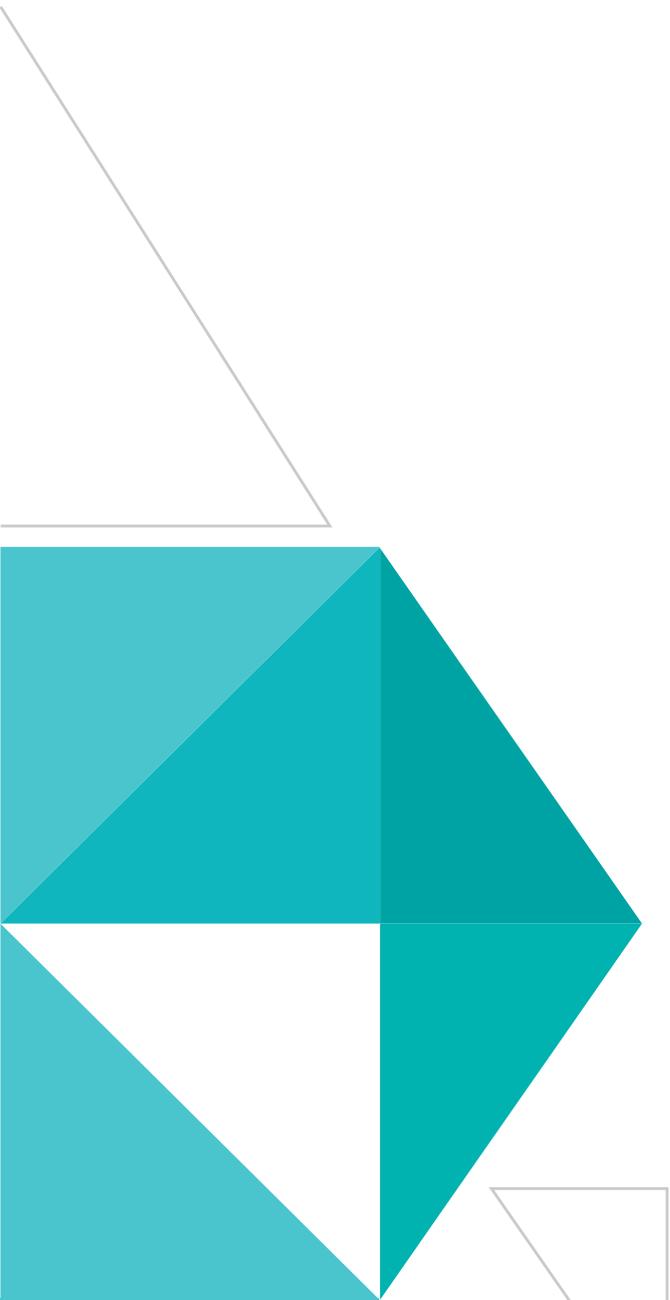


# FUTURE READY



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Carson Cumberbatch PLC

No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka

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

# FUTURE READY

One of Sri Lanka's most successful and widely respected conglomerates, Carson Cumberbatch PLC has marked its presence in the South East-Asian region as well.

With interests in many diverse sectors including oil palm plantations, oils & fats, beverages, portfolio & asset management, real estate and leisure; Carson Cumberbatch PLC is committed to further expanding its reach across the region, while staying true to the high levels of integrity, innovation and value addition that the company has long been synonymous with.

There have been challenges along the way, but the company looks to the future with confidence, trusting that the excellence of its people and the strategic strength of its plans will serve to overcome challenges and deliver exceptional results and returns to its many stakeholders.

A new year holds many possibilities. Join us. We are future ready.

# Vision

“To be a result driven, technology oriented, regional holding company.

We will focus on satisfying customer needs and maximizing employee potential thereby excelling in profitability whilst meeting our social responsibilities”

# About us

## Our Future Business Direction

In keeping with our vision of becoming a “ regional holding company” and given the opportunities that exist within the rapidly developing economies in the region, we believe that our horizons in all our core businesses should extend to South and South East Asia. As such, whilst Sri Lanka remains our priority, our strategic plans take in to account the need to mobilise resources and develop core competencies that will make our businesses competitive in the region. An expansion in to the region will also benefit Sri Lanka. The future we envision will involve strategic alliances, joint ventures and other collaborative arrangements that will inject the necessary financial resources and the technical and management competencies required for our journey.

Our journey in to regional expansion is not a mere dream; indeed we are already on our way as is evidenced by our palm oil business. However, the road ahead remains long and sustainable success will come our way only if we truly excel within our chosen domains. Yet, we venture forth, with quiet confidence brought about by well over a century of experience & insights. We have a legacy of opportunities created and investments made at the right time and at the right place. We have not been afraid to divest either, whenever we felt an investment would not deliver on the potential we initially envisaged. We have faced and overcome multiple challenges, some natural, some man made, some beyond our control and some of our own making. The financial year that ended on 31st March 2017 was one such year. The brewery faced an unenviable tax environment whilst recovering from a devastating flood, the plantation business coped with double blow of low commodity prices & low crop brought about by adverse weather and the investments sector had to contend with an underperforming investment climate. Yet such challenges – be they those of the last year or the years before - have not discouraged us; indeed they have been accepted as opportunities to learn from and to build an institution that is resilient and persevering in the face of adversity.

We are not short term opportunists. We focus on strategic objectives and we build compliant sustainable businesses. It is this philosophy that has driven a four fold increase in group revenue to reach Rs.64.5 Bn over the last 10 years . And a 100 fold increase in our plantation land bank to reach 140,000 Hectares, a 5 fold increase in our start-up brewery capacity and the doubling of our investment portfolio to Rs.18.5 Bn. In addition, group’s human resource trebled to reach over 12,500 in number. Indeed over the last 10 years – in the face of tumultuous global & regional economic environments – we have invested over Rs 90 Bn in our businesses to make them ready for the opportunities of the future.

The investments we have made, the strategic focus that drives us, the experiences of the past and a corporate culture that is outward looking, aggressive & optimistic makes us .... “FUTURE READY”.

# Organisational Structure

**Beverage**

In addition to its own brands, Lion Brewery (Ceylon) PLC also produces the internationally renowned global brand “Carlsberg”, under license from Carlsberg International Denmark, since 1993.

**Oil Palm Plantation**

We entered Indonesia in 1996 and since then we have grown to a total extent of over 69,000 hectares planted in Indonesia and with a total land bank of over 139,000 hectares.

**Oils & Fats**

Our downstream operation supplies specialty fats to the confectionery, ice cream and bakery businesses, exporting specialty fats manufactured to over 55 countries.

**Real Estate**

Further to the location factor, the sector also boasts of a diverse tenant profile featuring banks, multinationals and other corporates which speaks of the high level of service provided.

**Leisure**

In efforts to provide a unique guest experience and elevate the overall standards of the hotel, Pegasus Reef refurbished 81 of its rooms to be ready by December 2016.

**Portfolio & Asset Management**

The Guardian group, serves as an investment house which offers investors variety in terms of exposure to asset classes based on their preference and risk appetite.

| <i>Central Functions</i> |                              |   |  |
|--------------------------|------------------------------|---|--|
| Corporate Communications | Corporate Finance & Strategy | Group Business Process Review and Insurance | Group Finance  |
| Group Human Resources    | Group Tax                    | Group Treasury                              | Carsons Research   |
| Legal & Secretarial      | New Business Development     | Strategic Group Information Technology      | Sustainability, Enterprise Risk Management & Group Initiatives |

# Sector Overview

## BEVERAGE



Lion Brewery (Ceylon) PLC also produces the internationally renowned global brand “Carlsberg”, under license from Carlsberg International Denmark, since 1993.

The beverage sector of the Group has roots going back to over 100 years in the brewing industry of Sri Lanka, where sector holding company, Ceylon Beverage Holdings PLC – formerly known as ‘The Ceylon Brewery’- , was the country’s pioneer brewer. It has nurtured its brand ‘Lion’ through times of traditional brewing in the picturesque and cool climes of Nuwara Eliya, to its modern high tech state-of-the-art plant owned by subsidiary and operating company, Lion Brewery (Ceylon) PLC in Biyagama.

The flagship brand “Lion” is also exported to several countries including USA, Canada, Australia, UK, Japan, and the Maldives where the company is the market leader.

In addition to its own brands, Lion Brewery (Ceylon) PLC also produces the internationally renowned global brand “Carlsberg”, under license from Carlsberg International Denmark, since 1993. With the acquisition of Millers Brewery in 2014, the product portfolio of Lion Brewery has expanded further, to include a number of Millers brands, such as “Three Coins Lager”, “Sando Dark” and “Sando Stout”.

The company recently acquired distribution rights for the legendary Mexican beer brand “Corona” and is also the licensed distributor for Diageo brands and Moët Hennessy in Sri Lanka.

In addition to Lion Brewery (Ceylon) PLC, Ceylon Beverage Holdings has also invested in a chain of pubs (“Machan” & “O!”) and retail outlets, under subsidiary companies Retail Spaces and Pubs ‘N Places, with the aim of providing consumers with a pleasant ambiance and environment to purchase the alcoholic beverages they desire.

# OIL PALM PLANTATIONS



We have grown to a total extent of over 69,000 hectares planted in Indonesia and with a total land bank of over 139,000 hectares.

Majority of our Oil Palm Plantations are situated in Indonesia, in the Kalimantan and in Irian Jaya regions, whilst our entry into plantations dates back to over 100 years with Rubber plantations.

We entered Indonesia in 1996 with the setting up of PT Agro Indomas, in Central Kalimantan with a land bank of 12,000 hectares. Our second plantations in Indonesia, PT Agro Bukit commenced development in 2005 and since then we have grown to a total extent of

over 69,000 hectares planted in Indonesia and with a total land bank of over 139,000 hectares.

Goodhope Asia Holdings Ltd was incorporated in Singapore in 2008 as the holding company consolidating all investments by the Carsons Group in the Oil Palm Plantations and Oils & fats business segments. As the planted extents grew, we have also set up required processing facilities to produce Crude Palm Oil (CPO), and

developed infrastructure within the operating locations. Our plantations are developed adopting stringent sustainable development criterion, Goodhope is a member of the RSPO (Roundtable on Sustainable Palm Oil) and we produce RSPO certified palm oil at some of palm oil mills.

## Sector Overview

# OILS AND FATS



Our customers range from multi nationals to regional and national players within these industries commanding significant market shares in their respective businesses.

Goodhope entered the downstream edible Oils & Fats segment, with the acquisition of a specialty Oils & Fats manufacturing operation in Malaysia and a palm oil refinery in India. Our total refining and specialty fats manufacturing capacity is over 140,000 MT. Our downstream operations supplies specialty fats to the confectionery, ice cream and bakery business, with the Malaysian plant exporting specialty fats manufactured out of palm kernel oil, palm oil and coconut oil to over 55 countries.

Our customers range from multi nationals to regional and national players within these industries commanding significant market shares in their respective businesses.

# PORTFOLIO & ASSET MANAGEMENT



The Portfolio & Asset Management segment of the Carson’s group is primarily focused on capital market activities for management of portfolios across multiple asset classes.

The Portfolio & Asset Management segment of the Carson’s group is primarily focused on capital market activities for management of portfolios across multiple asset classes. Ceylon Guardian Investment Trust PLC, which is positioned as the sector holding company, holds the privilege of being the largest listed investment company on the Colombo Stock Exchange to date.

The Guardian group, serves as an investment house which offers investors variety in terms of exposure to asset classes based on their preference and

risk appetite. To this end, the group has two listed subsidiary companies; Ceylon Investments PLC (CINV) and Guardian Capital Partners PLC (WAPO) which act as investment vehicles for listed and private equity respectively. Ceylon Guardian’s own proprietary portfolio forms the anchor funds under management, further to which, the group has diversified its business reach on three fronts –client portfolio management, unit trust management and private equity management.

The Group also has presence in the Unit Trust segment, via Guardian Acuity Asset Management, a joint venture formed with Acuity Partners. Guardian Acuity Asset Management primarily has three unit trust funds in offer; Guardian Acuity Money Market Fund, Guardian Acuity Equity Fund and Guardian Acuity Money Market Gilt Fund.

The sector also offers the Sri Lanka Fund, (formerly known as the Regent Sri Lanka Fund), a dedicated USD denominated

country fund incorporated with the objective of facilitating investors residing overseas to gain exposure to the local market. As at 31st March 2017, the total Assets under Management of the Guardian Group amounted to Rs. 26.3 Bn, of which, the discretionary portion of Guardian’s proprietary portfolio was valued at Rs.13.1 Bn and external client portfolios together with Unit Trust’s stood at a cumulative Rs. 7.9 Bn.

## Sector Overview

# LEISURE



The Leisure sector of the Carsons Group constitutes of two hotel properties; The Pegasus Reef Hotel and Giritale Hotel, the latter being fully owned by the former.

The Leisure sector of the Carsons Group constitutes of two hotel properties; The Pegasus Reef Hotel and Giritale Hotel, the latter being fully owned by the former. The Pegasus Reef Hotel, which entered the hospitality industry of Sri Lanka during the early 1970's as one of the first premier star class resort establishments in the country, is a luxurious tropical getaway, located in Hendala, Wattala, overlooking the breath taking Indian Ocean. Today, it is a 140 key venue, equipped with modern banquet halls capable of hosting both banquets and MICE events alike. As such, currently the

hotel is well patronized by both local and foreign clientele. In efforts to provide a unique guest experience and elevate the overall standards of the hotel, Pegasus Reef launched an exclusive sea food restaurant, named 'The Fishery' in August 2015. Further, during the current year, the hotel saw 81 rooms being refurbished to provide a lavish experience for the current and potential guests.

The Giritale Hotel is a 40 key resort located in Giritale, Pollonnaruwa, one of the ancient Kingdoms of Sri Lanka rich in culture and heritage. The hotel is situated overlooking the Giritale Tank (reservoir) and close to Minneriya sanctuary, and is a well sought after eco-tourist destination.

# REAL ESTATE



The Real Estate business of Carson Cumberbatch PLC comprising of sector holding company, Equity One Limited and its subsidiaries, Equity Two PLC and Equity Three (Pvt) Ltd is primarily engaged in the rental of office and warehouse spaces.

The Real Estate business of Carson Cumberbatch PLC comprising of sector holding company, Equity One Limited and its subsidiaries, Equity Two PLC and Equity Three (Pvt) Ltd is primarily engaged in the rental of office and warehouse spaces. The sector owns and manages a total built up area of approximately 192,000 sq. ft. spread across a land bank of 2.94 acres, all positioned in the prime areas of Colombo, bearing significant value potential. For instance, the sector's office properties at Janadhipathi Mawatha

are located in the commercial hub of Sri Lanka, facing the Central Bank, and neighbouring State and Commercial banks, the World Trade Centre, star class hotels and the Port.

The group's warehouse complex at Vauxhall Lane is also situated in an area earmarked for rapid development, amidst many landmark projects envisaged to come up, some of which have already broken ground. The total property portfolio

of the sector was valued at Rs. 3.2 Bn as at 31st March 2017. Further to the location factor, the sector also boasts of a diverse tenant profile featuring banks, multinationals and other corporates. The group has maintained healthy tenant retention levels over the past few years, which speaks of the high level of service provided.

# Corporate Information

|  |   |   |  |
|--|---|---|--|
| <p><b>Name of the Company</b><br/>Carson Cumberbatch PLC</p> <p><b>Company Registration No.</b><br/>PQ 41</p> <p><b>Legal form</b><br/>A Public Quoted Company with limited liability. Incorporated in Sri Lanka in 1913.</p> <p><b>Board of Directors</b><br/>Mr. T. de Zoysa (Chairman)<br/>Mr. H. Selvanathan (Deputy Chairman)<br/>Mr. M. Selvanathan<br/>Mr. I. Paulraj<br/>Mr. D. C. R. Gunawardena<br/>Mr. S. K. Shah<br/>Mr. P. C. P. Tissera<br/>Mr. V. P. Malalasekera<br/>Mr. F. Mohideen<br/>Mr. R. Theagarajah<br/>Mr. W. M. R. S. Dias</p> <p><b>Alternate Director</b><br/>Mr. K. Selvanathan (for Mr. M. Selvanathan)</p> <p><b>Audit Committee</b><br/>Mr. V. P. Malalasekera (Chairman) - Non Executive/ Independent Director<br/>Mr. D. C.R. Gunawardena - Non Executive Director<br/>Mr. F. Mohideen - Non Executive/ Independent Director</p> | <p><b>Remuneration Committee</b><br/>Mr. I. Paulraj (Chairman) - Non Executive Director<br/>Mr. D. C. R. Gunawardena - Non Executive Director<br/>Mr. R. Theagarajah - Non Executive/ Independent Director<br/>Mr. W.M.R.S.Dias - Non Executive/ Independent Director<br/>Mr. T. de Zoysa - Non Executive/ Independent Director</p> <p><b>Related Party Transactions Review Committee</b><br/>Mr. V.P. Malalasekera (Chairman) - Non- Executive/Independent Director<br/>Mr. F. Mohideen - Non- Executive/ Independent Director<br/>Mr. D. C.R. Gunawardena - Non- Executive Director<br/>Mr. H. Selvanathan - Executive Director<br/>Mr. M. Selvanathan - Executive Director<br/>Mr. S.K. Shah - Executive Director</p> <p><b>Nomination Committee</b><br/>Mr. T. de Zoysa - (Chairman) - Non Executive/Independent Director<br/>Mr. D. C.R. Gunawardena - Non Executive Director<br/>Mr. R. Theagarajah - Non Executive/ Independent Director</p> | <p><b>Bankers</b><br/>Standard Chartered Bank<br/>Bank of Ceylon<br/>Citibank NA<br/>Commercial Bank of Ceylon PLC<br/>HSBC<br/>Sampath Bank PLC<br/>Hatton National Bank PLC<br/>Nations Trust Bank PLC<br/>Deutsche Bank<br/>Public Bank Berhad<br/>Pan Asia Banking Corporation PLC</p> <p><b>Auditors</b><br/>Messrs KPMG,<br/>Chartered Accountants<br/>No. 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3<br/>Sri Lanka</p> <p><b>Secretaries</b><br/>Carsons Management Services (Pvt) Ltd<br/>No. 61, Janadhipathi Mawatha, Colombo 1<br/>Sri Lanka<br/>Tel : 94-11-2039200<br/>Fax : 94-11-2039300</p> <p><b>Registered office</b><br/>No. 61,<br/>Janadhipathi Mawatha, Colombo 1<br/>Sri Lanka<br/>Tel : 94-11-2039200<br/>Fax : 94-11-2039300<br/>Email : carsons@carcumb.com</p> | <p><b>Corporate Website</b><br/>www.carsoncumberbatch.com</p> <p><b>Parent Company</b><br/>Bukit Darah PLC</p> |
|--|---|---|--|

# Financial Highlights - Group

(All figures in Sri Lankan Rupees thousands unless otherwise stated)

| For the year ended / as at 31st March                    | 2017        | 2016        | % Change |
|--|-------------|-------------|----------|
| <b>Statement of Income</b>                               |             |             |          |
| Group revenue  | 64,512,872  | 76,470,465  | (16)     |
| Segment results  | 5,051,987   | 8,615,720   | (41)     |
| Profit/(loss) before taxation                            | 139,094     | 3,610,219   | (96)     |
| Profit /(loss) after taxation from continuing operations | (1,461,226) | 1,987,397   | (174)    |
| EBITDA   | 11,053,880  | 13,206,039  | (16)     |
| Profit attributable to ordinary shareholders             | 1,294,545   | 825,891     | 57       |
| Cash earning per share (Rs.)                             | 10.90       | 64.22       | (83)     |
| Earnings per share (Rs.)                                 | 6.59        | 4.21        | 57       |
| Dividend per share (Rs.)                                 | -           | 1.50        | (100)    |
| Dividend payout (%) - Company                            | -           | 85          | (100)    |
| <b>Statement of Cash flow</b>                            |             |             |          |
| Operating cash flow                                      | 2,140,797   | 12,613,686  | (83)     |
| Capital expenditure                                      | 8,406,297   | 9,844,501   | (15)     |
| <b>Statement of Financial Position</b>                   |             |             |          |
| Shareholders' funds                                      | 31,227,676  | 31,059,884  | 1        |
| Net assets   | 59,453,387  | 58,290,296  | 2        |
| Net assets per ordinary share (Rs.)                      | 159.01      | 158.16      | 1        |
| Return on ordinary shareholders' funds (%)               | 4.15%       | 2.66%       | 56       |
| Total assets   | 156,410,791 | 160,696,322 | (3)      |
| Net debt   | 55,987,675  | 68,180,571  | (18)     |
| <b>Market / Shareholder Information</b>                  |             |             |          |
| Market value per share (Rs.)                             | 163         | 270         | (40)     |
| Enterprise value (Rs. Mn)                                | 116,264     | 148,435     | (22)     |
| Market capitalization (Company) (Rs. Mn)                 | 32,050      | 53,024      | (40)     |
| Revenue to Government of Sri Lanka                       | 8,947,376   | 20,664,974  | (57)     |
| Group value addition                                     | 27,699,850  | 37,461,149  | (20)     |
| Group employment (Nos.)                                  | 12,583      | 15,136      | (17)     |

# Chairman's Message

The challenging periods in terms of macro-economic headwinds which largely spread across all sectors continued to a greater extent in 2017 whilst allowing only minor recovery opportunities in smaller sectors.

Dear Shareholder,

I take pleasure in welcoming you to the 104th Annual General Meeting of Carson Cumberbatch PLC and to present the annual report of the Company together with the audited financial statements for the financial year 2016/2017.

The challenging period in terms of macro-economic headwinds which largely spread across all sectors continued to a greater extent in 2017 whilst allowing only minor recovery opportunities in smaller sectors. However, our wealth of resources together with timely decisive action was the key to urgently focus on long term opportunities across each sector. We were also successful in

implementing appropriate action to minimise the effects of threats posed by the external environment forces. Broad business objectives were given utmost recognition, with well thought-out realistic plans and strategies for the upcoming years. In the recent past, with future in mind, your Group undoubtedly has come a long way to formulate flexible responses to combat the ever increasing macro-economic and industry-oriented challenges spilling over into your business.

Amid such tight and unfriendly operating conditions, your Group recorded a consolidated net profit of Rs. 2.94 Bn for the twelve months ended 31st March 2017, when compared with the Rs. 1.6 Bn profit

(re-stated) in the prior financial year. Group revenue for the same period observed a year on year decline of 16% to reach Rs. 64.5 Bn. Given below is a brief snapshot of how each of the strategic sectors of your Group has performed over the year, in spite of challenging external conditions.

## OIL PALM PLANTATIONS

Oil Palm plantations business, which is one major contributor to the Group revenue, observed a year of enhanced performance in comparison to the previous fiscal year by recording a 13% increase in revenue. This was brought about by Crude Palm Oil (CPO) prices which relatively stabilised during the year under review, compared to the past

two year time horizon. This recovery was primarily due to biological crop cycles being drastically impacted due to detrimental weather conditions which prevailed during the preceding two financial years resulting in curtailed supply. Hence, as a combined effect of restricted Fresh Fruit Bunch (FFB) yields and short term boosted CPO prices, the

Total Revenue

**64.5 bn**

For the year ended 31st March 2017

Total Assets

**156 bn**

As at 31st March 2017

Cash and Cash Equivalents

**15.4 bn**

As at 31st March 2017

|  |   |  |  |
|--|---|--|--|
| <p>sector recorded an operating profit from continuing operations before non-cash adjustments of Rs. 3.9 Bn on Revenue of Rs. 19.4 Bn for the financial year under consideration.</p> <p>However, it is noteworthy to mention that the considerable of Rs. 2.17 Bn YoY differential in operating profits is primarily on account of several amendments relating to changes in the applicable Accounting Standards on Biological valuations, leading to recognition of impairment losses in immature plantations. You could find elaborated details with regard to these specific financial adjustments in the sector review and the financial review sections of this report.</p> <p>At the same time, sector recorded a gain of Rs. 5.2 Bn from the disposal of certain Malaysian &amp; Indonesian plantations of the Group, which is detailed elsewhere in the report.</p> <p>When taken together the Net results of the sector recorded a Profit of Rs.4.4 Bn as against Rs.736.7 Mn losses recorded during the comparative period.</p> <p>At a sector level, consolidation of mature plantations and disposing of the lower yielding would be vital for future growth as a part of strategizing operations, lowering gearing and committing new development finances.</p> <p><b>OILS &amp; FATS</b></p> <p>Anticipated performance expectations of the Malaysian Oil &amp; Fats division for the year were</p> | <p>hindered to a large extent mainly owing to escalating feedstock prices which strained the operating potential of the segment. Hence, under-utilisation of capacity resulted in excessive costs in the Malaysian division which in turn exerted downward pressure on the earnings of this sector.</p> <p>Moreover, the Indian operations continued to display weak prospects in the midst of an extremely competitive environment. Ever-evolving competition remained a key concern of the year, which squeezed out the profits from this segment. Thus, due to above dampening concerns, Indian refining operations were closed down during the course of the year, regarding which more detailed disclosures will follow later in the report.</p> | <p>Accordingly, the financial year concluded 31st March 2017, the midstream and downstream segments of Group's Palm Oil industry registered a Net loss from continuing operations of Rs. 297.5 Mn on Revenue of Rs. 19.3 Bn.</p> <p>For the days ahead, I firmly recognise the importance of realising synergistic benefits through new strategic alliances, where the sector could effectively employ its resources to derive optimised returns.</p> <p><b>BEVERAGE</b></p> <p>2017 saw the Beverage sector suffering the unfortunate consequences of the severe flood which affected Colombo</p> | <p>and its suburbs due to extreme weather. As a result, in May 2016, the subsidiary's manufacturing plant situated in Biyagama was substantially impacted, leading to production suspensions for almost a half of the year under consideration. This setback was on top of an imposition of a 70% increases in Excise duty for the sector in November 2015 along with a completely new "beer can" tax which followed thereafter. Hence sales volumes for the year plummeted, also considering the price points where consumers had many cheaper alternatives instead of expensive, heavily-taxed beer available in the market. Stiff</p> |
| <p><b>At a sector level, consolidation of mature plantations and disposing of the lower yielding would be vital for future growth as a part of strategizing operations, lowering gearing and committing new development finances.</b></p>  |   |  |  |

## Chairman's Message

# Creation of long term sustained growth across all sectors and ensuring safe and reliable returns for our investors would be the vital focus as we step forward, whilst subtly recovering and steadily progressing during the new financial year.

Given the above reasons, the sector chalked up earnings of Rs. 1.2 Bn, demonstrating a strong year on year increment of 102% against the same for the financial year 2015/16.

Favourable and stable capital market policies are vital in order to maximise returns from this segment through the provision of value-oriented short term and long term investment solutions.

Particularly, uncertainties looming with regard to the unit trust investments as well as capital gain taxation should be cleared with precision. This uncertainty of capital gain taxes did affect the performance of the equity market negatively with the investors and the corporates taking a wait and see stance with the impending new Inland Revenue Act.

### LEISURE

The 2 hotels making up the leisure sector, Pegasus Reef Hotel and Girtale Hotel concluded yet another successful year of operations. Specifically, Pegasus Hotel's refurbishment exercise of 81 rooms, banquet office and the kitchen upgrading was smoothly carried out targeting the off-peak season and reached successful completion during the year with minimal disruptions to the routine business of the hotel. Details of refurbishment are emphasised in more detail in the leisure sector review of the report.

As such, even amidst a period of room closure, where the hotel operated with just 40 rooms for

market conditions also called for impairments worth Rs. 1.7 Bn of the brands acquired from Millers Brewery in 2014. Consequent to floods, the Pub Chain, Luxury Brands and export markets also suffered due to prominent inventory disruptions and production interruptions.

Particularly, except for the Maldivian operations, other markets witnessed a set-back including contract brewing operations.

Aforementioned tragic circumstances drove the sector towards a net loss for the year totaling Rs. 1.56 Bn on a topline revenue of Rs. 23.3 Bn. In comparison to last year, the slip in revenue approximates to 37%.

Future days of rational and equitable policy making across the industry at the macro level would be crucial for the implementation of sector's growth plans for the foreseeable future.

### PORTFOLIO & ASSET MANAGEMENT

Market conditions pertaining to the investment sector were relatively stable during the year under review, in comparison to the past year. Awakened investor sentiment was noted for the most part of the year, due to a certain extent of political stability combined with several hints of an economic direction. Yet the cloud of uncertainty did not quite diminish with major economic anxieties relating to foreign debt payments and fiscal consolidation.

Furthermore, the growth of equities was confined during the year under review, with several policy rate hikes taking place occasionally. Global setting also demonstrated indications of volatility where Federal Reserve policy rate hikes and political impulsiveness stirred the global equities.

Amid such conditions, the Guardian Group, led by the holding Company Ceylon Guardian Investment Trust PLC, successfully managed a total Asset Portfolio of Rs. 18.8 Bn, comprising of own equity portfolio, client funds, unit trust operations and private equity investments. Yields of 9.10% derived from the actively managed discretionary portfolio outgrew the All Share Price Index by 9.26%.

nearly 6 months, the sector revenue emerged strong to reach Rs. 543.7 Mn with only a year on year decline of 7%, supported by the strong banqueting business, Food and Beverage revenue streams and the performance contributions from the Giritale hotel. Net earnings for the same period amounted to Rs. 29.6 Mn, which is a 72% contraction over the corresponding period.

Following the success of another comprehensive refurbishment program at Pegasus Reef hotel, the management will be directing its efforts towards a similar programme to be initiated at Giritale hotel in the near future in order to upgrade the hotel standards in a competitive tourist-driven market space.

### REAL ESTATE

Commercial office property renting business of the Group controlled by the sector holding company, Equity One (Pvt) Ltd concluded another commendable year, with notable improvement across all key indicators. Sector occupancy for the year averaged 93%, up from 90% observed in the prior financial year, through securing of high quality tenants amid increased competition. Rentals for the year witnessed an overall increase in comparison to the last year. Given such improvements, property sector net earnings excluding the impact of investment property valuation gains expanded at a notable 14% during the financial year 2016/17 to reach Rs. 101.9 Mn, on a topline of Rs. 234.1 Mn and a year on year revenue growth of 9%.

Market conditions for commercial property development sector look welcoming with a rapidly industrialising Colombo city and suburbs and mega scale development projects taking the reign. This could positively affect our property valuations for the forthcoming period. Yet the competition factor could gradually intensify with the rise of more modern upmarket office property, for which we should be fairly armed and equipped with to counter.

### CREATING LONG TERM VALUE

Creation of long term sustained growth across all sectors and ensuring safe and reliable returns for our investors would be the vital focus as we step forward, whilst subtly recovering and steadily progressing during the new financial year. Assuredly, we would also be strategically confronting the current and potential external shocks that your Group continues to be exposed to.

As a concluding note, I wish to express my sincere gratitude and appreciation to our valuable local and overseas employee base of the Carsons Group which has effectively formed the backbone of our successful journey over the years. Further, on behalf of the Board of Directors and the Group, I thank the policy makers and regulatory authorities of our operational countries and our valued business partners, for their consistent cooperation and

support extended. Also, I take this opportunity to express my gratitude to all my colleagues on Board, very specially to, the members of the Audit Committee, Remuneration committee, Nomination Committee and Related Party Transactions Review Committee for the precious inputs and insights provided at all times. Finally, most importantly, I express a profound thank you to all our shareholders for the sustained support, patience and confidence demonstrated. Undoubtedly, this long term relationship could prosper as your Company unfolds new opportunities in the days ahead, by capitalising on its diversity of strengths.

(Sgd.)

**Deshabandu Tilak De Zoysa**  
Chairman

8th August 2017  
Colombo

# Profiles of the Directors

## TILAK DE ZOYSA

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.

In addition to being the Chairman of the Supervisory Board and Advisor to the AI-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, Lanka Walltiles PLC, 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 a 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 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 holds a Bachelors Degree in Commerce and is the Chairman of Sri Krishna Corporation (Private) Limited, Ceylon Finance & Securities (Private) Ltd. and Selinsing PLC and is a Group Director of most Companies in the Carson Cumberbatch Group in Sri Lanka, Indonesia, Malaysia & Singapore and is an active Member of its Executive Management Forums. He is also the Deputy Chairman of Ceybank Asset Management Ltd.

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 highest 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.

## ISRAEL PAULRAJ

Israel Paulraj is the Chairman of Guardian Capital Partners PLC and Rubber Investment Trust Limited. He serves as a Director of several subsidiary companies within the Carsons Group.

He served as Past Chairman of the Federation of Exporters Associations of Sri Lanka and The Coconut Products Traders Association. He was a member of the Executive Committee of the Ceylon Chamber of Commerce, National Chamber of Commerce of Sri Lanka and Shippers Council. He served on the Board of Arbitrators of the Ceylon Chamber of Commerce. He has served as Hony. General Secretary of the Central Council of Social Services, Hony. Treasurer of The Christian Conference in

Asia, President of the Church of Ceylon Youth Movement and Hony. Treasurer of the National Christian Council of Sri Lanka. He has also served as Chairman of the Incorporated Trustees of the Church of Ceylon.

He also served on the Presidential Task Force on Non Traditional Export and Import Competitive Agriculture set up by the President late R.Premadasa. He served as Chairman of the Ecumenical Loan Fund of Sri Lanka and on its International Board in Geneva. He was a member of the Commercial Law Reform Commission and has served on the Parliamentary Consultative Committee on Internal and International Trade.

