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MELSTACORP PLC

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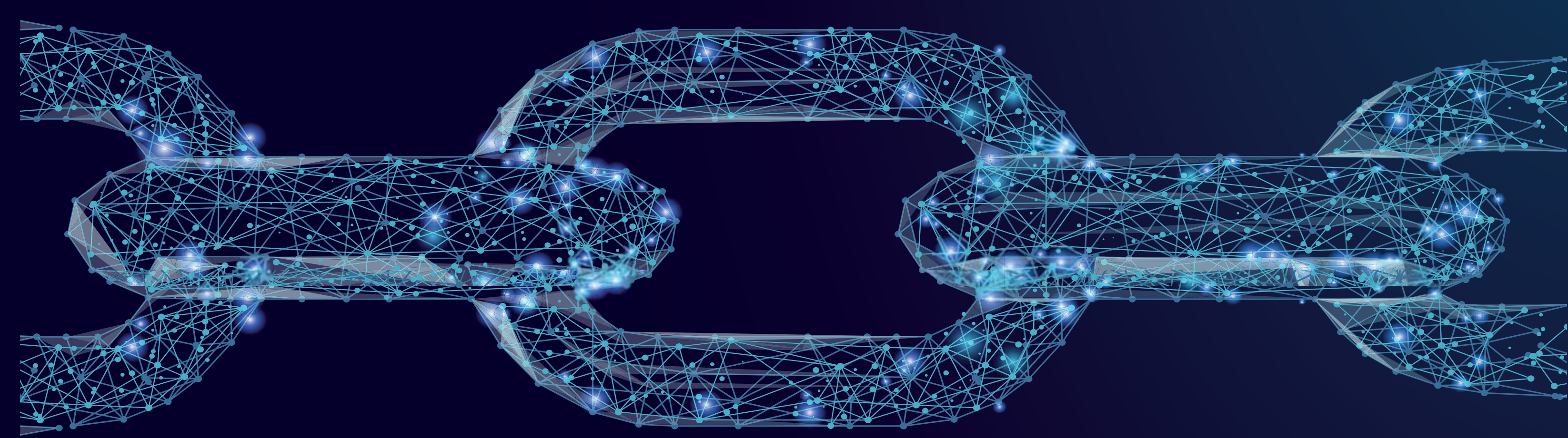
Melstacorp PLC | Annual Report 2019 | 20

RESPONSIBLE DIVERSITY

Resilient. Responsible. Reliable.

Melstacorp PLC | Annual Report 2019 | **20**



Melstacorp
RESPONSIBLE DIVERSITY

Resilient. Responsible. Reliable.

As a leading conglomerate, growing from strength to strength, Melstacorp has a presence in every sector critical to the economy. This robust foundation allows us to continually advance our position, through strategic focus and landmark investments. Our unmatched growth and the ability to meet and even exceed financial ambitions are indicative of our unique business acumen.

We now look forward to the opportunities that lie ahead and are poised to deliver a powerful performance. Informed by diversity, guided by sustainable principles and inspired by excellence.

Contents

Highlights of the year

October 2019

Fitch Rating has placed DCSL a National Long-Term Rating of AAA (lka) with Stable Outlook.

October 2019

Fitch Rating assigned a rating for Melstacorp a National Long-Term Rating of AAA (lka) with Stable Outlook.

February 2020

Fitch Ratings has affirmed Continental Insurance Lanka Limited's (CILL) National Insurer Financial Strength (IFS) Rating at 'A(lka)' with Stable Outlook.

February 2020

Melstacorp Group acquired the shareholding of Browns Health Care (Pvt) Ltd. After acquisition the company's name was changed to "Melsta Hospitals Ragama (Pvt) Ltd". The new company focuses on operating a multispecialty general hospital under the brand of "Melsta Hospitals Ragama".

February 2020

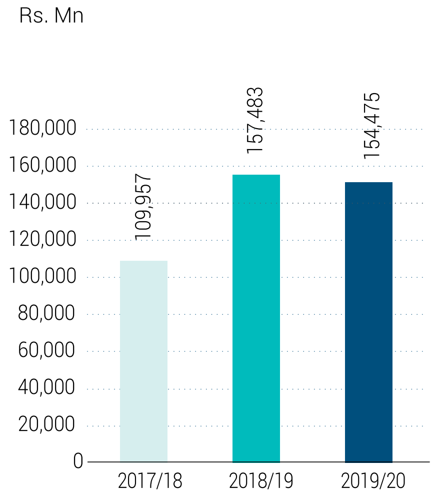
Melstacorp was ranked No. 07 in the Business Today "Top Thirty".

Financial Highlights

		2020 Group	2019 Group	2020 Company	2019 Company
Summary of Results					
Gross Turnover	Rs. Mn	154,475	157,483	213	209
Excise Duty	Rs. Mn	56,632	57,268	-	-
Net Turnover	Rs. Mn	97,843	100,215	213	209
Profit After Tax	Rs. Mn	4,425	8,875	5,096	3,796
Shareholders' Funds	Rs. Mn	83,674	80,227	95,933	91,337
Working Capital	Rs. Mn	(2,916)	2,302	(1,065)	(2,242)
Total Assets	Rs. Mn	253,207	243,610	107,584	112,179
Staff Cost	Rs. Mn	16,297	15,025	93	81
No. of Employees		23,697	24,265	38	32
Per Share					
Basic Earnings	Rs.	3.22	4.96	4.37	3.26
Net Assets	Rs.	71.80	68.84	82.32	78.37
Dividends	Rs.	2.00	-	2.00	-
Market Price - High	Rs.	50.00	62.90	50.00	62.90
- Low	Rs.	23.50	36.00	23.50	36.00
- Year End	Rs.	23.50	36.00	23.50	36.00
Ratios					
Price Earnings	times	7	7	5	11
Return on Shareholders' Funds	%	5.3	11.1	5.3	4.2
Current Ratio	times	1.0	1.0	0.9	0.9
Interest Cover	times	3.5	5.7	4.4	8.4
Debt to Equity	%	68	59	11	18
Debt to Total Assets	%	33.8	30	9.9	14.7
Dividend Payout	%	62.1	-	45.8	-
Dividend Yield	%	8.5	-	8.5	-

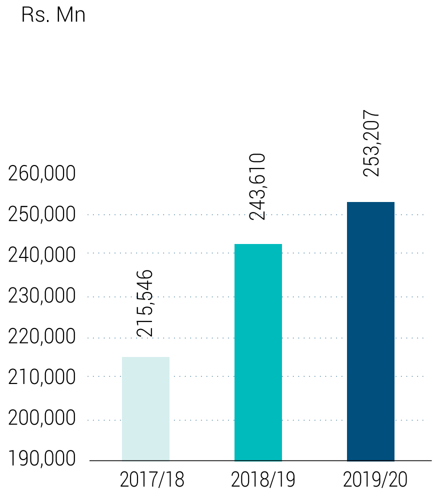
Financial Highlights

Gross Turnover - Group



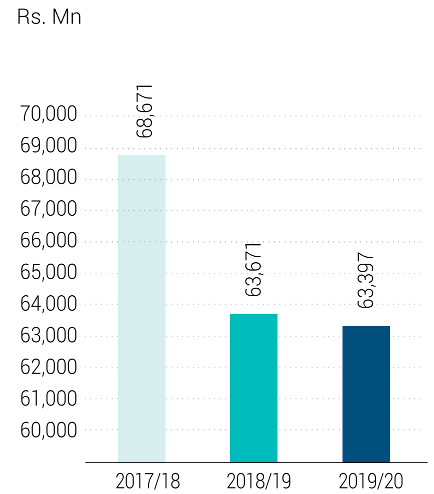
Rs. 154,475 Mn.

Total Assets - Group



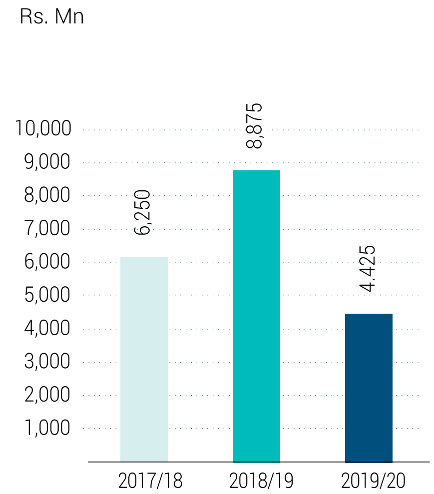
Rs. 253,207 Mn.

Taxes Paid - Group



Rs. 63,397 Mn.

Profit after Tax - Group



Rs. 4,425 Mn.

Our Businesses

Beverages

Distillation, Manufacture and Distribution of Liquor Products

Plantations

Cultivation and Processing of Tea and Rubber

Plantations

Cultivation and Processing of Tea and Rubber

Telecommunication

Voice, Data, Broadband, Hardware, Software and Networking Solutions

Service, redefined. Continental INSURANCE

Insurance

General Insurance Services

Aitken Spence

Aitken Spence

Diversified

Tourism, Maritime and Logistics, Strategic Investments and Services

Bogo Power

Power Generation

Hydropower Generation

Melsta Logistics FormulaWorld

Logistics

Automobile Servicing and Logistics

Our Businesses

SPLENDOR
Imagine-Do

Media
Media Buying and Creative Services

Texpro

Textiles
Dyeing and Printing Fabric

HERITANCE
NEGOMBO

Leisure
Hotels and Hospitality

BELLVANTAGE
aspirations delivered

BPO Services & Business Solutions
BPO, KPO, Call Centre and Software Solutions

Melsta technologies

ORACLE NETSUITE

redhat

asg

ORACLE Gold Partner

Information Technology

Oracle Applications, Mobile Applications, Digitisation

Melsta Hospitals -Ragama

Multi-specialty General Hospital

JOSEPH FRASER MEMORIAL HOSPITAL
By Melsta Health

Exclusive Hospital for Women and Children

Melsta Labs

Laboratory Services

Chairman's Statement

Dear Shareholder,

I am pleased to share with you, the Company's annual report and audited financial statements for the year ended 31st March 2020. Melstacorp PLC functions as the holding company of the Group and has ventured into many industries such as beverages, tea and rubber plantations, telecommunication, insurance, power generation, logistics, textiles, hospitality, healthcare and many other businesses.

Group's Performance

Group turnover reached Rs. 155 billion, while the profit after tax for the year was Rs. 4.4 billion. The Group contributed Rs. 63 billion as taxes during this financial year. We are pleased to announce that Fitch Rating has affirmed the National Long- Term Ratings of "AAA (lka)" with a stable outlook for Melstacorp PLC.

Beverage Sector

The beverage sector is the highest contributor to both the top and the bottom lines of the Group. Our main subsidiary DCSL recorded a profit after tax of Rs. 5.8 billion. The beverage sector managed to sustain its performance despite the challenges faced due to the Easter attacks, natural disasters, political uncertainty and various unfair, unethical practices prevailing in the industry. The Covid-19 pandemic emerged at the last stage of the financial year and will have an impact on next year's results.

At the same time we have observed that the legal alcohol industry has been shrinking during the last few years due to the increase in the illegal production of liquor and an unprecedented increase in prices which has led to a reduction in consumption.

We guarantee that we give the Sri Lankan consumer only the very best products. We have always observed every Government regulation, paid every tax, excise duty and all other levies imposed judiciously, without exception. Unfortunately, the same cannot be said for all our competitors and the illegal and illicit liquor industry - for this is now an industry by itself. This uneven playing field mainly affects lower-end consumers who, due to economic reasons and high taxes, are forced to purchase illegal or illicit products on which such levies have not been paid. If the authorities control this situation, large revenues could be derived from the industry. For the year under review the beverage sector revenue reached Rs. 87 billion and the net profit after tax for the year was Rs. 5.8 billion.

Plantation Sector

The year under review presented multiple challenges for the Sri Lanka tea industry which was fundamentally impacted by

Rs.155Bn
GROUP TURNOVER

Rs.253Bn
TOTAL ASSETS

Rs.63Bn
TAXES PAID

23,697
EMPLOYEES

fluctuations in supply and demand, currencies, political upheavals in importing countries, policy inconsistency, etc. The Industry has increasingly felt the implications of climate change with erratic rainfall, natural disasters and rising temperatures impacting volumes and yields in recent years. The tea sector continued to grapple with the financial ill effects of the trading losses experienced by most regional plantation companies with the rising cost of production and the increase in the basic wage rate for estate workers. The rubber sector continued to incur losses due to subdued demand conditions arising from slower global growth and oil price movements. Although the net

sale average reflects a marginal increase compared to the previous year, the sector continues to incur losses amidst subdued demand conditions and the escalating cost of production.

Despite adverse external conditions and increased production costs within the tea and rubber sectors we have invested on capital expenditure for field development, upgrading the factories and machinery, buildings, agricultural vehicles, replanting and crop diversification, during the year under review.

Although the plantation sector has been reporting losses, we continue to support and finance operations with the expectation of a turnaround of the plantation in the interest of the industry and the Nation. The plantation industry is faced with continuous challenges such as steadily rising cost of production due to high wages and input costs, inconsistent prices, diminishing labour force and the rapidly changing weather patterns in order to be profitable in the future.

Telecommunication Sector

The telecommunication sector continues to go through challenging times. Lanka Bell recorded a positive EBITDA during the year despite the continuous decline in revenues from the CDMA fixed-line business which can purely be attributed to the trends in consumer behavior with regard to voice-related communication. However, revenue from the LTE technology that is used to provide internet connectivity is showing a positive trend yet business continues to record losses. On the other hand, the telecommunication industry is grappling with declining bottom lines due to low pricing, high taxes and ever-increasing operational and capital expenditure. We continue to look at the most desirable options to exit this industry.

Financial Services Sector

Continental Insurance has established itself as one of the most innovative and dynamic insurance companies in Sri Lanka. Fitch Ratings has affirmed the rating of Continental Insurance to 'A (lka)', which is a clear reflection of the financial stability of the Company.

The top of the line quality management system now conforms to ISO standards. The Company is gradually gaining market share and exceeding the industry growth rate, with a 12% year-on-year increase in gross written premium. The Company recorded a gross written premium of Rs. 5.4 billion during the year.

Diversified Sector

The current year's performance of Aitken Spence PLC was somewhat subdued due to the severe setbacks arising from the April terror attacks and the COVID-19 pandemic.

For Aitken Spence the tourism sector was the hardest hit by the COVID-19 pandemic as nearly all properties were compelled to close, except a few, which remained open throughout with limited operations. Maritime, ports, logistics, power, plantations, printing and money transfer operations continued throughout the lockdown, reflecting their resilience and relevance to sustaining vital supply chains. Aitken Spence's waste to energy plant under construction is a clear example of a strategic investment made with a view to become a key partner in the sustainable economic progress of our country. This investment has been designed to provide twin solutions to the country's problems of energy demand and waste disposal. The plant, the first and only waste to energy project in Sri Lanka to date, will become operational towards the end of the year 2020.

Melstacorp continues to expand its footprint in the healthcare industry in line with its long term vision of being a major healthcare player in the country. The Group acquired Browns Hospitals Ragama, now rebranded as "Melsta Hospitals Ragama", a multi-specialty general hospital. Investments were made in the medical diagnostic business "Melsta Labs" to provide gold-standard lab solutions to the Nation. Melsta Labs utilise the latest technologies and IT infrastructure seamlessly integrated with a customer-friendly smartphone app for the first time in Sri Lanka to view, store and download medical lab reports. With the reference laboratory established in Colombo, Melsta Labs can cater to more than 750 tests in house at present, and with three (3) regional Laboratories established in Galle, Kurunegala and Kandy and hospital-based laboratories at Melsta Hospitals Ragama and Joseph Fraser Memorial Hospital, Colombo. We also committed in managing Joseph Frazer memorial hospital as an exclusive hospital for women and children in Colombo. Melstacorp made further investment in Melsta Gama, a joint venture with Pyramid Gama which will shortly enter the cement bagging industry in the country.

Compliance

I am pleased to report that the Company has complied with all relevant provisions of the Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. We are committed to the furtherance of the best Corporate Governance principles and practices. The measures taken in this regard are set out in the Corporate Governance Report.

Appreciation

I take this opportunity to thank the Boards of Directors for their unstinted support. My appreciation is also due to the CEOs, management and the staff of Melstacorp PLC and member companies for their continued commitment and hard work. I also like to thank our valued shareholders for placing their confidence in the Group. Our strength lies in the loyalty shown by our customer base and other stakeholders, who continue to support us to retain our position as one of the most valuable and respected corporate entities in the country.

D. H. S. Jayawardena
Chairman
09 October 2020

Board of Directors

Mr. D. H. S. Jayawardena
Chairman

Mr. A. L. Gooneratne
Managing Director

Mr. C. R. Jansz
Executive Director

Dr. A. N. Balasuriya
Independent Non-Executive Director

Mr. D. Hasitha S. Jayawardena
Non-Independent Non-Executive Director

Mr. N. de S. Deva Aditya
Independent Non-Executive Director

Capt. K. J. Kahanda (Retd.)
Non-Executive Director

Mr. R. Seevaratnam
Independent Non-Executive Director

Ms. V. J. Senaratne
Alternate Director to Mr. N. de S. Deva Aditya

Board of Directors

Mr. D. H. S. Jayawardena

Chairman

Mr. Harry Jayawardena is one of the most successful and prominent business magnates in Sri Lanka. He was elected Chairman of the DCSL Group in 2006 after serving as its Managing Director for almost two decades. He heads many successful ventures in diversified fields of business.

He is the founder Director and the present Chairman / Managing Director of the Stassen Group of Companies. He is the Chairman of Lanka Milk Foods (CWE) PLC., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Ambewela Products (Pvt) Ltd., Ambewela Livestock Co. Ltd., Danish Dairy Products Lanka (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Aitken Spence PLC., Aitken Spence Hotel Holding PLC., Balangoda Plantations PLC., Madulsima Plantations PLC., Browns Beach Hotels PLC., Lanka Bell Ltd., Periceyl (Pvt) Ltd., Bogo Power (Pvt) Ltd.,Texpro Industries Ltd., Melsta Health (Pvt) Ltd and Melsta GAMA (Pvt) Ltd.

He is a former Director of Hatton National Bank PLC., the largest listed bank in Sri Lanka and former Chairman of Ceylon Petroleum Corporation and SriLankan Airlines.

Mr. Jayawardena is the Honorary Consul for Denmark and was honoured with the prestigious "Knight's Cross of Dannebrog' by Her Majesty, Queen Margrethe II of Denmark, for his significant contribution to the Danish arts, sciences and business life.

He has also been awarded the title, "Deshamanya" in recognition of his services to the Motherland, since November 2005.

Mr. A. L. Gooneratne

FCA (SL), FCA (Eng. & Wales)

Managing Director

Mr. Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow member of the Institute of Chartered Accountants, England and Wales and a Fellow member of the Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Pvt) Ltd. He was also nominated to the Board of Sri Lankan Airlines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp PLC, He is the Chairman of Melsta Logistics (Pvt) Ltd. and Bellvantage (Pvt) Ltd; Board Member of Periceyl (Pvt) Ltd., Balangoda Plantation PLC, Lanka Bell Ltd., BellActive (Pvt) Ltd., Bell Solutions (Pvt) Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Bogo Power Ltd., Melsta Towers (Pvt) Ltd., Melsta Healthcare Colombo (Pvt) Ltd., Hospital Management Melsta (Pvt) Ltd., Melsta Pharmaceuticals (Pvt) Ltd., Melsta Health (Pvt) Ltd., Melsta Laboratories (Pvt) Ltd., Melsta Hospitals Ragama (Pvt) Ltd., Melsta Hospitals Colombo North (Pvt) Ltd., Continental Insurance Ltd. and Browns Beach Hotel PLC which are subsidiary companies of Melstacorp PLC.

He is an independent Director of Lanka IOC PLC, Teejay Lanka. PLC, Teejay Lanka Prints (Pvt) Ltd. and Commercial Development Company PLC.

He is also an Alternate Director on the Board of Distilleries Company of Sri Lanka PLC and Aitken Spence PLC.

Mr. C. R. Jansz

Executive Director

Mr. Jansz is a Director of the Stassen Group, Lanka Milk Foods Group and Distilleries Company of Sri Lanka PLC. He is the Chairman of Melsta Hospitals Ragama (Pvt) Ltd. and Melsta Hospitals Colombo North (Pvt) Ltd.

He has been the Chairman of DFCC Bank PLC. and the Sri Lanka Shippers Council.

Mr. Jansz holds a Diploma in Banking and Finance from the London Metropolitan University – UK. He is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.

Mr. Jansz specializes in the movement and finance of international trade and has many years practical experience in these fields.

Dr. Naomal Balasuriya

MBBS [Sri Lanka], MBA [Sri.J], CIM [UK], MCGP [SL], MSLIM, MIMSL

Independent Non-Executive Director

Dr. Naomal Balasuriya, a medical doctor turned-entrepreneur, is internationally sought after as a life-changing motivational speaker. His professional expertise ranges from medicine, military, management, marketing, mentoring to motivational speaking. He holds both the Master of Business Administration (MBA) and CIM (UK) qualifications. Having worked in the Government sector, private sector and the Sri Lanka Air Force as a medical doctor, he now leads his entrepreneurial training company, Success Factory. He is also a Director of Distilleries Company of Sri Lanka PLC a subsidiary of the Group.

Mr. D. Hasitha S. Jayawardena

BBA (Hons) (UK)

Non-Independent Non-Executive Director

Mr. Hasitha Jayawardena holds a Bachelor's Degree in Business Administration BBA (Hons) from the University of Kent in the United Kingdom.

Mr. Jayawardena joined the Stassen Group in February 2013. He is a Director of Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Stassen Foods (Pvt) Ltd., C. B. D. Exports (Pvt) Ltd., Lanka Milk Foods (CWE) PLC., Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Distilleries Company of Sri Lanka PLC., Periceyl (Pvt) Ltd., Balangoda Plantations PLC., Madulsima Plantations PLC., Melsta Health (Pvt) Ltd., Melsta Hospitals Ragama (Pvt) Ltd., Melsta Hospitals Colombo North (Pvt) Ltd., Zahra Exports (Pvt) Ltd., Mcsen Range (Pvt) Ltd., DCSL Brewery (Pvt) Ltd. and an alternative Director of Melsta Gama (Pvt) Ltd.

Mr. Jayawardena has also worked as an Intern at the Clinton Global Initiative programme (CGI) in New York in 2007.

Mr. Ranjeevan Seevaratnam

FCA (SL), FCA (Eng. & Wales)

Independent Non-Executive Director

Mr. Ranjeevan Seevaratnam was appointed to the Board as an Independent Non-Executive Director from January 2016. He is a Graduate of University of London in Chemistry, Botany and Zoology. He is a Fellow Member of Chartered Accountants of England and Wales and Fellow Member of Chartered Accountants of Sri Lanka. Mr. Seevaratnam was a Senior Partner of KPMG, Chartered Accountants, for a period of 30 years, where he was mainly involved with audits of banks, financial services and manufacturing companies. He was a designated banking partner for Sri Lanka. He is also a Non-Executive Independent Director of Distilleries Company of Sri Lanka PLC and Director in a number of public quoted companies.

Mr. N. de S. Deva Aditya

DL, FRSA

Independent Non-Executive Director

He was the first Post War Asian born Conservative Member of the British House of Commons and served in Government as the Parliamentary Private Secretary to the Scottish Office after which he was elected as the first Asian born British Member of the European Parliament, representing over 8 million people, British people in Berkshire, Hampshire, Buckinghamshire, Oxfordshire, Surrey, Sussex and Kent for 20 years.

He was the Vice President of the International Development Committee for 15 years, overseeing the Euro 25 billion European Aid Budget. He was the Chairman of the EU Korean Peninsula Delegation working towards a lasting Peace with North Korea, Chairman of the EU China, EU Bangladesh, EU Indonesia, EU Myanmar and EU India Friendship Groups in the EU Parliament and was nominated by his political group ECR to be the President of the European Parliament and was the Chairman of the EU Delegation to the UN General Assembly.

For his Tsunami Relief work he was made a Chevalier of the Catholic Church and Vishwa Keerthi Sri Lanka Abhimani by the Buddhist Clergy of Sri Lanka.

Capt. K. J. Kahanda (Retd.)

Non-Executive Director

Captain Kahanda joined the Distilleries Company of Sri Lanka PLC in 1993 as Regional Manager (Central Region) and was appointed a Director in December 2006. Being a former officer of the Sri Lanka Army, he spearheaded the reorganisation of the operations of the Central Region since privatisation. He specialises in logistics, distribution and security matters, and is also a Director of Distilleries Company of Sri Lanka PLC, G4S Security Services (Pvt) Ltd., Melsta Gama (Pvt) Ltd. and Pelwatte Sugar Distilleries (Pvt) Ltd., a subsidiary of the Group.

Ms. V. J. Senaratne

Attorney-At-Law, Notary Public, Solicitor (Eng. & Wales)

Alternate Director to N. de S. Deva Aditya

She was admitted to the Bar in 1977 and was enrolled as a Solicitor (England & Wales) in June 1990. She also holds the position as Company Secretary of Distilleries Company of Sri Lanka PLC and Periceyl (Pvt) Ltd., and Melsta Health (Pvt) Ltd.

She currently serves as a Director on the Board of Paradise Resort Pasikudah (Pvt) Ltd., Amethyst Leisure Ltd., DFCC Bank PLC and as an Alternate Director of Melstacorp PLC and Distilleries Company of Sri Lanka PLC.

Heads of Group Companies

Mr. Amitha Gooneratne
Managing Director-Melstacorp PLC
Chairman - Melsta Logistics (Pvt) Ltd., Bellvantage (Pvt) Ltd., Melsta Towers (Pvt) Limited., Director- Continental Insurance Lanka Ltd., Periceyl (Pvt) Ltd., Balangoda Plantations PLC., Lanka Bell Ltd., Texpro Industries Ltd., Bogo Power Ltd., Melsta Health Gruop

Capt. Jagath Kahanda (Retd.)
Managing Director - Pelwatte Sugar Distilleries (Pvt) Ltd., Director - Distilleries Company of Sri Lanka PLC., Melstacorp PLC., Palwatte Sugar Industrie s PLC., Melsta Properties (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Melsta Gama (Pvt) Ltd.

Mr. Dr. M. P. Dissanayake
Deputy Chairman & Managing Director - Aitken Spence PLC

Ms. Stasshani Jayawardena
Chairperson - Splendor Media
Director- Aitken Spence PLC

Mr. Senaka Amarathunga
Director/General Manager - Periceyl (Pvt) Ltd

Mr. Chaminda De Silva
Managing Director - Continental Insurance Lanka Ltd

Dr. Prasad Samarasinghe
Managing Director - Lanka Bell Ltd

Mr. Dinal Peiris
Managing Director - Texpro Industries Ltd

Ms. Farzana Sulaiman
CEO - Contact Centre -
Bellvantage (Pvt) Ltd

Mr. Ajantha Peiris
Head of Business Solutions -
Belvantage (Pvt) Ltd

Mr. Palitha Rodrigo
Managing Director -
Melsta Technologies (Pvt) Ltd

Mr. Manilal Fernando
Director -
Melsta Gama (Pvt) Ltd

Dr. K. T. Iraivan
Director -
Hospital Management Melsta (Pvt) Ltd
Melsta Hospitals Ragama (Pvt) Ltd

Dr. Aruna Jayakody
Director -
Melsta Laboratories (Pvt) Ltd
Melsta Hospitals Ragama (Pvt) Ltd
Hospital Management Melsta (Pvt) Ltd

Mr. Kapila Basnayake
Director -
Madulsima Plantations PLC

Management Discussion & Analysis

Melstacorp Group

Melstacorp is one of Sri Lanka's largest diversified conglomerates, holding a portfolio encompassing beverages, plantations, telecommunication, insurance, power generation, textiles, leisure, logistics, BPO, media and creative services, construction support services and healthcare services. The Group is synonymous with dynamism and professionalism and has carved a unique niche for itself in the sectors in which it operates. Having long established its credentials as a respected corporate entity. Melstacorp embodies systems and processes led by a distinguished senior management, Board and a professional team of employees dedicated to deliver maximum value to shareholders and other valued stakeholders.

Group Overview

The dawning of the new financial year on 1st April 2020 for Melstacorp PLC and for all other corporate entities gave no indications of the calamities that were to follow in the ensuing months. Quite unexpectedly the terrorist attack on places of worship and in 5 star Hotels during the Easter weekend in April 2019 shattered the peace and calm of this Island nation once again. Consequently the effect it had on the business community and in particular the tourism and leisure sector is reflected in the Group results of Melstacorp PLC this year. The disastrous effects of the Easter Terrorist incidents on the Company's financial performance was mitigated by improved results from its main subsidiary DCSL PLC. The company was also compelled to support its loss making subsidiaries in the plantation and telecommunications sectors which resulted in increased provisions being made on account of impairment of investments made and on receivables in compliance with accounting standards. Notwithstanding these adversities the company recorded an improved performance in Profits after tax of Rs 5.1 billion compared to Rs 3.8 billion in the previous year reflecting a percentage increase of 34%.The Group results were however affected by the untoward incident mentioned previously and the profits after tax recorded a decrease of 50.6% amounting to Rs 4.4 Billion as against Rs 8.9 Billion for the previous year. The year also saw a change in the political regime as a new Government was ushered in after the Presidential elections which was held on16th November boosting business confidence and ushering in a multiplicity of tax concessions targeting both the retail and corporate sectors. Enhanced business confidence was also reflected in the stock prices in the capital markets and by mid-march 2020 many of the investments made by the company had appreciated in value. Nevertheless the euphoria of the measures taken to stimulate the economy by the new Government was short lived as a Global Pandemic was announced following the rapid spreading of COVID-19 in early March compelling the Government to take prompt measures in protecting its citizens by enforcing an economic and social lock down for many weeks. The suspension of trading activity in the Colombo Stock Exchange towards the latter part of March facilitated the freezing of stock prices which were only partially affected prior to the lock down. Thus the stock prices as at the year-end i.e. 31st March reflected the pre pandemic price increases which enabled substantial fair value gains to be recorded.

The Company also forged ahead with its long term vision of being a major player in the healthcare industry by investments in the diagnostic centre business and upgrading of the facilities at Joseph Frazer hospital which is under the management of Melsta Heath Group. Melsta Labs, diagnostic centres in Colombo, Kurunegala, Kandy & Galle come into full operation in September 2020. As at year-end, plans were also being drawn out to venture into retail

Gross Turnover - Group

Rs. Mn

	2019/20	2018/19
Beverage Sector	86,796	87,434
Plantation Sector	4,580	4,501
Telecommunication Sector	2,716	2,965
Financial Services Sector	5,376	4,746
Diversified Sector	55,007	57,837
	154,475	157,483

Profit Before Tax - Group

Rs. Mn

	2019/20	2018/19
Beverage Sector	10,166	9,557
Plantation Sector	(1,725)	(577)
Telecommunication Sector	(1,436)	(2,069)
Financial Services Sector	515	427
Diversified Sector	3,358	8,072
Share of Associate Companies Profit	476	395
	11,354	15,805

Beverage Sector

pharmaceutical business.

In late February 2020 another milestone was recorded in the Melstacorp journey by the acquisition of Browns Hospitals Ragama, now re-branded as "Melsta Hospitals Ragama". All new businesses acquired and formed in the healthcare industry have been now brought under the umbrella of Melsta Health (Pvt) Ltd which will serve as the holding company of the Group to facilitate expansion in this sector. During the year investment was also made in Melsta Gama, a Joint venture with Pyramid Gama which will shortly enter the cement bagging industry. During the year much effort was made in endeavouring to revitalise and revive the two plantation companies, the results of these efforts taken to trim down CoP (Cost of Production) and to increase NSA (Net Sales Average) is likely to be seen in the ensuing year.

Beverage Sector

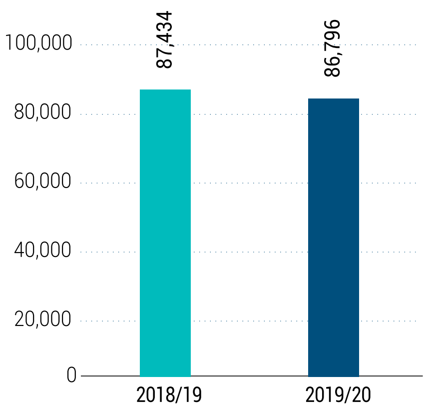
The Beverage sector sustained its status as the leader and highest revenue generator for the Group in the year under review. The beverage sector faced many challenges during the year resulting in reduction in volumes. Aftermath of Easter terror attacks affecting tourism sector, high pricing of legal alcohol, and lock down due Covid-19 pandemic at the year-end mainly contributed to the reduction of volumes.

On the other hand, considering that the tax component of legally produced alcohol is over 70% of the price, it is impossible for legal producers to retain competitiveness in the market. Further, a high tax regime and escalating cost of living serve to render consumers no choice but to opt for cheaper substitutes regardless of quality.

During the current financial year gross turnover of the beverage sector was Rs. 87 Bn and recording a profit before tax of Rs. 10.2 Bn. The beverage sector contributed Rs. 61 Bn to the State by way of taxes. In the year under review, there was a decline in the premium liquor segment in which Periceyl operates, due to increased prices. As a result, performance of Periceyl was affected as consumers have shifted to lower priced beer and other alcoholic beverages. At the same time Periceyl's Franklin and Galerie Brandy performed convincingly, maintaining the market leadership in the brandy

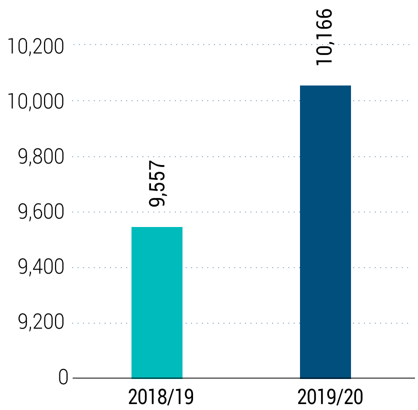
Gross Turnover - Beverage Sector

Rs. Mn



Profit Before Tax - Beverage Sector

Rs. Mn



Management Discussion & Analysis

Plantation Sector

category. During the year Periceyl launched a blended arrack by the name of "Triple Blue" which is gradually gaining popularity among a segment of consumers.

Plantation Sector

Tea

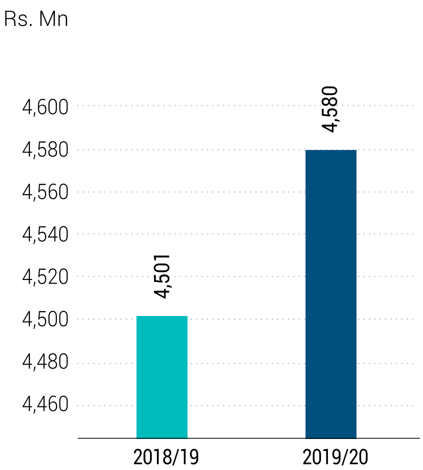
Sri Lanka's tea industry faced many internal and external challenges in 2019 ranging from erratic and extreme weather patterns to fluctuating demand and low prices. The extreme weather affected production and quality, and the consequent reduced bargaining power coupled with global developments including the depreciation of currencies of key global markets for tea adversely impacted prices.

The lift of the ban on the use of the weedicide Glyphosate in May 2018 helped exports to Japan and Europe, but extreme weather in 2019 resulted in a decrease in both quantity and quality of Ceylon Tea, thereby resulting in a drop in revenue. The reduced output pushed up the Cost of Production (CoP), and the high CoP together with the reduced revenue affected the profitability of all tea producers in general.

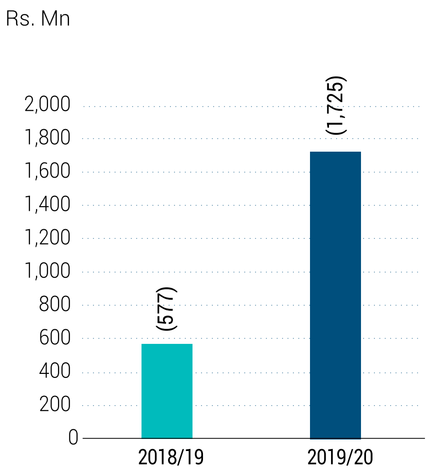
In the backdrop of a year that recorded a fall in tea production in the country, Balangoda Plantations reported an improvement in production mainly due to the application of good agricultural practices, improved plucking rounds and higher bought leaf intake. The Company NSA however was Rs. 492.41 compared to Rs.504.32 per kg in 2018, the decline attributed to a drop in global tea prices. The increase in production lead to an increase in tea revenues of the Company by 10.29%. The increased cost of input material due to the depreciation of the Sri Lanka Rupee and an increase of the daily base wage by 40% caused an increase in CoP. The high CoP and the lower prices together exerted significant pressure on the already tight tea margins.

Madulsima Plantations PLC recorded a total revenue of Rs. 2.0 billion for the year compared to Rs.2.1 billion in 2018. For the year 2019 the Company incurred an after tax loss of Rs.764 million compared with an after tax loss of Rs.600 million in 2018. The Company adopted a focus to produce high quality teas at competitive cost which was achieved during the year. However, lower auction prices coupled with high

Gross Turnover
Plantation Sector



Profit / (Loss) Before Tax
Plantation Sector



Telecommunication Sector

Cost of Production that was primarily due to increased daily base wage resulted in the higher loss for the year.

Rubber

The Rubber sector of the country continued a downward trend in profits mainly due to subdued demand conditions arising from poor global demand and oil price movements. The national auction price movements which reflected international market prices had an inevitable depressive impact on the local rubber market.

Balangoda Plantations PLC Rubber sector experienced a challenging year as with the rest of the sector in the country. Although the NSA of the Company recorded a marginal increase in comparison to the previous year, subdued demand conditions and escalating Cost of Production seriously impacted the Company profitability.

Unfavourable weather in 2019 severely curtailed the number of tapping days undertaken thereby, resulting in decreased production.

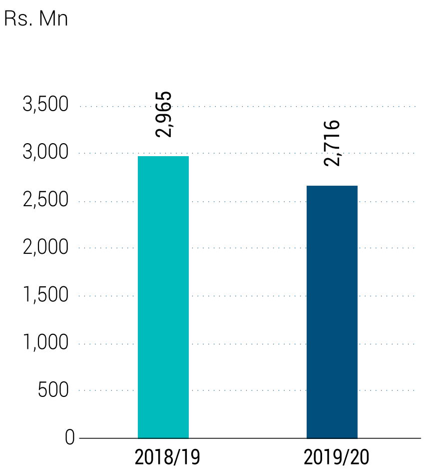
Balangoda Plantations PLC reported an after tax loss of Rs.1,031 billion compared to an after tax loss of Rs. 645 million the previous year.

Telecommunication Sector

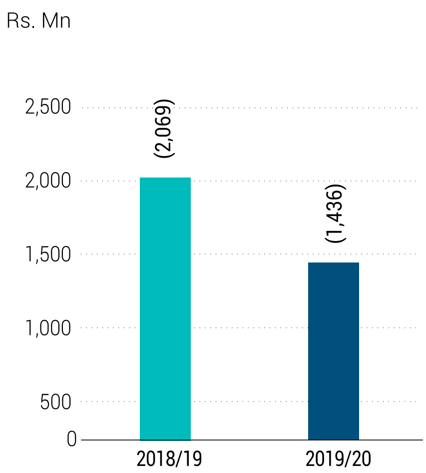
During the year Lanka Bell recorded a positive EBITDA despite the continuous decline in revenue from CDMA fixed line business which can purely be attributed to the trends in consumer behaviour with regards to voice related communications. The company displayed satisfactory performance across all product lines during the year under review.

Lanka Bells' 4th Generation LTE technology service-Bell4G recorded a revenue increase of 6.6% whilst passing the 70,000 customer milestone. Revenue from the 4G LTE service is expected to grow further during the year next financial year as well since an aggressive base station optimization plan will be carried out to maximize the near 500 base stations commissioned around the country. This together with the rising demand for quality internet connectivity offers substantial growth potential.

Gross Turnover
Telecommunication Sector

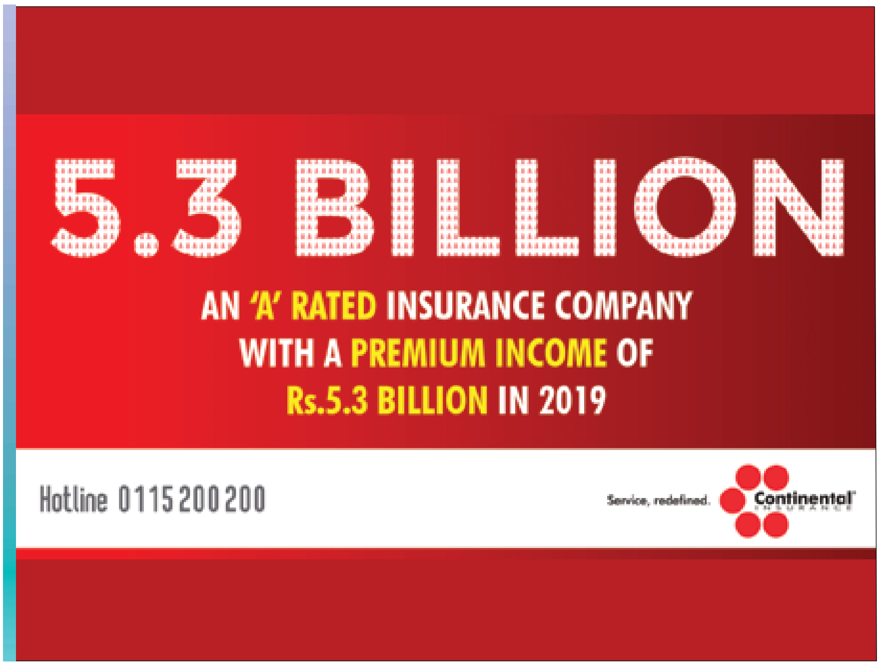


Profit / (Loss) Before Tax
Telecommunication Sector



Management Discussion & Analysis

Financial Services Sector



Financial Services Sector

Insurance

Continental insurance (CIL), the Group's general insurance provider grew its top line by 12.1% year-on-year (YoY) to LKR 5.4 Bn during 2019, despite the external events in April 2019 that shook most of the industries. The notable performance which surpassed the industry growth of 5.5%* during the year is testament to CIL's solid strategies, and effective follow-up mechanisms that permit swift changes where necessary. This, together with strong performance in investment income and cost management, resulted in a 23.3% YoY rise in net earnings during the year.

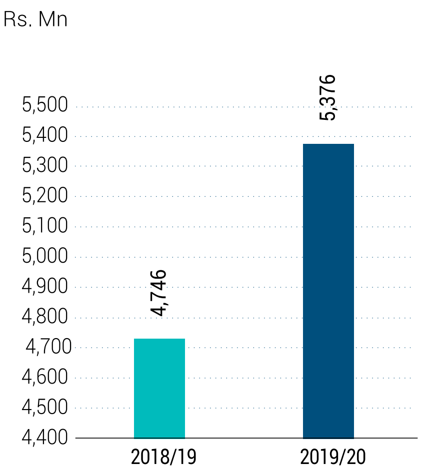
The company's total assets grew 24.2% YoY in 2019, its technical reserves grew 19.3% YoY while CIL's equity grew 18.3% YoY, providing a solid security buffer for the policyholders.

During the year, Fitch ratings affirmed CIL's A(lka) rating once again with a stable outlook, and attributed its rating action to CIL's business profile supported by improving market share, strong capitalisation, its disciplined underwriting practices and prudent investment allocation. CIL maintains solid capitalisation ratios, which stood at 249% viz-a-viz a regulatory minimum requirement of 120%.

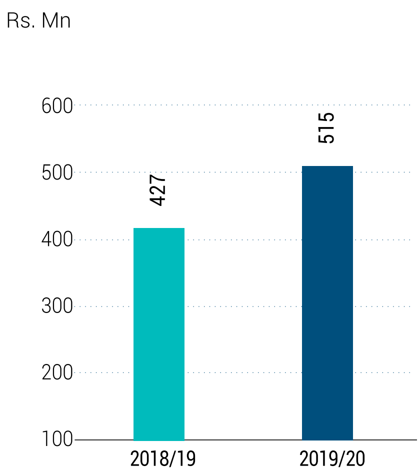
CIL continued to invest in making its processes leaner and using state of the art technology that allows unprecedented services to the customers. During the year under review, CIL implemented virtual service agent, paperless motor claims processing, automated claims payment processing option for customers and launched a new sales management information system.

CIL constantly reviews its product portfolio encompassing automobile, travel, home, marine, health and personal accident cover, to present the most comprehensive and competitive suite of products to the market. It currently serves its customer base that exceeds 200,000, through its 58 locations island-wide.

Gross Turnover
Financial Services Sector



Profit Before Tax
Financial Services Sector



Diversified Sector

Diversified Sector

Aitken Spence

Aitken Spence PLC has delivered a profit before tax of Rs. 4.2 billion during current year compared to a profit before tax of Rs. 7.3 Bn in the previous year. which is a decrease of 42.5% over the previous year in a year marked by unprecedented challenges. Current year's performance was a considerable achievement given the severe setbacks arising from the April terror attacks and the COVID-19 pandemic. For Aitken Spence the tourism sector was the hardest hit by the COVID-19 pandemic as nearly all properties were compelled to close, except a few, which remained open throughout with limited operations. Maritime, ports, logistics, power, plantations, printing and money transfer operations continued throughout the lockdown, reflecting their resilience and relevance to sustaining vital supply chains.

Aitken Spence's waste to energy plant under construction is a clear example of a strategic investment made with a view to become a key partner in the sustainable economic progress of our country. This investment of Rs.13 billion has been designed to provide twin solutions to the country's problems of energy demand and waste disposal. The plant, the first and only waste to energy project in Sri Lanka to date will become operational towards the end of year 2020.

Collision Repair Centre & Logistics

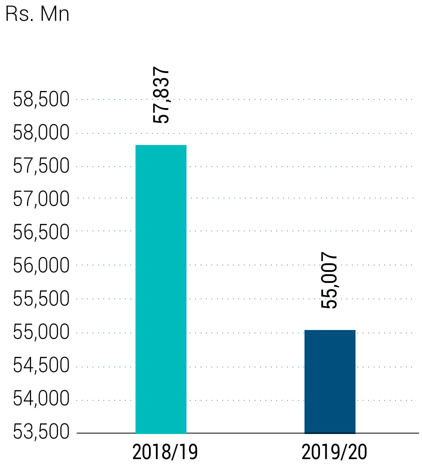
The Collision Repair Centre at Melsta Logistics performed well during the year and enabled the Group to add value for both internal and external clients. The Centre offers state-of-the-art technology, machinery, equipment and unparalleled know-how on treating vehicles based on the manufacturer's specifications. These specialised facilities have served to create a distinctive niche for Melsta Logistics.

The logistics operation continues to accrue gains for Melsta Logistics and is now focused on expanding this service beyond the Group, while investing in superior technology to enhance efficiency.

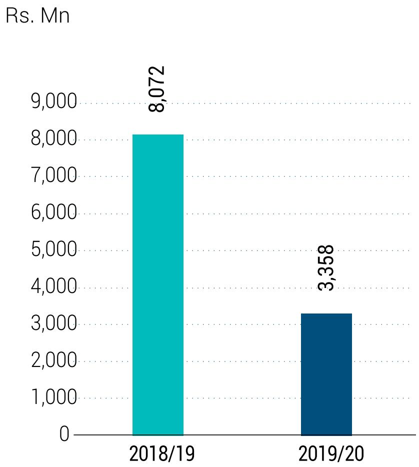
Textiles

During the year under review, sales volume of Texpro continued to drop due to stiff competition from overseas competitors. In the latter part of the year the company carried out a restructuring

Gross Turnover
Diversified Sector



Profit Before Tax
Diversified Sector



Management Discussion & Analysis

program in order to reduce overheads and thereby bring down the breakeven. Whilst embarking in the restructuring program, Texpro also developed viscose and synthetic fabrics, which is been widely accepted in the UK and European markets.

Power Generation

Bogo Power (Pvt) Ltd., a BOI registered company, was set up in 2011 at the Kirkoswald Group estate, Bogawanthalawa. The project is approved by the Sustainable Energy Authority of Sri Lanka and the Public Utilities Commission of Sri Lanka. The Company has a power purchase agreement with the Ceylon Electricity Board for the sale of electricity generated for a period of 20 years.

The power capacity of the project is 4 MW. Although the expected average annual power generation is 15.2 GWH, during the year Bogo Power exceeded the expected average by generating 15.9 GWH. Since January 2020 the unit price is reduced and is expected to have an impact on the revenue and profitability in the following years.

Business Process Outsourcing

It was a challenging start and an ending of financial year 2019/20 for Bellvantage like any other businesses in the country. Besides the Easter Sunday attacks and it's repercussions the country experienced early last year which was followed by the pandemic at the end of the year, Bellvantage proved its stability and lived up to the commitment and trust placed by its stakeholders by recording significant growth in revenue and margins.

The year was driven by constant expansion into new business avenues within the existing clientele in addition to on-boarding new business to strengthen the high profile client base. An achievement that showcases the uncompromising attention to exceptional services is proven by over 50% of the existing clients crossing a minimum of 4 years of partnership. This surely is a trait that reaffirms Bellvantage's position at the top of the BPO industry in Sri Lanka.

As technology plays a vital role at Bellvantage, the company invested on expanding and upgrading the core Call Centre system Aspect to the latest version. Bellvantage now has over 1 million call transactions for over 60 clients across multiple industries around the country to boost customer service and agent experience with better cloud optimisation for precision crafting towards the business needs.

The achievement of being certified ISO 27001 in Information Security Management was a highlight this year. It further enriched the reliability and the confidence our partners and prospects have in the company's security, systems and information which resulted in improved customer and business partner confidence.

Being optimistic and geared to face another challenging year Bellvantage will continue to focus on introducing innovative, flexible and customized solutions in technology, outsourcing and consulting services by branching out to provide a wider spectrum of services to existing and potential customers.

Information Technology

Melsta Technologies the strategic ICT arm of the Group, completes another successful year. Our key focus has been to enable customers willing to invest in information technology solutions to create digitally-enabled platforms in their workplaces to meet customer challenges caused by the rapid embedding of technology into daily lives. The gap between customer expectation, potential of technology and business expectations, are at a leadership inflection point. Melsta Technologies has entered into 16 new partnerships to enable a wider technology offering to key customers across four major segments, namely BFSI, Telco, MRD and Government.

Highly skilled IT professionals, equipped with core competencies enable Melsta Technologies to position itself as a trusted advisor able to design and deliver highly complex ICT solutions. A consultative selling approach followed by superior after sales service have been the critical success factors for customer retention and new business acquisition.

Melsta Technologies partner with many tier one technology partners such as Oracle, Hewlett Packard Enterprise, Lenovo, Redhat, VMware, Commvault, Crowd Strike, Oracle NetSuite, ASG Technologies and other cloud service providers.

Leisure

Browns Beach Hotel was re-launched as Heritance Negombo in April 2016, with 139 rooms offering a luxurious experience whilst sustaining the unique attributes of a 'city hotel on the beach'.

Browns Beach Hotel was no exception in the hotel industry that had two major setbacks, starting with the Easter Sunday terror attacks that crippled our nation followed by the COVID-19

Management Discussion & Analysis

pandemic that shutdown borders across nations. The future remains challenging as countries work their way through the worst crisis since the Great Depression in the 1930s. As the countries prepare to ease the lockdown, Heritance Negombo is focusing on a strategy to manage the crisis and emerge as a stronger player in this innovative sector.

During the year under discussion, Browns Beach recorded an increase in losses when compared with last year, yet the Hotel continued to receive high ratings and positive reviews online to maintain a high of 91.8% during the year reported by Review Pro. Business remains on high alert for developments globally and maintain positivity about the future, as multiple stakeholders have much at stake and commenced operations in July and are experiencing a good response from domestic travelers while foreign tourists are expected to arrive with the opening of source markets and international travel as Sri Lanka continues to be among the popular destinations.

Further, plans remain flexible and adaptable considering the present situation. Affordability and safety of travel will be key to driving demand during travel. As priorities are clear, ensure safety of our people, nurture our relationships, maintain cash-flow, safeguard our assets and scale up operations at the earliest opportunity with sufficient safeguards. This will be our compass and our mantra until we see through the haze.

Melsta Hospitals Ragama

In February 2020 Melstacorp acquired Browns Hospitals Ragama, now re-branded as "Melsta Hospitals Ragama". Melsta Hospitals Ragama is a fully-fledged 70-bed multi-specialty general healthcare facility which is equipped with state-of-the-art medical diagnostic technology as well as advanced medical and surgical therapeutic technology. It was the first to receive ISO 9001:2015 certification from the Sri Lanka Standards Institution (SLSI) for healthcare.

Being one of the first ISO certified hospitals in Sri Lanka, Melsta Hospitals - Ragama constantly strives to maintain the highest clinical standards, ensuring

safety as well as the best clinical outcomes for its patients. Moreover, the hospital's External Quality Assurance System (EQAS) which is accredited by the American Association for Laboratory Accreditation (A2LA), is a further reflection of the accuracy and reliability of its diagnostics.

The hospital's medical team comprises highly qualified in-house doctors and recognized visiting consultants across all specialties, supported by top-notch nursing care. Moreover, the Melsta nursing cadre is strengthened by well experienced and qualified nurses hailing from both the government and private sectors.

Melsta Laboratories

Melsta Laboratories is the newest venture under Melstacorp PLC, founded with the intention of providing world class medical laboratory testing services, Melsta Labs has established Sri Lanka's biggest non-hospital-based chain of medical laboratories. With the reference laboratory established in Colombo, Melsta Labs can cater to more than 750 tests in house at present, and with three (3) regional Laboratories established in Galle, Kurunegala & Kandy, as well as hospital-based laboratories at Melsta Hospitals Ragama and a lab at Joseph Fraser Memorial Hospital, Colombo.

Melsta Labs utilise the latest technologies and IT infrastructure seamlessly integrated with a customer-friendly smartphone app for the first time in Sri Lanka to view, store and download medical lab

reports. Employing the most stringent International Quality Assurance standards, Melsta Labs participates in several internationally accepted British, American, Sri Lankan and Canadian Quality Assurance programmes, to ascertain the accuracy of our reports. Melsta Labs is progressing itself to obtain industry leading Laboratory accreditations by 2021.

With the planned launch of its Molecular Biology department in Q4 2020, Melsta Labs is gearing to perform real time PCR (RT-PCR) testing. The RT-PCR method is the gold standard confirmatory test performed for many diseases, Including Covid-19, and is frequently used in the identification of cancers to fine tune treatment courses.

Media and Creative Services

Since its inception in 2005 as the media purchasing division for the entire Group, Splendor Media has transformed into a full-service advertising agency. Splendor now works with a diverse range of clients and provides a unique mix of strategy, creatives, and media buying, embracing all disciplines across traditional media and new media. As a fiercely independent creative agency, it prides itself on providing authentic, relevant, and progressive solutions for their clients, with work capable of influencing culture and enhancing business. Creativity is the thrust behind everything they do and partnering with them guarantees a brave new approach to advertising, which will take your brand where you hope to go and beyond.

