

# INNOVATION. AGILITY. ENDURANCE.

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Carson Cumberbatch PLC | Annual Report 2018/19



# INNOVATION. AGILITY. ENDURANCE.

At Carson Cumberbatch PLC, we are constantly seeking to grow your company's presence and expand our avenues of value creation, persistently pursuing opportunities to align ourselves with the many trends of growth we see across South Asia and beyond. Today, our diversified business portfolio includes oil palm plantations and oils and fats, real estate, leisure, beverages and portfolio and asset management and we are well positioned to deliver good returns through each of these key industry segments.

We have always looked at the bigger picture, ensuring corporate stability and endurance by broadening our portfolio and unleashing potential across a wide range of major business ventures in Sri Lanka and across the region. Visionary management, strategic thinking, innovation, agility and endurance remain trademarks of the Group, keeping us strong, as we seize every opportunity to capitalise on our local experience and develop regional influence, thus delivering growing, sustainable value to the many stakeholders we serve.

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The PDF version of the Annual Report 2018/19  
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## Information to Shareholders & Investors

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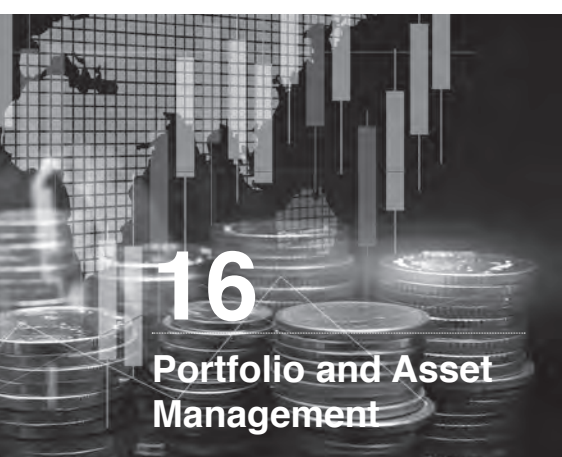
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## Sustainability

Our long term commitment towards broad spectrum of holistic and multi-stakeholder approaches that encompass education, economic development and empowerment, supporting building capabilities in enhancing quality of life, culture preservation and community support.

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# Corporate Information

## NAME OF THE COMPANY

Carson Cumberbatch PLC

## COMPANY REGISTRATION NO.

PQ 41

## LEGAL FORM

A Public Quoted Company with limited liability. Incorporated in Sri Lanka in 1913.

## BOARD OF DIRECTORS

Mr. T. de Zoysa (Chairman)  
Mr. H. Selvanathan (Deputy Chairman)  
Mr. M. Selvanathan  
Mr. D. C. R. Gunawardena  
Mr. S. K. Shah  
Mr. P. C. P. Tissera\*  
Mr. V. P. Malalasekera  
Mr. F. Mohideen  
Mr. R. Theagarajah  
Mr. W. M. R. S. Dias  
Mr. A. S. Amaratunga  
Ms. S. Selvanathan\*\*

## Alternate Director

Mr. K. Selvanathan (for Mr. M. Selvanathan)  
Mr. S. Selvanathan (for Mr. D. C. R. Gunawardena)

## Audit Committee

Mr. V. P. Malalasekera (Chairman) -  
*Non Executive/Independent Director*  
Mr. D. C.R. Gunawardena -  
*Non Executive Director*  
Mr. F. Mohideen -  
*Non Executive/Independent Director*  
Mr. A. S. Amaratunga\*\*\* -  
*Non Executive/Independent Director*

## Remuneration Committee

Mr. D. C. R. Gunawardena -  
*Non Executive Director*  
Mr. R. Theagarajah -  
*Non Executive/Independent Director*  
Mr. W.M.R.S.Dias -  
*Non Executive/Independent Director*  
Mr. T. de Zoysa -  
*Non Executive/Independent Director*

## Related Party Transactions Review Committee

Mr. V.P. Malalasekera (Chairman) -  
*Non- Executive/Independent Director*  
Mr. F. Mohideen -  
*Non- Executive/Independent Director*  
Mr. D. C.R. Gunawardena -  
*Non- Executive Director*  
Mr. H. Selvanathan -  
*Executive Director*  
Mr. M. Selvanathan -  
*Executive Director*  
Mr. S.K. Shah - *Executive Director*

## Nomination Committee

Mr. T. de Zoysa - (Chairman) -  
*Non Executive/Independent Director*  
Mr. D. C.R. Gunawardena -  
*Non Executive Director*  
Mr. R. Theagarajah -  
*Non Executive/Independent Director*

## BANKERS

Standard Chartered Bank  
Bank of Ceylon  
Commercial Bank of Ceylon PLC  
Hatton National Bank PLC  
Nations Trust Bank PLC  
Deutsche Bank  
Peoples' Bank

## AUDITORS

Messrs KPMG, Chartered Accountants  
No. 32A,  
Sir Mohamed Macan Markar Mawatha,  
Colombo 3,  
Sri Lanka.

## SECRETARIES

Carsons Management Services (Pvt)  
Ltd  
No. 61, Janadhipathi Mawatha,  
Colombo 1,  
Sri Lanka  
Tel : 94-11-2039200  
Fax : 94-11-2039300

## REGISTERED OFFICE

No. 61, Janadhipathi Mawatha,  
Colombo 1, Sri Lanka  
Tel : 94-11-2039200  
Fax : 94-11-2039300

Email : [carsons@carcumb.com](mailto:carsons@carcumb.com)

Corporate Website :  
[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

## PARENT COMPANY

Bukit Darah PLC

\* Resigned from the Board w.e.f 12th February 2019

\*\* Appointed to the Board w.e.f 10th March 2019

\*\*\* Appointed to the Audit Committee w.e.f 15th January 2019

# Financial Highlights

(Amounts expressed in Sri Lankan Rs.'000 unless otherwise stated)

For the year ended / as at 31st March	2019	2018	% Change
<b>Statement of Income</b>			
Group revenue	97,139,538	79,181,390	23
Segment results	10,753,239	10,075,229	7
Profit before taxation	5,060,992	7,387,888	(31)
Profit after taxation from continuing operations	1,068,430	3,734,777	(71)
EBITDA	18,806,358	16,291,111	15
Profit attributable to ordinary shareholders	93,952	1,767,017	(95)
Cash earning per share (Rs.)	39.80	46.64	(15)
Earnings per share (Rs.) - Group	0.48	9.00	(95)
Dividend per share (Rs.) - Company	1.00	2.00	(50)
Dividend payout (%) - Company	-	67	-
<b>Statement of Cash flow</b>			
Operating cash flow	7,816,882	9,160,094	(15)
Capital expenditure	6,370,979	6,025,634	6
<b>Statement of Financial Position</b>			
Shareholders' funds	32,308,420	31,501,925	3
Net assets	63,893,865	60,650,409	5
Net assets per ordinary share (Rs.)	164.51	160.41	3
Return on ordinary shareholders' funds (%)	0.29%	5.61%	(95)
Total assets	165,667,317	160,010,345	4
Net debt	60,418,200	56,095,978	8
<b>Market / Shareholder Information</b>			
Market value per share (Rs.) - Company	160	168	(5)
Enterprise value (Rs. Mn)	123,426	118,237	4
Market capitalization (Company) (Rs. Mn)	31,422	32,993	(5)
Revenue to Government of Sri Lanka	33,207,490	24,690,837	34
Group value addition	48,362,249	41,292,770	17
Group employment (Nos.)	13,975	11,935	17
Employee benefit liability as of 31 March	1,310,188	1,462,835	(10)

# Chairman's Message

Dear Shareholder,

Agility, Innovation and Endurance have been our key strengths over time. The strategic priorities of the Carsons group's business interests over the past decade has endured numerous challenges, both market related and natural disasters, yet, our businesses have delivered creditable growth in capital assets as well as revenues. Agility to select the right business strategies at the right time especially when market dynamics change, and being innovative to make best use of the opportunities so provided has helped the group to bounce back after each adverse period. With such enthusiasm, let me welcome all of you to our 106th Annual General Meeting and present to you the Annual Report and Consolidated Financial Statements of your Company and Group.

In the year under review the operating conditions relieved somewhat in the key sectors namely Beverage and Oil Palm Plantations. Your group achieved a topline of Rs. 97.1 Bn with a Year on Year improvement of 23% but the consolidated bottom line declined recording Rs. 1.07 Bn Profit after Tax from continuing operations compared to Rs. 3.7 Bn in FY17/18. However, when the one-off income in FY17/18 and effects from changes to accounting standards are adjusted, the like for like Profit after Tax has grown by 105%. The comparative year's profit included a total of Rs. 1.96 Bn in insurance receipts accounted on behalf of the Brewery in terms of business interruption and property damages pertinent to floods in May 2016. Also, during the year under review, the mandated adoption of SLFRS 9 Accounting Standard within the Portfolio and Asset Management business has resulted in a Rs 2.5 Bn charge to profit and loss due to reduction in the fair value of long term oriented equity securities. Though unrealized, these losses have

## Your group achieved a topline of Rs. 97.1 Bn with a Year on Year improvement of 23%.

been charged to Profit and Loss as opposed to last year where gains or losses were charged to Other Comprehensive Income.

### BEVERAGE

The sector volumes improved with the tourism boom coupled with the growth in our export business. As such, sector was able to deliver a topline to Rs. 44.2 Bn in FY18/19, growing by 40% relative to the corresponding year. However, towards the end of the year under review, the beer taxes were increased by 12.5% when compared to a lower 7.5% increase in arrack taxes whilst taxes on popular extra special arrack remained unchanged. These changes could negatively impact our volumes in the coming year. The sectors I delivered a net profit of Rs. 3.06 Bn. Policy consistencies, economic stability and a gradual growth in tourism are crucial in strengthening the revenue and profitability of the sector.

### OIL PALM PLANTATIONS AND OILS AND FATS

Oil Palm Plantations segment re-emerged with a recovery from the past two years' drastic El-nino weather conditions, witnessing a bumper crop in the first six months of FY18/19. Although volumes improved, prices within the sector were negatively impacted due to lower soybean prices resulting from US-China trade barriers, with Crude Palm Oil prices reaching a 10-year low. Nevertheless, volume growth facilitated a YoY revenue improvement of 19%, with FY18/19

recording a revenue of Rs. 28.98 Bn. However, the sector reported a net profit of Rs. 320.2 Mn as opposed to Rs. 1.1 Bn in the comparative year. This is mainly due to increase in forex losses on account of USD movements against Indonesian Rupiah, lower biological asset valuations due to reduction in CPO price, and higher interest costs.

In the Oils and Fats sector, prices of lauric oils declined during the year with the price of main feedstock, Palm kernel, decreasing. This price decrease along with a dedicated supply from our own upstream plantations in Indonesia, enabled our plant to increase its utilization resulting in increased production and sales of specialty fats during the year. The sector contributed Rs. 22.4 Bn to the group revenue, which is an increase of 6% Year on Year. The net loss reported from continuing operations is Rs. 34.9 Mn while a Rs. 160.2 Mn loss after tax was reported from discontinued Indian operations. The Indian refining operations remains closed and the process of asset disposal is ongoing before final closure.

### PORTFOLIO AND ASSET MANAGEMENT

The sector revenue of Rs 551 Mn is a 54% decline in its topline relative to the previous year. Economic growth was very slow with contracting monetary policies, high debt repayments and reduction in consumption. Activity in the Equity market reduced with the All Share Price Index (ASPI) declining



by 14.48% during the year. As such, our discretionary portfolio prior to dividend payment to shareholders, reduced by 17.96% during FY18/19. However, when considering the past five years, our discretionary portfolio has managed to outperform the market by 17%. The sector reported a net loss of Rs. 2.3 Bn, predominantly stemming from the aforementioned adoption of SLFRS – 9 where the sector's discretionary equity portfolio has been classified as "fair value through profit or loss financial asset".

## LEISURE

Pegasus Reef succeeded in growing its topline despite competitive pressures, a slowdown in the MICE market and hotel's main banquet hall being closed for the final two months of the year for refurbishment. Also, Giritale hotel's operations were scaled down to accommodate a 21 room refurbishment. The sector's consolidated revenue of Rs. 677.5 Mn is a 1% decline over last year. The sector reported a loss of Rs. 92.3 Mn, predominantly due to factoring in a Rs. 145.2 Mn provision to account for the potential reduction in compensation receivable in respect of 1,251 perches of land acquired by Government from Pegasus Reef hotel, on prudence grounds.

## REAL ESTATE

In terms of the real estate, revenue from your office properties recorded Rs288.1Mn, an increase of 7% against the corresponding year, reinforced by upward rent reviews. The average occupancy during the year reduced to 95% from 99%. This was mainly due to the closure of the Vauxhall Lane property for repair work owing to a minor fire incident in December 2018, as well as due to temporary vacancies in the Equity Two Building towards the end of the year. Rent revisions and valuation gains from investment properties of Rs. 423.1 Mn, resulted in the sector posting a profit after tax

of Rs. 452.5 Mn, an increase of 233% over the previous financial year. It needs to be highlighted that the profit after tax of FY 2017/18 included a retrospective tax charge of Rs.671.7 Mn against potential gains on sale of land as opposed to Rs.193.2 Mn charge for current year, necessitated by tax related legislative changes.

## CONCLUSION

I wish to express my deep condolences to all the families who were affected by the tragic events of 21st of April, our prayers and blessings are with them to gradually overcome the terrible experience. This incident has inevitably resulted in short-term uncertainty to tourism and other related business communities and the economy as a whole. Hence, it's important that the country gradually learns and rebounds from this tragic event.

Finally, I am grateful to our strong management teams for their commitment and for the valuable contributions to our businesses, and to our loyal employees across the continents for the solid support extended by them. I also wish to thank all our stakeholders especially our consumers and customers for their loyalty and support during the year. My sincere thanks to the members of the Board for their solid insights, guidance and wise counsel. My heartfelt thanks to all our shareholders who continue to trust in our strength.

We shall endure the present and be poised with agility and innovation to take on the future!

(Sgd.)  
**Tilak De Zoysa**  
Chairman

17th July 2019  
Colombo

# Directors' Profile

## TILAK DE ZOYSA

Chairman

A well-known figure in the Sri Lankan business community, Tilak de Zoysa, FCMI (UK) FPRI (SL), Honorary Consul for Croatia and Global Ambassador for HelpAge International was conferred the title of "Deshabandu" by His Excellency the President of Sri Lanka in recognition of his services to the country and was the recipient of "The Order of the Rising Sun. Gold Rays with Neck Ribbon" conferred by His Majesty the Emperor of Japan. Recipient of the LMD lifetime achievers' Award 2017.

In addition to being the Chairman of the Supervisory Board (AMW) and Advisor to the Al- Futtaim Group of Companies in Sri Lanka, he chairs Associated CEAT (Pvt) Ltd., Amaya Hotels and Resorts USA (Radisson), Jetwing Zinc Journey Lanka (Pvt) Ltd. and HelpAge Sri Lanka, Trinity Steel (Pvt) Ltd. CG Corp Global Sri Lanka and Dutch Lanka Trailer Manufacturers (TATA Group).

He is also the Vice Chairman of CEAT Kelani Holdings (Pvt) Ltd., Orient Insurance Ltd. and serves on the Boards of several listed and Private Companies which include TAL Lanka Hotels PLC (Taj), TAL Hotels and Resorts Ltd, Nawaloka Hospitals PLC, Associated Electrical Corporation Ltd., INOAC Polymer Lanka (Pvt) Ltd., Cinnovation INC., GVR Lanka (Pvt) Ltd and Varun Beverages Lanka (Pvt) Ltd (Pepsi).

Mr. Tilak de Zoysa is the President of the Colombo YMBA and past Chairman of the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, HelpAge International (UK) and served as a Member of the Monetary Board of Sri Lanka (2003-2009).

## HARI SELVANATHAN

Hari Selvanathan is the Chairman of Bukit Darah PLC and Deputy Chairman of Carson Cumberbatch PLC. He is the Deputy Chairman/Group Chief Executive Officer of Goodhope Asia Holdings Ltd. He is the President Commissioner of the palm oil related companies in Indonesia. He holds directorships in several subsidiary companies within the Carsons Group and is also a Director of Sri Krishna Corporation (Private) Limited and the Chairman of Express Newspapers (Ceylon) Ltd. He is also the Chairman of Carsons Management Services (Private) Limited and Agro Harapan Lestari (Private) Limited, the Group's Management companies. Past President of the National Chamber of Commerce and Past Vice Chairman of the International Chamber of Commerce (Sri Lanka).

He counts over 20 years' experience in commodity trading in International Markets.

He holds a Bachelor of Commerce Degree.

## MANO SELVANATHAN

Mano Selvanathan is the Chairman of Sri Krishna Corporation (Private) Limited, Ceylon Finance & Securities (Private) Ltd and Selinsing PLC. He is a Director of most of the Companies in the Carson Cumberbatch Group in Sri Lanka, Indonesia, Malaysia & Singapore and is an active Member of its Executive Management Forums.

He has served as the Chairman of the Ceylon Chamber of Commerce and The Indo Lanka Chamber of Commerce & Industry and also as the President of the Rotary Club of Colombo North. At present, he is the Honorary Consul of the Republic of Chile in Sri Lanka.

Mano Selvanathan was conferred the National Honours in Sri Lanka the 'DESAMANYA' title by H.E. The President of Sri Lanka, in recognition of the services rendered to the Nation in November 2005.

In January 2011, he was awarded with the prestigious 'PRAVASI BHARATIYA SAMMAN AWARD' by the President of India.

He also received the Presidential Honour of 'ORDER OF KNIGHT COMMANDER' in October 2013 awarded by the Government of Chile.

He holds a Bachelor's Degree in Commerce.

## CHANDIMA GUNAWARDENA

Chandima Gunawardena serves as a Non-Independent, Non-Executive Director of most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC. Since assuming Non- Executive status in the Group, he serves as an advisor to the Group's Strategic Planning and Management forums in Sri Lanka and serves on Board Committees, including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the Group.

Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in Corporate, Mercantile and State Institutions. He was appointed to the Carsons Group Directorate in 1990.

He has served in the Management Committee of The Ceylon Chamber of Commerce for over 10 years and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years.

He is a Fellow of the Chartered Institute of Management Accountants, UK.

## SURESH SHAH

Mr. Suresh Shah is a Director and Chief Executive Officer of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC. He is also a Director of Bukit Darah PLC and some other companies within the Carson Cumberbatch group.

He is a Past Chairman of the Ceylon Chamber of Commerce and the Employers' Federation of Ceylon and a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka. Previously, he has served as a Commissioner of the Securities and Exchange Commission of Sri Lanka and as a Member of Council, University of Moratuwa.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

## CHANDANA TISSERA

[Resigned w.e.f 12th February 2019]

Chandana Tissera served as a Non-Executive Director on the Board of Carson Cumberbatch PLC up to 12th February 2019. He also served as a Director and the Chief Executive Officer of the Plantations and Oils & Fats Sector of the Carsons Group and as a Director in all Subsidiary companies of the Goodhope Group. He retired from the Goodhope Group on 31st October 2017.

Previously, he served as the Chief Executive Officer of the Investment Sector and as Director Finance of the Carsons Group. He has also served on the Board of Union Assurance PLC.

He counts over 34 years of experience in the fields of manufacturing, financial services, capital market operations, overseas plantations, project development and management services.

He is a Fellow of the Institute of Management, UK.

## VIJAYA MALALASEKERA

Vijaya Malalasekera served as Director-Corporate and Legal Affairs at Ceylon Tobacco Company PLC and as a Non - Executive Director in the same company up to April 2012. He is currently the Chairman of Bogala Graphite Lanka PLC. He was a member of the University Grants Commission and Chairman of Sri Lanka Cricket from April 2001 to March 2002.

He holds a M.A. (CANTAB), Barrister - at-Law (Inner Temple) and is an Attorney-at-Law of the Supreme Court of Sri Lanka.

## FAIZ MOHIDEEN

Faiz Mohideen holds a B.Sc. Degree in Mathematics from the University of London and a M.Sc. Degree in Econometrics from the London School of Economics.

Former Deputy Secretary to the Treasury and Director General, External Resources Department, Ministry of Finance & Planning.

## RAJENDRA THEAGARAJAH

[FCMA (UK), FCA (Sri Lanka), MBA (Cranfield) FIB (Hon), Sri Lanka]

Mr. Rajendra Theagarajah is a veteran banker with a wealth of experience in the Banking and financial services sector. He counts over 34 years in banking both locally and overseas.

Presently, Mr. Theagarajah is the MD/ CEO of Cargills Bank Limited.

Mr. Theagarajah served as Director/ Chief Executive Officer (CEO) of National Development Bank PLC (NDB) from August 2013 till November 30, 2016. Prior to that, he served as CEO/ Managing Director at Hatton National Bank PLC for 9 years.

Mr. Theagarajah was also a past

Chairman of the Sri Lanka Bankers' Association (Guarantee) Ltd, Financial Ombudsman Sri Lanka (Guarantee) Ltd, former Director of Colombo Stock Exchange and former Chairman of the Asian Bankers Association. He has also served as a Council Member of the Sri Lanka Institute of Directors.

He currently serves as the Chairman of the Ceylon Chamber of Commerce. He is a past Chairman of the Chartered Institute of Management Accountants (UK) Sri Lanka Governing Board. He is currently a co-opted member in the CIMA UK's Global Council.

## RAVI DIAS

A banker by profession, Ravi Dias served Commercial Bank of Ceylon PLC for nearly four decades and retired as the Managing Director / Chief Executive Officer of Commercial Bank of Ceylon PLC.

He is the Chairman of Seylan Bank PLC and Senkadagala Finance PLC and also serves on the Boards of Tokyo Cement Company (Lanka) PLC, Ceylon Tea Marketing (Pvt) Ltd and South Asia Textile Industries (Pvt) Ltd.

He had served on the Boards of Commercial Development Company PLC, Lanka Clear (Pvt) Limited, Lanka Financial Services Bureau Limited, Academy of Financial Studies of the Ministry of Finance & Planning and was also a Council Member of the Employers' Federation of Ceylon.

Holds a Degree in Law and is a Fellow of the Chartered Institute of Bankers (UK). He is also a Hubert. H. Humphrey Fellow.

Is an alumnus of INSEAD Business School - France, having attended the Advanced Management Programme in Fontainebleau.

## Directors Profile

### SAKTHA AMARATUNGA

Mr. Saktha Amaratunga is an Independent, Non-Executive Director of Hemas Holdings PLC, Chairman of Hemas Holdings PLC – Audit Committee and a Commissioner of PT Agro Indomas Indonesia, a subsidiary of the Carson Cumberbatch Group.

Previously, Regional Audit Controller (Asia Pacific) for British American Tobacco, he has more than 20 years' experience with British American Tobacco, having performed senior finance roles for the Group in Sri Lanka and the United Kingdom, and also being the Finance Director of British American Tobacco Operations in the Czech Republic, Sri Lanka, Switzerland, Japan and Malaysia (IT Shared Services Organization).

Has many years of experience in Strategy Development, Business Restructuring, Risk and Governance, International Finance and People Development. He is a Fellow Member of the Chartered Accountants of Sri Lanka, Associate Member of the Chartered Institute of Management Accountants, UK and also a Member of CPA Australia.

### SHARADA SELVANATHAN

(Appointment w.e.f 10th March 2019)

Sharada Selvanathan joined the Board of Carson Cumberbatch PLC [CCPLC] from 10th March 2019.

Sharada spent the last 8 years at CCPLC's oil palm arm, Goodhope Asia Holdings Ltd. (Goodhope), focusing on finance and corporate strategy at the oil palm group. Sharada is currently a member of the Executive Committee of Goodhope and works closely with senior management in making strategic and operational decisions.

For 6 years prior to Goodhope, Sharada worked at BNP Paribas.

Beyond Goodhope, Sharada is passionate about education, especially for children with learning challenges. She is currently a Trustee of two education-focused trusts, one that fosters educational improvements through alternative learning methods, and the other that provides higher education opportunities for students from low income families.

Sharada holds a Master of Science in Economics from the University of Warwick, UK, and an MBA from IMD, Switzerland.

### KRISHNA SELVANATHAN

(Alternate Director to Mr. M. Selvanathan)

Krishna Selvanathan - Director, Carsons Management Services (Pvt) Ltd, is the CEO of Guardian Fund Management Limited and serves as a board member of other investment sector companies within the Ceylon Guardian group. He also serves as a Director of Lion Brewery (Ceylon) PLC and Pegasus Hotels of Ceylon PLC.

He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, U.K.

### SUDARSHAN SELVANATHAN

(Alternate Director to Mr. D.C.R. Gunawardena)

Sudarshan Selvanathan was a partner at JNE Partners LLP. Prior to this, he was a senior member of the investment team at JNE's predecessor firm, MSD Partners Europe. Prior to joining MSD in 2006, he served in various roles at Lone Star Funds and Lehman Brothers. He currently serves as a Non-Executive Director on the Board of Lion Brewery (Ceylon) PLC.

He holds a BSc (Hons) Management Science from the University of Warwick, United Kingdom.

# Group Structure

## PLANTATIONS, OILS & FATS

- ◆ Goodhope Asia Holdings Ltd.  
• 2008\* • 53.33%
- ◆ Agro Asia Pacific Limited  
• 2010\* • 100%
- ◆ Premium Nutrients Private Limited  
• 2011\* • 100%
- ◆ Shalimar Developments Sdn. Bhd.  
• 1980\* • 100%
- ◆ Premium Oils & Fats Sdn. Bhd.  
• 2011\* • 100%
- ◆ Premium Vegetable Oils Sdn. Bhd.  
• 1978\* • 100%
- ◆ Premium Fats Sdn. Bhd.  
• 1996\* • 100%
- ◆ Shalimar (Malay) PLC  
• 1909\* • 99.24%
- ◆ Selinsing PLC  
• 1907\* • 95.68%
- ◆ Indo-Malay PLC  
• 1906\* • 87.14%
- ◆ Good Hope PLC  
• 1910\* • 90.91%
- ◆ Agro Harapan Lestari (Private) Limited  
• 2008\* • 100%
- ◆ AHL Business Solutions (Private) Limited  
• 2010\* • 100%
- ◆ Goodhope Investments (Private) Limited  
• 2012\* • 100%
- ◆ PT Agro Indomas  
• 1987\* • 94.30%
- ◆ PT Agro Bukit  
• 2004\* • 95%
- ◆ PT Agro Asia Pacific  
• 2008\* • 100%
- ◆ PT Karya Makmur Sejahtera  
• 2003\* • 95%
- ◆ PT Agro Harapan Lestari  
• 2007\* • 100%
- ◆ PT Rim Capital  
• 2006\* • 95%
- ◆ PT Agrajaya Baktitama  
• 1994\* • 95%
- ◆ PT Nabire Baru  
• 2008\* • 95%
- ◆ PT Agro Wana Lestari  
• 2006\* • 95%
- ◆ PT Batu Mas Sejahtera  
• 2006\* • 95%
- ◆ PT Sawit Makmur Sejahtera  
• 2008\* • 95%
- ◆ PT Sumber Hasil Prima  
• 2006\* • 95%
- ◆ PT Sinar Sawit Andalan  
• 2008\* • 95%
- ◆ PT Sariwana Adi Perkasa  
• 2008\* • 95%
- ◆ PT Agro Bina Lestari  
• 2006\* • 95%
- ◆ PT Agro Surya Mandiri  
• 2006\* • 95%
- ◆ Arani Agro Oil Industries Private Limited  
• 1986\* • 100%

## BEVERAGE

- ◆ Ceylon Beverage Holdings PLC  
• 1910\* • 75.37%
- ◆ Lion Brewery (Ceylon) PLC  
• 1996\* • 59.14%
- ◆ Pubs 'N Places (Private) Limited  
• 2007\* • 100%
- ◆ Retail Spaces (Private) Limited  
• 2012\* • 100%
- ◆ Luxury Brands (Private) Limited  
• 2012\* • 100%
- ◆ Pearl Springs (Private) Limited  
• 2014\* • 100%
- ◆ Millers Brewery Limited  
• 2010\* • 100%

## Group Structure

### PORTFOLIO & ASSET MANAGEMENT

- ◆ Ceylon Guardian Investment Trust PLC
  - 1951\* • 67.15%
- ◆ Ceylon Investment PLC
  - 1919\* • 65.94%
- ◆ Guardian Capital Partners PLC
  - 1920\* • 86.22%
- ◆ Rubber Investment Trust Limited
  - 1906\* • 100%
- ◆ Leechman & Company (Private) Limited
  - 1953\* • 100%

- ◆ Guardian Fund Management Limited
  - 2000\* • 100%
- ◆ The Sri Lanka Fund
  - 1993\* • 86.68%
- ◆ Guardian Acuity Asset Management Limited+
  - 2011\* • 50%

### LEISURE

- ◆ Pegasus Hotels of Ceylon PLC
  - 1966\* • 89.98%
- ◆ Equity Hotels Limited
  - 1970\* • 100%
- ◆ Carsons Airline Services (Private) Limited
  - 1993\* • 100%

### REAL ESTATE

- ◆ Equity One Limited
  - 1981\* • 98.96%
- ◆ Equity Two PLC
  - 1990\* • 88.81%
- ◆ Equity Three (Private) Limited
  - 1990\* • 100%

### MANAGEMENT SERVICES

- ◆ Carsons Management Services (Private) Limited
  - 1993\* • 100%

% refer to group interest  
 + refer to Joint Venture Company  
 \* refer to year of incorporation

#### Country of Incorporation/Operation

- ◆ Sri Lanka
- ◆ Indonesia
- ◆ Malaysia
- ◆ Singapore
- ◆ India
- ◆ Cayman Islands

# Sector Review

## BEVERAGE

### Growth from Tourism and Exports

In the year 2018/19, the Beverage sector's focus was on further strengthening its command within the Sri Lanka's alcobev segment. Previous year, the sector revamped the imagery around the Lion portfolio to enhance the look and feel of modern competitive global brands, whilst still allowing the three variants – Lager, Strong & Stout – to express their individuality and connect with their respective consumers and be relevant to them. Lion was listed as the most valuable beverage brand in the LMD Brand Finance annual brand rankings for the year 2018. Overall, it ranked as the 9th most valuable brand, the same position that it occupied in the previous year.

The sector almost witnessed a full year of stable taxation across the industry. However, during the final month of the financial year 18/19, with the new budget announcements, beer taxes were increased by 12.5%. In contrast, excise duty on extra special arrack, which contributes approximately 80% to the arrack volumes, remained unchanged while duties on other arracks were increased by only 7.5%. Such increase of taxes led to serious concerns on policy consistency for the sector. In the meanwhile, during the financial year under review, the beer industry's contribution to government revenue increased by 29%.

During the year under review, considerable growth in the tourism sector, was reflected in the beer sales in the tourist hotspots in the country, since tourists in general consume more of Lion's brands per person than locals do. Further, in the year under review, the sector exported a total of 705 containers, an increase of 37% in comparison to the previous year, which derived a revenue growth of 48%. In terms of destinations, Lion

The sector achieved a revenue of Rs. 44.2 Bn recording a net profit of Rs. 3.1 Bn for the year.



beers now reach 27 countries across the 5 continents, whilst remaining as the market leader in Maldives. In New York, Lion continues to build its brand image and Lion Stout is listed in several high profile bars & restaurants in that city. Africa and the Middle East have been lucrative and the sector plans to build a strong business in these regions. During the year, the sector tapped into 5 new markets, namely, China, Qatar, Fiji, Philippines, and Iraq. Exports to China commenced at the end of the year under review with an order of 24 containers.

In terms of the cost base, rupee depreciation was significantly challenging the bottom line due to the high cost of imported materials. Yet, cost efficiency plans were carried out to reduce the consumption of energy and water, leading to further reduction of normal wastage in the brewing and bottling processes. Also, effective utilization of installed capacity pushed back the need for capital expenditure,

which together with sound working capital management resulted in a significant reduction in net borrowings.

Nation Building Tax which was previously not levied on the alcobev sector, was introduced w.e.f. 30th July 2018. This added further cost and complexity to an industry already weighed down with an overwhelming tax burden.

### Financial Performance

The sector achieved a revenue of Rs. 44.2 Bn recording a net profit of Rs. 3.1 Bn for the year.

### Future outlook

Given an appropriate alcohol policy that is consistently applied and with an anticipated gradual rebound in tourism following the tragic events which took place on Easter Sunday of the current year, the sector should be stronger tomorrow than it is today.

## Sector Review

### OIL PALM PLANTATIONS

#### Low price regime affects performance

Concluded twelve months saw Oil Palm Plantations sector fully recovering from the El-nino effect of the previous 2 years, witnessing a bumper crop during the first six months of FY18/19. conversely, Crude Palm Oil (CPO) prices displayed a declining trend, with CPO prices reaching the lowest of the last 10 years, in November 2018. Additionally, the CPO prices were also affected by the decline in global soybean prices to a 10-year low level in September 2018, owing to USA-China trade barriers and its effect on the importation of soy to China. World crude petroleum prices for the year averaged approximately USD\$63 per barrel, limiting the inducement for higher bio-fuel usage. However, both Malaysian and Indonesian governments have increased the domestic bio-fuel usage levels in response to this situation, which will help reduce the pressure on Palm Oil inventory build-up

Thus, Average CPO sales prices recorded during the year corresponded to Bursa Malaysia price of approximately USD 521 per MT of CPO, as opposed to approximately USD 623 per MT during the previous financial year. Similarly, the Average Palm Kernel sales prices declined during the period under review to USD 293 per MT from the previous year's average price of USD 450 per MT. The sector increased its internal Fresh Fruit Bunch (FFB) production by 27% YoY to be over 1.27 Mn metric tons during FY18/19 helped by improved weather conditions and sold over 315,000 MT of CPO, denoting an increase of 35% over the previous year. This increase in volume was also facilitated by a considerable 185% increase in purchase of external crop during the year, which was one of the

The sector achieved a revenue of Rs. 29 Bn recording a net profit from continuing operations of Rs. 320.2 Mn for the year.



key strategic focuses of the sector for FY18/19. Accordingly, the segment was able to achieve the highest mill utilization level of the past 5 years.

During the year, the segment continued in-house review of its operations/processes with an objective of further reducing operational costs, whilst continuing its medium-term cost reduction project with the aim of becoming one of the lowest cost producers in the industry.

During FY18/19, the management focus remained on:

- (i) Continuing to carry-out significant mill maintenance, further stabilizing its plantation mill performances
- (ii) Bringing the Nabire development location to revenue generation via the establishment of a mill

- (iii) Focus on a significantly increasing external crop collection system
- (iv) Improving operating efficiency.

#### Financial Performance

The sector achieved a revenue of Rs. 29 Bn recording a net profit from continuing operations of Rs. 320.2 Mn for the year.

#### Future outlook

The segment will continue to consider options, including sale or divestment, in relation to certain plantations to optimize its portfolio of assets, whilst continuously improving on the operational processes to optimize efficiency and minimize cost structures.



## OILS AND FATS

### Improved capacity utilization

Lauric oils traded at comparatively lower prices to that of the previous year, stemming from low price regime of its main feedstock, palm kernel, trading in the range of MYR 1,378 – MYR 1,900.

During the concluded twelve months, the Oils and Fats segment's main focus was to increase the capacity utilization of its manufacturing plants. Accordingly, the reduced palm kernel prices mentioned above further facilitated by the dedicated kernel supply from own upstream plantations in Indonesia; enabled the oils and fats segment to increase its mid-stream capacity utilization and a resultant increase in production and sales of specialty fats (SFD) during the year.

As such, midstream volumes increased by 21% YoY, while mid-stream plant utilization strengthened to 92% compared to 76% of the previous year. Specialty Fats SFD volumes increased by 27% during the period, with the downstream capacity utilization rising to 75% from 60% of the previous year.

The Malaysian Oils and Fats segment – following changes in senior management at the end of the current year, will continue to focus on expanding sales volumes, increasing capacity utilization and maximizing the mid-stream margin; albeit these margins being impacted from lower Palm Kernel prices.

The segment continues to look at potential alliances with key industry partners, in order to enhance market reach, derive synergies and to realize its full potential.



As of present, the Indian refining operation remains closed and the process of disposing the assets of this business is ongoing and has been classified as an asset held-for-sale.

### Financial Performance

The sector achieved a revenue of Rs. 22.4 Bn recording a net loss from continuing operations of Rs. 34.9 Mn for the year.

### Future outlook

The segment continues to look at potential alliances with key industry partners, in order to enhance market reach, derive synergies and to realize its full potential.

## Sector Review

### PORTFOLIO AND ASSET MANAGEMENT

#### Weakened Market Backdrop

The twelve months period under review proved to be constraining for any revenue growth opportunities for the Portfolio and Asset Management sector in the backdrop of prevalent dull market conditions. Subdued economic activity of the country operating within a tight monetary stance, along with heightened concerns on significant foreign currency debt repayments being the primary reasons for lackluster stock market environment. Against this odds, equity market performance growth was negative where, the All Share Price Index (ASPI) experienced a considerable decline of 14.20% for the financial year ended March 2019.

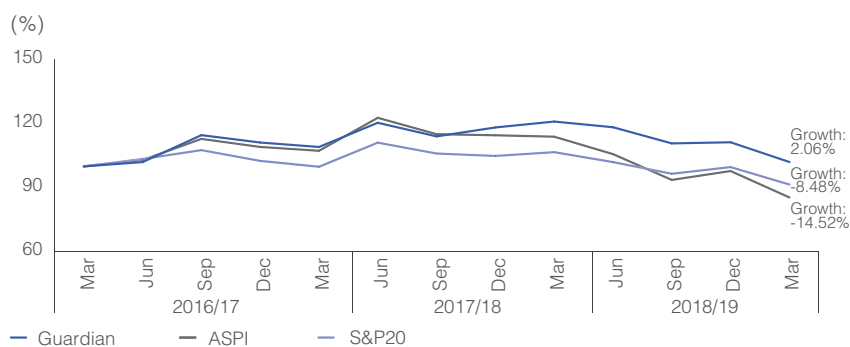
The sector's portfolio which was valued at Rs. 15.51 Bn as at 31st March 2019 comprises of the strategic portfolio and discretionary portfolio. Of this, the strategic portfolio which constitutes holdings in Bukit Darah PLC, declined to Rs. 4.09 Bn as at 31st March 2019 from Rs. 4.21 Bn a year ago. The discretionary component which invests in the equity market using fundamental analysis saw a decline to reach Rs. 11.42 Bn by Rs. 2.50 Bn from a year back, principally due to the above-discussed negative market performance. Accordingly, the discretionary portfolio of the sector, prior to dividend disbursements to the shareholders, declined by 16.70%. However, observing the long-term perspective, for the past 3-year period, the discretionary portfolio has appreciated by 2.06% in comparison to the 8.48% decrease of the ASPI for the same period. Moreover, during the past 5-year time horizon, the discretionary performance growth of the sector has been outperforming the market, with a return of 10.14% as depicted in the graph below.

Meanwhile, the total portfolio value of Guardian Capital Partners PLC, the private equity investment arm of the

During the past 5-year time horizon, the discretionary portfolio outperformed market, with a return of 10.14%.



Three year track record - Guardian Discretionary Portfolio



sector, which is included in the above discretionary portfolio, stood at Rs. 705 Mn as at 31st March 2019, out of which 37% has been deployed into investments, whilst the balance is held in short term investments and cash.

#### Financial Performance

The sector achieved a revenue of Rs. 551 Mn recording a net loss of Rs. 2.3 Bn for the year. The loss is arising due to the aforementioned market negativity being brought in to

the books as a result of the adoption of SLFRS 9, which is further elaborated in other sections of this report.

#### Future outlook

Given the anticipated gradual rebound in the economy and the market from the present calamitous conditions, the sector would seek to cash in more gains whilst continually concentrating on investments with significant upside potential from a fundamental perspective.

## LEISURE

### New experiences offered through regular property refurbishments.....

For the year ended 31st March 2019, Pegasus Reef hotel achieved an occupancy of 66%, marking a fair increase from the 62% occupancy observed in the preceding year, predominantly contributed by increased visitor numbers from the tour operator segment and the blossoming online business. Strengthening the online sales has been one of our top priorities over the recent years. Primarily supported by substantial currency depreciation, the hotel's Average Room Rate saw an improvement of 6% YoY, a much lower rate compared to the exchange rate impact, a fact which highlights the tremendous competition driven pressure brought on hotel room rates. Due to the above factors, the room revenue secured a growth of 12% YoY while the overall food and beverage revenue tagged along, albeit at a lower rate, registering a growth of 3% YoY.

Pegasus Reef's MICE (Meeting, Incentives, Conventions & Exhibitions) business was impacted by the overall dull market conditions affecting the functions business and spreading over of wedding businesses among fiercely competitive market participants with many stand alone banquet properties entering the market. The impact of unexpected bad weather in the months of June and July of the year under review was also detrimental to the growth of the day outing and special functions market. More significantly, the planned closure of the main banquet hall of Pegasus Reef hotel to accommodate refurbishment activities during the final 2 months of the financial year to keep up with the competition, affected the revenue flow from the MICE business to the Hotel. In addition to these essential capital commitments, operational cost structures of the hotel are also under pressure, further impacted by the rupee depreciation affecting imported inputs creating a considerable impact on the overall cost base of the hotel.

## Pegasus Reef's MICE business was impacted by the overall dull market conditions and 2 months closure for refurbishment.



As an update pertaining to Pegasus Reef hotel's claim of compensation in respect of the 353.89 perches of mangrove land, the hotel has been awarded a compensation of Rs. 5.46 mn in contrast to its claim of Rs. 159 mn. Hotel has lodged an appeal against the compensation so awarded, which can generally take a considerable time to be heard by the Appeal Board. However, based on prudence, hotel has provided for an impairment of Rs. 145.2 mn in the Profit and Loss Statement for the outstanding claim on 1,251 perches of land acquired originally, where the compensation award will be made only upon completion of the land case filed in the District Court of Negombo by a co-claimant, which is currently at the hearing stage. However, it is expected that a better compensation would be awarded on this claim since substantial component of the said land acquired was not entirely mangrove land.

In respect of Giritale hotel, a 21-room refurbishment was carried out spanning

over 6 months of the year under review, which significantly impacted its financial performance due to the necessitated closure of a total of 32 rooms to facilitate the said refurbishment without disturbing the guests.

### Financial Performance

The sector achieved a revenue of Rs. 677.5 mn recording a net loss of Rs. 92.3 Mn for the year after incorporating the impairment provisioning of Rs. 145.2 mn.

### Future outlook

While expecting a gradual rebound in the present strenuous industry conditions, with a long-term focus the hotels would continue to grow amid competition, vigilantly targeting emerging clientele segments and their needs, strengthening the online business, while regularly improving the facilities and adding value for the guests through a focused service.

## Sector Review

### REAL ESTATE

#### Unlocking value

For the financial year 2018/19, the sector's overall occupancy level declined to 95% from 99% in the previous year, mainly as a result of the closure of the Vauxhall Lane property for repair work due to the accidental fire incident in December 2018. The repair work of the damaged property is now complete and was handed back to the tenants. Also, vacancies arising at the Janadhipathi Mawatha property towards the latter part of the year also contributed to the aforementioned sectoral occupancy drop. However, upward rent revisions strengthened the revenue of the sector for the year.

The sector recorded a Rs. 423.1 mn appreciation in its property values, following the valuation exercise carried out during the year. However, this year's recorded gain is lower by 22% compared to the gain recorded for the previous year. A Rs. 14.5 mn damage to investment properties has been recorded during the financial year under review from the fire that broke out at our Vauxhall Lane property. On the insurance claim submitted therein, Company received a settlement confirmation for Rs. 15.2 mn, out of which Rs. 6 mn has been received as at 31st March 2019. The Company incurred in total, Rs. 20.9 mn on repairs and other upgrades to the property.

The Inland Revenue Act No. 24 of 2017 which came into effect in the previous financial year required the retrospective recognition of income tax at the applicable corporate tax rate for any potential gain on the sale of lands utilised for production of income. This led the Group to recognise a cumulative deferred tax of Rs. 615.6 mn for the year preceding. However, the additional charge for deferred tax for the current year is only Rs. 125.6 mn, since only the annual incremental charge is recognized thereafter.

The sector achieved a revenue of Rs. 288.1 mn recording a net profit of Rs. 452.4 mn for the year.



#### Financial Performance

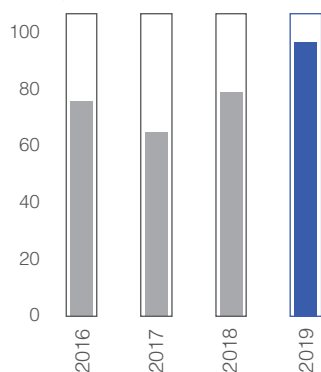
The sector achieved a revenue of Rs. 288.1 mn recording a net profit of Rs. 452.4 mn for the year which includes the aforementioned property fair value gain.

#### Future outlook

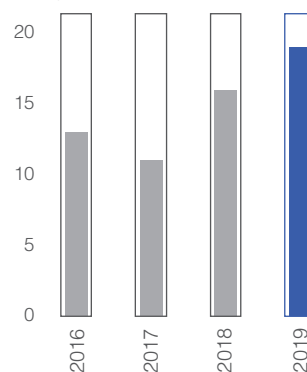
Reinforced by the anticipated improvement in the security situation in the country along with superior service and effective tenant relationship management, the sector aims to achieve full level occupancy in the near term for the now vacant spaces at its Colombo 01 properties. In time to come, the sector plans to unlock the value of its properties by closely monitoring the environmental dynamics for timely investment, divestment, and restructuring decisions.

# Graphical Financial Review

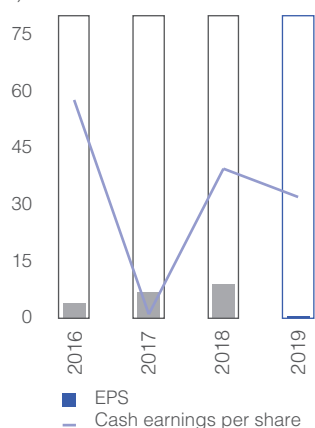
**Revenue**  
(Rs. Bn.)



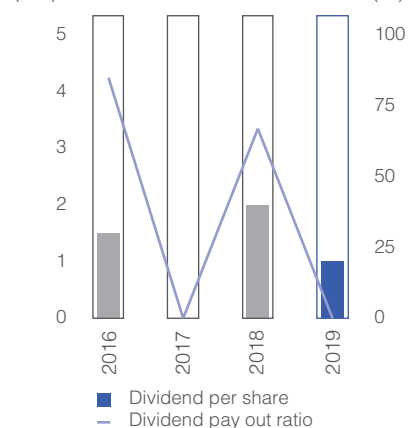
**EBITDA**  
(Rs. Bn.)



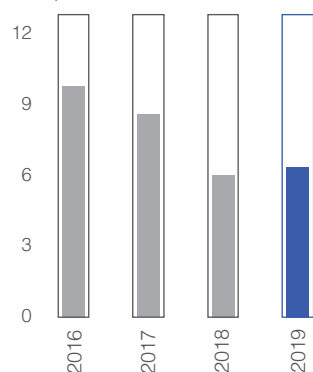
**Earnings per share vs Cash earnings per share**  
(Rs.)



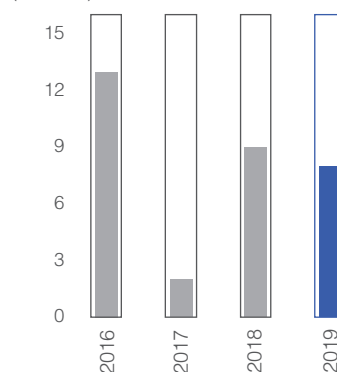
**Dividend per share vs Dividend payout ratio**  
(Rs.)



**Capital Expenditure**  
(Rs. Bn.)

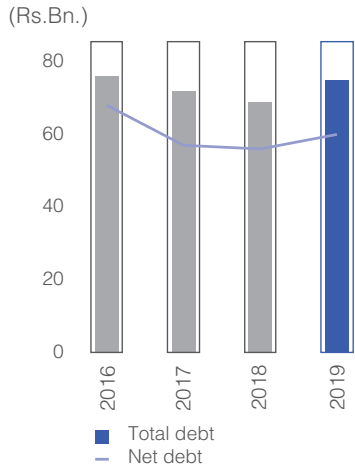


**Operating Cash Flow**  
(Rs. Bn.)

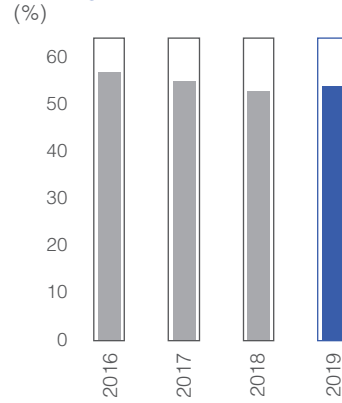


## Graphical Financial Review

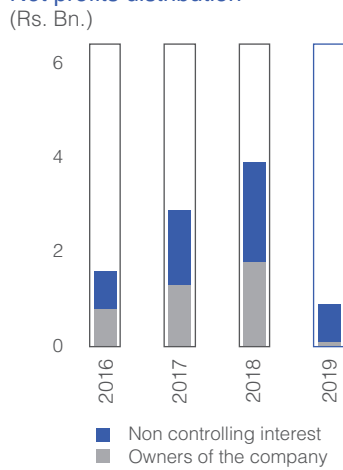
**Total debt vs Net debt**



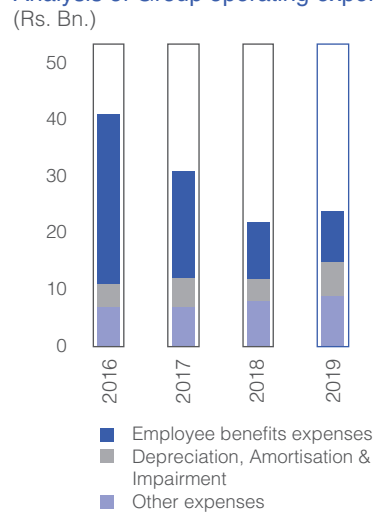
**Gearing ratio**



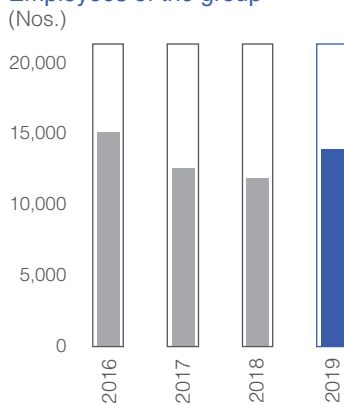
**Net profits distribution**



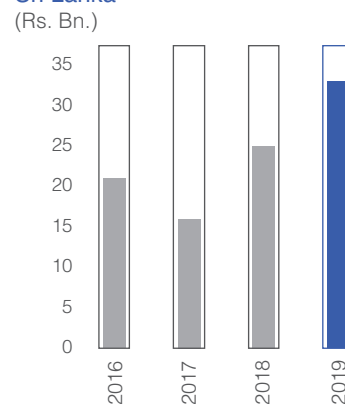
**Analysis of Group operating expenses**



**Employees of the group**



**Taxes paid to the Government of Sri Lanka**



# Group Financial Review

## REVENUE

The revenue growth momentum of the Group continued into the financial year 2018/19 where the consolidated revenue was at Rs. 97.1 Bn, reflecting an increase of 23% over the corresponding year. Beverage and Oil Palm Plantations segments of the group primarily contributed to the topline growth for the year.

Segment-wise Revenue Contribution (Rs'000)	FY19	% Contribution in FY19	FY18	% Contribution in FY18	YoY increase/decrease
Investment Holding	39,588	0.04%	18,947	0.02%	109%
Portfolio & Asset Management	551,042	0.57%	1,204,507	1.52%	(54%)
Oil Palm Plantations	28,986,634	29.84%	24,377,772	30.79%	19%
Oils & Fats	22,364,121	23.02%	21,017,926	26.55%	6%
Beverage	44,216,826	45.52%	31,593,218	39.90%	40%
Real Estate	288,127	0.30%	268,354	0.34%	7%
Leisure	677,531	0.70%	684,841	0.86%	(1%)
Management Services	15,669	0.01%	15,825	0.02%	(1%)
Group	97,139,538	100.00%	79,181,390	100.00%	23%

Constituting 45.5% of the total group revenue, Beverage sector recorded a revenue of Rs. 44.2 Bn, with a YoY increase of a 40%. However, it is not justifiable to analyze the current year financial performance of the sector with that of financial year 17/18 due to high excise duties imposed in October 2015 which ruled during most part of the prior year and the set-back faced from floods that swamped the brewery in May 2016. Backed by a reasonable tax regime in the current year, the sector set about gradually regaining its original stand it had prior to October 2015, strongly supported by the tourism industry growth which was effectively driving the local sales volumes during the concluded financial year. Also, the sector's export business was supportive for the revenue growth, where volumes increased by 37% YoY, now covering over 27 countries, leading to an export revenue growth of 48% YoY. However, halfway through to the concluding month of the financial year, policy inconsistencies were once again witnessed, with the beer taxes rising by 12.5% vis-a-vis a 7.5% increase in other arrack excluding extra special arrack, for which no tax increase was charged.

In the meantime, the concluded year facilitated a normalization of weather patterns for the Oil Palm Plantations sector where a bumper crop was witnessed during 1H19, due to a full recovery from the El-nino effect, which prevailed during the past two years. However, with such an exceptional increase in crop volumes and also impacted by the drop in soybean prices and other numerous factors, global CPO prices naturally trended downwards to reach a 10-year low. Accordingly, the average CPO sales prices corresponding to Bursa Malaysia price, observed an approximate YoY reduction of 16%, from USD 623 to USD 521 per Metric Ton of CPO. Yet, the sector produced over 1.27 Mn Metric Tons of Fresh Fruit Bunch (FFB), denoting a reasonable growth of 27% YoY that mostly enabled a YoY increase of 35% in the annual CPO sales volumes, also benefitting from the 185% increase relating to the strategically focused purchase of external crop. Based on this strategy and the increased crop harvested during FY18/19, the segment achieved an increase in annual capacity utilization for its mills by 15% in aggregate, leading to the highest mill utilization level in the last

5 years. Consequently, underpinned by volume growth, Oil Palm Plantations sector recorded a 19% YoY upside in its top line, which stood at Rs. 29 Bn, contributing 29.8% to the consolidated group revenue of the financial year 18/19.

In the Oils and Fats segment, increased capacity utilization helped the sector to expand its volume base. Lauric oils were fluctuating towards relatively lower price levels during the period under review, where the main feedstock Palm Kernel (PK) traded in the range of MYR 1,378-1,900. This kernel price reduction along with the supply from own upstream Plantations in Indonesia, strengthened the mid-stream plant utilization to 92% from prior year's 76%, enabling increased production and sale of Specialty Fats (SFD), with a volume increase of 27%. As a result, during the year, downstream capacity utilization also notably improved to 75% from 60%. As such, the revenue growth from this sector accounted to 6% YoY to reach Rs. 22.4 Bn, with a revenue contribution of 23% to the group.

Moving on to the Portfolio and Asset Management segment of the group,

## Group Financial Review

during the year, the All Share Price Index declined by 14.20% owing to lackluster market conditions stemming from a weakened economic base, leading to a 16.70% decline in the discretionary portfolio prior to dividend payments to shareholders. Thus, predominantly impacted by the restricted opportunities for cashing in capital gains resulting the sector recording a net loss from disposal of investments of Rs. 65.3 Mn during the year under review in contrast to net realized gains of Rs. 603.8 Mn recorded in financial year 17/18. Accordingly, the said absence of opportunities for realized capital gains on disposal of stocks resulted in the sector observing a revenue reduction of 54% YoY to reach Rs. 551 Mn. Nevertheless, in this backdrop of challenging market

and operational conditions, the sector's 5-year discretionary portfolio performance has successfully outperformed the 5 year-ASPI return, with a return of 10.14%.

The two hotels of the group contributed a revenue of Rs. 677.5 Mn, which is a minor YoY decrease of 1% over the previous year. This reduction is attributable to the scaled-down operations at the Giritale Hotel to carry out a room refurbishment project, as well as the closure of the main banquet hall of Pegasus Reef Hotel for refurbishment during the final two months of the financial year. Meanwhile, upward rent revisions strengthened the Real Estate sector revenue by 7% during the year under review, which stood at Rs. 288.1 Mn for the year.

comparable year to reach Rs. 6.5 Bn while the group administration expenses increased by 18% YoY to Rs. 8 Bn, mainly driven by the stabilization of operations of the Beverage segment during the year as mentioned earlier.

In terms of segmental analysis, Beverage sector operating profit delivered a strong growth of 74% YoY to be at Rs. 6.3 Bn compared to Rs. 3.6 Bn in FY17/18 inclusive of the previously mentioned insurance receipts on Business Interruption claim. Excluding the impact from such receipts, the YoY growth in the sector operating profit amounts to 160%. This increase is top-line driven as well as diligent cost control driven with special emphasis placed on working capital management. These cost efficiencies were achieved despite the depreciation of LKR against USD and EUR during the year, which considerably exerted pressure on the cost of importation including input materials for the sector.

The group's Oil Palm Plantation sector posted an operating profit of Rs. 4.8 Bn for FY18/19, down by 2% YoY. Albeit the revenue growth of 19%, the main reason for the operating profit reduction of the segment was due to accounting of Rs. 392.9 Mn on biological losses arising from the lower CPO prices against the Rs. 1 Bn biological gain reported in FY17/18. Additionally, the foreign exchange losses due to translation amounted to Rs. 820.2 Mn versus Rs. 758.6 Mn in the previous year, impacting the segment's operating profit for the year. Previous year's operating profit absorbed a net impairment charge of Rs. 947.4 Mn from the net fair value losses arising from the immature plantations, following an independent valuation exercise of non-current assets. Hence, excluding this impairment charge for comparison, the YoY reduction in the segment operating profit amounts to 18%.

### OPERATING PROFIT

Segment-wise Operating Profit Contribution (Rs.'000)	FY19	FY18	YoY increase/ decrease
Investment Holding & Management Services	(103,417)	(39,134)	(164%)
Portfolio & Asset Management	(2,279,308)	835,921	(373%)
Oil Palm Plantations	4,811,498	4,918,057	(2%)
Oils & Fats	671,518	882,107	(24%)
Beverage	6,311,804	3,630,537	74%
Real Estate	635,058	814,455	(22%)
Leisure	(100,652)	78,683	(228%)
Group	9,946,501	11,120,626	(11%)

The overall revenue growth led the gross profit of the group to mark an increase of 33% to Rs. 27.2 Bn versus Rs. 20.5 Bn reported in the previous year. However, group's operating profit demonstrated a 11% YoY decline reaching Rs. 9.9 Bn from Rs. 11.1 Bn in the prior year. The said dip in operating profit is primarily due to the previous year's inclusion of Rs. 2 Bn worth of insurance receipts relating to business interruption and property damages of the Brewery consequent to floods. Hence, if insurance receipts are not

considered to allow for fair grounds for comparison, the FY18/19 group operating profit remains on par with that of the previous year. Moreover, current year's group operating profit is also inclusive of the accounting provision of Rs. 2.5 Bn in terms of fair value losses in the Profit and Loss statement from financial assets of the Portfolio and Asset Management segment, as a result of the adoption of SLFRS 9, which is elaborated in detail below. Furthermore, in the operational context, group distribution expenses increased by 38% over the



With the aim of harnessing more efficiencies, the sector continued its in-house review of its operations, where a total gross cost saving of USD 6.8 Mn in its administrative expenses (before capitalization) was achieved on top of previous year's USD 7.4 Mn. The Oil Palm Plantations sector will resume its medium-term cost reduction project into the future days with the aim of becoming one of the lowest cost producers in the industry.

