARE (NPS)

Net Assets per Share increased during the year under review to Rs. 257 from Rs. 226 a year ago. This was mainly due to the increase in the net assets of the Group when compared to the last financial year.

DEBT TO EQUITY RATIO**ECONOMIC VALUE GENERATED**

RS.000	GROUP	
	2017	2016
Economic Value Generated		
Revenue	22,648,082	19,890,181
Interest Income	169,834	202,364
Dividend Income	66,634	61,262
Share of Results of Associates	66,225	53,651
Other Income	1,629,038	745,716
Disposal Gain	2,682,988	-
	27,262,801	20,953,174
Economic Value Distributed		
Operating Costs	17,497,072	15,813,511
Employee Wages and Benefits	4,271,317	4,258,936
Payments to Providers of Funds	3,006,272	1,515,458
Payments to Government	160,645	127,568
	24,935,306	21,715,473
Economic Value Retained		
Depreciation	650,285	641,251
Amortization	11,227	26,242
Profit/(Loss) for the year	1,665,983	(1,429,792)
	2,327,495	(762,299)

HUMAN CAPITAL

OUR FOCUS

Browns Group is committed to employee engagement that upholds individual dignity and respects human rights. Our employment practices are premised on attracting and retaining human talent based on performance. Employee competencies are developed through the capability development programme which, entails customised class room and project based training and development programmes. Our employees are provided with a work environment benchmarked for the quality of its safety and health standards. The Senior Vice President Group HR under the guidance of the Group Chairman is responsible to ensure Human Resource practices in all subsidiaries are aligned to the HR policy framework of the company. Total compliance with all statutory provisions governing labour practices and decent work ethics are also ensured throughout the organization and Group of companies. Specific responsibilities in HR are assigned to individuals based on their particular role. The Human Resource Division regularly monitors the progress to ensure proper implementation of the HR policies and compliance with local employment regulations.

HR PHILOSOPHY

Leveraging on our strong foundation of over 140 years and commendable business excellence, Brown and Company PLC, has garnered a deep insight into the critical role Human Resources (HR) has to play in an organization's success.

Our organisational success depends on the high level of skills and professionalism of our people. The past two years were dedicated to taking steps that would allow the HR functions to evolve from an administrative unit to a professional, value-added service partner.

Over the course of the past year, HR has achieved progress in the areas of strategic workforce planning, talent attraction and management, recruitment, learning and development, environment, staff relations, and overall improved operational efficiencies.

As a result, we focus on providing exceptional HR services to the organisation, enabling our employees to meet customer expectations on time, every time, whilst contributing to the sustainable growth of the business. At Browns, we firmly believe that passionate and positive minded employees are an organisation's greatest asset in sustaining a business. We always strive to keep our employees happy, engaged and passionate towards the business.

Therefore, our mission statement is,

“To build unique winning capabilities for the business by being a trusted business partner, consistently delivering trendsetting solutions to our employees and supporting the company in holding a competitive edge in the Market.”

Our HR strategy is outlined in the diagram below.



HUMAN CAPITAL

The HR strategy of Browns was reinvented in 2013, aligning all aspects of our HR practice into three main thematic areas: Rethink, Redefine and Recreate. Further, the HR Strategy is embedded with three value concepts such as Alive, Inclusive and Respectful.

This was done with the objective of becoming one of the most preferred employers in the country. All HR policies, procedures and practices were restructured to support the business strategy. To achieve this, the Group took the initiative of assessing Human Resources practices against the criteria as defined by a ‘Great Place to Work’. GPTW is a global research, consulting and training firm that helps organizations identify, create and sustain great workplaces through the development of high-trust workplace cultures. This aided in garnering a deep understanding as to where we stand against other major contenders in the industry.

A fundamental aspect of the Group’s success has been the improvement in the quality, proficiency and motivation of its people. Guiding employees to reach their potential has been a key focus area. Employee development, engagement, progressive performance and satisfaction are core priorities for the Group. Getting the right combination of performance together with work-life balance has been a key success factor for Browns.

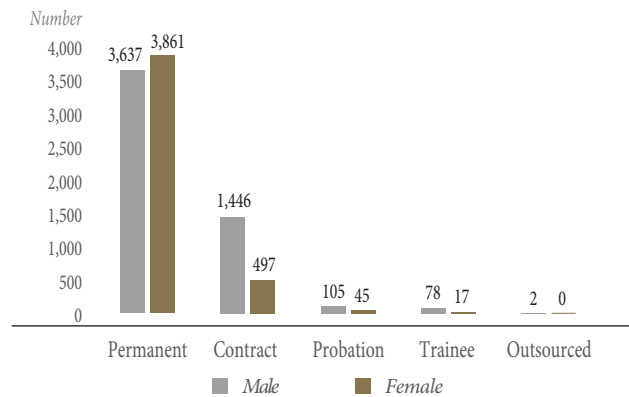
Guided by the Shop and Office Act, the Group has further enhanced the facilities provided to employees.

HUMAN CAPITAL DIVERSITY

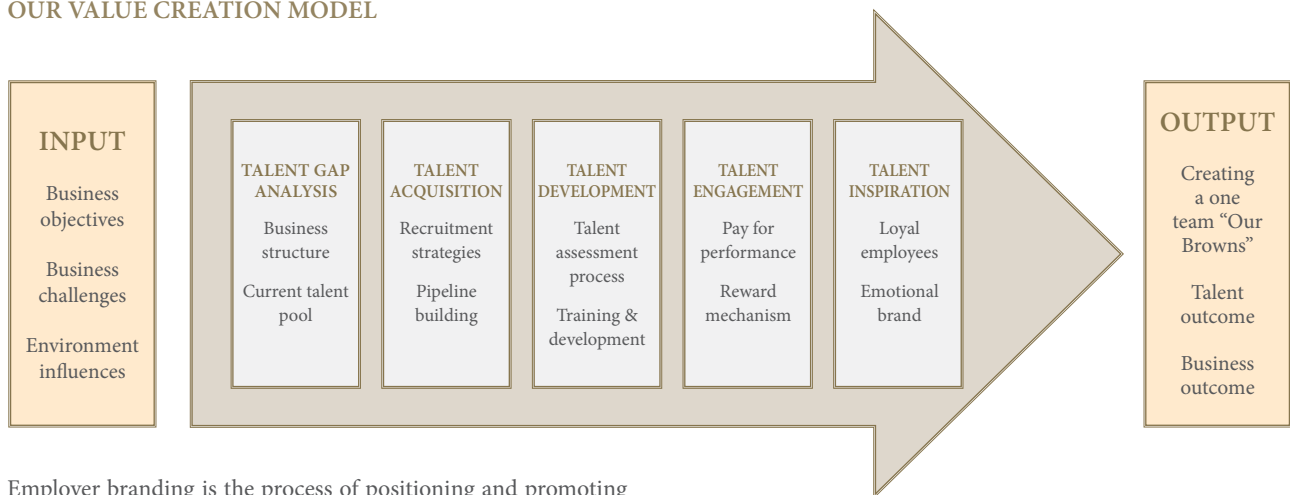
Browns, under the leadership relooked and reassessed productivity levels of the employees and by 31st March 2017 the following cadre was arrived at:

	MALE	%	FEMALE	%	TOTAL
Permanent	3,637	38	3,861	40	7,498
Contract	1,446	15	497	5	1,943
Probation	105	1	45	0	150
Trainee	78	1	17	0	95
Outsourced	2	0	-	0	2
	5,268	54	4,420	46	9,688

WORKFORCE BY EMPLOYMENT CONTRACT

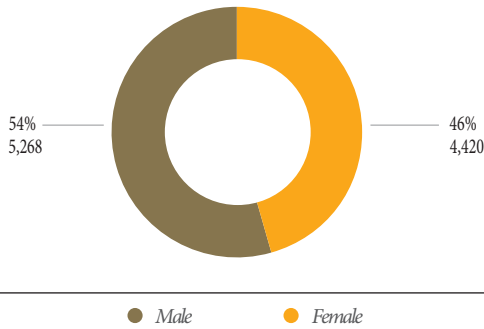


OUR VALUE CREATION MODEL

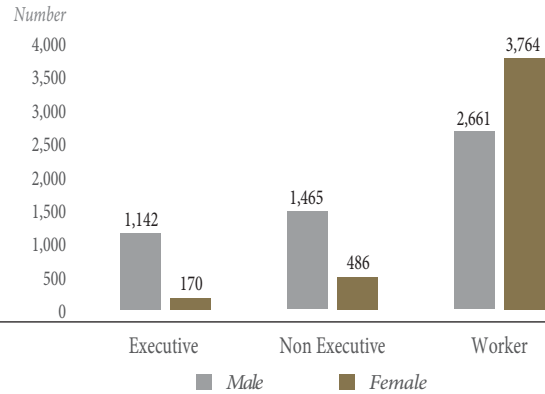


Employer branding is the process of positioning and promoting an organisation as the employer of choice to a desired group that the Company desires to recruit and retain. This process facilitates Browns’ ability in attracting, recruiting and retaining ideal employees, also referred to as ‘Top Talent’ who in turn will help achieve the Company’s business goals.

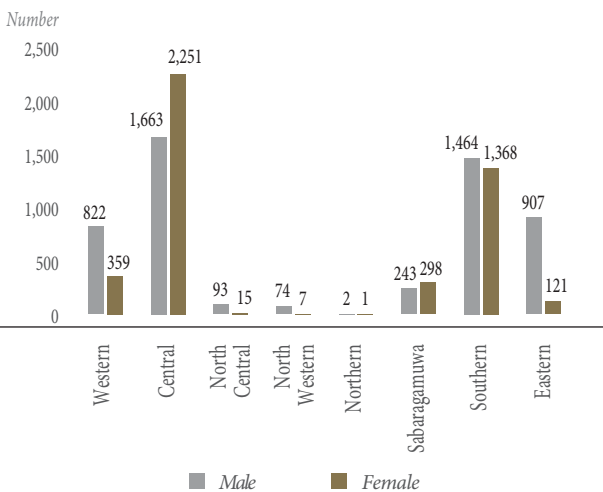
COMPOSITION OF WORKFORCE



WORKFORCE BY EMPLOYMENT TYPE



WORKFORCE BY REGION



TALENT ACQUISITION

Browns as a Group, experienced a major restructuring process between 2013 and 2014. Non-performing Business Units had to be shut down, and as a result, a large number of employees had to be retrenched. A very diplomatic and strategic approach had to be taken in order to execute the process fairly. We are delighted to announce that HR managed this task successfully with zero employee concerns.

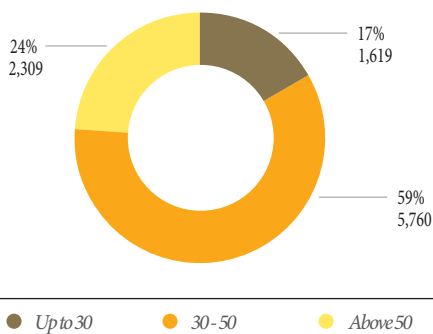
Taking into consideration a ‘Talent Gap Analysis’ that we conducted, we focused primarily on talent acquisition, ensuring that the best talent is recruited and retained at Browns.

HR works according to a well-articulated recruitment strategy for each of the identified talent segments and a systematic and detailed recruitment process ensures that the best talent is brought in within the minimum lead time.

Our employment policy requires us to recruit candidates who are the most appropriate for the available position, using fair, objective and internationally accepted measurements and evaluation methods. We recruit at three critical entry points: at trainee level, mid-career and leadership level. We give initial preference to our internal talent identified through our robust and integrated organisational talent review programme. We also believe that new talent from outside needs to be infused into the system, bringing in new ways of working and innovative thinking. This combination allows us to train leaders for the future.

The recruitment team also participates in exhibitions and job fairs to identify potential. For instance, the HR Team participates in the EDEX exhibition, the largest education exhibition and job fair held in Sri Lanka. This is a one-stop platform for the youth of

NUMBER AND PERCENTAGE OF EMPLOYEES BASED ON AGE



HUMAN CAPITAL

Sri Lanka, seeking guidance and direction in choosing their ideal career paths. Likewise, the recruitment team takes part in annual career fairs organised by the Universities, to source potential graduates.

