



**Melstacorp**  
RESPONSIBLE DIVERSITY

Annual Report 2016/17



**MELSTACORP IS THE CULMINATION OF DECADES OF BUSINESS ACUMEN COMBINED WITH A SHARED VISION OF SUSTAINABLE GROWTH. IN THE LONG TERM, WE ENVISION GROWTH THAT CREATES VALUE FOR ALL. AS A CONGLOMERATE OUR GOALS AND BENCHMARKS ARE HIGH, AND OUR COMMITMENT TO ALL OUR STAKEHOLDERS UNCONDITIONAL. OUR MISSION IS TO ETHICALLY CREATE VALUE WITH SUSTAINABLE GROWTH.**

Melstacorp PLC became the latest listed conglomerate in the Colombo Stock Exchange on 30th December 2016. During the financial year DCSL PLC ventured into a restructure arrangement under Part 'X' of the Companies Act No. 07 of 2007, seeking approval for a share swap that would result in the shareholders of DCSL PLC becoming shareholders of Melstacorp. Consequent to the necessary approval from the Court and with the overwhelming approval of the shareholders the 180 degree share swap was completed during the fourth quarter of 2016. DCSL PLC together with other subsidiaries are now subsidiaries of Melstacorp PLC. The restructure will bring multitude of benefits to the shareholders including unlocking of Group's value due to DCSL PLC acquiring beverage sector multiples and through the establishment of an umbrella brand that can be extended to subsidiaries.

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# HIGHLIGHTS OF THE YEAR



## JULY 2016

Melsta Regal Finance was reaffirmed A+ (lka) / Stable by Fitch. Thus, signifying a very high credit rating for a finance company.



## SEPTEMBER 2016

Fitch Rating has placed DCSL a National Long-Term Rating of AAA (lka) on Rating Watch Negative (RWN).



## NOVEMBER 2016

DCSL was ranked No. 07 in the Business Today 'Top Thirty'. This was the 18th consecutive year DCSL was listed among corporate heavy weights in the rankings.



## DECEMBER 2016

- Consequent to the restructure arrangement under Part 'X' of the Companies Act No.07, Melstacorp became the flagship Company of DCSL PLC together with other subsidiaries.
- Melstacorp PLC became the latest listed conglomerate in the Colombo Stock Exchange on 30 December 2016.



## FEBRUARY 2017

DCSL celebrated 25 years of excellence after privatisation.



## APRIL 2017

Fitch Rating has upgraded National Insurer Finance Rating & National Long-Term Rating of Continental Insurance Lanka Limited to A (lka)/stable from A- (lka) / stable.

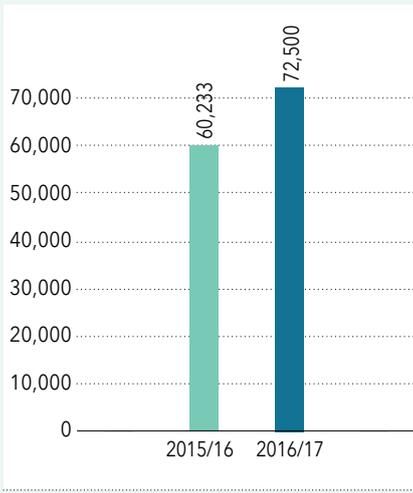
# FINANCIAL HIGHLIGHTS

For the year ended 31 March,		Group		Company	
		2017	2016	2017	2016
<b>SUMMARY OF RESULTS</b>					
Gross Turnover	Rs. Mn	108,999	88,865	193	186
Excise Duty	Rs. Mn	68,806	55,025	-	-
Net Turnover	Rs. Mn	40,193	33,840	193	186
Profit After Tax	Rs. Mn	6,800	5,670	2,866	1,184
Shareholders Funds	Rs. Mn	68,080	63,206	61,006	88,995
Working Capital	Rs. Mn	(3,241)	(1,574)	7,501	630
Total Assets	Rs. Mn	111,919	99,308	89,602	49,803
Staff Cost	Rs. Mn	4,553	4,364	46	46
No. of Employees		11,976	12,692	19	16
<b>PER SHARE</b>					
Basic Earnings	Rs.	6.29	5.12	3.03	4.46
Net Assets	Rs.	58.42	238.11	76.36	180.03
Dividends	Rs.	1.00	-	1.00	-
Market Price - High	* Rs.	69.50	-	69.50	-
Low	* Rs.	54.90	-	54.90	-
Year End	* Rs.	59.20	-	59.20	-
<b>RATIOS</b>					
Price Earnings	* times	9	-	20	-
Return on Shareholders Funds	%	10.77	2.15	3.96	2.48
Current Ratio	times	0.90	0.94	16.04	1.33
Interest Cover	times	9.5	14.4	38.1	13.1
Debt to Equity	%	26.93	21.77	0.12	0.00
Debt to Total Assets	%	17	15	0.1	0.0
Dividend Payout	%	15.89	-	33.04	-
Dividend Yield	* %	1.69	-	1.69	-

\* Since Melstacorp PLC was listed in Colombo Stock Exchange on 30 December 2016 the comparative figures are not presented.

### Taxes Paid - Group

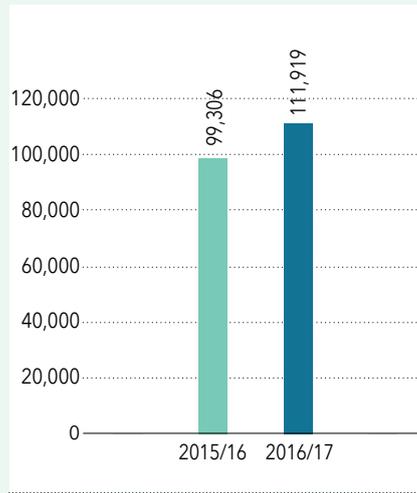
Rs. Mn



TAXES PAID - GROUP  
**Rs. 72,500**  
Mn

### Total Assets - Group

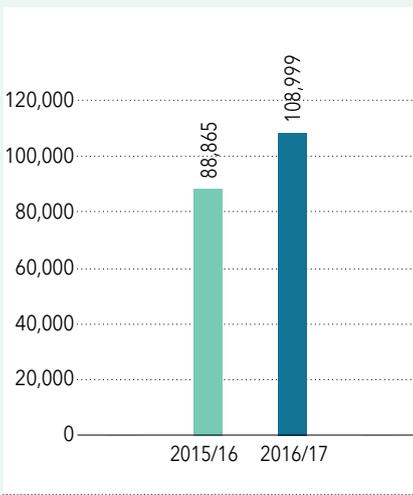
Rs. Mn



TOTAL ASSETS - GROUP  
**Rs. 111,919**  
Mn

### Gross Turnover - Group

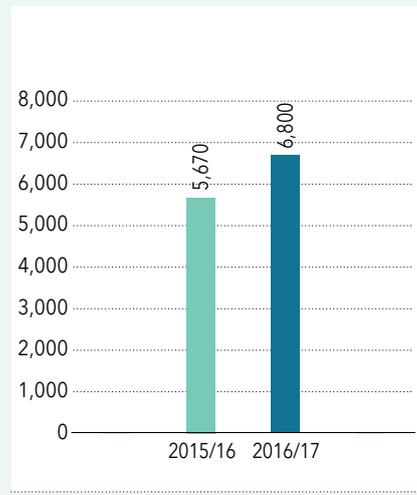
Rs. Mn



GROSS TURNOVER - GROUP  
**Rs. 108,999**  
Mn

### Profit After Tax - Group

Rs. Mn



PROFIT AFTER TAX - GROUP  
**Rs. 6,800**  
Mn

# OUR BUSINESSES



## Beverages

Distillation, Manufacture and Distribution of Liquor Products



## Plantations

Cultivation and Processing of Tea & Rubber



## Telecommunication

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



# 7 years of success 4 great achievements

- A(Ika) FITCH RATED INSURER
- RS. 5.6 BILLION PAID ON CLAIMS
- 125,000 CUSTOMER BASE
- RS. 12 BILLION PREMIUM INCOME

## Insurance

General Insurance Services



## Exclusive Financial Solutions



**Melsta Regal  
Finance Ltd**  
"In safe hands"

Fixed Deposits | Savings | Leasing | LC | Import Loans | AUTO | Debt Factoring | Corporate Finance

## Financial Services

Variety of innovative Financial Solutions under one roof



## Power Generation

Hydropower Generation

Bogo Power

# OUR BUSINESSES



## Logistics

Automobile Servicing and  
Logistics



## Media

Media Buying and Creative  
Services



## Textiles

Dyeing and Printing Fabric





## Leisure

Hotels & Hospitality



## BPO Services

BPO, KPO & Call Centre  
Services



## Information Technology

Oracle ERP Cloud  
Oracle HCM Cloud  
Oracle Tech





A stylized, handwritten signature in black ink, consisting of a large loop at the top and several horizontal strokes at the bottom.

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

# CHAIRMAN'S STATEMENT

## >> THE RESTRUCTURE WILL BRING A MULTITUDE OF BENEFITS TO THE SHAREHOLDERS....

I am pleased to share with you, our valued shareholders, the Company's annual report and audited financial statements for the year ended 31st March 2017.

### Macro Economic Climate

Sri Lanka is going through a difficult period, facing various challenges such as declining foreign reserves and export revenues, large local and overseas debt repayment commitments, and substantial fund outflows from the stock market and government debt securities. Lower revenues from all traditional products such as tea, rubber and coconut, which are selling below their cost of production, have made a big dent in the economy. The present drought conditions have severely impacted agriculture production and hydropower generation. Both these factors would increase the country's imports substantially, which would have an impact on the exchange rate. The present regime is targeting fiscal consolidation as the large budget deficit is threatening the economic stability of the country. This has resulted in an increase in both direct and indirect taxes, pushing retail prices upward. We also note that the Central Bank permitted the currency

to depreciate to control outflows and tightened monetary policy to control excessive credit growth and inflationary pressures.

### Group Restructure

During the financial year DCSL PLC ventured into a restructure arrangement under Part 'X' of the Companies Act No. 07 of 2007, seeking approval for a share swap that would result in the shareholders of DCSL PLC becoming shareholders of Melstacorp. Consequent to the necessary approval from the Court and approval of the shareholders, the share swap was completed during the fourth quarter of 2016. Melstacorp was listed in the Colombo Stock Exchange on 30 December 2016. DCSL PLC together with other subsidiaries are now subsidiaries of Melstacorp PLC. The restructure will bring a multitude of benefits to the shareholders, including unlocking the Group's value and through the establishment of an umbrella brand that can be extended to subsidiaries.

### Group's Performance

Group turnover reached Rs. 109Bn while the profit after tax for the year was Rs. 6.8 Bn The Group contributed Rs. 73 Bn in taxes during

Taxes - Group  
**Rs. 73 Bn**

this financial year. This is a 20% increase in taxes when compared to Rs. 60 Bn paid in the previous financial year.

Melstacorp is essentially an investment and investment management company. All former subsidiaries of DCSL Group are now owned and managed by Melstacorp PLC. The Group faced many challenges in the year under review. Several industries the Company has invested in were affected by significant increases in both direct and indirect taxes. This resulted in a decrease in demand and, in some cases, an increase in costs as some direct taxes were partially absorbed by the companies. Notwithstanding these adverse conditions your Company recorded a profit after tax of 2.9 Bn. Going forward the Company would be compelled to review the viability of continuing its presence in industries such as telecommunication.

## CHAIRMAN'S STATEMENT

### >> MELSTACORP WAS LISTED IN THE COLOMBO STOCK EXCHANGE ON 30 DECEMBER 2016...

#### Beverage Sector

The beverage sector was subject to a severe challenge through taxation in the last year. Value Added Tax (VAT), which was removed from the alcohol industry by adding the tax amount to the excise duty, was reintroduced as an additional tax without a corresponding reversal in excise duty. This, together with a massive increase in duty on imported ethyl alcohol which is a main ingredient in liquor manufacture, resulted in a substantial increase in consumer prices. As a result there was a notable decline in volumes. We are extremely disappointed in the way the legal beverage industry is overtaxed without considering the affordability of the product. Primarily due to the tax increases, the beverage sector revenue reached Rs. 99 Bn and the net profit for the year was Rs. 6.7 Bn

#### Plantation Sector

The Industry faced increasing challenges on multiple fronts due to negative global and domestic factors. Sri Lanka's key tea importing countries in the Middle East and to a lesser extent Russia/ Ukraine continued to be burdened with economic/political issues. The decline in oil prices further aggravated the position resulting in

global commodity markets including for rubber continuing to be depressed for most part of the year. The negative impact thus created with lower volumes deprived the industry of much needed revenue. Earnings from rubber exports decreased, with both the volume and auction prices recording a declining trend from 2011 to 2016. The surplus stocks of rubber and the reduction of the cost of synthetic rubber due to lower global crude oil prices were the main factors that contributed to this. Balangoda Plantations PLC too experienced a drop in revenue, which had an adverse effect on profitability incurring a pre-tax loss of Rs. 343 Mn against a backdrop of increasing costs.

#### Telecommunication Sector

Telecommunication sector is going through challenging times. The introduction of Nation Building Tax and Value Added

Tax during the year, for which the telecommunication industry was not previously liable, saw a steep decline in net revenue. With the telecommunication levy that was already in place, the taxes on telecommunication services reached 50% of the gross billing. This together with the ever declining demand for fixed line telephony resulted in Lanka Bell continuing to show negative results. However, revenue from LTE technology, which is used to provide internet connectivity, is showing a positive trend.

#### Financial Sector

Continental Insurance has established itself as one of the most innovative and dynamic insurance companies in Sri Lanka. Fitch Ratings has upgraded the rating of Continental Insurance to (A), 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, which is gradually gaining market share, exceeded the industry growth rate, with a 34% year-on-year increase in Gross Written Premium (GWP). The Company reached a GWP of Rs. 3 Bn at the end of 2016.

Employees  
- Group  
**11,976**

Melsta Regal Finance embarked on its fifth year of operations with a focus on gradually penetrating the market with its innovative financial solutions. Melsta Regal, an A+(Ika) rated finance house, achieved noteworthy milestones in terms of asset size and achieved a balance sheet size of Rs. 5 Bn. The growth, although below the rate of growth of the market, is considered satisfactory due to the selected segments the Company is operating in.

#### Diversified Sector

Bogo Power, which was commissioned in December 2011, is now yielding encouraging results for the Group. The Group also wishes to acknowledge the significant contribution of Rs. 1.46 Bn made by our key associate company, Aitken Spence PLC during the financial year.

The uncertainties surrounding the status of our subsidiary, Pelwatte Sugar Industries continue to weigh upon the Group. Following the occupation of the factory by state officials, the leased ownership of this property remains unresolved. The Group has not changed its position, advocated since the occurrence of this unfortunate incident, of being the legal leased owner of the property and as such we have communicated our views to the Treasury. However, as a precautionary measure, the Group has also lodged an official claim with the Compensation Tribunal appointed by the State. We hope that some clarity regarding this untoward situation would be forthcoming during the new financial year.

Total Assets -  
Group  
Rs. 112 Bn

With regard to Sri Lanka Insurance Corporation Ltd. (SLIC), even after a lapse of 8 years, we still await the payment of profit earned during our Group's tenure at the helm of SLIC. We are hopeful that the profit earned, which has to be paid to us as per the Supreme Court directive, will be reimbursed to us as early as possible.

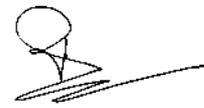
#### Compliance

Melstacorp has complied with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. 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 Board of Directors for their unstinted support and the management and staff for their commitment towards the Group against all odds.

I would 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 inspire us to retain our position as one of the most valuable and respected corporate entities in the country.



D. H. S. Jayawardena  
Chairman

21 August 2017

# BOARD OF DIRECTORS



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



**Mr. A. L. Gooneratne**  
Managing Director



**Mr. C. R. Jansz**  
Executive Director



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



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



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



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



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



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

## BOARD OF DIRECTORS

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

#### Chairman

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

He is the Chairman of 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. and Texpro Industries 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. A. L. 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) Limited. 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 Regal Finance Limited, Melsta Logistics (Pvt)

Limited and Bellvantage (Pvt) Limited; Board Member of Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Telecom Frontier (Pvt) Limited, Bell Solutions (Pvt) Limited, Timpex (Pvt) Limited, Texpro Industries Limited, Bogo Power Limited., Continental Insurance Limited and Browns Beach Hotel PLC., which are subsidiary companies of Melstacorp PLC.

He is an independent Director of Lanka IOC, Teejay Lanka PLC and Commercial Development Company Limited.

He is also the Alternate Director to Mr. N. de S. Deva Aditya on the Board of Distilleries Company of Sri Lanka and Aitken Spence PLC.

### Mr. C. R. Jansz

#### Executive Director

Mr. Jansz is the Chairman of DFCC Bank PLC. and is a Director of Distilleries Companies 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 a former Chairman of 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.

### 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 "ViswaKirithi 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 re-organisation 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. and Pelwatte Sugar Distilleries (Pvt) Ltd. a subsidiary of the Group.

#### **Dr. A. N. 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., Zahra Exports (Pvt) Ltd. and Mcsen Range (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. R. 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.

#### **Ms. V. J. Senaratne**

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

##### **Alternate Director to N. de S. Deva Aditya / Company Secretary**

Ms. Senaratne was appointed as the Company Secretary in 2017. 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.

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

# GROUP MANAGEMENT



**Amitha Gooneratne**

Managing Director - Melstacorp PLC /  
Chairman - Melsta Regal Finance Ltd.,  
Melsta Logistics (Pvt) Ltd., Bellvantage  
(Pvt) Ltd., Melsta Tower (Pvt) Ltd. /  
Director - Continental Insurance Lanka  
Ltd., Periceyl (Pvt) Ltd., Lanka Bell Ltd.,  
Texpro Industries Ltd., Bogo Power (Pvt) Ltd.



**Capt. Jagath Kahanda (Retd.)**

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



**Ms. Stasshani Jayawardena**

Chairperson - Splendor Media,  
Director - Aitken Spence PLC



**Lalith Obeyesekere**

Director / CEO - Balangoda Plantations  
PLC, Madulsima Plantations PLC,  
Director - Bogo Power (Pvt) Ltd.



**Capt. Ranjith Wettewa SLN (Retd.)**

Director - Pelwatte Sugar Industries PLC



**Asoka Abeyewardene**

Director - Continental Insurance Lanka Ltd.



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



**Dinal Peiris**  
Managing Director -  
Texpro Industries Ltd



**Chaminda De Silva**  
Managing Director -  
Continental Insurance Lanka Ltd



**Dr. Prasad Samarasinghe**  
Managing Director - Lanka Bell Ltd.



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



**Ms. Farzana Sulaiman**  
Chief Operating Officer -  
Bellvantage (Pvt) Ltd.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

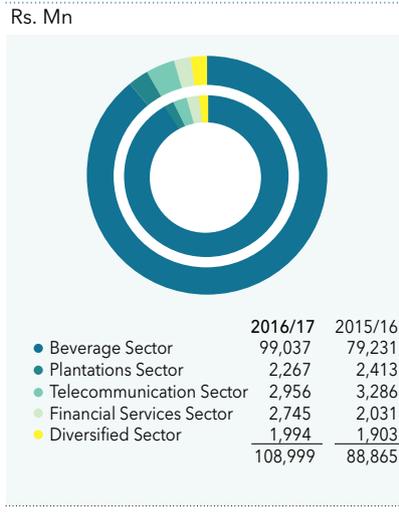
## Group Restructure

During the financial year under consideration, DCSL/Melstacorp Group ventured into a restructure arrangement under Part 'X' of the Companies Act No. 07 of 2007 seeking approval to carry out a share swap that would result in the shareholders of DCSL PLC becoming shareholders of Melstacorp. The Share swap was completed in the fourth quarter of 2016 and since then DCSL PLC became a fully owned subsidiary of Melstacorp. Melstacorp was listed in Colombo Stock Exchange on 30 December 2016.

## Group Overview

Our leading beverage sector was impacted by a host of challenges which carried over from the preceding year, providing neither relief nor a level playing operating field. The illegal practices rampant in the industry succeeded yet again to adversely affect the overall performance of the Group.

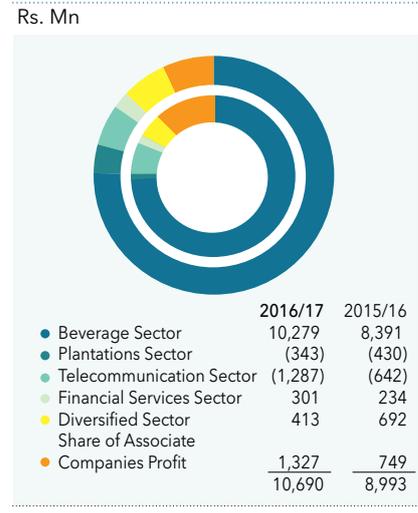
### Gross Turnover - Group



Melstacorp Group of Companies, under which falls the other diversified operations of the Group, succeeded in expanding its sphere of influence and in creating a distinct identity for itself. Our focused efforts to build the Melstacorp brand yielded positive results, with greater brand awareness and recall amongst key stakeholders. While heightened brand equity and an increased presence were achieved during the year, recent investments are yet to yield commensurate returns.

Unfortunately, the expropriation of Pelwatte Sugar Industries PLC (PSIP), under the Revival of Under-Performing Enterprises and Under-Utilised Assets Act (Act) in November 2011, was an issue that remained unresolved during the financial year under review. Despite being listed as an 'under-utilised asset' under the Act, we remain emphatic that we are the legal owners of PSIP. We remain hopeful that this issue will be resolved in a transparent manner at the earliest instance.

### Profit Before Tax - Group



Furthermore, despite a lapse of seven years, we have still not been reimbursed the profit earned during the Group's tenure at the helm of Sri Lanka Insurance Corporation Ltd, (SLIC). We are hopeful that the profit earned, which is rightfully ours, will be paid soon, as per the Supreme Court Directive.

The Group's gross revenue recorded at Rs. 109 Bn in the current year. The Group's profit before tax was Rs. 10.7 Bn and a profit after tax of Rs. 6.8 Bn. The contribution to total revenue from the alcoholic beverage sector was Rs. 99 Bn and continues to be the largest contributor to the bottom line. The Group's plantation business, contributed revenue of Rs. 2.3 Bn, with telecommunication at Rs. 3 Bn, financial services Rs. 2.7 Bn and diversified businesses at Rs. 2 Bn. Share of associate investees contributed Rs. 1.3 Bn to the Group's profitability. The Group's total assets increased to Rs. 111.9 Bn from Rs. 99.3 Bn and the net assets per share was Rs. 58.42. Melstacorp share was Rs. 59.20 as at end of March 2017.



The Melstacorp Group strived hard to generate social and economic gains in order to make a significant contribution to the prosperity of the country. As one of the most valued corporate entities in the country who ventured into many diversified sectors, we consider it our responsibility to deliver sustainability across all our operations, while ensuring that our activities have a favourable impact on social, environmental and economic pillars.

### 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. During the year import duty on spirit was increased twofold and at the same time Value Added Tax (VAT) was re-introduced to the alcohol industry. VAT was previously consolidated to excise duty and it could have been adjusted accordingly in excise duty before the VAT was re-introduced. This resulted in an unprecedented increase in prices of products. Resultantly some products have now become beyond the reach of consumers.

The fact that the beverage sector continues to maintain market leader 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 generating. 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, despite their dubious quality. It must be duly noted that we adhere strictly to the NATA Act which prohibits advertising and promoting alcoholic brands.

During the current financial year, the beverage sector continued to maintain profitability despite the challenges posed to the legal alcohol business in the country as a result of a skewed playing field. Gross turnover of beverage sector was Rs. 99 Bn, and recorded a profit after tax of Rs. 6.7 Bn. The beverage sector contributed a staggering Rs.72 Bn to the State by way of taxes.

Periceyl (Pvt) Ltd., achieved greater brand building success during the year with stable volume growth while sustaining its profitability. Its brands - Black Opal Arrack, Franklin Brandy and Galerie Brandy - performed convincingly.

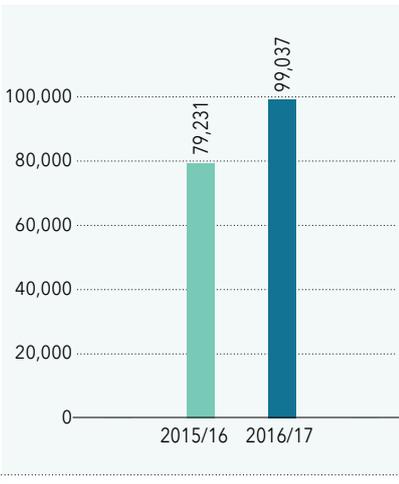
However, we observed some of the local manufacturers distributing finished products, mainly Arrack, at a lower price. Such products were supplied to retailers at a lesser cost and these same products were offered by the manufacturers with



# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Turnover - Beverage Sector

Rs. Mn



a larger margin to retailers, which encouraged the retailers to sell the products over our products.

Artificial toddy being supplied at a cheaper price has also created a difficult situation for genuine liquor manufacturers. Our company DCSL uses 100% genuine coconut toddy to produce coconut spirits to make 100% Coconut Arrack.

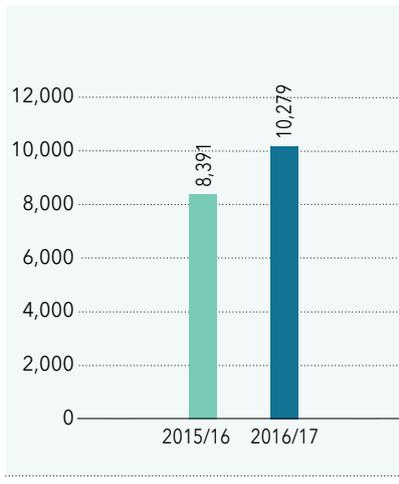
### Future Outlook

Despite the challenges in the sector, we remain optimistic about the prospects for the beverage industry to further secure even greater market share in the future.

Our beverage sector is reputed for its innovation and our R & D team perseveres in innovating 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 liquor industry for the benefit of the consumer.

## Profit Before Tax - Beverage Sector

Rs. Mn



### Melstacorp PLC

Consequent to Group restructure arrangement Melstacorp became the flagship company of the Group and currently holds 20 direct and indirect subsidiaries and two associate companies. In a bid to ingrain the Group philosophy, a series of measures were taken to infuse Group culture and strengthen the shared services framework. Some of the key areas of the shared services such as treasury, finance, audit and control and

human resources, were put in place. Our efforts to strengthen shared services and build a common brand under the 'Melsta' umbrella will be sustained into the future.

Melstacorp is striving to combine the Group companies' synergies in a manner that will drive optimum resource utilisation and financial benefits. We have envisioned that Melstacorp will emerge as a diversified conglomerate, enhancing the contribution from the non-alcohol sector whilst reducing the Group's dependence on the alcohol sector.

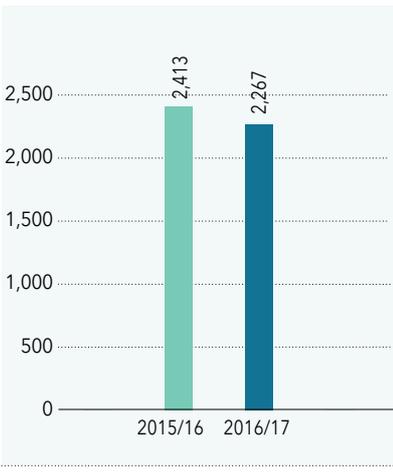
### Plantations Sector

Year 2016 began in the backdrop of uncertain trading conditions. The industry faced increasing challenges on multiple fronts due to negative global and domestic factors. Sri Lanka's key tea importing countries in the Middle East and to a lesser extent Russia/Ukraine continued to be burdened with economic/political issues. The decline in oil prices further aggravated the position resulting in global commodity markets continuing to be depressed for most part of the year. The negative impact thus created



### Gross Turnover - Plantations Sector

Rs. Mn

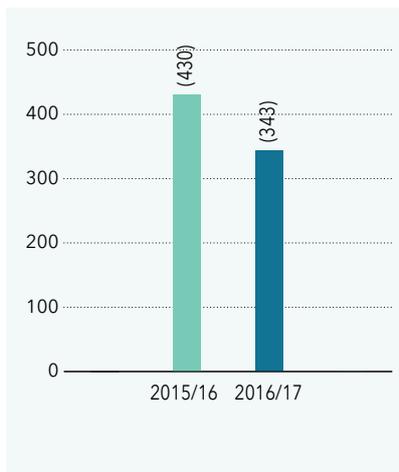


with lower volumes deprived the Industry the much needed revenue. The year under review proved to be an extremely challenging year for Balangoda Plantations (BPL) and the Industry as a whole amid many adverse financial and non-financial variables, resulting in the Company recording unfavourable results. The adverse weather conditions during most parts of the year and the resulting drought was a major contributory factor for the production shortfall whilst restrictions in application of fertilizer and the ad hoc ban on Weedicides / chemicals exacerbated this position.

Earnings from rubber exports decreased, with both the volume and auction prices recording a declining trend from 2011 to 2016. The surplus stocks of rubber and the increased demand for synthetic rubber due to lower crude oil prices in the global market had its impact on natural rubber prices. Sri Lanka's rubber production reflects a decrease of 10.6 % recording 79.1 Mn kgs in 2016 vis-à-vis 88.5 Mn kgs in the previous year.

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

Rs. Mn



BPL recorded a pre-tax loss of Rs. 343 Mn. The turnover of the company decreased from Rs. 2.4 Bn in 2015 to Rs. 2.2 Bn in 2016, reflecting a drop of 20%. The tea industry as a whole experienced an unfavourable year, posting a decline of 9.07 Mn Kgs in output. The shortfall is mainly due to the deficit shown by the high and medium grown sectors due to the impact of weather conditions.

BPL sustained its momentum in replanting programmes, where unproductive tea areas were diversified into rubber.

### Future Outlook

Positive sentiments on key markets towards the latter part of 2016 driven by improved oil prices and expectations on lessening of EU sanctions on Russia attributed to the impressive performance of the industry in terms of auction price despite setbacks faced by low production. However, the emerging market economies for 2017 are expected to be of slow growth due to tighter external financial conditions in most of our export

destinations. Whilst auction prices are projected to be buoyant during the first half of 2017, for long-term sustainability the industry needs re-engineering to achieve global competitiveness. It is essential that we work tirelessly to capture a greater market share in other populous markets, so that we could increase our global export footprint.

In the domestic sphere, the industry faced devastating effects due to diminishing harvests consequent to adverse and erratic weather conditions, rising input costs, declining productivity and high cost of production stemming from high wages. Initiating strategic approaches aimed at counteracting these challenges is a must to optimise operational efficiencies towards achieving long term sustainable development in the Industry. An integrated approach is essential to identify the possible strategies for the Sri Lankan tea industry to improve the competitiveness and towards this; the intervention of the Policy Makers/Government is compulsory.

The current weedicide policy and the banning of the herbicides have forced producers to resort to manual weeding at an enormous cost besides the impracticality of doing so due to continuously reducing worker cadres. Withdrawal of the fertilizer subsidy to the Corporate Sector and the consequent high price of fertilizer too has had its toll on production.

The biennial wage increase structure is still found to be a significant burden on the cost of production and generate negative cash flows. Therefore, it is necessary that the future wage increase should be structured in a more pragmatic and mutually beneficial method, while

# MANAGEMENT DISCUSSION AND ANALYSIS

ensuring the increased wages are made to be financially viable.

Considering the significance of the industry to the economy of this country and to the plantation related segment of the population socially, it is of paramount importance for the policy makers to intervene and resurrect the industry.

The Company is in the process of pursuing a diversification strategy to reduce the volatility from the Tea and Rubber sectors and to deliver sustainable returns to our shareholders and is currently studying the prospects of crop diversification, to oil palm.

## Telecommunication Sector

The past year has seen a few evolving trends in the telecommunication industry that could shape the future success in terms of profitability & sustainability of telecom operators. The Sri Lankan Telecommunication industry has two operators with the ability to offer a full range of related solutions such as mobile, fixed, data & television. The remaining four players have clearance to provide one or two of the mentioned solutions, of which Lanka Bell is one of them.

Despite the rise in operational costs during the year, Lanka Bell, was able to sustain positive EBITDA margin. Lanka Bell is now equipped with the latest in technology to propel itself to the forefront of the industry. The launch of 4G positions the company as one of only two leaders in the sector, thereby ensuring it takes a quantum leap into the future of wireless telephony and connectivity in its tradition of pioneering technology such as introducing CDMA technology to Sri Lanka in 2005.



The company's 4th Generation LTE technology service - Bell4G recorded revenue growth during the year. The revenue generated from this product can be expected to grow further during the next financial year as well since a further expansion of coverage is planned with another 250 base stations to be commissioned during this period. This together with the demand for quality internet connectivity on the rise, shows a potentiality for growth.

Lanka Bell offers an attractive portfolio of value-added high speed broadband and voice services at competitive rates, which makes it a preferred telecom service partner for customers.

One of the main challenges for the local telecommunication industry and Lanka Bell in particular is the increase in costs pressuring profit margins. The recent introduction of Nation Building Tax of 2% and Value Added Tax of 15%

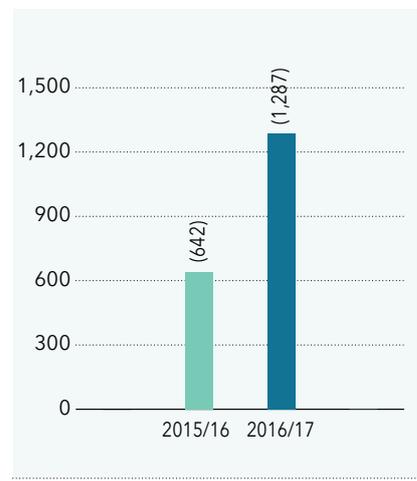
### Gross Turnover - Telecommunication Sector

Rs.Mn



### Profit/(Loss) Before Tax - Telecommunication Sector

Rs.Mn



which was exempted from the telecommunication industry previously has affected the volume, in addition to the exiting telecommunication levy that was already liable for the sector. This resulted in the value of talk time enjoyed for every Rs. 100 to decline from Rs. 78.40 to Rs. 66.78.

### Future Outlook

Despite these challenges, Lanka Bell looks forward to the future prospects of its various businesses activities, as investor confidence improves in the local economic environment and demand for data related connectivity increases.

