ANNUAL REPORT 2017/18

PRINTASTIC!

ODEL
THE DEPARTMENT STORE

CONTENTS

ODEL
THE DEPARTMENT STORE

We are driven by a desire to INSPIRE the world and provide an unparalleled shopping experience for our customers, to entice their MIND, BODY and SOUL - and to do so in a SUSTAINABLE way. With our UNIQUE BRANDS, we make it possible for our customers express their own PERSONAL STYLE and tell their STORY.

VISION

To inspire the world.

MISSION

To provide a complete Mind, Body and Soul experience as the premier fashion and lifestyle retailer promoting sustainable and unparalleled levels of retail experience.

OUR VALUES

Odel is guided by strong shared values.

We love, we serve, we style, we innovate, we give, we save, we enjoy and we inspire

Read more about how we live our values to create an open, inclusive and sustainable workplace, on pages 30 to 37.

ODEL AT A GLANCE

OUR BRANDS

Odel includes a number of private brands, each with their unique identity and an extensive portfolio of international brands.

More information on pages 23 to 26.

NUMBER OF STORES

45

REVOLUTIONISING SHOPPING EXPERIENCES

Odel is rapidly growing with new stores and digital marketplaces. We are integrating our physical stores and digital channels to create an easy, inspiring and convenient shopping experience for our customers.

EXPANDING OUR REACH WITH LARGE DEPARTMENT STORES

Department store In Shangri-La's massive new mall – 'The Mall at One Galle Face'
Scheduled to be open in 2019
Size: 82,000 square feet

DEPARTMENT STORE IN COLOMBO CITY CENTRE

Scheduled to be open in 2018
Size: 40,000 square feet

OUR SUSTAINABILITY STRATEGY

We want to lead the change towards sustainability by embarking on environmentally friendly initiatives, conserving resources and looking out for the welfare of communities and fauna and flora alike.

Read more about our sustainability work on pages 38 to 39.

2017/18 IN BRIEF

Year Ended 31 st March		2018	2017	Change	2016
		LKR	LKR	%	LKR
RESULTS FOR THE YEAR					
Group Revenue		7,412,571,089	6,937,874,201	6.84%	6,454,643,024
Results from Operating activities		643,162,647	886,414,675	-27.44%	526,620,705
Finance Cost		398,495,922	247,573,185	60.96%	133,684,144
Finance Income		6,528,305	10,139,792	-35.62%	7,352,478
Profit (loss) before tax		251,195,030	648,981,282	-61.29%	400,289,039
Profit (loss) for the Year		199,341,908	464,857,949	-57.12%	255,828,458
Profit (loss) attributable to equity holders of the parent		199,341,908	464,857,949	-57.12%	255,828,458
Dividends		-	138,786,010		81,638,829
FINANCIAL POSITION HIGHLIGHTS					
Equity attributable to equity holders of the parent		7,256,200,453	7,230,802,320	0.35%	6,427,536,546
Total assets		13,873,886,469	10,798,187,154	28.48%	9,567,639,473
Total debt		4,257,736,913	2,497,116,593	70.51%	1,748,196,729
No. of Ordinary Shares		272,129,431	272,129,431		272,129,431
Gearing (%)		37%	26%	44.06%	21%
SHAREHOLDER INFORMATION					
Earnings/(loss) per share	(Rs.)	0.73	1.71	-57.31%	0.94
Return on Equity	(%)	2.83%	6.83%	-57.81%	4.0%
Net asset per share	(Rs.)	26.66	26.57	0.34%	23.62
Interest cover	(Times)	1.61	3.58	-54.97%	3.99
Dividend per share	(Rs.)	-	0.51		0.30
Dividends pay-out	(%)	-	30%		32%
Dividend Cover	(Times)	-	3.35		3.13
Market price as at 31st March	(Rs.)	25.90	25.00	3.60%	21.70
Market Capitalisation	(Rs.)	7,048,152,263	6,803,235,775	3.60%	5,905,208,653

REVENUE Rs. Mn

7,413

TOTAL ASSETS Rs. Mn

13,874

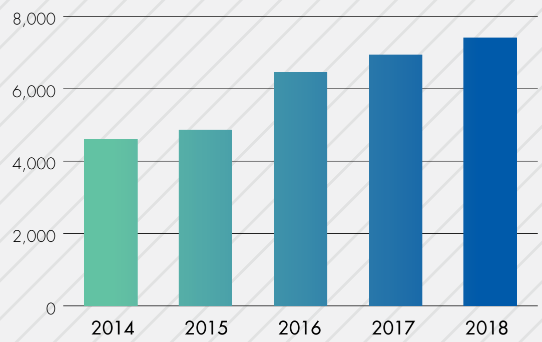
TOTAL EQUITY Rs. Mn

7,256

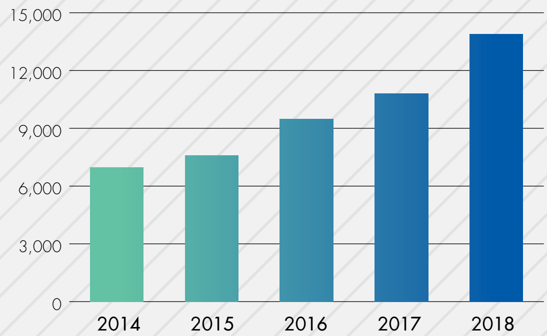
NET PROFIT Rs. Mn

199

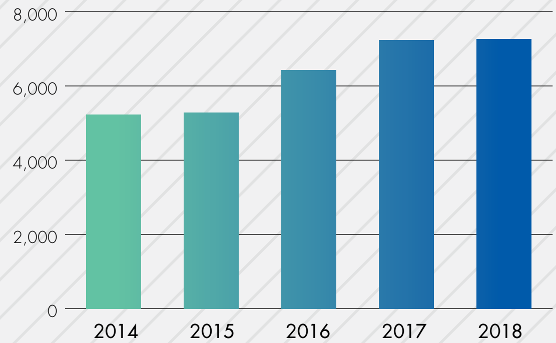
REVENUE
Rs. Mn



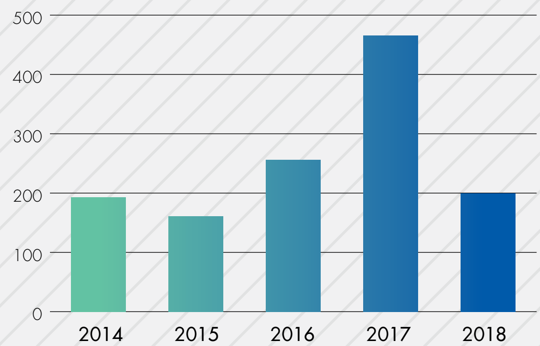
TOTAL ASSETS
Rs. Mn



TOTAL EQUITY
Rs. Mn



NET PROFIT
Rs. Mn



“Odel remained focused on its vision to offer customers a seamless department store experience with group synergies of Softlogic Holdings’ diverse business interests”

CHAIRMAN’S MESSAGE

Dear Stakeholders,

The 2017/18 financial year was yet another fulfilling year for Odel PLC - the market leading lifestyle and fashion retailer in the country. During this period, the Company’s expansion plans were implemented seamlessly, offering customers greater access to a wide range of new international brands in more spacious retail spaces. All our actions are underpinned by the knowledge that the under-construction Odel Department Store is edging closer to becoming a reality. Our sights are squarely trained on a two to three-year window, by which time we have full confidence that our investments will mature and our objectives will be met. The Board has taken a long-term view of Odel’s future potential and has channeled all company and group resources, ideas and systems and processes behind realizing this vision.

While we have total faith in our ability to deliver this promise to our customers, we had to contend with minor road-blocks along the way such as the macro economic slowdown and downturn in consumption, which characterized the 2017/18 financial year. There is no doubt that a dip in economic growth and spending eroded profitability levels hitherto enjoyed by the retail sector in the past few years, however, Odel’s distinct market positioning continues to attract a steady stream of clientele.

The Company earned revenues of LKR 7.4Bn during 2017/18, which reflects 7% growth over the preceding year while Profit after Tax decreased by 57% to LKR199Mn. Finance costs rose during the year due to the downturn in the retail sector, high interest rate regime and stock turnover being less than desirable. With an improved outlook for the economy in 2018, growth in retail is expected to pick up. Sri Lanka was ranked in 12th place in A. T. Kearney’s 2017 Global Retail Development Index, which offers a glimpse into the immense potential to grow the sector.

UNLIMITED POTENTIAL FOR GROWTH

Our plans for Odel Department Store and its ‘shop in shop’ concept for all our international brands and partner tenants, offering customers a delightful experience they enjoy at premier shopping destinations abroad kept us buoyant through the year. Odel remained focused on its vision to offer customers a seamless department store experience with group synergies of Softlogic Holdings’ diverse business interests. Sustainable partnerships and controlled expansion with the acquisition of top brands underscored Odel’s growth momentum during the year.

"The Company's social impact will also be a key determinant of success and we remain focused on leveraging our strong track record in environmental conservation and social responsibility projects for the betterment of the communities in which we operate."

"Odel Department Store, which is on schedule for completion in year 2020, Odel will also be the anchor tenant at the Colombo City Centre Mall, taking up 40,000 sq ft of retail space, which makes up approximately 40% of the total retail areas earmarked at the mall. Odel will also feature as the main tenant at the Shangri La Mall to be opened in 2019,.."

Our branded business expanded its turnover strongly and I am proud to state that almost 95% of the international brands in the country have been brought to Sri Lanka as a result of the joint synergies of Odel and Softlogic. Vero Moda, Aldo, ONLY, Armani Exchange, Emporio Armani, Carvalli Class, Trussardi and Love Moschino are new brands introduced during the year under review to further augment Odel's international brand portfolio. Odel offers fashion and design through clearly defined private brands, each with their own unique identity along with reputed international brands.

HEADLINING NATION'S BEST RETAIL LOCATIONS

Apart from the Odel Department Store, which is on schedule for completion in year 2020, Odel will also be the anchor tenant at the Colombo City Centre Mall, taking up 40,000 sq ft of retail space, which makes up approximately 40% of the total retail areas earmarked at the mall. Odel will also feature as the main tenant at the Shangri La Mall to be opened in 2019, accounting for an expanse of 82,000 sq ft along with other international brands under its umbrella. Our strategy is to corner all the international brands such that Odel becomes the premier shopping destination in the country. As the pioneer to embark on a mega department store concept and to plan to acquire as many international brands under its umbrella, our vision has been to dominate the retail sector by leveraging on group synergies.

The construction of these modern malls is an exciting time for Sri Lanka's retail industry as well as for Sri Lankans who have long thirsted for an international-level mall experience with shopping, food courts, fine dining restaurants, multiplex cinemas, games and other recreation for the entire family. These malls are being planned as complete entertainment centers, which will appeal to both locals and tourists – effectively doubling the retail space currently available in the country. Many more brands will evince interest in entering Sri Lanka's retail sector once they see the presence of international retail venues. The country has lost out on income from tourist spend due to a lack of upscale shopping and recreational destinations in the island, which is why the construction of high-end international class malls will prove to be the much required magnet for tourists. They look for high-end retail spaces and Odel, along with the other large malls will become a hub for tourists looking for international brands at competitive prices. With 2.5 Mn tourists expected in 2018, there is much potential for the year ahead and beyond.

SETTING REALISTIC EXPECTATIONS

Such an ambitious expansion has necessitated growth and consolidation of our team, because at the end of the day, our people must rise to the occasion befitting Odel's aspirations to be the biggest retailer in the country. Being cognizant of the need to offer world-class customer service levels, the team is undergoing intensive training and development to be equal to the challenge. We will continue to invest in the people and systems to support this growth opportunity.

Our supply chain, sourcing, price mix and technology are also being geared up to match brand aspirations and keep us competitive into the long run. The efficiency and agility of our supply chain will determine sustainability of our business.

GROWING BRAND EQUITY

Attracting and nurturing brand loyalty will help support brand popularity and we are focused on creating a common loyalty scheme for both Softlogic and Odel, so that customers can shop in one group store and redeem the loyalty points in another group store for ease of use and to enjoy generous discounts. Softlogic is present across all lifestyle products and we hope that in this manner we will earn a greater wallet share. We envision tremendous opportunities to strengthen customer relationships, whether they are strolling through our stores or using multiple touch points, all in the course of a single buying decision. We continually assess market trends and relationships for new opportunities to broaden our reach.

The Company's social impact will also be a key determinant of success and we remain focused on leveraging our strong track record in environmental conservation and social responsibility projects for the betterment of the communities in which we operate.

LOOKING AHEAD

Odel is a retail innovator and a strong brand with unique strengths. Even as the Odel Department Store is being constructed at this very time, we remain committed to offering our loyal customers an exceptional retail experience in the meanwhile, which is why we will keep reimagining the Odel experience by way of brands, promotions and customer service.

We recognize that the long-term profitability of the business depends, amongst other things, on reputation and brand names, and is subject to the long-term sustainability of the supply chain. Odel is investing for the future of the Company and the country's retail sector and warrants patience over the next couple of years till Odel entrenches itself in all the upcoming modern retail malls in the country and opens the portals of the Odel Department store. It remains our prime goal to create distinctiveness in a crowded marketplace through focus on excellence.

APPRECIATION

I take this opportunity to thank fellow Directors on the Board and the management teams of Odel and Softlogic Brands whose unflagging enthusiasm is taking us closer to our ultimate vision for the Company. I am grateful to our international brand partners and architects for their cooperation. My sincere thanks go out to our shareholders for placing their faith in our vision to deliver our bold and ambitious dream - to take Odel and the nation's retail sector miles ahead.

(Sgd.)
Ashok Pathirage
Chairman

BOARD OF **DIRECTORS**

MR. ASHOK PATHIRAGE 1
Chairman/ Managing Director

Mr. Ashok Pathirage, recognized as a visionary leader of Sri Lanka's corporate world, is the founding member and Chairman/ Managing Director of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 10,000 employees. Pathirage gives strategic direction to the Group which has a leading market presence in four vertical sectors – Retail & Telco, Healthcare Services, Financial Services and IT, Leisure & Automotive. Asiri Hospital chain is the country's leading private healthcare provider which has achieved technological milestones in medical innovation in Sri Lanka's private healthcare services. Softlogic Capital PLC, Softlogic Life Insurance PLC, Softlogic Finance PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC are listed in the Colombo Stock Exchange where he serves as Chairman/Managing Director. Pathirage is also the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings Limited.

DR. RUANTHI DE SILVA 2
Non-Executive Independent Director

Director and Consultant of SCM- Plus, providing consultancy services on Finance, Logistics, Best Practices in Procurement and process restructuring, in international markets.

She was the Group Director of Supply Chan Management (SCM) at Bernhard Schulte Ship Management (BSM) Group which manages over 650 ships operating from over 23 offices around the world.

She carries over 40 years of local and international experience with blue-chip companies and have been in senior management positions covering strategic planning, finance, business process re-engineering and operations.

Dr. De Silva holds a Doctorate from the University of Newcastle in Australia and an MBA from the University of Hull in UK. She is a Fellow of the Chartered Institute of Management Accountants of UK. She is also an Associate Member of the Chartered Institute of Logistics and Transport in Australia.

Dr De Silva was the recipient of the 2015 Personality of the Year for Service in the International Arena of the Maritime Industry, awarded by The Women in International Shipping and Trading Association (WISTA) Sri Lanka Branch.

DR. S SELLIAH 3
Non-Executive Independent Director

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in various fields which include areas of manufacturing, healthcare, plantations, packaging, logistics, Insurance and retail.

He currently holds the position of Deputy Chairman of Asiri Hospitals Holdings PLC, Deputy Chairman of Asiri Surgical Hospital PLC and Central Hospital Pvt Ltd. He is a Director of Lanka Tiles PLC, Lanka Walltiles PLC, Softlogic Holdings PLC, ODEL PLC, HNB Assurance PLC, ACL Cables PLC,Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd. Dr. Selliah is the Chairman of JAT Holdings Pvt Ltd, Cleanco Lanka Pvt Ltd.

Dr. Selliah serves on the Audit committee, Investment committee, Risk committee, Strategic planning committee, Related Party Transaction committee and HR & Remuneration committee of some of the companies listed above.

MR. RANIL PRASAD PATHIRANA 4
Non-Executive Independent Director

Mr. Pathirana was appointed to the Board of Odel in November 2014. He is a Director of Hirdaramani Apparel (Private) Limited, Hirdaramani Leisure Holdings (Private) Limited and Hirdaramani Investments Holding (Private) Limited which are the holding companies of the Hirdaramani Group. He is also the Managing Director for Hirdaramani International Exports (Pvt) Limited,

He is a Director of Star Packaging (Private) Limited and Windforce (Private) Limited. And a Non-Executive Director of Sampath Bank PLC, Ceylon Hotels Corporation PLC, BPPL Holdings PLC, Alumex PLC & Taprobane Holdings PLC.

He is a Fellow Member of the Chartered Institute of Management Accountants, UK and holds a Bachelor of Commerce Degree from the University of Sri Jayewardenepura.

MR. HARESH KAIMAL 5
Non-Executive Director

Mr. Haresh Kaimal is a co-founder of Softlogic and a Director of Softlogic Holdings Plc since its inception. With over 30 years of experience in IT and operations, he currently heads the IT Division of the Group and has been instrumental in driving advancements in Information Technology and Enterprise Resource Management within Softlogic. He is also a Director of Softlogic Finance PLC and Softlogic BPO Services (Pvt) Ltd.

G. NATARAJAN | Head of Retail Operations & Business Development

RENATA MOULIK | Head Buyer - Luxury Brands

S L R PIYAL | Senior Manager - Finance Operations & Compliance

SENIOR **MANAGEMENT** TEAM

DESIREE KARUNARATNE | Softlogic Holdings Group Director Marketing

THILINA DASSANAYAKE | Head of Buying

ROMESH JAYEWARDENE | Head of Projects & Mall Development

SENIOR **MANAGEMENT** TEAM

MENEKA GALGAMUWA | Head of Corporate Planning

VISHAKA TENNAKOON | Head of Internal Audit - Retail Sector

ROSHAN KULASEKARA | Head of Merchandising

NALAKA RAMBUKPOTA | General Manager - Corporate Operations

GOPIKA MAGESWARAN | Business Controller

SUREN PERERA | Head of Human Capital - Retail Sector

ODEL
THE DEPARTMENT STORE

MANAGEMENT **DISCUSSION** & ANALYSIS

Global Economy

ANTICIPATING A NEW SENSE OF OPTIMISM

The fashion industry is turning a corner with the value of the global fashion industry totalling up to almost USD 3,000 Bn and contributing to up to 2% of the world's Gross Domestic Product (GDP). Looking towards 2018, there is a new sense of optimism in an industry plagued by uncertainty. And while "uncertain" and "challenging" remain the most common words that experts have used to describe the state of the industry this year, right behind them in third place is "optimism." The McKinsey Global Fashion Index forecasts industry sales growth to nearly triple between 2016 and 2018, from 1.5% to between 3.5 to 4.5%. However, the rebound is not being felt evenly across the globe. In fact, 2017 signals the end of an era. The West will no longer be the global stronghold for fashion sales. In 2018, an important tipping point will be reached when, for the first time, more than half of apparel and footwear sales will originate outside of Europe and North America, as the main sources of growth are emerging market countries across Asia-Pacific, Latin America and other regions. Not surprisingly, this is also reflected in fashion executives' sentiments, as respondents from emerging markets are more optimistic about the industry's outlook in 2018. This outlook varies across value segments too. The ongoing polarisation of the industry with consumers trading up or down from mid-market price points continues to create headwinds for mid-priced fashion players while those operating in the luxury, value and discount segments further pick up speed. What is new is that the absolute luxury segment is accelerating alongside affordable luxury. These developments take place at the same time as the fashion industry is undergoing other transformative shifts. Alongside consumers' adoption of digital channels are raised expectations of customer experience and a higher scrutiny on convenience, price, quality, novelty and an individualized touch. Leading players are therefore creating innovative business models, using granular customer insights as a source of differentiation and pushing the limits of their end-to-end product development process. The performance gap between frontrunners and laggards continues to widen: from 2005 to 2015 the top 20% of fashion companies contributed 100% of the economic profit, while in 2016 the top 20 percent contribution had increased to 144%. The challenges of operating in a fundamentally changing industry and an unpredictable macroeconomic environment has led fashion players to "toughen up." Industry players are coming to accept unpredictability as the new normal, and fashion executives will respond by focusing their energy on improving what is within their control. We expect to see several themes emerge as defining features of 2018, from Asian fashion players asserting their power on the global stage to personalisation at scale and cutting-edge deployment of artificial intelligence. For those leaning forward and willing to help design the new features of the modern fashion system, the opportunities at hand to truly connect with fashion consumers across the globe have never been greater.

Sri Lankan Economy

Despite a significantly smaller consumer base than in neighbouring India, the retail sector in Sri Lanka has recorded formidable growth in recent years. This is the result of strong macroeconomic fundamentals, rising incomes, high levels of household expenditure and shifting consumer trends. Retail space in shopping malls is in critically short supply, while a burgeoning e-commerce segment is slated to meet substantial, untapped consumer demand. With supermarket and hypermarket expansions also on the rise, driven by an increasingly sophisticated and brand-conscious consumer group, all segments of the retail value chain hold vast potential for future investment and expansion.

With high- and middle-income consumers increasingly shifting towards lifestyle-oriented products, particularly in the fashion, food, transport and home products segments, international retailers are facing considerable opportunities for future expansion.

An up-and-coming middle class with disposable income and a preference for spending over saving, in addition to a strong economy with mounting tourism receipts and few restrictions on foreign investment, make Sri Lanka a favourable destination for retail investors of all stripes. Nevertheless, the sector does face some near-term barriers to growth. These include limited quality retail space in the capital and unstable consumer confidence. In the medium term there is a need to build up the necessary infrastructure – physical, technological and regulatory – that will eventually enable the next wave of retail and e-commerce to truly take off in the country. However, as the retail sector matures, and if the country's economy surges as predicted, it will likely stand to benefit greatly from its location.

According to a recent study by real estate consultancy Jones Lang LaSalle (JLL), Asia Pacific's cities are the most appealing destinations for luxury retailers to establish a presence, with the region home to seven of the top-10 cities with the highest presence of luxury retailers, and for savvy investors, now is the time to start building the next Singapore or Hong Kong.

Despite the introduction of new taxes in the 2017 budget that could depress consumer spending, rising incomes generally indicate a shift to higher consumer spending.

Indeed, according to a November 2016 study by stock brokerage Asia Securities, the country's growing incomes – and the subsequent increases in disposable incomes and changing lifestyles – are the key to lifting its retail sector growth.

Consumption patterns in Sri Lanka resemble those of Western nations more closely than those of emerging South and South-east Asian nations – where the latter tend to save, Sri Lankans tend to spend, often on lifestyle products and luxury goods, according to JLL. This trend is signalled by Sri Lanka's gross domestic savings being one of the lowest among South and South-east Asian countries. The country's gross domestic savings stood at 23.82% of GDP in 2016, according to figures from the World Bank.

Consulting firm AT Kearney has described Sri Lanka as a "strengthening economy with retail growth". With its population of 21Mn and total retail sales of USD 31Bn, Sri Lanka ranked 12th in AT Kearny's 2017 Global Retail Development Index (GRDI). Not surprisingly, China and India took the first and second spots, respectively. With retail sales' 6.6% compound annual growth rate from 2013 to 2015, and modern retail growing by 4.5% in 2015, Sri Lanka's retail sales per capita were forecast to grow by 6% annually in 2017-18, according to the index.

The GRDI measures and ranks the world's top-30 developing countries for retail investment, based on relevant macroeconomic and retail-specific variables such as market size, country risk, market saturation and time pressure. Crucially for potential investors, Sri Lanka's scores revealed the country has relatively low market saturation. In addition, the index described the time pressure to enter its retail sector as medium high. Together, these two factors describe a market that has potentially high demand and investment opportunity in the extreme short term.

Retail Sector Performance of Sri Lanka

The performance of the retail sector was moderate during the year due to tightened monetary policy, depreciation of the exchange rates and revision of tax structures. Consumer confidence has been sluggish with household expenditure levels moving on a downward trend in comparison to the previous years. Decreased disposable income levels have led to reduced spending power. Discretionary spending on items such as clothing, footwear showed a decline in the face of rising food prices, education and medical expenses.

With Sri Lanka moving up as a middle-income country, there is an increased customer preference towards branded products and elevation of lifestyles. As a result, the growth potential of the retail sector has demonstrated an encouraging trend. With these developments the retail sector is expected to grow at a rate of 6% a year through to 2019 according to a study done by A T Kearney.