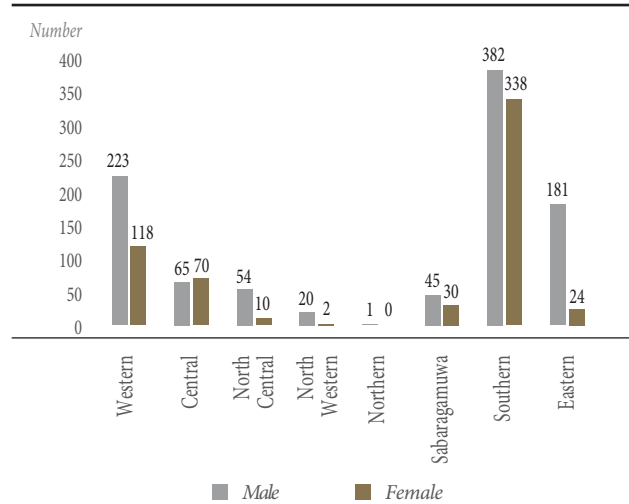
As a further step towards talent acquisition, we have established strong relationships with many universities and educational institutions in Sri Lanka, which will assist us in attracting qualified graduates for the vacancies that open up at Brown and Company PLC. We have also partnered with various other channels to attract potential employees. All of these resources, collectively aid in reducing lead times on recruitment.

In order to fully realise our goal and mission to be the best employer in Sri Lanka, we strongly believe and acknowledge that we have to invest in our employees and inculcate in them a sense of pride in being a Browns employee.

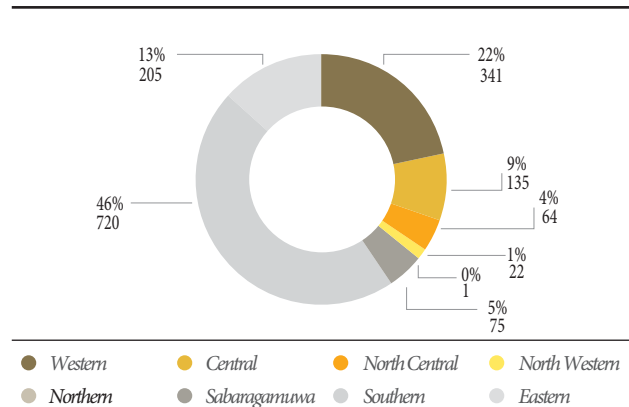
NUMBER AND RATE OF NEW RECRUITS BY GENDER & REGION

REGION	MALE	%	FEMALE	%
Western	223	2	118	1
Central	65	1	70	1
North Central	54	1	10	0
North Western	20	0	2	0
Northern	1	0	0	0
Sabaragamuwa	45	0	30	0
Southern	382	4	338	3
Eastern	181	2	24	0
Total	971	10	592	6

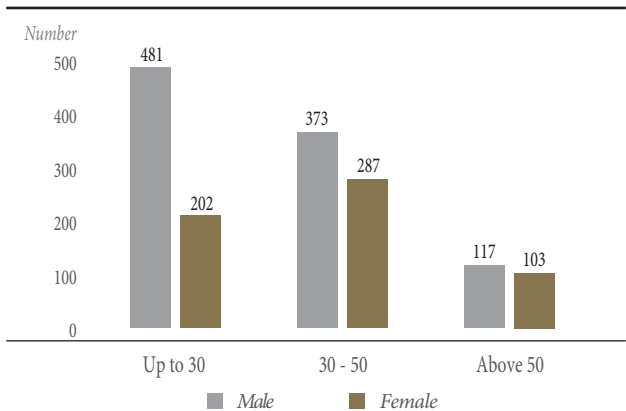
NEW RECRUITS BY REGION



NUMBER AND PERCENTAGE OF NEW RECRUITS BY REGION



NUMBER OF NEW RECRUITS BY AGE



Gender and age are two key parameters considered when monitoring employee diversity. Females account for 46% of our workforce.

The gender ratios are also tracked to ensure gender diversity is maintained. As mentioned earlier in this document, the Group focuses on processes and controls and on continuously rationalising cadre so that optimum efficiency levels are achieved and employees are provided with opportunities to grow in their respective job roles.

The centralisation process undertaken by the Group has worked positively, bringing in productive controls, increased efficiencies, and economies of scale. The HR, Finance, Treasury, Marketing, IT, Admin and Business Process divisions were centralised and employees in the respective sectors were absorbed into the corporate office.

NON-DISCRIMINATION POLICY IN RECRUITMENT

The Browns Group prohibits discrimination against and harassment of any employee or any applicant for employment because of race, colour, national or ethnic origin, age, religion, disability, sex, sexual orientation, gender identity and expression. All personnel who are responsible for hiring and promoting employees are trained to support this effort and to respond promptly and appropriately to any concerns that are brought to their attention.

PRINCIPLE OF EQUALITY

The Group provides opportunity to potential talent due to their suitability in relation to qualification, role match, and experience. We ensure we do not discriminate along the lines of gender, race, and religion. The process is focused on relevant skills and competencies and not the demographic characteristics of individuals.

INDUCTION AND FAMILIARIZATION

The Company ensures that new recruits understand the culture of the Company, the organisational structure and the framework within which the Company operates.

VALUES AND PERFORMANCE CULTURE

In today's fast paced world, most of us spend a major part of our life in the workplace. As a result, people today aspire to more than just a 9 to 5 job. They look for job satisfaction, a healthy working environment, and a sense of pride towards the work they do.

Keeping this in mind, we at Browns have inculcated a philosophy of Alive, Respect and Inclusiveness. We consider these three values as our pioneer spirits guiding our employees in their daily actions and decisions. These principles are critical in instances

of company expansion into new ventures and to face industry challenges.

It is important to note that Browns has strived to establish a strong, proactive and transparent 'Performance Driven' culture, which is a first in the history of Browns. As part of this effort, it is also introducing a performance based bonus for individual, divisional and group performance. Therefore, the best performing employees may be granted a bonus of 10-12 months per annum based on their evaluation. Employees are aware of the performance expectations and standards for promotions, increments, bonus and other rewards. In light of this, we were able to transform a non-performance driven culture to a highly performance driven culture linked to R&D. This has aided in motivating the various performers in the Group.

PERFORMANCE MANAGEMENT

The Groups' performance management cycle consists of a mid-year review and a year-end review. The mid-year review begins in October and the advance bonus payout is determined as a result of the review. The year-end review begins in February and ends in April. The increments, promotions and final bonus payout is set out through this process.