### Financial Services Sector

#### Insurance

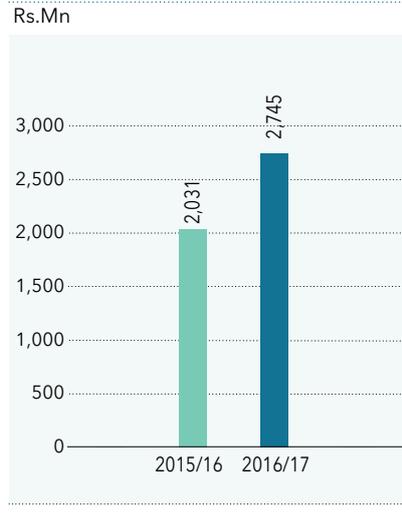
Fitch Ratings upgraded CILL to 'A(Ika)' Continental Insurance (CILL) reached new heights, exceeding industry performance surpassing the Rs. 3 Bn mark in premium income, with a 34% year-on-year growth. Re-instating its stance as one of the fastest growing insurance companies in the country, CILL now accounts for approximately 4.3% of the market share within a short span of seven years in the intensely competitive general insurance



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**Insurance Solutions**

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- Motor**
- Marine**
- General Accident**

#### Gross Turnover - Financial Services Sector



#### Profit/(Loss) Before Tax - Financial Services Sector



segment. Though a company young in age, CILL has already made a strong footing in the industry with many boastful accomplishments where Fitch Ratings upgraded CILL to 'A(Ika)' in April 2017. CILL is ISO 9001:2008 certified ensuring state of the art processes and procedures to serve the policyholders and all other stakeholders.

CILL's comprehensive product offerings in the general insurance sector encompass solutions poised to address diverse needs of both corporate and individual clients. Constantly upgraded to remain innovative, competitive and cohesive, CILL continued to offer solutions ranging in the broad categories of Automobile, Home-Owners, Travel, Marine, General Accident, Personal Liability Individual Health Policies, Group Personal Accident Covers, Customisable Combined Covers for Hoteliers and Comprehensive Home Insurance Covers and Property Insurances.

The latest addition to CILL's IT enriched procedure is the introduction of Pay and Go facility to

the customers where they are able to pay motor premium payments online through over 300 cash collections machines across the country.

CILL expanded its reach during the year under review, increasing its branches to 45, with the latest additions in Mahiyanganaya, Hingurakgoda, Homagama, Mathugama, Nikaweratiya, Gampola, Wennappuwa and Kalmunai. With a clear strategy to establish its presence in all key business centres of the country, CILL envisages to spread its network wider during 2017. As always, CILL recognises its highly professional and skilled workforce as its main asset and continues its investment in people.

#### Future

Looking towards the future, CILL is equipped to cater to the changing demographics of the country, moving ahead of the competition with expansion and innovation, focusing on its core strengths to come forth as a key player in the industry.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Services Sector Finance & Leasing

Melsta Regal Finance marked another remarkable financial year with a continuous focus on penetrating the market with innovative financial solutions. During the year, the Company added two branches enabling the total branch network to reach ten. A new product has been introduced to the Company's wider product portfolio to mark its footprint in Micro Leasing market.

The company achieved noteworthy financial milestones in terms of asset size and achieved a balance sheet size of Rs. 5.7 Bn.

The company successfully launched a chip enabled VISA International Debit card to complement the liability/savings products which empower the company to expand its savings and fixed deposit base. With the introduction of asset backed micro leasing products, the customer base has increased substantially, thus providing opportunity to broad base the savings portfolio further.

### Future Outlook

Melsta Regal Finance looks forward to capitalise its existing channels and the networks through group synergies to increase its product portfolio with a sustainable value creation of offering best in industry service standards.

## Diversified Sector Collision Repair & Logistics

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



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

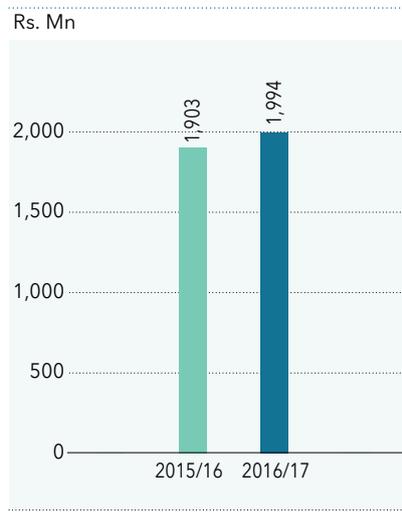
### Textiles

During the year under review, Texpro experienced a drop in sales volumes due to the drop in demand for woven cotton fabrics coupled with stiff competition from overseas suppliers, offering highly competitive prices for dyed fabric.

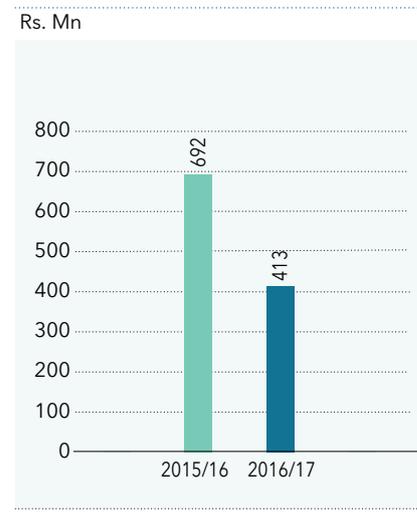
The demand for cotton woven fabrics has been declining, since the withdrawal of GSP+ benefits offered to Sri Lanka by the EEC. Most of the garments manufactured using these fabrics are now made in Bangladesh and Vietnam. Under these circumstances, company experienced difficulty in getting export orders due to the stiff competition from our overseas competitors offering prices below our production cost.

The Brexit in June 2016 had a drastic impact on the Sterling Pound, where due to the depreciation of the pound,

Gross Turnover - Diversified Sector



Profit Before Tax - Diversified Sector





The company's focus predominantly is on maintaining outstanding quality and competitive price ratios whilst its unique selling propositions include the ability to offer innovative customisation and cutting edge solutions to stand out and keep up with the rapid competition. Bellvantage's sustenance in the market is re-instated by its varied portfolio of clientele from local blue chips to multinational companies.

Bellvantage is considered a highly reliable and a flexible partner with a vast experience in the trade understanding the service need and importance of accessibility 24/7. This was eminent with the investment made to purchase the Aspect Disaster Recovery system for the Contact Center operations ensuring an un-interrupted connectivity towards its customer base.

our UK clients demanded reduction in prices which were quoted in US Dollars.

### Future Outlook

In spite of the somewhat pessimistic outlook, we are quite optimistic of the future as the local competition will be reduced from September 2017 and the restoration of GSP+ has resulted in more interest from European buyers and American buying offices too appear to have become more active. In the medium term, the present indications are that the demand for garments manufactured using woven fabrics will decline and factories will convert to knit products.

generation of 15.2 GWH. However, the power generation in 2016/2017 had reduced drastically to 10.5 GWH, due to non-favourable weather conditions.

### Business Process Outsourcing

Bellvantage is a leading Business Process Outsourcing company and is positioned amongst the top BPO's in Sri Lanka. Honored with the ISO 2008 : 2001 certification, the company is both locally and internationally recognised for its renowned brand portfolio and high end clientele, which attests to its excellent value proposition and exemplary service levels.

In an era where organisations are challenged to compromise on cost, Bellvantage assures its customers its uncompromised quality of service and offers high levels of confidence by establishing standards and becoming the benchmark in the industry.

The management continuously strives towards developing its human resource to enhance productivity and

### Power Generation

Bogo Power (Pvt) Ltd was formed to set up a Mini Hydro Plant at Kirkoswald Group, Bogowantalawa. Bogo Power (Pvt) Ltd is registered with the Board of Investment of Sri Lanka (BOI) and has obtained necessary approvals from the Sustainable Energy Authority of Sri Lanka and the Public Utilities Commission of Sri Lanka. A Power Purchase Agreement has been entered into with the Ceylon Electricity Board for the sale of electricity generated for a period of 20 years. The project was fully commissioned in December 2011 with power capacity of 4 MW and average annual energy



# MANAGEMENT DISCUSSION AND ANALYSIS



achieve outstanding performance with seamless teamwork in a dynamic culture resulting in Bellvantage being the best in offering excellent and personalised services whilst demonstrating professionalism & integrity.

Bellvantage has continued to grow over the years with a proven track record of 98% of the clientele renewing their business contracts in outsourcing, given its capabilities of maintaining exceptional service across its esteemed clientele. The company is optimistic in the potential growth of the industry both locally and internationally.

## Melsta Technologies (Pvt) Limited

Melsta Technologies has a vision to "Deliver solutions Customers can depend on". At a time when corporates are striving to lower CAPEX spend and move to an OPEX based model, looking for faster deployment to achieve a quicker ROI, looking for higher levels of availability and security while reducing IT administration cost, Melsta Technologies envisages to deliver solutions centered on Oracles' complete Cloud Stack to deliver customer satisfaction. Melsta Technologies will play a strategic role in niche verticals within the fast

evolving ICT industry. During the short period of commercial operations, Melsta Technologies has obtained Oracle Gold Partner Status.

## Leisure

Browns Beach Hotels PLC was re-launched as Heritance Negombo in April 2016, with 139 rooms offering a luxurious experience just 40 seconds away from the Indian Ocean, Negombo's rich culture and sandy beaches. The Hotel's strategic location and proximity to the airport lend it a unique advantage. Heritance Negombo is expected to spearhead the area's tourism with its luxury signature hospitality.

During the financial year, newly opened Heritance Negombo has generated a remarkable first year net turnover of half a billion rupees (Rs. 580 million) and has performed well to achieve an operational profit, despite minor teething issues of a new property and intensifying competition from a large hotel room inventory in the region. The Hotel has proven the brand strength by achieving high ratings from the digital tourism review channels which is vital to compete the current fast growing global digital tourism market. In order to combat pressure from competitors, it will continue to focus on enhancing online

bookings with Online Travel Agents and its own website, coupled with a focus on digital marketing initiatives. Additionally, the Hotel will focus on sales strategies targeting selected MICE market, predominantly events and weddings. Further, the Hotel will continue to position as beach resort in the German and East European markets and will actively seek to secure more guaranteed contracts.

## Media and Creative Services

Splendor recently completed its transformation into a full service communications agency and we're now in a position to provide a more robust facility to clients we partner with and the brands we service. The additions to our team include a host of industry veterans, with decades of agency experience, creatives with award winning campaigns, strategic architects associated with some of the island's foremost brands and media specialists with local and international proficiency.

This convergence of talent, along with financial patronage from one of the island's most successful conglomerates, ensures a seasoned unit of communication professionals.

## Future Outlook

Our forte lies in our diverse team, a creative outlook and youthful approach, united by a working culture that promotes objectivity and strategic focus. This synergy ensures we are ready for the future, flexible enough to meet the demands of an ever-changing market place and dynamic enough to deliver the resources our partners require

# SUSTAINABILITY REPORT

>> AN OVERARCHING TENET HAS ALWAYS BEEN TO ENSURE THAT OUR DECISIONS, ACTIONS AND IMPACTS ARE SUSTAINABLE AND POSITIVE AT ALL TIMES.

## 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 outrightly rejected by most right-thinking 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 we cultivate values that have been followed over a period, we consider this an opportunity to strengthen our conceptions of 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 business 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 go back to 2011, when Melstacorp was incorporated to be the strategic business arm of DCSL Group.

As a result of the restructure arrangement during the year, Melstacorp became the flagship company of the Group and was listed in the Colombo Stock Exchange on 30 December 2016. Melstacorp has diversified into key economic

sectors in the country, placing as one of Sri Lanka's leading blue chip conglomerates. Melstacorp's business areas are diverse and penetrative, ranging from plantations, to telecommunication, insurance to finance, textiles to hospitality, hydropower to BPO and its largest and most influential business contributor - beverages, encompassing alcohol.

## Significant Events during the Reporting Period

Melstacorp PLC became the latest listed conglomerate in the Colombo Stock Exchange on 30 December 2016. During the financial year DCSL PLC ventured into a restructure arrangement under Part 'X' of the Companies Act No. 07 of 2007, seeking approval for a share swap that would result in the shareholders of DCSL PLC becoming shareholders of Melstacorp. Consequent to the necessary approval from the Court and with the approval of the shareholders the 180 degree share swap was completed during the fourth quarter of 2016. DCSL PLC together with other subsidiaries are now subsidiaries of Melstacorp PLC.

## 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

# SUSTAINABILITY REPORT

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 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 are now being addressed to ensure that we bridge these 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 Financial Reporting and presents our sustainability performance for the year ended 31 March 2017. It covers company activities, including the subsidiaries' reporting period (for example, fiscal/calendar year) for information provided from 01 April 2016 to 31 March 2017. Data measurement techniques and the bases of calculations applied for compilation and other information in this 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 Board of Directors

Collectively, the Melstacorp Board has significant corporate acumen, skill, knowledge and experience aided by astute and knowledgeable support and information from

senior management and external specialists when the need arises to be sufficiently informed and be independent. Board governance ensures that relevant related party transactions are reviewed by Related Party Transactions Review Committee and the Group discloses related party transactions periodically and if any Director has a direct or leading interest in any matter being discussed, they will abstain from opining, discussing and voting, all of which could influence the outcome. This avoids conflict of interest and ensures independence of the Board. Melstacorp has established a governance structure that remains aligned to the laws of the land and ensures compliance to various regulatory mandates. The governance structure therefore includes committees responsible for specific tasks and setting strategy and future direction for the Group. The Board structure and committees are detailed on page 42 in this report. Melstacorp's Board comprises Eight Directors (two Executive, three Independent Non-Executive, three 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 teams grow and develop 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 will continue to comply with and exceed wherever practicable, all applicable and related legislation, regulations and codes of best practice.
- We will integrate the principles and tenets of sustainability into all our business decisions.
- We will strive to minimise any negative impacts that may ensue while engaging in our day to day activities.
- We will integrate a sustainability mindset among our team, making them fully aware of our sustainability policy and empowering them with a sense of ownership and commitment to implement, practice and improve it.
- We will cascade our sustainability policy among our valued business partners, encouraging them and assisting them to adopt sound sustainable management practices.
- We intend to review and annually report 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 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 to 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

# SUSTAINABILITY REPORT

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 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, value of 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 businesses in diversified sectors we 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 anti-competitive 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 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.

### Product Disclosure

As diversified group of companies, we engage in manufacturing businesses in certain sectors such as Beverage and Plantation. We ensure our production processes cover supply chain including sourcing and use of ingredients which resources and raw materials are aligned to stringent quality standards that are 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.

### 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 and 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 child care 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

# SUSTAINABILITY REPORT

leadership through a well governed accountable entity.

- Creating benchmarks for industry.

## Sustainability Performance Environmental Impact

Our business interests are wide-ranging and diverse, ranging from manufacturing, plantations, telecommunication, financial services, logistics, textiles, hydropower, to Business Process Outsourcing (BPO) and media. These, in different dimensions and levels, do impact the environment. The Melstacorp Group, having conformed, remains strictly compliant with the Central Environmental Authority standards, is and 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. Our beverage sector uses a sophisticated distilling system using modern technology which is totally environmentally friendly with embedded 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-hydropower project. The Kirkoswald Mini Hydropower project, under the umbrella of Bogo Power (Pvt) Limited and located within Madulsima Plantation's land, has gained approval from the Sustainable Energy Authority of Sri Lanka, generating an average of 20.0 GwH of power to the national grid. The water required for the hydropower project is diverted and returned to the river within a short distance from the point of diversion. The channel, weir and power house are small structures, which have minimum impact on the natural eco-system and the communities around the area.

The 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.

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.

## 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 has been accredited by Rain Forest Alliance as a Rain Forest Alliance Certified Plantation. This move will be a new milestone of Balangoda Plantations in its 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 and HACCP certifications, 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 subject 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 our teams always espouse has enabled the 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 a comprehensive interview evaluation form was also 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 a fair playing field for potential employees. For instance, Continental Insurance strives to follow best practices in human resource management as well as the development of human resource. As a growing business, Continental Insurance is in need of regular fresh blood from the outside, while developing internal teams to build careers. 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. 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

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vision of the company. Bellvantage focuses on developing employees with continuous improvement strategies. The specialised Trainers and quality evaluators give them continuous support and guidance. In addition to the in-house trainings, the company initiated outward bound training programmes with team building activities. Balangoda Plantations conducted a series of training sessions on quality manufacture and agricultural practices, teamwork, career growth & development and health & 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 Group's 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 are some key initiatives currently in place:

### DCSL

- Continuous remuneration reviews and increases according to predetermined scales, which could also be tied to performance incentives and bonus schemes.
- A range of insurance policies are in effect including Workmen's Compensation and Personal Accident Insurance. DCSL offers all employees this 24 hour insurance cover which includes a natural death cover.
- The DCSL Quiz Competition 2016/17 was held with the enthusiastic participation of the regions and divisions at the

Colombo Office, Periceyl and Melstacorp. Over 100 employees participated in the quiz programme.

- 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 .

### Periceyl

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

### Continental Insurance

- Continental Insurance 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 completed the latest CSR project to uplift health facilities in Tammannawa Hospital, Mihintale. With support from the Hospital Development Committee and the medical staff, Melstacorp completely renovated the hospital, providing it with much needed facilities.

Further, Melstacorp organised a free eye clinic with the support of Help-Age Sri Lanka and distributed 150 free spectacles to those in need.

Melstacorp believes that most effective social investments are serving the community through these type of programmes and initiatives in the 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 Co-operatives, which are actively functioning within the Balangoda Plantation.

### Health, Housing and Sanitation

Balangoda Plantations has 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 Plantations continued its efforts at upgrading living standards of plantation communities by building 108 housing units for estate families. These new, modern housing units are built to high construction standards, enabling hygienic and healthy life styles for plantation families with the benefits of essential amenities and conducted a re-roofing programme for 70 housing units. Further, Balangoda Plantations invested on a new water supply project in Matwagalla Estate.

### Health Care and Safety

Balangoda Plantation manages a number of child care centres and pre-schools 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 an informed and a healthy community.

### Economic Contribution

Being a diversified group of companies our scope of business transcending different spheres across the national economy. Over the years, we have made inroads in beverage, telecommunication, plantations, textiles, BPO, logistics, leisure, financial services, insurance, media, hydropower and technology 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 sector 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. 60 Bn 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 12,692 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

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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:

- 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 one-off event. Nurturing an ongoing and genuine relationship with customers will have a major impact on the way they perceive our brand but also serve to strengthen our operations through focused customer feedback. We engage our customers in numerous ways, nurturing and strengthening relationships to ensure strong loyalty to brand and product. From face to face ad hoc conversations, to conducting customer surveys, to formal gatherings and informal events, we are constantly engaged with our consumer. It is this feedback and varied dialogue and communication channels we have created that have assuredly enabled us to charter our future plans. Our beverage business is fundamentally about offering adult consumers a range of high quality products and brands with the necessary knowledge to make informed choices. We do

not in any way coerce or inveigle our customers to stay with us and our portfolio of products by any illegal or unscrupulous means. Moreover, though engaged in a legal industry forced to work in a dark market, prohibitive excise duties and constant taxation, our products have remained at the helm, which has thus driven us to continually exceed our customers' demands. We do believe it is our responsibility to ensure that consuming alcohol must be done responsibly, knowing that the product is manufactured to high standards and is a proven brand of quality. Therefore, we are vociferous in numerous forums to curb and annihilate the illicit and illegal liquor trade. We work on education and awareness initiatives among various forums to take the message of the hazards and dangers posed to the eventual consumer in drinking illicit brew or illegal liquor, given that the latter too has no guarantee of quality.

Our subsidiary companies have continued to gain the trust and loyalty of their customers through their customer centric policies, innovative solutions and technology applications for increased cost savings and higher customer value creation. Lanka Bell, the Group's telecommunications subsidiary, commenced its 4G LTE network third stage during the financial year in line with its planned schedule, 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.

During its short period of operations, Melsta Regal Finance Ltd (MRF) introduced a wide spectrum of financial solutions in leasing, hire purchase, factoring, trade finance, corporate loans, personal loans and savings products for a client portfolio ranging from corporates to SMEs to consumers. The key focus of the current financial year was market expansion and product development. The geographical footprint of MRF was expanded to the key cities of Kurunegala, Matara, Kandy, Negombo, Kegalle, Kiribathgoda. Kalutara, Kuliypitiya and Gampaha.

### Awards & Recognitions

- DCSL was ranked No. 07 in Business Today's 'Top Thirty' edition. This was the 18th consecutive year DCSL was listed among corporate heavy weights in the ranking.
- DCSL was accredited with Certificate of Compliance in the Annual Report Competition organised by CA Sri Lanka in December 2016.

### 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.

# SUSTAINABILITY REPORT

## Melstacorp dedicates to uplifting Health Facilities in Rural Sri Lanka

### Renovates Thammannawa Hospital, Mihinthale

Abiding by its philosophy of helping those who are most in need, Melstacorp recently completed their latest CSR initiative at the rural hospital of Thammannawa in Mihinthale. Thammannawa

hospital provides medical assistance to thousands of people from surrounding areas and was in need of some of the most basic facilities when Melstacorp intervened to restore the hospital back to life.

With the support of the Hospital Development Committee and the medical staff, Melstacorp completely renovated the hospital, providing it with much needed facilities.

Melstacorp also organised a free eye clinic with the support of HelpAge Sri Lanka and distributed 150 free spectacles to those in need.



# 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.

# CORPORATE GOVERNANCE

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

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

The Board constructed that N. de S. Deva Aditya who has

## Role of the Board of Directors

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

The key responsibilities of the Board are;

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

served on the Board continuously for a period exceeding nine (9) years, is determined as an Independent Director after taking into consideration all the relevant circumstances, including the fact that he resides overseas and he is not directly or indirectly involved in the day-to-day management of the Company or any of its subsidiaries, and the Board believes the independence of N. de S. Deva Aditya is not compromised by virtue of him being a Director of Distilleries Company of Sri Lanka PLC, a subsidiary of the Company and a Director of Aitken Spence PLC, an Associate of the Company.

## 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 as follows;

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

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

### Remuneration Committee

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

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 60.

### Related Party Transactions Review Committee

The Related Party Transactions Review Committee is responsible to the Board of Directors comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive 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 61.

### Investor Relations

One of the prime fundamentals that are prevalent and identified with the Group's sustained success and growth has been the close rapport in investor relations. Given that we are mandated to safeguard and create shareholder wealth and are duty bound to share all Company information with our shareholders at all times in order to nurture sustainable relationships with our stakeholders, we foster effective dialogue and engagement with the relevant stakeholders and the financial community. We strongly believe that it is our strategic management responsibility

to maintain an open line of communication with shareholders and address any concerns or issues that may require discussion or resolution. The designated investor relations officers regularly meet shareholders and fund managers to fuel these long term relationships, providing information and answering any queries. Further, the Group possesses performance measurement tools to ensure that these objectives are met.

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

### Internal Controls

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

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

and the findings of the internal audit divisions at regular intervals.

### Going Concern

After an extensive review of the Group's corporate plan, budgets, capital expenditure requirements and future cash flows, the Board has taken a decision to apply the Going Concern principle in the preparation of the Financial Statements for 2016 / 17. 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.

# CORPORATE GOVERNANCE

## The Company's compliance with the CSE Listing Rules

Section	Applicable Rule	Compliance Status	Details
7.10.1	Non-Executive Directors At least one third of the total number of Directors should be Non- Executive Directors.	Complied	Four out of seven Directors are Non-Executive Directors
7.10.2(a)	Independent Directors Two or one third of Non-Executive Directors, whichever is higher, should be Independent.	Complied	Three out of Four 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 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 44
7.10.3(b)	Disclosure relating to Directors The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied	Please refer page 44
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied	Please refer pages 16 to 17
7.10.3(d)	Disclosure relating to Directors Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	Complied	No new Director was appointed during the year.
7.10.4	Criteria for Defining 'Independence' Selection criteria of Independent Directors of a listed company.	Complied	
7.10.5	Remuneration Committee A listed Company shall have a Remuneration Committee.	Complied	Please refer page 60
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Complied	Two out of three Non-Executive Directors are Independent
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Please refer page 60

Section	Applicable Rule	Compliance Status	Details
7.10.5(c)	<p>Disclosure in the Annual Report</p> <p>The Annual Report should set out;</p> <ul style="list-style-type: none"> <li>i. Names of the Directors comprising the Remuneration Committee.</li> <li>ii. Statement of Remuneration Policy</li> <li>iii. Aggregated remuneration paid to Executive and Non-Executive Directors.</li> </ul>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer page 60</p> <p>Please refer page 60</p> <p>Please refer note 11 to the financial statements</p>
7.10.6	<p>Audit Committee</p> <p>The Company shall have an Audit Committee</p>	Complied	Please refer Audit Committee report on page 58 to 59
7.10.6(a)	<p>Composition</p> <ul style="list-style-type: none"> <li>i. Shall comprise of Non-Executive Directors a majority of whom will be Independent.</li> <li>ii. One Non-Executive Director shall be appointed as Chairman of the committee.</li> <li>iii. Chief Executive Officer and Chief Financial Officer shall attend Committee meetings.</li> <li>iv. The Chairman or one member of the Committee should be a member of a professional accounting body.</li> </ul>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer page 58</p> <p>Please refer page 58</p> <p>Please refer page 58</p> <p>Please refer page 58</p>
7.10.6(b)	<p>Functions</p> <ul style="list-style-type: none"> <li>i. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards</li> <li>ii. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</li> <li>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</li> <li>iv. Assessment of the independence and performance of the entity's external auditors</li> <li>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</li> </ul>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer Audit Committee report on pages 58 to 59</p>

## CORPORATE GOVERNANCE

Section	Applicable Rule	Compliance Status	Details
7.10.6(c)	Disclosure in Annual Report i. The names of the Directors comprising the Audit Committee. ii. Basis of the determination of the Independence of the Auditors. iii. Report by the Audit Committee setting out the manner of compliance by the Company.	Complied  Complied  Complied	Please refer Corporate Governance Report on page 42 and Audit Committee report on pages 58 to 59
9.2.1 & 9.2.3	Related Party Transactions Review Committee	Complied	The functions of the Committee are stated in the Related Party Transactions Review Committee report on page 61.
9.2.2	Composition of the Related Party Transactions Review Committee	Complied	Please refer the Related Party Transactions Review Committee Report on page 61.
9.2.4	Related Party Transactions Review Committee Meetings	Complied	Please refer the Related Party Transactions Review Committee Report on page 61.
9.3.1	Immediate disclosures	Complied	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 35.2.4 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 2016/2017 Financial Statements.
9.3.2(c)	Report by the Related Party Transactions Review Committee	Complied	Report by the Related Party Transactions Review Committee on page 61.
9.3.2 (d)	A declaration by the Board of Directors	Complied	Refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on page 64.

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

<b>Ruling Index</b>	<b>Description of the Ruling</b>	<b>Compliance Status</b>	<b>Details</b>
A.1	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 41.
A.1.1	Regular Board meetings and supply of information.	✓	Please refer Corporate Governance Report on page 42.
A.1.2	Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions.	✓	Please refer Corporate Governance Report, Annual Report of the Board of Directors and Report of Audit Committee for the details.
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	✓	Please refer Annual Report of the Board of Directors on page 62.
A.1.4	Access to advice and services of the Company Secretary	✓	The Company Secretary position is headed by a professionally qualified Company Secretary.
A.1.5	Bring independent judgment on various business issues and standards of business conduct	✓	All Board members actively participate in Board meetings by bringing up their own independent judgment.
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

## CORPORATE GOVERNANCE

Ruling Index	Description of the Ruling	Compliance Status	Details
A. 2	Chairman and Chief Executive Officer		
A.2.1	Justification for combining the roles of the Chairman and CEO.	✓	The positions of Chairman and CEO are separated
A.3	Chairman's role		
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner - effective participation of both Executive and Non-Executive Directors - balance of power between Executive and Non-Executive Directors	✓	Please refer Corporate Governance Report on page 42 for the following details
A.4	Financial Acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	✓	Please refer the Audit Committee report on page 58
A.5	Board Balance		
A.5.1	In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board	N/A	N/A
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non- Executive Directors should be 'Independent'	✓	Board of Directors consists of four Non-Executive Directors, out of which three are Independent. Please refer on page 42
A.5.3	Definition of Independent Directors	✓	Please refer Corporate Governance Report on page 42
A.5.4	Declaration of Independent Directors	✓	Please refer Corporate Governance Report on page 42
A.5.5	Board determinations on Independence or Non-independence of Non-Executive Directors.	✓	Please refer Corporate Governance Report on page 42
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

Ruling Index	Description of the Ruling	Compliance Status	Details
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.
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 63
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	✓	

## CORPORATE GOVERNANCE

Ruling Index	Description of the Ruling	Compliance Status	Details
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 42.
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.	✓	Please refer Remuneration Committee Report on 60.
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors.	✓	
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.	✓	
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.	✓	
B.2.5	Executive share options should not be offered at a discount.	N/A	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 60 and Note 11 to the Financial Statements.

Ruling Index	Description of the Ruling	Compliance Status	Details
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 180 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.		
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 to the Financial Statements.
D.	Accountability and Audit.		
D.1	Financial Reporting.		
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators.	✓	The Board presents a balanced and understandable assessment that extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements complying with regulatory deadlines.
D.1.2	Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary.	✓	Please refer Annual Report of the Board of Directors on page 62.

## CORPORATE GOVERNANCE

Ruling Index	Description of the Ruling	Compliance Status	Details
D.1.3	Statement of Directors Responsibility.	✓	Please refer the Statement of Directors Responsibility on Page 66.
D.1.4	Management Discussion and Analysis.	✓	Please refer Management Discussion and Analysis from page 20 to 28.
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 64.
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.
D.2	Internal Control.		
D.2.1	Annual review of effectiveness of system of Internal Control and report to shareholders as required	✓	Please refer Audit Committee Report on page 58 and Annual Report of the Board of Directors on page 63.
D.2.2	Internal Audit Function	✓	
D.2.3/ D.2.4	Maintaining a sound system of internal control	✓	
D.3	Audit Committee		
D.3.1	The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be Independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board	✓	Please refer Audit Committee Report on pages 58 to 59.
D.3.2	Terms of reference, duties and responsibilities	✓	
D.3.3	The Audit Committee to have written terms of reference covering the salient aspects as stipulated in the section	✓	
D.3.4	Disclosure of Audit Committee membership	✓	

<b>Ruling Index</b>	<b>Description of the Ruling</b>	<b>Compliance Status</b>	<b>Details</b>
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 Corporate Governance Report from page 41 to 53.
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	✓	
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 41 to 53.
E.	Institutional Investors.		
E.1	Shareholder Voting.		
E.1.1	Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives.	✓	Please refer Corporate Governance Report from page 42.
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 42.
F.	Other Investors.		
F. 1	Investing / Divesting Decision.		
F. 1	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.		
F. 2	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 Sustainability Report from page 29 to 40.

# 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 pre-defined 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:
<p>This risk ensues when a Group customer is unable to meet his financial obligations.</p>	<ul style="list-style-type: none"> <li>• Measure, monitor and manage credit risk for each borrower through clear credit approval procedures</li> <li>• Regularly review customer credit ratings and constantly update records to ensure complete awareness of borrower credit status</li> </ul> <p>Please refer financial risk management Note on page 163.</p>
Legal and Regulatory Risk & Implication	Mitigation Strategies
<p>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, insurance and finance 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.</p>	<ul style="list-style-type: none"> <li>• Established a dedicated unit to keep abreast of all policy changes, to manage risk and ensure adherence to all regulations</li> <li>• Recruitment of ex-regulators to senior positions within the Group with the objective to enhance regulatory awareness and increase compliance</li> </ul>
Investment Risk & Implication	Mitigation Strategies
<p>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.</p>	<ul style="list-style-type: none"> <li>• The Managing Director is tasked with tracking returns on Group investments with the assistance of the Head of Finance and Group Financial Controller</li> <li>• Carry out mark to market revaluation of equity portfolios to identify the viability of investments</li> <li>• The Board develops policies and procedures to ensure that new investments and initiatives are subjected to mandatory compliance procedures.</li> <li>• Regular reviews by the Audit Committee and the Internal Audit Division</li> </ul>

# ENTERPRISE RISK MANAGEMENT

## Risk & Implication

Human Risk & Implication	Mitigation Strategies
<p>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.</p>	<ul style="list-style-type: none"> <li>• Maintaining above industry remuneration schemes</li> <li>• Skills upgrading</li> <li>• Professional growth avenues</li> <li>• Performance-based reward systems</li> <li>• Best practices being introduced and upgraded continually</li> <li>• Measures taken to retain and minimise casual / temporary labour turnover.</li> </ul>

## Risk & Implication

Operational Risk & Implication	Mitigation Strategies
<p>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.</p>	<ul style="list-style-type: none"> <li>• A structured internal control framework implemented works through a state of the art MIS system, internal audit mechanism and insurance policies</li> <li>• A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences</li> <li>• Regular meetings are conducted to assess these risks</li> <li>• Contingency plans are in place to minimise work-stop situations</li> <li>• Regular reviews of contingencies and disaster recovery plans</li> <li>• Financial risk arising from operation is covered in financial risk management note.</li> </ul>
Socio-Political Risk & Implication	Mitigation Strategies
<p>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.</p>	<ul style="list-style-type: none"> <li>• Our diversified portfolio of businesses encompasses investments that will not be minimally impacted. The only exception was the enactment of the Revival of Underperforming Enterprises and Underutilised Assets Act that re-acquired land of Pelwatte Sugar Industries PLC.</li> <li>• Here again, the impact was managed and legal redress is being sought.</li> </ul>

## Risk & Implication

Technology Risk & Implication	Mitigation Strategies
<p>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.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Comprehensive backup and recovery systems in place</li> <li>• A robust ERP system is deployed in the Company. Phased implementation of same across Group companies.</li> </ul>
Product Risk & Implication	Mitigation Strategies
<p>Product risk implies any negative impact or perceived impact of our products on stakeholders in general which could decrease our market share.</p>	<ul style="list-style-type: none"> <li>• Employing established operating procedures to review and approve all raw material prior to use, to ensure maintenance of quality control</li> <li>• Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity</li> <li>• Equipping our R &amp; D Team with ample knowledge to field any technical questions about our products</li> <li>• Marketing and distribution procedures have complete control of the supply chain</li> </ul>
Foreign Exchange Risk & Implication	Mitigation Strategies
<p>Foreign exchange risk typically affects the Group companies involve import and/ or export materials, products &amp; services. It also affects investments made in other currencies than in LKR.</p>	<p>Group Treasury has adopted prudent measures to manage the exposure of foreign exchange risk.</p> <ul style="list-style-type: none"> <li>• Matching liabilities with corresponding receipts/ inflows.</li> <li>• Continues monitoring process of Group Foreign exchange position.</li> <li>• Negotiate with financial institutions to hedge possible exposures of Foreign exchange risk.</li> <li>• Monitoring local and international events and news related to economics which can impact exchange rates</li> </ul> <p>Please refer financial risk management note on page 163</p>

# 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. 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. The Assistant Company Secretary functions as the Secretary to the Audit Committee.