He holds a Bachelor of Law Degree and an Executive Diploma in Business Administration.

## 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 the Immediate Past Chairman of the Ceylon Chamber of Commerce, Chairman of the Employers Federation of Ceylon, a Commissioner of the Securities & Exchange Commission of Sri Lanka, a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka, a member of the National Salaries & Cadre Commission and a Member of Council, University of Moratuwa.

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

#### CHANDANA TISSERA

Chandana Tissera presently serves as the Chief Executive Officer for the Plantations, Oils and Fats

Sector of the Carsons Group. He is also a Director of several other subsidiary companies of the Group. He has served as the Chief Executive Officer of the Investment Sector and as Director Finance of the Carsons Group.

He has previously served on the Board of Union Assurance PLC and counts over 32 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 and Fairway Elements (Pvt) Limited. 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 33 years in banking both locally and overseas.

Presently, Mr. Theagarajah is the Joint Deputy Chairman 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 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 Vice 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.

#### KRISHNA SELVANATHAN

(Alternate Director to M. Selvanathan)

Krishna Selvanathan is a Director of Carsons Management Services (Private) Limited, Lion Brewery (Ceylon) PLC, Pegasus Hotels of Ceylon PLC and the Investment Sector Companies of the Carsons Group.

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

# Group Structure

## PLANTATIONS, OILS & FATS

|   |  |  |   |
|---|--|--|---|
| <p>■ Goodhope Asia Holdings Ltd.<br/>• 2008* • 53.33%</p>     | <p>■ Shalimar (Malay) PLC<br/>• 1909* • 99.25%</p>                   | <p>■ PT Agro Bukit<br/>• 2004* • 95%</p>             | <p>■ PT Sawit Makmur Sejahtera<br/>• 2008* • 95%</p>                  |
| <p>■ Agro Asia Pacific Limited<br/>• 2010* • 100%</p>         | <p>■ Selinsing PLC<br/>• 1907* • 95.68%</p>                          | <p>■ PT Agro Asia Pacific<br/>• 2008* • 100%</p>     | <p>■ PT Sumber Hasil Prima<br/>• 2006* • 95%</p>                      |
| <p>■ Premium Nutrients Private Limited<br/>• 2011* • 100%</p> | <p>■ Indo-Malay PLC<br/>• 1906* • 86.94%</p>                         | <p>■ PT Karya Makmur Sejahtera<br/>• 2003* • 95%</p> | <p>■ PT Sinar Sawit Andalan<br/>• 2008* • 95%</p>                     |
| <p>■ Agro Harapan Lestari Sdn.Bhd.<br/>• 2007* • 100%</p>     | <p>■ Good Hope PLC<br/>• 1910* • 90.91%</p>                          | <p>■ PT Agro Harapan Lestari<br/>• 2007* • 100%</p>  | <p>■ PT Sariwana Adi Perkasa<br/>• 2008* • 95%</p>                    |
| <p>■ Shalimar Developments Sdn. Bhd.<br/>• 1980* • 100%</p>   | <p>■ Agro Harapan Lestari (Private) Limited<br/>• 2008* • 100%</p>   | <p>■ PT Rim Capital<br/>• 2006* • 95%</p>            | <p>■ PT Agro Bina Lestari<br/>• 2006* • 95%</p>                       |
| <p>■ Premium Oils &amp; Fats Sdn.Bhd.<br/>• 2011* • 100%</p>  | <p>■ AHL Business Solutions (Private) Limited<br/>• 2010* • 100%</p> | <p>■ PT Agrajaya Baktitama<br/>• 1994* • 95%</p>     | <p>■ PT Agro Surya Mandiri<br/>• 2006* • 95%</p>                      |
| <p>■ Premium Vegetable Oils Sdn. Bhd.<br/>• 1978* • 100%</p>  | <p>■ Goodhope Investments (Private) Limited<br/>• 2012* • 100%</p>   | <p>■ PT Nabire Baru<br/>• 2008* • 95%</p>            | <p>■ Arani Agro Oil Industries Private Limited<br/>• 1986* • 100%</p> |
| <p>■ Premium Fats Sdn.Bhd.<br/>• 1996* • 100%</p>             | <p>■ PT Agro Indomas<br/>• 1987* • 94.30%</p>                        | <p>■ PT Batu Mas Sejahtera<br/>• 2006* • 95%</p>     |   |

## BEVERAGE

|  |   |  |
|--|---|--|
| <p>■ Ceylon Beverage Holdings PLC<br/>• 1910* • 75.37%</p>   | <p>■ Retail Spaces (Private) Limited<br/>• 2012* • 100%</p> | <p>■ Vee Waruna (Private) Limited<br/>• 2014* • 100%</p> |
| <p>■ Lion Brewery (Ceylon) PLC<br/>• 1996* • 59.13%</p>      | <p>■ Luxury Brands (Private) Limited<br/>• 2012* • 100%</p> | <p>■ Millers Brewery Limited<br/>• 2010* • 100%</p>      |
| <p>■ Pubs 'N Places (Private) Limited<br/>• 2007* • 100%</p> | <p>■ Pearl Springs (Private) Limited<br/>• 2014* • 100%</p> |  |

## PORTFOLIO AND ASSET MANAGEMENT

|   |   |  |  |
|---|---|--|--|
| <ul style="list-style-type: none"> <li>■ Ceylon Guardian Investment Trust PLC           <ul style="list-style-type: none"> <li>• 1951* • 69.3%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Guardian Capital Partners PLC           <ul style="list-style-type: none"> <li>• 1920* • 86.22%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Leechman &amp; Company (Private) Limited           <ul style="list-style-type: none"> <li>• 1953* • 100%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ The Sri Lanka Fund           <ul style="list-style-type: none"> <li>• 1993* • 85.24%</li> </ul> </li> </ul>                     |
| <ul style="list-style-type: none"> <li>■ Ceylon Investment PLC           <ul style="list-style-type: none"> <li>• 1919* • 64.36%</li> </ul> </li> </ul>               | <ul style="list-style-type: none"> <li>■ Rubber Investment Trust Limited           <ul style="list-style-type: none"> <li>• 1906* • 100%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Guardian Fund Management Limited           <ul style="list-style-type: none"> <li>• 2000* • 100%</li> </ul> </li> </ul>         | <ul style="list-style-type: none"> <li>■ Guardian Acuity Asset Management Limited+           <ul style="list-style-type: none"> <li>• 2011* • 50%</li> </ul> </li> </ul> |

## REAL STATE

|  |  |  |
|--|--|--|
| <ul style="list-style-type: none"> <li>■ Equity One Limited           <ul style="list-style-type: none"> <li>• 1981* • 98.84%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Equity Two PLC           <ul style="list-style-type: none"> <li>• 1990* • 88.81%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Equity Three (Private) Limited           <ul style="list-style-type: none"> <li>• 1990* • 100%</li> </ul> </li> </ul> |
|--|--|--|

## LEISURE

|  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>■ Pegasus Hotels of Ceylon PLC           <ul style="list-style-type: none"> <li>• 1966* • 89.98%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Equity Hotels Limited           <ul style="list-style-type: none"> <li>• 1970* • 100%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Carsons Airline Services (Private) Limited           <ul style="list-style-type: none"> <li>• 1993* • 100%</li> </ul> </li> </ul> |
|--|---|--|

## MANAGEMENT SERVICES

|   |
|---|
| <ul style="list-style-type: none"> <li>■ Carsons Management Services (Private) Limited           <ul style="list-style-type: none"> <li>• 1993* • 100%</li> </ul> </li> </ul> |
|---|

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

Country of Incorporation/Operation

|             |             |                  |
|-------------|-------------|------------------|
| ■ Sri Lanka | ■ Malaysia  | ■ India          |
| ■ Indonesia | ■ Singapore | ■ Cayman Islands |

# Sector Review

## Beverage

Past twelve months was an extremely challenging period for the Beverage sector, considering impacts from a series of events – both natural and man-made.

### IMPACT FROM THE DISASTROUS FLOODS

To begin with, as repeatedly mentioned, the sector's brewery located at Biyagama was submerged in floodwaters in May 2016, disrupting majority of its supplies, damaging machinery and interrupting the production process. Hence, due to the non-availability of sufficient inventory, the favourite "Lion" brand was scarce in the local market for an approximate period of two months. Thus, the need for importation of beer from the sector's joint venture partner, Carlsberg was facilitated by the assistance rendered by the Government through permitting beer imports at the cost of excise duty for the locally produced beer. Whilst this arrangement was a quick-fix, it did not fully compensate for the unavailability of all pack sizes in required quantities across all markets. Consequently, the local market operations, encompassing the outlets, retail chain and pubs as well as the export markets suffered a set-back alike due to inadequate volumes with the exception of Maldives where Carlsberg supplies were sufficient to ensure a consistent supply. This stockout incentivised the alternative brands and other products available in the local market, to which the consumers gradually shifted during

Past twelve months was an extremely challenging period for the Beverage sector, considering impacts from a series of events – both natural and man-made.

the period of the brewery closure. However, the beer consumers were starved due to unavailability of sufficient beer stocks in the market who, swiftly shifted back to embrace their favourite brand, Lion, no sooner production commenced.

Furthermore, this devastating situation also brought about additional costs such as inventory write offs, machinery repair and replacements costs to the sector, which will be largely reimbursed by insurance. As at 31st March 2017, the sector has already finalised the losses pertaining to inventory and has received Rs. 2.366 Bn as advance payments against the

insurance claims of which Rs. 1.366 Bn is against Inventory, Plant and Equipment and Rs. 1 Bn relating to claim on business interruptions. Also, a further Rs. 609 Mn insurance receipts were received in May 2017. The sector is currently in the process of finalising the claims in relation to plant and machinery and business interruption and also expects the balance insurance receipts out of the total Rs. 4 Bn, in the upcoming months. Nevertheless, due to underlying expenditure before insurance cash inflows, the sector's borrowings saw a considerable increase to fund the restoration of destroyed plant

and machinery, which however will reduce along with the future insurance receipts.

Moreover, Carlsberg imports also resulted in an additional cost of Rs. 651 Mn to the sector due to various complexities, which dragged down the gross profitability of the sector for the year under consideration.

However, as of now, the sector's brewery is in full operation with all of its well-recognised brands and the regained market position, with "Lion" reigning as the sixth most valuable brand in Sri Lanka for the second consecutive year.

## EXCESSIVE TAX BURDEN FOR BEER

Months of October and November 2015 observed a significant increase of 70% in excise duty of beer while arrack, which constitutes four times the pure alcohol content of beer, saw a relatively mild increase of 25% in the same period. By virtue of this, beer volumes slipped by a massive 40%, whereas on the contrary, arrack volumes increased by 12%. Further, a novel "beer can tax" of Rs. 10 for a can below 350 ml and Rs. 15 for a can above 350 ml was introduced specifically targeting beer, ignoring other beverages. Also, the excise duty differential between beer and the harmful toddy, with similar alcohol contents of above 5%, is as much as Rs. 265 per litre in favour of toddy, effectively allowing a free run for the illegal toddy producers.

On top of all this, during November 2016, VAT was reintroduced to the alcohol industry after the exemption made in October 2014. along with an excise duty increment; whereas, the re-introduction of VAT did not accompany any downward revisions in the excise duty, double impact of which effectively increased the beer prices by 75%.

Overall, this unjustified tax policy which spanned over a 15 - month period has resulted in the sector experiencing a slowdown of demand for beer due to upward price revisions as much as 75%, even leading to impairments of the acquired brands from Millers Brewery in 2014, for the year under review.

Amongst such a distressing year, further compressed by macro-economic pressures such as growing inflation, limiting purchasing power and the depreciating Sri Lankan Rupee, the sector recognised a net loss of Rs. 1.56 Bn on a revenue of Rs. 23.3 Bn, marking a YoY reduction in the topline of 37%.

## EXPORT BUSINESS

The sector's export operations including contract brewing were affected by the brewery closure consequent to flood, except for the Maldivian operations as stated above. Nevertheless, the sector sourced two new markets during the year for the Lion brand namely South Korea and Seychelles.

## DAYS AHEAD

Amid tight FMCG industry conditions and irrational tax structures and policies, the growth in sales and earnings could be slow for the forthcoming period, yet the sector will seek to utilise its' variety of strengths to make use of the best opportunities within an innovative and a lean culture, whilst aptly planning for any potential external shocks. The recent capacity enhancement coupled with the flood resisting measures in place poises the sector to meet any demanded should the regulatory framework rationalizes sooner rather than later.

## Sector Review

## Oil Palm Plantations

**CHALLENGING  
INDUSTRY CONDITIONS**

As anticipated, the financial year which concluded on 31st March 2017 proved to be another quite challenging period for the sector predominantly owing to tough industry conditions. In particular, adverse weather conditions of the past two consecutive years largely affected the biological crop cycles, thus the crop yield of the upstream segment of the Oil Palm industry during the course of the year.

The crop production of the sector during the first six months of the year under review did not meet the expectations, yet part of this deficit was off-set during the second half of the year. This extremely dry weather which prevailed over the past two years is expected to have an identifiable impact on the crop production volumes of the industry over the forthcoming period.

Amid such restrictive conditions, the sector observed Crude Palm Oil ("CPO") prices gradually surging up during the year, which was also supported by the depreciation of the Malaysian Ringgit during the period under review. The widened price gap between Palm oil and Soya Oil also contributed to stable CPO prices towards the conclusion of the year.

That being said, it is vital to note that CPO price movement is determined by a multitude of factors such as the anticipated recovery in CPO production and increasing crops of competing oils such as Soy in key producing countries, which

The crop production of the sector during the first six months of the year under review did not meet the expectations, yet part of this deficit was off-set during the second half of the year.

could potentially exert short term pressure on the CPO prices for the days ahead.

**PERFORMANCE  
HIGHLIGHTS**

Overall performance of the sector for the year was positively impacted by the rectifying CPO prices and a recovering crop trend, as discussed above. Average CPO price recorded by this segment during the year

under consideration was USD 532 per Metric Ton of CPO, as opposed to USD 462 for the same observed during the previous financial year.

**CONTINUING  
OPERATIONS**

The Oil Palm plantations sector recorded an EBIT increase of 422% compared to the previous year, whilst the segment revenue for the year stood at Rs. 19.4 Bn, up by

13% against the corresponding financial year which contributed revenue of Rs. 17.2 Bn to the group.

Accordingly, the sector posted a net loss after tax from continuing operations of Rs. 759.2 Mn for the year under consideration, in comparison to a net loss after tax of Rs. 1.1 Bn recorded in the previous year.

**Following a completion of a comprehensive strategic review in order to create a long-term sustainable capital structure and with the ever-increasing determination to maximise shareholder returns, the sector remains committed towards minimising its financial leverage and strengthening the balance sheet.**

assumptions and bases as was used previously. Based on this, in the current financial year, the fair value gains (arising from mature plantations) are not recognised in the income statement, whilst the fair value losses (arising from immature plantations) are recognised in the income statement as impairment.

The impairment loss of Rs. 505 Mn recognised in the income statement relate to the immature plantation subsidiaries of the group. In the absence of processing facilities the fair valuation of the immature plantation has been based on Fresh Fruit Bunch (FFB) (and not CPO) whereas the mature plantations have been valued on the basis that the plantations produce and sell CPO. The adverse industry setting experienced over the past few years too has had an impact on the fair valuations. During this period, the immature plantation companies continued to capitalise the cost of maintenance / fertilisation as per the accounting policies and standards of the group until such plantations are declared as 'mature' and ready for income generation.

It should be noted that the total market value of the Indonesian plantations as carried out by KJPP for the financial year 2016/17 approximates to USD 835 Mn as against a value of USD 699 Mn in the financial year 2015/16.

**CHANGES TO ACCOUNTING STANDARDS ON BIOLOGICAL VALUATIONS**

As previously communicated, the Oil Palm Plantations segment adopted the amendments to Sri Lanka Financial Reporting Standards, LKAS 41 and LKAS 16 for the period ended 31st March 2017.

In prior years as required by IAS 41, the biological assets of the group were fair valued and the corresponding fair value gains of the "Mature plantations" were recognised in the income statement

whilst offsetting the impairment in value of biological assets of the "Immature plantations. Hitherto, the Biological Valuations has been used to assess any potential impairment and accordingly to determine the fair value of the Biological assets for accounting purposes.

With the change in the accounting standard on biological assets (IAS 41) and adoption of the IAS 16 Property, Plant and Equipment with effect from 01st of April 2016, bearer plants (biological assets) are recognised at cost. Under the revised accounting standards

plantation subsidiaries of the group are also required to carry out an annual impairment assessment. On this basis the sector has reversed its net biological gains as at 31st March 2016.

Accordingly, the carrying values of biological assets of the Indonesian Plantation Companies have been tested for impairment based on a fair value assessment carried out via an independent valuation exercise. The valuation for the financial year 2016/17 has been carried out by KJPP, an independent professional valuer using the same

## Sector Review

### Oil Palm Plantations

#### DISCONTINUED OPERATIONS

As previously communicated, the disposal of the plantation assets owned by the sector in Malaysia through the 4 Malaysian Plantation Companies were completed during the year under review with the due shareholder and regulatory approvals.

The net proceeds from the sale were distributed to the shareholders through an interim dividend and through a share buy-back. The net proceeds received at the sector holding company level was utilised to partly settle its long term borrowings.

As disclosed in the previous quarter, the sector also disposed the plantations held by PT Agro Bukit (PTAB) in South Kalimantan in Indonesia. This was prompted by legal action by an adjoining plantation claiming ownership of overlapping land areas as previously explained. This property was acquired by a local company in Indonesia who was willing to take over the property including the ongoing litigation with an undertaking to assist the company to resolve this matter. Further, details on the extent and disposal price of the property are provided in the Notes to the financial statements section presented together with this annual report.

#### AMENDMENT TO LONG TERM FINANCING FACILITIES

The relatively low CPO price regime over the previous two years and the low crop performance have significantly affected the profitability of the Oil Palm Plantations segment leading to a considerable impact on its cash flows. Hence, the new development work of the segment was curtailed during the past two financial years and only critical non-discretionary capital expenditure was given prominence. Though some of the new development locations have started to bear fruit, necessary processing facilities were not built. Thus, the sector has agreed to amending terms of its current senior term loan facility to ensure that its future goals stated below, are smoothly achieved stepping into the future.

#### LOOKING AHEAD

Following a completion of a comprehensive strategic review in order to create a long-term sustainable capital structure and with the ever-increasing determination to maximise shareholder returns, the sector remains committed towards minimising its financial leverage and strengthening the balance sheet. Thus, the Oil Palm Plantations sector will continue to seek and evaluate options, including sale or divestment, in relation to certain sub-scale or immature plantations to optimise the portfolio of assets.

# Oils & fats

The Oils and Fats sector was bounded by supply constraints and intense competition which prevailed in its operational markets during the course of the year. Specifically, rising feedstock prices in the industry continued to be a major concerning factor for the sector in the pursuit to achieve operational efficiencies.

The prices of lauric oils reached record levels during the period under consideration, where the prices of Crude Palm Kernel Oil (CPKO) observed an increase of 133% from January 2015 to January 2017.

This was in contrast to the low price cycle regime applicable to Crude Palm Oil (CPO), where the lauric oil prices (CPKO – kernel oil and Coconut oil), were driven by factors specific to the lauric industry aside from the general industry-related factors affecting the global palm oil industry.

Hence, the elevated feedstock prices have effectively restricted the volumes procured and processed by the Malaysian Division during the period under consideration. To be more precise, the average capacity utilization within both mid-stream and the downstream businesses averaged at 60% for the past twelve month period. As the feed stock prices peaked, in certain months, the production facility was operational even below the break-even production levels. Such capacity underutilization consequently resulted in higher unit cost of production, whilst hindering

the optimization of the full potential available within this scope of business.

## DISCONTINUED OPERATIONS

As highlighted several times previously, operating conditions pertaining to the Indian Refinery operations continued to pose challenging conditions and restrict the sector's profitability during the year, primarily due to the intensified competition prevalent from large integrated players in the industry, for the sale of bulk refined oils. Hence, also contemplating on other external issues such as the fluctuating feedstock prices and exchange rates, a decision was taken by the board of directors to scale down the

Indian refining operations under the Oils & Fats segment.

The operations have now been fully ceased and the sector is currently in the process of disposing the assets of the business, regarding which further details will be provided in the upcoming quarterly reviews.

## FINANCIAL PERFORMANCE

Due to the aforementioned reasons, the sector recorded a net loss of Rs. 1.1 Bn for the year under review, compared to a net loss of Rs. 830.7 Mn recorded in the previous financial year. Of this, the net loss recorded by the Indian operations until its cessation of operations

during the year under review was Rs. 794.8 Mn

## LOOKING AHEAD

As reported previously, currently we are evaluating potential strategic alliances with industry partners in order to enhance and derive synergies and also to facilitate optimizing the potential available within this particular business segment.

**The prices of lauric oils reached record levels during the period under consideration, where the prices of Crude Palm Kernel Oil (CPKO) observed an increase of 133% from January 2015 to January 2017.**

## Sector Review

# Portfolio & Asset Management

Led by the Ceylon Guardian Investment Trust PLC and its subsidiaries, the Portfolio and Asset Management sector of the Group concluded a mixed year of performance amidst certain moderation visible in the economic agendas and the overall capital market performance.

During the year, the Sri Lankan economic activity remained slow with fiscal uncertainties and rising interest rates. Nevertheless, the economy also witnessed a stimulus with notable international support extended to the country. Colombo Stock Exchange also showed dull activity during most parts of the year, yet observed renewed investor interest towards the year's climax, providing positive cues for the equities. Market capitalisation as at 31st March 2017 stood at Rs. 2.66 Tn compared with Rs. 2.58 Tn a year ago. On the international front, major cyclical events such as the Brexit, U.S elections and policy rate hikes by the Federal Reserve injected volatility into the global capital markets during the year under consideration.

Overall capital market business of the sector showed increased progress during the year. The value of the total portfolio held by the Ceylon Guardian group as at 31st March 2017 stood at Rs. 18.4 Bn, of which the actively managed discretionary component stood at Rs. 13.1 Bn. Even though the total portfolio value declined by 1.03 Bn during the year on account of the reduced strategic holding value, the discretionary portfolio secured

## The sector's long term value driven investment approach enabled the investors to realise significant capital gains over the years.

a return of 9.10%, outperforming the All Share Price Index (ASPI) by 9.26%, which only derived a dismal return of -0.16%. Over the past three year time horizon, the discretionary component has notably outperformed the ASPI, whereby the discretionary portfolio return has been 5.44% CAGR compared to the flat ASPI of CAGR 0.52%.

The unit trust business of the sector under Guardian Acuity Asset Management reached a new high mark in value of assets in December 2016 of Rs. 6 Bn owing to the increased confidence of investors placed upon the extensive experience of the company. However, the said assets under management took a steep decline to reach Rs. 4 Bn following the budget announcements indicating that the tax exemption status will be withdrawn for unit trusts. However, no further announcements have been made on this matter since then, but the industry remains indecisive as investors are fearful of participating due to lack of clarity. Nonetheless, all three unit funds successfully outperformed their respective benchmarks, deriving superior actively managed returns

for the investors. The Guardian Acuity Equity fund provided investors with noteworthy returns of 10.11% CAGR since inception while the money market and money market gilt funds which are more short term oriented fixed income funds provided annual returns of 11.0% and 9.5% respectively, for the twelve months ended 31st March 2017.

The sector's long term value driven investment approach enabled the investors to realise significant capital gains over the years. New legislation to be introduced brought about the potential for introduction of taxes on Guardian's unrealised gains. In order to protect shareholder returns the sector realised profit on several investments that had made significant gains over the years.

Consequently, the sector reported a net profit of Rs. 1.2 Bn, up by a notable 102% against the precedent financial year which recorded a net profit of Rs. 612 Mn. The sector revenue for the year concluded also showed a remarkable progress of 48% over the corresponding year to reach Rs. 1.7 Bn.

### LOOKING AHEAD

Colombo equities remain attractive with one year and two year forward PER of 11.8x and 11.2x respectively, and showcase strong medium term potential, relative to regional peer markets. This could create a conducive environment for the equity investments of the sector. That being said, the macro economic pressures from the higher interest rates, balance of payment and fiscal concerns could deter the positive investor sentiment to a certain extent, amidst diminished economic activity and earnings growth of companies. Moreover, uncertainties prevail with regard to the unclear taxation policy of unit trust investments as well as possible taxes on capital gains, which could potentially further dampen the investor confidence into the future, unless otherwise clarified with precision.

# Leisure

Both hotels making up the leisure sector of the Carsons group accomplished yet another fruitful twelve months in the midst of growing Sri Lankan tourism and heightened competitive pressure.

The main hotel property, Pegasus Reef Hotel underwent an extensive 81-room refurbishment programme, where the rooms were adorned with a range of modern amenities with a fulfilling guest experience in mind. Thus, during renovation, the hotel's operational room capacity was limited to 29% for an approximate period of six months. Further additions comprised a small-sized meeting conference room aiming the flourishing MICE business as well as numerous upgrades to the kitchen in an attempt to enhance operational efficiencies. All these value-adding endeavors utilised over Rs. 230 Mn of accumulated operational cash reserves of the sector and did not reach the necessity to incur borrowings.

Occupancy at Pegasus Reef Hotel based on the operational rooms for the year averaged at 62% whilst this would approximate to 42%, had all rooms been fully operational throughout the year, in comparison to 59% in the corresponding financial period.

Girital Hotel marked an average occupancy of 63% during the twelve month period against 64% in the prior period, amid certain

## The main hotel property, Pegasus Reef Hotel underwent an extensive 81-room refurbishment programme, where the rooms were adorned with a range of modern amenities with a fulfilling guest experience in mind.

guest hindrances, in particular, road construction activities taking place in Dambulla, in its main access route.

Considering the successful accomplishment of refurbishment plans with minimum guest inconvenience at Pegasus Reef Hotel, the sector is well-gearred to welcome similar upgrading plans at Girital Hotel in the face of visible signs of mounting competition across the country and specifically, the located region.

Despite substantial drop in room capacity during renovation, the sector secured Rs. 543.7 Mn in

revenue, registering a year-on-year decrease of only 7% for the year concluded 31st March 2017. Income streams from Food and Beverage remained strong, primarily in conjunction with the thriving MICE business. However, overall earnings of the sector declined by 72% relative to the previous year to reach Rs. 29.6 Mn, primarily affected by the comprehensive refurbishment carried out at the Pegasus Reef hotel premises.

### OUTLOOK

The future setting for the country's tourism and leisure industry, projects considerable potential given the numerous plans springing up, to progressively develop the scope of tourism. Thus, the two hotels could capitalise on these growth prospects supported by timely refurbishments. Even so, the menaces of ever-escalating competition and the still uncontrolled informal tourist hotspots continue to pose challenging conditions for the sector, for the foreseeable future.

## Sector Review

# Real Estate

The portfolio of commercial properties of the sector conveniently located at the central-Colombo, continued to deliver a consistent and a resilient performance during the year under consideration. The sector constituting of Equity One Ltd and its subsidiaries, attained an average occupancy of 93%, marking an increase of 3% against the preceding year. During the year, the sector increasingly emphasised on the quality, when securing new tenants, ensuring mutually beneficial relationships establish benefiting all parties. A marginal increase in rents for the year under review was also evident.

Nevertheless, the realisation of sector's full potential is still impeded due to the restriction concerning its Janadhipathi Mawatha properties. The iron fence barricade the properties alongside Janadhipathi Mawatha, continue to obstruct access to the building via this major roadway. However, the said properties have even gone to achieve full occupancy levels recently, despite such a constraining situation, owing to the convenience, facilities and the high service standards that the properties have on board.

For the year ended 31st March 2017, the sector chalked up a turnover of Rs. 234.1 Mn, registering a growth of 9% over the preceding financial year. This growth is stemming from a blend of occupancy and rental increase across all properties of the sector.

During the year, the sector increasingly emphasised on the quality, when securing new tenants, ensuring mutually beneficial relationships materialise benefiting all parties.

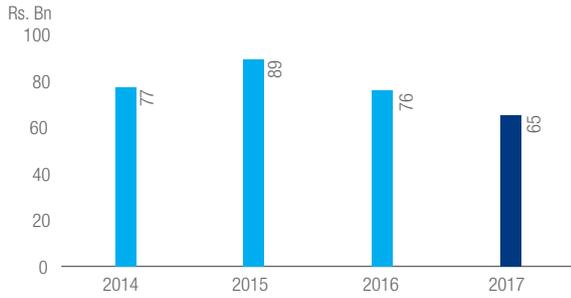
The sector did not observe any major changes in fair values of the investment properties during the period under review as opposed to Rs. 491.6 Mn fair value gains being recognized in the prior financial year. Accordingly, overall sector profits before tax for the year under consideration stood at Rs. 152.9 Mn, demonstrating an annual increase of 11% compared to the previous financial year, disregarding the of gains from investment property valuations.

### OUTLOOK

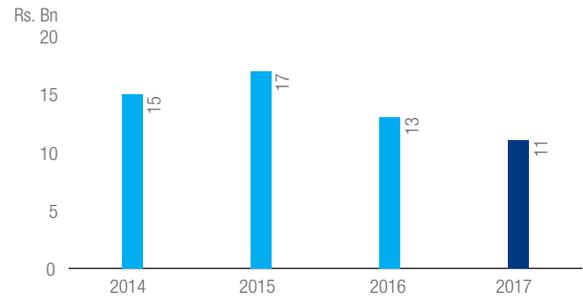
Medium term growth prospects of the Sri Lankan real estate domain display optimistic signs with rapid industrialisation and infrastructure development taking place across the capital city of Colombo and its suburbs, with numerous mega scale developments on the rise. Increased business activity is also taking place along with the above developments creating a favourable landscape for the commercial property market.