COMPENSATION AND BENEFITS

Our Total Rewards strategy supports our overall HR strategy to enable:

- Creation of "Employer Brand" that attracts top talent
- Motivate employees by aligning rewards to business success
- Retain top talent through premium pay and long term incentives

The remuneration committee decides on the annual increments for each talent segment. The compensation and benefits are reviewed annually.



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TALENT DEVELOPMENT

We have inculcated an environment whereby learning and Development plays an integral part within the company culture. We believe that nurturing talent will be the determining factor in our ability to double the size of our business. Staff motivation and development are one of the key priorities in the HR Strategy framework. This includes: identification of skill gaps and training needs, identifying suitable training opportunities, development action planning, performance improvement planning for non-performers and post-training evaluation (Reaction, Learning, Behaviour, Results).

The talent development process includes periodically capturing training and development requirements of both current and new businesses and the Return On Investment is measured in order to evaluate its impact on the business. Continuous training and development of employees will no doubt support the business strategy, providing employees with the necessary skills, knowledge and behaviours to meet the business objectives.

Our main aim is to plan leadership development programmes that will help all our people to be the best they can be, irrespective of level or role. They will develop functional skills linked to our business strategy and priorities, with leadership skills for now and the future. We intend driving our talent on agreed leadership principles - Demonstrating Entrepreneurship, Business Achievement, Empowering and Developing, Collaborating for Success, Customer Delight. Further, the focus on technical skill especially for the manufacturing sectors has been considered high priority. We have spent almost 1.5% to 2% of our total cost on training.

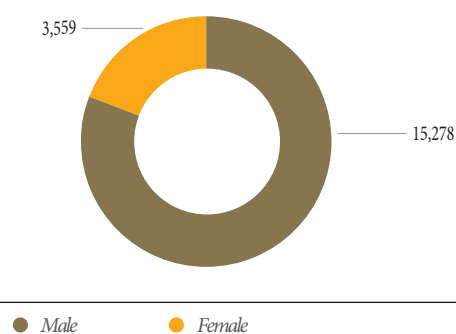
We are also in the process of developing a structured talent review process encompassing the following objectives.

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

AVERAGE TRAINING HOURS PER EMPLOYEE TRAINED	
Total number of training hours provided to employees	18,837
Total number of employees trained	2,167
Average training hours per employee trained	9

TRAINING HOURS	
Internal Training Hours	6,721
External Training Hours	11,940
Overseas Training Hours	176

TOTAL HOURS OF EMPLOYEE TRAINING BASED ON GENDER



EMPLOYEE SATISFACTION SURVEY WITH GPTW

Browns partnered with Great Place to Work® (GPTW), in a bid to facilitate a Group-wide change in the lives of its employees and overall growth of the organization.

The Great Place to Work® Trust Model is built on 25 years of research and data collected through their Trust Index® Employee Survey, which is taken by millions of employees annually worldwide. We believe that change can be best achieved by encouraging employees to aspire to become their best rather than demanding change. Therefore, through this programme, we at HR together with the cooperation and support of our employees, strived to inculcate a unified culture whereby each and every person makes it his or her own prerogative to make our company a Great Place to Work for the current and future generations to come.

Internal motivational and engagement programmes were conducted in order to communicate this mission effectively to all employees and encourage them to actively take part in the GPTW survey. In addition, a large-scale poster campaign was also conducted to further awareness and motivation. This aided in obtaining great insight into employee difficulties at work, as well as obtain valuable feedback as to employee satisfaction levels at Browns.

The independently conducted survey revealed that employees carry in them a strong feeling of pride and honour in being employed at Browns. Based on the employee feedback gathered, we initiated a focus group discussion across the Company to further investigate identified people related issues. This was again conducted by GPTW excluding any employee supervisor or HR personnel being present. As a result, employees were able to confidently and confidentially voice their opinions. This initiative assisted in refocusing our HR strategy and opened new avenues for us to support employees in addressing all of their concerns.

TALENT ENGAGEMENT

The main objective of our engagement activities is to develop a team motivated by a common objective, a team that can identify problems proactively and drive innovation and has a passionate “Can do” attitude, thereby supporting the profitable growth of the business. HR prepares the event engagement calendar at the beginning of each financial year. This showcases all engagement events planned, month on month. This provides a framework for HR to execute its engagement plan.

We conducted events such as Sinhala & Tamil New Year Celebration, Vesak Kalapaya, Christmas Fiesta, Birthday Card Distribution, Kelibima Sports Day, Annual Pirith Ceremony, Browns Kid’s day, among others.

More importantly, we launched a company magazine called ‘Api Browns’, which consists of all the events that the company conducted during the financial year.



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TALENT INSPIRATION

At Browns, we acknowledge that work engagement and satisfaction increases with better benefits and that employees look for more than just a salary to take home. We also value our employees and we want them to have a fulfilling work life. Considering these factors, we have put together an attractive package of benefits.

This includes scholarships, medical benefits, support given at funerals, discount schemes etc. In addition, we have introduced a special loyalty scheme for employees, which provides them with a range of benefits from different industries. All of these will ensure that Browns has a happy, engaged workforce as reflected in the high rating the Group received in the survey conducted by Great Place to Work.

Offering added benefits is a useful recruiting tool. Potential employees flock to employers that take initiatives to help employees achieve a healthy balance between work and their personal lives. Employees also tend to have strong value systems and view work as an outlet to help better themselves and the world, rather than just a means to a salary at the end of the month. The demand for these kind of benefits likely stems from millennials' desire to maintain their lifestyle, which they wouldn't be able to do without their employers' help.

Therefore, we concentrate on providing our employees with various opportunities and benefits that strengthen the employer or employee emotional bond. We offer perks such as Employee Loyalty Card offering discounts with a host of merchants and service providers; National Identity Card Renewal (Mobile Service) at the doorstep; seasonal discount sales, Banking days among others.

Browns also celebrates special days with special programmes organized on Women's Day, Health Day, Children's Day, Cultural/Religious events, and many more.