The Oils and Fats segment reported an operating profit of Rs. 671.5 Mn, which marks a YoY reduction of 24% despite the marginal revenue growth, amid increased operational costs. The sector continues to evaluate potential alliances with key industry partners in order to enhance market reach, derive synergies and to grow to its potential. As of now, Indian refining operations have been ceased, with assets classified as held for sale.

Portfolio and Asset Management segment reported an operating loss of Rs. 2.3 Bn for FY18/19. The loss was mainly due to the adoption of SLFRS – 9 which became effective from 1st April 2018. Consequently, the sector's entire discretionary equity portfolio has now been re-classified as "fair value through profit or loss financial asset" compared to "Available for sale financial asset" category. Accordingly, any gain/(loss) due to changes in fair value during the period is mandatorily recognized in Income Statement instead of Other Comprehensive Income as per previous standards. Hence, a fair value loss of Rs. 2.5 Bn has been charged to the current year's Income Statement. It should be highlighted that the adoption of this accounting rule will create volatility going forward for the sector in its reporting results compared to the previous method.

Meanwhile the Leisure segment reported an operating loss of Rs. 100.7 Mn, due to an impairment provisioning relating to Pegasus

## The group held cash and cash equivalents amounting to Rs. 14.8 Bn as of 31st March 2019.

Reef Hotel's claim of compensation in respect of the land acquired for the construction of Dikkowita fisheries harbor. During the year, a compensation was awarded for a component of the land which was initially expected to be returned to the hotel upon the completion of fisheries harbor project as a green belt between the hotel and the fisheries harbor. Later, upon inquiry, it was communicated to the hotel that this part of the land, which is mangrove, too would be required for the fisheries harbor project. Accordingly, during the year, the hotel has been awarded a compensation of Rs. 5.46 Mn for a 353.89 perches of the said mangrove land. Thus, as means of prudence, an impairment of Rs. 145.2 Mn was provided for the total acquired land of 1,605 perches, based on the compensation already been awarded for aforementioned 353.89 perches of mangrove land. The subsidiary company took steps to appeal against the said award of compensation of Rs. 5.4 Mn, to the Land Acquisition

Board of Review. However, the compensation for the balance 1,251 perches will only be awarded upon completion of the land case filed in the District Court of Negombo, which is currently at the hearing stage. The sector expects a better compensation since a substantial component of the aforesaid 1,251 perches of land is not mangrove. Excluding this impairment provision, the leisure segment operating profit records at Rs. 44.6 Mn for the year, which is a YoY decrease of 43% mainly resulting from the aforementioned revenue drop due to refurbishment activities.

Real Estate sector also noted a 22% decrease in its operating profit, primarily owing to reduced fair value gains on investment properties of Rs. 423.1 Mn recorded for the year under review versus Rs. 621.1 Mn in FY17/18. Eliminating the impact of the valuation gains, YoY increase in operating profit of the sector stands at 10%, predominantly supported by the rent reviews across properties as discussed above.

### NET DEBT AND NET FINANCE COST

Net Debt/(Cash) Position (Rs'000)	FY19	FY18	YoY increase/decrease
Investment Holding	1,545,886	974,647	59%
Portfolio & Asset Management	(1,591,542)	(1,763,055)	10%
Oil Palm Plantations	45,721,162	36,688,048	25%
Oils & Fats	11,965,777	11,920,083	0%
Beverages	3,088,877	8,441,764	(63%)
Real Estate	(271,930)	(20,711)	(1,213%)
Leisure	(14,441)	(113,452)	87%
Management Services	(25,589)	(31,347)	18%
Group	60,418,200	56,095,977	8%

## Group Financial Review

Group net debt saw an increase of 7.7% YoY to stand at Rs. 60.4 Bn as of the conclusion of the financial year 2018/19. This increase is predominantly due to the net borrowing position of the Oil Palm Plantations segment increasing by 25% YoY to Rs. 45.7 Bn, mainly due to the impact from conversion of USD denominated borrowings to reporting currency in Sri Lanka. Nevertheless, the aggregate USD denominated borrowings of Oil Palm Plantations and Oils and Fats segments only increased by 3.3% to reach USD 336.3 Mn from USD 325.5 Mn in the previous year due to obtaining funds to improve infrastructure and processing facilities at its locations.

In the meantime, one of the key aspects that should be highlighted is the significant reduction of the net borrowings of the Beverage segment to reach Rs. 3.1 Bn as of 31st March 2019, from Rs. 8.4 Bn reported at the end of the corresponding year, with its net finance expenses decreasing by 26% YoY to stand at Rs. 1.1 Bn. This marked reduction in net borrowings was achieved by well-planned capacity utilization, limiting the requirements for capital expenditure for the year, along with efficient working capital management practices in place. Further, the cash receipts of above discussed insurance receipts during the year too, contributed the sector to significantly ease off its gearing position.

Eliminating the impact of the rupee conversion, the net borrowing position of the group remains relatively unchanged

from that of the previous year. The group held cash and cash equivalents amounting to Rs. 14.8 Bn as of 31st March 2019.

Driven by the interest expenses on borrowings and the impact from the currency conversion, the consolidated net finance expenses of the group increased by 9% to reach Rs. 4.9 Bn. The group's net interest cover ratio based on the reported operating profit for the year stood at 2.03 times.

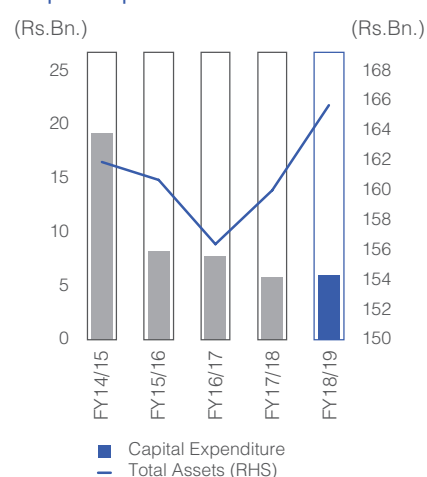
### NET PROFIT

Accordingly, for the year ended 31st March 2019, the Group reported a consolidated net profit from continuing operations amounting to Rs. 1.1 Bn in comparison to a net profit of Rs. 3.7 Bn inclusive of the Rs. 2 Bn insurance receipts of the beverage segments in the previous year. The decline in the group net profit, adjusted for the said insurance receipt, is predominantly stemming from the aforementioned Rs. 2.5 Bn fair value losses accounted for in respect of the Portfolio and Asset Management segment in addition to the Rs. 392.9 Mn biological losses reported by the Oil Palm Plantations segment as opposed to Rs. 1 Bn gains recorded in the previous year, as highlighted above. The net profit of the group adjusted for the above Rs. 2.5 Bn fair value loss, amounts to Rs. 3.6 Bn for the year. Sectorial contribution for net profit of the group is as follows.

### CAPITAL EXPENDITURE

Over the year, the Group has invested in substantial capital expenditure funded via a mix of operational cash flows as well as utilizing leverage. Accordingly, over the past 5 year period, the group has invested a total of Rs. 46.9 Bn on CAPEX in terms of property, plant and equipment, biological assets and intangible assets, approximating 128% of the consolidated net operating cash flow of the group for the same period. For the financial year 18/19, the group incurred Rs. 6 Bn capital expenditure, which amounts to 77% of the net operational cash flows of the year.

#### Capital Expenditure Vs. Total Assets



During the year, the Oil Palm plantation segment's capital investments were focused on improving infrastructure and processing facilities, specifically preparing Nabire for harvesting in November 2018. The plantation segment's forward capital commitments include commissioning of 4 CPO mills over the next 24 months, with the Nabire mill capacity expansion expected to be commissioned in April 2020, enabling the segment to realize the full value addition at all plantation locations by processing CPO, which is expected to increase the annual volume of CPO sold by the segment up to 435,000 MT, which accounts to an approximate increase of 38% from the current levels, within the next 2 years.

Net Profit Contribution (Rs. '000)	FY19	FY18	YoY increase/ decrease
Investment Holding	(248,535)	(222,441)	(12%)
Portfolio & Asset Management	(2,343,744)	797,066	(394%)
Oil Palm Plantations	320,187	1,105,554	(71%)
Oils & Fats	(34,882)	197,385	(118%)
Beverage	3,064,921	1,640,750	87%
Real Estate	452,456	135,925	233%
Leisure	(92,289)	81,401	(213%)
Management Services	(49,684)	(863)	(5,657%)
Group	1,068,430	3,734,777	(71%)

The said investment on CAPEX over the years has resulted in increase in total assets of the group amidst challenging market conditions. Accordingly, the total asset base of the

Group as at 31st March 2019 stood at Rs. 165.7 Bn.

Thus, with the expected revenue growth and operational efficiencies to be derived from these capital

expenditure together with potential gradual reduction in borrowings will drive the growth in financial performance of the group in the medium to long term, whilst maximizing the shareholder value.

Cash Utilization (Rs. Mn)	FY15	FY16	FY17	FY18	FY19	Total
<b>Cash Inflows</b>						
Net Operating Cash flow	5,053	12,614	2,141	9,160	7,817	36,785
Cash Inflows from Investing Activities	754	461	19,841	592	910	22,558
Cash Inflows from Financing Activities	18,812	2,598	1,518	7,914	4,076	34,918
<b>Total Inflows</b>	<b>24,619</b>	<b>15,673</b>	<b>23,500</b>	<b>17,666</b>	<b>12,803</b>	<b>94,261</b>
<b>Cash Outflows</b>						
<b>Investing Activities</b>						
Purchase and construction of property, plant & equipment	(9,577)	(4,671)	(5,055)	(3,571)	(4,696)	(27,570)
Additions to Biological Assets	(4,521)	(3,112)	(2,340)	(2,034)	(1,022)	(13,029)
Purchase of Intangible Assets/Prepaid Lease Payment	(5,116)	(421)	(360)	(203)	(257)	(6,357)
Movement in Plasma Investment	(1,160)	(469)	(17)	(651)	(187)	(2,484)
Investment in JV	-	-	-	-	-	-
Acquisition of Non -controlling interest	(1,093)	(66)	(77)	-	-	(1,236)
Movement in non-current VAT, other receivable and deposits refunded	(31)	(56)	(443)	(714)	(12)	(1,256)
Acquisition of Subsidiaries net of cash	(1,131)	(516)	-	(19)	(341)	(2,007)
	(22,629)	(9,311)	(8,292)	(7,192)	(6,515)	(53,939)
<b>Financing Activities</b>						
Repayment of Borrowings	(7,516)	(7,746)	(11,534)	(2,536)	(8,680)	(38,012)
Repayment of finance lease creditors	(97)	(196)	(158)	(93)	(110)	(654)
Redemption of preference shares	-	-	-	-	-	-
Net decrease in non-controlling interest	(719)	-	(120)	-	-	(839)
Dividends paid (including preference dividend)	(582)	(803)	(606)	(731)	(453)	(3,175)
	(8,914)	(8,745)	(12,418)	(3,360)	(9,243)	(42,680)
<b>Total Cash Outflows</b>	<b>(31,543)</b>	<b>(18,056)</b>	<b>(20,710)</b>	<b>(10,552)</b>	<b>(15,758)</b>	<b>(96,619)</b>
Change in cash balance	(6,924)	(2,383)	2,790	7,114	(2,955)	(2,358)
<b>Opening Cash Balance</b>	<b>(1,295)</b>	<b>(8,219)</b>	<b>(10,602)</b>	<b>(7,812)</b>	<b>(698)</b>	<b>(1,295)</b>
<b>Closing Cash Balance</b>	<b>(8,219)</b>	<b>(10,602)</b>	<b>(7,812)</b>	<b>(698)</b>	<b>(3,653)</b>	<b>(3,653)</b>

Carsons Management Services (Private) Limited

17th July 2019

# Sustainability Report

## Corporate Social Responsibility

Group has positioned its CSR management as the base of corporate citizenship charter and thus in keeping up with our ethos, contribute to sustainable social development to align with the values and principles of World Commission on Environment and Development.

Carson Cumberbatch PLC has a long-standing commitment towards educating, developing and empowering youth by direct engagement in selected programs that provide both tangible and intangible long term benefits.

Our long term commitment towards a broad spectrum of holistic and multi-stakeholder approaches that encompass education, economic development and empowerment, supporting building capabilities in enhancing quality of life, culture preservation and community support.

We continue to endeavour in augmenting our activities to support youth development in keeping with our strong belief that the future of a nation relies on the contribution to socio-economic strategic initiatives. As such, our new initiatives fit the cliché “greater benefits to a greater number of people” where our business is present.

### EDUCATION

We continue to support stakeholders at locations where we have business interests through a range of initiatives from child education and nurturing to building learning and growth prospects for youth through formal and informal interventions.

#### Computer Skills Development to enhance public service

Hambanthota Computer Skills Development center which was established in 2014 continues to develop government officials and

Our flagship school SMP Tunas Agro at PT Agro Indomas Central Kalimantan (Junior High School) has achieved the top level of national accreditation “A-grade” since 2010.



First batch of 31 midwives on successful completion of computer skills training

children of the area. The children of the area have access to learn computing. Government officials have the opportunity to enhance competencies to serve the public.

Children are given initial aptitude information technology and stimuli for creativity at the center. Public health officers gain skills development to data management; storage, retrieval and dissemination of vital data for preventive and corrective medication. Other government officers of Divisional Secretariats and Grama Sevaka officials gain computing skills to improve their work that has direct benefit to the general public. In the year under review the center has facilitated 50 midwives and health inspectors and 30 grade five

students and to date a total of 225 midwives and health inspectors, 40 Grama Sewaka officials, 20 Divisional Secretarial officials, 20 children and 100 youth of the Hambantota district. the Center also supports a Public Library located in the same building by providing internet facilities to those who visit the library for its services. The center provides both logistical and right resource personnel free of charge to the deserving rural community.

#### AGRO HARAPAN FOUNDATION

Agro Harapan Foundation works to provide quality education for children residing within the communities surrounding our plantation operations.

The Foundation adopts a multi-faceted approach via managing its own schools whilst also contributing to assist existing schools within the community. A total of 13 schools are managed by the Foundation, providing free education to children surrounding our mature plantations in Central Kalimantan. Furthermore, we continue to assist existing schools within the community, facilitating better school governance and equipping such schools to meet minimum standards set by the National Education Board, for instance by setting up new classrooms and increasing classroom capacity.

We also facilitate the continuous professional development of teachers by providing training to improve teaching skills, enhance knowledge of subject areas and support school accreditation processes.

### Accreditation Achievements

Our flagship school SMP Tunas Agro at PT Agro Indomas Central Kalimantan (Junior High School) has achieved the top level of national accreditation "A-grade" since 2010. Leveraging on the experiences gained through top grade national school accreditation for our flagship school, we have now been able to achieve a similar status for two of our internal



Packaging and standard training by UNIDO for Entrepreneurs of Matara district in 2018

elementary schools: SD Tunas Agro 1 at PT Agro Indomas and SDS Tunas Agro 2 at PT Agro Wana Lestari.

### Digital Learning and Innovation

Our Junior High School at PT Agro Indomas (SMP Tunas Agro) is involved in an educational research project by Monash University to promote and support the integration of digital learning to support teaching.

### Community Learning Centers

Community learning centers have been established in villages around our plantations, to provide learning opportunities for those who have not had the privilege of access to formal education. Activities such as open-air "reading clubs" are often conducted,

to encourage children from marginalized communities through these centers.

### Sustainability at Schools

We aim to promote sustainable approaches within our schools. We focus on child protection and safety, creating awareness to parents on effective child protection approaches.

### Career guidance of National Universities.

The Group continues its facilitation of the much needed soft skills development and guidance to university students in their career pursuit. Human resource division of Carsons Management Services and Investment sector of the group has facilitated career guidance fair and skills development of 2018/2019 batch and continued engagement in support of national universities in Sri Lanka.



Final year student of management faculty of Jayawardenapura university session on soft skill training

### ECONOMIC EMPOWERMENT

Our economic empowerment initiatives are targeted to promote self-reliance among marginalized communities in our areas of business operations, through improving access to social and financial capital, improving financial literacy and encouraging entrepreneurial capabilities.

# Sustainability Report

## Corporate Social Responsibility

Towards this, we have endeavored to foster our partnerships with local and international governmental and non-governmental institutions, in collectively mobilizing our resources to ensure the long-term sustainability of these initiatives.

Initiative in support of marginalized youth of the informal sector of the economy, the group facilitates much needed business competencies to develop and sustain entrepreneurs. These initiatives support transformation of economic lives of people by employment and livelihood.

### Youth to Nation Foundation

Initiative by Ceylon Guardian Investment Trust plc and Ceylon Investment PLC of the group, Youth to Nation Foundation (YNF) was incorporated in 2013 to support young entrepreneur development. YNF facilitates selected young entrepreneurs in developing business and technical skills and also provides seed capital to forge their next business expansion. There are 26 young entrepreneurs who are facilitated through business incubator process in collaboration with regional chambers of commerce and divisional secretariats.

Criteria of selection is based on a well-articulated business plan both short term and three year tenure, usage of local raw materials and

generating employment in support of socio- economic benefits to the rural sector. Steady market of local raw materials, employment in close proximity, working from home, and flexible work environment are the key benefits. This initiative has generated and sustained 400 plus direct and 150 indirect employment through sustainable businesses.

### Creation of platform to pollinate best practices of beneficiaries

YNF has created forums and clusters to exchange their best practices to further develop competencies among the beneficiaries. This initiative has resulted in voluntary exchange of practical approaches to overcome business difficulties, vulnerabilities and collaboration for business success. In 2018 a successful 4 day workshop was held in Hambantota by a successful beneficiary engaged in footwear manufacturing industry, “Chathurya Shoe Mart” to impart technical and business knowledge to 35 house-wives of the Tsunami village in the Hambantota district.

### Felicitation of those who excelled in business practices

In May 2018, YNF facilitated those entrepreneurs who have excelled and met their business plan imperatives, at the Kadirgamar Memorial Institute. Nine beneficiaries received awards

for their significant achievements and the event was instrumental in sharing their experience with YNF and also to cross pollinate their best business practices to the audience of entrepreneurs, academics, and other institutions YNF work in collaboration with.

### Opportunity to display craftsmanship and their products to generate new markets

YNF creates opportunities to its beneficiaries to promote their products by sponsoring their participation at reputed trade fairs and exhibitions. At the Kadirgamar Memorial Center the beneficiaries had an opportunity to display their products and discuss craftsmanship with a diverse audience of industry champions, university academe and other interested parties.

### Foundation reaches out to larger young Entrepreneur community

Youth to Nation Foundation conducts workshops in rural centers enabling young entrepreneur participation to impart very practical business competencies and technical competencies. These regular interactive workshops have helped entrepreneurs to get facilitation in meeting experts to resolve their business issues. Those 20 workshops were well attended and 600 participants have gained much needed competencies to mitigate their business vulnerabilities.

### New Initiative of Nurturing 140 young entrepreneurs

The Foundation has initiated nurturing 140 entrepreneurs through the regional chambers of Hambantota, Ratnapura, Matara, Galle and the divisional secretariat of Naththandiya.

These would receive competencies development through workshops, field visits and intervention through IT





Display of merchandises and craftsmanship of YNF beneficiaries and initiative of YNF

platform to conduct their enterprises. The nurturing program intended to build business capabilities and best practices to ensure sustainable growth bring needed facilitation to their door step.

The program is backed by regional chambers, NEDA, Small Industrial authorities of Matara and Galle and the Divisional Secretarial of Nattandiya.

### THE PLASMA PROGRAMME

Under this type of smallholder scheme, the oil palm sector manages cooperative-owned plantation lands to support sustainable development among the local communities. For each cooperative, we provide training to promote financial awareness and financial planning skills, to enhance the abilities of members to sustainably manage their income.

### SMALL HOLDER SUPPORT

We are engaging with small holders to promote practices that improve crop productivity while minimizing the environmental impact. We provide technical assistance for the adoption of good agricultural practices, support small holder certification, and aim to guarantee a market for small holder crops by enabling inclusion in our supply chain.

### COMMUNITY ENTREPRENEURSHIP

We continue to promote alternative income generating activities in and around our plantation operations. Our initiatives encourage sustainable livelihoods by promoting entrepreneurship, creativity and innovation, and encourage local communities to establish sustainable small businesses. Seeking to expand on the delivery of our capacity building initiatives, we established a collaborative partnership agreement



Young Entrepreneurs of Hambantota district- Awareness session

# Sustainability Report

## Corporate Social Responsibility

with Perbanas Institute with the aim to promote self-management and sustainable livelihoods.

### WOMEN'S EMPOWERMENT PROGRAM

The Women's Empowerment Program through Community Self-Help Groups is a program to build the independence of women among local communities in Nabire, Papua. Since July 2015, monthly Savings and Loans Cooperative Meetings have been routinely held at Wanggar village to encourage initiatives for improved economic income and enhanced welfare. Currently 23 members benefit from the program.

### RESPECT AND SUPPORT OF HUMAN RIGHTS

Respect and support of human rights is at the foundation of our operations and we promote implementation of the United Nations Guiding Principles on Business and Human Rights (UNGPs).

### Supporting Children's rights

We continue to support initiatives and studies by UNICEF and partnership organizations. Goodhope participated in the collaborative Children's Rights and Business Principles Palm Oil Program to promote Children's Rights in the palm oil industry and engages with the Indonesian Global Impact Network (IGCN) to learn how to better align sector strategies and operations in adopting the UN Guiding Principles on Business and Human Rights of the Child (UNRC).

### Promoting Gender Equality

We aim to promote gender equality in employment and income-earning opportunities and invest in the empowerment of women.

Gender committees established at our plantation sites work towards raising awareness, identifying issues of

concern, and encouraging leadership to promote gender equality.

### Healthy Living

We aim to create and maintain safe and prosperous environments in which people want to live and work and strive to have a positive impact on the welfare of communities that reside within and around our oil palm plantations.

Infrastructure within the concession areas of our plantations incorporate the housing, sanitation systems, water supply systems, medical services, educational facilities and amenities to fulfil fundamental human rights (decent housing, water and sanitation, and access to facilities and services). Through participation in a collaborative study with UNICEF we are working towards further improving the Water, Sanitation and Hygiene (WASH) services and behavior in and around our plantations.

### Community Infrastructure

Contributions to infrastructure improvements are also extended to serve nearby local communities through investments in public facilities such as roads, bridges, electricity, school buildings and clean water and sanitation systems. Road maintenance activities provide residents with improved access to carry out daily activities safely.

### Collaboration for Health care

We ensure that medical facilities and services are available on site within the concession areas of our plantations and contribute to improved health services for local communities by working with Community Health Centers. In doing so we invest in the health of local communities, particularly maternal, newborn and child health. Initiatives include free healthcare checks; blood donation

campaigns; family planning services; and health campaigns promoting healthy lifestyles and the prevention of disease.

### Employee Well being

The well being of our employees is the key to a sustainable business. Hence we provide employees with opportunities to partake in a range of activities and programs that are organized and delivered to enhance the well being of participants. Amenities such as recreational and leisure facilities have been provided for employees in plantation locations. Many social and sports events are organized to enable staff to benefit from such activities and to facilitate team-building and networking in a casual atmosphere.

### ENVIRONMENTAL STEWARDSHIP

#### Oil Plantation Sector

"Agricultural development is necessary for sustaining and improving livelihoods but this has to be balanced within the larger ecosystems whose existence is vital for maintaining life on earth" (Goodhope Sustainability policy May 2017).

Strong corporate commitments have been made to implement enhanced practices for the sustainable management of natural resources and the protection of biodiversity and ecosystem services.

#### Collaborative efforts towards conservation

Goodhope has hosted a series of collaborative training events on conservation in support of efforts to safeguard biodiversity, rare, threatened and endangered (RTE) species and ecosystem services in and around of oil palm plantations.



Training has been facilitated through the Environmental Leadership and Training Initiative (ELTI) with invited speakers from RSPO, Tropenbos Indonesia and various conservation organizations.

### **Contributions to the Global Sustainable Development Goals**

Through our Sustainability initiatives we aim to make ever-increasing positive contributions to the United Nations Sustainable Development Goals (UN SDGs). We intend to demonstrate contributions by increasingly integrate targets and indicators of the UN SDGs into our sustainability monitoring evaluation and reporting system.

## **BEVERAGE SECTOR**

### **Environment, Health & Safety Standards.**

Our Environment Management system and Occupational Health and Safety Management System was re-certified for ISO 14001:2015 and OHSAS 18001:2007 respectively, which runs as an integrated management system together with our Food Safety Management System, which is ISO 22000:2005 certified.

## **LEISURE SECTOR**

### **Demonstration of Corporate citizenship of leisure sector**

Pegasus Reef Hotel integrates its business culture with socio economic environment by keeping the environment clean and supporting socially and economically marginalized communities in the area.

# Sustainability Report

## People Sustainability

The guiding principle of Carson Cumberbatch PLC is that our differentiation factor is our people. With this premise, we embark on re-inventing our people philosophies in line with the business as a whole.

We believe that creating a conducive environment enabling people to harness themselves is of utmost importance as an equal-opportunity employer. We focus on the work culture, employee engagement, productivity, effectiveness and efficiency as part our people philosophy.

Transparency in people practices to ensure harmonious industrial relations with inclusive actions to promote diversity and more effective people practices are employed by line managers.

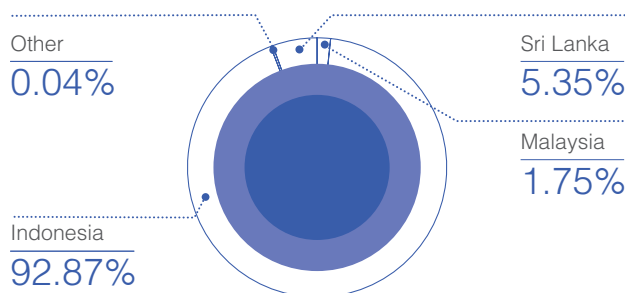
With continuous improvement of HR practices in our group companies, the employee value propositions available to the employees has earned the Group a preferred employer status. Coupled with work-life balance, occupational health and safety, performance based remuneration, career development, empowered work environment and sophisticated technology comes within the package of employee value proposition.

### LEARNING AND DEVELOPMENT

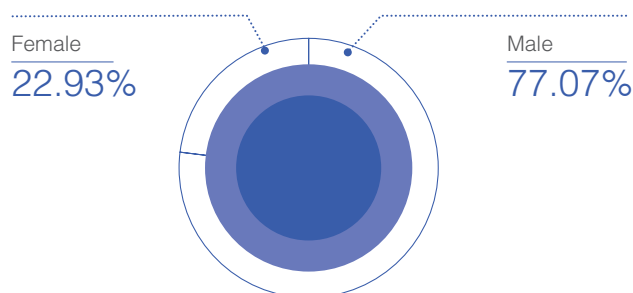
With the view of developing all levels of employees, the company provides constant learning opportunities to the staff. These include programmes such as cross functional performance improvement teams which have been empowered to identify organizational issues and provide solutions as well as employee job rotation schemes creating all-round employees.

All sector companies invest in regular training and development needs analysis and facilitation of learning including encashment of examination

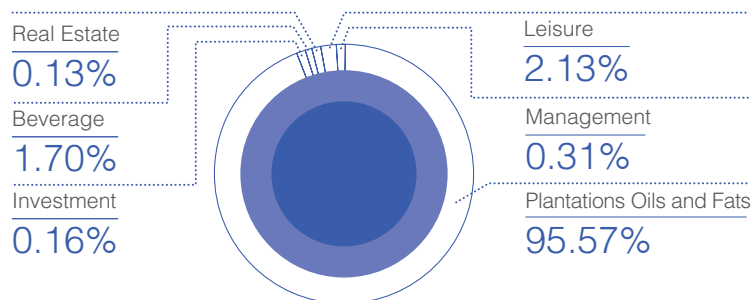
### Total Work force by Country



### Gender Diversity



### Employees by Sector



### Total Employee Strength

Sector	Executive Directors	Managers	Executives	Non-Executives	Employees by Sector for 2019
Plantations, Oils and Fats	14	164	545	12,633	13,356
Investment	2	4	15	1	22
Beverage	1	62	75	99	237
Real Estate	1	1	5	11	18
Leisure	0	11	34	253	298
Management	6	9	22	6	43
<b>Total</b>	<b>24</b>	<b>251</b>	<b>696</b>	<b>13,003</b>	<b>13,974</b>

fees, study leave and sponsorship as an incentive to staff to strive to improve themselves continuously.

## **REWARD AND RECOGNITION**

Carson Cumberbatch PLC as a Group pursues the policy of reward and recognition based on merit and all human resource practices are attuned to ensure both internal and external equity. The performance management system operates as the primary system through which constructive feedback is given to employees as a mechanism for good performance.

The Group companies also recognize employees who go over and beyond their normal call of duty to make an extra contribution through intrinsic and extrinsic rewards such as referrals and quick-win programme.

## **WORK LIFE BALANCE**

By giving importance to a culture of balancing employee work and life, the Group places a high degree of prominence to aspects such as the open door policy, empowered employees and a flexible work culture. In addition, the HR calendar features events such as annual staff/family outing, staff annual get-together and children's art competition and exhibition.

Participation in company sponsored external games and competitions too has added a sense of work-life balance to the employees.

## **HEALTH AND SAFETY**

With strategic importance placed on employee health and safety, the Group has taken various measures to ensure this goal is achieved by compliance to local and international standards and regular audits and training of employees.

Medical schemes are designed to provide employee and their immediate family both in-door and out-door medical facilities by investing in regular doctors' visits and other medical facilities.

## **BEVERAGE SECTOR**

### **PERFORMANCE BASED REWARD SCHEMES**

The reward scheme was highly effective during the year under review, identifying performers and differentiating rewards to ensure a performance driven culture that is mutually beneficial to the company and the employees.

The robustness of the performance management process aims to achieve transparency and on-time tracking & feedback, whilst ensuring the continuous linkage between organization strategy and key performance indicators.

## **TALENT MANAGEMENT**

In line with the company objective of creating a streamlined pipeline in succession and building a future ready management the company puts its' emphasis on two main areas of:

### **Future Ready Competencies**

- Re-identification of competencies, in leadership and functions to ensure a future ready team.

### **Training & Development**

- Management Development Programme – a 9 month extensive programme designed to upskill existing Middle Managers and high potential Assistant Managers.
- Executive Development Programme – a 6 month programme to upskill those identified not just to perform their roles as executives and supervisors of the organization but

also to ready them for their next role in management.

## **Employee Engagement**

The "Discover the Lion in You" programme, a company-wide initiative was introduced during the third quarter of the concluded financial year. The initiative was aimed at building a stronger team and identify the competencies of all employees to be better equipped for the many challenges in the future.

## **PLANTATIONS SECTOR (GOODHOPE ASIA GROUP)**

### **BIPARTITE COMMUNICATION FORUM (LKS BIPARTITE)**

The LKS Bipartite is a means of communication between the group, management and employees towards achieving and maintaining a common platform for effective communication, transparency and a conducive work environment.

## **NO CHILD LABOUR POLICY**

As a policy the group does not employ staff who are below 18 years of age keeping in line with the international labour laws and regulations. The Standards of Business Conduct, recruitment policy and hiring processes ensures the adherence to this policy. This policy is socialized to all employees and recruitment teams for strict adherence. We also insist that our vendors adhere to the same by inclusion of the "No Child Labour" policy as a standard business clause in all the contracts.

## Sustainability Report

### People Sustainability

#### EMPLOYEE REWARDS

Our total rewards philosophy represents a wide spectrum of compensation models and metrics that is competitive within the industry landscape in which the group operates and provides each individual with fair and consistent rewards, benefits and compensation within an integrated organizational framework. The Reward Philosophy attracts, recognizes and fosters top talent of the group, whilst recognizing the capabilities of each individual and promotes opportunities for career and professional development.

#### PAY EQUALITY

The remuneration for the staff is based on prescribed salary scales at various levels, which takes into account factors such as scope, skills & experience and importance of the role. The scales are reviewed on a periodic basis to ensure parity with the market standards.

The Group also adheres to all statutory requirements in every operating location, with respect to employees. All salaries are kept in line with the minimum wages prescribed by the statutory authorities across Oil Palm plantations and Oils & Fats business segments.

#### EMPLOYEE MOTIVATION

Appreciating those employees who have been able to contribute to the growth of the group by way of value addition or achievement of an exceptional milestone are recognized. The Reward and Recognition framework, after the successful pilot project, is being rolled out to all development locations in the current year. Career advancement is provided in terms of either job advancement or job enrichment within the same

## The Group places a high degree of importance on the learning and development initiatives that are available to all employees.

department and within the same location or with a transfer to another location.

#### LIVING ENVIRONMENT

We aim to provide a safe and healthy living environment for our employees and their families living in our plantations. Currently, the following services and amenities are provided to our employees:

- a. Housing facility with provision to electricity, clean water and semi furnished house and vehicle ownership scheme
- b. Religious facilities such as mosques, churches and temples
- c. Supporting facilities such as medical clinic, sports fields, gathering hall, schools, day care centers

#### LEARNING & DEVELOPMENT

The group places a high degree of importance on the learning and development initiatives that are available to all employees. To facilitate this process, we have established the "Goodhope Academy for Management Excellence" (GAME) under whose banner we run multiple training facilities across the group's operating locations.

Furthering our efforts towards fostering a learning culture, we have developed comprehensive training modules for Agriculture and Engineering based learnings. These modules known as Core Agricultural Program (CAP) and Core Engineering Program (CEP) were developed by our own expert managers and are used to improve knowledge and educate new employees and conduct refreshers for existing employees.

During the year under review, training and development was focused only to address core technical and statutory areas which are critical for business operations. Developing first time managers was a key initiative launched and all first time managers in the plantation segment underwent a structured intervention to groom them to be better people and performance managers.

#### SUCCESSION MANAGEMENT

We have in place a succession management framework which identifies and ensures the development and readiness of suitable talent pools to take-up successor positions in-line with business requirements. Together with the Senior Management

we carry out a structured monitoring mechanism to assess the build-up within the succession pool to ensure the presence of a healthy job coverage for all critical positions.

## **PERFORMANCE MANAGEMENT**

The group continues to optimize performance standards of individuals, cross-functional teams, departments and companies through its integrated performance management systems deployed across all operating locations. This system enables cascading of key result areas to its employees based on business plans and key business initiatives. The comprehensive review mechanism ingrained in the performance management process enables supervisors to guide their respective teams in prioritizing and achieving the set performance goals as well as identify competency and capability areas for development which will ensure improving the quality of results achieved by employees on an on-going basis. Assessments are conducted on a bi-annual or annual basis for all employees in executive and management categories.

## **OCCUPATIONAL HEALTH & SAFETY**

We are committed to provide a safe and healthy work environment. To ensure employee participation in their own safety, clear guidelines are provided and sign-boards are put-up in strategic locations as a reminder to both employees and other visitors. Regular training is conducted to keep all employees abreast of new developments and new procedures to be implemented and followed. It is mandatory for employees to use Personal Protective Equipment

(PPE) when working in or visiting our plantations and mills. Safety Officers are appointed and periodic audits and monitoring is undertaken to ensure that safety policies are adhered to by all.

The Oils & Fats segment focuses on initiatives to improve the housekeeping standards and improve specific areas, where the staff were trained. Areas such as quality improvement & waste reduction in line with the international benchmarks.

Oils and Fats sector is currently certified under HACCP, HALAL, Kosher for Food Safety and Occupational Health and Safety. In addition to above, periodic customer audits and site visits are also undertaken to ensure adherence to stringent OHS requirements.

## **LEISURE SECTOR**

### **HUMAN RESOURCE PLANNING**

With the view of harnessing future talent, the sector works with various public and private sector training institutes to meet its human capital requirements. Through this exercise, the sector has been able to reap benefits that has cascaded to the smooth operations of the hotels.

### **LEARNING & DEVELOPMENT**

Through the new employee training policy, the sector ensures that the recruits are nurtured to bring out the best in them. The policy aims to give the employees professional growth allowing them to evolve in their jobs through specific skills development.

The Skills Assessment Centre acts as the performance review mechanism where gaps are identified and where employees are rewarded with career growth for best performance.

## **WORK-LIFE BALANCE**

Events in the staff calendar such as staff outing, sports day and town hall meeting brings about the much needed work-life balance in a customer centric industry. This in return, inculcates camaraderie at work.

## **SAFETY & HEALTH**

Strategic importance is placed on safety & health of employees and customers. The Food Safety Management (ISO 22000: 2005), the Good Manufacturing Practice and Occupational Health & Safety (OHSAS 18001: 2007) are two certifications obtained and maintained by Pegasus Reef Hotel. Giritale Hotel is on the process of obtaining these certifications.

# Value Added Statement

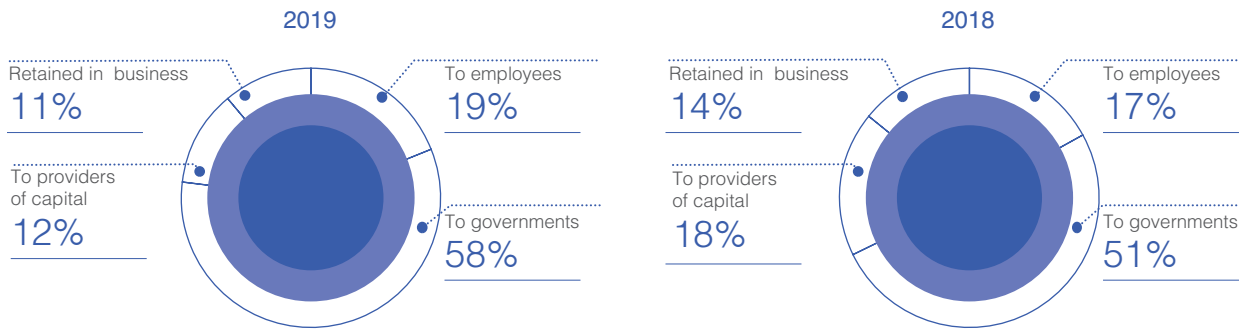
For the year ended 31st March	2019	2018	2017	2016	2015					
		(Restated)								
Revenue	97,139,538	79,181,390	64,512,872	76,470,465	88,625,807					
Other income	966,088	1,377,802	688,168	319,852	358,911					
	98,105,626	80,559,192	65,201,040	76,790,317	88,984,718					
Cost of materials and services purchased from outside	(49,743,377)	(39,266,422)	(30,132,666)	(39,329,167)	(51,310,384)					
Value Added	48,362,249	41,292,770	35,068,374	37,461,150	37,674,334					
	2019	%	2018	%	2017	%	2016	%	2015	%
			(Restated)							
<b>Distributed as follows</b>										
To Employees as remuneration and other benefits	9,269,743	19	7,687,444	19	7,508,093	21	7,372,362	20	7,385,892	20
To Governments										
as taxation/excise & import duty - Sri Lanka	26,082,201	54	19,309,483	47	14,183,205	40	20,521,997	55	17,076,648	45
- Overseas	1,698,832	4	1,739,277	4	1,059,340	3	941,189	3	1,521,085	4
To Providers of capital										
as interest on loans	4,892,419	10	4,496,028	11	4,423,660	13	2,617,581	7	2,476,181	7
as non controlling interest	814,313	2	2,068,167	5	1,644,769	5	800,804	2	2,896,301	8
as dividend to shareholders (Company)	196,387	0	392,774	1	-	-	294,580	1	589,161	2
Retained in the business as depreciation	5,510,789	11	4,225,354	10	4,954,762	14	4,381,325	12	3,232,634	9
as retained profits	(102,435)	(0)	1,374,243	3	1,294,545	4	531,312	1	2,496,432	7
	48,362,249	100	41,292,770	100	35,068,374	100	37,461,150	100	37,674,334	100

## Note

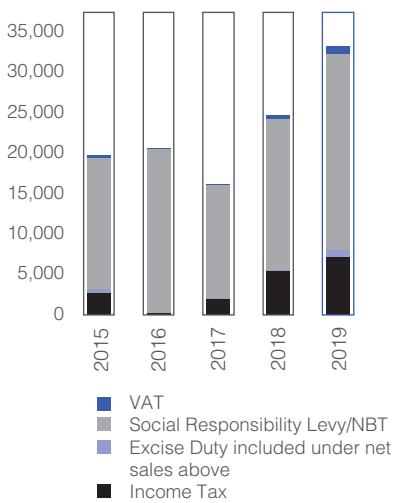
- The Statement of Value Added shows the quantum of wealth generated by the activities of the companies within the Group, (excluding its Associate Companies) and its application.
- Value Added Tax and Economic Services Charge are excluded in arriving at the above revenue. Therefore, total tax liability to the Sri Lankan Government during the year included the following:

	2019	2018	2017	2016	2015
Value Added Tax	7,125,289	5,381,353	1,943,723	174,750	2,711,205
Nation Building Levy included under net sales above	931,375	210,504	161,690	45,742	398,185
Excise Duty & Import duty included under net sales above	24,140,705	18,551,986	13,873,695	20,208,675	16,273,162
	32,197,369	24,143,844	15,979,108	20,429,167	19,382,552
Income Tax	1,010,121	546,993	147,820	235,807	405,301
Total Taxes paid to the Government of Sri Lanka	33,207,490	24,690,837	16,126,928	20,664,974	19,787,853

Value added is the wealth created by providing products and services in both domestic and international markets, less the cost of providing such products / services. The value added is allocated among the employees, governments, providers of capital and the balance is retained in the business for expansion and growth.



### Taxation paid to Sri Lankan Government (Rs. Mn.)



# Management Teams

## PLANTATIONS, OILS & FATS

**Hariharan Selvanathan**  
Deputy Chairman/Group Chief  
Executive Officer

**Aneesh Dudeja**  
President and Chief Financial Officer

**Satish Selvanathan**  
Executive Director

**Ms Sharada Selvanathan**  
Director/Head of Corporate Planning

**Samir Desai**  
Director/Chief Operating Officer  
- Edible Oils & Fats Segment and  
Upstream Sales (Appointed w.e.f.  
01/03/2019)

**Rizan Jiffrey**  
Director/Processing Operations

**Sanjaya Upasena**  
Director/Chief Operating Officer  
- Oil Palm Plantations

**Christoforus Pakadang**  
Director/Head of Tax Administration  
and Statutory Assurance

**Edi Suhardi**  
Director - Sustainability

**Saliya Rodrigo**  
Director/Head of Finance - Upstream

**Rushdi Azeez**  
Director/Head of Group Finance

**T. Illamurugan**  
Director/Regional Controller -  
Plantations

**Amjad Ibrahim**  
Director/Head of Business Services &  
Process Re-engineering

**Jayaprakash Mathavan**  
Director/Chief Operating Officer  
- Edible Oils & Fats Segment  
(Resigned w.e.f. 31/03/2019)

**Kevin de Silva**  
Director/Chief Operating Officer  
- Business Systems & Services  
(Resigned w.e.f. 9/11/2018)

## BEVERAGE

**Suresh Shah**  
Director / CEO

**Ranil Goonetilleke**  
Director - Finance

**Stefan Atton**  
General Manager - Sales & Marketing

**Nirosh de Silva**  
General Manager - Technical

**Madhushanka Ranatunga**  
General Manager - Luxury Brands

**Shamal Boteju**  
General Manager - Pubs Chain

**Hiran Edirisinghe**  
Chief Engineer

**Shiyan Jayaweera**  
Head of Marketing

**Shiran Jansz**  
Head of Procurement

**Ms. Surani Amerasinghe**  
Head of Human Resources

**Nishantha Hulangamuwa**  
Head of Outbound Supply Chain

**Eshantha Salgado**  
Head of Administration

**Ms. Sharlene Adams**  
Head of Exports and New Product  
Development

**Channa Senarathne**  
Head of Regulations

**Jehan Goonaratne**  
Financial Controller - Corporate  
Finance

**Keerthi Kanaheraarachchi**  
Head of Sales

**Chaminda Bandaranayake**  
Head of Packaging

**Prashanthan Pathmanathan**  
Financial Controller - Commercial

**Ms. Nayana Abeysinghe**  
Head of Legal

**Ms. Ama Ekanayake**  
Head of Information Technology

**Chandana De Silva**  
Quality Assurance Manager



PORTFOLIO & ASSET MANAGEMENT

**Krishna Selvanathan**  
Director/CEO

**Tharinda Jayawardena**  
Head of Research

**Sumith Perera**  
Head of Portfolio Management

**Asanka Jayasekara**  
Senior Fund Manager

**Prabath Ekanayake**  
Finance Manager

**Dinupa Pieris**  
Head of Marketing

REAL ESTATE

**Nalake Fernando**  
Director - Property Management

**S. Rajaram**  
Head of Engineering

**Sisira Wickramasinghe**  
Finance Manager - CMSL

LEISURE

**PEGASUS REEF HOTEL**

**Harsha Jayasinghe**  
General Manager - Pegasus Reef Hotel

**Vibath Wijesinghe**  
Director - Finance, CMSL

**Kapila Gunathilake**  
Head of Finance

**Dushmantha Fernando**  
Head of Sales & Marketing

**Ms. Mala Munasinghe**  
Executive Housekeeper

**Promoda Fernando**  
Food and Beverage Manager

**Ms. Premila Samarakoon**  
Front Office Manageress

**Malinga Sanjeewa**  
Manager - Human Resources

**Nalinda Abeyratne**  
Executive Chef

**Chandana Kamburugamuwa**  
Chief Engineer

**GIRITALE HOTEL**  
**Thiagarajah Ganeshan**  
General Manager - Giritale Hotel

**Senarath Ekanayake**  
Accountant

MANAGEMENT SERVICES

**Ajith Weeratunge**  
Director

**Ms. Keshini De Silva**  
Director

**Krishna Selvanathan**  
Director

**Ms. Amali Alawwa**  
Director - Legal

**Vibath Wijesinghe**  
Director - Finance

**Amal Badugodahewa**  
Director - Tax

**Bernard Silva**  
Head of HR

**Chaminda Premaratne**  
Director - Internal Audit

**Sunimal Jayasuriya**  
Head of IT

# Group Directorate

## PLANTATIONS, OILS & FATS

### GOODHOPE ASIA HOLDINGS LTD.

**Directors:**

Chandra Das S/O Rajagopal Sitaram  
 \*\* NEI (Chairman), H. Selvanathan  
 (Executive Director & Deputy  
 Chairman), Abdullah Bin Tarmugi \*\*  
 NEI, Chan Cheow Tong Jeffery \*\* NEI,  
 D.C.R. Gunawardena \*\*\* NE & NI,  
 J. Mathavan (Resigned w.e.f  
 7.12.2018), A. P. Weeratunge\* NE,  
 A. Dudeja (Appointed w.e.f 7.12.2018)

### SHALIMAR DEVELOPMENTS SDN. BHD.

**Directors:**

H. Selvanathan, M. Selvanathan,  
 D.C.R. Gunawardena, Ms. H.S. Lin,  
 S.B. Ismail

### PT AGRO INDOMAS

**Commissioners:**

H. Selvanathan - President  
 Commissioner, M. Selvanathan,  
 I. Paulraj, M. Ramachandran Nair,  
 T. de Zoysa, D.C.R. Gunawardena,  
 A.S. Amaratunga

**Directors:**

A. Dudeja - President Director C.A.V.S.  
 Upasena (Vice President Director),  
 C.S. Pakadang,  
 T. Illamurugan, B.C.S.T.I Rodrigo

### SHALIMAR (MALAY) PLC

**Directors:**

H. Selvanathan - Chairman,  
 M. Selvanathan, I. Paulraj \* NE,  
 D.C.R. Gunawardena \* NE,  
 K.C.N. Fernando, A.K. Sellayah \*\* NEI,  
 S. Mahendrarajah \*\* NEI

### SELINSING PLC

**Directors:**

M. Selvanathan - Chairman,  
 H. Selvanathan, I. Paulraj \* NE,  
 D.C.R. Gunawardena \* NE,  
 S. Mahendrarajah \*\* NEI,  
 S. N. Alles \*\* NEI

### INDO-MALAY PLC

**Directors:**

H. Selvanathan - Chairman,  
 M. Selvanathan, I. Paulraj \* NE,  
 D.C.R. Gunawardena \* NE,  
 S. Mahendrarajah \*\* NEI (Director &  
 alternate Director for Mr. I. Paulraj),  
 S. N. Alles\*\* NEI

### GOOD HOPE PLC

**Directors:**

H. Selvanathan - Chairman,  
 M. Selvanathan, I. Paulraj \* NE,  
 D.C.R. Gunawardena \* NE,  
 A. K. Sellayah \*\* NEI,  
 S. N. Alles \*\* NEI

**Alternate Director:**

S. Mahendrarajah (for I. Paulraj)

### PT AGRO ASIA PACIFIC

**Commissioners:**

H. Selvanathan - President  
 Commissioner, M. Selvanathan, D.C.R.  
 Gunawardena

**Directors:**

C.A.V.S. Upasena - President  
 Director, C.S. Pakadang, J. Mathavan,  
 (Resigned w.e.f 7.12.2018),  
 A. Dudeja (Appointed w.e.f. 1.1.2018),  
 B.C.S.T.I Rodrigo

### PT KARYA MAKMUR SEJAHTERA

**Commissioners:**

H. Selvanathan - President  
 Commissioner, M. Selvanathan, D.C.R.  
 Gunawardena

**Directors:**

A. Dudeja - President Director,  
 C.A.V.S. Upasena (Vice President  
 Director), C.S. Pakadang,  
 T. Illamurugan, B.C.S.T.I Rodrigo

### PT AGRO HARAPAN LESTARI

**Commissioners:**

H. Selvanathan - President  
 Commissioner, M. Selvanathan (Vice  
 President Commissioner), I. Paulraj

**Directors:**

C.A.V.S. Upasena, C.S. Pakadang,  
 E. Suhardi, A. Dudeja,  
 B.C.S.T.I Rodrigo

### PT AGRO BUKIT

**Commissioners:**

H. Selvanathan - President  
 Commissioner, M. Selvanathan,  
 I. Paulraj, D.C.R. Gunawardena,  
 T. de Zoysa

**Directors:**

A. Dudeja - President Director,  
 C.A.V.S. Upasena (Vice President  
 Director), C.S. Pakadang,  
 B.C.S.T.I Rodrigo

\* Non-Executive Director

\*\* Non-Executive / Independent Director

\*\*\* Non-Executive / Non Independent Director

#### **AGRO HARAPAN LESTARI (PRIVATE) LIMITED**

##### **Directors:**

H. Selvanathan - Chairman,  
J. Mathavan (Resigned w.e.f. 9.11.2018), K.G.G. De Silva (Resigned w.e.f. 9.11.2018),  
M.R. Jiffrey, C.A.V.S. Upasena,  
Ms. Sharada Selvanathan, A.R. Azeez (Appointed w.e.f. 1.1.2019)

#### **AHL BUSINESS SOLUTIONS (PRIVATE) LIMITED**

##### **Directors:**

H. Selvanathan - Chairman (Resigned w.e.f. 9.11.2018),  
D.C.R. Gunawardena - Chairman (Appointed w.e.f. 9/11/2018),  
M.I.M. Amjad (Appointed w.e.f. 9.11.2018) K.G.G. De Silva, (Resigned w.e.f. 9.11.2018), M.R. Jiffrey, C.A.V.S. Upasena.

#### **AGRO ASIA PACIFIC LIMITED**

##### **Directors:**

H. Selvanathan, M. Selvanathan,  
J. Mathavan (Resigned w.e.f. 7.12.2018), Satish Selvanathan (Appointed w.e.f. 1.2.2018)

#### **PT AGRAJAYA BAKTITAMA**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
C.S. Pakadang, A. Dudeja, B.C.S.T.I Rodrigo

#### **PT RIM CAPITAL**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena, S.C.P. Chelliah

##### **Directors:**

A. Dudeja - President Director,  
C.A.V.S. Upasena (Vice President Director), C.S. Pakadang,  
B.C.S.T.I Rodrigo

#### **PT AGRO WANA LESTARI**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

A. Dudeja - President Director,  
C.A.V.S. Upasena (Vice President Director), C.S. Pakadang,  
T. Illamurugan, B.C.S.T.I Rodrigo

#### **PT NABIRE BARU**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
C.S. Pakadang, A. Dudeja, B.C.S.T.I Rodrigo

#### **PT BATU MAS SEJAHTERA**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
C.S. Pakadang, A. Dudeja, B.C.S.T.I Rodrigo

#### **PT SAWIT MAKMUR SEJAHTERA**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
C.S. Pakadang, A. Dudeja, B.C.S.T.I Rodrigo

#### **PT SUMBER HASIL PRIMA**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
C.S. Pakadang, A. Dudeja, B.C.S.T.I Rodrigo

#### **PT SINAR SAWIT ANDALAN**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
C.S. Pakadang, A. Dudeja, B.C.S.T.I Rodrigo

#### **PT SARIWANA ADI PERKASA**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
C.S. Pakadang, A. Dudeja, B.C.S.T.I Rodrigo

#### **PT AGRO BINA LESTARI**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
E. Suhardi, C.S. Pakadang,  
A. Dudeja, B.C.S.T.I Rodrigo

#### **PT AGRO SURYA MANDIRI**

##### **Commissioners:**

H. Selvanathan - President  
Commissioner, M. Selvanathan, D.C.R. Gunawardena

##### **Directors:**

C.A.V.S. Upasena - President Director,  
C.S. Pakadang, E. Suhardi,  
A. Dudeja, B.C.S.T.I Rodrigo

## Group Directorate

### ARANI AGRO OIL INDUSTRIES PRIVATE LIMITED

#### Directors:

S.K. Desai (Appointed w.e.f 31.1.2019), J. Mathavan, (Resigned w.e.f 31.1.2019), S.C.P. Chelliah

### PREMIUM OILS & FATS SDN.BHD.

#### Directors:

H. Selvanathan, M. Selvanathan, J. Mathavan (Resigned w.e.f. 7.12.2018), C.A.V.S. Upasena, M.R. Jiffrey, K.G.G. De Silva (Resigned w.e.f. 9.11.2018), S.K. Desai (Appointed w.e.f 12.2.2019)

### PREMIUM VEGETABLE OILS SDN. BHD.

#### Directors:

H. Selvanathan, M. Selvanathan, J. Mathavan, (Resigned w.e.f. 7.12.2018), S.C.P. Chelliah, M.R. Jiffrey, Satish Selvanathan (Appointed w.e.f 1.1.2019), S.K. Desai (Appointed w.e.f 12.2.2019)

### PREMIUM FATS SDN.BHD.

#### Directors:

H. Selvanathan, M. Selvanathan, J. Mathavan (Resigned w.e.f. 7.12.2018), S.C.P. Chelliah, M.R. Jiffrey, Satish Selvanathan (Appointed w.e.f 1.1.2019), S.K. Desai (Appointed w.e.f 12.2.2019)

### PREMIUM NUTRIENTS PRIVATE LIMITED

#### Directors:

H. Selvanathan, M. Selvanathan, J. Mathavan (Resigned w.e.f. 7.12.2018), A. Dudeja (Appointed w.e.f 7.12.2018)

### GOODHOPE INVESTMENTS (PRIVATE) LIMITED

#### Directors:

H. Selvanathan - Chairman, K.G.G. De Silva (Resigned w.e.f. 9.11.2018), M.R. Jiffrey, M.I.M. Amjad (Appointed w.e.f 9.11.2018)

## BEVERAGE

### CEYLON BEVERAGE HOLDINGS PLC

#### Directors:

D. A. Cabraal - Chairman \*\*NEI  
H. Selvanathan (Deputy Chairman),  
M. Selvanathan (Director/ Alternate Director to H. Selvanathan),  
S. K. Shah (Chief Executive Officer/ Director), D.C.R. Gunawardena \* NE, L Lehmann\* NE (Resigned w.e.f 20.5.2019), R.H. Meewakkala\*\* NEI, T. Akiskalos\* NE (Appointed w.e.f 20.5.2019)

### LION BREWERY (CEYLON) PLC

#### Directors:

D. A. Cabraal - Chairman\*\* NEI,  
H. Selvanathan (Deputy Chairman),  
S. K. Shah (Chief Executive Officer/ Director), D.C.R. Gunawardena \* NE,  
D. R. P. Goonetilleke, K. Selvanathan (Director / Alternate Director to H. Selvanathan), Ms. S.J.F. Evans\*\* NEI, L. Lehmann\* NE, (Resigned w.e.f 20.05.2019), R. H. Meewakkala\*\* NEI, Lim C. K.\* NE, S. Selvanathan\* NE (Appointed w.e.f 5.4.2019), T. Akiskalos\* NE, (Appointed w.e.f 20.5.2019)

### PUBS 'N PLACES (PRIVATE) LIMITED

#### Directors:

S.K. Shah, D.R.P. Goonetilleke, S.W.M.K.N. Hulangamuwa, M.R.B. Ranatunga, S.G.S. Atton, W.H.S. Boteju

### RETAIL SPACES (PRIVATE) LIMITED

#### Directors:

S.K. Shah, D.R.P. Goonetilleke, S.G.S. Atton

### LUXURY BRANDS (PRIVATE) LIMITED

#### Directors:

S.K. Shah, D.R.P. Goonetilleke, S.G.S. Atton, M.R.B. Ranatunga

### PEARL SPRINGS (PRIVATE) LIMITED

#### Directors:

S.K. Shah, D.R.P. Goonetilleke

### MILLERS BREWERY LIMITED

S.K. Shah, D.R.P. Goonetilleke, P.M.N.P. De Silva

## REAL ESTATE

### EQUITY ONE LIMITED

#### Directors:

D.C.R. Gunawardena (Chairman), K.C.N. Fernando, E.H. Wijenaik, A.P. Weeratunge, S. Mahendrarajah, P.D.D. Fernando

### EQUITY TWO PLC

#### Directors:

D.C.R. Gunawardena \*NE (Chairman), K.C.N. Fernando, A.P. Weeratunge, E.H. Wijenaik \*\*NEI, P.D.D. Fernando \*\*NEI

### EQUITY THREE (PRIVATE) LIMITED

#### Directors:

I. Paulraj, K. C. N. Fernando

\* Non-Executive Director

\*\* Non-Executive / Independent Director

\*\*\* Non-Executive / Non Independent Director

## LEISURE

### PEGASUS HOTELS OF CEYLON PLC

**Directors:**

D.C.R. Gunawardena \*NE (Chairman),  
S. Nagendra \*\*NEI, (Stepped down  
w.e.f. 14.06.2018), M. Dayananda  
\*\*NEI, K. Selvanathan, S.R. Mather,  
V.R. Wijesinghe

### EQUITY HOTELS LIMITED

**Directors:**

D.C.R. Gunawardena (Chairman),  
V. R. Wijesinghe, A. P. Weeratunge

### CARSONS AIRLINE SERVICES (PRIVATE) LIMITED

**Directors:**

H. Selvanathan - Chairman,  
M. Selvanathan, D.C.R. Gunawardena

## PORTFOLIO & ASSET MANAGEMENT

### CEYLON GUARDIAN INVESTMENT TRUST PLC

**Directors:**

Mrs. M.A.R.C. Cooray \*\*NEI -  
Chairperson, D.C.R. Gunawardena  
\*NE, V.M. Fernando \*\*NEI,  
K. Selvanathan, C.W. Knight \*\*NEI,  
T.C.M. Chia \*\*NEI

### CEYLON INVESTMENT PLC

**Directors:**

Mrs. M.A.R.C. Cooray \*\*NEI,  
D.C.R. Gunawardena\* NE,  
A.P. Weeratunge, V.M. Fernando  
\*\*NEI, K. Selvanathan, T.C.M. Chia  
\*\*NEI

### THE SRI LANKA FUND

**Directors:**

D.C.R. Gunawardena, A.J.R. Collins

### GUARDIAN CAPITAL PARTNERS PLC

**Directors:**

I. Paulraj \*NE (Chairman),  
D.C.R. Gunawardena \*NE  
S. Mahendrarajah \*\*NEI,  
Mrs. M.A.R.C. Cooray \*\*NEI,  
Mr. K. Selvanathan

**Alternate Director:**

S. Mahendrarajah (for I. Paulraj)

### RUBBER INVESTMENT TRUST LIMITED

**Directors:**

I. Paulraj (Chairman), D.C.R.  
Gunawardena, A.P. Weeratunge

**Alternate Director:**

A.P. Weeratunge (for I. Paulraj and  
D.C.R. Gunawardena)

### LEECHMAN & COMPANY (PRIVATE) LIMITED

**Directors:**

H. Selvanathan, M. Selvanathan,  
S. Mahendrarajah

### GUARDIAN FUND MANAGEMENT LIMITED

**Directors:**

K. Selvanathan, A.P. Weeratunge,  
M.A.T. Jayawardena.

### GUARDIAN ACUITY ASSET MANAGEMENT LIMITED

**Directors:**

M. R. Abeywardena - Chairman,  
D.C.R. Gunawardena,  
T. W. De Silva, K. Selvanathan,  
D. P. N. Rodrigo, S. M. Perera

## MANAGEMENT SERVICES

### CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED

**Directors:**

H. Selvanathan (Chairman),  
M. Selvanathan, S.K. Shah,  
K.C.N. Fernando, Mrs. K.D. De Silva,  
A.P. Weeratunge, K. Selvanathan,  
V.R. Wijesinghe (Appointed w.e.f  
1.7.2018)

\* Non-Executive Director

\*\* Non-Executive / Independent Director

\*\*\* Non-Executive / Non Independent Director

# Risk Management

## RISK MANAGEMENT

Carson Cumberbatch PLC is a diversified conglomerate. Carson Group with global operations is exposed to a greater variety of risks which are either general in nature or industry/country specific. As a result risk management has become an integral part of business and management. These practices provide reasonable assurance through the process of identification and management of events, situations, or circumstances which even if they occur would not adversely impact the achievement of objectives of the business. In other words risk management practices will ensure minimum impact from adverse events and will help to maximize the realization of opportunities whilst risks are managed until they are mitigated and re-assessed to be within sector's risk appetite.

