



Melstacorp
RESPONSIBLE DIVERSITY

diversified

From its inception, Melstacorp has believed in “responsible diversity”, and, following this credo, we have grown from strength to strength, committed to continuously expand the horizons of the group and its people.

Embodied with decades of business acumen and focused on sustainable growth which creates value for all, we have made many strategic investments in key sectors of the economy, resulting in a presence in virtually every part of the country.

We will leverage our successful past and positive present to carve out a promising future for the group and all stakeholders.

For Melstacorp, the future is limitless.

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Corporate Information

Inner Back Cover

Highlights of the Year

September 2017

→ Madusima Plantations PLC became a subsidiary of the Group.



March 2018

→ Aitken Spence PLC became a subsidiary of the Group.



→ Melstacorp divested its holding in Melsta Regal Finance Limited.



July 2018

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



November 2017

Melstacorp was ranked No. 08 in the Business Today 'Top Thirty'. This year was the first time Melstacorp was listed among corporate heavy weights in the rankings.



April 2018

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

April 2018

Fitch Ratings Lanka affirmed Continental Insurance Lanka Limited's National Insurer Financial Strength Rating and National Long-Term Rating at 'A (Ika)' with a Stable Outlook.



May 2018

Melstacorp signed a joint venture agreement with Pyramid GAMA (Private) Limited to venture into the business of processing, packaging & distribution of cement, under the name of Melsta GAMA (Private) Limited.

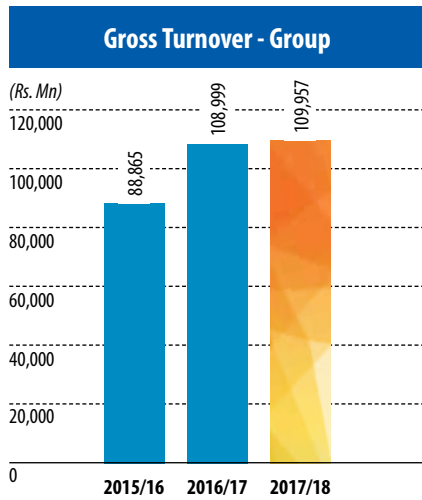
Financial Highlights

For the year ended 31 March,		Group		Company	
		2018	2017	2018	2017
SUMMARY OF RESULTS					
Gross Turnover	Rs. Mn	109,957	108,999	228	193
Excise Duty	Rs. Mn	65,227	68,806	-	-
Net Turnover	Rs. Mn	44,730	40,193	228	193
Profit After Tax	Rs. Mn	6,250	6,800	2,802	2,866
Shareholders' Funds	Rs. Mn	75,676	68,080	90,540	88,995
Working Capital	Rs. Mn	9,414	(3,241)	10,437	7,501
Total Assets	Rs. Mn	215,546	111,919	91,605	89,602
Staff Cost	Rs. Mn	4,839	4,553	62	46
No. of Employees		25,917	11,976	24	19
PER SHARE					
Basic Earnings	Rs.	5.64	6.29	2.40	3.03
Net Assets	Rs.	64.94	58.42	77.69	76.36
Dividends	Rs.	2.44	1.00	2.44	1.00
Market Price - High	Rs.	71.50	69.50	71.50	69.50
Low	Rs.	56.50	54.90	56.50	54.90
Year End	Rs.	58.10	59.20	58.10	59.20
RATIOS					
Price Earnings	times	10	9	24	20
Return on Shareholders' Funds	%	8.3	10.0	3.1	3.2
Current Ratio	times	1.2	0.9	17.4	16.0
Interest Cover	times	4.2	9.3	36.3	39.1
Debt to Equity	%	122.3	26.9	1.2	0.1
Debt to Total Assets	%	42.9	36.3	1.2	0.7
Dividend Payout	%	101.7	33.0	101.7	33.0
Dividend Yield*	%	4.2	1.7	4.2	1.7



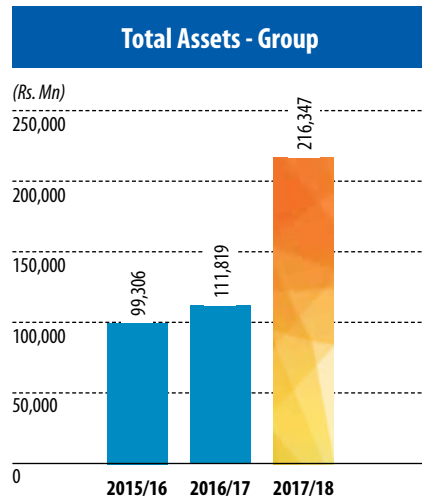
Gross Turnover - Group

Rs. 109,957 Mn



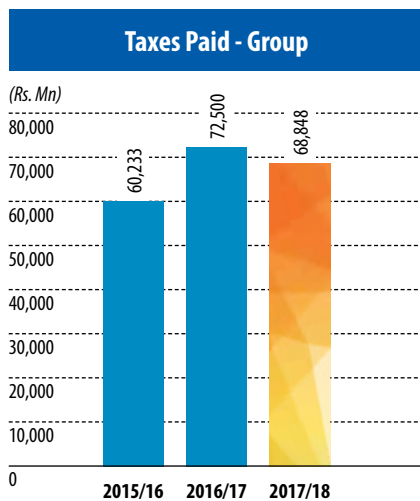
Total Assets - Group

Rs. 216,347 Mn



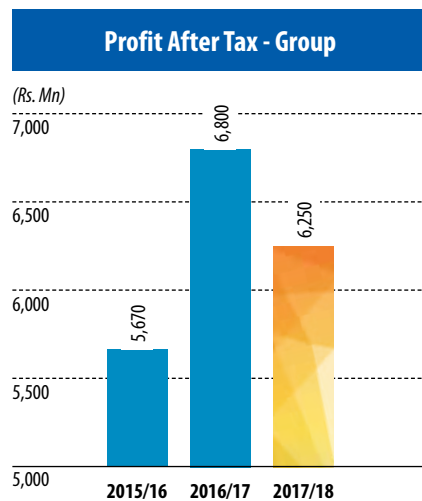
Taxes Paid - Group

Rs. 68,848 Mn



Profit After Tax - Group

Rs. 6,250 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



Insurance

General Insurance Services



Get covered by Continental

FOR ALL YOUR GENERAL INSURANCE REQUIREMENTS

The fastest growing insurance company in Sri Lanka

Diversified

Tourism, Maritime & Logistics, Strategic Investments and Services



Power Generation

Hydropower Generation

Bogo Power



Our Businesses

Logistics

Automobile Servicing and Logistics



Media & Creative

Media Buying and Creative Services



SPLENDOR
Imagine · Do

SPLENDOR
Imagine · Do

Textiles

Dyeing and Printing Fabric



Leisure

Hotels & Hospitality



BPO Services

BPO, KPO & Call Centre Services



Information Technology

Oracle Applications, Mobile Applications, Digitisation



Chairman's Statement

Melstacorp PLC is now a highly diversified company encompassing many industries such as beverages, tea and rubber plantations, telecommunication, financial services, power generation, logistics, textiles and hospitality.

I am pleased to share with you, the Company's annual report and audited financial statements for the year ended 31st March 2018. Subsequent to the share swap carried out by Distilleries Company of Sri Lanka PLC in December 2016, this financial year is the first full year Melstacorp PLC functioned as the holding company of the group. Our effort to add value to the then shareholders of DCSL PLC was successful and that Company became a listed entity with around Rs. 100 billion market capitalisation. Melstacorp PLC is now a highly diversified company encompassing many industries such as beverages, tea and rubber plantations, telecommunication, financial services, power generation, logistics, textiles and hospitality.

Macro Economic Climate

The global economy is going through a challenging phase due to the strengthening of the US dollar in the international currency markets, pressure on many emerging market currencies and escalating trade tensions among major economies. Sri Lanka too is going through a difficult period, facing issues such as escalating inflation as a result of upward adjustments in fuel prices and volatile food prices, declining foreign reserves due to outflow of foreign investments in LKR denominated government securities in response to the major economies tightening of interest rates, rising debt to support the mega development activities, coupled with lower revenues from all traditional products such as tea, rubber and coconut. Domestic currency was also under pressure like in most of other developing economies and depreciated

approximately around 4.2% in the first half of 2018. Sri Lanka is targeting fiscal consolidation, as the large budget deficit is threatening the economic stability of the country, by adopting tight fiscal discipline, proposing new measures to increase tax revenue etc. This has resulted in an increase in both direct and indirect taxes, pushing retail prices upward.

Group's Performance

Group Turnover reached Rs. 110 billion, while the profit after tax for the year was Rs. 6.25 billion. The Group contributed Rs. 69 billion in taxes during this financial year.

Beverage Sector

The beverage sector is the highest contributor to both the top line and the bottom line of the Group. Our main subsidiary DCSL PLC's profitability dropped in the first three quarters managed to recover and record a net profit after tax of Rs. 4.35 billion. Periceyl (Private) Limited, the second liquor company of the Group saw its profitability shrinking when compared with last year. The reduction of beer prices and a simultaneous increase in the hard alcoholic beverage prices have resulted in more consumers shifting to beer and other cheaper beverages.

As you are aware the beverage sector of the group was subject to a severe challenge through unprecedented increases in taxation in the last two years. A few years ago the Value Added Tax (VAT) on liquor was removed by adding a corresponding sum to Excise Duty. In the pursuing year VAT was re-introduced for liquor without a corresponding adjustment in the Excise

Group Turnover

Rs. **110** Bn 

Total Assets

Rs. **216** Bn 

duty. Reintroduction of VAT together with a massive increase in duty on imports of main ingredient, ethanol and higher excise duty on hard alcoholic beverages 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. For the year under review the beverage sector revenue reached Rs. 97 billion and the net profit for the year was Rs. 4.7 billion.

Plantation Sector

Year 2017 is recorded as one of the better years for the tea industry with an increase in production and auction averages reached all-time high levels. However, despite the ascent witnessed in 2017, the Industry continued to be plagued with geo-political tension in the tea importing countries, policy decisions which affected the production of tea and temperature variability due to climatic changes. The ban of Glyco-phosphate (which was recently eased) that is used for weed control, and curtail of tea imports by Russia, the largest importer from Sri Lanka too, caused much uncertainty towards Industry growth.



Chairman's Statement

The negative impact of a drought and floods in the first and second quarters of the year coupled with high cost of fertiliser were drawbacks in reaching the production levels of the preceding years. The reluctance to undertake the required level of annual replanting by most of the smallholder farmers and the plantation companies due to the non-affordability of the required inputs, and uncertainty in recovering investments is also a major contributory factor for the declining trend in the production volumes. In analysing the global supply scenario, a deficit in production was evident from a few key producer countries mainly of CTC teas and this global shortage in production was a key factor for the prices to sustain at these levels coupled with strengthening of oil prices which favoured some key importing countries of Sri Lankan Teas.

The rubber sector has showed an improvement during year 2017 when compared with the preceding year. Sri Lanka rubber production increased in 2017 when compared with the previous year due to favourable weather for crop intakes. Auction averages too reflects an increase when compared with the previous year. However, auction prices were adversely affected due to excessive imports of raw Rubber to the Country by local manufacturers.

Year 2017 ended on a positive note with the auction averages reaching the levels exceeding the previous records. The positive market condition that prevailed in 2017 is likely to continue during the year ahead. The global economy is expected to remain buoyant despite geo political instability in the Middle East which could affect the resilience and sustainability of the Industry. Further, the country will have to contend with unsettled weather, inability to

Melstacorp PLC distributed an interim dividend amounting to Rs. 2.8 Bn in the form of dividend in specie of shares held by the Company in DCSL PLC fulfilling the undertaking to give a preferential allocation to previous shareholders of DCSL PLC.

source cost effective weedicides and high cost of fertiliser and other inputs. Wage negotiations are expected in the 3rd Quarter of 2018 and the probable additional cash outlay due to wage increase will directly induce an increase in cost of production.

Telecommunication Sector

Telecommunication sector is going through challenging times. The introduction of Nation Building Tax and Value Added Tax, 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 voice services reached 50% of the gross billing. This together with the declining demand for fixed line telephony resulted in Lanka Bell continuing to show negative results. However, revenue from of the LTE technology used to provide internet connectivity is showing a positive trend.

Financial Services Sector

Continental Insurance has established itself as one of the most innovative and dynamic insurance companies in Sri Lanka. Fitch Ratings has affirmed the rating of Continental Insurance to 'A (Ika)', 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 and exceeded the industry growth rate,

Employees - Group

26,000



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

In March 2018, Melstacorp divested its ownership in Melsta Regal Finance for Rs. 2.55 billion. This was primarily due to envisaged increases in capital requirement and in asset base that were to be made mandatory by the regulators in the near future. As you may recall, Melstacorp acquired a troubled Finance Company in 2012 and transformed it to become a vibrant successful financial institution within a brief space of six years.

Diversified Sector

With the Group holding exceeding 50%, Aitken Spence PLC which had been an associate of the group since 1990's, became a subsidiary of the Group from March 2018. This is the first year that the Financial Statements of Aitken Spence are consolidated with that of the Group. Bogo Power Pvt Ltd, which was commissioned in December 2011, has been profitable since the commencement of operations.

Melstacorp divested its ownership in Melsta Regal Finance for Rs. 2.55 Bn. As you may recall, Melstacorp acquired a troubled Finance Company in 2012 and transformed it to become a vibrant successful financial institution within a brief space of six years.

Dividend

In March 2018 Melstacorp PLC distributed an interim dividend of Rs. 2.44 in the form of dividend *in specie* of shares held by the Company in Distilleries Company of Sri Lanka PLC fulfilling the undertaking to give a preferential allocation to previous shareholders of DCSL PLC. This exercise has increased the public float of DCSL PLC to 3.256% and the Company intends to sell further shares in DCSL to comply with the minimum public float requirements of the Colombo Stock Exchange. Due to the said payments of dividend in specie at a cost of Rs. 2.8 billion; the Directors are not proposing a further dividend payment for 2017/18.

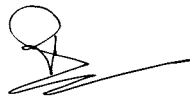
Compliance

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

Appreciation

I take this opportunity to thank the Boards of Directors for their unstinted support. My appreciation is also due to the CEOs, management and the staff of Melstacorp PLC and member companies for their continued commitment and hard work.

I also like to thank our valued shareholders for placing their confidence in the Group. Our strength lies in the loyalty shown by our customer base and other stakeholders, who continue to support us to retain our position as one of the most valuable and respected corporate entities in the country.



D. H. S. Jayawardena
Chairman

21 August 2018


Board of Directors



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

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

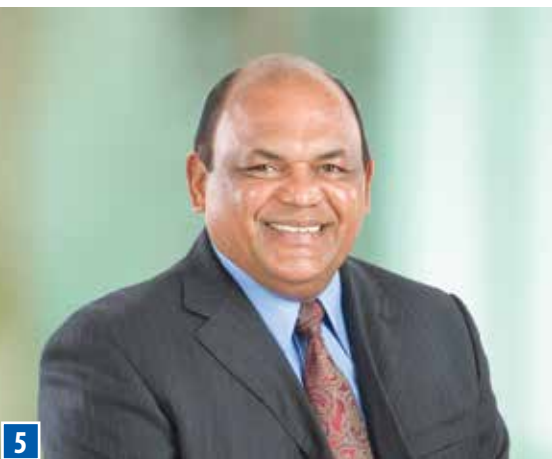
6 Dr. A. N. Balasuriya
Independent Non-Executive Director



1 Mr. D. H. S. Jayawardena
Chairman

2 Mr. A. L. Gooneratne
Managing Director

3 Mr. C. R. Jansz
Executive Director



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

8 Mr. R. Seevaratnam
Independent Non-Executive Director

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



Board of Directors

Mr. D. H. S. Jayawardena

Chairman

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

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

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

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

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

Mr. 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 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, Browns Beach Hotel PLC and Melsta Health (Private) Ltd. which are subsidiary companies of Melstacorp PLC.

He is an independent Director of Lanka IOC, Textured Jersey and Commercial Development Company Limited.

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

Mr. C. R. Jansz

Executive Director

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

He was the Co Leader of the Parliamentary Delegation to the UN World Summit and General Assembly 2006, Chairman Working Group A of Development Committee overseeing Asia, Central Asia and Far East; -

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

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

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

Captain Kahanda joined the Distilleries Company of Sri Lanka PLC in 1993 as Regional Manager (Central Region) and was appointed a Director in December 2006. Being a former officer of the Sri Lanka Army, he spearheaded the 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., Balangoda Plantations PLC., Madulsima Plantations PLC., Melsta Health (Private) 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

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

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.

Heads of Group Companies



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1 Mr. Amitha Gooneratne

Managing Director-Melstacorp PLC
Chairman - Melsta Logistics (Pvt) Ltd,
Bellvantage (Pvt) Ltd, Melsta Towers (Pvt)
Limited, Director- Continental Insurance
Lanka Ltd, Periceyl (Pvt) Ltd. Lanka Bell
Ltd, Texpro Industries Ltd, Bogo Power
Ltd, Melsta Health (Private) Ltd.

4 Ms. Stasshani Jayawardena

Chairperson - Splendor Media
Director- Aitken Spence PLC

7 Dr. Prasad Samarasinghe

Managing Director -
Lanka Bell Ltd

2 Capt. Jagath Kahanda (Retd.)

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

5 Mr. Senaka Amarathunga

Director/ General Manager -
Periceyl (Pvt) Ltd

8 Mr. Dinal Peiris

Managing Director -
Texpro Industries Ltd

3 Mr. J. M. S. Brito

Deputy Chairman & Managing Director -
Aitken Spence PLC

6 Mr. Chaminda De Silva

Managing Director -
Continental Insurance Lanka Ltd



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9 Ms. Farzana Sulaiman

Head of Contact Centre -
Bellvantage (Pvt) Ltd

12 Mr. Manilal Fernando

Director -
Melsta GAMA (Pvt) Ltd

15 Mr. Kapila Basnayake

Director -
Madulsima Plantations PLC

10 Mr. Ajantha Peiris

Head of Business Solutions -
Bellvantage (Pvt) Ltd

13 Dr. K. T. Iraivan

Chief Executive Officer -
Melsta Health (Pvt) Ltd

16 Mr. Anusha S. Perera

Director -
Balangoda Plantations PLC

11 Mr. Palitha Rodrigo

Managing Director -
Melsta Technologies (Pvt) Ltd

14 Dr. Aruna Jayakody

Chief Executive Officer -
Melsta Laboratories (Pvt) Ltd

Management Discussion and Analysis

Melstacorp Group is one of Sri Lanka's largest diversified conglomerates, holding a portfolio encompassing beverages, plantations, telecommunication, financial services, 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 Overview

The year under review was a momentous year for Melstacorp as many milestones were achieved. In chronological sequence, in September 2017 Melstacorp further enhanced its equity stake in the two plantation companies, Madulsima Plantations PLC and Balangoda Plantations PLC. Melstacorp's equity stake in Madulsima Plantations PLC was increased to 55.9% and the equity stake in Balangoda was increased to 58.6%. Both companies being subsidiaries are now managed by Melstacorp PLC. In March 2018 after lengthy deliberation Melstacorp was granted approval by the Security Exchange Commission (SEC) to declare a dividend in specie entitling a shareholder of the company holding 27 shares to own 8 shares in DCSL which was to be distributed "Gratis". This arrangement fulfilled the pledge made by the company to original DCSL Shareholders that an opportunity would be given post restructure to once again own DCSL shares. The total number of shares thus distributed amounted to 345,302,836 and the consideration for which the shares were issued amounted to Rs. 2.8 Bn. This transaction could be

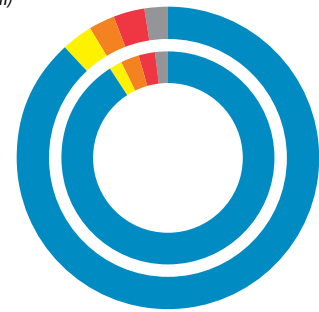
deemed to be unique given that the distribution was Gratis and that it paved the way for DCSL public listing which was suspended pending the restructure to once again be activated. Melstacorp was also directed by the SEC to meet the minimum public float by divesting a further 4.21% shares within a stipulated time frame. The divestiture is now gradually taking place.

In March 2018 Melstacorp also fulfilled a long standing goal in consolidating its main associate Aitken Spence PLC with that of the company by acquiring a further quantity of shares which enabled Melstacorp PLC and related parties to hold 51.04% equity in Aitken Spence PLC. With this acquisition and a further post Balance sheet acquisition of shares that took place in April 2018 increasing direct holding in Aitken Spence to 50.1%, it is envisaged greater synergy would flow and the benefit of scale would be advantageous to both companies.

Melstacorp also took an important decision after much consideration to divest ownership in Melsta Regal Finance, primarily due to envisaged increases in capital requirements and in Asset base that were to be made mandatory by the regulators for future years. Thus the total investment in Melsta Regal finance was divested by end March 2018. In retrospect the company can take great satisfaction as to the contribution made to the finance Industry as we acquired a Bankrupt Finance Company in 2012 and transformed it to be a vibrant successful financial institution within a space of six years having settled all the initial depositors who otherwise would have been in "Limbo". The disposal of the investment yielded a gain of approximately Rs. 1.2 Bn to the company which could be deemed commendable. We take this opportunity in thanking the staff at all levels, and the Board of Directors of Melsta Regal Finance for the

Gross Turnover - Group

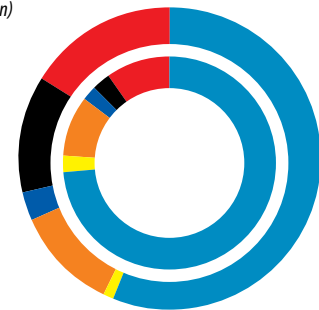
(Rs. Mn)



	2016/17	2017/18
Beverage Sector	99,037	97,083
Plantation Sector	2,267	3,607
Telecommunication Sector	2,956	2,965
Financial Services Sector	2,745	3,809
Diversified Sector	1,994	2,493
	108,999	109,957

Profit Before Tax - Group

(Rs. Mn)



	2016/17	2017/18
Beverage Sector	10,279	7,958
Plantation Sector	(343)	145
Telecommunication Sector	(1,287)	(1,597)
Financial Services Sector	301	418
Diversified Sector	413	952
Share of Associate Companies Profit	1,327	2,267
	10,690	10,143

excellent contribution made towards progress of the company and wish the new Board of Directors and the staff continued success.

During the year Melstacorp laid down the ground work for involvement in two initiatives which would assist the company to achieve further growth in

The Group's gross revenue recorded at Rs. 110 Bn in the current year. The Group's profit before tax was Rs. 10.1 Bn and a profit after tax of Rs. 6.25 Bn.

the future. The Construction industry is deemed to achieve extraordinary growth in the foreseeable future given the Governments plans of increasing tourist inflow and creation of hubs for services such as a new International financial centre. Thus the Company laid plans to setting up a facility for importation, processing, packaging and distribution of cement through a joint venture company in the name of Melsta GAMA (Private) Limited. The Company has also taken initiative to entering the Health Care Industry which is also expected to be a growth sector. The initial initiative taken is for the setting up of diagnostic centres throughout the island and the management of hospitals in Sri Lanka.

The Group's gross revenue recorded at Rs. 110 Bn in the current year. The Group's profit before tax was Rs. 10.1 Bn and a profit after tax of Rs. 6.25 Bn. The contribution to total revenue from the alcoholic beverage sector was Rs. 97 Bn and continues to be the largest contributor to the bottom line. The Group's plantation business contributed revenue of Rs. 3.6 Bn, with telecommunication at Rs. 3 Bn, financial services Rs. 3.8 Bn. and diversified businesses at Rs. 2.5 Bn. The share of associate investees contributed Rs. 2.3 Bn to the Group's profitability. The Group's total assets increased to Rs. 215.5 Bn from Rs. 111.9 Bn and the net assets per share increased to Rs. 64.94 from Rs. 58.42 Melstacorp share was Rs. 58.10 as at end of March 2018.

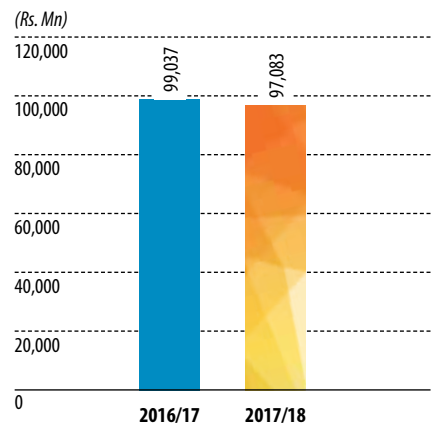
Beverage Sector



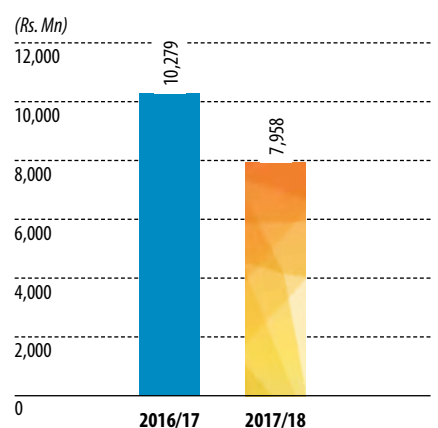
Beverage sector sustained its status as the leader and highest revenue generator for the Group in the year under review. The challenges faced in the preceding year persisted despite aggressive lobbying efforts on our part to ensure a level playing field. In the recent past the price of alcohol was increased on two occasions by the authorities, making legally produced arrack beyond the reach of the common man.

The fact that the beverage sector continues to maintain market leadership status despite operating in such a challenging eco system in the legal alcohol industry is a reflection of the loyal customer base and brand loyalty it has succeeded in establishing. Despite the infusion of cheaper priced alcohol to the market, consumers uphold their trust in our brands. Considering that the tax component is over 70% of the price, it is impossible for legal producers to retain competitiveness in such markets. Further, a high tax regime and escalating cost of living serve to render consumers no choice but to opt for cheaper products, notwithstanding dubious quality.

Gross Turnover - Beverage Sector



Profit Before Tax - Beverage Sector



Management Discussion and Analysis

During the current financial year, Gross turnover of the beverage sector was Rs. 97 Bn, and recorded a profit after tax of Rs. 4.7 Bn. The beverage sector contributed a staggering Rs. 68.5 Bn to the State by way of taxes.

In the year under review, there was a decline in the for premium liquor segment where Periceyl operates, due to increased prices. As a result, performance of Periceyl was affected as consumers have shifted to lower priced beer and other alcoholic beverages. At the same time Periceyl's Franklin and Galerie Brandy performed convincingly maintaining over 70 % in the market.

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

Future Outlook

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

Plantation Sector

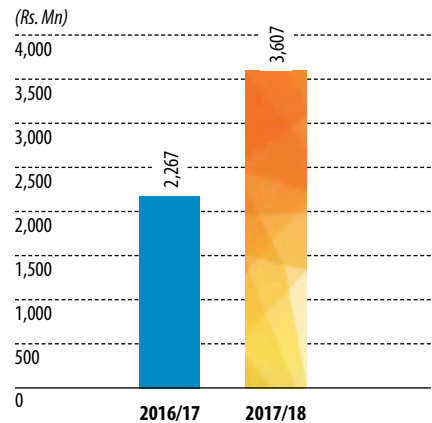
Tea



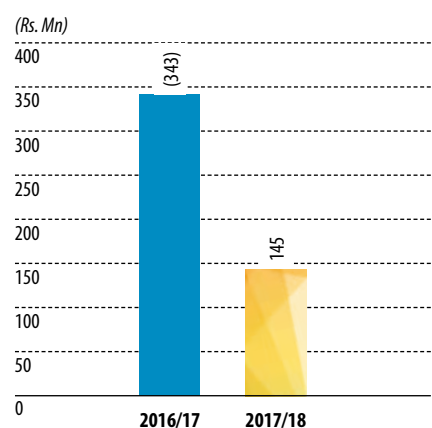
Year 2017 is recorded as one of the better years for the tea industry with an increase in production and averages reaching all-time high levels. However despite the ascent witnessed in 2017, the industry continued to be plagued with geo political tension in the tea importing countries, policy decisions which affected the production of tea and temperature variability due to climatic changes.

National Tea production recorded an increase of 4.96% for the year 2017 in comparison to the same period in year 2016. However, the negative impact of drought and floods in the first and second quarters of the year, coupled with high cost of fertiliser proved to be the drawbacks to reach the production levels of the preceding years. The reluctance to undertake the required level of annual replanting by most smallholder farmers and the plantation companies due to the non-affordability of high cost and uncertainty in recovering investments was also a major contributory factor for the decline trend in the production volumes.

Gross Turnover - Plantation Sector



Profit / (Loss) Before Tax - Plantation Sector



Balangoda Plantation’s tea segment reflected an increase of 36.85% in turnover due to exceptionally high levels of auction prices in 2017. The cash impact of wage hikes granted in 2016 contributed towards a higher cost of production which continues to be one of biggest challenges faced by the RPCs. Despite the numerous uncontrollable variables that affected the high cost of production and decline in crop, the Company was able to reduce the loss per Kg by 77.42% with the improved net sales average reflecting an increase of 41.43% compared to previous year.

During the year, tea production in Madulsima plantations recorded a marginal decrease of 1.41% when compared with the preceding year due to several factors such as limited use of fertiliser due to high cost and extensive growth of weeds due to the ban on chemicals that was in force.

Rubber

The Rubber Sector has shown an improvement during the year 2017 when compared with the preceding year. Sri Lanka rubber production increased to 83.1 Mn Kgs in 2017 from 79.1 Mn Kgs in 2016 due to favourable weather for crop intakes. However, auction prices were adversely affected due to the excessive import of raw rubber to the country by local manufacturers.

Balangoda Plantation’s rubber NSA increased to Rs. 316.14 from the previous year’s average of Rs. 231.90, as a result of which the rubber turnover increased by 15.50%. Despite stringent cost control, the Company’s rubber segment made a loss of Rs. 92.16 per Kg. Rubber production dipped by 19.35% due to erratic weather conditions that prevailed in the rubber growing areas of the Company.

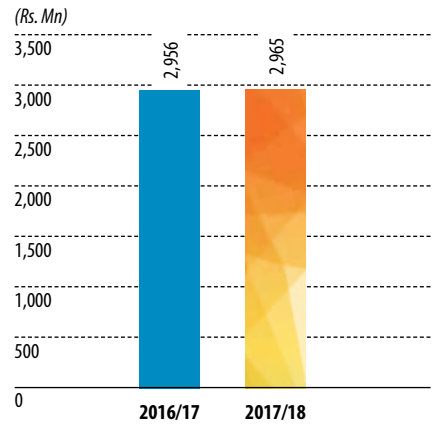
Future Outlook

The robust market conditions that prevailed in 2017 are likely to continue during the year ahead. The global economy is expected to remain buoyant despite geo political instability in the Middle East which could affect resilience and sustainability of the industry. Further, the country will have to contend with unsettled weather, inability to source cost effective weedicides, and high cost of fertiliser and other inputs. Wage negotiations are expected in 3rd quarter of 2018. Any additional cash outlay due to wage increase will directly impact and cost of production posting a challenge to the viability of the industry.

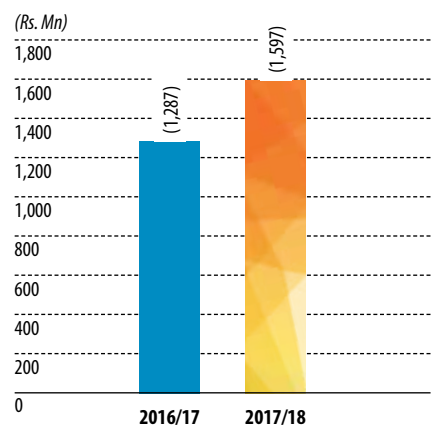
Telecommunication Sector

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.

Gross Turnover - Telecommunication Sector



Profit / (Loss) Before Tax - Telecommunication Sector



Management Discussion and Analysis

Lanka Bell was able to sustain positive EBITDA margin during the year despite the rise in operational costs and continuous decline in revenues from the CDMA fixed line business due to the trends in consumer behavior with regard to voice related communication.

The Company's 4th Generation LTE technology service - Bell4G recorded YOY revenue increase of 30% while surpassing the 50,000 customer milestone. The revenue generated from this service can be expected to grow further during the next financial year as well since a further expansion of coverage is planned with over 150 base stations to be commissioned during this period in addition to the 350 base stations that are currently in operation. This together with the need for quality internet connectivity on the rise, the potential for growth is substantial. Lanka Bell will look to further grow its data related products & services. Nevertheless it needs to be mentioned that increased operational and capital costs are likely to have an adverse impact on the bottom line.

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.

Continental Insurance (CIL) reached new heights, exceeding industry performance surpassing Rs. 4 Bn in premium income, with a 26% year-on-year growth.

Financial Services Sector Insurance



Continental Insurance (CIL) reached new heights, exceeding industry performance surpassing Rs. 4 Bn in premium income, with a 26% year-on-year growth. Retaining its stance as one of the fastest growing insurance companies in the country, CIL now accounts for approximately 4.6% of the market share within a short span of eight years in an intensely competitive general insurance segment. Although the Company is young in age, CIL has already made a strong foot-hold in the industry with many commendable accomplishments. CIL achieved ratings from Fitch Ratings Lanka Ltd in 2014 and was upgraded to 'A (Ika)' in 2017. Further, the Company was recognised as ISO 9001:2008 (Quality Management System) certified company in 2013 and is currently in the process of obtaining the ISO 9001:2015 certification in its continued pursuit for service excellence.

The latest addition to CIL's IT enriched service is the introduction of Pay and Go facility to the customers where they are able to pay motor premium payments online through over 500 cash collections machines across the country.

Continental Insurance'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, CIL 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.

CIL expanded its reach during the year under review, increasing its branches to 49, with the latest additions in Tissamaharama, Matale, Piliyandala and Narammala. With a clear strategy to establish its presence in all key business centres of the country, CIL envisages to spread its network wider during 2018. As always, CIL recognises it's highly professional and skilled workforce as its main asset and continues its investment in people.

Future Outlook

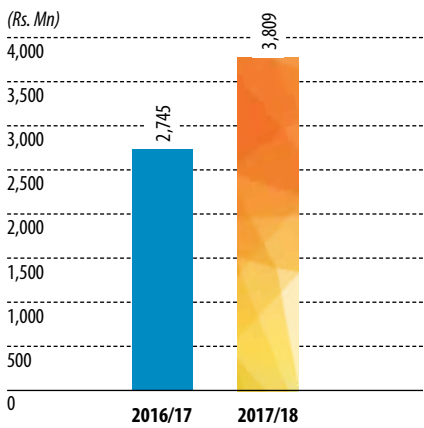
Looking towards the future, CIL is equipped to cater to the changing demographics of the country, moving ahead of the competition with expansion and innovation, focusing on its core strengths to come forth as a key player in the industry.

The Collision Repair Centre offers state-of-the-art technology, machinery, equipment and unparalleled knowhow on treating vehicles based on the manufacturer’s specifications.

Diversified Sector
Collision Repair & Logistics



Gross Turnover
- Financial Services Sector

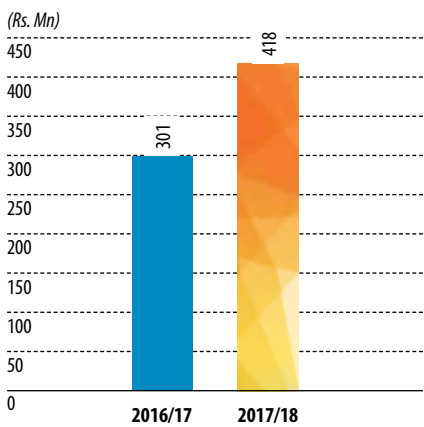


The Collision Repair Centre at Melsta Logistics performed well during the year and enabled the Group to add value for both internal and external clients. The Centre offers state-of-the-art technology, machinery, equipment and unparalleled knowhow on treating vehicles based on the manufacturer’s specifications.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

Textiles

During the year under review, Texpro experienced a drop in export 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. Further, local sales volumes have reduced due to imports from cheaper sources overseas. The reinstatement of GSP+ has created a demand for synthetic fabrics which Texpro has begun to exploit successfully.