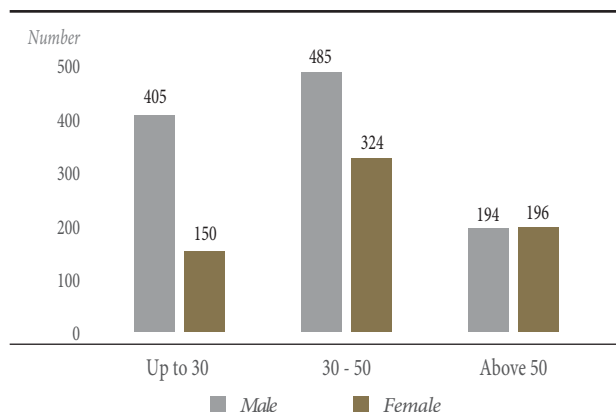
ATTRITION RATE

Workforce optimisation is treated as a continuous process that takes place throughout the year, taking employee performance, business needs, and peoples aspirations into account. During the year, we have seen a drastic improvement in retention of critical talent. We have also been highly focused on our employees serving probation. Our focus is to ensure that roles match the required performance levels prior to confirmation.

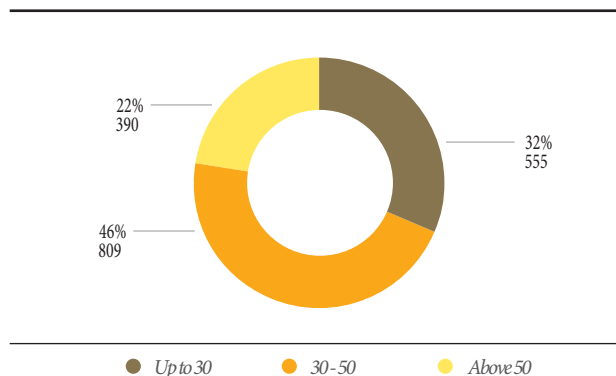
NUMBER AND RATE OF EMPLOYEE TURNOVER BY GENDER & REGION

REGION	MALE	%	FEMALE	%
Western	164	2	51	1
Central	286	3	296	3
North Central	59	1	4	0
North Western	5	0	1	0
Northern	0	0	0	0
Sabaragamuwa	60	1	37	0
Southern	380	4	268	3
Eastern	130	1	13	0
Total	1,084	11	670	7

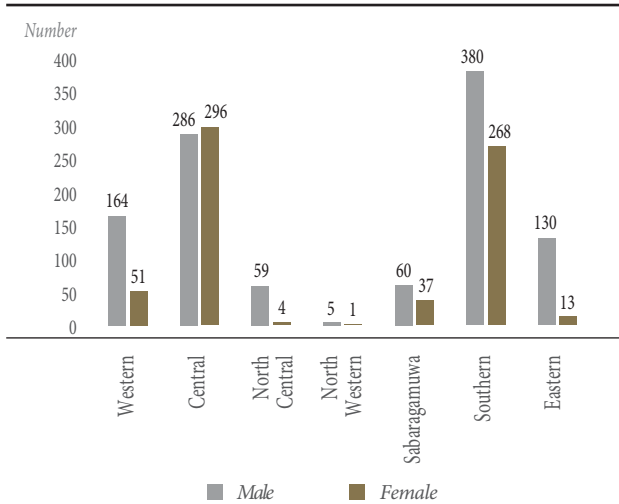
EMPLOYEE TURNOVER BY AGE



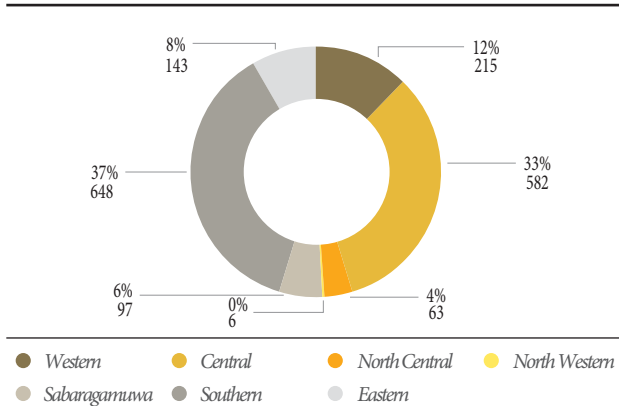
NUMBER AND PERCENTAGE OF EMPLOYEE TURNOVER BY AGE



EMPLOYEE TURNOVER BY REGION



NUMBER AND PERCENTAGE OF EMPLOYEE TURNOVER BY REGION



AGILE, FLEXIBLE AND DIVERSE ORGANISATION

Inclusion is at the heart of being an agile, flexible and diverse organisation. It means having a representative workforce, empowering our people with policies and infrastructure to help them work quickly and effectively, and creating flexible ways of working to suit their circumstances. The smarter we work, the more effective and efficient we will be at meeting the needs of our customers in a rapidly changing world. One of the main objectives of the centralisation of support functions was to create agility and flexibility for all subsidiaries and divisions.

All clerical and manual employees of the Group are eligible to obtain membership in their respective unions. All benefit are based on the definition and conditions of the collective agreement. It is a unique case in the Group, where even though the collective agreement exists, our performance-driven bonus mechanism is applicable to all, driving them to achieve their potential.

RESPECTING HUMAN RIGHTS AND PROTECTING LABOUR RIGHTS

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. There were no incidents of violations involving rights of indigenous people during the year under review.

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.

NO. OF GRIEVANCES IDENTIFIED	NO. ADDRESSED	NO. RESOLVED
13	13	11

HUMAN CAPITAL

OCCUPATIONAL HEALTH AND SAFETY

The physical and mental wellbeing of our staff is important to us, considering the stress employees go through working in a highly performance driven culture. Promoting wellbeing of our employees is considered a long-term investment by the Group.

As an initial step in achieving these objectives, we have put in place a comprehensive medical insurance scheme for all permanent employees for hospitalisation and OPD medical treatment, over and above the Workman's compensation. Life insurance is also given to all employees of the Group.

The Group has taken several steps to educate employees in health and safety especially at our production facilities. We monitor major and minor incidents at these facilities as well as corrective and preventive action taken with regards to health and safety.

Health and Safety officers have been trained and appointed for all locations of the Group. Fire safety and theft prevention training too has been given to the relevant employees. We have also deployed trained security personnel at all location, including alarm systems and cameras to ensure employee working at these locations have peace of mind.



RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE

Wages paid to the entry level employees of the Company is very much higher than the local minimum wage standards and on par with the industry standards irrespective of the gender.

MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

Minimum of one month notice is provided to employees and their representatives prior to implementations of significant operational changes that could substantially affect them.

SUCCESS OF HR PRACTISES

Browns has, within the past two years, achieved six recognised global and national awards.

