# BOUNDLESS

# OPPORTUNITIES

Melstacorp
RESPONSIBLE DIVERSITY

MELSTACORP PLC | ANNUAL REPORT 2018/19

# BOUNDLESS OPPORTUNITIES

Melstacorp's portfolio of businesses provides boundless opportunities to enhance the Group's ability to compete efficiently and aggressively in the many industries within which it operates.

Although the country has to face natural and political turbulence during the year under review, Melstacorp weathered the storm and remains poised to take advantage of these opportunities now and in the years ahead.

# CONTENTS

# HIGHLIGHTS OF THE YEAR

## April 2018

DCSL PLC shares “DIST” re-commenced trading in the Colombo Stock Exchange after the successful completion of the restructure of the Group

## July 2018

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


## October 2018

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


## March 2019

Fitch Rating has reaffirmed National Insurer Finance Rating & National Long-Term Rating of Continental Insurance Lanka Limited to “A (lka) with stable outlook

## November 2018

Melstacorp was ranked No. 08 in the Business Today ‘Top Thirty ’.

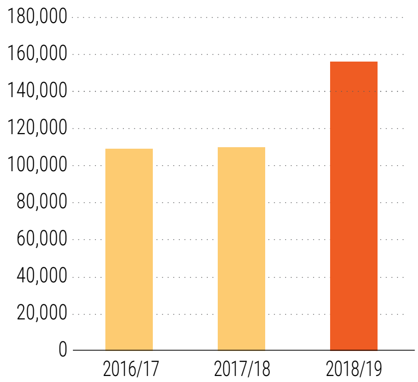
# FINANCIAL HIGHLIGHTS

| | Note | 2019 Group | 2018 Group | 2019 Company | 2018 Company |
|---|---|---|---|---|---|
| SUMMARY OF RESULTS | | | | | |
| Gross Turnover | Rs. Mn | 155,931 | 109,957 | 209 | 228 |
| Excise Duty | Rs. Mn | 64,571 | 65,227 | - | - |
| Net Turnover | Rs. Mn | 98,663 | 44,730 | 209 | 228 |
| Profit After Tax | Rs. Mn | 8,875 | 6,250 | 3,796 | 2,802 |
| Shareholders' Funds | Rs. Mn | 79,883 | 75,676 | 91,337 | 90,540 |
| Working Capital | Rs. Mn | 2,302 | 9,265 | (2,245) | 9,102 |
| Total Assets | Rs. Mn | 243,610 | 210,543 | 112,179 | 91,605 |
| Staff Cost | Rs. Mn | 15,025 | 4,839 | 81 | 62 |
| No. of Employees | | 24,265 | 25,917 | 32 | 24 |
| PER SHARE | | | | | |
| Basic Earnings | Rs. | 4.96 | 5.64 | 3.26 | 2.40 |
| Net Assets | Rs. | 68.55 | 64.94 | 78.37 | 77.69 |
| Dividends | Rs. | - | 2.44 | - | 2.44 |
| Market Price - High | Rs. | 36.00 | 71.50 | 36.00 | 71.50 |
| - Low | Rs. | 50.30 | 56.50 | 50.30 | 56.50 |
| - Year End | Rs. | 36.00 | 58.10 | 36.00 | 58.10 |
| RATIOS | | | | | |
| Price Earnings | times | 7 | 10 | 11 | 24.2 |
| Return on Shareholders' Funds | % | 11.1 | 8.3 | 4.2 | 3.1 |
| Current Ratio | times | 1.0 | 1.2 | 0.9 | 15.3 |
| Interest Cover | times | 2.2 | 4.2 | 3.9 | 36.3 |
| Debt to Equity | % | 157.2 | 136.0 | 23.0 | 1.2 |
| Debt to Total Assets | % | 48.9 | 82.7 | 18.6 | 1.2 |
| Dividend Payout | % | 101.7 | 101.7 | - | 101.7 |
| Dividend Yield | % | - | 4.2 | - | 4.2 |

# NON-FINANCIAL HIGHLIGHTS

### Gross Turnover - Group

Rs. Mn




Rs.155,931Mn

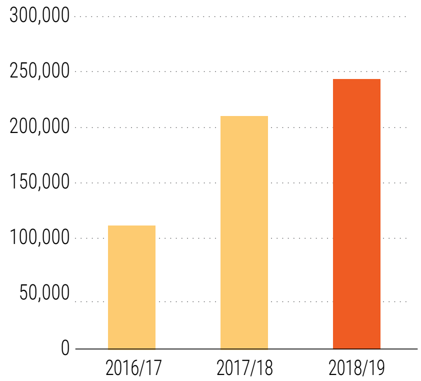
GROSS TURNOVER - GROUP

Rs.243,610Mn

TOTAL ASSETS - GROUP

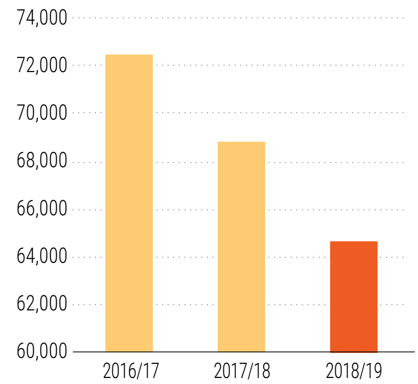
### Total Assets - Group

Rs. Mn




### Taxes Paid - Group

Rs. Mn




Rs.64,671Mn

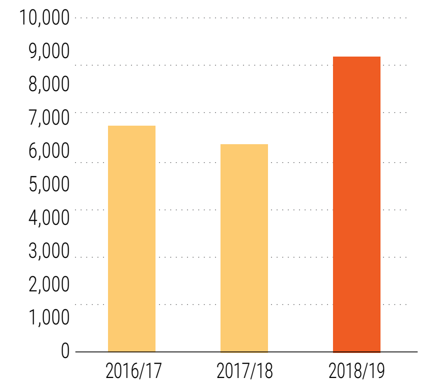
TAXES PAID - GROUP

Rs.8,875Mn

PROFIT AFTER TAX - GROUP

### Profit after Tax - Group

Rs. Mn



# OUR BUSINESSES

THE ORIGINAL DCSL ESTD 1913

Periceyl

### Beverages

Distillation, Manufacture and Distribution of Liquor Products

Madulsima PLANTATIONS PLC

Balangoda PLANTATIONS PLC

### Plantations

Cultivation and Processing of Tea & Rubber


LANKA BELL

BELLACTIVE

BSL

### Telecommunication

Voice, Data, Broadband,

Hardware, Software and Networking Solutions

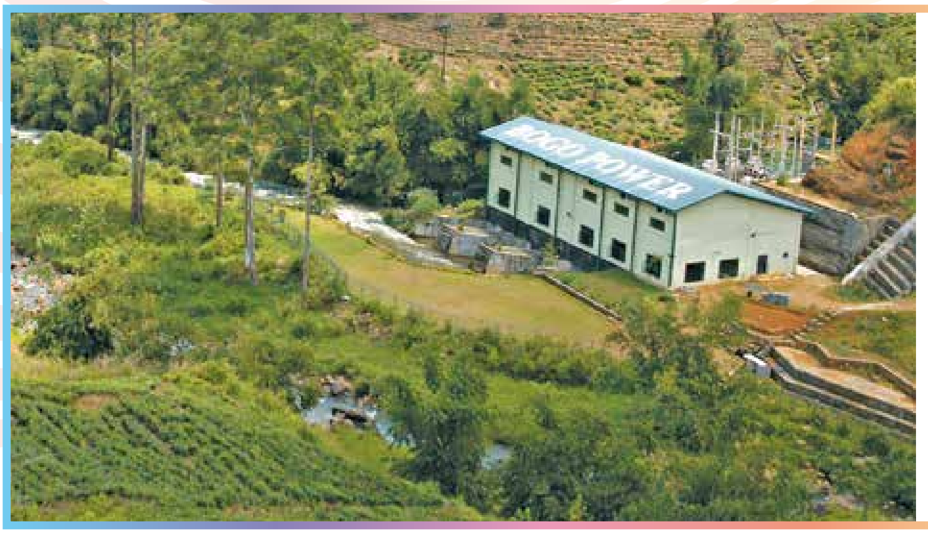

Service, redefined.
Continental
INSURANCE

**Insurance**

General Insurance Services

**Diversified**

Tourism, Maritime & Logistics, Strategic Investments and Services




Bogo Power

**Power Generation**

Hydropower Generation

# OUR BUSINESSES


**Logistics**

Automobile Servicing and Logistics


**Media**

Media Buying and Creative Services

**Textiles**

Dyeing and Printing Fabric

HERITANCE NEGOMBO

**Leisure**

Hotels & Hospitality

BELLVANTAGE
aspirations delivered

**BPO Services & Business Solutions**

BPO, KPO, Call Centre and Software Solutions

Melsta technologies

ORACLE NETSUITE · redhat · asg technologies · ORACLE Gold Partner

**Information Technology**

Oracle Applications, Mobile Applications, Digitisation

# CHAIRMAN'S STATEMENTS

IBUS DEIS UTECTUS MOLECES ULPA NONE SECTIA NUS DOLES SUM HAR UM AUT. VENECEATEM FACEARUM QUODICIENT.

I am pleased to share with you, the Company's annual report and audited financial statements for the year ended 31st March 2019. Melstacorp PLC functions as the holding company of the Group and has ventured into many industries such as beverages, tea and rubber plantations, telecommunications, insurance, power generation, logistics, textiles, hospitality and many other businesses.

**15Mn**
INVESTMENT IN TRAINING

**86%**
RETENTION RATE

**15Mn**
TO SUPPLIERS

**Rs.5Bn**
INVESTMENTS

### Group's Performance

Group Turnover reached Rs. 157 billion, while the profit after tax for the year was Rs. 8.9 billion. The Group contributed Rs. 64 billion taxes during this financial year.

### Macro Economy

Global growth in output for 2018 was 3.6% and forecast for 2019 is 3.3%. The moderate growth in 2018 was a confluence of several factors that affected major economies. Trade tensions between US and China, tightening of financial sector regulations in China, lower business confidence in the Euro region and natural disasters are some of the factors that affected the global economy.

Sri Lanka economy grew by only 3.2% in 2018. Government revenue increased, but government expenditure too increased at a similar rate with recurrent expenditure growing at a higher rate and capital expenditure seeing a decline.

Government debt has increased over a 10-year period and continued to rise. Additional borrowing has been mainly used for debt servicing and consumption, hence a lower asset growth in comparison to growth in borrowings. This is not a healthy position. Treasury bill rates increased in 2018 against 2017. Average prime lending rates by banks too increased gradually, but bank deposit rates declined. Inflation was at a low single digit level resulting from low money supply and slow-down in food inflation.

External sector performance was an impressive except improved earnings from the tourism sector. The economy was expected to grow at around 4.5% in 2019, but the Easter Sunday attacks have adversely impacted the economy. Sri Lanka is making efforts to restore normalcy and get the economy back on a growth trajectory, but the mood of the country with elections looming would have to be closely watched.

### Beverage Sector

The beverage sector is the highest contributor to both the top and the bottom lines of the Group. Our main subsidiary DCSL PLC recorded a profit after tax of Rs. 5.4 billion despite the challenges faced due to various unfair and unethical practices prevailing in the industry and continuous tax

# CHAIRMAN'S MESSAGE

increases, natural disasters and political turbulence. We have noted a substantial decrease in alcohol volume during the year and as a result our tax contribution to the State was reduced. At the same time we have observed that the legal alcohol industry has been shrinking during last few years due to the increase in illegal production of liquor and unprecedented increase in prices which has lead to a reduction in consumption. Today the price of legally produced arrack is beyond the reach of the common man in the country and naturally consumers turn to a local brew. On the other hand, one could imagine the quantum of tax revenue that is deprived to the State and we do not see any effective actions or systems in place to rectify this matter. Periceyl (Private) Limited, the second liquor company of the Group saw its profitability shrink when compared with last year due a notable decline in volumes. We are extremely disappointed in the way the authorities are turning blind to the various malpractices prevailing in the industry and we do not feel that the revenue authorities are concerned about the situation, hence; making no efforts to restore tax revenue to the State.

For the year under review the beverage sector revenue reached Rs. 87 billion and the net profit for the year was Rs. 5.8 billion.

## Plantation Sector

Year 2018 began with a lot of optimism for the tea industry in the backdrop of better tea prices witnessed in 2017. The prices moved up significantly in the 1st Quarter of 2018 with the quarterly auction average being recorded as the highest ever, however this momentum did not continue as the Industry was affected by the weak economies and political climate in most Middle Eastern countries and some of the other main tea importing countries. The Government of Sri Lanka's decision to remove the Glyphosate ban in the second half of year was a welcome relief to the Industry. However, the indefinite strike launched by estate sector trade unions during the later part of the year requesting 100% increase in basic wage for plantation workers had a crippling effect on plantations with work at most estates grinding to a complete halt during that period.

Sri Lanka Rubber production decreased in 2018 when compared with the previous year due to adverse weather which prevailed during most part of the year and smallholders not tapping due to poor prices. However, due to favourable weather conditions that prevailed in the rubber growing areas of our estates the rubber production increased by 20% during the year although the prices were low. There were signs of recovery in natural rubber prices in later part of 2018, linked to higher crude oil prices and reduction in supply by major natural rubber producers.

Despite adverse external conditions and increased production costs within the tea and rubber sectors we have invetsed over Rs. 500 Mn on capital expenditure for field development, upgrading the factories and machineries, buildings, agricultural vehicles, replanting and crop diversification during the year under review. 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 to be profitable in the future.

## Telecommunication Sector

Telecommunication sector is going through challenging times. Lanka Bell recorded a positive EBITDA during the year despite 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. On the other hand the telecommunication industry is grappling with declining bottom lines due to low pricing, high taxes and ever increasing operational & capital expenditure.

## 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 26% year-on-year increase in gross written premium. The Company recorded a gross written premium of Rs. 4 billion during the year.

## Diversified Sector

With the Group holding exceeding 50%, Aitken Spence PLC which had been an associate of the group since 1990's, completed its first full year as a subsidiary of Melstacorp. Aitken Spence is one of Sri Lanka's geographically most diversified conglomerates deriving 43% of its profits from overseas operations with a presence in eight countries in the tourism and maritime and logistics sectors. Overseas assets represent 35% of total assets of the Aitken Spence Group.

Bogo Power Pvt Ltd, which was commissioned in December 2011, has been profitable since the commencement of operations.

## Dividend

The company has not proposed a dividend for the year ended 31st March 2019 to date.

## 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.

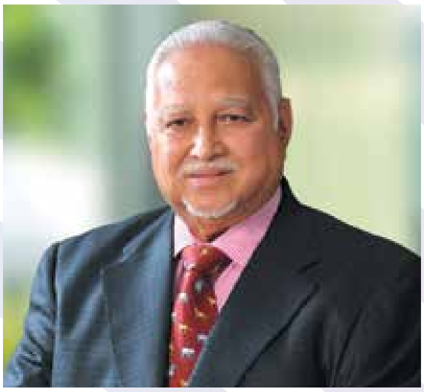
## Appreciation

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

06 August 2019

# BOARD OF DIRECTORS



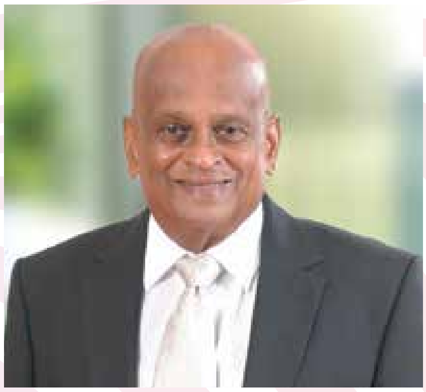
**Mr. D. H. S. Jayawardena**
Chairman

**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. R. Seevaratnam**
Independent Non-Executive Director

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

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

**Ms. V. J. Senaratne**
Alternate Director to N. de S. Deva Aditya /
Company Secretary

# BOARD OF DIRECTORS

### Mr. D. H. S. Jayawardena
Chairman

Mr. Harry Jayawardena is one 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 Aitken Spence PLC., Aitken Spence Hotel Holding PLC., Lanka Milk Foods (CWE) PLC., Madulsima Plantations PLC., Browns Beach Hotels PLC., Balangoda Plantations 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., Lanka Bell Ltd., Periceyl (Pvt) Ltd., Bogo Power (Pvt) Ltd., Texpro Industries Ltd., Melsta Health (Private) Ltd., and Melsta GAMA (Private) 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 Sri Lankan Airlines.

Mr. Jayawardena is the Honorary Consul for Denmark and was the only Sri Lankan 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. Amitha Gooneratne
FCA (SL), FCA (Eng. & Wales)
Managing Director

Mr. Amitha 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, United Kingdom 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., Bell Active (Pvt.) Ltd., Bell Solutions (Pvt.) Ltd., Timpex (Pvt.) Ltd., Texpro Industries Ltd., Bogo Power Ltd., Continental Insurance Ltd., Browns Beach Hotel PLC and Melsta Health (Private) Ltd., which are subsidiary companies of Melstacorp PLC. He is an independent Director of Lanka IOC, Teejay Lanka PLC. and Commercial Development Company Ltd. He is also an Alternate Director on the Board of Distilleries Company of Sri Lanka and Aitken Spence PLC.

### Mr. C R Jansz
Executive Director

Mr. Jansz is a Director of Distilleries Company of Sri Lanka PLC and other Companies in the Melstacorp Group. He is a Director of Lanka Milk Foods (CWE) PLC., Lanka Dairies (Pvt) Ltd. and other Companies in the Lanka Milk Foods Group.

He is the former Chairman of DFCC Bank PLC and The Sri Lanka Shippers Council and a former member of the National Trade Facilitation Committee of Sri Lanka. He has many years experience in logistics and in documentation, insurance, banking and finance relating to international trade.

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

### 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., Balangoda Plantations PLC., Madulsima Plantations PLC., Melsta Health (Private) Ltd., Zahra Exports (Pvt) Ltd., United, Dairies Lanka (Pvt) Ltd., Mcsen Range (Private) Ltd. and an alternate Director of Melsta GAMA (Private) Ltd. He was appointed to the Board of Distilleries Company of Sri Lanka PLC. in November 2014 and Periceyl (Pvt) Ltd. in April 2015.

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 number of public quoted companies.

### Mr. N. de S. Deva Aditya

DL, FRSA

Independent Non-Executive Director

Mr. Niranjan Deva Aditya, is an Aeronautical Engineer, Scientist and Economist, a Conservative Member of the European Parliament elected from the SE England. He is the Vice President of the Development Committee; ECR Co-ordinator, Chairman of the European Parliament's Delegation for Relations with the Korean Peninsula and Conservative Spokesman for Overseas' Development and Co-operation.

He was the Co Leader of the Parliamentary Delegation to the UN World Summit and General Assembly 2006, Chairman Working Group A of Development Committee overseeing Asia, Central Asia and Far East; - Co Co-ordinator Assembly of 79 Parliaments of the EU-ACP 2004 and the President EU India Chamber of Commerce from 2005. In 2012 he stood for and came runner up, beating the Liberal candidate into 3rd place to be the President (Speaker) to the European Parliament. He was the first Asian to be elected as a Conservative Member of British Parliament, first Asian MP to serve in the British Government as PPS in the Scottish Office and first Asian born MP to be elected to the European Parliament. He was nominated as a candidate to succeed Kofi Annan as Secretary General to the UN in 2006.

He is a Hon. Ambassador without portfolio for Sri Lanka; the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985; awarded the honour "ViswaKirthi Sri Lanka Abhimani" by the Buddhist Clergy for his services to Sri Lanka and given the Knighthood with Merit of the Sacred Constantinian Military Order of St. George for his global work on poverty eradication. He is a Fellow of the Royal Society for Arts, Manufacture and Commerce (Est:1765).

### 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 reorganization 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 (Private) 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 (Private) Ltd.

She currently serves as a Director on the Board of Paradise Resort Pasikudah (Private) 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

1. 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 (Private) Ltd.

2. Capt. Jagath Kahanda (Retd.)

Managing Director - Pelwatte Sugar Distilleries (Pvt) Ltd., Director - Distilleries Company of Sri Lanka PLC, Melstacorp PLC, Palwatte Sugar Industries PLC, Melsta Properties (Pvt) Ltd, Milford Holdings (Pvt) Ltd., Melsta GAMA (Pvt) Ltd.

3. Mr. Dr. M. P. Dissanayake

Deputy Chairman & Managing Director - Aitken Spence PLC

4. Ms. Stasshani Jayawardena

Chairperson - Splender Media
Director- Aitken Spence PLC

5. Mr. Senaka Amarathunga

Director/ General Manager - Periceyl (Pvt) Ltd

6. Mr. Chaminda De Silva

Managing Director - Continental Insurance Lanka Ltd

7. Dr. Prasad Samarasinghe

Managing Director - Lanka Bell Ltd

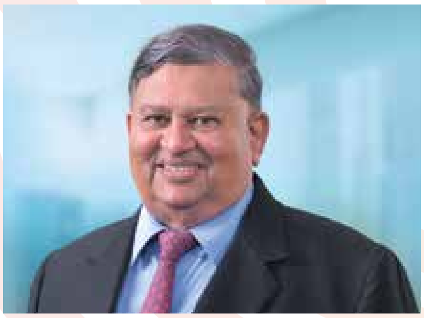
8. Mr. Dinal Peiris

Managing Director - Texpro Industries Ltd

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

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

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



12. Mr. Manilal Fernando
Director -
Melsta GAMA (Pvt) Ltd

13. Dr. K. T. Iraivan
Chief Executive Officer -
Melsta Health (Pvt) Ltd

14. Mr. Aruna Jayakody
Chief Executive Officer -
Melsta Laboratories (Pvt) Ltd

15. Mr. Kapila Basnayake
Director -
Madulsima Plantations PLC

16. Mr. Anusha S. Perera
Director -
Balangoda Plantations PLC

# MANAGEMENT DISCUSSION & ANALYSIS

QUID QUI OFFICIM ILIBUS SUNTBITIS SIT, ALIAM QUE DEST, EVENIATET RERRO EIUM, ARUM AUT EXEREM ET REHENIT UNTUR ICIENEM HICILIS CIET ASSENIS AUT VELIQUE ESUT ANIMI.

## 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 and media and creative services. The Group is synonymous with dynamism and professionalism and has carved an 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

Notwithstanding a calamitous year in terms of political stability and business confidence Melstacorp reinforced its image as a leading diversified investment conglomerate increasing its asset base substantially during the year. Baron Rothschild the 18th Century British Nobleman and member of the Rothschild Banking Family is credited as saying "Buy when there is blood in the streets, even if the blood is your own" Swimming against the tide, overcoming tight liquidity and numerous constraints, Melstacorp increased its investment portfolio by making strategic investments in selected blue chip Companies.

Apart from equity investment we further expanded our land bank by acquiring valuable real estate in Colombo. The investments made during the year reflected an optimistic view of the future despite the debacles faced by the country during the year particularly, consequent to the temporary change in Government which affected investor confidence and had a dampening effect on the economy.

Operationally for Melstacorp it was a year of mixed fortunes. A significant milestone was Melstacorp being affirmed National Long-Term Rating of 'AAA (lka)' with a Stable Outlook by Fitch rating for the first time after the restructure of the Group. The rating enabled Melstacorp to enjoy favourable pricing in its treasury operations. Melstacorp also enjoyed a healthy stream of dividend income amounting to Rs.2.65 billion for the Group surpassing the previous year's income level which was Rs.1.38 billion.

### Gross Turnover - Group

Rs. Mn

| | 2018/19 | 2017/18 |
|---|---|---|
| Beverage Sector | 87,433 | 97,083 |
| Plantations Sector | 4,501 | 3,607 |
| Telecommunication Sector | 2,965 | 2,965 |
| Financial Services Sector | 3,194 | 3,809 |
| Diversified Sector | 57,838 | 2,493 |
| | 155,931 | 109,957 |

### Profit Before Tax - Group

Rs. Mn

| | 2018/19 | 2017/18 |
|---|---|---|
| Beverage Sector | 9,557 | 7,958 |
| Plantations Sector | 577 | 145 |
| Telecommunication Sector | 2,069 | 1,597 |
| Financial Services Sector | 427 | 418 |
| Diversified Sector | 8,072 | 951 |
| Share of Associate Companies Profit | 395 | 2,267 |
| | 21,097 | 13,336 |

# Beverage sector

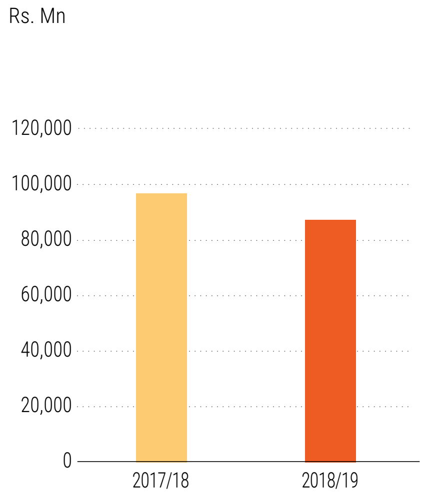

Notwithstanding losses recorded in certain sectors of the group, consolidated profitability increased to Rs.9.3 billion compared to Rs.6.2 billion for the previous year. The company profitability increased to Rs.3.8 billion compared to Rs.2.8 billion for the previous year. Melstacorp also had embarked on three projects in late 2017 which were yet to be commercially operative as at the year end. These were management of hospital, setting up of medical diagnostic centres and the setting up of a facility for importation, processing, packaging and distribution of cement. The projects were in advance state of development as at the year end and are expected to become commercially operative in the following year.

Moving ahead the Company would focus on turning around the loss making companies or exit from the investments though the climate for disinvestment appear unhealthy due to the continuing political uncertainty prevail in the country.

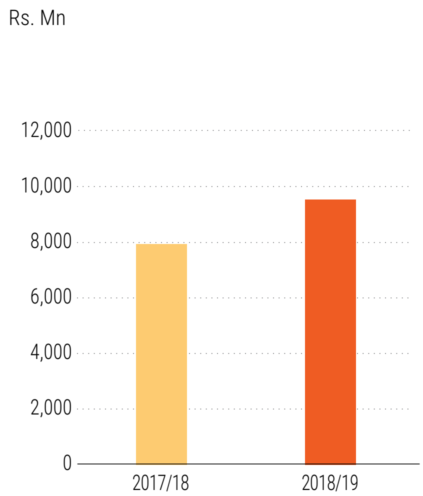
## Beverage sector

Beverage sector sustained its status as the leader and highest revenue generator for the Group in the year under review. The challenges faced in the preceding year persisted despite aggressive lobbying efforts on our part to ensure a level playing field. In the recent past the price of alcohol was increased on two occasions by the authorities, making legally produced arrack beyond the reach of the common man. The fact that the beverage sector continues to maintain market leadership status despite operating in such a challenging eco system in the legal alcohol industry is a reflection of the loyal customer base and brand loyalty it has succeeded in establishing. Despite the infusion of cheaper priced alcohol to the market, consumers uphold their trust in our brands. Considering that the tax component is over 70% of the price, it is impossible for legal producers to retain competitiveness in such markets. Further, a high tax regime and escalating cost of living serve to render consumers no choice but to opt for cheaper products, not withstanding dubious quality.

**Gross Turnover - Beverage Sector**




**Profit Before Tax - Beverage Sector**




During the current financial year a substantial alcohol volume reduction was observed as result gross turnover of the beverage sector was reduced to Rs. 87 Bn from Rs. 97 Bn in previous year, and recorded a profit after tax of Rs. 5.3 Bn during the year. The beverage sector contributed a staggering Rs. 68.5 Bn to the State by way of taxes. In the year under review, there was a decline in the for premium liquor segment where Periceyl operates, due to increased prices. As a result, performance of Periceyl was affected as consumers have shifted to lower priced

## Plantation Sector

beer and other alcoholic beverages. At the same time Periceyl's Franklin and Galerie Brandy performed convincingly maintaining over 70 % in the market. However, we observed some of the local manufacturers distributing finished products, mainly Arrack, at a lower price. Such products were supplied to retailers at a lesser cost and these same products were offered by the manufacturers with a larger margin to retailers, thus encouraging retailers to sell such products over our products.

### Future Outlook

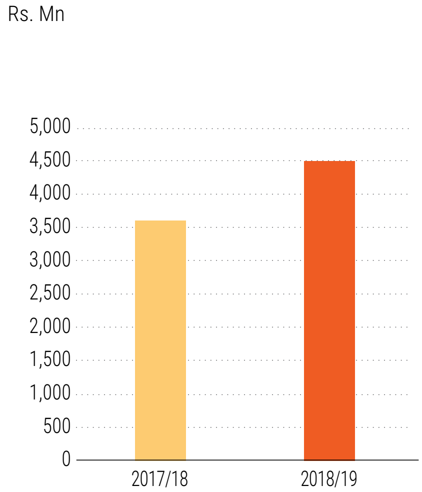
Despite challenges in the sector, we remain optimistic about the prospects for the beverage industry and hope to secure an even greater market share in the future. Our beverage sector is reputed for innovation, and our R & D team perseveres to innovate new products to ensure that our products evolve and change with the times. In conclusion, we remain hopeful that the relevant authorities will exert greater control to curb the illegal alcoholic beverage industry for the benefit of the consumer.

### Plantation Sector

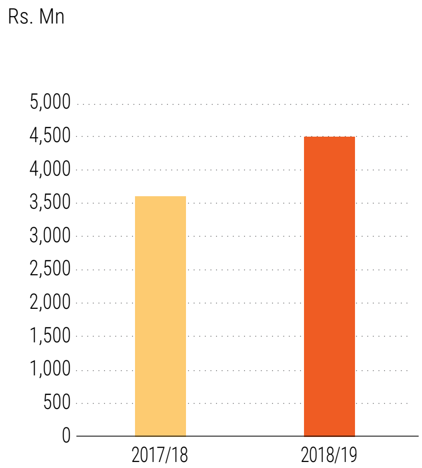
#### Tea

The year began with optimism as the good market performance experienced in 2017 continued through the first quarter of 2018. All elevations recorded gains with high and medium elevations gaining more significantly. The momentum however, did not last, and the industry faced many challenges as the year progressed. Commencing March 2018, auction averages in all elevations began sliding in relation to the corresponding periods of 2017. Multiple factors and events contributed to the decline in market performance; higher MCPA levels in some of the Sri Lanka teas, US sanctions on Iran, economic instability in Turkey and Russia, political instability in the country, union actions and increase in labour wages are among factors that adversely impacted the industry. Although the weakening of the Sri Lanka Rupee against the US Dollar was expected to make Sri Lanka tea prices more attractive, similar weakening of currencies of buyer countries against the US Dollar dampened that expectation.

**Gross Turnover - Plantations Sector**




**Profit / (Loss) Before Tax - Plantations Sector**




Tea production of Balangoda Plantations PLC dropped by 12.8% from 4.8 Mn Kgs in 2017 to 4.2 Mn Kgs in 2018. The misty and cold weather conditions that prevailed in the Badulla region during the first quarter of 2018 and the overall drop in bought leaf intakes adversely affected production. An indefinite strike demanding a wage hike on the plantations in the month of December led to a loss of estate crop. Also, the ban on Glyphosate impacted production with the required weeding rounds getting delayed and that affecting fertilizer application and consequently a reduction in crop. Turnover from the tea segment dropped to Rs.2.1 Bn compared to Rs. 2.4 Bn the previous year. The reduced crop coupled with an increase in input material cost due to a depreciation of the Sri Lanka Rupee resulted in a higher cost of production. Decline in tea auction prices significantly contributed to the reduced turnover notwithstanding various grades of teas manufactured by many estates of Balangoda Plantations obtaining 135 all-island top prices at the Colombo Auctions.

Madulsima Plantations PLC produced 4.1 Mn Kgs of tea in 2018 compared to 4.4 Mn Kgs in 2017, recording a marginal decline. Turnover of the Company was Rs. 2.1 Mn for the year as against Rs. 2.6 Mn in 2017. The company faced similar challenges as that of Balangoda Plantations during the year. Top prices were achieved by several of its estates in almost all auctions during the year.

### Rubber

Sri Lanka Rubber production decreased to 78 Mn Kgs in 2018 from 83 Mn kgs in 2017 mainly due to adverse weather experienced during most part of the year and reduced tapping by smallholders due to low prices. Low natural rubber prices and increases in wages seriously impacted the sector. There were signs of recovery in natural rubber prices in December 2018 influenced by higher crude oil prices and reduction in supplies by three major natural rubber producers.

Balangoda Plantations recorded a drop in rubber turnover when compared with last year due to the continuous decline in auction prices during the year under review. The Company's rubber production increased by 150,000 Kgs against the previous year due to fair weather favouring higher tapping rounds and intake. Enhanced agricultural practices too undertaken by the Company positively impacted the higher production volumes. Escalating costs together with low prices affected the profit potential. Galtura and Rambukkanda estates obtained 69 top prices during the year.

In the face of the many challenges faced by the industry and companies during the year, plantation sector reported a loss before tax of Rs. 560 Mn, Further, 40% wage hike resulted in substantial increases in gratuity provisions for both companies.

Reflecting the companies' buoyance and steadfast commitment to invest for the future, both companies invested in upgrading its factories and infrastructure, improving its field conditions and in adopting best agricultural practices, technologies and know-how despite reported losses. The improvements are manifesting in improved quality and the companies are well placed to benefit from a future upturn in the sector.

## Future Outlook

Global tea consumption is expected to grow with China and India taking the lead. These two markets are likely to influence price and consumption. China and India are two large tea producers and have high absorption rates which are on the rise. Kenya, which has shown continuous output growth will be a significant player in assessing the global tea supply.

Weather conditions coupled with the ageing tea bushes, low replanting rates and declining productivity rates would be key influencing factors in output. Migration of plantation workers to other economic sectors is yet another challenge facing the plantation sector. Although mechanisation is taking place it will take time to fully evolve.

Lifting the glyphosate ban is a relieving factor for an industry that is under considerable stress. It would help producers, particularly Regional Plantation Companies to carry-out necessary agricultural practices to achieve the optimum potential of plantations. The more liberal policy on fertilizer by the government is also a positive development.

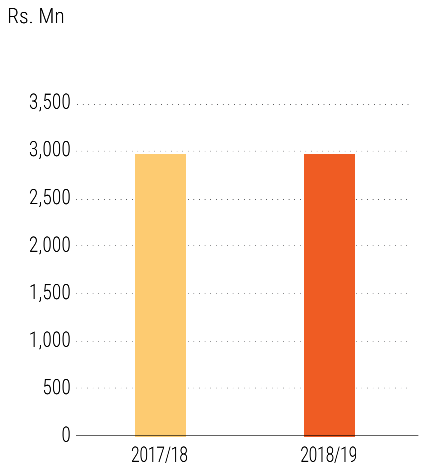
Market demand for teas would greatly depend on how the global tea industry would progress, however market demand for good quality tea would command a premium, and that is a niche Balangoda Plantations and Madulsima Plantations are desirous of exploiting.

Global natural rubber prices are expected to show some recovery in 2019. Balangoda Plantations is in the process of upgrading its rubber factories and would be expanding its product lines that could be adjusted to suit market changes.

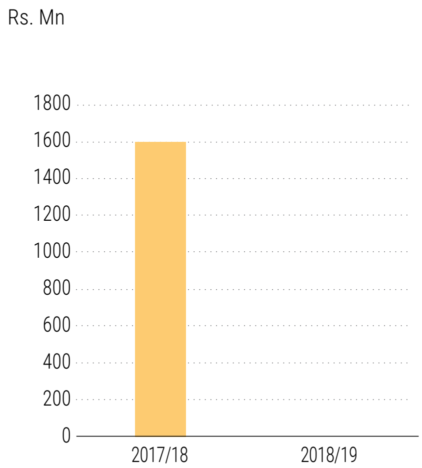
# MANAGEMENT DISCUSSION & ANALYSIS

## Telecommunication Sector

Gross Turnover - Telecommunication Sector




Profit / (Loss) Before Tax - Telecommunication Sector




### Telecommunication Sector

Lanka Bell recorded a positive during the year despite the continuously declining CDMA fixed line revenue experienced by the industry due to changes in consumer behaviour in the voice communications space.

The company displayed satisfactory performance across all product lines during the year under review.

The Company's 4th Generation LTE technology service – Bell4G recorded a revenue increase of 7.7% whilst passing the 60,000 customer milestone. Revenue from the 4G LTE service is expected to increase with the expansion of the existing capacity and increasing demand for quality Internet Connectivity. The company plans to increase the present 420 base stations to 500 within the next one year.

FLAG undersea cable business marked an encouraging performance recording a 45% YoY revenue growth. All industry predictions point to greater demand for data in the future, and Lanka Bell is well placed to harness the potential of its FLAG asset as operators look for a true form of redundancy that ensures uninterrupted connectivity.

### Future Outlook

Reaching a level of critical mass, keeping pace with the latest technological developments and creating value are prerequisites for telecom operators to achieve and sustain profitability. In the absence of first mover advantages, telephony operators are generally faced with the challenge to absorb high operating and capital costs under trying conditions for a sustained period of time. Lanka Bell has in the past made significant investments in creating a robust platform from which it would be able to unleash its untapped potential as demand for data related services grow in the future.

# Financial Services Sector


## Financial Services Sector

### Insurance

The Group's insurance service provider, Continental Insurance (CIL) outperformed the rest of the industry posting 17% YoY growth with premium incomes of Rs.4.8 Bn, and expanding its footprint to 6% market share in the general insurance segment.

Since its inception in 2010, the Company's penchant for excellence established it as one of the fastest growing insurers in the country despite intense industry competition. Regardless of being a relatively new player in the market, CIL serves over 200,000 customers and settling over Rs. 9 Bn in claims.

CIL constantly reviews its product portfolio encompassing automobiles, travel, home, marine, health and personal accident cover to present the optimum comprehensive and competitive product suit to the market. During the year under review CIL also joined hands with the digital banking platform, FriMi, to offer customers the convenience of paying their premiums online on-the-go using a mobile application.

The company is at present connecting with customers via 59 branches island-wide, and continues to expand its presence across all key business centres in the country.

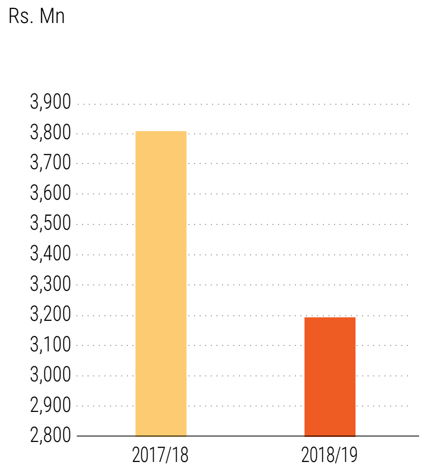
CIL is backed by an asset base of Rs.5.4 Bn and with a rating of 'A (lka)'/Stable by Fitch Ratings Lanka, affirming the Company's moderate business profile, satisfactory financial performance and capitalisation, as well as a prudent investment mix.

The Company received ISO 9001:2008 (Quality Management System) certification in 2013 and subsequently ISO 9001:2015 certification.

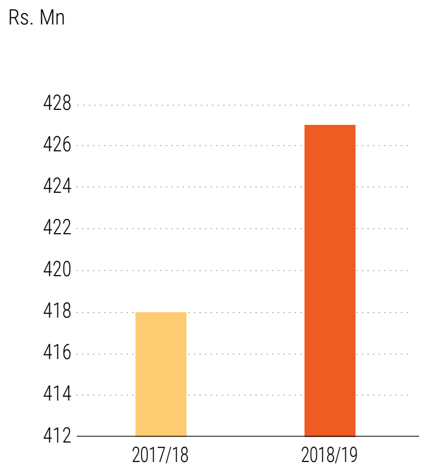
### Future Outlook

CIL is well-positioned to better-serve the constantly evolving insurance needs and emerging demographics of the nation, and capitalise on its inherent strengths to stay ahead of the competition to grow its presence and share of business.

**Gross Turnover - Financial Services Sector**




**Profit Before Tax - Financial Services Sector**

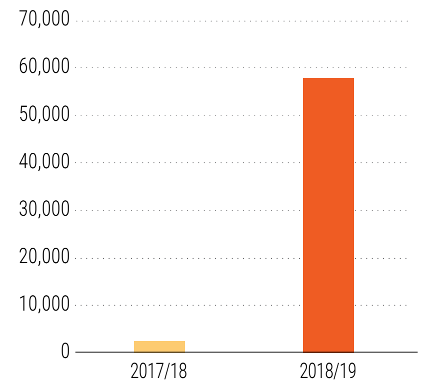


# MANAGEMENT DISCUSSION & ANALYSIS

## Diversified Sector

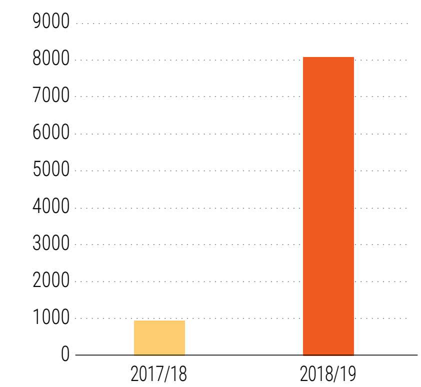
**Gross Turnover - Diversified Sector**

Rs. Mn




**Profit Before Tax - Diversified Sector**

Rs. Mn




### Diversified Sector

### Aitken Spence

Aitken Spence PLC in its first full year as a subsidiary of Melstacorp recorded its highest ever profit before tax of Rs.7.3 billion during the year under review, which is an increase of 13.8% over the previous year. Aitken Spence is one of Sri Lanka's geographically most diversified conglomerates deriving 43% of its profits from overseas operations with a presence in eight countries in the tourism and maritime and logistics sectors. Overseas assets represent 35% of total assets of the Aitken Spence Group.