# Graphical Financial Review

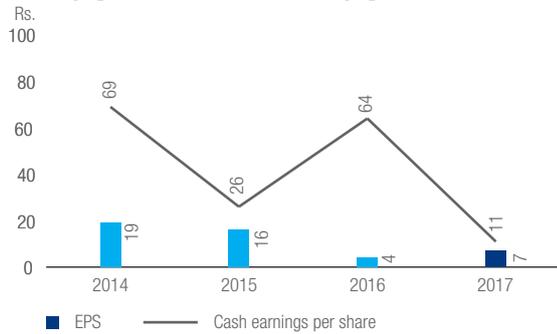
Revenue



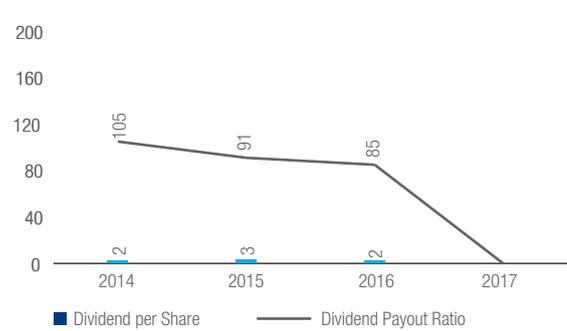
EBITDA



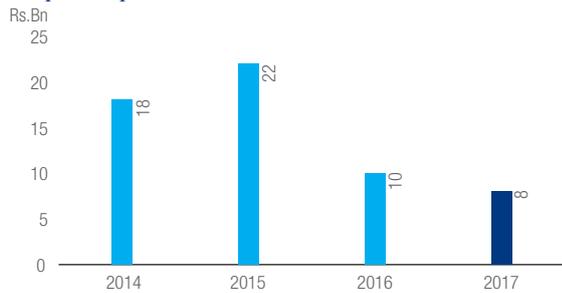
Earnings per Share vs Cash Earnings per Share



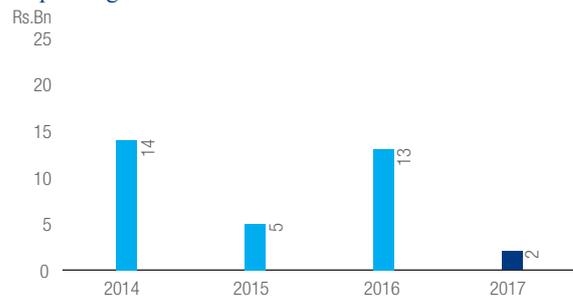
Dividend per Share vs Dividend Payout Ratio



Capital Expenditure

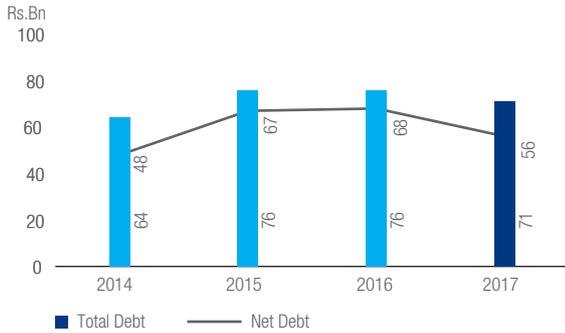


Operating Cash Flow

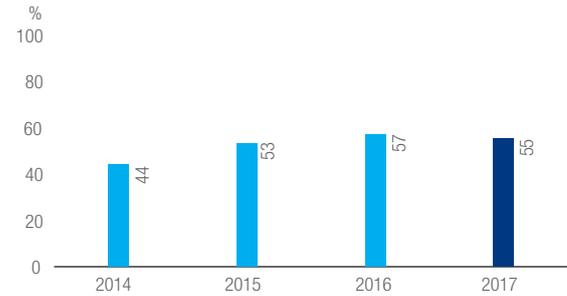


# Graphical Financial Review

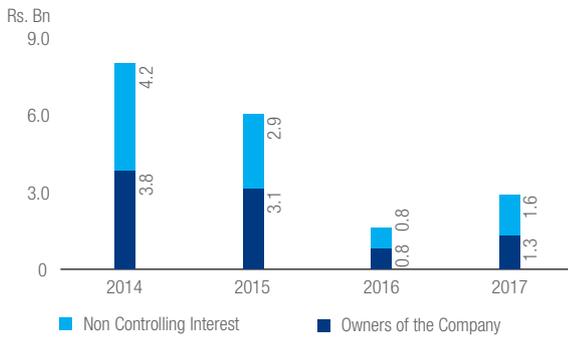
**Total Debt vs Net Debt**



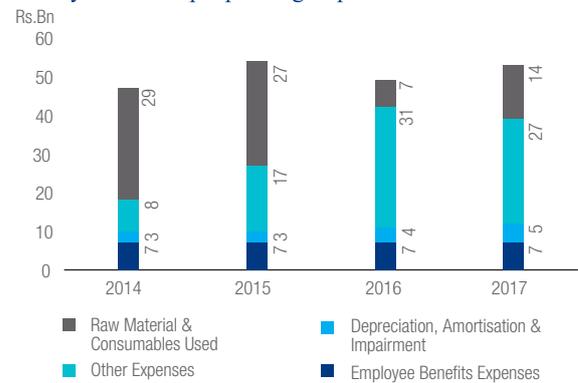
**Gearing Ratio**



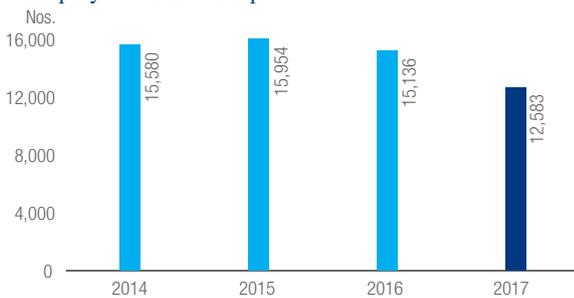
**Net Profits Distribution**



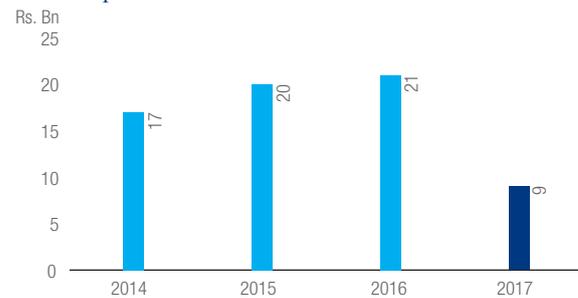
**Analysis of Group Operating Expenses**



**Employees of the Group**



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



# Financial Review

## REVENUE

For the financial year concluded 31st March 2017, Carson Cumberbatch PLC on a group level, registered a revenue of Rs. 64.5 Bn, which is a contraction of 16% relative to the prior year. This reduction was primarily associated with the steep decline in business observed in the Beverage segment as well as discontinuation of operations of the Indian refinery of the Oils & Fats segment of the group in June 2016.

The period under review had been one of the most challenging years in the history of the group's beverage sector. Inept policymaking and floods in May 2016 severely affected the performance of the Sector. Incomprehensible taxes on beer is choking its demand - an excise duty increase of 70%, a Beer can tax and the re-introduction of VAT, within a span of 15 months - resulted in the increase in price of a bottle of beer,

a product least in alcohol content, by 75%. In this backdrop, not surprisingly, beer industry volumes are down by 40%. Even though impact is not as crippling as the impact of the arbitrary policymaking, floods in May 2016, impacted our Brewery situated in Biyagama which resulted in closure of the factory for almost 6 months for the repair work. As a result, Lion Brands were out of the market for over a month and a half and even though beer was imported from overseas to our specification, most popular pack sizes and the full spectrum of the portfolio was not available to our consumers resulting in lower sales volumes during this period. With these calamitous happenings, the revenue of the Sector recorded a sharp decline of 37% from Rs. 36.9 Bn a year earlier to Rs. 23.3 Bn for the year ended 31st March 2017, which was the main cause for the drop in aforesaid Group revenue.

### Excise Duty on Spirits (Rs.)

Source: Department of Excise, Sri Lanka



Revenue from the Oils & Fats segment marked a 5% YoY decrease to reach Rs. 19.3 Bn for the year ended 31st March 2017. As mentioned in the previous year, due to the challenging operating environment, Indian operations of the Oils & Fats segment were closed down during the course of the year. The prices of lauric oils reached record levels during the period under review as the prices of Crude Palm Kernel Oil (CPKO) moved up 133% from April 2015 to January 2017. As a result of this higher feedstock prices, volumes procured and processed by the Malaysian operations during the year too were restricted, further lowering the revenue.

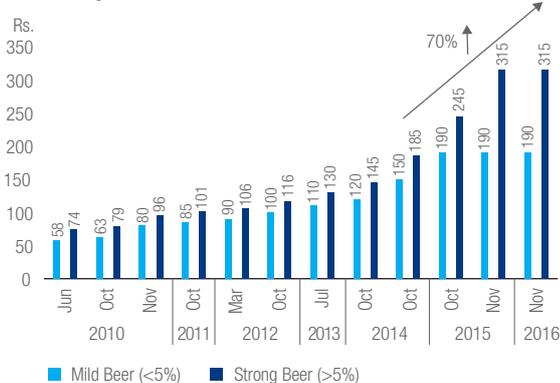
However, overall performance in terms of the revenue of the Oil Palm Plantations was positively impacted by the increasing CPO prices. Average Crude Palm Oil (CPO) price per Metric Ton was recorded at USD 532, as opposed to USD 462 recorded during the previous financial year. Crop production too improved during the second half of the year under review contributing

positively to the sector top line, off-setting below-the-expectation crop production recorded during the first half of the year. Registering a 13% YoY increment, the Oil Palm Plantations segment recorded a revenue of Rs. 19.4 Bn in comparison to Rs. 17.2 Bn recorded in the preceding year. Nevertheless, the year ended 31st March 2017 continued to be a challenging year for this segment, being impacted by two consecutive years of adverse weather condition thus affecting the biological crop cycle.

During the year under review, the local equity market provided a lackluster performance with economic concerns and high interest rates. Mainly contributed by the realised Capital Gains from disposal of equity investments, the Portfolio and Asset Management sector registered a 48% increase in revenue for the year ended 31st March 2017 whilst increased dividend income too contributed positively to the revenue of the sector in comparison to the corresponding previous year. Accordingly, the sector revenue

### Excise Duty on Beer (Rs.)

Source: Department of Excise, Sri Lanka



## Financial Review

stood at Rs. 1.7 Bn against Rs. 1.2 Bn recorded in the corresponding period.

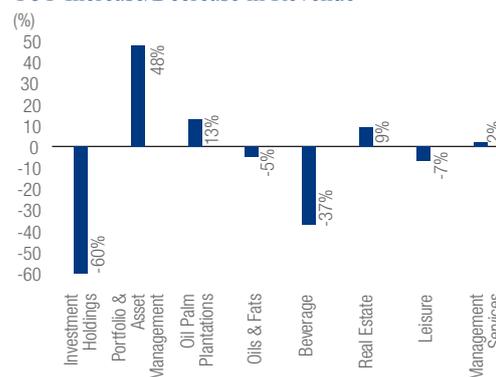
Moving on to the Leisure segment of the Group, in June 2016 the Pegasus Reef Hotel commenced an extensive room refurbishment to upgrade 81 of its 140 rooms. Accordingly, the hotel only operated with 40 rooms for an approximate period of six months as further 19 rooms, though not included in the refurbishment programme, were kept closed during the period to accommodate speedy completion of the refurbishment activities and also, to ensure less disturbance to the in-house guests. Even while handicapped by the aforementioned contraction of operational room

capacity, the Leisure sector recorded a revenue of Rs. 543.7 Mn in comparison to Rs. 583 Mn recorded in the corresponding period taking only a minimal hit of 7%. Positive contribution from increased revenue from food and beverage, banqueting business in tandem with the higher revenue from the seafood restaurant compensated the loss of room revenue to a greater extent.

The Real estate segment, though a minor contributor to the group revenue, continued to deliver consistent growth during the year under review too, with a revenue of Rs. 234.1 Mn, up by 9% against the corresponding year, resulting from a notable increase in occupancy and rentals via rent revisions.

| Segment Contribution to the revenue         | Contribution %<br>2017 | Contribution %<br>2016 |
|---|------------------------|------------------------|
| Investment Holdings and Management Services | 0.04%                  | 0.05%                  |
| Portfolio & Asset Management                | 2.71%                  | 1.55%                  |
| Oil Palm Plantations                        | 30.03%                 | 22.45%                 |
| Oils and Fats                               | 29.94%                 | 26.68%                 |
| Beverage                                    | 36.08%                 | 48.23%                 |
| Real Estate                                 | 0.36%                  | 0.28%                  |
| Leisure                                     | 0.84%                  | 0.76%                  |
| Total                                       | 100.00%                | 100.00%                |

### YoY Increase/Decrease in Revenue



### OPERATING PROFIT

Stemming from the drop in revenue and impairment of business assets necessitated under the accounting Standards, Operating Profit of the Group for the year ended 31st March 2017 declined by 35% YoY to reach Rs. 4 Bn as against Rs. 6.2 Bn registered for the year ended 31st March 2016. The impairment of business assets of the Oil Palm, Oils & Fats and Beverage segments of the Group amounted Rs. 505 Mn, Rs. 52.4 Mn & Rs. 1.7 Bn respectively.

#### Group Revenue

# 64 bn

For the year ended 31st March 2017

#### Group Operating Profit

# 4 bn

For the year ended 31st March 2017

YoY decrease in Group  
Operating Profits

# 35%

## Over the last few years, key sectors of the group have invested a considerable amount by way of capital expenditure to establish itself in a commanding position to meet future business exigencies.

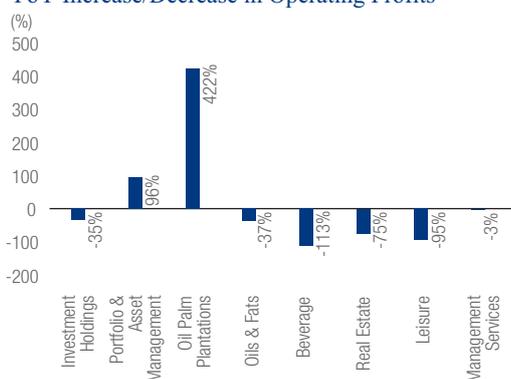
|   |   |   |  |
|---|---|---|--|
| <p>The impairment of business assets of the Portfolio &amp; Asset Management sector amounting to Rs. 198.8 Mn is provided on significant and prolonged decline in value below its cost on identified listed equity investments of the sector.</p> <p>The impairment loss of Rs. 505 Mn of the Plantations Segment is arising mainly from the immature plantation subsidiaries of the sector. Where in the absence of processing facilities at these locations, the fair value of these immature plantation companies have been based on the sale of "FFB" (Fresh Fruit Bunch), whilst the mature plantations have been valued on the basis of produce and sale of CPO, impacting the fair value of these immature plantation assets. Further, the adverse industry conditions experienced over the past few years too has had an impact on the fair valuations of these Plantation assets. After adjusting for the aforementioned impairment loss, the sector recorded a profit before tax of Rs. 1.3 Bn compared to the loss before tax of Rs. 411.3</p> | <p>Mn recorded in the corresponding period on the same basis. During the year, as required, Oil Palm Plantations segment adopted the amended financial reporting standards on LKAS 41 - Agriculture and LKAS 16 – Property Plant and Equipment. The financial statement impact of the adoption of said Accounting Standards are morefully described in the Sector Review of this annual report.</p> <p>In the Beverage segment, slow demand conditions due to adverse fiscal policies attached to beer, led to the recognition of an impairment charge amounting to Rs. 1.7 Bn for the year ended 31st March 2017, resulting in a downward adjustment in the value of acquired brands from Millers Brewery Limited from Rs. 4 Bn to Rs. 2.3 Bn. Furthermore, due to the flood related damages on inventory and fixed assets Lion Brewery wrote-off Rs. 1.35 Bn during the period under review. As at 31st March 2017, on account of the said damages the subsidiary received part settlement of interim insurance claims amounting to</p> | <p>Rs. 1.37 Bn on property losses and Rs. 1 Bn on the business interruption claim. Accordingly, the sector recorded a Rs. 2 Bn loss in comparison to Rs. 3 Bn profit before tax recorded in the corresponding period.</p> <p>The Portfolio &amp; Asset Management sector recorded Rs. 1.26 Bn as profit before tax against Rs. 643.2 Mn recorded in the comparative period. Realization of gains on disposal of stocks, as mentioned earlier in this review, is the main contributor to the increase in profitability of the sector. Accordingly, during the year, the sector recorded Rs. 1.2 Bn gain from disposal of investment in comparison to Rs. 703.7 Mn recorded in the corresponding period.</p> <p>The drop in profit of Group's real estate sector is due to the absence of fair value gains on investment property during the year. Amount recorded as gain on fair valuation of investment property in the corresponding year stood at Rs. 491.6 Mn. Excluding the said</p> | <p>fair value gain, the profit before tax of the sector has increased by 11% during the year under review based on increase of occupancy and rent revisions whilst the leisure sector performance was largely impacted due to 81 room closure for a period of over 6 months as mentioned above.</p> <p>Moreover, supported by favourable exchange rates Oil Palm Plantations segment observed a foreign exchange gain of Rs. 81.8 Mn as opposed to Rs. 71.2 Mn loss recorded in the preceding period while Oils &amp; Fats segment registered Rs. 259 Mn gain from foreign exchange in comparison to Rs. 6.5 Mn loss observed in the prior period.</p> <p>Meanwhile, Group's Operating Profits, excluding the impairment of business assets, observed a decline of 28% relative to the previous financial year, to stand at Rs. 6.5 Bn. This reduction is predominantly due to YoY top line contraction relating to the Beverage segment of the group.</p> |
|---|---|---|--|

## Financial Review

As a part of Oil Palm Plantations sector's future endeavours, the sector aims to reduce its financial leverage and strengthening the balance sheet, following the completion of a strategic review to create a sustainable capital structure in order to maximize long term shareholder returns.

| Segment Contribution to the Operating Profit | Contribution % 2017 | Contribution % 2016 |
|--|---------------------|---------------------|
| Investment Holdings & Management Services    | -1.70%              | -1.55%              |
| Portfolio & Asset Management                 | 28.56%              | 10.26%              |
| Oil Palm Plantations                         | 77.48%              | 10.46%              |
| Oils & Fats                                  | 3.99%               | 4.44%               |
| Beverage                                     | -12.06%             | 64.61%              |
| Real Estate                                  | 3.62%               | 10.17%              |
| Leisure                                      | 0.11%               | 1.61%               |
| Total  | 100.00%             | 100.00%             |

YoY Increase/Decrease in Operating Profits



### NET FINANCE EXPENSES

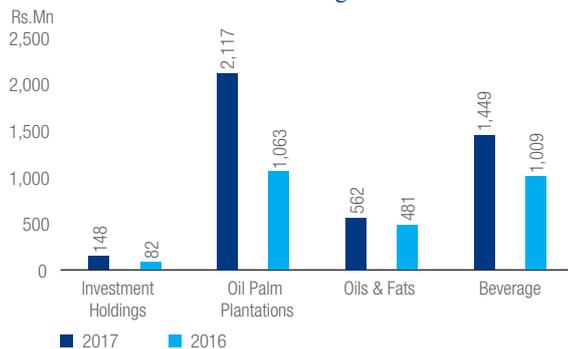
Oil Palm Plantations and the Oils & Fats sectors observed a YoY increase in their Net Finance Expenses of 99% and 17% respectively, primarily on the back of operational and capital expenditure financing through borrowings during the course of the year as well as increased interest rates charged by the borrowers. Due to the aforementioned reasons, the consolidated net finance expense of the group recorded an increase of 62% during the year to reach Rs. 4.25 Bn.

A 44% increase in net Finance costs of the Beverage sector over the previous financial year, was primarily owing to short-term borrowings obtained to fund the recovery plans of the factory premises consequent to floods until the receipt of insurance proceeds and also due to the increase in average interest rates during the year of

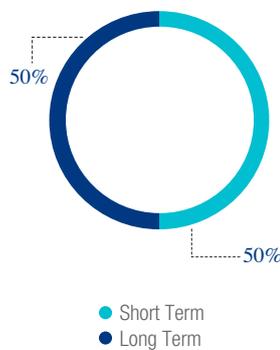
variable rates linked borrowings of the sector. On the basis of Operating Profit being adjusted for impairments, Group's interest cover deteriorated to 1.5 times from 3.4 times observed in the previous financial year, further accentuated by increasing finance costs. Nevertheless, with the brewery being fully operational at present and the expected balance insurance receipts scheduled to be received during the on-going financial year, the sector could observe a gradual reduction in its borrowing levels during the ensuing financial years and hence the finance expenses.

As a part of Oil Palm Plantations sector's future endeavours, the sector aims to reduce its financial leverage and strengthening the balance sheet, following the completion of a strategic review to create a sustainable capital structure in order to maximize long term shareholder returns.

### Net Finance Cost - On Geared Segments



### Loans & Borrowings Breakdown - 2017



### YoY decrease in Group Net Debt Position

# 18%

## NET PROFIT

Carson Cumberbatch Group concluded the year with a Net loss of Rs. 1.5 Bn from its continuing operations in comparison to Rs. 2 Bn profit recognized in the financial year 2015/16. This drop is predominantly due to the top line contraction of the Beverage sector of the Group accompanied by impairment of business assets and increase witnessed in the finance costs of the Group, all of which has been narrated in detail earlier in the review.

Gains recorded from disposal of plantation assets owned by the oil palm plantation sector by four Malaysian Plantation Companies as well as the disposal of plantations

in South Kalimantan in Indonesia was partly negated by the loss in assets sale in oil and fats sector. accordingly Group recorded a net profit from discontinued operations net of tax amounting to Rs. 4.4 Bn from aforementioned disposals. Accordingly, the group profit for the year inclusive of net profits from said discontinued operations reached Rs. 2.9 Bn, in comparison to Rs. 1.6 Bn recorded in the previous financial year.

However with the commitment of borrowing settlements and subdued business performance during the year under review due to various external factors, no dividend is proposed for the year ended 31st March 2017.

## NET DEBT

| Net Debt Position            | 2017         | 2016         | YoY increase/decrease |
|------------------------------|--------------|--------------|-----------------------|
| Investment Holdings          | (1,416,463)  | (1,216,449)  | 16%                   |
| Portfolio & Asset Management | 1,450,651    | 1,063,479    | 36%                   |
| Oil Palm Plantations         | (33,550,248) | (46,927,946) | -29%                  |
| Oils & Fats                  | (10,702,001) | (11,550,581) | -7%                   |
| Beverage                     | (11,878,421) | (9,613,973)  | 24%                   |
| Real Estate                  | 46,909       | 10,538       | 345%                  |
| Leisure                      | 35,497       | 34,178       | 4%                    |
| Management Services          | 26,401       | 20,183       | 31%                   |
| Group Net Debt Position      | (55,987,675) | (68,180,571) | -18%                  |

## Financial Review

Going forward our main priority will be to build a strong Balance Sheet via prudent capital structure whilst consolidating operations and driving individual performance of our sectors.

|  |   |  |  |
|--|---|--|--|
| <p>The group's net borrowing stood at Rs. 56 Bn as at 31st March 2017. Of the said net borrowings, 60% are on the Oil Palm segment of the Group. However, during the year considerable amount of the oil palm sector debts were settled utilizing the proceeds from sale of Malaysian palm oil assets of the sector. Accordingly net borrowings of the sector reduced by Rs. 13.4 Bn to record at Rs. 33.6 Bn as at 31st March 2017.</p> <p>Net borrowing of the Beverage sector of the group stood at Rs. 11.9 Bn, which is an increase of Rs. 2.3 Bn during the year under review. The increase in net borrowings during the period is mainly as a result of drawing on the borrowing facilities</p> | <p>of the subsidiary to carry out repair work on flood related damages and to finance the fixed operational expenses during the period of brewery closure pending the receipt of insurance proceeds. As at the reporting date Lion Brewery received insurance proceeds to the value of Rs. 2.4 Bn whilst the expected claim value stand at Rs. 4 Bn being the maximum claim cap on flood related damages as per policy terms. As at the date of signing of this report, Lion Brewery had received further Rs. 609 Mn and insurance proceeds were used to settle the borrowings of the company.</p> <p>Oil and Fats sector recorded a net borrowing of Rs. 10.7 Bn as at 31st March 2017, which declined</p> | <p>by 7% over the corresponding period. Leisure, Real- estate and the Portfolio and Asset Management sector are currently debt free and the Portfolio and Asset Management sector holds cash and cash equivalents amounting to Rs. 1.5 Bn as at 31st March 2017.</p> <p><b>CAPITAL EXPENDITURE</b></p> <p>Over the last few years, key sectors of the group have invested a considerable amount by way of capital expenditure to establish itself in a commanding position to meet future business exigencies. These expenses have been financed via both cash reserves generated from operations and the borrowings at the respective sectors. Accordingly,</p> | <p>the group has spent Rs. 72 Bn on business expansion projects in Sri Lanka and overseas during the last five years, mainly as investments in property plant &amp; Equipment, purchase of intangible assets, acquisition of subsidiaries and Biological assets (since termed as Bearer plants).</p> <p>Going forward our main priority will be to build a strong Balance Sheet via prudent capital structure whilst consolidating operations and driving individual performance of our sectors. Undoubtedly, when the operational pressures gradually ease off, the group is very-well set to benefit and enhance value to the shareholders. Group is Future ready.</p> |
|--|---|--|--|

| CASH UTILIZATION (LKR 'Mn)                               | 2012/13  | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total     |
|--|----------|----------|----------|----------|----------|-----------|
| <b>Cash Inflows</b>                                      |          |          |          |          |          |           |
| Net Operating Cashflow                                   | 4,667    | 13,585   | 5,053    | 12,614   | 2,141    | 38,060    |
| Cash Inflows from Investing Activities                   | 339      | 734      | 754      | 461      | 19,841   | 22,129    |
| Cash Inflows from Financing Activities                   | 10,055   | 16,777   | 18,812   | 2,598    | 1,518    | 49,760    |
| Total Inflows  | 15,061   | 31,096   | 24,619   | 15,673   | 23,500   | 109,949   |
| <b>Cash Outflows</b>                                     |          |          |          |          |          |           |
| <b>Investing Activities</b>                              |          |          |          |          |          |           |
| Purchase and construction of property, plant & equipment | (12,562) | (9,866)  | (9,577)  | (4,671)  | (5,055)  | (41,731)  |
| Additions to Biological Assets                           | (5,531)  | (5,091)  | (4,521)  | (3,112)  | (2,340)  | (20,595)  |
| Purchase of Intangible Assets/Prepaid Lease Payment      | (972)    | (571)    | (5,116)  | (421)    | (360)    | (7,440)   |
| Movement in Plasma Investment                            | (117)    | -        | (1,160)  | (469)    | (17)     | (1,763)   |
| Investment in JV   | (15)     | -        | -        | -        | -        | (15)      |
| Acquisition of Non -controlling interest                 | (87)     | (90)     | (1,093)  | (66)     | (77)     | (1,413)   |
| Trade Debtors  | -        | (166)    | (31)     | (56)     | (443)    | (696)     |
| Acquisition of Subsidiaries net of cash                  | (312)    | (137)    | (1,131)  | (516)    | -        | (2,096)   |
|  | (19,596) | (15,921) | (22,629) | (9,311)  | (8,292)  | (75,749)  |
| <b>Financing Activities</b>                              |          |          |          |          |          |           |
| Repayment of Borrowings                                  | (6,571)  | (2,824)  | (7,516)  | (7,746)  | (11,534) | (36,191)  |
| Repayment of finance lease creditors                     | (85)     | (47)     | (97)     | (196)    | (158)    | (583)     |
| Redemption of preference shares                          | (55)     | (55)     | -        | -        | -        | (110)     |
| Net decrease in non controlling interest                 | (623)    | (652)    | (719)    | -        | (120)    | (2,114)   |
| Dividend paid (including preference dividend)            | (390)    | (392)    | (582)    | (803)    | (606)    | (2,773)   |
|  | (7,724)  | (3,970)  | (8,914)  | (8,745)  | (12,418) | (41,771)  |
| Total Cash Outflows                                      | (27,320) | (19,891) | (31,543) | (18,056) | (20,710) | (117,520) |
| Change in cash balance                                   | (12,259) | 11,205   | (6,924)  | (2,383)  | 2,790    | (7,571)   |
| Opening Cash Balance                                     | (241)    | (12,500) | (1,295)  | (8,219)  | (10,602) | (241)     |
| Closing Cash Balance                                     | (12,500) | (1,295)  | (8,219)  | (10,602) | (7,812)  | (7,812)   |

# Sustainability Report

We invest in people, particularly the future generation, on our firm belief, that a healthy, educated and empowered youth is the single most critical factor in the long-term development of a nation.

## CORPORATE SOCIAL RESPONSIBILITY

Keeping with the Group's commitment towards sustainable growth, we continue our journey towards uplifting the socioeconomic fabric of our country of origin and also those countries with our business presence. In alignment with the World Commission on Environment and Development, our corporate social responsibility charter is based on a holistic, multi-stakeholder approach, and our development initiatives are undertaken with a view towards enhancing the economic, social, cultural and environmental constructs of the societies where our business interests lie.

We invest in people, particularly the future generation, on our firm belief, that a healthy, educated and empowered youth is the single most critical factor in the long-term development of a nation. Our efforts go beyond philanthropy, and we dedicate our time and energies to initiate and actively engage in programmes that create sustainable livelihoods, develop capabilities and enhance quality of life. While focusing on projects that bring about greater benefit to a greater number of people, we also strive to uplift marginalized communities that receive less focus from macro development initiatives.

## NURTURING FUTURE TALENT

Recognizing people development as a key driver of sustainable growth, we continue our efforts to enhance opportunities for education to marginalized communities in the areas we work in. Access to education for all being a fundamental human right, our initiatives in this sphere target multiple perspectives, from early childhood education to school and university education, vocational training and skill development as well as informal education.

## Agro Harapan Foundation

The Foundation, set up under the Group's plantations sector, continues to maintain its commitment towards supporting pre-school, school and university education as well as capacity building of teachers, within our plantations operating areas in Indonesia.

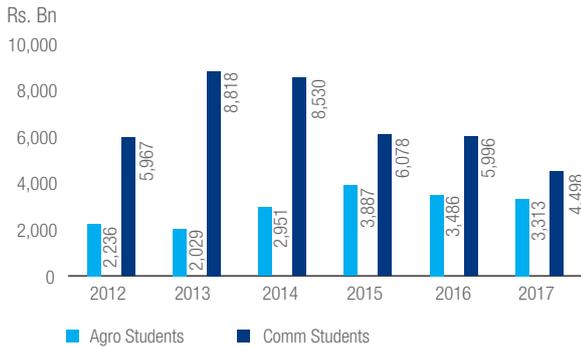
As at 31st March 2017, the Foundation assists 7,811 students of which only approximately 42% are children of employees.

### No. of Students Assisted

**7,811**

As at 31st March 2017

### Students Assisted by Agro Harapan Foundation



#### Early Childhood and School Education

The Foundation manages 12 of its own schools in Central Kalimantan, offering free education to employees’ children as well as other children from surrounding villages. These schools include a secondary school, a primary school and nine kindergartens.

The Foundation’s flagship secondary school, SMP Tunas Agro, is recognized as a centre of learning excellence, holding an “A” Accreditation by the Indonesian Government. The school offers the national curriculum regulated by the Indonesian government, and is equipped with facilities such as a science laboratory, language laboratory, computer laboratory, library and music room. Apart from academics, students also have opportunities to develop life-skills, for instance through the “Students Entrepreneurship Programme”, which enables them to gain practical experience running commercial ventures such as vegetable farming. This initiative also indirectly benefits the sector’s employees of the

Terawan estate, as they are able to purchase fresh vegetables from the farm at a much lower price.

It is our policy that wherever possible we upgrade and assist village schools rather than construct our own schools inside our plantations. This policy is recognized, respected



Nurturing pre-schoolers in readiness to formal education

the rest are comprised of primary, secondary and vocational senior schools.

As early childhood education is still gaining momentum in native Indonesian culture, the plantations sector continues to support the Indonesian Government-led efforts

in partnership with the Faculty of Early Childhood Education of Jakarta University (UNJ), the Foundation continues to train kindergarten teachers and childcare workers, as well as promote awareness on issues such as the importance of early childhood education and child protection.

## The Agro Harapan Foundation manages 12 of its own schools in Central Kalimantan, offering free education to employees’ children as well as other children from surrounding villages.

and appreciated by the local government. In line with this, the Foundation assists over 80 public schools, spread across 89 villages in 4 provinces in Indonesia. 58% of these are elementary schools, while

to encourage a structured learning environment for pre-school children. The Foundation has established and runs several day care centres and kindergartens within our remote plantations locations. In addition,

#### Teacher Training and Capacity Building

The plantations sector continues its efforts towards enhancing the quality of teaching in the Kalimantan region, through providing annual training

# Sustainability Report

and regular coaching to teachers in the area. The programme, initiated in 2008, is supported by the Indonesian Education University, Jakarta State University, Indonesian Teachers Association, Catholic Bachelor Association and the Education Office.

Since 2010, the sector has been engaging the services of the Indonesian Teachers Association (IGI) to directly coach the primary school teachers in East Kotawaringin and Seruyan regions of Central Kalimantan. Nearly 30 teachers have benefited from this programme, and the majority of them continue to serve the Agro Harapan Foundation. The programme is periodically monitored by representatives of IGI.

The sector also continues its partnership with the Indonesian Education University (UPI), to train our teachers in specific subjects that are a part of the National Examination curriculum.

### Informal Education

Our community learning centres and Village Improvement Programme were set up in our plantations operating areas of Central Kalimantan, South Kalimantan and Nabire, with the aim of providing opportunities for learning to marginalized communities, who have not received the benefits of formal education.

These centres or “reading clubs”, resourced by four facilitators, are open to anyone in the community interested in improving their

literacy skills, and particularly to encourage children to gain an interest in reading and writing as a means to improve their academic performance.

### Facilitating Youth Education In Biyagama

We continued providing the annual requirement of books and stationery to school students of the Biyagama South Grama Niladhari Division. This was the seventeenth consecutive year for the project, and the number of students benefited this year was 1,950.

We also continued our annual scholarship scheme to promising students. This year, we awarded merit-based scholarships to 3 students who successfully completed their Ordinary Level Examinations, in support of their higher education.

### University Career Guidance

We continued our commitment towards enhancing soft skills and employability of students of national universities in Sri Lanka. The Group’s investment sector co-sponsored the “J’Pura Employability Skills Award Ceremony 2016”, and the “Touch the Peak – Annual Career Fair & Skills Development Workshop 2016/2017”, organized by the Career Guidance Unit of the University of Sri Jayawardenapura, held on 4th October 2016 and 2nd January 2017, respectively.

On invitation by the Rotaract Club of the University of Moratuwa, we also participated in the “Are You Ready?



Enhancing opportunities for higher education



Supporting undergraduates of University of Moratuwa towards their readiness to the corporate world

Forum – 2016” held on 24th November 2016.

### Computer Skills Training For Public Sector Staff

The above programme was launched in 2014, on invitation by the District Health Office of Hambantota, to provide training in Microsoft Office to staff of the Medical Office of Health (MOH) of the Hambantota District. The training is primarily aimed towards providing the required computer

literacy to public health sector officials that would enable them to shift to a computerized database management system with regards to the collection, storage and processing of medical records. Process efficiency improvements in the health sector would generate positive spillover effects, specifically with regards to improved maternal and child healthcare in the Southern region.

6 out of the total 12 MOH divisions in the Hambantota District have

successfully completed the training to date, namely Hambantota, Ambalanthota, Lunugamwehera, Sooriyawewa, Tissamaharama and Agunakolapelessa divisions, totaling over 120 midwives and public health inspectors.

In the year under review, we also completed a computer skills training programme for the Grama Niladhari officials of the Lunugamwehera Division, on invitation by the Divisional Secretariat of Lunugamwehera.

All above classes are conducted by a dedicated computer instructor at the Carsons Computer Centre, Hambantota.

**EMPOWERING LIVES**

We believe that building secure livelihoods and driving the economy from the grassroots level are essential for sustainable economic growth of communities. Therefore, our economic empowerment programmes are focused towards strengthening financial security of low-income households, facilitating business and employment opportunities in rural communities and improving access to funding, improving financial literacy and business skill development in support of the Small and Medium Enterprise (SME) sector.