Sustainability Report

Responsible Diversity

Our Sustainability Motto in Action

We understand that, globally, stakeholders at large are demanding that companies they associate with demonstrate non-financial metrics to define sustainability and sustainable operations. Financial profitability as the sole criteria of a company's success is an outdated concept and rejected by most stakeholders and the organisations they support. More importantly, being an environmentally, economic and socially sustainable organisation is helping companies earn corporate respect and drive customer loyalty, not to mention earning respect from peers and the industry. In an era of growing global competition, climate change and diminishing resources, companies that put sustainability as their foremost goal are winning the race. As one of the diversified, blue-chip conglomerates in Sri Lanka, we are living proof of continuous improvement and sustainable business practices. While cultivating values over a period we consider this an opportunity to strengthen our business practices that are environmentally and socially sustainable, while also being financially sustainable, the key requirement of any commercial entity. In our journey over the decades within the corporate arena of Sri Lanka, an overarching tenet has always been to ensure that our decisions, actions and impacts are sustainable and positive at all times.

We are extremely cognisant that as a corporate steward involved in numerous businesses and industry areas, we must set an example to others, while making our stakeholders a part of our journey of progress. In this Sustainability Report, we set out the measures we take to ensure that sustainability is infused along the length and breadth of our value chain. Simultaneously, we continue to invest time and resources in understanding how we can enhance our proud track record as one of the most sustainable organisations in the country.

The Melstacorp Story

History, Ownership and Legal Framework

The roots of Melstacorp hark back to 2011, when Melstacorp was incorporated to be the strategic business arm of the DCSL Group. As a result of the restructure arrangement during the year 2016 Melstacorp became the flagship company of the Group and was listed on the Colombo Stock Exchange on 30th December 2016. Melstacorp has diversified into key economic sectors in the country, placed as one of Sri Lanka's leading blue-chip conglomerates.
Melstacorp's business areas are diverse and penetrative, ranging from plantations, telecommunication, insurance, textiles, hospitality, hydropower, BPO and its largest and most influential business contributor - beverages, encompassing alcohol.
Significant Events during the Reporting Period

- During the year Melstacorp health sector entered into the clinical laboratory operation in Sri Lanka. Melsta Laboratories (pvt) Ltd is the first private standalone healthcare testing facility available in the country.
- Melstacorp acquired the Browns Hospitals, Ragama and re-branded as Melsta Hospitals, Ragama (pvt) Ltd.
- Fitch Rating has affirmed Melstacorp PLC and its subsidiary, Distilleries Company of Sri Lanka PLC, the National Long-Term Ratings of AAA (lka) with a stable outlook".
- Fitch Ratings Lanka re-affirmed Continental Insurance's National Insurer Financial Strength and assigned a National Long-Term Rating of "A (lka)" with a Stable Outlook.

Report Scope

We believe that we have a responsibility towards our stakeholders to ensure that they are given a clear insight into how we have managed their business and how we intend to work in the future. This, therefore, is our honest effort in sustainability reporting. While we do know that this report is a work in progress and requires to be developed comprehensively, this attempt helps us to put our results, both positive and negative, down on paper and work on plans that would ensure that our presence as a corporate leader will surely be advantageous to all our stakeholders. The report presents a balanced analysis of our sustainability performance strategy in relation to issues that are relevant and material to the Company and to our stakeholders, while complementing our ongoing engagement with stakeholders. This report focuses on key developments and includes only the most pertinent indicators in order to provide stakeholders with an integrated and succinct view of our sustainability performance. Unless otherwise indicated, facts and figures refer to the Melstacorp Group. Sustainability in our business is built on natural capital, social capital and economic capital, all of which must be taken together rather than in isolation for a true picture of sustainability. It is these capital segments that run through as themes of this report.

Materiality

Having embarked on this sustainability reporting process, we must confess that in documenting the necessary areas, we may not yet have a clear idea or focus on the extent of materiality involved. However, we have focused on earmarked areas and platforms that have formed the foundation for our sustainability programme and hence, we have used those as the guideline to report on the arising issues. We have also been able to identify shortcomings and gaps in data gathering, which is now being documented and acted upon to ensure that we bridge those gaps in future. We initially garnered the information from all our business sectors on a common questionnaire and began mapping the categories that were most common.

Once charted, the categories were placed in perspective and we were able to consider the materiality of our findings, positioning them in priority order and only focusing on those that our stakeholders felt were crucial or important.

Reporting Period

This report supports the Melstacorp Group's Annual Report and presents our sustainability performance for the year ended 31 March 2020. It covers Company activities, including the subsidiaries reporting period (for example, fiscal/ calendar year) for information provided 01 April 2019 to 31 March 2020. Data measurement techniques and the bases of calculations applied for compilation and other information in the report is disclosed wherever applicable. We invite feedback from our stakeholders on this report and the way we approach our sustainability priorities in order to continue improving our performance, transparency and accountability practices.

Governance, Commitments and Engagement

Board of Directors

Collectively, the Melstacorp Board has significant corporate acumen, skill, knowledge and experience aided by astute and knowledgeable support and information from senior management and external specialists when the need arises to be sufficiently informed and be independent. Board governance ensures that relevant related party transactions are reviewed by Related Party Transactions Review Committee and the Group discloses related party transactions periodically and if any Director has a direct or leading interest in any matter being discussed, they will abstain from opining, discussing and voting, all of which could influence the outcome. This avoids conflict of interest and ensures independence of the Board. Melstacorp has established a governance structure that remains aligned to the laws of the land and ensures compliance to various regulatory mandates. The governance structure therefore includes committees responsible for specific tasks and setting strategy and future direction for the Group.

The Board structure and committees are detailed on page 41, in this report. Melstacorp's Board comprises eight Directors (three Executive, three Independent Non-Executive, two Non-Independent Non-Executive), who meet to map strategy and for decision making which require Board intervention.

The Board sub-committees are a vital conduit in identifying and managing economic, environmental and social performance, including relevant risks and opportunities, as well as compliance. Ongoing Board education is an imperative at Melstacorp to ensure that Directors remain abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the

Group and its operations. During the year, all Board members and committee members were reviewed for compliance with the Colombo Stock Exchange requirements for a listed company.

The Melstacorp Sustainability Approach

Vision

To be an industry leader who will practice the tenets of a 'green company' and be upheld as a true proponent of sustainable development.

Mission

To truly 'walk the talk' in becoming green and espouse upward momentum for people, planet and profit.

Philosophy

- Infusing innovation, value addition, quality and service excellence to give our customers the best
- Create a knowledge gaining culture where our team grows and develops as individuals, while honing the entrepreneurial spark to contribute towards macro development
- Continue giving our shareholders the confidence and trust that we will always do what's best, thus ensuring consistent growth in shareholder value and returns
- Make our planet healthy and green by contributing social dividends that will translate towards sustainable development for society and the environment
- Ensure that everything we do will always keep us ahead and at the helm, collating the facets of economic,social and environmental features into our business dimensions. We integrate this three-pronged approach to sustainability, so that the journey with our stakeholders will remain one in which we grow together, forging and strengthening long-term relationships.

Sustainability Policy

Our Sustainability Policy is based on the following principles:

We continue to comply with and exceed wherever practicable, all applicable and related legislation, regulations and codes of practice.

Sustainability Report

We integrate the principles and tenets of sustainability into all our business decisions.

We strive to minimise any negative impacts that may ensue while engaging in our day-to-day activities We integrate a sustainability mindset among our team, making them fully aware of our Sustainability Policy and empower them with a sense of ownership and commitment to implement, practice and improve it

We cascade our Sustainability Policy among our valued business partners, encouraging them and assisting them to adopt sound sustainable management practices

We review and report annually and to continually strive towards improving our sustainable performance

At Melstacorp, we are committed to promoting sustainability. We remain extremely concerned for the environment and for promoting a broader sustainability agenda, both of which are integral to our professional activities and the management of the organisation. We aim to follow and to promote good sustainability practices to reduce the negative environmental impacts of all our activities and to help our stakeholders to join in this journey that will surely benefit our future generations.

The Framework

Melstacorp's Sustainability Framework, which incorporates our Sustainability Philosophy, Policy and Principles, articulates our strategic commitment to sustainable development and remains integral to risk management.

This framework assists our stakeholders in imbuing a similar sustainability approach, promotes sound environmental and social practices, encourages transparency and accountability, and contributes to positive development impacts. We ensure that this framework reflects good practice for sustainability and risk mitigation, keeping abreast of trends that bring up challenging issues, which remain at the core of managing a sustainable business. These include supply chain management, resource efficiency, climate change and human rights.

Key Challenges and Opportunities

Risks and challenges go hand in hand in the business of running an organisation, whether the risk may be from environmental problems, social discontent, political and social unrest or even natural disasters. These can be termed costly, have negative publicity, threaten operating frameworks and also prompt unforeseen expenditure.

Reputational damage too can far exceed the immediate cost impacts. While we seek to proactively reduce and manage these risks, challenges have never been a deterrent for us at Melstacorp; rather, they have been a means of directing us towards opportunity and improving business performance over time. These opportunities have driven us to enhance business growth, while ensuring that we remain within compliance benchmarks, while ensuring that our stakeholders are empowered and remain inclusive to our end goal. Over the year, we identified some challenges and risks that eventually saw an opportunity

emerge, and which, through the inherent pragmatic and astute business acumen possessed within Melstacorp, was transformed and included in the strategic way forward of the Group.

Stakeholder Engagement

We are extremely committed to engaging all of our stakeholders, both internally and externally, to become the most sustainable, responsible company we can possibly be. By listening to, partnering with, and considering the perspectives of our associates, customers, shareholders, academic leaders, Government, valued business partners and sometimes even our competitors, we can truly ensure that quantifiable and qualitative returns are assured. Stakeholder engagement is a crucial element to sustainable development as it is this engagement process that prompts the two-way dialogue and communication process which eventually aligns the strong relationships among our stakeholders and forms the foundation to our sustainability journey. Having identified our stakeholder groups, as given below, we engage with them at various forums related to their interests and expectations, in an effort to adapt to changing needs and issues, which continue to evolve. As we pursue our corporate sustainability goals, we intend to further strengthen these relationships. Together, we are establishing transparency and enhancing our relevancy with the customers and communities we serve. We have created more formal channels for interacting with stakeholders both to learn from their expertise and to provide a forum for them to provide us with feedback.

Key Stakeholders

Shareholders

Quarterly and annual financial reporting, annual meeting of shareholders, periodic individualised mailings and conference calls between senior management and investors and/or analysts when necessary, serve to deepen shareholder engagement in an ongoing manner through the financial year.

Customers

Listening and engaging with customers on a one-to-one basis and through other channels such as customer satisfaction surveys has helped us understand them better.

Employees

We adopt numerous routes, such as regular communications and engagement on one to one basis, monthly or quarterly forums, opinion surveys, internal newsletters and an open door policy.

Government/Regulators

Regular meetings with relevant Government authorities and regulators to discuss impending legal mandates are held to find solutions where necessary. This may involve discussions on challenges, risks, strategy development, execution of such laws and regulations and best practice permeation.

Suppliers

Regularly engage with suppliers to promote and institute sustainability solutions

Disclosures

The purpose of our sustainability reporting is to create greater transparency and accountability and to allow for better informed and more robust decision-making as it is becoming more important than ever to manage both positive and negative impacts of our business activities.

Our customers are increasingly developing an ethical conscience, using sustainability information to identify their chosen brands. Customers want transparency, clarity and accessibility to information and disclosures on social, environmental and economic performance. Needless to say, this information needs to be consistent and presented in a standardised approach, therefore, it is imperative that disclosures are succinct, clear, and truthful and hold fast to the underlying ethos of a principled ethical well governed business entity, which is what Melstacorp espouses to be.

Economic Disclosures

The Company ensures that both positive and negative information about itself is conveyed as fairly as possible to all stakeholders, especially shareholders.

Melstacorp ensures its shareholders and other interested parties are given accurate information to help them make an informed choice when investing. Our investors have proof of our consistent performance in our financials and share performance, as well as our astute business strategies including restructuring and acquisitions. Given our status as an industry leader, we also remain a strong partner in ensuring that the country meets its vision and objectives, generating direct and indirect employment and thus improving lifestyles, investing in infrastructure, upping quality and standards within the industry and thus setting benchmarks to develop these industries and imbuing best practices.

We practice an environment of zero tolerance on bribery and corruption and eschew ethically unsound or corrupt practices among any stakeholder segment. In this context, we have had no incidences of bribery and corruption, unethical practices or anticompetitive behaviour stemming from our Group brought to our notice. Our business dealings remain transparent and sincere in action, while accountability remains a top priority. We remain strictly compliant with all mandatory and regulatory mandates that are prevalent in our business even though the regulatory environment in some of our businesses may be seen as unfair and unjust. We do not make contributions to political parties; no member of the Board of Directors is actively involved or an office- bearer of any political party in Sri Lanka.

Product Disclosure

As a diversified group of companies, we engage in manufacturing businesses in certain sectors such as Beverage and Plantation, we ensure our production processes cover supply chain including the sourcing and use of ingredients, resources and raw materials are aligned to stringent quality standards that are initially tested repeatedly before product manufacture. We work with experts and specialists in the field both locally and internationally, who may also conduct their independent analysis and research, which assists us in manufacturing our final product.

Environmental Disclosure

We have never knowingly harmed the environment through any process that we have engaged in. We ensure that in all our processes and systems, we implement as many environmentally friendly initiatives as possible as is seen in the wastewater treatment, energy management, recycling initiatives, decrease in emissions and increase in forest cover that we have strategically embarked upon. We also constantly engage our valued business partners, suppliers and wherever possible our customers, to permeate environmental best practices among them.

Human Rights and HR Practice Disclosures

Melstacorp Group espouses and commits itself as an equal opportunity employer, stringently applying a slew of non-discriminatory policies vis-a-vis gender, age, religion, ethnicity, social, cultural and economic backgrounds on the foundation of meritocracy. We unwaveringly uphold and support the tenets mandated by the International

Labour Organisation and other

prevalent regulatory bodies pertaining to human rights and child labour. We adhere to a strict policy of 'zero tolerance to child labour', a mandate that is permeated to our valued business partners including retailers and the supply chain.

Sustainability Report

Community Disclosure

Our philosophy is to partner the community in its sustainable development journey, which in turn gains us a considerable advantage. We are inextricably entwined with our communities and we intend to ensure that our presence within these communities will benefit them and us. This year, our social focus was based on 'Education & Training and Health,

Sanitation & Housing' and by sustaining social initiatives in these key areas of interest, we believe that we can empower these communities.

- Melstacorp actively supported the government's efforts in the fight against COVID-19 with the donation of medical equipment worth of Rs.25 million to IDH Hospital.

Environmental

- Better waste and energy management in our manufacturing processes
- Reducing our carbon footprint by introducing more 'green' initiatives
- Reducing dependency on fossil fuels
- Enhancing forest cover and food security through planting of hard wood and fruit trees

Sustainability Focus

Social

- Enhancing entrepreneurial skills among estate youth
- Assisting educational initiatives from childcare to university-level students
- Creating awareness of preventable diseases among lesser affluent communities

Economic

Ensuring that shareholder wealth is optimised without compromising on standards or principles

Permeating best practices to valued business partners

Setting an example of ethical leadership through a well-governed accountable entity

Creating benchmarks for the industry.

Sustainability Performance

Environmental Impact

The Melstacorp Group, having conformed and remain strictly compliant with the Central Environmental Authority standards, is additionally subjected to regular audits to ensure full transparency. This ensures that we remain conscious of the impacts our actions would have on the environment and have through the years, worked on improving our processes and systems that would eventually help us to reduce the negative impact we have on the environment, while minimising climate change.

Energy, Waste & Water Management

Energy and waste management are crucial features in our environmental management focus, especially in our manufacturing processes. DCSL uses a sophisticated distilling system using French technology which is totally environmentally-friendly embeds energy-saving features into our plants, as low evaporation during distillation aids the saving of energy. This technology has also helped in decreasing emission levels. Wastewater treatment plants and an environmentally friendly zero-harm effluent management system ensures that waste, water and effluents are all managed well within the compliance norms. While the waste water is treated to neutralise acidity and released for further use once deemed 100% safe,the methane which is discharged during the purification process is used for factory consumption. In our bid to reduce the country's dependence on fossil fuels and thereby reduce the expenditure of foreign exchange, we embarked on a mini-hydropower project. The Kirkoswald Mini-hydropower Project, under the umbrella of Bogo Power (Pvt) Limited and located within Madulsima Plantation's land, has gained approval from the Sustainable Energy Authority of Sri Lanka, generating an average of 20.0 GwH of power to the national grid. The water required for the hydropower project is diverted and returned to the river within a short distance from the point of diversion. The channel, weir and power house are small structures, which have minimum impact on the natural eco-system and the communities around the area. The companies of the Melstacorp Group have all initiated in-house modes of energy, waste and water management, as part of the Group's holistic vision of environmental impact mitigation. The Collision Repair Centre, which comes under Melsta Logistics Limited, remains very compliant with environmental regulations and in fact, has ensured that its entire facility is eco-friendly. Waste disposal is managed efficiently, with disposable waste being recycled and organic waste converted to compost, which is used to nurture vegetation within the premises. In addition, a waste-water treatment plant maximised the usage of water. Melsta Logistics also took on the responsibility of managing the Group's fleet of vehicles to ensure that measures are taken to monitor and control emission levels and usage of fossil fuels and thus reduce its carbon footprint. At present, Texpro is using biomass thermic fluid heaters instead of fossil fuel consuming equipment, as a result the Company managed to reduce the energy cost sustainably.

Recycling

Our beverage sector packaging gained emphasis to mitigate environmental impact with over 50% of the bottles used for alcohol and spirits being recycled and crates used for transport, being reused. Cellophane, glass, aluminium and plastic generated by the factory were outsourced to an external party for reuse, while used labels were transformed into pulp. This also reduced the number of trees being felled.

Sustainable Agriculture

We are proud to report that the Balangoda Plantations and Madulsima Plantations accredited by the Rain Forest Alliance as Rain Forest Alliance Certified (RAC) Plantation Companies. This enhances our commitment towards adding value and places a greater emphasis on environmental management and community development. This exercise is also a testament to our continued commitment to stepping into the growing market of enlightened consumers who make conscious choices about supporting sustainable agricultural practices through their purchases and would be a baseline to benchmark us with players in the Industry with clear goals and targets to be achieved. As a part of its pledge to continually improve environmental and social sustainability, many initiatives were launched by Balangoda Plantations to protect and conserve the natural environment through the prevention of pollution, efficient utilisation of resources, effective waste management practices, promotion of environmental awareness and sensitivity amongst the plantation community. Balangoda Plantations always espoused sustainable agricultural standards and good manufacturing practices. The Company ensured that nearly all its manufacturing facilities have gained ISO 22000 certification, which ensured that it remained within the stringent guidelines required for conducting business, manufacturing processes and systems. In order to retain these standard certifications, the facilities are also continuously subjected to audits. The larger result however is that with the infusion of best practices in agriculture, we are not only enhancing our end product, but also ensuring that our practices are governed by a green ethos. Further augmenting this green ethos, Balangoda Plantations embarked on a reforestation drive, which, while increasing our forest cover, also significantly impacted the challenges the country will face in the future of food security. In addition, the estates began implementing a composting programme, which converted non-usable materials into compost, deemed for use in the three hectares that are being replanted with tea.

Social: Diversity in Our Team

Our longevity and culture of achievement is rooted in the motivation and mindset of our people, who are committed and dedicated towards achieving greater heights of performance and raising the benchmark. Given that the Melstacorp Group has grown into a diversified conglomerate encompassing a number of diverse industries and yet is unequivocally positioned with a leadership status, evidences that our team is a winning one. The dynamism, motivation and 'overzealous' attitude they always espouse has enabled this

Group to take on challenges, some deemed insurmountable and win against the odds

HR Philosophy

Our HR Philosophy is to provide and promote an encouraging and professional working environment for our team. We believe that the prosperity of our business depends on successfully developing an integrated group of motivated and innovative employees, hence we facilitate positive employee relations and inspire employees by offering opportunities for challenging work, personal development and growth. We are committed to hire, develop and retain the most talented people in order to achieve a committed pool of talent.

Recruitment & Retention

A range of processes has been instilled within the Group to ensure that recruitment is non-discriminatory, unbiased and driven by meritocracy. In addition, in a bid to streamline our recruitment processes, a recruitment requisition form was introduced, which is the base upon which recruitment is effected and a comprehensive interview evaluation form was brought in to streamline the interview process from initial screening to final interview stage. The Group companies follow HR best practices ensuring consistency in the HR Policy approach and a fair playing field for potential employees. For instance, Continental Insurance strives to follow best practices in human resource management as well as the development of human resource. As a growing business, Continental Insurance is in need of regular fresh blood from the outside, while growing talent from within, hence, Continental Insurance ensures a healthy mix of both. As an organisation is nothing more than the collective capacity of its people to create value, organisational culture is an important element in any organisation's makeup and success. Therefore, at Continental Insurance new recruitment is based on alignment with the Company's internal culture, in addition to knowledge, skills and attitudes required for the role.

Training & Development

Training and development forms the axis to the sustainability of our business and into this we have instilled a knowledge gaining culture, which enables individuals to attain their personal goals while working towards the Company's aspirations.

Sustainability Report

Melstacorp is facilitating all the training programmes for the Group. The training programmes span on the job, off the job, external, hands-on and internal programmes, all designed to enhance knowledge, update skills and create an empowered workforce. Continental Insurance provides training across the board to all its employees to enhance their technical skills, not forgetting to harness their soft skills, crucial to delivering a better customer service, in line with the strategic vision of the Company. Bellvantage focuses on developing employees with continuous improvement strategies. The specialised trainers and quality evaluators give them continuous support and guidance. In addition to the in-house trainings, the Company initiated outward bound training programmes with team building activities. At Balangoda Plantations, conducted a series of training sessions on quality manufacture and agricultural practices, teamwork, career growth and development, health and safety instructions.

Recognition & Staff Well-Being

The Melstacorp HR Policy is based on the belief that a satisfied employee is a motivated employee who will contribute towards achieving Company goals voluntarily, while being more productive. We have continuously infused numerous rewards and remuneration schemes, while adding welfare initiatives that would add value to our employees to better their lifestyles. Given below briefly are some of the more important initiatives currently in place:

DCSL

Continuous remuneration reviews and increases according to predetermined scales, which could also be tied to performance incentives and bonus schemes. A range of insurance policies are in effect including Workmen's Compensation and Personal Accident Insurance. DCSL PLC offers all employees this 24-hour insurance cover which includes a natural death cover. DCSL holds annual staff get-together, annual cricket tournament, sports days with indoor and outdoor sports events and children's parties to build team spirit and facilitate fun and friendship. Long-serving employees (over 40 years) of DCSL were felicitated with recognition and rewards.

Periceyl

A continuous chain of performance related incentives including social activities, training initiatives and excursions/trips are extended to high achievers.

Continental Insurance

The Continental Insurance HR Policy aligns remuneration with employee performance and the reward strategy not only focuses on monetary rewards, which will have a short-term impact on employee behaviour, but also timely appreciation and recognition of employees. All employees and their immediate family members are covered under the staff medical scheme which will ease the financial burden when hospitalisation is required.

Melsta Logistics Limited

The Melsta Logistics team is covered under a comprehensive medical scheme and other facilities include a cafeteria, resting areas and lockers. Occupational Health & Safety As a diversified conglomerate with interests in wide-ranging economic activities including manufacturing, it is imperative that we make our workplaces safe. Occupational Health and Safety remains a high priority for the Melstacorp Group and our beverage sector has taken numerous steps to ensure, to the best of our ability, that the workplace is safe, hygienic and not harmful to our team's health. Our manufacturing processes conform to accepted industry guidelines and practices in safety management and we have set for ourselves a target of 'a zero accident workplace'. By being proactive, conscious and focused, we have inculcated a conscience and culture of prevention, while team members have been trained to remain alert to any gaps and hazards that may arise.

Giving back to the Community

During the year Balangoda Plantations conducted a series of Health-related activities, awareness programmes and training sessions to provide a healthy and safe working environment for the estate community.

. Melstacorp believes that most effective social investments are serving the community through these types of programmes and initiatives in the future. Balangoda Plantations contributes towards community development by providing financial support to workers including short-term loans, housing loans and distress assistance, facilitating the purchase of goods and equipment on easy payment schemes, death benefit scheme through the Estate Worker Housing Cooperatives, which are actively functioning at Balangoda Plantations.

Health, Housing and Sanitation

Both Balangoda and Madulsima Plantations have been actively involved in uplifting the lifestyles of its estate community by facilitating new housing and better working conditions. In addition, numerous awareness programmes were undertaken towards improving the socio-economic growth and health and nutritional status, and living environment, youth empowerment and community capacity building, of the resident plantation population.

Housing Facilities

During the current year too, Balangoda and Madulsima Plantations continued their efforts at upgrading living standards of the plantation community.

Balangoda and Madolsima plantations upgraded and modernized the rest room facilities for the workers. Madulsima Plantations Built 440 housing units with the support from various stakeholders such as Sri Lanka Government, World Bank and Indian High Commission, etc.

Health Care and Safety

Balangoda Plantations manages a number of child care centres and preschools within the plantations. The child care centres are supported by full-time trained teachers and nutritional feeding programmes. Regular child immunisation programmes are also conducted at the child care centres, ensuring access to proper child immunisation for estate children. Further, awareness programmes on improving nutritional status of women and children, dental clinics, awareness programmes on prevention and detection of cancer, disaster management and rehearsals on landslide situations, are some of the many activities carried out to create a healthy community.

Economic Contribution

Today, although our core business is beverages, our scope of business is diverse transcending different spheres across the national economy. Over the years, we have made inroads in telecommunication, plantations, textiles, BPO, logistics, leisure, insurance, media and hydro-power, committing ourselves to add economic value to all these industry sectors, while being responsible for our actions and the decisions we make. Therefore, as a leading corporate, we will strive towards building continuous sustainable value, generating returns for our shareholders, while ensuring that we consciously do the right thing not only for our stakeholders, but for the environment as well. It is this holistic outlook that allows us to work proactively with all our stakeholders, creating shareholder wealth and social value, inspiring our team and permeating best practices among our suppliers. Given our leadership status in the beverages industry, the company has been subjected to numerous actions, diktats and mandates that have continually stifled the legal alcohol and spirits industry, which have only served to allow the illegal trade to flourish. We believe that this situation will eventually take a toll on the nation's health, both economically and socially. We are by far one of the largest contributors to the national treasury, having paid Rs. 63 Bn as taxes at Group level this year. It is these funds that are eventually used by the State for meeting its development goals. Therefore, we are proud to be a major contributor to national development, as a legal, law-abiding corporate citizen with future potential to contribute toward the nation's development agenda. The diversification of the Melstacorp Group into various industries has benefited the national economy through investments in human capital and on infrastructure, employment opportunities, uplifting industry standards and wider consumer choices. Our infrastructure investments into plant and machinery conform to stringent standards that naturally add value to the overall economy. Similarly, all companies in the Group conform to numerous and relevant international standards and have gained certifications of compliance, which means that the entire industry is being improved through the setting of higher benchmarks. Currently, the Melstacorp Group provides employment to 23,697 people while indirectly granting employment to many others. The benefits, remuneration, rewards and welfare gained by our employees also ensures that their families gain an improvement in their lifestyles, while additional education and training adds to elevating knowledge levels amongst our team.

Industry Leadership

Melstacorp Group has contributed to industry development in different spheres of operations through knowledge sharing, innovative solutions and the latest technologies. Our companies embrace international best practices, standards and quality certifications that have contributed towards setting new standards within the industries we operate in. However, we have also shared our knowledge, skills and expertise with other corporates and like-minded individuals, as we believe knowledge sharing among the industry is vital for sustained growth and ultimately national development.

Investor Relations

Melstacorp continued to attract high-level interest from foreign investors during the current financial year. We have conducted many meetings with current and prospective shareholders during the year. Such interest in the Company is symptomatic of positive external perceptions regarding the Company's future potential towards growth in shareholder value.

Supplier Engagement

Forging strong supplier relationships offers a comprehensive way for Melstacorp to assess and streamline the processes between our organisation and our suppliers for an effective partnership. In reality, suppliers are people as well and we believe in emotionally engaging with our suppliers so that they work harder for us and help us cover potential risk areas. Whatever the size or category of supplier, the Melstacorp's Supplier Policy ensures a level playing field and equal opportunities for all our suppliers. We have procedures in place to ensure responsible behaviour towards all our suppliers, while committing our suppliers towards reciprocity in responsible behaviour towards the Company. This ensures our stringent

Sustainability Report

quality and standards are understood and met by all our suppliers. We believe strongly in positioning our supplier philosophy on good corporate conduct, sourcing and producing responsible quality products and influencing a win-win relationship worked on a platform of mutual benefit. Just as we position ourselves as a responsible industry leader, we strongly believe that we must permeate the best practices we have within our business, the standards and integrity and compliance initiatives to our entire supply chain. This in effect cascades to quality, productivity and standards overall being improved. Melstacorp has a widespread and diverse supply chain spanning the full range of businesses from micro entrepreneurs, to SMEs to large corporates. We also emphasise among our supply chain and valued business partners the need to implement and promote business practices that not only encourage a safe workplace, but also request them 'to do right' by the environment, their employees and communities. In other words, we want them to, in turn, be responsible entities and individuals. Suppliers and business partners, once among the Melstacorp

Group, are provided with further support and guidance, enabling improvement against these principles as the business relationship develops. Our suppliers are selected on pre-determined criteria that would position them and align them to our standards and principles. This conformance goes beyond compliance and would by no means involve us in engaging or aiding and abetting illegal or hazardous and dangerous activities. We want our suppliers to be partners with us, in joining us in our journey that will truly be one of mutual respect, understanding and trust. We Seek Suppliers into Our Value Chain who proactively support our efforts to combat illegal and illicit trade practices; comply with laws and regulations pertaining to conducting business and environmental performance, occupational health and safety; do not support or condone child labour, slavery, harassment, corporal punishment or discrimination of gender or any other denominator; are cognisant of human rights and the rights of workers; do not engage in any fraudulent or corrupt practices; provide their teams with a safe and healthy work environment; and actively engage to empower the communities in which they operate.

Customer Interaction

We believe that nurturing our customers is an ongoing dialogue and not a one-off event. Nurturing an ongoing and genuine relationship with customers will have a major impact on the way they perceive our brand but also serve to strengthen our operations through focused customer feedback. We engage our customers in numerous ways, nurturing and strengthening relationships to ensure strong loyalty to brand and product. From face-to-face ad hoc conversations, to conducting customer surveys, to formal gatherings and informal events, we are constantly engaged with our consumer. It is this feedback and varied dialogue and communication channels we have created that have assuredly enabled us to charter our future plans. Our beverage business is fundamentally about offering adult consumers a range of high-quality products and brands with the necessary knowledge to make informed choices. We do not in any way coerce or inveigle our customers to stay with us and our portfolio of products by any illegal or unscrupulous means. Moreover, though engaged in a legal industry forced to work in a dark market, prohibitive excise duties and constant taxation, our products have remained at the helm, which has thus driven us to continually exceed our customers' demands. We do believe it is our responsibility to ensure that consuming alcohol must be done responsibly, knowing that the product is manufactured to high standards and is a proven brand of quality. Therefore, we are vociferous in numerous forums to curb and annihilate the illicit and illegal liquor trade. We work on education and awareness initiatives among various forums to take the message of the hazards and dangers posed to the eventual consumer in drinking illicit brew or illegal liquor, given that the latter too has no guarantee of quality. Our subsidiary companies have continued to gain the trust and loyalty of their customers through their customer centric policies, innovative solutions and technology applications for increased cost savings and higher customer value creation. Lanka Bell, the Group's telecommunications subsidiary, continued its 4G LTE network third stage during the year, becoming one of the four operators in the country to have a 4G-LTE network. The introduction of this latest technology is to offer world-class data solutions to customers, while providing access to greater bandwidth capacity at faster speeds. Continental Insurance provides comprehensive policies to large hotel chains operating luxury properties in Sri Lanka and the Maldives. CILL operates an Android mobile application to all technical assessors to facilitate efficiency in the processing of claims. In addition, payments of premiums online were also implemented in order to cater to the growing market of online users, thereby giving customers an enhanced service with greater convenience and ease.

Awards & Recognitions

Melstacorp retained rank No. 07 in Business Today's 'Top Thirty' edition.

Long-term Sustainability Goals

1. Be known as the preferred employer having the ability to attract and retain talented people, inducting them in a knowledge-based corporate culture, while assuring them of career enhancement in a responsible company they will be proud to be a part of.

2. Retain market leadership by ensuring that we work on high quality sustainable competitive advantages to infuse trust and loyalty among our customer base by evolving the business to be ahead of customer expectations, which in turn will deliver qualitative and quantitative sustainable returns.

3. Never lose sight of the tenets of corporate stewardship; instill governance and regulatory best practices, while demonstrating our commitment to being an ethical, transparent and accountable group of companies.

4. Create economic and social value among the communities we work with, supporting both the rural and urban economies and key industries that are earmarked to be drivers in national development.

5. Be a Green Ideologue; an advocate who will address environmental issues and 'change' the direction of climate change, walking the talk to spread the need to reduce our carbon footprint and ensure a better planet for future generations.

Our contribution with a donation of Medical equipment to the Government of Sri Lankla for a PCR lab at National Institute for Infectious Disease (IDH).

Corporate Governance

Strive to achieve corporate objectives of managing strategy, risk and compliance to ensure long-term returns to stakeholders.

Enterprise Governance

Working on an integrated approach for applying governance throughout the organisation, Melstacorp practices the key principle of infusing the tenet that everyone is responsible for the performance of the Group, the management of risk and value creation. We strongly recommend and commit ourselves in ensuring that enterprise governance operates through people, processes, policy, procedure, culture and ethics.

The principles of governance are applied effectively by the Board of Directors and are seen in the consistent growth performance of the Group, while also improving the long-term return to stakeholders. Beyond the Board, the application of governance methodologies and the integration of governance into other organisational functions, we strongly believe that it has significantly benefited the long-term performance of Melstacorp.

To further augment our effective governance strategies, we have implemented the following:

- Strive to achieve corporate objectives of managing strategy, risk and compliance to ensure long-term returns to stakeholders.
- Oversee business objectives including management of IT, sustainability, finance and project portfolio management to ensure sustainable consistent results.
- Board of Directors remains emphatic on due diligence to ensure accountability, transparency and sincerity of action.
- Implemented an environment of responsible and balanced corporate governance that enhances integrity and respect for the Company and ensures the Company's stewardship and stability in the industry and market.
- Introduced a culture in which the entire organisation takes ownership for risk, compliance and performance.

We infuse governance tenets that continue to hold us in high esteem and as a spearhead among our shareholders, stakeholders and peers. This is further augmented with our Board's adherence to the highest standard of corporate behaviour and ethics at all times. To remain at the helm of Sri Lanka's corporate landscape, we realise that we must incorporate new dimensions into our core decision-making processes and practice due diligence to protect the interests of our shareholders, while maintaining an unrelenting focus on the expectations of other stakeholder segments.

Melstacorp has a strong and sound foundation of sustainability principles that remain the overarching fundamentals in instituting and maintaining uncompromising governance practices and principles. The section of the report details the governance structure and the practices and guidelines Melstacorp has adopted in ensuring that we remain within the parameters of the numerous regulatory and authorised bodies that govern the industry and the Company. We stringently adhere to and comply with the mandates of the Colombo Stock Exchange and Securities & Exchange Commission of Sri Lanka, NATA, Excise Department, Central Bank of Sri Lanka and the Government Treasury, Institute of Chartered Accountants of Sri Lanka, Telecommunication Regulatory Commission of Sri Lanka, Insurance Board of Sri Lanka, Central Environmental Authority, relevant Ministry and Departmental authorisations and regulations, and numerous codes introduced by Professional Associations and the Chamber of Commerce from time to time.

This corporate governance statement defines in detail the structures and processes that we use in our organisation to balance the interests of our stakeholders, reviewed at regular intervals to ensure that Group's expectations are met and are aligned with evolving growth strategies.

The Board of Directors

Role of the Board of Directors

The Board of Directors is responsible to the Company's shareholders to ensure at all times that the activities of the Company are conducted to the highest ethical standards and in the best interest of all stakeholders.

The key responsibilities of the Board are;

- To enhance shareholder value.
- Provide direction and guidance in formulating corporate strategies.
- Monitor systems and procedures especially with regard to internal controls and risk management.
- Approve major investments.

Name of Director	Status	Attendance*
D. H. S. Jayawardena	Chairman	2/2
A. L. Gooneratne	Managing Director	2/2
C. R. Jansz	Executive Director	2/2
N. de S. Deva Aditya	Independent Non-Executive Director	2/2
K. J. Kahanda	Non-Independent Non-Executive Director	2/2
A. N. Balasuriya	Independent Non-Executive Director	2/2
D. Hasitha S. Jayawardena	Non-Independent Non-Executive Director	2/2
R. Seevaratnam	Independent Non-Executive Director	2/2

*In person or by alternate

Composition of the Board and Independence

The Board of Directors of Melstacorp comprises the Chairman, two Executive Directors, two Non-Independent Non-Executive Directors and three Independent Non-Executive Directors as given in the table above. Brief profiles of the Directors are given on pages 16 to 17.

The Board considers that three Non-Executive Directors are independent in accordance with the criteria detailed within the Listing Rules of the CSE and have submitted signed confirmations in this regard.

All the three (3) Non-Executive Independent directors the of Melstacorp PLC, Mr. N. de S. Deva Aditya, Dr. A. N. Balasuriya and Mr. R. Seevaratnam are also Directors of its subsidiary company DCSL PLC and the majority of the other Directors of the Melstacorp PLC are also Directors of subsidiary DCSL PLC. The Board has determined that independence of Mr. N. de S. Deva Aditya, Dr. A. N. Balasuriya and Mr. R. Seevaratnam are not compromised as per Section 7.10.4 (g) of the CSE Rule taking account all the circumstances including that they are not directly or indirectly involved in the day-to-day management of both Companies and by virtue of them being Independent Directors of its subsidiary where majority of other Directors are also the Directors.

Meetings and Attendance

The attendance of the meetings of the Board during the year is given above.

Board Committees

Certain responsibilities of the Board have been delegated to the following sub-committees;

Audit Committee

The Audit Committee comprises three independent Non-Executive Directors and one Non-Independent Non-Executive Director as follows;

R. Seevaratnam - Chairman
A. N. Balasuriya
N. de. S. Deva Aditya
D. Hasitha S. Jayawardena

The detailed report of the Audit Committee is given on pages 58 to 59.

Remuneration Committee

The Remuneration Committee has two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as follows;

A. N. Balasuriya - Chairman
N. de. S. Deva Aditya
D. Hasitha S. Jayawardena

The report of the Remuneration Committee is given on the page 60.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee is responsible to the Board of Directors comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as follows;

R. Seevaratnam - Chairman
A. N. Balasuriya
D. Hasitha S. Jayawardena

Nomination Committee

Nomination Committee comprises of two Independent Non-Executive Directors and one Non-Independent Executive Director as follows;

N. de S. Deva Aditya - Chairman
C.R. Jansz
A. N. Balasuriya
A. L. Gooneratne - Secretary to the Committee

The report of the Related Party Transactions Review Committee is given on page 61.

Corporate Governance

Investor Relations

One of the prime fundamentals that are prevalent and identified with the Group's sustained success and growth has been the close rapport in investor relations. Given that we are mandated to safeguard and create shareholder wealth and are duty bound to share all Company information with our shareholders at all times in order to nurture sustainable relationships with our stakeholders, we foster effective dialogue and engagement with the relevant stakeholders and the financial community. We strongly believe that it is our strategic management responsibility to maintain an open line of communication with shareholders and address any concerns or issues that may require discussion or resolution. The designated investor relations officers regularly meet shareholders and fund managers to fuel these long-term relationships, providing information and answering any queries. Further, the Group possesses performance measurement tools to ensure that these objectives are met.

Apart from personal interaction with stakeholders, our Quarterly Financial Statements and the Annual Report offer a comprehensive canvas of the Group's performance, constituting the principal means of communication with shareholders.

Internal Controls

The Board instills and maintains a strong set of internal controls to safeguard shareholder wealth. The responsibility of the Board has been clearly stated as one where it is in charge of the Group's internal control systems and will regularly review if they are adequately safeguarding the Company and shareholder assets while supplying precise and timely information for informed decision making. The responsibility of the Board covers financial, operational and compliance related activities and risk management.

The main companies in the Group have established internal audit divisions that are controlled by the annual internal audit plans approved by the respective Boards. The Audit Committee reviews and monitors the activities and the findings of the internal audit divisions at regular intervals.

Going Concern

After an extensive review of the Group's corporate plan, budgets, capital expenditure requirements and future cash flows, the Financial Statements have been prepared on going concern basis. Further, the Board is satisfied that the Group possesses the necessary funds for adequate liquidity and to sustain its operations for the foreseeable future

The Company's compliance with the CSE Listing Rules and the best practices set out in the Code of Best Practice on Corporate Governance issued jointly by CASL and SEC is set out in the table that follows.

The Company's compliance with the CSE Listing Rules.

Section	Applicable Rule	Compliance Status	Details
7.10.1	Non-Executive Directors At least one-third of the total number of Directors should be Non-Executive Directors.	Complied	Five out of eight Directors are Non-Executive Directors
7.10.2(a)	Independent Directors Two or one-third of Non-Executive Directors, whichever is higher, should be Independent.	Complied	Three out of Five Non-Executive Directors are Independent
7.10.2(b)	Independent Director's Declaration each Non-Executive Director should submit a declaration of Independence/ Non-Independence in the prescribed format.	Complied	Please refer page 41
7.10.3(a)	Disclosure relating to Directors The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Complied	Please refer page 41
7.10.3(b)	Disclosure relating to Directors The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied	Please refer page 41
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied	Please refer pages 16 to 17
7.10.3(d)	Disclosure relating to Directors Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	Complied	No new Director was appointed during the year.
7.10.4	Criteria for defining 'Independence' Selection criteria of Independent Directors of a listed company.	Complied	Please refer page 41
7.10.5	Remuneration Committee A listed Company shall have a Remuneration Committee.	Complied	Please refer page 60
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors, a majority of whom will be Independent.	Complied	Please refer page 60
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Please refer page 60

Corporate Governance

Section	Applicable Rule	Compliance Status	Details
7.10.5(c)	Disclosure in the Annual Report The Annual Report should set out;		
	i. Names of the Directors comprising the Remuneration Committee.	Complied	Please refer page 60
	ii. Statement of Remuneration Policy.	Complied	Please refer page 60
	iii. Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer Note 11 to the Financial Statements
7.10.6	Audit Committee The Company shall have an Audit Committee.	Complied	Please refer Audit Committee report on page 58 to 59
7.10.6(a)	Composition i. Shall comprise Non-Executive Directors, a majority of whom will be Independent.	Complied	Please refer page 58
	ii. One Non-Executive Director shall be appointed as Chairman of the committee.	Complied	Please refer page 58
	iii. Chief Executive Officer and Chief Financial Officer shall attend Committee meetings.	Complied	Please refer page 58
	iv. The Chairman or one member of the Committee should be a member of a professional accounting body.	Complied	Please refer page 58
7.10.6(b)	Functions i. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.	Complied	Please refer Audit Committee report on pages 58 to 59
	ii. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Complied	
	iii. Overseeing the process to ensure that the Entity's internal controls and risk management, are adequate to meet the requirements of the Sri Lanka Accounting Standards/IFRS migration.	Complied	
	iv. Assessment of the independence and performance of the entity's External Auditors.	Complied	
	v. Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Complied	

Section	Applicable Rule	Compliance Status	Details
7.10.6(c)	Disclosure in Annual Report i. The names of the Directors comprising the Audit Committee.	Complied	Please refer Corporate Governance report on page 41 and Audit Committee report on pages 58 to 59
	ii. Basis of the determination of the Independence of the Auditors.	Complied	
	iii. Report by the Audit Committee setting out the manner of compliance by the Company.	Complied	
9.2.1 & 9.2.3	Related Party Transactions Review Committee.	Complied	The functions of the Committee are stated in the Related Party Transactions Review Committee report on page 61.
9.2.2	Composition of the Related Party Transactions Review Committee.	Complied	Please refer the Related Party Transactions Review Committee Report on page 61.
9.2.4	Related Party Transactions Review Committee Meetings.	Complied	Please refer the Related Party Transactions Review Committee Report on page 61.
9.3.1	Immediate disclosures.	Complied	
9.3.2(a)	Disclosure - Non-Recurrent Related Party Transactions	Complied	Please refer Note 36.2.3 of the Financial Statements.
9.3.2(b)	Disclosure - Recurrent Related Party Transactions	Complied	Melstacorp PLC carries out transactions with its subsidiaries and expected to extend over a period which are carried out on continous basis and are of time in the ordinary course of the business of the Company. Please refer Note 36.2.4 of the Financial Statements.

Corporate Governance

Section	Applicable Rule	Compliance Status	Details
9.3.2(c)	Report by the Related Party Transactions Review Committee	Complied	Report by the Related Party Transactions Review Committee on Page 61.
9.3.2(d)	A declaration by the Board of Directors	Complied	Refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on page 64.

Code of Best Practice of Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA-Sri Lanka).

Ruling Index	Description of the Ruling	Compliance Status	Details
A.	The Board		
A.1	Company to be headed by an effective board to direct and control the Company.	✓	Board consists of members who are qualified and experienced in various fields. Please refer Corporate Governance report on page 40.
A.1.1	Regular Board meetings and supply of information.	✓	Please refer Corporate Governance report on page 40.
A.1.2	Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions.	✓	Please refer Corporate Governance report, Annual Report of the Board of Directors and report of Audit Committee for the details.
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required.	✓	Please refer Annual Report of the Board of Directors on page 62.
A.1.4	Access to advice and services of the Company Secretary.	✓	The Company Secretary position is headed by a professionally-qualified Company Secretary.
A.1.5	Bring independent judgment on various business issues and standards of business conduct.	✓	All Board members actively participate in Board meetings by bringing up their own independent judgment.

Ruling Index	Description of the Ruling	Compliance Status	Details
A.1.6	Dedication of adequate time and effort.	✓	The Directors dedicate sufficient time before a meeting to review Board Papers and call for additional information and clarification if necessary, and follow up issues consequent to the meeting.
A.1.7	Board induction and training.	✓	The Directors are provided with training as and when it is required.
A. 2	Chairman and Chief Executive Officer.		
A.2.1	Justification for combining the roles of the Chairman and CEO.	✓	The positions of Chairman and CEO are separated.
A.3	Chairman's Role		
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner. effective participation of both Executive and Non-Executive Directors. balance of power between Executive and Non-Executive Directors.	✓	Please refer Corporate Governance report on page 40 for the following details.
A.4	Financial Acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	✓	Please refer the Audit Committee report on page 58.
A.5	Board Balance		
A.5.1	In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board.	N/A	N/A
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be 'Independent'	✓	Board of Directors consists of five Non-Executive Directors, out of which three Directors are Independent. Please refer page 41.
A.5.3	Definition of Independent Directors.	✓	Please refer Corporate Governance Report on page 41.
A.5.4	Declaration of Independent Directors.	✓	Please refer Corporate Governance Report on page 41.

Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
A.5.5	Board determinations on Independence or Non-Independence of Non-Executive Directors.	✓	Please refer Corporate Governance Report on page 41.
A.5.6	If an Alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an Executive of the Company.	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the "Senior Independent Director" (SID).	N/A	N/A
A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns.	N/A	N/A
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present.	✓	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	✓	
A.6	Supply of information		
A.6.1	Board should be provided with timely information to enable it to discharge its duties.	✓	
A.6.2	Timely submission of the minutes, agenda and papers required for the Board Meeting.	✓	
A.7	Appointments to the Board		
A.7	Formal and transparent procedure for Board appointments.	✓	No Directors were appointed during the year.
A.7.1	Nomination Committee to make recommendations on new Board appointments.	✓	No Directors were appointed during the year.
A.7.2	Assessment of the capability of Board to meet strategic demands of the company.	✓	No Directors were appointed during the year.
A.7.3	Disclosure of new Board member profile and Interests.	✓	No Directors were appointed during the year.

Ruling Index	Description of the Ruling	Compliance Status	Details
A.8	Re-election		
A.8/ A.8.1/ A.8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders.	✓	Please refer Annual Report of the Board of Directors on page 62.
A.9	Appraisal of Board Performance		
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities.	✓	
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its committees	✓	
A.9.3	The Board should state how such performance evaluations have been conducted.	✓	
A.10	Disclosure of Information in Respect of Directors		
A.10.1	Profiles of the Board of Directors and Board meeting Attendance.	✓	Please refer page 16 to 17 and Corporate Governance Report on page 41.
A. 11	Appraisal of the Chief Executive Officer		
A.11.1/ A.11.2	Appraisal of the CEO against the set strategic targets.	✓	The CEO's performance is reviewed annually.
B.	Directors' Remuneration		
B.1	Remuneration Procedure		
B.1.1	The Board of Directors should set up a Remuneration Committee.	✓	
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors.	✓	Please refer Remuneration Committee report on page 60.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	✓	
B.1.4	Determination of the remuneration of Non-Executive Directors.	✓	Please refer Remuneration Committee report on page 60.

Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors.	✓	
B.2	The level and makeup of remuneration		
B.2.1 to B. 2.4	Performance related elements in pay structure and alignment to industry practices.	✓	N/A
B.2.5	Executive share options should not be offered at a discount.	N/A	
B.2.6	Designing schemes of performance-related remuneration.	✓	
B.2.7/ B.2.8	Compensation commitments in the event of early termination of the Directors.	✓	
B.2.9	Level of remuneration of Non-Executive Directors.	✓	
B.3	Disclosure of remuneration		
B.3/ B.3.1	Disclosure of remuneration policy and aggregate remuneration.	✓	Please refer Remuneration Committee report on page 60 and Note 11 to the Financial Statements.
C.	Relations with Shareholders		
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of general meetings.	✓	The Company holds the AGM within the appropriate regulatory time intervals and effectively uses it for communication with shareholders.
C.1.1	Counting of proxy votes.	✓	
C.1.2	Separate resolution to be proposed for each item.	✓	
C.1.3	Heads of Board Sub-Committees to be available to answer queries.	✓	
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute.	✓	Please refer the page 210 of the Annual Report for the notice of the meeting.
C.1.5	Summary of procedures governing voting at general meetings to be informed.	✓	
C.2	Communication with Shareholders		

Ruling Index	Description of the Ruling	Compliance Status	Details
C.2.1	Channel to reach all shareholders to disseminate timely information.	✓	
C.2.2/ C.2.7	Policy and methodology of communication with shareholders and implementation.	✓	
C.3	Major and material transactions including major related party transactions		
C.3.1	Disclosure of all material facts involving all material transactions including related party transactions.	✓	Please refer Note 36 the Financial Statements.
D.	Accountability and Audit		
D.1	Financial Reporting		
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to regulators.	✓	The Board presents a balanced and understandable assessment that extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements complying with regulatory deadlines.
D.1.2	Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary.	✓	Please refer Annual Report of the Board of Directors on page 62.
D.1.3	Statement of Directors' Responsibility.	✓	Please refer the Statement of Directors' Responsibility on Page 67.
D.1.4	Management Discussion and Analysis.	✓	Please refer Management Discussion and Analysis from pages 20 to 29.
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	✓	Please refer Annual Report of the Board of Directors on page 62.
D.1.6	Remedial action at EGM if net assets fall below 50% of value of shareholders' funds.	N/A	N/A
D.1.7	Disclosure of Related Party Transactions.	✓	Please refer Note 36 to the Financial Statements.

Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
D.2	Internal Control		
D.2.1	Annual review of effectiveness of system of Internal Control and report to shareholders as required.	✓	Please refer Audit Committee Report on page 58 and Annual Report of the Board of Directors on page 62.
D.2.2	Internal Audit Function.	✓	
D.2.3/ D.2.4	Maintaining a sound system of internal control.	✓	
D.3	Audit Committee		
D.3.1	The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be Independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board.	✓	Please refer Audit Committee Report on pages 58 to 59.
D.3.2	Terms of reference, duties and responsibilities.	✓	
D.3.3	The Audit Committee to have written terms of reference covering the salient aspects as stipulated in the section.	✓	
D.3.4	Disclosure of Audit Committee membership.	✓	
D. 4	Code of Business Conduct and Ethics		
D.4.1	Availability of a Code of Business Conduct & Ethics and an affirmative declaration that the Board of Directors abide by such Code.	✓	Please refer Annual Report of the Board of Directors on page 62.
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code.	✓	Please refer Chairman's Statement on page 10.
D.5	Corporate Governance Disclosures		
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report.	✓	Please refer Corporate Governance Report from pages 40 to 53.
E.	Institutional Investors		
E.1	Shareholder Voting		

Ruling Index	Description of the Ruling	Compliance Status	Details
E.1.1	Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives.	✓	Please refer Corporate Governance Report from page 40.
E.2	Evaluation of Governance Disclosures		
E.2	When evaluating companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	✓	Please refer Corporate Governance Report from page 40.
F.	Other Investors		
F. 1	Investing/Divesting Decision Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	✓	
F. 2	Shareholder Voting Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	✓	
G	Sustainability Reporting		
G.1/ G.1.7	Disclosure on adherence to sustainability principles.	✓	Please refer Annual Report of the Board of Directors from page 62 to 64.

Enterprise Risk Management

Undoubtedly, there is risk in today's volatile and uncertain business environment, which demands increased transparency within an organisation's risk profile. There are vulnerabilities, probabilities, threats and weaknesses that must be addressed to ensure that risk in any enterprise is mitigated. This greater emphasis on risk and risk management also prompts greater penalties on entities that do not or fail to manage key risks, which naturally permeates to organisations being more cognisant of identifying and assessing risks. In this backdrop, it is also increasingly important that once these risks are identified and assessed, they are managed with predefined tolerances. Any entity faces myriad risks, from well known risks that are inherent and characteristic of the business to unknown risks that may emerge or are just emerging. Risk resilient organisations must objectively assess their existing risk management capabilities, evaluate their organisational culture with regard to risk, performance and reward and implement sustainable risk management practices.

In the current market context, risk is defined as the probability or threat of a liability, loss or other negative occurrence, caused by external or internal vulnerabilities which would affect the desired objectives of the organisation. This also means that stakeholder expectations must be worked into the organisation's risk management strategy. Vulnerabilities could mean exposure that could trigger an adverse outcome and therefore, prevent the achievement of company objectives.

The process of risk management at Melstacorp involves analysing exposure to risks, by identifying vulnerabilities and their probability of occurrence, which determines the way we handle such exposure. This would therefore involve the implementation of numerous policies, procedures and practices that work in conjunction to identifying, analysing, evaluating, monitoring and prioritising risks, which will follow the application of coordinated and economical solutions that minimise the probability and impact of identified vulnerabilities. Once identified, elimination, reduction, transfer and retention are the broad risk management strategies employed across Melstacorp.

Changes in Risk Profile

Given the range of industry, geographic locales and market segments that our business spans, the diversification which we have embarked upon provides a prudent pathway that would signal positive correlation between business and environmental risks, while on the converse, expose the Group to a wider spread of risks, as well as opportunities.

This therefore prompts the Melstacorp Board to make risk assessment and identification of mitigating activities a priority and pivotal in achieving the Group's strategic objectives. The Board is tasked with an overall responsibility for monitoring risks and gaining assurance for managing these risks at an acceptable level.

Strategic Action Plan

Board oversight coupled with a strong organisational ethic is the cornerstone of the Melstacorp risk framework.

The Board remains acutely aware that to generate business value it must manage and oversee all possible risks that the business or external factors could impose on the profitability of the Company, while in tandem, protecting and enhancing shareholder wealth. The Melstacorp Board is committed to deploying the highest standards of risk management to support a strong governance framework, ensuring that shareholder wealth is safeguarded from all the possible risk elements.