## Meetings

The Board Audit Committee met once during the year since the Company's listing in the Colombo Stock Exchange on 30 December 2016. 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 1/1  
Dr. A. N. Balasuriya 1/1  
Mr. D. Hasitha S. Jayawardena 1/1

The Managing Director and Group Financial Controller also attended 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 foreseen 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

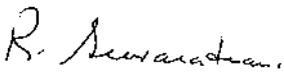
and objectivity and also obtained a written declaration from the Auditors in this regard. The Committee stipulated that the Lead Audit Partner is rotated every seven years. The Audit Committee recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31 March 2018.

### **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

21 August 2017

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee is appointed and responsible to its Board of Directors. It is made 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. V. J. Senaratne, Company Secretary, 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. Remuneration policy of the Company is based on evaluation of personnel on eight criteria. Annual assessment is carried out and increments and incentives are awarded based on the rating/ ranking of each individuals.

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



Dr. Naomal Balasuriya  
Chairman  
Remuneration Committee

21 August 2017

# BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## Composition

The Related Party Transactions Review Committee responsible to the Board of Directors 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. The Managing Director and Group Financial Controller also attend these meetings by invitation when needed.

## Purpose of the Committee

The purpose of the Committee as set out in Appendix 9A of the CSE Listing Rules is to review all related party transactions except for transactions set out in Rule 9.5, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to completion of the transaction.

## Meetings

The Related Party Transactions Review Committee met once during the year. The attendance of the members at the meeting is as follows:

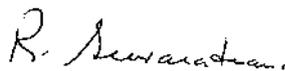
Mr. R. Seevaratnam 1/1  
Dr. A. N. Balasuriya 1/1  
Mr. D. Hasitha S. Jayawardena 1/1

The Committee has reviewed transactions in respect of the financial year as required by the applicable rules / regulations.

## Disclosures

As per the existing practice, related party transactions are disclosed to the stakeholders through the Company's Financial Statements and in order to comply with the rules set out in Appendix 9A of the CSE Listing Rules the Committee will establish its functions with a view of further strengthening the internal procedures and policies with the requirements thereof and relevant disclosures will be made in a timely and detailed manner in future reports.

Related Party Transactions entered into without pre-approval of the Committee, shall not be deemed to violate the Policy, or be invalid or unenforceable, so long as the transaction is brought to the notice of the Committee as promptly as reasonably practical, after it is entered into or after it becomes reasonably evident that the transaction is covered by the Policy.



**R. Seevaratnam**  
Chairman  
Related Party Transactions Review  
Committee

21 August 2017

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 2017. 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 Statements' and 'Management Discussion and Analysis' sections of the Annual Report.

## Group Restructure

During the financial year DCSL PLC ventured into a restructure arrangement under Part 'X' of the Companies Act No.07 of 2007, seeking approval for a share swap that would result in the shareholders of DCSL PLC becoming shareholders of Melstacorp. Consequent to the necessary approval from the Court and approval of the shareholders the share swap was completed during the fourth quarter of 2016. Melstacorp was listed in the Colombo Stock Exchange on 30 December 2016. DCSL PLC together with other subsidiaries are now subsidiaries of Melstacorp PLC

## 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. We are hopeful that the profit earned to be paid as per the Supreme Court Directive will be reimbursed to us as early as possible. Detailed note is given in note 38 to the Financial Statements.

## Pelwatte Sugar Industries PLC (PSIP)

Following the expropriation of the PSIP by the State, the ownership of this property remains unresolved. The Company has not changed its position advocated since the occurrence of this unfortunate 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 39 to the Financial Statements.

## Results and Appropriations

The gross turnover of the Company in the year under review amounted to Rs 193 Mn (2015/16 - Rs. 186 Mn). The profit after tax was Rs. 2,866 Mn (2015/16 - Rs. 1,184 Mn). A dividend for the year ending 31 March 2017 of Rs. 1/- per share was paid on 28 March 2017 and 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 2017 was approved by the Board of Directors on 21 August 2017 are given on pages 68 to 168.

## Audit Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 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 95. 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. 83,686 Mn (2015/16 - Rs. 45,318 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 2017 was Rs. 5.6 Mn (2015/16 - Rs. 5.1 Mn) and Rs. 22,869 Mn (2015/16 - Rs. 22,283 Mn.)

Total capital expenditure during the year for acquisition of property, plant and equipment by the Company and the Group amounted to Rs. 1.66 Mn (2015/16 - Rs. 1 Mn) and Rs. 4,564 Mn (2015/16 - Rs. 6,657 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 2017 was Rs. 89,100 Mn consisting of voting ordinary shares of 1,165,397,072 and non-voting ordinary shares of 1,000. There was a change in the stated capital from Rs. 48,321 Mn to Rs. 89,100 Mn during the year. The total Group Reserves as at 31 March 2017 amounted to Rs 12,430 Mn (2015/16 - Rs. 11,179 Mn) comprising of Capital Reserves of Rs. 7,283 Mn (2015/16 - Rs. 7,030 Mn) and Revenue Reserves & Retained Earnings of Rs. (28,303) Mn (2015/16 - Rs. 7,855 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 40 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 2017 was 19 (2015 /16 - 16).

### Board of Directors

The Board of Directors of the Company as at 31 March 2017 and their brief profiles are given on pages 16 and 17.

### Directors Standing 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 75 and that he be re-elected 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 73 and that he be re-elected 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 2017	March 2016
D. H. S. Jayawardena	Nil	Nil
A. L. Gooneratne	Nil	Nil
C. R. Jansz	Nil	Nil
N. de S. Deva Aditya	Nil	Nil
Capt. K. J. Kahanda (Retd.)	Nil	Nil
Dr. A. N. Balasuriya	Nil	Nil
D. Hasitha S. Jayawardena	7,531,332	Nil
R. Seevaratnam	Nil	Nil

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## 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 166 of the Annual Report.

## Corporate Governance

The Board has ensured that the Company has complied with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. 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.

## 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

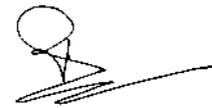
Messrs. KPMG, Chartered Accountants are deemed reappointed, in terms of Section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company. A resolution to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting. Total audit fees paid to Messrs. 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

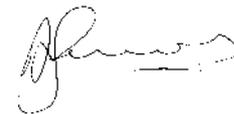
The Annual General Meeting of the Company will be held at the

Sri Lanka Foundation on 21st September 2017 at 10.00 a.m. The Notice of Meeting appears on page 175 of the Annual Report.

For and on behalf of the Board of Directors,



D. H. S. Jayawardena  
Chairman



A. L. Gooneratne  
Managing Director



V. J. Senaratne  
Company Secretary

21 August 2017  
Colombo

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# 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,



V. J. Senaratne  
Company Secretary

21 August 2017

# INDEPENDENT AUDITORS' REPORT



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

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Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
Internet : www.kpmg.com/lk

## TO THE SHAREHOLDERS OF MELSTACORP PLC (PREVIOUSLY KNOWN AS MELSTACORP LIMITED)

### Report on the Financial Statements

We have audited the accompanying financial statements of Melstacorp PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2017, and the income statement, 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 a summary of significant accounting policies and other explanatory information set out on pages 68 to 168 of the annual report.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we

comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then

ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - The financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS  
Colombo

21 August 2017

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA  
T.J.S. Rajakaner FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACMA (UK)

## INCOME STATEMENT

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
<b>Gross revenue</b>	6	108,999,117	88,865,200	193,249	186,314
<b>Net revenue</b>	6	40,193,467	33,840,097	193,249	186,314
Cost of sales, net benefits paid and interest expenses	7	(24,856,774)	(20,822,056)	(6,675)	(6,866)
<b>Gross profit</b>		15,336,693	13,018,041	186,574	179,448
Other operating income	8	1,186,493	1,154,469	3,291,984	1,398,309
Distribution expenses		(1,897,272)	(1,770,814)	-	-
Administrative expenses		(4,505,095)	(3,604,812)	(133,424)	(105,806)
Other operating expenses	9	(368,497)	(350,489)	(1,432,212)	(227,638)
<b>Results from operating activities</b>		9,752,322	8,446,395	1,912,922	1,244,313
Finance income	10.1.1	703,405	402,769	1,425,673	35,743
Finance cost	10.1.2	(1,092,238)	(605,177)	(85,488)	(90,719)
<b>Net finance income/(cost)</b>	10	(388,833)	(202,408)	1,340,185	(54,976)
Share of profit of equity-accounted investees (net of tax)	20.1	1,326,853	748,537	-	-
<b>Profit before income tax expense</b>	11	10,690,342	8,992,524	3,253,107	1,189,337
Taxation	12	(3,890,700)	(3,322,878)	(386,732)	(4,860)
<b>Profit for the year</b>		6,799,642	5,669,646	2,866,375	1,184,477
<b>Profit attributable to:</b>					
Equity holders of the parent		7,335,621	5,963,480	2,866,375	1,184,477
Non controlling interest		(535,979)	(293,834)	-	-
		6,799,642	5,669,646	2,866,375	1,184,477
<b>Basic earnings per share</b>	13.1	6.29	5.12	3.03	4.46
<b>Diluted earnings per share</b>	13.2	6.29	5.12	3.03	4.46

The notes from pages 78 to 168 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
<b>Profit for the year</b>		6,799,642	5,669,646	2,866,375	1,184,477
<b>Other comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Revaluation of property, plant and equipment		327,186	2,842,321	-	19,930
Actuarial gain/(losses) on retirement benefit obligations	31.1	197,234	32,624	311	397
Share of other comprehensive income of equity-accounted investees (net of tax)	20.1	497,717	298,775	-	-
Income tax on other comprehensive income	22.1.1	(48,946)	(386,378)	(87)	(3,850)
		973,191	2,787,342	224	16,477
<b>Items that are or may be reclassified to profit or loss</b>					
Net change in fair value of available for sale financial assets		332,401	(3,473,765)	117,221	(3,245,991)
Reclassification to profit or loss on disposal of AFS investment		(2,922)	-	-	-
		329,479	(3,473,765)	117,221	(3,245,991)
<b>Total other comprehensive income for the year</b>		1,302,670	(686,423)	117,445	(3,229,514)
<b>Total comprehensive income for the year</b>		8,102,312	4,983,223	2,983,820	(2,045,037)
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		8,414,738	5,272,060	2,983,820	(2,045,037)
Non controlling interest		(312,426)	(288,837)	-	-
		8,102,312	4,983,223	2,983,820	(2,045,037)

The notes from pages 78 to 168 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## STATEMENT OF FINANCIAL POSITION

As at 31 March,	Note	Group			Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2015 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
<b>ASSETS</b>						
<b>Non current assets</b>						
Property, plant and equipment	15	22,869,435	22,283,214	18,477,298	5,637	5,059
Intangible assets	16	2,327,053	2,472,672	2,736,603	482	399
Investment property	17	1,431,040	1,195,695	586,095	2,843,652	2,787,910
Biological assets	18	4,139,749	3,914,452	3,551,869	-	-
Investments in subsidiaries	19	-	-	-	43,531,339	11,441,052
Investment in equity accounted investees	20	28,118,731	26,293,943	24,192,237	20,829,353	20,354,900
Other non current financial investments	21	19,733,466	15,588,519	17,523,262	14,390,082	12,638,446
Deferred tax asset	22	859,604	702,452	502,714	1,208	19,888
Finance lease, hire purchases and operating lease receivables	23	1,623,769	1,634,071	868,225	-	-
Advances and other loans	24	526,540	433,724	459,705	-	-
		81,629,387	74,518,742	68,898,008	81,601,753	47,247,654
<b>Current assets</b>						
Inventories	25	7,054,434	6,014,160	4,984,050	918	971
Produce on bearer biological assets	18.3	5,246	1,967	1901	-	-
Trade and other receivables	26	11,273,965	11,279,695	10,092,709	108,392	1,446,128
Finance lease, hire purchases and operating lease receivables	23	1,528,574	931,350	311,999	-	-
Advances and other loans	24	1,400,196	1,840,213	1,224,551	-	-
Amounts due from related companies	35.1.1	130,087	135,133	672,539	2,532,176	201,416
Other current financial investments	21	6,804,148	2,998,528	2,431,815	4,934,910	883,820
Cash and cash equivalents	27	2,092,774	1,588,014	4,072,931	423,469	22,724
		30,289,424	24,789,060	23,792,495	7,999,865	2,555,059
<b>Total assets</b>		<b>111,918,811</b>	<b>99,307,802</b>	<b>92,690,503</b>	<b>89,601,618</b>	<b>49,802,713</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Share capital and reserves</b>						
Stated capital	28	89,100,000	48,320,750	48,320,750	89,100,000	48,320,750
Reserves	29	12,430,172	11,179,054	11,409,745	(2,597,197)	(2,714,418)
Retained earnings/accumulated losses)		(33,449,856)	3,705,758	1,275,285	2,491,925	2,182,800
<b>Equity attributable to owners of the Company</b>		<b>68,080,316</b>	<b>63,205,562</b>	<b>61,005,780</b>	<b>88,994,728</b>	<b>47,789,132</b>
Non controlling interest		3,216,565	3,529,347	3,820,118	-	-
<b>Total equity</b>		<b>71,296,881</b>	<b>66,734,909</b>	<b>64,825,898</b>	<b>88,994,728</b>	<b>47,789,132</b>

As at 31 March,	Note	Group			Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2015 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
<b>Non current liabilities</b>						
Interest bearing loans and borrowings	30	3,436,759	2,831,914	1,776,356	-	-
Deferred tax liabilities	22	2,511,310	2,108,642	1,301,892	103,757	85,174
Employee benefits	31	906,936	1,018,298	949,961	4,316	3,057
Other deferred liabilities	32	236,899	250,494	258,935	-	-
		7,091,904	6,209,348	4,287,144	108,073	88,231
<b>Current liabilities</b>						
Trade and other payables	33	14,322,948	11,997,768	10,211,241	3,357	77,133
Deposit liabilities	34	1,541,694	1,207,074	511,789	-	-
Other deferred liabilities	32	82,653	75,259	56,112	-	-
Amount due to related companies	35.1.2	332,603	294,030	272,403	44,853	1,846,769
Income tax payable		1,484,690	1,095,567	463,460	341,073	-
Interest bearing loans and borrowings	30	12,459,829	9,485,110	7,809,076	-	-
Bank overdrafts	27	3,305,609	2,208,737	4,253,380	109,534	1,448
		33,530,026	26,363,545	23,577,461	498,817	1,925,350
<b>Total liabilities</b>		<b>40,621,930</b>	<b>32,572,893</b>	<b>27,864,605</b>	<b>606,890</b>	<b>2,013,581</b>
<b>Total equity and liabilities</b>		<b>111,918,811</b>	<b>99,307,802</b>	<b>92,690,503</b>	<b>89,601,618</b>	<b>49,802,713</b>
Net assets per share (Rs.)		58.42	238.11	229.82	76.36	180.03

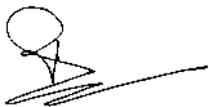
The notes from pages 78 to 168 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

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

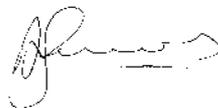


**D. M. Welikandage**  
Finance Manager

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



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



**A. L. Gooneratne**  
Managing Director

Colombo, 21 August 2017

# STATEMENT OF CHANGES IN EQUITY

Group	For the year ended 31 March,	Attributable to equity holders of parent										Total equity			
		Stated capital	Revaluation reserve	Capital reserve	Reserve fund	General reserve	Exchange reserve	Timber reserve	Available for sale reserve	Retained Earnings/ (Accumulated Losses)	Total		Non controlling interest		
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	<b>Balance as at 01 April 2015</b>	48,320,750	858,219	-	5,992	89,024	(5,625)	272,095	460,196	9,700,621	59,701,272	3,816,452	63,517,724		
	Restructuring Adjustments (Note 36)	-	3,693,059	3,048	-	(12,590)	343,463	427,981	5,274,883	(8,427,237)	1,302,607	3,666	1,306,273		
	Other Adjustments (Note 36)	-	-	-	-	-	-	-	-	1,901	1,901	-	1,901		
	<b>Restated Balance as at 1 April 2015 (before Super gain tax)</b>	48,320,750	4,551,278	3,048	5,992	76,434	337,838	700,076	5,735,079	1,275,285	61,005,780	3,820,118	64,825,898		
	Super gain tax (Note A)	-	-	-	-	-	-	-	-	(2,112,069)	(2,112,069)	(108)	(2,112,177)		
	<b>Restated Balance as at 1 April 2015</b>	48,320,750	4,551,278	3,048	5,992	76,434	337,838	700,076	5,735,079	(836,784)	58,893,711	3,820,010	62,713,721		
	<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	5,963,480	5,963,480	(293,834)	5,669,646		
	Profit for the year	-	-	-	-	-	-	-	-	5,963,480	5,963,480	(293,834)	5,669,646		
	<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-	(3,473,662)	-	(103)	(3,473,765)		
	Net change in fair value of available for sale financial assets	-	-	-	-	-	-	-	-	(3,473,662)	-	(103)	(3,473,765)		
	Revaluation of Property, plant and equipment	-	2,842,321	-	-	-	-	-	-	-	2,842,321	-	2,842,321		
	Defined benefit plan actuarial gains (losses) (net of tax)	-	-	-	-	-	-	-	-	26,474	26,474	6,150	32,624		
	Income tax on other comprehensive income	-	(385,418)	-	-	-	-	-	-	90	(385,328)	(1,050)	(386,378)		
	Share of other comprehensive income of equity-accounted investees (net of tax)	-	-	-	-	258,015	-	-	8,543	32,217	298,775	-	298,775		
	<b>Total other comprehensive income for the year</b>	-	2,456,903	-	-	258,015	-	-	(3,465,119)	58,781	(691,420)	4,997	(686,423)		
	<b>Total comprehensive income for the year</b>	-	2,456,903	-	-	258,015	-	-	(3,465,119)	6,022,261	5,272,060	(288,837)	4,983,223		
	<b>Transactions with owners directly recorded in the Equity</b>	-	-	-	-	-	-	-	-	-	-	-	-		
	<b>Contributions by and distributions to owners</b>	-	-	-	-	-	-	-	-	-	-	(1,826)	(1,826)		
	Dividend paid to Non Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	-		
	Share of net assets of equity-accounted investees (net of tax)	-	-	9,089	-	327,534	(3,209)	94,885	-	(413,508)	14,791	-	14,791		
	Dividend paid during the year	-	-	-	-	-	-	-	-	(975,000)	(975,000)	-	(975,000)		
	Transferred from/to retained earnings	-	-	-	3,343	-	-	87,868	-	(91,211)	-	-	-		
	<b>Total contributions by and distributions to owners</b>	-	-	9,089	3,343	327,534	(3,209)	182,753	-	(1,479,719)	(960,209)	(1,826)	(962,035)		
	<b>Balance as at 31 March 2016</b>	48,320,750	7,008,181	12,137	9,335	403,968	592,644	882,829	2,269,960	3,705,758	63,205,562	3,529,347	66,734,909		

Group	Attributable to equity holders of parent											
	Stated capital	Revaluation reserve	Capital reserve	Reserve fund	General reserve	Exchange fluctuation reserve	Timber reserve	Available for sale reserve	Retained Earnings/ (Accumulated Losses)	Total	Non controlling interest	Total 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
For the year ended 31 March,												
Balance as at 01 April 2016	48,320,750	7,008,181	12,137	9,335	403,968	592,644	882,829	2,269,960	3,705,758	63,205,562	3,529,347	66,734,909
<b>Total comprehensive income for the year</b>												
Profit for the year	-	-	-	-	-	-	-	-	7,335,621	7,335,621	(535,979)	6,799,642
<b>Other comprehensive income</b>												
Net change in fair value of available for sale financial assets	-	-	-	-	-	-	-	332,471	-	332,471	(70)	332,401
Reclassification to profit or loss on disposal of AFS investments	-	-	-	-	(2,922)	-	-	(2,922)	-	(2,922)	-	(2,922)
Defined benefit plan actuarial gains (losses) (net of tax)	-	-	-	-	-	-	-	111,149	111,149	111,149	86,085	197,234
Revaluation of Property, plant and equipment	-	161,567	-	-	-	-	-	(27,257)	86,400	497,717	165,619	327,186
Share of other comprehensive income of equity-accounted investees (net of tax)	-	87,019	-	-	351,555	-	-	-	(20,865)	(20,865)	(28,081)	(48,946)
Income tax on other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total other comprehensive income for the year</b>	-	248,586	-	-	351,555	-	-	302,292	176,684	1,079,117	223,553	1,302,670
<b>Total comprehensive income for the year</b>	-	248,586	-	-	351,555	-	-	302,292	7,512,305	8,414,738	(312,426)	8,102,312
Transactions with owners directly recorded in the Equity												
Dividend paid to Non Controlling Interest	-	-	-	-	-	(59)	-	-	22,549	22,490	-	(356)
Share of net assets of equity-accounted investees (net of tax)	-	-	-	-	-	-	-	(2,170,398)	(2,170,398)	(2,170,398)	-	(2,170,398)
Dividend paid during the year (Note 14.1)	-	-	-	-	-	-	-	-	(40,779,250)	-	-	-
Issue of Shares (Note 28)	40,779,250	-	-	-	-	-	-	-	(1,392,076)	(1,392,076)	-	(1,392,076)
Share buy back (Note 26.1)	-	-	-	5,164	306,246	-	37,334	-	(348,744)	-	-	-
Transferred from/to retained earnings	-	-	-	5,164	306,246	(59)	37,334	-	(44,667,919)	(3,539,984)	(356)	(3,540,340)
Total contributions by and distributions to owners	40,779,250	-	-	5,164	306,246	(59)	37,334	-	(44,667,919)	(3,539,984)	(356)	(3,540,340)
Balance as at 31 March 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

**Note A**

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30 October 2015, the Group is liable for Super Gain Tax of Rs.2.1 Billion. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessments which commenced on 1 April 2013. The Act supercedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

The notes from pages 78 to 168 form an integral part of these financial statements. Figures in brackets indicate deductions.

## STATEMENT OF CHANGES IN EQUITY

Company	Stated capital Rs.'000	Revaluation reserve Rs.'000	Available for sale reserve Rs.'000	Retained earnings Rs.'000	Total Equity Rs.'000
Balance as at 01 April 2015	48,320,750	95,500	419,882	1,797,821	50,633,953
Super gain tax paid				(3,434)	(3,434)
Balance as at 01 April 2015 (Adjusted)	48,320,750	95,500	419,882	1,794,387	50,630,519
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	1,184,477	1,184,477
<b>Other comprehensive income</b>					
Net change in fair value of available for sale financial assets	-	-	(3,245,991)	-	(3,245,991)
Actuarial gain/(losses) on retirement benefit obligations	-	-	-	397	397
Revaluation of property, plant and equipment	-	19,930	-	-	19,930
Tax on other comprehensive income	-	(3,739)	-	(111)	(3,850)
<b>Total other comprehensive income for the year</b>	-	16,189	(3,245,991)	286	(3,229,514)
<b>Total comprehensive income for the year</b>	-	16,191	(3,245,991)	1,184,763	(2,045,037)
<b>Transactions with owners directly recorded in the equity</b>					
Dividend paid during the year	-	-	-	(796,350)	(796,350)
<b>Total transactions with the owners of the company</b>	-	-	-	(796,350)	(796,350)
<b>Balance as at 31 March 2016</b>	48,320,750	111,691	(2,826,109)	2,182,800	47,789,132
Balance as at 01 April 2016	48,320,750	111,691	(2,826,109)	2,182,800	47,789,132

Company	Stated capital Rs.'000	Revaluation reserve Rs.'000	Available for sale reserve Rs.'000	Retained earnings Rs.'000	Total Equity Rs.'000
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	2,866,375	2,866,375
<b>Other comprehensive income</b>					
Net change in fair value of available for sale financial assets	-	-	117,221	-	117,221
Actuarial gain/(losses) on retirement benefit obligations	-	-	-	311	311
Tax on other comprehensive income	-	-	-	(87)	(87)
<b>Total other comprehensive income for the year</b>	-	-	117,221	224	117,445
<b>Total comprehensive income for the year</b>	-	-	117,221	2,866,599	2,983,820
<b>Transactions with owners directly recorded in the equity</b>					
Issue of Shares	26,679,250	-	-	-	26,679,250
Issue of shares for share SWAP	14,100,000	-	-	-	14,100,000
Share buy back	-	-	-	(1,392,076)	(1,392,076)
Dividend paid during the year	-	-	-	(1,165,398)	(1,165,398)
<b>Total contributions by and distributions to owners</b>	40,779,250	-	-	(2,557,474)	38,221,776
<b>Balance as at 31 March 2017</b>	89,100,000	111,691	(2,708,888)	2,491,925	88,994,728

As per the provisions of Part II of the Finance Act, No. 10 of 2015 which was certified on 30 October 2015, the Company is liable for Super Gain Tax of Rs. 3.4 Mn. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

The notes from pages 78 to 168 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

## STATEMENT OF CASH FLOWS

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
<b>Cash flow from operating activities</b>					
Profit before tax		10,690,342	8,992,524	3,253,107	1,189,337
<b>Adjustments for;</b>					
Gain on disposal of property, plant and equipment		(27,627)	(36,803)	(1)	
Depreciation of property, plant and equipment		1,880,362	2,109,214	1,018	1,259
Provision for retirement benefit obligation		171,800	173,951	1,569	1,033
Provision/ (reversal) for inventories		(149,752)	(156,075)		-
Provision/(reversal) of bad & doubtful debts and impairment of loans and advances		102,608	250,712		-
Share of profit of equity-accounted investees, net of tax		(1,326,853)	(748,537)		-
Amortisation of biological assets		43,739	39,597		-
Amortisation of intangible assets		309,145	285,157	209	-
Amortisation of deferred grants & subsidies		(11,057)	(11,275)		-
Loss on revaluation of property, plant and equipment		-	222,570		227,638
(Gain)/loss on change in fair value of financial assets at fair value through profit or loss		(65,772)	(69,940)	(17,758)	(15,150)
(Gain)/loss on disposal of fair value of financial assets at fair value through profit or loss		10,443			
Deffered income recognised		(97,965)	(74,690)		-
(Profit)/loss on sale of subsidiaries, associates and quoted shares		-	(20,263)		-
(Gain)/loss on translation of foreign currency			48,133		-
Dividend income		(809,750)	(661,474)	(1,340,363)	(1,271,780)
(Gain)/loss on change in fair value of biological assets		(18,839)	(89,669)		-
Goodwill impairment		255,446	-		-
Gain on disposal of available-for-sale financial assets transferred from equity		(12,668)	-		-
Gain on liquidation of share trust		(28,562)	-	(28,562)	-
Gain on re-purchase of shares by subsidiaries		-	-	(1,922,500)	-
Fair value gain on investment property		-	(86,912)		(126,498)
Provision for impairment of subsidiaries		-	-	1,432,212	-
Interest income		(634,311)	(312,881)	(1,407,914)	(20,593)
Interest expense		1,123,116	625,472	85,488	90,719
<b>Operating profit/(loss) before working capital changes</b>		<b>11,403,845</b>	<b>10,478,811</b>	<b>56,504</b>	<b>75,965</b>
(Increase)/decrease in inventories		(890,522)	(874,035)	52	(15)
(Increase)/decrease in receivables		(1,700,113)	(4,049,940)	(31,408)	624,442
Increase/(decrease) in payables		2,659,815	2,481,140	(73,771)	(216)
(Increase)/decrease in related party receivables / payables		43,619	559,033	44,111	(203,959)
<b>Cash flows generated from/(used in) operations</b>		<b>11,516,644</b>	<b>8,595,009</b>	<b>(4,512)</b>	<b>496,217</b>
Interest paid		(328,429)	(461,077)	(466)	-
Income tax paid		(3,305,021)	(4,463,144)	(2,854)	(26,553)
Retiring gratuity paid		(85,928)	(72,990)		-
Dividends received		1,306,475	996,600	1,340,363	1,271,780
<b>Net cash flows generated from/(used in) operations</b>		<b>9,103,741</b>	<b>4,594,396</b>	<b>1,332,531</b>	<b>1,741,444</b>

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
<b>Cash flow from investing activities</b>					
Acquisition of property, plant and equipment		(3,809,223)	(3,259,007)	(57,698)	(1,467)
Acquisition of investment property		(73,745)	(445,487)		(375,797)
Additions to biological assets		(253,477)	(312,574)		-
Net proceeds from disposal of afs		-	91,361		-
Investment in equity accounted investees		(474,453)	(840,694)	(474,453)	(766,212)
Proceeds from sale of property, plant and equipment		1,535,853	56,458	66	-
Interest received		634,311	312,881	226,794	20,593
Investment in subsidiary companies		-	-	(20,000,000)	-
Net proceeds from disposal / (acquisition) of other financial investments		(7,553,091)	(2,175,675)	(5,667,746)	(1,163,540)
Loans disbursed to subsidiaries and associates				(561,370)	(200,000)
Proceeds from settlement of loans given to subsidiaries				24,863,171	
Proceeds received from repurchase of shares by subsidiaries				2,500,000	
Acquisition of intangible assets		(418,971)	(20,559)		-
<b>Net cash flows generated from/(used in) investing activities</b>		<b>(10,412,796)</b>	<b>(6,593,296)</b>	<b>828,764</b>	<b>(2,486,423)</b>
<b>Cash flow from financing activities</b>					
Cash received from DCSL PLC in terms of shares				1,534,162	2,603,691
Cash transferred to DCSL PLC				(2,237,400)	(1,068,168)
Acquisition of non controlling interests		-	-		-
Principle repayments under lease liabilities		(36,743)	(41,670)		-
Proceeds from long term interest bearing loans and borrowings		5,512,730	4,559,866		-
Repayments of long term interest bearing loans and borrowings		(2,631,966)	(1,810,033)		-
Dividend paid		(2,170,398)	(970,193)	(1,165,398)	(796,350)
Dividends paid by subsidiaries to minority shareholders		(356)	(1,826)		-
Interest paid		(794,687)	(164,395)		
Receipt of deferred income		102,821	96,671		-
<b>Net cash flows generated from/(used in) financing activities</b>		<b>(18,599)</b>	<b>1,668,420</b>	<b>(1,868,636)</b>	<b>739,173</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,327,654)</b>	<b>(330,480)</b>	<b>292,659</b>	<b>(5,806)</b>
Cash and cash equivalents at the beginning of the year		(7,489,621)	(7,159,141)	21,276	27,082
Cash and cash equivalents at the end of the year		(8,817,275)	(7,489,621)	313,935	21,276
<b>Analysis of cash and cash equivalents at the end of the year</b>					
Short term deposits	27.1	949,389	616,312	4,358	3,975
Cash at bank	27	972,029	856,821	418,961	18,599
Cash in hand	27	74,544	30,774	150	150
Cash in transit	27	96,812	84,107	-	-
Other short term borrowings	30	(7,604,440)	(6,868,898)	-	-
Bank overdraft	27	(3,305,609)	(2,208,737)	(109,534)	(1,448)
		(8,817,275)	(7,489,621)	313,935	21,276

The notes from pages 78 to 168 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Reporting Entity

#### 1.1. Domicile & Legal Form

Melstacorp PLC, previously known as Melstacorp Limited (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 at No.110, Norris Canal Road, Colombo 10.

On 21 January 2011, name of Beruwala Distillery (Private) Limited was replaced with the name of Melstacorp (Private) Limited and the Company has changed its status to 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 2017 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 subsidiaries.

#### 1.2.2. Subsidiaries

	Name of Subsidiary	Principal Activities
1	Distilleries Company of Sri Lanka PLC	Distillation, Manufacture and Distribution of Liquor Products.
2	Balangoda Plantations PLC	Cultivation and processing of Tea & Rubber
3	Bellvantage (Pvt) Ltd	BPO, KPO & Software Development
4	Bogo Power (Pvt) Ltd	Generation and sale of Hydro Electric Energy
5	Browns Beach Hotel PLC	Leisure
6	Continental Insurance Lanka Limited	General Insurance Services
7	Melsta Logistics (Pvt) Ltd	Automobile Servicing and Logistics
8	Melsta Regal Finance Ltd	Finance, Leasing, Hire Purchasing and Factoring
9	Milford Holdings (Pvt) Ltd	Investment Holding Company
10	Periceyl (Pvt) Ltd	Distribution of locally manufactured Foreign Liquor
11	Splendor Media (Pvt) Ltd	Media Buying & Creative Services
12	Timpex Ltd	Investment Holding Company
13	Melsta Properties (Pvt) Ltd	Management of Real Estate
14	Melsta Tower (Pvt) Ltd.	Condominium Properties.
15	Melsta Technologies (Pvt) Ltd.	Technology, Consulting & Outsourcing Services
16	Lanka Bell Ltd	Telecommunication Services
17	Texpro Industries Ltd	Dyeing and Printing Woven Fabrics
18	Negombo Beach Resorts (Pvt) Ltd	Leisure
19	Bell Solutions (Pvt) Ltd	Information & Communication Technology
20	Telecom Frontier (Pvt) Ltd	Telecommunication Services

#### 1.2.3. Associates

	Name of Associates	Principal Activities
1	Madulsima Plantations PLC	Cultivation and processing of tea
2	Aitken Spence PLC	Diversified holdings

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 (Pvt) 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 (ICASL) 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 of the Company is responsible for the preparation and presentation of Consolidated 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 of the Company for the year ended 31 March 2017 were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 21 August 2017.