Profit Before Tax
- Financial Services Sector



Management Discussion and Analysis

Power Generation



Bogo Power (Pvt) Ltd was formed to set up a Mini Hydro Plant at Kirkoswald, 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 a power capacity of 4 MW and average annual energy generation of 15.2 GWH. The project has satisfactorily generated 15.5 GWH during 2017/2018

Business Process Outsourcing

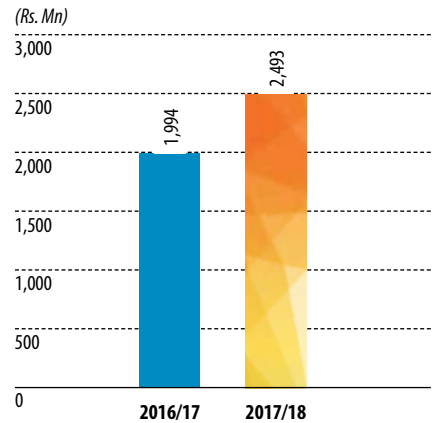
Bellvantage is a leading Business Process Outsourcing company and is positioned amongst the top BPO's in Sri Lanka. The company is recognised both locally and internationally for its renowned brand portfolio and high end clientele, which attests to its excellent value proposition and exemplary service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

It was an impressive year for Bellvantage with a steady growth in performance financially and operationally, stabilising an increase in revenue and margins. Bellvantage has increased its footprint in the industry due to its rapid acquisition of new clients to its business portfolio during this tenure.

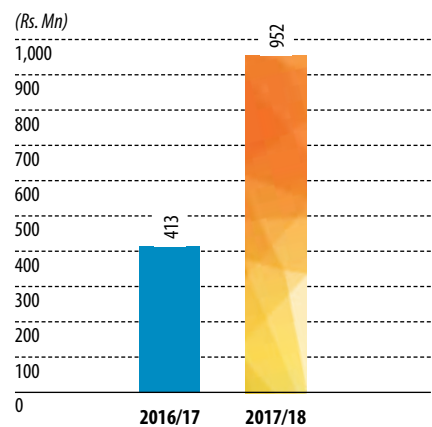
The company has been challenged in the market with many new entrants, yet the brand image built with uncompromised quality and enhanced service levels spearheaded the direction towards securing an elite customer base with high expectations. The company performed well in the banking and finance sector securing further 5 leading banks and financial institutions totaling the number to 11 in the client portfolio.

Bellvantage takes pride in being the first and only BPO to provide online access to performance and 100% transparency to the client to monitor the performance anytime of the day. This was established by the recent introduction of the live performance monitoring application, creating a whole new dimension in managing the outsourced services by demonstrating high integrity levels & professionalism.

Gross Turnover - Diversified Sector



Profit Before Tax - Diversified Sector



Being awarded the prestigious ISO 9001-2015 certification endorses the continuous process improvements and execution of the quality in service, thus meeting the goal to lead the industry with quality management systems and processes along with new solutions to exceed Customer expectations.

Bellvantage strongly believes that employee wellbeing is vital to meet the desired service standards; the company facilitates an environment to employees that welcome creativity and new ideas in meeting challenges to strive passionately towards delivering an excellent professional service.

Melsta Technologies (Pvt) Limited

Information technology solutions are a critical factor for success in business today. Melsta Technologies strives to create strategic partnerships with customers by leveraging the latest that ICT has to offer for their value chain. Melsta Technologies focuses on establishing value and measures of success, and invest in providing comprehensive solutions for digitisation in order to transform customer's business. Melsta Technologies have established partnerships with Oracle Corporation to deliver comprehensive cloud solutions, and ASG Technologies USA, to provide solutions for digitisation.

Leisure

Browns Beach Hotels was re-launched as Heritance Negombo in April 2016, with 139 rooms offering a luxurious experience whilst sustaining the unique attributes of a 'city hotel on the beach'. Offering multiple dining options and luxurious comfort on par with international industry standards, Heritance Negombo gained greater competitive advantage in the financial year and has stood out as a unique service provider with respect and loyalty from guests near and afar.

Despite increasing competition and subdued growth in arrivals, the Hotel performed exceptionally well to achieve a turnover growth of 58% and an overall operating profit increase of 122% to Rs. 43 Mn in 2018. This is in comparison to an operating loss of Rs 197 Mn reported in the previous year. Although Heritance Negombo was able to record an operating profit in just its second year of operations, the hotel recorded a net loss before tax due to high interest cost on borrowings and depreciation. The company is confident of reversing the current results to report profits within a short span of time.



Browns Beach Hotels is a unique blend of a city hotel on the beach, positioned to offer an inimitable experience. Towards this end, the property will focus on strengthening its competitive advantages whilst expanding its brand presence of a Heritance, the flagship brand of Aitken Spence Hotels, the leading Hotel Management Company in Sri Lanka.

Media and Creative Services

Splendor has completed its transformation to a full-service communications agency and the company is now positioned to provide a better service offer to the clients they partner and the brands they serve. The agency's strength includes a host of industry veterans, with decades of advertising experience, creatives with award-winning campaigns, strategic architects associated with some of the island's foremost brands, digital doyens and media specialists with local and international proficiency. The convergence of such strength along with financial patronage from one of the island's most successful corporations ensures a seasoned and integrated unit of communication professionals.

Future Outlook

Splendor's forte lies in its diverse team, a creative outlook and youthful approach, united by a working culture that promotes objectivity and strategic focus. This unique synergy ensures that the organisation is fueled for the future, flexible enough to meet the demands of an ever-changing marketplace and dynamic enough to deliver the solutions our partners need.

Sustainability Report

Responsible Diversity

Our Sustainability Motto in Action

We understand that, globally, stakeholders at large are demanding that companies they associate with demonstrate non-financial metrics to define sustainability and sustainable operations. Financial profitability as the sole criteria of a company's success is an outdated concept and rejected by most stakeholders and the organisations they support. More importantly, being an environmentally, economic and socially sustainable organisation is helping companies earn corporate respect and drive customer loyalty, not to mention earning respect from peers and industry. In an era of growing global competition, climate change and diminishing resources, companies that put sustainability as their foremost goal are winning the race.

As one of the diversified, blue chip conglomerates in Sri Lanka, we are living proof of continuous improvement and sustainable business practices. While cultivating values that have fallen over a century years of experience, we consider this an opportunity to strengthen our business practices that are environmentally and socially sustainable, while also being financially sustainable. The key requirement of any commercial entity in our journey over the decades within the corporate arena of Sri Lanka, an overarching tenet has always been to ensure that our decisions, actions and impacts are sustainable and positive at all times. We are extremely cognisant that as a corporate steward involved in numerous businesses and industry areas, we must set an example to others, while making our stakeholders a part of our journey of progress. In this Sustainability Report, we set out the measures we take to ensure that sustainability is infused along the length and breadth of our value chain. Simultaneously, we continue to invest time and resources in

understanding how we can enhance our proud track record as one of the most sustainable organisations in the country.

The Melstacorp Story

History, Ownership and Legal Framework

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

Significant Events during the Reporting Period

- During the year Aitken Spence PLC and Madulsima Plantations PLC became subsidiaries of Melstacorp with further acquisition of shares.
- Melstacorp divested its fully owned subsidiary, Melsta Regal Finance Limited.
- After effectively conclusion of the Group's restructuring exercise, shares of DCSL PLC re-commenced the trading at the Colombo Stock Exchange.
- Fitch Rating Lanka Limited re-affirmed rating of DCSL PLC, AAA (lka) - with a stable outlook.
- Fitch Ratings Lanka affirmed Continental Insurance's National Insurer Financial Strength Rating and National Long-Term Rating at 'A (lka)' with a Stable Outlook.

Report Scope

We believe that we have a responsibility towards our stakeholders to ensure that they are given a clear insight into how we have managed their business and how we intend to work in the future. This, therefore, is our honest effort in sustainability reporting. While we do know that this report is a work in progress and requires to be developed comprehensively, this attempt helps us to put our results, both positive and negative, down on paper and work on plans that would ensure that our presence as a corporate leader will surely be advantageous to all our stakeholders. The report presents a balanced analysis of our sustainability performance strategy in relation to issues that are relevant and material to the Company and to our stakeholders, while complementing our ongoing engagement with stakeholders.

This report focuses on key developments and includes only the most pertinent indicators in order to provide stakeholders with an integrated and succinct view of our sustainability performance. Unless otherwise indicated, facts and figures refer to the Melstacorp Group. Sustainability in our business is built on natural capital, social capital and economic capital, all of which must be taken together rather than in isolation for a true picture of sustainability. It is these capital segments that run through as themes of this report.

Materiality

Having embarked on this sustainability reporting process, we must confess that in documenting the necessary areas, we may not yet have a clear idea or focus on the extent of materiality involved. However, we have focused on earmarked areas and platforms that have formed the foundation for our sustainability programme and hence, we have used

those as the guideline to report on the arising issues. We have also been able to identify shortcomings and gaps in data gathering, which is now being documented and acted upon to ensure that we bridge those gaps in future. We initially garnered the information from all our business sectors on a common questionnaire and began mapping the categories that were most common. Once charted, the categories were placed in perspective and we were able to consider the materiality of our findings, positioning them in priority order and only focusing on those that our stakeholders felt were crucial or important.

Reporting Period

This report supports the Melstacorp Group's Annual Report and presents our sustainability performance for the year ended 31 March 2018. It covers company activities, including the subsidiaries' reporting period (for example, fiscal/calendar year) for information provided 01 April 2017 to 31 March 2018. Data measurement techniques and the bases of calculations applied for compilation and other information in the report is disclosed wherever applicable. We invite feedback from our stakeholders on this report and the way we approach our sustainability priorities in order to continue improving our performance, transparency and accountability practices.

Governance, Commitments and Engagement

Board of Directors

Collectively, the Melstacorp Board has significant corporate acumen, skill, knowledge and experience aided by astute and knowledgeable support and information from senior management and external specialists when the need arises to be sufficiently informed and be independent. Board governance ensures that relevant related party

transactions are reviewed by Related Party Transactions Review Committee and Group discloses related party transactions periodically and if any Director has a direct or leading interest in any matter being discussed, they will abstain from opining, discussing and voting, all of which could influence the outcome. This avoids conflict of interest and ensures independence of the Board. Melstacorp has established a governance structure that remains aligned to the laws of the land and ensures compliance to various regulatory mandates. The governance structure therefore includes committees responsible for specific tasks and setting strategy and future direction for the Group. The Board structure and committees are detailed on page 39 in this report. Melstacorp's Board comprises eight Directors (Three Executive, Three Independent Non-Executive, two Non-Independent Non-Executive), who meet to map strategy and for decision making which require Board intervention. The Board sub committees are a vital conduit in identifying and managing economic, environmental and social performance, including relevant risks and opportunities, as well as compliance. Ongoing Board education is an imperative at Melstacorp to ensure that Directors remain abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the Group and its operations. During the year, all Board Members and Committee Members were reviewed for compliance with the Colombo Stock Exchange requirements for a listed company.

The Melstacorp Sustainability Approach

Vision

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

Mission

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

Philosophy

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

Sustainability Policy

Our Sustainability Policy is based upon the following principles:

- We continue to comply with and exceed wherever practicable, all applicable and related legislation, regulations and codes of practice
- We integrate the principles and tenets of sustainability into all our business decisions

Sustainability Report

- We strive to minimise any negative impacts that may ensue while engaging in our day to day activities
- We integrate a sustainability mindset among our team, making them fully aware of our sustainability policy and empower them with a sense of ownership and commitment to implement, practice and improve it
- We cascade our Sustainability Policy among our valued business partners, encouraging them and assisting them to adopt sound sustainable management practices
- We review and report annually and to continually strive towards improving our sustainable performance

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

The Framework

Melstacorp's Sustainability Framework, which incorporates our Sustainability Philosophy, Policy and Principles, articulates our strategic commitment to sustainable development and remains integral to risk management. This framework assists our stakeholders in imbuing a similar sustainability approach, promotes sound environmental and social practices, encourages transparency and accountability, and contributes to positive development impacts. We ensure that this framework reflects good practice for sustainability and risk mitigation,

keeping abreast with trends that bring up challenging issues, which remain at the core of managing a sustainable business. These include supply chain management, resource efficiency, climate change and human rights.

Key Challenges and Opportunities

Risks and challenges go hand in hand in the business of running an organisation, whether the risk may be from environmental problems, social discontent, political and social unrest or even natural disasters. These can be termed costly, have negative publicity, threaten operating frameworks and also prompt unforeseen expenditure. Reputational damage too can far exceed the immediate cost impacts. While we seek to proactively reduce and manage these risks, challenges have never been a deterrent for us at Melstacorp; rather, they have been a means of directing us towards opportunity and improving business performance over time. These opportunities have driven us to enhance business growth, while ensuring that we remain within compliance benchmarks, while ensuring that our stakeholders are empowered and remain inclusive to our end goal. Over the year, we identified some challenges and risks that eventually saw an opportunity emerge, and which, through the inherent pragmatic and astute business acumen possessed within Melstacorp, was transformed and included into the strategic way forward of the Group.

Stakeholder Engagement

We are extremely committed to engaging all of our stakeholders, both internally and externally, to become the most sustainable, responsible company we can possibly be. By listening to, partnering with, and considering the perspectives of our associates, customers, shareholders, academic leaders, government, valued business partners

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

Key Stakeholders

Shareholders

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

Customers

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

Employees

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

Government / Regulators

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

Suppliers

Regularly engage with suppliers to promote and institute sustainability solutions

Disclosures

The purpose of our sustainability reporting is to create greater transparency and accountability and to allow for better informed and more robust decision-making as it is becoming more important than ever to manage both positive and negative impacts of our business activities. Our Customers are increasingly developing an ethical conscience, using sustainability information to identify their chosen brands. Customers want transparency, clarity and accessibility to information and disclosures on social, environmental and economic performance. Needless to say, this information needs to be consistent and presented in a standardised approach, therefore, it is imperative that disclosures are succinct, clear, and truthful and hold fast to the underlying ethos of a principled ethical well governed business entity, which is what Melstacorp espouses to be.

Economic Disclosures

The company ensures that both positive and negative information about itself is conveyed as fairly as possible to all stakeholders, especially shareholders. Melstacorp ensures its shareholders and other interested parties are given accurate information to help them make an informed choice when investing. Our investors have proof of our consistent performance in our financials and share performance, as well as our astute business strategies including restructuring and acquisitions. Given our status as an industry leader, we also remain a strong partner in ensuring that the country meets its vision and objectives, generating direct and indirect employment and thus improving lifestyles, investing in infrastructure, upping quality and standards within the industry and thus setting benchmarks to develop these industries and imbuing best practices. We practice an environment of zero tolerance on bribery and corruption and eschew ethically unsound or corrupt practices among any stakeholder segment. In this context, we have had no incidences of bribery and corruption, unethical practices or 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 mandatory and regulatory mandates that are prevalent in our business even though the regulatory environment in some of our businesses may be seen as unfair and unjust. We do not make contributions to political parties; no member of the Board of Directors is actively involved or an office bearer of any political party in Sri Lanka.

Product Disclosure

As diversified group of companies, we engage in manufacturing businesses in certain sectors such as Beverage &

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

Environmental Disclosure

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

Human Rights and HR Practice Disclosures

Melstacorp Group espouses and commits itself as an equal opportunity employer, stringently applying a slew of non-discriminatory policies vis a vis gender, age, religion, ethnicity, social, cultural and economic backgrounds on the foundation of meritocracy. We unwaveringly uphold and support the tenets mandated by the International Labour Organisation and other prevalent regulatory bodies pertaining to human rights and child labour. We adhere to a strict policy of 'zero tolerance to child labour', a mandate that is permeated to our valued business partners including retailers and the supply chain.

Sustainability Report

Community Disclosure

Our philosophy is to partner the community in its sustainable development journey, which in turn gains us considerable advantage. We are inextricably entwined with our communities and we intend to ensure that our presence within these communities will benefit them and us. This year, our social focus was based on 'Education & Training and Health, Sanitation & Housing' and by sustaining social initiatives in these key areas of interest, we believe that we can empower these communities.

Environmental

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

Sustainability Focus

Social

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

Economic

- Ensuring that shareholder wealth is optimised without compromising on standards or principles
- Permeating best practices to valued business partners
- Setting an example of ethical leadership through a well governed accountable entity
- Creating benchmarks for industry.

Sustainability Performance

Environmental Impact

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

Energy, Waste & Water Management

Energy and waste management are crucial features in our environmental management focus, especially in our manufacturing processes. DCSL use a sophisticated distilling system using French technology which is totally environmentally friendly embeds energy saving features into our plants, as low evaporation during distillation aids the saving of energy. This technology has also helped in decreasing emission levels. Waste water treatment plants and an environmentally friendly zero-harm effluent management system ensures that waste, water and effluents are all managed well within the compliance norms. While the waste water is treated to neutralise acidity and released for further use once deemed 100% safe, the methane which is discharged during the purification process is used for factory consumption. In our bid to reduce the country's dependence on fossil fuels and thereby reduce the expenditure of foreign exchange, we embarked on a mini-hydro power project. The Kirkoswald MiniHydro Power Project, under the umbrella of Bogo Power (Pvt) Limited and located within Madulsima Plantation's land, has gained approval from the Sustainable Energy Authority of Sri Lanka, generating an average of

20.0 GwH of power to the national grid. The water required for the hydropower project is diverted and returned to the river within a short distance from the point of diversion. The channel, weir and power house are small structures, which have minimum impact on the natural eco-system and the communities around the area.

The companies of the Melstacorp Group have all initiated in-house modes of energy, waste and water management, as part of the Group's holistic vision of environmental impact mitigation. The Collision Repair Centre, which comes under Melsta Logistics Limited, remains very compliant with environmental regulations and in fact, has ensured that its entire facility is eco-friendly. Waste disposal is managed efficiently, with disposable waste being recycled and organic waste converted to compost, which is used to nurture vegetation within the premises. In addition, a waste water treatment plant maximised the usage of water. Melsta Logistics also took on the responsibility of managing the Group's fleet of vehicles to ensure that measures are taken to monitor and control emission levels and usage of fossil fuels and thus reduce its carbon footprint. At present, Texpro is using biomass thermic fluid heaters instead of fossil fuel consuming equipment, as a result the company managed to reduce the energy cost sustainably.

Recycling

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

Sustainable Agriculture

We are proud to report that the Balangoda Plantations has been accredited by Rain Forest Alliance as 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 22000 certification, which ensured that it remained within the stringent guidelines required for conducting business, manufacturing processes and systems. In order to retain these standard certifications, the facilities are also continuously subjected to audits. The larger result however is that with the infusion of best practices in agriculture, we are not only enhancing our end product, but also ensuring that our practices are governed by a green ethos. Further augmenting this green ethos, Balangoda Plantations embarked on a re-forestation drive, which,

while increasing our forest cover, also significantly impacted the challenges the country will face in the future of food security. In addition, the estates began implementing a composting programme, which converted non-usable materials into compost, deemed for use in the three hectares that are being replanted with tea.

Social: Diversity in Our Team

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

HR Philosophy

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

Recruitment & Retention

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

Training & Development

Training and development forms the axis to the sustainability of our business and into this we have instilled a knowledge gaining culture, which enables individuals to attain their personal goals while working towards the company's aspirations. Melstacorp is facilitating all the training programmes for the Group. The training programmes span on the job, off the job, external, hands on and internal programmes, all designed to enhance knowledge, update skills

Sustainability Report

and create an empowered workforce. Continental Insurance, provides training across the board to all its employees to enhance their technical skills, not forgetting to harness their soft skills, crucial to deliver a better customer service, in line with the strategic vision of the Company. Bellvantage focuses on developing employees with continuous improvement strategies. The specialised Trainers and quality evaluators give them continuous support and guidance. In addition to the in-house trainings, the company initiated outward bound training programs with team building activities. At Balangoda Plantations, conducted a series of training sessions on quality manufacture and agricultural practices, teamwork, career growth and development, health and safety instructions.

Recognition & Staff Well-Being

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

DCSL

- Continuous remuneration reviews and increases according to predetermined scales, which could also be tied to performance incentives and bonus scheme.
- A range of insurance policies are in effect including Workmen's Compensation and Personal Accident Insurance. DCSL PLC offers all employees this 24 hour insurance cover which includes a natural death cover.

- The DCSL Quiz Competition 2017/18 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

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

Melsta Logistics Limited

- The Melsta Logistics team is covered under a comprehensive medical scheme and other facilities include cafeteria, resting areas and lockers.

Occupational Health & Safety

As a diversified conglomerate with interests in wide-ranging economic activities including manufacturing, it is imperative that we make our workplaces

safe. Occupational Health and Safety remains a high priority for the melstacorp Group and our beverage sector has taken numerous steps to ensure, to the best of our ability, that the workplace is safe, hygienic and not harmful to our team's health. Our manufacturing processes conform to accepted industry guidelines and practices in safety management and we have set for ourselves a target of 'a zero accident workplace'. By being proactive, conscious and focused, we have inculcated a conscience and culture of prevention, while team members have been trained to remain alert to any gaps and hazards that may arise.

Giving back to the Community

Melstacorp concluded a project to uplift the standard of child pre education in the region of Madulsima Plantations. During the year completed 06 Child Development Centres in New Division estate, Mahadowa, Amunudowa, Uvakellie, Cocagalla & Verellapatna estate respectively.

Melstacorp believes that most effective social investments are serving the community through these type of programs and initiatives in future.

Balangoda Plantation contributes towards community development by providing financial support to workers including short term loans, housing loans and distress assistance, facilitating purchase of goods and equipment on easy payment schemes, death benefit scheme, and so on, through the Estate Worker Housing Cooperatives, which are actively functioning on Balangoda Plantation.

Health, Housing and Sanitation

Both Balangoda and Madulsima Plantations have been actively involved in uplifting the lifestyles of its estate community by facilitating new housing

and better working conditions. In addition, numerous awareness programmes were undertaken towards improving the socio economic growth and health and nutritional status, and living environment, youth empowerment and community capacity building, of the resident plantation population.

Housing Facilities

During the current year too, Balangoda and Madulsima Plantations continued their efforts at upgrading living standards of plantation communities by building 82 housing units and 50 units of new latrines facilities 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, also conducted a re-roofing programme for 10 housing units. Further Balangoda Plantations invested on new water supply projects in its various estates.

Health Care and Safety

Balangoda Plantations 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 a healthy community.

Economic Contribution

Today, although our core business is beverages, our scope of business is diverse transcending different spheres

across the national economy. Over the years, we have made inroads in telecommunication, plantations, textiles, BPO, logistics, leisure, insurance, media and hydro-power, committing ourselves to add economic value to all these industry sectors, while being responsible for our actions and the decisions we make. Therefore, as a leading corporate, we will strive towards building continuous sustainable value, generating returns for our shareholders, while ensuring that we consciously do the right thing not only for our stakeholders, but for the environment as well. It is this holistic outlook that allows us to work proactively with all our stakeholders, creating shareholder wealth and social value, inspiring our team and permeating best practices among our suppliers. Given our leadership status in the beverages industry, the company has been subjected to numerous actions, diktats and mandates that has continually stifled the legal alcohol and spirits industry, which have only served to allow the illegal trade to flourish. We believe that this situation will eventually take a toll on the nation's health, both economically and socially. We are by far one of the largest contributors to the national treasury, having paid Rs. 69 Bn as taxes at Group level this year. It is these funds that are eventually used by the state for meeting its development goals. Therefore, we are proud to be a major contributor to national development, as a legal, law abiding corporate citizen with future potential to contribute toward the nation's development agenda. The diversification of the Melstacorp Group into various industries has benefited the national economy through investments in human capital and on infrastructure, employment opportunities, uplifting industry standards and wider consumer choices. Our infrastructure investments into plant and machinery conform to stringent standards that naturally

add value to the overall economy. Similarly, all companies in the Group conform to numerous and relevant international standards and have gained certifications of compliance, which means that the entire industry is being improved through the setting of higher benchmarks. Currently, the Melstacorp Group provides employment to 25,917 people while indirectly granting employment to many others. The benefits, remuneration, rewards and welfare gained by our employees also ensures that their families gain an improvement in their lifestyles, while additional education and training adds to elevating knowledge levels amongst our team

Industry Leadership

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

Investor Relations

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

Sustainability Report

Supplier Engagement

Forging strong supplier relationships offers a comprehensive way for Melstacorp to assess and streamline the processes between our organisation and our suppliers for an effective partnership. In reality, suppliers are people as well and we believe in emotionally engaging with our suppliers so that they work harder for us and help us cover potential risk areas. Whatever the size or category of supplier, the Melstacorp's Supplier Policy ensures a level playing field and equal opportunities for all our suppliers. We have procedures in place to ensure responsible behaviour towards all our suppliers, while committing our suppliers towards reciprocity in responsible behaviour towards the Company. This ensures our stringent quality and standards are understood and met by all our suppliers. We believe strongly in positioning our supplier philosophy on good corporate conduct, sourcing and producing responsible quality products and influencing a win-win relationship worked on a platform of mutual benefit. Just as we position ourselves as a responsible industry leader, we strongly believe that we must permeate the best practices we have within our business, the standards and integrity and compliance initiatives to our entire supply chain. This in effect cascades to quality, productivity and standards overall being improved. Melstacorp has a widespread and diverse supply chain spanning the full range of businesses from micro entrepreneurs, to SMEs to large corporates. We also emphasise among our supply chain and valued business partners the need to implement and promote business practices that not only encourage a safe workplace, but also request them 'to do right' by the environment, their employees and communities. In other words, we want them to, in turn, be responsible entities and individuals. Suppliers and business

partners, once among the Melstacorp Group, are provided with further support and guidance, enabling improvement against these principles as the business relationship develops. Our suppliers are selected on pre-determined criteria that would position them and align them to our standards and principles. This conformance goes beyond compliance and would by no means involve us in engaging or aiding and abetting illegal or hazardous and dangerous activities. We want our suppliers to be partners with us, in joining us in our journey that will truly be one of mutual respect, understanding and trust.

We Seek Suppliers into Our Value Chain who:

- Our beverage sector will proactively support our efforts to combat illegal and illicit trade practices
- comply with laws and regulations pertaining to conducting business and environmental performance, occupational health and safety, do not support or condone child labour, slavery, harassment, corporal punishment or discrimination of gender or any other denominator
- are cognisant of human rights and the rights of workers
- do not engage in any fraudulent or corrupt practices
- provide their teams with a safe and healthy work environment
- actively engage to empower the communities in which they operate

Customer Interaction

We believe that nurturing our customers is an ongoing dialogue and not a one-off event. Nurturing an ongoing and genuine relationship with customers will have a major impact on the way they perceive our brand but also serve to strengthen our operations

through focused customer feedback. We engage our customers in numerous ways, nurturing and strengthening relationships to ensure strong loyalty to brand and product. From face to face ad hoc conversations, to conducting customer surveys, to formal gatherings and informal events, we are constantly engaged with our consumer. It is this feedback and varied dialogue and communication channels we have created that have assuredly enabled us to charter our future plans. Our beverage business is fundamentally about offering adult consumers a range of high quality products and brands with the necessary knowledge to make informed choices. We do not in any way coerce or inveigle our customers to stay with us and our portfolio of products by any illegal or unscrupulous means. Moreover, though engaged in a legal industry forced to work in a dark market, prohibitive excise duties and constant taxation, our products have remained at the helm, which has thus driven us to continually exceed our customers' demands. We do believe it is our responsibility to ensure that consuming alcohol must be done responsibly, knowing that the product is manufactured to high standards and is a proven brand of quality. Therefore, we are vociferous in numerous forums to curb and annihilate the illicit and illegal liquor trade. We work on education and awareness initiatives among various forums to take the message of the hazards and dangers posed to the eventual consumer in drinking illicit brew or illegal liquor, given that the latter too has no guarantee of quality. Our subsidiary companies have continued to gain the trust and loyalty of their customers through their customer centric policies, innovative solutions and technology applications for increased cost savings and higher customer value creation. Lanka Bell, the Group's telecommunications subsidiary,

continued its 4G LTE network third stage during the year, becoming one of the four operators in the country to have a 4G-LTE network. The introduction of this latest technology is to offer world class data solutions to customers, while providing access to greater bandwidth capacity at faster speeds. Continental Insurance provides comprehensive policies to large hotel chains operating luxury properties in Sri Lanka and the Maldives. CILL operates an Android mobile application to all technical assessors to facilitate efficiency in the processing of claims. In addition, payments of premiums online were also implemented in order to cater to the growing market of online users, thereby giving customers an enhanced service with greater convenience and ease.

Awards & Recognitions

- Melstacorp was ranked No. 08 in Business Today's 'Top Thirty' edition.

Long term Sustainability Goals

1. Be known as the preferred employer having the ability to attract and retain talented people, inducting them in a knowledge-based corporate culture, while assuring them of career enhancement in a responsible company they will be proud to be a part of.
2. Retain market leadership by ensuring that we work on high quality sustainable competitive advantages to infuse trust and loyalty among our customer base by evolving the business to be ahead of customer expectations, which in turn will deliver qualitative and quantitative sustainable returns.
3. Never lose sight of the tenets of corporate stewardship; instill governance and regulatory best practices, while demonstrating our commitment to being an ethical, transparent, accountable Group of companies.
4. Create economic and social value among the communities we work with, supporting both the rural and urban economies and key industries that are earmarked to be drivers in national development.
5. Be a Green Ideologue; an advocate who will address environmental issues and 'change' the direction of climate change, walking the talk to spread the need to reduce our carbon footprint and ensure a better planet for future generations.

Corporate Governance

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

Enterprise Governance

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

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

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

- Strive to achieve corporate objectives of managing strategy, risk and compliance to ensure long term returns to stakeholders.
- Oversee business objectives including management of IT, sustainability, finance and project portfolio management to ensure sustainable consistent results.

- Board of Directors remain emphatic on due diligence to ensure accountability, transparency and sincerity of action.
- Implemented an environment of responsible and balanced corporate governance that enhances integrity and respect for the Company and ensures the Company's stewardship and stability in the industry and market.
- Introduced a culture in which the entire organisation takes ownership for risk, compliance and performance.

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

Melstacorp has a strong and sound foundation of sustainability principles that remain the overarching fundamentals in instituting and maintaining uncompromising governance practices and principles. The section of the report details the governance structure and the practices

and guidelines Melstacorp has adopted in ensuring that we remain within the parameters of the numerous regulatory and authorised bodies that govern the industry and the Company. We stringently adhere to and comply with the mandates of the Colombo Stock Exchange and Securities & Exchange Commission of Sri Lanka, NATA, Excise Department, Central Bank of Sri Lanka and the Government Treasury, Institute of Chartered Accountants of Sri Lanka, Telecommunication Regulatory Commission of Sri Lanka, Insurance Board of Sri Lanka, Central Environmental Authority, relevant Ministry and Departmental authorisations and regulations, and numerous Codes introduced by Professional Associations and the Chamber of Commerce from time to time.

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

The Board of Directors

Role of the Board of Directors

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

The key responsibilities of the Board are;

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

Name of Director	Status	Attendance *
D. H. S. Jayawardena	Chairman	1/1
A. L. Gooneratne	Managing Director	1/1
C. R. Jansz	Executive Director	1/1
N. de S. Deva Aditya	Independent Non-Executive Director	1/1
K. J. Kahanda	Non-Independent Non-Executive Director	1/1
A. N. Balasuriya	Independent Non-Executive Director	1/1
D. Hasitha S. Jayawardena	Non-Independent Non-Executive Director	1/1
R. Seevaratnam	Independent Non-Executive Director	1/1

*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 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 and subsidiaries of the Company a Director of Aitken Spence .

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 54 to 55.

Remuneration Committee

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

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

The report of the Remuneration Committee is given on the page 56.

Corporate Governance

Related Party Transactions Review Committee

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

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

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

Investor Relations

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

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

Internal Controls

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

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

Going Concern

After an extensive review of the Group's corporate plan, budgets, capital expenditure requirements and future cash flows, the Board has taken a decision to apply the Going Concern principle in the preparation of the Financial Statements for 2017 / 18. Further, the Board is satisfied that the Group possesses the necessary funds for adequate liquidity and to sustain its operations for the foreseeable future

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

The Company's compliance with the CSE Listing Rules.

Section	Applicable Rule	Compliance Status	Details
7.10.1	Non-Executive Directors At least one third of the total number of Directors should be Non- Executive Directors.	Complied	Five out of eight Directors are Non-Executive Directors
7.10.2(a)	Independent Directors Two or one third of Non-Executive Directors, whichever is higher, should be Independent.	Complied	Three out of Five Non- Executive Directors are Independent
7.10.2(b)	Independent Director's Declaration each Non-Executive Director should submit a declaration of Independence/ Non-Independence in the prescribed format	Complied	
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 39
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 39
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 56
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Complied	Three out of Five Non- Executive Directors are Independent
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Please refer page 56
7.10.5(c)	Disclosure in the Annual Report The Annual Report should set out;		
	i. Names of the Directors comprising the Remuneration Committee.	Complied	Please refer page 56
	ii. Statement of Remuneration Policy	Complied	Please refer page 56
	iii. Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer note 11 to the financial statements

Corporate Governance

Section	Applicable Rule	Compliance Status	Details
7.10.6	Audit Committee The Company shall have an Audit Committee	Complied	Please refer Audit Committee report on page 54 to 55
7.10.6(a)	Composition <ul style="list-style-type: none"> i. Shall comprise of Non-Executive Directors a majority of whom will be Independent. ii. One Non-Executive Director shall be appointed as Chairman of the committee. iii. Chief Executive Officer and Chief Financial Officer shall attend Committee meetings. iv. The Chairman or one member of the Committee should be a member of a professional accounting body. 	Complied Complied Complied Complied	Please refer page 54 Please refer page 54 Please refer page 54 Please refer page 54
7.10.6(b)	Functions <ul style="list-style-type: none"> i. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards ii. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements 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 iv. Assessment of the independence and performance of the entity's external auditors v. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors 	Complied Complied Complied Complied Complied	Please refer Audit Committee report on pages 54 to 55
7.10.6(c)	Disclosure in Annual Report <ul style="list-style-type: none"> 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 39 and Audit Committee report on pages 54 to 55
9.2.1 & 9.2.3	Related Party Transactions Review Committee	Complied	The functions of the Committee are stated in the Related Party Transactions Review Committee report on page 56.

Section	Applicable Rule	Compliance Status	Details
9.2.2	Composition of the Related Party Transactions Review Committee	Complied	Please refer the Related Party Transactions Review Committee Report on page 57.
9.2.4	Related Party Transactions Review Committee Meetings	Complied	Please refer the Related Party Transactions Review Committee Report on page 57.
9.3.1	Immediate disclosures	Complied	Company had made the disclosure on non-recurrent related party transactions to the Colombo Stock Exchange.
9.3.2(a)	Disclosure - Non- Recurrent Related Party Transactions	Complied	Please refer Note 35 of the Financial Statements.
9.3.2(b)	Disclosure - Recurrent Related Party Transactions	Complied	Melstacorp PLC carries out transactions with its subsidiaries and expected to extend over a period which are carried out on continues basis and are of time in the ordinary course of the business of the Company. However, the aggregate values of these transactions were below 10% of gross revenue of the 2017/2018 Financial Statements.
9.3.2(c)	Report by the Related Party Transactions Review Committee	Complied	Report by the Related Party Transactions Review Committee on page 57.
9.3.2 (d)	A declaration by the Board of Directors	Complied	Refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on page 60.