Colombo remains the major retail centre and has witnessed increasing investment in new retail ventures in recent years, most prominently in shopping malls.

Presently, the Colombo city has limited shopping opportunities with eight malls with varying floors spaces. There are five major malls in the construction stage which are set for completion within the next few years. The insufficient retail space poses a constraint for the growth of the retail sector to satisfy the demand of domestic and tourists.

The new developments will enhance the retail space and transform the retail arena of Sri Lanka in line with international standards. Such shopping destinations would cater to the varied needs of tourists who favour world class shopping to augment their overall travel experience. With the increase in tourist arrivals which is set to increase with arrivals increasing to 4 Mn by 2020, these malls will fill a void in the retail sector in Sri Lanka.

Way Forward

The future growth potential of the retail industry offers attractive growth opportunities and potential. According to A T Kearney Global Retail Development Index Sri Lanka advanced its ranking from 20 in 2011 to 12 in 2016 which has been maintained at the same level for the last three years.

YEAR	SRI LANKA'S RANKING
2011	20
2012	15
2013	15
2014	18
2015	14
2016	12
2017	12
2018	12

Source: A T Kearney Global Retail Development Index

In line with these future projections Odel has set forth with a unified strategy of expansion of international brands whilst securing sizeable retail space in new malls which are earmarked to open within the next few years. By 2020 along with the significant brand stronghold and presence as the anchor tenant in these main shopping destinations Odel will be able to create a significant impact in the retail sector of Sri Lanka.

During the year Odel introduced a range of well know international brands to Sri Lanka. ALDO a Canadian footwear brand, Michal Kors and Armani Exchange are some of the key brands which have recorded encouraging sales levels at its initial stages displaying the market acceptance and demand for such brands. Furthermore, with Odel's experience of introducing mid - range luxury brands to Sri Lanka the significant retail space which has been reserved within ultra-modern shopping malls would serve as an opportunity to gauge the Sri Lankan market sentiments and brand uptake within the next few years. This will also create a platform to test the market appetite for high end aspirational luxury brands.

Odel aspires to create shopping experiences in par with international standards to cater to the Sri Lankan market which shops abroad to purchase internationally recognized brands as well as capture an emerging brand savvy segment of customers who wish to keep up with the latest trends.

By introducing latest fashion trends Odel hopes to emotionally connect customers with brands developing brand loyalty and inspiring Sri Lankans to keep abreast with current fashion trends. All international brands marketed offer merchandise which is line with the current trends and seasons which are being traded concurrently in international stores. Odel's team of fashion forecasters and designers ensures that merchandise is in line with current trends

The Colombo City Centre Mall which is the country's first hyper mall with 210,000 sq. feet of retail space is scheduled to open in 2018. ODEL is the anchor tenant of this mall having leased out 40,000 sq feet of shopping space to showcase international brands such as Mango, Fossil, Luxe, Odel Sports and Swarovski etc.

ODEL is also the anchor tenant occupying 82,000 sq feet of the Mall at One Galle Face which is expected to open in 2019.

In 2020 ODEL plans to open its own mega mall comprising of 640,000 sq. feet which will be a landmark in the city offering retail, lifestyle, fine dining and living. The mall will house leading international brands under one roof. Further the complex will consist of 39 villa type condominiums with lush green sky gardens, two floors of multiplex cinemas and parking facilities for 550 vehicles. The Odel Mall will be a landmark in the Colombo city enhancing the shopping and lifestyle experience of discerning Sri Lankans with a wide variety of restaurants offering gastronomic experiences coupled with superlative amenities all under one roof.

By 2020, Odel will be present in all premium shopping arenas showcasing its extensive range of international and local brands. This would position the Company to capture long term growth and emerging opportunities.

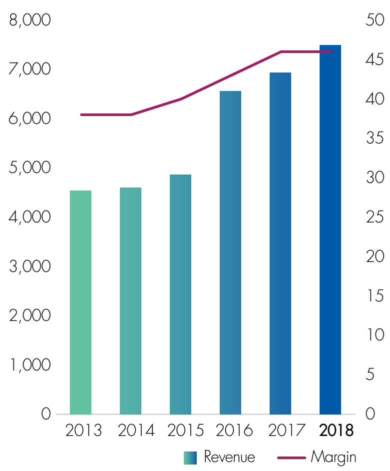
Financial Review

The Sri Lankan economy posted a GDP growth of 3.1% in 2017 compared to 4.4% in 2016. The per capita GDP increased to USD 4,065 in 2017 from USD 3,857 a year ago. Although Sri Lanka recorded the highest annual tourist arrivals in 2017 with 2,116,407 arrivals, the year-on-year growth in arrivals moderated to 3.2 per cent. It was encouraging to note that earnings from tourism grew by 11.6 per cent to USD 3,925 Mn in 2017, in comparison to USD 3,518Mn in 2016. These developments in the macro economic environment had a positive impact on the revenue growth levels of Odel PLC.

REVENUE

The Company recorded a revenue of LKR 7.4 bn which is a growth of 6.8% compared to the previous year. With the Company's multi-pronged expansion strategy of increasing its product range along with the introduction of a multitude of international brands, the re-organization of retail space with improved visual merchandizing in par with international standards contributed to the increase in the revenue.

Revenue and Margin (Rs.Mn)



Over the past years there has been a continuous and steady improvement in gross profit margins despite the effect of retail VAT. The overall Gross Profit margin in 2018 improved to 46.9% from 45.8% in the previous year. Improved sourcing of products and efficient supply chain management activities contributed to the improvement in the gross margin.

OVERHEADS

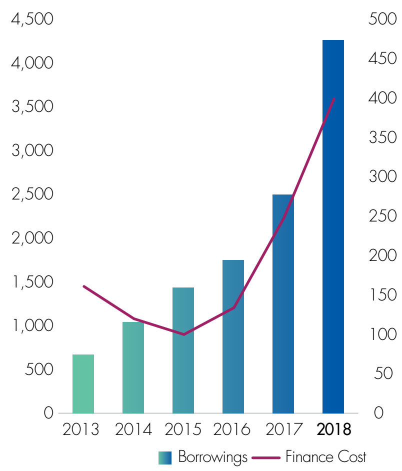
Distribution expenses and administration costs increased by 14% and 16% respectively in comparison to the previous year. During the year, the inflation rate indicated by CCPI annual average increased to 7.1% from 3.7% in 2016. In line with this increase we experienced many increased in our overheads.

The main components of the administration costs are staff costs, rent, Depreciation and Amortisations and electricity. Increase in the administration cost is due to increase in the business volumes and reorganization of existing retail space together with the opening of two new retails outlets together with expansion of retail space at the Ward Place retail outlet. The Company was able to manage all other costs with a marginal increase eagainst the previous year despite the increase in the inflation levels. We will be applying prudent expense management strategies to contain expenses within the present levels in the forthcoming years as well.

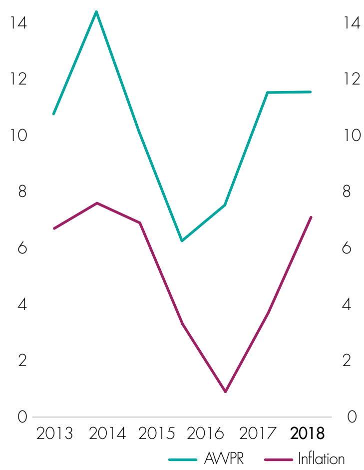
NET FINANCE COST

The Company's financing costs increased by 61% due to the increase in cost of funds experienced due to the Average Weighted Prime Rate moving up from 11.52% to 11.55%. Further, the Company's borrowings for working capital and the capital expenditure purposes increased in line with the significant expansions which were done in the financial year 2017/18.

Borrowings and Finance Cost (Rs.Mn)



Movement of AWPR and Inflation (Rs.Mn)



TAXES

The effective income tax rate applicable for Odel is 28%. However, the effective tax rate decreased to 21% from 28% mainly due to reduction of payment of intercompany dividend and corresponding low dividend tax compared to the previous year.

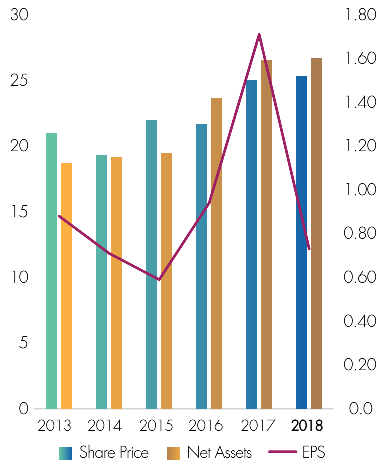
COMPREHENSIVE INCOME

The Company recorded a Profit after Tax of LKR 199 Mn which represents a decrease by 57.1% in comparison to the previous year. The Company's profitability was affected by the sluggish market conditions, high interest rates and less than desirable stock turnover levels caused by slow retail sector growth.

EARNINGS PER SHARE

The EPS decreased from cents LKR 1.71 to cents to LKR 0.73 in 2017/18 due to the reduction in PAT.

Movement in Market price, net assets and earnings per share (Rs.Mn)



DIVIDENDS

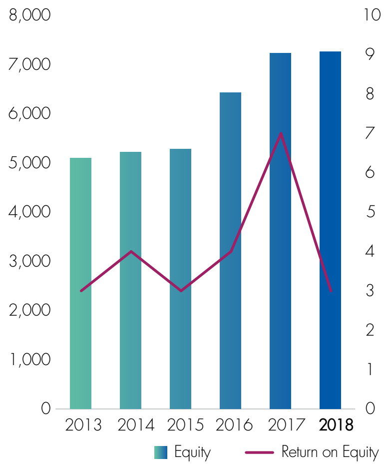
An interim dividend of LKR 0.26 cents per share for the year 2017/2018 has been paid on28th June 2018.

TOTAL EQUITY AND RETURN

Total Equity increased to LKR 7,256Bn from LKR 7,231 Bn through the retention of earnings. This improvement is possible after charging 859.6 Mn of capital gain tax to other comprehensive income due to the implementation of new Inland Revenue Act amendments.

The return on equity decreased to 2.83 % from 6.83% in the previous year. This was mainly due to reduction in profit after tax during 2017/2018.

Equity Base and Return on Equity (Rs.Mn)



NON CURRENT ASSETS

LKR 825.5 mn was invested in acquiring property plant and equipment during the year. This includes cost of the capital assets acquired and constructed for two new retail outlets and the expansions undertaken at the Ward Place outlet Non- current assets includes the investment properties carried at fair value amounting to LKR 1,130mn and construction in progress amounting to LKR 619.4 mn.

CASH FLOW

Cash generated from operations shows a negative balance mainly due to increase in inventory where significant stocks are being built up for new retail outlets to be open during the next financial year.

Despite the significant investments in working capital and the acquisition of capital assets funded partly through borrowings, the gearing ratio at the end of the year increased marginally to 36% against 25% year ago.

Our Brands

ODEL OFFERS FASHION AND DESIGN THROUGH SEVERAL PRIVATE BRANDS, EACH WITH THEIR OWN UNIQUE IDENTITY AND AN EXTENSIVE PORTFOLIO OF INTERNATIONAL BRANDS.

We offer several private brands – Odel, Tara, Closet, Luv SL, B Iconic, Premium, Vintage, WYOS, Liberation, Pinkabelle, Misbehave and Boy and Bear and a wide range international brands including Charles and Keith, Mango, Aldo, Nike, Puma and Adidas. Together our brands offer customers a wealth of styles and trends in fashion, beauty and accessories. Our brands complement each other well, each having its own unique identity.

Every private brand caters to a specific target customer group and our skilled team uses state-of-the-art technology to forecast the latest trends so that our customers can tell their story and wear their mood.

Aiming for a relevant and well-curated offering at all times, we work constantly to make our product ranges even better.

We are planning to integrate our brands in such a way so that customers of a particular brand can walk into our stores and purchase clothes, accessories and footwear of the same brand for a complete fashion experience. Our supply chain, sourcing, price mix and technology will also transform to cater for this outcome. This will offer a holistic, satisfying and convenient experience for our customers.

Digitalisation and new technology are enabling us to improve the efficiency of our supply chain significantly. Advanced analytics and automated processes provide support that is being increasingly used in our business, giving deeper customer insight and contributing to a faster, more flexible and more responsive supply chain. These investments let us strengthen the customer offering, enhance the shopping experience and offer more personalised communication – which in the longer term will benefit customers of all our brands. We take pride in giving customers the best value for money and inspiring them to tell their fashion story according to their personality and mood.

We create an easy, inspiring and convenient shopping experience for customers - regardless of where, when and how they shop.

PRIVATE BRANDS

ODEL

Odel's business idea is to offer fashion and quality at the best price in a sustainable way. With a broad and varied product range, Odel makes it easy for anyone who is into fashion to express their own personal style. This brand offers everything from the latest trends to lasting classics that can be worn season after season. With collections for women, men, teenagers and children Odel aims to be always up-to-date, modern and relevant. A strong digital presence together with stores create a proximity to customers which is unique to Odel. Meeting with customers is a constant source of inspiration, as is dialogue with Odel's engaged followers. The brand's broad customer offering is complemented with inspiration, style and elegance.

OUR BRANDS MAKE IT EASY TO EXPRESS YOUR OWN PERSONAL STYLE.

ODEL LUV SL

Luv SL is a uniquely Sri Lankan brand with a which is offered by us. The vibrant, tropical and traditional product portfolio of this brand which includes casual clothing, accessories, ornaments, toys, cosmetics, stationary, toiletries, gift items, souvenirs and confectionary products tells the story of the blissful Sri Lankan island-life and its local identity.

Luv SL stores will offer home-grown private brands of our company. The store at Queens Hotel Kandy also features a Sri Lankan jeweller, a tea brand and a beauty brand.

A brand dedicated to sustainability and fair-trade Luv SL has played an iconic role by supporting a wide range of social causes, environmental and sustainability initiatives. Please refer to the sustainability report on page 38 for more information about the causes that Odel has supported during the year.

OUR BUSINESS IDEA IS TO OFFER FASHION AND QUALITY AT THE BEST PRICE IN A SUSTAINABLE WAY.

B ICONIC

B Iconic is a brand for the youth mainly, pre-teens and teens who are discovering themselves. This brand offers young and cool designs with creative street styles and is all about being brave, friendly and fun while empowering young people to stand up for themselves and others.

Tara

Tara is a fashion brand for women who want modern, functional and considered design. Offering reinvented classics and wardrobe essentials, Tara creates pieces that are made to last beyond the season and offers classy and minimalistic designs for women by infusing traditional and modern techniques to form timeless, beautiful collections.

CLOSET

Closet offers work-wear wardrobe essentials that brings out the 'Boss lady' in every woman. It offers stylish, versatile and functional designs that will give women confidence to conquer the work week and goals.

PREMIUM CASUALS

Premium is a men's work wear brand that focuses on smart casual clothing. It offers fashionable and comfortable clothing with a focus on high quality fabrics, clean finishes and subtle detailing.

AUTHENTIC PRODUCT REG VINTAGE TDM. 001199

Vintage is a menswear brand which offers the latest trends in men's fashion as well as some timeless classics. This brand closely follows internationals trends, adventurous in silhouettes and is the ideal pick for the fashion forward man.

Original LIBERATION UNITED BASICS

Liberation is a menswear range which infuses subtle colours and comfortable fabrics in its designs. This brand focuses on offering affordable fashion for every man.

Wyos WEAR YOUR OWN STORY

"Wear Your Own Story" is a menswear brand for the young at heart. It offers colourful, fun and catchy range of designs for the adventurous young man. The brand carries a great line of crew neck t-shirts with catchy slogans and designs, vibrant and detailed shirts, pants, shorts and a range of accessories.

pinkabelle Boysenbear

Misbehave

Our clothing brands for kids aim to give them permission to imagine, create and explore.

Pinkabelle, Misbehave and Boys and Bear offers cute, comfortable and trendy clothing for mini-fashion divas and little gentlemen.

While Pinakabelle focuses on offering charming and cute outfits for girls, Misbehave offers trendy and playful outfits for them while Boys and Bear offers fashionable and comfortable clothing for boys.

In line with global trends predicting that menswear will outperform the women's clothing sector across the world by 2020, according to research by Euromonitor International, our menswear ranges have shown significant growth in the last financial year.

The growth in the menswear market has been encouraged by our quick response to changing trends. We have been tapping into the growing menswear market by expanding our men's clothing offer, as well as launching store spaces dedicated to men's fashion. As such we have offered are male customers with greater choice of products, styles and sizing.

Out of our private brands Closet, WYOS, Pinkabelle and Boys and Bear have shown significant growth in the past year.

We have aimed to constantly optimize and refine our physical store portfolio and we believe that there is still potential for strong growth in the future.

LOOKING AHEAD FOR FUTURE TRENDS

ATHLEISURE

The red-hot athleisure trend has led many retailers and brands to unveil their own collections in recent years, and the term has been added to the dictionary. Now there's more evidence that it's not losing steam.

With the increasing trend in the younger generation aiming to be more fit and healthy, and people opting to wear more comfortable and casual clothes for working out, giant athletic brands have started to become more athleisure wear brands, with a new market emerging where active clothing can swiftly be turned into casual and leisurewear clothing.

After identifying this trend Odel has formulated plans to develop our very own Athleisure clothing line, which is sure to entice our customers.

SPORTS WEAR

The sportswear market has been soaring in terms of growth, thanks to major shifts in consumer lifestyles towards fitness and healthy living.

In line with this growing trend we have offered our customers with a wide range of sportswear, under reputed global brand names, namely, Nike, Puma, Adidas, Reebok and Canterbury.

Our customers will have access to the latest collections of these brands in our stores and they have the ability to compare products across different brands as all these styles will be available conveniently under one roof and one section within our stores.

INTERNATIONAL BRANDS

Odel has revolutionized the Sri Lankan fashion industry by offering the widest range of international brands, by a fashion retailer, in Sri Lanka.

To this day Odel continues to be at the forefront of offering premium international brands for not just apparel but accessories, handbags, watches, sportswear and beauty products.

Our international brand portfolio includes the world's most influential and well-known fashion brands.

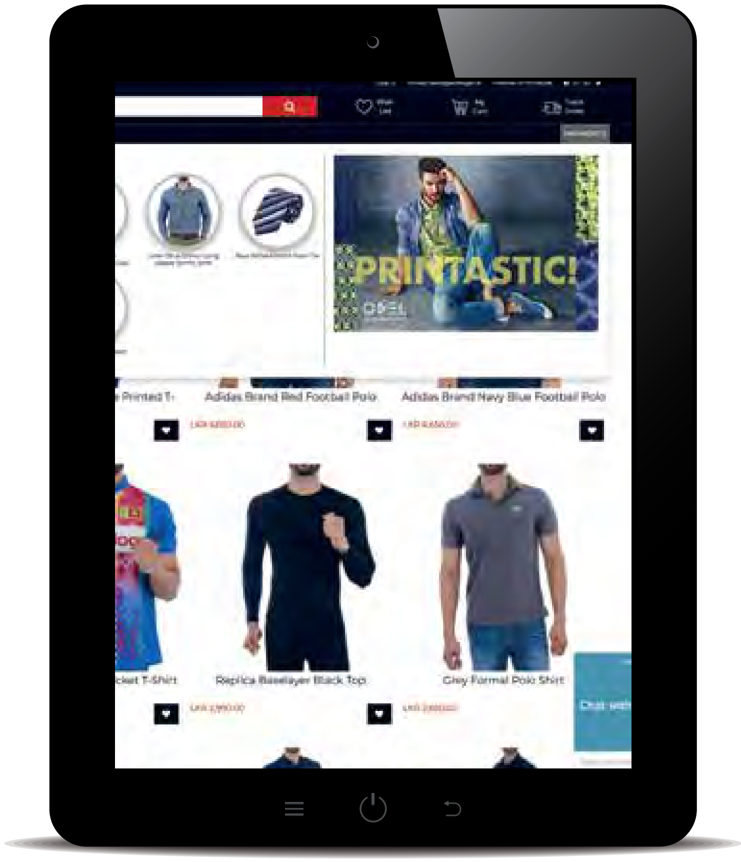
The acceptance of semi-luxury international brands has been very positive by our customer base and we have seen a significant double-digit growth in sales around brands such as Charles and Keith, US Polo, Nike, Levi's, Fossil and Giordano.

Odel has provided a reliable and up-do-date style platform for all international brands in its portfolio, which reflects the styles and seasons available for these brands throughout the world.

Odel customers no longer have to travel abroad to source products from these brands as they can be assured that the same products are available at our stores.

Due to the positive acceptance of semi-luxury brands by our customers, we have anticipated a future trend and have added a range of international luxury handbags and accessories such as Blumarine, Cavalli Class, Trussardi and Emporio Armani to our portfolio this year.

We have also added brands such as Aldo, Clarks, Only, Vera Moda, Adidas, Canterbury and Elephant Parade to our international brand collection this year to provide our customers with a diverse portfolio to cater for all their fashion needs.



Odel offers an unmatched shopping experience through their physical and digital stores

We are integrating our physical stores and digital channels to give customers an easy, inspiring and convenient shopping experience no matter where, when and how they shop. The combination of a strong digital presence and stores gives Odel a unique proximity to customers.

With centrally located stores in urban areas, a strong digital presence and an efficient supply chain Odel makes fashion and design accessible to our customers regardless of where, when and how they want to shop. We ensure that our brands will always be there for our customers and offers a unique product portfolio that caters to each and every customer we have.

WE AIM TO HELP OUR CUSTOMERS TELL THEIR FASHION STORY WITH CENTRALLY LOCATED STORES IN URBAN AREAS, A STRONG DIGITAL PRESENCE AND AN EFFICIENT SUPPLY CHAIN

As increased digitalisation in society is creating new consumer behaviours, Odel is evolving at a faster pace in response to changes in customers' expectations and shopping habits. Digital and physical channels are being integrated more and more; new technology and automated processes are enabling improvements throughout the value chain – from product development to how we interact with customers – and opportunities are arising to expand in new ways.

EXPANSION OF OUR ONLINE STORE

Odel is growing both online and through new stores and digital marketplaces. With a rapid online expansion in the 2017/2018 financial year our newly revamped online store available through odel.lk and mysofytlogic.lk, where the entire product portfolio offered by Odel is now available online. The revamped odel.lk store will be available to customers by September. However, they have the opportunity of viewing the entire range of Odel products through mysoftlogic.lk now.

THE NEWLY REVAMPED ODEL ONLINE STORE IS NOW AVAILABLE THROUGH www.mysoftlogic.lk

The unique features of our newly revamped online store allow our customers to track their order online to see where the order is in real-time, receive delivery confirmation and even send a customised message to a sender if a customer receives something from our online store. We also offer a "Click to Pick" option where you can pick up products which are ordered from our online store from the nearest Odel store to our customer. Customers can also choose customised wrapping for their products to add an individualised touch to their gifts.

THE NEWLY REVAMPED ODEL DIGITAL STORE HAS BEEN SIGNIFICANTLY IMPROVED AND BROADENED TO ENSURE IT MAXIMIZED ENGAGEMENT AND SALES.

The newly revamped digital store will offer island-wide and world-wide delivery which presents Odel customers residing around the world with the opportunity of purchasing their most loved brands from the convenience of their home.

As a strategic initiative undertaken by Odel to boost online sales significantly during the year, measures have been taken for the entire Luv SL product portfolio to be available through major global online shopping portals such as eBay and Amazon, after anticipating the high preference for this product portfolio by customers all over the world.

SMOOTH DELIVERIES AND RETURNS

As boundaries between the digital and physical world continue to blur, the stores' proximity to customers is important to meet the demand for fast and flexible services. "Click to Pick" allows customers to pick up in store products that they have ordered online. The option of returning goods ordered online to any Odel store is already offered. We also aim to cut the standard delivery time for online purchases.

EXPANSION OF PHYSICAL STORES

Three new stores at the Bandaranayke International Airport

Odel opened three new stores at the Bandaranayke International Airport in Katunayake. These stores offer luxury watches and sunglasses of a wide array of international brands. They also offer travel gear and men's sportswear essentials from renowned brands such Nike and Puma. The convenient location of these stores is sure to be a haven for any globe-trotter to grab some stylish travelling essentials.

New store in Negambo

Negambo is fast becoming lifestyle destination and an upcoming tourist destination in Sri Lanka. It's culture, beaches, nightlife, restaurants, hotels and infrastructure and its close proximity to Colombo has made Negambo an increasingly popular location for a quick getaway for locals and foreigners alike.