A dedicated team has been established to assist the Board in reviewing risk factors at regular intervals. Evaluation meetings are held to ensure that the focus from effective risk coverage remains strong and concentrated. The Board is kept updated on the progress and its opinion sought for mitigating any challenges that may emerge.

Risk Management Framework

The Group remains committed to increasing shareholder value within a carefully designed risk management framework. An effective risk management framework enables us to prioritise and allocate resources against those risks that underscore the ongoing sustainability of the organisation. Our systematic policies help us to identify and uncover risks and help us to be cognisant of the same. This preparedness builds the resilience of the organisation and allows us to establish procedures for risk mitigation.

The principal risks in achieving the Group objectives of enhancing shareholder value and safeguarding the Group's assets have been identified as set out overleaf. The nature and the scope of risks are subject to change and not all of the factors listed, are within the control of the Group. It should be noted that the other factors besides those listed may affect the performance of the business, although we do reiterate, that we remain very vigilant to both internal and external factors that could prompt risk in any form and therefore, are able to, without delay, implement strategies to prevent, minimise or mitigate those ensuing risks.

Melstacorp Group's risk management framework takes into account the range of risks to be managed, the systems and processes in place to deal with these risks and the chain of responsibility within the organisation to monitor the effectiveness of the mitigation measures

Risk & Implication

Credit Risk & Implication	Mitigation Strategies
This risk ensues when a Group customer is unable to meet his financial obligations.	• Measure, monitor and manage credit risk for each counter-part through clear approval procedures • Regularly review customers credit profiles and constantly update records to ensure complete awareness of debtors status • Please refer financial risk management Note on page 201.
Legal and Regulatory Risk & Implication	**Mitigation Strategies**
Risks arising from non-conformance to statutory and regulatory requirements remain a reality due to the possibilities of changes to regulations and policies being sudden or constant. It also increases costs and liabilities due to these periodic regulatory changes. The nature of our liquor, telecommunication and insurance businesses continue to be subjected to a steady stream of changes in regulations and extensive compliance requirements. The authorities have severely restricted liquor advertising and limited other forms of communication with consumers via promotional and distribution activities, all of which affect profitability.	• Established a dedicated unit to keep abreast of all policy changes, to manage risk and ensure adherence to all regulations • Recruitment of ex-regulators to senior positions within the Group with the objective to enhance regulatory awareness and increase compliance
Investment Risk & Implication	**Mitigation Strategies**
The Group handles significant market investments which require smooth pre-study, monitoring and control. In this regard, there is stringent conformance by the Board in practicing due diligence.	• The Managing Director is tasked with tracking returns on Group investments with the assistance of the Finance Manager and Group Financial Controller • Carry out mark to market revaluation of equity portfolios to identify the viability of investments • The Board develops policies and procedures to ensure that new investments and initiatives are subjected to mandatory compliance procedures. • Regular reviews by the Audit Committee and the Internal Audit Division
Human Risk & Implication	**Mitigation Strategies**
This is the risk arising from the inability to attract and retain skilled staff at middle to senior management levels. The migration of skilled workers, which is a phenomenon across most industry sectors, has created a braindrain and the Group remains at risk of losing key personnel to better job prospects overseas.	• Maintaining above industry remuneration schemes • Skills upgrading • Professional growth avenues • Performance-based reward systems • Best practices being introduced and upgraded continually • Measures taken to retain and minimise casual/temporary labour turnover.

Enterprise Risk Management

Operational Risk & Implication	Mitigation Strategies
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The nature of our business renders us vulnerable to several common operational risks including fraud, human error, natural disasters, loss of data and unrequited disclosure of sensitive information.	• A structured internal control framework implemented works through a state of the art MIS system, internal audit mechanism and insurance policies • A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences • Regular meetings are conducted to assess these risks • Contingency plans are in place to minimise work-stop situations • Regular reviews of contingencies and disaster recovery plans • Financial risk arising from operation is covered in financial risk management note.
Socio-Political Risk & Implication	**Mitigation Strategies**
Socio-Political risk is the possibility of instability in a country or the world which would cascade to negatively impacting markets. Unrest of any kind could affect investor attitudes towards the markets in general, leading to disruption of business. Continuity of a cohesive policy towards local business is a key element here.	• Our diversified portfolio of businesses encompasses investments that will not be minimally impacted. The only exception was the enactment of the Revival of Underperforming Enterprises and Underutilised Assets • Act that re-acquired land of Pelwatte Sugar Industries PLC. • Here again, the impact was managed and legal redress is being sought.
Technology Risk & Implication	**Mitigation Strategies**
Stemming from the failure of the Group's ICT systems where hardware, software and communications systems may have breakdowns, halts and herald lack of recovery, as a business that leverages strategically on ICT systems, we are very much aware of the potentiality of risk and the cascading negativities that could result to both business and profitability due to Technology Risk. The Group has identified system failures and theft of information as factors that can cause significant levels of operational, reputational and financial loss to the Group.	• Implementation of stringent barriers including password protection and restricted access, stringent user guidelines, contingency plans and physical security measures closely monitored by the Central IT Unit. • Comprehensive backup and recovery systems in place • A robust ERP system is deployed in the Company. Phased implementation of same across Group companies.

Product Risk & Implication	Mitigation Strategies
Product risk implies any negative impact or perceived impact of our products on stakeholders in general which could decrease our market share.	• Employing established operating procedures to review and approve all raw material prior to use, to ensure maintenance of quality control • Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity • Equipping our R & D team with ample knowledge to field any technical questions about our products • Marketing and distribution procedures have complete control of the supply chain

Foreign Exchange Risk & Implication	Mitigation Strategies
Foreign exchange risk typically affects the Group companies involve import and/or export materials, products and services. It also affects investments made in other currencies than in LKR.	Group Treasury has adopted prudent measures to manage the exposure of foreign exchange risk. • Matching liabilities with corresponding receipts/inflows. • Continues monitoring process of Group foreign exchange position. • Negotiate with financial institutions to hedge possible exposures of foreign exchange risk. • Monitoring local and international events and news related to economics which can impact exchange rates Please refer financial risk management Note on page 201.

Board Audit Committee Report

Committee

The Board Audit Committee appointed by and responsible to the Board of Directors composition of three Independent Non-Executive Directors and one Non- Independent Non-Executive Director. Mr. R. Seevaratnam, a Fellow Member of the Chartered Accountants of England & Wales, an Independent Non-Executive Director, acts as the Chairman of the Audit Committee. The other members of the Audit Committee comprise Dr. A. N. Balasuriya, Independent Non-Executive Director, Mr. N. de S. Deva Aditya, Independent Non-Executive Director and Mr. D. Hasitha S. Jayawardena, Non-Independent Non-Executive Director.

A brief profile of each member is given on pages 16 to 17. Ms. N. C. Gunawardena functions as the Secretary to the Audit Committee.

Meeting

The Board Audit Committee met eight (8) times during the year. Mr. N. de S. Deva Aditya could not attend any meetings during the year, due to his engagements abroad. Nevertheless, Mr. Deva Aditya was kept informed of all the proceedings of the Audit Committee and his opinion was sought on important matters.

The attendance of the other members at these meetings is as follows:

Mr. R. Seevaratnam	8/8
Dr. A. N. Balasuriya	8/8
Mr. D. Hasitha S. Jayawardena	8/8

The Managing Director, Group Financial Controller and Head of Systems Control & Internal Audit also attend these meetings by invitation when needed.

Terms of Reference

The Board Audit Committee Charter approved and adopted by the Board clearly sets out the terms of reference governing the Audit Committee ensuring highest compliance with the Corporate Governance Rules applicable to Listed Companies in accordance with the Rules of the CSE and the Code of Best Practice on Corporate Governance. As allowed by the Listing Rules of the Colombo Stock Exchange, the Audit Committee of the Company, functions as the Audit Committee of each of the subsidiary companies which have not appointed a separate Audit Committee. All matters are dealt with through the Agenda of the Parent Company Audit Committee.

Role of the Board Audit Committee

The Board Audit Committee in its role assists the Board in fulfilling their responsibility with regard to:

- Ensuring the integrity of the statements of the Company and that good financial reporting systems are in place and is managed in order to give accurate, appropriate and timely information to the management, regulatory authorities and shareholders in accordance with the financial reporting standards of the Institute of Chartered Accountants of Sri Lanka, Companies Act No: 07 of 2007, the Sri Lanka Accounting and Auditing Standards and the Continuing Listing Rules of the Colombo Stock Exchange.

- Assessing the independence and monitoring the performance of External Auditors.

- Ensuring the Company's internal control and risk management process operates efficiently and effectively.

- Ensure compliance with applicable laws, regulations and policies of Melstacorp Group and Company.

- Assess the Company's ability to continue as a going concern in the foreseeable future.

Internal Audit

The internal audit function of the Company was carried out by the Systems Control and Internal Audit Division. The Committee reviewed the effectiveness of the internal audit plan to ensure that it was designed to provide reasonable assurance that the financial reporting system adopted by the Group can be relied upon in the preparation and presentation of the Financial Statements. The Committee also reviewed the findings of the Internal Auditors and their recommendations together with the management responses and regularly followed up the progress of the implementation of such recommendations in order to enhance the overall control environment.

External Audit

The Audit Committee met with the External Auditors to discuss the scope and the audit strategy including the coordination of the Group Audit. The Committee also reviewed the Report of the Auditors and Management Letters issued by them with and without the Management on separate occasions to ensure that no limitations were placed on their independence of work and conduct of the audit. The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard. The Committee stipulated that the Lead Audit Partner is rotated every seven years. The Audit Committee recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31 March 2021.

Compliance with Laws and Regulations

The Committee reviewed the quarterly compliance reports submitted by the relevant officers to ensure that the Group complied with all statutory requirements.

Conclusion

The Audit Committee is satisfied that the Group's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded.

R. Seevaratnam
Chairman Audit Committee

09 October, 2020

Remuneration Committee Report

The Remuneration Committee is appointed by and is responsible to its Board of Directors. It consists of two Independent Non-Executive Directors, namely Mr. N. de S. Deva Aditya, and Dr. Naomal Balasuriya who chairs the Committee and one Non-Independent Non-Executive Director Mr. D. Hasitha S. Jayawardena.

Brief profiles of these Directors are given on pages 16 to 17. Ms. N. C. Gunawardena functions as the Secretary to this Committee.

The Remuneration Committee is governed by the Remuneration Committee Charter, which has been approved and adopted by the Board of Directors. It is responsible for determining the Remuneration Policy of the Key Management Personnel of the Company. The Remuneration Policy of the Company is based on evaluation of personnel on eight criteria. An annual assessment is carried out and increments and incentives are awarded based on the rating/ ranking of each individual.

Mr. N. de S. Deva Aditya could not attend any meetings during the year, due to his engagements abroad. Nevertheless, Mr. Deva Aditya was kept informed of all the proceedings of the Remuneration Committee and his opinion was sought on important matters. The Board Remuneration Committee met three (3) times during the year and the attendance of the other members at these meetings is as follows:

Dr. A. N. Balasuriya	3/3
Mr. D. Hasitha S. Jayawardena	3/3

The Managing Director who is responsible for the overall management of the Company assists the Committee.

Dr. Naomal Balasuriya
Chairman
Remuneration Committee

09 October, 2020

Board Related Party Transactions Review Committee

Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director; Mr. R. Seevaratnam, a Fellow of the Institute of Chartered Accountants of England & Wales, was appointed as the Chairman of the Related Party Transactions Review Committee. The other members of the Committee comprise Dr. A. N. Balasuriya, Independent Non-Executive Director and Mr. D. Hasitha S. Jayawardena, Non-Independent Non-Executive Director.

A brief profile of each member is given on pages 16 to 17. Ms. N. C. Gunawardena functions as the Secretary to the Committee.

Purpose of the Committee

The Committee's key focus is to review all proposed related party Transactions prior to entering into or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

Meetings

The Related Party Transactions Review Committee met four (4) times during the year. The attendance of the members at the meeting is as follows:

Mr. R. Seevaratnam	4/4
Dr. A. N. Balasuriya	4/4
Mr. D. Hasitha S. Jayawardena	4/4

The Managing Director, Group Financial Controller and Finance Manager also attend these meetings by invitation when needed.

The Committee has reviewed all related party transactions in respect of the financial year and communicated the activities of the Committee to the Board on a quarterly basis through circulating the minutes of the meetings of the Committee to the Board of Directors.

R. Seevaratnam
Chairman
Related Party Transactions Review Committee

09 October, 2020

Annual Report of the Board of Directors 2020

The Board of Directors of Melstacorp PLC has pleasure in presenting the Annual Report and the Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2020.The details set out herein provide the pertinent information requested under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the recommended best practices on Corporate Governance.

Principal Activities

The principal activity of Melstacorp PLC is to invest and manage a portfolio of diverse businesses.

Business Review

A review of the Company's businesses, providing a comprehensive analysis of the financial and operational performance along with future trends and business development activities are described in the 'Chairman's Statement' and 'Management Discussion and Analysis' sections of the Annual Report.

Amount Due from Secretary to the Treasury of Sri Lanka Insurance Corporation Ltd (SLIC)

We still await the payment of profit earned during Group's tenure at the helm of SLIC. Although the decision of the Supreme Court was delivered in 2009, the Group is yet to receive these funds. The Group has initiated legal action to recover the dues.

Detailed Note is given in Note 39 to the Financial Statements.

Pelwatte Sugar Industries PLC (PSIP)

The Revival of Underperforming Enterprises or Underutilised Assets Act, No. 43 of 2011 been repealed by the Parliament. However, the provisions in the repealing act do not indicate the property will be returned to the PSIP or not. We have sought legal opinion on this. The Company has not changed its position advocated since the occurrence of this incident of being the legal owner of the property and as such, we have communicated our views to the Treasury. However, as a precautionary measure, the Company has also lodged an official claim with the Compensation Tribunal, appointed by the State. Since our Group is deprived of participating in controlling the financial, operating policies and other relevant activities, the financial statements of PSIP have been deconsolidated from the group financial statements. We hope some clarity regarding this untoward situation would be forthcoming within the new financial year. Further details are given in Note 40 to the Financial Statements.

Results and Appropriations

The gross turnover of the Company in the year under review amounted to Rs. 213 Mn (2018/19 – Rs. 209 Mn). The profit after tax was Rs. 5,096 Mn (2018/19 – Rs. 3,796 Mn). Company declared an interim dividend of Rs. 2.00 per share for the year ended 31 March 2020. The Company has satisfied with Section 56(2) of the Companies Act No. 07 of 2007.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2020 was approved by the Board of Directors on 09 October 2020 are given on pages from 72 to 201.

Audit Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages from 68 to 71.

Accounting Policies

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs). The accounting policies adopted in the preparation and presentation of the Financial Statements are given on pages 82 to 99. The Company and the Group has adopted SLFRS with effect from 01.04.2019.

Investments

In February 2020 Melstacorp Group acquired the shareholding of Browns Health Care (Pvt) Ltd. After acquisition the company's name was changed to "Melsta Hospitals Ragama (Pvt) Ltd". The new company focus on operating a multispecialty general hospital under the brand of "Melsta Hospitals Ragama". Further investments were made in the medical diagnostic business "Melsta Labs" to provide lab solutions. Melstacorp made further investment in Melsta Gama, a joint venture with Pyramid Gama which will shortly enter the cement bagging industry in the country.

Total investments of the Company in subsidiaries, associates and other investments amounted to Rs. 101,848 Mn (2017/18 - Rs. 106,844 Mn). The details of the investments are given in Notes 20, 21 and 24 to the Financial Statements.

Property, Plant and Equipment

The net book value of property, plant and equipment of the Company and the Group as at 31 March 2020 was Rs. 16.5 Mn (2018/19 – Rs. 11.5 Mn) and Rs.110,892 Mn 2018/19 – Rs. 105,354 Mn.) Total capital expenditure during the year for acquisition of property, plant and equipment by the Company and the Group amounted to Rs. 9.5 Mn (2018/19 – Rs. 0.9 Mn) and Rs. 11,080 Mn (2018/19 – Rs. 14,087 Mn) respectively. The details of property, plant and equipment are given in Note 15 to the Financial Statements.

Stated Capital and Reserves

The Stated Capital of the Company as at 31 March 2020 was Rs. 89,100 Mn consisting of voting ordinary shares of 1,165,397,072 and non-voting ordinary shares of 1,000. The total Group Reserves as at 31 March 2020 amounted to Rs. 16,789 Mn (2018/19 - Rs. 13,579 Mn) comprising Capital Reserves of Rs. 8,411 Mn (2018/19 - Rs. 8,218 Mn) and Revenue Reserves and Retained Earnings of Rs. (13,837) Mn (2018/19 - Rs. (17,092) Mn) the movement of which is disclosed in the Statement of Changes in Equity.

Internal Controls and Risk Management

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

Capital and Other Commitments

Contingent liabilities and capital commitments are disclosed in Note 42 to the Financial Statements.

Events after the Reporting Period

There were no material events or circumstances that have arisen since the reporting date that would require adjustment, other than the information disclosed in Note 44 to the Financial Statements.

Employees

The number of persons employed by the Company as at 31 March 2020 was 38 (2018/19-32).

Board of Directors

The Board of Directors of the Company as at 31 March 2020and their brief profiles are given on pages 16 and 17.

Directors Standing for Re-election

To re-elect as a Director D. Hasitha S. Jayawardena who retires from office at the end of this Annual General Meeting in terms of the Article 86 of the Articles of Association of the Company and being eligible has offered himself for re-election.

To re-elect as a Director Mr. D. H. S. Jayawardena, who is over 70 years, as a Director by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. D. H. S. Jayawardena who has attained the age of 78 and that he be re-appointed as a Director of the Company.

Also, to re-elect as a Director, Mr. R. Seevaratnam, who is over 70 years, as a Director by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. R. Seevaratnam who has attained the age of 77 and that he be re-appointed as a Director of the Company.

Further, to re-elect as a Director, Mr. N. de S. Deva Aditya, who is over 70 years, as a Director by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. N. de S. Deva Aditya who has attained the age of 72 and that he be re-appointed as a Director of the Company.

Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. This Annual Report also contains particulars of entries made in the interest register. Directors' Interests in Contracts are disclosed in the Related Party Transactions under Note 36 to the Financial Statements. A Code of Business Conduct and Ethics along with other controls are in place to ensure that related party transactions involving Directors, senior managers or their connected parties are conducted on an arm's length basis. The Directors to the best of their knowledge and belief hereby confirm compliance with this Code.

Annual Report of the Board of Directors 2020

Directors' Shareholdings

The shareholdings of Directors of the Company as defined under the Colombo Stock Exchange Rules are as follows;

As at 31 March,	2020	2019
D. H. S. Jayawardena	Nil	Nil
C. R. Jansz	Nil	Nil
N. de S. Deva Aditya	Nil	Nil
Capt. K. J. Kahanda (Retd.)	Nil	Nil
Dr. A. N. Balasuriya	Nil	Nil
D. Hasitha S. Jayawardena	7,531,332	7,531,332
R. Seevaratnam	Nil	Nil

Share Information

Information relating to Earnings, Dividends, Net Assets and Market Value per Share is given on page 4. The shareholding details of the Company are given on page 203 of the Annual Report.

Corporate Governance

The Board has ensured that the Company has complied with the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. The Board is committed towards the furtherance of Corporate Governance principles of the Company. The measures taken in this regard are set out in the Corporate Governance Report.

Board Committees

The Board has appointed four Sub-Committees i.e. the Audit Committee, the Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee.

Related Party Transactions

The Board of Directors has given the following statements in respect of the related party transactions. The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing Rule.

Sustainability Principles

The Company carries out its business with adherence to the best sustainable practices and has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory obligations due to the Government and its employees have been duly paid or adequately provided for in the Financial Statements as confirmed by the Statement of Directors Responsibility.

Going Concern

The Directors, having reviewed the business plans, capital expenditure commitments and expected cash flows are satisfied that the Company and the Group have adequate resources to continue operations for the foreseeable future and therefore continue to adopt the going concern basis in preparing these Financial Statements.

Auditors

Messrs. KPMG, Chartered Accountants are deemed reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 as Auditors of the Company. A resolution to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting. Total audit fees paid to Messrs. KPMG and other Auditors of Group companies are disclosed in Note 11 to the Financial Statements. The Auditor of the Company has confirmed that they do not have any relationship with the Company (other than that of Auditor) that would have an impact on their independence.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Sri Lanka Foundation on 06th November 2020 at 11.00 a.m. The Notice of Meeting appears on page 213 of the Annual Report. For and on behalf of the Board of Directors,

D. H. S. Jayawardena
Chairman

A. L. Gooneratne
Managing Director

Corporate Services (Private) Limited
Secretaries
Melstacorp PLC

09 October, 2020
Colombo

Financial Information

Statement of Directors Responsibility

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of the affairs of the Company and its Subsidiaries as at the Reporting date and the profit of the Company and its Subsidiaries for the financial year. The Directors are also responsible for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts the responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that proper accounting records have been maintained and appropriate accounting policies have been selected and applied consistently in the preparation of such Financial Statements which have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

Further, the Directors confirm that the Financial Statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the Group to continue its operations and to facilitate planned future expansions and capital commitments. The Directors have taken adequate measures to safeguard the assets of the Group and in this regard have established appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities. The External Auditors were provided with all information and explanations necessary to enable them to form their opinion on the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due in respect of the Company and its Subsidiaries as at the reporting date have been paid or where relevant, provided for.

By Order of the Board,

Corporate Services (Private) Limited
Secretaries

Melstacorp PLC

09 October 2020

Colombo

Independent Auditor's Report

KPMG

KPMG
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To the shareholders of Melstacorp PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Melstacorp 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 31st March 2020, and the statement of profit or loss and other 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 set out on pages 72 to 201 of the annual report.

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 31st March 2020, 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 Company 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 company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Investments in Subsidiaries and Equity Accounted Investees

Refer to the accounting policies in Note 3.4.7.1 to the Financial Statements: "Impairment of Non-Financial Assets", explanatory Note 20 "Investments in Subsidiaries" and explanatory Note 21 "Investment in Equity Accounted Investees" to the Financial Statements.

Risk Description	Our response
The Company has recorded investments in Subsidiaries amounting to Rs. 60,870 Million and investments in equity-accounted investees amounting to Rs. 1,127 Million as at 31st March 2020. Additionally, the Group has recorded Rs. 7,215 Million as investments in equity accounted investees as at 31st March 2020. As disclosed in note 1.2 to the financial statements, the Company's principal operation is to manage these investments. As such the valuation of these investments represents the most significant asset of the Company to its stakeholders. Further, the value of these investments is significant to the financial statements. An investment that does not generate adequate returns may be an indication of an impairment of that investment. Therefore, any impairment of these investments in subsidiaries and impairment of equity accounted investments will have significant impact on the financial performance of the Company and the Group respectively. Therefore, the investments in subsidiaries of the Company and equity-accounted investees of the Group that exhibited indicators of impairment have been tested for impairment by the management considering them as separate Cash Generating Units. An impairment loss is calculated as the difference between the carrying amount and the recoverable amount of an asset. As such, the amount of impairment recognized could result in the net carrying amounts of these investments as at 31st March 2020 to be materially misstated due to inappropriate	Our audit procedures included; • Obtaining an understanding of the management's impairment assessment process including the identification of impairment indicators. • Considering whether the available information relating to COVID 19 pandemic has been reasonably captured by the management in their assessment of impairment indicators. • Evaluating the reasonableness of the Company's / the Group's key assumptions used in its cash flow projections such as discount rates, cost inflation and business growth with reference to the internally and externally derived sources including the review of work carried out by the component auditors where applicable. • Assessing the appropriateness of valuation models used by the management in the calculation of recoverable value of the investments in subsidiaries. • Checking the mathematical accuracy of such computations, the appropriateness of input data and assumptions where applicable used by the management in calculating the recoverable amounts of such investments.

Risk Description	Our response
assumptions and estimates used by the management in calculating the recoverable amount. These components of the Group are operating in various industries such as Telecommunication, Plantation, Tourism, Beverages, etc. The COVID 19 pandemic has significantly affected some of these industries. Therefore, in identifying impairment indicators of the components within the Group, changes to business performance as a result of the pandemic were also considered by the management. Additionally, the "accounting considerations of COVID 19 outbreak" issued by the Institute of Chartered Accountants of Sri Lanka was also considered in the estimation of provision for impairment of the investments in subsidiaries and equity accounted investees. We have identified the assessment of impairment of investment in subsidiaries in the Company and equity-accounted investees in the Group as a key audit matter due to the significance of the amounts recognized in the financial statements and the level of estimation uncertainties involved in determining these amounts.	• Assessing the adequacy of disclosures in the Financial Statements in relation to impairment of investments in subsidiaries and equity accounted investees in the Group and the Company.

Measurement of biological assets	
Refer to the accounting policies on Note 3.12.1 "biological assets" and explanatory Note 18 "biological assets" to the financial statements.	
Risk Description	**Our response**
The Group has reported biological assets amounting to Rs. 8,382 Million as at 31st March 2020. This amount consists of bearer biological assets amounting to Rs. 2,817 Million and consumable biological assets amounting to Rs. 5,564 Million. Further, Rs. 285 Million has been recognized as the gain on change in the fair value of consumable biological assets for the year ended 31st March 2020. Additionally, the Group has recognized a provision of Rs 591 million relating to the impairment of immature rubber plantations during the year ended 31st March 2020. The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Management engaged an independent external valuation expert to assist in determining the fair value of the consumable biological assets. Changes in the key assumptions such as discount rate, value per cubic meter and available timber content used for the valuation of consumable biological assets could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. Bearer biological assets mainly include mature and immature tea and rubber trees in identified plantation fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depends on the soil condition, weather patterns and plant breed. Further, bearer biological assets are subject to impairment assessment which involves management judgement in assessing the impairment indicators and impairment assessment.	Our audit procedures for consumable biological assets included; • Understanding the process of valuation and testing the design and operating effectiveness of the key controls relating to valuation of consumable biological assets. • Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert. • Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price, expected timber content at harvest and harvesting plan. • Obtaining estate wise census books of timber trees and comparing the number of timber trees with the valuation report to ensure the completeness and accuracy of the data and checking the mathematical accuracy of the consumable biological assets valuation. • On sample basis, physically verifying trees during estate visits to assess the girth and height of the respective trees. Our audit procedures for bearer biological assets included; • Testing the design, implementation and operating effectiveness of key internal controls in respect of capitalization of bearer biological assets. • Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified. • Testing immature to mature cost transfer worksheets for selected estates to check whether the amount transferred during the year was consistent with the Company's accounting policy and industry norms.

Independent Auditor's Report

Risk Description	Our response
We identified the measurement of biological assets as a key audit matter because the valuation of consumable biological assets involved significant assumptions and judgments exercised by the management and the independent valuation expert could be subjected to significant level of estimation uncertainty and management bias. Further, the impairment assessment for bearer biological assets requires management to exercise their judgment in determining the impairment indicator and in impairment assessment which is based on significant estimates.	• Testing the impairment assessment performed by the management, by challenging the impairment indicators identified and the judgements involved in impairment assessment and checking mathematical accuracy of impairment calculation. • Assessing the adequacy of the disclosures made for the biological assets in the Group financial statements in accordance with the relevant accounting standards.

Adoption and Transition to SLFRS 16 – "Leases"	
Refer to the accounting policies on Note 3.1 "Changes in Accounting Policies", explanatory "Note 19 "Right – of – use assets" and Note 32 "Lease Liabilities"	
Risk Description	**Our response**
The Group has adopted SLFRS 16 'Leases' with effect from 1st April 2019, which resulted in changes to it's accounting policies. The Group elected not to restate comparative information as permitted by the transitional provisions contained SLFRS 16. This change in accounting policies resulted in a recognition of a right-of-use assets of Rs. 17,589 Million and lease liabilities of Rs. 10,443 Million in the consolidated statement of financial position as at 1st April 2019 (i.e, the date of transition). In measuring the present value of lease liabilities, the Group used the incremental borrowing rates (IBR) applicable to each component to discount future cash flows. We considered the adoption and transition to SLFRS 16 as key audit matter because of the significant judgments applied and complexity of computations used in determining the impact of transition to SLFRS 16.	Our audit procedures included; • Obtaining an understanding of the Group's approach on adoption of SLFRS 16. • Assessing the appropriateness of the selection of accounting policies and management approach over adoption and transition applied for SLFRS 16, including the key accounting estimates and judgements made by the management. • Challenging the accuracy of the underlying cash flows by agreeing a sample of lease data to original contracts. • Assessing the mathematical accuracy of the computation of transition impact of a sample of contracts through recalculation. • Assessing the adequacy of the disclosures made in the financial statements pertaining to leases, including disclosures relating changing accounting policy for leases.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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 Management and Those Charged with Governance for the Financial Statements

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 Company and the Group's internal control.

- 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 3029.

KPMG

Chartered Accountants

Colombo, Sri Lanka

12th October 2020

Consolidated Statement of Profit or Loss

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross revenue	6	154,475,213	157,482,829	212,752	209,203
Excise duty		(56,632,092)	(57,267,603)	-	-
Cost of sales and net benefits paid	7	(64,629,064)	(65,363,828)	(8,335)	(5,563)
Gross profit		33,214,057	34,851,398	204,417	203,640
Other operating income	8	1,713,074	2,015,096	6,778,946	4,604,102
Selling and distribution expenses		(2,706,261)	(2,642,023)	-	-
Administrative expenses		(17,401,312)	(17,554,529)	(262,150)	(226,318)
Other operating expenses	9	(1,130,071)	(29,727)	(1,794,887)	(1,051,977)
Results from operating activities		13,689,487	16,640,215	4,926,326	3,529,447
Finance income	10.1.1	3,067,046	2,599,438	2,026,350	1,322,939
Finance costs	10.1.2	(5,878,472)	(3,829,617)	(1,592,872)	(637,472)
Net finance income/(Costs)		(2,811,426)	(1,230,179)	433,478	685,467
Share of profit of equity-accounted investees (net of tax)	21	476,354	395,185	-	-
Profit before income tax expense	11	11,354,415	15,805,221	5,359,804	4,214,914
Income tax	12	(6,929,457)	(6,930,552)	(264,026)	(418,769)
Profit for the year		4,424,958	8,874,669	5,095,778	3,796,145
Profit attributable to:					
Equity holders of the parent		3,751,898	5,786,185	5,095,778	3,796,145
Non controlling interest		673,060	3,088,484	-	-
		4,424,958	8,874,669	5,095,778	3,796,145
Basic earnings per share	13.1	3.22	4.96	4.37	3.26
Diluted earnings per share	13.2	3.22	4.96	4.37	3.26

The Notes from pages 82 to 201 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Consolidated Statement of Profit or Loss & Other Comprehensive Income

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Profit for the year		4,424,958	8,874,669	5,095,778	3,796,145
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment		271,425	2,076,980	-	-
Equity investments at FVOCI – net change in fair value		1,987,348	(3,589,588)	1,830,328	(2,726,526)
Actuarial gain/(loss) on retirement benefit obligations	33	79,058	(39,790)	(424)	1,603
Share of other comprehensive income of equity-accounted investees (net of tax)	21	(6,006)	(12,375)	-	-
Income tax on other comprehensive income	23.1.1	(86,760)	(686,922)	119	(449)
		2,245,065	**(2,251,695)**	**1,830,023**	**(2,725,372)**
Items that are or may be reclassified to profit or loss					
Exchange Difference on translation of foreign operations		968,572	1,907,579	-	-
Net movement on Cashflow Hedges		(291,529)	(84,129)	-	-
Share of other comprehensive income of equity accounted investees	21	1,307	136,374	-	-
		678,350	1,959,824	-	-
Total other comprehensive income/(expense) for the year		2,923,415	(291,871)	1,830,023	(2,725,372)
Total comprehensive income for the year		7,348,373	8,582,798	6,925,801	1,070,773
Total comprehensive income attributable to:					
Equity holders of the parent		6,183,140	4,112,533	6,925,801	1,070,773
Non controlling interest		1,165,233	4,470,265	-	-
		7,348,373	8,582,798	6,925,801	1,070,773

The Notes from pages 82 to 201 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Consolidated Statement of Financial Position

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
ASSETS					
Non current assets					
Property, plant and equipment	15	110,891,990	105,353,902	16,448	11,527
Intangible assets	16	6,548,732	6,441,228	3,082	500
Investment properties	17	6,144,065	6,064,200	5,100,172	5,077,749
Biological assets	18	8,381,594	8,650,109	-	-
Right-of-use assets	19	14,810,212	-	-	-
Investments in subsidiaries	20	-	-	60,869,587	59,698,169
Investment in equity accounted investees	21	7,214,569	6,564,576	1,127,000	952,000
Pre-paid operating leases	22.1	-	2,366,966	-	-
Deferred tax asset	23.1	2,451,156	2,134,725	3,366	2,094
Other non current financial investments	24	33,941,301	31,769,069	30,472,385	28,392,637
		190,383,619	169,344,775	97,592,040	94,134,676
Current assets					
Inventories	25	9,995,727	9,504,943	1,034	1,064
Produce on bearer biological assets	18.1.3	3,888	6,762	-	-
Pre-paid operating leases	22.1	-	76,232	-	-
Trade and other receivables	26	27,281,167	28,902,920	124,182	163,919
Amounts due from related companies	36.1.1	585,671	447,777	424,835	44,786
Other current financial investments	24	14,338,011	24,395,854	9,379,265	17,801,363
Cash and cash equivalents	27	9,428,830	10,766,523	62,301	33,659
		61,633,294	74,101,011	9,991,617	18,044,791
Assets held for Sale	28	1,189,650	164,125	-	-
Total assets		253,206,563	243,609,911	107,583,657	112,179,467
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	29	89,100,000	89,100,000	89,100,000	89,100,000
Reserves	30	16,789,343	13,579,406	(1,877,918)	(3,708,246)
Retained earnings/(Losses)		(22,215,182)	(22,452,538)	8,710,425	5,945,379
Equity attributable to owners of the Company		83,674,161	80,226,868	95,932,507	91,337,133
Non controlling interest		43,082,419	44,359,892	-	-
Total equity	30	126,756,580	124,586,760	95,932,507	91,337,133

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Non current liabilities					
Interest bearing loans and borrowings	31	37,343,635	32,673,679	-	-
Lease liabilities	32	11,031,864	-		
Retirement benefit obligations	33	3,075,541	2,984,870	12,020	7,477
Deferred tax liabilities	23.1	9,775,471	9,410,463	582,201	547,524
Other liabilities	34	673,969	2,154,959	-	-
		61,900,480	47,223,971	594,221	555,001
Current liabilities					
Trade and other payables	35	25,374,221	28,418,692	39,038	23,501
Other liabilities	34	38,707	6,160	-	-
Amount due to related companies	36.1.2	619,372	637,232	733,092	3,668,665
Income tax payable		1,234,585	2,264,010	22,153	134,206
Interest bearing loans and borrowings	31	4,550,982	4,782,138	-	-
Lease liabilities	32	1,574,293	-	-	-
Bank overdrafts and other short term borrowings	27	31,157,343	35,690,948	10,262,646	16,460,961
		64,549,503	71,799,180	11,056,929	20,287,333
Total liabilities		126,449,983	119,023,151	11,651,150	20,842,334
Total equity and liabilities		253,206,563	243,609,911	107,583,657	112,179,467
Net assets per share (Rs.)		71.86	68.84	82.32	78.37

The Notes from pages 82 to 201 form an integral part of these financial statements.

I certified that the Financial Statements are prepared and presented in compliance with the requirements of the Companies Act No.7 of 2007.

D. M. Welikandage
Manager-Finance

The Board of directors is responsible for the preparation and presentation of these financial statements.
Approved and signed on behalf of the Board of directors;

D. H. S. Jayawardena
Chairman

A. L. Gooneratne
Managing Director

Colombo,
9 October 2020

Consolidated Statement of Changes in Equity - Group

GROUP	Attributable to equity holders of parent											Non controlling interest	Total equity
	Stated capital	Revaluation reserve	Capital reserve	Reserve fund	General reserve	Exchange fluctuation reserve	Timber reserve	FVOCI reserve	Cash Flow Hedge Reserve	Accumulated Losses	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2018	89,100,000	7,010,625	12,137	20,491	711,589	944,140	1,317,586	4,444,088	-	(27,884,443)	75,676,213	42,306,254	117,982,467
Adjustment on initial application of SLFRS - 9	-	-	-	-	-	-	-	(18,718)	-	(54,917)	(73,635)	(16,673)	(90,308)
Adjustment on initial application of SLFRS - 15	-	-	-	-	-	-	-	-	-	111,268	111,268	2,161	113,429
Adjusted balance as at 1 April 2018	89,100.00	7,010,625	12,137	20,491	711,589	944,140	1,317,586	4,425,370	-	(27,828,092)	75,713,846	42,291,742	118,005,588
Total Comprehensive Income for the year													
Profit for the year	-	-	-	-	-	-	-	-	-	5,786,185	5,786,185	3,088,484	8,874,669
Other comprehensive income	-	-	-	-	-	-	-	-	-	-		-	
Equity investments at FVOCI – net change in fair value	-	-	-	-	-	-	-	(3,523,638)	-	-	(3,523,638)	(65,950)	(3,589,588)
Revaluation of property, plant and equipment	-	1,782,147	-	-	-	-	-	-	-	-	1,782,147	294,833	2,076,980
Net movement on Cashflow Hedges	-	-	-	-	-	-	-	-	(18,843)	-	(18,843)	(65,286)	(84,129)
Exchange Difference on translation of foreign operations	-	-	-	-	-	651,017	-	-	-	-	651,017	1,256,562	1,907,579
Actuarial gain/(losses) on retirement benefit obligations	-	-	-	-	-	-	-	-	-	(45,130)	(45,130)	5,340	(39,790)
Share of other comprehensive income of equity-accounted investees (net of tax)	-	-	-	-	-	68,327	-	-	-	(6,234)	62,093	61,906	123,999
Income tax on other comprehensive income	-	(595,126)	-	-	-	-	-	3,604	-	10,224	(581,298)	(105,624)	(686,922)
Total other comprehensive income for the year	-	1,187,021	-	-	-	719,344	-	(3,520,034)	(18,843)	(41,140)	(1,673,652)	1,381,781	(291,871)
Total comprehensive income for the year	-	1,187,021	-	-	-	719,344	-	(3,520,034)	(18,843)	5,745,045	4,112,533	4,470,265	8,582,798
Transactions with owners directly recorded in the Equity													
Dividends paid to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,933,782)	(1,933,782)
Share of net assets of equity accounted investees	-	-	-	-	-	-	-	-	-	40,103	40,103	39,938	80,041
Transferred from/to retained earnings	-	(12,300)	-	-	640,177	-	140,992	-	-	(768,869)	-	-	-
Acquisition of non controlling interest	-	120	-	-	472	548	-	(15)	(14)	301,381	302,492	(508,660)	(206,168)
Gain on disposal of FVTOCI Investments	-	-	-	-	-	-	-	-	-	51,385	51,385	-	51,385
Effect on changes in percentage holding of subsidiaries	-	-	-	-	-	-	-	-	-	6,509	6,509	389	6,898
Total contributions by and distributions to owners	-	(12,180)	-	-	640,649	548	140,992	(15)	(14)	(369,491)	400,489	(2,402,115)	(2,001,626)
													-
Balance as at 31st March 2019	89,100,000	8,185,466	12,137	20,491	1,352,238	1,664,032	1,458,578	905,321	(18,857)	(22,452,538)	80,226,868	44,359,892	124,586,760

GROUP

	Attributable to equity holders of parent											Non controlling interest	Total equity
	Stated capital	Revaluation reserve	Capital reserve	Reserve fund	General reserve	Exchange fluctuation reserve	Timber reserve	FVOCI reserve	Cash Flow Hedge Reserve	Accumulated Losses	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 1st April 2019	89,100,000	8,185,466	12,137	20,491	1,352,238	1,664,032	1,458,578	905,321	(18,857)	(22,452,538)	80,226,868	44,359,892	124,586,760
Adjustment on initial application of SLFRS - 16 (Note 3.1.4)	-	-	-	-	-	-	-	-	-	(460,710)	(460,710)	(576,754)	(1,037,464)
Adjustment on initial application of IFRIC - 23 (Note 3.1.4)	-	-	-	-	-	-	-	-	-	(99,340)	(99,340)	(98,060)	(197,400)
Adjusted balance as at 1 April 2019	89,100,000	8,185,466	12,137	20,491	1,352,238	1,664,032	1,458,578	905,321	(18,857)	(23,012,588)	79,666,818	43,685,078	123,351,896
Total Comprehensive Income for the Period													
Profit for the year	-	-	-	-	-	-	-	-	-	3,751,898	3,751,898	673,060	4,424,958
Other comprehensive income													
Equity investments at FVOCI – net change in fair value	-	-	-	-	-	-	-	1,987,046	-	-	1,987,046	302	1,987,348
Revaluation of property, plant and equipment	-	269,645	-	-	-	-	-	-	-	-	269,645	1,780	271,425
Net movement on Cashflow Hedges	-	-	-	-	-	-	-	-	(65,570)	-	(65,570)	(225,959)	(291,529)
Exchange Difference on translation of foreign operations	-	-	-	-	-	306,595	-	-	-	-	306,595	661,977	968,572
Actuarial gain/(losses) on retirement benefit obligations	-	-	-	-	-	-	-	-	-	8,643	8,643	70,415	79,058
Share of other comprehensive income of equity-accounted investees (net of tax)	-	-	-	-	-	658	-	-	-	(3,056)	(2,398)	(2,301)	(4,699)
Income tax on other comprehensive income	-	(75,501)	-	-	-	-	-	(5,068)	-	7,850	(72,719)	(14,041)	(86,760)
Total other comprehensive income for the year	-	194,144	-	-	-	307,253	-	1,981,978	(65,570)	13,437	2,431,242	492,173	2,923,415
Total comprehensive income for the year	-	194,144	-	-	-	307,253	-	1,981,978	(65,570)	3,765,335	6,183,140	1,165,233	7,348,373
Transactions with owners directly recorded in the Equity													
Dividends paid to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,672,323)	(1,672,323)
Share of net assets of equity accounted investees	-	-	-	-	-	-	-	-	-	41,459	41,459	40,925	82,384
Dividends Paid During the Period (Note 14)	-	-	-	-	-	-	-	-	-	(2,330,796)	(2,330,796)	-	(2,330,796)
Transferred from/to retained earnings	-	-	-	-	643,964	-	147,254	-	-	(791,218)	-	-	-
Acquisition of non controlling interest	-	(1,513)	-	-	2,360	212	-	(76)	(69)	112,163	113,077	(136,400)	(23,323)
Gain on disposal of FVTOCI Investments	-	-	-	-	-	-	-	-	-	369	369	-	369
Effect on changes in percentage holding of subsidiaries	-	-	-	-	-	-	-	-	-	94	94	(94)	-
Total contributions by and distributions to owners	-	(1,513)	-	-	646,324	212	147,254	(76)	(69)	(2,967,929)	(2,175,797)	(1,767,892)	(3,943,689)
													-
Balance as at 31st March 2020	89,100,000	8,378,097	12,137	20,491	1,998,562	1,971,497	1,605,832	2,887,223	(84,496)	(22,215,182)	83,674,161	43,082,419	126,756,580

The Notes from pages 82 to 201 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Changes in Equity - Company

COMPANY	Stated capital Rs.'000	Revaluation reserve Rs.'000	FVOCI/AFS reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 1st April 2018	89,100,000	111,691	(1,093,411)	2,421,286	90,539,566
Adjustment on initial application of SLFRS - 9	-	-	-	(324,591)	(324,591)
Adjusted balance as at 31 March 2018	89,100,000	111,691	(1,093,411)	2,096,695	90,214,975
Profit for the year	-	-	-	3,796,145	3,796,145
Other comprehensive income					-
Equity investments at FVOCI – net change in fair value	-	-	(2,726,526)	-	(2,726,526)
Actuarial gain on retirement benefit obligations	-	-	-	1,603	1,603
Income tax on other comprehensive income	-	-	-	(449)	(449)
Total other comprehensive income for the year	-	-	(2,726,526)	1,154	(2,725,372)
Total comprehensive income for the year	-	-	(2,726,526)	3,797,309	1,070,773
Transactions with owners of the company directly recognized into equity					
Gain on disposal of FV through OCI Investments	-	-	-	51,385	51,385
Dividend paid	-	-	-	-	-
Transactions with owners of the Company directly recognized into Equity	-	-	-	51,385	51,385
Balance as at 31st March 2019	89,100,000	111,691	(3,819,937)	5,945,379	91,337,133

COMPANY	Stated capital Rs.'000	Revaluation reserve Rs.'000	FVOCI/AFS reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 1st April 2019	89,100,000	111,691	(3,819,937)	5,945,379	91,337,133
Profit for the year	-	-	-	5,095,778	5,095,778
Other comprehensive income					-
Equity investments at FVOCI – net change in fair value	-	-	1,830,328	-	1,830,328
Actuarial gain/(losses) on retirement benefit obligations	-	-	-	(424)	(424)
Income tax on other comprehensive income	-	-	-	119	119
Total other comprehensive income for the year	-	-	1,830,328	(305)	1,830,023
Total comprehensive income for the year	-	-	1,830,328	5,095,473	6,925,801
Transactions with owners of the Company directly recognized into equity					
Gain on disposal of FV through OCI investments	-	-	-	369	369
Dividend paid (Note 14)	-	-	-	(2,330,796)	(2,330,796)
Transactions with owners of the Company directly recognized into Equity	-	-	-	(2,330,427)	(2,330,427)
Balance as at 31st March 2020	89,100,000	111,691	(1,989,609)	8,710,425	95,932,507

The Notes from pages 82 to 201 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Consolidated Statement of Cash Flows

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cash Flow from Operating Activities					
Profit before tax		11,354,415	15,805,221	5,359,804	4,214,914
Adjustments for;					
(Gain)/Loss on disposal of property, plant and equipment		(7,673)	(99,178)		174
Loss on disposal of investment properties		11,643	-	11,643	-
Depreciation of Property, Plant and Equipment	15	5,347,594	5,311,628	4,536	2,175
Depreciation of Right of Use Assets	19	1,210,044			
Provision for Retirement benefit obligation	33	557,386	509,003	4,483	2,717
Provision reversal of inventories		(11,081)	(47,137)		-
Provision of bad & doubtful debts and impairment of financial assets at amortized cost		397,062	140,018		-
Provision/(reversal) of impairment of equity accounted investees	21	-	45,406		
Amortization of Pre-paid operating leases	22	-	57,203		
Loss on revaluation of property, plant and equipment	9	12,084	75,857		
Impairment of receivable from related parties		-	-	1,331,969	776,264
Bad debts written-off	9	55,244	3,198		3,198
Share of profit of equity-accounted investees, net of tax	21	(476,354)	(395,185)		-
Amortization and provision of impairment of Biological Assets	18	704,548	99,813		-
Amortization and impairment of Intangible Assets	16	344,369	319,802	1,524	214
(Gain)/loss on change in fair value of financial assets at fair value through profit or loss		(178,894)	80,223	(133,750)	56,354
(Gain)/loss on disposal of financial investments		(21,882)	(25,624)		-
Deferred income recognized	34	(19,503)	(31,178)		-
Dividend Income		801,075	(959,539)	(6,720,240)	(4,227,671)
(Gain)/loss on change in fair value of Biological Assets	18.3	(282,349)	(250,466)		-
Impairment of Property, Plant and Equipment		21,953	-		-
Fair value gain on investment property	17	(83,992)	(263,671)	(58,604)	(371,853)
Gain on Disposal of investment in Subsidiaries		(54)	-		(4,578)
Provision for Impairment of Investment in Subsidiaries	19	-	-	462,918	272,340
Interest income		(2,026,583)	(1,861,286)	(1,892,600)	(1,322,939)
Interest expense		5,488,557	3,403,160	1,592,872	581,118
Operating profit/(loss) before working capital changes		**23,197,611**	**21,917,268**	**(35,445)**	**(17,572)**
(Increase)/decrease in inventories		(439,348)	(550,884)	30	48
(Increase)/decrease in receivables		1,626,647	84,739	(35,434)	30,524
Increase/(decrease) in payables		(3,201,140)	478,357	15,536	8,520
(Increase) / decrease in Related Party Receivables / Payables		(235,422)	(408,291)	(124,736)	1,632
Cash flows generated from/(used in) operating activities		**20,948,347**	**21,521,189**	**(180,049)**	**23,153**
Interest paid		(4,070,277)	(3,412,488)	(1,453,075)	(435,123)
Income Tax paid		(7,988,091)	(5,653,664)	(342,557)	(174,703)
Retiring Gratuity paid	33	(405,171)	(438,980)	(364)	-
Dividends Received		(801,075)	959,539	6,720,240	4,227,671
Net Cash flows generated from operating activities		**7,683,733**	**12,975,595**	**4,744,195**	**3,640,998**

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cash Flow from Investing Activities					
Acquisition of Property, plant and equipment		(10,968,842)	(12,805,810)	(9,459)	(9,362)
Proceeds from disposal of investment in subsidiaries net of cash disposed		-	2,557,048		2,557,048
Acquisition of Intangible Assets	16	(167,378)	(33,665)	(4,106)	(496)
Acquisition of investment property	17	(3,437)	(881,682)		(870,846)
Additions to Biological Assets	18	(177,597)	(198,046)	-	-
Proceeds from sale of Consumermable Biological Assets		26,784	-	-	-
Investment in equity accounted investees		(24,188)	(1,091,240)		-
Investment in joint ventures		(175,000)	-	(175,000)	(650,000)
Proceeds from sale of Property, plant and equipment		188,530	159,689		646
Interest received		2,026,583	1,861,286	937,725	729,493
Acquisition of non controlling interest		(30,350)	(206,168)	(30,336)	(201,331)
Net Proceeds from Disposal / (Acquisition) of Other Financial Investments		10,148,159	(23,877,890)	11,129,185	(20,676,931)
Acquisition of subsidiaries net of cash acquired	20.5.2	(1,573,329)			
Investment in subsidiaries			-	(1,604,000)	
Loans disbursed to Subsidiaries and Associates		-	-	(4,489,355)	(6,710,712)
Proceeds from settlement of Loans given to Subsidiaries		-	-	1,007,100	2,620,036
Dividend received from equity accounted investees		99,959	577,641		-
Final liquidation proceeds of subsidiary		54	-		-
Net Cash flows generated from/(used in) investing activities		**(630,051)**	**(33,938,837)**	**6,761,753**	**(23,212,454)**
Cash Flow from Financing Activities				-	
Advances received from / (setteled to) subsidiaries and equity accounted investees(net)		(163,619)	549,893	34,000	2,912,805
Settlement of advances obtained from subsidiaries		-	-	(2,982,196)	(12,000)
Payment of lease liabilities	32	(1,839,106)	-	-	
Principle repayments under finance lease liabilities		-	(65,262)	-	-
Proceeds from interest bearing loans and borrowings	31.1	6,430,961	15,134,811	-	-
Repayments of interest bearing loans and borrowings	31.1	(4,319,584)	(10,860,463)	-	-
Dividend paid	14.1	(2,330,796)	-	(2,330,796)	-
Dividends paid by subsidiaries to minority shareholders		(1,672,323)	(1,933,782)	-	-
Derivative Financial Liabilities recognized		30,005		-	-
Receipt of Deferred Income	34	6,690	17,081	-	-
Net Cash flows generated from/(used in) financing activities		**(3,857,771)**	**2,842,277**	**(5,278,992)**	**2,900,805**
Net increase/(decrease) in cash and cash equivalents		**3,195,911**	**(18,120,964)**	**6,226,956**	**(16,670,651)**
Cash and cash equivalents at the beginning of the year		(24,924,425)	(6,803,461)	(16,427,301)	243,349
Cash and cash equivalents at the end of the year (Note 27)		**(21,728,514)**	**(24,924,427)**	**(10,200,346)**	**(16,427,302)**
Note B					
Analysis of cash and cash equivalents at the end of the year					
Short term deposits	27	1,468,477	2,295,784	-	-
Cash at bank	27	7,820,658	8,318,299	62,301	33,659
Cash in transit	27	139,695	152,440	-	-
Bank overdraft and Other Short Term Borrowings	27	(31,157,343)	(35,690,948)	(10,262,646)	(16,460,961)
		(21,728,514)	**(24,924,425)**	**(10,200,346)**	**(16,427,302)**

Notes to the Financial Statements

1. Reporting Entity

1.1 Domicile & Legal Form

Melstacorp PLC (the "Company") is a quoted public limited liability Company incorporated and domiciled in Sri Lanka. The Company has been registered under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. The registered office and principal place of business of the Company is located at No.110, Norris Canal Road, Colombo 10.

On 21 January 2011, the name of Beruwala Distillery (Private) Limited was replaced with the name of Melstacorp (Private) Limited and the Company has changed its status into a Public Company with effect from 10 August 2011. The Ordinary Shares of the Company were listed in Colombo Stock Exchange on 30 December 2016.

The Consolidated Financial Statements of Melstacorp PLC, as at and for the year ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

1.2 Principal Activities and Nature of Operation

1.2.1 Company

Melstacorp PLC, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Company, and provides function based services to its subsidiaries and associates. Further the Company lease out its properties to its parent company and its subsidiaries.

There were no significant changes in the nature of the principal business activities of the companies in the Group during the financial year under review.

1.2.2 Group

The principal acitivities of the group companies are disclosed in note No. 20.4 to this financial statements.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The immediate and ultimate parent entity of Melstacorp PLC is Milford Exports Ceylon (Private) Limited.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (referred "SLFRS/ LKAS") as laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

This is the first set of Company's and Group's annual financial statements in which SLFRS 16 – "leases" has been applied. The related changes are described in note 3.1 to these financial statements.

These Financial Statements include the following components:

- Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review.
- Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end.
- Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company and the Group.
- Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and utilisation of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.2 Directors' Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs/ LKASs).

2.3 Approval of Financial statements

The Consolidated Financial Statements for the year ended 31 March 2020 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 09th October 2020.

2.4 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Property, Plant and Equipment- Land and Building	Fair value
Investment Property	Fair Value
Retirement benefit obligation	Present value of the defined benefit obligation
Financial Assets Measured at Fair Value Through Other Comprehensive Income	Fair Value
Financial Assets Measured at Fair value through profit or loss	Fair Value
Consumable Biological Assets	Fair Value
Lease liabilities	Present Value of future cash flows

2.5 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.6 Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Use of Judgments and Estimates

The preparation of Consolidated Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS and LKAS) requires management to make judgments, estimates and assumptions that affect the application of Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively. Information about assumptions and estimation uncertainties that have significant effect on the amounts recognized in the consolidated financial statements is included in following Notes;

Note 18 – Biological Assets

Note 23 - Recognition of deferred tax assets: availability of future taxable profit against which carried forward tax losses can be used.

Note 33 - Measurement of defined benefit plan; key actuarial assumptions.

Note 41 - Recognition and measurement of provisions for contingencies; key assumptions about the likelihood and magnitude of an outflow of resources.

Note 20 – Whether the Group has de facto control over an investee

2.8 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

3. Significant Accounting Policies

Except as disclosed in note 3.1 below, the Group has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated.

3.1 Change in Accounting Policies

(a) SLFRS – "Leases"

The Group applied the SLFRS 16 using the modified retrospective approach, under which the comparative information presented for the year ended 31st March 2019 is not restated. Accordingly, the cumulative effect of initial application is recognized in retained earnings as at 1st April 2019. The details of the changes in accounting policies are described below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

3.1.1 Definition of a lease

Previously, the Group determined whether an arrangement is or contains a lease under LKAS 17 and IFRIC 4 – "Determining whether an arrangement contains a lease". The Group now assesses whether a contract is or contains a lease as explained in note 3.4.2.