Corporate Governance

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

Ruling Index	Description of the Ruling	Compliance Status	Details
A. The Board			
A.1	Company to be headed by an effective board to direct and control the company	✓	Board consists of members who are qualified and experienced in various fields. Please refer Corporate Governance Report on page 38.
A.1.1	Regular Board meetings and supply of information.	✓	Please refer Corporate Governance Report on page 38.
A.1.2	Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions.	✓	Please refer Corporate Governance Report, Annual Report of the Board of Directors and Report of Audit Committee for the details.
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	✓	Please refer Annual Report of the Board of Directors on page 58.
A.1.4	Access to advice and services of the Company Secretary	✓	The Company Secretary position is headed by a professionally qualified Company Secretary.
A.1.5	Bring independent judgment on various business issues and standards of business conduct	✓	All Board members actively participate in Board meetings by bringing up their own independent judgment.
A.1.6	Dedication of adequate time and effort	✓	The Directors dedicate sufficient time before a meeting to review Board Papers and call for additional information and clarification if necessary, and follow up issues consequent to the meeting.
A.1.7	Board induction and training	✓	The Directors are provided with training as and when it is required
A. 2 Chairman and Chief Executive Officer			
A.2.1	Justification for combining the roles of the Chairman and CEO.	✓	The positions of Chairman and CEO are separated
A.3 Chairman's Role			
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner → effective participation of both Executive and Non-Executive Directors → balance of power between Executive and Non-Executive Directors	✓	Please refer Corporate Governance Report on page 38 for the following details

Ruling Index	Description of the Ruling	Compliance Status	Details
A.4	Financial Acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	✓	Please refer the Audit Committee report on page 54
A.5	Board Balance		
A.5.1	In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board	N/A	N/A
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non- Executive Directors should be 'Independent'	✓	Board of Directors consists of five Non-Executive Directors, out of which three are Independent. Please refer on page 39
A.5.3	Definition of Independent Directors	✓	Please refer Corporate Governance Report on page 39
A.5.4	Declaration of Independent Directors	✓	Please refer Corporate Governance Report on page 39
A.5.5	Board determinations on Independence or Non-independence of Non-Executive Directors.	✓	Please refer Corporate Governance Report on page 39
A.5.6	If an Alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an Executive of the company.	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the independent Non- Executive Directors to be the "Senior Independent Director" (SID)	N/A	N/A
A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns	N/A	N/A
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present	✓	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes	✓	
A.6	Supply of information		
A.6.1	Board should be provided with timely information to enable it to discharge its duties	✓	
A.6.2	Timely submission of the minutes, agenda and papers required for the Board Meeting	✓	

Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
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 59
A.9 Appraisal of Board Performance			
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities	✓	
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its committees	✓	
A.9.3	The Board should state how such performance evaluations have been conducted.	✓	
A.10 Disclosure of Information in Respect of Directors			
A.10.1	Profiles of the Board of Directors and Board meeting Attendance.	✓	Please refer page 16 to 17 and Corporate Governance Report on page 39.
A.11 Appraisal of the Chief Executive Officer			
A.11.1/ A.11.2	Appraisal of the CEO against the set strategic targets.	✓	The CEO's performance is reviewed annually.
B. Directors Remuneration			
B.1 Remuneration Procedure			
B.1.1	The Board of Directors should set up a Remuneration Committee.	✓	
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors.	✓	Please refer Remuneration Committee Report on 56.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	✓	
B.1.4	Determination of the remuneration of Non-Executive Directors.	✓	Please refer Remuneration Committee Report on 56.

Ruling Index	Description of the Ruling	Compliance Status	Details
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors.	✓	
B.2	The Level and Makeup of Remuneration		
B.2.1 to B. 2.4	Performance related elements in pay structure and alignment to industry practices.	✓	N/A
B.2.5	Executive share options should not be offered at a discount.	N/A	
B.2.6	Designing schemes of performance-related remuneration.	✓	
B.2.7/ B.2.8	Compensation commitments in the event of early termination of the Directors.	✓	
B.2.9	Level of remuneration of Non-Executive Directors.	✓	
B.3	Disclosure of Remuneration		
B.3/ B.3.1	Disclosure of remuneration policy and aggregate remuneration.	✓	Please refer Remuneration Committee Report on page 56 and Note 11 to the Financial Statements.
C.	Relations with Shareholders		
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of general meetings.	✓	The Company holds the AGM within the appropriate regulatory time intervals and effectively uses it for communication with shareholders.
C.1.1	Counting of proxy votes.	✓	Please refer the page 192 of the Annual Report for the notice of the meeting.
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.	✓	
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 the Financial Statements.

Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
D. Accountability and Audit			
D.1 Financial Reporting			
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators.	✓	The Board presents a balanced and understandable assessment that extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements complying with regulatory deadlines.
D.1.2	Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary.	✓	Please refer Annual Report of the Board of Directors on page 58.
D.1.3	Statement of Directors Responsibility.	✓	Please refer the Statement of Directors Responsibility on Page 63.
D.1.4	Management Discussion and Analysis.	✓	Please refer Management Discussion and Analysis from pages 20 to 27.
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	✓	Please refer Annual Report of the Board of Directors on page 26.
D.1.6	Remedial action at EGM if net assets fall below 50% of value of shareholders' funds.	N/A	N/A
D.1.7	Disclosure of Related Party Transactions.	✓	Please refer Note 35 to the Financial Statements.
D.2 Internal Control			
D.2.1	Annual review of effectiveness of system of Internal Control and report to shareholders as required	✓	Please refer Audit Committee Report on page 54 and Annual Report of the Board of Directors on page 58.
D.2.2	Internal Audit Function	✓	
D.2.3/ D.2.4	Maintaining a sound system of internal control	✓	
D.3 Audit Committee			
D.3.1	The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be Independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board	✓	Please refer Audit Committee Report on pages 54 to 55.
D.3.2	Terms of reference, duties and responsibilities	✓	

Ruling Index	Description of the Ruling	Compliance Status	Details
D.3.3	The Audit Committee to have written terms of reference covering the salient aspects as stipulated in the section	✓	
D.3.4	Disclosure of Audit Committee membership	✓	
D. 4	Code of Business Conduct and Ethics		
D.4.1	Availability of a Code of Business Conduct & Ethics and an affirmative declaration that the Board of Directors abide by such Code.	✓	Please refer Annual Report of the Board of Directors on page 60.
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	✓	Please refer Chairman's Statement on page 13.
D.5	Corporate Governance Disclosures		
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report.	✓	Please refer Corporate Governance Report from pages 38 to 53.
E.	Institutional Investors		
E.1	Shareholder Voting		
E.1.1	Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives.	✓	Please refer Corporate Governance Report from page 38.
E.2	Evaluation of Governance Disclosures		
E.2	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	✓	Please refer Corporate Governance Report from page 38.
F.	Other Investors		
F. 1	Investing / Divesting Decision		
	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	✓	
F. 2	Shareholder Voting		
	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	✓	
G	Sustainability Reporting		
G.1/ G.1.7	Disclosure on adherence to sustainability principles.	✓	Please refer Annual Report of the Board of Directors from page 58 to 60.

Enterprise Risk Management

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

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

The process of risk management at Melstacorp involves analysing exposure to risks, by identifying vulnerabilities and their probability of occurrence, which determines the way we handle such exposure. This would therefore involve the implementation of numerous policies, procedures and practices that

work in conjunction to identifying, analysing, evaluating, monitoring and prioritising risks, which will follow the application of coordinated and economical solutions that minimise the probability and impact of identified vulnerabilities. Once identified, elimination, reduction, transfer and retention are the broad risk management strategies employed across Melstacorp.

Changes in Risk Profile

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

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

Strategic Action Plan

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

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

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

Risk Management Framework

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

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

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

Risk & Implication

<p>Credit Risk & Implication</p> <p>This risk ensues when a Group customer is unable to meet his financial obligations.</p>	<p>Mitigation Strategies</p> <ul style="list-style-type: none"> → Measure, monitor and manage credit risk for each counter-part through clear approval procedures → Regularly review customers credit profiles and constantly update records to ensure complete awareness of debtors status <p>Please refer financial risk management Note on page 166.</p>
<p>Legal and Regulatory Risk & Implication</p> <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 and insurance businesses continue to be subjected to a steady stream of changes in regulations and extensive compliance requirements. The authorities have severely restricted liquor advertising and limited other forms of communication with consumers via promotional and distribution activities, all of which affect profitability.</p>	<p>Mitigation Strategies</p> <ul style="list-style-type: none"> → Established a dedicated unit to keep abreast of all policy changes, to manage risk and ensure adherence to all regulations → Recruitment of ex-regulators to senior positions within the Group with the objective to enhance regulatory awareness and increase compliance
<p>Investment Risk & Implication</p> <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>	<p>Mitigation Strategies</p> <ul style="list-style-type: none"> → The Managing Director is tasked with tracking returns on Group investments with the assistance of the Finance Manager and Group Financial Controller → Carry out mark to market revaluation of equity portfolios to identify the viability of investments → The Board develops policies and procedures to ensure that new investments and initiatives are subjected to mandatory compliance procedures. → Regular reviews by the Audit Committee and the Internal Audit Division
<p>Human Risk & Implication</p> <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>	<p>Mitigation Strategies</p> <ul style="list-style-type: none"> → Maintaining above industry remuneration schemes → Skills upgrading → Professional growth avenues → Performance-based reward systems → Best practices being introduced and upgraded continually → Measures taken to retain and minimise casual / temporary labour turnover.

Enterprise Risk Management

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"> → A structured internal control framework implemented works through a state of the art MIS system, internal audit mechanism and insurance policies → A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences → Regular meetings are conducted to assess these risks → Contingency plans are in place to minimise work-stop situations → Regular reviews of contingencies and disaster recovery plans → Financial risk arising from operation is covered in financial risk management note.
Socio-Political Risk & Implication	Mitigation Strategies
<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"> → Our diversified portfolio of businesses encompasses investments that will not be minimally impacted. The only exception was the enactment of the Revival of Underperforming Enterprises and Underutilised Assets → Act that re-acquired land of Pelwatte Sugar Industries PLC. → Here again, the impact was managed and legal redress is being sought.
Technology Risk & Implication	Mitigation Strategies
<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"> → Implementation of stringent barriers including password protection and restricted access, stringent user guidelines, contingency plans and physical security measures closely monitored by the Central IT Unit. → Comprehensive backup and recovery systems in place → A robust ERP system is deployed in the Company. Phased implementation of same across Group companies.
Product Risk & Implication	Mitigation Strategies
<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"> → Employing established operating procedures to review and approve all raw material prior to use, to ensure maintenance of quality control → Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity → Equipping our R & D Team with ample knowledge to field any technical questions about our products → Marketing and distribution procedures have complete control of the supply chain

Risk & Implication

Foreign Exchange Risk & Implication	Mitigation Strategies
<p>Foreign exchange risk typically affects the Group companies involve import and/ or export materials, products & services. It also affects investments made in other currencies than in LKR.</p>	<p>Group Treasury has adopted prudent measures to manage the exposure of foreign exchange risk.</p> <ul style="list-style-type: none"> → Matching liabilities with corresponding receipts/inflows. → Continues monitoring process of Group Foreign exchange position. → Negotiate with financial institutions to hedge possible exposures of Foreign exchange risk. → Monitoring local and international events and news related to economics which can impact exchange rates <p>Please refer financial risk management note on page 166.</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. Ms. N. C. Gunawardena 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	6/6
Dr. A. N. Balasuriya	6/6
Mr. D. Hasitha S. Jayawardena	6/6

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 2018

Remuneration Committee Report

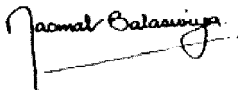
The Remuneration Committee is appointed and responsible to its Board of Directors. It is made of two Independent, Non-Executive Directors, namely Mr. N. de S. Deva Aditya, and Dr. Naomal Balasuriya who chairs the Committee and one Non-Independent Non-Executive Director Mr. D. Hasitha S. Jayawardena.

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

The Remuneration Committee is governed by the Remuneration Committee Charter, which has been approved and adopted by the Board of Directors. It is responsible for determining the remuneration policy of the Key Management Personnel of the Company. 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 Board Audit Committee met Three times during the year

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



Dr. Naomal Balasuriya

Chairman - Remuneration Committee

21 August 2018

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. Ms. N. C. Gunawardena functions as the Secretary to the Committee. 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 four times during the year. The attendance of the members at the meeting is as follows:

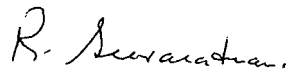
Mr. R. Seevaratnam	4/4
Dr. A. N. Balasuriya	4/4
Mr. D. Hasitha S. Jayawardena	4/4

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 2018

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 2018. The details set out herein provide the pertinent information requested under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the recommended best practices on Corporate Governance.

Principal Activities

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

Business Review

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

Group Restructure

During the financial year under consideration, DCSL / Melstacorp successfully completed the restructure arrangement in the Group. In March 2018 Melstacorp PLC distributed an interim dividend in the form of dividend *in specie* of shares held by the Company in Distilleries Company of Sri Lanka PLC fulfilling our original promise to give a special allocation of shares in DCSL PLC. This exercise has increased the public float of DCSL PLC to 3.256% and Company intends to sell further holding in DCSL to restore the public float making it compliant with the public float requirements as per the Colombo Stock Exchange.

In February 2018, Melstacorp subscribed for 1,600 Mn shares for a value of Rs. 20,000 Mn in Distilleries Company of Sri Lanka PLC by way of a private placement.

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. 228 Mn (2016/17 - Rs. 193 Mn). The profit after tax was Rs. 2,802 Mn (2016/17 - Rs. 2,866 Mn). The Company declared

an interim dividend of 2.44 per share in the form of dividend in specie of shares held in Distilleries Company of Sri Lanka PLC for the year ending 31 March 2018. The Company has satisfied the Solvency Test in accordance with Section 56 (2) of the Companies Act No. 07 of 2007.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2018 was approved by the Board of Directors on 21 August 2018 are given on pages from 68 to 171.

Audit Report

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

Accounting Policies

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs). The accounting policies adopted in the preparation and presentation of the Financial Statements are given on pages 78 to 94. There were no changes in the accounting policies adopted by the Group during the year under review.

Investments

Total investments of the Company in subsidiaries, associates and other investments amounted to Rs. 80,775 Mn (2016 /17 - Rs. 83,686 Mn). The details of the investments are given in Notes 19, 20 and 21 to the Financial Statements.

During the year Company increased its investments in Aitken Spence PLC and Madulsima Plantations PLC, resulting both entities becoming subsidiaries of the Group. The Company divested its fully owned subsidiary Melsta Regal Finance Limited at the end of the year for consideration of Rs. 2,551 Mn.

Property, Plant and Equipment

The net book value of property, plant and equipment of the Company and the Group as at 31 March 2018 was Rs. 5.2 Mn (2016/17 – Rs. 5.6 Mn) and Rs. 92,429 Mn (2016/17 – Rs. 22,869 Mn.)

Total capital expenditure during the year for acquisition of property, plant and equipment by the Company and the Group amounted to Rs. 0.7 Mn (2016/17 – Rs. 1.66 Mn) and Rs. 2,230 Mn (2016/17 – Rs. 3,809 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 2018 was Rs. 89,100 Mn consisting of voting ordinary shares of 1,165,397,072 and non-voting ordinary shares of 1,000. The total Group Reserves as at 31 March 2018 amounted to Rs. 6,021 Mn (2016/17 – Rs. 12,430 Mn) comprising of Capital Reserves of Rs. 6,803 Mn (2016/17 – Rs. 7,283 Mn) and Revenue Reserves & Retained Earnings of Rs. (20,227) Mn (2016/17 - Rs. (28,303) Mn) the movement of which is disclosed in the Statement of Changes in Equity.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's system of internal control. The systems are designed to provide reasonable assurance that the assets of the Company are safeguarded and to ensure that proper accounting records are maintained.

The Board, having reviewed the system of internal control is satisfied with the systems and measures in effect at the date of signing this report.

Capital and Other Commitments

Contingent liabilities and capital commitments are disclosed in Note 41 to the Financial Statements.

Events after the Reporting Period

There were no material events or circumstances that have arisen since the reporting date that would require adjustment, other than the information disclosed in Note 43 to the Financial Statements.

Employees

The number of persons employed by the Company as at 31 March 2018 was 24 (2016 /17 - 19).

Board of Directors

The Board of Directors of the Company as at 31 March 2018 and their brief profiles are given on pages 16 and 17.

Directors Standing for Re-election

To re-elect as a Director Capt. Kolitha Jagath Kahanda who retires from office at the end of this Annual General Meeting in terms of the Article 86 of the Articles of Association of the Company and being eligible has offered himself for reelection.

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 76 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 75 and that he be re-elected a Director of the Company.

Further, to re elect as a Director, Mr. N. de S. Deva Aditya, who is over 70 years, as a Director by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. N. de S. Deva Aditya who has attained the age of 70 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 2018	March 2017
D. H. S. Jayawardena	Nil	Nil
C. R. Jansz	Nil	Nil
N. de S. Deva Aditya	Nil	Nil
Capt. K. J. Kahanda	Nil	Nil
Dr. A. N. Balasuriya	Nil	Nil
D. Hasitha S. Jayawardena	7,531,332	7,531,332
R. Seevaratnam	Nil	Nil

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 173 of the Annual Report.

Corporate Governance

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

Board Committees

The Board has appointed three Sub-Committees i.e. the Audit Committee, the Remuneration Committee and Related Party Transactions Review Committee. The composition and responsibilities of the said Committees are detailed in their respective reports.

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.

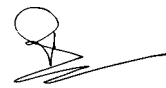
Auditors

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 28th September 2018 at 11.30 a.m. The Notice of Meeting appears on page 183 of the Annual Report.

For and on behalf of the Board of Directors,



D. H. S. Jayawardena
Chairman



A. L. Gooneratne
Managing Director

Corporate Services (Private) Limited

Secretaries
Melstacorp PLC

21 August 2018
Colombo



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Statement of Directors Responsibility

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

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

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

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

Compliance Report

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

By Order of the Board,

Corporate Services (Private) Limited
Secretaries
Melstacorp PLC

21 August 2018
Colombo

Independent Auditor’s Report



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

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TO THE SHAREHOLDERS OF MELSTACORP PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Melstacorp PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statement of financial position as at 31st March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 68 to 171 of the annual report.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri

Lanka (“Code of Ethics”) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Investments in Subsidiaries and Equity Accounted Investees

Refer to the accounting policies in “Note 3.4.4 to the Financial Statements: “Impairment of Non-Financial Assets”, explanatory “Note 19 Investment in Subsidiaries” and explanatory “Note 20 Investment in Equity Accounted Investees” to the Financial Statements.

Risk Description	Our response
<p>The Company hold investments in Subsidiaries amounting to Rs. 59,656 millions as at 31st March 2018. Further, the group holds investments in equity-accounted investees amounting to Rs. 5,507 millions as at 31st March 2018.</p> <p>The carrying amounts of each investments in subsidiaries and equity-accounted investees have been tested for impairment as individual Cash Generating Units. The carrying amount of these investments could be materially misstated due to inappropriate judgments and estimates used by the Management in calculating the recoverable amount for each cash generating units (“CGU”) as part of their impairment assessment.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> Evaluating the carrying amounts and the recoverable amount of each investments in order to identify any impairment indication under accounting standards. Assessing the management’s basis used to determine the carrying value of the investments by our own expectations based on our knowledge of the investments and experience of the industry in which it operates. Assessing the credibility of business plan and cash flow forecasts used by the management for the assessment of recoverability of the investments in subsidiaries.

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	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

<p>Investment which does not generate adequate returns may be an indication of impairment. Due to the investments being material in the financial statements, it will have significant impact on financial performance of the Company.</p> <p>We have identified the impairment of investments in subsidiaries and investments in equity-accounted investees as a key audit matter since that is based on forecasting and discounting cash flows, which are inherently judgmental.</p>	<ul style="list-style-type: none"> Assessing the accuracy of management's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates. Assessing the adequacy of disclosures in the Financial Statements relation to impairment in subsidiaries and equity accounted investees.
--	---

Valuation of Investment Properties, Free Hold Lands and Buildings	
Refer to the accounting policies on "Note 3.4.1 Property, Plant and Equipment", "Note 3.4.5 Investment Property and to the Financial Statements explanatory "Note 17 Investment Property" and explanatory "Note 15 Property, Plant and Equipment".	
Risk Description	Our response
<p>The Company has recorded a fair value of Investment Properties of Rs. 3,835 million as at 31st March 2018, Further, the group has revalued freehold lands, buildings and investment properties amounting to Rs. 21,457 millions, Rs. 41,158 millions and Rs. 4,977 millions respectively as at 31st March 2018.</p> <p>The group has engaged external professional valuers with appropriate expertise in valuing properties, in locations of properties being valued to determine the fair value/revalue of the freehold land, buildings and investment properties in accordance with recognised industry standards.</p> <p>We identified this as a key audit matter because of the significant judgments and estimates involved in assessing the fair value of the freehold lands, buildings and investment properties.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> Assessing the objectivity, independence, competency and capability of the external valuers engaged by the Group. Reading the professional valuers reports and assessing the key estimates made by external valuers in deriving the fair value of the properties and comparing the same with evidence of current market values. Engaging our own internal specialised resources to assess the reasonability of the valuation technique and per perch prices. Assessing the adequacy of disclosures made in relation to the fair value/ revalue of freehold lands, buildings and investment properties in the financial statements.

Accounting for business combinations	
Refer to the accounting policies on "Note 3.2 basis of consolidation"	
Risk Description	Our response
<p>During the financial year ended 31st March 2018, the Group acquired two entities (Madulsima Plantations PLC and Aitken Spence PLC) for purchase consideration of Rs. 703.4 millions. There were also a step-up acquisition of a subsidiaries (Aitken Spence PLC and Madulsima Plantations PLC) previously recorded as associates during the year ended 31st March 2017. As disclosed in note 19.4.3 to the financial statements, the Group has not completed the acquisition accounting relating acquisition of Aitken Spence PLC. Further, the group disposed two subsidiaries during the year ended 31st March 2018.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> reviewing the purchase and disposal transactions to obtain an understanding of the transactions and the key terms. evaluating of the assets acquired and liabilities assumed to determine whether the appropriate intangible assets have been identified and that no unusual terms exist that have not been accounted for; verifying the cash receipts for the disposal transactions and recalculating the disposal profit/loss for the disposal of subsidiaries.

Independent Auditor’s Report



We have determined accounting for business combination to be a key audit matter based on the quantitative materiality of the acquisitions and disposals and the significant management judgments made on the provisional purchase price allocations, and the adjustments made to align accounting policies with those of the Group.

- identification and fair valuation of the assets and liabilities acquired by the group including any fair value adjustments;
- challenging the valuation assumptions used in such calculations and recalculating using external evidences.
- assessing the adequacy of the disclosures made in relation to the acquisition accounting and the fair value of the assets acquired and liabilities assumed.

Valuation of consumer biological assets

Refer to the accounting policies on “Note 3.12.1 Biological assets” and explanatory “Note 18.2 consumer biological assets”

Risk Description

The consumer biological assets value of the Group amounted to Rs.5,040 million as at 31st March 2018. The Group measured consumer biological assets at fair value less estimated point-of-sale cost at harvest. Management engaged an external valuation expert to assist in determining the fair value of the biological assets.

We considered this as a key audit matter because the valuation involved significant judgments exercised by the management and external valuation expert and were subject to significant level of estimation uncertainty.

Our response

We involved component auditors of plantation sector to perform following procedures. The audit procedures included;

- evaluating the competence, capability and objectivity of the external valuers engaged by the Company.
- reading the external valuer’s report and evaluated the fair value methodology and inputs used in the valuation.
- engaging internal specialised resources to assist in evaluating the appropriateness of the valuation method and discount rates used by the external valuer.
- evaluating the adequacy of the related disclosures made in the financial statements.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or

otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 3029.



Chartered Accountants

Colombo
21 August 2018

Income Statement

For the year ended 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Gross revenue	6	109,956,897	108,999,117	228,319	193,249
Net revenue	6	44,730,154	40,193,467	228,319	193,249
Cost of sales, net benefits paid and interest expenses	7	(30,345,285)	(24,856,774)	(10,188)	(6,675)
Gross profit		14,384,869	15,336,693	218,131	186,574
Other operating income	8	3,033,673	1,186,493	4,272,152	3,291,984
Distribution expenses		(1,916,125)	(1,897,272)	-	-
Administrative expenses		(4,804,172)	(4,505,095)	(147,656)	(133,424)
Other operating expenses	9	(2,190,571)	(368,497)	(1,850,209)	(1,432,212)
Results from operating activities		8,507,674	9,752,322	2,492,418	1,912,922
Finance income	10.1.1	1,387,727	703,405	870,786	1,425,673
Finance cost	10.1.2	(2,020,179)	(1,092,238)	(92,763)	(85,488)
Net finance income/(cost)		(632,452)	(388,833)	778,023	1,340,185
Share of profit of equity-accounted investees (net of tax)	20.1	2,266,864	1,326,853	-	-
Profit before income tax expense	11	10,142,086	10,690,342	3,270,441	3,253,107
Taxation	12	(3,891,796)	(3,890,700)	(468,836)	(386,732)
Profit for the year		6,250,290	6,799,642	2,801,605	2,866,375
Profit attributable to:					
Equity holders of the parent		6,577,164	7,335,621	2,801,605	2,866,375
Non controlling interest		(326,874)	(535,979)	-	-
		6,250,290	6,799,642	2,801,605	2,866,375
Basic earnings per share	13	5.64	7.74	2.40	3.03
Diluted earnings per share	13	5.64	7.74	2.40	3.03

The notes from pages 78 to 171 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	
		2018 Rs:000	2017 Rs:000	2018 Rs:000	2017 Rs:000
Profit for the year		6,250,290	6,799,642	2,801,605	2,866,375
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Revaluation surplus on property, plant and equipment		919,341	327,186	-	-
Actuarial gain/(loss) on retirement benefit obligations	31.1	(11,379)	197,234	(129)	311
Share of other comprehensive income of equity-accounted investees (net of tax)	20.1	(27,920)	497,717	-	-
Income tax on other comprehensive income	22.1.1	(1,264,302)	(48,946)	(28,544)	(87)
		(384,260)	973,191	(28,673)	224
Items that are or may be reclassified to profit or loss					
Net change in fair value of available for sale financial assets	10.3	1,871,918	329,479	1,615,477	117,221
		1,871,918	329,479	1,615,477	117,221
Total other comprehensive income for the year		1,487,658	1,302,670	1,586,804	117,445
Total comprehensive income for the year		7,737,948	8,102,312	4,388,409	2,983,820
Total comprehensive income attributable to:					
Equity holders of the parent		7,941,379	8,414,738	4,388,409	2,983,820
Non controlling interest		(203,431)	(312,426)	-	-
		7,737,948	8,102,312	4,388,409	2,983,820

The notes from pages 78 to 171 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
ASSETS					
Non current assets					
Property, plant and equipment	15	92,429,232	22,869,435	5,159	5,637
Intangible assets	16	11,676,723	2,327,053	218	482
Investment property	17	4,977,365	1,431,040	3,835,050	2,843,652
Biological assets	18	8,299,974	4,139,749	-	-
Investments in subsidiaries	19	-	-	59,656,499	43,531,339
Investment in equity accounted investees	20	5,507,122	28,118,731	-	20,829,353
Other non current financial investments	21	21,961,563	19,733,466	17,034,491	14,390,082
Deferred tax asset	22	2,441,921	859,604	1,781	1,208
Finance lease, hire purchases and operating lease receivables	23	-	1,623,769	-	-
Advances ,other loans and pre-paid leases	24	2,241,358	526,540	-	-
		149,535,258	81,629,387	80,533,198	81,601,753
Current assets					
Inventories	25	8,906,922	7,054,434	1,112	918
Produce on Bearer Biological Assets	18.3	8,198	5,246	-	-
Trade and other receivables	26	31,236,327	11,273,965	2,747,791	108,392
Finance lease, hire purchases and operating lease receivables	23	-	1,528,574	-	-
Advances ,other loans and pre-paid leases	24	67,466	1,400,196	-	-
Amounts due from related companies	35.1	70,758	130,087	3,695,336	2,532,176
Other current financial investments	21	13,855,723	6,804,148	4,084,022	4,934,910
Cash and cash equivalents	27	11,716,173	2,092,774	544,088	423,469
Assets held for Sale	36	149,125	-	-	-
		66,010,692	30,289,424	11,072,349	7,999,865
Total assets		215,545,950	111,918,811	91,605,547	89,601,618
EQUITY AND LIABILITIES					
Share capital and reserves					
Stated capital	28	89,100,000	89,100,000	89,100,000	89,100,000
Reserves	29	6,020,905	12,430,172	(981,720)	(2,597,197)
Retained earnings/(Losses)		(19,444,692)	(33,449,856)	2,421,286	2,491,925
Equity attributable to owners of the Company		75,676,213	68,080,316	90,539,566	88,994,728
Non controlling interest		47,308,931	3,216,565	-	-
Total equity		122,985,144	71,296,881	90,539,566	88,994,728

As at 31 March,	Note	Group		Company	
		2018 Rs:'000	2017 Rs:'000	2018 Rs:'000	2017 Rs:'000
Non current liabilities					
Interest bearing loans and borrowings	30	23,355,824	3,436,759	-	-
Deferred tax liabilities	22	8,502,210	2,511,310	424,769	103,757
Employee benefits	31	2,861,509	906,936	6,363	4,316
Other deferred liabilities	32	1,244,822	236,899	-	-
		35,964,365	7,091,904	431,132	108,073
Current liabilities					
Trade and other payables	33	28,172,083	14,322,948	14,980	3,357
Deposit liabilities	34	-	1,541,694	-	-
Other deferred liabilities	32	73,186	82,653	-	-
Amount due to related companies	35.1	436,752	332,603	306,998	44,853
Income tax payable		1,486,078	1,484,690	12,132	341,073
Interest bearing loans and borrowings	30	12,763,596	12,459,829	300,000	-
Bank overdrafts	27	13,664,746	3,305,609	739	109,534
		56,596,441	33,530,026	634,849	498,817
Total liabilities		92,560,806	40,621,930	1,065,981	606,890
Total equity and liabilities		215,545,950	111,918,811	91,605,547	89,601,618
Net assets per share (Rs.)		64.94	58.42	77.69	76.36

The notes from pages 78 to 171 form an integral part of these financial statements.

Figures in brackets indicate deductions.

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




D. M. Welikandage

Manager-Finance

The Board of directors is responsible for the preparation and presentation of these financial statements.

Approved for and on behalf of the Board of directors;



D. H. S. Jayawardena

Chairman



A. L. Gooneratne

Managing Director

Colombo,
21 August 2018

Statement of Changes in Equity - Group

Group	Attributable to equity holders of parent										Total equity	
	Stated capital	Revaluation reserve	Capital reserve	Reserve fund	General reserve	Exchange fluctuation reserve	Timber reserve	Available for sale reserve	Retained Earnings/ (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
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
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	7,335,621	7,335,621	(535,979)	6,799,642
Other comprehensive income												
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)
Defined benefit plan actuarial gains (losses) (net of tax)	-	-	-	-	-	-	-	-	111,149	111,149	86,085	197,234
Revaluation of Property, plant and equipment	-	161,567	-	-	-	-	-	-	-	161,567	165,619	327,186
Share of other comprehensive income of equity-accounted investees (net of tax)	-	87,019	-	-	-	351,555	-	(27,257)	86,400	497,717	-	497,717
Income tax on other comprehensive income	-	-	-	-	-	-	-	-	(20,865)	(20,865)	(28,081)	(48,946)
Total other comprehensive income for the year	-	248,586	-	-	-	351,555	-	302,292	176,684	1,079,117	223,553	1,302,670
Total comprehensive income for the year	-	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	-	-	-	-	-	-	-	-	-	-	(356)	(356)
Share of net assets of equity-accounted investees (net of tax)	-	-	-	-	-	(59)	-	-	22,549	22,490	-	22,490
Dividend paid during the year (Note 14.1)	-	-	-	-	-	-	-	-	(2,170,398)	(2,170,398)	-	(2,170,398)
Issue of Shares (Note 28)	40,779,250	-	-	-	-	-	-	-	(40,779,250)	-	-	-
Share buy back (Note 26.1)	-	-	-	-	-	-	-	-	(1,392,076)	(1,392,076)	-	(1,392,076)
Transferred from/to retained earnings	-	-	-	5,164	306,246	-	37,334	-	(348,744)	-	-	-
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

Group	Attributable to equity holders of parent										Total equity	
	Stated capital	Revaluation reserve	Capital reserve	Reserve fund	General reserve	Exchange fluctuation reserve	Timber reserve	Available for sale reserve	Retained Earnings/(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
Balance as at 01 April 2017	89,100,000	7,256,767	12,137	14,499	710,214	944,140	920,163	2,572,252	(33,449,856)	68,080,316	3,216,565	71,296,881
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	1,871,795	6,577,164	1,871,795	(326,874)	6,250,290
Other comprehensive income												
Net change in fair value of available for sale financial assets	-	-	-	-	-	-	-	-	-	-	123	1,871,918
Defined benefit plan actuarial gains (losses) (net of tax)	-	-	-	-	-	-	-	(16,440)	(16,440)	(16,440)	5,061	(11,379)
Revaluation of Property, Plant and Equipment	-	752,363	-	-	-	-	-	-	-	752,363	166,978	919,341
Share of other comprehensive income of equity-accounted investees (net of tax)	-	-	-	-	-	-	-	-	(27,920)	(27,920)	-	(27,920)
Income tax on other comprehensive income	-	(1,133,820)	-	-	-	-	-	-	(81,763)	(1,215,583)	(48,719)	(1,264,302)
Total other comprehensive income for the period	-	(381,457)	-	-	-	-	-	1,871,795	(126,123)	1,364,215	123,443	1,487,658
Total comprehensive income for the period	-	(381,457)	-	-	-	-	-	1,871,795	6,451,041	7,941,379	(203,431)	7,737,948
Transactions with owners directly recorded in the Equity												
Dividend paid to Non Controlling Interest	-	-	-	-	-	-	-	-	(2,843,571)	(2,843,571)	-	(2,843,571)
Share of net assets of equity-accounted investees (net of tax)	-	-	-	-	-	-	-	-	78,903	78,903	-	78,903
Transferred from/to retained earnings	-	-	-	5,992	(8,200,000)	-	151,766	-	8,042,242	-	(38,428)	(38,428)
Effect of Acquisition of Subsidiary	-	179,439	-	-	1,375	-	-	-	639,952	820,766	43,239,651	44,060,417
Effect of change in holding in subsidiaries	-	66	(239,751)	-	-	-	245,657	41	1,592,408	1,598,421	1,094,574	2,692,995
Effect on deemed disposal of subsidiaries	-	(44,190)	-	-	-	-	-	-	44,190	-	-	-
Total contributions by and distributions to owners	-	135,315	(239,751)	5,992	(8,198,625)	-	397,423	41	7,554,124	(345,481)	44,295,797	43,950,316
Balance as at 31 March 2018	89,100,000	7,010,625	(227,614)	20,491	(7,488,411)	944,140	1,317,586	4,444,088	(19,444,692)	75,676,213	47,308,931	122,985,144

The notes from pages 78 to 171 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity - Company

Company	Stated capital	Revaluation reserve	Capital reserve	General reserve	Available for sale reserve	Retained earnings/(losses)	Total
	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Balance as at 01 April 2016	48,320,750	111,691			(2,826,109)	2,182,800	47,789,132
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	2,866,375	2,866,375
Other comprehensive income							
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)
Total other comprehensive income for the period	-	-	-	-	117,221	224	117,445
Total comprehensive income for the period	-	-	-	-	117,221	2,866,599	2,983,820
Transactions with Owners directly recorded in the Equity							
Dividends paid during the period	-	-	-	-	-	(1,165,398)	(1,165,398)
Issue of Shares	26,679,250	-	-	-	-	-	26,679,250
Issue of Shares for SWAP	14,100,000	-	-	-	-	-	14,100,000
Share Buy Back	-	-	-	-	-	(1,392,076)	(1,392,076)
Total transactions with the owners of the company	40,779,250	-	-	-	-	(2,557,474)	38,221,776
Balance as at 31 March 2017	89,100,000	111,691	-	-	(2,708,888)	2,491,925	88,994,728

Company	Stated capital	Revaluation reserve	Capital reserve	General reserve	Available for sale reserve	Retained earnings/ (losses)	Total
	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Balance as at 01 April 2017	89,100,000	111,691	-	-	(2,708,888)	2,491,925	88,994,728
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	2,801,605	2,801,605
Other comprehensive income							
Net change in fair value of available for sale financial assets	-	-	-	-	1,615,477	-	1,615,477
Actuarial gain/(losses) on retirement benefit obligations	-	-	-	-	-	(129)	(129)
Tax on other comprehensive income	-	-	-	-	-	(28,544)	(28,544)
Total other comprehensive income for the period	-	-	-	-	1,615,477	(28,673)	1,586,804
Total comprehensive income for the period	-	-	-	-	1,615,477	2,772,932	4,338,409
Transactions with Owners directly recorded in the Equity							
Dividends paid during the period						(2,843,571)	(2,843,571)
Share-based payment transactions							-
Total contributions by and distributions to owners	-	-	-	-	-	(2,843,571)	(2,843,571)
Balance as at 31 March 2018	89,100,000	111,691	-	-	(1,093,411)	2,421,286	90,539,566