In order to maximise on these growing opportunities Odel quite recently opened its fourth standalone 'Luv SL' store in Negombo.

Its 1700 square feet of retail space offers an extensive range of Sri Lanka inspired souvenirs, casual clothing, accessories, stationery, mugs, picture frames, toys, cosmetics, and even confectionery imbued with the colourful and distinctive motifs representative of things local.

This store also offers selected collections from the Odel portfolio for both women and men as well as products from the 'Embark' and 'Backstage' brands.

EXCITING NEW DEVELOPMENTS FOR STORES IN THE FUTURE

The upcoming department store in Shangri-La's massive new mall – 'The Mall at One Galle Face'

At Odel we are always striving to inspire the world and help our customer tell their fashion story in a way that touches their MIND, BODY and SOUL. Our rapid and expansive developments for the future are always done with keeping our customers in mind and we always strive to offer them the best fashion experience in Sri Lanka through our department stores designed to cater for every customers' needs.

As such we are extremely pleased to announce that we are planning to open up a massive new department store in store in Shangri-La's massive new mall – 'The Mall at One Galle Face' in June 2019, and this project is currently underway and proceeding in a very successful manner. This brand-new department store will span over 82,000 square feet and will consist of 15 stores where our customers will have access to our well loved private and international brands.

The upcoming department store in the Colombo City Centre

Continuing our reign as the most prestigious fashion provider in Colombo, we are also proud to announce that we will be opening up a new department store in the Colombo City Centre which will span over 40,000 square feet and consist of 14 stores. Once again our customers will have access to a wide array of brands, to complete their shopping experience.

ENHANCED CUSTOMER EXPERIENCE IN STORES

To boost the customer experience Odel is also testing various new store concepts; among other things, new technology is being used to adapt the product range and the way the products are presented to customers' preferences. Adding new services also invites customers to spend more time in the stores.

OMNI-CHANNEL FOR A SEAMLESS SHOPPING EXPERIENCE

Odel stores have always been meeting places where we greet our customers every day. By integrating physical stores with digital platforms, the aim is to create an easy, inspiring and convenient shopping experience for customers. The aim is for customers to be able to move freely between the various channels and choose whether they want to shop and experience the offering in store, online or for example via social media. The omni-channel strategy benefits Odel and the Softlogic Group as a whole, and over time will enable all the brands to offer a seamless shopping experience across the channels.

MOBILE PAYMENT SOULTIONS

Paying by mobile helps make the shopping experience easier. This is possible in all Odel stores through Mobile Payment Solution providers available in the country. Online payments are also easy and secure through our websites.

OUR RAPID EXPANSION

Odel is continuing to expand, in both traditional and new ways. New online markets will include North America. The plan for the future is to offer e-commerce in all Odel store markets as well as in other markets. The potential for more physical stores remains good in many upcoming areas in Colombo and suburbs. In parallel with new stores being established, there is a need to optimise the existing store portfolio, to ensure that the store network is adapted to customers' needs and shopping patterns. Intensified store optimisation is planned to be carried out that also includes rebuilds, re-negotiation and adjustment of store space.

During the year, Odel opened three physical stores at the Bandaranayke International Airport and a Luv SL store in Negambo. The reception for these stores have been very positive in all these locations. Odel's other brands are also reaching more and more customers.

Engagement and collaboration creates new opportunities

An open and inclusive workplace lets Odel's employees grow together. Collaboration allows colleagues to share inspiration, ideas and knowledge with each other – to create the best offering for customers.

With 1,100 employees, united in a desire to always create the best offering and the best experience for our customers, Odel is keen to offer an attractive workplace where committed employees enjoy working and develop together. Our way of working comes from our shared values and is based on great respect for the individual and a belief in people's ability to use their initiative. by working actively and consciously in line with these values an open, down-to-earth corporate culture is maintained that encourages collaboration and focus on customers.

As a prestigious fashion and design company, Odel reaches a large customer base in Sri Lanka, with our beautifully designed physical stores and user-friendly digital stores, which offer a unique shopping experience for our customers through our diverse private brands and international brands. Our long-term expansion offers many exciting career paths for employees and at the same time attracts new talent to Odel. In the recruitment process, great emphasis is placed on bringing in people with the right attitude who share Odel's values.

Through individual support, encouragement and dialogue employees receive regular feedback on performance and results achieved, as well as – to an equally great extent – on how they live the Company's shared values in their daily work with colleagues. Individual development plans provide employees with access to various kinds of training and further development programmes.

LEADERSHIP AND MOTIVATION

Many employees choose to stay with the Odel for a long time, either specialising in their roles or moving on to exploring new areas. Switching between different areas of responsibility, functions and brands develops employees and adds to their qualifications.

When employees are given opportunities to share their experience and test their skills in a new setting, they learn from each other and develop both professionally and on a personal level – which helps build an organisation that is strong long-term.

The many career options are one reason why most leaders in the Company are recruited internally. Being a leader within Odel means setting an example and living the Company's shared values by inspiring, delegating, challenging, motivating and giving feedback. Leadership is aimed at making both employees and the Company grow. The important thing is to highlight each individual's strengths, and at the same time build strong teams where people can work together at a fast pace to achieve shared goals and deliver results.

While the industry attrition rate of the retail and fashion industry is close to 70% - 80%, we take pride in maintaining our attrition rate at around 35% - 40%, which is nearly half of the industry average, through our excellent employee retention strategies.

STRONG TEAMS

In all teams the aim is to have a good balance of different skills, experience and personalities. During this financial year, these initiatives have been strengthened further in order to make the most of the diversity that exists within Odel and to ensure a customer offering that always reflect our shared values. Our diversity makes us understand our customers better, makes us more able to manage change, while also fostering innovation and creativity.

Like many other industries, fashion and retail is undergoing major change. Driven strongly by digitalisation, customers' expectations and behaviour are changing fast. The rapid change brings challenges, but also great opportunities for our brands to inspire and reach out to more customers. As such engaged employees will be the key to long-term Odel in the future.

Improving the quality of in-store customer experience is central to driving sales performance. Personalised customer experience and customisation help make each client relationship unique. So as to enable us to create and sustain lasting connections, we understand that customer service before, during and after the sale must be as distinctive as our actual collections. With upcoming high-end department stores in the Colombo City Centre and at Shangri-La's massive new mall – 'The Mall at One Galle Face', we have recognised the importance of nurturing and building talent to meet the requirements of local and overseas customers visiting our existing and upcoming stores, to create an unmatched and memorable shopping experience.

Shared values lead the way

Odel's shared values bring employees together and guide them in their daily work. Together, the values are a common thread running throughout our company, creating an open, dynamic, down-to-earth corporate culture where everything is possible.

We Serve

When our employees provide exceptional service to our customers (internal and external) with faith, passion, dedication.

We Inspire

When our employees do something inspirational to make a difference or a change in the organization for the better.

We Style

When employees explore styles confidently.

We Love

When employees express real love for the workplace by respecting every individual and the work that they do.

We Enjoy

When employees genuinely enjoy the work that they do and bring a smile to a customer's face (internal and external)

We Save

When employees take initiatives to save the environment, its resources and minimizes wastage (paper/ power/ stationaries/transport etc.).

We Give

When employee go out of their way to meet a need of a customer or a colleague.

We Innovate

When employees think of new ways to deliver unmatched products and services.

OUR HR POLICIES AND STRATEGIES

We focus on taking care of our employees in the same way as we do for our customers and making talent development a managerial principle in order to inspire and guide Odel's leaders.

The aim of the Group HR mission, which is aligned with the Odel's vision, is to empower our employees to fulfil their potential and creativity by fostering their skills and performance in the most imaginative and sustainable manner.

The idea behind the HR strategy is to enable our brands to flourish through accessing and sharing among other things, a talent pool, expertise, standards and best practices. It means that brands, while benefiting from the created synergies, will be able to exercise their autonomy.

Our policies contain clear guidelines that help employees to meet the daily needs of the operations, to ensure fair and equal working conditions and to create a safe and secure work environment.

EMPLOEE DEVELOPMENT PLAN

CAREER PATH

CATEGORY	TRAINING PROGRAMMES		SERVICE PERIOD
ASSISTANT MANAGER ASSOCIATE MANAGER	**TP15** - Management Skill Development Programme **TP16** - Advance Retail Programme		5 Years
SUPERVISOR FASHION CONSULTANT	**TP14** - General English (30 hours) **TP13** - Changing Attitude and Self Motivation **TP12** - Supervisory Development Programme	**Assessment Centre** TP11 - Retail Leadership Development Programe TP10 - Advance Writing Skills (10 hours) TP9 - Intermediate Retail Module TP8 - Retail SOP Training	4 Years
TRAINEE FASHION CONSULTANT SALES ASSOCIATE	**TP1** - HR Induction & Orientation Programme **TP2** - Basic Departmental modules - Technical skills **FTP** - Service CHAMPS Workshop - Service Mindset **FTP** - Service Blue Print Workshop - Service Standards	TP7 - Personality Development Programe TP6 - Shop Floor Spoken English (20 hours) TP5 - Changing Attitude & Self Motivation TP4 - Service Blue Print Workshop	2 Years
SALES COLLEAGUES	**TP1** - HR Induction & Orientation Programme **TP2** - Basic Departmental modules - Technical skills **TP3** - Service CHAMPS Workshop - Service Mindset		1 Years

TRAINING AND DEVELOPMENT

At Odel we believe in giving promising talent a chance and our training and development programs are structured in a manner in which talented individuals can flourish within the Company.

Odel is proud to support the new talents who will shape tomorrow's fashion industry. With this in mind, we aim at integrating training and development into our Company's regular work environment.

We take great steps to preserve our intellectual capital and to ensure that technical know-how is passed on to our employees.

We provide holistic workshops and guidance programs for our staff, both locally and overseas to uplift their technical skills and soft skills, so they are equipped to provide service excellence to our customers.

Some of the key training programs offered to our employees are as follows:

- CHAMPS Program
- Positive Thinking & Self-Motivation Training Program
- Shop Floor English
- Retail Supervisory Development Program
- Management Development Program
- Advanced Retail Module
- Standard Operating Procedures Training
- Assessment Centre for Fashion Consultants
- Service Blue Print Training
- Personality Development Training
- 5S
- Performance Management System Training
- Organizational Strategic Planning

We aim to create a unique shopping experience for our customers by having a fashion theme across all our stores for each season. In order to equip our employees better, to facilitate this experience for our customers, we provide product awareness sessions at the inception of every theme to educate our employees regarding any new products introduced, products changed or upgraded bases on theme. The target group of these product awareness sessions are mainly our shop-floor sales staff. With these sessions, the sales staff will have a very good understanding on seasonal theme changes, meaning of these themes, how they have been derived, colour combinations, visual merchandising, prices and the marketing mix so that they can provide exceptional service to our customers.

AWARDS, RECOGNITION AND BENEFITS

At Odel we believe in recognizing and rewarding excellent service and performance. We appreciate team members who perform exceptionally at work to provide an unmatched fashion experience to our customers and other stakeholders.

In order to recognize and reward talent we have developed a few unique programs and awards.

"Way-to-go" card system

'Way-to-go' cards are awarded to our shop-floor employees who demonstrate their ability to achieve a weekly set target, which is in line with our values, within a maximum of four invoices in a particular week.

SERVE	INSPIRE
Treating people (Internal and External customers) with courtesy, politeness, and kindness	Enthusiastic about their job and convey that enthusiasm in everything they do and say
Body language and the tone of voice	Optimistic about the future and always focused on the positive and tend to find new opportunities in every challenge
Treating others as they wish to be treated (Attitude)	Committed, straightforward and respect each other despite their differences of opinion, training or mindset
STYLE	**LOVE**
Be a trend setter	Treat people (Internal and External customers) with courtesy, politeness, and kindness
Proper dress code adherence	Body language and the tone of voice
Grooming	Treat others as they wish to be treated (Attitude)
ENJOY	**SAVE**
Understand work takes place in an imperfect world	Go Green Contribution
Working ethically	- In the Office Area
	- In the Cafeteria or Breakroom
	- On the operations floor

GIVE	INNOVATE
Openly sharing knowledge with all levels of staff	Bring new bright ideas. (Example – Improve the store operations and implement the idea)
Coach new comers	Provide solutions for current store level problems and solve the problems. (Example – To reduce waste, increase sales, reduce staff turnover, reduce electricity cost etc.)
Practice what you preach	Encouraging risk (Example – Increase sales by taking a risk)
EXCELLENCE	**INTEGRITY**
Driving set standards passionately.	
(Examples - Meeting Cashier timing standards in billing, GST maintained on the floor, maintain hygienic standards at the counter)	Be honest always. (Example - admit the mistakes, return left behind phones and wallets of customers, not doing anything for personal gains etc.)
Always delivering more than expected. (Examples - Customer requests, running the division without a Supervisor, doing value additions to reduce waste etc.)	Do the right thing always. (Example - adherence to process, not favoring any particular person or vendor etc.)
Empathy towards problems. (Examples - support staff members who has a personal need, back up a sick member of the team, help new comers to settle, provide extra assistance for elderly and differently abled customers, looking out for infants when a mother is shopping etc.)	Ethical conduct (Example - Respect for another's property, refraining from violence against another, Treating others with civility)

EMPLOYEE ENGAGEMENT ACTIVITIES

Employees are able to accumulate four 'way-to-go cards' and cash them in for a monetary reward.

This system aims at uplifting the employee morale, driving sales and providing customers with service excellence, while creating an engaging and enjoyable workplace for our employees where their efforts are recognised and rewarded.

Half-day-leave on birthdays

We understand that birthdays are special. So, we encourage our teams and supervisors to work together and manage their work so that a team member can take a half-day off of work on their birthday.

Flexi-hours

We offer our back-office employees the option of flexi-hours, where they can cover their usual work hours during a day, depending on the time they decide to come into work. For example, if an employee comes early to work they have the option of leaving early once they cover their work hours for the day and vice versa.

"I joined Odel 16 years ago as a sales colleague and over the years I have grown with the organization. Today I am a Store Manager at the Panadura branch. I was selected as the 'Best Retail Manager of the Year 2017/18'. I thank my team and my superiors along with the supporting departments which made this dream a reality".

Kasun Kaluarachchi
Store Manager – Panadura branch
*Recognized with the **"Retail Manager of the Year of the Year 2017/18 - ODEL PLC" award***

"I extend my sincere appreciation for being selected as the 'Employee of the year 2017'. The fact that my hard work has been recognized instills a lot of confidence in me to work to the best of my abilities in the interest of the organization.

I feel great to work with the team where every new idea is heard and nurtured. I hope to maintain the same level of diligence in my work in the future as well".

Kesala Sulakshani
Odel Distribution Center –Borelesgamuwa
*Recognized with the **"Employee of the Year Award 2017" award***

"I have been working at Softlogic Brands for over five years. At the recent employee recognition event I was selected as the 'Retail Supervisor of the year 2017- Softlogic Brands.' I felt like I was on top of the world when I heard my name.

I was overjoyed with my professional achievement & I am proud be a part of the Softlogic family".

Ishara Vihangani
Charles & Keith - Colombo 3
*Recognized with the **"Retail Supervisor of the Year 2017 – Softlogic Brands" award***

"I would like to thank the ODEL management for giving me this opportunity to participate in the Retail Supervisor of the Year competition. This is not an award which I gained within a day or a month, ODEL helped me to acquire knowledge and develop my career in a progressive manner. Such recognition schemes encourage us and increase the efficiency and productivity of the team. I am happy to be a part of ODEL family for the last six years and I pledge to offer my maximum contribution to this organization in the future".

Sameera Priyankara
Supervisor (Ward Place)
Recognized with the *"Retail Supervisor of the Year 2017 – ODEL PLC" award*

"First of all, I would like to take this opportunity to express my appreciation to the management team for organizing this event which recognize the hard work of the team. I am indeed elated to be recognized at the very first event and I consider it a blessing to be employed in the biggest retailer of Sri Lanka".

Yasanka Randeer
Store Manager - Galleria
Recognized with the "Retail Manager of the Year of the Year 2017/18 – Softlogic Brands" award

"I would like to thank all my colleagues and managers for their unwavering support and encouragement, for identifying the potential in me. Over the years I have developed a positive "can-do" spirit. I am proud to work with an ambitious team who strive to deliver excellent results".

Randima Thilini Wijerathna
Galleria Airport
Recognized with the "Sales Personality of the Year 2017 - Softlogic Brands" award

"I have been an employee of Odel PLC for the last 4 years. It has been an amazing journey where I have advanced in my career while enriching my knowledge.

The joy and happiness of being recognized at the Annual Awards ceremony is indeed a fulfilling experience which increases our motivation levels".

Hansamali Kodithuwakku
LUV SL - Negombo
Recognized with the *"Sales Personality of the Year 2017 – ODEL PLC" award*

DRIVING SUSTAINABILITY THROUGH OUR PEOPLE

We have opened a new chapter in our journey to craft a more sustainable fashion industry. More than ever before, we will CARE about our impact on the planet, on climate change, on natural resources; COLLABORATE for the good of our employees, suppliers, clients; CREATE pioneering ideas to safeguard our rich heritage and empower future generations.

Our brands are integrating sustainability, through processes and products that have a positive environmental and social impact, whilst respecting each brand's unique values and identity. These initiatives are driven by employees who are committed to this cause and understand its importance.

We recognize our responsibility to meet community expectations and we are committed to adopting practices that reduce the demand and impact on the environment.

Please refer to the 'Sustainable Development' section of this report for details regarding our commitment for a sustainable fashion and retail industry.

New goals for a sustainable future

Odel wants to lead the change towards an environmentally friendly, community driven, fair and equal fashion industry. During this financial year we raised our ambitions further, to contribute to long-term positive change for people and the environment throughout the value chain.

We have opened a new chapter in our journey to craft a more sustainable fashion retail industry. More than ever before, we will CARE about our impact on the planet, on climate change, on natural resources; COLLABORATE for the good of our employees, suppliers, clients; CREATE pioneering ideas to safeguard our rich heritage and empower future generations.

SUSTAINABILITY INITIATIVE AT RETAIL SECTOR – BE THE "CHANGE" YOU WANT TO SEE

ODEL PLC is committed to sustainable environmental practices and minimizing our ecological footprint as a result of our operations.

We recognize our responsibility to meet community expectations and we are committed to adopting practices that reduce the demand and impact on the environment. We will achieve these objectives through consideration of the products and materials we use and their procurement, seeking opportunities to reuse and recycle and by our attitude towards our management systems and the environment in which we conduct our work and live.

Our commitment is reinforced by the principles that:

- Our conduct shall either avoid, minimize or positively promote our environmental footprint.
- Everyone has a responsibility to identify and manage potential impacts on the environment.
- We will promote the use of sustainable products and materials.
- All incidents are preventable.

Consistent with this we shall:

- Establish and monitor measurable objectives and targets so as to continually improve our performance and to minimize the risk of harm to the environment.
- Comply with applicable environmental laws, regulations, standards and relevant requirements.

- Appropriately train and educate employees and other support labor functions so that they are aware of their responsibilities towards the protection of the environment and work accordingly.
- Communicate openly on environmental matters and disseminate information to employees, support functions, the community and others that that may be directly affected by our activities.
- Consult with and involve employees and support functions in the development of our work practices.
- Support sustainable practices and promote recycling and the economical use of resources to reduce emissions, waste and to prevent pollution.
- Act as a good corporate citizen and respect community environmental values.
- Inform employees, contractors and visitors of their obligations regarding this policy.

All Employees and Support Functions to focus on:

- Power usage – Air condition usage is liable for 70% of our electricity usage. Reducing Air condition operational hours(Controlling) and Cool air leakages can save electricity significantly.
  - Switch off AC's on all levels when leaving office; only the open office AC's will be working after 5.30 PM.
  - Switch off computers, printers and copiers when not in use.
  - Switch off unnecessary lights, Use natural light when possible. (Work in groups after working hours).
- Reduce A4 Paper usage.
  - Set all capable network printers and copiers for duplex as the default operating mode and Minimize margins or font size on documents and use email to distribute documents rather than printing multiple copies.
  - Establish a "Stationary issuance/ request Log" to maintain and control unnecessary wastage.
  - Collect and re-use scrap paper.
- Eco Friendly.
  - Choose products that are reusable, refillable, durable and recyclable.
  - Make recycle bins available on the floors and clearly mark what is recyclable to ensure proper disposal by employees and visitors.
  - Turn off taps upon use and report leaky faucets.
  - Install compost system in your office.

Luv Sl – A Brand Focused on Uplifting the Sri Lankan Community and Protecting the Environment

Luv SL, undoubtably one of the most loved private brands offered by Odel, due to its close association with the local culture and communities, has aimed to use its brand strength to uplift local communities by offering cottage industries in Sri Lanka to contribute to Luv SL's product portfolio, while adhering to Odel's quality guidelines and policies and spreading awareness through its products to safeguard the environment.

LUV CORALS INITIATIVE

In celebration of the World Environment Day on the 10th of June 2017, staff members from ODEL along with the Seacology-Sudeesha Sri Lanka Mangrove Conservation Program planted 500 mangrove trees along the coast of Kalpitiya in an effort to rejuvenate marine habitats in the area as a coastal conservation project. Alongside this LUV SL featured a collection for "World Environment Day 2017" on preserving and protecting the corals which are in danger due to a variety of direct and indirect human activities leading to coral bleaching and dying endangering the eco system.

LUV PERAHARA INITIATIVE

LUV SL featured a merchandising collection with connection to Kandy Esala Perahera which is one of the oldest and grandest of all Buddhist festivals in Sri Lanka, celebrating its rich culture and preserving the Sri Lankan heritage through its merchandise.

TRAVEL WITH KINDNESS INITIATIVE

With the increasing rate of global travelling and tourist attractions, creating awareness on becoming a responsible traveller by paying special attention towards looking out for the welfare of animals and all living beings while travelling and ensuring that travellers do not cause any harm to the fauna and flora of their travel destinations have become of utmost importance. The merchandising collection for the "World Animal Day 2017" of Luv SL featured messages in relation to this cause in order to educate the global traveller.

CORPORATE **GOVERNANCE**

BOARD OF DIRECTORS

The Board of Directors are responsible to shareholders of creating and delivering sustainable shareholder value through to the management of the Group's operations. The committees assist the Board in its responsibilities, rendered in the form of reports and recommendations submitted to the Board.

BOARD COMPOSITION

The Board consists of five directors, with a split between 1 executive and 4 non-executive directors, 3 of whom are independent. The composition of the Board is in compliance with the Corporate Governance Rules of the Colombo Stock Exchange. The Directors provide the objectivity and are equipped with the skills and experience required to discharge their responsibilities in an effective manner.

RESPONSIBILITIES OF THE BOARD

The key roles and responsibilities of the Board are as follows;

- Exercise leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure a managed and effective process of Board appointments
- Determine the Company's purpose, values and strategy and ensure that procedures and practices are in place
- Monitor and evaluate the implementation of strategies and policies for better management performance
- Ensure compliance with the relevant laws, regulations and codes of best practice on corporate governance
- Communicate with shareholders effectively and serve the legitimate interest of the shareholders
- Periodic and timely reporting to shareholders of the progress and performance of the Company
- Review processes and procedures regularly and ensure that internal control is effective
- Identify key risk areas and ensure that these risks are addressed and managed effectively
- Appoint and evaluate the performance of the Managing Director
- Approve the Annual Budget
- Authorisation of Directors' conflicts or possible conflicts of interest
- Determination of independence of non-executive Directors
- Ensure the continuation of the Company as a going concern

APPOINTMENT AND RE-ELECTION TO THE BOARD

Directors are appointed by the Board in a structured and transparent manner. Appointments are made with due consideration given to the diversity of skills and experience within the Board. All directors appointed during the year seek re-election at the subsequent AGM.

BOARD MEETINGS AND ATTENDANCE

The Board meets on a quarterly basis and additional meetings are convened when necessary. Scheduled board meetings are arranged well in advance to ensure, as far as possible, that Directors can manage their time commitments. All Directors are provided with supporting documents and relevant information for each meeting and are expected to prepare themselves for and to attend all board meetings, shareholders meetings and all meetings of the committees on which they serve, unless there are exceptional circumstances that prevent them from doing so. Directors have full access to Group information and are entitled to obtain independent professional advice at the Group's expense in appropriate situations.

CHAIRMAN

The Chairman leads the Board in order to ensure that it operates effectively and fully discharges its fiduciary and regulatory responsibilities. The Chairman is also responsible for ensuring that no single individual has autonomous decision making powers, thus protecting stakeholder interests. Within the Group, the Chairman also serves as the Managing Director and is responsible for recommending the strategic direction to be followed by the Group and for implementing the decisions of the Board. The performance of the Managing Director is reviewed by the Board on an annual basis.