The bedrock of the company's success has been its resilience and ability to meet market volatilities, a balanced portfolio of assets and foresight and courage to invest for the future. During the year, the Aitken Spence Group invested Rs.25.6 billion in a new resort in the Maldives and a waste to energy power project, driving balance sheet growth by 15.9% to Rs.125 billion.

### Collision Repair Centre & Logistics

The Collision Repair Centre at Melsta Logistics performed well during the yearand enabled the Group to add value for both internal and external clients. The Centre offers state-of-the-art technology, machinery, equipment and unparalleled knowhow on treating vehicles based on the manufacturer's specifications. These specialised facilities have served to create a distinctive niche for Melsta Logistics. The newly-formed logistics operation continues to accrue gains for Melsta Logistics. Melsta Logistics is now focused on expanding this service beyond the Group, while investing in superior technology to enhance efficiency.


## Textiles

During the year under review Texpro managed to increase its Export sales volume as well as value very marginally when compared to the previous year. Although there was a drop in Dyed orders, there was an increase in printed orders specially in synthetic and rayon fabrics. These orders brought in a higher contribution which enabled Texpro to improve its operational performance compared to the previous year. We expect the printing business to improve in the current financial year too. Further, the company is exploiting the possibility of introducing Knits as a new product line to make the business more viable.

## 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, in the year 2018/19 the company exceeded the expected average by generating 20.2 GWH.

## Business Process Outsourcing

Bellvantage completed a satisfactory year by recording growth in revenue and margins and secured new business across multiple sectors covering banks, hospitals, logistics and transportation.

Enjoying an established position in the PBO sector the Company has earned a reputation as a cost leader that offers multiple solutions and superior service quality to a broad market segment. This has led to an increased share of a growing BPO market.

Success of the company lies in a motivated and productive team of people driven by a single minded purposes of striving for excellence. Systems and processes have been installed to ensure the delivery of an efficient, reliable and quality service to customers. The Company is accredited with the ISO 9001 – 2015 certification.

# MANAGEMENT DISCUSSION & ANALYSIS

## Information Technology

Melsta Technologies (Pvt) Ltd. has shown steady growth over the past four years. Customer retention has been a key strength and the Company is poised to expand its customer portfolio in the future.

Corporates and public service institutions place high importance for accurate and timely information as well as efficient and stable processes that ensure profitability and/or provision of efficient and reliable service, and towards this end seek partners that have the capacity and competence to offer trusted support. Melsta Technologies has proven itself as a worthy business partner to many top private corporates as well as large public institutions with whom the company continues to maintain healthy relations.

Melsta Technologies has established strategic partnerships with a number of tier one technology solution providers such as Oracle Corporation to provide technology and infrastructure solutions, Oracle NetSuit to provide cost effective Cloud ERP solutions and ASG Technologies to provide digitisation and process mobility solutions. The newest technology partnership added to the portfolio is Redhat, which enables the delivery of Linux and JBoss based solutions.

## Leisure

Browns Beach Hotels 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'. Offering multiple dining options and luxurious comfort on par with international industry standards,

Heritance Negombo has been able to record significant growth within a past three years since it was opened, with the year's turnover increasing by 17% over the previous year to cross the Rs. 1 billion milestone. Importantly, Hotel has established a reputation for unwavering quality and excellence, and has carved out a niche as a unique service provider amidst increasing competition in the industry.

Overall operating profits nearly doubled and occupancy at the property recorded a commendable 51% growth year on year. Hotel's key strategic imperatives to strengthen the online marketing channel were the main contributory factor in achieving the revenue and profit growth. Heritance Negombo continued to receive high ratings and positive reviews online. We are hopeful for the restoration of normalcy post-Easter attacks and note with relief the softening of travel advisories issued by key source markets in the immediate aftermath.

## Media and Creative Services

Splendor Media began in 2005 as the media purchasing division for the entire Group. More recently the company expanded into a full-service advertising agency, offering services in traditional media with expertise in new media and cyber-culture.

Today, driven by a passion for creativity and guided by strategic focus, Splendor works with a diverse range of clients to deliver work that is unique and engaging. Driven to be ahead of the curve and in step with times it hopes to help clients it partners and brands it stewards to better manage change and be prepared for everything the future holds. The company strives to transcend the ordinary to help shape a more open culture, connect with audiences at a human level build a better business.

# 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 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 that have fallen over a century years of experience, 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 the Melstacorp was incorporated to be the strategic business arm of DCSL Group. As a result of the restructure arrangement during the year 2016 Melstacorp became the flagship company of the Group and was listed in 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 increased its investment portfolio by making strategic investments in selected Blue chip Companies

- Invested in real estates to acquire valuable properties in Colombo.

- First time Fitch Rating Lanka Limited assigned rating for Melstacorp PLC, AAA (LKA) with stable outlook.

- Fitch Rating Lanka Limited affirmed rating of DCSL PLC, AAA (lka) - with a stable outlook.

º Fitch Ratings Lanka re-affirmed Continental Insurance's National Insurer Financial Strength Rating and National Long-Term Rating at '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 2019. It covers company activities, including the subsidiaries' reporting period (for example, fiscal/ calendar year) for information provided 01 April 2018 to 31 March 2019. 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 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 ….. 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 upon 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 practice 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 with 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 into 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 diversified group of companies, we engage in manufacturing businesses in certain sectors such as Beverage & 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 waste water 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 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.

## 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 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 use 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. Waste water 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-hydro power project. The Kirkoswald MiniHydro Power 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 will endeavor our commitment towards adding value and a greater emphasis on environmental management and community development. This exercise is also a testament to our continued commitment in 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 re-forestation 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

To provide and promote an encouraging and professional working environment for our team. 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. 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 have 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 HR Policy approach and 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 make up 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. 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 deliver 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 programs 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 scheme. 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 friendships . Long serving employees (over 40 years) of DCSL were felicitated with an award 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 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

Melstacorp concluded a project to uplift the standard of child pre education in the region of Madulsima Plantations. During the year upgraded & completed 25 Child Development Centers, supplied play materials and water tanks. Melstacorp believes that most effective social investments are serving the community through these type of programs and initiatives in future. Balangoda Plantation contributes towards community development by providing financial support to workers including short term loans, housing loans and distress assistance, facilitating purchase of goods and equipment on easy payment schemes, death benefit scheme, and so on, through the Estate Worker Housing Cooperatives, which are actively functioning on Balangoda Plantation. Continental Insurance has offered free insurance cover for10 Ambulance of Cyril Dharmawardana Foundation. Donations given to an orphanage and Gangaramaya Temple, Colombo 02.

### 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 plantation community. Balangoda Plantations built 176 housing units and Madulsima Plantations Built 350 housing units with the support from various stake holders 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, 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 has 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….. 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 ……… 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 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:

Our beverage sector will 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 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 oneoff 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 was retained the rank No. 08 in Business Today's 'Top Thirty' edition.

### Long term Sustainability Goals

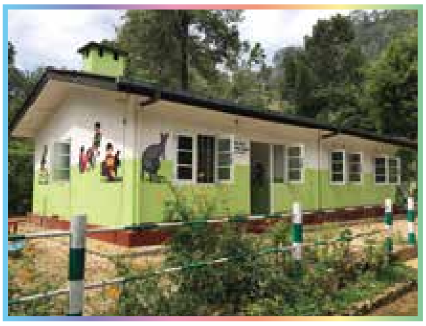
1. Be known as the preferred employer having the ability to attract and retain talented people, inducting them in a knowledge-based corporate culture, while assuring them of career enhancement in a responsible company they will be proud to be a part of.

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, 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.


# 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 to 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 remain 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.
- zProvide 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 | 1/2 |
| 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 | 1/2 |

*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 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 the 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 the 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 54 to 55.

Remuneration Committee

The Remuneration Committee has Two Independent Non-Executive Directors and one Non-Independent Non-Executive Directors 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 56.

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 Directors follows;

R. Seevaratnam - Chairman

A. N. Balasuriya

D. Hasitha S. Jayawardena

The report of the Related Party Transactions Review Committee is given on the page 57.

## 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

# CORPORATE GOVERNANCE

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 Board has taken a decision to apply the Going Concern principle in the preparation of the Financial Statements for 2017 / 18. 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 following table that follows.

The Company's compliance with the CSE Listing Rules.

| Section | Applicable Rule | Compliance Status | Details |
|---|---|---|---|
| 7.10.1 | Non-Executive Directors<br>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<br>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 | |
| 7.10.3(a) | Disclosure relating to Directors<br>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 39 |
| 7.10.3(b) | Disclosure relating to Directors<br>The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met. | Complied | Please refer page 39 |
| 7.10.3(c) | Disclosure relating to Directors<br>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<br>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'<br>Selection criteria of Independent Directors of a listed company. | Complied | |
| 7.10.5 | Remuneration Committee<br>A listed Company shall have a Remuneration Committee. | Complied | Please refer page 56 |
| 7.10.5(a) | Composition of Remuneration Committee<br>Shall comprise of Non-Executive Directors a majority of whom will be Independent. | Complied | Three out of Five Non- Executive Directors are Independent |
| 7.10.5(b) | Functions of Remuneration Committee<br>The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors. | Complied | Please refer page 56 |

| Section | Applicable Rule | Compliance Status | Details |
|---|---|---|---|
| 7.10.5(c) | Disclosure in the Annual Report<br>The Annual Report should set out; | | |
| | i. Names of the Directors comprising the Remuneration Committee. | Complied | Please refer page 56 |
| | ii. Statement of Remuneration Policy | Complied | Please refer page 56 |
| | iii. Aggregated remuneration paid to Executive and Non-Executive Directors. | Complied | Please refer note 11 to the financial statements |
| 7.10.6 | Audit Committee<br>The Company shall have an Audit Committee | Complied | Please refer Audit Committee report on page 54 to 55 |
| 7.10.6(a) | Composition<br>i. Shall comprise of Non-Executive Directors a majority of whom will be Independent. | Complied | Please refer page 54 |
| | ii. One Non-Executive Director shall be appointed as Chairman of the committee. | Complied | Please refer page 54 |
| | iii. Chief Executive Officer and Chief Financial Officer shall attend Committee meetings. | Complied | Please refer page 54 |
| | iv. The Chairman or one member of the Committee should be a member of a professional accounting body. | Complied | Please refer page 54 |
| 7.10.6(b) | Functions<br>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 54 to 55 |
| | 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<br>i. The names of the Directors comprising the Audit Committee. | Complied | Please refer Corporate Governance Report on page 39 and Audit Committee report on pages 54 to 55 |
| | 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 56. |
| 9.2.2 | Composition of the Related Party Transactions Review Committee | Complied | Please refer the Related Party Transactions Review Committee Report on page 57. |
| 9.2.4 | Related Party Transactions Review Committee Meetings | Complied | Please refer the Related Party Transactions Review Committee Report on page 57. |
| 9.3.1 | Immediate disclosures | Complied | Company had made the disclosure on non-recurrent related party transactions to the Colombo Stock Exchange. |
| 9.3.2(a) | Disclosure - Non- Recurrent Related Party Transactions | Complied | Please refer Note 35 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 continues basis and are of time in the ordinary course of the business of the Company. However, the aggregate values of these transactions were below 10% of gross revenue of the 2017/2018 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 57. |
| 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 60. |

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 38. |
| A.1.1 | Regular Board meetings and supply of information. | ✓ | Please refer Corporate Governance Report on page 38. |
| 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 58. |
| 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<br>effective participation of both Executive and Non-Executive Directors<br>balance of power between Executive and Non-Executive Directors | ✓ | Please refer Corporate Governance Report on page 38 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 54 |
| 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 are Independent. Please refer on page 39 |
| A.5.3 | Definition of Independent Directors | ✓ | Please refer Corporate Governance Report on page 39 |
| A.5.4 | Declaration of Independent Directors | ✓ | Please refer Corporate Governance Report on page 39 |

# 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 39 |
| 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 | ✓ | Activities of the Nomination Committee are currently handled by the Board of Directors |
| A.7.1 | Nomination Committee to make recommendations on new Board appointments | ✓ | Activities of the Nomination Committee are currently handled by the Board of Directors |
| A.7.2 | Assessment of the capability of Board to meet strategic demands of the company | ✓ | Activities of the Nomination Committee are currently handled by the Board of Directors |
| 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 59 |
| 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 39. |
| 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 56. |
| 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 56. |

# 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 56 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 192 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 35 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 58. |
| D.1.3 | Statement of Directors Responsibility. | ✓ | Please refer the Statement of Directors Responsibility on Page 63. |
| D.1.4 | Management Discussion and Analysis. | ✓ | Please refer Management Discussion and Analysis from pages 20 to 27. |
| 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 26. |
| 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 35 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 54 and Annual Report of the Board of Directors on page 58. |
| 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 54 to 55. |
| 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 60. |
| 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 page13. |
| 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 38 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 38. |
| 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 38. |
| F. | Other Investors | | |
| F. 1 | Investing / Divesting Decision<br>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<br>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 58 to 60. |

# 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<br>• Regularly review customers credit profiles and constantly update records to ensure complete awareness of debtors status<br>• Please refer financial risk management Note on page 166. |
| **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<br>• 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<br>• Carry out mark to market revaluation of equity portfolios to identify the viability of investments<br>• The Board develops policies and procedures to ensure that new investments and initiatives are subjected to mandatory compliance procedures.<br>• 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 brain-drain and the Group remains at risk of losing key personnel to better job prospects overseas. | • Maintaining above industry remuneration schemes<br>• Skills upgrading<br>• Professional growth avenues<br>• Performance-based reward systems<br>• Best practices being introduced and upgraded continually<br>• 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<br>• A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences<br>• Regular meetings are conducted to assess these risks<br>• Contingency plans are in place to minimise work-stop situations<br>• Regular reviews of contingencies and disaster recovery plans<br>• 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<br>• Act that re-acquired land of Pelwatte Sugar Industries PLC.<br>• 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.<br>• Comprehensive backup and recovery systems in place<br>• 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<br>• Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity<br>• Equipping our R & D Team with ample knowledge to field any technical questions about our products<br>• 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 & 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.<br>• Matching liabilities with corresponding receipts/inflows.<br>• Continues monitoring process of Group Foreign exchange position.<br>• Negotiate with financial institutions to hedge possible exposures of Foreign exchange risk.<br>• Monitoring local and international events and news related to economics which can impact exchange rates<br>Please refer financial risk management note on page 166. |

# BOARD AUDIT COMMITTEE REPORT

## Composition

The Board Audit Committee appointed by and responsible to the Board of Directors is made 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 five (5) 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 | 5/5 |
| Dr. A. N. Balasuriya | 5/5 |
| Mr. D. Hasitha S. Jayawardena | 4/5 |

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 & 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 2020.

## 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

Xxx August 2019

# 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 Audit Committee met three 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

Xxx August 2019

# BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## Composition

The Related Party Transactions Review Committee is made of 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, 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 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 | 3/4 |

The Managing Director and Group Financial Controller, 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

xx August 2019

# ANNUAL REPORT OF THE BOARD OF DIRECTORS 2019

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 2019.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 o/a 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 ten years ago, the Group is yet to receive these funds. The Group has initiated legal action to recover the dues.

Detailed note is given in note 38 to the Financial Statements.

## Pelwatte Sugar Industries PLC (PSIP)

The Revival of Underperforming Enterprises or Underutilized 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 XXX to the Financial Statements.

## Results and Appropriations

The gross turnover of the Company in the year under review amounted to Rs. 228 Mn (2017/18 – Rs. 228 Mn). The profit after tax was Rs. 2,802 Mn (2017/18 – Rs. 2,802 Mn).

The Company has proposed a dividend of Rs. 1.00 per share for the year ending 31 March 2019.

The Company has satisfied the Solvency Test in accordance 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 2019 was approved by the Board of Directors on XXX August 2019 are given on pages from XXX to XXX.

## Audit Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages from 64 to 67.

## 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 78 to 94. There were no changes in the accounting policies adopted by the Group during the year under review.

## Investments

Total investments of the Company in subsidiaries, associates and other investments amounted to Rs. 80,775 Mn (2017/18 - Rs. 80,775 Mn). The details of the investments are given in Notes 19, 20 and 21 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 2019 was Rs. 5.2 Mn (2017/18 – Rs. 5.2 Mn) and Rs. 92,429 Mn (2017/18 – Rs. 92,429Mn.)

Total capital expenditure during the year for acquisition of property, plant and equipment by the Company and the Group amounted to Rs. 0.7 Mn (2017/18 – Rs. 0.7 Mn) and Rs. 2,230 Mn (2017/18 – Rs. 2,230 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 2019 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 2019 amounted to Rs. 6,021 Mn (2017/18 – Rs. 6,021 Mn) comprising of Capital Reserves of Rs. 6,803 Mn (2017/18 –

Rs. 6,803 Mn) and Revenue Reserves & Retained Earnings of Rs. (20,227) Mn (2017/18 - Rs. (20,227) 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 control 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 41 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 43 to the Financial Statements.

## Employees

The number of persons employed by the Company as at 31 March 2019 was 24 (2017/18 - 24).

## Board of Directors

The Board of Directors of the Company as at 31 March 2019 and their brief profiles are given on pages 16 and 17.

## Directors Standing for Re-election

To re-elect as a Director Dr. Adrian Naomal Balasuriya 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 77 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 76 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 71 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 35 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.

## Directors' Shareholdings

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

| As at 31 | March 2019 | March 2019 |
|---|---|---|
| D. H. S. Jayawardena | Nil | Nil |
| C. R. Jansz | Nil | Nil |
| N. de S. Deva Aditya | Nil | Nil |
| Capt. K. J. Kahanda | 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 XXX 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 three Sub-Committees i.e. the Audit Committee, the Remuneration Committee and Related Party Transactions Review Committee. The composition and responsibilities of the said Committees are detailed in their respective reports.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS 2019

## 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 carry 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 04th September 2019 at 11.00 a.m. The Notice of Meeting appears on page XXX 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**
Xxx August 2019

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.

The Directors confirmed that the Company has satisfied the solvency test as mandated under Section 56 (2) of the Companies Act No. 07 of 2007 regarding the payment of the dividend and have received a Certificate of Solvency from its Auditors.

## 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

xxx August 2019
Colombo

# INDEPENDENT AUDITOR'S REPORT

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

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

**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 2019, 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 xx to xx 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 2019, 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.

# INDEPENDENT AUDITOR'S REPORT

| Impairment of Investments in Subsidiaries and Equity Accounted Investees | |
|---|---|
| Refer to the accounting policies in "Note xx to the Financial Statements: "Impairment of Non-Financial Assets", explanatory "Note xx Investment in Subsidiaries" and explanatory "Note xx Investment in Equity Accounted Investees" to the Financial Statements. | |
| **Risk Description** | **Our response** |
| The Company holds investments in Subsidiaries amounting to Rs. xxx and investments in equity-accounted investees amounting to Rs. xxx million as at 31st March 2019.<br><br>The carrying amounts of each investments in subsidiaries and equity-accounted investees have been tested for impairment as individual Cash Generating Units. The carrying amount of these investments could be materially misstated due to inappropriate judgments and estimates used by the Management in calculating the recoverable amount for each cash generating units ("CGU") as part of their impairment assessment.<br><br>Investment which does not generate adequate returns may be an indication of impairment. Due to the investments being material in the financial statements, it will have significant impact on the financial performance of the Company.<br><br>We have identified the impairment of investments in subsidiaries and equity-accounted investees as a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts. | Our audit procedures included;<br>• Evaluating the carrying amounts and the recoverable amount of each investments in order to identify any impairment indication under accounting standards.<br>• Assessing the management's basis used to determine the carrying value of the investments by our own expectations based on our knowledge of the investments and experience of the industry in which it operates.<br>• Assessing the credibility of business plan and cash flow forecasts used by the management for the assessment of recoverability of the investments in subsidiaries.<br>• Assessing the accuracy of management's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates.<br>• Assessing the adequacy of disclosures in the Financial Statements in relation to impairments in subsidiaries and equity accounted investees. |

| Valuation of Investment Properties, Freehold Lands and Buildings | |
|---|---|
| Refer to the accounting policies on "Note xx Property, Plant and Equipment", "Note xx Investment Property and explanatory "Note xx Investment Property" and explanatory "Note xx Property, Plant and Equipment". | |
| **Risk Description** | **Our response** |
| The Group and the Company have recorded a fair value of Investment Properties of Rs. Xx million and Rs. Xxx million as at 31st March 2019 respectively. Further, the Group has revalued freehold lands and buildings amounting to Rs. xx millions and Rs.xx millions respectively as at 31st March 2019.<br><br>The group has engaged external professional valuers with appropriate expertise to determine the fair value/revalue of the freehold lands, buildings and investment properties in accordance with recognized industry standards.<br><br>We identified this as a key audit matter because of the significant judgments and estimates involved in assessing the fair value of the investment properties, freehold lands and buildings. | Our audit procedures included;<br>• Assessing the competency, objectivity and capabilities of the independent external valuer engaged by the management<br>• Assessing the reasonableness of the valuer's assumptions and methods used in the valuation and comparing the same with evidence of current market values.<br>• Engaging our own internal resources to assess the reasonability of the valuation technique, per perch and per square feet prices.<br>• Assessing the adequacy of disclosures made in relation to the valuation of investment property, lands and buildings in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used. |

| Valuation of consumer biological assets | |
|---|---|
| Refer to the accounting policies on "Note xx Biological assets" and explanatory "Note xx consumer biological assets" | |
| **Risk Description** | **Our response** |
| The Group has reported consumer biological assets amounting to Rs.xx million as at 31st March 2019. The Group measured consumer biological assets at fair value less estimated point-of-sale cost at harvest. Management engaged an external valuation expert to assist in determining the fair value of the biological assets.<br><br>We considered this as a key audit matter because the valuation involved significant judgments exercised by the management and external valuation expert and were subject to significant level of estimation uncertainty. | We involved component auditors of plantation sector to perform following procedures. The audit procedures included;<br>• Evaluating the competence, capability and objectivity of the external valuers engaged by the Company.<br>• Reading the external values' reports and evaluating the fair value methodology and inputs used in the valuation.<br>• Engaging internal resources to assist in evaluating the appropriateness of the valuation method and discount rates used by the external valuer.<br>• Evaluating the adequacy of the related disclosures made in the financial statements in accordance with Sri Lanka Accounting standard. |

# INDEPENDENT AUDITOR'S REPORT

### 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.

Chartered Accountants
Colombo, Sri Lanka

6 August 2019

# STATEMENT OF PROFIT OR LOSS

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **Gross revenue** | 6 | 155,930,942 | 109,956,897 | 209,203 | 228,319 |
| Excise duty | | (57,267,603) | (65,226,743) | - | - |
| Cost of sales and net benefits paid | 7 | (63,811,940) | (30,345,285) | (5,563) | (10,188) |
| **Gross profit** | | 34,851,398 | 14,384,869 | 203,640 | 218,131 |
| Other operating income | 8 | 2,015,096 | 3,033,673 | 4,604,102 | 4,272,152 |
| Selling and distribution expenses | | (2,642,023) | (1,916,125) | - | - |
| Administrative expenses | | (17,575,328) | (4,804,172) | (226,318) | (147,656) |
| Other operating expenses | 9 | (8,928) | (2,190,571) | (1,051,977) | (1,850,209) |
| **Results from operating activities** | | 16,640,215 | 8,507,674 | 3,529,447 | 2,492,418 |
| Finance income | 10.1 | 2,599,438 | 1,387,727 | 1,322,939 | 870,786 |
| Finance costs | 10.2 | (3,829,617) | (2,020,179) | (637,472) | (92,763) |
| **Net finance income/(Costs)** | | (1,230,179) | (632,452) | 685,467 | 778,023 |
| Share of profit of equity-accounted investees (net of tax) | 20 | 395,185 | 2,266,864 | - | - |
| **Profit before income tax expense** | 11 | 15,805,221 | 10,142,086 | 4,214,914 | 3,270,441 |
| Taxation | 12 | (6,930,552) | (3,891,796) | (418,769) | (468,836) |
| **Profit for the year** | | 8,874,669 | 6,250,290 | 3,796,145 | 2,801,605 |
| **Profit attributable to:** | | | | | |
| Equity holders of the parent | | 5,786,185 | 6,577,164 | 3,796,145 | 2,801,605 |
| Non controlling interest | | 3,088,484 | (326,874) | - | - |
| | | 8,874,669 | 6,250,290 | 3,796,145 | 2,801,605 |
| **Basic earnings per share** | 13.1 | 4.96 | 5.64 | 3.26 | 2.40 |
| **Diluted earnings per share** | 13.2 | 4.96 | 5.64 | 3.26 | 2.40 |

The notes from pages xxx to xxx form an integral part of these financial statements.
*Figures in brackets indicate deductions.*

# STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Profit for the year | | 8,874,669 | 6,250,290 | 3,796,145 | 2,801,605 |
| Other comprehensive income | | | | | |
| Items that will never be reclassified to profit or loss | | | | | |
| Revaluation surplus of property, plant and equipment | | 2,076,980 | 919,341 | - | - |
| Equity investments at FVOCI – net change in fair value | | (3,589,588) | - | (2,726,526) | - |
| Actuarial gain/(loss) on retirement benefit obligations | 31 | (39,790) | (11,379) | 1,603 | (129) |
| Share of other comprehensive income of equity-accounted investees (net of tax) | | (12,375) | (27,920) | - | - |
| Income tax on other comprehensive income | 22.1.1 | (686,922) | (1,264,302) | (449) | (28,544) |
| | | (2,251,695) | (384,260) | (2,725,372) | (28,673) |
| Items that are or may be reclassified to profit or loss | | | | | |
| Net change in fair value of available for sale financial assets | | - | 1,871,918 | - | 1,615,477 |
| Exchange Difference on translation of foreign operations | | 1,907,579 | - | - | - |
| Net movement on Cashflow Hedges | | (84,129) | - | - | - |
| Share of other comprehensive income of equity accounted investees | | 136,374 | - | - | - |
| | | 1,959,824 | 1,871,918 | - | 1,615,477 |
| Total other comprehensive income/(expense) for the year | | (291,871) | 1,487,658 | (2,725,372) | 1,586,804 |
| Total comprehensive income for the year | | 8,582,798 | 7,737,948 | 1,070,773 | 4,388,409 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | | 4,112,533 | 7,941,379 | 1,070,773 | 4,388,409 |
| Non controlling interest | | 4,470,265 | (203,431) | - | - |
| | | 8,582,798 | 7,737,948 | 1,070,773 | 4,388,409 |

The notes from pages xxx to xxx form an integral part of these financial statements.
*Figures in brackets indicate deductions.*

# STATEMENT OF FINANCIAL POSITION

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non current assets** | | | | | |
| Property, plant and equipment | 15 | 105,353,901 | 92,487,749 | 11,527 | 5,159 |
| Intangible assets | 16 | 6,441,228 | 6,674,047 | 500 | 218 |
| Investment property | 17 | 6,064,200 | 4,918,847 | 5,077,749 | 3,835,050 |
| Biological assets | 18 | 8,650,109 | 8,299,974 | - | - |
| Investments in subsidiaries | 19 | - | - | 59,698,169 | 59,656,499 |
| Investment in equity accounted investees | 20 | 6,564,576 | 5,507,122 | 952,000 | - |
| Pre-paid operating leases | 21.1 | 2,366,966 | 2,241,358 | - | - |
| Deferred tax asset | 22.1 | 2,134,725 | 2,441,921 | 2,094 | 1,781 |
| Other non current financial investments | 23 | 31,769,069 | 21,961,563 | 28,392,637 | 18,369,604 |
| | | 169,344,774 | 144,532,581 | 94,134,676 | 81,868,311 |
| **Current assets** | | | | | |
| Inventories | 24 | 9,504,943 | 8,906,922 | 1,064 | 1,112 |
| Produce on bearer biological assets | 18.1.3 | 6,762 | 8,198 | - | - |
| Pre-paid operating leases | 21.1 | 76,232 | 67,466 | - | - |
| Trade and other receivables | 25 | 28,902,920 | 31,236,327 | 163,919 | 2,747,791 |
| Amounts due from related companies | 34.1.1 | 447,777 | 70,758 | 44,786 | 45,752 |
| Other current financial investments | 23 | 24,395,854 | 13,855,723 | 17,801,363 | 6,398,493 |
| Cash and cash equivalents | 26 | 10,766,523 | 11,716,173 | 33,659 | 544,088 |
| | | 74,101,011 | 65,861,567 | 18,044,791 | 9,737,236 |
| Assets held for Sale | 27 | 164,125 | 149,125 | - | - |
| **Total assets** | | 243,609,910 | 210,543,273 | 112,179,467 | 91,605,547 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Share capital and reserves** | | | | | |
| Stated capital | 28 | 89,100,000 | 89,100,000 | 89,100,000 | 89,100,000 |
| Reserves | 29 | 13,579,406 | 14,460,656 | (3,708,246) | (981,718) |
| Retained earnings/(Accumulated Losses) | | (22,796,820) | (28,228,725) | 5,945,379 | 2,421,284 |
| **Equity attributable to owners of the Company** | | 79,882,586 | 75,331,931 | 91,337,133 | 90,539,566 |
| **Non controlling interest** | | 44,704,175 | 42,650,538 | - | - |
| **Total equity** | | 124,586,761 | 117,982,468 | 91,337,133 | 90,539,566 |

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **Non current liabilities** | | | | | |
| Interest bearing loans and borrowings | 30 | 32,673,679 | 23,355,824 | - | - |
| Employee benefits | 31 | 2,984,870 | 2,861,509 | 7,477 | 6,363 |
| Deferred tax liabilities | 22.1 | 9,410,463 | 8,502,210 | 547,524 | 424,769 |
| Other liabilities | 32 | 2,154,959 | 1,244,822 | - | - |
| | | 47,223,971 | 35,964,365 | 555,001 | 431,132 |
| **Current liabilities** | | | | | |
| Trade and other payables | 33 | 28,418,692 | 27,940,332 | 23,501 | 14,980 |
| Other liabilities | 32 | 6,160 | 73,186 | - | - |
| Amount due to related companies | 34.1.2 | 637,232 | 668,503 | 3,668,665 | 306,998 |
| Income tax payable | | 2,264,008 | 1,486,076 | 134,206 | 12,132 |
| Interest bearing loans and borrowings | 30 | 4,782,138 | 7,908,708 | - | - |
| Bank overdrafts and other short term borrowings | 26 | 35,690,948 | 18,519,634 | 16,460,961 | 300,739 |
| | | 71,799,178 | 56,596,439 | 20,287,333 | 634,849 |
| **Total liabilities** | | 119,023,149 | 92,560,804 | 20,842,334 | 1,065,981 |
| **Total equity and liabilities** | | 243,609,905 | 210,543,273 | 112,179,467 | 91,605,547 |
| **Net assets per share (Rs.)** | | 68.55 | 64.64 | 78.37 | 77.69 |

The notes from pages xx to xx 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 for and on behalf of the Board of directors;

**D.H.S.Jayawardena**
Chairman

**A.L.Gooneratne**
Managing Director

Colombo,
XXXX August 2019

# 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 / AFS reserve | Cash Flow Hedge Reserve | Retained Earnings/ (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 2017 | 89,100,000 | 7,256,767 | 12,137 | 14,499 | 710,214 | 944,140 | 920,163 | 2,572,252 | - | (33,449,856) | 68,080,316 | 3,216,565 | 71,296,881 |
| **Total comprehensive income for the year** | | | | | | | | | | | | | |
| Profit for the year | | | | | | | | | | 6,577,164 | 6,577,164 | (326,874) | 6,250,290 |
| **Other comprehensive income** | | | | | | | | | | | | | |
| Net change in fair value of available for sale financial assets | - | - | - | - | - | - | - | 1,871,795 | | - | 1,871,795 | 123 | 1,871,918 |
| Defined benefit plan actuarial gains / (Losses) (Net Of Tax) | - | - | - | - | - | - | - | - | | (16,440) | (16,440) | 5,061 | (11,379) |
| Revaluation of property, plant and equipment | | 752,363 | | | | | | | | | 752,363 | 166,978 | 919,341 |
| Income tax on other comprehensive income | | (1,133,820) | | | | | | | | (81,763) | (1,215,583) | (48,719) | (1,264,302) |
| Share of other comprehensive income of equity-accounted investees (Net of Tax) | - | - | - | - | - | | | | | (27,920) | (27,920) | - | (27,920) |
| **Total other comprehensive income/(expense) for the year** | - | (381,457) | - | - | - | - | - | 1,871,795 | - | (126,123) | 1,364,215 | 123,443 | 1,487,658 |
| **Total comprehensive income /(expense) for the year** | - | (381,457) | - | - | - | - | - | 1,871,795 | - | 6,451,041 | 7,941,379 | (203,431) | 7,737,948 |
| **Transactions with owners directly recorded in the Equity** | | | | | | | | | | | | | |
| Dividends paid to non controlling interest | | | | | | | | | | (2,843,571) | (2,843,571) | - | (2,843,571) |
| Share of net assets of equity-accounted investees (Net of Tax) | | | | | | | | | | 78,903 | 78,903 | - | 78,903 |
| New share issue | | | | | | | | | | | - | | - |
| Transferred from/to retained earnings | | | | 5,992 | - | | 151,766 | | | (157,758) | - | (38,428) | (38,428) |
| Effect on acquisition of subsidiaries | | 179,439 | | | 1,375 | | | | | 639,952 | 820,766 | 39,503,233 | 40,323,999 |
| Effect changes in percentage holding of subsidiaries | | 66 | - | | | | 245,657 | 41 | | 1,008,374 | 1,254,138 | 172,598 | 1,426,736 |
| Effect on deem disposal of subsidiaries | | (44,190) | | | | | | | | 44,190 | - | | - |
| Total contributions by and distributions to owners | - | 135,315 | - | 5,992 | 1,375 | - | 397,423 | 41 | - | (1,229,910) | (689,764) | 39,637,403 | 38,947,639 |
| **Balance as at 31st March 2018** | 89,100,000 | 7,010,625 | 12,137 | 20,491 | 711,589 | 944,140 | 1,317,586 | 4,444,088 | - | (28,228,725) | 75,331,931 | 42,650,537 | 117,982,468 |

GROUP

| | Attributable to equity holders of parent | | | | | | | | | | | Non | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stated capital | Revaluation reserve | Capital reserve | Reserve fund | General reserve | Exchange fluctuation reserve | Timber reserve | FVOCI / AFS reserve | Cash Flow Hedge Reserve | Retained Earnings/ (Accumulated Losses) | Total | controlling interest | equity |
| | 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 31st March 2018 | 89,100,000 | 7,010,625 | 12,137 | 20,491 | 711,589 | 944,140 | 1,317,586 | 4,444,088 | - | (28,228,725) | 75,331,931 | 42,650,537 | 117,982,468 |
| 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 1st April 2018 | 89,100,000 | 7,010,625 | 12,137 | 20,491 | 711,589 | 944,140 | 1,317,586 | 4,425,370 | - | (28,172,374) | 75,369,564 | 42,636,025 | 118,005,589 |
| **Total Comprehensive Income for the Period** | | | | | | | | | | | | | |
| **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 | 302,493 | (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) | 400,490 | (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) | (22,796,820) | 79,882,586 | 44,704,175 | 124,586,761 |

The notes from pages xxx to xxx form an integral part of these financial statements.

*Figures in brackets indicate deductions.*

# STATEMENTS OF CHANGES IN EQUITY - COMPANY

| COMPANY | Stated capital Rs.'000 | Revaluation reserve Rs.'000 | FVOCI/AFS reserve Rs.'000 | Retained earnings/ (Accumulated losses) Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|
| Balance as at 1st April 2017 | 89,100,000 | 111,691 | (2,708,888) | 2,491,925 | 88,994,728 |
| Profit for the year | | | | 2,801,605 | 2,801,605 |
| **Other comprehensive income** | | | | | - |
| Equity investments at FVOCI – net change in fair value | | | 1,615,477 | | 1,615,477 |
| Actuarial Gain/(Losses) on retirement benefit obligations | | | | (129) | (129) |
| Income tax on other comprehensive income | | | | (28,544) | (28,544) |
| Total other comprehensive income for the year | - | - | 1,615,477 | (28,673) | 1,586,804 |
| **Total comprehensive income for the year** | - | - | 1,615,477 | 2,772,932 | 4,388,409 |
| Transactions with owners directly recorded in the Equity | | | | | |
| Dividends paid during the year | | - | - | (2,843,571) | (2,843,571) |
| Transactions with Owners of the Company directly recognized into Equity | - | - | - | (2,843,571) | (2,843,571) |
| **Balance as at 31st March 2018** | 89,100,000 | 111,691 | (1,093,411) | 2,421,286 | 90,539,566 |

| COMPANY | Stated capital | Revaluation reserve | FVOCI/AFS reserve | Retained earnings/ (Accumulated losses) | Total |
|---|---|---|---|---|---|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | 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 1st April 2018 | 89,100,000 | 111,691 | (1,093,411) | 2,096,695 | 90,214,975 |
| Profit for the Period | - | - | - | 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/(Losses) on retirement benefit obligations | - | - | - | 1,603 | 1,603 |
| Income tax on other comprehensive income | | - | - | (449) | (449) |
| Total Other Comprehensive Income/(Expense) for the period | - | - | (2,726,526) | 1,154 | (2,725,372) |
| Total Comprehensive Income /(Expense) for the period | - | - | (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 |
| 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 |

The notes from pages xxx to xxx form an integral part of these financial statements.
*Figures in brackets indicate deductions.*

# CONSOLIDATED CASH FLOW STATEMENTS

| For the year ended 31March, | | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Cash Flow from Operating Activities | | | | | |
| Profit before tax | | 15,805,219 | 10,142,086 | 4,214,914 | 3,270,441 |
| Adjustments for; | | | | | |
| (Gain)/Loss on disposal of property, plant and equipment | | (99,178) | (29,167) | 174 | - |
| Loss on retire of investment properties | | | 154,076 | - | 154,076 |
| Depreciation of Property, Plant and Equipment | 15 | 5,311,628 | 2,021,755 | 2,175 | 1,443 |
| Provision for Retirement benefit obligation | 31 | 509,003 | 177,198 | 2,717 | 1,919 |
| Provision/ (reversal) for inventories | | 47,137 | 169,145 | - | - |
| Provision/(reversal) of bad & doubtful debts and impairment of financial assets at amortized cost | | (54,736) | 241,608 | - | - |
| Provision/(reversal) of impairment of equity accounted investees | | 45,406 | | | |
| Amortization of Pre-paid operating leases | 21 | 57,203 | | | |
| Loss on revaluation of property, plant and equipment | | 75,857 | | | |
| Impairment of balance receivable from related parties | | | - | 776,264 | |
| Bad debts written-off | | 3,198 | - | 3,198 | |
| Share of profit of equity-accounted investees, net of tax | 20 | (395,185) | (2,266,864) | - | - |
| Amortization of Biological Assets | 18 | 99,813 | 56,614 | - | - |
| Amortization and impairment of Intangible Assets | 16 | 319,802 | 312,818 | 214 | - |
| Amortization of deferred grants & subsidies | | | (10,580) | - | - |
| Loss of remeasurement of existing interest of EAI | | | 1,774,599 | - | - |
| Loss on revaluation of Property, Plant and Equipment | | | 2,612 | - | - |
| Loss on revaluation of property, plant and equipment | | | - | - | - |
| (Gain)/loss on change in fair value of financial assets at fair value through profit or loss | | 80,223 | (57,899) | 56,354 | (15,605) |
| (Gain)/loss on disposal of financial investments | | (25,624) | (136,102) | - | (63,373) |
| Deferred income recognized | 32 | (31,178) | (93,312) | - | (25,624) |
| (Profit)/Loss on disposal of subsidiaries | | | (704,774) | - | (1,188,228) |
| (Gain)/loss on Translation of Foreign Currency | | | - | - | - |
| Dividend Income | | (959,539) | (825,929) | (4,227,671) | (1,617,249) |
| (Gain)/loss on change in fair value of Biological Assets | 18.3 | (250,466) | (149,061) | - | - |
| Goodwill Impairment | | | - | - | - |
| Gain on disposal of available-for-sale financial assets transferred from equity | | | - | - | - |
| Gain on liquidation of share Trust | | | - | - | - |
| Negative Goodwill on acquisition | | | - | - | - |
| Gain on Re-Purchase of Shares by Subsidiaries | | | - | - | (794,739) |
| Fair value gain on investment property | | (263,671) | (591,363) | (371,853) | (608,557) |
| Gain on Disposal of Subsidiary | | | - | (4,578) | - |
| Provision for Impairment of Subsidiaries | | | - | 272,340 | 1,696,133 |
| Interest income | | (1,861,286) | (1,321,126) | (1,322,939) | (855,181) |
| Interest expense | | 3,403,160 | 2,025,086 | 581,118 | 92,764 |
| **Operating profit/(loss) before working capital changes** | | 21,816,787 | 10,891,420 | (17,572) | 48,220 |
| (Increase)/decrease in inventories | | (645,159) | (268,320) | 48 | (194) |
| (Increase)/decrease in receivables | | 220,381 | (2,623,455) | 30,524 | (63,626) |
| Increase/(decrease) in payables | | 478,357 | 2,113,648 | 8,520 | 11,624 |
| (Increase) / decrease in Related Party Receivables / Payables | | (408,291) | 62,929 | 1,632 | (180,437) |
| **Cash flows generated from/(used in) operations** | | 21,462,075 | 10,176,222 | 23,153 | (184,413) |
| Interest paid | | (3,412,488) | (2,025,086) | (435,123) | (69,748) |
| Income Tax paid | | (5,653,664) | (4,044,132) | (174,703) | (505,883) |
| Retiring Gratuity paid | 31 | (438,980) | (125,117) | (0) | - |
| Dividends Received | | 959,539 | 917,524 | 4,227,671 | 1,617,249 |
| **Net Cash flows generated from/(used in) operations** | | 12,916,481 | 4,899,411 | 3,640,998 | 857,205 |

| For the year ended 31March, | | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| NCI | | 0 | | | |
| | | | | | |
| **Cash Flow from Investing Activities** | | | | | |
| Acquisition of Property, plant and equipment | | (12,684,719) | (2,230,350) | (9,362) | (700) |
| Proceeds from disposal of subsidiaries net of cash disposed | | 2,557,048 | 1,387,609 | 2,557,048 | 5,000 |
| Acquisition of Intangible Assets | 16 | (33,665) | (15,282) | (496) | - |
| Acquisition of investment property | 17 | (881,682) | (536,917) | (870,846) | (536,917) |
| Additions to Biological Assets | 18 | (198,046) | (199,769) | - | - |
| Assets held for sale | | (15,000) | - | - | - |
| Investment in equity accounted investees | | (149,755) | (485,409) | - | (496,630) |
| Investment in joint ventures | | (931,520) | - | (650,000) | |
| Proceeds from sale of Property, plant and equipment | | 159,689 | 1,394,496 | 646 | - |
| Interest received | | 1,861,286 | 1,321,126 | 729,493 | 655,738 |
| Investment in subsidiary companies net of cash acquired | | - | (763,921) | - | (703,445) |
| Acquisition of non controlling interest | | (206,168) | | (201,331) | (119,170) |
| Net Proceeds from Disposal / (Acquisition) of Other Financial Investments | | (23,877,890) | (44,713) | (20,676,931) | (99,068) |
| Loans disbursed to Subsidiaries and Associates | | | - | (6,710,712) | (3,195,472) |
| Prepaid operating leases | | - | | | |
| Proceeds from settlement of Loans given to Subsidiaries | | | - | 2,620,036 | 1,864,447 |
| Dividend received from equity accounted investees | | 577,641 | | | |
| Proceeds received from Repurchase of Shares by Subsidiaries | | | - | - | 1,196,454 |
| **Net Cash flows generated from/(used in) investing activities** | | (33,822,781) | (173,130) | (23,212,454) | (1,429,763) |
| FC | | | | | |
| Reserves | | (1) | | | |
| | | | | | |
| **Cash Flow from Financing Activities** | | | | - | |
| Advances received from subsidiaries and equity accounted investees | | 549,893 | - | 2,912,805 | 1,087,207 |
| Settlement of advances obtained from subsidiaries | | | - | (12,000) | (300,333) |
| Acquisition of non controlling interests | | | | - | - |
| Redeemable preference shares | | - | | | |
| Principle repayments under lease liabilities | | (122,205) | - | - | - |
| Proceeds from interest bearing loans and borrowings | 30.1 | 15,134,811 | 4,749,736 | - | - |
| Repayments of interest bearing loans and borrowings | 30.1 | (10,860,463) | (7,236,868) | - | - |
| Dividend paid | | | (284,902) | - | (284,902) |
| Dividends paid by subsidiaries to minority shareholders | | (1,933,782) | - | - | - |
| Interest paid | | | - | - | - |
| Lease accruals | | - | | | |
| Receipt of Deferred Income | 32 | 17,081 | 72,214 | - | - |
| **Net Cash flows generated from/(used in) financing activities** | | 2,785,335 | (2,699,820) | 2,900,805 | 501,972 |
| | | | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | (18,120,965) | 2,026,461 | (16,670,651) | (70,586) |
| **Cash and cash equivalents at the beginning of the year** | | (6,803,461) | (8,817,275) | 243,349 | 313,935 |
| **Cash and Cash Equivalents acquired via business combinations** | | | - | - | - |
| **Cash and cash equivalents derecognized via derecognition of Subsidiary** | | | - | - | - |
| | | | | - | - |
| **Cash and cash equivalents at the end of the year (Note 27)** | | (24,924,426) | (6,790,814) | (16,427,302) | 243,349 |
| | | | | | |
| **Note B** | | | | | |
| **Analysis of cash and cash equivalents at the end of the year** | | | | | |
| Short term deposits | 26 | 2,295,784 | 316,658 | - | - |
| Cash at bank | 26 | 8,318,299 | 11,217,183 | 33,659 | 544,088 |
| Cash in transit | 26 | 152,440 | 182,332 | - | - |
| Bank overdraft and Other Short Term Borrowings | 26 | (35,690,948) | (18,506,988) | (16,460,961) | (300,739) |
| | | (24,924,425) | (6,790,815) | (16,427,301) | 243,349 |

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with related notes, which form a part of the Financial Statements of the Group set out in pages xx to xx.