On the transition to SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SLFRS 16 only to contracts that were previously identified as leases.

.1.2 As a lessee

As a lessee, the Group leases properties, motor vehicles and equipment that are used to carry out business operations. The Group previously classified these leases as operating leases under LKAS 17 based on its assessment of whether the lease transferred substantially all the risks and rewards incidental to the ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognizes right-of-use assets and lease liabilities for leases of properties, vehicles and equipment.

The Group used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Group

- Did not recognize right-of-use assets and liabilities for leases for which term ends within 12 months of the date of initial application.
- Excluded initial direct costs from the measurement of the right-to-use asset at the date of initial application. (i.e,1st April 2019).
- Used hindsight when determining the lease term.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the date of initial application (i.e, 1st April 2019).

3.1.3 As a Lessor

The Group leases out its investment property. These leases are clarified as operating leases. The Group is not required to make any adjustment on the transaction to SLFRS 16 for leases in which it acts as a lessor.

Notes to the Financial Statements

3.1.4 Impact on Transition

(i) Company.

Lease liability recognized as at 1st April 2019 is as follows,

Description	Rs. '000
Lease commitments as at 31st March 2019	10,933,681
Discounted using the incremental borrowing rate as at 1st April 2019	
Lease liability recognized as at 1st April 2019	10,304,270

When measuring the lease liabilities that were classified as operating leases, the Company discounted lease payments using it's incrementable borrowing rate as at 1st April 2019. The weighted average rate applied is 14.32%.

The right-of-use asset recognized as at 1st April 2019 is as follows,

Description	Rs. '000
Right-of-use asset measured with reference to the lease liability	10,304,270
Adjusted through opening retained earnings as at 01 April 2019	1,037,464
Less: Lease equalization	587,621
Right-of-use asset recognized as at 1st April 2019	11,929,355

Note A

Leasehold right of the land previously classified as a finance lease has been transferred to right-of use asset at its carrying amount. Future lease liability of the said land is not material to the financial statements.

(ii) Group

(b) Transition to SLFRS 16 - approach adopted by the Plantation sector

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued a special application guidance which is applicable to the Companies previously adopted SoAT/ UITF regulation. As per this guidance, the Group elected not to restate the comparative information, instead the Group recognized the cumulative effect of initial application of SLFRS 16 as an adjustment to the opening balance of retained earnings as at the date of initial application (i.e 1st April 2019).

(c) IFRC 23 – "Uncertainty over IncomeTax Treatments"

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS12 – "Income Taxes". It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group has applied significant judgement in identifying uncertainties over income tax treatments and has considered each uncertain tax treatment separately and used the approach that would predict the resolution of the uncertainty.

Upon adoption of the interpretation, except for the uncertain income tax positions recognized in the equity of Rs. 197.4 million under initial application, the Group determined that its tax treatments will be accepted by the taxation authorities.

(d) Impact on Transition – Total Equity

Below table depicts the total amount of adjustments made to the opening balance of equity of the Group due to the initial application of SLFRS 16 and IFRIC 23.

Component	Impact as at 1st April 2019		
	Retained Earnings Rs '000	Non-controlling Interest Rs '000	Total Equity Rs '000
Aitken Spence PLC			
- SLFRS 16	374,796	512,578	887,374
- IFRIC 23 (Note c)	99,340	98,060	197,400
Balangoda Plantations PLC – SLFRS 16 (Note b)	43,188	30,497	73,685
Madulsima Plantations PLC – SLFRS 16 (Note b)	32,988	26,014	59,002
Browns Beach Resort PLC – SLFRS 16	9,737	7,666	17,403
Total			**1,234,864**

3.2 Basis of consolidation

The Financial Statements of the Company and Group comprise the Financial Statements of the Company and its Subsidiaries for the year ended 31 March 2020 other than Periceyl (Private) Limited, Continental Insurance Lanka Limited, Madulsima Plantations PLC and Balangoda Plantations PLC whose financial year ends on 31 December. The difference between the reporting date of the above companies and that of the parent does not exceed three months but adjustments are made for any significant transactions or e vents up to 31 March.

3.2.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, based on the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus

- The recognised amount of any non-controlling interest in acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre – existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3.2.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3.2.3 Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.2.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.2.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2.6 Interests in Equity Accounted Investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are contractual arrangements when by two or more parties agree to share control over an economic activity. Interests in associates and Joint ventures are accounted for using the equity method (equity accounted investees).They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence ceases.

3.3 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

3.4 Statement of Financial Position

3.4.1 Property, Plant & Equipment

3.4.1.1 Freehold Assets

a. Recognition

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period. Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

b. Measurement

Items of property, plant & equipment are measured at cost or at fair value in the case of land and buildings less accumulated depreciation and accumulated impairment losses.

The cost of property, plant & equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

c. Subsequent Cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic

Notes to the Financial Statements

benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss.

d. De-recognition

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

e. Revaluation

The Group revalues its land and buildings at least once in every five years which is measured at its fair value at the date of revaluation less any accumulated depreciation and any accumulated impairment losses. On revaluation of land, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it offsets a previous decrease in value of the same asset that was recognised in the profit or loss. A decrease in value is recognised in the profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

f. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using straight-line basis over the estimated useful lives, and is generally recognised in profit or loss. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term or the useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows.

Freehold Buildings	20 – 50 years
Plant, Machinery & Equipment	10 – 20 years
Medical Equipment	10 years
Furniture & Fittings/ Office Equipment	10 years
Vats & Casks	10 years
Oil Storage Tanks	10 years
Computers equipment	03 – 05 years
Motor Vehicles	04 – 10 years
Empty Drums	02 years
Kitchen Equipment	10 years
Soft Furnishing, Crockery, Cutlery and Glassware	05 – 10 years
Speed Boats	05 years
Power Generation Plants	10 – 20 years or over the period of the power purchasing agreement

Power generating plants of some of the group companies in the renewable energy segment that are not depreciated as above are depreciated on the unit of production basis. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g. Capital Work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery, awaiting capitalisation.

h. Reclassification to investment property

When the use of a property changes from owner- occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment losses on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss

3.4.2 Leases

The Group applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately if they are different from those under SLFRS 16 and the impact of changes are disclosed in Note 3.1 to the Financial Statements.

(a) Policy applicable from 1st April 2019

3.4.2.1 Group acting as a lessee

At commencement or modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its stand-alone price.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the lease asset.

- Lease payments included in the measurement of lease liability includes

- Fixed payments

- Variable lease payments that depend on an index or rate

- Amount expected to be payable under residual value guarantee

- The exercise price under a purchase option that the Company is reasonably certain to exercise

Lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable or if there is a fixed in substance lease payment.

When the lease liability is remeasured as such, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right of-use asset has been reduced to zero.

The Group presents the right-of-use asset and the lease liability as separate line items in the Statement of Financial Position.

Short term leases and leases of low value assets

The Group elected not to recognize right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on the straight-line basis.

3.4.2.2 The Group acting as a lessor

When the Group acts as the lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes and overall assessment of whether the lease transfers substantially all of risks and rewards incidental to ownership of the underlying asset. If this is the case, lease is a finance lease; if not it is an operating lease.

(b) Policy applicable before 1st April 2019

For contracts entered into prior to 1st April 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether;

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets and;

- The arrangement had conveyed a right to use the asset

3.4.3 Finance Leases - As a Lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, were capitalized 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 were 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 were recognized in finance cost in the statement of profit or loss.

Leased assets were depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.4.4 Operating Leases - As a Lessee

Operating lease payments were recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term. Contingent rent payable was recognized as an expense in the period in which they were incurred.

3.4.5 Operating Leases - As a Lessor

Initial direct costs incurred in negotiating operating leases were added to the carrying amount of the leased asset and

Notes to the Financial Statements

recognized over the lease term on the same basis as rental income. Contingent rents were recognized as revenue in the period in which they were earned.

3.4.6 Intangible Asset

An intangible asset is recognised if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 "Intangible Assets". Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstance indicate that it might be impaired and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which goodwill arose.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using straight-line basis over the estimated useful lives from the date that they are available for use, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 years

3.4.7 Impairment

3.4.7.1 Non Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis.

3.4.8 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purpose. Investment properties are initially measured at its cost including related transaction costs and subsequently at fair value with any change therein recognised in profit or loss.

Investment properties are derecognised when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on the retirement or disposal is recognised in the profit or loss in the year of retirement or disposal. Transfers are made to investment property, when there is a change in use. Where a group company occupies in a significant portion of an investment property of a subsidiary, such investment properties are treated as property, plant & equipment in the consolidated financial statements and accounted for as per LKAS 16 Property, Plant & Equipment.

3.4.9 Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The general basis on which cost is determined is: all inventory items, except manufactured inventories and work-in progress are measured at weighted average directly attributable cost.

Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate shares of production overhead based on normal operating capacity.

3.4.10 Financial Instruments

3.4.10.1 Recognition and initial measurement

The Group initially recognises receivables and deposits on the date they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not an FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.4.10.2 Classification and subsequent measurement

3.4.10.2.1 Financial Assets

On initial recognition, a financial asset is classified as measured at; amortized cost; FVOCI –debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequently to their recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL;

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets - Business Model Assessment

The Group makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes;

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management. The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets - Assessment whether contractual cash flows are solely payment of principal and interest:

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative cost), as well as a profit margin.

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Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers;

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayment and extension features; and
- Terms that limits the Group's claim to cash flows from specific assets (e.g. non-recourse features)

The prepayment feature is consistent with the solely payment of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable addition compensation for early termination of the contract.

Financial Liabilities

Financial Liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost of FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.4.10.3 Derecognition

Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.11 Impairment

Financial Assets

A Non-derivative financial assets

The Group recognises loss allowances for Expected Credit Loss (ECL) on:

- Financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk has not increased significantly since initial recognition which are measured at 12-month ECLs:

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occurred.

Evidence that a financial asset is credit-impaired includes the following observable data;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in it's entirely or a portion thereof. The Group initially makes an assessment with respect to the timing and amount to write off based on whether there is a reasonable expectation of recovery.

3.4.12 Stated Capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.4.13 Employee Benefits

a. Defined Contribution Plans

Defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognised as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Employees' Provident Fund (EPF)

The Group entities and employees contribute 12% and 8% respectively on the basic salary of each employee to the above mentioned fund.

Employees' Trust Fund (ETF)

The Group entities contributes 3% of the basic salary of each employee to the Employees' Trust Fund.

b. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The valuation is performed annually by a qualified actuary using the projected unit credit method. When the valuation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested.

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To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans directly in the other comprehensive income and all expenses related to defined benefit plan in personnel expense in profit or loss.

c. Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided

3.4.14 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognised, if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

All the contingent liabilities are disclosed, as Notes to the Financial Statements unless the outflow of resources is made contingent assets if exits are disclosed when inflow of economic benefit is probable.

3.4.15 Commitments

All material commitments as at the reporting date have been identified and disclosed in the Notes to the Financial Statements.

3.5 Statement of Profit or Loss and Other Comprehensive Income

3.5.1 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers the promised good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intragroup sales

SLFRS 15 established a comprehensive framework for determining whether, how much and when to recognise revenue. Revenue is measured based on the consideration specified in a contract with a customer. Under SLFRS 15, the Group revenue is recognised when a customer obtains control of the goods or services. Standard also gives guidelines for determining the timing of the transfer of control ie: at a point in time or over time requires judgement.

Under SLFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur.

a. Sale of goods

Revenue from sale of goods is recognised on accrual basis at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties and free maintenance). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any)

b. Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period irrespective of whether the service is billed.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and records the revenue at the net amount that it retains for its agency services.

c. Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the agreement

3.5.2 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalised as part of that asset.

Borrowing costs that are not capitalised are recognised as expenses in the period which they are incurred and charged to the statement of profit or loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 – 'Borrowing Costs'.

3.5.3 Finance Income and Expenses

Finance income comprises interest income on funds invested (including Fair Value Through OCI), gains on the disposal of Fair Value Through OCI financial assets. Interest income is recognised as it accrues in the profit or loss, using the effective interest method.

Finance cost comprise interest expenses on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.5.4 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in OCI.

a. Income Tax

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No.24 of 2017 and amendments made thereto.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or subsequently enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

b. Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Temporary differences related to investments in subsidiaries, associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.6 Subsequent Events

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.7 Earnings Per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.8 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks and rewards that are different from those of other segments.

The activities of the segments are described in Note 05 to the Financial Statements.

3.9 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows.' Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

3.10 Comparative Figures

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter-period comparability.

Where necessary, comparative figures have been reclassified to conform to the current year's presentation in order to provide a better presentation.

3.11 Grants and Subsidies

Grants and subsidies are credited to the statement profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grants related to assets, including non-monetary grants at fair value, are deferred in the reporting date and credited to the profit or loss over the useful life of the related asset.

Grants related to income are recognised in the statement of profit or loss in the period in which it is receivable.

3.12 Policies Specific to Plantation Sector

3.12.1 Biological Asset

3.12.1.1 Immature and Mature Plantations

Biological assets are classified into mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specification. Tea, rubber, other plantations and nurseries are classified as biological assets.

The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices in different geographical regions
	Factor all the prevailing statutory regulations enforced for harvesting of timber coupled with forestry plan of the company
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company.
Selling price	Selling price estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition.
Planting cost	Estimated costs for further development of immature areas are deducted
Discount rate	Future cash flows are discounted at following discount rates: Timber trees 14%

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea plants, those that are not intended to be sold or harvested, however used to grow for harvesting agriculture produce. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

The entity recognise the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – "Property Plant & Equipment" .

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations.

These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Tea, Rubber, Timber fields) which comes into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

Permanent impairments to biological asset are charged to the statement of profit or loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

Key assumptions and sensitivity analysis are given in Note 18.2.1.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

3.12.1.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

3.12.1.3 Land Development Cost

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

Permanent impairments to land development costs are charged to the statement of profit or loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.12.2 Depreciation and Amortisation

(a) Depreciation

Depreciation is recognised in statement of profit or loss on a straight-line basis over the estimated useful economic lives of each part of an item of property, plant & equipment. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/ SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	No. of Years	Rate (%)
Buildings & Roads	40	2.5
Plant & Machinery	20/25	4.00/5.00
Motor Vehicles	15/20	5.00/6.67
Equipment	8/4	12.50/25
Furniture & Fittings	10	10
Water Sanitation's	20	5
Mature Plantations (Replanting and New Planting)		
Tea	33 1/3	3
Rubber	20	5
Coffee	10	10
Citrus	10	10

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less. No depreciation is provided for immature plantations.

(b) Amortisation

The leasehold rights of assets taken over from SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

	No. of Year	Rate (%)
Bare land	53	1.89
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Buildings	25	4
Machinery	15	6.67
Mini Hydro Scheme	10	10

3.12.3 Deferred Income

3.12.3.1 Grants and Subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant. Assets are amortised over their useful lives as follows;

Buildings	40 years

Notes to the Financial Statements

3.13 Policies Specific to Insurance Sector

3.13.1 Insurance Contracts

As permitted by SLFRS 4 Insurance Contracts, the Group continues to apply the existing accounting policies for Insurance Contracts that were applied prior to the adoption of SLFRS 17.

Product Classification

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Group are insurance contracts and therefore classified as Insurance contracts under the SLFRS 4 – Insurance Contracts. Thus, the Group does not have any investment contracts within its product portfolio as at the reporting date.

3.13.2 Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

The DAC is applicable only to Non - Life Insurance Contracts. In line with the available regulatory guidelines from the Insurance Board of Sri Lanka (IBSL), the DAC is calculated based on the 365 days basis.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of comprehensive income. No such indication of impairment was experienced during the year. DAC is derecognised when the related contracts are either settled or disposed-off.

3.13.3 Reinsurance

The Group cedes insurance risk in the normal course of business to recognised re-insurers through formal reinsurance arrangements. Reinsurance assets include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from re-insurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the re-insurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the statement of financial position unless a right to offset exists. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the re-insurer. The impairment loss, if any is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.13.4 Premium Receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Board of Sri Lanka (IBSL), all Non-Life insurance policies are issued subject to PPW and are cancelled upon the expiry of 60 days if not settled except some selected customers where Group has allowed extra period for settlements.

3.13.5 Insurance Provision – Non - Life Insurance

Non - Life Insurance contract liabilities include the outstanding claims provision including IBNR /IBNER and provision for unearned premiums.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The valuation of Unearned Premium Reserve is measured in accordance with guidelines of the Regulation of Insurance Industry Act, No. 43 of 2000 (i.e. based on the 365 days basis). The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims reserve are actuarially computed. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Liability Adequacy Test (LAT)

As required by the SLFRS 4- Insurance Contracts, the Group performed a Liability Adequacy Test (LAT) in respect of Non - Life Insurance contract liabilities with the assistance of the external actuary.

3.13.6 Revenue Recognition

3.13.6.1 Insurance Premiums

a) Non - Life Insurance Business

Gross written premiums - Non - Life Insurance comprise the total premiums received /receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross Written Premium is generally recognised is written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a prorate basis over the term of the related policy coverage.

Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on 365 days basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under liabilities.

b) Reinsurance Premiums

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with re-insurers. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts (using 365 days basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000).

3.13.6.2 Policy Income

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or becoming due and is classified under other income.

3.13.7 Benefits, Claims and Expenses

a) Gross Benefits and Claims

Non - Life Insurance Business

Non - Life insurance claims include all claims occurring during the year, whether reported or not together with claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

The provision in respect of Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) is actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends. Actuarial valuations are performed on a semi-annual basis. Whilst the Directors consider that the provisions for claims are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events.

This may result in adjustments to the amounts provided. Such amounts are reflected in the financial statements for that period.

The methods used to estimate claims and the estimates made are reviewed regularly.

b) Reinsurance Claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.13.8 Net Deferred Acquisition Expenses

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned.

Reinsurance commission is also treated in the same manner within deferred acquisition costs.

3.13.9 Premium income (GWP) and other sundry sales related taxes

Revenue, expenses and assets are recognised net of the amount of sales taxes and premium taxes except where the premium or sales tax incurred on the purchase of assets services is not recoverable from the taxation authority, in which case, the sale tax is recognised as a part of the cost of acquisition of the asset or as a part of the expense item, as applicable.

Notes to the Financial Statements

3.14 Policies Specific to Telecommunication Sector

3.14.1 Depreciation

The estimated useful lives used are as follows;

Buildings	8 years
Shelters and other equipment	5 years
Vehicles	5 years
Furniture and fittings	5 years
Computer software	3 years
Leasehold improvements	5 years
Leased equipment	3 – 10 years
Office/Other equipment	1 - 5 years
Digital Electronic Switches	10 years
Network Equipment	10 Years
Towers	10 years
Customer premise equipment	1 – 10 years
FLAG project assets	5 – 15 years
WiMAX	5 – 10 years

3.14.2 Intangible Assets

3.14.2.1 License Fees and Access Rights

Separately acquired licenses and access rights are shown at historical cost. Expenditures on license fees and access rights that is deemed to benefit or relate to more than one financial year is classified as intangible assets and is being amortised over the agreement period on a straight line basis.

3.14.2.2 Amortisation

Amortisation is recognised in the statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 – 5 years
FLAG access rights	15 years
Licenses	10 years

3.14.3 Revenue

Revenue from services rendered in the course of ordinary activities is measured at fair value of the consideration received or receivable net of trade discounts and volume rebates.

Revenue is recognised when persuasive evidence exist, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The revenue is recognised as follows:

3.14.3.1 Domestic and International Call Revenue, Rental Income

Revenue for call time usage by customers is recognised as revenue as services are performed on accrual basis.

Fixed rental is recognised as income on a monthly basis in relation to the period of the rental.

3.14.3.2 Revenue from other Network Operators and International Settlements

The revenue received from other network operators, local and international, for the use of the Group's telecommunication network are recognised, net of taxes, based on usage taking the traffic minutes/per second rates stipulated in the relevant agreements and regulations and based on the terms of the lease agreements for fixed rentals. Revenue arising from the interconnection of voice and data traffic between other telecommunications operators is recognised at the time of transit across the Group's network and presented on gross basis.

The relevant revenue accrued is recognised under income in the statement of profit or loss and interconnection expenses recognised under operating costs in the statement of profit or loss.

3.14.3.3 Revenue from Broadband

Revenue from broadband service is recognised on usage and the fixed rental on a monthly basis when it is earned net of taxes, rebates and discounts.

3.14.3.4 Revenue from other Telephony Services

The revenue from Data services and other telephony services are recognised on an accrual basis based on fixed rental contracts entered between the Group and subscribers.

3.14.3.5 Installation Revenue

The installation revenue relating to Code Divisional Multiple Access (CDMA) and non CDMA connections are deferred over the expected life of the customer on the network.

3.14.3.6 Service Agreements Revenue

Capacity contracts which convey the right to use a specified capacity in an identified fiber cable are accounted as service arrangements. Customers are charged on a monthly basis based on usage, and the contracts are for a short-term.

3.14.3.7 Prepaid Card Revenue

Revenue from the sale of prepaid card on CDMA, Internet is recognised upon activation of the said card as the period of expiry of the card and the non-refundable nature of the amounts are considered immaterial to the revenue recognition process.

3.15 Policies Specific to Finance Sector

3.15.1 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. The following specific recognition criteria must also be met before revenue is recognised.

a) Interest Income and Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as Fair Value

Through OCI financial instruments designated as fair value through profit or loss, interest income and expense are recognised in profit or loss using the Effective Interest Rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the EIR, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes all material transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in 'Interest Income' for financial assets and in 'Interest and similar expense' for financial liabilities.

However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

b) Lease Income

In terms of the provisions of the Sri Lanka Accounting Standard – LKAS 17 on 'Leases', the recognition of finance income on leasing is accounted, based on a pattern reflecting a constant periodic rate of return on capital outstanding.

The excess of aggregate lease rentals receivable over the cost of the leased assets constitutes the total unearned finance income at the commencement of a lease. The unearned finance income included in the lease rentals receivable is recognised in profit or loss over the term of the lease commencing from the month in which the lease is executed using Effective Interest Rate.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

c) Hiring Rental Income

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.15.2 Impairment Losses on Loans and Advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the statement of profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of asset with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan to collateral ratio, level of restructured performing loans, etc.), and judgment on the effect of concentrations of risks and economic data.

4. New Accounting Standard Amendments Issued but not Effective

The Institute of Chartered Accountants of Sri Lanka has issued following amendments to Sri Lanka accounting standards that are effective for annual periods beginning on or after 1st January 2020. Accordingly these amendaments have not been applied in preparing these financial statements and the Group plans to apply these amendaments if applicable as and when they become effective.

The following standard amendments are not expected to have a significant impact on the Group's financial statements.

4.1 Amendments to References to Conceptual Framework in Sri Lanka Financial Reporting Standards

These amendments are effective 1st January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

4.2 Definition of Material (Amendments to LKAS 1 and LKAS 8)

Definition of Material Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the amendments) to align the definition of "material" across the standards and to clarify certain aspects of the definition.

Notes to the Financial Statements

5 Operating segment information

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

Segmental information is presented in respect of the Group's business segments. The business segments are determined based on the Group's management and internal reporting structure. Inter-segment transfers are based on fair market prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5.1 Segment revenues

For the year ended 31March,	2020 Rs.'000	2019 Rs.'000
Beverages (Gross)	86,796,390	87,433,730
Plantation	4,579,807	4,501,190
Telecommunication	2,715,957	2,964,778
Financial services	5,376,349	4,745,437
Diversified	55,006,710	57,837,694
Total gross revenue	**154,475,213**	**157,482,829**
Excise duty on beverages	**(56,632,092)**	**(57,267,603)**
Total net revenue	**97,843,120**	**100,215,226**

5.2 Segment profits / (loss)

For the year ended 31March,	2020 Rs.'000	2019 Rs.'000
Beverages	10,166,447	9,557,143
Plantation	(1,724,975)	(577,590)
Telecommunication	(1,435,690)	(2,068,595)
Financial services	514,717	427,023
Diversified	3,357,562	8,072,055
	10,878,061	15,410,036
Share of profit of equity-accounted investees (net of tax)	476,354	395,185
Profit before income tax expense	**11,354,415**	**15,805,221**
Taxation	(6,929,457)	(6,930,552)
Profit for the year	**4,424,958**	**8,874,669**

5.3 Other segmental information

For the year ended 31March,	Beverages		Telecommunication		Reporting segment Plantation		Financial Services		Diversified		Eliminations/other consolidated adjustments		Group Total	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Purchase of PPE	101,287	110,836	299,127	1,910,210	245,278	407,036	39,986	12,112	10,283,164	11,646,688	-	-	10,968,842	14,086,882
Additions to intangible assets	-	-	735	1,550	1,135	-	1,574	5,942	163,934	26,173	-	-	167,378	33,665
Depreciation of PPE	532,333	537,937	786,999	1,093,541	136,080	106,354	18,274	26,474	3,520,834	3,194,248	353,074	353,074	5,347,594	5,311,628
Amortisation and impairment of intangible assets	-	403	290,495	290,563	82	-	4,081	2,484	49,711	26,352	-	-	344,369	319,802
Amortisation of bearer biological assets at finance lease ((JEDB/SLPC)	-	-	-	-	97,670	79,014	-	-	-	-	-	-	97,670	79,014
Interest expense	624,744	503,159	999,696	776,639	762,895	471,269	15,725	-	4,857,323	2,692,032	(1,771,824)	(1,039,938)	5,488,553	3,403,161

As at 31 March,	Beverages		Telecommunication		Reporting segment Plantation		Financial Services		Diversified		Eliminations/other consolidated adjustments		Group Total	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Total assets	22,967,555	27,575,563	7,196,318	7,118,724	12,132,830	12,258,644	6,644,547	5,292,386	272,685,020	253,440,133	(68,419,701)	(62,075,543)	253,206,568	243,609,911
Total liabilities	14,934,766	19,138,289	11,494,983	9,325,531	11,425,843	9,169,200	4,596,667	3,560,769	99,794,943	90,072,714	(15,797,220)	(12,243,362)	126,449,982	119,023,151
Employee benefit obligations	219,697	173,403	77,328	72,408	1,759,356	1,631,820	42,776	33,646	976,385	1,073,594	-	-	3,075,542	2,984,871
Deferred tax assets	191,958	70,773	638	638	661,042	712,937	11,977	21,245	1,689,326	1,329,132	(103,782)	-	2,451,159	2,134,725
Deferred tax liabilities	1,973,410	2,102,141	374	374	1,341,925	1,462,160	12,440	7,676	4,836,513	4,197,799	1,610,810	1,640,314	9,775,472	9,410,463
Income tax payable	764,670	1,616,984	9	-	7,816	7,792	44,017	27,387	418,068	611,840	-	-	1,234,581	2,264,010

5.4 Segmental cash flows

As at 31 March,	Beverages		Telecommunication		Reporting segment Plantation		Financial Services		Diversified		Group Total	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Operating Cash Flows	6,836,014	3,778,438	(1,002,516)	(804,420)	(1,375,784)	188,361	674,656	536,309	10,691,308	11,400,380	15,823,678	15,099,063
Investing Cash Flows	338,772	583,101	(593,630)	(705,157)	(351,635)	(565,946)	(211,095)	(445,767)	(4,921,106)	(38,033,734)	(5,738,694)	(39,167,503)
Financing Cash Flows	(6,957,982)	(4,135,859)	752,995	1,743,189	1,783,198	742,947	(172,835)	(21,000)	(2,197,776)	7,109,161	(6,792,400)	5,438,438
	216,804	225,680	(843,151)	233,612	55,779	365,362	290,726	69,542	3,572,426	(19,524,193)	3,292,584	(18,630,002)

Notes to the Financial Statements

6 Revenue

6.1 Revenue streams

For the year ended 31March,	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Revenue from contracts with customers				
Sale of goods	96,993,264	97,816,001	-	-
Rendering of services	57,481,949	59,666,828	212,752	209,203
Total gross revenue (Note 6.2)	154,475,213	157,482,829	212,752	209,203

6.2 Business segment analysis of gross revenue

For the year ended 31March,	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Beverages	86,796,390	87,433,730	-	-
Plantation	4,579,808	4,501,190	-	-
Telecommunication	2,715,957	2,964,778	-	-
Financial Services	5,376,349	4,745,435	-	-
Diversified	55,006,709	57,837,696	212,752	209,203
Total gross revenue	154,475,213	157,482,829	212,752	209,203

6.3 Geographical segment analysis of gross revenue

For the year ended 31March,	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2019 Rs.'000	Company 2019 Rs.'000
Sri Lanka	136,856,343	139,857,952	212,752	209,203
Maldives	13,118,398	11,729,802	-	-
Other countries	4,500,472	5,895,075	-	-
Total gross revenue	154,475,213	157,482,829	212,752	209,203

6.4 Timing of revenue recognition

For the year ended 31March,	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Products and services transferred at a point in time	99,538,788	97,816,001	-	-
Products and services transferred over time	54,936,425	59,666,828	212,752	209,203
Total gross revenue	154,475,213	157,482,829	212,752	209,203

6.5 Performance obligations

Information about the Group's performance obligations are summarised below;

Type of product/services	Nature and timing of satisfaction of performance obligation	Revenue recognition
Rendering of services		
Telecommunication sector		
Monthly rental (fixed)	The Company charges a rental from their customer for maintaining telephony packages and connections. It is charged on a monthly basis along with the monthly usage bill.	The fixed charge is recognised as an income on a monthly basis.
Call revenue	The Company charges an amount based on their customers usage. This is billed to the customers on monthly basis.	Revenue is recognised when a call is made based on the usage at the rate determined for the package..
Broadband revenue	The performance obligation is deemed satisfied when the customer uses the data.	The revenue is recognised based on the usage.
Installation Revenue	The Company charges a non-refundable fee in part as compensation for costs incurred in setting up the connection.	The revenue is recognised based on the identified performance obligation. Performance obligation is deemed satisfied upon the completion of the installation. Revenue is recognised at that time.
Receipts from other network operators	The company charges other network operators, local and international, for the use of the Company's telecommunication network are recognised, net of taxes, based on usage taking the traffic minutes/per second rates stipulated in the relevant agreements and regulations and based on the terms of the lease agreements for fixed rentals.	Revenue is recognised based on the usage of the subsidiary's network by other users.
Flag and Site rental revenue	The Company lends the towers owned by the Company and sublends the FLAG cable to other network operators.	Rental income to be recognised over the period.

Notes to the Financial Statements

Type of product/services	Nature and timing of satisfaction of performance obligation	Revenue recognition
Diversified sector		
Tourism		
Hotel operation	Main revenue of the Group's hotel operation is provision of rooms for guest accommodation (apartment revenue). Performance obligation is deemed satisfied when the room is assigned to the guest.	Revenue recognition for the Group's hotel operation is at point of time. Apartment revenue is recognised on the rooms occupied on a daily basis over the period of the stay, while the revenue from other sources such as food and beverage sales, are accounted for at the time of consumption/service. Invoices to customers are raised on completion of the hotel stay.
	"Diamond Club" a loyalty programme, allows customers to accumulate points when they patronise the Group's hotels in Sri Lanka which could be redeemed for future hotel accommodation. Component of the revenue attributable to the diamond points is deferred and recognised when points are redeemed	Fair value of the points issued are deferred an recognised on revenue upon redemption.
Inbound and outbound travels	Main activity of the Group companies in the inbound and outbound travel segment is selling of tour packages and other destination management services. Customers are invoiced for the services at the commencement of the tour and the revenue is recognised at that point in time.	Revenue from sale of tour packages is recognised on the start date of the tour.
Airline General Sales Agent (GSA)	Overriding Commission from the Airlines is recognised when passenger actually uses the ticket while the ticketing commission from the airline is recorded on the date of the sale.	Revenue recognition at point of time.
Maritime and logistics		
Maritime and port services	Operations of the Group's maritime segment includes provision of services of a shipping agent, bunkering services, representation of liner shipping agencies and global container services as an agent of the principal shipping line. Revenue for segment represents the commission derived from the services rendered to the shipping lines. Revenue from the port operation and management services performed by the Group is recognised on the completion of the operation.	Commission income is recognised upon the departure of the vessel. Revenue is recognised at the point of time on completion of the port services.
Freight forwarding and courier	Revenue from freight forwarding and courier operations of the Group is recorded when the cargo is loaded to the vessel.	Revenue recognition for the freight forwarding and courier operation is at the point of time.
Integrated logistics	Revenue from Group's container freight station (CFS) operations and the depot operations is recognised upon dispatch of the container from the yard, income from transport and other special operations are recognised upon completion of the activity while the revenue from warehouse and renting of reefer containers are recognised on a monthly basis over the period of the hire.	At point of time for CFS, depot, transport and other special operations and over time for warehouse and renting of reefer containers.
Airline GSA (Cargo)	Commission income from airline GSA is recognised when cargo is handed over to the airline.	Revenue recognition at point of time.

Type of product/services	Nature and timing of satisfaction of performance obligation	Revenue recognition
Strategic investments		
Power generation	Performance obligation is satisfied when electricity is generated and supplied to the national grid as a variable component and a fixed component referred to as capacity charge calculated based on the minimum guaranteed energy amount as specified in the power purchase agreement (PPA).	Revenue is recognised on the last day of the month based on the power generated during the month.
Services sector		
Inward money transfer	Inward money transfer segment of the Group acts as a sub-representative of the Western Union Network (France) SAS. Sub representative fee is recognised by the company upon the completion of the inward money transfer.	Revenue is recorded at the point of time when inward money transfer is completed.
Elevator agency	Revenue on installation of elevators are recognised in the income statement by reference to the stage of completion at the reporting date. Stage of completion is measured by reference to the percentage of work done to date. Revenue for free maintenance inbuilt in the contract is deferred until installation is completed and there after recognised monthly once the maintenance period commences. However invoices to customers are raised as per the contract terms.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on estimate of work completed.
Insurance	Commission income on the sale of insurance policies are recognised upon collection of the insurance premium while revenue from survey and other insurance services are recognised upon completion of the professional service.	Revenue recognised for commission income and fees for professional services is at point of time.
Property management (Renting of property)	Income for the property management companies are derived from renting of properties owned by them. Invoices for renting of property are issued on a monthly basis over the period of the rent.	Revenue is recognises over time during the period of the rent agreements
Water bottling operation for the use in the hotel sector	Customers obtain control of bottled water upon sale of the item. Invoices are generated and revenue is recognised at the point in time when the bottles are dispatched from the Group's warehouse.	Revenue is recognised when the water bottles are dispatched from the Group's warehouse.
Printing and packaging (Supply of value added printing and packaging products and services)	Customers obtain control of goods when the goods are delivered to them. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods. Invoices are generated and revenue is recognised at the point in time when the goods are delivered.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.
Manufacturing of apparels	Customers obtain control of goods when the garments are handed over to the nominated freight forwarding company who is an agent of the customer. Invoices are generated and revenue is recognised at that point in time.	The Group recognises revenue when the manufactured garments are handed over to the nominated freight forwarding company.

Notes to the Financial Statements

Type of product/services	Nature and timing of satisfaction of performance obligation	Revenue recognition
Sale of goods		
Beverages		
Liquor Bottles	Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or services to a contract.	Revenue from the sale of goods is recognised on the point which the goods are handed over to the customer.
Plantation		
Sale of produce from plantation	Black tea produce is sold at the Colombo tea Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer.	Revenue from sale of other crops are recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

7 Cost of sales and net benefits paid

This includes all the directly attributable costs of sale of goods and rendering of services. Further net insurance benefits and claims paid, net change in insurance claims outstanding and underwriting and net acquisition costs in insurance businesses are included.

8 Other operating income

		Group		Company	
For the year ended 31March,		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gain on change in fair value of biological assets	18.3	282,349	250,466	-	-
Amortisation of Government grants	34.1	15,399	15,565	-	-
Gain on sale of property, plant and equipment		39,313	99,352	-	-
Fees and commission income		54,313	57,162	-	-
Rent income		121,809	127,140	-	-
Laboratory commissions		3,265	-	-	
Sale of timber		22,533	4,198	-	-
Other income		251,247	151,287	102	-
Dividend income from subsidiary companies		-	-	6,029,869	3,331,648
Dividends from equity securities – at FVOCI		750,452	930,014	650,271	873,956
Dividends from equity securities – at FVTPL		50,623	29,525	40,100	22,067
Gain on disposal of fair value through profit and loss investments		21,882	31,180	-	-
Gain from changes in fair value of investment properties	17	83,992	263,671	58,604	371,853
Gain on disposal of subsidiaries*		54	800	-	4,578
Reversal of Provision for obsolete and slow moving inventories		11,081	-	-	-
Reversal of provision for expected credit loss		4,761	49,913	-	-
Net impairment reversal of financial assets measured at amortized cost		-	4,823	-	-
		1,713,074	2,015,096	6,778,946	4,604,102

9 Other operating expenses

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Net impairment of financial assets measured at amortised cost		397,062	-	-	-
Loss on disposal of equity securities – at FVOCI		-	5,556	-	-
Impairment of amounts receivable from subsidiaries		-	-	1,331,969	776,264
Bad debts written-off		55,448	3,198	-	3,198
Loss on disposal of property plant and equipment		31,640	174	-	174
Loss on revaluation of property plant and equipment		12,084	-	-	-
Impairment of investment in subsidiaries	20.3	-	-	462,918	272,341
Impairment of immature biological assets	18.1.2	591,240	20,799	-	-
Write-off of bearer biological Assets	18.1.2	17,114	-	-	-
Write-off of nursery plants		3,530	-	-	-
Provision for obsolete and slow moving inventries		-	-	-	-
Impairment of property plant and equipment	15	21,953	-	-	-
		1,130,071	29,727	1,794,887	1,051,977

10 Finance income and finance costs

10.1 Recognized in profit and loss

10.1.1 Finance income

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Interest income and net change in fair value of government securities classified as FVTPL		999	3,893		
Interest income on financial assets measured at FVOCI		65,370	85,336	-	-
Interest income on financial assets measured at amortized cost		1,960,214	1,772,057	1,892,600	1,322,939
Foreign exchange gain		861,569	738,152	-	-
Gain on change in fair value of financial assets at fair value through profit or loss		178,894	-	133,750	-
		3,067,046	2,599,438	2,026,350	1,322,939

Notes to the Financial Statements

10.1.2 Finance costs

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Interest expense on financial liabilities measured at amortized cost					
Interest on long term borrowings		2,479,190	2,318,901	-	-
Interest on bank overdraft and short term borrowings		2,155,605	1,040,162	1,437,775	435,123
Interest on related party current accounts		-	-	155,097	145,995
Interest expense on leases		-	1,790	-	-
Government lease interest (JEDB/SLSPC)		-	42,307	-	-
Interest expense on right to use assets	32	830,839	-	-	
Other finance charges		212,653	200,786	-	-
Foreign exchange loss		168,362	145,448	-	-
Loss on change in fair value of financial assets at fair value through profit or loss		31,833	80,223	-	56,354
		5,878,472	3,829,617	1,592,872	637,472
Net finance income/(costs) recognized in profit or loss		**(2,811,426)**	**(1,230,179)**	**433,478**	**685,467**
The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:					
Total interest income on financial assets		2,026,583	1,861,286	1,892,600	1,322,939
Total interest expense on financial liabilities		5,488,557	3,403,160	1,592,872	581,118
Recognized in other comprehensive income					
Equity investments at FVOCI – net change in fair value		1,987,348	(3,589,588)	1,830,328	(2,726,526)
		1,987,348	(3,589,588)	1,830,328	(2,726,526)

11 Profit before income tax expense

Profit before income tax expense is stated after charging all the expenses including the following;

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Remuneration to directors		587,447	507,912	59,365	57,384
Auditor's remuneration					
Audit - KPMG		38,716	28,393	824	824
- Other auditors		14,660	15,994	-	-
Non-audit - KPMG		12,569	16,937	-	-
- Other auditors		4,924	4,821	-	-
Personnel costs	11.1	16,296,583	15,024,809	92,651	80,922
Depreciation and amortisation					
Depreciation of property plant and equipment	15	5,347,594	5,311,628	4,538	2,176
Amortisation of intangible assets	16	344,369	319,802	1,524	214
Amortisation of bearer biological assets	18	97,670	79,014	-	-
Amortization of Right of Use assets	19	1,210,044	-	-	-
Gain on change in fair value of biological assets		282,349	250,466	-	-
Provision /(reversal) for impairment of trade receivables		397,062	140,018	-	-
Reversal for impairment of inventories		(11,081)	(47,137)	-	-
Donations		19,637	11,040	10,213	7,205
Direct operating expenses on investment properties		10,357	9,519	5,563	5,563

11.1 Personnel costs

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Salaries, wages and other benefits		14,435,267	13,197,296	79,404	70,948
Defined contribution plans- EPF and ETF		1,303,930	1,318,510	8,764	7,257
Defined benefit plans	33.1.1	557,386	509,003	4,483	2,717
Total		16,296,583	15,024,809	92,651	80,922

11.1.1. Number of employees

For the year ended 31March,	Group 2020	Group 2019	Company 2020	Company 2019
Total number of employees	23,697	24,265	38	32

Notes to the Financial Statements

12 Income Tax

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Current tax expense	12.1	6,764,560	6,403,550	230,502	296,775
Deferred tax charged/(credited) or the year	23.1.1	164,897	527,002	33,524	121,994
		6,929,457	6,930,552	264,026	418,769

12.1 Current tax expense

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Current tax charge	12.1.1	5,760,428	5,610,022	228,486	298,471
(Over)/under provision of current tax with respect of previous years		(81,199)	119,993	2,016	(1,696)
Withholding tax on dividends paid by subsidiaries		1,085,331	673,535	-	-
		6,764,560	6,403,550	230,502	296,775

12.1.1 Numerical reconciliation of accounting profits to income tax expense

For the year ended 31March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Profit before income tax expense		11,354,415	15,805,221	5,359,804	4,214,914
Share of profit of equity accounted investees		(476,354)	(395,185)	-	-
Dividend income from group companies		6,030,065	3,331,678	-	-
Other consolidation adjustments		(1,701,168)	(234,816)	-	-
Profit before income tax after adjustments		**15,206,958**	**18,506,898**	**5,359,804**	**4,214,914**
(-) Income not subject to tax		(5,217,708)	(4,118,456)	(6,669,820)	(4,604,102)
(-) Income from other sources		(2,913,132)	(2,157,187)	(2,135,373)	(1,322,939)
(+) Disallowable expenses		12,312,259	10,073,924	2,346,446	1,523,523
(-) Allowable deductions		(10,248,345)	(9,856,980)	(69,194)	(68,367)
(+) Tax losses incurred		8,597,126	6,085,235	1,168,137	256,971
Taxable profit from business		**17,737,158**	**18,533,434**	**-**	**-**
Tax profit from business		17,737,158	18,533,434	-	-
(+) Income from other sources		2,913,132	2,157,187	2,135,373	1,322,939
(-) Tax losses utilized		(2,142,322)	(1,534,197)	(1,168,137)	(256,971)
(-) Qualifying payments		(4,100)	-	(4,100)	-
Taxable income		**18,503,868**	**19,156,424**	**963,136**	**1,065,968**
Income tax at,					
Standard rate of 28% (till 31-12-2019)		535,160	659,927	151,276	298,471
Standard rate of 24% (From 01/01/2020 to 31/03/2020)		87,445	-	43,222	-
Standard rate of 14% on dividend income (From 01/01/2020 to 31/03/2020)		33,988	-	33,988	-
Special rate of 40% on liquor business		4,173,715	3,963,583	-	-
Concessionary rates		458,724	433,231	-	-
Other rates		400	4,053	-	-
Varying rates on off - shore profits		470,996	549,228	-	-
Total current tax charge		5,760,428	5,610,022	228,486	298,471
Average statutory income tax rate (%)		31.13%	29.29%	23.72%	28.00%

12.1.2 Effective tax rate

	Note	Group 2020 %	Group 2019 %	Company 2020 %	Company 2019 %
Effective tax rate	12.1.2.1	37.89%	30.31%	4.28%	7.08%

12.1.2.1 Reconciliation of effective tax rate

	Group			
For the year ended 31March,	2020		2019	
	Rs.'000	%	Rs.'000	%
Profit before income tax after adjustments	15,206,958		18,506,898	
Income tax expense at the average statutory income tax rate	4,734,066	31.13%	5,419,806	29.29%
Income not subject to tax	(1,624,324)	-10.68%	(1,206,103)	-6.52%
Disallowable expenses	3,832,928	25.21%	2,950,182	15.94%
Allowable expenses	(3,190,411)	-20.98%	(2,886,649)	-15.60%
Tax losses incurred	2,676,371	17.60%	1,782,081	9.63%
Tax losses utilised	(666,926)	-4.39%	(449,295)	-2.43%
Current tax expense	5,761,704	37.89%	5,610,022	30.31%

	Company			
For the year ended 31March,	2020		2019	
	Rs.'000	%	Rs.'000	%
Profit before income tax after adjustments	5,359,804		4,214,914	
Income tax expense at the average statutory income tax rate	1,271,515	23.72%	1,180,176	28.00%
Income not subject to tax	(1,582,292)	-29.52%	(1,289,149)	-30.59%
Disallowable expenses	556,651	10.39%	426,586	10.12%
Allowable expenses	(16,415)	-0.31%	(19,143)	-0.45%
Tax losses incurred	277,119	5.17%	71,952	1.71%
Tax losses utilized	(277,119)	-5.17%	(71,952)	-1.71%
Deem dividend tax paid	-	0.00%	-	0.00%
Current tax expense	229,459	4.28%	298,471	7.08%

12.2 Applicable rates and exemptions, concessions or holidays granted on income tax

12.2.1 Application of substantively enaccted tax rate

Though the legislative process relating to the amendment to laws needs to be completed in order for the tax rate to be considered as substantively enacted as at the reporting date, the company has used the income tax rate of 24% to calculate the provision for income tax on other income earned during the period from 1st January 2020 to 31st March 2020. The difference between computing the current tax liability using the proposed rate of 24% and the existing rate of 28% (on other income except for business income), has an immaterial impact on the financial statements.

12.2.1.2 Companies exempt from income tax under the Inland Revenue Act

Company	Basis	Statute Reference	Period
Ahungalla Resorts Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 years ending 2029/30
Negombo Beach Resorts (Pvt) Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 years ending 2029/30
Turyaa Resorts (Pvt) Ltd (formally Aitken Spence Resorts (Pvt) Ltd)	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 years ending 2026/27
Ace Apparels (Pvt) Ltd	Construction of a garment factory and manufacturing apparels	Section 16C of the Inland Revenue (Amendment) Act No. 08 of 2012	5 years ending in 2021/2022

In addition, from 1st January 2020, following new income tax exemptions have been proposed from under notice No. PN/IT/2020-03 (Revised) issued by Department of Inland Revenue, which are available to companies operating in the Group.

Company	Basis	Period
Aitken Spence Agriculture (Pvt) Ltd Elpitiya Plantations PLC	Gains and profits from sale of produce by an undertaking for agro farming without subjecting to any process of production or manufacture	Commencing from 1st April 2019
Aitken Spence Global Operations (Pvt) Ltd Aitken Spence Hotels International (Pvt) Ltd Aitken Spence Hotel Managements Asia (Pvt) Ltd Aitken Spence Ports International Ltd Royal Spence Aviation (Pvt) Ltd	Gains and profits from provision of any service rendered in or outside Sri Lanka to any person to be utilised outside Sri Lanka, where the payment for such services is received in foreign currency through a bank	Commencing from 1st January 2020

- From 01st April 2018, interest or discount earned by any person on any sovereign bond denominated in foreign currency, including Sri Lanka Development Bonds, issued by or on behalf of the Government of Sri Lanka.
- Interest derived in foreign currency on any foreign currency account opened in any commercial bank or in any specialised bank, with the approval of the Central Bank of Sri Lanka.
- Dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company.

Notes to the Financial Statements

12.2.2 Companies liable to income tax at concessionary rates

12.2.2.1 Companies liable to income tax at concessionary rates under the BOI Law

Company	Basis	Income Tax Rate*
Ace Power Embilipitiya (Pvt) Ltd	Construction and operation of a thermal power generation plant	15%
Aitken Spence Property Developments (Pvt) Ltd	Construction and operation of a luxury office building complex	20%
Ace Wind Power (Pvt) Ltd	Construction and operation of a wind power plant	10% for 2 years ending 2020/21 and 20% thereafter
Branford Hydropower (Pvt) Ltd	Construction and operation of a hydro power plant	10% for 2 years ending 2020/21 and 20% thereafter
Bogo Power (Pvt) Limited	Company is exempted from income tax arising from the income of generation of hydropower, for a period of 05 years commencing from 01st April 2012. After the expiration of the tax exemption period referred above, the profits and income of the Enterprise shall be charged for each year of assessment at the rate of ten per centum (10%) ("concessionary period") for a period of two (02) years immediately succeeding the last date of the tax exemption period during which the profits and income of the Enterprise is exempted from the income tax. After the expiration of the concessionary period referred to above, the profits and income of the Enterprise shall, for any year of assessment be charged at the rate of twenty per centum (20%). However as per the temporaryconcession given in 6th Scheule to IRD Act No 24 of 2017, company is liable on Business income at the rate of 14% for 3 years commencing from 2018/19.	Exemption For a period of 05 years commencing from 01st April 2012 and at concessionary rate for next two years. Further Business income at the rate of 14% for 3 years commencing from 2018/19 as 6th Schedule to IRD Act 2017
CINEC Skills (Pvt) Ltd	Set up and operation of a training institute to provide marine, IT and industrial training in Trincomalee District	10% for 2 years ending 2020/21 and 20% thereafter

* Concessionary income tax rates referred to above are granted after the initial tax exemption period, in terms of Section 17 of BOI Law No. 4 of 1978.

The Gazette notification issued in relation to the transitional provisions specifies that concessionary income tax rates granted after the initial tax exemption period under the BOI law which were entered prior to 1st April 2018 would continue to apply under Inland Revenue Act No. 24 of 2017.

12.2.2.2 Companies liable to income tax at concessionary rates under the Inland Revenue Act

Company	Basis/Statute Reference	Enacted Rate* Up to 31.12.2019	Proposed Rate± From 01.01.2020
Aitken Spence Engineering Solution (Pvt) Ltd Aitken Spence (Garments) Ltd	Company conducting a business of exporting goods or merchandise	14%	14%
Aitken Spence Global Operations (Pvt) Ltd Aitken Spence Hotels International (Pvt) Ltd Aitken Spence Hotel Managements Asia (Pvt) Ltd Aitken Spence Ports International Ltd MMBL Money Transfer (Pvt) Ltd Royal Spence Aviation (Pvt) Ltd	Company conducting a business of exporting services	14%	14% / Exempt (Refer note 12.1.1)
Ace Exports (Pvt) Ltd Aitken Spence Apparels (Pvt) Ltd	Specified undertaking supplying of services to an exporter or manufacture & supply to an exporter of non-traditional goods	14%	14%
Aitken Spence Hotel Holdings PLC Aitken Spence Hotels Ltd Aitken Spence Travels (Pvt) Ltd Hethersett Hotels Ltd Kandalama Hotels (Pvt) Ltd Paradise Resorts Pasikudah (Pvt) Ltd Turyaa (Pvt) Ltd (formally Golden Sun Resorts (Pvt) Ltd)	Company engaged in an undertaking for the protion of tourism	14%	14%
Ace Cargo (Pvt) Ltd Aitken Spence Cargo (Pvt) Ltd Aitken Spence Shipping Ltd. Aitken Spence Shipping Services Ltd. Clark Spence & Company (Pvt) Ltd D B S Logistics Ltd Hapag-Lloyd Lanka (Pvt) Ltd	Specified undertaking providing freight forwarding, transshipment operations or provision of service to a foreign ship operator	14%	14%
Ace Container Repair (Pvt) Ltd	Specified undertaking providing any service of ship repair, ship breaking repair and refurbishment of marine cargo containers	14%	14%
Logilink (Pvt) Ltd	Specified undertaking providing logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka	14%	14%
CINEC Campus (Pvt) Ltd (formally Colombo International Nautical and Engineering College (Pvt) Ltd)	Company providing educational services	14%	14%
Aitken Spence Agriculture (Pvt) Ltd Elpitiya Plantations PLC	Agro processing	N/A	14%
Aitken Spence Printing & Packaging (Pvt) Ltd Aitken Spence Exports (Pvt) Ltd	Gains and profits from Manufacturing	N/A	18%
Texpro Industries Limited	Company is taxed under a concessionary rate of 12% originally,. However as the Inland Revenue Act No 24 of 2017 which has been legislated, the new tax rate is 14%.	12%	14%

*Enacted concessionary rates under Inland Revenue Act No. 24 of 2017 require companies to meet the predominant rule where 80% or more of the gross income should be from the said business.

Notes to the Financial Statements

± Proposed concessionary rates have been introduced to the gains and profits from specific businesses and predominant rule does not apply.

12.3 Companies incorporated in Sri Lanka and operating outside Sri Lanka

Company	Countries Operated	Tax Status
Aitken Spence Global Operations (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Hotels International (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Maldives, Oman	Business profits arising in Oman is liable to tax at 15% and income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Ports International Ltd (formally Port Management Container Service (Pvt) Ltd)	Mozambique, Fiji, South Africa	Income derived from Mozambique and Fiji are subject to withholding tax at 15% and 20% respectively. Business profits arising in South Africa is liable to tax at 28%.
Royal Spence Aviation (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.

Profits and income referred to above are liable for income tax up to 31st December 2019 under Inland Revenue Act No. 24 of 2017 at the rates specified in note 12.2.2.2. In calculating the income tax liability, companies are entitled to deduct income tax paid in foreign jurisdictions as foreign tax credits. From 01st January 2020 as specified in note 12.2.1.2 it has been proposed to exempt profits and income referred above.

12.4 Companies incorporated and operating outside Sri Lanka

-Companies incorporated and operating outside Sri Lanka are liable for income tax in accordance with the provisions of the foreign jurisdictions applicable to our companies. We set out below the Income tax rates applicable for our companies in the foreign jurisdictions.

Country	Company	Income Tax Rate
British Virgin Islands	Crest Star (B.V.I.) Ltd	Nil
Oman	Aitken Spence Resorts (Middle East) LLC	15%
Maldives	Ace Aviation Services Maldives Pvt Ltd	15%
	A.D.S. Resorts Pvt Ltd	15%
	Cowrie Investment Pvt Ltd	15%
	Interlifts International Pvt Ltd	15%
	Jetan Travel Services Company Pvt Ltd	15%
	Spence Maldives Pvt Ltd	15%
	Unique Resorts Pvt Ltd	15%
	Ace Resorts Pvt Ltd	15%
Fiji	Fiji Ports Terminal Ltd (formally Ports Terminal Ltd)	20%
	Fiji Ports Corporation Ltd	20%
	Fiji Ships Heavy Industries Ltd	20%
	Serendib Investments Ltd	20%
Myanmar	Aitken Spence Travels Myanmar Ltd	25%
India	Aitken Spence Hotel Services Pvt Ltd	25.17%
	PR Holiday Homes Pvt Ltd	25.17%
	Aitken Spence Hotel Managements (South India) Pvt Ltd	25.17%
Bangladesh	Ace Bangladesh Ltd	35%

- During the year, the overseas companies of the Group have adopted IFRS 16 – "Leases" and as set out in note 12.1, the overseas companies have recognised deferred tax arising from IFRS 16.
- Dividends remitted to Sri Lanka from above companies are exempt from income tax under third schedule to the Inland Revenue Act No. 24 of 2017.