The notes from pages 78 to 171 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended 31 March,	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Cash Flow from Operating Activities				
Profit before tax	10,142,086	10,690,342	3,270,441	3,253,107
Adjustments for;				
(Gain)/Loss on disposal of property, plant and equipment	(29,167)	(27,627)	-	-
Impairment of investment properties	154,076	-	154,076	(1)
Depreciation of Property, Plant and Equipment	2,021,755	1,880,362	1,443	1,018
Provision for Retirement benefit obligation	177,198	171,800	1,919	1,568
Provision/ (reversed) for inventories	169,145	(149,752)	-	-
Provision/ (reversed) of bad & doubtful debts and impairment of loans and advances	241,608	102,608	-	-
Share of profit of equity-accounted investees, net of tax	(2,266,864)	(1,326,853)	-	-
Amortization of Biological Assets	56,614	43,739	-	-
Amortization and impairment of Intangible Assets	312,818	309,145	-	209
Amortization of deferred grants & subsidies	(10,580)	(11,057)	-	-
Loss of remeasurement of existing interest of EAI	1,774,599	-	-	-
Loss on revaluation of Property, Plant and Equipment	2,612	-	-	-
Gain on changes in fair value of financial assets at fair value through profit or loss	(57,899)	(65,772)	(15,605)	(17,758)
(Gain)/loss on disposal of fair value of financial assets at fair value through profit or loss	(136,102)	10,443	(63,373)	-
Deffered income recognized	(93,312)	(97,965)	(25,624)	-
(Profit)/Loss on disposal of subsidiaries	(704,774)	-	(1,188,228)	-
Dividend Income	(825,929)	(809,750)	(1,617,249)	(1,340,363)
(Gain)/loss on change in fair value of Biological Assets	(149,061)	(18,839)	-	-
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	-	-	(794,739)	(1,922,500)
Fair value gain on investment property	(591,363)	-	(608,557)	-
Provision for Impairment of Subsidiaries	-	-	1,696,133	1,432,212
Interest income	(1,321,126)	(634,311)	(855,181)	(1,407,914)
Interest expense	2,025,086	1,123,116	92,764	85,488
Operating profit/(loss) before working capital changes	10,891,420	11,403,845	48,218	56,504
(Increase)/decrease in inventories	(268,320)	(890,522)	(194)	52
(Increase)/decrease in receivables	(2,623,455)	(1,700,113)	(63,626)	(31,408)
Increase/(decrease) in payables	2,113,648	2,659,815	11,624	(73,771)
(Increase) / decrease in Related Party Receivables / Payables	62,929	43,619	(180,437)	44,111
Cash flows generated from/(used in) operating activities	10,176,222	11,516,644	(184,414)	(4,512)
Interest paid	(2,025,086)	(328,429)	(69,748)	(466)
Income Tax paid	(4,044,132)	(3,305,021)	(505,883)	(2,854)
Retiring Gratuity paid	(125,117)	(85,928)	-	-
Dividends Received	917,524	1,306,475	1,617,249	1,340,363
Net Cash flows generated from/(used in) operating activities	4,899,411	9,103,740	857,204	1,332,531

For the year ended 31 March,	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Cash Flow from Investing Activities				
Acquisition of Property, plant and equipment	(2,230,350)	(3,809,223)	(700)	(57,698)
Proceeds from disposal of subsidiaries net of cash disposed	1,387,609	-	5,000	-
Acquisition of Intangible Assets	(15,282)	(418,971)	-	-
Acquisition of investment property	(536,917)	(73,745)	(536,917)	-
Additions to Biological Assets	(199,769)	(253,477)	-	-
Investment in equity accounted investees	(485,409)	(474,453)	(496,630)	(474,453)
Proceeds from sale of Property, plant and equipment	1,394,496	1,535,853	-	66
Interest received	1,321,126	634,311	655,738	226,794
Investment in subsidiary companies net of cas acquired	(763,921)	-	(822,615)	(20,000,000)
Net Proceeds from Disposal / (Acquisition) of Other Financial Investments	(44,713)	(7,553,091)	(99,068)	(5,667,746)
Loans disbursed to Subsidiaries and Associates	-	-	(3,195,472)	(561,370)
Proceeds from settlement of Loans given to Subsidiaries	-	-	1,864,447	24,863,171
Proceeds received from Repurchase of Shares by Subsidiaries	-	-	1,196,454	2,500,000
Net Cash flows generated from/(used in) investing activities	(173,130)	(10,412,796)	(1,429,763)	828,764
Cash Flow from Financing Activities				
Advances received by subsidiaries	-	-	1,087,207	1,534,162
Settlement of advances obtained from subsidiaries	-	-	(300,333)	(2,237,400)
Principle repayments under lease liabilities	-	(36,743)	-	-
Proceeds from interest bearing loans and borrowings	4,749,736	5,512,730	-	-
Repayments of interest bearing loans and borrowings	(7,236,868)	(2,631,966)	-	-
Dividend paid	(284,902)	(2,170,398)	(284,902)	(1,165,398)
Dividends paid by subsidiaries to minority shareholders	-	(356)	-	-
Interest paid	-	(794,687)	-	-
Receipt of Deferred Income	72,214	102,821	-	-
Net Cash flows generated from/(used in) financing activities	(2,699,821)	(18,599)	501,972	(1,868,636)
Net increase/(decrease) in cash and cash equivalents	2,026,460	(1,327,654)	(70,586)	292,659
Cash and cash equivalents at the beginning of the year	(8,817,275)	(7,489,621)	313,935	21,276
Cash and cash equivalents at the end of the year (Note 27)	(6,790,815)	(8,817,275)	243,349	313,935
Note B				
Analysis of cash and cash equivalents at the end of the year				
Short term deposits	316,658	949,389	-	4,358
Cash at bank	11,151,957	972,029	544,052	418,961
Cash in hand	65,226	74,544	36	150
Cash in transit	182,332	96,812	-	-
Other Short Term Borrowings	(4,842,242)	(7,604,440)	(300,000)	-
Bank overdraft	(13,664,746)	(3,305,609)	(739)	(109,534)
	(6,790,815)	(8,817,275)	243,349	313,935

The notes from pages 78 to 171 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 (the "Company") is a quoted public limited liability Company incorporated and domiciled in Sri Lanka. The Company has been registered under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. The registered office and principal place of business of the Company is located at No.110, Norris Canal Road, Colombo 10.

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

The Consolidated Financial Statements of Melstacorp PLC, as at and for the year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

1.2 Principal Activities and Nature of Operation

1.2.1 Company

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

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

2. Basis of Preparation

2.1 Statement of Compliance

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

These Financial Statements include the following components:

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

2.2 Directors' Responsibility for Financial Statements

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

2.3 Approval of Financial statements

The Consolidated Financial Statements for the year ended 31 March 2018 were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 21 August 2018.

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 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 2018 other than Periceyl (Private) Limited, Continental Insurance Lanka Limited, Madulsima Plantations PLC and Balangoda Plantations PLC whose financial year ends on 31 December. The difference between the reporting date of the above companies and that of the parent does not exceed three months but adjustments are made for any significant transactions or events up to 31 March.

3.2.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, based on 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.

Notes to the Financial Statements

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 labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

c. Subsequent Cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss.

d. De-recognition

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

e. Revaluation

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

f. Depreciation

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

Significant components of individual assets are assessed and if a component has a useful life that is different from

the remainder of that asset, that component is depreciated separately. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows.

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

Power generating plants of some of the group companies in the renewable energy segment that are not depreciated as above are depreciated on the unit of production basis.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

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

g. Capital Work-in-progress

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

h. Reclassification to investment property

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

3.4.2 Leases**3.4.2.1 Leased Assets**

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

Notes to the Financial Statements

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
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3.4.4 Impairment

3.4.4.1 Non Financial Assets

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

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

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

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

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.

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.

Notes to the Financial Statements

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.

Employees' Trust Fund (ETF)

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

b. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately

for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The valuation is performed annually by a qualified actuary using the projected unit credit method. When the valuation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans directly in the other comprehensive income and all expenses related to defined benefit plan in personnel expense in profit or loss.

c. Short Term Benefits

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

3.4.11 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognised, if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable

that an outflow of economic benefits will be required to settle the obligation.

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

3.4.12 Commitments

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

3.5 Statement of Profit or Loss and Other Comprehensive Income

3.5.1 Revenue

Revenue 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.

Notes to the Financial Statements

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.

3.9 Statement of Cash Flows

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

3.10 Comparative Figures

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in

order to enhance the understanding of the current period's financial statements and to enhance the inter-period comparability.

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

3.11 Grants and Subsidies

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

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

3.12 Policies Specific to Plantation Sector

3.12.1 Biological Asset

3.12.1.1 Immature and Mature Plantations

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

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

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

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – "Property Plant & Equipment" as per the ruling issued by Institute of Chartered Accountants of Sri Lanka.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Tea, Rubber, Timber fields) which comes into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

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

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration

Notes to the Financial Statements

the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. Key assumptions and sensitivity analysis are given in Note 18.2.1.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each 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 further development of immature areas are deducted
Discount rate	Future cash flows are discounted at following discount rates: Timber trees 14%

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

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

3.12.1.2 Infilling Cost on Bearer Biological Assets

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

Infilling costs that are not capitalised have been charged to the Income Statement in the year in which they are incurred.

3.12.1.3 Land Development Cost

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

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

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

3.12.2 Depreciation and Amortisation

(a) Depreciation

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

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

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. Depreciation methods, useful

lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less. No depreciation is provided for immature plantations.

(b) Amortisation

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

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

3.12.3 Deferred Income

3.12.3.1 Grants and Subsidies

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

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

Buildings	40 years
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3.13 Policies Specific to Insurance Sector

3.13.1 Insurance Contracts

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

Product Classification

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

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

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

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

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

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

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3.13.2 Deferred Acquisition Costs (DAC)

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

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

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

3.13.3 Reinsurance

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

Reinsurance is recorded gross in the statement of financial position unless a right to offset exists. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when

an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in the statement of profit or loss.

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

3.13.4 Premium Receivable

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

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

3.13.5 Insurance Provision – Non - Life Insurance

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

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported

or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

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

Liability Adequacy Test (LAT)

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

3.13.6 Revenue Recognition

3.13.6.1 Insurance Premiums

a) Non - Life Insurance Business

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

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3.14.2 Intangible Assets

3.14.2.1 License Fees and Access Rights

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

3.14.2.2 Amortisation

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

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

3.14.3 Revenue

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

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

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

The revenue is recognised as follows:

3.14.3.1 Domestic and International Call Revenue, Rental Income

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

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

3.14.3.2 Revenue from other Network Operators and International Settlements

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

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

3.14.3.3 Revenue from Broadband

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

3.14.3.4 Revenue from other Telephony Services

The revenue from Data services and other telephony services are recognised on an accrual basis based on fixed rental

contracts entered between the Group and subscribers.

3.14.3.5 Installation Revenue

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

3.14.3.6 Service Agreements Revenue

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

3.14.3.7 Prepaid Card Revenue

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

3.15 Policies Specific to Finance Sector

3.15.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

a) Interest Income and Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated as fair value through profit or loss, interest income and expense are recognised in profit or loss using the Effective Interest Rate (EIR) method. The EIR is the rate that exactly discounts the estimated future

cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the EIR, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

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

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

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

b) Lease Income

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

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

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

c) Hiring Rental Income

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

3.15.2 Impairment Losses on Loans and Advances

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

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

4. New Accounting Standards Issued but not Effective

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

SLFRS 9-Financial Instruments

SLFRS 9 – "Financial Instruments: Classification and Measurement" 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 periods beginning on or after 1st January 2018 with early adoption permitted.

The Group and the Company are in the process of identifying the impact on its financial statements resulting from the application of SLFRS 9.

Notes to the Financial Statements

SLFRS 15 - Revenue Recognition from Customer Contracts

This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 – 'Revenue', LKAS 11 – 'Construction Contracts' and IFRIC 13 – 'Customer Loyalty Programmes'.

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

The Group and the Company are in the process of identifying the impact on its financial statements resulting from the application of SLFRS 15

SLFRS 16- Leases

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

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

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

5. Operating segment information

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

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

5.1 Segment revenues

For the year ended 31 March,	External Revenue	
	2018 Rs.'000	2017 Rs.'000
Beverages	97,082,808	99,037,262
Plantation	3,607,522	2,266,657
Telecommunication	2,964,702	2,955,960
Financial services	3,808,537	2,745,266
Diversified	2,493,328	1,993,972
Total gross revenue	109,956,897	108,999,117
Direct turnover related taxes	(65,226,743)	(68,805,650)
Total net revenue	44,730,154	40,193,467

5.2 Segment profits/ (loss)

For the year ended 31 March,	External Profit	
	2018 Rs.'000	2017 Rs.'000
Beverages	7,957,514	10,279,401
Plantation	144,996	(342,721)
Telecommunication	(1,597,171)	(1,286,696)
Financial services	418,332	300,522
Diversified	951,551	412,984
	7,875,222	9,363,490
Share of profit of equity-accounted investees (net of tax)	2,266,864	1,326,853
Profit before income tax expense	10,142,086	10,690,342
Taxation	(3,891,796)	(3,890,700)
Profit for the year	6,250,290	6,799,642

6. Revenue

For the year ended 31 March,	Group					
	2018			2017		
	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	101,789,530	(65,226,743)	36,562,787	102,152,963	(68,805,650)	33,347,313
Rendering of services	8,167,367	-	8,167,367	6,846,154	-	6,846,154
Total	109,956,897	(65,226,743)	44,730,154	108,999,117	(68,805,650)	40,193,467

For the year ended 31 March,	Company					
	2018			2017		
	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	228,319	-	228,319	193,249	-	193,249
Total	228,319	-	228,319	193,249	-	193,249

6.1 Business segment analysis

For the year ended 31 March,	2018			2017		
	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	31,856,065	-	31,856,065	30,231,612	-
Plantation	3,607,522	-	3,607,522	2,266,657	-	2,266,657
Telecommunication	-	2,964,702	2,964,702	-	2,955,960	2,955,960
Financial Services	-	3,808,537	3,808,537	-	2,745,266	2,745,266
Diversified	1,099,200	1,394,128	2,493,328	849,044	1,144,928	1,993,972
	36,562,787	8,167,367	44,730,154	33,347,313	6,846,154	40,193,467

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.

Notes to the Financial Statements

8. Other operating income

For the year ended 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Gain on change in fair value of biological assets	18.3.1	147,236	18,839	-	-
Government grants		10,896	11,057	-	-
Gain on sale of property, plant and equipment		29,167	27,627	-	1
Fees and commission income		64,063	43,019	-	-
Rent income		119,820	91,417	-	-
Other income		386,647	143,554	6	558
Dividend income from subsidiary companies		-	-	810,307	134,990
Dividend income from equity accounted investees		-	-	91,595	496,725
Dividend income on available-for-sale financial assets		762,056	734,444	664,824	651,452
Dividend income from fair value through profit and loss investments		63,873	75,306	50,523	57,196
Gain on disposal of fair value through profit and loss investments		141	-	141	-
Gain on disposal of available-for-sale financial assets transferred from equity		153,637	12,668	63,232	-
Gain from Changes in Fair Value of Investment Properties	17	591,363	-	608,557	-
Gain on liquidation of share trust		-	28,562	-	28,562
Gain on repurchase of shares by subsidiaries		-	-	794,739	1,922,500
Gain on Disposal of Subsidiaries		704,774	-	1,188,228	-
		3,033,673	1,186,493	4,272,152	3,291,984

9. Other operating expenses

For the year ended 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Impairment on loans and other advances		(241,608)	(102,608)	-	-
Loss on Disposal of Fair Value through profit and loss investments		(17,676)	(10,443)	-	-
Impairment of Investment Properties		(154,076)	-	(154,076)	-
Impairment of Investment in Subsidiaries	19.2	-	-	(1,696,133)	(1,432,212)
Loss of remeasurement of existing interest of EAI		(1,774,599)	-	-	-
Goodwill Impairment		-	(255,446)	-	-
Loss on revaluation of Property, Plant and Equipment		(2,612)	-	-	-
		(2,190,571)	(368,497)	(1,850,209)	(1,432,212)

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	
	2018 Rs:'000	2017 Rs:'000	2018 Rs:'000	2017 Rs:'000
Interest income on unimpaired held-to-maturity investments	27,801	15,451	-	-
Interest income on available-for-sale financial assets	77,084	195,343	11,657	3,931
Interest income on loans and receivables	1,216,241	423,517	843,524	1,403,983
Foreign exchange gain	8,702	2,353	-	-
Gain on change in fair value of financial assets at fair value through profit or loss	57,899	66,741	15,605	17,759
	1,387,727	703,405	870,786	1,425,673

10.1.2 Finance cost

For the year ended 31 March,	Note	Group		Company	
		2018 Rs:'000	2017 Rs:'000	2018 Rs:'000	2017 Rs:'000
Interest expense on financial liabilities measured at amortised cost					
Interest on Related Party Current Accounts		-	-	(23,348)	(85,488)
Interest expense on long term borrowings		(1,164,560)	(765,241)	-	-
Interest expense on bank overdrafts and other short term borrowings		(830,406)	(328,429)	(69,415)	-
Interest expense on finance leases		(510)	(665)	-	-
Government lease interest (JEDB/SLSPC)		(29,610)	(28,781)	-	-
Foreign exchange loss		(45,414)	(56,742)	-	-
Loss on change in fair value of financial assets at fair value through profit or loss		-	(969)	-	-
Loss on disposal of fair value through profit and loss investments		(11,213)	-	-	-
Preference share dividends	10.4	(1,265)	(1,265)	-	-
		(2,082,978)	(1,182,092)	(92,763)	(85,488)
Less: Borrowing cost capitalised	10.1.2.1	62,799	89,854	-	-
		(2,020,179)	(1,092,238)	(92,763)	(85,488)
Net finance income/(cost) recognised in profit or loss		(632,452)	(388,833)	778,023	1,340,185

10.1.2.1 During the year Balangoda Plantations PLC, a subsidiary of the company, capitalised borrowing cost amounting Rs. 62,799,008/- (2017 - Rs. 77,196,464/-) incurred on borrowings obtained to meet expenses relating to immature plantations being part of the cost of the immature plantations. The amount of borrowing cost eligible for capitalisation is determined in accordance with LKAS 23 (Borrowing Costs).

Notes to the Financial Statements

10.2 The above finance income and finance costs include the following interest income and expense in respect of assets / (liabilities) not at fair value through profit or loss:

For the year ended 31 March,	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Total interest income on financial assets	1,321,126	634,311	855,181	1,407,914
Total interest expense on financial liabilities	(2,025,086)	(1,123,116)	(69,415)	(85,488)
10.3 Recognised in other comprehensive income				
Net change in fair value of available-for-sale financial assets	1,871,918	329,479	1,615,477	117,221
	1,871,918	329,479	1,615,477	117,221

10.4 Based on the features of the cumulative redeemable preference shares as specified in the agreement dated 25 October 2001, the preference shares of Texpro Industries Limited have been classified as liability and related dividends have been classified as finance expense. Accordingly, the dividend on preference shares computed at 10% has been reported as finance expense.

11. Profit before income tax expense

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

For the year ended 31 March,	Notes	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Remuneration to directors		119,600	118,041	48,388	44,478
Auditor's remuneration					
Audit - KPMG		11,967	11,300	800	650
- Other auditors		7,402	7,300	-	-
Non-audit - KPMG		819	13,041	150	-
- Other auditors		2,416	-	-	-
Management fees		2,293	27,008	-	-
Personnel costs	11.1	4,839,515	4,552,638	61,934	46,310
Depreciation and amortisation					
Depreciation of property plant and equipment	15	2,021,756	1,880,362	1,178	1,018
Amortisation of intangible assets	16	23,372	309,145	264	209
Amortisation of bearer biological assets	18	56,614	43,739	-	-
Gain on change in fair value of biological assets		147,236	18,839	-	-
Provision /(reversal) of Impairment of receivables		185,533	(162,708)	-	-
Provision /(reversal) for obsolete and slow moving Inventories		169,145	(149,752)	-	-
Donations		181,125	6,490	13	257
Direct Operating expenses Arisen from Investment Properties		15,211	12,370	10,188	6,675

11.1 Personnel costs

For the year ended 31 March,	Notes	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Salaries, wages and other benefits		4,250,704	4,009,113	54,948	40,843
Employee benefits					
Defined contribution plans- EPF and ETF		411,613	371,726	5,068	3,898
Defined benefit plans	31.1.1	177,198	171,800	1,918	1,569
Total		4,839,515	4,552,639	61,934	46,310

11.1.1 Number of employees

	2018	2017	2018	2017
Total Number of employees	25,917	11,976	24	19

12. Taxation

For the year ended 31 March,	Notes	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Income tax expense	12.1	3,891,796	3,890,700	468,836	386,732
		3,891,796	3,890,700	468,836	386,732
12.1 Income tax expense					
Current tax expense	12.1.1	3,619,806	3,694,144	176,942	349,557
Deferred tax charge	22.1.1	271,990	196,556	291,894	37,175
		3,891,796	3,890,700	468,836	386,732
12.1.1 Current tax expense					
Current tax charge	12.1.1.1	3,626,692	3,687,712	177,541	349,557
Over provision of current tax of previous years		(11,310)	(7,081)	(599)	-
Reversal of Deferred Tax		4,424	-	-	-
10% Withholding tax on intercompany dividends		-	13,513	-	-
		3,619,806	3,694,144	176,942	349,557

Notes to the Financial Statements

12.1.1.1 Reconciliation of accounting profits to income tax expense

For the year ended 31 March,	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Profit before income tax expense	10,142,086	10,690,342	3,270,441	3,253,107
Share of results of equity accounted investees	(2,266,864)	(1,326,853)	-	-
Dividend income from group companies	902,442	632,345	-	-
Other consolidation adjustments	(855,152)	(847,464)	-	-
	7,922,512	9,148,370	3,270,441	3,253,107
Exempt profit	-	1,717,294	-	-
Profit before income tax after adjustments	7,922,512	10,865,664	3,270,441	3,253,107
(-) Income not subject to tax	(4,349,266)	(3,871,202)	(4,313,376)	(3,471,387)
(-) Income from other sources	(1,310,760)	(2,214,924)	(855,181)	(1,407,914)
(+) Disallowable expenses	13,152,654	5,037,544	1,857,607	1,606,003
(-) Allowable expenses	(7,200,952)	(2,808,964)	(180,597)	(71,333)
(+) Tax losses incurred	1,142,807	895,046	221,106	91,524
Tax profit from business	9,357,019	7,903,164	-	-
Tax profit from business	9,357,019	7,903,164	-	-
(+) Income from other sources	1,310,760	2,214,969	855,181	1,407,914
(-) Tax losses utilised	(970,851)	(216,341)	(221,106)	(159,497)
(-) Qualifying payments	-	-	-	-
Taxable income	9,696,928	9,901,792	634,075	1,248,417

For the year ended 31 March,	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Income tax at,				
40%	3,127,931	3,051,882	-	-
10%	14,904	-	-	-
28%	483,857	635,830	177,541	349,557
Total current tax charge	3,626,692	3,687,712	177,541	349,557
Average statutory income tax rate (%)	37.40%	37.24%	28.00%	28.00%

12.1.2 Effective tax rate

For the year ended 31 March,	Notes	Group		Company	
		2018 %	2017 %	2018 %	2017 %
Effective tax rate	12.1.2.1	45.78%	33.94%	5.43%	10.75%

12.1.2.1 Reconciliation of effective tax rate

For the year ended 31 March,	Group			
	2018		2017	
	Rs.'000	%	Rs.'000	%
Profit before income tax after adjustments	7,922,512	-	10,865,664	-
Income tax expense at the average statutory income tax rate	2,963,053	37.40%	4,046,865	37.24%
Income not subject to tax	(1,626,644)	-20.53%	(1,441,811)	-13.27%
Disallowable expenses	4,619,428	62.09%	1,876,062	17.27%
Allowable expenses	(2,693,186)	-33.99%	(1,046,185)	-9.63%
Tax losses incurred	427,415	5.39%	333,356	3.07%
Tax losses utilised	(363,102)	-4.58%	(80,575)	-0.74%
Current tax expense	3,626,692	45.78%	3,687,712	33.94%

For the year ended 31 March,	Company			
	2018		2017	
	Rs.'000	%	Rs.'000	%
Profit before income tax after adjustments	3,270,441	-	3,253,107	-
Income tax expense at the average statutory income tax rate	915,723	28.00%	910,871	28.00%
Income not subject to tax	(1,207,745)	-36.93%	(971,989)	-29.88%
Disallowable expenses	520,130	15.90%	449,681	13.82%
Allowable expenses	(50,567)	-1.55%	(19,973)	-0.61%
Tax losses incurred	61,910	1.89%	25,627	0.79%
Tax losses utilised	(61,910)	-1.89%	(44,659)	-1.37%
Current tax expense	177,541	5.43%	349,557	10.75%

12.2 Companies exempt from income tax

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

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

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

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

Notes to the Financial Statements

12.2.2 Companies exempt from income tax under the Inland Revenue Act

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

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

12.3 Companies liable to income tax at concessionary rates

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

Company	Basis	Income Tax Rate*
Ace Power Embilipitiya (Pvt) Ltd	Construction and operation of a thermal power generation plant	15%
Aitken Spence Property Developments (Pvt) Ltd	Construction and operation of a luxury office building complex	20%
Logilink (Pvt) Ltd	Set up and conduct warehouse operation activities	20%
Vauxhall Property Developments (Pvt) Ltd	Construction and operation of a luxury office building complex	2% of turnover for 15 years ending 2018/2019
Lanka Bell Limited	In terms of an agreement entered in to with the Board of Investment(BOI) of Sri Lanka under section 17 of Law No. 04 Of 1978. The profits and income of the company is exempt for a period of 20 years. Thereafter the company will be taxed at a normal rate of 28%.	profit and income is exempt for 20 years, there after at 28%
Bogo Power Private Limited	Pursuant to the agreement dated 22nd April 2010 entered with the Board of Investment (BOI) under section 17 of the BOI Law. The Company is exempt from income tax arising from the income of generation of hydropower. After the expiration of exemption period the profits and income of the enterprise shall be charged to for each year of assessment at the rate of ten per centum (10%) (Concessionary period) for a period of two years immediately succeeding the last date of the tax exemption period during the which the profits and income of the Enterprise is exempted from income tax. After the expiration of concessionary period, the profits and income of the Enterprise shall, for any year of assessment be charged at the rate of twenty per centum (20%).	For a period of 5 years commencing from 1st April 2012

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

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

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

Company	Basis	Statute Reference	Income Tax Rate
Ace Containers (Pvt) Ltd	Profits from operation and maintenance of facilities for storage	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Ace Container Terminals (Pvt) Ltd	Profits from operation and maintenance of facilities for storage	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Ace Distriparks (Pvt) Ltd	Profits from operation and maintenance of facilities for storage	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Ace Freight Management (Pvt) Ltd	Profits from operation and maintenance of facilities for storage	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Colombo International Nautical and Engineering College (Pvt) Ltd	Profits from provision of educational services	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Ace Container Repair (Pvt) Ltd	Profits from qualified exports	Section 52 of the Inland Revenue Act No. 10 of 2006	12%
Hapag-Lloyd Lanka (Pvt) Ltd	Profits from transshipment agency fees and provision of service to a foreign ship operator	Section 59 of the Inland Revenue Act No. 10 of 2006 and Section 58 of the Inland Revenue (Amendment) Act No. 8 of 2014	12%
Shipping and Cargo Logistics (Pvt) Ltd	Profits from transshipment agency fees and provision of service to a foreign ship operator	Section 59 of the Inland Revenue Act No. 10 of 2006 and Section 58 of the Inland Revenue (Amendment) Act No. 8 of 2014	12%
Aitken Spence Hotel Holdings PLC	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence Hotels Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence Hotel Managements (Pvt) Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Hethersett Hotels Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Kandalama Hotels (Pvt) Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
M.P.S. Hotels (Pvt) Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Paradise Resorts Pasikudah (Pvt) Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Turyaa (Pvt) Ltd (formally Golden Sun Resorts (Pvt) Ltd)	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Ace Exports (Pvt) Ltd	Profits from qualified exports/ deemed exports	Section 52 and 56 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence Apparels (Pvt) Ltd	Profits from deemed exports	Section 56 of the Inland Revenue Act No. 10 of 2006	12%

Notes to the Financial Statements

Company	Basis	Statute Reference	Income Tax Rate
Aitken Spence (Garments) Ltd	Profits from qualified exports	Section 52 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence Agriculture (Pvt) Ltd	Profits from agricultural undertaking	Section 48A of Inland Revenue Act No. 10 of 2006	10%
Aitken Spence Plantation Managements PLC	Profits from agricultural undertaking	Section 46 of Inland Revenue Act No. 10 of 2006	12%
Elpitiya Plantations PLC	Profits from agricultural undertaking	Section 48A of Inland Revenue Act No. 10 of 2006	10%
	Profits from operation of a mini hydro power project	Section 59E of Inland Revenue (Amendment) Act No. 18 of 2013	12%

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

- Interest income earned on foreign currency denominated instruments specified under section 09 are exempt from income tax.
- Dividends from non-resident companies remitted to Sri Lanka through a bank are exempt from income tax in terms of section 10.
- Profits and income earned in foreign currency (other than any commission, discount or similar receipt) from services rendered in or outside Sri Lanka to a party outside Sri Lanka for which payments are received in foreign currency through a bank is exempt from income tax in terms of section 13 (ddd).
- Maximum of 25% qualifying payment deduction under section 34 (2)(s), for expansion purposes with investments in fixed assets of not less than Rs. 50 million made by any undertaking on or after April 1, 2011 but prior to April 1, 2014 on investments specified in section 16C or section 17A. The Companies in the Group have claimed the total investment relief available in the year ended 31st March 2017. There was no further investment relief claimed during the year.

Please refer note 12.6 for the impact of Inland Revenue Act No. 24 of 2017 on above activities

12.4 Companies incorporated in Sri Lanka and operating outside Sri Lanka

Company	Countries Operated	Tax Status
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Maldives, Oman	Business profits arising in Oman is liable to tax at 12% and income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Hotels International (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Ports International Ltd (formally Port Management Container Service (Pvt) Ltd)	Mozambique, Fiji	Profits and income derived from Mozambique and Fiji are subject to withholding tax at 15% and 20% respectively.

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

Please refer note 12.6 for the impact of Inland Revenue Act No. 24 of 2017 on above activities

12.5 Companies incorporated and operating outside Sri Lanka

Country	Company	Income Tax Rate
British Virgin Islands	Crest Star (B.V.I.) Ltd	Nil
Hong Kong	Crest Star Ltd	Nil
Oman	Aitken Spence Resorts (Middle East) LLC	15%
Maldives	Ace Aviation Services Maldives Pvt Ltd	15%
	A.D.S. Resorts Pvt Ltd	15%
	Cowrie Investment Pvt Ltd	15%
	Interlifts International Pvt Ltd	15%
	Jetan Travel Services Company Pvt Ltd	15%
	Spence Maldives Pvt Ltd	15%
	Unique Resorts Pvt Ltd	15%
	Ace Resorts Pvt Ltd	15%
Fiji	Fiji Ports Terminal Ltd (formally Ports Terminal Ltd)	20%
	Fiji Ports Corporation Ltd	20%
	Fiji Ships Heavy Industries Ltd	20%
India	Aitken Spence Hotel Services Pvt Ltd	30.9%
	PR Holiday Homes Pvt Ltd	30.9%
	Aitken Spence Hotel Managements (South India) Pvt Ltd	34.61%
Bangladesh	Ace Bangladesh Ltd	35%

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

Statute Reference Under Old Act	Statute Reference Under New Act	Rate Impact
Profits from operation and maintenance of facilities for storage under fifth schedule <ul style="list-style-type: none"> • Ace Containers (Pvt) Ltd • Ace Container Terminals (Pvt) Ltd • Ace Distriparks (Pvt) Ltd • Ace Freight Management (Pvt) Ltd 	Specified undertaking predominantly* providing logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka	Rate increased from 10% to 14% (if the predominant criteria is not met, liable for tax at 28%)
Profits from provision of educational services under fifth schedule <ul style="list-style-type: none"> • Colombo International Nautical and Engineering College (Pvt) Ltd 	Company predominantly* providing educational services	Rate increased from 10% to 14% .(if the predominant criteria is not met, liable for tax at 28%)
Profits from qualified exports under Section 52 <ul style="list-style-type: none"> • Ace Container Repair (Pvt) Ltd 	Specified undertaking predominantly* providing any service of ship repair, ship breaking repair and refurbishment of marine cargo containers.	Rate increased from 12% to 14%.(if the predominant criteria is not met, liable for tax at 28%)

Notes to the Financial Statements

Statute Reference Under Old Act	Statute Reference Under New Act	Rate Impact
Profits from transshipment agency fees and provision of service to a foreign ship operator under Section 59 <ul style="list-style-type: none"> • Hapag-Lloyd Lanka (Pvt) Ltd • Shipping and Cargo Logistics (Pvt) Ltd 	Specified undertaking predominantly* providing transshipment operations or provision of service to a foreign ship operator	Rate increased from 12% to 14% (if the predominant criteria is not met liable for tax at 28%)
Profits from promotion of tourism under Section 46 <ul style="list-style-type: none"> • Aitken Spence Hotel Holdings PLC • Aitken Spence Hotels Ltd • Hethersett Hotels Ltd • Kandalama Hotels (Pvt) Ltd • M.P.S. Hotels (Pvt) Ltd • Paradise Resorts Pasikudah (Pvt) Ltd • Turyaa (Pvt) Ltd (formally Golden Sun Resorts (Pvt) Ltd) 	Company predominantly* engaged in undertaking for the promotion of tourism	Rate increased from 12% to 14%.(if the predominant criteria is not met, liable for tax at 28%)
Profits from qualified exports/ deemed exports under Section 52 & 56 <ul style="list-style-type: none"> • Ace Exports (Pvt) Ltd • Aitken Spence Apparels (Pvt) Ltd 	Specified undertaking predominantly* supplying services to any exporter of goods or services	Rate increased from 12% to 14%.
Profits from qualified exports under Section 52 <ul style="list-style-type: none"> • Aitken Spence (Garments) Ltd 	company predominantly* conducting a business of exporting goods and services	Rate increased from 12% to 14%
Profits from agricultural undertaking under Section 48A <ul style="list-style-type: none"> • Aitken Spence Agriculture (Pvt) Ltd • Elpitiya Plantations PLC 	company predominantly* conducting an agricultural business	Rate increased from 10% to 14%
Interest income earned on foreign currency denominated instruments specified under section 09	No exemption on interest income and subject to 5% withholding tax	Interest is liable for income tax and credit available on the WHT deducted
Profits and income exempt under 13 ddd	company predominantly* conducting a business of exporting goods and services	Liable for tax at 14%
Profits and income exempt under Section 13 (b) – Note 12.3 on Companies incorporated in Sri Lanka and operating outside Sri Lanka	company predominantly* conducting a business of exporting goods and services	Liable for tax at 14% and tax credits are available for taxes paid in foreign jurisdictions

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

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

12.7 Tax losses

For the year ended 31 March,	Group		Company	
	2018 Rs:'000	2017 Rs:'000	2018 Rs:'000	2017 Rs:'000
Losses brought forward	3,687,857	3,010,287	-	67,973
Acquisition/(Disposal) of subsidiaries	7,574,307	-	-	-
Losses incurred	1,142,807	895,046	221,106	91,524
Unrecognised tax losses on previous years	-	(1,135)	-	-
Losses utilised	(970,851)	(216,341)	(221,106)	(159,497)
Loss carried forward	11,434,120	3,687,857	-	-

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	
	2018	2017	2018	2017
Profit attributable to equity holders of the company (Rs:'000)	6,577,164	7,335,621	2,801,605	2,866,375
Weighted average numbers of ordinary shares (000)	1,165,398	946,961	1,165,398	946,961
Basic earnings per share (Rs.)	5.64	7.74	2.40	3.03

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			
	2018		2017	
	Per share Rs.	Total Rs:'000	Per share Rs.	Total Rs:'000
Final dividend DCSL PLC (Sept - 2016)	-	-	3.35	1,005,000
Final dividend Melstacorp PLC (Mar - 2017)	-	-	1.00	1,116,398
Final dividend Melstacorp PLC (Mar - 2018)	2.44	2,843,571	-	-
		2,843,571		2,170,398

14.2 Equity dividend on ordinary shares declared during the year

For the year ended 31 March,	Company			
	2018		2017	
	Per share Rs.	Total Rs:'000	Per share Rs.	Total Rs:'000
Final dividend	2.44	2,843,571	1.00	1,165,398
		2,843,571		1,165,398

The Directors recommended and paid Rs.2.44 per share as an interim dividend in SPECIE (Ordinary Shares of Distilleries Company of Sri Lanka PLC) for the year ended 31 March 2018 on 30 March 2018.