# 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 2018 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.

### 1.3 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.

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 2019 were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 06 August 2019.

### 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 |

## 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 recognised prospectively.

Information about assumptions and estimation uncertainties that have significant effect on the amounts recognised in the consolidated financial statements is included in following notes;

Note 18 – Biological Assets

Note 22 - Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

Note 26 - Provisions for impairment of financial assets.

Note 31 - Measurement of defined benefit plan; key actuarial assumptions.

Note 40 - Recognition and measurement of provisions for contingencies; key assumptions about the likelihood and magnitude of an outflow of resources.

### 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 for the changes below, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

## 3.1 Change in Accounting Policies

The Company has adopted SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments from 1st April 2018.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards mainly attributed to the following;

- changes of the revenue recognition
- an increase in impairment losses recognized on financial assets
- changes in classification of financial instruments

### A. SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15 revenue from contracts with customers, an entity should recognize as revenue the amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services excluding amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

1. Impact on the adoption of SLFRS 15 as at 1st April 2018

The Company has applied SLFRS 15 using the cumulative transition effect method – i.e. by recognizing the cumulative effect of initially applying SLFRS 15 as an adjustment to the opening balance of equity at 1st April 2018 and therefore the comparative information has not been restated and continues to be reported under LKAS 18. The details of accounting policies under LKAS 18 and SLFRS 15 are disclosed in Note 06 separately.

The effect of initially applying of SLFRS 15 is mainly attributed to recognition of revenue from contract with customers under installation of connections.

The following table summarises the impact of transition to SLFRS 15 on retained earnings as at 1st April 2018

| | Impact of adopting SLFRS 15 as at 1st April 2018 Rs. 000 |
|---|---|
| Retained Earnings | |
| Non-refundable connection fees | 113,429 |
| Total impact on Retained Earnings as at 1st April 2018 | 113,429 |

The following demonstrate the focused areas under SLFRS 15 on the above product lines;

The non-refundable connection fees were deferred to three years and recognized as an installation revenue over the time previously. Under SLFRS 15, an entity may charge a non-refundable fee in part as compensation for costs incurred in setting up the contract. If the set-up activities do represent a performance obligation, then the up-front fees are recognised as revenue once the installation is completed.

2. Impact on the adoption of SLFRS 15 on the statement of financial position, statement of profit or loss and other comprehensive income as at the year ended 31st March 2019

The following table summarises the impacts of adopting SLFRS 15 on the Company's statement of financial position as at 31st March 2019 and its profit or loss and other comprehensive income for the year then ended for each line item affected. There was no material impact on the Company's statement of cash flows for the year ended 31st March 2019.

**Impact on the statement of financial position;**

| As at 31st March 2019 | As reported | Adjustments | Amounts without adoption of SLFRS 15 |
|---|---|---|---|
| | Rs.000 | Rs.000 | Rs.000 |
| Assets | | | |
| Non Current Assets | 4,654,637 | - | 4,654,637 |
| Other Current Assets | 3,216,083 | - | 3,216,083 |
| **Total Assets** | **7,870,720** | **-** | **7,870,720** |
| | | | |
| Equity | | | |
| Share Capital | 1,713,070 | - | 1,713,070 |
| Retained Earnings | (6,259,682) | 113,429 | (6,373,111) |
| Other Reserves | 4,834,533 | - | 4,834,533 |
| **Total Equity** | **287,921** | **113,429** | **174,492** |
| | | | |
| Liabilities | | | |
| Non-Current Liabilities | 2,845,913 | (45,221) | 2,891,134 |
| Other Current Liabilities | 4,736,886 | (68,208) | 4,805,094 |
| **Total Liabilities** | **7,582,799** | **(113,429)** | **7,696,228** |
| **Total Equity and Liabilities** | **7,870,720** | **-** | **7,870,720** |

**B) SLFRS 9 Financial Instruments**

SLFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

As a result of adoption of SLFRS 9, the Group has adopted consequential amendments to LKAS 1 Presentation of financial statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Impairment loss on financial assets are presented under "other expenses", similar to the presentation under LKAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

1. Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets; measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities. However, although under LKAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under SLFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss

For an explanation of how the Group classifies financial liabilities under SLFRS 9, refer Note XXX.

2. Impairment of financial assets

SLFRS 9 replaces the "incurred loss model" in LKAS 39 with an "expected credit loss model" (ECL). The new impairment model applies to financial assets carried at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under SLFRS 9, credit losses are recognized earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. However the Group has determined that there is no any impact on transition to SLFRS 9 on retained earnings as at 1 April 2018.

3. Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are adjusted in retained earnings as at 1 April 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held,
- The designation and revocation of previous designation of certain financial assets and financial liabilities as measured at FVTPL,
- The designation of certain investments in equity instruments not held for trading as FVTOCI.

The information and details on the changes and implications resulting from the adoption of SLFRS 9 is given below.

4. Impact on the adoption of SLFRS 9

The change in accounting policy as at 1 April 2018 has been reduced retained earnings by Rs.54,917 ('000), Fairvalue thrrough OCI reserve reduced by Rs.18,718 ('000) and Non-contraling intrest reduced by Rs. 16,673 ('000).

The following table summarizes the impact of transition to SLFRS 9 -"Financial Instruments" on reserves and retained earnings as at 1 April 2018.

| As at 31st March 2018 | Retained earnings<br>Rs.000 | Other reserves<br>Rs.000 | Non controlling interest<br>Rs.000 |
|---|---|---|---|
| Closing balance under LKAS 39 as at 31 March 2018 | (28,228,725) | 4,444,088 | 42,650,538 |
| Impact on recognition of expected credit losses: | | | |
| **Expected credit losses under SLFRS 9 for ;** | | | |
| Trade and Other Receivables | (68,991) | - | (12,049) |
| Bank deposits | **(609)** | - | **(606)** |
| Investments in Government Securities | **(356)** | - | **(354)** |
| Investments in Corporate Debentures | **(3,679)** | - | **(3,664)** |
| Impact on reclassification and measurement | | | |
| Classification of quoted equity securities at AFS to FVTPL | **18,718** | **(18,718)** | - |
| | | | |
| Opening balance under SLFRS 9 Initial Application as at 1 April 2018 | **(28,283,642)** | **4,425,370** | **42,633,864** |

5. Classification of financial assets and financial liabilities on the date of initial application of SLFRS 9 -"Financial Instruments"

The adoption of SLFRS 9 has no significant effect on the Group's accounting policies related to financial liabilities.

The following table explains the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 April 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets as at 1 April 2018 relates solely to the new impairment requirements.

| Financial Assets | Original Classification under LKAS 39 | New Classification under SLFRS 9 | Original Carrying amount under LKAS 39 | New Carrying amount under SLFRS 9 |
|---|---|---|---|---|
| | | | Rs.000 | Rs.000 |
| Trade and Other Receivables | Loans and Receivables | Amortised cost | 31,236,327 | 31,155,287 |
| Amounts Due from Related Companies | Loans and Receivables | Amortised cost | 70,758 | 70,758 |
| Cash and Cash Equivalents | Loans and Receivables | Amortised cost | 11,716,173 | 11,716,173 |
| | | | | |
| **Financial Assets Measured at Fair Value Through Other Comprehensive Income** | | | | |
| Quoted Equity securities | Available for Sale | Fair Value Through Other Comprehensive Income | 20,026,029 | 20,026,029 |
| Unquoted Equity securities | Available for Sale | Fair Value Through Other Comprehensive Income | 150,416 | 150,416 |
| Investments in Unit Trusts | Available for Sale | Fair Value Through Other Comprehensive Income | 3,000 | 3,000 |
| Investments in Government Securities | Available for Sale | Fair Value Through Other Comprehensive Income | 399,236 | 399,236 |
| Quoted Debt securities | Available for Sale | Fair Value Through Other Comprehensive Income | 431,170 | 431,170 |
| | | | | |
| **Financial Assets Measured at Amortised Cost** | | | | |
| Investments in Government Securities | Loans and Receivables | Amortised cost | 155,600 | 154,890 |
| Investments in Corporate Debentures | Loans and Receivables | Amortised cost | 1,307,796 | 1,300,453 |
| Investments in Commercial Papers | Loans and Receivables | Amortised cost | 55,070 | 55,070 |
| Bank Deposits | Loans and Receivables | Amortised cost | 11,728,540 | 11,727,325 |
| Investments in Reverse Repurchase Agreements | Loans and Receivables | Amortised cost | 205,038 | 205,038 |
| | | | | |
| **Financial Assets Measured at Fair Value Through Profit or Loss** | | | | |
| Quoted Equity securities | Fair Value Through Profit or Loss | Fair Value Through Profit or Loss | 1,176,131 | 1,176,131 |
| Investments in Unit Trusts | Fair Value Through Profit or Loss | Fair Value Through Profit or Loss | 153,883 | 153,883 |
| Investments in Government Securities | Fair Value Through Profit or Loss | Fair Value Through Profit or Loss | 25,377 | 25,377 |

The effect of adopting SLFRS 9 on the carrying amounts of financial liabilities as at 1 April 2018 is as follows.

| Financial Liabilities | Original Classification under LKAS 39 | New Classification under SLFRS 9 | Original Carrying amount under LKAS 39 | New Carrying amount under SLFRS 9 |
|---|---|---|---|---|
| | | | Rs.000 | Rs.000 |
| Trade and Other Payables | Other financial liabilities measured at amortized cost | Amortised cost | 27,940,332 | 27,940,332 |
| Amounts Due to Related Companies | Other financial liabilities measured at amortized cost | Amortised cost | 668,503 | 668,503 |
| Interest Bearing Loans and Borrowings | Other financial liabilities measured at amortized cost | Amortised cost | 31,277,178 | 31,277,178 |
| Bank Overdrafts and Other Short Term Borrowings | Other financial liabilities measured at amortized cost | Amortised cost | 18,506,988 | 18,506,988 |

The following table reconciles the carrying amounts of financial assets under LKAS 39-"Financial Instruments: Recognition and Measurement", to the carrying amounts under SLFRS 9 -"Financial Instruments", on transition to SLFRS 9 -"Financial Instruments", on 1 April 2018.

| Classification as per SLFRS 9 | LKAS 39 carrying amount at 31 March 2018 | Change in classification | Re-measurement | SLFRS 9 carrying amount at 1 April 2018 |
|---|---|---|---|---|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Cash and cash equivalents | | | | |
| Brought forward : Loans and receivables | 11,716,173 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : Amortized cost | - | - | - | 11,716,173 |
| Trade and Other Receivables | | | | |
| Brought forward : Loans and receivables | 31,236,327 | - | - | - |
| Re-measurement/Reclassification | - | - | (81,040) | - |
| Carried forward : Amortized cost | - | - | - | 31,155,287 |
| Amounts Due to Related Companies | | | | |
| Brought forward : Loans and receivables | 70,758 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : Amortized cost | - | - | - | 70,758 |

| Classification as per SLFRS 9 | LKAS 39 carrying amount at 31 March 2018 | Change in classification | Re-measurement | SLFRS 9 carrying amount at 1 April 2018 |
|---|---|---|---|---|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Financial Assets Measured at Fair Value Through Other Comprehensive Income | | | | |
| Quoted Equity securities | | | | |
| Brought forward : Available for Sale | 20,026,029 | - | - | - |
| Re-measurement/Reclassification | - | (37,359) | - | - |
| Carried forward : FVOCI | | | | 19,988,670 |
| Carried forward : FVTPL | - | - | - | 37,359 |
| | | | | |
| Unquoted Equity securities | | | | |
| Brought forward : Available for Sale | 150,416 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : FVOCI | - | - | - | 150,416 |
| | | | | |
| Investments in Unit Trusts | | | | |
| Brought forward : Available for Sale | 3,000 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : FVOCI | - | - | - | 3,000 |
| | | | | |
| Investments in Government Securities | | | | |
| Brought forward : Available for Sale | 399,236 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : FVOCI | - | - | - | 399,236 |
| | | | | |
| Quoted Debt securities | | | | |
| Brought forward : Available for Sale | 431,170 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : FVOCI | - | - | - | 431,170 |
| | | | | |
| Financial Assets Measured at Amortised Cost | | | | |
| Investments in Government Securities | | | | |
| Brought forward : Loans and receivables | 155,600 | - | - | - |
| Re-measurement/Reclassification | - | - | (710) | - |
| Carried forward : Amortised Cost | - | - | - | 154,890 |
| | | | | |
| Investments in Corporate Debentures | | | | |
| Brought forward : Loans and receivables | 1,307,796 | - | - | - |
| Re-measurement of ECL | - | - | (7,343) | - |
| Carried forward : Amortised Cost | - | - | - | 1,300,453 |

| Classification as per SLFRS 9 | LKAS 39 carrying amount at 31 March 2018 | Change in classification | Re-measurement | SLFRS 9 carrying amount at 1 April 2018 |
|---|---|---|---|---|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| **Investments in Commercial Papers** | | | | |
| Brought forward : Loans and receivables | 55,070 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : Amortised Cost | - | - | - | 55,070 |
| **Bank Deposits** | | | | |
| Brought forward : Loans and receivables | 11,728,540 | - | - | - |
| Re-measurement of ECL | - | - | (1,215) | - |
| Carried forward : Amortised Cost | - | - | - | 11,727,325 |
| **Investments in Reverse Repurchase Agreements** | | | | |
| Brought forward : Loans and Receivables | 205,038 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : Amortised Cost | - | - | - | 205,038 |
| **Financial Assets Measured at Fair Value Through Profit or Loss** | | | | |
| Quoted Equity securities | | | | |
| Brought forward : FVTPL | 1,176,131 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : FVTPL | - | - | - | 1,176,131 |
| **Investments in Unit Trusts** | | | | |
| Brought forward : FVTPL | 153,883 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : FVTPL | - | - | - | 153,883 |
| **Investments in Government Securities** | | | | |
| Brought forward : FVTPL | 25,377 | - | - | - |
| Re-measurement/Reclassification | - | - | - | - |
| Carried forward : FVTPL | - | - | - | 25,377 |

# NOTES TO THE FINANCIAL STATEMENTS

### 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 2019 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 events 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 are 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 unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

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

#### 3.2.6 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. Interests in associates 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 determinated. 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 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 |
| Vats & Casks | 10 years |
| Oil Storage Tanks | 10 years |
| Computers equipment's | 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**

3.4.2.1 Leased Assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

The principal/ capital elements payable to the lessor are shown as liability/ obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental that is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital element outstanding.

The cost of improvements to or on leased property is capitalised, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

3.4.2.2 Operating Leases

When the lessor effectively retains substantially all the risks and rewards of an asset under the lease agreement, such leases are classified as operating leases. Payments under operating leases are recognised as expense in the profit or loss on a straight line basis over the term of the lease.

**3.4.3 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.

a. 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.

b. 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.

c. 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 |

**3.4.4 Impairment**

3.4.4.1 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.

### 3.4.5 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 the consolidated financial statements and accounted for as per LKAS 16 Property, Plant & Equipment.

### 3.4.6 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.

### 3.4.7 Financial Instruments

3.4.7.1 Recognition and initial measurement

The Group initially recognizes receivables and deposits on the date they are originated. All other financial assets are recognized 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.

**1. Classification and subsequent measurement**

**A. Financial Assets**

a) Financial Assets: Policy applicable from 1st April 2018

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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Grouop 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 amortized 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 amortized 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: Policy applicable from 1st April 2018

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 realizing 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: Policy applicable from 1st April 2018

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.

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 assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized 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 recognized in profit or loss. Other net gains and losses are recognized 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 recognized 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 recognized in OCI and are never reclassified to profit or loss. |

b) Financial Assets: Policy applicable before 1st April 2018

The Group classified its financial assets into one of the following categories.

- Loans and receivables
- Held to maturity
- Available for sale and
- At FVTPL, and within this category as;

  Held for trading

  Designated as at FVTPL

| | |
|---|---|
| Financial assets at FVTPL | Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss. |
| Held-to-maturity financial assets | Measured at amortized cost using the effective interest method. |
| Loans and receivables | Measured at amortized cost using the effective interest method. |
| Available for sale financial assets | Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss. |

**B. Financial Liabilities**

Financial Liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost of FVTPL. A financial liability is classified as at 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 recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**2. 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. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**3.4.8 Impairment**

**A Non-derivative financial assets**

a) Policy Applicable before 1st April 2018

Financial asset classified as 'loans and receivables' are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security

**Financial assets measured at amortised cost**

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) on specific assets accordingly, all individually significant assets are assessed for specific impairment in assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in Profit or Loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Profit or Loss.

b. Policy applicable from 1st April 2018

**Financial Instruments and Contract Assets**

The Group recognizes 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.

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 reorganization; 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.

#### 3.4.9 Stated Capital

Ordinary 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.

#### 3.4.10 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. 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

#### 3.4.11 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.

#### 3.4.12 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- Revenue from contracts with Customers - Accounting Policy applicable after 1 April 2018

The Group initially applied SLFRS 15 from 1 April 2018 for the first time in these financial statements.

The effect of initially applying SLFRS 15 on the Company's revenue from contracts with customers is described in Note 06. Due to the transition method chosen in applying SLFRS 15, comparative information has not been restated to reflect the new requirements, the specific criteria used for the purpose of recognition of revenue remains the same as preceding years.

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 recognise when a customer obtain control of the goods or services. Standard also give 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

**Accounting Policy applicable prior to 1 April 2018**

Revenue was recognised to the extent that it was probable that the economic benefits reached the Group and the revenue could reliably be measured, regardless of when the payment was received. Revenue was measured at the fair value of the consideration received or receivable, net of trade discounts, value added taxes and intra-group revenue. No revenue was recognised when there were significant uncertainties regarding recovery of the consideration due.

The specific criteria used for the purpose of recognition of revenue remains the same as SLFRS 15 application.

**Other Revenue**

a. Rental income

Rental income arising from renting of property, plant and equipment and investment properties is recognised as revenue on a straight-line basis over the term of the hire.

b. Interest income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale the interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. For interest bearing financial assets carried at fair value, interest is recognised on discounted cash flow method. Interest income is included under finance income in the income statement.

c. Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which is generally when the dividend is declared.

d. Installation revenue

The revenue is recognised based on the identified performance obligation. The revenue is allocated for the performance obligation on their relative stand-alone selling price and the revenue is recognised at the point in time when the performance obligation is met.

### 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 available for sale financial assets), gains on the disposal of available for sale 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.10 of 2006 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 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.

### 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.

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" as per the ruling issued by Institute of Chartered Accountants of Sri Lanka.

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.

The main variables in DCF model concerns

| Variable | Comment |
|---|---|
| Currency valuation | Sri Lankan Rupees |
| 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% |

Nursery cost includes the cost of direct materials, direct labor 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 Income Statement 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 Years | 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 income statement 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 favorable interest is regarded as additional government grant. Assets are amortised over their useful lives as follows;

| | |
|---|---|
| Buildings | 40 years |

## 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.

**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 nonfinancial 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 reinsurers 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 reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer'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 reinsurer. 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 reinsurers. 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.

## 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 available-for-sale and 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 Standards Issued but not Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st January 2018. Accordingly, the Group has not applied the following new standards in preparing these consolidated financial statements.

**SLFRS 16- Leases**

SLFRS 16 requires lessees to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right of use assets. The profit or loss recognition pattern for recognised leases will be similar to existing finance lease accounting, with interest and depreciation expense recognised separately in Profit or Loss.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019 with early adaption permitted.

The Group and the Company are in the process of identifying the impact on its financial statements resulting from the application of SLFRS 16.

## 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, | External revenue 2019 Rs.'000 | 2018 Rs.'000 |
|---|---|---|
| Beverages | 87,433,730 | 97,082,808 |
| Plantation | 4,501,190 | 3,607,522 |
| Telecommunication | 2,964,778 | 2,964,702 |
| Financial services | 3,193,549 | 3,808,537 |
| Diversified | 57,837,695 | 2,493,328 |
| **Total gross revenue** | 155,930,942 | 109,956,897 |
| **Excise duty** | (57,267,603) | (65,226,743) |
| **Total net revenue** | 98,663,339 | 44,730,154 |

### 5.2 Segment profits

| For the year ended 31March, | External profit 2019 Rs.'000 | 2018 Rs.'000 |
|---|---|---|
| Beverages | 9,557,143 | 7,957,514 |
| Plantation | (577,590) | 144,996 |
| Telecommunication | (2,068,595) | (1,597,171) |
| Financial services | 427,023 | 418,332 |
| Diversified | 8,072,054 | 951,551 |
| | 15,410,035 | 7,875,222 |
| Share of profit of equity-accounted investees (net of tax) | 395,185 | 2,266,864 |
| Profit before income tax expense | 15,805,220 | 10,142,086 |
| Taxation | (6,930,552) | (3,891,796) |
| **Profit for the year** | 8,874,668 | 6,250,290 |

## 5.3 Other segmental information

| For the year ended 31March, | Beverages 2019 Rs.'000 | Beverages 2018 Rs.'000 (Restated) | Telecommunication 2019 Rs.'000 | Telecommunication 2018 Rs.'000 (Restated) | Reporting segment Plantation 2019 Rs.'000 | Reporting segment Plantation 2018 Rs.'000 (Restated) | Financial Services 2019 Rs.'000 | Financial Services 2018 Rs.'000 (Restated) | Diversified 2019 Rs.'000 | Diversified 2018 Rs.'000 (Restated) | Eliminations/other consoli-dated adjustments 2019 Rs.'000 | Eliminations/other consoli-dated adjustments 2018 Rs.'000 (Restated) | Group Total 2019 Rs.'000 | Group Total 2018 Rs.'000 (Restated) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchase of PPE | 110,836 | 139,593 | 1,910,210 | 1,914,873 | 407,036 | 8,868 | 12,112 | 37,656 | 11,646,688 | 129,360 | | - | 14,086,882 | 2,230,350 |
| Additions to intangible assets | - | - | 1,550 | 4,294 | - | - | 5,942 | 10,634 | 26,173 | 354 | - | - | 33,665 | 15,282 |
| Depreciation of PPE | 537,937 | 565,564 | 1,093,541 | 974,826 | 106,354 | 52,517 | 26,474 | 34,820 | 3,210,205 | 394,029 | 353,074 | - | 5,327,585 | 2,021,756 |
| Amortization and impairment of intangible assets | 403 | 7,614 | 290,563 | 657 | - | - | 2,484 | 12,019 | 26,352 | 3,082 | - | | 319,802 | 23,372 |
| Amortization of bearer biological assets at finance lease ((JEDB/SLPC) | - | - | - | - | 79,014 | 56,614 | - | - | - | - | - | - | 79,014 | 56,614 |
| Interest expense | 503,159 | 937,764 | 776,639 | 589,132 | 471,269 | 302,572 | - | - | 2,692,032 | 519,051 | (1,039,938) | (323,433) | 3,403,160 | 2,025,086 |

| As at 31 March, | Beverages 2019 Rs.'000 | Beverages 2018 Rs.'000 (Restated) | Telecommunication 2019 Rs.'000 | Telecommunication 2018 Rs.'000 (Restated) | Reporting segment Plantation 2019 Rs.'000 | Reporting segment Plantation 2018 Rs.'000 (Restated) | Financial Services 2019 Rs.'000 | Financial Services 2018 Rs.'000 (Restated) | Diversified 2019 Rs.'000 | Diversified 2018 Rs.'000 (Restated) | Eliminations/other consoli-dated adjustments 2019 Rs.'000 | Eliminations/other consoli-dated adjustments 2018 Rs.'000 (Restated) | Group Total 2019 Rs.'000 | Group Total 2018 Rs.'000 (Restated) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total assets | 27,575,563 | 26,363,489 | 7,118,724 | 8,000,669 | 12,258,644 | 11,817,406 | 5,292,386 | 10,765,660 | 253,440,133 | 215,567,031 | (62,075,543) | (61,970,982) | 243,609,907 | 210,543,273 |
| Total liabilities | 19,138,289 | 19,816,265 | 9,325,531 | 7,820,788 | 9,169,200 | 7,337,192 | 3,560,769 | 7,824,657 | 90,072,714 | 59,005,248 | (12,243,362) | (9,243,343) | 119,023,142 | 92,560,807 |
| Retirement benefit obligations | 173,403 | 134,277 | 72,408 | 55,879 | 1,631,820 | 1,541,150 | 33,646 | 22,445 | 1,073,594 | 1,107,758 | - | - | 2,984,870 | 2,861,509 |
| Deferred tax assets | 70,773 | 53,711 | 638 | - | 712,937 | 992,526 | 21,245 | 16,800 | 1,329,132 | 1,378,884 | - | | 2,134,725 | 2,441,921 |
| Deferred tax liabilities | 2,102,141 | 1,826,500 | 374 | 750 | 1,462,160 | 1,315,903 | 7,676 | 10,021 | 4,197,799 | 3,708,722 | 1,640,314 | 1,640,314 | 9,410,463 | 8,502,210 |
| Income tax payable | 1,616,984 | 942,110 | - | - | 7,792 | 15,829 | 27,387 | - | 611,840 | 528,139 | - | - | 2,264,003 | 1,486,078 |

## 5.4 Segmental cash flows

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Cash Flow | 3,773,887 | 2,149,922 | (804,420) | (458,384) | 188,361 | (37,948) | 536,309 | 996,932 | 11,400,380 | 3,783,989 |
| Investing Cash Flow | 437,003 | 1,324,797 | (705,157) | (683,334) | (565,946) | (263,311) | (445,767) | (454,173) | (38,033,734) | (7,197,187) |
| Financing Cash Flow | (2,998,013) | (1,145,860) | 1,743,189 | 1,568,178 | 742,947 | 342,328 | (21,000) | (581,300) | 7,109,161 | 1,225,742 |
| | 1,212,877 | 2,328,859 | 233,612 | 426,460 | 365,362 | 41,069 | 69,542 | (38,541) | (19,524,193) | (2,187,456) |

# NOTES TO THE FINANCIAL STATEMENTS

## 6 Revenue

### 6.1 Revenue Streams

| For the year ended 31March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Revenue from contracts with customers | | | | |
| Sales of goods | 97,816,001 | 101,789,530 | - | - |
| Rendering of services | 58,114,940 | 8,167,367 | 209,203 | 228,319 |
| Total gross revenue (Note 6.2) | 155,930,942 | 109,956,897 | 209,203 | 228,319 |

### 6.2 Business segment analysis of gross revenue

| For the year ended 31March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Beverages | 87,433,730 | 97,082,808 | - | - |
| Plantation | 4,501,190 | 3,607,522 | - | - |
| Telecommunication | 2,964,778 | 2,964,702 | - | - |
| Financial Services | 3,193,549 | 3,808,537 | - | - |
| Diversified | 57,837,695 | 2,493,328 | 209,203 | 228,319 |
| Total gross revenue | 155,930,942 | 109,956,897 | 209,203 | 228,319 |

### 6.3 Geographical segment analysis of gross revenue

| For the year ended 31March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Sri Lanka | 138,306,065 | 93,920,764 | 209,203 | 228,319 |
| Maldives | 11,729,802 | 10,832,550 | - | - |
| Other countries | 5,895,075 | 5,203,583 | - | - |
| Total gross revenue | 155,930,942 | 109,956,897 | 209,203 | 228,319 |

### 6.4 Timing of revenue recognition

| For the year ended 31March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Products and services transferred at a point in time | 97,816,001 | 101,789,530 | - | - |
| Products and services transferred over time | 58,114,940 | 8,167,367 | 209,203 | 228,319 |
| Total gross revenue | 155,930,942 | 109,956,897 | 209,203 | 228,319 |

## 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 under SLFRS 15 (applicable from 1st January 2018) |
|---|---|---|
| **Rendering of services** | | |
| **Telecommunication sector** | | |
| Rental income | The Company charges a rental from their customer for maintaining telephony packages and connections. It is charged in a monthly basis along with the monthly usage bill. | The revenue is recognized based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognised the revenue point in time. |
| Call revenue | The Company charges a usage charge based on their customers call usage in a monthly basis. | The revenue is recognized based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognised the revenue point in time. |
| Broadband revenue | The Company charges a usage charge based on their customers internet usage in a monthly basis. | The revenue is recognised based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognised the revenue point in time. |
| 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.The revenue is allocated for the performance obligation on their relative stand-alone selling price and the revenue is recognised at the point in time when the performance obligation is met. |
| 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. | The revenue is recognized based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognised the revenue point in time. |
| Flag and Site rental revenue | The Company lends the towers owned by the Company and sublends the FLAG cable to other network operators. | The revenue is recognized based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognized the revenue point in time. |

| Type of product/services | Nature and timing of satisfaction of performance obligation | Revenue recognition under SLFRS 15 (applicable from 1st January 2018) |
|---|---|---|
| Diversified sector | | |
| Tourism | | |
| Hotel operation | Main revenue of the Group's hotel operation is provision of rooms for guest accommodation (apartment revenue). 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. | Revenue recognition for the Group's hotel operation is at point of time. |
| | "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 recognized when points are redeemed | |
| 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 Agen (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 recognized 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 under SLFRS 15 (applicable from 1st January 2018) |
|---|---|---|
| Strategic investments | | |
| Power generation | Revenue from thermal power generation is recognised based on the actual amount of electricity 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) while the Revenue from renewable power, namely wind and hydro, is recorded based on a fixed tariff in terms of the respective PPAs. Invoices for the generation of power are raised on a monthly basis. | 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 recognized 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 recognizes revenue when the manufactured garments are handed over to the nominated freight forwarding company. |

| Type of product/services | Nature and timing of satisfaction of performance obligation | Revenue recognition under SLFRS 15 (applicable from 1st January 2018) |
|---|---|---|
| Sale of goods | | |
| Beverages | | |
| Liquor Bottles | Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or services to a contract. | Revenue from the sale of goods is recognized 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 recognized 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 ant net acquisition costs in insurance businesses are included.

## 8 Other operating income

| | | Group | | Company | |
|---|---|---|---|---|---|
| For the year ended 31March, | | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Gain on change in fair value of biological assets | 18.3 | 250,466 | 147,236 | - | - |
| Government grants | 32.1 | 15,565 | 10,896 | - | - |
| Gain on sale of property, plant and equipment | | 99,352 | 29,167 | - | - |
| Fees and commission income | | 57,162 | 64,063 | - | - |
| Rent income | | 127,140 | 119,820 | - | - |
| Sale of timber | | 4,198 | - | - | - |
| Other income | | 151,287 | 386,647 | - | 6 |
| Dividend income from subsidiary companies | | - | - | 3,331,648 | 810,307 |
| Dividend income from equity accounted investees | | - | - | - | 91,595 |
| Dividends from equity securities – at FVOCI/AFS financial assets | | 930,014 | 762,056 | 873,956 | 664,824 |
| Dividends from equity securities – at FVTPL | | 29,525 | 63,873 | 22,067 | 50,523 |
| Gain on disposal of fair value through profit and loss investments | | 31,180 | 141 | - | 141 |
| Gain on disposal of available-for-sale financial assets transferred from equity | | - | 153,637 | - | 63,232 |
| Gain from changes in fair value of investment properties | 17 | 263,671 | 591,363 | 371,853 | 608,557 |
| Gain on repurchase of share by subsidiaries | | - | - | - | 794,739 |
| Gain on disposal of share of subsidiaries | | - | - | 4,578 | - |
| Gain on disposal of subsidiaries* | | 800 | 704,774 | - | 1,188,228 |
| Reversal of Provision for Expected Credit Loss | | 49,913 | - | - | - |
| Net impairment of financial assets measured at amortized cost | | 4,823 | - | - | - |
| | | 2,015,096 | 3,033,673 | 4,604,102 | 4,272,152 |

* Gain on disposal of subsidiaries includes the additional cash received from liquidation proceeds of Spence Logistics (Pvt) Ltd.

