

# Happiness *Incorporated*

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MAKING  
**DREAMS**  
COME  
TRUE SINCE  
**1968**

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## CONTENTS

*We incorporate happiness into the lives of our stakeholders and having been doing so since our humble beginnings in 1968. This philosophy has resulted in the happiness of individuals and families alike, as they have come to recognise the ultimate in service and standards that Abans has to offer. And we will continue to create joy and fulfillment in the years ahead as we traverse diverse avenues in delivering our promise of quality to all our stakeholders.*

### 02

#### OVERVIEW

Group Financial Highlights	3
Abans Group Structure	5
Message from the Chairperson	6
Board of Directors	10

### 13

#### MANAGEMENT DISCUSSION AND ANALYSIS

Managing Director's Review of Operations	14
Risk Management and Internal Control Process	17
Financial Review	21
Product Portfolio Management	25
Channel Management Strategy	33
ICT Integration	35
Customer Engagement	36
Human Resource Management	37
Corporate Social Responsibility	43

### 44

#### GOVERNANCE AND COMPLIANCE

Annual Report of the Board of Directors	45
Statement of Directors Responsibility	48
Audit Committee Report	49
Board Remuneration Committee Report	50
Corporate Governance	51

### 67

#### FINANCIAL REPORTS

Independent Auditor's Report	69
Statement of Profit or Loss	70
Statement of Other Comprehensive Income	71
Statements of Financial Position	72
Statement of Changes in Equity	74
Statement of Cash Flows	75
Notes to the Financial Statements	77

### 137

#### SUPPLEMENTARY INFORMATION

Statement of Value Added	138
Investor Information	139
Five Year Summary - Statement of Financial Position	142
Five Year Summary - Statement of Comprehensive Income	144
Real Estate Portfolio	146
Branch Network	148
Glossary of Financial Terms	149
Notes	152
Notice of Meeting	154
Form of Proxy	155
Corporate Information	Inner Back Cover

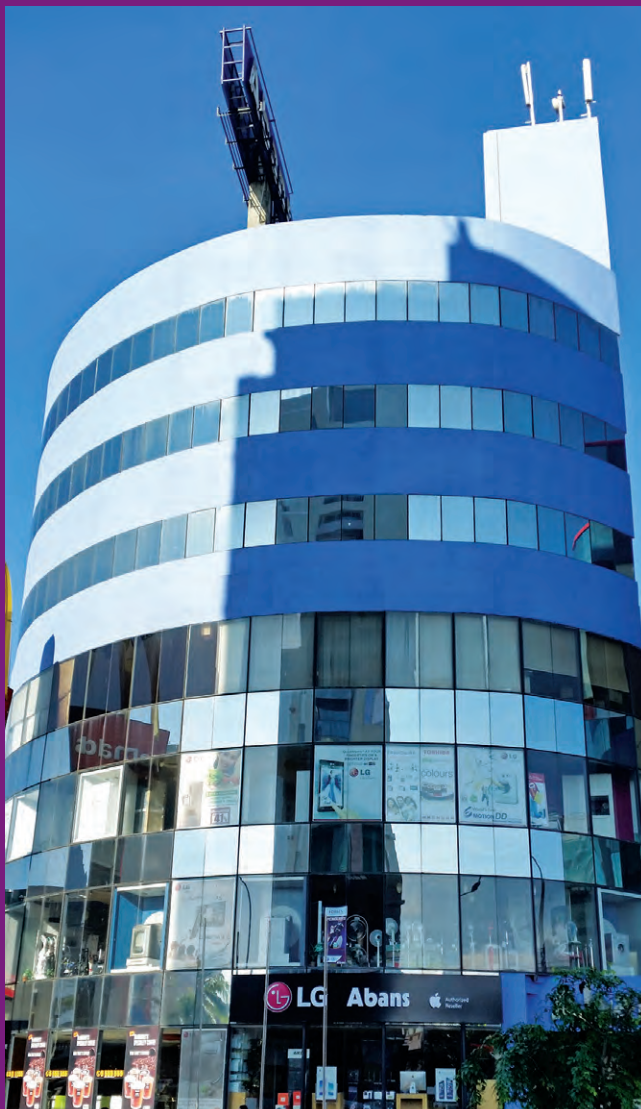
# THE ABANS STORY

## VISION

▶ **TO ATTRACT AND RETAIN OUR CUSTOMERS FOR LIFE...**

## MISSION

▶ **ADDING VALUE TO OUR MOST PRECIOUS ASSET, OUR CUSTOMERS, BY BESTOWING A NOVEL RANGE OF WORLD-CLASS PRODUCTS AND SERVICES THAT REFLECT COMFORT, CONVENIENCE & QUALITY.**



Abans is a story of small beginnings and continuous growth. It is the inspiring success story of a home business that grew into one of the biggest brands in Sri Lanka.

The Abans story began nearly half a century ago in 1968, when a young housewife, Mrs. Aban Pestonjee, began a small business from her garage, selling used electronic items. During this closed economic era, when imported goods were not accessible to ordinary people, this young entrepreneur acquired her inventory by purchasing electronic items from expatriate and embassy staff auctions. This made it possible for local housewives to enjoy the benefits of electronic home conveniences. Demand soon outpaced supplies, and when the economy opened up in 1978, the emerging corporate entity Abans, was ready to take on the challenges of a competitive market.

Today, 48 years later, Abans has evolved into a household name in Sri Lanka, with a customer base spanning the demographic spectrum, a retail network

extending across the country and a diversified business footprint. True to its brand identity of innovative thinking Abans continues to introduce the latest technologies in household appliances and ICTs to people all over the country, while continuing to diversify into new business areas.



Late 1970s



Early 1980s



Mid 1980s

# OVERVIEW

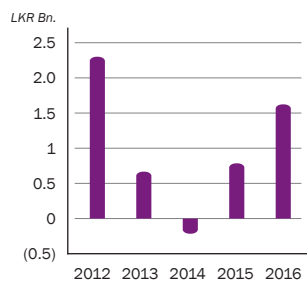
“SPENDING MORE TIME WITH MY FAMILY, KNOWING THAT I DON’T HAVE TO WORRY ABOUT CHORES IS HAPPINESS TO ME. THANK YOU ABANS.”



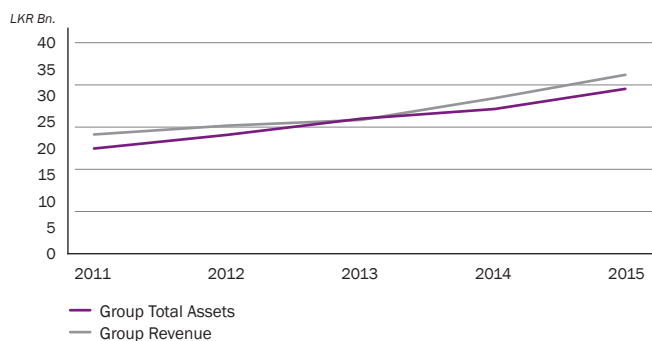
## GROUP FINANCIAL HIGHLIGHTS

	2016 LKR '000	2015 LKR '000	Increase/ (Decrease) LKR '000
<b>Key Financial Highlights</b>			
Sale	34,933,245	30,082,218	4,851,028
Gross Profit	10,759,664	8,516,783	2,242,881
Profit Before Interest & Tax	2,644,591	1,648,524	996,068
Profit After Tax	1,099,636	576,952	522,684
Current Assets	25,330,409	22,188,361	3,142,048
Total Assets	32,239,221	28,094,574	4,144,647
Current Liability	19,649,840	16,235,814	3,414,026
<b>Key Financial Ratios</b>			
Gross Profit Ratio	30.80%	28.31%	2.49%
Operating Profit Ratio	7.57%	5.48%	2.09%
Net Profit Ratio	3.15%	1.92%	1.23%
ROCE (Return on Capital Employed)	21.01%	13.90%	7.11%
Asset Turnover Ratio	1.08	1.07	0.01
Liquidity Ratio	1.29	1.37	(0.08)
Quick Asset Ratio	0.76	0.83	(0.07)
Gearing Ratio (Debt to Equity)	1.85	1.92	(0.07)
Interest Cover (PBIT/Interest)	2.52	1.58	0.94
Net Asset Per Share	3,222	2,741	481

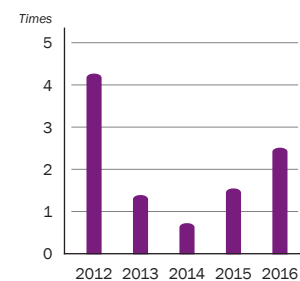
### Profit Before Tax



### Group Assets & Revenue Comparison

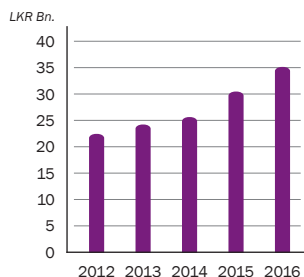


### Interest Cover

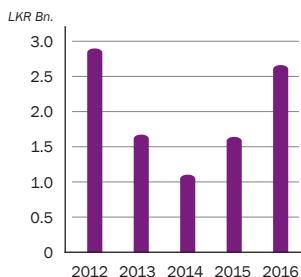


## GROUP FINANCIAL HIGHLIGHTS

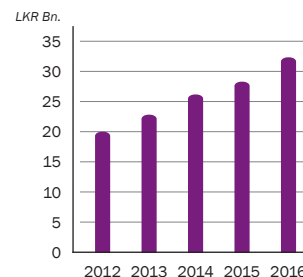
### Revenue



### Operating Profit



### Total Assets



## SECTOR CONTRIBUTION



Trading

TURNOVER

90.9%

OPERATING PROFIT

89.4%



Engineering Services

5.4%

4.5%



Financial Services

3.7%

6.1%



# ABANS GROUP STRUCTURE

The Abans Group comprises the holding company Abans PLC, five subsidiary companies, one associate company and one joint venture company. Group subsidiaries are:

- ▶ Abans Retail (Pvt) Ltd
- ▶ Abans Lanka (Pvt) Ltd
- ▶ AB Technologies (Pvt) Ltd
- ▶ Abans Engineering (Pvt) Ltd
- ▶ Abans Finance PLC

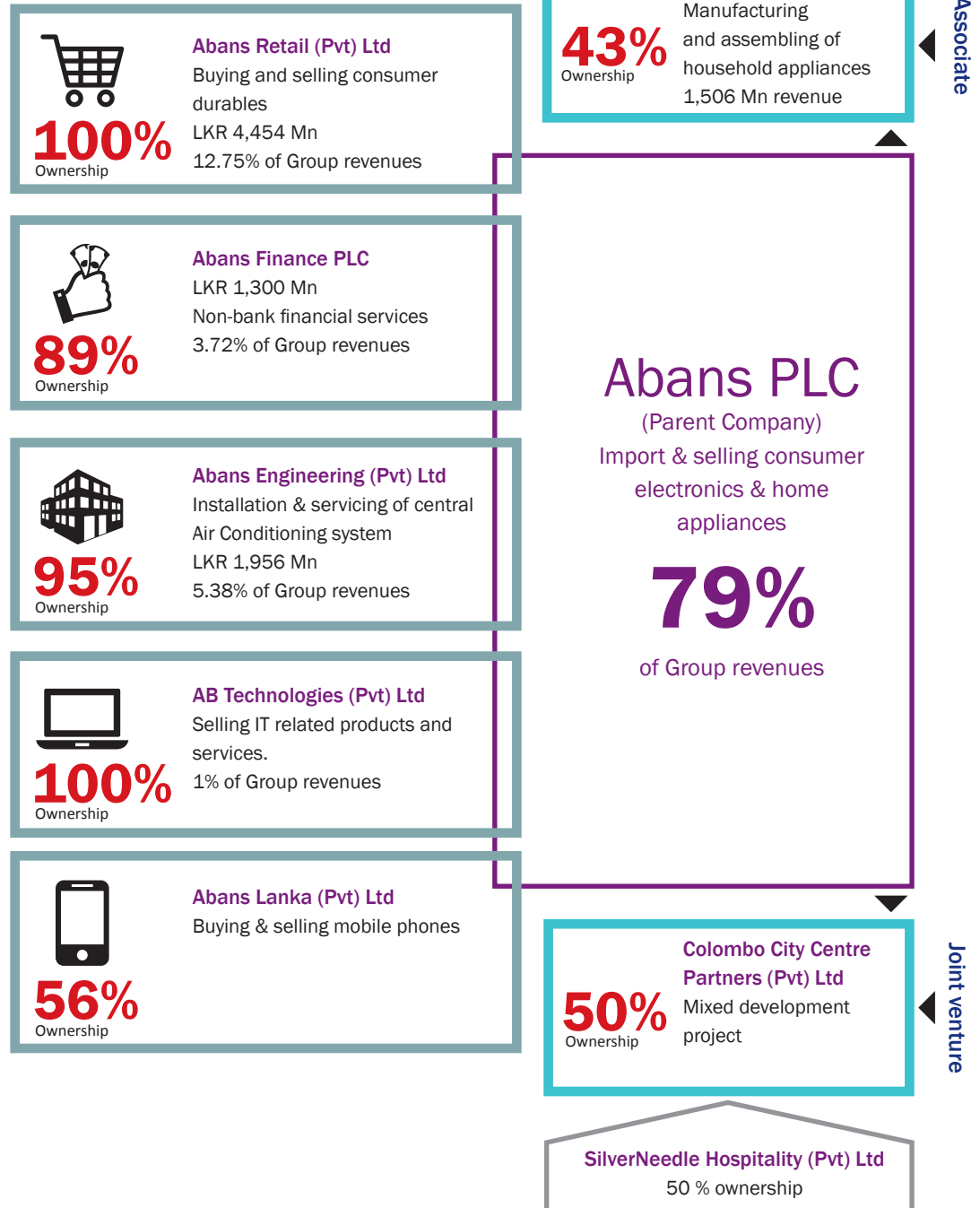
The associate company of the Group:

- ▶ Abans Electricals PLC

The joint venture company

- ▶ The Colombo City Centre Partners (Pvt) Ltd.

## Subsidiaries



**MESSAGE FROM THE CHAIRPERSON**



## MESSAGE FROM THE CHAIRPERSON

**“PHASE 1 OF THE COLOMBO CITY CENTRE, COMPRISING PARKING AREAS AND FIVE FLOORS OF RETAIL SPACE, ONCE OPERATIONAL, WILL ADD SIGNIFICANT VALUE TO COLOMBO CITY’S ECONOMY BY SUPPORTING RETAIL TOURISM TO GENERATE FOREIGN EXCHANGE AND BY PROVIDING A NEW RETAIL PLATFORM FOR LOCAL AND INTERNATIONAL BRANDS TO GROW.”**

It gives me great pleasure to present the Annual Report and audited financial statements of Abans PLC and its subsidiaries for the financial year 2015/16 and to report a profitable year, accompanied by progress in our growth plans. This report and the consolidated financial statements are limited to Abans PLC and its subsidiaries (Abans Retail (Pvt) Ltd, Abans Lanka (Pvt) Ltd, AB Technologies (Pvt) Ltd, Abans Engineering (Pvt) Ltd and Abans Finance PLC), the associate company of the Abans Group, which is Abans Electricals PLC, and the joint venture company, Colombo City Centre Partners (Pvt) Ltd.

### Progress During the Year

Abans has always represented a story of growth and progress, not only in the context of the Company, but also in terms of our customers. While the entire country has transformed within the last five decades, the Abans brand has remained a part of the consumer landscape by anticipating consumer requirements, be it in kitchen appliances or the latest in information communications technology, to bring happiness into households by making life better. As we identify new opportunities and continue to grow as a corporate entity it is important that we carry with us this central tenet of doing things better and making life better for people in this country. Our growth strategy of diversifying into new businesses is based on this philosophy.

Our largest strategic investment to date, the Colombo City Centre, which is our initial venture into the segment of ‘lifestyle tourism’, was conceptualised to upgrade the lifestyle of the entire city of Colombo. Therefore, I am pleased to report that we have made steady progress in realising this vision. Phase 1 of the Colombo City Centre, comprising parking areas and five floors of retail space, once operational, this will add significant value to Colombo city’s economy by supporting retail tourism to generate foreign exchange and by providing a new retail platform for local and international brands to grow. The next phase of the Colombo City Centre will add a four star hotel complex and luxury apartments to Colombo city’s tourism sector.

In addition, I am pleased to report a stronger balance sheet and steady growth in profitability by the Abans Group.

### Performance of Our Companies

Our main focus during the current financial year was financial sustainability, to optimise returns to all stakeholders and in particular our investors. As part of this process we have re-balanced our debt portfolio, improved our competitiveness and enhanced our profitability.

The LKR 4 Bn raised by Abans PLC through two listed debentures have helped address the debt to investment mis-match by retiring more expensive short term debt. As a result, we have been able to reduce our leverage ratio from 7x in the previous financial year to 5.2 x as at end March 2016. This has allowed us greater flexibility in our financial planning. In addition, a bottom line focused sales drive, coupled with improvements in operational processes have increased Company revenues and profitability, while containing our non-performing credit in the hire purchase portfolio. Our subsidiaries

## MESSAGE FROM THE CHAIRPERSON

**“AS THE ABANS FOOTPRINT CONTINUES TO EXPAND, WE ARE EXTREMELY CONSCIOUS THAT OUR GROWTH MUST BE SUSTAINABLE, NOT ONLY FINANCIALLY BUT ALSO SOCIALLY AND ENVIRONMENTALLY. THEREFORE, WE ATTEMPT TO CONTROL OUR ENVIRONMENTAL IMPACTS BY INVESTING, WHERE EVER POSSIBLE, IN ENVIRONMENTALLY FRIENDLY TECHNOLOGIES AND WASTE MANAGEMENT SOLUTIONS. ”**

have also performed well during the year, enhancing their contributions to overall profitability. In fact, the Abans Central Air Conditioning Division that was spun-off into a separate company under the name Abans Engineering (Pvt) Ltd has already contributed to the group profits. For detailed information on the financial performance of Abans PLC, please refer the Financial Review of this report on page 21.

Overall the Abans Group generated LKR 35.2 Bn in economic value for the country in the current financial year and 9.43% of this value was distributed to government, our employees, providers of capital and into social welfare activities.

### **Growing Sustainably**

As the Abans footprint continues to expand, we are extremely conscious that our growth must be sustainable, not only financially but also socially and environmentally. Therefore, we attempt to control our environmental impacts by investing, where ever possible, in environmentally friendly technologies and waste management solutions. We also pay special attention towards sourcing environmentally friendly products to retail in our showrooms. One such example is the LG Solar Panels. These panels support the country by reducing energy demand on the national grid and by providing cleaner energy for institutions and households. We will continue to introduce such environmentally friendly products to the domestic market in the new financial year.

Abans has always gone beyond statutory responsibilities in supporting our employees and the general public. In May 2016, Abans stepped up to help the country recover from the sudden and devastating floods brought on by cyclone 'Roanu'. Responding to the urgent need to restore normalcy for thousands of displaced families and flood affected businesses in Kolonnawa and Kotikawatta, we placed our specialised cleaning services at the disposal of the national authorities, including the fleet of garbage compacter trucks and loaders belonging to Abans Environmental Services (Pvt) Ltd. These cleaning services were provided free of charge, for one week, to restore roads, waterways, building and homes. The Abans Service Department stepped up to repair flood damaged electronic equipment free of charge.

Our employees are our primary focus when extending welfare support and during the current financial year the Abans Group facilitated assistance for employees in many different ways. We provided funds, material and voluntary services to all Abans employees affected by the floods and conducted many other welfare schemes. Please refer the chapter on Human Resource Management and Corporate Social Responsibility, on page 37 and page 43 for more information.

## MESSAGE FROM THE CHAIRPERSON

### Future Outlook

We enter the new financial year against a disturbing backdrop of policy changes, of which the most troubling, is the sharp increase in taxes. However, notwithstanding the somewhat gloomy short term outlook, I would like to state that over the mid to long term, Abans PLC is well positioned to generate strong returns. While the rate of demand growth from the household sector could slow down significantly in the short term, we anticipate sustained demand from the business sector due to ongoing development projects. In addition, the Colombo City Centre will begin contributing to Group revenues once it is commercially operational.

The Abans team has been our greatest competitive advantage over the years and as we prepare for a challenging year ahead, I am confident we can work together to meet our mutual objectives. I thank our investors for their confidence in the Company and I can assure them that the Board and I are committed towards strong returns for you. As always, I am extremely grateful to our customers and our business partners and look forward to a mutually beneficial year. I thank the Colombo Stock Exchange and other regulatory authorities for their advice and guidance and I would like to thank the Board of Directors for their valuable inputs during the year.

Sincerely,



**Aban Pestonjee**

*Chairperson*

8<sup>th</sup> August 2016

## BOARD OF DIRECTORS



**MRS. ABAN PESTONJEE**  
**CHAIRPERSON**

A resourceful and self-taught entrepreneur, Mrs. Aban Pestonjee exemplifies the Abans creed of “finding a need and fulfilling it”. Her passion, drive and courage, especially as a South Asian woman in a male dominated business world has inspired successive generations of Sri Lankan business women. Mrs. Pestonjee’s achievements have gained both local and international recognition. These include: the Award of Excellence for Women Achievers for Outstanding Achievements, presented by the SAARC Women’s Association, Sri Lanka Chapter in the year 2000 and the Bronze Award under the large business category at the Women Entrepreneur of the Year Ceremony of the Women’s Chamber of Industry and Commerce in year 2000, and the KOTRA Plaque of Appreciation 2005 for forging strategic foreign economic ties between Korea and Sri Lanka. In 2006, she received international recognition by being awarded the Leading Woman Entrepreneur of the World Award, which was presented by the Princess of Thailand.

Mrs. Pestonjee also holds directorships at Abans Electricals PLC, Abans Environmental Services (Pvt) Ltd, Abans Engineering (Pvt) Ltd, Abans Lanka (Pvt) Ltd, Abans Tours (Pvt) Ltd, Abans Tourist Hotel (Pvt) Ltd, ABS Gardner Dixon Hall International (Pvt) Ltd, Abans Investments (Pvt) Ltd, Add Outdoor (Pvt) Ltd, Abans Graphics (Pvt) Ltd, Abans Marketing (Pvt) Ltd, Abans Consolidated (Pvt) Ltd, Abans Warehousing (Pvt) Ltd, Crown City Developers (Pvt) Ltd, AB Technologies (Pvt) Ltd, Abans Development (Pvt) Ltd, Abans Auto (Pvt) Ltd and Abans Office Automation (Pvt) Ltd.



**MR. BEHMAN PESTONJEE (TITO)**  
**MANAGING DIRECTOR**

Qualified as a Marine Engineer, class 1 (D.O.T. London), Mr Behman Pestonjee has been involved with Abans PLC since its inception and has been instrumental in building the business. His dynamic leadership of the Operations Division has been a key driver of success. He oversees most of the critical functions of the organisation, including sourcing, marketing and sales, and manages many important business partnerships. Under his able supervision the Abans retail network has expanded from a single store, to over 400 stores. He is an inspiring leader with a unique management style based on a pragmatism and execution.

Mr. Behman Pestonjee also holds directorships at Abans Electricals PLC, Abans Environmental Services (Pvt) Ltd, Abans Engineering (Pvt) Ltd, Abans Lanka (Pvt) Ltd, ABS Gardner Dixon Hall International (Pvt) Ltd, Abans Investments (Pvt) Ltd, Add Outdoor (Pvt) Ltd, Abans Restaurant Systems (Pvt) Ltd, Absgro (Pvt) Ltd, Abans Graphics (Pvt) Ltd, Abans Marketing (Pvt) Ltd, AB Leisure (Pvt) Ltd, Abans Consolidated (Pvt) Ltd, Abans Retail (Pvt) Ltd, Colombo City Centre Partners (Pvt) Ltd, Crown City Developers (Pvt) Ltd, Sirius Technologies (Pvt) Ltd, Abans Exports (Pvt) Ltd, Abans Development (Pvt) Ltd, Abans Auto (Pvt) Ltd, and Abans Office Automation (Pvt) Ltd.

**BOARD OF DIRECTORS**

**DR. SAROSHI DUBASH**  
**DIRECTOR**

Dr. Dubash holds a PhD in Philosophy, an MBA (USA) and an honours degree in chemistry (London). She was the Chairperson of the Women's Chamber of Commerce and Industry and is also the Women's Chamber representative on the Ceylon Chamber of Commerce Board. Within the Abans Group, Dr. Dubash is mainly involved in administering the supply chain functions of import purchasing, wharf clearance, warehousing, inventory control, distribution, and information systems. Retail accounts and hire purchase departments also come under her purview and she oversees the Training Department to ensure the continuous training and development of Abans employees. Her major projects include sourcing a 3PL partner, introducing an ERP system for Abans channels and spearheading e-commerce initiatives, such as 'buyabans.com', the online retail arm of Abans.

In collaboration with ARC the Australian Retail College she is establishing a business that undertakes retail training. She is the Managing Director of Abans Logistics (Pvt) Ltd which is a fully fledged logistics company that deals with freight, transport, warehousing, distribution, container yards and other logistical operations. She is the alternative Director to Mr. Behman Pestonjee in the Colombo City Centre operations. Also she is a member of WILAT (Women in Logistics and Transport)



**MR. RUSI PESTONJEE**  
**DIRECTOR**

Mr. Rusi Pestonjee is an alumnus of the executive management programme at the Indian School of Business, focusing on strategy and managing family businesses. He supports relationship building with key international partners and has been instrumental in implementing several new strategic growth initiatives.

Mr Rusi Pestonjee also holds various directorships within the Abans Group of Companies and is the chairman of Abans Finance PLC.



**BOARD OF DIRECTORS****MR. HIRAN EMBULDENIYA**  
**INDEPENDENT NON EXECUTIVE DIRECTOR**

Mr. Embuldeniya has an MBA from the Harvard Business School and a M.Eng (Hons) in Engineering, Economics and Management, from Brasenose College, University of Oxford. He is currently a Managing Partner of Ironwood Capital Partners, Sri Lanka's first private equity fund. He is also a Director of York Street Partners, an investment banking firm based in Sri Lanka. He has also previously worked for 10 years with Goldman Sachs and McKinsey & Company. He has helped develop and execute the corporate strategies for some of the leading banks and industrial companies in Europe, the Middle East and South Asia. Mr Embuldeniya has also been involved in multi-billion dollar M&A transactions across Europe and Asia in multiple sectors including automotive, general industrials and metals and mining.

**MR. SRIYAN DE SILVA WIJYERATNE**  
**INDEPENDENT NON EXECUTIVE DIRECTOR**

Mr. Wijeyeratne possesses a master's degree in management from the University of Sri Jayewardenepura, and holds a first class special degree in Business Administration from the same University. Additionally he is a Fellow Member (FCMA) of the Chartered Institute of Management Accountants (CIMA) UK, and is also a member of the Chartered Global Management Accountants (CGMA). He is currently the Managing Director/ Chief Executive Officer of Textured Jersey Lanka PLC., and serves on their board. He previously served as the Country Manager of Microsoft for Sri Lanka and Bangladesh. His key skills include driving growth and business expansion amidst competitive conditions, and multi dimensional challenges, both locally and in overseas markets. He has several academic and business awards to his credit, and is a frequent speaker at leading forums locally and globally. He was previously named the CIMA Business Manager of the Year, and is involved in many business chambers, and in several local and global charities.

# MANAGEMENT DISCUSSION AND ANALYSIS



**“THE ABILITY TO RELAX AND UNWIND AFTER A TIRING DAY IS MY KIND OF HAPPINESS AND IT’S ALL BECAUSE OF ABANS AND THEIR AMAZING PRODUCTS.”**



## MANAGING DIRECTOR'S REVIEW OF OPERATIONS



## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

**“THE PRIORITY FOR THE CURRENT FINANCIAL YEAR WAS TO ENSURE SUSTAINED GROWTH IN PROFITS, WHICH I AM PLEASED TO REPORT, WE HAVE ACHIEVED. THE GROUP NET PROFIT INCREASED BY COMMENDABLE 91% FROM LKR 576 MN TO LKR 1,100 MN, WHILE OUR OPERATING PROFIT INCREASED BY 60.4% TO LKR 2,644 MN.”**

The Abans Group has recorded a strong performance in the financial year 2015/16 due to the combination of a supportive macro environment and internal operational improvements that fed into the bottom line.

However, we enter the new financial year with a dramatic increase in value added tax (VAT) and a degree of policy ambiguity that together, will translate into financial losses for the entire retail sector of the country. The cascading impact of the VAT, through multiple types of consumer transactions, will have a multiplier effect on cost of living and the consumer psyche, significantly dampening retail household demand. We can also anticipate a resurgence of grey markets across the country, which will result in a double blow to the formal retail sector of the country and will also negate, to some extent, the anticipated government tax revenues. However, there appears to be some changes of the direction on VAT, which is welcome.

### Business Environment

With the exception of the last quarter, when government policy unpredictability began translating into slower demand, the 2015/16 financial year was for the most part beneficial for Abans PLC. Strong demand for consumer electronics was observed from both the institutional and household sectors. Higher disposable incomes across almost all socio-economic segments, due to price containment of essential utilities such as fuel, water and electricity, resulted in robust demand for consumer goods. Wage increases in the public sector may have been another contributory factor, while comparatively low rates of interest and easy payment schemes prompted many households to invest in consumer conveniences. Demand from the business sector increased due to construction of hotels, residential facilities and commercial units. This demand boosted sales of air conditioners and sanitary ware products. ICT products remained the fastest growing sub sector with strong demand experienced across the country for computers and mobile phones.

However, gains in sales volume were offset by the continued depreciation of the rupee against major currencies from the end of 2015. Within the Abans Group, exchange rate impacts were alleviated to some extent by our domestic assembly operations. Our Associate, Abans Electricals PLC, assembles a selection of white goods such as refrigerators, washing machines bottle coolers and freezers and our subsidiary, Abans Engineering (Pvt) Ltd., is involved in installing and servicing central air conditioners.

Our product portfolio, that contains some of the best brands in the world, was an advantage in the face of rising price competition. Supported by our island wide after sales and distribution network, Abans was able to present a strong value for money proposition that gave us a competitive advantage. I would like to direct readers to the chapter on Risk Management and Internal Control on page 17 for more information on how we addressed the challenges faced during the year.

### Strategic Priorities and Performance

The priority for the current financial year was to ensure sustained growth in profits, which I am pleased to report, we have achieved. The Group net profit increased by a commendable 91% from LKR 576 Mn, to LKR 1,100 Mn, while our operating profit increased by 60.4% to LKR 2,644 Mn. This achievement was mainly due to re-organisation of internal operations in the retail business, for greater cost savings and better margins. We continued to inject technology solutions across the supply chain to support bottom line growth through cost savings and better communications to facilitate flow of market intelligence. Please refer the Financial Review on page 21 for details on our financial performance during the year.

We conducted a cost benefit analysis and rationalised our multiple distribution channels in line with our growth objectives. As an outcome of this exercise, we decided to strengthen our retail channels further, for greater control over margins and distribution activities, while also maintaining sales standards associated with the Abans brand. During the current financial year, our retail channels contributed over 70% of total revenues and I am happy to report that our digital retail platform is now showing strong potential. BuyAbans.com, our retail website, was named the leading e-commerce retailer for electronics and home appliances in the country, by Amazon.com, indicating that the trust associated with the Abans brand has been successfully transferred to the online medium.

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

**“I AM PLEASED TO REPORT THAT ABANS HAS WON THE SOLE AGENCY FOR LENOVO COMPUTERS, THE WORLD’S LARGEST COMPUTER MANUFACTURER AND A GROWING BRAND IN SRI LANKA. IN ANOTHER SIGNIFICANT ACHIEVEMENT, ABANS WAS UPGRADED TO A TIER 1 PARTNER BY APPLE INC., AND WAS MADE AN AUTHORISED SERVICE PROVIDER FOR ALL APPLE PRODUCTS.”**

The Abans product portfolio is a key strategic asset of the Company which has continued to appreciate in value over the years. While LG remained our major brand partner, during the current year, we negotiated strategic agreements with a number of other international brands. I am pleased to report that Abans has won exclusive rights for Lenovo computers, the world’s largest computer manufacturer and a growing brand in Sri Lanka. In another significant achievement, Abans was upgraded to a Tier 1 partner by Apple Inc., and was made an authorised service provider for all Apple products. Apple also expanded its product range under Abans to include Apple iPads and iPhones. These business partnerships have enhanced our future strategic competitiveness in the future and will be instrumental in securing our market position as the leader in ‘innovation technology retailing.’

Our bottom line was also supported by our subsidiaries. Abans Engineering (Pvt) Ltd recorded a 22% growth in revenues due to demand for central air conditioning systems, while Abans Finance PLC increased its portfolio.

### Future Plans

The retail sector entered the new financial year overshadowed by an increased tax landscape of VAT, PAL and NBT, topped off by a plethora of import taxes. This tax structure does not reflect the government’s vision to position Sri Lanka as a retail destination in the region. A greater concern is the policy instability demonstrated by repeated changes in policy directives. Such lack of clarity disrupts operational cash flows and prevents long term investment planning by the private sector, which ultimately disrupts growth of the country. Policy predictability and consistency is vital for retail sector welfare and we hope to see the current tax regime rationalised into a more practical format in the near future.

The consumer goods retail sector, which tends to be comparatively more price elastic, can be expected to respond to the latest cost increase with disproportionately lower growth in demand. As retail activities are the main contributor to Group profits, accounting for over 84.6% of total after tax profit, sustaining the current growth momentum is going to be a challenge. In the current scenario, our top priority in the new financial year will be to maintain our bottom line growth. Therefore, in the new financial year we will focus on leveraging our distribution network and product portfolio to maintain growth, while also targeting exclusive business rights with leading brands. I believe our investments in digitising our supply chain will also contribute to competitive advantages. The expansion of our product portfolio is guided by our objective to be a leader in innovative products and this will remain a driver in the selection of new products that we will bring into the domestic market. We are also considering expansion in the digital media space, through LED panels for advertising and we anticipate sustained demand for LG solar panels, particularly from the business sector.

Although the new financial year presents a gamut of new challenges, Abans is a mature company, managed and operated by a group of highly skilled and experienced personnel. Therefore, I am confident of a strong performance despite these challenges. I thank the management and staff of Abans PLC and our subsidiaries, for their excellent work that has ensured a successful year for the Group. Our brand principals and dealers are our partners and I am grateful for their support during the year. I extend my gratitude to the Board of Directors for their guidance and advice. Mostly, I am grateful to our customers for their continued patronage and I hope to improve our services and products to meet their needs better.

Sincerely

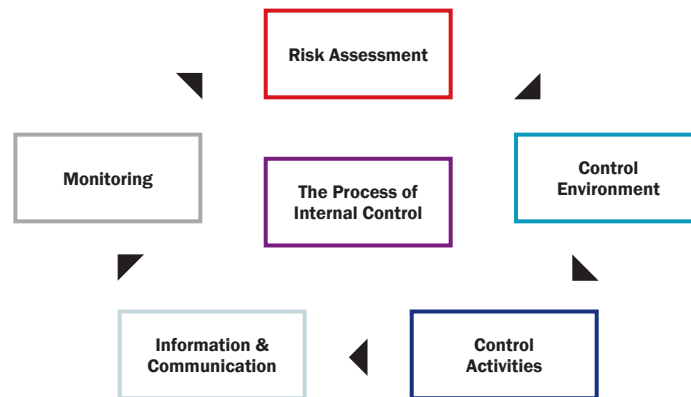


**Behman Pestonjee**  
*Managing Director*  
 8<sup>th</sup> August 2016



## RISK MANAGEMENT AND INTERNAL CONTROL PROCESS

The internal control process of the company deals with assuring achievement of the organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.



The Company has its own internal audit process implemented to ensure that effective controls are in place. These processes extend across all Company operations. Such as,

- ▶ Receivables Management
- ▶ Inventory Management
- ▶ Cash Management
- ▶ Internal Checks and balances

The Internal Audit Department of Abans carries out regular reviews on the risk management function and internal control system. The Audit Committee monitors, reviews and evaluates effectiveness of internal controls over financial reporting.

### Risk Management at Abans

We at Abans have identified risk management as an iterative process that, with each cycle, can contribute progressively to organisational improvement by providing management with a greater insight into risks and their impact by taking the risk appetite of the Company into consideration. Risk management is applied to all levels of the organisation, in both the strategic and operational contexts, to specific projects, decisions or recognised risk areas through risk management process identified and set beforehand.

The outcome of internal, external and corporate audits laid the foundation for our risk management process. The reports submitted by the audit teams with significant audit findings are then analysed and brainstormed, to find sustainable risk mitigation strategies. This process continuously improves and strengthens our internal controls and risk governance procedures and risk management reporting results in a well-defined risk management culture. Regular meeting with internal & external auditors and audit committee are conducted to identify potential risks with in-depth analysing and interpretation of the same.

## RISK MANAGEMENT AND INTERNAL CONTROL PROCESS

### Risk Management Process of Abans PLC consists of Seven Phases:

▶ Establishing a context for risk management in Abans	This involves clarifying the vision, mission and objectives of the Company while identifying the wider environment, setting scope and the risk criteria for risk management process.																						
▶ Communicating risk management to the company	Good communication and consultation to improve employee's understanding of risks, and make every one including stakeholders clear on their roles and responsibilities.																						
▶ Identifying risks face by the company	Identifying by conducting brainstorming at staff meetings, brainstorming with stakeholders and doing systematic analysis (e.g. flow charting systems and processes), researching the relevant data such as warranty claims, net profit percentage, and variances, conducting interviews.																						
▶ Assessment of risks	<p>Key questions were answered, such as likelihood of the risk, consequences, factors affected, the level of uncertainty, limitations, etc.</p> <table border="1"> <tr> <td rowspan="4">Frequency/ Likelihood</td> <td>High</td> <td>3</td> <td>4</td> <td>4</td> </tr> <tr> <td>Moderate</td> <td>2</td> <td>3</td> <td>4</td> </tr> <tr> <td>Low</td> <td>1</td> <td>2</td> <td>3</td> </tr> <tr> <td></td> <td>Low</td> <td>Moderate</td> <td>High</td> </tr> <tr> <td></td> <td colspan="4">Consequences</td> </tr> </table>	Frequency/ Likelihood	High	3	4	4	Moderate	2	3	4	Low	1	2	3		Low	Moderate	High		Consequences			
Frequency/ Likelihood	High		3	4	4																		
	Moderate		2	3	4																		
	Low		1	2	3																		
		Low	Moderate	High																			
	Consequences																						
▶ Evaluating risks	Key questions were answered, such as acceptability, intolerable level, remedy needed or not, priorities for remedy.																						
▶ Treating risks	Contingency planning, sharing the risk, transferring the risk, avoiding the risk, financing the risk, reducing the risk, retain the risk																						
▶ Monitoring and reviewing	Risk management process needs monitoring and reviewing to ensure whether they are adequate and effective. It needs to be monitored periodically and new risks need to be scanned.																						