12.1.4 Tax losses

	Group		Company	
For the year ended 31March,	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Losses brought forward	15,985,158	11,434,120	-	-
Acquisition/(Disposal) of subsidiaries	243,061	-	-	-
Adjustment due to finalisation of taxes	4,038,716	-	-	-
Tax losses incurred during the year	8,597,126	6,085,235	1,168,137	256,971
Losses utilized during the year	(2,142,322)	(1,534,197)	(1,168,137)	(256,971)
Loss carried forward	26,721,739	15,985,158	-	-

13 Earnings per share

13.1 Basic earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to ordinary share holders of the group/ company by the weighted average number of ordinary shares outstanding during the year.

	Group		Company	
For the year ended 31March,	2020	2019	2020	2019
Profit attributable to equity holders of the company (Rs.'000)	3,751,898	5,786,185	5,095,778	3,796,145
Weighted average numbers of ordinary shares	1,165,398,072	1,165,398,072	1,165,398,072	1,165,398,072
Basic earnings per share (Rs.)	3.22	4.96	4.37	3.26

13.2 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Earnings per Share is same as Basic Earnings per Share shown above.

14 Dividend per share

14.1 Equity dividend on ordinary shares proposed and paid during the year

	Company			
For the year ended 31March,	2020		2019	
	Per share	Total	Per share	Total
	Rs.	Rs.'000	Rs.	Rs.'000
Interim dividend 2019/20	2.00	2,330,796	-	-

Notes to the Financial Statements

15 Property, plant & equipment

GROUP

	Note	At the beginning of the year	Adjustments on initial application of SLFRS 16	Additions during the year	Revaluation during the year	Disposals / write-offs	Cost or valuation Transfers	Classified as held for sale	Capitalisation of depreciation (property, plant and equipment and right-of-use assets)	Acquisition / Disposal of Subsidiary	Exchange Difference
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Freehold											
Land	15.2	23,282,188	-	-	234,863	-	-	-	-	403,000	195,955
Land improvements		171,216	-	5,980	-	-	-	-	-	-	-
Buildings	15.2	51,150,078	(150,000)	443,164	24,478	-	14,215,754	-	123	750,977	959,463
Improvements to buildings		260,006	-	47,416	-	-	-	-	-	-	-
Civil constructions		679,095	-	-	-	-	-	-	-	-	-
Plant, machinery & other equipment		23,617,445	-	837,674	-	(62,372)	1,606,180	-	381	107,400	282,808
Motor vehicles		5,331,534	-	414,434	-	(487,783)	83,411	-	1,096	7,358	25,501
Furniture, fittings & office equipment		4,914,782	-	155,152	-	(20,805)	1,043,756	-	-	87,114	66,182
Computer equipment & software		305,462	-	36,916	-	(3,932)	-	-	-	28,275	-
Electro mechanical equipment		299,785	-	-	-	-	-	-	-	-	-
Digital electronic switches		1,573,165	-	-	-	-	-	-	-	-	-
Medical equipment		5,483	-	142,924	-	-	-	-	-	441,088	-
Network equipment		2,313,314	-	-	-	(993)	51,218	-	-	-	-
Towers		933,172	-	16,307	-	-	-	-	-	-	-
Customer premise equipment		3,732,808	-	-	-	(158)	24,752	-	-	-	-
Water projects & sanitation		86,431	-	49	-	-	-	-	-	-	-
Shelters and other equipment		532,206	-	-	-	-	112	-	-	-	-
FLAG project		41,505	-	-	-	-	-	-	-	-	-
LTE project		1,931,486	-	-	-	(5,382)	321,430	-	-	-	-
WI-Max		235,012	-	-	-	-	-	-	-	-	-
Fire fighting equipment		4,883	-	-	-	-	-	-	-	-	-
Oil storage tanks		315	-	-	-	-	-	-	-	-	-
Vats & casks		70,095	-	310	-	-	-	-	-	-	-
Drums		80	-	-	-	-	-	-	-	-	-
Total freehold property, plant & equipment		121,471,546	(150,000)	2,100,325	259,341	(581,425)	17,346,613	-	1,600	1,825,212	1,529,909
Leasehold											
Furniture, fittings & equipment		14,028	-	-	-	-	-	-	-	-	-
Immovable (JEDB/SLSPC) assets on finance lease	15.1	1,250,239	(550,013)	-	-	-	-	-	-	-	-
Lease hold properties	15.6	3,085,977	(3,085,977)	-	-	-	-	-	-	-	-
Leasehold improvements		-	-	-	-	-	-	-	-	-	-
Total leasehold property, plant & equipment		4,350,244	(3,635,990)	-	-	-	-	-	-	-	-
Capital work in progress		19,625,956	-	8,868,516	-	-	(17,430,673)	(863,522)	36,196	-	1,122,902
Total property, plant & equipment		145,447,746	(3,785,990)	10,968,842	259,341	(581,425)	(84,060)	(863,522)	37,796	1,825,212	2,652,811

Capital work-in-progress represents the amount of expenditure recognized under property plant and equipment during the construction of a cap

The exchange difference has arisen as a result of the translation of property, plant and equipment of foreign operations which are accounted for in foreign currencies and translated to the reporting currency at the reporting date.

	Accumulated depreciation, amortisation and impairment											Carrying value	
At the end of the year	At the beginning of the year	Adjustments on initial application of SLFRS 16	Charge for the year	Capitalisation of lease amortised	Revaluation during the years	Impairment during the year	Other transfers	Disposals / write-offs	Acquisition /Disposal of Subsidiary	Exchange Difference	At the end of the year	As at 31 March 2020	As at 31 March 2019
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
24,116,006	-	-	-	-	-	-	-	-	-	-	-	24,116,006	23,282,188
177,196	68,458	-	7,348	-	-	5,839	-	-	-	-	81,645	95,551	102,758
67,394,037	9,462,297	-	1,760,772	123	-	14,558	(19,886)	-	96,835	413,211	11,727,910	55,666,127	41,687,781
307,422	80,141	-	7,763	-	-	-	-	-	-	-	87,904	219,518	179,865
679,095	229,260	-	33,955	-	-	-	-	-	-	-	263,215	415,880	449,835
26,389,516	12,086,416	-	2,074,975	381	-	-	(13,478)	(53,752)	53,806	216,883	14,365,231	12,024,285	11,531,029
5,375,551	3,675,141	-	298,548	1,096	-	-	2,491	(327,433)	7,358	19,504	3,676,705	1,698,846	1,656,393
6,246,181	3,155,274	-	340,915	-	-	1,556	(5,298)	(14,721)	39,349	44,198	3,561,273	2,684,908	1,759,508
366,721	253,881	-	26,634	-	-	-	-	(3,863)	24,161	-	300,813	65,908	51,581
299,785	104,900	-	14,989	-	-	-	-	-	-	-	119,889	179,896	194,885
1,573,165	1,223,916	-	97,993	-	-	-	-	-	-	-	1,321,909	251,256	349,249
589,495	466	-	14,828	-	-	-	-	-	188,032	-	203,326	386,169	5,017
2,363,539	2,029,293	-	34,546	-	-	-	-	-	-	-	2,063,839	299,700	284,021
949,479	871,740	-	30,783	-	-	-	-	-	-	-	902,523	46,956	61,432
3,757,402	3,480,214	-	235,203	-	-	-	-	(58)	-	-	3,715,359	42,043	252,594
86,480	73,540	-	2,331	-	-	-	-	-	-	-	75,870	10,609	12,891
532,318	529,455	-	1,842	-	-	-	-	-	-	-	531,297	1,021	2,751
41,505	39,516	-	572	-	-	-	-	-	-	-	40,088	1,417	1,989
2,247,534	883,789	-	339,913	-	-	-	-	-	-	-	1,223,702	1,023,832	1,047,697
235,012	234,254	-	626	-	-	-	-	-	-	-	234,880	132	758
4,883	4,267	-	135	-	-	-	-	-	-	-	4,402	481	616
315	315	-	-	-	-	-	-	-	-	-	315	-	-
70,405	66,665	-	1,719	-	-	-	-	-	-	-	68,384	2,021	3,430
80	80	-	-	-	-	-	-	-	-	-	80	-	-
143,803,122	38,553,278	-	5,326,390	1,600	-	21,953	(36,171)	(399,327)	409,541	693,796	44,570,559	99,232,561	82,918,268
14,028	14,028	-	-	-	-	-	-	-	-	-	14,028	-	-
700,226	655,080	(275,371)	20,463	-	-	-	-	-	-	-	400,172	300,054	595,159
-	871,458	(871,458)	-	-	-	-	-	-	-	-	-	-	2,214,519
-	-	-	741	-	-	-	-	(741)	-	-	-	-	-
714,254	1,540,566	(1,146,829)	21,204	-	-	-	-	(741)	-	-	414,200	300,054	2,809,678
11,359,375	-	-	-	-	-	-	-	-	-	-	-	11,359,375	19,625,956
155,876,751	40,093,844	(1,146,829)	5,347,594	1,600	-	21,953	(36,171)	(400,568)	409,541	693,796	44,984,760	110,891,990	105,353,902

pital asset.

Notes to the Financial Statements

15 Property, Plant and Equipment

Cost

Company	Motor Vehicles Rs.'000	Computer Equipment Rs.'000	Furniture and Fittings Rs.'000	Office Equipment Rs.'000	Tools & Equipment Rs.'000	Total Rs.'000
Balance as at 01 April 2019	3,850	5,592	5,436	3,749	37	18,664
Additions during the Year	7,700	1,501	250	8	-	9,459
Disposals during the Year	-	(979)	-	-	-	(979)
Balance as at 31st March 2020	**11,550**	**6,114**	**5,686**	**3,757**	**37**	**27,144**

Accumulated Depreciation

Company	Motor Vehicle Rs.'000	Computer Equipment Rs.'000	Furniture and Fittings Rs.'000	Office Equipment Rs.'000	Tools Equipment Rs.'000	Total Rs.'000
Balance as at 01 April 2019	619	3,686	1,490	1,335	7	7,137
Charged during the Year	2,475	1,126	558	375	4	4,538
Deprecation of disposals	-	(979)	-	-	-	(979)
Balance as at 31st March 2020	**3,094**	**3,833**	**2,048**	**1,710**	**11**	**10,696**

Carrying Amount

Company	Motor Vehicle Rs.'000	Computer Equipment Rs.'000	Furniture and Fittings Rs.'000	Office Equipment Rs.'000	Tools Equipment Rs.'000	Total Rs.'000
As at 31 March 2019	3,231	1,906	3,946	2,414	30	11,527
As at 31 March 2020	**8,456**	**2,281**	**3,638**	**2,047**	**26**	**16,448**

15.1 Immovable (JEDB/SLSPC) assets on finance lease

For the year ended 31March,	Right to use of land Rs.'000	Unimproved lease land Rs.'000	Improvements to land Rs.'000	Other vested assets Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Water Supply Scheme Rs.'000	Mini Hydro Scheme Rs.'000.	2020 Total Rs.'000	2019 Total Rs.'000
	(Note 15.1.1)									
Capitalised value (June 1992)										
Balance at the beginning of the year	550,013	5,317	15,702	151,815	94,005	420,747	3,347	9,293	1,250,239	1,272,240
Adjustments on initial application of SLFRS 16	(550,013)	-	-	-	-	-	-	-	(550,013)	-
Disposals/Transfer /(Out)	-	-	-	-	-	-	-	-	-	(22,000)
Balance at the end of the year	-	5,317	15,702	151,815	94,005	420,747	3,347	9,293	700,226	1,250,240
Amortisation										
As at beginning of the year	275,371	2,659	13,900	151,815	94,005	105,081	2,957	9,293	655,081	627,539
Adjustments on initial application of SLFRS 16	(275,371)	-	-	-	-	-	-	-	(275,371)	-
Disposals/Transfer /(Out)	-	-	-	-	-	-	-	-	-	(4,308)
Amortization for the year	-	100	523	-	-	19,729	111	-	20,463	31,850
At the end of the year	-	2,759	14,423	151,815	94,005	124,810	3,068	9,293	400,173	655,081
Carrying amount										
As at beginning of the year	274,642	2,658	1,802	-	-	315,666	390	-	595,158	644,700
As at the end of the year	-	2,558	1,279	-	-	295,937	279	-	300,053	595,159

These assets are being amortised in equal annual amounts over the following periods.

Mature plantations-Tea	30 years
Unimproved Land	53 Years
Plant &Machinery	20 Years
Buildings	25 years
Water supply scheme	30 Years
Mini hydro Scheme	10 Years

15.1.1 Right to use of land

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in these estates under finance leases have been taken into the books of BPL & MPL retroactive to 18 June 1992. For this purpose, the Board of Directors of the Company decided, that these assets be stated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of these Companies. These assets are taken into the Statement of Financial Position as at 18 June, 1992.

With the application of SLFRS 16, right of use of other immovable assets has been remeasured. Since, there is no future lease liabilities for these assets, the carrying value at 1 January 2019 has been considered as the remeasured carrying value in accordance with SLFRS 16.

Notes to the Financial Statements

15.2 Revaluation of Land and Buildings

15.2.1 Details of land and building stated at valuation

Distilleries Company of Sri Lanka PLC

A Valuation of freehold Lands and Buildings of Distilleries Company of Sri Lanka PLC was carried out by incorporated valuer Mr. S. Sivaskanthan as at 31st March 2019 using "Comparable market value" method and incorporated in the financial statements of the company. The surplus on revaluation of Land and Buildings has been credited to the revaluation reserve while loss been charged to Profit and Loss. The directors of the Company are of the view that carrying amounts of these lands and buildings have not changed significantly compared to the fair values as at 31st March 2019.

Location	Land Extent	Building Area sq ft.	No of Buildings	Revalued Amount Rs.000
No.18, Sri Saddatissa Road, Kalutara North, Kalutara.	1A-0R-23P	-	-	37,500
No.375/1 -2, Dutugamunu Mawatha, Mawilmada, Kandy.	2A-0R-0P	-	-	52,910
No.35/12, Bandarawaththa Road, Seeduwa.	15A-2R-17.09P	184,377	15	3,086,600
No.65/84, Distillery Road, Seeduwa.	5A-2R-15.10P	101,611	22	718,600
No.35/13, Distillery Road, Seeduwa.	0A-0R-16.7P	-	-	10,855
No.35/13B, Distillery Road, Seeduwa.	0A-0R-16.7P	-	-	10,020
No.35/13B, Distillery Road, Seeduwa.	0A-0R-13.25P	-	-	9,604
No.37/20A, Distillery Road, Seeduwa.	0A-0R-8P	-	-	5,200
Hatton - Norwood Road, Dickoya.	-	18,286	4	115,935
1st Lane, New Nuge Road, Peliyagoda.	-	15,406	4	55,300

Lanka Bell Limited

Free hold lands and buildings of the company were valued by Mr. Sivaskanthan, A.M.I.V (Sri Lanka) a professional valuer on 31st March 2020 on "Contractors Basis" and the excess of Rs. 93,412,500 over the net book value as at 31st March 2020 has been credited to the revaluation reserve.

The Market value has been used as the fair value of lands. In determining the revaluation, the current condition of the properties and future usability have been considered. Valuer has also made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size, usage and location. Accordingly, the lands have been valued on an open market value on existing use basis.

Location	Land Extent	Building Area sq.ft	No of Buildings	Revalued Amount Rs.000
Gampaha Road, Udugampola	1A-3R-35.35P	18,124	2	158,000

Texpro Industries Limited

A valuation of freehold Land and Building of the Company was carried out by incorporated valuer Mr. K. Arthur Perera by using "Market Comparable" method as at 31st March 2017 and incorporated in the financial statements of the company. Market comparable method considers the selling price of a similar property within a reasonable period of time in determining the fair value of the property revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size, nature, location and condition of the specific property. In this process, outlier transaction, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

The directors are of the view that these values have not changed significantly as at the reporting date.

Location	Land Extent	Building Area sq.ft	No of Buildings	Revalued Amount Rs.000
Avissawella road, Embulgama, Ranala	6A-0R-6.05P	106,733 sq.ft	1	650,549

Melstacorp PLC

Free hold Land and Building of the company were revalued by Mr. S. Sivaskantha, F.I.V (Sri Lanka) an independent professional valuer on 31st March 2019 on "contractor's Principle Basis" and incorporated in the financial statements of the company. The surplus on revaluation credited to revaluation reserve while loss been charged to Profit and Loss. The Directors of the Company are of the view that carrying amounts of these lands and buildings have not changed significantly compared to the fair values as at 31st March 2019.

Location	Land Extent	Building Area sq.ft.	No of Buildings	Revalued Amount Rs.000
No 140/1, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	0A-0R-19.75P	-	-	9,875
No 136, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	1A-1R-24.72P	-	-	126,970
No 16 & 18, Bandarawatta Road, Seeduwa.	0A-2R-22P	-	-	76,500
Residential Premises at Medagama Road, Welikamulla, Badulla	0A-3R-37.20P	1522	1	14,760
Industrial Premises at Seed Station Road, Nawalayathanna, Katugastota	0A-2R-27.54P	12332.5	8	58,284
Industrial Premises at Seed Station Road, Nawalayathanna, Katugastota	4A-3R-44.16P	31866	13	247,494
Commercial premises at dambulla road, Muththetugala, Kurunegala.	0A-2R-29P	10122.5	2	97,500
No 165, Harichandra Mawatha, Anuradhapura.	0A-3R-21.35P	11301	3	96,470
No 152, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	1R-3.3P	18920	1	99,350
No 152/2, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	10P	1975	1	13,050
No 59, Distilleries Road, Bandarawatta, Seeduwa.	24.05P	980	1	19,788
No 61 & 61/1 Distilleries Road, Bandarawatta, Seeduwa.	12.27P	1910	1	16,200
No 150/1 & 150/1A, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	37.5P	1625	1	27,467
No 150, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	18.75P	2771	1	21,825
No 144, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	22.85P	1470	1	18,675
Factory Premises at Habarakada Road, Nawagamuwa, Ranala, Kaduwela.	10A-0R-0P	83805.5	7	352,297
No 68 & 68A, Attidiya Road, Ratmalana.	1A-0R-28.2P	30113	3	306,350
No 459, Wackwella Road, Kalegana, Galle.	0A-1R-37P	8129	4	75,689
Industrial Premises at Galle Road, Beruwala.	2A-1R-19.08P	18054.5	12	320,557

Notes to the Financial Statements

Location	Land Extent	Building Area sq.ft.	No of Buildings	Revalued Amount Rs.000
No 823 & 823/1-4 Srimavo Bandaranayake Mawatha, Colombo 14.	2A-1R-14.10P	86500	6	928,386
No 161, 161A & 161B, Tangalle Road, Ambalantota.	0A-1R-24.16P	7657	6	56,500

Melsta Properties (Pvt) Ltd

A valuation of some of the freehold lands and buildings of the Company was carried out by an Mr. S Sivakantha, incorporated valuer by using contracted test basis method and incorporated in the financial statements of the Company for the year ended 31st March 2020. However, the Directors of the Company are of the view that carrying amounts of these lands and buildings have not changed significantly compared to the fair values as at 31st March 2019.

Location	Land Extent	Building Area sq.ft	No of Buildings	Revalued Amount Rs.000
No 110, Norris Canal Road, Colombo 10.	1A-1R-15.20P	30,000	6	2,207,118
No 133, Temple Road, Deshashtra, Kaluthara	4A-33.38P	56,580	5	279,687
No 69/1, Rajapaksha Broadway, Negombo	1R-27.5P	8,576	3	162,421
No 68/1, Saravanai Road, Batticola.	3A-11.04P	5,545.75	2	127,330
No 87, Station Road, Vavunia	3R-33.69P	14,315.5	2	138,969
No 41, Old Ferry Road, Deshashtra, Kaluthara	1A-1R-4.27P	20,410	7	95,370
No 156,Orr's Hill Road, Trincomalee.	1R-38.68P	4,762	2	64,839
No 215/9, Jayamalapura, Nawalapitiya, Gampola.	3R-35.5P	8,415	5	102,460
No 118,120, Kunupallela Road, Badulla.	2R-8.64P	9,390	3	97,490
Dummalakotuva, Kurunegala Road, Dankotuva.	2A-1R-38P	8,083.5	3	65,600
Teak Store Warehouse, Palathota, Kaluthara South.	1A-32.82P	14,870	3	48,725
Mirishena Warehouse, Ethanamadala Road, Kaluthara North.	3R-28.32P	10,280	4	58,685
No 7/11, Kandy Road, Kaithadi.	2A-11.71P	-	-	53,492
No 150, Coastal Road, Thalwila, Marawila.	2A	-	-	27,200
No 669, Beach Road, Gurunagar, Jaffna.	1A-21.65P	-	-	25,365
No 125, Norwood Road, Dickoya.	3R-9.6P	16,735.5	4	14,256

Browns Beach Hotel PLC

Free hold land of the of the Company was revalued by Mr. K.C.B Condegama (A.I.V. Sri Lanka) an independent professional valuer on 31st March 2020 on "Current Fair Value Market Value" as at the 31st March 2020 has been credited to the revaluation reserve.

The Directors of the company are of the view that the share values of this land has not changed significantly from the date of valuation.

Location	Land Extent	Building Area sq.ft	No of Buildings	Revalued Amount Rs.000
No 175, Lewis Place, Negombo	6A-1R-27.73P	-	-	1,000,000

Aitken Spence PLC

Name of the Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2020 Rs.'000	Carrying amount had it been measured at cost Rs.'000
Aitken Spence PLC (a)	315, Vauxhall Street, Colombo 02	30.09.2017	1 A 0 R 12.78 P	1,468,630	1,157
Aitken Spence PLC (a)	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	1 A 0 R 20.37 P	717,147	4,991
Aitken Spence PLC (a)	170, Sri Wickrema Mw., Colombo 15	30.09.2017	3 A 3 R 31.00 P	625,500	42,961
Aitken Spence PLC (a)	Moragalla, Beruwala	30.09.2017	10 A 1 R 23.97 P	707,000	954
Aitken Spence PLC (a)	290/1, Inner Harbour Road, Trincomalee	30.09.2017	0 A 1 R 4.95 P	19,000	-
Ace Containers (Pvt) Ltd (a)	775/5, Negombo Road, Wattala	30.09.2017	22 A 0 R 24.88 P	1,772,440	94,553
Ace Containers (Pvt) Ltd (a)	385, Colombo Road, Welisara	30.09.2017	8 A 3 R 12.23 P	706,000	86,673
Ace Containers (Pvt) Ltd (a)	No.377, Negombo Road, Welisara, Ragama	30.09.2017	1 A 1 R 17.80 P	98,000	87,065
Ace Distriparks (Pvt) Ltd (a)	80, Negombo Road, Wattala	30.09.2017	2 A 2 R 17.03 P	625,550	369,562
Ahungalla Resorts Ltd (a)	"Ahungalla Resorts", Galle Road, Ahungalla	30.09.2017	12 A 3 R 35.21 P	942,650	899,877
Aitken Spence (Garments) Ltd (a)	222, Agalawatte Road, Matugama	30.09.2017	2 A 3 R 0 P	35,200	5,160
Aitken Spence Hotel Holdings PLC (a)	"Heritance Ahungalla", Galle Road, Ahungalla	30.09.2017	11 A 3 R 34.02 P	695,600	18,202
Aitken Spence Hotel Holdings PLC (a)	"Heritance Ahungalla", Galle Road, Ahungalla	30.09.2017	0 A 0 R 39.26 P	14,700	5,207
Aitken Spence Hotel Managements (South India) Ltd (c)	144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India	01.06.2018	0 A 3 R 15.14 P	930,006	556,286
Aitken Spence Property Developments Ltd (a)	90, St.Rita's Estate, Mawaramandiya	30.09.2017	3 A 0 R 25.08 P	126,270	24,428
Branford Hydropower (Pvt) Ltd (a)	225, Gangabada Road, Kaludawela, Matale	30.09.2017	2 A 0 R 14.00 P	18,370	10,533
Clark Spence and Co., Ltd (a)	24-24/1, Church Street, Galle	30.09.2017	0 A 1 R 27.90 P	186,725	35
Heritance (Pvt) Ltd (a)	Moragalla, Beruwala	30.09.2017	5 A 3 R 6.80 P	324,250	11,080
Kandalama Hotels Ltd (a)	Kandalama, Dambulla	30.09.2017	169 A 2 R 22.40 P	9,300	7,384
Logilink (Pvt) Ltd (a)	309/4 a, Negombo Road, Welisara	30.09.2017	2 A 1 R 9.50 P	166,275	82,491
Meeraladuwa (Pvt) Ltd (a)	Meeraladuwa Island, Balapitiya	30.09.2017	29 A 2 R 9.00 P	217,020	100,262
Neptune Ayurvedic Village (Pvt) Ltd (a)	Ayurvedic village - Moragalla, Beruwala	30.09.2017	0 A 0 R 19.30 P	4,500	4,063
Perumbalam Resorts (Pvt) Ltd (b)	Cochin - Kerala, India	07.02.2017	4 A 0 R 9.00 P	52,909	10,431
PR Holiday Homes (Pvt) Ltd (b)	Cochin - Kerala, India	07.02.2017	14 A 0 R 7.52 P	212,545	145,837
Turyaa (Pvt) Ltd (a)	418, Parallel Road, Kudawaskaduwa, Kalutara	30.09.2017	5 A 1R 37.90 P	384,160	19,765
Turyaa (Pvt) Ltd (a)	49, Sea Beach Road, Kalutara	30.09.2017	0 A 1R 30.32 P	23,000	1,488
Turyaa Resorts (Pvt) Ltd (a)	Kudawaskaduwa, Kalutara	30.09.2017	1 A 3 R 33.20 P	150,336	56,779
Turyaa Resorts (Pvt) Ltd (a)	Kudawaskaduwa, Kalutara	30.09.2017	0 A 1 R 34.30 P	20,000	9,174
Vauxhall Investments Ltd (a)	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	0 A 1 R 21.08 P	242,853	21,839
Vauxhall Property Developments Ltd (a)	305, Vauxhall Street, Colombo 02	30.09.2017	0 A 2 R 24.73 P	890,205	14,731
				12,386,141	2,692,968

Notes to the Financial Statements

The above lands have been revalued on the basis of current market value by independent, qualified valuers who have recent experience in the location and category of property being valued.

(a) Valuation of the land was carried out by Mr. K.C.B Condegama, A.I.V (Sri Lanka)

(b) Valuation of the land was carried out by Mr. T.T. Kripananda Singh, B.S.C.(Engg.) Civil, MICA, FIE, FIV, C.(Engg.) of Messers N. Raj Kumar and Associates, India.

(c) Valuation of the land was carried out by CBRE South Asia Pvt Ltd., India.

15.3 Gross carrying value of fully depreciated assets

The cost of the fully depreciated assets of the Group and the Company amounts to Rs.17,704 Mn. (Rs.15,096Mn-2019/20) and Rs.3.1 Mn (Rs.3.6Mn-2019/20) respectively as at reporting date.

15.4 Property plant and equipment that have been pledged

The property plant and equipment that are pledged for long term borrowings are disclosed in Note 43 to these financial statements.

15.5 Land carried at cost (fair value)

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2020 Rs.'000
Aitken Spence Resorts (Middle East) LLC	Muscat, Oman	11.02.2016	5 A 0 R 8.00 P	3,313,990
Aitken Spence Property Developments Ltd	St. Rita's Estate, Mawaramandiya	15.11.2018	1 A 0 R 0.00 P	54,239
				3,368,229

Above land which were acquired within the last five years have not been revalued since the acquisition cost represents the fair value.

15.6 Lease hold properties

Lease hold properties represent the acquisition cost of leasehold rights of some of the hotel properties of Aitken Spence PLC in Maldives.

16 Intangible assets

For the year ended 31March,	Group 2020							2019
	License fees	FLAG cable	Software cost and implementation	Software cost and implementation (WIP)	Goodwill on acquisition	Other	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs. '000
	Note 16.1	Note 16.2						
Cost								
Balance at the beginning of the year	1,325,264	2,797,761	554,225	-	5,659,000	4,429	10,340,679	10,249,911
Acquisitions of subsidiaries during the year	-	-	9,921	-	248,848	-	258,769	-
Exchange difference	-	-	3,420	-	35,769	1,023	40,212	57,103
Additions during the year	-	-	158,205	2,367	-	6,806	167,378	33,665
Transfers from property, plant and equipment	-	-	771	-	-	-	771	-
Balance at the end of the period	1,325,264	2,797,761	726,542	2,367	5,943,617	12,258	10,807,809	10,340,679
Accumulated amortisation and impairment								
Balance at the beginning of the year	778,973	1,989,599	481,914	-	645,200	3,766	3,899,451	3,575,864
Exchange difference	-	-	4,075	-	-	995	5,070	3,785
Acquisitions of subsidiaries during the year	-	-	9,611	-	-	-	9,611	-
Amortized during the year	102,929	186,517	52,319	-	-	2,604	344,369	319,802
Transfers from property, plant and equipment	-	-	576	-	-	-	576	-
Balance at the end of the period	881,902	2,176,116	548,495	-	645,200	7,365	4,259,077	3,899,451
Carrying value								
As at beginning of the year	546,291	808,162	72,311	-	5,013,800	663	6,441,228	6,674,047
As at end of the year	443,362	621,645	178,047	2,367	5,298,417	4,893	6,548,732	6,441,228

Notes to the Financial Statements

For the year ended 31March,	Company		
	2020		2019
	Software cost and implementation	Total	Total
	Rs.'000	Rs.'000	Rs.'000
Cost			
Balance at the beginning of the year	1,355	1,355	859
Additions during the year	4,106	4,106	496
Balance at the end of the period	**5,461**	**5,461**	**1,355**
Accumulated amortisation and impairment			
Balance at the beginning of the year	855	855	641
Amortised during the year	1,524	1,524	214
Balance at the end of the period	**2,379**	**2,379**	**855**
Carrying value			
As at beginning of the year	500	500	218
As at end of the year	**3,082**	**3,082**	**500**

16.1 License fees

(i) License fee represents the operator license fee of Rs. 408 million paid as a renewal of operating licence fee and it is amortised over 10 years commencing from 1st March 2016.

(ii) The external gateway license fee of Rs. 102 million is amortised over a period of 10 years, commencing from 28th February 2013.

(iii) The Wi-Max 2365-2380 MHz license fee of Rs. 510.2 million was paid in 2011/12 and 2012/13 and operations commenced on 1st July 2013.

16.2 FLAG cable

FLAG cable represents the expenditure incurred on under sea fibber optic cable link and the landing station , which enables the Company to offer direct global connectivity and a complete end-to-end data connectivity solution. The total expenditure is amortized over the license period of 15 years on a straight line basis from August 2008.

17 Investment Property

For the year ended 31March,	Land	Buildings	Group Capital WIP	Total 2020	 2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Valuation					
Balance at the beginning of the year	5,723,058	291,158	49,984	6,064,200	4,918,847
Additions during the year	-	3,437	-	3,437	881,682
Assets retired during the year	-	-	(11,643)	(11,643)	-
Other transfers during the year*	-	-	(24,538)	(24,538)	-
Change in fair value for the year	24,051	59,941	-	83,992	263,671
Transfers from property, plant and equipment	-	28,617	-	28,617	-
Balance at the end of the year	**5,747,109**	**383,153**	**13,803**	**6,144,065**	**6,064,200**

For the year ended 31March,	Land	Buildings	Company Capital WIP	Total 2020	 2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Valuation					
Balance at the beginning of the year	4,010,385	1,031,183	36,181	5,077,749	3,835,050
Additions during the year	-	-	-	-	870,846
Assets retired during the year	-	-	(11,643)	(11,643)	-
Other transfers during the year*	-	-	(24,538)	(24,538)	-
Change in fair value for the year	61,461	(2,857)	-	58,604	371,853
Balance at the end of the year	**4,071,846**	**1,028,326**	**-**	**5,100,172**	**5,077,749**

*This amount represents the cost incurred by the Company to a consultant for which services were subsequently consumed by a related company. As such, this balance is recognised as a receiveble balance from the related company as at 31st March 2020.

Notes to the Financial Statements

17.1 Revaluation of Investment Properties

17.1.1 Valuation details

Melstacorp PLC

A valuation of investment properties of Mesltacorp PLC and Aitken Spence PLC was carried out by incorporated valuers Mr.Sivaskantha F.I.V (Sri Lanka) by using "Contractor's Principle Method" and incorporated in the financial statements of the Group as at 31st March 2020.

Location	Significant Unobservable Inputs	Land Extent	Building Area sq.ft	No of Buildings	Original Cost Rs.000	Revalued Amount Rs.000
No 451, Galle Road, Kollupitiya, Colombo 03	Rs.23,750,000/- P.P.	0A-0R-20.38P	-	-	221,720	484,025
No 146 & 146/1, Munidasa, Kumaratunga Mawatha, Bandarawatta, Seeduwa	Rs.600,000/- P.P. Rs. 3,612/- per sq.ft	0A-0R-36.41P	1975	2	13,654	28,981
No 63, Norris Canal Road, Maradana, Colombo 10.	Rs.7,000,000/- P.P. Rs. 2,333/- per sq.ft	25.94P	5642	2	116,730	194,462
No 04, Alfred house garden,Colombo 3 (Geethanjali Place)	Rs.22,000,000/- P.P. Rs. 4,890/- per sq.ft	AO-Ro-P19.90	12768	1	478,399	500,235
No.453, Galle Road, Colombo 03.	Rs.21,500,000/- P.P Rs. 2,250/- per sq.ft	39.75P	9,652	1	868,139	876,342

Aitken Spence PLC

The open market value of the below property was determined based on directors' valuation as at 31st March 2020.

Location	Significant Unobservable Inputs	Extent	Original Cost Rs.000	Revalued Amount Rs.000
Irakkakandi Village, VC Road, Nilaweli	Rs.141,769/- P.P.	113A-1R-1P	1,630,801	2,569,000

Melsta Tower (Pvt) Ltd

Free hold Land and Building of the Company were revalued by Mr.S.Sivaskantha, F.I.V (Sri Lanka) an independent professional valuer on 31st March 2020 on "contractor's Principle Basis".

Location	Significant Unobserv-able Inputs	Land Extent	Building Area sq.ft	No of Buildings	Revalued Amount Rs.000
No 136, Vipulasena Mw,Colombo 10.	Rs. 6,250,000/- P.P.	0A-2R-38.75P	-	-	742,188
No 140/1, Vipulasena Mw,Colombo 10.	Rs. 6,250,000/- P.P.	0A-0R-15.27P	-	-	95,438
No 128, Vipulasena Mw,Colombo 10.	Rs. 6,250,000/- P.P Rs. 2,287/- per sq.ft	0A-1R-1.90P	3550	2	269,995
No 140, Vipulasena Mw,Colombo 10.	Rs. 6,250,000/- P.P. Rs. 1,711/- per sq.ft	0A-0R-20.65P	1,918.5	1	132,346

Melsta Logistics (Pvt) Ltd

Investment properties of the Company were valued by Mr.Sivaskanthan, A.M.I.V (Sri Lanka) an independent professional valuer on 31st March 2020 on "Market Comparable Method".

Location	Significant Unobservable Inputs	Building Area sq.ft	No of Buildings	Revalued Amount Rs.'000
Seeduwa - workshop and administrative land.	Rs. 4,435/- per sq.ft	52,931.71	8	234,771

Texpro Industries Limited

Freehold land and building were revalued on 31st March 2017 by Mr. K.Arthur Perera who is a professionally qualified independent valuer. The valuation method adopted was "Market Comparable Method".

The Directors of the Group are of the opinion that fair value of this property has not changed significantly from the date of valuation.

Location	Significant Unobservable Inputs	Land Extent	No of Buildings	Revalued Amount Rs.'000
Embulgama - factory	Rs. 50,000/- PP	0A-2R-0P	-	4,000

Balangoda Plantations PLC

Investment propertry of the Company was valued based on the Directors' valuation as at 31st March 2020.

Location	No of Buildings	Revalued Amount Rs.'000
Green Tea Factory, Gowarakelle	1	27,425

17.1.2 Sensitivity of assumptions employed in investment property 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 investment property valuation.

Melstacorp PLC

For the year ended 31March,	2020				
		Land		Buildings	
	Increase/(decrease) in land & building	Sensitivity effect on statement of profit or loss Increase/ (decrease) in results for the year Rs.'000	Sensitivity effect on statement on investment property increase/ (decrease) in results in the assets Rs.'000	Sensitivity effect on statement of profit or loss increase/ (decrease) in results for the year Rs.'000	sensitivity effect on statement on investment property increase/ (decrease) in results in the assets Rs.'000
No 451, Galle Road, Kollupitiya, Colombo 03	5%	24,201	24,201	-	-
	-5%	(24,201)	(24,201)	-	-
No 146 & 146/1, Munidasa, Kumaratunga Mawatha, Bandarawatta, Seeduwa	5%	1,449,034	1,449,034	583	583

Notes to the Financial Statements

For the year ended 31March,	2020				
		Land		Buildings	
	Increase/(decrease) in land & building	Sensitivity effect on statement of profit or loss Increase/ (decrease) in results for the year Rs.'000	Sensitivity effect on statement on investment property increase/ (decrease) in results in the assets Rs.'000	Sensitivity effect on statement of profit or loss increase/ (decrease) in results for the year Rs.'000	sensitivity effect on statement on investment property increase/ (decrease) in results in the assets Rs.'000
	-5%	(1,449,034)	(1,449,034)	(583)	(583)
No 63, Norris Canal Road, Maradana, Colombo 10.	5%	9,079	9,079	644	644
	-5%	(9,079)	(9,079)	(644)	(644)
No 04, Alfred house garden,Colombo 3 (Geethanjali Place)	5%	21,890	21,890	3,122	3,122
	-5%	(21,890)	(21,890)	(3,122)	(3,122)
No.453, Galle Road, Colombo 03. (Green Cabin)	5%	42,731	42,731	1,086	1,086
	-5%	(42,731)	(42,731)	(1,086)	(1,086)

Melsta Tower (Pvt) Ltd

For the year ended 31March,	2020				
		Land		Buildings	
	Increase/(decrease) in land & building	Sensitivity effect on statement of profit or loss Increase/ (decrease) in results for the year Rs.'000	Sensitivity effect on statement on investment property increase/ (decrease) in results in the assets Rs.'000	Sensitivity effect on statement of profit or loss increase/ (decrease) in results for the year Rs.'000	sensitivity effect on statement on investment property increase/ (decrease) in results in the assets Rs.'000
No 136, Vipulasena Mw,Colombo 10.	5%	37,109	37,109		-
	-5%	(37,109)	(37,109)	-	-
No 140/1, Vipulasena Mw,Colombo 10.	5%	13,094	13,094	406	406
	-5%	(13,094)	(13,094)	(406)	(406)
No 128, Vipulasena Mw,Colombo 10.	5%	6,453	6,453	164	164
	-5%	(6,453)	(6,453)	(164)	(164)
No 140, Vipulasena Mw,Colombo 10.	5%	4,772	4,772		-
	-5%	(4,772)	(4,772)	-	-

18 Biological assets

As at 31 March,	Note	Group 2020 Rs.'000	2019 Rs.'000
Bearer biological assets	18.1	2,817,311	3,348,290
Consumable biological assets	18.2	5,564,283	5,301,819
		8,381,594	8,650,109

18.1 Bearer biological assets

As at 31 March,	Note	Group 2020 Rs.'000	2019 Rs.'000
On finance lease (JEDB/SLSPC)	18.1.1	50,989	72,835
Investments after formation of the plantation company/ in new plantation	18.1.2	2,766,322	3,275,455
		2,817,311	3,348,290

18.1.1 On finance lease (JEDB/SLSPC)

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books retroactive to 18th June 1992. For this purpose, the board decided at its meeting on 8th March, 1995, that these assets be stated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of those Companies. These assets are taken into the statement of financial position as at 18 June, 1992 and amortisation of immovable leased assets to 31st Marchr 2020 are as follows.

As at 31 March,	Mature Plantations 2020 Rs.'000	2019 Rs.'000
Cost		
Balance as at the beginning of the year	417,887	417,887
Balance as at the end of the year	**417,887**	**417,887**
Accumulated amortisation		
Balance as at the beginning of the year	345,052	331,122
Amortisation for the year	21,846	13,930
Balance as at the end of the year	366,898	345,052
Carrying amount	**50,989**	**72,835**

Investment in immature plantations at the time of handing over to the Company as at 18 June, 1992 by way of estate leases were shown under immature plantations.

However, since then all such investments in immature plantations attributable to JEDB/ SLSPC period have been transferred to mature plantations. These mature tea and rubber were classified as bearer biological assets in terms of LKAS 41 - Agriculture.

Notes to the Financial Statements

The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognized at cost less amortisation. Further investments in such plantations to bring them to maturity.

18.1.2 Investments after formation of the plantation company/ in new plantation

	Group			
For the year ended 31March,	2020			2019
	Immature Plantations Rs.'000	Mature Plantations Rs.'000	Total Rs.'000	Total Rs.'000
Cost				
Balance as at the beginning of the year	2,202,363	1,790,903	3,993,266	3,805,088
Additions during the year	176,959	167,697	344,656	188,178
Transfers / disposals during the year	(167,697)	(3,390)	(171,087)	-
Write-off during the year	(619)	(16,699)	(17,318)	-
Balance as at the end of the year	**2,211,006**	**1,938,511**	**4,149,517**	**3,993,266**
Accumulated amortization and impairments				
Balance as at the beginning of the year	41,518	676,293	717,811	631,928
Charge for the year	-	75,824	75,824	65,084
Provision for impairment recognised during the year	591,240	-	591,240	20,799
Write-off during the year	-	(204)	(204)	-
Disposals/ transfers out	-	(1,476)	(1,476)	-
Balance as at the end of the year	632,758	750,437	1,383,195	717,811
Carrying amount at the end of the year	**1,578,248**	**1,188,074**	**2,766,322**	**3,275,455**

Investments in bearer plants since the formation of BPL & MPL have been classified as shown above and mainly includes tea and rubber plantations. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with LKAS 16 – Property, plant and equipment.

The immature plants are classified as mature plants when they are ready for commercial harvesting.

18.1.3 Produce on bearer biological assets

	Group	
For the year ended 31March,	2020 Rs.'000	2019 Rs.'000
Balance as at the beginning of the year	6,762	8198
Change in fair value less cost to sell	(2,874)	(1,436)
Balance as at the end of the year	**3,888**	**6,762**

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year as follows: Tea – three days crop (50% of 6 days cycle) Rubber – one days crop (50% of 2 days cycle). Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea Commissioner's formula for bought leaf and rubber crop is fair valued using RSS prices.

18.2 Consumable biological assets

As at 31 March,	Group 2020 Rs.'000	Group 2019 Rs.'000
Balance as at the beginning of the year	5,301,819	5,040,053
Increase due to development	4,025	13,975
Decrease due to harvest/transfer	(26,784)	(4,111)
Gain arising from changes in fair value less cost to sell	285,223	251,902
Balance as at the end of the year	**5,564,283**	**5,301,819**

Balangoda Plantations PLC

The valuation of consumable biological assets was carried by Mr. Chadrasena Weerasinghe, an independent Chartered Valuation Surveyor, using Discounted Cash Flows (DCF) methods.The valuation report dated 31 December 2019 has been prepared based on the physically verified timber statistics provided by the Company. The future cash flows are determined by reference to current timber prices. The fair value measurement for the consumable biological assets has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

Madulsima Plantations PLC

The valuation of consumable biological assets was carried by Mr. Chadrasena Weerasinghe, an independent Chartered Valuation Surveyor, using Discounted Cash Flows (DCF) methods.The valuation report dated 31 December 2019 has been prepared based on the physically verified timber statistics provided by the Company. The future cash flows are determined by reference to current timber prices.

18.2.1 Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole

Level 1 -Quoted (unadjusted) market prices in active market for identical assets and liabilities.
Level 2 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Consumable biological assets

As at 31st March	Date of valuation	Level 1 2020 Rs.000	Level 1 2019 Rs.000	Level 2 2020 Rs.000	Level 2 2019 Rs.000	Level 3 2020 Rs.000	Level 3 2019 Rs.000
Assets measured at fair value							
Consumable biological assets-timber	31st December 2019	-	-	-	-	5,564,283	5,301,819
Produce on bearer biological assets	31st December 2019	-	-	3,888	6,762	-	-

In determining the fair value, highest and best use of timber, current condition of the trees and expected timber content at harvesting have been considered. Also, the valuers have made reference to market evidence of transaction prices of the Company, and the market prices of timber corporation, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

Notes to the Financial Statements

The biological assets of BPL & MPL are mainly cultivated in leased lands. When measuring the fair value of the biological assets, it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

Regulatory and environmental risks

BPL & MPL are subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

BPL & MPL are exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

BPL's & MPL's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Company also insures itself against natural disasters such as floods, land slides and hurricanes.

18.2.2 Information about fair value measurements using significant unobservable inputs (Level 3)

Non financial assets	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Consumable biological assets - timber	DCF method	Discounting factor	14%	The higher the discount rate, the lower the fair value
		Optimum rotation (maturity)	25-35 years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft	Rs.150/- Rs.600/- per cu.ft	The higher the price per cu.ft, the higher the fair value

Key assumptions used in the valuation

1. The harvesting is approved by the PMMD and Forest Department based on the forestry development plan
2. The prices adopted are net of expenditure
3.Though the replanting is a condition precedent for harvesting , yet the cost are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realizable value. The board of directors retains their view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

The valuation was carried by Mr. Chadrasena Weerasinghe, an independent Chartered Valuation Surveyor, Membership No F/141

18.2.3 Sensitivity analysis

Sensitivity variation sales price

Values as appearing in the statement of financial position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise of decrease by 10% of the estimated future selling price has the following effect on the fair value of consumable biological assets :

Managed timber	-10% Rs.'000	10% Rs.'000
As at 31st December , 2019	(576,842)	576,842
As at 31st December , 2018	(530,182)	530,182

Sensitivity variation discount rate

Values as appearing in the satatement of financial position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the discount rate has the following effect on the net present value of biological assets :

Managed timber	-1% Rs.'000	1% Rs.'000
As at 31st December , 2019	216,323	(194,880)
As at 31st December , 2018	218,597	(194,583)

18.3 Gain / (loss) on fair value of biological assets

	Group	
For the year ended 31March,	2020 Rs.'000	2019 Rs.'000
From consumable biological assets	285,223	251,902
From produce on bearer biological assets	(2,874)	(1,436)
	282,349	250,466

Notes to the Financial Statements

19 Right-of-use assets

19.1 Movement during the year

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use assets.

	Right-of-use land Rs.'000	Right-of-use buildings Rs.'000	Right-of-use motor vehicles Rs.'000	Total Rs.'000
Cost				
Balance as at 01st April 2019	-	-	-	-
Recognition on initial application of SLFRS 16 - Leases	8,033,636	2,695,656	1,200,063	11,929,355
Transferred from leasehold properties (Note 15)	3,785,990	-	-	3,785,990
Transferred from pre-paid operating leases (Note 22.1)	1,868,707	(482)	-	1,868,225
Transferred from prepayments and deferred rent liabilities	3,690	2,451	-	6,141
Adjusted balance as at 01st April 2019	13,692,023	2,697,625	1,200,063	17,589,710
Acquisition of subsidiaries	-	1,616	-	1,616
Exchange difference	1,134,212	(14,916)	-	1,119,296
Additions	2,192,007	117,266	34,094	2,343,367
Balance as at 31st March 2020	**17,018,242**	**2,801,590**	**1,234,157**	**21,053,989**
Accumulated depreciation				
Balance as at 01st April 2019	-	-	-	-
Recognition on initial application of SLFRS 16 - Leases	2,374,312	936,451	-	3,310,763
Transferred from leasehold properties (Note 15)	1,146,829	-	-	1,146,829
Transferred from pre-paid operating leases (Note 22.1)	235,523	-	-	235,523
Transferred from prepayments	867	-	-	867
Adjusted balance as at 01st April 2019	3,757,531	936,451	-	4,693,982
Acquisition of subsidiaries	-	512	-	512
Exchange difference	308,204	(5,161)	-	303,043
Charge for the year	747,238	261,092	201,715	1,210,045
Capitalised under property, plant and equipment (Note 15)	36,196	-	-	36,196
Balance as at 31st March 2020	**4,849,169**	**1,192,894**	**201,715**	**6,243,777**
Carrying amount as at 31st March 2020	**12,169,073**	**1,608,697**	**1,032,442**	**14,810,212**

19.2 Amounts recognised in profit or loss on SLFRS 16 - Leases

2019/2020 – Leases under SLFRS 16	Rs. '000
Depreciation expense of right-of-use assets (note 19.1)	1,210,044
Interest on lease liabilities (note 32)	830,839
Expenses relating to short term leases and leases of low value assets	312,635

2018/2019 – Operating leases under LKAS 17	
Lease expense	982,342

19.3 Amounts recognised in profit or loss on SLFRS 16 - Leases

Total cash outflow for leases	1,839,106

19.4 Details of right-of-use assets relating to leased properties

Company	Nature of the leasing activity	Location of the leased property	Unexpired lease periods as at 31.03.2020
Ace Apparels (Pvt) Ltd	Land	Koggala - Sri Lanka	44 years
Ace Containers (Pvt) Ltd	Yard and warehouse facilities	Wattala - Sri Lanka	3 - 5 years
Ace Container Terminals (Pvt) Ltd	Land	Biyagama - Sri Lanka	74 years
Ace Container Terminals (Pvt) Ltd	Land	Katunayake - Sri Lanka	68 years
Ace Distriparks (Pvt) Ltd	Land	Mihinthale - Sri Lanka	24 years
Ace Distriparks (Pvt) Ltd	Warehouse facilities	Walisara and Wattala - Sri Lanka	1 - 5 years
Ace Power Embilipitiya (Pvt) Ltd	Land	Embilipitiya - Sri Lanka	13 years
Ace Windpower (Pvt) Ltd	Land	Ambewela - Sri Lanka	13 years
Aitken Spence Agriculture (Pvt) Ltd	Land	Dambulla - Sri Lanka	23 years
Aitken Spence Cargo (Pvt) Ltd	Warehouse facilities	Mulleriyawa - Sri Lanka	01 year
Aitken Spence Hotel Managements (Pvt) Ltd	Warehouse facilities	Colombo 02 - Sri Lanka	04 years
Aitken Spence Property Developments (Pvt) Ltd	Land	Colombo 02 - Sri Lanka	02 years
Global Parcel Delivery (Pvt) Ltd	Warehouse facility	Ingiriya - Sri Lanka	07 years
Hethersett Hotels Ltd	Land	Nuwara Eliya - Sri Lanka	75 years
Kandalama Hotels (Pvt) Ltd	Land	Dambulla - Sri Lanka	23 years
Western Power Company (Pvt) Ltd	Land	Muthurajawela - Sri Lanka	27 years
ADS Resorts (Pvt) Ltd	Island	North Male' Atoll - Maldives	07 years
Cowrie Investments (Pvt) Ltd	Island	Raa Atoll - Maldives	29 years
Cowrie Investments (Pvt) Ltd	Island	Raa Atoll - Maldives	45 years
Jetan Travel Services Company (Pvt) Ltd	Island	South Male' Atoll - Maldives	23 years
Unique Resorts (Pvt) Ltd	Island	South Male' Atoll - Maldives	26 years
Fiji Ports Terminal Ltd	Wharfs used for ports operations	Suva - Fiji	09 years

The Group leases office space, office equipment, motor vehicles e.t.c with contract terms of one to five years. These leases are either short term (term leass than one year) and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The value of right-of-use assets pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 8,197.7 million (2018/2019- Rs. 1,484.6 million).

Notes to the Financial Statements

19.5 Right to use of land-Madulsima Plantations PLC

The leasehold rights to the land on all these estates have been taken into the books of the Company as at 22nd June 1992 immediately after formation of the Company. The bare land has been recorded at the value established for each land by valuation specialist.

The Company has applied SLFRS – 16 with a date of initial application of 1 January 2019. As a result the Company has changed its accounting policy for Leases detailed in Note 3.1 of accounting policies in these financial statements.

The Government of Sri Lanka has initiated actions under provisions of the Land Acquisition Act to acquire land from lands leased to the Company in El-Teb,Mahadowa,Uvakallie and Veralapatana estates located in Badulla region.

The Government of Sri Lanka has already acquired a total land extent of 4.39 hectares However, No adjustments have been made to the financial statements in respect of these lands acquired as the compensation receivable on these acquisitions are not known and the Government valuation is pending as at 31 December 2019. Accordingly, the transactions pertaining to those acquisitions are incomplete as at 31 December 2019.

19.6 Right to use of land-Balangoda Plantations PLC

The Right of Use - Lands consist of the lease rights on Janatha Estates Development Board/Sri Lanka State Plantations Corporation Estates. Leases have been executed for a period of 53 years. All of these leases are retroactive to 18 June 1992 the date of formation of the Company. The leasehold right to the land on all of these estates have been taken into the books of the Company on 18 June 1992 immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka.

The Company has applied SLFRS 16- Leases with a date of initial application of 1 January 2019. As a result the Company has changed its accounting policy for Leases as detailed in Note 3.1 of accounting policies in these financial statements.

20 Investments in subsidiaries

As at 31March,	Note	Company 2020 Rs.'000	Company 2019 Rs.'000
Quoted Investment - Cost	20.1	54,888,657	54,858,321
Unquoted Investment - Cost	20.2	9,844,534	8,240,534
		64,733,191	63,098,855
Less: Provision for impairment of investments in subsidiaries	20.3	(3,863,604)	(3,400,686)
		60,869,587	**59,698,169**

20.1 Quoted investments

As at 31March,	2020 Number of shares	2020 Effective holding	2020 Market value	2020 Cost Rs.'000	2019 Number of shares	2019 Effective holding	2019 Market value	2019 Cost Rs.'000
Balangoda Plantations PLC	13,853,663	58.61%	166,244	360,565	13,853,663	58.61%	160,702	360,565
Browns Beach Hotel PLC	54,273,234	41.88%	705,552	726,399	54,273,234	41.88%	629,570	726,399
Distilleries Company of Sri Lanka PLC	4,253,009,164	92.46%	78,680,670	31,539,011	4,252,954,164	92.46%	61,667,835	31,539,011
Aitken Spence PLC	204,314,171	50.32%	9,500,609	21,236,173	203,564,171	50.14%	8,346,131	21,205,837
Madulsima Plantations PLC	94,767,483	55.91%	644,419	1,026,509	94,767,483	55.91%	578,082	1,026,509
Total cost				54,888,657				54,858,321

20.2 Unquoted investments

As at 31March,		2020 Number of shares	2020 Effective holding	2020 Cost Rs.'000	2019 Number of shares	2019 Effective holding	2019 Cost Rs.'000
Milford Holdings (Pvt) Limited		333,067,925	98.36%	3,350,000	333,067,925	98.36%	3,350,000
Periceyl (Pvt) Limited		240,000,000	100.00%	6,750	240,000,000	100%	6,750
Continental Insurance Lanka Limited		70,000,007	100.00%	664,000	70,000,007	100%	664,000
Melsta Logistics (Pvt) Limited		90,000,000	100.00%	571,486	90,000,000	100%	571,486
Bogo Power (Pvt) Limited		993,000,000	99.30%	993,250	993,000,000	99.30%	993,250
Bellvantage (Pvt) Limited		5,000,100	100.00%	75,000	5,000,100	100%	75,000
Melsta Properties (Pvt) Limited		158,994,901	100.00%	1,589,949	158,994,901	100%	1,589,949
Melsta Tower (Pvt) Limited		65,751,636	100.00%	657,516	65,751,636	100%	657,516
Melsta Technologies (Pvt) Limited		1,000,000	100.00%	10,000	1,000,000	100%	10,000
Melsta Health (Pvt) Ltd	20.7	171,900,002	100.00%	1,719,000	11,500,002	100%	115,000
Timpex (Pvt) Limited		15,611,661	51.03%	156,897	15,611,661	51.03%	156,897
Splendor Media (Pvt) Limited		100,002	100.00%	50,686	100,002	100%	50,686
Total cost				9,844,534			8,240,534

20.3 Provision for impairment of investments in subsidiaries

	Company	
	2020	2019
	Rs.'000	Rs.'000
Balance at the beginning of the year	3,400,686	3,128,345
Provision made during the year	462,918	272,341
Balance at the end of the year	**3,863,604**	**3,400,686**

Due to unfavorable financial results reported during the period and considering the weakened financial position as at 31 March 2020, the Group assessed its plantation sector for impairment. In the assessment of impairment, the Group considered each subsidiary as a separate cash generating unit and calculated the individual recoverable values. Recoverable values of these investments were estimated based on the fair value less cost to sell of the investments which are calculated with reference to the market prices of equity securities as at 31 December 2019 adjusted for an appropriate control premium (Level 2 valuation).