## 9 Other operating expenses

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Impairment on loans and other advances | | - | 241,608 | - | - |
| Loss on disposal of fair value through profit and loss investments | | - | 17,676 | - | - |
| Loss on disposal of equity securities – at FVOCI | | 5,556 | - | - | - |
| Impairment of amounts receivable from subsidiaries | | - | - | 776,264 | - |
| Bad debts written-off | | 3,198 | - | 3,198 | - |
| Loss on disposal of property plant and equipment | | 174 | - | 174 | - |
| Loss on retire of Investment Properties | | - | 154,076 | - | 154,076 |
| Loss on De-Recognition of equity accounted investee | | - | - | - | 1,696,133 |
| Impairment of Investment in Subsidiaries | 19.2.1 | - | - | 272,341 | - |
| Loss of remeasurement of existing interest of EAI | | - | 1,774,599 | - | - |
| Loss on revaluation of Property, Plant and Equipment | | - | 2,612 | - | - |
| | | 8,928 | 2,190,571 | 1,051,977 | 1,850,209 |

## 10 Finance income and finance costs

### 10.1 Finance income

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Interest income on unimpaired held-to-maturity investments | | - | 27,801 | - | - |
| Interest income and net change in fair value of government securities classified as FVTPL | | 3,893 | | | |
| Interest income on financial assets measured at FVOCI / AFS | | 85,336 | 77,084 | - | 11,657 |
| Interest income on financial assets measured at amortized cost | | 1,772,057 | 1,216,241 | 1,322,939 | 843,524 |
| Foreign exchange gain | | 738,152 | 8,702 | - | |
| Gain on change in fair value of financial assets at fair value through profit or loss | | - | 57,899 | - | 15,605 |
| | | 2,599,438 | 1,387,727 | 1,322,939 | 870,786 |

## 10.2 Finance costs

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **Interest expense on financial liabilities measured at amortized cost** | | | | | |
| Interest on long term borrowings | | 2,318,901 | 1,101,761 | - | - |
| Interest on bank overdraft and short term borrowings | | 1,040,162 | 830,406 | 435,123 | 69,415 |
| Interest on related party current accounts | | - | - | 145,995 | 23,348 |
| Interest expense on finance leases | | 1,790 | 510 | - | - |
| Government lease interest (JEDB/SLSPC) | | 42,307 | 29,610 | - | - |
| Other finance charges | | 200,786 | - | - | - |
| Foreign exchange loss | | 145,448 | 45,414 | - | - |
| Loss on change in fair value of financial assets at fair value through profit or loss | | 80,223 | - | 56,354 | - |
| Loss on disposal of fair value through profit and loss investments | | - | 11,213 | - | - |
| Preference share dividends (10.3) | | - | 1,265 | - | - |
| | | 3,829,617 | 2,020,179 | 637,472 | 92,763 |
| **Net finance income / (costs)** | | (1,230,179) | (632,452) | 685,467 | 778,023 |

10.3 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:

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Total interest income on financial assets | | 1,861,286 | 1,321,126 | 1,322,939 | 855,181 |
| Total interest expense on financial liabilities | | 3,466,070 | 2,026,351 | 581,118 | 92,763 |

## 11 Profit before income tax expense

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

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Remuneration to directors | | 507,912 | 119,600 | 57,384 | 48,388 |
| Auditor's remuneration | | | | | |
| Audit - KPMG | | 28,393 | 11,967 | 824 | 800 |
| - Other auditors | | 15,994 | 7,402 | - | - |
| Non-audit - KPMG | | 16,937 | 819 | - | 150 |
| - Other auditors | | 4,821 | 2,416 | - | - |
| Management fees | | 19 | 2,293 | - | - |
| Personnel costs | 11.1 | 15,024,809 | 4,839,515 | 80,922 | 61,934 |
| Depreciation and amortization | | | | | |
| Depreciation of property plant and equipment | 15 | 5,311,628 | 2,021,756 | 2,175 | 1,178 |
| Amortization of intangible assets | 16 | 319,802 | 23,372 | 214 | 264 |
| Amortization of bearer biological assets | 18 | 79,014 | 56,614 | - | - |
| Gain on change in fair value of biological assets | | 250,466 | 147,236 | - | - |
| Provision /(reversal) for bad & doubtful debts | | (221,058) | 185,533 | - | - |
| Provision /(reversal) for Inventories | | (47,137) | 169,145 | - | - |
| Donations | | 11,040 | 181,125 | 7,205 | 13 |
| Direct Operating expenses Arisen from Investment Properties | | 9,519 | 15,211 | 5,563 | 10,188 |

### 11.1 Personnel costs

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Salaries, wages and other benefits | | 13,197,296 | 4,250,704 | 70,948 | 54,948 |
| **Employee benefits** | | | | | |
| Defined contribution plans- EPF and ETF | | 1,318,510 | 411,613 | 7,257 | 5,068 |
| Defined benefit plans | 31.1.1 | 509,003 | 177,198 | 2,717 | 1,918 |
| Total | | 15,024,809 | 4,839,515 | 80,922 | 61,934 |

### 11.1.1 Number of employees

| For the year ended 31March, | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|
| | 24,265 | 25,917 | 32 | 24 |
| Total Number of employees | 24,265 | 25,917 | 32 | 24 |

## 12 Taxation

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Current tax expense | 12.1 | 6,403,550 | 3,619,806 | 296,775 | 176,942 |
| Deferred tax charged/(credited) | 22.1.1 | 527,002 | 271,990 | 121,994 | 291,894 |
| | | 6,930,552 | 3,891,796 | 418,769 | 468,836 |

### 12.1 Current tax expense

| For the year ended 31March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Current tax charge | 12.1.1 | 5,610,022 | 3,626,692 | 298,471 | 177,541 |
| (Over)/under provision of current tax  of previous years | | 119,993 | (11,310) | (1,696) | (599) |
| Withholding tax on dividends paid by subsidiaries | | 673,535 | - | - | - |
| Deem dividend tax paid | | - | 4,424 | - | - |
| | | 6,403,550 | 3,619,806 | 296,775 | 176,942 |

### 12.1.1 Numerical reconciliation of accounting profits to income tax expense

| | | Group | | Company | |
|---|---|---|---|---|---|
| For the year ended 31March, | | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Profit before income tax expense | | 15,805,220 | 10,142,086 | 4,214,914 | 3,270,441 |
| Share of results of equity accounted investees | | (395,185) | (2,266,864) | - | - |
| Dividend income from group companies | | 3,331,678 | 902,442 | - | - |
| Other consolidation adjustments | | (234,816) | (855,152) | - | - |
| | | 18,506,898 | 7,922,512 | 4,214,914 | 3,270,441 |
| Exempt (profits)/loss | | - | - | - | - |
| **Profit before income tax after adjustments** | | 18,506,898 | 7,922,512 | 4,214,914 | 3,270,441 |
| (-) Income not subject to tax | | (4,118,456) | (4,349,266) | (4,604,102) | -4,313,376 |
| (-) Income from other sources | | (2,157,187) | (1,310,760) | (1,322,939) | (855,181) |
| (+) Disallowable expenses | | 10,073,924 | 13,152,654 | 1,523,523 | 1,857,607 |
| (-) Allowable deductions | | (9,856,980) | (7,200,952) | (68,367) | (180,597) |
| (+) Tax losses incurred | 12.6 | 6,085,235 | 1,142,807 | 256,971 | 221,106 |
| **Tax profit from business** | | 18,533,434 | 9,356,995 | - | - |
| Tax profit from business | | 18,533,434 | 9,356,995 | - | - |
| (+) Income from other sources | | 2,157,187 | 1,310,760 | 1,322,939 | 855,181 |
| (-) Tax losses utilized | 12.6 | (1,534,197) | (970,851) | (256,971) | (221,106) |
| (-) Qualifying payments | | - | - | - | - |
| **Taxable income** | | 19,156,424 | 9,696,904 | 1,065,968 | 634,075 |
| Income tax at, | | | | | |
| Standard rate of 28% | | 659,927 | 483,857 | 298,471 | 177,541 |
| Special rate of 40% on liquor business | | 3,963,583 | 3,127,931 | - | - |
| Concessionary rates | | 433,231 | 14,904 | - | - |
| Other rates | | 4,053 | - | - | - |
| Varying rates on off - shore profits | | 549,228 | - | - | - |
| Total current tax charge | | 5,610,022 | 3,626,692 | 298,471 | 177,541 |
| Average statutory income tax rate (%) | | 29.29% | 37.40% | 28.00% | 28.00% |

### 12.1.2 Effective tax rate

| | | Group | | Company | |
|---|---|---|---|---|---|
| For the year ended 31March, | | 2019 | 2018 | 2019 | 2018 |
| | Note | % | % | % | % |
| Effective tax rate | | 30.31% | 45.78% | 7.08% | 5.43% |

### 12.1.2.1 Reconciliation of effective tax rate

| | Group | | | |
|---|---|---|---|---|
| For the year ended 31March, | 2019 | | 2018 | |
| | Rs.'000 | % | Rs.'000 | % |
| Profit before income tax after adjustments | 18,506,898 | | 7,922,512 | |
| Income tax expense at the average statutory income tax rate | 5,419,806 | 29.29% | 2,963,060 | 37.40% |
| Income not subject to tax | (1,206,103) | -6.52% | (1,626,648) | -20.53% |
| Disallowable expenses | 2,950,182 | 15.94% | 4,919,160 | 62.09% |
| Allowable expenses | (2,886,649) | -15.60% | (2,693,193) | -33.99% |
| Tax losses incurred | 1,782,081 | 9.63% | 427,416 | 5.39% |
| Tax losses utilized | (449,295) | -2.43% | (363,103) | -4.58% |
| Current tax expense | 5,610,022 | 30.31% | 3,626,692 | 45.78% |

| | Company | | | |
|---|---|---|---|---|
| For the year ended 31March, | 2019 | | 2018 | |
| | Rs.'000 | % | Rs.'000 | % |
| Profit before income tax after adjustments | 4,214,914 | | 3,270,441 | |
| Income tax expense at the average statutory income tax rate | 1,180,176 | 28.00% | 915,723 | 28.00% |
| Income not subject to tax | (1,289,149) | -30.59% | (1,207,745) | -36.93% |
| Disallowable expenses | 426,586 | 10.12% | 520,130 | 15.90% |
| Allowable expenses | (19,143) | -0.45% | (50,567) | -1.55% |
| Tax losses incurred | 71,952 | 1.71% | 61,910 | 1.89% |
| Tax losses utilized | (71,952) | -1.71% | (61,910) | -1.89% |
| Current tax expense | 298,471 | 7.08% | 177,541 | 5.43% |

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

### 12.2.1 Companies exempt from income tax

12.2.1.1 Companies exempt from income tax under the Board of Investment (BOI) Law

| Company | Basis | Period* |
|---|---|---|
| Ace Wind Power (Pvt) Ltd | Construction and operation of a wind power plant | 5 years ending 2018/2019 |
| Branford Hydropower (Pvt) Ltd | Construction and operation of a hydro power plant | 5 years ending 2018/2019 |
| CINEC Skills (Pvt) Ltd | Set up and operation of a training institute to provide marine, IT and industrial training in Trincomalee District | 8 years ending 2018/2019 |

* Income tax exemptions referred to above are granted in terms of Section 17 of BOI Law No. 4 of 1978.

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

12.2.1.2 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 |

The Gazette notification issued in relation to the transitional provisions specifies that unexpired income tax exemptions as at 31st March 2018 granted under section 16C & 17A of Inland Revenue Act No. 10 of 2006 and amended there to would continue to apply under Inland Revenue Act No. 24 of 2017.

### 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% |
| Bogo Power (Pvt) Limited | Company was 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%). | 10% |
| Logilink (Pvt) Ltd | Set up and conduct warehouse operation activities | 20% |
| Vauxhall Property Developments (Pvt) Ltd | Construction and operation of a luxury office building complex | 2% of turnover for 15 years ending 2018/2019 |

* 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 | Income Tax Rate |
|---|---|---|---|
| | | | |
| Ace Containers (Pvt) Ltd | Profits from operation and maintenance of facilities for storage | Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011 | 10% |
| Ace Container Terminals (Pvt) Ltd | Profits from operation and maintenance of facilities for storage | Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011 | 10% |
| Ace Distriparks (Pvt) Ltd | Profits from operation and maintenance of facilities for storage | Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011 | 10% |
| Ace Freight Management (Pvt) Ltd | Profits from operation and maintenance of facilities for storage | Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011 | 10% |
| Colombo International Nautical and Engineering College (Pvt) Ltd | Profits from provision of educational services | Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011 | 10% |
| Ace Container Repair (Pvt) Ltd | Profits from qualified exports | Section 52 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Hapag-Lloyd Lanka (Pvt) Ltd | Profits from transshipment agency fees and provision of service to a foreign ship operator | Section 59 of the Inland Revenue Act No. 10 of 2006 and Section 58 of the Inland Revenue (Amendment) Act No. 8 of 2014 | 12% |
| Shipping and Cargo Logistics (Pvt) Ltd | Profits from transshipment agency fees and provision of service to a foreign ship operator | Section 59 of the Inland Revenue Act No. 10 of 2006 and Section 58 of the Inland Revenue (Amendment) Act No. 8 of 2014 | 12% |
| Aitken Spence Hotel Holdings PLC | Profits from promotion of tourism | Section 46 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Aitken Spence Hotels Ltd | Profits from promotion of tourism | Section 46 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Aitken Spence Hotel Managements (Pvt) Ltd | Profits from promotion of tourism | Section 46 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Hethersett Hotels Ltd | Profits from promotion of tourism | Section 46 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Kandalama Hotels (Pvt) Ltd | Profits from promotion of tourism | Section 46 of the Inland Revenue Act No. 10 of 2006 | 12% |
| M.P.S. Hotels (Pvt) Ltd | Profits from promotion of tourism | Section 46 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Paradise Resorts Pasikudah (Pvt) Ltd | Profits from promotion of tourism | Section 46 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Turyaa (Pvt) Ltd (formally Golden Sun Resorts (Pvt) Ltd) | Profits from promotion of tourism | Section 46 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Texpro Industries Limited | Profits from promotion of textile | Inland Revenue Act No 24 of 2017 | 14% |
| Ace Exports (Pvt) Ltd | Profits from qualified exports/ deemed exports | Section 52 and 56 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Aitken Spence Apparels (Pvt) Ltd | Profits from deemed exports | Section 56 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Aitken Spence (Garments) Ltd | Profits from qualified exports | Section 52 of the Inland Revenue Act No. 10 of 2006 | 12% |
| Aitken Spence Agriculture (Pvt) Ltd | Profits from agricultural undertaking | Section 48A of Inland Revenue Act No. 10 of 2006 | 10% |
| Aitken Spence Plantation Managements PLC | Profits from agricultural undertaking | Section 46 of Inland Revenue Act No. 10 of 2006 | 12% |
| Elpitiya Plantations PLC | Profits from agricultural undertaking | Section 48A of Inland Revenue Act No. 10 of 2006 | 10% |
| | Profits from operation of a mini hydro power project | Section 59E of Inland Revenue (Amendment) Act No. 18 of 2013 | 12% |

In addition to the above, the following income tax exemptions, concessions and qualifying payment reliefs are available to Group companies in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto;

- Interest income earned on foreign currency denominated instruments specified under section 09 are exempt from income tax.

- Dividends from non-resident companies remitted to Sri Lanka though a bank are exempt from income tax in terms of section 10.

- Profits and income earned in foreign currency (other than any commission, discount or similar receipt) from services rendered in or outside Sri Lanka to a party outside Sri Lanka for which payments are received in foreign currency through a bank is exempt from income tax in terms of section 13 (ddd).

-Maximum of 25% qualifying payment deduction under section 34 (2)(s), for expansion purposes with investments in fixed assets of not less than Rs. 50 million made by any undertaking on or after April 1, 2011 but prior to April 1, 2014 on investments specified in section 16C or section 17A. The Companies in the Group have claimed the total investment relief available in the year ended 31st March 2017. There was no further investment relief claimed during the year.

Please refer note 12.5 for the impact of Inland Revenue Act No. 24 of 2017 on above activities

### 12.3 Companies incorporated in Sri Lanka and operating outside Sri Lanka

| Company | Countries Operated | Tax Status |
|---|---|---|
| Aitken Spence Hotel Managements Asia (Pvt) Ltd | Maldives, Oman | Business profits arising in Oman is liable to tax at 12% and 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 Ports International Ltd (formally Port Management Container Service (Pvt) Ltd) | Mozambique, Fiji | Profits and income derived from Mozambique and Fiji are subject to withholding tax at 15% and 20% respectively. |

Profits and income referred to above are exempt from income tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006.

Please refer note 12.5 for the impact of Inland Revenue Act No. 24 of 2017 on above activities

### 12.4 Companies incorporated and operating outside Sri Lanka

| Country | Company | Income Tax Rate |
|---|---|---|
| British Virgin Islands | Crest Star (B.V.I.) Ltd | Nil |
| Hong Kong | Crest Star 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% |
| India | Aitken Spence Hotel Services Pvt Ltd | 30.9% |
| | PR Holiday Homes Pvt Ltd | 30.9% |
| | Aitken Spence Hotel Managements (South India) Pvt Ltd | 34.61% |
| Bangladesh | Ace Bangladesh Ltd | 35% |

# NOTES TO THE FINANCIAL STATEMENTS

12.5 Impact of Inland Revenue Act No. 24 of 2017 (New Act) on the income tax exemptions and tax concessions enjoyed under Inland Revenue Act No. 10 of 2006 and amendments thereto (Old Act).

| Statute Reference Under Old Act | Statute Reference Under New Act | Rate Impact |
|---|---|---|
| Profits from operation and maintenance of facilities for storage under fifth schedule<br>- Ace Containers (Pvt) Ltd<br>- Ace Container Terminals (Pvt) Ltd<br>- Ace Distriparks (Pvt) Ltd<br>- Ace Freight Management (Pvt) Ltd | Specified undertaking predominantly* proving logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka | Rate increased from 10% to 14% (if the predominant criteria is not met, liable for tax at 28%) |
| Profits from provision of educational services under fifth schedule<br>- Colombo International Nautical and Engineering College (Pvt) Ltd | Company predominantly* providing educational services | Rate increased from 10% to 14% .(if the predominant criteria is not met, liable for tax at 28%) |
| Profits from qualified exports under Section 52<br>- Ace Container Repair (Pvt) Ltd | Specified undertaking predominantly* providing any service of ship repair, ship breaking repair and refurbishment of marine cargo containers... | Rate increased from 12% to 14%.(if the predominant criteria is not met, liable for tax at 28%) |
| Profits from transshipment agency fees and provision of service to a foreign ship operator under Section 59<br>- Hapag-Lloyd Lanka (Pvt) Ltd<br>- Shipping and Cargo Logistics (Pvt) Ltd | Specified undertaking predominantly* proving transshipment operations or provision of service to a foreign ship operator | Rate increased from 12% to 14% (if the predominant criteria is not met liable for tax at 28%) |
| Profits from promotion of tourism under Section 46<br>- Aitken Spence Hotel Holdings PLC<br>- Aitken Spence Hotels Ltd<br>- Hethersett Hotels Ltd<br>- Kandalama Hotels (Pvt) Ltd<br>- M.P.S. Hotels (Pvt) Ltd<br>- Paradise Resorts Pasikudah (Pvt) Ltd<br>- Turyaa (Pvt) Ltd (for formally Golden Sun Resorts (Pvt) Ltd) | Company predominantly* engaged in undertaking for the promotion of tourism | Rate increased from 12% to 14%.(if the predominant criteria is not met, liable for tax at 28%) |
| Profits from qualified exports/ deemed exports under Section 52 & 56<br>- Ace Exports (Pvt) Ltd<br>- Aitken Spence Apparels (Pvt) Ltd | Specified undertaking predominantly* supplying services to any exporter of goods or services | Rate increased from 12% to 14%. |
| Profits from qualified exports under Section 52<br>- Aitken Spence (Garments) Ltd | company predominantly* conducting a business of exporting goods and services | Rate increased from 12% to 14% |
| Profits from agricultural undertaking under Section 48A<br>- Aitken Spence Agriculture (Pvt) Ltd<br>- Elpitiya Plantations PLC | company predominantly* conducting an agricultural business | Rate increased from 10% to 14% |
| Interest income earned on foreign currency denominated instruments specified under section 09 | No exemption on interest income and subject to 5% withholding tax | Interest is liable for income tax and credit available on the WHT deducted |
| Profits and income exempt under 13 ddd | company predominantly* conducting a business of exporting goods and services | Liable for tax at 14% |
| Profits and income exempt under Section 13 (b) – Note 12.3 on Companies incorporated in Sri Lanka and operating outside Sri Lanka | company predominantly* conducting a business of exporting goods and services | Liable for tax at 14% and tax credits are available for taxes paid in foreign jurisdictions |

*Predominantly under the Inland Revenue Act No. 24 of 2017 means 80% or more calculated based on gross income.

- The carried forward Notional Tax credit as per section 138(2) of Inland Revenue Act, No. 10 of 2006 may be carried forward to be set off against the income tax liability within three consecutive years of assessment commencing from the year of assessment 2018/2019.

### 12.6 Tax losses

| For the year ended 31March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Losses brought forward | 11,434,120 | 3,687,857 | - | - |
| Acquisition/(Disposal) of subsidiaries | - | 7,574,307 | - | - |
| Adjustments to tax loss brought forward and tax losses arising during the year | 6,085,235 | 1,142,807 | 256,971 | 221,106 |
| Unrecognized tax losses on previous years | - | | - | |
| Losses utilized | (1,534,197) | (970,851) | (256,971) | (221,106) |
| Loss carried forward | 15,985,158 | 11,434,120 | - | - |

## 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 durring the year.

| For the year ended 31March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Profit attributable to equity holders of the company (Rs.'000) | 5,786,183 | 6,577,164 | 3,796,145 | 2,801,605 |
| Weighted average numbers of ordinary shares (000) | 1,165,398,072 | 1,165,398,072 | 1,165,398,072 | 1,165,398,072 |
| Basic earnings per share (Rs.) | 4.96 | 5.64 | 3.26 | 2.40 |

### 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

| For the year ended 31March, | Company 2019 Per share Rs. | Company 2019 Total Rs.'000 | Company 2018 Per share Rs. | Company 2018 Total Rs.'000 |
|---|---|---|---|---|
| Final Dividend | - | - | 2.44 | 2,843,571 |
| | | - | | 2,843,571 |

# NOTES TO THE FINANCIAL STATEMENTS

| GROUP | | Cost or valuation | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | At the beginning of the year | Additions during the year | Revaluation during the year | Disposals / write-offs | Transfers | Capitalization of lease amortized/ | Exchange Difference | At the end of the year |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Freehold** | | | | | | | | | |
| Land | 15.2 | 21,457,382 | 54,238 | 1,366,866 | - | - | - | 403,702 | 23,282,188 |
| Land improvements | | 160,420 | 10,796 | - | - | - | - | - | 171,216 |
| Buildings | 15.2 | 49,005,330 | 281,492 | 634,257 | - | (304,660) | 123 | 1,793,542 | 51,410,084 |
| Civil constructions | | 679,095 | - | - | - | - | - | - | 679,095 |
| Plant, machinery & other equipment | | 21,091,029 | 1,470,658 | - | (142,218) | 357,617 | 258 | 670,812 | 23,448,156 |
| Motor vehicles | | 5,156,860 | 426,453 | - | (309,801) | 674 | 365 | 56,983 | 5,331,534 |
| Furniture, fittings & office equipment | | 4,583,548 | 246,710 | - | (14,860) | (806) | - | 100,190 | 4,914,782 |
| Computer equipment & software | | 280,390 | 25,072 | - | - | - | - | - | 305,462 |
| Electro mechanical equipment | | 299,785 | - | - | - | - | - | - | 299,785 |
| Digital electronic Switches | | 1,116,198 | 456,967 | - | - | - | - | - | 1,573,165 |
| Medical equipment | | - | 5,483 | - | - | - | - | - | 5,483 |
| Network equipment | | 2,091,647 | 221,667 | - | - | - | - | - | 2,313,314 |
| Towers | | 932,618 | 554 | - | - | - | - | - | 933,172 |
| Customer premise equipment | | 3,703,309 | 29,499 | - | - | - | - | - | 3,732,808 |
| Water projects & sanitation | | 60,732 | 25,699 | - | - | - | - | - | 86,431 |
| Shelters and other equipment | | 532,029 | 177 | - | - | - | - | - | 532,206 |
| FLAG project | | 40,803 | 702 | - | - | - | - | - | 41,505 |
| LTE Project | | 1,471,355 | 461,020 | - | (889) | - | - | - | 1,931,486 |
| WI-Max | | 235,012 | - | - | - | - | - | - | 235,012 |
| Fire fighting equipment | | 4,883 | - | - | - | - | - | - | 4,883 |
| Oil storage tanks | | 315 | - | - | - | - | - | - | 315 |
| Vats & casks | | 69,575 | 520 | - | - | - | - | - | 70,095 |
| Drums | | 80 | - | - | - | - | - | - | 80 |
| **Total freehold property, plant & equipment** | | 112,972,395 | 3,717,707 | 2,001,123 | (467,768) | 52,825 | 746 | 3,025,229 | 121,302,257 |
| **Leasehold** | | | | | | | | | |
| Motor vehicles | | 674 | - | - | (674) | - | - | - | - |
| Plant & machinery | | 169,289 | - | - | - | - | - | - | 169,289 |
| Furniture, fittings & equipment | | 14,028 | - | - | - | - | - | - | 14,028 |
| Immovable (JEDB/SLSPC) assets on finance lease | 15.1 | 1,272,239 | - | - | - | (22,000) | - | - | 1,250,239 |
| Lease hold properties | 15.6 | 2,726,890 | - | - | - | - | - | 359,087 | 3,085,977 |
| Leasehold improvements | | 338,571 | 4,121 | - | (342,692) | - | - | - | - |
| **Total leasehold property, plant & equipment** | | 4,521,691 | 4,121 | - | (343,366) | (22,000) | - | 359,087 | 4,519,533 |
| Capital work in progress | | 9,684,925 | 10,365,054 | - | (465) | (1,696,978) | 361,197 | 912,222 | 19,625,955 |
| **Total property, plant & equipment** | | 127,179,011 | 14,086,882 | 2,001,123 | (811,599) | (1,666,153) | 361,943 | 4,296,538 | 145,447,745 |

Capital work-in-progress of Aitken Spence PLC represents the amount of expenditure recognized under property plant and equipment during the construction
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 cur

| Accumulated depreciation, amortization and impairment | | | | | | | Carrying value | |
|---|---|---|---|---|---|---|---|---|
| At the beginning of the year | Charge for the year | Capitalization of lease amortized | Disposals / write-offs | Transfers | Exchange Difference | At the end of the year | As at 31 March 2019 | As at 31 March 2018 |
| Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | | | | | | | | |
| | | | | | | | | |
| - | - | - | - | - | - | - | 23,282,188 | 21,457,382 |
| 61,493 | 6,965 | - | - | - | - | 68,458 | 102,758 | 98,927 |
| 7,847,026 | 1,507,527 | 123 | - | (370,080) | 557,842 | 9,542,438 | 41,867,646 | 41,158,304 |
| 195,305 | 33,955 | - | - | - | - | 229,260 | 449,835 | 483,790 |
| 9,793,753 | 1,957,978 | 258 | (132,093) | - | 440,127 | 12,060,023 | 11,388,133 | 11,297,276 |
| 3,611,667 | 288,024 | 365 | (265,848) | - | 40,933 | 3,675,141 | 1,656,393 | 1,545,193 |
| 2,792,084 | 311,007 | - | (12,605) | - | 64,788 | 3,155,274 | 1,759,508 | 1,791,464 |
| 239,727 | 14,154 | - | - | - | - | 253,881 | 51,581 | 40,663 |
| 89,910 | 14,990 | - | - | - | - | 104,900 | 194,885 | 209,875 |
| 1,029,822 | 194,094 | - | - | - | - | 1,223,916 | 349,249 | 86,376 |
| - | 466 | - | - | - | - | 466 | 5,017 | - |
| 1,970,367 | 58,926 | - | - | - | - | 2,029,293 | 284,021 | 121,280 |
| 825,381 | 46,359 | - | - | - | - | 871,740 | 61,432 | 107,237 |
| 3,052,936 | 427,278 | - | - | - | - | 3,480,214 | 252,594 | 650,373 |
| 50,030 | 23,510 | - | - | - | - | 73,540 | 12,891 | 10,702 |
| 527,230 | 2,225 | - | - | - | - | 529,455 | 2,751 | 4,799 |
| 38,775 | 741 | - | - | - | - | 39,516 | 1,989 | 2,028 |
| 578,046 | 305,743 | - | - | - | - | 883,789 | 1,047,697 | 893,309 |
| 228,839 | 5,415 | - | - | - | - | 234,254 | 758 | 6,173 |
| 4,126 | 141 | - | - | - | - | 4,267 | 616 | 757 |
| 315 | - | - | - | - | - | 315 | - | - |
| 64,223 | 2,442 | - | - | - | - | 66,665 | 3,430 | 5,352 |
| 80 | - | - | - | - | - | 80 | - | - |
| 33,001,135 | 5,201,940 | 746 | (410,546) | (370,080) | 1,103,690 | 38,526,885 | 82,775,372 | 79,971,260 |
| | | | | | | | | |
| | | | | | | | | |
| 461 | - | - | (461) | - | - | - | - | 213 |
| 11,331 | 15,062 | - | - | - | - | 26,393 | 142,896 | 157,958 |
| 14,028 | - | - | - | - | - | 14,028 | - | - |
| 627,538 | 31,850 | - | (4,308) | - | - | 655,080 | 595,159 | 644,701 |
| 702,987 | 60,785 | 11,878 | - | - | 95,808 | 871,458 | 2,214,519 | 2,023,903 |
| 333,782 | 1,991 | - | (335,773) | - | - | - | - | 4,789 |
| 1,690,127 | 109,688 | 11,878 | (340,542) | - | 95,808 | 1,566,959 | 2,952,574 | 2,831,564 |
| | | | (751,088) | | | | | |
| - | - | - | - | - | - | - | 19,625,955 | 9,684,925 |
| | | | | | | | | |
| 34,691,262 | 5,311,628 | 12,624 | (751,088) | (370,080) | 1,199,498 | 40,093,844 | 105,353,901 | 92,487,749 |

of a capital asset.
rencies and translated to the reporting currency at the balance sheet date.

## 15 Property, Plant and Equipment

### Cost / Valuation

| Company | Motor Vehicle<br>Rs. | Computer Equipment<br>Rs. | Furniture and Fittings<br>Rs. | Office Equipment<br>Rs. | Tools Equipment<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|---|---|
| Balance as at 01 April 2018 | - | 3,713 | 2,957 | 3,483 | 22 | 10,175 |
| Additions | 3,850 | 1,879 | 3,205 | 305 | 15 | 9,254 |
| Disposals | - | - | (726) | (39) | - | (765) |
| **Balance as at 31 March 2019** | 3,850 | 5,592 | 5,436 | 3,749 | 37 | 18,664 |

### Accumulated Depreciation

| Company | Motor Vehicle<br>Rs. | Computer Equipment<br>Rs. | Furniture and Fittings<br>Rs. | Office Equipment<br>Rs. | Tools Equipment<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|---|---|
| Balance as at 01 April 2018 | - | 3,053 | 994 | 965 | 4 | 5,016 |
| Charged for the Year | 619 | 633 | 549 | 372 | 3 | 2,176 |
| Disposals | - | - | (53) | (2) | - | (55) |
| **Balance as at 31 March 2019** | 619 | 3,686 | 1,490 | 1,335 | 7 | 7,137 |
| | | | | | | |
| Carrying Amount | | | | | | |
| As at 31 March 2018 | - | 660 | 1,963 | 2,518 | 18 | 5,159 |
| **As at 31 March 2019** | 3,231 | 1,906 | 3,946 | 2,414 | 30 | 11,527 |

## 15.1 Immovable (JEDB/SLSPC) assets on finance lease

| For the year ended 31March, | | | | | 2019 | | | | | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Right to use of land | Unimproved lease land | Improvement to land | Other vested assets | Buildings | Plant & Machinery | Water Supply Scheme | Mini Hydro Scheme | Total | Total |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| | (Note 15.1.1) | | | | | | | | | |
| **Capitalized value (June 1992)** | | | | | | | | | | |
| Balance at the beginning of the year | 550,013 | 5,317 | 15,702 | 151,815 | 94,005 | 442,747 | 3,347 | 9,293 | 1,272,239 | 589,805 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | 682,434 |
| Disposals/Transfer /(Out) | - | - | - | - | - | (22,000) | - | - | (22,000) | |
| **Balance at the end of the year** | 550,013 | 5,317 | 15,702 | 151,815 | 94,005 | 420,747 | 3,347 | 9,293 | 1,250,239 | 1,272,239 |
| | | | | | | | | | | |
| **Amortization** | | | | | | | | | | |
| As at beginning of the year | 264,993 | 2,559 | 13,377 | 151,815 | 94,005 | 88,652 | 2,845 | 9,293 | 627,539 | 407,610 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | 212,008 |
| Disposals/Transfer /(Out) | - | - | - | - | - | (4,308) | - | - | (4,308) | - |
| Amortization for the year | 10,378 | 100 | 523 | - | - | 20,737 | 112 | - | 31,850 | 7,921 |
| **At the end of the year** | 275,371 | 2,659 | 13,900 | 151,815 | 94,005 | 105,081 | 2,957 | 9,293 | 655,081 | 627,539 |
| | | | | | | | | | | |
| **Carrying amount** | | | | | | | | | | |
| As at beginning of the year | 285,020 | 2,758 | 2,325 | - | - | 354,095 | 502 | - | 644,700 | 182,195 |
| **As at the end of the year** | 274,642 | 2,658 | 1,802 | - | - | 315,666 | 390 | - | 595,158 | 644,700 |

These assets are being amortized 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

"Right-To-Use of Land on Lease" as above was previously titled "Leasehold Right to Bare Land". The change is in order to comply with Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka. Such leases have been executed for all estates for a period of 53 years.

This Right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use land does not permit further revaluation of right-to-use land. However an adjustment to the "Right-To-Use of Land" could be made to the extent that the change relate to the future period on the reassessment of liability to make the lease payment. The values taken into the Statement of Financial Position as at 18th June 1992 for BPL and 22nd June 1992 for MPL and amortization of the right to use land up to 31 December 2018 are as stated above.

## 15.2 Revaluation of Land and Buildings

### 15.2.1 Details of land and building stated at valuation

**Distilleries Company of Sri Lanka**

A valuation of freehold Land and Building of Distilleries Company of Sri Lanka PLC was carried out by incorporated valuer Mr. S.Sivaskanthan by using "Comparable Market Values" method and incorporated in the financial statements of the company as at 31st March 2019. The surplus on revaluation of Land and Building Rs.1,088,640,139 has been credited to the revaluation reserve.

| Location | Land Extent | Building Area | 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 sq.ft | 15 | 3,086,600 |
| No.65/84, Distillery Road, Seeduwa. | 5A-2R-15.10P | 101,611 sq.ft | 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 sq.ft | 4 | 115,935 |
| 1st Lane, New Nuge Road, Peliyagoda. | - | 15,406.25 sq.ft | 4 | 55,300 |

**Lanka Bell Limited**

Free hold Land and Building of the company were revalued by Mr.Sivaskanthan, A.M.I.V (Sri Lanka) a professional valuer on 31st March 2015 on "contractor's Basis" and the excess of Rs. 26,091,250 over the net book value as at 31st March 2015 has been credited to the revaluation reserve.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value measurement for all the lands has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. A significant increase in the market value per perch used in arriving at fair value would result in a significant increase in fair value, and vice versa.

| Location | Land Extent | Building Area | No of Buildings | Revalued Amount Rs.000 |
|---|---|---|---|---|
| Gampaha Road, Udugampola | 1A-3R-35.35P | 18,124 sq.ft | 2 | 98,650 |

**Texpro Industries Limited**

Freehold Land and Building were revalued on 31st March 2017 by Mr. K.Arthur Perea who is a professionally qulaified independent valuer.The valuation method adopted was "Market Comparable Method" and the excess of Rs. 122,342,652 over the net book value as at 31st March 2015 has been credited to the revaluation reserve.

| Location | Land Extent | Building Area | No of Buildings | Revalued Amount Rs.000 |
|---|---|---|---|---|
| Avissawella road, Embulgama, Ranala | 6A-0R-6.05P | 106,733 sq.ft | 1 | 328,500 |

**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 "Market Comparable Basis" and the excess of Rs. 371,852,902 over the net book value as at 31st March 2019 has been credited to the revaluation reserve.

| Location | Land Extent | Building Area | 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 sq.ft | 1 | 14,760 |
| Industrial Premises at Seed Station Road, Nawalayathanna, Katugastota | 0A-2R-27.54P | 12332.5 sq.ft | 8 | 58,284 |
| Industrial Premises at Seed Station Road, Nawalayathanna, Katugastota | 4A-3R-44.16P | 31866 sq.ft | 13 | 247,494 |
| Commercial premises at dambulla road, Muththetugala, Kurunegala. | 0A-2R-29P | 10122.5 sq.ft | 2 | 97,500 |
| No 165, Harichandra Mawatha, Anuradhapura. | 0A-3R-21.35P | 11301 sq.ft | 3 | 96,470 |
| No 152, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa. | 1R-3.3P | 18920 sq.ft | 1 | 99,350 |
| No 152/2, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa. | 10P | 1975 sq.ft | 1 | 13,050 |
| No 59, Distilleries Road, Bandarawatta, Seeduwa. | 24.05P | 980 sq.ft | 1 | 19,788 |
| No 61 & 61/1 Distilleries Road, Bandarawatta, Seeduwa. | 12.27P | 1910 sq.ft | 1 | 16,200 |
| No 150/1 & 150/1A, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa. | 37.5P | 1625 sq.ft | 1 | 27,467 |
| No 150, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa. | 18.75P | 2771 sq.ft | 1 | 21,825 |
| No 144, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa. | 22.85P | 1470 sq.ft | 1 | 18,675 |
| Factory Premises at Habarakada Road, Nawagamuwa, Ranala, Kaduwela. | 10A-0R-0P | 83805.5 sq.ft | 7 | 352,297 |
| No 68 & 68A, Attidiya Road, Ratmalana. | 1A-0R-28.2P | 30113 sq.ft | 3 | 306,350 |
| No 459, Wackwella Road, Kalegana, Galle. | 0A-1R-37P | 8129 sq.ft | 4 | 75,689 |
| Industrial Premises at Galle Road, Beruwala. | 2A-1R-19.08P | 18054.5 sq.ft | 12 | 320,557 |
| No 823 & 823/1-4 Srimavo Bandaranayake Mawatha, Colombo 14. | 2A-1R-14.10P | 86500 sq.ft | 6 | 928,386 |
| No 161, 161A & 161B, Tangalle Road, Ambalantota. | 0A-1R-24.16P | 7657 sq.ft | 6 | 56,500 |

**Melsta Properties (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 2018 on "contractor's Principle Basis" and the excess of Rs. 310,294,525 over the net book value as at 31st March 2018 has been credited to the revaluation reserve.

| Location | Land Extent | Building Area | No of Buildings | Revalued Amount Rs.000 |
|---|---|---|---|---|
| No 110, Norris Canel Road, Colombo 10. | 1A-1R-15.20P | 30,000 sq.ft | 6 | 2,120,570 |
| No 133, Temple Road, Deshashtra, Kaluthara | 4A-33.38P | 56,580 sq.ft | 5 | 279,687 |
| No 69/1, Rajapaksha Broadway, Negombo | 1R-27.5P | 8,576 sq.ft | 3 | 162,421 |
| No 68/1, Saravanai Road, Batticola. | 3A-11.04P | 5,545.75 sq.ft | 2 | 127,330 |
| No 87, Station Road, Vavunia | 3R-33.69P | 14,315.5 sq.ft | 2 | 138,969 |
| No 41, Old Ferry Road, Deshashtra, Kaluthara | 1A-1R-4.27P | 20,410 sq.ft | 7 | 95,370 |
| No 156,Orr's Hill Road, Trincomalee. | 1R-38.68P | 4,762 sq.ft | 2 | 64,839 |
| No 215/9, Jayamalapura, Nawalapitiya, Gampola. | 3R-35.5P | 8,415 sq.ft | 5 | 102,460 |
| No 118,120, Kunupallela Road, Badulla. | 2R-8.64P | 9,390 sq.ft | 3 | 97,490 |
| Dummalakotuva, Kurunegala Road, Dankotuva. | 2A-1R-38P | 8,083.5 sq.ft | 3 | 65,600 |
| Teak Store Warehouse, Palathota, Kaluthara South. | 1A-32.82P | 14,870 sq.ft | 3 | 48,725 |
| Mirishena Warehouse, Ethanamadala Road, Kaluthara North. | 3R-28.32P | 10,280 sq.ft | 4 | 58,685 |
| No 7/11, Kandy Road, Kaithadi. | 2A-11.71P | - | - | 41,738 |
| 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 sq.ft | 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 30th September 2017 on "Current Fair Value Market Value" basis and excess of Rs.6,250,000 over the net book value as at the 31st March 2018 has been credited to the revaluation reserve.

| Location | Land Extent | Building Area | 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 31.03.2019 Rs.'000 | Revaluation surplus Rs.'000 | Carrying amount 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 | 1,467,473 | 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 | 712,156 | 4,991 |
| Aitken Spence PLC a | 170, Sri Wickrema Mw., Colombo 15 | 30.09.2017 | 3 A 3 R 31.00 P | 625,500 | 582,539 | 42,961 |
| Aitken Spence PLC a | Moragalla, Beruwala | 30.09.2017 | 10 A 1 R 23.97 P | 707,000 | 706,046 | 954 |
| Aitken Spence PLC a | 290/1, Inner Harbour Road, Trincomalee | 30.09.2017 | 0 A 1 R 4.95 P | 19,000 | 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 | 1,677,887 | 94,553 |
| Ace Containers (Pvt) Ltd a | 385, Colombo Road, Welisara | 30.09.2017 | 8 A 3 R 12.23 P | 706,000 | 619,327 | 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 | 10,935 | 87,065 |
| Ace Distriparks (Pvt) Ltd a | 80, Negombo Road, Wattala | 30.09.2017 | 2 A 2 R 17.03 P | 625,550 | 255,988 | 369,562 |
| Ahungalla Resorts Ltd a | "Ahungalla Resorts", Galle Road, Ahungalla | 30.09.2017 | 12 A 3 R 35.21 P | 942,650 | 42,773 | 899,877 |
| Aitken Spence (Garments) Ltd a | 222, Agalawatte Road, Matugama | 30.09.2017 | 2 A 3 R 0 P | 35,200 | 30,040 | 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 | 677,398 | 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 | 9,493 | 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 | 971,933 | 373,720 | 598,213 |
| Aitken Spence Property Developments Ltd a | 90, St.Rita's Estate, Mawaramandiya | 30.09.2017 | 3 A 0 R 25.08 P | 126,270 | 101,842 | 24,428 |
| Branford Hydropower (Pvt) Ltd a | 225, Gangabada Road, Kaludawela, Matale | 30.09.2017 | 2 A 0 R 14.00 P | 18,370 | 7,837 | 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 | 186,690 | 35 |
| Heritance (Pvt) Ltd a | Moragalla, Beruwala | 30.09.2017 | 5 A 3 R 6.80 P | 324,250 | 313,170 | 11,080 |
| Kandalama Hotels Ltd a | Kandalama, Dambulla | 30.09.2017 | 169 A 2 R 22.40 P | 9,300 | 1,916 | 7,384 |
| Logilink (Pvt) Ltd a | 309/4 a, Negombo Road, Welisara | 30.09.2017 | 2 A 1 R 9.50 P | 166,275 | 83,784 | 82,491 |
| Meeraladuwa (Pvt) Ltd a | Meeraladuwa Island, Balapitiya | 30.09.2017 | 29 A 2 R 9.00 P | 217,020 | 116,758 | 100,262 |
| Neptune Ayurvedic Village (Pvt) Ltd a | Ayurvedic village - Moragalla, Beruwala | 30.09.2017 | 0 A 0 R 19.30 P | 4,500 | 437 | 4,063 |
| Perumbalam Resorts (Pvt) Ltd b | Cochin - Kerala, India | 07.02.2017 | 4 A 0 R 9.00 P | 53,075 | 42,478 | 10,597 |
| PR Holiday Homes (Pvt) Ltd b | Cochin - Kerala, India | 07.02.2017 | 14 A 0 R 7.52 P | 214,869 | 66,708 | 148,161 |
| Turyaa (Pvt) Ltd a | 418, Parallel Road, Kudawaskaduwa, Kalutara | 30.09.2017 | 5 A 1R 37.90 P | 384,160 | 364,395 | 19,765 |
| Turyaa (Pvt) Ltd a | 49, Sea Beach Road, Kalutara | 30.09.2017 | 0 A 1R 30.32 P | 23,000 | 21,512 | 1,488 |
| Turyaa Resorts (Pvt) Ltd a | Kudawaskaduwa, Kalutara | 30.09.2017 | 1 A 3 R 33.20 P | 150,336 | 93,557 | 56,779 |
| Turyaa Resorts (Pvt) Ltd a | Kudawaskaduwa, Kalutara | 30.09.2017 | 0 A 1 R 34.30 P | 20,000 | 10,826 | 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 | 221,014 | 21,839 |
| Vauxhall Property Developments Ltd a | 305, Vauxhall Street, Colombo 02 | 30.09.2017 | 0 A 2 R 24.73 P | 890,205 | 875,474 | 14,731 |

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.

### 15.2.2 The carrying amount of revalued land and buildings if they were carried at cost less depreciation would be as follows;

| | Group | | | |
|---|---|---|---|---|
| For the year ended 31March, | 2019 | | 2018 | |
| | Land | Building | Land | Building |
| | Rs. | Rs.'000 | Rs. | Rs.'000 |
| Cost | 3,573,903 | 35,487,739 | 2,798,704 | 33,069,718 |
| Accumulated depreciation and impairment | - | (7,909,801) | - | (7,223,640) |
| **Carrying value** | 3,573,903 | 27,577,939 | 2,798,704 | 25,846,078 |

### 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.15,096 Mn. (Rs.12,449Mn-2017/18) and Rs.3.6 Mn (Rs.2.4Mn-2017/18) 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 41 to these financial statements.