### 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
Defined benefit obligation	Actuarially valued and recognised at present value of the defined benefit obligation
Available for sale financial assets	Fair Value
Fair Value Fair value through profit or loss financial assets	Fair Value
Consumable Biological Assets	Fair Value less costs to sell

### 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

## NOTES TO THE FINANCIAL STATEMENTS

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 bad and doubtful debts.

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

Amendments to LKAS 16 - "Property, Plant and Equipment" and LKAS 1 - "Agriculture", require an entity

to recognise agricultural produce growing on Bearer Plants at fair value less costs to sell separately from its bearer plants prior to harvest. After initial recognition, changes in the fair value of such agricultural produce growing on Bearer Plants shall recognise in profit or loss at the end of each reporting period.

Accordingly, the Group has applied these amendments retrospectively in the consolidated financial statements as detailed in the note 36.

#### 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 2017 other than Periceyl (Pvt) Ltd, Continental Insurance Lanka Limited 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 acquiree; 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 determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

### 3.4 Statement of Financial Position

#### 3.4.1 Property, Plant & Equipment

##### 3.4.1.1 Freehold Assets

###### a. Recognition

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

###### b. Measurement

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

The cost of property, plant & equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, 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

## NOTES TO THE FINANCIAL STATEMENTS

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 years
Plant, Machinery & Equipment	10 years
Vats & Casks	10 years
Oil Storage Tanks	10 years
Computers	03 years
Motor Vehicles	04 years
Empty Drums	02 years
Kitchen Equipment	10 years
Soft Furnishing, Crockery, Cutlery and Glassware	05 years
Furniture, fittings, office equipment & fire fighting equipments	10 years

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 for 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.

An impairment loss in respect of goodwill is not reversed.

#### 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 Non-derivative Financial Assets

The Group recognises a financial asset in its Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

## NOTES TO THE FINANCIAL STATEMENTS

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets are initially recognised on the trade date.

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group has following non derivative financial assets: Fair value through profit or loss, Loans and receivables, Held to Maturity and Available for sale.

a. Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sales decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial

assets at fair value through profit or loss are measured at fair value, and changes therein, including any interests or dividend income, are recognised in profit or loss.

Fair value through profit or loss comprise trading portfolio of the Group which includes investment in quoted shares and share warrants.

b. Loans and Receivables  
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables comprise trade receivables, amounts due for related parties, trust certificates, short term deposits and cash and cash equivalents.

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

c. Held to Maturity  
If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held to Maturity

financial assets are recognised initially at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using effective interest method, less any impairment losses.

Held to Maturity financial assets comprise debt securities.

d. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When these assets are derecognised, the gain or loss accumulated in available for sale reserve is reclassified to profit or loss.

Available- for-sale financial assets comprise of investment in unquoted shares and unit trust and quoted shares purchased for long term investment purpose.

### 3.4.7.2 Non- derivative Financial Liabilities

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise of interest bearing loans, trade and other payables and bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

a. De-recognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

### 3.4.8 Impairment

#### 3.4.8.1 Financial Assets

A financial asset not classified as fair value through profit or loss including and interest in equity accounted investee are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that can be estimated reliably.

Objective evidence that financial assets are impaired can include 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, 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 and held-to-maturity financial assets) at both

a specific asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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 recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### Available-for-Sale Financial Assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The

amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

### 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 from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Rental Income is recognised in profit and loss as it accrues.

Gains and losses on the disposal of investments held by the Group have been accounted for in the Statement of profit or loss.

Gains and losses on the disposal of property, plant & equipment are determined by comparing the net sales proceeds with carrying amount. These are included in profit and loss.

#### 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.

## NOTES 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. Prior year balances have been restated to reflect the effect of restructuring of companies (DCSL & MC) and amendments to LKAS 16-"Property Plant and Equipment" and LKAS 41-"Agriculture" as detailed in note 36

### 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 fertilizing, 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 18.4.

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 species 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 species 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 the further development of immature areas are deducted
Discount rate	Future cash flows are discounted at following discount rates: Timber trees 13%

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:

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### 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 non-financial variable that the variable is not specific to a party to the contract.

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

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

### 3.13.2 Deferred Acquisition Costs (DAC)

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

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

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

### 3.13.3 Reinsurance

The Group cedes insurance risk in the normal course of business to recognised 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.

## NOTES TO THE FINANCIAL STATEMENTS

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 prorata 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

## NOTES TO THE FINANCIAL STATEMENTS

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 1 January 2018. Accordingly, the Group has not applied the following new standards in preparing these consolidated financial statements.

### SLFRS 9-Financial Instruments

SLFRS 9 - "Financial Instruments" replaces the existing guidance in LKAS 39 - Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

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

A Group shall apply this SLFRS to all items within the scope of LKAS 39 "Financial Instruments: Recognition and Measurement".

### SLFRS 15 - Revenue Recognition from Customer Contracts

SLFRS 15 - "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance LKAS 18- "Revenue", LKAS 11- "Construction Contracts".

SLFRS 15 is effective for annual reporting period beginning on or

after 1 January 2018, with early adoption permitted.

### SLFRS 16- Leases

SLFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. It replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases– Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

The Group is assessing the potential impact to the financial statements resulting from the application of SLFRS 16.

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Operating segment information

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

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

#### 5.1 Segment revenues

For the year ended 31 March,	2017 Rs.'000	2016 Rs.'000 (Restated)
Beverages	99,037,262	79,231,340
Plantation	2,266,657	2,413,055
Telecommunication	2,955,960	3,286,251
Financial services	2,745,266	2,031,204
Diversified	1,993,972	1,903,350
<b>Total gross revenue</b>	<b>108,999,117</b>	<b>88,865,200</b>
<b>Direct turnover related taxes</b>	<b>(68,805,650)</b>	<b>(55,025,103)</b>
<b>Total net revenue</b>	<b>40,193,467</b>	<b>33,840,097</b>

#### 5.2 Segment profits

For the year ended 31 March,	2017 Rs.'000	2016 Rs.'000 (Restated)
Beverages	10,279,401	8,390,759
Plantation	(342,721)	(430,388)
Telecommunication	(1,286,696)	(642,417)
Financial services	300,522	233,568
Diversified	412,984	692,465
	9,363,490	8,243,987
Share of profit of equity-accounted investees (net of tax)	1,326,853	748,537
<b>Profit before income tax expense</b>	<b>10,690,342</b>	<b>8,992,524</b>
Taxation	(3,890,700)	(3,322,878)
<b>Profit for the year</b>	<b>6,799,642</b>	<b>5,669,646</b>

### 5.3 Other segmental information

	Beverages		Telecommunication		Plantation		Financial Services		Diversified		Eliminations/other consolidated adjustments		Group Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
For the year ended 31 March,														
Purchase of PPE	135,721	715,795	3,095,383	2,237,134	13,968	143,895	123,058	52,276	441,093	2,105,217	(547,998)	3,809,223	4,706,319	
Additions to intangible assets	-	-	408,165	-	-	-	8,830	19,204	1,976	1,355	-	418,971	20,559	
Depreciation of PPE	545,774	506,322	882,744	1,237,122	58,697	59,893	35,316	25,789	417,699	239,956	(59,868)	1,880,362	2,109,214	
Amortisation and of intangible assets	8,283	8,283	289,454	263,253	-	-	9,447	12,608	1,961	1,013	-	309,145	285,157	
Interest expense	1,691,825	350,477	402,823	195,100	205,563	123,711	-	-	416,384	124,332	(1,594,144)	1,123,116	625,472	

	Beverages		Telecommunication		Plantation		Financial Services		Diversified		Eliminations/other consolidated adjustments		Group Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
As at 31 March,														
Total assets	25,253,781	72,499,463	8,431,110	7,823,121	5,978,517	5,752,084	9,433,220	8,139,908	105,626,595	65,345,809	(42,804,412)	111,918,811	99,307,802	
Total liabilities	22,482,788	16,914,727	6,511,155	4,645,187	3,879,018	3,463,391	6,861,903	5,828,273	5,064,962	5,441,151	(4,177,896)	40,621,930	32,572,893	
Retirement benefit obligations	126,888	131,092	34,058	75,208	677,584	757,903	19,646	14,151	48,760	39,944	-	906,936	1,018,298	
Deferred tax assets	50,755	52,357	371	417	481,762	405,119	190,477	121,001	136,239	123,558	-	859,604	702,452	
Deferred tax liabilities	1,264,202	989,828	105	166	486,683	450,873	166,660	101,428	302,758	185,948	290,902	2,511,310	2,108,642	
Income tax payable	1,039,079	1,046,823	1,309	3,628	15,328	15,958	16,389	7,851	412,585	21,307	-	1,484,690	1,095,567	

### 5.4 Segmental cash flows

	Beverages		Telecommunication		Plantation		Financial Services		Diversified	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
As at 31 March,										
Operating cash flow	8,510,914	1,616,592	687,065	713,864	(5,717)	(182,219)	519,911	(873,734)	2,825,534	1,687,357
Investing cash flow	(27,725,867)	819,712	(2,124,196)	(1,313,402)	(441,322)	(263,388)	(441,322)	(234,760)	(6,099,827)	(6,413,772)
Financing cash flow	17,077,551	(1,070,193)	994,996	137,228	211,938	291,784	(556,107)	851,580	1,123,761	2,522,113
	(2,137,402)	1,366,111	(442,135)	(462,310)	(57,167)	(331,757)	(270,956)	1,329,817	(2,150,532)	(2,204,302)

## NOTES TO THE FINANCIAL STATEMENTS

### 6 Revenue

For the year ended 31 March,	Group					
	2017			2016 (Restated)		
	Gross revenue	Direct turnover related taxes	Net revenue	Gross revenue	Direct turnover related taxes	Net revenue
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of goods	102,152,963	(68,805,650)	33,347,313	82,860,198	(55,025,103)	27,835,095
Rendering of services	6,846,154	-	6,846,154	6,005,002	-	6,005,002
<b>Total</b>	<b>108,999,117</b>	<b>(68,805,650)</b>	<b>40,193,467</b>	<b>88,865,200</b>	<b>(55,025,103)</b>	<b>33,840,097</b>

For the year ended 31 March,	Company					
	2017			2016		
	Gross revenue	Direct turnover related taxes	Net revenue	Gross revenue	Direct turnover related taxes	Net revenue
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rendering of services	193,249	-	193,249	186,314	-	186,314
<b>Total</b>	<b>193,249</b>	<b>-</b>	<b>193,249</b>	<b>186,314</b>	<b>-</b>	<b>186,314</b>

#### 6.1 Business segment analysis

For the year ended 31 March,	2017			2016 (Restated)		
	Sale of goods	Rendering of services	Total revenue	Sale of goods	Rendering of services	Total revenue
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Beverages	30,231,612	-	30,231,612	24,206,237	-
Plantation	2,266,657	-	2,266,657	2,413,055	-	2,413,055
Telecommunication	-	2,955,960	2,955,960	-	3,286,251	3,286,251
Financial Services	-	2,745,266	2,745,266	-	2,031,204	2,031,204
Diversified	849,044	1,144,928	1,993,972	1,215,803	687,547	1,903,350
	<b>33,347,313</b>	<b>6,846,154</b>	<b>40,193,467</b>	<b>27,835,095</b>	<b>6,005,002</b>	<b>33,840,097</b>

### 7 Cost of sales, net benefits paid and interest expenses

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

## 8 Other operating income

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
			(Restated)		
Gain on change in fair value of biological assets		18,839	89,669	-	-
Government grants		11,057	11,275	-	-
Gain on sale of property, plant and equipment		27,627	36,803	1	-
Fees and commission income		43,019	32,652	-	-
Rent income		91,417	70,355	-	-
Sale of timber		-	17,313	-	-
Other income		143,554	127,737	558	31
Dividend income from subsidiary companies		-	-	134,990	376,067
Dividend income from equity accounted investees		-	-	496,725	334,753
Dividend income on available-for-sale financial assets		734,444	618,853	651,452	537,670
Dividend income from fair value through profit and loss investments		75,306	42,621	57,196	23,290
Gain on disposal of fair value through profit and loss investments		-	19,609	-	-
Gain on disposal of available-for-sale financial assets transferred from equity		12,668	654	-	-
Gain from changes in fair value of investment properties		-	86,912	-	126,498
Gain on liquidation of share trust		28,562	-	28,562	-
Gain on re-purchase of shares by subsidiaries	19.7	-	-	1,922,500	-
Reversal of impairment of doubtful debts		-	16	-	-
		1,186,493	1,154,469	3,291,984	1,398,309

## 9 Other operating expenses

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Impairment on loans and other advances		(102,608)	(127,919)	-	-
Loss on disposal of fair value through profit and loss investments		(10,443)	-	-	-
Impairment of investment in subsidiaries	19.6	-	-	(1,432,212)	-
Impairment of goodwill	19.6	(255,446)	-	-	-
Loss on revaluation of property, plant and equipment		-	(222,570)	-	(227,638)
		(368,497)	(350,489)	(1,432,212)	(227,638)

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Finance income and finance costs

#### 10.1 Recognised in profit and loss

##### 10.1.1 Finance income

For the year ended 31 March,	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Interest income on unimpaired held-to-maturity investments	15,451	4,394	-	-
Interest income on available-for-sale financial assets	195,343	50,495	3,931	-
Interest income on loans and receivables	423,517	257,992	1,403,983	20,593
Foreign exchange gain	2,353	3,599	-	-
Gain on change in fair value of financial assets at fair value through profit or loss	66,741	86,289	17,759	15,150
	703,405	402,769	1,425,673	35,743

##### 10.1.2 Finance cost

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Interest expense on financial liabilities measured at amortised cost					
Interest on related party current accounts		-	-	(85,488)	(90,719)
Interest expense on long term borrowings		(765,241)	(135,957)	-	-
Interest expense on bank overdrafts and other short term borrowings		(328,429)	(461,077)	-	-
Interest expense on finance leases		(665)	(591)	-	-
Government lease interest (JEDB/SLSPC)		(28,781)	(27,847)	-	-
Foreign exchange loss		(56,742)	(51,732)	-	-
Loss on change in fair value of financial assets at fair value through profit or loss		(969)	(16,349)	-	-
Preference share dividends (10.4)		(1,265)	(1,265)	-	-
		(1,182,092)	(694,818)	(85,488)	(90,719)
Less: Borrowing cost capitalised		89,854	89,641	-	-
		(1,092,238)	(605,177)	(85,488)	(90,719)
<b>Net finance costs recognised in profit or loss</b>		<b>(388,833)</b>	<b>(202,408)</b>	<b>1,340,185</b>	<b>(54,976)</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 11 Profit before income tax expense

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

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Remuneration to executive directors		118,041	117,838	44,478	37,417
Auditor's remuneration					
Audit - KPMG		11,300	10,682	650	638
- Other auditors		7,300	4,643	-	-
Non-audit		13,041	4,374	-	-
Management fees		27,008	26,708	-	-
Personnel costs	11.1	4,552,638	4,364,484	46,310	46,150
Depreciation and amortisation					
Depreciation of property plant and equipment	15	1,880,362	2,131,541	1,018	1,113
Amortisation of intangible assets	16	309,145	285,157	209	146
Amortisation of bearer biological assets	18.1/18.12	43,739	39,597	-	-
Gain on change in fair value of biological assets		18,839	89,669	-	-
Provision /(reversal) for bad & doubtful debts		(162,708)	119,655	-	-
Provision /(reversal) for inventories		(149,752)	(156,075)	-	-
Donations		6,490	3,812	257	544
Direct operating expenses arisen from investment properties		12,370	10,318	6,675	6,867

#### 11.1 Personnel costs

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Salaries, wages and other benefits		4,009,113	3,830,213	40,843	41,589
Employee benefits					
Defined contribution plans- EPF and ETF		371,726	360,320	3,898	3,528
Defined benefit plans	31.1.1	171,800	173,951	1,569	1,033
<b>Total</b>		<b>4,552,638</b>	<b>4,364,484</b>	<b>46,310</b>	<b>46,150</b>

#### 11.1.1 Number of employees

As at 31 March,	Group		Company	
	2017	2016	2017	2016
Number of employees	11,976	12,692	19	16
	11,976	12,692	19	16

## 12 Taxation

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Income tax expense	12.1	3,890,700	3,322,878	386,732	4,860
		3,890,700	3,322,878	386,732	4,860

### 12.1 Income tax expense

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Current tax expense	12.1.1	3,694,144	3,102,245	349,557	3,733
Deferred tax charged/(credited)	22.1.1	196,556	220,633	37,175	1,127
		3,890,700	3,322,878	386,732	4,860

#### 12.1.1 Current tax expense

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Current tax charge	12.1.1.2	3,687,712	3,054,972	349,557	3,748
(Over)/under provision of current tax in respect of previous years		(7,081)	6,376	-	(15)
10% Withholding tax on inter-company dividend		13,513	40,897	-	-
		3,694,144	3,102,245	349,557	3,733

## NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Profit before income tax expense		10,690,342	8,992,524	3,253,107	1,189,337
Share of results of equity accounted investees		(1,326,853)	(748,537)	-	-
Dividend income from group companies		632,345	1,507,543	-	-
Other consolidation adjustments		(847,464)	544,563	-	-
		9,148,370	10,296,093	3,253,107	1,189,337
Exempt (profits)/loss		1,717,294	395,807	-	-
<b>Profit before income tax after adjusted</b>		<b>10,865,664</b>	<b>10,691,900</b>	<b>3,253,107</b>	<b>1,189,337</b>
(-) Income not subject to tax		(3,871,202)	(3,066,932)	(3,471,387)	(1,413,428)
(-) Income from other sources		(2,214,924)	(561,548)	(1,407,914)	(20,593)
(+) Disallowable expenses		5,037,544	2,033,789	1,606,003	236,050
(-) Allowable expenses	12.1.4	(2,808,964)	(2,729,828)	(71,333)	(66,547)
(+) Tax loss incurred		895,046	1,002,994	91,524	75,181
Tax profit from business		7,903,164	7,370,341	-	-
Tax profit from business		7,903,164	7,370,341	-	-
(+) Income from other sources		2,214,969	561,548	1,407,914	20,593
(-) Tax losses utilised	12.1.4	(216,341)	(89,117)	(159,497)	(7,208)
Taxable income		9,901,792	7,842,772	1,248,417	13,385
Income tax at,					
40%		3,051,882	2,867,442	-	-
28%		635,830	187,530	349,557	3,748
Total current tax charge		3,687,712	3,054,972	349,557	3,748
Average statutory income tax rate (%)		37.24%	38.95%	28.00%	28.00%

The corporate income tax applicable to companies within the Group excluding those that are enjoying a tax holiday or a concessionary rate of tax as referred to below, is 28% and 40%.

### 12.1.2 Effective tax rate

For the year ended 31 March,	Notes	Group		Company	
		2017	2016	2017	2016
		%	%	%	%
		(Restated)			
	12.1.2.1	33.94%	28.57%	10.75%	0.32%

### 12.1.2.1 Reconciliation of effective tax rate

For the year ended 31 March,	Group			
	2017		2016	
	Rs.000	%	Rs.000	%
			(Restated)	
Profit before income tax after adjustments	10,865,664		10,691,900	
Income tax expense at the average statutory income tax rate	4,046,865	37.24%	4,164,784	38.95%
Income not subject to tax	(1,441,811)	-13.27%	(1,194,653)	-11.17%
Income from other sources		0.00%	-	0.00%
Disallowable expenses	1,876,062	17.27%	792,209	7.41%
Allowable expenses	(1,046,185)	-9.63%	(1,063,342)	-9.95%
Tax losses incurred	333,356	3.07%	390,687	3.65%
Tax losses utilised	(80,575)	-0.74%	(34,713)	-0.32%
Current tax expense	3,687,712	33.94%	3,054,972	28.57%

For the year ended 31 March,	Company			
	2017		2016	
	Rs.000	%	Rs.000	%
Profit before income tax after adjustments	3,253,107		1,189,337	
Income tax expense at the average statutory income tax rate	910,871	28.00%	333,014	28.00%
Income not subject to tax	(971,989)	-29.88%	(395,760)	-33.28%
Disallowable expenses	449,681	13.82%	66,094	5.56%
Allowable expenses	(19,973)	-0.61%	(18,633)	-1.57%
Tax losses incurred	25,627	0.79%	21,051	1.77%
Tax losses utilised	(44,659)	-1.37%	(2,018)	-0.17%
Current tax expense	349,557	10.75%	3,748	0.32%

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

The tax liabilities of the companies are computed at the standard rate of 28% on non liquor business and 40% on liquor business except for the following companies which enjoy exemptions and concessions.



## 13 Basic earnings per share

### 13.1 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of shares outstanding during the year.

For the year ended 31 March,	Group		Company	
	2017	2016	2017	2016
				(Restated)
Profit attributable to equity holders of the company (Rs.'000)	7,335,621	5,963,480	2,866,375	1,184,477
Weighted average numbers of ordinary shares	1,165,398,072	1,165,398,072	946,960,573	265,450,000
Basic earnings per share (Rs.)	6.29	5.12	3.03	4.46

### 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 31 March,	Group			
	2017		2016	
	Per share	Total	Per share	Total
		Rs.'000		Rs.'000
Final dividend DCSL PLC (Sep - 2016)	3.35	1,005,000	3.25	975,000
Final dividend Melstacorp PLC (March - 2017)	1.00	1,165,398	-	-
		2,170,398		975,000

### 14.2 Equity dividend on ordinary shares declared during the year

For the year ended 31 March,	Company			
	2017		2016	
	Per share	Total	Per share	Total
		Rs.'000		Rs.'000
Final dividend	1.00	1,165,398	-	-
		1,165,398		-

The Directors recommended and paid a final dividend of Rs.1/- per share for the year ended 31 March 2017 on 28 March 2017.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors have satisfied the solvency test in accordance with Section 57. A statement of solvency completed and duly signed by the directors has been audited by Messrs. KPMG.

However, for the purpose of computing dividend per share, the final dividend to be approved has been taken into consideration.

## NOTES TO THE FINANCIAL STATEMENTS

### 15 Property, plant and equipment

Group	At the beginning of the year	Additions during the year		Cost or valuation		Disposals/ transfers		At the end of the year		Accumulated depreciation and impairment		Carrying value		
		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
Freehold	Note	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	As at 31 March 2015
Land	15.2	6,502,881	-	195,250	-	6,698,131	-	-	-	-	-	6,698,131	6,502,881	4,864,983
Land improvements		115,716	-	-	-	115,716	-	-	-	-	-	115,716	77,291	83,062
Buildings	15.2	4,205,180	267	45,388	3,367,194	7,618,028	431,463	(86,548)	287,933	(86,548)	6,985,180	3,773,717	2,654,942	
Buildings constructed on leasehold land		-	-	-	-	-	-	-	-	-	-	-	-	-
Civil constructions		678,298	797	-	-	679,095	127,436	-	33,915	-	161,351	517,744	550,862	566,648
Plant, machinery & other equipment		5,395,589	34,079	-	1,286,396	6,716,064	2,456,568	407,602	-	(3,951)	2,860,219	3,855,845	2,939,021	3,232,682
Motor vehicles		1,092,655	249,062	-	(59,466)	1,282,251	792,383	179,165	-	(47,936)	923,612	358,639	300,272	351,223
Furniture, fittings & office equipment		1,206,354	95,038	-	140,967	1,442,359	1,019,213	73,870	-	(22,557)	1,070,526	371,833	187,141	187,825
Computer equipment & software		279,179	13,584	-	(28,185)	264,578	215,857	22,559	-	(27,869)	210,547	54,031	63,322	53,790
Electro mechanical equipment		299,785	-	-	-	299,785	59,932	14,989	-	-	74,921	224,864	239,853	254,842
Digital electronic switches		1,116,198	-	-	-	1,116,198	872,368	86,415	-	-	958,783	157,415	243,830	349,763
Network equipment		2,091,100	2,964	-	(2,417)	2,091,647	1,748,674	121,820	-	(2,417)	1,868,077	223,570	342,426	493,930
Towers		929,496	3,122	-	-	932,618	686,123	73,695	-	-	759,818	172,800	243,373	312,095
Customer premise equipment		3,436,721	916,578	-	(736,585)	3,616,714	2,931,553	364,787	-	(655,320)	2,641,020	975,694	505,168	467,374
Roads and bridges		-	-	-	-	-	-	-	-	-	-	-	-	-
Settler zone infrastructure		-	-	-	-	-	-	-	-	-	-	-	-	-
Water sanitation		60,732	-	-	-	60,732	44,288	2,686	-	-	46,974	13,758	16,444	19,292
Shelters and other equipment		529,044	2,990	-	(20)	532,014	520,277	4,208	-	(5)	524,480	7,534	8,767	10,215
FLAG project		40,803	-	-	-	40,803	37,255	760	-	-	38,015	2,788	3,548	3,471
LTE Project		711,184	373,668	-	(1,551)	1,083,301	173,649	166,761	-	-	340,410	742,891	537,535	461,050
WI-Max		235,767	-	-	(755)	235,012	219,618	12,843	-	(700)	231,761	3,251	16,149	34,083
Fire fighting equipment		4,883	-	-	-	4,883	3,764	182	-	-	3,946	937	1,119	1,314
Oil storage tanks		315	-	-	-	315	315	-	-	-	315	-	-	-
Vats & casks		69,575	-	-	-	69,575	59,022	2,603	-	-	61,225	7,950	10,553	13,228
Drums		80	-	-	-	80	80	-	-	-	80	-	-	-
Total freehold property, plant & equipment		29,001,535	1,692,149	240,638	3,965,578	34,899,899	12,438,263	1,862,563	(86,548)	(760,755)	13,453,524	21,446,376	16,563,272	14,415,812
Leasehold		-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles		674	-	-	-	674	191	135	-	-	326	348	483	618
Plant & machinery		134,086	-	-	-	134,086	3,529	5,781	-	-	9,310	124,776	130,557	28,762
Furniture, fittings & equipment		14,028	-	-	-	14,028	14,028	-	-	-	14,028	-	-	-
Immovable (JEDB/SLSPC) assets on finance lease	15.1	438,141	-	-	-	438,141	246,595	9,350	-	-	255,945	182,196	191,546	200,897
Leasehold improvements		334,634	862	-	(19)	335,477	329,553	2,533	-	-	332,086	3,391	5,081	7,180
Total leasehold property, plant & equipment		921,563	862	-	(19)	922,406	593,896	17,799	-	-	611,695	310,711	327,667	237,457
Capital work in progress		5,392,275	2,116,212	-	(6,396,139)	1,112,348	-	-	-	-	-	1,112,348	5,392,275	3,824,029
Total property, plant & equipment		35,315,373	3,809,223	240,638	(2,430,580)	36,934,653	13,032,159	1,880,362	(86,548)	(760,754)	14,065,218	22,869,435	22,283,214	18,477,298

15 Property, plant and equipment (Contd.)

Company	Cost or valuation				Accumulated depreciation				Carrying value				
	At the beginning of the year	Additions during the year	Revaluation during the year	Acquisition/ (disposal) of subsidiaries	Disposals/ transfers	At the end of the year	At the beginning of the year	Charge for the year	Revaluation during the year	Disposals/ Transfers	At the end of the year	As at 31 March 2017	As at 31 March 2016
	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
Freehold	88	-	-	-	(66)	22	-	3	(1)	2	20	88	
Plant, machinery & other equipment	4,903	1,315	-	-	-	6,218	814	514	-	1,328	4,890	4,090	
Furniture, fittings & office equipment	2,975	346	-	-	-	3,321	2,093	501	-	2,594	727	881	
Computer equipment & software	7,966	1,661	-	-	(66)	9,561	2,907	1,018	(1)	3,924	5,637	5,059	
<b>Total freehold property, plant &amp; equipment</b>	<b>7,966</b>	<b>1,661</b>	<b>-</b>	<b>-</b>	<b>(66)</b>	<b>9,561</b>	<b>2,907</b>	<b>1,018</b>	<b>(1)</b>	<b>3,924</b>	<b>5,637</b>	<b>5,059</b>	

## NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended 31 March,	2017						2016	
	Right to use of land Rs.000	Unimproved lease land Rs.000	Improvement to land Rs.000	Other vested assets Rs.000	Buildings Rs.000	Machinery Rs.000	Total Rs.000	Total Rs.000
	(Note 15.1.1)							
<b>Capitalised value (18 June 1992)</b>								
Balance at the beginning of the year	331,201	899	15,702	152	64,024	26,163	438,141	438,141
Balance at the end of the year	331,201	899	15,702	152	64,024	26,163	438,141	438,141
<b>Amortisation</b>								
As at beginning of the year	147,217	401	12,330	152	60,332	26,163	246,595	237,244
Amortisation for the year	6,249	17	523	-	2,561	-	9,350	9,351
At the end of the year	153,466	418	12,853	152	62,893	26,163	255,945	246,595
<b>Carrying amount</b>								
As at beginning of the year	183,984	498	3,372	-	3,692	-	191,546	200,897
As at the end of the year	177,735	481	2,849	-	1,131	-	182,196	191,546

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

Mature plantations/improvements to land	30 years
Buildings	25 years
Machinery	15 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 dated 21st August 2013. Such leases have been executed for all estates for a period of 53 years.

This Right-to-use land is amortised 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 and amortisation of the right to use land up to 31 December 2016 are as stated above.

### 15.2 Land and buildings

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

##### Melstacorp PLC /Distilleries Company of Sri Lanka PLC and Melsta Properties (Pvt) Ltd

A valuation of freehold Lands and Buildings of Distilleries Company of Sri Lanka PLC, Melstacorp Limited and Melsta Properties (Pvt) Limited was carried out by incorporated Valuers Mr. S. Sivaskantha F. I. V. (Sri Lanka) by using contracted test basis method and incorporated in the Financial Statements of the Group as at 31 March 2016. The surplus on revaluation of Lands and Buildings for the Group, Rs.2.8 Bn has been credited to the revaluation reserve.

**Lanka Bell Limited**

Free hold land and building of the company was valued 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 31 March 2015 has been credited to the revaluation reserve.

Place	Land Extent	Building Area	No of Buildings	Fair Value (Rs.)
Gampaha Road, Udugampola	315.35 perch	18124 sq.ft	2	98,650,000

**Texpro Industries (Pvt) Ltd**

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

Location	Significant Unobservable inputs	Extent	Original Cost Rs.000	Revalued Amount Rs.000	Freehold building square feet
Avissawella Road, Embulgama Ranala	Rs.340,000 p.p	6A-0R-6.05P	270,500	328,500	106,733

**Browns Beach Hotel PLC**

Freehold Land at No.175, Lewis Place, Negombo of Browns Beach Hotel PLC was revalued by Mr.K.C.B.Condegama, (A.I.V. Sri Lanka) an independent professional valuer on 05th December 2016 on "Market Pricing Basis".

Location	Last revalued date	Land extent	Carrying value	Land revaluation surplus
Lewis Place, Negombo	12/5/16	1027.73 P	978,057	15,693

**Melsta Logistics (Pvt) Ltd**

Free hold building of the company was valued by Mr. Sivaskanthan, A. M. I. V (Sri Lanka) a professional valuer on 31 March 2017 on "Market Comparable Method." and subsequently transferred to Investment Property due to the change in use.

**Analysis of Sensitivity of Valuation of Buildings during the year.**

Location	Significant Unobservable inputs	Extent	+5%	Value as stands	-5%
Nawayalatenna, Kandy	Rs.2,000/- to Rs.5,750 per Sq Ft	23,752	169,680	161,600	153,520

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

For the year ended 31 March,	Group			
	2017 Land Rs.'000	Building Rs.'000	2016 Land Rs.'000	Building Rs.'000
Cost	668,654	492,660	617,607	446,412
Accumulated depreciation and impairment	-	(337,395)	-	(280,318)
<b>Carrying value</b>	<b>668,654</b>	<b>155,265</b>	<b>617,607</b>	<b>166,094</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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.8,486. Mn. (Rs.7,696Mn-2015/16) and Rs.1.7 Mn (Rs.1.42Mn-2015/16) 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 42 to these financial statements.

## 16 Intangible assets

For the year ended 31 March,	Group					2016 Total	2015 Total
	License fees	FLAG cable	Software cost and implementation	Goodwill on acquisition	Total 2017		
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
	Note 16.1	Note 16.2				(Restated)	(Restated)
<b>Cost/carrying value</b>							
Balance at the beginning of the year	934,886	2,797,761	92,525	792,297	4,617,468	4,596,242	4,572,655
Additions	410,823	-	8,148	-	418,972	21,226	23,587
<b>Balance at the end of the year</b>	<b>1,345,709</b>	<b>2,797,761</b>	<b>100,673</b>	<b>792,297</b>	<b>5,036,440</b>	<b>4,617,468</b>	<b>4,596,242</b>
<b>Accumulated amortisation and impairment</b>							
Balance at the beginning of the year	470,457	1,430,046	53,308	190,985	2,144,796	1,859,639	1,582,162
Amortised during the year	104,825	186,517	17,803	-	309,145	285,157	277,477
Impaired during the year (Note 19.4)	-	-	-	255,446	255,446	-	-
<b>Balance at the end of the year</b>	<b>575,282</b>	<b>1,616,563</b>	<b>71,111</b>	<b>446,431</b>	<b>2,709,387</b>	<b>2,144,796</b>	<b>1,859,639</b>
<b>Carrying value</b>							
As at beginning of the year	464,429	1,367,715	39,217	601,312	2,472,672	2,736,603	2,991,170
<b>As at end of the year</b>	<b>770,427</b>	<b>1,181,198</b>	<b>29,562</b>	<b>345,866</b>	<b>2,327,053</b>	<b>2,472,672</b>	<b>2,736,603</b>

For the year ended 31 March,	Company		
	Software cost and implementation	2017	2016
		Total	Total
	Rs.'000	Rs.'000	Rs.'000
<b>Cost/carrying value</b>			
Balance at the beginning of the year	567	567	89
Additions	292	292	478
Transfers	-	-	-
<b>Balance at the end of the year</b>	<b>859</b>	<b>859</b>	<b>567</b>
<b>Accumulated amortisation and impairment</b>			
Balance at the beginning of the year	168	168	22
Amortised during the year	209	209	146
<b>Balance at the end of the year</b>	<b>377</b>	<b>377</b>	<b>168</b>
<b>Carrying value</b>			
As at beginning of the year	399	399	67
<b>As at end of the year</b>	<b>482</b>	<b>482</b>	<b>399</b>

#### 16.1 License fees

License fee represents the operator license fee of Rs. 300 million which was paid in 1996, and amortised over 226 months on straight line basis commencing from that year. The External Gateway License fee of Rs. 4.85 million which was renewed in 2013 amounting to Rs. 102Mn is amortised over a period of 10 years, commencing from 28th February 2013. The Wi-Max 2365-2380 MHz License Fee of Rs.510.2Mn was paid in 2011/12 and 2012/13 and operations commenced on 01st July 2013.