REMUNERATION OF THE BOARD

The remuneration of the Directors is determined by the Board and is disclosed on page 77 of this Annual Report.

COMPANY SECRETARY

Messrs Softlogic Corporate Services (Pvt) Ltd function as Company Secretaries to the Group. The Company Secretary provides guidance to the Board as a whole and to individual directors with regard to how their responsibilities should be discharged. The Company Secretary is also responsible for ensuring that the Board is compliant with the applicable rules and regulations and that all activities of the Board are in line with the appropriate procedures.

BOARD COMMITTEES

The Board has delegated certain authorities to the Board Committees in order to manage the affairs of the Board. The committees operate under terms of reference approved by the Board. Audit Committee, Remuneration Committee and Related Party Transactions Review Committee function as the Board Sub Committees.

INDEPENDENCE OF THE DIRECTORS

Mr. R P Pathirana, Dr. S Selliah and Dr. R De Silva function as independent directors of the Company.

As per the Rules issued by the Colombo Stock Exchange, Mr. R P Pathirana and Dr. R De Silva meet all the criteria of independence. Dr. S Selliah meets all the criteria of independence except one.

Dr. S Selliah is a Director of Directors of Softlogic Holdings PLC which has a significant shareholding in the Company.

The Board having evaluated all the factors concluded that their independence have not been impaired due to him serving on the Board of other company which has a significant shareholding in the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE RULES OF THE CSE

The following disclosures are made in conformity with Section 7 of the Listing Rules and section 9.3.2 (b) of the relatd party transaction rules of the Colombo Stock Exchange;

Section	Criteria	Has the Company met the Criteria
7.10.1	Non-executive directors	Complied with. Out of 5 directors 4 are non-executive directors.
7.10.2	Independent directors	Complied with. There are three independent directors on the Board. All non-executive directors have submitted the declaration with regard to their independence/ non-independence.
7.10.3	Disclosures relating to directors	As per the Rules issued by the Colombo Stock Exchange, Mr. R P Pathirana and Dr. R De Silva meet all the criteria of independence. Dr. S Selliah meets all the criteria except one.
7.10.5	Remuneration Committee	Complied with. Comprises of two independent non-executive directors. The names of the members of the committee are given in the page 46 of the Annual Report.
7.10.6	Audit Committee	Complied with. Comprises of three independent non-executive directors. The names of the members of the committee are given in the page 47 of the Annual Report. The report of the committee is given on page 47. The Senior Manager- Finance attends all the meetings.

Related Party Transactions - Group.

Name of the Related Party	Relationship	Nature of the transaction	Aggregate value of related party transaction entered in to during the financial year	Aggregate value of related party transaction as a % of net group revenue	Terms and condition of the related party transaction
Softlogic Holdings PLC	Ultimate Parent Company	Loan Granted	2,198,650,000	30%	Interest has been charged monthly on the outstanding balance at the rate of 14% - 15%
		Loan Settlements	(2,025,000,000)	27%	Interest has been charged monthly on the outstanding balance at the rate of 14% - 15%

RISK MANAGEMENT

RISK IS A CONDITION IN WHICH THERE EXISTS A QUANTIFIABLE DISPERSION IN THE POSSIBLE RESULT OF ANY ACTIVITY. SINCE RISK IS BOUND UP WITH DOING BUSINESS, IT'S WORTH MANAGING. RISK MANAGEMENT COMPRISES OF IDENTIFYING THE TYPES OF RISK EXPOSURE WITHIN THE COMPANY, MEASURING THOSE POTENTIAL RISKS AND DEVELOPING OF STRATEGIES TO MITIGATE RISK. RISK MANAGEMENT IS AN ESSENTIAL ELEMENT OF OUR CORPORATE GOVERNANCE STRUCTURE AND STRATEGY DEVELOPMENT PROCESS.

THE PROCESS WE FOLLOW:

Our Process of defining, assessing, classifying and monitoring risks is set out below

DEFINING RISK

Management defines risks as strategic,operational and Market.

ASSESSING RISK

Risks are assessed based on their potential impact on business activity, financial position and reputation. A 'level 1' risk is insignificant while a 'level 5' risk is catastrophic.

ASSESSING LIKELIHOOD

Risks are assessed based on their likelihood of occurrence, considering controls in place to address them. A scale of 1 to 5 is used, where 1 indicates 'Never' and 5 is 'Almost certain, despite the controls in place'.

CLASSIFYING RISKS

Risks are classified as critical,high, medium and low, based on impact and likelihood.Where a risk has a high likelihood of occurrence and the impact is high, it would be considered critical.

MONITORING & REPORTING RISKS

Operational, tactical and strategic risks are monitored, reported on and managed.
Internal Audit reviews and reports on their findings.

The Board of Directors has the overall responsibility to manage risks effectively to ensure the business developments are consistent with the risk appetite and goals of the Group. The Board Audit Committee (BAC) monitors the effectiveness of internal controls with the Odel senior management, the Group head of Risk & Audit and the Head of Internal Audit-Retail Sector. The BAC also monitors and reviews the effectiveness of the external auditors and the Internal Audit.

Odel PLC uses a risk management ranking methodology to identify the key risks specific to our company. The prioritization process assists in deciding which risk is to be treated as a priority in formulating the risk strategy. All the prioritized risks will be rated based on the likelihood of occurrence and impact it will have.

Though there are many risks to which a business is exposed to some of the key risks impacting Odel PLC are discussed below. These are mainly categorized into strategic, market & operational.

STRATEGIC RISK

Uncertainties and untapped opportunities embedded in company strategic intent and how well they are executed. As such, they are key matters for the board and effect on the whole business. Strategic Risks relate to the organization's longer-term place in, and relationship with the outside environment, which is not under the organization's control.

OPERATIONAL RISK

Risks directly affect to business operations with a potential impact on financial position and business performance or the external activities which affect day today activities of the Company, or the risk of loss from a failure of internal business & control processes. Fraud Risk, which is the result of using deception to dishonestly make a personal gain for oneself and/or create a loss for another is a critical component of operational risks.

MARKET/LIQUIDITY & CREDIT RISK

Risks faced by the Company relate to the availability of funds to meet business needs and ability to deliver adequate return to the Company. Risks of losses arising from the adverse movements in market prices, risks that the Company may not have sufficient funds to meet financial obligations and failure of a customer to meet its contractual obligations.

RISK CATEGORY	RISK	RISK MANAGEMENT STRATEGIES
STRATEGIC RISK	Business is largely dependent upon our ability to predict accurately fashion trends, customer preferences and other fashion-related factors.	A dedicated buying department oversee trends in response to seasonal changes & international changes in the fashion industry lowering such impact through meticulous planning. Further the team receives weekly updates with regards to new developments in fashion from the Intercontinental Group of Department Stores (IGDS)
STRATEGIC RISK	We rely on foreign sources of production and recognized local channels. The Company could suffer due to increases in the price of products and freight & poor management of supply chain.	The Company has established a separate department to monitor fluctuations in prices, favorable markets & distribution channels & it's managed under a dedicated director of logistics & imports linking with the buying department.
STRATEGIC RISK	Risks from competitive actions from existing market participants and new entrants	The Company is strongly committed to provide high quality products of unparalleled selection of fashion right & lifestyle products in an environment that is enjoyable & welcoming, stemming from its mission. Further leveraging the Company's long-term relationship with recognized suppliers & Maintaining a positive relationship with employees with a better remuneration and performance appraisal scheme give the Company a significant advantage over its competitors.
STRATEGIC RISK	Failure to implement strategic plans, Revenue improvement & cost saving initiatives and undertake profitable investments.	The Company integrates risk awareness directly into strategic decision making by holding regular meetings of Board of Directors in order to formalize future strategies and plans and to revise and update plans, taking in to consideration the changing circumstances of the Company.
OPERATIONAL RISK (Compliance Risk)	Our business may be affected by regulatory, administrative and litigation developments.	A comprehensive internal control system is in place supplemented by regular audit from the internal audit department in collaboration with the legal division. Ensuring all statutory and legal obligations are met in all transactions.
OPERATIONAL RISK	Failure in management information systems may fail and cause disruptions in our business.	A dedicated IT team is in place to support all IT related aspects of the Company. They make sure that contingency plans are in place to mitigate any short term loss on IT services. Further, the Company is immensely supported by the Group's comprehensive IT policy, in ensuring the safety and security of data.

RISK CATEGORY	RISK	RISK MANAGEMENT STRATEGIES
OPERATIONAL RISK (Reputational Risk)	Risks to the Group's reputation and Brand image	The Board ensures that the Company strictly complies with all relevant laws and codes of best practices and is not involved in any unethical business practices. The employees of the Company are well informed regarding the code of ethics both during the process of recruitment & during their work life.
		The Company legal division oversee any possible matter that leads to litigation & make sure that the Company invariably complies with the laws & regulations.
		A separate division for the purpose of development of employee's skills & technical know-how is in place. The internal Audit department with the collaboration of the training division, keeps the employees informed about the processes by way of introducing & updating Standard Operating Procedures (SOPs)
		The buying department with the collaboration of the import department makes sure that the sources of products are of high quality & invariably caters to the fulfilment of the Company's vision & mission.
OPERATIONAL RISK	Risk from not being able to attract and retain skilled and experienced staff	The Company has significantly invested in strengthening our human capital through the deployment of the latest Human Resource Information Systems, regular staff training & development, succession planning and fostering a performance-based culture & attractive remuneration packages. Further, the Company has introduced various operational level programs such as selecting the best employee of the month & Annual Award Ceremony for the appreciation of service rendered by the employees.
MARKET RISK (Exchange Rate risk)	Risks from adverse exchange rate fluctuations	The Company's finance division linking with the Group treasury division takes suitable financial measures in order to effectively manage the exchange rate risk.
LIQUIDITY RISK	Risk of not being able to meet financial commitments as and when they fall due	Making optimum use of cash inflows with the help of the Group treasury division, ensuring the Group-wide interest exposure is kept to a minimum & performing regular reviews of the actual performance against planned to ensure achievement of budgeted targets.
MARKET RISK (Interest Rate Risk)	Changes in interest rates may have an impact on the profitability of the Company	The Company work closely with the parent company to negotiate favorable terms & conditions for loan facilities obtained.

REPORT OF THE **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

PURPOSE

Related Party Transactions Review Committee was established by the Board during the financial year under review in order to comply with the Listing Rules of the Colombo Stock Exchange governing related party transactions in respect of listed companies as per the Codes of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").

The Board Related Party Transactions Review Committee (the "Committee") assists the Board in reviewing all related party transactions carried out by the Company and its listed companies in the Group by early adopting of the Codes of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka.

COMPOSITION

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company and the following directors were served on the Committee as at 31st March 2018.

Dr. I C R De Silva - Independent Non-Executive Director (Chairperson)

Mr. R P Pathirana - Independent Non-Executive Director

Mr. H K Kaimal - Non Executive Director

The committee held 3 meetings during the financial year. Information on the attendance of these meeting s by the members of the committee is given below.

Name	Meeting Attended
Dr I.C.R De Silva	3/3
Mr. Ranil Pathirana	3/3
Mr.H.K.Kaimal	3/3

The Senior Manager - Finance attended all meetings by invitation.

Softlogic Corporate Services (Pvt) Ltd, Secretaries of the Company function as the Secretary to the Related Party Transactions Review Committee.

Roles and Responsibilities

1. Reviewing in advance all proposed related party transactions of the Company in compliance with the Code
2. Adopting policies and procedures to review related party transactions of the and reviewing and overseeing existing policies and procedures
3. Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company
4. If related party transactions are ongoing (recurrent related party transactions) the Committee establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party.
5. Ensuring that no director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee
6. If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee to review and approved the proposed related party transaction.
7. Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

COMPLIANCE WITH RELATED PARTY TRANSACTIONS RULES

Transactions of related parties (as defined in LKAS 24 – Related Parties Disclose) with the Company are set out in Note 30 to the Financial Statements. There are no related party transactions which exceed the threshold of 10% of the equity or 5% of the total assets, whichever is lower in relation to non-recurrent related party transactions or 10% of the gross revenue in relation to recurrent related party transactions other than the transactions disclosed in the page 41 of this report. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party.

The related party transactions of the Company for the financial year ended 31st March 2018 have been reviewed by the Committee and the activities and comments of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)

Dr. I C R De Silva
Chairman - Related party Transactions Review Committee

17 August 2018

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises the following Non- Executive independent Directors at the year-end.

Mr. Ranil Pathirana

Dr. S Selliah

The responsibilities of the Remuneration Committee include,

- Ensuring the remuneration policy of the company provides a competitive, attractive and reasonable remuneration package for employees at all levels on par with industry standards giving due consideration to business performance and long term shareholder returns.
- Ensuring the remuneration package of employee is linked to performance, responsibility, expertise and contribution.
- Ensuring formal and transparent procedure in implementing the remuneration policy of the Company.

REMUNERATION COMMITTEE MEETINGS

The Committee held a meeting in relation to the year under review.

The aggregate remuneration paid to Directors is disclosed in Note 7 to the financial statements.

(Sgd.)

Ranil Pathirana

Chairman - Remuneration Committee

17 August 2018.

REPORT OF THE **AUDIT COMMITTEE**

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises of three members. The Committee is made up of members who bring their varied expertise and knowledge to effectively carry out their duties. Members of the Committee at year end are;

Mr. Ranil Pathirana - Chairman- Non-Executive Independent Director

Dr. S Selliah - Non-Executive Independent Director

Dr I.C.R De Silva - Non-Executive Independent Director

The functions of the Audit Committee are governed by an Audit Committee Charter, which is reviewed annually.

OBJECTIVES AND ROLE OF THE AUDIT COMMITTEE

The main objective of the Audit Committee is to assist the Board of Directors to perform its duties effectively and efficiently. Accordingly, the objectives of the Audit Committee can be described in detail as follows:

- Oversee the financial reporting process and determine that the financial reports present accurate, complete and timely financial information.
- Monitor the effectiveness of the Company's risk management processes and the internal control system.
- To assess the independence of the External Auditor and monitor the performance of Internal and External Auditors.
- To recommend to the Board the appointment of External Auditors.

MEETINGS

The Committee held 4 meetings during the year under review. The Senior Manager – Finance and the Head of Internal Audit – Retail Sector attended these meetings by invitation.

The attendance of the members at these meetings is given below.

Name	Meeting Attended
Mr. Ranil Pathirana	4/4
Dr. S Selliah	4/4
Dr I.C.R De Silva	3/4

SUMMARY OF ACTIVITIES

Financial Reporting

The Committee reviewed the Financial Reporting System to determine the accuracy and timeliness of the Financial Statements published. The Committee also reviewed the interim and year-end Financial Statements prior to publication, in order to determine that the statutory requirements have been complied with and the Company's Accounting Policies have been consistently applied.

Internal Audit

The Committee monitored the effectiveness of the Internal Audit Function and the implementation of the recommendations made by the Internal Audit.

External Audit

The Committee reviewed the status of their independence.

CONCLUSION

Based on the review of reports submitted by the External and Internal Auditors, the information obtained from management the Committee having examined the adequacy and effectiveness of the internal controls which have been designed to provide a reasonable but not absolute assurance to Directors that the assets of the company are safeguarded, is satisfied that the financial position of the company is regularly monitored and that steps are being taken to continuously improve the control environment maintained within the Company.

The Audit Committee determined that Messrs Ernst & Young are independent on the basis that they do not participate in any management activity of the company and do not provide any non-audit services to the company and recommended to the Board of Directors that Messrs Ernst & Young be reappointed as statutory Auditors for the financial year ending 31st March, 2018, subject to approval by the Shareholders at the forthcoming Annual General Meeting.

(Sgd.)

Ranil Pathirana
Chairman - Audit Committee

17 August 2018.


ODEL
THE DEPARTMENT STORE

FINANCIAL INFORMATION

FINANCIAL CALANDER

Results

Interim Report for 1st Quater - 2017/2018	1st August 2017
Interim Report for 2nd Quater - 2017/2018	9th November 2017
Interim Report for 3rd Quater - 2017/2018	12th February 2018
Interim Report for 4th Quater - 2017/2018	30th May 2018

Dividends Paid

Interim Dividends 2017/2018	28th June 2018

ANNUAL REPORT OF THE BOARD OF DIRECTORS **ON THE AFFAIRS OF THE COMPANY**

The Directors of Odel PLC have pleasure in presenting to the members their Annual Report together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2018.

Principal Activity

The principal activity of the Company during the year was fashion retailing offering its customers a total shopping experience. There have been no significant changes in the activities of the Company during the year under review.

Future Developments

An indication of likely future developments is set out in the Chairman's Review on Pages 6 to 9.

Performance Review

The Financial Statements reflect the state of affairs of the Company and the Group. This report forms an integral part of the Annual Report of the Board of Directors.

Financial Statements

Section 168 (b) of the Companies Act require that the Annual Report of the Directors include financial statements of the Company, in accordance with Section 151 of the Act and Group financial statements for the accounting period, in accordance with section 152 of the Act. The requisite financial statements of the Company are given on Pages 58 to 111 of the Annual Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Financial Reporting Standards. A statement in this regard is given on Page 54.

Auditor's Report

The Auditor's Report on the financial statements is given on Page 55 of the Annual Report.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are given on Pages 64 to 75 of the Annual Report. There was no change in the accounting policies adopted from the previous year except retirement benefit obligations.

Property, Plant & Equipment

The details and movement of property, plant and equipment during the year under review is set out in Note 10 to the Financial Statements on Pages 80 to 87.

Capital Expenditure

The total capital expenditure incurred on the acquisition of property, plant and equipment for the Company and the Group amounted to Rs.549 Mn (2017 – Rs.184 Mn) and Rs. 825Mn (2017 – Rs.213 Mn) respectively. Details of capital expenditure and their movements are given in Note10 to the Financial Statements on Pages 80 to 87 of the Annual Report.

In addition to the above, a sum of Rs. 619 Mn has been incurred by the Group in respect of the Odel Mall Project.

Reserves

The reserves for the Company and Group amounted to Rs. 3,454 Mn (2017 Rs.3557 Mn) and Rs.4,460 Mn (2017 – Rs.4,435 Mn) respectively.

The movement and composition of the Capital and Revenue reserves is disclosed in the Statement of Changes in Equity.

Donations

During the year, donations made by the Company and Group amounted to Rs.1,010,709/= (2017 - Rs.138,356/=) and Rs.1,010,709/= (2017 – Rs.138,356/= respectively.

Stated capital

The stated capital of the Company as at 31 March 2018 was Rs.2,795,513,620/= There was no change in the stated capital of the Company during the year under review.

Taxation

The information relating to income tax and deferred taxation is given in Note 8. to the Financial Statements.

Dividends

Interim dividend of Rs. 0.26 (cents 26) per share was paid on 28th June 2018.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the date of the Statement of Financial Position have been paid or, where relevant provided for.

Events after the date of the Statement of Financial Position

No circumstances have arisen and no material events have occurred after the date of Statement of Financial Position, which would require adjustments to, or disclosure in the accounts other than those disclosed in Note 34 to the Financial Statements.

Directorate

The following Directors held Office during the year under review. The biographical details of the Board members are set out on Pages 10 and 11.

Mr. A K Pathirage

Dr. S Selliah

Mr. H K Kaimal

Mr. R P Pathirana

Dr. I C R De Silva

Directors' Shareholding

The relevant interests of Directors in the shares of the Company are as follows:

Name of Director	No. of Shares as at 31/03/2018	No. of Shares as at 31/03/2017
Mr. A K Pathirage	48,292	-
Dr. S Selliah	-	-
Mr. H K Kaimal	-	-
Mr. R P Pathirana	-	-
Dr. I C R De Silva	-	-

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year ended 31 March 2018 was Rs. 3,600,000/=. Mn (2017 – Rs. 3,600,000/=). The remuneration of the Directors is determined by the Board.

Directors' interests in contracts and proposed contracts with the Company

Directors' interests in contracts, both direct and indirect are referred to in Note 30 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Interests Register

The Interests Register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have disclosed their interests pursuant to Section 192(2) of the said Act.

Minimum Public Holding as a Continuous Listing Requirement

The Company is currently looking at all options available and steps to be adopted by the Company to comply with the Minimum Public Holding Requirement will be notified in due course.

Shareholders' Information

The distribution of shareholders is indicated on Page 113 of the Annual Report. There were 5,289 registered shareholders as at 31 March 2018 (31 March 2017 – 5,492).

Share Information

Information on share trading is given on Page 112 of the Annual Report.

Internal Control

The Directors are responsible for the governance of the Company including the establishment and maintenance of the Company's system of internal control. Internal control systems are designed to meet the particular needs of the organization concerned and the risk to which it is exposed and by their nature can provide reasonable, but not absolute assurance against material misstatement or loss. The Directors are satisfied that a strong control environment is prevalent within the Company and that the internal control systems referred to above are effective.

Risk Management

The Group's risk management objectives and policies and the exposure to risks, are set out in Pages 42 to 44 of the Annual Report.

Corporate Governance

The report on Corporate Governance is given on Pages 40 to 41 of the Annual Report.

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors.

The Auditors of the Company, Messrs Ernst & Young, Chartered Accountants were paid Rs.1,353,866/= as audit fees for the financial year ended 31 March 2018 (2017 – Rs.1,253,580/=) by the Company. Details of which are given in Note 7 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company that would have an impact on their independence. The Auditors also do not have any interest in the Company.

Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has recommended to the Board that the existing auditors, Messrs Ernst & Young, Chartered Accountants be reappointed. Ernst & Young have expressed their willingness to continue in office and ordinary resolution reappointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Going Concern

The Directors having assessed the environment within which it operates, the Board is satisfied that the Company and the Group have adequate resources to continue its operations in the foreseeable future. Therefore, the Directors have adopted the going-concern basis in preparing the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Asiri Central Hospital, 4th floor Auditorium, 114 Norris Canal Road, Colombo 10 on Thursday the 27th day of September 2018 at 10.30 a.m. The Notice of the Annual General Meeting is on Page 114 of the Annual Report.

For and on behalf of the Board

(Sgd.)
A K Pathirage
Chairman/Managing Director

(Sgd.)
H K Kaimal
Director

(Sgd.)
Softlogic Corporate Services (Pvt) Ltd
Secretaries

17 August 2018.
Colombo

STATEMENT OF **DIRECTORS' RESPONSIBILITY**

Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on Page 55.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the Statement of Comprehensive Income of the Company and the Group for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing financial statements set out on Pages 58 to 111 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure the financial statements comply with the Companies Act No. 07 of 2007 and are prepared in accordance with Sri Lanka Accounting Standard (SLFRS/LKAS).

They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare financial statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

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

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and other known statutory dues as were due and payable by the Company as at the date of the Statement of Financial Position have been paid or, where relevant provided for, in arriving at the financial results for the year under review except as specified in Note 29 to the Financial Statements covering contingent liabilities.

Compliance with Related Party Transactions Rules

Transactions of related parties (as defined in LKAS 24 – Related Parties Discluse) with the Company are set out in Note 30 to the Financial Statements.

There are no related party transactions which exceed the threshold of 10% of the equity or 5% of the total assets, whichever is lower in relation to non-recurrent related party transactions or 10% of the gross revenue in relation to recurrent related party transactions except for the information disclosed in the Related Party Transaction Committee Report on Page 45. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions

For and on behalf of the Board of
ODEL PLC

(Sgd.)

Softlogic Corporate Services (Pvt) Ltd
Secretaries

17 August 2018.
Colombo

INDEPENDENT AUDITOR'S **REPORT**

EY
Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ODEL PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Odel PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters common to both Group and the Company

Revaluation of land and buildings As at 31 March 2018, land and buildings carried at fair value amounted to Rs. 6,818,000,000 classified as Property, Plant and Equipment and Investment Property. The fair value of such property was determined by external valuer engaged by the Group. The valuation of land and building was significant to our audit due to the use of significant estimates disclosed in notes 10.3 and 11.3 to the financial statements.	Our audit procedures focused on the valuations performed by an external valuer engaged by the Group included the following; • We assessed the competency, capability and objectivity of the external valuer engaged by the Company • We read the professional valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property • We engaged our internal specialized resources to assist us in evaluating the appropriateness of the valuation method used and reasonableness of other key assumptions applied by the external valuer. We also assessed the adequacy of the disclosures made in note 10 and 11 to the financial statements relating to the valuation technique and estimates used by the professional valuer.