**Youth To Nation Foundation**

Established in 2013 by Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC, the two investment companies of the group, the Youth to Nation Foundation



Information technology to public sector employees of Hambantota District, to serve the community

# The Youth to Nation Foundation continues its efforts towards the vision to build a nation of self-reliant, motivated youth who will add value to, rather than be dependent on society.

(YNF) continues its efforts towards the vision to build a nation of self-reliant, motivated youth who will add value to, rather than be dependent on society. Towards achieving this, YNF undertakes a twofold approach, firstly by nurturing selected young entrepreneurs with potential through the Young Entrepreneurs Development Programme, and secondly by developing competencies of a wider base of entrepreneurs in different parts of the country.

**Young Entrepreneurs Development Programme**

The Young Entrepreneurs Development Programme is the flagship programme of YNF, and was initiated with the aim of enhancing the technical and business management skills of young entrepreneurs towards their success, thereby promoting the socioeconomic development of Sri Lanka in a sustainable manner. Entrepreneurs are selected to the programme by the YNF selection

committee in partnership with regional Chambers of Commerce and the Small Enterprises Development Division (SEDD) under the Ministry of National Policies and Economic Affairs, based on the extent to which their businesses have the potential for economic value creation. Such value creation may be through usage of local raw materials, employment generation, generating indirect income for other small businesses and cottage industries in the area, and earning or saving foreign exchange. Selected

# Sustainability Report

entrepreneurs are nurtured through a 3-year “incubator process” where they are provided financial assistance, management and technical intervention for them to successfully achieve their next business plan.

To date, YNF has grown to include a total of 22 entrepreneurs, over 70% of whom are rural women below the age of 45. These entrepreneurs are engaged in a range of industries such as garments, food processing, coir, footwear, soft toys and construction chemicals. Some of the areas in which they have progressed include capacity expansion, revenue growth, increased productive efficiency and profitability, and also qualitative improvements such as better labour management and safety at work, improved quality of products, improved record-keeping, development of new products and markets, advances in technology and better environmental practices.

Positive social impact of the programme includes job creation and empowerment, particularly for youth and women of rural communities, improved livelihoods for low-income households, preservation of traditional crafts such as shoe-making and batik design, and better work-life balance for women working from their own homes. There are approximately 300 direct workers and a further 150 indirect beneficiaries whose employment has been secured,

livelihoods and working conditions improved since the launch of the programme.

### Competency Development for Young Entrepreneurs

In order to provide a greater benefit to a greater number of beneficiaries, YNF continues to conduct business competency development workshops for young entrepreneurs in selected clusters. Such workshops are conducted with the collaboration of the respective regional Chambers of Commerce, as well as the Small Enterprises Development Division. To date, 12 workshops have been conducted in Hambantota, Matara, Ratnapura and Monaragala districts, participated by approximately 425 entrepreneurs. In the year under review, two workshops were conducted in Matara, participated by approximately 115 entrepreneurs.

### Community Entrepreneurship Programme

This is designed to facilitate members of communities surrounding our plantation operations to establish small or medium sized businesses from their homes, with a view to strengthening their household income. The programme is targeted at individuals or small groups in selected villages, and is tailored to suit the contexts of the respective communities. Popular programmes include livestock and vegetable farming, sewing and handicrafts.



Supporting entrepreneur skill development in Matara

### The PLASMA Programme

The PLASMA programme is aimed at nurturing farmers within the Group’s plantations sector to adopt good agricultural practices, improve productivity, and ensure they receive economically sustainable and profitable yields. The scheme also helps communities gain access to financial support, and ensures legal property ownership that can be capitalized to further stimulate the community’s economic development. In addition, the sector also assists these farmers by working with them as partners to develop and maintain these lands, and gives them a guarantee to purchase their crops.

The programme, which was commenced at PT Agro Indomas, continues to benefit villagers and smallholders, with new schemes being implemented in our immature plantations. These schemes are expected to create job opportunities for villagers and a reliable source of household income to participants. The sector plans to develop PLASMA

of 17,000 hectares together with designated smallholders. To date, the PLASMA programme has successfully developed more than 5,900 hectares benefiting more than 5,000 households in the Kalimantan and Papua regions.

### Village Improvement Programme

The “Desa Gemilang” village improvement programme was initiated in 2013 in three of our more mature plantations - PT Rim Capital and PT Agro Indomas in Central Kalimantan, and PT Agro Bukit in South Kalimantan. The programme, which focuses on holistic and integrated livelihood development in 12 pre-identified villages, is undertaken in collaboration with the Al Azhar Foundation – a prominent national education foundation, with whom these plantations companies have signed MoUs.

The initiative targets 3 key aspects for these communities – behavioural change, livelihood improvement

# The Group’s plantations sector continues to invest in the development of infrastructure and the provision of public amenities within the areas surrounding our plantation operations.

and organization capacity building. Under the first aspect, women and youth are encouraged to become income generators. The Al Azhar Foundation then identifies promising young candidates to participate in a 6 month course in Sawangan, Bogor, which provides them life-skill training in areas such as office administration, computer networking and fashion design. Under the third aspect, capacity building is provided to the heads of these villages, aimed at improving their organization and management skills, particularly with regards to effective food security strategies during times of economic hardship or natural disasters.

### Mitra Makmur Programme

The Group’s plantations sector continues the Mitra Makmur Programme, with a view to support households surrounding our plantation operating areas gain a regular income, and also foster mutually beneficial relationships with local communities. Under this

programme, the company enters into agreements with individual beneficiaries for transporting Fresh Fruit Bunches (FFB). The company further supports these beneficiaries by purchasing dump trucks, which are then leased out to them. To date, seven such agreements have been signed. It is further planned to assist beneficiaries of the programme in household income management and financial planning.

### ENHANCING QUALITY OF LIFE

The Group’s plantations sector continues to invest in the development of infrastructure and the provision of public amenities within the areas surrounding our plantation operations, as a means of reaping long term benefits to both our business and the local communities. Some of these projects include construction and maintenance of roads and bridges, provision of healthcare services,

access to clean water as well as electricity generation.

Villages such as Terawan and Lanpasa, where electrification and clean water projects were launched over a decade ago, have shown significant socioeconomic progress, in terms of economic growth and improved quality of life for residents.

### Healthcare And Nutrition

We provide facilities such as clinics, dental and eye screening camps, medical and healthcare training & awareness sessions to residents of villages surrounding our plantations. We also do fogging in areas affected by dengue and malaria. Currently we have 17 clinics spread across all our plantations, providing free medical services to surrounding communities.

We also support the government programme to improve nutrition of toddlers and children, through

provision of vitamins and high nutrition foods to students of our assisted primary school. In addition, campaigns are conducted by resident doctors in our plantations, to educate parents and teachers on nutrition and the preparation of healthy food.

### Clean Water Programme

This programme was initiated in our plantations operating areas, with the aim to reduce pollution of natural water sources, which villagers traditionally use for their daily household needs. In addition to the construction of wells and piped water systems, awareness campaigns are conducted to educate the community on the importance of clean water usage and thereby disease prevention. In 2010, the sector was assisted by the “Farmer Initiatives for Ecological Livelihood and Democracy (FIELD) Foundation” to implement this programme in several villages.

To date, 27 wells have been constructed and a further 7 upgraded in several villages including Mahaya, Terawan, Lanpasa, Ketapang and Singtang.

### SERVING THE COMMUNITY

It is within the spirit of the Group’s culture that employees directly engage themselves in serving the community, whether it be to devote their time and energy during crisis situations, or to lend a helping hand to uplift the quality of life of people around them.

# Sustainability Report

## Blood Donation Campaigns

In the year under review, the Group's leisure sector organized 2 blood donation campaigns, with employees participating as volunteer donors. The first was a one-day blood donation camp at the Victoria Masonic Temple, Colombo, held on 12th April 2016. The second, held on 9th November 2016, was on the request of the Polonnaruwa General Hospital, to fulfill a shortfall at their blood bank.

## Flood Relief

In response to the severe floods that hit Sri Lanka in May 2016, the Group's leisure and beverage sectors reached out by donating dry rations and lunch packs and providing financial assistance for relocation to a total of over 300 affected households in the Hendala and Biyagama areas. Beneficiaries included both families of sector employees, as well as other families in the area.

## Prithipura Project

The Group's leisure sector donated food and drink to over 100 differently-abled children residing at the Prithipura Infants Home, Wattala, on 6th May 2016.

## Minneriya Hospital Project

On 30th January 2017, the Group's leisure sector donated bedding and pillows to fulfill the critical needs of the Base Ayurvedic Hospital, Minneriya, thereby contributing to uplift the comfort and sanitary levels of resident patients.

## Swimming Pool Renovation Project

In the year under review, the Group's leisure sector renovated the swimming pool of the Royal Central College, Polonnaruwa. The opening ceremony was held on 25th February 2017. The pool, which was upgraded to national standard, now serves school children and other promising swimmers in the region.

## Kelaniya Temple Project

We continued to undertake maintenance of the Kelaniya Temple grounds in the year under review.

## Beach Cleanup

A beach cleaning campaign was carried out on Hendala Beach on 9th June 2016, by the voluntary efforts of the Group's leisure sector, with the support of the Department of Coast Conservation.

## REVIVING CULTURAL LEGACIES

The Group's plantations sector continues its cultural preservation programmes, with the aim to preserve the legacy of tangible and intangible attributes inherited from past generations, for the benefit of future generations. The aspects focused on under these programmes include preserving culturally significant landscapes, sacred trees and worship locations in Central and West Kalimantan and Papua, preserving intangible attributes of indigenous culture, including documentation of Dayak folklore, traditions and beliefs



Raising rural school children's swimming to national standard

in West Kalimantan, promoting positive values and the revival of the indigenous Papuan council in Nabire, Papua. We are partnered in our efforts by indigenous people councils, NGOs and local governments.

Over the last few years, the focus has been the preservation of the Dayak Culture in the Kalimantan region of Indonesia, where the majority of our plantations are in operation. The most recent recognition for our efforts was bestowed by the "Dewan Adat Dayak" (Tribunal Dayak Council), in appreciation of our efforts to document the positive values and traditional wisdom of Uud Danum, a sub-tribe of Dayak People in the Sintang Regency of West Kalimantan, Indonesia. A book documenting information relating to Dayak Uud Danum customary law is planned to be published by Yayasan Agro Harapan in the near future.

An initiative to integrate conservation of High Conservation

Value (HCV) areas and revive traditional Dayak wisdom in preserving the protected land has been implemented at PT Agro Wana Lestari, Central Kalimantan. Its primary objectives focus on the designation of 2,404 hectares of Santuai-Hawuk hills as customary protected areas, securing support and approval from concerned stakeholders and development of a framework to jointly manage and conserve the area. Approval from the government and Dayak Tribunal Council has already been obtained to keep the protected land intact. In addition, the sector plans to raise awareness to surrounding villagers to participate in the protection of the area and generate support from relevant stakeholders. Currently, we are in consultation with a prominent research institution from IPB who are interested in doing a study on biodiversity of the protected area.

In the Papua region, the sector works to raise cultural awareness among indigenous tribal groups, especially children, in addition



Staff of Pegasus Reef Hotel participate in keeping the environment clean

to taking steps to improve their educational standards and overall quality of life.

## ENVIRONMENTAL SUSTAINABILITY

### PLANTATIONS, OILS & FATS SECTOR

#### Certifications & Standards

We ensure that our environment and social strategic intents and practices are aligned to national and international standards, and meet the requirements of our international financial stakeholders. Hence, we continuously strengthen our sustainability framework through benchmarking against these standards and best practices.

Accordingly, we implement standards and best practices developed by recognized international industry associations including the Round table of Sustainable Palm Oil (RSPO), and the International Standards Organization (ISO) certification for environmental management (ISO

14000) and Occupational Health and Safety (OHSAS 18000). For national sustainability standards, we are guided by the Indonesian Sustainable Palm Oil (ISPO) and Programme for Pollution Control, Evaluation and Rating (PROPER). These certifications are in line with the standards and principles established by our international financial stakeholders.

By using the Global Reporting Initiative (GRI) guidelines for our sustainability reporting purposes, we are able to meet the requirements of these national and international industry bodies.

#### Roundtable On Sustainable Palm Oil (RSPO) Certification

The RSPO is a non-governmental organization formed by palm oil producers, end-users and other non-governmental organizations and serves as the global benchmark to promote the production of sustainable palm oil. It has stringent criteria which its members need

to comply with which consists of 8 principles, 43 criteria and 138 indicators for its certification programme. In 2015, RSPO further launched "RSPO Next" as the beyond compliance standards.

As a measure of our continued commitment to the RSPO, our plantations segment received the ordinary membership of the Roundtable on Sustainable Palm Oil (RSPO) for Goodhope Asia Holdings Ltd on 2nd December 2014, under the category of Palm Oil Growers.

With this membership, all the plantations and edible oils and fats refineries of the Group must abide by the standards and code of conduct of the RSPO, including compliance to the Principles and Criteria (RSPO P&C). We are also required to submit a comprehensive, group-wide, Annual Communications of Progress (ACOP), which highlights the time-bound plan for certifications and the annual

progress towards total compliance to the RSPO P&C.

In addition to this membership, two mills of the oldest plantation company, PT Agro Indomas, have been certified by the RSPO. The Sungai Binti Mill of PT Agro Bukit Central Kalimantan and Bukit Santuai Mill of PT Agro Wana Lestari also obtained RSPO certification during the 2015/2016 periods. As at 31st March 2017, 70.93% of the total Crude Palm Oil (CPO) produced by the Group is certified as sustainable palm oil.

#### Indonesian Sustainable Palm Oil (ISPO) Certification

The ISPO is a mandatory certification scheme regulated by the Indonesian Ministry of Agriculture directed at creating a system for sustainable palm oil production and certification that will enhance Indonesia's competitiveness in the global palm oil market, and reduce greenhouse



# Sustainability Report

gas emissions from palm oil production.

The ISPO standard consists of 7 principles, 40 criteria, 128 indicators and 158 guidances covering legal, economic, environmental and social terms which are extracted from 137 rules and regulations applied to oil palm plantations.

This certification, introduced in 2012, is fast gaining momentum and we have commenced the certification process for some of our plantations, with the registration of 5 companies which are eligible for certification. The first stage audits in 3 of these companies have been successfully completed. We completed the certification process of PT Agro Indomas on January 2016. For PT Agro Wana Lestari, the status of ISPO certification process is still under review of ISPO commission. We are currently working towards obtaining ISPO certification for the rest of our plantation companies too in the near future.

### ISO 14001 and OHSAS 18001 Certifications

Our plantations emphasize compliance with applicable business standards as demonstrated in maintaining and retaining its various certifications, including ISO 14001 on Environment Management System (EMS) and OHSAS 18001 on Occupational Health and Safety Management System. Both systems are voluntary with the aim to assist companies in continuously improving

## Continuous recognition from our stakeholders reflects our commitment to sustainability

environmental performance for ISO 14001 and health and safety for OHSAS 18001, while complying with applicable legislation.

reporting initiative. It aims to encourage companies to adhere to environmental regulations

|                                 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---------------------------------|---------|---------|---------|---------|
| ISO 14001 Certified Companies   | 3       | 5       | 6       | 6       |
| OHSAS 18001 Certified Companies | 3       | 5       | 5       | 5       |

Currently, a total of 5 companies of the Group, namely PT Agro Indomas, PT Agro Bukit, PT Rim Capital, PT Agro Wana Lestari and PT Karya Makmur Sejahtera in Central Kalimantan, Indonesia are ISO 14001 and OHSAS 18001 certified. We will continue our efforts in obtaining these certifications for all plantation companies in Indonesia by the year 2019.

### Programme For Pollution Control, Evaluation And Rating (PROPER)

The annual Environmental Performance Rating, also known as Programme for Pollution Control, Evaluation and Rating (PROPER), developed by the Indonesian Ministry of Environment in 1995 is a national level public environmental

and to achieve environmental excellence through the integration of sustainable development principles in their production process. In 2010, PROPER was introduced to the palm oil industry to encourage compliance by companies which operate mills within their plantations.

PROPER uses a simple five-colour rating scheme comprising gold, green, blue, red and black, to grade the different levels of pollution control practiced by milling and manufacturing facilities against the regulatory standards, with gold being the highest rating and black the lowest.

|                   | 2013 | 2014 | 2015 | 2016 |
|-------------------|------|------|------|------|
| Sungai Purun Mill | Blue | Blue | Blue | Blue |
| Terawan Mill      | Blue | Blue | Blue | Blue |
| Sungai Binti Mill | Blue | Blue | Blue | Blue |

In addition to the ISO 14001, the environmental performance of the sector's mills and plantations in Indonesia is also scrutinized and rated by the Ministry of Environment. This exercise is legally binding, with immediate sanctions imposed to those with a Black rating or non-compliance.

### Awards & Accolades

Our commitment to sustainability has been well recognized by concerned stakeholders over the years, as shown in a number of awards and appreciations conferred by government agencies and partner organizations.

| SPU                                 | Award 2016   | Conferred by                         |
|-------------------------------------|--|--------------------------------------|
| Goodhope Asia Holdings              | 100 Most Impactful CSR Leaders for Lukita Wardhani, CSR Manager Regional | World CSR Day, Mumbai Feb 2016       |
| PT Agro Indomas, Central Kalimantan | Blue Rating for Terawan Mill in PROPER Award                             | Ministry of Environment and Forestry |
|                                     | Blue Rating for Sungai Purun Mill in PROPER Award                        | Ministry of Environment and Forestry |
| PT Agro Bukit, Central Kalimantan   | Blue Rating for Sungai Binti Mill in PROPER Award                        | Ministry of Environment and Forestry |
|                                     | 2015   |                                      |
| PT Agro Indomas, Central Kalimantan | Blue Rating for Terawan Mill in PROPER Award                             | Ministry of Environment and Forestry |
|                                     | Blue Rating for Sungai Purun Mill in PROPER Award                        | Ministry of Environment and Forestry |
| PT Agro Bukit, Central Kalimantan   | Blue Rating for Sungai Binti Mill in PROPER Award                        | Ministry of Environment and Forestry |
| PT Agro Wana Lestari                | Zero Accident Award  | Bupati Kotawaringin Timur            |

**Industry Associations**

As a sustainable corporate, we maintain an active role in Indonesia’s sustainability movement, with several members of the plantations sector’s sustainability team volunteering their expertise and time to organizations such as the RSPO and other NGOs.

- Mr. Edi Suhardi, Director Sustainability, serves on the Board of Governors of RSPO representing the Indonesian Growers, and also as leader of the Indonesian Grower Caucus (IGC), an organization that aims to address the challenges faced by the palm oil sector in Indonesia.
- Mrs. Lukita Wardhani, CSR Manager, serves as a member of the Human Rights Working Group, member of the Advisory Board of Dispute Settlement Facility (DSF) and member of the Complaints Panel of the RSPO.
- Mr. Wilton Simanjuntak, RSPO Manager, serves as a member of RSPO National Interpretation Task Force.

- Mr. Abrar Ramlan, Assistant Manager Conservation & GHG and Mr. Irvan Nurmansyah, Assistant Conservation, serve as members of the High Conservation Value (HCV) Network.

**Balancing Business Operations with Environmental Conservation**

The Group is committed to minimizing adverse environmental impact from our business operations. We recognize that the scarcity of land, water and other natural resources, together with global concerns on pollution and climate change, have an impact on the way business must be conducted. We have identified that the greatest impact of our business operations to the environment is from our plantations sector. Thus, due consideration is given to the means by which this impact may be reduced and managed by implementing monitoring, assessment, and research & development activities as part of our operational activities.

**Environmental Management Focus Areas**

Environmental management within our plantations and milling operations focuses on two key areas:

1. Maintaining and managing High Conservation Value (HCV) areas and their biodiversity, while ensuring these areas remain intact and re-designated as no-development areas.
2. Striving for eco-efficiency or “increase productivity with less resource use and minimum waste” through introduction and adoption of relevant environment-friendly measures for areas such as water conservation, soil conservation, domestic waste bank and zero waste management in operations.

**Environmental Policy**

We also have in place a comprehensive Environmental Policy that enables us to consistently implement environmental best practices in our diverse plantation locations.

We go over and above country laws and regulations with regards to our environmental standards and policies. This is a challenging task as there are a diverse range of regulations from the different government departments, which are constantly evolving.

However, adopting the principles and criteria of the RSPO, the only international multi-stakeholder organization that provides a standard set of guidelines for the palm oil industry, has enabled us to consistently maintain our commitment towards environmental conservation.

**Biodiversity Conservation**

Preserving biodiversity is an important part of being a responsible and sustainable oil palm plantations company. Indonesia has a rich and immensely varied biodiversity and we recognize the importance of protecting these ecosystems and habitats of rare and endangered species.

# Sustainability Report

Our priorities include preserving and maintaining river bank integrity, ecosystem vitality, and protection and conservation of endangered species. Some initiatives undertaken include the rehabilitation of areas designated as riparian zones, and building and maintaining animal corridors in our plantations.

To date we have recognized more than 500 species of flora and 251 species of fauna within the demarcated HCV areas. Some of these species are also listed in the IUCN red list and identified by the Indonesian Government for their status of being endangered, scarce and unique.

We also work with conservation and law enforcement agencies to educate local communities on the importance of safeguarding the biodiversity in the region.

## Rehabilitation and Wild-Release of Orangutans

We are committed to support the preservation of orangutans, which are categorized as an endangered species in Indonesia. Since January 2012, we have been providing financial support to the Borneo Orangutan Survival Foundation (BOSF) towards the protection, care, conservation, translocation and rehabilitation of orangutans, with the final goal of reintroducing them to their natural habitat. The agreement signed with BOSF was to fund 64 Orangutans up to 2015, and we have since extended the agreement up to 2018.



We are committed to safeguarding the biodiversity of the region

In 2011, Goodhope also signed a MoU with the Orangutan Foundation International (OFI)'s Orangutan Care Center and Quarantine (OCCQ) facility in Pankalungbun, towards assisting with the adoption of ten orangutans and to fund their research on orangutan food by constructing a herbarium for the organization. This is the only such research center available in the region, and we continue to support the OCCQ by funding the employment of a botanist for the herbarium.

## Protecting High Conservation Value (HCV) Areas

HCV areas are wildlife habitats, rare ecosystems and cultural areas found within the concession lands allocated for development within our

existing plantations. As a responsible palm oil grower, Goodhope is dedicated to identify, reserve, and protect designated HCV areas within our plantations.

Processes are in place to identify HCV areas within our plantations prior to undertaking land development. Consequent to the recent introduction by the RSPO to identify and conserve designated High Carbon Stock (HCS) areas, we have initiated the process of assessing the same prior to land development.

As at 28th February 2017, we manage 17,945.52 hectares as HCV areas, across our 14 plantation locations. As per the laws of the Indonesian Government, HCV areas are carved out from the land titles or Hak Guna Usaha (HGU) – the

“right to cultivate” given to a private company. Therefore areas under HCV could reduce with our conversion of current land permit into land title (HGU).

In Papua, of the initial identified HCV area of 7,956 hectares, nearly 60% was taken back by the Government following the HGU. Hence we now only have 2,194 hectares as HCV under our titled lands. However, we continue our commitment to protect HCV areas, irrespective of whether they fall under our titled lands and HGU, or not.

To ensure that the communities surrounding our plantation operations and all our employees recognize demarcated HCV areas, we have placed signboards and markings for clear identification.

# Preserving biodiversity is an important part of being a responsible and sustainable oil palm plantations company.

## Conservation of Areas with Cultural Significance

Some of the communities surrounding our plantations have a deep rooted belief in environmental conservation. Having understood their customs and traditions, the sector has put in place the following initiatives to promote conservation of such areas of cultural significance, and ensure they are easily distinguishable:

- Placing signboards identifying these as designated conservation areas
- Collaborating with local sub-district authorities to campaign and educate staff and local community on the importance of conservation and biodiversity
- Setting up a dedicated Conservation Team to monitor our performance and efforts towards conservation management. This team regularly monitors the area to ensure there is no encroachment, and also reviews and monitors the biodiversity in these areas.

- Undertaking advocacy efforts with the local customary board, local reGENCY office and the Bupati in Central Kalimantan since 2011, to ratify these areas as customary forest.

## Water Management

Water is a critical aspect of the Group's plantations operations, and our primary use is for our mills to process Fresh Fruit Bunches (FFB). Our plantations are 100% rainwater fed. We use water from reservoirs constructed and maintained by us, and also from natural waterways. During the milling process approximately 50% of the water evaporates in the steam boilers whilst the balance will be treated, reused and returned to our plantations as fertilizer.

Due to the critical need for water, several initiatives are undertaken in its conservation and management. These include:

- Recycling waste water, which is then utilized for cleaning purposes

- Safeguarding waterways during plantation development in order to minimize the overflow of hazardous chemicals and effluents
- Providing designated areas as washing room in order to clean and wash Personal Protection Equipment (PPE) used by employees
- Improving water retention systems in plantations
- Monitoring and providing clean water to local communities and workers

## Soil Fertility Management and Conservation

The Group's plantations sector implements rigorous soil management practices, aimed at maintaining and enhancing soil fertility while reducing the risks of soil degradation posed by our business operations.

Before undertaking the development of our plantations, we identify and keep undisturbed areas designated as "steep areas" for nature to take its course. In addition, significant areas are set aside as "water

catchment areas" where the original vegetation is left intact and where necessary, additional trees are planted. On plantation areas identified as "moderate slope areas", we build terraces and drainage systems to minimize soil erosion and the leaching of fertilizers and pesticides into water bodies. We also maintain buffers along riparian zones to protect river banks and maintain water quality.

For new development areas, we mechanically clear land and harness the organic content within fallen and decomposing biomass, such as pruned fronds, Empty Fruit Bunches (EFB) and Palm Oil Mill Effluents (POME) and use them as fertilizer. This enables us to reduce inorganic fertilizer usage when undertaking new plantings. However, as the use of such organic fertilizers alone is not sufficient to maximize the potential of the palms, our research team conducts site specific leaf and soil analysis to recommend the optimal amount of inorganic fertilizer to be used in order to create a balanced nutrition for the palms to produce the best possible yields while ensuring minimal harm to the environment.

Before beginning the planting process and even during the immature phase of oil palms, we plant legume cover crops of fast growing nitrogen fixing plants such as mucuna bracteata, to conserve and improve soil fertility and fix atmospheric nitrogen for the trees, in addition to its direct benefit of minimizing soil erosion and suppressing weed generation.

# Sustainability Report

| Fertilizer Consumption                | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
|---------------------------------------|-----------|-----------|-----------|-----------|
| Inorganic Fertilizer (tonnes)         | 52,251    | 66,593    | 63,821    | 62,431    |
| Organic Fertilizer - Compost (tonnes) | N/A       | 13,125    | 43,228    | 44,223    |

### Pest Control Management

Integrated Pest Management (IPM) is the practice of using natural methods to maintain pest populations within acceptable limits, while causing minimal harm to the surrounding ecosystems within plantations. Oil palm pests include rats, rhinoceros beetles, bunch moths and bagworms. The sector adopts the IPM approach in managing pests in our plantations, to reduce the risks of harming these ecosystems that could be caused by the use of chemicals or pesticides. As a practice, we only use pesticides which are registered with and permitted by the Ministry of Agriculture.

### Waste Management

Our plantations and milling operations produce organic waste and by-products which are recycled and reused within our operations. These are mainly Palm Oil Mill Effluent (POME), Empty Fruit Bunches (EFB), fibers and shells that are produced as a result of crude palm oil (CPO) production.

EFB composting was introduced to our plantations in 2014. As a general practice EFB is used as mulch for our oil palms, while we also use POME as a natural fertilizer. By introducing this composting

system, we are now able to compost EFB along with POME, thus enabling both by-products to undergo treatment at the same time, leading to greater efficiencies and environment related benefits.

The solid waste produced by our mills, known as boiler ash, is recycled as a compact material for building roads.



Assessing HCV areas

## We adopt the Integrated Pest Management approach in our plantations, to reduce the risks of harming ecosystems.

### Reduce-Reuse-Recycle Initiative

Common types of waste from our offices and housing complexes such as plastics, refuse and paper are disposed in an environmentally friendly manner, using segregation

bins for easy recycling. A "Waste Bank" system, operated by an independent committee of approximately 20 members comprising of our employees, has been launched in our plantations in the Central Kalimantan region,

where villagers and workers are able to collect recyclable waste in a designated area. This also gives an opportunity for participants of the programme to make additional income by selling the waste to waste collectors at pre-set prices.



Keep informed

Following the success of the programme in PT Agro Indomas and PT Agro Bukit, plans are underway to replicate it in PT Agro Wana Lestari, PT Karya Makmur Sejahtera and also in villages surrounding our plantations operations.

**Managing Hazardous Waste**

All hazardous and toxic waste is stored and handled as per the permitted limit set-out by the Ministry of Environment of Indonesia. As a standard procedure, we temporarily store the hazardous and toxic waste in secure and designated areas within our premises before it is transferred by licensed collectors, to be disposed of/recycled in a safe and secure manner.

**Air Emissions**

The two most common occurrences of air pollution are during the new development stage and mature stage when mill operations commence. Smoke and dust emission from boilers are the main concern due to the combustion of solid waste materials. Policies and procedures are in place to ensure selection of best technology in order to reduce the level of air emission. Regular maintenance is mandatory to optimize boiler performance and reduce emission levels.

Regular environmental quality assurance and monitoring at both mills and plantations is carried out, both by sustainability teams and independent parties for aspects such as air emissions, air ambience and noise levels. We are determined to maintain compliance and ensure all environmental indicators are below the Indonesian Government-set thresholds.

On air quality, we closely monitor two of the main indicators, namely, nitrogen dioxide (NO<sub>2</sub>) and sulphur dioxide (SO<sub>2</sub>) levels used to measure air emission from boilers. Based on our monitoring results, the NO<sub>2</sub> and SO<sub>2</sub> levels in all mills are consistently within the permitted limit.

We have a strict zero-burning policy in our land clearing process. Instead, we mechanically clear land in preparation for new plantings and harness the organic contents within fallen, decomposing biomass to replenish plantation soil. Our zero-burning policy is communicated to both employees and contractors, and any non-compliance can result in termination of employment or contracts.

**Fire Prevention and Precautions**

Palm plantations in Indonesia often experience severe droughts through the periods of July to October, creating the potential for forest and land fires. In anticipation, a number of efforts to prevent and mitigate fire threats are implemented through the introduction of early detection and warning mechanisms augmented with fire awareness and trainings which also involve local communities from neighbouring villages.

Other fire control measures include establishing fire towers, erecting warning signboards, providing fire extinguishers, periodic inspection of equipment and regular patrols to

identify and mitigate potential fire threats. Positive results from these measures were observed, with no significant fire incidents occurring in our plantations in the last few years.

Since 2007, we have been working with “Mangala Agni”, which operates under the Directorate General of Forest Protection Nature Conservation (PHKA), to conduct annual fire training for our employees and the local communities in Central Kalimantan.

Educating and training local communities regarding the danger of land fires also assists to minimize the risk of fires caused as a result of human negligence.

**BEVERAGE SECTOR**

**Certifications & Standards**

Our Environment Management System and Occupational Health and Safety Management System remain certified for ISO 14001:2004 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.

# Sustainability Report

## CONSOLIDATION OF HUMAN RESOURCE STRATEGIES

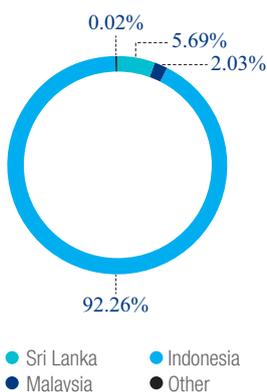
Carson Cumberbatch PLC people strategy continues to further its' human capital development that participates actively to grow its' regional business presence.

Group believes that each business unit creates conducive organizational culture in which all individual employees can fully develop their talents regardless of age, gender or nationality.

Carson Cumberbatch PLC regards the promotion of diversity as a critical constituent of its business strategy hence provides a broad range of opportunities for anyone with ability and ambition. In that, every business unit strives to create an environment of learning and growth.

Whilst offering equal employment opportunity, the Group continues to sustain its image as employer of choice by enhancing employee value propositions. All employee related policies and practices are

### Total Workforce by Country



strictly business oriented whilst understanding their aspirations and upholding their rights and reasonable work –life balance.

### Corporate Culture and Social Wealth

Transparency of people related policies and practices, equitable justice of procedures are corner stones of meritocracy of rewards and promotions that create a passionate workforce. Sharing knowledge, openness for dialogue and questioning for clarity has helped business success. The management encourages employees to air their views and also conducts employee satisfaction survey to capture their candid views to harness mutual trust that augments harmonious industrial relations.

### Harvesting Dividend on Investment in People

Group continues to capture discretionary contribution of both individuals and teams. Interdependence as a work culture has helped improve key business processes in value chain of businesses. Inclusion of diversity attracts and retain talents. Reward schemes inculcate meritocracy and in search of excellence by going over and beyond normal call of duty.

### People Policies and Practices

In order to create and sustain conducive environment to perform and excel, the corporate ensures every business unit based on its location, develop people policies for inclusivity of diverse culture. Within



Way to build cohesive teams

that it attracts and retain talents for sustainable growth for business and career progression for individuals.

