

A DISTINCTIVE LEGACY



A DISTINCTIVE LEGACY

For centuries, Sri Lanka has attracted scores of traders and merchants from distant parts of the globe, who travelled here seeking to build their fortunes in gems, spices, ivory, elephants and tea. Brown and Company PLC is a fine example of just such a spirit of enterprise, founded in 1875 by James Brown, one of the many young British entrepreneurs who came to our shores in search of opportunity, adventure and profit.

Today, the Browns Group is a fast growing diversified conglomerate operating in a range of industry sectors that are key to the nation's economy.

Our heritage remains a source of strength and pride for every member of the Browns team. Yet, we also look to the future, building your company to be resilient, agile and sustainable, with a clear vision of how we will continue to expand in the years ahead. We believe that the Browns Group of Companies is now an icon of corporate excellence and that our prospects for the future are bright, even as we acknowledge and celebrate the distinctive legacy that makes us a dominant force in the fast changing business environment of today.

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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.



INTRODUCTORY STATEMENTS

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INTRODUCTION TO THE REPORT

This is the second integrated Annual Report of Brown and Company PLC in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), which provides a comprehensive but concise account of how the Group has created value for its shareholders and its stakeholders in 2016/17 - its 142nd year of operation.

The report reflects on the value-creation model of the Group, which combines different forms of capitals – financial, operational, governance, risk management and sustainability, environmental and social – in a comprehensive manner, providing material information on the same. This report aims to present a balanced and relevant account of a year of diverse business operations in multiple sectors, reporting with clarity and detail.

SCOPE OF THE REPORT

The performance of the holding company and its subsidiaries for the financial year of 01st April 2016 to 31st March 2017 is covered in this report, as well as material events that took place until the approval of the report by the Company's Board of Directors on 20th June 2017. The performance of the Company and its Subsidiaries and Associate companies has been included in this report.

ADOPTION OF INTEGRATED REPORTING GUIDELINES

In keeping with our continuous efforts to achieve a more cohesive and efficient approach to corporate reporting, the Group voluntarily adopted the Integrated Reporting Framework of the IIRC. The seven guiding principles in integrated reporting are: strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability. These principles have been given due consideration in preparing and presenting 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 2016/17 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.

STANDARDS AND PRINCIPLES

Our reporting is aligned to the requirements of several domestic and international reporting standards, frameworks and regulations including the following:

INTEGRATED REPORTING

International Integrated Reporting (IIR) Framework issued by the International Integrated Reporting Council (IIRC) in December 2013.

The preparer guide to integrated corporate reporting in the year 2015, issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).



FINANCIAL REPORTING

The Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).



CORPORATE GOVERNANCE REPORTING

Laws and Regulations of the Companies Act No. 7 of 2007.

Listing Rules of the Colombo Stock Exchange.

Code of Best Practice on Corporate Governance 2013 jointly issued by the Securities and Exchange in Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)



SUSTAINABILITY REPORTING

"In accordance" – Core of Global Reporting Initiative (GRI) GRI G4 Sustainability Reporting Guidelines

EXTERNAL ASSURANCE

We believe that third party assurance is vital in establishing the credibility and transparency of our report. External assurance on the financial statements and sustainability reporting has been provided by Messrs. KPMG, Chartered Accountants.

SUSTAINABILITY AS A PRECAUTIONARY APPROACH

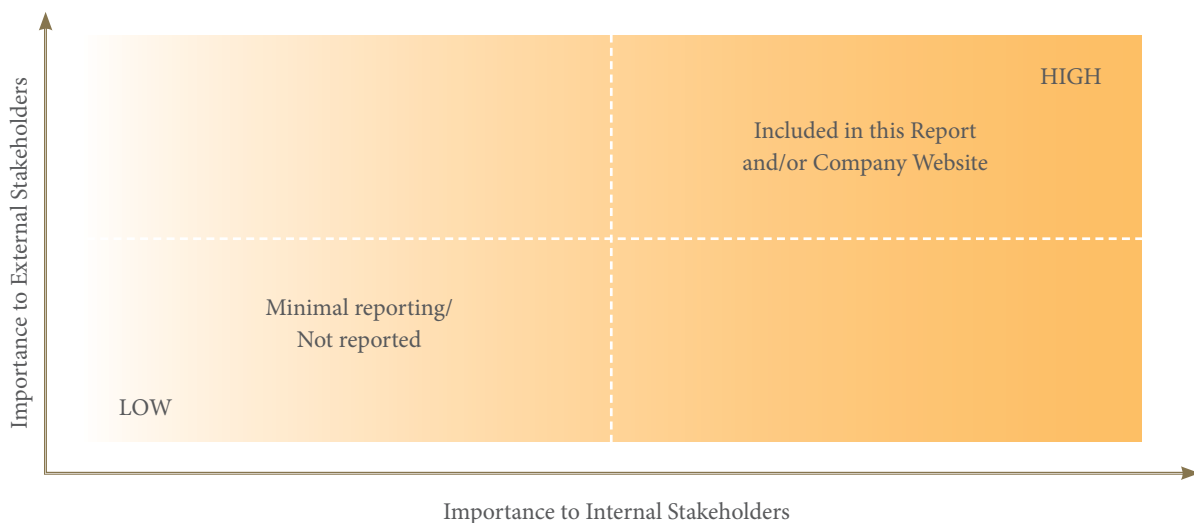
We believe sustainability management is an important precautionary approach to economic, social and environmental risk management. The Company applies the precautionary principles mainly from two angles:

- Compliance Review with the applicable laws and regulatory requirements and operational Policies and Procedures.
- Obligation to take anticipatory action to prevent harm of any kind.

Decisions taken by the Company with regard to the application of the precautionary principle should be “open, informed, and democratic” and “must include affected parties”.

DETERMINING MATERIALITY

Materiality analysis is a key process that enables the Group to define key triple bottom line issues that are of greatest significance to our businesses and stakeholders, both internal and external, in the short, medium and long term. Our focus on materiality, recognized by both internal and external stakeholders, is vital as we drive performance, improve our sustainability framework and institutionalize the Group’s corporate governance philosophy at all levels. Refer below matrix for further information.



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.

FEEDBACK

We welcome the views of our stakeholders on the Integrated Annual Report and the way in which we approach our strategic priorities. Please contact the undermentioned officer with your feedback. Refer page number 277 for the stakeholder feedback form.

Prasanna Ganegoda

Senior Business Analyst

Brown and Company PLC,

No 34,

Sir Mohamed Macan Marker Mawatha,

Colombo 03.

Contact : +94 773 157 100

Email : Prasanna.g@brownsgroup.com

BROWNS AT A GLANCE

Browns Group of Companies is one of Sri Lanka's leading blue chip conglomerates in operation today with 50 plus subsidiaries and associates focused on trading and strategic investments in leading industry sectors. Being in existence for 142 years, the company is built on a strong foundation of strength and holds steadfast to its reputation of always delivering quality products and services to its customers and stakeholders.

CORE VALUES

A vibrant business portfolio and a bold attitude have seen our company grow and expand to become the icon of business excellence it is today. We consider the following core values as integral to the business and is at heart of our success.

People

Service

Quality

Performance

Innovation

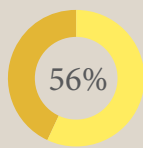
Growth

Leadership

TRADING

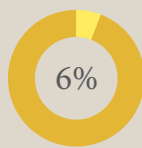
Trading sector will continue to focus on expanding its portfolio, remaining relevant to its consumers and widening its footprint by staying ahead of the market through understanding consumer trends and needs, as the Group has done in the past.

Turnover



Rs. 12,652 Mn

Employees



595

Products

- Tractors
- Batteries
- Tools and Machinery
- Home & Office solutions
- Human & Veterinary Pharmaceuticals
- Generators
- Boilers, Plantation support machinery
- Marine & Leisure equipment

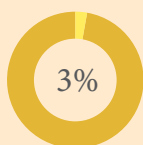
Primary brands

- Tafe
- Massey Fergusson
- Exide
- Browns Deals
- Sharp
- Makita
- F G Wilson
- Yanmar

MANUFACTURING

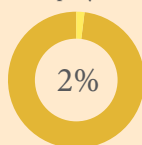
Manufacturing sector will generate the local touch to the group with manufacturing operations.

Turnover



Rs. 643 Mn

Employees



176

Products

- Radiators
- Aluminium and glass fabrication
- Fertilizers
- Furniture

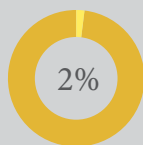
Primary brands

- Radco
- Ajax
- AgStar

HEALTHCARE

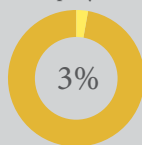
Healthcare sector will be one of the major sectors which will grow and the group has taken necessary steps to capture the opportunity.

Turnover



Rs. 442 Mn

Employees



247

Products

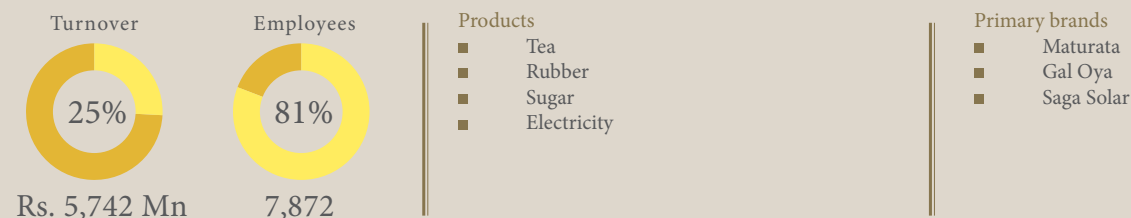
- In-patient services
- Out-patient services
- Radiological diagnostic services
- Medical laboratory services

Primary brands

- Browns Hospitals

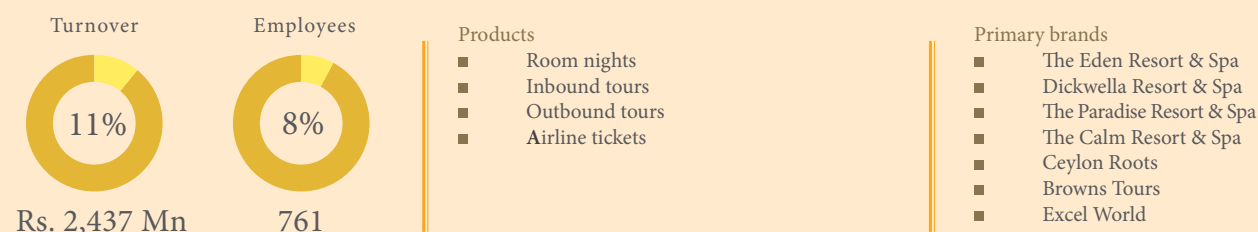
PLANTATIONS & RENEWABLE ENERGY

Plantations and renewable energy sector will be a key sector in the country with the need of non-conventional renewable energy sources on the rise.



TRAVEL & LEISURE

Travel, Leisure and entertainment sector is well positioned to capitalize on the growth momentum in the tourism industry.



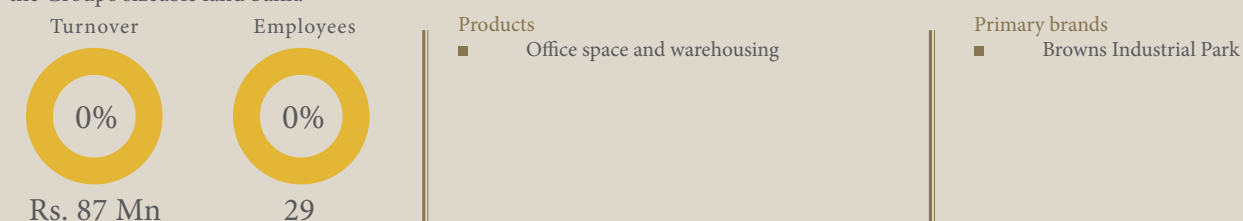
INVESTMENTS

Investments sector will continuously evaluate the sunshine and sunrise industries for investment options.



REAL ESTATE

Real estate sector will continue to look for unique product propositions within the commercial property market, on the back of the Group's sizeable land bank.



For more information on sectors, products and brands, please refer pages 40 to 58.

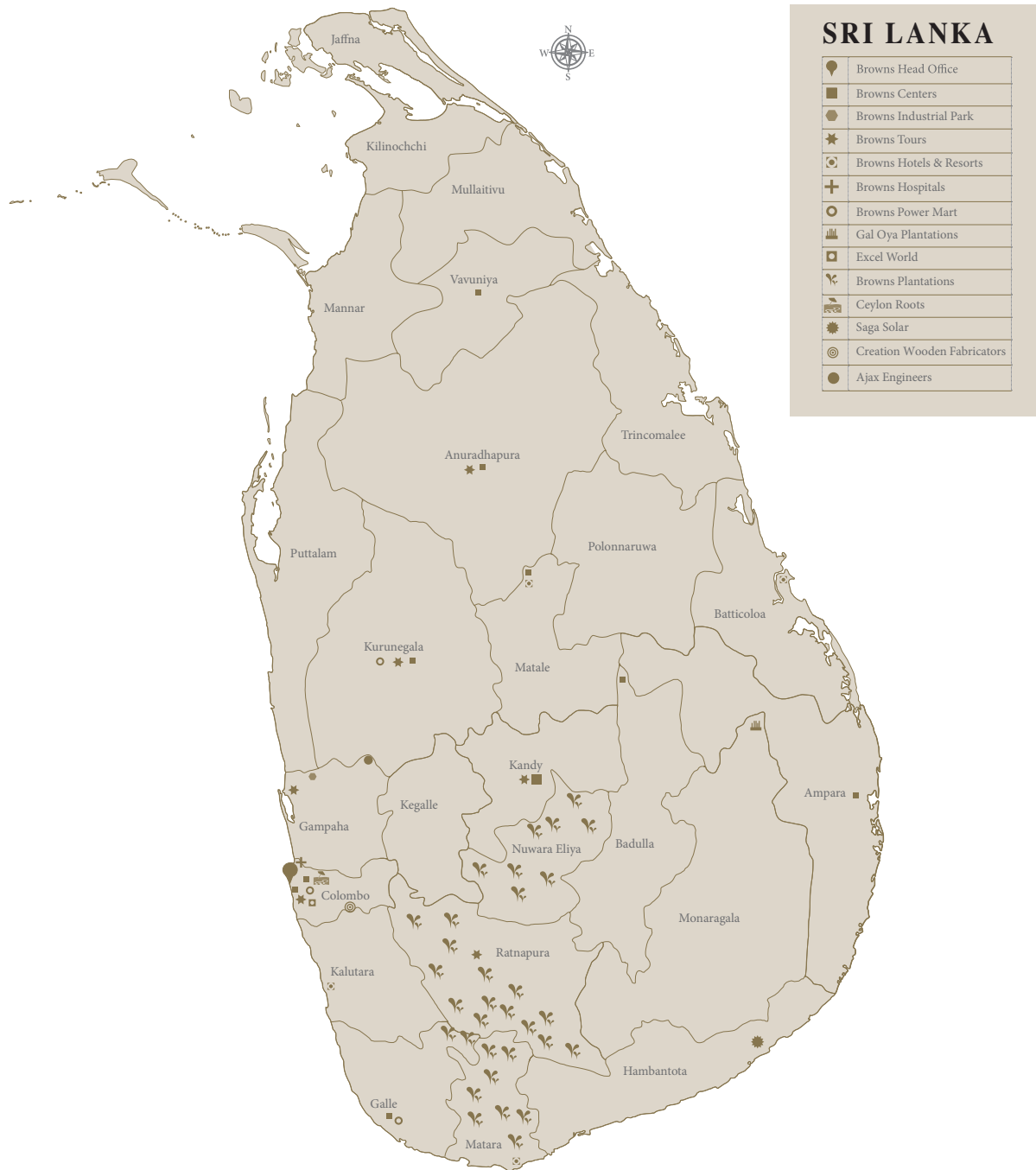
A DISTINCTIVE LEGACY

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BROWNS AT A GLANCE

LOCATIONS OF THE BROWNS GROUP

The Browns Group operates primarily in Sri Lanka. Please see our branch map below for details of our locations in Sri Lanka.



BROWNS HEAD OFFICE

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

BROWNS CENTRES

- 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 Senanayake Mawatha, Anuradhapura.
- No. 119, Kandy Road Vavuniya.
- No. 170, Main Street, Galle.
- No. 59, Main Street Pettah.
- No. 163, Puttalam Road, Kurunegala.
- No. 05, Kotugodella Veediya, Kandy.

BROWNS INDUSTRIAL PARK

- Makandura, 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, Kurunegala.
- C/O Lanka Orix Leasing Company (LOLC), 240 A, Colombo Road, Ratnapura.
- C/O Browns Regional Center, No. 561/6, Maithripala Senanayake Mawatha, Anuradhapura.
- C/O Lanka Orix Leasing Company (LOLC), 245, Katugastota Road, Kandy.

BROWNS HOTELS & RESORTS

- **The Eden Resort & Spa**
Kaluwamodara, Beruwala.
- **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, Halgranoia, Nuwaraeliya
- Mahacoodagalla, Halgranoia, Nuwaraeliya
- Maha Uva, Harasbedda, Nuwaraeliya
- Maturata, Kandapola, Nuwaraeliya
- Ragalla, Halgranoia, Nuwaraeliya
- St.Leonards, Halgranoia, Nuwaraeliya
- Andapana, Kamburupitiya, Matara
- Anningkanda, Deniyaya, Matara
- Beverley, Deniyaya, Matara
- Diddenipotha, Mulatiyana, Matara
- Enselwatte, Deniyaya, Matara
- Hayes, Ullinduwwa, Ratnapura
- Lankaberiya, Ittakanda, Ratnapura
- Wilpita, Akuressa, Matara

CEYLON ROOTS

- No. 19, Browns Capital, Dudley Senanayaka Mawatha, Colombo 8.

SAGA SOLAR

- Buruthakanda, Hambantota

CREATION WOODEN FABRICATORS

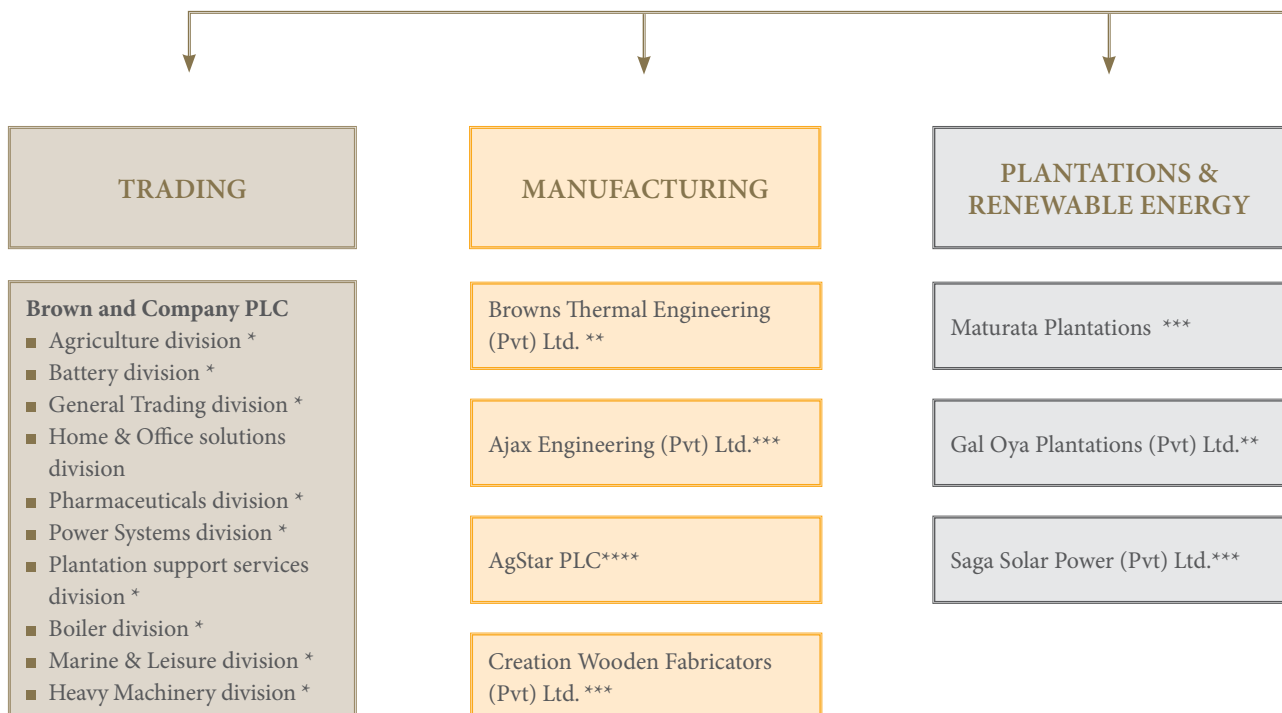
- Batawala Road, Meegoda

AJAX ENGINEERS

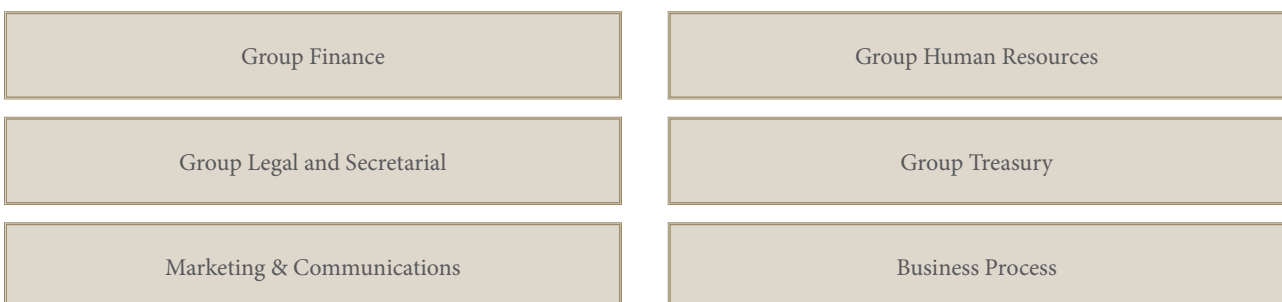
- Ajax Engineers Factory, Minuwangoda

GROUP STRUCTURE

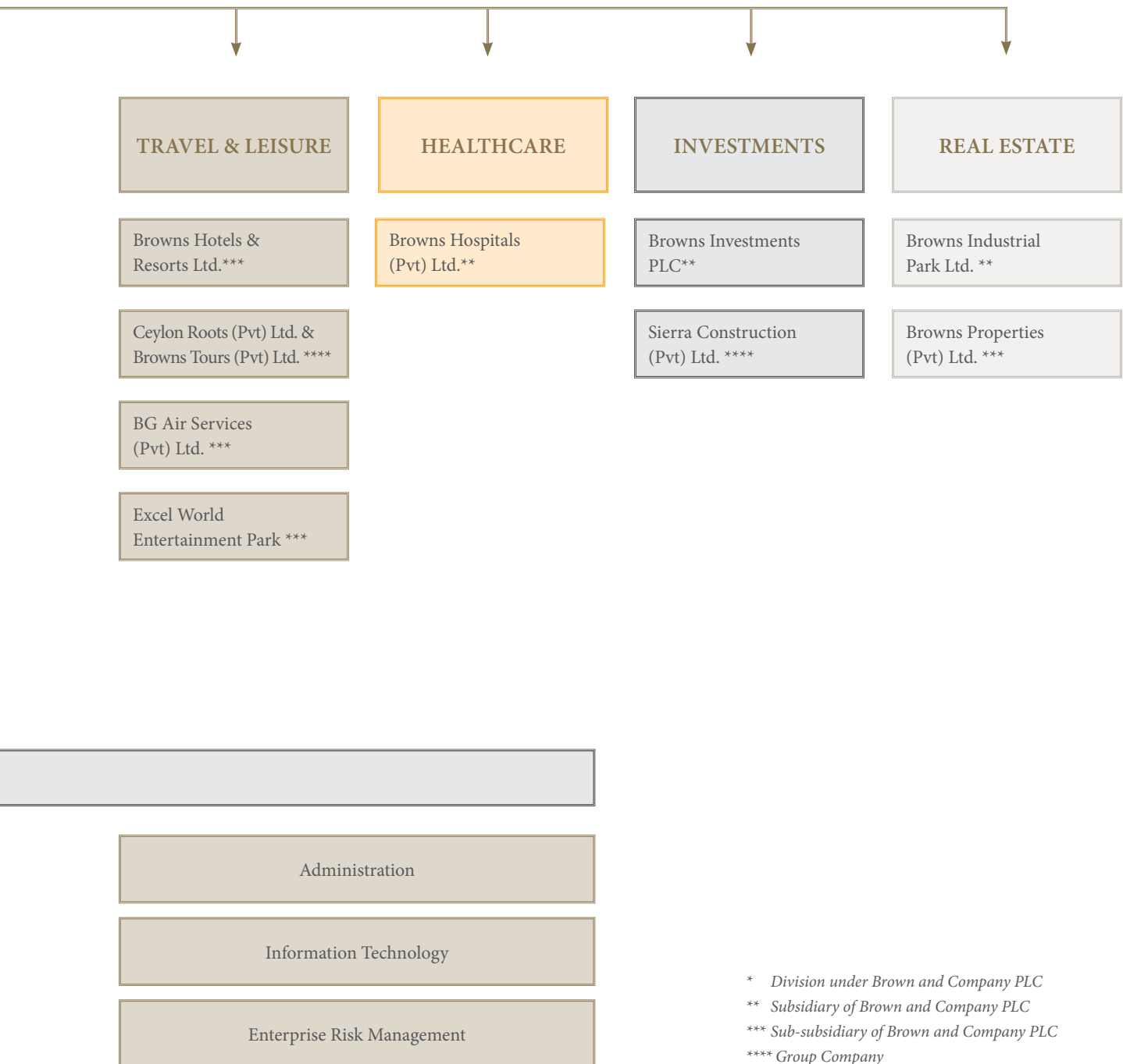
BROWNS GROUP



CENTRALISED FUNCTIONS



OF COMPANIES



OUR JOURNEY



1875

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

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.



1963

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

1947

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

1897

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



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.

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.



1966

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

1991

Listed on the Colombo Stock Exchange.



2016/17

Browns Group launched Sri Lanka's first 10MW grid connected solar utility scale power project in Buruthankanda, Hambantota

2008

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



1980

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

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).



2015

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

YEAR AT A GLANCE 2016/17

APRIL 2016

Browns Group conducted a public awareness program themed "Gamen Gamata" in Dambulla covering a radius of 40km for 20 days.



JULY 2016

Browns Thermal Engineering (Pvt) Ltd, opened their new premises on Darley Road, Colombo and the new premises will serve as a 'One-Stop-Shop' for all Radiator Sales and Services.

SEPTEMBER 2016

Marking a milestone in Browns history, the Agri Unit, launched a new product to their portfolio - Massey Ferguson 1540.



JUNE 2016

Browns Agriculture expanded its business and strengthened the Browns Agriculture Brand name by venturing in to the Sugarcane Market providing 'TAFE Harvester' and 'Shaktiman Infielder' equipment to the Gal Oya Plantation.

AUGUST 2016

Browns General Trading Division, held the Makita MT product launch at Excel World premises with participation of more than 150 dealers.

OCTOBER 2016

The Browns HR Division was awarded with two prestigious awards; The 'Best HR Practices' accolade, at the South Asian Partnership Summit (SAPS) & Business Awards, and as well as the 'Asia Best Employer Brand Award, hosted by Employer Branding Institute.



FEBRUARY 2017

Browns Hospitals ceremoniously opened their state-of-the-art Kidney Care Centre, offering its patrons total care in Kidney related illnesses.



DECEMBER 2016

Sagasolar Power (Private) Limited (Sagasolar), opened a utility scale solar power plant in Baruthankanda and it has a capacity to produce 10 MW of power which will be supplied to the national grid.

MARCH 2017

Browns Hospitals received the ISO certification and is the first and only hospital to receive ISO 9001:2015 certification from Sri Lanka Standards Institute for healthcare.

AWARDS & ACCOLADES

TRADING



EXIDE was bestowed the honour of being one of the top three brands by the prestigious Sri Lanka Institute of Marketing, at the SLIM Brand Excellence Awards ceremony. Browns Exide won Bronze for 'Turnaround Brand of the Year'.



Browns Agriculture Division won a prestigious award from their principal partner Massey Ferguson for being the oldest distributor - 65 years in South East Asia. The Long-standing Relationship Award was presented to them at a gala event held in Bangkok recently.



Browns clinched the Silver award in the Trading category at the 52nd Annual Report Awards ceremony organized by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).



Browns was awarded with the following accolades at the Techno 2016 Exhibition:
Best Demonstration – Gold
Best Display of Engineering Services – Silver



The Employer Branding Institute has recognized Brown and Company PLC as an achiever in 'Asia's Best Employer' category. Co-hosted by the World HRD Congress and Stars of the Industry Group, with CHRO Asia as a strategic partner and endorsed by Asian Confederation of Business, Browns was presented with 'The Asia Best Employer Brand' award at the award ceremony.



Browns General Trading Division was presented with 'The Most Innovative Stall' accolade at the Construct 2016 Awards Night.

A DISTINCTIVE LEGACY



Brown and Company PLC won Gold in recognition of its exceptional contribution towards driving organisational performance through sound human resources management practices at the National HR Excellence Awards.



Associated Battery Manufacturers (ABM) Ceylon Limited, the manufacturers of EXIDE, Lucas and Dagenite automotive batteries, achieved the National Quality Award for Business Excellence under the Manufacturing (Medium Scale) category at the National Quality Awards ceremony.

TRAVEL, LEISURE & ENTERTAINMENT



For the second consecutive year, the Eden Resort & Spa was crowned the best in the Hospitality & Tourism Sector of Sri Lanka. The hotel received this recognition at the National Business Excellence Awards (NBEA) 2016 when it won Gold in the Hospitality & Tourism Sector category.



BG Air Services was awarded the 5th position amongst 140 IATA agents by Singapore Airlines, one of the best airlines in the world, at their annual awards night.

BG Air Services was ranked 3rd among the top 8 travel agents in Sri Lanka by Emirates.

HEALTHCARE



Browns Hospitals Ragama is the first to receive ISO 9001:2015 certification from the Sri Lanka Standards Institution for healthcare.

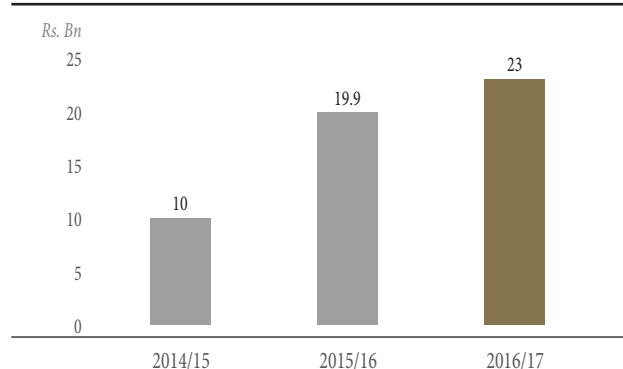


Browns Thermal Division was awarded the ISO 9001:2015 Certification for their Quality Management System in the manufacturing of Auto and Industrial Radiators and Plastic Based Battery Containers.

FINANCIAL HIGHLIGHTS

31ST MARCH		GROUP				
		2017	2016	2015	2014	2013
Results for the Year						
Revenue (Gross)	Rs.Mn	22,648	19,890	10,073	9,750	14,184
EBIT	Rs.Mn	7,330	134	2,084	2,834	1,525
Profit/ (Loss) before Taxation	Rs.Mn	4,420	(1,237)	1,190	1,811	455
Profit/ (Loss) after Taxation	Rs.Mn	3,961	(1,311)	1,114	1,673	412
Group Profit/ (Loss) Attributable to Equityholders	Rs.Mn	1,898	(205)	1,332	1,675	360
Position at the Year end						
Shareholders’ Funds	Rs.Mn	18,210	16,014	15,489	13,888	15,101
Total Assets	Rs.Mn	66,055	61,538	54,785	35,261	30,989
Market Capitalisation	Rs.Mn	5,032	5,656	6,839	6,379	8,356
Retained Earnings	Rs.Mn	14,123	11,997	12,201	10,810	9,108
Financial Ratios						
Gross Profit	%	23.00	19.00	28.53	23.81	20.50
Interest Cover	Times	2.52	0.10	2.33	2.77	1.42
Current Ratio	Times	0.71	0.81	0.92	0.89	1.35
Price/earnings (year-end)	Times	2.65	(27.57)	5.17	3.81	23.21
Debt to Equity	%	46.37	47.13	41.22	45.58	34.65
Return on Shareholders’ funds	%	10.42	(1.28)	8.60	12.06	2.38
Per Share						
Earnings/ (Loss) per Share	(Rs.)	26.78	(2.89)	18.79	23.63	5.08
Market Price per Share	(Rs.)	71.0	79.8	96.50	90.00	117.90
Net Assets per Share (year-end)	(Rs.)	256.93	225.94	218.54	195.95	213.06
Dividend per Share	(Rs.)	0.50	0.30	2.65	-	0.50

GROUP REVENUE



REVENUE

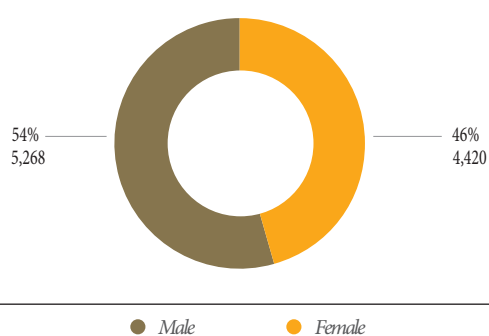
22.65

Rs.Bn

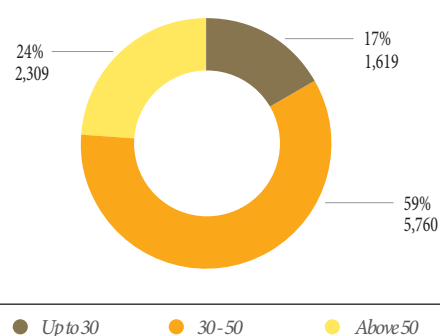
NON-FINANCIAL HIGHLIGHTS

INDICATOR			2017
Financial Capital			
EC1	Economic value retained	Rs.Mn	2,327
Natural Capital			
EN3	Electricity Consumption	GJ	54,234
EN8	Water Withdrawal	Liters	94,175,000
Human Capital			
G4 - 10	Total workforce	Number	9,688
	Profit per employee	Rs. Mn	0.40
LA1	Number of new recruits	Number	1,563
HR3	Incidents of discrimination	Number	Nil
HR5	Incidents of child labor	Number	Nil
HR6	Incidents of forced labor	Number	Nil
LA9	Training hours provided to employees	Number	18,837
LA9	Number of employees trained	Number	2,167
LA9	Average training hours per male trained	Hours	8
LA9	Average training hours per female trained	Hours	10
Social and Relationship Capital			
SO5	Incidents of corruption	Number	Nil

COMPOSITION OF WORKFORCE



NUMBER AND PERCENTAGE OF EMPLOYEES BASED ON AGE



WORKFORCE

9,688

Number

TRAINING HOURS

18,837

Hours

NEW RECRUITS

1,563

Number



CELEBRATING OUR DISTINCTIVE LEGACY...

CHAIRMAN'S MESSAGE

I am pleased to present the Integrated Annual Report and the financial statements for the year ended 31st March 2017.

The integrated nature of the report epitomizes the Group's recognition of, and continued aspiration towards, the social, environment and financial responsibilities which are fundamental to a viable and well governed entity.

OPERATIONAL LANDSCAPE

Amidst the dynamics that prevailed within the socio-political backdrop, the Sri Lankan economy posted a shade below last year's GDP growth at 4.4 percent as against 4.8 percent. A high fiscal deficit, rising trends in interest rates and the depreciation of the rupee against the US dollar were some of the adverse macroeconomic features witnessed in the second half of the year. Decline in growth and stability in Sri Lanka's key tea export markets, further compounded the economic landscape and that of the industry during the year under review.

FINANCIAL PERFORMANCE

The Company achieved a revenue of Rs. 12.08 billion while the gross profit recorded was Rs. 2.4 billion. Further, the Company recorded Rs. 1.55 billion of Profit before tax and Rs. 1.48 billion of Profit after tax.

The Group achieved a revenue of Rs. 22.65 billion while the gross profit recorded was Rs. 5.21 billion. The Group recorded Rs. 4.42 billion of profit before tax and Rs. 3.96 billion of profit after tax due to the substantial gain from the sale of Pussellewa Plantations during the year under review.

SECTORIAL PERFORMANCE

Trading

Trading sector contributes 56 percent to the total revenue and is the key sector for Browns Group of Companies. Browns markets many world-renowned brands through this sector. Details of the brands and products will be discussed in the integrated management discussion and analysis.

Agriculture division remained as the market leader for four wheel tractors during the year under review. Mechanization of the agricultural industry was the main strategy pursued by

the business unit while converting the seasonal business into a yearly business. During the year under review, the business unit introduced new machineries such as sugar cane harvesters, paddy transplants and front end loaders to the market.

The Battery division which markets EXIDE, LUCAS and Dagenite batteries remained as the market leader. An entire maintenance free battery range was introduced during the year under review and more emphasis was put on motor cycle batteries as well. With heavy competition from imported batteries, the division utilized the channel power to move into the tyre business which was successful and received a welcome response from the market.

The Pharmaceuticals division which markets veterinary and human pharmaceutical products was affected from external market conditions such as low priced imports on veterinary products and price controlling mechanisms imposed by the Government on human pharmaceuticals. However, the division sliced the competition with increased sales touch points and fared well during the year. The division has expanded their product portfolio into nutraceutical segment during the latter part of the year under review.

Browns Deals division, which is the marketing arm for consumer electronics with 'Browns Deals' brand, has now become a household name with great offers to its customers while offering quality products. Browns Deals division expanded during the year under review, adding three new branches to the existing network of branches Island-wide. The strategy for Browns Deals is to offer low prices by selling direct to the end customer. Integrated business solutions division which markets photocopiers and office automation machineries faced heavy competition and the external environment factors affected the business during the year under review. However, the rental solutions in the brand name of 'Doculine' has shown growth while maintaining the market leader position.

The General Trading division is the market leader for branded power tools, cutting and grinding wheels and hacksaw blades. The department, however, faced heavy competition during the year with the influx of relatively lower priced Chinese products. This division will introduce appropriate products in the coming year to face competition.

CHAIRMAN'S MESSAGE

The Group achieved a revenue of Rs. 22.65 billion while the gross profit recorded was Rs. 5.21 billion. The Group recorded Rs. 4.42 billion of profit before tax and Rs. 3.96 billion of profit after tax

Heavy machinery division which markets heavy duty vehicles is poised to cater to the growing demands in the construction industry. Extension of the highway and proposed road and city development work by the Government will provide a solid platform for the business in the years to come. Also negotiations are underway to acquire reputed brands to enhance its range of products in order to become a one stop shop for all the construction based machineries.

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

MANUFACTURING

Radco radiators, which is the market leader for brass & copper radiators in Sri Lanka performed well during the year under review. In order to increase its footprint across the country, the division opened its workshop in Colombo which was a major requirement in the current market context, contributing significantly to the division's top line. In addition, aluminium plastic radiators were added into the product range and further enhanced its position as the market leader for radiator solutions in the country. The radiator division received ISO 9001:2015 in May 2017 conforming the standard maintained at the factory complex.

AgStar undoubtedly one of the most trusted and highly used fertilizers, continued its consistent growth in 2016, with a significant increase in sales. Ajax Engineering improved its topline with the increase in new projects during the year under review.

HEALTHCARE

Browns hospitals which celebrated its second year anniversary during the year under review, fared well with steady growth in in-patients. Attractiveness and trust in the hospital was also witnessed with the significant increase in the number of consultants during the year under review. Surgeries unit also reflected a steep growth and is poised for further growth with latest equipment to be added to the pipeline. Browns Hospitals launched a state of the art dental care unit in June 2016 with

the latest technology and equipment and also commenced its Dialysis section in February 2017. Also the hospital received ISO 9001:2015 quality management certification being the first hospital to receive such certification.

Browns Hospitals acquired another hospital in the heart of Negombo in order to increase its presence in the healthcare industry. With the extensions in the highways, Negombo will be made closer to regions such as North East, North West, North Central and Central cities.

PLANTATIONS & RENEWABLE ENERGY

Tea production at Maturata plantations was affected due to unfavourable weather conditions with the worst drought in Sri Lankan history during the year under review, where even the use of fertilizers failed to encourage crop growth. Hence, the production numbers in the year before were better than the year under review. In addition, demand from major exporting countries took a hit due to the decrease in the oil prices.

Rubber production also witnessed a downward trend as the international market prices were low. Adding to that, adverse weather conditions in second and third quarters of the year also were factors which adversely affected rubber production.

Galoya Plantations, proved to be fruitful during the year. The distillery factory in Hingurana completed construction in January 2017 and will be operational in the next financial year with the licensing and other regulatory work completed. The factory will process ethyl alcohol and bio-compost from molasses as by-products of the sugar manufacturing process.

Saga Solar, the first privately owned solar plant in Sri Lanka with a capacity of 10 MW was opened during the year under review. This can be seen as the entry of Browns Group into non-conventional renewable energy which is the key driver in the Sri Lanka Government towards its sustainability goals. The utility-scale power project located in Buruthankanda, Hambantota is expected to add 19GWh of clean energy to the national grid annually for upwards of 25 years. At full capacity, the plant could contribute 19,000 MWh to the national grid plus generate enough electricity for roughly 10,000 homes.

TRAVEL & LEISURE

The four hotels which operate in Beruwala, Dickwella, Dambulla and Passikudah operated with higher occupancy rates compared to the previous year with the increased number of tourist arrivals. The Turtle Beach Resort & Spa, Kosgoda signed an agreement to partner with Sheraton, while Club-Med hotels signed on to take over management at Riverina hotel, Beruwela, which is under construction. The Nasandhura Hotel and Apartment complex project which is the main investment in Maldives is located on the most valuable prime land in the city of Male. The development is planned to be opened in September 2018.

Ceylon Roots together with Browns Tours which specializes in inbound tours expanded its overseas operations with major focus on China and India, which are the largest tourist arrival drivers to the country. Country representation and offices were increased during the year under review. BG Air Services which is the outbound and air ticketing arm of the group, increased its footprint in the country with two new branches during the year under review. The division also made necessary adjustments to increase its number of destinations based on the modern travel trends.

Excel World Entertainment Park, located in the heart of Colombo, continues to offer the whole family a one-stop location for wholesome entertainment. The company entered into a joint venture agreement with a Hong Kong based Investment Company to construct a US\$ 70 million shopping mall and leisure centre and to construct a mixed development project in the second phase.

INVESTMENTS

Browns Investments PLC continues with its bold strategy to invest in sunshine industries and in the year under review, focus on the leisure sector developed 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 and fared well during the year under review.

EMPLOYEES

We consider our employees to be the most important asset, since all our assets fall under their management, expertise and operation. The value creation process of the Group has been built around our loyal and committed employees, and I wish to pay tribute to them for their contribution to what has been a challenging year. Over the years, we have attracted the best and

the brightest talent towards building a strong team that reflects the diversity of the customers we serve. We continue to engage and encourage our employees to perform to the best of their ability through a performance oriented culture founded on ethical and transparent behaviour which, in turn, promotes sustainable and profitable growth.

SUSTAINABILITY

Our Sustainability strategy is an integral part of our business strategy. We put our effort to create long-term value by balancing the need of the organization with the need of future generations. Browns Group has been able to leverage the strengths of the LOLC Group with the latter's value proposition and diversity powerfully impacting the growth of the business. Moving forward, the Group's future expansion will focus on trading and healthcare. We will also pursue geographical expansion to increase the top line and enhance our ability to create value. Acquisitions are also in the agenda as are joint ventures to facilitate accelerated growth and expansion into new areas.

CORPORATE SOCIAL RESPONSIBILITY

As a part of our strategy on sustainability, we strongly believe in giving back to the communities who need a helping hand and make a difference in people's lives. We carry out a wide ranging and highly impactful CSR activities directed towards to our stakeholders.

CORPORATE GOVERNANCE

Corporate Governance is about engendering trust and about effective, transparent and accountable governance by the management including the Board - the highest governing body. At Brown and Company PLC, the Board sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company. Your Company believes that the highest standards in governance is indispensable to creating long term value to its stakeholders and must be pursued uncompromisingly. The Group thus ensures that its mechanisms for good governance are constantly reviewed and benchmarked and strengthened to meet evolving requirements.

STRATEGIC DIRECTION AND OUTLOOK FOR 2017/18

Our direction will be guided by our strategic imperatives; improving resource productivity, cost efficiency, product quality and diversity, and revenue diversification, in an overall context of sustainable corporate practices and financial prudence governed by ethical corporate behaviour. We are confident with our committed team; along with our performance management

CHAIRMAN'S MESSAGE

Our direction will be guided by our strategic imperatives; improving resource productivity, cost efficiency, product quality and diversity, and revenue diversification, in an overall context of sustainable corporate practices and financial prudence governed by ethical corporate behavior

system at the core, which will be the lynch pin to deliver on our strategic imperatives, navigating an unpredictable year ahead.

The main focus of Browns Group will be on trading and healthcare sector for the next year with plans to convert the newly acquired Negombo hospital into a fully-fledged secondary care hospital, to enter into pharmaceutical manufacturing. Pharmaceuticals division is planning to enter into medical equipment and devices importation and distribution and negotiations are underway with major principals for medical devices and equipments. The newly formed nutraceutical division will also play a major role in the next year with introductions of nutraceutical products to the existing product mix of the human pharmaceutical mix. Healthcare will be the key driver for the group while trading being the back-bone.

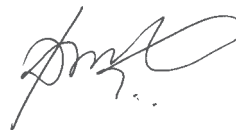
Agriculture division will introduce tractor accessories in the next year and the battery division will introduce the entire tyre range and also plans are underway to enter into power saving equipment during the next year. Browns Deals will continue its cost leadership strategy and will identify key strategic locations for Browns Deals showrooms. And also new products will be added in order to remain as the total solutions provider in consumer electronics segment. All products will be reviewed regularly and necessary changes will be made to the product mix while providing its customers the best solutions and the best prices in all the divisions under Browns wing.

Plantations will continue to increase its global footprint with the increased production capacities with the product mix which is poised for growth. The Group will further evaluate opportunities in the renewable energy sources which is a driving force in global environments. The distillery operation will be operational which will add further value to the Group.