Awards and recognitions are an integral part of any organisation or business in today's increasingly competitive global economy. The positive PR that accompanies an award provides more credibility than advertising could ever bring in and is ultimately more beneficial. It also assists in attracting and retaining talent, gain an overall sales advantage and expand public relations.

Browns HR obtained the following awards in the year under review:

- National HR Excellency- Gold Award 2016- IPM Sri Lanka
- South Asian Partnership Summit & Business Award - Best HR Practices Organisational
- South Asian Partnership Summit & Business Award - Outstanding HR Leadership of the Year
- Asia Best Employer brand awards
- Human Capital Management Awards

100 Most Influential Global HR Professionals Award



SOCIAL AND RELATIONSHIP CAPITAL

OVERVIEW

As an organisation with an extensive breadth of operations and a wide geographical footprint, Social and Relationship Capital forms an integral component of our value creation process. Key elements of Social and Relationship Capital include the relationships we have nurtured with our customers, business partners, employees, investors and communities.

EMPLOYEES



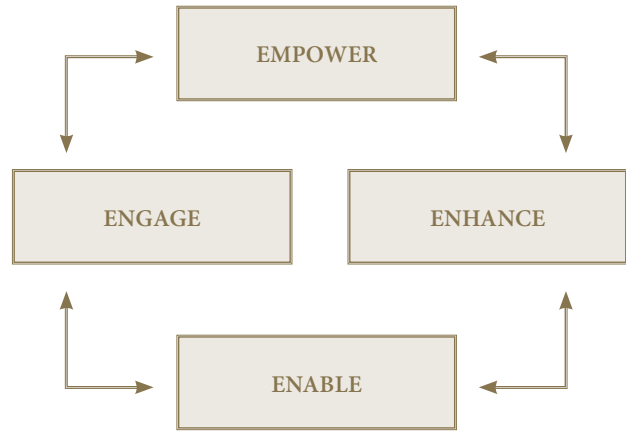
Browns is committed to providing employees with a stable work environment that includes equal opportunities for learning and personal growth. The Group's central Human Resources function is tasked with establishing, administering and effectively communicating corporate values, policies and practices that treat employees with dignity and equality, in compliance with employment and labour laws, corporate directives and labour agreements. Refer human capital on page 71 to 80 for more information

COMMUNITY



Corporate Social Responsibility (CSR) has been a long-standing commitment that has been embedded into the very fabric of the Browns Group. It also forms an integral part of our strategy to tackle the issue of social inequalities by aligning our business model to address major national priorities. Our goal is to identify critical areas of development that require investment and intervention, followed by proactive support to ensure meaningful socio-economic development reaches a broader island-wide demographic. We believe that in doing so, we can enable a larger number of people to participate in and benefit from economic progress.

Further, to make a more meaningful impact, we make sure our contributions to social sector development are carried out mainly through direct project implementation as opposed to extending financial support to other organisations.



Key Commitments

SAPSA Sisu Nena Pahana Programme (Trading - Agriculture Division)

Part of the ongoing Memorandum of Understanding (MoU) between the Brown's Agriculture Division and the Farm Machinery Training Centre (FMTC), the 'SAPSA Sisu Nena Pahana' programme, is a special initiative to educate students of agriculture on the proper use of farm machinery.



SOCIAL AND RELATIONSHIP CAPITAL

Social Upliftment of Worker Communities (Plantations & Renewable energy - Maturata Plantations)

This is an ongoing capacity building initiative by Maturata Plantations to provide estate worker communities with housing and basic community infrastructure to improve their quality of life. During the year, with the assistance of the Plantation Human Development Trust and the Ministry of Estate Infrastructure Development, the Company commenced to construct two creches at LDA and Diyanilla Divisions of the Liddesdale Estate, and built 15 new houses under the New Life Housing Continuation Programme at the Maha Uva Estate. Further 44 houses were built at the Gonapitiya Estate, as a project funded by NHDA.

Additionally, 10% of the cost of production is set aside annually for welfare activities for plantation worker communities, specifically to provide medical assistance to the workers, their families and neighbouring communities. As part of this initiative, a series of health camps were held during the year at High Forest, Mahauwa, Mahakudagalla and Bramley Estates, offering free health screening facilities to a total of over 2,000 participants.

Community Support Initiatives (Plantations & Renewable energy - Gal Oya Plantations)

Gal Oya Plantations (Pvt) Ltd consists of 7,659 hectares of plantation land with approximately 5,200 hectares 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 socioeconomic wellbeing of these communities. This is done 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 liters per day. Chemical testing and monitoring is done daily by the Gal Oya staff and is 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 Mn, the plant currently provides clean drinking water for over 1,000 families who lack access to clean drinking water. Clean drinking water is a dire need for these communities, given the high incidence of CKD (Chronic Kidney Disease) in the area.

Farmer Outgrower Model (Manufacturing - AgStar PLC)

The Company maintains a community-based farmer outgrower sourcing model to procure its requirements of paddy. The mechanism offers mutual benefits, where backward integration gives the Company access to a guaranteed supply source, while the farmer is assured of a stable income - a win-win scenario for both the parties.

Further, the Company provides farmers with ongoing technical support and special assistance to empower them with the tools required to improve quality and yield, a strategy that has enabled these communities to boost their direct earning capacity.

“Govi Nena Pahana” (Trading - Agriculture Division)

The ‘Govi Nena Pahana’ initiative is a part of the ongoing MoU between the Brown’s Agriculture Division and the Farm Machinery Training Centre (FMTTC) to introduce agricultural mechanisation to farmer communities. It also tries to raise awareness regarding the proper use of such equipment, all of which will enable them to migrate to more sustainable agricultural practices in the longer term.

*Farmer education (Trading - Veterinary Pharmaceuticals Division)*

The Veterinary Pharmaceuticals Division conducts ongoing educational programmes for farmers across Sri Lanka to create awareness regarding modern farming practices. These include 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 such programmes were held and were well attended, with over 50 participants at each programme.

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

Health Camps (Healthcare - Browns Hospitals)

Browns Hospitals conducted over 10 wellness forums and health camps in the Gampaha region. A free medical clinic for the participants was conducted by the doctors of Browns Hospitals who were present throughout the event, which was supported

Our goal is to identify critical areas of development that require investment and intervention, followed by proactive support to ensure meaningful socio-economic development reaches a broader island-wide demographic



INVESTORS



Investors are the Browns Group's lifeblood. Browns therefore, is concerned with keeping them closely posted on the Group's strategies, plans and performance and thereby gain their trust and confidence in the Group. Some of the channels Browns uses to keep them informed are the Annual General Meeting, investor meetings, the annual report, interim financial statements, announcements at the Colombo Stock Exchange (CSE), press conferences and media releases. The Group makes use of electronic media for communication where appropriate.