### 15.5 Land carried at cost (fair value)

| Company | Location | Acquisition date | Extent | Carrying amount as at 31.03.2019 Rs.'000 |
|---|---|---|---|---|
| Aitken Spence Hotel Managements (South India) Ltd | 144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India | 09.06 2014 | 0 A 3 R 15.14 P | 560,678 |
| Aitken Spence Resorts (Middle East) LLC | Muscat, Oman | 11.02.2016 | 5 A 0 R 8.00 P | 2,717,411 |
| | | | | 3,278,089 |

Above lands of Aitken Spence PLC 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 2019 License fees | FLAG cable | Software costand implementation | Goodwill on acquisition | Other | Total | 2018 Total |
|---|---|---|---|---|---|---|---|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| | Note 16.1 | Note 16.2 | | | | | |
| **Cost/carrying value** | | | | | | | |
| Balance at the beginning of the year | 1,325,264 | 2,797,761 | 516,474 | 5,605,995 | 4,418 | 10,249,912 | 5,036,441 |
| Acquisitions/(disposals) of subsidiaries during the year | - | - | - | - | - | - | 5,198,189 |
| Exchange Difference | - | - | 4,097 | 53,006 | - | 57,103 | - |
| Additions | - | - | 33,654 | - | 11 | 33,665 | 15,282 |
| Capitalizations/ transfers | - | - | - | - | - | - | - |
| **Balance at the end of the period** | 1,325,264 | 2,797,761 | 554,225 | 5,659,001 | 4,429 | 10,340,680 | 10,249,912 |
| | | | | | | | |
| **Accumulated amortization and impairment** | | | | | | | |
| Balance at the beginning of the year | 676,044 | 1,803,081 | 447,994 | 645,200 | 3,546 | 3,575,865 | 2,709,386 |
| Exchange Difference | - | - | 3,785 | - | - | 3,785 | - |
| Acquisitions/(disposals) of subsidiaries during the year | - | - | - | - | - | - | 553,661 |
| Amortized during the year | 102,929 | 186,517 | 30,136 | - | 220 | 319,802 | 23,372 |
| Impaired during the year | - | - | - | - | - | - | 289,446 |
| **Balance at the end of the period** | 778,973 | 1,989,599 | 481,915 | 645,200 | 3,766 | 3,899,452 | 3,575,865 |
| | | | | | | | |
| **Carrying value** | | | | | | | |
| As at beginning of the year | 649,220 | 994,680 | 68,480 | 4,960,795 | 872 | 6,674,047 | 2,327,055 |
| **As at end of the year** | 546,291 | 808,162 | 72,310 | 5,013,801 | 663 | 6,441,228 | 6,674,047 |

| For the year ended 31March, | Company 2019 Software cost and implementation | Total | 2018 Total |
|---|---|---|---|
| | | Rs.000 | Rs.000 |
| **Cost/carrying value** | | | |
| Balance at the beginning of the year | 859 | 859 | 859 |
| Additions | 496 | 496 | |
| **Balance at the end of the period** | 1,355 | 1,355 | 859 |
| | | | |
| **Accumulated amortization and impairment** | | | |
| Balance at the beginning of the year | 641 | 641 | 377 |
| Amortized during the year | 214 | 214 | 264 |
| **Balance at the end of the period** | 855 | 855 | 641 |
| | | | |
| **Carrying value** | | | |
| As at beginning of the year | 217 | 217 | 482 |
| **As at end of the year** | 498 | 498 | 218 |

### 16.1 License fees

License fee represents the operator license fee of Rs. 300 million which was paid in 1996, and amortized over 226 months on straight line basis commencing from that year. This was fully amortized as at 28 February 2016. However Rs. 408 million was paid as a renewal of operating license fee and it is amortized over 10 years commencing from 1 March 2016.

### 16.2 FLAG cable

FLAG cable represents the expenditure incurred on under sea fibber optic cable link and the landing station , which enables Lanka Bell 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

| | | | Group | | |
|---|---|---|---|---|---|
| For the year ended 31March, | Land | Building | Capital WIP | Total | |
| | | | | 2019 | 2018 |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| **Cost/Valuation** | | | | | |
| Balance at the beginning of the year | 4,634,002 | 248,664 | 36,181 | 4,918,847 | 1,431,040 |
| Additions | 848,379 | 19,500 | 13,803 | 881,682 | 478,399 |
| Acquisition of Subsidiary | - | - | - | - | 2,566,401 |
| Disposal of Subsidiary | - | - | - | - | (23,200) |
| Assets retired | - | - | - | - | (154,076) |
| Transferred from Capital WIP | - | - | - | - | - |
| Change in fair Value | 240,677 | 22,994 | - | 263,671 | 591,363 |
| Transfers from property, plant and equipment | - | - | - | - | 28,920 |
| **Balance at the end of the period** | 5,723,058 | 291,158 | 49,984 | 6,064,200 | 4,918,847 |

| | | | Company | | |
|---|---|---|---|---|---|
| For the year ended 31March, | Land | Building | Capital WIP | Total | |
| | | | | 2019 | 2018 |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| **Cost/Valuation** | | | | | |
| Balance at the beginning of the year | 2,875,054 | 865,297 | 94,699 | 3,835,050 | 2,843,652 |
| Additions | 848,639 | 19,500 | 2,707 | 870,846 | 536,917 |
| Assets retired | - | - | - | - | (154,076) |
| Transferred from Capital WIP | - | 61,225 | (61,225) | - | - |
| Change in fair Value | 286,692 | 85,161 | - | 371,853 | 608,557 |
| Transfers from property, plant and equipment | - | - | - | - | |
| Balance at the end of the period | 4,010,385 | 1,031,183 | 36,181 | 5,077,749 | 3,835,050 |

## 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 2019.

| Location | Significant Unobservable Inputs | Land Extent | Building Area | No of Buildings | Original Cost Rs.000 | Revalued Amount Rs.000 |
|---|---|---|---|---|---|---|
| No 451, Galle Road, Kollupitiya, Colombo 03 | Rs.22,000,000/- P.P. | 0A-0R-20.38P | - | - | 221,720 | 478,930 |
| No 146 & 146/1, Munidasa, Kumaratunga Mawatha, Bandarawatta, Seeduwa | Rs.600,000/- P.P. | 0A-0R-36.41P | 1975 sq.ft | 2 | 13,654 | 28,981 |
| No 63, Norris Canal Road, Maradana, Colombo 10. | Rs. 6,500,000 /- P.P. | 25.94P | 5642 sq.ft | 2 | 116,730 | 180,865 |
| No 04, Alferd house garden,Colombo 3 (Geethanjali Place) | Rs.22,000,000/- P.P. | AO-Ro-P19.90 | 12768 sq.ft | 1 | 478,399 | 499,086 |

**Aitken Spence PLC**

Investment properties of the company were valued by Mr. Sivaskanathan, A.M.I.V (Sri Lanka) a professional valuer on 31st March 2019 "Contractor's Principle" Method.

| 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 | 1,632,360 | 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 2019 on "contractor's Principle Basis".

| Location | Significant Unobservable Inputs | Land Extent | Building Area | No of Buildings | Original Cost Rs.000 | Revalued Amount Rs.000 |
|---|---|---|---|---|---|---|
| No 136, Vipulasena Mw,Colombo 10. | Rs. 6,000,000/- P.P. | 0A-2R-38.75P | - | - | 405,662 | 712,500 |
| No 140/1, Vipulasena Mw,Colombo 10. | Rs. 6,000,000/- P.P. | 0A-0R-15.27P | - | - | 48,318 | 91,620 |
| No 128, Vipulasena Mw,Colombo 10. | Rs. 6,000,000/- P.P. | 0A-1R-1.90P | 3550 sq.ft | 2 | 132,175 | 259,717 |
| No 140, Vipulasena Mw,Colombo 10. | Rs. 6,000,000/- P.P. | 0A-0R-20.65P | 1,918.5 sq.ft | 1 | 65,791 | 127,308 |

**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 2017 on "Market Comparable Method".

| Location | Land Extent | Building Area | No of Buildings | Revalued Amount Rs.000 |
|---|---|---|---|---|
| | | | | |
| Kandy - workshop and administrative land. | - | 39,621 sq.ft | 5 | 178,822 |

**Texpro Industries Limited**

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

| Location | Land Extent | Building Area | No of Buildings | Revalued Amount Rs.000 |
|---|---|---|---|---|
| | | | | |
| Embulgama - factory | 0A-2R-0P | - | - | 4,000 |

### 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, | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | Land | Building | | Land | Building |
| | Increase/(Decrease) in Land & Building | Sensitivity Effect on Statement of profit or loss Increase/ (Reduction) 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/ (Reduction) 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, Kollupiyiya, Colombo 03 | 5% | 23,947 | 23,947 | 22,418 | 22,418 |
| | -5% | (23,947) | (23,947) | (22,418) | (22,418) |
| | | | | | |
| No 146 & 146/1, Munidasa, Kumaratunga Mawatha, Bandarawatta, Seeduwa | 5% | 1,449,034 | 1,449,034 | 583 | 583 |
| | -5% | (1,449,034) | (1,449,034) | (583) | (583) |
| | | | | | |
| No 63, Norris Canal Road, Maradana, Colombo 10. | 5% | 9,043 | 9,043 | 8,349 | 8,349 |
| | -5% | (9,043) | (9,043) | (8,349) | (8,349) |
| | | | | | |
| No 04, Alferd house garden,Colombo 3 (Geethanjali Place) | 5% | 24,954 | 24,954 | - | - |
| | -5% | (24,954) | (24,954) | - | - |

**Melsta Tower (Pvt) Ltd**

| For the year ended 31March, | 2019 | | | 2018 | |
|---|---|---|---|---|---|
| | Land | Building | | Land | Building |
| | Increase/ (Decrease) in Land & Building | Sensitivity Effect on Statement of profit or loss Increase/ (Reduction) 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/ (Reduction) 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% | 35,625 | 35,625 | - | - |
| | -5% | (35,625) | (35,625) | - | - |
| No 140/1, Vipulasena Mw,Colombo 10. | 5% | 4,581 | 4,581 | - | - |
| | -5% | (4,581) | (4,581) | - | - |
| No 128, Vipulasena Mw,Colombo 10. | 5% | 428,408 | 428,408 | - | - |
| | -5% | (428,408) | (428,408) | - | - |
| No 140, Vipulasena Mw,Colombo 10. | 5% | 6,365 | 6,365 | - | - |
| | -5% | (6,365) | (6,365) | - | - |

## 18 Biological assets

| As at 31 March, | Note | Group 2019 Rs.'000 | 2018 Rs.'000 |
|---|---|---|---|
| Bearer biological assets | 18.1 | 3,348,290.00 | 3,259,921 |
| Consumer biological assets | 18.2 | 5,301,819 | 5,040,053 |
| | | 8,650,109 | 8,299,974 |

### 18.1 Bearer biological assets

| As at 31 March, | Note | Group 2019 Rs.'000 | 2018 Rs.'000 |
|---|---|---|---|
| On finance lease (JEDB/SLSPC) | 18.1.1 | 72,835 | 86,765 |
| Investments after formation of the plantation company/ in new Plantation | 18.1.2 | 3,275,455 | 3,173,156 |
| | | 3,348,290 | 3,259,921 |

#### 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 privatization of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company 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 the Company. These assets are taken into the Statement of Financial Position as at 18 June, 1992 and amortization of immovable leased assets to 31 December 2018 are as follows.

| For the year ended 31March, | 2019 Mature Plantations Tea Rs.000 | Rubber Rs.000 | Total Rs.000 | 2018 Total Rs.000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance as at the beginning of the year | 352,890 | 64,997 | 417,887 | 271,224 |
| Acquisitions of subsidiaries during the year | - | - | - | 146,663 |
| **Balance as at the end of the year** | 352,890 | 64,997 | 417,887 | 417,887 |
| **Accumulated amortization** | | | | |
| Balance as at the beginning of the year | 278,812 | 52,310 | 331,122 | 210,443 |
| Acquisitions of subsidiaries during the year | - | - | - | 111,638 |
| Amortization for the year | 11,763 | 2,167 | 13,930 | 9,041 |
| Balance as at the end of the year | 290,575 | 54,477 | 345,052 | 331,122 |
| **Carrying amount** | 62,315 | 10,520 | 72,835 | 86,765 |

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. 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

| For the year ended 31March, | | 2019 | | 2018 |
|---|---|---|---|---|
| | Immature Plantations | Mature Plantations | Total | Total |
| | | Rs.000 | Rs.000 | Rs.000 |
| **Cost** | | | | |
| Balance as at the beginning of the year | 2,119,306 | 1,665,063 | 3,784,369 | 2,688,668 |
| Additions during the year | 188,178 | - | - | 250,300 |
| Acquisitions/(disposals) of subsidiaries during the year | - | - | (188,178) | 866,118 |
| Transfers to mature | (125,840) | 125,840 | - | |
| Impairment | (20,799) | - | (20,799) | (20,720) |
| **Balance as at the end of the year** | 2,160,845 | 1,790,903 | 3,951,748 | 3,784,366 |
| | | | | |
| **Accumulated amortization** | | | | |
| Balance as at the beginning of the year | - | 611,209 | 611,209 | 381,042 |
| Charge for the year | - | 65,084 | 65,084 | 47,573 |
| Acquisitions of subsidiaries during the year | - | - | - | 182,595 |
| Balance as at the end of the year | - | 676,293 | 676,293 | 611,210 |
| **Carrying amount at the end of the year** | 2,160,845 | 1,114,610 | 3,275,455 | 3,173,156 |

These are investments in immature mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 18.1.1 Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments since take over to bring them to maturity, will be moved from immature to mature under this note.

The group has elected to measure the bearer biological assets at cost using LKAS 16- Property plant and equipment.

The above additions include Rs. 62,909,589/-(2018 Rs.62,799,008/-) of borrowing costs capitalized during the year.

### 18.1.3 Produce on Bearer Biological Assets

| | Group | |
|---|---|---|
| For the year ended 31March, | 2019 | 2018 |
| | Rs.'000 | Rs.'000 |
| Balance as at the beginning of the year - restated | 8,198 | 5,246 |
| Acquisitions/disposals of subsidiaries during the year | - | 4,777 |
| Change in fair value less cost to sell | (1,436) | (1825) |
| **Balance as at the end of the year** | 6,762 | 8,198 |

### 18.2 Consumer biological assets

| For the year ended 31March, | Group 2019 Rs.'000 | 2018 Rs.'000 |
|---|---|---|
| Balance as at the beginning of the year | 5,040,053 | 1,771,340 |
| Acquisitions/disposals of subsidiaries during the year | - | 3,170,183 |
| Increase due to development | 13,975 | 18,290 |
| Decrease due to harvest | (4,111) | (68,821) |
| Gain arising from changes in fair value less cost to sell | 251,902 | 149,061 |
| **Balance as at the end of the year** | 5,301,819 | 5,040,053 |

**Balangoda Plantations PLC**

Managed timber plantations include commercial timber plantations cultivated in estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained since the LKAS 41. The valuation was carried by Messer Mr. W.M Chandrasena, incorporated valuers, using Discounted Cash Flow methods.

**Madulsima Plantations PLC**

Managed timber plantation was measured at fair value as at 31 December 2018. The corresponding gain/loss was recognized in the profit or loss statement. However, the revaluation gain or loss on consumable biological assets is shown as a separate sub division of equity which will be available for distribution only on realization of consumable biological assets.

#### 18.2.1 Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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**

| | | Level 1 | | Level 2 | | Level 3 | |
|---|---|---|---|---|---|---|---|
| As at 31st December | Date of valuation | 2019 Rs.000 | 2018 Rs.000 | 2019 Rs.000 | 2018 Rs.000 | 2019 Rs.000 | 2018 Rs.000 |
| Assets measured at fair value | | | | | | | |
| Consumable Biological Assets-Timber | 31st December 2018 | - | - | - | - | 5,301,820 | 1,805,472 |
| Produce on Bearer Biological Assets | 31st December 2018 | - | - | 2,703 | 4,091 | - | - |

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.

### 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 pf 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.650/- 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.

### 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 net present value of biological assets :

| Managed Timber | -10%<br>Rs.000 | 10%<br>Rs.000 |
|---|---|---|
| As at 31st December , 2018 | (530,182) | 530,182 |
| As at 31st December , 2017 | (505,327) | 505,327 |

**Sensitivity variation discount rate**

Values as appearing in the Statement 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 , 2018 | 218,597 | (194,583) |
| As at 31st December , 2017 | 230,739 | (204,870) |

### 18.3 Gain / (Loss) on fair value of biological assets

| For the year ended 31March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 |
|---|---|---|
| From Consumable biological assets | 251,902 | 149,061 |
| From produce on bearer biological assets | (1,436) | (1,825) |
| | 250,466 | 147,236 |

## 19 Investments in subsidiaries

| For the year ended 31March, | Note | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|
| Quoted Investment | 19.1 | 54,858,321 | 54,659,310 |
| Unquoted Investment | 19.2 | 4,839,848 | 4,997,189 |
| | | 59,698,169 | 59,656,499 |

### 19.1 Quoted Investments

| For the year ended 31March, | 2019 Number of shares | 2019 Effective holding | 2019 Market Value | 2019 Cost Rs.000 | 2018 Number of shares | 2018 Effective holding | 2018 Market Value | 2018 Cost Rs.000 |
|---|---|---|---|---|---|---|---|---|
| Balangoda Plantations PLC | 13,853,663 | 58.61% | 160,702 | 360,565 | 13,853,663 | 58.61% | 304,781 | 360,565 |
| Browns Beach Hotel PLC | 54,273,234 | 41.88% | 629,570 | 726,399 | 54,273,234 | 41.88% | 792,389 | 726,399 |
| Distilleries Company of Sri Lanka PLC | 4,252,954,164 | 92.46% | 61,667,835 | 31,539,011 | 4,253,266,969 | 92.46% | - | 31,541,331 |
| Aitken Spence PLC | 203,564,171 | 50.14% | 8,346,131 | 21,205,837 | 199,623,617 | 49.17% | 10,100,955 | 21,004,506 |
| Madulsima Plantations PLC | 94,767,483 | 55.91% | 578,082 | 1,026,509 | 94,767,483 | 55.91% | 947,675 | 1,026,509 |
| | | | | 54,858,321 | | | | 54,659,310 |

### 19.2 Unquoted Investments

| For the year ended 31March, | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Number of shares | Effective holding | Cost | Number of shares | Effective holding | Cost |
| | | | Rs.000 | | | 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 | 11,500,002 | 100.00% | 115,000 | - | 0% | - |
| 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 |
| | | | 8,240,534 | | | 8,125,534 |
| Less: Provision for impairment of investments in subsidiaries (Note 19.2.1) | | | (3,400,686) | | | (3,128,345) |
| | | | 4,839,848 | | | 4,997,189 |

#### 19.2.1 Provission for impairment of investment in subsidiaries

| | Company | |
|---|---|---|
| For the year ended 31March, | 2019 | 2018 |
| | Rs.'000 | Rs.'000 |
| Balance at the beginning of the year | 3,128,345 | 1,432,212 |
| Provission made durring the year | 272,341 | 1,696,133 |
| Balance at the end of the year | 3,400,686 | 3,128,345 |

Melstacorp PLC recorded an impairment of Rs.221.66mn (2017/18-Rs.1.7Bn) in the investment in subsidiary Milford Holdings (Pvt) Ltd, the immediate parent of Lanka Bell Limited and an impairment of Rs.50.67mn in its investment in subsidiariy , Splendor Media (Pvt) Ltd in the seperate financial statements.

### 19.3 Group holdings in subsidiaries

| | Subsidiary | | Principal Activity | Reporting date | Reason for using a different period | Indirectly holding through | 2019 No. of shares | 2019 Effective ownership interest |
|---|---|---|---|---|---|---|---|---|
| 1 | Aitken Spence PLC | SPEN | Diversified Holding | 31-Mar | - | | 203,564,171 | 50.14% |
| 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 | 99.30% |
| 6 | Browns Beach Hotel PLC | BBH | Leisure | 31-Mar | - | | 54,273,234 | 41.88% |
| 7 | Continental Insurance Lanka Limited | CIL | General Insurance Services | 31-Dec | To comply with the rules and regulations in the Insurance sector | | 70,000,007 | 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 | - | | 4,252,954,164 | 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 | Telecom Frontier (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 | - | | 11,500,002 | 100.00% |
| 23 | Melsta Laboratories (Pvt) Ltd | MLAB | Dianostic services | 31-Mar | - | HEALTH | 2,000,001 | 100.00% |
| 24 | Hospital Management Melsta (Pvt) Ltd | HMM | Healthcare services | 31-Mar | - | HEALTH | 6,700,001 | 100.00% |

### 19.4 Acquisition of subsidiaries

The Company has acquired 2% of holding of Aitken Spence Plc during year. Accordingly, the Company holds total of 49.17% of the shareholding of Aitken Spence PLC as at 31st March 2018. The Board of Directors are of the view that the Melstacorp PLC holds significantly more voting rights than any other vote holder or organized group of vote holders and provide sufficient evidence of control over Aitken Spence PLC as at 31st March 2018. Accordingly, the Group has consolidated Aitken Spence PLC with effective from 31st March 2018.

On 1st October 2017, Melstacorp PLC acquired the control of Madulsima Plantations which was an equity accounted investee. Post acquisition effective holding was 55.91%.

#### Consideration Transferred

| Managed Timber | Total | Aitken Spence | Madulsima |
|---|---|---|---|
| Cash | 703,445 | 413,028 | 290,417 |

#### Identifiable Assets Acquired and Liabilities Assumed

The Following Table summarizes the recognized amounts of assets and liabilities assumed at the date of acquisition.

| | Aitken Spence PLC Rs.000 | Madulsima Plantations PLC Rs.000 | Total Rs.000 |
|---|---|---|---|
| Property, Plant & Equipment | 66,828,344 | 1,053,303 | 67,881,647 |
| Investment Properties | 2,569,000 | - | 2,569,000 |
| Intangible Assets | 890,378 | - | 890,378 |
| Biological assets | 47,293 | 3,797,679 | 3,844,972 |
| Leasehold Properties | 2,023,903 | - | 2,023,903 |
| Pre Paid Operating Leases | 2,308,824 | - | 2,308,824 |
| Investment in Equity Accounted Investees | 6,334,455 | - | 6,334,455 |
| Deferred Tax Assets | 563,391 | - | 563,391 |
| Other Financial Assets | 284,588 | 3,833 | 288,421 |
| Inventories | 1,526,162 | 227,151 | 1,753,313 |
| Trade and other Receivable | 14,146,283 | 118,051 | 14,264,334 |
| Other Tax Receivable | 243,352 | - | 243,352 |
| Deposits and Repayments | 1,480,413 | - | 1,480,413 |
| Amounts Due From Related Parties | - | 919 | 919 |
| Other Current Assets | 7,300,814 | - | 7,300,814 |
| Cash and Equivalents | 9,636,419 | 6,462 | 9,642,881 |
| Assets Held For Sale | 149,125 | - | 149,125 |
| Total Assets acquired | 116,332,744 | 5,207,398 | 121,540,142 |
| Interest Bearing Liabilities | 25,464,264 | 467,639 | 25,931,903 |
| Deferred Tax Liabilities | 3,298,605 | 131,923 | 3,430,528 |
| Employee Benefits | 1,046,605 | 828,481 | 1,875,086 |
| Deferred Grants | - | 148,862 | 148,862 |
| Lease Liabilities | - | 30,561 | 30,561 |
| Other Liabilities | 881,272 | - | 881,272 |

| | Aitken Spence PLC Rs.000 | Madulsima Plantations PLC Rs.000 | Total Rs.000 |
|---|---|---|---|
| Amount Due to Related Companies | - | 364,871 | 364,871 |
| Trade and Other Payable | 12,604,616 | 314,147 | 12,918,763 |
| Current tax Payable | 454,427 | - | 454,427 |
| Bank Overdrafts | 9,157,459 | 428,314 | 9,585,773 |
| Total Liabilities acquired | 52,907,248 | 2,714,798 | 55,622,046 |
| Total identifiable net assets acquired | 63,425,496 | 2,492,600 | 65,918,096 |

### 19.4.1 Goodwill on acquisition

| | Aitken Spence PLC Rs.000 | Madulsima Plantations PLC Rs.000 | Total Rs.000 |
|---|---|---|---|
| Consideration Transferred | 413,028 | 290,417 | 703,445 |
| NCI, based on their proportionate interest in the recognized amounts of the assets and liabilities | 38,404,237 | 1,098,996 | 39,503,233 |
| Fair value of pre-existing interest | 28,644,103 | 1,175,049 | 29,819,152 |
| Fair value of identifiable net assets | (63,425,496) | (2,492,600) | (65,918,096) |
| Goodwill on acquisition | 4,035,872 | 71,862 | 4,107,734 |

### 19.4.2 Valuation of Aitken Spence Group

The Company involved independent external valuation firm for the valuation for Aitken Spence PLC as at 31st March 2018. As per the valuation report dated on 1st June 2018, Aitken Spence PLC has been valued for Rs. 61.9 Bn using market multiples method.

### 19.4.3 Comparative Figures of Consolidation of Aitken Spence PLC

The Company acquired the control of Aitken Spence PLC as at 31st March 2018. However, the Company had not completed the acquisition accounting as of the date of the issue of financial statements for the year ended 31st March 2018 and the amount used for the acquisition accounting were recorded on provisional basis. The consolidated financial statements as at 31 March 2018 included appropriate disclosure about the provisional accounting.

Accordingly, the acquisition accounting were finalized subsequent to the issue of the year ended 31st March 2018 financial statements but before the end of the measurement period. As a result , the comparative information presented in the financial statements for the year ended 2019 were reclassfied.

**Consolidated statement of financial position**

| | As previuosly reported Rs.000 | Impact of Reclassification Rs.000 | Reclassified Amount Rs.000 |
|---|---|---|---|
| Assets | | | |
| Non current assets | | | |
| Property, Plant and Equipment | 92,429,232 | - | 92,429,232 |
| Investment Property | 4,977,365 | - | 4,977,365 |
| Intangible assets | 11,676,723 | (5,002,675) | 6,674,048 |
| Total other non current assets | 40,451,937 | - | 40,451,937 |
| | 149,535,257 | (5,002,675) | 144,532,582 |
| Other current assets | 65,861,568 | - | 65,861,568 |
| Assets held for Sale | 149,125 | - | 149,125 |
| Total assets | 215,545,950 | - | 210,543,275 |
| Equity and Liabilities | | | |
| Share capital and reserves | | | |
| Stated capital | 89,100,000 | - | 89,100,000 |
| Reserves | 6,020,905 | - | 6,020,905 |
| Retained earnings/(Losses) | (19,444,692) | - | (19,444,692) |
| | 75,676,213 | - | 75,676,213 |
| Non controlling interest | 47,308,931 | (5,002,675) | 42,306,256 |
| Total equity | 122,985,144 | (5,002,675) | 117,982,469 |
| Total Non current liabilities | 35,964,365 | - | 35,964,365 |
| Total current liabilities | 56,596,441 | - | 56,596,441 |
| | 215,545,950 | - | 210,543,275 |

### 19.5 Disposal of Subsidiary

On 29th March 2018, Melstacorp PLC has divested its control over Melsta Regal Finance Limited for a consideration of Rs. 2,555,150,000/-.

Assets and Liabilities derecognized at the date of disposal are as follows.

| | Total Rs.000 |
|---|---|
| Financial Investments - Loans and Receivable | 309,729 |
| Financial Investments - Available for Sale | 51,637 |
| Finance Lease Receivable | 4,673,298 |
| Hire Purchase Receivable | 9,278 |
| Loans and Advances to Other Customers | 1,058,750 |
| Factoring Receivable | 67,009 |
| Financial Investment - Held to Maturity | 58,828 |
| Other Receivable | 32,176 |
| Tax Receivable | 7 |
| Investment Property | 23,200 |
| Intangible Assets | 27,294 |
| Property, Plant and Equipment | 82,499 |
| Cash and Cash Equivalents | 99,618 |
| Other Financial Liabilities Due to Customers | (2,694,597) |
| Interest Bearing Loans and Borrowings | (1,540,302) |
| Liabilities to FBIL Customers | (962) |
| Current Tax Liabilities | (23,559) |
| Trade and Other Payable | (292,814) |
| Employee Benefits | (4,354) |
| Bank Overdrafts | (432,227) |
| **Net Assets disposed** | 1,504,508 |

#### 19.5.1 Gain on disposal of Subsidiary

| | Total Rs.000 |
|---|---|
| Consideration received | 2,555,150 |
| Net assets as at the date of disposal | (1,504,508) |
| Goodwill on acquisition | (345,866) |
| Gain on disposal | 704,776 |

## 19.7 Re-purchase of Shares by Subsidiaries

Pericyl (Pvt) Ltd , a fully owned subsidiary of Melstacorp PLC has re-purchased 140,000,000 of its own shares for a consideration of Rs.546Mn and resulted a gain of Rs.530,250,000/- in the Financial Statements of Melstacorp PLC in 2017/18.

Melsta Properties (Pvt) Ltd , a fully owned subsidiary of Melstacorp PLC has re-purchased 11,200,000 of its own shares for a consideration of Rs.164,640,000/- and resulted a gain of Rs.52,640,000/- in the Financial Statements of Melstacorp PLC in 2017/18

Melsta Logistics (Pvt) Ltd , a fully owned subsidiary of Melstacorp PLC has re-purchased 21,572,573 of its own shares for a consideration of Rs.485,814,344/- and resulted a gain of Rs.211,849,231/- in the Financial Statements of Melstacorp PLC in 2017/18.

## 19.8 Significant judgements and assumptions made in determining whether the group has control

Although the Group owns less that half of the voting rights of Aitken Spence PLC (SPEN),Browns Beach Hotel PLC (BBH), Balangoda Plantations PLC (BPL),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 SPEN,BBH,BPL,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.

## 19.9 Disclosure of the interest that non-controlling interests have in the group's activities and cash flows

### 19.9.1 Nature of interests in subsidiaries with material NCI

| Name of the subsidiary | 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 | 49.86% | 41.39% | 58.12% | 44.09% |
| Profit / (loss) allocated to non controlling interest (Rs. '000) | 3,728,637 | (297,685) | (146,372) | (264,630) |
| Accumulated non controlling interest at the end of the reporting period (Rs. '000) | 41,215,451 | 531,995 | 1,472,113 | 795,421 |

# NOTES TO THE FINANCIAL STATEMENTS

**19.7.2 Summarized financial information of subsidiaries that have material NCI**

| As at/ for the year ended 31 March, | BPL | | BBH | | MPL | | SPEN | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Dividends paid to non controlling interests | - | - | - | - | - | - | 1,700,033 | - |
| Current assets | 469,312 | 429,389 | 299,328 | 273,794 | 464,536 | 429,389 | 38,827,434 | 33,812,157 |
| Non current assets | 5,643,668 | 5,137,726 | 5,540,239 | 5,762,395 | 5,681,128 | 4,913,935 | 86,707,552 | 73,881,258 |
| Current liabilities | 2,570,174 | 1,078,990 | 1,743,968 | 381,301 | 2,218,231 | 343,831 | 28,384,657 | 27,997,370 |
| Non current liabilities | 2,257,433 | 2,457,894 | 1,562,714 | 2,870,584 | 2,123,362 | 1,522,446 | 35,064,509 | 23,560,466 |
| Revenue | 2,358,252 | 3,056,067 | 1,072,890 | 939,230 | 2,144,945 | 2,605,104 | 55,063,070 | 52,734,969 |
| Profit/(Loss) After Tax | (719,249) | (91,662) | (251,833) | (319,093) | (600,200) | 44,596 | 5,771,351 | 5,149,532 |
| Other comprehensive income | (25,611) | 22,395 | 725 | 5,862 | (45,712) | (69,574) | 2,284,571 | 1,453,305 |
| Total comprehensive income | (744,860) | (69,267) | (251,108) | (313,231) | (645,912) | (24,978) | 8,055,922 | 6,602,837 |
| Cash Flows | | | | | | | | |
| Cash flows from operating activities | (242,543) | (37,948) | 22,675 | (139,786) | 430,903 | (117,402) | 6,504,172 | 10,058,687 |
| Cash flows from investing activities | (256,314) | 342,328 | (18,902) | (8,539) | (309,633) | (61,874) | (14,512,079) | (5,473,582) |
| Cash flows from financing activities | 459,862 | 342,328 | (62,880) | 361,530 | 283,086 | 204,255 | 4,423,159 | 1,196,937 |

## 20 Investment in equity accounted investees

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Recognised in the statement of financial position | | | | | |
| Interest in joint ventures | 20.1 | 1,870,932 | 984,818 | 952,000 | - |
| Interest in associates | 20.2 | 4,693,644 | 4,522,304 | - | - |
| Carrying amount as at 31st March | | 6,564,576 | 5,507,122 | 952,000 | - |
| Recognised in the income statement | | | | | |
| Interest in joint ventures | 20.1.2 | 1,323 | - | - | - |
| Interest in associates | 20.2.2 | 393,862 | 2,266,864 | - | - |
| Share of profit of equity-accounted investees (net of tax) for the year ended 31 March | | 395,185 | 2,266,864 | - | - |
| Recognised in the statement of profit or loss and other comprehensive income | | | | | |
| Interest in joint ventures | 20.1.2 | 3,338 | - | - | - |
| Interest in associates | 20.2.2 | 120,661 | (27,920) | - | - |
| Share of other comprehensive income of equity-accounted investees (net of tax) for the year ended 31 March | | 123,999 | (27,920) | - | - |

Share of other comprehensive income of equity-accounted investees (net of tax) is further analysed as ;

| As at 31 March, | Group 31.03.2018 Rs.'000 | Group 31.03.2017 Rs.'000 |
|---|---|---|
| Items that will not be reclassified to profit or loss | - | |
| Items that are or may be reclassified to profit or loss | - | |
| | - | - |

## 20.1 Investment in joint ventures

| | Country of incorporation | Group No. of shares | Group Holding % | Group As at 31 March 2019 Rs.'000 | Group As at 31 March 2018 Rs.'000 | Company No. of shares | Company Holding % | Company As at 31 March 2019 Rs.'000 | Company As at 31 March 2018 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 | 131,404 | - | - | - | - |
| "Aitken Spence Engineering Solutions (Pvt) Ltd (a) (Ordinary shares - Unquoted)" | Sri Lanka | 20,000 | 50.00 | 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 | 9,520,000 | 50.00 | 952,000 | - | 9,520,000 | 50.00 | 952,000 | - |
| Ace Bangladesh Ltd (a) (Ordinary shares - Unquoted) | Bangladesh | 39,200 | 49.00 | 8,400 | 8,400 | - | - | - | - |
| **Carrying amount as at 31st March** | | | | 1,738,454 | 784,454 | | | 952,000 | - |
| Provision for impairment of investments | | | | (72,118) | (26,712) | | | - | - |
| Share of movement in equity value | | | | 204,596 | 227,076 | | | - | - |
| **Equity value of investments** | | | | 1,870,932 | 984,818 | | | 952,000 | - |

### 20.1.2 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 | 2019<br>Rs.'000 | 2018<br>Rs.'000 |
|---|---|---|
| Carrying amount of interest in joint ventures | 1,870,932 | 984,818 |
| Group's share of : | | |
| - Profit for the year (net of tax) | 1,323 | - |
| - Other comprehensive income for the year (net of tax) | 3,338 | - |
| Total comprehensive income for the year | 4,661 | - |

## 20 Investment in equity accounted investees

### 20.2 Investment in associates

| | | | | Group<br>As at 31 March | |
|---|---|---|---|---|---|
| | Country of incorporation | No. of shares | Holding<br>% | 2019<br>Rs.'000 | 2018<br>Rs.'000 |
| "Aitken Spence Plantation Managements PLC (a) (b) (consolidated with Elpitiya Plantations PLC (a) (b))<br>(Ordinary shares - Quoted)" | Sri Lanka | 8,295,860 | 38.95 | 165,000 | 165,000 |
| "Fiji Ports Corporation Ltd (a)<br>(consolidated with Fiji Ships Heavy Industries Ltd)<br>(Ordinary Shares - Unquoted)" | Fiji | 14,630,970 | 20.00 | 2,351,255 | 2,351,255 |
| "Serendib Investments Ltd<br>(Ordinary Shares - Unquoted)" | Fiji | 1,500,000 | 25.00 | 137,240 | - |
| "Amethyst Leisure Ltd (c)<br>(consolidated with Paradise Resort Pasikudah (Pvt) Ltd (c))<br>(Ordinary shares - Unquoted)" | Sri Lanka | 202,484,053 | 33.77% | 339,263 | 339,263 |
| Carrying amount as at 31st March | | | | 2,992,758 | 2,855,518 |
| Share of movement in equity value | | | | 1,700,886 | 1,666,786 |
| Equity value of investments | | | | 4,693,644 | 4,522,304 |

#### 20.2.2 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, | 2019<br>Rs.'000 | 2018<br>Rs.'000 |
|---|---|---|
| Carrying amount of interest in associates | 2,992,758 | 2,855,518 |
| Group's share of : | | |
| - Profit for the year (net of tax) | 393,862 | 2,266,864 |
| - Other comprehensive income for the year (net of tax) | 120,661 | (27,920) |
| Total comprehensive income for the year | 514,524 | 2,238,944 |

Principal activities of the Group's interest in associates are described on pages XXX to XXX.
a,b,c - refer note 43

## 21 Operating leases

### 21.1 Pre-paid operating leases

| As at 31 March, | Group<br>2019<br>Rs.'000 | <br>2018<br>Rs.'000 |
|---|---|---|
| Balance as at 01st April | 2,308,824 | - |
| Acquisition of subsidiaries | - | 2,308,824 |
| Additions during the period | - | - |
| Transferred from property, plant and equipment | - | - |
| Amortisation for the period | - | - |
| - Charged to the income statement | (57,203) | - |
| - Capitalised under property, plant and equipment | (44,624) | - |
| - Capitalised under biological assets | - | - |
| Exchange difference | 236,201 | - |
| Balance as at 31st March | 2,443,198 | 2,308,824 |
| | | |
| Current portion of pre-paid operating leases | 76,232 | 67,466 |
| Non-current portion of pre-paid operating leases | 2,366,966 | 2,241,358 |

### 21.2 Operating lease payments

| As at 31 March, | Group 2019 Rs.'000 | 2018 Rs.'000 |
|---|---|---|
| Recognised under income statement | 661,181 | - |
| Recognised under pre-paid operating leases | 10 | - |
| | 661,191 | - |

### 21.3 Operating lease commitments

Lease rentals due on non-cancellable operating leases of the Group are as follows;

| As at 31 March, | Group 31.03.2018 Rs.'000 | 31.03.2017 Rs.'000 |
|---|---|---|
| Lease rentals payable within one year | 684,377 | - |
| Lease rentals payable between one and five years | 3,147,598 | - |
| Lease rentals payable after five years | 6,962,963 | - |
| | 10,794,938 | - |

### 21.4 Details of leases under operating lease

| Company | Location of the leased property | Unexpired lease periods as at 31.03.2019 |
|---|---|---|
| Ace Apparels (Pvt) Ltd * | Koggala - Sri Lanka | 45 years |
| Ace Container Terminals (Pvt) Ltd * | Biyagama - Sri Lanka | 68 years |
| Ace Container Terminals (Pvt) Ltd * | Katunayake - Sri Lanka | 68 years |
| Ace Distriparks (Pvt) Ltd | Mihinthale - Sri Lanka | 24 years |
| Ace Power Embilipitiya (Pvt) Ltd | Embilipitiya - Sri Lanka | 14 years |
| Ace Windpower (Pvt) Ltd | Ambewela - Sri Lanka | 14 years |
| Aitken Spence Agriculture (Pvt) Ltd * | Dambulla - Sri Lanka | 25 years |
| Branford Hydropower (Pvt) Ltd | Matale - Sri Lanka | 08 years |
| Hethersett Hotels Ltd | Nuwara Eliya - Sri Lanka | 75 years |
| Kandalama Hotels (Pvt) Ltd | Dambulla - Sri Lanka | 23 years |
| Western Power Company (Pvt) Ltd * | Muthurajawela - Sri Lanka | 27 years |
| Ace Resorts (Pvt) Ltd * | Noonu Atoll - Maldives | 46 years |
| ADS Resorts (Pvt) Ltd * | North Male' Atoll - Maldives | 07 years |
| Cowrie Investments (Pvt) Ltd * | Raa Atoll - Maldives | 29 years |
| Cowrie Investments (Pvt) Ltd * | Raa Atoll - Maldives | 46 years |
| Jetan Travel Services Company (Pvt) Ltd * | South Male' Atoll - Maldives | 22 years |
| Unique Resorts (Pvt) Ltd * | South Male' Atoll - Maldives | 26 years |
| Fiji Ports Terminal Ltd | Suva - Fiji | 08 years |

Prepaid lease rentals for the properties marked "*" are recognised under pre-paid operating leases in note 21.1.