At Abans PLC, we identified the risks confronted during the financial period under three broad categories. These are; Business, financial and strategic risks. The top risks faced by Abans PLC during the current financial year 2015/16 and our responses to mitigate immediate and future impacts are described next.

# RISK MANAGEMENT AND INTERNAL CONTROL PROCESS

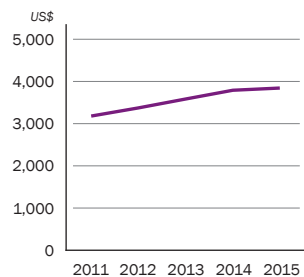
Risk factor	Assessment Priority	Response
<b>Business Risk</b>		
<p><b>National Policy Instability</b> Lack of clarity and consistency in national policies made financial planning and resource allocation difficult and delayed decision making, which translated into reduced operational efficiency and lower bottom line growth. More damagingly such unpredictability inhibits the Company's ability to invest in future value creation.</p>	4	<ul style="list-style-type: none"> <li>▶ Carefully evaluate the long term vision of the government and develop business strategies on long term value creation into business activities</li> <li>▶ Rationalise product portfolio based on macro trends</li> <li>▶ Invest in productivity and cost cutting technologies</li> <li>▶ Adopt the pause/proceed with caution strategy in business expansion</li> </ul>
<p><b>Increase in Taxes</b> While this did not impact the Company significantly in 2015/16 this is a high impact risk facing the Company in the new financial year.</p>	1	<ul style="list-style-type: none"> <li>▶ Streamline revenue and expenses to gain maximum tax benefit i.e capital expenditure, research and development costs</li> <li>▶ Maintain efficient tax planning division with technically and professionally empowered employees</li> <li>▶ Ventured in to new business with BOI approval</li> </ul>
<p><b>Increase of Employee Salaries</b> Introduction of minimum salary scale for the workers will put pressure on the bottom line and impact future obligations on employees.</p>	1	<ul style="list-style-type: none"> <li>▶ Invest in productivity and cost cutting technologies</li> <li>▶ Review employees' job profiles and current work load to assign additional responsibilities, if possible</li> </ul>
<p><b>Depreciation of Rupee Value</b> Our business model is extremely price sensitive to rupee depreciation against foreign currencies, which in turn applies pressure to increase retail prices.</p>	2	<ul style="list-style-type: none"> <li>▶ Evaluate foreign exchange market fluctuations in advance by Treasury Division and find opportunities to reduce foreign currency exposure i.e early conversion of supplier credit to rupee loans</li> <li>▶ Not confined to one currency (USD) and use all major currencies when dealings with foreign suppliers</li> </ul>
<p><b>Import Duty Increases</b> The retail business is extremely price sensitive and increased duties will increase the retail price which in turn translates into lower sales volumes.</p>	2	<ul style="list-style-type: none"> <li>▶ Increase domestic assembly of fast moving brands</li> <li>▶ Ensure different price ranges for products</li> <li>▶ Respond to customer demand trends</li> <li>▶ Differentiation of products</li> <li>▶ Improve supply chain efficiencies to contain costs and increase delivery efficiency</li> </ul>

# RISK MANAGEMENT AND INTERNAL CONTROL PROCESS

Risk factor	Assessment Priority	Response
<b>Financial Risk</b>		
<b>Interest Rate Increase</b> Rising interest rates lead to increased cost of funds. It will adversely impact the profit available for the shareholders and impede re-investment of profits in profitable ventures.	3	<ul style="list-style-type: none"> <li>▶ Locking in the interest rate by borrowing from fixed interest rate funding sources, at lower interest rate regime</li> <li>▶ Maintain right mix of borrowing to reduce maturity mismatch</li> <li>▶ Reduced the leverage from 7x to 5.2x.</li> <li>▶ Strong business relationships with lenders helps negotiation on terms of credit</li> </ul>
<b>Credit Default Risk</b> The clientele of Abans consists of corporate clients, government and general public. While corporate and government institutions are given credits, The general public mostly use hire purchase schemes. Therefore credit risk to Abans arises from all sources of revenue.	4	<ul style="list-style-type: none"> <li>▶ An effective credit policy is implemented across all sector clients and their credit worthiness is reviewed regularly</li> <li>▶ Contractual agreements are drawn up with clients and material payments are backed by guarantees</li> <li>▶ Debtor age analysis is regularly reviewed and continuously monitored</li> </ul>
<b>Liquidity Risk</b> Liquidity risk is when the Group does not have sufficient financial resources to meet obligations as and when they fall due, or will have to do so at an excessive cost.	4	<ul style="list-style-type: none"> <li>▶ Maintain unutilised bank facility as a safety cushion to meet immediate commitment, as they fall due</li> <li>▶ Group Treasury Division is entrusted with monitoring borrowings, payments and keeping relationship with banks</li> </ul>
<b>Strategic Risk</b>		
<b>Reputational Risk</b> Abans has consolidated its corporate image and brand name over the years and has a positive image in the trading industry as well as expanding it across the country in various industries. Any form of damage to this good reputation can cause loss of earnings.	4	<ul style="list-style-type: none"> <li>▶ In order to protect the Group reputation, measures have been taken to ensure compliance with laws and regulations</li> <li>▶ Board of Directors and the senior management continuously review strategic moves for competitive edge</li> </ul>
<b>IT System Risks</b> Information Technology has evolved as a source of competitive advantage in the industry. We believe that the ERP system of Abans is a core competence to maintain the leadership position in the industry. Any failure in the ERP system, IT infrastructure or IT security may severely affect the business.	3	<ul style="list-style-type: none"> <li>▶ Communicate the IT strategy across the Group regularly, and monitoring</li> <li>▶ Intensive disaster recovery process is in place</li> <li>▶ IT system was upgraded by our professionally qualified internal IT Division</li> <li>▶ Invested in training and skills development of our IT professionals</li> </ul>
<b>Human Resource/People Risk</b> Ensure adequate human resources to meet the strategic goals and operational plans of the Group by recruiting the right people with the right skills at the appropriate time.	3	<ul style="list-style-type: none"> <li>▶ Carry out staff training and development activities regularly</li> <li>▶ Motivating the staff through incentive schemes, increments and other welfare activities</li> </ul>

## FINANCIAL REVIEW

### Per Capital GDP

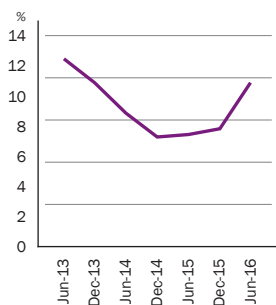


We are pleased to report an exceptional financial performance by the Abans Group for the year under review with total Group revenue increasing by 16.13% year on year to reach LKR 35 Bn. The Group benefited from sustained demand growth during the first three quarters of the year from favourable macro economic conditions, including the public sector salary increment and relatively low fuel prices. Reflecting the macro backdrop, Group revenue grew by 16.30% year-on-year, within the first three quarters of the year, and declined to 12.80% in the last quarter of the year, in the wake of government fiscal policy unpredictability, rupee depreciation and weather related disruptions.

### Industry Overview

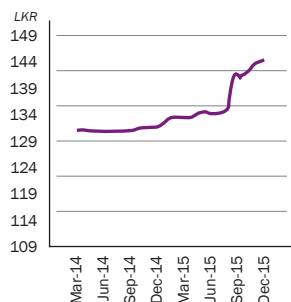
Despite the slight moderation in the national economic growth rate from 4.9% in 2014, to 4.8% in 2015, the financial year under review was generally favourable to the consumer durables market and the Abans Group. Growth in real GDP was largely driven by an increase in consumption demand, where both public and private sector consumption expenditure increased in a low-inflation, low interest rate environment. The Central Bank statistics suggest that GDP per capita reached \$3,924 in 2015, from \$3,853 in 2014 and \$3,610 in 2013, indicating higher disposable incomes across the country. The growth in GDP per capita and purchasing power favoured white goods sales across low income segments of the country.

### AWPLR



Supportive macro conditions contributed towards wholesale and retail trade growth by 4.7% in 2015, over 2014. Inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI), hit negative territory during July-September 2015, but reverted to 2.8% by end 2015, compared to 2.1% as at the end 2014. Inflation was driven primarily by growth of bank credit as well as higher wages afforded to government workers and employees in other sectors of the economy. This in-turn, resulted in more hire purchase contracts being made, especially during April-December 2015.

### US Dollar Fluctuation



Interest rates were maintained at single digit with AWPLR rates of 9.4% in 2015, compared to 7.2% in 2014. However, towards end 2015, the Central Bank commenced tightening monetary policy. In addition, in September 2015, a policy of greater flexibility in exchange rates was adopted. Subsequently, the rupee depreciated 6.64% against the US dollar, resulting in an overall depreciation of 9.03% against the US dollar during 2015. This directly affected our cost of sales, however only a portion of it was passed on to the customer.

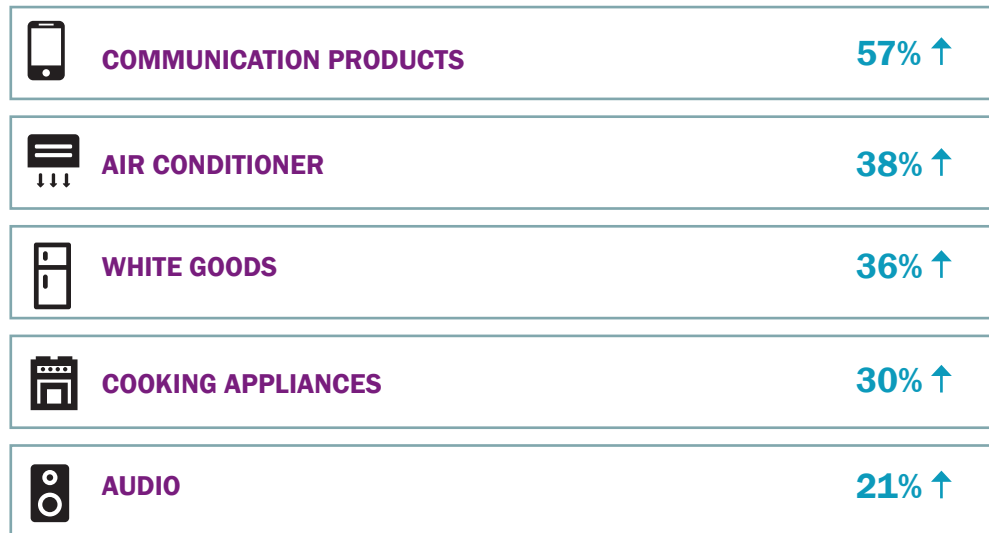
In 2016, Abans is prepared and ready to face the challenges of diminished consumer sentiments and buying power in the backdrop of increased VAT, rising interest rates and rupee depreciation. Although interest rates are expected to increase in 2016, Abans PLC will, to some extent, be cushioned from this outcome due to the Abans debenture issue being subject to a lower interest rate regime.



## FINANCIAL REVIEW

### Segmental Performance

- ▶ **Consumer Durables:** The consumer durables sector experienced a revenue growth of 14% during the year.
- ▶ **Engineering & Construction:** The engineering segment saw a 22% revenue growth due to the boom in construction of hotels and residential complexes that fueled demand for central air conditioning sales.
- ▶ **Manufacturing:** Abans Electricals recorded a 28% growth in revenues in meeting demand growth for household products and home appliances. The public sector salary increase during the 100 day programme resulted in growth in hire purchase sales. Record breaking refrigerator sales were observed in April 2015.
- ▶ **Financial Services:** The financial services sector benefited from a 37% growth in revenue due to the sustained low interest rate climate boosted by overall financial service industry growth.



The largest growth in sales was in communication products, where sales increased 57% year-on-year, followed by a 38% growth in air conditioners, 36% growth in white goods and a 30% growth in cooking appliances. Strong growth was observed in the hire purchase portfolio with consumers and institutions taking advantage of the low interest rates that prevailed for the most part of the year.

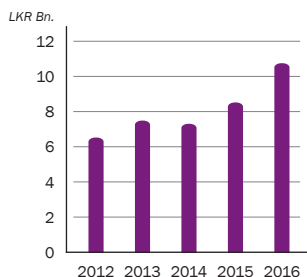
### Channel Growth

Channel	% Increase in Sales Revenue
Show rooms and outlets	15%
Direct/ Dealer channel	6%
Online channel	258%

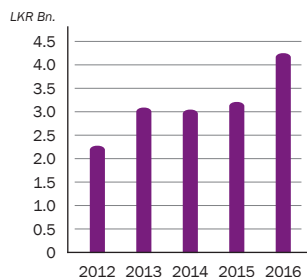
All Abans retail sales channels recorded growth in sales volumes during the year, with the online channel of [www.buyabans.com](http://www.buyabans.com) registering an encouraging 258% growth in sales revenues. Elite and retail showrooms increased sales revenues by 17% and 14.5% respectively, against the previous financial year.

## FINANCIAL REVIEW

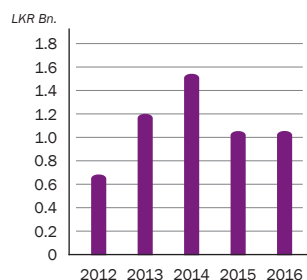
### Gross Profit



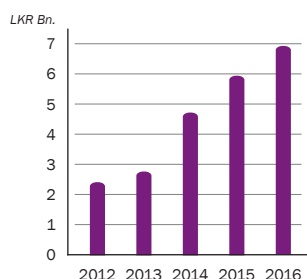
### Selling & Distribution Expenses



### Finance Cost



### Non Current Assets



### Profitability

**Gross Profit:** Group gross profit margin increased to 30.8% (LKR 10,759 Mn) during the current financial year compared to 28.3% (8,517 Mn) in the previous year. The improved gross profit was driven by more Supplier Credit agreements and also better demand for high end products.

**Net Profit:** Group net profit nearly doubled with a 91% year-on-year growth from LKR 577 Mn to LKR 1,100 Mn, supported by better control of expenses and long term planning.

### Share of Profit from Associates

**Abans Electricals PLC:** The company's profit before tax increased by 40% to reach LKR 140Mn while profit after tax was LKR 99 Mn. This growth in profitability is attributed to higher demand for household products and home appliances, and cost controls in distribution activities.

### Selling & Distribution Expenses

Group selling and distribution expenses increased by 31%, while the Company experienced a 35% increase. The focus during the year was mainly on advertising and promotional activities and the Group spent approximately LKR 900 Mn on advertising and promotions during the year.

### Finance Income

The finance income of the Group fell by LKR 125.7 Mn, to reach LKR 65.7 Mn, from LKR 191.4 Mn. This was due to resolution of inter Company balances.

### Finance Cost

The cost of finance was maintained at previous year levels and stood at LKR 1,050 Mn, compared to LKR 1,045 Mn in the previous financial year. In spite of higher interest rates the Company managed to contain finance costs through a debenture issued at lower interest rates.

### Assets

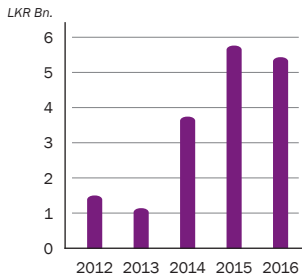
**Non Current Asset:** Non current assets of the Group increased to LKR 6.9 Bn from LKR 5.9 Bn as at end March 2016. This is attributable to:

- ▶ The revaluation of plant, property and equipment, resulting in an LKR 89 Mn gain on property values.
- ▶ The LKR 393Mn investment in the joint venture Company, the Colombo City Centre.
- ▶ The LKR 567Mn expansion of the lease/loan portfolio of the subsidiary Company Abans Finance PLC in the low interest rate environment.

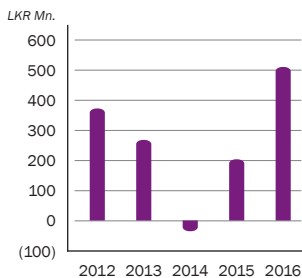
**Total Asset Base:** The total asset value of the Group was enhanced by 15%, to LKR 32 Bn from LKR 28 Bn, due to the combined factors of hire purchase portfolio growth, investments in the joint venture, revaluation of plant, property and equipment, and growth of Abans Finance PLC's assets.

## FINANCIAL REVIEW

### Non Current Liabilities



### Income Tax Expense



### Liabilities

**Non Current Liabilities:** Group non current liabilities decreased by LKR 334 Mn, to LKR 5.4 Bn. This was due to long term liabilities being converted to short term liabilities. The first debenture repayments will fall due in the 3rd quarter of 2016.

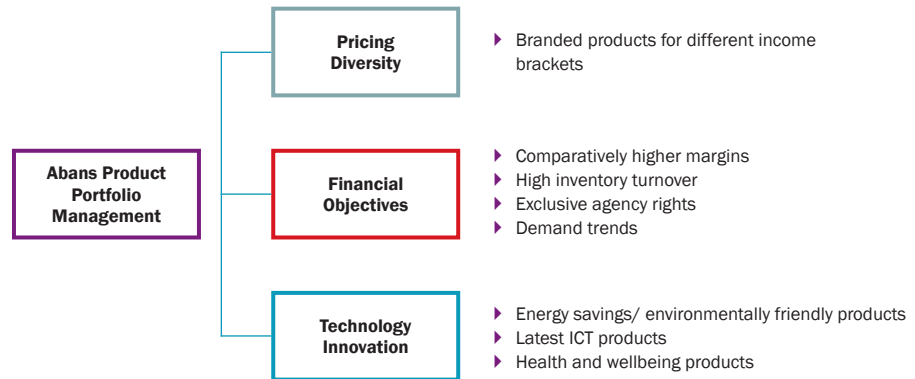
**Current Liabilities:** Current liabilities of the Group increased by LKR 3.4 Bn, to 19.6 Bn, from LKR 16.2 Bn due to the growth of the Abans Finance PLC's loan portfolio, and conversion of debenture payments to short term liabilities.

### Tax

**Income Tax:** With the increase in effective tax rate, the total expenditure on income tax increased by LKR 306 Mn, to LKR 511 Mn, from LKR 205 Mn,. The tax disallowed portion increased slightly during the year with the inclusion of advertising expenses into the disallowed bracket.

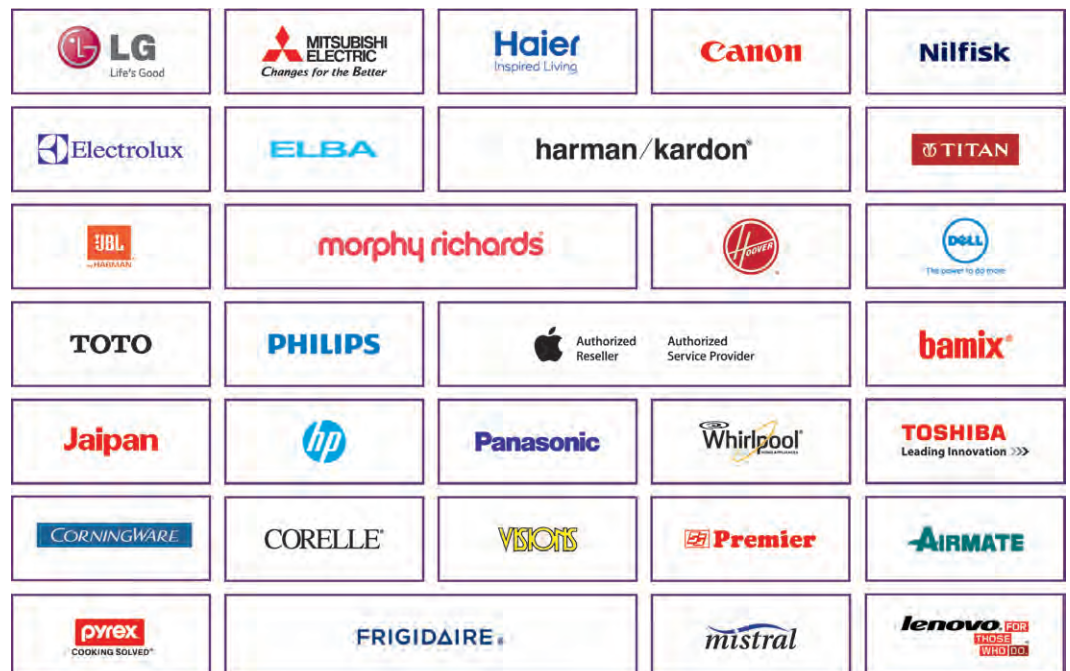
# PRODUCT PORTFOLIO MANAGEMENT

Abans PLC and subsidiaries collectively maintain a diversified product portfolio within a wide pricing range, to mitigate supplier risk, market risk and product risk. Currently the Group product inventory consists of over 80 different products, have been selected in line with financial objectives and strategic objectives of positioning Abans as the leading national retailer for innovative consumer goods.



## Abans Brand Portfolio

The Abans brand portfolio is one of the largest assets of the Abans Group. Our brand capital comprises a range of international brands with established track records for quality and reliability, including the leading innovation brand Apple.



## PRODUCT PORTFOLIO MANAGEMENT

LG remained the largest contributor to revenues in 2015/16 with the highest sales volumes, followed by Haier and others. LG products, retailed through the Abans network, represent the largest market share in the electronics and home appliances sector in Sri Lanka.

### LG - "Life's Good"

LG originally stood for "Lucky Goldstar", but is now promoted as meaning "Life's Good" in the company's marketing campaigns. LG has been a pioneer in innovation and has significantly focused on research and development by systematic investments. LG Electronics will do its best to create new products and services with an open mind, while developing new technologies and business fields through various partnerships with some of the world's most successful companies.

LG operates through five major business segments: TV and home entertainment, mobile communication and computer products, Air conditioning and energy solution, home appliances and vehicle components. Its products range from TVs, home theatre systems, refrigerators, washing machines, computer monitors, and smartphones.



The company has a strong environmental record, where in it has ensured that its processes have been eco-friendly and has had low carbon strategies as a part of its operational activities.

Strategic synergy between LG and Abans has been a partnership that has been very successful, and this cooperation would continue to grow.

### Haier

Founded in 1984, this is one of the world's leading home appliance manufacturers engaging in the research, development, production and sale of a wide variety of household appliances and consumer electronic goods. The products of Haier Group are now sold in over 100 countries.

### HP

Operating in 170 countries with a network of more than 250,000 channel partners, HP uses the power of ideas to put technology to work for everyone, everywhere. HP's slogan is "HP invents, engineers, and delivers solutions that amaze." The firm's motto is 'Keep reinventing,' which refers to both its internal operating strategy, and its ability to reinvent itself by launching new products such as the thinnest laptop in the world, or by revolutionising manufacturing with its 3D printing technology. According to the firm's internal figures, HP ships 1 PC & 1 Printer every second, is ranked first or second in every market and product category where it competes, while powering 430 of the global fortune 500 companies. To sustain long-term relationships with customers, HP's strategy is to sell solutions, not just products. To that end, the company offers "complete solutions" for partners and customers through integration of HP devices, supplies, and services. Abans is an Exclusive Retail Partner for HP, in Sri Lanka for more than 10 years. And Abans is waiting to launch many more technologically advanced laptops such as series of HP Spectre.



## PRODUCT PORTFOLIO MANAGEMENT

### Lenovo

Lenovo has been the fastest growing major PC company for more than 4 years, but they are much more than a PC company. They create a full range of personal technologies, including tablets. Lenovo's business is built on product innovation, a highly efficient global supply chain and strong strategy execution. The company develops, manufactures and markets reliable, high-quality, secure and easy-to-use technology products and services for customers who want technology that does more. Its product lines include legendary Think-branded PCs and Idea-branded PCs, as well as servers, workstations and a family of mobile internet devices. Now Abans is the exclusive distributor for Lenovo computers in Sri Lanka.

### Dell

In 2015, Dell was the third largest PC vendor in the world after Lenovo and HP. Dell is currently the #1 shipper of PC monitors in the world. Dell is the sixth largest company in Texas by total revenue, according to Fortune magazine. It is the second largest non-oil company in Texas – behind AT&T – and the largest company in the Greater Austin area. It was a publicly traded company (NASDAQ: DELL),

as well as a component of the NASDAQ-100 and S&P 500, until it was taken private in a leveraged buyout on October 30, 2013. Abans has had a stronger relationship with Dell throughout the years and promotes Dell among school children and university students in order to support for their day to day educational needs.

### Apple

Apple is the world's largest information technology company by revenue, the world's largest technology company by total assets, and the world's second-largest mobile phone manufacturer. In November 2014, in addition to being the largest publicly traded corporation in the world by market capitalisation, Apple became the first U.S. company to be valued at over US\$700 Bn. The company employs 115,000 permanent full-time employees as of July 2015 and maintains 478 retail stores in seventeen countries as of March 2016. It operates the online Apple Store and iTunes Store, the latter of which is the world's largest music retailer. There are over one billion actively used Apple products worldwide as of March 2016. Abans is honored to be part of the Apple's supply chain, and the only Tier 1 authorised distributor of Apple iPhones and iPads in Sri Lanka. We look forward to strengthen our relationship with Apple to cater Sri Lankan demand for Apple products.

### Phillips

Established in 1891 in Eindhoven, the Netherlands, Philips now endeavors in a wide variety of industries including : “cardiac care, acute care and home healthcare, energy efficient lighting solutions and new lighting applications, as well as lifestyle products for personal well-being and pleasure with strong leadership positions in flat TV, male shaving and grooming, portable entertainment and oral healthcare.” Because its products and areas of specialty are so broad it is understandable why Philips prefers to be described as “a diversified technology company, focused on improving people’s lives through meaningful innovation” Abans looks forward to bring more innovative solutions to customers from Phillips with the introduction of new products focused on consumer health.

### Harmon/Kardon/JBL

HARMAN designs and engineers connected products and solutions for automakers, consumers and enterprises worldwide, including connected car systems, audio and visual products, enterprise automation solutions and connected services with leading brands including AKG®, Harman Kardon®, Infinity®, JBL®

### Hoover

Known around the world, Hoover has celebrated over 100 years of making quality appliances for the home. Hoover is dedicated to creating and providing today what customers will demand as the standard of tomorrow. Abans shelters an exceedingly large range of Hoover products spreading over dryers, cooking appliances, dishwashers, high pressure washers and vacuum cleaners. All Hoover products cater to a wide variety of consumer needs, ensuring there is something for everyone at Abans.

## PRODUCT PORTFOLIO MANAGEMENT

### Titan

Titan is the world's fifth largest wrist watch manufacturer and exports watches to nearly 32 countries around the world. Titan watches account for more than 60% share of the total Indian market. Titan offers various brands including Steel, Regalia, Raga, Nebula, Sonata, Fastrack, Zoop, Orion, Purple, Obaku, Automatic, Tycoon, Bandhan, Police, Octane and the HTSE series. Titan has claimed to have manufactured the world's slimmest wrist watch branded as Titan Edge with a total thickness of 3.5 mm and a movement of 1.15 mm. Abans was appointed the exclusive distributor for TITAN in Sri Lanka in October 2010, showcasing the entire Titan range to successfully break in to a market that was dominated by many brands of watches.

### Adding Value to Brand Capital

We added value to our brand capital through advertising campaigns for brand building, support services and brand events, throughout the year. During the current financial year we invested close to LKR 900 Mn on advertising and promotions of our brands, which contributed towards a 15 % growth in revenues from consumer durables during the year. In addition we strengthened our brand partnerships and support services.



### Abans Product Portfolio IT and Communication Products

IT and communication products, comprising laptops, tablet computers, printers, smart phones, digital screens, monitors and UPS, are the fastest growing consumer electronics sub segment in the Abans portfolio. During the current financial year communication segment sales revenue increased by 57% year on year despite rising competition in the mobile phone and computer retail market.

Abans represents a range of international computer brands including HP, Toshiba, Dell, Apple, Acer, and Lenovo. Abans PLC is Sri Lanka's leading retailer of Apple laptops with the largest number of Apple retail points. During the current financial year the partnership with Apple was strengthened to widen the Apple product range and support services provided for Abans customers. Abans expanded its product range with Apple, with the inclusion of iPads and iPhones to the existing range of Apple products. The business partnership was strengthened by Abans PLC being appointed as the authorised service provider for all Apple products.

Further, Abans consolidated its presence in the fast growing computer market with another strategic agreement with Lenovo, as the exclusive distributor for Lenovo computers in Sri Lanka. Lenovo is one of the fastest growing computer brands in Sri Lanka.

## PRODUCT PORTFOLIO MANAGEMENT

### Enhancing Support Services - Mobile Phone Servicing

- ▶ Abans provides the best mobile phone servicing and repair facility in the country. Servicing facilities are available from 9 am to 5 pm at 5 locations in the country for customer convenience. To enhance customer confidence, a unique system of 'servicing while you wait,' was introduced, where Abans technicians service the phone in front of the customer.



### Air Conditioners and White Goods

Total sales revenue of this segment increased by 36% year-on-year. The sector saw strong demand, mainly for air conditioners and refrigerators, due to many hotel and residential constructions that are taking place in the country.

Abans Electricals PLC, the Group's domestic assembly subsidiary for air conditioners, refrigerators and washing machines provided timely volumes of goods to meet retail demand patterns and facilitated cost advantages to maintain prices. Meanwhile, product innovations aimed at enhancing quality of life, provided a competitive advantage for Abans air conditioners and washing machines.

Abans provides the fastest after sales service for air conditioners in the country, where Abans technicians will provide support services within 24 hours of a reported problem.

### LG Solar Panels

Solar panels from LG, are one of the latest products introduced by Abans Electricals PLC as an environmentally friendly energy solution. During the current financial year LG solar panels gained ground with market recognition of the superior quality and reliability of the product. The panels are installed and serviced by Abans Electricals and are marketed through the Abans retail network.

### Consumer Electronics

Abans retail network markets a wide range of consumer electronic items for households and businesses. During the current financial year, audio products saw a 21% growth in revenues under this segment.

### Other Goods

This segment includes a range of sanitary ware, cookware and small appliances. These products accounted for 9% of total revenues of the Abans consumer durables sector with a sales revenue growth of 23%.

## PRODUCT PORTFOLIO MANAGEMENT

### Innovative Products at Abans 'Mosquito Away' Air Conditioner

LG's 'Mosquito Away' Inverter Air Conditioner emits inaudible ultrasonic waves at a frequency of 30kHz – 100kHz which disables mosquitoes. All you need to do is push a button on your AC remote control and the device is switched on.

The efficient inverter technology saves up to 60% energy while the anti-mosquito function, saves money spent on dangerous chemical based insecticides and repellents. The Mosquito Away function can be turned on independently of the cooling function, helping to prevent

unnecessary energy usage when cooling is not required. Both the cooling function and mosquito repellent function, does not affect humans, including those with respiratory illnesses.

The efficacy of LG's technology has been certified by Interek, the international product testing and inspection company based in London, U.K, and the International Institute of Bio-Technology and Toxicology (IIBAT) in India, and also declared safe for use by Germany's TUV NORD while the European Commission has conferred its CE conformity mark.

The innovative, first in Sri Lanka, LG Mosquito Away Air Conditioner is available at all Abans Showrooms and Abans Elite Showrooms island wide and carries an amazing 10 year warranty on the Inverter Compressor.

### iPhone 6s and 6s Plus

For the first time, an iPhone can sense how much pressure you apply to the display. In addition to familiar Multi Touch gestures like Tap, Swipe, and Pinch, 3D Touch introduces Peek and Pop. This brings a new dimension of functionality to the iPhone experience. When you use 3D Touch, your iPhone responds with subtle taps. So not only will you see what a press can do – you'll feel it.

Both iPhone models come with iOS 9, which is more intelligent and proactive with powerful search and improved Siri features, new features to built-in apps including Notes app, and improvements to performance, battery life, software updates and security.



## PRODUCT PORTFOLIO MANAGEMENT

### Lenovo Yoga Laptops

The industry's first multi-mode notebook with a 360 degree flip-and-fold design, combines a tablet's ease-of-use with ultrabook functionality. Yoga's patented 360 degree dual-hinge flip design is more stable and durable spanning four intuitive usage positions (notebook, tablet, stand, and tent). Yoga is the industry's thinnest convertible ultrabook measuring 0.67" (16.9mm) thin at 3.1 lbs (1.47kg). It has a - i7 or i5 6th Generation processor, an HDD of 256 or 500 SSD or SSHD, RAM- Up to 16GB, VGA- Dedicated Graphics, Windows 10 OS, QHD+ display with In-Plane Switching (IPS) technology and improved keyboard and dedicated function row.

As a full-size notebook, YOGA's svelte design includes small but meaningful details such as soft touch rubber paint on the exterior for strong grip, a leather cover on the palm rest, and side buttons designed for easier access for all usage modes. When it was showcased at CES 2012, the IdeaPad Yoga 13 won the "Best Ultrabook" award

### Acer Predator

The Acer Predator 15 and 17 are fueled by Intel's sixth generation Core i7 processors that are paired up to 8GB NVIDIA GeForce GTX980M. Acer has included a swappable and a dust defender that prevent the machines from heating up on



long plays. The most talked-about feature is the cooling system that allows gamers to swap the optical drive for a fan module. This swapping feature is made possible through an ACER-exclusive Frost Care technology designed by Cooler Master.

At the same time, the Predator Sound Pound provides ultra sound effects that are vital for gaming, with its four in-built speakers and two subwoofers supported by Dolby Audio sound enhancement system.

### WebOS

LG webOS TV is designed to be obviously simple, so that it is easier to learn and more fun to use. From initial set up to connecting external devices, from switching between contents and programmes, apps and shows and to enjoy what you want to watch, instantly, in one place.

**PREDATOR** acer explore beyond limits™

GET INTO THE GAME...

**G9-592-799E**

- 4th Gen Intel Core™ i7 processor
- 16GB RAM
- 2TB HDD + 256GB SSD
- NVIDIA® GeForce® GT 980 8GB VGA
- Windows 10 Home
- Swappable Cooler Master 3rd Fan
- 2 Speakers & 1 Subwoofer
- 2 Year Warranty

**G9-792-7020**

- 4th Gen Intel Core™ i7 processor
- 16GB RAM
- 1TB HDD + 128GB SSD
- NVIDIA® GeForce® GT 970 6GB VGA
- Windows 10 Home
- Swappable Cooler Master 3rd Fan
- 4 Speakers & 2 Subwoofer
- 2 Year Warranty

Locked, Loaded and Ready to play. Predator is the ultimate machine optimized for speed, graphics and high performance with the finest next-gen gaming hardware in the market.

Intel vPro | Killer | Dolby Digital | Windows 10 | NVIDIA GeForce | G-SYNC

## PRODUCT PORTFOLIO MANAGEMENT

### GoPro

Come experience the phenomenon that is GoPro, exclusively available in Abans. It doesn't matter if you are a thrill seeking adrenaline junkie or a naturalist with a fine eye for photography, GoPro will never cease to amaze you. Discover endless possibilities with a range of cameras to fit your preferences and combine them with host of attachments and accessories to follow you on your quests and activities.

The range of GoPro mounts and accessories means greater user compatibility, because there is no place the GoPro cannot go.

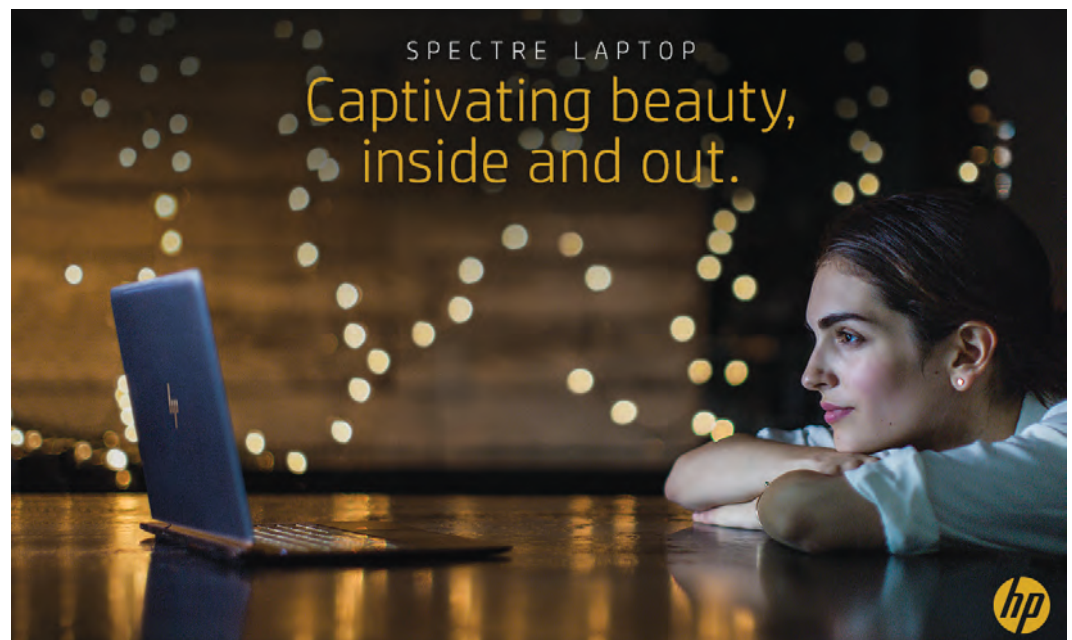
The GoPro Hero series available at Abans ranges from the compact Hero Session Cameras to the mighty Hero4 Black cameras. The Hero family enables image capture at high definition and offers other hot button features that you cannot do without such as: more megapixels at a high frame-per-second rate, touch display and water proof up to 40 meters (Water proof capabilities can be improved with a variety of aquatic attachments to allow recording under low visibility at greater depths).