Through the Group's strategies, Browns takes a long-term view of the business and carefully balances risks and returns to generate optimum return to the shareholders in a sustainable manner. While Browns innovates, it is done so with due diligence and professionalism to protect the investors' capital. Browns believes that this will lead the shareholders to take a long-term view of the Group without being swayed by short-term fluctuations, and build lasting and trusting relationships.

by Browns Hospitals nursing staff. The following medical tests were performed at the clinic: vision tests, urinary tests and blood sugar tests, blood pressure measuring and BMI assessments. The residents were also offered free consultations with the Medical Officers who were present.

Blood Donation Campaigns (Healthcare – Browns Hospitals)

Several blood donation campaigns were organised by Browns Hospitals and Browns head office in order to contribute to the national blood bank.

Flood Relief Campaigns

The Browns Group conducted several flood relief programs during the 2016 floods. The Group cancelled several dansal programs which were planned, and contributed instead to the flood-stricken communities.

Other Projects

School Rugby

The Browns Group sponsored the St. Thomas College, Mount Lavinia rugby season for the year 2016.

Motor Racing

Browns Exide continued to sponsor the Fox Hill Supercross, strengthening the longstanding relationship with the Sri Lanka Military Academy (SLMA) and accredited racing bodies for almost a decade.



SOCIAL AND RELATIONSHIP CAPITAL

INVESTOR RELATIONS

SHARE PRICE INFORMATION ON ORDINARY SHARES OF THE COMPANY

	2016/2017 RS.	2015/2016 RS.	2014/2015 RS.	2013/2014 RS.	2012/2013 RS.
High	102.00	135.00	121.00	134.90	195.90
Low	68.00	72.00	87.00	78.20	103.00
Close	71.00	79.80	96.50	90.00	117.90

SHARE ANALYSIS AS AT 31ST MARCH 2017

	TOTAL		
	NO. OF SHAREHOLDERS	NO. OF SHARES	(%)
1 to 1,000 shares	1,512	434,996	0.62
1,001 to 10,000 shares	597	2,336,004	3.30
10,001 to 100,000 shares	317	8,830,079	12.46
100,001 to 1,000,000 shares	26	7,240,582	10.20
over 1,000,000 shares	8	52,033,339	73.42
Total	2,460	70,875,000	100.00

CATEGORIES OF SHAREHOLDERS

	NO. OF SHAREHOLDERS	NO. OF SHARES	(%)
Individual	2,296	16,196,170	22.85
Institutional	164	54,678,830	77.15
Total	2,460	70,875,000	100.00
Resident	2,241	64,493,531	90.99
Non-Resident	219	6,381,469	9.01
Total	2,460	70,875,000	100.00

DIRECTORS' SHAREHOLDINGS

NO. OF SHARES	31ST MARCH 2016	31ST MARCH 2017
Ishara Nanayakkara	99,900	99,900
Kapila Jayawardena	Nil	Nil
Kalsha Amarasinghe	Nil	Nil
Rajah Nanayakkara (deceased on 22.03.2017)	Nil	Nil
Janaka de Silva	Nil	Nil
Tissa Bandaranayake	Nil	Nil

LIST OF 20 MAJOR SHAREHOLDERS

31.03.2017				31.03.2016			
	NAME	NO.OF SHARES	%		NAME	NO.OF SHARES	%
1	ENGINEERING SERVICES (PVT) LIMITED	16,588,962	23.41	1	ENGINEERING SERVICES (PVT) LIMITED	16,588,962	23.41
2	MASONS MIXTURE LIMITED	13,732,632	19.38	2	MASONS MIXTURE LIMITED	13,732,632	19.38
3	EMPLOYEES PROVIDENT FUND	6,914,625	9.76	3	EMPLOYEES PROVIDENT FUND	6,914,625	9.76
4	BROWNS HOLDINGS LTD	4,948,182	6.98	4	BROWNS HOLDINGS LTD	4,948,182	6.98
5	MR. SHANKER VARADANANDA SOMASUNDERAM	3,555,241	5.02	5	LANKA ORIX LEASING COMPANY PLC	3,382,800	4.77
6	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	7	ACE BONUS INVESTMENTS LIMITED	1,755,000	2.48
8	VYJANTHI & COMPANY LTD.	1,155,897	1.63	8	VYJANTHI & COMPANY LTD.	1,155,897	1.63
9	NATIONAL SAVINGS BANK	985,000	1.39	9	NATIONAL SAVINGS BANK	985,000	1.39
10	SRI LANKA INSURANCE CORPORATION LTD - LIFE FUND	906,990	1.28	10	SRI LANKA INSURANCE CORPORATION LTD - LIFE FUND	906,990	1.28
11	BANK OF CEYLON NO. 1 ACCOUNT	809,616	1.14	11	BANK OF CEYLON NO. 1 ACCOUNT	809,616	1.14
12	COMMERCIAL BANK OF CEYLON PLC/S.A.GULAMHUSEIN	782,093	1.10	12	COMMERCIAL BANK OF CEYLON PLC/S.A.GULAMHUSEIN	781,893	1.10
13	MRS. PAMELA CHRISTINE COORAY	506,408	0.71	13	EST. OF LATE MR. MARIAPILLAI RADHAKRISHNAN(DECED)	575,640	0.81
14	RENAISSANCE CAPITAL (PVT) LTD	289,855	0.41	14	MRS. PAMELA CHRISTINE COORAY	506,408	0.71
15	LOLC FINANCE PLC/ J.M.S.ROHINI	269,075	0.38	15	DR. RUWANPURA ROHITHA DE SILVA	289,855	0.41
16	MISS.MEENAMBIGAI PRIYADARSHINI RADHAKRISHNAN	192,880	0.27	16	LOLC FINANCE PLC/ J.M.S.ROHINI	269,075	0.38
17	MISS ANDAL RADHARISHNAN	191,880	0.27	17	DR. IAM DAVID GILCHRIST DONALDSON	160,380	0.23
18	MR. RADHAKRISHNAN MAHESWARAN	191,880	0.27	18	PAUL CARTER	160,380	0.23
19	MR. RAJAN SIVANAYAGAM UDHAYANAYAHAM	166,104	0.23	19	BRUCE DAVID DONALDSON	160,380	0.23
20	PHILLIP SECURITIES PTE LTD	160,500	0.23	20	SISIRA INVESTORS LIMITED	148,500	0.21
TOTAL		57,485,620	81.11	TOTAL		57,378,576	80.96
No. of shares held by public		32,122,524	45.32	No. of shares held by public		32,122,524	45.32
No. of shareholders representing the public holding - 2,455				No. of shareholders representing the public holding - 2,588			