As such, the provision for impairment of the investments in the plantation sector is calculated as follows,

	Balangoda Plantations PLC	Madulsima Plantations PLC	Total
	Rs ' 000	Rs ' 000	Rs.'000
Carrying Amount as at 31st March 2020 (Before impairment)	360,565	1,026,509	1,387,074
Estimated Recoverable value	189,518	734,638	924,156
Impairment of the investment	**171,047**	**291,871**	**462,918**

Principal assumptions used in the estimation of fair value less cost to sell are as follows,

1. Control premium - 14%
2. Costs of selling these investments are immaterial.
3. Market prices as at 31 December 2019 represents the appropriate fair values of these investments as at 31 March 2020

The provision for impairment of investments in subsidiary Companies as at 31st March 2020 are attributable to following.

	Company	
	2020	2019
	Rs.'000	Rs.'000
Milford Holdings (Pvt) Limited.	3,350,000	3,350,000
Splendor Media (Pvt) Limited.	50,686	50,686
Balangoda Plantations PLC	171,047	-
Madulsima Plantation PLC	291,871	-
	3,863,604	3,400,686

20.4 Group holdings in subsidiaries

As at 31 March,							2020	
	Subsidiary		Principal activity	Reporting date	Reason for using a different period	Indirectly holding through	No. of shares	Effective ownership interest
1	Aitken Spence PLC	SPEN	Diversified Holding	31-Mar	-		204,314,171	50.32%
2	Balangoda Plantations PLC	BPL	Cultivation and processing of Tea & Rubber	31-Dec	To comply with the rules and regulations in the Plantation sector		13,853,663	58.61%
3	Bell Solutions (Pvt) Ltd	BSL	"Information & Communication Technology"	31-Mar	-		98,090	98.09%
4	Bellvantage (Pvt) Ltd	BV	BPO,KPO & Software Development	31-Mar	-		5,000,100	100%
5	Bogo Power (Pvt) Ltd	BP	"Generation and sale of Hydro Electric Energy"	31-Mar	-		993,000,000	99.50%
6	Browns Beach Hotel PLC	BBH	Leisure	31-Mar	-	SPENCE	102,900,337	55.95%
7	Continental Insurance Lanka Limited	CIL	General Insurance Services	31-Dec	To comply with the rules and regulations in the Insurance sector		70,000,017	100%
8	Lanka Bell Ltd	LB	Telecommunication Services	31-Mar	-	MH	50,719,061	99.73%
9	Distilleries Company of Sri Lanka PLC	DCSL	Beverage	31-Mar	-		4,253,009,164	92.46%
10	Melsta Logistics (Pvt) Ltd	ML	Automobile Servicing and Logistics	31-Mar	-		90,000,000	100%
11	Milford Holdings (Pvt) Ltd	MH	Investment Holding Company	31-Mar	-		333,067,925	98.36%
12	Negombo Beach Resorts (Pvt) Ltd	NBR	Leisure	31-Mar	-	BBH	91,400,001	41.88%
13	Periceyl (Pvt) Ltd	PCL	"Distribution of locally manufactured Foreign Liquor"	31-Dec	To operate in line with foreign strategic alliances		240,000,000	100%
14	Splendor Media (Pvt) Ltd	SM	Media Buying & Creative Services	31-Mar	-		100,002	100%
15	BellActive (Pvt) Ltd	TF	Telecommunication Services	31-Mar	-	LB	98,090	98.09%
16	Texpro Industries Ltd	TEXP	Dyeing and Printing Woven Fabrics	31-Mar	-	TIM	46,836,524	41.75%
17	Timpex Ltd	TIM	Investment Holding Company	31-Mar	-		15,611,661	51.03%
18	Melsta Properties (Pvt) Ltd	MP	Management of Real Estate	31-Mar	-		158,994,901	100%
19	Melsta Tower (Pvt) Limited	Tower	Real Estate	31-Mar	-		65,751,636	100%
20	Melsta Technology (Pvt) Limited	TECH	IT Services	31-Mar	-		1,000,000	100%
21	Madulsima Plantations PLC	MPL	Cultivation and processing of Tea	31-Dec	-		94,767,483	55.91%
22	Melsta Health (Pvt) Ltd	HEALTH	Investment holding company	31-Mar	-		171,900,002	100.00%

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As at 31 March,							2020	
	Subsidiary		Principal activity	Reporting date	Reason for using a different period	Indirectly holding through	No. of shares	Effective ownership interest
23	Melsta Laboratories (Pvt) Ltd	MLAB	Diagnostic services	31-Mar	-	HEALTH	14,000,001	100.00%
24	Hospital Management Melsta (Pvt) Ltd	HMM	Healthcare services	31-Mar	-	HEALTH	25,225,001	100.00%
25	Melsta Healthcare Colombo (Pvt) Ltd	MHCOL	Healthcare services	31-Mar	-	HEALTH	13,000,000	100.00%
26	Melsta Hospitals Ragama (pvt) Ltd	MHR	Healthcare services	31-Mar	-	MHCOL	180,725,000	100.00%
27	Melsta Healthcare Colombo North (Pvt) Ltd	MHNC	Healthcare services	31-Mar	-	MHCOL	25,362,500	100.00%

20.5 Acquisition of subsidiaries

The Company has acquired 100% of holding of Browns Healthcare (Pvt) Ltd and its fully owned subsidiary Browns Healthcare North Colombo (Pvt) Ltd subsequently re named as Melsta Hospitals Ragama (Pvt) Ltd and Melsta Healthcare Colombo North (Pvt) Ltd during year for a consideration of Rs.1.6Bn.

Identifiable assets acquired and liabilities assumed

The Following Table summarizes the recognized amounts of assets and liabilities assumed at the date of acquisition.

	Browns Healthcare (Pvt) Ltd Rs.'000	Browns Healthcare North Colombo (Pvt) Ltd Rs.'000	Total Rs.'000
Property, plant and equipment	1,165,694	249,978	1,415,672
Intangible assets	311	-	311
Investment in subsidiaries	253,625	-	253,625
Right of use assets- buildings	1,104		1,104
Inventories	40,354	-	40,354
Trade and other receivables	117,671	72	117,743
Amounts due from related companies	138,592	-	138,592
Income tax recoverable	242	-	242
Cash and cash equivalents	26,536	135	26,671
Total assets acquired	1,744,129	250,185	1,994,314
Finance lease obligation	274	-	274
Retirement benefit obligations	12,354	-	12,354
Trade and other payables	127,800	28,871	156,671
Income tax payable	-	945	945
Finance lease obligation	1,033	-	1,033
Amounts due to related parties	79,668	138,592	218,260
Total Liabilities acquired	**221,129**	**168,408**	**389,537**
Total identifiable net assets acquired	**1,523,000**	**81,777**	**1,604,777**
Less: Investments in subsidiaries	(253,625)	-	(253,625)
Total identifiable net assets acquired net of subsidiaries	**1,269,375**	**81,777**	**1,351,152**

20.5.1 Goodwill on acquisition

	2020 Rs.'000
Consideration transferred	1,600,000
NCI, based on their proportionate interest in the recognized amounts of the assets and liabilities	-
Fair value of identifiable net assets (Note 20.5)	(1,351,152)
Goodwill on acquisition	**248,848**

20.5.2 Consideration paid net of cash aquired

	2020 Rs.'000
Consideration transferred	1,600,000
Less: Cash and cash equivalants acquired	**(26,671)**
	1,573,329

20.6 Acquisition of non-controlling interest in Aitken Spence PLC

The Company has acquired 750,000 shares of Aitken Spence PLC during the year with resiulted a percentage increase of holding from 50.14% to 50.32%.

20.7 Investments in subsidiaries

The Company has invested Rs.1,604 million in Melsta Health (Pvt) Ltd which is the holding company of the Group's health care sector.

20.8 Significant judgements and assumptions made in determining whether the group has control

Although the Group owns less that half of the voting rights of Negombo Beach Resorts Private Limited(NBR) and Texpro Industries Private Limited(TEXP), the Group assessed that it is able to govern the financial and operating policies of NBR and TEXP by virtue of de facto control on the basis that the remaining share holders are widely depressed and there is no indication to believe that all of them will exercises their votes collectively.

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20.9 Disclosure of the interest that non-controlling interests have in the group's activities and cash flows

20.9.1 Nature of interests in subsidiaries with material NCI

	Aitken Spence PLC (SPEN)	Balangoda Plantations PLC (BPL)	Browns Beach Hotels PLC (BBH)	Madulsima Plantations PLC (MPL)
Principal place of business	No.815, Vauxhall Street, Colombo 02.	In the areas of Ratnapura,Balangoda and Badulla	No. 175, Lewis Place, Negombo	In the areas of Badulla and bogawanthalawa.
Proportion of ownership interest held by non controlling interest	49.68%	41.39%	44.05%	44.09%
Profit / (loss) allocated to non controlling interest (Rs. '000)	1,690,471	(592,038)	(287,904)	(336,721)
Accumulated non controlling interest at the end of the reporting period (Rs. '000)	41,493,753	(99,714)	820,492	417,937

20.9.2 Summarized financial information of subsidiaries that have material NCI

	BPL		BBH		MPL		SPEN	
As at/ for the year ended 31 March,	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Dividends paid to non controlling interests	-	-	-	-	-	-	1,168,683	1,700,033
Current assets	476,444	469,312	400,511	299,328	450,871	464,536	39,568,287	38,827,434
Non current assets	5,153,555	5,643,668	5,345,477	5,540,239	6,051,960	5,681,128	103,707,931	86,707,552
Current liabilities	3,704,622	2,570,174	2,003,769	1,743,968	3,372,834	2,218,231	30,670,089	28,384,657
Non current liabilities	2,166,301	2,257,433	1,879,661	1,562,714	2,182,086	2,123,362	49,302,058	35,064,509
Revenue	2,572,830	2,358,252	689,070	1,072,890	2,006,977	2,144,945	52,978,590	55,063,070
Profit/(Loss) After Tax	(1,430,389)	(719,249)	(653,586)	(251,833)	(763,707)	(600,200)	2,886,974	5,771,351
Other comprehensive income	(22,222)	(25,611)	663	725	(33,452)	(45,712)	808,339	2,284,571
Total comprehensive income	(1,452,611)	(744,860)	(652,923)	(251,108)	(797,159)	(645,912)	3,695,313	8,055,922
Cash Flows								
Cash flows from operating activities	(527,286)	(242,543)	(155,668)	22,675	(848,498)	430,903	5,621,369	6,504,172
Cash flows from investing activities	(163,513)	(256,314)	(29,754)	(18,902)	(188,122)	(309,633)	(10,246,263)	(14,512,079)
Cash flows from financing activities	660,548	459,862	346,273	(62,880)	1,122,650	283,086	1,390,968	4,423,159

21 Investment in equity accounted investees

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Recognised in the statement of financial position					
Investments in joint ventures	21.1	2,138,103	1,870,932	1,127,000	952,000
Investments in associates	21.2	5,076,466	4,693,644	-	-
Carrying amount as at 31st March		7,214,569	6,564,576	1,127,000	952,000
Recognised in the income statement					
Interest in joint ventures	21.1.2	124,587	1,323	-	-
Interest in associates	21.2.2	351,767	393,862	-	-
Share of profit of equity-accounted investees (net of tax) for the year ended 31 March		476,354	395,185	-	-
Recognised in the statement of profit or loss and other comprehensive income					
Interest in joint ventures	21.1.2	2,925	3,338	-	-
Interest in associates	21.2.2	(7,624)	120,661	-	-
Share of other comprehensive income of equity-accounted investees (net of tax) for the year ended 31 March		(4,699)	123,999	-	-

Share of other comprehensive income of equity-accounted investees (net of tax) is further analysed as ;

	Company 2020 Rs.'000	Company 2019 Rs.'000
Items that will not be reclassified to profit or loss	(6,006)	(12,375)
Items that are or may be reclassified to profit or loss	1,307	136,374
	(4,699)	**123,999**

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21.1 Investment in joint ventures

			Group			Company			
				As at 31 March				As at 31 March	
	Country of incorporation	No. of shares	Holding	2020	2019	No. of shares	Holding	2020	2019
			%	Rs.'000	Rs.'000		%	Rs.'000	Rs.'000
"Aitken Spence C & T Investments (Pvt) Ltd (a) (b) (Ordinary shares - Unquoted)"	Sri Lanka	14,170,000	50.00	141,700	141,700	-	-	-	-
"EcoCorp Asia (Pvt) Ltd (b) (c) (Ordinary shares - Unquoted)"	Sri Lanka	125,100	50.00	-	131,404	-	-	-	-
"Aitken Spence Engineering Solutions (Pvt) Ltd (a) (Ordinary shares - Unquoted)"	Sri Lanka	20,000	50.00	2,000	2,000	-	-	-	-
"CINEC Campus (Pvt) Ltd (a) (formally Colombo International Nautical and Engineering College (Pvt) Ltd) (consolidated with CINEC Skills (Pvt) Ltd) (Ordinary shares - Unquoted)"	Sri Lanka	253,334	40.00	502,950	502,950	-	-	-	-
Melsta GAMA (Pvt) Ltd	Sri Lanka	11,270,000	50.00	1,127,000	952,000	9,520,000	50.00	1,127,000	952,000
Ace Bangladesh Ltd (a) (Ordinary shares - Unquoted)	Bangladesh	39,200	49.00	32,587	8,400	-	-	-	-
Carrying amount as at 31st March				1,806,237	1,738,454			1,127,000	952,000
Provision for impairment of investments				-	(72,118)			-	-
Share of movement in equity value				331,866	204,596			-	-
Equity value of investments				2,138,103	1,870,932			1,127,000	952,000

During the period under review the Group and the Company disposed EcoCorp Asia (Pvt) Ltd.

Having evaluated the business continuity plans and the cashflows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for the carrying value of joint ventures due to the COVID-19 pandemic as at the reporting date.

21.1.2 Summarised financial information of joint ventures - Group

The following analyses, in aggregate, the carrying amount, share of profit and other comprehensive income of individually immaterial joint ventures.

As at 31March,	2020 Rs.'000	2019 Rs.'000
Carrying amount of interest in joint ventures	2,138,103	1,870,932
Group's share of :		
- Profit for the year (net of tax)	124,587	1,323
- Other comprehensive income for the year (net of tax)	2,925	3,338
Total comprehensive income for the year	127,512	4,661

21.2 Investment in associates

				Group	
				As at 31 March	
	Country of incorporation	No. of shares	Holding %	2020 Rs.'000	2019 Rs.'000
"Aitken Spence Plantation Managements PLC (a) (b) (consolidated with Elpitiya Plantations PLC (a) (b)) (Ordinary shares - Quoted)"	Sri Lanka	8,295,860	38.95	165,000	165,000
"Fiji Ports Corporation Ltd (a) (consolidated with Fiji Ships Heavy Industries Ltd) (Ordinary Shares - Unquoted)"	Fiji	14,630,970	20.00	2,351,255	2,351,255
"Serendib Investments Ltd (Ordinary Shares - Unquoted)"	Fiji	1,500,000	25.00	126,590	137,240
"Amethyst Leisure Ltd (c) (consolidated with Paradise Resort Pasikudah (Pvt) Ltd (c)) (Ordinary shares - Unquoted)"	Sri Lanka	202,484,053	33.77%	339,263	339,263
Carrying amount as at 31st March				2,982,108	2,982,108
Share of movement in equity value				2,094,358	1,700,886
Equity value of investments				5,076,466	4,693,644

*** Due to the COVID-19 outbreak and the closure of the exchange, the fair value disclosed as at 31st March 2020 is based on the closing traded prices that existed as at 31st December 2019 as recommended in the guidance notes on accounting considerations on the Covid-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.**

Having evaluated the business continuity plans and the cashflows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for the carrying value of associates due to the COVID-19 pandemic as at the eporting date.

21.2.2 Summarised financial information of associates - Group

The following analyses, in aggregate, the carrying amount, share of profit and other comprehensive income of individually immaterial associates.

For the year ended 31March,	2020 Rs.'000	2019 Rs.'000
Carrying amount of interest in associates	2,982,108	2,992,758
Group's share of :		
- Profit for the year (net of tax)	351,767	393,862
- Other comprehensive income for the year (net of tax)	(7,624)	120,661
Total comprehensive income for the year	344,143	514,523

21.2.3 Inter-company shareholdings - investment in associates

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2020	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
Amethyst Leisure Ltd	Sri Lanka	Aitken Spence Hotel Holdings PLC	134,666,055	27.89	20.78	79.22
	Sri Lanka	Distilleries Company of Sri Lanka PLC	67,817,998	12.99%	12.01	87.99

22 Operating leases
22.1 Pre-paid operating leases

As at 31 March,	Group 2020 Rs.'000	2019 Rs.'000
Balance as at 01st April	2,443,198	2,308,824
Transferred to right-of-use assets (note 19)	(1,633,184)	-
Classified as held for sale (note 28)	(810,014)	-
Amortisation for the period	-	-
- Charged to the income statement	-	(57,203)
- Capitalised under property, plant and equipment	-	(44,624)
Exchange difference	-	236,201
Balance as at 31st March	**-**	**2,443,198**
Current portion of pre-paid operating leases	-	76,232
Non-current portion of pre-paid operating leases	-	2,366,966
	-	**2,443,198**

* With the implementation of SLFRS 16 - Leases, the Group has transferred its acquisition cost of leasehold rights and prepaid lease extension fees to right-of-use assets as of 1st April 2019.

23 Deferred tax assets and liabilities

23.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the followings:

	Group					
As at 31 March,		2020			2019	
	Assets	Liabilities	Net	Asset	Liabilities	Net
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Accelerated depreciation for tax purposes on property, plant and equipment	(9,200)	7,521,428	7,512,228	(13,772)	8,169,429	8,155,657
Biological assets	-	1,158,693	1,158,693	-	1,194,794	1,194,794
Provision for impairment of receivables	(13,412)	-	(13,412)	(6,214)	-	(6,214)
Other provisions	(3,780)	-	(3,780)	(3,695)	-	(3,695)
Financial assets at FVOCI	(572)	2,064	1,492	(3,479)	-	(3,479)
Defined benefit obligations	(515,808)	-	(515,808)	(496,135)	-	(496,135)
From Net of Right-of-Use Asset & Lease Liability	(233,730)	4,678	(229,052)	-	-	-
Undistributed profits on consolidated entities	-	-	-	-	46,240	46,240
Other Items	(451)	-	(451)	(454)	-	(454)
Revaluation Surplus on Freehold Land	-	1,088,608	1,088,608	-	-	-
Expected credit losses	(60,488)	-	(60,488)	(12,440)	-	(12,440)
Unutilized tax loss carry-forwards	(1,613,715)	-	(1,613,715)	(1,598,537)	-	(1,598,537)
	(2,451,156)	9,775,471	7,324,315	(2,134,725)	9,410,463	7,275,738

	Company					
As at 31 March,		2020			2019	
	Assets	Liabilities	Net	Asset	Liabilities	Net
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	-	582,201	582,201	-	547,524	547,524
Employee benefits	(3,366)	-	(3,366)	(2,094)	-	(2,094)
	(3,366)	582,201	578,835	(2,094)	547,524	545,430

Notes to the Financial Statements

23.1.1 Movement in recognised deferred tax assets and liabilities

As at 31 March,	Group 2020						
			Charged/(credited) in				
	Balance as at 1 April 2019	Acquisition of Subsidiary	Profit or loss	Other comprehensive income	Exchange Difference	Directly in equity	Balance as at 31 March 2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accelerated depreciation for tax purposes on property, plant and equipment and investment properties	7,067,049	240,709	153,779	49,844	(2,222)	3,069	7,512,228
Biological assets	1,194,794	-	(36,101)	-	-	-	1,158,693
Provision for impairment of receivables	(6,214)	-	(7,198)	-	-	-	(13,412)
Provisions	(3,694)	-	(86)	-	-	-	(3,780)
Financial assets at FVOCI	(3,479)	4,168	2,458	(1,655)	-	-	1,492
Defined benefit obligations	(496,135)	(2,347)	(29,864)	12,415	123	-	(515,808)
From Net of Right-of-Use Asset & Lease Liability	-	-	(17,848)	-	(14,973)	(196,231)	(229,052)
Undistributed profits on consolidated entities	46,240	-	(46,240)	-	-	-	-
Other Items	(454)	-	-	-	3	-	(451)
Revaluation Surplus on Freehold Land	1,088,608	-	(26,156)	26,156	-	-	1,088,608
Expected credit losses	(12,440)	-	(47,866)	-	(182)	-	(60,488)
Unutilized tax loss carry-forwards	(1,598,537)	(242,530)	220,018	-	7,333	-	(1,613,715)
	7,275,738	-	164,897	86,760	(9,918)	(193,162)	7,324,315

As at 31 March,	Group 2019						
			Charged/(credited) in				
	Balance as at 1 April 2018	Acquisition of Subsidiary	Profit or loss	Other comprehensive income	Exchange difference	Directly in equity	Balance as at 31 March 2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment	6,298,257	-	138,667	607,582	22,543	-	7,067,049
Biological assets	1,566,653	-	(371,859)	-	-	-	1,194,794
Provision for impairment of receivables	(6,214)	-	-	-	-	-	(6,214)
Provisions	-	-	(3,694)	-	-	-	(3,694)
Financial assets at FVOCI	354	-	-	(3,833)	-	-	(3,479)
Defined benefit obligations	(489,601)	-	2,749	(7,952)	(1,331)	-	(496,135)
Undistributed profits on consolidated entities	46,240	-	-	-	-	-	46,240
Other Items	(419)	-	-	-	(35)	-	(454)
Revaluation Surplus on Freehold Land	572,864	-	424,619	91,125	-	-	1,088,608
Expected credit losses	-	-	(7,249)	-	-	(5,191)	(12,440)
Unutilized tax loss carry-forwards	(1,927,846)	-	343,769	-	(14,460)	-	(1,598,537)
	6,060,289	-	527,002	686,922	6,717	(5,191)	7,275,738

23.1 Recognised deferred tax assets and liabilities (Contd.)

23.1.1 Movement in recognised deferred tax assets and liabilities (Contd.)

As at 31 March,	Company 2020				
		Charged/(credited) in			
	Balance as at 1 April 2019	Profit or loss	Other comprehensive income	Directly in equity	Balance as at 31 March 2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	547,524	34,677			582,201
Employee benefits	(2,094)	(1,153)	(119)		(3,366)
	545,430	33,524	(119)	-	578,835

As at 31 March,	Company 2019				
		Charged/(credited) in			
	Balance as at 1 April 2018	Profit or loss	Other comprehensive income	Directly in equity	Balance as at 31 March 2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	424,768	122,756			547,524
Employee benefits	(1,781)	(762)	449		(2,094)
	422,987	121,994	449	-	545,430

23.2 Unrecognised deferred tax assets & liabilities

Deferred tax assets/(liabilities) which have not been recognised in respect of the following items:

As at 31 March,	Group 2020	2019
	Rs.'000	Rs.'000
Property, plant & equipment & intangible assets	(306,045)	(387,441)
Net lease liabilities	8,259	
Employee benefits	20,372	19,804
Impairment of trade receivables	216,837	168,248
Provision for inventory	89,999	141,286
Accumulated tax losses	2,393,236	534,473
Net deferred tax asset not recognized	2,422,658	476,370

Deferred tax assets have not been recognised in respect of above items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Notes to the Financial Statements

24 Other financial investments

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Non current investments					
Financial investments at fair value through OCI	24.1	31,484,373	29,550,806	28,558,823	26,657,323
Financial investments at amortised cost	24.3	2,456,928	2,218,263	1,913,562	1,735,314
		33,941,301	31,769,069	30,472,385	28,392,637
Current investments					
Financial investments at fair value through OCI	24.1	-	7,782	-	-
Financial investments at Fair value through profit or loss (FVTPL)	24.2	1,608,372	1,177,185	1,139,878	1,006,129
Financial investments at amortised cost	24.3	12,729,639	23,210,887	8,239,387	16,795,234
		14,338,011	24,395,854	9,379,265	17,801,363

24.1 Financial investments at fair value through OCI

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Non current investments					
Quoted equity securities	24.1.1	30,678,597	28,776,303	28,558,823	26,657,323
Unquoted equity securities	24.1.2	194,667	185,127	-	-
Investments in unit trusts	24.1.3	18,870	3,000	-	-
Government securities	24.1.4	392,639	375,876	-	-
Quoted debt securities	24.1.5	199,600	210,500	-	-
		31,484,373	29,550,806	28,558,823	26,657,323
Current investments		-		-	
Government securities	24.1.4	-	7,782	-	-
		-	7,782	-	-

24.1.1 Quoted equity securities - non current assets

	Group					
	2020			2019		
As at 31 March,	No. of shares	Cost Rs.'000	Fair value Rs.'000	No. of shares	Cost Rs.'000	Fair value Rs.'000
Diversified investments						
John Keells Holdings PLC	128,917,111	19,456,851	21,606,508	128,572,406	19,409,098	20,057,295
Melstacorp PLC-Non Voting Shares	1,000	64	64	1,000	64	64
		19,456,915	21,606,572		19,409,162	20,057,359
Bank finance & insurance						
Commercial Bank of Ceylon PLC	44,444,324	6,277,359	4,222,211	43,650,677	6,193,962	4,308,322
Seylan Bank PLC	15,230	1,235	800	11,151	1,044	700
DFCC Bank PLC	22,383,614	4,189,413	2,057,054	22,175,280	4,174,413	1,552,270
Hatton National Bank PLC	12,307,446	3,007,241	2,119,342	12,126,746	2,970,739	2,118,543
National Development Bank PLC	1,683	150	368	3,493	150	373
		13,475,398	8,399,774		13,340,308	7,980,208
Beverage, food & tobacco						
Lanka Milk Foods (CWE) PLC	6,715,784	698,742	672,250	6,715,784	698,742	738,736
		698,742	672,250	-	698,742	738,736
Manufacturing						
Pelwatte Sugar Industries PLC	33,140,501	926,473	-	33,140,501	926,473	-
		926,473	-		926,473	-
Total quoted equity securities - FVOCI		**34,557,529**	**30,678,596**		**34,374,685**	**28,776,303**

	Company					
	2020			2019		
As at 31 March,	No. of shares	Cost Rs.'000	Fair value Rs.'000	No. of shares	Cost Rs.'000	Fair value Rs.'000
John Keells Holdings PLC	128,917,111	19,456,851	21,606,508	128,572,406	19,409,098	20,057,295
Melstacorp PLC-Non Voting Shares	1,000	-	-	1,000	-	-
		19,456,851	**21,606,508**		**19,409,098**	**20,057,295**
Commercial Bank of Ceylon PLC	44,444,324	6,277,359	4,222,211	43,650,677	6,193,962	4,308,322
Seylan Bank PLC	15,230	1,235	800	11,151	1,044	700
DFCC Bank PLC	22,383,614	4,189,413	2,057,054	22,175,280	4,174,413	1,552,270
Hatton National Bank PLC	12,307,446	-	-	12,126,746	-	-
National Development Bank PLC	1,683	-	-	3,493	-	-
		10,468,007	**6,280,065**		**10,369,419**	**5,861,292**
Beverage, food & tobacco						
Lanka Milk Foods (CWE) PLC	6,715,784	698,742	672,250	6,715,784	698,742	738,736
		698,742	**672,250**	-	**698,742**	**738,736**
Manufacturing						-
Pelwatte Sugar Industries PLC	33,140,501	926,473	-	**33,140,501**	926,473	-
		926,473	-		**926,473**	-
	-			-		
Total quoted equity securities - FVOCI		**31,550,073**	**28,558,823**		**31,403,732**	**26,657,323**

24.1.2 Unquoted equity securities

	Group			
	2020		2019	
As at 31 March,	No. of shares	Fair value Rs.'000	No. of shares	Fair value Rs.'000
International Distilleries Lanka Ltd	100	3	100	3
W.M.Mendis & Co., Ltd	200	4	200	4
Rainforest Ecolodge (Pvt) Ltd	3,500,000	35,000	3,500,000	35,000
Business Process Outsourcing LLC	30,000	8,640	30,000	8,640
Floatels India (Pvt) Ltd	716,037	84,128	716,037	84,129
Cargo Village Ltd	40,900	823	40,900	823
Ingrin Institute of Printing & Graphics Sri Lanka Ltd	10,000	100	10,000	100
		128,698		128,699
Change in fair value of investments	-	(8,090)	-	(6,120)
Exchange difference		74,059		62,548
	-	194,667	-	185,127

24.1.3 Investments in unit trusts

	Group					
	2020			2019		
As at 31 March,	No. of Units	Cost Rs.'000	Fair value Rs.'000	No. of shares Rs.'000	Cost Rs.'000	Fair value
Unit Trust Mgt Co., Ltd	300,000	3,000	18,870	300,000	3,000	3,000
		3,000	18,870		3,000	3,000

24.1.4 Government securities

	Group			
	2020		2019	
As at 31 March,	Amortized cost Rs.'000	Fair value Rs.'000	Amortized cost Rs.'000	Fair value Rs.'000
Non current investments				
Treasury bonds	390,816	392,639	389,058	375,876
	390,816	392,639	389,058	375,876
Current investments				
Treasury bills	-	-	7,814	7,782
	-	-	7,814	7,782

24.1.5 Quoted debt securities

As at 31 March,	Group			
	2020		2019	
	No of instruments	Fair value Rs.'000	No of instruments	Fair value Rs.'000
Non current investments				
DFCC Bank PLC	2,000,000	199,600	2,000,000	200,000
Siyapatha Finance PLC	-	-	105,000	10,500
		199,600		210,500

24.2 Financial investments at fair value through profit or loss (FVTPL)

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Quoted equity securities	24.2.1	1,463,628	1,155,355	1,139,878	1,006,129
Investments in unit trusts	24.2.2	144,744	-	-	-
Government securities	24.2.3	-	21,830	-	-
		1,608,372	1,177,185	1,139,878	1,006,129

Notes to the Financial Statements

24.2.1 Quoted equity securities

	Group				Company			
	2020		2019		2020		2019	
As at 31 March,	No. of shares	Fair value Rs.'000	No. of shares	Fair value Rs.'000	No. of shares	Fair value Rs.'000	No. of shares	Fair value Rs.'000
Bank finance & insurance								
Nation Trust Bank PLC	52,411	4,193	51,299	4,632	-	-	-	-
Commercial Bank of Ceylon PLC	318,266	26,424	93,230	9,213	-	-	-	-
DFCC Bank PLC (ordinary shares)	24,770	2,276	24,770	1,734	-	-	-	-
Hatton National Bank PLC - voting	209,308	32,173	205,371	30,190	-	-	-	-
		65,066		45,769		-		-
Beverage, food & tobacco								
Renuka Agri Foods PLC	6,118,560	18,356	6,118,560	12,357	-	-		-
Nestle Lanka PLC	1,372	1,783	1,372	2,332	-	-		-
		20,139		14,689	-	-		-
Hotel and travels								
The Kingsbury Hotel PLC	823,600	10,790	823,600	11,034	-	-	-	-
Aitken Spence Hotel Holdings PLC	23,100	2	-	-	-	-	-	-
John Keells Hotels PLC	388,850	4,627	528,850	4,008	-	-	-	-
		15,419		15,042		-		-
Construction and engineering								
Colombo Dockyard PLC	13,543	840	13,543	718	-	-	-	-
		840		718		-		-
Manufacturing								
ACL Cables PLC	126,000	7,245	63,000	2,331	-	-	-	-
Tokyo Cement PLC	120,000	4,704	120,000	2,820	-	-	-	-
Lanka IOC PLC	29,998	570	29,998	729	-	-	-	-
Bukit Darah PLC	72,200	16,613	72,200	14,440	72,200	16,613	72,200	14,440
Textured Jersey Lanka PLC	16,206,028	661,206	13,511,928	412,631	12,622,428	514,995	12,622,428	383,722
		690,338		432,951		531,608		398,162
Diversified investments								
John Keells Holdings PLC	197,362	11,238	57,362	8,948	-	-	-	-
CT Holding PLC	1,623,050	272,835	1,623,050	264,395	1,623,050	272,835	1,623,050	264,395
Softlogic Holdings PLC	380,000	6,042	380,000	6,080	-	-	-	-
Softlogic Capital PLC	40,000,000	220,000	40,000,000	220,000	40,000,000	220,000	40,000,000	220,000
Browns Capital PLC	2,850,850	28,509	2,850,850	9,978	-	-	-	-
Carson Cumberbatch PLC	29,400	5,586	29,400	4,704	29,400	5,586	29400	4,704
Vallibal One PLC	121,084	2,119	121,084	1,891	62,100	1,087	62,100	888
		546,329		515,996		499,508		489,987

As at 31 March,	Group				Company			
	2020		2019		2020		2019	
	No. of shares	Fair value Rs.'000	No. of shares	Fair value Rs.'000	No. of shares	Fair value Rs.'000	No. of shares	Fair value Rs.'000
Hospitals								
Ceylon Hospitals PLC - non voting	40,040	2,699	40,040	2,763	-	-	-	-
		2,699		2,763		-		-
Chemicals and pharmaceuticals								
Heycarb PLC	73,876	14,036	73876	9,447	-	-	-	-
		14,036		9,447		-		-
Real Estate								
RIL Properties PLC	18,434,300	108,762	18,434,300	117,980	18,434,300	108,762	18,434,300	117,980
		108,762		117,980		108,762		117,980
Total quoted equity securities -FVTPL		1,463,628		1,155,355		1,139,878		1,006,129

24.2.2 Investments in unit trusts

As at 31 March,	Group			
	2020		2019	
	No. of units	Fair value Rs.'000	No. of units	Fair value Rs.'000
JB Vantage Money Market Fund	2,577,311	63,451	-	-
NDB Wealth Money Plus	3,794,519	81,293	-	-
Total unit trust investment -FVTPL		144,745		-

24.2.3 Government securities

Government securities consist of treasury bills and treasury bonds held for trading purposes which are measured at fair value through profit or loss.

24.3 Financial investments at amortised cost

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Non current investments					
Corporate debentures		1,630,534	1,371,986	50,058	50,045
SLDB Bonds		826,394	630,576	-	-
Term deposits		-	215,701		
Loans granted to subsidiaries	24.3.1	-	-	1,863,504	1,685,269
		2,456,928	2,218,263	1,913,562	1,735,314

Notes to the Financial Statements

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Current investments					
Government securities	24.3.2	193,629	357,496	-	-
Coporate debentures		22,605	72,090	-	-
Commercial papers		-	-	-	-
Bank deposits	24.3.3	12,513,405	22,781,301	-	11,350,453
Loans granted to subsidiaries	24.3.1	-	-	8,239,387	5,444,781
		12,729,639	23,210,887	8,239,387	16,795,234

24.3.1 Loans granted to subsidiaries

As at 31 March,	Company 2020 Rs.'000	Company 2019 Rs.'000
Balangoda Plantations PLC	2,743,575	1,635,590
Madulsima Plantations PLC	2,728,621	1,645,464
Negombo Beach Resorts (Pvt) Ltd	714,475	677,261
Lanka Bell Limited	6,273,872	4,272,589
	12,460,543	8,230,904
Less: provision for impairment	(2,357,652)	(1,100,854)
	10,102,891	7,130,050
Loans recoverable within one year	8,239,387	5,444,781
Loans recoverable after one year	1,863,504	1,685,269
	10,102,891	7,130,050

24.3.2 Government securities

Government securities consist of treasury bills which are measured at amortised cost using the effective interest rate.

24.3.3 Bank deposits

Bank deposits include fixed and call deposits which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

24.4 Investments that have been pledged

The investments that are pledged for liabilities are disclosed in Note 43 to these financial statements if any.

24.5 Use of appropriate market values to value investments

The Covid-19 pandemic has significantly affected financial markets in the first quarter of the year 2020. Stock markets have declined sharply and volatility has been increased. Significant drop in trade volumes, decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indices and subsequent closure of the Colombo Sock Exchange for trading indicated an inactive stock market as at 31st March 2020. Accordingly, the management determined that 31st December 2019 share prices would more appropriately reflect their fair value as at 31st March 2020, as recommended in the Guidance Notes on Accounting Considerations on the Covid-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.

25 Inventories

As at 31 March,	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Raw material	4,032,194	3,840,601	-	-
Packing material	869,341	698,529	-	-
Work in progress	636,308	554,429	-	-
Finished goods	1,788,389	1,777,151	-	-
Drugs, disposables, Reagents and vaccine	97,264	-	-	-
Harvested crop	-	245,616	-	-
Produce stock	443,377	262,711	-	
Biological Assets-Nurseries	13,077	13,915	-	-
CDMA and Non - CDMA equipment	920,796	1,122,440	-	-
Input materials, consumables and spares	1,898,158	1,530,876	1,034	1,064
Goods in transit	6,731	179,664	-	-
	10,705,635	10,225,932	1,034	1,064
Provision for slow moving and obsolete inventories	(709,908)	(720,989)	-	-
	9,995,727	9,504,943	1,034	1,064

25.1 Inventories that have been pledged

The Inventories that are pledged for long term borrowings are disclosed in Note 43 to these financial statements if any.

26 Trade and other receivables

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Financial assets					
Trade receivables		17,626,274	18,260,142	578	537
Other financial receivables		4,348,417	3,692,744	192	5,399
Insurance contract receivables		1,741,202	1,256,053	-	-
Employee related debtors		112,046	123,228	-	-
Refundable deposits and advances		293,365	80,308	13,362	15,810
		24,121,304	23,412,475	14,132	21,746
Less: Provision for impairment		(1,883,117)	(1,486,160)	-	-
		22,238,187	21,926,315	14,132	21,746

Notes to the Financial Statements

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Non financial assets					
Prepayments and advances		4,493,149	5,200,093	9,942	4,151
Accrued income		99,829	166,092	99,300	119,628
Deferred revenue asset		9,371	31,506	682	18,394
Other non financial receivables		381	1,111,219	-	-
Tax receivables		440,355	467,695	126	-
		5,043,085	6,976,605	110,050	142,173
Less: Provision for impairment		(105)	-	-	-
		5,042,980	6,976,605	110,050	142,173
		27,281,167	28,902,920	124,182	163,919

27 Cash and cash equivalents

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Favourable balances classified under current assets					
Short term deposits	27.1	1,468,477	2,295,784	-	-
Cash at bank and cash in hand		7,820,658	8,318,299	62,301	33,659
Cash in transit		139,695	152,440	-	
Total		**9,428,830**	**10,766,523**	**62,301**	**33,659**
Unfavourable balances classified under current liabilities					
Bank overdrafts and other short-term borrowings		(31,157,343)	(35,690,948)	(10,262,646)	(16,460,961)
		(31,157,343)	**(35,690,948)**	**(10,262,646)**	**(16,460,961)**
Total		(21,728,513)	(24,924,425)	(10,200,345)	(16,427,302)

27.1 Short term deposits

As at 31 March,	Group 2020 Rs.'000	Group 2019 Rs.'000
Government securities which matures within 3 months	-	5,002
Fixed deposits / call deposits which matures within 3 months	1,468,477	2,290,782
	1,468,477	2,295,784

27.1.1 Short term deposits that have been pledged

The short term deposits that are pledged for long term borrowings are disclosed in Note 43 to these financial statements if any.

28 Assets held for sale

Consequent to the decision made by the Group to divest from the ship owning business in 2007/2008 and the sale of ships by the Group's ship owning companies, the Group recognised the fair values of the investments in Ceyaki Shipping (Pvt) Ltd & Ceyspence (Pvt) Ltd under assets held for sale. Further, fair value of the Group's investment in Spence International (Pvt) Ltd is also treated under assets held for sale upon the decision made to liquidate the company.

The liquidation of these companies are not yet concluded.

	Group	
As at 31 March,	2020	2019
	Rs.'000	Rs.'000
Share of net assets of equity accounted investees classified as held for sale	141,446	141,446
Net current assets of group companies classified as held for sale	22,679	22,679
Carrying amount of the leasehold rights classified as held for sale (notes 15, 22 and 34.3)	1,025,525	-
	1,189,650	164,125

There were no discontinued operations recognised in the income statement during the year.

29 Stated capital

	2020		2019	
As at 31 March,	No. of shares	Value of shares	No. of shares	Value of shares
		Rs.'000		Rs.'000
Balance at the beginning of the year	1,165,398,072	89,100,000	1,165,398,072	89,100,000
	1,165,398,072	89,100,000	1,165,398,072	89,100,000

	Group
Share structure	No. of shares
Fully paid voting shares	1,165,397,072
Fully paid non-voting shares	1,000
	1,165,398,072

The Company's stated capital consist with fully paid ordinary shares which provides entitlement to its holders to receive dividends as declared from time to time and to vote per share at a meeting of the Company. Further, the Company has non voting shares of 1,000

Notes to the Financial Statements

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Capital reserves					
Revaluation reserve	30.1	8,378,097	8,185,466	111,691	111,691
Capital reserve	30.2	12,137	12,137	-	-
Reserve fund	30.3	20,491	20,491	-	-
Total capital reserves		**8,410,725**	**8,218,094**	**111,691**	**111,691**
Revenue reserves					
General reserve	30.4	1,998,562	1,352,238	-	-
Exchange fluctuation reserve	30.5	1,971,497	1,664,032	-	-
Timber reserve	30.6	1,605,832	1,458,578	-	-
Fair value reserve	30.7	2,887,223	905,321	(1,989,609)	(3,819,937)
Cash flow hedge reserve	30.8	(84,496)	(18,856)	-	-
Total revenue reserves		**8,378,618**	**5,361,312**	**(1,989,609)**	**(3,819,937)**
Total reserves		**16,789,343**	**13,579,406**	**(1,877,918)**	**(3,708,246)**

30.1 Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant and equipment. There are no restrictions on distribution of these balances to the shareholders.

30.2 Capital reserve

Capital reserve comprises profits retained in order to utilise for the capital commitments.

30.3 Reserve fund

Reserve fund was created to comply with the Direction No.1 of 2003 (Capital funds) issued by the Central Bank.

30.4 General reserve

General reserve reflects the amount the Group has reserved over the years from its earnings.

30.5 Exchange fluctuation reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group.

30.6 Timber reserve

This represents the unrealised gains arising from the fair value of consumable biological assets (timber plantations) until the assets are derecognised or impaired.

30.7 Fair value reserve

This represents the cumulative net change in the fair value of equity securities designated at fair value through OCI.

30.8 Cash flow hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

31 Interest bearing loans and borrowings

As at 31 March,	Note	Group 2020 Rs.'000	2019 Rs.'000
Non current liabilities			
Term loans payable after one year	31.1	37,343,635	32,552,939
Liability to make lease payments payable after one year	31.2	-	120,397
Finance lease liabilities payable after one year	31.3	-	343
		37,343,635	32,673,679
Current liabilities			
Term loans payable within one year	31.1	4,550,982	4,763,721
Liability to make lease payments payable within one year	31.2	-	2,705
Finance lease liabilities payable within one year	31.3	-	15,712
		4,550,982	4,782,138
Total		41,894,617	37,455,817

31.1 Term loans

As at 31 March,	Group 2020 Rs.'000	2019 Rs.'000
Balance as at 01st April	37,316,660	31,109,257
Exchange difference	1,982,763	1,942,383
New loans obtained	6,430,961	15,134,811
Capital repayment	(4,319,584)	(10,860,463)
Interest expense		
- Charged to the income statement	1,334,457	903,417
- Capitalised under property, plant and equipment	1,332,223	867,523
- Converted to new loans	152,076	
Interest paid	(2,350,399)	(1,719,435)
Transaction cost	15,460	(60,833)
Balance as at 31st March	**41,894,617**	**37,316,660**
Repayable within one year	4,550,982	4,763,721
Repayable after one year	37,343,635	32,552,939
	41,894,617	37,316,660

31.1.1 Browns Beach Hotel PLC

Shareholder loans - Stassen Exports (Pvt) Ltd

Term loans include a shareholder loan advanced by Stassen Exports (Pvt) Ltd to Browns Beach Hotel PLC which is repayable in 7 years with a grace period of two years. Interest linked to AWPLR+1%. No security provided. Date of loan disbursement was 24th July 2017.

31.4.1 Analysed by credit terms and security details of term loans

Company	Bank / financial institution/ lender	Loan No.	Sector	Currency	Interest rate basis
Aitken Spence PLC	Hatton National Bank PLC	Loan 1	Tourism	USD	Linked to LIBOR
		Loan 2	Strategic investments	LKR	Linked to AWPLR
		Loan 3	Tourism	USD	Linked to LIBOR
		Loan 4	Tourism	USD	Linked to LIBOR
		Loan 5	Tourism	LKR	Fixed rate
		Loan 6	Strategic investments	LKR	Linked to AWDR
		Loan 7	Strategic investments	LKR	Linked to AWPLR
	DFCC Bank PLC	Loan 1	Tourism	USD	Linked to LIBOR
		Loan 2	Strategic Iinvestments	LKR	Linked to AWPLR
		Loan 3	Tourism	LKR	Linked to AWPLR
		Loan 4	Tourism	LKR	Fixed rate
		Loan 5	Strategic investments	LKR	Linked to AWPLR
		Loan 6	Strategic investments	USD	Linked to LIBOR
		Loan 7	Strategic investments	LKR	Linked to AWPLR
		Loan 8	Strategic investments	LKR	Linked to AWDR
	The Hongkong and Shanghai Banking Corporation	Loan 1	Tourism	EUR	Fixed rate
		Loan 2	Tourism	OMR	Fixed rate
		Loan 3	Tourism	USD	Linked to LIBOR
		Loan 4	Strategic investments	USD	Linked to LIBOR
		Loan 5	Tourism	INR	Linked to MCLR
		Loan 6	Tourism	USD	Linked to LIBOR
		Loan 7	Tourism	INR	Linked to MCLR
		Loan 8	Strategic investments	EUR	Linked to EURIBOR
	People's Bank	Loan 1	Tourism	USD	Linked to LIBOR
		Loan 2	Strategic investments	LKR	Linked to AWPLR
	ABANCA Corporación Bancaria	Loan 1	Tourism	EUR	Linked to EURIBOR
	DEG - German Investment Corporation	Loan 1	Strategic investments	USD	Linked to LIBOR
	Bank of Ceylon	Loan 1	Strategic investments	LKR	Linked to AWPLR
	Habib Bank	Loan 1	Tourism	LKR	Linked to AWPLR
	Commercial Bank of Ceylon PLC	Loan 1	Strategic investments	LKR	Linked to AWDR
		Loan 2	Strategic investments	LKR	Linked to AWPLR
	Sampath Bank PLC	Loan 1	Tourism	LKR	Fixed rate
	Transaction cost to be amortised				

Secured	Repayment terms	Maturity	LKR equivalent
Yes	60 monthly instalments commencing December 2020	Nov 2025	6,851,664
Yes	30 quarterly instalments commencing March 2021	Jun 2028	1,616,667
Yes	84 monthly instalments commencing October 2017	Aug 2024	1,361,037
Yes	24 monthly instalments commencing November 2019	Sep 2021	451,036
No	24 monthly instalments commencing April 2020	Apr 2022	67,000
Yes	24 quarterly instalments commencing March 2015	Dec 2020	8,368
Yes	24 quarterly instalments commencing March 2015	Dec 2020	611
			10,356,383
Yes	60 monthly instalments commencing December 2020	Nov 2025	4,935,466
Yes	30 quarterly instalments commencing March 2021	Jun 2028	1,616,587
Yes	65 monthly instalments commencing April 2020	Aug 2025	673,652
Yes	23 monthly instalments commencing February 2020	Dec 2022	76,696
Yes	96 monthly instalments commencing September 2013	Sep 2021	51,859
Yes	48 monthly instalments commencing July 2017	Jun 2021	18,114
Yes	23 quarterly instalments commencing January 2015	Jul 2020	3,149
Yes	23 quarterly instalments commencing January 2015	Jul 2020	2,736
			7,378,259
Yes	60 monthly instalments commencing May 2020 and a 70% final bullet payment at maturity*	Apr 2025	3,741,681
Yes	28 quarterly instalments commencing December 2018	Sep 2025	1,194,829
Yes	Bullet repayment at maturity	Jul 2025	911,332
No	48 monthly instalments commencing August 2016	Jul 2020	158,299
Yes	48 monthly instalments commencing January 2017	Dec 2020	142,433
Yes	16 quarterly instalments commencing June 2016	Jun 2020	64,904
Yes	48 monthly instalments commencing October 2016	Oct 2020	33,048
			6,246,526
Yes	24 quarterly instalments commencing August 2019	May 2025	3,034,469
Yes	30 quarterly instalments commencing March 2021	Jun 2028	2,424,879
			5,459,348
Yes	20 quarterly instalments commencing July 2020 and 72% final bullet repayment at maturity*	Mar 2025	3,497,601
			3,497,601
No	10 semi-annual instalments starting July 2021	Jan 2026	2,881,384
			2,881,384
Yes	30 quarterly instalments commencing March 2021	Jun 2028	1,616,789
			1,616,789
Yes	8 quarterly instalments commencing July 2020*	Jul 2022	660,661
			660,661
No	23 quarterly instalments commencing January 2015	Jul 2020	3,591
Yes	23 quarterly instalments commencing January 2015	Jul 2020	3,416
			7,007
Yes	72 monthly instalments commencing December 2017	Oct 2023	4,940
			4,940
			(51,298)
			38,057,600

Notes to the Financial Statements

Company	Bank / financial institution/ lender	Loan No.	Sector	Currency	Interest rate basis
Lanka Bell Limited	Sampath Bank PLC	Loan 1	Telecommunication	LKR	Linked to AWPLR
		Loan 2	Telecommunication	LKR	Linked to AWPLR
	Commercial Bank of Ceylon PLC	Loan 1	Telecommunication	LKR	Linked to AWPLR
	Standard Chartered Bank	93340643018	Telecommunication	LKR	0.135
		93340643017	Telecommunication	LKR	0.1269
	Total				
Negombo Beach Resort (Pvt) Ltd	Hatton National Bank PLC	Loan 1	Tourism	LKR	Linked to AWPLR
		Loan 2	Tourism	LKR	Linked to AWPLR
		Loan 3	Tourism	LKR	Linked to AWPLR
		Loan 4	Tourism	LKR	Linked to AWPLR
	Stassen Exports (Pvt) Ltd	Shareholder Loan 1	Tourism	LKR	Linked to AWPLR
	Total				
Madulsima Plantations PLC	Sri Lanka Tea Board	Loan 1	Plantations	LKR	Linked to AWPLR
		Loan 2	Plantations	LKR	Linked to AWPLR
		Loan 3	Plantations	LKR	Fixed annual interest rate
	Hatton National Bank PLC	Loan 1	Plantations	LKR	Linked to AWPLR
		Loan 2	Plantations	LKR	Interest free
	Total				
Balangoda Plantations PLC	Hatton National Bank PLC	Loan 1	Agriculture	LKR	Linked to AWPLR
		Loan 2	Agriculture	LKR	Linked to AWPLR
	Sri Lanka Tea Board	Loan 1	Agriculture	LKR	Linked to AWPLR
		Loan 2	Agriculture	LKR	Decided by lender
		Loan 3	Agriculture	LKR	Interest free
	Commercial Bank of Ceylon PLC	Loan 1	Agriculture	LKR	Decided by bank
	Total				
Texpro Industries (Pvt) Ltd	Hatton National Bank PLC	Loan 1	Dyeing & printing of greige	USD	Linked to LIBOR
	People's Bank	Loan 1	Dyeing & printing of greige	LKR	Linked to AWDR
	Total				
Total					

*The loan is subject to a moratorium on capital repayment and Interest accrued during the moratorium to be capitalised. Repayment terms of th

In addition to the moratoriums secured on loan repayments of tourism sector post Easter Sunday attack, The Group is actively engaged with ba down caused by Covid-19 pandemic. This could result in renegotiation of repayment terms and extension of tenure of loans.

Secured bank loans are secured over the carrying amount of property, plant and equipment of Rs. 7,333.4 million, corporate guarantees of Rs. 1

Secured	Repayment terms	Maturity	LKR equivalent
Yes	48 monthly instalments commencing from loan dispersement date	Nov 2020	
Yes	48 monthly instalments commencing from loan dispersement date	Sep 2020	53,540
			53,540
Yes	48 monthly instalments commencing from November-2018	Oct 2022	732,890
			732,890
Yes	One year maturity	Nov 2020	100,000
Yes	One year maturity	Oct 2020	70,000
			170,000
			956,430
Yes	120 Monthly instalments commencing from March 2017	Feb 2027	925,280
Yes	112 Monthly instalments commencing from November 2017	Feb 2027	536,902
Yes	Jaya-Isuzu-Scheme repayable in 24 monthly instalments commencing from October 2019	Sep 2021	188,451
Yes	Interest of two term loans from April 2019 to March 2020 have accrued and capitalized to a term loan	Feb 2027	165,200
No	Repayable in 7 years with a grace period of two years.	Jul 2024	154,136
			1,969,969
Yes	59 equal monthly instalments of Rs. 2,559,900/= each and a final instalment of Rs.2,562,701/= commencing from January 2016	Dec 2020	30,722
Yes	36 equal monthly instalments commencing from August 2017	Jul 2020	5,444
Yes	36 equal monthly instalments commencing from May 2017	Apr 2020	5,819
			41,985
Yes	20 equal quarterly instalments commencing from November 2018	Aug 2023	300,000
Yes	10 equal monthly instalment of Rs 2,113,320/= Commencing from 10.12.2019	Oct 2020	19,020
			319,020
			361,005
Yes	120 monthly instalments commencing from July 2017	Jun 2024	450,000
Yes	60 monthly instalments commencing from August 2016	Aug 2020	33,594
			483,594
No	36 equal instalments commencing from August 2016	Jul 2020	5,250
No	36 equal instalments commencing from May 2017	Apr 2020	5,330
No	10 equal monthly instalments commencing from 10.12.2019	Oct 2020	23,562
			34,142
Yes	35 equal instalments commencing from December 2017 and final instalment of Rs.1,625,000/-	Nov 2020	18,875
			18,875
			536,611
Yes	60 monthly instalments commencing from May 2015	Mar 2020	502
			502
Yes	48 monthly instalments commencing from November 2016	Jul 2020	12,500
			12,500
			13,002
			41,894,617

he interest capitalised portion of the loan is different to that of underlying loan.

nks and financial institutions to secure further debt moratoriums to strengthen the liquidity position of the Group amidst the economic slow-

3,863.9 million and right-of-use assets of Rs. 4,532.0 million.