Enterprise Risk Management (ERM) provides a common process and terminology for all risk management activities. Its main goals focus on fostering risk awareness and promoting proactive management of threats and opportunities.

In implementing the business plan, the Group has embodied enterprise risk management to its business activities. This risk management process supports;

- Corporate Governance
- Quality of business planning
- Audit planning
- Project planning and implementation
- Building confidence of various stakeholder groups

## ERM Process



ERM process re-validates that the relevant internal control systems are in place and provides assurance to Management/Board of Directors that processes are robust and working effectively.

When executing the ERM process, management identifies the risks and categorises them into three main types of risks as shown below. Purpose of the risk modelling is to create a common language for better communication, knowledge sharing and comparison. Risk drivers are the key factors which create risks. Risk indicators are primarily deviation from set Goals or KPI's. Deviations are timely identified through on going review and monitoring activities carried out by the management.

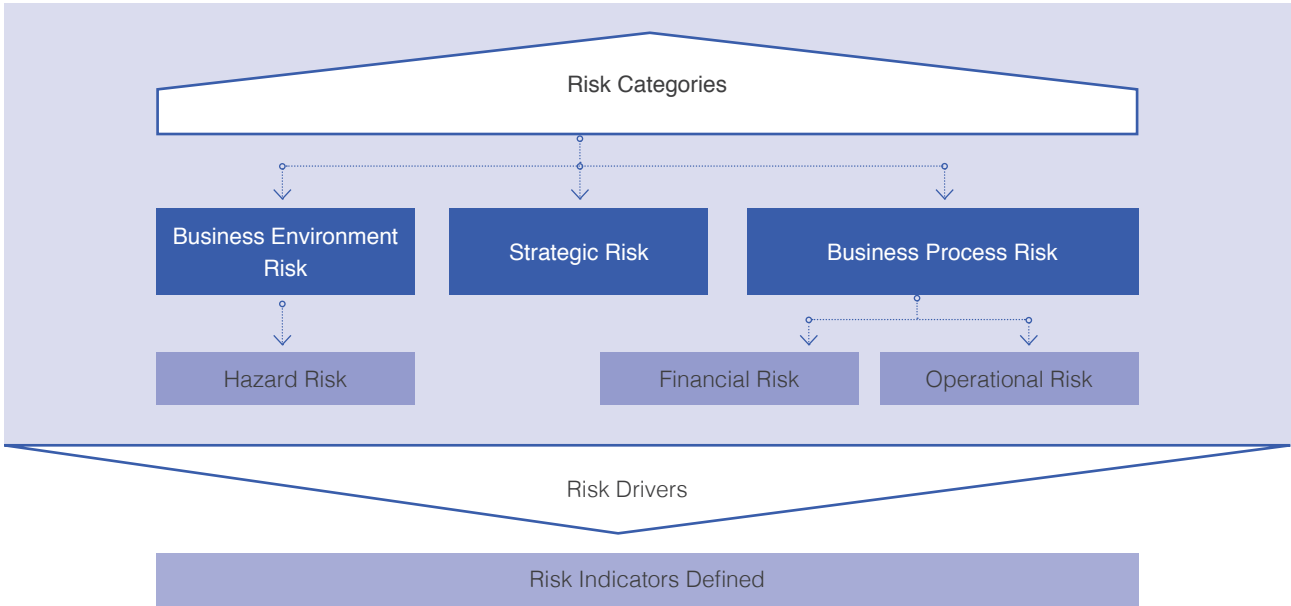
By using qualitative and quantitative methods, likelihood of occurring and probability of outcome of the above identified risks are analysed, further.

Using the Risk Grid, management determines the contribution of each risk to the aggregate risk profile in terms of the impact on achievement of the respective company's objectives and prioritises accordingly.

Once risk events are identified risk responses could take the form of;

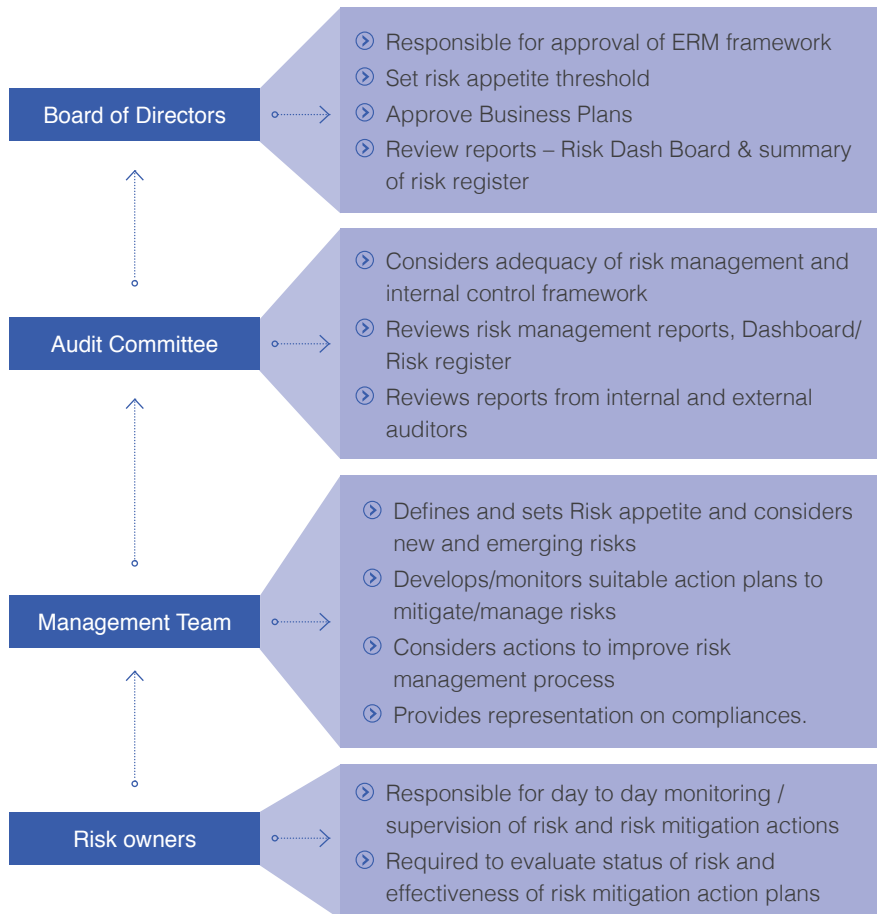
- Risk Acceptance
- Risk Avoidance
- Risk Transfer/ share
- Risk Minimization

Comprehensive and benchmarked Procedure Manuals and techniques, together with timely supervision and monitoring of risk management practices by the business managers while discharging their responsibilities and accountability provides the first line of defence. Relevant action plans are reviewed and monitored by the management teams in their respective spheres of operation. Further, during



this process relevance and impact of identified risks will be reassessed. Status and outcome of the action plans are presented to the CEO, Audit Committee and Board of Directors.

Risk Management Governance Structure includes a reporting framework within the organisation and to the Board of Directors, thereby allowing Directors to assume their supervisory function for better Corporate Governance.



## Risk Management

Risk Management is one of the driving factors of sustainability of operations and we have identified the following risk profiles. The principal risks thus identified are considered and reviewed at various stages within our business process continuously and appropriate risk responses and strategies are implemented.

Risk	Impact	Risk Responses and Strategies
Commodity Price Risk	<p>The segment is susceptible to fluctuations in global Crude Palm Oil (CPO) prices for which we have minimal control being a price taker. Key impacts on CPO price is driven by demand of vegetable oil, Supply from plantation industry as a whole, Supply and demand for substitute oils, crude oil prices and demand for bio fuel and other such factors.</p> <p>China's USA tariff wars and its impact to soy bean imports has led to lower prices in the latter half of 2018. Further, the crude petroleum price has remained at approximately \$63 (WTI) limiting the demand for bio fuel. Plantation industry expects crop volumes to increase Aug-Oct of 2019 based on good weather patterns experienced in the previous years.</p> <p>Analysts' prediction of rising stocks during second half FY 2019 may keep prices subdued in the short term.</p> <p>Prices of other raw materials may also fluctuate due to changes in global economic conditions, weather patterns, government policies and developments in international trade.</p>	<p><b>Oil Palm Plantation Sector</b></p> <ul style="list-style-type: none"> <li>• Manage the price volatility and cash flows by entering into physical forward sales contracts and price hedging at opportune timing.</li> <li>• The segment continues to focus on becoming one of the lowest cost producers, as cost remains the area within the control of the management.</li> </ul> <p><b>Oils &amp; Fats Sector</b></p> <ul style="list-style-type: none"> <li>• Seek to maintain a back-to-back cover on raw material purchases (Palm Kernel feedstock) to minimise the price volatilities.</li> <li>• Transfer the price fluctuations to the customer, whenever possible.</li> </ul> <p><b>Beverage Sector</b></p> <ul style="list-style-type: none"> <li>• Continuously monitors commodity prices of raw materials and where opportune, enters into forward contracts for buying major raw materials with the assistance of international business partner or on its own.</li> </ul>



Risk	Impact	Risk Responses and Strategies
General Securities Risk	<p>Any trading in securities carries inherent investment risks associated with the entity issuing those securities. In particular the price or value of any security can and does fluctuate and may even become valueless, resulting in possible loss not only of returns and profits, but even also of all or part of the principal sums invested. These risks arise as a result of the overall risks faced by the issuing entity which affects its ability to provide a return to the investors holding the securities issued by it. Particularly in the case of equities, past performance of any investment is not necessarily indicative of future performance. At Investment Sector our approach focuses on the fact that there is no substitute for fundamental individual security assessment.</p>	<p><b>Investment sector</b></p> <ul style="list-style-type: none"> <li>• Sound internal research processes.</li> <li>• Once an investment is made a continuous process of monitoring the performance of that investment is adopted.</li> <li>• Manage the concentration risk arising from over exposure to one security by monitoring sector exposure and single company exposure as mitigation strategies. Further, private equity exposure limits at company and group level are monitored as another measure of managing risk. Loss limits are set to monitor stocks performing below their cost of acquisition to determine whether temporary capital erosion is a concern. This helps us mitigate the downside risk of any security in the portfolio.</li> <li>• Market risks affecting a particular class of security are mitigated by switching to asset classes that are assessed to be less risky in a particular scenario.</li> <li>• In the case of private equity, Board representation in proportion to the investment for stakes over 10% is considered necessary while for smaller stakes, monitoring mechanisms to facilitate constant evaluation of the investment will be built into the shareholder agreement.</li> </ul>
Environment Scrutiny Risk	<p>The NGO's scrutiny and enforcement on palm industry has increased with calls for a greater standard than industry set standards identified by RSPO (Roundtable on Sustainable Palm Oil). NGOs are pushing MNC companies who are the customers of the main oil producers / traders to go beyond RSPO and adhere to NDPE (No Deforestation, No Peat, No Exploitation Policy).</p> <p>These NGOs are aggressively focusing to push for higher standards and targeting mid to large scale plantation companies as well as focusing on the financiers (Bankers) of such plantations.</p> <p>Going forward, companies will have to self-regulate and be transparent in their operations and include more stakeholder involvement.</p>	<p><b>Oil Palm Plantation Sector</b></p> <ul style="list-style-type: none"> <li>• GAHL has committed to this higher standard with its own new NDPE policy in 2017, with the input of major stakeholders including NGOs.</li> <li>• GAHL's sustainability initiatives are focused on education and empowerment as well as environment management.</li> <li>• GAHL's sustainability action plan is shared monthly with external stakeholders and have been received well by them.</li> </ul>

## Risk Management

Risk	Impact	Risk Responses and Strategies
Development Delays Risk	<p>New plantation development in Indonesia can be negatively impacted due to multiple &amp; ambiguous land claims, difficulties in procuring contractors and poor infrastructure in remote locations.</p> <p>Depressed palm oil prices and increased environmental scrutiny has also led to a negative impact on new plantation development in the past few years.</p> <p>Project delays may result in significant increases in development costs when restarted, build up of overhead costs and loss of land to third parties as well as social issues from local smallholders (Plasma) who expect development of land at a faster pace.</p>	<ul style="list-style-type: none"> <li>• Ensure that necessary permits and licenses are acquired in a timely manner to complete the developments.</li> <li>• In addition, GAHL is moving to address all RSPO queries and pending action items as required; to obtain clearance for new development. The progress in this area has been slow due to the time taken by these authorities.</li> <li>• Furthermore, GAHL will proactively manage social issues affecting land release and multiple land claims.</li> <li>• GAHL will target to match the funding durations to cover the total capex up to maturity stage of plantation.</li> <li>• Employ a bigger pool of experienced contractors to ensure that disruptions to development projects are minimised.</li> </ul>
Land Ownership Risk	<p>Land allocated to plantations by regional authorities face overlap with concessions given to other industries such as mining and forestry. In addition, plantation companies in Indonesia face overlap claims with other palm plantations as well as local communities due to unclear land titles and ownership which results from lack of clarity between local, regional and national authorities on land status.</p> <p>The Indonesian government is also under pressure from NGOs to curtail deforestation and use of land for plantations.</p> <p>At the same time, Indonesia is looking to fight poverty by mandating small holder/ plasma schemes in order to achieve poverty alleviation via distribution of wealth at rural level.</p>	<ul style="list-style-type: none"> <li>• Ensure that all required approvals from the respective authorities are obtained and validated prior to commencement of land development.</li> <li>• Expedite land title processing in order to safeguard the planted land within the group.</li> <li>• Establish and maintain sound relationships with key personnel in regulatory establishments.</li> </ul>

Risk	Impact	Risk Responses and Strategies
Human Resource Risk	<p>Being unable to recruit and retain appropriately skilled employees could adversely affect the ability to grow and maintain a competitive position in the market place.</p> <p>Given the depressed industry condition of Oil Palm segment over the last 3 years, the human resources tend to be impacted by higher turnover.</p>	<p>The following initiatives have been implemented by the Group.</p> <ul style="list-style-type: none"> <li>• Ensure recruitments are carried out to hire employees with required qualification, knowledge and experience.</li> <li>• Identify and assess the key staff members crucial for successful operations.</li> <li>• Identify gaps in skills and capabilities of key roles and implement development programs to facilitate career progression and succession planning.</li> <li>• Invest in organization-wide training and development to enhance capability levels and maintain motivation of the employees.</li> </ul>
Foreign Exchange Risk	<p>Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.</p> <p>The Financial results reported of Oil &amp; Fat segments are affected by adverse exchange rate movements in local operating currencies such as the IDR, MYR and INR against the USD. As these operating locations are emerging global markets, their currencies can be significantly volatile and move considerably within a short period of time. IDR witnessed a significant depreciation against the US dollar during 4Q of FY17/18.</p> <p>Impact of forex movements mainly arises from the translation/revaluation of the Group's USD denominated borrowings and supplier liabilities as required by IFRS and do not entail an actual cash transaction loss.</p> <p>Currently Plantations, Oils and Fats sectors' impact of forex movements mainly arises from the translation/revaluation of the Group's USD denominated borrowings and supplier liabilities as required by IFRS and do not entail an actual cash transaction loss.</p>	<ul style="list-style-type: none"> <li>• Assets, liabilities and other operational expenses which arise from daily operations are primarily denominated in the functional currencies.</li> <li>• Continue to monitor the market volatilities to anticipate and exploit the favourable movements.</li> <li>• Minimise the cash flow impact by linking the oil palm sector revenue to the USD denominated CPO prices, thus providing a natural hedge.</li> </ul>
Business Environment Risks	<p>Unfavourable global and local weather patterns resulting in adverse weather conditions, natural and man-made disasters including fires and haze from fires, droughts, floods, pestilence and crop disease could reduce the amount or quality of FFB we are able to harvest.</p>	<ul style="list-style-type: none"> <li>• Invest in agronomy and plantation management practices to minimise the impact by any sudden up-rise of diseases.</li> <li>• Business Continuity Plan.</li> <li>• Develop infrastructure to prevent / minimise damages due to perils.</li> <li>• Cover perils through adequate insurance.</li> </ul>

## Risk Management

Risk	Impact	Risk Responses and Strategies
Liquidity Risk	The risk that the sector cannot easily meet its operational and financial obligations can result in unavailability of sufficient funds that may interrupt the smooth functioning of the day to day operations.	<ul style="list-style-type: none"> <li>• Manage such an exposure through effective working capital management.</li> <li>• Maintain sufficient credit facilities.</li> <li>• Develop policies and procedures to plan liquidity based on medium term plans.</li> </ul> <p><b>Investment sector</b></p> <ul style="list-style-type: none"> <li>• Investing in companies with a reasonable free float and where securities are heavily traded. Also by limiting the portfolio's buy list to highly traded blue chips, the risk of illiquidity can be mitigated. Good research will enable the fund team to identify changes in fundamentals and be proactive in investment decision making.</li> <li>• In the case of private equity, liquidity risks are difficult to manage due to time bound exit strategies. However, our insistence on one or two fall back exit options being built into the shareholder agreement ensures that eventually private equity projects will end up in an encashable state with at least a minimum return.</li> </ul>
Financial Leverage and Cash Flow Risk	<p>The segment is impacted by its high financial leverage due to price and volume impacts. GAHL require to generate strong free cash flow and repay debt from its operational cash inflows. The upstream development plantation locations continue to require capex in FY18/19, as Papua came into revenue generation in Nov 2018.</p> <p>Global banks have taken note of the lower commodity prices across these industries, increased US-China trade tensions and are looking to reduce their exposure to industries commodity agri businesses.</p> <p>The segment will require managing its capital repayment given current borrowing structure.</p>	<ul style="list-style-type: none"> <li>• Manage and repay bank funding facilities and service of the borrowing facilities, while looking at alternative funding sources.</li> <li>• Monetize and maximize EBITDA at development locations, in order to obtain return on capital invested.</li> <li>• Implement cost control measures targeting overhead reductions and capex prioritization.</li> </ul>
Credit Risk	Each sector is exposed to credit risk primarily from its trade receivables, which arise from its operating activities and its deposits with Banking Institutions.	<p>Individual companies exercise some of the following controls to mitigate this risk.</p> <ul style="list-style-type: none"> <li>• Implementation of credit policies.</li> <li>• Continuous and regular evaluation of credit worthiness of customers.</li> <li>• Ongoing monitoring of receivable balances.</li> <li>• Covering credit exposure through a combination of bank guarantees &amp; discounting of credit to banks with no recourse to the company.</li> </ul>

Risk	Impact	Risk Responses and Strategies
Interest Rate Risk	The interest rates on all loans and borrowings are currently on a floating basis. As such, our financial performance may be affected by changes in prevailing interest rates in the financial market.	<ul style="list-style-type: none"> <li>• Financial strength of the Carson Cumberbatch PLC is used via group treasury in negotiating the rates.</li> <li>• Plantation sector will pursue derivative mechanisms such as interest swaps, where necessary.</li> <li>• Appropriate capitalization of business together with the right balance between long &amp; short term bank facilities plus obtaining a combination of loans linked to AWDR/SLIBOR/ AWPLR &amp; LIBOR.</li> </ul>
Systems and Process Risks	The risk of direct or indirect losses due to inadequate or failed internal processes and systems.	<ul style="list-style-type: none"> <li>• Maintain detail procedure manuals and provide training and guidelines for new recruits.</li> <li>• The internal audit function of the Group carries out regular review on internal control systems and processes and recommends process improvements if shortcomings are noted.</li> </ul>
Legal and Regulatory Compliance Risk	Failure to comply with regulatory and legal framework applicable to the Group.	<ul style="list-style-type: none"> <li>• The management together with the Carsons group legal division proactively identifies and sets up appropriate systems and processes for legal and regulatory compliance in respect of Sector operations.</li> <li>• Arrange training programs and circulate updates for key employees on new / revised laws &amp; regulations on need basis.</li> <li>• Provide comments on draft laws to government and regulatory authorities.</li> <li>• Obtain comments and interpretations from external legal consultants on areas that require clarity.</li> <li>• Obtain compliance certificates from management on a quarterly basis on compliance with relevant laws and regulations.</li> </ul>
Reputational Risk	As a Group which carries out business activities in different sectors, it is vital to safeguard the good name and reputation of the businesses.	<ul style="list-style-type: none"> <li>• Employees are communicated the right values from the inception both by formal communication and by example. Our screening process at interviews, attempts to select people of the right calibre, while training them for higher responsibility is ongoing.</li> <li>• The extensive compliance process also ensures that the Group does not take the risk of process failure that will lead to reputation risk.</li> <li>• Maintaining good relationships with all stakeholders further helps manage any crisis situations that can damage reputation.</li> </ul>

Risks arising from unforeseen events such as natural disasters riot and civil commotions are covered by obtaining appropriate insurance covers.

# Information to Shareholders & Investors

## 1 STOCK EXCHANGE LISTING

Carson Cumberbatch PLC is a Public Quoted Company, the ordinary shares of which are listed on the main board of the Colombo Stock Exchange of Sri Lanka (CSE). Stock Exchange ticker symbol for the Carson Cumberbatch PLC shares : CARS.N0000

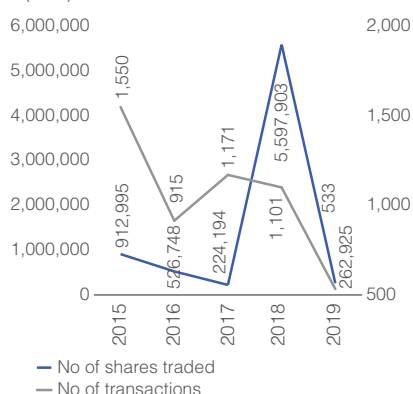
## 2 MARKET CAPITALISATION AND MARKET PRICE

Market Capitalisation of the Company's share, which is the number of ordinary share in issue multiplied by the market value of a share, was Rs. 31,422 Mn as at 31st March 2019. (Rs. 32,993 Mn as at 31st March 2018)

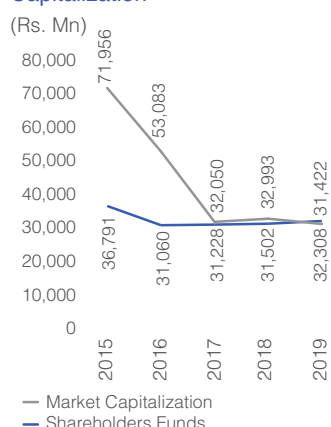
The Information on Market prices are set out below :

For the year ended 31st March	2019	Q4	Q3	Q2	Q1	2018
<b>Share Information</b>						
Highest price (Rs.)	199	199	190	196	190	240
Lowest price (Rs.)	137	137	156	165	165	145
As at periods end (Rs.)	160	160	170	167	165	168
<b>Trading Statistics</b>						
No of transactions	533	95	97	182	159	1,101
No of shares traded	262,925	92,570	38,978	76,484	54,893	5,597,903
Value of all shares Traded (Rs. Mn)	44	15	6	13	9	897
Market Capitalization (Rs. Mn)	31,422	31,422	33,425	32,797	32,423	32,993
Enterprise Value (Rs. Mn)	123,426	123,426	129,441	122,094	118,476	118,237

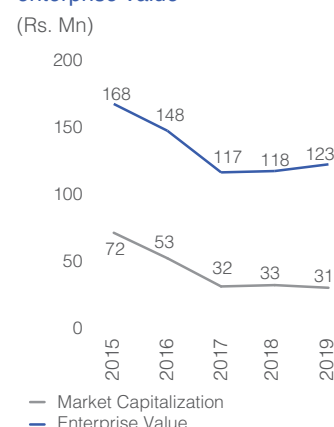
**Share Trading**  
(Nos)



**Shareholders Funds and Market Capitalization**  
(Rs. Mn)



**Market Capitalization and enterprise value**  
(Rs. Mn)



## 3 SHAREHOLDER BASE

The total number of ordinary shareholders as at 31st March 2019 was 2,005 compared to the 2,052 as at 31st March 2018.

#### 4 DISTRIBUTION AND COMPOSITION OF SHAREHOLDERS

Distribution of Shares		Residents			Non-Residents			Total		
		No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	1,000	1,571	228,464	0.12	17	7,155	0.01	1,588	235,619	0.12
1,001	10,000	253	847,990	0.43	16	61,459	0.03	269	909,449	0.46
10,001	100,000	97	2,753,886	1.40	15	691,691	0.35	112	3,445,577	1.75
100,001	1,000,000	15	4,884,729	2.49	7	2,534,015	1.29	22	7,418,744	3.78
Above	1,000,000	8	142,508,610	72.57	6	41,868,915	21.32	14	184,377,525	93.88
Total		1,944	151,223,679	77	61	45,163,235	23	2,005	196,386,914	100

#### 5 COMPOSITION OF SHAREHOLDERS

Ordinary Shares	31st March, 2019			31st March, 2018		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	1,877	20,512,428	10.44	1,920	20,667,709	10.52
Institutions	128	175,874,486	89.56	132	175,719,205	89.48
Total	2,005	196,386,914	100	2,052	196,386,914	100
Residents	1,944	151,223,679	77	1,993	151,390,979	77.09
Non Residents	61	45,163,235	23	59	44,995,935	22.91
Total	2,005	196,386,914	100	2,052	196,386,914	100

#### 6 PUBLIC HOLDING

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Main Board as per Rule 7.13.1.a. of the Listing Rules of the Colombo Stock Exchange, under Option 4, i.e. Float-adjusted Market Capitalization of Rs.2.5Billion with 500 Public Shareholders and a Public Holding percentage of 10%.

The Company's Public Holding as at 31st March 2019

- Market Capitalization of the Public Holding - Rs.4.53 Bn
- Percentage of ordinary shares held by the public - 14.41% (2018 – 14.41%)
- Number of Public Shareholders - 1,991

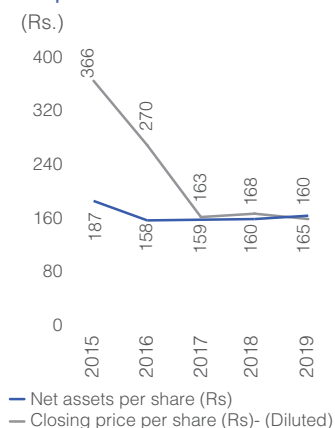
#### 7 INFORMATION ON RATIOS

	2019	2018
EPS (Rs.)	0.48	9.00
Dividend payout ratio (%) - Company	-	67.04
Price to Book (times)	0.97	1.05
Price Earnings Ratio - Group	334.45	18.67
Dividend Yield (%)	0.63%	1.19%
Market Value Added (Mn.)	91,118	86,736

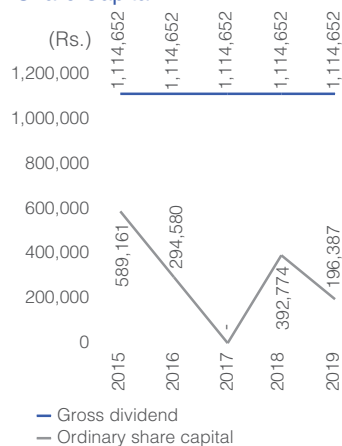
## Information to Shareholders & Investors

### 8 INFORMATION ON DIVIDENDS

Net Assets per Share and Closing Price per Share



Gross Dividend and Ordinary Share Capital



### 9 MATERIAL FORESEEABLE RISK FACTORS

(As per rule no. 7.6 (VI) of the Listing Rules of the Colombo Stock Exchange)

Information pertaining to the material foreseeable risk factors, that require disclosures as per the Rule No. 7.6 (vi) of the Listing Rules of the CSE are discussed in the Section on Risk Management on Page 44 to 51 and page 189 to 192.

### 10 MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS PERTAINING TO THE COMPANY

(As per Rule No. 7.6 (VII) of the Listing Rules of the Colombo Stock Exchange)

There were no material issues pertaining to employees and industrial relations pertaining to the company that occurred during the year under review which require disclosure.

### 11 THE DETAILS OF THE DIVIDENDS PAID ARE AS FOLLOWS:

For the year ended 31st March - In Rs.'000	2019		2018	
	Per share	Amount	Per share	Amount
Ordinary Shares				
First interim dividend	1.00	196,387	2.00	392,774
	1.00	196,387	2.00	392,774



## 12 DIVIDENDS SINCE

Year ended 31st March	DPS (Rs.)	Dividends (Rs.'000)
2015	3.00	589,161
2016	1.50	294,580
2017	-	-
2018	2.00	392,774
2019	1.00	196,387

## 13 ORDINARY SHARES IN ISSUE

Year ended 31st March	Number of Shares
2013	196,386,914
2014	196,386,914
2015	196,386,914
2016	196,386,914
2018	196,386,914
2019	196,386,914

## 14 HISTORY OF SCRIP ISSUES

Year ended 31st March	Issue	Basis	Number of Shares	Ex-date
2006	Bonus	5:1	5,093,550	6-Jul-05
2009	Sub-division	15:1	85,571,640	31-Jul-08
	Capitalisation	1:20	4,584,195	31-Jul-08
2011	Capitalisation/Sub-division	2:1	96,268,095	21-Dec-10
	Capitalisation	1:50	3,850,724	24-Dec-10

## 15 INFORMATION ON MOVEMENT IN NUMBER OF SHARES

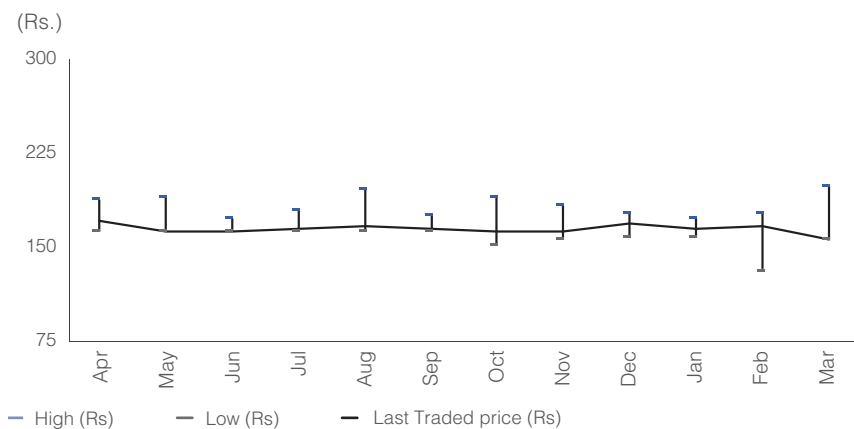
Financial Year	Issue	Basis	No. of Shares	
			No of Shares issued	Cumulative Ordinary
2005/06	Bonus Issue	5 for 1	5,093,550	6,112,260
2008/09	Sub-division	15 for 1	85,571,640	91,683,900
	Capitalisation	1 for 20	4,584,195	96,268,095
2010/11	Sub-division	2 for 1	96,268,095	192,536,190
	Capitalisation	1 for 50	3,850,724	196,386,914

## Information to Shareholders & Investors

### 16 SHARE PRICE TREND OVER LAST FIVE YEARS

Year ended 31st March	2015	2016	2017	2018	2019
Highest Price (Rs.)	500	440	300	240	199
Lowest Price (Rs.)	360	212	150	145	137
Last Traded Price (Rs.)	366	270	163	168	160

#### Share Price Trend Over the Last Financial Year



## 17 INFORMATION ON SHAREHOLDERS' FUNDS AND MARKET CAPITALIZATION

As at 31st March	2015	2016	2017	2018	2019
Shareholders' Funds (Rs. Mn.)	36,791	31,060	31,228	31,502	32,308
Market Capitalization (Rs. Mn.)	71,956	53,083	32,050	32,993	31,422
Market Capitalization as % of CSE Total Mkt. Captl. (%)	2.49%	2.05%	1.20%	1.09%	1.21%

## 18 PRICE AND SHARE VOLUME CHART



## Information to Shareholders & Investors

### 19. TEN YEAR SUMMARY - GROUP

(Amounts expressed in Sri Lankan Rs. '000)

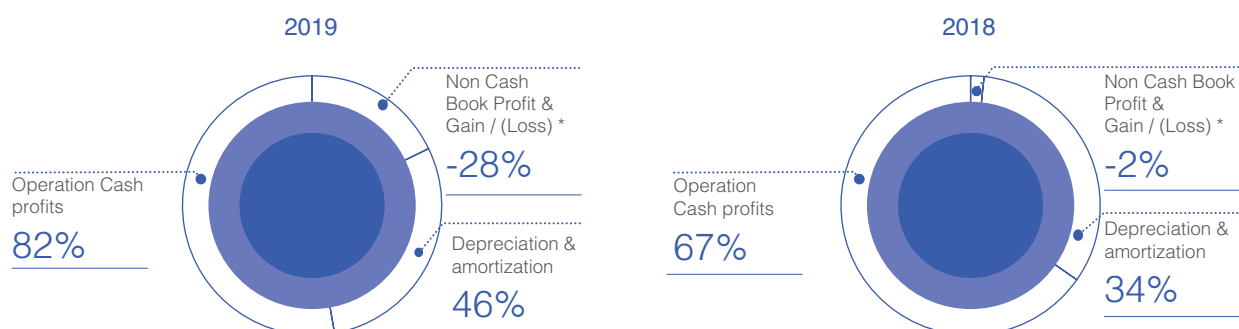
For the year ended / as at 31st March	2019	2018 (Restated)
<b>OPERATING RESULTS</b>		
Revenue	97,139,538	79,181,390
Profit from operations (Segment results)	10,753,239	10,075,229
Finance expenses	4,892,419	4,496,028
Profit/(loss) before taxation from continuing operations	5,060,992	7,387,888
Income tax expenses	3,992,562	3,653,111
Profit for the year	908,265	3,835,184
Profit attributable to the non controlling interest	814,313	2,068,167
Profit attributable to the owners of the company	93,952	1,767,017
<b>CAPITAL EMPLOYED</b>		
Stated capital	1,114,652	1,114,652
Reserves	31,193,768	30,387,273
	32,308,420	31,501,925
Non - controlling interest	31,585,445	29,148,484
Short - term and long - term borrowings	75,215,984	69,438,172
	139,109,849	130,088,580
<b>ASSETS EMPLOYED</b>		
Non - current assets	119,429,300	122,040,152
Current assets	46,238,017	37,970,193
	165,667,317	160,010,345
Current liabilities - excluding borrowings	(14,891,115)	(20,108,822)
Other financial payables	(87,368)	(87,695)
Deferred liabilities	(11,578,985)	(9,725,248)
	139,109,849	130,088,580
<b>CASH FLOW STATEMENTS</b>		
Net cash inflows from operating activities	7,816,882	9,160,094
Net cash generated from/(used in) investing activities	(5,605,072)	(6,599,663)
Net cash generated from/(used in) financing activities	(5,166,862)	4,553,882
Net (decrease)/increase in cash & cash equivalents	(2,955,052)	7,114,313
<b>OPERATIONAL RATIOS</b>		
Return on ordinary shareholders' funds (%)	0.29	5.61
Equity to total assets (%)	38.57	37.90
Revenue growth (%)	22.68	22.74
Asset growth (%)	3.54	2.30
Revenue to capital employed (times)	0.70	0.61
No. of employees	13,975	11,935
Revenue per employee	6,951	6,634
Value added per employee	3,461	3,460
<b>DEBT &amp; GEARING RATIOS</b>		
Interest cover (times)	2.20	2.24
Total debts	75,215,984	69,438,172
Net debts	60,418,200	56,095,978
Debt equity ratio (%)	117.72	114.49
Gearing ratio (%)	54.07	53.38
Debt/total assets (%)	45.40	43.40
Current ratio (times)	0.98	0.81
<b>INVESTOR RATIOS</b>		
Dividend cover (times)	0.48	4.50
Dividends per share (Rs.)	1.00	2.00
Market value per share (Rs.)	160	168
Market capitalization (Rs. Mn)	31,422	32,993
Earnings per share (Rs.)	0.48	9.00
Price earnings ratio (times)	334.45	18.67
Net assets per ordinary share (Rs.)	164.51	160.41



## Information to Shareholders & Investors

### 16 GROUP QUARTERLY RESULTS

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	FY 2019
<b>INCOME STATEMENT</b>					
Revenue	23,153,926	23,218,481	25,462,808	25,304,323	97,139,538
Profit before tax from continuing operations	2,104,556	614,254	2,318,131	1,574,302	5,060,992
Net Profit / (Loss) after tax	1,157,982	(315,850)	1,612,325	(1,546,192)	908,265
Earnings / (Loss) per share	2.55	(1.48)	3.88	(4.47)	0.48
<b>CASH FLOW</b>					
Operating cash flows before working capital changes	6,084,505	8,276,223	9,731,292	19,094,200	19,094,200
Capital expenditure	(735,888)	(2,184,534)	(3,505,608)	6,370,979	6,370,979
Working capital changes	(5,001,874)	(7,121,672)	(7,782,844)	(3,810,134)	(3,810,134)
Cash flow from investing activities	(219,998)	(1,718,932)	(2,725,042)	(5,605,072)	(5,605,072)
Cash flow from financing activities	(3,083,938)	(3,130,211)	(4,199,636)	(5,166,862)	(5,166,862)
<b>BALANCE SHEET</b>					
Shareholders' funds	31,181,922	30,954,065	33,228,550	32,308,420	32,308,420
Non controlling interest	29,016,138	29,185,069	31,901,690	31,585,445	31,585,445
Total assets	156,801,299	162,922,460	174,492,616	165,667,317	165,667,317
Total liabilities	96,603,239	102,783,087	109,362,376	101,773,452	101,773,452
Intangible assets	5,970,682	6,006,697	6,056,391	6,010,586	6,010,586
Cash and cash equivalents	12,956,815	14,778,993	15,421,777	14,797,784	14,797,784
Loans and borrowings	69,993,060	74,891,171	79,536,401	75,215,984	75,215,984
Net gearing - %	48.65	49.99	49.61	48.60	48.60
Net assets value per share (Rs.)	158.78	157.62	169.20	164.51	164.51
Net tangible assets per share (Rs.)	128.38	127.03	138.36	133.91	133.91



\* Non Cash Book Profit & Gain / (Loss)

(Change in fair value of investment properties+ Foreign exchange loss + Change in fair value of Biological Assets)

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## Financial Information

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## Financial Calendar

Financial Year end	-	31st March 2019
<b>Announcement of results</b>		
1st Quarter ended 30th June 2018	-	14th August 2018
2nd Quarter ended 30th September 2018	-	14th November 2018
3rd Quarter ended 31st December 2018	-	14th February 2019
4th Quarter ended 31st March 2019	-	31st May 2019
1st Interim Dividend FY 2018/19	-	8th March 2019
Notice of Annual General Meeting	-	30th July 2019
106th Annual General Meeting	-	23rd August 2019

# Annual Report of the Board of Directors on the affairs of the Company

The Board of Directors of Carson Cumberbatch PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2019.

The details set out herein provide the pertinent information required by the Companies Act, No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and are guided by recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 17th July 2019.

## GENERAL

Carson Cumberbatch PLC is a public limited liability Company incorporated in Sri Lanka in 1913.

## THE PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company consist of investing in Oil Palm Plantation, Oils & Fats, Beverage, Portfolio and Asset Management, Real Estate, Leisure and Management Services sectors.

The principal activities of the subsidiaries and joint venture are set out in the Business Review section of this Annual Report.

There have been no significant changes in the nature of the activities of the Group and the Company during the financial year under review.

## REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement on pages 6 to 7 and Sector Reviews on pages 13 to 18 provide an overall assessment of the business performance of the Group and its future developments. These reports together with audited financial statements reflect the state of affairs of the Company and the Group.

The segment-wise contribution to Group Results, Assets and Liabilities are provided in Note 8 to the financial statements on pages 120 to 127

## FINANCIAL STATEMENTS

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

The aforementioned Financial Statements for the year ended 31st March 2019, duly signed by the Director, Carsons Management Services (Private) Limited, the Secretariat together with two Directors of the Company, are given on page 72 which form an integral part of this Annual Report of the Board of Directors.

## SIGNIFICANT ACCOUNTING POLICIES

Details of accounting policies have been discussed in Note 4 of the financial statements. There have been no significant changes in the accounting policies adopted by the Group during the year under review. Those are mentioned in the Note 4 For all periods up to and including the year ended 31 March 2019, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## REVENUE

Revenue generated by the Company amounted to Rs. 258.5 Mn (2018 - Rs. 825.4 Mn), whilst group revenue amounted to Rs. 97,139.5 Mn (2018 - Rs. 79,181.3 Mn). Contribution to group revenue from the different business segments is provided in Note 8 to the financial statements.

## RESULTS AND APPROPRIATIONS

The profit / (loss) after tax of the holding Company was Rs. (24 Mn) (2018 - Rs. 585.8 Mn) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 93.9 Mn (2018 - Rs. 1,767 Mn). Results of the Company and of the Group are given in the statement of income.

Detailed description of the results and appropriations are given overleaf.



For the year ended 31st March	Group		Company	
	2019 Rs.' 000	2018 Rs.' 000	2019 Rs.' 000	2018 Rs.' 000
Results from operating activities	13,150,362	10,241,032	180,521	761,759
Progressive insurance receipts on property damage	-	752,263	-	-
Foreign exchange losses	(691,817)	(725,715)	(6,202)	(16,472)
Net finance cost	(4,892,419)	(4,496,028)	(190,348)	(160,161)
Share of net results of joint venture	6,910	11,027	-	-
Change in fair value of biological assets	(392,859)	1,017,130	-	-
Change in fair value of investment properties	423,145	621,085	-	-
Changes in fair value of financial assets held for trading	(2,542,330)	(32,906)	(8,384)	3,914
Profit/(loss) before tax accruing to the company and subsidiaries	5,060,992	7,387,888	(24,413)	589,040
Income tax expenses	(3,992,562)	(3,653,111)	-	(3,186)
Profit/(loss) from continuing operations	1,068,430	3,734,777	(24,413)	585,854
Profit/(loss) from discontinued operation, net of tax	(160,165)	100,407	-	-
Profit/(loss) for the year	908,265	3,835,184	(24,413)	585,854
Profit attributable to non controlling interest	(814,313)	(2,068,167)	-	-
Profit/(loss) attributable to owners of the company	93,952	1,767,017	(24,413)	585,854
Other adjustments	1,456,260	177,978	63,428	2,473
Balance brought forward from the previous year	26,834,824	25,282,603	7,701,207	7,505,654
Amount available for appropriation	28,385,036	27,227,598	7,740,223	8,093,981
Dividend				
Ordinary Share dividend				
Final dividend	(196,387)	(392,774)	(196,387)	(392,774)
Balance to be carried forward to next year	28,188,649	26,834,824	7,543,835	7,701,207

## RESERVES

A summary of the Group's reserves is given below:

As at 31st March	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Capital Reserve	2,786,451	2,684,579	287,552	287,552
Revenue Reserve	28,407,317	27,702,694	10,640,481	9,048,514
Total	31,193,768	30,387,273	10,928,033	9,336,066

The movements are shown in the Statements of Changes in Equity given on pages 88 to 90 of the Annual Report.

# Annual Report of the Board of Directors on the affairs of the Company

## CAPITAL EXPENDITURE

Details of the Group capital expenditure undertaken during the year by each sector are:

For the year ended 31st March	2019	2018
<b>Portfolio and Asset Management</b>		
Property, plant & equipment	243	450
Intangible assets	-	22,227
<b>Oil Palm Plantations</b>		
Property, plant & equipment	3,887,157	2,184,608
Bearer Plants	1,033,479	2,034,116
Intangible assets/prepaid lease payment for land	210,219	172,821
<b>Oils &amp; Fats</b>		
Property, plant & equipment	75,563	138,396
Intangible assets	-	5,686
<b>Beverage</b>		
Property, plant & equipment	902,625	1,387,322
Intangible assets	47,006	2,038
<b>Real Estate</b>		
Property, plant & equipment	271	500
Investments Properties	22,530	21,696
<b>Leisure</b>		
Property, plant & equipment	188,999	49,301
<b>Management Services</b>		
Property, plant & equipment	2,887	6,473
	<b>6,370,979</b>	<b>6,025,634</b>

## VALUE OF THE INVESTMENT PORTFOLIO

The market value/valuation of the Group's investment portfolio as at 31st March, 2019 was Rs. 10,002 Mn. (2018 - Rs. 12,378 Mn)

## VALUE OF THE INVESTMENTS PROPERTIES

Investment properties of business units, when significantly occupied by Group companies, are classified as property, plant and equipment in the consolidated financial statements in compliance with LKAS 40.

All properties classified as investment property were valued in accordance with the requirements of LKAS 40. The Group revalued all its investment properties as at 31 March 2019. The carrying value of investment property of the Group is Rs. 3,878.9 Mn (2018 - Rs. 3,447.7 Mn). Valuations were carried out by Mr. S.Sivaskantha, F.I.V (Sri Lanka) Perera Sivaskantha & Company, Incorporated Valuers.

Details of the revaluation of property, plant and equipment and investment property are provided in notes 21 and 25 to the financial statements.

Details of Group properties as at 31 March 2019 are disclosed in the Group Real Estate Portfolio section of the Annual Report.

## MARKET VALUE OF FREEHOLD PROPERTIES

Certain freehold properties (land and buildings) of the Group have been revalued based on the independent professional valuation and written-up in the books of account to conform to market value of such properties. Details of such revaluation are given in Note 21 (c) to the financial statements.

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Group and the Company which reflect a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Income, Statement of Financial Position, Statement of Cash Flow and notes thereto appearing on pages 83 to 203 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments thereto and Listing Rules of the Colombo Stock Exchange. The "Statement of Directors' Responsibility" for the Financial Reporting is given on page 73 which forms an integral part of this Report.

## INTERESTS REGISTER

The Company maintains the Interests Register conforming to the provisions of the Companies Act No.07 of 2007. All Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid.

The relevant details as required by the Companies Act, No. 07 of 2007 have been entered in the Interests Register during the year under review.

The Interests Register is available for inspection as required under the Companies Act, No. 07 of 2007.

## DIRECTORS' BENEFITS

The Directors' remuneration of the Company for the financial year ended 31st March 2019 are given in Note 16 (d) and Note 50 to the Financial Statements as per the requirements of Section 168 (1) (f) of the Companies Act, No. 07 of 2007.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object of enabling Directors of the Company to acquire benefit by means of the acquisition of shares of the Company.

## DIRECTORS' INTEREST IN SHARES AS AT THE REPORTING DATE

The following table discloses the Directors' interest in shares of the Company

Directors	No of Ordinary Shares as at	
	31.03.2019	31.03.2018
Mr. T. de Zoysa (Chairman)	-	-
Mr. H. Selvanathan (Deputy Chairman)	76,852	76,852
Mr. M. Selvanathan	1,805,146	1,805,146
Mr. D. C. R. Gunawardena	-	-
Mr. S. K. Shah	-	-
Mr. P. C. P. Tissera - (Resigned w.e.f 12th February 2019)	12	12
Mr. V. P. Malalasekera	-	-
Mr. F. Mohideen	-	-
Mr. R. Theagarajah	-	-
Mr. W. M. R. S. Dias	-	-
Mr. A. S. Amaratunga	1,156	1,156
Ms. Sharada Selvanathan - (Appointed w.e.f 10th March 2019)	-	-
Messrs. M. Selvanathan & H. Selvanathan	449,820	449,820
<b>Alternate Directors</b>		
Mr. Krishna Selvanathan (for Mr. M. Selvanathan)	-	-
Mr. Sudarshan Selvanathan (for Mr. D. C. R. Gunawardena)	-	-

## DIRECTORS' SHAREHOLDINGS IN GROUP QUOTED COMPANIES

Subsidiaries	No. of Ordinary Shares	
	31.03.2019	31.03.2018
<b>Ceylon Guardian Investment Trust PLC</b>		
Mr. D. C. R. Gunawardena	257	257
<b>Ceylon Investment PLC</b>		
Mr. D. C. R. Gunawardena	257	257
<b>Ceylon Beverage Holdings PLC</b>		
Mr. H. Selvanathan	690	690
Mr. M. Selvanathan	690	690
Mr. D. C. R. Gunawardena	15	15
Mr. S. K. Shah	2,632	2,632
Mr. T. de Zoysa	690	690
<b>Lion Brewery (Ceylon) PLC</b>		
Mr. H. Selvanathan	1,579	1,579
Mr. M. Selvanathan	1,579	1,579
Mr. D. C. R. Gunawardena	34	34
Mr. S. K. Shah	6,016	6,016

## Annual Report of the Board of Directors on the affairs of the Company

Subsidiaries	No. of Ordinary Shares	
	31.03.2019	31.03.2018
<b>Shalimar (Malay) PLC</b>		
Mr. M. Selvanathan	1	1
<b>Selinsing PLC</b>		
Mr. M. Selvanathan	1	1
<b>Good Hope PLC</b>		
Mr. M. Selvanathan	1	1
<b>Indo-Malay PLC</b>		
Mr. M. Selvanathan	1	1
<b>Equity Two PLC</b>		
Mr. S. K. Shah	9,300	9,300
Mr. W. M. R. S. Dias	200	200
<b>Guardian Capital Partners PLC</b>		
Mr. H. Selvanathan	1,261	1,261
Mr. M. Selvanathan	63,409	63,409
Mr. D. C. R. Gunawardena	25	25

### DIRECTORS

The names of the Directors who served during the year are given under corporate information on page 4.

#### Changes in Directorate

1. Mr. P. C. P. Tissera - Non-Executive Director resigned from the Board w.e.f 12th February 2019.
2. Ms. Sharada Selvanathan was appointed to the Board as Executive Director w.e.f 10th March 2019.

#### Retirement at the first Annual General Meeting following the appointment as a Director

In terms of Article 68 of the Articles of Association of the Company, Ms. Sharada Selvanathan retires from the Board and being eligible offers herself for re-election.

#### Directors to retire by rotation

In terms of Articles 72, 73 & 74 of the Articles of Association of the Company, Messrs. S. K. Shah and R. Theagarajah retire by rotation and being eligible offer themselves for re-election.

#### Reappointment of Directors as per Sec. 210 of the Companies Act, No. 07 of 2007

Messrs. V. Malalasekera, Tilak de Zoysa, F. Mohideen and M. Selvanathan who are over 70 years of age were re-appointed as Directors of the Company at the Annual General Meeting held on 30th July 2018, for a further period of one year, i.e until 30th July 2019. Therefore, an Extraordinary General Meeting has been convened for 30th July 2019 to re-appoint the said Directors until the forthcoming Annual General Meeting of the Company, or for a further period of one year commencing from 30th July 2019, whichever comes first.

Accordingly, subject to the approval of the shareholders being obtained at the Extraordinary General Meeting convened for 30th July 2019, the Nomination Committee of the Company and the Board recommend that Messrs. V. Malalasekera, Tilak de Zoysa, F. Mohideen and M. Selvanathan who are over 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Sec.210 of the

Companies Act, No.7 of 2007 shall not be applicable to the said Directors.

Further to the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Mr. H. Selvanathan who is 70 years of age be re-appointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Sec. 210 of the Companies Act No.7 of 2007 shall not be applicable to the said Director.

### CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

### BOARD OF DIRECTORS

As required by Section 168 (1) (h) of the Companies Act, No 07 of 2007, the names of the Directors who held office during the year are tabulated below and their brief profiles are given on pages 8 to 10 of the Annual Report.

Name of the Director	Executive	Non-Executive	Independent
Mr. T. de Zoysa (Chairman) <sup>1</sup>		✓	✓
Mr. H. Selvanathan (Deputy Chairman)	✓		
Mr. M. Selvanathan	✓		
Mr. D. C. R. Gunawardena		✓	
Mr. S. K. Shah	✓		
Mr. P. C. P. Tissera - Resigned w.e.f 12th February 2019		✓	
Mr. V. P. Malalasekera <sup>2</sup>		✓	✓
Mr. F. Mohideen <sup>3</sup>		✓	✓
Mr. R. Theagarajah		✓	✓
Mr. W. M. R. S. Dias		✓	✓
Mr. A. S. Amaratunga		✓	✓
Ms. Sharada Selvanathan - Appointed w.e.f 10th March 2019		✓	

### Alternate Directors

Mr. Krishna Selvanathan (for Mr. M. Selvanathan)

Mr. Sudarshan Selvanathan (for Mr. D. C. R. Gunawardena)

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 17th July 2019, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

- The Board has determined that Mr. T. de Zoysa is an Independent Non - Executive Director in spite of being on the Board for more than 9 years, since he is not directly involved in the management of the Company.
- The Board has also determined that Mr. V. P. Malalasekera is an Independent Non - Executive Director in spite of being on the Board for more than 9 years, since he is not directly involved in the management of the Company.
- The Board has also determined that Mr.F. Mohideen is an Independent Non - Executive Director in spite of being on the Board for more than 9 years, since he is not directly involved in the management of the Company.

### Directors' Meeting Attendance

Thirteen Board Meetings were convened during the financial year and the attendance of the Directors were as follows;

Director	Meetings attended (out of 13)
Mr. T. de Zoysa (Chairman)	05
Mr. H. Selvanathan (Deputy Chairman)	11
Mr. M. Selvanathan	13
Mr. D. C. R. Gunawardena	12
Mr. S. K. Shah	10
Mr. P. C. P. Tissera - Resigned w.e.f 12th February 2019	09
Mr. V. P. Malalasekera	13
Mr. F. Mohideen	11
Mr. R. Theagarajah	07
Mr. W. M. R. S. Dias	12
Mr. A. S. Amaratunga	13
Ms. Sharada Selvanathan - Appointed w.e.f 10th March 2019	01

### Board Evaluation

The 'Board Evaluation Form' of the Company focuses on the following areas;

- Core Board Responsibilities
- Board Meetings
- Committee Meetings (any/ all sub-committees)
- Relationship with Management
- Individual Self – assessments
- Stakeholder and Shareholder communication / relationship
- Suggestions/ comments

The comments made by the Directors in the Board Evaluation Form are collated by the Nomination Committee of the Company and the results and proposed actions are reported to the Board of Directors. The suggestions and recommendations made by the Directors are being reviewed and implemented by the Company.

### Board Sub - Committees

The Board, while assuming the overall responsibility and accountability for the management of the Company, has also appointed Board sub-committees to ensure more effective control over certain affairs of the Company, conforming to the Corporate Governance Standards of the Listing Rules of the CSE and industry best practices. Accordingly, the following Board subcommittees have been constituted by the Board.

- Remuneration Committee
- Audit Committee
- Nomination Committee
- Related Party Transactions Review Committee

## Annual Report of the Board of Directors on the affairs of the Company

### Remuneration Committee

The Remuneration Committee of the Company comprises of the following members;

Remuneration Committee Members	Executive	Non- Executive	Independent
Mr. T. de Zoysa (Chairman)		✓	✓
Mr. D. C. R. Gunawardena		✓	
Mr. R. Theagarajah	✓		✓
Mr. W. M. R. S. Dias	✓		✓

### Composition

As per Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of the Company functions as the Remuneration Committee for some of its subsidiary Companies.

### Scope and Objective

The primary objective of the Remuneration Committee is to lead to establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

A remuneration policy has been formulated based on market and industry factors and individual performance for all group Companies.

### Functions and Proceedings

The Remuneration Committee recommends to the Board the remuneration to be paid to the Chief Executive Officer of the sector subsidiary companies, Executive Directors and Non-Executive Directors. Based on the recommendation of the remuneration committee, the respective Boards approve the remuneration to the Directors.

The Chief Executive Officer, Director-in-charge and other members of senior management may be invited to attend meetings to discuss the performance of the Executive Directors and make proposals as necessary. Neither, Executive or Non-Executive Directors are involved in Remuneration Committee meetings when determinations are made in relation to the remuneration of the respective Directors.

The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when it considers this necessary.