#### 16.2 FLAG cable

FLAG expenditure represents the expenditure incurred on undersea fiber 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 will be amortised over the license period of 15 years on a straight line basis from August 2008.

### 17 Investment Property

As at 31 March,	Group					
	Land	Building	Capital WIP	Total 2017	Total 2016	Total 2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
					(Restated)	(Restated)
Balance at the beginning of the year	1,026,485	169,210	-	1,195,695	586,095	-
Additions	18,000	19,564	36,181	73,745	445,488	586,095
Change in fair value	-	-	-	-	86,912	-
Transfers from property, plant and equipment	-	161,600	-	161,600	77,200	-
<b>Balance at the end of the year</b>	<b>1,044,485</b>	<b>350,374</b>	<b>36,181</b>	<b>1,431,040</b>	<b>1,195,695</b>	<b>586,095</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Land	Building Rs.'000	Company		Total 2017 Rs.'000	Total 2016 Rs.'000
			Capital WIP Rs.'000			
<b>Cost/Valuation</b>						
Balance at the beginning of the year	1,788,616	999,291	-		2,787,910	2,029,814
Additions	-	19,564	36,181		55,742	375,797
Change in fair value	-	-	-		-	126,498
Transfers from property, plant and equipment	-	-	-		-	255,801
<b>Balance at the end of the year</b>	<b>1,788,616</b>	<b>1,018,855</b>	<b>36,181</b>		<b>2,843,652</b>	<b>2,787,910</b>

### Valuation Details

During the year, Director's valuation was carried out for the investment properties of the Company and the Group. Accordingly, in the opinion of the Directors no material change has occurred in the fair value of the investment properties compared to the previous year's professional valuation. The last professional valuation on the investment properties of the Company and the Group had been performed by an independent professional valuer as at 31 March 2016 by Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach.

## 18 Biological assets

As at 31 March,	Note	Group	
		2017 Rs.'000	2016 Rs.'000
Bearer biological assets	18.1	2,368,409	2,158,633
Consumer biological assets	18.2	1,771,340	1,755,819
		4,139,749	3,914,452

### 18.1 Bearer biological assets

As at 31 March,	Note	Group	
		2017 Rs.'000	2016 Rs.'000
On finance lease (JEDB/SLSPC)	18.1.1	60,781	69,823
Investments after formation of the plantation company	18.1.2	2,307,628	2,088,810
		2,368,409	2,158,633

#### 18.1.1 On finance lease (JEDB/SLSPC)

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books 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 amortisation of immovable leased assets to 31 December 2015 are as follows.

For the year ended 31 March,	Mature plantations			2016
	2017			
	Tea	Rubber	Total	
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Cost</b>				
Balance as at the beginning of the year	206,227	64,997	271,224	271,224
Balance as at the end of the year	206,227	64,997	271,224	271,224
<b>Accumulated amortisation</b>				
Balance as at the beginning of the year	153,425	47,977	201,402	192,361
Amortisation for the year	6,874	2,167	9,041	9,040
Balance as at the end of the year	160,299	50,144	210,443	201,401
<b>Carrying amount</b>	<b>45,928</b>	<b>14,853</b>	<b>60,781</b>	<b>69,823</b>

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 recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 18.1.2.

#### 18.1.2 Investments after formation of the plantation company

For the year ended 31 March,	2017			2016
	Immature plantations	Mature plantations	Total	
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Cost</b>				
Balance as at the beginning of the year	1,604,525	830,628	2,435,153	2,126,419
Additions during the year	253,516	-	253,516	308,734
Transfers (from)/to	(96,395)	96,395	-	-
<b>Balance as at the end of the year</b>	<b>1,761,646</b>	<b>927,023</b>	<b>2,688,669</b>	<b>2,435,153</b>
<b>Accumulated amortisation</b>				
Balance as at the beginning of the year	-	346,343	346,343	315,787
Amortisation for the year	-	34,698	34,698	30,556
<b>Balance as at the end of the year</b>	<b>-</b>	<b>381,041</b>	<b>381,041</b>	<b>346,343</b>
<b>Carrying amount at the end of the year</b>	<b>1,761,646</b>	<b>545,982</b>	<b>2,307,628</b>	<b>2,088,810</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS

The requirement for recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on March, 2nd 2012 by the Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property, Plant & Equipment.

Specific borrowings have been obtained to finance the planting expenditure. The above additions include Rs. 77,196,494/-(2015-Rs.74,993,088/-) of borrowing costs capitalised during the year.

### 18.2 Consumer biological assets

For the year ended 31 March,	Group	
	2017 Rs.'000	2016 Rs.'000
Balance as at the beginning of the year	1,755,819	1,662,376
Gain/(loss) arising from changes in fair value less cost to sell	15,560	89,603
Decrease due to harvest/transfer	(9,155)	(1,735)
Increase due to development	9,116	5,575
<b>Balance as at the end of the year</b>	<b>1,771,340</b>	<b>1,755,819</b>

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 is only applicable for managed agricultural activity in terms of the ruling issued by The Chartered Accountants of Sri Lanka. The valuation was carried by Messers Mr. W.M Chandrasena, incorporated valuers, using Discounted Cash Flow methods. In ascertaining the fair value of timber a physical verification was carried covering all the estates.

### 18.3 Produce on Bearer Biological Assets

	Group	
	2017 Rs.'000	2016 Rs.'000
Balance as at the beginning of the year - as previously reported	1,967	-
Impact of the amendments of LKAS 16 and LKAS 41	-	1,901
Balance as at the beginning of the year - restated	1,967	1,901
Change in fair value less cost to sell	3,279	66
<b>Balance as at the end of the year</b>	<b>5,246</b>	<b>1,967</b>

#### 18.4 Fair Value Hierarchy

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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets and liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

#### Consumable Biological Assets

As at 31st December	Date of valuation	Level 1		Level 2		Level 3	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Assets measured at fair value							
Consumable Biological Assets-Timber	31 December 2016	-	-	-	-	1,771,340,321	1,755,818,586
Produce on Bearer Biological Assets	31 December 2016	-	-	5,245,740	1,966,858	-	-

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.

Non Financial Assets	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable inputs to Fair Value
Consumable Biological Assets - Timber	DCF Method	Discounting factor	14%	The higher the discount rate, the lower the fair value
		Optimum rotation (Maturity)	25-35 years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft	Rs.200/- Rs.650/- per Cu.Ft	The higher the price per cu.ft, the higher the fair value

## NOTES TO THE FINANCIAL STATEMENTS

### 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 realisable 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.

### 18.4.1 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 or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets :

Managed Timber	-10%	10%
	Rs.	Rs.
As at 31 December 2016	(177,134,032)	177,134,032
As at 31 December 2015	(175,581,858)	175,581,858

#### 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	-10%	10%
	Rs.	Rs.
As at 31 December 2016	66,721,709	(58,494,661)
As at 31 December 2015	75,153,970	(60,963,987)

## 19 Investments in subsidiaries

	Note	2017	2016
		Rs.'000	Rs.'000
Quoted investment	19.1	35,069,381	969,381
Unquoted investment	19.2	8,461,958	10,471,671
		43,531,339	11,441,052

### 19.1 Quoted Investments

As at 31 March,	Number of shares	2017		Number of shares	2016	
		Effective holding	Cost Rs.000		Effective holding	Cost Rs.000
Balangoda Plantations PLC	10,217,300	43.23%	242,982	10,217,300	43.23%	242,982
Browns Beach Hotel PLC	54,273,234	41.88%	726,399	54,273,234	41.88%	726,399
Distilleries Company of Sri Lanka PLC	299,837,836	99.95%	14,100,000	-	-	-
DCSL - pending allotment			20,000,000	-	-	-
			35,069,381			969,381

### 19.2 Unquoted Investments

As at 31 March,	Number of shares	2017		Number of shares	2016	
		Effective holding	Cost Rs.000		Effective holding	Cost Rs.000
Milford Holdings (Pvt) Limited	333,067,925	98.36%	3,350,000	333,067,925	98.36%	3,350,000
Periceyl (Pvt) Limited	200,000,000	100%	22,500	40,000	100%	600,000
Continental Insurance Lanka Limited	70,000,007	100%	664,000	70,000,007	100%	664,000
Melsta Logistics (Pvt) Limited	66,572,573	100%	845,451	66,572,573	100%	845,451
Melsta Regal Finance Limited	134,029,451	100%	1,366,922	134,029,451	100%	1,366,922
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%	75,000	5,000,100	100%	75,000
Melsta Properties (Pvt) Limited	170,194,901	100%	1,701,949	170,194,901	100%	1,701,949
Melsta Tower (Pvt) Limited	65,751,636	100%	657,516	65,751,636	100%	657,516
Melsta Technologies (Pvt) Limited	1,000,000	100%	10,000	1,000,000	100%	10,000
Timpex (Pvt) Limited	15,611,661	51.03%	156,897	15,611,661	51.03%	156,897
Splendor Media (Pvt) Limited	100,002	100%	50,685	100,002	100%	50,685
			9,894,170			10,471,671
Less: Provision for impairment of subsidiaries (Note 19.6)			(1,432,212)			-
			8,461,958			10,471,671

## NOTES TO THE FINANCIAL STATEMENTS

### 19.3 Group holdings in subsidiaries

								2017
	Subsidiary		Principal Activity	Reporting date	Reason for using a different period	Indirectly holding through	No. of shares	Effective ownership interest
1	Balangoda Plantations PLC	BPL	Cultivation and processing of Tea & Rubber	31-Dec	To comply with the rules and regulations in the Plantation sector	MC	10,217,300	43.23%
2	Bell Solutions (Pvt) Ltd	BSL	"Information & Communication Technology"	31-Mar		LB	98,090	98.09%
3	Bellvantage (Pvt) Ltd	BV	BPO,KPO & Software Development	31-Mar			5,000,100	100%
4	Bogo Power (Pvt) Ltd	BP	"Generation and sale of Hydro Electric Energy"	31-Mar			993,000,000	99.30%
5	Browns Beach Hotel PLC	BBH	Leisure	31-Mar			54,273,234	41.88%
6	Continental Insurance Lanka Limited	CILL	General Insurance Services	31-Dec	To comply with the rules and regulations in the Insurance sector		70,000,017	100%
7	Lanka Bell Ltd	LB	Telecommunication Services	31-Mar		MH	50,719,061	99.73%
8	Distilleries Company of Sri Lanka PLC	DCSL	Beverage	31-Mar			299,837,836	99.95%
9	Melsta Logistics (Pvt) Ltd	ML	Automobile Servicing and Logistics	31-Mar			66,572,573	100%
10	Melsta Regal Finance Ltd	MRF	"Finance, Leasing, Hire Purchasing and Factoring"	31-Mar			134,029,451	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	PVL	"Distribution of locally manufactured Foreign Liquor"	31-Dec	To operate in line with foreign strategic alliances		200,000,000	100%
14	Splendor Media (Pvt) Ltd	SM	Media Buying & Creative Services	31-Mar			100,000.00	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			170,194,901	100%
19	Melsta Tower (Pvt) Limited	MT	Real Estate	31-Mar			65,751,636	100%
20	Melsta Technologies (Pvt) Limited	MTECH	IT Services	31-Mar			1,000,000	100%

#### 19.4 “Restructure of Distilleries Company of Sri Lanka PLC/Melstacorp Limited

The Distilleries Company of Sri Lanka “DCSL” being the sole investor of Melstacorp Limited (“MC”) has restructured the DCSL Group with effective from 30 September 2016 as described in the announcement made to CSE on 1 August 2017. The restructuring of the Group has been dully approved by the shareholders of the DCSL and the Courts under the part ‘X’ of the Companies Act No. 07 of 2007.

The restructuring of the Group is effected through a re-organisation of the share and the stated capital of the Company under section 285 of the Companies Act.

Consequent to the restructuring arrangement, the shareholders of DCSL have been allotted with shares in MC in the proportion of Four (4) MC shares in exchange of every One (1) share held in DCSL. Accordingly, DCSL became the wholly own subsidiary of MC with effect from 30 September 2016 and the shareholders of DCSL became the shareholders of MC and through MC all the subsidiaries in the Group. In effect, MC has issued 1.2 Bn shares as consideration for acquisition of 300 Mn shares of DCSL. Immediately upon acquisition of 300 Mn shares of DCSL, MC ceases to be a subsidiary of DCSL and MC became the ultimate holding company of the Group and DCSL became wholly owned subsidiary of MC.

#### 19.5 Repurchase of MC shares held in trust

As a result of the restructuring arrangement stated in note 19.4 above and further describe in note 26.1, 8,650,732 DCSL shares held by Melstacorp Share Trust was converted to 34,602,928 shares of Melstacorp Limited and such shares were repurchased and cancelled by MC subsequently.

#### 19.6 Impairment in Investment in Subsidiaries

Melstacorp recorded an impairment of Rs.1.4 Bn in its investment in subsidiary, Milford Holdings (Pvt) Ltd, the immediate parent of Lanka Bell Ltd in its separate financial statements.

As a result an impairment of Rs. 255 Mn in goodwill on acquisition of Lanka Bell Limited was recorded in the consolidated financial statements of Melstacorp PLC.

#### 19.7 Repurchase of shares of Periceyl (Pvt) Ltd

Periceyl (Pvt) Ltd has re-purchased and cancelled 38,500 of its own shares from its issued capital for a consideration of Rs.2.5Bn which resulted a Rs.1.9Bn gain in Melstacorp PLC.

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

Although the Group owns less than half of the voting rights of 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 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 exercise 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	:	Balangoda Plantations PLC (BPL)	Browns Beach Hotels PLC (BBH)
Principal place of business	:	In the areas of Ratnapura, Balangoda and Badulla	No. 175, Lewis Place, Negombo
Proportion of ownership interest held by non controlling interest	:	56.77%	58.12%
Profit / (loss) allocated to non controlling interest (Rs. '000)	:	(178,461)	(280,387)
Accumulated non controlling interest at the end of the reporting period (Rs. '000)	:	1,191,947	1,800,418

## NOTES TO THE FINANCIAL STATEMENTS

### 19.9.2 Summarised financial information of subsidiaries that have material NCI

As at/ for the year ended 31 March,	BPL		BBH	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Dividend paid to non controlling interests	-	-	-	-
Current assets	521,403	552,060	142,601	21,281
Non current assets	4,975,349	4,794,904	5,906,680	5,635,284
Current liabilities	1,486,240	1,253,468	1,980,695	242,503
Non current liabilities	1,911,013	1,804,804	970,960	1,970,995
Revenue	2,266,657	2,413,055	593,861	-
Profit/(Loss) after tax	(314,341)	(343,159)	(482,407)	(97,111)
Other comprehensive income	125,271	8,433	137,468	(332)
Total comprehensive income	(183,194)	(334,841)	(345,441)	(104,909)
<b>Cash Flows</b>				
Cash flows from operating activities	(5,717)	(182,219)	(212,258)	(32,549)
Cash flows from investing activities	(263,388)	(441,321)	(356,305)	(1,372,299)
Cash flows from financing activities	211,938	(291,784)	501,228	1,401,442

### 20 Investment in equity accounted investees

As at 31 March,	Group							
	2017				2016 (Restated)			
	No. of shares	Effective holding	Equity value Rs.000	Cost Rs.000	No. of shares	Effective holding	Equity value Rs.000	Cost Rs.000
Aitken Spence PLC	183,398,490	45.17%	27,209,066	20,124,122	176,401,090	43.45%	25,297,704	19,647,511
Madulsima Plantations PLC	77,817,810	45.90%	909,665	736,092	77,817,810	45.90%	996,239	736,092
			28,118,731	20,860,214			26,293,943	20,383,603

As at 31 March,	Group 2015 (Restated)			
	No. of shares	Effective holding	Equity value Rs.000	Cost Rs.000
Aitken Spence PLC	167,584,298	41.28%	23,735,329	18,809,061
Madulsima Plantations PLC	9048307	31.20%	456,908	90,000
			24,192,237	18,899,061

As at 31 March,	Company					
	2017		2016			
	No. of shares	Effective holding	Cost	No. of shares	Effective holding	Cost
			Rs.000			Rs.000
Aitken Spence PLC	183,190,790	45.12%	20,093,261	176,193,390	43.40%	19,618,808
Madulsima Plantations PLC	77,817,810	45.90%	736,092	77,817,810	45.90%	736,092
			20,829,353			20,354,900

### 20.1 Equity value of investment in equity accounted investees to the group

Equity accounted investee	Balance as at 1 April 2016 (Restated) Rs.000	Acquisitions/ (Disposal) Rs.000	Share of profit/ (loss) net of tax Rs.000	Dividend received Rs.000	Share of other comprehensive income Rs.000	Share of net assets Rs.000	Balance as at 31 March 2017 Rs.000
Aitken Spence PLC	25,297,704	474,453	1,461,150	(496,725)	449,994	22,490	27,209,066
Madulsima Plantations PLC	996,239		(134,297)		47,723		909,665
	26,293,943	474,453	1,326,853	(496,725)	497,717	22,490	28,118,731

Equity accounted investee	Balance as at 1 April 2015 (Restated) Rs.000	Acquisitions/ (Disposal) Rs.000	Share of profit/ (loss) net of tax Rs.000	Dividend received Rs.000	Share of other comprehensive income Rs.000	Share of net assets Rs.000	Balance as at 31 March 2016 Rs.000
Aitken Spence PLC	23,735,329	840,618	880,759	(335,126)	280,504	(104,380)	25,297,704
Madulsima Plantations PLC	456,908	653,282	(132,222)	-	18,271	-	996,239
	24,192,237	1,493,900	748,537	(335,126)	298,775	(104,380)	26,293,943

### 20.2 Market value of quoted equity accounted investees and other information

As at 31 March,	Principal Activity	Reporting date	Group		Company	
			2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Aitken Spence PLC	Diversified holdings	31 March	10,306,995	12,965,480	10,295,322	12,950,214
Madulsima Plantations PLC	Cultivation and processing of Tea	31 December	396,871	599,197	396,871	599,197
			10,703,866	13,564,677	10,692,193	13,549,411

### 20.3 Disclosure of Nature, extent and financial effects of the entity's interests in associates

#### Associates that are individually material to the group

Name of the associate	: Aitken Spence PLC	Madulsima Plantations PLC
Principal place of business	: No.315, Vauxhall Street, Colombo 02.	In the areas of Madulsima and Bogawanthalawa
Principal activities	Investment Holding Company	Cultivation and plantation of tea
Proportion of ownership interests	45.17%	45.90%
Whether strategic to the Group	Yes	Yes
Investment in associate is measured using	Equity method	Equity method

## NOTES TO THE FINANCIAL STATEMENTS

### 20.4 Summarised financial information of equity accounted investees (entire amount reported in associate's financial statements)

	Aitken Spence PLC		Madulsima Plantations PLC	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Total current assets	31,884,378	21,358,875	437,507	338,090
Total non current assets	63,411,082	51,995,356	4,812,151	4,755,721
Total current liabilities	24,998,995	15,514,730	1,614,397	1,166,580
Total non current liabilities	19,503,049	13,639,158	1,160,302	1,263,659
Revenue	45,892,179	25,977,795	1,842,069	1,870,384
Profit / (loss) from continuing operations	4,045,465	2,944,279	(292,586)	(288,181)
Other comprehensive income	1,309,258	916,978	103,974	39,808
Total comprehensive income	5,354,723	3,861,257	(188,613)	(248,373)
Cash and cash equivalents	6,032,612	4,653,788	4,264	2,636
Depreciation and amortisation.	2,330,031	1,746,018	87,334	83,996
Interest income.	761,496	637,739	84	116
Interest expense.	1,532,320	873,223	125,352	110,782
Income tax expense or (income)	1,201,407	861,229	5,885	6,193

### 21 Other financial investments

#### Non current investments

As at 31 March,		Group			Company	
		2017	2016	2015	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
			(Restated)	(Restated)		
Available for sale financial investments - (AFS)	21.1	18,780,482	15,406,754	17,340,724	14,390,082	12,638,446
Loans and receivables (L&R) financial investments	21.4	952,984	181,765	182,538	-	-
		19,733,466	15,588,519	17,523,262	14,390,082	12,638,446
<b>Current investments</b>						
Available for sale financial investments - (AFS)	21.1	16,766	9,171	177,517	-	-
Fair value through profit or loss (FVTPL) financial investments	21.2	1,196,747	1,728,838	2,011,416	899,403	883,820
Held to maturity (HTM) financial investments	21.3	292,981	-	40,911	-	-
Loans and receivables (L&R) financial investments	21.4	5,297,654	1,260,519	201,971	4,035,507	-
		6,804,148	2,998,528	2,431,815	4,934,910	883,820

## 21.1 Available for sale financial investments - (AFS)

As at 31 March,		Group			Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2015 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
<b>Non current investments</b>						
Quoted equity securities	21.1.1	16,471,486	14,667,682	16,931,800	14,177,728	12,638,446
Unquoted equity securities	21.1.2	125,564	114,102	114,102	-	-
Investments in unit trusts	21.1.3	3,000	50,923	59,152	-	-
Debt securities	21.1.4	433,377	470,033	235,670	-	-
Government securities	21.1.5	1,747,055	104,014	-	212,354	-
		18,780,482	15,406,754	17,340,724	14,390,082	12,638,446
<b>Current investments</b>						
Government securities	21.1.5	16,766	9,171	177,517	-	-
		16,766	9,171	177,517	-	-

### 21.1.1 Quoted equity securities - Non current assets

	2017			Group 2016 (Restated)			2015 (Restated)		
	No. of shares	Cost Rs.'000	Fair value Rs.'000	No. of shares	Cost Rs.'000	Fair value Rs.'000	No. of shares	Cost Rs.'000	Fair value Rs.'000
<b>Diversified investments</b>									
John Keells Holdings PLC	52,023,842	7,842,011	7,174,088	43,616,626	7,514,940	6,455,261	36,498,341	7,193,181	7,277,769
		7,842,011	7,174,088		7,514,940	6,455,261		7,193,181	7,277,769
<b>Bank finance &amp; insurance</b>									
Commercial Bank of Ceylon PLC	28,295,305	4,175,083	3,689,708	24,541,902	3,684,943	3,080,009	18,989,272	2,921,577	3,140,826
Seylan Bank PLC	10,000	945	870	-	-	-	-	-	-
DFCC Bank PLC	22,175,280	4,174,413	2,527,982	17,042,856	3,566,627	2,334,871	17,042,856	3,566,627	3,456,291
Hatton National Bank PLC	10,178,656	526,497	2,293,251	10,178,656	526,497	2,028,606	10,016,272	494,946	2,223,612
National Development Bank PLC	3,252	-	507	3	-	631	3,252	-	813
		8,876,938	8,512,318		7,778,067	7,444,117		6,983,150	8,821,542
<b>Beverage, food &amp; tobacco</b>									
Lanka Milk Foods (CWE) PLC	6,710,084	698,043	785,080	6,710,084	698,043	768,304	5,946,351	606,109	832,489
		698,043	785,080		698,043	768,304		606,109	832,489
<b>Manufacturing</b>									
Pelwatte Sugar Industries PLC	33,140,501	926,473	-	33,140,501	926,473	-	33,140,501	926,473	-
		926,473	-		926,473	-		926,473	-
Total quoted equity securities - AFS		18,343,465	16,471,486		16,917,523	14,667,682		15,708,913	16,931,800

## NOTES TO THE FINANCIAL STATEMENTS

	Company					
	2017			2016		
	No. of shares	Cost Rs.'000	Fair value Rs.'000	No. of shares	Cost Rs.'000	Fair value Rs.'000
<b>Diversified investments</b>						
John Keells Holdings PLC	52,023,842	7,842,011	7,174,088	43,616,626	7,514,940	6,455,261
		7,842,011	7,174,088		7,514,940	6,455,261
<b>Bank finance &amp; insurance</b>						
Commercial Bank of Ceylon PLC	28,295,305	4,175,083	3,689,708	24,541,902	3,684,943	3,080,009
Seylan Bank PLC	10,000	945	870	-	-	-
DFCC Bank PLC	22,175,280	4,174,413	2,527,982	17,042,856	3,566,627	2,334,871
		8,350,441	6,218,560		7,251,570	5,414,880
<b>Beverage, food &amp; tobacco</b>						
Lanka Milk Foods (CWE) PLC	6,710,084	698,043	785,080	6,710,084	698,043	768,304
		698,043	785,080		698,043	768,304
<b>Manufacturing</b>						
Pelwatte Sugar Industries PLC	33,140,501	926,473	-	33,140,501	926,473	-
		926,473	-		926,473	-
<b>Total quoted equity securities - AFS</b>		17,816,968	14,177,728		16,391,026	12,638,446

### 21.1.2 Unquoted equity securities

	Group								
	2017			2016 (Restated)			2016 (Restated)		
	No. of shares	Cost Rs.'000	Fair value Rs.'000	No. of shares	Cost Rs.'000	Fair value Rs.'000	No. of shares	Cost Rs.'000	Fair value Rs.'000
International Distilleries Lanka Ltd	100	3	3	100	3	3	100	3	3
Amethyst Leisure Ltd	58,266,167	125,226	125,226	43,266,167	113,764	113,764	43,266,167	113,764	113,764
Credit Investment Bureau of Sri Lanka	3,310	331	331	3,310	331	331	3,310	331	331
W.M.Mendis & Co., Ltd	200	4	4	200	4	4	200	4	4
		125,564	125,564		113,771	114,102		113,771	114,102

### 21.1.3 Investments in unit trusts

	Group					
	2017			2016		
	No. of shares	Cost Rs.'000	Fair value Rs.'000	No. of shares	Cost Rs.'000	Fair value Rs.'000
Unit Trust Mgt Co., Ltd	300,000	3,000	3,000	300,000	3,000	3,000
Guardian Acuity Asset Management Limited	-	-	-	1,683,505	43,538	47,923
		3,000	3,000		46,538	50,923

#### 21.1.4 Debt securities

As at 31 March,	Group			Company	
	Fair value				
	2017	2016	2015	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		(Restated)	(Restated)		
Corporate debentures	433,377	470,033	235,670	-	-
	433,377	470,033	235,670	-	-

#### 21.1.5 Government securities

	2017		Group 2016 (Restated)		2015 (Restated)	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Non current investments</b>						
Treasury bonds	1,786,646	1,747,055	112,115	104,014	-	-
	1,786,646	1,747,055	112,115	104,014	-	-
<b>Current investments</b>						
Treasury bills	16,895	16,766	9,429	9,171	205,748	177,517
	16,895	16,766	9,429	9,171	205,748	177,517

	Company			
	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Non current investments</b>				
Treasury bonds		208,472	212,354	-
		208,472	212,354	-
<b>Current investments</b>				
Treasury bills		-	-	-
		-	-	-

#### 21.2 Fair value through profit or loss (FVTPL) financial investments

As at 31 March,	Note	Group			Company	
		Fair value				
		2017	2016	2015	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
			(Restated)	(Restated)		
Quoted equity securities	21.2.1	1,016,948	1,025,102	1,111,052	899,403	883,820
Investments in unit trusts	21.2.2	179,799	569,390	765,487	-	-
Quoted debentures	21.2.3	-	134,346	134,877	-	-
		1,196,747	1,728,838	2,011,416	899,403	883,820

## NOTES TO THE FINANCIAL STATEMENTS

### 21.2.1 Quoted equity securities

	Group						Company			
	2017		2016		2015		2017		2016	
	No. of shares	Fair value Rs. '000								
<b>Bank finance &amp; insurance</b>				(Restated)		(Restated)				
Nation Trust Bank PLC	50,000	4,045	50,000	4,315	-	-	-	-	-	-
Seylan Bank PLC	-	-	-	-	16,203	932	-	-	-	-
Commercial Bank of Ceylon PLC - NV	662	76	662	81	-	-	-	-	-	-
		4,121		4,396		932		-		-
<b>Beverage, food &amp; tobacco</b>										
Renuka Agri Foods PLC	6,118,560	17,252	6,118,560	20,168	6,118,560	28,877	-	-	-	-
Nestle Lanka PLC	2,566	5,242	3,997	8,136	3,997	8,912	-	-	-	-
Lanka Milk Foods (CWE) PLC	-	-	-	-	763,733	106,923	-	-	-	-
		22,494		28,304		144,712		-		-
<b>Hotel and travels</b>										
The Kingsbury Hotel PLC	823,600	12,704	205,000	3,588	823,600	13,588	-	-	-	-
Aitken Spence Hotel Holdings PLC	23,100	996	23,100	1,571	23,100	1,813	-	-	-	-
Hotel Services PLC	-	-	618,600	9,279	-	-	-	-	-	-
John Keells Hotels PLC	528,850	5,415	528,850	6,822	528,850	7,941	-	-	-	-
		19,115		21,260		23,342		-		-
<b>Manufacturing</b>										
ACL Cables PLC	63,000	4,076	63,000	7,617	63,000	4,813	-	-	-	-
Tokyo Cement PLC	100,000	5,150	100,000	3,950	-	-	-	-	-	-
Hemas Holdings PLC	-	-	100,000	9,290	-	-	-	-	-	-
Lanka IOC	29,998	951	29,998	1,113	-	-	-	-	-	-
Bukit Darah PLC	72,200	18,786	72,200	25,270	72,200	48,952	72,200	18,786	72,200	25,270
Textured Jersey Lanka PLC	13,511,928	504,856	13,511,928	433,754	13,511,928	324,569	12,622,428	467,030	12,622,428	400,131
		533,819		480,994		378,334		485,816		425,401
<b>Diversified Investments</b>										
John Keells Holdings PLC - Warrant 2015	-	-	-	-	1,666,208	34,657	-	-	-	-
John Keells Holdings PLC - Warrant 2016	-	-	1,904,237	17,710	1,666,208	53,485	-	-	1,904,237	17,709
CT Holding PLC	1,475,500	219,702	1,475,500	191,667	1,475,500	188,864	1,475,500	219,702	1,475,500	191,667
Softlogic Holdings PLC	380,000	4,522	380,000	5,054	380,000	5,016	-	-	-	-
Softlogic Capital PLC	40,000,000	188,000	40,000,000	240,000	40,000,000	240,000	40,000,000	188,000	40,000,000	240,000
Free Lanka Capital Holdings PLC	2,850,850	4,276	2,850,850	3,421	2,850,850	4,561	-	-	-	-
Carson Cumberbatch PLC	29,400	4,798	29,400	7,938	29,400	10,772	29,400	4,798	29,400	7,938
Vallibal One PLC	121,084	2,184	121,084	2,373	121,084	2,671	62,100	1,087	62,100	1,105
		423,482		468,163		540,026		413,587		458,419

	Group						Company			
	2017		2016		2015		2017		2016	
	No. of shares	Fair value Rs. '000								
Bank finance & insurance				(Restated)		(Restated)				
<b>Hospitals</b>										
Durdens - non voting	40,040	2,783	40,040	3,003	-	-	-	-	-	-
Ceylon Hospitals PLC - non voting	-	-	95,869	7,056	135,909	10,403	-	-	-	-
		2,783		10,059		10,403		-		-
<b>Chemicals and pharmaceuticals</b>										
Heycarb PLC	73,876	11,134	73,876	11,926	73,876	13,303	-	-	-	-
		11,134		11,926		13,303		-		-
<b>Total quoted equity securities - FVTPL</b>		1,016,948		1,025,102		1,111,052		899,403		883,820

#### 21.2.2 Investments in unit trusts

	2017		2016		2015	
	No. of units	Fair Value Rs. '000	No. of units	Fair Value Rs. '000	No. of units	Fair Value Rs. '000
				(Restated)		(Restated)
Namal High Yield Fund	-	-	-	-	5,186,213	71,309
JB Vantage Money Market Fund	8,798,474	152,136	8,798,474	138,169	14,617,175	215,543
Eagle Income Fund	-	-	-	-	5,639,583	58,894
NDB Wealth Money Plus	-	-	2,153,386	30,548	-	-
First Capital Money Market	23,414	27,663	23,414	25,188	-	-
Guardian Acuity Fixed Income Fund	-	-	1,689,189	21,453	1,689,189	20,557
NDB Wealth Income	-	-	6,014,539	62,813	-	-
Eagle Money Fund	-	-	-	-	4,236,359	44,581
Ceybank Savings Plus Money Market Fund	-	-	-	-	5,200,912	69,037
NDB GILT EDGED	-	-	-	-	2,509,294	25,573
Comtrust	-	-	8,924,581	104,570	12,408,657	143,215
Investrust	-	-	6,721,936	186,649	10,919,517	116,778
<b>Total unit trust investment -FVTPL</b>		179,799		569,390		765,487

## NOTES TO THE FINANCIAL STATEMENTS

### 21.2.3 Quoted Debentures

	2017		2016		2015	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000 (Restated)	Rs.'000	Rs.'000 (Restated)
People's Leasing Company PLC	-	-	56,424	56,424	50,000	59,625
Hatton National Bank PLC	-	-	20,562	20,562	19,003	19,003
Senkadagala Finance PLC	-	-	21,514	21,514	20,000	23,718
Lion Brewery (Ceylon ) PLC	-	-	17,734	17,734	15,000	16,082
Hayleys PLC	-	-	18,112	18,112	15,000	16,449
<b>Total Investments in quoted debentures</b>	<b>-</b>	<b>-</b>	<b>134,346</b>	<b>134,346</b>	<b>119,003</b>	<b>134,877</b>

### 21.3 Held to maturity (HTM) financial investments

	Group			Company	
	Fair value				
	2017	2016	2015	2017	2016
As at 31 March,	Rs.'000	Rs.'000 (Restated)	Rs.'000 (Restated)	Rs.'000	Rs.'000
Commercial papers	-	-	40,911	-	-
SLDB Bonds	292,981	-	-	-	-
	292,981	-	40,911	-	-

### 21.4 Loans and receivables (L&R) financial investments

Non current investments

	Group			Company	
	Fair value				
	2017	2016	2015	2017	2016
As at 31 March,	Rs.'000	Rs.'000 (Restated)	Rs.'000 (Restated)	Rs.'000	Rs.'000
<b>Non current investments</b>					
Corporate debentures	952,984	181,765	182,538	-	-
	952,984	181,765	182,538	-	-
<b>Current investments</b>					
Commercial papers	-	-	83,341	-	-
Term deposit matured after 3 months	5,189,082	1,130,114	118,630	4,035,507	-
Reverse repurchase agreement	108,572	130,405	-	-	-
	5,297,654	1,260,519	201,971	4,035,507	-

### 21.5 Investments that have been pledged

The investments that are pledged for liabilities are disclosed in Note 42 to these financial statements if any.