As required by Section 56 of the Companies Act No7 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	Note	Cost or valuation				Accumulated depreciation				Carrying value			
		At the beginning of the year	Additions during the year	Revaluation during the year	Disposals/transfers	Acquisition/Disposal of Subsidiary	At the beginning of the year	Charge for the year	Disposals/transfers	Acquisition/Disposal of Subsidiary	At the end of the year	As at 31 March 2018	As at 31 March 2017
Freehold													
Land	15.2	6,698,131	66,299	6,250	(40,052)	14,726,754	21,457,382	-	-	-	21,457,382	6,698,131	
Land improvements		115,716	47	-	-	44,657	160,420	44,195	5,768	11,530	98,927	71,521	
Buildings	15.2	7,618,028	2,607	913,091	99,592	40,372,012	49,005,330	632,848	251,905	(6,962,273)	41,158,304	6,985,180	
Civil constructions		679,095	-	-	-	679,095	679,095	161,351	33,954	-	483,790	517,744	
Plant, machinery & other equipment		6,716,064	72,271	-	(460,907)	14,763,601	21,091,029	2,860,219	532,573	(518,948)	11,297,276	3,855,845	
Motor vehicles		1,282,251	99,533	-	(64,333)	3,839,409	5,156,860	923,612	130,503	(52,413)	1,545,193	358,639	
Furniture, fittings & office equipment		1,442,359	75,463	-	(1,550)	3,067,276	4,583,548	1,070,526	81,800	(1,519)	1,791,464	371,833	
Computer equipment & software		264,578	27,883	-	(3,696)	(8,375)	280,390	210,547	27,677	8,474	40,663	54,031	
Electro mechanical equipment		299,785	-	-	-	-	299,785	74,921	14,989	-	89,910	209,875	
Digital electronic Switches		1,116,198	-	-	-	-	1,116,198	958,783	71,039	-	1,029,822	157,415	
Network equipment		2,091,647	-	-	-	-	2,091,647	1,868,077	102,290	-	1,970,367	223,570	
Towers		932,618	-	-	-	-	932,618	759,818	65,563	-	825,381	107,237	
Customer premise equipment		3,616,714	135,135	-	(48,540)	-	3,703,309	2,641,020	431,897	(19,981)	3,052,936	975,694	
Water sanitation		60,732	-	-	-	-	60,732	46,974	3,056	-	50,030	13,758	
Shelters and other equipment		532,014	15	-	-	-	532,029	524,480	2,750	-	527,230	4,799	
FLAG project		40,803	-	-	-	-	40,803	38,015	760	-	38,775	2,028	
LTE Project		1,083,301	431,716	-	(43,662)	-	1,471,355	340,410	237,673	(37)	578,046	893,309	
WI-Max		235,012	-	-	-	-	235,012	231,761	9,248	(12,170)	228,839	6,173	
Fire fighting equipment		4,883	-	-	-	-	4,883	3,946	180	-	4,126	757	
Oil storage tanks		315	-	-	-	-	315	315	-	-	315	-	
Vats & casks		69,575	-	-	-	-	69,575	61,625	2,598	-	64,223	5,352	
Drums		80	-	-	-	-	80	80	-	-	80	-	
Total freehold property, plant & equipment		34,899,899	910,969	919,341	(563,148)	76,805,334	112,972,395	13,453,523	2,006,223	(596,594)	33,001,135	79,971,260	21,446,376
Leasehold													
Motor vehicles		674	-	-	-	-	674	326	135	-	461	213	348
Plant & machinery		134,086	-	-	-	35,203	169,289	9,310	5,781	(3,760)	11,331	157,958	124,776
Furniture, fittings & equipment		14,028	-	-	-	-	14,028	14,028	-	-	14,028	-	-
Immovable (JEDB/SLPO) assets on finance lease	15.1	438,141	-	-	-	682,434	1,120,575	255,945	7,921	-	212,008	475,874	182,196
Lease hold properties		-	-	-	-	2,726,890	2,726,890	-	-	-	702,987	2,023,903	-
Leasehold improvements		335,477	3,094	-	-	-	338,571	332,086	1,696	-	333,782	4,789	3,391
Total leasehold property, plant & equipment		922,406	3,094	-	-	3,444,527	4,370,027	611,695	15,533	-	1,538,463	2,831,564	310,711
Capital work in progress		1,112,348	1,316,287	-	(1,398,774)	8,596,547	9,626,408	-	-	-	9,626,408	1,112,348	
Total property, plant & equipment		36,934,653	2,230,350	919,341	(1,961,922)	88,846,408	126,968,850	14,065,218	2,021,756	(596,594)	34,539,598	92,429,232	22,869,435

Capital work-in-progress of Aitken Spence PLC represents the amount of expenditure recognised under property plant and equipment during the construction of a capital asset.

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

15. Property, plant and equipment

Company	Cost or valuation				Accumulated depreciation			Carrying value			
	Note	At the beginning of the year Rs.'000	Additions during the year Rs.'000	Disposals/transfers Rs.'000	At the end of the year Rs.'000	At the beginning of the year Rs.'000	Charge for the year Rs.'000	Disposals Rs.'000	At the end of the year Rs.'000	As at 31 March 2018 Rs.'000	As at 31 March 2017 Rs.'000
Freehold											
Plant, machinery & other equipment	22	-	-	22	2	2	-	4	18	20	
Furniture, fittings & office equipment	6,218	222	-	6,440	1,328	631	-	1,959	4,481	4,890	
Computer equipment & software	3,321	478	(86)	3,713	2,594	545	(86)	3,053	660	727	
Total property, plant & equipment		9,561	700	(86)	10,175	3,924	1,178	(86)	5,016	5,159	5,637

15.1 Immovable (JEDB/SLSPC) assets on finance lease

For the year ended 31 March,	2018							2017
	Right to use of land Rs.'000 (Note 15.1.1)	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
Capitalised value (18 June 1992)								
Balance at the beginning of the year	331,201	899	15,702	152	64,024	26,163	438,141	438,141
Acquisition of subsidiaries	218,812	4,418	-	12,640	29,981	416,583	682,434	-
Balance at the end of the year	550,013	5,317	15,702	12,792	94,005	442,746	1,120,575	438,141
Amortisation								
As at beginning of the year	153,466	418	12,853	152	62,893	26,163	255,945	246,595
Acquisition of subsidiaries	105,278	2,125	-	12,137	29,981	62,487	212,008	-
Amortisation for the year	6,249	18	523	-	1,131	-	7,921	9,350
At the end of the year	264,993	2,561	13,376	12,289	94,005	88,650	475,874	255,945
Carrying amount								
As at beginning of the year	177,735	481	2,849	-	1,131	-	182,196	191,546
As at the end of the year	285,020	2,756	2,326	503	-	354,096	644,701	182,196

These assets are 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 2017 are as stated above.

Notes to the Financial Statements

15.2 Land and buildings

15.2.1 Details of land and building stated at valuation

Distilleries Company of Sri Lanka

A valuation of freehold Land and Building of Distilleries Company of Sri Lanka PLC was carried out by incorporated valuer Mr. S. Sivaskanthan by using "Comparable Market Values" method and incorporated in the financial statements of the company as at 31st March 2016. The surplus on revaluation of Land and Building has been credited to the revaluation reserve.

Lanka Bell Limited

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

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

Texpro Industries Limited

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

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

Melstacorp PLC

Free hold Land and Building of the company were revalued by Mr. S. Sivaskantha, F.I.V (Sri Lanka) an independent professional valuer on 31st March 2018 on “contractor’s Principle Basis” and the excess of Rs. 337,530,432 over the net book value as at 31st March 2018 has been credited to the revaluation reserve.

Location	Land Extent	Building Area	No of Buildings	Revalued Amount Rs.'000
No 140/1, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	0A-0R-19.75P	-	-	8,888
No 136, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	1A-1R-24.72P	-	-	113,860
No 16 & 18, Bandarawatta Road, Seeduwa.	0A-2R-22P	-	-	68,850
Residential Premises at Medagama Road, Welikamulla, Badulla	0A-3R-37.20P	1522sq.ft	1	14,520
Industrial Premises at Seed Station Road, Nawalayathanna, Katugastota	0A-2R-27.54P	12332.5sq.ft	8	52,690
Industrial Premises at Seed Station Road, Nawalayathanna, Katugastota	4A-3R-44.16P	31866sq.ft	13	226,534
Commercial premises at dambulla road, Muththetugala, Kurunegala.	0A-2R-29P	10122.5sq.ft	2	89,123
No 165, Harichandra Mawatha, Anuradhapura.	0A-3R-21.35P	11301sq.ft	3	89,539
No 152, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	1R-3.3P	18920sq.ft	1	88,674
No 152/2, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	10P	1975sq.ft	1	11,666
No 59, Distilleries Road, Bandarawatta, Seeduwa.	24.05P	980sq.ft	1	17,691
No 61 & 61/1 Distilleries Road, Bandarawatta, Seeduwa.	12.27P	1910sq.ft	1	14,422
No 150/1 & 150/1A, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	37.5P	1625sq.ft	1	23,027
No 150, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	18.75P	2771sq.ft	1	19,641
No 144, Munidasa Kumaratunga Mawatha, Bandarawatta, Seeduwa.	22.85P	1470sq.ft	1	17,054
No 1, 1 1/1, 1 2/1 & 1 3/1, Gitanjali Place, Kollupitiya, Colombo 03.	19.9P	12768sq.ft	1	460,034
Factory Premises at Habarakada Road, Nawagamuwa, Ranala, Kaduwela.	10A-0R-0P	83805.5sq.ft	7	319,391
No 68 & 68A, Attidiya Road, Ratmalana.	1A-0R-28.2P	30113sq.ft	3	276,091
No 459, Wackwella Road, Kalegana, Galle.	0A-1R-37P	8129sq.ft	4	67,517
Industrial Premises at Galle Road, Beruwala.	2A-1R-19.08P	18054.5sq.ft	12	228,732
No 823 & 823/1-4 Srimavo Bandaranayake Mawatha, Colombo 14.	2A-1R-14.10P	86500sq.ft	6	821,526
No 161, 161A & 161B, Tangalle Road, Ambalantota.	0A-1R-24.16P	7657sq.ft	6	50,851

Melsta Properties (Pvt) Ltd

Free hold Land and Building of the company were revalued by Mr. S. Sivaskantha, F.I.V. (Sri Lanka) an independent professional valuer on 31st March 2018 on “Contractor’s Principle Basis” and the excess of Rs. 575,560,875 over the net book value as at 31st March 2018 has been credited to the revaluation reserve.

Location	Land Extent	Building Area	No of Buildings	Revalued Amount Rs.'000
No 110, Norris Canel Road, Colombo 10.	1A-1R-15.20P	30,000sq.ft	6	1,932,700
No 133, Temple Road, Deshashtra, Kaluthara	4A-33.38P	56,580sq.ft	5	251,073
No 69/1, Rajapaksha Broadway, Negombo	1R-27.5P	8,576sq.ft	3	152,207
No 68/1, Saravanai Road, Batticola.	3A-11.04P	5,545.75sq.ft	2	114,948
No 87, Station Road, Vavunia	3R-33.69P	14,315.5sq.ft	2	128,280
No 41, Old Ferry Road, Deshashtra, Kaluthara	1A-1R-4.27P	20,410sq.ft	7	103,023
No 156, Orr’s Hill Road, Trincomalee.	1R-38.68P	4,762sq.ft	2	59,352
No 215/9, Jayamalapura, Nawalapitiya, Gampola.	3R-35.5P	8,415sq.ft	5	93,320
No 118, 120, Kunupallela Road, Badulla.	2R-8.64P	9,390sq.ft	3	88,591
Dummalakotuva, Kurunegala Road, Dankotuva.	2A-1R-38P	8,083.5sq.ft	3	55,150
Teak Store Warehouse, Palathota, Kaluthara South.	1A-32.82P	14,870sq.ft	3	43,914
Mirishena Warehouse, Ethanamadala Road, Kaluthara North.	3R-28.32P	10,280sq.ft	4	53,230
No 7/11, Kandy Road, Kaithadi.	2A-11.71P	-	-	24,878
No 150, Coastal Road, Thalwila, Marawila.	2A	-	-	24,000
No 669, Beach Road, Gurunagar, Jaffna.	1A-21.65P	-	-	22,787
No 125, Norwood Road, Dickoya.	3R-9.6P	16,735.5sq.ft	4	12,960

Notes to the Financial Statements

Browns Beach Hotel PLC

Free hold land of the of the company was revalued by Mr. K. C. B. Condegama (A.I.V. Sri Lanka) an independent professional valuer on 30th September 2017 on "Current Market Value" basis and excess of Rs.6,250,000 over the net book value as at the 31st March 2018 has been credited to the revaluation reserve.

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

Aitken Spence PLC

Name of the Company	Location	Last revaluation date	Land extent	Carrying amount as at 31.03.2018 Rs.'000	Revaluation surplus Rs.'000	Carrying amount at cost Rs.'000
Aitken Spence PLC	315, Vauxhall Street, Colombo 02	30.09.2017	1 A 0 R 12.78 P	1,468,630	1,467,473	1,157
Aitken Spence PLC	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	1 A 0 R 20.37 P	717,147	712,156	4,991
Aitken Spence PLC	170, Sri Wickrema Mw., Colombo 15	30.09.2017	3 A 3 R 31.00 P	625,500	582,539	42,961
Aitken Spence PLC	Moragalla, Beruwala	30.09.2017	10 A 1 R 23.97 P	707,000	706,046	954
Aitken Spence PLC	290/1, Inner Harbour Road, Trincomalee	30.09.2017	0 A 1 R 4.95 P	19,000	19,000	-
Ace Containers (Pvt) Ltd	775/5, Negombo Road, Wattala	30.09.2017	22 A 0 R 24.88 P	1,772,440	1,677,049	95,391
Ace Containers (Pvt) Ltd	385, Colombo Road, Welisara	30.09.2017	8 A 3 R 12.23 P	706,000	619,327	86,673
Ace Containers (Pvt) Ltd	No.377, Negombo Road, Welisara, Ragama	30.09.2017	1 A 1 R 17.80 P	98,000	10,935	87,065
Ace Distriparks (Pvt) Ltd	80, Negombo Road, Wattala	30.09.2017	2 A 2 R 17.03 P	625,550	255,988	369,562
Ahungalla Resorts Ltd	"Ahungalla Resorts", Galle Road, Ahungalla	30.09.2017	12 A 3 R 35.21 P	942,650	42,773	899,877
Aitken Spence (Garments) Ltd	222, Agalawatte Road, Matugama	30.09.2017	2 A 3 R 0 P	35,200	30,040	5,160
Aitken Spence Hotel Holdings PLC	"Heritance Ahungalla", Galle Road, Ahungalla	30.09.2017	11 A 3 R 34.02 P	695,600	677,398	18,202
Aitken Spence Hotel Holdings PLC	"Heritance Ahungalla", Galle Road, Ahungalla	30.09.2017	0 A 0 R 39.26 P	14,700	9,493	5,207
Aitken Spence Property Developments Ltd	90, St.Rita's Estate, Mawaramandiya	30.09.2017	3 A 0 R 25.08 P	126,270	101,842	24,428
Branford Hydropower (Pvt) Ltd	225, Gangabada Road, Kaludawela, Matale	30.09.2017	2 A 0 R 14.00 P	18,370	7,837	10,533
Clark Spence and Co., Ltd	24-24/1, Church Street, Galle	30.09.2017	0 A 1 R 27.90 P	186,725	186,690	35
Heritance (Pvt) Ltd	Moragalla, Beruwala	30.09.2017	5 A 3 R 6.80 P	324,250	313,170	11,080
Kandalama Hotels Ltd	Kandalama, Dambulla	30.09.2017	169 A 2 R 22.00 P	9,300	1,916	7,384
Logilink (Pvt) Ltd	309/4 a, Negombo Road, Welisara	30.09.2017	2 A 1 R 9.50 P	166,275	83,784	82,491
Meeraladuwa (Pvt) Ltd	Meeraladuwa Island, Balapitiya	30.09.2017	29 A 2 R 9.00 P	217,020	116,758	100,262
Neptune Ayurvedic Village (Pvt) Ltd	Ayurvedic village - Moragalla, Beruwala	30.09.2017	0 A 0 R 19.30 P	4,500	437	4,063
Perumbalam Resorts (Pvt) Ltd	Cochin - Kerala, India	07.02.2017	4 A 0 R 9.00 P	52,411	42,478	9,933
PR Holiday Homes (Pvt) Ltd	Cochin - Kerala, India	07.02.2017	14 A 0 R 7.52 P	205,573	66,708	138,865
Turyaa (Pvt) Ltd	418, Parallel Road, Kudawaskaduwa, Kalutara	30.09.2017	5 A 1 R 37.90 P	384,160	364,395	19,765
Turyaa (Pvt) Ltd	49, Sea Beach Road, Kalutara	30.09.2017	0 A 1 R 30.32 P	23,000	21,512	1,488
Turyaa Resorts (Pvt) Ltd	Kudawaskaduwa, Kalutara	30.09.2017	1 A 3 R 33.20 P	150,336	93,557	56,779
Turyaa Resorts (Pvt) Ltd	Kudawaskaduwa, Kalutara	30.09.2017	0 A 1 R 33.50 P	20,000	10,826	9,174
Vauxhall Investments Ltd	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	0 A 1 R 21.08 P	242,853	221,014	21,839
Vauxhall Property Developments Ltd	305, Vauxhall Street, Colombo 02	30.09.2017	0 A 2 R 24.73 P	890,205	875,474	14,731
				11,448,665	9,318,615	2,130,050

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

As at 31 March,	Group			
	2018		2017	
	Land Rs.'000	Building Rs.'000	Land Rs.'000	Building Rs.'000
Cost	2,798,704	33,069,718	668,654	492,660
Accumulated depreciation and impairment	-	(7,223,640)	-	(337,395)
Carrying value	2,798,704	25,846,078	668,654	155,265

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. 12.449 Mn. (Rs. 8,486 Mn-2016/17) and Rs. 2.4 Mn (Rs.1.7 Mn-2016/17) respectively as at reporting date.

15.4 Property plant and equipment that have been pledged

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

16. Intangible assets

For the year ended 31March,	Group							2017 Total Rs.'000
	License fees Rs.'000 Note 16.1	FLAG cable Rs.'000 Note 16.2	Software cost and implemen-tation Rs.'000	Software cost and implemen-tation (WIP) Rs.'000	Goodwill on acquisition Rs.'000	Other Rs.'000	Total Rs.'000	
Cost/carrying value								
Balance at the beginning of the year	1,345,709	2,797,761	68,567	32,107	792,297	-	5,036,441	4,617,468
Acquisitions/(disposals) of subsidiaries during the year	(20,445)	-	400,518	-	9,816,374	4,418	10,196,447	-
Additions	-	-	4,905	10,377	-	-	15,282	418,972
Balance at the end of the period	1,325,264	2,797,761	473,990	42,484	10,608,671	4,418	15,248,170	5,036,440
Accumulated amortisation and impairment								
Balance at the beginning of the year	575,282	1,616,564	41,190	29,919	446,431	-	2,709,386	2,144,796
Acquisitions/(disposals) of subsidiaries during the year	(4,211)	-	355,557	-	198,769	3,546	553,661	-
Amortised during the year	2,045	-	16,954	4,373	-	-	23,372	309,145
Impaired during the year (Note 19.4)	102,929	186,517	-	-	-	-	289,446	255,446
Balance at the end of the period	676,045	1,803,081	413,701	34,292	645,200	3,546	3,575,865	2,709,387
Carrying value								
As at beginning of the year	770,427	1,181,197	27,377	2,188	345,866	-	2,327,055	2,472,672
As at end of the year	649,219	994,680	60,289	8,192	9,963,471	872	11,676,723	2,327,053

Notes to the Financial Statements

16. Intangible assets (Contd.)

For the year ended 31March,	Software cost and implementation Rs.'000	Company	
		2018 Total Rs.'000	2017 Total Rs.'000
Cost/carrying value			
Balance at the beginning of the year	859	859	567
Additions	-	-	292
Transfers	-	-	-
Balance at the end of the period	859	859	859
Accumulated amortisation and impairment			
Balance at the beginning of the year	377	377	168
Amortised during the year	264	264	209
Balance at the end of the period	641	641	377
Carrying value			
As at beginning of the year	482	482	399
As at end of the year	218	218	482

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. This was fully amortised as at 28 February 2016. 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

For the year ended 31March,	Group				
	Land Rs.'000	Building Rs.'000	Capital WIP Rs.'000	Total 2018 Rs.'000	Total 2017 Rs.'000
Cost/Valuation					
Balance at the beginning of the year	1,044,485	350,374	36,181	1,431,040	1,195,695
Additions	419,599	58,800	58,518	536,917	73,745
Acquisition of Subsidiary	2,564,842	1,559	-	2,566,401	-
Disposal of Subsidiary	(23,200)	-	-	(23,200)	-
Assets retired	-	(154,076)	-	(154,076)	-
Change in fair Value	605,651	(14,288)	-	591,363	-
Transfers from property, plant and equipment	22,625	6,295	-	28,920	161,600
Balance at the end of the period	4,634,002	248,664	94,699	4,977,365	1,431,040
Carrying value					
As at beginning of the year	1,044,485	350,374	36,181	1,431,040	1,195,695
As at end of the year	4,634,002	248,664	94,699	4,977,365	1,431,040

For the year ended 31 March,	Company			Total 2018 Rs:'000	Total 2017 Rs:'000
	Land Rs:'000	Building Rs:'000	Capital WIP Rs:'000		
Cost/Valuation					
Balance at the beginning of the year	1,788,616	1,018,855	36,181	2,843,652	2,787,907
Additions	419,599	58,800	58,518	536,917	55,745
Assets retired		(154,076)		(154,076)	
Change in fair Value	666,839	(58,282)		608,557	-
Balance at the end of the period	2,875,054	865,297	94,699	3,835,050	2,843,652
Carrying value					
As at beginning of the year	1,788,616	1,018,855	36,181	2,843,652	2,787,907
As at end of the year	2,875,054	865,297	94,699	3,835,050	2,843,652

17.1 Valuation Details

Melstacorp PLC

A valuation of investment properties of Melstacorp PLC and Aitken Spence PLC was carried out by incorporated valuers Mr. Sivaskantha F.I.V (Sri Lanka) by using "Contractor's Principle Method" and incorporated in the financial statements of the group as at 31st March 2018.

Location	Significant Unobservable Inputs	Land Extent	Original Cost Rs:'000	Revalued Amount Rs:'000
No 451, Galle Road, Kollupiyiya, Colombo 03	Rs.22,000,000/- P.P.	0A-0R-20.38P	221,720	448,360

Place	Land Extent	Building Area	No of Buildings	Fair Value (Rs.)
No 146 & 146/1, Munidasa, Kumaratunga Mawatha, Bandarawatta, Seeduwa	0A-0R-31.41P	1975 sq.ft	1	20,320
No 63, Norris Canal Road, Maradana, Colombo 10.	25.94P	5642 sq.ft	1	166,987

Aitken Spence PLC

Investment properties of the company were valued by Mr. Sivaskanathan, A.M.I.V (Sri Lanka) a professional valuer on 31st March 2018 "Contractor's Principle Method".

Location	Significant Unobservable Inputs	Land Extent	Original Cost Rs:'000	Revalued Amount Rs:'000
Irakkakandi Village, VC Road, Nilaweli	Rs.141,769/- P.P.	113A-1R-1P	1,632,360	2,569,000

Notes to the Financial Statements

17.1 Valuation Details (Contd.)

Melsta Tower (Pvt) Ltd

Free hold Land and Building of the company were revalued by Mr. S. Sivaskantha, F.I.V (Sri Lanka) an independent professional valuer on 31st March 2018 on "contractor's Principle Basis".

Location	Significant Unobservable Inputs	Extent	Original Cost Rs.'000	Revalued Amount Rs.'000
No 136, Vipulasena Mw,Colombo 10.	0A-2R-38.75P	-	-	593,750
No 140/1, Vipulasena Mw,Colombo 10.	0A-0R-15.27P	-	-	80,168
No 128, Vipulasena Mw,Colombo 10.	0A-1R-1.90P	3550sq.ft	2	227,234
No 140, Vipulasena Mw,Colombo 10.	0A-0R-20.65P	1,918.5sq.ft	1	111,341

Melsta Logistics (Pvt) Ltd

Investment properties of the company were valued by Mr. Sivaskanthan, A.M.I.V (Sri Lanka) an independent professional valuer on 31st March 2018 on "Market Comparable Method".

Location	Significant Unobservable Inputs	Extent	Original Cost Rs.'000	Revalued Amount Rs.'000
Seeduwa - workshop and administrative land.	-	52,931.71sq.ft	8	148,484
Kandy - workshop and administrative land.	-	39,621sq.ft	5	161,620

Texpro Industries Limited

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

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

17.1 Sensitivity of assumptions employed in investment property valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the investment property valuation.

Melstacorp PLC

	2018			2017	
	Increase/ (Decrease) in Land & Building at per perch value	Sensitivity Effect on Statement of profit or loss Increase/ (Reduction) in results for the year (Rs.'000)	Sensitivity Effect on Statement on Investment Property Increase/ (Decrease) in results in the assets (Rs.'000)	Sensitivity Effect on Statement of profit or loss Increase/ (Reduction) in results for the year (Rs.'000)	Sensitivity Effect on Statement on Investment Property Increase/ (Decrease) in results in the assets (Rs.'000)
No 451, Galle Road, Kollupiyiya, Colombo 03	5%	22,418	22,418	-	-
	(5%)	(22,418)	(22,418)	-	-
No 146 & 146/1, Munidasa, Kumaratunga Mawatha, Bandarawatta, Seeduwa	5%	583	583	-	-
	(5%)	(583)	(583)	-	-
No 63, Norris Canal Road, Maradana, Colombo 10.	5%	8,349	8,349	-	-
	-5%	(8,349)	(8,349)	-	-

18. Biological assets

As at 31 March,	Note	Group	
		2018 Rs.'000	2017 Rs.'000
Bearer biological assets	18.1	3,259,921	2,368,409
Consumer biological assets	18.2	5,040,053	1,771,340
		8,299,974	4,139,749
18.1 Bearer biological assets			
On finance lease (JEDB/SLSPC)	18.1.1	86,765	60,781
Investments after formation of the plantation company	18.1.2	3,173,156	2,307,628
		3,259,921	2,368,409

Notes to the Financial Statements

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 2016 are as follows.

For the year ended 31March,	Mature plantations			2017 Rs.'000
	Tea Rs.'000	2018 Rubber Rs.'000	Total Rs.'000	
Cost				
Balance as at the beginning of the year	206,227	64,997	271,224	271,224
Acquisitions/disposals of subsidiaries during the year	146,663	-	146,663	-
Balance as at the end of the year	352,890	64,997	417,887	271,224
Accumulated amortisation				
Balance as at the beginning of the year	160,300	50,143	210,443	201,402
Acquisitions/disposals of subsidiaries during the year	111,638	-	111,638	-
Amortisation for the year	6,874	2,167	9,041	9,041
Balance as at the end of the year	278,812	52,310	331,122	210,443
Carrying amount	74,078	12,687	86,765	60,781

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 31March,	2018			2017 Total Rs.'000
	Immature plantations Rs.'000	Mature plantations Rs.'000	Total Rs.'000	
Cost				
Balance as at the beginning of the year	1,761,645	927,023	2,688,668	2,435,153
Additions during the year	250,300	-	250,300	253,516
Acquisitions/disposals of subsidiaries during the year	417,454	448,664	866,118	-
Transfers (from)/to	(289,373)	289,373	-	-
Impairment	(20,720)	-	(20,720)	-
Balance as at the end of the year	2,119,306	1,665,060	3,784,366	2,688,669
Accumulated amortisation				
Balance as at the beginning of the year	-	381,042	381,042	346,343
Charge for the year	-	47,573	47,573	34,698
Acquisitions/disposals of subsidiaries during the year	-	182,595	182,595	-
Balance as at the end of the year	-	611,210	611,210	381,041
Carrying amount at the end of the year	2,119,306	1,053,850	3,173,156	2,307,628

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

The 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 Rest. 77,196,494/- (2016 - Rs. 74,993,088/-) of borrowing costs capitalised during the year.

18.2 Consumer biological assets

For the year ended 31March,	Group	
	2018 Rs:'000	2017 Rs:'000
Balance as at the beginning of the year	1,771,340	1,755,819
Acquisition of Subsidiaries during the year	3,170,183	-
Decrease due to harvest/transfer	(68,821)	(9,155)
Increase due to development	18,290	9,116
Gain arising from changes in fair value less cost to sell	149,061	15,560
Balance as at the end of the year	5,040,053	1,771,340

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

For the year ended 31March,	Group	
	2018 Rs:'000	2017 Rs:'000
Balance as at the beginning of the year	5,246	1,967
Acquisition of Subsidiaries during the year	4,777	-
Gain/(Loss) recognise during the year	(1,825)	3,279
Balance as at the end of the year	8,198	5,246

18.3.1 Gain on charge in fair value of Biological Assets

For the year ended 31March,	Group	
	2018 Rs:'000	2017 Rs:'000
Consumable Biological Assets gain arising from changes in fair value less cost to sell	149,061	15,560
Produce on bearer Biological Assets Gain/(Loss) recognise during the year	(1,825)	3,279
	147,236	18,839

Notes to the Financial Statements

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	
		2017 Rs:'000	2016 Rs:'000	2017 Rs:'000	2016 Rs:'000	2017 Rs:'000	2016 Rs:'000
Assets measured at fair value							
Consumable Biological Assets-Timber	31st December 2017	-	-	-	-	5,040,053	1,771,340
Produce on Bearer Biological Assets	31st December 2017	-	-	8,198	5,246	-	-

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

18.4.1 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Non Financial Assets	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable inputs to Fair Value
Consumable Biological Assets - Timber	DCF Method	Discounting factor	14%	The higher the discount rate, the lower the fair value
		Optimum rotation (Maturity)	25-35 years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft	Rs.150/- Rs.650/- per Cu.Ft	The higher the price per cu.ft, the higher the fair value

Key assumptions used in the valuation

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

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their 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.

18.4.2 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 :

	-10%	10%
Managed Timber	Rs.'000	Rs.'000
As at 31st December , 2017	(505,327)	505,327
As at 31st December , 2016	(177,134)	177,134

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 :

	-1%	+1%
Managed Timber	Rs.'000	Rs.'000
As at 31st December , 2017	2,307,394	(2,048,694)
As at 31st December , 2016	66,722	(58,495)

19. Investments in subsidiaries

As at 31 March,	Note	2018 Rs.'000	2017 Rs.'000
Quoted Investments	19.1	54,659,310	35,069,381
Unquoted Investments	19.2	4,997,189	8,461,958
		59,656,499	43,531,339

19.1 Quoted Investments

As at 31 March,	2018			2017		
	Number of shares	Effective holding	Cost Rs.'000	Number of shares	Effective holding	Cost Rs.'000
Balangoda Plantations PLC	13,853,663	58.61%	360,565	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	4,253,266,969	92.46%	31,541,331	299,837,836	99.95%	14,100,000
DCSL - Pending Allotment	-	-	-	-	-	20,000,000
Aitken Spence PLC	199,623,617	49.17%	21,004,506	-	-	-
Madulsima Plantations PLC	94,767,483	55.91%	1,026,509	-	-	-
			54,659,310			35,069,381

Notes to the Financial Statements

19.2 Unquoted Investments

As at 31 March,	2018			2017		
	Number of shares	Effective holding	Cost Rs.'000	Number of shares	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	240,000,000	100%	6,750	200,000,000	100%	22,500
Continental Insurance Lanka Limited	70,000,007	100%	664,000	70,000,007	100%	664,000
Melsta Logistics (Pvt) Limited	90,000,000	100%	571,486	66,572,573	100%	845,451
Melsta Regal Finance Limited	-	-	-	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	158,994,901	100%	1,589,949	170,194,901	100%	1,701,949
Melsta Tower (Pvt) Limited	65,751,636	100%	657,516	65,751,636	100%	657,516
Melsta Technolohies (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%	50,686	100,002	100%	50,685
			8,125,534			9,894,170
Less: Provision for impairment of subsidiaries			(3,128,345)			(1,432,212)
			4,997,189			8,461,958

19.3 Group holdings in subsidiaries

Subsidiary	Principal Activity	Reporting date	Reason for using a different period	Indirectly holding through	2018	
					No. of shares	Effective ownership interest
1 Aitken Spence PLC	SPEN Diversified Holding	31-Mar	-		199,623,617	49.17%
2 Balangoda Plantations PLC	BPL Cultivation and processing of Tea & Rubber	31-Dec	To comply with the rules and regulations in the Plantation sector		13,853,663	58.61%
3 Bell Solutions (Pvt) Ltd	BSL Information & Communication Technology	31-Mar	-	LB	98,090	98.09%
4 Bellvantage (Pvt) Ltd	BV BPO,KPO & Software Development	31-Mar	-		5,000,100	100%
5 Bogo Power (Pvt) Ltd	BP Generation and sale of Hydro Electric Energy	31-Mar	-		993,000,000	99.30%
6 Browns Beach Hotel PLC	BBH Leisure	31-Mar	-	SPEN	54,273,234	55.63%
7 Continental Insurance Lanka Limited	CIL General Insurance Services	31-Dec	To comply with the rules and regulations in the Insurance sector		70,000,017	100%
8 Lanka Bell Ltd	LB Telecommunication Services	31-Mar	-	MH	50,719,061	99.73%
9 DCSL	Beverage	31-Mar	-		4,253,267	92.46%
10 Melsta Logistics (Pvt) Ltd	ML Automobile Servicing and Logistics	31-Mar	-		90,000,000	100%
11 Melsta Regal Finance Ltd	MRF Finance, Leasing, Hire Purchasing and Factoring	31-Mar	-		134,029,451	100%

Subsidiary	Principal Activity	Reporting date	Reason for using a different period	Indirectly holding through	2018	
					No. of shares	Effective ownership interest
12 Milford Holdings (Pvt) Ltd	MH Investment Holding Company	31-Mar	-		333,067,925	98.36%
13 Negombo Beach Resorts (Pvt) Ltd	NBR Leisure	31-Mar	-	BBH	91,400,001	41.88%
14 Periceyl (Pvt) Ltd	PVL Distribution of locally manufactured Foreign Liquor	31-Dec	To operate in line with foreign strategic alliances		240,000	100%
15 Splendor Media (Pvt) Ltd	SM Media Buying & Creative Services	31-Mar	-		100,000.00	100%
16 Telecom Frontier (Pvt) Ltd	TF Telecommunication Services	31-Mar	-	LB	98,090	98.09%
17 Texpro Industries Ltd	TEXP Dyeing and Printing Woven Fabrics	31-Mar	-	TIM	46,836,524	41.75%
18 Timpex Ltd	TIM Investment Holding Company	31-Mar	-		15,611,661	51.03%
19 Melsta Properties (Pvt) Ltd	MP Management of Real Estate	31-Mar	-		158,994,901	100%
20 Melsta Tower (Pvt) Limited	MT Real Estate	31-Mar			65,751,636	100%
21 Melsta Technology (Pvt) Limited	TECH IT Services	31-Mar			1,000,000	100%
22 Madulsima Plantations PLC	MPL Cultivation and processing of Tea	31-Dec	To comply with the rules and regulations in the Plantation sector		94,767,483	55.91%

19.4 Acquisition of a Subsidiaries

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

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

Consideration Transferred

	Total Rs' 000	Aitken Spence PLC Rs' 000	Madulsima Plantations PLC Rs' 000
Cash	703,445	413,028	290,417

Notes to the Financial Statements

19.4 Acquisition of a Subsidiaries (Contd.)

Identifiable Assets Acquired and Liabilities Assumed

The Following Table summarises the recognised amounts of assets and liabilities assumed at the date of acquisition.