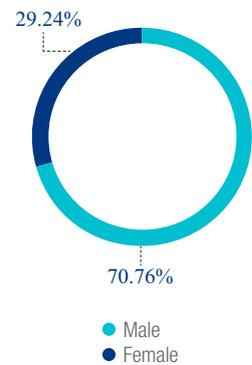
### Learning and Development

Group believes learning is effective when people are given opportunities to learn by doing and therefore cross functional team interactions are facilitated, giving them exposure to learn beyond their domain of work. Creating opportunities to benchmark best practices within the group companies have been the key drivers of learning. As an opportunity to develop to the next career, the corporate sponsors selected employees to leading international institutions to sharpen the needed competencies.

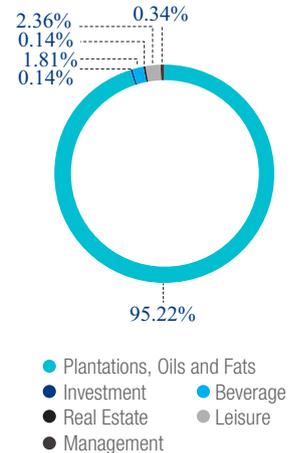
### Rewards and Benefits

Human resource policies ensure both internal and external equity in employees' rewards and benefits through performance based merit pay and bonus schemes and regular market survey to gauge externality. Employees are encouraged to go over and beyond their normal call

### Gender Diversity



### Employees by Sector





Harnessing future talents

of duty and earn rewards based on their extra contribution.

Annual felicitation of employees completing 25 years of service, augments retention.

**Health and Safety**

Employee wellbeing is linked to business key strategies and also its social wealth. Two doctors take care of employee health coupled with very beneficial indoor and outdoor medical schemes that extends coverage for critical illness cover. Company ensures both preventive and corrective medical facilities to residential workforce by maintaining well-appointed hospital and qualified medical staff.

Company monitors its safety standards that are in par with global standards and also over and beyond legal compliances to ensure continuous improvement of our practices to assure our employees both physical and mental safety at work.

Regular safety awareness and safety drills facilitates effective administration of desired standards and people participation.

**Facilitation for Work-Life Balance**

Group is mindful of how effective socializing is to work solidarity and human resource. The calendar includes staff/family outing, staff annual party, staff children art competition and exhibition, and facilities for recreation including participation in external competitive games.



Building a culture of safety and health



Balancing solidarity at work and socializing



Extending family ties

# Sustainability Report

## Our People Strength

| Sector                     | Executive Directors | Managers | Executives | Non-Executives | Employees by Sector for 2017 |
|----------------------------|---------------------|----------|------------|----------------|------------------------------|
| Plantations, Oils and Fats | 12                  | 288      | 471        | 11,210         | 11,981                       |
| Investment                 | 2                   | 3        | 12         | 1              | 18                           |
| Beverage                   | 2                   | 68       | 70         | 86             | 226                          |
| Real Estate                | 1                   | 1        | 6          | 10             | 18                           |
| Leisure                    | 0                   | 10       | 29         | 258            | 297                          |
| Management                 | 3                   | 12       | 20         | 8              | 43                           |
| Total                      | 20                  | 382      | 608        | 11,573         | 12,583                       |

### BEVERAGE SECTOR

Human Resource as strategic business partner continues to enhance its' implementation of key human resource processes that attract and retain talent.

Human resource processes are designed, having captured the employee voice to ensure cohesive approach in the implementation of people policies and practices.

### Consolidating the Performance Based Reward Schemes

The company continues with its variable reward schemes of: annual profit share, target incentives for both sales & supply chain, a bonus for special strategic projects, reward for innovations and finally the very popular reward scheme of incentive for Quick Wins – all these, continuing to encourage to build a performance driven culture that is mutually beneficial to the company and the employees.

### Learning and Growth

With the relaunched performance management system that is

transparent and user friendly with effective tracking and feedback of performance enables the company to identify and harness latent talent of the staff and to identify individual and team development needs.

Succession plan as a strategic key position coverage, is an added string for key talent development.

### Occupational Health and Safety

Company goes beyond the legal compliances and treat employee health and safety as a strategic human resource initiative by having health and safety practices in par with international standards and continuously monitoring for strict implementation and enhancement.

### Work-Life Balance

During the period of business recovery, most employees demonstrated their sense of belonging to the organization by having foregone their normal call of duty. The management recognized their efforts as a demonstration of harmonious industrial relations.



Joy of competition



Young minds: Art competition

# Career development is considered as an integral part of the employee value proposition.

Even during difficult times with business, the management having recognized the strategic importance of work-life balance augmented staff get-together and ceremony of talent search of children of staff, that was well received by the staff.

## PLANTATION SECTOR

### Cultural Diversity

The Group's plantations are based in Indonesia which is a nation of multi ethnicities and cultures and as such our employee base is made up of people from diverse ethnic groups. Over 36% of our plantation employees are hired from the local communities to support local community development.

### 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.

### Employee Rewards

We consider our diverse workforce as our competitive advantage. Our total reward philosophy represents a wide spectrum of compensation models and metrics that would be competitive within the industry landscape in which the company operates and provide each individual with fair and consistent rewards, benefits and compensation within an integrated organizational framework. The Reward Philosophy would attract, recognize and foster top talent of the company, whilst recognizing the capabilities of each individual and promote opportunities for career and professional development and enable them to grow and excel to their full potential during their career with the group.

### Pay Equality

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

With respect to the salary scales of workforce, the group adheres to all statutory requirements in every operating location. The workers' 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

#### Recognition & Achievement

Appreciating those employees who have been able to contribute to the growth of the company by way of value addition or achievement of an exceptional milestone are recognized.

### Growth and Development

Career development is considered as an integral part of the employee development process. The career advancement is provided in terms of either advancement within the same department and within the same location or with a transfer to another location with higher scope of duties and complexities in performing the job function.

### Conducive Living Environment

We aim to provide a safe and healthy living environment for our employees and their families who reside 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

### Human Capital Development

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

# Sustainability Report

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 Programme (CAP) and Core Engineering Programme (CEP) were developed by our own expert managers and are used to improve knowledge and educate new employees and conduct refreshers for existing employees.

Further at entry levels, we also provide structured on-the-job training and working experience with cutting-edge ERP systems and integrated IT solutions which offers the ideal capability development and exposure required to meet the aspirations of today's talented professionals.

However, in FY16-17, owing to the industry downturn, training and development was focused only to address, core technical and statutory areas, which are critical for business operations.

### Occupational Health & Safety

We are committed to provide a safe and healthy work environment. To ensure employees 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



Learning at leisure

these initiatives tangible benefits were realized. These initiatives have also helped in building morale of the employees, cross functional working, business awareness and pride at workplace.

In addition to the above, specific training to educate the employees on the aspects of work place safety, such as Fire Fighting and First Aid, were conducted. Our teams also participated in Joint Emergency Exercise on Tanker Spillage, along

## Employee safety and health is of strategic importance and therefore periodic audits and monitoring is conducted for policy adherence.

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 embarked on 5S initiative & LEAN 6 Sigma White belt and Yellow belt initiatives as part of the Organizational

Effectiveness drive to improve the housekeeping standards and improve specific areas such as quality improvement & waste reduction in line with the international benchmarks. The staff were trained on these concepts and specific work place projects were undertaken to address real time improvement areas and results were measured. As a result of

with other organizations in the vicinity of our factory location.

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**

In order to harness future talents, the sector work in collaboration with public and private sector hotel schools to meet its human resource requirement. Sector continues to improve its employee value proposition to attract and retain talents.

**Learning and Development**

New employee training policy ensures nurturing to bring the best out of employees. Sector believes that rather than specific skills development, nurturing for professional growth is better premise for learning growth of staff.

Assessment center process to identify gaps coupled with performance review have earned employee respect and commitment for learning and development.

**Work-Life Balance**

Staff town hall meeting, sports day and staff outings have brought about needed balance of solidarity and sociability for camaraderie at work.



Culinary art at best

**Reward and Recognition**

On the spot reward to inculcate performance driven culture that is a spring board for success in the hospitality industry is gaining momentum. Management recognizes employee performance and go out of its way to celebrate such occasions.

# Value Added Statement

(All figures in Sri Lankan Rupees thousands unless otherwise stated)

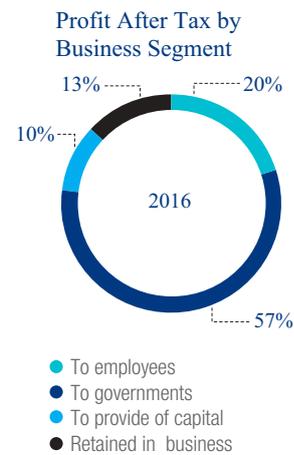
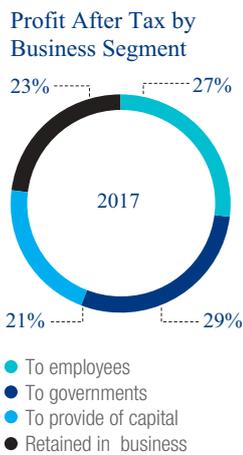
| For the year ended 31st March                         | 2017         | 2016         | 2015         | 2014         | 2013         |     |            |     |            |
|---|--------------|--------------|--------------|--------------|--------------|-----|------------|-----|------------|
| Revenue   | 64,512,872   | 76,470,465   | 88,625,807   | 76,617,967   | 76,162,126   |     |            |     |            |
| Other income  | 517,236      | 319,852      | 358,911      | 486,522      | 416,110      |     |            |     |            |
|   | 65,030,107   | 76,790,317   | 88,984,718   | 77,104,489   | 76,578,236   |     |            |     |            |
| Cost of materials and services purchased from outside | (37,282,822) | (39,329,168) | (51,310,384) | (41,974,515) | (41,740,985) |     |            |     |            |
| Value Added   | 27,747,286   | 37,461,149   | 37,674,334   | 35,129,974   | 34,837,251   |     |            |     |            |
|   |              | %            | %            | %            | %            |     |            |     |            |
| Distributed as follows                                |              |              |              |              |              |     |            |     |            |
| To Employees as remuneration and other benefits       | 7,487,045    | 27           | 7,372,362    | 20           | 7,385,892    | 20  | 7,372,768  | 21  | 6,582,914  |
| To Governments  |              |              |              |              |              |     |            |     |            |
| as taxation/excise & import duty - Sri Lanka          | 7,006,662    | 25           | 20,521,997   | 55           | 17,076,648   | 45  | 13,634,532 | 39  | 12,488,515 |
| - Overseas  | 1,059,340    | 4            | 941,189      | 3            | 1,521,085    | 4   | 1,234,454  | 4   | 1,732,190  |
| To Providers of capital                               |              |              |              |              |              |     |            |     |            |
| as interest on loans                                  | 4,252,727    | 15           | 2,617,581    | 7            | 2,476,181    | 7   | 2,073,516  | 6   | 1,496,146  |
| as non controlling interest                           | 1,644,769    | 6            | 800,804      | 2            | 2,896,301    | 8   | 4,167,120  | 12  | 5,061,334  |
| as dividend to shareholders (Company)                 | -            | -            | 294,580      | 1            | 589,161      | 2   | 392,774    | 1   | 392,774    |
| Retained in the business                              |              |              |              |              |              |     |            |     |            |
| as depreciation                                       | 4,954,762    | 18           | 4,381,325    | 12           | 3,232,634    | 9   | 2,848,113  | 8   | 2,882,210  |
| as retained profits                                   | 1,294,545    | 5            | 531,312      | 1            | 2,496,432    | 7   | 3,406,697  | 10  | 4,201,168  |
|   | 27,747,286   | 100          | 37,461,149   | 100          | 37,674,334   | 100 | 35,129,974 | 100 | 34,837,251 |

## 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, Economic Services Charge and Social Responsibility Levy are excluded in arriving at the above revenue. Therefore, total tax liability to the Sri Lankan Government during the year included the following:

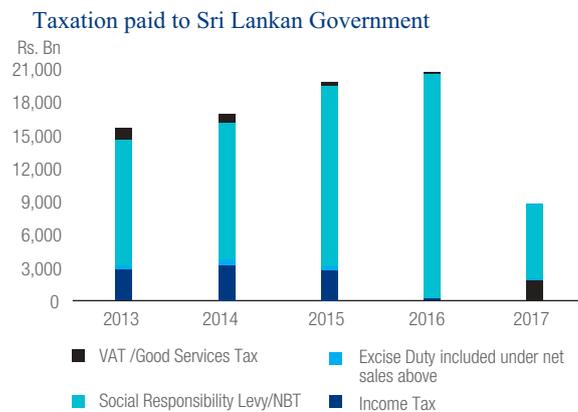
|   | 2017      | 2016       | 2015       | 2014       | 2013       |
|---|-----------|------------|------------|------------|------------|
| Value Added Tax /Good and Services Tax  | 1,940,714 | 174,750    | 2,711,205  | 3,229,842  | 2,794,957  |
| Social Responsibility Levy, Nation Building Levy included under net sales above | 164,181   | 45,742     | 398,185    | 516,290    | 431,469    |
| Excise Duty & Import duty included under net sales above                        | 6,694,661 | 20,208,675 | 16,273,162 | 12,294,313 | 11,309,633 |
|   | 8,799,556 | 20,429,167 | 19,382,552 | 16,040,445 | 14,536,059 |
| Income Tax  | 147,820   | 235,807    | 405,301    | 823,929    | 1,118,964  |
| Total Taxes paid to the Government of Sri Lanka*                                | 8,947,376 | 20,664,974 | 19,787,853 | 16,864,374 | 15,655,023 |

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.



Being an exemplary corporate citizen, we take pride in full compliance with statutory and regulatory requirements including accruing and paying all due fees and taxes on time. A dominant portion of the value added is distributed to governments both local & overseas in the form of taxes, excise & import duty.

\*The portion of value addition distributed to the government of Sri Lanka decreased from 55% in the financial year 2016 to 26% in the financial year 2017, mainly due to closure of brewery due to flood damages.



# Management Teams

## PLANTATIONS, OILS & FATS

### CORPORATE

#### Chandana Tissera

Director / Group CEO (will retire as CEO w.e.f. 31.10.2017)

#### Aneesh Dudeja

President/Finance & Corporate Strategy (appointed w.e.f. 09.08.2016)

#### Rizan Jiffrey

Director - Projects and Business Development

#### Ms. Janaka Jayawickrama

Director - Legal and Corporate Affairs

#### Kevin de Silva

Director / Chief Operating Officer - Business Systems & Services

#### Shalike Karunasena

Director / Chief Financial Officer (resigned w.e.f. 31.05.2017)

#### Sahad Mukthar

Director - Corporate Planning (resigned w.e.f. 31.03.2017)

#### Ms Sharada Selvanathan

Director

### PLANTATIONS

#### Sanjaya Upasena

Director - Chief Operating Officer - Oil Palm Plantations

#### Christoforus Pakadang

Director - Head of Tax Administration and Statutory Assurance

#### R Ratha Krishnan V Raman

Director - Plantations (resigned w.e.f. 28.02.2017)

#### Mathew Gomez\*

Director - Engineering (resigned w.e.f. 31.08.2016)

#### Shaji Thomas\*

Director - Agronomy (resigned w.e.f. 31.08.2016)

#### Edi Suhardi

Director - Sustainability

#### Ramakrishnan Rajoo\*

Director - Plantation Advisory (resigned w.e.f. 30.06.2016)

### EDIBLE OILS AND FATS

#### Jayaprakash Mathavan

Director/Chief Operating Officer - Edible Oils & Fats

#### T Tharumarajah

Director - Business Development (resigned w.e.f. 31.05.2017)

## BEVERAGE

#### Suresh Shah

Director / CEO

#### Ranil Goonetilleke

Director - Finance

#### Stefan Atton

General Manager - Sales & Marketing

#### Nirosh de Silva

General Manager - Technical

#### Shamal Boteju

General Manager - Pub Chain

#### Madhushanka Ranatunga

General Manager - Luxury Brands

#### Ms. Sharlene Adams

Head of Exports and New Products Development

#### 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

#### Janaka Bandara

Head of Production (resigned w.e.f. 31.07.2017)

#### Channa Senarathne

Head of Regulations

#### Hiran Edirisinghe

Chief Engineer

#### Jehan Goonaratne

Finance Manager - Corporate Finance

#### Keerthi Kanaheraarachchi

Head of Sales

#### Chandana Rupasinghe

Head of Packaging (resigned w.e.f. 25.04.2017)

#### Prasanthan Pathmanathan

Finance Manager - Marketing

#### Ms. Nayana Abeysinghe

Head of Legal

#### Ms. Ama Ekanayake

Head of Information Technology

#### Chandana De Silva

Quality Assurance Manager

\* Currently engaged as an External Consultant

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## PORTFOLIO & ASSET MANAGEMENT

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**Ms. Ruvini Fernando**  
Director/CEO

**Sumith Perera**  
Head of Portfolio Management

**Lakmal Wickramaarachchi**  
Accountant

**Tharinda Jayawardena**  
Head of Research

**Asanka Jayasekara**  
Fund Manager

## REAL ESTATE

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**Nalake Fernando**  
Director - Property Management

**S. Rajaram**  
Head of Engineering

**Sisira Wickramasinghe**  
Accountant

## LEISURE

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

**Ms. Mala Munasinghe**  
Executive Housekeeper

**Ms. P. Samarakoon**  
Front Office Manageress

**Thiagarajah Ganeshan**  
General Manager - Giritale Hotel

**Vibath Wijesinghe**  
Head of Finance, CMSL

**S. Nayanananda**  
F & B Manager

**J. Jayakody**  
Assistant Engineer

**Senarath Ekanayake**  
Accountant

**Kapila Gunathilake**  
Head of Finance

**D. Fernando**  
Head of Sales & Marketing

**Ms. D. Senaratne**  
HR Manageress

**Rohan Kurera**  
Executive Chef

## MANAGEMENT SERVICES

---

**Ajith Weeratunge**  
Director

**Krishna Selvanathan**  
Director

**Bennett Patternott**  
Head of HR

**Amal Badugodahewa**  
Head of Tax

**Ms. Keshini De Silva**  
Director

**Ms. Amali Alawwa**  
Head of Legal

**Chaminda Premarathne**  
Head of Group Internal Audit

**Sunimal Jayasuriya**  
Head of IT

**Vibath Wijesinghe**  
Head of Finance

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# Group Directorate

## PLANTATIONS, OILS & FATS

### GOODHOPE ASIA HOLDINGS LTD.

#### Directors:

Chandra Das S/O Rajagopal  
Sitaram \*\* NEI (Chairman),  
H. Selvanathan (Executive Director &  
Deputy Chairman),  
P.C.P. Tissera,  
Abdullah Bin Tarmugi \*\* NEI,  
Chan Cheow Tong Jeffery \*\* NEI,  
D.C.R. Gunawardena \*\*\* NE & NI,  
J. Mathavan

### SHALIMAR DEVELOPMENTS SDN. BHD.

#### Directors:

H. Selvanathan, M. Selvanathan,  
D.C.R. Gunawardena, P.C.P. Tissera  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017),  
S. B. Ismail,  
H.B. Aminudin (Resigned w.e.f.  
20.01.2017)  
Ms. H.S. Lin (Appointed w.e.f.  
20.01.2017)

### 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:

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017),  
T. Illamurugan

### SHALIMAR (MALAY) PLC

#### Directors:

H. Selvanathan (Chairman),  
M. Selvanathan, I. Paulraj \* NE,  
D.C.R. Gunawardena \* NE,  
P.C.P. Tissera,  
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,  
P.C.P. Tissera,  
S. Mahendrarajah \*\* NEI

### INDO-MALAY PLC

#### Directors:

H. Selvanathan (Chairman),  
M. Selvanathan, I. Paulraj \* NE,  
D.C.R. Gunawardena \* NE,  
P.C.P. Tissera,  
T. Rodrigo \*\* NEI (Resigned w.e.f.  
10.07.2017)  
S. Mahendrarajah \*\* NEI (Director &  
alternate Director for Mr. I. Paulraj)

### GOOD HOPE PLC

#### Directors:

H. Selvanathan (Chairman)  
M. Selvanathan, I. Paulraj \* NE,  
D.C.R. Gunawardena \* NE,  
P.C.P. Tissera  
T. Rodrigo \*\* NEI (Resigned w.e.f.  
10/07.2017), A.K. Sellayah \*\* NEI  
Alternate Director:  
S. Mahendrarajah (for I. Paulraj)

### PT AGRO ASIA PACIFIC

#### Commissioners:

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

#### Directors:

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena, C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena, (Resigned w.e.f.  
31.03.2017),  
J. Mathavan

### PT KARYA MAKMUR SEJAHTERA

#### Commissioners:

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

#### Directors:

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena, (Resigned w.e.f.  
31.03.2017)  
T. Illamurugan

### PT AGRO HARAPAN LESTARI

#### Commissioners:

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

#### Directors:

P.C.P. Tissera (President Director),  
Ms. J.M.S. Jayawickrama,  
C.A.V.S. Upasena, C.S. Pakadang,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017), Ramakrishan Rajoo  
(Resigned w.e.f. 30.06.2016),  
Ratha K. Raman (Resigned w.e.f.  
28.02.2017) M. Gomez (Resigned  
w.e.f. 31.08.2016),  
E. Suhardi, S. Thomas George  
(Resigned w.e.f. 31.08.2016)

### AGRO HARAPAN LESTARI SDN. BHD.

#### Directors:

H. Selvanathan, M. Selvanathan,  
J. Mathavan, P.C.P. Tissera,  
Ms. J.M.S. Jayawickrama,  
C.A.V.S. Upasena, H.B. Aminudin  
(Resigned w.e.f. 20.01.2017),  
C.S. Karunasena, (Resigned w.e.f.  
31.03.2017), M.R. Jiffrey,  
K.G.G. De Silva, M.S. Mukthar  
(Resigned w.e.f. 31.03.2017),  
Ms. H.S. Lin (Appointed w.e.f.  
20.01.2017)

### PT AGRO BUKIT

#### Commissioners:

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

\* NE - Non Executive Director

\*\* NEI - Non Executive/Independent Director

\*\*\* NE&NI - Non Executive & Non Independent Director

**Directors:**

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### AGRO HARAPAN LESTARI (PRIVATE) LIMITED

**Directors:**

H. Selvanathan (Chairman),  
P.C.P. Tissera, J. Mathavan,  
Ms. J.M.S. Jayawickrama,  
K.G.G. De Silva, M.R. Jiffrey,  
C.A.V.S. Upasena, C.S. Karunasena  
(Resigned w.e.f. 31.03.2017),  
S. Mukthar (Resigned w.e.f.  
31.03.2017), Ms. Sharada  
Selvanathan

### AHL BUSINESS SOLUTIONS (PRIVATE) LIMITED

**Directors:**

H. Selvanathan (Chairman),  
P.C.P. Tissera, J. Mathavan,  
Ms. J.M.S. Jayawickrama  
K.G.G. De Silva, M.R. Jiffrey,  
C.A.V.S. Upasena, C.S. Karunasena  
(Resigned w.e.f. 31.03.2017),  
S. Mukthar (Resigned w.e.f.  
31.03.2017)

### AGRO ASIA PACIFIC LIMITED

**Directors:**

H. Selvanathan, M. Selvanathan,  
P.C.P. Tissera, J. Mathavan  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT AGRAJAYA BAKTITAMA

**Commissioners:**

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

**Directors:**

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang, Ms. J.M.S.  
Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT RIM CAPITAL

**Commissioners:**

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

**Directors:**

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang, Ms. J.M.S.  
Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT AGRO WANA LESTARI

**Commissioners:**

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

**Directors:**

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017), T. Illamurugan

### PT NABIRE BARU

**Commissioners:**

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

**Directors:**

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT BATU MAS SEJAHTERA

**Commissioners:**

H. Selvanathan (President  
Commissioner),  
M. Selvanathan, D.C.R.  
Gunawardena

**Directors:**

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang, Ms. J.M.S.  
Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT SAWIT MAKMUR SEJAHTERA

**Commissioners:**

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

**Directors:**

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang, Ms. J.M.S.  
Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT SUMBER HASIL PRIMA

**Commissioners:**

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

**Directors:**

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT SINAR SAWIT ANDALAN

**Commissioners:**

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

## Group Directorate

### Directors:

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT SARIWANA ADI PERKASA

#### Commissioners:

H. Selvanathan (President  
Commissioner),  
M. Selvanathan,  
D.C.R. Gunawardena

### Directors:

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PT AGRO BINA LESTARI

#### Commissioners:

H. Selvanathan (President  
Commissioner)  
M. Selvanathan, D.C.R.  
Gunawardena

### Directors:

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama, C.S.  
Karunasena (Resigned w.e.f.  
31.03.2017),  
Ratha Krishnan V. Raman (Resigned  
w.e.f. 28.02.2017), E. Suhardi

### PT AGRO SURYA MANDIRI

#### Commissioners:

H. Selvanathan (President  
Commissioner)  
M. Selvanathan, D.C.R.  
Gunawardena

### Directors:

P.C.P. Tissera (President Director),  
C.A.V.S. Upasena (Vice President  
Director),  
C.S. Pakadang,  
Ms. J.M.S. Jayawickrama, C.S.  
Karunasena (Resigned w.e.f.  
31.03.2017),  
Ratha Krishnan V. Raman (Resigned  
w.e.f. 28.02.2017), E. Suhardi

### ARANI AGRO OIL INDUSTRIES PRIVATE LIMITED

#### Directors:

P.C.P. Tissera, J. Mathavan,  
Ms. J.M.S. Jayawickrama,  
T. Tharumarajah (Resigned w.e.f.  
01.08.2016), S.C.P. Chelliah,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017), G.V. Krishnarao

### PREMIUM OILS & FATS SDN.BHD.

#### Directors:

H. Selvanathan, M. Selvanathan,  
J. Mathavan, P.C.P. Tissera,  
Ms. J.M.S. Jayawickrama,  
T. Tharumarajah,  
C.A.V.S. Upasena, C.S. Karunasena  
(Resigned w.e.f. 31.03.2017),  
M.R. Jiffrey, K.G.G. De Silva,  
M.S. Mukthar (Resigned w.e.f.  
31.03.2017)

### PREMIUM VEGETABLE OILS SDN. BHD.

#### Directors:

H. Selvanathan, M. Selvanathan,  
J. Mathavan, P. C. P. Tissera,  
Ms. J.M.S. Jayawickrama,  
T. Tharumarajah (Resigned w.e.f.  
31.05.2017), S.C.P. Chelliah,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PREMIUM FATS SDN. BHD.

#### Directors:

H. Selvanathan, M. Selvanathan,  
J. Mathavan, P.C.P. Tissera,  
Ms. J.M.S. Jayawickrama,  
T. Tharumarajah (Resigned w.e.f.  
31.05.2017), S.C.P. Chelliah,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### PREMIUM NUTRIENTS PRIVATE LIMITED

#### Directors:

H. Selvanathan, M. Selvanathan,  
P.C.P. Tissera,  
J. Mathavan,  
Ms. J.M.S. Jayawickrama,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017)

### GOODHOPE INVESTMENTS (PRIVATE) LIMITED

#### Directors:

H. Selvanathan (Chairman),  
P.C.P. Tissera,  
Ms. J.M.S. Jayawickrama,  
K.G.G. De Silva, M.R. Jiffrey,  
C.S. Karunasena (Resigned w.e.f.  
31.03.2017), M.S. Mukthar  
(Resigned w.e.f. 31.03.2017)

### BEVERAGE

### CEYLON BEVERAGE HOLDINGS PLC

#### Directors:

L.C.R. de C. Wijetunge \*\* NEI  
(Chairman),  
(Stepped down from the Board  
at the conclusion of the AGM on  
20.07.2017)  
H. Selvanathan (Deputy Chairman),  
M. Selvanathan (Director/ Alternate  
Director to  
H. Selvanathan)  
S. K. Shah (Chief Executive Officer/  
Director)  
D.C.R. Gunawardena \* NE,  
D.A. Cabraal \*\* NEI (Appointed  
Chairman w.e.f. 21.07.2017)  
H. J. Andersen \* NE (Resigned w.e.f.  
20.08.2016)  
L Lehmann\* NE (Appointed w.e.f.  
20.08.2016)

### LION BREWERY (CEYLON) PLC

#### Directors:

L. C. R. de C. Wijetunge \*\* NEI  
(Chairman),  
(Stepped down from the Board  
at the conclusion of the AGM on  
20.07.2017)  
H. Selvanathan (Deputy Chairman)  
S. K. Shah (Chief Executive Officer/  
Director),  
D.C.R. Gunawardena \* NE  
C.T. Liyanage (Resigned w.e.f.  
31.03.2017),  
D. R. P. Goonetilleke,  
K. Selvanathan (Director / Alternate  
Director to  
H. Selvanathan),  
Ms. S.J.F. Evans \*\* NEI,

\* NE - Non Executive Director

\*\* NEI - Non Executive/Independent Director

H.J. Andersen \* NE (Resigned w.e.f. 20.08.2016),  
D. A. Cabraal \*\* NEI (Appointed Chairman w.e.f. 21.07.2017)  
Y.F. Lew\* NE (Resigned w.e.f. 06.02.2017),  
L Lehmann\* NE (Appointed w.e.f. 20.08.2016)  
C.B. Yee\* NE (Appointed w.e.f. 06.02.2017)

#### 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, P.P. de Silva,  
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,  
C.T. Liyanage (Resigned w.e.f. 31.03.2017),  
D.R.P. Goonetilleke,

#### MILLERS BREWERY LIMITED

S.K. Shah,  
D.R.P. Goonetilleke,  
C.T. Liyanage (Resigned w.e.f. 31.03.2017),  
P.M.N.P. De Silva (Appointed w.e.f. 31.03.2017)

#### VEE WARUNA (PRIVATE) LIMITED

**Directors:**  
P.P.De Silva  
L.E.J. Salgado  
W.W.M.A.J. Bandara (Resigned w.e.f. 31.07.2017)  
S.G. Jansz

#### REAL ESTATE

##### EQUITY ONE LIMITED

**Directors:**  
D.C.R. Gunawardena (Chairman),  
S. Nagendra (Resigned w.e.f. 10.11.2016), K.C.N. Fernando,  
E.H. Wijenaike, 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. Wijenaike \*\*NEI,  
P.D.D. Fernando \*\*NEI

##### EQUITY THREE (PRIVATE) LIMITED

**Directors:**  
I. Paulraj,  
K. C. N. Fernando

#### LEISURE

##### PEGASUS HOTELS OF CEYLON PLC

**Directors:**  
D.C.R. Gunawardena \*NE  
(Chairman),  
H. Selvanathan,  
S. Nagendra \*\*NEI,  
M. Dayananda \*\*NEI,  
W.A.A. De Z. Gunasekera \*\*NEI  
(Stepped down from the Board w.e.f. 15/6/2016)  
K. Selvanathan  
S.R. Mather (Appointed w.e.f. 01.07.2016)

##### 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:**  
I. Paulraj \*NE (Chairman) (Resigned w.e.f. 15.08.2016), Mrs. M.A.R.C. Cooray \*\*NEI (Appointed as Chairperson w.e.f 01.09.2016)  
D.C.R. Gunawardena \*NE,  
V.M. Fernando \*\*NEI,  
K. Selvanathan, C.W. Knight \*\*NEI  
T.C.M. Chia \*\*NEI  
Mrs. W.Y.R. Fernando (Appointed w.e.f. 15.08.2016)

\* NE - Non Executive Director

\*\* NEI - Non Executive/Independent Director

## Group Directorate

### CEYLON INVESTMENT PLC

**Directors:**

I. Paulraj \*NE (Chairman) (Resigned w.e.f. 15.08.2016), Mrs. M.A.R.C. Cooray \*\*NEI (Appointed as Chairperson w.e.f. 01.09.2016), D.C.R. Gunawardena\* NE, A.P. Weeratunge, V.M. Fernando \*\*NEI, K. Selvanathan T.C.M. Chia \*\*NEI Mrs. W.Y.R. Fernando (Appointed w.e.f. 15.08.2016)

### THE SRI LANKA FUND

**Directors:**

D.C.R. Gunawardena, Mrs. W.Y.R. Fernando, A.J.R. Collins

### GUARDIAN CAPITAL PARTNERS PLC

**Directors:**

I. Paulraj \*NE (Chairman), S. Mahendrarajah \*\*NEI, D.C.R. Gunawardena \*NE Mrs. W.Y.R. Fernando (Appointed w.e.f. 15.08.2016) Mrs. M.A.R.C. Cooray \*\*NEI, (Appointed w.e.f. 05.12.2016), 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:**

Mrs. W.Y.R. Fernando, K. Selvanathan, A.P. Weeratunge M.A.T. Jayawardena (appointed w.e.f. 1/6/2016)

### GUARDIAN ACUITY ASSET MANAGEMENT LIMITED

**Directors:**

D.C.R. Gunawardena (Chairman), T. W. De Silva, M. R. Abeywardena, K. Selvanathan, Mrs. W. Y. R. Fernando, D. P. N. Rodrigo

**Alternate Director:**

S.M. Perera (for K. Selvanathan)

### MANAGEMENT SERVICES

### CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED

**Directors:**

H. Selvanathan (Chairman), M. Selvanathan, S.K. Shah, P.C.P. Tissera (Will resign w.e.f. 03.10.2017), K.C.N. Fernando, Mrs. K.D.De Silva, A.P. Weeratunge, K. Selvanathan

**Alternate Director:**

P.C.P. Tissera (for H. Selvanathan) - Consequent to his resignation, he will cease to be the alternate Director w.e.f. 03.10.2017

\* NE - Non Executive Director

\*\* NEI - Non Executive/Independent Director

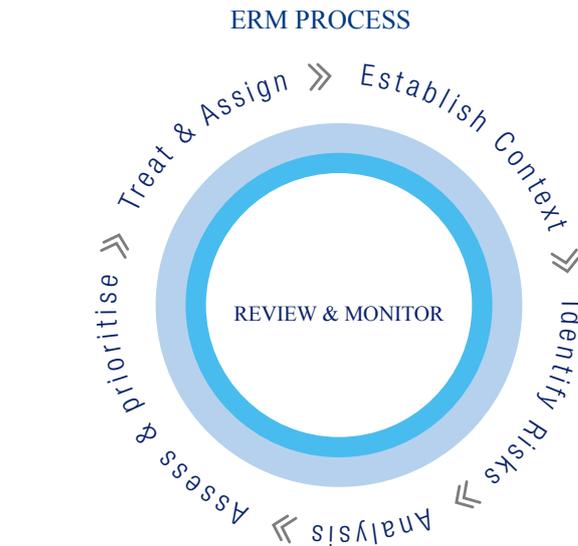
# Risk Management

Carson group is exposed to great variety of risks as it operates in many industries across several countries in diverse operating environments. As a result management proactively evaluates the likelihood and impact of potential events which could affect the objectives, using qualitative and quantitative criteria to assess the risks. 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;

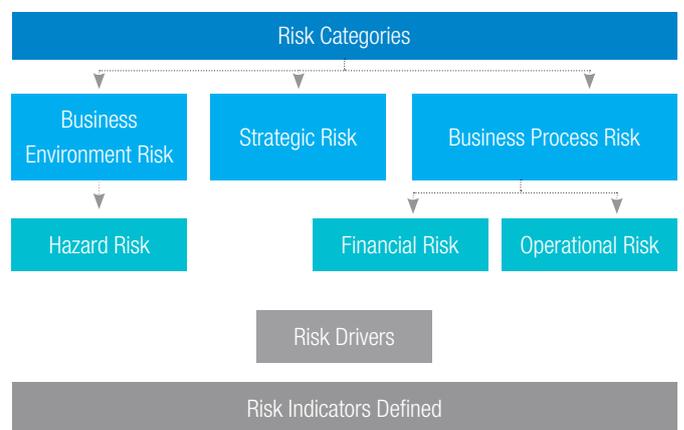
- Corporate Governance
- Quality of business planning
- Audit planning
- Project planning and implementation
- Building confidence of various stakeholder groups



ERM process 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.