## 22 Deferred tax asset and liabilities

### 22.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group								
	Assets	Liabilities	Net	Asset	Liabilities	Net	Asset	Liabilities	Net
	2017			2016			2015		
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
				(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Property, plant and equipment	(11,900)	1,952,737	1,940,837	(9,726)	1,637,272	1,627,546	(15,419)	923,078	907,659
Biological assets	-	408,421	408,421	-	384,463	384,463	-	347,301	347,301
Provision	(58,069)	-	(58,069)	(21,849)	-	(21,849)	-	-	(178,715)
Employee benefits	(175,667)	-	(175,667)	(186,878)	-	(186,878)	-	-	-
Accelerated tax depreciation on leasing assets	(6,007)	150,152	144,145	(3,862)	86,907	83,045	-	31,513	31,512
Unutilised tax loss carry-forwards	(607,961)	-	(607,961)	(480,137)	-	(480,137)	(308,580)	-	(308,578)
	(859,604)	2,511,310	1,651,706	(702,452)	2,108,642	1,406,190	(502,714)	1,301,892	799,179

	Company						
	Assets	Liabilities	Net	Asset	Liabilities	Net	
	2017			2016			
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
				(Restated)	(Restated)	(Restated)	
Property, plant and equipment	-	103,757	103,757	-	85,174	85,174	
Employee benefits	(1,208)	-	(1,208)	(856)	-	(856)	
Unutilised tax loss carry-forwards	-	-	-	(19,032)	-	(19,032)	
	(1,208)	103,757	102,549	(19,888)	85,174	65,286	

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

	Group			
	2017			
	Balance as at 1 April 2016	Charged/(credited) in		
		Profit or loss	Other comprehensive income	Balance as at 31 March 2017
	Rs.000	Rs.000	Rs.000	Rs.000
	(Restated)			
Property, plant and equipment	1,627,546	288,255	25,022	1,940,837
Provisions	(21,849)	(36,220)	-	(58,069)
Biological assets	384,463	23,958	-	408,421
Employee benefits	(186,878)	(14,446)	25,657	(175,667)
Accelerated tax depreciation on leasing assets	83,045	61,100	-	144,145
Unutilised tax loss carry-forwards	(480,137)	(126,091)	(1,733)	(607,961)
	1,406,190	196,556	48,946	1,651,706

## NOTES TO THE FINANCIAL STATEMENTS

	Group 2016			Balance as at 31 March 2016 Rs.000
	Balance as at 1 April 2016 Rs.000	Charged/(credited) in Profit or loss Rs.000	Other comprehensive income Rs.000	
	(Restated)			
Property, plant and equipment	907,659	338,199	381,688	1,627,546
Provisions	-	(21,849)	-	(21,849)
Biological assets	347,301	37,162	-	384,463
Employee benefits	(178,715)	(15,366)	7,203	(186,878)
Accelerated tax depreciation on leasing assets	31,512	51,533	-	83,045
Unutilised tax loss carry-forwards	(308,578)	(169,046)	(2,513)	(480,137)
	799,179	220,633	386,378	1,406,190

For the year ended 31 March,

	Company 2017			Balance as at 31 March 2017 Rs.000
	Balance as at 1 April 2016 Rs.000	Charged/(credited) in Profit or loss Rs.000	Other comprehensive income Rs.000	
Property, plant and equipment	85,174	18,582	-	103,757
Employee benefits	(856)	(439)	87	(1,208)
Unutilised tax loss carry-forwards	(19,032)	19,032	-	-
	65,286	37,175	87	102,549

For the year ended 31 March,

	Company 2016			Balance as at 31 March 2016 Rs.000
	Balance as at 1 April 2015 Rs.000	Charged/(credited) in Profit or loss Rs.000	Other comprehensive income Rs.000	
Property, plant and equipment	60,987	20,448	3,739	85,174
Employee benefits	(678)	(289)	111	(856)
Unutilised tax loss carry-forwards	-	(19,032)	-	(19,032)
	60,309	1,127	3,850	65,286

## 22.2 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

For the year ended 31 March,	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Property, plant & equipment & intangible assets	(276,312)	(251,312)	-	-
Employee benefits	10,192	20,642	-	-
Impairment of trade receivables	150,775	151,759	-	-
Provision for inventory	165,694	207	-	-
Tax losses	129,817	248,324	-	-
	180,166	169,620	-	-

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

## 23 Finance lease, hire purchases and operating lease receivables

	Note	Group					
		2017			2016		
		Finance lease receivables	Hire purchase receivables	Total	Finance lease receivables	Hire purchase receivables	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	
<b>Non current assets</b>							
Receivable from one to five years	23.1	1,607,190	16,579	1,623,769	1,568,869	65,202	1,634,071
Receivable from more than five years		-	-	-	-	-	-
		1,607,190	16,579	1,623,769	1,568,869	65,202	1,634,071
<b>Current assets</b>							
Receivable within one year	23.2	1,500,989	27,585	1,528,574	884,879	46,471	931,350
		1,500,989	27,585	1,528,574	884,879	46,471	931,350

### 23.1 Receivable from one to five years

	Note	Group					
		2017			2016		
		Finance lease receivables	Hire purchase receivables	Total	Finance lease receivables	Hire purchase receivables	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	
Gross rental receivable		2,163,465	18,757	2,182,222	1,991,254	76,979	2,068,233
Unearned interest income		(525,060)	(2,094)	(527,154)	(419,327)	(11,401)	(430,728)
Allowance for impairment		-	-	-	-	-	-
Individual impairment		(25,106)	-	(25,106)	-	-	-
Collective impairment		(6,109)	(84)	(6,193)	(3,058)	(376)	(3,434)
		1,607,190	16,579	1,623,769	1,568,869	65,202	1,634,071

## NOTES TO THE FINANCIAL STATEMENTS

### 23.2 Receivable within one year

	Note	Group					
		2017			2016		
		Finance lease receivables Rs.000	Hire purchase receivables Rs.000	Total Rs.000	Finance lease receivables Rs.000	Hire purchase receivables Rs.000	Total Rs.000
Gross rental receivable		2,011,673	38,331	2,050,004	1,246,925	68,038	1,314,963
Unearned interest income		(449,767)	(5,009)	(454,776)	(323,238)	(15,108)	(338,346)
Allowance for impairment		-	-	-	-	-	-
Individual impairment		(55,093)	(5,569)	(60,662)	(36,853)	(6,282)	(43,135)
Collective impairment		(5,824)	(168)	(5,992)	(1,955)	(177)	(2,132)
		1,500,989	27,585	1,528,574	884,879	46,471	931,350

### 24 Advances and other loans

	Note	Group					
		2017			2016		
		Loans and advances Rs.000	Factoring receivables Rs.000	Total Rs.000	Loans and advances Rs.000	Factoring receivables Rs.000	Total Rs.000
<b>Non current assets</b>	Note 24.1				Note 24.1		
Receivable from one to five years		526,540	-	526,540	433,724	-	433,724
		526,540	-	526,540	433,724	-	433,724
<b>Current assets</b>							
Receivable within one year		1,132,078	268,118	1,400,196	1,548,961	291,252	1,840,213
		1,132,078	268,118	1,400,196	1,548,961	291,252	1,840,213
<b>Total</b>		1,658,618	268,118	1,926,736	1,982,685	291,252	2,273,937

#### 24.1 Loans and advances

	Note	Group					
		2017			2016		
		Loans and advances Rs.000	Factoring receivables Rs.000	Total Rs.000	Loans and advances Rs.000	Factoring receivables Rs.000	Total Rs.000
Loans secured by fixed deposits		-	-	-	-	-	-
Loans secured by other assets		600,826	-	600,826	730,230	-	730,230
Trade finance receivables		1,129,580	-	1,129,580	1,305,562	-	1,305,562
Allowance for impairment		-	-	-	-	-	-
Individual impairment		(67,710)	-	(67,710)	(40,614)	-	(40,614)
Collective impairment		(4,078)	-	(4,078)	(12,493)	-	(12,493)
		1,658,618	-	1,658,618	1,982,685	-	1,982,685

## 25 Inventories

As at 31 March,	Group			Company	
	2017 Rs.000	2016 Rs.000	2015 Rs.000	2017 Rs.000	2016 Rs.000
		(Restated)	(Restated)		
Raw materials	2,477,925	1,948,757	1,779,695	-	-
Packing material	794,955	920,351	637,827	-	-
Work in progress	703,760	479,161	322,799	-	-
Finished goods	1,633,127	1,096,083	722,604	-	-
Harvested crop	281,997	218,420	273,323	-	-
Nurseries	9,033	11,257	18,163	-	-
Input materials, consumables and spares	1,654,193	2,069,690	2,129,459	918	971
Goods in transit	98,425	19,174	4,988	-	-
	7,653,415	6,762,893	5,888,858	918	971
Provision for slow moving and obsolete inventories	(598,981)	(748,733)	(904,808)		
	7,054,434	6,014,160	4,984,050	918	971

### 25.1 Inventories that have been pledged

The Inventories that are pledged for long term borrowings are disclosed in Note 42 to these financial statements if any.

## 26 Trade and other receivables

As at 31 March,	Note	Group			Company	
		2017 Rs.000	2016 Rs.000	2015 Rs.000	2017 Rs.000	2016 Rs.000
			(Restated)	(Restated)		
<b>Financial assets</b>						
Trade receivables		6,310,630	4,921,525	4,414,892	-	-
Other financial receivables		1,299,696	1,363,598	2,128,136	6,672	21,252
Receivable from share trust	26.1	-	1,392,132	1,418,716	-	1,392,132
Insurance contract receivables		1,052,567	657,799	554,077	-	-
Loans given to employees		2,910	2,933	5,379	-	-
Refundable deposits		78,734	50,816	236,026	22,222	525
		8,744,537	8,388,803	8,757,226	28,894	1,413,909
Provision for impairment loss on financial assets		(1,072,325)	(1,234,640)	(1,114,985)	-	-
		7,672,212	7,154,163	7,642,241	28,894	1,413,909
<b>Non financial assets</b>						
Prepayments and advances		2,659,295	3,587,651	1,933,284	413	1,089
Accrued income		141,348	33,109	64,952	76,125	-
Non refundable deposits		-	-	-	-	-
Prepaid staff costs		32,646	38,038	35,884	-	-
Other non financial receivables		549,347	173,498	112,975	-	-
Tax receivables		221,862	296,374	303,373	2,960	31,130
		3,604,498	4,128,670	2,450,468	79,498	32,219
Provision for bad and doubtful debts		(2,745)	(3,138)	-	-	-
		3,601,753	4,125,532	2,450,468	79,498	32,219
		11,273,965	11,279,695	10,092,709	108,392	1,446,128

## NOTES TO THE FINANCIAL STATEMENTS

### 26.1 Receivable from Share Trust

Trade and Other receivables balance of the group includes Rs.1,392,132,049 from Melstacorp Limited Share Trust. Melstacorp Limited has acquired 8,650,732 shares of the Distilleries Company of Sri Lanka PLC for Rs. 1,471.5 Mn in order to form a Share Trust for the benefit of its employees. Melstacorp Limited Share Trust was created effective from 01 April 2011 for the holding of shares.

As a result of the restructuring arrangement stated in note 19.4, 8,650,732 DCSL shares held by Melstacorp Share Trust was converted to 34,602,928 shares of Melstacorp Limited and such shares were repurchased and cancelled by MC subsequently.

### 27 Cash and cash equivalents

As at 31 March,	Note	Group			Company	
		2017 Rs.000	2016 Rs.000	2015 Rs.000	2017 Rs.000	2016 Rs.000
			(Restated)	(Restated)		
<b>Favorable balances classified under current assets</b>						
Short term deposits	27.1	949,389	616,312	3,180,904	4,358	3,975
Cash at bank		972,029	856,821	804,823	418,961	18,599
Cash in hand		74,544	30,774	17,862	150	150
Cash in transit		96,812	84,107	69,342	-	-
<b>Total</b>		<b>2,092,774</b>	<b>1,588,014</b>	<b>4,072,931</b>	<b>423,469</b>	<b>22,724</b>
<b>Unfavorable balances classified under current liabilities</b>						
Bank overdrafts		3,305,609	2,208,737	4,253,380	109,534	1,448
<b>Total</b>		<b>3,305,609</b>	<b>2,208,737</b>	<b>4,253,380</b>	<b>109,534</b>	<b>1,448</b>
		(1,212,835)	(620,723)	(180,449)	313,935	21,276

### 27.1 Short term deposits

As at 31 March,	2017 Rs.000	Group		Company	
		2016 Rs.000	2015 Rs.000	2017 Rs.000	2016 Rs.000
			(Restated)	(Restated)	
Repo investments	620,406	166,473	419,729	-	-
Fixed deposits which matures within 3 months	328,983	449,839	2,761,175	4,358	3,975
	949,389	616,312	3,180,904	4,358	3,975

#### 27.1.1 Short term deposits that have been pledged

The Short term deposits that are pledged for long term borrowings are disclosed in Note 42 to these financial statements if any.

## 28 Stated capital

As at 31 March,	2017		2016		2015	
	No. of shares	Value of shares Rs.000	No. of shares	Value of shares Rs.000	No. of shares	Value of shares Rs.000
Balance at the beginning of the year	265,450,000	48,320,750	265,450,000	48,320,750	200,000,000	35,558,000
Issue of shares (Note 28.1)	148,218,056	26,679,250	-	-	65,450,000	12,762,750
	413,668,056	75,000,000	265,450,000	48,320,750	265,450,000	48,320,750
Consolidation of existing shares (Note 28.2)	1,000	75,000,000	-	-	-	-
Issue of shares for share SWAP (Note 28.3)	1,200,000,000	14,100,000	-	-	-	-
Cancellation of shares due to share buy back (Note 19.5)	(34,602,928)	-	-	-	-	-
Balance at the end of the year	1,165,398,072	89,100,000	265,450,000	48,320,750	265,450,000	48,320,750

**28.1** The Company issued Rs. 148,218,056 no of shares against the amount payable to DCSL of Rs. 1,816,079,400 and issue of several promissory notes (subsequently converted to a short term loan) by DCSL for Rs. 24,863,170,680.

**28.2** The above said Rs. 413 Mn no of shares were consolidated to 1000 non voting shares subsequently.

**28.3** Upon the shareholder approval for the restructuring arrangement stated in note 19.4, the Company issued 1,200,000,000 shares on 30 September 2016 to the DCSL shareholders in exchange of 300,000,000 DCSL shares as fully paid consideration.

Share structure	
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			Company	
		2017 Rs.000	2016 Rs.000 (Restated)	2015 Rs.000 (Restated)	2017 Rs.000	2016 Rs.000
<b>Capital reserves</b>						
Revaluation reserve	29.1	7,256,767	7,008,181	4,551,278	111,691	111,691
Capital reserve	29.2	12,137	12,137	3,048	-	-
Reserve fund	29.3	14,499	9,335	5,992	-	-
<b>Total capital reserves</b>		<b>7,283,403</b>	<b>7,029,653</b>	<b>4,560,318</b>	<b>111,691</b>	<b>111,691</b>
<b>Revenue reserves</b>						
General reserve	29.4	710,214	403,968	76,434	-	-
Exchange fluctuation reserve	29.5	944,140	592,644	337,838	-	-
Timber reserve	29.6	920,163	882,829	700,076	-	-
Available for sale reserve	29.7	2,572,252	2,269,960	5,735,079	(2,708,888)	(2,826,109)
<b>Total revenue reserves</b>		<b>5,146,769</b>	<b>4,149,401</b>	<b>6,849,427</b>	<b>(2,708,888)</b>	<b>(2,826,109)</b>
<b>Total reserves</b>		<b>12,430,172</b>	<b>11,179,054</b>	<b>11,409,745</b>	<b>(2,597,197)</b>	<b>(2,714,418)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 29.1 Revaluation reserve

The revaluation reserve comprises of the gain arisen from the revaluation of Property, Plant and Equipment. This reserve is realised upon the derecognition of the revalued Property, Plant and Equipment.

### 29.2 Capital reserve

Capital reserve comprises profits retained in order to utilise 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 and the portion of exchange gain or loss arising from the translation of the hedge instrument in relation to cash flow hedges of Aitken Spence PLC Group.

### 29.6 Timber reserve

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

### 29.7 AFS Reserve

This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

## 30 Interest bearing loans and borrowings

As at 31 March,	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
<b>Non current liabilities</b>					
Term loans payable after one year	30.1	3,296,148	2,651,005	-	-
Liability to make lease payments payable after one year	30.2	93,485	95,344	-	-
Finance lease liabilities payable after one year	30.3	47,126	85,565	-	-
		3,436,759	2,831,914	-	-
<b>Current liabilities</b>					
Term loans payable within one year	30.1	3,602,448	2,435,419	-	-
Liability to make lease payments payable within one year	30.2	1,859	1,789	-	-
Finance lease liabilities payable within one year	30.3	38,436	34,950	-	-
Other short term borrowings		7,604,440	6,868,898	-	-
Repo borrowings		1,200,000	-	-	-
Debt instruments-commercial papers		-	131,408	-	-
Redeemable preference shares	30.4	12,646	12,646	-	-
		12,459,829	9,485,110	-	-

### 30.1 Term loans

As at 31 March,	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance as at beginning of the year	5,086,424	2,418,949	-	-
Received during the year	4,312,730	4,477,508	-	-
Repaid during the year	(2,500,558)	(1,810,033)	-	-
	6,898,596	5,086,424	-	-
Repayable within one year	3,602,448	2,435,419	-	-
Repayable after one year	3,296,148	2,651,005	-	-
	6,898,596	5,086,424	-	-

### 30.2 Liability to make lease payments

As at 31 March,	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Gross liability as at the beginning of the year	167,039	172,712	-	-
Repayments during the year	(5,673)	(5,673)	-	-
	161,366	167,039	-	-
Finance costs allocated to future years	(66,022)	(69,906)	-	-
Net liability as at the end of the year	95,344	97,133	-	-
<b>Repayable within one year</b>				
Gross liability	5,673	5,673	-	-
Finance costs allocated to future years	(3,814)	(3,884)	-	-
Net liability	1,859	1,789	-	-
<b>Repayable within two to five years</b>				
Gross liability	22,692	22,692	-	-
Finance costs allocated to future years	(14,478)	(14,796)	-	-
Net liability	8,214	7,896	-	-
<b>Repayable after five years</b>				
Gross liability	133,001	138,674	-	-
Finance costs allocated to future years	(47,730)	(51,226)	-	-
Net liability	85,271	87,448	-	-
Finance lease liabilities payable after one year	93,485	95,344	-	-

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 form of Contingent rental. The contingent rental charged to the Income statement amounted to Rs.24,897,276/= Which is based on GDP deflator of 4.8% (2015)

## NOTES TO THE FINANCIAL STATEMENTS

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	1,970,582
Finance charges	(675,732)
Net liability	1,294,850

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

### 30.3 Finance Lease

As at 31 March,	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Gross liability as at the beginning of the year	139,391	28,968	-	-
Finance leases obtained during the year	-	146,420	-	-
Repayments during the year	(44,850)	(35,997)	-	-
	94,541	139,390	-	-
Finance costs allocated to future years	(8,979)	(18,875)	-	-
Net liability as at the end of the year	85,562	120,515	-	-
<b>Repayable within one year</b>				
Future minimum lease payments	44,703	44,846	-	-
Interest	(6,267)	(9,896)	-	-
Present value of future minimum lease payments	38,436	34,950	-	-
<b>Repayable within two to five years</b>				
Future minimum lease payments	49,838	94,544	-	-
Interest	(2,712)	(8,979)	-	-
Present value of future minimum lease payments	47,126	85,565	-	-

### 30.3.1 Finance Lease

Financial Institution	Terms of repayment	Repayable within one year	Repayable within 2-5 year	Repayable after 5 year	Total as at 31/03/2016
Central Finance Company PLC	60 equal monthly instalments @ Rs. 707,793/- commencing from 23/05/2013	7,561	2,754	-	10,315
Hatton National Bank	36 equal monthly instalments @ Rs. 22,126/- commencing from 11/07/2014	119	-	-	119
Hatton National Bank	48 equal monthly instalments @ Rs.2,834,685/- commencing from 17/04/2014	29,195	40,374	-	69,569

### 30.4 Redeemable preference shares

As per LKAS/ SLFRS requirements, preference shares of 1,264,616 amounting to Rs. 12.646 Mn which is redeemable as per the terms of an agreement has been classified as borrowings based on the features of the said shares. There fore the purpose of the financial reporting, the Company has classified the redeemable preference shares under borrowings.

## 31 Employee benefits

As at 31 March,	Note	Group			Company	
		2017 Rs.'000	2016 (Restated) Rs.'000	2015 (Restated)	2017 Rs.'000	2016 Rs.'000
Present value of unfunded obligations	31.1	906,936	1,018,298	949,961	4,316	3,057
Present value of funded obligations		-	-	-	-	-
Total present value of obligations		906,936	1,018,298	949,961	4,316	3,057
Fair value of planed assets		-	-	-	-	-
Provision for retirement benefit obligations		906,936	1,018,298	949,961	4,316	3,057

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

As at 31 March,		Group			Company	
		2017 Rs.'000	2016 (Restated) Rs.'000	2015 (Restated)	2017 Rs.'000	2016 Rs.'000
Balance as at beginning of the year		1,018,298	949,961	831,769	3,057	2,421
Acquisition/ (de-recognition) of subsidiaries		-	-	-	-	-
Benefits paid by the plan		(85,928)	(72,990)	(96,894)	-	-
Expense recognised in the in the income statement	31.1.1	171,800	173,951	161,227	1,569	1,033
Actuarial (gain) / loss recognised in other comprehensive income		(197,234)	(32,624)	53,859	(311)	(397)
Balance as at the end of the year		906,936	1,018,298	949,961	4,316	3,057

## NOTES TO THE FINANCIAL STATEMENTS

### 31.1.1 Expense recognised in the in the income statement

As at 31 March,	Note	Group			Company	
		2017	2016 (Restated)	2015 (Restated)	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current service costs		72,855	82,154	74,266	1,218	875
Interest costs		98,945	91,797	86,961	351	158
		171,800	173,951	161,227	1,569	1,033

### 31.1.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date

As at 31 March,	Note	Group			Company	
		2017	2016 (Restated)	2015 (Restated)	2017	2016
Discount rate (%)		11%-12.5%	9% - 10%	9% - 10%	10%	10%
Future salary increases (%)		5%-15%	5%-10%	5-15%	12%	10%
Retirement age (years)		55-75 years	55-65 years	55-65 years	55-75 Years	55-65 Years

#### Sensitivity of assumptions used

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

	Group 2017		Company 2017		Group 2016		Company 2016	
	Discount rate	Salary increment rate	Discount rate	Salary increment rate	Discount rate	Salary increment rate	Discount rate	Salary increment rate
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Effect on define benefit obligation liability,</b>								
Increase by 1%	(41,553)	22,747	208	(225)	(68,178)	50,067	(3,797)	4,567
Decrease by 1%	93,757	(21,218)	(223)	213	80,692	(47,829)	4,068	(4,321)
<b>Effect on Comprehensive Income,</b>								
Increase by 1%	41,553	(22,747)	(208)	225	68,178	(50,067)	3,797	(4,567)
Decrease by 1%	(93,757)	21,218	223	(213)	(80,692)	47,829	(4,068)	4,321

## 32 Other deferred liabilities

As at 31 March,		Group	
		2017 Rs.'000	2016 Rs.'000
<b>Non current liabilities</b>			
Deferred grants and subsidies	32.1	180,364	191,421
Deferred revenue	32.2	56,535	59,073
		236,899	250,494
<b>Current liabilities</b>			
Deferred revenue	32.2	82,653	75,259
		82,653	75,259

### 32.1 Deferred grants and subsidies

As at 31 March,		Group	
		2017 Rs.'000	2016 Rs.'000
Balance at the beginning of the year		191,421	202,696
Amortisation for the year		(11,057)	(11,275)
Balance at the end of the year		180,364	191,421

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 amortised over the life of the assets for which they are being deployed.

### 32.2 Deferred revenue

As at 31 March,		Group	
		2017 Rs.'000	2016 Rs.'000
<b>Balance at the beginning of the year</b>		134,332	112,351
Revenue received during the year		102,821	96,671
Deferred revenue recognised during the year		(97,965)	(74,690)
<b>Balance at the end of the year</b>		139,188	134,332
Deferred revenue to be recognised within one year		82,653	75,259
Deferred revenue to be recognised after one year		56,535	59,073
		139,188	134,332

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Trade and other payables

As at 31 March,	Group			Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2015 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
<b>Financial liabilities</b>					
Trade payables	1,581,689	924,374	1,209,700	-	-
Insurance contract liabilities	2,062,860	1,399,473	1,087,389	-	-
Other financial liabilities	1,027,760	3,358,949	3,327,835	931	1,143
Refundable advances and deposits	336,601	158,209	145,480	-	-
	5,008,910	5,841,005	5,770,404	931	1,143
<b>Non financial liabilities</b>					
Accrued expenses	1,465,091	1,666,496	1,652,022	2,086	75,663
Other Non Financial Liabilities	2,911,608	73,452	-	4	6
Direct and indirect taxes payables	33.1 4,777,980	4,263,179	2,630,283	336	321
Non refundable advances and deposits	26	689	3,047	-	-
Unclaimed dividends	159,333	152,947	155,485	-	-
	9,314,038	6,156,763	4,440,837	2,426	75,990
	14,322,948	11,997,768	10,211,241	3,357	77,133

#### 33.1 Direct and indirect taxes payables

As at 31 March,	Group			Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2015 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Excise duty payable	3,613,400	4,194,055	2,589,439	-	-
Value added tax (VAT) payable	1,131,715	17,226	17,825	-	-
Nation building tax (NBT) payable	32,865	51,868	23,019	336	321
	4,777,980	4,263,179	2,630,283	336	321

### 34 Deposit liabilities

As at 31 March,	Group	
	2017 Rs.'000	2016 Rs.'000
Term deposits	1,372,753	1,133,975
Savings deposits	167,979	72,214
Liabilities to FBIL customers	962	885
	1,541,694	1,207,074

### 34.1 Liabilities to FBIL customers

The liability is recognised based on the Scheme of Arrangements approved at the meeting of the creditors of First Barakah Investments Limited (FBIL), (Subsequently renamed as Group Subsidiary Melsta Regal Finance Limited) held on 12/02/2011 and upheld by the Colombo Commercial High Court (Case No. H.C.(Civil) 01/2011 (CO)). During the period under consideration, the Melsta Regal Finance Limited has repaid sum of Rs. 25,809,790/- to its creditors according to the repayment scheme.

### 35 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 except the balances arisen from restructure.

### 35.1 Balances with related parties

#### 35.1.1 Amounts due from related parties

As at 31 March,		Group			Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2015 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Subsidiaries	35.1.3	-	-	-	2,443,382	101,222
Associates	35.1.4	97,770	110,973	660,492	88,794	100,194
Other related companies	35.1.5	32,317	24,160	12,047	-	-
		130,087	135,133	672,539	2,532,176	201,416

#### 35.1.2 Amounts due to related parties

As at 31 March,		Group			Company	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2015 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Subsidiaries	35.1.3	-	-	-	44,848	1,846,769
Associates	35.1.4	1,825	2,526	166	-	-
Other related companies	35.1.5	330,778	291,504	272,237	5	-
		332,603	294,030	272,403	44,853	1,846,769

## NOTES TO THE FINANCIAL STATEMENTS

### 35.1.3 Subsidiaries

As at 31 March,	Group				Company				
	Amounts due from		Amounts due to		Amounts due from		Amounts due to		
	2017	2016	2017	2016	2017	2016	2017	2016	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balangoda Plantations PLC (Note 35.1.7)	-	-	-	-	-	313,050	100,194	-	-
Bell Solutions (Pvt) Ltd	-	-	-	-	-	-	8	-	-
Bellvantage (Pvt) Ltd	-	-	-	-	-	407	-	-	-
Continental Insurance Lanka Limited	-	-	-	-	-	-	-	1,018	-
Lanka Bell Ltd (Note 35.1.6)	-	-	-	-	-	361,370	-	-	-
Melsta Logistics (Pvt) Ltd	-	-	-	-	-	199	-	-	181
Milford Holdings (Pvt) Ltd	-	-	-	-	-	-	-	43,334	25,070
Periceyl (Pvt) Ltd	-	-	-	-	-	3	3	-	-
Melsta Properties (Pvt) Ltd	-	-	-	-	-	-	-	-	5,438
Distilleries Company of Sri Lanka PLC	-	-	-	-	-	1,767,565	-	-	1,816,080
Melsta Technologies (Private) Limited	-	-	-	-	-	-	441	496	-
Melsta Tower (Private) Limited	-	-	-	-	-	788	576	-	-
	-	-	-	-	-	2,443,382	101,222	44,848	1,846,769
	-	-	-	-	-	2,443,382	101,222	44,848	1,846,769

### 35.1.4 Associates

As at 31 March,	Group						Company			
	Amounts due from			Amounts due to			Amounts due from		Amounts due to	
	2017	2016	2015	2017	2016	2015	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	(Restated)	(Restated)		(Restated)	(Restated)					
Aitken Spence PLC	3,949	1,226	2,331	941	1,699	166	-	-	-	-
Madulsima Plantations PLC (Note 35.1.7)	93,821	109,747	658,161	884	827	-	88,794	100,194	-	-
	97,770	110,973	660,492	1,825	2,526	166	88,794	100,194	-	-

### 35.1.5 Other related companies

As at 31 March,	Group						Company			
	Amounts due from			Amounts due to			Amounts due from		Amounts due to	
	2017	2016	2015	2017	2016	2015	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	(Restated)	(Restated)		(Restated)	(Restated)					
Ace Power Generation Matara (Pvt) Ltd	3	20	5	-	-	-	-	-	-	-
Ace Container Terminals (Pvt) Ltd	134	-	-	-	-	-	-	-	-	-
Ace Containers (Pvt) Ltd	1,370	-	-	-	-	-	-	-	-	-
Ace Distriparks (Pvt) Ltd	280	-	-	-	-	-	-	-	-	-
Kandalama Hotel	27	-	-	-	-	-	-	-	-	-
Akbar Brothers (Pvt) Ltd	4	-	-	-	-	-	-	-	-	-
Aitken Spence Hotel Holdings PLC	159	-	571	-	-	-	-	-	-	-
Aitken Spence Hotel Management (Pvt) Ltd	16,577	84	72	516	1,404	1,827	-	-	-	-
Aitken Spence Travels (Pvt) Ltd	261	-	-	-	-	-	-	-	-	-
Aitken Spence Printing & Packaging (Pvt) Ltd	-	-	-	5	-	-	-	-	5	-
Aitken Spence Cargo (Pvt) Ltd	-	-	-	95	-	-	-	-	-	-
Ambewela Livestock Co.Ltd	9,763	19,694	-	-	-	-	-	-	-	-
Ambewela Products (Pvt) Ltd	141	29	15	-	-	-	-	-	-	-
Comark Engineers (Pvt) Ltd	-	-	-	-	31	-	-	-	-	-
Lanka Aluminium Industries PLC	-	-	-	3,090	3,609	4,355	-	-	-	-
Lanka Milk Foods (CWE) PLC	466	89	9,149	-	-	-	-	-	-	-
Lanaka Dairies (Pvt) Ltd	15	-	-	7	-	-	-	-	-	-
Lanka Stassens Distributors (Pvt) Ltd	-	119	119	-	-	-	-	-	-	-
Madulsima Plantations PLC	324	-	-	-	-	-	-	-	-	-
Milford Exports (Pvt) Ltd	84	843	-	-	-	-	-	-	-	-
Pattipola Livestock Co. Ltd	1,037	889	-	-	-	-	-	-	-	-
Stassen Lanka (Pvt) Limited (Note 35.1.8)	-	-	-	184,212	176,079	161,584	-	-	-	-
Stassen Export (Pvt) Limited	1,667	2,389	2,114	142,853	110,381	104,471	-	-	-	-
Stassen Natural Foods (Pvt) Ltd	5	4	2	-	-	-	-	-	-	-
	32,317	24,160	12,047	330,778	291,504	272,237	-	-	5	-

- 35.1.6 During the year Company has granted a loan amounting to Rs.350 Mn to Lanka Bell Limited at the rate of AWPLR plus 1% adjusted on monthly basis.
- 35.1.7 This amount represents the balance remaining on a term loan granted to Madulsima Plantations PLC / Balangoda Plantations PLC along with the interest AWPLR plus 1% adjusted on monthly basis.
- 35.1.8 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 35.2 Transactions with related parties

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 Mr.C.R.Jansz Mr.N.De.S.Deva Aditya Mr.C.R.Jansz Cap.K.J.Kahanda Dr.Naomal Balasuriya Mr.D.Hasitha.S.Jayawardena Mr.R.Seevaratnam	Subsidiary Co.	Dividends paid	1
			Issue of shares	26,679,250
			Rent Income	222,076
			Disposal of Fixed Assets	78
			RPT Current A/C Interest Charged by Melsta	74,043
			RPT Current A/C Interest Settled by DCSL	14,063
			Short term loan Interest Charged by Melstacorp	1,217,044
			Short term loan Interest interest Settled by DCSL	136,829
			Settlement of Short term loan	24,863,171
			RPT Current A/C Interest Charged by DCSL	80,390
			Investment in Promissory Notes (Converted to a short term loan on 2nd August 2016)	24,863,171
			Dividend Received for Share Trust	28,618
			Funds Transferred to DCSL	2,237,400
			Funds received from DCSL	1,534,162
			Settlements made	817
			Settlements received	141,853
			Investment in a Pending Allotment	20,000,000
Reimbursement of expenses by DCSL incurred on behalf of Melstacorp	76,007			
Supply of Consumables	588			
Lanka Milk Foods (CWE) PLC	Mr.D.H.S.Jayawardena Mr.C.R.Jansz Mr.D.Hasitha.S Jayawardena	Affiliated Co.	Dividend Received	8,388
				-
				-
Splendor Media (Pvt) Ltd.		Subsidiary Co.	Rebates Charged	11
			Rebates received	11
Periceyl (Pvt) Limited	Mr. D.H.S.Jayawardena Mr. C.R.Jansz Mr. A.L. Goonaratne	Subsidiary Co.	Dividend Received	63,000
			Proceeds received from share Buy Back	2,500,000
				-
Milford Holding (Pvt) Ltd	Mr. D.H.S.Jayawardena Mr. C.R.Jansz Cap.K.J.Kahanda	Subsidiary Co.	Dividend Received	300
			Funds transferred from Milford Holdings (Pvt) Ltd	14,400
				-
			Funds transferred to Milford Holdings (Pvt) Ltd	1,000
			Interest on RPT Current A/C	4,864
Bellvantage (Private) Ltd	Mr. A.L. Goonaratne	Subsidiary Co.	Dividend Received	315
			Rent charged	403
			Services Obtained	491
			Payments made	478
			Sponsorships Granted	25
			Reimbursement of Expenses incurred on behalf of Melstacorp PLC	3
Melsta Logistic (Pvt) Limited	Mr. A.L. Goonaratne	Subsidiary Co.	Car Rentals	986
			Repair Services Obtained	22
			Dividend Received	7,789
			Ground rent charged	1,017
			Ground rents settled	723
			Settlements made	915
Melstacorp Share Trust	Mr.C.F.Fernando Dr.Naomal Balasuriya	Trustee/ Settler	Settlements received	1,392,132
Melsta Properties (Pvt) Ltd	Cap.K.J.Kahanda	Subsidiary Co.	Interest Charged on RPT Current A/C	234

Name of the Company	Names of Directors	Nature of Interest	Nature of Transaction	Transaction Value Rs. '000
			Settlement of Loans with Int. Dividends Received	5,218 4,902
Bogo Power (Pvt) Ltd	Mr. D.H.S.Jayawardena Mr. A.L. Goonaratne	Subsidiary Co.	Dividend Received	44,685 -
Balangoda Plantations PLC	Mr. D.H.S.Jayawardena Mr. C.R.Jansz Mr. A.L. Goonaratne	Subsidiary Co.	Loans Granted Interest on Loans Settlement of Loans with Int.	200,000 28,358 15,502 -
Madulsima Plantations PLC	Mr. D.H.S.Jayawardena Mr. C.R.Jansz	Associate Co.	Loans Granted Interest on Loans Settlement of Loans with Int.	- 11,313 22,713
Continental Insurance Lanka Ltd	Mr. A.L. Goonaratne	Subsidiary Co.	Dividend Received  Insurance Services obtained Insurance Claims received Insurance premiums paid	14,000  11,966 113 10,948
Lanka Bell Ltd	Mr. D.H.S.Jayawardena Mr. C.R.Jansz Mr. A.L. Goonaratne	Subsidiary Co.	Telephone and Internet charges Settlements made Loans Disbursed Interest charged	436 396 350,000 11,411
Melsta Tower (Pvt) Ltd	Mr. A.L. Goonaratne	Subsidiary Co.	Transfer of funds Expenses Incurred on behalf of Melsta Tower (Pvt) Ltd	- 211
Melsta Technologies (Pvt) Ltd		Subsidiary Co.	Dividends received  Purchase of Fixed Assets Reimbursement of Expenses incurred o behalf of Melsta Technologies (Pvt) Ltd Settlements received	-  954 1,198 1,182
Bell Solutions (Pvt) Ltd		Subsidiary Co.	Goods and services obtained Payments made	336 336 -
Aitken Spence PLC	Mr. D.H.S.Jayawardena Mr. A.L. Goonaratne Mr.N.De.S.Deva Aditya	Associate Co.	Dividends received	496,725 - -
Aitken Spence Printing and Packaging (Pvt) Ltd	Mr. D.H.S.Jayawardena	Affiliated Co.	Printing Services Obtained	5 - -
Lanka Dairies (Pvt) Ltd	Mr.D.H.S.Jayawardena Mr.C.R.Jansz	Affiliated Co.	Goods and services obtained Payments made	2 2

### 35.2.3 Transactions with Key Management Personnel (KMP)

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) has been classified as Key Management Personnel of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

- 35.2.3.1 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)  
CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;
- (a) the individual's domestic partner and children;
  - (b) children of the individual's domestic partner; and
  - (c) dependents of the individual or the individual's domestic partner
- CFM are related parties to the entity. There were no transactions with CFM during the year.