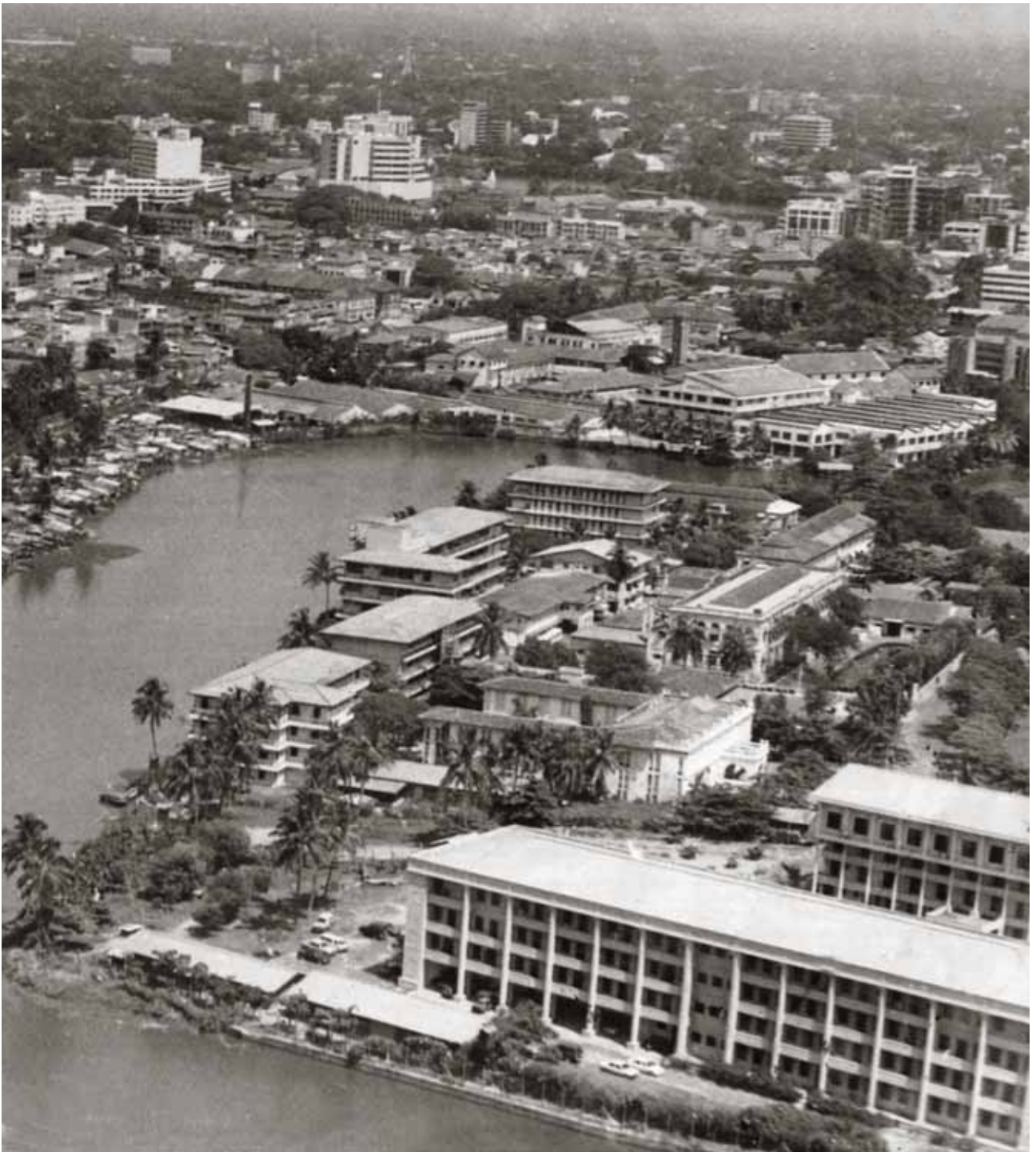
Overseas expansion in the leisure sector will be expected with new investments due to the robust growth levels in tourism in Maldives while continuing to invest in Sri Lanka in the leisure sector with expanding its room capacity to become one of the largest leisure players in the country.

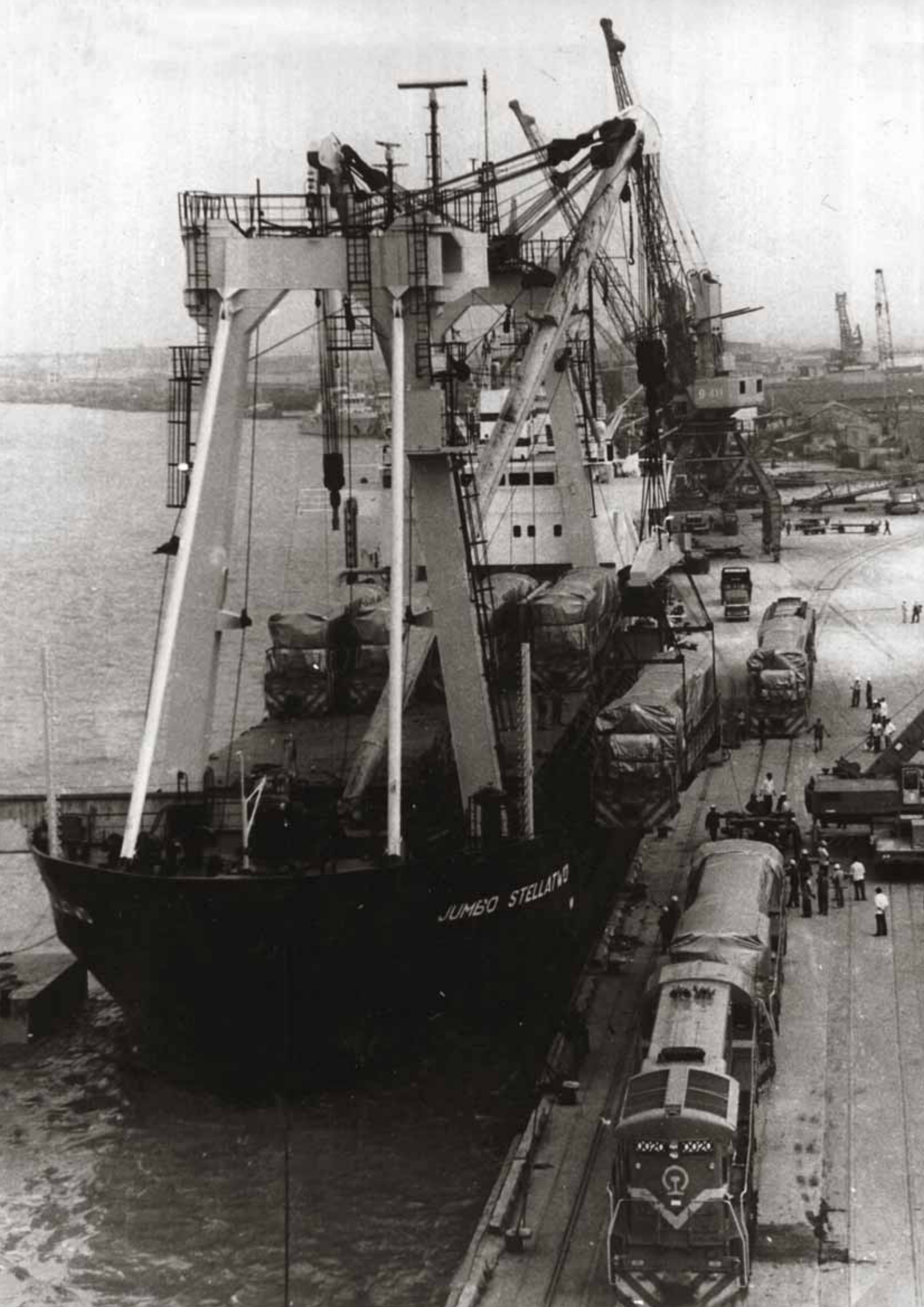
IN APPRECIATION

I wish to express my sincere appreciation to the team Browns for their commitment and dedication in spite of the volatile market conditions which had given the company a platform on which 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 142 years.



Ishara Nanayakkara
Executive Chairman
20th June 2017





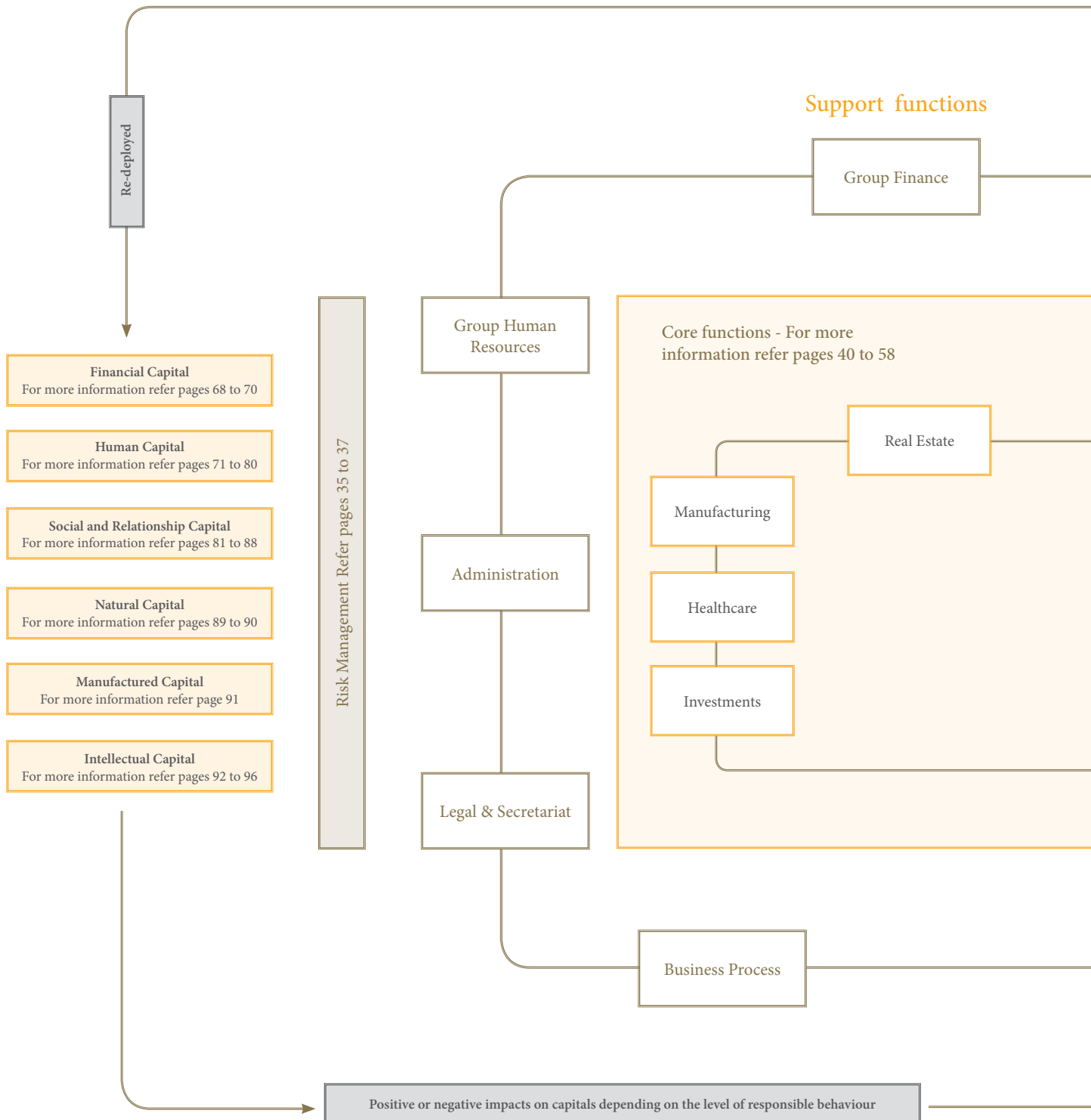
OPERATING CONTEXT AND STRATEGY

30 Business Model . 34 Strategy . 35 Risks & Opportunities . 38 Operating
Environment . 40 Management Discussion & Analysis .
59 Stakeholder Engagement . 64 Materiality

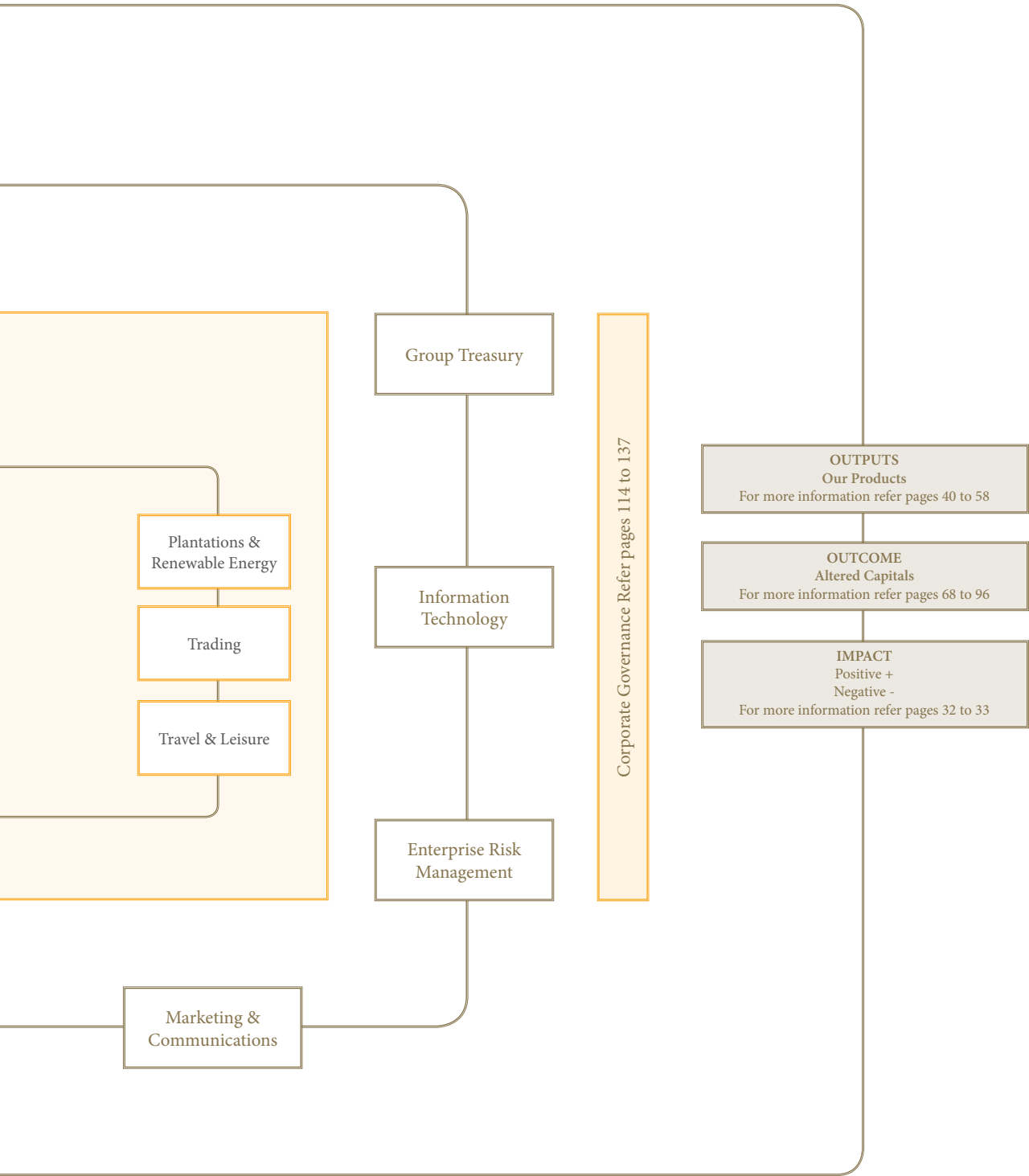
BUSINESS MODEL

VISION:

To be a leading conglomerate through sunshine industries with a global presence and cutting edge technology







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



A DISTINCTIVE LEGACY

BUSINESS MODEL

STAKEHOLDERS	CAPITAL	DESCRIPTION	INPUTS
 Investors	Financial Capital For more information refer pages 68 to 70	The pool of funds that is available for use in the production of goods or provision of services.	Shareholders fund Rs. 18 Bn. Debt Rs. 15 Bn.
 Employees	Human Capital For more information refer pages 71 to 80	The employees' competencies, capabilities and experience, including their ability to understand, develop and implement the Group's strategy. This encompasses their motivation for improving processes, goods and services, and their ability to lead, manage and collaborate.	Talented employees : 9,688 Training & development hours : 18,837
     Suppliers Business Partners Government & Regulatory Authorities Customers Investors Employees	Social & Relationship Capital For more information refer pages 81 to 88	The institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being. Social and Relationship capital includes key relationships, and the trust and loyalty that the Group has developed and strives to build and protect with customers, suppliers and business partners.	Customer relationships Relationships with our business partners Community partnerships Our brands
  Customers Investors	Intellectual Capital For more information refer pages 92 to 96	Intangibles that provide competitive advantage that are associated with the brand and reputation that the Group has developed over time.	Technically skilled & experienced employees Value driven company culture
 Environment	Natural Capital For more information refer pages 89 to 90	Natural capital refers to naturally occurring biological, physical, biophysical, chemical and mineral assets, as well as their interplay through healthy functioning ecosystems, on which all life depends.	Energy Water Air
  Customers Investors	Manufactured Capital For more information refer page 91	The tangible and intangible infrastructure that we use to conduct our business activities including our Information Technology (IT) assets, and the national infrastructure of the country.	Property, plant & equipment Rs. 25 Bn.

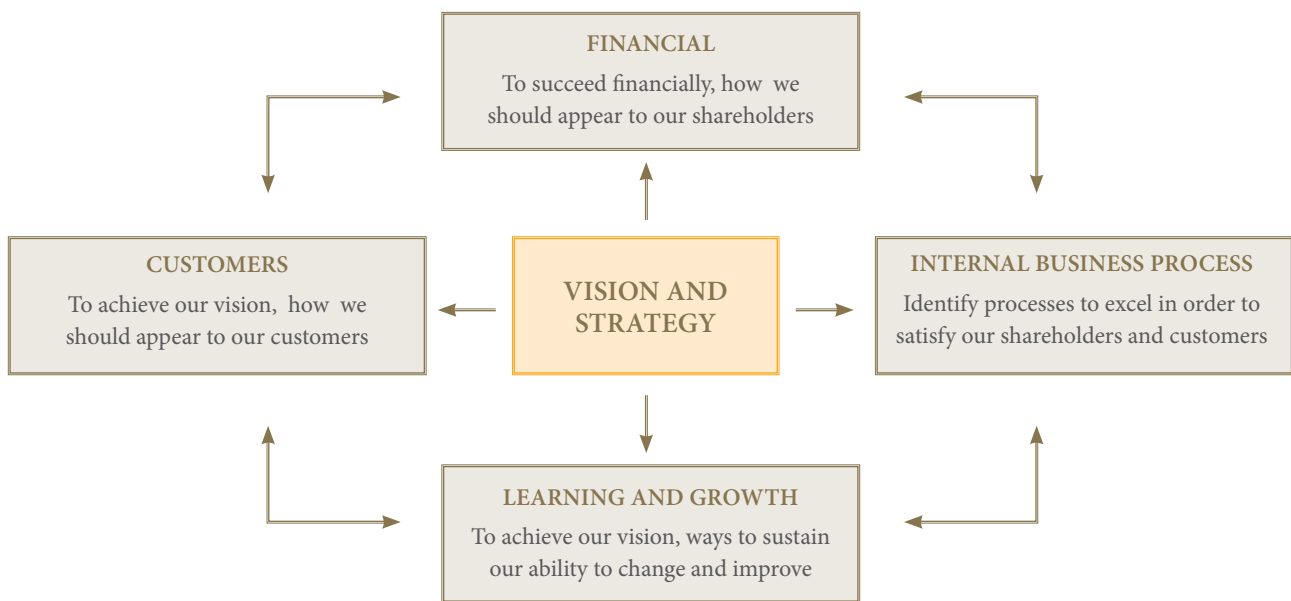
A DISTINCTIVE LEGACY

ACTIVITIES	OUTPUTS	OUTCOMES
<p>Efficient and Responsible allocation of funds available to our businesses</p> <p>Working capital optimization</p> <p>Business Research and Development activities</p> <p>Financial and Management Accounting</p>	<p>Output is our product portfolio which can be broadly categorized as follows:</p> <ul style="list-style-type: none"> ■ Household machinery and equipments ■ Industrial machinery and equipment ■ Tea and Rubber ■ Guest nights ■ Renewable energy ■ Number of in-patients 	<p>Net Profit Rs. 4 Bn.</p> <p>Earnings per share Rs. 26.78</p> <p>Return on capital employed 15.07%</p>
<p>Training and development</p> <p>Performance management and appraisals</p>		<p>New recruits : 1,563</p>
<p>Investing in community and livelihood development</p> <p>Regular dialogue with communities and other stakeholders</p> <p>Identification of key stakeholders and material aspects in relation to them</p> <p>Social impact assessments</p>		<p>Sustainable communities</p> <p>Strengthened relationships between stakeholders</p>
<p>New product development</p> <p>Development of intangible infrastructure</p>		<p>Ability to face the evolving and dynamic needs of the consumer and the industry</p> <p>Performance improvement</p>
<p>Adoption of water management processes</p> <p>Waste management processes</p>		<p>Bio-diversity preservation</p> <p>Energy efficiency</p>
<p>Cost reduction initiatives</p> <p>Factory upgrades, efficient systems, controls and processes</p>		<p>Improved safety measures</p> <p>Reduction in operational risk</p>

STRATEGY

Our strategic planning processes continue to evolve each year building on the learnings of each planning cycle. The perimeter represents the global forces and trends shaping our business, determined through a review of our operating environment. Corporate governance and risk management provide a framework within which we will conduct our business.

We use feedback gained from our stakeholder engagement processes to establish our stakeholder value propositions, maintaining an equitable balance between stakeholder interests. Our strategy and KPIs are formulated considering these two key inputs and the capitals available which are then arranged in to themed pillars facilitating communication within the organization, unifying our team to a common goal. The strategic planning processes is shown below.

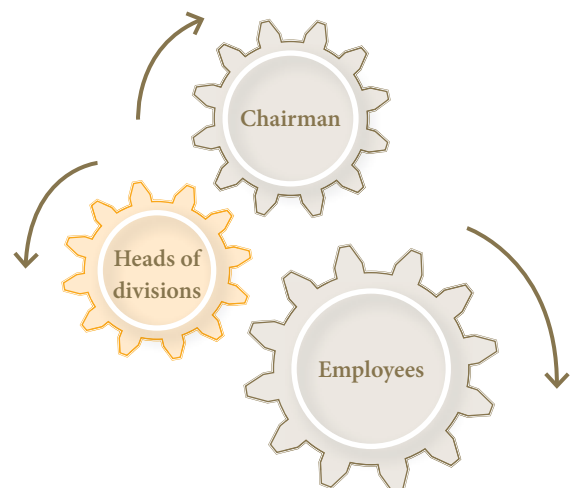


COMPETITIVE STRATEGY

The Company follows several strategies to serve its stakeholders. A broad differentiation strategy and a cost leadership strategy, while providing the best products to its customers is the key to success.

SUSTAINABILITY STRATEGY

The Group's Sustainability and Corporate Responsibility Framework focuses on streamlining and combining the effects of the Group's diverse business sectors to encourage strategic sustainable initiatives across Group companies. Our approach is based on three material areas which form the pillars of our Sustainability Strategy which is shown below. Sustainability governance structure consists of the Chairman, Heads of divisions and employees, and is illustrated in the diagram.



SUSTAINABILITY STRATEGY

ENVIRONMENTAL PROTECTION

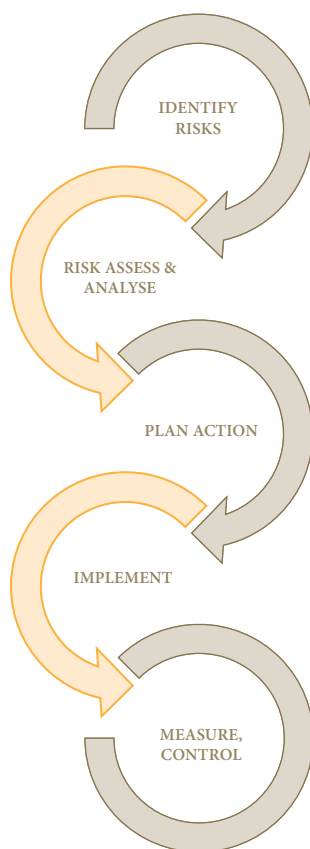
EMPLOYEE DEVELOPMENT AND WELFARE

LOCAL COMMUNITY ENGAGEMENT

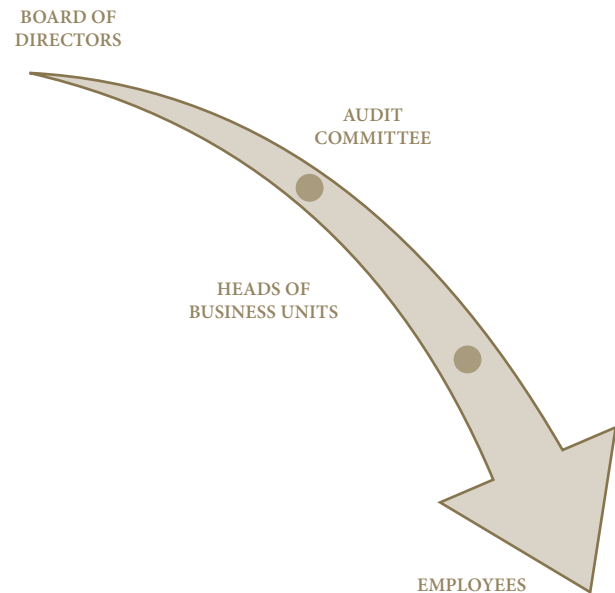
RISKS & OPPORTUNITIES

OVERVIEW

Risk identification is an integral part of our business as we are operating in multiple business sectors. Hence, we should have a broader understanding and sensitivity to changes in the external environment, a key factor in the Company's long-term success. Further, our earnings and businesses are affected by general economic conditions, interest rates, exchange rates, changes in law and competitive factors on a global, national and regional level. The risk management process is shown below.



STRUCTURE OF RISK MANAGEMENT AT BROWNS



RISK GOVERNANCE

The responsibility for managing risk rests with the Board of Directors who have set in place policies and processes to manage the same. They are assisted in the discharge of their duties by the Audit Committee who have oversight responsibility for risk and internal controls. At a group level, the Group finance, Group treasury, Enterprise Risk Management unit and the Business process division assist in overall risk assessment and mitigation through the respective heads of business units.

RISKS & OPPORTUNITIES

RISKS AND CHALLENGES

These risks and opportunities are related to capitals and stand as the backdrop to the decision making process and strategy formulation.

IMPACTED CAPITAL	RISK STATEMENT	RISK MITIGATION METHOD
Financial Capital	Increase in interest rates impacting on Group's finance cost.	<ul style="list-style-type: none"> ■ Ensuring a proper mix of short and long-term borrowings. ■ Maintaining an appropriate combination of fixed and floating rate borrowings.
	Unavailability of sufficient funds for day-to-day operations of the Group.	<ul style="list-style-type: none"> ■ The Treasury Division ensures that banking facilities are in place to cover the forecasted cash flow needs for the next financial year. ■ The Group maintains a desired mixture of cash and cash equivalents.
Human Capital	Adverse impacts arising from failure to recruit/retain skilled employees.	<ul style="list-style-type: none"> ■ Due importance is given to the talent management function of the Group. ■ Top management involvement in talent management led by the Human Resources (HR) Department. ■ Adoption of Best Practices in Human Resources Management. ■ Conducting employee satisfaction surveys. ■ Investment in training and development. ■ Policy of competitive remuneration.
	Losses from low productivity and low employee engagement as a result of industrial disputes.	<ul style="list-style-type: none"> ■ An 'Open door policy' is in place to discuss grievances with superiors.
Social and Relationship Capital	Loss of customers and resulting impact on business due to dissatisfied customers.	<ul style="list-style-type: none"> ■ Availability of a Quality Management System. ■ Dedicated unit for Customer Relationship Management. ■ Continuous training of employees on customer care and aftercare.
	Performance being adversely impacted as a result of disruptions to relationships with principals.	<ul style="list-style-type: none"> ■ The Group has focused on developing a mutually beneficial relationship with principals in an effort to minimize the risk. ■ Independent survey on expectations of principals. ■ Emphasis on meeting expectations of principals. ■ Periodic evaluation of principals' satisfaction levels.
Natural Capital	Natural catastrophes adversely affecting our customers, suppliers and employees, causing direct and indirect impact to the Group.	<ul style="list-style-type: none"> ■ Focus on reducing Greenhouse Gas emission and promoting the importance of the carbon footprint amongst stakeholders.
Manufactured Capital	Loss of confidential data through security breaches in the IT systems.	<ul style="list-style-type: none"> ■ Extensive controls and reviews to maintain security of IT infrastructure and data. ■ Regular back-up of data and off-site storage of the data backup system. ■ Presence of a disaster recovery plan.
		<ul style="list-style-type: none"> ■ Promotion of brand loyalty through customer loyalty schemes. ■ Being mindful of the environmental and social impact of the Group's products, processes and practices.
Intellectual Capital	Reputational loss events adversely affecting the Group's brand value.	<ul style="list-style-type: none"> ■ Promotion of brand loyalty through customer loyalty schemes. ■ Being mindful of the environmental and social impact of the Group's products, processes and practices.

Our unique competitive position will enable us to benefit from and support Sri Lanka's growth story as we create effective solutions for our customers and sustain improvements in our financial performance

REALIZING OPPORTUNITIES

Sri Lanka is focusing on long term strategic and structural development challenges as it strives to become an upper middle-income country. Key challenges include the need to boost investments including human capital; realigning public spending and policy with the needs of a middle-income country' enhancing the role of the private sector, including a provision for an appropriate environment for increasing productivity and exports, and ensuring that growth is inclusive.

Economic growth in Sri Lanka has been one of the fastest among South Asian countries in recent years. Carrying out business in Sri Lanka can often be challenging, however. At Browns, we are able to navigate challenging environments by employing and developing local skills and leveraging on our Group synergies

and extensive footprint, which has resulted in us being in a prime position to turn challenges into market opportunities.

Our unique competitive position will enable us to benefit from and support Sri Lanka's growth story as we create effective solutions for our customers and sustain improvements in our financial performance. While we remain firmly aware of the challenges of doing business in our country and in growing our customer points in line with our strategy, we believe these are outweighed by the opportunities open to us, given our unique competitive position in the island.

This section highlights some of the exciting growth opportunities we have identified together with Browns Group's response to each.

OPPORTUNITY	RESPONSE FROM BROWNS GROUP
Growth in per capita income	Constantly evaluate the product mix and add new products and services for customers, as well as increase customer touch points.
Growth in tourist arrivals	Focus on expanding the Group's footprint in the leisure industry with new hotels, destination management companies etc.
Growth in the ageing population	Adding health products via Browns Hospitals that cater to an ageing population.
Growth in e-commerce and m-commerce	Web based material is reviewed and will be revised where necessary.

OPERATING ENVIRONMENT

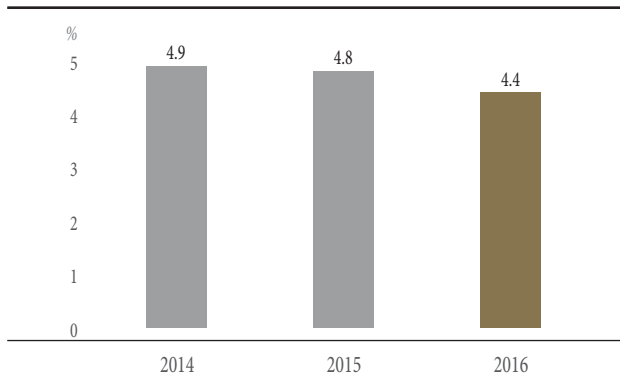
OVERVIEW ON SRI LANKAN ECONOMY

Growth slowed in 2016/17 with a marked fall in agricultural production, but a pickup in construction and investment helped to sustain growth. Inflation was highly variable over the year but moderated in general, as was the current account deficit. The outlook is for modest recovery in growth as the government implements an economic program of fiscal reform to tackle persistent macroeconomic imbalances and a large public debt.

GDP GROWTH

Following a period of uncertainty, the Sri Lankan economy showed early signs of stabilization during the year 2016/17 in response to corrective actions adopted by the government and the Central Bank. Unfavourable weather conditions and sluggish global economic recovery caused the economy to grow at a slower rate of 4.4 per cent in 2016/17 in real terms, in comparison to 4.8 per cent in the previous year, although a steady acceleration in quarterly growth was observed from the second quarter of the year amidst tightened fiscal and monetary policies. Increased investment expenditure, especially in the construction sector, drove economic growth during the year, while consumption expenditure slowed in response to the policy environment in place.

GDP GROWTH



Unfavourable weather conditions that prevailed during the year adversely impacted economic activity, primarily in the Agriculture sector hence there was a drop of 4.2 percent in 2016/17. Services related activities, which constitute 56.5 percent of real GDP, grew by 4.2 percent in 2016/17, on a year-on-year basis. The value addition in Industry related activities changed course to a higher growth trajectory, expanding by 6.7 percent in 2016 compared to 2.1 percent in the previous year.

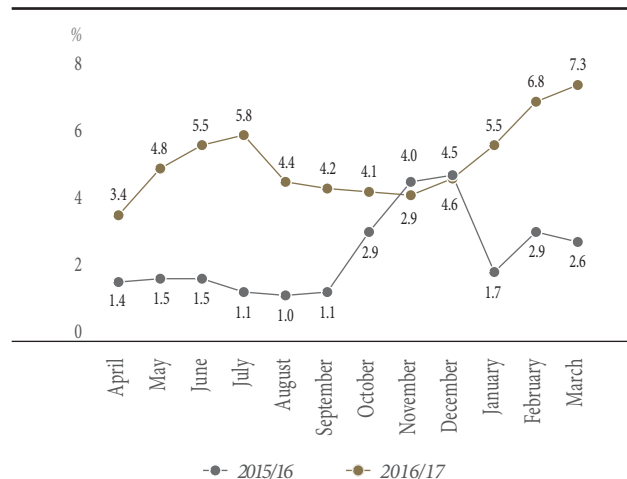
Impact to Browns Group

GDP growth and higher disposable incomes enhanced the position of customers and other stakeholders to create increased business opportunities which affected many business lines including the leisure sector with the increased tourist numbers.

INFLATION

Inflation, which remained low in the first four months of the year, increased thereafter to record an annual average of 4.0 per cent in 2016 (both National Consumer Price Index (NCPI, 2013=100) and Colombo Consumer Price Index (CCPI, 2013=100) based). The high levels of inflation observed during some months in 2016/17 as well as in the first quarter of 2017 were mainly due to the adverse impact of weather related disruptions, tax adjustments and rising international commodity prices, but the increasing demand pressures of the economy were evident in core inflation remaining at elevated levels.

INFLATION



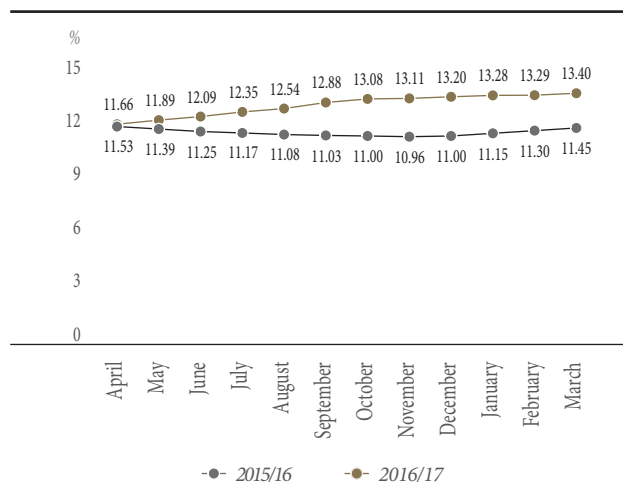
Impact to Browns Group

Rising inflationary trend continued throughout the year but did not affect the Group Company margins. However, the price levels increased in many products were increased due to the general market conditions.

INTEREST RATE

During 2016/17, market interest rates adjusted upwards reflecting tight monetary conditions in the economy, deficit liquidity conditions and increased cost of funds due to high deposit interest rates. Accordingly, the weekly Average Weighted Prime Lending Rate (AWPLR), which is based on interest rates applicable on loans and advances granted by commercial banks to their prime customers, increased by 399 basis points to 11.52 percent by end 2016 from 7.53 percent at end 2015, while the monthly AWPLR increased by 433 basis points to 11.73 percent by end 2016/17 from 7.40 percent reported at end 2015/16.

INTEREST RATE



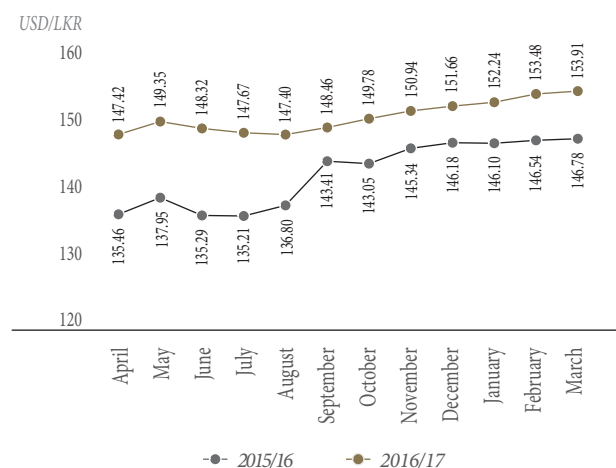
Impact to Browns Group

The rising interest rates increased the finance costs while on the other hand the finance income also increased due to the increase. Loans which were tagged to the AWPLR had the major impact.

EXCHANGE RATE

The Rupee depreciated against all major currencies except the pound sterling in 2016/17. The depreciation pressure on the rupee was a result of increased imports, continued foreign debt service payments and outflows on account of reversal of foreign investments from the government securities market amidst monetary policy normalization in the USA. There was an overall depreciation of the rupee against the US dollar by 3.83 percent in 2016/17.

EXCHANGE RATE



Impact to Browns Group

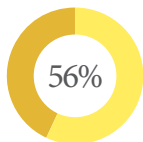
The depreciation of the Rupee had a negative impact on the group as the group relies on imports on many sectors. However, the group companies took proactive measures to mitigate exchange rate risks.

MANAGEMENT DISCUSSION & ANALYSIS - SECTOR REVIEW

TRADING

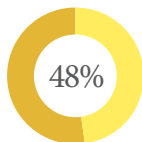


TURNOVER



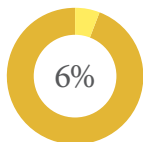
Rs. 12,652 Mn

GROSS PROFIT



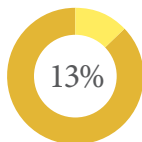
Rs. 2,493 Mn

EMPLOYEES



595

NEW RECRUITS



197

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

AGRICULTURE DIVISION

As the Sri Lankan economy has developed on the basis of agriculture, majority of the population is still engaged in the agriculture industry. At present, the country is self-sufficient in some major crops such as rice. Still there is an avenue to increase food production in other sectors such as maize. The main concern of the Government is to modernize the agriculture sector in the country by reducing post-harvest losses, optimise the cost of production and also introduce value addition techniques for the produce. The agriculture sector is one of the key drivers of the Sri Lankan economy as it provides substantial employment, income and foreign exchange. Drought in the latter part of the year severely affected the agricultural sector and as a result, the sector had only a GDP growth rate of 7.9% in the financial year 2016/2017. Mechanization of the agriculture industry was the main strategy followed by the Agriculture sector in the country in order to minimize the use of harmful agro chemicals.

Meantime, measures have been taken by Browns Agriculture to convert the seasonal agri business to a year-round income generation business by introducing new machinery such as sugar cane harvesters, combine harvesters, seeders and also lubricants for tractors etc. As a result of entering new markets through introducing new machinery, subsistence agriculture is in a changing phase in comparison to the commercial agriculture in the country generating more business avenues. The existing range of conventional machinery was also enhanced, which provided farmers with a competitive edge in their farming operations, while Browns Agriculture remained as the market leader with a market share of 55%.

BATTERY DIVISION

The Government increased taxes on imported batteries in the 2016 budget to protect local manufacturers and improve local employment opportunities. Despite the increase in taxes on imported batteries, lower priced batteries still entered the market as there are no barriers to entry. However, the Browns Battery Division retained its market leader status, despite heavy competition from the import of low-priced batteries. The Division introduced an entire range of maintenance free batteries and motorcycle batteries. Lucas batteries doubled their sales during the year under review and plans are underway to further improve its sales during the next financial year. The Division also entered into the tyre business and is expected to leverage on the well-established battery distribution channel to distribute its range of

The Browns Battery Division retained its market leader status, despite heavy competition from the import of low-priced batteries



tyres including Passenger Car Tyres (PCR), Truck and Bus Tyres (TBR) and Motor Cycle and three-wheeler tyres, under different brands.

GENERAL TRADING DIVISION

The market for tools and machinery was flooded with low-priced imports from China in the year under review. Market trends indicated a tendency for buyers to favour the use of low-priced tools for reasons of affordability as the cost of living increased. This trend reduced sales of branded machinery, such as those sold by this business division. However, the markets for branded products were dominated by Browns, with market shares as follows: the General Trading division dominated the branded market of power tools with the Makita and Makita MT brands; The market for cutting and grinding wheels was also led by Browns with its Tailin brand, enjoying a significant market share. Eclipse engineering tools were the preferred choice in the market. The division made necessary changes to their sales mix, and expanded its distribution model by appointing new distributors in each region so as to make the products available throughout the country.

PHARMACEUTICALS DIVISION

The Pharmaceutical Division is comprised of Veterinary Pharmaceutical and Human Pharmaceutical operations. Year-on-year expansion and diversification of its business to leverage on new market opportunities is an important approach for this Division. In line with this approach, it has established a new unit for the Nutraceutical sector with well established agencies. With this new unit, the Division will expand its product and brand portfolios.

Browns Pharmaceuticals started as a Veterinary Pharmaceutical Division and has been in the industry for over 27 years. It supplies well established brands from different countries such as Zagro Singapore, MSD Animal Health - Netherlands, Stallan South Asia, Timab/ Tunifeed Tunisia, Mars Incorporated India, AMR Global, Malaysia and Agro Top Israel. The Division follows general strategies of market penetration, new product development and market development. Browns Pharmaceuticals diversified into new business sectors and introduced several new products into the market under its Vet Pharma line, while strengthening its existing bases in the 2016/2017 financial year. Browns Vet Pharma primarily caters to the Poultry, Pet Animal, Dairy and Aqua segments. This Division also hopes to introduce new brands into its portfolio under these product categories.

New Market Developments

A key development in the year under review was the introduction of dairy machinery to the market. Vet Pharma has introduced portable milking machines, chaff cutters, drinking water bowls, milking cans and mini chillers, with island-wide service agents covering the entire geographical area.

In the Pharmaceuticals Division, the Vet Pharma business still makes the highest contribution to margins and within that, the Poultry category contributes 73%, Pet animal 17%, Dairy 5% and Aqua 1%.

The Vet Pharma Division will expand its distribution channel to reach untapped markets in the country. Plans are to introduce two new distributors to cover the Galle, Matara, Hambantota, Nuwara Eliya and Badulla areas. Further, one of its main objectives for the next financial year is to increase the contribution by the Dairy and Pet Animal segments.

MANAGEMENT DISCUSSION & ANALYSIS SECTOR REVIEW - TRADING



Human Pharma Unit

The Human Pharma unit was established in the last financial year and has two units: Pharmaceuticals and Devices. The Pharmaceutical unit consists of two major agencies: Pharmatec Pakistan and Marksans India. Under those agencies, Browns supplies more than 40 products for different segments including Cardiovascular, Respiratory, Oncology, Anti- Infective, GI related products, Orthopedics and Psychiatric.

The Device Unit of the Human Pharma Division has two major suppliers - Intec Inco, China and Sumitomo Chemical from Japan. Products supplied under the range include Dengue Rapid Test kits and Mosquito Repellent Nets.

Nutraceutical Operation

The nutraceutical business was a new addition to this Division in the 2016/2017 financial year. There are four agencies supplying this business line with a very competitive product range.

HOME AND OFFICE SOLUTIONS DIVISION

The Home Sector which goes as 'Browns Deals' has migrated to an online based business model at present from the 'brick and mortar' approach having intensive branch presence to reach the market. Web based businesses have been on the increase in the year under review. The Home Solutions business line, marketed under 'Browns Deals' has now become a household name, and to

support the marketing activities several 'Browns Deals' branches were opened during the year in Kandy, Galle and Pettah. The Home Solutions business follows the cost-leadership strategy and provides maximum benefits to its customers by cutting down institutional margins and passing it on to customers.

INTEGRATED BUSINESS SOLUTIONS

Integrated Business Solutions (IBS) offers are focused on 'Business-to-Business' services such as Business Equipment, Commercial & Domestic Air Conditioning solutions and Rental Solutions. This Division was adversely affected by the economic condition of the country, especially the appreciation of the dollar. However Browns remained one of the top three players in the BED market, supplying leading brands such as Sharp, Scan Coin, Giesecke & Devrient, Vivtec, Oce, Pitney Bowes as well as its own brands of BG and Doculine. This Division also went through a series of restructuring efforts in the year under review to increase productivity and to realign the Division to face the future challenges.

Doculine, the rental solutions option within IBS grew the business further while maintaining market leadership position during the year under review. Sharp, which has been the flagship brand of IBS, fared well amidst steep competition. Sales of the Multi-Functional Printers (MFP) under the Sharp brand grew by 6% despite competition.

With the intention of improving service levels by adding the latest technology, The Division plan to invest in a new service management system in the year under review. In a highly competitive market, the Integrated Business Solutions Division declared 13% growth in Revenue and 5% growth in Gross Profits.

POWER SYSTEMS DIVISION

Adverse weather conditions including a drought, which began in the year under review and continued into the next, resulted in the Government anticipating a shortage in electricity supply as the main source of power generation in Sri Lanka is hydropower. With power cuts expected across the country, this resulted in a spike in sales of generators for the Power Systems Division. Demand for generators also increased due to external market movements during the year under review. However, there was also stiff competition from other players in the market.

HEAVY MACHINERY DIVISION

The construction industry is seen as a growth sector, with several development projects planned across the country. These development plans will be led by projects in the Northern region



and the beautification of Colombo city. Given this context, the Heavy Machinery Division, which commenced operations recently, is poised for growth. The Division has been enhancing its product portfolio in order to be a one-stop solution for all construction work. Negotiations are also underway with major brands to expand its brand portfolio.

BOILER DIVISION

With the Government's focus on renewable energy sources for power generation and sustainability, the demand for fuel-fired boilers is on the decline. The year under review was a difficult year for the boiler business unit with increased competition and low-priced imports from India. However, the Boiler Division acquired 02 new orders with the Cochran and VBC boilers, while the number of service contracts also increased to 26 during the year under review.

MARINE AND LEISURE DIVISION

The Marine and Leisure Division consists of two business units: Inboard Marine and Outboard Marine. The types of products marketed include inboard and outboard marine engines, marine spares and water sports accessories under reputed brands like Yanmar, Isuzu, Hyundai, Parsun, Don-I brands of engine and spares as well as Connolly brand of water sport accessories.

Browns is the market leader in the inboard marine segment and its market share increased further by 5% in the year 2017/18. It introduced maranized engines and reconditioned marine engines in the year 2016/17. In the outboard marine engine segment, Browns increased its market share from 5%-11% during the year under review and became the third largest player in that market. It plans to further increase its market share in the coming year. The Division introduced products for the marine industry such as fibre glass raw materials for boat building and other related products for the plastic boat building industry. This Division also diversified into the automotive service equipment market with the market leader ATSELGi and will position itself to be a total solutions provider in the automotive service industry.

PLANTATION SUPPORT SERVICES DIVISION

The tea industry was heavily affected by the adverse weather conditions that prevailed throughout the year, as well as unfavourable international prices. These factors combined to cause a significant drop in revenues generated by the Plantation Support Services Division.

PRODUCTS IN THE SECTOR

DIVISION / COMPANY	MAIN PRODUCTS / ACTIVITIES
Agriculture Division	Tractors, implements, combine harvesters
Battery Division	Batteries, tyres
General Trading Division	Power tools, water pumps, generators
Pharmaceutical Division	Human and veterinary pharmaceuticals
Home & Office Solutions Division	Office automation products, consumer electronics
Power Systems Division	Generators
Heavy Machinery Division	Heavy-duty vehicles
Boiler Division	Boilers
Marine and Leisure Division	Inboard and outboard marine engines
Plantation Support Services Division	Tea machinery

MANAGEMENT DISCUSSION & ANALYSIS

SECTOR REVIEW - TRADING

FUTURE OUTLOOK

AGRICULTURE DIVISION

The Agriculture Division committed to go parallel with the Government objectives in modernizing and mechanizing agriculture industry and enhance productivity, and plans to develop the service department of the division to enhance the strength of the relationship with the customer base, and also introduce tractor accessories, machinery to mechanize highland crop production and tools for precision agriculture in the next financial year and initial discussions with suppliers are underway. In order to remain the market leader in this sector, and as the pioneer of introducing both four wheel and two wheel tractors in the country, the business unit will continue to improve its products by diversifying its product portfolio, so as to be the one-stop location for all agricultural needs through agricultural mechanization.

BATTERY DIVISION

The Battery Division will introduce a new range of tyres, while also evaluating opportunities to venture into the sale of power-storing equipment such as backup batteries and solar powered batteries

GENERAL TRADING DIVISION

This Division will continue to evaluate its product mix, expanding its product range to provide its customers with affordable, quality products.

PHARMACEUTICALS DIVISION

The Pharmaceuticals Division is working towards becoming a complete solutions provider for farming communities in the veterinary pharmaceutical sector. Other lines of business being explored include distribution of medical equipment and devices, as well as pharmaceutical manufacturing. The Government is promoting pharmaceutical manufacturing among local manufacturers by offering a buyback agreement for the medium term.