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 Jayesinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

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EY
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Inventory and Allowance for Inventory	Our audit procedures carried out on a sample basis included the following;
As at 31 March 2018, carrying value of inventories of the Group amounted to Rs. 3,014,292,870 representing 22% of the Group's total assets, after considering a provision of Rs. 59,904,698 for slow moving inventory. Inventories of the Group are of high volume and held at multiple locations. In addition inventory related processes and controls are mainly IT dependent. A significant component held at a subsidiary was audited by non EY auditor. As a result we focused on inventory as a key audit matter.	• We attended the inventory counts at selected locations and traced count results to the inventory valuation reports compiled by management • We evaluated appropriateness of the basis applied by management in recording the provision for slow moving inventory. • We tested the net realisable value of items of inventory by comparing with the post year-end sale prices of similar goods. • We assessed the overall IT control environment and the controls in place which included controls over access, system changes and operating effectiveness. • In respect of inventories held by the subsidiary audited by non EY team, we evaluated adequacy of procedures carried out in areas of existence and valuation of inventory, that were deemed most relevant from a Group audit perspective. • We also reviewed reporting deliverables sent by the non EY auditor in this regard. We assessed the adequacy of the related disclosures given in Note 15 to the financial statements.

Other Information included in The 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.

Ernst & Young

Chartered Accountants

17 August 2018.

Colombo

STATEMENT OF INCOME

		COMPANY		GROUP	
		For the year ended 31 March		For the year ended 31 March	
		2018	2017	2018	2017
	Note	LKR	LKR	LKR	LKR
Revenue	3	5,697,834,565	5,463,703,682	7,412,571,089	6,937,874,201
Cost of sales		(3,001,917,379)	(2,981,029,146)	(3,934,192,156)	(3,759,880,729)
Gross profit		2,695,917,186	2,482,674,536	3,478,378,933	3,177,993,472
Other income	4	170,312,620	215,411,038	200,394,920	332,385,684
Distribution expenses		(356,865,101)	(336,837,456)	(470,398,448)	(412,505,346)
Administrative expenses		(2,049,966,641)	(1,751,852,470)	(2,565,212,758)	(2,211,459,135)
Operating profit		459,398,064	609,395,648	643,162,647	886,414,675
Finance costs	5	(403,317,626)	(258,002,067)	(398,495,922)	(247,573,185)
Finance income	6	36,978,098	38,509,483	6,528,305	10,139,792
Profit before tax		93,058,536	389,903,064	251,195,030	648,981,282
Income tax expense	8	10,240,571	(56,649,003)	(51,853,122)	(184,123,333)
Profit for the year		103,299,107	333,254,061	199,341,908	464,857,949
Attributable to:					
Owners of the parent				199,341,908	464,857,949
Non controlling interest				-	-
				199,341,908	464,857,949
Earning per share					
Basic, profit for the year attributable to ordinary equity holders of the parent	28	0.38	1.22	0.73	1.71

The accounting policies and notes on page 64 through 111 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

		COMPANY		GROUP	
		For the year ended 31 March		For the year ended 31 March	
		2018	2017	**2018**	2017
	Note	**LKR**	LKR	**LKR**	LKR
Profit for the year		103,299,107	333,254,061	199,341,908	464,857,949
Other comprehensive income					
Actuarial loss on defined benefit plans	22	(11,121,348)	(958,783)	(15,270,946)	772,583
Income tax effect		3,113,977	268,459	4,275,865	(216,323)
		(8,007,371)	(690,324)	(10,995,081)	556,260
Revaluation of land and buildings	10	559,637,388	404,632,463	696,560,464	442,476,406
Income tax effect		(757,040,710)	-	(859,509,158)	-
		(197,403,322)	404,632,463	(162,948,694)	442,476,406
Other comprehensive Profit/(loss) for the year, net of tax		(205,410,693)	403,942,139	(173,943,775)	443,032,666
Total comprehensive income for the year, net of tax		(102,111,586)	737,196,200	25,398,133	907,890,615
Attributable to:					
Equity holders of the parent				25,398,133	907,890,615
Non-controlling interests				-	-
				25,398,133	907,890,615

The accounting policies and notes on page 64 through 111 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

		COMPANY		GROUP	
		For the year ended 31 March		For the year ended 31 March	
		2018	2017	2018	2017
	Note	LKR	LKR	LKR	LKR
ASSETS					
Non-Current Assets					
Property, plant & equipment	10	2,611,276,970	4,893,467,528	6,971,930,422	5,711,656,571
Investment property	11	3,295,000,000	-	1,130,000,000	941,000,000
Other non current assets	12.1	-	-	619,406,970	-
Intangible assets	13	-	-	475,286,720	575,972,552
Investment in subsidiaries	14	2,286,972,430	2,097,389,040	-	-
Other financial assets	17	100,205,186	52,410,866	134,808,896	70,166,057
Goodwill	13.2	-	-	104,680,409	104,680,409
Deferred tax asset	9.1.2	-	-	75,948,141	76,198,219
		8,293,454,586	7,043,267,434	9,512,061,558	7,479,673,808
Current Assets					
Inventories	15	1,894,886,042	1,737,034,872	3,014,292,870	2,384,226,652
Trade and other receivables	16	685,238,232	699,183,074	957,332,003	788,495,893
Amounts due from related parties	20	527,181,142	244,319,205	109,074,830	54,454,479
Income Tax Refund Due		24,641,586	10,793,968	33,168,546	-
Other current assets	12.2	-	-	63,642,928	-
Other financial assets	17	8,592,724	8,973,164	8,592,724	8,973,164
Cash and bank balances	25	62,261,092	38,787,283	175,721,010	82,363,158
		3,202,800,818	2,739,091,566	4,361,824,911	3,318,513,346
Total Assets		11,496,255,404	9,782,359,000	13,873,886,469	10,798,187,154
EQUITY AND LIABILITIES					
Equity					
Stated capital	26	2,795,513,620	2,795,513,620	2,795,513,620	2,795,513,620
Revaluation surplus		1,989,391,305	2,184,526,196	2,529,486,647	2,686,714,934
Retained earnings		1,465,321,753	1,372,298,448	1,931,200,186	1,748,573,766
Total Equity		6,250,226,678	6,352,338,264	7,256,200,453	7,230,802,320
Non-Current Liabilities					
Interest bearing borrowings	21	366,485,618	435,419,911	366,485,618	435,419,911
Deferred tax liabilities	9.1.1	775,347,933	40,459,060	877,039,036	48,882,526
Deferred liability	18.4	55,403,280	40,536,456	45,007,901	42,995,178
Other non current liabilities	19	-	-	130,921,572	-
Retirement benefit liability	22	55,321,269	39,583,277	69,888,564	47,826,823
		1,252,558,100	555,998,704	1,489,342,691	575,124,438

		COMPANY		GROUP	
		For the year ended 31 March		For the year ended 31 March	
		2018	2017	**2018**	2017
	Note	**LKR**	LKR	**LKR**	LKR
Current Liabilities					
Trade and other payables	23	**601,244,844**	748,403,088	**1,056,473,578**	875,902,198
Amounts due to related parties	24	**437,662,855**	177,182,037	**131,712,197**	1,023,436
Income tax payable		**-**	-	**11,828,283**	29,801,199
Interest bearing borrowings	21	**2,942,716,892**	1,930,788,943	**3,891,251,295**	2,061,696,682
Deferred liability	18.3	**11,846,035**	17,647,964	**37,077,972**	23,836,882
		3,993,470,626	2,874,022,032	**5,128,343,325**	2,992,260,397
Total Equity and Liabilities		**11,496,255,404**	9,782,359,000	**13,873,886,469**	10,798,187,154
Net asset per share		**22.97**	23.34	**26.66**	26.57

These financial statements are in compliance with the requirements of the Companies Act No 7 of 2007

(Sgd.)

S L R Piyal

Senior Manager Finance

The board of directors is responsible for these financial statements.

Signed for and on behalf of the board by

(Sgd.)

A K Pathirage

Chairman/Managing Director

(Sgd.)

H K Kaimal

Director

The accounting policies and notes on page 64 through 111 form an integral part of the financial statements.

17 August 2018.

Colombo

STATEMENT OF CHANGES IN EQUITY

COMPANY	Revaluation Reserve LKR	Stated Capital LKR	Retained Earnings LKR	Total Equity LKR
As at 31 March 2016	1,786,936,541	2,795,513,620	1,171,477,913	5,753,928,074
Net profit for the year	-	-	333,254,061	333,254,061
Other comprehensive income	404,632,463	-	(690,324)	403,942,139
	2,191,569,004	2,795,513,620	1,504,041,650	6,491,124,274
Dividends	-	-	(138,786,010)	(138,786,010)
Revaluation surplus transferred to retained earnings	(7,042,808)	-	7,042,808	-
As at 31 March 2017	2,184,526,196	2,795,513,620	1,372,298,448	6,352,338,264
Net profit for the year	-	-	103,299,107	103,299,107
Other comprehensive income	(197,403,322)	-	(8,007,371)	(205,410,693)
	1,987,122,874	2,795,513,620	1,467,590,184	6,250,226,678
Dividends	-	-	-	-
Adjustment on transfers of reserves to retained earnings (net)	2,268,432	-	(2,268,432)	-
As at 31 March 2018	**1,989,391,305**	**2,795,513,620**	**1,465,321,753**	**6,250,226,678**

GROUP	Attributable to equity holders of the parent			
	Revaluation Reserve LKR	Stated Capital LKR	Retained Earnings LKR	Total Equity LKR
As at 31 March 2016	2,227,598,126	2,795,513,620	1,404,424,800	6,427,536,546
Net profit for the year	-	-	464,857,949	464,857,949
Other comprehensive income	442,476,406	-	556,260	443,032,666
	2,670,074,532	2,795,513,620	1,869,839,009	7,335,427,161
Dividends	-	-	(138,786,010)	(138,786,010)
Deferred tax impact on revalued building_Reversed	34,161,169	-	-	34,161,169
Revaluation surplus transferred to retained earnings	(17,520,767)	-	17,520,767	-
As at 31 March 2017	2,686,714,934	2,795,513,620	1,748,573,766	7,230,802,320
Net profit for the year	-	-	199,341,908	199,341,908
Other comprehensive income	(162,948,694)	-	(10,995,081)	(173,943,775)
	2,523,766,240	2,795,513,620	1,936,920,593	7,256,200,453
Dividends			-	-
Adjustment on transfers of reserves to retained earnings (net)	5,720,407		(5,720,407)	-
As at 31 March 2018	**2,529,486,647**	**2,795,513,620**	**1,931,200,186**	**7,256,200,453**

The accounting policies and notes on page 64 through 111 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

		COMPANY		GROUP	
		For the year ended 31 March		For the year ended 31 March	
		2018	2017	2018	2017
	Note	LKR	LKR	LKR	LKR
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Net profit before Income tax expense		93,058,536	389,903,064	251,195,030	648,981,282
Adjustments for					
Depreciation	10.1.3	149,449,736	103,336,073	259,055,718	209,442,968
Intangible assets amortization	13	-	-	100,685,832	117,481,719
Finance costs	5	403,317,626	258,002,067	398,495,922	247,573,185
Finance income	6	(32,897,875)	(38,509,483)	(2,448,082)	(10,139,792)
Fair value (gain)/loss on investment property	4	(55,000,000)	-	(189,000,000)	(341,520,000)
Impairment reversal of property plant and equipment		1,150,108	-	1,150,108	-
Derecognition of property, plant & equipment		-	242,418	-	242,418
(Profit)/loss on disposal of property, plant & equipment	4	(4,086,943)	(2,726,186)	(6,533,817)	13,665,354
Income on investment in unit trust		-	(24,661)	-	(24,661)
Dividend income	4	(109,440,000)	(211,320,000)	-	-
Provision for define benefit plans	22.1	10,683,623	9,055,378	13,619,332	11,718,057
Operating profit before working capital changes		456,234,811	507,958,670	826,220,043	897,420,530
Decrease/(Increase) in inventories		(157,851,170)	(330,564,729)	(630,066,218)	(448,179,273)
Decrease/(Increase) in trade and other receivables		13,944,842	(174,518,049)	(168,836,110)	(184,792,856)
Decrease/(Increase) in dues from related parties		(252,370,412)	101,103,157	(54,620,351)	32,602,334
Decrease/(Increase) in other non current/current assets		-	-	(683,049,898)	-
Decrease/(Increase) in other current financial assets		(47,413,880)	(1,233,930)	(64,262,399)	(3,759,001)
(Decrease)/Increase in dues to related parties		203,519,582	(312,426,593)	130,688,761	(326,538,268)
(Decrease)/Increase in trade and other payables		(147,158,244)	23,325,850	180,571,380	76,406,247
(Decrease)/Increase in other non current liabilities		-	-	130,921,572	-
(Decrease)/Increase in deferred liability		13,145,118	18,856,383	19,334,036	19,700,098
Cash generated from operations		82,050,647	(167,499,241)	(313,099,184)	62,859,811
Finance costs paid	5	(346,356,390)	(237,106,042)	(398,495,922)	(247,573,185)
Defined benefit plan costs paid	22	(6,066,983)	(3,527,201)	(6,828,541)	(4,777,380)
Income tax paid/Dividend tax paid		(22,644,903)	(140,113,329)	(129,821,286)	(216,227,276)
Net cash from/(used in) operating activities		(293,017,629)	(548,245,813)	(848,244,932)	(405,718,030)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment	10	(549,142,065)	(184,793,275)	(825,513,336)	(212,641,026)
Investment in equity shares of subsidiaries	14	(189,583,390)	-	-	-
Dividend received	4	109,440,000	211,320,000	-	-
Finance income	6	(1,673,873)	2,022,957	(1,632,141)	2,036,312
Proceed from disposal of fixed assets		4,457,110	5,253,717	8,127,941	5,343,613
Net cash flows from/(used in) investing activities		(626,502,218)	33,803,399	(819,017,536)	(205,261,101)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Repayment of interest bearing borrowings	21	(5,875,766,138)	(3,768,853,978)	(6,756,776,935)	(3,768,853,978)
Proceeds from interest bearing borrowings	21	6,651,106,251	4,096,852,356	8,252,261,281	4,220,107,039
Dividends paid		-	(138,786,010)	-	(138,786,010)
Net cash flows from/(used in) financing activities		775,340,113	189,212,368	1,495,484,346	312,467,051
Net increase/(decrease) in cash and cash equivalents		(144,179,734)	(325,230,047)	(171,778,122)	(298,512,080)
Cash and cash equivalents at the beginning of the year		(513,950,687)	(188,720,640)	(478,027,868)	(179,515,788)
Cash and cash equivalents at the end of the year	25	(658,130,421)	(513,950,687)	(649,805,990)	(478,027,868)

The accounting policies and notes on page 64 through 111 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Odel PLC is a limited liability company incorporated and domiciled in Sri Lanka whose shares are publicly traded in the Colombo Stock Exchange. The registered office of Odel PLC is located at No 475/32, Kotte Road, Rajagiriya. Odel PLC is a subsidiary of Softlogic Retail (Pvt) Limited and Softlogic Holding PLC is the ultimate parent. The details of subsidiary companies are as follows.

SUBSIDIARIES

Odel Apparels (Pvt) Limited

Odel Apparels (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No.475/32, Kotte Road, Rajagiriya and the principal place of business is situated at No. 71/3, Kamatawatte Road, Rajagiriya.

Odel Properties (Pvt) Limited

Odel Properties (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 475/32, Kotte Road Rajagiriya.

Odel Lanka (Pvt) Limited

Odel Lanka (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No.475/32, Kotte Road, Rajagiriya and the principal place of business is situated at 271, Kaduwela Road, Thalangama, Battaramulla.

Odel Information Technology Services (Pvt) Limited

Odel Information Technology Services (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No.475/32, Kotte Road, Rajagiriya.

BSL International (Pvt) Limited

BSL International (Pvt) limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No.38 Dickmens Road, Colombo 05, and the principal place of business is situated at P.O.Box 5, Export Processing Zone, Katunayake.

Greenfield Trading (Pvt) Limited

Greenfield Trading (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office and the principal place of business is situated at No 475/32, Kotte Road, Rajagiriya.

Softlogic Brands (Pvt) Limited

Softlogic Brands (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 14, De Fonseka Place, Colombo 05.

Odel Properties One (Pvt) Limited

Odel Properties One (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No 475/32, Kotte Road, Rajagiriya and the principal place of business is situated at No 15, C.W.W Kannangara Mawatha, Colombo 7.

Odel Restaurants (Pvt) Limited

Odel Restaurants (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No 475/32, Kotte Road, Rajagiriya.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Group were as follows;

PARENT COMPANY

During the year, the principal activities of the Company were to carry out fashion retail activities and to earn rental income from letting retail space.

SUBSIDIARIES

Odel Apparels (Pvt) Ltd

During the year, the principal activities of the Company were to manufacture and supply of the Garments to the Group.

Odel Properties (Pvt) Ltd

During the year, the principal activities of the Company were to carry out real estate activities in relation to retail business

Odel Lanka (Pvt) Ltd

Principal activity of the Company was to hold its property for capital appreciation purpose.

Odel Information Technology Services (Pvt) Ltd

During the year, the principal activities of the Company were to provide information technology infrastructure and maintenance services for the Group companies.

BSL International (Pvt) Ltd

No activities were carried out during the year, and it is in the process of liquidation.

Greenfield Trading (Pvt) Ltd

No activities were carried out during the year, and it is in the process of liquidation.

Softlogic Brands (Pvt) Ltd

The principal activities of the Company were to import and retailing branded apparels.

Odel Properties One (Pvt) Ltd

The principal activity of the Company is involving the developing, owning, managing, operating, selling, leasing and renting of a mixed development project, which is under construction during the year

Odel Restaurants (Pvt) Ltd

No activities were carried out during the year.

1.3 Date of Authorization for issue

The consolidated financial statements of Odel PLC and Its Subsidiaries for the year ended 31 March 2018 were authorized for issue in accordance with a resolution of the directors on 17 August 2018.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group (Statement of Income, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement together with Accounting Policies and Notes) as at 31 March 2018 are prepared in accordance with Sri Lanka Accounting Standards (SLFRSs) as laid down by the Institute of Chartered Accountants of Sri Lanka.

2.1 Basis of Preparation and Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for land and buildings and Financial Instruments that have been measured at fair value. The preparation and presentation of these financial statements are in compliance with the Companies Act No.07 of 2007.

Consolidated financial statements are presented in Sri Lankan Rupees except when otherwise indicated.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The 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 Significant Judgements, Estimates And Assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future period.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period and any future periods.

In the process of applying the Company's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation of Property, Plant and Equipment and Intangible Assets

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of these assets. Subsequent changes in circumstances such as technological advances or utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management reviews annually the residual values and useful lives of major items of property, plant and equipment. Refer Note 2.4.7 for useful lives used in depreciating Property, Plant and Equipment and intangible assets in the Company.

Revaluation of Property Plant and Equipment and Investment Properties.

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 March 2018 for investment properties and Property plant and Equipment. Comparison method and Open market value method was used to assess the fair value of Investment Properties. In addition, it measures the Land and Buildings at revalued amounts, with changes in fair value being recognized in OCI. Land and Buildings were valued by reference to transactions involving properties of a similar nature, location and condition. Comparison method, DRC method, Investment method and Check method were used to assess the fair value of Land & Buildings. For more details refer Note 10.3.1, 10.3.2 & Note 11.3.1, 11.3.2.

Retirement Benefit Obligations

The cost of defined benefit plan 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 and mortality rates. Due to the complexity of the valuation, the underlying assumptions 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. Further details about the assumptions used are provided in Note 22.

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. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions 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 as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Deferred Tax

Deferred tax liability as reflected in Note 09 are recognized for unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with the future tax planning strategies.

2.4 Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

2.4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS.

Contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in a profit or loss or as a change to the other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39,it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash- generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4.2 Foreign currency translation

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's and its subsidiary companies functional 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 retranslated at the functional currency spot rate of exchange ruling 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).

2.4.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Loyalty Points Scheme

The Group operates a loyalty points program, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for free products. consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value.

Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed or at the expiry of points awarded.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the 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 liability. Interest income is included in finance income in the income statement.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

Rental income

Rental income arising from operating leases on shop space provided to tenants is accounted for on a straight-line basis over the lease terms.

2.4.4 Expenditure recognition

a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of the Consolidated Income Statement the Directors are of the opinion that the function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

2.4.5 Taxes

Current income tax

Current income tax assets and liabilities for the current period 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 income statement. 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 tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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, carry forward of unused tax credits and unused tax losses, 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 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 ventures, 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 reassessed 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 other comprehensive income 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 income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4.6 Sales tax

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

- Where 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.

- 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.

  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.

2.4.7 Property, plant and equipment

Property, plant and equipment is stated at cost except for land and buildings, net of accumulated depreciation and accumulated impairment losses, if any. 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 property, 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 plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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 income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets 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 as follows:

Buildings	Over 40 Years
Lease hold buildings	Over the lease period
Fixtures – air condition	Over 10 Years
Fixtures – other	Over 10 Years
Furniture	Over 10 Years
Office Equipment	Over 05 Years
Computer Equipment	Over 05 Years
Office Equipment – other	Over 20 Years
Shop fittings - fixtures	Over 10 Years
Shop fittings - mobiles	Over 10 Years
Motor vehicles	Over 05 Years
Motor vehicles - finance lease	Over the lease period

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

2.4.8 Leases

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

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the 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 income statement.

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.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.4.9 Borrowing costs

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

2.4.10 Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, In accordance with SLFRS 13.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement 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. 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.

2.4.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure 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 is 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 income statement in the expense category consistent with the function of the intangible assets.

Amortization is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Computer Software	3 - 5 Years
Brand Names	5 – 10 Years

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. 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 income statement when the asset is derecognised.

2.4.12 Financial instruments - initial recognition and subsequent measurement

i) Financial assets

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 cost, except in the case of assets recorded at fair value through profit or loss, directly attributable transaction costs.

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.

The Group's financial assets include cash and short-term deposits, andtrade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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 IR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

- 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 pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

  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.

ii) 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, and only 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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 income statement. 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 income statement. 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 future write-off is later recovered, the recovery is credited to finance costs in the income statement

iii) Financial liabilities

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.

Subsequent measurement

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

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 income statement 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 income statement.

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, and the difference in the respective carrying amounts is recognised in the income statement.

iv) Offsetting of financial instruments

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

v) 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 26.

2.4.13 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 indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU) fair value less costs to sell and its value in use and 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement 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 evaluation.

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 cash-generating unit'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 the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.4.14 Inventories

Inventories are stated at the lower of cost and net realizable value. The management primarily determines cost of inventories using the weighted average method. The management estimates the net realizable value of inventories based on assessment of receipt of committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its contract, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Purchase cost on an actual basis
- Closing balance of the inventory on weighted average cost

2.4.15 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 cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.4.16 Provisions

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.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.17 Construction work in progress

Construction work in progress has been classified to state as other non-current assets at cost during the construction period based on the value of work certified.

2.4.18 Post-employment benefits

Defined Benefit Plan - Gratuity:

Gratuity is a post-employment benefit plan. Provisions have been made for retirement gratuities from the first year of service for all employees in conformity with LKAS 19. However, under the Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service, The Company is liable to pay gratuity in terms of relevant statute. In order to meet this liability, the Group uses an actuarial valuation method in accordance with LKAS 19.

The cost of providing benefits under gratuity is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of comprehensive income. The defined benefit liability comprises the present value of the defined benefit obligation using a discount rate based on market yields at the end of reporting period on government bonds of a similar tenure as the estimated term of the gratuity obligation. Current service cost and the interest cost is recognized in the Income statement.

The gratuity benefits of the Group in unfunded.

Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively. Related expenditure is recognized in the income statement.

2.5 Sri lanka accounting standards not yet effective

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 March 2018 reporting periods. None of those have been early adopted by the group/Company where applicable.

SLFRS 9 Financial Instruments

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.

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 Programs.

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

SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contact. i.e., the customer ('Lessee') and the supplier ('lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 – Leases and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

SLFRS 16 will become effective on 1st January 2019. The impact on the implementation of the above standard has not been quantified yet.