## 22 Deferred tax assets and liabilities

## 22.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the followings:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| As at 31 March, | 2019 | | | 2018 | | |
| | 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 | (13,772) | 7,080,821 | 7,067,049 | (15,523) | 4,610,017 | 4,594,494 |
| Intangible assets | - | - | - | - | - | - |
| Biological assets | - | 1,194,794 | 1,194,794 | | 1,144,376 | 1,144,376 |
| Provision for impairment of receivables | (6,214) | - | (6,214) | (6,214) | - | (6,214) |
| Provisions | (3,695) | - | (3,695) | - | - | - |
| Financial assets at FVOCI / AFS | (3,479) | - | (3,479) | 272 | 82 | 354 |
| Defined benefit obligations | (496,135) | - | (496,135) | (489,699) | 98 | (489,601) |
| Accelerated tax depreciation on leasing assets | - | - | - | (2,492) | 424,769 | 422,277 |
| Undistributed profits on consolidated entities | - | 46,240 | 46,240 | - | 46,240 | 46,240 |
| Other Items | (454) | - | (454) | (419) | | (419) |
| Revaluation Surplus on Freehold Land | - | 1,088,608 | 1,088,608 | - | 1,592,884 | 1,592,884 |
| Investment Properties | - | - | - | - | 683,744 | 683,744 |
| Expected credit losses | (12,440) | - | (12,440) | - | - | - |
| Unutilized tax loss carry-forwards | (1,598,537) | - | (1,598,537) | (1,927,846) | - | (1,927,846) |
| | (2,134,725) | 9,410,463 | 7,275,738 | (2,441,921) | 8,502,210 | 6,060,289 |

| | Company | | | | | |
|---|---|---|---|---|---|---|
| As at 31 March, | 2019 | | | 2018 | | |
| | Assets | Liabilities | Net | Asset | Liabilities | Net |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Property, plant and equipment | - | 547,524 | 547,524 | | 424,769 | 424,769 |
| Employee benefits | (2,094) | - | (2,094) | (1,781) | | (1,781) |
| Unutilized tax loss carry-forwards | - | - | - | | | - |
| | (2,094) | 547,524 | 545,430 | (1,781) | 424,769 | 422,988 |

## 22 Deferred tax asset and liabilities

### 22.1 Recognized deferred tax assets and liabilities

#### 22.1.1 Movement in recognized deferred tax assets and liabilities

Group

| As at 31 March, | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance as at 1 April 2018 | De-recognition of Subsidiary | Profit or loss | Recognised in Other comprehensive income | Exchange Difference | Recognised in equity | Balance as at 31 March 2019 |
| Accelerated depreciation for tax purposes on property, plant and equipment and investment properties | 7,316,484 | | 117,923 | 698,706 | 22,543 | - | 8,155,657 |
| Intangible assets | - | | - | - | - | - | - |
| Biological assets | 1,144,376 | - | 50,418 | - | - | - | 1,194,794 |
| Provision for impairment of receivables | (6,214) | - | - | - | - | - | (6,214) |
| Provisions | (57,781) | | 54,086 | - | - | - | (3,695) |
| Financial assets at FVOCI | 4,697 | | (4,343) | (3,833) | - | - | (3,479) |
| Defined benefit obligations | (494,431) | | 7,579 | (7,952) | (1,331) | - | (496,135) |
| Accelerated tax depreciation on leasing assets | 144,145 | | (144,145) | - | - | - | - |
| Undistributed profits on consolidated entities | 46,240 | - | - | - | - | - | 46,240 |
| Other Items | (419) | - | - | - | (35) | - | (454) |
| Revaluation Surplus on Freehold Land | - | - | - | - | - | - | - |
| Investment Properties | - | - | - | - | - | - | - |
| Expected credit losses | - | - | (7,249) | - | - | (5,191) | (12,440) |
| Unutilized tax loss carry-forwards | (2,036,808) | | 452,728 | - | (14,457) | - | (1,598,537) |
| | 6,060,289 | - | 526,998 | 686,922 | 6,720 | (5,191) | 7,275,738 |

| As at 31 March, | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance as at 1 April 2017 | Acquisition/ (diposal) of subsidiaries | Profit or loss | Recognised in Other comprehensive income | Exchange Difference | Directly in equity | Balance as at 31 March 2018 |
| Property, plant and equipment | 1,940,837 | 2,765,416 | 87,734 | 667,354 | - | - | 5,461,341 |
| Intangible assets | | | | | - | - | - |
| Biological assets | 408,421 | 542,488 | 193,467 | | - | - | 1,144,376 |
| Provision for impairment of receivables | | (6,214) | | | - | - | (6,214) |
| Provisions | (58,069) | | 288 | | - | - | (57,781) |
| Available for Sale Financial Asset | | 82 | | 4,615 | - | - | 4,697 |
| Defined benefit obligations | (175,667) | (322,205) | 6,509 | (3,068) | - | - | (494,431) |
| Accelerated tax depreciation on leasing assets | 144,145 | | | | - | - | 144,145 |
| Undistributed profits on consolidated entities | | 46,240 | | | - | - | 46,240 |
| Other Items | | (419) | | | - | - | (419) |
| Revaluation Surplus on Freehold Land | | 997,483 | | 595,401 | - | - | 1,592,884 |
| Investment Properties | | 262,259 | | | - | - | 262,259 |
| Unutilized tax loss carry-forwards | (607,961) | -1,412,839 | (16,008) | | - | - | (2,036,808) |
| | 1,651,706 | 2,872,291 | 271,990 | 1,264,302 | - | - | 6,060,289 |

| For the year ended 31March, | Company 2019 | | | |
|---|---|---|---|---|
| | | Recognised in | | |
| | Balance as at 1 April 2018 | Profit or loss | Other comprehensive income | Balance as at 31 March 2019 |
| Property, plant and equipment | 424,769 | 122,755 | | 547,524 |
| Employee benefits | (1,782) | (761) | 449 | (2,094) |
| | 422,988 | 121,994 | 449 | 545,430 |

| For the year ended 31March, | Company 2018 | | | |
|---|---|---|---|---|
| | | Recognised in | | |
| | Balance as at 1 April 2017 | Profit or loss | Other comprehensive income | Balance as at 31 March 2018 |
| Property, plant and equipment | 103,757 | 292,467 | 28,544 | 424,768 |
| Employee benefits | (1,208) | (573) | | (1,781) |
| | 102,549 | 291,894 | 28,544 | 422,987 |

## 22.2 Unrecognized net deferred tax assets & liabilities

Deferred tax assets/(Liabilities) have not been recognized in respect of the following items:

| For the year ended 31March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Property, plant & equipment & intangible assets | (387,441) | (571,937) | | - |
| Employee benefits | 19,804 | 14,291 | | - |
| Impairment of trade receivables | 168,248 | 199,094 | | - |
| Provision for inventory | 141,286 | 146,269 | | - |
| Accelerated Depreciation for Tax Purposes | - | | | |
| Tax losses | 224,341 | 486,162 | | - |
| Other deductible temporary differences | - | | | |
| Net deferred tax asset/(liabilities) not recognized | 166,237 | 273,879 | - | - |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from.

## 23 Other financial investments

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **Non current investments** | | | | | |
| Financial investments at fair value through OCI / AFS | 23.1 | 29,550,806 | 20,730,313 | 26,657,323 | 17,034,492 |
| Financial investments at amortised cost | 23.3 | 2,218,263 | 1,231,250 | 1,735,314 | 1,335,112 |
| | | 31,769,069 | 21,961,563 | 28,392,637 | 18,369,604 |
| **Current investments** | | | | | |
| Financial investments at fair value through OCI / AFS | 23.1 | 7,782 | 279,538 | - | - |
| Financial investments at Fair value through profit or loss (FVTPL) | 23.2 | 1,177,185 | 1,355,391 | 1,006,129 | 1,062,481 |
| Financial investments at amortised cost | 23.3 | 23,210,887 | 12,220,794 | 16,795,234 | 5,336,012 |
| | | 24,395,854 | 13,855,723 | 17,801,363 | 6,398,493 |

### 23.1 Financial investments at fair value through OCI

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **Non current investments** | | | | | |
| Quoted equity securities | 23.1.1 | 28,776,303 | 19,984,088 | 26,657,323 | 17,034,491 |
| Unquoted equity securities | 23.1.2 | 185,127 | 150,416 | - | - |
| Investments in unit trusts | 23.1.3 | 3,000 | 3,000 | - | - |
| Government Securities | 23.1.4 | 375,876 | 382,309 | - | - |
| Quoted Debt securities | 23.1.5 | 210,500 | 210,500 | - | - |
| | | 29,550,806 | 20,730,313 | 26,657,323 | 17,034,491 |
| **Current investments** | | | | | |
| Quoted equity securities | 23.1.1 | - | 41,941 | - | - |
| Government securities | 23.1.4 | 7,782 | 16,927 | - | - |
| Quoted Debt securities | 23.1.5 | - | 220,670 | - | - |
| | | 7,782 | 279,538 | - | - |

### 23.1.1 Quoted equity securities - Non current assets

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| As at 31 March, | No. of shares | Cost Rs.'000 | Fair value Rs.'000 | No. of shares Rs.'000 | Cost Rs.'000 | Fair value |
| **Diversified investments** | | | | | | |
| John Keells Holdings PLC | 128,572,406 | 19,409,098 | 20,057,295 | 48,519,886 | 7,313,829 | 7,743,838 |
| Melstacorp PLC-Non Voting Shares | 1,000 | 64 | 64 | - | - | - |
| | | 19,409,162 | 20,057,359 | - | 7,313,829 | 7,743,838 |
| **Bank finance & insurance** | | | | | | |
| Commercial Bank of Ceylon PLC | 43,650,677 | 6,193,962 | 4,308,322 | 41,516,889 | 5,939,951 | 5,637,993 |
| Seylan Bank PLC | 11,151 | 1,044 | 700 | 10,206 | 965 | 886 |
| DFCC Bank PLC | 22,175,280 | 4,174,413 | 1,552,270 | 22,175,280 | 4,174,413 | 2,590,073 |
| Hatton National Bank PLC | 12,126,746 | 2,970,739 | 2,118,543 | 12,037,030 | 2,703,620 | 2,949,072 |
| National Development Bank PLC | 3,493 | 150 | 373 | 3,493 | 150 | 461 |
| | | 13,340,307 | 7,980,208 | - | 12,819,099 | 11,178,485 |
| **Beverage, food & tobacco** | | | | | | |
| Lanka Milk Foods (CWE) PLC | 6,715,784 | 698,742 | 738,736 | 6,710,084 | 698,742 | 1,061,765 |
| | - | 698,742 | 738,736 | - | 698,742 | 1,061,765 |
| **Manufacturing** | | | | | | |
| Pelwatte Sugar Industries PLC | 33,140,501 | 926,473 | - | 33,140,501 | 926,473 | - |
| | - | 926,473 | - | - | 926,473 | - |
| **Total quoted equity securities - AFS** | - | 34,374,685 | 28,776,303 | - | 21,758,143 | 19,984,088 |

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| As at 31 March, | No. of shares | Cost Rs.'000 | Fair value Rs.'000 | No. of shares Rs.'000 | Cost Rs.'000 | Fair value |
| **Diversified investments** | | | | | | |
| John Keells Holdings PLC | 128,572,406 | 19,409,098 | 20,057,295 | 48,519,886 | 7,313,829 | 7,743,774 |
| | | 19,409,098 | 20,057,295 | | 7,313,829 | 7,743,774 |
| **Bank finance & insurance** | | | | | | |
| Commercial Bank of Ceylon PLC | 43,650,677 | 6,193,962 | 4,308,322 | 41,516,889 | 5,939,951 | 5,637,994 |
| Seylan Bank PLC | 11,151 | 1,044 | 700 | 10,206 | 965 | 886 |
| DFCC Bank PLC | 22,175,280 | 4,174,413 | 1,552,270 | 22,175,280 | 4,174,413 | 2,590,073 |
| | | 10,369,419 | 5,861,292 | | 10,115,329 | 8,228,953 |
| **Beverage, food & tobacco** | | | | | | |
| Lanka Milk Foods (CWE) PLC | 6,715,784 | 698,742 | 738,736 | 6,715,784 | 698,742 | 1,061,765 |
| | | 698,742 | 738,736 | | 698,742 | 1,061,765 |
| **Manufacturing** | | | | | | |
| Pelwatte Sugar Industries PLC | 33,140,501 | 926,473 | - | 33,140,501 | 926,473 | - |
| | | 926,473 | - | | 926,473 | - |
| **Total quoted equity securities - AFS** | | 31,403,732 | 26,657,323 | | 19,054,373 | 17,034,492 |

### 23.1.1 Quoted equity securities - Current assets

| | Group | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| As at 31 March, | No. of shares | Fair value Rs.'000 | No. of shares Rs.'000 | Fair value |
| **Bank finance & Insurance** | | | | |
| DFCC Bank PLC | - | - | 24,770 | 37,924 |
| Hatton National Bank PLC | - | - | 196,874 | 2,893 |
| | | - | | 40,817 |
| **Manufacturing** | | | | |
| Colombo Dockyard PLC | - | - | 13,543 | 1,124 |
| | | - | | 1,124 |
| | | - | | 41,941 |

#### 23.1.2 Unquoted equity securities

| | Group | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| As at 31 March, | No. of shares | Fair value Rs.'000 | No. of shares Rs.'000 | Fair value |
| International Distilleries Lanka Ltd | 100 | 3 | 100 | 3 |
| Bogo Power | - | 1 | | |
| 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 | 988,764 | 107,516 |
| Cargo Village | 40,900 | 823 | 40,900 | 823 |
| Ingrin Institute of Printing & Graphics | 10,000 | 100 | 10,000 | 100 |
| | | 128,699 | | 152,086 |
| Change in fair value of investments | - | (6,120) | | (1,670) |
| Exchange difference | | 62,548 | | - |
| | - | 185,127 | - | 150,416 |

#### 23.1.3 Investments in unit trusts

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| 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 | 3,000 | 300,000 | 3,000 | 3,000 |
| | | 3,000 | 3,000 | | 3,000 | 3,000 |

#### 23.1.4 Government Securities

| | Group | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| As at 31 March, | Carrying Value Rs.'000 | Fair Value Rs.'000 | Carrying Value Rs.'000 | Fair Value Rs.'000 |
| Non Current Investments | | | | |
| Treasury bonds | 389,058 | 375,876 | 389,100 | 382,309 |
| | 389,058 | 375,876 | 389,100 | 382,309 |
| Current Investments | | | | |
| Treasury bills | 7,814 | 7,782 | 17,039 | 16,927 |
| | 7,814 | 7,782 | 17,039 | 16,927 |

# NOTES TO THE FINANCIAL STATEMENTS

### 23.1.5 Quoted Debt securities

| As at 31 March, | Group | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | No of instruments Rs.'000 | Fair Value Rs.'000 | No of instruments Rs.'000 | Fair Value Rs.'000 |
| **Non Current Investments** | | | | |
| DFCC Bank PLC | 2,000,000 | 200,000 | 2,000,000 | 200,000 |
| Siyapatha Finance PLC | 105,000 | 10,500 | 105,000 | 10,500 |
| | | 210,500 | | 210,500 |
| **Current Investments** | | | | |
| LB Finance Company PLC | - | - | 2,206,700 | 220,670 |
| | - | - | 2,206,700 | 220,670 |

## 23.2 Financial investments at Fair value through profit or loss (FVTPL)

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Quoted equity securities | 23.2.1 | 1,155,355 | 1,176,131 | 1,006,129 | 1,062,481 |
| Investments in unit trusts | 23.2.2 | - | 153,883 | - | - |
| Government Securities | 23.2.3 | 21,830 | 25,377 | - | |
| | | 1,177,185 | 1,355,391 | 1,006,129 | 1,062,481 |

### 23.2.1 Quoted equity securities

| As at 31 March, | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | No. of shares Rs.'000 | Fair value Rs.'000 | No. of shares Rs.'000 | Fair value Rs.'000 | No. of shares Rs.'000 | Fair value Rs.'000 | No. of shares Rs.'000 | Fair value Rs.'000 |
| **Bank finance & insurance** | | | | | | | | |
| Nation Trust Bank PLC | 51,299 | 4,632 | 50,000 | 3,900 | - | - | - | - |
| Ceylinco Insurance PLC - NV | - | - | 662 | 90 | - | - | - | - |
| Commercial Bank of Ceylon PLC | 93,230 | 9,213 | - | - | - | - | - | - |
| Commercial Bank of Ceylon PLC - Non Voting | - | - | - | - | - | - | - | - |
| DFCC Bank PLC (Ordinary shares) | 24,770 | 1,734 | - | - | - | - | - | - |
| Hatton National Bank PLC - Voting | 205,371 | 30,190 | - | - | - | - | - | - |
| | | 45,769 | | 3,990 | | - | | - |
| **Beverage, food & tobacco** | | | | | | | | |
| Renuka Agri Foods PLC | 6,118,560 | 12,357 | 6,118,560 | 14,433 | - | - | - | - |
| Nestle Lanka PLC | 1,372 | 2,332 | 1,372 | 2,231 | - | - | - | - |
| | | 14,689 | | 16,664 | | - | | - |
| **Hotel and travels** | | | | | | | | |
| The Kingsbury Hotel PLC | 823,600 | 11,034 | 823,600 | 2,768 | - | - | - | - |
| Aitken Spence Hotel Holdings PLC | - | - | 23,100 | 11,816 | - | - | - | - |
| John Keells Hotels PLC | 528,850 | 4,008 | 140,000 | 4,848 | - | - | - | - |
| | | 15,042 | | 19,432 | | - | | - |
| **Construction and Engineering** | | | | | | | | |
| Colombo Dockyard PLC | 13,543 | 718 | - | - | - | - | - | - |
| | | 718 | | - | | - | | - |

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| As at 31 March, | No. of shares | Fair value | No. of shares | Fair value | No. of shares | Fair value | No. of shares | Fair value |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Manufacturing** | | | | | | | | |
| ACL Cables PLC | 63,000 | 2,331 | 63,000 | 2,671 | - | - | - | - |
| Tokyo Cement PLC | 120,000 | 2,820 | 120,000 | 7,080 | - | - | - | - |
| Lanka IOC | 29,998 | 729 | 29,998 | 840 | - | - | - | - |
| Bukit Darah PLC | 72,200 | 14,440 | 72,200 | 14,880 | 72,200 | 14,440 | 72,200 | 14,880 |
| Textured Jersey Lanka PLC | 13,511,928 | 412,631 | 13,511,928 | 432,898 | 12,622,428 | 383,722 | 12,622,428 | 402,655 |
| | | 432,951 | | 458,369 | | 398,162 | | 417,535 |
| **Diversified Investments** | | | | | | | | |
| John Keells Holdings PLC | 57,362 | 8,948 | - | - | - | - | - | - |
| CT Holding PLC | 1,623,050 | 264,395 | 1,623,050 | 284,034 | 1,623,050 | 264,395 | 1,623,050 | 284,034 |
| Softlogic Holdings PLC | 380,000 | 6,080 | - | - | - | - | - | - |
| Softlogic Capital PLC | 40,000,000 | 220,000 | 40,380,000 | 229,348 | 40,000,000 | 220,000 | 40000000 | 220,000 |
| Free Lanka Capital Holdings PLC | - | - | 2,850,850 | 10,263 | - | - | - | - |
| Browns Capital PLC | 2,850,850 | 9,978 | - | - | - | - | - | - |
| Carson Cumberbatch PLC | 29,400 | 4,704 | 29,400 | 4,939 | 29,400 | 4,704 | 29400 | 4,939 |
| Vallibal One PLC | 121,084 | 1,891 | 121,084 | 2,447 | 62,100 | 888 | 62,100 | 1,403 |
| | | 515,996 | | 531,031 | | 489,987 | | 510,376 |
| **Hospitals** | | | | | | | | |
| Durdens Hospital PLC- Non Voting | 40,040 | 2,763 | 40,040 | 2,615 | - | - | - | - |
| | | 2,763 | | 2,615 | | - | | - |
| **Chemicals and Pharmaceuticals** | | | | | | | | |
| Heycarb PLC | 73,876 | 9,447 | 73876 | 9,460 | - | - | - | - |
| | | 9,447 | | 9,460 | | - | | - |
| **Real Estate** | | | | | | | | |
| RIL Properties Limited | 18,434,300 | 117,980 | 18,434,300 | 134,570 | 18,434,300 | 117,980 | 18,434,300 | 134,570 |
| | | 117,980 | | 134,570 | | 117,980 | | 134,570 |

| As at 31 March, | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | No. of shares | Fair value | No. of shares | Fair value | No. of shares | Fair value | No. of shares | Fair value |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Total quoted equity securities -FVTPL | | 1,155,355 | | 1,176,131 | | 1,006,129 | | 1,062,481 |

**23.2.2 Investments in unit trusts**

| As at 31 March, | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | No. of Units | Fair value | No. of Units | Fair value | No. of Units | Fair value | No. of Units | Fair value |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Namal High Yield Fund | - | - | 831,652 | 15,008 | - | - | - | - |
| JB Vantage Money Market Fund | - | - | 4,322,549 | 83,842 | - | - | - | - |
| Guardian Acuity Fixed Income Fund | - | - | 3,588,743 | 55,033 | - | - | - | - |
| **Total unit trust investment -FVTPL** | | - | | 153,883 | | - | | - |

**23.2.3 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.

## 23.3 Financial investments at amortised cost

**Non current investments**

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Coporate debentures | | 1,371,986 | 1,231,250 | 50,045 | - |
| SLDB Bonds | | 630,576 | | - | |
| Term Deposits | | 215,701 | | | |
| Loans granted to subsidiaries | 23.3.1 | - | - | 1,685,269 | 1,335,112 |
| | | 2,218,263 | 1,231,250 | 1,735,314 | 1,335,112 |
| Current investments | | | | | |
| Government Securities | 23.3.2 | 357,496 | 155,600 | - | - |
| Coporate debentures | | 72,090 | 76,546 | - | - |
| Commercial papers | | - | 55,070 | - | - |
| Bank Deposits | 23.3.3 | 22,781,301 | 11,728,540 | 11,350,453 | 3,021,541 |
| Reverse Repurchase Agreement | | - | 205,038 | - | - |
| Loans granted to subsidiaries | 23.3.1 | - | - | 5,444,781 | 2,314,471 |

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| | | 23,210,887 | 12,220,794 | 16,795,234 | 5,336,012 |

### 23.3.1 Loans granted to subsidiaries

| As at 31 March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Balangoda Plantations PLC | - | | 1,635,591 | 848,579 |
| Madulsima Plantations PLC | - | | 1,645,464 | 543,789 |
| Negombo Beach Resorts (Pvt) Ltd | - | | 677,261 | 657,112 |
| Lanka Bell Limited | - | | 4,272,589 | 1,600,104 |
| Impairement of balance receivabe from Subsidiaries | - | | (1,100,854) | - |
| | - | - | 7,130,050 | 3,649,584 |
| Loans recoverable within one year | - | | 5,444,781 | 2,314,471 |
| Loans recoverable after one year | - | | 1,685,269 | 1,335,112 |
| | - | - | 7,130,050 | 3,649,584 |

### 23.3.2 Government Securities

Government securities consist of Treasury bills which are measured at amortised cost using the effective interest rate.

### 23.3.3 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.

### 23.4 Investments that have been pledged

The investments that are pledged for liabilities are disclosed in Note 41 to these financial statements if any.

## 24 Inventories

| As at 31 March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Raw materials | 3,840,601 | 3,564,966 | - | - |
| Packing material | 698,529 | 732,172 | - | - |

| As at 31 March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Work in progress | 554,429 | 835,624 | - | - |
| Finished goods | 1,777,151 | 1,195,203 | - | - |
| Harvested crop | 245,616 | 231,172 | - | - |
| Produce Stock | 262,711 | 215,700 | - | |
| Biological Assets-Nurseries | 13,915 | 15,458 | - | - |
| Input materials, consumables and spares | 2,653,316 | 2,632,762 | 1,064 | 1,112 |
| Goods in transit | 179,664 | 251,991 | - | - |
| | 10,225,932 | 9,675,048 | 1,064 | 1,112 |
| Provision for slow moving and obsolete inventories (Note 24.1) | (720,989) | (768,126) | - | - |
| | 9,504,943 | 8,906,922 | 1,064 | 1,112 |

### 24.1 Provision for slow moving and obsolete inventories

| For the year ended 31March, | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|
| Balance at the beginning of the year | 768,126 | 598,981 |
| Provission made durring the year | (47,137) | 169,145 |
| Balance at the end of the year | 720,989 | 768,126 |

### 24.2 Inventories that have been pledged

The Inventories that are pledged for long term borrowings are disclosed in Note 41 to these financial statements if any.

## 25 Trade and other receivables

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade receivables | | 18,260,142 | 20,358,865 | 537 | - |
| Other financial receivables | | 3,692,744 | 5,657,500 | 5,399 | 2,577,600 |
| Insurance contract receivables | | 1,256,053 | 1,120,680 | - | - |
| Loans given to employees | | 123,228 | 36,137 | - | - |
| Refundable deposits | | 80,308 | 100,099 | 15,811 | 65,365 |
| | | 23,412,475 | 27,273,281 | 21,746 | 2,642,965 |
| Provision for impairment loss on financial assets | | (1,486,160) | (1,257,858) | - | |
| | | 21,926,315 | 26,015,423 | 21,746 | 2,642,965 |
| **Non financial assets** | | | | | |

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Prepayments and advances | | 5,200,093 | 3,969,370 | 4,151 | 4,293 |
| Accrued income | | 166,092 | 96,576 | 119,628 | 74,909 |
| Deferred Revenue asset | | 31,506 | 25,624 | 18,394 | 25,624 |
| Prepaid staff costs | | - | 37,232 | - | |
| Other non financial receivables | | 1,111,219 | 563,994 | - | |
| Tax Receivables | | 467,695 | 535,352 | - | |
| | | 6,976,605 | 5,228,148 | 142,173 | 104,826 |
| Provision for bad and doubtful debts | | - | (7,244) | - | |
| | | 6,976,605 | 5,220,904 | 142,173 | 104,826 |
| | | 28,902,920 | 31,236,327 | 163,919 | 2,747,791 |

## 26 Cash and cash equivalents

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Favourable balances classified under current assets | | | | | |
| Short term deposits | 26.1 | 2,295,784 | 316,658 | - | - |
| Cash at bank and Cash in hand | | 8,318,299 | 11,217,183 | 33,659 | 544,088 |
| Cash in transit | | 152,440 | 182,332 | - | |
| Total | | 10,766,523 | 11,716,173 | 33,659 | 544,088 |
| Unfavourable balances classified under current liabilities | | | | | |
| Bank overdrafts and Other short term borrowings | | (35,690,948) | (18,519,634) | (16,460,961) | (300,739) |
| Total | | (35,690,948) | (18,519,634) | (16,460,961) | (300,739) |
| | | (24,924,425) | (6,803,461) | (16,427,302) | 243,349 |

### 26.1 Short term deposits

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Government securities which matures within 3 months | | 5,002 | - | - | |
| Fixed deposits / Call Deposits which matures within 3 months | | 2,290,782 | 316,658 | - | - |
| | | 2,295,784 | 316,658 | - | - |

### 26.1.1 Short term deposits that have been pledged

The Short term deposits that are pledged for long term borrowings are disclosed in Note 41 to these financial statements if any.

## 27 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. The liquidation of these companies are not yet concluded.

| As at 31 March, | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|
| Share of net assets 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 | 7,679 | - | - |
| | 164,125 | 149,125 | - | - |

There were no discontinued operations recognised in the income statement during the year.

## 28 Stated capital

| As at 31 March, | Note | 2019 No. of shares | 2019 Value of shares Rs.'000 | 2018 No. of shares | 2018 Value of shares 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 |

| Share Structure | Group<br>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 1000.

## 29 Reserves

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **Capital reserves** | | | | | |
| Revaluation reserve | 29.1 | 8,185,463 | 7,010,624 | 111,689 | 111,691 |

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Capital reserve | 29.2 | 12,137 | 12,137 | - | - |
| Reserve fund | 29.3 | 20,491 | 20,491 | - | - |
| **Total capital reserves** | | 8,218,090 | 7,043,252 | 111,689 | 111,691 |
| | | | | | |
| **Revenue reserves** | | | | | |
| General reserve | 29.4 | 1,352,238 | 711,589 | - | - |
| Exchange fluctuation reserve | 29.5 | 1,664,032 | 944,140 | - | - |
| Timber reserve | 29.6 | 1,458,578 | 1,317,586 | - | - |
| Fair value reserve | 29.7 | 905,324 | 4,444,088 | (3,819,935) | (1,093,409) |
| Cash flow hedge reserve | 29.8 | (18,856) | - | - | - |
| **Total revenue reserves** | | 5,361,315 | 7,417,403 | (3,819,935) | (1,093,409) |
| | | | | | |
| **Total reserves** | | 13,579,405 | 14,460,656 | (3,708,246) | (981,718) |

### 29.1 Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant and equipment. There were no restrictions on distribution of these balances to the shareholders.

### 29.2 Capital reserve

Capital reserve comprises profits retained in order to utilize for the capital commitments.

### 29.3 Reserve fund

Reserve fund was created to comply with the Direction No.1 of 2003 (Capital funds) issued by the Central Bank. The Company is required to transfer 5% of annual profits to this reserve fund as long as the capital funds are not less 25% of total deposit liabilities.

### 29.4 General reserve

General reserve reflects the amount the Group has reserved over the years from its earnings.

### 29.5 Exchange fluctuation reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group.

### 29.6 Timber reserve

This represents the unrealized gains arising from the fair value of consumable biological assets ( Timber plantations) until the assets are derecognized or impaired.

### 29.7 Fair value reserve

This represents the cumulative net change in the fair value of equity securities designated at fair value through OCI (2017/2018 : available-for-sale financial assets).

### 29.8 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.

## 30 Interest bearing loans and borrowings

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| **Non current liabilities** | | | | | |
| Term loans payable after one year | 30.1 | 32,552,939 | 23,225,110 | - | - |
| Liability to make lease payments payable after one year | 30.2 | 120,397 | 123,102 | - | - |
| Finance lease liabilities payable after one year | 30.3 | 343 | 7,612 | - | - |
| | | 32,673,679 | 23,355,824 | - | - |
| **Current liabilities** | | | | | |
| Term loans payable within one year | 30.1 | 4,763,721 | 7,884,147 | - | - |
| Liability to make lease payments payable within one year | 30.2 | 2,705 | 2,599 | - | - |
| Finance lease liabilities payable within one year | 30.3 | 15,712 | 21,962 | - | - |
| Redeemable preference shares | 30.4 | - | - | - | - |
| | | 4,782,138 | 7,908,708 | - | - |

### 30.1 Term loans

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Balance as at 01st April | | 31,109,257 | 6,898,596 | - | - |
| Acquisition subsidiaries | | - | 27,004,757 | - | - |
| Exchange difference | | 1,942,383 | - | - | - |
| New loans obtained | | 15,134,811 | 3,227,038 | - | - |
| Capital repayment | | (10,860,463) | (6,021,134) | - | - |
| Capitalised borrowing costs | | 867,523 | - | - | - |
| Interest expense | | 903,417 | - | - | - |
| Interest paid | | (1,719,435) | - | - | - |
| Transaction cost | | (60,833) | - | - | - |
| **Balance as at 31st March** | | 37,316,660 | 31,109,257 | - | - |
| Repayable within one year | | 4,763,721 | 7,884,147 | - | - |
| Repayable after one year | | 32,552,939 | 23,225,110 | - | - |
| | | 37,316,660 | 31,109,257 | - | - |

#### 30.1.1 Browns Beach Hotel PLC

**Shareholder Loans - Stassen Exports (Pvt) Ltd**

Term Loans includes 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.

### 30.1.1 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 | Loan 1 | Tourism | USD | Linked to LIBOR |
| | | Loan 2 | Tourism | USD | Linked to LIBOR |
| | | Loan 3 | Strategic Investments | LKR | Linked to AWPLR |
| | | Loan 4 | Strategic Investments | LKR | Linked to AWDR |
| | | Loan 5 | Strategic Investments | LKR | Linked to AWPLR |
| | 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 |
| | | Loan 9 | Tourism | USD | Linked to LIBOR |
| | DFCC Bank PLC | Loan 1 | Tourism | USD | Linked to LIBOR |
| | | Loan 2 | Strategic Investments | LKR | Linked to AWPLR |
| | | Loan 3 | Tourism | LKR | Linked to AWPLR |
| | | Loan 4 | Strategic Investments | LKR | Linked to AWPLR |
| | | Loan 5 | Strategic Investments | USD | Linked to LIBOR |
| | | Loan 6 | Strategic Investments | USD | Linked to LIBOR |
| | | Loan 7 | Strategic Investments | LKR | Linked to AWDR |
| | | Loan 8 | Strategic Investments | LKR | Linked to AWPLR |
| | People's Bank | Loan 1 | Tourism | USD | Linked to LIBOR |
| | | Loan 2 | Strategic Investments | LKR | Linked to AWPLR |
| | DEG - German Investment Corporation | Loan 1 | Strategic Investments | USD | Linked to LIBOR |
| | | Loan 2 | Strategic Investments | USD | Linked to LIBOR |
| | ABANCA Corporación Bancaria | Loan 1 | Tourism | EUR | Linked to EURIBOR |
| | Bank of Ceylon | Loan 1 | Strategic Investments | LKR | Linked to AWPLR |
| | Habib Bank | Loan 1 | Tourism | LKR | Linked to AWPLR |
| | Commercial Bank of Ceylon | Loan 1 | Strategic Investments | LKR | Linked to AWPLR |
| | | Loan 2 | Strategic Investments | LKR | Linked to AWPLR |
| | | Loan 3 | Strategic Investments | LKR | Linked to AWDR |
| | Sampath Bank PLC | Loan 1 | Tourism | LKR | Fixed Rate |
| | Transaction cost to be amortised | | | | |
| | Total | | | | |

| Secured | Repayment terms | Maturity | LKR equivalent |
|---|---|---|---|
| Yes | 60 monthly instalments commencing from October 2020 | Oct-2025 | 5,737,381 |
| Yes | 84 monthly instalments commencing from September 2017 | Aug-2024 | 1,449,529 |
| Yes | 30 quarterly instalments commencing from March 2021 | Jun-2028 | 697,144 |
| Yes | 24 quarterly instalments commencing from March 2015 | Dec-2020 | 10,468 |
| Yes | 24 quarterly instalments commencing from March 2015 | Dec-2020 | 9,470 |
| | | | 7,903,992 |
| | | | |
| Yes | 61 monthly instalments commencing from May 2018 and a 60% final bullet repayment at maturity | May-2023 | 3,508,520 |
| Yes | 28 quarterly instalments commencing from December 2018 | Sep-2025 | 1,213,705 |
| Yes | Bullet repayment at maturity | Sep-2025 | 845,231 |
| No | 48 monthly instalments commencing from August 2016 | Jul-2020 | 587,452 |
| Yes | 46 quarterly instalments commencing from February 2016 | Jul-2020 | 319,375 |
| Yes | 48 monthly instalments commencing from January 2017 | Dec-2020 | 308,158 |
| Yes | 46 quarterly instalments commencing from June 2016 | Feb-2020 | 114,890 |
| Yes | 48 monthly instalments commencing from October 2016 | Oct-2020 | 74,411 |
| Yes | 55 monthly instalments commencing from February 2015 | Aug-2019 | 36,685 |
| | | | 7,008,427 |
| | | | |
| Yes | 60 monthly instalments commencing from October 2020 | Oct-2025 | 4,103,824 |
| Yes | 30 quarterly instalments commencing from March 2021 | Jun-2028 | 697,145 |
| Yes | 72 monthly instalments commencing from November 2016 | Oct-2024 | 614,097 |
| Yes | 96 monthly instalments commencing from September 2013 | Sep-2021 | 88,521 |
| Yes | 84 monthly instalments commencing from January 2013 | Dec-2019 | 32,062 |
| Yes | 48 monthly instalments commencing from July 2017 | Jun-2021 | 29,396 |
| Yes | 23 equal quarterly instalment from January 2015 | Jul-2020 | 17,752 |
| Yes | 23 equal quarterly instalment from January 2015 | Jul-2020 | 1,430 |
| | | | 5,584,227 |
| | | | |
| Yes | 24 quarterly instalments commencing from August 2019 | May-2025 | 3,198,523 |
| Yes | 30 quarterly instalments commencing from March 2021 | Jun-2028 | 1,045,715 |
| | | | 4,244,238 |
| No | 10 semi-annual instalments commencing from July 2021 | Jan-2026 | 2,676,840 |
| No | 10 semi-annual instalments commencing from July 2015 | Sep-2020 | 776,284 |
| | | | 3,453,124 |
| Yes | 20 quarterly instalments commencing from March 2019 and 60% final bullet repayment at maturity | Jul-2024 | 3,369,314 |
| | | | 3,369,314 |
| Yes | 30 quarterly instalments commencing from March 2021 | Jun-2028 | 697,419 |
| | | | 697,419 |
| Yes | 15 quarterly instalments commencing from January 2018 | Jul-2021 | 680,230 |
| | | | 680,230 |
| No | 16 quarterly instalments commencing from September 2015 | Jun-2019 | 60,021 |
| Yes | 23 equal quarterly instalment from January 2015 | Jul-2020 | 10,802 |
| Yes | 23 equal quarterly instalment from January 2015 | Jul-2020 | 10,229 |
| | | | 81,052 |
| Yes | 72 monthly instalments commencing from December 2017 | Oct-2023 | 6,161 |
| | | | 6,161 |
| | | | |
| | | | (64,781) |
| | | | 32,963,403 |

# 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 |
| | National Development Bank PLC | Loan-01 | Telecommunication | LKR | 0.1615 |
| | | Loan-02 | Telecommunication | LKR | 0.1615 |
| | Total | | | | |
| Negombo Beach Resort (Pvt) Ltd | Hatton National Bank | Loan 1 | Tourism | LKR | Linked to AWPLR |
| | | Loan 2 | 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 | Loan 1 | Plantations | LKR | Linked to AWPLR |
| | Total | | | | |
| Balangoda Plantations PLC | Hatton National Bank | Loan 1 | Agriculture | LKR | Linked to AWPLR |
| | | Loan 2 | Agriculture | LKR | Linked to AWPLR |
| | | Loan 3 | Agriculture | LKR | Linked to AWPLR |
| | Sri Lanka Tea Board | Loan 1 | Agriculture | LKR | Linked to AWPLR |
| | | Loan 2 | Agriculture | LKR | Decided by Lender |
| | Commercial Bank | Loan 1 | Agriculture | LKR | Decided by Bank |
| | Total | | | | |
| Texpro Industries (Pvt) Ltd | Hatton National Bank | 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** | | | | | |

| Secured | Repayment terms | Maturity | LKR equivalent |
|---|---|---|---|
| Yes | 48 monthly instalments commencing fromLoan Dispersement date | Nov-2020 | 131,700 |
| Yes | 48 monthly instalments commencing fromLoan Dispersement date | Sep-2020 | 148,880 |
| | | | 280,580 |
| Yes | 48 monthly instalments commencing from November-2018 | Oct-2022 | 882,850 |
| | | | 882,850 |
| | | | |
| Yes | One year maturity | Nov-2020 | 100,000 |
| Yes | One year maturity | Oct-2020 | 70,000 |
| | | | 170,000 |
| Only the Offer Letter | 90 days maturity | May-2019 | 150,000 |
| | 90 days maturity | Mar-2019 | 4,544 |
| | | | 154,544 |
| | | | 1,487,974 |
| | | | |
| Yes | 120 Monthly instalments commencing from March 2017 | Feb-2027 | 928,620 |
| Yes | 112 Monthly instalments commencing from November 2017 | Feb-2027 | 537,700 |
| No | Repayable in 7 years with a grace period of two years. | Jul-2024 | 154,136 |
| | | | 1,620,456 |
| | | | |
| 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 | 61,440 |
| Yes | 36 equal monthly instalments commencing from August 2017 | Jul-2020 | 14,778 |
| Yes | 36 equal monthly instalments commencing from May 2017 | Apr-2020 | 22,708 |
| | | | 98,926 |
| Yes | 20 equal quarterly instalments commencing from November 2018 | Aug-2023 | 380,000 |
| | | | 380,000 |
| | | | 478,926 |
| | | | |
| Yes | 120 monthly instalments commencing from July 2017 | Jun-2024 | 500,000 |
| Yes | 60 monthly instalments commencing from August 2016 | Aug-2020 | 67,188 |
| Yes | 03 equal instalments commencing from August 2019 | Oct-2019 | 80,000 |
| | | | 647,188 |
| No | 36 equal instalments commencing from August 2016 | Jul-2020 | 14,250 |
| No | 36 equal instalments commencing from May 2017 | Apr-2020 | 20,799 |
| | | | 35,049 |
| Yes | 35 equal instalments commencing from December 2017 and final instalment of Rs.1,625,000/- | Nov-2020 | 39,575 |
| | | | 39,575 |
| | | | 721,812 |
| | | | |
| Yes | 60 monthly instalments commencing from May 2015 | Mar-2020 | 6,589 |
| | | | 6,589 |
| Yes | 48 monthly instalments commencing from November 2016 | Jul-2020 | 37,500 |
| | | | 37,500 |
| | | | 44,089 |
| | | | 37,316,660 |

### 30.2 Liability to make lease payments

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Gross liability as at the beginning of the year | | 147,164 | 161,366 | - | |
| Acquisition of subsidiaries (Gross Liability) | | 62,208 | | - | |
| Repayments during the year | | (7,627) | (14,202) | - | |
| | | 201,745 | 147,164 | - | - |
| Finance costs allocated to future years | | (78,643) | (21,463) | - | |
| Net liability as at the end of the year | | 123,102 | 125,701 | - | - |
| **Repayable within one year** | | | | | |
| Gross liability | | 7,627 | 3,888 | - | |
| Finance costs allocated to future years | | (4,922) | (1,289) | - | |
| Net liability | | 2,705 | 2,599 | - | - |
| **Repayable within two to five years** | | | | | |
| Gross liability | | 30,508 | 7,816 | - | |
| Finance costs allocated to future years | | (18,569) | (4,877) | - | |
| Net liability | | 11,939 | 2,939 | - | - |
| **Repayable after five years** | | | | | |
| Gross liability | | 163,610 | 135,460 | - | |
| Finance costs allocated to future years | | (55,152) | (15,297) | - | |
| Net liability | | 108,458 | 120,163 | - | - |
| **Finance lease liabilities payable after one year** | | 120,397 | 123,102 | - | - |

**Balangoda Plantations PLC**

The lease of the estates have been amended, with effect from 11th 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.5,673 million from 11th June 1997.This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the from of Contingent rental. The contingent rental charged to the Income statement amounted to Rs.27,746,0836/= Which is based on GDP deflator of 4.5% (2017).