HOME AND OFFICE SOLUTIONS DIVISION

The Office Solutions line of business is planning to introduce a secondary brand for office solutions products, while also evaluating new products that can be added to its portfolio.

The Home Solutions business will continue to follow a cost-leadership strategy, continuously evaluating new products in order to satisfy growing customer needs and increasing



competition. Web-based purchase options will be also made available the following year.

POWER SYSTEMS DIVISION

The Power Systems Division plans to enter the power generation industry in line with a growing trend to use renewable energy sources. Discussions are currently underway with world renown suppliers to provide renewable energy related solutions to the Sri Lankan market.

HEAVY MACHINERY DIVISION

The Heavy Machinery Division will introduce a wider range of construction machinery, strategically positioning itself to meet the growing demands of the construction industry in the country.

BOILER DIVISION

This Division will expand into fabrication of storage tanks, while also expanding its range of boiler accessories. Emphasis of the business going ahead will also be on increasing the number of service contracts, leveraging on the technical expertise and trust in the brand name of the Browns Group.

MARINE AND LEISURE DIVISION

In order to become a total solutions provider for the marine solutions, this business unit is planning to expand its product portfolio to sell fishing nets and materials related for fibre glass boat building.

PLANTATION SUPPORT SERVICES DIVISION

The Plantation Support Services Division is looking forward to a fruitful year, with effects from the external environment expected to be minimal.

MANAGEMENT DISCUSSION & ANALYSIS - SECTOR REVIEW

MANUFACTURING

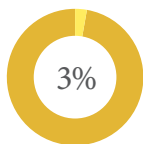


EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

BROWNS THERMAL ENGINEERING (PVT) LTD

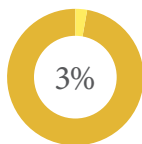
Demand for brass and copper radiators have been affected by the substitution of aluminium plastic radiators. Browns Thermal Engineering (Pvt) Ltd is the radiator manufacturing arm of the Browns Group with more than fifty years of experience in manufacturing radiators and is the only large-scale radiator manufacturer in Sri Lanka. It currently holds market leadership for brass and copper radiators. Given the decline in demand for these products however, the Division took necessary measures to re-align its business strategy to introduce aluminium plastic radiators to its product range, which it was doing on a small scale earlier, and plans to penetrate to industrial radiator market by improving product quality of oil cooler and heat exchanger segments. The company is also evaluating an option to establish a franchise workshop in Maldives to serve its generator market. Browns Thermal Engineering (Pvt) Ltd. has also taken steps to introduce new product ranges such as Brake liners, A/C Evaporators and Shock absorbers.. The manufacturing facility received ISO 9001:2015 standards in May 2017. In the year under review, the company commenced operations in Colombo with a fully-fledged workshop and a service-stop in the heart of Colombo, which will be a one-stop location for all radiator and cooling equipment needs.

TURNOVER



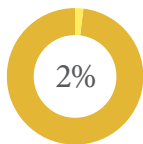
Rs. 643 Mn

GROSS PROFIT



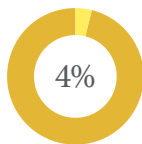
Rs. 169 Mn

EMPLOYEES



176

NEW RECRUITS



56

AGSTAR PLC

The production of paddy declined by 8.3% during the year under review. The decline in paddy production following the record bumper harvest in 2015 was largely due to the decline in the 2016 Yala production by 21.9%, despite the marginal improvement in 2015/16 Maha production by 0.9%. In what can only be described as an extremely challenging year, AgStar PLC did well to register a 61% growth in Group Turnover from Rs. 1,728 Mn in 2015/16 to Rs. 2,784 million in the year under review. However, the ad hoc regulatory changes that affected various business segments during the year, applied severe stress on the bottom-line and the Group registered a disappointing loss of Rs. 22 million compared to the loss of Rs. 53 million tabled a year ago.

AJAX ENGINEERING (PVT) LTD

The construction industry in Sri Lanka has shown a lot of potential in the post war era, especially in the sectors such as leisure, healthcare and housing development. This growth in the industry also attracted International contractors, especially from China and India which resulted in a severe competition to the local contractors. As a measure to overcome this competition

MANAGEMENT DISCUSSION & ANALYSIS
SECTOR REVIEW - MANUFACTURING



and expand the product possibilities, Ajax developed second line product portfolio extruded in China called “Evinca”. New product Evinca has gained an immense interest among the developers for their new projects. Ajax Engineers (Pvt) Ltd in its 30 year history, also commissioned its first overseas project in Maldives worth Rs. 350 million. Ajax Engineers (Pvt) Ltd is part of the backward integration strategy of the Browns Group.

CREATIONS WOODEN FABRICATORS (PVT) LTD

The tourism industry in Sri Lanka is flooded with a significant number of local and foreign investments in hotels and resorts in the country and many international hoteliers have invested in

the country .This industry has considerable potential for growth. Creations Wooden Fabricators (Pvt) Ltd provide total solution for wooden industry with their speciality of the hotel trade. The Company is also part of the backward integration strategy of the Browns Group and will work together with the Group's leisure projects. They cater to the luxury housing projects, top businesspersons' and professionals' edifices. The main value creation factors for the company is its specialization in the industry, use of the latest technology and the use of the best timber for production. The Factory located at Meegoda is equipped with the latest machinery and has highly skilled employees.

PRODUCTS IN THE SECTOR

DIVISION / COMPANY	MAIN PRODUCTS / ACTIVITIES
Browns Thermal Engineering (Pvt) Ltd	Brass and copper radiators, aluminium plastic radiators, radiator coolant
AgStar PLC	Organic and chemical fertilizers, seeds
Ajax Engineering (Pvt) Ltd	Aluminium and glass fabrication
Creations Wooden Fabricators (Pvt) Ltd	Hotel furniture



Product diversification will be the key marketing thrust for all business units, while cost leadership would be the key driver for strategic brand positioning



FUTURE OUTLOOK

BROWNS THERMAL ENGINEERING (PVT) LTD

The factory will be improved with the latest machinery and technology in the year under review, and the option to establish an aluminium plastic radiator manufacturing plant in Sri Lanka will be evaluated. New service points will be opened in key strategic locations across the country in order to enhance our footprint across the island.

AGSTAR PLC

Product diversification will be the key marketing thrust for all business units, while cost leadership would be the key driver for strategic brand positioning. Growing exports also remains a key priority with the Company looking to expand its market presence by broad-basing global distribution channels and also widening the existing product line-up to help tap into both mainstream and niche markets in the coming years.

AJAX ENGINEERING (PVT) LTD

The focus for next year will be healthcare and leisure sector related constructions which has been earmarked as high growth industries in the country. Apart from these, other construction project including Government proposed administration buildings will be targeted. Overseas operations will also be enhanced with new projects, which will increase the foreign exchange earnings in to the country.

CREATIONS WOODEN FABRICATORS (PVT) LTD

The company anxiously waiting to bring their specialty to the international market where the hotel industry is strong.

MANAGEMENT DISCUSSION & ANALYSIS - SECTOR REVIEW

HEALTHCARE



EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

Government spending on healthcare is on the decline as opposed to the increase in investment in healthcare by the private sector. Total healthcare expenditure as a percentage of GDP was 3.0 % in 2013 and the contribution from Government was 43% with a Compound Annual Growth Rate (CAGR) of 9.6%, while the private sector contribution was 57% with a CAGR of 10.8%.

Several international-standard tertiary care private hospitals have been established in the recent past, with more expected to become operational soon. The capacity of these institutions vary from highly sophisticated hospitals with multiple specializations to small-scale medical centres. In addition to hospitals, there are many other institutions providing associated services such as clinical laboratories, X-ray diagnostics services, physiotherapy and rehabilitation units, ambulance services, home nursing services, and centres for the disabled.

The key themes affecting demand for healthcare are expected to be an ageing population, lifestyle factors and increase in purchasing power. The growth in the proportion of the aged population of Sri Lanka is expected to alter the overall disease profile of the country and consequently affect the volume and type of services required.

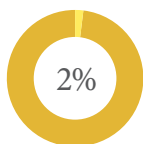
BROWNS HOSPITALS

Browns Hospitals Ragama, is the first hospital of the Browns Group of Companies. Given the potential in the industry, the Company is seeking opportunities to expand further into strategic locations as a primary, and secondary healthcare provider.

Browns Hospitals Ragama, which commenced operations in March 2015, successfully completed its second year of operations recently. With an investment of Rs. 1.5 billion, Browns Hospitals Ragama, is strategically located in Ragama to serve the Colombo North and North East markets. Spread over a 179 perch property, the hospital has a capacity of 60 beds.

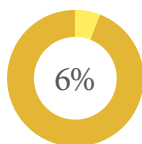
Browns Hospitals is building on the Company's reputation of being a trusted provider of high quality services. The Hospital saw a steady growth in the number of in-patients in the year under review, while the number of consultants who signed up with the Hospital, also increased. Browns Hospitals also commenced its Dialysis Unit in February 2017. The surgical sector witnessed steep growth and the Hospital has ordered new equipment to keep up with demand and offer its patients the latest in technology and services that are on par with industry standards.

TURNOVER



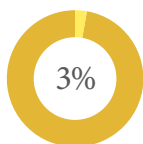
Rs. 442 Mn

GROSS PROFIT



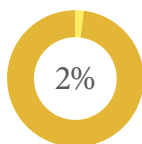
Rs. 302 Mn

EMPLOYEES



247

NEW RECRUITS



28

With an investment of Rs. 1.5 billion, Browns Hospitals Ragama, is strategically located in Ragama to serve the Colombo North and North East markets. Spread over a 179 perch property, the hospital has a capacity of 60 beds



Browns Hospitals also received ISO 9001:2015 quality management certification, making it the first hospital to receive this certification.

Browns Hospitals acquired properties in Negombo, Kurunegala and Jaffna to construct hospitals.

FUTURE OUTLOOK

The Hospital is planning to sign a Memorandum of Understanding with 30 practitioners in order to provide its patients with specialists for a wide range of medical diseases.

The plan is to build 50-bed secondary care hospitals in Negombo, Kurunegala and Jaffna with an investment of Rs. 500 – 600 million. Currently, a model of having a lower number of hospital beds has become popular over the higher-bed capacity hospitals due to the reduction in average stay at hospitals. From 8-10 days few years ago, the average stay has since decreased to 1-3 days. Improvements in medicine, healthcare services and laboratory tests have been the main reason for the reduction. Therefore, a low-bed capacity hospital will be the ideal model that will provide optimum usage of the hospital beds and will result in a higher occupancy level.

The hospitals located in the other areas will complement the secondary care institute in Ragama and will run as a referral to the main hospital.

PRODUCTS IN THE SECTOR

DIVISION / COMPANY	MAIN PRODUCTS / ACTIVITIES
In-patient services	Day treatment unit, medical unit, surgical unit with three modern operating theatres, paediatric unit, obstetrics and gynecology unit, intensive care unit, neonatal intensive care unit, endoscopy, laparoscopic surgeries and kidney care unit
Out-patient services	OPD unit, emergency treatment unit, dental care unit and the consultant channeling services
Radiological diagnostic services	MRI scans, CT scans, digital x-rays and ultra sound x-rays
Medical laboratory services	Laboratory testing

MANAGEMENT DISCUSSION & ANALYSIS - SECTOR REVIEW

INVESTMENTS



EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

BROWNS INVESTMENTS PLC

Browns Investments PLC is the investment arm of the Browns Group, with a presence in diversified industry sectors. The strategy of this Division is to invest in growth sectors, strategically disposing of these investments when the desired returns or expected targets are achieved. It currently has a presence in the following industries: leisure, travel and entertainment, plantations and renewable energy, construction, agri-business.

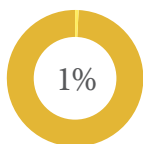
The Leisure, Travel and Entertainment Division fared well during the year under review with four operational hotels in Beruwala, Dickwella, Dambulla and Passikudah, destination management units with Ceylon Roots, Browns Tours and BG Air Services and the one and only entertainment hub in Colombo, Excel World Entertainment Park. The leisure sector's overseas footprint is being enhanced with the Nasandhura hotel and apartment complex as well as other hotels and resorts.

The Plantations and Renewable Energy Division consists of Maturata Plantations and Saga Solar. The division divested Pussellewa plantations during the year under review. As per the business model operated by Browns Investments PLC, for any investment which has been realised, its targets and the goals will be evaluated and disposed of and the Company will continue to analyse the industries which show potential for growth. Browns Investments PLC entered into the non-conventional renewable energy market with the first commercial scale solar plant in Sri Lanka, which will provide 10 MW in the year under review.

The Construction Division which consists of Sierra Constructions and Sierra Holdings, Ajax Engineering and Creation Wooden Fabricators fared well during the year under review. With the boom in the construction industry in the country, all these companies showed positive results. Sierra Constructions, Ajax Engineering and Creation Wooden Fabricators are part of the group's backward integration strategy which supports Group Company construction and leisure sector expansions.

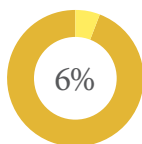
The Agri-business Division which comprises of AgStar PLC provides complete agri-business solutions from seeds, fertilizers and crop care solutions. This unit fared well during the year under review.

TURNOVER



Rs. 331 Mn

GROSS PROFIT



Rs. 331 Mn

EMPLOYEES



8

NEW RECRUITS



2

The strategy of this Division is to invest in growth sectors, strategically disposing of these investments when the desired returns or expected targets are achieved. It currently has a presence in the following industries: leisure, travel and entertainment, plantations and renewable energy, construction, agri-business



PRODUCTS IN THE SECTOR / KEY INVESTMENTS

DIVISION / COMPANY	MAIN PRODUCTS / ACTIVITIES
Leisure, travel & entertainment	Hotel rooms, inbound and outbound tours, air tickets, visa services, entertainment activities
Plantations, renewable energy	Tea, rubber, cinnamon, timber, electricity
Construction	Construction, aluminium and glass cladding, furniture
Agri-business	Organic and chemical fertilizers, crop care solutions, seeds

FUTURE OUTLOOK

Browns Investments PLC will continue to invest either as an individual investor or in partnership with others in core growth sectors of the economy. The sustainability of these investments is viewed mainly on their capability to create long-term value for the Group and its stakeholders. Browns Investments will continue to seek investment opportunities in selected sectors with potential for sustainable performance while focusing on steering existing businesses to generate profitability in line with the goals and objectives of the Group.

MANAGEMENT DISCUSSION & ANALYSIS - SECTOR REVIEW

PLANTATIONS & RENEWABLE ENERGY



EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

Sri Lanka's tea production declined during the year reflecting a negative variance of 11%, when all other producer countries have shown growth year-on-year. The decline of 36.4 million kilograms is significant and could be attributed to several factors, with adverse weather figuring prominently among them. The corresponding regional analysis shows that High Grown teas have declined by 11 million kilograms (14.59%), Medium Grown teas by 6.55 million kilograms (12.85%) and Low Grown teas by 18.86 million kilograms (9.32%), which are the lowest on record for the respective elevations since 2009.

The political and economic unrest that prevailed in Sri Lanka's key export destinations in 2015 have shown signs of recovery which should offer greater stability and opportunities for growth of the market. A decline in rubber production was also observed for the fifth consecutive year in 2016 as a result of low international market prices. The average prices of natural rubber in the international market is influenced by global economic conditions such as moderation in economic activities in China and a drop in petroleum prices.

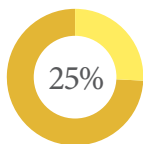
In relation to production costs, the industry continues to be saddled with major issues such as climate change with its accompanying insecurity, high wage and input costs compounded by low productivity, aging workforce and shortage of workers as a result of the educated plantation youth seeking social acceptance in white colour jobs in the cities. Withdrawal of the fertilizer subsidy and the major issue of weed control following the ban on the use of chemicals are among the ongoing major challenges. Changes in weather continues to pose the biggest threat to the industry.

MATURATA PLANTATIONS LTD

Maturata Plantations Ltd with a total forestry extent of 1,162.57 hectares has 961.53 hectares of commercial timber and 201.04 hectares of fuelwood on 19 estates under its purview. These are distributed in two geographical regions, with 11 estates situated in Nuwara Eliya and 8 estates situated in the Deniyaya-Akuressa region.

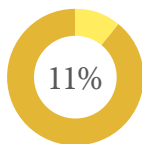
Of the 8 estates in Deniyaya-Akuressa region, 5 estates bordering the Sinharaja Forest Reserve act as a buffer zone to the Sinharaja Forest. There are a number of natural forest patches on these estates in addition to the planted commercial timber areas. The company is engaged in continuous commercial timber planting on unproductive lands. Plans are in the offing to plant 300,000 *Eucalyptus grandis* plants on degraded tea lands in the upcountry estates as commercial timber and to plant *Albizia moluccana* on Deniyaya Estates as commercial timber and for the conservation of stream reservations in the near future.

TURNOVER



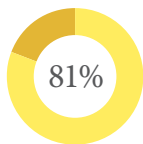
Rs. 5,742 Mn

GROSS PROFIT



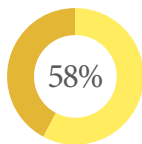
Rs. 555 Mn

EMPLOYEES



7,872

NEW RECRUITS



905

The Company has initiated crop diversification strategies to reduce the over-reliance on traditional crops and safeguard the bottom line from unforeseen changes in the external environment. Under this initiative, a cinnamon cultivation programme was initiated a few years ago and the total extent under cinnamon cultivation now stands at 174.84 hectares.

GALOYA PLANTATIONS (PVT) LTD

The sugar requirement of the country is estimated to be 650,000 Metric Tons (MT) per annum. Sri Lanka imports 88% - 90% of the sugar requirement, spending a colossal of Rs.55 million in foreign exchange. The population increase and the increase in incomes are likely to increase the sugar consumption significantly over the next 10 – 15 years. By 2020, the demand could approach to 1 million MT of sugar.

In 2015, the Government of Sri Lanka announced a policy that local sugar production should meet at least 40% of the domestic need within the next five years. This will reduce a large component of the foreign exchange expenditure to import sugar, which could enhance economic development in rural areas.

The price controlling mechanism of the Government had an adverse impact on the sugar industry. The higher sugarcane prices and adverse weather conditions also affected the business during the year. Construction of a distillery factory was completed during the year and is awaiting Government approval, which is a significant achievement for the company.

SAGA SOLAR POWER (PVT) LTD

The Government has a vision of increasing the share of electricity generation from renewable energy sources from 50% in 2014 to 60% by 2020, to reduce the carbon footprint of the energy sector by 5% by 2025, and finally, to meet total demand from renewable and other indigenous energy resources by 2030. Currently, the demand for electricity is catered through hydro power (38%), coal (34%), fuel oil (17%) and non-conventional renewable energy (11%). Hence, the Government requires the mix to be changed and to adopt a more sustainable approach.

With this context in mind, the Browns Group entered into solar power generation. Saga Solar (Pvt) Ltd, the first privately owned solar plant in Sri Lanka with a capacity of 10 MW was opened during the year under review. With Saga Solar (Pvt) Ltd, the Browns Group has entered into non-conventional renewable energy which is the key driver in the Sri Lanka's sustainability goals. The utility-scale power project located in Buruthankanda in Hambantota is expected to add 19 GWh of clean energy to the national grid annually for upwards of 20 years. At full capacity



the plant could contribute 19,000 MWh to the national grid plus generate enough electricity for roughly 10,000 homes.

PRODUCTS IN THE SECTOR

DIVISION / COMPANY	MAIN PRODUCTS / ACTIVITIES
Maturata Plantations	Tea, Rubber, Cinnamon
Gal Oya Plantations	Sugar
Saga Solar	Renewable energy

FUTURE OUTLOOK

MATURATA PLANTATIONS LTD

Creating a scalable platform for growth for both tea and rubber is the main priority in the next few years. At the same time, Maturata Plantations Ltd 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.

GALOYA PLANTATIONS (PVT) LTD

The distillery operation will be the main focus for Gal Oya Plantations (Pvt) Ltd while continuing to enhance the productivity levels of sugar production. 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 (Carbon Dioxide) for commercial use and is due to be fully operational by early 2018. 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. A 10MW power generation unit with an investment of Rs. 3 billion is also under review.

SAGA SOLAR POWER (PVT) LTD

The Browns Group will evaluate further opportunities to fill the gap in energy generation through non-conventional renewable energy sources.

MANAGEMENT DISCUSSION & ANALYSIS - SECTOR REVIEW

TRAVEL & LEISURE



EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

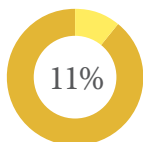
BROWNS HOTELS & RESORTS (PVT) LTD

Tourist arrivals in Sri Lanka crossed the 2 million milestone for the first time, reaching 2,050,832 arrivals in 2016. While this is good news for the industry, this growth was also overshadowed by the rapid influx of new hotel operators. In line with the Government's objective of building 75,000 rooms to cater to a targeted 4.5 million tourists by 2020, a significant number of new hotels were given approval during the year under review. Earnings from tourism grew by 18 percent to US Dollars 3,518 million compared to US Dollars 2,981 million in 2015. Digital lifestyles are also changing operating structures of the hospitality industry. Across the globe, travellers are bypassing the traditional travel-agent-based travel model in incremental numbers and are migrating to direct online reservations, direct digital communications with hotels, and real-time information exchanges online. This digitisation of travel and tourism will have far reaching consequences on the Sri Lankan tourism industry and should be incorporated into the overall business model, to reflect these modern international tourism trends.

Browns Hotels & Resorts (Pvt) Ltd operates 'The Eden Resort & Spa, Beruwala', 'Dickwella Resort & Spa, Dickwella', 'The Paradise Resort & Spa, Dambulla' and 'The Calm Resort & Spa, Passikudah,' all of which performed well during the year under review. The Eden Resort & Spa, which is a five-star hotel, attracted many tourists from Europe and also from the emerging markets of China and India. Dickwella Resort & Spa also working with an Italian operator while partnering with German and many other European and Asian operators had a successful year with higher occupancy rates compared to the previous year. The Paradise Resort & Spa and The Calm Resort & Spa also operated with higher occupancy rates compared to the previous year. The contribution from the Brown's Group in-house travel agents was impressive, while the in-house destination management companies contributed to filling hotel rooms to a great extent during the year under review.

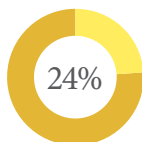
Riverina Hotel is being built as a five-star hotel with a 400-room capacity and is currently under construction in the Golden Mile. An agreement was signed with Club Med Resort, which is the world's most prestigious club resort operator, making it the first Club Med Resort in Sri Lanka. The hotel is scheduled to be open in 2018, and hopes to attract affluent tourists from Europe and Asia, contributing to the growth of the tourism industry. The 172-room Sheraton Turtle Beach Resort & Spa in Kosgoda will be opened in 2017 - part of the prestigious Sheraton chain of hotels worldwide.

TURNOVER



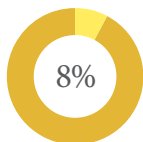
Rs. 2,437 Mn

GROSS PROFIT



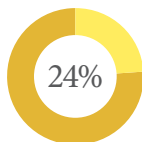
Rs. 1,246 Mn

EMPLOYEES



761

NEW RECRUITS



369

The online Business-to-Business (B2B) platform was launched in the year under review to promote the Group's leisure brands in Sri Lanka and the Maldives



Investments in the Maldives have been continuing during the year under review. Construction in Nasandhura, Male has begun which will be a mixed development having hotel rooms and apartments. Nasandhura is an iconic location in Male city and is the largest land block in the city as well. The hotel will be managed by international hotel operators and construction will be completed by 2018. The Group's other tourism development project - North Male Resorts, will comprise of three hotels on three islands across 75 acres, in partnership with China Machinery Engineering Corporation (CMEC). These hotels will provide 120 five-star quality rooms and 350 four-star rooms.

CEYLON ROOTS (PVT) LTD AND BROWNS TOURS (PVT) LTD

Ceylon Roots (Pvt) Ltd and Browns Tours (Pvt) Ltd operates as a 'Destination Management Company' in Sri Lanka with a focus on inbound tours and packages. The company enjoyed a 62% increase in revenue compared to the previous year. China and India continued to be the largest market in terms of number of tour packages as well as revenue, although it was primarily

European tourists who contributed to the bottom-line. The company successfully handled many sports groups promoting the sports tourism concept in Sri Lanka, with a focus on cricket, rugby and hockey tours to the country. The online Business-to-Business (B2B) platform was launched in the year under review to promote the Group's leisure brands in Sri Lanka and the Maldives. This platform will 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 Brown's Tour Operator and travel agent services, and who wish to explore Sri Lanka or the Maldives. The Group's presence in China was also expanded with new service offices in Central China - in Sheng Shu, which will be accessible to major cities like Beijing, Cummin and Shanghai. Browns Tours officially opened its own office in Nanjing as well as representation offices in Beijing and Shenzhen.

BG AIR SERVICES (PVT) LTD

BG Air Services (Pvt) Ltd, which is the outbound and air ticketing arm of the Group fared well during the year under review. The company increased its footprint in the tourism industry with added tour packages and new cities / countries reached, in order to suit modern travel trends. A new branch was opened in Kandy during the year in order to cater to growing demand in the country.

EXCEL WORLD ENTERTAINMENT PARK

Excel World Entertainment Park, located in the heart of Colombo, continues to offer the whole family a one-stop location for wholesome entertainment. The company entered into a joint venture agreement with a Hong Kong based Investment Company to construct a US\$ 70 million service apartment & shopping mall and leisure centre and to construct a mixed-development project in the second phase. During the year under review, the number of visitors increased with the additions to its products and services. New bowling alleys and gaming machines, pro-karts, paint ball, climbing wall, mini-football, 7D cinema are among the additions made to the entertainment park. The Keg Pub & Restaurant, which is an 'A' grade restaurant in Colombo, attracted many during weekdays and weekends to become a sought after place in Colombo. The food court, which serves multiple cuisines, operated with a high footfall throughout the period.

MANAGEMENT DISCUSSION & ANALYSIS
SECTOR REVIEW - TRAVEL & LEISURE



PRODUCTS IN THE SECTOR

DIVISION / COMPANY	MAIN PRODUCTS / ACTIVITIES
Browns Hotels & Resorts (Pvt) Ltd	Room nights
Ceylon Roots (Pvt) Ltd and Browns Tours (Pvt) Ltd	Inbound tours, Excursions
BG Air Services (Pvt) Ltd	Outbound tours, Air ticketing, Visa
Excel World Entertainment Park	Entertainment activities, Games

FUTURE OUTLOOK

BROWNS HOTELS & RESORTS (PVT) LTD

Browns Hotels & Resorts (Pvt) Ltd will enhance its presence in the tourism industry in Sri Lanka and Maldives. The Company is also evaluating two proposed developments in Bodufaru and Bodufinolhu in the South Ari Atoll. Seychelles is also being looked at as a potential destination to venture into.

CEYLON ROOTS (PVT) LTD AND BROWNS TOURS (PVT) LTD

Ceylon Roots (Pvt) Ltd and Browns Tours (Pvt) Ltd will develop a Business to Consumer (B2C) platform in the next financial year. The company will develop a new website from India promoting Sri Lanka, so as to encourage travel from the Indian sub-continent. The Company's presence in China will be further expanded in the years to come, with this market expected to grow. The company will also target the luxury traveler segment - primarily from Europe.

BG AIR SERVICES (PVT) LTD

BG Air Services (Pvt) Ltd will continue to expand its global footprint with additions to its tour portfolio. It will also open new branches in the country in order to meet growing demand, while providing an unmatched service to its customers.

EXCEL WORLD ENTERTAINMENT PARK

With proposed investments in Excel World Entertainment Park, it will be positioned as the top choice for entertainment options in the country, while also attracting tourists to the park. The park will continue to add entertainment activities in the short term.

MANAGEMENT DISCUSSION & ANALYSIS - SECTOR REVIEW

REAL ESTATE



EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

Property values in Sri Lanka have been increasing over time with the rapid infrastructure development by the Government, which includes improvements in the road networks. Demand for office space and warehousing have also been increasing with the growth in businesses in the country.

BROWNS PROPERTIES (PVT) LTD

Browns Properties (Pvt) Ltd, which owns and manages the Browns Capital building located in Colombo 08 with 12 floors, is currently fully occupied and has been rented out to a number of companies. Browns also owns another property in Colombo 08, which is currently being used as a car park for tenants. Browns Properties (Pvt) Ltd remained profitable in the year under review as the company is still in the tax holiday period.

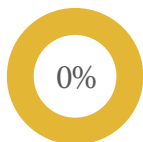
BROWNS INDUSTRIAL PARK LTD

Browns Industrial Park Ltd located at Makandura houses Browns Thermal Engineering (Pvt) Ltd which manufactures radiators, as well as the main warehouse complex of the Browns Group of Companies. The property has over 360,000 square feet (sq.ft.) of work-floor area and has been rented out to local companies for warehousing needs. The property has a separate administrative building with 25,000 sq.ft. floor area. General facilities in the property include centralized air conditioning, an underground fume extraction tunnel, 500,000 litre fuel storage tanks, a 4.8 MW diesel back-up power plant, a waste treatment facility, cafeteria, and dormitories.

BROWNS INVESTMENTS PLC

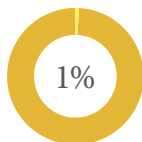
Browns Investments PLC manages a substantial portfolio of land located in the Western Province. This land portfolio is currently held as a strategic investment for value appreciation or for future developments.

TURNOVER



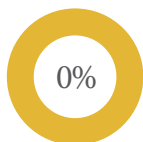
Rs. 87 Mn

GROSS PROFIT



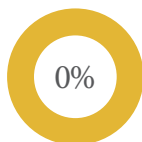
Rs. 73 Mn

EMPLOYEES



29

NEW RECRUITS



6

MANAGEMENT DISCUSSION & ANALYSIS
SECTOR REVIEW - REAL ESTATE



PRODUCTS IN THE SECTOR

DIVISION / COMPANY	MAIN PRODUCTS / ACTIVITIES
Browns Properties (Pvt) Ltd	Office space
Browns Industrial Park Ltd	Warehousing, office space
Browns Investments PLC	Land bank

FUTURE OUTLOOK

Browns Industrial Park Ltd will continue to expand the opportunities available in its facility by further developing the remaining 9 acres of its 25 acre property, which is currently unutilised. Browns Investments PLC with its 'land bank' will facilitate the Company's the mid to long term strategy of value creation. It will continue to identify potential properties in the country that can be developed in the future.

STAKEHOLDER ENGAGEMENT

OVERVIEW

Our stakeholders are those individuals or organisations that can reasonably be expected to be significantly affected by Brown and Company's business activities, output or outcome, or whose actions can affect the ability of Brown and Company to create value over time. All stakeholders would relate to the Company through being concerned with its performance in one or more aspects such as economic, social and environmental.

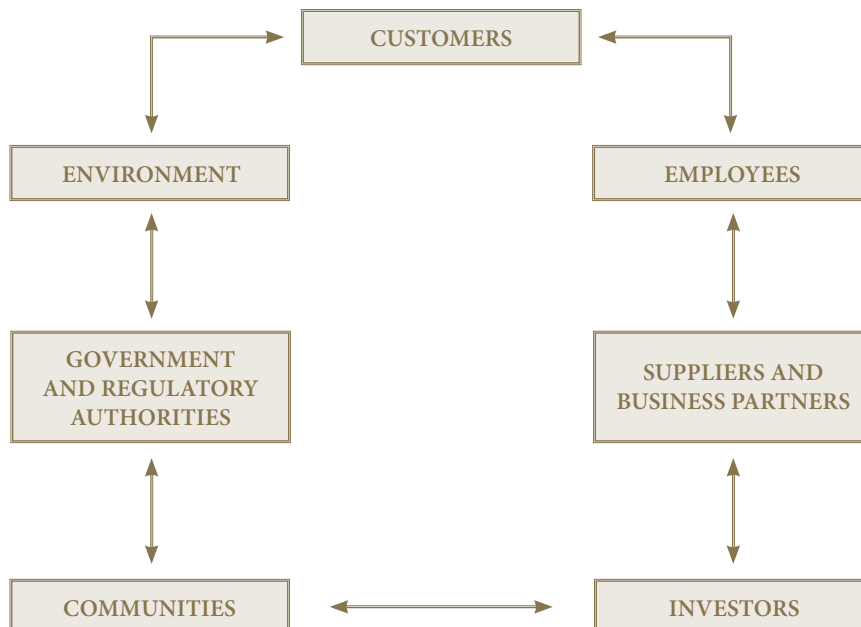
At Brown and Company, engagement with stakeholders is intrinsic to the way we use our capital to build value. We believe our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation. Feedback from stakeholders help to develop strategies that generate sustainable value and identify our material issues. Their expectations and needs, which emerge from the engagement process, help us refine our services to ensure that we deliver sustainable value.

The Company believes that effective management of relationships with stakeholders is crucial to resolving issues facing our Company. By using their influence, stakeholders holds the key to the environment in which company operates and the subsequent financial and operating performance of the company. We build trust with stakeholders, aided by understanding their viewpoints and motivations.








The stewardship role played by the Directors demands that they act responsibly towards stakeholders. Whilst the management of stakeholder expectations is a key aspect of sustainability, the management of stakeholder issues is equally important from a risk management perspective. Therefore, stakeholder engagement is a process that is key to many facets of our business.

STAKEHOLDER IDENTIFICATION AND LISTING OF KEY STAKEHOLDERS

Stakeholder identification is important not only for determining who a company's stakeholders are but also for determining the best way or ways to manage their expectations. Every stakeholder, regardless of his level, wants or expects something from the company or its outcome. Further identifying stakeholders allows for clear communications. To secure open and constructive dialogues with stakeholders, different means of communication are used by Brown and Company, including communication days, conferences, face-to-face meetings and multi-stakeholder forums, which are always grounded by the full disclosure of performance reports. The outcome of these processes guides the evolution of Brown and Company's corporate social responsibility and sustainability strategy, policies, targets and practices at all levels.



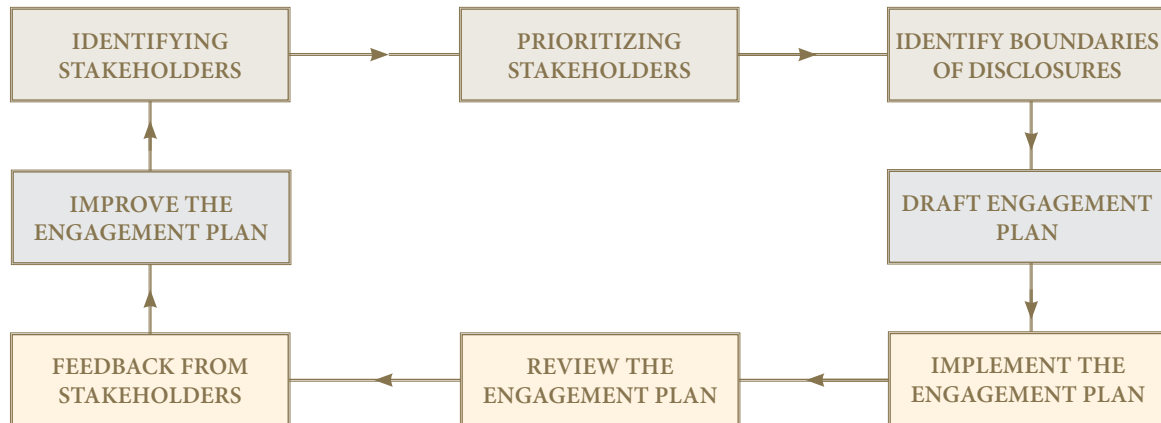
STAKEHOLDER ENGAGEMENT

STAKEHOLDER	DESCRIPTION
 Investors	Investors provides financial capital for an attractive return on investment
 Customers	Customers who purchases our products and services
 Employees	Employees who supply the necessary skills and expertise to deliver on our promises to stakeholders
 Suppliers and Business partners	Suppliers and Business partners who supplies products and services which will be sold to customers
 Communities	Communities who provide us social relevance as well as our future stakeholders
 Government and regulatory authorities	Government and regulatory authorities who govern financial stability and market conduct of our industries
 Environment	Environment refers to the living and non-living things which provides resources to continue the businesses.

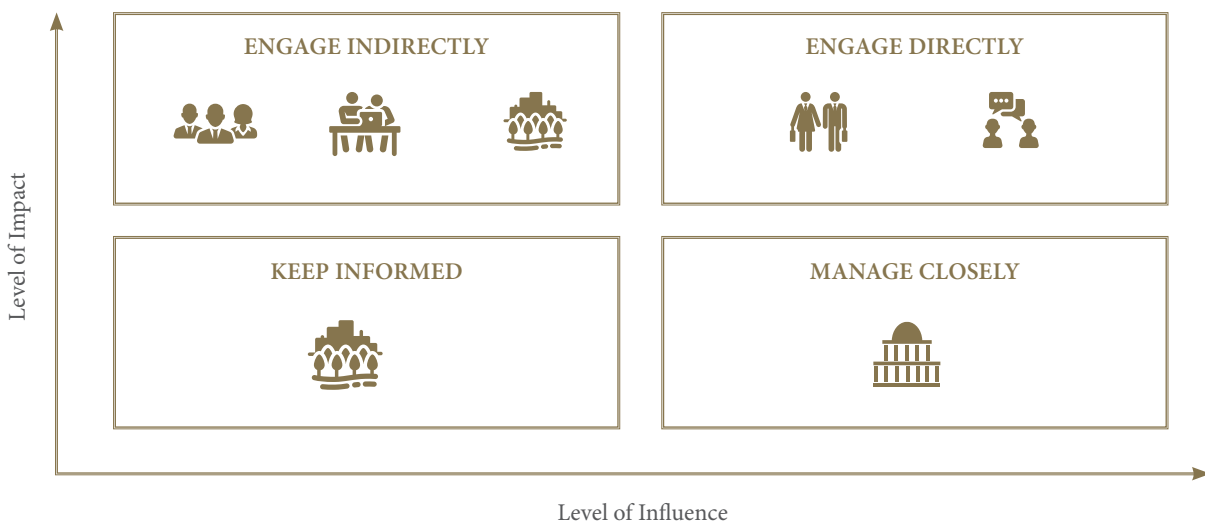
STAKEHOLDER ENGAGEMENT PROCESS

Our stakeholder engagement process implies a willingness to listen and to discuss issues of interest to stakeholders of our company and, critically, we are prepared to consider changing

what it aims to achieve and how it operates. The engagement and assessment process involves several stages which can be explained by the following diagram.



STAKEHOLDER PRIORITIZATION



Customers

Employees

Investors

Suppliers and Business partners

Communities

Government and regulatory authorities

Environment

STAKEHOLDER ENGAGEMENT

STAKEHOLDER	ENGAGEMENT METHOD	FREQUENCY	CONCERN	RESPONSE
Investors	One-to-one meetings	As necessary	■ Growth in profits, dividends	■ Browns commits to fulfil shareholder concerns with a focused business strategy.
	Shareholder Meetings / AGM	Annually		
	Annual Report	Annually	■ Adaptability of the product base to face and competition	■ Introduced new products in order to cater to the whole market.
	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	■ Product availability	■ Browns provides the products through its extended island-wide dealer network and showrooms.
	Direct customer feedback to any of the Browns outlets	On a regular basis		
	Service campaigns	At least once a quarter	■ After sales service and customer satisfaction	■ Browns assures all the customers the best customer service and has improved technology.
	Field visits / Sales visits	On a regular basis		
	Town Storming	At least once a quarter	■ Quality of products	■ All the products are backed by the Browns warranty and the quality of the product is assured.
	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	■ Long term contracts for purchases	■ Browns, with many years of trust, maintains a solid relationship with its suppliers.
	Periodic visits by either party	As necessary		
	Routine telephone discussions	On a regular basis	■ On time payments	■ Browns makes the payments on time in order to maintain the relationship.
	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	■ Increased salaries and wages	■ 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.
	Monthly divisional meetings	Once a month		
	Company's open door policy encourages direct employee-management dialogue	On a regular basis	■ Job satisfaction and motivation	■ 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.
	Employee suggestions via suggestion boxes and follow up	On a regular basis	■ Training and continuous development	
	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		
Communities Government and regulatory authorities Environment	One-to-one meetings	As necessary	■ Compliance of rules and regulations including tax payments	■ Browns complies with all applicable rules and regulations while conducting its operations.
	Dialogue with religious dignitaries	On a regular basis		
	Communicating with society with press releases and media	As necessary		■ Browns Group is constantly creating many job opportunities in different industries and is expecting to recruit further in the future.
	Public events and sponsorships	Foxhill Motor Cross – Annual	■ Creation of job opportunities	
	Branch and dealer network	Other events - Ad-hoc As necessary	■ Minimizing threats to the environment	■ Browns has been taking precautions to minimise the environmental impact in all its daily operations.
	Browns web site	Online		

MATERIALITY

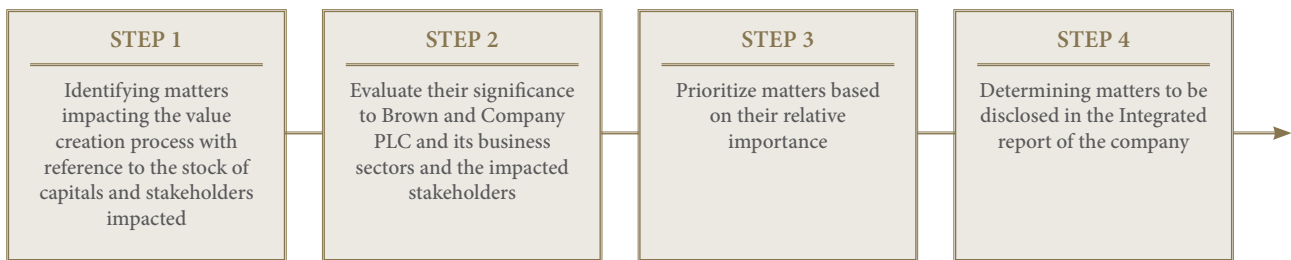
OVERVIEW

A structured materiality analysis was carried out during the year, consisting of a high level of employee engagement in all sectors together with the senior management. While GRI G4 guidelines were used as a framework for guidance, the coverage and scope of material aspects were widened in comparison to the previous

year, taking into consideration material contextual trends and the Group's strategic priorities.

MATERIALITY PROCESS

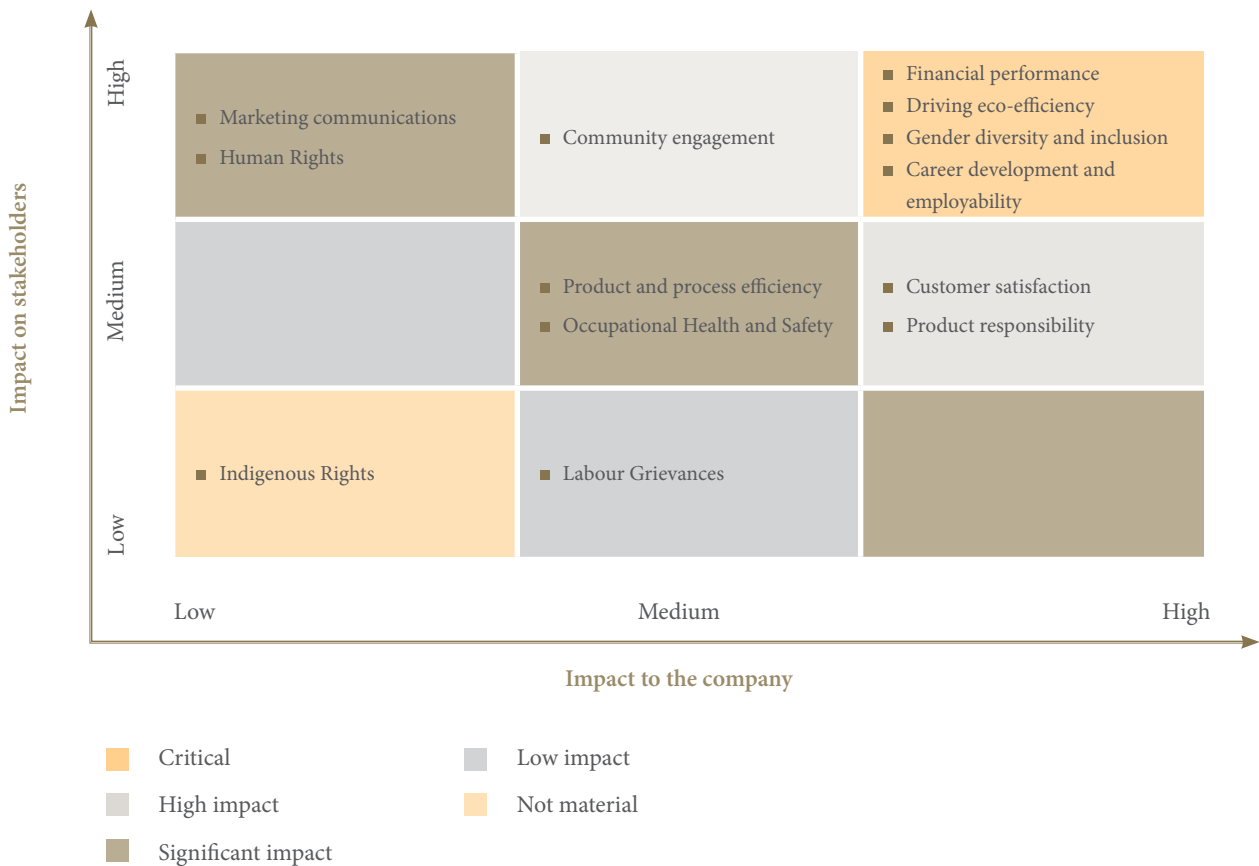
The process for identifying and prioritizing material issues is as follows.



MATERIALITY MATRIX

The matrix outlines our material issues against corresponding GRI-G4 material aspects, where appropriate. In accordance with GRI-G4 requirements, it also indicates where the primary

impacts of this issue occur in terms of our stakeholders, and whether they are internal or external to our business. Finally, it refers the chapters of this report where discussion regarding the issues can be found.



A DISTINCTIVE LEGACY

| G4 - 16 | G4 - 19 | G4 - 20 | G4 - 21 | G4 - 23 |

STATUS	MATERIAL ISSUE	GRI-G4 ASPECT	ASPECT BOUNDARY	REFERENCE
Critical	Financial performance	Economic performance	Internal	Financial Capital on pages 68 to 70
	Driving eco-efficiency	Energy efficiency	Internal	Natural Capital on pages 89 to 90
	Gender diversity and inclusion	Diversity and equal opportunity, Equal remuneration for women and men	Internal	Human Capital on pages 71 to 80
	Career development and employability	Training and education, Employment	Internal	Human Capital on pages 71 to 80
High impact	Customer satisfaction		Internal	Social and Relationship Capital on pages 81 to 88
	Product responsibility	Customer health and safety, Product responsibility-compliance	Internal	Social and Relationship Capital on pages 81 to 88
	Community engagement	Indirect economic impacts, local communities, grievance mechanism for impact on a community	External	Social and Relationship Capital on pages 81 to 88
	Occupational Health and Safety	Occupational Health and Safety	Internal	Human Capital on pages 71 to 80
	Human Rights	Non discrimination, child labour, forced labour, Freedom of Association	Internal	Human Capital on pages 71 to 80
Significant impact	Product and process efficiency		Internal	Management Discussion and Analysis on pages 40 to 58
	Marketing communications	Marketing communications	Internal	Management Discussion and Analysis on pages 40 to 58

ENGAGEMENT WITH EXTERNAL ASSOCIATIONS

In order to promote and lobby for best industry practices the Company continues its membership in several external associations. This helps us to advocate for policies that are fair and beneficial to our business, to the society and the country. Such initiatives also promote the sharing of best practices with other institutions. Our membership enables us to make representations on ethical business conduct, fair trade, social welfare and social equity.

Our memberships include many leading organisations, some of which are listed below;

- Ceylon Chamber of Commerce
- National Chamber of Commerce
- Colombo Stock Exchange (CSE)
- The Employers' Federation of Ceylon
- Cultural Triangle Hoteliers Association
- Sri Lanka Tea Board



OUR PERFORMANCE OVER CAPITALS

68 Financial Capital . 71 Human Capital . 81 Social & Relationship Capital .
89 Natural Capital . 91 Manufactured Capital . 92 Intellectual Capital .
97 Future Outlook . 98 Independent Assurance Report . 101 GRI Index

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.