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two meetings and the attendance of the members were as follows;

Remuneration Committee	Meetings attended (out of 2)
Mr. T. de Zoysa (Chairman)	-
Mr. D. C. R. Gunawardena	2
Mr. R. Theagarajah	2
Mr. W. M. R. S. Dias	2

### Reporting and Responsibilities

The Committee Chairman reports to the Board on its proceedings on all matters within its duties and responsibilities. The Committee makes recommendations to the Board as deemed appropriate on any area within its limit where action or improvements are needed.

Aggregated remuneration paid to the Non-Executive Directors of the Company are disclosed under Note 16 (c) on page 132 of the Annual Report. Executive Directors are not compensated for their role on the Board.

### Audit Committee

The Audit Committee of the Company comprises of the following members;

Audit Committee Members	Executive	Non-Executive	Independent
Mr. V. P. Malalasekara (Chairman)		✓	✓
Mr. F. Mohideen		✓	✓
Mr. D. C. R. Gunawardena		✓	
Mr. A. S. Amaratunga - Appointed as member w.e.f 15th January 2019		✓	✓

The Audit Committee Report is given on pages 76 to 78 of this Annual Report.

### Nomination Committee

The Nomination Committee of the Company comprises of the following members;

Nomination Committee Members	Executive	Non-Executive	Independent
Mr. T. de Zoysa (Chairman)		✓	✓
Mr. D. C. R. Gunawardena		✓	
Mr. R. Theagarajah	✓		✓
Mr. W. M. R. S. Dias	✓		✓

### Scope and Objective

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors to the Board and the nominations of members to represent the Company in group companies/ investee companies.

### Functions and Proceedings

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of

Executive and Non-Executive Directors to the Board.

Any Director of the Board and the Chief Executive Officer/ Director-in-Charge and other members of senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties.

The Committee is authorized by the Board to seek appropriate professional advice internally and externally as and when considered necessary.

The Nomination Committee meets at least twice a year.

During the period under review, the Committee had three meetings and the attendance of the members were as follows;

Nomination Committee	Meetings attended (out of 3)
Mr. T. de Zoysa (Chairman)	-
Mr. D. C. R. Gunawardena	3
Mr. R. Theagarajah	3
Mr. W. M. R. S. Dias	3

### Related Party Transactions Review Committee

Related Party Transactions Review Committee of the Company comprises of the following members;

Related Party Transactions Review Committee Members	Executive	Non-Executive	Independent
Mr. V. P. Malalasekera (Chairman)		✓	✓
Mr. F. Mohideen		✓	✓
Mr. D. C. R. Gunawardena		✓	
Mr. H. Selvanathan	✓		
Mr. M. Selvanathan	✓		
Mr. S. K. Shah	✓		

The Related Party Transactions Review Committee Report is given on page 75 of this Annual Report.

### Declaration

The Directors have made self declarations for the purpose of identifying parties related to them. The said declarations were noted at the Related Party Transactions Review Committee Meetings.

The Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions, during the financial year.

### Non-Recurrent Related Party Transactions

There were no Non-Recurrent Related Party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per audited Financial Statements of 31st March 2018, which required additional disclosures in the Annual Report of 2017/18 under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

### Recurrent Related Party Transactions

All the Recurrent Related Party transactions which in aggregate value exceeded 10% of the revenue of the Company as per 31st March 2019 audited Financial Statements are disclosed under Note 50, to the Financial Statements, as required by Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### Internal Control and Risk Management

The ultimate responsibility to establish, monitor and review a group wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each component of the internal control system would be based on the weight of the element of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control system would mitigate the crystallization of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

The delegation of the effective maintenance of internal controls and risk identification and mitigation is handed down to the respective management within the guidelines of benchmark policies, procedures and authority limits clearly laid down. This team is supported by the risk officers appointed per sector. The risk officers would confer with the respective management teams and will update the risk registers and the relevant action plans to be followed by the management teams in their respective spheres of operation. Group Internal Audit, whose scope of scrutiny is entirely driven by the grading of the risk involved will be monitoring and providing the feedback to the management and the respective Audit Committees.

Regular submission of compliance and internal solvency certificates vouched by the heads of the respective divisions as a mandatory agenda item keeps the directors abreast of the health of the company resource base and governance requirements. This allows the Board to have total control of the fulfillment of governance requirements.

### INDEPENDENT AUDITORS

Independence confirmation has been provided by Messrs KPMG as required by Section 163 (3) of the Companies Act No. 07 of 2007, in connection with the audit for the year ended 31st March 2019 confirming that KPMG is not aware of any

## Annual Report of the Board of Directors on the affairs of the Company

relationship with or interest in the Group and the Company that would impair their independence within the meaning of the Code of Professional Conduct and Ethics issued by the ICASL, applicable as at the reporting date.

### Company

Company's Auditors during the year under review was Messrs KPMG, Chartered Accountants.

A sum of Rs. 1,250,000/- was paid to them by the Company as audit fees for the year ended 31st March 2019 (2018 - Rs. 975,000/-) in addition they were paid Rs. 758,000/- (2018 - Rs. 1,037,000/-) by the Company as fees for audit related services.

The retiring Auditors have expressed their willingness to continue in office. A resolution to re-appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the Auditor, its effectiveness and its relationship with the group, including the scope of audit and non-audit fees paid to the Auditor.

### Group

The group works with firms of Chartered Accountants in Sri Lanka and abroad, namely, KPMG and Ernst & Young. Details of audit fees are set out in Note 16(4) of the financial statements.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report.

### Independent Auditor's Report

The independent Auditor's Report on the Financial Statements is given on pages 79 to 82 of this Annual Report.

### DIVIDEND

A First Interim dividend of Rs. 1/- per Ordinary Share for the year ended 31st March 2019 was declared by the Board on 8th March 2019 and the said dividend distribution was made to the shareholders on 27th March 2019.

The Board of Directors have not recommended a final Dividend for the year ended 31st March 2019.

### SOLVENCY TEST

Taking into account the First interim dividend distribution for the financial year ended 31st March 2019, the Directors are satisfied that the Company would meet the Solvency Test requirement under Section 56(2) of the Companies Act No. 07 of 2007 immediately after the distribution.

The Company's Auditors, M/s. KPMG, Chartered Accountants have issued a Certificate of Solvency confirming same.

### STATED CAPITAL

The Stated Capital of the Company as at 31st March 2019 was Rs. 1,114,651,929/- consisting of 196,386,914 Ordinary shares. There was no change in the Stated Capital of the Company during the year.

### STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments have been paid up to date or have been provided for in these financial statements.

### OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company lawyers, litigations currently pending against the Company will not have material impact on the reported financial results of future operations of the Company. Details of litigations pending against the Company are given in Note 48 (ii) on page 200 of the Annual Report.

### GOING CONCERN

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year capital expenditure requirements, future prospects and risks, cash flow and such other matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka are satisfied that the Company has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

### CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The commitments made on account of capital expenditure and contingent liabilities as at 31st March 2019 are given in Note 47 and Note 48 (d) respectively to the financial statements.

### RESEARCH AND DEVELOPMENT

The Group has an active approach to research and development and recognises the contribution that it can make to the Group's operations. Significant expenditure has taken place over the years and substantial efforts will continue to be made to introduce new products and processes and develop existing products and processes to improve operational efficiency.

### CORPORATE SOCIAL RESPONSIBILITIES

Carson Cumberbatch PLC and its subsidiaries have engaged in a variety of CSR initiatives on the fundamental premise of supporting sustainable and holistic socioeconomic development of the country, and also in the region where its business interests lie. The detailed report consisting of completed and on-going initiatives are included in the sustainability section of the Annual Report.



## HUMAN RESOURCE

The Group continued to invest in Human Capital Development and implementing effective Human Resource practices and policies to develop and build an efficient and effective workforce aligned around new business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Group.

The number of persons employed by the Group as at 31st March 2019 was 13,975 (31st March 2018 - 11,935.).

The Company had no employees as at 31st March 2019 (2018 - Nil).

## DONATIONS

The Group made no donations during the year under review (2018 - Rs. Nil). Company – Nil (2018- Rs. Nil)

## EQUITABLE TREATMENT TO SHAREHOLDERS

The Company endeavours at all times to ensure equitable treatment to all Shareholders.

## EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 49 to the financial statements, if any.

## SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading is given on page 52 of the Annual Report.

## MAJOR SHAREHOLDERS

Twenty Major Shareholders - Ordinary Shares.

No. of Shares as at 31st March	2019	%	2018	%
Bukit Darah PLC A/C No 2	89,706,431	45.68	89,706,431	45.68
Tower Investments (Pvt) Ltd	20,927,425	10.66	20,927,425	10.66
Fulcrum (Private) Limited	19,231,059	9.79	19,231,059	9.79
Newgreens Limited	14,747,670	7.51	14,747,670	7.51
Portelet Limited	14,747,670	7.51	14,747,670	7.51
Employees Provident Fund	5,602,586	2.85	5,602,586	2.85
Mr. N. Ramaiah	5,543,473	2.82	5,563,473	2.83
Mrs. V. Nataraj	2,608,447	1.33	2,598,447	1.32
Mr. V. Nataraj	2,542,074	1.29	2,532,074	1.29
Goodhope Holdings (Pvt) Limited.	2,167,187	1.10	2,167,187	1.10
Mr. M. Selvanathan	1,805,146	0.92	1,805,146	0.92
GF Capital Global Limited	1,679,581	0.86	1,514,254	0.77
Ceylon Finance and Securities (Private) Ltd	1,606,239	0.82	1,606,239	0.82
Skan Investments (Pvt) Limited.	1,462,537	0.74	1,462,537	0.74
Mrs. M.N.C. Pellizzari	939,801	0.48	939,801	0.48
Pershing LLC S/A Averbach Grauson & Co.	769,388	0.39	769,388	0.39
Mr. Satish Selvanathan	703,348	0.36	703,348	0.36
Interkrish Investment Company (Pvt) Limited.	454,488	0.23	454,488	0.23
Mr. K.C. Vignarajah	451,969	0.23	451,950	0.23
Mr. M. Selvanathan & Mr. H. Selvanathan	449,820	0.23	449,820	0.23

## Annual Report of the Board of Directors on the affairs of the Company

### ANNUAL REPORT

The information provided herein is in pursuance of the requirements of the Companies Act No.07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors have approved the Financial Statements of the Company together with the Reviews which form part of the Annual Report on 17th July 2019. The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within applicable time frames.

### ANNUAL GENERAL MEETING

The One Hundred and Sixth Annual General Meeting of the Company will be held on Friday, the 23rd day of August 2019 at 9.30 a.m. at the Auditorium, the Institute of Chartered Accountants of Sri Lanka, Ground Floor, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted there at is on page 210 of the Annual Report.

Signed on behalf of the Board

(Sgd.)

H. Selvanathan  
Director

(Sgd.)

M. Selvanathan  
Director

(Sgd.)

K.D. De Silva (Mrs.)

Director

Carsons Management Services (Private)  
Limited  
Secretaries

17th July 2019

# Statement of Directors' Responsibility

The Statement sets out the responsibility of the Board of Directors, in relation to the Financial Statements of Carson Cumberbatch PLC and the Consolidated Financial Statements of the Company and its Subsidiaries (the Group). The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Independent Auditors' Report" given on pages 97 to 100.

In terms of Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act No. 07 of 2007, the Board of Directors of the Company are responsible for ensuring that the Group and the Company keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Group and the Company as at end of each financial year and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at 31st March 2019, the Income Statement and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Board of Directors confirm that the Financial Statements of the Group and the Company give a true and fair view of the

- financial position of the Group and the Company as at March 31, 2019; and
- financial performance of the Group and the Company for the financial year then ended.

## COMPLIANCE REPORT

The Board of Directors also wishes to confirm that:

- (a) appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 95 to 117 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgements have been made so that the form and substance of

transactions are properly reflected and material departures, if any, have been disclosed and explained;

- (b) the Financial Statements for the year 2019, prepared and presented in this Annual Report are in agreement with the underlying books of account and are in conformity with the requirements of the following:

- Sri Lanka Accounting Standards;
- Companies Act No. 07 of 2007 (Companies Act);
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange (CSE), and
- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);

- (c) proper accounting records which correctly record and explain the Company's transactions have been maintained as required by Section 148 (1) of the Companies Act to determine at any point of time the Company financial position, with reasonable accuracy, enabling preparation of the Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements;

- (d) they have taken appropriate steps to ensure that the Group and the Company maintain proper books of account and review the financial reporting system directly by them at their regular meetings and also through the Audit Committee. The Report of the said Committee is given on pages 76 to 78. The Board of Directors approves the Interim Financial Statements following a review and recommendation by the Audit Committee;

- (e) they accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report;

- (f) they have taken reasonable measures to safeguard the assets of the Group and the Company and to prevent and detect frauds and other irregularities. In this regard, the Board of Directors have instituted what they reasonably believe is an effective and comprehensive system of internal controls comprising internal checks, internal audit and financial and other controls required to carry on the business in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records.

- (g) to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its Subsidiaries, and all other known statutory dues as were due and payable by the Company and its Subsidiaries as at the reporting date have been paid or, where relevant, provided for.

- (h) as required by Section 56 (2) of the Companies Act, they have authorized distribution of the dividends paid upon being satisfied that the Company would satisfy the solvency test after such distributions are made in accordance with Section 57 of the Companies Act and have obtained in respect of dividends paid, necessary certificates of solvency from the External Auditors;

- (i) as required by Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE;

## Statement of Directors' Responsibility

- |  |   |
|--|---|
| <p>(j) that all shareholders in each category have been treated equitably in accordance with the original terms of issue;</p>  | <p>They have examined the Financial Statements made available to them by the Board of Directors together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 79 to 82.</p> |
| <p>(k) that the Company has met all the requirements under Rule 7 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable;</p>  | <p>Accordingly, the Board of Directors are of the view that they have discharged their responsibilities as set out in this Statement.</p>   |
| <p>(l) that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the "Code of Best Practice on Corporate Governance" issued by the CA Sri Lanka, the Board of Directors have a reasonable expectation that the Company and its Subsidiaries possess adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements;</p>    | <p>By Order of the Board,</p> <p>(Sgd.)<br/> <b>K.D. De Silva (Mrs)</b><br/>                 Director<br/> <b>Carsons Management Services (Private) Limited.</b><br/>                 Secretaries</p>   |
| <p>(m) the Financial Statements of the Group and the Company have been certified by the Financial Officer, who is responsible for the preparation of accounts, as required by Sections 150 (1) (b) and 152 (1) (b) of the Companies Act and also have been signed by Two Directors of the Company on 17th July 2019 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements; and</p>  | <p>Colombo<br/>                 17th July 2019</p>  |
| <p>(n) the Company's External Auditors, Messrs. KPMG who were appointed in terms of Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records.</p> |   |

# Report of the Related Party Transactions Review Committee

As allowed by the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee (RPTRC) of the Company functions as the RPTRC of the Listed Companies of the Carsons Group.

## COMPOSITION OF THE COMMITTEE

The Members of the RPTRC are as follows :

1. Mr.V. P. Malalasekera (Chairman)  
- Non-Executive/Independent Director
2. Mr. F. Mohideen - Non-Executive/Independent Director
3. Mr. D. C. R. Gunawardena  
- Non-Executive Director
4. Mr. H. Selvanathan  
- Executive Director
5. Mr. M. Selvanathan  
- Executive Director
6. Mr. S. K. Shah - Executive Director

## MEETINGS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

CCPLC-RPTRC held Four (04) Meetings during the financial year to discuss matters relating to the Company and where necessary the approval of the Members were also sought via circulation of papers.

The attendance of the Members of the Committee were as follows:

### Meetings attended (out of four)

Mr.V.P. Malalasekera (Chairman)	4/4
Mr.F. Mohideen	4/4
Mr.D.C.R. Gunawardena	4/4
Mr.H. Selvanathan	3/4
Mr.M. Selvanathan	3/4
Mr.S.K. Shah	3/4

## PURPOSE OF THE COMMITTEE

The objective of the RPTRC is to review all Related Party Transactions (RPTs) of the Listed Companies of the Carsons Group, other than those exempted by the 'Related Party Transactions Compliance Code' (RPT Code), prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

## POLICIES AND PROCEDURES

- The RPTRC reviews the relevant Related Party Transactions of the Listed Companies of the Carsons Group and where the Committee decides that the approval of the Board of Directors of the respective Companies are necessary to approve a Related Party Transaction, such Board approval is obtained prior to entering into the relevant Related Party Transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm's length basis irrespective of whether it is recurrent or non-recurrent in nature.
- Reviewing and approval would be either by meeting of members (subject to quorum being present) or by circulation.
- In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC will take into account, among other factors it deems appropriate, whether the proposed RPTs pose a conflict of interest to the Directors.

Self-declarations from the Directors and Key Management Personnel are obtained for the purpose of identifying parties related to them. Further, the

guidelines which senior management must follow in routing Related Party Transactions to the relevant forum, including transaction threshold values and pricing where applicable, have been documented. This includes once approved recurrent transactions that are operational in nature and which as per the RPT Code need not be repeatedly approved if within the broad thresholds.

The RPTRC in discharging its function endeavours to ensure that :

- there is compliance with the Code;
- shareholder interests are protected; and
- fairness and transparency are maintained.

The Committee has a criteria for designating Carsons Group Key Management Personnel (KMP) and quarterly disclosures are made by KMPs so designated, as relevant.

The Related Party Transactions of the Company for the period 1st April 2018 to 31st March 2019 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)

**V.P. Malalasekera**  
Chairman – Related Party Transactions Review Committee  
Carson Cumberbatch PLC

Colombo  
17th July 2019

# Audit Committee Report

As allowed by the Listing Rules of the Colombo Stock Exchange, the Audit Committee of the Company being the Parent/ultimate Parent Company of the undermentioned listed companies, functions as the Audit Committee to these companies :

## Investment Sector

Ceylon Guardian Investment Trust PLC  
Ceylon Investment PLC  
Guardian Capital Partners PLC

## Real Estate Sector

Equity Two PLC

## Beverage Sector

Lion Brewery (Ceylon) PLC  
Ceylon Beverage Holdings PLC

## Leisure Sector

Pegasus Hotels of Ceylon PLC

## Plantation Sector - Malaysia

Selinsing PLC  
Indo-Malay PLC  
Good Hope PLC  
Shalimar (Malay) PLC

During the year Mr.A.S. Amaratunga, a Non-Executive/Independent Director of Carson Cumberbatch PLC (CCPLC) was appointed to the Audit Committee of CCPLC.

Mr.R.H. Meewakkala, a Non-Executive/Independent Director of Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC was also appointed as an 'Observer – for the Beverage Sector matters'.

The Audit Committee consists of the following Members :

Audit Committee Members	Executive/Non-Executive/Independent
Mr.V.P. Malalasekera (Chairman)	Non-Executive, Independent
Mr.D.C.R. Gunawardena	Non-Executive
Mr.F. Mohideen	Non-Executive, Independent
Mr.A.S. Amaratunga (appointed w.e.f. 15th January 2019)	Non-Executive, Independent

Mr.V.P. Malalasekera is a Non-Executive, Independent Director of the Company and a former Director of Ceylon Tobacco Company PLC.

Mr.D.C.R. Gunawardena is a Non-Executive Director of Carson Cumberbatch PLC and in most of its Group Companies. He is a Fellow of the Chartered Institute of Management Accountants, U.K.

Mr.F. Mohideen, a Non-Executive, Independent Director of the Company was a former Deputy Secretary to Treasury and a former Director of Bank of Ceylon and Securities and Exchange Commission of Sri Lanka.

Mr. A.S. Amaratunga, a Non-Executive/Independent Director of CCPLC, is also a Director of Hemas Holdings PLC, Chairman of Hemas Holdings PLC-Audit Committee and a Commissioner of PT Agro Indomas, Indonesia, a subsidiary of Carson Cumberbatch Group.

Mr.R.H. Meewakkala, an Observer for Beverage Sector matters at Audit Committee Meetings is a Non-Executive/Independent Director of Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC. He was the former Marketing Director of Ceylon Tobacco Company and was also part of the South Asia Marketing Leadership team of British American Tobacco.

As per the Audit Committee Charter, the main purpose of the Audit Committee is as follows :

- To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct.
- To ensure that the internal audit activity is well managed, so that it adds value to the organization by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

The Audit Committee of the Company convened Fifteen (15) Meetings during the financial year and the attendance of the Members were as follows:

## Meetings attended (out of Fifteen)

Mr.V.P. Malalasekera (Chairman)	15/15
Mr.D.C.R. Gunawardena	14/15
Mr.F. Mohideen	13/15
Mr.A.S. Amaratunga (appointed w.e.f. 15th January 2019)	03/15

Matters pertaining to the Company, as well as of the companies coming within the purview of Carson Cumberbatch PLC-Audit Committee were discussed at the Meetings. The Chief Executive Officer/ Senior Financial Controller/ Head of Finance of the respective companies, internal auditors and senior management staff members of Carsons Management Services (Private) Limited, who provides

secretariat services/Managers to Group Companies also attended the Audit Committee Meetings by invitation.

The Audit Committee met the External Auditors of the Company, as well as the External Auditors handling the companies coming within the purview of the Audit Committee of Carson Cumberbatch PLC, twice during the year to discuss the audit scope, including Key Audit Matters and to deliberate the Financial Report and Accounts of the Company/Sectors at the completion stage of the audit. The Committee also discussed the Financial Report and Accounts with the External Auditors of the Company, as well as the External Auditors handling the companies coming within the purview of the Audit Committee of Carson Cumberbatch PLC, without the management being present to foster an unbiased, independent dialogue.

The Group Internal Audit (GIA) carried out detailed audits in respect of the Company and the Beverage Sector, Investment Sector, Real Estate Sector and the Leisure Sector companies and the audits were based on the audit plans formulated and approved by the Audit Committee for the financial year.

In accordance with the approved audit plans for 2018/2019, Carson Cumberbatch PLC, the Investment Sector, Real Estate Sector, Beverage Sector and the Leisure Sector were audited.

The financial audits for the Four Malaysian Plantation Companies are carried out annually, whilst no field audits at estate level were carried out. The Four Malaysian Plantation Companies were sold during the financial year 2016/2017. In the case

of Overseas Indonesian Plantation companies coming under the purview of Goodhope Asia Holdings Limited (GAHL), the Plantation Sector Holding Company, the audit matters thereon are reported to the GAHL-Audit Committee.

The findings and contents of the GIA reports have been discussed with the relevant management staff and subsequently the audit reports were circulated to the Audit Committee and to the senior management, facilitating corrective and preventive measures to be taken in a timely manner.

The objectives of the GIA audits were to have an independent review of the system of internal controls as established by the management, its adequacy and integrity vis-à-vis objectives served and to determine the extent of adherence to the controls by staff responsible for the function and to take corrective action where necessary.

The interim financial statements of both, the Company and of the companies coming within the purview of the Audit Committee of Carson Cumberbatch PLC have been reviewed at meetings of the Audit Committee, prior to release of same to the Regulatory Authorities and to the shareholders.

Resulting from the introduction of the new audit report requirements last year, the Audit Committee continued the process to discuss the areas which are identified as Key Audit Matters by Messrs. KPMG for reporting in the audit report, at the audit planning and completion stages.

The financial statements for the year ended 31st March 2019 which are

incorporated in the Annual Report of the Company and of the companies coming within the purview of the Audit Committee of Carson Cumberbatch PLC, were reviewed at meetings of the Audit Committee, together with the External Auditors, Messrs. KPMG and Ernst & Young (pertaining to Plantation Sector Companies) and were recommended for the approval of the Boards of the respective companies, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by Carsons Management Services (Private) Limited, Secretariat, Managers, Chief Executive Officer, Head of Finance and Director-Finance of the respective companies, as relevant confirming that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

External Auditors tabled an "Auditors Statement" at the Audit Committee Meeting confirming their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka, as well as risk management guidelines of KPMG. The Committee has considered the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Group, which is included in the said "Auditors Statement". The Committee also discussed with the Auditors the processes within their organisation to ensure independence. Having gone through the above process, the Committee satisfied itself

## Audit Committee Report

that the independence of the External Auditors is not compromised by any event or service that may give rise to a conflict of interest.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors of the Company for the financial year ending 31st March 2020, subject to the approval of the shareholders at the Annual General Meeting.

### **AUDIT COMMITTEE'S REPORTING STRUCTURE**

Equity One Limited, Equity Hotels Limited, Rubber Investment Trust Limited, Guardian Fund Management Limited, Millers Brewery Limited, Carsons Airline Services (Private) Limited, Carsons Management Services (Private) Limited, Equity Three (Private) Limited, Leechman & Company (Private) Limited, Ran Sahal (Private) Limited, Pubs 'N Places (Private) Limited, Luxury Brands (Private) Limited, Retail Spaces (Private) Limited, The Sri Lanka Fund, Pearl Springs (Private) Limited and Youth To Nation Foundation have not formed their own Audit Committees, but audit aspects were covered under the direct jurisdiction of Carson Cumberbatch PLC- Audit Committee.

(Sgd.)

**V.P. Malalasekera**

Chairman – Audit Committee  
Carson Cumberbatch PLC

Colombo

17th July 2019



# 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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Fax : +94 - 11 244 5872  
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Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## TO THE SHAREHOLDERS OF CARSON CUMBERBATCH PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Carson Cumberbatch 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 March 31, 2019, income statement, 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 and other explanatory notes as set out on pages 83 to 203 of this 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 March 31, 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group 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 apposite 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.

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

## Independent Auditor’s Report

### Valuation of Investment Property

Risk Description	Our responses
<p><i>Refer Note 4 (accounting policy) and Note 25 to the Financial statements.</i></p> <p>The fair value of investment properties amounted to Rs. 3.87 billion as at 31 March 2019.</p> <p>These investment properties are stated at fair value, based on valuations by a professional external valuer engaged by the entity.</p> <p>Valuation of investment properties is considered a significant audit risk due to the materiality of the carrying amount and the subjective nature of property valuations using level 3 assumptions which depend on the nature of property, its location and expected future net rental values, market yields, capitalization rates and comparable market transactions. A change in the key assumptions will have a significant impact to the valuation.</p>	<p><b>Our audit procedures included</b></p> <p>Assessing the objectivity, independence, competence and qualification of the external valuer.</p> <p>Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the investment properties.</p> <p>Discussions with management and the external valuer and compare the key assumptions used against externally published market comparables or industry data were available and challenging the reasonableness of key assumptions based on our knowledge of the business and industry and internal benchmarks.</p> <p>Compare with the alternative valuation method in order to determine the highest and best use of the property.</p> <p>Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.</p>

### Carrying value of investments

Risk Description	Our responses
<p><i>Refer Note 4 (accounting policy) and Note 30 and 31 to the Financial statements.</i></p> <p>The Investments of the Group as at March 31, 2019 comprise FVOCI financial assets of Rs. 5,342 million and FVTPL financial assets of Rs. 10,001 million. As at the reporting date, the Group’s portfolio is made up with quoted equity shares amounting Rs. 5,342 million which has been classified as FVOCI. FVTPL comprise listed quoted equity shares amounting to Rs. 9,275 million, unquoted equity shares amounting to Rs. 249 million, Treasury bond investments amounting to Rs. 207 million. and unit trust investments amounting to Rs. 270 million.</p> <p>Carrying value of investments is considered as key audit matter due to;</p> <ul style="list-style-type: none"> <li>• The materiality in the context of the financial statement as a whole and market volatility, quoted shares, treasury bond and unit trust investments are considered to be an area which has the greatest effect on the financial statements.</li> <li>• The subjective nature of the valuation methodology and management assumptions used, investment in unquoted shares is considered to an high risk area.</li> <li>• The implications applying SLFRS 09- Financial Instruments including the reclassification of financial assets on April 01, 2018.</li> </ul>	<p><b>Our audit procedures included</b></p> <p>Documenting and testing the design, implementation and operating effectiveness of the investment valuation process and key controls in place;</p> <p>Re-computing the disposal gains &amp; losses relating to investment by referring to underlying documents;</p> <p>Quoted Investments – Checking the CDS confirmation to verify the existence , completeness and accuracy of number of shares invested in each companies;</p> <p>Agreeing the valuation of quoted investments in portfolio to externally quoted prices;</p> <p>Comparing key underlying financial data inputs used in valuation to external sources such as investee company audited financial statements and management information where applicable;</p> <p>Challenging the management on key assumptions used to produce cash flow projections and discount factor applied to those projections;</p> <p>Checking whether the classification of financial assets have been made under SLFRS 09 based on the intention of the management towards the financial assets;</p> <p>Assessing the adequacy of disclosure in the financial statement and inherent degree of subjectivity and key assumption in the estimates as required by the relevant accounting standards.</p>

## Carrying value of Brands acquired

Risk Description	Our responses
<p>Refer Note 4 (accounting policies) and Note 26 to the Financial statements.</p> <p>The group has recognized intangible asset relating to Brands acquired with a carrying value of Rs. 2.3 billion as at the reporting date.</p> <p>The annual impairment testing relating to the brand which is an indefinite life intangible asset is considered to be a key audit matter due to the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount has been derived using discounted forecasted cash flow model. This model uses several key assumptions, including estimates of future sales volume growth rate, contribution growth rate and discount rate.</p>	<p><b>Our audit procedures among others included</b></p> <p>Evaluating the appropriateness and consistency of underlying assumptions via corroborating estimates of future cash flows and discussing whether they are reasonable and supported by the most recent approved management budgets, including expected future performance of the CGUs, and discussing whether these are appropriate in light of future macroeconomic expectations in the markets.</p> <p>Recomputing and comparing the data used in the forecasted cash flow model with information maintained by management and historical trends.</p> <p>Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.</p>

### 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 do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks,

## Independent Auditor's Report

and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial

statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that

a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.



**CHARTERED ACCOUNTANTS**  
Colombo, Sri Lanka  
17th July 2019

# Income Statement

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Note	Group		Company	
		2019	2018 (Restated)	2019	2018
<b>Continuing operations</b>					
Revenue	8	97,139,538	79,181,390	258,565	825,488
Direct operating expenses	9	(69,897,651)	(58,642,899)	-	-
<b>Gross profit</b>		<b>27,241,887</b>	<b>20,538,491</b>	<b>258,565</b>	<b>825,488</b>
Progressive insurance receipts on business interruption	13	-	1,205,359	-	-
Change in fair value of investment properties	25	423,145	621,085	-	-
Change in fair value of biological assets	23	(392,859)	1,017,130	-	-
Change in fair value of fair value through profit or loss financial assets	30	(2,542,330)	(32,906)	(8,384)	3,914
Other income	10	966,088	1,377,802	-	-
Distribution expenses		(6,466,634)	(4,683,782)	-	-
Administrative expenses		(8,014,607)	(6,774,495)	(78,044)	(60,710)
Other operating expenses	11	(431,165)	(349,881)	-	-
Impairment of business assets	12	(145,207)	(1,072,462)	-	(3,019)
Foreign exchange losses	14	(691,817)	(725,715)	(6,202)	(16,472)
<b>Profit from operations</b>		<b>9,946,501</b>	<b>11,120,626</b>	<b>165,935</b>	<b>749,201</b>
Progressive insurance receipts on property damages	13	-	752,263	-	-
<b>Profit before finance cost</b>		<b>9,946,501</b>	<b>11,872,889</b>	<b>165,935</b>	<b>749,201</b>
Net finance cost	15	(4,892,419)	(4,496,028)	(190,348)	(160,161)
Share of profit of equity accounted investee, (net of tax)	29	6,910	11,027	-	-
<b>Profit/(loss) before tax</b>	<b>16</b>	<b>5,060,992</b>	<b>7,387,888</b>	<b>(24,413)</b>	<b>589,040</b>
<b>Income tax expenses</b>					
Current taxation	17	(2,708,953)	(2,286,270)	-	(3,186)
Deferred taxation	17	(1,283,609)	(1,366,841)	-	-
		(3,992,562)	(3,653,111)	-	(3,186)
<b>Profit/(loss) from continuing operations</b>	<b>-</b>	<b>1,068,430</b>	<b>3,734,777</b>	<b>(24,413)</b>	<b>585,854</b>

## Income Statement

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Note	Group		Company	
		2019	2018 (Restated)	2019	2018
<b>Discontinued operations</b>					
Profit/(Loss) from discontinued operations, (net of tax)	36	(160,165)	100,407	-	-
Net impact from discontinued operations, (net of tax)		(160,165)	100,407	-	-
<b>Profit/(loss) for the year</b>		<b>908,265</b>	<b>3,835,184</b>	<b>(24,413)</b>	<b>585,854</b>
<b>Profit/(loss) Attributable to:</b>					
Owners of the Company	8				
Profit/(loss) from continuing operations, net of tax		179,368	1,713,470	(24,413)	585,854
Profit/(loss) from discontinued operations, net of tax		(85,416)	53,547	-	-
		93,952	1,767,017	(24,413)	585,854
Non controlling interest	8				
Profit from continuing operations, net of tax		889,062	2,021,307		
Profit/(loss) from discontinued operations, net of tax		(74,749)	46,860		
		814,313	2,068,167		
Basic earnings/(loss) per share (Rs.)	18	0.48	9.00	(0.12)	2.98
Basic earnings/(loss) per share - Continuing operations (Rs.)	18	0.91	8.72	(0.12)	2.98
Dividend Per ordinary share (Rs.)	20	1.00	2.00	1.00	2.00
Earnings before interest, tax, depreciation and amortisation (EBITDA)	19	18,806,358	16,291,111	-	-

The Notes from pages 93 to 203 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Statement of Profit or Loss and Other Comprehensive Income

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
Profit/(loss) for the year	908,265	3,835,184	(24,413)	585,854
<b>Other Comprehensive Income</b>				
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of available-for-sale financial assets	-	(670,869)	-	(334,327)
Transfer of realised loss on available-for-sale financial assets	-	(130,241)	-	-
Exchange differences on translation of foreign operations	2,127,267	(368,816)	-	-
Share of other comprehensive income/(expenses) of equity accounted investee, net of tax	30	(5,720)	-	-
Items that will not be reclassified to profit or loss:				
Revaluation Surplus on Property, Plant & Equipment	279,088	-	-	-
Deferred tax expenses on revaluation surplus	(78,145)	(677,733)	-	-
Actuarial gain/(losses) on employee benefits	400,463	(138,092)	-	-
Related tax on actuarial gain/(losses)	(101,572)	40,720	-	-
Net change in fair value through OCI financial assets	(162,931)	-	102,510	-
Other comprehensive income/(expenses) for the year, net of tax	2,464,200	(1,950,750)	102,510	(334,327)
<b>Total Comprehensive Income for the year</b>	<b>3,372,465</b>	<b>1,884,434</b>	<b>78,097</b>	<b>251,527</b>
Total Comprehensive Income Attributable to:				
Owners of the Company	1,173,710	543,539	78,097	251,527
Non controlling interest	2,198,755	1,340,895	-	-
	3,372,465	1,884,434	78,097	251,527
Attributable to:				
Owners of the Company				
Total comprehensive income from continuing operations, net of tax	1,326,677	514,797	78,097	251,527
Total comprehensive income/(expenses) from discontinued operations, net of tax	(152,967)	28,742	-	-
	1,173,710	543,539	78,097	251,527
Non controlling interest				
Total comprehensive income from continuing operations, net of tax	2,332,619	1,315,742	-	-
Total comprehensive income/(expenses) from discontinuing operations, net of tax	(133,864)	25,153	-	-
	2,198,755	1,340,895	-	-

# Statement of Financial Position

(Amounts expressed in Sri Lankan Rs. '000)

As at 31st March	Note	2019	Group 2018	2019	Company 2018
<b>ASSETS</b>					
<b>Non - Current Assets</b>					
Property, plant & equipment	21	55,268,429	50,911,747	-	-
Bearer Plants	22	34,216,375	31,730,624	-	-
Prepaid lease payment for land	24	4,801,099	4,379,949	-	-
Investment properties	25	3,878,996	3,447,798	-	-
Intangible assets	26	6,010,586	6,026,230	-	-
Investments in subsidiaries	27	-	-	9,307,670	10,244,764
Investments in equity accounted investee	29	48,123	41,184	-	-
Investment in equity and debt securities	30	5,342,033	15,239,971	4,324,173	1,359,668
Investment in Unit trusts	31	-	45,293	-	-
Deferred tax assets	17	4,109,867	3,537,087	-	-
Other financial receivables	33	24,759	169,966	-	-
Other non financial receivables	33	5,729,033	6,510,303	-	-
<b>Total non - current assets</b>		<b>119,429,300</b>	<b>122,040,152</b>	<b>13,631,843</b>	<b>11,604,432</b>
<b>Current Assets</b>					
Inventories	32	6,886,406	6,469,855	-	-
Trade receivables	33	3,648,705	3,607,319	78,642	35,101
Other financial receivables	33	1,272,806	1,914,747	-	-
Other non financial receivables	33	7,221,750	7,450,540	4,290	3,968
Current tax recoverable	17	149,619	99,385	11,005	9,339
Investment in equity and debt securities	30	9,731,706	1,707,061	89,048	30,068
Investment in Unit trusts	31	270,091	890,308	-	-
Derivative financial instruments	34	59,156	103,756	-	-
Biological assets	23	1,497,067	1,724,203	-	-
Cash and cash equivalents	35	14,797,784	13,342,194	63,708	387,773
		45,535,090	37,309,368	246,693	466,249
Assets held for sale	36	702,927	660,825	-	-
<b>Total current assets</b>		<b>46,238,017</b>	<b>37,970,193</b>	<b>246,693</b>	<b>466,249</b>
<b>Total assets</b>		<b>165,667,317</b>	<b>160,010,345</b>	<b>13,878,536</b>	<b>12,070,681</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Stated capital	37	1,114,652	1,114,652	1,114,652	1,114,652
Capital reserves	38	2,786,451	2,684,579	287,552	287,552
Revenue reserves	39	28,407,317	27,702,694	10,640,481	9,048,514
Equity attributable to owners of the Company		32,308,420	31,501,925	12,042,685	10,450,718
Non-controlling interest	28	31,585,445	29,148,484	-	-
<b>Total equity</b>		<b>63,893,865</b>	<b>60,650,409</b>	<b>12,042,685</b>	<b>10,450,718</b>



(Amounts expressed in Sri Lankan Rs. '000)

As at 31st March	Note	Group 2019	Group 2018	Company 2019	Company 2018
<b>LIABILITIES</b>					
<b>Non - Current Liabilities</b>					
Loans and borrowings	40	42,692,542	40,396,059	-	-
Debentures	41	-	2,000,000	-	-
Other financial payables	42	87,368	87,695	-	-
Other non financial liabilities	42	1,343,057	1,462,835	-	-
Deferred tax liabilities	17	10,235,928	8,262,413	-	-
<b>Total non - current liabilities</b>		<b>54,358,895</b>	<b>52,209,002</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade payables	42	3,941,910	3,729,543	-	-
Other financial payables	42	9,855,815	15,304,671	226,257	257,542
Current tax liabilities	17	1,093,390	1,063,692	-	-
Derivative financial instrument	34	-	10,916	-	-
Loans and borrowings	40	30,445,157	25,931,530	1,609,594	1,362,421
Debentures	41	2,078,285	1,110,582	-	-
<b>Total current liabilities</b>		<b>47,414,557</b>	<b>47,150,934</b>	<b>1,835,851</b>	<b>1,619,963</b>
<b>Total liabilities</b>		<b>101,773,452</b>	<b>99,359,936</b>	<b>1,835,851</b>	<b>1,619,963</b>
<b>Total equity and liabilities</b>		<b>165,667,317</b>	<b>160,010,345</b>	<b>13,878,536</b>	<b>12,070,681</b>
Net assets per ordinary share		164.51	160.41	61.32	53.21

The Notes from pages 93 to 203 form an integral part of these financial statements.

I certify that these financial statements are in compliance with the requirements of Companies Act No. 7 of 2007.

(Sgd.)

**A.P. Weeratunge**

Director

Carsons Management Services (Private) Limited

The Board of Directors are responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 17th July 2019.

(Sgd.)

**M. Selvanathan**

Director

(Sgd.)

**D.C.R. Gunawardena**

Director

# Statement of Change in Equity

(Amounts expressed in Sri Lankan Rs. '000)

Description	Stated Capital	Capital Accretion Reserve	Capital Reserves Revaluation Reserve	Other Capital Reserve
<b>Group</b>				
Balance as at 1st April 2017	1,114,652	287,552	1,457,300	1,462,280
<b>Total comprehensive income</b>				
Profit for the period	-	-	-	-
Other Comprehensive income/(expenses) for the year	-	-	(419,394)	-
Total comprehensive income/(expenses) for the year	-	-	(419,394)	-
<b>Transactions with owners of the Company</b>				
<b>Contributions and Distributions</b>				
Dividends on ordinary shares	-	-	-	-
Dividends paid to Non-controlling Shareholders	-	-	-	-
Forfeiture of unclaimed dividends	-	-	-	-
Adjustment on Land Acquisition	-	-	(95,248)	-
Transfer and other reserve movements	-	-	-	-
Total Contributions and distributions	-	-	(95,248)	-
<b>Changes in ownership interests</b>				
Goodwill on changing shareholdings	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-
Acquisition of additional interest in subsidiaries	-	-	609	-
Dilution of interest in subsidiaries	-	-	(8,520)	-
Total changes in ownership interests	-	-	(7,911)	-
Balance as at 31st March 2018	1,114,652	287,552	934,747	1,462,280
Impact of adopting SLFRS -9 as at 01st April 2018	-	-	-	-
Adjusted Balance as at 01st April 2018	1,114,652	287,552	934,747	1,462,280
<b>Total comprehensive income</b>				
Profit for the period	-	-	-	-
Other Comprehensive income/(expenses) for the year	-	-	92,976	-
Total comprehensive income/(expenses) for the year	-	-	92,976	-
<b>Transactions with owners of the Company</b>				
<b>Contributions and Distributions</b>				
Share capital contributed by non-controlling shareholders	-	-	-	-
Dividends on ordinary shares	-	-	-	-
Dividends paid to Non-controlling Shareholders	-	-	-	-
Forfeiture of unclaimed dividends	-	-	-	-
Transfer and other reserve movements	-	-	-	-
Total Contributions by and distributions to owners	-	-	-	-
<b>Changes in ownership interests</b>				
Goodwill on change in shareholdings	-	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	8,896
Total changes in ownership interests	-	-	-	8,896
Balance as at 31st March 2019	1,114,652	287,552	1,027,723	1,471,176

Revenue Reserves	Revenue reserves		Retained Earnings	Attributable to Owners of the Company	Non-Controlling Interest	Total Equity
	Currency Translation Reserves	Available for Sale Financial Assets Reserve/ FVOCI Reserve				
379,055	(4,470,510)	5,714,744	25,282,603	31,227,676	28,225,711	59,453,387
-	-	-	1,767,017	1,767,017	2,068,167	3,835,184
-	(183,358)	(572,481)	(48,245)	(1,223,478)	(727,272)	(1,950,750)
-	(183,358)	(572,481)	1,718,772	543,539	1,340,895	1,884,434
-	-	-	(392,774)	(392,774)	-	(392,774)
-	-	-	-	-	(448,004)	(448,004)
-	-	-	7,183	7,183	3,767	10,950
-	-	-	-	(95,248)	(10,608)	(105,856)
-	-	328	(505)	(177)	106	(71)
-	-	328	(386,096)	(481,016)	(454,739)	(935,755)
-	-	-	66,918	66,918	11,039	77,957
-	-	-	175,271	175,271	-	175,271
45	24	-	5,921	6,599	(3,209)	3,390
-	23	-	(28,565)	(37,062)	28,787	(8,275)
45	47	-	219,545	211,726	36,617	248,343
379,100	(4,653,821)	5,142,591	26,834,824	31,501,925	29,148,484	60,650,409
-	-	(1,511,344)	1,511,344	-	-	-
379,100	(4,653,821)	3,631,247	28,346,168	31,501,925	29,148,484	60,650,409
-	-	-	93,952	93,952	814,313	908,265
-	950,498	(109,958)	146,242	1,079,758	1,384,442	2,464,200
-	950,498	(109,958)	240,194	1,173,710	2,198,755	3,372,465
-	-	-	-	-	625,127	625,127
-	-	-	(196,387)	(196,387)	-	(196,387)
-	-	-	-	-	(212,928)	(212,928)
-	-	-	2,418	2,418	1,726	4,144
(52,732)	-	51,295	(5,583)	(7,020)	(1,601)	(8,621)
(52,732)	-	51,295	(199,552)	(200,989)	412,324	211,335
-	-	-	(300,628)	(300,628)	(2,473)	(303,101)
387	(84)	22,736	102,467	134,402	(171,645)	(37,243)
387	(84)	22,736	(198,161)	(166,226)	(174,118)	(340,344)
326,755	(3,703,407)	3,595,320	28,188,649	32,308,420	31,585,445	63,893,865

## Statement of Change in Equity

(Amounts expressed in Sri Lankan Rs. '000)

Description	Stated Capital	Capital Accretion Reserve	Available for Sale Financial Assets Reserve / FVOCI Reserve	Retained Earnings	Attributable to Owners of the Company	Total Equity
<b>Company</b>						
Balance as at 1st April 2017	1,114,652	287,552	1,681,633	7,505,654	10,589,491	10,589,491
Total comprehensive income						
Profit for the period	-	-	-	585,854	585,854	585,854
Other Comprehensive expenses for the year	-	-	(334,327)	-	(334,327)	(334,327)
<b>Total comprehensive income/(expenses) for the year</b>	-	-	(334,327)	585,854	251,527	251,527
Forfeiture of unclaimed dividends	-	-	-	2,473	2,473	2,473
Ordinary dividend paid	-	-	-	(392,774)	(392,774)	(392,774)
<b>Total Contributions by and distributions to owners</b>	-	-	-	(390,301)	(390,301)	(390,301)
Balance as at 31st March 2018	1,114,652	287,552	1,347,306	7,701,208	10,450,718	10,450,718
Impact of adopting SLFRS - 9 as at 01st April 2018	-	-	1,646,830	63,428	1,710,258	1,710,258
<b>Adjusted Balance as at 01st April 2018</b>	1,114,652	287,552	2,994,136	7,764,636	12,160,976	12,160,976
Total comprehensive income						
Profit for the period	-	-	-	(24,413)	(24,413)	(24,413)
Other Comprehensive expenses for the year	-	-	102,510	-	102,510	102,510
<b>Total comprehensive income/(expenses) for the year</b>	-	-	102,510	(24,413)	78,097	78,097
Ordinary dividend paid	-	-	-	(196,387)	(196,387)	(196,387)
<b>Total Contributions by and distributions to owners</b>	-	-	-	(196,387)	(196,387)	(196,387)
<b>Balance as at 31st March 2019</b>	1,114,652	287,552	3,096,646	7,543,835	12,042,686	12,042,686

The Notes from pages 93 to 203 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Statement of Cash Flow

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before income tax expenses from continuing operations	5,060,992	7,387,888	(24,413)	589,040
Profit before income tax expenses from discontinued operations	(160,165)	100,407	-	-
	4,900,827	7,488,295	(24,413)	589,040
Adjustments for:				
Change in fair value of biological assets	392,859	(1,017,130)	-	-
Gain from changes in fair value of investment properties	(423,145)	(621,085)	-	-
Mark to market value adjustments - unrealized	2,542,330	32,906	8,384	(3,914)
Unwinding of discount on compensation receivable	145,207	(17,570)	-	-
Impairment of business assets/new investments	-	1,072,462	-	3,019
Share of net result of joint venture	(6,910)	(11,027)	-	-
Investment property write-off	14,478	-	-	-
Depreciation on property, plant & equipment	3,660,864	2,737,313	-	-
Depreciation on Bearer Plants	1,552,412	1,254,269	-	-
Amortization of intangible assets/prepaid lease payment	297,513	233,772	-	-
Provision for retiring gratuity	286,147	300,321	-	-
Finance expenses	5,004,823	4,322,317	190,348	160,161
Profit on disposal of property, plant & equipment	(123,525)	(24,164)	-	-
Unrealized (gain)/loss on Derivative financial instruments	47,254	(72,186)	-	-
Amortization reversal of excise licenses	-	(22,570)	-	-
Progressive insurance receipts on property damages	(15,186)	(752,263)	-	-
Deposit liability write back	(7,081)	(5,070)	-	-
Profit on disposal of non current investments	-	-	-	(175,271)
Provision/(Reversal) for Inventories	(104,433)	80,410	-	-
Non cash dividend received	(337)	-	(337)	-
Exchange impact on translation of foreign operations	930,103	1,381,602	6,202	16,472
	14,193,373	8,872,307	204,597	467
	19,094,200	16,360,602	180,184	589,507
Changes in				
Inventories	(312,118)	(598,442)	-	-
Trade and other receivables	2,189,968	(1,562,896)	(322)	(205)
Amounts due from related companies	-	-	(43,541)	49,692
Trade and other payables	(5,570,183)	1,686,417	6,662	3,620
	15,401,867	15,885,681	142,983	642,614
Net cash movement in investments	(117,801)	(118,799)	-	-
Cash generated from operations	15,284,066	15,766,882	142,983	642,614
Interest paid	(4,929,635)	(4,965,075)	(187,374)	(168,594)
Income tax paid	(2,379,023)	(1,533,390)	(1,666)	(5,355)
Gratuity paid	(158,526)	(108,323)	-	-
Net cash generated from/(used in) operating activities	7,816,882	9,160,094	(46,057)	468,665

# Statement of Cash Flow

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<b>Cash flows from investing activities</b>				
Payments for property, plant & equipment/investment property	(4,695,617)	(3,571,026)	-	-
Payments for bearer plant development costs	(1,022,200)	(2,034,116)	-	-
Payments for intangible assets	(257,225)	(202,772)	-	-
Payments for acquisition of additional interest in subsidiaries	(341,058)	(19,338)	(281,671)	(6,192)
Movement in non current VAT and other receivables	341,306	(657,688)	-	-
Movement in plasma investment	(186,546)	(651,056)	-	-
Proceeds from disposal of non-current investments in subsidiaries	-	267,851	-	267,851
Proceeds from disposal of property, plant & equipment and bearer plants	257,551	98,420	-	-
Deposits received	310,749	226,093	-	-
Deposits refunded	(12,032)	(56,031)	-	-
<b>Net cash generated from/(used in) investing activities</b>	<b>(5,605,072)</b>	<b>(6,599,663)</b>	<b>(281,671)</b>	<b>261,659</b>
<b>Cash flows from financing activities</b>				
Proceeds from long - term loans	4,061,262	1,576,409	-	-
Settlement of borrowings	(7,681,508)	(1,736,200)	-	-
Conversion of overdraft and short term loan into term loans	-	5,585,252	-	-
Payment of finance lease creditors	(109,538)	(93,135)	-	-
Settlement of debenture	(998,800)	(799,400)	-	-
Progressive insurance receipts on property damages	15,186	752,263	-	-
Dividend paid to non - controlling shareholders by subsidiaries	(212,928)	(448,004)	-	-
Dividend paid by the Company	(240,536)	(283,303)	(240,536)	(283,303)
<b>Net cash generated from/(used in) financing activities</b>	<b>(5,166,862)</b>	<b>4,553,882</b>	<b>(240,536)</b>	<b>(283,303)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>(2,955,052)</b>	<b>7,114,313</b>	<b>(568,264)</b>	<b>447,022</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>(697,439)</b>	<b>(7,811,752)</b>	<b>(969,441)</b>	<b>(1,416,463)</b>
<b>Cash &amp; cash equivalents at the end of the year (Note 35)</b>	<b>(3,652,490)</b>	<b>(697,439)</b>	<b>(1,537,705)</b>	<b>(969,441)</b>

The Notes from pages 93 to 203 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

Carson Cumberbatch PLC is a limited liability company which is incorporated in Sri Lanka. The shares of the Company have a primary listing on the Colombo Stock Exchange.

The registered office and principal place of business of the Company is located at No. 61, Janadhipathi Mawatha, Colombo 01.

The consolidated financial statements as at and for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in jointly controlled entity.

The Group is a diversified conglomerate and one of the foremost business establishments in Sri Lanka backed by a heritage of well over 100 years. Today it is positioned as a company whose outlook is regional, focused on a future which is technology oriented, results driven and world class.

The businesses range from oil palm plantations and related oils & fats industry in Malaysia, India and Indonesia, to brewing, importing and distribution of alcoholic beverages, investment holdings, portfolio management, real estate and leisure in Sri Lanka. The Group has offices in Malaysia, Singapore, India and Indonesia.

The Group has 11 listed subsidiaries, listed on the Colombo Stock Exchange, out of the 52 subsidiaries and 1 jointly controlled entity set out in Note 27 and 29 on pages 156 to 162 in the financial statements.

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

The Group had 13,975 (2018 - 11,935) employees at the end of the financial year. The Company had no employees as at the reporting date (2018 - Nil).

## 2. BASIS OF PREPARATION

### Statement of compliance

The financial statements of the Company and the Group comprise the statement of financial position, income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the notes to the financial statements.

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS I SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act, No. 7 of 2007.

The consolidated financial statements were authorised for issue by the Board of Directors on 17th July 2019.

### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position;

- Derivative financial assets are measured at fair value;
- Non- derivative financial instruments classified fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Biological assets are measured at fair value less costs to sell;
- Land and buildings are measured at revalued amounts;

- Defined benefit obligation are measured at its present value, based on an actuarial valuation as explained in Note 43.
- Investment properties are measured at fair value.

### Going Concern

These financial statements have been prepared on the basis that the Company and the Group would continue as a going concern for the foreseeable future.

### Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

### Rounding

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs'000), except when otherwise indicated.

### Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## Notes to the Financial Statements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes;

### Significant accounting judgements and estimates

Determination of owner-occupied properties and investment properties in determining whether a property qualifies as investment property the company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services provided are significant, so that a property does not qualify as investment property.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

### Assumptions and estimation uncertainties:

Assessment of Impairment -Key assumptions used in discounted cash flow projections.

The Group assesses at each reporting date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an Asset or Cash Generating Unit (CGU) 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 present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset. The carrying value of goodwill is reviewed at each reporting date and is written down to the extent that it is no longer supported

by probable future benefits. Goodwill is allocated to CGU for the purpose of impairment testing.

### Biological assets comprise fresh fruit bunches ('FFB')

Biological assets are stated at fair value less estimated costs to sell. Gains or losses arising on initial recognition of FFB at fair value less estimated costs to sell and from the changes in fair value less estimated costs to sell of FFB at each reporting date are included in income statement for the period in which they arise.

The fair value of the FFB is measured by reference to estimated FFB quantities and publicly available index price set by government.

In determining the estimated FFB production quantities, the Group considers the estimated yield of the biological assets which is dependent on the age of the oil palm trees, the location, soil type and infrastructure.

### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 5 years.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses.

### Defined benefit plans

The assessment of the liability of defined benefit obligations involves a significant element of assumptions; including discount rates, future salary increases, mortality rates and future pension increases and due to the long-term nature of these plans, such estimates are subject to uncertainty.

### Current taxation

Current tax liabilities arise to the group in various jurisdictions. These liabilities are provided for in the financial statements applying the relevant tax statutes and regulations which the management believes reflect the actual liability. There can be instances where the stand taken by the group on transactions is contested by revenue authorities.

Any additional costs on account of these issues are accounted for as a tax expense at the point the liability is confirmed on any group entity.

### Value added tax ("VAT") relating to plantation activities

The group Plantation sector has VAT receivables relating to input VAT incurred on its plantation activities to produce Fresh Fruit Bunches ("FFB") in Indonesia. Based on the government regulation, with effect from 1 January 2007, FFB has been classified as a Certain Strategic Taxable Good and is exempted from the input VAT. In consequence, input VAT in relation to activities in producing FFB cannot be credited against the sector's output VAT. Instead, such input VAT components should be charged as an expense.

Pursuant to a decision letter from the Supreme Court of the Republic of Indonesia on a Judicial Review over the above regulation, certain articles have been revoked. Effective from 22 July 2014, FFB is no longer classified Strategic Taxable Good and



is therefore subject to input VAT. As a result, input VAT in relation to activities in producing FFB can be claimed against the Group's output VAT.

Prior to the decision letter from the Supreme Court of the Republic of Indonesia, management is of the opinion that the Group's plantations are not affected by this regulation since they are ultimately in the business of production of Crude Palm Oil ("CPO"), Palm Kernel ("PK") and Palm Kernel Oil ("PKO"), whereby FFB produced by the Plantation sector will be further processed into VAT produces. As such, all input VAT in relation with plantation activities can be claimed and offset against the output VAT of CPO, PK and PKO. Accordingly, the net VAT is presented as a recoverable amount in The balance sheet.

### **Determination of functional currency**

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the capital structure of the company.

### **Fair value of free hold land**

Where the fair value of freehold land recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable

market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of freehold land. The valuation of freehold land is described in more detail in Note 21.

### **Materiality and aggregation**

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

## **3. DETERMINATION OF FAIR VALUES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value

hierarchy based on the inputs used in the valuation techniques as follows;

- Level 1- Quoted Prices (unadjusted) in active markets for identifiable assets and liabilities.
- Level 2 - Inputs other than quoted price included in Level 1 that are observable from the asset or liability either directly (as prices) or indirectly (derived prices)
- Level 3-Inputs from the assets or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

The Company has applied SLFRS 15 and SLFRS 9 from 01 April 2018. Due to the transition methods chosen by the Group in apply SLFRS 15 comparative information has been restated and in applying SLFRS 9 comparative information has not been restated to reflect the new requirement. Except for the above, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **Basis of consolidation and business combinations**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the

## Notes to the Financial Statements

Group controls an investee if, and only if, the Group has:

- Power over the investee
- Exposure, or rights, variable returns from its involvements with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Group's voting right and potential voting right

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with

the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

### Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquire. For each business combination, the Group elects whether to measure the non-controlling interests in acquire at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of LKAS 39, it is ensured in accordance with the appropriate LKAS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit and part of the operation within that unit is disposed of the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### Subsidiaries

Subsidiaries are entities controlled by the group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. Subsequent to the acquisition the Company continues to recognize the investment in subsidiary at cost.

The consolidated financial statements are prepared to a common financial year end of 31st March.

### Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Subsequently that retained interest is accounted for as an equity-accounted investee (Note 29) or as an available-for-sale financial asset (Note 30) depending on the level of influence retained.

### Non-controlling interests (NCI)

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

### Financial year end

All companies in the Group have a common financial year which ends on 31st March, except the following.

Company	Nature of Relationship	Financial year end
Guardian Acuity Asset Management Limited	Jointly controlled entity	31st December
The Sri Lanka Fund	Subsidiary	31st December

### Interest in equity accounted investee

The Group's interest in equity accounted investee comprise a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, here by the Group has right to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements includes the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. 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 unrealized gains, but only to the extent that there is no evidence of impairment.

## Notes to the Financial Statements

### Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate as at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the following items are recognised in other comprehensive income:

- Available- for- sale equity investment (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash hedges to the extent the hedge is effective.

### Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Sri Lanka Rupees at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Sri Lanka Rupees at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation not a fully owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

### Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial asset at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised when the Group's contractual right to receive cash flows from the asset has expired or the Group has transferred its right to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of asset. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## Financial Instruments

### Financial Assets

- Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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

### Policy applicable from 01 April 2018

- Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Company financial assets classified and measured at amortized cost are limited to its trade and other receivables, short term investments and cash & cash equivalent.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost

or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Company's investment in equity Investments are classified as FVTPL.

- Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

## Notes to the Financial Statements

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

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

- Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest.

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

risk and administrative costs), as well as a profit margin.

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

- Financial assets - Subsequent measurement and gains and losses

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

### Financial liabilities

#### Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held

– for – trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at

amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## Policy Applicable before 01 April 2018

### Classification and subsequent measurement of financial assets

#### Financial assets held for trading

A financial asset is classified as at financial assets held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at financial assets held for trading are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as financial assets held for trading comprise short-term sovereign debt securities actively managed by the Group's treasury department to address short-term liquidity needs.

Financial assets designated as fair values through profit or loss comprise equity securities that otherwise would have been classified as available for-sale.

#### Held-to-maturity financial assets

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 directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The group does not have any held to maturity financial assets as at reporting date.

## 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, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

## 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 and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

## Impairment

### Policy Applicable from 01 April 2018

#### Financial Assets

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

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

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

## Notes to the Financial Statements

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

- **Measurement of ECLs**

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

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

- **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events

that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
  - a breach of contract such as a default or being more than 180 days past due;
  - the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
  - it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
  - the disappearance of an active market for a security because of financial difficulties.
- Presentation of allowance for ECL in the statement of financial position

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

- **Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of

recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

### **Policy Applicable before 01 April 2018**

#### **Financial Assets**

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

#### **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 assessed for specific impairment. Those found not to be specifically 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 in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the

acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

### **Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax 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 and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

### **Non-current assets held for sale and Discontinued operations**

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their

## Notes to the Financial Statements

carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Comparatives in the statement of the financial position are not re-presented when a non-current assets is classified as held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

### Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which;

- Represent a separation major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when

the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

### Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, debt securities issued (including certain preference shares), bank overdrafts, and trade and other payables. 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.

### Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation

of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Stated capital

#### Ordinary shares

Ordinary shares are classified as equity. Costs attributable to the issue of ordinary shares are recognised as an expense.

#### Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments such as forward freight agreements and commodities futures contracts to hedge its risk associated with commodity price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the risk management objective of the hedge.

The Group has not adopted hedge accounting as at 31st March 2019.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions.

## Property, plant and equipment

### Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant & equipment are subsequently revalued, the entire class of such assets is revalued.

Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the reporting date. Subsequent to the initial recognition of the asset at cost, the revalued property, plant & equipment are carried at revalued amounts less accumulated depreciation thereon and accumulated impairment losses.

The Group applies revaluation model to freehold properties and cost model to the remaining assets under property, plant & equipment which are stated at historical cost less accumulated depreciation less accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour;
- Any other cost directly attributable to bringing the assets to a working condition for their intended use;
- When the group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

Capitalized borrowing cost;

- Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When 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.

### Revaluation of freehold properties

The freehold properties of the Group are carried at revalued amounts. Revaluation of these assets are carried out at least three (3) to five (5) years in order to ensure the book value every year reflect the realizable value of such assets, and are depreciated over the remaining useful lives of such assets, wherever applicable.

When an asset is revalued, any increase in the carrying amount is recognized in other comprehensive income and accounted in equity under revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognized as an expense. In these circumstances, the increase is recognized as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged in other comprehensive income to the extent that the decrease does not exceed the amount held in the evaluation surplus in respect of that same asset. The decrease recognized in other comprehensive income to reduce the amount accumulated in equity under revaluation reserve. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

### Reclassification to investment property

When the use of a property changes from owner occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or Loss.

### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

### Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows;

## Notes to the Financial Statements

	No of Years
Land improvements	30
Leasehold Land	36 - 42
Buildings - Leased	20 - 42
Buildings - Freehold	20 - 42
Plant & machinery	5 - 27
Motor vehicles	4 - 5
Furniture, fittings & office equipment	5 - 16
Computers	3 - 5
Returnable Containers	5
Cutlery, Crockery and glassware	5

Depreciation of an asset begins when it is available for use whereas depreciation of an asset 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.

### Disposal

The gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment are recognized net within Other Income in the Statement of Income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

### Returnable containers

Returnable containers of subsidiary Lion Brewery (Ceylon) PLC are classified under Property, Plant and Equipment. All purchases of returnable containers will be recognised at cost and depreciated over a period of 5 years. In the event a returnable container breaks within the premises of the company, the written down value,

on a First in First out (FIFO) basis, will be charged to Statement of Income as breakages.

Deposits are collected from the agents for the returnable containers in their possession and are classified under current liabilities as explained in Note 42 (b) The said deposit will be refunded to the agent only upon them returning these returnable containers due to cessation of their operation or due to a contraction in sales.

### Capital Work-in-Progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital in progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

### Bearer Plants

Bearer plants comprise of mature and immature oil palm plantations.

Immature Plantations are stated at acquisition cost which includes the cost incurred for field preparation, planting, fertilizing and maintenance, capitalization of borrowing costs incurred on loans used to finance the developments of immature plantations and an allocation of other indirect costs based on planted hectares.

No depreciation is provided during the immature period. The carrying values of the Immature Plantation are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered.

Mature plantations are measured at cost less accumulated depreciation and impairment losses. Depreciation is provided on straight-line basis over estimated useful life of 22 years of the Mature Plantations and recognized

in Profit or Loss Statement. Carrying values of the Mature Plantation are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, if appropriate.

Bearer plants are de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the bearer plant is included in profit or loss in the year the asset is de-recognised.

### Plasma advances

Costs incurred during the development of Plasma oil palm plantation area up to the productive stage of the oil palm plantation are capitalised as Plasma development costs in the Advances to Plasma account. Once the Plasma oil palm plantation area reaches its productive stage, the area will be transferred to the Plasma farmers based on the agreed conversion amounts, which are generally determined at the inception date of the Plasma arrangement. The Plasma arrangement is based on an agreement between the relevant plantation company and a cooperative, which represents the Plasma farmers. The difference between the accumulated development costs of Plasma oil palm plantations and their conversion values is charged to the Income Statement.

### Lease land rights

Land rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Land use rights are amortised over the period of the lease.

## Intangible assets and goodwill

### Recognition and measurement

#### Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see (Note 26)

#### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

#### Customer relationships

Customer relationships acquired as part of business combination were initially recognised at their fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation and impairment. Customer relationships are amortised over 10 years and tested for impairment annually.

#### Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to

preparing the asset for its intended use, and capitalised borrowing costs.

Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

#### Software

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses. These costs are amortised to the Statement of Income using the straight line method over 3 to 10 years.

#### Brands

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including

expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### Amortisation

Except for goodwill and brand intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows;

	No of Years
Customer relationship	10
Land rights	30
Software development cost and licenses	3 - 10
Excise License	10

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

#### Impairment

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

#### Investment property

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods and services or for administrative purposes. Investment properties are measured initially at cost, including

## Notes to the Financial Statements

transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-today servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the balance sheet date. Formal valuations are carried out every 3 years by qualified valuers. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Income in the year in which they arise. Investment properties are derecognised when either they have been disposed of or when the Investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the Statement of Income in the year of retirement or disposal.

Transfers are made to/from investment property when, and only when, there is a change in use, evidenced by commencement/ end of owner occupation, commencement of development with a view to sale, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant & equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is

recognized in the Statement of Income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the Statement of Income.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

### Biological assets

Biological assets comprise of fresh fruit bunches ("FFB") of oil palm plantations.

Biological assets are stated at fair value less estimated costs to sell. Gains or losses arising on initial recognition of FFB at fair value less estimated costs to sell and from the changes in fair value less estimated costs to sell of FFB at each reporting date are included in profit or loss for the period in which they arise.

The fair value of the FFB is measured by reference to estimated FFB quantities and publicly available index price set by Indonesian government.

In determining the estimated FFB production quantities, the Group considers the estimated yield of the biological assets which is dependent on the age of the oil palm trees, the location, soil type and infrastructure.

### Inventories

Inventories are recognized at cost or net realizable value whichever is lower after making due allowance for obsolete and slow moving items,

except for fresh fruit bunches which are valued at since realized values.

The cost of inventories of the group;

Raw Material and Containers	Cost of purchase together with any incidental expenses
Work - in - progress	Raw material cost and a proportion of manufacturing expenses
Finished Goods	Raw material cost and manufacturing expenses in full
Food Items	Weighted average cost basis
Linen Stock	In the year of purchase at cost of purchase and in the second year in use at 25% of the Cost of purchase

### Employee benefits

#### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in statement of income in the periods during which related services are rendered by employees.

### 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 are 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. Any unrecognised past service costs and the fair value of any plan assets (if applicable) are deducted. All actuarial gain/ (loss) are recognised in the Other Comprehensive Income.

The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

The defined benefit plans are regulated at each of the geographical locations the Group operates in and the salient features of each of such plans are tabulated below;

### Sri Lankan Subsidiaries

All local companies are liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983.

The liability recognised in the Financial Statements in respect of defined benefit plans are the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out once in every year. The liability is not externally funded. All Actuarial gains or losses

are recognised immediately in other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

### Indonesian Subsidiaries

The subsidiaries recognize an unfunded retirement benefits liability, relating to the settlement of termination, gratuity, compensation and other benefits set forth in Labor Law No. 13 year 2003 (Law No. 13/2003) based on an actuarial calculation by an independent actuary using the 'Projected Unit Credit Method'. All actuarial gain or losses are recognised immediately in other comprehensive income.

### Malaysian Subsidiaries

The Group's subsidiary operations in Malaysia are liable to pay Retirement Gratuity where employees have served in the company's operations in Malaysia for more than five years and fulfilling the conditions in the Malaysian Agricultural Producers Association and National Union Plantation Worker's agreements. The resulting difference between brought forward provision at the beginning of the year, net of any payment made, and the carried forward provision at the end of a year, is dealt with in the Statement of Income. The gratuity liability is not funded.

The Group's subsidiary operations in Malaysia participate in the national pension scheme as defined by the law of the country. They make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### Indian subsidiary

The Group's subsidiary in India has both defined contribution and defined benefits schemes for its employees.

Retirement benefit in the form of provident fund is a defined contribution scheme for the Indian Subsidiary. The contributions to the provident fund are charged to the income statement for the year when the contributions are due. The Subsidiary has no obligation, other than the contribution payable to the provident fund.

The subsidiary operates one defined benefit plan for its employees, viz., gratuity. The costs of providing benefits under the plan are determined on the basis of actuarial valuation at each year-end using the "projected unit credit method". Actuarial gains and losses for both defined benefit plans are recognised in full in the period in which they occur in other comprehensive income.

### Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation

## Notes to the Financial Statements

that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The group does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

### Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

### Onerous contracts

A provision for onerous contracts are recognised when the expected benefits to be derived by the Group of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

## Leases

### Finance Lease

Leases of property, plant & equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets held under finance lease are capitalized at the cash price as part of property, plant & equipment and depreciated over the shorter of the estimated useful lives of the assets or the lease term.

Upon initial recognition assets acquired through the finance leases are stated at an amount equal to the lower of their fair values and the estimated present value of the minimum lease payments at the

date of inception less accumulated depreciation and impairment losses. In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the group's incremental borrowing rate is used.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations and net of finance charges are included in borrowings. The interest element of the finance charge is charged to the Statement of Income over the lease period. Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

### Operating Lease

Lease of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases.

### Leased assets

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

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.



### Lease payments

Payments made under operating leases are recognized 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met

- the fulfilment if the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use assets.

At inception or on reassessment of the arrangement, the Group separates the payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

### Revenue

The Group has initially applied SLFRS 15 - "Revenue from contracts with customers" from 1 January 2018.

### Performance obligations and revenue recognition policies

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

As per the standard, revenue is measured based on the consolidation specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. Determining the timing of the transfer of control at a point in time or over time require judgment.

The Group revenue represents sales to customers outside the Group and sales within the Group which are intended for internal consumption.

The following specific criteria are used for the purpose of recognition of revenue according to the timing of the performance obligations are met.

### Sale of goods

Policy applicable from 1st April 2018

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue recognised at the point in time when the control of goods and products is transferred customer with a right of return within a specified period, the Group considers the timing of recognition. Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Amounts disclosed as revenue is net of discounts and sales taxes.

### Policy applicable before 1st April 2018

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

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, 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 timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Usually transfer occurs when the product is delivered to the customer's warehouse; however, for some international shipments transfer occurs on loading the goods onto the relevant carrier at the port. Generally, for such products the customer has no right of return.

### Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows;

- Servicing fees included in the price of the products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- Revenue from time and material contracts is recognized at the

## Notes to the Financial Statements

contractual rates as labour hours are delivered and direct expenses are incurred.

### Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

### Rental income

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

### Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

### Dividend income

Dividend income is recognised in statement of income on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

### Sale of fresh fruit bunches

Upon delivery and acceptance by customers.

Gain on disposal of financial assets (categorized as available for sale / fair value through profit or loss)

Profits or losses on disposal of investments are accounted for in the

Statement of Income on the basis of realized net profit.

### Other Income - on accrual basis

Net gains and losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted in the Income Statement.

### Expenditure recognition

#### Operating expenses

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

### Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the re-measurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in statement of income and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, dividends on preference shares classified as liabilities, contingent consideration, losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a

qualifying asset are recognised in statement of income using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities 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.

### Income tax expense

Income Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in statement of income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

### Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

### Deferred taxation

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:

- 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 nor loss;
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the resumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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 if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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, based on the level of future taxable profit forecasts and tax planning strategies.

### **Tax exposures**

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### **Economic service charge (ESC)**

As per the provisions of Economic Service Charge Act No. 13 of 2006 and amendments thereto ESC, is payable on "Liable Turnover" and is deductible from the income tax payments. Any unclaimed ESC can be carried forward and settled against the income tax payable within the four subsequent years.

### **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales taxes incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amounts of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### **Related party transactions**

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is charged.

### **Events after the reporting period**

All material and important events which occur after the Balance Sheet date have been considered and disclosed in Note 49.

### **Dividends on ordinary shares**

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

### **Presentation**

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Where appropriate, the significant accounting policies are disclosed in the succeeding notes.

### **Offsetting Income and Expenses**

Income and expenses are not offset unless required or permitted by accounting standards.

## Notes to the Financial Statements

### Offsetting Assets and Liabilities

Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is;

- A current enforceable legal right to offset the assets and the liability; and
- An intention to settle the liability simultaneously

### Director's responsibility

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. This is more fully described under the relevant clause in the Directors' Report.

### 5. OPERATING SEGMENTS

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown including the factors used to identify the reportable segments and the measurement basis of segment information.

### 6. CHANGES IN ACCOUNTING POLICIES

The Company has applied SLFRS 15 and SLFRS 9 from 1 April 2018 and the respective transition methods has been explained below.

#### SLFRS 15 'Revenue from Contracts with Customers'

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Group has restated prior periods, as permitted by the Standard, to ensure comparability of the income statement across prior periods. This Standard has changed the way the Group accounts for consideration payable to customers, and requires certain payments to indirect customers, previously shown as distribution expenses, to be shown as deductions from revenue.

The following table summarises the impacts of adopting SLFRS 15 on Group's statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There was no impact on the comparative figures presented in the statement of financial position, statement of changes in equity and statement of cash flows. Further, the change in accounting policy has no impact on the reported amount of accumulated profits as at 31 March 2018.

#### SLFRS 9 'Financial Instruments'

SLFRS 9 set out requirements for recognized and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement. Additionally, the Group has adopted consequential amendments to SLFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but have not been generally applied to comparative information.

SLFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognized in retained earnings and reserves as at 01 April 2018. Accordingly, the information presented for 2017/18 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39.

In Rs. '000s  
Group

Description	As previously reported	Effect of change in accounting policy	Adjusted Balance
Revenue	79,894,795	(713,405)	79,181,390
Distribution Expenses	(5,397,187)	713,405	(4,683,782)

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

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain

financial assets and financial liabilities as measured at FVTPL.

- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of SLFRS 9, then the Group has assumed that the

credit risk on the asset had not increased significantly since its initial recognition.

Accordingly, the following table summarizes the impact, net of tax, of transition to SLFRS 9 on the opening balance of reserves, retained earnings

## Group

	Revenue Reserves				
	Revenue reserves	Currency translation reserves	Available for sale financial assets reserve / FVOCI	Retained earnings	Total revenue reserves
Balance as at 31 March 2018	379,100	(4,653,821)	5,142,591	26,834,824	27,702,694
Impact of adopting SLFRS 9	-	-	(1,511,344)	1,511,344	-
Adjusted Balance as at 01 April 2018	379,100	(4,653,821)	3,631,247	28,346,168	27,702,694

## Company

	Revenue Reserves		
	Available for sale financial assets reserve / FVOCI	Retained earnings	Total revenue reserves
Balance as at 31 March 2018	1,347,306	7,701,208	9,048,514
Impact of adopting SLFRS 9	1,646,830	63,428	1,710,258
Adjusted Balance as at 01 April 2018	2,994,136	7,764,636	10,758,772

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company's financial assets as at 01 April 2018.

## Group

Description	Note	Original classification under LKAS 39 / SLFRS 3	New classification under SLFRS 9	Original carrying amount under LKAS 39 / SLFRS 3 Rs' 000	New carrying amount under SLFRS 9 Rs' 000
Investments in Quoted equity instruments - Strategic investments	Note - 01	Available for Sale financial Assets	Fair value through other comprehensive income	5,504,963	5,504,963

## Notes to the Financial Statements

Description	Note	Original classification under LKAS 39 / SLFRS 3	New classification under SLFRS 9	Original carrying amount under LKAS 39 / SLFRS 3 Rs' 000	New carrying amount under SLFRS 9 Rs' 000
Investments in Quoted equity instruments - excluding strategic investments	Note - 02	Available for Sale financial Assets	Fair value through profit or loss	9,517,445	9,517,445
Investments in Unquoted equity instruments	Note - 03	Available for Sale financial Assets	Fair value through profit or loss	102,548	102,548
Investments in Private Equity (unlisted) instruments	Note - 03	Available for Sale financial Assets	Fair value through profit or loss	115,009	115,009
Investment in Debenture-Unquoted	Note - 03	Available for Sale financial Assets	Fair value through other comprehensive income	5	5
Investment in units trusts	Note - 03	Available for Sale financial Assets	Fair value through profit or loss	45,293	45,293
Trade and other receivables		Loans and receivables	Amortized cost	12,972,606	12,972,606
Cash and cash equivalents		Loans and receivables	Amortized cost	13,342,194	13,342,194

### Company

Description	Note	Original classification under LKAS 39 / SLFRS 3	New classification under SLFRS 9	Original carrying amount under LKAS 39 / SLFRS 3 Rs' 000	New carrying amount under SLFRS 9 Rs' 000
Investments in Quoted equity instruments - Strategic investments	Note - 01	Available for Sale financial Assets	Fair value through OCI	1,292,640	1,292,640
Investments in Quoted equity instruments - Strategic investments	Note - 04	Investment in Subsidiaries	Fair value through OCI	937,482	2,647,740
Investment in units trusts	Note - 03	Available for Sale financial Assets	Fair value through profit or loss	67,028	67,028

#### Note - 01

This represents the investment that the Group intends to hold for strategic purposes. As permitted by SLFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike LKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

#### Note - 02

The non-derivative financial assets that were designated as available-for-sale or were not classified in any of the other categories of financial assets under the LKAS 39, excluding strategic investments have been classified as FVTPL, because they are managed and the performance is monitored on a fair value basis.

#### Note - 03

The Debentures, other unquoted private equity and units trusts, categorised as available-for-sale under LKAS 39, which are held by the Group earns investment income and interest and may be sold or redeemed in the normal course of business. Hence, the Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. Therefore, these assets have been classified as financial assets at FVTPL under SLFRS 9.

#### Note - 04

Company's direct holding in Lion Brewery (Ceylon) PLC (6.26%) and Guardian Capital Partners PLC (2.25%) has been re-classified under FVOCI category with effect from 1/4/2018 after carefully considering the probable future utilisation of such direct investments in the future.

## 7. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which are not effective as at the reporting date.

Accordingly, these Standards have not been applied in preparing these financial statements.

Effective Date -1 January 2019

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment features with negative compensation (Amendments to SLFRS 9).
- Annual Improvements to SLFRS Standards 2015-2017 Cycle- various standards.
- Annual Improvements to LKAS12 Income Taxes.
- SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee'] and the supplier ('Lessor']. SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS – 16 substantially carries forward the lessor accounting requirement in LKAS – 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently. SLFRS -16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

Effective Date -1 January 2020

- Amendments to References to Conceptual Framework in SLFRS standards
- Amendments to LKAS 1 and LKAS 8

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE

The effect of initially applying SLFRS 15 on the Group's Revenue from Contracts with Customers is described in Note 6. Due to the transition method chosen in applying SLFRS 15, comparative information has been restated to reflect the new requirements.

#### Revenue streams

The group generates revenue primarily from Beverage sector, Oil palm Plantation and Oils and fats segments. (Note 8 (iii))

#### (i) Revenue Analysis

For the year ended 31st March	Group		Company	
	2019	2018 (Restated)	2019	2018
Gross Revenue	104,264,827	84,562,743	258,565	825,488
Taxes to the Government of Sri Lanka	(7,125,289)	(5,381,353)	-	-
Net Revenue	97,139,538	79,181,390	258,565	825,488
Revenue from contract with customers				
Sale of Goods	100,347,584	79,161,896	-	-
Investment income	1,042,425	3,226,687	258,565	825,488
Property rental income	310,677	289,025	-	-
Commission, support services fees & royalty fees	4,023,134	3,450,814	-	-
Hospitality services	677,531	684,841	-	-
	6,053,767	7,651,367	258,565	825,488
Net revenue before intra - group transactions	106,401,351	86,813,263	258,565	825,488
Less: Intra - group transactions	(9,261,813)	(7,631,873)	-	-
Net Revenue	97,139,538	79,181,390	258,565	825,488

Disaggregation of revenue from contract with customers.

Revenue from contracts with customers is disaggregated by primary geographical market (Note 8 (iii)) and major products and services. The timing of revenue recognition is the point in time of product transferred to the customers.

#### (ii) Operating Segments

##### Basis of segmentation

The Group's primary segment reporting format is Business segments and the secondary format is geographical segments. The risks and returns of the Group's operations are primarily determined by the nature of the different activities that the Group engages in, rather than the geographical location of these operations and are managed separately because they require different technology and marketing strategies.

This is reflected by the Group's organizational structure. Industry segment activities of the Group have been broadly classified into eight segments: Investment Holdings, Portfolio and Asset Management, Oil Palm Plantations, Beverage, Real-Estate, Leisure, Oils & fats and Management Services according to the nature of product or service rendered. The following summary describes the operations of each reportable segment.

Reportable Segment	Description of Operations
Investment Holdings	- Holding of strategic investments
Portfolio and Assets Management	- Investment and management of listed, private equity, fixed income and unit trust investments
Oil Palm Plantations	- Production and sale of palm oil, palm kernel and fresh fruit bunches to the domestic and international market
Oils & Fats	- Manufacturing, marketing and selling of refined oils and specialty fats to the bakery, chocolate and confectionery, ice creams and creamer industries and cooking oil products to end consumers
Beverage	- Production and sale of Beer, Import & distribution of alcoholic beverages
Real Estate	- Letting office and warehouse premises on rent for commercial purposes
Leisure	- Hoteliering
Management Services	- Providing support services to the Group entities



## 8 REVENUE (CONTD.)

Sales between segments are made at prices that approximate the market prices. Segment revenue, segment expenses and segment results include transactions between industry segments. These transactions and any unrealized profits and losses are eliminated on consolidation. Segmental expenses are expenses that are directly attributed to a relevant segment or a portion of expenses that can be allocated on a reasonable basis as determined by the Management.

The Group's geographical segments are based on the location of the Group's assets and spread of operations. The activities of the Group have been broadly classified into five geographical segments, namely, operations within Sri Lanka, Malaysia, Indonesia, Singapore and India. Sales to external customers are segmented based on the location of the seller. The principal operations of each geographical segments are follows:

### Geographical Segment

#### Description of Operations

Sri Lanka	-	Investment holding, portfolio and assets management, production & sale of Beer, Import and distribution of alcoholic beverages, letting of office and warehouse premises for commercial purposes, hoteliering and management service.
Malaysia	-	Manufacturing, marketing and selling of refined oils and specialty fats to the bakery, chocolate & confectionery, ice creams and creamer industries and cooking oil products to end consumers and management services.
Indonesia	-	Management Service, production and sale of palm oil and palm kernel to the domestic and international markets, production and sale of FFB.
Singapore	-	Investment holding
India	-	Manufacturing, marketing and selling of refined oils and specialty fats to the bakery, chocolate & confectionery, ice creams and creamer industries and cooking oil products to end consumers. (Since discontinued)

#### Principal categories of customers

The principal categories of customers for these goods and services are corporate customers, government customers, wholesale customers and retail customers. The group's reportable segments are therefore as follows:

Investment Holding	- corporate customers
Portfolio and Asset Management	- corporate customers, retail customers
Oil Palm Plantations	- corporate customers
Oils & Fats	- corporate customers, retail customers
Beverage	- wholesale & retail customers
Real Estate	- corporate customers
Leisure	- corporate customers, retail customers
Management Services	- corporate customers

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE (CONTD.)

#### (iii) Operating segments - Information about reportable segments

##### (a) Primary / Business segmentation

Information related to each reportable segment is set out below. Segment profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that are operating in the same industry.

For the year ended 31st March	Investment Holding		Portfolio & Asset Management		Oil Palm Plantations	
	2019	2018	2019	2018	2019	2018
Total revenue	258,565	650,217	742,095	1,638,917	35,959,738	29,099,732
Intra segment revenue	-	-	(191,053)	(434,410)	(4,536,950)	(3,693,542)
Segment revenue	258,565	650,217	551,042	1,204,507	31,422,788	25,406,190
Inter segment revenue	(218,977)	(631,270)	-	-	(2,436,154)	(1,028,418)
Revenue	39,588	18,947	551,042	1,204,507	28,986,634	24,377,772
Segment results	(46,840)	(37,849)	(2,248,290)	927,279	6,024,594	5,606,937
Foreign exchange (losses)/gains	(6,202)	(16,473)	(31,018)	(8)	(820,237)	(758,591)
Change in fair value of biological assets and investment properties	-	-	-	-	(392,859)	1,017,130
Flood related activities	-	-	-	-	-	-
Impairment of business assets	-	-	-	(91,350)	-	(947,419)
	(53,042)	(54,322)	(2,279,308)	835,921	4,811,498	4,918,057
Net Finance cost	(190,348)	(160,161)	(12,643)	893	(2,973,973)	(2,255,642)
Share of net result of joint venture	-	-	6,910	11,027	-	-
Profit/(loss) before Income tax expenses	(243,390)	(214,483)	(2,285,041)	847,841	1,837,525	2,662,415
Income tax expenses						
Current taxation	(5,145)	(7,958)	(60,729)	(50,880)	(1,718,340)	(1,732,456)
Deferred taxation	-	-	2,026	105	201,003	175,595
	(5,145)	(7,958)	(58,703)	(50,775)	(1,517,337)	(1,556,861)
Profit/(loss) from continuing operations	(248,535)	(222,441)	(2,343,744)	797,066	320,188	1,105,554
Discontinued operation					-	-
Profit/(loss) from discontinued operation, net of tax	-	-	-	-	-	-
Profit/(loss) for the year	(248,535)	(222,441)	(2,343,744)	797,066	320,188	1,105,554
Attributable to:						
Owners of the Company	(248,535)	(222,441)	(1,333,068)	429,199	113,292	537,168
Non controlling interest	-	-	(1,010,676)	367,867	206,896	568,386
	(248,535)	(222,441)	(2,343,744)	797,066	320,188	1,105,554
Earnings/(loss) per ordinary share (Rs.)	(1.27)	(1.13)	(6.79)	2.19	0.58	2.74

##### (b) Summarised statement of cash flows

Cash flows from/(used in) operating activities	(46,057)	468,665	(416,756)	(220,092)	(627,868)	3,410,688
Cash flows from/(used in) investing activities	(281,671)	261,659	(59,465)	(19,908)	(4,695,186)	(4,254,637)
Cash flows from/(used in) financing activities	(240,536)	(283,303)	(24,194)	(616,020)	3,954,882	28,613
Net increase / (decrease) in cash and cash equivalents	(568,264)	447,021	(500,415)	(856,020)	(1,368,173)	(815,236)

##### (c) Other Information

Total cost incurred during the year to acquire Property, plant & equipment, Bearer Plants, Investments properties	-	-	243	450	4,920,636	4,218,724
Intangible assets (including land rights)	-	-	-	22,227	210,219	172,821
Depreciation	-	-	912	2,151	1,929,506	1,201,013
Amortization of intangible assets (including land rights)	-	-	4,446	-	241,895	240,470
Salaries, fees, wages and related expenses	19,000	16,630	99,257	98,825	6,320,511	5,410,188
Defined benefit plan expenses / Gratuity	-	-	1,957	2,426	232,641	196,126

Oils & Fats		Beverage		Real Estate		Leisure		Management Services		Group	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
			(Restated)								
22,903,240	21,730,351	45,075,589	32,297,070	310,677	289,025	677,531	684,841	473,916	423,110	106,401,351	86,813,263
(106,833)	(194,183)	(858,763)	(703,852)	-	-	-	-	-	-	(5,693,599)	(5,025,987)
22,796,407	21,536,168	44,216,826	31,593,218	310,677	289,025	677,531	684,841	473,916	423,110	100,707,752	81,787,276
(432,286)	(518,242)	-	-	(22,550)	(20,671)	-	-	(458,247)	(407,285)	(3,568,214)	(2,605,886)
22,364,121	21,017,926	44,216,826	31,593,218	288,127	268,354	677,531	684,841	15,669	15,825	97,139,538	79,181,390
521,392	858,500	6,296,785	2,419,822	211,913	207,028	44,060	78,324	(50,375)	15,188	10,753,239	10,075,229
150,126	43,642	15,019	5,356	-	-	495	359	-	-	(691,817)	(725,715)
-	-	-	-	423,145	621,085	-	-	-	-	30,286	1,638,215
-	-	-	1,957,622	-	-	-	-	-	-	-	1,957,622
-	(20,035)	-	-	-	(13,658)	(145,207)	-	-	-	(145,207)	(1,072,462)
671,518	882,107	6,311,804	4,382,800	635,058	814,455	(100,652)	78,683	(50,375)	15,188	9,946,501	11,872,889
(646,782)	(610,281)	(1,096,273)	(1,491,253)	10,617	(6,811)	16,878	27,331	105	(104)	(4,892,419)	(4,496,028)
-	-	-	-	-	-	-	-	-	-	6,910	11,027
24,736	271,826	5,215,531	2,891,547	645,675	807,644	(83,774)	106,014	(50,270)	15,084	5,060,992	7,387,888
1,167	(10,768)	(859,859)	(402,323)	(67,581)	(56,074)	1,331	(7,886)	203	(17,925)	(2,708,953)	(2,286,270)
(60,785)	(63,673)	(1,290,751)	(848,474)	(125,638)	(615,645)	(9,846)	(16,727)	383	1,978	(1,283,609)	(1,366,841)
(59,618)	(74,441)	(2,150,610)	(1,250,797)	(193,219)	(671,719)	(8,515)	(24,613)	586	(15,947)	(3,992,562)	(3,653,111)
(34,882)	197,385	3,064,921	1,640,750	452,456	135,925	(92,289)	81,401	(49,684)	(863)	1,068,430	3,734,777
(160,165)	100,407	-	-	-	-	-	-	-	-	(160,165)	100,407
(195,047)	297,792	3,064,921	1,640,750	452,456	135,925	(92,289)	81,401	(49,684)	(863)	908,265	3,835,184
(110,852)	142,628	1,372,756	690,245	433,086	118,130	(83,042)	72,951	(49,684)	(863)	93,952	1,767,017
(84,195)	155,164	1,692,165	950,505	19,370	17,795	(9,247)	8,450	-	-	814,313	2,068,167
(195,047)	297,792	3,064,921	1,640,750	452,456	135,925	(92,289)	81,401	(49,684)	(863)	908,265	3,835,184
(0.56)	0.73	6.99	3.51	2.21	0.60	(0.42)	0.37	(0.25)	(0.00)	0.48	9.00
1,626,181	(52,170)	5,640,305	3,473,298	224,187	172,283	116,273	146,800	(46,724)	61,083	7,816,882	9,160,094
(68,369)	(90,228)	233,326	(364,657)	(178,697)	(125,806)	(181,870)	(161,205)	(2,456)	(6,120)	(5,605,072)	(6,599,663)
(1,260,078)	263,518	(3,764,929)	(1,646,421)	(34,367)	(37,751)	36,027	(8,060)	41,576	(51,348)	(5,166,862)	4,553,882
297,734	121,120	2,108,702	1,462,220	11,123	8,726	(29,570)	(22,465)	(7,604)	3,615	(2,955,052)	7,114,313
75,563	138,396	902,625	1,387,322	22,801	22,196	188,999	49,301	2,887	6,473	6,113,754	5,822,862
-	5,686	47,006	2,038	-	-	-	-	-	-	257,225	202,772
438,158	390,209	1,224,816	1,131,511	8,314	8,383	62,824	64,085	21,707	28,241	3,686,237	2,825,593
21,633	28,236	53,515	46,249	-	-	-	-	266	2,118	321,755	317,073
903,773	681,487	1,057,516	705,723	52,488	45,652	181,821	174,486	349,230	254,132	8,983,596	7,387,123
-	-	36,847	87,563	623	651	4,118	3,878	9,961	9,677	286,147	300,321

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE (CONTD.)

#### (d) Segments Assets / Liabilities are as follows:

For the year ended 31st March	Investment Holding		Portfolio & Asset Management		Oil Palm Plantations	
	2019	2018	2019	2018	2019	2018
<b>SEGMENT ASSETS</b>						
<b>Non - Current Assets</b>						
Property, plant & equipment/ Investment properties /Prepaid lease assets/Bearer plants	-	-	2,185	2,854	65,145,944	58,171,819
Intangible assets	-	-	198,669	203,115	1,674,097	1,675,255
Financial assets measured at fair value through other comprehensive income/equity accounted investee/ Unit trusts	1,254,382	1,359,668	4,135,774	13,966,780	-	-
Deferred tax assets	-	-	2,611	511	4,082,305	3,516,041
Other financial receivables	-	-	-	-	-	-
Other non financial receivables	-	-	-	-	5,729,033	6,510,303
<b>Total non - current assets</b>	<b>1,254,382</b>	<b>1,359,668</b>	<b>4,339,239</b>	<b>14,173,260</b>	<b>76,631,379</b>	<b>69,873,418</b>
<b>Current Assets</b>						
Inventories / biological assets	-	-	-	-	3,750,056	3,571,886
Trade debtors and other financial assets	-	-	42,299	22,611	1,357,433	729,227
Other non financial receivables	16,451	13,308	66,188	61,174	5,448,369	3,241,692
Financial assets measured at fair value through profit or loss	89,048	30,068	9,843,117	2,462,497	-	-
Cash and cash equivalents	63,708	387,774	1,773,714	1,779,167	1,529,305	2,665,601
<b>Total current assets</b>	<b>169,207</b>	<b>431,150</b>	<b>11,725,318</b>	<b>4,325,449</b>	<b>12,085,163</b>	<b>10,208,406</b>
Assets held for sale	-	-	-	-	-	-
<b>Total segmental assets</b>	<b>1,423,589</b>	<b>1,790,818</b>	<b>16,064,557</b>	<b>18,498,709</b>	<b>88,716,542</b>	<b>80,081,825</b>
<b>SEGMENT LIABILITIES</b>						
<b>Non - Current Liabilities</b>						
Loans and borrowings/debentures	-	-	-	-	33,607,495	29,585,378
Other financial payables	-	-	-	-	-	-
Other non financial liabilities	-	-	7,758	7,426	1,057,310	1,187,632
Deferred tax liabilities	-	-	-	-	3,595,898	3,228,295
<b>Total non - current liabilities</b>	<b>-</b>	<b>-</b>	<b>7,758</b>	<b>7,426</b>	<b>38,260,703</b>	<b>34,001,305</b>
<b>Current Liabilities</b>						
Trade and other financial liabilities	227,415	257,547	194,784	241,978	6,632,248	10,452,321
Loans and borrowings/debentures	1,609,594	1,362,421	182,172	16,112	13,642,972	9,768,271
<b>Total current liabilities</b>	<b>1,837,009</b>	<b>1,619,968</b>	<b>376,956</b>	<b>258,090</b>	<b>20,275,220</b>	<b>20,220,592</b>
<b>Total segmental liabilities</b>	<b>1,837,009</b>	<b>1,619,968</b>	<b>384,714</b>	<b>265,516</b>	<b>58,535,923</b>	<b>54,221,897</b>

Oils & Fats		Beverage		Real Estate		Leisure		Management Services		Group	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
			(Restated)								
8,218,805	8,037,310	18,493,199	18,476,586	4,273,888	3,851,924	2,007,612	1,887,517	23,266	42,109	98,164,899	90,470,118
1,421,709	1,426,295	2,687,583	2,692,771	27,584	27,584	-	-	944	1,210	6,010,586	6,026,230
-	-	-	-	-	-	-	-	-	-	5,390,156	15,326,448
-	-	7,828	6,846	-	-	-	-	17,123	13,689	4,109,867	3,537,087
-	-	-	-	-	-	24,759	169,966	-	-	24,759	169,966
-	-	-	-	-	-	-	-	-	-	5,729,033	6,510,303
9,640,514	9,463,605	21,188,610	21,176,203	4,301,472	3,879,508	2,032,371	2,057,483	41,333	57,008	119,429,300	122,040,152
2,053,722	2,658,623	2,562,431	1,945,091	-	-	17,180	18,368	84	90	8,383,473	8,194,058
2,087,508	2,087,088	1,399,301	2,703,523	24,558	19,292	69,390	63,828	178	253	4,980,667	5,625,822
716,324	3,571,812	952,724	545,247	131,805	85,419	26,321	11,234	13,187	20,039	7,371,369	7,549,925
-	-	-	-	40,150	104,804	29,482	-	-	-	10,001,797	2,597,369
445,430	126,915	10,564,799	8,180,170	271,930	20,711	123,076	148,430	25,822	33,426	14,797,784	13,342,194
5,302,984	8,444,438	15,479,255	13,374,031	468,443	230,226	265,449	241,860	39,271	53,808	45,535,090	37,309,368
702,927	660,825	-	-	-	-	-	-	-	-	702,927	660,825
15,646,425	18,568,868	36,667,865	34,550,234	4,769,915	4,109,734	2,297,820	2,299,343	80,604	110,816	165,667,317	160,010,345
5,701,464	5,884,558	3,326,271	6,899,620	-	-	57,312	26,503	-	-	42,692,542	42,396,059
-	-	-	-	87,368	87,695	-	-	-	-	87,368	87,695
-	-	204,060	190,953	3,302	3,511	19,950	17,250	50,677	56,063	1,343,057	1,462,835
327,235	251,675	5,092,765	3,697,964	1,013,386	887,705	206,644	196,774	-	-	10,235,928	8,262,413
6,028,699	6,136,233	8,623,096	10,788,537	1,104,056	978,911	283,906	240,527	50,677	56,063	54,358,895	52,209,002
1,924,516	4,083,870	5,417,979	4,709,532	266,967	149,058	153,112	131,346	74,093	83,170	14,891,115	20,108,822
6,709,743	6,162,440	10,327,405	9,722,314	-	-	51,323	8,475	233	2,079	32,523,442	27,042,112
8,634,259	10,246,310	15,745,384	14,431,846	266,967	149,058	204,435	139,821	74,326	85,249	47,414,557	47,150,934
14,662,958	16,382,543	24,368,480	25,220,383	1,371,023	1,127,969	488,341	380,348	125,003	141,312	101,773,452	99,359,936

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE (CONTD.)

#### (iv) Operating segments - Information about reportable segments

##### (a) Secondary / Geographical segments

For the year ended 31st March	Sri Lanka		Malaysia	
	2019	2018 (Restated)	2019	2018
Revenue	45,814,818	33,654,318	22,364,122	21,015,229
Segment results	4,246,079	3,713,134	521,267	835,591
Foreign exchange (losses)/gains	18,380	(21,255)	185,297	(45,314)
Change in fair value of biological assets	423,145	621,085	-	-
Flood related activities	-	1,957,622	-	-
Impairment of business assets	(145,207)	(105,008)	-	(20,035)
Profit/(loss) from operations	4,542,397	6,165,578	706,564	770,242
Net Finance cost	(1,261,794)	(1,607,321)	(646,881)	(610,046)
Share of net result of joint venture	6,910	11,027	-	-
Profit/(loss) before Income tax expenses	3,287,513	4,569,284	59,683	160,196
Income tax expenses				
Current taxation	(1,010,121)	(546,993)	1,098	(7,455)
Deferred taxation	(1,414,601)	(1,492,622)	(60,785)	(63,673)
	(2,424,722)	(2,039,615)	(59,687)	(71,128)
Profit/(loss) from continuing operations	862,791	2,529,669	(4)	89,068
Discontinued operation				
Profit/(loss) from discontinued operation, net of tax	-	-	-	-
Profit/(loss) for the year	862,791	2,529,669	(4)	89,068

##### (c) Other Information

Total cost incurred during the year to acquire Property, plant & equipment, Bearer plants Investment properties	1,160,593	1,510,743	72,677	96,038
Intangible assets (including land rights)	51,138	67,302	-	5,686
Depreciation	1,335,390	1,256,902	438,158	390,209
Amortization of intangible assets (including land rights)	86,853	68,637	21,633	28,236
Salaries, fees, wages and related expenses	2,310,709	1,441,437	903,773	681,487
Defined benefit plan expenses/ Gratuity	58,220	109,596	-	-

Indonesia		Singapore		Discontinued operations India		Group	
2019	2018	2019	2018	2019	2018	2019	2018
28,498,010	24,338,983	462,588	172,860	-	-	97,139,538	79,181,390
6,072,226	5,870,700	(86,333)	(344,196)	-	-	10,753,239	10,075,229
(894,736)	(655,338)	(758)	(3,808)	-	-	(691,817)	(725,715)
(392,859)	1,017,130	-	-	-	-	30,286	1,638,215
-	-	-	-	-	-	-	1,957,622
-	(947,419)	-	-	-	-	(145,207)	(1,072,462)
4,784,631	5,285,073	(87,091)	(348,004)	-	-	9,946,501	11,872,889
(2,917,175)	(2,165,539)	(66,569)	(113,122)	-	-	(4,892,419)	(4,496,028)
-	-	-	-	-	-	6,910	11,027
1,867,456	3,119,534	(153,660)	(461,126)	-	-	5,060,992	7,387,888
(1,690,752)	(1,677,610)	(9,178)	(54,212)	-	-	(2,708,953)	(2,286,270)
191,777	189,454	-	-	-	-	(1,283,609)	(1,366,841)
(1,498,975)	(1,488,156)	(9,178)	(54,212)	-	-	(3,992,562)	(3,653,111)
368,481	1,631,378	(162,838)	(515,338)	-	-	1,068,430	3,734,777
-	-	-	-	(160,165)	100,407	(160,165)	100,407
368,481	1,631,378	(162,838)	(515,338)	(160,165)	100,407	908,265	3,835,184
4,879,918	4,184,709	566	31,372	-	-	6,113,754	5,822,862
206,087	129,784	-	-	-	-	257,225	202,772
1,863,535	1,146,409	7,329	10,913	41,825	21,160	3,686,237	2,825,593
213,269	220,200	-	-	-	-	321,755	317,073
5,541,612	5,065,611	227,502	198,588	-	-	8,983,596	7,387,123
227,927	190,725	-	-	-	-	286,147	300,321

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE (CONTD.)

#### (c) Segments Assets / Liabilities are as follows:

For the year ended 31st March	Sri Lanka		Malaysia	
	2019	2018 (Restated)	2019	2018
<b>Segment Assets</b>				
<b>Non - Current Assets</b>				
Property, plant & equipment/Investment properties/Prepaid lease assets/ Bearer plants	24,835,991	24,313,396	8,218,805	8,037,309
Intangible assets	3,024,363	3,064,061	1,421,709	1,426,295
Available-for-sale financial assets/Investments in Joint Venture	5,390,156	15,326,448	-	-
Deferred tax assets	27,562	21,917	-	-
Other financial receivables	24,759	169,966	-	-
Other non financial receivables	-	-	-	-
<b>Total non - current asset</b>	<b>33,302,831</b>	<b>42,895,788</b>	<b>9,640,514</b>	<b>9,463,604</b>
<b>Current Assets</b>				
Inventories/Biological assets	2,579,695	1,963,549	2,053,722	2,658,623
Trade debtors and other financial assets	1,538,965	2,811,976	1,948,689	1,996,102
Other non financial receivables	1,314,824	847,159	681,254	3,518,440
Financial assets held for trading	10,001,797	2,597,369	-	-
Cash and cash equivalents	13,184,452	10,872,145	376,077	102,519
<b>Total current assets</b>	<b>28,619,733</b>	<b>19,092,198</b>	<b>5,059,742</b>	<b>8,275,684</b>
Assets held for sales	-	-	-	-
<b>Total segmental assets</b>	<b>61,922,564</b>	<b>61,987,986</b>	<b>14,700,256</b>	<b>17,739,288</b>
<b>SEGMENT LIABILITIES</b>				
<b>Non - Current Liabilities</b>				
Loans and borrowings /debentures	3,383,583	6,926,123	3,684,722	3,988,604
Other financial payables	87,368	87,695	-	-
Other non financial liabilities	307,593	294,262	-	-
Deferred tax liabilities	6,317,614	4,797,138	327,235	251,670
<b>Total non - current liabilities</b>	<b>10,096,158</b>	<b>12,105,218</b>	<b>4,011,957</b>	<b>4,240,274</b>
<b>Current Liabilities</b>				
Trade and other financial liabilities	6,619,904	5,783,757	1,813,369	3,980,686
Loans and borrowings /debentures	12,170,758	11,111,374	5,744,759	5,367,907
<b>Total current liabilities</b>	<b>18,790,662</b>	<b>16,895,131</b>	<b>7,558,128</b>	<b>9,348,593</b>
<b>Total segmental liabilities</b>	<b>28,886,820</b>	<b>29,000,349</b>	<b>11,570,085</b>	<b>13,588,867</b>



Indonesia		Singapore		Discontinued operations India		Group	
2019	2018	2019	2018	2019	2018	2019	2018
65,085,311	58,091,303	24,792	28,110	-	-	98,164,899	90,470,118
1,564,514	1,535,874	-	-	-	-	6,010,586	6,026,230
-	-	-	-	-	-	5,390,156	15,326,448
4,082,305	3,515,170	-	-	-	-	4,109,867	3,537,087
-	-	-	-	-	-	24,759	169,966
5,729,033	6,510,303	-	-	-	-	5,729,033	6,510,303
76,461,163	69,652,650	24,792	28,110	-	-	119,429,300	122,040,152
3,750,056	3,571,886	-	-	-	-	8,383,473	8,194,058
1,354,278	623,119	32	-	138,703	194,625	4,980,667	5,625,822
5,333,011	3,113,617	7,210	16,872	35,070	53,837	7,371,369	7,549,925
-	-	-	-	-	-	10,001,797	2,597,369
1,026,505	1,066,903	134,032	1,268,924	76,718	31,703	14,797,784	13,342,194
11,463,850	8,375,525	141,274	1,285,796	250,491	280,165	45,535,090	37,309,368
-	-	-	-	702,927	660,825	702,927	660,825
87,925,013	78,028,175	166,066	1,313,906	953,418	940,990	165,667,317	160,010,345
19,660,139	17,260,950	13,947,356	12,324,429	2,016,742	1,895,953	42,692,542	42,396,059
-	-	-	-	-	-	87,368	87,695
1,035,464	1,168,573	-	-	-	-	1,343,057	1,462,835
3,591,079	3,213,605	-	-	-	-	10,235,928	8,262,413
24,286,682	21,643,128	13,947,356	12,324,429	2,016,742	1,895,953	54,358,895	52,209,002
6,192,670	10,124,156	158,004	121,075	107,167	99,148	14,891,115	20,108,822
9,296,354	5,120,178	4,346,555	4,648,089	965,016	794,564	32,523,442	27,042,112
15,489,024	15,244,334	4,504,559	4,769,164	1,072,183	893,712	47,414,557	47,150,934
39,775,706	36,887,462	18,451,915	17,093,593	3,088,925	2,789,665	101,773,452	99,359,936

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 9 DIRECT OPERATING EXPENSES

For the year ended 31st March	Group	
	2019	2018
Cost of inventories recognised as expense – physical deliveries	8,348,063	5,979,704
Depreciation and overheads	8,038,878	6,303,168
Harvesting and plantation maintenance	8,607,665	7,944,143
Processing (milling) costs	1,481,122	1,250,263
Purchase of Fresh Fruit Bunches	3,838,380	2,087,094
Production and feedstock costs	15,668,316	16,356,924
Excise Duty paid to the government of Sri Lanka	23,015,480	17,953,580
Others	899,747	768,023
	69,897,651	58,642,899

### 10 OTHER INCOME

For the year ended 31st March	Group	
	2019	2018
Profit on disposal of fixed assets:		
Beverage	3,528	-
Oil Palm Plantations	118,309	22,832
Oil & Fats	-	(324)
Real Estate	-	366
Portfolio & Asset Management	-	6
Leisure	1,607	1,195
Management Services	81	89
	123,525	24,164
Net unrealised fair value gain/(loss) on derivative financial instruments	(47,254)	72,186
Plasma management fee	38,760	34,044
Plasma interest income	482,036	406,969
Sale of Roundtable on Sustainable Palm Oil certificate	97,573	84,342
Sale of sludge Oil	-	540,808
Sundry income	271,448	215,289
	966,088	1,377,802

### 11 OTHER OPERATING EXPENSES

Other operating expenses mainly consists of machinery and maintenance expenditure of the Beverage sector.

(Amounts expressed in Sri Lankan Rs. '000)

## 12 IMPAIRMENT OF BUSINESS ASSETS

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<b>Continuing operations</b>				
Compensation receivable (Note 33 (c))	145,207	-	-	-
Property Plant & Equipment (Note 21 e)	-	4,032,302	-	-
Bearer Plants(Note 22 c)	-	(3,379,941)	-	-
Prepaid lease payment for land (Note 24 b)	-	308,716	-	-
Customer relationship (Note 26 d)	-	20,035	-	-
Investment in Equity and Debt Securities (Note 30 b)	-	91,350	-	-
<b>Investment in Subsidiary Companies</b>				
Carsons Airline Services (Private) Limited	-	-	-	3,019
	145,207	1,072,462	-	3,019

## 13 PROGRESSIVE INSURANCE RECEIPTS ON PROPERTY DAMAGES

### Flood Related Losses

#### Lion Brewery (Ceylon) PLC ('LBCPLC')

##### Financial year 2017/18

During the year ended 31st March 2018, the Lion Brewery (Ceylon) PLC accounted for an amount of Rs.1,205 Mn against Business Interruption and Rs.752.2Mn against the damages caused to the LBCPLC's Property Plant and Equipment and inventory, for flood related losses. These amounts were received during the year under review.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 14 FOREIGN EXCHANGE LOSSES

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
Foreign exchange loss	(691,817)	(725,715)	(6,202)	(16,472)

#### (a) Company

As at 31st March 2019, the Company recorded a foreign exchange losses amounting to Rs. 6.2 Mn (2018 - losses of Rs. 16.47 Mn), arising mainly from translation of Sterling Pound denominated liability.

#### (b) Oil Palm plantations and Oils and fats segments

The foreign exchange gain/(loss) relates to the assets, liabilities, income and expenses of the Goodhope Asia Holdings Limited and its subsidiaries whose certain transactions and balances are recorded in different currencies other than reporting currency of each such subsidiary.

For the year ended 31st March 2019, the Goodhope Asia Holding Limited group recorded a foreign exchange loss of Rs. 670.1 Mn (2018 - loss of Rs. 714.95 Mn). The unrealized exchange loss mainly arose from the translation of foreign currency denominated long term borrowings as at the balance sheet date consequent to depreciation of the Indonesian rupiah (IDR) against the US dollar (USD) throughout the year.

The closing exchange rate of IDR against USD as at 31st March, 2019 was IDR 14,244 which is a 3.5% depreciation compared to the closing exchange rate that prevailed as at 31 March, 2018 which is 13,756.

### 15 NET FINANCE COSTS

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<b>Finance income</b>				
Fixed Deposits				
- Placement with bank and government securities	1,000,089	809,104	-	-
Other Deposits				
- Placement with bank and government securities	70,472	114,049		
<b>Total finance income</b>	<b>1,070,561</b>	<b>923,153</b>	<b>-</b>	<b>-</b>
<b>Finance Costs on:</b>				
Bank borrowings	(5,761,740)	(5,374,209)	(190,348)	(160,161)
Debenture interest	(185,688)	(311,682)	-	-
Obligations under finance lease	(29,190)	(9,197)	-	-
	(5,976,618)	(5,695,088)	(190,348)	(160,161)
<b>Less: Amount capitalized under</b>				
Property, plant and equipment	(2,359)	(146,756)	-	-
Bearer Plants	(11,279)	(129,151)	-	-
	(13,638)	(275,907)	-	-
<b>Total finance costs</b>	<b>(5,962,980)</b>	<b>(5,419,181)</b>	<b>(190,348)</b>	<b>(160,161)</b>
<b>Net Finance costs</b>	<b>(4,892,419)</b>	<b>(4,496,028)</b>	<b>(190,348)</b>	<b>(160,161)</b>

(Amounts expressed in Sri Lankan Rs. '000)

## 16 PROFIT BEFORE INCOME TAX EXPENSES

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<i>Profit before tax has been arrived at after charging</i>				
Auditors' remuneration and other professional services (Note b)	80,301	73,547	2,008	1,977
Professional services (Note c)	438,349	481,220	7,900	5,795
Personnel costs (Note d)	9,269,743	7,687,444	19,000	16,630
Audit committee fees	2,695	2,520	2,695	2,520
Remuneration committee Fees	200	229	200	229
Nomination committee Fees	250	200	200	150
Related Party Transaction Review Committee fees	900	900	900	900
Donations	-	-	-	-
Royalty paid to the Carlsberg A/S	170,756	83,162	-	-
Research and development costs	81,686	54,149	-	-
Depreciation on property, plant and equipment, bearer plants	5,238,649	4,079,862	-	-
Less - Amount capitalised as part of cost of bearer plants	(25,373)	(88,280)	-	-
Depreciation on property, plant and equipment - net	5,213,276	3,991,582	-	-
Amortization of intangible assets and prepaid lease payment for land	321,755	317,073	-	-
Less - Amount capitalised as part of cost of bearer plants	(24,242)	(83,301)	-	-
Net amortization of intangible assets and prepaid lease payment for lands	297,513	233,772	-	-
Total depreciation and amortization (Note a)	5,510,789	4,225,354	-	-

### (a) Depreciation and amortization are included in the income statement under the following headings

Direct operating expenses	2,736,435	2,378,336	-	-
Administrative expenses	2,279,529	1,391,109	-	-
Distribution expenses	494,825	455,909	-	-
	5,510,789	4,225,354	-	-

### (b) Auditors' Remuneration and other professional services

Fees payable to KPMG for the audit of annual accounts of				
Carson Cumberbatch PLC	1,250	940	1,250	940
Fees payable to KPMG for the audit of subsidiaries of				
Carson Cumberbatch PLC	9,623	8,061	-	-
Fees payable to other Auditors for the audit of subsidiaries of Carson Cumberbatch PLC				
	63,026	58,120	-	-
Total statutory audit fees	73,899	67,121	1,250	940
<i>Non audit services</i>				
Advisory/compliance services - (Other Auditors)	4,382	1,534	-	-
Advisory services - (KPMG Sri Lanka)	307	2,599	-	-
	4,689	4,133	-	-
<i>Audit related services</i>				
KPMG Sri Lanka	1,713	2,293	758	1,037
Other Auditors	-	-	-	-
	1,713	2,293	758	1,037
	80,301	73,547	2,008	1,977

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 16 PROFIT BEFORE INCOME TAX EXPENSES (CONTD.)

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<b>(c) Professional Services</b>				
Legal services	123,379	122,910	7,900	5,795
Valuation services	31,344	15,435	-	-
Consultation fees	7,700	12,334	-	-
Plantation consultant services	169,868	213,617	-	-
Other services	106,058	116,924	-	-
	438,349	481,220	7,900	5,795
<b>(d) Personnel Costs</b>				
Salaries, fees, wages and other related expenses	8,578,368	7,114,882	19,000	16,630
Defined contribution plan expenses - EPF & ETF	405,228	272,241	-	-
Defined benefit plan expenses - Gratuity (Note 42)	286,147	300,321	-	-
	9,269,743	7,687,444	19,000	16,630
The above include:				
Directors fees	41,622	38,230	19,000	16,630
Directors' emoluments	807,523	618,146	-	-
	849,145	656,376	19,000	16,630

### (e) The number of employees during the year were:

For the year ended 31st March	Group			
	Year end	2019 Average	Year end	2018 Average
<b>Employee by Industry</b>				
Portfolio and assets management	22	21	20	19
Oil palm plantations/ Oils and fats	13,356	12,345	11,334	11,658
Beverage	237	226	214	220
Real Estate	18	18	18	18
Leisure	298	302	306	302
Management services	44	43	43	43
	13,975	12,955	11,935	12,260
<b>Employees by geographical location</b>				
Sri Lanka	747	734	721	719
Malaysia	245	240	235	245
Indonesia	12,978	11,976	10,974	11,292
India	5	5	5	4
	13,975	12,955	11,935	12,260

There were no employees at Carson Cumberbatch PLC during the year (2018 - Nil).

(Amounts expressed in Sri Lankan Rs. '000)

## 17 INCOME TAX EXPENSES

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<b>(a) Income statement</b>				
<b>(i) Current taxation</b>				
Charge for the year	2,677,400	2,162,769	-	1,759
Economic service charge / write - off	-	1,427	-	1,427
Under/(Over) provision for previous years	(4,301)	28,072	-	-
Dividend tax on intercompany dividends	35,854	94,002	-	-
	2,708,953	2,286,270	-	3,186
<b>(ii) Deferred Taxation</b>				
Origination of temporary differences in the current year (Note 17 (c) and (d))	1,283,609	1,366,841	-	-
	1,283,609	1,366,841	-	-
Total Income tax expense on continuing operations	3,992,562	3,653,111	-	3,186
Income tax expenses may be analysed as follows:				
Current Taxation				
Sri Lanka	1,010,121	546,993	-	3,186
Overseas	1,698,832	1,739,277	-	-
	2,708,953	2,286,270	-	3,186
Deferred Taxation				
Sri Lanka	1,414,601	1,492,622	-	-
Overseas	(130,992)	(125,781)	-	-
	1,283,609	1,366,841	-	-
Total				
Sri Lanka	2,424,722	2,039,615	-	3,186
Overseas	1,567,840	1,613,496	-	-
	3,992,562	3,653,111	-	3,186

Group tax expenses is based on the taxable profit of individual companies within the group. At present the tax laws of Sri Lanka does not provide for group taxation.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 17 INCOME TAX EXPENSES (CONTD.)