	Aitken Spence PLC Rs' 000	Madulsima Plantations PLC Rs' 000
Property, Plant & Equipment	66,828,344	1,053,303
Investment Properties	2,569,000	-
Intangible Assets	890,378	-
Biological assets	47,293	3,797,679
Leasehold Properties	2,023,903	-
Pre Paid Operating Leases	2,308,824	-
Investment in Equity Accounted Investees	6,334,455	-
Deferred Tax Assets	563,391	-
Other Financial Assets	284,588	3,833
Inventories	1,526,162	227,151
Trade and other Receivable	14,146,283	118,051
Other Tax Receivable	243,352	-
Deposits and Repayments	1,480,413	-
Amounts Due From Related Parties	-	919
Other Current Assets	7,300,814	-
Cash and Equivalents	9,636,419	6,462
Assets Held For Sale	149,125	-
Total Assets acquired	116,332,744	5,207,398
Interest Bearing Liabilities	25,464,264	467,639
Deferred Tax Liabilities	3,298,605	131,923
Employee Benefits	1,046,605	828,481
Deferred Grants	-	148,862
Lease Liabilities	-	30,561
Other Liabilities	881,272	-
Amount Due to Related Companies	-	364,871
Trade and Other Payable	12,604,616	314,147
Current tax Payable	454,427	-
Bank Overdrafts	9,157,459	428,314
Total Liabilities acquired	52,907,248	2,714,798
Total identifiable net assets acquired	63,425,496	2,492,600

19.4.1 Goodwill on acquisition

	Aitken Spence PLC Rs' 000	Madulsima Plantations PLC Rs' 000
Consideration Transferred	413,028	290,417
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	43,406,914	1,098,996
Fair value of pre-existing interest	28,644,103	1,175,049
Fair value of identifiable net assets	(63,425,496)	(2,492,600)
Goodwill on acquisition	9,038,549	71,862

19.4.2 Valuation of Aitken Spence Group

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

19.4.3 Consolidation of Aitken Spence PLC

The Company has acquired the control of Aitken Spence PLC as at 31st March 2018. However, the Company has not completed the acquisition accounting as of date of issue of these financial statements for the year ended 31st March 2018. The amount used for the measurement of goodwill and the identifiable assets and liabilities assumed have been recorded on provisional basis. A list of items of consideration that are incomplete is given below.

- Goodwill
- Identification of other identifiable intangible assets

The Group expects to complete the acquisition accounting during the financial year ending 31st March 2019.

19.5 Disposal of Subsidiary

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

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

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

19.5.1 Gain on disposal of Subsidiary

	Melsta Regal Finance Limited Rs' 000
Consideration Received	2,555,150
Net assets as at the date of disposal	(1,504,510)
Goodwill	(345,866)
Gain on Disposal	704,774

19.6 Impairment in Investment in Subsidiaries

Melstacorp recorded an impairment of Rs.1.7 Bn in its Investment in Subsidiary, Milford Holdings (Pvt) Ltd, the immediate parent of Lanka Bell Ltd in its Separate Financial Statements.

Notes to the Financial Statements

19.7 Re-purchase of Shares by Subsidiaries

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

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

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

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 Aitken Spence PLC (SPEN) Browns Beach Hotel PLC (BBH), Balangoda Plantations PLC (BPL), Negombo Beach Resorts Private Limited (NBR) and Texpro Industries Private Limited (TEXP), the Group assessed that it is able to govern the financial and operating policies of SPEN, BBH, BPL, NBR and TEXP by virtue of de facto control on the basis that the remaining share holders are widely depressed and there is no indication to believe that all of them will 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	Aitken Spence PLC (SPEN)	Balangoda Plantations PLC (BPL)	Browns Beach Hotels PLC (BBH)	Madulsima Plantations PLC (MPL)
Principal place of business	No.815, Vauxhall Street, Colombo 02.	In the areas of Ratnapura, Balangoda and Badulla	No. 175, Lewis Place, Negombo	In the areas of Badulla and bogawanthalawa.
Proportion of ownership interest held by non controlling interest	50.83%	41.39%	44.37%	44.09%
Profit / (loss) allocated to non controlling interest (Rs. '000)	-	(37,938)	(141,591)	(14,915)
Accumulated non controlling interest at the end of the reporting period (Rs. '000)	34,256,674	840,279	1,235,474	1,080,205

19.9.2 Summarised financial information of subsidiaries that have material NCI

As at/ for the year ended 31 March,	BPL		BBH		MPL		SPEN	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Dividends paid to non controlling interests	-	-	-	-	-	-	-	-
Current assets	429,389	521,403	273,794	142,601	429,389	437,507	33,812,157	31,884,378
Non current assets	5,137,726	4,975,349	5,762,395	5,906,680	4,913,935	4,812,151	73,881,258	63,411,082
Current liabilities	1,078,990	1,486,240	381,301	1,980,695	343,831	1,614,397	27,997,370	24,998,995
Non current liabilities	2,457,894	1,911,013	2,870,584	970,960	1,522,446	1,160,302	23,560,466	19,503,049
Revenue	3,056,067	2,266,657	939,230	593,861	2,605,104	1,842,069	52,734,969	45,892,179
Profit/(Loss) After Tax	(91,662)	(314,341)	(319,093)	(482,407)	44,596	(292,586)	5,149,532	4,045,465
Other comprehensive income	22,395	125,271	5,862	137,468	(69,574)	103,974	1,453,305	1,309,258
Total comprehensive income	(69,267)	(183,194)	(313,231)	(345,441)	(24,978)	(188,613)	6,602,837	5,354,723
Cash Flows								
Cash flows from operating activities	(37,948)	(5,717)	(139,786)	(212,258)	(117,402)	123,820	10,058,687	2,962,888
Cash flows from investing activities	342,328	(263,388)	(8,539)	(356,305)	(61,874)	(53,082)	(5,473,582)	(3,994,720)
Cash flows from financing activities	342,328	211,938	361,530	501,228	204,255	(84,820)	1,196,937	(1,640,661)

20. Investment in equity accounted investees

As at 31 March,	Group					
	2018			2017		
	No. of shares	Effective holding	Carrying value Rs.'000 Note 20.1	No. of shares	Effective holding	Carrying value Rs.'000 Note 20.1
Interest in Joint Ventures						
Aitken Spence C & T Investments	14,170,000	50.00%	141,700	-	-	-
EcoCorp Asia (Pvt) Ltd	125,100	50.00%	131,404	-	-	-
Aitken Spence Engineering Solutions (Pvt) Ltd	1	50.00%	-	-	-	-
Colombo International Nautical and Engineering College (Pvt) Ltd	225,334	40.00%	502,950	-	-	-
Ace Bangladesh Ltd	39,200	49.00%	8,400	-	-	-
			784,454	-	-	-
Provision for Impairment			(26,712)	-	-	-
Share of movement in equity value			227,076	-	-	-
			984,818	-	-	--
Interest in Associates						
Aitken Spence PLC	-	-	-	183,398,490	45.17%	20,124,122
Madulsima Plantations PLC	-	-	-	77,817,810	45.90%	736,092
Aitken Spence Plantation	8,295,860	38.95%	165,000	-	-	-
Fiji Ports Corporation	14,630,970	20.00%	2,351,255	-	-	-
Browns Beach Hotel	48,627,103	27.96%	-	-	-	-
Amethyst Leisure	134,666,055	20.78%	339,263	-	-	-
			2,855,518	-	-	20,860,214
Share of movement in equity value			1,666,786	-	-	7,258,517
			4,522,304	-	-	28,118,731
			5,507,122	-	-	28,118,731

Notes to the Financial Statements

20. Investment in equity accounted investees (Contd.)

As at 31 March,	Company					
	2018			2017		
	No. of shares	Effective holding	Cost Rs.'000	No. of shares	Effective holding	Cost Rs.'000
Aitken Spence PLC	-	-	-	183,190,790	45.12%	20,093,261
Madulsima Plantations PLC	-	-	-	77,817,810	45.90%	736,092
						20,829,353

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

Equity accounted investee	Balance as at 1 April 2017	Acquisitions/ (Disposal)	Share of profit/ (loss) net of tax	Dividend received	Share of other comprehensive income	Step Acquisitions	Balance as at 1 April 2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest in Joint Ventures							
Ace Bangladesh Ltd	-	16,030	-	-	-	-	16,030
Colombo International Nautical & Engineering College	-	885,344	-	-	-	-	885,344
CINEC Skills (Pvt) Ltd	-	(14,093)	-	-	-	-	(14,093)
Aitken Spence C & T Investments (Pvt) Ltd	-	42,478	-	-	-	-	42,478
EcoCorp Asia (Pvt) Ltd	-	53,424	-	-	-	-	53,424
Aitken Spence Engineering Solutions (Pvt) Ltd	-	1,636	-	-	-	-	1,636
	-	984,819	-	-	-	-	984,819
Interest in Associates							
Aitken Spence PLC	27,209,066	484,669	1,973,560	(91,699)	843,106	(30,418,702)	-
Madulsima Plantations PLC	909,665	-	36,003	-	(27,920)	(917,748)	-
BBH (Consol with Negambo Beach)	-	1,044,467	-	-	-	(1,044,467)	-
Amethyst Leisure (Consol with Paradise Resorts Passikudah)	-	116,533	-	-	-	-	116,533
ASPM (Consol with Elpitiya)	-	1,304,721	-	-	-	-	1,304,721
Fiji Ports Corporation	-	3,101,050	-	-	-	-	3,101,050
	28,118,731	6,051,440	2,009,563	(91,699)	815,186	(32,380,917)	4,522,304

21. Other financial investments

As at 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Non current investments					
Available for sale financial investments - (AFS)	21.1	20,730,313	18,780,482	17,034,491	14,390,082
Loans and receivables (L&R) financial investments	21.4	1,231,250	952,984	-	-
		21,961,563	19,733,466	17,034,491	14,390,082
Current investments					
Available for sale financial investments - (AFS)	21.1	279,538	16,766	-	-
Fair value through profit or loss (FVTPL) financial investments	21.2	1,355,391	1,196,747	1,062,481	899,403
Held to maturity (HTM) financial investments	21.3	-	292,981	-	-
Loans and receivables (L&R) financial investments	21.4	12,220,794	5,297,654	3,021,541	4,035,507
		13,855,723	6,804,148	4,084,022	4,934,910

21.1 Available for sale financial investments - (AFS)

As at 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Non current investments					
Quoted equity securities	21.1.1	19,984,088	16,471,486	17,034,491	14,177,728
Unquoted equity securities	21.1.2	150,416	125,564	-	-
Investments in unit trusts	21.1.3	3,000	3,000	-	-
Unquoted debt securities	21.1.4	10,500	433,377	-	-
Government securities	21.1.5	382,309	1,747,055	-	212,354
Quoted debt securities	21.1.6	200,000	-	-	-
		20,730,313	18,780,482	17,034,491	14,390,082
Current investments					
Quoted equity securities	21.1.1	41,941	-	-	-
Government securities	21.1.5	16,927	16,766	-	-
Quoted debt securities	21.1.6	220,670	-	-	-
		279,538	16,766	-	-

21.1.1 Quoted equity securities

As at 31 March,	Group						Company					
	2018			2017			2018			2017		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Non current assets												
Diversified investments												
John Keells Holdings PLC	48,519,886	7,313,829	7,743,838	52,023,842	7,842,011	7,174,088	48,519,886	7,313,829	7,743,774	52,023,842	7,842,011	7,174,088
		7,313,893	7,743,838		7,842,011	7,174,088		7,313,829	7,743,774		7,842,011	7,174,088
Bank finance & insurance												
Commercial Bank of Ceylon PLC	41,516,889	5,939,951	5,637,993	28,295,305	4,175,083	3,689,708	41,516,889	5,939,951	5,637,993	28,295,305	4,175,083	3,689,708
Seylan Bank PLC	10,206	965	886	10,000	945	870	10,206	965	886	10,000	945	870
DFCC Bank PLC	22,175,280	4,174,413	2,590,073	22,175,280	4,174,413	2,527,982	22,175,280	4,174,413	2,590,073	22,175,280	4,174,413	2,527,982
Hatton National Bank PLC	12,037,030	2,703,620	2,949,072	10,178,656	526,497	2,293,251	-	-	-	-	-	-
National Development Bank PLC	3,376	-	461	3,252	-	507	-	-	-	-	-	-
		12,818,949	11,178,485		8,876,938	8,512,318		10,114,364	8,228,952		8,350,441	6,218,560
Beverage, food & tobacco												
Lanka Milk Foods (CWE) PLC	6,710,084	698,742	1,061,765	6,710,084	698,043	785,080	6,710,084	698,742	1,061,765	6,710,084	698,043	785,080
		698,742	1,061,765		698,043	785,080		698,742	1,061,765		698,043	785,080
Manufacturing												
Pelwatte Sugar Industries PLC	33,140,501	926,473	-	33,140,501	926,473	-	33,140,501	926,473	-	33,140,501	926,473	-
		926,473	-		926,473	-		926,473	-		926,473	-
Total quoted equity securities - AFS		21,758,057	19,984,088		18,343,465	16,471,486		19,053,408	17,034,491		17,816,968	14,177,728

Notes to the Financial Statements

21.1.1 Quoted equity securities (Contd.)

Quoted equity securities

As at 31 March,	Group			Company				
	2018		2017		2018		2017	
	No. of warrents	Fair value	Cost	Fair value	No. of warrents	Fair value	Cost	Fair value
Current Assets								
DFCC Bank PLC	24,770	37,924	-	-	-	-	-	-
Colombo Dockyard	13,543	1,124	-	-	-	-	-	-
Hatton National Bank	196,874	2,893	-	-	-	-	-	-
		41,941	-	-	-	-	-	-

21.1.2 Unquoted equity securities

As at 31 March,	Group						Company					
	2018		2017		2018		2018		2017			
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
International Distilleries Lanka Ltd	100	100	3	100	3	3	-	-	-	-	-	-
Amethyst Leisure Ltd	58,266,167	-	-	58,266,167	125,226	125,226	-	-	-	-	-	-
Credit Investment Bureau of Sri Lanka	-	-	-	3310	331	331	-	-	-	-	-	-
W.M.Mendis & Co., Ltd	200	-	4	200	4	4	-	-	-	-	-	-
Rainforest Ecologicalodge (Pvt) Ltd	3,500,000	-	24,416	-	-	-	-	-	-	-	-	-
Business Process Outsourcing LLC	30,000	-	4,109	-	-	-	-	-	-	-	-	-
Floatels India (Pvt) Ltd	988,764	-	107,516	-	-	-	-	-	-	-	-	-
Cargo Village	823	-	13,349	-	-	-	-	-	-	-	-	-
Ingrin Institute of Printing & Graphics	100	-	16	-	-	-	-	-	-	-	-	-
Ceylon Holiday Resorts Ltd	-	-	1,003	-	-	-	-	-	-	-	-	-
			150,416		125,564	125,564	-	-	-	-	-	-

21.1.3 Investments in unit trusts

As at 31 March,	Group						Company					
	2018		2017		2018		2018		2017			
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Unit Trust Mgt Co., Ltd	300,000	3,000	3,000	300,000	3,000	3,000	-	-	-	-	-	-
	300,000	3,000	3,000	300,000	3,000	3,000	-	-	-	-	-	-

21.1.4 Unquoted debt securities

As at 31 March,	Group			Company		
	Fair value			Fair value		
	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non Current Investments						
Corporate debentures	10,500	433,377	-	-	-	-
	10,500	433,377	-	-	-	-

21.1.5 Government securities

As at 31 March,	Group				Company			
	2018		2017		2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Non Current Investments								
Treasury bonds	-	382,309	1,786,646	1,747,055			208,472	212,354
	-	382,309	1,786,646	1,747,055	-	-	208,472	212,354
Current Investments								
Treasury bills		172,527	16,895	16,766		-	-	-
	-	172,527	16,895	16,766	-	-	-	-

21.1.6 Quoted debt securities

As at 31 March,	Group				Company			
	2018		2017		2018		2017	
	No. of Instruments	Fair Value	No. of Instruments	Fair Value	No. of Instruments	Fair Value	No. of Instruments	Fair Value
Non Current Investments								
DFCC Bank PLC	2,000,000	200,000	-	-	-	-	-	-
	2,000,000	200,000	-	-	-	-	-	-
Current Investments								
LB Finance PLC	2,206,700	220,670	-	-	-	-	-	-
	2,206,700	220,670	-	-	-	-	-	-

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

As at 31 March,	Note	Group Fair Value		Company Fair Value	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Quoted equity securities	21.2.1	1,176,131	1,016,948	1,062,481	899,403
Investments in unit trusts	21.2.2	153,883	179,799	-	-
Government Securities	21.2.3	25,377	-	-	-
		1,355,391	1,196,747	1,062,481	899,403

Notes to the Financial Statements

21.2.1 Quoted equity securities

As at 31 March,	Group				Company			
	2018		2017		2018		2017	
	No. of shares	Fair value	No. of shares	Fair value	No. of shares	Fair value	No. of shares	Fair value
Bank finance & insurance								
Nation Trust Bank PLC	50,000	3,900	50,000	4,045	-	-	-	-
Seylan Bank PLC	-	-	-	-	-	-	-	-
Commercial Bank of Ceylon PLC - NV	662	90	662	76	-	-	-	-
		3,990		4,121		-		-
Beverage, food & tobacco								
Renuka Agri Foods PLC	6,118,560	14,433	6,118,560	17,252	-	-	-	-
Nestle Lanka PLC	1,372	2,231	2,566	5,242	-	-	-	-
		16,664		22,494		-		-
Hotel and travels								
The Kingsbury Hotel PLC	823,600	2,768	823,600	12,704	-	-	-	-
Aitken Spence Hotel Holdings PLC	23,100	11,816	23,100	996	-	-	-	-
John Keells Hotels PLC	140,000	4,848	528,850	5,415	-	-	-	-
		19,432		19,115		-		-
Manufacturing								
ACL Cables PLC	63,000	2,671	63,000	4,076	-	-	-	-
Tokyo Cement PLC	120,000	7,080	100,000	5,150	-	-	-	-
Hemas Holdings PLC	-	-	-	-	-	-	-	-
Lanka Tiles PLC	-	-	-	-	-	-	-	-
Lanka IOC	29,998	840	29,998	951	-	-	-	-
Bukit Darah PLC	72,200	14,880	72,200	18,786	72,200	14,880	72,200	18,786
Textured Jersey Lanka PLC	12,622,428	432,898	13,511,928	504,856	12,622,428	402,655	12,622,428	467,030
		13,511,928		533,819		417,535		485,816
Diversified Investments								
CT Holding PLC	1,475,500	284,034	1,475,500	219,702	1,623,050	284,034	1,475,500	219,702
Softlogic Holdings PLC		-	380,000	4,522		-		-
Softlogic Capital PLC	40,000,000	229,348	40,000,000	188,000	40,000,000	220,000	40,000,000	188,000
Free Lanka Capital Holdings PLC	2,850,850	10,263	2,850,850	4,276		-		-
Carson Cumberbatch PLC		4,939	29,400	4,798	29,400	4,939	29,400	4,798
Vallibal One PLC	58,987	2,447	121,084	2,184	62,100	1,403	62,100	1,087
		531,031		423,482		510,376		413,587
Hospitals								
Durdans Hospital PLC - Non Voting	40,040	2,615	40,040	2,783		-		-
		2,615		2,783		-		-
Chemicals and Pharmaceuticals								
Heycarb PLC	73,876	9,460	73,876	11,134		-		-
		9,460		11,134		-		-
Real Estate								
RIL Properties PLC	18,434,300	134,570			18,434,300	134,570		
		134,570						
Total quoted equity securities -FVTPL		1,176,131		1,016,948		1,062,481		899,403

21.2.2 Investments in unit trusts

As at 31 March,	Group			
	2018		2017	
	No. of units	Fair value	No. of units	Fair value
Namal High Yield Fund	831,652	15,008	-	-
JB Vantage Money Market Fund	4,322,549	83,842	8,798,474	152,136
First Capital Money Market	-	-	23,414	27,663
Guardian Acuity Fixed Income Fund	3,588,743	55,033	-	-
Total unit trust investment -FVTPL		153,883		179,799

21.2.3 Government securities

Government securities consists of treasury bills and treasury bonds held for trading purposes which are measured at fair value through profit or loss.

21.3 Held to maturity (HTM) financial investments

As at 31 March,	Group		Company	
	2018 Rs:'000	2017 Rs:'000	2018 Rs:'000	2017 Rs:'000
SLDB Bonds	-	292,981	-	-
	-	292,981	-	-

21.4 Loans and receivables (L&R) financial investments

As at 31 March,	Note	Group		Company	
		2018 Rs:'000	2017 Rs:'000	2018 Rs:'000	2017 Rs:'000
Non current investments					
Corporate debentures		1,231,250	952,984	-	-
		1,231,250	952,984	-	-
Treasury bills matures after 3 months		155,600	-	-	-
Commercial papers		55,070	-	-	-
Term Deposit matured after 3 months	21.4.1	11,728,540	5,189,082	3,021,541	4,035,507
Reverse Repurchase Agreement		205,038	108,572	-	-
Corporate Debentures		76,546	-	-	-
		12,220,794	5,297,654	3,021,541	4,035,507

21.4.1 Term deposits

Term deposits include fixed and call deposits which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

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.

Notes to the Financial Statements

22. Deferred tax asset and liabilities

22.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

As at 31 March,	Group					
	2018			2017		
	Assets Rs.'000	Liabilities Rs.'000	Net Rs.'000	Assets Rs.'000	Liabilities Rs.'000	Net Rs.'000
Property, plant and equipment	(15,523)	4,610,017	4,594,494	(11,900)	1,952,737	1,940,837
Biological assets	-	1,144,376	1,144,376	-	408,421	408,421
Provision for impairment of receivables	(6,214)	-	(6,214)	-	-	-
Provisions	-	-	-	(58,069)	-	(58,069)
Available for Sale Financial Asset	272	82	354	-	-	-
Employee benefits	(489,699)	98	(489,601)	(175,667)	-	(175,667)
Accelerated tax depreciation on leasing assets	(2,492)	424,769	422,277	(6,007)	150,152	144,145
Undistributed profits on consolidated entities	-	46,240	46,240	-	-	-
Other Items	(419)	-	(419)	-	-	-
Revaluation Surplus on Freehold Land	-	1,592,884	1,592,884	-	-	-
Investment Properties	-	683,744	683,744	-	-	-
Unutilised tax loss carry-forwards	(1,927,846)	-	(1,927,846)	(607,961)	-	(607,961)
	(2,441,921)	8,502,210	6,060,289	(859,604)	2,511,310	1,651,706

As at 31 March,	Company					
	2018			2017		
	Assets Rs.'000	Liabilities Rs.'000	Net Rs.'000	Assets Rs.'000	Liabilities Rs.'000	Net Rs.'000
Property, plant and equipment	-	424,769	424,769	-	103,757	103,757
Employee benefits	(1,781)	-	(1,781)	(1,208)	-	(1,208)
Unutilised tax loss carry-forwards	-	-	-	-	-	-
	(1,781)	424,769	422,988	(1,208)	103,757	102,549

22.1.1 Movement in recognised deferred tax assets and liabilities

	Group							Balance as at 31 March 2018 Rs.'000
	2018							
	Balance as at 1 April 2017 Rs.'000	De- recognition of Subsidiary Rs.'000	Profit or loss Rs.'000	Charged/(reversed) in			Directly in equity Rs.'000	
			Other comprehensive income Rs.'000	Exchange Difference Rs.'000				
Property, plant and equipment	1,940,837	-	87,734	667,354	-	2,765,416	5,461,341	
Available for Sale Financial Assets	-	-	-	4,615	-	82	4,697	
Provisions	(58,069)	-	288	-	-	-	(57,781)	
Biological assets	408,421	-	193,467	-	-	542,488	1,144,376	
Provision for impairment of receivables	-	-	-	-	-	(6,214)	(6,214)	
Employee benefits	(175,667)	-	6,509	(3,068)	-	(322,205)	(494,431)	
Accelerated tax depreciation on leasing assets	144,145	-	-	-	-	-	144,145	
Undistributed profits on consolidated entities	-	-	-	-	-	46,240	46,240	
Other Items	-	-	-	-	-	(419)	(419)	
Revaluation Surplus on Freehold Land	-	-	-	595,401	-	997,483	1,592,884	
Investment Properties	-	-	-	-	-	262,259	262,259	
Unutilised tax loss carry-forwards	(607,961)	-	(16,008)	-	-	(1,412,839)	(2,036,808)	
	1,651,706	-	271,990	1,264,302	-	2,872,291	6,060,289	

	2017						
	Charged/(reversed) in						
	Balance as at 1 April 2016 Rs.'000	De-recognition of Subsidiary Rs.'000	Profit or loss Rs.'000	Other comprehensive income Rs.'000	Exchange Difference Rs.'000	Directly in equity Rs.'000	Balance as at 31 March 2017 Rs.'000
Property, plant and equipment	1,627,560	-	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)
	1,406,204	-	196,556	48,946	-	-	1,651,706

Notes to the Financial Statements

22.1.1 Movement in recognised deferred tax assets and liabilities (Contd.)

For the year ended 31 March,	Company 2018				Balance as at 31 March 2018 Rs.'000
	Balance as at 1 April 2017 Rs.'000	Profit or loss Rs.'000	Charged/(reversed) in		
			other comprehensive income Rs.'000	directly in equity Rs.'000	
Property, plant and equipment	103,757	292,467	28,544	-	424,769
Intangible assets	-	-	-	-	-
Biological assets	-	-	-	-	-
Investment property	-	-	-	-	-
Inventories	-	-	-	-	-
Employee benefits	(1,208)	(573)	-	-	(1,781)
Unutilised tax loss carry-forwards	-	-	-	-	-
Other items	-	-	-	-	-
	102,549	291,894	28,544	-	422,988

For the year ended 31 March,	Company 2017				Balance as at 31 March 2017 Rs.'000
	Balance as at 1 April 2016 Rs.'000	Profit or loss Rs.'000	Charged/(reversed) in		
			other comprehensive income Rs.'000	directly in equity Rs.'000	
Property, plant and equipment	85,175	18,582	-	-	103,757
Intangible assets	-	-	-	-	-
Biological assets	-	-	-	-	-
Investment property	-	-	-	-	-
Inventories	-	-	-	-	-
Employee benefits	(856)	(439)	87	-	(1,208)
Unutilised tax loss carry-forwards	(19,032)	19,032	-	-	-
Other items	-	-	-	-	-
	65,287	37,175	87	-	102,549

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	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Property, plant & equipment & intangible assets	(1,744,693)	(276,312)	-	-
Employee benefits	54,172	10,192	-	-
Impairment of trade receivables	617,167	150,775	-	-
Provision for inventory	522,389	165,694	-	-
Accelerated Depreciation for Tax Purposes	(76,979)	-	-	-
Tax losses	1,222,844	129,817	-	-
Other deductible temporary differences	-	-	-	-
	594,900	180,166	-	-

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

As at 31 March,		2018				2017			
	Note	Finance lease receivables Rs.'000	Hire purchase receivables Rs.'000	Operating lease receivables Rs.'000	Total Rs.'000	Finance lease receivables Rs.'000	Hire purchase receivables Rs.'000	Operating lease receivables Rs.'000	Total Rs.'000
Non Current assets									
Receivable from one to five years	23.1	-	-	-	-	1,607,190	16,579	-	1,623,769
Receivable from more than five years		-	-	-	-	-	-	-	-
		-	-	-	-	1,607,190	16,579	-	1,623,769
Current assets									
Receivable within one year	23.2	-	-	-	-	1,500,989	27,585	-	1,528,574
		-	-	-	-	1,500,989	27,585	-	1,528,574

23.1 Receivable from one to five years

As at 31 March,		2018				2017			
	Note	Finance lease receivables Rs.'000	Hire purchase receivables Rs.'000	Operating lease receivables Rs.'000	Total Rs.'000	Finance lease receivables Rs.'000	Hire purchase receivables Rs.'000	Operating lease receivables Rs.'000	Total Rs.'000
Gross rental receivable		-	-	-	-	2,163,465	18,757	-	2,182,222
Unearned interest income		-	-	-	-	(525,060)	(2,094)	-	(527,154)
Allowance for impairment		-	-	-	-	-	-	-	-
Individual Impairment		-	-	-	-	(25,106)	-	-	(25,106)
Collective Impairment		-	-	-	-	(6,109)	(84)	-	(6,193)
		-	-	-	-	1,607,190	16,579	-	1,623,769

23.2 Receivable within one year

As at 31 March,		2018				2017			
	Note	Finance lease receivables Rs.'000	Hire purchase receivables Rs.'000	Operating lease receivables Rs.'000	Total Rs.'000	Finance lease receivables Rs.'000	Hire purchase receivables Rs.'000	Operating lease receivables Rs.'000	Total Rs.'000
Gross rental receivable		-	-	-	-	2,011,673	38,331	-	2,050,004
Unearned interest income		-	-	-	-	(449,767)	(5,009)	-	(454,776)
Allowance for impairment		-	-	-	-	-	-	-	-
Individual Impairment		-	-	-	-	(55,093)	(5,569)	-	(60,662)
Collective Impairment		-	-	-	-	(5,824)	(168)	-	(5,992)
		-	-	-	-	1,500,989	27,585	-	1,528,574

Notes to the Financial Statements

24. Advances ,other loans and pre-paid leases

As at 31 March,	Notes	2018			2017		
		Loans and advances, Factoring Receivables	Prepaid Leases	Total	Loans and advances, Factoring Receivables	Prepaid Leases	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Note 24.1	Note 24.2		Note 24.1		
Non Current Assets							
Receivable from one to five years		-	2,241,358	2,241,358	526,540	-	526,540
		-	2,241,358	2,241,358	526,540	-	526,540
Current Assets							
Receivable within one year		-	67,466	67,466	1,400,196	-	1,400,196
		-	67,466	67,466	1,400,196	-	1,400,196
Total		-	2,308,824	2,308,824	1,926,736	-	1,926,736

24.1 Loans and advances

As at 31 March,	Notes	2018			2017		
		Loans and advances	Prepaid Leases	Total	Loans and advances	Prepaid Leases	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Note 24.1			Note 24.1		
Loans secured by other assets		-	-	-	600,826	-	600,826
Trade finance receivables		-	-	-	1,129,580	-	1,129,580
Factoring receivables		-	-	-	268,118	-	268,118
Allowance for impairment							
Individual Impairment		-	-	-	(67,710)	-	(67,710)
Collective Impairment		-	-	-	(4,078)	-	(4,078)
		-	-	-	1,926,736	-	1,658,736

24.2 Pre-paid operating leases

For the year ended 31 March,	Group	
	2018	2017
	Rs.'000	Rs.'000
Balance as at 01st April	-	-
Acquisition of Subsidiary	2,308,824	-
Balance as at 31st March	2,308,824	-
Current portion of pre-paid operating leases	67,466	-
Non-current portion of pre-paid operating leases	2,241,358	-

25. Inventories

As at 31 March,	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Raw materials	3,564,966	2,477,925	-	-
Packing material	732,172	794,955	-	-
Work in progress	835,624	703,760	-	-
Finished goods	1,195,203	1,633,127	-	-
Harvested crop	446,872	281,997	-	-
Nurseries	15,458	9,033	-	-
Input materials, consumables and spares	2,632,762	1,654,193	1,112	918
Goods in transit	251,991	98,425	-	-
	9,675,048	7,653,415	1,112	918
Provision for slow moving and obsolete inventories	(768,126)	(598,981)	-	-
	8,906,922	7,054,434	1,112	918

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	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Financial assets					
Trade receivables		20,358,865	6,310,630	-	-
Other financial receivables		5,657,500	1,299,696	2,577,600	6,672
Deferred Revenue asset		25,624	-	25,624	-
Insurance contract receivables		1,120,680	1,052,567	-	-
Loans given to employees		36,137	2,910	-	-
Refundable deposits		100,099	78,734	65,365	22,222
		27,298,905	8,744,537	2,668,589	28,894
Provision for impairment loss on financial assets		(1,257,858)	(1,072,325)	-	-
		26,041,047	7,672,212	2,668,589	28,894
Non financial assets					
Prepayments and advances		3,969,370	2,659,295	4,293	413
Accrued income		96,576	141,348	74,909	76,125
Non refundable deposits		-	-	-	-
Prepaid staff costs		37,232	32,646	-	-
Other non financial receivables		563,994	549,347	-	-
Tax Receivables		535,352	221,862	-	2,960
		5,202,524	3,604,498	79,202	79,498
Provision for bad and doubtful debts		(7,244)	(2,745)	-	-
		5,195,280	3,601,753	79,202	79,498
		31,236,327	11,273,965	2,747,791	108,392

Notes to the Financial Statements

27. Cash and cash equivalents

As at 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Favorable balances classified under current assets					
Short term deposits	27.1	316,658	949,389		4,358
Cash at bank		11,151,957	972,029	544,052	418,961
Cash in hand		65,226	74,544	36	150
Cash in transit		182,332	96,812		-
Total		11,716,173	2,092,774	544,088	423,469
Unfavorable balances classified under current liabilities					
Bank overdrafts		13,664,746	3,305,609	739	109,534
Total		13,664,746	3,305,609	739	109,534
		(1,948,573)	(1,212,835)	543,349	313,935

27.1 Short term deposits

Government securities which matures within 3 months	-	620,406	-
Fixed deposits which matures within 3 months	316,658	328,983	4,358
	316,658	949,389	4,358

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,	Note	2018		2017	
		No. of shares	Value of shares Rs.'000	No. of shares	Value of shares Rs.'000
Balance at the beginning of the year		1,165,398,072	89,100,000	265,450,000	48,320,750
Issue of shares (Note 28.1)				148,218,056	26,679,250
		1,165,398,072	89,100,000	413,668,056	75,000,000
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		-	-	(34,602,928)	-
Balance at the end of the year		1,165,398,072	89,100,000	1,165,398,072	89,100,000

28.1 The Company issued 148 Mn no of shares against the amount payable to DCSL of Rs. 1.816 Bn and issue of several promissory notes by DCSL for Rs. 24.863 Bn.

28.2 The above said 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, the Company issued 1.2 Bn shares on 30 September 2016 to the DCSL shareholders in exchange of 300 Mn 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 31st March	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revaluation reserve	29.1	7,010,625	7,256,767	111,691	111,691
Capital reserve	29.2	(227,614)	12,137	-	-
Reserve fund	29.3	20,491	14,499	-	-
General reserve	29.4	(7,488,411)	710,214	-	-
Exchange fluctuation reserve	29.5	944,140	944,140	-	-
Timber reserve	29.6	1,317,586	920,163	-	-
AFS reserve	29.7	4,444,088	2,572,252	(1,093,411)	(2,708,888)
Total reserves		6,020,905	12,430,172	(981,720)	(2,597,197)

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.

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.