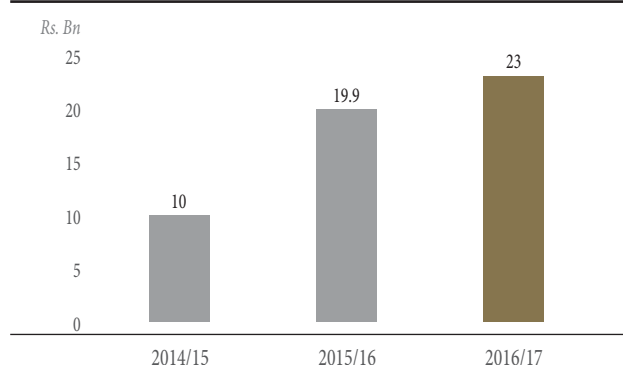
KEY PERFORMANCE INDICATORS

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.

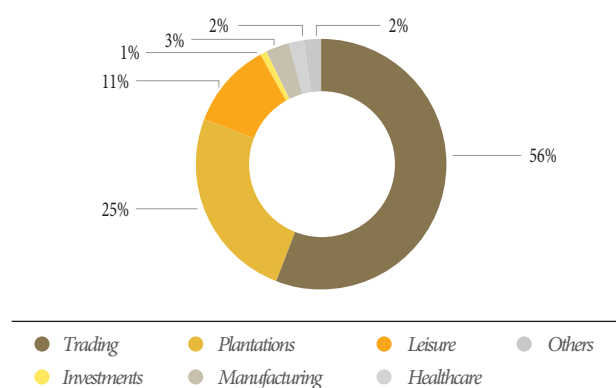
GROUP REVENUE



SECTOR REVENUE

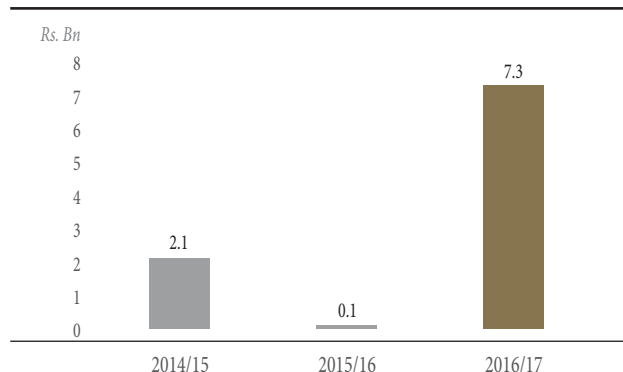
The Trading sector contributed 56% to the total revenue with an increase of Rs. 1.7 billion over the last year. The Leisure sector reflects 11% of the Group's revenue and has recorded a revenue of Rs. 2.4 Bn. in the year under review. The Plantations sector contributed 25% to total revenue with Rs. 5.7 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

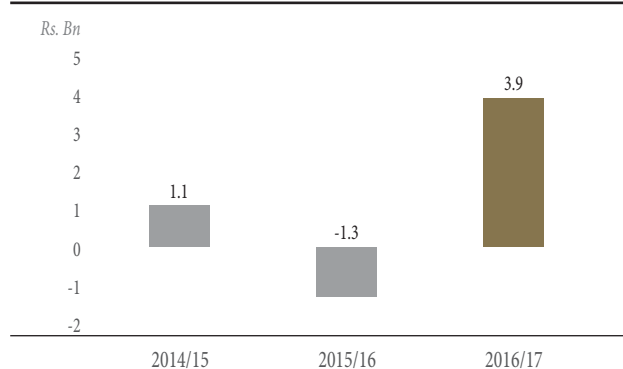
Earnings Before Interest and Tax (EBIT) increased to Rs. 7 billion from Rs. 0.1 billion in the previous year. The increase is mainly reflected through the gain on fair value of investment properties by Rs. 2.3 billion and the gain from the disposal of Rs. 2.7 billion from the Plantations and Hydro sectors.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

EBIT**FINANCE EXPENSES**

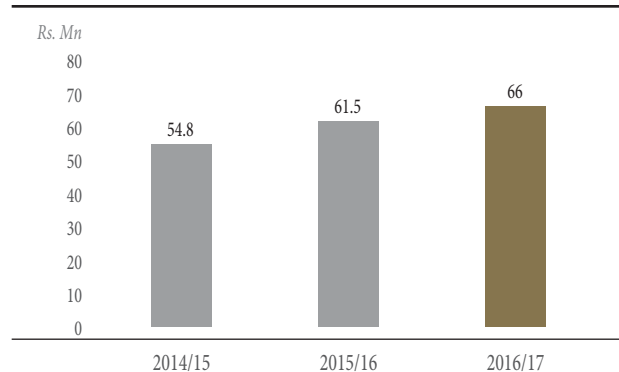
Group finance costs increased from Rs. 1.3 billion in 2015/16 to Rs. 2.9 billion during the year under review. This is an increase of 112% when compared to the last financial year. Average Weighted Prime Lending Rate (AWPLR) increased to 11.5% from 8.8% in the previous year. As a result, the Group's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

PROFIT AFTER TAX

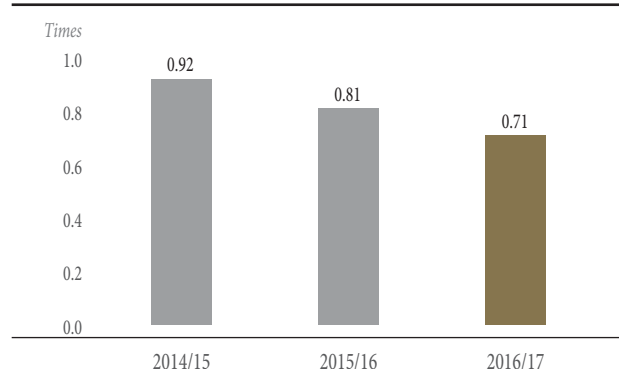
The Group made a profit of Rs. 4 billion during the year under review as opposed to a loss of Rs. 1.3 billion in the previous year. The profit was primarily from the gains from disposals and the valuations.

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.

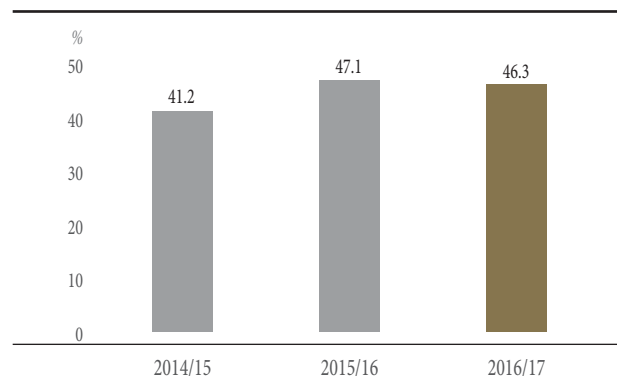
MARKET CAPITALISATION

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.

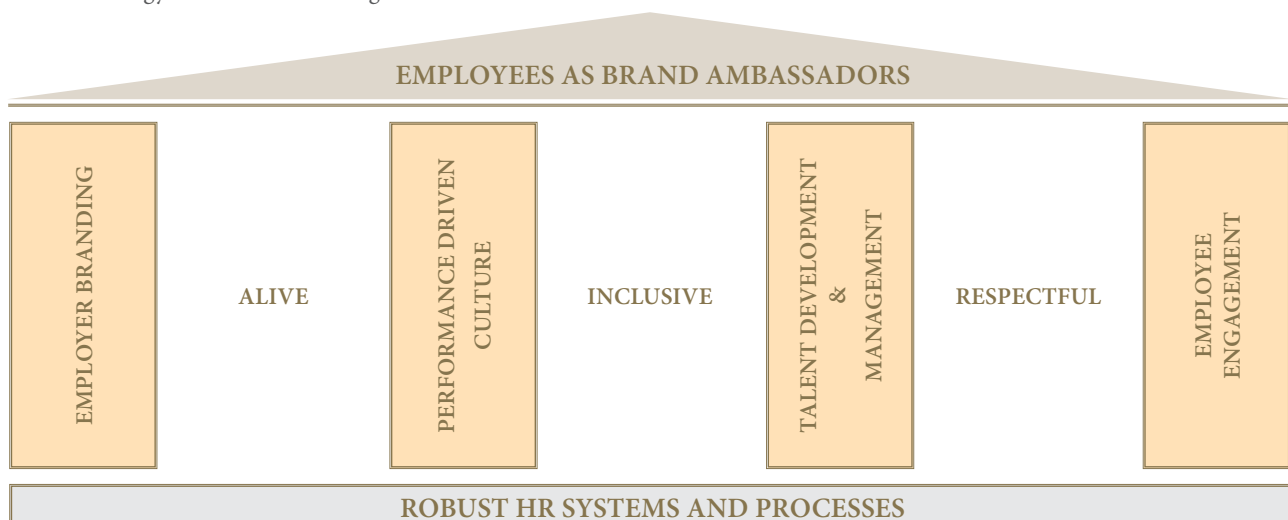
Over the course of the past year, HR has achieved progress in the areas of strategic workforce planning, talent attraction and management, recruitment, learning and development, environment, staff relations, and overall improved operational efficiencies.

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.

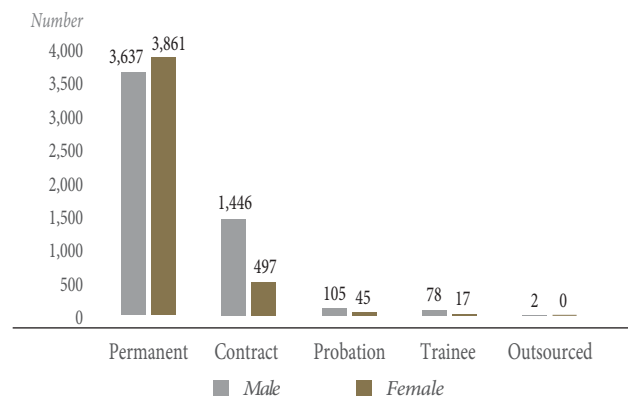
Guided by the Shop and Office Act, the Group has further enhanced the facilities provided to employees.

HUMAN CAPITAL DIVERSITY

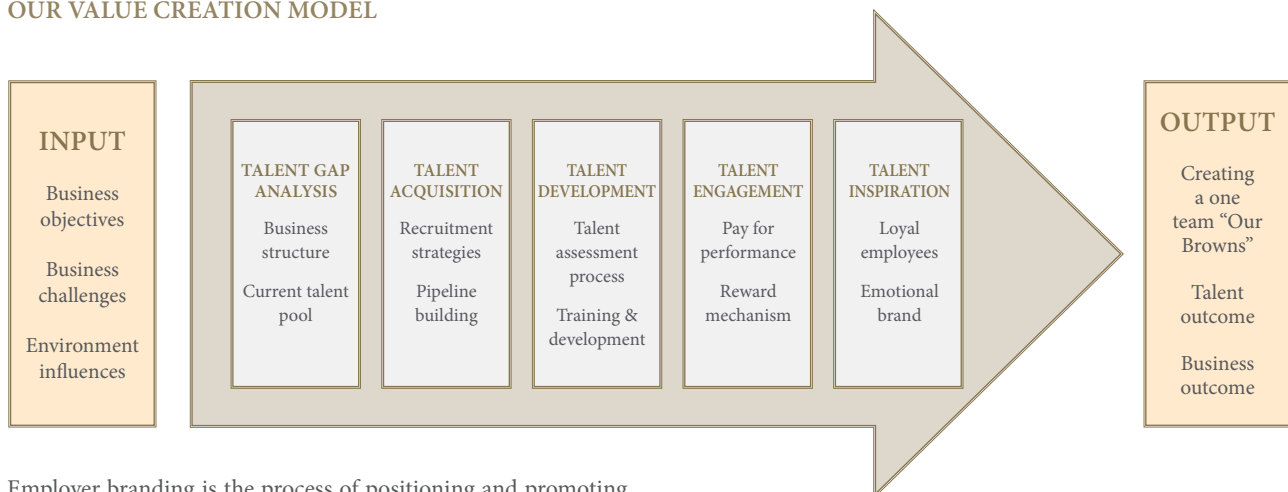
Browns, under the leadership relooked and reassessed productivity levels of the employees and by 31st March 2017 the following cadre was arrived at:

	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

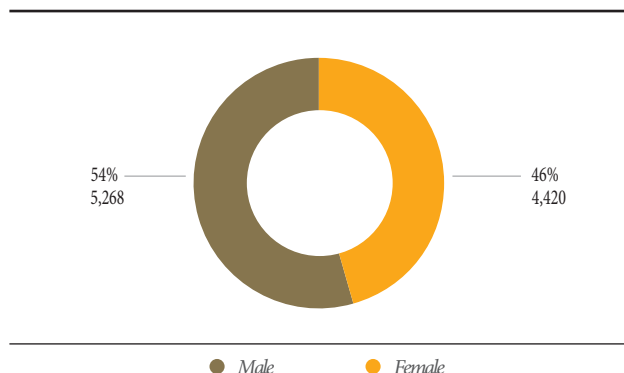


OUR VALUE CREATION MODEL

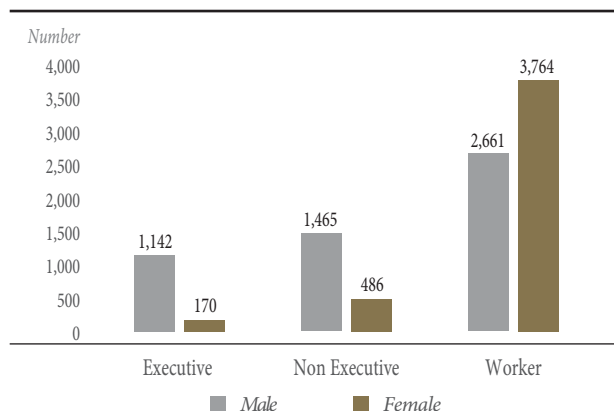


Employer branding is the process of positioning and promoting an organisation as the employer of choice to a desired group that the Company desires to recruit and retain. This process facilitates Browns' ability in attracting, recruiting and retaining ideal employees, also referred to as 'Top Talent'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

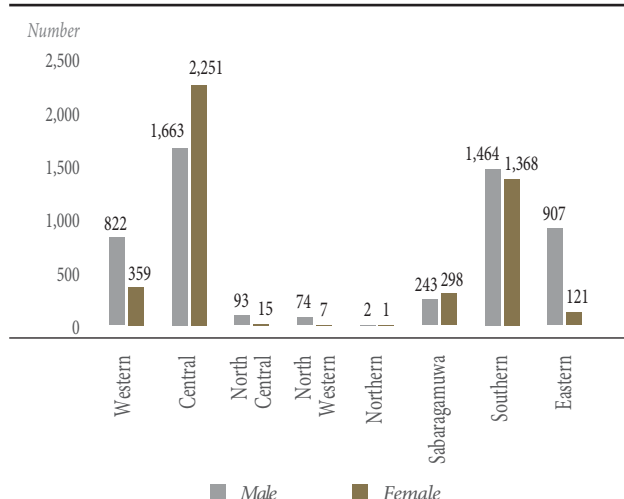
COMPOSITION OF WORKFORCE



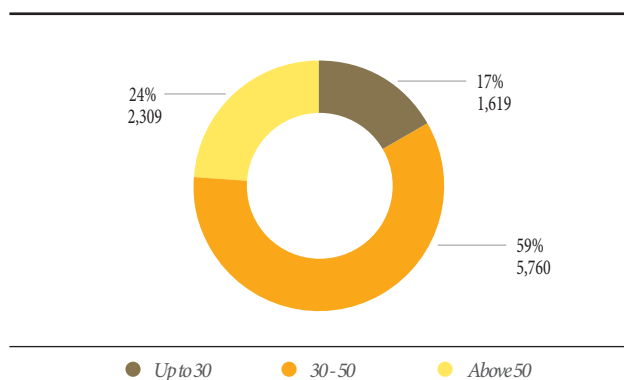
WORKFORCE BY EMPLOYMENT TYPE



WORKFORCE BY REGION



NUMBER AND PERCENTAGE OF EMPLOYEES BASED ON AGE



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

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.

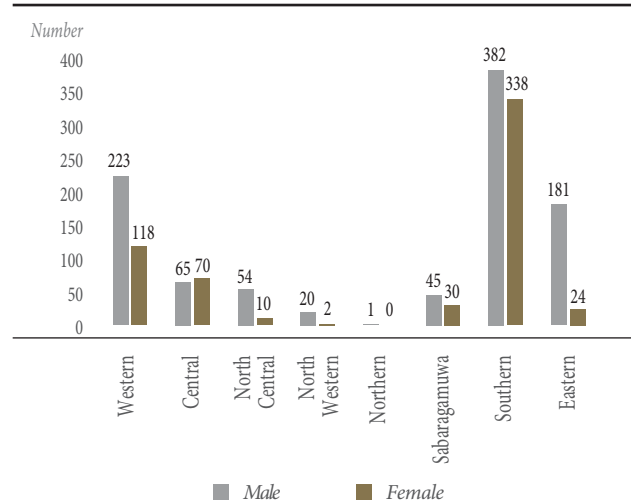
As a further step towards talent acquisition, we have established strong relationships with many universities and educational institutions in Sri Lanka, which will assist us in attracting qualified graduates for the vacancies that open up at Brown and Company PLC. We have also partnered with various 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.

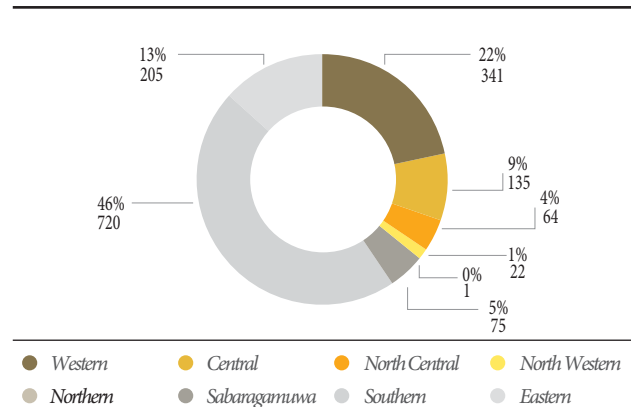
NUMBER AND RATE OF NEW RECRUITS BY GENDER & REGION

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

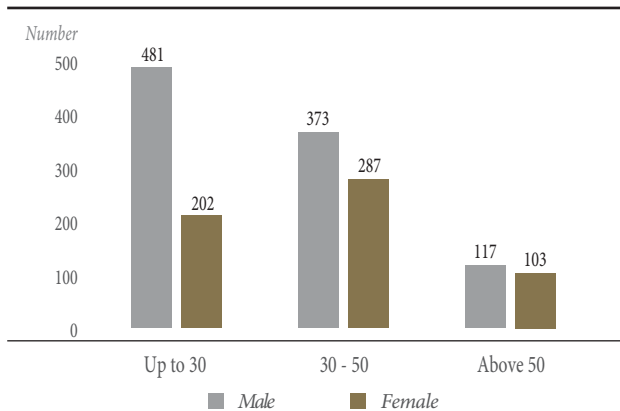
NEW RECRUITS BY REGION



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 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.



HUMAN CAPITAL

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.

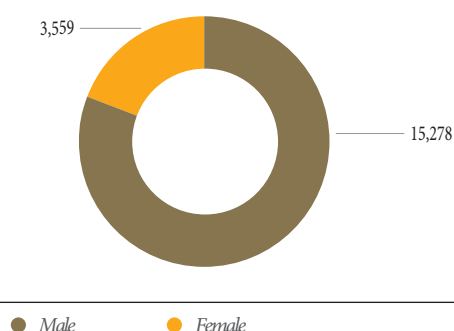
We are also in the process of developing a structured talent review process encompassing the following objectives.

- 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.



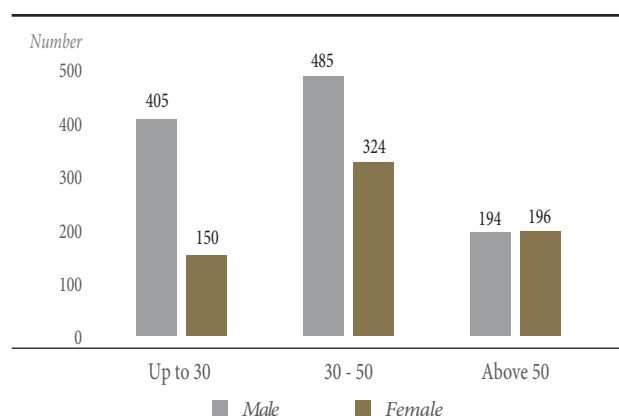
ATTRITION RATE

Workforce optimisation is treated as a continuous process that takes place throughout the year, taking employee performance, business needs, and people's 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.

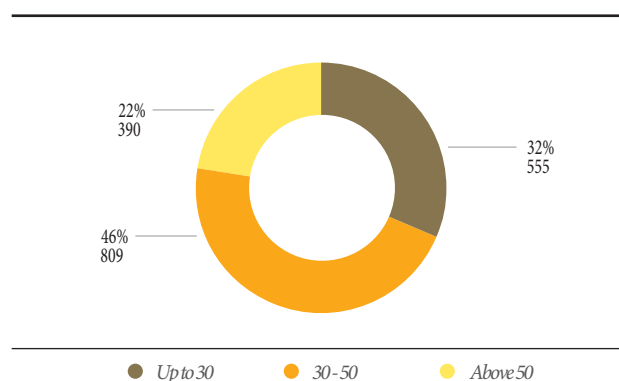
NUMBER AND RATE OF EMPLOYEE TURNOVER BY GENDER & REGION

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

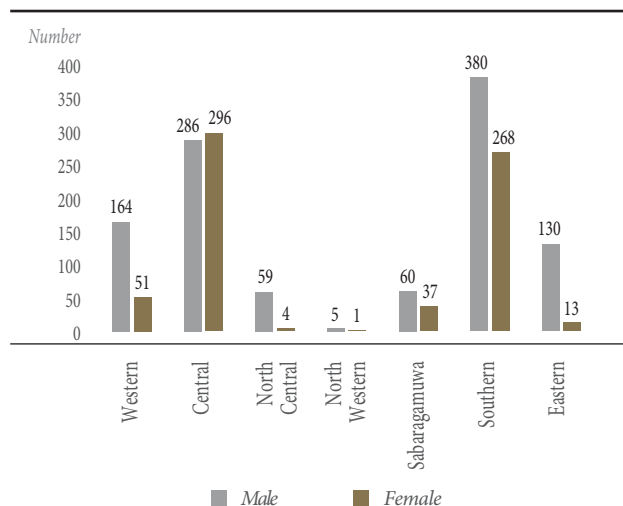
EMPLOYEE TURNOVER BY AGE



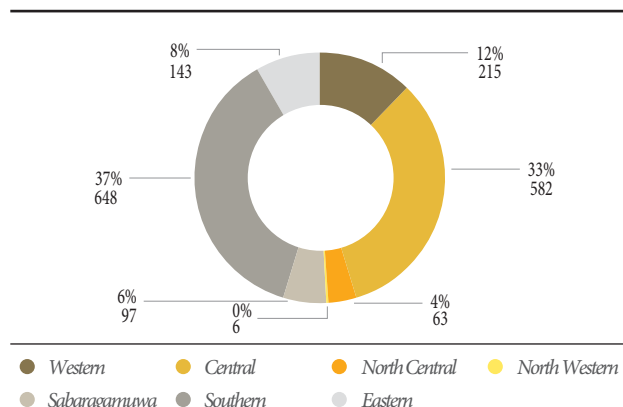
NUMBER AND PERCENTAGE OF EMPLOYEE TURNOVER BY AGE



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



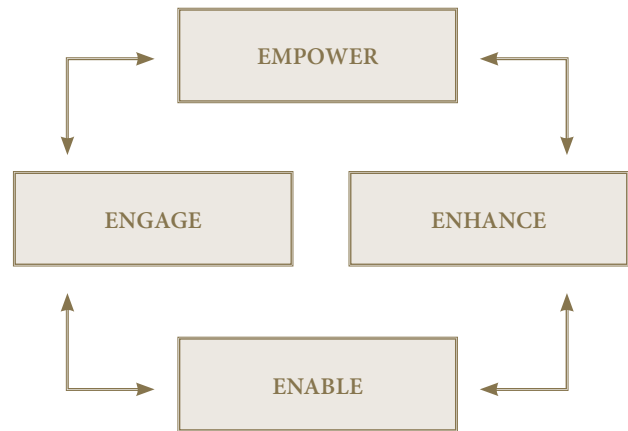
Browns is committed to providing employees with a stable work environment that includes equal opportunities for learning and personal growth. The Group's central Human Resources function is tasked with establishing, administering and effectively communicating corporate values, policies and practices 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



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.

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.



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

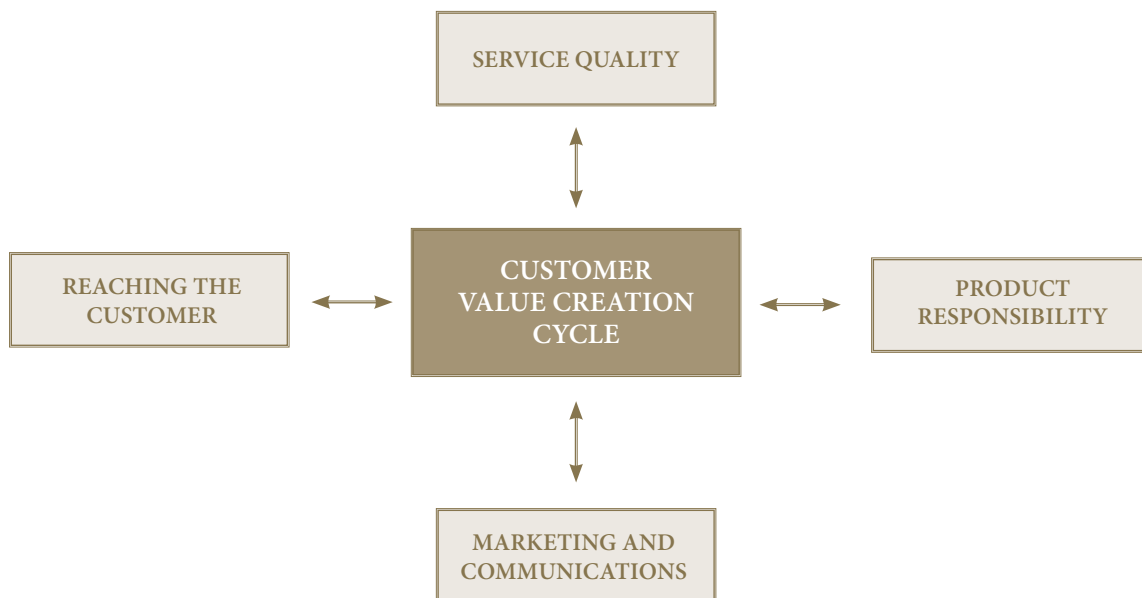
CUSTOMERS



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.



SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNER / BRAND	COUNTRY OF ORIGIN	LENGTH OF PARTNERSHIP (YEARS)	DESCRIPTION
	India	91	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.
	Canada	64	Massey Ferguson Limited is an American-owned major manufacturer of agricultural equipment until recently based in Brantford, Ontario, Canada.
	Japan	31	Makita Corporation is a manufacturer of power tools is based in Anjō, Japan, and operates factories in Brazil, Canada, China, Japan, Mexico, Romania, the United Kingdom, Germany and the United States.
	Taiwan	31	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.
	Japan	31	Sharp Corporation is a Japanese multinational corporation that designs and manufactures electronic products, headquartered in Abeno-ku, Osaka.
	Singapore	22	Zagro is the leading manufacturer and distributor of crop care, animal health and public health products in Asia Pacific.
	USA	22	MSD Animal Health offer one of the industry's most innovative portfolios, not only of products, but also of services and technologies, to prevent, treat and control diseases across all major farm and companion animal species.
	Ireland	21	FG Wilson offers reliable, fuel-efficient diesel and gas generator sets manufactured to the highest standards.
	India	14	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.
	China	11	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.

NATURAL CAPITAL

OVERVIEW

As a Group, we believe that a balanced approach is necessary to ensure environmental sustainability whilst supporting economic and business growth. As such, persistent efforts are made to reduce the group's environmental footprint by focusing on the efficiency of our natural inputs and minimising adverse environmental impacts.

Having identified areas where we can make a positive change, we continue to refine the policies and practices adopted by companies across the Group, to sharpen their alignment with Browns Group's overall environmental objectives.

Given the Group's diverse business interests, our efforts focus on the following areas where we can make a clear difference.

WATER MANAGEMENT

It is vital to conserve water to ensure a supply chain of clean water especially with the threat of global water scarcity looming. The Browns Group has promoted sustainable practices in water usage, while ensuring a smooth supply of clean water to all employees.

Water Usage

The Group withdrew a total of 94,175,000 Liters of water during the year 2016/17 from National Water Supply and Drainage Board.

ENERGY MANAGEMENT

Energy Efficiency

Energy efficiency is now a major priority for the Browns Group, particularly as rapid business growth in the recent past has led to higher energy consumption levels year-on-year. Efforts to cut consumption include an ongoing programme to replace existing lighting with energy-efficient lighting that turns off when spaces are unoccupied, along with regular awareness sessions to imbue energy saving practices in the day-to-day operations of each business unit.

Electricity Consumption

During the year under review, the Group's electricity consumption was 54,234 GJ.

Alternative Energy

Case study 01 (Manufacturing – AgStar PLC)

AgStar PLC uses one of its key by-products of rice milling - the paddy husk - as a source of energy to fire its boiler during the process of rice steaming, thus eliminating the need to dispose of the husk and reducing what is sent to landfills. Further, the Company is also exploring ways to produce organic fertiliser using the large quantity of ash generated during the husk-burning process.

Case study 02 (Plantations & Renewable energy – Gal Oya Plantations)

Gal Oya Plantations generates 20% of its energy requirement within the factory through the use of steam-fired boilers, which are powered by Bagasse, the fibrous matter that remains after the crushing of sugarcane to extract juice.

Meanwhile, with the completion of the proposed distillery plant, 75 to 80% of the energy requirements of the factory would be met by Biogas, which would significantly reduce the dependency on fossil fuels.

Renewable Energy (Plantations & Renewable energy – Saga Solar)

In keeping with the goal to pursue alternative energy sources, Saga Solar (Pvt) Ltd initiated efforts to commission the country's first-ever utility scale Solar Farm. Located in Buruthakanda, Hambantota, which has the highest solar irradiation in Sri Lanka, the farm will house 48,000 Polycrystalline solar panels, with a capacity of 10 Mw and will be capable of contributing 20 million units annually to the national electricity grid.



NATURAL CAPITAL

Having identified areas where we can make a positive change, we continue to refine the policies and practices adopted by companies across the Group, to sharpen their alignment with Browns Group's overall environmental objectives

WASTE MANAGEMENT

Material Waste

Paper remains necessary to our operations and is the single largest material consumed across the Group. We continue to examine the paper use in each business unit to identify opportunities to reduce the volume of material we print, wherever possible and practical.

Effluents (Healthcare – Browns Hospitals)

All wastewater generated as a part of the day-to-day operations of Browns Hospitals is first treated at the in-house wastewater treatment plant prior to its release to the environment. Meanwhile, clinical waste is collected by a Central Environmental Authority (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 is collected at a separate biomedical waste storage chamber to prevent odour generation and spill runoffs during the handling process.

Wastewater (Manufacturing – AgStar PLC)

Being a highly water-intensive process, AgStar PLC's Rice Milling Plant consumes large volumes of water on a daily basis, while reducing the water footprint remains a major concern for the Company. Hence, all water used during the milling process is first filtered through the CEA approved, in-house water treatment plant, prior to its release to the environment. Of the water treated on a daily basis, over 90% is released back to the environment.



Clean Air (Plantations & Renewable energy – Gal Oya Plantations)

Gal Oya Plantations' main crop – sugarcane, is a C4 type plant, which during Photosynthesis promotes the efficient operation of the Calvin-Benson cycle and minimizes photorespiration, thereby extracting more Carbon Dioxide from a given amount of air than other plants. Moreover, sugarcane is a C4 plant that grows throughout the year and also helps prevent water loss in dry climates.

Biodiversity Conservation (Plantations & Renewable energy – Maturata Plantations)

As a part of the efforts to increase the forest cover surrounding the estates, Maturata Plantations, carry out targeted conservation and habitat enrichment activities, aimed at preserving the waterways and tributaries in the up-country Montane Forests and low-country Tropical Rain Forests. Meanwhile, the Company has implemented an ongoing replanting programme to grow commercial timber and other commercially viable crops, in order to promote better land management practices, while terracing, mulching, weeding and growing of Manaa grass aim to prevent soil erosion on degraded tea lands.

Recycling (Trading – Battery division)

Browns Battery Division recycles all components of used lead batteries. 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 in turn 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 which turns the acid into water. The water is treated, cleaned and tested to be sure that it meets clean water standards and then released into the public sewer system.

MANUFACTURED CAPITAL

OVERVIEW

The components of the Group's Manufactured Capital as shown in the diagram below, include both 'hard' and 'soft' elements. Manufactured Capital of the Browns Group is a mix of its building, property plant and equipment and branch network. Even though it is not a cardinal aspect of the revenue generation process of the Group, it is an integral part of the Group's value creation process.

The Browns Group follows three main strategies: expansion of customer touch points, introducing innovative products and process improvements focusing on customer satisfaction. All the above options require investment in fixed assets, which in turn will create value to the company by generating future cash flows. We continue to invest in our branch network and technology infrastructure to create a Group more accessible to its customers.



The following table details the key aspects of our Manufactured Capital classified based on key sectors:

SECTOR	NET CARRYING VALUE AS AT 31ST MARCH 2017		
	LAND	BUILDINGS	TOTAL
Trading	2,623,234	43,994	2,667,228
Plantations, Renewable Energy	-	88,371	88,371
Travel, Leisure & Entertainment	5,456,174	4,191,539	9,647,713
Investments	550,408	24,694	575,102
Real Estate	59,201	255,998	315,199
Healthcare	237,502	699,455	936,957
Total	8,926,519	5,304,051	14,230,570

INTELLECTUAL CAPITAL

OVERVIEW

The Intellectual Capital of the Browns Group is increasingly an important part of running a successful business and for value creation. Although physical and financial assets are important, a Group Intellectual Capital encompasses the applied experience, organisational technology, customer relationships and corporate reputation that provide it with a competitive advantage in the market.

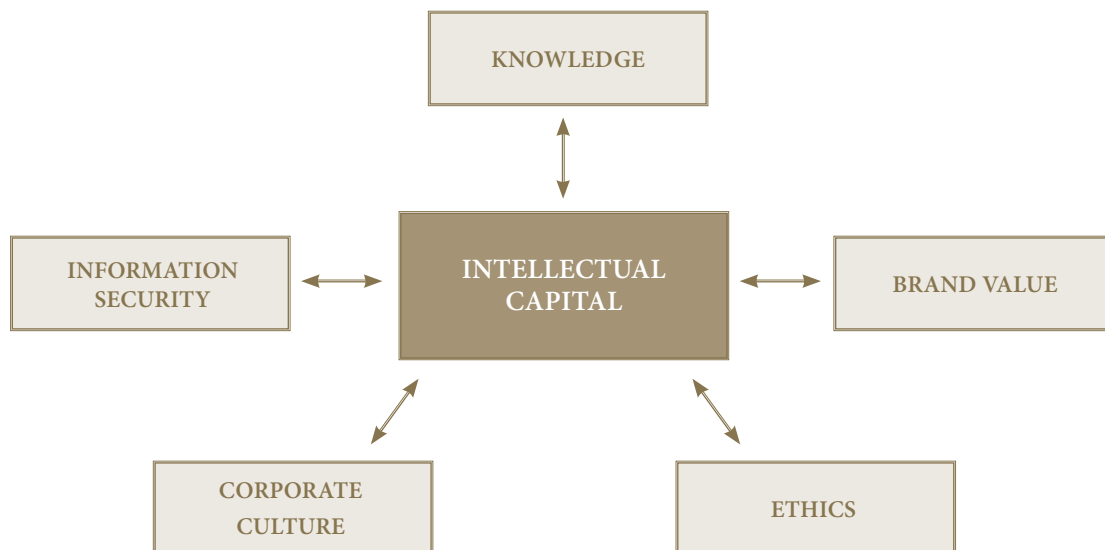
The Group is aware that maintaining a growth level above the industry average and its sustainable competitive advantages are no longer driven only by investing in physical assets such as an office, but by investing in and managing Intellectual Capital.

Measuring intellectual property is important so that the Group knows what it owns, but it does not capture the processes required to reach that stage. Intellectual Capital can be both the end result of a knowledge transformation process or the knowledge that is transformed into intellectual property. Intellectual capital model is illustrated below.

BRAND VALUE

Brand Value reflects the image of the Group in the eyes of customers - existing or potential - and other important stakeholders. Since the Browns Group recognizes the importance of brand as a key value driver, the Group is constantly striving to preserve and nurture it. Over the past years and more, the Browns Group has been building its image by studying customers - actual and potential - and developing suitable financial solutions for them. The value which the Group provides to stakeholders has its return in the Brand Value the Group derives for itself.

The Browns Group could scarcely believe that the customers' perception about services provided to them could become stronger than the advertisements and promotions that the Group uses for awareness purpose. The Group's initiatives will also tempt competitors to follow Browns Group's lead and become environment friendly in their operations, thereby widening the circle of influence.



WORLD OF BROWNS



Browns is a household name across Sri Lanka, synonymous with trust, reliability and quality since the Company's inception in 1875. Its strong acceptance across generations of customers has instilled a deep-rooted sense of loyalty, such that customers have rallied around the Browns label even during times of challenge and adversity. The Group maintains a portfolio of world-class brands across varied business segments, including agricultural

machinery, power generation tools, consumer electronics, marine engines, business automation, tourism and much more. All of its products are supported by unmatched services, marking the evolution of Browns from a marketer of products, to a complete solutions provider. The Group invests heavily in brand building activities, continuously assessing customer requirements and developing solutions to meet changing needs and staying relevant to the business segments it operates in.

Driven by a philosophy of keeping the 'customer' as its central focus, the Group has been able to maintain leadership in many segments that it operates in by closely identifying the needs and wants of its diverse customer segments. Brand portfolio of Browns is listed below.

TRADING

AGRICULTURE



BATTERY & GENERATORS



PHARMACEUTICALS



GENERAL TRADING



A DISTINCTIVE LEGACY

INTELLECTUAL CAPITAL

HOME AND OFFICE SOLUTIONS



SHARP

DocuLine
DRIVING YOUR DOCUMENT BUSINESS

BG
#TOWARD A NEW

vivitek
Vivid Color, Vivid Life

OLYMPUS
Your Vision, Our Future

 **SCAN COIN**

 **Pitney Bowes**

PLANTATION SUPPORT



MFG

Benson Corporation



GIMPEX

GREENLEAVES & MACHINES PVT. LTD.

MARINE SERVICES

YANMAR

DMT

PARSUN

CONNOLLY
WATER SPORTS PRODUCTS

ASHOK LEYLAND

TOKYO COMPASS

 **ATS ELGI**
THINK LONG RUN

DONG-I
INDUSTRIAL CO. LTD.

BOILER

 **COCHRAN**

VBC

ENERGY SAVING BANK
DAELIM ROYAL BOILER

HEAVY MACHINERY

SAKAI

HITACHI

HITACHI SUMITOMO

OKADA

MANUFACTURING

THERMAL ENGINEERING

RADCO

AJAX ENGINEERING



AGSTAR FERTILIZERS



HEALTHCARE

BROWNS HOSPITALS



INVESTMENTS

BROWNS INVESTMENTS



PLANTATIONS & RENEWABLE ENERGY

BROWNS PLANTATIONS



GAL OYA PLANTATIONS



TRAVEL & LEISURE

BROWNS HOTELS & RESORTS



Riverina Resorts

CEYLON ROOTS & BROWNS TOURS



BG AIR SERVICES



EXCEL WORLD



REAL ESTATE

BROWNS INDUSTRIAL PARK



BROWNS PROPERTIES



INTELLECTUAL CAPITAL

The Group is aware that maintaining a growth level above the industry average and its sustainable competitive advantages are no longer driven only by investing in physical assets such as an office, but by investing in and managing Intellectual Capital.

CORPORATE CULTURE

There are six facets of Company culture; excellence, ethics, professionalism, transparency, innovation and quality. These values are the underlying philosophies which form the basis for the Browns Group's strategic plans and actions. The end result is a service of the highest standard to customers and other stakeholders.

KNOWLEDGE

The Browns Group's strategy in creating a knowledge base was through combining a tacit and explicit knowledge pool. This included the recruitment, development and retention of Browns Group's Human Capital.

The Browns Group possesses a vast reservoir of knowledge that is strengthened by expertise and an experienced workforce to conduct business affairs. This pool of knowledge comprises the operational team to the Board of Directors, which includes professionals with diverse qualifications and expertise. The necessary strategic direction is provided to sustain Browns Group's position in the industry. However, this needs to be backed up by competent employees with the required levels of knowledge and expertise at each level. Prospective employees are carefully screened through the recruitment process and attracted by remuneration and other benefits. The opportunities the Browns Group offers for career growth ensure an expected rate of retention even in the present environment where employees are enticed by numerous other opportunities.

The Browns Group is generous with employee training and opportunities for development. Further, the Group gives them access to the latest industry knowledge as well, ensuring that they stay up-to-date. The processes and procedures that have been developed over the years are invaluable for the Group. In developing new products and services, the Company adheres to a very comprehensive and systematic process with the help of the management in generating new ideas and training the best.

ETHICS

The Group believes that commitment to ethical conduct offers one of the strongest returns on investment across the Company. It helps to attract and retain customers, business partners, and

talented employees. As Browns enters new markets and offers new products and services, ethical challenges and concerns may arise. Browns's commitment to ethical behaviour is guided through a Code of Conduct, our business decisions and how the Group approaches technological advances.

A whistle-blowing policy endeavours to encourage all personnel to raise concerns, expose irregularities, help uncover financial malpractices and prevent frauds without any fear of reprisal or adverse consequences. Employees are trained to operate within the set parameters and organisational values to avoid any unlawful and unethical activities. Employees at every level are encouraged to report any sort of activity that can be determined to be unlawful or unethical and will be reviewed through a committee comprised of senior management.

More details pertaining to ethical practices are contained in the segment on 'Corporate Governance' appearing on pages 114 to 137.

INFORMATION SECURITY

The Browns Group is constantly exploring further innovative ways to use the IT platform to provide more innovative products and a superior service to customers. Over the years, Browns has been able to be in line with the rapid technological advancements, thereby providing a constant and consistent service to a growing customer base. State-of-the-art features have been implemented, allowing customers to rapidly connect with the Group even if they are located in rural and remote areas. Intensive use of technology contributes to significantly enhance the delivery of services and it has become one of the Group's competitive advantages. Browns prioritises efforts in the development of platforms and services that use the best technology for the purpose of simplifying and making easier the lives of all stakeholders by focusing on mobility and convenience.

Furthermore, LOLC Technologies which is the IT arm of the Browns Group continued to comply with globally accepted ISO standards in Service Delivery (ISO 20000), Information Security (ISO 27001) and Service Quality (ISO 9001), making LOLC Technologies the only conglomerate ICT unit to be backed by all three standards.

FUTURE OUTLOOK

Browns Group with a heritage of over 142 years and with the trust it has built among the general public, will be the key to success. Browns will further strengthen its brand and product portfolio to serve its customers and stakeholders at its best while focusing on sunshine and sunrise industries in the country and the Globe. Divisions and Companies under Brown and Company PLC will expand their product ranges in order to remain the market leader in the sectors where Browns dominate and the others will enhance their share in the market with added products and services. Companies under Browns Investments PLC which are strategic investments will be evaluated closely and will acquire and divest the investments when the expected returns are generated. Focus will be put to sunrise and sunshine industries and will maximize opportunities which arise in these industries.

Our purpose and principles will add a layer of richness to our strategy, driving a deeper connection between our people and the brand. They also underline the importance of the role every single employee has in enabling us to consistently deliver an excellent client experience. We will continue to fulfill all legal, economic, philanthropic and societal responsibilities to all stakeholders; give back to the community and protect the ecological environment; maintain a positive and constructive engagement with the

regulators by duly paying all the taxes to the government; full compliance with all the regulatory requirements; and appropriate participation in industry forums.

We are enthusiastic about the prospects for the industries we operate in the future and believe that the macro economic situation too will be supportive for our growth. We strive to benchmark the industry through dynamic products and solutions that leverage on advanced IT platforms. Our business model focuses on customer convenience and protection. Browns will continue to build our relationship with our business partners with a view in achieving sustainable growth for the long term. The objective of Browns is to provide long-term protection and security for the future of our next generation. The nurturing and mentoring role we have adopted ensures the well-being, health and financial security of our stakeholders. Our commitment to the environment is born out of this desire to extend the platform of protection to include our natural resources. The Company will strategically invest in manufactured capital to achieve its ultimate goal. Further, manufactured capital will be used to provide unmatched end customer experience which will set industry benchmarks. Leveraging on the Browns brand onto all business process and activities will be the key in the future.

INDEPENDENT ASSURANCE REPORT



KPMG
(Chartered Accountants)
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INDEPENDENT ASSURANCE REPORT TO BROWN AND COMPANY PLC

We have been engaged by the Directors of Brown and Company PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2017. The Sustainability Indicators are included in the Brown and Company PLC's Integrated Annual Report for the year ended 31 March 2017 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

ASSURED SUSTAINABILITY INDICATORS	INTEGRATED ANNUAL REPORT PAGE
Financial Highlights	20

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

ASSURED SUSTAINABILITY INDICATORS	INTEGRATED ANNUAL REPORT PAGE
Non-Financial Highlights	21

Information provided on following capitals.