#### (b) Deferred tax expenses

For the year ended 31st March	Group	
	2019	2018
Income statement		
Deferred tax expense arising from;		
Accelerated depreciation & amortisation for tax purposes	682,166	900,574
Revaluation of investment property to fair value	125,638	615,646
Retirement benefit obligations	(50,545)	(62,760)
Benefit arising from tax losses	525,378	(90,312)
Others	972	3,693
Deferred tax charged directly to Income Statement	1,283,609	1,366,841
Other comprehensive income		
Deferred tax expense arising from;		
Actuarial gain/(losses) on defined benefit obligations	101,572	(40,720)
Revaluation of land and building to fair value	78,145	677,733
Total deferred tax charged directly to statement of Other comprehensive income	179,717	637,013
Total deferred tax charged	1,463,326	2,003,854

#### (c) Deferred tax assets / Liabilities

As at 31st March	Assets		Liabilities	
	2019	2018	2019	2018
At the beginning of the year	3,537,087	3,116,709	8,262,413	5,808,833
Charge and release	209,822	665,174	1,673,148	2,670,066
Transfers / exchange translation difference	362,958	(244,796)	300,367	(216,486)
	4,109,867	3,537,087	10,235,928	8,262,413

The closing deferred tax asset and liability balances relate to the following;

Revaluation of land and building to fair value	-	-	703,421	740,657
Revaluation of investment property to fair value	-	-	1,014,312	888,688
Accelerated depreciation, amortisation & impairment for tax purposes	1,045,298	1,124,489	9,704,352	8,875,088
Employee benefit liability	269,976	306,192	(74,925)	(80,153)
Losses available for offset against future taxable income	2,794,593	2,106,406	(445,331)	(1,444,886)
Others	-	-	(665,901)	(716,981)
	4,109,867	3,537,087	10,235,928	8,262,413

Income Tax provisions for the year ended 31st March 2019 were made based on applicable tax rates under Inland Revenue Act No. 24 of 2017.

- (d) As per the Inland Revenue Act applicable from 1st April 2018, gains on sale of business assets including lands which are effectively connected to business are made liable for taxation at 14%, 28%, 40% as the case may be. Accordingly, a deferred tax liability of Rs. 101.5 Mn (2018 - 615.6 Mn) for the Group on the temporary difference arising from gain on fair valuation of investment properties has been accounted during the year.



(Amounts expressed in Sri Lankan Rs. '000)

**(e) Net Income Tax recoverable/ (payable) Movement**

As at 31st March	Group		Company	
	2019	2018	2019	2018
At the beginning of the year	1,155,365	1,908,245	9,339	7,170
Subsidiaries'/ Company's' taxation on current year's profit	(2,677,400)	(2,162,769)	-	(1,759)
Irrecoverable economic service charge	-	(1,427)	-	(1,427)
(Under)/over provision for previous years	4,301	(28,072)	-	-
Dividend tax on intercompany dividends	(35,854)	(94,002)	-	-
Payments and set off against refunds	(2,379,023)	(1,533,390)	(1,666)	(5,355)
<b>Net Income Tax recoverable</b>	<b>825,435</b>	<b>1,155,365</b>	<b>11,005</b>	<b>9,339</b>
Break-up of net Income tax recoverable/ (payable)				
Income tax recoverable				
Non Current	1,769,206	2,119,672		
Current	149,619	99,385	11,005	9,339
<b>Total income tax recoverable</b>	<b>1,918,825</b>	<b>2,219,057</b>	<b>11,005</b>	<b>9,339</b>
Income tax payable	(1,093,390)	(1,063,692)	-	-
<b>Net Income Tax recoverable</b>	<b>825,435</b>	<b>1,155,365</b>	<b>11,005</b>	<b>9,339</b>

**(f) Recognized deferred tax assets**

The recognition of deferred tax assets relating to unutilised tax losses carried forward by subsidiaries of the Group have been reassessed by the management at the year end. Accordingly, Rs. 276.7 Mn (2018: Rs. 499.7 Mn) of unused tax losses of Indonesian subsidiaries for which deferred tax assets had been recognised in previous years were derecognised during the year and charged to the income statement. Management has assessed that the losses may not be used to offset taxable profits in the future and there are no other tax planning opportunities or other evidence of recoverability of such tax losses in the near future.

Management believes that sufficient taxable profit will be available to allow the remaining tax losses to be utilised. Accordingly, the relevant subsidiaries have recognised deferred tax assets relating to the remaining unutilised tax losses carried forward.

The amounts of unutilised tax losses which deferred tax assets have not been recognised for Indonesian and Indian subsidiaries as at the end of the financial year amounts to Rs. 1,106.8 (2018: Rs. 1,999) and Rs. 4,335 Mn (2018: Rs. 4,537 Mn) respectively. The expiry dates of the tax losses for the Indonesian and Indian subsidiaries ranges from 1 to 5 years and 1 to 8 years respectively.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 17 INCOME TAX EXPENSES (CONTD.)

#### (g) Unrecognised deferred tax assets

##### Group

Deferred tax assets have not been recognised for unused tax losses of Rs. 5,325 mn (2018: Rs. 6,872 Mn) due to the uncertainty of sufficient taxable earnings of relevant entities including the derecognised tax losses of Indonesian Companies explained above.

Subsidiaries falling within the Sri Lankan tax exemption need not account for deferred tax, as temporary differences do not exist during the tax exemption period. Therefore, deferred tax has not being provided for Agro Harapan Lestari (Private) Limited, AHL Business Solutions (Private) Limited and Goodhope Investments (Private) Limited.

No deferred tax liabilities (2018: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain group's subsidiaries as the group has determined that undistributed earnings of those subsidiaries will not be distributed in the foreseeable future.

##### Company

The Company has accumulated tax loss of Rs. 1,314 Mn (2018: Rs. 1,345 Mn) as at the reporting date. The deferred tax asset of Rs. 364 Mn (2018 - Rs.336 Mn ) arising from the said tax loss has not been recognized due to uncertainty of future taxable profits against which the deferred tax assets would be utilized, given that the Company's only source of income being dividend income which is tax exempt.

#### (h) Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2018: US\$nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of the subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to Rs. 69,577 Mn (2018: Rs. 57,551 Mn).

#### (i) Corporate tax rate in Sri Lanka

As provided for in LKAS 12 - "Income Taxes" deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Accordingly following income tax rates have been used during the year;

Leisure Sector	14%
Beverage Sector	40%
Real Estate Sector	28%
Other Sectors	28%

(Amounts expressed in Sri Lankan Rs. '000)

**(j) Reconciliation of the Accounting Profit with the Taxable Profit**

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
Profit before taxation	5,060,992	7,387,888	(24,413)	589,040
Aggregate tax disallowed expenses	9,299,396	9,661,632	274,594	237,343
Aggregate of deductions claimed	(8,118,088)	(9,071,246)	-	-
Dividend income	(862,140)	(3,612,243)	(227,137)	(640,561)
Exempt (profits) / Loss	104,179	(1,019,854)	-	(175,264)
Adjustments of change in fair value	2,118,177	(201,407)	8,384	(3,914)
Impairment of business assets	145,207	1,072,462	-	3,019
Operating losses incurred during the year	4,935,945	2,004,546	-	-
<b>Tax adjusted profits</b>	<b>12,683,668</b>	<b>6,221,778</b>	<b>31,428</b>	<b>9,663</b>
<b>Adjustments</b>				
Adjustments due to the consolidation / conversions	51,075	2,909,599	-	-
Share of net results of Joint Ventures	(6,910)	(11,027)	-	-
Tax losses utilized during the year	(2,896,253)	(768,450)	(31,428)	(3,382)
<b>Taxable income</b>	<b>9,831,580</b>	<b>8,351,901</b>	<b>-</b>	<b>6,281</b>
<b>Taxation on Profits</b>				
Taxation at 14% (Note 17 l (i) & (v))	15,464	3,143	-	-
Taxation at 28% (Note 17 k (i))	465,727	370,288	-	1,759
Taxation at 40% (Note 17 l (vi))	496,210	130,612	-	-
10% WHT on Inter company dividend	35,854	94,002	-	-
Off - Shore profits at varying rates (Note 17 k (ii))	1,699,999	1,658,726	-	-
Economic Service Charge - write off / credit (Note 17 m)	-	1,427	-	1,427
Under/(over) provision for previous years	(4,301)	28,072	-	-
	<b>2,708,953</b>	<b>2,286,270</b>	<b>-</b>	<b>3,186</b>

Group tax expenses is based on the taxable profit of individual companies within the group. At present the tax laws of Sri Lanka does not provide for group taxation.

**Analysis of Tax Losses**

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
Tax losses brought forward	20,145,579	15,916,472	1,345,462	1,348,848
Adjustment on losses (Finalization/write-off/conversions)	6,453,759	2,993,011	-	(4)
Tax losses incurred during the year	4,935,945	2,004,546	-	-
Utilization of tax losses during the year	(2,896,253)	(768,450)	(31,428)	(3,382)
<b>Tax losses carried forward</b>	<b>28,639,030</b>	<b>20,145,579</b>	<b>1,314,034</b>	<b>1,345,462</b>

Utilization of tax losses in the current year has resulted in tax saving of Rs. 1,096 Mn (2018 - Rs. 286 Mn) for the Group.

As per section 19 of the Inland Revenue Act No. 24 of 2017, any unclaimed tax losses incurred during the year could be carried forward for further six years. In addition, as per the Gazette notification (No. 2064/53) issued on the transitional provisions, any unclaimed loss as at 31st March 2018, is also deemed to be a loss incurred for the year of assessment commencing on or after 1st April 2018 and shall be carried forward up to 6 years. Such losses can be set off against profits without any limitation but subjecting to source of income as provided in the Act. As specified above, some companies in the group have carried forward tax losses which are available to be set off against the future tax profits of the companies. Adjustment for taxation on the losses from overseas operations are made in accordance with the provisions of the relevant statutes in those countries.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 17 INCOME TAX EXPENSES (CONTD.)

#### (k) Taxation of Profits

##### (i) Current Tax in Sri Lanka

The income tax provision of Carson Cumberbatch PLC, its subsidiaries which are resident in Sri Lanka have been calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and any applicable Gazette notifications issued. In terms of above, the income tax provisions of companies have been calculated on their adjusted profits at the standard rate of 28%. Apart from the Companies taxed at the standard rate, income tax status of the Companies which are exempt from income tax and those subject to tax at different rates are set out in note 17 (l) below.

Income tax expenses for the year includes, taxes arising from the dividend distributions by resident companies of the Group and any adjustment relating to income tax payable or receivable balances in respect of previous years.

##### Notional tax credits carried forward

As per the Gazette notification issued in relation to the transitional provisions of Inland Revenue Act No. 24 of 2017, the carried forward notional tax credits 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

##### (ii) Current Tax on Overseas Operations

Companies incorporated and operating outside Sri Lanka are liable for income tax in accordance with the provisions of the foreign jurisdictions applicable to those companies. The corporate income tax rates applicable to group companies operating in the following countries are;

	2019	2018
Singapore	17%	17%
Indonesia	25%	25%
India	30.9%	30.9%
Malaysia	24%	24%

#### (l) Tax Exemptions and Concessions

- (i) In terms of Inland Revenue Act No 24 of 2017, a company predominantly conducting a business of exporting goods and services will be liable to income tax at the rate of 14% with effect from 1st April 2018. Accordingly, Company's subsidiaries Agro Harapan Lestari (Pvt) Limited and AHL Business Solutions (Pvt) Limited are liable to income tax at 14%. (2018 - Exempt)
- (ii) Malaysian Plantations Companies Incorporated in Sri Lanka  
The profits from plantation activities of the Sri Lankan incorporated companies having its plantation operations in Malaysia are liable to corporate income tax in Malaysia. However the plantations activities were discontinued in the financial year 2016/17. Such companies profits other than plantation activities, are liable to tax at a rate of 28%. (2018 - 28%)
- (iii) In terms of item (h) of third schedule of the Inland Revenue Act, No. 24 of 2017, gains made on the realisation of an asset consisting of shares quoted in any official list published by any stock exchange licensed by the Securities and Exchange Commission of Sri Lanka are exempt from income tax

(Amounts expressed in Sri Lankan Rs. '000)

#### (l) Tax Exemptions and Concessions (Contd.)

- (iv) As per the directive issued by the Ministry of Finance in accordance to the section 57 & 59 of the Inland Revenue Act No 24 of 2017, unit trusts are considered as pass-through vehicles. Accordingly, income derived from a unit trust is identified in the companies accounts using the same source and character as identified by the unit trust. As beneficiaries, companies are therefore required to pay 28% tax on interest income derived through Fixed Income Unit Trust
- (v) In terms of Inland Revenue Act No 24 of 2017, a company predominantly engaged in undertaking for the promotion of tourism will be liable to income tax at the rate of 14% with effect from 1st April 2018. The term "predominantly" is defined as a company that is 80% or more calculated on Gross income. Accordingly, Company's subsidiaries Pegasus Hotels of Ceylon PLC and Equity Hotels Limited are liable to income tax at 14%. (2018 - 12%)
- (vi) As per the First Schedule of the Inland Revenue Act No 24 of 2017, a company with income from a business consisting of liquor (including beer) is liable to income tax at 40%. Therefore Company's subsidiaries Lion Brewery Ceylon PLC, Luxury Brand Pvt Limited & Retail spaces Pvt Limited on taxable income which consist of component of liquor, are liable to pay income tax at 40% (2018 - 40%)
- (vii) Dividend and gains realisation of shares in a non - resident company where derived by a resident company with a holding of 10% or more either directly or indirectly in the non-resident company, are exempt from income tax.
- (viii) Premium Oils and Fats Sdn. Bhd. ("POF") incorporated in Malaysia has received "Operational Headquarters" ("OHQ") status from the Malaysian Industrial Development Authority. Accordingly, POF's income from qualifying services is exempt from corporate income tax until 2020.

#### (m) Economic Service Charge

Economic Service Charge paid by companies are available as income tax credit. In instances where recoverability is not possible due to their tax status, sums paid are written-off to the Statement of Comprehensive Income.

### 18 EARNINGS/(LOSS) PER ORDINARY SHARE

#### (a) Earnings/(loss) per ordinary share from Continuing and Discontinued operations

The Group's earnings per ordinary share of Rs. 0.48 (2018 - Rs. 9.00) and Company's loss per ordinary share of Rs. (0.12) (2018 - Rs. 2.98), are calculated by dividing the profit / (loss) attributable to the ordinary shareholders of Carson Cumberbatch PLC by the Company's weighted average number of ordinary shares in issue during the year.

The amounts used in calculating the earnings per share are as follows:

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<i>Amount used as the Numerator</i>				
Profit/(loss) for the year	908,265	3,835,184	(24,413)	585,854
Non controlling interest	(814,313)	(2,068,167)	-	-
<b>Net Profit/(loss) attributable to Ordinary Shareholders</b>	<b>93,952</b>	<b>1,767,017</b>	<b>(24,413)</b>	<b>585,854</b>
<i>Number of Ordinary Shares used as the Denominator</i>				
Ordinary shares in issue (No's)	196,386,914	196,386,914	196,386,914	196,386,914
<b>Earnings/(loss) per Ordinary Share (Rs.)</b>	<b>0.48</b>	<b>9.00</b>	<b>(0.12)</b>	<b>2.98</b>

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 18 EARNINGS/(LOSS) PER ORDINARY SHARE (CONTD.)

#### (b) Earnings/(loss) per share from Continuing operations

The Group's earnings per ordinary share from continuing operations of Rs. 0.91 (2018 - Rs. 8.72) is calculated by dividing the profit from continuing operations attributable to the ordinary shareholders of Carson Cumberbatch PLC by the Company's weighted average number of ordinary shares in issue during the year.

The amounts used in calculating the earnings per share are as follows:

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<i>Amount used as the Numerator</i>				
Profit/(loss) for the year from continuing operations	1,068,430	3,734,777	(24,413)	585,854
Non controlling interest from continuing operations	(889,062)	(2,021,307)	-	-
Net Profit/(loss) attributable to Ordinary Shareholders from continuing operations	179,368	1,713,470	(24,413)	585,854
<i>Number of Ordinary Shares used as the Denominator</i>				
Ordinary shares in issue (No's)	196,386,914	196,386,914	196,386,914	196,386,914
Earnings/(loss) per Ordinary Share (Rs.)	0.91	8.72	(0.12)	2.98

#### (c) Earnings/(loss) per share from Discontinued operations

The Group's earnings/(loss) per ordinary share from discontinued operations of Rs. (0.43) (2018 - Rs. 0.27) is calculated by dividing the profit/(loss) from discontinued operations attributable to the ordinary shareholders of Carson Cumberbatch PLC by the Company's weighted average number of ordinary shares in issue during the year.

The amounts used in calculating the earnings per share are as follows:

For the year ended 31st March	Group	
	2019	2018
<i>Amount used as the Numerator</i>		
Profit/(loss) for the year from discontinued operations	(160,165)	100,407
Non controlling interest from discontinued operations	(74,749)	(46,860)
Net Profit/(loss) attributable to Ordinary Shareholders from discontinued operations	(85,416)	53,547
<i>Number of Ordinary Shares used as the Denominator</i>		
Ordinary shares in issue (No's)	196,386,914	196,386,914
Earnings/(loss) per Ordinary Share from discontinued operations (Rs.)	(0.43)	0.27

(Amounts expressed in Sri Lankan Rs. '000)

## 19 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

Management has presented the performance measure EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, impairment losses/reversals related to Bearer plant, biological assets, property, plant and equipment, Investment properties and financial assets held for trading.

EBITDA is not a defined performance measure in LKAS and SLFRS. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

### Reconciliation of EBITDA to profit from continuing operations

For the year ended 31st March	Group	
	2019	2018
Profit from continuing operations	1,068,430	3,734,777
Income tax expense	3,992,562	3,653,111
Profit before tax	5,060,992	7,387,888
Adjustments for:		
Net finance costs	4,892,419	4,496,028
Depreciation	5,213,276	3,991,582
Amortisation	297,513	233,772
Impairment of business assets	145,207	1,072,462
Foreign exchange losses	691,817	725,715
Change in fair value of investment properties	(423,145)	(621,085)
Change in fair value of biological assets	392,859	(1,017,130)
Change in fair value of financial assets held for trading	2,542,330	32,906
Share of net result of joint venture	(6,910)	(11,027)
<b>EBITDA</b>	<b>18,806,358</b>	<b>16,291,111</b>

## 20 DIVIDEND PER ORDINARY SHARE

For the year ended 31st March	Total dividend		Dividend per ordinary share	
	2019	2018	2019 (Rs.)	2018 (Rs.)
Dividend paid				
Final Dividend	196,387	392,774	1.00	2.00
	196,387	392,774	1.00	2.00

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 21 PROPERTY, PLANT & EQUIPMENT - GROUP

	Freehold Land & Buildings	Leasehold Land & Buildings	Plant & Machinery	Motor Vehicles	Office Equipment, Furniture & Fittings	Computers	Returnable Containers	Capital Work - In Progress	Total
<b>(a) For the year ended 31st March 2019</b>									
Cost/Valuation									
As at 1st April 2018	9,293,665	24,003,951	29,364,950	1,669,338	1,364,462	1,036,850	3,761,241	2,210,164	72,704,621
Additions	179,137	1,370,923	533,477	409,748	146,496	71,286	515,042	1,831,636	5,057,745
Revaluation	279,088	-	-	-	-	-	-	-	279,088
Transfers from operators	107,431	-	-	-	12,357	2,074	-	-	121,862
Transfers /Adjustments	(1,693,720)	2,364,619	884,553	(10,061)	(6,116)	9,309	(686,255)	(1,702,967)	(840,638)
Disposals/Written - off	(777)	(5,287)	(52,473)	(106,917)	(44,286)	(202,203)	(144,773)	-	(556,716)
Exchange translation difference	35,056	2,407,976	1,403,643	139,323	92,924	41,501	167	74,061	4,194,651
As at 31st March 2019	8,199,880	30,142,182	32,134,150	2,101,431	1,565,837	958,817	3,445,422	2,412,894	80,960,613
Depreciation/Accumulated Depreciation									
As at 1st April 2018	416,909	5,302,795	10,139,076	1,247,168	1,081,723	902,415	2,702,788	-	21,792,874
Charge for the year	155,037	1,025,394	1,769,535	165,234	93,743	75,003	402,291	-	3,686,237
Transfers /Adjustments	(415,672)	299,905	12,572	(2,174)	122	(7,675)	(660,910)	-	(773,832)
On disposals/Written - off	(23)	(3,303)	(46,514)	(106,371)	(33,584)	(156,881)	(144,773)	-	(491,449)
Exchange translation difference	5,430	556,780	701,573	96,404	79,376	38,791	-	-	1,478,354
As at 31st March 2019	161,681	7,181,571	12,576,242	1,400,261	1,221,380	851,653	2,299,396	-	25,692,184
Net Book Value as at 31st March 2019	8,038,199	22,960,611	19,557,908	701,170	344,457	107,164	1,146,026	2,412,894	55,268,429
<b>(b) For the year ended 31st March 2018</b>									
Cost/Valuation									
As at 1st April 2017	9,332,385	26,358,585	26,897,635	1,957,739	1,290,349	926,082	3,190,292	2,133,040	72,086,107
Additions	74,363	1,353,990	765,335	104,405	83,984	65,557	602,404	717,012	3,767,050
Impairment (Note 10 & 19 e)	(11,309)	(4,018,645)	(2,348)	-	-	-	-	-	(4,032,302)
Transfers /Adjustments	(200,478)	484,563	547,911	(249,378)	5,734	46,186	(4,120)	(639,019)	(8,601)
Disposals/Written - off	(106,545)	-	(37,477)	(160,300)	(14,732)	(16,358)	(27,295)	(320)	(363,027)
Exchange translation difference	205,249	(174,542)	1,193,894	16,872	(873)	15,383	(40)	(549)	1,255,394
As at 31st March 2018	9,293,665	24,003,951	29,364,950	1,669,338	1,364,462	1,036,850	3,761,241	2,210,164	72,704,621
Depreciation/Accumulated Depreciation									
As at 1st April 2017	323,453	4,345,151	8,208,675	1,268,381	971,159	843,818	2,348,412	-	18,309,049
Charge for the year	170,555	580,693	1,417,240	149,081	99,267	50,443	358,314	-	2,825,593
Transfers /Adjustments	(106,321)	106,321	41,699	(41,699)	-	-	-	-	-
On disposals/Written - off	(54)	-	13,149	(175,219)	(9,137)	(16,317)	(3,938)	-	(191,516)
Exchange translation difference	29,276	270,630	458,313	46,624	20,434	24,471	-	-	849,748
As at 31st March 2018	416,909	5,302,795	10,139,076	1,247,168	1,081,723	902,415	2,702,788	-	21,792,874
Net Book Value as at 31st March 2018	8,876,756	18,701,156	19,225,874	422,170	282,739	134,435	1,058,453	2,210,164	50,911,747



(Amounts expressed in Sri Lankan Rs. '000)

## 21 PROPERTY, PLANT & EQUIPMENT - GROUP (CONTD.)

### (c) Details of Group Freehold Lands & Building stated at valuation are Indicated below: - Continuing Operations

Property	Method of Valuation	Effective Date of Valuation	Valuer	Land Extent (in Acres)	Number of Buildings/ Blocks	Carrying Value of Revalued Assets as at 31st March 2019 If carried at Historical Cost	Carrying Value of Revalued Assets as at 31st March 2019
Pegasus Hotels of Ceylon PLC, Wattala, Sri Lanka	Market Approach	31.03.2017	Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers	13.47	1	548,180	1,585,231
Ceylon Beverage Holdings PLC, Nuwara Eliya, Trincomalee Sri Lanka	Market/ income Approach	31.03.2016	Mr. K. Arthur Perera A.M.I.V. (Sri Lanka) Valuer & Consultant	3.75	2	1,911	330,229
Lion Brewery (Ceylon) PLC Biyagama, Kaduwela and Tangalle Sri Lanka	Market/ income Approach	31.03.2016	Mr. K. Arthur Perera A.M.I.V. (Sri Lanka) Valuer & Consultant	35.01	46	3,087,359	4,547,688
Millers Brewery Limited Padukka, Sri Lanka	Market/ income Approach	31.03.2019	Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers	22.94	12	711,175	1,178,521
Equity Two PLC Colombo 1, Sri Lanka	Market Approach	31.03.2019	Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers	0.18	1	128,364	396,530
				75.35	62	4,476,989	8,038,199

Market approach method: Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 21 PROPERTY, PLANT & EQUIPMENT - GROUP (CONTD.)

#### (d) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring fair values, as well as the significant unobservable inputs used.

Description	Effective date of valuation	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land of Lion Brewery (Ceylon) PLC	31.03.2016	Market approach/ comparison method	(i) Per perch value	Positive correlated sensitivity
Buildings of Lion Brewery (Ceylon) PLC	31.03.2016	Depreciated replacement cost method	(i) Estimated construction cost per square feet.	Positive correlated sensitivity
			(ii) Percentage of depreciation	Negative correlated sensitivity
Land of Ceylon Beverage Holdings PLC	31.03.2016	Market approach/ comparison method	(i) Per perch value	Positive correlated sensitivity
Buildings of Ceylon Beverage Holdings PLC	31.03.2016	Depreciated replacement cost method	(i) Estimated construction cost per square feet	Positive correlated sensitivity
			(ii) Percentage of depreciation	Negative correlated sensitivity
Land of Millers Brewery Limited	31.03.2019	Market approach/ comparison method	(i) Per perch value	Positive correlated sensitivity
Buildings of Millers Brewery Limited	31.03.2019	Depreciated replacement cost method	(i) Estimated construction cost per square feet	Positive correlated sensitivity
			(ii) Percentage of depreciation	Negative correlated sensitivity
Land of Pegasus Hotels of Ceylon PLC	31.03.2017	Market Approach	(i) Per perch value	Positive correlated sensitivity
Buildings of Pegasus Hotels of Ceylon PLC	31.03.2017	Contractor's Method*	(i) Estimated construction cost per square foot	Positive correlated sensitivity
			(ii) Depreciation rate for the usage of assets.	Negative correlated sensitivity
Buildings of Equity Hotels Limited	31.03.2017	Contractor's Method*	(i) Estimated construction cost per square foot	Positive correlated sensitivity
			(ii) Depreciation rate for the usage of assets.	Negative correlated sensitivity
Land of Equity Two PLC	31.03.2018	Investment/ Market Approach	(i) Per perch value	Positive correlated sensitivity
Buildings of Equity Two PLC	31.03.2018	Investment/ Market Approach	(i) Construction cost per square feet	Positive correlated sensitivity
			(ii) Depreciation rate for the usage of assets.	Negative correlated sensitivity

\* Contractor's Method: The contractor's method works on the basis that a property's value can be equated to its cost. Valuer assess the cost of the building if it would have constructed in current year, and deduct margin for usage of the property-based on their year of construction.

(Amounts expressed in Sri Lankan Rs. '000)

## 21 PROPERTY, PLANT & EQUIPMENT - GROUP (CONTD.)

### (e) Impairment/write-off of Property, plant & equipment

#### 2019

The carrying values of property, plant and equipment of the Indonesian Plantation Companies were tested for impairment based on internal valuations. The recoverable values of the Plantation Assets have been established based on their cash generating potential over their useful economic life on a 'Going Concern' basis. Accordingly, the recoverable value exceeds net carrying value of property, plant and equipment. No impairment was required for the financial year ended 31 March 2019.

#### 2018

The carrying values of property, plant and equipment of the Indonesian Plantation Companies had been tested for impairment based on an independent valuation exercise. The valuations for financial years ended 31 March 2018 were determined by KJPP, an independent professional valuer using the same assumptions and bases as were used previously.

Based on such valuation, an impairment loss relating to PPE of Indonesian plantation companies amounting to Rs.4,032Mn was recognized in the financial statements under the line item "Impairment of Business Assets"

### (f) Carrying value of Property, plant & equipment

As at 31st March	Group	
	2019	2018
At cost	46,802,331	41,950,656
At valuation (Note d)	8,038,199	8,876,756
On finance lease	427,899	84,335
	55,268,429	50,911,747

### (g) Capital work-in-progress consists of

As at 31st March	Group	
	2019	2018
Land Improvements	470,590	136,788
Buildings	406,375	134,032
Plant & Machinery	1,429,183	1,914,040
Others	106,746	25,304
	2,412,894	2,210,164

### (h) Assets held under finance leases

During the financial year ended 31st March 2019, the Group acquired property, plant and equipment with an aggregate cost of Rs. 340 Mn or equivalent to US\$ 1,931,000. (2018 - Rs. 72.9 Mn or equivalent to US\$ 469,000) by means of finance leases.

The net book value of property, plant and equipment held under finance leases at the reporting date is Rs. 427.8 Mn or equivalent to US\$ 2,430,000 (2018 Rs 84.3 Mn or equivalent to US\$ 542,000).

Leased assets are pledged as security for the related finance lease liabilities.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### (i) Capitalisation of borrowing costs

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for their development. For the financial year ended 31 March 2019, the borrowing cost capitalised to property, plant and equipment was Rs. 2.4 Mn or equivalents to US\$14,000 (2018: Rs. 148.9 Mn or equivalents to US\$957,000). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation for the financial year ended 31 March 2019 was 5.73% (2018: 4.90%) which was the effective interest rate of the borrowing.

### (j) Assets pledged as security

The carrying value of certain property, plant and equipment of the Group amounting to approximately Rs. 23,870 Mn or equivalent to US\$ 135,558,000 (2018 - Rs. 28,393 Mn or equivalent to US\$182,476,000) are pledged as security for bank borrowings.

### (k) Leasehold Land - Equity Hotels Ltd.

The land where the group subsidiary Equity Hotels Limited is located, in Polonnaruwa, is on a 30 year lease from 01st January 1997 to 31st December 2026 with the option for renewal. During the lease period, the subsidiary has the right to use the land to construct and operate a tourist hotel, approved and categorized by the Sri Lanka Tourist Board.

## 22 BEARER PLANTS

As at 31st March	Group	
	2019	2018
<b>Cost</b>		
Balance as at the beginning of the year	41,213,972	39,238,678
Increase due to plantation development costs	1,033,479	2,034,116
Capitalisation of interest	11,279	129,151
Capitalisation of depreciation of property plant & equipment	25,373	88,280
Capitalisation of amortisation of intangible assets	24,242	83,301
Disposal	(11,495)	-
Exchange translation difference	3,906,714	(359,554)
<b>Balance as at end of the year</b>	<b>46,203,564</b>	<b>41,213,972</b>
<b>Accumulated depreciation</b>		
Balance as at the beginning of the year	5,811,963	4,608,156
Charge for the year	1,552,412	1,254,269
Disposal	(13,809)	-
Exchange translation difference	624,130	(50,462)
<b>Balance as at end of the year</b>	<b>7,974,696</b>	<b>5,811,963</b>
<b>Accumulated Impairment</b>		
Balance as at the beginning of the year	3,671,385	7,113,379
Reversal for the financial year (Note c)	-	(3,379,941)
Exchange translation difference	341,108	(62,053)
<b>Balance as at end of the year</b>	<b>4,012,493</b>	<b>3,671,385</b>
<b>Net balance as at end of the year</b>	<b>34,216,375</b>	<b>31,730,624</b>

(Amounts expressed in Sri Lankan Rs. '000)

## 22 BEARER PLANTS (CONTD.)

### (a) Analysis of bearer plants

At the end of the financial year, the Group's total planted area and related value of mature and immature plantations are as follows:

As at 31st March Area	Indonesian Plantations	
	2019 Hectares	2018 Hectares
Planted Area:		
- Mature	62,070	56,617
- Immature	1,153	6,633
	63,223	63,250

As at 31st March Value	Indonesian Plantations	
	2019	2018
Planted Area:		
- Mature	27,077,711	17,771,232
- Immature	7,138,664	13,959,392
	34,216,375	31,730,624

(b) The carrying value of bearer plants of the Group pledged / undertaken as security for the bank borrowings amounted to approximately Rs. 26,420 Mn or equivalent to US\$ 150,038,000 (2018 Rs. 22,869 Mn or equivalent to US\$ 146,972,000).

### (c) Reversal of/ provision for impairment on bearer plants

Group tested for impairment of the Indonesian Plantation companies via an independent valuation exercise. The valuation for financial year ending 31st March 2018 was carried out M/S KJPP Regganis, Hamid & Rekan.

Given the nature, Indonesian Plantation Companies, used the entity based valuation technique, where each asset class was valued based on the assumptions noted below. The valuation is carried out assuming that the company will continue in business and generate operating cash flows through normal course of business.

Based on such valuation, an reversal of impairment loss of bearer plants amounting to Rs 3,379 mn was recognized in the financial statements under the line item "Impairment of Business Assets"

(d) Depreciation of property, plant and equipment capitalised to immature plantations for the financial years ended 31 March 2019, Rs. 11.2 Mn (2018 - Rs. 129.1 Mn).

During the financial year, borrowing costs amounting to Rs. 3.5 Mn or equivalent to US\$20,000 (2018: Rs. 142 Mn or equivalent to US\$914,000) have been capitalised to immature plantations

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 23 BIOLOGICAL ASSETS

As at 31st March	Group	
	2019	2018
Biological assets	1,497,067	1,724,203
Movement of biological Assets		
At the beginning of the year	1,724,203	712,845
Change in fair value of biological assets	(392,859)	1,017,130
Exchange translation difference	165,723	(5,772)
At the end of the year	1,497,067	1,724,203

The fair value of biological assets has been determined based on the market price and the estimated yield of Fresh Fruit Bunches (FFB), net of maintenance and harvesting costs, and estimated cost to sell. The estimated yield is dependent on the age of the oil palm trees, the location of the plantations, soil type and infrastructure. The market price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel. Point-of-sale costs include all costs that would be necessary to sell the assets.

Fair valuation of FFB fall under level 3 category in the fair value hierarchy as provided in Note 45 to this financial statement.

Significant assumptions made in determining the fair values of the biological assets and sensitivity analysis of price fluctuation is provided below:

As at 31st March	Group	
	2019	2018
FFB - Volume (MT)	114,013	104,635
Average FFB Price (US\$/MT)		
2019	69 - 101	
2018	91 - 129	
2017	91 - 132	

The following table shows the impact on the fair value measurement of assets that are sensitive to changes in market price.

As at 31st March	Group	
	Change in market price US\$'000	Changes in fair value US\$'000
<b>2019</b>		
Index price	Increased by 10%	1,073
	Decreased by 10%	(1,073)
<b>2018</b>		
Index price	Increased by 10%	1,293
	Decreased by 10%	(1,293)

The Group is exposed to the following risks relating to its Palm Oil plantations.

- (i) The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environment and other laws.
- (ii) Supply and demand risk  
The Group is exposed to risks arising from fluctuations in the price and sales volume due to market supply and demand. Management performs regular industry trend analyses for projected harvested volumes and pricing.
- (iii) Climate and Other risks  
The Group Palm Oil plantations are exposed to the risk of damage from climatic changes, disease and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular plants inspections and industry pest and disease surveys. The Group is also insured against natural disasters such as floods and hurricanes.

(Amounts expressed in Sri Lankan Rs. '000)

## 24 PREPAID LEASE PAYMENT FOR LANDS

As at 31st March	Group	
	2019	2018
<b>Cost/Valuation</b>		
Balance as at the beginning of the year	5,515,537	5,874,646
Additions	205,242	-
Impairment (Note 12 and 24 b)	-	(308,716)
Disposal	(281)	-
Exchange translation difference	523,465	(50,393)
Balance as at end of the year	6,243,963	5,515,537
<b>Accumulated amortization</b>		
Balance as at the beginning of the year	1,135,588	947,028
Amortization	191,410	198,414
Disposal	-	-
Exchange translation difference	115,866	(9,854)
Balance as at end of the year	1,442,864	1,135,588
Net Balance as at the end of the year	4,801,099	4,379,949

### (a) Details of leasehold property - Indonesia

Land rights represent amounts paid on obtaining land rights certificate under Hak Guna Usaha ("HGU") or Right to cultivate and expenses incurred for obtaining operating licences. The land rights have an average remaining amortisation period of 22 years (2018: 23 years).

Management believes that the existing land rights of the Group will be renewed by the Government of Indonesia upon expiry because under the laws of Indonesia, land rights can be renewed upon the request of the HGU holder (subject to the approval of the Government of Indonesia).

Land rights acquisition costs representing the cost associated with the legal transfer or renewal for titles of land rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. Such costs are also deferred and amortised on a straight-line basis over the terms of the related land rights of 22 years.

### (b) Provision for impairment on prepaid lease payment for lands

#### 2019

The carrying value of assets of the Indonesian Plantation Companies were tested for impairment based on an internal valuation. The recoverable value of the plantation assets have been established based on their cash generating potential over their useful economic life on 'going concern' basis. As per the internal valuation, the recoverable value of the assets were higher than its carrying value. No impairment was required for the financial year ended 31 March 2019.

#### 2018

The carrying values of land rights of the Indonesian Plantation Companies had been tested for impairment based on an independent valuation exercise. The valuations for financial year ended 31 March 2018 was determined by KJPP, an independent professional valuer using the same assumptions and bases as were used previously.

Based on the independent valuation, an impairment loss of land rights amounting to Rs. 308.7 Mn was recognised in the income statement.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### (c) Analysis of prepaid lease rights

As at 31st March	Group	
	2019	2018
Prepaid lease rights are to be amortised;		
Not later than one year	214,125	160,890
Later than one year but not later than 5 years	867,596	710,626
Later than five years	3,719,378	3,508,433
	4,801,099	4,379,949

## 25 INVESTMENT PROPERTIES

As at 31st March	Freehold	Freehold	Other	Group	
	Land	Building	Equipment	2019	2018

### (a) Investment Properties of the Group comprise of:

Equity One Ltd	2,117,729	255,575	47,308	2,420,612	2,140,374
Equity Two PLC	694,872	213,987	46,103	954,962	868,742
Equity Three (Private) Limited	431,183	70,543	1,696	503,422	438,682
	3,243,784	540,105	95,107	3,878,996	3,447,798

For the year ended 31st March	Freehold Land		Freehold Building		Other Equipment		Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018

### (b) Movements of Investment Properties

Balance as at the beginning of the year	2,842,508	2,177,913	494,286	501,045	111,004	126,059	3,447,798	2,805,017
Additions during the year	-	-	20,927	-	1,603	21,696	22,530	21,696
Gain/(loss) on fair value adjustment (Note c)	401,276	664,595	39,370	(6,759)	(17,501)	(36,751)	423,145	621,085
Written - off due to fire related damages	-	-	(14,478)	-	-	-	(14,478)	-
Balance at end of the year	3,243,784	2,842,508	540,105	494,286	95,107	111,004	3,878,996	3,447,798

### (c) Change in fair value of investment properties

Equity One Ltd	260,879	414,050	21,326	8,637	(8,466)	(14,228)	273,739	408,459
Equity Two PLC	78,814	168,400	15,101	(5,716)	(8,734)	(19,448)	85,181	143,236
Equity Three (Private) Limited	61,583	82,145	2,943	(9,680)	(301)	(3,075)	64,225	69,390
	401,276	664,595	39,370	(6,759)	(17,501)	(36,751)	423,145	621,085



(Amounts expressed in Sri Lankan Rs. '000)

## 25 INVESTMENT PROPERTIES (CONTD.)

### (d) Details of investment properties - Group

Company	Location	Description	Method of valuation	Net rentable area (In Sq.ft.)	Extent (Hectares)	Historical Cost	Fair Value 31st March 2019	Fair Value 31st March 2018
Equity One Ltd	Dharmapala Mw., Colombo 07.	Office Space	Investment approach	44,647	0.238	120,288	1,486,592	1,329,524
Equity One Ltd	Vauxhall Lane, Colombo 02	Warehouse Space	Market approach	32,408	0.455	233,366	934,020	819,509
Equity Two PLC	No 55, Janadhpathi Mawatha, Colombo 1	Office Space	Investment approach	44,046	0.146	427,629	954,963	860,083
Equity Three (Private) Limited	George R. De Silva Mw, Colombo 13	Office Space	Market approach	31,237	0.208	69,256	503,421	438,682
							3,878,996	3,447,798

The Investment Properties of the Group comprise of number of commercial properties that are leased to external and related party tenants. The lease agreements are typically entered in to two year periods with the option for subsequent renewals.

The Group recognized land and building located at 61,Janadhpathi Mawatha owned by the subsidiary company Equity Two PLC though held to earn rental income and capital appreciation (and classified as investment property by the said subsidiary) as Property Plant and Equipment as opposed to investment property since Company's subsidiary Carsons Management Services (Private) Limited occupies a substantial portion at the said property.

### (e) Summary description of valuation methodologies

**Investment approach:** The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

**Market approach method:** Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 25 INVESTMENT PROPERTIES (CONTD.)

#### (f) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuer, Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property.

The fair value measurement for the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Description	Location	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
				The estimated fair value would increase/ (decrease) if –
Land & Building	Colombo	Investment approach	Contractual rentals agreed with the tenants.	Contractual rentals was higher/ (lower)
			Occupancy Rate 75% - 90%	Occupancy rate was higher/(lower)
			Capitalization rate 6%	Capitalization rate was (higher)/ lower
			Repair and insurance 20%	Repair and insurance was (higher)/lower
			Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations.	Market value per perch was higher/ (lower)
Land & Building	Colombo	Market approach	Construction cost per square feet Rs. 4,000 - Rs. 6,250.	Cost per square feet was higher/ (lower)
			Market price per perch, valuer has used a range of prices for respective lands based on an adjusted fair value taking into account of other valuation considerations.	Market value per perch was higher/ (lower)
			Depreciation rate for the usage of assets 65% - 70%	Depreciation rate for usage lower/ (higher)

#### (g) Capitalization of borrowing costs into investment properties

No borrowing cost capitalized for the year ended 31st March 2019 (2018 - Rs. Nil).

#### (h) Contractual obligations to construct and develop investment properties

No contractual obligations to construct and develop investment properties have been entered into as at the reporting date.

(i) All the direct operating expenses of the Group are incurred on investment properties generating rental income.

(j) There were no restrictions on title of investment properties as at the reporting date.

(Amounts expressed in Sri Lankan Rs. '000)

25	INVESTMENT PROPERTIES (CONTD.)	2019		2018		
		2019	2018	2019	2018	
(k)	Rental Income					
	For the year ended 31st March					
	Rental income derived from investment properties			310,677	289,025	
	Direct operating expenses generating rental income			(85,802)	(70,296)	
26	INTANGIBLE ASSETS - GROUP					
		Goodwill	Excise License	Brand/Trade mark	Customer Relationship	Total
	For the year ended 31st March	2019	2019	2019	2019	2019
		2018	2018	2018	2018	2018
	Cost/Valuation					
	Balance as at the beginning of the year	2,567,154	2,567,154	2,347,200	410,586	6,860,831
	Additions	-	11,283	-	-	51,983
	Impairment (Note 12 & 26 d)	-	-	-	-	-
	Transfer / Adjustment	-	(6,899)	-	(20,035)	(7,180)
	Exchange translation difference	-	87,873	1,434	-	89,307
	Balance as at end of the year	2,567,154	1,773,473	2,352,194	390,551	7,052,344
	Accumulated Amortization					
	Balance as at the beginning of the year	-	692,094	2,036	305,783	953,747
	Amortization	-	108,712	(7,115)	26,201	118,659
	Transfer / Adjustment	-	(3,194)	-	-	(3,194)
	Exchange translation difference	-	22,603	-	-	22,603
	Balance as at end of the year	-	820,215	4,147	331,984	1,026,114
	Net Balance as at the end of the year	2,567,154	953,258	2,348,047	58,567	6,026,230

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 26 INTANGIBLE ASSETS - GROUP (CONTD.)

#### (a) Goodwill

Goodwill is tested for impairment annually and when circumstances indicate, the carrying value may be impaired. Goodwill arising from business combinations has been allocated to an individual cash generating unit ("CGU") for impairment testing. The carrying amounts of goodwill allocated to each CGU are as follows, categorized under the respective sectors.

As at 31st March	2019	2018
Portfolio and asset management sector	182,740	182,740
Beverage sector	244,827	244,827
Real estate sector	27,584	27,584
Oil palm plantation sector	989,038	989,038
Oil & Fats sector	1,122,965	1,122,965
	2,567,154	2,567,154

#### Oil palm plantation sector

The recoverable amounts of the CGUs have been determined based on Value-In-Use ("VIU") calculations using cash flow projections from financial budgets approved by management based on the age profile of the plantations. Management determines the values assigned to each key assumption used in the cash flow projections based on past experience, operational considerations and current business practices common to the oil palm plantation industry.

The pre-tax discount rates applied to the cash flow projections and forecasted terminal growth rates used to extrapolate cash flow projections beyond the forecasted period are as follows:

As at 31st March	Oil palm Plantation sector	
	2019	2018
Pre-tax discount rates	13%	11%
Terminal Growth Rate	0%	0%

#### Key assumptions used in the Value-In-Use calculations

The calculations for value in use for the CGUs are most sensitive to the following assumptions:

**Pre-tax discount rates** - Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and derived from its Weighted Average Cost of Capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected rate of return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowing the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

**Terminal growth rate** – The forecasted terminal growth rate used does not exceed the longterm average growth rate of the industry and country in which the entities operate.

**Project CPO selling price** – The projected selling price of CPO is based on the consensus of reputable independent forecasting service firms for the short-term period and the World Bank forecast for the remaining projection period.

#### Sensitivity to changes in assumptions

With regards to the assessment of Value-In-Use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(Amounts expressed in Sri Lankan Rs. '000)

## 26 INTANGIBLE ASSETS - GROUP (CONTD.)

### Oils and fats sector

The recoverable amount of the CGU has been determined based on Value-In-Use ("VIU") calculations using cash flow projections from financial budgets approved by management.

The pre-tax discount rates applied to the cash flow projections and forecasted terminal growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

As at 31st March	Oil & Fats segment	
	2019	2018
Pre-tax discount rates	12%	10%
Terminal Growth Rate	2%	2%

The calculations for value in use for the CGUs are most sensitive to the following assumptions:

**Pre-tax discount rate** - Discount rate represents the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and derived from its Weighted Average Cost of Capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected rate of return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowing the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

**Terminal growth rate** – The forecasted terminal growth rate used does not exceed the longterm average growth rate of the industry and country in which the entities operate.

### Sensitivity to changes in assumptions

With regards to the assessment of Value-In-Use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

### Beverage Sector

Goodwill relating to Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC is included in Beverage Sector. The value in use is assessed based on the financial budgets prepared by the management and by monitoring the net asset position of the entities.

### Portfolio and Asset Management Sector

Goodwill relating to Guardian Group is included in this sector. The value in use is assessed based on financial budgets prepared by the management and by monitoring the net asset position of the entities.

## (b) Software development costs and licences

Software with a finite life is amortized over the period of expected economic benefit.

Software development costs and licenses represent the costs incurred in the development of the group Enterprise Resource Planning ("ERP") systems and its related licenses that are used to generate financial and management information and have an average remaining amortization period of 5 years (2018: 6 years).

All research costs and development costs not eligible for capitalization amounting to Rs. 58.6 Mn (2018: Rs. 48 Mn ) have been expensed and are recognized in the Income Statement.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 26 INTANGIBLE ASSETS - GROUP (CONTD.)

#### (c) Brands - Lion Brewery (Ceylon) PLC (LBC PLC)

Lion Brewery (Ceylon) PLC acquired brands amounting to Rs. 4 Bn during the financial year 2014/15. The said acquisition consisted of five brands namely, Sando Power, Sando Stout, Three Coins, Grand Blonde and Irish Dark. The brands are not amortised as the useful life is considered to be infinite given the nature of the assets. However, the assessment of indefinite life is reviewed annually and brands are tested for impairment annually.

#### Impairment assumptions of Brands

Lion Brewery (Ceylon) PLC had computed its value in use of the acquired brands by forecasting the annual sales values and discounting such estimated cash flows by its cost of equity adjusted with a risk premium. Cost of equity was determined based on the risk free rate of a 10 year treasury bond at 11.35% for the relevant cash flows, whereas the equity risk premium added was based on non-observable inputs as estimated for a valuation of the business in a previous period. Therefore, the difference in the discount rate compared with previous financial year is the change in the risk free rate due to market changes. The contribution and volume assumptions are made at mid-single digit growth levels similar to the previous period. The sales values are based on the approved budget for 2020. Accordingly, the carrying value of the said brands as at 31st March 2019 stands at Rs. 2,326,935,407 (2018 – Rs. 2,326,935,407)

#### (d) Customer relationships

Customer relationships acquired as part of business combination were initially recognised at their fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation and impairment. The average remaining amortisation period as at 31 March 2019 is 2 years (2018: 3 years).

The impairment loss amounting to Rs. Nil (2018 - 20.03 Mn) was recognised for the year ended 31 March 2019.

### 27 INVESTMENT IN SUBSIDIARIES

	Principal activities	Country of incorporation	Effective equity Interest held by the Group %		Investment through Group		Direct Investment by the Company	
			2019	2018	Cost 2019	Cost 2018	Cost 2019	Cost 2018
As at 31st March			2019	2018	2019	2018	2019	2018
<b>(i) Quoted Investments</b>								
Investments in Ordinary Shares								
Equity Two PLC	Real Estate	Sri Lanka	87.88%	87.88%	389,166	389,166	6	6
Pegasus Hotels of Ceylon PLC	Leisure	Sri Lanka	89.98%	89.98%	408,680	408,680	414,480	414,480
Selinsing PLC	Oil palm plantation	Sri Lanka	51.03%	51.03%	724,640	724,640	-	-
Good Hope PLC	Oil palm plantation	Sri Lanka	48.50%	48.50%	497,584	497,584	-	-
Indo - Malay PLC	Oil palm plantation	Sri Lanka	46.48%	46.48%	1,382,499	1,382,499	-	-
Shalimar (Malay) PLC	Oil palm plantation	Sri Lanka	52.39%	52.39%	616,029	616,029	-	-
Ceylon Guardian Investment Trust PLC	Portfolio and Asset Management	Sri Lanka	69.30%	69.30%	705,251	705,251	701,375	701,375
Ceylon Investment PLC	Portfolio and Asset Management	Sri Lanka	45.70%	44.60%	520,267	460,880	-	-
Guardian Capital Partners PLC	Portfolio and Asset Management	Sri Lanka	60.45%	60.45%	446,267	446,267	-	10,121
Ceylon Beverage Holdings PLC	Beverage	Sri Lanka	75.37%	75.37%	719,260	719,260	1,167,166	1,167,166
Lion Brewery (Ceylon) PLC	Beverage	Sri Lanka	46.27%	45.64%	2,244,395	1,963,112	-	927,361
Total investment in Subsidiaries - quoted					8,654,038	8,313,368	2,283,027	3,220,509

(Amounts expressed in Sri Lankan Rs. '000)

As at 31st March	Principal activities	Country of incorporation	Effective equity Interest held by the Group %		Investment through Group		Direct Investment by the Company	
			2019	2018	Cost 2019	Cost 2018	Cost 2019	Cost 2018
<b>(ii) Unquoted Investment</b>								
Equity One Ltd	Real Estate	Sri Lanka	98.96%	98.95%	1,103,849	1,103,461	1,110,262	1,109,874
Leechman and Company (Private) Limited	Portfolio and Asset Management	Sri Lanka	100.00%	100.00%	849	849	849	849
Rubber Investment Trust Limited	Portfolio and Asset Management	Sri Lanka	56.97%	56.97%	612	612	-	-
Pearl Springs (Pvt) Ltd	Investment holding	Sri Lanka	45.64%	45.64%	1,150,000	1,150,000	-	-
Millers Brewery Ltd	Beverage	Sri Lanka	45.64%	45.64%	1,150,000	1,150,000	-	-
Goodhope Investments Ltd	Business outsourcing	Sri Lanka	53.33%	53.33%	15,000	15,000	-	-
Guardian Fund Management Limited	Portfolio and Asset Management	Sri Lanka	69.30%	69.30%	55,682	55,682	-	-
The Sri Lanka Fund	Portfolio and Asset Management	Cayman Islands	49.36%	49.36%	224,560	224,560	-	-
Goodhope Asia Holdings Ltd	Investment holding	Singapore	53.33%	53.33%	5,587,014	5,587,014	5,587,014	5,587,014
Shalimar Developments Sdn. Bhd.	Investment holding	Malaysia	51.34%	51.34%	2,665,105	2,665,105	-	-
PT Agro Indomas	Oil palm plantation	Indonesia	48.61%	48.61%	2,300,042	2,300,042	-	-
PT Agro Bukit	Oil palm plantation	Indonesia	50.67%	50.67%	4,785,841	4,785,841	-	-
PT Karya Makmur Sejahtera	Oil palm plantation	Indonesia	50.67%	50.67%	1,127,370	1,127,370	-	-
PT Agro Wana Lestari	Oil palm plantation	Indonesia	50.67%	50.67%	4,077,542	226,523	-	-
PT Rim Capital	Oil palm plantation	Indonesia	50.67%	50.67%	1,293,076	1,293,076	-	-
PT Nabire baru	Oil palm plantation	Indonesia	50.67%	50.67%	8,190,664	148,983	-	-
PT Agrajaya Baktitama	Oil palm plantation	Indonesia	50.67%	50.67%	292,136	292,136	-	-
PT Batus Mas Sejahtera	Oil palm plantation	Indonesia	50.67%	50.67%	284,638	284,638	-	-
PT Sawit Makmur Sejahtera	Oil palm plantation	Indonesia	50.67%	50.67%	293,587	293,587	-	-
PT Sumber Hasil Prima	Oil palm plantation	Indonesia	50.67%	50.67%	331,125	331,125	-	-
PT Sinar Sawit Andalan	Oil palm plantation	Indonesia	50.67%	50.67%	325,595	325,595	-	-
PT Siriwana Adi Pereksa	Oil palm plantation	Indonesia	50.67%	50.67%	136,839	136,839	-	-
PT Agro Bina Lestari	Oil palm plantation	Indonesia	50.67%	50.67%	257,929	257,929	-	-
					35,649,055	23,755,967	6,698,125	6,697,737

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 27 INVESTMENT IN SUBSIDIARIES (CONTD.)

As at 31st March	Principal activities	Country of incorporation	Effective equity Interest held by the Group %		Investment through Group		Direct Investment by the Company	
			2019	2018	Cost 2019	Cost 2018	Cost 2019	Cost 2018
PT Agro Surya Madiri	Oil palm plantation	Indonesia	50.67%	50.67%	257,929	257,929	-	-
PT Agro Asia Pacific	Trading of palm oil products	Indonesia	53.33%	53.33%	15,670	15,478	-	-
Agro Asia Pacific Limited	Trading of palm oil products	Singapore	53.33%	53.33%	20,296	20,296	-	-
PT Agro Harapan Lestari	Plantation management services	Indonesia	53.23%	53.26%	119,152	119,152	-	-
Agro Harapan Lestari Sdn. Bhd.	Plantation management services	Malaysia	53.33%	53.33%	75,860	75,860	-	-
Agro Harapan Lestari (Private) Limited	Management services	Sri Lanka	53.33%	53.33%	26,865	26,865	-	-
AHL Business Solution (Private) Limited	Business outsourcing	Sri Lanka	53.33%	53.33%	207,500	207,500	-	-
Premium Nutrients Pvt Ltd	Investment holding	Singapore	53.33%	53.33%	7,917,699	7,917,699	-	-
Premium Oils & Fats Sdn. Bhd.	Operating headquarters	Malaysia	53.33%	53.33%	36,504	36,504	-	-
Premium Vegetable Oils Sdn. Bhd.	Oils and Fats	Malaysia	53.33%	53.33%	5,146,471	3,568,789	-	-
Premium Fats Sdn. Bhd.	Oils and Fats	Malaysia	53.33%	53.33%	91,648	91,648	-	-
Arani Agro Oil Industries Pvt Ltd	Oils and Fats	India	53.33%	53.33%	3,191,600	3,191,600	-	-
Carsons Management Services (Private) Limited	Management Services	Sri Lanka	100.00%	100.00%	323,341	323,341	323,341	323,341
Less: Impairment							(323,341)	(323,341)
Carsons Airline Services (Private) Limited	Leisure	Sri Lanka	100.00%	100.00%	18,999	18,999	18,999	18,999
Less: Impairment							(18,999)	(18,999)
Equity Hotels Limited	Leisure	Sri Lanka	89.98%	89.98%	7,296	7,296	-	-
Equity Three (Private) Limited	Real Estate	Sri Lanka	98.95%	98.75%	54,000	54,000	-	-
Pubs 'N Places (Private) Ltd	Beverage	Sri Lanka	75.37%	75.37%	511,881	511,881	-	-
Retail Spaces (Private) Limited	Beverage	Sri Lanka	75.37%	75.37%	-	-	-	-
Luxury Brands (Private) Limited	Beverage	Sri Lanka	75.37%	75.37%	50,000	50,000	-	-
					53,721,766	40,250,804	6,698,125	6,697,737

#### (iii) Investments in Unquoted Deferred Shares

Ceylon Guardian Investment Trust PLC					126,863	126,863	126,863	126,863
Total Investment in Subsidiaries - Unquoted					126,863	126,863	126,863	126,863

#### (iv) Deemed Investments

Equity One Ltd					-	-	194,303	194,303
Pegasus Hotels of Ceylon PLC					-	-	5,352	5,352
Carsons Management Services (Private) Limited					-	-	3,358	3,358
Impairment					-	-	(3,358)	(3,358)
Carsons Airline Services (Private) Limited					-	-	3,019	3,019
Impairment					-	-	(3,019)	(3,019)
					-	-	199,655	199,655
Total Investment in Subsidiaries					62,502,667	48,691,035	9,307,670	10,244,764

As revised by SLFRS 9 "Financial Instruments; recognition and measurement" Interest free lending to Equity One Ltd and Pegasus Hotels of Ceylon PLC were recognised at amortised cost and difference between funds lent and its amortised cost is recorded as a component of the overall investment.