31.2 Liability to make lease payments

As at 31 March,	Group 2020 Rs.'000	Group 2019 Rs.'000
Gross liability as at the beginning of the year	123,102	147,164
Acquisition of subsidiaries (gross liability)		62,208
Transferred to lease liabilities (Note 32)	(123,102)	
Repayments during the year	-	(7,627)
	-	201,745
Finance costs allocated to future years	-	(78,643)
Net liability as at the end of the year	-	123,102
Repayable within one year		
Gross liability	-	7,627
Finance costs allocated to future years	-	(4,922)
Net liability	-	2,705
Repayable within two to five years		
Gross liability	-	30,508
Finance costs allocated to future years	-	(18,569)
Net liability	-	11,939
Repayable after five years		
Gross liability	-	163,610
Finance costs allocated to future years	-	(55,152)
Net liability	-	108,458
Finance lease liabilities payable after one year	**-**	**120,397**

31.3 Finance lease

As at 31 March,	Note	Group 2020 Rs.'000	2019 Rs.'000
Gross liability as at the beginning of the year		16,307	30,063
Transfered to lease liabilities	31.3.1	(16,307)	-
Finance leases obtained during the year		-	43,879
Repayments during the year		-	(57,635)
		-	16,307
Finance costs allocated to future years		-	(252)
Net liability as at the end of the year		-	16,055
Repayable within one year			
Future minimum lease payments		-	15,962
Interest		-	(250)
Present value of future minimum lease payments		-	15,712
Repayable within two to five years		-	
Future minimum lease payments		-	345
Interest		-	(2)
Present value of future minimum Lease payments		**-**	**343**

31.3.1 Amount transfered to lease liabilities

As at 31 March,	Note	2020 Rs.'000
Gross liability transfered		16,307
Less: Finance cost allocated to future years		(252)
Net lease liabilities transfered	32	16,055

32 Lease liabilities

Set out below are the carrying amounts of lease liabilities recognised due to application of SLFRS 16 - Lease, and its movements for the period ended 31 March 2020.

	Note	Group 2020 Rs.'000
Balance as at 01st April		-
Transferred from interest bearing loans and Borrowings	31.2	123,101
Transfered from finance leases	31.3	16,055
Recognition on initial application of SLFRS 16 - Leases	3.1.4	10,304,270
Adjusted balance as at 1 April		10,443,426
Remeasurement of right of use asset as at 1 April		11,251
Exchange difference		731,552
New leases obtained during the year	19	2,343,367
Payment of lease liabilities during the year		(1,839,106)
Acquisition of subsidiaries		1,307
Interest expense		
- Charged to the income statement		830,839
- Capitalised under property, plant and equipment		80,474
- Capitalised under biological assets		3,047
Balance as at 31st March		**12,606,157**
Current portion of lease liabilities		**1,574,293**
Non-current portion of lease liabilities		**11,031,864**

The lease of the estates have been amended, with effect from 11 June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The first rental payable under the revised basis is Rs.5.7 million from 11 June 1997. This amount is to be inflated annually by the Gross Domestic product (GDP) deflator, and was in the from of Contingent rental.

The Group has applied SLFRS – 16 with a date of initial application of 1 January 2019. As a result the Group has changed its accounting policy for leases as detailed in Note 3.1 of accounting policies detailed in these financial statements.

The above lease liability consist of the lease liabilities relating to the following components within the group.

Component	Asset type
Balangoda Plantations PLC	Lease hold right to JEDB/SLSPC Land
Aitken Spence PLC	Lease hold right of land, Buildings, Motor vehicle used in the business

Financial Institution	Terms of repayment	Normal Rate of Interest
Balangoda Plantations PLC		
Central Finance Company PLC	60 equal monthly instalments @ Rs. 707,793/- commencing from 23.05.2013	13.45%
Central Finance Company PLC	48 equal monthly instalments @ Rs. 2,843,685/- commencing from 17.04.2015	9.00%
Madulsima Plantations PLC		
Com Bank Leasing & Finance	96 equal monthly instalments of Rs 285,577.16 commencing from 30.06.2019	9.00%
Melsta Technologies (Pvt) Ltd.		
Fintec Finance Limited	60 equal monthly instalments @ Rs. 172,520/- commencing from 03.06.015	AWPLR+ 1.5% (Monthly Review)

33 Retirement benefit obligations

33.1 Movement in present value of retirement benefit obligations

		Group		Company	
As at 31 March,		2020	2019	2020	2019
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at beginning of the year		2,984,870	2,861,509	7,477	6,363
Acquisition/ (de-recognition) of subsidiaries		12,354	-	-	
Benefits paid by the plan		(405,172)	(438,980)	(364)	
Exchange difference		5,161	13,548	-	
Expense recognized in the in the income statement	31.1.1	557,386	509,003	4,483	2,717
Actuarial (gain) / loss recognized in other comprehensive income		(79,058)	39,790	424	(1,603)
Balance as at the end of the year		3,075,541	2,984,870	12,020	7,477

33.1.1 Expense recognized in the in the income statement

	Group		Company	
As at 31 March,	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current service costs	276,725	217,884	3,819	2,100
Interest costs	280,661	291,119	664	617
	557,386	509,003	4,483	2,717

33.1.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date

As at 31 March,	Group 2020	Group 2019	Company 2020	Company 2019
Discount rate (%)	10% - 11.5%	11%-12%	10%	11.5%
Future salary increases (%)	5%-15%	5%-15%	10%	10%
Retirement age (years)	55-75 Years	55-72 years	55-75 Years	55-72 Years

33.3 Sensitivity of assumptions used

If one percentage increase in the assumptions, would have the following effects,

Effect on retirement benefit obligation liability,

As at 31 March,	2020 Group Discount rate Rs.'000	2020 Group Salary increment rate Rs.'000	2020 Company Discount rate Rs.'000	2020 Company Salary increment rate Rs.'000	2019 Group Discount rate Rs.'000	2019 Group Salary increment rate Rs.'000	2019 Company Discount rate Rs.'000	2019 Company Salary increment rate Rs.'000
Increase by 1%	(183,196)	429,961	(320)	(422)	(178,129)	147,805	422	(462)
Decrease by 1%	208,545	(403,445)	332	460	204,857	(134,090)	(460)	431
Effect on comprehensive Income,								
Increase by 1%	183,196	(429,961)	320	422	178,129	(147,805)	(422)	462
Decrease by 1%	(208,545)	403,445	(332)	(460)	(204,857)	134,090	460	(431)

34 Other liabilities

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
Non current liabilities			
Deferred grants and subsidies	34.1	287,695	303,050
Deferred revenue	34.2	-	-
Lease accruals	34.3	-	1,302,016
Amounts due to equity accounted investees	34.4	386,274	549,893
		673,969	2,154,959
Current liabilities			
Deferred revenue	34.2	8,702	6,160
Derivative financial liability recognised	34.5	30,005	-
		38,707	6,160

34.1 Deferred grants and subsidies

As at 31 March,	Group 2020 Rs.'000	2019 Rs.'000
Balance at the beginning of the year	303,050	318,329
Acquisition of subsidiaries	-	-
Grants received during the year	44	286
Amortisation for the year	(15,399)	(15,565)
Balance at the end of the year	287,695	303,050

Balangoda Plantation PLC has received funding from the Plantation Housing and Social Welfare Trust and Plantation Development Project (PDP) for the development of workers facilities such as re-roofing of line rooms, latrines, water supply, sanitation and roads etc. The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under deferred grants and subsidies. Grants are amortized over the life of the assets for which they are being deployed.

The above amount represent funding received by Balangoda Plantations PLC from various governmental and non-governmental Institutions for social and infrastructure development of estates.

34.2 Deferred revenue

As at 31 March,	Group 2020 Rs.'000	2019 Rs.'000
Balance at the beginning of the year	6,160	118,408
Revenue received during the year	6,646	16,794
Deferred revenue recognized during the year	(4,104)	(15,613)
IFRS-15 Impact	-	(113,429)
Balance at the end of the year	8,702	6,160
Deferred revenue to be recognized within one year	8,702	6,160
Deferred revenue to be recognized after one year	-	-
	8,702	6,160

Notes to the Financial Statements

34.3 Lease accruals

As at 31 March,	Group 2020 Rs.'000	Group 2019 Rs.'000
Balance at the beginning of the year	1,302,016	881,272
Acquisition of subsidiaries	-	-
Transferred to property, plant and equipment with the application of SLFRS 16 - Leases	(654,005)	-
Classified as held for sale (note 28)	(648,011)	-
Exchange difference	-	116,049
Accrued and capitalised under property, plant and equipment	-	304,695
Balance at the end of the year	**-**	**1,302,016**

This represented the accrued lease rentals relating to the operating leases of the islands of Aarah and Raafushi resulting from recognising the total lease rent payable over the lease term on a straight-line basis. With the application of SLFRS 16 , this was transferred to right-of-use asset as at 01st April 2019.

34.4 Amounts due to equity accounted investees

This represents the long-term advances received by Aitken Spence PLC group from its equity accounted investees.

34.5 Derivative financial liability recognised

Other financial liabilities includes derivative financial liability, which arises due to the negative movement in fair value of foreign exchange forward contracts.

35 Trade and other payables

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Financial liabilities					
Trade payables		5,180,030	5,333,479	-	-
Insurance contract liabilities		3,634,885	3,034,456	-	-
Dividend payable		17,115	11,065	-	-
Other financial liabilities		7,141,605	6,272,517	1,857	1,829
Refundable advances and deposits		607,735	570,474	1,000	1,000
		16,581,370	15,221,991	2,857	2,829
Non financial liabilities					
Accrued expenses		4,114,199	3,994,493	10,407	8,428
Other non financial liabilities		3,148,256	3,254,834	-	-
Direct and indirect taxes payables	35.1	1,313,758	5,612,930	30	3,424
Non refundable advances and deposits		3,750	-	-	
Unclaimed dividends		212,888	334,444	25,744	8,820
		8,792,851	13,196,701	36,181	20,672
		25,374,221	28,418,692	39,038	23,501

35.1 Direct and indirect taxes payables

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Excise duty payable		549,483	3,753,482	-	-
Value added tax (VAT) payable		602,431	1,494,187	-	2,634
Nation building tax (NBT) payable		1,522	204,238	-	424
Other statutory payables		160,322	161,023	30	366
		1,313,758	5,612,930	30	3,424

36 Related party disclosures

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures, the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

36.1 Balances with related companies

36.1.1 Amounts due from related companies

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Subsidiaries	36.1.3	-	-	424,835	44,786
Equity accounted investees	36.1.4	574,226	435,466	-	-
Other related companies	36.1.5	11,445	12,311	-	-
		585,671	447,777	424,835	44,786

36.1.2 Amounts due to related companies

As at 31 March,	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Subsidiaries	36.1.3	-	-	733,092	3,668,665
Equity accounted investees	36.1.4	142,031	182,655	-	-
Other related companies	36.1.5	477,341	454,577	-	-
		619,372	637,232	733,092	3,668,665

36.1.3 Subsidiaries

As at 31 March,	Company			
	Amounts due from		Amounts due to	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Subsidiaries				
Bell Solutions (Pvt) Ltd	689	363	-	-
Bellvantage (Pvt) Ltd	1,359	1,015	-	-
Continental Insurance Lanka Limited	8,674	-	-	-
Distilleries Company of Sri Lanka PLC	-	-	406,993	3,565,878
Lanka Bell Ltd	-	-	13	55
Melsta Health (Pvt) Ltd	46,881	14,982	-	-
Melsta Logistics (Pvt) Ltd	-	240	243,240	-
Melsta Properties (Pvt) Ltd	-	-	26,548	48,798
Melsta Technologies (Private) Limited	706	1,107	-	-
Melsta Tower (Private) Limited	6,288	11,288	-	-
Milford Holdings (Pvt) Ltd	-	-	55,566	53,640
Periceyl (Pvt) Ltd	3	3	-	-
Splendor Media (Pvt) Ltd	-	-	732	294
Telecom Frontier (Pvt) Ltd	2,288	15,788	-	-
Melsta Healthcare Colombo (Pvt) Ltd	278,279	-	-	-
Melsta Hospitals Ragama (Pvt) Ltd	79,668	-	-	-
	424,835	44,786	733,092	3,668,665

36.1.4 Equity accounted investees

Balances due from/due to joint ventures, Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd, CINEC Campus (Pvt) Ltd, CINEC Skills (Pvt) Ltd, EcoCorp Asia (Pvt) Ltd and balances due from/due to associates, AEN Palm Oil Processing (Pvt) Ltd, Aitken Spence Plantation Management PLC, Browns Beach Hotels PLC, Elpitiya Plantations PLC, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd, Serendib Investments Ltd are reflected under amount due from/ due to equity accounted investees.

36.1.5 Other related companies

	Group				Company			
	Amounts due from		Amounts due to		Amounts due from		Amounts due to	
As at 31 March,	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Ambewela Livestock Co.Ltd	6,791	4,546	-	-	-	-	-	-
Ambewela Products (Pvt) Ltd	157	42	-	-	-	-	-	-
Elpitiya Plantations PLC	-	72	27	27	-	-	-	-
Lanka Aluminium Industries PLC	-	-	4,705	4,123	-	-	-	-
Lanka Dairies (Pvt) Ltd	117	251	22	113	-	-	-	-
Lanka Milk Foods (CWE) PLC	649	1,340	142	95	-	-	-	-
Milford Exports Ceylon (Pvt) Ltd	14	-	228,237	227,092	-	-	-	-
Pattipola Livestock Co. Ltd	10	28	-	-	-	-	-	-
Stassen Lanka Private Limited	-	-	230,171	213,423	-	-	-	-
Stassen Export Private Limited (36.1.6)	3,488	5,911	13,389	9,704	-	-	-	-
Stassen International (Pvt) Limited	170	118	-	-	-	-	-	-
Stassen Foods (Pvt) Ltd	43	-	648	-	-	-	-	-
Stassen Natural Foods (Pvt) Ltd	6	3	-	-	-	-	-	-
	11,445	12,311	477,341	454,577	-	-	-	-

36.1.6 This represents the an interest free loan amounting to USD 1.212 million from Stassens Lanka (Private) Limited taken by Texpro Industries Limited. The Company has to settle this loan on demand. Hence, it has been classified under current liabilities and no fair value adjustments have been made.

Notes to the Financial Statements

36.2 Transactions with related parties

36.2.1 Transactions with subsidiaries, associates and other related companies

Name of the company	Names of directors	Nature of interest	Nature of transaction	Transaction value Rs.000
Distilleries Company of Sri Lanka PLC	Mr.D.H.S.Jayawardena	Subsidiary Co.	Dividends received	5,313,813
	Mr. C.R.Jansz		Rent income	245,034
	Mr. N. de.S.Deva Aditya		RPT current account interest charged by DCSL	133,271
	Mr. C.R.Jansz		Settlement of short term loans	2,926,896
	Capt. K.J.Kahanda (Retd.)		Reimbursement of expenses by DCSL incurred on behalf of Melstacorp	70,773
	Dr. Naomal Balasuriya		Transfer of balance receivable from DCSL in Logistics books to Melstacorp Books in return of future dividends	404,604
	Mr. D.Hasitha.S Jayawardena		Transfer of advances payments to DCSL for set off against their libilities (net)	19,744
	Mr. R.Seevaratnam			
Splendor Media (Pvt) Ltd.		Subsidiary Co.	Advertising services obtained	1,790
			Reimbursement of expenses incurred on behalf of Melstacorp PLC	108
Periceyl (Pvt) Ltd.	Mr. D.H.S.Jayawardena	Subsidiary Co.	Dividend received	44,441
	Mr. C.R.Jansz			
	Mr. A.L. Gooneratne			
	Mr. D.Hasitha.S Jayawardena			
Milford Holding (Pvt) Ltd.	Mr. D.H.S.Jayawardena	Subsidiary Co.	Capital repayment	4,300
	Mr. C.R.Jansz		Interest on RPT current account	6,525
	Capt. K.J.Kahanda (Retd.)			
Bellvantage (Private) Ltd.	Mr. A.L. Gooneratne	Subsidiary Co.	Dividend received	4,500
			Rent charged	3,502
			Services obtained	504
Melsta Health (Pvt) Ltd.	Mr. C.R.Jansz	Subsidiary Co.	Grant of advances as capital	1,693,499
	Mr. D.H.S.Jayawardena		Capitalization of RPT current account	1,604,000
	Mr. A.L. Goonaratne		Refund of advances	20,179
	Mr. D.Hasitha.S Jayawardena			
Melsta Logistic (Pvt) Ltd.	Mr. A.L. Gooneratne	Subsidiary Co.	Car rentals	5,001
			Ground rent charged	1,908
			Interest charged on RPT current account	10,507
			Transfer of balance receivable from DCSL in Logistics books to Melstacorp books in return of future dividends	404,604
			Dividend received	171,628

Name of the company	Names of directors	Nature of interest	Nature of transaction	Transaction value Rs.000
Negombo Beach Resort (Pvt) Ltd.	Mr. D.H.S.Jayawardena	Subsidiary Co.	Interest income on loans	79,037
			Interest settled	41,823
Melsta Properties (Pvt) Ltd.	Capt. K.J.Kahanda (Retd.)	Subsidiary Co.	Interest charged on RPT current account	4,793
			Dividend received	47,857
			Short term loans received	29,000
			Repayment of short term loans	51,000
Bogo Power (Pvt) Ltd.	Mr. D.H.S.Jayawardena	Subsidiary Co.	Dividend received	99,300
	Mr. A.L. Gooneratne			
Balangoda Plantations PLC	Mr. D.H.S.Jayawardena	Subsidiary Co.	Loans granted	869,856
	Mr. C.R.Jansz		Interest on loans	264,380
	Mr. A.L. Goonaratne		Settlement of Loans with iIntrest	26,229
	Mr. D.Hasitha.S Jayawardena			
Madulsima Plantations PLC	Mr. D.H.S.Jayawardena	Subsidiary Co.	Loans granted	1,862,621
	Mr. D.Hasitha.S Jayawardena		Interest on loans	267,838
			Settlement of capital	964,232
			Settlement of interest	83,070
Continental Insurance Lanka Ltd.	Mr. A.L. Gooneratne	Subsidiary Co.	Dividend received	86,099
			Insurance services obtained	5,145
			Insurance claims received	325
			Funds advanced on pending allotments	10,000
Lanka Bell Ltd.	Mr. D.H.S.Jayawardena	Subsidiary Co.	Telephone and Internet charges	222
	Mr. C.R.Jansz		Settlements made	16,640
	Mr. A.L. Gooneratne		Loans disbursed	1,398,955
			Interest charged	618,968
Melsta Tower (Pvt) Ltd.	Mr. A.L. Gooneratne	Subsidiary Co.	Short term loans settled	5,000
Melsta Technologies (Pvt) Ltd.		Subsidiary Co.	Short term funds advanced	2,000
			Short term loans settled	2,000
			Reimbursement of staff costs	1,670
Bell Solutions (Pvt) Ltd.	Mr. D.H.S.Jayawardena	Subsidiary Co.	Purchase of IT equipment and software	3,101
	Mr. A.L. Gooneratne		Rent income	1,387
Aitken Spence Travels (Pvt) Ltd.		Subsidiary Co.	Services obtained	80
			Purchase of fixed assets	3,700
Aitken Spence Shipping (Pvt) Ltd.		Subsidiary Co.	Purchase of fixed assets	4,000

Notes to the Financial Statements

Name of the company	Names of directors	Nature of interest	Nature of transaction	Transaction value Rs.000
Bellactive (Pvt) Limited	Mr. D.H.S.Jayawardena	Subsidiary Co.	Loans settled	13,500
	Mr. A.L. Gooneratne			
Aitken Spence PLC	Mr. D.H.S.Jayawardena	Subsidiary Co.	Dividends received	306,471
	Mr. N. de.S.Deva Aditya			
Aitken Spence Printing and Packaging (Pvt) Ltd.		Subsidiary Co.	Printing services obtained	4,882
Melsta Gama (Pvt) Ltd.	Capt. K.J.Kahanda (Retd.)	Joint Venture	Additional capital granted	175,000
Melsta Hospitals Ragama (Pvt) Ltd	Mr. C.R.Jansz	Subsidiary Co.	Short term funds advanced	79,668
	Mr. A.L.Gooneratne			
	Mr. D.Hasitha S Jayawardena			
Melsta Healthcare Colombo (Pvt) Ltd	Mr. A.L.Gooneratne	Subsidiary Co.	Share holder loan advanced	275,000
			Interest charged on shareholder loan	3,279
Stassens Exports (Pvt) Ltd	Mr. D.H.S.Jayawardena	Related Co.	Sponsorships made	300
	Mr. C.R.Jansz			
	Mr. D.Hasitha S Jayawardena			
Lanka Milk Foods (CWE) PLC	Mr. D.H.S.Jayawardena	Related Co.	Dividends received	8,395
	Mr. C.R.Jansz			
	Mr. D.Hasitha S Jayawardena			

36.2.2 Transactions with key management personnel

According to Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures, key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the board of directors (including executive and non-executive directors) and their immediate family member have been classified as key management personnel of the Company.

The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective director for more than 50% of his/her financial needs.

36.2.2.1 Compensations to key management personnel

There were no compensation paid to Key Management Personnel during the year other than those disclosed below.

	Group		Company	
For the year ended 31March,	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Short term employee benefits	949,288	739,708	59,365	57,384
Post employment benefits	31,298	109,213	-	-

36.2.2.2 Loans to directors

There were no loans granted to Directors during the year.

36.2.3 There are no non-recurrent related party transactions exceeding 10% of the total assets of the entity as per audited financial statements, whichever is lower (CSE ruling)

36.2.4 There are no Recurrent Related Party Transactions, where the aggregate value of the recurrent Related Party Transactions exceeds 10% of the Group gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity. (CSE ruling).

37 Financial instruments

37.1 Accounting classification of financial instruments

37.1.1 Accounting classification of financial assets and financial liabilities

		Group							
As at 31 March,	Note	Assets at amortized cost		Assets at fair value through profit and loss (FVTPL)		Assets at fair value through OCI		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non current assets									
Other non current financial investments	24	2,456,928	2,218,263	-	-	31,484,372	29,550,806	33,941,300	31,769,069
Current Assets									
Trade and other receivables	26	22,238,187	21,926,314	-	-	-	-	22,238,187	21,926,314
Amounts due from related companies	36.1.1	585,672	447,777	-	-	-	-	585,672	447,777
Other current financial investments	24	12,729,639	23,210,887	1,608,373	1,177,183	-	7,782	14,338,012	24,395,853
Cash and cash equivalents	27	9,428,830	10,766,524					9,428,830	10,766,524
		47,439,256	58,569,765	1,608,373	1,177,183	31,484,372	29,558,588	80,532,001	89,305,537

		Company							
	Note	Assets at amortized cost		Assets at fair value through profit and loss (FVTPL)		Assets at fair value through OCI		Total	
As at 31 March,		2020	2019	2020	2019	2020	2019	2020	2019
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non current assets									
Other non current financial investments	24	1,913,562	1,735,314	-	-	28,558,822	26,657,323	30,472,384	28,392,637
Current Assets									
Trade and other receivables	26	14,131	21,746	-	-	-	-	14,131	21,746
Amounts due from related companies	36.1.1	424,833	44,786	-	-	-	-	424,833	44,786
Other current financial investments	24	8,239,386	16,795,234	1,139,878	1,006,128	-	-	9,379,264	17,801,363
Cash and cash equivalents	27	62,301	33,659	-	-	-	-	62,301	33,659
		10,654,213	18,630,740	1,139,878	1,006,128	28,558,822	26,657,323	40,352,913	46,294,191

Notes to the Financial Statements

37.1.2 Accounting classification of financial liabilities

		Group					
	Note	Financial liabilities at fair value through profit or loss		Financial liabilities measured at amortized cost		Total	
As at 31 March,		2020	2019	2020	2019	2020	2019
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non current assets							
Interest bearing loans and borrowings	30	-	-	37,358,380	32,673,680	37,358,380	32,673,680
Current Liabilities							
Trade and other payables	33	-	-	16,581,370	15,221,990	16,581,370	15,221,990
Amount due to related companies	37.1.2	-	-	619,372	637,232	619,372	637,232
Interest bearing loans and borrowings	30	-	-	4,552,766	4,782,138	4,552,766	4,782,138
Bank overdrafts and other short term borrowings	27	-	-	31,157,343	35,690,948	31,157,343	35,690,948
		-	-	**90,269,232**	**89,005,988**	**90,269,232**	**89,005,988**

		Company					
	Note	Financial liabilities at fair value through profit or loss		Financial liabilities measured at amortized cost		Total	
As at 31 March,		2020	2019	2020	2019	2020	2019
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non current assets							
Interest bearing loans and borrowings	30	-	-	-	-	-	-
Current Liabilities							
Trade and other payables	33	-	-	2,857	2,829	2,857	2,829
Amount due to related companies	37.1.2	-	-	733,092	3,668,665	733,092	3,668,665
Interest bearing loans and borrowings	30	-	-	-	-	-	-
Bank overdrafts and other short term borrowings	27	-	-	10,262,646	16,460,961	10,262,646	16,460,961
		-	-	**10,998,596**	**20,132,455**	**10,998,596**	**20,132,455**

38 Fair value measurement

38.1 Fair value measurement hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

		Group							
		Level 1		Level 2		Level 3		Total	
As at 31 March,		2020	2019	2020	2019	2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non current assets									
Property plant and equipment									
Freehold land	23.1.1	-	-	-	-	24,116,005	23,282,188	24,116,005	23,282,188
Freehold buildings	23.1.2					55,666,127	41,687,782	55,666,127	41,687,782
Investment properties	23.1.3								
Freehold land	23.1.4	-	-	-	-	5,748,409	5,724,358	5,748,409	5,724,358
Freehold buildings	23.1.5					403,684	291,158	403,684	291,158
Other non current financial investments									
Fair value through OCI	24.1								
Quoted equity securities	24.1.1	30,678,596	28,776,303	-	-	-	-	30,678,596	28,776,303
Unquoted equity securities	24.1.2	-	-	-	-	194,667	185,127	194,667	185,127
Investments in unit trusts	24.1.3	18,870	3,000	-	-			18,870	3,000
Government securities	24.1.4	392,639	375,876	-	-	-	-	392,639	375,876
Quoted debt securities	24.1.5	-	-	-	-	199,600	210,500	199,600	210,500
Current assets									
Other current financial investments									
Fair value through OCI	24.1								
Quoted equity securities	24.1.1	-	-	-	-	-	-	-	-
Government securities	24.1.4	-	7,782	-	-	-	-	-	7,782
Quoted debt securities	24.1.5	-	-	-	-	-	-	-	-
Unquoted debt securities		-	-	-	-	-	-	-	-
Fair value through profit or loss (FVTPL) financial investments	24.2	1,463,628	1,155,353	-	-	-	-	1,463,628	1,155,353
Quoted equity securities	23.2.1	144,744.72	-	-	-	-	-	144,745	-
Investments in unit trusts	23.2.2	-	21,830	-	-	-	-	-	21,830
Government securities	23.2.3								
		32,698,478	30,340,144	-	-	394,267	395,627	33,092,745	30,735,771
		30,337,143	**30,337,143**	**-**	**-**	**398,627**	**398,627**	**30,735,773**	**30,735,773**

Notes to the Financial Statements

As at 31 March,	Note	Company Level 1 2020 Rs.'000	Level 1 2019 Rs.'000	Level 2 2020 Rs.'000	Level 2 2019 Rs.'000	Level 3 2020 Rs.'000	Level 3 2019 Rs.'000	Total 2020 Rs.'000	Total 2019 Rs.'000
Non current assets									
Other non current financial investments									
Available for sale financial investments - (AFS)	24.1								
Quoted equity securities	24.1.1	28,558,822	26,657,323	-	-	-	-	28,558,822	26,657,323
Government Securities	24.1.4	-	-	-	-	-	-	-	-
Current assets									
Other current financial investments									
Available for sale financial investments - (AFS)	24.1								
Quoted equity securities	24.1.1	-	-	-	-	-	-	-	-
Government Securities	24.1.4	-	-	-	-	-	-	-	-
Fair value through profit or loss (FVT-PL) financial investments	24.2								
Quoted equity securities	23.2.1	1,139,878	1,006,128	-	-	-	-	1,139,878	1,006,128
Government Securities	23.2.3	-	-	-	-	-	-	-	-
		29,698,700	27,663,451	-	-	-	-	29,698,700	27,663,451

38.2 Reconciliation of fair value measurement of "Level 3" financial instruments

The following table shows a reconciliation from the opening balance to the closing balance for level 3 fair values.

	Group Unquoted equity securities Rs.'000	Investments in unit trusts Rs.'000	Quoted debt securities Rs.'000	Unquoted debt securities Rs.'000
Balance as at 31st March 2019	185,127	-	210,500	-
Exchange difference	11,511	-	-	-
Additions during the year				
Depreciation charged during the year	-	-	-	-
Other movements	-	-	-	-
Disposed during the year	-	-	(10,500)	-
Total gains and losses recognised in profit and loss				
- Fairvalue gains/(losses) on Investment land and buildings (unrealised)	-	-	-	-
Total gains and losses recognised in other comprehensive income				
- Net change in fair value of available-for-sale financial assets (unrealised)	(1,970)	-	(400)	-
- Revaluation of freehold land and buildings (unrealised)	-	-	-	-
Balance as at 31st March 2020	194,668	-	199,600	-
	194,667	-	199,600	-

38.3.1 Transfers between levels of fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 during the year.

38.3.2 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used by both the Group and the Company in measuring Level 2 and Level 3 fair values, and the significant unobservable inputs used.

38.4.1 Assets and liabilities measured at fair value - recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment			
Freehold land	**Market comparable method** This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Price per perch of land	Estimated fair value would increase (decrease) if ; Price per perch increases (decreases)
Freehold building	**Market comparable method** This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Price per sq.ft of building	Estimated fair value would increase (decrease) if ; Price per sq.ft increases (decreases)
Investment properties			
Investment land	**Market comparable method** This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Price per perch of land	Estimated fair value would increase (decrease) if ; Price per perch increases (decreases)

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Investment building	**Market comparable method** This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Price per sq.ft of building	Estimated fair value would increase (decrease) if ; Price per sq.ft increases (decreases)
Other financial assets			
Unquoted equity securities	**Net assets basis**	Carrying value of assets and liabilities adjusted for market participant assumptions.	Variability of inputs are insignificant to have an impact on fair values.
	Market return on a comparable investment	Current market interest rates	Not applicable
Derivative financial assets / liabilities			
Forward foreign exchange contracts	Market comparison technique The fair values are based on quotes from banks and reflect the actual transactions of similar instruments.	Forward exchange rates as at reporting date.	Not applicable

38.4.2 Assets and liabilities for which fair values are disclosed - recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Investment property		
Freehold land	**Market comparable method** This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Price per perch of land
Other financial assets		
Unquoted debt securities	**Discounted cash flows**	- Current market interest rates
Other bank deposits		
Interest-bearing liabilities	**Discounted cash flows**	- Current market interest rates

38.4.3 Assets and liabilities measured at fair value - non-recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Assets classified as held for sale	- Valued at the cash available with the disposal group held for sale.	Not applicable

39 Amount due from the Secretary to the Treasury on Account of SLIC

a) In respect of shares

As per the Judgment delivered by the Supreme Court of the Democratic Socialist Republic of Sri Lanka on 4 June 2009 it was declared and directed that the shares of SLIC purported to have been sold to Distilleries Consortium on 11 April 2003 along with any shares purchased from employees as per SSPA shall be deemed to have been held for and on behalf of the Secretary to the Treasury.

As directed by the said judgment, the Secretary to the Treasury returned Rs.5,716 Mn in 2010/11 that was paid by Group Subsidiary Milford Holdings (Pvt) Limited (MHL) to purchase shares from SLIC.

b) In respect of profits earned

Furthermore, MHL was entitled to retain the profits of SLIC derived by MHL from 11 April 2003 to 04 June 2009 in lieu of the interest for the aforesaid investment. The Secretary to the Treasury was directed to cause profits of SLIC to be computed and audited from the date of the last audited Reporting of SLIC to 04 June 2009 to enable MHL to obtain such profits.

However, Secretary to the Treasury has not yet determined the value of profits to be retained by the MHL; hence no adjustments were made to the financial statements in this regards.

40 Impact of Revival of Underperforming Enterprises and Underutilized Assets Bill – Pelwatte Sugar Industries PLC Group (PSIP)

Consequent to the enactment and passage of the above Act of Parliament on 9 November 2011, the state officials are occupying the land leased to PSIP. As the leasing of the land to PSIP was done in 1985, and the above mentioned Act empowers the vesting of land leased during a period of 20 years before the enactment of the Act. The Company believes that the land that was used by PSIP have not been vested in the state. At this moment the management is unable to comment further on the implications on the ruling as the Company is awaiting instructions by the Secretary to the Treasury.

Financial results up to 30 September 2011 were consolidated to Group results for the year ended 31 March 2012. Subsequent financial results have not been incorporated to the Group results due to non accessibility of the information. Subsequently a Compensation Tribunal was formed as required by the Act. Without assuming any liability or without any prejudice to, or impact on its rights, PSIP has submitted a claim to the Compensation Tribunal.

Commercial High Court of Western Province (Colombo Civil) issued a winding-up order of Pelwatte Sugar Industries PLC on 13 March 2013. The Court has appointed P.E.A. Jayewickreme and G.J. David, as the Liquidators.

41 Pending litigations and contingent liabilities

Based on the available information, the Management is of the view that there are no material litigation or clams that could have material impact on the financial position on the group. Accordingly, no provision has been made for legal claims in the Financial Statements.

41.1 Lanka Bell Limited

Sri Lanka Customs carried out an investigation claiming that Lanka Bell Limited is required to pay duty on the FLAG fiber optic submarine cable network which spans the globe connecting over 86 locations around the world. The Company is confident that no such duties are payable since the Company does not own this global network and also has already obtained BOI approval for the FLAG project.

The Company filed a writ application in Court of Appeal citing irregularities in the procedure adopted by the Sri Lanka Customs.

Notes to the Financial Statements

The above application was resolved directing the Customs Department to commence a new inquiry before a new inquiring officer under section 8(1) of the Customs Ordinance.

A new Customs inquiry was commenced and is in progress.

41.2 Splendor Media (Pvt) Ltd.

Labour Tribunal Case (No.LT 01/24/2015) filed by Mr. Ajith Nishantha Withana for requesting for compensation in lieu of removing the employment.

Outcome of the determination of Appeal on VAT made by the Commissioner General of Inland Revenue to the Company in relation to the appeal made against the assessment for the period starting from 1 June 2007 to 30 September 2013.

The Company management considers these claims to be unjustified and possibility of an outflow of resources for their settlement is remote. This evaluation is consistent with Company's legal consultants. Accordingly, no provision has been made for legal claims of the above cases.

41.3 Aitken Spence PLC-Group

Contingent liabilities as at 31.03.2020 on corporate guarantees given by Aitken Spence PLC to subsidiaries within the group and equity-accounted investees amounted to Rs. 7,289.2 million and Rs. 17.5 million respectively. Contingent liabilities as at 31.03.2020 on corporate guarantees given by subsidiaries and equity-accounted investees to other companies in the Group amounted to Rs. 23,741.2 million. Neither Aitken Spence PLC nor subsidiaries and equity-accounted investee have given corporate guarantees on behalf of companies outside the Group including other related companies listed in note 42 to the financial statements.

Cey Spence (Pvt) Ltd which was previously an equity accounted investee now under liquidation, and the share of net assets of which is reflected under assets classified as held for sale in the consolidated financial statements of the Group was issued an income tax assessment under the Inland Revenue Act in relation to the year of assessment 2007/2008. The Court of Appeal hearing the appeal has determined the income tax assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Court of Appeal the company has appealed against the determination to the Supreme Court. The contingent liability to the Group is estimated to be Rs. 70 million inclusive of any penalties. Based on expert advice the directors are confident that the ultimate resolution of the case will not have a material adverse impact on the financial statements of the Group.

Aitken Spence Travels (Pvt) Ltd which is a subsidiary of the Group was issued with income tax assessments under the Inland Revenue Act No.10 of 2006 and its amendments thereto in relation to the years of assessment 2009/2010 and 2010/2011. The Supreme Court hearing the appeal for 2009/2010 has refused to grant leave to the Department of Inland Revenue to proceed with the case. Hence the judgement of the Court of Appeal which was given in favour of Aitken Spence Travels (Pvt) Ltd would prevail. The Tax Appeals Commission hearing the appeal in relation to the year of assessment 2010/2011 has determined the income tax assessment in favour of the Company. Pursuant to the determination of the Tax Appeals Commission the Department of Inland Revenue has appealed against the determination to the Court of Appeal. The contingent liability to the Group is estimated to be Rs. 69.8 million inclusive of all penalties for the above year of assessment. Based on expert advise and the decision of the Tax Appeals Commission and the judgement given by the Supreme Court in relation to year of assessment 2009/2010, the directors are confident that as the facts of the case for year of assessment 2010/2011 is identical to the year of assessment 2009/2010 that the ultimate resolution would be in favour of the Company and will not have a material adverse impact on the financial statements of the Group.

41.4 Other contingent liabilities

As at 31March,	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Bank guarantees	-	481	-	-
Import/export bill collection	19,214	2,545	-	-
Letter of credit	43,505	7,008	-	-
Shipping guarantee	67,721	6,915	-	-

There are no material contingent liabilities as at 31 March 2020 other than those disclose above.

42 Capital and other commitments

There were no material capital expenditure approved by the Board of Directors as at 31 March 2020 other than followings;

42.1 Aitken Spence PLC

Commitments for capital expenditure of subsidiaries

	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Approximate amount approved but not contracted for	270,796	3,985,451
Approximate amount contracted for but not incurred	2,662,906	6,978,634
	2,933,702	10,964,085

The above includes Rs. 2,903.1 million (2018/2019 - Rs. 10,855.9 million) for the acquisition of property, plant and equipment and Rs. 30.6 million (2018/2019 - Rs. 108.2 million) for the acquisition of intangible assets.

Commitments for capital expenditure for joint ventures

	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Approximate amount approved but not contracted for	257,444	148,619
Approximate amount contracted for but not incurred	-	4,099
	257,444	152,718

The amount shown is the Group's share of capital commitments by joint ventures.

The above includes Rs. 257.4 million (2018/2019 - Rs. 141.0 million) for the acquisition of property, plant and equipment. Current year does not include any amount of acquisition of intangible assets (2018/2019 - Rs. 11.8 million).

42.2 Madulsima Plantations PLC

The capital commitments as at the reporting date budgeted, but not provided for is Rs.104.23Mn

Notes to the Financial Statements

43 Assets pledged

Company	Nature of Liability	Security: Description	Security: Asset type	Value of the assets pledged Rs.'000
Balangoda Plantations PLC	Permanent overdraft facility	Primary mortgage over the leasehold rights of Walaboda Estates.	Property, Plant and Equipment	484,102
		Absolute ownership of the leased motr vehicles	Property, Plant and Equipment	16,186
Texpro Industries (Pvt) Ltd.	Long term loan	The Company has provided existing primary floating mortgage bond for USD 3.262 million over land, building and immovable machinery at Ranala as collateral against the bank facility and borrowings.	Property, Plant and Equipment	603,470
Lanka Bell Limited	Term loans and other borrowings	Tower portfolio has been pledged as a security against the financing facilities.	Property, Plant and Equipment	2,605,500
		Movable and immovable property has been pledged as a security against the financing facilities.		
		Short term investment (fixed deposits) has been pledged as a security against the financing facilities.	Cash and cash equivalents	185,000
Madulsima Plantations PLC	Term loans and overdrafts	Floating mortgage bond for Rs.160 million over leasehold property at Verellapatana Estate	Leasehold properties	300,000
		Floating Mortgage Bond for Rs.224 million over leasehold property at Mahadowa Estate		
		Floating mortgage bond for Rs.150 million over leasehold property at Battawatte Estate		
Negombo Beach Resorts (Pvt) Ltd.	Long term loan	Freehold land and building of the hotel has been mortgaged.	Property, Plant and Equipment	4,152,512
Aitken Spence PLC	Term loans and overdrafts	Property, Plant and Equipment of the group were pledged	Property, Plant and Equipment	22,346,000
		Equity shares invested in subsidiaries were pledged	Investments in Subsidiaries	3,363,000

44 Events after the reporting period

There were no other material events occurring after the reporting period that requires adjustments to or disclosure in the Financial Statements.

45 Financial risk management

Financial instruments used by the Group in its business activities contain multiple variables that are affected by various market and environmental conditions. Such variations are generally not within the control of the users, and therefore cause fluctuations in values of financial instruments. Fluctuations in value could result in a situation undesirable to the Group thereby exposing it to risk. These risks need to be managed, as unmanaged risks can lead to unplanned outcomes where the Group could fall short of its financial and budgetary objectives. The Group has adopted a financial risk management strategy aimed at minimising the risks associated with the use of financial instruments by establishing several policies and guidelines that are followed by the companies in the Group. These policies and guidelines are reviewed from time to time and updated to reflect current requirements in accordance with the developments in the operating environment.

Group's core business of beverage is essentially a cash business hence has a short cash cycle. This results in low financial risk adding to greater degree of control of finance. Other sectors such as Telecommunication, Plantation, Insurance, Finance and other diversified holdings exercise policies stemming from Melstacorp's practices of effective financial risk management as common members of the board ensures uniformity. Continental Insurance is exceptional and adhere to an even higher degree of management to comply with IBSL regulatory compliance/guidelines respectively.

Financial instruments

Group's financial instruments consist of ASSETS - its portfolio of equity investments, deposits in banks, accounts receivable. LIABILITIES - Loan obligations, accounts payable and accrued liabilities such excise duty, taxes and payroll.

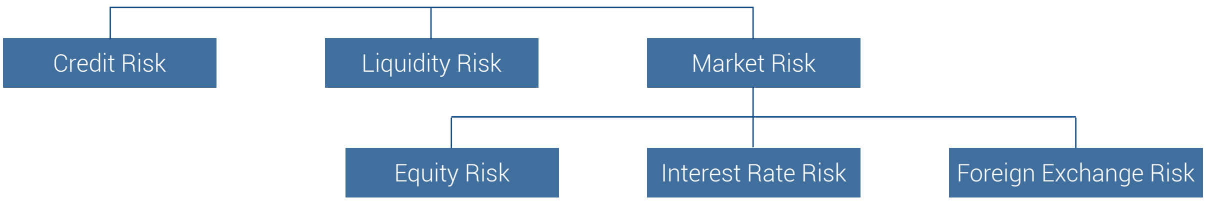
Financial risk management objectives and policies

Whilst 'risk management' is ingrained in the business from the Board down to operational level, financial risk management at Group is entrusted to a niche of in-house financial professionals ably supported by external economists, financial consultants, legal counsel, tax experts, banks and auditors.

In the normal course of business, the Group is exposed to financial risks that have the potential to negatively impact its financial performance. This is further accredited by the AAA/Stable rating assigned by Fitch this year.

This part of the report covers the financial impact that could arise from market risk, credit risk and liquidity risk, the most important elements of the financial risk that the Group is subject to.

The Group has exposure to the following risks from financial instruments



45.1 Market risk

Fluctuations of those market driven variables that affect cashflows arising from financial instruments can result in the actual outcome being different to expected cashflows thereby creating the market risk. Variables such as interest rates and exchange rates can move in directions different to those originally expected and the consequent cashflows could be different to the originally anticipated cashflows.

Market risk could result in the revenues and expenses of the Group being adversely affected and impacting the profit attributable to the shareholders. In order to identify, manage and minimise the market risk, the Group has put into practice a number of policies and procedures.

45.1.1 Currency risk

The currency risk arises when a financial transaction is denominated in a currency other than that of the reporting currency of an entity. The Group has operations in a number of regions across the globe and conducts business in a variety of currencies. The Group's worldwide presence in many geographies exposes it to the currency risk in the form of transaction and translation exposure.

Transaction exposure arises where there are contracted cashflows (receivables and payables) of which the values are subject to unanticipated changes in exchange rates due to contracts being denominated in a foreign currency. Translation exposure occurs due to the fluctuations in foreign exchange rates and arises to the extent to which financial reporting is affected by exchange rate movements when the reporting currency is different to those currencies in which revenues, expenses, assets and liabilities are

Notes to the Financial Statements

denominated.

As the Group transacts in many foreign currencies other than the Sri Lankan rupee which is the reporting currency, it is exposed to currency risk on revenue generation, expenses, investments and borrowings. The Group has significant investments in the Maldives, India, Oman and Fiji where the net assets are exposed to foreign currency translation risk. Revenue generations and expenses incurred in these geographies are exposed to foreign currency transaction risk.

The total interest-bearing liabilities of the Group denominated in US dollar and Euro amounted to Rs. 29 billion. The overseas investments made by the Group during the financial year were mostly financed through US dollar denominated borrowings from international and local banks. The translation exposure resulting from foreign currency borrowings has been hedged to a great extent by the acquisition of financial assets denominated in matching foreign currencies. A significant portion of the foreign currency borrowings have been made by the Group companies with incomes in foreign currencies, especially in the tourism and strategic investments sectors. Transaction exposures are usually minimised by selectively entering into forward contracts when future cashflows can be estimated with reasonable accuracy with regard to amounts as well as timing. The Group treasury monitors foreign exchange markets on a continuous basis and advises on appropriate risk mitigating strategies.

The Group has employed hedge accounting to mitigate the exposure to currency risk by designating an effective relationship between foreign currency denominated transaction with assets or liabilities. Hedge accounting enables to minimise the timing differences in recognising foreign currency translation impact to the income statement or other comprehensive income statement and to effectively capture the economic substance of the transaction.

Significant movement in exchange rates during the year ended 31st March 2020

	Lowest level		Highest level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	174.35	22.04.2019	189.96	30.03.2020	15.61	189.91
EUR/LKR	194.71	01.08.2019	210.73	30.03.2020	16.02	209.42
EUR/USD	1.0688	20.03.2020	1.145	09.03.2020	0.0762	1.097

Foreign currency sensitivity

The main foreign currencies the Group transacts in are the US dollar and the Euro. The exposure to other foreign currencies is not considered as they are mostly related to foreign operations. In order to estimate the approximate impact of the currency risk on financial instruments, a 5% fluctuation was considered in the USD/LKR and EUR/LKR exchange rates. In the calculation of this risk, it is assumed that all other variables are held constant. The sensitivity analysis relates only to assets and liabilities depicted in Financial Statements as at the end of the financial year.

Group	2020				2019			
As at 31 March,	Effect on profit before tax				Effect on profit before tax			
	USD net financial assets / (liabilities)	EUR net financial assets / (liabilities)	Net impact	Effect on equity	USD net financial assets / (liabilities)	EUR net financial assets / (liabilities)	Net impact	Effect on equity
	USD'000	EUR'000		USD'000	USD'000	EUR'000		USD'000
Net exposure	57,139	(22,551)	(6,000)	155,610	52,916	(25,477)	-	168,372
LKR depreciates by 5% (Rs.'000)	542,562	(246,761)	(56,208)	1,477,598	465,899	(255,714)	170,121	1,522,494
LKR appreciates by 5% (Rs.'000)	(542,562)	246,761	56,208	(1,477,598)	(465,899)	255,714	(170,121)	(1,522,494)

Company did not have any financial asset or liability with a denomination other than LKR through out the year 2019/20 and 2018/19.

45.1.2 Interest rate risk

Values of financial instruments could fluctuate depending on the movements in interest rates giving rise to interest rate risk. This is a consequence of the changes in the present values of future cashflows derived from financial instruments. Value fluctuations in financial instruments will result in mark to market gains or losses in investment portfolios and could have an impact on reported financial results of the Group.

The Group's investment portfolio consists of a range of financial instruments with both fixed and variable interest rates such as treasury bills and treasury bonds which are subject to interest rate risk. Liabilities with variable interest rates such as AWPLR and LIBOR linked borrowings would expose the Group to cashflow risk as the amount of interest paid would change depending on the changes in market interest rates.

Investments with fixed interest rates would expose the Group to variations in fair values during the marking to market of portfolios. Suitable strategies are used by the Group treasury to manage the interest rate risks in portfolio investments. Using long-term interest rate forecasts in order to determine the most suitable duration of investments with the objective of overcoming the re-investment risk as well as to minimise any adverse impact in marking to market of the portfolio is one of the often-used strategies. Interest rate swaps could be used when there is a need to hedge the risks on debt instruments with variable rates. Close monitoring of market trends is carried out to improve the accuracy of such decisions.

The Group treasury monitors the interest rate environment on a continuous basis to advise the sector finance managers on the most suitable strategy with regard to borrowings. The Group usually negotiates long-term borrowings during the periods in which interest rates are low in order to extend the favourable impact to future reporting periods.

Significant movement in interest rates during the year ended 31st March 2020

	Lowest level		Highest level		Spread	Year end rate %
	Rate	Date	Rate	Date	(basis points)	
LKR interest rate *	9.29	Mar-20	12.24	Apr-19	295	9.29
USD interest rate **	0.740	Mar-20	2.603	Apr-19	186	1.451

"* Weekly AWPLR

** Three months USD LIBOR

45.1.3 Equity price risk

The Group has adopted the policy that its investment in subsidiaries, joint ventures and associate companies are recorded at cost as per LKAS 27 and 28 standards and therefore are scoped out from the Sri Lanka Accounting Standards, SLFRS 9 - Financial Instruments.

Investments made by the Group which do not belong to the above categories are classified as financial assets and recorded at fair value in financial statements.

Certain companies of the Group have their major equity investment portfolios held on a long-term basis; hence immune to daily fluctuations. Those are classified as financial investments at fair value through OCI (FVTOCI). Further, a small trading portfolio is managed by two reputed Unit Trust companies licensed by the SEC and individual companies manage their own short-term portfolios as well. These investments are held by complying with group investment policies. Safe Custodian agreements with banks are in place that adds a control dimension.

The Group manages the equity price risk through diversification of its investments to each sector. Further the Management daily monitors the reports of the equity portfolios

The extend of diversification of short-term equity investments (FVTPL) are analysed bellow.

As at 31 March,	Group				Company			
	2020		2019		2020		2019	
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
Bank finance and insurance	65,067	4.4%	45,768	4.0%	-	-	-	-
Beverage food and tobacco	20,139	1.4%	14,689	1.3%	-	-	-	-
Chemicals and pharmaceuticals	14,036	1.0%	9,447	0.8%	-	-	-	-
Construction and engineering	840	0.1%	718	0.1%	-	-	-	-
Diversified holdings	546,329	37.3%	515,996	44.7%	499,507	43.8%	489,987	48.7%
Hospitals	2,699	0.2%	2,763	0.2%	-	-	-	-
Hotel and travels	15,419	1.1%	15,042	1.3%	-	-	-	-
Manufacturing	690,338	47.2%	432,951	37.5%	531,608	46.6%	398,162	39.6%
Real estate	108,762	7.4%	117,980	10.2%	108,762	9.5%	117,980	11.7%
	1,463,628	**100.0%**	**1,155,353**	**100.0%**	**1,139,878**	**100.0%**	**1,006,128**	**100.0%**

45.2 Credit risk

The risk assumed by an entity resulting from the risk of a counterparty defaulting on its contractual obligations in relation to a financial instrument or a customer contract is known as the credit risk. The Group's exposure to credit risk arises from its operating and investing activities including transactions with banks in placing deposits, foreign exchange transactions and through the use of other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date.

Maximum credit exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows,

As at 31 March,		Group				Company			
		2020		2019		2020		2019	
	Note	Rs.'000	% from total exposure	Rs.'000	% from total exposure	Rs.'000	% from total exposure	Rs.'000	% from total exposure
Trade and other receivables	45.2.1	22,238,187	52%	21,926,314	44%	14,131	1%	21,746	1%
Amounts due from related companies	45.2.2	585,672	1%	447,777	1%	424,833	4%	44,786	-
Loans granted to related parties		-	-	-	-	10,102,890	94%	7,130,050	38%
Corporate debt securities	45.2.3	1,852,739	4%	1,654,576	3%	50,058	-	50,045	-
Government securities	45.2.4	1,412,662	3%	1,398,563	2%	-	-	-	-
Deposits with bank	45.2.5	13,981,882	26%	25,287,784	38%	-	-	11,350,453	60%
Cash at bank	45.2.5	7,820,658	15%	8,318,299	13%	62,301	1%	33,659	-
		52,934,780	100%	66,009,919	100%	10,764,263	100%	18,772,913	100%

45.2.1 Trade and other receivables

Trade receivables consist of recoverable from a large number of customers spread across diverse industries, segments and geographies. More than 90% of the Group's trade receivables are due for settlement within 90 days as at the end of the financial year. The credit policy for each segment of business varies due to the diversity of operations in the Group. The credit policies that best suit their respective business environment are developed for each sector and the responsibility rests with the heads of finance and the senior management teams.

Group companies formulate their credit policies subsequent to analysing credit profiles of customers. In this regard factors such as the credit history, legal status, market share, geographical locations of operations, and industry information are considered. References from bankers or credit information databases are obtained when it is considered necessary. Each Group company has identified credit limits for their customers. In the event a customer does not meet the criteria or the stipulated benchmark on a transaction, then the business is carried out with such customers only up to the value of the collaterals or advances obtained.

As the large majority of Beverage accounts receivable balances are collectable from licensed retailers, management believes that the sector's credit risk relating to accounts receivable is at an acceptably low level.

The Group has observed higher credit risk in telecommunication sector due to large number of small customers. However, risk is managed and mitigated by adopting timely disconnection policy and converting customer to prepaid mode.

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

The Group's maximum exposure to credit risk from Insurance contract receivables are mainly consist with premium receivables.

Some of the actions specific to premiums receivables in non-lifeinsurance are shown below.

- Premium Payment Warranty (PPW) is strictly implemented and all non-life insurance policies with payments outstanding for more than 60 days are cancelled.
- Follow-up meetings on debt collection are conducted with the participation of finance, distribution and underwriting officials on a monthly basis.
- Claim settlements are processed only after reviewing the position of outstanding receivables.

45.2.2 Amounts due from related companies

The amounts due from related parties mainly consist of receivables from associates and other related ventures and those are closely monitored by the group.

45.2.3 Corporate debt securities

The Corporate debt securities are entirely consist of Corporate Debentures which are listed in Colombo Stock Exchange which are guaranteed by local and foreign credit rating agencies as BBB- or Better.

An Analysis of credit ratings of the issuers of debenture are as follows,

	Group				Company			
As at 31 March,	2020		2019		2020		2019	
Credit Rating	Amount	% from total exposure	Amount	% from total exposure	Amount	% from total exposure	Amount	% from total exposure
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
AA-	757,735	41%	307,161	19%	50,058	100%	50,045	100%
A+	369,019	20%	586,780	35%	-	-	-	-
A	132,218	7%	257,005	16%	-	-	-	-
A-	164,549	9%	89,366	5%	-	-	-	-
BBB+	267,008	14%	230,695	14%	-	-	-	-
BBB-	101,271	5%	-	-	-	-	-	-
BB+	-	-	51,254	3%	-	-	-	-
No Ratings *	60,939	3%	132,315	8%	-	-	-	-
	1,852,739	100%	1,654,576	100%	50,058	100%	50,045	100%

Notes to the Financial Statements

* However minor potion of investments have been made on corporate debt instruments which does not backed with credit ratings. However those investments were made after having a thorough credit assessment on respective companies and after obtaining collaterals such as Mortgage bonds and personal guarantees.