For the year ended 31 March,,	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Short term employee benefits	121,501	117,838	44,478	37,417
Post employment benefits	3,231	3,163	-	-
Other long term benefits	-	-	-	-
Share base payments	-	-	-	-

- 35.2.3.2 Loans to Directors  
There were no loans granted to Directors during the year.

- 35.2.4 Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower (CSE Ruling)

Name of Related Party	Relationship	Nature of transaction	Amount	Rational for entering to the transaction	As a % of total Assets	As a % of total equity
Distilleries Company of Sri Lanka PLC	Subsidiary (Parent Company as at the transaction date)	Issue of shares	26,679,250	As a part of the group restructuring plan	29.78%	29.98%
Distilleries Company of Sri Lanka PLC	Subsidiary (Parent Company as at the transaction date)	Investment in a Promissory Note (Converted to a short term loan on 2nd August 2016)	24,863,171	As a part of the group restructuring plan	27.75%	27.94%
Distilleries Company of Sri Lanka PLC	Subsidiary	Investment in a Pending Allotment	20,000,000	As a part of the group restructuring plan	22.32%	22.47%
Distilleries Company of Sri Lanka PLC	Subsidiary	Settlement of Short term loan	24,863,171	As a part of the group restructuring plan	27.75%	27.94%

### 36 Restatement of prior years

As stated in Note 19.4, the restructuring of the group is identified as common control transaction hence the book value accounting is applied in accounting for the acquisition of DCSL as a wholly owned subsidiary by the Company.

Further, as a result of restructuring of the companies (DCSL and MC) within the common control, there is no change to the net assets of the Group previously reported. To reflect the effect of restructuring of the group under common control, the prior period financial statements were restated as detailed below.

The adjustment to opening net assets as at 1st April 2015 reflect the reserves consolidated by DCSL. There is no change in previously reported total assets (including goodwill), total liabilities and net assets under the DCSL Group. The equity previously reported is re-arranged to reflect the capital structure of the MC.

## I. Statement of Financial Position

1 April 2015	Impact on Restatement of prior years		
	As previously reported Rs.'000	Adjustments Rs.'000	As Restated Rs.'000
<b>Total assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	10,094,947	8,382,351	18,477,298
Intangible assets	2,561,325	175,278	2,736,603
Investment property	4,783,220	(4,197,125)	586,095
Biological assets	3,551,869		3,551,869
Investment in equity accounted investees	22,867,697	1,324,540	24,192,237
Other non current financial investments	14,962,209	2,561,053	17,523,262
Deferred tax asset	447,556	55,158	502,714
Finance lease, hire purchases and operating lease receivables	868,225		868,225
Advances and other loans	459,705		459,705
<b>Current assets</b>	2,187,561	2,796,489	4,984,050
Inventories	-	1,901	1,901
Produce on bearer biological assets 36.2	6,790,733	3,301,976	10,092,709
Trade and other receivables	311,999	-	311,999
Finance lease, hire purchases and operating lease receivables	1,224,551	-	1,224,551
Advances and other loans	1,005,743	(333,204)	672,539
Amounts due from related companies	2,253,952	177,863	2,431,815
Other current financial investments	3,888,213	184,718	4,072,931
Cash and cash equivalents			
<b>Total assets</b>	78,259,505	14,430,998	92,690,503
<b>Equity</b>			
Stated capital	48,320,750	-	48,320,750
Reserves	1,679,900	9,729,844	11,409,744
Retained earnings	9,700,621	(8,425,336)	1,275,285
Equity attributable to owners	59,701,271	1,304,508	61,005,779
Non controlling interest	3,816,452	3,666	3,820,118
<b>Total equity</b>	63,517,723	1,308,174	64,825,897
<b>Non current liabilities</b>			
Interest bearing loans and borrowings	1,776,356	-	1,776,356
Deferred tax liabilities	687,676	614,216	1,301,892
Employee benefits	812,851	137,110	949,961
Other deferred liabilities	258,935	-	258,935
<b>Current liabilities</b>			-
Trade and other payables	4,178,802	6,032,440	10,211,242
Deposit liabilities	511,789	-	511,789
Other deferred liabilities	56,112	-	56,112
Amount due to related companies	670,871	(398,468)	272,403
Income tax payable	202,390	261,070	463,460
Non current liabilities	3,014,076	4,795,000	7,809,076
Bank overdrafts	2,571,924	1,681,456	4,253,380
<b>Total liabilities</b>	14,741,782	13,122,824	27,864,606
<b>Total equity and liabilities</b>	78,259,505	14,430,998	92,690,503

## NOTES TO THE FINANCIAL STATEMENTS

1 April 2016	Impact on Restatement of prior years		
	As previously reported Rs.'000	Adjustments Rs.'000	As Restated Rs.'000
<b>Total assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	11,041,867	11,241,347	22,283,214
Intangible assets	2,305,284	167,388	2,472,672
Investment property	6,070,117	(4,874,422)	1,195,695
Biological assets	3,914,452	-	3,914,452
Investment in equity accounted investees	24,968,432	1,325,511	26,293,943
Other non current financial investments	13,220,266	2,368,253	15,588,519
Deferred tax asset	654,923	47,529	702,452
Finance lease, hire purchases and operating lease receivables	1,634,071		1,634,071
Advances and other loans	433,724		433,724
			-
<b>Current assets</b>			
Inventories	2,524,325	3,489,835	6,014,160
Produce on bearer biological assets	-	1,967	1,967
Trade and other receivables	6,630,229	4,649,466	11,279,695
Finance lease, hire purchases and operating lease receivables	931,350		931,350
Advances and other loans	1,840,213		1,840,213
Amounts due from related companies	438,725	(303,592)	135,133
Other current financial investments	2,940,117	58,411	2,998,528
Cash and cash equivalents	1,356,866	231,148	1,588,014
<b>Total assets</b>	<b>80,904,961</b>	<b>18,402,841</b>	<b>99,307,802</b>
<b>Equity</b>			
Stated capital	48,320,750	-	48,320,750
Reserves	(813,476)	11,992,530	11,179,054
Retained earnings	10,085,147	(6,379,389)	3,705,758
Equity attributable to owners	57,592,421	5,613,141	63,205,562
Non controlling interest	3,525,681	3,666	3,529,347
Total equity	61,118,102	5,616,807	66,734,909
<b>Non current liabilities</b>			
Interest bearing loans and borrowings	2,831,914	-	2,831,914
Deferred tax liabilities	832,182	1,276,460	2,108,642
Employee benefits	893,589	124,709	1,018,298
Other deferred liabilities	250,494	-	250,494
			-
<b>Current liabilities</b>			
Trade and other payables	4,802,254	7,195,514	11,997,768
Deposit liabilities	1,207,074	-	1,207,074
Other deferred liabilities	75,259	-	75,259
Amount due to related companies	2,114,417	(1,820,387)	294,030
Income tax payable	222,895	872,672	1,095,567
Non current liabilities	4,765,485	4,719,625	9,485,110
Bank overdrafts	1,791,296	417,441	2,208,737
<b>Total liabilities</b>	<b>19,786,859</b>	<b>12,786,034</b>	<b>32,572,893</b>
<b>Total equity and liabilities</b>	<b>80,904,961</b>	<b>18,402,841</b>	<b>99,307,802</b>

## II. Statement of Profit or Loss

For the year ended 31 March 2016	Impact on Restatement of prior years		
	As previously reported	Adjustments	As Restated
	Rs.'000	Rs.'000	Rs.'000
<b>Gross revenue</b>	17,468,986	71,396,214	88,865,200
Net revenue	13,016,726	20,823,371	33,840,097
Cost of sales, net benefits paid and interest expenses	(8,726,094)	(12,095,962)	(20,822,056)
<b>Gross profit</b>	4,290,632		13,018,041
Other operating income (36.2)	1,475,617	(321,148)	1,154,469
Distribution expenses	(1,403,285)	(367,529)	(1,770,814)
Administrative expenses	(2,668,883)	(935,929)	(3,604,812)
Other operating expenses	(355,557)	5,068	(350,489)
<b>Results from operating activities</b>	1,338,524		8,446,395
Finance income	426,207	(23,438)	402,769
Finance cost	(404,723)	(200,454)	(605,177)
<b>Net finance income</b>	21,484		(202,408)
Share of profit of equity-accounted investees (net of tax)	747,532	1,005	748,537
<b>Profit before income tax expense</b>	2,107,540		8,992,524
Taxation	(432,451)	(2,890,427)	(3,322,878)
<b>Profit for the year</b>	1,675,089	75,390,771	5,669,646
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	19,930	2,822,391	2,842,321
Actuarial gain/(losses) on retirement benefit obligations	20,688	11,936	32,624
Share of other comprehensive income of equity-accounted investees (net of tax)	298,484	291	298,775
Income tax on other comprehensive income	(3,655)	(382,723)	(386,378)
Items that are or may be reclassified to profit or loss			
Net change in fair value of available for sale financial assets	(3,253,902)	(219,863)	(3,473,765)
<b>Total other comprehensive income for the year</b>	(2,918,455)	2,232,032	(686,423)
<b>Total comprehensive income for the year</b>	(1,243,366)	77,622,803	4,983,223

## NOTES TO THE FINANCIAL STATEMENTS

36.2 Amendments to LKAS 16 and LKAS 41 on bearer plants, harvestable biological assets growing on the bearer plants are measured at their fair value less costs to sell and accounted retrospectively. The Balangoda Plantations PLC applied above amendment for the first time which is effective for annual periods beginning on or after 1 January 2016.

### 37 Financial instruments

#### 37.1 Accounting classification of financial instruments

##### 37.1.1 Accounting classification of financial assets

As at 31 March,	Note	Group									
		Loans and receivables (L&R)		Assets at fair value through profit and loss (FVTPL)		Held to maturity investments (HTM)		Available for sale financial assets (AFS)		Total	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Assets as per balance sheet											
Non current assets											
Other non current financial investments	21	952,984	181,765	-	-	-	-	18,780,482	15,406,754	19,733,466	15,588,519
Finance lease, hire purchases and operating lease receivables	23	1,623,769	1,634,071	-	-	-	-	-	-	1,623,769	1,634,071
Advances and other loans	24	526,540	433,724	-	-	-	-	-	-	526,540	433,724
Current assets											
Trade and other receivables	26	7,672,212	7,154,163	-	-	-	-	-	-	7,672,212	7,154,163
Finance lease, hire purchases and operating lease receivables	23	1,528,574	931,350	-	-	-	-	-	-	1,528,574	931,350
Advances and other loans	24	1,400,196	1,840,213	-	-	-	-	-	-	1,400,196	1,840,213
Amounts due from related companies	35.1.1	130,087	135,133	-	-	-	-	-	-	130,087	135,133
Other current financial investments	21	5,297,654	1,260,519	1,196,747	1,728,838	292,981	-	16,766	9,171	6,804,148	2,998,528
Cash and cash equivalents	27	2,092,774	1,588,014	-	-	-	-	-	-	2,092,774	1,588,014
<b>Total</b>		<b>21,224,790</b>	<b>15,158,952</b>	<b>1,196,747</b>	<b>1,728,838</b>	<b>292,981</b>	<b>-</b>	<b>18,797,248</b>	<b>15,415,925</b>	<b>41,511,766</b>	<b>32,303,715</b>

### 37.1.1 Accounting classification of financial assets

As at 31 March,	Note	Company									
		Loans and receivables (L&R)		Assets at fair value through profit and loss (FVTPL)		Held to maturity investments (HTM)		Available for sale financial assets (AFS)		Total	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Assets as per balance sheet											
Non current assets											
Other non current financial investments	21	-	-	-	-	-	-	14,390,082	12,638,446	14,390,082	12,638,446
Current assets											
Trade and other receivables	26	28,894	1,413,909	-	-	-	-	-	-	28,894	1,413,909
Amounts due from related companies	35.1.1	2,532,176	201,416	-	-	-	-	-	-	2,532,176	201,416
Other current financial investments	21	4,035,507	-	899,403	883,820	-	-	-	-	4,934,910	883,820
Cash and cash equivalents	27	423,469	22,724	-	-	-	-	-	-	423,469	22,724
<b>Total</b>		<b>7,020,046</b>	<b>1,638,049</b>	<b>899,403</b>	<b>883,820</b>	<b>-</b>	<b>-</b>	<b>14,390,082</b>	<b>12,638,446</b>	<b>22,309,531</b>	<b>15,160,315</b>

### 37.1.2 Accounting classification of financial liabilities

As at 31 March,	Note	Group					
		Financial liabilities at fair value through profit or loss		Financial liabilities measured at amortised cost		Total	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	
Liabilities as per balance sheet							
Non current liabilities							
Interest bearing loans and borrowings	30	-	-	3,436,759	2,831,914	3,436,759	2,831,914
Current liabilities							
Trade and other payables	33	-	-	5,008,910	5,841,005	5,008,910	5,841,005
Deposit liabilities	34	-	-	1,541,694	1,207,074	1,541,694	1,207,074
Amount due to related companies	35.1.2	-	-	332,603	294,030	332,603	294,030
Interest bearing loans and borrowings	30	-	-	12,459,829	9,485,110	12,459,829	9,485,110
Bank overdrafts	27	-	-	3,305,609	2,208,737	3,305,609	2,208,737
<b>Total</b>		<b>-</b>	<b>-</b>	<b>26,085,404</b>	<b>21,867,870</b>	<b>26,085,404</b>	<b>21,867,870</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 37.1.2 Accounting classification of financial liabilities

As at 31 March,	Note	Company					
		Financial liabilities at fair value through profit or loss		Financial liabilities measured at amortised cost		Total	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
<b>Liabilities as per balance sheet</b>							
Non current liabilities							
Interest bearing loans and borrowings	30	-	-	-	-	-	-
<b>Current liabilities</b>							
Trade and other payables	33			931	1,143	931	1,143
Amount due to related companies	35.1.2			44,853	1,846,769	44,853	1,846,769
Interest bearing loans and borrowings	30			-	-	-	-
Bank overdrafts	27			109,534	1,448	109,534	1,448
<b>Total</b>		-	-	155,318	1,849,360	155,318	1,849,360

### 37.2 Fair value hierarchy of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group/company is the closing market price in Colombo Stock Exchange. These instruments are included in Level 1. Instruments included in Level 1 comprise equity investments classified as fair value through profit and loss securities or available for sale.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data (Unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

As at 31 March,	Note	Group							
		Level 1		Level 2		Level 3		Total	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Non current assets									
Other non current financial investments	21								
Available for sale financial investments - (afs)	21.1								
Quoted equity securities	21.1.1	16,471,486	14,667,682	-	-	-	-	16,471,486	14,667,682
Unquoted equity securities	21.1.2	-	-	-	-	125,564	114,102	125,564	114,102
Investments in unit trusts	21.1.3	-	-	-	50,923	3,000	-	3,000	50,923
Government securities	21.1.5	1,747,055	104,014	-	-	-	-	1,747,055	104,014
Debt securities	21.1.4	433,377	470,033	-	-	-	-	433,377	470,033
Current assets									
Other current financial investments	21								
Available for sale financial investments - (afs)	21.1								
Quoted equity securities	21.1.1	-	-	-	-	-	-	-	-
Government securities	21.1.5	16,766	9,171	-	-	-	-	16,766	9,171
Fair value through profit or loss (fvtp) financial investments	21.2								
Quoted equity securities	21.2.1	1,016,948	1,025,102	-	-	-	-	1,016,948	1,025,102
Investments in unit trusts	21.2.2	179,799	569,390	-	-	-	-	179,799	569,390
Quoted debentures	21.2.3	-	134,346	-	-	-	-	-	134,346

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Note	Company							
		Level 1		Level 2		Level 3		Total	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Non current assets									
Other non current financial investments	21								
Available for sale financial investments - (afs)	21.1								
Quoted equity securities	21.1.1	14,177,728	12,638,446	-	-	-	-	14,177,728	12,638,446
Government securities	21.1.5	212,354	-	-	-	-	-	212,354	-
Current assets									
Other current financial investments	21								
Available for sale financial investments - (afs)	21.1								
Fair value through profit or loss (fvtp) financial investments	21.2								
Quoted equity securities	21.2.1	899,403	883,820	-	-	-	-	899,403	883,820

### 38 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.

### 39 Impact of Revival of Underperforming Enterprises and Underutilised 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.

### 40 Pending litigations and contingent liabilities

Based on the available information, the Management is of the view that there are no material litigation or claims 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.

#### 40.1 Pending litigations

##### 40.1.1 Distilleries Company of Sri Lanka PLC

A plaint filled by Censtear (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.

##### 40.1.2 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.

#### 40.2 Contingent liabilities

There were no material Contingent Liabilities, which require adjustments to or disclosures in the Financial statements other than items disclosed bellow

##### 40.2.1 Distilleries Company of Sri Lanka PLC

Two Corporate Guarantees have been given to Sampath Bank PLC for a sum of Rs.400Mn and Rs.300Mn for a loan facility obtained by Lanka Bell Limited.

## NOTES TO THE FINANCIAL STATEMENTS

### 40.2.2 Other contingent liabilities

As at 31 March,	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Bank guarantees	14,245	27,050	-	-
Import/export bill collection	145,416	102,329	-	-
Letter of credit	105,077	998,725	-	-
Shipping guarantee	47,374	134,425	-	-

There are no material contingent liabilities as at 31 March 2017 other than disclose above.

### 41 Capital and other commitments

There were no material capital expenditure approved by the Board of Directors as at 31 March 2017 other than followings;

#### 41.1 Browns Beach Hotel PLC

The new resort hotel, Negombo Beach Resort (Pvt) Limited which is a 100% owned subsidiary of Browns Beach Hotels PLC commenced its operations on 2 April 2016. The total project cost is currently estimated to be in the region of Rs. 5.2 billion.

There were no commitments for capital expenditure approved by the Directors as at 31 March 2017 Details at 31 March 2016 is given below.

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

As at 31 March,	2017 Rs.'000	2016 Rs.'000
Approved but not contracted for	-	150,000
Approved contracted for but not incurred	-	137,951

#### 41.2 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 lease 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.

As at 31 March,	2017 Rs.'000	2016 Rs.'000
Within one year	23	22.9
After one year but not more than five years	93.5	92.2
More than five years	424.5	429.5
	541	544.6

### 41.3 Lanka Bell Limited

The company has opened letters of credit amounting to US\$ 7.55 Mn during the year for its operations and balance as at 31 March 2017 is amounting to US\$ 6.44 Mn.

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

As at 31 March,	2017 Rs.'000	2016 Rs.'000
Approved and contracted for	978	966
Approved and not contracted for	-	-

### 42 Assets pledged

Following assets have been pledged as securities for liabilities.

Company	Nature of Liability	Security		Value of the assets pledged (Rs.000)
		Description	Asset type	2017
Melstacorp PLC	Permanent over draft facilities and other short term borrowings of DCSL	Long term investments held in Quoted shares of John Keels Holdings PLC (32,653,060 shares) and Aitken Spence PLC (71.25 Mn shares) are pledged on the other short term borrowings obtained by Distilleries Company of Sri Lanka PLC.	Other Long Term Investments and Investments in Equity Accounted Investees.	8,507,107
Balangoda Plantations PLC	Long Term Loan	Primary mortgage over the lease hold rights of Balangoda Estates.	Property, Plant and Equipment	10,833
		Mortgage on Colour Separator	Property, Plant and Equipment	40,825
	Short term loans	Primary mortgage over the Machines and/or equipment of Moddakanda Estate.	Property, Plant and Equipment	5,028
	Permanent over draft facility	Primary mortgage over the lease hold rights of Walaboda Estates.	Property, Plant and Equipment	5,280
	Finance lease	Mortgage on Colour Separator and Machinery	Property, Plant and Equipment	87,416
		Absolute ownership of the leased bikes	Property, Plant and Equipment	348

## NOTES TO THE FINANCIAL STATEMENTS

Company	Nature of Liability	Security		Value of the assets pledged (Rs.000)
		Description	Asset type	2017
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	499,086
	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 proceeds, pro note	Revenue-Export	
		Secondary mortgage over land, building and immovable machinery at Embulagama, Ranala for USD 1.5Mn	Property, plant and equipment	
Lanka Bell Limited	Term loans and other borrowings	Tower portfolio has been pledged as a security against the financing facilities.	Property, Plant and Equipment	425,000
		Movable and immovable property has been pledged as a security against the financing facilities.	Property, Plant and Equipment	1,575,900
Melsta Regal Finance Ltd	Long term loan	Company's Hire purchase and Leasing portfolio have been pledged as a security against the financing facilities.	Lease and hire purchase receivables	1,400,000
Negombo Beach Resorts (Pvt) Ltd	Long term loan	Freehold land and building of the Hotel has been mortgaged.	Property, Plant and Equipment	2,567,670

### 43 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.

### 44 Financial Risk Management

The Group has adopted practices to mitigate risks arising from adverse market conditions (prices, rates and volatile markets) by hedging (or not) using financial instruments.

Financial risk derives from economic uncertainty. The inability to forecast with certainty would either erode profitability (e.g. adverse exchange rate) or could jeopardise the ability of the Group to raise finance from markets (e.g. volatile interest rates).

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 and Melsta Regal Finance are exceptional and adhere to an even higher degree of management to comply with IBSL and CBSL regulatory compliance/guidelines respectively.

### Financial Instruments

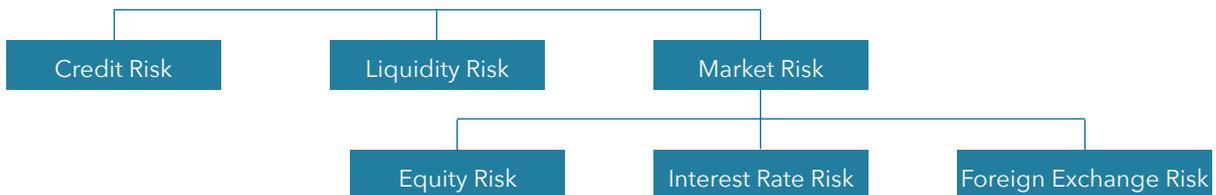
Group's financial instruments consist of ASSETS - its portfolio of equity investments, deposits in banks, accounts receivable. LIABILITIES - Loan obligations, accounts payable and accrued liabilities.

#### 44.1 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. The Group does not use derivative financial instruments to manage these risks, as management believes that the risks arising from the financial instruments are already at an acceptable level. This is further accredited by the AAA/Stable rating assigned by Fitch this year.

The Group has exposure to the following risks from financial instruments



##### 44.1.1 Credit Risk

This is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. Group's credit risk arises primarily from credit exposure to customers, including outstanding receivable from select retail chains.

The Group assesses the credit quality of its counter-parties, taking into account their financial position, past experience and seasonal factors.

The group trades only with recognised, credit worthy third parties. It is a group policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

## NOTES TO THE FINANCIAL STATEMENTS

### 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,

		Group				Company			
		2017		2016		2017	% from total exposure	2016	% from total exposure
		Rs.000	% from total exposure	Rs.000	% from total exposure	Rs.000		Rs.000	
Trade and other receivables	44.1.1.1	7,672,212	33%	7,154,163	53%	28,894	1%	1,413,909	86%
Receivables from/ in finance business	44.1.1.2	5,079,079	22%	2,771,563	20%	-	0%	-	0%
Amounts due from related companies	44.1.1.3	130,087	1%	135,133	1%	2,532,176	35%	201,416	12%
Corporate debt securities	44.1.1.4	1,386,361	6%	786,144	6%	-	0%	-	0%
Government securities	44.1.1.5	2,056,802	9%	279,658	2%	212,354	3%	-	0%
Deposits with bank	44.1.1.6	5,518,065	24%	1,579,953	12%	4,039,865	56%	3,975	0%
Cash at bank	44.1.1.7	972,029	4%	856,821	6%	418,961	6%	18,599	1%
		23,142,060	100%	17,688,967	100%	7,232,250	100%	1,670,118	100%

#### 44.1.1.1 Trade and other receivables

As the large majority of Beverage accounts receivable balances are collectable from licensed retailers, management believes that the sector's credit risk relating to accounts receivable is at an acceptably low level.

The Group has observed higher credit risk in telecommunication sector due to large number of small customers. However, risk is managed and mitigated by adopting timely disconnection policy and converting customer to prepaid mode.

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into 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.

#### 44.1.1.2 Receivables from/ in finance business

The above stated financial assets are backed with the underlying securities and, are neither past due or impaired.

#### 44.1.1.3 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.

#### 44.1.1.4 Corporate debt securities

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

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

Credit Rating	Group				Company			
	2017		2016		2017	% from total exposure	2016	% from total exposure
	Amount	% from total exposure	Amount	% from total exposure	Amount		Amount	
AA-	590,709	43%	173,181	22%	-	0%	-	0%
A+	126,362	9%	71,680	9%	-	0%	-	0%
A	101,016	7%	49,019	6%	-	0%	-	0%
A-	39,087	3%	-	0%	-	0%	-	0%
BBB+	477,933	34%	441,157	56%	-	0%	-	0%
BBB-	51,254	4%	51,108	7%	-	0%	-	0%
	1,386,361	100%	786,145	93%	-	0%	-	0%

#### 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 Deposits with banks are entirely consist of fixed deposits and call deposits placed in both Banks and other financial institutions.

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

The Group has selected its bankers by considering the credit ratings of the rating agencies, the reputation in the economy, efficiency in transaction processing by minimizing the transaction costs.

The financial institutions in which the deposits and cash at bank is existed are guaranteed by local and foreign credit rating agencies as A- or Better.

#### 44.1.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations on time.

Group's sources of liquidity are its short term deposits in banks and its cash generated by operating activities. Group's total contractual maturities are represented by its accounts payable and accrued liabilities, and are mostly due to be paid within one year. The Group believes that its deposits in cash management pools, ready bank lines (ODs, loans), debt with rollover options, combined with its historically strong and consistent operational cash flows, are more than sufficient to fund its operations, investing activities and commitments for the foreseeable future.

Group does not have any investments in asset-backed commercial papers and, therefore, has no exposure to this type of liquidity risk.

## NOTES TO THE FINANCIAL STATEMENTS

### Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2017.

	Within 1 year	Between 1-3 years	Between 3 to 5 years	More than 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest bearing loans and borrowings	12,459,829	1,841,522	609,752	985,484	15,896,587
Trade and other payables	5,008,910	-	-	-	5,008,910
Deposit liabilities	1,541,694	-	-	-	1,541,694
Amount due to related companies	332,603	-	-	-	332,603
Bank overdrafts	3,305,609	-	-	-	3,305,609
	22,648,645	1,841,522	609,752	985,484	26,085,403

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March 2017

	Within year	1-3 years	3-5 years	More than 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest bearing loans and borrowings	-	-	-	-	-
Trade and other payables	931	-	-	-	931
Deposit liabilities	-	-	-	-	-
Amount due to related companies	44,853	-	-	-	44,853
Bank overdrafts	109,534	-	-	-	109,534
	155,318	-	-	-	155,318

#### 44.1.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk; equity price risk, interest rate risk, currency risk (or foreign exchange risk), and other price risks such as commodity price risk. Financial instruments at Group level affected by market risk include loans and borrowings, deposits, letters of credit and available for sale investments. The objective of market risk management is to manage and to control market risk exposures within acceptable parameters while optimising the return.

#### Equity Price Risk

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 AFS. 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 compiling with group investment policies. Safe Custodian agreements with banks are in place that adds a control dimension.

The Group manages the equity price risk through diversification of its investments to each sector. Further the Management daily monitors the reports of the equity portfolios

The extend of diversification of short term equity investments (FVTPL) are analysed bellow.

As at 31 March,	Group				Company			
	2017		2016		2017		2016	
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
Bank finance and insurance	4,121	0%	4,396	0%	-	0%	-	0%
Beverage food and tobacco	22,494	2%	28,304	3%	-	0%	-	0%
Chemicals and pharmaceuticals	11,134	1%	11,926	1%	-	0%	-	0%
Diversified holdings	423,482	42%	468,163	46%	413,587	46%	458,419	52%
Hospitals	2,783	0%	10,059	1%	-	0%	-	0%
Hotel and travels	19,115	2%	21,260	2%	-	0%	-	0%
Manufacturing	533,819	52%	480,994	47%	485,816	54%	425,401	48%
	1,016,948	100%	1,025,102	100%	899,403	100%	883,820	0%

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has short and long-term debt facilities. Interest rate risk exists as Group earns market rates of interest on its deposits in cash management pools. An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact on Group's financial position over the long term.

#### Foreign currency risk

The Group has exposure to foreign currency risk as it conducts business in a select few foreign currencies; however, its exposure is primarily limited to the US dollar. Group does not utilise derivative instruments to manage this risk. Subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing over the long term.

The beverage sector demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs (imported spirits and machinery) exceeding that of the sector's USD sales. Therefore, decreases in the value of the Sri Lankan Rupee (LKR) relative to the USD will have an unfavourable impact on the sector earnings.

#### 44.1.4 Financing Risk

The company has a very strong Financial Position and is among the most preferred among local providers of finance. This was further cemented by the high credit rating assigned by Fitch negating any doubts of Group's ability to secure funding at cheaper rates. Often the company has access to bank lines sans security. However, the management as a policy maintains a healthy gearing ratio and a Debt Service Coverage Ratio always in par with the industry without overstretching the Financial Position. Since of late foreign funding lines too have been cautiously approached to benefit from low interest rates globally.

#### 44.2 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.

## NOTES TO THE FINANCIAL STATEMENTS

In order to maintain or adjust the capital structure, the Group's may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt/total capital. Net debt is calculated as total borrowings (including current and non-current interest bearing borrowing as shown in the consolidated Statement of Financial Position plus bank overdrafts) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated Statement of Financial Position plus net debt. Gearing ratios at 31 March 2017 and 2016 are as follows.