(Amounts expressed in Sri Lankan Rs. '000)

## 27 INVESTMENT IN SUBSIDIARIES (CONTD.)

### (a)

#### i. Acquisition from non-controlling interests - 2019

During the year, 2018/19 the Group acquired additional interest in the following subsidiaries from the non controlling shareholders:

Acquirer	Acquiree	Additional interest	Proportion of ownership interest after additional acquisition (Group gross interest)	Consideration Paid
Carson Cumberbatch PLC	Equity One Limited	0.01%	98.96%	388
Carson Cumberbatch PLC	Lion Brewery (Ceylon) PLC	0.63%	59.14%	281,283
Ceylon Guardian Investment Trust PLC	Ceylon Investment PLC	1.10%	65.94%	59,387

#### ii. Acquisition from non-controlling interests - 2018

During the year, 2017/18 the Group acquired additional interest in the following subsidiaries from the non controlling shareholders:

Acquirer	Acquiree	Additional interest	Proportion of ownership interest after additional acquisition (Group gross interest)	Consideration Paid
Carson Cumberbatch PLC	Equity One Limited	0.20%	98.95%	6,192
Goodhope Asia Holdings Ltd	Indo - Malay PLC	0.20%	87.14%	13,146

### (b) Disposal of interest in subsidiaries without loss of control

Current year the Group disposed the interest in the following subsidiary without loss of control.

Immediate holding company	Name of subsidiary	Disposal of interest	Proportion of ownership interest after disposal (Group gross interest) %	Consideration	Book value	Decrease in equity attributable to the owners of company
Carson Cumberbatch PLC	Lion Brewery (Ceylon) PLC	0.62%	58.51%	267,851	92,580	37,066

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 28 NON CONTROLLING INTEREST

Group had established control over all of its subsidiaries without having to make significant assumptions throughout the year.

#### (a) Summary of non controlling interest

As at 31st March	Group	
	2019	2018
Balance as at 1st April	29,148,484	28,225,711
Total comprehensive income/(expenses) for the year	2,198,755	1,340,895
Total contributions by and distributions to owners	412,324	(454,739)
Total changes in ownership interests in subsidiaries	(174,118)	36,617
<b>Balance as at 31st March</b>	<b>31,585,445</b>	<b>29,148,484</b>

(b) The following table summarizes the information relating to each of the Group's subsidiaries, that has material Non controlling interest.

#### (a) Summary of non controlling interest

For the year ended 31st March	Goodhope Asia Holdings Ltd		Ceylon Beverage Holdings PLC		Ceylon Guardian Investments Trust PLC	
	2019	2018	2019	2018	2019	2018
<b>Summarised statement of Income</b>						
Revenue	51,350,755	45,395,698	44,216,826	31,593,218	551,042	1,204,507
Profit before Income tax expenses	1,862,261	2,934,241	5,215,531	2,891,547	(2,285,041)	847,841
Income tax expenses	(1,576,955)	(1,631,302)	(2,150,610)	(1,250,797)	(58,703)	(50,775)
Net profit for the period	125,141	1,403,346	3,064,921	1,640,750	(2,343,744)	797,066
Other comprehensive income	2,366,953	(449,533)	208,463	(422,495)	(61,234)	(464,993)
<b>Total comprehensive income</b>	<b>2,492,094</b>	<b>953,813</b>	<b>3,273,384</b>	<b>1,218,255</b>	<b>(2,404,978)</b>	<b>332,073</b>
Net profit attributable to NCI	122,701	723,550	1,692,165	950,505	(1,010,676)	367,867
Other comprehensive income attributable to NCI	1,295,606	(225,279)	112,007	(250,781)	(21,474)	(230,326)
<b>Total comprehensive income attributable to NCI</b>	<b>1,418,307</b>	<b>498,271</b>	<b>1,804,172</b>	<b>699,724</b>	<b>(1,032,150)</b>	<b>137,541</b>
<b>Summarised statement of Financial Position</b>						
Non-current assets	86,271,893	79,337,023	21,188,610	21,176,203	4,339,239	14,173,260
Current assets	18,091,074	19,313,669	15,479,255	13,374,031	11,725,318	4,325,449
Non-current liabilities	44,289,402	40,137,538	8,623,096	10,788,537	7,758	7,426
Current liabilities	28,909,479	30,466,902	15,745,384	14,431,846	376,956	258,090
<b>Net assets attributable to NCI</b>	<b>16,300,250</b>	<b>15,811,023</b>	<b>5,035,607</b>	<b>4,458,439</b>	<b>7,467,151</b>	<b>7,588,415</b>
<b>Summarised Cashflow Information</b>						
Cash flows from operating activities	998,312	3,358,518	5,640,305	3,473,298	(416,756)	(220,092)
Cash flows from investing activities	(4,763,555)	(4,344,866)	233,326	(364,657)	(59,465)	(19,908)
Cash flows from financing activities	2,694,803	292,132	(3,764,929)	(1,646,421)	(24,194)	(616,020)
Dividends paid to NCI during the year	-	-	(166,937)	(174,123)	(38,802)	(262,568)
Effective ownership interests held by NCI	46.67%	46.67%	24.63%	24.63%	30.70%	30.70%

(Amounts expressed in Sri Lankan Rs. '000)

## 29 INVESTMENTS IN EQUITY ACCOUNTED INVESTEE

### (a) The following is the Joint Venture of the Group

Name of Joint venture	Principal activities	Proportion of ownership interest %	Proportion of effective ownership interest %
Guardian Acuity Asset Management Limited	Unit trust Management	50	34.65

Guardian Acuity Asset Management Limited, is a company incorporated in Sri Lanka, to set up and carry out Unit Trust Management activities licensed by Securities and Exchange Commission of Sri Lanka, and governed by a Joint Venture agreement between Acuity Partners (Private) Limited and Ceylon Guardian Investment Trust PLC. Ceylon Guardian Investment Trust PLC and Acuity Partners (Pvt) Limited hold 50% each of the issued share capital in the said company.

### (b) Movements of Investments in Joint venture Companies

As at 31st March	Group	
	2019	2018
Shares at cost	35,000	35,000
Share of post-acquisition reserve	13,123	6,184
Balance as at the end of the year	48,123	41,184

### (c) Measurement of Joint venture Companies - Group

As at 31st March	Carrying Value	Cost	Carrying Value	Cost
	2019	2019	2018	2018
Joint venture Company				
On Unquoted Shares				
Guardian Acuity Asset Management Limited	35,000	35,000	35,000	35,000
	35,000	35,000	35,000	35,000
Investors' share of net assets				
As at the beginning of the year		6,184		1,928
Share of jointly controlled entity's profit net of taxation		6,910		11,027
Dividend received from equity accounted investee (gross)		-		(1,050)
Share of other comprehensive income net of taxation		30		(5,720)
Investments in Joint Venture Company (Equity Basis)		13,123		6,184
Total		48,123		41,184
Number of shares		2,000,000		2,000,000

### (d) The summarized financial information of the equity accounted investee, adjusted for the proportion of ownership interest held by the Group is as follows:

Share of net results of joint venture	Joint venture Company				Group's Share of Profit after tax	
	Revenue		Profit after tax			
	2019	2018	2019	2018	2019	2018
For the year ended 31st March						
Joint Venture Company						
Guardian Acuity Asset Management Ltd	42,231	40,847	13,819	22,054	6,910	11,027
	42,231	40,847	13,819	22,054	6,910	11,027

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 29 INVESTMENTS IN EQUITY ACCOUNTED INVESTEE (CONTD.)

As at 31st March	Group	
	2019	2018
Non - Current assets	833	1,509
Current assets	105,753	89,519
<b>Total assets</b>	<b>106,586</b>	<b>91,028</b>
Non - Current Liabilities	1,286	1,018
Current liabilities	9,047	7,638
<b>Total liabilities</b>	<b>10,333</b>	<b>8,656</b>
Shareholders' equity	96,253	82,372
Proportion of the Group's ownership interest.	50%	50%
<b>Carrying amounts of investment</b>	<b>48,123</b>	<b>41,184</b>

### 30 INVESTMENT IN EQUITY AND DEBT SECURITIES

The effect of initially applying SLFRS 9 in the Group's financial instruments is described in note 6. Due to the transition method chosen in applying SLFRS 9, comparative information has not been re-stated to reflect the new requirements.

With the adoption of SLFRS 9 on 1st April 2018, the group has classified its investments in equity securities (except strategic investments) to fair value through profit or loss category, which was earlier classified as "available for sale" under LKAS 39. Accordingly, the accumulated fair value gain amounting to Rs. 1,499.43 mn included in the AFS reserve in equity have been reclassified to the retained earnings on 1 April 2018. All the strategic investments in Equity Securities have been classified as fair value through other comprehensive income category, which were earlier classified as available for sale under LKAS 39.

#### (a) Summary - Group

	2019	2018
	Fair value	Fair value
<b>Non Current Assets</b>		
Investment in Equity Securities- Quoted Shares- Available for sale/FVOCI	5,342,032	15,022,408
Investment in Equity Securities- Unquoted Shares- Available for sale	-	102,548
Investment in Equity Securities- Private Equity (Unlisted) - Available for sale	-	115,009
Investment in Debt Securities- Debenture- Unquoted - Available for sale/FVOCI	1	6
<b>Total Investments in equity and debt securities-Non current assets</b>	<b>5,342,033</b>	<b>15,239,971</b>
<b>Current assets</b>		
Investment in Equity Securities - Quoted Shares- Fair value through profit or loss	9,275,963	1,707,061
Investment in Equity Securities- Unquoted Shares- Fair value through profit or loss	98,881	-
Investment in Equity Securities- Private Equity (Unlisted)-Fair value through profit or loss	149,761	-
Investment in Debt Securities- Treasury bonds- Unquoted -Fair value through profit or loss	207,101	-
<b>Total Investments in equity and debt securities-Current assets</b>	<b>9,731,706</b>	<b>1,707,061</b>

Information about the group's exposure to credit and market risks and fair value measurement are included in Note 46.

The fair value of the Group's listed investment portfolio is based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange.

The fair value of the Group's unlisted investment portfolio is based on the valuation carried out by investment managers, Guardian Fund Management Limited.

(Amounts expressed in Sri Lankan Rs. '000)

### 30 INVESTMENT IN EQUITY AND DEBT SECURITIES (CONTD.)

#### (b) Movement of Investment in Equity and Debt Securities- 2019

Non Current Assets	Fair Value as at 01st April 2018	Additions	Transfers	Disposals/ Write Off	Change in Fair Value*	Effect on currency translation	Fair Value as at 31st March' 2019
Investment in Equity Securities - Quoted Shares - AFS	15,022,408	-	(9,517,445)	-	(162,931)	-	5,342,032
Investment in Equity Securities - Unquoted Shares - AFS	217,557	-	(217,557)	-	-	-	-
Investment in Debenture/Preference shares - Unquoted - AFS	5	-	(5)	-	-	-	-
	15,239,971	-	(9,735,007)	-	(162,931)	-	5,342,033
Current Assets	Fair Value as at 01st April 2018	Additions	Transfers	Disposals/ Write Off	Change in Fair Value*	Effect on currency translation	Fair Value as at 31st March' 2019
Investment in Equity Securities - Quoted Shares - FVTPL	1,707,061	2,677,664	9,517,445	(2,095,738)	(2,579,126)	48,657	9,275,963
Investment in Equity Securities - Unquoted Shares - FVTPL	-	-	217,557	(2,447)	33,532	-	248,642
Investment in Debenture - FVTPL	-	-	5	(5)	-	-	-
Investment in treasury bonds - FVTPL	-	350,342	-	(149,110)	5,869	-	207,101
	1,707,061	3,028,006	9,735,007	(2,247,300)	(2,539,725)	48,657	9,731,706

#### Movement of Investment in Equity and Debt Securities - 2018

Non Current Assets	Fair Value as at 01st April 2017	Additions	Disposals/ Write Off	Change in Fair Value*	Impairment	Effect on currency translation	Transfers	Fair Value as at 31st March' 2018
Investment in Equity Securities - Quoted Shares - AFS	15,111,877	1,763,647	-	(682,974)	(38,976)	-	(1,131,166)	15,022,408
Investment in Equity Securities - Unquoted Shares - AFS	365,422	-	-	7,634	(52,374)	-	(103,125)	217,557
Investment in Debenture- Unquoted - AFS	5	-	-	-	-	-	-	5
Investment in Unit Trusts (Note 31)	40,822	-	-	4,471	-	-	(45,293)	-
	15,518,127	1,763,647	-	(670,869)	(91,350)	-	(1,279,584)	15,239,971
Current Assets	Fair Value as at 01st April 2017	Additions	Disposals/ Write Off	Change in Fair Value*	Impairment	Effect on currency translation	Transfers	Fair Value as at 31st March' 2018
Investment in Equity Securities - Quoted Shares - FVTPL	1,748,062	380,245	-	(54,438)	-	7,414	(374,222)	1,707,061
Investment in Unit Trusts (Note 31)	1,414,988	2,795,278	(3,342,099)	21,532	-	609	(890,308)	-
	3,163,050	3,175,523	(3,342,099)	(32,906)	-	8,023	(1,264,530)	1,707,061

- (c) The fair value adjustment represents the net unrealised gains / (losses) on fair value adjustment of investment portfolios including any adjustment on impairment losses.

The group has recognised a total impairment loss amounting to Rs. Nil (2018 - Rs. 91.3 Mn) due to significant / prolonged decline in fair value of identified equity securities in available for sale financial assets below their cost, as required by LKAS – 39 "Financial Instruments; recognition and measurement LKAS – 39 also requires to recognise fair value losses arising from assets classified as available for sale, other than impairment losses, in other comprehensive income. Accordingly, net losses of Rs. 163 Mn and Rs. 670.8 Mn have been recognised in financial years 2019 and 2018 respectively.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 30 INVESTMENT IN EQUITY AND DEBT SECURITIES (CONTD.)

#### (d) Measurement of Equity and debt securities - Group

As at 31st March	FVTPL				AFS/FVOIC			
	No of Shares	Fair value	No of Shares	Fair value	No of Shares	Fair value	No of Shares	Fair value
	2019	2019	2018	2018	2019	2019	2018	2018
<b>(i) Investment in equity securities - Quoted</b>								
<b>Banks, Finance and Insurance</b>								
Central Finance Company PLC	17,447,006	1,475,099	125,240	11,588	-	-	9,182,719	917,354
Ceylinco Insurance PLC	20,686	19,647	23,160	23,160	-	-	-	-
Ceylinco Insurance PLC - Non Voting	325,266	292,870	-	-	-	-	255,266	255,266
Commercial Bank of Ceylon PLC	6,705,724	661,855	589,759	80,152	-	-	7,174,161	974,251
Hatton National Bank PLC	3,881,272	684,399	720,330	177,051	-	-	3,177,825	778,567
Hatton National Bank PLC - Non Voting	3,178,165	467,190	731,212	136,298	-	-	3,049,642	568,453
HNB Assurance PLC	2,343,869	271,186	-	-	-	-	2,465,008	207,061
National Development Bank PLC	299,546	28,217	53,039	7,059	-	-	-	-
Nations Trust Bank PLC - Non voting	-	-	-	-	-	-	403,933	31,891
Nations Trust Bank PLC	291,332	25,981	-	-	-	-	2,476,517	199,855
People's Leasing and Finance Company PLC	28,775,467	389,631	2,732,265	44,902	-	-	24,255,724	383,240
Peoples Insurance PLC	5,770,794	113,685	-	-	-	-	6,219,800	133,726
Right Entitlement - Sampath Bank PLC	-	-	-	-	-	-	715,647	35,496
Sampath Bank PLC	3,532,244	641,130	44,307	14,022	-	-	3,101,157	930,347
Seylan Bank PLC	433,843	27,245	1,449,855	125,970	-	-	-	-
Seylan Bank PLC - Non Voting	-	-	412,274	22,716	-	-	437,992	24,133
Union Assurance PLC	199,000	59,620	-	-	-	-	-	-
Union Bank of Colombo PLC	2,573,954	28,313	3,156,620	40,405	-	-	-	-
		5,186,068		683,323				5,439,640
<b>Beverage, Food &amp; Tobacco</b>								
Cargills (Ceylon) PLC	6,459,754	1,291,947	165,846	33,234	-	-	6,300,215	1,227,912
Ceylon Cold Stores PLC	880	506	880	836	-	-	-	-
Distilleries Company of Sri Lanka PLC	19,444,293	282,102	541,243	4,011	-	-	3,429,626	25,414
		1,574,555		38,081				1,253,326
<b>Chemicals &amp; Pharmaceuticals</b>								
Union Chemicals Lanka PLC	200	80	200	84	-	-	-	-
		80		84				-
<b>Construction &amp; Engineering</b>								
Access Engineering PLC	7,399,228	96,190	3,009,609	61,697	-	-	6,475,619	132,750
		96,190		61,697				132,750
<b>Diversified Holdings</b>								
Aitken Spence PLC	3,314,818	135,908	980,218	50,426	-	-	3,348,000	169,409
Expolanka Holdings PLC	5,000	20	4,513,348	22,628	-	-	6,845,150	33,541
Hayleys PLC	30,000	5,609	30,000	7,248	-	-	-	-
Hemas Holdings PLC	7,345,409	553,111	109,027	13,618	-	-	-	-
John Keells Holdings PLC	170,122	26,820	842,473	133,636	-	-	183,693	29,317
Melstacorp PLC	12,401,692	446,461	2,267,404	132,600	-	-	11,574,996	673,665
Softlogic Holdings PLC	-	-	469,964	5,889	-	-	-	-
		1,167,929		366,045				905,932

(Amounts expressed in Sri Lankan Rs. '000)

### 30 INVESTMENT IN EQUITY AND DEBT SECURITIES (CONTD.)

#### (d) Measurement of Equity and debt securities - Group (Contd.)

As at 31st March	FVTPL				AFS/FVOIC			
	No of Shares	Fair value	No of Shares	Fair value	No of Shares	Fair value	No of Shares	Fair value
	2019	2019	2018	2018	2019	2019	2018	2018
<b>Footwear and Textiles</b>								
Hayleys Fabric PLC	17,482,934	149,093	817,132	11,058	-	-	17,119,391	213,992
		149,093		11,058				213,992
<b>Health Care</b>								
The Lanka Hospitals Corporation PLC	743,000	32,469	798,000	47,880	-	-	-	-
		32,469		47,880			-	-
<b>Hotels &amp; Travels</b>								
Aitken Spence Hotels Holdings PLC	5,838,038	138,970	1,011,148	33,148	-	-	4,826,890	161,701
Serendib Hotels PLC - Non Voting	730,308	9,202	730,696	10,960	-	-	-	-
		148,172		44,108				161,701
<b>Land &amp; Property</b>								
Overseas Reality (Ceylon) PLC	7,000	11,480	700,000	12,670	-	-	-	-
		11,480		12,670				-
<b>Manufacturing</b>								
Alumex PLC	1,522,489	15,819	1,722,489	29,719	-	-	-	-
Chevron Lanka Lubricants PLC	841,565	54,381	841,565	90,411	-	-	-	-
Kelani Tyres PLC	-	-	516,748	25,424	-	-	-	-
MTD Walkers PLC	130,000	5,329	-	-	-	-	-	-
Swisstek (Ceylon) PLC	260,000	9,048	390,000	23,498	-	-	-	-
Tokyo Cement Company (Lanka) PLC	6,744,158	141,105	757,687	44,662	-	-	7,356,113	397,230
Tokyo Cement Company (Lanka) PLC - Non voting	2,046,480	37,860	858,000	39,468	-	-	1,188,480	54,670
		263,542		253,182				451,900
<b>Oil Palm</b>								
Bukit Darah PLC	-	-	-	-	26,710,158	5,342,032	26,710,158	5,504,963
		-		-		5,342,032		5,504,963
<b>Power and Energy</b>								
Lanka IOC PLC	540,800	9,410	540,800	16,278	-	-	-	-
Laugfs GAS PLC	-	-	85,800	2,021	-	-	-	-
LVL Energy Fund Limited	11,569,600	91,400	1,257,100	12,445	-	-	10,312,500	102,094
		100,810		30,744				102,094
<b>Telecommunication</b>								
Dialog Axiata PLC	59,735,150	545,575	11,555,128	158,189	-	-	62,036,931	856,110
		545,575		158,189			62,036,931	856,110
Total Investment in equity securities - Quoted		9,275,963		1,707,061		5,342,032		15,022,408

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 30 INVESTMENT IN EQUITY AND DEBT SECURITIES (CONTD.)

#### (d) Measurement of Equity and debt securities - Group (Contd.)

As at 31st March	FVTPL				AFS/FVOIC			
	No of Shares	Fair value	No of Shares	Fair value	No of Shares	Fair value	No of Shares	Fair value
	2019	2019	2018	2018	2019	2019	2018	2018
<b>(ii) Investments in equity securities - Unquoted</b>								
ACW Insurance (Private) Limited	449,999	-	-	-	-	449,999	-	-
Asia Pacific Golf Course Limited	10	-	-	-	-	10	-	-
Ceybank Asset Management Ltd	360,001	65,045	-	-	-	360,001	67,028	-
Equity Investment Lanka (Private) Limited	22,500	2	-	-	-	22,500	2	-
Kandy Private Hospitals Limited	1,200	18	-	-	-	1,200	18	-
Lanka Communication Services Limited	1,428,496	33,816	-	-	-	1,428,496	33,053	-
Produce Transport Limited	1	-	-	-	-	1	-	-
Riverside Resorts (Pvt) Ltd	-	-	-	-	-	2,600,020	2,447	-
Serendib Agro Products Limited	2,500	-	-	-	-	2,500	-	-
Total Investment in equity securities - Unquoted		98,881	-	-	-	-	102,548	-
<b>(iii) Investment in equity securities - Private equity (unlisted) (Note c)</b>								
Findmyfare (Pvt) Ltd	276,074	69,761	-	-	-	276,074	45,000	-
hSenid Business Solutions (Pvt) Ltd.	163,419	80,000	-	-	-	163,419	70,009	-
Swiss Institute For Service Industry Development (Private) Limited - Ordinary shares *	847	-	-	-	-	847	-	-
Swiss Institute For Service Industry Development (Private) Limited - 10% cumulative preference shares *	1,273	-	-	-	-	1,273	-	-
Kashmi Singapore PTE. LTD **	417	-	-	-	-	417	-	-
Total investment in private Equity		149,761	-	-	-	-	115,009	-
Total investment equity securities		9,524,605	1,707,061	-	-	5,342,032	15,239,965	-
<b>(iv) Investment in debentures</b>								
Tangerine Beach Hotels Limited - Zero Coupon	-	-	-	-	-	56	1	-
Ocean View Limited - 6%	-	-	-	-	-	360	4	-
Total investments in debentures		-	-	-	-	-	5	-
<b>(v) Investment in Preference shares</b>								
Bukit Darah PLC - 8% participative cumulative (No shares 1 )	-	-	-	-	-	1	-	1
		-	-	-	-	1	-	1



(Amounts expressed in Sri Lankan Rs. '000)

### 30 INVESTMENT IN EQUITY AND DEBT SECURITIES (CONTD.)

#### (d) Measurement of Equity and debt securities - Group (Contd.)

	Maturity Date	Interest Rate	Face Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>(vi) Investment in treasury bonds</b>							
LKB00827A151	15-Jan-2027	11.40%	100,000	103,551	103,551	-	-
LKB00827A151	15-Jan-2027	11.40%	50,000	51,775	51,775	-	-
LKB00827A151	15-Jan-2027	11.40%	50,000	51,775	51,775	-	-
<b>Total</b>			<b>200,000</b>	<b>207,101</b>	<b>207,101</b>	<b>-</b>	<b>-</b>

\* During the financial year 2017/18, a provision of Rs. 42.1 mn was made by the subsidiary Company – Guardian Capital Partners PLC against the entire investment in Swiss Institute for Service Industry Development (Pvt) Ltd, due to the discontinuation of operations arising from the conduct of the Managing Director / Promoter of the said investee Company. Further, during the year GCP and the other co-investors incurred Rs. 28 mn to settle an overdraft obtain by Swiss Institute for Service Industry Development (Pvt) Ltd. Accordingly the subsidiary company's share of Rs. 12.7 mn was charged to the profit or loss for the year. The subsidiary company and the other coinvestors of the investee Company have instituted action in the Colombo Magistrates Court against the alleged misappropriation of funds by the said Managing Director / Promoter of the investee Company. The case is presently ongoing.

\*\* During the last quarter of the 2018 financial year under review, the board of directors of Kashmi Singapore PTE Ltd informed investors that the company will be discontinuing operations due to challenges faced by the Company which made it difficult to continue operations. Accordingly during the financial year under review, the investment of Rs. 10.26 Mn in Kashmi Singapore (PTE) LTD was written off. However subsequent to the write off, the promoters have informed investors that they have received some interest in the digital banking platform the company was developing, from financial service providers in Sri Lanka and overseas. Hence they would hold off on discontinuing operations to pursue this development. The situation will be monitored to assess how the company progresses and based on this a decision will be taken as to whether the value of the investment should be revised.

Sovereign debt securities at FVTPL have stated interest rates of 10.9 to 11.05% and are held for trading.

#### (e) Valuation Techniques and Significant Unobservable Inputs

Company	Valuation Technique	Assumptions / Unobservable inputs	Values/ Percentages	Inter-relationship between significant Unobservable inputs and fair value measurement
Findmyfare (Pvt) Ltd	Recent market transaction		Latest transaction price	Not Applicable
hSenid Business Solutions (Pvt) Ltd	Free cash flow valuation using Adjusted Present Value Method (APV)	Discount Rate Growth rates of the Products Operating Margin	20% 5%-35% 21%-22%	The estimated fair value would increase / (decrease) if: - the discount rate was lower / (higher) - the growth rates of products were higher / (lower) - the operating margin was higher / (lower)

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 30 INVESTMENT IN EQUITY AND DEBT SECURITIES (CONTD.)

#### (f) Movement of Investment in Equity and Debt Securities - Company

	2019 Fair value	2018 Fair value
<b>Non Current Assets</b>		
Investment in Equity Securities- Quoted Shares - Available for sale / FVOCI	4,324,173	1,292,640
Investment in Equity Securities- Unquoted Shares - Available for sale	-	67,028
<b>Total Investments in equity and debt securities - Non current assets</b>	<b>4,324,173</b>	<b>1,359,668</b>
<b>Current assets</b>		
Investment in Equity Securities - Quoted Shares - Fair value through profit or loss	24,003	30,068
Investment in Equity Securities- Unquoted Shares - Fair value through profit or loss	65,045	-
<b>Total Investments in equity and debt securities - Current assets</b>	<b>89,048</b>	<b>30,068</b>

#### Movement of Investment in Equity and Debt Securities - 2019 - Company

Non Current Assets	Fair Value as at 01st April 2018	Additions	Disposals/ Write Off	Transfers	Change in Fair Value	Fair Value as at 31st March' 2019
Investment in Equity Securities - Quoted Shares - AFS	1,292,640	281,283	-	2,647,740	102,510	4,324,173
Investment in Equity Securities - Unquoted Shares (Private equity) - AFS	67,028	-	-	(67,028)	-	-
	1,359,668	281,283	-	2,580,712	102,510	4,324,173
<b>Current Assets</b>						
Investment in Equity Securities - Quoted Shares - FVTPL	30,068	-	-	-	(6,065)	24,003
Investment in Equity Securities - Unquoted Shares - FVTPL	-	336	-	67,028	(2,319)	65,045
	30,068	336	-	67,028	(8,384)	89,048

#### Movement of Investment in Equity and Debt Securities- 2018 - Company

Non Current Assets	Fair Value as at 01st April 2018	Additions	Disposals/ Write Off	Transfers	Change in Fair Value	Fair Value as at 31st March' 2019
Investment in Equity Securities - Quoted Shares- AFS	1,631,951	-	-	-	(339,311)	1,292,640
Investment in Equity Securities - Unquoted Shares- AFS	62,044	-	-	-	4,984	67,028
	1,693,995	-	-	-	(334,327)	1,359,668
<b>Current Assets</b>						
Investment in Equity Securities - Quoted Shares - FVTPL	26,154	-	-	-	3,914	30,068
	26,154	-	-	-	3,914	30,068

(Amounts expressed in Sri Lankan Rs. '000)

### 30 INVESTMENT IN EQUITY AND DEBT SECURITIES (CONTD.)

#### (g) Measurement of Fair Value Through Other Comprehensive Income - Company

As at 31st March	FVTPL				AFS / FVOCI			
	No of Shares	Fair value	No of Shares	Fair value	No of Shares	Fair value	No of Shares	Fair value
	2019	2019	2018	2018	2019	2019	2018	2018
<b>(i) Investment in equity securities - Quoted</b>								
Diversified Holdings								
Bukit Darah PLC	-	-	-	-	6,271,908	1,254,382	6,271,908	1,292,640
Beverage, Food & Tobacco								
Ceylon Cold Stores PLC	880	506	880	836	-	-	-	-
Lion Brewery (Ceylon) PLC (Note h)				-	5,509,860	3,057,972	-	-
Investment Trust								
Guardian Capital Partners PLC (Note h)	-	-	-	-	582,225	11,819	-	-
Power & Energy								
Lanka IOC PLC	20,000	348	20,000	602	-	-	-	-
Chemicals & Pharmaceuticals								
Union Chemicals Lanka PLC	200	80	200	84	-	-	-	-
Diversified Holdings								
Hamas Holdings PLC	113,026	8,477	109,027	13,618	-	-	-	-
John Keels Holdings PLC	93,538	14,592	93,538	14,928	-	-	-	-
Total Investment in equity securities - Quoted		24,003		30,068		4,324,173		1,292,640
<b>(ii) Investment in equity securities - Private equity (unlisted)</b>								
Ceybank Asset Management Ltd	360,001	65,045	-	-	-	-	360,001	67,028
Total		89,048		30,068		4,324,173		1,359,668

The company has elected to classify these investment securities as FVOCI due to the Group's intention to hold these equity instruments to meet various requirements including long term appreciation and ability to liquidate etc. During the year, the company recognised dividend income of Rs. 23.8 Mn. from its investment securities at FVOCI.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 31 INVESTMENT IN UNIT TRUST

The effect of initially applying SLFRS 9 in the Group's financial instruments is described in Note 9.B. Due to the transition method chosen in applying SLFRS 9, comparative information has not been restated to reflect the new requirements.

With the adoption of SLFRS 9, on 1 April 2018, the Company and the Group have classified its Investment in Unit trusts under Fair value through profit or loss category, which was earlier classified as "available for sale" under LKAS 39.

Accordingly the accumulated fair value gain amounting to Rs. 11.57 mn included in the available for sale reserve in equity has been re-classified to retained earnings on 1st April 2018.

As at 31st March	Group			
	FVTPL		AFS	
	No. of Units	Fair Value	No. of Units	Fair Value
	2019	2019	2018	2018
<b>Non Current</b>				
Guardian Acuity Equity Fund	-	-	2,500,000	45,293
				45,293
<b>Current</b>				
Guardian Acuity Equity fund	620,159	9,095	-	-
Guardian Acuity Money Market Fund	14,994,137	260,996	41,936,752	659,840
Guardian Acuity Money Market Gilt Fund	-	-	1,811,207	230,468
		270,091		890,308
<b>Total investment in unit trust</b>		<b>270,091</b>		<b>935,601</b>

Valuation of unit trust is based on the unit price published by the Unit Trust Managers, Guardian Acuity Asset Management Limited as at 31st March.

### 32 INVENTORIES

As at 31st March	Group	
	2019	2018
Raw materials	3,241,089	2,633,425
Work-in-progress	1,370,446	1,696,834
Goods in Transit	140,583	402,555
Finished goods	2,228,564	1,935,750
	6,980,682	6,668,564
Impairment provision for inventory	(94,276)	(198,709)
	<b>6,886,406</b>	<b>6,469,855</b>

#### Assets pledged as security

The Group has pledged inventories amounting to approximately Rs 3,551 Mn or equivalent to US\$ 20,166,000 (2018: Rs. 3,986 Mn or equivalent to US\$ 25,618,000) as security for bank borrowings.

(Amounts expressed in Sri Lankan Rs. '000)

### 33 TRADE AND OTHER FINANCIAL RECEIVABLES AND OTHER NON - FINANCIAL RECEIVABLES

As at 31st March	Group		Company	
	2019	2018	2019	2018
<b>Non Current</b>				
Other financial receivables				
Land compensation receivable (Note c)	24,759	169,966	-	-
	24,759	169,966	-	-
<b>Other non financial receivables</b>				
Plasma receivables (Note e)	3,011,539	3,101,037	-	-
Income tax receivable	1,769,206	2,119,672	-	-
Other receivables	948,288	1,289,594	-	-
	5,729,033	6,510,303	-	-
<b>Current</b>				
Trade receivables				
Trade receivables (net of provisions)	3,648,705	3,607,319	-	-
Amount due from related companies (Note d)	-	-	78,642	35,101
	3,648,705	3,607,319	78,642	35,101
<b>Other financial receivables</b>				
Other receivables	1,258,409	1,910,136	-	-
Loans given to employees	14,397	4,611	-	-
	1,272,806	1,914,747	-	-
<b>Other non financial receivables</b>				
Plasma receivables (Note e)	2,336,973	976,350	-	-
Advances made on projects	596	596	-	-
Taxes receivable	3,159,095	2,566,644	-	-
Prepayments	1,725,086	3,906,950	4,290	3,968
	7,221,750	7,450,540	4,290	3,968
Total financial & non financial receivable - Non Current	5,753,792	6,680,269	-	-
Total financial & non financial receivable - Current	12,143,261	12,972,606	82,932	39,069
<b>Financial assets carried at amortised cost</b>				
Trade receivables	3,648,705	3,607,319	78,642	35,101
Other financial receivables - Current	1,272,806	1,914,747	-	-
Other financial receivables - Non current	24,759	169,966	-	-
Cash and Bank balances (Note 35)	14,797,784	13,342,194	63,708	387,773
	19,744,054	19,034,226	142,350	422,874

#### (a) Assets pledged as security

The Group has pledged receivables amounting to approximately Rs 3,552 Mn or equivalent to US\$ 20,174,000 (2018: Rs.2,548 Mn or equivalent to US\$ 16,376,000) as security for bank borrowings.

#### (b) Trade receivables denominated in foreign currency as follows:

As at 31st March	Group	
	2019	2018
US Dollar	1,609,287	1,508,542
Malaysian Ringgit	252,337	261,097
Indonesian Rupiah	648,187	479,559
	2,509,811	2,249,198

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 33 TRADE AND OTHER FINANCIAL RECEIVABLES AND OTHER NON - FINANCIAL RECEIVABLES (CONTD.)

#### (c) Land compensation receivable

##### **Pegasus Hotels of Ceylon PLC (PRH)**

The Government of Sri Lanka acquired approximately 1,605 perches of land owned by the subsidiary Pegasus Hotels of Ceylon PLC under section 38 provision (a) of the Land Acquisition Act, No.28 of 1964 by gazette notification dated 14th May 2008 for the public purpose of a fisheries harbour project.

Accordingly in the financial year 2008/09, the PRH submitted a claim of compensation amounting to Rs. 563 mn for 1,251 perches of the acquired land with the expectation that the balance 353.89 perches of land, which consists largely of mangrove land, will be divested back to the PRH as per Supreme Court order in November 2008 as discussed below. The said claim of Rs. 563 mn was made taking into account the market value of the property, potential economic value lost for hotel expansion and a value for nuisance that will be created for hotel operation by the said project. The PRH recorded the carrying value of Rs. 189.5 mn as the compensation receivable at the time of acquisition, in the financial statements for the said 1,251 land extent based on the market value of the said land supported by a professional valuation conducted by Mr. K. Arthur Perera, A.M.I.V. (Sri Lanka), Valuer and Consultant, on prudence.

On the 353.89 perches of land which was supposed to be divested back to the PRH as per the Supreme Court order in November 2008, the PRH filed a Motion in the Supreme Court to obtain an order for the divestiture of title on 30.09.2016 on the basis that the harbor project is now completed. However, at the hearing of this Motion on 18th October 2016, the Supreme Court decided that no further orders can be made by the Supreme Court. Subsequently, on our inquiry from the Divisional Secretary, we were informed that the said 353.89 perches of land also will be used for the fisheries harbour project and called for a further claim of compensation for the said land too. Accordingly, on 26.10.2017 the PRH submitted a further claim for the said 353.89 perches of land amounting to Rs.159.3 mn on the same claim basis as per the 1,251 perches of land. However, as a matter of prudence, the PRH accounted only Rs. 43,310/- as the compensation receivable in the financial statements based on the historical purchase cost. Accordingly, the carrying value of said 353.89 perches of land amounting to Rs. 105,900,000/- has also been removed from the property, plant and equipment during the financial year 2017/18.

Subsequent to the Balance Sheet date, PRH received an official notification pertaining to its claim of compensation in respect of land extent of 353.89 perches, awarding a compensation of Rs. 5,459,500/- relating to PRH claim of Rs. 159.3 mn. The compensation claim for the balance land of 1,251 perches is yet to be announced until the conclusion of the ongoing land case in the District Court of Negombo which is still under hearing stage. However, as a matter of prudence the PRH made a provision for the compensation receivable applicable for 1,251 perches of land also based on the criteria of compensation awarded for the aforesaid 353.89 perches. Accordingly, Rs. 145.2 mn provision was made on the compensation receivable for the year ended 31st March 2019. However, since the substantial component of 1,251 perches of land was not entirely mangrove land, we could expect a better compensation than the amount awarded for the said 353.89 perches of mangrove land. The PRH is taking steps to appeal against the said award of compensation (Rs. 5,459,500/-) to the Land Acquisition Board of Review.

Further, as at the reporting date, the PRH has not received any confirmation from the Divisional Secretary on the value determination of the said claim made on 1,251 perches of land, pending the final determination of the court case described in note 48 (c). In the opinion of the lawyers' the said court case, may take further 1 year or more to reach a finality. If a ruling is made at District Court within such time estimation and the ruling is accepted by the losing party then the value determination of the claim would take place henceforth. However, further two appeal options are available for both parties at Provincial Civil Appellate Court and to the Supreme Court, if either party decided to contest the verdict of the District Court. Under these circumstances, even if a valuation is determined by the Government, such value will not be disclosed till the court cases have come to a finality.

The full compensation claim for the total land acquired of 1,605 perches stood Rs. 722 mn as of the reporting date, whilst the carrying value of the compensation receivable stood at Rs. 24.7 mn subsequent to the provisioning mentioned above.

(Amounts expressed in Sri Lankan Rs. '000)

### 33 TRADE AND OTHER FINANCIAL RECEIVABLES AND OTHER NON - FINANCIAL RECEIVABLES (CONTD.)

#### (d) Amounts due from related companies

As at 31st March	Company	
	2019	2018
Amounts due from Related companies		
Current		
Carsons Management Services (Private) Limited	78,642	35,101
	78,642	35,101

Current amounts due from subsidiaries are unsecured, non-interest-bearing and are repayable on demand. These balances are expected to be settled in cash.

#### (e) Plasma receivables

In accordance with the Indonesian government's policy, oil palm plantation companies are required to develop new plantations for the local communities within and around the company. A cooperative establishment is formed to take care of the landholder's rights and obligations and this form of assistance to local communities is generally known as the "Plasma Programme".

Plasma advances represent costs incurred for plasma plantation development and advances to Plasma farmers for working capital purposes during the early maturity stage. These include bearer plants and their infrastructures, covering costs incurred for land clearing, planting, upkeep, fertilisation, mature plantation management, harvesting and other indirect expenses. The advances will be subsequently recovered through revenue generated from the Plasma plantations.

Land rights of the Plasma plantation are mortgaged and pledged security for obtaining bank loans from commercial banks in Indonesia. These land rights will be handed over to the Group upon the repayment of loan. In accordance with management agreements signed with the Plasma Corporative, which represent the Plasma members and the Group's subsidiary companies, these land titles can be retained by the Group as security until advances provided are paid in full through Plasma revenue.

(f) There are US\$nil (2018: US\$nil) that are individually determined to be impaired relating to debtors that are in significant financial difficulties and have defaulted on payments at the end of the reporting period.

#### (g) Expected credit losses

There are no movement in allowance for expected credit losses of trade receivables based on lifetime ECL recorded by the Group during the financial year ended 31 March 2019.

### 34 DERIVATIVE FINANCIAL INSTRUMENT

As at 31st March	Contract/ Notional amount	Asset	Liability	Contract/ Notional amount	Asset	Liability
	2019	2019	2019	2018	2018	2018
Foreign exchange forward contracts	8,466,583	59,156	-	4,956,016	103,756	10,916
	8,466,583	59,156	-	4,956,016	103,756	10,916

The Group entered into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchase. These contracts are not designated in hedge relationships and are measured at fair value through profit and loss. No unrealised fair value changes (2018: US\$nil) in respect of these contracts were recognised in the statement of comprehensive income since the Group has not adopted hedge accounting as of 31 March 2019.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 35 CASH AND CASH EQUIVALENTS

As at 31st March	Group		Company	
	2019	2018	2019	2018
<b>Deposits</b>				
F.C.B.U. deposits	14,552	41,594	-	-
Call deposits	128,819	522,354	-	-
Fixed deposits and Savings	11,981,754	9,351,189	50	276,621
Short - term deposits	12,125,124	9,915,137	50	276,621
Cash in hand and at bank	2,672,660	3,427,057	63,658	111,152
	14,797,784	13,342,194	63,708	387,773

#### (a) Cash and cash equivalents denominated in foreign currencies as at 31st March are as follows:

As at 31st March	Group	
	2019	2018
US Dollars (USD)	355,350	1,724,049
Indonesian Rupiah (IDR)	823,749	637,493
Malaysian Ringgit (MYR)	380,354	110,787
Indian Rupee (INR)	76,247	30,653
	1,635,700	2,502,982

Certain bank accounts of the Group have been pledged as security for bank borrowings. As at 31st March 2019, these accounts have a total amount of Rs. 422 Mn or equivalent to US\$ 2,398,000 (2018: Rs. 1,825 Mn or equivalent to US\$ 11,730,000). There are no legal and contractual restrictions on the use of the pledged bank accounts.

Short-term deposits earn interest at floating rates based on daily bank deposit rates and are made for varying periods from one day to a week, depending on the immediate cash requirements of the Group. For the financial year ended 31 March 2019, interest earned US\$ deposits nil (2018: 3.0% to 3.8% per annum). IDR short-term deposits and 7.8% to 9.5% per annum (2018: 7.0% to 9.5%) for Re Purchase Agreements (REPO's) placed in Sri Lanka. The interest earned in the current year for USD short-term deposits was 1.1% to 1.5% per annum (2018: 0.6% to 1.1% per annum). In Sri Lanka call deposit and Fixed deposits interest rates are 8% and 11.5% respectively.

#### (b) For the purpose of the consolidated cash flow statement, cash equivalent comprise the following:

As at 31st March	Group		Company	
	2019	2018	2019	2018
Short - term deposits	12,125,124	9,915,137	50	276,621
Cash-in-hand and at bank	2,672,660	3,427,057	63,658	111,152
	14,797,784	13,342,194	63,708	387,773
Short - term borrowings	(16,490,631)	(12,387,805)	(1,577,000)	(1,351,860)
Bank overdrafts	(1,959,643)	(1,651,827)	(24,413)	(5,354)
	(3,652,490)	(697,439)	(1,537,705)	(969,441)



(Amounts expressed in Sri Lankan Rs. '000)

## 36 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

### (i) Assets Held for Sale

During the previous financial year, non-current assets of Arani Agro Oil Industries (Pvt) Ltd, were classified as held for sale as the management intends to recover the carrying amount principally through a sale transaction rather than through continuing use.

As at 31 March 2019, also the assets related to Arani Agro Oil Industries (Pvt) Ltd (AAOIL) have been presented in the balance sheet as "Assets held for sale".

### (a) Movement of assets held for sale

As at 31st March	2019	2018
Opening balance as at 1st April	660,825	647,447
Exchange translation difference	42,102	13,378
Closing Balance as at 31st March	702,927	660,825

The information relating to assets and liabilities of the disposal group that were classified as held for sale are stated below

As at 31st March	2019	2018
<b>Assets</b>		
Property, plant & equipment	702,927	660,825
	702,927	660,825
Net assets directly associated with disposal group	702,927	660,825

### (ii) Discontinued operations

Following the classification of assets of Arani Agro Oil Industries (Pvt) Ltd as held for sale in FY 2017, the operational results of Arani also has been classified and reported as Discontinued Operations for both current and previous financial year.

### (a) Profit for the year from discontinued operations

For the year ended 31st March	2019	2018
Revenue	-	-
Direct operating expenses	-	-
	-	-
<b>Other items of income</b>		
Other income	7,080	-
<b>Other items of expenses</b>		
Administrative expenses	(54,841)	(73,304)
Loss from operations	(47,761)	(73,304)
Net finance cost	(112,404)	173,711
Profit / (Loss) before Income tax expenses	(160,165)	100,407
<b>Income tax expenses</b>		
Current taxation	-	-
Deferred taxation	-	-
	-	-
Profit / (Loss) from discontinued operations, net of tax	(160,165)	100,407
Net impact from discontinued operations, net of tax	(160,165)	100,407

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 37 STATED CAPITAL

As at 31st March	Group / Company			
	No of shares		Stated capital	
	2019	2018	2019	2018
At the beginning / end of the year	196,386,914	196,386,914	1,114,652	1,114,652
	196,386,914	196,386,914	1,114,652	1,114,652

- (a) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. All ordinary shares rank equally with regard to the right to the Company's net assets at the point of distribution.

### 38 CAPITAL RESERVE

As at 31st March	Group		Company	
	2019	2018	2019	2018
Represented by				
Capital accretion reserve	287,552	287,552	287,552	287,552
Revaluation reserve (Note a)	1,027,723	934,747	-	-
Other capital reserves (Note b)	1,471,176	1,462,280	-	-
	2,786,451	2,684,579	287,552	287,552

#### (a) Revaluation reserve

Created to set aside revaluation surplus on immovable assets. Not utilised for distribution on prudence.

#### (b) Other capital reserves

Represents the amounts set aside by the Directors for future expansion and to meet any contingencies.

### 39 REVENUE RESERVES

As at 31st March	Group		Company	
	2019	2018	2019	2018
Represented by				
Currency translation reserve (Note a)	(3,703,407)	(4,653,821)	-	-
Revenue reserve	326,755	379,100	-	-
Available for Sale Financial Assets Reserve / FVOCI Reserve (Note b)	3,595,320	5,142,591	3,096,646	1,347,306
Retained earning	28,188,649	26,834,824	7,543,835	7,701,208
	28,407,317	27,702,694	10,640,481	9,048,514

#### (a) Currency translation reserve

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

#### (b) Available for Sale Financial Assets Reserve / FVOCI Reserve

This consists of net unrealised gain/(loss) arising from change in the fair value of available for sale financial assets and excluding cumulative impairments losses incurred as at the reporting date.

(Amounts expressed in Sri Lankan Rs. '000)

#### 40 INTEREST BEARING BORROWINGS

As at 31st March	Sector	Currency	Note (iv)	Weighted average	Group		Company	
					2019	2018	2019	2018
<b>(i) Current</b>								
<b>(a) Bank loans and borrowings</b>								
Long term bank borrowings								
- amount due within one year								
Secured	Oil palm plantation	USD	A/B1	LIBOR + Fixed Margin p.a.	8,391,712	8,276,807	-	-
Secured	Oils and Fats- Malaysia	MYR	B2	COF + Fixed Margin p.a.	273,588	403,342	-	-
Secured	Oils and Fats- India	INR	C	LIBOR + Fixed Margin p.a.	702,927	660,827	-	-
Unsecured	Beverage	LKR		AWPLR(Monthly Review) + 1.50%	305,000	333,600	-	-
Unsecured	Beverage	LKR		AWPLR(Monthly Review) + 1.25%	200,000	200,000	-	-
Unsecured	Beverage	LKR		Fixed 7.75%	125,549	200,040	-	-
Unsecured	Beverage	LKR		AWPLR(Monthly Review) +0.50%	200,000	200,000	-	-
Unsecured	Beverage	LKR		AWPLR + 1.25%	30,000	31,266	-	-
Unsecured	Beverage	LKR		AWPLR + 1%	-	93,300	-	-
Unsecured	Beverage	LKR		AWPLR(Weekly Review) + 1.5%	712,800	712,800	-	-
Secured	Leisure	LKR		AWPLR + 2.25%	7,872	5,047	-	-
					10,949,448	11,117,029	-	-
<b>(b) Finance lease payables</b>			F		173,449	25,205	-	-
					11,122,897	11,142,235	-	-
<b>(c) Short term Bank borrowings</b>								
Working capital facilities								
Secured	Oil palm plantation	USD	D	LIBOR + Fixed Margin p.a.	1,606,117	-	-	-
Revolving credit facility								
Secured	Oil palm plantation	USD		LIBOR + Fixed Margin p.a.	-	-	-	-
Bankers' acceptance and import loans								
Secured	Oils and Fats	MYR	B3	COF + Fixed Margin p.a.	4,850,650	4,708,961	-	-
Bill discounting								
Secured	Oils and Fats	MYR	B3	COF + Fixed Margin p.a.	-	92,893	-	-
Buyers' credit								
Secured	Oils and Fats	USD		LIBOR + margin p.a.	-	-	-	-
Short term loan								
Secured	Oils and Fats	USD	E1/E2	LIBOR + Fixed Margin p.a.	3,944,420	1,011,400	-	-
Unsecured	Beverage & Investment Holdings	LKR		11.25% to 12.10%	6,065,150	6,572,473	1,577,000	1,351,860
Unsecured	Management Services / Leisure			12.5% p.a.	24,293	2,078	-	-
Bank overdrafts facility								
Loan interest provision								
					1,959,643	1,651,827	24,413	5,354
					871,987	749,663	8,181	5,207
<b>Total Short term Bank borrowings</b>					19,322,260	14,789,295	1,609,594	1,362,421
<b>Total loan payable within the year</b>					30,445,157	25,931,530	1,609,594	1,362,421

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

40 INTEREST BEARING BORROWINGS (CONTD.)	As at 31st March	Sector	Currency	Maturity	Note (iv)	Weighted average	Group		Company	
							2019	2018	2019	2018
<b>(ii) Non- Current</b>										
<b>(a) Bank loans and borrowings</b>										
Bank loans and borrowings										
Secured	Oil palm plantation	USD	2021	A/B1	LIBOR + Fixed Margin p.a.	37,142,027	29,564,493	-	-	-
Secured	Oils and Fats	MYR	2021	B2	COF + Fixed Margin p.a.	-	3,988,604	-	-	-
Secured	Oils and Fats- India	INR	2021	C	LIBOR + Fixed Margin p.a.	2,016,742	1,895,954	-	-	-
Unsecured	Beverage	LKR	2020		AWPLR(Monthly Review) +1.50%	-	305,000	-	-	-
Unsecured	Beverage	LKR	2021		AWPLR(Monthly Review) +1.25%	200,000	400,000	-	-	-
Unsecured	Beverage	LKR	2019		Fixed 7.75%	-	99,820	-	-	-
Secured	Leisure	LKR	2026		AWPLR +2.25%	57,312	26,503	-	-	-
Unsecured	Beverage	LKR	2020		AWPLR(Monthly Review) +0.50%	99,999	299,999	-	-	-
Unsecured	Beverage	LKR	2022		AWPLR + 1.25%	55,000	85,000	-	-	-
Unsecured	Beverage	LKR	2022		AWPLR(Weekly Review) + 1.5%	1,471,272	2,209,800	-	-	-
Unsecured	Beverage	LKR	2027			1,500,000	1,500,000	-	-	-
						42,542,352	40,375,174	-	-	-
<b>(b) Finance lease payables</b>										
	Total Long term bank borrowings			F		150,190	20,885	-	-	-
	- amount due after one year					42,692,542	40,396,059	-	-	-
	Total loans and Borrowings					73,137,699	66,327,590	1,609,594	1,362,421	
<b>(iii) Long term Bank Borrowings Long term Bank Borrowings</b>										
	As at 31st March							Group		2018
	Movement in Long - Term Borrowings									
	Balance as at the beginning of the year							51,492,203		44,174,058
	Cash Movement									
	Obtained during the year							4,061,262		1,576,409
	Re - payments during the year							(7,563,712)		(1,628,334)
	Non cash Movement									
	Conversion of overdraft and short term loan into term loans							-		5,585,252
	Impact on exchange rate changes on conversion							5,619,842		1,892,684
	Unamortized transaction cost							(117,796)		(107,866)
								53,491,799		51,492,203
	Amounts falling due within one year							(10,949,448)		(11,117,029)
	Amounts falling due after one year							42,542,352		40,375,174

(Amounts expressed in Sri Lankan Rs. '000)

#### 40 INTEREST BEARING BORROWINGS (CONTD.)

##### (iii) Long term Bank Borrowings Long term Bank Borrowings (Contd.)

Term Loan denominated in foreign currencies as at 31st March are as follows:

As at 31st March	Group	
	2019	2018
Malaysian Ringgit (MYR)	5,118,056	9,200,616
US Dollar (USD)	51,078,955	38,852,700
Indian Rupee (INR)	2,719,181	2,556,781
	58,916,192	50,610,097

LIBOR - London Inter Bank Offered Rate, COF - Cost of Funds, AWPLR - Average Weighted Prime Lending Rate

##### (iv) Details of Borrowings

###### A. USD 400 M Syndicate Facility – Oil Palm Plantations

- On 4 November 2013, Goodhope Asia Holdings Ltd. ("GAHL") together with its subsidiary plantation companies secured a USD 400 Million Syndicate Facility from a consortium of bankers to refinance the existing senior debt portfolio and to raise new financing to support the development plans for the Group's Oil Palm Plantation segment.
- An Amended Facility Agreement was executed on 1 November 2017 whereby the repayment terms of the facility were amended. As per the loan agreement, GAHL is required to dispose of certain earmarked Indonesian plantation assets (which are under development) in order to repay the balance sum by 31st March 2019. Repayment of tranche A of the loan has been since extended to September 2019 from March 2019.
- The term loan facility will mature in March 2021.
- The GAHL's plantation property, certain plant and equipment other than leased assets and certain bank accounts have been pledged as security for the above loan facilities. The GAHL has also provided a Corporate Guarantee on a joint and several basis with the other Guarantors.

###### B1. Term Loan Facility - Edible Oils and Fats - Malaysia

- A Senior Secured Amortizing Term Loan Facility of USD 23.9 Million was obtained in February 2019 with a tenor of 6 years and 3 months. This loan was used to refinance the outstanding balance of the MYR 140 Million Term Loan Facility provided to the Edible Oils and Fats segment.
- The facility is secured by fixed assets of the edible oils and fats segment along with a Corporate Guarantee by the GAHL.

###### B2. Term Loan Facility - Edible Oils and Fats - Malaysia

The balance of MYR 6.34 Million remaining under the previous MYR 140 Million Term Loan Facility is to be settled by February 2020.

###### B3. Trade/Revolving Facility - Edible Oils and Fats - Malaysia

The MYR 145 Million trade facility had been reduced to MYR 137 Million during the year. This facility is secured by respective Borrowers' stocks and trade receivables and a Corporate Guarantee from the GAHL.

###### C. Term Loan Facility - Edible Oils and Fats - India

The facility was amended and executed in March 2018. The repayment date is 31 March 2021. These facilities are secured over movable property, plant and equipment together with stocks and trade receivables of the Borrower and a Corporate Guarantee from the GAHL.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 40 INTEREST BEARING BORROWINGS (CONTD.)

#### (iii) Long term Bank Borrowings Long term Bank Borrowings (Contd.)

#### (iv) Details of Borrowings (Contd.)

##### D. Trade/Revolving Facility - Edible Oils and Fats - Malaysia

USD 10 Million Revolving Facility was obtained for 4 plantation subsidiaries of GAHL as co-Borrowers. Fiducia over certain Inventory along with a Corporate Guarantee from the GAHL have been provided as security. The facility was renewed in April 2019 for a period of 1 year with GAHL as co-borrower in addition to the 4 plantation subsidiaries.

##### E1. Revolving Short Term Loan Facility – Oil Palm Plantations

1. USD 25 Million revolving short-term loan facility was obtained to meet the working capital requirements of GAHL. A Corporate Guarantee has been provided by the GAHL as security. The facility is renewable annually.
2. USD 10 Million short term loan facility was obtained by the GAHL in December 2018 to support the working capital needs of the plantation companies. The facility is renewable annually.

##### E2. Revolving Short Term Loan Facility – Edible Oils and Fats

USD 6 Million short term loan facility was obtained in February 2019 to support the working capital needs of the Malaysia Edible Oils and Fats segment of GAHL. The facility is renewable annually.

##### F. Lease - Oil Palm Plantations

Lease obligations are secured by a charge over the leased assets and are denominated in Indonesian Rupiah of the relevant entities in the Group.

#### Effective interest rates

The effective interest rates per annum of the Group's USDollar loans and borrowings as at the balance sheet date are as follows:

As at 31st March	2019	2018
Obligations under finance leases	13.44%	13.52%
Short-term loans	6.38%	5.42%
Long-term bank loans	5.73%	4.90%

#### (v) Obligations under finance leases and hire purchases

The outstanding minimum lease payments and scheduled maturity dates are as follows:

As at 31st March	Group	
	2019	2018
Analysis of finance obligation by year of re-payment		
Minimum lease payments:		
Due within one year	208,314	30,186
Due after one year but not more than five years	163,940	22,751
Future lease payments	372,254	52,937
Less: Future finance charges	(48,615)	(6,846)
Present value of minimum lease payable	323,639	46,091
Less: Current portion of obligations due under finance lease	(173,449)	(25,205)
	150,190	20,885

The Group had entered into finance lease agreements for motor vehicles and heavy vehicles with finance lease terms of 3 to 5 years (2018: 3 to 5 years). These finance lease purchase obligations are subject to effective interest rates of 13.44% (2018: 13.36%) per annum.

(Amounts expressed in Sri Lankan Rs. '000)

#### 41 DEBENTURES

As at 31st March	Group	
	2019	2018
Balance as at the beginning of the year	2,998,800	3,798,200
Debentures redeemed	(998,800)	(799,400)
Balance as at the end of the year	2,000,000	2,998,800
Interest payable	78,285	111,782
Balance as at the end of the year with interest	2,078,285	3,110,582

The Lion Brewery (Ceylon) PLC issued 3,000,000 Rated Unsecured Redeemable Debentures at the face value of Rs. 1,000/- each to raise Rs. 3,000,000,000/- on 17th June 2013. The interest is paid on 30th June, 30th September, 31st December and 31st March for a period of 5 years.

The Lion Brewery (Ceylon) PLC further issued 20,000,000 rated Unsecured Redeemable Debentures (Category 3 - Type I) at a face value of Rs. 100/- each to raise Rs. 2,000,000,000/- on 8th December 2014. The interest is paid on 30th September and 31st March for a period of 5 years.

The categories of Debentures and its proportion of the different types of debentures in each category are as follows.

As at 31st March	Group	
	2019	2018
Category 01 Debentures - Floating Rate (Note 40.1)	-	201,200
Category 02 & 03 Debentures - Fixed Rate (Note 40.2)	2,000,000	2,797,600
Total	2,000,000	2,998,800

##### 41.1 Category 01 Debentures - Floating Rate

Category 01 - Type E debentures amounting to Rs. 201.2 Mn were redeemed on June 16, 2018.