		COMPANY		GROUP	
		For the year ended 31 March		For the year ended 31 March	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
3	**REVENUE**				
	Sale of goods				
	Sales - Fashionable Retail	5,287,293,155	5,169,378,438	7,116,436,860	6,645,874,215
		5,287,293,155	5,169,378,438	7,116,436,860	6,645,874,215
	Less: Sales tax	(49,016,838)	(48,625,477)	(75,181,458)	(67,465,358)
	Sales of goods total	5,238,276,317	5,120,752,961	7,041,255,402	6,578,408,857
	Rental income	429,322,681	334,509,807	335,143,305	346,116,435
	Advertising income	3,760,193	6,058,284	3,760,193	6,058,284
	Net Income from Restaurent (3.1)	22,932,579		22,932,579	
	Commission income	-	-	5,936,815	4,907,995
	Service income	3,542,795	2,382,630	3,542,795	2,382,630
		5,697,834,565	5,463,703,682	7,412,571,089	6,937,874,201
3.1	Net Restaruent Income				
	Sales - Restaurant	101,355,027	-	101,355,027	-
	Less: Management fees	(78,422,448)	-	(78,422,448)	-
	Net Income	22,932,579	-	22,932,579	-

		COMPANY		GROUP	
		For the year ended 31 March		For the year ended 31 March	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
4	**OTHER OPERATING INCOME**				
	Fair value gain/(loss) on investment property	55,000,000	-	189,000,000	341,520,000
	Profit on disposal of property, plant & equipment	4,086,943	2,726,186	6,533,817	(13,665,354)
	Sundry income	1,785,677	1,392,814	4,861,103	4,559,000
	Unclaimed creditors written back	-	(52,623)	-	(52,623)
	Income on investment in unit trust	-	24,661	-	24,661
	Dividend income	109,440,000	211,320,000	-	-
		170,312,620	215,411,038	200,394,920	332,385,684

		COMPANY		GROUP	
		For the year ended 31 March		For the year ended 31 March	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
5	**FINANCE COSTS**				
	Interest cost on overdrafts	79,520,870	35,561,601	79,808,364	35,561,601
	Interest cost on loans & borrowings	266,835,520	201,544,441	312,967,850	208,259,220
	Interest on intercompany borrowings	56,961,236	20,896,025	4,385,293	3,752,364
	Guarantee fees	-	-	1,334,415	-
		403,317,626	258,002,067	398,495,922	247,573,185

	COMPANY		GROUP	
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	**2018**	2017
	LKR	LKR	**LKR**	LKR
6 FINANCE INCOME				
Interest income	2,406,350	2,022,957	2,448,082	2,036,312
Fair value adjustment on interest income- Refundable Deposits	4,080,223	8,103,480	4,080,223	8,103,480
Intercompany interest	30,491,525	28,383,046	-	-
	36,978,098	38,509,483	6,528,305	10,139,792

	COMPANY		GROUP	
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	**2018**	2017
	LKR	LKR	**LKR**	LKR
7 ADMINISTRATION EXPENSES				
Directors' emoluments	3,600,000	3,600,000	3,600,000	3,600,000
Depreciation	149,449,736	103,336,078	258,931,548	209,136,006
Provision for doubtfull debt	-	961,898	-	-
Amortisation of intangible assets	-	-	100,685,832	117,481,719
Personnel costs includes -				
- Gratuity	10,683,623	9,055,378	13,619,332	11,718,057
- EPF & ETF	68,161,128	60,160,590	85,900,764	75,280,168
- Other staff costs	616,514,836	499,448,371	760,171,226	618,225,680
Donations	1,010,709	138,356	1,010,709	138,356
Audit fees	1,353,866	1,253,580	2,299,019	2,026,230
Selling and Distribution Expenses				
Transport cost	30,587,052	32,162,032	34,827,749	35,669,252
Marketing & promotions	179,525,848	167,320,173	228,918,412	209,969,377

	COMPANY		GROUP	
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	**2018**	2017
	LKR	LKR	**LKR**	LKR
8 INCOME TAX EXPENSE				
Current income tax				
Current tax expense	7,374,019	61,475,790	66,976,000	125,209,233
Under/(over) provision	1,423,270	443,504	(456,172)	14,392,146
Dividend tax	-	-	12,160,000	23,480,000
Deferred income tax				
Deferred taxation charge/(reversal)	(19,037,860)	(5,270,291)	(26,826,706)	21,041,954
Income tax expense/(income) reported	(10,240,571)	56,649,003	51,853,122	184,123,333

	COMPANY		GROUP	
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	**2018**	2017
	LKR	LKR	**LKR**	LKR
8 INCOME TAX EXPENSE (CONTD.)				
Statement of other Comprehensive Income				
Deferred income tax related to items charged or credited directly to equity during the year				
Net gain on revaluation of building	**757,040,710**	-	**859,509,158**	-
Actuarial losses on defined benefit plans	**(3,113,977)**	(268,459)	**(4,275,865)**	216,323
Income tax charged/(reversed) directly to OCI	**753,926,733**	(268,459)	**855,233,293**	216,323

8.1 A Reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.

	COMPANY		GROUP	
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	**2018**	2017
	LKR	LKR	**LKR**	LKR
Accounting profit before tax	**93,058,536**	389,903,064	**251,195,030**	648,981,282
	93,058,536	389,903,064	**251,195,030**	648,981,282
Income tax rate of 28% (2017 : 28%)	**26,056,390**	109,172,858	**70,334,608**	181,714,759
Under/(over) provision for previous year	**1,423,270**	443,504	**(456,172)**	14,392,146
Allowable expenses	**(26,177,616)**	(23,547,662)	**(36,316,793)**	(33,610,031)
Income exempt from tax	**(45,855,239)**	(59,256,791)	**(52,732,039)**	(95,712,791)
Non dedctable expenses	**56,927,413**	35,107,385	**106,080,322**	94,182,431
Tax loss claimed	**(3,576,930)**	-	**(20,390,099)**	(21,365,135)
Dividend tax	**-**	-	**12,160,000**	23,480,000
Effect on deferred tax	**(19,037,860)**	(5,270,291)	**(26,826,706)**	21,041,954
	(10,240,571)	56,649,003	**51,853,122**	184,123,333
The effective income tax rate	**-11.00%**	14.53%	**20.64%**	28.37%
Income tax expense reported	**(10,240,571)**	56,649,003	**51,853,122**	184,123,333

The Company and its subsidiary are liable to pay income tax at the rate of 28% of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto. In the current year, there is no Income tax Expense recognised in the Company for the trading income due to the tax losses produced. However a tax expense has been recognised on the interest income.

9 DEFERRED TAX ASSETS ,LIABILITIES AND INCOME TAX RELATES TO THE FOLLOWING;

	COMPANY		GROUP	
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
9.1 Balance sheet				
Deferred Tax Liability				
Capital allowances for tax purposes	65,978,673	56,935,639	108,858,383	106,166,155
Revaluation of property, plant and equipment	767,939,088	10,898,377	870,407,536	10,898,377
Fair valuation on investment property	15,400,000	-	9,000,000	-
	849,317,761	67,834,017	988,265,919	117,064,533
Deferred Tax Assets				
Defined benefit plans	(15,489,955)	(11,083,318)	(18,661,037)	(12,911,652)
Provision for Bad Debts	-	-	(719,633)	(718,600)
Deferred revenue	(2,551,852)	(2,477,556)	(2,551,852)	(2,477,556)
Tax losses etc.,	(49,255,805)	(13,814,083)	(148,469,187)	(128,272,419)
Provision for Inventory	(6,672,216)	-	(16,773,315)	-
	(73,969,828)	(27,374,957)	(187,175,024)	(144,380,226)
Net Deferred Tax Liability / (Assets)	775,347,933	40,459,060	801,090,895	(27,315,693)
9.1.1 Total net deferred tax liability by entities	775,347,933	40,459,060	877,039,036	48,882,526
9.1.2 Total net deferred tax asset by entities	-	-	(75,948,141)	(76,198,219)

	COMPANY		GROUP	
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
9.2 Statement of Income/ Statement of Comprehensive Income				
Deferred Tax Liability				
Capital allowances for tax purposes	9,043,034	4,364,238	2,692,226	10,413,020
Revaluation of property, plant and equipment	757,040,711	(5,075,825)	859,509,159	(5,075,826)
Fair valuation on investment property	15,400,000		9,000,000	
	781,483,744	(711,587)	871,201,385	5,337,194
Deferred tax assets				
Defined benefit plans	(4,406,637)	(1,816,350)	(5,749,385)	(1,735,465)
Provision for Bad Debts	-	-	(1,033)	(718,600)
Deferred revenue	(74,296)	(356,158)	(74,296)	(356,158)
Tax losses etc.,	(35,441,722)	(2,654,655)	(20,196,768)	18,731,307
Provision for Inventory	(6,672,216)	-	(16,773,315)	-
	(46,594,871)	(4,827,164)	(42,794,797)	15,921,084
Deferred income tax charge / (reverse)	734,888,873	(5,538,750)	828,406,587	21,258,277
Reported in the Statement of Income	(19,037,860)	(5,270,291)	(26,826,706)	21,041,954
Reported in the Statement of Comprehensive Income	753,926,733	(268,459)	855,233,293	216,323

9 DEFERRED TAX ASSETS ,LIABILITIES AND INCOME TAX RELATES TO THE FOLLOWING; (CONTD.)

The Company has unutilised tax losses to recognise a Deferred Tax Asset up to the extent of the Deferred Tax Liability arising from taxable temporary differences in the Company and will have taxable profits under the New Inland Revenue Act which will be effective from 01st April 2018, Deferred Tax Asset is recognised in the Financial Statements on the carried forward Tax Losses from previous act.

Further, the deffered tax liability has been recognised on the capital gain on investment assets and business assets at the applicable rates as per the new Inland Revenue Act.

10 PROPERTY, PLANT & EQUIPMENT

10.1 Company

	Balance As at 1-April-17	Incurred during the year/ Transfer In	Revaluation	Disposals	Transfer Out	Balance As at 31-March-18
	LKR	LKR	LKR	LKR	LKR	LKR
10.1.1 Gross carrying amounts						
At cost						
Landscaping	884,560	-	-	-	-	884,560
Building	-	160,946,880			(160,946,880)	-
Building - leasehold	82,725,660	2,681,956	-	-	-	85,407,616
Office equipment	224,907,352	37,431,500	-	(354,167)	-	261,984,685
Fixtures - other	19,399,365	-	-	-	-	19,399,365
Fixtures - air conditions	10,949,619	-	-	-	-	10,949,619
Furniture	47,953,508	2,173,495	-	(16,000)	-	50,111,003
Office equipment- other	3,650,534	-	-	-	-	3,650,534
Shop fittings - fixtures	380,369,423	408,895,154	-	-	-	789,264,577
Shop fittings - mobiles	14,787,016	-	-	-	-	14,787,016
Motor vehicles	25,080,258	8,780,708	-	(3,228,824)	-	30,632,142
Motor vehicles -lease	4,718,750	-	-	-	-	4,718,750
	815,426,045	620,909,693	-	(3,598,991)	(160,946,880)	1,271,789,867

	Balance As at 1-April-17	Transfer In	Revaluation	Disposals	Transfer Out	Balance As at 31-March-18
	LKR	LKR	LKR	LKR	LKR	LKR
At valuation						
Land	4,212,000,000	-	575,000,000		(3,240,000,000)	1,547,000,000
Building	240,500,000	160,946,880	(35,446,880)	-	-	366,000,000
	4,452,500,000	160,946,880	539,553,120	-	(3,240,000,000)	1,913,000,000

		Balance As at 1-April-17 LKR	Incurred during the year LKR	Revaluation LKR	Disposals LKR	Transfer Out LKR	Balance As at 31-March-18 LKR
10.1.2	In the Course of Constructions						
	Capital work in progress	175,668,904	549,142,065	-		(620,909,693)	**103,901,276**
	Total gross carrying amount	175,668,904	549,142,065	-	-	(620,909,693)	**103,901,276**
	Total	5,443,594,949	1,330,998,638	539,553,120	(3,598,991)	(4,021,856,573)	**3,288,691,143**

		Balance As at 1-April-17 LKR	Acquisitions/ Transfers LKR	Charge for the year LKR	Disposals LKR	Revaluation/ Transfer Out LKR	Balance As at 31-March-18 LKR
10.1.3	Depreciation						
	At Cost						
	Landscaping	884,560	-	-	-	-	**884,560**
	Building	-	-	9,796,772	-	(9,796,772)	**-**
	Building - leasehold	76,352,788	-	1,981,369	-	-	**78,334,157**
	Office equipment	128,376,932	-	23,856,534	-	-	**152,233,466**
	Fixtures - other	19,155,092	-	107,519	-	-	**19,262,611**
	Fixtures - air conditions	10,949,619	-	-	-	-	**10,949,619**
	Furniture	29,868,893	-	4,526,104	-	-	**34,394,997**
	Office equipment- other	1,799,531	-	244,436	-	-	**2,043,967**
	Shop fittings - fixtures	253,296,529	-	94,459,302	-	-	**347,755,831**
	Shop fittings - mobiles	11,888,849	-	679,982	-	-	**12,568,831**
	Motor vehicles	12,835,878	-	4,660,330	(3,228,824)	-	**14,267,384**
	Motor vehicles -lease	4,718,750	-	-	-	-	**4,718,750**
		550,127,421	-	140,312,348	(3,228,824)	(9,796,772)	**677,414,173**
	At valuation						
	Building	-	9,796,772	9,137,388	-	(18,934,160)	**-**
		-	9,796,772	9,137,388	-	(18,934,160)	**-**
	Total	550,127,421	9,796,772	149,449,736	(3,228,824)	(28,730,932)	**677,414,173**

		2018 LKR	2017 LKR
10	**PROPERTY, PLANT & EQUIPMENT (CONTD.)**		
10.1.4	Net Book Value		
	Building - lease hold	7,073,459	6,372,872
	Office equipment	109,751,219	96,530,420
	Fixtures - other	136,754	244,273
	Furniture	15,716,006	18,084,615
	Office equipment- other	1,606,567	1,851,003
	Shop fittings - fixtures	441,508,746	127,072,894
	Shop fittings - mobiles	2,218,185	2,898,167
	Motor vehicles	16,364,758	12,244,380
		594,375,694	265,298,624
	At valuation		
	Land	1,547,000,000	4,212,000,000
	Building	366,000,000	240,500,000
		1,913,000,000	4,452,500,000
10.1.5	In the course of constructions		
	Capital work in progress	103,901,276	175,668,904
	Total gross carrying amount	103,901,276	175,668,904
	Total	2,611,276,970	4,893,467,528

10.1.6 The Company uses the revaluation model for measurement of land and buildings. The Company engaged chartered valuer M/S G.W.G. Abeygunawardene an accredited independent valuer, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on comparison method/Depreciated Replacement Cost (DRC)method, adjusted for any difference in the nature, location or condition of the specific property. The Effercive date of the most recent revaluation was on 31st March 2018. The previous revaluation was on 31 March 2017.

Class of asset	Cost LKR	Cumulative depreciation If assets were carried at cost LKR	Net carrying amount 2018 LKR	Net carrying amount 2017 LKR
Building	312,463,128	47,217,158	265,245,970	117,594,874
Land	680,661,992	-	680,661,992	2,130,423,636

10.1.7 Land and buildings with a carrying value of LKR 1,710,000,000/= (2017 - LKR 1,332, 670, 000) have been pledged as security for term loans obtained, and details of which are disclosed in Note 21.3.

10.1.8 Property plant and equipments include fully depreciated assets having a gross carrying amount of LKR 321,154,018/= (2017- LKR 261,513,478).

10.2 Group

	Balance As at 1-April-17	Incurred during the year/ Transfer In	Revaluation	Disposals	Transfer Out	Balance As at 31-March-18
	LKR	LKR	LKR	LKR	LKR	LKR
10.2.1 Gross carrying amounts						
Landscaping	884,560	-	-	-	-	884,560
Building	-	160,946,880	-	-	(160,946,880)	-
Building - leasehold	301,026,622	2,681,686	-	-	-	303,708,308
Office equipment	234,929,398	42,615,589	-	(354,167)	-	277,190,820
Fixtures - other	22,263,234	-	-	-	-	22,263,234
Fixtures - air conditions	17,416,273	-	-	-	-	17,416,273
Furniture	302,134,433	122,293,549	-	(4,483,648)	-	419,944,334
Computer equipments	108,779,400	9,702,777	-	-	-	118,482,177
Office equipment- other	75,516,018	3,492,703	-	-	-	79,008,721
Shop fittings - fixtures	466,618,082	409,616,212	-	(3,448,452)	-	872,785,842
Shop fittings - mobiles	14,787,015	-	-	-	-	14,787,015
Motor vehicles	26,832,464	13,035,209	-	(4,981,031)	-	34,886,642
Motor vehicles -lease	4,718,750	-	-	-	-	4,718,750
	1,575,906,249	764,384,605	-	(13,267,298)	(160,946,880)	2,166,076,676

	Balance As at 1-April-17	Transfer In	Revaluation	Disposals	Transfer Out	Balance As at 31-March-18
	LKR	LKR	LKR	LKR	LKR	LKR
At valuation						
Land	4,437,000,000	-	705,000,000	-		5,142,000,000
Building	420,500,000	160,946,880	(35,446,880)	-	-	546,000,000
	4,857,500,000	160,946,880	669,553,120	-	-	5,688,000,000

	Balance As at 1-April-17	Incurred during the year	Revaluation	Disposals	Transfer Out	Balance As at 31-March-18
	LKR	LKR	LKR	LKR	LKR	LKR
10.2.2 In the course of constructions						
Capital work in progress	175,756,633	682,038,424	-	-	(620,909,693)	236,885,364
Total gross carrying amount	175,756,633	682,038,424	-	-	(620,909,693)	236,885,364
Total	6,609,162,882	1,607,369,909	669,553,120	(13,267,298)	(781,856,573)	8,090,962,040

		Balance As at 1-April-17 LKR	Acquisitions/ Transfers LKR	Charge for the year LKR	Disposals LKR	Revaluation/ Transfer Out LKR	Balance As at 31-March-18 LKR
10	**PROPERTY, PLANT & EQUIPMENT (CONTD.)**						
10.2.3	Depreciation						
	At Cost						
	Landscaping	884,560	-	-	-	-	884,560
	Building	-	-	9,796,772		(9,796,772)	-
	Building - leasehold	169,507,066	-	31,576,510	-	-	201,083,576
	Office equipment	129,930,429	-	25,448,192	-	-	155,378,621
	Fixtures - other	21,289,043	-	324,773	-	-	21,613,816
	Fixtures - air conditions	11,889,915	-	646,665	-	-	12,536,580
	Furniture	136,248,606	-	39,595,994	(3,880,478)	-	171,964,122
	Computer equipment	73,548,000	-	14,741,043	-	-	88,289,043
	Office equipment- other	26,798,270	-	7,062,111	-	-	33,860,381
	Shop fittings - fixtures	296,214,738	-	108,179,248	(2,811,665)	-	401,582,321
	Shop fittings - mobiles	11,888,849	-	679,982	-	-	12,568,831
	Motor vehicles	14,588,085	-	4,943,963	(4,981,031)	-	14,551,017
	Motor vehicles -lease	4,718,750	-	-	-	-	4,718,750
		897,506,311	-	242,995,253	(11,673,174)	(9,796,772)	1,119,031,618
	At valuation						
	Building	-	9,796,772	16,060,465	-	(25,857,237)	-
		-	9,796,772	16,060,465	-	(25,857,237)	-
	Total	897,506,311	9,796,772	259,055,718	(11,673,174)	(35,654,009)	1,119,031,618

		2018 LKR	2017 LKR
10	**PROPERTY, PLANT & EQUIPMENT (CONTD.)**		
10.2.4	Net Book Value		
	Building - leasehold	102,624,732	131,519,556
	Office equipment	121,812,199	104,998,969
	Fixtures - other	649,418	974,191
	Fixtures - air conditions	4,879,693	5,526,358
	Furniture	247,980,212	165,885,827
	Computer equipment	30,193,134	35,231,400
	Office equipment - other	45,148,340	48,717,748
	Shop fittings - fixtures	471,203,521	170,403,344
	Shop fittings - mobiles	2,218,184	2,898,166
	Motor vehicles	20,335,625	12,244,379
		1,047,045,058	678,399,938
	At valuation		
	Land	5,142,000,000	4,437,000,000
	Building	546,000,000	420,500,000
		5,688,000,000	4,857,500,000

		2018	2017
		LKR	LKR
10.2.5	In the course of constructions		
	Building work in progress	-	-
	Capital work in progress	236,885,364	175,756,633
	Total gross carrying amount	236,885,364	175,756,633
	Total	6,971,930,422	5,711,656,571

10.2.6 The Company uses the revaluation model for measurement of land and buildings. The Company engaged chartered valuer M/S G.W.G. Abeygunawardene an accredited independent valuer, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on comparison method/Depreciated Replacement Cost (DRC)method, adjusted for any difference in the nature, location or condition of the specific property. The Effective date of the most recent revaluation was on 31st March 2018. The previous revaluation was on 31 March 2017.

Class of asset	Cost	Cumulative Depreciation If assets were carried at cost	Net carrying amount 2018	Net carrying amount 2017
	LKR	LKR	LKR	LKR
Building	433,610,820	75,056,056	358,554,763	214,641,388
Land	2,178,317,202	-	2,178,317,202	2,178,317,202

10.2.7 Land and buildings with a carrying value of LKR 5,485,000,000 (2017 - LKR 4,810,000,000) have been pledged as security for term loans obtained, and details of which are disclosed in Note 21.3.

10.2.8 Property pant and equipments included fully depreciated assets having a gross carrying amount of LKR 392,851,530 (2017 - LKR 310,575,940)

10. PROPERTY, PLANT & EQUIPMENT (CONTD.)

10.3 Valuation informations - Land and building

10.3.1 Company

Property	Extent	Method of valuation	Effective date of valuation	Fair Value as at 31st March 2018	Property valuer	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
No. 10, Ward Place, Colombo 07.	Land - R 2, P 12.58 Buildings - Sqft 14,491	Comparison Method/ DRC Method	31-Mar-18	Land - 1,424 Mn Building- 60Mn	G.W.G. Abeygunawardene, Chartered Valuation Surveyor	Estimated price per perch is LKR 15 Mn & estimated price per Square foot- LKR 4,000 to LKR 4,250(2017-Per perch LKR 13mn to 13.5mn & LKR 5,500/ to 5,750/= Per Sq.Ft)	Positively correlated
No. 10, Ward Place, Colombo 07.	Buildings - Sqft 14,768	Comparison Method/ DRC Method/ Investment Method/ Check Method	31-Mar-18	150Mn	G.W.G. Abeygunawardene, Chartered Valuation Surveyor	Estimated price per Square foot- LKR 10,000 to LKR 10,500	Positively correlated
No 29A, Jayathilaka Mawatha, Panadura	Land- R 1, P 2.16 Building - Sqft 33,272	Comparison Method/ DRC Method	31-Mar-18	Land - 92Mn Building - 133Mn	G.W.G. Abeygunawardene, Chartered Valuation Surveyor	Estimated price per perch is LKR 2.1 Mn & estimated price per Square foot is LKR 2,540 to LKR 4,950 (2017- LKR 1.6Mn per purch and LKR.2,500 to 5,000 per Sq Ft)	Positively correlated
No 18 & 20, Sama Mawatha, Boralesgamuwa	Land -P 20.00 Building - Sqft 5,155	Comparison Method/ DRC Method	31-Mar-18	Land - 30Mn Building 23 Mn	G.W.G. Abeygunawardene, Chartered Valuation Surveyor	Estimated price per perch is LKR 1.5 Mn & estimated price per Square foot- LKR 4,450 to LKR 4,950 (2017- LKR 1.2Mnn per purch and LKR 4,500 to 5,000 per Sq Ft)	Positively correlated

10.3.2 Group (together with Note No 10.3.1)

Property	Extent	Method of valuation	Effective date of valuation	Fair Value as at 31st March 2018	Property valuer	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
No. 475/32, Kotte Road, Rajagiriya	Land - R 1, P 7.39 Bilding Sqft- 32,080	Comparison Method/ DRC Method	31-Mar-18	Land -300Mn Building-180Mn	G.W.G. Abeygunawardene, Chartered Valuation Surveyor	Estimated price per perch LKR 6 Mn & estmated price per Square foot- LKR 3000 to LKR 6,250 (2017- LKR 4.75Mn per purch and LKR 3,000 to 6,250 per Sq Ft)	Positively correlated

Part of the No 10, Ward Place Land has been reclassiified as investment Property in the current year. Relevent disclosure has been made in Note no. 11.3.1

11 INVESTMENT PROPERTY

11.1 Company

	Balance As at 1-Apr-17	Transfers In	Adjustment for fair value	Transfer out	Impairment	Balance As at 31-March-18
	LKR	LKR	LKR	LKR	LKR	LKR
Gross carrying amounts						
Land	-	3,240,000,000	55,000,000	-	-	3,295,000,000
Total cost of investment property	-	3,240,000,000	55,000,000	-	-	3,295,000,000

	2018	2017
	LKR	LKR
Net book value		
At Fair value		
Land	3,295,000,000	-
Total carrying amount of investment property	3,295,000,000	-

Above land was classified as Investment Property on 1st January 2018 and Odel PLC has entered in to a Long term ground rent agreement with Odel Properties One (Pvt) Ltd for the purpose of constructing the proposed shopping mall under a mixed development project approved by the Board of Investment of Sri Lanka. Details are in the note 11.3.1.