As the first step in the risk management process management identifies the relationship of the enterprise with environment and objectives in the business plan.

| External Challenges  |
|--|
| Political, Economic & Social factors                                 |
| Identify various stakeholders  |
| Shareholders   |
| Employees  |
| Customers  |
| Regulatory bodies and Communication policies with these stakeholders |



| Internal Challenges  |
|--|
| Organisation structure   |
| KPIs in the business plan and cascading effect to the business units (Top down approach) |
| Governance structure   |
| Policies and procedures and IT structure etc.  |

At the second stage of ERM process, management identifies the risks and categorises in to main three types of risks as shown below. Purpose of the risk modeling 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.

# Risk Management

In the third step, by using qualitative and quantitative methods, likelihood of occurring and probability of outcome of the above identified risks are analysed.

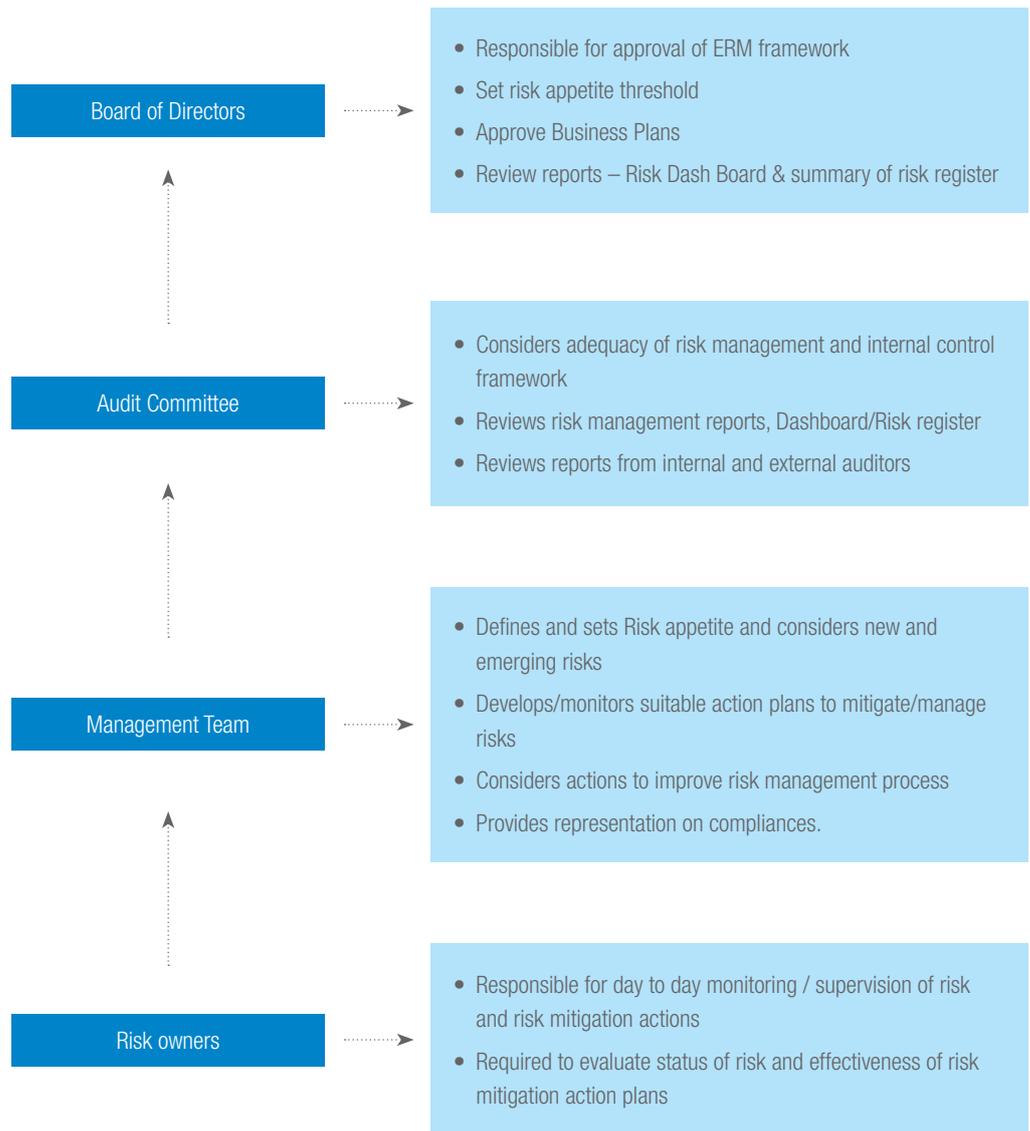
Using the Risk Grid, management determines the contribution of each risk to the aggregate risk profile in terms of the impact on achievement of company's objectives and prioritise accordingly.

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 to be 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 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 is one of the driving factors of sustainability of operations and 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>Oil Palm segment is susceptible to fluctuations in global Crude Palm Oil (CPO) prices for which we have minimal control being a price taker. Palm Kernel prices witnessed over a 100% increase in price over the last 18 months and then a drop of around 50% since Jan 2017.</p> <p>China demand seems subdued although CPO prices saw a rebound in 2nd half of FY16/17. The substitute soybean has also continued to maintain an incremental harvest, impacting demand for palm oil and subduing CPO prices.</p> <p>Analysts expect CPO's prices are to reverse due to expected increase in crop volumes in the second half of 2017.</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 Segment</b></p> <p>Manage the price volatility and cash flows by entering in to forward sales contracts at opportune timing.</p> <p><b>Oils &amp; Fats Segment</b></p> <p>Seek to maintain a back to back cover on raw material purchases to minimise the price volatilities</p> <p>Transfer the price fluctuations to the customer whenever possible</p> <p>Beverage sector continuously monitor commodity prices of raw materials and enters into forward contracts for buying major raw materials with the assistance of international business partner or on its own.</p>  |
| 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 Guardian our approach focuses on the fact that there is no substitute for fundamental individual security assessment.</p>                                  | <p><b>Investment sector</b></p> <p>Sound internal research processes</p> <p>Once an investment is made a continuous process of monitoring the performance of that investment is adopted.</p> <p>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.</p> <p>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.</p> <p>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.</p> |

## Risk Management

| Risk                         | Impact   | Risk Responses and Strategies  |
|------------------------------|--|--|
| Environment<br>Scrutiny Risk | <p>Oil Palm Plantation Segment</p> <p>The NGO's and other stake-holders are increasing the pressure inserted to global commodity traders and are now pushing beyond the industry standards practiced by RSPO.</p> <p>These NGO's are now pushing for higher standards and targeting mid to large scale plantation players.</p> <p>Going forward, companies will have to self-regulate and have more transparency in their operations and include more stakeholder involvement.</p>   | <p><b>Oil Palm Plantation Segment</b></p> <p>Set out a new sustainability policy with the input of major stakeholder and increase initiatives and monitoring of this action plan.</p>  |
| Development Delays Risk      | <p>Timely plantation development in Indonesia can be impacted due to multiple &amp; ambiguous land claims, difficulties in procuring contractors and poor infrastructure in remote locations.</p> <p>Lack of available funds caused by depressing palm oil prices has had a major impact on plantation development.</p> <p>Project delays may result in significant increases in development costs, subsequent 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>       | <p>Always try to anticipate &amp; proactively resolve social issues affecting land release and multiple land claims.</p> <p>Timely acquisition of necessary permits and licenses to complete the developments.</p> <p>Look to match the capex funding to cover the total funding duration up to reaching maturity stage.</p> <p>Disruptions to development projects are minimised by employing a bigger pool of experienced contractors.</p>   |
| Land Ownership Risk          | <p>Plantation companies in Indonesia face conflicts with local communities due to unclear land titles and ownership which results from lack of clarity between authorities on land status.</p> <p>Additionally, the Indonesian government is under pressure from other international governments and NGO's to curtail deforestation and use of land for plantations.</p> <p>At the same time, Indonesia is also looking to increase value addition within the country as well as to make these asset ownership more wide based and inclusive to more of its Indonesian citizens.</p> | <p>Prior to commencement of land developments all required approvals from the respective authorities are obtained and validated.</p> <p>Conduct complete due diligence of permits and licenses to ensure compliance</p> <p>Establish and maintain sound relationships with key stakeholders.</p> <p>Have in place a plan to complete the land compensation within the stipulated time</p>  |
| 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> |

| Risk                       | Impact  | Risk Responses and Strategies   |
|----------------------------|---|---|
| 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 the Oil Palm sector is 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. MYR witnessed a significant depreciation against the US dollar during 2016.</p> <p>Currently Plantations, Oils and Fats and Beverage sectors are exposed to foreign currency exchange rate movements, primarily in US Dollar on its US Dollar denominated bank loans and foreign currency denominated supplier liabilities.</p> | <p>Assets, liabilities and other operational expenses which arise from daily operations are primarily denominated in the functional currencies.</p> <p>Continue to monitor the market volatilities to anticipate and exploit the favourable movements</p> <p>Minimise the cash flow impact by linking the oil palm sector revenue to the USD denominated CPO prices, thus providing a natural hedge.</p>  |
| 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>  | <p>Invest in agronomy and plantation management practices to minimise the impact by any sudden up-rise of diseases.</p> <p>Business Continuity Plan.</p> <p>Develop infrastructure to minimise damages due to perils.</p> <p>Cover perils through adequate insurance.</p>   |
| Liquidity Risk             | <p>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.</p>   | <p>Manage such an exposure through effective working capital management</p> <p>Maintain sufficient credit facilities</p> <p>Develop policies and procedures to plan liquidity based on medium term plans.</p> <p>Investment sector</p> <p>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.</p> <p>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.</p> |

## Risk Management

| Risk                                  | Impact  | Risk Responses and Strategies  |
|---------------------------------------|---|--|
| Financial Leverage and Cash Flow Risk | <p>The Oil Palm Plantation Segment is impacted by its high financial leverage on the backdrop of the last 3 years price volume impacts. The plantation segments previous land under development require maintenance capex.</p> <p>Given the downturn in the industry, GAHL's external bank funding needs to be serviced. Additionally, the segment has obtained supplier credit facilities to maintain its development.</p> <p>Global banks have been impacted by the lower commodity prices across these industries and are looking to reduce their exposure to these industries such as crude oil, coal and agri businesses.</p> <p>The segment will require managing its capital repayment given the current down turn in the operating cash generation.</p> | <p>Manage bank funding facilities and service of the borrowing facilities while looking at alternative funding sources.</p> <p>Manage costs and future developments in the back-drop of restricted funding availability.</p>   |
| Credit Risk                           | <p>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>  | <p>Individual companies exercise some of the following controls to mitigate this risk.</p> <p>Implementation of credit policies</p> <p>Continuous and regular evaluation of creditworthiness of customers</p> <p>Ongoing monitoring of receivable balances.</p> <p>Covering credit exposure through a combination of bank guarantees &amp; discounting of credit to banks with no recourse to the company.</p>           |
| Interest Rate Risk                    | <p>The interest rates on most of our 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.</p>  | <p>Financial strength of the Carson Cumberbatch PLC is used via group treasury in negotiating the rates.</p> <p>Plantation sector will pursue derivative mechanisms such as interest swaps, where necessary.</p> <p>Appropriate capitalization of business together with the right balance between long and short term bank facilities plus obtaining a combination of loans linked to AWDR/SLIBOR/AWPLR &amp; LIBOR</p> |
| Systems and Process Risks             | <p>The risk of direct or indirect losses due to inadequate or failed internal processes and systems.</p>  | <p>Maintain detail procedure manuals and provide training and guidelines for new recruits.</p> <p>The internal audit function of the Group carryout regular review on internal control systems and processes and recommends process improvements if shortcomings are noted.</p>  |

| Risk                                 | Impact  | Risk Responses and Strategies  |
|--------------------------------------|---|--|
| Legal and Regulatory Compliance Risk | Failure to comply with regulatory and legal framework applicable to the Group.  | <p>The management together with the Carsons group legal division proactively identifies and set up appropriate systems and processes for legal and regulatory compliance in respect of Sector operations.</p> <p>Arrange training programs and circulate updates for key employees on new / revised laws &amp; regulations on need basis.</p> <p>Provide comments on draft laws to government and regulatory authorities.</p> <p>Obtain comments and interpretations from external legal consultants on areas that require clarity.</p> <p>Obtain compliance certificates from management on quarterly basis on compliance with relevant laws and regulations.</p> |
| 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. | <p>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.</p> <p>The extensive compliance process also ensures that the Group does not take the risk of process failure that will lead to reputation risk.</p> <p>Maintaining good relationships with all stakeholders further helps manage any crisis situations that can damage reputation.</p>  |

# 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

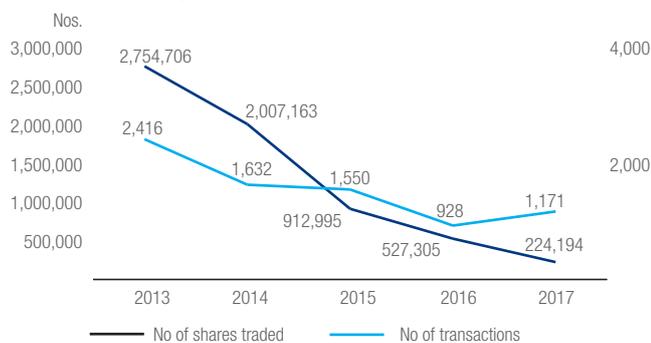
## 2 MARKET CAPITALISATION AND MARKET PRICE

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. 32,050 Mn as at 31st March 2017. (Rs.53,024 Mn as at 31st March 2016)

The Information on Market prices are set out below :

|                                     | 2017    | Q4      | Q3      | Q2      | Q1      | 2016    |
|-------------------------------------|---------|---------|---------|---------|---------|---------|
| <b>Share Information</b>            |         |         |         |         |         |         |
| Highest price (Rs.)                 | 300     | 190     | 197     | 240     | 300     | 355     |
| Lowest price (Rs.)                  | 150     | 150     | 172     | 183     | 238     | 212     |
| As at periods end (Rs.)             | 163     | 163     | 174     | 184     | 240     | 270     |
| <b>Trading Statistics</b>           |         |         |         |         |         |         |
| No of transactions                  | 1,171   | 268     | 236     | 401     | 266     | 928     |
| No of shares traded                 | 224,194 | 64,101  | 40,755  | 24,227  | 95,111  | 527,305 |
| Value of all shares Traded (Rs. Mn) | 49      | 11      | 8       | 5       | 25      | 163     |
| Market Capitalization (Rs. Mn)      | 32,050  | 32,050  | 34,132  | 36,076  | 47,074  | 53,024  |
| Enterprise Value (Rs. Mn)           | 116,264 | 116,264 | 121,573 | 138,414 | 144,013 | 148,435 |

Share Trading



Shareholders Funds and Market Capitalization



### 3 SHAREHOLDER BASE

The total number of ordinary shareholders as at 31st March 2017 was 2,062 compared to the 2,061 as at 31st March 2016.

### 4 DISTRIBUTION AND COMPOSITION OF SHAREHOLDERS

| Distribution of Shares | No. of Shareholders | Residents     |                |               | Non-Residents       |                |               | Total          |             |       |
|------------------------|---------------------|---------------|----------------|---------------|---------------------|----------------|---------------|----------------|-------------|-------|
|                        |                     | No. of Shares | % Shareholders | No. of Shares | No. of Shareholders | % Shareholders | No. of Shares | % Shareholders |             |       |
| 1                      | 1,000               | 1,629         | 243,839        | 0.12          | 18                  | 7,155          | 0.001         | 1,647          | 250,994     | 0.13  |
| 1,001                  | 10,000              | 240           | 754,935        | 0.38          | 15                  | 75,608         | 0.04          | 255            | 830,543     | 0.42  |
| 10,001                 | 100,000             | 106           | 2,961,087      | 1.51          | 16                  | 741,691        | 0.38          | 122            | 3,702,778   | 1.89  |
| 100,001                | 1,000,000           | 16            | 5,003,916      | 2.55          | 7                   | 2,468,384      | 1.26          | 23             | 7,472,300   | 3.80  |
| Above                  | 1,000,000           | 10            | 147,639,131    | 75.18         | 5                   | 36,491,168     | 18.58         | 15             | 184,130,299 | 93.76 |
| Total                  |                     | 2,001         | 156,602,908    | 79.74         | 61                  | 39,784,006     | 20.26         | 2,062          | 196,386,914 | 100   |

### 5 COMPOSITION OF SHAREHOLDERS

| Ordinary Shares | 31st March, 2017    |               |       | 31st March, 2016    |               |       |
|-----------------|---------------------|---------------|-------|---------------------|---------------|-------|
|                 | No. of Shareholders | No. of Shares | %     | No. of Shareholders | No. of Shares | %     |
| Individuals     | 1,926               | 15,650,664    | 7.97  | 1,920               | 15,695,854    | 7.99  |
| Institutions    | 136                 | 180,736,250   | 92.03 | 141                 | 180,691,060   | 92.01 |
| Total           | 2,062               | 196,386,914   | 100   | 2,061               | 196,386,914   | 100   |
| Residents       | 2,001               | 156,602,908   | 79.74 | 1,996               | 156,610,953   | 79.75 |
| Non Residents   | 61                  | 39,784,006    | 20.26 | 65                  | 39,775,961    | 20.25 |
| Total           | 2,062               | 196,386,914   | 100   | 2,061               | 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 of the Colombo Stock Exchange, under Option 4, i.e. Float-adjusted Market Capitalization of Rs.2.5 Billion with 500 Public Shareholders and a Public Holding percentage of 10%, as per the Securities and Exchange Commission of Sri Lanka Directive No. SEC/LEG/16/11/13 dated 17th November 2016.

The Company's Public Holding as at 31st March 2017

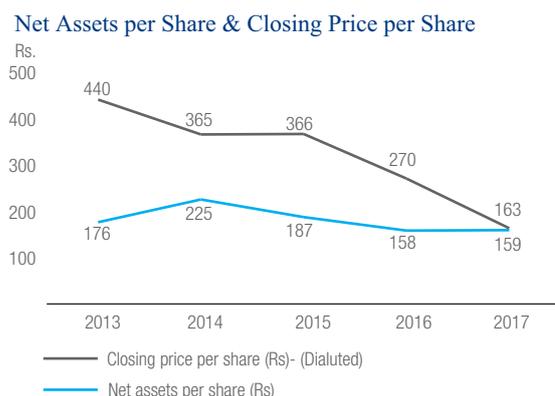
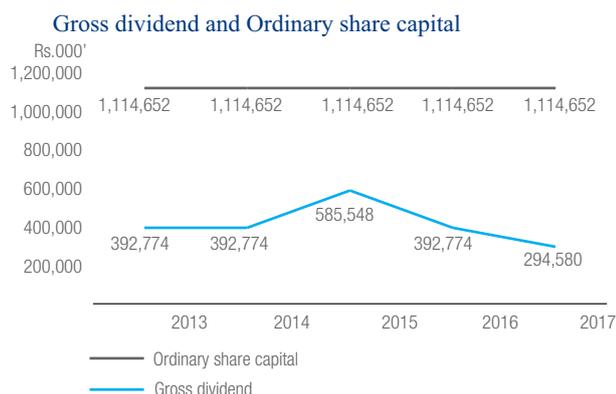
- Market Capitalization of the Public Holding - Rs.4.62 Billion
- Percentage of ordinary shares held by the public - 14.41% (2016 - 14.41%)
- Number of Public Shareholders - 2,046

### 7 INFORMATION ON RATIOS

|                           | 2017   | 2016    |
|---------------------------|--------|---------|
| EPS (Rs.)                 | 6.59   | 4.21    |
| Dividend Payout Ratio (%) | -      | 84.67   |
| Price to Book (times)     | 1.03   | 1.71    |
| Price Earnings Ratio      | 24.76  | 64.20   |
| Dividend Yield (%)        | -      | 0.56%   |
| Market Value Added (Mn.)  | 85,036 | 117,376 |

## Information to Shareholders & Investors

### 8 INFORMATION ON DIVIDENDS



### 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 'managing Risk at Carson Cumberbatch PLC' on Page 69 to 75 and page 205 to 210.

### 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                         | 2017      |         | 2016      |         |
|---|-----------|---------|-----------|---------|
|   | Per share | Amount  | Per share | Amount  |
| Ordinary Shares                                       | Rs.       | Rs.'000 | Rs.       | Rs.'000 |
| Final dividend  | -         | -       | 1.50      | 294,580 |
|   | -         | -       | 1.50      | 294,580 |
| The details of the proposed dividends are as follows: |           |         |           |         |
| Ordinary Shares                                       | -         | -       | 1.50      | 294,580 |
|   | -         | -       | 1.50      | 294,580 |

**12 DIVIDENDS SINCE**

| Year ended 31st March | DPS (Rs.) | Dividends (Rs.'000) |
|-----------------------|-----------|---------------------|
| 2013                  | 2         | 392,774             |
| 2014                  | 2         | 392,774             |
| 2015                  | 3         | 589,161             |
| 2016                  | 1.50      | 294,580             |
| 2017                  | -         | -                   |

**13 ORDINARY SHARES IN ISSUE**

| Year ended 31st March | Number of Shares |
|-----------------------|------------------|
| 2012                  | 196,386,914      |
| 2013                  | 196,386,914      |
| 2014                  | 196,386,914      |
| 2015                  | 196,386,914      |
| 2016                  | 196,386,914      |
| 2017                  | 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**

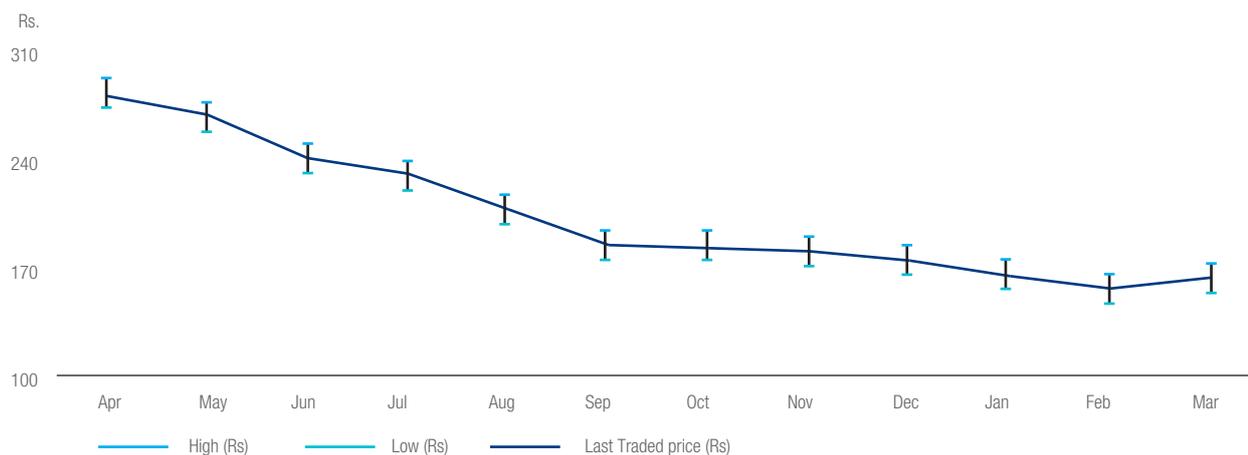
| Financial Year | Issue          | Basis    | No of Shares issued | No. of Shares Cumulative Ordinary |
|----------------|----------------|----------|---------------------|-----------------------------------|
| 2005/06        | Bonus Issue    | 5 for 1  | 5,093,550           | 6,112,260                         |
| 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   | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------|------|------|------|------|------|
| Highest Price (Rs.)     | 495  | 459  | 500  | 355  | 300  |
| Lowest Price (Rs.)      | 410  | 340  | 360  | 212  | 150  |
| Last Traded Price (Rs.) | 440  | 365  | 366  | 270  | 163  |

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



**17 INFORMATION ON SHAREHOLDERS' FUNDS AND MARKET CAPITALIZATION**

| As at 31st March                                  | 2013   | 2014   | 2015   | 2016   | 2017   |
|---|--------|--------|--------|--------|--------|
| Shareholders' Funds (Rs. Mn.)                     | 46,552 | 44,193 | 36,791 | 31,060 | 31,228 |
| Market Capitalization (Rs. Mn.)                   | 86,410 | 71,681 | 71,956 | 53,024 | 32,050 |
| Market Capitalization as % of CSE Mkt. Captl. (%) | 3.92%  | 2.87%  | 2.49%  | 2.05%  | 1.20%  |

**18 PRICE AND SHARE VOLUME CHART**

Price & Share Volume Chart



## Information to Shareholders & Investors

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

### 19 TEN YEAR SUMMARY - GROUP

| For the year ended / as at 31st March                    | 2017         | 2016         | 2015         |
|--|--------------|--------------|--------------|
|  | LKAS 16      |              |              |
| <b>OPERATING RESULTS</b>                                 |              |              |              |
| Revenue  | 64,512,872   | 76,470,465   | 88,625,807   |
| Profit from operations                                   | 5,051,987    | 8,615,720    | 13,540,127   |
| Finance expenses   | 4,252,727    | 2,617,581    | 2,476,181    |
| Profit/(loss) before taxation from continuing operations | 139,094      | 3,610,229    | 8,375,195    |
| Income tax expenses                                      | 1,600,320    | 1,622,822    | 2,545,401    |
| Profit for the year                                      | 2,939,314    | 1,626,695    | 5,981,894    |
| Profit attributable to the non controlling interest      | 1,644,769    | 800,804      | 2,896,301    |
| Profit attributable to the owners of the company         | 1,294,545    | 825,891      | 3,085,593    |
| <b>CAPITAL EMPLOYED</b>                                  |              |              |              |
| Stated capital   | 1,114,652    | 1,114,652    | 1,114,652    |
| Reserves   | 30,113,024   | 29,945,232   | 35,676,040   |
|  | 31,227,676   | 31,059,884   | 36,790,692   |
| Non - controlling interest                               | 28,225,711   | 27,230,412   | 29,469,854   |
| Short - term and long - term borrowings                  | 71,370,250   | 75,797,441   | 75,980,241   |
|  | 130,823,636  | 134,087,737  | 142,240,786  |
| <b>ASSETS EMPLOYED</b>                                   |              |              |              |
| Non - current assets                                     | 120,046,963  | 130,083,631  | 130,894,948  |
| Current assets   | 36,363,828   | 30,612,691   | 30,993,725   |
|  | 156,410,792  | 160,696,322  | 161,888,673  |
| Current liabilities - excluding borrowings               | (18,556,551) | (19,294,743) | (13,516,259) |
| Other financial payables                                 | (77,607)     | (63,559)     | (55,818)     |
| Deferred liabilities                                     | (6,952,997)  | (7,250,283)  | (6,075,810)  |
|  | 130,823,636  | 134,087,737  | 142,240,786  |
| <b>CASH FLOW STATEMENTS</b>                              |              |              |              |
| Net cash inflows from operating activities               | 2,140,797    | 12,613,686   | 5,053,389    |
| Net cash used in investing activities                    | 11,548,756   | (8,848,557)  | (21,876,166) |
| Net cash generated from/(used in) financing activities   | (10,899,879) | (6,146,488)  | 9,897,091    |
| Net (decrease)/increase in cash & cash equivalents       | 2,789,673    | (2,381,360)  | (6,925,687)  |
| <b>OPERATIONAL RATIOS</b>                                |              |              |              |
| Return on ordinary shareholders' funds (%)               | 4.15         | 2.66         | 8.39         |
| Equity to total assets (%)                               | 38.01        | 36.27        | 40.93        |
| Revenue growth (%)                                       | (15.64)      | (13.72)      | 15.67        |
| Asset growth (%)   | (2.67)       | (0.74)       | (7.28)       |
| Revenue to capital employed (times)                      | 0.49         | 0.57         | 0.62         |
| No. of employees   | 12,583       | 15,136       | 15,954       |
| Revenue per employee (Rs.'000)                           | 5,127        | 5,052        | 5,555        |
| Value added per employee (Rs.'000)                       | 2,117        | 2,475        | 2,361        |
| <b>DEBT &amp; GEARING RATIOS</b>                         |              |              |              |
| Interest cover (times)                                   | 1.19         | 3.29         | 5.47         |
| Total debts  | 71,370,250   | 75,797,441   | 75,980,241   |
| Net debts  | 55,987,675   | 68,180,571   | 66,956,985   |
| Debt equity ratio (%)                                    | 120          | 130.03       | 114.67       |
| Gearing ratio (%)  | 55           | 56.53        | 53.42        |
| Debt/total assets (%)                                    | 46           | 47.17        | 46.93        |
| Current ratio (times)                                    | 0.67         | 0.63         | 0.81         |
| <b>INVESTOR RATIOS</b>                                   |              |              |              |
| Dividend cover (times)                                   | -            | 2.80         | 5.24         |
| Dividends per share (Rs.)                                | -            | 1.50         | 3.00         |
| Market value per share (Rs.)                             | 163          | 270          | 366          |
| Market capitalization (Rs. Mn)                           | 32,050       | 53,024       | 71,956       |
| Earnings per share (Rs.)                                 | 6.59         | 4.21         | 15.71        |
| Price earnings ratio (times)                             | 24.76        | 64.20        | 23.32        |
| Net assets per ordinary share (Rs.)                      | 159.01       | 158.16       | 187.34       |

| 2014         | 2013         | 2012         | 2011        | 2010        | 2009        | 2008        |
|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
| LKAS 41      |              |              |             |             |             |             |
| 76,617,967   | 76,162,126   | 66,079,268   | 34,628,986  | 21,327,821  | 16,795,047  | 15,243,172  |
| 12,982,497   | 11,045,641   | 14,184,433   | 12,222,452  | 7,234,886   | 4,828,044   | 4,430,319   |
| 2,073,516    | 1,496,146    | 2,335,777    | 689,373     | 530,376     | 993,586     | 835,747     |
| 11,223,811   | 13,637,001   | 16,937,125   | 12,088,562  | 6,879,407   | 3,767,804   | 4,273,921   |
| 3,257,220    | 3,981,725    | 4,307,795    | 2,545,643   | 1,434,052   | 809,317     | 1,204,072   |
| 7,966,591    | 9,655,276    | 12,629,330   | 9,542,919   | 5,445,355   | 2,958,487   | 3,069,849   |
| 4,167,120    | 5,061,334    | 5,627,102    | 5,002,206   | 2,158,444   | 1,176,141   | 1,348,181   |
| 3,799,471    | 4,593,942    | 7,002,228    | 4,540,713   | 3,286,911   | 1,782,346   | 1,721,668   |
| 1,114,652    | 1,114,652    | 1,114,652    | 1,614,652   | 1,118,255   | 1,118,255   | 286,123     |
| 43,077,998   | 45,437,613   | 30,627,531   | 22,338,727  | 19,204,116  | 12,415,858  | 12,584,693  |
| 44,192,650   | 46,552,265   | 31,742,183   | 23,953,379  | 20,322,371  | 13,534,113  | 12,870,816  |
| 38,939,136   | 40,070,069   | 30,851,607   | 24,702,515  | 9,429,378   | 5,781,881   | 7,055,721   |
| 64,292,897   | 52,234,376   | 37,664,912   | 23,340,260  | 4,989,581   | 6,741,913   | 6,179,030   |
| 147,424,683  | 138,856,710  | 100,258,702  | 71,996,154  | 34,741,330  | 26,057,907  | 26,105,567  |
| 138,985,093  | 132,463,346  | 95,532,196   | 59,290,601  | 30,441,199  | 21,524,200  | 24,043,466  |
| 35,618,440   | 26,556,439   | 22,999,510   | 20,196,905  | 9,567,352   | 8,976,347   | 6,752,769   |
| 174,603,533  | 159,019,785  | 118,531,706  | 79,487,506  | 40,008,550  | 30,500,547  | 30,796,235  |
| (16,765,430) | (10,769,171) | (11,228,917) | (4,740,251) | (3,321,967) | (2,731,081) | (3,085,224) |
| (50,492)     | (28,077)     | (25,492)     | (773,052)   | (651,168)   | (628,255)   | (460,503)   |
| (10,362,928) | (9,365,827)  | (7,018,595)  | (1,978,049) | (1,294,085) | (1,083,304) | (1,144,941) |
| 147,424,683  | 138,856,710  | 100,258,702  | 71,996,154  | 34,741,330  | 26,057,907  | 26,105,567  |
| 13,584,976   | 4,667,377    | 12,629,005   | 4,295,879   | 2,604,948   | 1,723,854   | 3,195,910   |
| (15,187,257) | (19,256,701) | (17,586,408) | (4,784,405) | (2,299,836) | (908,660)   | (1,100,761) |
| 12,805,689   | 2,331,876    | (3,981,001)  | 9,803,861   | (1,268,542) | 535,727     | (1,719,207) |
| 11,203,408   | (12,257,448) | (8,938,404)  | 9,315,335   | (963,430)   | 1,350,921   | 375,942     |
| 8.60         | 9.87         | 22.06        | 18.96       | 16.17       | 13.17       | 13.38       |
| 47.61        | 54.47        | 52.81        | 61.21       | 74.36       | 63.33       | 64.70       |
| 0.60         | 15.26        | 90.82        | 62.37       | 26.99       | 10.18       | 63.53       |
| 9.80         | 34.16        | 49.12        | 98.68       | 31.17       | (0.96)      | 18.53       |
| 0.52         | 0.55         | 0.66         | 0.48        | 0.61        | 0.64        | 0.58        |
| 15,580       | 15,097       | 14,453       | 11,672      | 6,943       | 5,083       | 4,014       |
| 4,918        | 5,045        | 4,572        | 2,967       | 3,072       | 3,304       | 3,710       |
| 2,255        | 2,308        | 2,382        | 1,985       | 1,697       | 2,048       | 1,501       |
| 6.26         | 7.38         | 6.07         | 17.73       | 13.64       | 4.86        | 5.30        |
| 64,292,897   | 52,234,376   | 37,664,912   | 23,340,260  | 4,989,581   | 6,741,913   | 6,179,030   |
| 47,753,595   | 44,369,967   | 28,893,154   | 12,450,514  | 4,114,949   | 4,014,765   | 4,423,959   |
| 77.34        | 60.30        | 60.17        | 47.97       | 16.77       | 34.90       | 31.01       |
| 43.61        | 37.62        | 37.57        | 32.42       | 14.36       | 25.87       | 23.67       |
| 36.82        | 32.85        | 31.78        | 29.36       | 12.47       | 22.10       | 20.06       |
| 0.84         | 0.75         | 1.00         | 2.18        | 1.61        | 1.34        | 0.85        |
| 9.68         | 11.70        | 14.26        | 11.51       | 8.23        | 5.91        | 3.51        |
| 2.00         | 2.00         | 2.00         | 2.00        | 2.00        | 1.50        | 2.50        |
| 365          | 440.00       | 465.00       | 635         | 547         | 116         | 3,800       |
| 71,681       | 86,410       | 91,320       | 124,666     | 52,611      | 11,167      | 108,727     |
| 19.35        | 23.39        | 28.51        | 23.01       | 16.45       | 8.87        | 8.77        |
| 18.86        | 18.81        | 16.31        | 27.59       | 33.25       | 13.08       | 433.46      |
| 225.03       | 237.03       | 161.63       | 121.13      | 102.07      | 68.92       | 65.54       |