The revolutionary GoPro Hero Cameras, Mounts and accessories are now available in Sri Lanka at Abans.



### HP Spectre

HP reimagined every element during the design of the HP Spectre to ensure the best user experience coupled with maximum performance. The result is a premium notebook PC that does not force users to compromise on style, function or performance with features. Its carbon fiber bottom creates a thin profile that is both durable and lightweight. High gloss copper accents reflect a hand-polished, jewelry-like finish and an innovative hidden piston hinge creates the illusion of a hinge-less design to offer an unmatched premium look-and-feel. An innovative hybrid battery split into two thinner pieces delivers the same wattage as a single battery for up to 9 and half hours of battery life while enabling the world's thinnest laptop. Full HD IPS edge-to-edge display featuring delivers a superb viewing experience for editing photos, perfecting a presentation, or watching a movie. The 13.3" diagonal HP Spectre is planned to be available at Abans in Sri Lanka from mid-August 2016



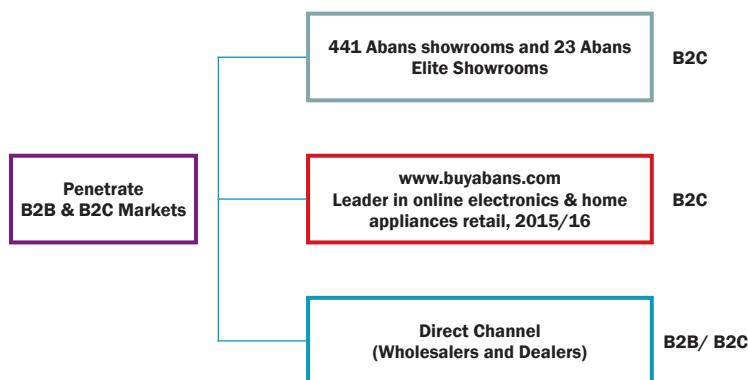


## CHANNEL MANAGEMENT STRATEGY

The Abans channel management objective is to enhance customer accessibility to Abans products, while maintaining optimum margins and minimising inventory costs. Our distribution network targets both institutional customers through wholesale channels, and households/individuals, through one of the largest retail networks in the country.

In the retail sector Abans has a strong presence in the traditional physical retail outlets format and also on the Internet. Our retail outlets are designed to cater to specific customer segments, with the Elite Showrooms targets high end consumers, while the Abans Duty Free targets the migrant working population.

### Abans Channel Strategy



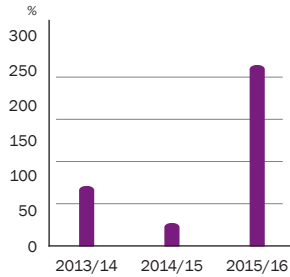
### Channel Management



- ▶ **Expansion:** We continued to expand our retail network by setting up Abans showrooms in strategic locations. We also expanded the retail space of selected existing showrooms to accommodate demand growth. During the current financial year, 35 new retail outlets and 75 dealers were added to the distribution network. We closed the year with 441 Abans showrooms and more than 700 dealers across the island.
- ▶ **Invest in People:** We have invested in experienced managers. We add value to our human resources by providing training in product features and correct product use. This leads to better sales and better management of hire purchase portfolios to minimise Non-Performing Loans at showroom level.
- ▶ **Integrate ICTs:** During the current year, we further improved our front end, showroom management system and human resource management system, to facilitate better monitoring of showroom financial status and inventory status. The system has also improved in terms of efficiency.

# CHANNEL MANAGEMENT STRATEGY

Revenue Growth Rate of Online Sales



- ▶ **Upgrade and Modernise:** We are in the process of upgrading and redesigning all our showrooms to reflect the distinct Abans brand image, as a modern and innovative retailer.
- ▶ **Develop Non Traditional Channels:** We are pleased to report that [www.buyabans.com](http://www.buyabans.com), the Abans website, saw a remarkable 258% growth in revenues, year-on-year, and was named the largest e-commerce site in the country in 2015/16 for electronics and home appliances, by [www.amazon.com](http://www.amazon.com). The website currently markets nearly 80% of products offered by Abans and has a growing customer base of domestic and foreign residents. All purchases are delivered to buyers within five working days. We hope to improve e-commerce facilities further, in the new financial year, to enhance customer convenience.
- ▶ **Engage with Channel Partners:** Abans authorised dealers are our retail business partners involved in marketing and selling products from the Abans portfolio. We maintain a close working relationship with our dealers and we appreciate their contributions through the Annual Abans Dealer Convention. This year, the Convention was held at Hotel Galadari Colombo where high performers were rewarded for their achievements.



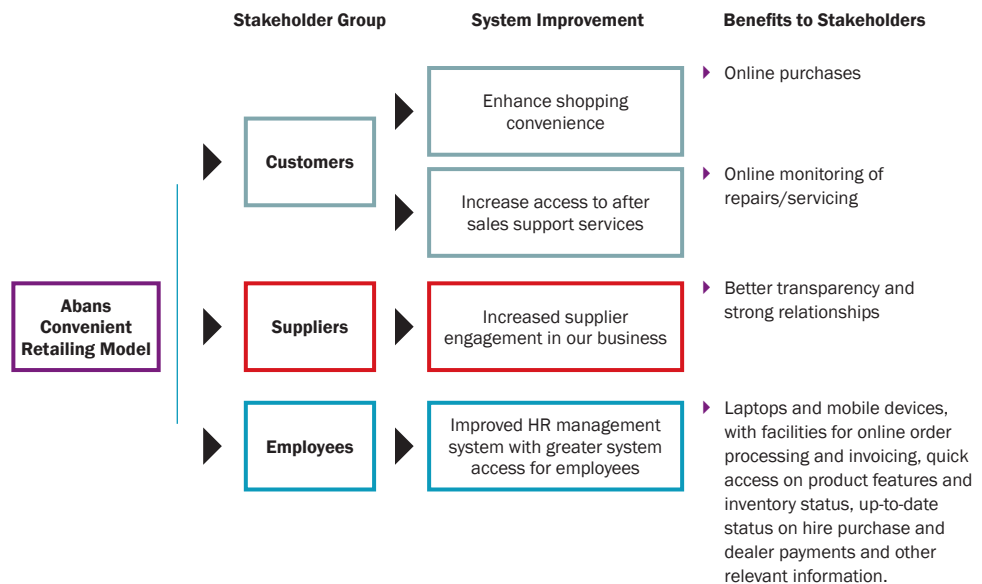
Few moments from the Dealer Convention.....

# ICT INTEGRATION

Technology integration was a primary area of focus during the current financial year, as we continued to re-think our processes and re-engineer them onto digital platforms covering the entire length of the supply chain to generate higher returns for the Company and stakeholders. We are pleased to report that we have successfully migrated a major share of our front end operations, including customer interface points, onto digital platforms, enabling greater value for Abans customers. Our final objective is a 'Convenient Retailing Model' that makes all transactions easier for customers, including purchasing and support services.

By the end of the next financial year, we hope to further strengthen our entire supply chain from the point of import planning to after sales support, with use of technology. The initiatives will enable greater visibility along the supply chain and provide real time information and greater analytical power for managers. This will lead to stronger internal controls and governance improvements, coupled with opportunities

for innovations and cost savings for the Company. Further, our 'Convenient Retailing Model' will have many value added services using latest technological trends and evolutions from the industry, for a better customer experience.



**System Availability:** We are pleased to report an almost zero down-time of the Abans PLC IT systems for the financial year which indicates the high reliability and accessibility of the system. This has increased the efficiency of back office functions, increasing our ability to generate value for all stakeholders. For greater control over the IT system and to facilitate capacity expansion in anticipation of future growth, the Company has shifted to appropriate environments. A disaster recovery system has been established to ensure uninterrupted business flow.

**System Safety:** The Abans ICT systems are regularly audited by internal auditors, and also external auditors for optimum performance and security standards.

## CUSTOMER ENGAGEMENT

As one of the oldest retailers of electronic consumer goods in the country, a key strength of the Abans Group is our ability to understand and even anticipate customer requirements in line with external changes. We systematically evaluate our product portfolio and inventories in line with consumer demand trends and other macro economic developments, to ensure that we are prepared to meet the needs of our customers.

Within the last few years we have realigned our product portfolio to provide Sri Lankan populations across the country with access to energy saving and environmentally friendly products in line with changes in energy costs, health and wellbeing products to support a healthy population and access to the latest technologies in the sector of ICTs.

During the current financial year we continued to respond to customer demand in terms of pricing, brands and product types. In addition, we have been strengthening our multiple customer engagement channels to enhance customer satisfaction by enabling feedback and support.

### Customer Support

#### ▶ 24 hour Helpline

Abans provides after sales service assistance for customers, island-wide, and outside working hours, through the Abans 24 hour assistance number 5-555-888.

#### ▶ Customer Call Center

All incoming calls from across the island have been diverted to one number. This has helped improve customer related feedback through better coordination and faster responses.

#### ▶ Live Chat

The Abans service center's website, [www.abanservice.lk](http://www.abanservice.lk) provides instant access to support services, through an online chat facility.

#### ▶ Online Service Tracking

For the first time in Sri Lanka, customers can now track online, the status of their goods submitted for repairs or servicing, through the 'Check your job online,' facility provided by Abans.

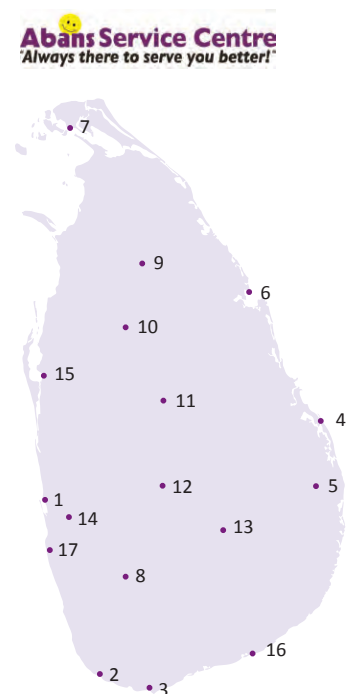
#### ▶ On-site Repairs

A mobile service unit is maintained by Abans Service PLC, to conduct repairs and servicing 'on site,' at the residence or business premises of a customer. The mobile service can be utilised for minor repairs, where trained technicians will repair products in the Abans mobile unit. This saves valuable time and costs involved in transporting goods to service centres.

#### ▶ Abans Service Centres

Currently Abans has 17 customer service outlets coming under Abans Electricals PLC. In addition, a network of 57 franchise agents has been established to extend Abans customer care to rural customers.

1. Negombo
2. Galle
3. Matara
4. Batticaloa
5. Ampara
6. Trincomalee
7. Jaffna
8. Ratnapura
9. Vavuniya
10. Anuradhapura
11. Dambulla
12. Kandy
13. Badulla
14. Gampaha
15. Puttalam
16. Hambantota
17. Wellawatta - Head office



# HUMAN RESOURCE MANAGEMENT

### Abans Human Resource Policy

Abans is an equal opportunity employer and as a policy does not tolerate discrimination or harassment, including sexual harassment, of employees.

### Abans Code of Conduct

The Abans employee code of conduct and discipline is the basis for the organisation culture and employee behaviour. The code is formally conveyed to all employees during their induction training to ensure that all employees are familiar with Company expectations of behaviour.

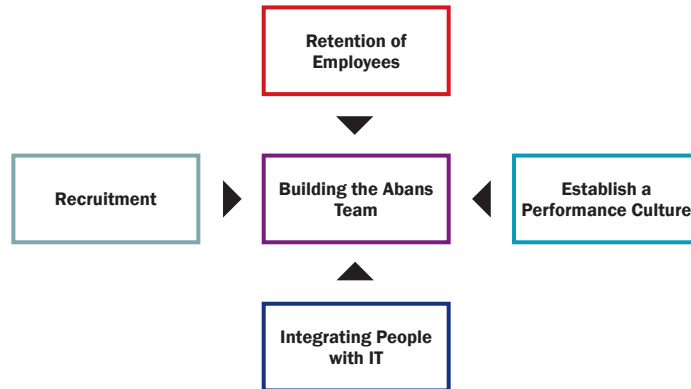
### Building Our Team

Our human resource base plays a central role in maintaining competitiveness and sustaining revenue and profit growth of the Company. Therefore, human resource management is a key strategic concern for Abans PLC.

During the current financial year we focused on four key areas to strengthen our team. They were;

- ▶ The recruitment of suitable persons with the correct skills
- ▶ Education and attitude to strengthen our team
- ▶ Retaining our talent pool
- ▶ Establishing a performance oriented culture
- ▶ Enhancing productivity and efficiency by integrating people with ICTs.

### Human Resource Strategic Priorities for the Year



### Recruitments and Replacements

The workforce of Abans PLC continued to expand in the 2015/16 financial year to support the expansion of the Company, mainly in the retail sector, represented by a growing number of Abans showrooms. The total Abans workforce grew to reach 1,893 personnel with 433 new recruitments and replacements during this financial year. We continued our practice of accommodating youth as management trainees and interns.

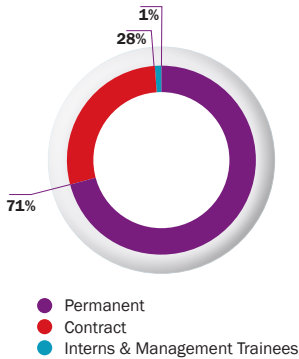
### Abans Employee Profile as at 31st March 2016

#### New Recruitments in 2015/16 (including replacements)

Employee type	Male	Female	Total
Permanent	179	48	227
Contract	73	111	184
Interns & Management Trainees	16	6	22
<b>Total</b>	<b>268</b>	<b>165</b>	<b>433</b>

# HUMAN RESOURCE MANAGEMENT

**Total Employees by Type of Contract**



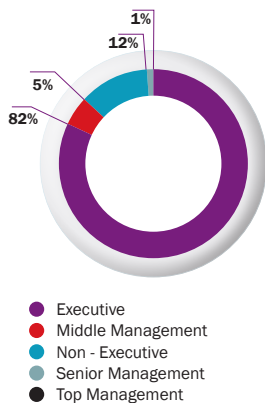
**Total Employees by Type of Contract as at 31st March 2016**

Employment type	Male	Female	Total
Permanent	1,102	245	1,347
Contract	248	276	524
Interns & Management Trainees	16	6	22
<b>Total</b>	<b>1,366</b>	<b>527</b>	<b>1,893</b>

**Total Employees by Employment Grade as at 31st March 2016**

Employee category	Male	Female	Total
Executive	1,053	503	1,556
Middle management	70	12	82
Non - executive	224	6	230
Senior management	17	4	21
Top management	2	2	4
<b>Total</b>	<b>1,366</b>	<b>527</b>	<b>1,893</b>

**Total Employees by Employment Grade**

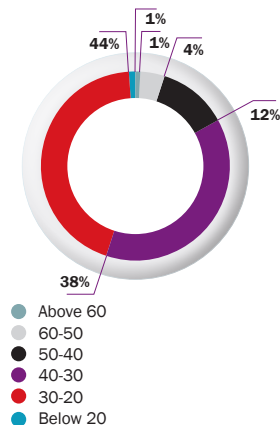


**Total Employees by Age as at 31st March 2016**

Age	No. of Employees
Above 60	17
60-50	81
50-40	236
40-30	712
30-20	824
Below 20	23
<b>Total</b>	<b>1,893</b>

A majority of our employees (82%), are below the age of 40 years. We believe our young workforce makes the company more responsive and flexible, enabling faster responses to external changes.

**Total Employees by Age**



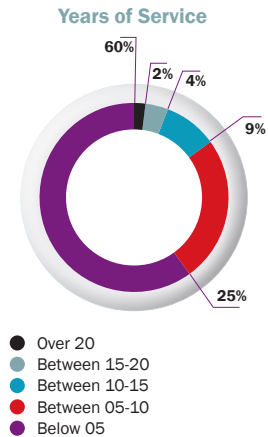
### Retaining Our Talent

► **Abans Buddy System:** A significant new addition to our human resource management system was the introduction of a buddy system to support new recruits, trainees and interns. Given the rapid expansion of the Abans Group and the Company's expanding branch network, we believe a mentoring mechanism, which facilitates a friendship based guidance process, will make it easier for new comers to become familiarised with Abans systems and procedures, and to integrate with the Abans corporate ethics and culture. Therefore, the existing 1 week induction programme was merged with a 1 month mentoring programme.

While the Abans Buddy System is currently in its introductory stage, we are encouraged by the positive response from department heads and also new recruits, who have found it easier to adjust within their new work roles under the guidance of a colleague.



# HUMAN RESOURCE MANAGEMENT



- ▶ **Improving Employee Retention :** The mentoring system has contributed towards employee retention. The Company had experienced relatively high levels of attrition among new recruits with less than 1 year of service. Exit interviews indicated that this was largely due to lack of career focus and lack of exposure to work environments. Therefore, the Company has re-evaluated its recruitment processes, employee benefits and training and induction processes, to improve employee retention. The attrition rate has now begun reducing. We hope to contain attrition at below 15% by the end of the new financial year.

Year	Attrition Rate
2014/15	23-24%
2015/16	19-20%
2016/17 (Target)	15%

Currently 40% of our employees have been with the Company for over 5 years and we hope to increase this share over the next few years, by focusing on retention.

### Total Employees by Years of Service

No of Years of Service	No of Employees
Over 30	11
Between 30-25	5
Between 25-20	18
Between 20-15	72
Between 15 -10	182
Between 10-05	468
Below 05	1,137
<b>Total</b>	<b>1,893</b>

### Establishing a Performance Culture

Abans is a Company built on a strong work ethic. Therefore, retaining this Company culture while diversifying and expanding deeper into the regions, is a priority. During the current year a number of steps were taken in this regard.

- ▶ **Setting Departmental KPIs:** The process has been initiated to identify departmental and individual KPIs for the entire Abans Group based on corporate goals and objectives. The KPIs will be established in consultation with management, and will form the basis of performance evaluation and rewards of employees.
- ▶ **Improving the Performance Review Process:** The annual performance review process was made more transparent and structured for greater objectivity and fairness in evaluating employee performance. A score card was developed with targeted performance criteria for each job category and the score card and criteria were conveyed to all employees. All employees and management are now aware of how they will be reviewed and how performance will be rated. The new mechanism has resulted in more balanced assessments of employees and a better understanding of training and development needs. During the year, 100% of permanent employees, of all grades, participated in performance reviews.

# HUMAN RESOURCE MANAGEMENT



Out bound Training



Product Trainings

- ▶ **Workplace health and Safety:** Essential health and sanitation facilities are provided by the Company.
- ▶ **Employee training:** The Abans Group invested LKR 10.8 Mn on employee training during the financial year 2015/16, while Abans PLC, the trading arm of the Group, spent LKR 9.6 Mn on employee training. The training calendar was developed based on identified skill gaps in line with each Company's growth targets.

## Abans PLC Training Programmes in 2015/16

Training Programme	No of Participants	No. of Programmes
<b>Dealer Trainings</b>		
Electronic Dealer Training	151	03
Duty free Dealer Training	59	02
<b>Product Trainings</b>		
Air Conditioner & Technology	140	06
Televisions & Technology	43	01
Home Appliances	320	05
Audio Products	35	01
Mobile	1,063	32
<b>Skills Development Training</b>		
Workshop on "Territory Management in Changing Business Environment"	51	01
In Store Management Training	474	11
IT Training for Back Office Executives	486	30
Out Bound Training	380	08
<b>Regional Trainings</b>		
Regional Administration & Product Training	334	12
<b>Total</b>	<b>3,536</b>	<b>112</b>

## Internships and Management Trainees

Abans recruits young professionals as interns and management trainees. Management trainees are exposed to the entire business process of the Company in the first year of training. The internship programme gives exposure to an industry based training. These trainees and interns will be absorbed into the permanent cadre of Abans PLC.

## Integrating People with IT

During the current year we implemented an upgraded HRI system that now provides all executive staff with real time, online, access to human resource support services. Executive staff can now update their personal information and have access to information such as available days of leave and frequently used templates, such as leave applications. Employees can also obtain relevant approvals online, eliminating the need to travel to head office. The system has directly contributed to greater efficiencies by reducing human resource related administration work load and allowing employees to self administer their work related transactions. We hope to extend this system to all minor staff within the new financial year by setting up employee kiosks in strategic Abans premises.

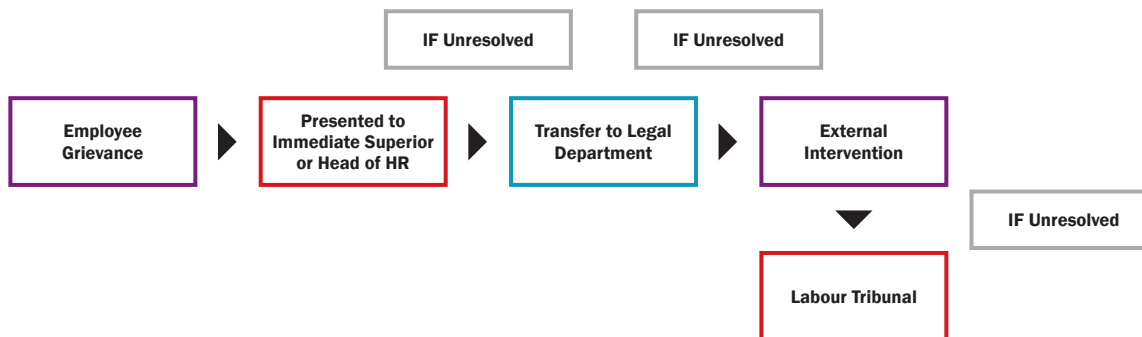
## HUMAN RESOURCE MANAGEMENT

In addition, the new supply chain system inter-connects staff of Abans branches and head office and different departments, thereby significantly reducing manual paper work and eliminating duplication along the entire supply chain. The system is expected to generate significant cost advantages.

### Employee Grievance Management

Abans has a formal grievance management process that facilitates a confidential domestic inquiry for any employee grievance. We strive to resolve grievances to the satisfaction of our employees to maintain a fair and equitable work environment. As at end March 2016, the Group had only 1 formal employee grievance pending at the Labour Tribunal.

### Grievance Handling Mechanism



### Abans Employee Benefits

Medical benefits	Hospitalisation and O.P.D treatment expenses are reimbursed according to employee grades.
Death and disease donations	<ul style="list-style-type: none"> <li>▶ In the event of a death of an employee, the family receives LKR 100,000 and the employee is granted LKR 25,000 in the case of a death of an immediate family member.</li> <li>▶ In the case of severe illness, undergoing an operation, or permanent disability, financial support is provided on a case by case basis. During the current year the Company supported a cancer patient with LKR 100,000.</li> </ul>
Insurance coverage	<ul style="list-style-type: none"> <li>▶ All permanent employees are provided surgical and hospitalisation insurance coverage.</li> <li>▶ Field staffs are provided personal accident insurance coverage.</li> </ul>
Special promotions for staff	<ul style="list-style-type: none"> <li>▶ All Abans employees can purchase electronic and home appliances at a special discount.</li> <li>▶ Staff members also receive concessions, discounts and easy payment schemes.</li> </ul>
Reimbursement of expenses	<ul style="list-style-type: none"> <li>▶ <b>Subscriptions on Professional Membership:</b> In order to enrich their careers and retain employee capital within the organisation, Abans reimburses professional subscriptions.</li> <li>▶ <b>Travel Expenses:</b> Travel expenses for official purposes are reimbursed. In addition, vehicle maintenance, transport allowances and fuel allowances are provided depending on the employee grade.</li> <li>▶ <b>Accommodation:</b> Accommodation costs at company specified hotels, for field work, are reimbursed.</li> </ul>

# HUMAN RESOURCE MANAGEMENT

## Employee Events

The Company organises many employee events to encourage internal connectivity and cooperation. Some of the more significant events are presented below.



### Flood Relief for Employees

During the floods of May 2016, Abans responded immediately by giving priority to assist Abans employees and their families who were affected. Abans also extended assistance to members of the public.



### Donation of School Books

The Abans school book donation campaign, which was originally initiated to support the children of the Abans Group's minor staff, was extended to children of all Abans employees. During the current year, the Abans Group donated school books to over 1,600 children of Abans employees.



### Abans Day

The 2015 Abans Day was held at BRC Grounds in August 2015 with the participation of all Abans Group employees and their families. Employees with over 15 years of service were honoured with gifts and certificates.



### Abans Assistants' Day

Abans conducted Assistants' Day for retail showroom staff and regional managers in various regions to enhance their team spirit, leadership abilities and cooperation.



### Abans Basketball Team

The Abans basketball team participated in the Mercantile Basketball Association tournament.





# CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is viewed as an integral element of conducting business operations where the company strives to improve quality of life of the people. The company is also highly conscious of its environmental obligations.

During the year, Abans has engaged with several community welfare and cultural events. A few of these events are described below.



**Supporting Flood Victims**  
During the floods of May 2016, Abans conducted a campaign to clean the homes of flood victims and repair their electronic items, free of charge.



**Assistance for Chronic Kidney Patient**  
The Abans technical team installed an Enhanced RO Water Purifier at the home of a kidney patient in Ihalakotasa, Bakamuna, and made provisions for electricity bill payments for one year.

Thakshila Subani (46), a mother of two, suffers from chronic kidney disease due to lack of clean drinking water. The Abans intervention provides Thakshila and her children with access to clean drinking water.



**Abans Dansala**  
The Abans wholesale division conducted a cooked rice dansala for the 11th consecutive year, in June 2015.



**Helping Differently Abled Children**  
The Abans staff donated stationary, toys, cosmetics and other essentials to the disabled children's shelter, "Sevana" Special School in Kotte.



**Bringing Happiness to Children**  
The Abans Welfare Association visited the Sri Jinananda Children's Home in Bambalapitiya and spent the day with the children, providing refreshments and making them smile.



**Lunch for Seniors**  
The Abans Welfare Association provided lunch for the senior residents of the Gamini Matha elders' home.



**Donation of Laptops**  
Laptops were donated to unprivileged students island wide, based on their educational performance at national exams.



**Blood Donation Campaign**  
Abans conducted a blood donation campaign in January 2016, for the 10th consecutive year.

# GOVERNANCE AND COMPLIANCE

“ABANS HELPS ME TAKE MY WORK ON THE GO SO THAT I CAN EXPERIENCE NEW THINGS AND ACHIEVE MY GOALS. THAT’S WHAT I CALL HAPPINESS.”





# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Abans PLC has pleasure in presenting the Annual Report and the Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31st March 2016.

## Principal Activities

The principal activities of Abans PLC are importing and marketing of electrical and electronic home appliances, crockery and cookware, sanitary and light fittings, a host of other household items and carrying out electro mechanical contract work and clearing and forwarding activities.

The Company has five Subsidiaries, one Joint Venture and one Associate Company and their activities are given on page 77 of this Annual Report.

## Business Review

A review of the financial and operational performance and future business developments of the group, sectors, and its business units are described in the Chairperson's Message and the Management Discussion and Analysis sections of this Annual Report. These Reports together with the Audited Financial Statements reflect the state of affairs of the Group. Segment wise contribution to Group Revenue, Results, Assets and Liabilities are provided in Note 04 to the Financial Statements.

## Results and Appropriations

Revenue generated by the Company for the year under review amounted to LKR 27.5 Bn whilst Group Revenue amounted to LKR 35 Bn. Contribution to Group Revenue from the different business segments carried out by the five subsidiaries is provided in Note 14.2 to the Financial Statements.

## Financial Statements and the Report of the Auditors

The Financial Statements of the Group for the year ended 31st March 2016 as approved by the Board of Directors on 8th of August 2016 are given on pages 69 to 136. The Auditors' Report on the Financial Statements of the Group is given on page 69.

## Accounting Policies

The Accounting Policies adopted in the preparation and presentation of the Financial Statements are given on pages 77 to 94. There were no material changes in the Accounting Policies adopted by the Group during the year under review.

## Investments

Total investments of the Company in its Subsidiaries, Associates, Equity investments and other Financial Instruments amounted to LKR 2,722,961,960. The details of the investments are given in Notes 13, 15, 16 and 17 to the Financial Statements.

## Property, Plant and Equipment

The Net Book Value of Property, Plant and Equipment as at year end amounted to LKR 1,103,049,733 and LKR 1,296,760,133 for the Company and the Group respectively. Total capital expenditure during the year for acquisition of Property, Plant and Equipment by the Company and the Group amounted to LKR 147,488,466 and LKR 260,121,313 respectively. Details of Property, Plant and Equipment are given in Notes 8, 10, 12 to the Financial Statements.

## Stated Capital and Reserves

The Stated Capital of the Company as at 31st March 2016 was LKR 218,500,000 consisting of LKR 216,000,000 ordinary voting and LKR 2,500,000 ordinary non-voting shares. The total Group Equity was LKR 7 Bn as at 31st March 2016.

## Internal Control and Risk Management

The Directors acknowledge their responsibility for the Group's system of internal control. The systems are designed to provide reasonable assurance that the assets of the Group are safeguarded and to ensure that proper accounting records are maintained. The Board of Directors having reviewed the system of internal control is satisfied with the systems and measures in effect at the date of signing this Annual Report.

## Human Resources

The Company has an equal employment opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Further, the Company continued to develop the team and focus their contribution towards the achievement of corporate goals.



# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## Board of Directors

The Board of Directors of the Company as at 31st March 2016 and their brief profiles are given on pages 10 to 12. The following persons were the Directors of the Company as at 31st March 2016.

- (a) Mrs. Aban Pestonjee - Chairperson
- (b) Mr. Behman Pestonjee - Managing Director
- (c) Mrs. Saroshi Dubash - Executive Director
- (e) Mr. Rusi Pestonjee - Executive Director
- (h) Mr. Hiran Embuldeniya - Independent Non-Executive Director
- (i) Mr. Sriyan de Silva Wijeyeratne - Independent Non-Executive Director

Further, resolutions will be tabled at the forthcoming Annual General Meeting to re-elect Mrs. Aban Pestonjee, the Director who is above the age of 70 years and who is due to retire at the end of the Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007.

## Board Committees

The Board has appointed two Sub-Committees i.e. the Audit Committee and the Remuneration Committee. The composition and responsibilities of the said Committees are detailed in the respective reports.

## Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. In compliance with the requirements of the Companies Act, this Annual Report also contains particulars of entries made in the Interest Register.

## Directors' interest in Contracts

Directors' interests in contracts are disclosed in the related party transactions under Note 34 to the Financial Statements.

## Directors' Shareholding

The shareholdings of the Directors of the Company as at 31st March 2016, and as defined under the Listing Rules of the Colombo Stock Exchange are as follows.

Name of the Director	Shareholding					
	Ordinary Voting Shares		Class B Ordinary Management Non-voting shares		Total ordinary Shares (Voting & Non-Voting)	
	Number	%	Number	%	Number	%
Aban Pestonjee	432,000	20%	5,000	20%	437,000	20%
Saroshi Dubash	432,000	20%	5,000	20%	437,000	20%
Rusi Pestonjee	432,000	20%	5,000	20%	437,000	20%
Behman Pestonjee	432,000	20%	5,000	20%	437,000	20%
Hiran Chaminda Embuldeniya	Nil	Nil	Nil	Nil	Nil	Nil
S. J. D. S. Wijeyeratne	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	<b>1,728,000</b>		<b>20,000</b>		<b>1,748,000</b>	

## Directors' Remuneration

Directors' remuneration is established within a framework approved by the Remuneration Committee. Directors' remuneration in respect of the Company for the year is given in Note 34.5 to the Financial Statements.

## Share Information

Information relating to earnings, dividends and net assets is given on pages 139 to 141. The distribution and the composition of major shareholdings are given on pages 139 to 140 of this Annual Report.

## Listed Debt

Information relating to the listed debentures is given on page 141.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## Corporate Governance

The Board of Directors has endeavored to ensure that the Company has complied with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. Directors are committed towards the furtherance of Corporate Governance principles of the Company. The measures taken in this regard are set out in the Corporate Governance Report on pages 51 to 66 of this Annual Report. Further, the Directors declare that the Company has not engaged in any activity which contravenes laws and regulations. All material interests in contracts involving the Company have been declared by the Directors and they have refrained from voting on matters in which they were materially interested. The Company has made all endeavors to ensure the equitable treatment of shareholders, the business is a going concern, and a review of internal controls covering financial, operational and compliance controls and risk management has been conducted. The Directors have obtained a reasonable assurance of their effectiveness and successful adherence.

## Statutory Payments

The Board of 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 year end have been paid or, where relevant provided for.

## Auditors

Messrs. Ernst & Young, Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No. 07 of 2007 as the Auditors of the Company. A resolution to authorise the Directors to determine the remuneration of the Auditors will be proposed at the forthcoming Annual General Meeting.

Total audit fees paid to Messrs. Ernst & Young by the Company and its Subsidiaries are disclosed in Note 25 to the Financial Statements. The Auditors of the Company and its Subsidiaries have confirmed that they do not have any relationship with the Company or its subsidiaries (other than the Auditor) that would have an impact on their independence.

## Annual General Meeting

The Annual General Meeting will be held at Head Office, Abans PLC, on 27th September 2016 at 2.00 PM. The Notice of Meeting appears in the supplementary information section of the comprehensive Annual Report. This Annual Report is signed for and on behalf of the Board of Directors.

By Order of the Board



**Varners International (Pvt.) Ltd.**

*Company Secretaries,*

Level 14, West Tower,  
World Trade Centre,  
Echelon Square,  
Colombo 01.  
8<sup>th</sup> August 2016

## STATEMENT OF DIRECTORS RESPONSIBILITY

The following statement sets out the responsibility of Directors in relation to the financial statements of the Company and group. The responsibility of independent auditors in relation to the financial statements prepared in accordance with the provision of Companies Act No. 07 of 2007 (“the Act”) and SLFRS is set out in the independent auditors’ report.

The financial statements comprise:

- ▶ Statement of profit and loss and other comprehensive income, which present a true and fair view of the profit and loss of the Company and the group for the financial year; and
- ▶ Statement of financial position, which presents a true and fair view of the state of affairs of the Company and the group as at the end of the financial year and which comply with the requirements of the Act and SLFRS.

The Directors are required to ensure that, in preparing these financial statements:

- ▶ Appropriate accounting policies have been selected and applied in a consistent manner and material departures if any, have been disclosed and explained.

- ▶ All applicable accounting standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka, as relevant have been followed.
- ▶ Judgments and estimates have been made which are reasonable and prudent.

The Directors are also required to ensure that the Company and the group have adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the group and to ensure that the financial statements presented comply with the requirements of the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and 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 internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the internal auditors and the independent external auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Directors are required to prepare the financial statements and to provide the independent external auditors with every opportunity to take whatever steps and undertake whatever inspections that they may consider to be appropriate to enable them to give the independent auditors’ 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 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 reporting date have been paid or where relevant provided for.

By order of the Board,



**Varners International (Pvt.) Ltd.**  
 Company Secretaries  
 8<sup>th</sup> August 2016

## AUDIT COMMITTEE REPORT

### Role of the Committee

Audit Committee is a sub-Committee of the Board of Directors and it is accountable to the Board. The Committee is chaired by Mr. Hiran Embuldeniya and consists of one other Independent Non-Executive Director Mr. Sriyan de Silva Wijeyeratne.

The Committee is responsible for supporting the Board in ensuring that the Group's financial results, internal controls and risk management are effectively managed in line with the best practices and in compliance with the accounting standards of the institute of chartered accountants of Sri Lanka, requirements of the listing rules of the Colombo Stock Exchange and other relevant laws and regulations. In addition, the Committee considers the contents of internal and external audit reports and recommends the appointment of the external auditors.

The Audit Committee obtains representations from the Head of Finance and Chief Internal Auditor on the adequacy and effectiveness of internal control systems.

### Meetings

During the year, the Audit Committee met five times. The attendance of the members at these meetings were as follows:

Mr. Hiran Embuldeniya	4/5
Mr. Sriyan de Silva Wijeyeratne	4/5

The Executive Director Mrs. Saroshi Dubash, the Head of Finance, Chief Internal Auditor and Senior Managers of the company's External Auditors, Messrs Ernst & Young also attended most of these meetings by invitation. Further members of the management of the company were invited to participate in the meeting as and when the necessity arose.

### Financial Reporting and Audit

The independent Auditors are responsible for auditing the annual consolidated financial statements in accordance with generally accepted auditing standards and ensuring that the financial statements truly and fairly present the results of operations and the financial position of the Company. The independent auditors are also responsible for issuing a report on those financial statements. The Audit Committee monitors and oversees these processes.

The Committee also reviewed and discussed with the External Auditor and management, the matters communicated to the Committee in the management letter. The Committee suggested remedial action as required based on the recommendations of the External Auditor.

The Committee carried out an evaluation of the External Auditors to establish their independence and objectivity. The evaluation included the review of policies and procedures to ensure independence as well as a review of the non-audit services provided by the Auditors to Abans PLC. As part of this review the engagement partner has been replaced by rotation. The Audit Committee has recommended to the Board of Directors that Ernst and Young be reappointed as Auditors for the financial year ending 31st March 2016.

### Internal Audit, Risks and Controls

The Audit Committee reviewed the effectiveness of the Group's internal controls and corporate risks which are under the purview of the Chief Internal Auditor to provide reasonable assurance that there is no material misstatement or loss, the Group's assets are safeguarded and the financial information used within the business and for external reporting is reliable.

The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Group, compliance with laws and regulations and established policies and procedures of the Group. During the course of the year, the Committee followed up on the treasury management review conducted in the previous year and monitored progress made in implementing the recommendations.

The Chief Internal Auditor prepared an annual internal audit plan which was approved by the Committee and has direct access to the chairman of the Audit Committee.

On behalf of the Board Audit Committee,



**Hiran Embuldeniya**  
Chairman  
8<sup>th</sup> August 2016

## BOARD REMUNERATION COMMITTEE REPORT

### The Role of the Committee:

The Committee is entrusted with the responsibility to evaluate, assess, decide and recommend, to the Board of Directors, on any matters that may affect the remuneration structure and policies of the company. The Committee reviews the remuneration and other benefits of personnel, along with the Recruitment and Performance Appraisal process. This is with the objective of ensuring that the company is geared to attract, grow and retain Employees with appropriate skills and competencies, who could further the key objectives of the company. The Committee also reviews the policies and parameters of the remuneration structure for staff members and provides inputs on implementing the same.