■ Financial	68-70
■ Human	71-80
■ Social and Relationship	81-88
■ Natural	89-90
■ Manufactured	91
■ Intellectual	92-96

OUR CONCLUSIONS:

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2017 are, in all material respects, prepared and presented in accordance with the Global Reporting Initiative (GRI) G4 Content Index Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2017, have not in all material respects, been prepared and presented in accordance with the GRI G4 Content Index Guidelines.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the GRI G4 Content Index Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and

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
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACMA (UK)



Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

OUR RESPONSIBILITY

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the GRI G4 Content Index Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with Senior Management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;

INDEPENDENT ASSURANCE REPORT



- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

PURPOSE OF OUR REPORT

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the GRI G4 Content Index Guidelines and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS

Colombo
20th June 2017

GRI G4- CONTENT INDEX

GENERAL STANDARD DISCLOSURES

	DESCRIPTION	PAGE REFERENCE	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision maker of the organisation	22-26	None
ORGANISATIONAL PROFILE			
G4-3	Report the Name of the Organization	6	None
G4-4	Report the primary brands, products, and services	8-9	None
G4-5	Report the location of the organization's headquarters	10-11	None
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Only in Sri Lanka	None
G4-7	Report the nature of ownership and legal form	272	None
G4-8	Report the markets served	10-11	None
G4-9	Report the scale of the organization	8-9, 68-70	Yes
G4-10	Report employees by contract and gender	72-73	Yes
G4-11	Report the percentage of total employees covered by collective bargaining agreements	79	None
G4-12	Describe the organization's supply chain	87	None
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	16-17	None
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	7	None
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	6	None
G4-16	List memberships of associations	65	None
G4-17	List all entities	12-13	None
G4-18	Aspect Boundaries	64	None
G4-19	List all the material Aspects identified in the process for defining report content	65	None
G4-20	Report the Aspect Boundary within the organization	65	None
G4-21	Aspect Boundary outside the organization	65	None
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	162	None
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	65	None
STAKEHOLDER ENGAGEMENT			
G4-24	Provide a list of stakeholder groups engaged by the organization	60	None
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	59	None
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	61	None

GRI G4- CONTENT INDEX

	DESCRIPTION	PAGE REFERENCE	EXTERNAL ASSURANCE
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	62-63	None
REPORT PROFILE			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	6	None
G4-29	Date of most recent previous report	FY ended 31st March 2016	None
G4-30	Reporting cycle	Annually	None
G4-31	Provide the contact point for questions regarding the report or its contents	7	None
G4-32	Report the 'in accordance' option	Core, 101-103	None
G4-33	External Assurance	98-100	None
GOVERNANCE			
G4-34	Report the governance structure of the organisation	115	None
ETHICS AND INTEGRITY			
G4-56	Describe the organization's values and codes of ethics	121	None

SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DMA AND INDICATORS	DESCRIPTION	PAGE REFERENCE	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC				
Economic Performance	G4- DMA		68-70	Yes
	G4-EC1	Direct economic value generated and distributed	70	Yes
Market Presence	G4- DMA		80	Yes
	G4-EC5	Ratios comparing the wages paid to the minimum wage by gender	80	Yes
Indirect Economic Impacts	G4-DMA		81-83	Yes
	G4- EC8	Significant Indirect Economic Impacts and the extent	81-83	Yes
CATEGORY: ENVIRONMENTAL				
Energy	G4-DMA		89	Yes
	G4-EN3	Energy consumption within the organisation	89	Yes
Water	G4-DMA		89	Yes
	G4-EN8	Total water withdrawal by source	89	Yes
CATEGORY: SOCIAL				
Sub Category: Labour Practices and Decent Work				
Employment	G4-DMA		73-75, 78-79	Yes
	G4-LA1	Total no. and rates of new employee hires and turnover by age group, gender, and region.	73-75, 78-79	Yes
	G4-LA2	Benefits provided to full time employees only	75	Yes
Labour & Management Relations	G4-DMA		80	Yes
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	80	Yes
Occupational Health & Safety	G4-DMA		80	
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	80	Yes

MATERIAL ASPECT	DMA AND INDICATORS	DESCRIPTION	PAGE REFERENCE	EXTERNAL ASSURANCE
Training and Education	G4-DMA		76-77	Yes
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	21, 76	Yes
Diversity and equal opportunities	G4-DMA		71-73	Yes
	G4-LA12	Breakdown of diverse employees per employee category	72-73	Yes
Equal remuneration for women and men	G4-DMA		75	Yes
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	75	Yes
Labour Practices	G4-DMA		79	Yes
Grievance Mechanisms	G4-LA16	Number of grievances about labour practices filed, addressed and resolved through form	79	Yes
Sub Category: Human Rights				
Non-discrimination	G4-DMA		75	Yes
	G4-HR3	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	75	Yes
Freedom of Association and Collective Bargaining	G4-DMA		79	Yes
	G4-HR4	Operations and suppliers identified as having significant risk for incidents of rights to exercise freedom of associations and collective bargaining may be violated and measures to support these rights	79	Yes
Child Labor	G4-DMA		79	Yes
	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour and measures to eliminate all forms of such risks	79	Yes
Forced or Compulsory Labour	G4-DMA		79	Yes
	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced / compulsory labour and measure to eliminate all forms of such risks	79	Yes
Indigenous Rights	G4-DMA		79	Yes
	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	79	Yes
Human Rights Grievance Mechanisms	G4-DMA		79	Yes
	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	79	Yes
Sub Category: Society				
Local Communities	G4-DMA		81-83	Yes
	G4-SO1	Percentage of operations that engage local communities and their impacts assessed and development programs	81-83	Yes
Sub Category: Product Responsibility				
Marketing	G4-DMA		86	Yes
Communications	G4-PR6	Significant fines for non-compliance concerning the provision and use of products and services	86	Yes
Customer Privacy	G4-DMA		86	Yes
	G4-PR8	Substantiated complaints received concerning breaches of customer privacy	86	Yes



STEWARDSHIP

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Governance . 138 Audit Committee Report . 139 Remuneration Committee Report .
140 The Related Party Transactions Review Committee Report .
141 Business Operations Committee Report

BOARD OF DIRECTORS



The Board is responsible for the ultimate supervision and accountability in relation to the stewardship function of the Group.

❶ ISHARA NANAYAKKARA

Executive Chairman

Mr. 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, holding directorships in many of its subsidiaries and associate companies.

Backed by over a decade of professional experience in the industry, Mr. Nanayakkara holds the role of the Chairman of Commercial Leasing & Finance PLC, one of Sri Lanka's leading financial service providers for over 28 years, as well as LOLC Life Assurance Limited. He is also the 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, LOLC Life & 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 Mr. 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, and BRAC Lanka Finance PLC. He also holds a directorship at PRASAC, the largest microfinance Company in Cambodia. Mr. Nanayakkara's interest in microfinance led to the inauguration of LOLC Myanmar Micro Finance Company Ltd, a green field investment in Myanmar in which he was the founding Chairman, and currently serves as a Director. His proficiency in micro finance 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 & LOLC Private Limited.

Mr. Nanayakkara's motivation to expand into various growth peripheries is further illustrated through his role as the Executive Chairman of Browns Investments PLC. Through various strategic investments, he is committed to catalysing development in the

growth sectors of the Sri Lankan economy. Mr Nanayakkara's involvement in the Boards of AgStar PLC, Associated Battery Manufacturers (Cey) Ltd and Sierra Construction Ltd, reflects this business philosophy.

Endorsing his entrepreneurial spirit, Mr. 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.

❷ KAPILA JAYAWARDENA

Non-Executive Director

Kapila Jayawardena holds an 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 the Country Head and the 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 the 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 General Insurance Ltd
- 3 Chairman - LOLC Securities Ltd
- 4 Chairman - Palm Garden Hotels PLC

In addition to the above, he is also the Chairman of Browns Capital PLC. He also serves on the Boards of Browns Investments PLC and Seylan Bank PLC.

BOARD OF DIRECTORS

③ 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 and Browns Capital PLC.

④ JANAKA DE SILVA

Independent Non-Executive Director

Janaka de Silva holds a B.Sc., (Ceylon) and an 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 ND Bank. 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 the Bank of Ceylon as the 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.

⑤ 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 the Vice President of the 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 Chairman of the Quality Assurance Board of Sri Lanka since its inception, 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 and the Insurance Board of Sri Lanka.

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.



CORPORATE SENIOR MANAGEMENT

We have attracted the best and the brightest talent towards building a strong team that reflects the diversity of the customers we serve.



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 C. N. RATHAKRISHNAN

Chief Process Officer



6 GUNENDRA JAYASENA

Chief Administration Officer, CEO
Browns Industrial Park Ltd and Browns
Thermal Engineering (Pvt) Ltd



7 CONRAD DIAS

Group Chief Information Officer -
LOLC Group



8 SANJAYA KALIDASA

Group Treasurer



9 SUSAAN BANDARA

Chief Officer - Marketing &
Communications



**10 DR. IRAIVAN
THIYAGARAJAH**

Chief Executive Officer- Browns
Healthcare (Pvt) Ltd and Browns
Healthcare North Colombo (Pvt) Ltd



11 JEREMY RAJIAH

General Manager - Plantation Support
Services



12 ANOJ MUNIDASA

Director / GM - Browns Thermal
Engineering (Pvt) Ltd

CORPORATE SENIOR MANAGEMENT



13 MANGALA WIJESINGHE
General Manager - Pharmaceuticals



14 NALIN JAYAWARDENA
General Manager - Consumer



15 MANOJ HADAPANGODA
General Manager - Power Systems



**16 DIMANTHA
NANAYAKKARA**
General Manager - Integrated Business
Solutions



17 AJITH DE SILVA
Deputy General Manager - Battery



18 WASANTHA BATAGODA
Deputy General Manager - Legal



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



**24 RAVEENDRINI
SENEVIRATNE**

Company Secretary - S.F.L. Services (Pvt) Ltd
Group Secretaries

CORPORATE GOVERNANCE

A high level of commitment to maintain Good Corporate Governance and Ethical Business Conduct across the operations and decision making process continued to be demonstrated at Browns during the year under review. This high standard of Governance has been a reflection of its culture, policies, relationship with stakeholders and commitment to values.

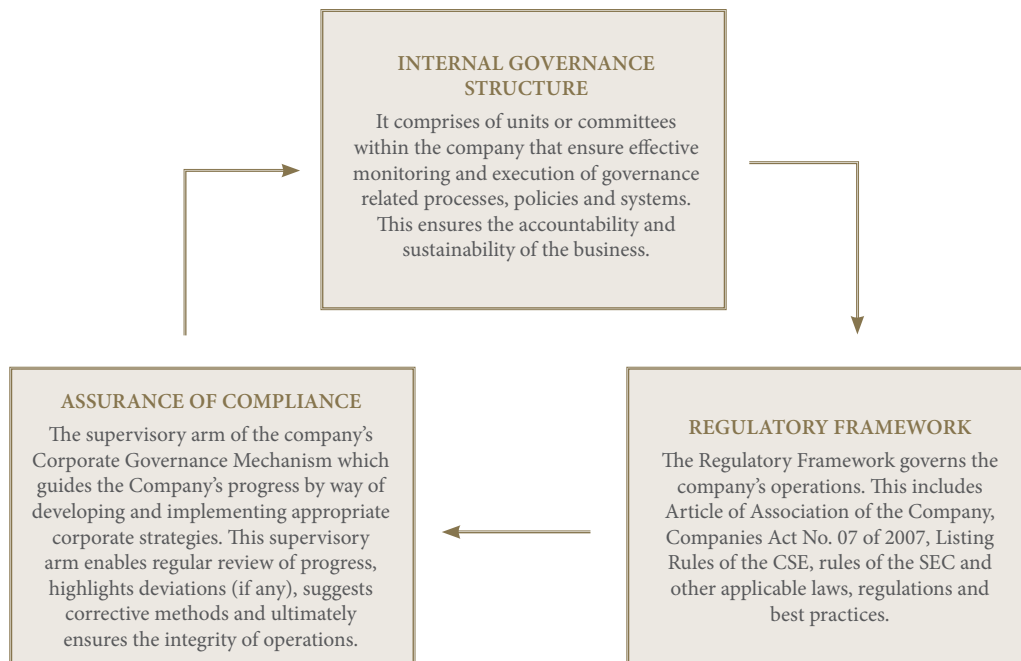
The Company holds itself accountable to the highest standards of Corporate Governance and provides public accessibility to the information of the Company. At Browns, Corporate Governance lays the basis for responsible, performance-oriented management and control which is geared towards sustainable value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

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 consistent adherence to the principles and practices of good Corporate Governance has resulted in the Company acquiring an unmatched reputation and trust of all its stakeholders.

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

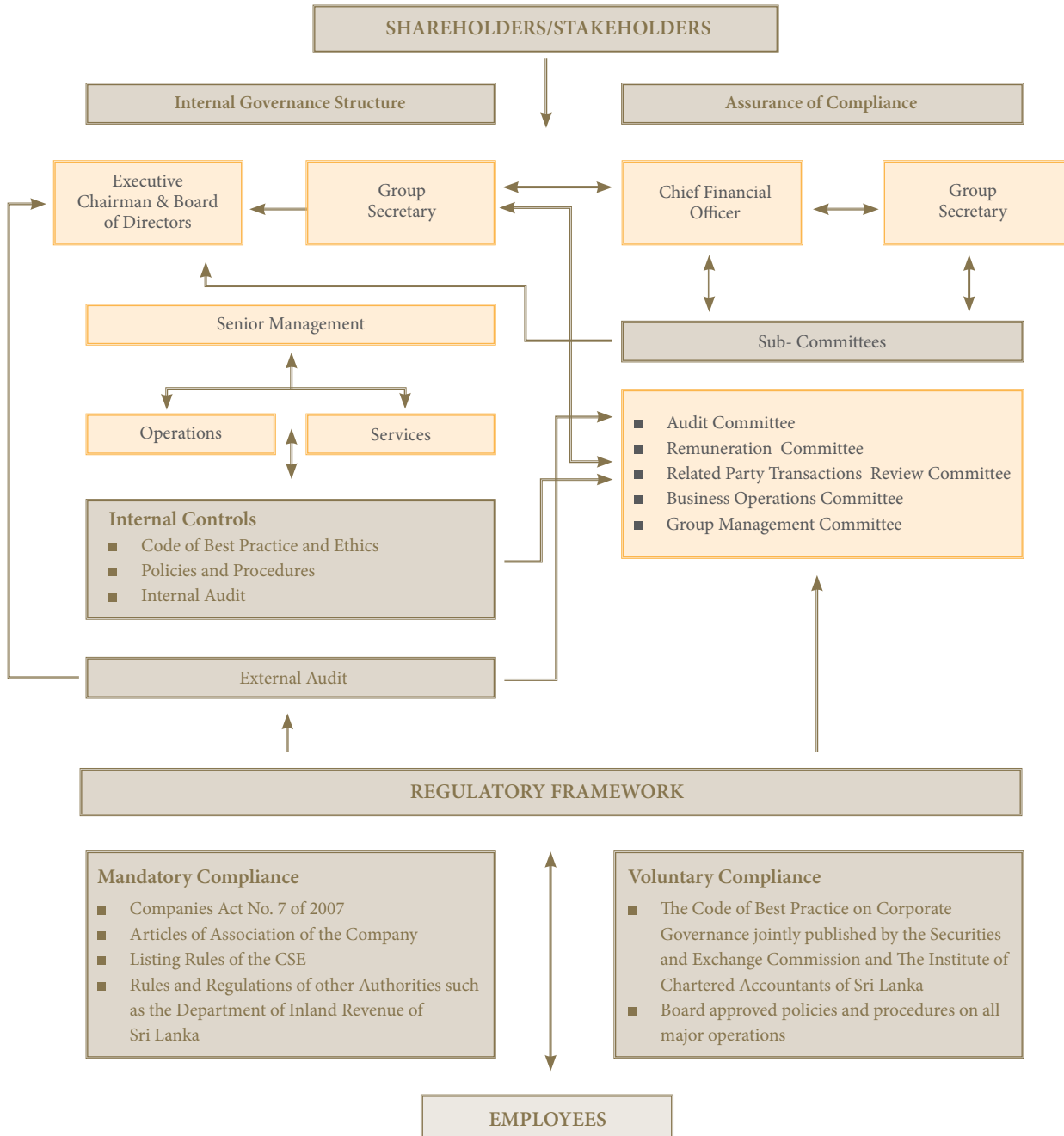
- Complying with laws, rules and regulations within the territory.
- Allegiance to the Group Values.
- Ensuring that no individual has unfettered decision making powers.
- Exercising professionalism and integrity in all business transactions.
- Timely and efficient decision making.

KEY COMPONENTS OF THE CORPORATE GOVERNANCE FRAMEWORK



These key elements are discussed in detail in this report.

CORPORATE GOVERNANCE FRAMEWORK
AT BROWNS



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

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

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. While providing leadership to the Board, the Executive Chairman encourages the participation and contribution of the Executive, Non-Executive and Independent Directors equally and takes into consideration their views on matters under deliberation.

The Executive Chairman acts as the Company's leading representative and is involved in presenting the Company's aims and policies to the external world.

Key responsibilities of the Executive Chairman are as follows;

- a) Provides leadership to the Company and ensures that the Board of Directors work effectively and discharges its responsibilities.
- b) Ensures that the Directors receive accurate, timely and clear information, 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 highest governing body of the Company. The members of the Board of Directors consist of persons who have gained eminence in industrial and professional backgrounds in a wide range of diversified fields. Their effective contribution 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.

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.

Composition of the Board

The Board's composition reflects a sound balance of independence ensuring that power is not abused in the process of decision making.

As at date, the Board consists of 5 members comprising two Non-Executive Directors, two Independent Non-Executive Directors and one 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.

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

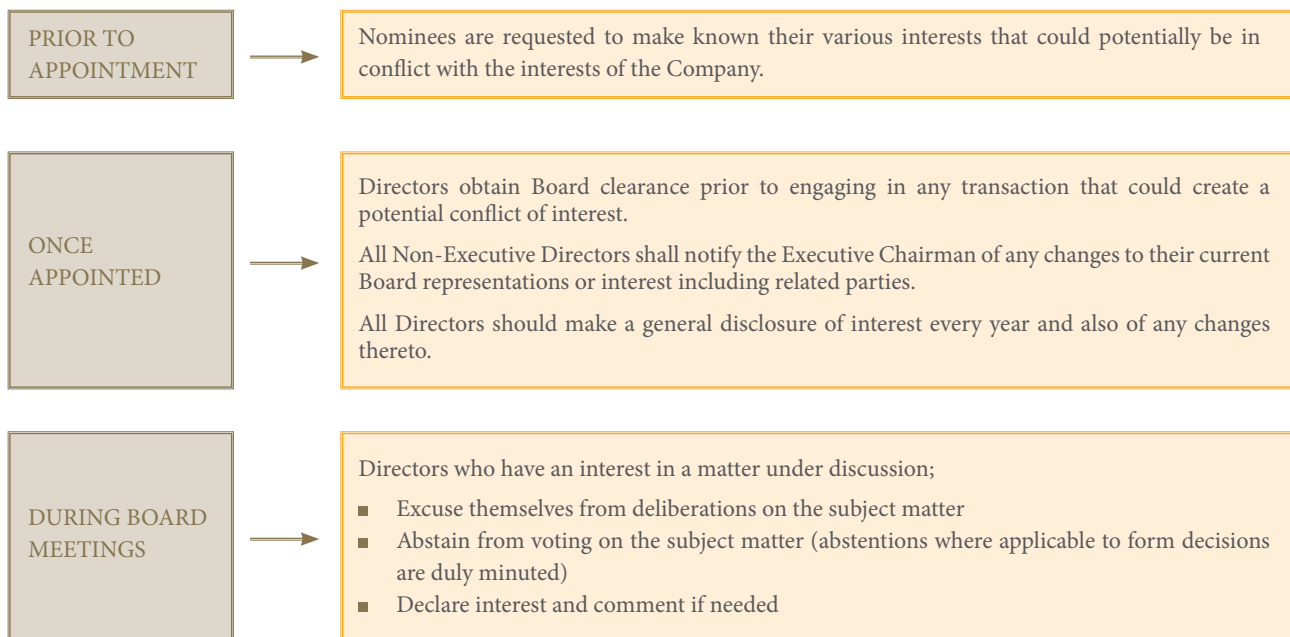
The Company is committed towards a diversified Board which provides a long term vision, thereby improving the quality of governance.

The representation 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.

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

* Deceased on 22.03.2017

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



CORPORATE GOVERNANCE

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.

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 107 to 109.

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 once in two months and gives full consideration to 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, and 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 2017 there has been a total number of six 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.

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.

NAME OF DIRECTOR	05.04.2016	31.05.2016	26.07.2016	27.09.2016	30.01.2017	14.02.2017
Ishara Nanayakkara	√	x	√	√	√	√
Kapila Jayawardena	√	√	√	x	√	√
Kalsha Amarasinghe	√	√	√	√	x	√
Rajah Nanayakkara*	x	x	x	x	x	x
Janaka de Silva	√	√	√	√	√	√
Tissa Bandaranayake	√	x	√	√	√	√

* Deceased on 22.03.2017

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

Subsidiary Companies' 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 BOARD 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 the Group 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

The compositions of the Board 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
Two Independent Non - Executive Directors	Two Independent Non- Executive Directors	Two Independent Non- Executive Directors	One Executive Director (Chairman)	One Executive Director (Chairman)
One Non-Executive Director	One Non-Executive Director	Two Non-Executive Directors	Two Non-Executive Directors	Senior Management
		One Executive Director (Chairman)		

CORPORATE GOVERNANCE

by the Internal Auditors to review the audits of the business units of the Company.

The Committee comprises

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 2017 there has been a total number of four (04) Audit Committee meetings and the attendance of the members is shown below:

The Audit Committee recommends the appointment of the Internal Auditors. The parent company's Enterprise Risk Management Team functions as the Internal Auditors.

Remuneration Committee

The Remuneration Committee assists 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 Committee comprises;

Kalsha Amarasinghe

Chairman/Non-Executive Director

Tissa Bandaranayake

Member/Independent Non-Executive Director

Janaka de Silva

Member/Independent Non-Executive Director

The detailed Remuneration Committee Report is given on page 139 of the Annual Report.

NAME OF MEMBER	DATE OF MEETING				ATTENDANCE
	12.08.2016	11.11.2016	14.02.2017	03.04.2017 (IN LIEU OF THE MEETING SCHEDULED FOR MARCH)	
Tissa Bandaranayake	√	√	√	√	4/4
Janaka de Silva	√	√	√	√	4/4
Kalsha Amarasinghe	√	√	√	x	3/4

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 page 138 of the Annual Report.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee comprises;

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 the CSE.

The Related Party Transactions 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 guidelines 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. It 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 Transactions Review Committee Report is given on page 140 of the Annual Report.

This Committee meets on a quarterly basis

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*

The Business Operations Committee Report is given on page 141 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.

CORPORATE GOVERNANCE

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.

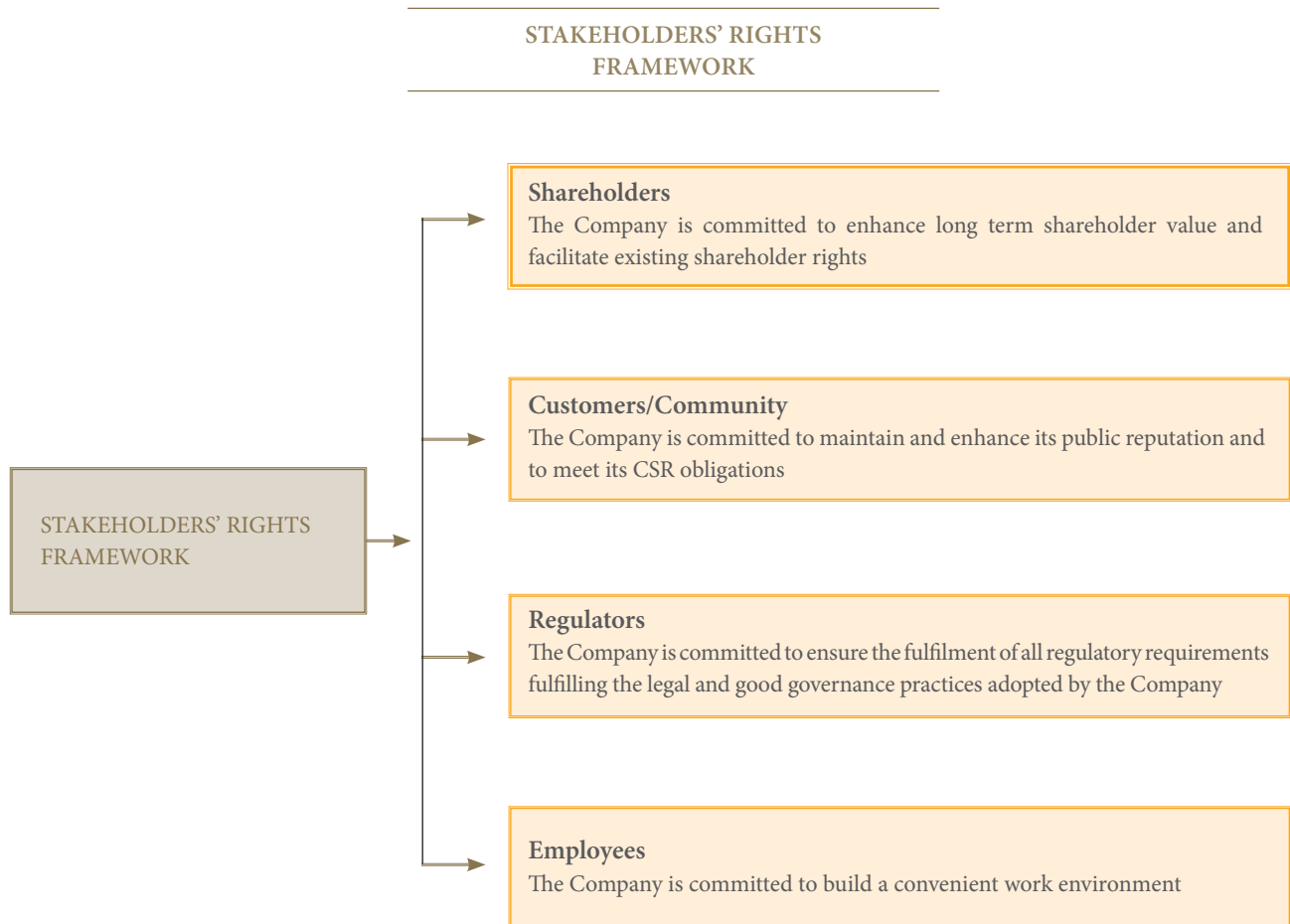
Stakeholder Engagement

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.

Shareholder Value

The Board constantly strives to enhance shareholder value.



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. 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 Quarterly Accounts in a timely manner as its principal communication with shareholders and others. This enables the stakeholders to make a rational judgement of the Company.

CORPORATE GOVERNANCE

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.

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.	√	4 out of the 5 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 based on a signed conformation obtained from the Non Executive Directors 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 Based on the declarations received from the Non Executive Directors the Board has determined that the above two directors are independent.
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 were 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.	√	Both of the Independent Directors of the Company meet the criteria for independence specified in this rule
7.10.5 Remuneration Committee			
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	√	The Remuneration Committee comprises 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.

CORPORATE GOVERNANCE

CSE RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
7.10.5 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. 2.8 million NEDs - Rs. 3.6 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 two Independent Non-Executive Directors and one Non- Executive Director.
a.2	A Non-Executive Director 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 attended 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.
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-appointment, 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

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 other month and as and when necessary.
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.
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.

CORPORATE GOVERNANCE

RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
A.1 The Board Contd.			
A.1.3. Contd.		√	<ul style="list-style-type: none"> ■ 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.
A1.7.	Board induction and training.	√	<p>In instances where Non-Executive Directors are newly appointed to the Board, they are apprised of the:</p> <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.	√	<p>Presently the Company has an Executive Chairman.</p> <p>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.</p>

RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
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 persons with adequate financial acumen and knowledge to offer guidance on matters of finance.	√	Three 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 2017, the Board consisted of 5 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 Board comprises more than two Non-Executive Directors.
A.5.3.	Definition of Independent Directors	√	Both 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.
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	√	Both of the Independent Directors of the Company meet 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.

CORPORATE GOVERNANCE

RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
A.5 Board balance			
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.	√	<p>The Board is provided with,</p> <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.
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>

RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
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 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
A.9.2.	The Board should also undertake an annual self-evaluation of its performance and that of its Committees.	√	<p>Under the areas of:</p> <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

CORPORATE GOVERNANCE

B. DIRECTORS' REMUNERATION

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 organisational 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 is determined in reference to fees paid to other NEDs 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.

RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
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. 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.
B.2.2.	Competitiveness of levels of remuneration	√	
B.2.3./ B.2.4.	Comparison of remuneration with other companies in the Group	√	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	√	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

CORPORATE GOVERNANCE

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.

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.
C.1.4.	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute.	√	Notice of the AGM and related documents are sent to shareholders along with the Annual Report, within the specified period. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.
C.1.5.	Summary of procedures governing voting at General meetings to be informed.	√	Refer Form of Proxy.
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

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 Report of the Board of Directors.
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

CORPORATE GOVERNANCE

RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
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 two Independent Non-Executive Directors and one Non-Executive Director.
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.	√	Complied with
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

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.

F. OTHER INVESTORS

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.	√	<p>The Company maintains an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties.</p> <p>Any concerns raised by a shareholder are addressed promptly and forwarded when necessary to the Company Secretary for consideration and advice.</p>
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

RULE		COMPLIANCE STATUS	THE COMPANY'S ACTION
G.1 Sustainability Reporting			
G.1.1.	Disclosure on adherence to the	√	Refer Introduction to the Report and Social and Relationship Capital Report.
G.1.7.	sustainability principles		

AUDIT COMMITTEE REPORT

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 two Independent Non-Executive Directors and one Non-Executive Director, with the Company Secretary functioning as its Secretary.

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

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 the Institute of Chartered Accountants of Sri Lanka. The Independent Non-Executive Director satisfy 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 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 meetings of the Committee on a regular basis.

MEETINGS

The Audit Committee had Four (4) meetings during the year under review. The minutes of the Audit Committee are approved and signed by the Audit Committee Chairman and subsequently circulated among the Board members. 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 adoption 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 the parent company'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.

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.

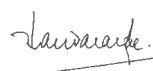
EXTERNAL AUDITORS

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 2018, 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 the CSE and the Code of Best practices on Corporate Governance issued jointly by SEC and ICASL.



Tissa Bandaranayake
Chairman - Audit Committee
20th June 2017

REMUNERATION COMMITTEE REPORT

The Remuneration Committee which is 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
- To draft and present the remuneration policy to the Board for approval and adoption.

COMMITTEE MEETINGS

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



Kalsha Amarasinghe
Chairman - Remuneration Committee
20th June 2017

THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Committee comprises a combination of Non-Executive Directors, Executive Director and Independent Non-Executive Directors. One Independent Non-Executive Director acts as the 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 Financial 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)

- 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;
- Establishing separate guidelines to follow Recurrent Related Party Transactions of the Company
- Ensuring 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.
- Ensuring 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:

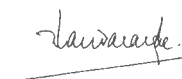
- that there is compliance with the Listing Rules of the CSE;
- that shareholder interests are protected; and
- that fairness and transparency are maintained.

The Committee has adopted a policy for identifying and 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.

The Committee has met twice during the year under review. The Minutes of these meetings have been circulated to the Board.



Tissa Bandaranayake
Chairman- Related Party Transactions Review Committee
20th June 2017

BUSINESS OPERATIONS COMMITTEE REPORT

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

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 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 2017



FINANCIAL STATEMENTS

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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 2017.

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 3 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 Management Discussion and Analysis on pages 40 to 58 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, agribusiness 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. 22.6 Bn as compared with Rs. 19.9 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. 5.2 Bn compared with the Group Gross Profit of Rs. 3.8 Bn for the previous year.

GROUP INVESTMENTS

Investments of the Group and the Company in subsidiaries, associates, joint ventures, long term and short term investments amounted to Rs. 6.4 Bn (2016 - Rs. 3.9 Bn) and Rs. 11.3 Bn (2016 - Rs. 10.4 Bn) 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 (2016 - Rs.2,005,601,000).

RESERVES

The total Group Reserves at 31st March 2017 amounts to Rs. 16.2 Bn as compared with Rs. 14 Bn in the previous year.

SEGMENT REPORTING

Segment wise contribution to the Group revenue, results, assets and liabilities is provided in Note 47 to the Financial Statements.

TAXATION

Income tax expense for the Group is Rs. 458 Mn compared to Rs. 74 Mn in the previous year. Income tax expense for the Company is Rs. 70 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 2017 was Rs. 71 (31st March 2016 – Rs. 79.80). The number of shareholders as at 31st March 2017 was 2,460 (31st March 2016 – 2,593). An analysis of shareholders based on shares held, the distribution of ownership and market values for the last five years are provided on pages 84 to 85.

The information in respect of earnings, dividends, net assets per share is given on page 20.

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 46 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 Group as at 31st March 2017 was 9,688 (31st March 2016 was 9,879).

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 114 to 137.

GOING CONCERN

As in the Statement of Directors' Responsibilities given on page 149 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

Group	2017 Rs.000	2016 Rs.000
Retained Profit brought forward	11,997,076	12,144,702
Profit/(loss) for the year	1,897,766	(205,109)
Defined Benefit Plan Actuarial Gain/ (Loss), (Net of Tax)	15,274	53,690
Realized Revaluation on Disposals	12,395	11,695
Realized Revaluation on Disposal of equity accounted investees	-	24,678
Change in effective holding	236,312	(9,670)
Dividend Paid	(35,438)	(21,802)
Transaction Cost of share issue	-	(1,108)
Retained Profit carried forward	14,123,385	11,997,076

Company	2017 Rs.000	2016 Rs.000
Retained Profit brought forward	11,203,509	10,691,000
Profit for the year	1,477,192	536,488
Defined Benefit Plan Actuarial Gain/ (Loss), (Net of Tax)	8,044	(2,716)
Dividend paid	(35,438)	(21,263)
Retained Profit carried forward	12,653,308	11,203,509

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 (deceased on 22nd March 2017)

Janaka de Silva

Independent Non-Executive Director

Tissa Bandaranayake

Independent Non-Executive Director

DIRECTORS' MEETINGS

The Directors conduct Board Meetings once in two months. 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 of 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 114 to 137.

RE-ELECTION OF DIRECTORS

In accordance with Article No. 24(6) of the Articles of Association of the Company Mr. Kapila Jayawardena Non-Executive Director retires by rotation and being eligible offers himself 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 an 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 whichever 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 an 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 whichever 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 page 138.

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 139.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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 Directors confirm that any related party transaction entered into is compliant with the relevant rules. Where necessary, disclosures are made on the Colombo Stock Exchange.

The report of the Related Party Transactions Review Committee is given on page 140.

BUSINESS OPERATIONS COMMITTEE

Ishara Nanayakkara

Executive Chairman

Kalsha Amarasinghe

Non-Executive Director

Kapila Jayawardena

Non-Executive Director

The report of the Business Operations Committee is given on page 141.

GROUP MANAGEMENT COMMITTEE

Ishara Nanayakkara

Executive Chairman and Senior Management

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 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' SHAREHOLDINGS

The Directors' interests in shares as at 31st March 2017 and 31st March 2016 were as follows :-

	As at 31st March 2017	As at 31st March 2016
Ishara Nanayakkara	99,900	99,900
Kapila Jayawardena	Nil	Nil
Kalsha Amarasinghe	Nil	Nil
Rajah Nanayakkara	Nil	Nil
<i>Deceased on 22nd March 2017</i>		
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 as at 31st March 2017 is given on page 85 of the Financial Statements.

SUBSIDIARY AND ASSOCIATE COMPANIES AND IT'S DIRECTORS

The Directors of subsidiary and associate companies as at date are given on pages 268 to 270 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 of 2017 and their Report on the Financial Statements appear on pages 150 to 151 of this Annual Report.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 160 to 178.

ANNUAL REPORT

The Board of Directors approved the consolidated financial statements on 20th June 2017. 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 Monitoring Board on or before 6th July 2017.

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 Thirty First day of July 2017 at 10.30 a.m. The Notice of the Annual General Meeting is given on page 274.

AUDITORS

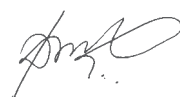
In accordance with Section 154 (1) of the Companies Act No. 7 of 2007, a resolution proposing the reappointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year will be proposed at the Annual General Meeting.

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 the 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



Secretaries
S.F.L. SERVICES (PVT) LTD

Colombo
20th June 2017

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements for the year ended 31st March 2017 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 150 to 151 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.

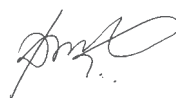
The Directors are of the view that they have discharged their responsibilities as set out in this statement.

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 2017

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
Internet : www.kpmg.com/lk

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, 2017, 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 152 to 263 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, 2017, 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. Rajakanier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyratne 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		
Ms. C.T.K.N. Perera ACMA (UK)		



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, 2017, 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 black ink, appearing as 'KPMG' with a stylized flourish at the end.

CHARTERED ACCOUNTANTS

Colombo

June 20, 2017

INCOME STATEMENTS

For the year ended 31st March	Notes	Group		Company	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Revenue	4	22,648,082	19,890,181	12,083,452	10,547,248
Cost of Sales		(17,435,651)	(16,060,382)	(9,712,550)	(8,436,179)
Gross Profit		5,212,431	3,829,799	2,370,902	2,111,069
Other Income	5	1,865,506	1,009,342	651,874	793,662
Distribution Expenses		(1,008,385)	(683,269)	(705,661)	(402,093)
Administrative Expenses		(3,801,216)	(3,336,241)	(1,223,416)	(1,031,384)
Other Expenses	6	(184,649)	(660,048)	(26,475)	(424,315)
Finance Costs	7	(2,910,399)	(1,370,381)	(978,355)	(462,766)
Change in Fair Value of Investment Properties	13	2,282,659	114,950	1,458,308	237
Change in Fair Value of Consumable Biological Assets	17	214,815	(194,354)	-	-
Gain on Disposal of Investment in Subsidiaries	18.8	2,682,988	-	-	-
Share of Profit of Equity Accounted Investees (Net of Tax)	19	66,225	53,651	-	-
Profit/(loss) before Taxation	8	4,419,975	(1,236,551)	1,547,177	584,410
Income Tax Expense	9	(458,499)	(74,201)	(69,985)	(47,922)
Profit/(loss) for the Year		3,961,476	(1,310,752)	1,477,192	536,488
Profit/(loss) Attributable to:					
Equity holders of the Company		1,897,766	(205,109)	1,477,192	536,488
Non-Controlling Interests		2,063,710	(1,105,643)	-	-
Profit/(loss) for the Year		3,961,476	(1,310,752)	1,477,192	536,488
Basic Earnings/(loss) per Share (Rs.)	10.1	26.78	(2.89)	20.84	7.57
Diluted Earnings/(loss) per Share (Rs.)	10.2	26.78	(2.89)	20.84	7.57

The Notes as set out in Pages 160 to 263 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Profit/(loss) for the Year	3,961,476	(1,310,752)	1,477,192	536,488
Other Comprehensive Income				
Items that will never be Reclassified to Profit or Loss				
Revaluation of property, plant and equipment	130,457	1,821,091	-	285,729
Deferred Tax impact on Revaluation	(14,015)	(106,711)	-	-
Actuarial Gains / (Losses) on defined benefit obligations, (Net of Tax)	55,266	464,353	8,044	(2,716)
Realization of previously recognized revaluation gains	-	(81,041)	-	-
Share of other comprehensive income of equity accounted investees (Net of Tax)	14,175	56,055	-	-
Items that are or may be Reclassified to Profit or Loss				
Net Change in Fair Value of Available-for-Sale Financial Assets	10,739	169,350	-	(386)
Exchange differences on translation of foreign operations	80,788	39,101	-	-
Other Comprehensive Income for the year	277,410	2,362,198	8,044	282,627
Total Comprehensive Income for the year (Net of Tax)	4,238,886	1,051,446	1,485,236	819,115
Attributable to:				
Equity holders of the Company	1,995,340	613,059	1,485,236	819,115
Non-Controlling Interests	2,243,546	438,387	-	-
Total Comprehensive Income for the year	4,238,886	1,051,446	1,485,236	819,115

The Notes as set out in Pages 160 to 263 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	
		2017	2016	2017	2016
		Rs.000	Rs.000	Rs.000	Rs.000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	25,271,442	22,499,974	3,009,913	2,814,103
Investment Properties	13	11,474,623	9,112,316	3,586,600	2,079,695
Prepaid Lease Rentals	14	1,050,533	1,212,254	121,578	123,392
Intangible Assets	15	1,543,833	1,587,350	1,027	5,492
Bearer Biological Assets	16	1,151,490	4,811,350	-	-
Consumable Biological Assets	17	2,984,091	6,150,989	-	-
Investments in Subsidiaries	18	-	-	8,919,642	7,989,642
Investments in Equity Accounted Investees	19	1,963,971	291,323	261,998	261,998
Other Financial Assets	20	1,036,188	1,024,588	-	-
Deferred Tax Assets	21	857,433	878,606	216,445	214,081
Loans to Related Parties	22	283,036	253,948	138,327	124,128
Amounts due from Related Parties	26	-	-	-	830,000
Total Non-Current Assets		47,616,640	47,822,698	16,255,530	14,442,531
Current Assets					
Inventories	23	3,616,500	3,096,549	2,945,230	2,268,179
Trade and Other Receivables	24	5,027,852	5,245,649	2,816,553	2,513,612
Loans to Related Parties	25	692,403	772,526	1,958,587	2,291,051
Amounts due from Related Parties	26	245,628	113,540	659,331	460,086
Income Tax Recoverable	27	36,012	48,384	-	4,768
Other Financial Assets	28	3,387,218	2,592,277	2,134,019	2,108,623
Cash and Cash Equivalents	29	5,432,718	1,846,355	395,067	202,747
Total Current Assets		18,438,331	13,715,280	10,908,787	9,849,066
TOTAL ASSETS		66,054,971	61,537,978	27,164,317	24,291,597
EQUITY AND LIABILITIES					
Stated Capital	30	2,005,601	2,005,601	2,005,601	2,005,601
Capital Reserves	31.1	2,080,753	2,010,848	1,881,139	1,881,139
Revenue Reserves	31.2	14,123,385	11,997,076	12,653,308	11,203,509
Equity Attributable to Equity holders of the Company		18,209,739	16,013,525	16,540,048	15,090,249
Non-Controlling Interests		15,012,565	18,145,838	-	-
Total Equity		33,222,304	34,159,363	16,540,048	15,090,249

As at 31st March	Notes	Group		Company	
		2017	2016	2017	2016
		Rs.000	Rs.000	Rs.000	Rs.000
Non-Current Liabilities					
Loans and Borrowings	32	4,496,150	5,260,908	966,483	1,589,182
Finance Lease Obligations	33.1	65,979	316,574	-	430
Retirement Benefit Obligations	34	990,681	1,735,268	92,652	101,544
Deferred Tax Liabilities	35	1,143,423	1,611,206	-	-
Deferred Income	36	235,832	652,105	78,207	9,786
Loans from Related Parties	38	61,632	925,360	-	-
Total Non-Current Liabilities		6,993,697	10,501,421	1,137,342	1,700,942
Current Liabilities					
Trade and Other Payables	37	4,845,365	3,476,608	2,562,792	1,409,956
Loans and Borrowings	32	3,141,405	3,169,098	1,122,699	734,290
Finance Lease Obligations	33.2	23,831	25,751	430	1,595
Loans from Related Parties	38	1,823,596	950,225	71,546	8,670
Amounts due to Related Parties	39	10,067,329	3,643,520	221,966	66,232
Income Tax Payable	40	74,111	96,916	32,535	28,925
Dividend Payable		70,863	64,308	58,728	55,010
Short Term Borrowings		5,071,191	4,755,237	4,940,708	4,710,098
Bank Overdrafts	29	721,279	695,530	475,524	485,630
Total Current Liabilities		25,838,970	16,877,193	9,486,927	7,500,406
TOTAL EQUITY AND LIABILITIES		66,054,971	61,537,978	27,164,317	24,291,597

The Notes as set out in Pages 160 to 263 form an integral part of these Financial Statements.

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

Colombo
20th June 2017



Kapila Jayawardena
Director

STATEMENT OF CHANGES IN EQUITY - GROUP

	Equity Attributable to Equity holders of the Company						Non-Controlling Interests	Total Equity
	Stated Capital	Revaluation Reserve	Available - for - Sale Reserve	Exchange Fluctuation Reserve	Retained Earnings	Total		
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 1st 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 differences on 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 record in the Equity								
Realization of previously recognized revaluation gain	-	(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	-	-	-	-	-	-	366,499	366,499
Issues of shares to Non-Controlling Interests	-	-	-	-	-	-	245,000	245,000
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	34,159,363
Profit for the year	-	-	-	-	1,897,766	1,897,766	2,063,710	3,961,476
Other Comprehensive Income								
Revaluation of Property, Plant and Equipment	-	51,857	-	-	-	51,857	78,600	130,457
Deferred Tax impact on Revaluation	-	(5,571)	-	-	-	(5,571)	(8,444)	(14,015)
Net Change in Fair value of Available-For-Sale Financial Assets	-	-	4,571	-	-	4,571	6,168	10,739
Exchange differences on translation of foreign operations	-	-	-	25,809	-	25,809	54,979	80,788
Share of other comprehensive income of equity accounted investees (Net of Tax)	-	5,634	-	-	-	5,634	8,541	14,175
Defined Benefit Plan Actuarial Gain, (Net of Tax)	-	-	-	-	15,274	15,274	39,992	55,266
Total Other Comprehensive Income for the year	-	51,920	4,571	25,809	15,274	97,574	179,836	277,410
Transactions with owners directly recorded in the Equity								
Realization of previously recognized revaluation gain	-	(12,395)	-	-	12,395	-	-	-
Effects of Disposal of Subsidiaries	-	-	-	-	-	-	(4,155,727)	(4,155,727)
Change in effective holding	-	-	-	-	236,312	236,312	(941,346)	(705,034)
Effects of Capital Reduction by Subsidiaries	-	-	-	-	-	-	(257,495)	(257,495)
Issues of shares to Non-Controlling Interests	-	-	-	-	-	-	38,183	38,183
Dividend Paid	-	-	-	-	(35,438)	(35,438)	(60,435)	(95,873)
Balance as at 31st March 2017	2,005,601	2,277,605	(233,925)	37,073	14,123,385	18,209,739	15,012,565	33,222,304

The Notes as set out in Pages 160 to 263 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 Rs.000	Available for Sale Reserve Rs.000	Retained Earnings Rs.000	Total Equity Rs.000
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
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 for the year	-	285,729	(386)	(2,716)	282,627
Transactions with owners directly record 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
Profit for the year	-	-	-	1,477,192	1,477,192
Other Comprehensive Income					
Defined Benefit Plan Actuarial Gain, (Net of Tax)	-	-	-	8,044	8,044
Total Other Comprehensive Income for the year	-	-	-	8,044	8,044
Transactions with owners directly recorded in the Equity					
Dividend paid	-	-	-	(35,438)	(35,438)
Balance as at 31st March 2017	2,005,601	1,881,139	-	12,653,308	16,540,048

The Notes as set out in Pages 160 to 263 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Cash flows from Operating Activities				
Profit/(loss) before Taxation	4,419,975	(1,236,551)	1,547,177	584,410
Adjustments for:				
Share of Profit of Equity Accounted Investees	(66,225)	(53,651)	-	-
Gain on Disposal of Group Investments	-	(45,357)	-	(232,489)
Depreciation on Property, Plant and Equipment	650,285	641,251	69,901	70,273
Amortization of Bearer Biological Assets	184,042	165,426	-	-
Amortization of Prepaid Lease Rentals	33,632	24,591	1,814	1,811
Amortization of Intangible Assets	11,227	26,242	4,465	20,451
Amortization of Deferred Income	(86,055)	(74,913)	(41,189)	(9,123)
Provision for Retirement Benefit Obligations	253,107	292,204	18,538	17,604
Provision for Bad and Doubtful Debts	168,496	22,678	115,291	28,937
Impairment of Related Party Receivables	-	-	20,000	30,000
Impairment of Investment in Subsidiaries	-	-	-	12,000
Net Change in Available-for-Sale Financial Assets reclassified to Profit or Loss	-	145,262	-	-
Provision for/ (Reversal of) Impairment Losses for Inventories	25,894	(108,350)	33,270	(100,346)
Write off of Bearer/ Consumable biological assets	21,893	33,531	-	-
Dividend Income	(66,634)	(61,262)	(106,385)	(71,052)
Interest Income	(169,834)	(202,364)	(414,567)	(346,225)
Change in Fair Value of Investment Properties	(2,282,659)	(114,950)	(1,458,308)	(237)
Change in Fair Value of Consumable Biological Assets	(214,815)	194,354	-	-
Gain on Disposal of Subsidiary	(2,682,988)	-	-	-
(Gain)/Loss on Changes in Fair Value of Short term Investments	(916,419)	329,508	(25,394)	343,973
(Gain)/Loss on Disposal of Investment properties	1,140	(53,161)	1,140	979
(Gain)/Loss on Disposal of Property, Plant and Equipment	(10,956)	(10,506)	(3,777)	167
Interest Expense	2,910,399	1,370,381	978,355	462,766
Operating Profit before Working Capital Changes	2,183,505	1,284,362	740,330	813,899
Changes in				
Inventories	(960,845)	(1,313,615)	(710,320)	(1,318,580)
Trade and Other Receivables	(537,583)	(909,538)	(418,187)	(418,403)
Amounts due from Related Companies	(491,923)	122,583	(319,247)	(96,814)
Trade and Other Payables	2,071,797	386,881	1,152,786	(14,023)
Amounts due to Related Companies	7,713,281	3,029,718	155,734	(38,327)
Cash Generated from/ (Used in) Operations	9,978,231	2,600,391	601,097	(1,072,248)
Interest Paid	(2,910,399)	(1,370,381)	(978,235)	(462,169)
Income Tax / ESC Paid	(107,807)	(140,089)	(63,970)	(55,503)
Retiring Gratuity Paid	(213,120)	(240,964)	(16,257)	(4,145)
Net Cash Generated from/ (Used in) Operating Activities	6,746,905	848,957	(457,366)	(1,594,065)

For the year ended 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Cash flows from Investing Activities				
Acquisition of Property, Plant and Equipment	(5,055,811)	(3,894,024)	(269,845)	(299,184)
Acquisition of Bearer Biological Assets	(315,989)	(349,001)	-	-
Acquisition of Investment Properties	(1,459)	(23,921)	(55,797)	-
Acquisition of leasehold properties	(54,842)	(424,827)	-	-
Proceeds from Disposal of Investment Properties	6,060	225,810	6,060	3,250
Acquisition of Intangible Assets	(18,291)	(26,126)	-	(62)
Investment in Subsidiaries	-	(393,825)	-	(52,636)
Proceeds from Disposal of Subsidiary	4,853,294	-	-	-
Acquisition of Non-controlling Interests	(705,034)	(288,397)	-	-
Capital reduction by subsidiaries	(257,494)	-	-	-
Net Investment in Equity Accounted Investees	(1,592,249)	-	-	-
Net Investment in Financial Assets	(2,838,107)	-	-	-
Capital Grant Received	20,721	75,836	-	-
Deferred income Received	122,004	18,303	106,482	9,786
Net proceeds from consumable biological assets	17,488	34,521	-	-
Net (Increase)/decrease in loans to related companies	32,368	800,239	318,265	(37,448)
Proceeds from Disposal of Property, Plant and Equipment	29,136	167,863	7,912	4,069
Proceeds from Disposal of Other Financial Assets	-	1,914,192	-	457
Dividend Income Received	66,634	174	106,385	9,964
Interest Income Received	169,834	202,364	414,567	346,225
Net Cash Generated from/ (Used in) Investing Activities	(5,521,737)	(1,960,819)	634,029	(15,579)
Cash flows from Financing Activities				
Proceeds from Interest Bearing Liabilities	5,088,417	4,601,128	967,658	2,095,000
Repayment of Interest Bearing Liabilities	(3,054,553)	(4,123,729)	(1,201,948)	(497,816)
Net change in short term interest bearing borrowings	347,879	(258,676)	230,611	37,097
Lease Rentals Paid	(43,931)	(47,682)	(1,715)	(3,657)
Net (Increase)/decrease in loans from related companies	55,324	1,622,739	62,876	(142,247)
Transaction Cost of share issue	-	(2,787)	-	-
Issues of shares to Non-Controlling Interests	38,183	245,000	-	-
Dividend Paid	(95,873)	(145,617)	(31,720)	(17,621)
Net Cash Generated from Financing Activities	2,335,446	1,890,376	25,762	1,470,756
Net Increase/(Decrease) in Cash and Cash Equivalents during the year	3,560,614	778,514	202,426	(138,889)
Cash and Cash Equivalents at the beginning of the year	1,150,825	372,311	(282,883)	(143,994)
Cash and Cash Equivalents at the end of the year	4,711,439	1,150,825	(80,457)	(282,883)
Analysis of Cash and Cash Equivalents at the end of the year				
Cash at Bank and in Hand	5,432,718	1,846,355	395,067	202,747
Bank Overdrafts	(721,279)	(695,530)	(475,524)	(485,630)
	4,711,439	1,150,825	(80,457)	(282,883)

The Notes as set out in Pages 160 to 263 form an integral part of these Financial Statements.

The figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

Note No.	Note Name
Note 01	Reporting Entity
Note 02	Basis of Preparation
Note 03	Significant Accounting Policies
Note 04	Revenue
Note 05	Other Income
Note 06	Other Expenses
Note 07	Finance Costs
Note 08	Profit / (Loss) Before Taxation
Note 09	Income Tax Expenses
Note 10	Earnings / (Loss) Per Share
Note 11	Dividend Per Share
Note 12	Property, Plant and Equipment
Note 13	Investment Properties
Note 14	Prepaid Lease Rentals
Note 15	Intangible Assets
Note 16	Bearer Biological Assets
Note 17	Consumable Biological Assets
Note 18	Investments In Subsidiaries
Note 19	Investments In Equity Accounted Investees
Note 20	Other Non-Current Financial Assets
Note 21	Deferred Tax Assets
Note 22	Loans to Related Parties
Note 23	Inventories
Note 24	Trade and Other Receivables
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Note 26	Amounts due from Related Parties
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Note 28	Other Current Financial Assets
Note 29	Cash and Cash Equivalents
Note 30	Stated Capital
Note 31	Reserves
Note 32	Loans and Borrowings
Note 33	Finance Lease Obligation
Note 34	Retirement Benefits Obligations
Note 35	Deferred Tax Liabilities

Note No.	Note Name
Note 36	Deferred Income
Note 37	Trade and Other Payables
Note 38	Loans from Related Parties
Note 39	Amounts due to Related Parties
Note 40	Income Tax Payables
Note 41	Net Assets per Share
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Note 43	Financial Instruments - Fair Value and Risk Management
Note 44	Commitments and Contingent Liabilities
Note 45	Comparative Information
Note 46	Subsequent Events
Note 47	Segmental Information
Note 48	Non-Controlling Interests

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 2017 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

Principal activities of the Company and the Group are described in the 'Integrated Management Discussion and Analysis' in pages 40 to 58 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 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements also provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange and except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatment, which is not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

The financial statements of the Group and Company for the year ended 31st March 2017 were authorized for issue by the Board of Directors on the 20th June 2017.

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
- Right to use the leasehold land which has been revalued
- Agricultural Produce attached to bearer biological assets is measured at fair value using the one harvesting cycle based on the last day of the harvest in the immediately preceding of produce growing on trees as per LKAS 41 – Agriculture

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).

NOTES TO THE FINANCIAL STATEMENTS

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 Group's presentation currency. All financial information presented has been rounded to the nearest thousand unless stated otherwise.

Each group company determines its own functional currency and items included in the financial statements of these companies are measured using that functional currency.

Functional currency of all the group companies is Sri Lankan Rupees, other than the following companies whose functional currency is given below.

Company	Country of Incorporation	Functional Currency
Bodufaru Beach Resorts (Pvt) Ltd.	Maldives	United States Dollar
NPH Investments (Pvt) Ltd.	Maldives	United States Dollar
LOLC (Pvt) Ltd.	Singapore	United States Dollar

2.4 USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements of the Group and Company in conformity with SLFRSs/LKASs requires management to make judgments, 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.

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 judgments 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 judgments 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.

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	12
Useful lives of Intangible Assets	15
Provisions and contingencies	44

2.5 COMPARATIVE INFORMATION

Previous period figures and notes have been restated and reclassified wherever necessary to conform to the current year's presentation.

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 as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative' which was effective from January 01, 2016.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.7 OFFSETTING

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable 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. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies.

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 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading.

Or

Is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period

Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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 SLFRS 9 – Financial Instruments – effective for annual periods beginning on or after 1st of January 2018

SLFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016/17, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

2.11.2 SLFRS 15 – Revenue from Contracts with Customers – effective for annual periods beginning on or after 1st of January 2018

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full

NOTES TO THE FINANCIAL STATEMENTS

retrospective method. During 2016/17, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis.

2.11.3 SLFRS 16 – Leases – effective for annual periods beginning on or after 1st of January 2019

SLFRS 16 replaces LKAS 17 Leases and related interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under SLFRS 16 is substantially unchanged from the current requirements under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases.

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017/18, the Group plans to assess the potential effect of SLFRS 16 on its consolidated 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.

Upon loss of significant influence over the associate or the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investee disposed and the fair value of the retaining investment and the proceeds from disposal is recognised in the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 other than the subsidiary company Bodufaru Beach Resorts (Pvt) Ltd., and associate companies, NPH Investments (Pvt) Ltd. and LOLC (Pvt) Ltd. whose financial year ends on 31st of December. However the Group incorporates the results of these companies up to 31st March in the Group's financial statements.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 below.

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%
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%
Solar Power Plant	10 - 20 Years	5-10%
Surge Arrestors 33 kv	20 Years	5%

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.

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 below.

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%

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 capital assets.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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
Right to use electricity	20 years

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) Agricultural produce attached to Bearer Biological assets

The fair value of produce growing on trees prior to year end is classified as agricultural produce attached to barer biological assets. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less cost to sell.

When deriving the estimated quantity the Group limits to one harvesting cycle and measured based on the last day of the harvest in the immediately preceding cycle.

In order to ascertain the fair value of produce growing on trees, 50% of estimated crop in that harvesting cycle is used for the valuation as follows,

- Tea - 3 days crop (50% of 6 days Cycle)
- Rubber 1 day Crop (50% of 2 days Cycle)
- Coconut 1 months (50% of 2 months Cycle)

For the valuation of the produce it was agreed to use the farm gate price of the produce adjusted for the cost of harvest. Hence market value on the crop in the bush should be based on the selling value of agricultural produce adjusted for the cost of harvesting and transport.

- Tea – Bought Leaf rate (current month) less cost of harvesting & transport
- Rubber – latex Price (95% of current RSS1 Price) less cost of tapping & transport

Further it was not considered the risk adjustments for weather and other factors of the plant in to biological transformation in the valuation.

(b) 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.

(c) Growing Crop Nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

(d) 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.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Group 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the amount in 'share of losses of an equity accounted investee' in the income statement.

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.

3.14.1.1 Employee provident fund and Employee trust fund – Sri Lanka

For employees in Sri Lanka the Group contributes a sum not less than 12% of the gross emoluments as provident fund benefits and a sum equivalent 3% of the gross emoluments as trust fund benefits.

3.14.1.2 Employees pension scheme – Maldives

All Maldivian employees of the Group are members of the retirement pension scheme established in the Maldives. The Group contributes 7% of the pensionable wage of such employees to this scheme

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 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 Sale of Goods

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.

NOTES TO THE FINANCIAL STATEMENTS

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 Commission income

When the Group acts in the capacity of an agent rather than the principal in a transaction, the revenue recognition is the net amount of commission earned by the Group.

3.17.7 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 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.

NOTES TO THE FINANCIAL STATEMENTS

The group's reportable segments comprise of Trading, Manufacturing, Plantation, Investments, Leisure, Real Estate, 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.

4 REVENUE

For the year ended 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000

Gross Revenue (Note 4.1)	22,648,082	19,890,181	12,083,452	10,547,248
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4.1 REVENUE

Sale of goods	19,172,051	17,229,675	12,083,452	10,547,248
Provision of services	3,195,817	2,473,049	-	-
Interest income	222,015	64,329	-	-
Dividend Income	58,199	78,160	-	-
Gain on Disposal of Investments	-	44,968	-	-
Total Segment Revenue	22,648,082	19,890,181	12,083,452	10,547,248

5 OTHER INCOME

For the year ended 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000

Rent Income	366,466	159,765	81,248	16,453
Gain on Disposal of Property, Plant and Equipment	10,956	12,475	3,777	1,802
Gain on Disposal of Investment Properties	-	54,140	-	-
Gain on Translation of Foreign Currency	38,228	27,848	15,495	-
Secretarial Fees	150	138	-	-
Management Fee	-	-	-	9,000
Net Gain on Disposal of Investments	-	390	-	232,489
Change in Fair Value of Other Current Financial Assets	916,419	14,465	25,394	-
Dividend Income	66,634	61,262	106,385	71,052
Interest Income	169,834	202,364	414,567	346,225
Reversal of Provision for Trade Receivables and Inventories	-	134,234	-	100,346
Sale of old Rubber Trees and other related income	72,683	138,144	-	-
Sale of Refuse Tea	80,205	45,520	-	-
Miscellaneous Income	143,931	158,597	5,009	16,295
	1,865,506	1,009,342	651,874	793,662

NOTES TO THE FINANCIAL STATEMENTS

6 OTHER EXPENSES

For the year ended 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Loss on Disposal of Property, Plant and Equipment	-	1,969	-	1,969
Loss on Disposal of Investment Property	1,140	979	1,140	979
Change in Fair Value of Other Financial Assets	-	343,973	-	343,973
Loss on Foreign Currency Translation	-	22,442	-	22,442
Impairment of Property, Plant and Equipments	4,000	-	-	-
Impairment Loss on Investment in Subsidiaries	-	-	-	12,000
Impairment Loss on Related Party Receivables	-	-	20,000	30,000
Net Change in Available-for-Sale Financial Assets reclassified to Profit or Loss	-	145,262	-	-
Write off of Bearer/ Consumable biological assets	15,985	33,531	-	-
Foreign Investment development expenses	-	11,903	-	-
Impairment of Other Receivables	10,822	-	-	-
Loss on Disposal of Investments (Note 18.5)	33,458	-	-	-
Other	119,244	99,989	5,335	12,952
	184,649	660,048	26,475	424,315

7 FINANCE COSTS

For the year ended 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Interest on Borrowings	2,849,304	1,306,046	978,235	462,169
Interest on Finance Leases	61,095	64,335	120	597
	2,910,399	1,370,381	978,355	462,766

8 PROFIT/ (LOSS) BEFORE TAXATION

Profit/ (loss) before Taxation is stated after charging / (crediting) all expenses / (income) including the following:

For the year ended 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Directors' Emoluments	41,153	37,443	6,431	7,399
Auditors' Remuneration	17,860	16,704	1,900	1,700
Depreciation on Property, Plant and Equipment	650,285	641,251	69,900	70,273
Amortization of Finite Life Intangible Assets	11,227	26,242	4,465	20,451
Impairment Losses for Bad and Doubtful Debts	168,496	22,678	115,291	28,937
Provision/ (Reversal of Provision) for Slow Moving Inventories	25,894	(108,350)	33,270	(100,346)
Amortisation of Prepaid Lease Rental	33,632	24,591	1,814	1,811
Amortisation of Deferred Income	(86,055)	(74,913)	(41,189)	(9,123)
Amortization of Bearer Biological Assets	184,042	165,426	-	-
Salaries and Wages	3,507,588	3,412,718	316,510	259,072
Defined Contribution Plan Cost- EPF and ETF	510,622	554,014	59,122	49,403
Defined Benefit Plan Cost- Retiring Gratuity	253,107	292,204	18,538	17,604

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	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000

9.1 INCOME TAX EXPENSE

Current Tax Expense

Income Tax on current year profits (Note 9.2)	159,786	125,276	75,478	63,013
Over Provision in respect of previous years	(3,246)	(641)	-	-
Withholding Tax on Dividends Paid by Subsidiaries	4,105	2,933	-	-
	160,645	127,568	75,478	63,013

Deferred Tax

Origination and Reversal of Temporary Difference (Note 9.4)	297,854	(53,367)	(5,493)	(15,091)
	458,499	74,201	69,985	47,922

9.2 RECONCILIATION OF ACCOUNTING PROFIT/(LOSS) TO INCOME TAX

Accounting Profit/(loss) before Taxation	4,419,975	(1,236,551)	1,547,177	584,410
Consolidation Adjustments	1,956,617	163,465	-	-
Adjustment on Disallowable Expenses	2,651,968	2,249,365	650,577	246,436
Adjustment on Allowable Expenses	(2,741,471)	(1,456,852)	(95,555)	(121,851)
Income from Other Sources and Exempt Income	(8,055,656)	(1,078,699)	(1,813,300)	(383,817)
Tax Losses Utilized (Note 9.3)	(187,161)	(129,433)	(145,099)	(121,179)
Tax Loss incurred for the year (Note 9.3)	2,661,678	2,079,328	125,763	21,046
Taxable Income	705,950	590,623	269,563	225,046
Income Tax @ 28%	131,376	95,230	75,478	63,013
Income Tax @ 12%	28,410	29,966	-	-
Income Tax @ 10%	-	80	-	-
Income Tax on Current year Profits	159,786	125,276	75,478	63,013

9.3 TAX LOSSES UTILIZED

Tax Loss Brought Forward	8,923,525	7,180,001	1,336,740	1,439,359
Adjustments for brought forward tax losses	88,068	(206,371)	114,131	(2,486)
Disposal of Subsidiary	(798,213)	-	-	-
Tax Losses Utilized during the year	(187,161)	(129,433)	(145,099)	(121,179)
Loss incurred during the year	2,661,678	2,079,328	125,763	21,046
Tax Losses carried forward	10,687,897	8,923,525	1,431,535	1,336,740

9.4 DEFERRED TAX EXPENSE

Origination and Reversal of Temporary Difference	297,854	(53,367)	(5,493)	(15,091)
	297,854	(53,367)	(5,493)	(15,091)

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE CONTD.

9.5 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
Browns Properties (Pvt) Ltd.	Section 17 of BOI Law no. 04 of 1983.	5 years ending 2020/21
Sagasolar Power (Pvt) Ltd.	Section 17 of BOI Law no. 04 of 1978.	10 years
Riverina Resorts (Pvt) Ltd.	Section 17 of BOI Law no. 04 of 1978.	12 years

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
FLMC Plantations (Pvt) Ltd.	12% under section 45(2)(a)(i1) of Inland Revenue (amendment) Act No.22 of 2011.	Indefinite
FLPC Management (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
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 Fabricators (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

c) Companies incorporated and operating outside Sri Lanka

Company	Country	Statute	Rate
Bodufaru Beach Resort (Pvt) Ltd.	Republic of Maldives	Business Profit Tax Act of Republic of Maldives	15%

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		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Profit/(loss) Attributable to Equity holders of the Company (Rs.000)	1,897,766	(205,109)	1,477,192	536,488
Weighted Average Number of Ordinary Shares in Issue ('000)	70,875	70,875	70,875	70,875
Basic Earnings/(Loss) per Share (Rs.)	26.78	(2.89)	20.84	7.57

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	2017	2016
Dividends Paid (Rs.000)	35,438	21,263
Weighted average number of Ordinary Shares in issue ('000)	70,875	70,875
Dividend per Share (Rs.)	0.50	0.30

11.1 DIVIDEND PAYOUT

For the Year Ended 31st March	2017	2016
Dividends Payout (%)	2	4

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)	Freehold Land	Freehold Buildings	Leasehold Buildings	Plant and Machinery	Furniture and Office Equipments	Freehold Motor Vehicles	Leasehold Motor Vehicles	Loose Tools & Computers	Other Tangible Assets	Medical Equipment	Work in progress (Note - 12.6)	Total 2017	Total 2016
	Rs.000	Rs.000	Rs.000	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	301,640	8,668,687	6,884,075	374,062	1,704,895	1,172,059	608,809	12,515	104,546	1,194,738	357,018	4,762,935	26,145,979	22,782,080
On Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	53,858
Additions	43,899	255,972	40,980	18,402	147,085	51,158	25,360	-	26,818	2,687,394	14,599	4,679,497	7,991,164	4,982,497
Revaluation	-	13,306	11,074	-	-	-	-	-	-	4,478	-	-	28,858	1,604,491
Disposals/ Derecognitions	-	-	(2,595)	-	(3,261)	(8,222)	(18,194)	-	(305)	(6,314)	-	(18,714)	(57,605)	(254,080)
On Disposal of subsidiary	(75,626)	(11,446)	(1,052,924)	-	(521,179)	(211,057)	(315,207)	-	(20,406)	(830,798)	-	(69,162)	(3,107,805)	-
WIP Capitalisation	-	-	-	-	-	-	-	-	-	-	-	(2,842,621)	(2,842,621)	(1,076,040)
Transfers	-	-	-	-	(1,958)	(874)	(475)	(1,328)	4,262	(102)	-	-	(475)	-
Transfers from/(to) Investment Property	(29,491)	-	-	-	-	-	-	-	-	(102)	-	(55,797)	(85,390)	(1,946,827)
Balance at the end of the year	240,422	8,926,519	5,880,609	392,464	1,325,583	1,003,064	300,293	11,187	114,915	3,049,294	371,617	6,456,138	28,072,105	26,145,979
Accumulated Depreciation														
Balance at the beginning of the year	189,351	-	731,665	169,639	1,042,295	675,115	496,191	10,400	56,964	237,526	36,859	-	3,646,005	3,318,068
On Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Charge for the year	18,146	-	163,208	30,087	134,288	103,952	38,217	1,226	15,772	109,336	36,054	-	650,285	641,251
Disposals	-	-	(2,595)	-	(1,036)	(5,928)	(26,065)	-	(305)	(3,496)	-	-	(39,424)	(96,723)
On Revaluation	-	-	(90,912)	-	-	-	-	-	-	(10,688)	-	-	(101,600)	(216,601)
Transfers	-	-	-	-	(309)	(47)	(230)	(761)	1,117	-	-	-	(230)	-
On Disposal of subsidiary	(61,492)	-	(224,807)	-	(469,174)	(180,029)	(280,107)	-	(8,302)	(130,461)	-	-	(1,354,372)	-
Balance at the end of the year	146,005	-	576,559	199,726	706,065	593,063	228,006	10,864	65,247	202,217	72,913	-	2,800,663	3,646,005
Carrying Value														
As at 31st March 2017	94,417	8,926,519	5,304,051	192,738	619,518	410,002	72,287	323	49,669	2,847,077	298,704	6,456,138	25,271,442	
As at 31st March 2016	112,289	8,668,687	6,152,410	204,423	662,600	496,944	112,618	2,115	47,582	957,212	320,159	4,762,935	22,499,974	

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. 974,743,669 (2015/16 - Rs. 1,287,251,865).

12.1.3 During the year the group capitalised borrowing cost amounting to Rs. 292,595,491 (2015/16 - Rs. 185,062,264).

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 - 12.6)	Total 2017	Total 2016
	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	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
Additions	168,694	-	17,830	27,303	23,605	2,900	-	8,245	88,254	336,831	437,809
On Revaluation	-	-	-	-	-	-	-	-	-	-	284,229
WIP Capitalization	-	-	-	-	-	-	-	-	(11,190)	(11,190)	(138,625)
Transfers from/(to) Investment Property	-	-	-	-	-	-	-	-	(55,797)	(55,797)	(2,028,495)
Disposals	-	-	-	(3,034)	(4,822)	(2,231)	-	-	-	(10,087)	(16,533)
Balance at the end of the year	2,623,234	46,329	371,123	56,137	252,106	29,815	11,187	39,786	31,568	3,461,285	3,201,528
Accumulated Depreciation											
Balance at the beginning of the year	-	1,147	166,228	7,788	161,896	19,312	9,640	21,414	-	387,425	330,947
Charge for the year	-	1,188	28,133	3,429	28,292	3,150	1,226	4,482	-	69,900	70,273
On Disposals	-	-	-	(809)	(2,913)	(2,231)	-	-	-	(5,953)	(12,295)
On Revaluation	-	-	-	-	-	-	-	-	-	-	(1,500)
Balance at the end of the year	-	2,335	194,361	10,408	187,275	20,231	10,866	25,896	-	451,372	387,425
Carrying Value											
As at 31st March 2017	2,623,234	43,994	176,762	45,729	64,831	9,584	321	13,890	31,568	3,009,913	
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	

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT CONTD.**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	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 2017 Rs.000
Cost/ Valuation									
Balance at the beginning of the year	889	6,844	113,366	27,872	16,383	501	1,277	4,458	171,590
Disposal of Subsidiary	(889)	(271)	(31,123)	(11,074)	(9,773)	-	(1,277)	(3,134)	(57,541)
Balance at the end of the year									
31st March 2017	-	6,573	82,243	16,798	6,610	501	-	1,323	114,049
Amortization									
Balance at the beginning of the year	673	5,402	107,635	27,872	16,348	224	998	3,803	162,955
Charge for the year	30	228	4,537	-	35	9	43	104	4,985
Disposal of Subsidiary	(703)	(203)	(30,676)	(11,074)	(9,773)	-	(1,040)	(2,584)	(56,053)
Balance at the end of the year									
31st March 2017	-	5,427	81,495	16,798	6,610	233	-	1,323	111,887
Carrying Value									
As at 31st March 2017	-	1,145	748	-	-	268	-	-	2,162
As at 31st March 2016	216	1,442	5,732	-	35	277	279	654	8,635

A DISTINCTIVE LEGACY

Assets on finance lease (Other than immovable (JEDB/SLSPC asset on finance lease) - Group

As at 31st March	Motor Vehicles Rs.000	Leasehold Buildings Rs.000	Total 2017 Rs.000
Cost/ Valuation			
Balance at the beginning of the year	85,267	44,783	130,050
Additions	2,270	41,629	43,899
Disposal of Subsidiary	(321)	(17,764)	(18,085)
Transfers from/(to) Investment Property	-	(29,491)	(29,491)
Balance at the end of the year 31st March 2017	87,216	39,157	126,373
Amortisation			
Balance at the beginning of the year	20,701	5,695	26,396
Charge for the year	7,532	5,629	13,161
Disposal of Subsidiary	(321)	(5,118)	(5,439)
Balance at the end of the year 31st March 2017	27,912	6,206	34,118
Carrying Value			
As at 31st March 2017	59,304	32,951	92,255
As at 31st March 2016	64,566	39,088	103,654

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	1,279,799
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	415,290
Brown and Company PLC	Land & Building At Dambulla	31st March 2015	A0-R3-P10	9,362	153,636
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 Devanampiyatissa Mawatha	Cost **	A0-R3-P31.42	-	577,354
Brown and Company PLC	Land At Main Street, Ambalantota	31st March 2015	A0-R1-P24.8	-	46,980
Browns Investments PLC	Land At Tuduruwa Road, Dampe	31st March 2017	A3-R0-P5	-	326,000
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	63,190
Samudra Beach Resorts (Pvt) Ltd.	Land At Okade Road, Kosgoda	31st March 2015	A5-R1-P0.5	-	303,882
Samudra Beach Resorts (Pvt) Ltd.	Land At Okade Road, Kosgoda	Cost***	A0-R1-P17	-	4,421

Company	Property	Effective Date of Valuation	Total Land Extent	Main Building Sq.Ft.	Land and Building Rs.000
Samudra Beach Resorts (Pvt) Ltd	Land Okade Road, Kosgoda	Cost**	A0-R3-P15.5	-	30,488
Samudra Beach Resorts (Pvt) Ltd	Land Okade Road, Kosgoda	Cost*	A0-R1-P32	-	14,995
Samudra Beach Resorts (Pvt) Ltd	Land Okade Road, Kosgoda	31st March 2015	A0-R1-P10.5	-	17,310
Green Paradise (Pvt) Ltd.	Land & Building At Kubukkandanwala, Dambulla	31st March 2017	A8-R1-P8.27	101,274	1,076,013
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-R2-P0	238,615	2,709,392
Tropical Villas (Pvt) Ltd.	Land At Moragalle, Beruwala	31st March 2016	A2-R1-P39.98	87,500	348,300
Dickwella Resort (Pvt) Ltd.	Land & Building At Batheegama, Dickwella	31st March 2016	A8-R3-P33.18	96,648	1,612,252
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	-	-	403,570
BI Commodities & Logistics (Pvt) Ltd	Land Nagoda Village, Ja-ela	31st March 2016	A3-R1-P30.46	-	138,000
Sun & Fun Resorts Ltd	Building At Pasikuda Village, Kalkuda	31st March 2016	-	121,655	790,749
Browns Hotels & Resorts Ltd	Land At Duwemodara, Kosgoda	Cost**	A1-R0-P16.98	-	35,297
Browns Health Care (Pvt) Ltd.	Land & Building At Mahabage Rd, Ragama	31st March 2014	A1-R0-P19.37	56,512	864,674
Browns Healthcare Negombo (Pvt) Ltd	Land At St Joseph Rd, Negombo	Cost*	A0-R1-P16.15	-	72,283
					14,230,570

* Year of acquisition is 2016/17.

** 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.

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT CONTD.

Land and buildings are considered under Level 02 of the fair value hierarchy.

Significant unobservable inputs used are as follows;

- Valuation Technique - Market Comparable Method/ Depreciated Replacement Costs Method.
- Significant unobservable inputs - Price per perch of land on similar properties/ value per square feet determined based on similar properties value and depreciated for the period used.
- Relationship between inputs and fair value measurement - increase/ (decrease) if: Depreciation rate was lesser or higher/ Square feet value was higher or lesser/ Price per perch increase or decrease.

12.4.1.1 Property, Plant and Equipment - Group

These Land & Buildings belong to following Group Companies which are not revalued.

Company	Estate	Total Extent (Hect)	Location	Carrying Value of Buildings Rs.000
Maturata Plantations Ltd.	Alma	636.25	Kandapola	3,411
Maturata Plantations Ltd.	Bramley	224.49	Kandapola	2,291
Maturata Plantations Ltd.	Gonapitiya	716.00	Kandapola	3,940
Maturata Plantations Ltd.	High Forest	628.00	Kandapola	14,693
Maturata Plantations Ltd.	Kabaragalla	504.75	Padiyapalalla	5,729
Maturata Plantations Ltd.	Liddesdale	639.00	Halgaranoya	7,059
Maturata Plantations Ltd.	Mahacoodagalla	252.00	Halgaranoya	5,528
Maturata Plantations Ltd.	Maha Uva	397.25	Walapane	3,379
Maturata Plantations Ltd.	Maturata	544.74	Kandapola	2,339
Maturata Plantations Ltd.	Ragalla	640.75	Halgaranoya	9,254
Maturata Plantations Ltd.	St Leonards	355.65	Halgaranoya	3,007
Maturata Plantations Ltd.	Andapana	348.95	Kamburupitiya	667
Maturata Plantations Ltd.	Anningkanda	624.00	Deniyaya	5,891
Maturata Plantations Ltd.	Beverly	388.00	Deniyaya	1,890
Maturata Plantations Ltd.	Diddenipotha	676.05	Mulatiyana	1,980
Maturata Plantations Ltd.	Enselwatta	2,207.63	Deniyaya	5,700
Maturata Plantations Ltd.	Hayes	895.75	Deniyaya	7,996
Maturata Plantations Ltd.	Lankaberiya	400.40	Ithakanda	1,678
Maturata Plantations Ltd.	Wilpita	510.50	Akurassa	1,939
Browns Properties (Pvt) Ltd.	Group occupied component	-	No.19,Dudley Senanayake Mw,Colombo 08	315,199
				403,570

12.5 PROPERTY, PLANT AND EQUIPMENT - COMPANY

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	1,279,799
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	415,290
Land & Building At Dambulla	31st March 2015	A0-R3-P10	9,362	153,636
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	-	577,353
Land At Main Street, Ambalantota	31st March 2015	A0-R1-P24.8	-	46,980
				2,667,228

* Year of acquisition is 2014/15.

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.

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT CONTD.**12.6 CAPITAL WORK IN PROGRESS**

Capital Work in Progress includes the construction of capital assets which mainly consists of buildings and plant & machinery.

13 INVESTMENT PROPERTIES

As at 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Balance at the beginning of the year	9,112,316	7,199,267	2,079,695	55,192
Additions	1,458	23,921	-	-
Disposals	(7,200)	(172,649)	(7,200)	(4,229)
Transfers from/(to) Property, Plant and Equipment	85,390	1,946,827	55,797	2,028,495
Change in Fair Value	2,282,659	114,950	1,458,308	237
Balance at the end of the year	11,474,623	9,112,316	3,586,600	2,079,695

13.1 INCOME EARNED FROM INVESTMENT PROPERTIES

For the year ended 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Rental income	374,814	228,354	72,787	10,236
Direct Operating expenses	(13,345)	(17,397)	-	-

13.2 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 2017	A1-R2-P3.20	3,161,600	380,000
Brown and Company PLC	Land At Dunbar Rd, Dumburugiriya, Hatton	31st March 2017	A0-R3-P1.3	45,000	-
Millennium Development (Pvt) Ltd.	Land & Building At No. 338, T.B. Jayah Mawatha, Colombo-10	31st March 2017	A5-R2-P17	3,493,000	107,000
Browns Properties (Pvt) Ltd.	Land & Building At Dudley Senanayake Mawatha, Colombo-08	31st March 2017	A0-R1-P9.5	588,077	633,215
Browns Properties (Pvt) Ltd.	Land At No.05, Summer Place, Colombo 08.	31st March 2017	A0-R0-P33.75	202,000	-
Browns Investments PLC	Land At Kuchchaveli, Trincomalee	31st March 2017	A5-R0-P14.5	91,000	-
Browns Investments PLC	Land At Nalluruwa, Panadura	31st March 2017	A0-R1-P38.87	78,000	-
Browns Investments PLC	Land At Etul Kotte Rd, Battaramulla	31st March 2017	A0-R1-P25.1	293,000	-
Browns Investments PLC	Land At Kaduwela Rd, Malabe	31st March 2017	A0-R2-P5.05	255,000	-
Browns Investments PLC	Land At Egoda Uyana, Moratuwa	31st March 2017	A1-R2-P6.5	183,000	-
Browns Investments PLC	Apartment 506, 2000 Plaza Residencies, Sri Jayawardenapura, Nugegoda	31st March 2017	-	-	16,000
S. F. L. Services (Pvt) Ltd.	Land At Glennie Street, Colombo-02	31st March 2017	A0-R0-P30.5	320,250	-
S. F. L. Services (Pvt) Ltd.	Land At Malabe Rd, Malabe	31st March 2017	A0-R2-P33.5	89,800	-
Browns Group Industries (Pvt) Ltd.	Land At Shantha Sebastiyen Mw, Mudungoda, Kadawatha	31st March 2017	A0-R1-P25	16,000	-
Browns Industrial Park Ltd.	Land & Building At Gonawila, Markandura	31st March 2017	A25-R2-P0	183,000	1,339,681
				8,998,727	2,475,896

The above Investment Properties 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.

Investment Properties are considered under Level 2 and Level 3 of the fair value hierarchy.

Significant unobservable inputs used are as follows;

- Valuation Technique - Market Comparable Method/ Depreciated Replacement Costs Method/ Income Base Method.
- Significant unobservable inputs - Price per perch of land on similar properties/ Value per square feet determined based on similar properties value and depreciated for the period used/Interest or discount rate/ Market rent per square feet.
- Relationship between inputs and fair value measurement - increase/ (decrease) if: Depreciation rate was lesser or higher/ Square feet value was higher or lesser/ Price per perch increase or decrease/ Interest rate increase or decrease/ Market rent increase or decrease.

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT PROPERTIES CONTD.

13.3 SUMMARY OF INVESTMENT PROPERTIES - GROUP

As at 31st March	Group	
	2017 Rs.000	2016 Rs.000
Land	8,998,727	6,825,038
Buildings	2,475,896	2,287,278
	11,474,623	9,112,316

13.4 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 2017	A1-R2-P3.20	3,161,600	380,000
Brown and Company PLC	Land At Dunbar Rd, Dumburugiriya, Hatton	31st March 2017	A1-R1-P0	45,000	-
				3,206,600	380,000

13.5 SUMMARY OF INVESTMENT PROPERTIES - COMPANY

As at 31st March	Company	
	2017 Rs.000	2016 Rs.000
Land	3,206,600	1,799,200
Buildings	380,000	280,495
	3,586,600	2,079,695

14 PREPAID LEASE RENTALS

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Right to use the leasehold land	260,742	502,924	-	-
Prepaid lease rentals	789,791	709,330	121,578	123,392
	1,050,533	1,212,254	121,578	123,392

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Right to use the leasehold land/Prepaid lease rentals				
Balance at the beginning of the year	1,470,198	1,051,493	130,012	130,012
On acquisition of Subsidiary	-	364	-	-
Additions during the Year	54,843	424,827	-	-
Transferred to Property, Plant and Equipment	(11,700)	(6,486)	-	-
On disposal of Subsidiary	(320,204)	-	-	-
Balance at the end of the year	1,193,137	1,470,198	130,012	130,012
Amortisation				
Balance at the beginning of the year	257,944	233,353	6,620	4,806
Amortisation during the Year	33,632	24,591	1,814	1,814
On disposal of Subsidiary	(148,972)	-	-	-
Balance at the end of the year	142,604	257,944	8,434	6,620
Carrying Value	1,050,533	1,212,254	121,578	123,392

14.1 BODUFARU BEACH RESORT (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. The amount paid to acquire the lease right is amortized over the lease term.

BODUFINLHU ISLAND

Persuent to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 07th June 2015 the company has obtained the leasehold rights of the Bodufinlhu island in South Ari atoll for a period of 50 years commencing from 07th June 2015. The amount paid to acquire the lease right is amortized over the lease term.

LAGOON IN MALE' ATOLL

Pursuant 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 amortized over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

14 PREPAID LEASE RENTALS CONTD.**14.2 MATURATA PLANTATION LTD - 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 was taken in to the books of Maturata Plantations Limited.

Leasehold Rights to Bare Land of JEDB/SLSPC Estate Assets and Immovable (JEDB/SLSPC) Estates Assets on Finance Lease obtained on a long term basis, are stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard No.19 – Leases, in line with Ruling of the Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortized over the remaining Lease term or useful life of such asset whichever is shorter.

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 28.25 years.

14.2.1 Land acquired/ in the process of being acquired by the government and divested as at 31st March 2017 - 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 2016 - 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 2016 - 1,282.3620 hectares).

Land divested is totaling to 822.00 hectares. (As at 31st March 2016 - 822.00 hectares).

No adjustments have been made to the Financial statements in respect of the lands acquired as the compensations receivable on the major acquisitions are not known and the transactions pertaining to those acquisitions have been incomplete as at 31st March 2017.

14.3 SAGASOLAR POWER (PVT) LTD.

Pursuant to lease premium paid to the Mahaweli Authority of Sri Lanka in respect of the Land obtained on an operating lease basis for a period of 30 years. The amount paid is amortised over the period of 30 years.

14.4 BROWNS GLOBAL FARM (PVT) LTD.

Pursuant to lease premium paid to the Sri Lanka Army in respect of the Land obtained on an operating lease basis for a period of 30 years. The amount paid is amortised over the period of 30 years.

14.5 BROWNS INDUSTRIAL PARK LTD.

Pursuant to advance payment made on operating lease for the “right to use” the warehouse at Industrial park, Makadura, Pannala. The said warehouse is leased for a period of 30 years from 1st April 2014, and is amortised over the balance lease period.

14.6 BROWN AND COMPANY PLC

Pursuant to lease premium paid in respect of the Land obtained on an operating lease basis for a period of 50 to 99 years. The amount paid is amortised over the lease period.

15 INTANGIBLE ASSETS

As at 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000

Gross Value

Balance at the beginning of the year	1,716,016	1,565,042	116,929	116,867
On Acquisition of Subsidiary	-	124,848	-	-
Additions during the year	18,291	26,126	-	62
On Disposal of Subsidiary	(50,581)	-	-	-
Balance at the end of the year	1,683,726	1,716,016	116,929	116,929

Amortisation

Balance at the beginning of the year	128,666	102,424	111,437	90,986
Amortisation during the year	11,227	26,242	4,465	20,451
Balance at the end of the year	139,893	128,666	115,902	111,437
Carrying Value	1,543,833	1,587,350	1,027	5,492

15.1 SUMMARY OF INTANGIBLE ASSETS - GROUP

	31st March 2017				31st March 2016			
	Goodwill	Software	Licence	Total	Goodwill	Software	Licence	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000

Gross value

Balance at the beginning of the year	1,446,406	139,941	129,669	1,716,016	1,429,353	135,689	-	1,565,042
Additions during the year	-	1,041	17,250	18,291	-	4,252	21,874	26,126
Acquisition of subsidiary	-	-	-	-	17,053	-	107,795	124,848
On Disposal of Subsidiary	(50,581)	-	-	(50,581)	-	-	-	-
Balance at the end of the year	1,395,825	140,982	146,919	1,683,726	1,446,406	139,941	129,669	1,716,016

Amortisation

Balance at the beginning of the year	-	128,666	-	128,666	-	102,424	-	102,424
Amortisation during the year	-	8,064	3,163	11,227	-	26,242	-	26,242
Balance at the end of the year	-	136,730	3,163	139,893	-	128,666	-	128,666
Carrying Value	1,395,825	4,252	143,756	1,543,833	1,446,406	11,275	129,669	1,587,350

NOTES TO THE FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS CONTD.**15.2 SUMMARY OF GOODWILL - GROUP**

As at 31st March	Carrying Value	
	31st March 2017	31st March 2016
	Rs.000	Rs.000
Klevenberg (Pvt) Ltd.	51,805	51,805
Browns Healthcare Negombo (Pvt) Ltd.	250	250
Browns Investments PLC	9,564	9,564
Lotus Hydro Power PLC	-	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
Creations Wooden Fabricators (Pvt) Ltd.	8,673	8,673
Sun & Fun Resorts Ltd.	57,641	57,641
Saga Solar Power (Pvt) Ltd.	17,053	17,053
	1,395,825	1,446,406

- 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.
- 15.5** The licence represents the approvals and licenses obtained by Sagasolar Power (Pvt) Ltd for the solar power project. The company has obtained these approvals and licenses from the initial shareholders of the company.

16 BEARER BIOLOGICAL ASSETS

As at 31 March	Group	
	2017	2016

On Finance Lease	54,396	155,679
Investments after formation of the Company	1,091,667	4,631,760
Growing Crop Nurseries	5,427	23,911
	1,151,490	4,811,350

At Cost	On Finance Lease	Investments after formation of the Company	Growing Crop Nurseries	Total 2017	On Finance Lease	Investments after formation of the Company	Growing Crop Nurseries	Total 2016
Cost	242,156	1,439,147	5,427	1,686,731	596,305	5,696,615	23,911	6,316,831
Accumulated amortisation	(87,760)	(347,480)	-	(535,242)	(440,626)	(1,064,855)	-	(1,505,481)
	54,396	1,091,667	5,427	1,151,490	155,679	4,631,760	23,911	4,811,350

On Finance Lease	Mature Plantations Tea		Mature Plantations Rubber		Mature Plantations Coconut		Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016
For the year ended 31 March								

Cost

Balance as at the beginning of the period	371,934	371,934	212,786	212,786	11,585	11,585	596,305	596,305
On disposal of subsidiaries	(168,662)	-	(182,171)	-	(3,316)	-	(354,149)	-
Balance as at the end of the period	203,272	371,934	30,615	212,786	8,269	11,585	242,156	596,305

Accumulated Amortisation

Balance as at the beginning of the period	275,639	263,390	156,566	149,474	8,421	8,034	440,626	420,898
Charge for the year	12,249	12,249	7,092	7,092	387	387	19,728	19,728
On disposal of subsidiaries	(129,948)	-	(140,215)	-	(2,431)	-	(272,594)	-
Balance as at the end of the period	157,940	275,639	23,443	156,566	6,377	8,421	187,760	440,626

Carrying amount

As at 31st March 2017	45,331	96,295	7,172	56,220	1,893	3,164	54,396	
As at 31st March 2016	96,295	108,544	56,220	63,312	3,164	3,551	155,679	

NOTES TO THE FINANCIAL STATEMENTS

16 BEARER BIOLOGICAL ASSETS CONTD.

Investments after formation of the Company	Immature Plantations				Mature Plantations				Total			
	Tea	Rubber	Coconut	Mixed Crops	Total	Tea	Rubber	Coconut	Mixed Crops	Total	Total 2017	Total 2016
Cost/Valuation												
Balance as at the beginning of the period	425,592	1,589,355	-	111,057	2,126,004	1,465,497	1,977,074	27,832	100,208	3,570,611	5,696,615	5,374,200
Additions	51,651	192,764	437	70,658	315,510	-	-	-	-	-	315,510	352,155
Disposals/ Written off	(11,015)	-	-	(3,700)	(14,715)	-	-	-	(1,570)	(1,570)	(16,286)	(29,740)
Transfers	(171,558)	(247,346)	-	(38,434)	(457,338)	171,558	247,346	-	38,434	457,338	-	-
On disposal of subsidiaries	(289,605)	(1,241,895)	-	(70,451)	(1,601,951)	(897,441)	(2,045,115)	(12,185)	-	(2,954,741)	(4,556,693)	-
	5,066	292,877	437	69,130	367,510	739,615	179,305	15,647	137,072	1,071,638	1,439,147	5,696,615
Accumulated Depreciation												
Balance as at the beginning of the period	-	-	-	-	-	437,087	617,787	6,243	3,738	1,064,855	1,064,855	919,157.00
Charge for the year	-	-	-	-	-	49,259	108,577	504	5,972	164,313	164,313	145,698
On disposal of subsidiaries	-	-	-	-	-	(223,341)	(655,585)	(2,503)	-	(881,429)	(881,429)	-
Disposals/ Written off	-	-	-	-	-	-	-	-	(258)	(258)	(258)	-
	-	-	-	-	-	263,005	70,779	4,244	9,452	347,480	347,480	1,064,855
Carrying amount												
As at 31st March 2017	5,066	292,877	437	69,130	367,510	476,610	108,526	11,403	127,619	724,157	1,091,667	
As at 31st March 2016	425,592	1,589,355	-	111,057	2,126,004	1,028,410	1,359,287	21,589	96,470	2,507,756	4,631,760	

A DISTINCTIVE LEGACY

Growing Crop Nurseries	2017				2016			
	Tea	Rubber	Mixed crops	Total	Tea	Rubber	Mixed crops	Total

Cost/Valuation

Balance as at the beginning of the period	11,833	4,505	7,573	23,911	18,858	6,684	1,523	27,065
Additions	-	696	2,897	3,592	-	-	6,470	6,470
Transfers	(2,143)	-	(969)	(3,113)	(7,025)	(2,179)	(420)	(9,624)
Disposals/ Written off	-	-	(795)	(795)	-	-	-	-
On disposal of subsidiaries	(7,335)	(4,384)	(6,450)	(18,169)	-	-	-	-
Balance as at the end of the period	2,355	817	2,255	5,427	11,833	4,505	7,573	23,911

Amortization/ Depreciation for the period recognized for bearer biological assets

For the year ended 31 March	2017	2016
On Finance Lease	19,728	19,728
Investments after formation of the Company	164,313	145,698
	184,041	165,426

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.

NOTES TO THE FINANCIAL STATEMENTS

17 CONSUMABLE BIOLOGICAL ASSETS

As at 31st March	Group	
	2017 Rs.000	2016 Rs.000
Balance as at 01 April	6,150,989	6,383,655
Increase due to new planting	52,157	10,302
Net increase due to births/deaths (Growing Crop Nurseries)	-	558
Written off during the year	(5,071)	(3,791)
Decrease due to harvesting of timber trees	(69,644)	(45,381)
Change in fair value less estimated costs to sell	214,815	(194,354)
Disposal of subsidiaries	(3,359,155)	-
Balance as at 31 March	2,984,091	6,150,989

17.1 The carrying value of timber as at the year end has been computed as follows;

As at 31st March	Group	
	2017 Rs.000	2016 Rs.000
Valuation of consumable biological assets	2,941,488	6,122,019
Cost of timber plant below three years of age, not considered for valuation	40,906	26,005
Growing Crop Nurseries	1,697	2,965
	2,984,091	6,150,989

17.2 The Consumable Biological Assets as at 31st March 2017 of the Group was valued by Mr. K.T.D. Tissera, an independent Chartered Valuation Surveyor. Valuation report is prepared based 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 2016 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 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.
- 17.6 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.
- 17.7 Managed timber trees include commercial timber plantations cultivated on estates. The above carrying amount as at 31st March 2017 includes a sum of Rs. 40,906,095/- (As at 31st March 2016 - Rs.10,710,760/-) which is the cost of immature trees up to the age of 4 years which is treated as approximate fair value particularly on the ground of little biological transformation taking place and impact of such transformation on price is expected to be immaterial.
- 17.8 Borrowing costs of Rs. 807,204 /- (Previous year - Rs. 3,677,161/-) have been capitalized during the year in to immature fields.

NOTES TO THE FINANCIAL STATEMENTS

17 CONSUMABLE BIOLOGICAL ASSETS CONTD.

17.9 VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

Following table shows the valuation techniques in measuring Level 3 fair value of consumable biological assets 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</p> <p>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 16% comprising a risk premium of 4%.</p>	<p>Determination of Timber Content</p> <p>Timber trees in inter-crop areas and pure crop areas have been identified field-wise and species were identified and harvestable trees were separated, according to their average girth and estimated age.</p> <p>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.</p> <p>Determination of Price of Timber</p> <p>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.</p> <p>In this exercise, following factors have been taken into consideration.</p> <ol style="list-style-type: none"> Cost of obtaining approval of felling. Cost of felling and cutting into logs. Cost of transportation. Sawing cost. <p>Risk-adjusted discount rate.</p> <ul style="list-style-type: none"> 2016/2017 - 16% (risk premium - 4%). 2015/2016 - 15% (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).

17.10 SENSITIVITY ANALYSIS FOR BIOLOGICAL ASSETS**17.10.1 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	2017		2016	
	10% Variance Rs.	-10% Variance Rs.	10% Variance Rs.	-10% Variance Rs.
Managed Timber	294,149	(294,149)	612,201	(612,201)

17.10.2 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	2017		2016	
	1% Variance Rs.	-1% Variance Rs.	1% Variance Rs.	-1% Variance Rs.
Managed Timber	(66,335)	75,217	(196,624)	198,130

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.