As at 31 March,	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Total interest bearing loans and borrowing	15,896,588	12,317,024	-	-
Bank overdrafts	3,305,609	2,208,737	109,534	1,448
Less: Cash & cash equivalents	(2,092,774)	(1,588,014)	(423,469)	(22,724)
Net debt	17,109,423	12,937,747	(313,935)	(21,276)
Total equity	71,296,881	66,734,909	88,994,728	47,789,132
Total capital	88,406,304	79,672,656	88,680,793	47,767,856
Gearing ratio	19%	16%	0%	0%

## STATEMENT OF VALUE ADDED

### Value Added

For the year ended 31 March,	2017		2016	
	Group		Company	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross turnover	108,999,117	193,249	88,865,200	186,314
Other operating income	1,186,493	3,291,984	1,154,469	1,398,309
Finance income	703,405	1,425,673	402,769	35,743
Share of profits of equity accounted investees	1,326,853	-	748,537	-
	112,215,868	4,910,906	91,170,975	1,620,366

### Value Distributed

For the year ended 31 March,	2017			
	Group		Company	
	Rs.'000	As a % of Total	Rs.'000	As a % of Total
To the state as taxes	72,499,794	64.6%	349,557	7.1%
Operating expenses	27,074,999	24.1%	1,526,002	31.1%
To the employees	4,552,638	4.1%	46,309	0.9%
To providers of debt capital	1,123,116	1.0%	85,488	1.7%
To the shareholders as dividends	2,170,398	1.9%	1,165,398	23.7%
Retained with the business				
As depreciation	2,233,246	2.0%	1,227	0.0%
As retained earnings	2,561,676	2.3%	1,736,925	35.4%

For the year ended 31 March,	2016			
	Group		Company	
	Rs.'000	As a % of Total	Rs.'000	As a % of Total
To the state as taxes	60,239,525	66.1%	7,166	0.4%
Operating expenses	22,183,687	24.3%	294,160	18.2%
To the employees	4,364,484	4.8%	46,150	2.8%
To providers of debt capital	625,472	0.7%	90,719	5.6%
To the shareholders as dividends	975,000	1.1%	-	0.0%
Retained with the business				
As depreciation	2,456,295	2.7%	1,259	0.1%
As retained earnings	326,512	0.4%	1,180,912	72.88%

## 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

				31st March 2017			
As at holding				No of share holders	Total holdings	% of holding	
1	to	1,000		5,838	2,930,767	0.25	
1,001	to	10,000		4,036	14,949,988	1.28	
10,001	to	100,000		659	19,140,750	1.64	
100,001	to	1000,000		101	32,239,279	2.77	
1,000,000 & Over				49	1,096,136,288	94.06	
				10,683	1,165,397,072	100.0	

### 3. Analysis of shareholding

	No of Share holders	Total Holdings	% of Holding
Individuals	10,410	172,885,484	14.84
Individuals	273	992,511,588	85.16
	10,683	1,165,397,072	100.00
Resident	10,540	871,035,146	74.74
Non- resident	143	294,361,926	25.26
	10,683	1,165,397,072	100.00

### 4. Market Price

31st March 2017	
Last Traded	59.20
Highest	69.50
Lowest	54.90

\* Since Melstacorp PLC was listed in Colombo Stock Exchange on 30 December 2016 the comparative figures are not presented.

**5 Twenty Largest Shareholders**

Rank	Name	Share Holding as at 31st March 2017	
		No of Shares	%
1	Milford Exports (Ceylon) (Pvt) Limited	497,882,000	42.72
2	Lanka Milk Foods (CWE) Limited	151,846,000	13.03
3	Mr. M A Yaseen	89,674,048	7.70
4	Commercial Bank Of Ceylon PLC/ L E M Yaseen	52,200,000	4.48
5	Bnymmany Re-Neon Liberty Lorikeet Master Fund L P	29,548,363	2.54
6	Caceis Bank Luxembourg S/A Barca Global Master Fund L P	27,920,236	2.40
7	Citigroup Global Markets Limited Agency Trading Prop Securities A/C	26,231,684	2.25
8	Nortern Trust Company S/A Kuroto Fund L P	17,201,819	1.48
9	Commercial Bank Ceylon PLC/ M A Yaseen	16,000,000	1.37
10	Lahugala Plantation (Private) Limited	14,782,240	1.27
11	CITIBank New York S/A Norges Bank Account 2	14,008,858	1.20
12	Bnymsanv Re-Blackrock Frontiers Investment Trust PLC	12,639,796	1.09
13	Mrs. L E M Yaseen	12,607,108	1.08
14	Mrs. S M Chrysostom	11,390,000	0.98
15	Bnymsanv Re-Consilium Frontier Equity Fund L P	10,401,396	0.89
16	Stassen Exports (Pvt) Limited	8,456,800	0.73
17	Mr. D Hasitha S. Jayawardena	7,531,332	0.65
18	HSBC Intl Nom Ltd-SSBT-Parametric Emerging Markets Fund	6,738,108	0.58
19	HSBC Intl Nom Ltd-SSBT-Parametric Tax-Managed Emerging Markets Fund	6,203,001	0.53
20	Deutsche Bank Ag-London	5,686,228	0.49
		1,018,949,017	87.44
	Others	146,448,055	12.56
	<b>Total Number of Listed Shares</b>	<b>1,165,397,072</b>	<b>100.00</b>

Percentage of Shares held by the public : 42.88%  
Total No. of share holders who hold the public holding: 10,675

**Directors' Share Holdings as at 31 March 2017**

	No of Shares	%
Mr. D. H. S. Jayawardena	-	-
Mr. A. L. Gooneratne	-	-
Mr. C. R. Jansz	-	-
Mr. N. De S. Deva Aditya	-	-
Capt. K. J. Kahanda	-	-
Dr. A. N. Balasuriya	-	-
Mr. D. Hasitha S. Jayawardena	7,531,332	0.646
Mr. R. Seevaratnam	-	-
Ms. V. J. Senaratne (Alternate Director to Mr. N. De. S. Deva Aditya)	-	-

\* Since the Melstacorp was listed in Colombo Stock Exchange on 31st December 2016 the comparative figures are not presented.

## SUMMARISED FINANCIAL INFORMATION

In Rs 000 - Company	2017	2016	2015	2014	2013	2012	2011
<b>Results</b>							
Gross turnover	193,249	186,314.0	166,474.0	158,688.0	162,390.0	51,712.0	2,486.0
<b>Net turnover</b>	<b>193,249</b>	<b>186,314.0</b>	<b>166,474.0</b>	<b>158,688.0</b>	<b>162,390.0</b>	<b>51,712.0</b>	<b>2,486.0</b>
Dividend income							
From subsidiaries	134,990	376,067.0	336,994.0	372,453.0	90,507.0	81,478.0	-
From equity accounted investees	496,725	334,753.0	333,653.0	242,445.0	159,484.0	53,167.0	-
From other short term and long term investments	708,648	560,960.0	173,898.0	158,232.0	139,822.0	-	-
Finance income	1,425,673	35,743.0	123,648.0	243,203.0	61,748.0	1,575.0	4,554.0
Finance expenses	(85,488)	(90,719.0)	-	(4,120.0)	(122,539.0)	-	-
Profit / (loss) before tax	3,253,106	1,189,337.0	1,224,829.0	1,023,092.0	351,773.0	6,941.0	5,533.0
Profit / (loss) after tax	2,866,375	1,184,477.0	1,180,488.0	1,013,568.0	342,372.0	4,736.0	1,537.0
<b>Funds employed</b>							
Stated capital	89,100,000	48,320,750.0	48,320,750.0	35,558,000.0	35,558,000.0	35,558,000.0	26,000.0
Reserves	(2,597,197)	(2,714,418.0)	515,382.0	1,257,520.0	1,611,815.0	95,500.0	95,500.0
Retained earnings	2,491,925	2,182,800.0	1,797,820.0	684,110.0	189,837.0	(157,280.0)	15,800.0
<b>Shareholders funds</b>	<b>88,994,728</b>	<b>47,789,132.0</b>	<b>50,633,952.0</b>	<b>37,499,630.0</b>	<b>37,359,652.0</b>	<b>35,496,220.0</b>	<b>137,300.0</b>
Total borrowings	-	-	-	-	-	-	-
Non current liabilities net of borrowings	108,073.2	88,231.0	63,408.0	42,106.0	13,694.0	8,781.0	914,898.0
Current liabilities net of borrowings	453,398.8	1,925,350.0	385,338.0	4,673,087.0	2,443,628.0	97,196.0	1,955.0
	89,601,615.3	49,802,713.0	51,082,698.0	42,214,823.0	39,816,974.0	35,602,197.0	1,054,153.0
<b>Assets employed</b>							
Non-current assets	81,601,753	47,247,655.0	47,276,160.0	38,489,377.0	35,816,740.0	14,690,353.0	1,034,227.0
Current assets	7,999,865	2,555,058.0	3,806,538.0	3,725,446.0	4,000,234.0	20,911,844.0	19,926.0
	89,601,618	49,802,713.0	51,082,698.0	42,214,823.0	39,816,974.0	35,602,197.0	1,054,153.0
<b>Cashflows</b>							
Net cashflow from operating activities	1,332,530.2	1,741,444.0	659,030.0	1,061,034.0	277,849.0	22,342.0	10,706.0
Net cashflow from investing activities	828,765.1	(2,486,423.0)	(1,052,809.0)	(2,374,332.0)	(1,574,558.0)	(14,976,130.0)	(909,895.0)
Net cashflow from financing activities	(1,868,636.6)	739,173.0	360,211.0	1,343,797.0	1,281,215.0	14,981,369.0	914,293.0
Net increase/(decrease) in cash & cash equivalents	292,658.8	(5,806.0)	(33,568.0)	30,499.0	(15,494.0)	27,581.0	15,104.0
<b>Key indicators</b>							
Earnings per share (rs.)	3.03	4.46	5.47	5.07	1.71	1.82	0.59
Net assets per share (rs.)	76.36	180.03	190.75	187.50	186.80	177.48	52.81
Market value per share (rs) year end **	59.20	-	-	-	-	-	-
Return on shareholders' funds	3%	2%	2%	3%	1%	0%	1%
Dividends per share (rs.)	1.00	-	3.00	4.60	-	0.06	0.06
Dividend payout	40.02%	0.00%	55%	91%	0%	3%	10%
Dividend yield**	1.7%	N/A	N/A	N/A	N/A	N/A	N/A

Melstacorp PLC commenced its operation as a Investment Holding Company with effect from year 2010/11. Therefore the Company has presented above Ten Year Summery starting from year 2011.

\*\* Melstacorp PLC got listed in Colombo Stock Exchange (CSE) on 30 December 2016. Therefore Market values are not available till year 2017.

## DETAILS OF REAL ESTATE

	Location	Lands Extent			No of	Buildings Extent In (Sq. Ft.)	VALUE Cost/Revaluation Rs. 000
		A	R	P			
<b>Melstacorp PLC</b>							
Ambalantota	Wholesale Outlet	-	1	24.16	5	7,657.00	41,600
Anuradhapura	Proposed Wholesale Outlet	-	3	21.46	3	8,401.00	60,000
Badulla	Warehouse	-	3	37.20	1	1,522.00	11,060
Beruwala	Warehouse	2	1	19.08	12	15,279.50	202,864
Colombo 14	Warehouse	2	1	14.10	8	86,500.00	719,150
Galle	Wholesale Outlet	-	1	37.00	4	9,879.00	52,000
Katugastota	Warehouse	-	2	27.54	6	11,798.50	45,600
Katugastota	Wholesale Outlet	5	-	3.84	11	28,385.00	169,000
Kurunegala	Wholesale Outlet	-	2	29.00	2	9,519.00	55,000
Ranala - Nawagamuwa	Industrial Building	10	-	-	7	83,094.50	269,000
Ratmalana	Wholesale Outlet	1	-	28.20	4	30,871.00	246,750
Seeduwa	New Material Warehouse and Service Centre	1	1	39.35	4	25,058.00	91,088
Seeduwa	Bare Land			19.75			7,900
Seeduwa	Factory Complex	-	1	2.55	1	18,920.00	189,112
Seeduwa	Residential property	-	-	10.00	1	1,975.00	10,100
Seeduwa	Residential property	-	-	24.05	1	980.00	12,750
Seeduwa	Residential property	-	-	12.27	1	1,910.00	11,500
Seeduwa	Residential property	-	-	36.41	0	-	20,000
Seeduwa	Residential property	-	1	0.50	0	-	18,100
Seeduwa	Residential property	-	2	22.00	0	-	48,500
Seeduwa	Residential property	-	-	18.75	2	2,771.00	15,500
Seeduwa	Residential property	-	-	22.85	1	1,470.00	12,500
Colombo 10.	Residential property	-	-	25.94	2	5,642.00	122,600
Colombo 03.	Commercial Property	-	-	20.38	1	21,490.00	375,796
<b>Distilleries Company of Sri Lanka PLC</b>							
Seeduwa	No. 3 Warehouse, New Bottling Plant Complex & Housing Complex	15	2	17.09	27	274,546.50	2,575,981
Seeduwa	New W/H, Old W/H & Distillery	5	2	15.10	22	93,276.00	529,530
Kandy	Mawilmada Land	2	0	0.00	0	-	39,373
Kalutara	Bare Land	1	0	23.00	0	-	27,500
Seeduwa	Residential Property	0	0	16.70	1	-	24,439
Seeduwa	Residential Property	0	0	16.70	1	-	20,799
Dickoya	Wholesale outlet on lease hold land	0	0	0.00	4	14,800.00	133,132
<b>Melsta Properties (Pvt.) Limited</b>							
Gampola	Wholesale Outlet	0	3	35.50	5	8,415.00	61,500
Dickoya	Wholesale Outlet	0	3	9.60	4	16,735.50	9,000
Dankotuwa	Old Distillery	2	1	38.00	3	8,083.50	40,250
Marawila	Toddy Collection Centre	2	0	0.00	0	-	19,200
Kalutara	No. 1 Warehouse	4	0	33.38	5	56,580.00	258,700
Kalutara	Teak Stores / Warehouse	1	0	32.82	3	14,870.00	35,600
Mirishena	Warehouse	0	3	28.32	4	10,280.00	23,000

## DETAILS OF REAL ESTATE

	Location	Lands			No of	Buildings		VALUE Cost/Revaluation Rs. 000
		Extent				Extent	In (Sq. Ft.)	
		A	R	P				
Badulla	Warehouse	0	2	8.64	3	9,390.00	55,000	
Vauniya	Wholesale Outlet	0	3	33.69	2	14,315.50	111,700	
Jaffna	Bare Land	1	0	21.65	0	-	11,900	
Batticaloa	Wholesale Outlet	3	0	11.04	2	5,545.75	91,300	
Trincomalee	Wholesale Outlet	0	1	38.68	2	4,762.00	51,500	
Kalutara	No. 2 Warehouse / Premises No. 14 & 16	1	1	4.27	7	20,410.00	73,000	
Kaithadi	Bare Land	2	-	11.71	0	-	20,000	
Colombo 10	Head Office	1	1	15.20	6	30,000.00	1,600,000	
Negombo	Wholesale Outlet	0	1	27.50	3	8,576.00	123,200	
<b>Melsta Tower (Private) Limited</b>								
Colombo 10.	Bare Land	-	2	38.75	0	-	415,625	
Colombo 10.	Bare Land	-	0	15.27	0	-	53,445	
Colombo 10.	Residential property	-	1	1.90	2	3,550.00	153,430	
Colombo 10.	Residential property	-	-	20.65	1	1,918.50	69,656	
<b>Melsta Logistics (Pvt) Ltd</b>								
Kandy	Work Shop and Administrative buildings on Leas hold Land	-	-	-	5	39,621.00	161,620.00	
Seeduwa	Work Shop and Administrative buildings on Leas hold Land	-	-	-	8	52,931.71	148,484.00	
<b>Lanka Bell Limited</b>								
Minuwangoda	Warehouse & Switch	1	3	35.35	2	20,920.00	98,650	
<b>Texpro Industries Limited</b>								
Embulgama	Factory	-	2	-	-	-	4,000	
Ranala	Factory	6	-	6.05	5	92,537.00	173,889	
<b>Browns Beach Hotels PLC</b>								
Negombo	Hotel Complex	6	3	33.50	1	225,347.00	4,515,899	
<b>Melsta Regal Finance Limited</b>								
Hambantota	Bare Land	-	1	1.40	-	-	8,575	
Nawala	Bare Land	0	0	9.75	0	-	14,625	

## GROUP DIRECTORY

### Beverage

#### Distilleries Company of Sri Lanka PLC

##### Board of Directors

D. H. S. Jayawardena - Chairman / Managing Director  
C. R. Jansz  
N. de. S. Deva Aditya  
K. J. Kahanda  
Dr. A. N. Balasuriya  
D. Hasitha S. Jayawardena  
R. Seevaratnam  
A. L. Gooneratne - (Alternate to N. de. S. Deva Aditya)  
Ms. V. J. Senaratne - (Alternate to K. J. Kahanda)

Secretary : Ms. V. J. Senaratne

##### Registered Office

110, Norris Canal Road, Colombo 10  
Tel: (94-11) 5507000 / 2695295 -7  
Fax : (94-11) 2696360  
Co. Reg. No. PQ 112  
Auditors : Messrs KPMG (Chartered Accountants)

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### Periceyl (Pvt) Limited

##### Board of Directors

D. H. S. Jayawardena - Chairman  
C. R. Jansz  
S. K. S. D. Amarathunga  
A. L. Gooneratne  
D. Hasitha S. Jayawardena

Secretary : Ms. V. J. Senaratne

##### Registered Office

110, Norris Canal Road, Colombo 10  
Tel: (94-11) 2808565 Fax: (94-11) 5551777  
Co. Reg. No. PV 5529  
Auditors : Messrs Ernst & Young (Chartered Accountants)

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### Plantation

#### Balangoda Plantations PLC

##### Board of Directors

D. H. S. Jayawardena - Chairman / Managing Director  
C. R. Jansz  
S. K. L. Obeyesekere  
Dr. A. Shakthevale  
D. S. K. Amarasekera  
A. L. Gooneratne

Secretary : P. A. Jayatunga

##### Registered Office

110, Norris Canal Road, Colombo 10  
Tel: (94-11) 2522871-2 Fax: (94-11) 2522913  
Co. Reg. No. PQ 165  
Auditors : Messrs Ernst & Young (Chartered Accountants)

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### Telecommunication

#### Lanka Bell Limited

##### Board of Directors

D. H. S. Jayawardena - Chairman  
Dr. T. K. D. A. P. Samarasinghe - Managing Director  
C. R. Jansz  
D. S. C. Mallawaarachchi  
A. L. Gooneratne

Secretary : Ms. C. M. Chandrapala

##### Registered Office

344, Galle Road, Colombo 03.  
Tel: (94-11) 5335000 Fax: (94-11) 5545988  
Co. Reg. No. PB 306  
Auditors : Messrs KPMG (Chartered Accountants)

## GROUP DIRECTORY

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<b>Telecom Frontier (Pvt) Limited</b> <b>Board of Directors</b> D. H. S. Jayawardena – Chairman Dr. T. K. D. A. P. Samarasinghe – Managing Director D. S. C. Mallawaarachchi A. L. Gooneratne	<b>Secretary :</b> Ms. C. M. Chandrapala <b>Registered Office</b> No: 344, Galle Road, Colombo 03 Tel: (94-11) 5335000 Co. Reg. No. PV 61396 Auditors : Messrs Amarasekara & Company (Chartered Accountants)
<b>Bell Solutions (Pvt) Limited</b> <b>Board of Directors</b> D. H. S. Jayawardena – Chairman Dr. T. K. D. A. P. Samarasinghe – Managing Director D. S. C. Mallawaarachchi A. L. Gooneratne	<b>Secretary :</b> Ms. C. M. Chandrapala <b>Registered Office</b> No: 344, Galle Road, Colombo 03 Tel: (94-11) 5335000 Co. Reg. No. PV 61398 Auditors : Messrs Amarasekara & Company (Chartered Accountants)
<b>Financial Services</b> <b>Continental Insurance Lanka Limited</b> <b>Board of Directors</b> G. D. C. de Silva - Managing Director A. S. Abeyewardene H. Wickramasinghe A. L. Gooneratne A. M. De S. Jayaratne J. D. N. Kekulawala (Appointed w.e.f. 21/02/2017)	<b>Secretaries :</b> P. W. Corporate Secretarial (Pvt) Limited <b>Registered Office</b> 79, Dr. C. W. W. Kannangara Mawatha, Colombo 07 Tel : (94-11) 5200300 Co. Reg. No. PB 3784 Auditors : Messrs KPMG (Chartered Accountants)
<b>Melsta Regal Finance Limited</b> <b>Board of Directors</b> A. L. Gooneratne – Chairman D. M. N. P. Karunapala- CEO (Resigned w.e.f. 30/06/2017) L. P. Liyanarachchi N. A. Rodrigo (Retired w.e.f. 22/06/2016) K. D. Bernard M. S. J. D. Coorey D. S. C. Mallawaarachchi J. M. T. Galgamuwa Ms. S. A. Atukorale B. A. S. P. S. Balasuriya	<b>Secretaries :</b> P. W. Corporate Secretarial (Pvt) Limited <b>Registered Office</b> 110, Norris Canal Road, Colombo 10 Tel: (94-11) 268 2742-3, 5288571 Fax: (94-11) 268 2741 Web : www.melstaregalfinance.lk Co. Reg. No. PB 878 Auditors : Messrs KPMG (Chartered Accountants)
<b>Milford Holdings (Pvt) Limited</b> <b>Board of Directors</b> D. H. S. Jayawardena – Chairman R. K. Obeyesekere (Ceased to be a Director w.e.f. 01/09/2016) C. R. Jansz K. J. Kahanda	<b>Secretaries :</b> P. W. Corporate Secretarial (Pvt) Limited <b>Registered Office</b> 110, Norris Canal Road, Colombo 10 Tel: (94-11) 2695295-7 Fax: (94-11) 2696360 Co. Reg. No. PV 5944 Auditors : Messrs KPMG (Chartered Accountants)

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<b>Browns Beach Hotels PLC</b> <b>Board of Directors</b> D. H. S. Jayawardena – Chairman J. M. S. Brito Ms. D. S. T. Jayawardena N. de S. Deva Aditya R. Stanislaus R. N. Asirwatham A. L. Gooneratne	<b>Secretaries :</b> Aitken Spence Corporate Finance (Private) Limited <b>Registered Office</b> 315, Vauxhall Street, Colombo 02 Tel: (94-11) 2308308 Fax: (94-11) 2308099 Co. Reg. No. PQ 202 Auditors : Messrs KPMG (Chartered Accountants)
<b>Texpro Industries Limited</b> <b>Board of Directors</b> D. H. S. Jayawardena – Chairman J. D. Peiris – Managing Director H. I. Munasinha A. L. Gooneratne D. S. C. Mallawaarachchi	<b>Secretaries :</b> SSP Corporate Services (Pvt) Limited <b>Registered Office</b> 1st Floor, Lakshman’s Building, 321, Galle Road, Colombo 03 Tel: (94-11) 2565951 Co. Reg. No. PB 748 Auditors : Messrs KPMG (Chartered Accountants)
<b>Timpex (Pvt) Limited</b> <b>Board of Directors</b> D. H. S. Jayawardena – Chairman J. D. Peiris – Managing Director H. I. Munasinha A. L. Gooneratne D. S. C. Mallawaarachchi	<b>Secretaries</b> SSP Corporate Services (Pvt) Limited <b>Registered Office</b> 1st Floor, Lakshman’s Building, 321, Galle Road, Colombo 03 Tel: (94-11) 2565951 Co. Reg. No. PV 17863 Auditors : Messrs KPMG (Chartered Accountants)
<b>Melsta Logistics (Pvt) Limited</b> <b>Board of Directors</b> A. L. Gooneratne – Chairman A. M. J. Abeyasinghe (Resigned w.e.f. 15/08/2016) T. Q. Fernando D. S. C. Mallawaarachchi	<b>Secretaries :</b> P. W. Corporate Secretarial (Pvt) Limited <b>Registered Office</b> 160, Negombo Road, Seeduwa Tel: (94-11) 5223300 Fax: (94-11) 5223322 Web: www.crc.lk Co. Reg. No. PV 14051 Auditors : Messrs Amarasekara & Company (Chartered Accountants)
<b>Splendor Media (Pvt) Limited</b> <b>Board of Directors</b> Ms. D. S. T. Jayawardena – Chairperson Ms. G. Chakravarthy N. N. Nagahawatte O. A. R. P. Obeyesinghe	<b>Secretaries :</b> P. W. Corporate Secretarial (Pvt) Limited <b>Registered Office</b> 110, Norris Canal Road, Colombo 10 Tel: (94- 11) 5 639 501 Fax: (94-11) 5 373 344 Co. Reg. No. PV 1230 Auditors : Messrs KPMG (Chartered Accountants)
<b>Bogo Power (Pvt) Limited</b> <b>Board of Directors</b> D. H. S. Jayawardena – Chairman Dr. N. M. Abdul Gaffar S. K. L. Obeyesekere A. L. Gooneratne	<b>Secretary :</b> P. A. Jayatunga <b>Registered Office</b> 833, Sirimavo Bandaranaike Mawatha, Colombo 14 Tel: (94-11) 2522871-2 Fax: (94-11) 2522913 Co. Reg. No. PV 64901 Auditors : Messrs Ernest & Young (Chartered Accountants)

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## GROUP DIRECTORY

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<b>Bellvantage (Pvt) Limited</b> <b>Board of Directors</b> A. L. Gooneratne - Chairman P. Karunanayke D. S. C. Mallawaarachchi	<b>Secretaries</b> : P. W. Corporate Secretarial (Pvt) Limited <b>Registered Office</b> 110, Norris Canal Road, Colombo 10 Tel: (+94-11)-5753753 Fax: (+94-11)-5753754 Web : www.bellvantage.com Co. Reg. No. PV 65022 Auditors : Messrs Amarasekara & Company (Chartered Accountants)
<b>Melsta Properties (Pvt) Limited</b> <b>Board of Directors</b> K. J. Kahanda S. Rajanathan R. R. P. L. S. Ratnayake	<b>Secretary</b> : P. A. Jayatunga <b>Registered Office</b> 110, Norris Canal Road, Colombo 10 Tel: (94-11) 5900300 Fax : (94-11) 2695794 Co. Reg. No. PV 78422 Auditors : Messrs KPMG (Chartered Accountants)
<b>Melsta Towers (Pvt) Limited</b> <b>Board of Directors</b> A. L. Gooneratne Ms. S. A. Atukorale D. S. C. Mallawaarachchi	<b>Secretaries</b> : P. W. Corporate Secretarial (Pvt) Limited <b>Registered Office</b> 110, Norris Canal Road, Colombo 10 Tel: (94-11) 5900300 Fax : (94-11) 2695794 Co. Reg. No. PV 90157 Auditors : Messrs KPMG (Chartered Accountants)
<b>Melsta Technologies (Pvt) Limited</b> <b>Board of Directors</b> B. A. S. P. S. Balasuriya B. K. J. P. Rodrigo P. Karunanayke D. A. C. Peiris D. M. Welikandage	<b>Secretaries</b> P. W. Corporate Secretarial (Pvt) Limited <b>Registered Office</b> 110, Norris Canal Road, Colombo 10 Tel: (94-11) 5288625 Fax : (94-11) 2695794 Co. Reg. No. PV 104028 Auditors Messrs KPMG (Chartered Accountants)
<b>Pelwatte Sugar Industries PLC</b> <b>Board of Directors</b> D. H. S. Jayawardena K. J. Kahanda R. Wettewa D. A. de S. Wickramanayake D. H. J. Gunawardena C. S. Weeraratne D. A. E. de S. Wickramanayake K. K. U. Wijeyesekera	<b>Secretaries</b> : Managers & Secretaries (Pvt) Limited <b>Registered Office</b> 27, Melbourne Avenue, Colombo 04 Tel: (94-11) 2589390 Fax: (94-11) 2500674 Co. Reg. No. PQ 30 Auditors : Messrs Ernst & Young (Chartered Accountants)
<b>Pelwatte Sugar Distilleries (Pvt) Limited</b> <b>Board of Directors</b> K. J. Kahanda - Managing Director D. A. de S. Wickramanayake	<b>Secretaries</b> : Managers & Secretaries (Pvt) Limited <b>Registered Office</b> 27, Melbourne Avenue, Colombo 04 Tel: (94-11) 2589390 Fax: (94-11) 2500674 Co. Reg. No. PV 10221 Auditors : Messrs Ernst & Young (Chartered Accountants)

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**Pelwatte Agriculture & Engineering Services (Pvt) Limited**

**Board of Directors**

D. A. de S. Wickramanayake  
C. S. Weeraratne

**Secretaries : Managers & Secretaries (Pvt) Limited**

**Registered Office**

27, Melbourne Avenue, Colombo 04  
Tel: (94-11) 2589390 Fax: (94-11) 2500674  
Co. Reg. No. PV 66850  
Auditors : Messrs Ernst & Young (Chartered Accountants)

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**Associates**

**Aitken Spence PLC**

**Board of Directors**

D. H. S. Jayawardena - Chairman  
J. M. S. Brito - Deputy Chairman/Managing Director  
Dr. R. M. Fernando  
Dr. M. P. Dissanayake (Resigned w.e.f. 01/06/2017)  
Ms. D. S. T. Jayawardena  
G. C. Wickremasinghe  
C. H. Gomez  
N. de S. Deva Aditya  
R. N. Asirwatham

**Secretary : R. E. V. Casie Chetty**

**Registered Office**

315, Vauxhall Street, Colombo 02  
Tel: (94-11) 2308308 Fax : (94-11) 2445406  
Web: www.aitkenspence.com  
Co. Reg. No. PQ 120  
Auditors : Messrs KPMG (Chartered Accountants)

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**Madulsima Plantations PLC**

**Board of Directors**

D. H. S. Jayawardena - Chairman / Managing Director  
Dr. N. M. Abdul Gaffar  
S. K. L. Obeyesekere  
Dr. A. Shakthevale  
D. S. K. Amarasekera

**Secretary : P. A. Jayatunga**

**Registered Office**

833, Sirimavo Bandaranaike Mawatha, Colombo 14  
Tel: (94-11) 2522871-2 Fax: (94-11) 2522913  
Co. Reg. No. PQ 184  
Auditors : Messrs Ernst & Young (Chartered Accountants)

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**Pelwatte Dairy Industries Limited**

**Board of Directors**

D. A. de S. Wickramanayake  
D. A. E. de S. Wickramanayake  
D. H. J. Gunawardena  
A. N. F. Perera

**Secretaries : Maidas Secretarial Services (Pvt) Limited**

**Registered Office**

A/4, Perahera Mawatha, Colombo 03  
Co. Reg. No. PV 16876  
Auditors : Messrs Ernst & Young  
(Chartered Accountants)

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING OF MELSTACORP PLC will be held at the Sri Lanka Foundation on 21st September 2017 at 10.00 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Directors and the Financial Statements of the Company for the year ended 31st March 2017.
2. To reelect as a Director, Mr. D. H. S. Jayawardena, who is over the age of 70 years as a Director by passing the following resolution:

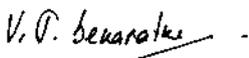
"That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. D. H. S. Jayawardena who has attained the age of 75 and that he be re-elected a Director of the Company."

3. To re elect as a Director, Mr. R. Seevaratnam, who is over the age of 70 years as a Director by passing the following 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 73 and that he be re-elected a Director of the Company."

4. To authorise the Directors to determine contributions to charities.
5. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

By Order of the Board,



Ms. V. J. Senaratne  
Company Secretary

21 August, 2017  
Colombo.

### Notes:

1. A member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote on behalf of him/her by completing the Form of Proxy enclosed herewith.
2. A Proxy need not be a member of the Company.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.110, Norris Canal Road, Colombo 10, before 10.00 p.m. on 19th September, 2017.

THE SHAREHOLDERS AND THE PROXY HOLDERS ATTENDING THE MEETING ARE KINDLY REQUESTED TO BE IN THEIR SEATS BY 9.45 A.M. THEY ARE ALSO REQUESTED TO BRING THIS ANNUAL REPORT, ALONG WITH AN ACCEPTABLE FORM OF IDENTITY.





## FORM OF PROXY

Folio No.	
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I/We .....  
of ..... being a shareholder / shareholders  
of the Melstacorp PLC hereby appoint Don Harold Stassen Jayawardena\* or failing him Amitha Lal Gooneratne \* or  
failing him Cedric Royle Jansz\* or failing him Niranjana 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\* speak and vote for me/us\* on my/our\* behalf at the ..... Annual General  
Meeting of the Company to be held on the 21st September 2017 and at any adjournment thereof and at every poll  
which may be taken in consequence 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 .....2017.

### 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 writing 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 notari-  
ally 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.

**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 21st September 2017 at 10.00 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 සහාපතිකවමයේ පණිවුඩය, අධ්‍යක්ෂකවරුන්ගේ වාර්ෂික වාර්තාව සහ විගණක වාර්තාව සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, මෙල්ස්ටාකෝප් පීවල්සී අංක 110, නොර්ස් කැනල් පාර, කොළඹ 10 යන ලිපිනයට 2017, සැප්තැම්බර් මස 13 වෙනි දිනට ප්‍රථම දන්වන්න.

இவ்வறிக்கை முழுமையாக ஆங்கிலத்தில் உள்ளது. தலைவரின் செய்தி, பணிப்பாளர் சபையின் வருடாந்த அறிக்கை, கணக்காய்வாளரின் அறிக்கை, ஆகியவற்றின் சிங்களம் அல்லது தமிழ் மொழிபெயர்ப்பு வேண்டாமாயின், தயவுசெய்து கடிதம் மூலம் பின்வரும் விலாசத்திற்கு, 2017, செப்டெம்பர் மாதம் 13ம் திகதிக்கு முன் அறிவிக்கவும். செயலாளர், மெல்ஸ்டாகோப் பிளஸ்சி, 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 13th day of September 2017.



# 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.

PV 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

## Secretary

Ms. V. J. Senaratne

## Auditors

Messrs KPMG (Chartered Accountants)

32A, Sir Mohamed Macan Marker Mawatha,  
Colombo 03, Sri Lanka.

## Registrars

P. W. Corporate Secretarial (Pvt) Ltd.

3 / 17, Kynsey Road,

Colombo 08, Sri Lanka.

## Bankers

Bank of Ceylon

Commercial Bank of Ceylon

Hatton National Bank

**MELSTACORP PLC**

110, Norris Canal Road, Colombo 10, Sri Lanka.

Tel. +94 11 5900300

Fax: +94 11 5900333

[www.melsta.com](http://www.melsta.com)