45.2.4 Government securities

Government securities are referred to as risk free instruments in its nature.

45.2.5 Deposits with bank and cash at bank

The Group has a number of bank deposits in Sri Lankan rupees and other currencies. These deposits have been placed in several banks in order to minimise the credit risk in accordance with the policy directions provided by the Board. In order to further minimise the credit risk, the Group's exposure and credit ratings of banks are regularly monitored and a diversified investment portfolio is maintained. In the event of any weakening of credit metrics of a bank the Group may decide to liquidate its investments and move to an institution with a higher credit rating.

	Group		Company	
As at 31 March,	2020		2020	
(Fitch national credit rating scale or equivalent)	Amount of deposits	Concentration	Amount of deposits	Concentration
	Rs'000	%	Rs'000	%
AAA	20,353	0.15%	-	-
AA+	6,394,982	45.71%	-	-
AA	30,865	0.22%	-	-
AA-	3,720,893	26.60%	-	-
A+	2,016,628	14.41%	-	-
A-	1,090,894	7.80%		-
BBB	509,398	3.64%	-	-
BBB-	206,384	1.48%	-	-
Total gross carrying amount	13,990,396	100.00%	-	-
Impairment of bank deposits	(8,514)		-	-
Total net carrying amount	**13,981,882**		**-**	**-**

Further the cash at bank is mainly consist of favourable balances in Savings, money market and current accounts of private and government commercial banks.

45.3 Liquidity risk

Liquid assets of a company consist of cash and assets which can be converted to cash in a short period of time to settle liabilities as they arise. Liquidity is an important factor in the operations of a business as it is an essential requirement for the successful operation of an entity.

A shortage of liquidity would have a negative impact on stakeholder confidence in a business entity and hampers its operations. The Group has ensured that it maintains sufficient liquidity reserves to meet all its operational and investment requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Shortening the working capital cycle is one of the main practises preferred in ensuring that there is sufficient liquidity at a given time. Adequate short-term working capital facilities provided by banks are available to all the Group companies which are utilised in the event of a requirement. These facilities are available at favourable rates and have been mostly provided without collateral. The Group maintains a constant dialogue with the banking sector institutions to ensure that there are sufficient working capital facilities available whenever required and closely monitors their utilisation.

The Group has implemented procurement and vendor evaluation policies to prevent payment of excessive prices to suppliers and to obtain favourable credit periods in order to ensure a strong working capital position. Special attention has been given to cash inflows and outflows both at a consolidated and sector levels. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long-terms.

Funding requirements of the sectors and the parent company are evaluated at regular intervals by analysing business expansion strategies. The Group has adopted a conservative investment strategy in order to preserve the scarce capital as well as to minimise the risk. At opportune moments funds are mobilised by accessing capital markets. The Group attempts to minimise future interest expenses on borrowings by negotiating favourable interest rates with the respective lenders and makes use of attractive interest rates offered by international banks on foreign currency denominated funding mostly to finance its overseas investments.

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

Group As at 31st March 2019	Carrying value/ contractual cash flows* Rs.'000	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	41,894,617	-	1,046,263	3,482,426	6,874,763	18,828,113	11,663,079	41,894,617
Bank overdrafts and other short-term borrowings	31,157,343	31,157,343	-	-	-	-	-	31,157,343
Trade payables	16,581,370	8,698,565	1,158,522	6,724,283	-	-	-	16,581,370
Amounts due to related companies	619,372	619,372	-	-	-	-	-	619,372
	90.252,702	40,475,280	2,204,785	10,206,709	6,874,763	18,828,113	11,679,581	90.252,702

Company As at 31st March 2019	Carrying value/ contractual cash flows* Rs.'000	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	-	-	-	-	-	-	-
Bank overdrafts and other short-term borrowings	10,262,646	10,262,646	-	-	-	-	-	10,262,646
Trade payables	2,857	2,857	-	-	-	-	-	2,857
Amounts due to related companies	733,092	733,092	-	-	-	-	-	733,092
	10,998,595	10,998,595	-	-	-	-	-	10,998,595

*Contractual cash flows are excluding future interest payments.

46 Financial capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group's may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt/total capital. Net debt is calculated as total borrowings (including current and non-current interest bearing borrowing as shown in the consolidated statement of financial position plus bank overdrafts) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt. Gearing ratios at 31 March 2020 and 2019 are as follows.

As at 31 March,	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total interest bearing loans and borrowing	41,894,617	37,455,817	-	-
Lease liabilities	12,606,157			
Bank overdrafts and other short-term borrowings	31,157,343	35,690,948	10,262,646	16,460,961
Less: cash & cash equivalents	(9,428,830)	(10,766,524)	(62,301)	(33,659)
Net debt	76,229,288	62,380,242	10,200,346	16,427,301
Total equity	126,756,581	124,586,762	95,932,505	91,337,134
Total capital	202,985,869	186,967,005	106,132,850	107,764,435
Gearing ratio	38%	33%	10%	15%

Impact of COVID 19 Pandemic on the Financial Statements of the Group

On 11th March 2020, the World Health Organization declared the COVID-19 as a Global Pandemic Situation. The pandemic has been significantly affected to the Sri Lanka economy as well as the Group's business environment.
The Board of Directors has evaluated and determined the below impact to each sector carried out by the Group.

(a) Melstacorp PLC ("the Company")

Melstacorp PLC is essentially an investment company with diversified holdings in listed and unlisted companies spanning many industries. Given the diversity of investments of the company, the topline revenue has been sustainable at reasonable levels throughout the current financial year despite the impact of COVID 19.

(b) Beverage Sector

The beverage sector is the highest contributor to both the top and the bottom lines of the Group. The Board of Directors are of the view that Covid-19 pandemic will have an impact but not significant on next year's financial results of this sector due to curtailment on the sale of liquor during the lockdown period.

(c) Plantation Sector

The Board of Directors are of the view that the Covid 19 pandemic would not have a significant impact to the business operations of planation sector primarily due to the Plantation sector being declared as an "essential service", enabling the sector to carry out its critical operations with minimum interruption during the lockdown period and the same prioritization will be provided to the industry in case of a future lockdown. Despite many other challenges faced by the sector including continuous losses, the Group has provided the assurance that they shall provide necessary financial support and other assistance to the sector to continue as a going concern in the future.

(d) Financial Services Sector

The Board of Directors is of the view that the Covid 19 pandemic would not have a significant impact to the business operations, since the financial service sector is gradually gaining market share and exceeding the industry growth rate as at the reporting date.

(e) Telecommunication Sector

The Board of Directors is of the view that the Covid 19 pandemic would not have a significant impact to the business operations, since this sector recorded a revenue increase of 6.6% whilst passing the 70,000 customer milestone as at the reporting date. Revenue from the 4G LTE service is expected to grow further during the financial year of 2020/2021 as well since an aggressive base station optimization plan will be carried out to maximize the near 500 base stations commissioned around the country. This together with the rising demand for quality internet connectivity offers substantial growth potential to this sector.

(f) Diversified Sector

The current year's performance of diversified sector was affected due to the impact arising from COVID-19 pandemic. Tourism sector was the hardest hit by the COVID-19 pandemic as nearly all properties were compelled to close, except a few, which remained open throughout with limited operations. However, Maritime, ports, logistics, power, printing and money transfer operations continued throughout the lockdown, reflecting their resilience and relevance to sustaining vital supply chains. The Board will continue to monitor the economic conditions and its impact on the business operations and take mitigation actions to minimize the potential impacts and business continuity.
Considering the above, the Directors of the Group concluded that the use of going concern assumption for the preparation of consolidated financial statements for the year ended 31st March 2020 is appropriate.

Statement of Value Added

Value Added

For the year ended 31 March,	2020		2019	
	Group	Company	Group	Company
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Turnover	154,475,213	212,752	157,482,828	209,203
Other Operating Income	1,703,057	6,778,946	2,015,095	4,604,102
Finance Income	3,067,046	2,026,350	2,599,438	1,322,939
Share of Profits of Equity Accounted Investees	476,354	-	395,185	-
Negative Goodwill on Acquisition		-	-	-
	159,721,670	9,018,048	162,492,547	6,136,244

Value Distributed

For the year ended 31 March,	2020			
	Group		Company	
	Rs.'000	As a % of Total	Rs.'000	As a % of Total
To the State as Taxes	63,396,652	39.7%	228,486	2.5%
Operating Expenses	62,560,430	39.2%	1,966,661	21.8%
To the Employees	16,296,584	10.2%	92,651	1.0%
To Providers of Debt Capital	5,846,639	3.7%	1,592,872	17.7%
To the Shareholders as Dividends	4,003,119	2.5%	2,330,796	25.8%
Retained with the Business				
As Depreciation	6,999,678	4.4%	6,060	0.1%
As Retained Earnings	618,569	0.4%	2,800,521	31.1%

For the year ended 31 March,	2019			
	Group		Company	
	Rs.'000	As a % of Total	Rs.'000	As a % of Total
To the State as Taxes	63,671,153	39.2%	296,775	4.8%
Operating Expenses	64,854,854	39.9%	1,283,858	20.9%
To the Employees	15,024,809	9.2%	80,922	1.3%
To Providers of Debt Capital	3,749,394	2.3%	581,118	9.5%
To the Shareholders as Dividends	1,933,782	1.2%	-	0.0%
Retained with the Business				
As Depreciation	5,710,444	3.5%	2,390	0.0%
As Retained Earnings	4,777,233	2.9%	3,891,181	63.41%

Shareholder Information

1. Stock Exchange Listing

The Issued Ordinary Shares of the company are listed with the Colombo Stock Exchange.
Ticker Symbol - MELS.N0000
Market Sector - Diversified

2. Distribution of Shareholding

	31 March 2020			31 March 2019		
	No of Share Holders	Total Holdings	% of Holding	No of Share Holders	Total Holdings	% of Holding
1 to 1,000	6,080	2,935,344	0.25	5,912	2,884,008	0.25
1,001 to 10,000	3,877	14,256,875	1.22	3,817	13,976,023	1.20
10,001 to 100,000	633	19,318,952	1.66	594	17,570,372	1.51
100,001 to 1,000,000	67	19,447,295	1.67	74	22,349,607	1.92
1,000,000 & Over	36	1,109,438,606	95.20	35	1,108,617,062	95.12
	10,693	**1,165,397,072**	**100.00**	**10,432**	**1,165,397,072**	**100.00**

3. Analysis of Shareholding

	31 March 2020			31 March 2019		
	No of Share Holders	Total Holdings	% of Holding	No of Share Holders	Total Holdings	% of Holding
Individuals	10,438	257,509,773	22.10	10,198	243,795,013	20.92
Institutions	255	907,887,299	77.90	234	921,602,059	79.08
	10,693	**1,165,397,072**	**100.00**	**10,432**	**1,165,397,072**	**100.00**
Resident	10,591	865,064,697	74.23	10,322	860,413,828	73.83
Non-Resident	102	300,332,375	25.77	110	304,983,244	26.17
	10,693	**1,165,397,072**	**100.00**	**10,432**	**1,165,397,072**	**100.00**

4. Market Price

	31 March 2020	31 March 2019
Last Traded	23.50	36.00
Highest	50.00	62.90
Lowest	23.50	36.00

Shareholder Information

5. Twenty Largest Shareholders – 31 March 2020

	Shareholdings as at	2020		2019	
Rank	Name	No of shares	%	No of shares	%
1	Milford Exports (Ceylon) (Pvt) Limited	498,819,000	42.80	498,819,000	42.80
2	Mr. M.A. Yaseen	166,512,745	14.29	158,177,302	13.57
3	Lanka Milk Foods (CWC) Limited	151,846,000	13.03	151,846,000	13.03
4	Bnymsanv Re-Neon Liberty Lorikeet Master Fund LP	63,895,700	5.48	51,724,381	4.44
5	Commercial Bank of Ceylon PLC / L. E. M. Yaseen	52,200,000	4.48	52,200,000	4.48
6	Mrs. L. E. M. Yaseen	25,080,000	2.15	20,425,000	1.75
7	Commercial Bank of Ceylon PLC / M. A. Yaseen	16,000,000	1.37	16,000,000	1.37
8	Lahugala Plantation (Private) Limited	14,782,240	1.27	14,782,240	1.27
9	Mrs. S. M. Chrysostom	11,390,000	0.98	11,390,000	0.98
10	Bnym Re-Consilium Frontier Equity Fund L.P.	8,781,575	0.75	13,745,754	1.18
11	Stassen Exports (Pvt) Limited	8,746,800	0.75	8,746,800	0.75
12	Mr. D. H. S. Jayawardena	7,531,332	0.65	7,531,332	0.65
13	SSBT-Parametric Tax-Managed Emerging Markets Fund	6,203,001	0.53	6,203,001	0.53
14	Bnymsanv Re-Neon Liberty Emerging Markets Fund LP	6,021,000	0.51	-	0.00
15	Citibank NewYork S/A Norges Bank Account 2	5,932,697	0.51	-	0.00
16	MCSEN Range Private Limited	5,459,864	0.47	5,459,864	0.47
17	Morgan Stanley And Co. LLC - RWC Frontier Markets Equity Master Fund	5,291,565	0.45	7,295,860	0.63
18	Ceylon Investment PLC A/C # 02	4,980,244	0.43	4,980,244	0.43
19	SSBT - Frank Russell Investment Company Emerging Markets Fund - Che7	4,787,216	0.41	4,787,216	0.41
20	SSBT - Parametric Emerging Markets Fund	4,730,447	0.41	5,523,537	0.47
		1,068,991,426	**91.73**	**1,039,637,531**	**89.21**
	Others	96,405,646	8.27	125,759,541	10.79
	Total number of listed voting shares	**1,165,397,072**	**100.00**	**1,165,397,072**	**100.00**
	Percentage of shares held by the public	42.77		42.77	
	Total No. of share holders who hold the public holding	10,689		10,427	

6. Non Listed Non Voting Shares

	Shareholdings as at	2020		2019	
Rank	Name	No of shares	%	No of shares	%
1	Distilleries Company of Sri Lanka PLC	1,000	100	1,000	100
	Total number of non listed non voting shares	1,000	100	1,000	100

7. Float Adjusted Market Capitalisation

The Public holding of the company as at 31 March 2020 was 42.77 % comprising of 10,689 shareholders and a float adjusted market capitalization of Rs.11,763,512,984/-. Interms of rule 7.13 1(a) of the listing rule of CSE and the company qualifies under the option one of the minimum public holding requirement.

8. Directors' Share Holdings as at 31 March 2020

As at 31 March	No of Shares 2020	No of Shares 2019
Mr. D. H. S. Jayawardena	Nil	Nil
Mr. A.L. Gooneratne	Nil	Nil
Mr. C. R. Jansz	Nil	Nil
Mr. N. de S. Deva Aditya	Nil	Nil
Capt.. K. J. Kahanda (Retd.)	Nil	Nil
Dr. A. N. Balasuriya	Nil	Nil
Mr. D. Hasitha S. Jayawardena	7,531,332	7,531,332
Mr. R. Seevaratnam	Nil	Nil
Ms. V. J. Senaratne (Alternate Director to Mr. N.de.S.Deva Aditya)	Nil	Nil

Summarised Financial Information

In Rs.'000 - Company	2020	2019	2018	2017	2016	2015	2014
Results							
Gross turnover	212,752	209,203	228,319	193,249	186,314	166,474	158,688
Dividend income							
From subsidiaries	6,029,869	3,331,648	810,307	134,990	376,067	336,994	372,453
From equity accounted investees	-	-	91,595	496,725	334,753	333,653	242,445
From other short-term and long-term investments	690,371	896,023	715,347	708,648	560,960	173,898	158,232
Finance income	2,026,350	1,322,939	870,786	1,425,673	35,743	123,648	243,203
Finance expenses	(1,592,872)	(637,473)	(92,763)	(85,488)	(90,719)	-	(4,120)
Profit / (loss) before tax	5,359,804	4,214,914	3,270,441	3,253,106	1,189,337	1,224,829	1,023,092
Profit / (loss) after tax	5,095,778	3,796,145	2,801,605	2,866,375	1,184,477	1,180,488	1,013,568
Funds employed							
Stated capital	89,100,000	89,100,000	89,100,000	89,100,000	48,320,750	48,320,750	35,558,000
Reserves	(1,877,918)	(3,708,246)	(981,720)	(2,597,197)	(2,714,418)	515,382	1,257,520
Retained earnings	8,710,425	5,945,377	2,421,286	2,491,925	2,182,800	1,797,820	684,110
Shareholders' funds	95,932,507	91,337,132	90,539,566	88,994,728	47,789,132	50,633,952	37,499,630
Total borrowings	10,262,646	16,460,961	300,739	109,534	1,448	-	-
Non current liabilities	594,221	555,001	431,132	108,073	88,231	63,408	42,106
Current liabilities net of borrowings	794,283	3,826,370	334,110	453,399	1,925,350	385,338	4,673,087
Assets employed							
Non-current assets	97,592,040	94,134,676	80,533,198	81,601,753	47,247,655	47,276,160	38,489,377
Current assets	9,991,617	18,044,791	11,072,349	7,999,865	2,555,058	3,806,538	3,725,446
	107,586,657	112,179,467	91,605,547	89,601,618	49,802,713	51,082,698	42,214,823
Cashflows							
Net cashflow from operating activities	4,744,195	3,640,998	857,204	1,332,530	1,741,444	659,030	1,061,034
Net cashflow from investing activities	6,761,753	(23,212,454)	(1,429,763)	828,765	(2,486,423)	(1,052,809)	(2,374,332)
Net cashflow from financing activities	(5,278,992)	2,900,805	501,972	(1,868,637)	739,173	360,211	1,343,797
Net increase/(decrease) in cash & cash equivalents	6,226,956	(16,670,651)	(70,587)	292,659	(5,806)	(33,568)	30,499
Key indicators							
Earnings per share (Rs.)	4.37	3.26	2.4	3.03	4.46	5.47	5.07
Net assets per share (Rs.)	82.32	78.37	77.69	76.36	180.03	190.75	187.5
Market value per share (Rs.) year end	23.50	36.00	58.1	59.2	-	-	-
Return on shareholders' funds	5%	4%	3%	3%	2%	2%	3%
Dividends per share (Rs.)	2.00	-	2.44	1	-	3	4.6
Dividend payout	45.8%	0.00%	101.67%	40.02%	0.00%	55%	91%
Dividend yield	8.5%	0.0%	4.20%	1.70%	N/A	N/A	N/A

Company Management

Management Team			
Managing Director	A.L. Gooneratne FCA (SL), FCA (Eng. & Wales)	Director Operations Plantations / Group General Manager HR & Admin.	Maj. Gen. Dampath Fernando (Retd.) RWP, RSP, VSV, USP, psc, MBA(UK)
Group Consultant	L.U. Damien Fernando MBA (Sri J.), FCMA (UK)	Group Head of Systems Control & Internal Audit	M.B.M. Ifthikar FCA

Group Directory

Beverage

Distilleries Company of Sri Lanka PLC

Board of Directors
D. H. S. Jayawardena - Chairman / Managing Director
C. R. Jansz
N. de. S. Deva Aditya
Capt. K. J. Kahanda (Retd.)
Dr. A. N. Balasuriya
D. Hasitha S. Jayawardena
R. Seevaratnam
A. L. Gooneratne - (Alternate to N. de. S. Deva Aditya)
Ms. V. J. Senaratne - (Alternate to Capt. K. J. Kahanda (Retd.)

Secretary : Ms. V. J. Senaratne

Registered Office
110, Norris Canal Road, Colombo 10
Tel: +94 11 5507000 / 2695295 -7
Fax: +94 11 2696360

Co. Reg. No. PQ 112

Auditors : Messrs KPMG (Chartered Accountants)

Periceyl (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – Chairman
C. R. Jansz
S. K. S. D. Amarathunga
A. L. Gooneratne
D. Hasitha S. Jayawardena

Secretary : Ms. V. J. Senaratne

Registered Office
110, Norris Canal Road, Colombo 10
Tel: +94 11 2808565 Fax: +94 11 5551777

Co. Reg. No. PV 5529

Auditors : Messrs Ernst & Young (Chartered Accountants)

Plantation

Balangoda Plantations PLC

Board of Directors
D. H. S. Jayawardena – Chairman / Managing Director
C. R. Jansz
A. S. Perera (Resigned w.e.f. 01.10.2020)
Dr. A. Shakthevale
D. S. K. Amarasekera
A. L. Gooneratne
D. Hasitha S. Jayawardena

Secretary : P. A. Jayatunga

Registered Office
110, Norris Canal Road, Colombo 10
Tel: +94 11 2522871-2 Fax: +94 11 2522913

Co. Reg. No. PQ 165

Auditors : Messrs KPMG (Chartered Accountants)

Madulsima Plantations PLC

Board of Directors
D. H. S. Jayawardena – Chairman / Managing Director
Dr. N. M. Abdul Gaffar
B. M. D. K. S. Basnayake
Dr. A. Shakthevale
D. S. K. Amarasekera
D. Hasitha S. Jayawardena

Secretary : P. A. Jayatunga

Registered Office
833, Sirimavo Bandaranaike Mawatha, Colombo 14
Tel: +94 11 2522871-2 Fax: +94 11 2522913

Co. Reg. No. PQ 184

Auditors : Messrs KPMG (Chartered Accountants)

Group Directory

Telecommunication	
Lanka Bell Limited **Board of Directors** D. H. S. Jayawardena – Chairman Dr. T. K. D. A. P. Samarasinghe – Managing Director C. R. Jansz D. S. C. Mallawaarachchi A. L. Gooneratne	**Secretary** : Ms. C. M. Chandrapala **Registered Office** 344, Galle Road, Colombo 03. Tel: +94 11 5335000 Fax: +94 11 5545988 **Co. Reg. No.** PB 306 **Auditors :** Messrs KPMG (Chartered Accountants)
Bellactive (Pvt) Limited **Board of Directors** D. H. S. Jayawardena – Chairman Dr. T. K. D. A. P. Samarasinghe – Managing Director D. S. C. Mallawaarachchi A. L. Gooneratne	**Secretary** : Ms. C. M. Chandrapala **Registered Office** No: 344, Galle Road, Colombo 03 Tel: +94 11 5335000 **Co. Reg. No.** PV 61396 **Auditors :** Messrs Amarasekara & Company (Chartered Accountants)
Bell Solutions (Pvt) Limited **Board of Directors** D. H. S. Jayawardena – Chairman Dr. T. K. D. A. P. Samarasinghe – Managing Director D. S. C. Mallawaarachchi A. L. Gooneratne	**Secretary** : Ms. C. M. Chandrapala **Registered Office** No: 344, Galle Road, Colombo 03 Tel: +94 11 5335000 **Co. Reg. No.** PV 61398 **Auditors :** Messrs Amarasekara & Company (Chartered Accountants)
Financial Services	
Continental Insurance Lanka Limited **Board of Directors** G. D. C. de Silva - Managing Director A. S. Abeyewardene H. Wickramasinghe A. L. Gooneratne A. M. De S. Jayaratne J. D. N. Kekulawala T. Fernandopulle (Appointed w.e.f 23.01.2020)	**Secretaries :** P. W. Corporate Secretarial (Pvt) Limited **Registered Office** 79, Dr. C. W. W. Kannangara Mawatha, Colombo 07 Tel : +94 11 5200300 **Co. Reg. No.** PB 3784 **Auditors :** Messrs KPMG (Chartered Accountants)
Diversified Holdings	
Milford Holdings (Pvt) Limited **Board of Directors** D. H. S. Jayawardena – Chairman C. R. Jansz Capt. K. J. Kahanda (Retd.)	**Secretary** : Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 2695295-7 Fax: +94 11 2696360 **Co. Reg. No.** PV 5944 **Auditors** : Messrs KPMG (Chartered Accountants)

Diversified Holdings (Contd.)	
Aitken Spence PLC **Board of Directors** D. H. S. Jayawardena – Chairman Dr. M. P. Dissanayake - Deputy Chairman/Managing Director J. M. S. Brito Dr. R. M. Fernando Ms. D. S. T. Jayawardena G. C. Wickremasinghe C. H. Gomez N. de S. Deva Aditya R. N. Asirwatham	**Secretaries** : Aitken Spence Corporate Finance (Private) Limited **Registered Office** 315, Vauxhall Street, Colombo 02 Tel: +94 11 2308308 Fax : +94 11 2445406 Web: www.aitkenspence.com **Co. Reg. No.** PQ 120 **Auditors** : Messrs KPMG (Chartered Accountants)
Texpro Industries Limited **Board of Directors** D. H. S. Jayawardena – Chairman J. D. Peiris – Managing Director H. I. Munasinha A. L. Gooneratne D. S. C. Mallawaarachchi	**Secretaries :** SSP Corporate Services (Pvt) Limited **Registered Office** 1st Floor, Lakshman's Building, 321, Galle Road, Colombo 03 Tel: +94 11 2565951 **Co. Reg. No.** PB 748 **Auditors** : Messrs KPMG (Chartered Accountants)
Timpex (Pvt) Limited **Board of Directors** D. H. S. Jayawardena – Chairman J. D. Peiris – Managing Director H. I. Munasinha A. L. Gooneratne D. S. C. Mallawaarachchi	**Secretaries :** SSP Corporate Services (Pvt) Limited **Registered Office** 1st Floor, Lakshman's Building, 321, Galle Road, Colombo 03 Tel: +94 11 2565951 **Co. Reg. No.** PV 17863 **Auditors** : Messrs KPMG (Chartered Accountants)
Bellvantage (Private) Limited **Board of Directors** A. L. Gooneratne P. Karunanayake D. S. C. Mallawarachchi	**Secretary** : Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 **Co. Reg. No.** PV : 65022 **Auditors :** Messrs Amarasekara & Company (Chartered Accountants)
Melsta Logistics (Pvt) Limited **Board of Directors** A. L. Gooneratne – Chairman T. Q. Fernando D. S. C. Mallawaarachchi	**Secretary** : Ms. N. C. Gunawardena **Registered Office** 160, Negombo Road, Seeduwa Tel: +94 11 5223300 Fax: +94 11 5223322 Web: www.crc.lk **Co. Reg. No.** PV 14051 **Auditors :** Messrs Amarasekara & Company (Chartered Accountants)

Group Directory

Diversified Holdings (Contd.)	
Splendor Media (Pvt) Limited **Board of Directors** Ms. D. S. T. Jayawardena – Chairperson Ms. G. Chakravarthy N. N. Nagahawatte O. A. R. P. Obeysinghe	**Secretary :** Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 5639501 Fax: +94 11 5373344 **Co. Reg. No.** PV 1230 **Auditors :** Messrs KPMG (Chartered Accountants)
Bogo Power (Pvt) Limited **Board of Directors** D. H. S. Jayawardena – Chairman Dr. N. M. Abdul Gaffar A. L. Gooneratne	**Secretary :** P. A. Jayatunga **Registered Office** 833, Sirimavo Bandaranaike Mawatha, Colombo 14 Tel: +94 11 2522871-2 Fax: +94 11 2522913 **Co. Reg. No.** PV 64901 **Auditors :** Messrs Ernst & Young (Chartered Accountants)
Browns Beach Hotels PLC **Board of Directors** D. H. S. Jayawardena – Chairman Dr. M. P. Dissanayake C. R. Stanislaus Ms. D. S. T. Jayawardena A. L. Gooneratne R. N. Asirwatham N. de S. Deva Aditya	**Secretaries :** Aitken Spence Corporate Finance (Private) Limited **Registered Office** 315, Vauxhall Street, Colombo 02 Tel: +94 11 2308308 Fax: +94 11 2308099 **Co. Reg. No.** PQ 202 **Auditors :** Messrs KPMG (Chartered Accountants)
Melsta Properties (Pvt) Limited **Board of Directors** Capt. K. J. Kahanda (Retd.) S. Rajanathan R. R. P. L. S. Ratnayake	**Secretary :** P. A. Jayatunga (Resigned w.e.f. 01.10.2019) Ms. N. C. Gunawardena (Appointed w.e.f. 01.10.2019) **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 5900300 Fax : +94 11 2695794 **Co. Reg. No.** PV 78422 **Auditors :** Messrs KPMG (Chartered Accountants)
Melsta Towers (Pvt) Limited **Board of Directors** A. L. Gooneratne Ms. S. A. Atukorale D. S. C. Mallawaarachchi	**Secretary :** Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 5900300 Fax : +94 11 2695794 **Co. Reg. No.** PV 90157 **Auditors :** Messrs KPMG (Chartered Accountants)
Melsta Technologies (Pvt) Limited **Board of Directors** B. K. J. P. Rodrigo P. Karunanayke D. A. C. Peiris D. M. Welikandage K. D. Bernard	**Secretary :** Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 5288625 Fax : +94 11 2695794 **Co. Reg. No.** PV 104028 **Auditors :** Messrs KPMG (Chartered Accountants)

Diversified Holdings (Contd.)	
Melsta Health (Private) Limited **Board of Directors** D. H. S. Jayawardena – Chairman A. L. Gooneratne D Hasitha S. Jayawardena C.R. Jansz (Appointed w.e.f. 08.06.2020)	**Secretary :** Ms. V. J. Senaratne Registered Office 110, Norris Canal Road, Colombo 10 Tel: +94 11 5288625 Fax : +94 11 2695794 **Co. Reg. No.** PV 118630 **Auditors :** Messrs KPMG (Chartered Accountants)
Melsta Laboratories (Private) Limited **Board of Directors** A. L. Gooneratne Dr. A. Jayakody D. S. C. Mallawaarachchi	**Secretary :** Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 5288625 Fax: +94 11 2695794 **Co. Reg. No.** PV 130983 **Auditors:** Messrs KPMG (Chartered Accountants)
Melsta Pharmaceuticals (Private) Limited **Board of Directors** A. L. Gooneratne K. D. Bernard	**Secretary :** Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 5288625 Fax: +94 11 2695794 **Co. Reg. No.** PV 124904 **Auditors:** Messrs KPMG (Chartered Accountants)
Melsta Healthcare Colombo (Private) Limited **Board of Directors** A. L. Gooneratne Dr. A. Jayakody D. S. C. Mallawaarachchi Dr. K.T. Iraivan	**Secretary :** Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 5288625 Fax : +94 11 2695794 **Co. Reg. No.** PV 130988 **Auditors:** Messrs KPMG (Chartered Accountants)
Hospital Management Melsta (Private) Limited **Board of Directors** D. H. S Jayawardena A. L. Gooneratne Dr. A. Jayakody Dr. K. T. Iraivan V. M. Fernando (Appointed w.e.f. 08.06.2020)	**Secretary :** Ms. N. C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10 Tel: +94 11 5288625 Fax: +94 11 2695794 **Co. Reg. No.** PV 130982 **Auditors:** Messrs KPMG (Chartered Accountants)
Melsta Hospitals Ragama (Private) Limited **Board of Directors** C.R. Jansz - Chairman (Appointed w.e.f. 19.02.2020) A.L. Gooneratne (Appointed w.e.f. 19.02.2020) D Hasitha S. Jayawardena (Appointed w.e.f. 19.02.2020) Dr. A. Jayakody (Appointed w.e.f. 19.02.2020) Dr. K.T. Iraivan (Appointed w.e.f. 19.02.2020)	**Secretary :** Ms. N.C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10. Tel : +94 11 5288625 Fax: +94 11 2695794 **Co. Reg. No.** PV 77421 **Auditors :** Messrs KPMG (Chartered Accountants)
Melsta Hospitals Colombo North (Private) Limited **Board of Directors** C.R. Jansz - Chairman (Appointed w.e.f. 19.02.2020) A.L. Gooneratne (Appointed w.e.f. 19.02.2020) D Hasitha S. Jayawardena (Appointed w.e.f. 19.02.2020) Dr. A. Jayakody (Appointed w.e.f. 19.02.2020) Dr. K.T. Iraivan (Appointed w.e.f. 19.02.2020)	**Secretary :** Ms. N.C. Gunawardena **Registered Office** 110, Norris Canal Road, Colombo 10. Tel : +94 11 5288625 Fax: +94 11 2695794 **Co. Reg. No.** PV 89856 **Auditors :** Messrs KPMG (Chartered Accountants)

Group Directory

Diversified Holdings (Contd.)	
Pelwatte Sugar Industries PLC **Board of Directors** D. H. S. Jayawardena Capt. K. J. Kahanda (Retd.) R. Wettewa D. A. de S. Wickramanayake D. H. J. Gunawardena C. S. Weeraratne D. A. E. de S. Wickramanayake K. K. U. Wijeyesekera	**Secretaries :** Managers & Secretaries (Pvt) Limited **Registered Office** 27, Melbourne Avenue, Colombo 04 Tel: +94 11 2589390 Fax: +94 11 2500674 **Co. Reg. No.** PQ 30 **Auditors:** Messrs Ernst & Young (Chartered Accountants)
Pelwatte Sugar Distilleries (Pvt) Limited **Board of Directors** Capt. K. J. Kahanda (Retd.) - Managing Director D. A. de S. Wickramanayake	**Secretaries :** Managers & Secretaries (Pvt) Limited **Registered Office** 27, Melbourne Avenue, Colombo 04 Tel: +94 11 2589390 Fax: +94 11 2500674 **Co. Reg. No.** PV 10221 **Auditors:** Messrs Ernst & Young (Chartered Accountants)
Pelwatte Agriculture & Engineering Services (Pvt) Limited **Board of Directors** D. A. de S. Wickramanayake C. S. Weeraratne	**Secretaries :** Managers & Secretaries (Pvt) Limited **Registered Office** 27, Melbourne Avenue, Colombo 04 Tel: +94 11 2589390 Fax: +94 11 2500674 **Co. Reg. No.** PV 66850 **Auditors:** Messrs Ernst & Young (Chartered Accountants)
Joint Venture	
Melsta Gama (Private) Limited **Board of Directors** D. H. S. Jayawardena M. S. Mawzoon V. M. Fernando M. T. Siddique Capt. K. J. Kahanda (Retd.) C. Singh D. Hasitha S. Jayawardena (Alternate to D. H. S. Jayawardena)	**Secretaries :** Corporate Services (Private) Limited **Registered Office** No. 4, R. A. De Mel Mawatha, Colombo 04. Tel: +94 11 5507000 / 2695295 -7 Fax: +94 11 2696360 **Co. Reg. No.** PV 123310 **Auditors:** Messrs KPMG (Chartered Accountants)
Associates	
Pelwatte Dairy Industries Limited **Board of Directors** D. A. de S. Wickramanayake D. A. E. de S. Wickramanayake D. H. J. Gunawardena A. N. F. Perera	**Secretaries :** Maidas Secretarial Services (Pvt) Limited **Registered Office** A/4, Perahera Mawatha, Colombo 03 **Co. Reg. No.** PV 16876 **Auditors:** Messrs Ernst & Young (Chartered Accountants)
Amethyst Leisure Limited **Board of Directors** Ms. D. S. T. Jayawardena - Chairperson Ms. V. J. Senaratne A. Mahir J. C. Weerakoon	**Secretaries :** Aitken Spence Corporate Finance (Private) Limited **Registered Office** 315, Vauxhall Street, Colombo 02 Tel: +94 11 2308308 Fax: +94 11 2308099 **Co. Reg. No.** PQ 202 **Auditors:** Messrs KPMG (Chartered Accountants)

Notice of Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING OF **MELSTACORP PLC** will be held as a virtual meeting at the **"Mini Auditorium"** DCSL, No 110, Norris Canal Road, Colombo 10. Sri Lanka on 6th November 2020 at 11.00 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Directors and the Financial Statements of the Company for the year ended 31st March 2020.

2. To re-appoint M/s. KPMG, Chartered Accountants, as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed with by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st March 2021.

3. To re-elect as a Director Mr. Don Hasitha Stassen Jayawardena who retires from office at the end of this Annual General Meeting in terms of the Article 86 of the Articles of Association of the Company and being eligible has offered himself for re-election.

4. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. D. H. S. Jayawardena who has reached the age of 78 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. D. H. S. Jayawardena who has reached the age of 78 years prior to the Annual General Meeting and that he shall accordingly be re-appointed"

5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. R. Seevaratnam who has reached the age of 77 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. R. Seevaratnam who has reached the age of 77 years prior to the Annual General Meeting and that she shall accordingly be re-appointed"

6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. Niranjan de Silva Deva Aditya who has reached the age of 72 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. Niranjan de Silva Deva Aditya who has reached the age of 72 years prior to the Annual General Meeting and that he shall accordingly be re-appointed"

7. To approve the donations and contributions made by the Directors during the year under review and to authorise the Directors to determine donations and contributions for the ensuing year.

8. To pass the following special resolution to amend the Articles of Association of the company:

   "IT IS HEREBY RESOLVED THAT the Articles of Association of the company be and are hereby amended as follows:-

   (a) Article 2 be amended by amending the definition of "Company" as follows;

   "Company | means Melstacorp PLC"

   (b) Article 19(i) be amended by the insertion of the words, "being present at the meeting physically or, through an electronic platform and/or application" immediately after the words "shall, mutatis mutandis apply except, that the necessary quorum shall be two persons" and by the insertion of the words, "physically or through an electronic platform and/or application," immediately after the words "and that any holder of shares in the class present in person or by proxy", so that the amended Article 19(i) shall read as follows:

   "19(i) Whenever the shares of the Company are divided into different classes, the special rights attached to any class may subject to the provisions of the Act be varied or abrogated only with the sanction of a Special Resolution passed at a separate General Meeting of such holders (but not otherwise), and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company or to the proceedings thereat, shall, mutatis mutandis apply except, that the necessary quorum shall be two persons being present at the meeting physically or through an electronic platform and/or application, at least holding or representing by proxy one-third in nominal amount of the issued shares of the class (but so that of at any adjourned meeting of such holders a quorum as above defined is not present, those of such holders who are present shall be a

Notice of Meeting

quorum) and that any holder of shares in the class present in person or by proxy physically or through an electronic platform and/or application, may demand a poll, and that such holders shall on a poll have one vote for every share of the class held by them respectively."

(c) Article 51 be amended by the insertion of the words, "(in the event of a physical meeting where a number of shareholders who constitute a quorum, assemble together at a particular place appointed for the meeting)" immediately after the words "The Annual General Meetings shall be held at such time and place", so that the amended Article 51 shall read as follows:

"51. The Company shall once in each calendar year hold a General Meeting as its Annual General Meeting not later than six months after the balance sheet date of the Company in addition to any other meetings in that year and not later than 15 months from the date of the previous Annual General Meeting of the Company. The Annual General Meetings shall be held at such time and place (in the event of a physical meeting where a number of shareholders who constitute a quorum, assemble together at a particular place appointed for the meeting) as the Directors shall appoint. All General Meetings other than the Annual General Meetings shall be called Extra-ordinary General Meetings. The Directors may whenever they think fit, convene an Extra-ordinary General Meeting."

(d) Article 53(i) be deleted in its entirety and the following be inserted in substitution therefor:

"53(i) Every notice calling a General Meeting shall specify the day and hour of the meeting and in the case of a physical meeting where a number of shareholders who constitute a quorum, are to assemble together at a particular place appointed for the meeting, the place of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Shareholder entitled to attend and vote is entitled to appoint a proxy or proxies, to attend and vote instead of him and that a proxy need not be a Shareholder of the Company."

(e) The following Article numbered Article 56(A) be inserted immediately after Article 56:

"56A. A General Meeting may be held either:

a) by a number of shareholders who constitute a quorum, being assembled together at the place, and time appointed for the meeting; and/or

b) by means of audio, or audio visual communication method or platform specified by the Board by which all shareholders participating and constituting a quorum, can simultaneously hear and/or see each other throughout the meeting ("electronic platform and/or application").

The Board may from time to time and at their discretion, decide to use of an electronic platform and/or application for the conduct of meetings as aforesaid and in such instance, being present or presence at a meeting and voting by a show of hands and any other reference with regard to the conduct of meetings in these presents which refers to or connotes a physical meeting shall mean and include a meeting using an electronic platform and/or application."

and the following words be inserted as its heading; "Methods of holding meetings"

(f) Article 57 be amended by the insertion of the words, "being present at the meeting physically or through an electronic platform and/or application" immediately after the words "present in person or by proxy or attorney or (in the case of a corporation) by authorized representative", so that the amended Article 57 shall read as follows:

"57. No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business. Five shareholders holding not less than thirty five per centum of the issued shares of the Company present in person or by proxy or attorney or (in the case of a corporation) by authorized representative being present at the meeting physically or through an electronic platform and/or application shall be a quorum for all purposes."

(g) Article 58(i) be amended by the insertion of the words, ", if relevant" immediately after the words "adjourned to the same day in the next week at the same time and place" and by the insertion of the words, ", if relevant" immediately after the words "or to such day and at such other time and place", so that the amended Article 58(i) shall read as follows:

"58(i) If, within fifteen minutes from the time appointed for the meeting, a quorum is not present, the meeting if convened on requisition of Shareholders, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, if relevant or to such day and at such other time and place, if relevant as the Directors may determine, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the Shareholders present (if more than one) shall be a quorum."

(h) Article 60 be amended by the insertion of the words, ", if relevant" immediately after the words "adjourn the meeting from time to time and from place to place", so that the amended Article 60 shall read as follows:

"60.The Chairman of the meeting may, with consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, if relevant, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at the adjourned meeting."

(i) Article 61 be deleted in its entirety and the following be inserted in substitution therefor:

"61 At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hand in the case of a meeting of shareholders held under paragraph (a) of Article 56A or by Shareholders signifying individually their assent or dissent by voice or any other electronic platform and/or application available to express and record such assent or dissent hand in the case of a meeting of shareholders held under paragraph (b) of Article 56A, unless a poll is (before or on declaration of the results of the show of hands or expression of assent or dissent using the electronic platform and/or application) demanded by-

(i) The Chairman of the meeting; or

(ii) Not less than five persons present in person or by attorney or representative or proxy and entitled to vote; or

(iii) A Shareholder or Shareholders present in person or by attorney or representative or proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting.

A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn) a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution."

(j) Article 66 be amended by the insertion of the words, "or on expression of assent or dissent using an electronic platform and/or application," immediately after the words "Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands", so that the amended Article 66 shall read as follows:

"66 Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands or on expression of assent or dissent using an electronic platform and/or application, every Shareholder who (being an individual) is present in person or by proxy or attorney who is not a Shareholder or (being a corporation) is present by a representative or proxy or attorney who is not a Shareholder, shall have one vote. Subject as aforesaid upon a poll every Shareholder who is present in person or by proxy or by attorney or by representative shall be entitled to one vote for each share held by him."

(k) Article 68 be amended by the insertion of the words, "or on expression of assent or dissent using an electronic platform and/or application" immediately after the words "A shareholder of unsound mind, or in respect or whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands", so that the amended Article 68 shall read as follows:

Notice of Meeting

"68. A shareholder of unsound mind, or in respect or whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on expression of assent or dissent using an electronic platform and/or application or on a poll, by his committee curator bonis or other person in the nature of a committee or curator bonis appointed by such court, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty eight hours before the time appointed for holding the meeting or adjourned meeting at which such person claims to vote, or in the case of a poll not less than forty eight hours before the time appointed for the taking of the poll."

(l) Article 73 be amended by the insertion of the words, "or sent by electronic mail to an electronic mail account notified by the Company to the Shareholders in writing" immediately after the words "or any other document necessary to show validity of or otherwise relating to the appointment of the Proxy shall be deposited for inspection at the Office" and by insertion of the words "or received by electronic mail to an electronic mail account notified by the Company to the Shareholders in writing" immediately after the words "in the case of a meeting called by shorter notice as set out in Section 135(3) of the Act a proxy and any other documents as aforesaid shall be valid if deposited at the Office", so that the amended Article 73 shall read as follows:

"73. The instrument appointing a proxy, and the power of attorney (if any) under which it is signed, or a notarially certified copy of such power, or any other document necessary to show the validity of or otherwise relating to the appointment of the Proxy shall be deposited for inspection at the Office or sent by electronic mail to an electronic mail account notified by the Company to the Shareholders in writing not less than thirty six hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll before the time appointed for taking of the poll at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid, provided however in the case of a meeting called by shorter notice as set out in Section 135(3) of the Act a proxy and any other documents as aforesaid shall be valid if deposited at the Office or received by electronic mail to an electronic mail account notified by the Company to the Shareholders in writing not less than twenty four hours before the time appointed for holding the meeting called by such shorter notice or such adjourned meeting."

(m) Article 74 be deleted in its entirety and the following be inserted in substitution therefor:

"74. An instrument to appoint a proxy shall be in the following form or a form as near thereto as circumstances permits:

"Melstacorp PLC"

We/I,
of
being a Shareholder/Shareholders of the above-named Company hereby appoint
of or failing him of
as my/our proxy to vote for me/us on my/our behalf for/or against the resolution and/or to speak at the (Annual or Extraordinary as the case may be) General Meeting of the Company to be held on the............ day of 20 ....and at any adjournment thereof.

Signed this......... day of ....20.. ......"

(n) Article 75(ii) be amended by the insertion of the words, "or on expression of assent or dissent using an electronic platform and/or application" immediately after the words "The proxy shall be deemed to include the right to demand or join in demanding a poll, vote on a show of hands", so that the amended Article 75(ii) shall read as follows:

75(ii) The proxy shall be deemed to include the right to demand or join in demanding a poll, vote on a show of hands or on expression of assent or dissent using an electronic platform and/or application or on a poll and to speak at the meeting."

(o) Article 76(i) be amended by the insertion of the words, "or to an electronic mail account notified by the Company to the Shareholders in writing by electronic mail" immediately after the words "provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office", so that the amended Article 76(i) shall read as follows:

"76(i) A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office or to an electronic mail account notified by the Company to the Shareholders in writing by electronic mail before commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used."

(p) Article 154 be deleted in its entirety and the following be inserted in substitution therefor:

"154. Every Shareholder shall furnish the Company his/her/its mail address or electronic mail account to which any communication intended for him/her/it may be sent by the Company and which address or electronic mail account shall be deemed to be his/her/its registered address or registered electronic mail account for the purpose of these Articles."

(q) Article 155 be deleted in its entirety and the following be inserted in substitution therefor:

"155. Where the Company is required to send any notice, financial statement, report or other document to a shareholder, it shall be sufficient for the Company to send the notice, financial statement, report or other document by courier or by post to his registered address or by electronic mail to the registered electronic mail account. Any notice, financial statement, report or other document sent by courier or by registered post, is deemed to have been received by the shareholder within three (3) working days of the posting of a properly addressed letter containing the notice, financial statement, report or other document. Where electronic mail is used, the notice, financial statement, report or other document shall be deemed to have been received by the shareholder upon the dispatch of the same by the Company through electronic mail to the registered electronic mail account."

(r) Article 158 be deleted in its entirety and the following be inserted in substitution therefor:

"158. A person entitled to a share in consequence of the death or bankruptcy of a Shareholder, upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, and upon supplying also an address or electronic mail account for the service of notices, shall be entitled to have served upon him at such address or electronic mail account any notice or document to which the Shareholder but for his death or bankruptcy would be entitled, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Save as aforesaid any notice or document delivered or sent by post or left at the registered address or sent by electronic mail to the registered electronic mail account of any Shareholder in pursuance of these presents shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company shall have had notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Shareholder as sole or joint holder."

(s) Article 159 be deleted in its entirety and the following be inserted in substation therefor:

"159. Any notice required to be given by the Company to the Directors, Shareholders (or any of them) and/or auditors and any communication between the Company, its Directors, shareholders not expressly provided for by these Articles shall be sufficiently given if the notice or communication is published on the official website of the Company and/or published on the official website of the Colombo Stock Exchange and/or published in Sinhala, Tamil and English national daily newspapers circulating in the district in which the registered office of the Company is situated."

(t) Article 160 be deleted in its entirety and be deleted in its entirety and the remaining Articles be renumbered as Article 160, 161, 162, 162 and 164.

By order of the Board,
CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries
MELSTACORP PLC
216, De Saram Place, Colombo 10.
09th October 2020, Colombo.

NOTES:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Annual General Meeting of Melstacorp PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audio visual means in the manner specified below:

Notice of Meeting

I. **Attendance of the Chairman and the Board of Directors**

The Chairman, Managing Director, Board of Directors, certain Key Management Personnel, the Company Secretary, and the External Auditors will be present at the "Mini Auditorium" DCSL, No.110, Norris Canal Road, Colombo 10. Sri Lanka at 11.00 a.m. on 06th of November 2020.

II. **Shareholder Participation**

a. Any Shareholder entitled to attend and vote is entitled to appoint a proxy or proxies in his/her stead. A form of proxy accompanies this notice. A proxy need not be a Shareholder of the Company.

b. The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.

c. The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio visual means only.

d. The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish the details of the shareholder and proxy holder, if any, by perfecting Annexure II to the circular to shareholders and forward same to the registered address of the Company, No: 110, Norris Canal Road, Colombo 10 or via e-mail to **agm2020@melsta.com, not less than three (03) days before** the date of the meeting so that the meeting login information could be forwarded to the e-mail address as provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

e. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Form of Proxy should be sent to the registered address of the Company No: 110, Norris Canal Road, Colombo 10 or via e-mail to **agm2020@melsta.com, not less than thirty six (36) hours before** the time appointed for the holding of the meeting.

III. **Shareholder's Queries**

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to the registered address of the Company, No: 110, Norris Canal Road, Colombo 10 or via e-mail to **agm2020@melsta.com, not less than three (03) days before** the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. The Annual Report of the Company for the year 2019/20 will be available for perusal of the Company website **www.melsta.com** and the Colombo Stock Exchange website on **www.cse.lk.**

Notes

Notes

Form of Proxy

I / We...

of...being a shareholder / shareholders of the above company hereby appoint Don Harold Stassen Jayawardena* or failing him Amitha Lal Gooneratne* or failing him Cedric Royle Jansz* or failing him Niranjan de Silva Deva Aditya* or failing him Kolitha Jagath Kahanda* or failing him Adrian Naomal Balasuriya* or failing him Don Hasitha Stassen Jayawardena* or failing himRanjeevan Seevaratnam*

or...

of...

as my/our* Proxy to represent me/us* and to speak and vote whether on a show of hands or on a poll for me/us* on my/ our* behalf at the Annual General Meeting of the Company to be held on the 6th November 2020 at the "Mini Auditorium" of DCSL, No. 110, Norris Canal Road, Colombo 10, Sri Lanka at 11.00 a.m. by means of audio or audio and visual technology and at any adjournment thereof and at every poll which may be taken in consequent thereof.

* Please delete the inappropriate words.

** Please write your Folio Number which is given on the top left of the address sticker

....

Signature of Shareholder

Dated this ....day of ....2020.

Notes:

1. Proxy need not be a shareholder of the Company.
2. In terms of the Article 72 of the Articles of Association of the Company.

   The instrument appointing a proxy shall be in wring and, In the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporation shall be signed as provided by its Articles of Association by person/s authorised to do so, on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any person so signing, A proxy need not be a shareholder of the Company.
3. In terms of Article 73 of the Articles of Association of the Company.

   The instrument appointing a proxy, and the power of attorney (if any) under which it is signed, or a notarially certified copy of such power, or any other document necessary to show the validity of or otherwise relating to the appointment of the proxy shall be deposited for inspection at the office not less than 36 hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll before the time appointed for taking of the poll at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid, provided however in the case of a meeting called by shorter notice as set out in Section 135(3) of the Act a proxy and any other documents as aforesaid shall be valid if deposited at the office not less than 24 hours before the time appointed for holding the meeting called by such shorter notice or such adjourned meeting.
4. In terms of Article 67 of the Articles of Association of the Company.

   In case of joint – holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint- holders, and for this purpose seniority shall be determined by the order in which the name stands in the Register or Shareholders in respect of the joint holding.
5. Instructions as to completion are noted overleaf;

Form of Proxy

Instructions as to Completion of Form of Proxy

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company / Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.
4. In the absence of any specific instructions as to voting, the proxy may use his / her discretion in exercising the vote on behalf of his appointer.
5. Duly filled Forms of Proxy should be sent to the registered address of the Company No: 110, Norris Canal Road, Colombo 10 or via e-mail to agm2020@melsta.com, not less than thirty six (36) hours before the time appointed for the holding of the meeting.

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙල කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සභාපතිතුමාගේ පණිවුඩය, අධ්‍යක්ෂකවරුන්ගේ වාර්ෂික වාර්තාව සහ විගණක වාර්තාව සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, මෙල්ස්ටාකෝප් පීඑල්සී අංක 110, නොරිස් කැනල් පාර, කොළඹ 10 යන ලිපිනයට 2020, නොවැම්බර් මස 03 වෙනි දිනට ප්‍රථම දන්වන්න.

இவ்வறிக்கை முழுமையாக ஆங்கிலத்தில் உள்ளது. தலைவரின் செய்தி, பணிப்பாளர் சபையின் வருடாந்த அறிக்கை, கணக்காய்வாளரின் அறிக்கை, ஆகியவற்றின் சிங்களம் அல்லது தமிழ் மொழிபெயர்ப்பு வேண்டுமாயின், தயவுசெய்து கடிதம் மூலம் பின்வரும் விலாசத்திற்கு, 2020 நவம்பர் மாதம் 03ம் திகதிக்கு முன் அறிவிக்கவும். செயலாளர், மெல்ஸ்டாகோப் பிஎல்சி, இலக்கம் 110, நொரிஸ் கெனல் வீதி, கொழும்பு 10.

This report is entirely in English. If you require a translated copy of The Chairman's Statement, Annual Report of the Board of Directors and The Auditor's Report in Sinhala or Tamil, please make a request by letter addressed to the Secretary, Melstacorp PLC, No. 110, Norris Canal Road, Colombo 10 before 03rd day of November 2020.

CORPORATE INFORMATION

Company Name

Melstacorp PLC

Domicile and Legal Form of the Holding Company

Public Limited Liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange

Registration No.

PB 11755 PQ

Ultimate Parent Company

Milford Exports (Ceylon) Ltd.

Registerd Office

110, Norris Canal Road, Colombo 10,
Sri Lanka.
Tel : +94 11 5900300
Fax : +94 11 5900333
Web : www.melsta.com

Board of Directors

Mr. D. H. S. Jayawardena - Chairman
Mr. A. L. Gooneratne- Managing Director
Mr. C. R. Jansz
Mr. N. de. S. Deva Aditya
Capt. K. J. Kahanda (Retd.)
Dr. A. N. Balasuriya
Mr. D. Hasitha S. Jayawardena
Mr. R. Seevaratnam
Ms. V. J. Senaratne - (Alternate to N. de. S. Deva Aditya)

Audit Committee

Mr. R. Seevaratnam – Chairman
Mr. N. de. S. Deva Aditya
Dr. A. N. Balasuriya
Mr. D. Hasitha S. Jayawardena

Remuneration Committee

Dr. A. N. Balasuriya - Chairman
Mr. N. de. S. Deva Aditya
Mr. D. Hasitha S. Jayawardena

Related Party Transactions Review Committee

Mr. R. Seevaratnam - Chairman
Dr. A. N. Balasuriya
Mr. D. Hasitha S. Jayawardena

Company Secretary

Corporate Services (Private) Limited
No. 216, De Saram Road,
Colombo 10.
Tel : +94 11 4605100
Fax : +94 11 4718220

Registrars

Central Depository Systems (Private) Limited
Registrar Services and Corporate Actions Unit
No. 341/5, M & M Center, Kotte Road,
Rajagiriya, Sri Lanka.
Tel : +94 11 2356456
Fax : +94 11 2440396

Auditors

Messrs KPMG (Chartered Accountants)
32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC

Credit Rating

The Company has been assigned 'AAA (lka)' National Long Term Rating with a Stable Outlook by Fitch Ratings Lanka Limited.