11 INVESTMENT PROPERTY (CONTD.)

11.1.1 Land with a carrying value of LKR 3,295,000,000 have been pledged as security for term loans obtained, details of which are disclosed in Note 21.3.

11.2 Group

	Balance As at 1-Apr-17	Transfers In	Adjustment for fair value	Transfer out	Impairment	Balance As at 31-March-18
	LKR	LKR	LKR	LKR	LKR	LKR
Gross carrying amounts						
Land	941,000,000		189,000,000	-	-	1,130,000,000
Total cost of investment property	941,000,000	-	189,000,000	-	-	1,130,000,000

	2018	2017
	LKR	LKR
Net book value		
At Fair value		
Land	1,130,000,000	941,000,000
Total carrying amount of investment property	1,130,000,000	941,000,000

11.2.1 Land classifed as an Investment Property with a carrying value of LKR 1,130,000,000 (2017 - LKR 941,000,000) have been pledged as security for term loans obtained, details of which are disclosed in Note 21.3.

11.3 Valuation information - Land and building - Investment Property

11.3.1 Company

Property	Extent	Method of valuation	Effective date of valuation	Fair Value as at 31st March 2018	Property valuer	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
No. 15, C.W.W. Kannangara Mawatha, Colombo 07. No. 21/5, C.W.W.Kannangara Mawatha, Colombo 07. No.25/2 ,3,5,6 & 6B,C.W.W. Kannangara Mawatha, Colombo 07. No.17,17/1,17/1A,19 & 19A, C.W.W. Kannangara Mawatha, Colombo 07. No. 25, C.W.W. Kannangara Mawatha, Colombo 07.	A 1, R 3,P 27.58	Comparison Method	31-Mar-18	Land- 3,295 Mn	G.W.G. Abeygunawardene, Chartered Valuation Surveyor	Estimated price per perch is LKR 15.5 Mn (2017- LKR 13mn to 13.5mn per perch)	Positively correlated

11.3.2 Group

Property	Extent	Method of valuation	Effective date of valuation	Fair Value as at 31st March 2018	Property valuer	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
No 197/C, Kalapaluwawa Road & No 271, Kaduwela Road, Thalangama	A 1-R 1-P 35.24	Open market value method	31-Mar-18	Land- 1,130 Mn	G W G Abeygunawardene, Chartered Valuation Surveyor	Estimated price per perch LKR 4.8 Mn(2017- LKR 4Mn)	Positively correlated

	COMPANY		GROUP	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
12 OTHER CURRENT/NON CURRENT ASSETS				
12.1 Other Non Current Assets				
Work in progress	-	-	619,406,970	-
	-	-	619,406,970	-

12.1.1 Odel Properties one (Pvt) Ltd, fully owned subsidiary of Odel PLC commenced the construction of a shopping mall with apartments as a BOI project. Above balance represented the value of the work done for the said project in progress. This mainly consist of the construction cost of the project.

	COMPANY		GROUP	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
12.2 Other Current Assets				
Advance paid on constructions	-	-	114,000,000	-
Less - Work recovered from Advance	-	-	(50,357,072)	-
	-	-	63,642,928	-

12.2.1 Above advances was paid to MS Access Engineering PLC in relation to piling and Diaphram wall of the development of the Odel Mall.

	Balance As at 1-April-17	Acquisitions/ Transfers	Reclassified / Revaluation	Disposals / Transfers	Write-offs / Discarded	Balance As at 31-March-18
	LKR	LKR	LKR	LKR	LKR	LKR
13 INTANGIBLE ASSETS						
13.1 Group						
13.1.1 Gross carrying amounts						
At cost						
Computer software	133,293,807	-	-	(7,726,236)	-	125,567,571
Brand names	672,974,584	-	-	-	-	672,974,584
	806,268,391	-	-	(7,726,236)	-	798,542,155

13 INTANGIBLE ASSETS (CONTD.)

		Balance As at 1-April-17	Acquisitions/ Transfers	Charge for the year	Disposals / Transfers	Write-offs / Discarded	Balance As at 31-March-18
		LKR	LKR	LKR	LKR	LKR	LKR
13.1.2	Amortization						
	At cost						
	Computer software	116,162,689	-	16,769,258	(7,726,235)	-	125,205,712
	Brand names	114,133,150	-	83,916,574	-	-	198,049,723
		230,295,839	-	100,685,832	(7,726,235)	-	323,255,435

	2018	2017
	LKR	LKR
13.1.3 Net book value		
Computer software	361,859	17,131,118
Brand names	474,924,861	558,841,434
Total	475,286,720	575,972,552

13.1.4 Intangible Assets included fully amortised assets having a gross carrying amount of LKR 124,236,649 (2017 - LKR 41,104,399)

13.2 Goodwill

This balance represent the Goodwill computed on the aqusition of Softlogic Brands (Pvt) Limited on 21st March 2015

Impairment of goodwill

The recoverable amounts of the CGU has been determined based on the value in use (VIU) calculation. value in use calculated based on the discounted cash flows of CGU. Cash flows are derived from the budget for the next five years without considering the significunt future investments. Key Budget assumptions used for the budget are as follwos.

Gross Margin - Actual gross margins achieved in the year preceding the budgeted year adjusted for projected market condition
Discount Rate - Current weighted average cost of funds - 14%
Inflation Rate - Inflation rate based on projected economic conditions.

		% Holding	COMPANY 2018 LKR	COMPANY 2017 LKR	GROUP 2018 LKR	GROUP 2017 LKR
14	**INVESTMENT IN SUBSIDIARIES**					
	Odel Properties (Pvt) Ltd	100%	108,100,000	108,100,000	-	-
	Odel Information Technology Services (Pvt) Ltd	100%	10	10	-	-
	Odel Lanka (Pvt) Ltd	100%	270,000,020	270,000,020	-	-
	Odel Apparels (Pvt) Ltd	100%	1,000	1,000	-	-
	BSL International (Pvt) Ltd	100%	1,000,000	1,000,000	-	-
	Greenfield Trading (Pvt) Ltd	100%	10	10	-	-
	Softlogic Brands (Pvt) Ltd	100%	1,719,288,000	1,719,288,000	-	-
	Odel Properties One (Pvt) Ltd	100%	188,583,390	-	-	-
	Odel Restaurant (Pvt) Ltd	100%	1,000,000	-	-	-
			2,287,972,430	2,098,389,040	-	-
	Impairment of investment- BSL		(1,000,000)	(1,000,000)	-	-
			2,286,972,430	2,097,389,040	-	-

		COMPANY 2018 LKR	COMPANY 2017 LKR	GROUP 2018 LKR	GROUP 2017 LKR
15	**INVENTORIES**				
	Finished Goods	1,916,497,352	1,765,060,262	3,071,979,536	2,439,943,276
	Goods in Transit	2,218,032	7,593,637	2,218,032	20,767,292
	Provision for obsolete and slow moving items	(23,829,342)	(35,619,027)	(59,904,698)	(76,483,916)
	Total inventories at the lower of cost and NRV	1,894,886,042	1,737,034,872	3,014,292,870	2,384,226,652

			COMPANY 2018 LKR	COMPANY 2017 LKR	GROUP 2018 LKR	GROUP 2017 LKR
16	**TRADE AND OTHER RECEIVABLES**					
	Financial Assets - Loans & Receivables					
	Trade Debtors	16.1	67,732,486	44,396,299	60,088,756	47,644,685
	Other Debtors	16.2	50,567,492	44,960,635	60,310,197	55,080,793
			118,299,978	89,356,934	120,398,953	102,725,478
	Non Financial Assets					
	Deposits & Prepayments		566,938,254	609,826,140	836,933,050	685,770,415
			685,238,232	699,183,074	957,332,003	788,495,893
16.1	Trade debtors aging analysis					
	Aging brakets (Days)					
	0-30		63,007,459	26,804,999	55,363,729	30,053,385
	31-60		7,525	7,564,853	7,525	7,564,853
	61-90		1,303,111	2,910,559	1,303,111	2,910,559
	91-120		3,414,391	7,115,888	3,414,391	7,115,888
	Total		67,732,486	44,396,299	60,088,756	47,644,685

16.2 This balance represent the amount receivable from credit card, rent and advertising debtors.

	COMPANY		GROUP	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
17 OTHER FINANCIAL ASSETS				
Financial assets at fair value through profit and loss				
Investment in unit trust	248,959	248,959	248,959	248,959
Loans and receivables				
Staff loan	259,568	1,009,402	259,568	1,009,403
Refundable deposit	108,289,383	60,125,669	142,893,093	77,880,859
	108,797,910	61,384,030	143,401,620	79,139,221
Total current	8,592,724	8,973,164	8,592,724	8,973,164
Total Non current	100,205,186	52,410,866	134,808,896	70,166,057

	COMPANY		GROUP	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
18 DEFERRED LIABILITY				
18.1 Deferred Revenue				
Loyalty programme				
Balance as at 1st April	8,848,413	7,576,418	8,848,413	7,576,418
Points awarded during the period	16,659,783	17,290,473	16,659,783	17,290,473
Released to the income statement	(16,394,439)	(16,018,478)	(16,394,439)	(16,018,478)
Balance as at 31st March	9,113,757	8,848,413	9,113,757	8,848,413
18.2 Deferred Expenditure				
Operating lease				
Balance as at 1st April	49,336,007	39,855,099	57,983,647	47,659,024
Charged to the income statement	8,799,551	9,480,908	14,988,469	10,324,623
Balance as at 31st March	58,135,558	49,336,007	72,972,116	57,983,647
Total Deferred Liability	67,249,315	58,184,420	82,085,873	66,832,060
18.3 Total current	11,846,035	17,647,964	37,077,972	23,836,882
18.4 Total Non current	55,403,280	40,536,456	45,007,901	42,995,178
	67,249,315	58,184,420	82,085,873	66,832,060

			COMPANY 2018 LKR	COMPANY 2017 LKR	GROUP 2018 LKR	GROUP 2017 LKR
19	**OTHER NON CURRENT LIABILITIES**					
	Retained from payments on constructions	19.1	-	-	20,142,830	-
	Advances received on apartment sales	19.2	-	-	110,778,742	-
			-	-	130,921,572	-

19.1 This represent the retention amount on the construction work carried out in relation to mixed development project in progress

19.2 Amount of advances received from the customers to reserve the apartments to be constructed under above mixed development project.

		COMPANY 2018 LKR	COMPANY 2017 LKR	GROUP 2018 LKR	GROUP 2017 LKR
20	**AMOUNTS DUE FROM RELATED PARTIES**				
	Amount due from subsidiary companies				
	Odel Properties (Pvt) Ltd	76,091,604	94,635,380	-	-
	Odel Properties One (Pvt) Ltd	76,204,879	-	-	-
	Odel Apparels (Pvt) Ltd	18,419,416	27,941,850	-	-
	Odel Lanka (Pvt) Ltd	152,369,101	133,740,792	-	-
	Softlogic Brands (Pvt) Ltd	166,498,931	-	-	-
		489,583,931	256,318,022	-	-
	Less: Provision for doubtful debt - Odel Lanka	(65,532,013)	(65,532,013)	-	-
		424,051,918	190,786,009	-	-
	Amount due from Other companies				
	Softlogic Retail (Pvt) Ltd	13,013,516	13,176,670	17,059,935	13,330,299
	Softlogic Mobile Distribution (Pvt) Ltd	-	-	1,538,260	767,654
	Softlogic BPO Services (Pvt) Ltd	83,300,000	39,000,000	83,300,000	39,000,000
	Softlogic Holdings PLC	92,575	72,819	144,000	72,819
	Softlogic Restaurants (Pvt) Ltd	2,921,859	1,283,707	2,921,859	1,283,707
	Softlogic City Hotels (Pvt) Ltd	469,511	-	521,911	-
	Softlogic Information Technologies (Pvt) Ltd	3,243,213	-	3,243,213	-
	Softlogic Life Insurance PLC	88,550	-	88,550	-
	Central Hospital Ltd	-	-	257,102	-
		103,129,224	53,533,196	109,074,830	54,454,479
		527,181,142	244,319,205	109,074,830	54,454,479

		2018	2018	2018	2017	2017	2017
		Repayable within 1 year	Repayable after 1 year	Total	Repayable within 1 year	Repayable after 1 year	Total
		LKR	LKR	LKR	LKR	LKR	LKR
21 INTEREST BEARING LOANS AND BORROWINGS							
21.1 Company							
Bank loan	21.1.1	2,146,725,379	366,485,618	2,513,210,997	1,378,050,973	435,419,911	1,813,470,884
Bank overdraft	25.2	720,391,513	-	720,391,513	552,737,970	-	552,737,970
Short term working capital loans- Softlogic Holdings	21.1.2	75,600,000	-	75,600,000	-	-	-
		2,942,716,892	366,485,618	3,309,202,510	1,930,788,943	435,419,911	2,366,208,854

	2017	Obtained	Repayment	2018
	LKR	LKR	LKR	LKR
21.1.1 Bank Loans				
Short term working capital loans	1,056,410,677	4,499,506,251	(3,777,081,845)	1,778,835,083
Medium term project loans	757,060,207	350,000,000	(372,684,293)	734,375,914
	1,813,470,884	4,849,506,251	(4,149,766,138)	2,513,210,997
21.1.2 Related Party Loans				
Short term working capital loans- Softlogic Holdings		1,801,600,000	(1,726,000,000)	75,600,000
	1,813,470,884	6,651,106,251	(5,875,766,138)	2,588,810,997

		2018	2018	2018	2017	2017	2017
		Repayable within 1 year	Repayable after 1 year	Total	Repayable within 1 year	Repayable after 1 year	Total
		LKR	LKR	LKR	LKR	LKR	LKR
21.2 Group							
Bank loan	21.2.1	2,990,124,295	366,485,618	3,356,609,913	1,501,305,656	435,419,911	1,936,725,567
Bank overdraft	25.2	825,527,000	-	825,527,000	560,391,026	-	560,391,026
Short term working capital loans-Softlogic Holdings	21.2.2	75,600,000		75,600,000			
		3,891,251,295	366,485,618	4,257,736,913	2,061,696,682	435,419,911	2,497,116,593

	2017	Obtained	Repayment	2018
	LKR	LKR	LKR	LKR
21.2.1 Bank Loans				
Short term working capital loans	1,179,665,360	6,100,661,281	(4,658,092,642)	2,622,233,999
Medium term project loans	757,060,207	350,000,000	(372,684,293)	734,375,914
	1,936,725,567	6,450,661,281	(5,030,776,935)	3,356,609,913
21.2.2 Related Party Loans				
Short term working capital loans-Softlogic Holdings		1,801,600,000	(1,726,000,000)	75,600,000
	1,936,725,567	8,252,261,281	(6,756,776,935)	3,432,209,913

21 INTEREST BEARING LOANS AND BORROWINGS (CONTD.)

21.3 Terms of the Loans and Assets Pledged

21.3.1 Company

Lending institution	Year obtained	Loan/ Facility value	Nature of facility	Security	Repayment term	Interest rate	Loan Balance as at 31 March 2018	Loan Balance as at 31 March 2017
BOC	2012/13	275Mn	Medium term loan	Property at 475/32, Kotte Road, Rajagiriya. Owned by Odel Properties (Pvt) Ltd	6 Years	13%	-	41,249,967
DFCC Bank	2012/13	96Mn	Medium term loan	Property at 15, C.W.W Kannangara Mw. Colombo 07 and 29 A, Jayathilaka Mawatha Panadura	84 equal monthly instalments (capital) after a grace period of 12 months	AWPLR+1%	15,999,914	29,714,240
Commercial Bank	2015/16	500Mn	Medium term loan	Credit card & debit card sales except for BIA	5 Years	PLR+ 0.5%	224,978,000	324,986,000
Commercial Bank	2016/17	500Mn	Medium term loan	Credit card & debit card sales except for BIA	3 Years	PLR+ 1.5%	194,442,000	361,110,000
Commercial Bank	2017/18	350Mn	Medium term loan	Credit card & debit card sales except for BIA	4 Years	PLR+ 2%	298,956,000	-
HNB	2014/15	450Mn	Short term Loan	Stock in trade	Maximum of 90 days subject to roll over	AWPLR+ 0.5%	375,000,000	69,000,000
Seylan Bank	2015/16	500Mn	Short term Loan	None	Maximum of 90 days subject to roll over	14.5%-15% Review periodiclly	750,000,000	391,000,000
Union Bank	2014/15	450Mn	Short term Loan	Property at No 10, Ward Place, Colombo 7.	Monthly	AWPLR+ 2%	272,421,220	231,410,676
DFCC Bank	2014/15	239Mn	Short term Loan	Stock in trade	Monthly	13%	176,868,449	165,000,000
BOC	2016/17	200Mn	Short term Loan	None	On demand	13% - 12.6%	200,000,000	200,000,000
Commercial Bank	2017/18	50Mn	Short term Loan	None	On demand	PLR + 1.5%	4,545,414	-
Softlogic Holding PLC	2016/17	-	Short term Loan	None	On demand (Related party)	14.75% -15%	75,600,000	-

21.3.2 Group (together with No 21.3.1)

21.3.2.1 Odel Properties One (Pvt) Ltd

Lending institution	Year obtained	Loan/Facility value	Nature of facility	Security	Repayment term	Interest rate	Loan Balance as at 31 March 2018	Loan Balance as at 31 March 2017
HNB	2017/18	250 Mn	Short term Loan	Corporate guarantee from Odel PLC & Softlogic Holding PLC	3 Months	AWPLR+ 2.5%	209,558,929	-

21.3.2.2 Softlogic Brands (Pvt) Ltd

Lending institution	Year obtained	Loan/Facility value	Nature of facility	Security	Repayment term	Interest rate	Loan Balance as at 31 March 2018	Loan Balance as at 31 March 2017
Commercial Bank	2017/18	100 Mn	Short term Loan	Corportate Guarantee RS. 100 Mn executed by ODEL	Maximum 90 Days	AWPLR+ 2%	7,505,106	-
DFCC	2015/16	75 Mn	Short term Loan	Corportate Guarantee RS. 100 Mn executed by ODEL	Maximum 180 Days	AWPLR+ 2%	51,582,658	-
Union Bank	2017/18	250 Mn	Short term Loan	Corportate Guarantee RS. 200 Mn executed by ODEL + A negative pledge over stocks & Book Debts	Maximum 120 Days	AWPLR+ 2%	270,583,245	73,254,683
NTB	2017/18	50 Mn	Short term Loan	A negative pledge over stocks & Book Debts	Maximum 90 Days	AWPLR+ 2%	31,118,978	-
HNB	2017/18	175 Mn	Short term Loan	Corportate Guarantee RS. 200 Mn executed by ODEL	Maximum 90 Days	AWPLR+ 2%	175,000,000	50,000,000
Softlogic Holding PLC	2017/18	-	Short term Loan	None	On demand (Related party)	AWPLR+ 2%	98,050,000	-

			COMPANY		GROUP	
			2018	2017	2018	2017
			LKR	LKR	LKR	LKR
22	**RETIREMENT BENEFIT LIABILITY**					
	Defined Benefit Plan Costs - Gratuity					
	As at the beginning of the year		39,583,277	33,096,316	47,826,823	41,658,727
	Charge for the year	22.1	10,683,626	9,055,379	13,619,335	11,718,059
	Payment made during the year		(6,066,983)	(3,527,201)	(6,828,541)	(4,777,380)
	Actuarial loss/ (Gain) on obligation		11,121,348	958,783	15,270,946	(772,583)
	Defined Benefit Obligation as at the end of the year		55,321,269	39,583,277	69,888,564	47,826,823
22.1	Charge for the year					
	Current service cost		5,636,758	5,414,784	7,504,104	7,135,600
	Interest cost		5,046,868	3,640,595	6,115,231	4,582,459
	Gratuity		10,683,626	9,055,379	13,619,335	11,718,059

22.2 The Retirement benefit liability of Odel PLC is valued by Mr. Piyal Goonatilleke, who is a fellow member of the society of actuaries (USA) and a member of the American Academy of Actuaries. Defined liability is valued as at 31st March 2018 and the principal actuarial assumptions used are as follows.

Principal actuarial assumptions

	COMPANY		GROUP	
	2018	2017	2018	2017
Discount rate	10.00%	12.75%	10% , 10.16% & 10.36%	12.75% & 12.96%
Salary increases	8.0%	8.0%	8.0%	8.0%
Staff turnover				
Age	Turnover	Turnover	Turnover	Turnover
20	40%	30%	40%	30%
25	40%	30%	40%	30%
30	30%	20%	30%	20%
35	20%	10%	20%	10%
40	11%	5%	11%	5%
45	6%	2%	6%	2%
50	1%	-	1%	-
Retirement Age	55 Years	55 Years	55 Years	55 Years
Weighted average duration of define benefit obligation	7.5 Years	7 Years	7.5 , 11.8 & 12.5 Years	7 & 10.7 Years

22.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Comprehensive Income Statement and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit & loss and employment benefit obligation for the year.

Assumptions- 2017/2018	Discount rate		Salary increment rate	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Impact on defined benefit obligation - Company	(3,473,300)	3,899,318	3,832,362	(3,475,981)
Impact on defined benefit obligation - Group	(3,255,755)	3,898,343	5,416,516	(4,872,070)

Assumptions- 2016/2017	Discount rate		Salary increment rate	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Impact on defined benefit obligation - Company	(2,791,649)	3,175,244	3,209,266	(2,863,796)
Impact on defined benefit obligation - Group	(3,568,312)	4,069,368	4,115,550	(3,662,972)

22.4 Maturity Analysis

Year	Retirement	Term	Death	Disab	Total
2018/2019	-	11,154,301	113,167	192,174	11,459,642
2019/2020	3,448,978	10,345,214	138,565	237,608	14,170,365
2020/2021	3,460,485	9,365,630	168,521	280,242	13,274,878
2021/2022	6,055,071	8,676,714	198,815	322,552	15,253,152
2022/2023	4,305,309	7,898,645	220,240	361,274	12,785,468
2023/2024	8,805,024	7,553,300	259,511	425,408	17,043,243
2024/2025	5,362,601	6,476,570	265,696	448,391	12,553,258
2025/2026	9,262,193	5,578,694	294,799	513,110	15,648,796
2026/2027	9,138,853	4,858,656	304,409	553,699	14,855,617
2027/2028	11,829,615	3,943,162	532,800	965,508	17,271,085
2017/2018	Actual Benefit Payout				6,066,983

The expected benefits are estimated based on the same assumptions used to measure the Company's benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

	COMPANY 2018 LKR	COMPANY 2017 LKR	GROUP 2018 LKR	GROUP 2017 LKR
23 TRADE AND OTHER PAYABLES				
Financial Libilities				
Trade payables	258,551,635	380,665,058	541,533,137	458,236,840
Sundry creditors	167,571,408	167,990,483	185,752,843	170,401,089
Accrued expenses	37,425,432	52,248,717	68,829,989	84,571,196
Unredeemed vouchers	101,407,167	107,733,173	109,626,408	107,733,173
Work Certified Payable	-		124,512,117	-
Deposits & Advances	25,262,858	38,432,326	30,377,964	38,432,326
	590,218,500	747,069,757	1,060,632,458	859,374,624
Non Financial Liabilities				
Tax & Statutory	11,026,344	1,333,331	(4,158,880)	16,527,574
	601,244,844	748,403,088	1,056,473,578	875,902,198

	COMPANY 2018 LKR	COMPANY 2017 LKR	GROUP 2018 LKR	GROUP 2017 LKR
24 AMOUNTS DUE TO RELATED PARTIES				
Amount due to subsidiary companies				
Odel Information Technology Services (Pvt) Ltd	2,562,982	51,037,841	-	-
Odel Restaurant (Pvt) Ltd	1,000,000	-	-	-
Softlogic Brands (Pvt) Ltd	433,969,505	125,674,650	-	-
	437,532,487	176,712,491	-	-
Amount due to other companies				
Softlogic Retail (Pvt) Ltd	126,086	-	129,570,756	-
Softlogic Corporate Services (Pvt) Ltd	-	320,485	309,100	341,060
Softlogic Furniture (Pvt) Ltd	2,254	2,254	2,254	2,254
Softlogic Holdings PLC	-	-	1,513,169	254,959
Softlogic Restaurants (Pvt) Ltd	-	-	225,194	178,670
Softlogic Communications (Pvt) Ltd	2,028	2,028	20,932	30,922
Softlogic Retail One (Pvt) Ltd	-	-	70,792	70,792
Nextage (Pvt) Ltd	-	144,779	-	144,779
	130,368	469,546	131,712,197	1,023,436
	437,662,855	177,182,037	131,712,197	1,023,436

		COMPANY		GROUP	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
25	CASH AND CASH EQUIVALENTS				
	Components of Cash and Cash Equivalents				
25.1	Favourable cash & cash equivalents balance				
	Cash & bank balances	62,261,092	38,787,283	175,721,010	82,363,158
25.2	Unfavourable cash & cash equivalents balance				
	Bank overdraft	(720,391,513)	(552,737,970)	(825,527,000)	(560,391,026)
		(658,130,421)	(513,950,687)	(649,805,990)	(478,027,868)

		2018		2017	
		Number	LKR	Number	LKR
26	STATED CAPITAL				
	Fully paid ordinary shares	272,129,431	2,795,513,620	272,129,431	2,795,513,620
		272,129,431	2,795,513,620	272,129,431	2,795,513,620

27 FINANCIAL ASSETS & LIABILITIES - FAIR VALUES

27.1 The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Investment in unit trust, cash and short-term deposits, staff loans, refundable deposits, trade receivables, trade payables, amount due to/from related party and other current liabilities approximate their carrying amounts.