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has not reassessed the Right-to-use of Land because this is not mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13% , liability would be as follows.

| | Amount Rs.000 |
|---|---|
| Gross liability | 3,345,621 |
| Finance charges | (1,379,512) |
| Net liability | 1,966,109 |

The above reassessed liability is not reflected in theses financial statements.

**Madulsima Plantations PLC**

The Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has not reassessed the Right-to-use of Land since this is not a mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by 4% and discounted at a rate of 13% , liability would be as follows.

| | Amount Rs.000 |
|---|---|
| Gross liability | 550,244.00 |
| Finance charges | (274,602.00) |
| Net liability | 275,642.00 |

The above reassessed liability is not reflected in theses financial statements.

## 30.3 Finance Lease

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March, | 2019 Rs.'000 | 2018 Rs.'000 | 2019 Rs.'000 | 2018 Rs.'000 |
| Gross liability as at the beginning of the year | 30,063 | 94,541 | - | |
| Finance leases obtained during the year | 43,879 | | - | |
| Repayments during the year | (57,635) | (64,478) | - | |
| | 16,307 | 30,063 | - | - |
| Finance costs allocated to future years | (252) | (489) | - | |
| Net liability as at the end of the year | 16,055 | 29,574 | - | - |
| | | | | |
| **Repayable within one year** | | | | |
| Future minimum Lease payments | 15,962 | 22,300 | - | |
| Interest | (250) | (338) | - | |
| Present value of Future minimum Lease payments | 15,712 | 21,962 | - | - |
| | | | | |
| **Repayable within two to five years** | | | | |
| Future minimum Lease payments | 345 | 7,763 | - | |
| Interest | (2) | (151) | - | |
| Present value of Future minimum Lease payments | 343 | 7,612 | - | - |

### 30.3.1 Finance Lease

| Financial Institution | Terms of repayment | Normal Rate of Interest |
|---|---|---|
| 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 | | |
| Hatton National Bank | 36 equal monthly instalments @ Rs. 3,055,550/- commencing from 24/04/2015 | 9.00% |
| Melsta Technologies (Pvt) Ltd | | |
| Fintec Finance Limited | 60 equal monthly instalments @ Rs. 172,520/- commencing from 03/06/2015 | |

## 31 Employee benefits

### 31.1 Movement in present value of defined benefit obligations

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at beginning of the year | | 2,861,509 | 906,936 | 6,363 | 4,316 |
| Acquisition/ (Disposal) of subsidiaries | | - | 1,891,113 | - | |
| Liability experience loss / (gain) arising during the year | | - | | - | |
| Benefits paid by the plan | | (438,980) | (125,117) | - | |
| Exchange Difference | | 13,548 | - | - | |
| Expense recognized in the in the income statement | 31.1.1 | 509,003 | 177,198 | 2,717 | 1,918 |
| Actuarial (gain) / loss recognized in other comprehensive income | | 39,790 | 11,379 | (1,603) | 129 |
| Balance as at the end of the year | | 2,984,870 | 2,861,509 | 7,477 | 6,363 |

#### 31.1.1 Expense recognized in the in the income statement

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Current service costs | | 217,884 | 80,295 | 2,100 | 1,456 |
| Interest costs | | 291,119 | 96,903 | 617 | 462 |
| | | 509,003 | 177,198 | 2,717 | 1,918 |

## 31.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date

| As at 31 March, | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|
| Discount rate (%) | 11%-12% | 10%-11% | 11.50% | 11% |
| Future salary increases (%) | 5%-15% | 5%-15% | 10% | 10% |
| | | | | |
| Retirement age (years) | 55-72 Years | 55-75 years | 55-72 Years | 55-75 Years |

## 31.3 Sensitivity of assumptions used

If one percentage increase in the assumptions, would have the following effects,

Effect on define benefit obligation liability,

| As at 31 March, | 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 | 2018 Group Discount rate Rs.'000 | 2018 Group Salary increment rate Rs.'000 | 2018 Company Discount rate Rs.'000 | 2018 Company Salary increment rate Rs.'000 |
|---|---|---|---|---|---|---|---|---|
| Increase by 1% | (178,129) | 147,805 | 422 | (462) | (58,843) | 49,548 | (299) | 321 |
| Decrease by 1% | 204,857 | (134,090) | (460) | 431 | 125,927 | (45,697) | 321 | (304) |
| | | | | | | | | |
| Effect on Comprehensive Income, | | | | | | | | |
| Increase by 1% | 178,129 | (147,805) | (422) | 462 | 58,843 | (49,548) | 299 | 321 |
| Decrease by 1% | (204,857) | 134,090 | 460 | (431) | (125,927) | 45,967 | (321) | (304) |

## 32 Other liabilities

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 |
|---|---|---|---|
| **Non current liabilities** | | | |
| Deferred grants and subsidies | 32.1 | 303,050 | 318,329 |
| Deferred revenue | 32.2 | - | 45,221 |
| Lease accruals | 32.3 | 1,302,016 | 881,272 |
| Amounts due to equity accounted investees | 32.4 | 549,893 | - |
| | | 2,154,959 | 1,244,822 |
| **Current liabilities** | | | |
| Deferred revenue | 32.2 | 6,160 | 73,186 |
| | | 6,160 | 73,186 |

### 32.1 Deferred grants and subsidies

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 318,329 | 180,363 |
| Acquisition of subsidiaries | | - | 148,862 |
| Grants received during the year | | 286 | |
| Amortization for the year | | (15,565) | (10,896) |
| **Balance at the end of the year** | | 303,050 | 318,329 |

The 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.

### 32.2 Deferred revenue

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 118,408 | 139,188 |
| Revenue received during the year | | 16,794 | 73,835 |
| Deferred revenue recognized during the year | | (15,613) | (94,616) |
| IFRS-15 Impact | | (113,429) | |
| Balance at the end of the year | | 6,160 | 118,407 |
| | | | |
| Deferred revenue to be recognized within one year | | 6,160 | 73,186 |
| Deferred revenue to be recognized after one year | | - | 45,221 |
| | | 6,160 | 118,407 |

The above amount represent funding received by Balangoda Plantations PLC from various governmental and non-governmental Institutions for social and infrastructure development of estates.

### 32.3 Lease accruals

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 881,272 | - |
| Acquisition of subsidiaries | | - | 881,272 |
| Exchange difference | | 116,049 | - |
| Accrued and capitalised under property, plant and equipment | | 304,695 | - |
| **Balance at the end of the year** | | 1,302,016 | 881,272 |

This represents the accrued lease rent 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.

### 32.4 Amounts due to equity accounted investees

This represents the long term advances received by Aitken Spence PLC group from its equity accounted investees.

## 33 Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Financial liabilities** | | | | | |
| Trade payables | | 5,333,479 | 5,829,757 | - | |
| Insurance contract liabilities | | 3,034,456 | 2,498,565 | - | |
| Dividend payable | | 11,065 | 9,338 | - | 9,338 |
| Other financial liabilities | | 6,272,517 | 4,825,713 | 1,829 | 1,150 |
| Refundable advances and deposits | | 570,474 | 642,788 | 1,000 | |
| | | 15,221,991 | 13,806,161 | 2,829 | 10,488 |
| **Non financial liabilities** | | | | | |
| Accrued expenses | | 3,994,493 | 4,888,300 | 8,428 | 1,673 |
| Amounts due to equity accounted investees | | | | | |
| Other non financial liabilities | | 3,254,834 | 3,446,056 | - | |
| Direct and indirect taxes payables | 33.1 | 5,612,930 | 5,619,543 | 3,424 | 2,819 |
| Non refundable advances and deposits | | - | 26 | - | |
| Unclaimed dividends | | 334,444 | 180,246 | 8,820 | |
| | | 13,196,701 | 14,134,171 | 20,672 | 4,492 |
| | | | | | |
| | | 28,418,692 | 27,940,332 | 23,501 | 14,980 |

### 33.1 Direct and indirect taxes payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Excise duty payable | | 3,753,482 | 3,763,732 | - | - |
| Value added tax (VAT) payable | | 1,494,187 | 1,667,583 | 2,634 | 2,472 |
| Nation building tax (NBT) payable | | 204,238 | 51,270 | 424 | 347 |
| Other statutory payables | | 161,023 | 136,958 | 366 | |
| | | 5,612,930 | 5,619,543 | 3,424 | 2,819 |

## 34 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.

### 34.1 Balances with related companies

#### 34.1.1 Amounts due from related companies

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Subsidiaries | 34.1.3 | - | - | 44,786 | 1,037 |
| Equity accounted investees | 34.1.4 | 435,466 | | - | - |
| Other related companies | 34.1.5 | 12,311 | 70,758 | - | 44,715 |
| | | 447,777 | 70,758 | 44,786 | 45,752 |

#### 34.1.2 Amounts due to related companies

| As at 31 March, | Note | Group 2019 Rs.'000 | Group 2018 Rs.'000 | Company 2019 Rs.'000 | Company 2018 Rs.'000 |
|---|---|---|---|---|---|
| Subsidiaries | 34.1.3 | - | - | 3,668,665 | 306,998 |
| Equity accounted investees | 34.1.4 | 182,655 | 231,751 | - | - |
| Other related companies | 34.1.5 | 454,577 | 436,752 | - | - |
| | | 637,232 | 668,503 | 3,668,665 | 306,998 |

### 34.1.3 Subsidiaries

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Amounts due from | | Amounts due to | | Amounts due from | | Amounts due to | |
| As at 31 March, | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Subsidiaries | | | | | | | | |
| Bell Solutions (Pvt) Ltd | - | - | - | - | 363 | | - | - |
| Bellvantage (Pvt) Ltd | - | - | - | - | 1,015 | 610 | - | - |
| Distilleries Company of Sri Lanka PLC | - | - | - | - | - | | 3,565,878 | 257,164 |
| Lanka Bell Ltd | - | - | - | - | - | - | 55 | - |
| Melsta Health (Pvt) Ltd | - | - | - | - | 14,982 | | - | - |
| Melsta Logistics (Pvt) Ltd | - | - | - | - | 240 | 215 | - | - |
| Melsta Properties (Pvt) Ltd | - | - | - | - | - | | 48,798 | - |
| Melsta Technologies (Private) Limited | - | - | - | - | 1,107 | | - | - |
| Melsta Tower (Private) Limited | - | - | - | - | 11,288 | 209 | - | 712 |
| Milford Holdings (Pvt) Ltd | - | - | - | - | - | | 53,640 | 49,084 |
| Periceyl (Pvt) Ltd | - | - | - | - | 3 | 3 | - | - |
| Splendor Media (Pvt) Ltd | - | - | - | - | - | | 294 | 38 |
| Telecom Frontier (Pvt) Ltd | - | - | - | - | 15,788 | | - | - |
| | - | - | - | - | 44,786 | 1,037 | 3,668,665 | 306,998 |
| | - | - | - | - | 44,786 | 1,037 | 3,668,665 | 306,998 |

## 34 Related party disclosures

### 34.1.4 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.

### 34.1.5 Other related companies

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Amounts due from | | Amounts due to | | Amounts due from | | Amounts due to | |
| As at 31 March, | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Ambewela Livestock Co.Ltd | 4,546 | 3,837 | - | | - | | - | |
| Ambewela Products (Pvt) Ltd | 42 | 7 | - | | - | | - | |
| AION SG Residencies | | 11,920 | | | | | | |
| DBS logistics | - | 93 | - | | - | | - | |
| Elpitiya Plantationjs | 72 | | 27 | | - | | - | |
| Lanka Aluminium Industries PLC | - | | 4,123 | | - | | - | |
| Lanka Aluminium PLC | - | | - | 3,760 | - | | - | |
| Lanka Dairies Pvt Ltd | 251 | | 113 | | - | | - | |
| Lanka Milk Foods (CWE) PLC | 1,340 | 62 | 95 | 11,015 | - | | - | |
| Milford Exports Ceylon (Pvt) Ltd | - | | 227,092 | 224,896 | - | | - | |
| Melsta Health (Pvt) Ltd | - | 44,715 | - | - | - | 44,715 | - | - |
| Pattipola Livestock Co. Ltd | 28 | 1,303 | - | | - | | - | |
| Stassen Lanka Private Limited 34.1.6 | - | | 213,423 | 188,624 | - | | - | |
| Stassen Export Private Limited | 5,911 | 8,821 | 9,704 | 8,457 | - | | - | |
| Stassen International (Pvt) Limited | 118 | | | | - | | | |
| Stassen Natural Foods (Pvt) Ltd | 3 | | - | | - | | - | |
| | 12,311 | 70,758 | 454,577 | 436,752 | - | 44,715 | - | - |

**34.1.6** This represents the an interest free loan amounting to USD 1.212Mn from Stassens Lanka Private Limited by the 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.

## 34.2 Transactions with Related Parties

### 34.2.1 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 | 2,463,470 |
| | | | Rent Income | 263,730 |
| | Mr.C.R.Jansz | | RPT Current A/C Interest Charged by DCSL | 137,640 |
| | Mr.N.De.S.Deva Aditya | | Advances received | 2,855,805 |
| | Mr.C.R.Jansz | | Transfer of Investment held in Melsta GAMA | 302,000 |
| | Cap.K.J.Kahanda | | Reimbursement of expenses by DCSL incurred on behalf of Melstacorp | 53,346 |
| | Dr.Naomal Balasuriya | | | |
| | Mr.D.Hasitha.S Jayawardena | | | |
| | Mr.R.Seevaratnam | | | |
| Splendor Media (Pvt) Ltd. | | Subsidiary Co. | Advertizing services obtained | 4,855 |
| | | | | |
| Periceyl (Pvt) Limited | Mr. D.H.S.Jayawardena | Subsidiary Co. | Dividend Received | 44,441 |
| | Mr. C.R.Jansz | | Loans disbursed | 890,000 |
| | | | Loan interest charges | 38,404 |
| | | | Loan interest settled | 38,404 |
| | Mr. A.L. Goonaratne | | Loans settled | 890,000 |
| Milford Holding (Pvt) Ltd | Mr. D.H.S.Jayawardena | Subsidiary Co. | Capital repayment | 2,000 |
| | Mr. C.R.Jansz | | Interest on RPT Current A/C | 6,557 |
| | Cap.K.J.Kahanda | | | |
| Belvantage (Private) Ltd | Mr. A.L. Goonaratne | Subsidiary Co. | Dividend Received | |
| | | | Rent charged | 3,661 |
| | | | Services Obtained | 484 |
| | | | Sale of Fixed Assets | 630 |
| Melsta Health (Pvt) Ltd | Mr. A.L. Goonaratne | Subsidiary Co. | Grant of Advances as Capital | 101,300 |
| | Mr. D.H.S.Jayawardena | | Capitalization of RPT Current Account | 115,000 |
| | Mr.D.Hasitha.S Jayawardena | | Refund of advances | 24,000 |
| Melsta Logistic (Pvt) Limited | Mr. A.L. Goonaratne | Subsidiary Co. | Car Rentals | 3,224 |
| | | | Ground rent charged | 1,902 |
| | | | Dividend Received | |
| Negombo Beach Resort (Pvt) Ltd | Mr. D.H.S.Jayawardena | Subsidiary Co. | Interest income on Loans | 83,293 |
| | | | Interest settled | 66,248 |
| Melsta Properties (Pvt) Ltd | Cap.K.J.Kahanda | Subsidiary Co. | Interest Charged on RPT Current A/C | 1,798 |
| | | | Short term loans received | 47,000 |
| | | | | |
| Bogo Power (Pvt) Ltd | Mr. D.H.S.Jayawardena | Subsidiary Co. | Dividend Received | 213,495 |
| | Mr. A.L. Goonaratne | | | |
| Balangoda Plantations PLC | Mr. D.H.S.Jayawardena | Subsidiary Co. | Loans Granted | 625,052 |
| | Mr. C.R.Jansz | | Interest on Loans | 162,057 |
| | Mr. A.L. Goonaratne | | Settlement of Loans with Int. | 96 |
| | Mr.D.Hasitha.S Jayawardena | | | |

| Name of the Company | Names of Directors | Nature of Interest | Nature of Transaction | Transaction Value Rs.000 |
|---|---|---|---|---|
| Madulsima Plantations PLC | Mr. D.H.S.Jayawardena | Subsidiary Co. | Loans Granted | 2,373,868 |
| | Mr. C.R.Jansz | | Interest on Loans | 141,986 |
| | | | Settlement of Capital | 1,292,440 |
| | | | Settlement of interest | 121,740 |
| Continental Insurance Lanka ltd | Mr. A.L. Goonaratne | Subsidiary Co. | Insurance Services obtained | 4,275 |
| | | | Insurance Claims received | 288 |
| Lanka Bell Ltd | Mr. D.H.S.Jayawardena | Subsidiary Co. | Telephone and Internet charges | 434 |
| | Mr. C.R.Jansz | | Settlements made | 436,000 |
| | Mr. A.L. Goonaratne | | Loans Disbursed | 2,717,450 |
| | | | Interest charged | 390,993 |
| Melsta Tower (Pvt) Ltd | Mr. A.L. Goonaratne | Subsidiary Co. | Short term loans granted | 12,000 |
| Melsta Technologies (Pvt) Ltd | | Subsidiary Co. | Short term Funds received | 10,000 |
| | | | Short Term Advances settled | 10,000 |
| | | | Reimbursement of Staff Costs | 2,137 |
| Bell Solutions (Pvt) Ltd | | Subsidiary Co. | Purchase of IT Equipments and Software | 596 |
| | | | Rent income | 363 |
| Aitken Spence Travels (Pvt) Ltd | Mr. D.H.S.Jayawardena | Subsidiary Co. | Services obtained | 1,252 |
| | | | Purchase of Fixed Assets | 3,700 |
| Telecom Frontier (Pvt) Ltd | | Subsidiary Co. | Loans granted | 15,000 |
| | | | Loans settled | 1,500 |
| | | | Rent income | 2,288 |
| Aitken Spence PLC | Mr. D.H.S.Jayawardena | Subsidiary Co. | Dividends received | 610,243 |
| | Mr. A.L. Goonaratne | | | |
| | Mr.N.De.S.Deva Aditya | | | |
| Aitken Spence Printing and Packaging (Pvt) Ltd | Mr. D.H.S.Jayawardena | Subsidiary Co. | Printing Services Obtained | 4,752.91 |
| Melsta GAMA (Pvt) Ltd | | Joint Venture | Additional Capital Granted | 650,000 |

## 34.1 Related party disclosures

## 34.2 Transactions with related parties

### 34.2.2 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.

#### 34.2.2.1 Compensations to Key Management Personnel

There were no compansetion paid to Key Management Personnel durring the year other than those disclosed below.

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31March, | 2019 | 2018 | 2019 | 2018 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Short term employee benefits | 739,708 | 132,184 | 57,384 | 48,388 |
| Post employment benefits | 109,213 | 3,018 | - | - |
| Other long term benefits | - | - | - | - |
| Share base payments | - | - | - | - |

#### 34.2.2.2 Loans to Directors

There were no loans granted to Directors durring the year.

**34.2.3** 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)

**34.2.4** Disclosure of Recurrent Related Party Transactions, where the aggregate value of the recurrent Related Party Transactions exceeds 10% of the 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).

| Name of Related Party | Relationship | Nature of transaction | Aggregate value of Related Party Transactions entered into during the financial year (Rs.000) | Aggregate value of Related Party Transactions as a % of Net Revenue/Incom | Terms and Conditions of the Related Party Transactions |
|---|---|---|---|---|---|
| Distilleries Company of Sri Lanka PLC | Subsidiary | Short term funds borrowed | 2,855,805 | 64% | At the terms of capital to be repaid on demand and interest to be repaid monthly at AWPLR+1% on average balance outstanding. |
| Distilleries Company of Sri Lanka PLC | Subsidiary | Dividends received | 2,463,470 | 56% | N/A |
| Pericyl (Pvt) Ltd | Subsidiary | Short term funds granted | 890,000 | 20% | At the terms of capital to be repaid on demand and interest to be repaid monthly at AWPLR+1% on average balance outstanding. |
| Pericyl (Pvt) Ltd | Subsidiary | Short term funds settled | 890,000 | 20% | |
| Balangoda Plantations PLC | Subsidiary | Funds granted | 625,052 | 14% | At the terms of capital to be repaid on demand for short term funds/ by 60 equal installments after moratorium of 3 years for long term funds and interest to be repaid monthly at AWPLR+1% on average balance outstanding. |
| Madulsima Plantations PLC | Subsidiary | Funds granted | 2,373,868 | 54% | At the terms of capital to be repaid on demand and interest to be repaid monthly at AWPLR+1% on average balance outstanding. |
| Madulsima Plantations PLC | Subsidiary | Short term advances settled | 1,292,440 | 29% | |
| Lanka Bell Limited | Subsidiary | Short term advances settled | 2,717,450 | 61% | At the terms of capital to be repaid on demand and interest to be repaid monthly at AWPLR+1% on average balance outstanding. |
| Lanka Bell Limited | Subsidiary | Short term advances settled | 436,000 | 10% | |
| Aitken Spence PLC | Subsidiary | Dividends received | 610,243 | 14% | N/A |

## 35 Financial instruments

### 35.1 Accounting classification of financial instruments

### 35.1.1 Accounting classification of financial assets

| | | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets at amortized cost | | Assets at fair value through profit and loss (FVTPL) | | Assets at Fair Value through OCI | | Total | |
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Assets as per balance sheet | | | | | | | | | |
| Non Current Assets | | | | | | | | | |
| Other non current financial investments | 23 | 2,218,263 | 1,231,250 | - | - | 29,550,806 | 20,730,313 | 31,769,069 | 21,961,563 |
| Current Assets | | | | | | | | | |
| Trade and other receivables | 25 | 21,926,314 | 26,015,423 | - | - | - | - | 21,926,314 | 26,015,423 |
| Amounts due from related companies | 34.1.1 | 447,778 | 70,758 | - | - | - | - | 447,778 | 70,758 |
| Other current financial investments | 23 | 23,210,887 | 12,220,794 | 1,177,183 | 1,355,391 | 7,782 | 279,538 | 24,395,853 | 13,855,723 |
| Cash and cash equivalents | 26 | 10,766,524 | 11,716,173 | | | | | 10,766,524 | 11,716,173 |
| Total | | 58,569,766 | 51,254,398 | 1,177,183 | 1,355,391 | 29,558,588 | 21,009,851 | 89,305,537 | 73,619,640 |

| | | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets at amortized cost | | Assets at fair value through profit and loss (FVTPL) | | Assets at Fair Value through OCI | | Total | |
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Assets as per balance sheet | | | | | | | | | |
| Non Current Assets | | | | | | | | | |
| Other non current financial investments | 23 | 1,735,314 | 1,335,112 | - | - | 26,657,323 | 17,034,492 | 28,392,637 | 18,369,604 |
| Current Assets | | | | | | | | | |
| Trade and other receivables | 25 | 21,746 | 2,642,965 | - | - | - | - | 21,746 | 2,642,965 |
| Amounts due from related companies | 34.1.1 | 44,786 | 45,752 | - | - | - | - | 44,786 | 45,752 |
| Other current financial investments | 23 | 16,795,234 | 5,336,012 | 1,006,128 | 1,062,481 | - | - | 17,801,363 | 6,398,493 |
| Cash and cash equivalents | 26 | 33,659 | 544,088 | - | - | - | - | 33,659 | 544,088 |
| Total | | 18,630,740 | 9,903,930 | 1,006,128 | 1,062,481 | 26,657,323 | 17,034,492 | 46,294,191 | 28,000,903 |

**35.1.2 Accounting classification of financial liabilities**

| | | Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | Financial liabilities at fair value through profit or loss | | Financial liabilities measured at amortized cost | | Total | |
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Liabilities as per balance sheet** | | | | | | | |
| Non current liabilities | | | | | | | |
| Interest bearing loans and borrowings | 30 | - | - | 32,673,680 | 23,355,824 | 32,673,680 | 23,355,824 |
| **Current Liabilities** | | | | | | | |
| Trade and other payables | 33 | - | - | 15,221,990 | 13,806,161 | 15,221,990 | 13,806,161 |
| Amount due to related companies | 37.1.2 | - | - | 637,232 | 668,503 | 637,232 | 668,503 |
| Interest bearing loans and borrowings | 30 | - | - | 4,782,138 | 7,921,354 | 4,782,138 | 7,921,354 |
| Bank overdrafts and other short term borrowings | 26 | - | - | 35,690,948 | 18,506,988 | 35,690,948 | 18,506,988 |
| **Total** | | - | - | 89,005,988 | 64,258,830 | 89,005,988 | 64,258,830 |

| | | Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | Financial liabilities at fair value through profit or loss | | Financial liabilities measured at amortized cost | | Total | |
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Liabilities as per balance sheet** | | | | | | | |
| Non current liabilities | | | | | | | |
| Interest bearing loans and borrowings | 30 | - | - | - | - | - | - |
| **Current Liabilities** | | | | | | | |
| Trade and other payables | 33 | - | - | 2,829 | 10,488 | 2,829 | 10,488 |
| Amount due to related companies | 37.1.2 | - | - | 3,668,665 | 306,998 | 3,668,665 | 306,998 |
| Interest bearing loans and borrowings | 30 | - | - | - | - | - | - |
| Bank overdrafts and other short term borrowings | 26 | - | - | 16,460,961 | 300,739 | 16,460,961 | 300,739 |
| | | - | - | | | | |
| **Total** | | - | - | 20,132,455 | 618,225 | 20,132,455 | 618,225 |

## 36 Fair value measurement

### 36.1 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, | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Non Current Assets | | | | | | | | | |
| Property Plant and Equipment | 15 | | | | | | | | |
| Freehold land | | - | - | - | - | 23,282,188 | 21,457,381 | 23,282,188 | 21,457,381 |
| Freehold Buildings | | | | | | 41,614,805 | 41,021,453 | 41,614,805 | 41,021,453 |
| Investment Properties | 17 | | | | | | | | |
| Freehold land | | - | - | - | - | 5,560,417 | 4,471,361 | 5,560,417 | 4,471,361 |
| Freehold Buildings | | | | | | 526,776 | 411,303 | 526,776 | 411,303 |
| Other non current financial investments | 23 | | | | | | | | |
| Available for sale financial investments - (AFS) | 23.1 | | | | | | | | |
| Quoted equity securities | 23.1.1 | 28,776,303 | 19,984,088 | - | - | - | - | 28,776,303 | 19,984,088 |
| Unquoted equity securities | 23.1.2 | - | - | - | - | 185,127 | 150,416 | 185,127 | 150,416 |
| Investments in unit trusts | 23.1.3 | - | - | - | - | 3,000 | 3,000 | 3,000 | 3,000 |
| Government Securities | 23.1.4 | 375,876 | 382,309 | - | - | - | - | 375,876 | 382,309 |
| Quoted Debt securities | 23.1.5 | - | - | - | - | 210,500 | 210,500 | 210,500 | 210,500 |
| Unquoted Debt securities | | | | | | - | - | - | - |
| Current Assets | | | | | | | | | |
| Other current financial investments | 23 | | | | | | | | |
| Available for sale financial investments - (AFS) | 23.1 | | | | | | | | |
| Quoted equity securities | 23.1.1 | - | 41,941 | - | - | - | - | - | 41,941 |
| Government securities | 23.1.4 | 7,782 | 16,927 | - | - | - | - | 7,782 | 16,927 |
| Quoted Debt securities | 23.1.5 | - | - | - | - | - | 220,670 | - | 220,670 |
| Unquoted Debt Securities | | - | - | - | - | - | - | - | - |
| Fair value through profit or loss (FVTPL) financial investments | 23.2 | | | | | | | | |
| Quoted equity securities | 23.2.1 | 1,155,353 | 1,176,131 | - | - | - | - | 1,155,353 | 1,176,131 |
| Investments in unit trusts | 23.2.2 | - | - | - | - | - | 153,883 | - | 153,883 |
| Government Securities | 23.2.3 | 21,830 | 25,377 | - | - | - | - | 21,830 | 25,377 |
| Total | | 30,337,144 | 21,626,773 | - | - | 398,627 | 738,469 | 30,735,771 | 22,365,242 |

| | | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Level 1 | | Level 2 | | Level 3 | | Total | |
| As at 31 March, | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Non Current Assets | | | | | | | | | |
| Other non current financial investments | 23 | | | | | | | | |
| Available for sale financial investments - (AFS) | 23.1 | | | | | | | | |
| Quoted equity securities | 23.1.1 | 26,657,323 | 17,034,492 | - | - | - | - | 26,657,323 | 17,034,492 |
| Government Securities | 23.1.4 | - | - | - | - | - | - | - | - |
| Current Assets | | | | | | | | | |
| Other current financial investments | 23 | | | | | | | | |
| Available for sale financial investments - (AFS) | 23.1 | | | | | | | | |
| Quoted equity securities | 23.1.1 | - | - | - | - | - | - | - | - |
| Government securities | 23.1.4 | - | - | - | - | - | - | - | - |
| Fair value through profit or loss (FVTPL) financial investments | 23.2 | | | | | | | | |
| Quoted equity securities | 23.2.1 | 1,006,128 | 1,062,481 | - | - | - | - | 1,006,128 | 1,062,481 |
| Government Securities | 23.2.3 | - | - | - | - | - | - | - | - |
| Total | | 27,663,451 | 18,096,973 | - | - | - | - | 27,663,451 | 18,096,973 |

## 36.2 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 | Investments in unit trusts | Quoted Debt securities | Unquoted Debt securities | Freehold land | Freehold Building | Investment land | Investment Building |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Balance as at 31st March 2018** | 150,416 | 3,000 | 210,500 | - | 21,457,381 | 41,021,453 | 4,634,002 | 248,664 |
| Exchange difference | 62,548 | - | - | - | 403,702 | 1,235,700 | - | - |
| Additions during the year | | | | | 54,239 | 278,202 | 848,379 | 19,500 |
| Depreciation charged during the year | - | - | - | - | - | (1,547,249) | | |
| Other movements | - | - | - | - | - | (304,660) | - | - |
| Disposed during the year | (23,388) | - | - | - | - | 370,080 | - | - |
| Total gains and losses recognised in profit and loss | | | | | | | | |
| - Fairvalue gains/(losses) on Investment land and buildings(unrealised) | - | - | - | - | - | - | 240,677 | 22,994 |
| Total gains and losses recognised in other comprehensive income | | | | | | | | |
| - Net change in fair value of available-for-sale financial assets (unrealised) | (4,450) | - | - | - | - | - | - | - |
| - Revaluation of freehold land and Buildings (unrealised) | - | - | - | - | 1,366,866 | 634,257 | - | - |
| **Balance as at 31st March 2019** | 185,126 | 3,000 | 210,500 | - | 23,282,188 | 41,687,783 | 5,723,058 | 291,158 |

| | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Unquoted equity securities | Investments in unit trusts | Quoted Debt securities | Unquoted Debt securities | Freehold land | Freehold Building | Investment land | Investment Building |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Balance as at 31st March 2018** | - | - | - | - | - | - | 2,875,054 | 865,296 |
| Exchange difference | - | - | - | - | - | - | - | - |
| Additions during the year | - | - | - | - | - | - | 848,639 | 19,500 |
| Disposed during the year | - | - | - | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - | 61,225 |
| Total gains and losses recognised in profit and loss | | | | | | | - | - |
| - Fairvalue gains/(losses) on Investment land and buildings(unrealised) | - | - | - | - | - | - | 286,692 | 85,161 |
| Total gains and losses recognised in other comprehensive income | | | | | | | | |
| - Net change in fair value of available-for-sale financial assets (unrealised) | - | - | - | - | - | - | - | - |
| - Revaluation of freehold land (unrealised) | - | - | - | - | - | - | - | - |
| **Balance as at 31st March 2019** | - | - | - | - | - | - | 4,010,385 | 1,031,182 |

### 36.3.1 Transfers between levels of fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 during the year.

## 36.3 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.

### 36.4.1 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 | - Price per perch of land | "Estimated fair value would increase (decrease) if ; - Price per perch increases (decreases)" |
| | 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. | | |
| - Freehold Building | - Market comparable method | - Price per Sq Ft of Building | "Estimated fair value would increase (decrease) if ; - Price per Sq Ft increases (decreases)" |
| | 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. | | |
| Investment Properties | | | |
| - Investment land | - Market comparable method | - Price per perch of land | "Estimated fair value would increase (decrease) if ; - Price per perch increases (decreases)" |
| | 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. | | |
| - Investment Building | - Market comparable method | - Price per Sq Ft of Building | "Estimated fair value would increase (decrease) if ; - Price per Sq Ft increases (decreases)" |

| Assets and liabilities | Valuation technique | Significant unobservable inputs | Sensitivity of the input to the fair value |
|---|---|---|---|
| | 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. | | |
| 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 | - Forward exchange rates as at reporting date. | Not applicable |
| | The fair values are based on quotes from banks and reflect the actual transactions of similar instruments. | | |

### 36.4.2 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 | - Price per perch of land |
| | 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. | |
| 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 |

# NOTES TO THE FINANCIAL STATEMENTS

### 36.4.3 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 |

## 37 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.

## 38 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.

## 39 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.

### 39.1 Distilleries Company of Sri Lanka PLC

A plaint filed by Censtal (Pvt) Limited against the Company claiming a sum of Rs 18 Mn was decided in favor of the plaintiff by the Commercial High Court of Colombo. The Company has filed an appeal this order and a claim has been made in reconvention.

### 39.2 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 Lanka Bell 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.

The above Application was resolved directing the Customs Department to commence a fresh inquiry before a new Inquiring Officer under section 8(1) of the Customs Ordinance.

The Customs Inquiry was commenced a fresh and is in progress.

### 39.3 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.

### 39.4 Aitken Spence PLC-Group

Contingent liabilities as at 31.03.2019 on corporate guarantees given by Aitken Spence PLC to subsidiaries within the group and equity-accounted investees amounted to Rs. 3,433.1 million and Rs. 10.8 million respectively. Contingent liabilities as at 31.03.2019 on corporate guarantees given by subsidiaries and equity-accounted investees to other companies in the Group amounted to Rs. 25,155.6 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.

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 an income tax assessment under the Inland Revenue Act No.10 of 2006 and its amendments thereto in relation to the year of assessment 2009/2010. The Court of Appeal hearing the appeal has determined the income tax assessment in favour of the Company. Pursuant to the determination of the Court of Appeal the Department of Inland Revenue has appealed against the determination to the Supreme Court. The contingent liability to the Group is estimated to be Rs. 35.0 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 Court of Appeal, 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.

### 39.5 Other contingent liabilities

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31March, | 2019 | 2018 | 2019 | 2018 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Bank Guarantees | 481 | 2,308 | - | - |
| Import/export bill collection | 2,545 | 795,410 | - | - |
| Letter of Credit | 7,008 | 44,635 | - | - |
| Shipping Guarantee | 6,915 | 49,300 | - | - |

There are no material contingent liabilities as at 31 March 2019 other than disclose above.

## 40 Capital and other commitments

There were no material capital expenditure approved by the Board of Directors as at 31 March 2019 other than followings;

### 40.1 Bogo Power Private Limited

**Operating Lease Commitments - Company as a Lease**

The Company has entered into a lease on the land on which the power house has constructed with alease term of thirty years.The Company has the option, to lease the land for additional terms as negotiated with the lessor.

The approximate future minimum lease rentals payable as per the above operating leases as at 31st March are as follows.

| | 2019<br>Rs.Mn | 2018<br>Rs.Mn |
|---|---|---|
| Within one year | 27.1 | 27.1 |
| After one year but not more than five years | 108.4 | 108.4 |
| More than five years | 470 | 470 |
| | 605.5 | 605.5 |

### 40.2 Lanka Bell Limited

The company has opened letters of credit amounting to US$ 3.2 million during the year for its operations and balance as at 31 March 2018 is amounting to US$ 4.5 million.

Capital expenditure approved by the Board of Directors for which provision has not been made in these accounts amounted o approximately,

| | 2019<br>Rs.Mn | 2018<br>Rs.Mn |
|---|---|---|
| Approved and contracted for | 978 | 978 |
| Approved and not contracted for | - | - |

### 40.3 Aitken Spence PLC

**Commitments for capital expenditure for subsidiaries**

| | 31.03.2019<br>Rs.'000 | 31.03.2018<br>Rs.'000 |
|---|---|---|
| Approximate amount approved but not contracted for | 3,985,451 | 4,495,646 |
| Approximate amount contracted for but not incurred | 6,978,634 | 14,400,184 |
| | 10,964,085 | 18,895,830 |

The above includes Rs. 10,855.9 million (2017/2018 - Rs. 18,704.6 million) for the acquisition of property, plant and equipment and Rs. 108.2 million (2017/2018 - Rs. 191.2 million) for the acquisition of intangible assets.

**Commitments for capital expenditure for joint ventures**

| | 31.03.2019 Rs.'000 | 31.03.2018 Rs.'000 |
|---|---|---|
| Approximate amount approved but not contracted for | 148,619 | 55,595 |
| Approximate amount contracted for but not incurred | 4,099 | 1,794 |
| | 152,718 | 57,389 |

The amount shown is the Group's share of capital commitments by joint ventures.

The above includes Rs. 141.0 million (2017/2018 - Rs. 56.6 million) for the acquisition of property, plant and equipment and Rs. 11.8 million (2017/2018 - Rs. 0.8 million) for the acquisition of intangible assets.

## 41 Assets pledged

| Company | Nature of Liability | Security | | Value of the assets pledged (Rs.000) |
|---|---|---|---|---|
| | | Description | Asset type | 2018 |
| Balangoda Plantations PLC | Long Term Loan | Primary mortgage over the lease hold rights of Balangoda Estates. | Property, Plant and Equipment | 10,278 |
| | | Mortgage on Colour Separator | Property, Plant and Equipment | 37,168 |
| | Permanent over draft facility | Primary mortgage over the lease hold rights of Walaboda Estates. | Property, Plant and Equipment | 5,010 |
| | Finance lease | Mortgage on Colour Separator and Machinery | Property, Plant and Equipment | 81,139 |
| | | Absolute ownership of the leased bikes | Property, Plant and Equipment | 78 |
| Texpro Industries (Pvt) Ltd | Long term loan | The Company has provided existing primary floating mortgage bond for USD 3.262 Mn over land, building and immovable machinery at Ranala as collateral against the bank facility and borrowings. | Property, Plant and Equipment | 580,636 |
| | Other short term borrowings | Hypothecation of Stock | Inventory | 35,477 |
| | | The Company has provided letter from SL Army, Navy, Air Force and other Government departments regarding award of order,indemnity of the Company, documents of title to goods shipped. | Indemnity of the Company,documents of title to goods shipped | |
| | | Build up cash margin of 2% from each export procceds,pro note | Revenue-Export | |

| Company | Nature of Liability | Security - Description | Security - Asset type | Value of the assets pledged (Rs.000) 2018 |
|---|---|---|---|---|
| | | Secondary mortgage over land, building and immovable machinery at Embulagama,Ranala for USD 1.5Mn | Property, plant and equipment | 229,500 |
| Lanka Bell Limited | Term Loans and other borrowings | Tower portfolio has been pledged as a security against the financing facilities. | Property, Plant and Equipment | 2,533,400 |
| | | 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 equivalants | 155,630 |
| Madulsima Plantations PLC | Term Loans and overdrafts | Floating Mortgage Bond for Rs.160mn over Leasehold property at Verellapatana Estate | Leasehold properties | 393,273 |
| | | Floating Mortgage Bond for Rs.224mn over Leasehold property at Mahadowa Estate | | |
| | | Floating Mortgage Bond for Rs.150mn 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 | 4,271,321 |
| Aitken Spence PLC | Term Loans and overdrafts | Property, Plant and Equipment of the group were pledged | Property, Plant and Equipment | 18,348,200 |
| | | Lease hold rights of the group were pledged | Pre-paid operating leases | 1,484,600 |
| | | Equity shares invested in subsidiaries were pledged | Investments in Subsidiaries | 950,000 |

## 42 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 other than the items disclosed below and proposed dividend disclosed in Note 14 to these financial statements.

## 43 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.

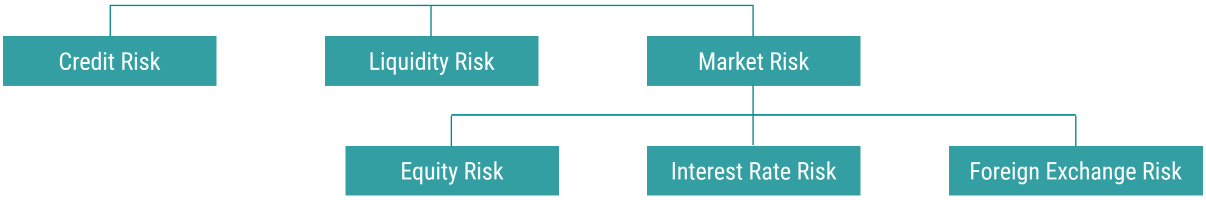
**Financial Risk Management Objectives and Policies**

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**




## 43.1 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.

### 43.1.1 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 denominated.


### 43.1.1 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 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. 26.7 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 2019**

| | Lowest Level | | Highest Level | | Spread | Year end rate |
|---|---|---|---|---|---|---|
| | Rate | Date | Rate | Date | | |
| USD/LKR | 155.16 | 03.04.2018 | 182.71 | 31.12.2018 | 27.55 | 176.09 |
| EUR/LKR | 181.22 | 15.08.2018 | 210.56 | 10.01.2019 | 29.34 | 197.77 |
| EUR/USD | 1.1182 | 07.03.2019 | 1.2381 | 16.04.2018 | 0.1199 | 1.123 |

**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 | 31.03.2019 | | | | 31.03.2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Effect on profit before tax | | | | | Effect on profit before tax | | |
| | USD net financial assets / (liabilities) USD'000 | EUR net financial assets / (liabilities) EUR'000 | Net impact | Effect on equity USD'000 | USD net financial assets / (liabilities) USD'000 | EUR net financial assets / (liabilities) EUR'000 | Net impact | Effect on equity USD'000 |
| Net exposure | 52,916 | -25,477 | | 168,372 | 20,387 | -27,984 | | 128,491 |
| LKR depreciates by 5% (Rs.'000) | 465,899 | -255,714 | 170,121 | 1,522,494 | 157,767 | -268,290 | -117,121 | 999,658 |
| LKR appreciates by 5% (Rs.'000) | -465,899 | 255,714 | -170,121 | -1,522,494 | -157,767 | 268,290 | 117,121 | -999,658 |

Company did not have any financial asset or liability with a denomination other than LKR through out the year 208/19 and 2017/18.