Notes to the Financial Statements

30. Interest bearing loans and borrowings

As at 31st March	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Non current liabilities					
Term loans payable after one year	30.1	23,225,110	3,296,148	-	-
Liability to make lease payments payable after one year	30.2	123,102	93,485	-	-
Finance lease liabilities payable after one year	30.3	7,612	47,126	-	-
		23,355,824	3,436,759	-	-
Current liabilities					
Term loans payable within one year	30.1	7,884,147	3,602,448	-	-
Liability to make lease payments payable within one year	30.2	2,599	1,859	-	-
Finance lease liabilities payable within one year	30.3	21,962	38,436	-	-
Other short term borrowings		4,842,242	7,604,440	300,000	-
Repo Borrowings		-	1,200,000	-	-
Redeemable preference shares	30.4	12,646	12,646	-	-
		12,763,596	12,459,829	300,000	-

30.1 Term loans

Balance as at beginning of the year	6,898,596	5,086,424	-	-
Received during the year	3,227,038	4,312,730	-	-
Exchange Difference	-	-	-	-
Acquisition / (Disposal) of subsidiaries	27,004,757	-	-	-
Repaid during the year	(6,021,134)	(2,500,558)	-	-
Amortised finance cost	-	-	-	-
	31,109,257	6,898,596	-	-
Repayable within one year	7,884,147	3,602,448	-	-
Repayable after one year	23,225,110	3,296,148	-	-
	31,109,257	6,898,596	-	-

30.1.1 Repayment terms and security details

Bank / financial institution	Sector	Currency	Interest rate basis	Repayment terms	Maturity	Secured	
Aitken Spence PLC							
The Hongkong and Shanghai Banking Corporation	Loan 1	Tourism	EUR	Fixed rate	40% of outstanding loan balance to be paid in April 2018. Remaining balance to be paid in 61 monthly installments and a 60% final bullet repayment at maturity	May-2023	Yes
	Loan 2	Tourism	USD	Linked to LIBOR	59 monthly installments and a 7.2Mn final bullet repayment at maturity	Jan-2021	Yes
	Loan 3	Strategic Investments	USD	Linked to LIBOR	48 monthly installments commencing from August 2016	Jul-2020	No
	Loan 4	Tourism	INR	Linked to MCLR	46 quarterly installments commencing from February 2016	Jul-2020	Yes
	Loan 5	Tourism	USD	Linked to LIBOR	48 monthly installments commencing from January 2017	Dec-2020	Yes
	Loan 6	Tourism	INR	Linked to MCLR	46 quarterly installments commencing from June 2016	Feb-2020	Yes
	Loan 7	Strategic Investments	EUR	Linked to EURIBOR	48 monthly installments commencing from October 2016	Oct-2020	Yes
	Loan 8	Tourism	USD	Linked to LIBOR	55 monthly installments commencing from February 2015	Aug-2019	Yes
	Loan 9	Strategic Investments	USD	Linked to LIBOR	60 monthly installments commencing from November 2013	Oct-2018	Yes

Bank / financial institution	Sector	Currency	Interest rate basis	Repayment terms	Maturity	Secured
	Loan 10 Tourism	USD	Linked to LIBOR	72 monthly installments commencing from June 2014	Jul-2017	Yes
	Loan 11 Tourism	USD	Linked to LIBOR	60 monthly installments commencing from December 2012	Nov-2017	Yes
	Loan 12 Tourism	USD	Linked to LIBOR	48 monthly installments commencing from December 2013	Nov-2017	Yes
	Loan 13 Tourism	USD	Linked to LIBOR	60 quarterly installments commencing from September 2012	Aug-2017	Yes
	Loan 14 Strategic Investments	USD	Linked to LIBOR	60 monthly installments commencing from August 2012	Jul-2017	Yes
Hatton National Bank	Loan 1 Tourism	USD	Linked to LIBOR	24 monthly installments commencing from November 2020	Apr-2025	Yes
	Loan 2 Tourism	USD	Linked to LIBOR	84 monthly installments commencing from September 2017	Aug-2024	Yes
	Loan 3 Strategic Investments	LKR	Linked to AWDR	24 quarterly installments commencing from March 2015	Dec-2020	Yes
	Loan 4 Strategic Investments	LKR	Linked to AWPLR	24 quarterly installments commencing from March 2015	Dec-2020	Yes
	Loan 5 Strategic Investments	LKR	Linked to AWPLR	16 quarterly installments commencing from June 2013	Jun-2017	No
	Loan 6 Tourism	LKR	Linked to AWDR	60 monthly installments commencing from October 2012	Oct-2017	Yes
	Loan 7 Tourism	LKR	Linked to AWDR	60 monthly installments commencing from October 2012	Sep-2017	Yes
ABANCA Corporación Bancaria	Loan 1 Tourism	EUR	Linked to EURIBOR	20 quarterly installments commencing from March 2019 and 60% final bullet repayment at maturity.	Mar-2024	Yes
People's Bank	Loan 1 Tourism	USD	Linked to LIBOR	16 quarterly installments commencing from July 2019	May-2025	Yes
DFCC Bank	Loan 1 Tourism	USD	Linked to LIBOR	24 monthly installments commencing from November 2020	Apr-2025	Yes
	Loan 2 Tourism	LKR	Linked to AWPLR	72 monthly installments commencing from November 2016	Sep-2022	Yes
	Loan 3 Strategic Investments	LKR	Linked to AWPLR	96 monthly installments commencing from September 2013	Sep-2021	Yes
	Loan 4 Strategic Investments	USD	Linked to LIBOR	84 monthly installments commencing from January 2013	Dec-2019	Yes
	Loan 5 Strategic Investments	USD	Linked to LIBOR	48 monthly installments commencing from July 2017	Jul-2021	Yes
	Loan 6 Strategic Investments	LKR	Linked to AWDR	23 quarterly installments commencing from January 2015	Jul-2020	Yes
	Loan 7 Strategic Investments	LKR	Linked to AWPLR	23 quarterly installments commencing from January 2015	Jul-2020	Yes
	Loan 8 Strategic Investments	LKR	Linked to AWPLR	16 quarterly installments commencing from June 2013	Jun-2017	No
DEG - German Investment Corporation	Loan 1 Strategic Investments	USD	Linked to LIBOR	10 semi-annual installments commencing from July 2015	Sep-2020	No
Habib Bank	Loan 1 Tourism	LKR	Linked to AWPLR	15 quarterly installments commencing from January 2018	Jul-2021	Yes
Commercial Bank of Ceylon	Loan 1 Strategic Investments	LKR	Linked to AWPLR	16 quarterly installments commencing from September 2015	Jun-2019	No
	Loan 2 Strategic Investments	LKR	Linked to AWPLR	23 quarterly installments commencing from January 2015	Jul-2020	Yes
	Loan 3 Strategic Investments	LKR	Linked to AWDR	23 quarterly installments commencing from January 2015	Jul-2020	Yes
	Loan 4 Strategic Investments	LKR	Linked to AWPLR	16 quarterly installments commencing from June 2013	Jun-2017	No
Sampath Bank	Loan 1 Tourism	LKR	Fixed rate	72 monthly installments commencing from December 2017	Oct-2023	Yes
Balangoda Plantations PLC						
Hatton National Bank	Loan 1 Strategic Investments	LKR	Fixed rate	60 equal monthly installements after a grace period of 60 months from the date of 1st disbursements.	Repayable within 2 to 5 years and after 5 years.	Yes
	Loan 2 Strategic Investments	LKR	Linked to AWPLR	36 equal monthly installements after a grace period of 12 months from the date of 1st disbursements.	Repayable within 1 year and 2 to 5 years.	Yes

Notes to the Financial Statements

Bank / financial institution	Sector	Currency	Interest rate basis	Repayment terms	Maturity	Secured
	Loan 3 Strategic Investments	LKR	Linked to AWPLR	60 equal monthly installments at Rs.2,799,500/-.	Repayable within 1 year and 2 to 5 years.	Yes
	Loan 4 Strategic Investments	LKR	Fixed rate	36 equal monthly installments at Rs.1,346,483/-.	Repayable within 1.	Yes
	Loan 5 Strategic Investments	LKR	Fixed rate	Capital to be repaid within 36 months commencing from the 25/12/2017. Instalment for the month is Rs.1,725,000/-.	Repayable within 1 year and 2 to 5 years.	Yes

Browns Beach Hotels PLC

Hatton National Bank	Loan 1 Tourism	LKR	Linked to AWPLR	Capital to be paid in 120 monthly installments commencing from March 2017.	Repayable within 2 to 5 years.	Yes
	Loan 2 Tourism	LKR	Linked to AWPLR	Capital to be paid in 120 monthly installments commencing from March 2017.	Repayable within 2 to 5 years.	Yes

Lanka Bell Limited

Commercial Bank of Ceylon	Loan 1 Strategic Investments	LKR	Linked to AWPLR	Lanka Bell agreed to repay the amount due to Melstacorp on request made by the Melstacorp in writing.	On request	No
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Secured bank loans are secured over the carrying amount of property, plant and equipment of Rs. 11,790.4 million, investment in shares of Rs. 392.5 million, corporate guarantees of Rs. 18,022.2 million and leasehold rights of Maldives hotel properties of Rs. 1,003.4 million.

30.2 Liability to make lease payments

For the year ended 31March,	Note	Group		Company	
		2018 Rs:'000	2017 Rs:'000	2018 Rs:'000	2017 Rs:'000
Gross liability as at the beginning of the year		161,366	167,039	-	-
Repayments during the year		(14,202)	(5,673)	-	-
		147,167	161,366	-	-
Finance costs allocated to future years		(21,463)	(66,022)	-	-
Net liability as at the end of the year		125,701	95,344	-	-
Repayable within one year					
Gross liability		3,888	5,673	-	-
Finance costs allocated to future years		(1,289)	(3,814)	-	-
Net liability		2,599	1,859	-	-
Repayable within two to five years					
Gross liability		7,816	22,692	-	-
Finance costs allocated to future years		(4,877)	(14,478)	-	-
Net liability		2,939	8,214	-	-
Repayable after five years					
Gross liability		135,460	133,001	-	-
Finance costs allocated to future years		(15,297)	(47,730)	-	-
Net liability		120,163	85,271	-	-
Finance lease liabilities payable after one year		123,102	93,485	-	-

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.25,796,355/= Which is based on GDP deflator of 4.4% (2016)

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

For the year ended 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Gross liability as at the beginning of the year		94,541	139,391		-
Finance leases obtained during the year		-			-
Repayments during the year		(64,478)	(44,850)		-
		30,063	94,541	-	-
Finance costs allocated to future years		(489)	(8,979)	-	-
Net liability as at the end of the year		29,574	85,562	-	-
Repayable within one year					
Future minimum Lease payments		22,300	44,703		-
Interest		(338)	(6,267)		-
Present value of Future minimum Lease payments		21,962	38,436	-	-
Repayable within two to five years					
Future minimum Lease payments		7,763	49,838		-
Interest		(151)	(2,712)		-
Present value of Future minimum Lease payments		7,612	47,126	-	-

Notes to the Financial Statements

30.3.1 Finance Lease

Financial Institution	Terms of repayment	Normal Rate of Interest
Balangoda Plantations PLC		
Central Finance Company PLC	60 equal monthly installments @ Rs.707,793/- commencing from 23/05/2013	13.45%
Central Finance Company PLC	48 equal monthly installments @ Rs.2,834,685/- commencing from 17/04/2015	9%
Madulsima Plantations PLC		
Hatton National Bank	36 equal monthly installments @ Rs.3,055,550/- and a final installment of Rs.3,055,750/- commencing from 24/04/2015	9%

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

For the year ended 31March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Present value of unfunded obligations	31.1	2,861,509	906,936	6,363	4,316
Present value of funded obligations		-	-	-	-
Total present value of obligations		2,861,509	906,936	6,363	4,316
Fair value of planed assets		-	-	-	-
Provision for retirement benefit obligations		2,861,509	906,936	6,363	4,316

31.1 Movement in present value of defined benefit obligations

Balance as at beginning of the year		906,936	1,018,298	4,316	3,057
Acquisition/ (De-recognition) of subsidiaries		1,891,113	-	-	-
Benefits paid by the plan		(125,117)	(85,928)	-	-
Expense recognised in the in the income statement	31.1.1	177,198	171,800	1,918	1,569
Actuarial (gain) / loss recognised in other comprehensive income		11,379	(197,234)	129	(311)
Balance as at the end of the year		2,861,509	906,936	6,363	4,316
31.1.1 Expense recognised in the in the income statement					
Current service costs		80,295	72,855	1,456	1,218
Interest costs		96,903	98,945	462	351
		177,198	171,800	1,918	1,569

31.1.2 Actuarial assumptions

	Group		Company	
	2018	2017	2018	2017
Principal actuarial assumptions at the reporting date				
Discount rate (%)	10%-11%	11%-12.5%	11%	10%
Future salary increases (%)	5%-15%	5%-15%	10%	12%
Retirement age (years)	55-75 years	55-75 years	55-75 Years	55-75 Years

Sensitivity of assumptions used

If one percentage increase in the assumptions, would have the following effects,
Effect on define benefit obligation liability,

For the year ended 31 March,	Group 2018		Company 2018		Group 2017		Company 2017	
	Discount rate	Salary increment rate	Discount rate	Salary increment rate	Discount rate	Salary increment rate	Discount rate	Salary increment rate
Increase by 1%	(58,843)	49,548	(299)	321	(41,553)	22,747	208	(225)
Decrease by 1%	125,927	(45,697)	321	(304)	93,757	(21,218)	(223)	213
Effect on Comprehensive Income,								
Increase by 1%	58,843	(49,548)	299	(321)	41,553	(22,747)	(208)	225
Decrease by 1%	(125,927)	45,697	(321)	304	(93,757)	21,218	223	(213)

32. Other deferred liabilities

As at 31 March,	Notes	Group	
		2018 Rs:'000	2017 Rs:'000
Non current liabilities			
Deferred grants and subsidies	32.1	318,329	180,364
Deferred revenue	32.2	45,221	56,535
Lease accruals		881,272	-
		1,244,822	236,899
Current liabilities			
Deferred revenue	32.2	73,186	82,653
		73,186	82,653

32.1 Deferred grants and subsidies

As at 31 March,	Notes	Group	
		2018 Rs:'000	2017 Rs:'000
Balance at the beginning of the year		180,363	191,421
Acquisition of subsidiaries		148,862	-
Grants received during the year		-	-
Amortisation for the year		(10,896)	(11,057)
Balance at the end of the year		318,329	180,364

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.

Notes to the Financial Statements

32.2 Deferred revenue

For the year ended 31 March,	Group	
	2018 Rs.'000	2017 Rs.'000
Balance at the beginning of the year	139,188	134,332
Revenue received during the year	73,835	102,821
Deferred revenue recognised during the year	(94,616)	(97,965)
Balance at the end of the year	118,407	139,188
Deferred revenue to be recognised within one year	73,186	82,653
Deferred revenue to be recognised after one year	45,221	56,535
	118,407	139,188

33. Trade and other payables

As at 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Financial liabilities					
Trade payables		5,829,757	1,581,689	-	-
Insurance contract liabilities		2,498,565	2,062,860	-	-
Dividend Payable		9,338		9,338	
Other financial liabilities		8,859,030	1,027,760	1,150	931
Refundable advances and deposits		281,458	336,601		-
		17,478,148	5,008,910	10,488	931
Non financial liabilities					
Accrued expenses		1,575,810	1,465,091	1,673	2,086
Premium Received in advance		87,807	-		-
Amounts due to equity accounted investees		231,751			
Other Non Financial Liabilities		3,358,249	2,911,608		4
Direct and indirect taxes payables	33.1	5,260,046	4,777,980	2,819	336
Non refundable advances and deposits		26	26		-
Unclaimed dividends		180,246	159,333		-
		10,693,935	9,314,038	4,492	2,426
		28,172,083	14,322,948	14,980	3,357

33.1 Direct and indirect taxes payables

Excise duty payable	3,763,732	3,613,400	-	-
Value added tax (VAT) payable	1,466,144	1,131,715	2,472	-
Nation building tax (NBT) payable	30,170	32,865	347	336
	5,260,046	4,777,980	2,819	336

34. Deposit liabilities

As at 31 March,	Group	
	2018 Rs.'000	2017 Rs.'000
Term deposits	-	1,372,753
Savings deposits	-	167,979
Liabilities to FBIL customers	-	962
	-	1,541,694

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.

Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash except the balances arisen from restructure.

35. Related party disclosures

35.1 Balances with related parties

35.1.1 Amounts due from related parties

As at 31 March,	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Subsidiaries	35.1.3	-	-	3,650,621	2,443,382
Associates	35.1.4	-	97,770	-	88,794
Other related companies	35.1.5	70,758	32,317	44,715	-
		70,758	130,087	3,695,336	2,532,176
35.1.2 Amounts due to related parties					
Subsidiaries	35.1.3	-	-	306,998	44,848
Associates	35.1.4	-	1,825	-	-
Other related companies	35.1.5	436,752	330,778	-	5
		436,752	332,603	306,998	44,853

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	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Madulsima Plantations	-	-	-	-	543,789	-	-	-
Balangoda Plantations PLC	-	-	-	-	848,579	313,050	-	-
Bell Solutions (Pvt) Ltd	-	-	-	-	-	407	-	-
Bellvantage (Pvt) Ltd	-	-	-	-	610	-	-	-
Continental Insurance Lanka Limited	-	-	-	-	-	-	-	1,018
Lanka Bell Ltd	-	-	-	-	1,600,104	361,370	-	-
Melsta Logistics (Pvt) Ltd	-	-	-	-	215	199	-	-
Milford Holdings (Pvt) Ltd	-	-	-	-	-	-	49,084	43,334
Negombo Beach Resorts (Pvt) Ltd	-	-	-	-	657,112	-	-	-
Periceyl (Pvt) Ltd	-	-	-	-	3	3	-	-
Splendor Media (Pvt) Ltd	-	-	-	-	-	-	38	-
DCSL	-	-	-	-	-	1,767,565	257,164	-
Melsta Technologies (Private) Limited	-	-	-	-	209	-	-	496
Melsta Tower (Private) Limited	-	-	-	-	-	788	712	-
	-	-	-	-	3,650,621	2,443,382	306,998	44,848
Provision for impairment of amounts due from subsidiaries	-	-	-	-	-	-	-	-
	-	-	-	-	3,650,621	2,443,382	306,998	44,848

35.1 Balances with related parties

35.1.4 Associates

As at 31 March,	Notes	Group				Company			
		Amounts due from		Amounts due to		Amounts due from		Amounts due to	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Aitken Spence PLC	-	3,949	-	941	-	-	-	-	
Madulsima Plantations PLC	-	93,821	-	884	-	88,794	-	-	
	-	97,770	-	1,825	-	88,794	-	-	

35.1.5 Other related companies

As at 31 March,	Group				Company			
	Amounts due from		Amounts due to		Amounts due from		Amounts due to	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Ace Power Generation Matara (Pvt) Ltd	-	3	-	-	-	-	-	-
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	-	-	-	-	-	-
Aitken Spence Hotel Management (Pvt) Ltd	-	16,577	-	516	-	-	-	-
DBS logistics	93	261	-	-	-	-	-	-
Aitken Spence Printing and packaging (PVT) LTD	-	-	-	5	-	-	-	5
Aitken Spence Cargo (Pvt) Ltd	-	-	-	95	-	-	-	-
Ambewela Livestock Co.Ltd	3,837	9,763	-	-	-	-	-	-
Ambewela Products (Pvt) Ltd	7	141	-	-	-	-	-	-
Heritance Kandalama	-	-	43	-	-	-	-	-
Lanka Aluminium Industries PLC	-	-	-	3,090	-	-	-	-
Lanka Aluminium PLC	-	-	3,760	-	-	-	-	-
Aion SG Residencies	11,920	-	-	-	-	-	-	-
Lanka Milk Foods (CWE) PLC	62	466	1,072	-	-	-	-	-
Elevators (Pvt) Ltd	-	15	-	7	-	-	-	-
Madulsima Plantations PLC	-	324	-	-	-	-	-	-
Milford Exports (Pvt) Ltd	-	84	224,896	-	-	-	-	-
Melsta Helath (Pvt) Ltd	44,715	-	-	-	44,715	-	-	-
Pattipola Livestock Co. Ltd	1,303	1,037	-	-	-	-	-	-
Stassen Lanka Private Limited	-	-	188,624	184,212	-	-	-	-
Stassen Export Private Limited	8,821	1,667	8,457	142,853	-	-	-	-
Stassen Natural Foods (Pvt) Ltd	-	5	-	-	-	-	-	-
DCSL	-	-	9,900	-	-	-	-	-
	70,758	32,317	436,752	330,778	44,715	-	-	5

35.1.6 This represents the remaining balance of loan granted for Rs.200Mn to Lanka Bell Limited at the rate of AWPLR plus 1% adjusted on quarterly basis.

35.1.7 This amount represents the balance remaining on a short term loan granted to Madulsima Plantations PLC along with the interest at 16% per annum.

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

35.2.1 Transactions with Subsidiaries, Associates and Other Related Companies

Name of the Company	Names of Directors	Nature of Interest	Nature of Transaction	Transaction Value Rs.		
Distilleries Company of Sri Lanka PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. N. de. S. Deva Aditya Cap. K. J. Kahanda Dr. A. N. Balasuriya Mr. D. Hasitha S. Jayawardena Mr. R. Seevaratnam	Subsidiary Co.	Dividends received	480,546		
			Rent Income	232,384		
			Refund of Loans given by DCSL to BPL on behalf of Melsta	36,500		
			Loans given by DCSL to MPL on behalf of Melsta	150,000		
			Loans given by DCSL to BPL on behalf of Melsta	136,500		
			Short term loan Interest interest Settled by DCSL	1,080,215		
			RPT Current A/C Interest Charged by DCSL	17,266		
			RPT Current A/C Interest Charged by Melstacorp	26,319		
			Repayment of advances to DCSL	300,333		
			Advances received from DCSL	1,087,207		
			Rent Settlements received	45,758		
			Transfer of Equity Investment in Aitken Spence PLC	10,972		
			Reimbursement of expenses by DCSL incurred on behalf of Melstacorp	103,004		
			Supply of Consumables	363		
Lanka Milk Foods (CWE) PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Affiliated Co.	Dividend Received	16,789		
			Splendor Media (Pvt) Ltd.	Subsidiary Co.	Advertising services obtained	1,044
					Periceyl (Pvt) Limited	Subsidiary Co.
Proceeds received from share Buy Back	546,000					
	-					
Milford Holding (Pvt) Ltd	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Cap. K. J. Kahanda	Subsidiary Co.	Interest on RPT Current A/C	5,750		
			Belvantage (Private) Ltd	Subsidiary Co.	Dividend Received	1,350
					Rent Income	3,661
Services Obtained	2,587					
Settlement Received	3,454					
Sponsorships Granted	25					
Melsta Logistic (Pvt) Limited	Mr. A. L. Goonaratne	Subsidiary Co.	Car Rentals	1,127		
			Consideration received from share Buy Back	485,814		
			Dividend Received	29,659		
			Ground rent charged	1,812		
			Ground rents settled	2,266		
Melsta Tower (Pvt) Ltd	Mr. A. L. Goonaratne	Subsidiary Co.	Reimbursement of Scrap Sales proceeds received	1,500		
			Melsta Regal Finance Company Ltd	Subsidiary Co.	Purchase of Motor Vehicle	150
Melsta Properties (Pvt) Ltd	Cap. K. J. Kahanda	Subsidiary Co.			Consideration received from share Buy Back	164,640
			Dividends Received	13,282		
Bogo Power (Pvt) Ltd	Mr. D. H. S. Jayawardena Mr. A. L. Goonaratne	Subsidiary Co.	Dividend Received	142,992		

Name of the Company	Names of Directors	Nature of Interest	Nature of Transaction	Transaction Value Rs.
Balangoda Plantations PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. A. L. Goonaratne	Subsidiary Co.	Loans Granted	428,000
			Interest income on loans	64,032
			Settlement of Loans with Int.	16,449
			Purchase of Tea from BPL	173
			Purchase of Fertiliser and other expenses incurred on behalf of BPL	44,556
Madulsima Plantations PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz	Associate Co.	Term Loans Granted	100,000
			Interest income on loans	39,595
			Fund management loans given	472,661
			Loans settled by MPL	277,240
			Settlement of Loans with Int.	26,029
Continental Insurance Lanka Ltd	Mr. A. L. Goonaratne	Subsidiary Co.	Dividend Received	33,938
			Insurance Services obtained	2,189
			Insurance Claims received	153
Lanka Bell Ltd	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. A. L. Goonaratne	Subsidiary Co.	Telephone and Internet charges	472
			Loans Disbursed	1,629,643
			Loans settled by Lanka Bell	500,000
			Interest income on loans	109,424
Melsta Technologies (Pvt) Ltd		Subsidiary Co.	Dividends received	180
			Reimbursement of Expenses incurred on behalf of Melsta Technologies (Pvt) Ltd	1,505
			Settlements received	1,727
Telecom Frontier (Pvt) Ltd		Subsidiary Co.	Goods and services obtained	4
Aitken Spence PLC	Mr. D. H. S. Jayawardena Mr. A. L. Goonaratne Mr. N. de S. Deva Aditya	Associate Co.	Dividends received	91,595
				-
				-
Aitken Spence Printing and Packaging (Pvt) Ltd	Mr. D. H. S. Jayawardena	Affiliated Co.	Printing Services Obtained	4,912
Aitken Spence Travels (Pvt) Ltd		Subsidiary Co.	Purchase of Air Tickets	1,385
Negombo Beach Resorts (Pvt) Ltd	Mr. D. H. S. Jayawardena	Subsidiary Co.	Loans Granted	657,112
			Interest income on Loans	57,972
			Interest settled by NBR	57,972
Melsta Health (Pvt) Ltd	Mr. D. H. S. Jayawardena Mr. A. L. Goonaratne Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Funds transferred	44,412

35.2.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) and their immediate family member have been classified as Key Management Personnel of the Company.

The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

Notes to the Financial Statements

35.2.3.1 Compensations to Key Management Personnel

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

For the year ended 31 March,	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Short term employee benefits	132,184	121,501	48,388	44,478
Post employment benefits	3,018	3,231	-	-
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 There were no 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)

36. Assets Held for Sale

As at 31 March,	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Share of net assets equity accounted investees classified as held for sale	141,446	-	-	-
Net current assets of group companies classified as held for sale	7,679	-	-	-
	149,125	-	-	-

37 Fair Value Measurement and Classification

37.1 Accounting classification of financial instruments

37.1.1 Accounting classification of financial assets

As at 31 March,	Note	Loans and receivables (L&R)		Assets at fair value through profit and loss (FVTPL)		Group Held to maturity investments (HTM)		Available for sale financial assets (AFS)		Total	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Assets as per balance sheet											
Non Current Assets											
Other non current financial investments	21	1,231,250	952,984	-	-	-	-	20,730,313	18,780,482	21,961,563	19,733,466
Finance lease, hire purchases and operating lease receivables	23	-	1,623,769	-	-	-	-	-	-	-	1,623,769
Advances, other loans and pre-paid leases	24	2,241,358	526,540	-	-	-	-	-	-	2,241,358	526,540
Current Assets											
Trade and other receivables	26	26,041,047	7,672,212	-	-	-	-	-	-	26,041,047	7,672,212
Finance lease, hire purchases and operating lease receivables	23	-	1,528,574	-	-	-	-	-	-	-	1,528,574
Advances, other loans and pre-paid leases	24	67,466	1,400,196	-	-	-	-	-	-	67,466	1,400,196
Amounts due from related companies	35.1	70,758	130,087	-	-	-	-	-	-	70,758	130,087
Other current financial investments	21	12,220,794	5,297,654	1,355,391	1,196,747	-	292,981	279,538	16,766	13,855,723	6,804,148
Cash and cash equivalents	27	11,716,173	2,092,774	-	-	-	-	-	-	11,716,173	2,092,774
Total		53,588,846	21,224,790	1,355,391	1,196,747	-	292,981	21,009,851	18,797,248	75,954,088	41,511,766

As at 31 March,	Note	Loans and receivables (L&R)		Assets at fair value through profit and loss (FVTPL)		Company Held to maturity investments (HTM)		Available for sale financial assets (AFS)		Total	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Assets as per balance sheet											
Non Current Assets											
Other non current financial investments	21	-	-	-	-	-	-	17,034,491	14,390,082	17,034,491	14,390,082
Current Assets											
Trade and other receivables	26	2,668,589	28,894	-	-	-	-	-	-	2,668,589	28,894
Amounts due from related companies	35.1	3,695,336	2,532,176	-	-	-	-	-	-	3,695,336	2,532,176
Other current financial investments	21	3,021,541	4,035,507	1,062,481	899,403	-	-	-	-	4,084,022	4,934,910
Cash and cash equivalents	27	544,088	423,469	-	-	-	-	-	-	544,088	423,469
Total		9,929,554	7,020,046	1,062,481	899,403	-	-	17,034,491	14,390,082	28,026,526	22,309,531

Notes to the Financial Statements

37.1.2 Accounting classification of financial liabilities

As at 31 March,	Note	Group					Total 2017 Rs.'000
		Financial liabilities at fair value through profit or loss		Financial liabilities measured at amortised cost			
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	
Liabilities as per statement of financial position							
Non current liabilities							
Interest bearing loans and borrowings	30	-	-	23,355,824	3,436,759	23,355,824	3,436,759
Current Liabilities							
Trade and other payables	33	-	-	17,478,148	5,008,910	17,478,148	5,008,910
Deposit liabilities	34	-	-	-	1,541,694	-	1,541,694
Amount due to related companies	35.1.2	-	-	436,752	332,603	436,752	332,603
Interest bearing loans and borrowings	30	-	-	12,763,596	12,459,829	12,763,596	12,459,829
Bank overdrafts	27	-	-	13,664,746	3,305,609	13,664,746	3,305,609
Total		-	-	67,699,066	26,085,404	67,699,066	26,085,404

As at 31 March,	Note	Company					Total 2017 Rs.'000
		Financial liabilities at fair value through profit or loss		Financial liabilities measured at amortised cost			
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	
Liabilities as per statement of financial position							
Non current liabilities							
Interest bearing loans and borrowings	30	-	-	-	-	-	-
Current Liabilities							
Trade and other payables	33	-	-	10,488	931	10,488	931
Amount due to related companies	35.1.2	-	-	306,998	44,853	306,998	44,853
Interest bearing loans and borrowings	30	-	-	300,000	-	300,000	-
Bank overdrafts	27	-	-	739	109,534	739	109,534
Total		-	-	618,225	155,318	618,225	155,318

37.2 Fair value measurement hierarchy

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.

37.2.1 Fair value measurement hierarchy - Group

As at 31 March,	Note	Group							
		Level 1		Level 2		Level 3		Total	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Financial Assets									
Non Current Assets									
Other non current financial investments	21								
Available for sale financial investments - (AFS)	21.1								
Quoted equity securities	21.1.1	19,984,088	16,471,486	-	-	-	-	19,984,088	16,471,486
Unquoted equity securities	21.1.2	-	-	-	-	150,416	125,564	150,416	125,564
Investments in unit trusts	21.1.3	-	-	-	-	3,000	3,000	3,000	3,000
Government Securities	21.1.5	382,309	1,747,055	-	-	-	-	382,309	1,747,055
Unquoted debt securities	21.1.4	-	-	-	-	10,500	433,377	10,500	433,377
Quoted debt securities	21.1.6	200,000	-	-	-	-	-	200,000	-
		20,566,397	18,218,541			163,916	561,941	20,730,313	18,780,482
Non Financial Assests									
Property Plant and Equipment									
Land and Building	15		-	-	-	62,615,686	13,683,311	62,615,686	13,683,311
Investment Properties									
Land and Building	17		-	-	-	4,882,666	1,394,859	4,882,666	1,394,859
						67,498,352	15,078,170	67,498,352	15,078,170
Financial Assets									
Current Assets									
Other current financial investments	21								
Available for sale financial investments - (AFS)	21.1								
Quoted equity securities	21.1.1	41,941	-	-	-	-	-	41,941	-
Government securities	21.1.5	16,927	16,766	-	-	-	-	16,927	16,766
Quoted debt securities	21.1.6	220,670	-	-	-	-	-	220,670	-
		279,538	16,766	-	-	-	-	279,538	16,766
Fair value through profit or loss (FVTPL) financial investments									
Quoted equity securities	21.2.1	1,176,131	1,016,948	-	-	-	-	1,176,131	1,016,948
Investments in unit trusts	21.2.2	153,883	179,799	-	-	-	-	153,883	179,799
Government Securities	21.2.3	25,377	-	-	-	-	-	25,377	-
		1,355,391	1,196,747	-	-	-	-	1,355,391	1,196,747
Total		22,201,326	19,432,054	-	-	67,662,268	15,640,111	89,863,594	35,072,165

Notes to the Financial Statements

37.2.2 Fair value measurement hierarchy - Company

As at 31 March,	Note	Company							
		Level 1		Level 2		Level 3		Total	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Financial Assets									
Non Current Assets									
Other non current financial investments	21								
Available for sale financial investments - (AFS)	21.1								
Quoted equity securities	21.1.1	17,034,491	14,177,728	-	-	-	-	17,034,491	14,177,728
Government Securities	21.1.5	-	212,354	-	-	-	-	-	212,354
		17,034,491	14,390,082	-	-	-	-	17,034,491	14,390,082
Non Financial Assets									
Property Plant and Equipment									
Land and Building	15	-	-	-	-	-	-	-	-
Investment Properties									
Land and Building	17	-	-	-	-	3,740,351	2,807,471	3,740,351	2,807,471
						3,740,351	2,807,471	3,740,351	2,807,471
Financial Assets									
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	-	-	-	-	-	-	-	-
Fair value through profit or loss (FVTPL) financial investments	21.2								
Quoted equity securities	21.2.1	1,062,481	899,403	-	-	-	-	1,062,481	899,403
Quoted debentures	21.2.3	-	-	-	-	-	-	-	-
		1,062,481	899,403	-	-	-	-	1,062,481	899,403
Total		18,096,972	15,283,485	-	-	3,740,351	2,807,471	21,837,323	18,096,956

37.2.1 Transfers between levels of fair value hierarchy

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

37.3 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used by both the Group and the Company in measuring Level 2 and Level 3 fair values, and the significant unobservable inputs used.

37.3.1 Assets and liabilities measured at fair value - Recurring

Assets and liabilities	Valuation technique	Significant unobservable Inputs	Sensitivity of the input to the fair value
Property, plant and equipment			
Freehold land	Market comparable method This method considers the selling price of a similar property within a reasonable recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Price per perch of land	Estimated fair value would increase (decrease) if: price per perch increases (decreases)
Other Financial assets			
Unquoted equity securities	Net assets basis	Carrying value of assets and liabilities adjusted for market participant assumptions.	Variability of inputs are insignificant to have an impact on fair values.
	Market return on a comfortable investment	Current market interest rates	Not applicable
Derivative financial assets / liabilities			
Forward foreign exchange contracts	Market comparison technique The fair values are based on quotes from banks and reflect the actual transactions of similar instruments.	Forward exchange rates	Not applicable

37.3.2 Assets and liabilities for which fair values are disclosed - Recurring

Assets and liabilities	Valuation technique	Significant unobservable Inputs	Sensitivity of the input to the fair value
Investment property			
Freehold land	Market comparable method This method considers the selling price of a similar property within a reasonable recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets making appropriate adjustments for difference in size, nature and location of the property.		Price per perch of land
Other financial assets			
Unquoted debt securities Other bank deposits Interest-bearing liabilities	Discounted cash flows		Current market interest rates

Notes to the Financial Statements

37.3.3 Assets and liabilities measured at fair value - Non Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Assets classified as held for sale	Valued at the cash available with the disposal group held for sale.	Not applicable

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 other than those disclosed below. Accordingly, no provision has been made for legal claims in the Financial Statements.

40.1 Distilleries Company of Sri Lanka PLC

A plaint filed by Censtal (Pvt) Limited against the Company claiming a sum of Rs. 18 Mn was decided in favour 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.

40.2 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.

40.3 Other contingent liabilities

As at 31 March,	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Bank Guarantees	2,308	14,245	-	-
Import/export bill collection	795,410	145,416	-	-
Letter of Credit	44,635	105,077	-	-
Shipping Guarantee	49,300	47,374	-	-

There are no material contingent liabilities as at 31 March 2018 other than disclose above.

41. Commitments

There were no material capital expenditure approved by the Board of Directors as at 31 March 2018 other than followings;

41.1 Bogo Power Private Limited

Operating Lease Commitments - Company as a Lease

The Company has entered into a lease on the land on which the power house has constructed with a 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,	2018 Rs.Mn	2017 Rs.Mn
Within one year	27.1	23
After one year but not more than five years	108.4	93.5
More than five years	470	424.5
	605.5	541

Notes to the Financial Statements

41.2 Lanka Bell Limited

The company has opened letters of credit amounting to US \$7.55Mn during the year for its operations and balance as at 31st March 2018 is amounting to US \$ 6.44Mn.

As at 31 March,	2018 Rs. Mn	2017 Rs.Mn
Approved and contracted for	948	978
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	2018
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.	8,818,678
Balangoda Plantations PLC	Long Term Loan	Primary mortgage over the lease hold rights of Balangoda Estates.	Property, Plant and Equipment	10,556
		Mortgage on Colour Separator	Property, Plant and Equipment	40,825
	Permanent over draft facility	Primary mortgage over the lease hold rights of Walaboda Estates.	Property, Plant and Equipment	5,145
	Finance lease	Mortgage on Colour Separator and Machinery	Property, Plant and Equipment	38,997
		Absolute ownership of the leased bikes	Property, Plant and Equipment	213
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	

Company	Nature of Liability	Security		Value of the assets pledged (Rs:000)
		Description	Asset type	2018
		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	229,500
Lanka Bell Limited	Term Loans and other borrowings	Tower portfolio has been pledged as a security against the financing facilities.	Property, Plant and Equipment	3,009,736
		Movable and immovable property has been pledged as a security against the financing facilities.		
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
Madulsima Plantations PLC	Overdraft	Registered Primery Floating Mortgage Bond for Rs.160Mn over Lease hold Properties at Verallapatana Estate together with factory Buildings	Property, Plant and Equipment	424,415
		Leeway available on the Mortgage Bond for Rs.224Mn over Lease Hold Property at Mahadowa Estate and everything standing thereon (including the existing Buildings and/ or the Buildings which are to be constructed in the future together with any further developments, Modification or alterations thereto) with all fixtures, fittings services and such other rights attached or appertaining thereto.		
		Registered Primery Floating Mortgage Bond for Rs.150Mn over commercial Rs.150Mn. Over commercial property (lease Hold) at Battawatte estate and everything standing thereon which are to be constructed in the future together with any further developments..etc.		