The fair value of, obligations under finance leases, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair value of loans from bank approximate the carrying value as loans have been obtained on floating rates.

27.2 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities 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

27 FINANCIAL ASSETS & LIABILITIES - FAIR VALUES (CONTD.)

As at 31 March 2018, the Group held the following assets carried at fair value in the statement of financial position:

Assets measured at fair value –2017/2018		Level 1	Level 2	Level 3
	LKR	LKR	LKR	LKR
Financial assets at fair value through profit and loss				
Investment in unit trust	248,959	248,959	-	-
			-	-
Non-Financial Assets				
Free hold lands	5,142,000,000	-	-	5,142,000,000
Free hold buildings	546,000,000	-	-	546,000,000
Investment Property	1,130,000,000	-	-	1,130,000,000

Assets measured at fair value –2016/2017		Level 1	Level 2	Level 3
	LKR	LKR	LKR	LKR
Financial assets at fair value through profit and loss				
Investment in unit trust	248,959	248,959	-	-
Non-Financial Assets				
Free hold lands	4,437,000,000	-	-	4,437,000,000
Free hold buildings	420,500,000	-	-	420,500,000
Investment Property	941,000,000	-	-	941,000,000

27.3 Unobservable inputs used in mesuring the fair value of non-financial assets

Note number 10.3 sets out information about significant unobservable inputs used as at 31st March 2018 in mesuring non-financial assets categorised as level 3 in the fair value hierarchy.

28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit / (loss) for the year attributable to equity holders of 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.

The following reflects the income and share data used in the basic earning per share computations

	2018	2017
	LKR	LKR
Amounts used as the numerators:		
Net profit	199,341,908	464,857,949
Net profit attributable to ordinary shareholders for basic earnings per share	199,341,908	464,857,949
Number of ordinary shares used as denominators:		
Weighted average number of ordinary shares in issue applicable to basic earnings per share	272,129,431	272,129,431
Adjusted weighted average number of ordinary shares applicable to basic earnings per share	272,129,431	272,129,431

29 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no significant capital commitments and contingent liabilities as of the Balance sheet date except for the operating lease commitments stated in the note 32 to this financial statements and for the amounts disclosed below;

29.1 Capital Commitments

Odel Properties One (Pvt) Ltd which is a fully owned subsidiary, has entered into agreements with;

Access Engineering PLC for Rs 570 Mn to construct the diaphram wall and piling work of the proposed Odel mixed development project.

China Construction Third Engineering Bureau Co, Ltd for 7,017 Mn on rest of the commercial development on the above project.

Non Contracted capital commitments

Estimated non contracted commitment for the above project will be Rs 8,310 Mn.

Odel PLC has entered in to a Rent/ Licence agreement with Colombo City Centre Partners (Pvt) Ltd for 5 to 9 Years and the total commitment under the agreement is Rs.738,226,949/=

Softlogic Brands (Pvt) Ltd entered in to a Rent/ Licency agreement with Colombo City Centre Partners (Pvt) Ltd for 3 to 5 Years and the total commitment under the agreement is Rs.769,719,412=/

Softlogic Brands (Pvt) Ltd entered in to a Lease agreement with Shangri-La Hotels Lanka (Pvt) Ltd for 3 to 5 Years and the total commitment under the agreement is Rs.597,734,791/=

29.2 Contingent Liabilities

Letter of credits executed for LKR 225,858,922 (USD 1,091,277 & EUR 197,310).

30 RELATED PARTY DISCLOSURES

The financial statements include the financial statements of the Group and the Subsidiaries listed in the following table:

	% of equity interest	
	2018	2017
	LKR	LKR
Odel Apparels (Pvt) Ltd	100%	100%
Odel Information Technology Services (Pvt) Ltd	100%	100%
Odel Properties (Pvt) Ltd	100%	100%
Odel Lanka (Pvt) Ltd	100%	100%
BSL International (Pvt) Ltd	100%	100%
Greenfield Trading (Pvt) Ltd	100%	100%
Softlogic Brands (Pvt) Ltd	100%	100%
Odel Properties One (Pvt) Ltd	100%	-
Odel Restaurants (Pvt) Ltd	100%	-

30.1 Transaction with the parent Entity

The following table provides the total amount of transactions that have been entered into with the above related parties for the relevant financial year and the information regarding outstanding balances as at balance sheet date

Transactions between the Company and Subsidieraies

	2018 LKR	2017 LKR
Nature of Transaction		
Balance as at 1 April (Before Provision)	79,605,531	(117,082,565)
Loan Granted	(219,443,255)	(280,834,584)
Purchase of Goods/Services	(772,797,501)	(371,176,935)
Sale of Goods/ Services	306,708,111	73,250,000
Reciepts	(376,751,708)	(14,235,234)
Investment in equity shares	(189,583,390)	-
Settlement of liabilities on behalf of the Company	1,224,313,659	789,684,850
Balance as at 31 March (Before Provision)	52,051,446	79,605,531

Transactions between the Company and other related entities

	2018 LKR	2017 LKR
Nature of Transaction		
Balance as at 1 April (Before Provision)	53,063,650	35,151,037
Loan Granted/Advance Paid	(1,736,600,000)	(289,100,000)
Purchase of Goods/Services	(186,961,861)	(98,335,689)
Sale of Goods/ Services	36,852,884	19,939,167
Reciepts	(31,949,107)	(17,500,250)
Payments	1,892,993,290	402,909,385
Balance as at 31 March (Before Provision)	27,398,855	53,063,650

Transactions between the subsidiaries and other related entities

	2018 LKR	2017 LKR
Nature of Transaction		
Balance as at 1 April (Before Provision)	367,391	(274,670,849)
Loan Granted/Advance Paid	(397,050,000)	295,620,675
Loan Settlements	299,000,000	-
Purchase of Goods/Services	(42,744,725)	(37,582,915)
Settlements/Receipts	25,628,751	17,000,480
Balance as at 31 March (Before Provision)	(114,798,583)	367,391

30.2 Transactions with ultimate perant company - Softlogc Holding PLC

Working capital loans of LKR 1,801,600,000 were obtained by Odel PLC and out of which the total value of LKR 1,726,000,000 was settled together with the interest of LKR 4,385,293 during the financial year. Further LKR 55,10,413/=(Including Tax) worth of services were received during the financial year.

Softlogic Brands (Pvt) Ltd has obtained LKR 397,050,000 as working capital loans and out of which Rs 299,000,000 has been settled during the perod.

Above balances are included in the amount due to / due from related parties. Balance outstanding as at the year end is disclosed in the Note 19 and 23 to the financial statements

All trading transactions are at the arms length and interest has been charged on loans granted at the rate of AWPLR + 1%-2% All other amounts are due to/from on demand

30.3 Transactions with Key Management Personnel of the Company or its parent

The key management personnel of the Company/Group are the members of its Board of Directors and that of its parent.

		2018 LKR	2017 LKR
a)	Key Management Personnel Compensation		
	Short-term employee benefits	3,600,000	3,600,000
	Post-employment benefits	-	-
	Other long term benefits	-	-
	Termination benefit	-	-
	Share based payments	-	-
		3,600,000	3,600,000
b)	Advances received for purchase of goods/services	8,622,000	-
		12,222,000	3,600,000

31 OPERATING LEASE COMMITMENTS — GROUP

The Group has entered into commercial leases for properties to operate its outlet network. These leases have an average life of between 4 and 8 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018 LKR	2017 LKR
Within one year	323,580,373	294,028,289
After one year but not more than five years	930,538,023	924,501,023
More than five years	450,743,590	430,779,265
	1,704,861,986	1,649,308,578

31 OPERATING LEASE COMMITMENTS — GROUP (CONTD.)

Operating lease commitments — Company

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018 LKR	2017 LKR
Within one year	208,381,714	205,666,366
After one year but not more than five years	572,235,847	623,476,586
More than five years	297,408,133	280,249,710
	1,078,025,693	1,109,392,662

	2018 LKR	2017 LKR
32 DIVIDENDS PAID AND PROPOSED		
Declared and paid during the year:		
Dividends on ordinary shares:		
Final dividend for 2018: 0 cents per share (2017: 40 cents per share)	-	108,851,772
Interim dividend for 2018: 0 cents per share (2017: 11 cents per share)	-	29,934,237
	-	138,786,010

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has loan and receivables, trade and other receivables, and cash and short-term deposits that are derived directly from its operations.

The Group's senior management oversees the management of the financial risks. The Board of Directors has the overall responsibility to manage risk effectively.

Interest rate risk

Interest rate risk is the possibility of cash flows and the profits of the Company is getting fluctuate because of the changes in market interest rates. The Group's exposure to the risk of changes in market interest rates arise due to the borrowings with floating interest rates. The Company work closely with the parent company to negotiate favourable terms & conditions for loan facilities obtained.

33.1 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ ecrease in basis points	Effect on profit efore tax
2018		
Loan interest	+100	(33,774,268)
Loan interest	-100	33,774,268
2017		
Loan interest	+100	(21,226,567)
Loan interest	-100	21,226,567

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group has minimal exposure to credit risk from operating activities due to nature of business. The risk from its financing activities, including deposits with banks and financial institutions is managed by dealing with institutions carrying high credit rating.

33.2 Credit exposure

The Company's maximum exposure to credit risk for the components of the Statement of Financial Position as at 31st March 2018 and 2017 is the carrying amounts of respective financial instruments.

33.2.1 Company

As at 31 March 2018	Neither past-due nor impaired						
	Risk free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated	Past-due but not impaired	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	LKR
Loans and receivables							
Trade debtors	-	-	-	-	63,007,459	4,725,027	67,732,486
Other debtors	-	-	-	-	50,567,492	-	50,567,492
Deposits & prepayments					566,938,254		566,938,254
Staff loan					259,568		259,568
Refundable deposit					108,289,383		108,289,383
Investment in unit trust					248,959		248,959
Amounts due from related parties					527,181,142		527,181,142
Total	-	-	-	-	1,316,492,257	4,725,027	1,321,217,284

As at 31 March 2017	Neither past-due nor impaired						
	Risk free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated	Past-due but not impaired	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	LKR
Loans and receivables							
Trade debtors	-	-	-	-	26,804,999	17,591,300	44,396,299
Other debtors	-	-	-	-	44,960,635	-	44,960,635
Deposits & prepayments					609,826,140		609,826,140
Staff loan					1,009,402		1,009,402
Refundable deposit					60,125,669		60,125,669
Investment in unit trust					248,959		248,959
Amounts due from related parties					244,319,205		244,319,205
Total	-	-	-	-	987,295,009	17,591,300	1,004,886,309

33.2.2 Group

As at 31 March 2018	Neither past-due nor impaired						
	Risk free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated	Past-due but not impaired	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	LKR
Loans and receivables							
Trade debtors	-	-	-	-	55,363,729	4,725,027	60,088,756
Other debtors	-	-	-	-	60,310,197	-	60,310,197
Deposits & prepayments					836,933,050		836,933,050
Staff loan					259,568		259,568
Refundable deposit					142,893,093		142,893,093
Investment in unit trust					248,959		248,959
Amounts due from related parties					109,074,830		109,074,830
Total	-	-	-	-	1,205,083,426	4,725,027	1,209,808,453

As at 31 March 2017	Neither past-due nor impaired						
	Risk free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated	Past-due but not impaired	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	LKR
Loans and receivables							
Trade debtors	-	-	-	-	30,053,385	17,591,300	47,644,685
Other debtors	-	-	-	-	55,080,793	-	55,080,793
Deposits & prepayments					685,770,415		685,770,415
Staff loan					1,009,403		1,009,403
Refundable deposit					77,880,859		77,880,859
Investment in unit trust					248,959		248,959
Amounts due from related parties					54,454,479		54,454,479
Total	-	-	-	-	904,498,293	17,591,300	922,089,593

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

33.3 Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled with existing lenders.

The Company and the Group is making optimum use of cash inflows with the help of the Group treasury division, ensuring the Group-wide interest exposure is kept to a minimum & performing regular reviews of the actual performance against planned to ensure achievement of budgeted targets to mitigate the risk.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted gross payments.

33.3.1 Company

Year ended 31 March 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	1,891,919,766	322,021,110	407,511,882	-	2,621,452,759
Bank Overdrafts	720,391,513	-	-	-	-	720,391,513
Trade and other payables	101,407,167	499,837,677	-	-	-	601,244,844
	821,798,680	2,391,757,443	322,021,110	407,511,882	-	3,943,089,116

Year ended 31 March 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	1,161,804,718	286,899,302	478,386,764	-	1,927,090,783
Bank Overdrafts	552,737,970	-	-	-	-	552,737,970
Trade and other payables	104,807,132	643,595,956	-	-	-	748,403,088
	657,545,102	1,805,400,674	286,899,302	478,386,764	-	3,228,231,841

33.3.2 Group

Year ended 31 March 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	2,735,318,682	322,021,110	407,511,882	-	3,464,851,675
Bank Overdrafts	825,527,000	-	-	-	-	825,527,000
Trade and other payables	101,407,167	955,066,411	-	-	-	1,056,473,578
Other Non current Liabilities				130,921,572		130,921,572
	926,934,167	3,690,385,093	322,021,110	538,433,454	-	5,477,773,825

Year ended 31 March 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	1,285,059,401	286,899,302	478,386,764	-	2,050,345,466
Bank Overdrafts	560,391,026	-	-	-	-	560,391,026
Trade and other payables	104,807,132	771,095,066	-	-	-	875,902,198
	665,198,158	2,056,154,467	286,899,302	478,386,764	-	3,486,638,690

34 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the balance sheet date that require adjustments to or disclosure in the financial statements except for the followings;

- An Interim dividend of 26 cents per share for the year 2017/2018 was declared on 7 June 2018 and paid on 28 June 2018.

- Odel Properties One (Pvt) Ltd has been granted approval for 5.4 Bn of syndicated loan by the agreement dated 1 June 2018 for the purpose of carrying out a mixed development project at Colombo 7.

35 SEGMENT INFORMATION

Odel group is organised into business units based on its products and services and has two reportable segments, as follows,

- Fashion Retailing Segment which offers various fashion related clothing, accessories and sport ware foot ware etc.,to wide range of customers.
- The investment properties segment, which owned a land & hold for capital appreciation purpose.

The Management team monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The methods of accounting for the reportable segments are the same as those stated in Note 2.4 -" Significant Accounting Policies".

Year ended 31 March 2018	Fashion Retail	Investment Property	Other	Consolidated Financial Statements
	LKR	LKR	LKR	LKR
Revenue	7,041,255,402		371,315,687	7,412,571,089
Other Operating Income	11,394,920	189,000,000	-	200,394,920
EBIT	455,102,402	188,060,245	-	643,162,647
Amortisation and depreciation	359,741,550		-	359,741,550
Segment Profit	38,083,922	161,257,986	-	199,341,908
Non-Current Assets (excluding financial assets, goodwill and deferred tax assets)	8,066,624,112	1,130,000,000	-	9,196,624,112
Total Liabilities	6,456,096,915	161,589,101	-	6,617,686,016

Year ended 31 March 2017	Fashion Retail	Investment Property	Other	Consolidated Financial Statements
	LKR	LKR	LKR	LKR
Revenue	6,578,408,857		359,465,344	6,937,874,201
Other Operating Income	(9,134,316)	341,520,000	-	332,385,684
EBIT	545,678,829	340,735,846	-	886,414,675
Amortisation and depreciation	326,924,687		-	326,924,687
Segment Profit	139,198,223	325,659,726	-	464,857,949
Non-Current Assets (excluding financial assets, goodwill and deferred tax assets)	6,287,629,123	941,000,000	-	7,228,629,123
Total Liabilities	3,433,516,897	133,867,937	-	3,567,384,835

Amount classified under Other category represents the commission/rental income earned by the Company from third parties.

INVESTOR INFORMATION

The percentage of shares held by the public as at 31st March 2018 was 2.28% (2017 - 2.49%). The number of public shareholders as at 31st March 2018 was 5,285 (2017 -5,492).

Market Capitalisation of public share holding is 6,200,780/= (2017 - 6,610,425/=)

DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2018

There were 5,289 Registered shareholders as at 31st March 2018.

No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	4,738	89.58	1,201,111	0.44
1,001	10,000	481	9.09	1,537,907	0.57
10,001	100,000	61	1.15	1,755,059	0.64
100,001	1,000,000	6	0.11	1,754,995	0.64
Over 1,000,000		3	0.06	265,880,359	97.70
Total		**5,289**	**100.00**	**272,129,431**	**100.00**

ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2018.

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individual	5,183	98.00	4,718,454	1.73
Institutional	106	2.00	267,410,977	98.27
Total	5,289	100.00	272,129,431	100.00
Resident	5,264	99.53	271,881,669	99.91
Non-resident	25	0.47	247,732	0.09
Total	5,289	100.00	272,129,401	100.00

SHARE TRADING INFORMATION

	2017/2018	2016/2017
Highest (Rs.)	27.40	25.20
Lowest (Rs.)	20.60	19.00
Closing (Rs.)	25.90	25.00

	2017/2018	2016/2017
Dividend per share (Cents)	-	51
Dividend pay out (%)	-	30

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH 2018 ARE AS FOLLOWS.

No	Name	No of Shares	Percentage %
1	Softlogic Retail (Pvt) Ltd	179,648,590	66.02
2	Softlogic Holdings PLC	61,231,769	22.50
3	Commercial Bank Of Ceylon PLC/ Softlogic Retail (Pvt) Ltd	25,000,000	9.19
4	Mrs. Elaine Brynhilda Helga Anil Perera	527,000	0.19
5	Mr. Indika Prasad Galhenage	330,100	0.12
6	Mercantile Investments And Finance PLC	300,000	0.11
7	Tangerine Tours (Pvt) Limited	225,600	0.08
8	Bank Of Ceylon No. 1 Account	222,295	0.08
9	Asha Financial Services Limited/Mr.C.N.Pakianathan	150,000	0.06
10	Mr. Nayanaka Arjuna Samarakoon	100,000	0.04
11	Miss. Neesha Harnam	99,800	0.04
12	People's Leasing & Finance PLC/Dr.H.S.D.Soysa & Mrs.G.Soysa	90,000	0.03
13	Andaradeniya Estate Private Limited	81,700	0.03
14	Mr. Amarakoon Mudiyanselage Weerasinghe	66,200	0.02
15	Bansei Securities Capital (Pvt) Ltd/M.A.U. Gnanatilake	65,500	0.02
16	Mr.Madhura Supun Hiripitiya	60,305	0.02
17	Mr. Sarath Kusum Wickremesinghe	55,000	0.02
18	DFCC Bank PLC/Mr.M.C.Fernando	54,191	0.02
19	Mr. Dilip Sudhira Jayawickrama	50,000	0.02
20	Mr. Asoka Kariyawasam Pathirage	48,292	0.02

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Odel PLC will be held at the Asiri Central Hospital, 4th floor Auditorium, 114 Norris Canal Rd, Colombo 10 on Thursday the 27th day of September 2018 at 10.30 a.m. for the following purposes:

1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company and of the Group for the year ended 31st March 2018 together with the Report of the Auditors thereon.

2) To ratify the Interim Dividend of Rs. 0.26 per share paid on 28th June 2018 as the Final Dividend for the year ended 31st March 2018.

3) To re-appoint the retiring Auditors, Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

4) To authorize the Directors to determine and make donations for the year ending 31st March 2019 and up to the date of the next Annual General Meeting.

By Order of the Board

SOFTLOGIC CORPORATE SERVICES (PVT) LTD

(Sgd.)
Secretaries

17 August 2018.
Colombo

Note:
A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend on behalf of him/her.

The Form of Proxy is enclosed in this Report.

The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 475/32, Kotte Road, Rajagiriya not later than forty eight (48) hours before the time appointed for the holding of the meeting

FORM OF **PROXY**

*I/We...of

....being *a member/ members of ODEL PLC,

do hereby appoint ....

.... (holder of N.I.C. No. ....) of

.... or (whom failing)

Mr A K Pathirage	of Colombo	(whom failing)
Dr S Selliah	of Colombo	(whom failing)
Mr H K Kaimal	of Colombo	(whom failing)
Mr R P Pathirana	of Colombo	(whom failing)
Dr I C R De Silva	of Colombo	

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held at theAsiri Central Hospital, 4th floor Auditorium, 114 Norris Canal Rd, Colombo 10 on Thursday the 27th day of September 2018 at 10.30 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company and of the Group for the year ended 31st March 2018 together with the Report of the Auditors thereon.	☐	☐
2) To ratify the Interim Dividend of Rs. 0.26 per share paid on 28th June 2018 as the Final Dividend for the year ended 31st March 2018.	☐	☐
3) To re-appoint Messrs Ernst & Young, as Auditors and to authorize the Directors to determine their remuneration.	☐	☐
4) To authorize the Directors to determine and make Donations.	☐	☐

....

*Signature/s Date

Note:

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.

2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote on behalf of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. In the case of a Corporate Member, the Form of Proxy must be executed in the manner prescribed by the Articles of Association/Statute.

5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 475/32, Kotte Road, Rajagiriya not later than forty eight (48) hours before the time appointed for the holding of the meeting.

Please provide the following details:

Shareholder's N.I.C./ Passport/ Company Registration No.	Shareholder's Folio No.	Number of shares held	Proxy Holder's N.I.C. No. (If not a Director)

CORPORATE **INFORMATION**

NAME OF COMPANY
Odel PLC

LEGAL FORM
Public Limited Liability Company
Incorporated in Sri Lanka in 1990

REGISTERED OFFICE OF THE COMPANY
475/32, Kotte Road,
Rajagiriya.

COMPANY REGISTRATION NO.
PV 7206 PQ

DIRECTORS
Mr. A K Pathirage - Chairman/Executive Director
Mr. H K Kaimal - Non Executive Director
Dr. S Selliah - Independent Non Executive Director
Mr. R P Pathirana - Independent Non Executive Director
Dr. I C R De Silva - Independent Non Executive Director

AUDIT COMMITTEE
Mr. R P Pathirana - Chairman
Dr. S Selliah
Dr. I C R De Silva

REMUNERATION COMMITTEE
Mr. R.P Pathirana
Dr. S Selliah

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE
Dr. I C R De Silva - Chairperson
Mr. R P Pathirana
Mr. H K Kaimal

SECRETARIES AND REGISTRARS
Softlogic Corporate Services (Pvt) Ltd
No 14, De Fonseka Place,
Colombo 5.

AUDITORS
Ernst & Young
Chartered Accountants,
201 De Saram Place,
P.O. Box 101,
Colombo.

BANKERS
Bank of Ceylon
Commercial Bank
DFCC Bank
Hatton National Bank
Nation Trust Bank
Sampath Bank
Seylan Bank
Union Bank

INVESTOR RELATIONS
Odel PLC
475/32, Kotte Road,
Rajagiriya.
Tel: 0115885000
web: www.odel.lk

REDWORKS
Designed & produced by REDWORKS
Photography by Life Photography
Digital plates & Printed by Printel (Pvt) Ltd