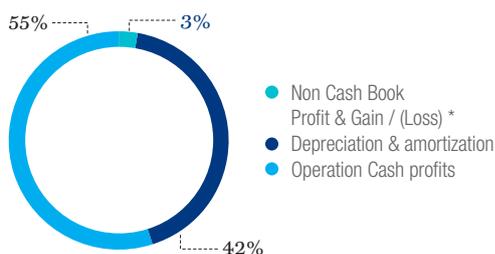
## Information to Shareholders & Investors

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

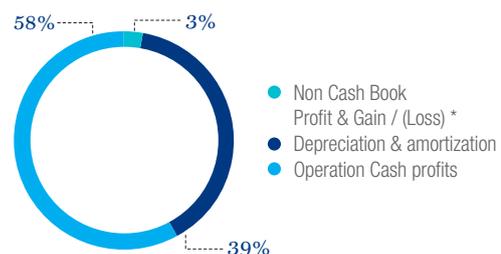
### 16 GROUP QUARTERLY RESULTS - STATEMENT OF INCOME

|   | 1st Quarter | %     | 2nd Quarter | %    | 3rd Quarter | %     | 4th Quarter | %    | FY 2017     | %   |
|---|-------------|-------|-------------|------|-------------|-------|-------------|------|-------------|-----|
| <b>Revenue</b>                                  | 14,491,608  | 22    | 15,568,735  | 24   | 15,973,484  | 25    | 18,479,045  | 29   | 64,512,872  | 100 |
| Segment results                                 | 254,373     | 5     | (540,226)   | (11) | 3,025,849   | 60    | 2,311,991   | 46   | 5,051,987   | 100 |
| Flood related losses                            | (664,670)   | (65)  | 299,764     | 29   | (138,501)   | (14)  | 1,520,414   | 149  | 1,017,007   | 100 |
| Change in fair value of biological assets       | -           | -     | -           | -    | -           | -     | 33,378      | 100  | 33,378      | 100 |
| Reversal of unabsorbed VAT provision            | -           | -     | -           | -    | 339,811     | 100   | -           | -    | 339,811     | 100 |
| Foreign exchange (losses)/gains                 | 336,001     | 89    | 770,891     | 205  | (865,475)   | (230) | 134,660     | 36   | 376,077     | 100 |
| Impairment of business assets                   | (11,718)    | (2)   | (17,798)    | 1    | (50,616)    | 2     | (2,349,054) | 97   | (2,429,186) | 100 |
| <b>Profit from operations</b>                   | (86,014)    | (2)   | 512,631     | 12   | 2,311,068   | 53    | 1,651,389   | 38   | 4,389,074   | 100 |
| Net Finance cost                                | (1,000,646) | 24    | (633,017)   | 15   | (1,426,053) | 34    | (1,193,011) | 28   | (4,252,727) | 100 |
| Share of net result of joint venture            | 855         | 31    | 819         | 30   | 481         | 18    | 592         | 22   | 2,747       | 100 |
| <b>Profit/(loss) before Income tax expenses</b> | (1,085,805) | (781) | (119,567)   | (86) | 885,496     | 637   | 458,970     | 330  | 139,094     | 100 |
| Income tax expenses                             | (136,380)   | 9     | 56,563      | (4)  | (552,427)   | 35    | (968,076)   | 60   | (1,600,320) | 100 |
| <b>Profit/(loss) from continuing operations</b> | (1,222,185) | 84    | (63,004)    | 4    | 333,069     | (23)  | (509,106)   | 35   | (1,461,226) | 100 |
| <b>Discontinued operation</b>                   |             |       |             |      |             |       |             |      |             |     |
| Profit from discontinued operation, net of tax  | 45,048      |       | 74,203      |      | 5,087,599   |       | (806,310)   |      | 4,400,540   |     |
| <b>Profit/(loss) for the year</b>               | (1,177,137) |       | 11,199      |      | 5,420,668   |       | (1,315,416) |      | 2,939,314   |     |
| <b>Attributable to:</b>                         |             |       |             |      |             |       |             |      |             |     |
| Owners of the Company                           | (667,456)   | (52)  | 27,595      | 2    | 2,728,689   | 211   | (794,283)   | (61) | 1,294,545   | 100 |
| Non controlling interest                        | (509,681)   | (31)  | (16,396)    | (1)  | 2,691,979   | 164   | (521,133)   | (32) | 1,644,769   | 100 |
|   | (1,177,137) | (40)  | 11,199      | -    | 5,420,668   | 184   | (1,315,416) | (45) | 2,939,314   | 100 |
| Earnings/(loss) per ordinary share (Rs.)        | (3.40)      |       | 0.14        |      | 13.89       |       | (4.04)      |      | 6.59        |     |
| Net assets per ordinary share                   | 160.41      |       | 162.26      |      | 175.92      |       | 159.01      |      | 159.01      |     |
| Market value per share (Rs.)                    | 239.70      |       | 183.70      |      | 173.80      |       | 163.20      |      | 163.20      |     |
| <b>Net profit on segmental basis</b>            |             |       |             |      |             |       |             |      |             |     |
| Investment holdings                             | (41,787)    | 21    | (38,840)    | 20   | (59,781)    | 30    | (56,424)    | 29   | (196,832)   | 100 |
| Portfolio & Asset management                    | 106,667     | 9     | 293,025     | 24   | (51,048)    | (4)   | 887,237     | 72   | 1,235,881   | 100 |
| Oil palm plantations                            | (668,480)   | (15)  | (394,289)   | (9)  | 6,105,791   | 140   | (688,776)   | (16) | 4,354,246   | 100 |
| Oils & fats                                     | (204,992)   | 15    | (112,058)   | 8    | (314,621)   | 23    | (719,614)   | 53   | (1,351,285) | 100 |
| Beverages                                       | (723,624)   | 46    | (518,608)   | 33   | 583,569     | (37)  | (927,839)   | 58   | (1,586,502) | 100 |
| Real estate                                     | 25,061      | 25    | 27,164      | 27   | 24,060      | 24    | 25,618      | 25   | 101,903     | 100 |
| Leisure   | 1,035       | 4     | (2,882)     | (10) | 11,046      | 38    | 20,144      | 69   | 29,343      | 100 |
| Management services                             | (7,018)     | 30    | (13,204)    | 56   | (12,873)    | 55    | 9,578       | (41) | (23,517)    | 100 |
| <b>Segment operating profit</b>                 | (1,513,138) | (59)  | (759,692)   | (30) | 6,286,143   | 245   | (1,450,076) | (57) | 2,563,237   | 100 |
| Foreign exchange gain/(loss)                    | 336,001     | (65)  | 770,891     | 29   | (865,475)   | (14)  | 134,660     | 149  | 376,077     | 100 |
|   | (1,177,137) | -     | 11,199      | -    | 5,420,668   | -     | (1,315,416) | -    | 2,939,314   | -   |

Group Profit allocation 2015



Group Profit allocation 2016



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

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

# FINANCIAL STATEMENTS

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## FINANCIAL CALENDAR

|                                       |                       |
|---------------------------------------|-----------------------|
| Financial Year end                    | - 31st March 2017     |
| <hr/>                                 |                       |
| Announcement of results               |                       |
| 1st Quarter ended 30th June 2016      | - 12th August 2016    |
| 2nd Quarter ended 30th September 2016 | - 15th November 2016  |
| 3rd Quarter ended 31st December 2016  | - 14th February 2017  |
| 4th Quarter ended 31st March 2017     | - 31st May 2017       |
| <hr/>                                 |                       |
| Notice of Annual General Meeting      | - 30th August 2017    |
| 104th Annual General Meeting          | - 26th September 2017 |

# 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 2017.

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 8th August 2017.

## 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 12 to 15 and Sector Reviews on pages 20 to 28 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 7. to the financial statements on pages 130 to 137.

## Financial Statements

The Financial Statements of the Group and the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) 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 2017, duly signed by the Director Finance, Carsons Management Services (Private) Limited, the secretariat together with two Directors of the Company, are given on page 103 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 2017, 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.304.7 Mn (2016 - Rs.516.5 Mn), whilst group revenue amounted to Rs.64,512.8 Mn (2016 - Rs.76,470.4 Mn). Contribution to group revenue from the different business segments is provided in Note 7 to the financial statements.

## Results and Appropriations

The profit after tax of the holding Company was Rs. 110.1 Mn (2016 - Rs. 347.9 Mn) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 1,295 Mn (2016 - Rs. 826 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          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2017<br>Rs.' 000 | 2016<br>Rs.' 000 | 2017<br>Rs.' 000 | 2016<br>Rs.' 000 |
| Results from operating activities                          | 2,669,932        | 6,110,854        | 244,936          | 439,655          |
| Net insurance receipts on flood damages                    | 1,017,007        | -                |                  |                  |
| Reversal of unabsorbed VAT provision                       | 339,811          | -                |                  |                  |
| Foreign exchange (losses)/gains                            | 376,077          | (67,948)         | 8,876            | (4,902)          |
| Net finance cost   | (4,252,727)      | (2,617,581)      | (147,763)        | (82,294)         |
| Share of net results of joint venture                      | 2,747            | 4,809            | -                | -                |
| Change in fair value of biological assets                  | 33,378           | (102,566)        | -                | -                |
| Change in fair value of investment properties              | -                | 491,647          | -                | -                |
| Changes in fair value of financial assets held for trading | (47,131)         | (208,995)        | 4,074            | (1,498)          |
| Profit before tax accruing to the company and subsidiaries | 139,094          | 3,610,220        | 110,123          | 350,961          |
| Provision for taxation                                     | (1,600,320)      | (1,622,822)      | (3)              | (3,038)          |
| Profits from continuing operations                         | (1,461,226)      | 1,987,398        | 110,120          | 347,923          |
| Profit from discontinued operation, net of tax             | 4,400,540        | (360,702)        | -                | -                |
| Profit for the year  | 2,939,314        | 1,626,696        | 110,120          | 347,923          |
| Profit attributable to non controlling interest            | 1,644,769        | 800,804          | -                | -                |
| Profit attributable to owners of the company               | 1,294,545        | 825,892          | 110,120          | 347,923          |
| Other adjustments  | 2,774,345        | 203,183          | 2,024            | 16,813           |
| Balance brought forward from the previous year             | 21,508,293       | 20,871,993       | 7,688,090        | 7,716,128        |
| Amount available for appropriation                         | 25,577,183       | 21,901,067       | 7,800,234        | 8,080,864        |
| Dividend   |                  |                  |                  |                  |
| Ordinary Share dividend                                    |                  |                  |                  |                  |
| Final dividend   | (294,580)        | (392,774)        | (294,580)        | (392,774)        |
| Balance to be carried forward to next year                 | 25,282,603       | 21,508,293       | 7,505,654        | 7,688,090        |

### Reserves

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

| As at 31st March | Group            |                  | Company          |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 2017<br>Rs.' 000 | 2016<br>Rs.' 000 | 2017<br>Rs.' 000 | 2016<br>Rs.' 000 |
| Capital Reserve  | 3,207,132        | 5,738,959        | 287,552          | 287,552          |
| Revenue Reserve  | 26,905,892       | 24,206,273       | 9,187,287        | 9,927,810        |
| Total            | 30,113,024       | 29,945,232       | 9,474,839        | 10,215,362       |

The movements are shown in the Statements of Changes in Equity given on page 104 to 107 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         | 2017<br>Rs.'000  | 2016<br>Rs.'000  |
|---------------------------------------|------------------|------------------|
| <b>Portfolio and Asset Management</b> |                  |                  |
| Property, plant & equipment           | 421              | 3,392            |
| Intangible assets                     | 15,350           | -                |
| <b>Oil Palm Plantations</b>           |                  |                  |
| Property, plant & equipment           | 1,864,613        | 3,257,628        |
| Biological assets/Bearer Plants       | 2,339,760        | 4,172,208        |
| Intangible assets                     | 347,177          | 308,796          |
| <b>Oils &amp; Fats</b>                |                  |                  |
| Property, plant & equipment           | 97,950           | 271,505          |
| Intangible assets                     | 13,951           | 112,223          |
| <b>Beverage</b>                       |                  |                  |
| Property, plant & equipment           | 3,431,349        | 1,596,939        |
| Intangible assets                     | 2,640            | 318              |
| <b>Real Estate</b>                    |                  |                  |
| Property, plant & equipment           | 4,786            | 11,738           |
| Investments Properties                | -                | 20,566           |
| <b>Leisure</b>                        |                  |                  |
| Property, plant & equipment           | 261,067          | 80,148           |
| <b>Management Services</b>            |                  |                  |
| Property, plant & equipment           | 27,233           | 9,040            |
| <b>Total</b>                          | <b>8,406,297</b> | <b>9,844,501</b> |

### Value of the Investment Portfolio

The market value/valuation of the Group's investment portfolio as at 31st March, 2017 was Rs. 18,681 Mn (2016 - Rs. 20,842 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 2017. The carrying value of investment property of the Group is Rs 2,805 Mn (2016 - Rs.2,800 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 24 to the financial statements.

Details of Group properties as at 31 March 2017 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 & d) 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 Changes in Equity, Statement of Cash Flow and notes thereto appearing on pages 99 to 221 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 94 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 of March 2017 are given in Note 17 (d) and Note 51 to the Financial Statements as per the requirements of Section 168 (1) (f) the Companies Act, No. 07 of 2007.

### 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 |            |
|---|-----------------------------|------------|
|   | 31.03.2017                  | 31.03.2016 |
| Mr. T. de Zoysa (Chairman)                  | -                           | -          |
| Mr. H. Selvanathan (Deputy Chairman)        | 76,852                      | 76,852     |
| Mr. M. Selvanathan                          | 1,805,146                   | 1,805,146  |
| Mr. I. Paulraj                              | 129                         | 129        |
| Mr. D. C. R. Gunawardena                    | -                           | -          |
| Mr. S. K. Shah                              | -                           | -          |
| Mr. P. C. P. Tissera                        | 12                          | 12         |
| Mr. V. P. Malalasekera                      | -                           | -          |
| Mr. F. Mohideen                             | -                           | -          |
| Mr. R. Theagarajah                          | -                           | -          |
| Mr. W. M. R. S. Dias                        | -                           | -          |
| Messrs. M. Selvanathan & H. Selvanathan     | 449,820                     | 449,820    |
| Alternate Director                          | -                           | -          |
| Mr. K. Selvanathan (for Mr. M. Selvanathan) | -                           | -          |

### Directors' shareholdings in group quoted companies.

| Subsidiaries                                | No. of Ordinary Shares |            |
|---|------------------------|------------|
|   | 31.03.2017             | 31.03.2016 |
| <b>Ceylon Guardian Investment Trust PLC</b> |                        |            |
| Mr. I. Paulraj                              | 257                    | 257        |
| Mr. D. C. R. Gunawardena                    | 257                    | 257        |
| <b>Ceylon Investment PLC</b>                |                        |            |
| Mr. I. Paulraj                              | 257                    | 257        |
| Mr. D. C. R. Gunawardena                    | 257                    | 257        |
| <b>Ceylon Beverage Holdings PLC</b>         |                        |            |
| Mr. H. Selvanathan                          | 690                    | 690        |
| Mr. M. Selvanathan                          | 690                    | 690        |
| Mr. I. Paulraj                              | 33                     | 33         |
| 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. I. Paulraj                              | 1,675                  | 1,675      |
| Mr. D. C. R. Gunawardena                    | 34                     | 34         |
| Mr. S. K. Shah                              | 6,016                  | 6,016      |
| <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. I. Paulraj                              | 33,450                 | 37,650     |
| 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. I. Paulraj                              | 200                    | 200        |
| Mr. D. C. R. Gunawardena                    | 25                     | 25         |

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

## Directors

The names of the Directors who served during the year are given under corporate information on page 10.

### 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 P. C. P. Tissera 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

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Messrs. I Paulraj, V. Malalasekera who are over 70 year of age and Messrs. Tilak de Zoysa, F. Mohideen and

M. Selvanathan who have reached the age of 70 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 Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to them

## 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

The names of the Directors who held office during the year, as required by Section 168 (1) (h) of the Companies Act, No 07 of 2007, is given in the following table and their brief profiles are given on pages 16 to 17 of the Annual Report.

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 8th August 2017, 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.

1. 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.

2. 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.
3. 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

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

| 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. I. Paulraj                          |           | √             |             |
| Mr. D. C. R. Gunawardena                |           | √             |             |
| Mr. S. K. Shah                          | √         |               |             |
| Mr. P. C. P. Tissera                    | √         |               |             |
| Mr. V. P. Malalasekera <sup>2</sup>     |           | √             | √           |
| Mr. F. Mohideen <sup>3</sup>            |           | √             | √           |
| Mr. R. Theagarajah                      |           | √             | √           |
| Mr. W. M. R. S. Dias                    |           | √             | √           |

| Director                             | Meetings attended (out of 10) |
|--------------------------------------|-------------------------------|
| Mr. T. de Zoysa (Chairman)           | 8                             |
| Mr. H. Selvanathan (Deputy Chairman) | 9                             |
| Mr. M. Selvanathan                   | 8                             |
| Mr. I. Paulraj                       | 9                             |
| Mr. D. C. R. Gunawardena             | 10                            |
| Mr. S. K. Shah                       | 6                             |
| Mr. P. C. P. Tissera                 | 8                             |
| Mr. V. P. Malalasekera               | 10                            |
| Mr. F. Mohideen                      | 10                            |
| Mr. R. Theagarajah                   | 6                             |
| Mr. W. M. R. S. Dias                 | 10                            |

### 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

### Remuneration Committee

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

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

### Composition

As per Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of the Company

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

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, Executive Directors and Non-Executive Directors.

Based on the recommendation of the remuneration committee, the

Board approves remuneration to the respective 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. I. Paulraj (Chairman) | 1                            |
| Mr. D. C. R. Gunawardena  | 2                            |
| Mr. R. Theagarajah        | 1                            |
| Mr. W. M. R. S. Dias      | 2                            |
| Mr. T. de Zoysa           | 1                            |

### 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 17 (d) on page 145 of the Annual Report. Executive Directors are not compensated for their role on the Board.

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

## Audit Committee

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

| Audit Committee Members           | Executive | Non-Executive | Independent |
|-----------------------------------|-----------|---------------|-------------|
| Mr. V. P. Malalasekera (Chairman) |           | √             | √           |
| Mr. F. Mohideen                   |           | √             | √           |
| Mr. D. C. R. Gunawardena          |           | √             |             |

The Audit Committee Report is given on pages 96 to 97 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           |           | √             | √           |

## 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 two meetings and the attendance of the members were as follows;

| Nomination Committee       | Meetings attended (out of 2) |
|----------------------------|------------------------------|
| Mr. T. de Zoysa (Chairman) | 1                            |
| Mr. D. C. R. Gunawardena   | 2                            |
| Mr. R. Theagarajah         | 1                            |

## Related Party Transactions Review Committee

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

| Related Party Transactions Review | 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 95 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 2017, which required additional disclosures in the Annual Report of 2016/17 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 exceeds 10% of the revenue of the Company as per 31st March 2017 audited Financial

Statements are disclosed under Note 51, if any, 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

#### Company

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

A sum of Rs. 835,000/- was paid to them by the Company as audit fees for the year ended 31st March 2017 (2016- Rs. 835,000/-) In addition, they were paid Rs. Nil by the Company as fees for non-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 17 (b) of the financial statements.

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

### Independence of Auditors

Based on the declaration provided by Messrs. KPMG Chartered Accountants, and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Group and the Company, which in our judgment may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), applicable on the date of this Annual Report.

### Independent Auditor's Report

The independent Auditor's Report on the Financial Statements is given on page 98 of this Annual Report.

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

## Dividend

The Board of Directors have not recommended a Dividend for the year ended 31st March 2017.

## Solvency Test

Since there is no recommendation for a payment of a Dividend for the year ended 31st March 2017, it is not required to prepare a Solvency statement in accordance with Sec. 56 of the Companies Act, No. 7 of 2007.

## Major Shareholders

Twenty Major Shareholders - Ordinary Shares.

| No. of Shares as at 31st March               | 2017       | %     | 2016       | %     |
|--|------------|-------|------------|-------|
| 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  |
| Portelet Limited                             | 14,747,670 | 7.51  | 14,747,670 | 7.51  |
| Newgreens 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. V. Nataraj                               | 2,781,737  | 1.42  | 2,781,737  | 1.42  |
| Mrs. V. Nataraj                              | 2,781,736  | 1.42  | 2,781,736  | 1.42  |
| Natwest Nominees (Pvt) Limited.              | 2,598,447  | 1.32  | 2,598,447  | 1.32  |
| Wardley Investments (Pvt) Limited.           | 2,532,074  | 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  |
| 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  |
| GF Capital Global Limited                    | 1,432,355  | 0.73  | 1,432,355  | 0.73  |
| Mrs. M. N. C. Pellizzari                     | 939,801    | 0.48  | 939,801    | 0.48  |
| Mr. S. Selvanathan                           | 703,348    | 0.36  | 703,348    | 0.36  |
| Pershing LLC S/A Averbach Grauson & Co.      | 699,887    | 0.36  | 672,930    | 0.34  |
| Mr. H.A. Van Starrex                         | 481,591    | 0.25  | 429,628    | 0.22  |
| Interkrish Investment Company (Pvt) Limited. | 454,488    | 0.23  | 454,488    | 0.23  |

## Stated Capital

The Stated Capital of the Company as at 31st March 2017 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.

## Share Information

Information relating to earnings, dividends, net assets and market price per share is given on pages 74 to 82 of the Annual Report.

Information on share trading is given on page 74 of the Annual Report.

## 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 on pages 212 to 214 of the Annual Report.

## 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.

## Contingent Liabilities and Capital Commitment

The commitments made on account of capital expenditure and contingent liabilities as at 31st March 2017 are given in Note 48 (a)

and Note 48 (f) 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.

### 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.

### 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 socio-economic 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.

### Significant Events during the Financial Year

#### Factory owned by Lion Brewery (Ceylon) PLC affected by floods.

On 18th May 2016, due to incessant rains that was experienced throughout the country and the overflowing of the Kelani river the Lion Brewery (Ceylon) PLC's factory at Biyagama was affected by the resultant floods. The floods

caused damage to certain items of plant & machinery resulting in a halt in production for almost 6 months. The impact of the event has been described in greater detail under sector review and in Note 13 to the Financial Statements. The production at Brewery recommenced on 10th November 2016.

#### Sale of Estates owned by the Four Malaysian Plantation Companies and Closure of Branch offices in Malaysia.

Pursuant to shareholder and regulatory approvals, Indo – Malay PLC, Good Hope PLC, Selinsing PLC and Shalimar (Malay) PLC (Four Malaysian Plantation Companies) disposed of their plantation estates in Malaysia in 2016 and the net sale proceeds from the sale of estates of Indo – Malay PLC, Good Hope PLC and Shalimar (Malay) PLC were distributed to the shareholders via Repurchase of shares and an Interim Dividend. The net sale proceeds from the sale of plantation of Selinsing PLC was distributed to its shareholders via Repurchase of shares.

Following the sale of Plantations, the operations of the branch offices of the Four Malaysian Plantation Companies were terminated.

#### De-Listing of EQUITY ONE PLC

Subsequent to obtaining shareholder approval, Equity One PLC was de-listed from the Colombo Stock Exchange on 2nd November 2016. Following the delisting, the status of the Company changed from a 'Public Quoted Company' to 'Public

Unquoted Company' and hence, the name of the Company changed to "Equity One Limited" with effect from 26th December 2016.

### Human Resource

The Group continued to invest in Human Capital Development and implement 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 2017 was 12,583 (31st March 2016 - 15,136.). The Company had no employees as at 31st March 2017 (2016 - Nil).

### Donations

The Group made donations amounting to Rs. Nil. During the year under review (2016 - Rs. 44.29 Mn). Company – Nil (2016- Rs. Nil)

### 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 8th August 2017. 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 Fourth Annual General Meeting of the Company will be held on Tuesday, the 26th day of September at 2.30 p.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 thereat is on page 228 of the Annual Report.

Signed on behalf of the Board

|                                      |                                      |
|--------------------------------------|--------------------------------------|
| (Sgd.)<br>H. Selvanathan<br>Director | (Sgd.)<br>M. Selvanathan<br>Director |
|--------------------------------------|--------------------------------------|

(Sgd.)  
K.D. De Silva (Mrs.)  
Director

**Carsons Management Services (Private) Limited**  
Secretaries

Colombo  
8th August 2017

# Statement of Directors' Responsibility

The Directors are responsible for preparing the Annual Report and the consolidated Financial Statements in accordance with the Companies Act No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and required to prepare Financial Statements for each financial year that present fairly the financial position of the group and the financial performance and cash flows of the group for that period.

In preparing those Financial Statements, the Directors are required to:

- Select suitable Accounting Policies and apply consistently.
- Present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosure when compliance with specific requirements of Sri Lanka Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.
- State that the company has complied with Sri Lanka Accounting Standards, subject to any material departures disclosed and explained in the consolidated Financial Statements.

- Make reasonable and prudent judgements and estimates.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the consolidated Financial Statements comply with the Companies Act No.7 of 2007 and Sri Lanka Accounting Standards. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The group's business activities, performance, position and risks are set out in the report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are detailed in the notes to the financial statements. The report also includes details of the group's risk mitigation and management. The group has considerable financial resources, and the Directors believe that the group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future from the date of signing these Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board,

(Sgd.)  
**K.D. De Silva (Mrs.)**  
 Director  
**Carsons Management Services (Private) Limited.**  
 Secretaries

Colombo  
 8th August 2017

# 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 Three (03) Meetings during the financial year to discuss matters relating to the Company.

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

| Meetings attended (out of 03) |    |
|-------------------------------|----|
| Mr.V.P. Malalasekera          | 03 |
| Mr.F. Mohideen                | 03 |
| Mr.D.C.R. Gunawardena         | 03 |
| Mr.H. Selvanathan             | 02 |
| Mr.M. Selvanathan             | 02 |
| Mr.S.K. Shah                  | 03 |

## 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 all the 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 is 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 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.

The 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 even in the case of once approved recurrent transactions which are of operational nature, which as per the RPT Code need not be repeatedly approved if within the broad thresholds.

The RPTRC in discharging its function has introduced processes and periodic reporting by the relevant entities with a view to ensuring 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 the KMPs so designated are required to provide quarterly disclosures.

The Related Party Transactions of the Company for the period 1st April 2016 to 31st March 2017 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

8th August 2017

# 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

## Plantation Sector - Malaysia

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

## Real Estate Sector

Equity Two PLC

## Beverage Sector

Lion Brewery (Ceylon) PLC  
Ceylon Beverage Holdings PLC

## Leisure Sector

Pegasus Hotels of Ceylon PLC

The Audit Committee of the Company comprises of Three Members, as follows :

| 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.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.

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 14 Meetings during the financial year and the attendance of the Members was as follows:

| Meetings attended (out of Fourteen) |    |
|-------------------------------------|----|
| Mr.V.P. Malalasekera (Chairman)     | 13 |
| Mr.D.C.R. Gunawardena               | 13 |
| Mr.F. Mohideen                      | 14 |

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/Chief Financial Officer/ Financial Controller of the respective companies, internal auditors and senior management staff members of Carsons Management Services (Private) Limited, who provides secretariat services to the Company also attended the Audit Committee Meetings by invitation.

The 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 and to deliberate the draft Financial Report and Accounts of the Company/Sectors. The Audit Committee also discussed the draft 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 2016/2017, the following Company/Sectors were audited :

|                        | Number of audits |
|------------------------|------------------|
| Carson Cumberbatch PLC | 01 audit         |
| Investment Sector      | 05 audits        |
| Real Estate Sector     | 01 audit         |
| Beverage Sector        | 07 audits        |
| Leisure Sector         | 03 audits        |

The estates of the Four Malaysian Plantation Companies were to be sold during 2016/2017 and therefore, only financial audits were

carried out, whilst no field audits at estate level were carried out. 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 IT consultancy division of Messrs.KPMG, has during the year completed a comprehensive external IT security and process audit covering the IT environment of Carsons Management Services (Private) Limited (Secretariat to the Company), which covers the centralized IT services provided to the Investment Sector, Real Estate Sector and Leisure Sector of the

Group. This exercise facilitated Carsons Management Services (Private) Limited to obtain IAO/IEC 27001:2013 certification in November 2016.

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.

The draft financial statements for the year ended 31st March 2017 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, Chief Financial 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.

The Audit Committee has determined that Messrs. KPMG, Chartered Accountants, Auditors of the Company were independent on the basis that they did not carry out any management related functions of the Company or the Group entities in their capacity as Auditors.

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 2018, 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, Riverside Resorts (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, Vee Waruna (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  
8th August 2017

# Independent Auditors' Report



KPMG  
 (Chartered Accountants)  
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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CARSON CUMBERBATCH PLC

### Report on the Financial Statements

We have audited the accompanying 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 31st March 2017, and income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 99 to 221.