NOTES TO THE FINANCIAL STATEMENTS

18 INVESTMENTS IN SUBSIDIARIES

	Company					
	Holding %		No. of shares		Amount	
	As at	As at	As at	As at	As at	As at
	31st March	31st March	31st March	31st March	31st March	31st March
	2017	2016	2017	2016	2017	2016
					Rs.000	Rs.000
Browns Group Motels Ltd.	79.97%	79.97%	399,859	399,859	6,739	6,739
CFT Engineering Ltd.	95%	95%	3,450	3,450	448	448
The Hatton Transport & Agency Co. (Pvt) Ltd.	100%	100%	1,000	1,000	210	210
S.F.L. Services (Pvt) Ltd.	100%	100%	986,591	986,591	632,198	632,198
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.	100%	100%	15,600,000	15,600,000	205,264	205,264
Browns Healthcare Negombo (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.	39.75%	39.75%	1,478,712,425	1,478,712,425	6,636,614	6,636,614
Browns Health Care (Pvt) Ltd. (Note 42.3.6)	100%	100%	150,000,000	67,000,000	1,497,210	667,210
Browns Pharma Ltd. (Note 42.3.6)	100%	-	10,000,000	-	100,000	-
Browns Real Estates (Pvt) Ltd.	100%	100%	5,000,000	5,000,000	50,000	50,000
					9,414,102	8,484,102
Provision for fall in value of Investments (Note 18.1)					(494,460)	(494,460)
					8,919,642	7,989,642

18.1 PROVISION FOR FALL IN VALUE OF INVESTMENTS

Browns Investments PLC	380,000	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	12,000
CFT Engineering Ltd.	448	448
Browns Thermal Engineering (Pvt) Ltd.	60,000	-
	494,460	494,460

18.2 GROUP HOLDINGS IN SUBSIDIARIES

As at 31 March Subsidiary	Principal Activity	2017		2016	
		No of Shares	Control Holding %	No of Shares	Control Holding %
Ajax Engineers (Pvt) Ltd.	Aluminium Fabrication	469,987	100%	469,987	100%
B G Air Services (Pvt) Ltd.	Travel	50,000	100%	50,000	100%
BI Commodities and Logistics (Pvt) Ltd.	Pre-Operational	35,500,250	100%	1,000,000	100%
BI Zhongtian Holdings (Pvt) Ltd.	Pre-Operational	25,500,000	51%	25,500,000	51%
Bodufaru Beach Resorts (Pvt) Ltd.	Hotelier - Pre operational	90,500	69.19%	35,000	99.82%
Lotus Hydro Power PLC	Hydro power generation	-	-	77,713,512	71.24%
Browns Capital PLC	Holding Company	831,578,217	60.79%	831,578,217	60.79%
Browns Global Farm (Pvt) Ltd.	Agriculture	29,140,845	100%	9,305,000	100%
Browns Group Industries (Pvt) Ltd.	Trading	2,800,000	100%	2,800,000	100%
Browns Group Motels Ltd.	Non-operating	399,859	79.97%	399,859	79.97%
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	1,191,919,624	100%	849,166,000	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 Healthcare Negambo (Pvt) Ltd.	Pre-Operational	5,000,000	100%	5,000,000	100%
Browns Real Estates (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%
Ceylon Estate Teas (Pvt) Ltd.	Marketing & distribution of teas	-	-	455,000	100%
Ceylon Roots (Pvt) Ltd.	Travel	-	-	90,000	60%
CFT Engineering Ltd.	Non-operating	3,450	95.04%	3,450	95.04%
Creations Wooden Fabricators (Pvt) Ltd.	Wooden Fabrication	10,000	50%	10,000	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	93,793,173	88.82%	24,560,733	46.52%
Enselwatte Power (Pvt) Ltd.	Hydro power generation	10,000,000	100%	10,000,000	100%
Excel Global Holding (Pvt) 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	100,000	100%	100,000	100%
Browns Capital Holdings (Pvt) Ltd.	Holding Company	880,000,000	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	97,000,000	100%	97,000,000	100%
F L M C Plantations (Pvt) Ltd.	Plantation management	-	-	5,500,000	55%
F L P C Management (Pvt) Ltd.	Plantation management	92,052,838	95.34%	92,052,838	95.34%
Green Paradise (Pvt) Ltd.	Hotelier	5,000,007	100%	2,800,007	56%
Halgranoya Hydro Power (Pvt) Ltd.	Hydro power generation	-	-	10,000,000	100%
Klevernberg (Pvt) Ltd.	Trading	15,600,000	100%	15,600,000	100%
Maturata Plantation Ltd.	Plantations	25,200,000	72%	25,200,000	72%
Melfort Green Teas (Pvt) Ltd.	Manufacturing green tea	-	-	650,000	46.43%
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%	38,671,013	89.38%
Pussellawa Plantations Ltd.	Plantations	-	-	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%	986,591	100%
Saga Solar Power (Pvt) Ltd.	Solar power generation	42,537,022	50.10%	38,703,370	50.10%
Sifang Lanka (Pvt) Ltd.	Non-operating	2,050,000	100%	2,050,000	100%
Sifang Lanka Trading (Pvt) Ltd.	Non-operating	2,997,750	100%	2,997,750	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%
Samudra Beach Resorts (Pvt) Ltd.	Hotelier - Pre operational	219,027,500	100%	219,027,500	100%
Sun & Fun Resort Ltd.	Hotelier	16,287,848	51%	16,287,848	51%
The Tea Leaf Resort (Pvt) Ltd.	Leisure	250,000	50%	250,000	50%
The Hatton Transport & Agency Company (Pvt) Ltd.	Non-operating	1,000	100%	1,000	100%
Thebuwana Hydro Power (Pvt) Ltd.	Hydro power generation	-	-	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%

NOTES TO THE FINANCIAL STATEMENTS

18 INVESTMENTS IN SUBSIDIARIES CONTD.**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.

As per the above agreements, the group has the control to govern the financial and operating policies of BI, as per SLFRS 3 'Business Combinations' accordingly the company has accounted for BI as a Subsidiary.

18.4 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.4.575000732 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, FLPC Management (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, FLPC Management (Pvt) Ltd., would be reduced from 72% to 57.90%).

18.5 AGALAWATTE PLANTATIONS PLC

In July 2016, the Group acquired 60.80% stake in Agalawatte Plantations PLC (APL) with a long term view and considered it as an investment in Subsidiary of the Group. Accordingly, Agalawatte Plantations PLC was consolidated and unaudited financial statements for the quarters ended 30th September 2016 and 31st December 2016 was presented.

By letter dated 28th September 2016, The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), issued a direction to the Board of Directors of APL to re-audit the published audited financial statements of the company for the year ended 31st December 2014. Consequent to the re-audit, which was finalized in March 2017, it was revealed that the liabilities of APL were significantly higher than what was in the publicly available audited financial statements at the time of acquisition. The management evaluated the significance of such risk that poses on the Group and consequently the management changed its intention on the investment in APL and divested the Investment in March 2017.

Subsequent to the re-audit, the auditor of APL has issued a disclaimed audit opinion on the re-audited financial statements for the financial year ended 2014 and as at the date on which the financial statements of the Group is authorised for issue by the Board of Directors, audited financial statements of APL for financial years 2015 and 2016 were not available. Since it was impracticable to obtain reliable financial information after making every reasonable effort to do so and considering the significant limitations and uncertainty described above, the management is of the view that consolidation of the results of APL may not represent a true and fair view of the consolidated financial statements of Brown & Company PLC. Consequently, in order to present the substance of the transaction and its effect, the management concluded that the investment in APL not to be treated as an investment in subsidiary from the date of acquisition for the purpose of preparing consolidated financial statements of Brown & Company PLC for the year ended 31st March 2017.

The details of the investment in APL, disposal and resultant loss on disposal recognized in the Group financial statements for the year ended 31st March 2017 are stated below.

Date of the transaction	Description	Value (Rs'000)
14th July 2016	Cost of acquisition of APL Group	306,166
28th March 2017	Disposal proceeds from APL Group	272,708
	Loss on disposal	33,458

Since the Group acquired and disposed the total investment in APL within the financial year ended 31st March 2017, there is no impact on the profit and other comprehensive income in the statement of profit or loss and other comprehensive income for the year ended 31st March 2017 and total assets, total liabilities and total equity in the consolidated statement of financial position as at 31st March 2017 even though APL has not been consolidated with the Group for the preparation of the consolidated financial statements.

18.6 DIVESTMENTS

During the year, the Group made following divestments.

- a) Divestment of controlling stake of FLMC Plantations (Pvt) Ltd by disposing 4.51 Mn number of shares (45.1%) for a consideration of Rs. 4,635.79 Mn.
- Divestment of controlling stake (72.13%) in Lotus Hydro Power PLC (formerly known as Browns Hydro Power PLC) for a consideration of Rs. 540.53 Mn.
- Divestment of controlling stake (60%) in Ceylon Roots (Pvt) Ltd for a consideration of Rs. 12 Mn.

Fair values of the identifiable assets and liabilities of the disposed entity at the date of disposal were;

	FLMC Plantations (Pvt) Ltd Rs. 000	Lotus Hydro Power PLC Rs. 000	Ceylon Roots (Pvt) Ltd Rs. 000	Total Rs. 000
Property, plant and equipment	883,123	860,211	10,099	1,753,433
Prepaid Lease Rentals	166,952	4,280	-	171,232
Bearer Biological Assets	3,774,986	-	-	3,774,986
Consumable Biological Assets	3,359,155	-	-	3,359,155
Deferred Tax Assets	210,177	-	-	210,177
Other Non Current Financial Assets	-	-	2,760,000	2,760,000
Inventories	406,842	8,158	-	415,000
Trade and Other Receivables	221,900	61,106	260,501	543,507
Loan to Related Parties	18,667	-	-	18,667
Amount due from Related parties	248,102	65,301	46,432	359,835
Income Tax Recoverable	9,259	-	590	9,849
Other Current Financial Assets	306,226	-	-	306,226
Cash and Cash Equivalents	275,103	35,720	146,601	457,424
Total assets	9,880,492	1,034,776	3,224,223	14,139,491

NOTES TO THE FINANCIAL STATEMENTS

18 INVESTMENTS IN SUBSIDIARIES CONTD.

18.6 DIVESTMENTS CONTD.

	FLMC Plantations (Pvt) Ltd Rs. 000	Lotus Hydro Power PLC Rs. 000	Ceylon Roots (Pvt) Ltd Rs. 000	Total Rs. 000
Retirement benefit obligations	(711,372)	(3,579)	(2,465)	(717,416)
Deferred income	(472,944)	-	-	(472,944)
Deferred tax liabilities	(924,338)	(56,888)	-	(981,226)
Finance Lease obligations	(227,592)	-	-	(227,592)
Loans and borrowings	(87,523)	(136,367)	(2,602,425)	(2,826,315)
Trade and other payables	(430,406)	(33,387)	(206,434)	(670,227)
Amount due to Related parties	(204,493)	(65,417)	(1,019,563)	(1,289,473)
Loan to Related Parties	(45,681)	-	-	(45,681)
Income Tax Payables	(26,395)	(3,832)	(86)	(30,313)
Short term borrowings	(31,925)	-	-	(31,925)
Bank overdrafts	(64,987)	(1,707)	(55,694)	(122,388)
Total liabilities	(3,227,656)	(301,177)	(3,886,667)	(7,415,500)
Net assets disposed	6,652,836	733,599	(662,444)	6,723,991
Net assets attributable to the group	(2,160,979)	(344,326)	44,544	(2,460,761)
Fair Value of Consideration Received (net of transaction cost)	4,635,797	540,533	12,000	5,188,330
Impairment of Previously Recognised Goodwill	-	-	(50,581)	(50,581)
Write back of consideration payable	-	-	6,000	6,000
Gain on disposal	2,474,818	196,207	11,963	2,682,988
Net Cash Received from disposal of Subsidiaries	4,635,797	540,533	12,000	5,188,330
Cash and cash equivalents of Subsidiaries Disposed	(275,103)	(35,720)	(146,601)	(457,424)
Bank Overdrafts of Subsidiaries Disposed	64,987	1,707	55,694	122,388
	4,425,681	506,520	(78,907)	4,853,294

19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

19.1 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES - GROUP

As at 31 March	Group			
	Holding %		No. of shares	
	2017	2016	2017	2016

Unquoted Investments

Gal Oya Holdings (Pvt) Ltd. (GHPL)	50%	50%	1,300,000	1,300,000
Investor - Brown and Company PLC				
Associated Battery Manufacturers (Cey) Ltd. (ABM)	38.50%	38.50%	2,439,355	2,439,355
Investor - S.F.L Services (Pvt) Ltd.				
Gal Oya Plantations (Pvt) Ltd.(GPPL)	22.10%	22.10%	22,309,412	22,309,412
Investor - Brown and Company PLC				
Verginia International Investments Ltd. (VIIL)	40%	40%	800,000	800,000
Investor - Browns Investments PLC				
NPH Investments (Pvt) Ltd. (NPH)	50%	-	138,778,951	-
Investor - Browns Investments PLC				
LOLC (Pvt) Ltd.	28.70%	-	2,826,400	-
Investor - Browns Investments PLC				

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	LOLCPL Rs.000	NPH Rs.000	ABM Rs.000	GHPL Rs.000	GPPL Rs.000	Total Rs.000
Equity Value of Investment as at 1st April 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
Investment	-	-	301,482	1,331,015	-	-	-	1,632,497
Share of Profit of Equity Accounted Investees (Net of Tax)	-	72	-	246	65,907	-	-	66,225
Share of other comprehensive income of equity accounted investees (Net of Tax)	-	-	9,141	5,035	-	-	-	14,175
Dividend Paid	-	-	-	-	(40,249)	-	-	(40,249)
Equity Value of Investment as at 31st March 2017	-	5,073	310,623	1,336,295	311,980	-	-	1,963,971

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 2017	VIII Rs.000	LOLCPL Rs.000	NPH Rs.000	ABM Rs.000	GHPL Rs.000	GPPL Rs.000
Revenue	-	-	-	2,713,497	-	1,007,845
Cost of sales	-	-	-	(2,389,117)	-	(808,674)
Other Income	318	-	3,039	22,297	261	40,738
Expenses	(67)	-	(2,548)	(105,019)	(867)	(1,179,246)
Profit/(Loss) before taxation	251	-	491	241,658	(606)	(939,336)
Income tax expenses	(70)	-	-	(70,469)	-	-
Profit/(Loss) for the year	181	-	491	171,189	(606)	(939,336)

As at 31st March 2017	VIII Rs.000	LOLCPL Rs.000	NPH Rs.000	ABM Rs.000	GHPL Rs.000	GPPL Rs.000
Non Current Assets	-	-	2,937,384	542,885	-	2,268,338
Current Assets	12,680	23,320	369,430	1,287,459	384	896,095
Total Assets	12,680	23,320	3,306,814	1,830,344	384	3,164,434
Non Current Liabilities	-	-	(146,103)	(87,497)	-	(3,100,160)
Current Liabilities	(250)	-	(461,035)	(932,509)	(14,901)	(3,111,779)
Net Assets	12,430	23,320	2,699,676	810,338	(14,517)	(3,047,505)

19.2 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES - COMPANY

As at 31st March 2017	Holding %		No. of shares		Company	
	2017	2016	2017	2016	2017 Rs.000	2016 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 Lanka Orix Leasing Company PLC and Brown & Company PLC.

Gal Oya Plantation (Pvt) Ltd. 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	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Quoted Investments (Notes 20.1)	107,337	155,358	-	-
Unquoted/ Other Investments (Notes 20.2, 20.3)	928,851	869,230	-	-
	1,036,188	1,024,588	-	-

20.1 QUOTED INVESTMENTS - GROUP

As at 31st March	Number of shares		Carrying Values	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Available-for-Sale				
Lanka IOC PLC	27,800	27,800	806	904
Vallibel Finance PLC	33,900	33,900	1,983	1,820
DFCC Bank PLC	3,810	3,810	435	522
Raigam Wayamba Salterns PLC	26,200	26,200	52	52
Sierra Cables PLC	7,400	7,400	22	21
Commercial Leasing & Finance PLC	40,000,000	40,000,000	104,000	152,000
Lanka Century Investments PLC	18,616	18,616	37	37
Hapugastenna Plantation PLC	100	100	2	2
			107,337	155,358

20.2 UNQUOTED/ OTHER INVESTMENTS - GROUP

As at 31st March	Number of shares		Carrying Values	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Available-for-Sale				
Motor Marvels (Pvt) Ltd.	4,800,000	4,800,000	4,800	4,800
Sierra Construction (Pvt) Ltd.	99,906,000	12,490,250	461,715	432,553
Sierra Holdings (Pvt) Ltd.	4,494,492	4,494,492	363,310	320,225
Rain Forest Eco Lodge (Pvt) Ltd.	6,483,375	6,483,375	40,860	42,166
Confifi Trading (Pvt) Ltd.	39,100	39,100	1,865	1,865
Loans and Receivables				
Investment in Term Deposits			55,934	58,535
Others			5,167	13,886
			933,651	874,030
Provision for fall in Value of Investment			(4,800)	(4,800)
			928,851	869,230

NOTES TO THE FINANCIAL STATEMENTS

20 OTHER NON-CURRENT FINANCIAL ASSETS CONTD.**20.3 UNQUOTED/ OTHER INVESTMENTS - COMPANY**

As at 31st March	Number of shares		Carrying Values	
	2017	2016	2017 Rs.000	2016 Rs.000
Motor Marvels (Pvt) Ltd.	4,800,000	4,800,000	4,800	4,800
			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	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Balance at the beginning of the year	878,606	428,568	214,081	198,991
Transfer from Deferred Tax Liability	-	468,123	-	-
Deferred tax expense recognised in income statement	194,754	62,392	5,493	15,090
Deferred tax expense recognised in other comprehensive income	(5,750)	(80,477)	(3,128)	-
On Disposal of Subsidiary	(210,177)	-	-	-
Balance at the end of the year	857,433	878,606	216,445	214,081

21.1 The Closing Deferred Tax Asset balance relates to the following Temporary Differences;

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Property, Plant & Equipment / Investment Properties	(482,635)	(443,398)	(450,130)	(412,859)
Employee Benefit Liabilities	953,708	837,498	92,652	101,544
Losses available for offset against future Taxable Income	4,379,988	3,938,291	1,130,496	1,075,890
	4,851,061	4,332,391	773,019	764,575

22 LOANS TO RELATED PARTIES - DUE AFTER ONE YEAR

As at 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Dankotuwa Porcelain PLC (Note 22.1)	283,036	253,948	138,327	124,128
	283,036	253,948	138,327	124,128

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	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Raw Material	168,153	126,463	476	389
Work-in-Progress	25,050	26,557	23,444	17,146
Finished Goods	3,074,776	2,342,724	2,854,480	2,150,080
Input Material	53,069	126,556	-	-
- Tea	211,438	315,613	-	-
- Rubber	5,296	54,593	-	-
- Coconut	32	834	-	-
- Other (Note 23.1)	16,495	5,813	-	-
Consumables and Spares	32,054	42,006	-	-
Goods - in - Transit	205,043	204,400	193,841	194,306
	3,791,404	3,245,559	3,072,241	2,361,921
Less: Impairment of Inventories	(174,904)	(149,010)	(127,012)	(93,742)
	3,616,500	3,096,549	2,945,230	2,268,179

23.1 Includes agricultural produce attached to bearer plants.

NOTES TO THE FINANCIAL STATEMENTS

24 TRADE AND OTHER RECEIVABLES

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Trade Receivables	4,084,903	3,727,809	2,857,731	2,305,008
Other Receivables (Note 24.1)	1,483,740	1,890,136	331,707	466,198
	5,568,643	5,617,945	3,189,438	2,771,206
Less: Impairment of Trade Receivables	(540,791)	(372,296)	(372,885)	(257,594)
	5,027,852	5,245,649	2,816,553	2,513,612

24.1 OTHER RECEIVABLES

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Value Added Tax Recoverable	34,081	52,010	-	-
Economic Service Charge Recoverable	36,829	-	-	-
Staff Loan	5,887	557	5,466	326
Withholding Tax Recoverable	2,351	5,200	35	9
Dividend Receivable	74,309	68,836	66,561	61,088
Deposits, Advances and prepayments	613,713	775,955	156,639	132,246
Mobilisation Advances	431,134	401,681	-	-
Others	285,436	585,897	103,007	272,529
	1,483,740	1,890,136	331,707	466,198

25 LOANS TO RELATED PARTIES

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Browns Investments PLC	-	-	204,499	487,418
Browns Capital PLC	-	-	-	72,898
Gal Oya Plantations (Pvt) Ltd.	570,690	603,337	570,690	603,337
S.F.L.Service (Pvt)Ltd.	-	-	41,056	91,599
Klevenberg (Pvt) Ltd.	-	-	-	11,821
Browns Thermal Engineering (Pvt) Ltd	-	-	155,173	89,136
Riverina Resorts (Pvt) Ltd.	-	-	87,349	74,844
Dickwella Resorts (Pvt) Ltd.	-	-	232,647	199,342
Browns Hotels and Resorts Ltd.	-	-	649,566	556,577
Browns Group Industries (Pvt) Ltd.	-	-	14,608	3,856
Eden Hotel Lanka PLC	-	-	-	10,867
Alpha Kinam Holdings (Pvt) Ltd.	91,713	79,833	-	-
Ceylon Roots (Pvt) Ltd.	3,000	-	3,000	-
Ceylon Estate Teas (Pvt) Ltd.	27,000	-	-	-
Lanka Orix Leasing Company PLC	-	89,356	-	89,356
	692,403	772,526	1,958,587	2,291,051

25.1 SECURITY AND REPAYMENT TERMS OF RELATED PARTY LOANS

Name of the Company	Repayment	Security	Outstanding 31 st March 2017	
			Group Rs.000	Company Rs.000
Browns Investments PLC	On demand	Unsecured	-	204,499
Gal Oya Plantations (Pvt) Ltd.	On demand	Unsecured	570,690	570,690
S.F.L.Service (Pvt)Ltd.	On demand	Unsecured	-	41,056
Browns Thermal Engineering (Pvt) Ltd	On demand	Unsecured	-	155,173
Riverina Resorts (Pvt) Ltd.	On demand	Unsecured	-	87,349
Dickwella Resorts (Pvt) Ltd.	On demand	Unsecured	-	232,647
Browns Hotels and Resorts Ltd.	On demand	Unsecured	-	649,566
Browns Group Industries (Pvt) Ltd.	On demand	Unsecured	-	14,608
Alpha Kinam Holdings (Pvt) Ltd.	On demand	Unsecured	91,713	-
Ceylon Roots (Pvt) Ltd.	On demand	Unsecured	3,000	3,000
Ceylon Estate Teas (Pvt) Ltd.	On demand	Unsecured	27,000	-
			692,403	1,958,587

26 AMOUNTS DUE FROM RELATED PARTIES

26.1 AMOUNTS DUE FROM RELATED PARTIES - DUE AFTER ONE YEAR

As at 31st March	Company	
	2017 Rs.000	2016 Rs.000
Browns Health Care (Pvt) Ltd.	-	830,000
	-	830,000

NOTES TO THE FINANCIAL STATEMENTS

26 AMOUNTS DUE FROM RELATED PARTIES CONTD.**26.2 AMOUNTS DUE FROM RELATED PARTIES - DUE WITHIN ONE YEAR**

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Associated Battery Manufacturers (Cey) Ltd.	21,170	138	-	-
Commercial Leasing & Finance PLC	347	331	347	331
BG Air Services (Pvt) Ltd.	-	-	2,835	17,019
Browns Group Industries (Pvt) Ltd.	-	-	4,059	12,559
Browns Industrial Park Ltd.	-	-	20,426	5,285
Browns Investments PLC	-	-	7,695	44,442
Browns Thermal Engineering (Pvt) Ltd.	-	-	31,456	25,171
Browns Global Farm (Pvt) Ltd.	-	-	55,844	54,043
Browns Tours (Pvt) Ltd.	27,197	-	-	-
C.F.T. Engineering Ltd.	-	-	6,992	6,992
Engineering Services (Pvt) Ltd.	30,492	30,209	30,492	30,209
Gal Oya Holdings (Pvt) Ltd.	72	72	72	72
Gal Oya Plantations (Pvt) Ltd.	18,428	18,346	18,428	18,346
Klevenberg (Pvt) Ltd.	-	-	27,285	7,444
Masons Mixture Ltd.	9,035	17,746	8,826	17,537
Sifang Lanka (Pvt) Ltd.	-	-	131,502	134,093
Sifang Lanka Trading (Pvt) Ltd.	-	-	3	3
S.F.L Services (Pvt) Ltd.	-	-	46,466	-
Snowcem Products Lanka (Pvt) Ltd.	-	-	24,936	24,936
Ishara Traders (Pvt) Ltd.	-	-	-	-
Browns Holdings Ltd.	-	1,725	-	1,725
Lanka Orix Finance PLC	-	32,946	-	-
Lanka Orix Leasing Company PLC	-	-	-	-
Sierra Construction (Pvt) Ltd.	9	39	-	-
Taprobane Plantations Ltd.	19,385	18,569	-	-
Browns Hotels & Resorts Ltd.	-	-	588	328
Browns Health Care North Colombo (Pvt) Ltd.	-	-	9,085	9,008
Browns Health Care (Pvt) Ltd.	-	-	254,722	173,721
Browns Health Care Negombo (Pvt) Ltd.	-	-	120,322	-
LOLC Micro Credit Ltd.	96	-	96	-
Sun & Fun Resorts Ltd.	-	-	3,000	3,000
LOLC Insurance Co Ltd.	-	40	-	40
Ceylon Estate Teas (pvt) Ltd.	5,175	-	-	-
Agalawatte Plantations PLC	41,315	-	-	-
Ceylon Roots (Pvt) Ltd	70,430	-	-	-
Pussellawa Plantations Ltd.	5,242	-	-	-
Melfort Green Teas (Pvt) Ltd.	1,908	-	-	-
East Coast Land Holdings (Pvt) Ltd.	500	-	-	-
NPH Investments (Pvt) Ltd.	1,462	-	-	-
Walker & Greig (Pvt) Ltd.	-	-	71	-
	252,263	120,161	805,550	586,304
Less: Provision for Intercompany Receivables (Note 26.3)	(6,635)	(6,621)	(146,218)	(126,218)
	245,628	113,540	659,331	460,086

26.3 PROVISION FOR INTERCOMPANY RECEIVABLES

As at 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Snowcem Products Lanka (Pvt) Ltd.	-	-	24,597	24,597
Masons Mixture Ltd.	6,635	6,621	6,621	6,621
Sifang Lanka (Pvt) Ltd.	-	-	115,000	95,000
	6,635	6,621	146,218	126,218

27 INCOME TAX RECOVERABLE

As at 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Balance at the beginning of the year	48,384	58,184	4,768	14,787
Transfer to Income Tax Payables	(6,431)	(16,579)	(4,768)	(10,019)
Under provision in respect of previous years	-	(11)	-	-
ESC Recoverable	8,281	4,817	-	-
Provision for the Period	(6,589)	(1,698)	-	-
WHT Recoverable	2,216	-	-	-
On Disposal of Subsidiary	(9,849)	-	-	-
Payments made during the year	-	3,671	-	-
Balance at the end of the year	36,012	48,384	-	4,768

28 OTHER CURRENT FINANCIAL ASSETS

As at 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Fixed and Call Deposits - Loans and Receivables	75,127	281,859	-	-
Investment in Quoted Shares (Notes 28.1, 28.2)	2,309,112	2,310,418	2,134,019	2,108,623
Investment in Unquoted Shares (Notes 28.3)	1,000,000	-	-	-
Other - Loans and Receivables	2,979	-	-	-
	3,387,218	2,592,277	2,134,019	2,108,623

NOTES TO THE FINANCIAL STATEMENTS

28 OTHER CURRENT FINANCIAL ASSETS CONTD.

28.1 INVESTMENTS IN QUOTED SHARES

	Group					
	Number of Shares		Cost		Carrying Values	
	2017 Number of Shares	2016 Number of Shares	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Fair Value through profit or loss						
John Keells Holdings PLC	343	343	26	26	50	49
Seylan Bank PLC- Voting	24,921,282	24,416,752	2,122,020	2,122,020	2,124,257	2,099,841
Hayleys PLC	28,705	28,705	11,314	11,314	7,607	7,053
Browns Capital PLC	1,420,900	1,420,900	7,105	7,105	2,131	1,705
Lanka Century Investments PLC	100	100	-	-	1	1
The Finance Company PLC	20	20	1	1	-	-
CT Land Development PLC	19,500	19,500	195	195	858	887
AgStar PLC	43,670,061	43,670,061	306,646	306,646	174,208	200,882
			2,447,307	2,447,307	2,309,112	2,310,418

28.2 INVESTMENTS IN QUOTED SHARES

	Company					
	Number of Shares		Cost		Carrying Values	
	2017 Number of Shares	2016 Number of Shares	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Fair Value through profit or loss						
John Keells Holdings PLC	343	343	26	26	50	49
Seylan Bank PLC- Voting	24,921,282	24,416,752	2,122,020	2,122,020	2,124,257	2,099,841
Hayleys PLC	28,600	28,600	11,279	11,279	7,579	7,027
Browns Capital PLC	1,420,900	1,420,900	7,105	7,105	2,131	1,705
Lanka Century Investments PLC	100	100	-	-	1	1
			2,140,430	2,140,430	2,134,019	2,108,623

28.3 INVESTMENTS IN UNQUOTED SHARES

	Group					
	Number of Shares		Cost		Carrying Values	
	2017 Number of Shares	2016 Number of Shares	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Fair Value through profit or loss						
FLMC Plantation (Pvt) Ltd.	990,000	-	108,000	-	1,000,000	-
			108,000	-	1,000,000	-

The Group disposed of 45.1% of its interest in its Subsidiary, FLMC Plantations (Pvt) Ltd in March 2017. Consequently, the Group classified its remaining 9.9% interest in FLMC Plantations (Pvt) Ltd as held-for-trading as the intention was to dispose the remaining interest held. Subsequent to the reporting date, the said investment was disposed of which is further illustrated in Note 46 to the financial statements.

29 CASH AND CASH EQUIVALENTS

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Cash at Bank	670,066	1,821,983	386,993	197,887
Cash in Hand	102,819	24,372	8,074	4,860
Short Term Deposits	4,659,833	-	-	-
	5,432,718	1,846,355	395,067	202,747
Bank Overdraft	(721,279)	(695,530)	(475,524)	(485,630)
Cash and Cash Equivalents for the purpose of Statement of Cash Flows	4,711,439	1,150,825	(80,457)	(282,883)

30 STATED CAPITAL

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 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	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
31.1 CAPITAL RESERVES				
Revaluation of Property, Plant and Equipment	2,277,605	2,238,080	1,881,139	1,881,139
Available-for-Sale Reserve	(233,925)	(238,496)	-	-
Other Reserve	37,073	11,264	-	-
	2,080,753	2,010,848	1,881,139	1,881,139

31.2 REVENUE RESERVES

Retained Earnings	14,123,385	11,997,076	12,653,308	11,203,509
	14,123,385	11,997,076	12,653,308	11,203,509

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.

NOTES TO THE FINANCIAL STATEMENTS

32 LOANS AND BORROWINGS

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Balance at the beginning of the year	8,430,006	7,952,607	2,323,472	726,288
Obtained during the year	5,088,417	4,601,128	967,658	2,095,000
Disposal of Subsidiary	(2,826,315)	-	-	-
Repayments	(3,054,553)	(4,123,729)	(1,201,948)	(497,816)
Balance at the end of the year	7,637,555	8,430,006	2,089,182	2,323,472
Due after one Year	4,496,150	5,260,908	966,483	1,589,182
Due within one Year	3,141,405	3,169,098	1,122,699	734,290
	7,637,555	8,430,006	2,089,182	2,323,472

32.1 ANALYSIS OF LOANS AND BORROWINGS - COMPANY

Name of the Lending Institution	Payable Within One year Rs.000	Payable after One year			As at 31st March 2017 Rs.000	As at 31st March 2016 Rs.000
		Payable	Payable	More than		
		1-2 years Rs.000	2-5 Years Rs.000	5 Years Rs.000		
Hatton National Bank PLC	100,000	8,333	-	-	108,333	260,833
Commercial Bank PLC	100,008	100,008	191,642	-	391,658	491,666
Sampath Bank PLC	219,600	219,600	14,900	-	454,100	673,700
Seylan Bank PLC	144,000	144,000	288,000	-	576,000	720,000
DFCC Bank PLC	559,091	-	-	-	559,091	177,273
Total	1,122,699	471,941	494,542	-	2,089,182	2,323,472

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 2017 Rs.000
Hatton National Bank PLC	Term Loan	108 monthly installments	Mortgage over Land and Buildings at TB Jayah Mawatha and Devanampiyatissa Mawatha Colombo 10 for Rs.792 Mn.	108,333
Commercial Bank PLC	Term Loan	60 monthly installments	Mortgage over stocks of Brown and Company PLC.	391,658
Sampath bank PLC	Term Loan	48 monthly installments	Mortgage over ordinary shares of Browns Investment PLC and Land and Buildings at TB Jayah Mawatha.	454,100
Seylan Bank PLC	Term Loan	60 monthly installments	Building and Medical Equipments of Browns Healthcare (Pvt) Ltd.	576,000
DFCC Bank PLC	Term Loan	66 monthly installments	Mortgage over 20 Mn ordinary shares of Seylan Bank PLC held by the Brown and Company PLC in favour of DFCC Bank PLC.	59,091
DFCC Bank PLC	Term Loan	57 monthly installments	Mortgage over 20 Mn ordinary shares of Seylan Bank PLC held by the Brown and Company PLC in favour of DFCC Bank PLC.	500,000
Company Total				2,089,182

NOTES TO THE FINANCIAL STATEMENTS

32 LOANS AND BORROWINGS CONTD.

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 2017 Rs,000
Samudra Beach Resorts (Pvt) Ltd.				
Bank of Ceylon	Term Loan	84 monthly instalments	Primary Mortgage over property and project assets at Hiddaruwa, Kosgoda.	191,357
				191,357
Browns Investment PLC				
Sampath Bank PLC	Term loan	16 quarterly instalments	Pledged short term quoted investments.	13,184
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.	859,447
Hatton National Bank PLC	Term loan	48 equal monthly instalments	Corporate guarantee of Brown and Co, PLC.	396,190
Hatton National Bank PLC	Short term loan		Corporate guarantee of Brown and Co, PLC.	1,000,000
				2,268,821
Maturata Plantations Limited				
Seylan Bank PLC	Term loan	Repayable in 21 equated monthly instalments of Rs.2,083,333/=-.	Leasehold rights of Bramley estate for Rs.13.0 Mn.	41,667
	Term Loan - Concessionary loan	Repayable in 8 monthly instalments of Rs.7,000,000/=-.	Leasehold rights of Gonapitiya estate for Rs.36.0 Mn.	42,000
Sri Lanka Tea Board	Term loan	36 Equal monthly instalments (capital) after a grace period of 12 months.	Leasehold rights of Alma estate for Rs. 26.0 Mn.	22,000
National Development Bank PLC				
	Term loan	48 monthly Instalments	Securitized debt certificates Rs 500Mn	127,096
				232,763
Browns 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.	19,445
				19,445

Name of the Lending Institution	Nature of facility	Repayment Terms	Security	Outstanding Balance as at 31 st March 2017 Rs.000
Sun & Fun Resort Ltd.				
Sampath Bank PLC	Term loan	Within 7 years with one year grace period	Primary floating mortgage of property in Pasikudah.	183,400
				183,400
Eden Hotel Lanka Ltd				
Seylan Bank PLC	Term loan	10 Bi-annually instalments	Primary floating mortgage bond over freehold property at Kaluwamodera, Aluthgama.	783,627
				783,627
Creations Wooden Fabricators (Pvt) Ltd.				
Commercial Bank Ceylon PLC	Term loan	60 monthly instalments	Mortgage over the property depicted as assessment no 186/164, Millagahawatta, Kahapola, Piliyandala for Rs.12 Mn.	12,142
				12,142
Saga Solar Power (Pvt) Ltd.				
DFCC Bank	Term Loan	108 Equal monthly installments (capital) after a grace period of 12 month from the date of first disbursement.	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.	826,389
			A sum of Rs. 127,000,000/- to be secure 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.	
			Additional primary Concurrent mortgage of project documents.(license/ approvals/ agreements/ contracts/ bonds etc.)	
			Undertaking by the shareholders that they will meet project cost overrun.	

NOTES TO THE FINANCIAL STATEMENTS

32 LOANS AND BORROWINGS CONTD.
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 2017 Rs.000
Commercial Bank	Term loan	To be repaid from commencing the 13th month after first disbursement as follows;	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.	586,750
		1) For the first 12months X Rs 4.125Mn (10% of Capital)	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.	
		2) For the next 12months X Rs 4.5375Mn (11% of Capital)	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.	
		3) For the next 23 months X Rs 4.74Mn + 01 month X Rs 4.83Mn (11.5% of Capital each year)	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.	
		4) For the next 48 months X Rs 4.95Mn (12% of Capital each year) 5) For the last 12 months X Rs 3.3Mn (8% of Capital)	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.	
Hatton National Bank	Term loan	To be repaid over a period of 108 months (9 years) after an initial grace period of 12 months (1 year) from the first disbursement.	Concurrent primary mortgage bond for Rs. 1,446 Mn over the immovable and movable project assets with HNB's share of interest at Rs. 361.5 Mn Concurrent primary mortgage bond for Rs. 254 Mn over all ordinary shares of the company, Special power of Attorney in favour of the lenders with the right to transfer the shares mortgaged, share transfer forms signed in blank and letters from the shareholders informing bank, company secretary and the company that they are mortgaging their shares in the company.	443,679
Group Total				1,856,818 7,637,555

33 FINANCE LEASE OBLIGATIONS

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Balance at the beginning of the year	556,656	595,448	2,179	5,836
Obtained during the year	1,914	8,890	-	-
On Disposal of Subsidiary	(383,938)	-	-	-
Paid during the Year	(43,931)	(47,682)	(1,715)	(3,657)
Balance at the end of the year	130,701	556,656	464	2,179
Unamortised future finance charges	(40,891)	(214,331)	(34)	(154)
Capital outstanding at the end of the year	89,810	342,325	430	2,025

33.1 LEASE PAYABLE DUE AFTER ONE YEAR

Amounts due after one Year	101,074	513,315	-	464
Less: Unamortised future finance charges	(35,095)	(196,741)	-	(34)
	65,979	316,574	-	430

33.2 LEASE PAYABLE DUE WITHIN ONE YEAR

Amounts due within one Year	29,628	43,341	464	1,715
Less: Unamortised future finance charges	(5,797)	(17,590)	(34)	(120)
	23,831	25,751	430	1,595

34 RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000

Change in the Retirement Benefit Obligations are as follows.

Defined Benefit Obligation at the beginning of the year	1,735,268	2,229,246	101,544	85,369
Interest on Benefit Liability	11,937	280,825	10,154	8,537
Current Service Cost	241,170	11,379	8,384	9,067
Actuarial Loss / (Gain)	(67,158)	(545,060)	(11,173)	2,716
On disposal of Subsidiary	(717,416)	-	-	-
Transfers	-	(158)	-	-
Benefit paid	(213,120)	(240,964)	(16,257)	(4,145)
Defined Benefit Obligation at the end of the year	990,681	1,735,268	92,652	101,544

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 2017. The actuarial present value of the promised retirement benefits as at 31st March 2017 amounted to Rs. 991 Mn (Company - Rs. 93 Mn). The liability is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS

34 RETIREMENT BENEFIT OBLIGATIONS CONTD.

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	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000

Gratuity charge for the year

Interest charge for the year	11,937	280,825	10,154	8,537
Current service cost	241,170	11,379	8,384	9,067
	253,107	292,204	18,538	17,604

34.2 THE PRINCIPAL ASSUMPTIONS USED IN THE ACTUARIAL VALUATION ARE AS FOLLOWS:**34.2.1 Financial Assumptions**

As at 31st March	Group	
	2017	2016

a) Discount rate

(The rate of interest used to discount the future cash flows in order to determine the present value) 12% 10%

b) Future salary increase

Executive 7%-10% 7%-10%

Non - Executive 7%-10% 7%-10%

c) Retirement age

55-60yrs 55-60yrs

*d) The Company will continue as a going concern***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.

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 2017	Group			
	Discount rate		Future salary increases	
	-1%	1%	-1%	1%
	Rs.000	Rs.000	Rs.000	Rs.000
Impact on financial position	49,660	(43,946)	(27,797)	29,720

As at 31st March 2017	Company			
	Discount rate		Future salary increases	
	-1%	1%	-1%	1%
	Rs.000	Rs.000	Rs.000	Rs.000
Impact on financial position	3,975	(3,803)	(4,310)	4,662

35 DEFERRED TAX LIABILITIES

As at 31st March	Group	
	2017	2016
	Rs.000	Rs.000
Balance at the beginning of the year	1,611,206	1,026,960
Transfer from Deferred Tax Asset	-	468,123
Other movements	-	155
Deferred tax expense recognised in income statement	492,608	9,026
Deferred tax expense recognised in other comprehensive income	20,835	106,942
On Disposal of Subsidiary	(981,226)	-
Balance at the end of the year	1,143,423	1,611,206

NOTES TO THE FINANCIAL STATEMENTS

35 DEFERRED TAX LIABILITIES CONTD.

35.1 The Closing Deferred Tax Liability balance relates to the following temporary differences;

As at 31st March	Group	
	2017 Rs.000	2016 Rs.000
Property Plant & Equipment/ Investment Properties	4,795,270	3,837,788
Bearer Biological Assets	1,125,033	4,613,565
Consumable Biological Assets	2,984,091	6,150,989
Employee Benefit Liabilities	(13,218)	(213,490)
Losses available for offset against future taxable income	(514,617)	(234,463)
	8,376,559	14,154,389

36 DEFERRED INCOME

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Capital Grants (Note 36.1)	99,347	581,461	-	-
PHDT Lease Rentals (Note 36.2)	4,485	5,022	-	-
Income Received in Advance (Note 36.3)	13,323	9,786	13,323	9,786
Deferred Lease Rentals (Note 36.4)	65,306	366	64,884	-
Rain Forest Eco Lodge (Pvt) Ltd. (Note 36.5)	52,526	54,387	-	-
Others	845	1,083	-	-
	235,832	652,105	78,207	9,786

36.1 CAPITAL GRANTS

As at 31st March	Group	
	2017 Rs.000	2016 Rs.000
Gross Value		
Balance at the beginning of the year	857,434	781,598
On Disposal of Subsidiary	(716,565)	-
Additions during the year	20,721	75,836
Balance at the end of the year	161,590	857,434
Amortization		
Balance at the beginning of the year	275,973	246,561
On Disposal of Subsidiary	(243,621)	-
Amortisation during the year	29,891	29,412
Balance at the end of the year	62,243	275,973
Balance at the end of the year- Net	99,347	581,461

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	
	2017 Rs.000	2016 Rs.000
Balance at the beginning of the year	5,022	5,558
Amortisation during the Period	(537)	(536)
Balance at the end of the year	4,485	5,022

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.

NOTES TO THE FINANCIAL STATEMENTS

36 DEFERRED INCOME CONTD.

As at 31st March	Group	
	2017 Rs.000	2016 Rs.000

36.2 PHDT LEASE RENTALS CONTD.**Maturity analysis**

Not later than one year	537	537
Later than one year and not latter than five years	2,147	2,147
Later than five years	1,801	2,338
	4,485	5,022

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000

36.3 INCOME RECEIVED IN ADVANCE

Balance at the beginning of the year	9,786	9,123	9,786	9,123
Additions during the year	13,322	9,786	13,322	9,786
Amortisation during the year	(9,785)	(9,123)	(9,785)	(9,123)
Balance at the end of the year	13,323	9,786	13,323	9,786

This represents income received in advance in respect of maintenance agreements with customers.

36.4 DEFERRED LEASE RENTALS

Balance at the beginning of the year	366	25,224	-	-
Additions during the year	108,681	-	106,073	-
Amortisation during the year	(43,741)	(24,858)	(41,189)	-
Balance at the end of the year	65,306	366	64,884	-

This represents refundable security deposits and advances in respect of lease agreements.

36.5 RAIN FOREST ECO LODGE (PVT) LTD (RFELL)

Balance at the beginning of the year	54,387	56,248	-	-
Amortisation during the year	(1,861)	(1,861)	-	-
Balance at the end of the year	52,526	54,387	-	-

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.

As at 31st March	Group	
	2017 Rs.000	2016 Rs.000

Maturity analysis

Not later than one year	1,861	1,861
Later than one year and not latter than five years	7,445	7,444
Later than five years	43,220	45,082
	52,526	54,387

37 TRADE AND OTHER PAYABLES

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Trade Payable	2,319,555	1,864,371	1,936,345	948,270
Accrued Expenses	418,979	542,844	177,636	130,716
Value Added Tax Payable	95,212	80,060	2,323	9,105
Nation Building Tax payables	11,671	8,868	-	-
Economic Service Charge Payable	10,034	-	-	-
Warranty Provision	73,703	64,782	56,868	44,676
Turnover Tax Payable	1,075	1,075	1,075	1,075
Withholding Tax Payable	3,631	495	234	236
Advances from Customers	208,679	125,738	134,912	122,113
Operating Lease Rental Payable	363,136	-	-	-
Construction Payable	166,841	-	-	-
Investment Payable	314,744	-	-	-
PHDT Levy Payable	20,842	-	-	-
Other Payables	837,263	788,375	253,399	153,765
	4,845,365	3,476,608	2,562,792	1,409,956

NOTES TO THE FINANCIAL STATEMENTS

38 LOANS FROM RELATED PARTIES**38.1 DUE AFTER ONE YEAR**

As at 31st March	Group	
	2017 Rs.000	2016 Rs.000
Lanka Orix Leasing Co PLC	-	925,360
NPH Investments (Pvt) Ltd.	61,632	-
	61,632	925,360

38.2 SECURITY AND REPAYMENT TERMS OF RELATED PARTY LOANS -DUE AFTER ONE YEAR

Name of the Company	Repayment Terms	Security	Outstanding Balance as at 31st March 2017 Group Rs.000
NPH Investments (Pvt) Ltd.	At the expiry of 12 months from the date of disbursement	Unsecured	61,632
			61,632

38.3 DUE WITHIN ONE YEAR

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Klevenberg (Pvt) Ltd.	-	-	59,358	-
Austin Fund (Pvt) Ltd.	-	251,281	-	-
Lanka Orix Leasing Company PLC	92,153	274,545	-	-
Lanka Orix Finance PLC	35,000	-	-	-
Ishara Traders (Pvt) Ltd.	349,811	345,710	-	-
LOLC Factors (Pvt) Ltd.	1,346,632	-	-	-
NPH Investments (Pvt) Ltd.	-	78,689	-	-
Browns Industrial Park Ltd.	-	-	12,188	8,670
	1,823,596	950,225	71,546	8,670

38.4 SECURITY AND REPAYMENT TERMS OF RELATED PARTY LOANS - DUE WITHIN ONE YEAR

Name of the Company	Repayment Terms	Security	Outstanding Balance as at 31st March 2017	
			Group Rs.000	Company Rs.000
Klevenberg (Pvt) Ltd.	On demand	Unsecured	-	59,358
Lanka Orix Leasing Co PLC	Repayable after a grace period of one year starting from December 2007 in 108 equated monthly installments 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.	7,401	-
	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.	A counter guarantee was given by MPL for Rs. 275 Mn in favor of Browns Capital PLC on the same terms and conditions with 1% guarantee fee.	52,111	-
		On demand promissory note Rs. 275 Mn.		
LOLC Factors (Pvt) Ltd.	At the expiry of 12 months from the date of disbursement	Unsecured	1,250,226	-
	At the expiry of 12 months from the date of disbursement	Unsecured	96,406	-
Lanka Orix Finance PLC	On demand	Fixed deposits amounting to Rs. 38. 6 Mn	35,000	-
Ishara Traders (Pvt) Ltd.	On demand	Unsecured	349,811	-
Browns Industrial Park Ltd.	On demand	Unsecured	-	12,188
			1,823,596	71,546

NOTES TO THE FINANCIAL STATEMENTS

39 AMOUNTS DUE TO RELATED PARTIES

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
AgStar PLC	-	22,035	-	-
AgStar Crocare Ltd	-	111	-	-
Cricket Club Café	8	1,008	-	-
Commercial Leasing & Finance Company PLC	3,278	-	-	-
Engineering Services (Pvt) Ltd.	2	2	-	-
Associated Battery Manufacturers (Cey) Ltd.	79,888	69,513	-	-
Taprobane Plantations Ltd.	4,905	-	-	-
Sierra Construction (Pvt) Ltd.	16,382	-	-	-
LOLC Insurance Company Limited	2,298	1,097	-	-
LOLC Motors Ltd.	-	11	-	-
LOLC Factors Ltd.	21,215	-	-	-
LOLC Corporate Services (Pvt) Ltd.	1,979	-	-	-
Ishara Traders (Pvt) Ltd.	17	17	-	-
Lanka Orix Leasing Company PLC	9,761,836	3,543,651	39,373	11,428
Sierra Cables PLC	2,500	2,500	-	-
Sierra Civil Engineering (Pvt) Ltd.	1,000	1,000	-	-
Lanka Orix Finance PLC	23,425	-	-	-
Lanka Orix Information Technology Services Ltd.	45,305	2,575	37,037	790
Browns Holdings Ltd.	4,175	-	4,175	-
Pussellawa Plantations Ltd.	73,783	-	1,227	-
Ceylon Roots (Pvt) Ltd.	9,202	-	-	-
Browns Tours (Pvt) Ltd.	16,122	-	-	-
Lotus Hydro Power PLC	9	-	-	-
The Hatton Transport & Agency Co. (Pvt) Ltd.	-	-	1,035	1,630
Browns Group Motels Ltd.	-	-	9,049	9,199
Browns Healthcare Negombo (Pvt) Ltd.	-	-	-	4,634
Browns Pharma Ltd.	-	-	92,253	-
S. F. L. Services (Pvt) Ltd.	-	-	-	734
Browns Real Estates (Pvt) Ltd.	-	-	37,817	37,817
	10,067,329	3,643,520	221,966	66,232

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	2017		
	Funds Received	Settlements	Interest Expense
	Rs.000	Rs.000	Rs.000
Browns Investment PLC	3,453,546	(1,195,400)	292,337
Dickwella Resorts (Pvt) Ltd.	150,000	-	-
Eden Hotel Lanka PLC	976,239	(768,817)	83,211
Riverina Resorts (Pvt) Ltd.	429,850	-	235,293
Browns Hotels & Resorts Ltd.	1,691,950	(151,350)	217,608
Palm Garden Hotels PLC	567,000	-	89,660
Excel Restaurants (Pvt) Ltd.	1,200	-	-

40 INCOME TAX PAYABLE

As at 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Balance at the beginning of the year	96,916	63,065	28,925	-
On Disposal of Subsidiary	(30,313)	-	-	-
Provision for the year	153,197	123,578	75,478	63,013
Economic Service Charges Recoverable	(5,155)	(201)	(3,130)	-
Withholding Tax Recoverable	(23,051)	(5,015)	-	(146)
Under/ (Over) Provision in respect of previous year	(3,246)	630	-	-
Transfer to Income Tax Recoverable	(6,431)	(16,579)	(4,768)	(10,019)
Payments made during the year	(107,806)	(68,562)	(63,970)	(23,923)
Balance at the end of the year	74,111	96,916	32,535	28,925

NOTES TO THE FINANCIAL STATEMENTS

41 NET ASSETS PER SHARE

As at 31st March	Group	
	2017	2016
Equity Attributable to Equity holders of the Company (Rs.000)	18,209,739	16,013,525
Weighted Average Number of Ordinary Shares in Issue ('000)	70,875	70,875
Net Assets per Share (Rs.)	256.93	225.94

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.