### Members

The Board Remuneration Committee comprises the following personnel:  
Mr. Sriyan de Silva Wijeyeratne  
-Chairman (Independent Non-Executive Director)  
Mr. Hiran Embuldeniya  
- Independent Non-Executive Director

The committee met on three occasions during the year under review and all members attended the meetings. The Executive Director, General Managers and the DGM-HR attended by invitation.

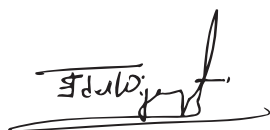
### Remuneration and Benefits provided

The remuneration provided to employees consists of a Fixed Basic salary component and allowances, and a variable portion which is conditional upon performance of the company and the individual. Employees also enjoy other benefits such as medical and travel etc where applicable, and in keeping with the market practices. No remuneration is paid to the Non-Executive Directors other than the Directors fees paid for participation at Board meetings.

The committee reviewed information in related to remuneration and retention ratios of staff members with the objective of introducing individual performance reviews which are more closely linked to the corporate objectives, as that it could help with the retention of key personnel. The committee also assessed and made recommendations on Annual Increments and bonuses, where required.

### Conclusion

Following the discussions at Committee meetings, the Chairman of the Committee reports to the Board on the Committee's findings and recommendations, on matters related to Remuneration and Performance Management. The Committee is satisfied that the company follows appropriate recruitment, appraisal, and remuneration policies and procedures, which reasonably ensure that the Human Capital of the company is retained and developed. There is severe competition for talent in the market and the company will need to continually evolve in this area, to keep abreast with the growth aspirations of the organisation.



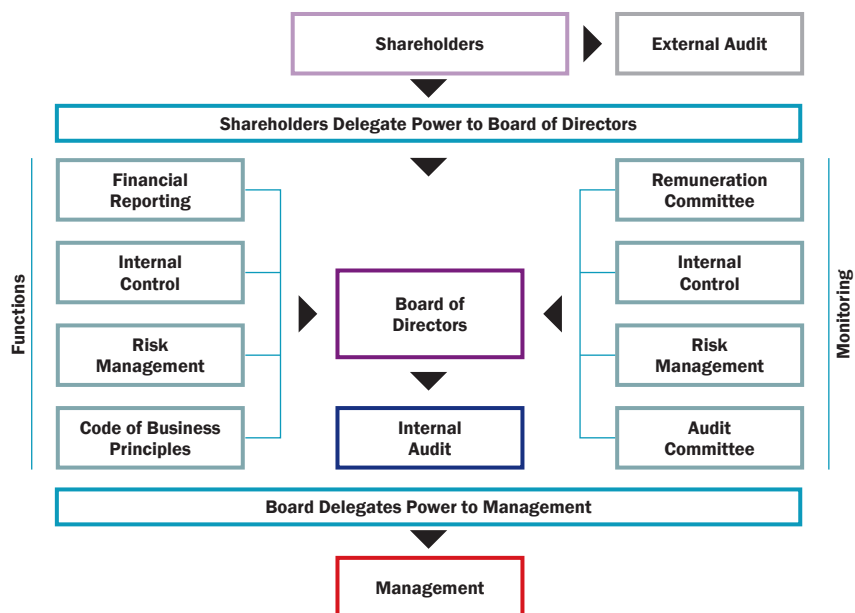
**Sriyan de Silva Wijeyeratne**  
*Chairman,*  
Remuneration Committee  
8<sup>th</sup> August 2016

# CORPORATE GOVERNANCE

The Board is committed to maintaining the highest standards of corporate governance across all activities of the Company. The purpose of governance is to create long-term sustainable shareholder value through effective and prudent management. The principal duties of the Board include formulating business strategies and overseeing their implementation by the management with proper controls to manage risks. The Board is focused on ensuring that the Company operates in conformity with applicable laws and regulations and that all material operations are subject to effective internal controls and significant risks managed properly.

The Board has appointed two sub-committees to assist it in the performance of its duties. These committees, which include the Audit Committee and Remuneration Committee, function within the mandates approved by the Board. The committees have an appropriate balance of skills, expertise, and independence to discharge their responsibilities effectively. The structure and operations of these committees are illustrated in this report.

The governance structure of the Group is diagrammatically depicted below:



## Board Sub-Committees

The Audit Committee takes steps to verify the integrity of financial information and internal controls through reviews carried out by both external and internal audits.

Remuneration Committee assists the Board in setting the levels and structure for remuneration of executive directors and senior management benchmarking on the industry standards and the remuneration and employment policies of the Abans Group.

## Attendance at Board Meetings

The Board of Directors performs the role of leading the Company primarily through participation in Board meetings and Board Sub-Committee meetings. The Board and the Committees constructively use the time and agenda of these meetings to perform their roles effectively.



## CORPORATE GOVERNANCE

The attendance of the directors at meetings of the Board and the Sub-committees during the year is detailed below

Name of the Director	Main Board		Audit Committee Meetings		Remuneration Committee Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
1. Aban Pestonjee	4	4	-	-	-	-
2. Saroshi Dubash	4	3	-	-	-	-
3. Rusi Pestonjee	4	4	-	-	-	-
4. Behman Pestonjee	4	3	-	-	-	-
5. Hiran Chaminda Embuldeniya	4	3	5	4	3	3
6. S. J. D. S Wijeyeratne	4	3	5	4	3	3

#### Governance Practices Adopted by Abans

The Board is headed by the Chairman who is responsible for overseeing the Board and ensuring its effectiveness on all aspects of its role. The Board is collectively responsible for the long-term success of Abans.

The Board consists of an Executive Director, Non-Executive Directors and Independent Directors who contribute different perspectives to its decision-making process. The composition of the Board complies with the corporate governance directives CSE and CA Sri Lanka “Code of Best Practice”.

There is a clear division of responsibilities between the Board and the Corporate Management. The Board is responsible for setting the strategic direction and ensuring that the underlying objectives are achieved by the management as per the Board approved policies and plans.

#### Relations with the Shareholders

The Chairman ensures that the views of the major shareholder are communicated to the Board. The major shareholders are represented on the Board and get an intimate understanding of matters pertaining to the governance and strategy of Abans. The Non-Executive Directors are provided with the opportunity to attend meetings with the Board of Directors of Abans. This creates a forum for the directors to maintain a dialogue on matters of interest to shareholders.

## CORPORATE GOVERNANCE

**Stakeholder Engagement**

The stakeholder engagement is a key component of a sustainable business and responsible corporate management. Abans PLC gives due importance to expectations and opinions of all stakeholders and develop engagement strategies with them. The key stakeholders of Abans PLC and the methods of engagement with them are presented below.

Stakeholder	Method of Engagement	Frequency Key	Topics Discussed
Shareholders and Investors	Annual and Extraordinary General Meetings	Annual /When required	<ul style="list-style-type: none"> <li>▶ Financial performance</li> <li>▶ Distribution of profits</li> <li>▶ Business plans and strategies</li> </ul>
	Circulation of Annual Reports	Annual	
	Colombo Stock Exchange announcements	Quarterly/When required	
	Updates on the Corporate Website	Continuous	
Customers	Direct interaction through business units	Continuous	<ul style="list-style-type: none"> <li>▶ Products, services, promotions</li> <li>▶ Service standard improvement</li> <li>▶ After Sales Service</li> </ul>
	Client visits, business promotion meetings	Continuous	
	Marketing communication and product advertising	Continuous	
	Updates on the Corporate Website	Continuous	
Employees	Human Resources Portal (HR Portal), emails	Continuous	<ul style="list-style-type: none"> <li>▶ Financial performance</li> <li>▶ Policies and procedures</li> <li>▶ Training requirements</li> </ul>
	Staff performance review engagements	Annually	
	Employee training workshops and seminars	Continuous	
	Informal get-togethers ( Abans Day)	Annually	
Government	Direct interaction with Government Department, Authorities and Local Governments	Continuous	<ul style="list-style-type: none"> <li>▶ Compliance with Government Rules</li> <li>▶ Financial performance</li> </ul>
Suppliers	Meeting with suppliers, contractors, and Banks	Monthly / Quarterly	<ul style="list-style-type: none"> <li>▶ Compliance with rules</li> <li>▶ Statutory reporting</li> </ul>
	Press notices calling for quotations tenders	As an when required	
Community	Direct interactions in CSR engagements	Continuous	<ul style="list-style-type: none"> <li>▶ CSR initiatives Environmental, community and social issues.</li> <li>▶ Products responsibilities</li> </ul>
	Abans website, information briefings, sponsorships.	Continuous	

**Code of Best Practice on Corporate Governance**

We set out below, the corporate governance practices adopted and practiced by the Company, the extent of adoption of the code of Best Practice on Corporate Governance issued in year 2013 jointly by The Institute of Chartered Accountants of Sri Lanka and Securities of Exchange Commission of Sri Lanka and the Rules set out in Section 7.10 of the Colombo Stock Exchange Listing Rules on Corporate Governance.

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>Section 1</b>			
<b>The company :</b>			
<b>A. Directors</b> 1. The Board	<b>Principle- A.1</b>	<b>Adopted</b>	The profile of the Board and Corporate management is provided on pages 10 to 12.
Board Meetings	Code – A.1.1	Adopted	During the financial year 2015/16 a total of four Board meetings were held by Abans PLC.  Details of Board meetings and Board Sub Committee Meetings are given on page 52 of this Annual Report.
2. Responsibilities of the Board	Code – A.1.2	Adopted	The Board takes responsibility for setting the overall strategy and level of risk appetite in governing affairs of the company and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set.
3. Compliance with laws and access to independent professional advice	Code – A.1.3	Adopted	The Board affirms collectively, and also the Directors individually, their duty to abide by the laws of this land for the prudent conduct of affairs of the company is given in page 48 by the Board of Directors.
4. Company Secretary	Code – A.1.4	Adopted	All Directors have access to the Company Secretary. The company Secretary coordinates scheduling of Board meetings and other Sub –Committee meetings, keeping minutes, and other relevant records
5. Independent judgment	Code –A.1.5	Adopted	Each Director brings independent judgment to bear on issues that are discussed at the Board and by having meetings of the Board, equal opportunity is available for Directors to express their views independently.
6. Dedicating time and effort	Code A.1.6	Adopted	During financial year 2015/16 a total of four Board meetings were held by Abans PLC.  All Non-Executive Directors have attended majority of the meetings and have devoted their time adequately.  Information pertaining to Director participation levels at Board meeting and Board subcommittee meeting are given on page 52.
7. Training needs of Directors	Code – A.1.7	Adopted	The Directors are given opportunity to having sufficient exposure, expertise in their relevant areas to fulfill their duties and responsibilities owing to the Board.
<b>A.2 Chairperson and Chief Executive Officer</b>	<b>Principle A.2</b>	<b>Adopted</b>	Chairperson is providing leadership for governing Board activity and discharging Board functions.
8. Keeping separate the role of Chairperson and Chief Executive	Code A.2.1	Adopted	All the executive responsibilities for the overall management of the company are held with Managing Director. (No separate Chief Executive Officer).

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>A.3 Chairperson's role</b>	<b>Principle A.3</b>	<b>Adopted</b>	Mrs. Aban Pestonjee, the Chairperson of the Board is an Executive Director who demonstrates leadership to the Board by discharging Board functions effectively, and prudently.
9. Chairperson's role in conducting Board proceedings	Code A.3.1	Adopted	Being the founder with years of experience behind her, the Chairperson is able to properly conduct in Board matters. She can obtain advice from across the Board considering the well-blended knowledge and experience of Abans PLC's Directors.
<b>A.4. Financial acumen</b>	<b>Principle – A.4</b>	<b>Adopted</b>	<b>The Board is equipped with qualified Directors in the field of Finance and accountancy and possesses the necessary financial wisdom.</b>
10. Availability of sufficient financial wisdom and knowledge within the Board			Board has the privilege of having Directors who possesses qualifications in the field of finance and accountancy to obtain advice and guidance. Finance Division is also well equipped in financial capabilities having qualified Chartered Accountants and experienced personnel to support the Board of Directors.
<b>A.5 Board Balance</b>	<b>Principle - A.5</b>	<b>Adopted</b>	<b>As per Corporate Governance Direction issued by CSE and ICASL, Abans PLC Board maintained the required Board balance right throughout the FY 2015/16, keeping proper checks and balance between Executive and Non-Executive Directors.</b>
11. Presence of Non-Executive Directors	Code A.5.1	Adopted	Two out of six Directors on Abans PLC Board are Non-Executive Directors. The ratio of 1/3rd maintained since June 2014, fulfills minimum requirement prescribed by the code.
12. Independent Directors	Code A.5.2	Adopted	Both Non – Executive Directors are independent in terms of the criteria defined by CSE rule 7.10.4 on corporate governance, fulfills the minimum guidelines prescribed by the code.
13. Criteria for evaluating Independence of Non-Executive Directors	Code A.5.3	Adopted	The Independent Non – Executive Directors complied with independence criteria stipulated by the SEC and ICASL guidelines during financial year 2015/16.
14. Signed independence declaration by the Non-Executive Directors	Code –A 5.4	Adopted	Each Non-Executive Director of the company has made written submissions as to their independence as per schedule J of the code.
15. Determination of independence of Non – Executive Directors	Code –A 5.5	Adopted	Based on the written submissions made by the following Non-Executive Directors as per code, the Board deems the said Directors "Independent" as at 31st March 2016.  Mr. H. C. Embuldeniya Mr. S. J. D. S. Wijeyeratne

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
16. Appointment of an alternate Director by a Non- Executive Director	Code A 5.6	N/A	Not applicable as no Alternate Director was appointed during 2015/16.
17. Senior Independent Director (SID )	Code A.5.7	N/A	Chairperson's and Managing Director's roles have been separated w.e.f 08.07.2014 and therefore no requirement to appoint a Senior Independent Director.
18. Confidential discussion with SID	Code A.5.8	N/A	Please see Code – A.5.7 above.
19. Meeting of Non- Executive Directors	Code A 5.9	Not Adopted	No meeting of Non-Executive Directors was held during the period.
20. Recording of concerns in Board minutes	Code A 5.10	Adopted	Company Secretary records any concerns raised by the Directors during the year in Board minutes with sufficient details.
<b>A.6. Supply of Information</b>	<b>Principle - A.6</b>	<b>Adopted</b>	<b>Agenda together with high quality information is circulated seven days prior to the Board meeting to discharge the Board obligations effectively as a practice.</b>
21. Information to the Board by management	Code A 6.1	Adopted	Board receives adequate information by the Management on a timely manner. The Board receives regular reports and presentations on strategies and developments in relation to its business lines and performance.
22. Adequate time for effective meetings	Code A 6.2	Adopted	Executive Directors constantly briefed the Board on the functional areas of Revenue, Finance and Recoveries that they oversee. The Board on other functional matters deals with the Managing Director or the heads of those respective departments when necessary.
<b>A.7 Appointments to the Board</b>	<b>Principle– A.7</b>	<b>Adopted</b>	Although the formal Nomination committee is not formed by the Board, new appointments are decided based on consent of the chairperson and all Board of Directors and the final decision is made by the Board.
23. Nominations Committee	Code A.7.1	Adopted	All new appointments to the Board are considered and recommended by the Board as a whole in an objective and transparent manner
24. Board assessment by the Nominations Committee	Code A.7.2	Adopted	Board as a whole carried out an annual assessment of Abans PLC Board's Composition to assess the level of skills, experience, qualifications, and knowledge of the Board members' address the growing strategic needs of the Company.

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
25. Disclosure of appointments to shareholders	Code A.7.3	Adopted	All new Board appointments as it happens are communicated to shareholders via the Colombo Stock Exchange. A brief summary of the new Director appointed including the qualifications, experiences, names of the companies in which the Director holds directorships, and memberships in Board Sub Committees is usually given in the Annual Report.
<b>A.8 Re - election</b>	<b>Principle – A.8</b>	<b>Adopted</b>	In terms of the Article 5.4 of the Articles of Association of the Company, Executive Directors are not whilst holding that office be subject to retirement by rotation or taken into account for determining the rotation of retirement of directors. Therefore there are two Non-Executive Directors of the Board who will be eligible for rotation of whom one of them will be re-elected at the next Annual General Meeting.
26. Appointment of Non-Executive Directors	Code A.8.1.	Adopted	As explained in A.8 above
27. Election of Directors by Shareholders	Code A.8.2	Adopted	As explained in A.8 above
<b>A.9 Appraisal of Board performance</b>	<b>Principle A.9</b>	<b>Adopted</b>	The performance of the Board and sub- committee is reviewed and evaluated by the Board and Chairperson based on self- appraisal basis
28. Appraisal of Board performance	Code – A.9.1	Adopted	As explained in principle A.9 above.
29. Annual self-assessment of the Board and its committees	Code – A.9.2	Adopted	Please see A.9.1 above.
30. Disclosure of method of appraisal	Code – A.9.3	Adopted	Please see A.9.1 above.
<b>A.10 Disclosure of information on Directors</b>	<b>Principle A.10</b>	<b>Adopted</b>	Information pertaining to all Abans PLC Directors is made available to the shareholders through the Annual report.
31. Director information	Code – A.10.1	Adopted	Information pertaining to Directors are provided on pages 10 to 12.



## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>A.11 Appraisal of the Chief Executive Officer</b>	<b>Principle A.11</b>	<b>Adopted</b>	The Chairperson and other Board members reviewed performance of the Managing Director and as a formality the Remuneration Committee carried out a formal evaluation to decide his remuneration package, and changes thereof.
32. Targets for Managing Director	Code A.11.1	Adopted	Being the apex chief executive of the company the Managing Director is entrusted by the Board to conduct day to day operations effectively to attain broad strategic targets/ goals.
33. Evaluation of MD's performance	Code A.11.2	Adopted	The performance of the MD is evaluated in relation to achievement of business targets.
<b>B. Directors remuneration</b> <b>B.1 Remuneration procedure</b>	<b>Principle B.1</b>	<b>Adopted</b>	No Director is involved in deciding his or her own remuneration package.
34. Remuneration Committee	Code – B.1.1	Adopted	The Board has established a Remuneration Committee authorised to evaluate, assess, decide and recommend, to the Board, Executive Directors remuneration as per the Terms and Reference of the Remuneration Committee.
35. Remuneration Committee composition	Code B.1.2	Adopted	Remuneration Committee comprises of all Non-Executive Directors and the Chairman of the Committee is Mr. S. J. D. S. Wijeyeratne
	Code B.1.3	Adopted	The report of the Remuneration Committee is given on Page 50 to the annual report. The Remuneration Committee composition and details of meetings held and participation status is given on page 52.
36. Remuneration of Non-executive Directors	Code B.1.4	Adopted	The Board has the authority on deciding the Non-Executive Directors' remuneration packages which is made as a collective decision. The Non- Executive Directors are paid a fee for attending Board or other Committee meetings or carrying out other Non- executive duties based on their responsibilities assigned.
37. Remuneration Committees access to Managing Director and professional advice	Code B. 1.5	Adopted	When deciding on remuneration of Executive Directors, the Committee also obtains advice from the Managing Director as necessary

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>B.2 The level and make up of remuneration structure</b>	<b>Principle B.2</b>	<b>Adopted</b>	<b>The Board together with the Remuneration Committee aims to attract retain and motivate high caliber individuals for top executive positions.</b>
38. Managing Director's remuneration	Code B.2.1	Adopted	The Remuneration Committee makes assessment on the sufficiency of remuneration of Executive Directors to ensure a strategy of retention. Executive Director including performance of Managing Director is evaluated annually and suitable remuneration levels are decided by the Committee.
39. Comparison of remuneration with other Institutions	Code B.2.2	Adopted	When positioning remuneration levels relative to other companies in the industry, Remuneration Committee reviews the information related to the Executive Directors pay level against the industry.
40. Remuneration comparison with other group companies	Code B.2.3	Adopted	Executive Directors represent other companies within the group.
41. MD's performance related payments	Code B.2.4	Adopted	Please refer principle B.2 and Code B.2.1 above.
42. Executive share options	Code B.2.5	N/A	There was no executive share options scheme offered to any Director during 2015/16 period.
43. Deciding Executive Director Remuneration	Code B.2.6	Adopted	Please see comments given in Principle B.2 for details on Executive Director Remuneration.
44. Early terminations clauses in service contract of Directors	Code B.2.7	N/A	Not applicable to the Board.
45. Early terminations of Directors	Code B.2.8	N/A	In an event of early termination of a director, the remuneration will be concluded based on the scenario occurred.
46. Level of Remuneration of Non-Executive Directors	Code B.2.9	Adopted	The Non- Executive Directors are paid a fee for their services as mentioned in Code B.1.4.

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>B.3 Disclosure of remuneration</b>	<b>Principle B.3</b>	<b>Adopted</b>	The Remuneration Committee operates within agreed terms of reference and is committed to the principles of accountability and transparency.
47. Names of members in the Remuneration Committee and remuneration paid to Directors	Code – B.3.1	Adopted	Details of Remuneration Committee composition with meetings held and participation status of members is provided on page 52.  “Related Party Disclosure Note” on pages 133 to 136 is in the notes to financial statements provides information on remuneration paid to Executive and Non-Executive Directors in aggregate.
<b>C. Relations with shareholders</b>	<b>Principle C</b>	<b>Adopted</b>	Abans PLC’s Board facilitates effective communication with shareholders by holding the Annual General Meeting. Directors are expected to take a positive approach to views of all shareholders during such meetings.
<b>C.1 Constructive use of AGM</b>	<b>Principle C.1</b>	Adopted	AGM will be held on 27/09/2016 and all shareholders are encouraged to participate at the AGM.
48. Level of proxies at AGM’s	Code - C.1.1	Adopted	Proxy forms are made available in the Annual report that is released with adequate prior notice to all shareholders in accordance with Companies Act.
49. Propose separate resolutions for each separate issue	Code – C.1.2	Adopted	Company passed separate resolutions for the adoption of the “Report of the Directors” and “Statement of Financial report and the Report of the Auditors” included in the Annual Report.
50. Availability of Chairperson’s of all Board Sub-Committees at AGM’s	Code – C.1.3	Adopted	All Board members which include Chairpersons of all the Board Sub committees, namely, Audit Committee, and Remuneration Committee are presented at the AGM to answer any questions coming under the purview of their Committee.
51. Adequate notice of the AGM	Code – C.1.4	Adopted	For the previous financial period, the Annual report of FY 2014/15 was submitted to the Colombo Stock Exchange on 24/08/2015 and was delivered to all shareholders on same day. Abans PLC’s AGM was held on 23/09/2015.
52. Voting procedures at General Meetings	Code – C.1.5	Adopted	Voting procedures at the General Meetings are circulated to the shareholder.

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>C.2 Communication with Shareholders</b>	<b>Principle C.2</b>	<b>Adopted</b>	Extensive financial and non-financial information of company's activities are provided to shareholders through the Annual report and the Interim Reports published on a quarterly basis.
53. Channel to reach all shareholders of the Company	Code- C.2.1	Adopted	Formal communications with the shareholders are conducted through Notices to shareholders, Annual Report and Quarterly Financial Statements, and general meetings of shareholders. All the financial information such as Annual Reports, Interim reports are made available to shareholders via CSE website.
54. Disclosure of the shareholder Communication Policy, Methodology and Implementation	Code- C.2.2 & C.2.3	Adopted	The Communication Policy is implemented through exchange Memos, Electronic Mails, Board Papers and Presentations.
55. Disclosure of Contact person for shareholders	Code- C.2.4	Adopted	As per the general practice of the company, main point of contact for the shareholders for their concerns and clarification is the board of directors.
56. Process to make aware of major issues and concerns of shareholders	Code - C.2.5	Adopted	Material issues and concerns of the shareholders are communicated to the Board by management of the company and family directors hold weekly meetings to discuss business matters.
57. Person to Contact in relation to shareholders matters	Code - C.2.6	Adopted	The Chairman, MD, Directors, Company Secretary and key management personnel is designated as contact persons on shareholder matters.
58. Responding process of shareholder matters	Code- C.2.7	Adopted	According to Abans PLC's "Communication Policy", all shareholders related material matters are handled promptly and attentively by the Board upon being informed.
<b>C.3 Major transactions</b>	<b>Principle - C.3</b>	<b>Adopted</b>	Abans PLC Board has established a process to capture and disclose any material transactions proposed that would alter or vary the net asset position of Company either through its audited financial statements or in interim publication or by making announcement to the Colombo Stock Exchange.
59. Disclose material facts of major transactions	Code - C.3.1	Adopted	Material related party transaction or corporate transactions involving acquisitions, mergers or disposal, which materially affect Abans PLC net assets position, are disclosed on pages 133 to 136.

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
60. Balanced and understandable assessment of the company	Code – D.1.1	Adopted	Regulatory interim publication format and the applicable accounting standards are compiled by the Abans PLC
61. Directors Report	Code – D.1.2	Adopted	The Annual Report of the Board of Directors (Directors' Report) provided on pages 45 to 46 gives an affirmation on Company's compliance to laws and regulations, confirms the going concern assumption and the effectiveness of Internal Control System that is in place.
62.Directors' and Auditors' Responsibility statement	Code – D.1.3	Adopted	Statement of Directors' responsibility for Financial Reporting given on page 48 provides a statement setting out the responsibilities of the Board for the preparation and presentation of the Financial Statements.
63.Management Discussions and Analysis	Code – D.1.4	Adopted	As per Code –D.1.4 management commentary covering all requirements is given on pages 13 to 42 in the "Management Discussion and Analysis", which comprises the sustainability section as well.
64. Directors' affirmation of going concern	Code – D.1.5	Adopted	The Annual Report of the Board of Directors provides disclosure affirming the going concern of the company, after drawing attention to aspects mentioned in the schedule G of the Code.
65. Calling of an EGM when net assets fall below 50% of shareholders' funds	Code – D.1.6	Adopted	A situation of a serious loss of capital is unlikely to arise.
66.Adequacy and accuracy of related third party transaction disclosures	Code – D.1.7	Adopted	An adequate and accurate disclosure of related party transactions is given in Note 34 to the Financial Statements on pages 133 to 136.

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>D.2 Internal Controls- Maintaining a sound system of internal controls</b>	<b>Principle – D.2</b>	<b>Adopted</b>	<b>The Board has established an effective system of internal controls to safeguard the assets of the company. The systems of internal controls in place have been designed to counter various risks that could either arise from dealing in financial transactions or from other events and changes in environment and business conditions.</b>
67. Reviewing effectiveness of internal control system	Code – D.2.1	Adopted	Internal Auditors have been entrusted to periodically review the adequacy and effectiveness of internal controls of the company a feedback of which is given to the higher level Audit Committee. Statement on Internal Controls provided on pages 17 to 20 complies with content of Annexure K of the code.
68. Internal Audit function	Code – D.2.2	Adopted	Abans PLC's Internal Audit division which is centrally located provides independent and objective assurance in respect of the adequacy of the design and operating effectiveness of internal controls and governance process across the company.
69. Audit Committee to review process and effectiveness of risk management and internal controls and to report to the Board	Code – D.2.3	Adopted	Audit Committee continuously reviewed the effectiveness of risk management process and internal controls and ensured the soundness of the risk management process and internal controls and managed to report any deficiencies and matters to Board with recommendations.
70. Statement of Internal Control	Code – D.2.4	Adopted	The Board Statement on Internal Controls given on page 45 complies with the contents in Annexure K of the code.



## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>D.3 Audit Committee - A Committee to review financial reporting aspects, internal controls and maintain relationship with company auditors</b>	<b>Principle – D.3</b>	<b>Adopted</b>	The Board of Abans PLC has established an Audit Committee that operates independently under specified terms of reference covering review of financial reporting aspects, internal controls and maintaining relationship with company auditors internal and external in accordance with the provisions of this Code and other regulatory requirements.
71. Audit Committee composition	Code - D.3.1	Adopted	The Committee met 05 times during the year. The names of members forming the Audit Committee, their participation level, secretary, and invitees of the Committee are disclosed on page 49.
72. Reviewing objectivity, effectiveness and independence of External Auditors	Code - D.3.2	Adopted	As disclosed in Audit Committee Report, the Audit Committee in keeping to it terms of reference monitors the objectivity, effectiveness and independence of the External Auditor of the company
73. Terms of reference of the Audit Committee	Code - D.3.3	Adopted	The Board approved written terms of reference governs all activities of Audit Committee. The Terms of Reference have been drawn after giving due reference the “Code of Best Practices on Audit Committee”
<b>D.4 Code of Business Conduct &amp; ethics</b>	<b>Principle – D.4</b>	<b>Adopted</b>	High standards in business conduct and ethics is an integral part of Abans PLC’s culture. In keeping to Abans PLC’s practiced value system, an organisation wide human resource policy document is in place which defines clear HR policies and procedures to employee.
75. Compliance to requirements on business conduct and ethics	Code D.4.1	Adopted	The HR division has devised a formal document incorporating human resources procedures including aspects on employee conduct.
76. Affirmation by Chairperson that no individual has violated business conduct and ethical requirements of the company	Code D.4.2	Adopted	The Chairperson’s affirmation that she is not aware of any violations to requirements of the company on specified business conduct and ethics is given in the “Chairperson’s review” on pages 6 to 9.
D.5 Corporate Governance disclosure	Principle D.5	Adopted	Abans PLC Board of Directors upholds adopting sound corporate governance practices, while improving the overall governance year on year.
77. Disclosure on Corporate Governance	Code – D.5.1	Adopted	Abans PLC’s Corporate Governance report of FY 2015/16 provides a comprehensive disclosure on the company’s corporate governance framework and practices indicating Code of best practices on corporate governance issued in 2013.

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
<b>Section 2 :</b>			
<b>Shareholders</b>			
<b>E1. Institutional Investors</b>	<b>Principle E.1</b>	<b>N/A</b>	<b>Abans PLC shareholder base comprises only individual investors.</b>
78. Constructive dialog between shareholders and company.	Code – E.1.1	Adopted	The Company obtained Debt listing status in Colombo Stock Exchange, Main Board since 2013. Being the communication agent, the Board Chairperson performs a crucial role to communicate the opinions and views of shareholders to both Board and corporate management concisely.
<b>E.2 Evaluation of Governance Disclosure</b>	<b>Principle E.2</b>	<b>Adopted</b>	Matters relating to governance are communicated effectively to all shareholders via the Annual Report and through AGM as disclosed in above Code E.1.1, views and other material matters of shareholders are subsequently taken up at Board meetings as necessary.
<b>F. Other Investors</b> F.1 Individual shareholders	<b>Principle- F.1</b>	<b>Adopted</b>	Annual report of Abans PLC comprises adequate information for prospective investors to carryout thorough analysis of the company. Further Abans PLC publishes accounts in the CSE website on quarterly basis so that retail investors could make judgment of the performance of the company on an ongoing basis.
F.2 Shareholder voting	<b>Principle- F.2</b>	<b>Adopted</b>	Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights.
<b>G .Sustainability Reporting</b>	<b>Principle- G.1</b>	<b>Adopted</b>	Being a responsible corporate citizen Abans PLC believes in meeting most of our responsibilities towards key stakeholder namely; shareholders, customers, employees, suppliers and the community in the optimal way through our business activities, more from a long term perspective.
79. Economic Sustainability	G.1.1	Adopted	The economic sustainability is provided in page 07 under “Performance of Our Companies” in the Chairperson’s Message Section and Statement of Value added is given in page 138.
80. Environmental Sustainability	G.1.2	Adopted	Abans initiatives on environmental practices are given in page 08 under “Growing Sustainability” in the Chairperson’s Message Section.
81. Labour practices	G.1.3	Adopted	A comprehensive disclosure on labour practices is provided in pages 37 to 42 under “Human Resource Management” in Management Discussion and Analysis.

## CORPORATE GOVERNANCE

Corporate Governance Principles	Reference to SEC & ICASL Code	Adoption Status	Extent of Adoption (2015/2016 )
82. Society governance disclosures	G.1.4	Adopted	A disclosure on Social practices is provided in page 43 under “Corporate Social Responsibility” in Management Discussion and Analysis.
83. Product responsibility disclosures	G.1.5	Adopted	A disclosure of product responsibility practices is provided in page 36 under “Customer Engagement” Management Discussion and Analysis.
84. Stakeholder identification, engagement, and effective communication	G.1.6	Adopted	Stakeholder identification, engagement and effective communication: Please refer page 53 for details of engagement practices with the shareholders, customers, government, employees, suppliers and the community at large.
85. Formalised Sustainability Reporting Process.	G.1.7	Not Adopted	

# FINANCIAL REPORTS



“HAPPINESS IS BEING ABLE TO MAKE DELICIOUS FOOD FOR MY CHILDREN, JUST LIKE MY MOTHER USED TO MAKE FOR ME. THEIR CHOICE WAS ABANS AND SO IS MINE.”



# FINANCIAL INFORMATION

Independent Auditor's Report	69
Statement of Profit or Loss	70
Statement of Other Comprehensive Income	71
Statements of Financial Position	72
Statement of Changes in Equity	74
Statement of Cash Flows	75
Notes to the Financial Statements	77

# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF ABANS PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Abans PLC, (“the Company”), and the consolidated financial statements of the Company and its subsidiaries (“Group”), which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (set out on pages 77 to 136).

### 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 controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's 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 auditor's 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 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, 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 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
  - ▶ the financial statements of the Company and the Group and comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

08 August 2016  
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



## STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group		Company	
		2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Continuing Operations</b>					
Revenue	5.1	34,933,245,274	30,082,217,757	27,501,593,009	25,030,345,580
Cost of Sales		(24,173,581,123)	(21,565,435,105)	(19,340,460,685)	(18,463,726,814)
Gross Profit		10,759,664,151	8,516,782,652	8,161,132,324	6,566,618,766
Other Operating Income	5.2	247,614,896	292,360,320	235,537,658	311,321,674
Selling & Distribution Expenses		(4,233,641,878)	(3,225,612,993)	(3,522,305,279)	(2,603,833,657)
Administrative Expenses		(4,129,045,695)	(3,935,006,028)	(2,857,515,893)	(2,787,213,669)
Operating Profit		2,644,591,474	1,648,523,951	2,016,848,810	1,486,893,114
Finance Cost	5.3	(1,050,908,089)	(1,045,891,861)	(1,028,823,131)	(1,022,995,330)
Finance Income	5.4	65,768,752	191,418,624	62,703,720	189,360,610
Share of Associates' Profits	15	60,279,671	42,950,354	-	-
Share of Joint Venture's Loss	16	(75,455,796)	(45,274,224)	-	-
<b>Profit before Income Tax and Value Added Tax on</b>					
<b>Financial Services from Continuing Operations</b>		1,644,276,012	791,726,844	1,050,729,399	653,258,394
Value Added Tax on Financial Services		(33,742,312)	(25,468,054)	(2,884,772)	(2,722,882)
Income Tax Expense	6.1	(510,898,173)	(205,056,915)	(322,316,714)	(215,163,027)
<b>Discontinued Operations</b>					
Profit for the Year from Discontinued Operation	31	-	15,750,000	-	-
<b>Profit for the Year</b>		<b>1,099,635,527</b>	<b>576,951,875</b>	<b>725,527,913</b>	<b>435,372,485</b>
<b>Attributable to:</b>					
Equity Holders of the Parent		1,087,444,834	564,835,785	725,527,913	435,372,485
Non-Controlling Interest		12,190,693	12,116,090	-	-
		1,099,635,527	576,951,875	725,527,913	435,372,485
<b>Earnings Per Share</b>					
Profit for the Year Attributable to					
Ordinary Equity Holders of the Parent	7	497.69	258.51	332.05	199.26
<b>Earnings Per Share for Continuing Operations</b>					
Profit for the Year Attributable to					
Ordinary Equity Holders of the Parent	7	497.69	251.30	332.05	199.26

The accounting policies and notes on pages 77 through 136 form an integral part of the financial statements.

## STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March	Note	Group		Company	
		2016 LKR	2015 LKR	2016 LKR	2015 LKR
Profit for the Year		1,099,635,527	576,951,875	725,527,913	435,372,485
<b>Other Comprehensive Income</b>					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods :					
Gain/(Loss) on Available for Sale Financial Assets		(130,255)	4,763,566	-	-
<b>Net Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods</b>		(130,255)	4,763,566	-	-
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods :					
Revaluation Gain	8	96,760,807	-	89,854,882	-
Actuarial Gains/(Losses) on Defined Benefit Plans	27.2	11,790,362	(1,801,299)	8,778,935	3,375,345
Actuarial Losses from Associate	15.2	(220,637)	(2,282,471)	-	-
Tax Effect	6.2	(10,675,853)	97,327	(8,064,509)	(945,097)
<b>Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods</b>		97,654,679	(3,986,443)	90,569,308	2,430,248
<b>Other Comprehensive Income for the Year, Net of Tax</b>		97,524,424	777,123	90,569,308	2,430,248
<b>Total Comprehensive Income for the Year, Net of Tax</b>		1,197,159,951	577,728,998	816,097,221	437,802,733
<b>Attributable to:</b>					
Equity Holders of the Parent		1,184,232,494	563,815,251	816,097,221	437,802,733
Non-Controlling Interest		12,927,457	13,913,747	-	-
		1,197,159,951	577,728,998	816,097,221	437,802,733

The accounting policies and notes on pages 77 through 136 form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 March 2016	Note	Group		Company	
		2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	8	1,216,234,279	1,021,708,483	1,041,696,453	919,043,603
Prepaid Lease Rental	9	257,373,737	260,000,000	257,373,737	260,000,000
Investment Properties	10	23,854,597	25,252,210	23,854,597	25,252,210
Lease Rentals Receivable and Stock Out on Hire	11	1,872,280,011	1,643,410,169	-	-
Intangible Assets	12	56,671,257	134,128,101	37,498,683	123,809,786
Investments in Subsidiaries	13	-	-	466,173,511	466,173,511
Investments in an Associate	15	342,739,493	307,043,712	30,752,197	30,752,197
Investments in a Joint Venture	16	2,055,169,194	1,736,208,070	2,198,216,870	1,803,799,950
Other Financial Assets	17	33,026,949	150,676,484	16,578,568	16,789,700
Deferred Tax Assets	6.4	374,251,906	287,889,493	275,368,855	204,587,498
Trade and Other Receivables	18	677,210,253	339,895,595	-	-
		6,908,811,676	5,906,212,317	4,347,513,471	3,850,208,455
<b>Current Assets</b>					
Inventories	19	10,365,724,961	8,688,659,973	8,716,690,228	7,033,963,561
Trade and Other Receivables	18	11,542,692,280	10,688,028,573	9,776,239,487	9,974,478,184
Lease Rentals Receivable and Stock Out on Hire	11	1,723,971,768	1,259,875,081	-	-
Income Tax Receivables		4,584,793	4,641,546	-	-
Other Financial Assets	17	257,008,792	362,179,092	11,240,814	8,105,005
Securities Purchased under Repurchase Agreement	20	630,158,530	426,888,521	-	-
Cash and Short Term Deposits	21	806,268,158	758,088,398	663,688,713	614,002,427
		25,330,409,282	22,188,361,184	19,167,859,242	17,630,549,177
<b>Total Assets</b>		<b>32,239,220,958</b>	<b>28,094,573,501</b>	<b>23,515,372,713</b>	<b>21,480,757,632</b>

## STATEMENTS OF FINANCIAL POSITION

As at 31 March 2016	Note	Group		Company	
		2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	22	218,500,000	218,500,000	218,500,000	218,500,000
Other Component of Equity	23	457,158,336	352,706,442	399,048,767	314,800,292
Retained Earnings		6,363,505,389	5,417,740,673	4,571,761,088	3,971,992,342
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>7,039,163,725</b>	<b>5,988,947,115</b>	<b>5,189,309,855</b>	<b>4,505,292,634</b>
Non-Controlling Interests		133,916,025	119,056,474	-	-
<b>Total Equity</b>		<b>7,173,079,750</b>	<b>6,108,003,589</b>	<b>5,189,309,855</b>	<b>4,505,292,634</b>
<b>Non-Current Liabilities</b>					
Interest Bearing Borrowings	25	3,167,783,211	4,148,613,753	3,154,402,157	4,125,083,728
Warranty Provision	26	313,863,057	277,776,277	269,748,307	237,248,368
Employee Benefits Liabilities	27	236,796,414	217,662,634	149,772,204	141,801,533
Trade and Other Payables	28	1,697,858,803	1,106,703,668	-	-
		5,416,301,485	5,750,756,332	3,573,922,668	4,504,133,629
<b>Current Liabilities</b>					
Trade and Other Payables	28	9,390,126,784	8,811,276,713	5,136,817,454	5,409,861,280
Income Tax Liabilities		403,429,392	93,248,304	265,419,967	44,718,023
Interest Bearing Borrowings	25	9,856,283,547	7,331,288,563	9,349,902,769	7,016,752,066
		19,649,839,723	16,235,813,580	14,752,140,190	12,471,331,369
<b>Total Equity and Liabilities</b>		<b>32,239,220,958</b>	<b>28,094,573,501</b>	<b>23,515,372,713</b>	<b>21,480,757,632</b>

These Financial Statements are in compliance with the requirements of the Companies Act No :07 of 2007.



**Chandima Bandara**  
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 by.



**Rusi Pestonjee**  
Director



**Saroshi Dubash**  
Director

The accounting policies and notes on pages 77 through 136 form an integral part of the financial statements.

8<sup>th</sup> August 2016  
Colombo

## STATEMENT OF CHANGES IN EQUITY

Group	Attributable to the Equity Holders of the Parent					Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Other Reserves	Retained Earnings	Total		
Year ended 31 March 2016	LKR	LKR	LKR	LKR	LKR	LKR	LKR
<b>Balance as at 01 April 2014</b>	218,500,000	307,385,292	49,098,126	4,850,148,446	5,425,131,864	105,142,727	5,530,274,591
Net Profit for the Year	-	-	-	564,835,785	564,835,785	12,116,090	576,951,875
Other Comprehensive Income	-	-	116,266	(1,136,800)	(1,020,534)	1,797,657	777,123
Transfers to/(from) During the year	-	-	(3,893,242)	3,893,242	-	-	-
<b>Balance as at 31 March 2015</b>	218,500,000	307,385,292	45,321,150	5,417,740,673	5,988,947,115	119,056,474	6,108,003,589
Net Profit for the Year	-	-	-	1,087,444,834	1,087,444,834	12,190,693	1,099,635,527
Other Comprehensive Income	-	88,479,045	(116,266)	8,424,881	96,787,660	736,764	97,524,424
Dividends	-	-	-	(132,080,000)	(132,080,000)	(3,791)	(132,083,791)
Transfers to/(from) During the year	-	-	16,089,115	(18,025,000)	(1,935,885)	1,935,885	-
<b>Balance as at 31 March 2016</b>	218,500,000	395,864,337	61,293,999	6,363,505,389	7,039,163,725	133,916,025	7,173,079,750

Company	Stated Capital	Other Reserves	Revaluation Reserve	Retained Earnings	Total
	LKR	LKR	LKR	LKR	LKR
Balance as at 01 April 2014	218,500,000	7,415,000	307,385,292	3,534,189,609	4,067,489,901
Net Profit for the Year	-	-	-	435,372,485	435,372,485
Other Comprehensive Income	-	-	-	2,430,248	2,430,248
<b>Balance as at 31 March 2015</b>	218,500,000	7,415,000	307,385,292	3,971,992,342	4,505,292,634
Net Profit for the Year	-	-	-	725,527,913	725,527,913
Other Comprehensive Income	-	-	84,248,475	6,320,833	90,569,308
Dividends	-	-	-	(132,080,000)	(132,080,000)
<b>Balance as at 31 March 2016</b>	218,500,000	7,415,000	391,633,767	4,571,761,088	5,189,309,855

The accounting policies and notes on pages 77 through 136 form an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group		Company	
		2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Cash Flows from/(used in) Operating Activities</b>					
Profit before Tax from Continuing Operation		1,644,276,012	791,726,844	1,050,729,399	653,258,394
Profit before Tax from Discontinued Operation	31	-	15,750,000	-	-
		1,644,276,012	807,476,844	1,050,729,399	653,258,394
<b>Adjustments for:</b>					
Depreciation - Property Plant & Equipment	8	118,359,910	104,629,757	92,246,425	93,701,824
Depreciation - Investments Property	10	1,397,613	1,397,612	1,397,613	1,397,612
Amortisation of Intangible Assets & prepaid Rent		91,688,264	89,583,167	89,945,713	84,976,134
Fair Value of Quoted Shares		17,519,280	(5,053,213)	211,132	(99,680)
Impairment of Property Plant & Equipment	8	12,797,326	-	8,020,500	-
Income from Investments		(9,274,340)	(99,206,478)	(23,042,590)	(99,987,284)
(Profit)/Loss on Disposal of Assets		(6,845,895)	197,703	(8,345,024)	(13,786,661)
Finance Costs	5.3	1,050,908,089	1,045,891,861	1,028,823,131	1,022,995,330
Share of Associate (Profit)	15	(60,279,671)	(42,950,354)	-	-
Share of Loss from Joint Venture	16	75,455,796	45,274,224	-	-
Provision for Warranty	26	286,660,938	247,935,793	242,118,928	200,170,870
Employee Benefit Obligation Transferred	27	-	(1,909,849)	910,000	(51,233,531)
Provision for Employee Benefits Liabilities	27	47,051,278	42,557,414	28,799,511	27,676,455
<b>Operating Profit before Working Capital Changes</b>		<b>3,269,714,600</b>	<b>2,235,824,481</b>	<b>2,511,814,738</b>	<b>1,919,069,463</b>
(Increase)/Decrease in Inventories		(1,677,064,988)	(246,028,764)	(1,682,726,666)	85,692,993
(Increase)/Decrease in Trade and Other Receivables		(1,884,944,894)	(935,313,560)	198,238,697	127,015,796
Increase/(Decrease) in Trade and Other Payables		1,170,005,206	1,167,415,290	(273,043,826)	(540,213,355)
<b>Cash Generated from Operations</b>		<b>877,709,924</b>	<b>2,221,897,447</b>	<b>754,282,943</b>	<b>1,591,564,897</b>
Finance Cost Paid	5.3	(1,050,908,089)	(1,045,891,861)	(1,028,823,131)	(1,022,995,330)
Employee Benefits Liabilities Paid	27	(16,127,136)	(8,024,414)	(12,959,905)	(7,092,414)
Repair Charges Paid	26	(250,574,158)	(208,430,571)	(209,618,989)	(200,156,236)
Income Tax Paid		(312,565,120)	(104,992,887)	(183,345,409)	(54,865,323)
<b>Net Cash Flows from/(used in) Operating Activities</b>		<b>(752,464,579)</b>	<b>854,557,714</b>	<b>(680,464,491)</b>	<b>306,455,594</b>



## STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group		Company	
		2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Cash Flows from / (Used in) Investing Activities</b>					
Acquisition of Property, Plant and Equipment	8	(229,401,590)	(172,128,074)	(146,480,119)	(113,208,405)
Acquisition of Leasehold Right	9	-	(260,000,000)	-	(260,000,000)
Acquisition of Intangible Assets	12	(11,605,157)	(24,039,636)	(1,008,347)	(18,455,009)
Proceeds from Sale of Property, Plant and Equipment		26,439,826	4,361,160	21,760,250	55,054,895
(Acquisition)/Proceeds From Other Investments		205,300,555	(220,696,299)	(3,135,809)	(540,314)
Dividend Received		14,761,804	104,693,942	23,042,590	99,987,284
Profit/(Loss) on Available for Sale Financial Assets		(130,255)	4,763,566	-	-
Investments in Subsidiaries	13	-	-	-	(950)
Investments In Joint Ventures	16	(394,416,920)	(461,000,000)	(394,416,920)	(461,000,000)
Securities Purchased under Repurchase Agreement	20	(203,270,009)	(157,891,198)	-	-
<b>Net Cash Flows Used in Investing Activities</b>		<b>(592,321,746)</b>	<b>(1,181,936,539)</b>	<b>(500,238,355)</b>	<b>(698,162,499)</b>
<b>Cash Flows from/(used in) Financing Activities</b>					
Increase/(Decrease) in Import Financing Loans		544,442,745	1,909,869,072	544,442,745	1,909,869,072
Proceeds From Interest Bearing Borrowings		10,034,568,215	5,245,792,600	9,481,978,408	5,088,756,923
Repayment of Interest Bearing Borrowings		(10,132,245,269)	(2,751,286,135)	(9,678,863,189)	(2,608,038,792)
Proceeds/(Payment) from other Bearing Borrowings		956,432,418	(4,229,178,025)	917,125,597	(4,106,917,784)
Payment/(Obtained) under Finance Lease Liabilities		(9,086,035)	(7,593,803)	(7,556,728)	(7,593,803)
Dividends Paid		(132,083,791)	-	(132,080,000)	-
<b>Net Cash Flows from Financing Activities</b>		<b>1,262,028,283</b>	<b>167,603,709</b>	<b>1,125,046,833</b>	<b>276,075,616</b>
<b>Net Increase/(Decrease) in Cash and Short Term Deposits</b>		<b>(82,758,042)</b>	<b>(159,775,116)</b>	<b>(55,656,013)</b>	<b>(115,631,289)</b>
<b>Cash and Short Term Deposits at the beginning of the Year</b>	21	<b>527,327,034</b>	<b>687,102,150</b>	<b>482,686,214</b>	<b>598,317,503</b>
<b>Cash and Short Term Deposits at the end of the Year</b>	21	<b>444,568,992</b>	<b>527,327,034</b>	<b>427,030,201</b>	<b>482,686,214</b>

The accounting policies and notes on pages 77 through 136 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

Abans PLC is a Limited Liability Company incorporated and domiciled in Sri Lanka and listed in Colombo Stock Exchange. The registered office of the Company and the principal place of business are situated at No. 498, Galle Road, Colombo 03.

### 1.2 Consolidated Financial Statements

The consolidated financial statements of Abans PLC, as at and for the year ended 31 March 2016, encompasses the Company, its subsidiaries (together referred to as the "Group") and the Group's interests in Equity Accounted investees (Associates and Joint Ventures).

### 1.3 Parent Entity

The Company does not have a parent undertaking and the shares are held by individuals. No individual shareholder has a controlling interest.

### 1.4 Approvals of Financial Statements

The Financial Statements of Abans PLC and Its Subsidiaries for the year ended 31 March 2016 were authorised for issue in accordance with a resolution of the Board of Directors on the 8th of August 2016.

### 1.5 Directors' Responsibility Statement

The Board of Directors is responsible for preparation and presentation of financial statements.

### 1.6 Principal Activities & Nature of Operations

#### Parent Company- Abans PLC

During the year, the principal activities of the Company were importing and marketing of electrical and electronic home appliances, crockery and cookware, sanitary and light fittings, a host of other household items and carrying out electro mechanical contract work.

#### Subsidiary – Abans Retail (Pvt) Ltd

The principal activities of the Company were buying and selling hire purchase sales of electrical and electronic home appliances, crockery and cookware, sanitary and light fittings, a host of other household items.

#### Subsidiary – Abans Lanka (Pvt) Ltd

The principal Activities of the Company were importing and selling of mobile phones. However the Company has suspended its operations in a previous year, due to future Group restructuring plan.

#### Subsidiary - AB Technologies (Pvt) Ltd

The principal activities of the Company were developing computer software and providing IT Related Services.

#### Subsidiary - Abans Finance PLC

During the year, the principal activities of the Company were acceptance of Deposits, granting lease facilities, Hire Purchase, Mortgage Loans and other credit facilities, Real Estate Development and related services.

#### Subsidiary - Abans Engineering (Pvt) Ltd

The principal activities of the Company providing complete range of MVAC (Mechanical, Ventilation and Air Conditioning) solution which includes supply, install, maintenance and after sales services.

#### Associate - Abans Electricals PLC

The principal activities of the Company are manufacturing and assembling household electrical and electronic appliances and providing repairs and maintenance and technical services of similar type of appliances.

#### Joint Venture - Colombo City Centre Partners (Pvt) Limited

The principle activity of the Company is to carry out mix development project.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation and Measurement

The Financial Statements have been prepared on an the historical cost basis, except for Lands and Buildings, Fair value through profit or loss financial assets, Available for sale and that have been measured at fair value and defined benefit plans which are measured at present value of retirement benefits obligation as explained in the respective notes in the financial statement.

#### 2.1.1 Statement of Compliance

The financial statements which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flows together with the Accounting Polices and notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.1.2 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

### 2.1.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or cease trading.

### 2.1.4 Presentation and Functional Currency

The financial statements are presented in Sri Lankan Rupees (LKR), the Group functional and presentation currency, which is the primary economic environment in which the Holding Company operates.

Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

### 2.1.5 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

## 2.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its Subsidiaries as at 31 March 2016. Control is achieved when the Group is exposed or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Especially, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (ie. 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 return

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual agreement with the other vote holders of the investee.
- ▶ Rights arising from other contractual agreements

- ▶ The Group's voting rights and potential voting rights

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.

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

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## 2.3 Summary of Significant Accounting Policies

### 2.3.1 Investment in an Associate and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

## NOTES TO THE FINANCIAL STATEMENTS

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over Subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the Subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or 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 associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 2.3.2 Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through Subsidiaries, is disclosed separately under the heading 'Non-controlling Interest'.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

### 2.3.3 Consolidation of Entities with Different Accounting Periods

The financial statements of all entities in the Group other than Colombo City Centre Partners (Pvt) Ltd, are prepared for a common financial year, which ends on 31 March.

Colombo City Centre Partners (Pvt) Ltd with a 31 December financial year end prepares for consolidation purpose, additional financial information as of the same date as the financial statements of the parent.

### 2.3.4 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
  - ▶ Held primarily for the purpose of trading
  - ▶ Expected to be realised within twelve months after the reporting period
- Or
- ▶ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

## NOTES TO THE FINANCIAL STATEMENTS

All other assets are classified as non-current.

A liability is current when:

- ▶ It is expected to be settled in the normal operating cycle
  - ▶ It is held primarily for the purpose of trading
  - ▶ It 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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.3.5 Fair Value Measurement

The Group measures financial instruments such as investment in equity securities, and non-financial assets such as land and buildings, at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- ▶ Disclosures for valuation methods, significant estimates and assumptions (Notes 3 and 29)
- ▶ Quantitative disclosures of fair value measurement hierarchy (Note 29)
- ▶ Property, plant and equipment under revaluation model (Note 8)
- ▶ Financial instruments (including those carried at amortised cost) (Note 29)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability
- Or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in Note 29.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties and significant liabilities, such as employee benefit liability.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

### 2.3.6 Revenue Recognition

Revenue is recognised 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, after eliminating sales within the Group.

## NOTES TO THE FINANCIAL STATEMENTS

The following specific criteria are used for recognition of revenue:

### 2.3.6.1 Revenue Recognition Policy of Abans Finance PLC

#### a. Interest Income and Interest Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate. Once the recorded value of a financial asset or a Group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### b. Fee and Commission Income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

##### - Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Credit related fees & commission, Service charge, Transfer Fees and other fees income. Loan commitment fees for loans that are likely to be drawn down and other

credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

#### - Dividend income

Dividend income is recognised when the right to receive the payment is established.

#### c. Net trading Income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities 'held for trading' other than interest income.

### 2.3.6.2 Revenue Recognition Policy Other than Abans Finance PLC

#### d. Sale of Goods (Normal Trading Transactions)

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyers, the 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.

#### e. Sale of Goods (Hire Purchase Transactions)

At the time of effecting hire sales, the cash sales value is recognised as sales. The unearned income is recognised as income over the term of hire purchase contract commencing from the month in which first rental is due, in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the hirer's net investment outstanding on the hire purchase.

#### f. Service Fee Income on Hire Purchase

Service Fee Income is recognised over the length of hire purchase agreement using the effective interest rate method. In the event of early termination of the Hire Purchase Contract or Cash conversion remaining deferred, service income is recognised when such contract is recognised or converted.

#### g. Rendering of Services

Revenue from rendering of services is recognised by reference to the stage of completion. Stage of completion is measured by referring to the terms and references in the construction contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Revenue



## NOTES TO THE FINANCIAL STATEMENTS

from rendering of maintenance services is recognised in the accounting period in which the services are rendered or performed.

### h. Dividend

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

### i. Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. Rental income is recognised on an accrual basis.

### j. Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other noncurrent assets, including investments, are accounted for in the statement of profit or loss, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

### k. Interest – Other

Interest Income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method.

### l. Other Income

Other income is recognised on an accrual basis.

### 2.3.7 Expenditure Recognition

Expenses are recognised in the statement of profit or loss 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 the statement of profit or loss.

### 2.3.8 Finance Costs

Finance costs comprise interest expense on borrowings and financial leases that are recognised in the statement of profit or loss. The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of

the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

### 2.3.9 Taxes

#### Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- ▶ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability

## NOTES TO THE FINANCIAL STATEMENTS

in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Sales Tax

Expenses and assets are recognised net of the amount of sales tax, except:

- ▶ When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ▶ When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### VAT on Financial Services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto.

### 2.3.10 Foreign Currencies

The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency.

### Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

### 2.3.11 Discontinued Operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional information are provided in Note 31.

All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.3.12 Property, Plant and Equipment

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Plant and equipment, construction in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing component parts of the Property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

A transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are disclosed in Note 8.11

An item of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the statement of profit or loss in the year the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 2.3.13 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### *Group as Lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance lease assets are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Prepayments that are classified as operating leases over land is disclosed as non-current assets in the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

### **Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'Lease rentals receivables and stock out on hire'. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

### **2.3.14 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **2.3.15 Investment Properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses. Such cost include the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the

fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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 using Group accounting policy for property, plant and equipment.

### **2.3.16 Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

## NOTES TO THE FINANCIAL STATEMENTS

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

### 2.3.17 Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 2.3.17.1 Financial Assets

##### a) Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### b) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at fair value through profit or loss
- ▶ Loans and receivables
- ▶ Held-to-maturity investments
- ▶ AFS financial assets

#### **Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not

designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the other income in the statement of profit or loss.

The Group's financial assets at fair value through profit or loss include investments made in quoted equity securities.

#### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

#### **Held-to-Maturity Investments**

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

#### **Available-for-Sale Financial Investments**

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

## NOTES TO THE FINANCIAL STATEMENTS

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

### c) De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- ▶ The rights to receive cash flows from the asset have expired
- Or
- ▶ The Group 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
  - (a) the Group has transferred substantially all the risks and rewards of the asset,
  - or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### d) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an 'incurred' loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### *Financial Assets Carried at Amortised Cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.



## NOTES TO THE FINANCIAL STATEMENTS

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

### **Available-for-Sale Financial Investments**

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair values has been below its original cost.

Where there is evidence of impairment, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss-is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

### **2.3.17.2 Financial Liabilities**

#### **a) Initial Recognition and Measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantees contracts, and derivative financial instruments.

#### **b) Subsequent Measurement**

The measurement of financial liabilities depends on their classification as follows:

#### **Financial Liabilities at Fair Value Through Profit or Loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognised in the statement of profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

### **Loans and Borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

#### **c) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **2.3.17.3 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **2.3.17.4 Fair Value of Financial Instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- ▶ Using recent arm's length market transactions;
- ▶ Reference to the current fair value of another instrument that is substantially the same;
- ▶ A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

### **2.3.17.5 Collaterals**

#### **a) Collateral Valuation**

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, gold, real estate, receivables, other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

Non-financial collateral, such as real estate, is valued based on data provided by third parties such as Independent values and other independent sources.

#### **b) Collateral Repossessed**

The Company's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant Asset category at the lower of their repossessed value or the carrying value of the original secured asset.

#### **c) Renegotiated Loans**

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and

## NOTES TO THE FINANCIAL STATEMENTS

the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to a criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

### 2.3.17.6 Repurchase Agreement

Securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial liabilities held for trading' and measured at fair value with any gains or losses included in 'Net trading income'.

### 2.3.18 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the Following cost formulae:-

Finished Goods	- First in First Out Basis
Work-in-Progress	- At the cost of direct materials, direct labor and an appropriate proportion of fixed production overheads based on normal operating capacity.
Goods in Transits	- At Purchase Price

### 2.3.19 Real Estate Stock

Real estate stock comprises all costs of purchase, cost of conversion and other costs incurred in bringing the real estate to its saleable condition.

Purchase Cost	- Land Cost with legal charges
Cost of Conversion	- Actual Development Cost

### 2.3.20 Impairment of Non Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of asset's or cash generating units (CGU) fair value less costs to sell and its value in use.

It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded Subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income.

In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in

## NOTES TO THE FINANCIAL STATEMENTS

the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.3.21 Cash and Short-Term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and short term deposits consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 2.3.22 Provisions

#### General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. The sale provision is estimated to be 1% of sales by the management based on their past practice.

#### Warranty Provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated possibilities. This represents a general provision for future warranty expenses on sales up to the end of the financial period based on past trend for warranty claims.

### 2.3.23 Employee Benefits

#### 2.3.23.1 Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Group measure the cost of defined benefit plan-gratuity; every financial year using the Projected Unit Credit Method, as recommended by LKAS 19 – Employee Benefits, with the advice of an actuary.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 27.3. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 - Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

Actuarial gains and losses are recognised in the statement of other comprehensive income (OCI) in the period in which it arises.

The item is stated under Employee Benefit Liability in the statement of financial position.

This is not an externally funded defined benefit plan.

#### 2.3.23.2 Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

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.

## NOTES TO THE FINANCIAL STATEMENTS

Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contribution funds in line with respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

### 2.3.24 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Indirect Method"

Interest paid is classified as operating cash flow. Dividend received and investments in joint venture are classified as cash flows from operating activities. Dividend paid are classified as financing cash flows.

### 2.4 Effect of Accounting Standards Issued But Not Yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

#### 2.4.1 SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### 2.4.2 SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing

revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9, and SLFRS 15 is not reasonably estimable as of the reporting date.

The following Standards, amendments and improvements are not expected to have a significant impact on the Company's/Group's financial statements.

- ▶ SLFRS 14 -Regulatory Deferral Accounts
- ▶ Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11).
- ▶ Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38).
- ▶ Equity Method in Separate Financial Statements (Amendments to LKAS 27).
- ▶ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28).
- ▶ Annual Improvements to SLFRS 2012–2014 Cycle – various standards.
- ▶ Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- ▶ Disclosure Initiative (Amendments to LKAS 1).

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the accounting policies, management has made following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### **Revaluation of Property, Plant and Equipment**

The Group carries land and buildings at revalued amounts with changes in fair value being recognised in OCI. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

### **Impairment of Loans and Advances**

The Company reviews their individually significant loans and advances at each date of statement-of-financial position to assess whether an impairment loss should be recorded in the Statement of profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance. Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in Groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates, exchange rates).

Further details about impairment of loans and advances are given in Note 11.

### **Impairment of Non-Financial Assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted

cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

### **Defined Benefit Plans**

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currency consistent with the currency of the post-employment benefit obligation, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

Further details about defined benefit obligations are given in Note 27.

### **Deferred Tax**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

### **Transfer Pricing**

The Group is subject to income taxes and other taxes including transfer pricing regulations. Management has used its judgement on the application of such laws and regulations aspects including but not limited to identifying associated undertaking, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.



## NOTES TO THE FINANCIAL STATEMENTS

### **Useful Lives of Property, Plant and Equipment**

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date; judgment by management is exercised in the estimation of these values, rates and methods.

### **4. 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 Group's other components. All operating segments' operating results are reviewed regularly by the Chairman to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### **Segment Information**

For management purposes, the Group is organised into business units based and services and has three reportable segments, as follows.

#### **Trading**

This segment includes importing and marketing of electrical and electronic home appliances, crockery and cookware, sanitary and light fittings, a host of other household items and carrying out electro mechanical contract work.

#### **Engineering Services**

Engineering services includes Air conditioning installation on providing complete range of MVAC (Mechanical, Ventilation and Air Conditioning) solution which includes supply, install, maintenance and after sales services.

#### **Financial Services**

The Financial Services segment provide services such as, acceptance of deposits, granting lease facilities, hire purchase, mortgage loans and other credit facilities, real estate development and related services.

## NOTES TO THE FINANCIAL STATEMENTS

## Segmental Information

	Trading		Engineering Services		Financial Services		Group	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Revenue	31,753,592,318	27,607,920,111	1,879,369,545	1,526,907,920	1,300,283,411	947,389,726	34,933,245,274	30,082,217,757
Segment Results (Operating Profit)	2,365,395,523	1,422,225,808	118,526,595	117,664,814	160,669,356	108,633,329	2,644,591,474	1,648,523,951
Finance Costs	(1,024,548,170)	(1,019,492,256)	(26,359,919)	(26,399,605)	-	-	(1,050,908,089)	(1,045,891,861)
Finance Income	65,768,752	191,418,624	-	-	-	-	65,768,752	191,418,624
Share of Associates Profits	60,279,671	42,950,354	-	-	-	-	60,279,671	42,950,354
Share of Joint Venture Loss	(75,455,796)	(45,274,224)	-	-	-	-	(75,455,796)	(45,274,224)
Profit before Income Tax	1,391,439,980	591,828,306	92,166,676	91,265,209	160,669,356	108,633,329	1,644,276,012	791,726,844
VAT on Financial Services	(3,553,851)	(14,344,111)	-	-	(30,188,461)	(11,123,943)	(33,742,312)	(25,468,054)
Income Tax Expense	(457,207,593)	(171,840,687)	(13,334,350)	(8,508,409)	(40,356,230)	(24,707,819)	(510,898,173)	(205,056,915)
Profit for the year	930,678,536	405,643,508	78,832,326	82,756,800	90,124,665	72,801,567	1,099,635,527	561,201,875
<b>Assets and Liabilities</b>								
Non Current Assets	2,297,082,801	2,350,047,682	178,431,506	149,908,175	4,433,297,369	3,406,256,460	6,908,811,676	5,906,212,317
Current Assets	21,313,768,054	19,180,130,060	2,301,229,355	1,640,363,487	1,715,411,873	1,367,867,637	25,330,409,282	22,188,361,184
<b>Total Assets</b>	<b>23,610,850,855</b>	<b>21,530,177,742</b>	<b>2,479,660,861</b>	<b>1,790,271,662</b>	<b>6,148,709,242</b>	<b>4,774,124,097</b>	<b>32,239,220,958</b>	<b>28,094,573,501</b>
Non-Current Liabilities	3,503,635,655	4,293,274,277	199,557,688	183,453,144	1,713,108,142	1,274,028,911	5,416,301,485	5,750,756,332
Current Liabilities	14,629,295,424	12,244,554,009	1,199,468,300	1,016,034,556	3,821,075,999	2,975,225,015	19,649,839,723	16,235,813,580
<b>Total Liabilities</b>	<b>18,132,931,079</b>	<b>16,537,828,286</b>	<b>1,399,025,988</b>	<b>1,199,487,700</b>	<b>5,534,184,141</b>	<b>4,249,253,926</b>	<b>25,066,141,208</b>	<b>21,986,569,912</b>
<b>Other Disclosures</b>								
Amortisation of Intangible Assets	87,570,284	84,976,134	-	-	1,491,717	4,607,033	89,062,001	89,583,167
Depreciation for the Year	89,285,406	79,167,643	19,055,223	19,055,223	11,416,894	7,804,503	199,757,523	106,027,369
Purchase of Property, Plant and Equipment	188,043,290	339,089,194	-	76,312,493	60,472,866	16,726,387	248,516,156	432,128,074
Purchase of Intangible Assets	4,745,627	18,532,242	-	-	6,859,530	5,507,394	11,605,157	24,039,636
Provision for Employee Benefit Liability	32,588,467	34,990,788	5,339,956	4,763,418	9,122,855	2,803,208	47,051,278	42,557,414
Deferred Tax Assets	311,250,143	265,050,026	1,582,227	4,393,317	61,419,536	18,446,150	374,251,906	287,889,493

# NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE/OTHER INCOME AND EXPENSES

### 5.1 Revenue

Year ended 31 March	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Gross Revenue	35,247,572,135	30,357,798,921	27,771,075,175	25,264,873,710
Less: Nation Building Tax	(314,326,861)	(275,581,164)	(269,482,166)	(234,528,130)
Revenue	34,933,245,274	30,082,217,757	27,501,593,009	25,030,345,580

### 5.2 Other Operating Income

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Income from Other Investments	9,202,318	99,206,478	23,042,590	99,987,284
Commission Income	143,297,107	115,892,416	109,696,558	93,106,010
Rent Income	11,852,072	27,242,006	9,018,422	25,142,006
Sundry Income	63,723,288	41,430,190	51,482,238	33,354,653
Fixed Assets Hiring Income	-	-	23,076,654	21,654,607
Investment Disposal Income	1,326,247	-	-	15,750,000
Profit/(Loss) from Disposal of Assets	6,845,895	(197,703)	8,345,024	13,786,661
Fines and Surcharges	11,367,969	8,786,933	10,876,172	8,540,453
	247,614,896	292,360,320	235,537,658	311,321,674

### 5.3 Finance Cost

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Interest Expense on Overdrafts	10,205,412	9,386,040	4,368,541	4,610,476
Interest Expense on Borrowings	561,638,337	686,766,864	545,978,144	668,645,897
Finance Charges on Lease Liabilities	2,220,118	1,234,203	1,632,224	1,234,203
Debenture Interest	476,844,222	348,504,754	476,844,222	348,504,754
	1,050,908,089	1,045,891,861	1,028,823,131	1,022,995,330

## NOTES TO THE FINANCIAL STATEMENTS

## 5.4 Finance Income

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Interest Income on Debtors	33,333,149	66,255,429	33,333,149	66,255,429
Interest Income on staff Loans	1,403,035	1,430,239	1,403,035	1,430,239
Interest Income on Bank Deposits and Intercompany	31,032,568	123,732,956	27,967,536	121,674,942
	65,768,752	191,418,624	62,703,720	189,360,610

## 5.5 Profit/(Loss) Before Tax

Stated after Charging / (Crediting)	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Included in Administrative Expenses</b>				
Employees Benefits including the following				
- Defined Benefit Plan Costs - Gratuity	47,051,278	42,557,414	28,799,511	27,676,455
- Defined Contribution Plan Costs - EPF & ETF	118,533,943	144,311,083	64,976,306	67,311,600
Amortisation of Intangible Assets	89,062,001	89,583,167	87,319,450	84,976,134
Depreciation	119,757,523	106,027,369	93,644,038	95,099,436
Exchange (Gains)/Losses	(9,796,596)	(10,585,388)	(12,330,326)	(11,528,047)
Auditors' Fees	2,886,425	3,025,598	1,499,748	1,036,500
<b>Included in Selling and Distribution Expenses</b>				
Employees Benefits including the following				
- Defined Contribution Plan Costs - EPF & ETF	271,744,313	185,964,180	229,734,914	185,964,180
Transport Costs	31,829,118	21,178,664	31,812,768	21,171,014
Advertising Costs	435,322,105	414,582,742	355,795,978	308,927,020

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INCOME TAX

### 6.1 Statement of Profit or Loss

LKR	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015
<b>Current Income Tax:</b>				
Current Tax Expense for the Year (Note 6.3)	587,304,702	247,567,205	399,799,900	177,506,056
Under/(Over) Provision of Current Taxes in respect of Prior Years	(300,413)	22,131,142	(693,681)	22,131,142
Expenses on Assessments	2,056,361	-	2,056,361	-
Share of Taxes of Associate	18,875,789	1,646,434	-	-
<b>Deferred Tax:</b>				
Deferred Taxation Charge/(Reversal)	(97,038,266)	(66,287,866)	(78,845,866)	15,525,830
<b>Income Tax Expense Reported in the Statement of Profit or Loss</b>	<b>510,898,173</b>	<b>205,056,915</b>	<b>322,316,714</b>	<b>215,163,027</b>
<b>6.2 Statement of Other Comprehensive Income</b>				
<b>Deferred Tax Related to Items Charged or Credited to Other Comprehensive Income:</b>				
Revaluation Gain	7,540,066	-	5,606,407	-
Actuarial Gain/(Loss) on Retirement Benefit Plans	3,135,787	(97,327)	2,458,102	945,097
Income Tax Charged Directly to Other Comprehensive Income	10,675,853	(97,327)	8,064,509	945,097

### 6.3 Reconciliation between Current Tax Expense/(Income) and the Product of Accounting Profit.

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Accounting Profit (Profit before Tax )	1,678,018,324	817,194,898	1,053,614,171	655,981,276
Less: Value Added Tax on Financial Statement	(33,742,312)	(25,468,054)	(2,884,772)	(2,722,882)
	1,644,276,012	791,726,844	1,050,729,399	653,258,394
Aggregate Disallowed Items	818,683,655	730,186,217	738,076,179	585,065,110
Aggregate Allowable Expenses	(1,918,094,563)	(1,194,787,032)	(335,037,994)	(326,616,580)
Income not Subject to Tax	96,728,096	(309,003,930)	(60,758,185)	(309,003,930)
Other Sources of Income Liable for Tax	1,470,002,644	939,397,830	5,574,811	19,514,157
Taxable Profit	2,111,595,845	957,519,929	1,398,584,210	622,217,151
Total Assessable Income	1,469,229,089	748,835,538	1,469,229,089	748,835,538
Tax Loss Utilised	-	(149,495,836)	-	(107,213,366)
	1,469,229,089	599,339,702	1,469,229,089	641,622,172
Construction & Export	12%	11,723,959	12,803,271	246,452
Other	28%	575,580,743	234,763,934	399,553,448
	587,304,702	247,567,205	399,799,900	177,506,056

# NOTES TO THE FINANCIAL STATEMENTS

## 6.4 Reconciliation of Net Deferred Tax Asset

2016 LKR	Group		Company	
	2015 LKR	2016 LKR	2015 LKR	
Balance as at 01 April	(287,889,493)	(221,504,303)	204,587,498	221,058,425
Charge/(Release) Made during the Year	(86,362,413)	(66,385,190)	70,781,357	(16,470,927)
Balance as at 31 March	(374,251,906)	(287,889,493)	275,368,855	204,587,498

## 6.5 Deferred Tax Assets, Liabilities and Income Tax Relate to the Following:

Group	Statements of Financial Position		Statement of Other Comprehensive Income		Statement of Profit or Loss	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Deferred Tax Liability</b>						
Capital Allowances for Tax Purposes						
- Property, Plant and Equipment	65,648,040	91,990,579	-	-	(26,342,539)	11,201,409
- Intangible Assets	10,523,296	34,666,740	-	-	(24,143,444)	(18,625,915)
	76,171,337	126,657,319	-	-	(50,485,982)	(7,424,506)
<b>Deferred Tax Assets</b>						
Employee Benefits Liabilities	(62,227,372)	(57,231,835)	3,135,787	(97,327)	(8,131,324)	(5,827,818)
Warranty Provision	(87,881,656)	(78,760,631)	-	-	(9,121,025)	(12,044,735)
Inventory Provision	(78,280,801)	(73,565,129)	-	-	(4,715,672)	6,528,219
Provision for Impairment on Trade and Other Receivables	(248,542,499)	(196,982,665)	-	-	(51,559,834)	(24,426,612)
	(476,932,328)	(406,540,260)	3,135,787	(97,327)	(73,527,855)	(35,770,946)
Carried forward Tax Loss	-	(26,975,572)	-	-	26,975,572	(23,092,414)
Revaluation of Buildings	26,509,086	18,969,020	7,540,066	-	-	-
	26,509,086	(8,006,552)	7,540,066	-	26,975,572	(23,092,414)
<b>Deferred Income Tax Charge/(Reversal)</b>	-	-	-	-	(97,038,266)	(66,287,866)
<b>Net Deferred Tax Liability/(Asset)</b>	<b>(374,251,906)</b>	<b>(287,889,493)</b>	<b>10,675,853</b>	<b>(97,327)</b>		



## NOTES TO THE FINANCIAL STATEMENTS

### 6. INCOME TAX (CONTD...)

Company	Statements of Financial Position		Statement of Other Comprehensive Income		Statement of Profit or Loss	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Deferred Tax Liability</b>						
Capital Allowances for Tax Purposes						
- Property, Plant and Equipment	55,754,243	65,643,989	-	-	(9,889,746)	14,944,590
- Intangible Assets	10,499,631	34,666,740	-	-	(24,167,109)	(18,625,915)
	66,253,874	100,310,729	-	-	(34,056,855)	(3,681,325)
<b>Deferred Tax Assets</b>						
Employee Benefits Liabilities	(41,936,217)	(39,704,429)	2,458,102	945,097	(4,689,890)	8,581,857
Warranty Provision	(75,529,526)	(67,412,817)	-	-	(8,116,709)	(987,371)
Inventory Provision	(71,139,270)	(63,516,958)	-	-	(7,622,312)	16,576,392
Provision for Impairment on Trade and Other Receivables	(177,593,143)	(153,233,043)	-	-	(24,360,100)	(4,963,723)
	(366,198,156)	(323,867,247)	2,458,102	945,097	(44,789,011)	19,207,155
Revaluation of Buildings	24,575,427	18,969,020	5,606,407	-	-	-
	24,575,427	18,969,020	5,606,407	-	-	-
<b>Deferred Income Tax Charge/(Reversal)</b>	-	-	-	-	(78,845,866)	15,525,830
<b>Net Deferred Tax Liability/(Asset)</b>	(275,368,855)	(204,587,498)	8,064,509	945,097		

6.6 The deferred tax effect on undistributed reserves of subsidiaries and associate has not been recognised since the parent can control the timing of the reversal of these temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. EARNINGS/(LOSS) PER SHARE

7.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue or a share split.