SOCIAL AND RELATIONSHIP CAPITAL

Building long-term relationships is a key aspect of how we grow our Relationship Capital. Over our 142 year history, Browns has built strong relationships with several business houses - all trailblazers in their respective fields

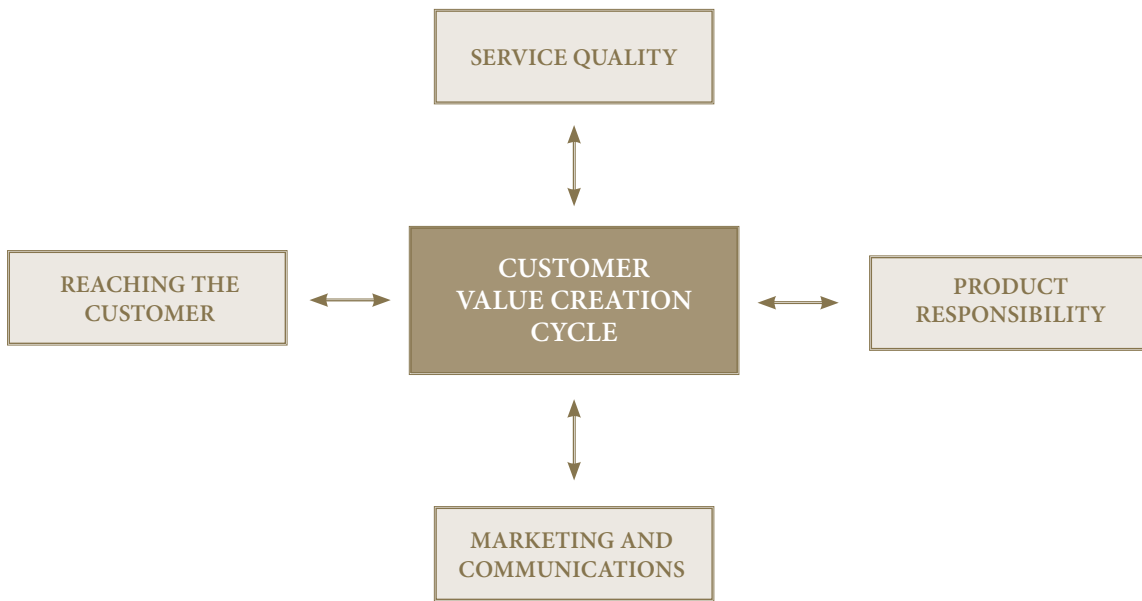
CUSTOMERS



Our customers are the heart of our value creation process and strategic emphasis is placed on persistently enhancing our customer value proposition.

Reaching the Customer

Browns reaches its existing and potential customers across multiple platforms. Our nationwide branches, dealerships and service points form one of the largest networks in Sri Lanka. This network is supported by a mobile sales team, which reaches customers who do not have close access to our customer points.



Product Responsibility

Product responsibility policy frameworks are in place in several of our key sectors, ensuring a high level of product safety for our customers. In addition, the sector has obtained and continues to comply with multiple domestic and international quality certifications which provides assurance to external stakeholders regarding our processes, systems and products. During the year under review, there were no significant fines/penalties imposed on the Group for contravention of any product/service responsibility related regulations.

Marketing and Communications

Our marketing communications are guided by the principles of ethical business and must always be transparent, accurate and honest, in keeping with the Browns Communications Policy. We strive to build trust and protect brand value through our communications and draw guidance from best practices observed by our principals. Customer rights are ensured through the legitimate use of customer-centric data and secure data storage. There were no breaches of policy or any instances of statutory noncompliance in the year under review.

Service Quality

An important element of our competitive advantage is the quality of service we offer to our customers, which has enabled us to nurture and sustain mutually beneficial, long term relationships with a diverse pool of customers. Several of our key sectors also conduct customer satisfaction surveys on a regular basis while other methods of engagement include face to face meetings and customer/site visits.

BUSINESS PARTNERS



At Browns, we deem the role of business partners to be very important, striving to build trust and strong ties with them. We communicate with them to share our goals and challenges and always seek to partner with those who are trustworthy, have strong safety records, high labour standards and strong environmental performance.

All these parties play a vital role in the Browns Group's success story. The Group has established a process to ensure that we have engaged with all our business partners in a fair and transparent manner.

Our engagement with business partners ranges from routine to ad hoc and the level of dependency can vary significantly.

Group's Supply Chain Operation

The manufacturing sector, which comprises of AgStar, Browns Thermal Engineering, Ajax Engineering and Creation Wooden

Constructions, is equipped with the latest technology and machinery for manufacturing at its own factories. The plantations sector also operates its own machinery and its factories are equipped with the latest units.

To ensure the very best is delivered to our customers, our sourcing is done only from reputed suppliers. Taking into consideration the suppliers' ranking in the industry, we visit their factories and evaluate their credibility before entering into a business agreement with them.

Building Long term Relationships

Building long-term relationships is a key aspect of how we grow our Relationship Capital. Over our 142 year history, Browns has built strong relationships with several business houses - all trailblazers in their respective fields. We consider it essential that we find a 'strategic fit' when commencing a relationship with a business partner. Apart from financial benefits, there must be congruence of business philosophies while connecting business minds.

Three important ideas have shaped our relationships with our business partners: shared values, trust and longevity. These values have been the basis of long-term mutually rewarding partnerships. All our business relationships must seek to create value responsibly. We seek relationships with those who are leaders and who provide the ingredients for enduring relationships with customers.

Strong relationships cultivated over many years with the world's best, have enabled us to deliver on our strategic approach of collaboration while offering unique solutions and products to diverse groups of customers.