There were no loans given to the Directors of the company during the financial year or as at the year-end.

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 TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

All related party transactions are carried out in the normal course of business and transacted at normal business terms. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from un-related companies. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties.

Transactions of Brown and Company PLC with Related Companies

	Note	2017 Rs.000	2016 Rs.000
SUBSIDIARIES			
Purchase of Goods/ Services	42.3.1	40,258	21,195
Sale of Goods	42.3.1	10,848	5,270
Loan			
Granted	42.3.2	3,014,692	3,024,531
Recovered	42.3.2	3,498,265	3,170,098
Obtained	42.3.3	379,870	227,048
Settled	42.3.3	320,535	373,164
Interest			
Received	42.3.2	271,438	212,080
Paid	42.3.3	3,541	4,409
Expenses Transferred To	42.3.4	352,601	387,517
Expenses Transferred From	42.3.5	35,293	-
Shares			
Investments made	42.3.6	930,000	52,636
Disposal Proceeds	42.3.7	-	475,155
Dividend			
Received	42.3.8	39,751	9,789
Rental Income			
Received	42.3.10	6,199	1,341
ASSOCIATES			
Purchase of Goods/Services	42.3.1	2,177,903	2,012,675
Sale of Goods	42.3.1	138,800	-
Loan			
Recovered	42.3.2	150,000	215,057
Interest			
Received	42.3.2	117,353	103,538
Expenses Transferred To	42.3.4	291	12,889
OTHER RELATED COMPANIES			
Purchase of Goods/Services	42.3.1	3,912	4,014
Sale of Goods	42.3.1	229,353	115
Loan			
Granted	42.3.2	203,000	1,238,487
Recovered	42.3.2	290,165	2,011,326
Obtained	42.3.3	21,335	424,674
Settled	42.3.3	22,198	425,869
Interest			
Received	42.3.2	24,845	26,062
Paid	42.3.3	863	1,195
Expenses Transferred To	42.3.4	906	2,051
Expenses Transferred From	42.3.5	175,526	83,667
Dividend			
Received	42.3.8	66,561	61,088
Paid	42.3.9	19,325	11,596
Rental Income			
Received	42.3.10	77,771	8,571

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	2017		2016	
	Sales Rs.000	Purchases Rs.000	Sales Rs.000	Purchases Rs.000
SUBSIDIARIES				
Browns Thermal Engineering (Pvt) Ltd.	144	5,021	208	2,095
Browns Group Industries (Pvt) Ltd.	1,833	-	1,936	-
B.G Air Services (Pvt) Ltd.	241	19,242	-	15,720
S. F. L. Services (Pvt) Ltd.	-	-	10	-
Browns Industrial Park Ltd.	31	-	620	-
Klevenberg (Pvt) Ltd.	521	1,164	2,147	51
Sifang Lanka (Pvt) Ltd.	-	255	-	3,281
Browns Health Care (Pvt) Ltd.	415	-	349	-
Browns Real Estates (Pvt) Ltd.	-	-	-	48
Browns Global Farm (Pvt) Ltd.	753	-	-	-
Browns Properties (Pvt) Ltd.	968	-	-	-
Ajax Engineers (Pvt) Ltd.	35	14,576	-	-
Dickwella Resort (Pvt) Ltd.	418	-	-	-
Eden Hotel Lanka PLC	707	-	-	-
Green Paradise Resorts (Pvt) Ltd.	620	-	-	-
Samudra Beach Resorts (Pvt) Ltd.	1,408	-	-	-
Sun & Fun Resorts Ltd.	759	-	-	-
Taprobane Plantation (Pvt) Ltd.	82	-	-	-
Maturata Plantation Ltd.	703	-	-	-
Pussellawa Plantation Ltd.	1,210	-	-	-
	10,848	40,258	5,270	21,195
ASSOCIATES				
Gal Oya Plantations (Pvt) Ltd.	138,484	-	-	-
Associated Battery Manufacturers (Cey) Ltd.	316	2,177,903	-	2,012,675
	138,800	2,177,903	-	2,012,675
OTHER RELATED COMPANIES				
Engineering Services (Pvt) Ltd.	-	3,912	-	4,014
Agstar PLC	88	-	-	-
BRAC Lanka Finance PLC	13,476	-	-	-
Ceylon Roots (Pvt) Ltd	74	-	-	-
Commercial Insurance Brokers (Pvt) Ltd.	31	-	-	-
Commercial Leasing & Finance PLC	47,013	-	-	-
Lanka Orix Information Technology Services Ltd.	472	-	-	-
Lanka Orix Leasing Company PLC	60,580	-	-	-
LOLC Finance PLC	34,634	-	-	-
LOLC Life Assurance Ltd.	42	-	-	-
LOLC Micro Credit Ltd.	17,651	-	-	-
LOLC Motors Ltd.	820	-	-	-
Seylan Bank PLC	1,712	-	-	-
Sierra Construction (Pvt) Ltd.	52,760	-	-	-
Royal Fernwood Porcelain Ltd.	-	-	115	-
	229,353	3,912	115	4,014

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	2017			2016		
	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.	-	1,325	-	9,500	5	9,505
Browns Industrial Park Ltd.	4,290	15	4,305	-	-	-
Klevenberg (Pvt) Ltd.	92,022	316	104,159	113,703	618	102,500
Browns Investments PLC	2,549,280	89,051	2,921,250	2,016,471	82,826	2,404,884
S. F. L. Services (Pvt) Ltd.	9,900	8,491	68,934	580,286	26,273	514,960
Eden Hotel Lanka PLC	-	127	10,993	10,000	867	-
Browns Capital PLC	-	12,032	84,930	66,958	5,940	-
Dickwella Resorts (Pvt) Ltd.	-	33,305	-	-	21,996	-
Riverina Resorts (Pvt) Ltd.	-	12,504	-	-	8,259	-
Browns Hotel & Resorts Ltd.	-	92,989	-	-	61,415	-
Browns Thermal Engineering (Pvt) Ltd.	267,216	19,465	220,644	194,182	3,754	108,800
Browns Group Industries (Pvt) Ltd.	91,984	1,818	83,050	33,431	126	29,449
	3,014,692	271,438	3,498,265	3,024,531	212,080	3,170,098

ASSOCIATES

Gal Oya Plantations (Pvt) Ltd.	-	117,353	150,000	-	103,538	215,057
	-	117,353	150,000	-	103,538	215,057

OTHER RELATED COMPANIES

Dankotuwa Porcelain PLC	-	14,199	-	-	12,742	-
Ceylon Roots (Pvt) Ltd	3,000	-	-	-	-	-
BRAC Lanka Finance PLC	-	3,663	-	-	-	-
LOLC Finance PLC	-	5,362	-	-	-	-
LOLC Life Assurance Ltd.	-	812	-	-	-	-
Lanka Orix Leasing Company PLC	200,000	809	290,165	1,238,487	13,320	2,011,326
	203,000	24,845	290,165	1,238,487	26,062	2,011,326

NOTES TO THE FINANCIAL STATEMENTS

42 RELATED PARTY DISCLOSURES CONTD.

42.3.3 Loans obtained from Related Companies

Name of the Company	2017			2016		
	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

Browns Group Industries (Pvt) Ltd.	-	-	-	93,048	1,537	140,686
Klevenberg (Pvt) Ltd.	319,786	2,625	263,053	84,800	1,053	157,960
Browns Industrial Park Ltd.	60,084	916	57,482	49,200	1,819	74,518
	379,870	3,541	320,535	227,048	4,409	373,164

OTHER RELATED COMPANIES

Lanka Orix Leasing Company PLC	21,335	863	22,198	424,674	1,195	425,869
	21,335	863	22,198	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	2017 Expenses Transferred To Rs.000	2016 Expenses Transferred To Rs.000
SUBSIDIARIES		
Browns Group Industries (Pvt) Ltd.	54,153	59,091
Sifang Lanka (Pvt) Ltd.	109	565
Browns Health Care (Pvt) Ltd.	70,613	103,984
Browns Thermal Engineering (Pvt) Ltd.	63,358	79,025
Klevenberg (Pvt) Ltd.	69,810	44,472
S. F. L.Services (Pvt)Ltd.	14,737	16,458
BG Air Services (Pvt) Ltd.	6,632	22,218
Browns Group Motels Ltd.	149	266
Browns Tours (Pvt) Ltd.	25	686
Browns Investments PLC	23,989	26,940
Snowcem Products Lanka (Pvt) Ltd.	-	171
Browns Industrial Park Ltd.	38,088	25,744
The Hatton Transport Agency Co. (Pvt) Ltd.	595	506
Browns Real Estates (Pvt) Ltd.	-	792
Browns Global Farm (Pvt) Ltd.	1,842	6,593
Browns Health Care North Colombo (Pvt) Ltd.	77	6
Browns Health Care Negambo (Pvt) Ltd.	322	-
Browns Pharma Ltd.	7,747	-
Browns Hotels & Resorts Ltd.	355	-
	352,601	387,517
ASSOCIATES		
Gal Oya Plantations (Pvt) Ltd.	291	12,889
	291	12,889
OTHER RELATED COMPANIES		
Masons Mixture Ltd.	239	459
Engineering Services (Pvt) Ltd.	284	306
Browns Holdings Ltd.	-	1,055
LOLC Insurance Company Ltd.	287	-
LOLC Micro Credit Ltd.	96	-
Browns Hotel & Resorts Ltd.	-	231
	906	2,051

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	2017 Expenses Transferred From Rs.000	2016 Expenses Transferred From Rs.000

SUBSIDIARIES

Browns Industrial Park Ltd.	35,293	-
	35,293	-

OTHER RELATED COMPANY

Lanka Orix Information Technology Services Ltd.	51,352	13,504
Lanka Orix Leasing Company PLC	124,174	70,163
	175,526	83,667

42.3.6 The Company has made the following new investments during the year.

	2017		2016	
	No of Shares	Rs.000	No of Shares	Rs.000

SUBSIDIARIES

Browns Health Care (Pvt) Ltd	83,000,000	830,000	-	-
Browns Pharma Ltd.	10,000,000	100,000	-	-
Browns Group Motels Ltd.	-	-	76,001	1,472
Klevenberg (Pvt) Ltd.	-	-	3,744,000	51,164
		930,000		52,636

42.3.7 Divestments

Name of the Company	2017		2016	
	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
	-	-		475,155

42.3.8 The Company recognised dividends from the following related companies during the year.

	2017	2016
	Rs.000	Rs.000

SUBSIDIARIES

S.F.L. Services (Pvt)Ltd.	39,030	1,312
Klevenberg (Pvt) Ltd.	-	1,707
The Hatton Transport Agency Co. (Pvt) Ltd.	535	3,746
Browns Group Industries (Pvt) Ltd.	-	3,024
Walker & Greig (Pvt) Ltd.	64	-
Browns Thermal Engineering (Pvt) Ltd.	122	-
	39,751	9,789

OTHER RELATED COMPANIES

Seylan Bank PLC	66,561	61,088
	66,561	61,088

NOTES TO THE FINANCIAL STATEMENTS

42 RELATED PARTY DISCLOSURES CONTD.

42.3.9 The Company has paid an interim dividend of Rs. 0.50 per share to its shareholders during the 2016/17 year including the following related companies.(2015/16-Rs 0.30 per share)

	2017	2016
	Rs.000	Rs.000

OTHER RELATED COMPANIES

Engineering Services (Pvt) Ltd.	8,294	4,977
Masons Mixture Ltd.	6,866	4,120
Lanka Orix Leasing Company PLC	1,691	1,015
Browns Holdings Ltd.	2,474	1,484
	19,325	11,596

42.3.10 Company earned Rental income from following companies during the year;

Name of the Company	2017 Rent Income Rs.000	2016 Rent Income Rs.000
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SUBSIDIARIES

BG Air Services (Pvt) Ltd.	6,199	1,341
	6,199	1,341

OTHER RELATED COMPANIES

BRAC Lanka Finance PLC	19,371	4,189
LOLC Finance PLC	31,492	3,590
LOLC Securities Ltd.	10,985	792
LOLC Life Assurance Ltd.	10,715	-
LOLC General Insurance Ltd.	5,208	-
	77,771	8,571

43 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

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 and trade and other payables. 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	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Trade and other receivable	4,165,099	3,797,202	2,929,757	2,366,422
Loans to related companies	975,439	1,026,474	2,096,914	2,415,179
Amount due from Related Companies	245,628	113,540	659,331	460,086
Cash at Bank	670,066	1,821,983	386,993	197,887
	6,056,232	6,759,199	6,072,995	5,439,574

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 factor 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. 670 Mn as at the reporting date, which represents its maximum credit exposure on theses assets. The Cash and cash equivalents are held with bank and financial institution counterparties, with good credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT CONTD.**Impairment losses**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

Collective impairment/ Specific provisions	Company Rs.000
Balance at 1 April 2015	235,916
Impairment loss recognised	28,937
Amounts written off	(7,259)
Balance at 31 March 2016	257,594
Impairment loss recognised	115,291
Amounts written off	-
Balance at 31 March 2017	372,885

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 broad spread of maturities.

43.2 LIQUIDITY RISK

Maturity Analysis	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	2017 Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000

Group

Interest bearing borrowings	-	351,448	2,813,788	3,390,516	1,171,613	7,727,365
Short term interest bearing borrowings and bank overdrafts	-	5,792,470	-	-	-	5,792,470
Trade and Other payables	4,845,365	-	-	-	-	4,845,365
Amounts due to related parties	10,067,329	-	-	-	-	10,067,329
Loans from related parties	1,823,596	-	-	61,632	-	1,885,228
Other payables	-	144,974	-	-	-	144,974
	16,736,290	6,288,892	2,813,788	3,452,148	1,171,613	30,462,731

Company

Interest bearing borrowings	-	196,763	926,365	966,483	-	2,089,612
Short term interest bearing borrowings and bank overdrafts	-	5,416,232	-	-	-	5,416,232
Trade and Other payables	2,562,792	-	-	-	-	2,562,792
Amounts due to related parties	221,966	-	-	-	-	221,966
Loans from related parties	71,546	-	-	-	-	71,546
Other payables	-	91,263	-	-	-	91,263
	2,856,304	5,704,258	926,365	966,483	-	10,453,410

43.2.1 Net Debt

As at 31st March	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Other Current Financial Assets	3,387,218	2,592,277	2,134,019	2,108,623
Cash in hand and at bank	5,432,718	1,846,355	395,067	202,747
Total liquid assets	8,819,936	4,438,632	2,529,086	2,311,370
Non-current portion of borrowings	4,496,150	5,260,908	966,483	1,589,182
Short term borrowings	5,071,191	4,755,237	4,940,708	4,710,098
Current portion of borrowings	3,141,405	3,169,098	1,122,699	734,290
Bank overdrafts	721,279	695,530	475,524	485,630
Total liabilities	13,430,025	13,880,773	7,505,414	7,519,200
Net debt	(4,610,089)	(9,442,141)	(4,976,328)	(5,207,830)

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT CONTD.

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.

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.

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)		Total Fair Value	
	As at 31st March	As at 31st March	As at 31st March	As at 31st March	As at 31st March	As at 31st March	As at 31st March	As at 31st March
In Rs.000	2017	2016	2017	2016	2017	2016	2017	2016

Financial instruments in non**current assets**

Other non current financial assets	61,101	72,421	-	-	975,087	952,167	1,036,188	1,024,588
Loans to Related Parties	283,036	253,948	-	-	-	-	283,036	253,948

Financial instruments in current assets

Trade and other receivables	4,165,099	3,797,202	-	-	-	-	4,165,099	3,797,202
Loans to Related Parties	692,403	772,526	-	-	-	-	692,403	772,526
Amounts due from related parties	245,628	113,540	-	-	-	-	245,628	113,540
Other current financial assets	78,106	281,859	3,134,904	2,109,536	174,208	200,882	3,387,218	2,592,277
Cash at bank	-	-	-	-	-	-	670,066	1,821,983
Total	5,525,373	5,291,496	3,134,904	2,109,536	1,149,295	1,153,049	10,479,638	10,376,064

Both carrying amounts and fair value of Available-for-Sale financial assets and financial assets at 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.

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT CONTD.

Financial liabilities by categories As at 31st March	Financial liabilities measured at amortised cost	
	2017	2016
	Rs.000	Rs.000

Financial instruments in non current liabilities

Borrowings	4,562,129	5,577,482
Loan from Related parties	61,632	925,360
Total	4,623,761.00	6,502,842

Financial instruments in current liabilities

Trade and other payables	4,845,366	3,476,608
Amounts due to related parties	10,067,329	3,643,520
Loan from Related parties	1,823,596	950,225
Short term borrowings	5,071,191	4,755,237
Current portion of borrowings	3,165,236	3,194,849
Other current financial liabilities	144,974	161,224
Bank overdrafts	721,279	695,530
Total	25,838,971	16,877,193

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)		Total Fair Value	
	As at 31st March	As at 31st March	As at 31st March	As at 31st March	As at 31st March	As at 31st March	As at 31st March	As at 31st March
	2017	2016	2017	2016	2017	2016	2017	2016

Financial instruments in current assets

Trade and other receivables	2,929,757	2,366,422	-	-	-	-	2,929,757	2,366,422
Loans to Related Parties	2,096,914	2,415,179	-	-	-	-	2,096,914	2,415,179
Amounts due from related parties	659,331	460,086	-	-	-	-	659,331	460,086
Other Current Financial Assets	-	-	2,134,019	2,108,623	-	-	2,134,019	2,108,623
Cash at bank	-	-	-	-	-	-	386,993	197,887
Total	5,686,003	5,241,687	2,134,019	2,108,623	-	-	8,207,016	7,548,197

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.

As at 31st March Financial liabilities by categories	Financial liabilities measured at amortised cost	
	2017 Rs.000	2016 Rs.000

Financial instruments in non current liabilities

Borrowings	966,483.29	1,589,612
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Financial instruments in current liabilities

Trade and other payables	2,562,792	1,409,956
Amounts due to related parties	221,966	66,232
Loan from Related parties	71,546	8,670
Short term borrowings	4,940,708	4,710,098
Current portion of borrowings	1,123,129	735,885
Other current financial liabilities	91,263	83,935
Bank overdrafts	475,524	485,630
Total	9,486,928	7,500,406

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.

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT CONTD.

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 31st March 2017	As at 31st March 2016	As at 31st March 2017	As at 31st March 2016	As at 31st March 2017	As at 31st March 2016
In Rs.000						
Financial assets						
Fair value through profit or loss	2,134,904	2,109,536	-	-	1,000,000	-
Available for sale	281,545	356,240	42,725	44,031	825,025	752,778
Loans & Receivable	-	-	-	-	139,207	354,280
Total	2,416,449	2,465,776	42,725	44,031	1,964,232	1,107,058

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 31st March 2017	As at 31st March 2016	As at 31st March 2017	As at 31st March 2016	As at 31st March 2017	As at 31st March 2016
In Rs.000						
Financial assets						
Fair value through profit or loss	2,134,019	2,108,623	-	-	-	-
Available for sale	-	-	-	-	-	-
Loans & Receivables	-	-	-	-	-	-
Total	2,134,019	2,108,623	-	-	-	-

43.4.5 Valuation techniques and significant unobservable inputs used as follows

- Valuation Technique - Net assets basis/ Market return on a comparable investment.
- Significant unobservable inputs - Carrying value of assets and liabilities adjusted for market participant assumptions/ Current market interest rates.
- Relationship between inputs and fair value measurement - Variability of inputs are insignificant to have an impact on fair values.

44 COMMITMENTS AND CONTINGENT LIABILITIES

44.1 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) Klevenberg (Private) Limited (KPL)

KPL has the following commitments in the ordinary course of business as at 31st March 2017 as follows,

Operating lease rental payables;	Rs.
Within one year	3,751,000
After one year	36,659,274

b) Samudra Beach Resorts (Private) Limited (SBRL)

The following commitments for capital expenditure approved by the Directors as at 31st March, 2017 have not been provided for in the accounts.

Capital commitments	Rs.
Approved and contracted for	2,292,257,438
Approved but not contracted for	346,366,521

c) Browns Global Farm (Pvt) Ltd (BGFL)

BGFL has the following commitments in the ordinary course of business as at 31st March 2017 as follows,

Operating lease rental payables;	Rs.
Less than one year	4,000,000
Later than One Year and not later than Five Years	16,600,000
Later than Five Years	103,438,256

d) Saga Solar Power (Pvt) Ltd. (SSPL)

SSPL has the following commitments in the ordinary course of business as at 31st March 2017 as follows,

Operating lease rental payables;	Rs.
Less than one year	2,880,000
Later than One Year and not later than Five Years	15,840,000
Later than Five Years	271,890,000

NOTES TO THE FINANCIAL STATEMENTS

44 COMMITMENTS AND CONTINGENT LIABILITIES CONTD.**44.1 COMMITMENTS CONTD.***e) Riverina Resorts (Pvt) Ltd.*

The following commitments for capital expenditure approved by the Directors as at 31st March, 2017 have not been provided for in the accounts.

Capital commitments	Rs.
Approved and contracted for	4,185,190,351
Approved but not contracted for	763,220,749

f) Millennium Development (Pvt) Ltd

Company has the following operating lease commitments in the ordinary course of business as at 31st March 2017 as follows,

Operating lease rental payables;	Rs.
Less than one year	54,500,000
Later than One Year and not later than Five Years	306,500,000
Later than Five Years	1,646,540,060

g) Sun & Fun Resort Ltd.

Company has the following operating lease commitments in the ordinary course of business as at 31st March 2017 as follows,

Operating lease rental payables;	Rs.
Less than one year	336,000
Later than One Year and not later than Five Years	1,344,000
Later than Five Years	4,950,400

h) Bodufaru Beach Resort (Pvt) Ltd.

Company has the following operating lease commitments in the ordinary course of business as at 31st March 2017 as follows,

Operating lease rental payables;	Rs.
Less than one year	2,039,769
Later than One Year and not later than Five Years	8,164,663
Later than Five Years	87,245,939

44.2 CONTINGENT LIABILITIES

Company

- a. 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.
- b. A corporate guarantee has been issued to Hatton National Bank PLC for sum of Rs. 2 Bn for the Banking facilities obtained by Browns Investments PLC.
- c. 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.
- d. 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.
- e. A corporate guarantee has been issued to Bank of Ceylon for sum of Rs. 100 Mn for the banking facilities obtained by Gal Oya Plantations (Pvt) Ltd.
- f. A corporate guarantee has been issued to Hatton National Bank PLC for sum of Rs. 40.5 Mn, for the Banking facilities obtained by BG Air Services (Pvt) Ltd.
- g. The contingent liabilities as at 31st March 2017 on guarantees obtained by the company are as follows,

Bank Name	Performance/ Bid Bond/ Advance Payment Guarantee Rs.	Shipping Guarantee Rs.	Letter of Credit Rs.
Hatton National Bank	119,901,588	26,848,500	97,222,204
DFCC Bank	-	53,052,777	190,593,325
MCB Bank	-	5,067,487	22,033,756
Sampath Bank	-	-	76,567,654
National Development Bank	-	88,525,386	2,900,434
Cargills Bank	-	-	17,856,156
Union Bank	-	-	34,123,676
People's Bank	-	-	117,049,570

NOTES TO THE FINANCIAL STATEMENTS

44 COMMITMENTS AND CONTINGENT LIABILITIES CONTD.**44.2 CONTINGENT LIABILITIES CONTD.****Group Companies***a) Browns Group Industries (Private) Limited*

The contingent liabilities as at 31st March 2017 on guarantees and Letter of credit facilities obtained by the company are as follows,

i) Letter of credit facility	Hatton National Bank	Rs. 14,826,943/-
ii) Shipping Guarantee	Hatton National Bank	Rs. 5,012,100/-

b) Browns Thermal Engineering (Private) Limited

The contingent liabilities as at 31st March 2017 on Letter of credit facilities obtained by the company are as follows,

Letter of credit facility	Hatton National Bank	Rs. 20,820,960/-
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c) Sifang Lanka (Private) Limited

The contingent liabilities as at 31st March 2017 on Letter of credit facilities obtained by the company are as follows,

Letter of credit facility	Sampath Bank	Rs. 13,895,026/-
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d) Browns Healthcare (Private) Limited (BHC)

The property, machinery and equipment has been mortgaged to Seylan Bank for a sum of Rs. 720 Mn for a loan obtained by Brown and Company PLC.

e) Sun and Fun Resorts Limited

At present, a letter of Demand is sent by the previous Architect in relation to a balance payment and (SF) lawyers are looking to this issue at present.

f) Samudra Beach Resorts (Private) Limited (SBRL)

The contingent liabilities as at 31st March 2017 on guarantees given by SBRL to Sri Lanka customs for VAT deferment facility and PAL deferment facility amounts to Rs. 80 Mn and Rs. 6.9 Mn respectively.

g) Maturata Plantations Limited (MPL)

The contingencies in respect of pending litigations before Labour Tribunals are not expected to crystallize in a material liability to the Group.

The 8% cumulative preference dividends computed up to 31st March, 2017 amounted to Rs.45,729,380/= (2015/16 - Rs.41,672,450/=). However, this amount has not been accrued as payable in the financial statements, since it is classified under Equity of MPL.

h) Browns Properties (Private) Limited

The Company 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.

i) 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.

Makcwoods Teas (Pvt) Ltd has filed a case against Agalawatte plantation PLC, in which Browns Capital PLC has been made a party.

Mackwoods Teas (Pvt) Ltd. was that the operation of the Labookalle Tea Centre was conducted in such a way, in which, they alleged a customer could be mislead, with regards to the tea cups used, and colour combinations used and other items that are for sale in the said place and has stated that it amount to unfair completion.

Now, Browns Capital PLC is operating the business, without using any of those impugned items. In this case, the Plaintiff (Mackwoods) does not claim damages and only praying for a permanent injunction and as we do not wish to contest the dispute, there is a high likelihood of such injunction would be issued.

j) BG Air Services (Pvt) Limited

The contingent liabilities as at 31st March 2017 on guarantees given by Hatton National Bank to Civil Authority of Sri Lanka for Air Transport License amounts to Rs. 500,000/-.

k) Browns Investments PLC

A corporate guarantee has been given to Lank Orix Leasing PLC for a sum of Rs.10 Mn for factoring facilities obtained by Ajax Engineers (Pvt) Ltd.

A corporate guarantee has been given to Board of Investments of Sri Lanka (BOI) for a sum of Rs. 80 Mn to obtain VAT deferment facility to Samudra Beach Resorts (Pvt) Ltd.

A corporate guarantee has been issued to the Commercial Bank for a sum of Rs. 30 Mn for the loan facility obtained by Creation Construction and Engineering (Pvt) Ltd.

44.3 CONTINGENT ASSETS

There are no contingent assets as at the Financial Position date.

45 COMPARATIVE INFORMATION

Comparative information has been reclassified to conform to the current year's classification and presentation where necessary.

46 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 Capital PLC disposed its remaining shares of 990,000 (9.9%) held in FLMC Plantations (Pvt) Ltd to Piyestra Furniture (Pvt) Ltd for a total consideration of Rs. 1,948,000,000/- on 2nd June 2017.
- b) Browns Investment PLC, a subsidiary of the Group entered into a joint investment agreement with Zhongtian Ding Hui (Pvt) Ltd on 6th April 2017. Zhongtian Ding Hui (Pvt) Ltd and Browns Investments PLC in terms of the agreement entered into shall invest in the share capital of Excel Global Holdings (Pvt) Ltd, in order to co-develop the project location situated at 338, TB Jaya Mawatha, Colombo 10 of which the lease hold rights are held by Millenium Development (Pvt) Ltd.

Browns Investments PLC, at present holds 100% of Excel Global Holdings (Pvt) Ltd, and that shareholding is valued at USD 20 Mn. Browns Investments PLC shall further infuse USD 15 Mn, and arrange Excel Global Holdings (Pvt) Ltd a USD 20 Million loan. Browns Investments PLC shall hold 51% of total shares of Excel Global Holdings (Pvt) Ltd and Zhongtian Ding Hui (Pvt) Ltd shall invest USD 35 Million in this project and acquire a shareholding of 49% of the total share in Excel Global Holdings (Pvt) Ltd. Both parties agreed that the total development cost for constructing the proposed life style shopping mall cum family leisure center shall be USD 70 Mn.

NOTES TO THE FINANCIAL STATEMENTS

47 SEGMENTAL INFORMATION

47.1 PRIMARY SEGMENTS (BUSINESS SEGMENTS)

47.1.1 Group

		Trading		Manufacturing		Investments		Plantation		
		2017	2016	2017	2016	2017	2016	2017	2016	
		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	
a) Segment Results										
Revenue		12,652,369	10,984,703	643,472	750,560	330,647	752,011	5,742,270	5,336,303	
Cost of Sales		(10,159,447)	(8,770,644)	(474,517)	(546,313)	-	-	(5,187,429)	(5,576,728)	
Gross Profit/ (Loss)		2,492,922	2,214,059	168,956	204,247	330,647	752,011	554,841	(240,425)	
Add :	Other Income	660,023	814,394	17,105	42,126	3,034,616	268,024	502,248	315,846	
	Share of Profit/ (Loss) of Equity Accounted Investees	-	-	-	-	-	(3,999)	-	-	
	Change in fair value of Investment Properties	1,458,308	237	3,000	2,593	216,000	97,611	-	-	
	Change in fair value of consumable biological assets	-	-	-	-	-	-	214,815	(194,354)	
	Gain on disposal of subsidiaries	-	-	-	-	2,682,988	-	-	-	
Less :	Expenses	(3,073,286)	(2,439,366)	(237,305)	(274,625)	(1,512,599)	(957,607)	(1,028,698)	(703,043)	
Profit/ (Loss) before Taxation		1,537,967	589,325	(48,244)	(25,659)	4,751,651	156,041	243,206	(821,976)	
Income Tax Expense		(71,209)	(49,270)	(641)	(385)	(21,892)	(34,419)	(144,064)	68,776	
Profit/ (Loss) for the Year		1,466,758	540,055	(48,885)	(26,044)	4,729,759	121,622	99,142	(753,200)	
b) Segment Assets										
Non-current Assets		16,429,362	14,494,302	42,494	39,274	23,884,567	21,332,577	5,437,162	13,520,573	
Current Assets		11,293,102	10,161,420	533,072	522,529	9,657,728	3,125,453	509,941	1,042,209	
		27,722,464	24,655,722	575,566	561,803	33,542,295	24,458,030	5,947,104	14,562,782	
c) Segment Liabilities										
Non-current Liabilities		1,139,636	1,703,877	10,371	11,070	870,612	1,155,422	1,720,618	4,968,654	
Current Liabilities		9,892,650	7,701,002	498,874	436,140	10,202,205	5,053,092	3,063,861	2,327,595	
		11,032,286	9,404,879	509,245	447,210	11,072,817	6,208,514	4,784,479	7,296,249	

A DISTINCTIVE LEGACY

	Leisure		Real Estate		Health Care		Others		Adjustments		Group Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
	2,436,548	1,836,329	86,800	131,300	441,893	243,761	600,427	499,829	(286,345)	(644,615)	22,648,082	19,890,181
	(1,190,081)	(831,280)	(13,345)	(14,977)	(140,267)	(86,666)	(317,700)	(245,040)	47,134	11,265	(17,435,651)	(16,060,382)
	1,246,467	1,005,049	73,456	116,323	301,627	157,095	282,727	254,790	(239,211)	(633,350)	5,212,431	3,829,799
	121,955	92,266	229,310	101,699	42,899	64,027	42,594	27,237	(2,785,243)	(716,277)	1,865,506	1,009,342
	-	-	-	-	-	-	-	-	66,225	57,650	66,225	53,651
	-	-	546,653	22,532	-	-	181,213	31,900	(122,514)	(39,923)	2,282,659	114,950
	-	-	-	-	-	-	-	-	-	-	214,815	(194,354)
	-	-	-	-	-	-	-	-	-	-	2,682,988	-
	(2,190,584)	(1,603,143)	(250,383)	(141,066)	(466,551)	(388,984)	(269,376)	(185,605)	1,124,134	643,499	(7,904,649)	(6,049,939)
	(822,162)	(505,828)	599,035	99,489	(122,026)	(167,862)	237,158	128,322	(1,956,609)	(688,402)	4,419,975	(1,236,551)
	(40,406)	(10,336)	(159,525)	(630)	(55)	(182)	(16,602)	(44,822)	(4,105)	(2,933)	(458,499)	(74,201)
	(862,568)	(516,164)	439,510	98,858	(122,081)	(168,043)	220,556	83,500	(1,960,714)	(691,336)	3,961,476	(1,310,752)
	21,410,774	17,564,303	7,178,759	6,562,135	1,426,499	1,454,526	4,158,354	3,807,841	(32,351,333)	(30,952,833)	47,616,640	47,822,698
	1,778,749	2,250,010	511,414	432,923	307,921	318,555	507,104	973,957	(6,660,700)	(5,111,776)	18,438,331	13,715,280
	23,189,523	19,814,313	7,690,173	6,995,058	1,734,420	1,773,081	4,665,458	4,781,798	(39,012,033)	(36,064,609)	66,054,971	61,537,978
	1,339,241	1,443,868	336,526	174,071	2,705	1,161	1,736,682	1,205,988	(162,694)	(162,689)	6,993,697	10,501,421
	7,480,907	5,544,674	373,287	280,004	603,456	521,236	643,127	409,372	(6,919,397)	(5,395,923)	25,838,970	16,877,193
	8,820,147	6,988,542	709,813	454,075	606,161	522,397	2,379,810	1,615,360	(7,082,091)	(5,558,612)	32,832,667	27,378,614

NOTES TO THE FINANCIAL STATEMENTS

48 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 2017	Browns Investments PLC
Holding %	39.75%
NCI%	60.25%
	Rs.000
Total assets	45,234,162
Total liabilities	23,301,967
Net assets attributable to Equity Holders	6,919,957
Carrying value of NCI	15,012,235
Gross income	8,910,227
Profit for the year	2,468,177
Profit attributable to Equity Holders	1,016,927
Profit attributable to NCI	1,451,250
OCI for the year	268,510
Net cash generated from Operating Activities	5,900,093
Net cash used in from Investing Activities	(2,396,738)
Net cash used in Financing Activities	(135,623)
Total net cash inflow	3,367,732

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 Investing Activities	(1,957,536)
Net cash generated from Financing Activities	132,689
Total net cash inflow	913,481



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TEN YEAR SUMMARY

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Group revenue	22,648,082	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
EBIT	7,330,374	133,830	2,083,560	2,834,467	1,525,039	3,880,945	3,895,431	1,741,717	882,064	693,118
Finance expenses	(2,910,399)	(1,370,381)	(893,396)	(1,023,541)	(1,070,375)	(418,956)	(291,605)	(473,551)	(418,116)	(429,157)
Share of results of Equity Accounted Investees	66,225	53,651	83,718	(37,707)	(301,790)	(94,931)	149,548	44,274	24,006	19,782
Profit / (Loss) before tax	4,419,975	(1,236,551)	1,190,164	1,810,926	454,664	3,461,989	3,603,827	1,268,166	463,948	263,961
Tax expense	(458,499)	(74,201)	(75,793)	(137,904)	(43,063)	(384,638)	(322,239)	(120,203)	(50,710)	146,189
Profit / (Loss) for the year	3,961,476	(1,310,752)	1,114,371	1,673,022	411,601	3,077,351	3,281,588	1,147,963	413,238	410,150
Attributable to:										
Equity holders of the parent	1,897,766	(205,109)	1,331,699	1,674,805	359,963	1,170,876	2,188,219	1,013,665	425,597	419,237
Non-Controlling interest	2,063,710	(1,105,643)	(217,328)	(1,783)	51,638	1,906,475	1,093,369	134,298	(12,359)	(9,087)
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	2,005,601	21,101
Capital reserves	2,080,753	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
Revenue reserves	14,123,385	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
Share holders funds	18,209,739	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
Non-Controlling interests	15,012,565	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
Total equity	33,222,304	34,159,363	32,988,852	22,350,702	21,088,997	23,152,990	21,840,978	13,457,898	9,330,928	7,087,877
Total debt	15,405,063	16,098,683	14,083,558	10,308,733	7,306,923	5,340,827	4,009,995	2,372,993	3,473,014	2,245,283
	48,627,367	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
ASSETS EMPLOYED										
Property, plant and equipment (PPE)	25,271,442	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
Non-current assets other than PPE	22,345,198	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
Current assets	18,438,331	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
Liabilities other then debt	(17,427,604)	(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)
	48,627,367	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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
CASH FLOW										
Net cash flows generated from / (used in) operating activities	6,746,905	714,220	(633,413)	(1,347,635)	(1,355,187)	(588,276)	1,092,449	(297,565)	734,453	(251,184)
Net cash flows generated from / (used in) investing activities	(5,521,737)	(1,826,082)	(2,026,387)	87,306	(1,118,345)	(2,076,461)	(2,075,835)	841,490	(541,611)	(46,017)
Net cash flows generated from / (used in) financing activities	2,335,446	1,890,376	2,995,879	2,157,494	1,351,402	1,851,675	4,539,133	(48,303)	(376,572)	275,722
Net Increase / (decrease) in Cash and Cash Equivalents during the year	3,560,614	778,514	336,079	897,165	(1,122,130)	(813,063)	3,555,749	495,623	(183,730)	(21,479)
KEY INDICATORS										
Earnings / (Loss) per Share (Rs.)	26.78	(2.89)	18.79	23.63	5.08	16.52	30.87	14.3	6	5.92
Net Assets per Share (Rs.)	256.93	225.94	218.54	195.95	213.06	195.85	210.43	135.51	85.37	99.93
Market Price per Share (Rs.)	71	79.8	96.5	90	117.9	155.1	289.8	87.75	18	925.5
Market Capitalization (Rs.000)	5,032,125	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
Return on Shareholders' funds (%)	10.42	(1.28)	8.60	12.06	2.38	8.44	14.67	10.55	7.03	5.92
Return on Capital Employed (%)	15.07	0.27	4.43	8.68	5.37	13.62	15.07	11	6.89	7.43
Price Earnings Ratio (times)	2.65	(27.57)	5.17	3.81	23.21	9.39	9.39	6.14	3	156.46
Interest Cover (times covered)	2.52	0.10	2.33	2.77	1.42	9.26	13.36	3.68	2.11	1.62
Current Ratio (times)	0.71	0.81	0.92	0.89	1.35	1.8	3.07	1.12	0.79	1.13
Debt to Equity Ratio (%)	46.37	47.13	41.22	45.58	34.65	23.07	18.36	17.63	37.22	31.68
Number of Shares (000)	70,875	70,875	70,875	70,875	70,875	70,875	70,875	70,875	70,875	2,625

PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES

COMPANY	DIRECTORS
* Associated Battery Manufacturers (Ceylon) Ltd Reg. No: PB 240	Subir Chakraborty - Chairman
	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)
	Kithsiri Gunawardena
Engineering Services (Pvt) Ltd Reg. No: PV 7400	Rohini Nanayakkara – Chairperson
	Nilmini Nanayakkara
	Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
	Rajah Nanayakkara (Deceased on 22nd March 2017)
	Ishara Nanayakkara (Ceased to be 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 (Deceased on 22nd March 2017)
	Ishara Nanayakkara (Ceased to be 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 (Deceased on 22nd March 2017)
	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 (in the process of strike off)	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
	Dinesh Abeyrathne
	Christine Sriyani Perera
	Thusitha Wanigasinghe
	Bandara Basnayake
	Mohamed Fouz
	Wasantha Batagoda (appointed w.e.f. 19th April 2017)
Browns Thermal Engineering (Pvt) Ltd Reg. No. PV 5001	Rohini Nanayakkara - Chairperson
	Damascene Fernando
	Anoj Munidasa
Browns Health Care Negombo (Pvt) Ltd (formerly Browns Motors (Pvt) Ltd) Reg. No: PV 65726	Rajah Nanayakkara (Deceased on 22nd March 2017)
	Indra Nanayakkara
	Nilmini Nanayakkara
	Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)

PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES

COMPANY	DIRECTORS
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 (in the process of strike off)	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 (in the process of strike off)	Rohini Nanayakkara
	Nilmini Nanayakkara
	Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
Browns Holdings Ltd Reg. No. PB 1183	Rajah Nanayakkara (Deceased on 22nd March 2017)
	Nilmini Nanayakkara
	Ishara Nanayakkara (Alt. Dir. to Nilmini Nanayakkara)
	Kalsha Amarasinghe
	Kithsiri Gunawardena
Browns Pharma Limited Reg No. PB 5377	Ishara Nanayakkara (resigned w.e.f. 07.03.2017) Kapila Jayawardena (resigned w.e.f. 07.03.2017) Thamotharampillai Sanakan (appointed w.e.f. 06.03.2017) C. Nagarasa Rathakrishnan (appointed w.e.f. 06.03.2017)

GLOSSARY OF FINANCIAL TERMS

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.

CORPORATE INFORMATION

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 on 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

(deceased on 22nd March 2017)

Janaka de Silva

Independent Non-Executive Director

Tissa Bandaranayake

Independent Non-Executive Director

SECRETARIES

S. F. L. Services (Pvt) Ltd

No. 481, T. B. Jayah Mawatha,

Colombo 10.

REGISTRARS

S S P Corporates (Pvt) Ltd.

101, Inner Flower Road,

Colombo 03.

Tel 011 2573894

Fax 011 2573609

REGISTERED OFFICE

No. 481, T. B. Jayah Mawatha (Darley Road),

P. O. Box 200, Colombo 10.

Tel 011 2663000

Fax 011 2307380

Website: www.brownsgroup.com

BUSINESS OFFICE

No. 34, Sir Mohamed Macan Markar Mawatha,

Colombo 3

Tel 011 2663000

Fax 011 2307380

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

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

NOTICE OF THE ANNUAL GENERAL MEETING

BROWN AND COMPANY PLC

REG. NO. PQ 25

NOTICE IS HEREBY GIVEN that the One Hundred and Twenty Fifth ANNUAL GENERAL MEETING of the Company will be held at Park Premier, Excel World, No. 338, T.B. Jayah Mawatha, Colombo 10 on the Thirty First day of July 2017 at 10.30 a.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 2017 with the Auditors Report thereon.
- To re-elect Mr. Kapila Jayawardena 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 73 years on 24th August 2017 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 whichever 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 74 years on 3rd January 2017 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 whichever 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 the Auditors of the Company for the ensuing year.
- To authorize the Directors to fix the remuneration of the Auditors.

BY ORDER OF THE BOARD



Secretaries

S.F.L. SERVICES (PVT) LTD

Colombo,
20th June 2017

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 Twenty Ninth day of July 2017.

FORM OF PROXY

BROWN AND COMPANY PLC
REG. NO. PQ 25

I/We.....of

..... 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
Janaka de Silva	or failing him
Tissa Bandaranayake	or failing him

Mr/Mrs/Miss.....of

..... 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 Fifth Annual General Meeting of the Company to be held on the Thirty First day of July 2017 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this day of 2017

.....
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)

FORM OF PROXY

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.
- 7 Any shareholder/proxy attending the Annual General Meeting is kindly requested to bring with him/her the National Identity Card or any other form of valid identification and produce same at the time of registration.

STAKEHOLDER FEEDBACK FORM

Your opinion matters. Please share your views with us.

WHICH STAKEHOLDER GROUPS DO YOU BELONG TO?

(You may tick more than one)

☐ Employee ☐ Customer ☐ Shareholder ☐ Community ☐ Investor

DOES THE REPORT ADDRESS ISSUES OF GREATEST INTEREST TO YOU

☐ Comprehensively ☐ Not at all ☐ Partially

PLEASE IDENTIFY ANY ADDITIONAL ISSUES THAT YOU THINK SHOULD BE REPORTED ON:

.....

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.....

DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE REPORT - OR ON BROWN AND COMPANY'S PERFORMANCE IN GENERAL?

.....

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.....

PLEASE TICK HERE IF WE MAY INCLUDE YOUR COMMENTS IN ANY FUTURE REPORTS?

☐ Yes ☐ No

WOULD YOU LIKE TO BE CONSULTED WHEN WE PREPARE OUR NEXT SUSTAINABILITY REPORT?

☐ Yes ☐ No

YOUR NAME, EMAIL ADDRESS AND/OR OTHER CONTACT DETAILS

.....

.....

.....

CONTACT DETAILS

Prasanna Ganegoda
Senior Business Analyst
Brown and Company PLC
No 34, Sir Mohamed Macan Marker Mawatha,
Colombo 03.

Tel : +94 773 157 100
Email : Prasanna.g@brownsgroup.com

INVESTOR FEEDBACK FORM

To request information to submit a comment / query to the company, please provide the following details and return this page to -

Prasanna Ganegoda
Senior Business Analyst
Brown and Company PLC
No. 34, Sir Mohamed Macan Marker Mawatha,
Colombo 3
Sri Lanka.

T - +94 773 157 100, +94 (11) 2663000 Ext 3341
F - +94 (11) 2307391
Email : Prasanna.g@brownsgroup.com

Name :

Permanent Mailing Address :
.....

Contact Number/s :

Tel :

Fax :

E-Mail :

Name of Company :
(If Applicable)

Designation (If Applicable) :

Company Address :
(If Applicable)

Queries / Comments

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Brown's
A Heritage of Trust

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