The following reflects the income and share data used in the basic Earnings Per Share computations.

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Amount Used as the Numerator:</b>				
Net Profit Attributable to Ordinary Equity Holders of the Parent	1,087,444,834	564,835,785	725,527,913	435,372,485
Net Profit from Continuing Operations Attributable to Ordinary Equity Holders of the Parent	1,087,444,834	549,085,785	725,527,913	435,372,485

	Group		Company	
	2016 Number	2015 Number	2016 Number	2015 Number
<b>Number of Ordinary Shares used as the denominator:</b>				
Ordinary Shares	2,160,000	2,160,000	2,160,000	2,160,000
Non Voting Ordinary Shares	25,000	25,000	25,000	25,000
	2,185,000	2,185,000	2,185,000	2,185,000

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. PROPERTY, PLANT & EQUIPMENT

#### 8.1 Gross Carrying Amounts

Group	Balance As at 01 April 2015 LKR	Additions LKR	Disposals LKR	Transfers* LKR	Revaluation LKR	Balance As at 31 March 2016 LKR
<b>At Cost or Valuation</b>						
Land	487,341,001	28,094,075	-	-	69,832,000	585,267,076
Buildings	113,462,973	1,471,946	-	(26,936,756)	26,928,807	114,926,970
Furniture and Fittings	290,418,825	64,576,739	(61,214)	17,456,055	-	372,390,405
Office Equipment	87,128,037	14,360,029	(83,915)	-	-	101,404,151
Motor Vehicles	174,274,617	54,375,911	(30,214,447)	-	-	198,436,081
Computer Equipment	134,848,033	32,159,737	(2,512,727)	-	-	164,495,043
Telephone	1,265,061	252,451	-	-	-	1,517,512
Service Equipment	22,610,696	8,011,915	(644,224)	-	-	29,978,387
Generators	6,199,947	30,951	-	-	-	6,230,898
Plant and Machinery	2,046,115	-	-	-	-	2,046,115
	1,319,595,305	203,333,754	(33,516,527)	(9,480,701)	96,760,807	1,576,692,638
<b>Assets on Leases</b>						
Motor Vehicles	33,767,972	19,114,566	(7,525,000)	-	-	45,357,538
	33,767,972	19,114,566	(7,525,000)	-	-	45,357,538
<b>Total Value of Depreciable Assets</b>	1,353,363,277	222,448,320	(41,041,527)	(9,480,701)	96,760,807	1,622,050,176
<b>In the Course of Construction</b>						
Capital Working Progress	-	26,067,836	-	-	-	26,067,836
	-	26,067,836	-	-	-	26,067,836
<b>Total Gross Carrying Amount</b>	1,353,363,277	248,516,156	(41,041,527)	(9,480,701)	96,760,807	1,648,118,012

## NOTES TO THE FINANCIAL STATEMENTS

### 8.2 Depreciation & Impairment

	Balance As at 01 April 2015 LKR	Charge for the Year LKR	Disposals LKR	Transfers* LKR	Impairment LKR	Balance As at 31 March 2016 LKR
<b>At Cost or Valuation</b>						
Land	-	-	-	-	4,378,000	4,378,000
Buildings	6,112,151	5,791,730	-	(11,903,881)	8,419,326	8,419,326
Furniture and Fittings	94,787,760	38,828,738	(7,864)	2,423,180	-	136,031,814
Office Equipment	30,044,352	11,582,466	(40,062)	-	-	41,586,756
Motor Vehicles	85,575,480	28,715,169	(15,093,271)	-	-	99,197,378
Computer Equipment	83,196,334	24,838,295	(1,654,868)	-	-	106,379,761
Telephone	617,137	248,351	-	-	-	865,488
Service Equipment	16,826,991	1,704,709	(171,959)	-	-	18,359,741
Generators	4,282,697	1,211,082	-	-	-	5,493,779
Plant and Machinery	2,046,115	-	-	-	-	2,046,115
	323,489,017	112,920,540	(16,968,024)	(9,480,701)	12,797,326	422,758,158
<b>Assets on Leases</b>						
Motor Vehicles	8,165,777	5,439,370	(4,479,572)	-	-	9,125,575
	8,165,777	5,439,370	(4,479,572)	-	-	9,125,575
<b>Total Depreciation</b>	<b>331,654,794</b>	<b>118,359,910</b>	<b>(21,447,596)</b>	<b>(9,480,701)</b>	<b>12,797,326</b>	<b>431,883,733</b>

\*This transfer includes the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset which is amounting to LKR 9,480,701/-.

### 8.3 Net Book Values

	2016 LKR	2015 LKR
<b>At Cost or Valuation</b>		
Land	580,889,076	487,341,001
Buildings	106,507,644	107,350,822
Furniture and Fittings	236,358,591	195,631,065
Office Equipment	59,817,395	57,083,685
Motor Vehicles	99,238,703	88,699,137
Computer Equipment	58,115,282	51,651,699
Telephone	652,024	647,924
Service Equipment	11,618,646	5,783,705
Generators	737,119	1,917,250
Plant and Machinery	-	-
	1,153,934,480	996,106,288
<b>Assets on Leases</b>		
Motor Vehicles	36,231,963	25,602,195
	36,231,963	25,602,195
<b>In the Course of Construction</b>		
Capital Working Progress	26,067,836	-
	26,067,836	-
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<b>1,216,234,279</b>	<b>1,021,708,483</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. PROPERTY, PLANT & EQUIPMENT (CONTD...)

#### 8.4 Gross Carrying Amounts

##### Company

Company	Balance s at 01 April 2015 LKR	Additions LKR	Disposals LKR	Transfers* LKR	Revaluation LKR	Balance As at 31 March 2016 LKR
<b>At Cost or Valuation</b>						
Land	461,213,001	-	-	-	69,832,000	531,045,001
Buildings	101,648,505	-	-	(26,054,587)	20,022,882	95,616,800
Furniture and Fittings	243,749,431	46,226,323	-	17,456,055	-	307,431,809
Office Equipments	66,843,433	6,158,797	-	-	-	73,002,230
Motor Vehicles	134,917,383	50,952,488	(23,814,447)	-	-	162,055,424
Computer Equipments	80,966,049	15,832,663	(1,325,201)	-	-	95,473,511
Telephone	1,265,061	249,593	-	-	-	1,514,654
Service Equipments	146,015	961,468	(644,224)	-	-	463,259
Generators	6,199,947	30,951	-	-	-	6,230,898
	1,096,948,825	120,412,283	(25,783,872)	(8,598,532)	89,854,882	1,272,833,586
<b>Assets on Leases</b>						
Motor Vehicles	28,087,500	-	(7,525,000)	-	-	20,562,500
	28,087,500	-	(7,525,000)	-	-	20,562,500
<b>Total Value of Depreciable Assets</b>	<b>1,125,036,325</b>	<b>120,412,283</b>	<b>(33,308,872)</b>	<b>(8,598,532)</b>	<b>89,854,882</b>	<b>1,293,396,086</b>
<b>In the Course of Construction</b>						
Capital Working Progress	-	26,067,836	-	-	-	26,067,836
	-	26,067,836	-	-	-	26,067,836
<b>Total Gross Carrying Amount</b>	<b>1,125,036,325</b>	<b>146,480,119</b>	<b>(33,308,872)</b>	<b>(8,598,532)</b>	<b>89,854,882</b>	<b>1,319,463,922</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 8.5 Depreciation

	Balance As at 01 April 2015 LKR	Charge for the Year LKR	Disposals LKR	Transfers* LKR	Impairment LKR	Balance As at 31 March 2016 LKR
<b>At Cost or Valuation</b>						
Buildings	5,822,053	5,199,659	-	(11,021,712)	8,020,500	8,020,500
Furniture and Fittings	67,623,196	33,280,610	-	2,423,180	-	103,326,986
Office Equipments	18,319,801	8,718,584	-	-	-	27,038,385
Motor Vehicles	57,170,000	21,286,828	(14,592,176)	-	-	63,864,652
Computer Equipments	44,665,429	17,822,753	(649,939)	-	-	61,838,243
Telephone	617,137	248,296	-	-	-	865,433
Service Equipments	36,691	230,630	(171,959)	-	-	95,362
Generators	4,282,697	1,211,082	-	-	-	5,493,779
	198,537,004	87,998,442	(15,414,074)	(8,598,532)	8,020,500	270,543,340
<b>Assets on Leases</b>						
Motor Vehicles	7,455,718	4,247,983	(4,479,572)	-	-	7,224,129
	7,455,718	4,247,983	(4,479,572)	-	-	7,224,129
<b>Total Depreciation</b>	205,992,722	92,246,425	(19,893,646)	(8,598,532)	8,020,500	277,767,469

\*This transfer includes the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset which is amounting to LKR 8,592,532/-.

### 8.6 Net Book Values

	2016 LKR	2015 LKR
<b>At Cost or Valuation</b>		
Land	531,045,001	461,213,001
Buildings	87,596,300	95,826,452
Furniture and Fittings	204,104,823	176,126,235
Office Equipments	45,963,845	48,523,632
Motor Vehicles	98,190,772	77,747,383
Computer Equipments	33,635,268	36,300,620
Telephone	649,221	647,924
Service Equipments	367,897	109,324
Generators	737,119	1,917,250
	1,002,290,246	898,411,821
<b>Assets on Leases</b>		
Motor Vehicles	13,338,371	20,631,782
	13,338,371	20,631,782
<b>In the Course of Construction</b>		
Capital Working Progress	26,067,836	-
	26,067,836	-
<b>Total Carrying Amount of Property, Plant and Equipment</b>	1,041,696,453	919,043,603



## NOTES TO THE FINANCIAL STATEMENTS

### 8. PROPERTY, PLANT & EQUIPMENT (CONTD...)

**8.7** The Lands & Buildings of the Group were revalued during the financial year ended 31 March 2016 and such assets were valued on an open market value for existing use basis. The result of the revaluation have been incorporated in to the current year financial statements. The surplus arising from the revaluation was transferred to a revaluation reserve. Land and Buildings have been revalued by Mr. K.D.Sirisena (Incorporated Valuer) and H.N. Jayawardene (Incorporated Valuer).

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost LKR	Depreciation If assets were carried at cost LKR	Net Carrying Amount 2016 LKR	Net Carrying Amount 2015 LKR
Land	238,783,086	-	238,783,086	238,783,086
Building	62,760,168	35,093,237	27,666,931	30,804,939

**8.8** During the financial year, the Group and Company acquired property, plant & equipment to the aggregate value of LKR 248,516,156/- and LKR 146,480,119/- respectively (2015 - LKR 432,128,074/- and LKR 373,208,405/-). Cash payment amounting LKR 229,401,590/- and LKR 146,480,119/- respectively. (2015 - LKR 172,128,074/- and LKR 113,298,405/-).

**8.9** The amount of borrowing costs capitalised with property, plant and equipment during the year ended 31 March 2016 was Nil.

**8.10** Property, plant and equipment of the Group and the Company includes fully depreciated assets having a gross carrying amount of LKR 66,062,032/- and LKR 66,062,032/- respectively (2015 -LKR 30,911,052/- and LKR 30,911,052/- ).

**8.11** The useful lives of the assets is estimated as follows;

	2016	2015
Buildings	20 Years	20 Years
Lease hold Buildings	15 Years	15 Years
Service Equipments	4 Years	4 Years
Office Equipments	8 Years	8 Years
Furniture and Fittings	8 Years	8 Years
Motor Vehicles	4-10 Years	4-10 Years
Computer Equipments	4 Years	4 Years
Telephone	4 Years	4 Years
Generators	4 Years	4 Years
Plant, Machinery and Equipment	5-10 Years	5-10 Years

# NOTES TO THE FINANCIAL STATEMENTS

## 8.12 Details of Land & Buildings Revaluation

Name of Professional Valuer /Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	2016 Valuation LKR	2014 Valuation LKR
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Ratmalana					
Land	14.9 P	Price per perch of Land	LKR 650,000	9,700,000	8,940,000
Building	5,162 sq.ft	Price per sq.ft for Building	LKR 1,500	7,800,000	7,773,000
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Liberty Plaza					
Shopping Block at Liberty Plaza Colombo	435 sq.ft	Gross monthly rental	LKR 2,160	15,700,000	13,920,000
		Estimated Outgoing Expenses	33.33%		
		Risk	4%		
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Kandy					
Land	11.094 P	Price per perch of Land	LKR 11,000,000	122,000,000	105,393,000
Building	4415 sq.ft	Price per sq.ft for Building	LKR 1,750	8,000,000	7,726,250
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Kalutara					
Land	24.46 P	Price per perch of Land	LKR 805,000	19,700,000	17,310,000
Building	9403 sq.ft	Price per sq.ft for Building	LKR 3,500	33,000,000	32,910,500
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Nugegoda					
Land	17.45 P	Price per perch of Land	LKR 4,038,000	70,470,000	60,235,000
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Gampaha					
Land	17.52 P	Price per perch of Land	LKR 3,000,000	52,600,000	43,800,000
Building	sq.ft	Price per sq.ft for Building	LKR	1,000,000	1,000,000
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Kurunegala					
Land	50 P	Price per perch of Land	LKR 1,750,000	87,500,000	77,320,000
Building	sq.ft	Price per sq.ft for Building	LKR	2,500,000	2,500,000
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Rajagiriya					
Land	22 P	Price per perch of Land	LKR 2,500,000	55,000,000	48,400,000
Building	3687 sq.ft	Price per sq.ft for Building	LKR 600	2,200,000	2,212,200
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Wellawatta					
Land	25.65 P	Price per perch of Land	LKR 3,500,000	90,000,000	76,950,000
<b>HN Jayawardene</b>					
Freehold Property at Ratmalana					
Land	15.00 P	Price per purch of Land	LKR 750,000	11,250,000	9,750,000
Building	3,157 sq.ft	Price per sq.ft for Building	LKR 2,500	7,892,500	5,552,400
<b>HN Jayawardene</b>					
Freehold Property at Ratmalana					
Land	17 P	Price per purch of Land	LKR 750,000	12,825,000	11,115,000
Building	3,690 sq.ft	Price per sq.ft for Building	LKR 2,576	9,503,800	4,527,600
<b>R T K Sirisena</b>					
Freehold Property at Galnewa					
Building	sq.ft	Price per sq.ft for Building	LKR 410,000	35,000,000	-
<b>KD Sirisena- Consultant Valuer</b>					
Freehold Property at Ratmalana					
Land	15.75 P	Price per purch of Land	LKR 750,000	12,000,000	-
Land	15 P	Price per purch of Land	LKR 650,000	9,750,000	-
Building	3065 sq.ft	Price per sq.ft for Building	LKR 3,888	12,000,000	-

## NOTES TO THE FINANCIAL STATEMENTS

### 9. PREPAID LEASE RENT

Group/Company	2016 LKR	2015 LKR
As at 01 April	260,000,000	-
Additions During the Year	-	260,000,000
Amortisation for the Year	(2,626,263)	-
As at 31 March	257,373,737	260,000,000

**9.1** Leasehold land payments are up-front payments to acquire long-term leasehold interests of land situated in Bentota obtained from The Sri Lanka Tourism Development Authority. These payments are stated at cost and are amortised on a straight-line basis over the lease period of 99 years.

### 10. INVESTMENT PROPERTIES

#### 10.1 Gross Carrying Amounts

Group/Company	Balance As at 01 April 2015 LKR	Additions LKR	Disposals LKR	Balance As at 31 March 2016 LKR
<b>At Cost</b>				
Land	14,676,525	-	-	14,676,525
Buildings	27,892,446	-	-	27,892,446
	42,568,971	-	-	42,568,971

#### 10.2 Depreciation

	Balance As at 01 April 2015 LKR	Charge for the Year LKR	Disposals LKR	Balance As at 31 March 2016 LKR
<b>At Cost</b>				
Buildings	17,316,761	1,397,613	-	18,714,374
	17,316,761	1,397,613	-	18,714,374

#### 10.3 Net Book Value

	2016 LKR	2015 LKR
<b>At Cost</b>		
Carrying Amount of Investment Property	23,854,597	25,252,210

## NOTES TO THE FINANCIAL STATEMENTS

**10.4** Details of Fair Values of Investment Properties are as follows;

Name of Professional Valuer/Location	Extent	Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation	Date of the Valuation
KD Sirisena- Consultant Valuer					
Investment Property at					
Ratmalana		Market Comparable method			
Land	31 P	Price per perch of Land	LKR 4,173,387	148,250,000	15 March 2016
Building	15164 sq.ft	Price per sq.ft for Building	LKR 3,940	59,750,000	
				208,000,000	

\*The investment properties are valued by Mr. K.D. Sirisena, Incorporated Valuer using the open market value method.

### Fair Value Hierarchy

The fair value of the Group's/Company's investment property are categorised into Level 3 of the fair value hierarchy.

**10.5** No rental income earned or direct operating expenses incurred for the investment properties.

**10.6** The useful lives of the investment property is estimated as follows;

	2016	2015
Building	20 Years	20 Years

## 11. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE - GROUP

### Group

#### 11.1

	Within One Year		Over One Year*		Total	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Gross Receivable						
- Lease Rentals	2,608,328,913	1,714,060,734	2,233,308,471	1,864,922,946	4,841,637,384	3,578,983,680
- Amounts receivable from Hirers	165,402,739	353,080,049	47,482,264	170,500,462	212,885,003	523,580,511
	2,773,731,652	2,067,140,783	2,280,790,735	2,035,423,408	5,054,522,387	4,102,564,191
Less: Unearned Income	(767,466,097)	(608,135,623)	(408,510,724)	(392,013,239)	(1,175,976,821)	(1,000,148,862)
Net Investment	2,006,265,555	1,459,005,160	1,872,280,011	1,643,410,169	3,878,545,566	3,102,415,329
Less:						
- Allowances For Impairment Losses	(276,780,949)	(195,612,684)			(276,780,949)	(195,612,684)
- Rentals received in advance	(20,500)	(124,357)			(20,500)	(124,357)
- VAT	(5,492,338)	(3,393,038)			(5,492,338)	(3,393,038)
	1,723,971,768	1,259,875,081			3,596,251,779	2,903,285,250

\* Lease rental receivables include, net rental receivable balance over 5 year of LKR 11,499/- (2015 - LKR 66,579)

## NOTES TO THE FINANCIAL STATEMENTS

### 11. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE - GROUP (CONTD...)

#### 11.2 Allowance for Impairment

	2016 LKR	2015 LKR
As at 01 April	195,612,684	151,926,289
Charge/(Reversal) for the year	145,889,821	44,238,677
Amount Written off	(64,721,556)	(552,282)
As at 31 March	276,780,949	195,612,684

### 12. INTANGIBLE ASSETS

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
As at 01 April	134,128,101	199,671,632	123,809,786	190,330,911
Acquired during the year	11,605,157	24,039,636	1,008,347	18,455,009
Charge for the year	(89,062,001)	(89,583,167)	(87,319,450)	(84,976,134)
As at 31 March	56,671,257	134,128,101	37,498,683	123,809,786

**12.1** This includes only locally purchased software where it is estimated that these software will benefits the Company over period of 4 years, and is being amortised over a period of 4 years.

### 13. INVESTMENTS IN SUBSIDIARIES

#### 13.1 Quoted

	2016 %	Holding 2015 %	Cost		Market Value	
			2016 LKR	2016 LKR	2015 LKR	2015 LKR
Abans Finance PLC*	89.26	89.26	360,172,561	1,261,555,229	360,172,561	842,137,653
			360,172,561	1,261,555,229	360,172,561	842,137,653

\* Abans Finance PLC was Listed in Colombo Stock Exchange on June 2011

#### 13.2 Non-Quoted

	2016 %	Holding 2015 %	Cost 2016 LKR	Cost 2015 LKR
AB Technologies (Pvt) Ltd.	100	100	5,000,000	5,000,000
Abans Lanka (Pvt) Ltd.	56.87	56.87	6,000,000	6,000,000
Abans Retail (Pvt) Ltd	100	100	100,000,000	100,000,000
Abans Engineering (Pvt) Ltd	95	95	950	950
Less: Impairment			(5,000,000)	(5,000,000)
			106,000,950	106,000,950
<b>Carrying Value of Investments in Subsidiaries</b>			<b>466,173,511</b>	<b>466,173,511</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 14. MATERIAL PARTLY-OWNED SUBSIDIARIES

#### 14.1 Proportion of Equity Interest Held by Non-Controlling Interests:

Name	Country of Incorporation and Operation	2016 %	2015 %
Abans Finance PLC	Sri Lanka	10.74	10.74
Abans Engineering (Pvt) Ltd	Sri Lanka	5	5

14.2 The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	Abans Finance PLC		Abans Engineering (Pvt) Ltd	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Summarised Statement of Profit or Loss</b>				
Revenue	1,300,283,411	947,389,726	1,956,385,140	1,603,923,516
Expenses	(1,139,614,055)	(838,756,396)	(1,837,388,176)	(1,494,757,668)
Finance Cost	-	-	(25,362,770)	(22,111,823)
Profit for the year	160,669,356	108,633,330	93,634,194	87,054,025
Attributable to Non-Controlling Interests	17,255,889	11,667,220	4,681,710	4,352,701
<b>Summarised Statement of Financial Position</b>				
Non Current Assets	2,709,325,601	1,806,485,785	109,855,050	93,369,266
Current Assets	3,439,383,641	2,967,638,313	1,893,121,132	1,396,063,302
Non Current Liabilities	(1,713,108,142)	(35,004,726)	(38,853,704)	(22,749,160)
Current Liabilities	(3,821,075,999)	(4,214,249,200)	(1,808,189,112)	(1,390,455,499)
<b>Total Equity</b>	<b>614,525,101</b>	<b>524,870,172</b>	<b>156,138,895</b>	<b>76,227,909</b>
Attributable to Equity Holders of Parent	548,525,105	468,499,116	148,331,950	72,416,514
Attributable to Non-Controlling Interest	65,999,996	56,371,056	7,806,945	3,811,395
<b>Summarised Cash Flow Information</b>				
Operating	107,996,674	587,734,926	(226,462,300)	(143,220,438)
Investing	118,347,087	(117,069,735)	(40,254,996)	(29,155,187)
Financing	(65,532,531)	(225,205,345)	221,632,338	116,728,055
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>160,811,230</b>	<b>245,459,847</b>	<b>(45,084,958)</b>	<b>(55,647,570)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. INVESTMENT IN AN ASSOCIATE

**15.1** The Group/Company has a 42.95% (2015 - 42.95%) interest in Abans Electricals PLC, which is involved in the manufacturing and assembling household electrical and electronic appliances and providing repairs, maintenance and technical services of similar type of appliances.

Abans Electricals PLC is a public quoted entity listed in Colombo Stock Exchange.

**15.2** The Group's interest in Abans Electricals PLC is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Abans Electricals PLC;

Group	2016 LKR	2015 LKR
<b>Summarised Statement of Profit or Loss</b>		
Revenue	3,506,809,241	2,731,611,106
Operating Expenses	(3,325,851,584)	(2,600,494,537)
Finance Income	-	-
Finance Cost	(40,609,179)	(31,115,745)
<b>Profit for the Year</b>	<b>140,348,478</b>	<b>100,000,824</b>
<b>Group's Share of Profit for the Year</b>	<b>60,279,671</b>	<b>42,950,354</b>
<b>Summarised Statement of Financial Position</b>		
Non Current Assets	701,832,377	625,622,852
Current Assets	1,313,034,246	995,235,082
Non Current Liabilities	(150,108,970)	(149,006,807)
Current Liabilities	(1,066,761,161)	(756,964,722)
<b>Equity</b>	<b>797,996,492</b>	<b>714,886,405</b>
<b>Group's Carrying Amount of the Investment</b>	<b>342,739,493</b>	<b>307,043,711</b>

	2016 LKR	2015 LKR
<b>Equity Reconciliation</b>		
Carrying Value as at 01 April	307,043,712	273,509,727
Share of Operating Profits/(Loss)	60,279,671	42,950,354
Share of Income Tax	(18,875,789)	(1,646,434)
Actuarial Gain /(Loss)	(220,637)	(2,282,471)
Dividend Received	(5,487,464)	(5,487,464)
Carrying Value as at 31 March	342,739,493	307,043,712

### 15.3 Investments in an Associate

Company	Cost 2016 LKR	Market Valuation 2016 LKR	Cost 2015 LKR	Market Valuation 2015 LKR
<b>Quoted</b>				
Abans Electricals PLC	30,752,197	243,884,387	30,752,197	232,030,420
	30,752,197		30,752,197	



## NOTES TO THE FINANCIAL STATEMENTS

### 16. INVESTMENTS IN A JOINT VENTURE

**16.1** The Group/Company has a 50% interest in Colombo City Centre Partners (Private) Limited, a joint venture carries out mix development project.

**16.2** The Group's interest in Colombo City Centre Partners (Private) Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the financial statements are set out below:

#### Group

	2016 LKR	2015 LKR
<b>Summarised Statement of Profit or Loss</b>		
Revenue	-	-
Operating Expenses	(146,646,850)	(89,881,055)
Finance Cost	(4,264,742)	(667,392)
<b>Profit for the Year</b>	<b>(150,911,591)</b>	<b>(90,548,447)</b>
<b>Group's Share of Profit for the Year</b>	<b>(75,455,796)</b>	<b>(45,274,224)</b>
<b>Summarised Statement of Financial Position</b>		
Non Current Assets	2,506,495,456	3,445,864,650
Current Assets	3,921,315,334	383,606,973
Non Current Liabilities	(931,590,484)	-
Current Liabilities	(950,640,315)	(345,136,011)
<b>Equity</b>	<b>4,545,579,991</b>	<b>3,484,335,613</b>
<b>Group's Carrying amount of the Investments</b>	<b>2,055,169,194</b>	<b>1,736,208,070</b>

	2016 LKR	2015 LKR
<b>Equity Reconciliation</b>		
Carrying Value as at 01 April	1,736,208,070	1,320,482,294
Investment Made during the Year	394,416,920	461,000,000
Share of Profits/(Loss)	(75,455,796)	(45,274,224)
Carrying Value as at 31 March	2,055,169,194	1,736,208,070

#### 16.3 Investment in a Joint Venture

	Cost 2016 LKR	Cost 2015 LKR
Colombo City Centre Holdings Partners (Private) Limited	2,198,216,870	1,803,799,950
	2,198,216,870	1,803,799,950

There are considerations received from other investors as well as Abans PLC, which are classified under equity as Consideration Received for Shares.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. OTHER FINANCIAL ASSETS

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Non Current</b>				
Fair Value Through Profit or Loss (Note 17.1 & Note 17.4)	7,893,809	25,413,089	978,568	1,189,700
Available for Sale of Financial Assets (Note 17.2 & Note 17.5)	25,133,140	125,263,395	15,600,000	15,600,000
	33,026,949	150,676,484	16,578,568	16,789,700
<b>Current</b>				
Loans and Receivables*	235,338,979	341,028,678	11,240,814	8,105,005
Held to Maturity (Note 17.3)	21,669,813	21,150,414	-	-
	257,008,792	362,179,092	11,240,814	8,105,005

\* Loans and receivables comprises fixed deposit investments which include investments amounting to LKR 38,000,000/- that have been pledged for facilities obtained from banks.

#### 17.1 Fair Value Through Profit or Loss

Group	Market Value		Market Value	
	Cost 2016 LKR	2016 LKR	Cost 2015 LKR	2015 LKR
<b>Hotels &amp; Travels</b>				
Mahaweli Reach Hotels PLC	365,104	212,440	365,104	197,400
Renuka City Hotel PLC	394,136	421,720	394,136	429,130
	759,240	634,160	759,240	626,530
<b>Diversified Holdings</b>				
Hayleys PLC	5,975	16,708	5,975	20,400
John Keells Holdings PLC	490,343	345,284	482,573	398,200
JKH Warrants	-	-	-	2,239
Aitken Spence PLC	-	446	-	-
	496,318	362,438	488,548	420,839
<b>Power &amp; Energy</b>				
Lanka IOC PLC	1,324,191	1,300,000	1,324,191	1,628,000
	1,324,191	1,300,000	1,324,191	1,628,000
<b>Banking &amp; Finance</b>				
Sampath Bank PLC	1,036,175	912,362	1,036,175	995,302
Seylan Bank PLC - Non Voting	673,660	756,000	673,660	756,000
Seylan Bank PLC - Voting	102,131	86,000	102,131	100,000
First Capital Holdings PLC	78,757	37,283	78,757	52,704
Commercial Bank of Ceylon PLC	57,740	57,178	57,740	65,600
Hatton National Bank PLC	248,806	270,650	248,806	17,129,531
Nations Trust Bank PLC	183,027	148,400	183,027	200,200
Central Finance Company PLC	239,149	210,000	239,149	250,100
Union Bank PLC	189,600	116,200	189,600	168,700
DFCC Bank	213,262	137,000	213,262	202,900
Pan Asia Banking Corporation PLC	124,486	115,000	124,486	107,500
	3,146,793	2,846,073	3,146,793	20,028,537

## NOTES TO THE FINANCIAL STATEMENTS

### 17.1 Fair Value Through Profit or Loss (Contd...)

	Cost 2016 LKR	Market Value 2016 LKR	Cost 2015 LKR	Market Value 2015 LKR
<b>Telecommunication</b>				
Sri Lanka Telecom PLC	239,386	162,572	239,386	190,645
	239,386	162,572	239,386	190,645
<b>Manufacturing</b>				
Royal Ceramic Lanka PLC	18,000	120,120	18,000	135,600
Singer Sri Lanka	60,672	58,850	60,672	57,000
Tokyo Cement Company (Lanka) PLC - Non Voting	640,367	528,913	640,367	610,788
Tokyo Cement Company (Lanka) PLC - Voting	444,928	370,000	444,928	549,000
Regnis (Lanka) PLC	8,116	29,240	8,116	16,200
	1,172,083	1,107,123	1,172,083	1,368,588
<b>Hospitals</b>				
Lanka Hospital Corporation PLC	157,343	153,000	157,343	119,700
	157,343	153,000	157,343	119,700
<b>Investment</b>				
Ceylon Investment PLC	108,300	53,174	108,300	91,000
Access Engineering Ltd	150,264	83,200	150,264	76,800
Ceylon Guardian Investment Trust PLC	102,687	60,449	102,687	92,000
	361,251	196,823	361,251	259,800
<b>Automobiles</b>				
United Motors Lanka PLC	53,088	41,500	53,088	44,000
	53,088	41,500	53,088	44,000
<b>Beverage, Food &amp; Tobacco</b>				
Hemas Holdings PLC	117,502	188,040	100,726	156,450
Piramal Glass Ceylon PLC	465,152	510,000	465,152	570,000
	582,654	698,040	565,878	726,450
<b>Insurance</b>				
Peoples' Insurance PLC	348,000	392,080	-	-
	348,000	392,080	-	-
	8,640,347	7,893,809	8,267,801	25,413,089

## NOTES TO THE FINANCIAL STATEMENTS

### 17. OTHER FINANCIAL ASSETS (CONTD...)

#### 17.2 Available for Sale of Financial Assets

Group	No of Shares 2016	No of Shares 2015	Carrying Value 2016 LKR	Carrying Value 2015 LKR
<b>Investment in Ordinary Shares</b>				
Abans Environmental Services (Pvt) Ltd.	1,000	1,000	500,000	500,000
Abans Restaurant Systems (Pvt) Ltd.	500,000	500,000	5,000,000	5,000,000
Crown City Developers (Pvt) Ltd	10,000	10,000	100,000	100,000
			5,600,000	5,600,000
<b>Investment in Preference Shares</b>				
Abans Investment (Pvt) Ltd.	1,945,274	1,945,274	19,452,740	19,452,740
AB Leisure (Pvt) Ltd.	500,000	500,000	5,000,000	5,000,000
Investment in Unit Trust	-	-	-	100,130,255
Credit Information Bureau of Sri Lanka	1,000	1,000	80,400	80,400
Less : Impairment - AB Leisure (Pvt) Limited	-	-	(5,000,000)	(5,000,000)
			19,533,140	119,663,395
			25,133,140	125,263,395

#### 17.3 Held to Maturity

Group	2016 LKR	2015 LKR
Treasury Bonds*	21,669,813	21,150,414
	21,669,813	21,150,414

\* Government of Sri Lanka

#### 17.4 Fair Value Through Profit or Loss

Company	Cost 2016 LKR	Market Value 2016 LKR	Cost 2015 LKR	Market Value 2015 LKR
Royal Ceramic Lanka PLC	18,000	120,120	18,000	135,600
Lanka IOC PLC	675,000	812,500	675,000	1,017,500
Hayleys PLC	5,975	16,708	5,975	20,400
Regnis (Lanka) PLC	8,116	29,240	8,116	16,200
	707,091	978,568	707,091	1,189,700

## NOTES TO THE FINANCIAL STATEMENTS

### 17.5 Available for Sale of Financial Assets

Company	No. of Shares 2016	No. of Shares 2015	Carrying Value 2016 LKR	Carrying Value 2015 LKR
<b>Investment in Ordinary Shares</b>				
Abans Environmental Services (Pvt) Ltd.	1,000	1,000	500,000	500,000
Abans Restaurant Systems (Pvt) Ltd.	500,000	500,000	5,000,000	5,000,000
Crown City Developers (Pvt) Ltd	10,000	10,000	100,000	100,000
			5,600,000	5,600,000
<b>Investment in Preference Shares</b>				
Abans Investment (Pvt) Ltd.	1,000,000	1,000,000	10,000,000	10,000,000
AB Leisure (Pvt) Ltd.	500,000	500,000	5,000,000	5,000,000
Less : Impairment - AB Leisure (Pvt) Limited	-	-	(5,000,000)	(5,000,000)
			10,000,000	10,000,000
			15,600,000	15,600,000

### 18. TRADE AND OTHER RECEIVABLES

#### 18.1 Group

	2016			2015		
	Current LKR	Non-Current LKR	Total LKR	Current LKR	Non-Current LKR	Total LKR
Trade Receivables - Related Parties	134,162,086	-	134,162,086	158,092,703	-	158,092,703
- Other	8,868,202,819	-	8,868,202,819	7,560,473,119	-	7,560,473,119
Less: Provision for Impairment	(530,527,158)	-	(530,527,158)	(452,086,863)	-	(452,086,863)
	8,471,837,747	-	8,471,837,747	7,266,478,959	-	7,266,478,959
Other Debtors - Related Parties	1,574,054,042	-	1,574,054,042	2,169,724,186	-	2,169,724,186
- Other	1,057,360,883	-	1,057,360,883	1,088,173,690	-	1,088,173,690
Less: Provision for Impairment	(478,076,380)	-	(478,076,380)	(495,213,476)	-	(495,213,476)
	10,625,176,292	-	10,625,176,292	10,029,163,359	-	10,029,163,359
Loans and Advances	508,467,507	677,210,253	1,185,677,760	266,541,666	339,895,595	606,437,261
Staff Loans	97,647,833	-	97,647,833	87,780,222	-	87,780,222
	11,231,291,632	677,210,253	11,908,501,885	10,383,485,247	339,895,595	10,723,380,842
Advances and Prepayments	311,400,648	-	311,400,648	304,543,326	-	304,543,326
	11,542,692,280	677,210,253	12,219,902,533	10,688,028,573	339,895,595	11,027,924,168

## NOTES TO THE FINANCIAL STATEMENTS

### 18. TRADE AND OTHER RECEIVABLES (CONTD...)

#### 18.2 Company

	2016			2015		
	Current LKR	Non-Current LKR	Total LKR	Current LKR	Non-Current LKR	Total LKR
Trade Receivables - Related Parties	844,362,073	-	844,362,073	1,009,892,654	-	1,009,892,654
- Other	6,470,824,207	-	6,470,824,207	5,824,590,447	-	5,824,590,447
Less: Provision for Impairment	(494,549,734)	-	(494,549,734)	(431,753,557)	-	(431,753,557)
	6,820,636,546	-	6,820,636,546	6,402,729,544	-	6,402,729,544
Other Debtors - Related Parties	2,316,839,423	-	2,316,839,423	2,938,954,675	-	2,938,954,675
- Other	612,357,720	-	612,357,720	691,139,293	-	691,139,293
Less: Provision for Impairment	(310,419,062)	-	(310,419,062)	(392,585,505)	-	(392,585,505)
	9,439,414,627	-	9,439,414,627	9,640,238,007	-	9,640,238,007
Staff Loans	55,317,548	-	55,317,548	57,618,438	-	57,618,438
	9,494,732,175	-	9,494,732,175	9,697,856,445	-	9,697,856,445
Advances and Prepayments	281,507,312	-	281,507,312	276,621,739	-	276,621,739
	9,776,239,487	-	9,776,239,487	9,974,478,184	-	9,974,478,184

#### 18.3 Provision for Impairment

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Balance as at 01 April	947,300,339	856,473,724	824,339,062	818,245,840
Provision Made During the Period	61,303,199	90,826,615	(19,370,266)	6,093,222
Balance as at 31 March	1,008,603,538	947,300,339	804,968,796	824,339,062

### 19. INVENTORIES

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Work in Progress	393,524,150	450,852,263	7,511,796	53,636,092
Finished Goods	10,176,635,158	8,409,041,163	8,963,247,254	7,207,173,749
Real Estate Stock	83,066,481	97,139,978	-	-
Less: Provision for slow moving inventory	(287,500,828)	(268,373,431)	(254,068,823)	(226,846,280)
<b>Total Inventories at the Lower of Cost and Net Realisable Value</b>	<b>10,365,724,961</b>	<b>8,688,659,973</b>	<b>8,716,690,227</b>	<b>7,033,963,561</b>

### 20. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENT

Group	2016 LKR	2015 LKR
Repurchase Agreements	630,158,530	426,888,521
	630,158,530	426,888,521

## NOTES TO THE FINANCIAL STATEMENTS

### 21. CASH AND SHORT TERM DEPOSITS

#### 21.1 Favourable Cash and Short Term Deposits

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Cash and Bank Balances	806,268,158	758,088,398	663,688,713	614,002,427
	806,268,158	758,088,398	663,688,713	614,002,427
<b>21.2 Unfavourable Cash and Short Term Deposits</b>				
Bank Overdraft (Note 25)	(361,699,166)	(230,761,364)	(236,658,512)	(131,316,213)
Total Cash and Short Term Deposits for the Purpose of Cash Flows Statement	444,568,992	527,327,034	427,030,201	482,686,214

### 22. STATED CAPITAL

	2016		2015	
	Number	LKR	Number	LKR
Ordinary Shares *	2,160,000	216,000,000	2,160,000	216,000,000
Non Voting Ordinary Shares **	25,000	2,500,000	25,000	2,500,000
	2,185,000	218,500,000	2,185,000	218,500,000

\*The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

\*\*The holders of non voting ordinary shares are entitled to receive dividends as declared from time to time on the discretion of the directors. The holders of these shares are not entitled to vote at a meeting of the Company.

