

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Accrual Basis

The principle that revenues and costs are matched with one another, irrespective of the period of receipt or payment.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Asset Turnover

The Amount of sales generated for every Rupee worth of assets. It is calculated by dividing sales by assets.

Basic Earnings per Share

Profit attributable to ordinary shareholders' dividend by the weighted average number of shares in issue.

Borrowings

All interest bearing liabilities.

Capital Employed

Total assets less interest free liabilities, deferred income and provisions.

Capital Reserves

Reserves identified for specific purposes. These reserves cannot be distributed to shareholders in the form of dividends. It consists of Revaluation Reserve arising from the revaluation of properties owned by the Company.

Cash Equivalents

Liquid investments with original maturity periods of three months or less.

Colombo Consumers' Price Index - (CCPI)

Measure of the average price of consumer goods and services purchased by households, determined by measuring a standard group of goods and services meant to represent the typical basket of goods of a working class urban consumer. The percentage change in the CCPI is a measure of inflation.

Contingent Liabilities

A condition or situation at the Balance Sheet date of which the financial effect will be determined only on the occurrence, or non-occurrence of one or more uncertain future events.

Current Ratio

Current assets divided by current liabilities.

Debt/Equity Ratio

Ratio between interest bearing borrowings and shareholders' equity.

Deferred Taxation

The net effect on items which have been included in the Income Statements, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. This measures the number of times dividend is covered by distributable profit.

Dividend Pay Out Ratio

The percentage of earnings paid to shareholders in dividends.

Dividend Per Share (DPS)

The Dividend Per Share is the total dividends to ordinary shareholders during a specific period divided by the number of ordinary shares outstanding.

Dividend Yield

The yield a company pays out to its shareholders in the form of dividends.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

Effective Rate of Tax

Provision for tax excluding deferred tax, divided by net profit before tax.

Earnings Per Share (EPS)

Profit attributable to Equity Holders of the Company divided by weighted average number of ordinary shares in issue.

EPS Growth

Percentage of increase in the EPS over the previous year.

Equity

Shareholders' funds.

Exchange Gain/Loss

The increase/decrease in value of foreign currency denominated assets and liabilities when converted to or realised/settled in local currency during the year.

Financial Leverage

A measure of how an entity used its debt capital to finance its assets, calculated as total assets divided by total shareholders' equity.

Gearing

Borrowings to capital employed.

General Reserve

Reserves available for distributions and investment.

Gross Domestic Product - GDP

Market value of all finished goods and services produced within a country in a given period of time.

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Gross Dividend

The portion of profit including tax withheld, distributed to shareholders.

Gross Profit Ratio

The percentage of gross profit to net turnover.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Interest Cover

This indicates the ability of an entity to cover long-term and short-term interest expenses with EBIT. This is calculated as EBIT divided by interest expenses on long-term and short-term borrowings.

Key Performance Indicators (KPI)

Quantifiable measurements, agreed to before hand that reflect the critical success factors of a company.

Market Value per Share

The price at which an ordinary share can be purchased in the stock market.

Market Capitalisation

The number of ordinary shares issued, multiplied by the market price of each share at a given date.

Materiality

The principle that Financial Statements should separately disclose items which are significant enough to affect evaluation or decision of users.

Net Assets per Share

Shareholders' funds divided by the weighted average number of ordinary shares in issue.

Net Profit Margin

Net profit as a percentage of net turnover.

Price Earning Ratio

Market price of a share divided by earnings per share as reported at that date.

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business.

Return on Average Capital Employed (ROCE)

Reflects the returns that an entity received from its capital. Profit before tax plus net interest cost divided by average capital employed.

Return on Equity (ROE)

Net Profit as a percentage of shareholders' equity.

Revenue Reserves

Reserves available for distribution to shareholders and investments.

Rights Issue

The raising of new capital by granting existing shareholders the right to subscribe to new shares in proportion to their current holdings. These shares are normally issued at a discount on their market price.

Segment

A Business Unit that is a distinguishable component of the Group and engaged in similar operations.

Stated Capital

Consists of issued and paid capital.

Substance Over Form

Whether the accounting treatment in the Financial Statements of transactions reflect the financial reality and substance, rather than the legal form of the transaction and event which underlies them.

Strategy

A course of action, including the specification of resources required, to achieve a specified objective.

Total Shareholder Return

Represents the change in share value of a listed company over a period of time (typically 1 year), plus dividends, expressed as a percentage of the opening share value.

Turnover per Employee

Consolidated turnover of the Company for the year divided by the number of employees at the year end.

Unrealised Gain

A profit that results from holding on to an asset rather than cashing it in and using the funds.

Value Added

Value added is the wealth created by the operations of the Group. The value is distributed among the employees, shareholders, as financing cost, to the Government by way of taxes and the balance retained within the business.

Weighted Average Cost of Capital

Calculation of the cost of capital according to the capital (debt/equity) structure.

Working Capital

Capital required to finance the day-to-day operations computed as the excess of current assets over current liabilities.