### 43.1.2 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 2019**

| | Lowest Level | | Highest Level | | Spread | Year end rate % |
|---|---|---|---|---|---|---|
| | Rate | Date | Rate | Date | (basis points) | |
| LKR Interest rate * | 11.2 | Jun-18 | 12.34 | Nov-18 | 114 | 12.23 |
| USD Interest rate ** | 2.46 | Apr-18 | 2.908 | Dec-18 | 45 | 2.659 |

"* One month AWPLR
** Six months USD LIBOR

### 43.1.3 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 compling 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 divercification 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Rs'000 | % | Rs'000 | % | Rs'000 | % | Rs'000 | % |
| Bank finance and insurance | 45,768 | 4.0% | 3,990 | 0.3% | - | 0.0% | - | 0.00% |
| Beverage food and tobacco | 14,689 | 1.3% | 16,664 | 1.4% | - | 0.0% | - | 0.00% |
| Chemicals and Pharmaceuticals | 9,447 | 0.8% | 9,460 | 0.8% | - | 0.0% | - | 0.00% |
| Construction and engineering | 718 | 0.1% | - | 0.0% | - | 0.0% | - | 0.00% |
| Diversified holdings | 515,996 | 44.7% | 531,031 | 45.2% | 489,987 | 48.7% | 510,376 | 48.04% |
| Hospitals | 2,763 | 0.2% | 2,615 | 0.2% | - | 0.0% | - | 0.00% |
| Hotel and travels | 15,042 | 1.3% | 19,432 | 1.7% | - | 0.0% | - | 0.00% |
| Manufacturing | 432,951 | 37.5% | 458,369 | 39.0% | 398,162 | 39.6% | 417,535 | 39.30% |
| Real Estate | 117,980 | 10.2% | 134,570 | 11.4% | 117,980 | 11.7% | 134,570 | 12.67% |
| Power and energy | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.00% |
| Telecommunications | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.00% |
| | 1,155,353 | 100.0% | 1,176,131 | 100.0% | 1,006,128 | 100.0% | 1,062,481 | 100.0% |

## 43.2 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 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | | 2018 | | 2019 | | 2018 | |
| | 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 | 43.2.1 | 28,902,919 | 44% | 31,236,327 | 55% | 163,919 | 1% | 2,747,791 | 27% |
| Amounts due from related companies | 43.2.2 | 447,778 | 1% | 70,758 | 0% | 44,786 | 0% | 45,752 | 0% |
| Loans granted to related parties | | (0) | 0% | - | 0% | 7,130,050 | 38% | 3,649,584 | 36% |
| Corporate debt securities | 43.2.3 | 1,654,576 | 3% | 1,738,966 | 3% | 50,045 | 0% | - | 0% |
| Government securities | 43.2.4 | 1,398,563 | 2% | 785,251 | 1% | - | 0% | - | 0% |
| Deposits with bank | 43.2.5 | 25,287,784 | 38% | 12,045,198 | 21% | 11,350,453 | 60% | 3,021,541 | 30% |
| Cash at bank | 43.2.6 | 8,318,299 | 13% | 11,217,183 | 20% | 33,659 | 0% | 544,088 | 5% |
| | | 66,009,919 | 100% | 57,093,683 | 100% | 18,772,913 | 100% | 10,008,756 | 100% |

#### 43.2.1 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 analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous 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-Life Insurance 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.

#### 43.2.2 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.

#### 43.2.3 Corporate debt securities

The Corporate debt securities are entirely consist of Corporate Debentures which are listed in Colombo Stock Exchange wich are gurenteed by local and foreing credit rating agencies as BBB- or Better.

An Analysis of credit ratings of the issuers of debenture are as follows,

| As at 31 March, | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| 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- | 307,161 | 19% | 600,154 | 35% | 50,045 | 100% | - | 0% |
| A+ | 586,780 | 35% | 53,530 | 3% | - | 0% | - | 0% |
| A | 257,005 | 16% | 235,381 | 14% | - | 0% | - | 0% |
| A- | 89,366 | 5% | 336,058 | 19% | - | 0% | - | 0% |
| BBB+ | 230,695 | 14% | 247,707 | 14% | - | 0% | - | 0% |
| BB+ | 51,254 | 3% | 51,254 | 3% | - | 0% | - | 0% |
| No Ratings * | 132,315 | 8% | 214,882 | 12% | - | 0% | | 0% |
| | 1,654,576 | 100% | 1,738,966 | 100% | 50,045 | 100% | - | 0% |

* However minor potion of investments have been made on corporate debt instruments which does not backed with credit raings. However those investments were made after having a thorough credit assesment on respective companies and after obtaining collaterals such as Morgage bonds and personal gurantees.

### 44.1.1.5 Government securities

Government securities are referred to as risk free instruments in its nature.

### 44.1.1.6 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.

| As at 31 March, | Group | | Company | |
|---|---|---|---|---|
| | 2019 | | 2019 | |
| (Fitch national credit rating scale or equivalent) | Amount of deposits | Concentration | Amount of deposits | Concentration |
| | Rs'000 | % | Rs'000 | % |
| AAA | 285,860 | 1.13% | 0 | 0.00% |
| AA+ | 5,204,399 | 20.58% | 0 | 0.00% |
| AA | 49,349 | 0.20% | 0 | 0.00% |
| AA- | 16,928,416 | 66.94% | 11,350,453 | 100.00% |
| A+ | 1,306,263 | 5.17% | 0 | 0.00% |
| A- | 107,599 | 0.43% | | 0.00% |
| BBB | 90,882 | 0.36% | 0 | 0.00% |
| BBB- | 424,695 | 1.68% | | 0.00% |

| As at 31 March, (Fitch national credit rating scale or equivalent) | Group 2019 Amount of deposits Rs'000 | Concentration % | Company 2019 Amount of deposits Rs'000 | Concentration % |
|---|---|---|---|---|
| BB+ | 892,894 | 3.53% | 0 | 0.00% |
| BB- | 0 | 0.00% | | 0.00% |
| Total gross carrying amount | 25,290,357 | 100.00% | 11,350,453 | 100.00% |
| Impairment of bank deposits | -2,573 | | 0 | |
| **Total net carrying amount** | 25,287,784 | | 11,350,453 | |

Further the cash at bank is mainly consist of favourable balances in Savings, money market and current accounts of private and government commercial banks.

### 43.3 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<br>As at 31st March 2019 | On demand<br>Rs.'000 | Less than 3 months<br>Rs.'000 | 3 to 12 months<br>Rs.'000 | 1 to 2 years<br>Rs.'000 | 2 to 5 years<br>Rs.'000 | More than 5 years<br>Rs.'000 | Total<br>Rs.'000 |
|---|---|---|---|---|---|---|---|
| Interest bearing liabilities | - | 1,023,724 | 3,631,331 | 3,613,424 | 16,936,689 | 12,250,646 | 37,455,815 |
| Bank overdrafts and other short term borrowings | 35,690,948 | - | - | - | - | - | 35,690,948 |
| Trade and other payables | 26,106,832 | 687,523 | 1,583,707 | 40,626 | - | - | 28,418,689 |
| Amounts due to related companies | 637,164 | - | - | - | - | - | 637,164 |
| | 62,434,945 | 1,711,247 | 5,215,038 | 3,654,051 | 16,936,689 | 12,250,646 | 102,202,616 |

| Company<br>As at 31st March 2019 | On demand<br>Rs.'000 | Less than 3 months<br>Rs.'000 | 3 to 12 months<br>Rs.'000 | 1 to 2 years<br>Rs.'000 | 2 to 5 years<br>Rs.'000 | More than 5 years<br>Rs.'000 | Total<br>Rs.'000 |
|---|---|---|---|---|---|---|---|
| Interest bearing liabilities | - | - | - | - | - | - | - |
| Bank overdrafts and other short term borrowings | 16,460,961 | - | - | - | - | - | 16,460,961 |
| Trade and other payables | 23,501 | - | - | - | - | - | 23,501 |
| Amounts due to related companies | 3,668,665 | - | - | - | - | - | 3,668,665 |
| | 20,153,127 | - | - | - | - | - | 20,153,127 |

## 44 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 share-holders, 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 2019 and 2018 are as follows.

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March, | 2019<br>Rs.'000 | 2018<br>Rs.'000 | 2019<br>Rs.'000 | 2018<br>Rs.'000 |
| Total interest bearing loans and borrowing | 37,455,817 | 31,277,178 | - | - |
| Bank overdrafts and other short term borrowings | 35,690,948 | 18,506,988 | 16,460,961 | 300,739 |
| Less: cash & cash equivalents | (10,766,524) | (11,716,173) | (33,659) | (544,088) |
| **Net Debt** | 62,380,242 | 38,067,993 | 16,427,301 | (243,349) |
| **Total Equity** | 124,586,759 | 117,982,468 | 91,337,132 | 90,539,566 |
| **Total Capital** | 186,967,001 | 156,050,461 | 107,764,433 | 90,296,217 |
| **Gearing Ratio** | 33% | 24% | 15% | 0% |

# STATEMENT OF VALUE ADDED

### Value Added

| For the year ended 31 March, | 2019 Group Rs.'000 | 2019 Company Rs.'000 | 2018 Group Rs.'000 | 2018 Company Rs.'000 |
|---|---|---|---|---|
| Gross Turnover | 155,930,942 | 209,203 | 109,956,897 | 228,319 |
| Other Operating Income | 2,015,095 | 4,604,102 | 3,033,673 | 4,272,152 |
| Finance Income | 2,599,438 | 1,322,939 | 1,387,727 | 870,786 |
| Share of Profits of Equity Accounted Investees | 395,185 | - | 2,266,864 | - |
| Negative Goodwill on Acquisition | | - | - | - |
| | 160,940,660 | 6,136,244 | 116,645,161 | 5,371,257 |

### Value Distributed

| For the year ended 31 March, | 2019 Group Rs,000 | 2019 Group As a % of Total | 2019 Company Rs,000 | 2019 Company As a % of Total |
|---|---|---|---|---|
| To the State as Taxes | 50,864,053 | 31.6% | 298,471 | 4.9% |
| Operating Expenses | 69,013,411 | 42.9% | 1,202,936 | 19.6% |
| To the Employees | 15,024,809 | 9.3% | 80,922 | 1.3% |
| To Providers of Debt Capital | 3,829,617 | 2.4% | 637,473 | 10.4% |
| To the Shareholders as Dividends | 1,933,782 | 1.2% | - | 0.0% |
| Retained with the Business | | | | |
| As Depreciation | 5,726,401 | 3.6% | 2,390 | 0.0% |
| As Retained Earnings | 14,548,587 | 9.0% | 3,914,053 | 63.8% |

| For the year ended 31 March, | 2018 Group Rs,000 | 2018 Group As a % of Total | 2018 Company Rs,000 | 2018 Company As a % of Total |
|---|---|---|---|---|
| To the State as Taxes | 72,499,794 | 62.2% | 349,557 | 6.5% |
| Operating Expenses | 27,074,999 | 23.2% | 1,526,002 | 28.4% |
| To the Employees | 4,552,638 | 3.9% | 46,309 | 0.9% |
| To Providers of Debt Capital | 1,123,116 | 1.0% | 85,488 | 1.6% |
| To the Shareholders as Dividends | 2,170,398 | 1.9% | 1,165,398 | 21.7% |
| Retained with the Business | | | | |
| As Depreciation | 2,233,246 | 1.9% | 1,227 | 0.0% |
| As Retained Earnings | 2,561,676 | 2.2% | 1,736,925 | 32.34% |

# 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

| Associates | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | No of Share Holders | Total Holdings | % of Holding | No of Share Holders | Total Holdings | % of Holding |
| 1 to 1,000 | 5,912 | 2,884,008 | 0.25 | 6,117 | 2,982,243 | 0.26 |
| 1,001 to 10,000 | 3,817 | 13,976,023 | 1.20 | 3,921 | 14,196,643 | 1.22 |
| 10,001 to 100,000 | 594 | 17,570,372 | 1.51 | 599 | 17,701,723 | 1.52 |
| 100,001 to 1000,000 | 74 | 22,349,607 | 1.92 | 82 | 27,203,685 | 2.33 |
| 1,000,000 & Over | 35 | 1,108,617,062 | 95.12 | 44 | 1,103,312,778 | 94.67 |
| | 10,432 | 1,165,397,072 | 100.00 | 10,763 | 1,165,397,072 | 100.00 |

## 3. Analysis of Shareholding

| Associates | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | No of Share Holders | Total Holdings | % of Holding | No of Share Holders | Total Holdings | % of Holding |
| Individuals | 10,198 | 243,795,013 | 20.92 | 10,520 | 175,389,396 | 15.05 |
| Individuals | 234 | 921,602,059 | 79.08 | 243 | 990,007,676 | 84.95 |
| | 10,432 | 1,165,397,072 | 100.00 | 10,763 | 1,165,397,072 | 100.00 |
| Resident | 10,322 | 860,413,828 | 73.83 | 10,634 | 859,007,687 | 73.71 |
| Non- Resident | 110 | 304,983,244 | 26.17 | 129 | 306,389,385 | 26.29 |
| | 10,432 | 1,165,397,072 | 100.00 | 10,763 | 1,165,397,072 | 100.00 |

## 4. Market Price

| Associates | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Last Traded | 36.00 | 58.20 |
| Highest | 50.30 | 71.50 |
| Lowest | 36.00 | 56.50 |

# SHAREHOLDER INFORMATION

## 5. Twenty Largest Shareholders – 31 March 2019

| | Shareholdings as at | 2019 | | 2018 | |
|---|---|---|---|---|---|
| Rank | Name | No of shares | % | No of shares | % |
| 1 | Milford Exports (Ceylon) (Pvt) Limited | 498,819,000 | 42.80 | 497,882,000 | 42.72 |
| 2 | Mr. M.A. Yaseen | 158,177,302 | 13.57 | 91,495,593 | 7.85 |
| 3 | Lanka Milk Foods (CWC) Limited | 151,846,000 | 13.03 | 151,846,000 | 13.03 |
| 4 | Commercial Bank of Ceylon PLC / L. E. M. Yaseen | 52,200,000 | 4.48 | 52,200,000 | 4.48 |
| 5 | Bnymsanv Re-Neon Liberty Lorikeet Master Fund LP | 51,724,381 | 4.44 | 40,761,886 | 3.50 |
| 6 | Northern Trust Company S/A Kuroto Fund LP | 23,400,491 | 2.01 | 23,400,491 | 2.01 |
| 7 | Mrs. L. E. M. Yaseen | 20,425,000 | 1.75 | 16,800,038 | 1.44 |
| 8 | Commercial Bank Of Ceylon PLC / M. A. Yaseen | 16,000,000 | 1.37 | 16,000,000 | 1.37 |
| 9 | Lahugala Plantation (Private) Limited | 14,782,240 | 1.27 | 14,782,240 | 1.27 |
| 10 | Bnym Re-Consilium Frontier Equity Fund L.P. | 13,745,754 | 1.18 | 10,401,396 | 0.89 |
| 11 | Mrs. S. M. Chrysostom | 11,390,000 | 0.98 | 11,390,000 | 0.98 |
| 12 | Stassen Exports (Pvt) Limited | 8,746,800 | 0.75 | 8,456,800 | 0.73 |
| 13 | Mr. D. H. S. Jayawardena | 7,531,332 | 0.65 | 7,531,332 | 0.65 |
| 14 | Morgan Stanley And Co.LLC - RWC Frontier Markets Equity Master Fund | 7,295,860 | 0.63 | - | - |
| 15 | Goldman Sachs And Company S/A Old Well Emerging Markets Master Fund L.P. | 6,497,537 | 0.56 | - | - |
| 16 | SSBT-Parametric Tax-Managed Emerging Markets Fund | 6,203,001 | 0.53 | - | - |
| 17 | SSBT-Parametric Emerging Markets Fund | 5,523,537 | 0.47 | - | - |
| 18 | MCSN Range Private Limited | 5,459,864 | 0.47 | - | - |
| 19 | Ceylon Investment Plc A/C # 02 | 4,980,244 | 0.43 | - | - |
| 20 | SSBT -Frank Russell Investment Company Emerging Markets Fund-Che7 | 4,787,216 | 0.41 | | - |
| | | 1,069,535,559 | 91.77 | 942,947,776 | 80.91 |
| | Others | 95,861,513 | 8.23 | 222,449,296 | 19.09 |
| | 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 | | 42.88 | |
| | Total No. of share holders who hold the public holding | 10,427 | | 10,758 | |
| | Existing float adjusted market capitalisation | 17,944,340,400 | | 29,033,863,538 | |

## Non Listed Non Voting Shares

| | Shareholdings as at | 2019 | | 2018 | |
|---|---|---|---|---|---|
| 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 |

## Float Adjusted Market Capitalisation

The Public holding of the company as at 31 March 2019 was 42.77% comprising of 10,427 shareholders and a float adjusted market capitalization of Rs 17,944,340,400 in terms of rule 7.13 1 (a) of the listing rule of CSE and the company qualifies under option one of the minimum public holding requirement.

## Directors' Share Holdings as at 31 March 2019

| As at 31 March | No of Shares 2019 | No of Shares 2018 |
|---|---|---|
| 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 |

# SUMMARISED FINANCIAL INFORMATION

| In Rs.'000 - Company | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| Results | | | | | | | |
| Gross turnover | 209,203 | 228,319 | 193,249 | 186,314 | 166,474 | 158,688 | 162,390 |
| Dividend income | | | | | | | |
| From subsidiaries | 3,331,648 | 810,307 | 134,990 | 376,067 | 336,994 | 372,453 | 90,507 |
| From equity accounted investees | - | 91,595 | 496,725 | 334,753 | 333,653 | 242,445 | 159,484 |
| From other short term and long term investments | 896,023 | 715,347 | 708,648 | 560,960 | 173,898 | 158,232 | 139,822 |
| Finance income | 1,322,939 | 870,786 | 1,425,673 | 35,743 | 123,648 | 243,203 | 61,748 |
| Finance expenses | (637,473) | (92,763) | (85,488) | (90,719) | - | (4,120) | (122,539) |
| Profit / (loss) before tax | 4,214,914 | 3,270,441 | 3,253,106 | 1,189,337 | 1,224,829 | 1,023,092 | 351,773 |
| Profit / (loss) after tax | 3,796,145 | 2,801,605 | 2,866,375 | 1,184,477 | 1,180,488 | 1,013,568 | 342,372 |
| Funds employed | | | | | | | |
| Stated capital | 89,100,000 | 89,100,000 | 89,100,000 | 48,320,750 | 48,320,750 | 35,558,000 | 35,558,000 |
| Reserves | (3,708,246) | (981,720) | (2,597,197) | (2,714,418) | 515,382 | 1,257,520 | 1,611,815 |
| Retained earnings | 5,945,377 | 2,421,286 | 2,491,925 | 2,182,800 | 1,797,820 | 684,110 | 189,837 |
| Shareholders' funds | 91,337,132 | 90,539,566 | 88,994,728 | 47,789,132 | 50,633,952 | 37,499,630 | 37,359,652 |
| Total borrowings | 16,460,961 | 300,739 | 109,534 | 1,448 | - | - | - |
| Non current liabilities net of borrowings | 555,001 | 431,132 | 108,073 | 88,231 | 63,408 | 42,106 | 13,694 |
| Current liabilities net of borrowings | 3,826,370 | 334,110 | 453,399 | 1,925,350 | 385,338 | 4,673,087 | 2,443,628 |
| | 112,179,464 | 91,605,547 | 89,601,615 | 49,802,713 | 51,082,698 | 42,214,823 | 39,816,974 |
| Assets employed | | | | | | | |
| Non-current assets | 94,134,673 | 80,533,198 | 81,601,753 | 47,247,655 | 47,276,160 | 38,489,377 | 35,816,740 |
| Current assets | 18,044,791 | 11,072,349 | 7,999,865 | 2,555,058 | 3,806,538 | 3,725,446 | 4,000,234 |
| | 112,179,464 | 91,605,547 | 89,601,618 | 49,802,713 | 51,082,698 | 42,214,823 | 39,816,974 |
| Cashflows | | | | | | | |
| Net cashflow from operating activities | 3,640,998 | 857,204 | 1,332,530 | 1,741,444 | 659,030 | 1,061,034 | 277,849 |
| Net cashflow from investing activities | (23,212,454) | (1,429,763) | 828,765 | (2,486,423) | (1,052,809) | (2,374,332) | (1,574,558) |
| Net cashflow from financing activities | 2,900,805 | 501,972 | (1,868,637) | 739,173 | 360,211 | 1,343,797 | 1,281,215 |
| Net increase/(decrease) in cash & cash equivalents | (16,670,651) | (70,587) | 292,659 | (5,806) | (33,568) | 30,499 | (15,494) |
| Key indicators | | | | | | | |
| Earnings per share (rs.) | 3.26 | 2.4 | 3.03 | 4.46 | 5.47 | 5.07 | 1.71 |
| Net assets per share (rs.) | 78.37 | 77.69 | 76.36 | 180.03 | 190.75 | 187.5 | 186.8 |
| Market value per share (rs) year end ** | 36.00 | 58.1 | 59.2 | - | - | - | - |
| Return on shareholders' funds | 4% | 3% | 3% | 2% | 2% | 3% | 1% |
| Dividends per share (rs.) | - | 2.44 | 1 | - | 3 | 4.6 | - |
| Dividend payout | 0.00% | 101.67% | 40.02% | 0.00% | 55% | 91% | 0% |
| Dividend yield** | 0.0% | 4.20% | 1.70% | N/A | N/A | N/A | N/A |

# GROUP DIRECTORY

| Beverage | |
|---|---|
| **Distilleries Company of Sri Lanka PLC**<br><br>**Board of Directors**<br>D. H. S. Jayawardena - Chairman / Managing Director<br>C. R. Jansz<br>N. de. S. Deva Aditya<br>Capt. K. J. Kahanda (Retd.)<br>Dr. A. N. Balasuriya<br>D. Hasitha S. Jayawardena<br>R. Seevaratnam<br>A. L. Gooneratne - (Alternate to N. de. S. Deva Aditya)<br>Ms. V. J. Senaratne - (Alternate to Capt. K. J. Kahanda (Retd.) | **Secretary :** Ms. V. J. Senaratne<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5507000 / 2695295 -7<br>Fax : (94-11) 2696360<br><br>**Co. Reg. No.** PQ 112<br><br>**Auditors :** KPMG (Chartered Accountants) |
| **Periceyl (Pvt) Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>C. R. Jansz<br>S. K. S. D. Amarathunga<br>A. L. Gooneratne<br>D. Hasitha S. Jayawardena | **Secretary :** Ms. V. J. Senaratne<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 2808565 Fax: (94-11) 5551777<br><br>**Co. Reg. No.** PV 5529<br><br>**Auditors :** Messrs Ernst & Young (Chartered Accountants) |
| **Plantation** | |
| **Balangoda Plantations PLC**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman / Managing Director<br>C. R. Jansz<br>Anusha S. Perera<br>Dr. A. Shakthevale<br>D. S. K. Amarasekera<br>A. L. Gooneratne<br>D. Hasitha S. Jayawardena | **Secretary :** P. A. Jayatunga<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 2522871-2 Fax: (94-11) 2522913<br><br>**Co. Reg. No.** PQ 165<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Madulsima Plantations PLC**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman / Managing Director<br>Dr. N. M. Abdul Gaffar<br>B. M. D. K. S. Basnayake<br>Dr. A. Shakthevale<br>D. S. K. Amarasekera<br>D. Hasitha S. Jayawardena | **Secretary :** P. A. Jayatunga<br><br>**Registered Office**<br>833, Sirimavo Bandaranaike Mawatha, Colombo 14<br>Tel: (94-11) 2522871-2 Fax: (94-11) 2522913<br><br>**Co. Reg. No.** PQ 184<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Lanka Bell Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>Dr. T. K. D. A. P. Samarasinghe – Managing Director<br>C. R. Jansz<br>D. S. C. Mallawaarachchi<br>A. L. Gooneratne | **Secretary :** Ms. C. M. Chandrapala<br><br>**Registered Office**<br>344, Galle Road, Colombo 03.<br>Tel: (94-11) 5335000 Fax: (94-11) 5545988<br><br>**Co. Reg. No.** PB 306<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |

# GROUP DIRECTORY

| | |
|---|---|
| **Bellactive (Pvt) Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>Dr. T. K. D. A. P. Samarasinghe – Managing Director<br>D. S. C. Mallawaarachchi<br>A. L. Gooneratne | **Secretary :** Ms. C. M. Chandrapala<br><br>**Registered Office**<br>No: 344, Galle Road, Colombo 03<br>Tel: (94-11) 5335000<br><br>**Co. Reg. No.** PV 61396<br><br>**Auditors :** Messrs Amarasekara & Company (Chartered Accountants) |
| **Bell Solutions (Pvt) Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>Dr. T. K. D. A. P. Samarasinghe – Managing Director<br>D. S. C. Mallawaarachchi<br>A. L. Gooneratne | **Secretary :** Ms. C. M. Chandrapala<br><br>**Registered Office**<br>No: 344, Galle Road, Colombo 03<br>Tel: (94-11) 5335000<br><br>**Co. Reg. No.** PV 61398<br><br>**Auditors :** Messrs Amarasekara & Company (Chartered Accountants) |
| **Financial Services** | |
| **Continental Insurance Lanka Limited**<br><br>**Board of Directors**<br>G. D. C. de Silva - Managing Director<br>A. S. Abeyewardene<br>H. Wickramasinghe<br>A. L. Gooneratne<br>A. M. De S. Jayaratne<br>J. D. N. Kekulawala | **Secretaries :** P. W. Corporate Secretarial (Pvt) Limited<br><br>**Registered Office**<br>79, Dr. C. W. W. Kannangara Mawatha, Colombo 07<br>Tel : (94-11) 5200300<br><br>**Co. Reg. No.** PB 3784<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Diversified Holdings** | |
| **Milford Holdings (Pvt) Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>C. R. Jansz<br>Capt. K. J. Kahanda (Retd.) | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 2695295-7 Fax: (94-11) 2696360<br><br>**Co. Reg. No.** PV 5944<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Aitken Spence PLC**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>Dr. M. P. Dissanayake - Deputy Chairman/Managing Director<br>(appointed w.e.f. 15.03.2019)<br>J. M. S. Brito<br>Dr. R. M. Fernando<br>Ms. D. S. T. Jayawardena<br>G. C. Wickremasinghe<br>C. H. Gomez<br>N. de S. Deva Aditya<br>R. N. Asirwatham | **Secretaries :** Aitken Spence Corporate Finance (Private) Limited<br><br>**Registered Office**<br>315, Vauxhall Street, Colombo 02<br>Tel: (94-11) 2308308 Fax : (94-11) 2445406<br>Web: www.aitkenspence.com<br><br>**Co. Reg. No.** PQ 120<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |

| **Diversified Holdings** *(Contd.)* | |
|---|---|
| **Texpro Industries Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>J. D. Peiris – Managing Director<br>H. I. Munasinha<br>A. L. Gooneratne<br>D. S. C. Mallawaarachchi | **Secretaries :** SSP Corporate Services (Pvt) Limited<br><br>**Registered Office**<br>1st Floor, Lakshman's Building,<br>321, Galle Road, Colombo 03<br>Tel: (94-11) 2565951<br><br>**Co. Reg. No.** PB 748<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Timpex (Pvt) Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>J. D. Peiris – Managing Director<br>H. I. Munasinha<br>A. L. Gooneratne<br>D. S. C. Mallawaarachchi | **Secretaries :** SSP Corporate Services (Pvt) Limited<br><br>**Registered Office**<br>1st Floor, Lakshman's Building,<br>321, Galle Road, Colombo 03<br>Tel: (94-11) 2565951<br><br>**Co. Reg.** No. PV 17863<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Bellvantage (Private) Limited**<br><br>**Board of Directors**<br>A. L. Gooneratne<br>P. Karunanayake<br>D. S. C. Mallawarachchi | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br><br>**Co. Reg.** No. PV : 65022<br><br>**Auditors :** Messrs Amarasekara & Company (Chartered Accountants) |
| **Melsta Logistics (Pvt) Limited**<br><br>**Board of Directors**<br>A. L. Gooneratne – Chairman<br>T. Q. Fernando<br>D. S. C. Mallawaarachch | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>160, Negombo Road, Seeduwa<br>Tel: (94-11) 5223300 Fax: (94-11) 5223322<br>Web: www.crc.lk<br><br>**Co. Reg. No.** PV 14051<br><br>**Auditors :** Messrs Amarasekara & Company<br>(Chartered Accountants) |
| **Splendor Media (Pvt) Limited**<br><br>**Board of Directors**<br>Ms. D. S. T. Jayawardena – Chairperson<br>Ms. G. Chakravarthy<br>N. N. Nagahawatte<br>O. A. R. P. Obeysinghe | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94- 11) 5 639 501 Fax: (94-11) 5 373 344<br><br>**Co. Reg. No.** PV 1230<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |

# GROUP DIRECTORY

| | |
|---|---|
| **Bogo Power (Pvt) Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>Dr. N. M. Abdul Gaffar<br>A. L. Gooneratne | **Secretary :** P. A. Jayatunga<br><br>**Registered Office**<br>833, Sirimavo Bandaranaike Mawatha, Colombo 14<br>Tel: (94-11) 2522871-2 Fax: (94-11) 2522913<br><br>**Co. Reg. No.** PV 64901<br><br>**Auditors :** Messrs Ernest & Young (Chartered Accountants) |
| **Browns Beach Hotels PLC**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>M. V. Theagarajah<br>J. M. S. Brito<br>Ms. D. S. T. Jayawardena<br>A. L. Gooneratne<br>R. N. Asirwatham<br>N. de S. Deva Aditya | **Secretaries :** Aitken Spence Corporate Finance (Private) Limited<br><br>**Registered Office**<br>315, Vauxhall Street, Colombo 02<br>Tel: (94-11) 2308308 Fax: (94-11) 2308099<br><br>**Co. Reg. No.** PQ 202<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Melsta Properties (Pvt) Limited**<br><br>**Board of Directors**<br>Capt. K. J. Kahanda (Retd.)<br>S. Rajanathan<br>R. R. P. L. S. Ratnayake | **Secretary :** P. A. Jayatunga<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5900300 Fax : (94-11) 2695794<br><br>**Co. Reg. No.** PV 78422<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Melsta Towers (Pvt) Limited**<br><br>**Board of Directors**<br>A. L. Gooneratne<br>Ms. S. A. Atukorale<br>D. S. C. Mallawaarachchi | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5900300 Fax : (94-11) 2695794<br><br>**Co. Reg. No.** PV 90157<br><br>**Auditors :** Messrs KPMG (Chartered Accountants) |
| **Melsta Technologies (Pvt) Limited**<br><br>**Board of Directors**<br>B. K. J. P. Rodrigo<br>P. Karunanayke<br>D. A. C. Peiris<br>D. M. Welikandage<br>K. D. Bernard (Appointed w.e.f. 01.09.2018)<br>B. A. S. P. S. Balasuriya (Resigned w.e.f. 01.09.2018) | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5288625 Fax : (94-11) 2695794<br><br>**Co. Reg. No.** PV 104028<br><br>**Auditors** Messrs KPMG (Chartered Accountants) |
| **Melsta Health (Private) Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena – Chairman<br>A. L. Gooneratne<br>D. Hasitha S. Jayawardena | **Secretaries :** Ms. V. J. Senaratne<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5288625 Fax : (94-11) 2695794<br><br>**Co. Reg. No.** PV 118630<br><br>**Auditors:** Messrs KPMG (Chartered Accountants) |

| | |
|---|---|
| **Melsta Laboratories (Private) Limited**<br><br>**Board of Directors**<br>A. L. Gooneratne<br>A. Jayakody<br>D. S. C. Mallawaarachchi | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5288625 Fax : (94-11) 2695794<br><br>**Co. Reg. No.** PV 130983<br><br>**Auditors:** Messrs KPMG (Chartered Accountants) |
| **Diversified Holdings** *(Contd.)* | |
| **Melsta Pharmaceuticals (Private) Limited**<br><br>**Board of Directors**<br>A. L. Gooneratne<br>B. A. S. P. S. Balasuriya (Resigned w.e.f. 27.08.2018)<br>K. D. Bernard (Appoointed w.e.f. 01.09.2018) | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5288625 Fax : (94-11) 2695794<br><br>**Co. Reg. No.** PV 124904<br><br>**Auditors:** Messrs KPMG (Chartered Accountants) |
| **Melsta Healthcare Colombo (Private) Limited**<br><br>**Board of Directors**<br>A. L. Gooneratne<br>A. Jayakody<br>D. S. C. Mallawaarachchi<br>Dr. K.T. Iraivan | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5288625 Fax : (94-11) 2695794<br><br>**Co. Reg. No.** PV 130988<br><br>Auditors: Messrs KPMG (Chartered Accountants) |
| **Hospital Management Melsta (Private) Limited**<br><br>**Board of Directors**<br>D. H. S Jayawardena<br>A. L. Gooneratne<br>A. Jayakody<br>Dr. K. T. Iraivan | **Secretaries :** Ms. N. C. Gunawardena<br><br>**Registered Office**<br>110, Norris Canal Road, Colombo 10<br>Tel: (94-11) 5288625 Fax : (94-11) 2695794<br><br>**Co. Reg. No.** PV 130982<br><br>Auditors: Messrs KPMG (Chartered Accountants) |
| **Pelwatte Sugar Industries PLC**<br><br>**Board of Directors**<br>D. H. S. Jayawardena<br>Capt. K. J. Kahanda (Retd.)<br>R. Wettewa<br>D. A. de S. Wickramanayake<br>D. H. J. Gunawardena<br>C. S. Weeraratne<br>D. A. E. de S. Wickramanayake<br>K. K. U. Wijeyesekera | **Secretaries :** Managers & Secretaries (Pvt) Limited<br><br>**Registered Office**<br>27, Melbourne Avenue, Colombo 04<br>Tel: (94-11) 2589390 Fax: (94-11) 2500674<br><br>**Co. Reg. No.** PQ 30<br><br>**Auditors:** Messrs Ernst & Young (Chartered Accountants) |

# GROUP DIRECTORY

| | |
|---|---|
| **Pelwatte Sugar Distilleries (Pvt) Limited**<br><br>**Board of Directors**<br>Capt. K. J. Kahanda (Retd.) - Managing Director<br>D. A. de S. Wickramanayake | **Secretaries :** Managers & Secretaries (Pvt) Limited<br><br>**Registered Office**<br>27, Melbourne Avenue, Colombo 04<br>Tel: (94-11) 2589390 Fax: (94-11) 2500674<br><br>**Co. Reg. No.** PV 10221<br><br>**Auditors:** Messrs Ernst & Young (Chartered Accountants) |
| **Pelwatte Agriculture & Engineering Services (Pvt) Limited**<br><br>**Board of Directors**<br>D. A. de S. Wickramanayake<br>C. S. Weeraratne | **Secretaries :** Managers & Secretaries (Pvt) Limited<br><br>**Registered Office**<br>27, Melbourne Avenue, Colombo 04<br>Tel: (94-11) 2589390 Fax: (94-11) 2500674<br><br>**Co. Reg. No.** PV 66850<br><br>**Auditors:** Messrs Ernst & Young (Chartered Accountants) |
| **Joint Venture** | |
| **Melsta GAMA (Private) Limited**<br><br>**Board of Directors**<br>D. H. S. Jayawardena<br>M. S. Mawzoon<br>V. M. Fernando<br>M. T. Siddique<br>Capt. K. J. Kahanda (Retd.)<br>C. Singh<br>D. Hasitha S. Jayawardena (Alternate to D. H. S. Jayawardena) | **Secretary :** Corporate Services (Private) Limited<br><br>**Registered Office**<br>No. 4, R. A. De Mel Mawatha, Colombo 04.<br>Tel: +94 11 5507000 / 2695295 -7<br>Fax : +94 11 2696360<br><br>**Co. Reg. No.** PV 123310<br><br>**Auditors:** KPMG (Chartered Accountants) |
| **Associates** | |
| **Pelwatte Dairy Industries Limited**<br><br>**Board of Directors**<br>D. A. de S. Wickramanayake<br>D. A. E. de S. Wickramanayake<br>D. H. J. Gunawardena<br>A. N. F. Perera | **Secretaries :** Maidas Secretarial Services (Pvt) Limited<br><br>**Registered Office**<br>A/4, Perahera Mawatha, Colombo 03<br><br>**Co. Reg. No.** PV 16876<br><br>**Auditors:** Messrs Ernst & Young<br>(Chartered Accountants) |
| **Amethyst Leisure Limited**<br><br>**Board of Directors**<br>Ms. D. S. T. Jayawardena - Chairperson<br>Ms. V. J. Senaratne<br>A. Mahir<br>J. C. Weerakoon<br>M. Z. M. Hashim (Resigned w.e.f. 01/04/2018) | Aitken Spence Corporate Finance (Private) Limited<br><br>**Registered Office**<br>315, Vauxhall Street, Colombo 02<br>Tel: (94-11) 2308308 Fax: (94-11) 2308099<br><br>**Co. Reg. No.** PQ 202<br><br>**Auditors:** Messrs KPMG (Chartered Accountants) |

# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of MELSTACORP PLC for the financial year ended 31st March 2019 will be held at 11.00 a.m. on Wednesday the 04th day of September 2019 at the Sri Lanka Foundation Institute, No 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 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 2019.

2. To re-elect as a Director Dr. Adrian Naomal Balasuriya 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.

3. 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 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. D. H. S. Jayawardena who has reached the age of 77 years prior to the Annual General Meeting and that he shall accordingly be re-appointed"

4. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. R. Seevaratnam who has reached the age of 76 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 76 years prior to the Annual General Meeting and that she shall accordingly be re-appointed"

5. 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 71 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 71 years prior to the Annual General Meeting and that he shall accordingly be re-appointed"

6. 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 2020.

7. To approve the donations and contributions made by the Directors during the year under review and to authorize the Directors to determine donations and contributions for the ensuing year.

By order of the Board
**CORPORATE SERVICES (PRIVATE) LIMITED**
*Secretaries*
**MELSTACORP PLC**
216, De Saram Place
Colombo 10.

Colombo on this 06 day of August 2019.

**Note:-** Any Member 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 member. Instruments appointing proxies must be lodged with the company not less than 36 hours before the meeting.

THE SHAREHOLDERS AND THE PROXY HOLDERS ATTENDING THE MEETING ARE KINDLY REQUESTED TO BE IN THEIR SEATS BY 10.45 A.M. THEY ARE ALSO REQUESTED TO BRING THIS ANNUAL REPORT, ALONG WITH AN ACCEPTABLE FORM OF IDENTITY.

# NOTES

# FORM OF PROXY

I/We.................……………………………………...........................................................................................................................…

of……………………...........................................................................................................................being a shareholder / shareholders of the above-named 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 him Ranjeevan 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 4th of September 2019 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 …………….2019.

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

1. Kindly perfect the Form of Proxy, after filling in legibly your full name and address, by signing on the space provided and filling in the date of signature.

2. Kindly return the completed Form of Proxy to the Company after deleting one or other of the alternate words indicated by an asterisk.

3. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company at No.110, Norris Canal Road, Colombo-10, not later than 36 hours before the time appointed for the holding of the meeting.

4. Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

# ATTENDANCE SLIP

Melstacorp PLC
PB 11755 PQ
110, Norris Canal Road, Colombo 10, Sri Lanka.

I / We hereby record my / our presence at the Annual General Meeting of Melstacorp PLC at the Sri Lanka Foundation on 28th September 2018 at 11.30 a.m.

1. Full Name of Shareholder : ..........................................................................................................................................
   (In Capital Letters please)
2. Shareholder's NIC No./Passport No : ..........................................................................................................................................
3. Number of Shares held and Folio No : ..........................................................................................................................................
4. Name of Proxy Holder : ..........................................................................................................................................
5. Proxy Holder's NIC No./Passport No : ..........................................................................................................................................
6. Signature of Attendee : ..........................................................................................................................................

Notes

1. Shareholders / Proxy Holders are requested to bring this Attendance Slip with them when attending the meeting and hand it over at the entrance to the meeting hall after signing it.
2. Shareholders are also kindly requested to indicate any changes in their addresses / names by completing the following and forward same to the registered office 110, Norris Canal Road, Colombo 10, if not attending the meeting.

Name of the Shareholder : ..........................................................................................................................................

Certificate No. : ..........................................................................................................................................

Previous Address : ..........................................................................................................................................

Present Address : ..........................................................................................................................................

Any changes to the Name : ..........................................................................................................................................

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 2019, අගෝස්තු මස 24 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, 2019, ஓகஸட் மாதம் 24ம் 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 24th day of August 2019.

# 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.

## Registered 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.

Designed & produced by
emagewise
Printing by Aitken Spence Printing & Packaging (Pvt) Ltd

www.melsta.com


MELSTACORP PLC
Tel: +94 11 5900300    Fax: +94 11 5900333
110, Norris Canal Road, Colombo 10, Sri Lanka.