### 23. OTHER COMPONENTS OF EQUITY

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Revaluation Reserve (Note 23.1)	395,864,337	307,385,292	391,633,767	307,385,292
Other Reserves (Note 23.2)	45,204,884	45,321,150	7,415,000	7,415,000
	441,069,221	352,706,442	399,048,767	314,800,292

#### 23.1 Revaluation Reserve

	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>On: Land and Buildings</b>				
Balance as at the Beginning of the Year	307,385,292	307,385,292	307,385,292	307,385,292
Increase/(Decrease) in Revaluation Reserve Net of Tax	88,479,045	-	84,248,475	-
Balance as at the End of the Year	395,864,337	307,385,292	391,633,767	307,385,292



## NOTES TO THE FINANCIAL STATEMENTS

### 23. OTHER COMPONENTS OF EQUITY (CONTD...)

#### 23.2 Other Reserves

	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Statutory Reserve & Investment Fund Reserve (Note 23.2.1)	53,878,999	37,789,884	-	-
Other Reserves*	7,415,000	7,531,266	7,415,000	7,415,000
	61,293,999	45,321,150	7,415,000	7,415,000
*Other Reserves are used for General Purposes				
<b>23.2.1 Statutory Reserve &amp; Investment Fund Reserve</b>				
Balance as at the beginning of the year	37,784,884	41,683,126	-	-
Transfers during the year	16,089,115	(3,893,242)	-	-
	53,878,999	37,789,884	-	-

**23.2.2** Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

### 24. DIVIDENDS PAID AND PROPOSED

Company	2016 LKR	2015 LKR
Cash Dividends on Ordinary Shares Declared and Paid:	132,080,000	-
Interim dividend for 2015: LKR 2,000 per share on Non Voting Ordinary Shares	50,000,000	-
Interim dividend for 2015: LKR 38 per share on Ordinary Shares	82,080,00	-
	132,080,000	-

### 25. INTEREST BEARING BORROWINGS

#### 25.1 Group

	Amount Repayable Within 1 Year LKR	Amount Repayable After 1 Year LKR	2016 Total LKR	Amount Repayable Within 1 Year LKR	Amount Repayable After 1 Year LKR	2015 Total LKR
Finance Leases	5,721,042	14,550,790	20,271,832	4,141,905	6,101,396	10,243,301
Import Financing Loans	6,213,544,400	-	6,213,544,400	5,669,101,655	-	5,669,101,655
Bank Loans	2,113,421,836	26,143,500	2,139,565,336	672,241,505	120,871,525	793,113,030
Bank Overdrafts (Note 21.2)	361,699,166	-	361,699,166	230,761,364	-	230,761,364
Commercial Papers	77,799,911	-	77,799,911	443,921,574	-	443,921,574
Debentures - Unsecured	-	-	-	40,000,000	-	40,000,000
Debentures - Listed - Unsecured	959,769,786	3,127,088,921	4,086,858,707	115,298,059	3,955,427,220	4,070,725,279
Securitisation	124,327,406	-	124,327,406	155,822,501	66,213,612	222,036,113
	9,856,283,547	3,167,783,211	13,024,066,758	7,331,288,563	4,148,613,753	11,479,902,316

## NOTES TO THE FINANCIAL STATEMENTS

### 25.2 Company

	Amount Repayable Within 1 Year LKR	Amount Repayable After 1 Year LKR	2016 Total LKR	Amount Repayable Within 1 Year LKR	Amount Repayable After 1 Year LKR	2015 Total LKR
Finance Leases	1,516,837	1,169,736	2,686,573	4,141,905	6,101,396	10,243,301
Import Financing Loans	6,213,544,400	-	6,213,544,400	5,669,101,655	-	5,669,101,655
Bank Loans	1,767,396,548	26,143,500	1,793,540,048	457,150,159	97,341,500	554,491,659
Bank Overdrafts (Note 21.2)	236,658,512	-	236,658,512	131,316,213	-	131,316,213
Commercial Papers	46,689,280	-	46,689,280	443,921,574	-	443,921,574
Debentures - Unsecured	-	-	-	40,000,000	-	40,000,000
Debentures - Listed - Unsecured	959,769,786	3,127,088,921	4,086,858,707	115,298,059	3,955,427,220	4,070,725,279
Securitisation	124,327,406	-	124,327,406	155,822,501	66,213,612	222,036,113
	9,349,902,769	3,154,402,157	12,504,304,926	7,016,752,066	4,125,083,728	11,141,835,794

### 25.3 Debentures

#### Senior Listed Rated Unsecured Redeemable

Year of Issue	Face Value	Term	Issue Date	Maturity Date	Interest Rate	Carrying Value	
						2016 LKR	2015 LKR
2013	844,110,000	3 Years	20/12/2013	20/12/2016	14%	873,411,024	865,416,424
	541,250,000	4 Years	20/12/2013	20/12/2017	14.25%	560,373,549	554,294,740
	614,640,000	5 Years	20/12/2013	20/12/2018	14.50%	636,737,571	629,185,212
2014	1,064,630,000	3 Years	26/12/2014	26/12/2017	8.25%	1,087,667,895	1,087,490,377
	175,020,000	4 Years	26/12/2014	26/12/2018	8.50%	178,922,085	178,892,018
	760,350,000	5 Years	26/12/2014	26/12/2019	9.00%	778,299,246	778,160,938

### 26. WARRANTY PROVISION

	2016 LKR	Group 2015 LKR	2016 LKR	Company 2015 LKR
Balance as at the Beginning of the Year	277,776,277	238,271,055	237,248,368	237,233,734
Provision for the year	286,660,938	247,935,793	242,118,928	200,170,870
Utilised During the year	(250,574,158)	(208,430,571)	(209,618,989)	(200,156,236)
Balance as at the End of the Year	313,863,057	277,776,277	269,748,307	237,248,368

## NOTES TO THE FINANCIAL STATEMENTS

### 27. EMPLOYEE BENEFITS LIABILITIES

#### 27.1 Expense on Benefits Plan

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Current Service Cost	26,256,265	26,194,893	16,018,799	15,419,488
Interest Cost on Benefit Obligation	20,795,013	16,362,521	12,780,712	12,256,967
<b>Total Expenses</b>	<b>47,051,278</b>	<b>42,557,414</b>	<b>28,799,511</b>	<b>27,676,455</b>
<b>27.2 Employee Benefits Liability</b>				
<b>Balance as at 1 April</b>	217,662,634	183,238,184	141,801,533	175,826,368
Provision for the Year	47,051,278	42,557,414	28,799,511	27,676,455
Net Actuarial (Gain)/Loss	(11,790,362)	1,801,299	(8,778,935)	(3,375,345)
Benefit Paid	(16,127,136)	(8,024,414)	(12,959,905)	(7,092,414)
Transferred from/(to) Intercompany (Note 27.5)	-	(1,909,849)	910,000	(51,233,531)
<b>Balance as at 31 March</b>	<b>236,796,414</b>	<b>217,662,634</b>	<b>149,772,204</b>	<b>141,801,533</b>

27.3 The principle assumptions used in determining the employment benefit liability for the Company/Group are shown below.

	Group		Company	
	2016	2015	2016	2015
Salary Incremental Rate	10% - 11%	9% - 10%	10%	10%
Discount Rate	10% - 11.5%	8% - 9%	11.50%	9%
Retirement Age - Female	55 - 60 years	55 - 60 years	60 years	60 years
- Male	55 - 60 years	55 - 60 years	60 years	60 years

#### 27.4 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retiring Gratuity Obligations measurement as at 31 March 2016. The sensitivity of the Statement of Financial Position and Statement of profit or Loss is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Employee Benefits Liability for the year.

Increase/ (Decrease) in Discount rate	Increase/ (Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Profit or Loss	Group Sensitivity Effect on Statement of Financial Position	Present Value of Defined Benefit Obligation	Sensitivity Effect on Statement of Profit or Loss	Company Sensitivity Effect on Statement of Financial Position	Present Value of Defined Benefit Obligation
1%	-	5,909,354	(5,909,354)	230,887,059	5,225,273	(5,225,273)	144,546,931
-1%	-	(6,463,147)	6,463,147	243,259,560	(5,633,887)	5,633,887	155,406,091
-	1%	(10,198,590)	10,198,590	246,995,003	(6,316,295)	6,316,295	156,088,499
-	-1%	9,557,417	(9,557,417)	227,238,996	5,948,669	(5,948,669)	143,823,535

## NOTES TO THE FINANCIAL STATEMENTS

### 27.5 Employee Benefits Liability Transferred from/(to) Related Parties

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Abans Retail (Private) Limited	-	-	-	33,354,674
Abans Engineering (Private) Limited	-	-	910,000	15,969,008
Abans Auto (Private) Limited	-	1,909,849	-	1,909,849
	-	1,909,849	910,000	51,233,531

### 28. TRADE AND OTHER PAYABLES

#### 28.1 Group

	2016			2015		
	Current LKR	Non-Current LKR	Total LKR	Current LKR	Non-Current LKR	Total LKR
Trade Payable - Related Parties	825,029,019	-	825,029,019	800,204,207	-	800,204,207
- Other	5,314,272,052	1,697,858,803	7,012,130,855	5,338,001,246	1,106,703,668	6,444,704,914
Other Payable - Related Parties	222,449,809	-	222,449,809	119,470,836	-	119,470,836
- Other	545,964,708	-	545,964,708	343,488,313	-	343,488,313
	6,907,715,588	1,697,858,803	8,605,574,391	6,601,164,602	1,106,703,668	7,707,868,270
Advances and Deposits	1,094,644,043	-	1,094,644,043	958,593,087	-	958,593,087
	8,002,359,631	1,697,858,803	9,700,218,434	7,559,757,689	1,106,703,668	8,666,461,357
Sundry Creditors Including Accrued Expenses	1,387,767,153	-	1,387,767,153	1,251,519,024	-	1,251,519,024
	9,390,126,784	1,697,858,803	11,087,985,587	8,811,276,713	1,106,703,668	9,917,980,381

#### 28.2 Company

	2016			2015		
	Current LKR	Non-Current LKR	Total LKR	Current LKR	Non-Current LKR	Total LKR
Trade Payable - Related Parties	68,981,210	-	68,981,210	66,314,344	-	66,314,344
- Other	1,848,892,539	-	1,848,892,539	2,772,218,947	-	2,772,218,947
Other Payable - Related Parties	994,207,936	-	994,207,936	601,661,312	-	601,661,312
- Other	463,727,389	-	463,727,389	279,888,765	-	279,888,765
	3,375,809,074	-	3,375,809,074	3,720,083,368	-	3,720,083,368
Advances and Deposits	1,069,614,710	-	1,069,614,710	940,983,990	-	940,983,990
	4,445,423,784	-	4,445,423,784	4,661,067,358	-	4,661,067,358
Sundry Creditors Including Accrued Expenses	691,393,670	-	691,943,228	748,793,922	-	748,793,922
	5,136,817,454	-	5,136,817,454	5,409,861,280	-	5,409,861,280

# NOTES TO THE FINANCIAL STATEMENTS

## 29. FINANCIAL INSTRUMENTS

### 29.1 Financial Assets and Liabilities by Categories

#### Group

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial Assets by Categories		Loans and Receivables		Financial Assets at Fair Value Through Profit or Loss		Available-for-Sale Financial Assets		Held to Maturity	
Notes	2016 LKR	2015 LKR	2016 LKR	2015 LKR	2016 LKR	2015 LKR	2016 LKR	2015 LKR	
<b>Financial instruments in non-current assets</b>									
Other Financial Assets	17	-	-	7,893,809	25,413,089	25,133,140	125,263,395	-	-
Lease Rentals Receivable and Stock Out on Hire	11	1,872,280,011	1,643,410,169						
Trade and Other Receivables	18	677,210,253	339,895,595						
<b>Financial instruments in current assets</b>									
Lease Rentals Receivable and Stock Out on Hire	11	1,723,971,768	1,259,875,081	-	-	-	-	-	-
Trade and Other Receivables	18	11,231,291,632	10,383,485,247	-	-	-	-	-	-
Other Financial Assets	17	235,338,979	341,028,678	-	-	-	-	21,669,813	21,150,414
Cash and Short Term Deposits	21	806,268,158	758,088,398	-	-	-	-	-	-
<b>Total</b>		<b>16,546,360,801</b>	<b>14,725,783,168</b>	<b>7,893,809</b>	<b>25,413,089</b>	<b>25,133,140</b>	<b>125,263,395</b>	<b>21,669,813</b>	<b>21,150,414</b>

Financial Liabilities by Categories		Financial Liabilities Measured at Amortised Cost	
Notes		2016 LKR	2015 LKR
<b>Financial instruments in non-current liabilities</b>			
Interest Bearing Borrowings	25	3,167,783,211	4,148,613,753
Trade and Other Payables	28	1,697,858,803	1,106,703,668
<b>Financial instruments in current liabilities</b>			
Interest Bearing Borrowings	25	9,856,283,547	7,331,288,563
Trade and Other Payables	28	8,002,359,631	7,559,757,689
<b>Total</b>		<b>22,724,285,192</b>	<b>20,146,363,673</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Company

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial Assets by Categories	Notes	Loans and Receivables		Financial Assets at Fair Value Through Profit or Loss		Available-for-Sale Financial Assets	
		2016 LKR	2015 LKR	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Financial instruments in non-current assets</b>							
Other Financial Assets	17	-	-	978,568	1,189,700	15,600,000	15,600,000
<b>Financial instruments in current assets</b>							
Trade and Other Receivables	18	9,494,732,175	9,697,856,445	-	-	-	-
Other Financial Assets	17	11,240,814	8,105,005	-	-	-	-
Cash and Short Term Deposits	21	663,688,713	614,002,427	-	-	-	-
<b>Total</b>		<b>10,169,661,702</b>	<b>10,319,963,877</b>	<b>978,568</b>	<b>1,189,700</b>	<b>15,600,000</b>	<b>15,600,000</b>

Financial Liabilities by Categories	Notes	Financial Liabilities Measured at Amortised Cost	
		2016 LKR	2015 LKR
<b>Financial instruments in non-current liabilities</b>			
Interest Bearing Borrowings	25	3,154,402,157	4,125,083,728
<b>Financial instruments in current liabilities</b>			
Trade and Other Payables	28	4,445,423,784	4,661,067,358
Interest Bearing Borrowings	25	9,349,902,769	7,016,752,066
<b>Total</b>		<b>16,949,728,710</b>	<b>15,802,903,151</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 29. FINANCIAL INSTRUMENTS (CONTD...)

#### 29.2 Fair Value Hierarchy

The Group/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 that have a significant effect on the recorded fair value 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 following tables sets out the group's and Company's asset and liabilities that are measured and recognised at fair value as at 31 March 2016.

Financial Assets - Group	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
<b>Recurring Fair Value Measurements</b>				
<b>Financial Assets:</b>				
Available for sale	-	-	25,133,140	25,133,140
Designated at fair value through profit or loss	7,893,809	-	-	7,893,809
Held to Maturity	-	21,230,364	-	-
<b>Total Recurring Financial Assets</b>	<b>7,893,809</b>	<b>21,230,364</b>	<b>25,133,140</b>	<b>33,026,949</b>
<b>Non Financial Assets:</b>				
Land and Buildings	-	-	580,889,076	580,889,076
<b>Total Recurring Non-Financial Assets</b>	-	-	<b>580,889,076</b>	<b>580,889,076</b>

Financial Assets - Company	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
<b>Recurring Fair Value Measurements</b>				
<b>Financial Assets:</b>				
Available for sale	-	-	15,600,000	15,600,000
Designated at fair value through profit or loss	978,568	-	-	978,568
<b>Total Recurring Financial Assets</b>	<b>978,568</b>	<b>-</b>	<b>15,600,000</b>	<b>16,578,568</b>
<b>Non Financial Assets:</b>				
Land and Buildings	-	-	531,045,001	531,045,001
<b>Total Recurring Non-Financial Assets</b>	-	-	<b>531,045,001</b>	<b>531,045,001</b>



## NOTES TO THE FINANCIAL STATEMENTS

The Group/Company does not have any financial liability which is carried at fair value in the statement of financial position: During the reporting period ended 31 March 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements. The group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

Item and Valuation Approach	Key Comparable Data	Relationship Between Comparable Inputs to Fair Value
<b>Unlisted Equity Securities</b>		
Fair value is determined by Net Assets basis	Market Value of assets recoverable value of trade & other receivable book value of liability	The Company's Adjusted Net Assets Value (ANAV) less than cost of investment immediately recognise as an impairment to the investment
<b>Land and Buildings</b>		
Fair value is determined by Comparison approach	The fair values of land are derived using the sale comparison approach. Sale prices of comparable land in similar location are adjusted for differences in key attributes such as land size. The valuation model is based on price per square meter.	The higher the value per perch/square feet, higher fair value

### 29.3 Fair Value of Financial Instruments

Group	Note	2016		2015	
		Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
<b>Financial Assets</b>					
Lease Rentals Receivable and Stock Out on Hire		3,596,251,779	3,633,442,953	2,903,285,248	3,205,230,582
Other Financial Assets		290,035,741	289,596,292	512,855,575	515,180,658
Trade and Other Receivables - Non Current	B	1,697,858,803	1,697,858,803	1,106,703,668	1,106,703,668
Trade and Other Receivables - Current	A	8,002,359,631	8,002,359,631	7,559,757,689	7,559,757,689
Securities Purchased under Repurchase Agreement		630,158,527	630,158,527	426,888,521	426,888,521
Cash and Short Term Deposits	A	806,268,158	806,268,158	758,088,398	758,088,398
<b>Financial Liabilities</b>					
Interest Bearing Borrowings - Non Current	B	3,167,783,211	3,167,783,211	4,148,613,753	4,148,613,753
Interest Bearing Borrowings - Current	A	9,856,283,547	9,856,283,547	7,331,288,563	7,331,288,563
Trade and Other Payables - Non Current	B	677,210,253	677,210,253	339,895,595	339,895,595
Trade and Other Payables - Current	A	11,231,291,632	11,231,291,632	10,383,485,247	10,383,485,247

Fair Value Hierarchy	Level of Valuation
Lease Rentals Receivable and Stock Out on Hire	Level 2

#### Other Financial Assets

Other Financial Assets includes investments in Government of Sri Lanka Treasury Bonds with the carrying value of LKR 21,669,813 and fair value of LKR 21,150,414 that are valued under Level 2. All other financial assets' fair value approximates the carrying value.

## NOTES TO THE FINANCIAL STATEMENTS

## 29. FINANCIAL INSTRUMENTS (CONTD...)

## 29.3 Fair Value of Financial Instruments (Contd...)

Company	Note	2016		2015	
		Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
<b>Financial Assets</b>					
Other Financial Assets		27,819,382	27,819,382	24,894,705	24,894,705
Trade and Other Receivables	A	9,494,732,175	9,494,732,175	9,697,856,445	9,697,856,445
Cash and Short Term Deposits	A	663,688,713	663,688,713	614,002,427	614,002,427
<b>Financial Liabilities</b>					
Interest Bearing Borrowings - Non Current	B	3,154,402,157	3,154,402,157	4,125,083,728	4,125,083,728
Interest Bearing Borrowings - Current	A	9,349,902,769	9,349,902,769	7,016,752,066	7,016,752,066
Trade and Other Payables	A	4,445,423,784	4,445,423,784	7,016,752,066	7,016,752,066

The following describes the methods and assumptions used to determine the fair values for those financial assets and liabilities which are not already recorded at fair value in the financial statements;

- A. Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- B. Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group/Company based on parameters such as interest rates, specific counting risk factors, and risk characteristics of the financed project etc. As at 31 March 2016, the carrying amounts of such receivables/borrowings are not materially different from their calculated fair values.

**Reclassification of financial assets**

There have been no reclassifications during 2015 & 2016.

## 30. FINANCIAL RISK MANAGEMENT - OBJECTIVE AND POLICIES

The Group's risk management is overseen by the Company, in close co-operation with the board of directors and focuses on actively securing the group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the group is exposed are described below.

The Group is exposed to market risk, credit risk and liquidity risk.

## NOTES TO THE FINANCIAL STATEMENTS

### 30.1 Credit Risk

Credit risk is the risk that counter-party 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 trades only with recognised, credit worthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments and other financial investments, the Group's exposure to credit risk arises from default of the counter-party. The Group manages its operations to avoid any excessive concentration of counter-party risk and the Group takes all reasonable steps to ensure the counter-parties fulfill their obligations.

#### 30.1.1 Trade & Other Receivables

Customers credit risk is managed by each business unit subject to the Group's established policies and procedures relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letter of credit or other forms of credit insurance.

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

Credit quality of trade receivables that are neither past due or impaired is explained below.

Group			Past Due not Impaired				
	Total LKR	Neither Past Due not Impaired LKR	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
			LKR	LKR	LKR	LKR	LKR
2016	8,471,837,747	6,414,843,361	589,055,667	300,595,844	212,409,884	359,985,829	594,947,161
2015	7,266,478,959	5,273,068,942	735,491,592	330,550,045	164,934,167	147,374,130	615,060,083

Company			Past Due not Impaired				
	Total LKR	Neither Past Due not Impaired LKR	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
			LKR	LKR	LKR	LKR	LKR
2016	6,820,636,546	5,233,146,586	465,723,234	238,345,773	159,774,344	156,975,164	566,671,444
2015	6,402,729,544	4,677,115,942	626,959,221	298,073,561	143,567,858	126,595,144	530,417,820

## NOTES TO THE FINANCIAL STATEMENTS

### 30. FINANCIAL RISK MANAGEMENT - OBJECTIVE AND POLICIES (CONTD...)

#### 30.1 Credit Risk (Contd...)

##### 30.1.2 Lease Rental Receivable and Stock on Hire

	Total LKR	Neither Past Due not Impaired	Past Due Not Individually Impaired	Individually Impaired
2016	3,873,032,728	1,690,466,460	2,085,470,606	97,095,662
2015	3,098,897,933	1,444,920,109	1,538,905,922	115,071,901

##### Past Due but Not Individually Impaired

	Total LKR	1 to 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days
2016	2,085,470,606	641,358,019	429,639,453	280,381,664	734,091,470
2015	1,538,905,922	476,853,868	337,375,253	227,190,562	497,486,239

##### 30.1.3 Cash in hand and at bank

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the group limits the maximum cash amount that can be deposited with a single counter-party. The Group and Company held cash and cash equivalents of LKR 806 Mn and LKR 664 Mn at 31 March 2016 (2015 - LKR 758 Mn and LKR 614 Mn).

#### 30.2 Liquidity Risk

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 medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds 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 flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS

### 30.2.1 Liquidity risk management

The business units attempt to match contracted cash outflows in each time bucket using a combination of operational cash inflows and other inflows that can be generated through the liquidation of short term investments, repurchase agreements or other secured borrowings.

#### Contractual Maturity Analysis

The Table below summarises the maturity profile of the Group's Financial Liabilities as at 31 March 2015 based on contractual undiscounted Cash Flows.

Group (As at 31 March 2016)	Less than 1 year LKR	1 to 2 years LKR	2 to 5 years LKR	Total LKR
Interest Bearing Borrowings	9,856,283,547	1,617,773,211	1,550,010,000	13,024,066,758
Trade and Other Payables	11,087,735,587	-	-	11,087,735,587
	20,944,019,134	1,617,773,211	1,550,010,000	24,111,802,345

Group (As at 31 March 2015)	Less than 1 year LKR	1 to 2 years LKR	2 to 5 years LKR	Total LKR
Interest Bearing Borrowings	7,331,288,562	1,008,872,406	3,139,741,348	11,479,902,316
Trade and Other Payables	9,917,980,381	-	-	9,917,980,381
	17,249,268,943	1,008,872,406	3,139,741,348	21,397,882,697

Company (As at 31 March 2016)	Less than 1 year LKR	1 to 2 years LKR	2 to 5 years LKR	Total LKR
Interest Bearing Borrowings	9,349,902,769	1,604,392,157	1,550,010,000	12,504,304,926
Trade and Other Payables	5,136,817,454	-	-	5,136,817,454
	14,486,720,223	1,604,392,157	1,550,010,000	17,641,122,380

Company (As at 31 March 2015)	Less than 1 year LKR	1 to 2 years LKR	2 to 5 years LKR	Total LKR
Interest Bearing Borrowings	7,016,752,066	985,342,380	3,139,741,348	11,141,835,794
Trade and Other Payables	5,409,861,280	-	-	5,409,861,280
	12,426,613,346	985,342,380	3,139,741,348	16,551,697,074

### 30.2.2 Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure shareholder value is maximised.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. FINANCIAL RISK MANAGEMENT - OBJECTIVE AND POLICIES (CONTD...)

#### 30.3 Market Risk

The group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk.

#### 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.

#### 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 long-term debt obligations with floating interest rates.

#### Other Price Risk

The Group is exposed to equity price risk in respect of its listed equity securities and price risk for listed debentures. The Group manages those risks by monitoring the markets closely. According to Group policies amounts invested in volatile assets such as shares and debentures are restricted by limits set by Group management.

### 31. DISCONTINUED OPERATIONS

#### 31.1 Group

Last year Company disposed the SCICOM Lanka (Private) Limited (Associates) for LKR 15,750,000/- which had carrying value of zero.

### 32. ASSETS PLEDGED

The following assets have been pledged as security for Liabilities.

#### 32.1 Assets Pledged by Abans PLC

Nature of Assets	Nature of Liability	Purpose	Carrying Amount Pledged	
			2016 LKR	2015 LKR
Property At 141, Kirula Road, Colombo 05	Primary Mortgage Bond For LKR 115 Million	Term Loan	207,933,200	185,539,000
Property At No:09, Nimalka Gardens, Colombo 03	Primary Mortgage Bond For LKR 53.10 Million	Term Loan	112,311,000	97,350,000
Property At No:11, Nimalka Gardens, Colombo 03	Primary Mortgage Bond For LKR 66.90 Million	Term Loan	139,980,000	122,650,000
Property At No:09, 47Th Lane, Colombo 06	Primary Mortgage Bond For LKR 78.00 Million	Term Loan	89,775,000	76,950,000
Finished Goods	Primary Mortgage Bond over Stock For 4980.5 Mn	Term Loan	8,958,839,600	7,207,173,749
Trade Debtors- Other	Primary Mortgage Bond over Debtors For 4980.5Mn	Term Loan	3,234,691,981	2,974,320,804
Trade Debtors - H.P Debtors	Hire Purchased Receivable Securitisation Loan-400Mn	Working Capital Finance	3,919,184,392	3,703,583,250
Credit Card Debtors	Credit Card Receivable Securitisation Loan-500Mn	Working Capital Finance	45,934,189	47,981,331
Property 118/27, Airport Road, Ratmalana	Long Term Loan For 9 Million	Term Loan	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 32.2 Assets Pledged by Abans Finance PLC

Included Under Lease Rental Receivables & Stock Out on Hire

Lease & Hire Purchase Receivables	Bank Overdraft	313,366,667
Lease & Hire Purchase Receivables	Term Loan	224,197,557

### 33. COMMITMENTS AND CONTINGENCIES - GROUP/COMPANY

There were no Material Commitments and Contingencies as at the reporting date except followings.

#### Commitments

Abans PLC has entered into a Joint Venture with Silver Needle Hospitality Pvt Ltd to develop a Mixed Development Project. Abans PLC is required to make a total investment of LKR 2,717,000,000/-. The Company has already invested LKR 2,198,216,870/-, as at 31 March 2016.

	2016 LKR	2015 LKR
Letters of Credit opened with Banks Favouring Suppliers	2,515,383,492	2,705,263,527

#### Contingent Liabilities

	2016 LKR	2015 LKR
Guarantees Issued by Banks	728,229,692	935,719,704
Corporate Guarantee	1,150,000,000	1,850,000,000

### 34. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

#### 34.1 Transaction with /between Subsidiaries and Subsidiaries of the Parent Company

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Balance as at 01st April</b>	-	-	1,296,296,141	343,525,598
<b>Nature of Transaction</b>				
Sale of goods	-	-	341,009,356	1,366,156,502
Purchase of Goods	-	-	(22,597,274)	(27,844,502)
Rendering of Services	-	-	9,816,464	-
Receipts of Services	-	-	(1,378,401)	(11,608,934)
Gratuity Transfer	-	-	910,000	(49,323,682)
Rental Expenses	-	-	(4,318,096)	-
Fund Transfers	-	-	1,516,693,583	197,288,960
Fund Receipts	-	-	(2,359,415,686)	(699,577,937)
Others	-	-	25,962,038	177,680,137
<b>Balance as at 31 March</b>	-	-	802,978,126	1,296,296,141

\* Subsidiaries including

AB Technologies (Pvt) Ltd, Abans Finance PLC, Abans Lanka (Pvt) Ltd, Abans Retail (Pvt) Ltd, Abans Engineering (Pvt) Limited.



## NOTES TO THE FINANCIAL STATEMENTS

### 34. RELATED PARTY DISCLOSURES (CONTD...)

#### 34.2 Transaction with /between Associates and Associates of the Parent Company

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Balance as at 01 April</b>	(484,754,215)	(347,945,754)	(51,662,385)	(348,721,361)
<b>Nature of Transaction</b>				
Sale of goods	108,072,946	32,648,429	29,044,241	32,336,183
Purchase of Goods	(2,506,651,960)	(2,062,369,420)	-	(65,433,042)
Receipt of Services	(620,176,965)	(510,828,597)	(511,454,183)	(488,244,600)
Funds Receipts	(295,887,599)	(160,823,142)	730,256,154	(160,496,346)
Fund Transfers	3,455,898,266	2,862,959,885	(234,169,950)	1,040,035,442
Others	(306,908,984)	(298,395,616)	(30,014,179)	(61,138,661)
<b>Balance as at 31 March</b>	<b>(650,408,511)</b>	<b>(484,754,215)</b>	<b>(68,000,302)</b>	<b>(51,662,385)</b>

\* Associates including

Abans Electricals PLC

#### 34.3 Transaction with Joint Venture

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Balance as at 01 April</b>	63,477,774	805,721	63,339,866	805,721
Sale of goods	896,135	1,806,995	691,335	1,555,616
Transferred from Others	-	-	-	-
Receipts	(63,664,298)	(907,684)	(63,447,390)	(764,676)
Fund Transfer	393,416,920	522,086,068	393,416,920	522,056,531
Investment	(394,416,920)	(460,500,000)	(394,416,920)	(460,500,000)
Other	522,832	186,674	522,832	186,674
<b>Balance as at 31 March</b>	<b>232,443</b>	<b>63,477,774</b>	<b>106,642</b>	<b>63,339,866</b>

\* Joint Venture Includes

Colombo City Centre Partners Limited (Earlier Known as Abans Investment II (pvt) Limited)

Abans PLC has entered into a Joint Venture with Silver Needle Hospitality Pte Ltd to develop a Mixed Development Project under the name of Colombo City Centre Partners (Private) Limited.

## NOTES TO THE FINANCIAL STATEMENTS

### 34.4 Transaction with others

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Balance as at 01 April</b>	1,829,418,288	3,521,681,482	1,972,898,052	3,591,919,803
<b>Nature of Transaction</b>				
Transferred to Joint Venture				
Sale of goods	26,327,782	198,365,055	19,700,440	87,832,076
Purchase of Goods	(2,433,796,834)	(2,104,432,939)	(19,209,625)	(16,636,129)
Rendering of Services	1,497,151	-	1,497,151	-
Receipts of Services	(1,398,958,971)	(1,369,803,500)	(1,309,830,054)	(1,279,291,464)
Rent Income	-	(29,654,157)	-	24,480,000
Interest Income	-	66,630,938	-	66,630,938
Dividend	-	95,000,000	-	95,000,000
Rent Expenses	(130,702,422)	(118,352,343)	(130,702,422)	(120,924,524)
Fund Transfer	4,156,063,087	3,548,972,143	1,213,624,479	1,532,471,094
Gratuity Transfer	-	(1,909,849)	-	(1,909,849)
Funds Receipts	(300,876,879)	(1,809,842,271)	(226,698,220)	(1,849,218,813)
Other	432,916,643	(167,236,271)	(158,351,916)	(157,455,081)
<b>Balance as at 31 March</b>	1,310,913,370	1,829,418,288	1,362,927,884	1,972,898,052

\* Other related party including

Add Outdoor (Pvt) Ltd, Abans Office Automation (Pvt) Ltd, Safraz Abans Industrials (Pvt) Ltd, Abans Warehousing (Pvt) Ltd, ABS Gardner Dixen Hall International (Pvt) Ltd, Abans Tours (Pvt) Ltd, PNP Logistics (Pvt) Ltd, Abans Investments (Pvt) Ltd, Crown City Developers (Pvt) Ltd, Abans Environmental Services (Pvt) Ltd, AB Leisure (Pvt) Ltd, Abans Constructions & Engineering (Pvt) Ltd, Cleantech (Pvt) Ltd, Abans Graphics (Pvt) Ltd, Abans Tourist Hotels (Pvt) Ltd, Abans Development (Pvt) Ltd, Abans Consolidated (Pvt) Ltd, A-Z Electronics (Pvt) Ltd, Sirius Technologies Services (Pvt) Ltd, A-Z Lanka (Pvt) Ltd, Abans Restaurant Systems (Pvt) Ltd, AB securities (Pvt) Ltd, S.A. Medicals (Pvt) Ltd, ABA Telecom (Pvt) Ltd, S.A. Electricals (Pvt) Ltd, Aban Pestonjee Trust, Abans Partnership, Abans Export (Pvt) Ltd, AB Logistics Ltd, Abans Auto (Pvt) Ltd, Abans Transport (Pvt) Ltd, Abandium (Pvt) Ltd, Abans Marketing (Pvt) Ltd, Absgro (Pvt) Ltd, Logirite (Pvt) Ltd, Abans Resort (Pvt) Limited, Abstract Lanka (Pvt) Ltd.

### 34.5 Transactions with Key Management Personnel of the Company

The key management personnel of the Company are the members of its Board of Directors.

Transaction, arrangements and agreements involving Key Management Personnel (KMPs) and their Close Family Members (CFMs), and Entities which are controlled, jointly controlled or significantly influenced by the KMP's and their CFMs or shareholders who have either control, jointly control or significant influence over the entity.

#### Key Management Personnel Compensation

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Short-term employee benefits	31,254,750	35,929,965	16,800,000	22,485,615
	31,254,750	35,929,965	16,800,000	22,485,615

## NOTES TO THE FINANCIAL STATEMENTS

### Other Transactions with Key Management Personnel

	Group		Company	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
Fixed Deposits/Promissory Notes Accepted during the Year	15,000,000	2,265,195	-	-
Fixed Deposits/Promissory Notes held at the Beginning of the Year	13,772,515	11,500,000	-	-
	28,772,515	13,765,195	-	-

### 35. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustment to or disclose in the Financial Statements.

### 36. RECLASSIFICATION OF COMPARATIVES

The following amounts have been reclassified in order to comply with the current year presentation.

#### Impact on the Statement of Profit or Loss for the Year Ended 31 March 2015

	Previously Reported LKR	Impact of Adjustment LKR	Reclassified Amount LKR
<b>Group</b>			
Sales	30,380,461,177	(298,243,420)	30,082,217,757
Cost of Sales	(21,863,678,525)	298,243,420	(21,565,435,105)
Selling and Distribution Expenses	(3,197,248,808)	(28,364,185)	(3,225,612,993)
Administrative Expenses	(3,963,370,213)	28,364,185	(3,935,006,028)
	1,356,163,631	-	1,356,163,631
<b>Company</b>			
Sales	25,087,372,913	(57,027,333)	25,030,345,580
Cost of Sales	(18,520,754,147)	57,027,333	(18,463,726,814)
	6,566,618,766	-	6,566,618,766

#### Statement of Financial Position

<b>Group</b>			
Property Plant & Equipment	1,281,708,483	(260,000,000)	1,021,708,483
Prepaid Lease Rent	-	260,000,000	260,000,000
	1,281,708,483	-	1,281,708,483
<b>Company</b>			
Property Plant & Equipment	1,179,043,603	(260,000,000)	919,043,603
Prepaid Lease Rent	-	260,000,000	260,000,000
	1,179,043,603	-	1,179,043,603

The above reclassification did not have any impact on other comprehensive income, statement of financial position, earnings per share, operating, investing and financing cash flows for the year ended 31 March 2015.