Notes to the Financial Statements

43. Events after the reporting date

There were no other material events occurring after the reporting date that requires adjustments to or disclosure in the Financial Statements other than the items disclosed below and proposed dividend disclosed in Note 14 to these financial statements.

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 jeopardize the ability of the company 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 DCSL'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

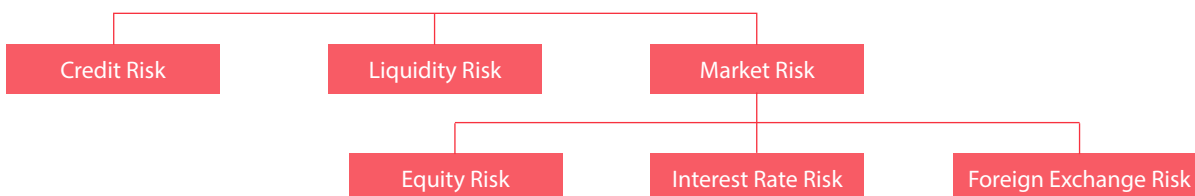
Group's financial instruments consist of ASSETS - its portfolio of equity investments, deposits in banks, accounts receivable. LIABILITIES - Loan obligations, accounts payable and accrued liabilities such excise duty, taxes, payroll and pension account.

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.

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,

	Note	Group				Company			
		2018 Rs.'000	% from total exposure	2017 Rs.'000	% from total exposure	2018 Rs.'000	% from total exposure	2017 Rs.'000	% from total exposure
Trade and other receivables	44.1.1.1	26,041,047	50%	7,672,212	46%	2,747,791	27%	28,894	1%
Receivables from/ in finance business	44.1.1.2	-	0%	5,079,079	12%	-	0%	-	0%
Amounts due from related companies	44.1.1.3	70,758	0%	130,087	1%	3,695,336	37%	2,532,176	35%
Corporate debt securities	44.1.1.4	1,524,084	3%	1,386,361	6%	-	0%	-	0%
Government securities	44.1.1.5	399,236	1%	2,056,802	10%	-	0%	212,354	3%
Deposits with bank	44.1.1.6	12,045,198	24%	5,518,065	22%	3,021,541	30%	4,039,865	56%
Cash at bank	44.1.1.7	11,151,957	22%	972,029	4%	544,052	5%	418,961	6%
		51,232,280	100%	23,142,060	100%	10,008,720	100%	7,232,250	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.

Notes to the Financial Statements

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			
	2018		2017		2018		2017	
	Amount Rs.'000	% from total exposure Rs.'000	Amount Rs.'000	% from total exposure Rs.'000	Amount Rs.'000	% from total exposure Rs.'000	Amount Rs.'000	% from total exposure Rs.'000
AA-	600,154	39%	590,709	43%	-	0%	-	0%
A+	53,530	4%	126,362	9%	-	0%	-	0%
A	235,381	15%	101,016	7%	-	0%	-	0%
A-	336,058	22%	39,087	3%	-	0%	-	0%
BBB+	247,707	16%	477,933	34%	-	0%	-	0%
BBB-	51,254	3%	51,254	4%	-	0%	-	0%
	1,524,084	100%	1,386,361	100%	-	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 minimising 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 AA- 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.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2018.

	Within 1 year Rs'000	Between 1-3 years Rs'000	Between 3 to 5 years Rs'000	More than 5 years Rs'000	Total Rs'000
Interest bearing loans and borrowings	12,763,596	5,102,751	10,459,365	7,793,708	36,119,420
Trade and other payables	28,172,083	-	-	-	28,172,083
Deposit liabilities	-	-	-	-	-
Amount due to related companies	436,752	-	-	-	436,752
Bank overdrafts	13,664,746	-	-	-	13,664,746
	55,037,177	5,102,751	10,459,365	7,793,708	78,393,001

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March 2018.

	Within 1 year Rs'000	Between 1-3 years Rs'000	Between 3 to 5 years Rs'000	More than 5 years Rs'000	Total Rs'000
Interest bearing loans and borrowings	-	-	-	-	-
Trade and other payables	14,980	-	-	-	14,980
Deposit liabilities	-	-	-	-	-
Amount due to related companies	306,998	-	-	-	306,998
Bank overdrafts	739	-	-	-	739
	322,717	-	-	-	322,717

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

Notes to the Financial Statements

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

As at 31 March,	Group				Company			
	2018		2017		2018		2017	
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
Bank finance and insurance	3,990	0%	4,121	0%	-	0%	-	0%
Beverage food and tobacco	16,664	2%	22,494	2%	-	0%	-	0%
Chemicals and Pharmaceuticals	9,460	1%	11,134	1%	-	0%	-	0%
Construction and engineering	-	0%	-	0%	-	0%	-	0%
Diversified holdings	531,031	45%	423,482	42%	510,376	48%	413,587	46%
Hospitals	2,615	0%	2,783	0%	-	0%	-	0%
Hotel and travels	19,432	2%	19,115	2%	-	0%	-	0%
Manufacturing	458,369	39%	533,819	52%	417,535	39%	485,816	54%
Real Estate	134,570	11%	-	0%	134,570	13%	-	0%
Power and energy	-	0%	-	0%	-	0%	-	0%
Telecommunications	-	0%	-	0%	-	0%	-	0%
	1,176,131	100%	1,016,948	100%	1,062,481	100%	899,403	100%

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 over stretching 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.

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	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
Total interest bearing loans and borrowing	36,119,420	15,896,588	300,000	-
Bank overdrafts	13,664,746	3,305,609	739	109,534
Less: cash & cash equivalents	(11,716,173)	(2,092,774)	(544,088)	(423,469)
Net Debt	38,067,993	17,109,423	(243,349)	(313,935)
Total Equity	122,985,144	71,296,881	90,539,566	88,994,728
Total Capital	161,053,137	88,406,304	90,296,217	88,680,793
Gearing Ratio	23%	19%	0%	0%

Statement of Value Added

Value Added

For the year ended 31 March,	Note	2018		2017	
		Group Rs.'000	Company Rs.'000	Group Rs.'000	Company Rs.'000
Gross Turnover		109,956,897	228,319	108,999,117	193,249
Other Operating Income		3,033,673	4,272,152	1,186,493	3,291,984
Finance Income		1,387,727	870,786	703,405	1,425,673
Share of Profits of Equity Accounted Investees		2,266,864	-	1,326,853	-
		116,645,161	5,371,257	112,215,868	4,910,906

Value Distributed

For the year ended 31 March,	2018			
	Group		Company	
	Rs.'000	As a % of Total	Rs.'000	As a % of Total
To the state as taxes	68,846,549	59.0%	177,541	3.3%
Operating expenses	34,416,637	29.5%	1,946,118	36.2%
To the employees	4,839,516	4.1%	61,935	1.2%
To providers of debt capital	2,020,179	1.7%	92,763	1.7%
To the shareholders as dividends	2,843,571	2.4%	2,843,571	52.9%
Retained with the business				
As depreciation	2,101,742	1.8%	24,550	0.5%
As retained earnings	1,576,967	1.4%	224,779	4.2%

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	35.37%

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

As at Holding	31st March 2018			31st March 2017		
	No of Share holders	Total Holdings	% of Holding	No of Share holders	Total Holdings	% of Holding
1 to 1,000	6,117	2,982,243	0.26	5,838	2,930,767	0.25
1,001 to 10,000	3,921	14,196,643	1.22	4,036	14,949,988	1.28
10,001 to 100,000	599	17,701,723	1.52	659	19,140,750	1.64
100,001 to 1000,000	82	27,203,685	2.33	101	32,239,279	2.77
1,000,000 & Over	44	1,103,312,778	94.67	49	1,096,136,288	94.06
	10,763	1,165,397,072	100.00	10,683	1,165,397,072	100.00

3. Analysis of Shareholding

	No of Share holders	Total Holdings	% of Holding	No of Share holders	Total Holdings	% of Holding
Individuals	10,520	175,389,396	15.05	10,410	172,885,484	14.84
Individuals	243	990,007,676	84.95	273	992,511,588	85.16
	10,763	1,165,397,072	100.00	10,683	1,165,397,072	100.00
Resident	10,634	859,007,687	73.71	10,540	871,035,146	74.74
Non-resident	129	306,389,385	26.29	143	294,361,926	25.26
	10,763	1,165,397,072	100.00	10,683	1,165,397,072	100.00

4. Market Price

	31st March 2018	31st March 2017
Last Traded	58.10	59.20
Highest	71.50	69.50
Lowest	56.50	54.90

Shareholder Information

5. Twenty Largest Shareholders

Shareholding as at 31st March		2018		2017	
Rank	Name	No of Shares	%	No of Shares	%
1	Milford Exports (Ceylon) (Pvt) Limited	497,882,000	42.72	497,882,000	42.72
2	Lanka Milk Foods (CWE) Limited	151,846,000	13.03	151,846,000	13.03
3	Mr. M. A. Yaseen	91,495,593	7.85	89,674,048	7.70
4	Commercial Bank Of Ceylon PLC/ L E M Yaseen	52,200,000	4.48	52,200,000	4.48
5	Bnymsany Re-Neon Liberty Lorikeet Master Fund L P	40,761,886	3.5	29,548,363	2.54
6	Caceis Bank Luxembourg S/A Barca Global Master Fund L P	28,300,196	2.43	27,920,236	2.40
7	Nortern Trust Company S/A Kuroto Fund L P	23,400,491	2.01	17,201,819	1.48
8	CITIBank New York S/A Norges Bank Account 2	18,694,863	1.60	14,008,858	1.20
9	Mrs. L. E. M. Yaseen	16,800,038	1.44	12,607,108	1.08
10	Commercial Bank Ceylon PLC/ M A Yaseen	16,000,000	1.37	16,000,000	1.37
11	Lahugala Plantation (Private) Limited	14,782,240	1.27	14,782,240	1.27
12	Citigroup Global Markets Limited Agency Trading Prop Securities A/C	13,284,575	1.14	26,231,684	2.25
13	Mrs. S. M. Chrysostom	11,390,000	0.98	11,390,000	0.98
14	Bnymsanv Re-Consilium Frontier Equity Fund L P	10,401,396	0.89	10,401,396	0.89
15	Deutsche Bank Ag-London	10,050,810	0.86	5,686,228	0.49
16	Stassen Exports (Pvt) Limited	8,456,800	0.73	8,456,800	0.73
17	Bnymsanv Re-Blackrock Frontiers Investment Trust PLC	7,639,796	0.66	12,639,796	1.09
18	Mr. D. Hasitha S. Jayawardena	7,531,332	0.65	7,531,332	0.65
19	HSBC Intl Nom Ltd-SSBT-Parametric Emerging Markets Fund	6,738,108	0.58	6,738,108	0.58
20	HSBC Intl Nom Ltd-SSBT-Parametric Tax-Managed Emerging Markets Fund	6,203,001	0.53	6,203,001	0.53
		1,033,859,125	88.71	1,018,949,017	87.44
	Others	131,537,947	11.29	146,448,055	12.56
	Total number of listed shares	1,165,397,072	100.00	1,165,397,072	100.00
	Percentage of shares held by the public (%)	42.88		42.88	
	Total number of share holders who hold the public holding	10,758		10,675	

Float Adjusted Market Capitalisation

The public holding of the Company as at 31st March 2018 was 42.88% comprising of 10,758 shareholders and a float adjusted market capitalisation of Rs. 29,033,863,538.40 in terms of Rule 7.13 1 (b) of the Listing Rule of CSE and the company qualifies under option one of the minimum public holding requirement.

Directors' Share Holdings

As at 31 March	No of Shares 2018	No of Shares 2017
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	7,531,332
Mr. R. Seevaratnam	-	-
Ms. V. J. Senaratne (Alternate Director to Mr. N. de S. Deva Aditya)	-	-

Summarised Financial Information

In Rs.'000 - Company	2018	2017	2016	2015	2014	2013	2012
Results							
Gross turnover	228,319	193,249	186,314.0	166,474.0	158,688.0	162,390.0	51,712.0
Dividend income							
From subsidiaries	810,307	134,990	376,067.0	336,994.0	372,453.0	90,507.0	81,478.0
From equity accounted investees	91,595	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	715,347	708,648	560,960.0	173,898.0	158,232.0	139,822.0	-
Finance income	870,786	1,425,673	35,743.0	123,648.0	243,203.0	61,748.0	1,575.0
Finance expenses	(92,763)	(85,488)	(90,719.0)	-	(4,120.0)	(122,539.0)	-
Profit / (loss) before tax	3,270,441	3,253,106	1,189,337.0	1,224,829.0	1,023,092.0	351,773.0	6,941.0
Profit / (loss) after tax	2,801,605	2,866,375	1,184,477.0	1,180,488.0	1,013,568.0	342,372.0	4,736.0
Funds employed							
Stated capital	89,100,000	89,100,000	48,320,750.0	48,320,750.0	35,558,000.0	35,558,000.0	35,558,000.0
Reserves	(981,720)	(2,597,197)	(2,714,418.0)	515,382.0	1,257,520.0	1,611,815.0	95,500.0
Retained earnings	2,421,286	2,491,925	2,182,800.0	1,797,820.0	684,110.0	189,837.0	(157,280.0)
Shareholders' funds	90,539,566	88,994,728	47,789,132.0	50,633,952.0	37,499,630.0	37,359,652.0	35,496,220.0
Total borrowings	300,739	109,534	1,448	-	-	-	-
Non current liabilities net of borrowings	431,132	108,073.2	88,231.0	63,408.0	42,106.0	13,694.0	8,781.0
Current liabilities net of borrowings	334,110	453,398.8	1,925,350.0	385,338.0	4,673,087.0	2,443,628.0	97,196.0
	91,605,547	89,601,615.3	49,802,713.0	51,082,698.0	42,214,823.0	39,816,974.0	35,602,197.0
Assets employed							
Non-current assets	80,533,198	81,601,753	47,247,655.0	47,276,160.0	38,489,377.0	35,816,740.0	14,690,353.0
Current assets	11,072,349	7,999,865	2,555,058.0	3,806,538.0	3,725,446.0	4,000,234.0	20,911,844.0
	91,605,547	89,601,618	49,802,713.0	51,082,698.0	42,214,823.0	39,816,974.0	35,602,197.0
Cashflows							
Net cashflow from operating activities	857,204	1,332,530.2	1,741,444.0	659,030.0	1,061,034.0	277,849.0	22,342.0
Net cashflow from investing activities	(1,429,763)	828,765.1	(2,486,423.0)	(1,052,809.0)	(2,374,332.0)	(1,574,558.0)	(14,976,130.0)
Net cashflow from financing activities	501,972	(1,868,636.6)	739,173.0	360,211.0	1,343,797.0	1,281,215.0	14,981,369.0
Net increase/(decrease) in cash & cash equivalents	(70,587)	292,658.8	(5,806.0)	(33,568.0)	30,499.0	(15,494.0)	27,581.0
Key indicators							
Earnings per share (rs.)	2.40	3.03	4.46	5.47	5.07	1.71	1.82
Net assets per share (rs.)	77.69	76.36	180.03	190.75	187.50	186.80	177.48
Market value per share (rs) year end **	58.10	59.20	-	-	-	-	-
Return on shareholders' funds	3%	3%	2%	2%	3%	1%	0%
Dividends per share (rs.)	2.44	1.00	-	3.00	4.60	-	0.06
Dividend payout	101.67%	40.02%	0.00%	55%	91%	0%	3%
Dividend yield**	4.2%	1.7%	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 Financial Information starting from year 2012.

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

Group Directory

Beverage

Distilleries Company of Sri Lanka PLC

Board of Directors

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

Periceyl (Pvt) Limited

Board of Directors

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

Secretary: Ms. V. J. Senaratne

Registered Office

110, Norris Canal Road, Colombo 10
 Tel: (94-11) 2808565 Fax: +94-11 5551777

Co. Reg. No. PV 5529

Auditors: Messrs Ernst & Young (Chartered Accountants)

Plantation

Balangoda Plantations PLC

Board of Directors

D. H. S. Jayawardena - Chairman / Managing Director
 C. R. Jansz
 S. K. L. Obeyesekere (Resigned w.e.f. 30/09/2017)
 Anusha S. Perera (Appointed w.e.f. 01/10/2017)
 D. Hasitha S. Jayawardena (Appointed w.e.f. 01/10/2017)
 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)

Madulsima Plantations PLC

Board of Directors

D. H. S. Jayawardena - Chairman / Managing Director
 Dr. N. M. Abdul Gaffar
 S. K. L. Obeyesekere (Resigned w.e.f. 30/06/2017)
 B M D K S Basnayake (Appointed w.e.f. 20/02/2018)
 Dr. A. Shakthevale
 D. S. K. Amarasekera
 G. N. Boppearatchy (From 01/10/2017 to 31/03/2018)

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)

Telecommunication	
<p>Lanka Bell Limited</p> <p><i>Secretary</i> : Ms. C. M. Chandrapala</p> <p>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</p>	<p>Registered Office 344, Galle Road, Colombo 03. Tel: (94-11) 5335000 Fax: (94-11) 5545988</p> <p>Co. Reg. No. PB 306</p> <p>Auditors : Messrs KPMG (Chartered Accountants)</p>
<p>Telecom Frontier (Pvt) Limited</p> <p><i>Secretary</i> : Ms. C. M. Chandrapala</p> <p>Board of Directors D. H. S. Jayawardena - Chairman Dr. T. K. D. A. P. Samarasinghe - Managing Director D. S. C. Mallawaarachchi A. L. Gooneratne</p>	<p>Registered Office No: 344, Galle Road, Colombo 03 Tel: (94-11) 5335000</p> <p>Co. Reg. No. PV 61396</p> <p>Auditors : Messrs Amarasekara & Company (Chartered Accountants)</p>
<p>Bell Solutions (Pvt) Limited</p> <p><i>Secretary</i> : Ms. C. M. Chandrapala</p> <p>Board of Directors D. H. S. Jayawardena - Chairman Dr. T. K. D. A. P. Samarasinghe - Managing Director D. S. C. Mallawaarachchi A. L. Gooneratne</p>	<p>Registered Office No: 344, Galle Road, Colombo 03 Tel: (94-11) 5335000</p> <p>Co. Reg. No. PV 61398</p> <p>Auditors : Messrs Amarasekara & Company (Chartered Accountants)</p>
Financial Services	
<p>Continental Insurance Lanka Limited</p> <p>Board of Directors G. D. C. de Silva - Managing Director A. S. Abeyewardene H. Wickramasinghe A. L. Gooneratne A. M. De S. Jayaratne J. D. N. Kekulawala</p>	<p><i>Secretaries</i> : P. W. Corporate Secretarial (Pvt) Limited</p> <p>Registered Office 79, Dr. C. W. W. Kannangara Mawatha, Colombo 07 Tel : (94-11) 5200300</p> <p>Co. Reg. No. PB 3784</p> <p>Auditors : Messrs KPMG (Chartered Accountants)</p>
Diversified Holdings	
<p>Milford Holdings (Pvt) Limited</p> <p>Board of Directors D. H. S. Jayawardena - Chairman C. R. Jansz Capt. K. J. Kahanda (Retd.)</p>	<p><i>Secretaries</i> : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)</p> <p>Registered Office 110, Norris Canal Road, Colombo 10 Tel: (94-11) 2695295-7 Fax: (94-11) 2696360</p> <p>Co. Reg. No. PV 5944</p> <p>Auditors : Messrs KPMG (Chartered Accountants)</p>

Group Directory

Diversified Holdings (Contd.)

Aitken Spence PLC

Secretaries : Aitken Spence Corporate Finance (Private) Limited

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

Registered Office

315, Vauxhall Street, Colombo 02
 Tel: (94-11) 2308308 Fax : (94-11) 2445406
 Web: www.aitkenspence.com

Co. Reg. No. PQ 120

Auditors : Messrs KPMG (Chartered Accountants)

Texpro Industries Limited

Secretaries : SSP Corporate Services (Pvt) Limited

Board of Directors

D. H. S. Jayawardena - Chairman
 J. D. Peiris - Managing Director
 H. I. Munasinha
 A. L. Gooneratne
 D. S. C. Mallawaarachchi

Registered Office

1st Floor, Lakshman's Building,
 321, Galle Road, Colombo 03
 Tel: (94-11) 2565951
 Co. Reg. No. PB 748

Auditors : Messrs KPMG (Chartered Accountants)

Timpex (Pvt) Limited

Secretaries : SSP Corporate Services (Pvt) Limited

Board of Directors

D. H. S. Jayawardena - Chairman
 J. D. Peiris - Managing Director
 H. I. Munasinha
 A. L. Gooneratne
 D. S. C. Mallawaarachchi

Registered Office

1st Floor, Lakshman's Building,
 321, Galle Road, Colombo 03
 Tel: (94-11) 2565951

Co. Reg. No. PV 17863

Auditors : Messrs KPMG (Chartered Accountants)

Melsta Logistics (Pvt) Limited

Secretaries : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)

Board of Directors

A. L. Gooneratne - Chairman
 T. Q. Fernando
 D. S. C. Mallawaarachchi

Registered Office

160, Negombo Road, Seeduwa
 Tel: (94-11) 5223300 Fax: (94-11) 5223322
 Web: www.crc.lk

Co. Reg. No. PV 14051

Auditors : Messrs Amarasekara & Company
 (Chartered Accountants)

Diversified Holdings (Contd.)	
<p>Splendor Media (Pvt) Limited</p> <p><i>Board of Directors</i> Ms. D. S. T. Jayawardena - Chairperson Ms. G. Chakravarthy N. N. Nagahawatte O. A. R. P. Obeyesinghe</p>	<p><i>Secretaries</i> : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)</p> <p><i>Registered Office</i> 110, Norris Canal Road, Colombo 10 Tel: (94- 11) 5 639 501 Fax: (94-11) 5 373 344</p> <p><i>Co. Reg. No.</i> PV 1230</p> <p><i>Auditors</i> : Messrs KPMG (Chartered Accountants)</p>
<p>Bogo Power (Pvt) Limited</p> <p><i>Board of Directors</i> D. H. S. Jayawardena - Chairman Dr. N. M. Abdul Gaffar S. K. L. Obeyesekere (Resigned w.e.f. 30/09/2017) A. L. Gooneratne</p>	<p><i>Secretary</i> : P. A. Jayatunga</p> <p><i>Registered Office</i> 833, Sirimavo Bandaranaike Mawatha, Colombo 14 Tel: (94-11) 2522871-2 Fax: (94-11) 2522913</p> <p><i>Co. Reg. No.</i> PV 64901</p> <p><i>Auditors</i> : Messrs Ernest & Young</p>
<p>Browns Beach Hotels PLC</p> <p><i>Board of Directors</i> D. H. S. Jayawardena - Chairman M. V. Theagarajah J. M. S. Brito Ms. D. S. T. Jayawardena A. L. Gooneratne R. N. Asirwatham N. de S. Deva Aditya</p>	<p><i>Secretaries</i> : Aitken Spence Corporate Finance (Private) Limited</p> <p><i>Registered Office</i> 315, Vauxhall Street, Colombo 02 Tel: (94-11) 2308308 Fax: (94-11) 2308099 Co. Reg. No. PQ 202</p> <p><i>Auditors</i> : Messrs KPMG (Chartered Accountants)</p>
<p>Melsta Properties (Pvt) Limited</p> <p><i>Board of Directors</i> K. J. Kahanda S. Rajanathan R. R. P. L. S. Ratnayake</p>	<p><i>Secretary</i> : P. A. Jayatunga</p> <p><i>Registered Office</i> 110, Norris Canal Road, Colombo 10 Tel: (94-11) 5900300 Fax : (94-11) 2695794</p> <p><i>Co. Reg. No.</i> PV 78422</p> <p><i>Auditors</i> : Messrs KPMG (Chartered Accountants)</p>
<p>Melsta Towers (Pvt) Limited</p> <p><i>Board of Directors</i> A. L. Gooneratne Ms. S. A. Atukorale D. S. C. Mallawaarachchi</p>	<p><i>Secretaries</i> : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)</p> <p><i>Registered Office</i> 110, Norris Canal Road, Colombo 10 Tel: (94-11) 5900300 Fax : (94-11) 2695794</p> <p><i>Co. Reg. No.</i> PV 90157</p> <p><i>Auditors</i> : Messrs KPMG (Chartered Accountants)</p>

Group Directory

Diversified Holdings (Contd.)

Melsta Technologies (Pvt) Limited

Secretaries : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)

Board of Directors

B. A. S. P. S. Balasuriya
B. K. J. P. Rodrigo
P. Karunanayke
D. A. C. Peiris
D. M. Welikandage

Registered Office

110, Norris Canal Road, Colombo 10
Tel: (94-11) 5288625 Fax : (94-11) 2695794

Co. Reg. No. PV 104028

Auditors : Messrs KPMG (Chartered Accountants)

Melsta Health (Private) Limited

Secretaries : Ms. V. J. Senaratne

Board of Directors

D. H. S. Jayawardena - Chairman
A. L. Gooneratne
D. Hasitha S. Jayawardena (Appointed w.e.f. 02/08/2017)

Registered Office

110, Norris Canal Road, Colombo 10
Tel: (94-11) 5288625 Fax : (94-11) 2695794

Co. Reg. No. PV 118630

Auditors: Messrs: KPMG (Chartered Accountants)

Melsta Laboratories (Pvt) Limited

Secretaries : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)

Board of Directors

A. L. Gooneratne
Dr. A. Jayakody
D. S. C. Mallawaarachchi

Registered Office

110, Norris Canal Road, Colombo 10
Tel: (94-11) 5288625 Fax : (94-11) 2695794

Co. Reg. No. PV 130983

Auditors Messrs: KPMG (Chartered Accountants)

Melsta Pharmaceuticals (Private) Limited

Secretaries : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)

Board of Directors

A. L. Gooneratne
B. A. S. P. S. Balasuriya

Registered Office

110, Norris Canal Road, Colombo 10
Tel: (94-11) 5288625 Fax : (94-11) 2695794

Co. Reg. No. PV 124904

Auditors Messrs : KPMG (Chartered Accountants)

Melsta Health Care Colombo (Pvt) Limited

Secretaries : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)

Board of Directors

A. L. Gooneratne
Dr. K. T. Iraivan
Dr. A. Jayakody
D. S. C. Mallawaarachchi

Registered Office

110, Norris Canal Road, Colombo 10
Tel: (94-11) 5288625 Fax : (94-11) 2695794

Co. Reg. No. PV 130988

Auditors Messrs : KPMG (Chartered Accountants)

Diversified Holdings (Contd.)	
<p>Hospital Management Melsta (Pvt) Limited</p> <p><i>Board of Directors</i> D. H. S Jayawardena A. L. Gooneratne Dr. K. T. Iraivan Dr. A. Jayakody D. S. C. Mallawaarachchi</p>	<p><i>Secretaries</i> : Ms. N. C. Gunawardena (Appointed w.e.f. 01/09/2017)</p> <p><i>Registered Office</i> 110, Norris Canal Road, Colombo 10 Tel: (94-11) 5288625 Fax : (94-11) 2695794</p> <p><i>Co. Reg. No.</i> PV 130982</p> <p><i>Auditors Messrs</i> : KPMG (Chartered Accountants)</p>
<p>Pelwatte Sugar Industries PLC</p> <p><i>Board of Directors</i> D. H. S. Jayawardena Capt. K. J. Kahanda (Retd.) R. Wettewa D. A. de S. Wickramanayake D. H. J. Gunawardena C. S. Weeraratne D. A. E. de S. Wickramanayake K. K. U. Wijeyesekera</p>	<p><i>Secretaries</i> : Managers & Secretaries (Pvt) Limited</p> <p><i>Registered Office</i> 27, Melbourne Avenue, Colombo 04 Tel: (94-11) 2589390 Fax: (94-11) 2500674</p> <p><i>Co. Reg. No.</i> PQ 30</p> <p><i>Auditors</i> : Messrs Ernst & Young (Chartered Accountants)</p>
<p>Pelwatte Sugar Distilleries (Pvt) Limited</p> <p><i>Board of Directors</i> Capt. K. J. Kahanda (Retd.) - Managing Director D. A. de S. Wickramanayake</p>	<p><i>Secretaries</i> : Managers & Secretaries (Pvt) Limited</p> <p><i>Registered Office</i> 27, Melbourne Avenue, Colombo 04 Tel: (94-11) 2589390 Fax: (94-11) 2500674</p> <p><i>Co. Reg. No.</i> PV 10221</p> <p><i>Auditors</i> : Messrs Ernst & Young (Chartered Accountants)</p>
<p>Pelwatte Agriculture & Engineering Services (Pvt) Limited</p> <p><i>Board of Directors</i> D. A. de S. Wickramanayake C. S. Weeraratne</p>	<p><i>Secretaries</i> : Managers & Secretaries (Pvt) Limited</p> <p><i>Registered Office</i> 27, Melbourne Avenue, Colombo 04 Tel: (94-11) 2589390 Fax: (94-11) 2500674</p> <p><i>Co. Reg. No.</i> PV 66850</p> <p><i>Auditors</i> : Messrs Ernst & Young (Chartered Accountants)</p>

Group Directory

Joint Venture

Melsta GAMA (Private) Limited

Secretary : Corporate Services (Private) Limited

Board of Directors

D. H. S. Jayawardena
M. S. Mawzoon
V. M. Fernando
M. T. Siddique
Capt. K. J. Kahanda (Retd.)
C. Singh
D. Hasitha S. Jayawardena
(Alternate to D. H. S. Jayawardena)

Registered Office

No. 6, Flower Terrace, Colombo 03.
Tel: (94-11) 2575045
Fax: (94-11) 2574042

Co. Reg. No. PQ 123310

Auditors : KPMG (Chartered Accountants)

Associates

Pelwatte Dairy Industries Limited

Secretaries : Maidas Secretarial Services (Pvt) Limited

Board of Directors

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

Registered Office

A/4, Perahera Mawatha, Colombo 03

Co. Reg. No. PV 16876

Auditors : Messrs Ernst & Young (Chartered Accountants)

Amethyst Leisure Limited

Secretaries :

Aitken Spence Corporate Finance (Private) Limited

Board of Directors

Ms. D. S. T. Jayawardena - Chairperson
Ms. V. J. Senaratne
A. Mahir
J. C. Weerakoon
M. Z. M. Hashim (Resigned w.e.f. 01/04/2018)

Registered Office

315, Vauxhall Street, Colombo 02
Tel: (94-11) 2308308
Fax: (94-11) 2308099

Co. Reg. No. PQ 202

Auditors : Messrs KPMG (Chartered Accountants)

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MELSTACORP PLC for the financial year ended 31st March 2018 will be held at 11.30 a.m. on Friday the 28th day of September 2018 at the Sri Lanka Foundation, No 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 for the following purposes.

1. To receive and consider the Annual Report of the Directors and the Financial Statements of the Company for the year ended 31st March 2018.
2. To re-elect as a Director Capt. Kolitha Jagath Kahanda who retires from office at the end of this Annual General Meeting in terms of the Article 86 of the Articles of Association of the Company and being eligible has offered himself for re-election.
3. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. D. H. S. Jayawardena who has reached the age of 76 years.

"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. D. H. S. Jayawardena who has reached the age of 76 years prior to the Annual General Meeting and that he shall accordingly be re-appointed"

4. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. R. Seevaratnam who has reached the age of 75 years.

"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. R. Seevaratnam who has reached the age of 75 years prior to the Annual General Meeting and that he shall accordingly be re-appointed"

5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. N. de S. Deva Aditya who has reached the age of 70 years.

"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. N. de S. Deva Aditya who has reached the age of 70 years prior to the Annual General Meeting and that he shall accordingly be re-appointed"

6. To re-appoint M/s. KPMG, Chartered Accountants, as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed with by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st March 2019

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

By order of the Board

CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries

MELSTACORP PLC

216, De Saram Place

Colombo 10.

Colombo on this 21st August 2018.

Note:- Any Member entitled to attend and vote is entitled to appoint a proxy or proxies in his/her stead. A form of proxy accompanies this notice. A proxy need not be a member. Instruments appointing proxies must be lodged with the company not less than 36 hours before the meeting.

THE SHAREHOLDERS AND THE PROXY HOLDERS ATTENDING THE MEETING ARE KINDLY REQUESTED TO BE IN THEIR SEATS BY 11.15 A.M. THEY ARE ALSO REQUESTED TO BRING THIS ANNUAL REPORT, ALONG WITH AN ACCEPTABLE FORM OF IDENTITY.

Form of Proxy

I/We

of being a shareholder / shareholders of the above-named Company hereby appoint Don Harold Stassen Jayawardena* or failing him Amitha Lal Gooneratne * or failing him Cedric Royle Jansz* or failing him 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* and to speak and vote whether on a show of hands or on a poll for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held on the 28th of September 2018 and at any adjournment thereof and at every poll which may be taken in consequent thereof.

* Please delete the inappropriate words.

** Please write your Folio Number which is given on the top left of the address sticker

.....
Signature of Shareholder

Dated thisday of2018.

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 notarially certified copy of such power, or any other document necessary to show the validity of or otherwise relating to the appointment of the proxy shall be deposited for inspection at the office not less than 36 hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll before the time appointed for taking of the poll at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid, provided however in the case of a meeting called by shorter notice as set out in Section 135(3) of the Act a proxy and any other documents as aforesaid shall be valid if deposited at the office not less than 24 hours before the time appointed for holding the meeting called by such shorter notice or such adjourned meeting.
- 4. In terms of Article 67 of the Articles of Association of the Company.
In case of joint - holders of a share the vote of the senior who tenders a vote , whether in person or by proxy , shall be accepted to the exclusion of the votes of the other joint- holders, and for this purpose seniority shall be determined by the order in which the name stands in the Register or Shareholders in respect of the joint holding.
- 5. Instructions as to completion are noted overleaf.

Form of Proxy

Instructions as to completion

1. Kindly perfect the Form of Proxy, after filling in legibly your full name and address, by signing on the space provided and filling in the date of signature.
2. Kindly return the completed Form of Proxy to the Company after deleting one or other of the alternate words indicated by an asterisk.
3. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company at No.110, Norris Canal Road, Colombo-10, not later than 36 hours before the time appointed for the holding of the meeting.
4. Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

Attendance Slip

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

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

1. Full Name of Shareholder :

(In Capital Letters please)

2. Shareholder's NIC No./Passport No :

3. Number of Shares held and Folio No :

4. Name of Proxy Holder :

5. Proxy Holder's NIC No./Passport No :

6. Signature of Attendee :

Notes

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

Name of the Shareholder :

Certificate No. :

Previous Address :

Present Address :

Any changes to the Name :

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙල කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සහාපතිතාවයේ පණිවුඩය, අධ්‍යක්ෂකවරුන්ගේ වාර්ෂික වාර්තාව සහ විගණක වාර්තාව සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, මෙල්ස්ටාකෝප් පීච්ලේසී අංක 110, නෝරිස් කැනල් පාර, කොළඹ 10 යන ලිපිනයට 2018, සැප්තැම්බර් මස 18 වෙනි දිනට ප්‍රථම දන්වන්න.

இவ்வறிக்கை முழுமையாக ஆங்கிலத்தில் உள்ளது. தலைவரின் செய்தி, பணிப்பாளர் சபையின் வருடாந்த அறிக்கை, கணக்காய்வாளரின் அறிக்கை, ஆகியவற்றின் சிங்களம் அல்லது தமிழ் மொழிபெயர்ப்பு வேண்டுமாயின், தயவுசெய்து கடிதம் மூலம் பின்வரும் விலாசத்திற்கு, 2018, செப்டெம்பர் மாதம் 18ம் திகதிக்கு முன் அறிவிக்கவும். செயலாளர், மெல்ஸ்டாகோப் பிளஸி, 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 18th day of September 2018.

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

Company Secretary

Corporate Services (Private) Limited
No. 216, De Saram Road,
Colombo 10.
Tel : +94 11 4605100
Fax : +94 11 4718220

Registrars

Central Depository Systems (Private) Limited
Registrar Services and Corporate Actions Unit
No. 341/5, M & M Center, Kotte Road,
Rajagiriya, Sri Lanka.
Tel : +94 11 2356456
Fax : +94 11 2440396

Auditors

KPMG (Chartered Accountants)
32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC

Concept & Designed by



Printing by Aitken Spence Printing & Packaging (Pvt) Ltd



www.melsta.com

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