##### 41.2 Category 02 & Category 03 Debentures - Fixed Rate

Types in Category 2&3 Debentures	Amount Rs. 000	Proportion (From and out of the Category 02 Debentures issued)	Interest Rate (per annum) payable quarterly	AER (per annum)	Redemption From the Date of Allotment
Category 03 - Type I	2,000,000	N/A	7.85%	8.00%	60 Months (5 Years)
Total	2,000,000				

Category 02 - Type H debentures amounting to Rs.797.6 Mn were redeemed on June 16, 2018.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 41 DEBENTURES (CONTD.)

#### 41.3 Composition of Debentures and Interest Payable

As at 31st March	Group	
	2019	2018
<b>Classified under Non Current Liabilities</b>		
Debentures falling due after one year	-	2,000,000
<b>Total</b>	<b>-</b>	<b>2,000,000</b>
<b>Classified under Current Liabilities</b>		
Debentures falling due within one year	2,000,000	998,800
Debenture interest payable	78,285	111,782
<b>Total</b>	<b>2,078,285</b>	<b>1,110,582</b>
<b>Total</b>	<b>2,078,285</b>	<b>3,110,582</b>

#### 41.4 Interest paid on Debentures

During the year the Lion Brewery (Ceylon) PLC has charged Rs. 185.6 Mn. (2018 - Rs. 311.6 Mn) as debenture interest on both at fixed rates and floating rates and out of which Rs. 78.2 Mn. (2018 - Rs. 111 Mn.) was payable as at the reporting date.

**41.5** No security has been pledged against the debentures



(Amounts expressed in Sri Lankan Rs. '000)

## 42 TRADE AND OTHER FINANCIAL PAYABLES AND OTHER NON-FINANCIAL LIABILITIES

As at 31st March	Group		Company	
	2019	2018	2019	2018
<b>Non Current</b>				
<b>Other financial payables</b>				
Rental and telephone deposits [Note 42 a]	87,368	87,695	-	-
	87,368	87,695	-	-
<b>Other non financial liabilities</b>				
Employee benefits (Note 43)	1,310,188	1,462,835	-	-
Plasma payable	32,869	-	-	-
Total other non financial liabilities	1,343,057	1,462,835	-	-
<b>Current</b>				
<b>Trade payables</b>				
Trade payables	3,941,910	3,729,543	-	-
	3,941,910	3,729,543	-	-
<b>Other financial payables</b>				
Customer deposits (Note 42 b)	1,456,224	1,164,261	-	-
Taxes payable	2,208,093	2,042,803	-	-
Accrued expenses	2,826,357	4,899,565	141,474	128,687
Other creditors	3,365,141	7,198,042	84,783	128,855
Total other financial payables	9,855,815	15,304,671	226,257	257,542
Total trade and other financial payables	13,885,093	19,121,909	226,257	257,542
Total trade and other payable - Non Current	1,430,425	1,550,530	-	-
Total trade and other payable - Current	13,797,725	19,034,214	226,257	257,542
<b>Financial liabilities carried at amortised cost</b>				
Trade and other financial - current payables	13,797,725	19,034,214	226,257	257,542
Other financial payables - non-current	87,368	87,695	-	-
Loans and borrowings	73,137,699	66,327,590	1,609,594	1,362,421
Debenture	2,078,285	3,110,582	-	-
Total financial liabilities carried at amortised cost	89,101,077	88,560,081	1,835,851	1,619,963

Term and condition of the above current Financial liabilities:

- Trade payables are non - interest bearing and are normally settled in 60 to 90 day terms.
- Other payables are non - interest bearing and have an average term of six months.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 42 TRADE AND OTHER FINANCIAL PAYABLES AND OTHER NON-FINANCIAL LIABILITIES (CONTD.)

As at 31st March	Group	
	2019	2018
<b>(a) Rental Deposits</b>		
Balance as at the beginning of the year	87,695	77,607
Receipts during the year	11,788	16,731
Transferred to deferred revenue	(15,906)	(12,454)
Refunds during the year	(5,034)	(1,573)
Unwinding of interest on refundable deposits	8,825	7,384
Balance as at the end of the year	87,368	87,695

The above rental and telephone deposits are re-payable on termination of the tenancy agreements in the real estate sector.

### (b) Customer Deposits

As at 31st March	Group	
	2019	2018
Balance as at the beginning of the year	1,164,261	1,009,357
Receipts during the year	298,961	209,362
Refunds made during the year	(6,998)	(54,458)
Balance as at the end of the year	1,456,224	1,164,261

Customer deposits are taken as security against the containers with the agents in the beverage sector.

### (c) Trade payable denominated in foreign currencies are as follows

As at 31st March	Group	
	2019	2018
Currency		
US Dollar (USD)	113,754	461,666
Malaysian Ringgit (MYR)	617,195	626,134
Indonesian Rupiah (IDR)	2,566,688	3,036,845
	3,297,637	4,124,645

- (d) An order has been made for the enforcement of an ex-parte judgment (in default of appearance) issued against the Company by an overseas Court for a sum of Sterling Pounds 271,323.38 plus costs, in an action filed by a former consultant of the Company. The Company appealed against the said enforcement order in the High Court of Civil Appeals and the said court delivered judgment against the Company. The Company filed a leave to appeal application in the Supreme Court and the case is still pending in the Supreme Court.

(Amounts expressed in Sri Lankan Rs. '000)

#### 43 EMPLOYEE BENEFITS

As at 31st March	Group	
	2019	2018
The amounts recognized in the profit or loss are as follows:		
Current service cost	199,195	181,765
Interest cost	113,443	92,059
Past service costs	(4,641)	52,048
Immediate recognition on new entrants	15,533	9,984
Curtailement gain	(48,546)	(51,227)
Adjustment on the previous year	11,163	15,692
<b>Total employee benefit expense</b>	<b>286,147</b>	<b>300,321</b>
The details of employee benefit liability as at 31st March 2019 and 2018 are as follows:		
Present value of unfunded obligations	1,310,188	1,462,835
	<b>1,310,188</b>	<b>1,462,835</b>
The movement in the liabilities recognized in the Statement of Financial Position is as follows:		
Balance as at the beginning of the year	1,462,835	1,144,164
Provision for the year	286,147	300,321
Payments made during the year	(151,394)	(106,143)
Gain/(loss) on employee benefits recognized in other comprehensive income	(400,463)	138,092
Termination Cost	(7,132)	(2,180)
Impact on exchange rate changes on conversions	120,195	(11,419)
<b>Balance as at the end of the year</b>	<b>1,310,188</b>	<b>1,462,835</b>

#### (b) Accounting judgements , estimates and assumptions

##### Employee benefit liability

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The actuarial valuation was made using the following assumption:

	Sri Lanka	Indonesia
Discount rate	10.5% - 12.5% per annum	8.39% per annum
Future salary increment rate	12.5% - 5% per annum	6% per annum
Mortality rate	A 1967/70 Mortality Table, issued by the Institute of Actuaries, London was used.	
Disability rate		Indonesian Table of Mortality year 2011
Retirement age	55 years	10% of mortality rate
		55 years

#### 44 NET ASSETS PER SHARE

As at 31st March	Group		Company	
	2019	2018	2019	2018
Total Equity	63,893,865	60,650,409	12,042,685	10,450,718
Less				
Non -controlling interest	(31,585,445)	(29,148,484)	-	-
<b>Total equity attributable to owners of the Company</b>	<b>32,308,420</b>	<b>31,501,925</b>	<b>12,042,685</b>	<b>10,450,718</b>
Number of ordinary shares used as the denominator				
Ordinary shares in issue (Nos.)	196,386,914	196,386,914	196,386,914	196,386,914
<b>Net Assets per Share (Rs.)</b>	<b>164.51</b>	<b>160.41</b>	<b>61.32</b>	<b>53.21</b>

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 45 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Classes of financial instruments that are not carried at fair value and of which carrying amounts are a reasonable approximation of fair value are current portion of trade and other receivables (Note 33), cash and cash equivalents (Note 35), trade and other payables (Note 42) and loans and borrowings (Note 40). The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

(b) Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:

As at 31st March	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>2019</b>				
Assets measured at fair value				
Financial assets:				
Investment in equity and debt securities - Non current	5,342,032	-	-	5,342,032
Investment in equity and debt securities - Current	9,275,963	-	455,743	9,731,706
Investment in Unit trust	-	-	270,091	270,091
Derivative financial instrument	-	59,156	-	59,156
<b>As at 31 March 2019</b>	<b>14,617,995</b>	<b>59,156</b>	<b>725,834</b>	<b>15,402,985</b>
Non -financial assets:				
Biological assets	-	-	1,497,067	1,497,067
Assets held for sale	-	-	702,927	702,927
Investment properties	-	3,878,996	-	3,878,996
Freehold Land & Buildings	-	9,530,166	-	9,530,166
<b>As at 31 March 2019</b>	<b>-</b>	<b>13,409,162</b>	<b>2,199,994</b>	<b>15,609,156</b>
Liabilities measured at fair value				
Financial liabilities	-	-	-	-
Derivative financial instrument	-	-	-	-
<b>As at 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2018</b>				
Assets measured at fair value				
Financial assets:				
Investment in equity and debt securities - Non current	15,022,408	-	-	15,022,408
Investment in equity and debt securities - Current	1,707,061	-	217,563	1,924,624
Investment in Unit trust	-	-	935,601	935,601
Derivative financial instrument	-	103,756	-	103,756
<b>As at 31 March 2018</b>	<b>16,729,469</b>	<b>103,756</b>	<b>1,153,164</b>	<b>17,986,389</b>
Non -financial assets:				
Biological assets	-	-	1,724,203	1,724,203
Assets held for sale	-	-	660,825	660,825
Investment properties	-	3,447,798	-	3,447,798
Freehold Land & Buildings	-	8,876,756	-	8,876,756
<b>As at 31 March 2018</b>	<b>-</b>	<b>12,324,554</b>	<b>2,385,028</b>	<b>14,709,582</b>
Liabilities measured at fair value				
Financial liabilities	-	-	-	-
Derivative financial instrument	-	10,916	-	10,916
<b>As at 31 March 2018</b>	<b>-</b>	<b>10,916</b>	<b>-</b>	<b>10,916</b>

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(Amounts expressed in Sri Lankan Rs. '000)

## 45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

### (c) Fair value of financial and non financial assets and liabilities that are carried at fair value

#### Fair value hierarchy

The table below analyses financial and non financial assets and liabilities carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows.

- Level 1 : Availability of quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : Use of inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : Use of inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Methods and assumptions used to determine fair values

The methods and assumptions used by the management to determine the fair values of financial and non financial assets and liabilities other than those carrying amounts reasonably approximate to their fair values as mentioned in Note, are as follows:

Financial & non financial assets / Liability category	Fair Value Basis , Valuation techniques	Fair Value Hierarchy
Quoted equity instruments	fair value is determined directly by reference to their published market bid price at the balance sheet date	Level 1
Investment in Unit Trusts	Use of inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).	Level 2
Biological Assets	Fair value of biological assets has been determined based on the market price and the estimated yield of FFB, net of maintenance and harvesting costs, overhead costs and estimated cost to sell. Please refer to Note 23 for more details	Level 3
Investment properties	The fair value of investment property is based on current and estimated future rental income generated from comparable properties	Level 2
Freehold Land & Buildings	Market approach / Existing use	Level 2

Fair value of financial instruments by classes that are not carried at fair value and of which carrying amounts are reasonable approximation of fair value are, Current trade and other financial receivables and payables, current and non-current loans and borrowings at floating rate, other bank deposits and cash and bank balances. The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

#### (d) Movements in Level 3 assets and liabilities measured at fair value:

	Investment in equity securities unquoted	Biological assets	Private Equity	Total
As at 1st April 2017	94,919	712,845	270,508	1,078,272
Total (Loss)/gain recognised in the income statement				
Net gain arising from changes in fair value of assets	-	1,017,130	-	1,017,130
Total gain recognised in the other comprehensive income				
Foreign currency translation	-	(5,772)	-	(5,772)
Change in fair value	-	-	(124,618)	(124,618)
Written off	-	-	(10,256)	(10,256)
Disposal	-	-	-	-
Movements in assets	7,634	-	(20,625)	(12,991)
As at 31 March 2018	102,553	1,724,203	115,009	1,941,765
Total loss recognised in the income statement				
Net gain arising from changes in fair value of assets	-	(392,859)	-	(392,859)
Total loss recognised in the other comprehensive income				
Foreign currency translation	-	165,723	-	165,723
Change in fair value	(1,220)	-	34,752	33,532
Written off	(2,447)	-	-	(2,447)
Movements in assets	(5)	-	-	(5)
As at 31 March 2019	98,881	1,497,067	149,761	1,745,709

There have been no transfers from level 1, level 2 or level 3 for the financial years ended 31st March 2019 and 31st March 2018.

(Amounts expressed in Sri Lankan Rs. '000)

## 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

### Financial assets and liabilities by categories in accordance with SLFRS 9 - Group

	Financial assets at fair value through OCI / AFS	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount
<b>As at 31 March 2019</b>					
<b>Financial assets</b>					
Investment in equity securities	5,342,032	9,275,963	-	-	14,617,995
Investment in unit trust/Debentures	-	477,192	-	-	477,192
Trade and other financial receivables	-	-	4,946,270	-	4,946,270
Derivative financial instruments	-	59,156	-	-	59,156
Cash and cash equivalents	-	-	14,797,784	-	14,797,784
	5,342,032	9,812,311	19,744,054	-	34,898,397
<b>Financial liabilities</b>					
Long term borrowings	-	-	-	53,491,799	53,491,799
Debentures	-	-	-	2,078,285	2,078,285
Finance lease liabilities	-	-	-	323,639	323,639
Trade and other financial payables	-	-	-	13,885,093	13,885,093
Derivative financial instrument	-	-	-	-	-
Short term borrowings	-	-	-	19,322,261	19,322,261
	-	-	-	89,101,077	89,101,077
<b>As at 31 March 2018</b>					
<b>Financial assets</b>					
Investment in equity securities	15,022,408	1,707,061	-	-	16,729,469
Investment in unit trust / Debentures	45,293	890,313	-	-	935,606
Trade and other financial receivables	-	-	5,692,032	-	5,692,032
Derivative financial instruments	-	103,756	-	-	103,756
Cash and cash equivalents	-	-	13,342,194	-	13,342,194
	15,067,701	2,701,130	19,034,226	-	36,803,057
<b>Financial liabilities</b>					
Long term borrowings	-	-	-	51,492,203	51,492,203
Debentures	-	-	-	3,110,582	3,110,582
Finance lease liabilities	-	-	-	46,091	46,091
Trade and other financial payables	-	-	-	19,121,909	19,121,909
Derivative financial instrument	-	10,916	-	-	10,916
Short term borrowings	-	-	-	14,789,295	14,789,295
	-	10,916	-	88,560,080	88,570,996

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, liquidity, interest rate, foreign currency, commodity price and market price risk. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses relevant financial instruments to hedge the risks of commercial exposure. Such financial instruments are not held for trade or speculative purposes. These market risk management activities are governed by the risk management framework and systems. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks for the financial years ended 31st March 2019 and 31st March 2018. Mechanisms adopted by the Group in managing eventual impact of such risks are given overleaf.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTD.)

#### 1. Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should an external default on its obligations. The carrying amount of trade and other receivables, amounts due from related companies and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risk with respect to accounts receivable is limited due to the creditworthiness of the Group's customer base. Management regularly monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all third-party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, when they fall due, which are derived based on the Group's historical information and forward-looking factors.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwardlooking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the counterparty
- Significant changes in the expected performance and behaviour of the counterparty including changes in the payment status of the borrowers in the Group and changes in the operating results of the counterparty

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the counterparty
- A breach of contract, such as default or past due event
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

The Group computes expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking factors.



(Amounts expressed in Sri Lankan Rs. '000)

#### 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTD.)

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for the debt instruments and loans is as follows:

Category	Definition of category	Basis for recognition of expected credit loss provision (ECL)
Grade I	Customers have a low risk of default and have a strong capacity to meet contractual cashflows.	12-month ECL
Grade II	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written-off

##### Trade receivables (GAHL Group)

For trade receivables, the Group has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Group uses a provision matrix, estimated based on historical credit loss experience based on past due status of the debtors, adjusted as appropriate to reflect the current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix.

##### Oil palm plantation business segment

	< 30 days	30-60 days	61 – 90 days	> 90 days	Total
<b>31 March 2019</b>					
Total gross carrying amount	489,882	159,009	12,678	(2,465)	659,105
ECL	-	-	-	-	-
<b>31 March 2018</b>					
Total gross carrying amount	483,294	24,274	156	156	507,878
Allowance for impairment	-	-	-	-	-

##### Oil and fats business segment

	< 180 days	180 – 365 days	>365 days	Total
<b>31 March 2019</b>				
Total gross carrying amount	1,802,986	7,220	44,727	1,854,932
ECL	-	-	(5,635)	(5,635)
<b>31 March 2018</b>				
Total gross carrying amount	1,679,702	36,877	32,054	1,748,633
Allowance for impairment	-	-	(6,846)	(6,846)

##### Beverage Sector

	Past due 0 - 365 day	More than 365 days	Total
<b>31 March 2019</b>			
Total gross carrying amount	814,215	90,165	904,380
<b>31 March 2018</b>			
Total gross carrying amount	1,045,250	72,933	1,118,183

##### Leisure Sector

	1 < 30 days	31 - 90 days	91 – 120 days	> 121 days	Total
<b>31 March 2019</b>					
Total gross carrying amount	30,007	30,273	2,899	8,201	71,380
<b>31 March 2018</b>					
Total gross carrying amount	31,181	18,793	1,997	9,198	61,169

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTD.)

#### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular region.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

#### Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

As at 31st March	2019	2019 % of total	2018	2018 % of total
Investment Holding/Portfolio and Asset Management	42,299	1%	22,611	0%
Oil Palm Plantations	1,357,433	28%	729,227	13%
Oils & Fats	2,028,352	42%	1,983,332	37%
Beverage	1,399,301	28%	2,703,523	49%
Real Estate	24,558	0%	19,292	0%
Leisure	69,390	1%	63,828	1%
Management Services	178	0%	253	0%
	4,921,511	100%	5,522,066	100%

The credit risk for the trade and other receivable at the end of the reporting period by geographical segment is as follows:

As at 31st March	2019	2019 % of total	2018	2018 % of total
Sri Lanka	1,538,965	31%	2,811,976	51%
Malaysia	1,889,533	38%	1,892,346	34%
Indonesia	1,354,278	28%	623,119	11%
India	138,703	3%	194,625	4%
	4,921,479	100%	5,522,066	100%

#### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with credit worthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings with no history of default.

(Amounts expressed in Sri Lankan Rs. '000)

## 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTD.)

### 2. Liquidity Risk

Both at Company and Group level short term liquidity constraints are indicated by the current ratio etc. However, such indications have not affected the day to day activities of the Company or the Group due to prudent operational discipline and mitigating circumstances that are expected to manifest with the economic and operational recovery. The Group actively manage its operating and financing cash flows to ensure all refinancing, repayment and investment needs are satisfied. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain unutilised banking facilities of a reasonable level compared to its overall debt. The Group raises committed funding from both capital markets and financial institutions and prudently balance its debt maturity profile with a mix of short and longer term funding to achieve overall cost effectiveness. In the event of acute liability restrictions Group has resorted to liquidating non-strategic, least yielding investments and fixed assets in the past to meet urgent current liabilities which cannot be re-scheduled. Liquidity restrictions of subsidiary levels will and can affect their dividend payment policies which in turn will affect the cashflows of the parent entity.

At Company level, such cascading events and possible need for equity capital infusions will impact the liquidity of the parent Company. Restricted capital expenditure, internalized cost management, disposal of non-strategic investments and revising own dividend payment policies would be the mitigating steps taken at the parent company level.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the segment treasury. The Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts.

As at 31st March	Group		Company	
	2019	2018	2019	2018
Total cash and bank balances	14,797,784	13,342,194	63,708	387,773
Less: Fixed deposits pledged for bank facilities	(422,264)	(1,825,188)	-	-
Less: Other deposits with more than 3 months maturity	(11,702,860)	(8,089,949)	-	-
Less: Bank overdrafts and short term loans	(18,450,274)	(14,039,632)	(1,601,413)	(1,357,214)
<b>Cash and cash equivalents</b>	<b>(15,777,614)</b>	<b>(10,612,575)</b>	<b>(1,537,705)</b>	<b>(969,441)</b>
Net cash flows generated from operating activities	7,816,882	9,160,094	(46,057)	468,665
Net cash flows used in investing activities	(5,605,072)	(6,599,663)	(281,671)	261,659
Net cash flows generated from financing activities	(5,166,862)	4,553,882	(240,536)	(283,303)
<b>Net increase in cash held</b>	<b>(2,955,052)</b>	<b>7,114,313</b>	<b>(568,264)</b>	<b>447,021</b>

#### Major application of funds in FY2019 was as follows

Rs 6 Bn was used to fund our capital expenditure for plantations development, property, plant and equipment (2018: Rs. 6.3 Bn). Major additions of property, plant and equipment during the year included Oil Mill, Indonesia.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTD.)

Group	One year or less	One to five years	Total
<b>2019</b>			
<b>Financial assets</b>			
Investment in equity securities - Non current	-	5,342,032	5,342,032
Investment in equity securities - current	9,275,963	-	9,275,963
Trade and other financial receivables	4,921,511	24,759	4,946,270
Derivative financial instrument	59,156	-	59,156
Cash and cash equivalents	14,797,784	-	14,797,784
<b>Total undiscounted financial assets</b>	<b>29,054,414</b>	<b>5,366,791</b>	<b>34,421,205</b>
<b>Financial liabilities</b>			
Trade and other financial payable	13,797,725	87,368	13,885,093
Loans and borrowings	30,445,157	42,692,542	73,137,699
Debenture	2,078,285	-	2,078,285
Derivative financial instrument	-	-	-
<b>Total undiscounted financial liabilities</b>	<b>46,321,167</b>	<b>42,779,910</b>	<b>89,101,077</b>
<b>Total net undiscounted financial liabilities</b>	<b>(17,266,753)</b>	<b>(37,413,119)</b>	<b>(54,679,872)</b>
<b>2018</b>			
<b>Financial assets</b>			
Investment in equity securities - Non current	-	15,022,408	15,022,408
Investment in equity securities - current	1,707,061	-	1,707,061
Trade and other financial receivables	5,522,066	169,966	5,692,032
Derivative financial instrument	103,756	-	103,756
Cash and cash equivalents	13,342,194	-	13,342,194
<b>Total undiscounted financial assets</b>	<b>20,675,077</b>	<b>15,192,374</b>	<b>35,867,451</b>
<b>Financial liabilities</b>			
Trade and other financial payable	19,034,214	87,695	19,121,909
Loans and borrowings	25,931,530	40,396,059	66,327,590
Debenture	1,110,582	2,000,000	3,110,582
Derivative financial instrument	10,916	-	10,916
<b>Total undiscounted financial liabilities</b>	<b>46,087,242</b>	<b>42,483,754</b>	<b>88,570,997</b>
<b>Total net undiscounted financial liabilities</b>	<b>(25,412,166)</b>	<b>(27,291,380)</b>	<b>(52,703,546)</b>

(Amounts expressed in Sri Lankan Rs. '000)

#### 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTD.)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called in.

Group	2019	2018
Financial guarantees		
One year or less	18,789,860	14,198,033
One to five years	39,591,019	35,792,357
Over five years	51,066	161,668
	58,431,945	50,152,058

#### 3. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity price and equity prices, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### (a) Commodity price risk

The Group's primary source of cash inflows are from the sale of palm based products. The Group prices its CPO and PK produced in the oil palm plantation business segment with reference to the international market prices. These commodities are subject to fluctuation in prices, due to varying market forces.

The Group manages the impact of such price volatility on its cash flows, by hedging its sales by entering into forward sale contract or by hedging its sales through CPO futures where required. The Group has not adopted hedge accounting as at 31 March 2019.

As at 31st March 2019 had the prices of CPO and PK been 5% higher/lower with all other variables held constant, profit before tax would have increased/decreased by Rs. 1,588.6 Mn or equivalent US\$ 9,022,000 (2018: Rs. 1,243 Mn or equivalent US\$ 7,991,000).

CPO, PK and PKO are also key raw materials in our edible oils and fats business segment. These are as stated above freely-traded market commodities and are subject to varying market forces that determine its prices.

In the edible oils and fats business segment, the Group manages the impact of such price volatility on its cash flows, by hedging its purchases either by entering into forward purchase contract or through a back-to-back purchase arrangement for the respective sales or taking hedging positions in Bursa Malaysia Derivatives ("BMD").

The Group has not adopted hedge accounting as of 31 March 2019 at a group level or in any of its business segments.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTD.)

#### (b) Equity price risk

The Group operate as an investment house, where the principle activity of each of the companies within the Group being to act as specialized investment vehicle to undertake, among others; listed and private equity investments, the Group is categorically exposed to equity price risk. Having a substantial portion of 98% (2018- 98%) of its investment portfolio designated as listed investments in the Colombo Stock Exchange and private equity investments, market volatilities bring in substantial volatility to the Groups earnings and value of its asset base at the reporting date.

#### Management of market price risk

##### Listed equity

Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices, where decisions concerned with the timing of buy / sell decisions are well supported with structured in-house research recommendations. Transactions of a major magnitude within the portfolio are subject to review and approval by the Investment Committee.

##### Private equity investments

Due evaluations are carried out before-hand, extending to both financial and operational feasibility of the private equity projects that the Group ventures into, with a view to ascertain the Company's investment decision and the risks involved. Continuous monitoring of the operations against the budgets and the industry standards ensure that the projects meet the desired outcome, and thereby the returns. Further, the Group generally carries investment agreements with the parties concerned, which carry specific 'exit clauses' to private equity projects - typically an 'Initial Public Offering' or a 'Buy-out' at a specified price formula, which provides cover to a certain extent against movements in market conditions.

#### Financial assets at fair value through profit or loss

As at 31st March	Group			
	2019	% of total	2018	% of total
Banks, Finance and Insurance	5,186,068	56%	5,439,640	57%
Beverage, Food & Tobacco	1,574,555	17%	1,253,326	13%
Chemicals & Pharmaceuticals	80	0%	-	0%
Construction & Engineering	96,190	1%	132,750	1%
Diversified Holdings	1,167,929	13%	905,932	10%
Footwear and Textiles	149,093	2%	213,992	2%
Health Care	32,469	0%	-	0%
Hotels & Travels	148,172	2%	161,701	2%
Land & Property	11,480	0%	-	0%
Manufacturing	263,542	3%	451,900	5%
Power and Energy	100,810	1%	102,094	1%
Telecommunication	545,575	6%	856,110	9%
	9,275,963		9,517,445	

(Amounts expressed in Sri Lankan Rs. '000)

## 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTD.)

### (c) Foreign currency risk

The Group has currency exposures arising from loans and borrowings of Indonesian entities denominated in a currency other than the functional currency, the IDR. The foreign currency in which these loans and borrowings are denominated is USD.

A significant portion of our raw material purchases in the edible oils and fats business segment in Malaysia is also denominated in USD, resulting in a currency exposure against the functional currencies of MYR.

The Group's currency exposure arising from sales and purchases (excluding above), as well as all other assets, liabilities and operational expenses is limited as these are primarily denominated in the respective functional currencies of Group entities, primarily IDR and MYR.

The Group manages the impact of such exchange movements on its cash flows, by hedging its currency exposure through forward booking arrangements on a selective basis. The Group does not have any other foreign currency hedge arrangements as at balance sheet date.

#### Foreign exchange - Sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit/loss before taxation to a reasonably possible change in MYR and IDR exchange rate against the USD, with all other variables held constant:

Increase/(decrease) in profit before tax:	2019	2018
MYR strengthened by 5%	(139,872)	(44,318)
MYR weakened by 5%	139,872	44,318
IDR strengthened by 5%	(958,879)	(1,053,054)
IDR weakened by 5%	958,879	1,053,054

### (d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in the market interest rates arises primarily from the group's long-term debt obligation with floating exchange rates.

The Group will pursue derivative mechanisms such as interest swaps, where necessary, to manage its interest risk arising from the group's sources of finance. The Group does not actively pursue derivative mechanisms at the moment.

Interest expense had been capitalised to bearer plants to the extent that the borrowing is used to fund the qualifying assets (bearer plants) until the point of maturity. The remaining interest expenses were charge to the income statement.

At the balance sheet date, if US Dollar interest rate had been 500 basis points higher/lower with all other variables held constant, the Group's profit or loss would have decreased/increased by US\$1,390,000 (2018: US\$1,378,000).

At the end of the reporting period the profile of the Group's interest-bearing financial instruments as reported to the Management of the Group were as follows.

As at 31st March	2019	2018
<b>Financial Assets</b>		
Short term deposits	12,125,124	9,915,137
	12,125,124	9,915,137
<b>Financial liabilities</b>		
Loans term borrowings	53,491,799	51,492,203
Debenture	2,078,285	3,110,582
Finance lease liabilities	323,639	46,091
Short term borrowings	17,362,618	13,137,468
Bank overdraft	1,959,643	1,651,827
	75,215,984	69,438,171

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 47 CAPITAL MANAGEMENT

Group consist of companies operating in different business sectors spanning across several geographical domains. Due to the different industry/market specific business sensitivities across industries, Group does not push down a “one size fits all” policy in capital management to its subsidiaries.

Individual companies, through their respective Boards of directors determine the capital structure best suited for their business needs subject to regulatory framework, cash-flow capacity potential, availability or otherwise of cheaper external funding, future expansion plans and share holder sentiments.

Whilst allowing the flexibility to determine the optimum capital structure for its subsidiaries, group monitors capital through the relevant ratios (i.e. gearing ratio, debt to equity ratio, etc) which each sector has to present to their respective Boards and the Board of the parent company at each quarterly performance review. Further, each public quoted company of the group has to submit an internally verified solvency report to their respective Board on quarterly basis along with the submission of interim reports irrespective of whether a distribution is proposed or not.

#### (a) Analysis of Group Changes in Net Debt

The group defines capital as the total equity of the group. The group's objective for managing capital is to deliver competitive, secure and sustainable returns to maximize long term shareholder value.

Net debt is current and non current finance debt less cash equivalents. The net debt ratio is the ratio of net debt to total equity. The net debt ratio enables investors to see how significant net debt is relative to equity from shareholders.

As at 31st March	2019	2018
Gross Debt	75,215,984	69,438,171
Cash and Cash Equivalents	(14,797,784)	(13,342,194)
Net Debt	60,418,200	56,095,977
Equity	63,893,865	60,650,409
Net Debt Ratio	95%	92%

#### (b) Adjusted net gearing ratio

Adjusted net gearing ratio is adjusted net debt to equity, which equals adjusted net debt divided by total capital. The Group includes within adjusted net debt, net debt less liquid working capital. Liquid working capital includes inventories (excluding consumables) and trade receivables, less current liabilities (excluding loans and borrowings). Capital includes equity funds.

As at 31st March	2019	2018
Total equity	63,893,865	60,650,409
Liquid working capital:		
Inventories (excluding consumables)	6,886,406	6,469,855
Trade receivables	4,921,511	5,522,066
Assets held for sales	702,927	660,825
Less: Current liabilities (excluding loans and borrowings)	(14,891,115)	(20,108,823)
Total liquid working capital	(2,380,271)	(7,456,077)
Adjusted net debt	62,798,471	63,552,054
Adjusted net gearing ratio (%)	98%	105%



(Amounts expressed in Sri Lankan Rs. '000)

## 48 COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for as at the date of the reporting period but not recognised in the financial statements are as follows:

As at 31st March	Group	
	2019	2018
Oil Palm plantation and Oil and Fats		
Approved and contracted for	571,764	557,982
Leisure		
Approved and contracted for	89,424	85,323
Total capital commitments	661,188	643,305

### (b) Finance commitment

Document credits established for foreign purchases of the Group as at 31st March 2019 amounts to Rs. 359.4 Mn (2018 - Rs.43.79 Mn)

### (c) Commitments for purchase contracts

The Group has the following committed purchases contracts entered into for the use of the Group. The contractual or underlying amounts of the committed contracts with fixed pricing terms that were outstanding as at period end are as follows:

As at 31st March	Group	
	2019	2018
Oil Palm plantation and Oil and Fats		
Purchases	5,137,164	3,209,922
Sales	6,176,258	7,788,186
	11,313,422	10,998,108

### (d) Commitments for obligations under finance leases and hire purchases

The Group's Oil palm plantation sector has finance leases for certain items of plant and equipment and furniture and fixtures. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2019		2018	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Not later than one year	208,314	173,449	30,186	25,207
Later than one year but not later than five years	164,002	150,253	22,751	20,883
Later than five years	-	-	-	-
Total minimum lease payments	372,316	323,702	52,937	46,090
Less: Amounts representing finance charges	(48,615)	-	(6,846)	-
Present value of minimum lease payments	323,701	323,702	46,091	46,090

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 48 COMMITMENTS

#### (e) Contingent liabilities

##### (i) Corporate guarantees

The Goodhope Asia Holdings Group has provided a corporate guarantee to a bank for a loan taken under the Plasma programme. Loan value is equivalent to Rs. 572 Mn (2018 - Rs. 568 Mn).

The Goodhope Asia Holdings Ltd has provided the following guarantees at the end of the reporting period:

GAHL has provided corporate guarantees to financial institutions for the financing facilities obtained by its subsidiaries, amounting to Rs. 57,860 Mn or equivalent US\$ 328,580,000 (2018 - Rs. 49,584 Mn or equivalent US\$ 318,664,000). It has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their liabilities as and when they fall due.

##### (ii) Material litigation

- (a) In 2008 the Customs Department instituted a prosecution in the Fort Magistrate's Court (MC) in Case No. S/65898/07/B against the Ceylon Beverage Holdings PLC (CBH) and its Directors for the recovery of Rs. 48,121,634/29 comprising of Rs. 23,062,080/43 being the amount of Excise (Special Provision) Duty (the 'duty') purportedly in arrears during the period 1998/IVq to 2001/IIIq and Rs. 25,059,553/86 as its penalty. The CBH and the Directors filed an application for Writ in the Court of Appeal (CA) to quash the Certificate of Excise Duty in Default issued by the Director General of Customs and Excise Duty and obtained a Stay Order in respect of the proceedings of the Fort MC Case. A sum of Rs. 23,062,080/43 being the duty amount in dispute was paid to Sri Lanka Customs by the CBH as required before submitting its appeal. Subsequently the CA Application was dismissed and the CBH appealed against the Order to the Supreme Court and was granted Special Leave to Appeal by the Court. The Court also ordered the staying of all further proceedings in the MC Case until final hearing and determination of the Appeal. No provision has been made for the payment of penalty amounting to Rs. 25,059,553/86, pending the Judgment from the Supreme Court in the said Leave to Appeal matter. Currently this matter is in the Arguments stage and will be heard in the Supreme Court.
- (b) Contingent liabilities as at 31st March 2019 in Lion Brewery (Ceylon) PLC (LBCPLC) amounts to Rs. 167,049,559/- (2018 - Rs. 72,312,314/- ), being bank guarantees given to Government bodies for operational purposes and shipping guarantees for clearing cargo pending the receipt of original documents.
- (c) A case has been filed against the Pegasus Hotels of Ceylon PLC by an individual in the District Court of Negombo seeking a declaratory title from court stating that he is co-owner of 127.5 perches of the land that belonged to the Company. The outcome of the court process is still pending. However, the Pegasus Hotels of Ceylon PLC is confident that it can establish title to the said land. In any case, the claimed land extent falls within the 1,605 perches of land acquired by the Government for the fisheries harbour project and detailed under note 33(c). Since the crystallization of the contingent liability is subject to the ruling of the District Court case followed by the available appeal process thereafter and the subsequent value determination of the claim by the Government valuer, said contingent liability cannot be quantified.

There were no contingent liabilities other than those disclosed above as at the reporting date.

### 49 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosures in the financial statements.

(Amounts expressed in Sri Lankan Rs. '000)

## 50 RELATED PARTY DISCLOSURES

The Company carried out transactions in the ordinary course of its business with the parties who are defined as related parties in Sri Lanka Accounting standard (LKAS - 24 "Related party disclosures", the details of which are reported below.

### Parent and ultimate controlling party

In the opinion of Directors, Bukit Darah PLC is the ultimate parent and controlling entity of Carson Cumberbatch PLC.

### Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiaries, joint venture have been disclosed in the Group Directorate under the Supplementary Information section of the Annual Report.

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

### Non-recurrent related party transactions

There were no non-recurrent related party transactions during the year which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2019 audited financial statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2019 audited financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

#### (a) Recurrent Transaction

As at 31st March	Group		Company	
	2019	2018	2019	2018
Amounts due from Subsidiaries				
Carsons Management Services (Private) Limited	-	-	78,642	35,101
	-	-	78,642	35,101

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 50 RELATED PARTY DISCLOSURES (CONTD.)

Current amounts due from subsidiaries are unsecured, non-interest-bearing and are repayable on demand. These balances are expected to be settled in cash.

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
<b>Transaction with Subsidiaries</b>				
Dividend Income	-	-	226,010	631,292
Amounts paid for services obtained (Note i)	-	-	13,044	13,044
Loans settled (Note ii)	-	-	43,541	(35,101)
<b>Carsons Management Services (Private) Limited</b>				
Support service fees	-	-	12,000	12,000
Secretarial fees paid	-	-	444	444
Computer Fees paid	-	-	600	600
	-	-	13,044	13,044
<b>Carsons Management Services (Private) Limited</b>				
Equity One Ltd	-	-	-	(80,674)
	-	-	43,541	(59,874)
<b>Transaction with Joint Venture</b>				
Secretarial fees received	251	251	-	-

Support service fees and other expenses charged are based on the respective services provided by Carsons Management Services (Private) Limited (CMSL) as per the service agreements signed between the companies on an arm's length basis.

#### Transaction with Other related entities

(i)Carson Cumberbatch PLC has provided letters of comfort to Carsons Management Services (Private) Limited. confirming its intention to continue to provide financial and other support and meet liabilities to enable the subsidiary to continue as a going concern for audit purposes.

#### Transaction with Key Management Personnel (KMP)

According to LKAS 24 "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Company/Group (including Executive and Non Executive Directors) and their immediate family members have been classified as KMP of the Company/Group.

Compensation paid to the key Management Personnel of the Company and the Group comprise as follows:

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
Short term employee benefits	978,088	966,821	22,995	20,429
Post employment benefits	3,398	3,489	-	-
Termination benefits	-	6,600	-	-
Non-cash benefits	5,341	295	-	-
	986,827	977,205	22,995	20,429

#### (b) Non Recurrent Transaction

There were no non-recurrent related party transaction during the period.

(Amounts expressed in Sri Lankan Rs. '000)

**51** As at March 31, 2019, certain plantation and oil and fats companies of the Group (PT Sariwana Adi Perksa, PT Sinar Sawit Andalan, PT Sumber Hasil Prima, Sawit makmur Sejahtera, PT Batumas Sejahtera, PT Agro Wana Lestari, PT Nabire Baru, PT Agrajaya Baktitama and Premium Oils & fats Sdn. Bhd have incurred accumulated loss and net liability positions. Furthermore, the above subsidiaries' current liabilities exceeded its current assets as at March 31, 2019. Goodhope Asia Holdings Ltd, the immediate parent entity of the said subsidiaries, confirmed its intention to financially support the said subsidiaries to enable them to meet their financial obligations as they fall due.

## **52 EXCHANGE RATE**

The exchange rates applicable during the period were as follows:

For the year ended 31st March	Balance Sheet Closing rate		Income Statement Average Rate	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Malaysian Ringgit	43.16	40.33	41.37	36.79
US Dollar	176.09	155.60	168.52	153.35
Indonesian Rupiah (Rp)	0.0124	0.0113	0.0117	0.0114
Indian Rupee (INR)	2.55	2.39	2.41	2.38

## **53 BOARD OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING**

The Board of Directors is responsible for the preparation and presentation of the financial statements in accordance with Sri Lanka Accounting Standards.

## **54 COMPARATIVE INFORMATION**

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentations and to be comparable with those of the current year.

# Group Real Estate Portfolio

(Amounts expressed in Sri Lankan Rs. '000)

The values of land & buildings owned and leased by companies within the Group and which have been revalued by valuers are indicated below together with the last date of valuation:

As at 31st March 2019		Land & Building			
Company	Location	Extent (Hectares)	Market Value Rs. '000	Book Value Rs. '000	Date of last Valuation
Equity One PLC.	Colombo 7	0.238	1,486,592	1,486,592	31-Mar-19
Equity One PLC	Colombo 2	0.455	934,020	934,020	31-Mar-19
Equity Two PLC	Colombo 1	0.072	556,535	556,535	31-Mar-19
Equity Two PLC	Colombo 1	0.146	946,304	946,304	31-Mar-19
Equity Three (Private) Limited	Colombo 13	0.208	503,421	503,421	31-Mar-19
		1.119	4,426,872	4,426,872	
PT Agro Indomas	Indonesia	26,998	8,264,203	3,801,183	31-Mar-16
PT Agro Bukit	Indonesia	15,367	7,790,883	3,953,663	31-Mar-16
PT Karya Makmur Sejahtera	Indonesia	10,049	1,505,546	1,892,494	31-Mar-16
PT Agro Wana Lastari	Indonesia	15,273	4,674,874	4,355,223	31-Mar-16
PT Agro Jaya Baktitama	Indonesia	6,851	997,121	997,249	31-Mar-18
PT Rim Capital	Indonesia	3,933	801,933	558,546	31-Mar-16
PT Nabire Baru	Indonesia	11,611	1,996,499	3,033,953	31-Mar-18
PT Batu Mas Sejahtera	Indonesia	6,836	593,613	558,646	31-Mar-18
PT Sawith Makmur Sejahtera	Indonesia	6,563	2,805,649	636,757	31-Mar-18
PT Sumber Hasil Prima	Indonesia	8,219	1,385,998	557,548	31-Mar-18
PT Sinar Sawit Andalan	Indonesia	6,306	1,044,080	283,890	31-Mar-18
PT Sariwana Adi Perkasa	Indonesia	6,493	289,627	318,021	31-Mar-18
PT Agro Bina Lestari*	Indonesia	8,500	203,949	203,949	31-Mar-18
PT Agro Surya Mandiri*	Indonesia	6,500	203,937	203,937	31-Mar-18
		139,499	32,557,912	21,355,059	
Premium Vegetable Oil Sdn. Bhd.	Malaysia	4.836	2,049,320	1,525,388	31-Jul-17
Premium Fats Sdn. Bhd.	Malaysia	0.024	34,992	32,978	31-Jul-17
Arani Agro Oil Industries Limited	India	0.931	491,242	132,014	15-Jun-18
		5.791	2,575,554	1,690,380	
Ceylon Brewery PLC	Nuwara-Eliya	1.540	331,261	330,229	31-Mar-16
Lion Brewery (Ceylon) PLC	Biyagama	14.168	4,734,408	4,547,688	31-Mar-16
Millers Brewery PLC	Padukka	9.217	1,178,522	1,178,521	31-Mar-19
		24.925	6,244,191	6,056,438	
Pegasus Hotels of Ceylon Ltd.	Wattala	5.450	1,585,231	1,585,231	31-Mar-17
Equity Hotels Ltd.	Giritale	6.030	213,655	213,787	31-Mar-17
		11.480	1,798,886	1,799,018	
<b>Total value</b>		<b>139,541</b>	<b>47,603,415</b>	<b>35,327,768</b>	

\*\* Please note that the market value of Land and Building of PT Agro Bina Lestari and PT Agro Surya Mandiri reflects carrying value as at 31 March 2019.

# Income Statement - USD

For the year ended 31st March	2019	Group 2018 (Restated)
<b>Continuing operations</b>		
Revenue	576,427,356	516,344,245
Direct operating expenses	(414,773,623)	(382,412,123)
Gross profit	161,653,733	133,932,122
Progressive insurance receipts on business interruption	-	7,860,183
Change in fair value of investment properties	2,510,948	4,050,114
Change in fair value of biological assets	(2,331,231)	6,632,736
Change in fair value of fair value through profit or loss financial assets	(15,086,221)	(214,581)
Other income	5,732,779	8,984,689
Distribution expenses	(38,373,095)	(30,543,084)
Administrative expenses	(47,558,788)	(44,176,687)
Other operating expenses	(2,558,539)	(2,281,585)
Impairment of business assets	(861,660)	(6,993,557)
Foreign exchange losses	(4,105,252)	(4,732,410)
Profit from operations	59,022,674	72,517,940
Progressive insurance receipts on property damages	-	4,905,530
Profit before finance cost	59,022,674	77,423,470
Net finance cost	(29,031,682)	(29,318,735)
Share of profit of equity accounted investee, (net of tax)	41,004	71,907
Profit before tax	30,031,996	48,176,642
Income tax expenses		
Current taxation	(16,074,964)	(14,908,836)
Deferred taxation	(7,616,953)	(8,913,212)
	(23,691,917)	(23,822,048)
Profit from continuing operations	6,340,079	24,354,594
<b>Discontinued operations</b>		
Profit/(Loss) from discontinued operations, (net of tax)	(950,421)	654,757
Net impact from discontinued operations, (net of tax)	(950,421)	654,757
Profit for the year	5,389,658	25,009,351
Profit/(loss) Attributable to:		
Owners of the Company		
Profit from continuing operations, net of tax	1,064,372	11,173,590
Profit/(loss) from discontinued operations, net of tax	(506,860)	349,182
	557,512	11,522,772
Non controlling interest		
Profit from continuing operations, net of tax	5,275,708	13,181,004
Profit/(loss) from discontinued operations, net of tax	(443,562)	305,575
	4,832,146	13,486,579
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	111,597,187	106,234,829
Exchange rate	168.52	153.35

# Statement of Financial Position - USD

For the year ended 31st March	Group	
	2019	2018
<b>ASSETS</b>		
<b>Non - Current Assets</b>		
Property, plant & equipment	313,864,666	327,196,317
Bearer Plants	194,311,858	203,924,319
Prepaid lease payment for land	27,265,029	28,148,772
Investment properties	22,028,485	22,158,085
Intangible assets	34,133,602	38,728,985
Investments in subsidiaries	-	-
Investments in equity accounted investee	273,286	264,679
Investment in equity and debt securities	30,336,947	97,943,258
Investment in Unit trusts	-	291,086
Deferred tax assets	23,339,582	22,731,922
Other financial receivables	140,604	1,092,326
Other non financial receivables	32,534,687	41,839,994
<b>Total non - current assets</b>	<b>678,228,746</b>	<b>784,319,743</b>
<b>Current Assets</b>		
Inventories	39,107,309	41,580,045
Trade receivables	20,720,683	23,183,284
Other financial receivables	7,228,156	12,305,572
Other non financial receivables	41,011,699	47,882,648
Current tax recoverable	849,673	638,721
Investment in equity and debt securities	55,265,523	10,970,829
Investment in Unit trusts	1,533,824	5,721,774
Derivative financial instruments	335,942	666,810
Biological assets	8,501,715	11,080,996
Cash and cash equivalents	84,035,346	85,746,748
	258,589,870	239,777,427
Assets held for sale	3,991,862	4,246,947
<b>Total current assets</b>	<b>262,581,732</b>	<b>244,024,374</b>
<b>Total assets</b>	<b>940,810,478</b>	<b>1,028,344,117</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Stated capital	10,103,695	10,103,695
Reserves	173,373,050	192,350,830
Equity attributable to owners of the Company	183,476,745	202,454,525
Non-controlling interest	179,371,032	187,329,589
<b>Total equity</b>	<b>362,847,777</b>	<b>389,784,114</b>
<b>LIABILITIES</b>		
<b>Non - Current Liabilities</b>		
Loans and borrowings	242,447,283	259,614,778
Debenture	-	12,853,470
Other financial payables	496,155	563,593
Other non financial liabilities	7,627,105	9,401,253
Deferred tax liabilities	58,128,957	53,100,341
<b>Total non - current liabilities</b>	<b>308,699,500</b>	<b>335,533,435</b>
<b>Current Liabilities</b>		
Trade payables	22,385,769	23,968,785
Other financial payables	55,970,328	98,359,068
Current tax liabilities	6,209,268	6,836,067
Derivative financial instrument	-	70,154
Loans and borrowings	172,895,434	166,655,078
Debenture	11,802,402	7,137,416
<b>Total current liabilities</b>	<b>269,263,201</b>	<b>303,026,568</b>
<b>Total liabilities</b>	<b>577,962,701</b>	<b>638,560,003</b>
<b>Total equity and liabilities</b>	<b>940,810,478</b>	<b>1,028,344,117</b>
Exchange rate	176.09	155.60



# Glossary

## **ACTUARIAL GAINS AND LOSSES**

Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

## **AVAILABLE FOR SALE FINANCIAL ASSETS**

Non derivative financial asset that are designated as available for sale or any other instruments that are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

## **ASSETS HELD FOR SALE**

The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

## **AWDR**

The Average Weighted Deposit Rate is calculated by the Central Bank monthly and half yearly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

## **AWPLR**

The Average Weighted Prime Lending Rate is calculated by the Central Bank weekly, monthly and half yearly based on commercial bank's lending rates offered to their prime customers.

## **AMORTISATION**

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

## **BIOLOGICAL ASSET**

A living plant or animal used in the business.

## **CAPITAL EXPENDITURE**

The total of additions to property, plant & equipment, Biological assets, intangible assets, prepaid lease payments for lands and investment property.

## **CARRYING AMOUNT**

The amount at which an asset is recognised in the statement of Financial Position.

## **CREDIT RISK**

Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance to the agreed terms and conditions.

## **CASH & CASH EQUIVALENTS**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant can't risk of changes in value.

## **CONTINGENT LIABILITIES**

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## **CURRENT RATIO**

Current Assets over Current Liabilities. A measure of liquidity.

## **CAPITAL EMPLOYED**

Shareholders' funds plus non-controlling interests and long term and short term borrowings.

## **CURRENCY SWAP**

An agreement between two parties to exchange two currencies at a certain exchange rate at a certain time in the future.

## **CURRENT SERVICE COST**

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

## **DEBENTURE**

A long-term debt instrument issued by a corporate.

## **DERIVATIVES**

Financial contracts whose values are derived from the values of underlying assets.

## **DIVIDENDS**

Distribution of profits to ordinary shareholders of equity investments.

## **DIVIDEND COVER**

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

## **DIVIDEND YIELD**

Dividend earned per share as a percentage of its market value.

## **DIVIDENDS PER SHARE (DPS)**

Dividends paid and proposed, divided by the number of issued shares, which ranked for those dividends.

## **DEBT/EQUITY RATIO**

Debt as a percentage of Shareholders Funds.

## **DIVIDEND PAYOUT RATIO**

Total Dividend interest and Tax as percentage of Capital Employed.

## **EBIT**

Earnings before Interest and tax expenses.

## **EBITDA**

Earnings before interest, tax, depreciation and amortization.

## **EFFECTIVE RATE OF INTEREST**

Total long-term and short-term interest divided by average long-term and short-term liabilities at the beginning and end of the year.

## Glossary

### EFFECTIVE TAX RATE

Income tax expense divided by profit before tax.

### EMISSIONS

The release of greenhouse gases and/or their precursors into the atmosphere over a specified area and period of time.

### EQUITY INSTRUMENTS

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### ENTERPRISE VALUE (EV)

The total sum value of market capitalization, equity attributable to non-controlling shareholders and net debt.

### EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue.

### FAIR VALUE

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

### FAIR VALUE THROUGH PROFIT AND LOSS

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term.

### FORWARD EXCHANGE CONTRACT

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

### FINANCIAL ASSET

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

### FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

### FINANCIAL LIABILITY

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

### FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

### GROSS DIVIDENDS

The portion of profit inclusive of tax withheld distributed to shareholders.

### GROUP

A group is a parent and all its subsidiaries, associates and joint ventures.

### GAIN ON BARGAIN PURCHASE

The amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

### GEARING

Proportion of total interest bearing borrowings to capital employed.

### GOODWILL ON CONSOLIDATION

The excess of the cost of acquisition over the fair value of the share of net assets acquired when purchasing an interest in a company.

### GUARANTEES

A contractual obligation made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations under that said contract.

### HELD-TO-MATURITY

A financial asset with fixed and determinable payments and fixed maturity, other than loan and receivables, for which there is a positive intention and ability to hold to maturity.

### IMPAIRMENT

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

### INTEREST COVER

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

### INTEREST RATE SWAP

An arrangement whereby two parties swap interest rate commitments with each other to reduce interest rate risks on fixed or floating rate loans.

### INTERNAL RATE OF RETURN (IRR)

Rate of return used in capital budgeting to measure and compare the profitability of investments.

### INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / services or for rental to others or for administrative purposes.

### KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

### LIBOR

The London Inter-Bank Offer Rate is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

### **LIQUIDITY RISK**

The risk of an entity having constraints to settle its financial liabilities.

### **LOANS AND RECEIVABLES**

A financial asset with fixed and determinable payments that are not quoted in an active market and do not qualify as trading assets.

### **LIQUID ASSETS**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange and treasury bills.

### **MARKET CAPITALISATION**

Number of Shares in issue at the end of the period multiplied by the Market price at end of period

### **MARKET RISK**

Possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

### **NON-CONTROLLING INTEREST (NCI)**

Equity in subsidiary not attributable, directly or indirectly, to a parent.

### **NET ASSET VALUE PER SHARE**

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

### **OTHER COMPREHENSIVE INCOME**

An entry that is generally found in the shareholders' equity section of the balance sheet.

### **PRICE EARNINGS RATIO (P/E RATIO)**

Market price of an ordinary share divided by earnings per share (EPS).

### **PRICE TO BOOK VALUE RATIO (PBV)**

Market price per share divided by net assets per share.

### **PUBLIC HOLDING**

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

### **QUICK ASSET RATIO**

Total current assets less inventories divided by total current liabilities.

### **RELATED PARTIES**

A person or entity that is related to the entity that is preparing its Financial Statements.

### **RETURN ON AVERAGE ASSETS (ROA)**

Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profit and as a basis of intra-industry performance comparison.

### **RETIREMENT BENEFITS**

Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

### **RETURN ON EQUITY**

Profit attributable to equity holders of the company divided by average equity less non-controlling interest at the beginning and end of the year.

### **RETURN ON CAPITAL EMPLOYED**

Earnings before interest and tax as percentage of Capital Employed.

### **RELATED PARTIES**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

### **REVALUATION SURPLUS**

Surplus amount due to revaluing assets in accordance with its fair value.

### **SHAREHOLDERS' FUNDS**

Shareholders' funds consist of stated capital plus capital and revenue reserves.

### **SEGMENTS**

Constituent business units grouped in terms of similarity of operations and location.

### **TOTAL VALUE ADDED**

The difference between revenue (including other income) and expenses, cost of materials and services purchased from external sources.

### **TOTAL ASSETS**

Fixed Assets plus Investments plus Non-Current Assets plus Current Assets.

### **VALUE ADDED**

Value added is the wealth created by providing products and services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

### **WEIGHTED AVERAGE COST OF CAPITAL (WACC)**

The rate that a company is expected to pay on average to all its equity and debt holders.

### **WORKING CAPITAL**

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

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the One Hundred and Sixth Annual General Meeting of Carson Cumberbatch PLC will be held on Friday, the 23rd day of August 2019 at 9.30 a.m. at the Auditorium, the Institute of Chartered Accountants of Sri Lanka, Ground Floor, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka for the following purposes:

1. To consider the Annual Report of the Board of Directors including the financial statements of the Company for the financial year ended 31st March 2019 together with the Report of the Auditors thereon.
2. To re-elect Mr. S. K. Shah who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.
3. To re-elect Mr. R. Theagarajah who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.
4. To re-elect Ms. Sharada Selvanathan who retires in terms of Article 68 of the Articles of Association of the Company.
5. To re-appoint Mr. V. P. Malalasekera as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:  

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. V. P. Malalasekera who is 74 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”
6. To re-appoint Mr. Tilak de Zoysa as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:  

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. Tilak de Zoysa who is 72 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”
7. To re-appoint Mr. F. Mohideen as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:  

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. F. Mohideen who is 72 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”
8. To re-appoint Mr. M. Selvanathan as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:  

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not

be applicable to Mr. M. Selvanathan who is 72 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”

9. To re-appoint Mr. H. Selvanathan as a Director of the Company who is Seventy years of age and to consider and if deemed fit to pass the following resolution:  

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. H. Selvanathan who is 70 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”
10. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No. 07 of 2007 and to authorize the Directors to determine their remuneration.

By Order of the Board

(Sgd.)

**K. D. De Silva (Mrs.)**

Director

**CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED**  
Secretaries

Colombo

17th July 2019

**Notes:**

1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 4.45 p.m on 21st August 2019.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
4. The transfer books of the Company will remain open.
5. Security Check -
  - i. Due to the prevailing situation in the country, there will be a security check by the security personnel stationed at the meeting venue.
  - ii. We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.

# Form of Proxy

\*I/We.....  
of.....  
being a \*Shareholder/Shareholders of CARSON CUMBERBATCH PLC hereby appoint .....  
.....of.....  
bearing NIC No./ Passport No ..... or failing him/her\*

Tilak de Zoysa	or failing him,
Hariharan Selvanathan	or failing him,
Manoharan Selvanathan	or failing him,
Don Chandima Rajakaruna Gunawardena	or failing him,
Suresh Kumar Shah	or failing him,
Vijaya Prasanna Malalasekera	or failing him,
Faiz Mohideen	or failing him,
Rajendra Theagarajah	or failing him,
Wadugamudalige Marius Ravindra Srilal Dias	or failing him,
Amitha Saktha Amaratunga	or failing him,
Sharada Selvanathan (Ms.)	

as \*my/our proxy to attend at the 106th Annual General Meeting of the Company to be held on Friday the 23rd day of August 2019 at 9.30 a.m at the Auditorium, the Institute of Chartered Accountants of Sri Lanka, Ground Floor, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. S. K. Shah who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. R. Theagarajah who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Ms. Sharada Selvanathan who retires in terms of Article 68 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. V.P. Malalasekera who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. Tilak de Zoysa who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Mr. F.Mohideen who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Mr. M. Selvanathan who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint Mr. H. Selvanathan who is Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act. No. 07 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this .....day of ..... Two Thousand and Nineteen.

..... Signature /s

**Note:**

- (a) \*Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at a General Meeting of the company, is entitled to appoint a proxy to attend and vote instead of him/ her and the proxy need not be a shareholder of the company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.

## Form of Proxy

### INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:
  - 1) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.
  - 2) An instrument appointing a proxy shall be in writing and:
    - a) in the case of an individual shall be signed by the appointor or by his attorney; and
    - b) in the case of a corporation shall be either under the common seal, or signed by its attorney, or by an authorized officer on behalf of the corporation.
  - 3) An instrument appointing a proxy or the power of attorney or other authority, if any, must be left or received at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used and in default shall not be treated as valid unless the Directors otherwise determine.
4. Where there are joint registered holders of any Share, any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy as if he were solely entitled thereto and if more than one (01) of such joint holders be so present at any meeting, one (01) of such persons so present whose name stands first in the Register in respect of such Share, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any Share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 4.45 p.m on 21st August 2019.

Please fill in the following details

Name	
Address	
Jointly with	
Share Folio No.	

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