# SUPPLEMENTARY INFORMATION

## STATEMENT OF VALUE ADDED

	Group		Company	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Gross Turnover	34,933,245	30,082,218	27,501,593	25,030,346
Other Operating Income	247,615	292,360	235,538	311,322
Interest Income	65,769	191,419	62,704	189,361
Share of Associate' Profit	60,280	42,950	-	-
Share of Joint Venture Loss	(75,456)	(45,274)	-	-
Value Added	35,231,453	30,563,673	27,799,834	25,531,028

### Distribution Of Value Added

Group	2016		2015	
	LKR '000	%	LKR '000	%
To Employees as Remuneration	1,684,062	4.8%	1,551,361	5.1%
Operating Expenses	30,323,558	86.1%	26,687,751	87.3%
Revenue To Government				
- NBT	314,327	0.9%	275,581	0.9%
- Income Tax	544,640	1.5%	230,525	0.8%
To Providers of Debt Capital	1,050,908	3.0%	1,045,892	3.4%
Retained with the Business as				
- Depreciation	211,446	0.6%	195,611	0.6%
- Retained Profit	1,102,512	3.1%	576,952	1.9%
	35,231,453	100%	30,563,673	100%

Company	2016		2015	
	LKR '000	%	LKR '000	%
To Employees as Remuneration	1,058,329	3.8%	968,038	3.8%
Operating Expenses	24,206,255	87.1%	22,002,450	86.2%
Revenue To Government				
- NBT	269,482	1.0%	234,528	0.9%
- Income Tax	325,201	1.2%	217,886	0.9%
To Providers of Debt Capital	1,028,823	3.7%	1,492,677	5.8%
Retained with the Business as				
- Depreciation	183,590	0.7%	180,076	0.7%
- Retained Profit	728,154	2.6%	435,372	1.7%
	27,799,834	100%	25,531,028	100%

## INVESTOR INFORMATION

### 1. STATED CAPITAL

Class of Share	31st March 2016		31st March 2015	
	No. of Shares	LKR	No. of Shares	LKR
Ordinary Voting Shares	2,160,000	216,000,000	2,160,000	216,000,000
Class B Ordinary Management Non- Voting	25,000	2,500,000	25,000	2,500,000
Total Ordinary Shares (Voting & Non-Voting)	2,185,000	218,500,000	2,185,000	218,500,000

2. Stock Exchange Listing Issued shares of the Company are not listed with the Colombo Stock Exchange of Sri Lanka. Only the Debentures (LKR 4 Billion) of the Company are listed with Colombo stock exchange with effect from 27th December 2013.

### 3. DISTRIBUTION OF SHAREHOLDING

Total Ordinary Shares (Voting & Non-Voting)	31st March 2016			31st March 2015		
	No. of Share Holders	No. of Shares	Per Centum	No of Shares Holders	No. of Shares	Per Centum
1-1,000	-	-	-	-	-	-
1,001-10,000	-	-	-	-	-	-
Over 1,000,000	5	2,185,000	100	5	2,185,000	100
1,001-1,000,000	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>2,185,000</b>	<b>100</b>	<b>5</b>	<b>2,185,000</b>	<b>100</b>

All shareholders are Individual Shareholders (No institutional Shareholders)

All shareholders are Resident Shareholders (No Non-Resident Shareholders)

### 4. TWENTY LARGEST SHAREHOLDERS

No.	Name	Voting as at 31.03.2016		Voting as at 31.03.2015	
		No of Shares	%	No of Shares	%
1	Mrs Aban Pestonjee	432,000	20	756,000	35
2	Mr P N Pestonjee	432,000	20	108,000	5
3	Mrs Saroshi Dubash	432,000	20	432,000	20
4	Mr Behman Pestonjee	432,000	20	432,000	20
5	Mr Rusi Pestonjee	432,000	20	432,000	20
		2,160,000	100	2,160,000	100

## INVESTOR INFORMATION

No.	Name	Non Voting as at 31.03.2016		Non Voting as at 31.03.2015	
		No of Shares	%	No of Shares	%
1	Mrs Aban Pestonjee	5,000	20	5,000	20
2	Mr P N Pestonjee	5,000	20	5,000	20
3	Mrs Saroshi Dubash	5,000	20	5,000	20
4	Mr Behman Pestonjee	5,000	20	5,000	20
5	Mr Rusi Pestonjee	5,000	20	5,000	20
		25,000	100	25,000	100

### 5. PUBLIC HOLDING

As at 31st March	2016	2015
Total number of shares issued	2,185,000	2,185,000
No of shares held by the Public	Nil	Nil
Percentage of shares held by the Public	Nil	Nil

### 6. MARKET VALUE PER SHARE

Market Value is not available since the shares of the company is not publicly traded.

### 7. NET ASSET PER SHARE

As at 31st March	2016 LKR	2015 LKR
Group	3,222	2,741
Company	2,375	2,061

### 8. DEBT SECURITIES RELATED DETAILS

	Group 2016 LKR	Company 2016 LKR
Debt to Equity Ratio	1.85	2.41
Quick Asset Ratio	0.76	0.71
Interest Coverage Ratio	2.52	1.96



## INVESTOR INFORMATION

### 9. INTEREST RATE OF COMPARABLE GOVERNMENT SECURITY

Debenture Issue 2013 Interest Rate	3 Years	Category	
		4 Years	5 Years
Abans PLC	14.00%	14.25%	14.50%
Government Bond Rate	8.70%	-	9.13%

Debenture Issue 2014 Interest Rate	3 Years	Category	
		4 Years	5 Years
Abans PLC	8.25%	8.50%	9.00%
Government Bond Rate	8.70%	-	9.13%

### 10. MARKET VALUE PER DEBENTURE

Debenture Issue 2013	3 Years LKR	Category	
		4 Years LKR	5 Years LKR
Highest Price	N/T	N/T	117.58
Lowest Price	N/T	N/T	117.58
Last Traded Price	N/T	N/T	117.58

Debenture Issue 2014	3 Years LKR	Category	
		4 Years LKR	5 Years LKR
Highest Price	99.35	N/T	N/T
Lowest Price	99.09	N/T	N/T
Last Traded Price	99.35	N/T	N/T

\* N/T - Not Traded

# FIVE YEAR SUMMARY - STATEMENT OF FINANCIAL POSITION

	2016 LKR	2015 LKR	Group SLFRS/LKAS 2014 LKR	2013 LKR	2012 LKR
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Property, Plant and Equipment	1,216,234,279	1,021,708,483	958,769,030	981,566,620	928,778,814
Prepaid Lease Rent	257,373,737	260,000,000	-	-	-
Investment Property	23,854,597	25,252,210	26,649,822	28,194,890	29,739,958
Lease Rentals Receivable and stock Out on Hire	1,872,280,011	1,643,410,169	1,250,847,064	995,788,313	801,434,579
Intangible Assets	56,671,257	134,128,101	199,671,632	284,768,902	252,932,059
Investments in Subsidiaries	-	-	-	-	-
Investments in an Associate	342,739,493	307,043,712	273,509,727	240,877,459	201,498,432
Investments in a Joint Venture	2,055,169,194	1,736,208,070	1,320,482,294	-	-
Other Financial Assets	33,026,949	150,676,484	45,493,016	52,487,014	48,178,608
Deferred Tax Assets	374,251,906	287,889,493	221,504,303	157,739,290	105,369,230
Trade and Other Receivables	677,210,253	339,895,595	367,113,462	-	-
	6,908,811,676	5,906,212,317	4,664,040,350	2,741,422,488	2,367,931,680
<b>Current Assets</b>					
Inventories	10,365,724,961	8,688,659,973	8,442,631,209	7,256,417,401	6,326,676,352
Trade and Other Receivables	11,542,692,280	10,688,028,573	10,555,193,978	11,328,744,632	9,464,523,502
Lease Rentals Receivable and Stock Out on Hire	1,723,971,768	1,259,875,081	822,741,354	553,658,978	434,758,651
Income Tax Receivables	4,584,793	4,641,546	107,462,120	20,504,417	11,569,730
Other Financial Assets	257,008,792	362,179,092	241,613,048	299,662,732	222,776,491
Securities Purchased under Repurchase Agreement	630,158,530	426,888,521	268,997,323	-	15,362,989
Cash and Short Term Deposits	806,268,158	758,088,398	902,262,690	558,998,256	954,897,075
	25,330,409,282	22,188,361,184	21,340,901,722	20,017,986,417	17,430,564,790
<b>Total Assets</b>	<b>32,239,220,958</b>	<b>28,094,573,501</b>	<b>26,004,942,072</b>	<b>22,759,408,904</b>	<b>19,798,496,470</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	218,500,000	218,500,000	218,500,000	218,500,000	218,500,000
Other Component of Equity	457,158,336	352,706,442	356,483,418	323,115,557	318,463,817
Retained Earnings	6,363,505,389	5,417,740,673	4,850,148,446	5,090,527,192	5,010,102,093
	7,039,163,725	5,988,947,115	5,425,131,864	5,632,142,749	5,547,065,910
Minority Interest	133,916,025	119,056,474	105,142,727	126,768,833	117,659,984
<b>Total Equity</b>	<b>7,173,079,750</b>	<b>6,108,003,589</b>	<b>5,530,274,591</b>	<b>5,758,911,582</b>	<b>5,664,725,894</b>
<b>Non Current Liabilities</b>					
Interest Bearing Borrowings	3,167,783,211	4,148,613,753	2,514,842,913	786,763,921	1,142,770,188
Warranty Provision	313,863,057	277,776,277	238,271,055	214,507,908	216,896,224
Employee Benefits Liabilities	236,796,414	217,662,634	183,238,184	124,517,565	130,480,672
Trade and Other Payables	1,697,858,803	1,106,703,668	813,965,436	-	-
	5,416,301,485	5,750,756,332	3,750,317,588	1,125,789,394	1,490,147,084
<b>Current Liabilities</b>					
Trade and Other Payables	9,390,126,784	8,811,276,713	7,936,599,655	6,618,338,380	4,958,566,200
Income Tax Liabilities	403,429,392	93,248,304	5,895,367	114,481,023	309,796,657
Dividend Payable	-	-	-	-	-
Interest Bearing Borrowings	9,856,283,547	7,331,288,563	8,781,854,871	9,141,888,525	7,375,260,635
	19,649,839,723	16,235,813,580	16,724,349,893	15,874,707,928	12,643,623,492
<b>Total Equity and Liabilities</b>	<b>32,239,220,958</b>	<b>28,094,573,501</b>	<b>26,004,942,072</b>	<b>22,759,408,904</b>	<b>19,798,496,470</b>

# FIVE YEAR SUMMARY - STATEMENT OF FINANCIAL POSITION

	Company SLFRS/LKAS				
	2016 LKR	2015 LKR	2014 LKR	2013 LKR	2012 LKR
	1,041,696,453	919,043,603	940,805,256	964,929,322	909,480,762
	257,373,737	260,000,000	-	-	-
	23,854,597	25,252,210	26,649,822	28,194,890	29,739,958
	-	-	-	-	-
	37,498,683	123,809,786	190,330,911	272,500,000	242,521,842
	466,173,511	466,173,511	466,172,761	417,953,870	417,953,870
	30,752,197	30,752,197	30,752,197	46,502,197	46,502,197
	2,198,216,870	1,803,799,950	1,342,799,950	-	-
	16,578,568	16,789,700	16,690,020	21,196,002	21,204,040
	275,368,855	204,587,498	221,058,425	160,328,816	105,287,547
	-	-	-	-	-
	4,347,513,471	3,850,208,455	3,235,259,342	1,911,605,097	1,772,690,216
	8,716,690,228	7,033,963,561	7,119,656,554	7,122,552,565	6,166,944,704
	9,776,239,487	9,974,478,184	10,101,493,780	10,330,529,864	8,302,987,513
	-	-	-	-	-
	-	-	102,776,732	-	-
	11,240,814	8,105,005	7,564,691	6,000,000	4,000,000
	-	-	-	-	-
	663,688,713	614,002,427	775,038,937	517,260,696	911,667,171
	19,167,859,242	17,630,549,177	18,106,530,694	17,976,343,125	15,385,599,388
	23,515,372,713	21,480,757,632	21,341,790,036	19,887,948,222	17,158,289,604
	218,500,000	218,500,000	218,500,000	218,500,000	218,500,000
	399,048,767	314,800,292	314,800,292	286,903,081	286,903,081
	4,571,761,088	3,971,992,342	3,534,189,609	3,694,118,159	3,574,510,036
	5,189,309,855	4,505,292,634	4,067,489,901	4,199,521,240	4,079,913,117
	-	-	-	-	-
	5,189,309,855	4,505,292,634	4,067,489,901	4,199,521,240	4,079,913,117
	3,154,402,157	4,125,083,728	2,397,038,786	612,438,862	987,405,219
	269,748,307	237,248,368	237,233,734	214,507,908	216,896,224
	149,772,204	141,801,533	175,826,368	104,660,020	116,098,344
	-	-	-	-	-
	3,573,922,668	4,504,133,629	2,810,098,888	931,606,790	1,320,399,787
	5,136,817,454	5,409,861,280	5,950,074,635	5,949,235,385	4,663,514,442
	265,419,967	44,718,023	-	25,132,078	53,656,942
	-	-	-	-	-
	9,349,902,769	7,016,752,066	8,514,126,612	8,782,452,729	7,040,805,316
	14,752,140,190	12,471,331,369	14,464,201,247	14,756,820,192	11,757,976,700
	23,515,372,713	21,480,757,632	21,341,790,036	19,887,948,222	17,158,289,604

## FIVE YEAR SUMMARY - STATEMENT OF COMPREHENSIVE INCOME

	Group SLFRS/LKAS				
	2016 LKR	2015 LKR	2014 LKR	2013 LKR	2012 LKR
Revenue	34,933,245,274	30,082,217,757	25,516,809,656	24,294,938,354	22,469,267,842
Cost of Sales	(24,173,581,123)	(21,565,435,105)	(18,224,377,305)	(16,836,362,976)	(15,960,319,901)
<b>Gross Profit</b>	<b>10,759,664,151</b>	<b>8,516,782,652</b>	<b>7,292,432,351</b>	<b>7,458,575,378</b>	<b>6,508,947,941</b>
Other Operating Income	247,614,896	292,360,320	600,207,307	396,406,756	712,708,142
Selling & Distribution Expenses	(4,233,641,878)	(3,197,248,808)	(3,019,913,621)	(3,084,488,731)	(2,257,891,577)
Administrative Expenses	(4,129,045,695)	(3,963,370,213)	(3,755,631,304)	(3,070,288,816)	(2,074,511,318)
<b>Operating Profit</b>	<b>2,644,591,474</b>	<b>1,648,523,951</b>	<b>1,117,094,733</b>	<b>1,700,204,586</b>	<b>2,889,253,188</b>
Finance Cost	(1,050,908,089)	(1,045,891,861)	(1,541,676,504)	(1,196,387,314)	(679,149,083)
Finance income	65,768,752	191,418,624	191,449,371	106,088,868	61,421,011
Share of Associate Company Profits/(Losses)	60,279,671	42,950,354	45,921,599	64,898,376	40,952,475
Share of Joint Venture's Loss	(75,455,796)	(45,274,224)	(22,317,656)	-	-
<b>Profit/(Loss) Before Income Tax and Value Added Tax on Financial Services</b>	<b>1,644,276,012</b>	<b>791,726,844</b>	<b>(209,528,456)</b>	<b>674,804,516</b>	<b>2,312,477,591</b>
Value Added Tax on Financial Services	(33,742,312)	(25,468,054)	(6,080,910)	(13,211,341)	(20,368,795)
Income Tax Expense	(510,898,173)	(205,056,915)	33,434,388	(267,296,896)	(371,500,901)
<b>Profit / (Loss) for the year from continuing operations</b>	<b>1,099,635,527</b>	<b>561,201,875</b>	<b>(182,174,978)</b>	<b>394,296,279</b>	<b>1,920,607,895</b>
<b>Discontinued Operations :</b>					
Profit for the year from discontinued operations	-	15,750,000	(4,199,371)	-	(814,862,007)
Profit for the year net of Tax	1,099,635,527	576,951,875	(186,374,350)	394,296,279	1,105,745,888
<b>Attributable to;</b>					
Equity holders of the parent	1,087,444,834	564,835,785	(187,062,026)	385,187,430	1,011,696,483
Non Controlling Interest	12,190,693	12,116,090	687,676	9,108,849	94,049,406
Earnings Per Share	497.69	258.51	(86.60)	178.33	468.38

## FIVE YEAR SUMMARY - STATEMENT OF COMPREHENSIVE INCOME

Company SLFRS/LKAS					
2016 LKR	2015 LKR	2014 LKR	2013 LKR	2012 LKR	
27,501,593,009	25,030,345,580	24,225,118,800	23,704,374,843	21,963,298,347	
(19,340,460,685)	(18,463,726,814)	(17,675,145,521)	(16,495,455,485)	(15,875,565,357)	
8,161,132,324	6,566,618,766	6,549,973,279	7,208,919,358	6,087,732,990	
235,537,658	311,321,674	568,866,969	447,927,973	380,818,533	
(3,522,305,279)	(2,603,833,657)	(2,909,456,320)	(3,084,418,112)	(2,245,841,499)	
(2,857,515,893)	(2,787,213,669)	(3,187,327,743)	(2,866,949,744)	(2,439,902,933)	
2,016,848,810	1,486,893,114	1,022,056,184	1,705,479,475	1,782,807,091	
(1,028,823,131)	(1,022,995,330)	(1,492,677,321)	(1,196,169,486)	(666,105,144)	
62,703,720	189,360,610	191,378,789	101,995,719	61,421,011	
-	-	-	-	-	
-	-	-	-	-	
1,050,729,399	653,258,394	(279,242,348)	611,305,708	1,178,122,958	
(2,884,772)	(2,722,882)	(1,534,631)	(2,472,411)	(1,525,494)	
(322,316,714)	(215,163,027)	63,285,822	(212,621,520)	(235,177,452)	
725,527,913	435,372,485	(217,491,157)	396,211,777	941,420,012	
-	-	76,877,952	-	-	
725,527,913	435,372,485	(140,613,205)	396,211,777	941,420,012	
-	-	-	-	-	
-	-	-	-	-	
332.05	199.26	(65.10)	183.43	435.84	

## REAL ESTATE PORTFOLIO

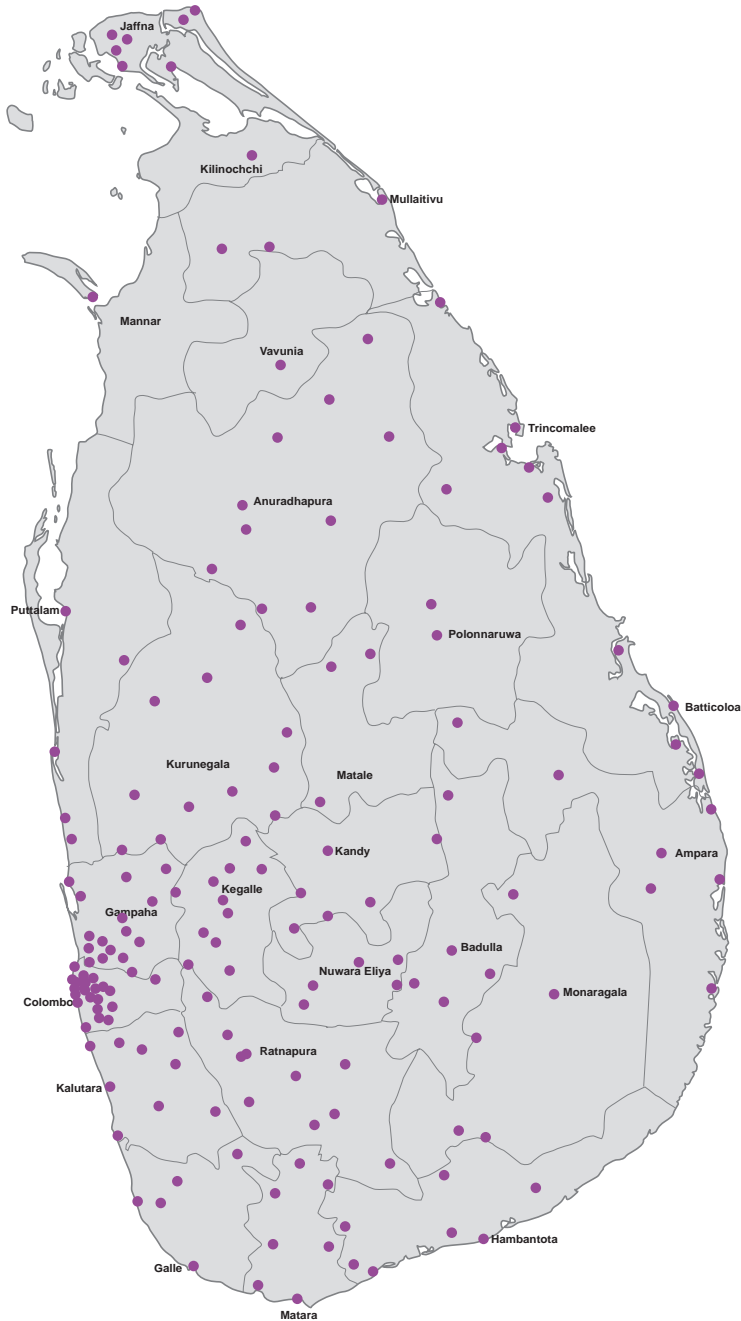
Location	Extent	Valuation	Date of the Valuation
<b>FREEHOLD LAND AND BUILDINGS</b>			
<b>Freehold Property at Ratmalana</b>			
Land	14.9 P	9,700,000	15 March 2016
Building	5,162 sq.ft	7,800,000	
<b>Freehold Property at Liberty Plaza</b>			
Shopping Block at Liberty Plaza Colombo	435 sq.ft	15,700,000	15 March 2016
<b>Freehold Property at Kandy</b>			
Land	11.094 P	122,000,000	10 March 2016
Building	4415 sq.ft	8,000,000	
<b>Freehold Property at Kalutara</b>			
Land	24.46 P	19,700,000	15 March 2016
Building	9403 sq.ft	33,000,000	
<b>Freehold Property at Nugegoda</b>			
Land	17.45 P	70,470,000	25 April 2016
Building		8,020,500	
<b>Freehold Property at Gampaha</b>			
Land	17.52 P	52,600,000	16 March 2016
Building		1,000,000	
<b>Freehold Property at Kurunegala</b>			
Land	50 P	87,500,000	10 March 2016
Building		2,500,000	
<b>Freehold Property at Rajagiriya</b>			
Land	22 P	55,000,000	15 March 2016
Building	3687 sq.ft	2,200,000	

## REAL ESTATE PORTFOLIO

Location	Extent	Valuation	Date of the Valuation
<b>Freehold Property at Wellawatta</b>			
Land	25.65 P	90,000,000	15 March 2016
<b>Freehold Property at Ratmalana</b>			
Land	15.00 P	11,250,000	17 March 2016
Building	3,157 sq.ft	7,892,500	
<b>Freehold Property at Ratmalana</b>			
Land	17 P	12,825,000	17 March 2016
Building	3,690 sq.ft	9,503,800	
Building		17,456,055	
<b>Freehold Property at Galnewa</b>			
Building		35,000,000	31 March 2016
<b>INVESTMENT PROPERTIES</b>			
<b>Investment Property at Kirula</b>			
Land	31 P	148,250,000	15 March 2016
Building	15164 sq.ft	59,750,000	



# BRANCH NETWORK



● Retail Showrooms/Apple Showrooms/Elite Showrooms

Provinces	Retail Showrooms	Apple Showrooms	Elite Showrooms
Western	110	7	20
Northern	31	-	-
Eastern	41	-	-
Southern	61	-	-
UVA	45	-	-
Sabaragamuwa	31	-	1
Central	40	-	1
North Central	33	-	1
North Western	49	-	-
<b>Total</b>	<b>441</b>	<b>7</b>	<b>23</b>

## GLOSSARY OF FINANCIAL TERMS

### A

- ▶ Accounts payable - a record of all short-term (less than 12 months) invoices, bills and other liabilities yet to be paid. Examples of accounts payable include invoices for goods or services, bills for utilities and tax payments due.
- ▶ Accounts receivable - a record of all short-term (less than 12 months) expected payments, from customers that have already received the goods/services but are yet to pay. These types of customers are called debtors and are generally invoiced by a business.
- ▶ Accrual accounting - an accounting system that records transactions at the time they occur, whether the payment is made now or in the future.
- ▶ Amortisation - the process of expensing for intangible assets such as goodwill and intellectual property over a period of time. See also Depreciation.
- ▶ Audit - a physical check performed by an auditor or tax official on a business' financial records to check that everything is accounted for correctly.
- ▶ Available-for-sale – all assets not in any of the 3 categories namely held to maturity, fair value through profit/loss and receivables. It is a residual category and does not mean that the entity stands ready sell these all the time.
- ▶ AWPLR- Average Weighted Prime Lending Rate

### B

- ▶ Bad debts - money owed to you that is unlikely to be paid to you in the foreseeable future.
- ▶ Balance sheet - a snapshot of a business as of a particular date. It lists all of a business' assets and liabilities and works out the net assets.
- ▶ Benchmark - a set of conditions against which a product or business is measured.
- ▶ BOI-Board of Investment
- ▶ Bootstrapping - where a business funds growth purely through personal finances and revenue from the business.
- ▶ Bottom line - see Net profit.
- ▶ Brainstorming- group creativity technique by which efforts are made to find a conclusion for a specific problem by gathering a list of ideas spontaneously contributed by its members.
- ▶ Break-even point - the exact point when a business' income equals a business' expenses.
- ▶ Budget - a listing of planned revenue and expenditure for a given period.

### C

- ▶ Capital - wealth in the form of money or property owned by a business.
- ▶ Cash flow - the measure of actual cash flowing in and out of a business.
- ▶ Collateral - see Security.
- ▶ Colombo Consumer Price Index (CCPI)- An inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation
- ▶ Contingent liability - a liability that only needs to be paid if a particular event or circumstance occurs.
- ▶ Cost of goods sold - the total direct costs of producing a good or delivering a service.
- ▶ Credit rating - a ranking applied to a person or business based on their credit history that represents their ability to repay a debt
- ▶ Current asset - an asset in cash or that can be converted into cash within the next 12 months.
- ▶ Current liability - a liability that is due for payment in the next 12 months.
- ▶ Current ratio – current asset divided by Current Liability, also known as Acid ratio, measures the amount of liquidity.

### D

- ▶ Deferred Tax - a liability that results from income that has already been earned for accounting purposes but not for tax purposes.
- ▶ Depreciation - the process of expensing an asset over a period of time. An asset is depreciated to spread the cost of the asset over its useful life.
- ▶ Disbursements - money that is paid out by a business.
- ▶ Discount - a reduction applied to a full priced good or service.
- ▶ Disposable income - also known as disposable personal income (DPI), is the amount of money that households have available for spending and saving after income taxes have been accounted for.
- ▶ Drawings - personal expenses paid for from a business account.

## GLOSSARY OF FINANCIAL TERMS

### E

- ▶ Earnings Per Share – profits distributable to Ordinary shareholders divided by the weighted average number of ordinary shares in issue.
- ▶ Ecofriendly -not harmful to the environment.
- ▶ Effective tax rate- average rate at which an individual or corporation is taxed.
- ▶ Equity - the value of ownership interest in the business, calculated by deducting liabilities from assets.
- ▶ ERP system-Enterprise Resource Planning is business process management software that allows an organisation to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources.

### F

- ▶ Factoring - (also known as debtors finance and accounts receivable finance) – is when a factor company buys a business' outstanding invoices at a discount. The factor company then chases up the debtors. Factoring is a way to get quick access to cash, but can be quite expensive compared to traditional financing options.
- ▶ Fair Value – fair value is the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction.
- ▶ Fixed asset - a physical asset used in the running of a business.
- ▶ Fixed cost - a cost that cannot be directly attributed to the production of a good or service.
- ▶ Fringe benefits - non-monetary benefits such as company cars and mobile phones, included as part of a salary package.
- ▶ Financial year - a twelve month period typically from 1 April to 31st March

### G

- ▶ GDP- Gross Domestic Product -the monetary value of all the finished goods and services produced within a country's borders in a specific time period.
- ▶ Gearing ratio – borrowings divided by equity
- ▶ Goodwill - an intangible asset that represents the value of a business' reputation.
- ▶ Gross income - the total money earned by a business before expenses are deducted.
- ▶ Gross profit - the difference between sales and the direct cost of making the sales.
- ▶ Guarantor- a person who promises to pay a loan in the event the borrower cannot meet the repayments. The guarantor is legally responsible for the debt.

### H

- ▶ Held-to-maturity – assets acquired by the entity with the intention of holding till maturity.
- ▶ Hire-purchase - a type of finance contract where a good is purchased through an initial deposit and then rented while the good is paid off in installments plus interest charges. Once the good is fully paid the ownership of the good transfers to the purchaser.

### I

- ▶ Impairment - this occurs when the recoverable amount of an asset is less than its carrying value
- ▶ Initial public offering (IPO) - when a company first offers shares on the stock market to sell them to the general public. Also known as floating on the stock market.
- ▶ Intangible assets - non-physical assets with no fixed value, such as goodwill and intellectual property rights.
- ▶ Inventory - an itemized list of goods or materials a business is holding for sale.
- ▶ Investment - an asset purchased for the purpose of earning money such as shares or property.

### M

- ▶ Mark up - the amount added to the cost price of goods, to help determine a selling price. Essentially it is the difference between the cost of the good/service and the selling price, but it does not take into account what proportion of the amount is profit.
- ▶ Maturity date - when a loan's term ends and all outstanding principal and interest payments are due.
- ▶ Multiplier effect - increase in final income arising from any new injection of spending.

### N

- ▶ NASDAQ - an American stock exchange
- ▶ Net assets - (also known as net worth, owner's equity or shareholder's equity) is the total assets minus total liabilities.
- ▶ Net income - the total money earned by a business after tax and other deductions are taken out.
- ▶ Net Profit - (also known as bottom line) is the total gross profit minus all business expenses.
- ▶ Non-Controlling Interest – Equity in a subsidiary not attributable, directly or indirectly, to parent.

## GLOSSARY OF FINANCIAL TERMS

### O

- ▶ Overdraft facility - a finance arrangement where a lender allows a business to withdraw more than the balance of an account.
- ▶ Overheads - the fixed costs associated with operating a business such as rent, marketing, utilities and administrative costs. See also Fixed costs.

### P

- ▶ P/E ratio – price of a share divided by earnings of a share.
- ▶ Petty cash - cash for the purposes of small miscellaneous purchases such as postage.
- ▶ Plant and equipment - a group of fixed assets used in the operation of a business such as furniture, machinery, fit-out, vehicles, computers and tools.
- ▶ Principal - the original amount borrowed on a loan or the remainder of the original borrowed amount that is still owing (excluding the interest portion of the amount).
- ▶ Profit - the total revenue a business earns minus the total expenses.
- ▶ Profit and loss statement - (also known as an income statement) is a financial statement listing sales and expenses and is used to work out the gross and net profit of a business.
- ▶ Purchasing Power- value of a currency expressed in terms of the amount of goods or services that one unit of money can buy

### R

- ▶ R&D-stands for 'Research and Development'. Businesses conduct research and development to innovate, create new products and find better ways of doing things.
- ▶ Related Parties - parties who can control or significantly influence the financial and operating politics of the entity.
- ▶ Return on investment (ROI) - a calculation that works out how efficient a business is at generating profit from the original equity provided by the owners/shareholders. It's a way of thinking about the benefit (return) of the money you've invested into the business. To calculate ROI, divide the gain (net profit) of the investment by the cost of the investment - the ROI is expressed as a percentage or a ratio.
- ▶ Roanu - relatively weak tropical cyclone that caused severe flooding in Sri Lanka during May 2016.

### S

- ▶ Security - (also known as Collateral) is property or assets that a lender can take possession of, in the event that a loan cannot be repaid.
- ▶ Shareholder's equity - see Net assets.
- ▶ Stock - the actual goods or materials a business currently has on hand.
- ▶ Stocktaking - a regular process involving a physical count of merchandise and supplies actually held by a business, completed to verify stock records and accounts.

### T

- ▶ Turnover - the amount of money taken by a business in a particular period.

### V

- ▶ Variable cost - a cost that changes depending on the number of goods produced or the demand for the products/service.
- ▶ Variable interest rate - when the interest rate of a loan changes with market conditions for the duration of the loan.

### W

- ▶ Working capital - the cash available to a business for day to day expenses.





## **NOTICE OF MEETING**

Notice is hereby given that the ANNUAL GENERAL MEETING of the Company will be held at the Head Office of Abans PLC on 27th September 2016, at 2.00 p.m. for the following purposes.

1. To receive and adopt the Report of the Directors, the Audited Statement of Accounts of the Company for the year ended 31st March 2016 and Report of the Auditors thereon.
2. To elect Mr. Sriyan de S. Wijeyeratne, a Director of the Company who retires by rotation in terms of Section A.8 of the Code of Best Practice on Corporate Governance 2013. Directors recommend the re-election of Mr. Sriyan Wijeyeratne as a Director of the Company.
3. To re-elect Mrs. Aban Pestonjee, Director of the Company who being over seventy years of age retires in accordance with Section 210 of the Companies Act No.07 of 2007. The Directors recommend the re-election of Mrs. Aban Pestonjee as a Director of the Company.
4. To re-appoint M/s. Ernst & Young, Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

By order of the Board,



**Varners International (Private) Limited**

*Secretaries*

Colombo.

8<sup>th</sup> August 2016



# FORM OF PROXY

I/We \* .....

..... being a member/members of Abans PLC, hereby appoint;

Ms. Aban Pestonjee .....of Colombo or failing her

Ms. Saroshi Dubash.....of Colombo or failing her

Mr. Behman Pestonjee .....of Colombo or failing him

Mr. Rusi Pestonjee .....of Colombo or failing him

Mr. Hiran Embuldeniya .....of Colombo or failing him

Mr. S. J. De S. Wijeyeratne.....of Colombo or failing him

.....of.....

(National Identity Card Number.....) as my/our\* proxy to represent me/us\* and to vote as indicated hereunder for me/us\* and on my/our\* behalf at the Annual General Meeting of the Company to be held on 27th September 2016 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	FOR	AGAINST
To receive and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2016 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
To elect Mr. Sriyan Joseph De Silva Wijeyeratne, a Director of the Company who retires by rotation in terms of Section A.8 of the Code of Best Practice on Corporate Governance 2013. Directors recommend the re-election of Mr. Sriyan Joseph De Silva Wijeyeratne as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Mrs. Aban Pestonjee, as a Director of the Company in terms 4.1 of Part II of the Articles of Association and Section 210 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint Messrs. Ernst & Young, Chartered Accountant, as the Auditors for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signature .....

Signed this ..... day of ..... 2016

Witness .....

(\*Please delete the inappropriate words)

## FORM OF PROXY

### INSTRUCTIONS ON COMPLETING THE FORM OF PROXY

1. Please perfect the Form of Proxy after filing in legibly your name and address and by signing in the space provided and inserting the date of signatures.
2. Please return the completed Form of Proxy to the registered office of the Company at No.498, Galle Road, Colombo 03 or at the office of the Secretaries, Varners International (Private) Limited at Level 14, West Tower, World Trade Center, Echelon Square, Colombo 01 after crossing out one or the other of the alternate words indicated by the asterisks on the body of the Form. The Form of Proxy shall be lodged with the Company or the Secretaries not less than forty-eight hours before the time appointed for holding the meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if a Power of Attorney has not been already registered with the Company.
4. If the shareholder is a Company or a body corporate, the Form of Proxy should be under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to the manner in which the proxy should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/he thinks fit.

# CORPORATE INFORMATION

## Company Name

Abans PLC

## Legal Form

The Company was incorporated in Sri Lanka on 17th December 1981 as a Private Limited Liability Company under the provisions of the Companies ordinance of 1938 and re-registered under the Companies Act No. 07 of 2007, as Abans (Pvt) Ltd. The Company changed its name in accordance with the provisions of Section 8 of the Companies Act No. 07 Of 2007 to Abans Limited on 17th December 2012. Consequent to being listed on the Colombo Stock Exchange pursuant to its debenture issue, the Company name was changed to Abans PLC on 16th January 2014.

## Registration Number

Old – PVS 8006

New – PV 5301 PB/PQ

## Stock Exchange Listing

Debentures of the Company were listed on the Colombo Stock Exchange on 27th December 2013.

## Registered Office

498, Galle Road, Colombo 03

## Web Site

[www.abansgroup.com](http://www.abansgroup.com)

## Auditors

Ernst & Young  
Chartered Accountants,  
201, De Saram Place,  
P.O. Box 101,  
Colombo 10.

## Internal Auditors

Chief Internal Auditor,  
Abans Group of Companies,  
498, Galle Road,  
Colombo 03.

## Secretaries

Varners International (Pvt) Ltd,  
Level 14, West Tower, World Trade Center,  
Echelon Square, Colombo 01

## Lawyers

Varners International (Pvt) Ltd,  
Level 14, West Tower, World Trade Center,  
Echelon Square, Colombo 01

## Bankers

Amana Bank Ltd  
Bank of Ceylon  
Cargills Bank Ltd  
Commercial Bank of Ceylon PLC  
DFCC Vardhana Bank PLC  
Hatton National Bank PLC  
ICICI Bank Ltd  
MCB Bank Ltd  
National Development Bank PLC  
Nations Trust Bank PLC  
Pan Asia Banking Corporation PLC  
People's Bank  
Sampath Bank PLC  
Seylan Bank PLC  
The Hongkong & Shanghai Banking  
Corporation Ltd (HSBC)  
Union Bank of Colombo PLC

## VAT Registered No.

104080065 - 7000

## Tax Payer Identification Number

104080065

## Board of Directors

Mrs. Aban Pestonjee  
- Chairperson / Executive Director  
Mr. Behman Pestonjee  
- Managing Director / Executive Director  
Mrs. Saroshi Dubash  
- Executive Director  
Mr. Rusi Pestonjee  
- Executive Director  
Mr. Hiran Chaminda Embuldeniya  
- Independent Non-Executive Director  
Mr. Sriyan De Silva Wijeyeratne  
- Independent Non-Executive Director



**Abans PLC**

498, Galle Road, Colombo 03.

[www.abansgroup.com](http://www.abansgroup.com)