### Board's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

Colombo.

8th August 2017

# Income Statement

(Amounts expressed in Sri Lankan Rs. '000)

| For the year ended 31st March  | Note      | Group              |                   |              | Company        |                |             |
|--|-----------|--------------------|-------------------|--------------|----------------|----------------|-------------|
|  |           | 2017               | 2016              | Change       | 2017           | 2016           | Change      |
|  |           |                    | (Re - stated)*    | %            |                |                | %           |
| <b>Continuing operations</b>   |           |                    |                   |              |                |                |             |
| Revenue  | 7         | 64,512,872         | 76,470,465        | (16)         | 304,700        | 516,599        | (41)        |
| Direct operating expenses  | 9         | (47,836,490)       | (55,254,016)      | (13)         | -              | -              | -           |
| <b>Gross profit</b>  |           | <b>16,676,382</b>  | <b>21,216,449</b> | <b>(21)</b>  | <b>304,700</b> | <b>516,599</b> | <b>(41)</b> |
| Progressive insurance receipts on business interruption                                    | 13        | 1,000,000          | -                 | -            | -              | -              | -           |
| Change in fair value of investment properties  | 24        | -                  | 491,647           | -            | -              | -              | -           |
| Change in fair value of biological assets  | 34        | 33,378             | (102,566)         | (133)        | -              | -              | -           |
| Change in fair value of financial assets held for trading                                  |           | (47,131)           | (208,995)         | (77)         | 4,074          | (1,498)        | (372)       |
| Other income   | 10        | 520,443            | 319,852           | 63           | -              | -              | -           |
| Distribution expenses  |           | (4,551,578)        | (5,489,398)       | (17)         | -              | -              | -           |
| Administrative expenses  |           | (7,274,403)        | (6,872,681)       | 6            | (59,764)       | (73,587)       | (19)        |
| Other operating expenses   | 11        | (271,726)          | (349,508)         | (22)         | -              | -              | -           |
| Impairment of business assets  | 12        | (2,429,186)        | (2,713,861)       | (10)         | -              | (3,357)        | (100)       |
| Foreign exchange (losses) /gains   | 15        | 376,077            | (67,948)          | (653)        | 8,876          | (4,902)        | (281)       |
| <b>Profit from operations</b>  |           | <b>4,032,256</b>   | <b>6,222,991</b>  | <b>(35)</b>  | <b>257,886</b> | <b>433,255</b> | <b>(40)</b> |
| Inventory and fixed assets quantified and written-off to date due to flood related damages | 13        | (1,349,287)        | -                 | -            | -              | -              | -           |
| Progressive insurance receipts on property damages   | 13        | 1,366,294          | -                 | -            | -              | -              | -           |
| Reversal of unabsorbed VAT provision   | 14        | 339,811            | -                 | -            | -              | -              | -           |
|  |           | 4,389,074          | 6,222,991         | (29)         | 257,886        | 433,255        | (40)        |
| Net finance cost   | 16        | (4,252,727)        | (2,617,581)       | 62           | (147,763)      | (82,294)       | 80          |
| Share of net result of joint venture   | 28        | 2,747              | 4,809             | (43)         | -              | -              | -           |
| <b>Profit / (loss) before Income tax expenses</b>  | <b>17</b> | <b>139,094</b>     | <b>3,610,219</b>  | <b>(96)</b>  | <b>110,123</b> | <b>350,961</b> | <b>(69)</b> |
| <b>Income tax expenses</b>   |           |                    |                   |              |                |                |             |
| Current taxation   | 18        | (1,207,160)        | (1,176,996)       | 3            | (3)            | (3,038)        | (100)       |
| Deferred taxation  | 18        | (393,160)          | (445,826)         | (12)         | -              | -              | -           |
|  |           | (1,600,320)        | (1,622,822)       | (1)          | (3)            | (3,038)        | (100)       |
| <b>Profit / (loss) from continuing operations</b>  | <b>-</b>  | <b>(1,461,226)</b> | <b>1,987,397</b>  | <b>(174)</b> | <b>110,120</b> | <b>347,923</b> | <b>(68)</b> |

# Income Statement

(Amounts expressed in Sri Lankan Rs.'000)

| For the year ended 31st March   | Note | Group            |                  |           | Company        |                |             |
|---|------|------------------|------------------|-----------|----------------|----------------|-------------|
|   |      | 2017             | 2016             | Change    | 2017           | 2016           | Change      |
|   |      |                  | (Re - stated)*   | %         |                |                | %           |
| <b>Discontinued operations</b>  |      |                  |                  |           |                |                |             |
| Loss for the year from discontinued operations, net of tax                  | 8    | (355,078)        | (360,702)        | (2)       | -              | -              | -           |
| Profits from disposal of Plantation Assets                                  |      | 6,225,874        | -                | -         | -              | -              | -           |
| Transfer from Translation Reserve on discontinued overseas branch operation |      | (1,470,256)      | -                | -         | -              | -              | -           |
| Net impact from discontinued operations, net of tax                         |      | 4,400,540        | (360,702)        | (1,320)   | -              | -              | -           |
| <b>Profit for the year</b>  |      | <b>2,939,314</b> | <b>1,626,695</b> | <b>81</b> | <b>110,120</b> | <b>347,923</b> | <b>(68)</b> |
| <b>Profit Attributable to:</b>  |      |                  |                  |           |                |                |             |
| Owners of the Company   | 7    | 1,294,545        | 825,891          | 57        | 110,120        | 347,923        | (68)        |
| Non controlling interest  | 7    | 1,644,769        | 800,804          | 105       | -              | -              | -           |
|   |      | 2,939,314        | 1,626,695        | 81        | 110,120        | 347,923        | (68)        |
| Earnings per ordinary share (Rs.)   | 19   | 6.59             | 4.21             | 57        | 0.56           | 1.77           | (68)        |
| Earnings / (loss) per ordinary share - Continuing operations (Rs.)          | 19   | (4.00)           | 5.23             | (176)     | 0.56           | 1.77           | (68)        |
| Dividend Per ordinary share (Rs.)   | 20   | -                | 1.50             | (100)     | -              | 1.50           | (100)       |

\*Prior period figures were restated upon adoption of Amendments to LKAS 16 Property, Plant and Equipment and LKAS 41 Agriculture

The Notes from pages 110 to 221 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          |                    |
|---|------------------|---------------------|------------------|--------------------|
|   | 2017             | 2016<br>(Re-stated) | 2017             | 2016               |
| Profit for the year   | 2,939,314        | 1,626,695           | 110,120          | 347,923            |
| <b>Other Comprehensive Income / expenses</b>  |                  |                     |                  |                    |
| Items that may be reclassified subsequently to profit or loss:  |                  |                     |                  |                    |
| Net change in fair value of available-for-sale financial assets   | (1,735,978)      | (9,643,577)         | (558,087)        | (2,052,154)        |
| Transfer of realised gain/(loss) on available-for-sale financial assets                                       | (696,487)        | (580,138)           | -                | -                  |
| Exchange differences on translation of foreign operations   | (290,007)        | 610,631             | -                | -                  |
| Transfer of translation reserve on discontinued overseas branch operations to the statement of profit or loss | 1,470,256        | -                   | -                | -                  |
| Items that will not be reclassified subsequently to profit or loss:   |                  |                     |                  |                    |
| Revaluation Surplus on Property, Plant & Equipment  | 734,196          | 906,976             | -                | -                  |
| Deferred tax benefits / (expenses) on revaluation surplus   | (25,952)         | (75,583)            | -                | -                  |
| Actuarial (losses) /gains on employee benefits  | 34,160           | 515,587             | -                | -                  |
| Deferred tax benefits / (expenses) on actuarial gain / (losses)   | 3,385            | (130,858)           | -                | -                  |
| <b>Other comprehensive income / (expenses) for the year, net of tax</b>                                       | <b>(506,427)</b> | <b>(8,396,962)</b>  | <b>(558,087)</b> | <b>(2,052,154)</b> |
| <b>Total Comprehensive Income / (expenses) for the year</b>   | <b>2,432,886</b> | <b>(6,770,267)</b>  | <b>(447,967)</b> | <b>(1,704,231)</b> |
| Attributable to:  |                  |                     |                  |                    |
| Owners of the Company   | 886,861          | (5,002,851)         | (447,967)        | (1,704,231)        |
| Non controlling interest  | 1,546,025        | (1,767,416)         | -                | -                  |
|   | 2,432,886        | (6,770,267)         | (447,967)        | (1,704,231)        |

\*Prior period figures were restated upon adoption of Amendments to LKAS 16 Property, Plant and Equipment and LKAS 41 Agriculture

The Notes from pages 110 to 221 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Statement of Financial Position

(Amounts expressed in Sri Lankan Rs. '000)

| As at 31st March                             | Note | Group              |                     |                               | Company           |                   |
|--|------|--------------------|---------------------|-------------------------------|-------------------|-------------------|
|  |      | 2017               | 2016<br>(Re-stated) | 1st April 2015<br>(Re-stated) | 2017              | 2016              |
| <b>ASSETS</b>                                |      |                    |                     |                               |                   |                   |
| <b>Non - Current Assets</b>                  |      |                    |                     |                               |                   |                   |
| Property, plant & equipment                  | 21   | 53,777,058         | 60,473,145          | 58,198,456                    | -                 | -                 |
| Bearer Plants                                | 22   | 27,517,143         | 27,804,990          | 25,265,286                    | -                 | -                 |
| Prepaid lease payment for land               | 23   | 4,927,618          | 4,836,795           | 4,466,870                     | -                 | -                 |
| Investment properties                        | 24   | 2,805,017          | 2,800,231           | 2,355,945                     | -                 | -                 |
| Intangible assets                            | 25   | 5,907,085          | 7,784,816           | 7,937,000                     | -                 | -                 |
| Investments in subsidiaries                  | 26   | -                  | -                   | -                             | 10,334,171        | 10,256,763        |
| Investments in joint ventures                | 28   | 36,928             | 31,677              | 25,913                        | -                 | -                 |
| Available-for-sale financial assets          | 29   | 15,518,127         | 17,973,231          | 27,202,495                    | 1,693,995         | 2,252,082         |
| Deferred tax assets                          | 18   | 3,116,709          | 3,532,552           | 2,478,600                     | -                 | -                 |
| Other financial receivables                  | 31   | 152,396            | 136,678             | 122,545                       | -                 | -                 |
| Other non financial receivables              | 31   | 6,288,882          | 4,709,516           | 2,841,838                     | -                 | -                 |
| <b>Total non - current assets</b>            |      | <b>120,046,963</b> | <b>130,083,631</b>  | <b>130,894,948</b>            | <b>12,028,166</b> | <b>12,508,845</b> |
| <b>Current Assets</b>                        |      |                    |                     |                               |                   |                   |
| Inventories                                  | 30   | 5,951,823          | 6,754,740           | 7,665,077                     | -                 | -                 |
| Trade receivables                            | 31   | 3,829,381          | 3,602,440           | 4,491,999                     | 84,881            | 144,667           |
| Other financial receivables                  | 31   | 1,064,549          | 689,021             | 699,608                       | -                 | 2,223             |
| Other non financial receivables              | 31   | 5,539,430          | 5,266,922           | 5,075,392                     | 3,675             | 1,750             |
| Current tax recoverable                      |      | 58,491             | 45,487              | 83,209                        | 7,170             | 5,875             |
| Financial assets held for trading            | 32   | 3,163,050          | 2,869,272           | 2,712,236                     | 26,154            | 22,079            |
| Derivative financial instruments             | 33   | 14,237             | 67,910              | 42,383                        | -                 | -                 |
| Biological assets                            | 34   | 712,845            | 648,912             | 708,670                       | -                 | -                 |
| Cash and cash equivalents                    | 35   | 15,382,575         | 7,616,870           | 9,023,256                     | 1,712             | 20,719            |
|  |      | 35,716,381         | 27,561,574          | 30,501,830                    | 123,592           | 197,313           |
| Assets held for sale                         | 36   | 647,447            | 3,051,117           | 491,895                       | -                 | -                 |
| <b>Total current assets</b>                  |      | <b>36,363,828</b>  | <b>30,612,691</b>   | <b>30,993,725</b>             | <b>123,592</b>    | <b>197,313</b>    |
| <b>Total assets</b>                          |      | <b>156,410,791</b> | <b>160,696,322</b>  | <b>161,888,673</b>            | <b>12,151,758</b> | <b>12,706,158</b> |
| <b>EQUITY AND LIABILITIES</b>                |      |                    |                     |                               |                   |                   |
| <b>EQUITY</b>                                |      |                    |                     |                               |                   |                   |
| Stated capital                               | 37   | 1,114,652          | 1,114,652           | 1,114,652                     | 1,114,652         | 1,114,652         |
| Capital reserves                             | 38   | 3,207,132          | 5,738,959           | 5,303,520                     | 287,552           | 287,552           |
| Revenue reserves                             | 39   | 26,905,892         | 24,206,273          | 30,372,520                    | 9,187,287         | 9,927,810         |
| Equity attributable to owners of the Company |      | 31,227,676         | 31,059,884          | 36,790,692                    | 10,589,491        | 11,330,014        |
| Non-controlling interest                     | 27   | 28,225,711         | 27,230,412          | 29,469,854                    | -                 | -                 |
| <b>Total equity</b>                          |      | <b>59,453,387</b>  | <b>58,290,296</b>   | <b>66,260,546</b>             | <b>10,589,491</b> | <b>11,330,014</b> |

(Amounts expressed in Sri Lankan Rs. '000)

| As at 31st March                                 | Note | Group              |                     |                               | Company           |                   |
|--|------|--------------------|---------------------|-------------------------------|-------------------|-------------------|
|  |      | 2017               | 2016<br>(Re-stated) | 1st April 2015<br>(Re-stated) | 2017              | 2016              |
| <b>LIABILITIES</b>                               |      |                    |                     |                               |                   |                   |
| <b>Non - Current Liabilities</b>                 |      |                    |                     |                               |                   |                   |
| Loans and borrowings                             | 40   | 32,723,320         | 42,488,753          | 46,533,446                    | -                 | -                 |
| Debenture  | 41   | 2,998,800          | 3,798,200           | 4,597,600                     | -                 | -                 |
| Other financial payables                         | 42   | 77,607             | 63,559              | 55,818                        | -                 | -                 |
| Other non financial liabilities                  | 43   | 1,144,164          | 1,079,813           | 1,254,959                     | -                 | -                 |
| Deferred tax liabilities                         | 18   | 5,808,833          | 6,170,470           | 4,820,851                     | -                 | -                 |
| <b>Total non - current liabilities</b>           |      | <b>42,752,724</b>  | <b>53,600,795</b>   | <b>57,262,674</b>             | <b>-</b>          | <b>-</b>          |
| <b>Current Liabilities</b>                       |      |                    |                     |                               |                   |                   |
| Trade payables                                   | 42   | 2,730,404          | 3,974,740           | 4,763,258                     | -                 | -                 |
| Other financial payables                         | 42   | 15,445,255         | 14,620,195          | 8,485,042                     | 144,092           | 138,976           |
| Current tax liabilities                          |      | 380,891            | 624,030             | 267,958                       | -                 | -                 |
| Derivative financial instrument                  | 33   | -                  | 36,342              | -                             | -                 | -                 |
| Loans and borrowings                             | 40   | 34,710,198         | 28,551,789          | 24,517,231                    | 1,418,175         | 1,237,168         |
| Debenture  | 41   | 937,932            | 958,699             | 331,964                       | -                 | -                 |
|  |      | 54,204,680         | 48,765,795          | 38,365,453                    | 1,562,267         | 1,376,144         |
| Liabilities associated with assets held for sale | 36   | -                  | 39,436              | -                             | -                 | -                 |
| <b>Total current liabilities</b>                 |      | <b>54,204,680</b>  | <b>48,805,231</b>   | <b>38,365,453</b>             | <b>1,562,267</b>  | <b>1,376,144</b>  |
| <b>Total liabilities</b>                         |      | <b>96,957,404</b>  | <b>102,406,026</b>  | <b>95,628,127</b>             | <b>1,562,267</b>  | <b>1,376,144</b>  |
| <b>Total equity and liabilities</b>              |      | <b>156,410,791</b> | <b>160,696,322</b>  | <b>161,888,673</b>            | <b>12,151,758</b> | <b>12,706,158</b> |
| Net assets per ordinary share                    | 44   | 159.01             | 158.16              | 187.34                        | 53.92             | 57.69             |

\*Prior period figures were restated upon adoption of Amendments to LKAS 16 Property, Plant and Equipment and LKAS 41 Agriculture

The Notes from pages 110 to 221 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 Finance

Carsons Management Services (Pvt) Ltd

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 8th August 2017.

(Sgd.)

M. Selvanathan

Director

(Sgd.)

D.C.R. Gunawardena

Director

# Statement of Changes 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 31st March 2015   | 1,114,652      | 287,552                   | 3,470,200           | 1,545,768             |
| Amendments to LKAS 16/ LKAS 41 (Note 55)                                      | -              | -                         | -                   | -                     |
| Balance as at 1st April 2015 (Re-stated)                                      | 1,114,652      | 287,552                   | 3,470,200           | 1,545,768             |
| Super gain tax for the year of assessment 2013/14                             | -              | -                         | -                   | -                     |
|   | 1,114,652      | 287,552                   | 3,470,200           | 1,545,768             |
| <b>Total comprehensive income</b>   |                |                           |                     |                       |
| Profit for the period   | -              | -                         | -                   | -                     |
| Other comprehensive income  | -              | -                         | 446,979             | -                     |
| <b>Total comprehensive income</b>   | -              | -                         | 446,979             | -                     |
| <b>Transactions with owners of the company, recognized directly in equity</b> |                |                           |                     |                       |
| Acquisition of subsidiaries   | -              | -                         | -                   | -                     |
| Share issue by subsidiaries   | -              | -                         | -                   | -                     |
| Goodwill on changing shareholdings  | -              | -                         | -                   | -                     |
| Forfeiture of unclaimed dividends   | -              | -                         | -                   | -                     |
| Ordinary dividend paid  | -              | -                         | -                   | -                     |
| Subsidiary dividend to non-controlling interest                               | -              | -                         | -                   | -                     |
| Transfer and other reserve movements  | -              | -                         | -                   | 7,156                 |
| Acquisition, disposal and changes in non-controlling interest                 | -              | -                         | -                   | (18,696)              |
| <b>Total transactions with owners of the company</b>                          | -              | -                         | -                   | (11,540)              |
| Balance as at 31st March 2016   | 1,114,652      | 287,552                   | 3,917,179           | 1,534,228             |
| <b>Total comprehensive income</b>   |                |                           |                     |                       |
| Profit for the period   | -              | -                         | -                   | -                     |
| Other comprehensive income  | -              | -                         | 634,910             | -                     |
| <b>Total comprehensive income</b>   | -              | -                         | 634,910             | -                     |
| <b>Transactions with owners of the company, recognized directly in equity</b> |                |                           |                     |                       |
| Goodwill on changing shareholdings  | -              | -                         | -                   | -                     |
| Ordinary dividend paid  | -              | -                         | -                   | -                     |
| Subsidiary dividend to non-controlling interest                               | -              | -                         | -                   | -                     |
| Expenses relating to share buyback  | -              | -                         | -                   | -                     |
| Share buyback   | -              | -                         | -                   | -                     |
| Forfeiture of unclaimed dividends   | -              | -                         | -                   | -                     |
| Transfer and other reserve movements  | -              | -                         | (3,094,789)         | -                     |
| Acquisition, disposal and changes in non-controlling interest                 | -              | -                         | -                   | (71,948)              |
| <b>Total Transactions with owners of the Company</b>                          | -              | -                         | (3,094,789)         | (71,948)              |
| Balance as at 31st March 2017   | 1,114,652      | 287,552                   | 1,457,300           | 1,462,280             |

\*Prior period figures were restated upon adoption of Amendments to LKAS 16 Property, Plant and Equipment and LKAS 41 Agriculture

The Notes from pages 110 to 221 form an integral part of these financial statements.

| 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 |                   |                                       |                            |              |
| 387,169          | (5,740,684)                   | 14,094,179                                  | 29,500,927        | 44,659,763                            | 37,402,995                 | 82,062,758   |
| -                | 493,653                       | -   | (8,362,724)       | (7,869,071)                           | (7,933,141)                | (15,802,213) |
| 387,169          | (5,247,031)                   | 14,094,179                                  | 21,138,203        | 36,790,692                            | 29,469,854                 | 66,260,546   |
| -                | -                             | -   | (266,210)         | (266,210)                             | (244,812)                  | (511,022)    |
| 387,169          | (5,247,031)                   | 14,094,179                                  | 20,871,993        | 36,524,482                            | 29,225,042                 | 65,749,524   |
| -                | -                             | -   | 825,892           | 825,892                               | 800,804                    | 1,626,696    |
| -                | 240,358                       | (6,708,103)                                 | 192,024           | (5,828,742)                           | (2,568,220)                | (8,396,963)  |
| -                | 240,358                       | (6,708,103)                                 | 1,017,916         | (5,002,850)                           | (1,767,416)                | (6,770,267)  |
| -                | -                             | -   | -                 | -                                     | 27,115                     | 27,115       |
| -                | -                             | -   | -                 | -                                     | 89,409                     | 89,409       |
| -                | -                             | -   | (60,915)          | (60,915)                              | 4,189                      | (56,726)     |
| -                | -                             | -   | 5,477             | 5,477                                 | 3,577                      | 9,054        |
| -                | -                             | -   | (392,774)         | (392,774)                             | -                          | (392,774)    |
| -                | -                             | -   | -                 | -                                     | (414,603)                  | (414,603)    |
| 107              | -                             | (68,773)                                    | 39,964            | (21,546)                              | 39,738                     | 18,192       |
| 519              | (445)                         | -   | 26,633            | 8,011                                 | 23,362                     | 31,373       |
| 626              | (445)                         | (68,773)                                    | (381,616)         | (461,748)                             | (227,213)                  | (688,960)    |
| 387,795          | (5,007,118)                   | 7,317,303                                   | 21,508,293        | 31,059,884                            | 27,230,412                 | 58,290,296   |
| -                | -                             | -   | 1,294,545         | 1,294,545                             | 1,644,769                  | 2,939,314    |
| -                | 514,432                       | (1,604,246)                                 | 47,221            | (407,683)                             | (98,744)                   | (506,426)    |
| -                | 514,432                       | (1,604,246)                                 | 1,341,766         | 886,862                               | 1,546,025                  | 2,432,888    |
| -                | -                             | -   | (43,428)          | (43,428)                              | 3,604                      | (39,824)     |
| -                | -                             | -   | (294,580)         | (294,580)                             | -                          | (294,580)    |
| -                | -                             | -   | -                 | -                                     | (313,463)                  | (313,463)    |
| -                | -                             | -   | (4,643)           | (4,643)                               | (4,738)                    | (9,381)      |
| -                | -                             | -   | 31,335            | 31,335                                | (142,336)                  | (111,001)    |
| -                | -                             | -   | 4,974             | 4,974                                 | 2,423                      | 7,397        |
| (6,719)          | -                             | 1,689                                       | 3,099,825         | 4                                     | -                          | 4            |
| (2,021)          | 22,176                        | -   | (360,939)         | (412,732)                             | (96,217)                   | (508,949)    |
| (8,740)          | 22,176                        | 1,689                                       | 2,432,544         | (719,070)                             | (550,727)                  | (1,269,797)  |
| 379,055          | (4,470,510)                   | 5,714,744                                   | 25,282,603        | 31,227,676                            | 28,225,711                 | 59,453,387   |

## Statement of Changes in Equity

(Amounts expressed in Sri Lankan Rs. '000)

| Description   | Stated Capital   | Capital Accretion Reserve | Capital Reserves    |                       |
|---|------------------|---------------------------|---------------------|-----------------------|
|   |                  |                           | Revaluation Reserve | Other Capital Reserve |
| <b>Company</b>  |                  |                           |                     |                       |
| Balance as at 31st March 2015   | 1,114,652        | 287,552                   | -                   | -                     |
| Super gain tax for the year of assessment 2013/14                             | -                | -                         | -                   | -                     |
| Balance as at 01st April 2015 (super gain tax adjusted)                       | 1,114,652        | 287,552                   | -                   | -                     |
| <b>Total comprehensive income</b>   |                  |                           |                     |                       |
| Profits for the year  | -                | -                         | -                   | -                     |
| Other comprehensive income  | -                | -                         | -                   | -                     |
| <b>Total comprehensive income</b>   | <b>1,114,652</b> | <b>287,552</b>            | <b>-</b>            | <b>-</b>              |
| <b>Transactions with owners of the company, recognized directly in equity</b> |                  |                           |                     |                       |
| Forfeiture of unclaimed dividends   | -                | -                         | -                   | -                     |
| Transfer  | -                | -                         | -                   | -                     |
| Ordinary dividend paid  | -                | -                         | -                   | -                     |
| Balance as at 31st March 2016   | 1,114,652        | 287,552                   | -                   | -                     |
| <b>Total comprehensive income</b>   |                  |                           |                     |                       |
| Profits for the year  | -                | -                         | -                   | -                     |
| Other comprehensive income  | -                | -                         | -                   | -                     |
| <b>Total comprehensive income</b>   | <b>-</b>         | <b>-</b>                  | <b>-</b>            | <b>-</b>              |
| <b>Transactions with owners of the company, recognized directly in equity</b> |                  |                           |                     |                       |
| Forfeiture of unclaimed dividends   | -                | -                         | -                   | -                     |
| Ordinary dividend paid  | -                | -                         | -                   | -                     |
| Balance as at 31st March 2017   | 1,114,652        | 287,552                   | -                   | -                     |

The Notes from pages 110 to 221 form an integral part of these financial statements.

| 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 |                   |                                       |                            |              |
| -                | -                             | 4,309,026                                   | 7,716,128         | 13,427,358                            | -                          | 13,427,358   |
| -                | -                             | -   | (1,464)           | (1,464)                               | -                          | (1,464)      |
| -                | -                             | 4,309,026                                   | 7,714,664         | 13,425,894                            | -                          | 13,425,894   |
| -                | -                             | -   | 347,923           | 347,923                               | -                          | 347,923      |
| -                | -                             | (2,052,154)                                 | -                 | (2,052,154)                           | -                          | (2,052,154)  |
| -                | -                             | 2,256,872                                   | 8,062,587         | 11,721,663                            | -                          | 11,721,663   |
| -                | -                             | -   | 1,125             | 1,125                                 | -                          | 1,125        |
| -                | -                             | (17,152)                                    | 17,152            | -                                     | -                          | -            |
| -                | -                             | -   | (392,774)         | (392,774)                             | -                          | (392,774)    |
| -                | -                             | 2,239,720                                   | 7,688,090         | 11,330,014                            | -                          | 11,330,014   |
| -                | -                             | -   | 110,120           | 110,120                               | -                          | 110,120      |
| -                | -                             | (558,087)                                   | -                 | (558,087)                             | -                          | (558,087)    |
| -                | -                             | (558,087)                                   | 110,120           | (447,967)                             | -                          | (447,967)    |
| -                | -                             | -   | 2,024             | 2,024                                 | -                          | 2,024        |
| -                | -                             | -   | (294,580)         | (294,580)                             | -                          | (294,580)    |
| -                | -                             | -   | (292,556)         | (292,556)                             | -                          | (292,556)    |
| -                | -                             | 1,681,633                                   | 7,505,654         | 10,589,491                            | -                          | 10,589,491   |

# Statement of Cash Flows

(Amounts expressed in Sri Lankan Rs. '000)

| For the year ended 31st March  | Group       |                     | Company |           |
|--|-------------|---------------------|---------|-----------|
|  | 2017        | 2016<br>(Re-stated) | 2017    | 2016      |
| <b>Cash flows from operating activities</b>                              |             |                     |         |           |
| Profit before income tax expenses from continuing operations             | 139,094     | 3,610,220           | 110,123 | 350,961   |
| Profit / (loss) before income tax expenses from discontinuing operations | 4,178,184   | (420,295)           | -       | -         |
|  | 4,317,278   | 3,189,925           | 110,123 | 350,961   |
| <b>Adjustments for:</b>  |             |                     |         |           |
| Foreign exchange (gain)/loss   | 1,470,256   | 251,436             | (8,876) | 4,902     |
| Change in fair value of biological assets                                | (33,378)    | 102,566             | -       | -         |
| Gain from changes in fair value of investment properties                 | -           | (491,647)           | -       | -         |
| Mark to market value adjustments - unrealized                            | 47,131      | 208,995             | (4,074) | 1,498     |
| Unwinding of discount on compensation receivable                         | (15,718)    | (14,133)            | -       | -         |
| Impairment of business assets/new investments                            | 2,688,590   | 2,918,276           | -       | 3,357     |
| Scrip dividend from subsidiaries   | -           | -                   | -       | (121,740) |
| Share of net result of joint venture                                     | (2,747)     | (4,809)             | -       | -         |
| Depreciation on property, plant & equipment                              | 3,579,579   | 3,446,857           | -       | -         |
| Depreciation on Bearer Plants  | 1,122,421   | 699,366             | -       | -         |
| Amortization of intangible assets/prepaid lease payment                  | 252,762     | 235,102             | -       | -         |
| Provision for retiring gratuity  | 459,705     | 305,399             | -       | -         |
| Finance expenses   | 4,551,209   | 3,022,802           | 147,763 | 82,294    |
| Profits from disposal of Plantation Assets                               | (6,225,874) | -                   | -       | -         |
| Profit on disposal of property, plant & equipment                        | (33,761)    | (5,967)             | -       | -         |
| Unrealized gain on Derivative financial instruments                      | 17,331      | -                   | -       | -         |
| Loss on flood related PPE write-off                                      | 525,850     | -                   | -       | -         |
| Progressive insurance receipts on property damages                       | (1,366,294) | -                   | -       | -         |
| Loss on PPE write-off  | 25,570      | -                   | -       | -         |
| Deposit liability write back   | 3,779       | -                   | -       | -         |
| Profit on disposal of non current investments                            | -           | (23,298)            | -       | (23,298)  |
| Reversal of unabsorbed VAT provision                                     | (339,811)   | -                   | -       | -         |
| Provision for Inventories  | 61,680      | -                   | -       | -         |
| Exchange impact on translation of foreign operations                     | 234,985     | 24,611              | -       | -         |
|  | 7,023,265   | 10,675,556          | 134,813 | (52,987)  |
| Operating profit before working capital changes                          | 11,340,543  | 13,865,481          | 244,936 | 297,974   |
| Decrease in inventories  | 741,237     | 910,337             | -       | -         |
| (Increase)/Decrease in trade and other receivables                       | (569,727)   | 410,255             | 210     | (3,818)   |
| Decrease in amounts due from related companies                           | -           | -                   | 59,874  | 38,278    |
| Increase/(Decrease) in trade and other payables                          | (728,754)   | 5,251,112           | 13,071  | 602       |
|  | 10,783,299  | 20,437,185          | 318,091 | 333,036   |
| Net cash movement in investments   | (506,067)   | (1,456,533)         | -       | (1,345)   |

(Amounts expressed in Sri Lankan Rs. '000)

| For the year ended 31st March  | Group               |                     | Company            |                    |
|--|---------------------|---------------------|--------------------|--------------------|
|  | 2017                | 2016<br>(Re-stated) | 2017               | 2016               |
| <b>Cash generated from operations</b>                                      | 10,277,232          | 18,980,652          | 318,091            | 331,691            |
| Interest paid  | (5,307,824)         | (4,589,969)         | (146,868)          | (82,294)           |
| Income tax paid  | (2,440,660)         | (1,211,903)         | (1,295)            | (1,229)            |
| Super gain tax paid  | -                   | (511,022)           | -                  | (1,463)            |
| Gratuity paid  | (387,951)           | (54,072)            | -                  | -                  |
| <b>Net cash generated from operating activities</b>                        | <b>2,140,797</b>    | <b>12,613,686</b>   | <b>169,928</b>     | <b>246,705</b>     |
| <b>Cash flows from investing activities</b>                                |                     |                     |                    |                    |
| Payments for property, plant & equipment/investment property               | (5,055,051)         | (4,670,737)         | -                  | -                  |
| Payments for bearer plant development costs                                | (2,339,760)         | (3,111,611)         | -                  | -                  |
| Payments for intangible assets/prepaid lease payments                      | (360,284)           | (421,336)           | -                  | -                  |
| Payments for acquisition of additional interest in subsidiaries            | (77,408)            | (66,066)            | (77,408)           | (56,489)           |
| Payments for investment in subsidiary companies                            | -                   | (515,858)           | -                  | -                  |
| Movement in non current VAT and other receivables                          | (439,063)           | (20,978)            | -                  | -                  |
| Movement in plasma investment  | (17,484)            | (468,738)           | -                  | -                  |
| Proceeds from disposal of long - term investments in subsidiaries          | -                   | 37,601              | -                  | 37,601             |
| Proceeds from disposal of property,<br>plant & equipment and bearer plants | 894,914             | 100,442             | -                  | -                  |
| Proceeds from disposal of assets held for sales                            | 18,910,433          | 178,576             | -                  | -                  |
| Deposits received  | 36,517              | 145,255             | -                  | -                  |
| Deposits refunded  | (4,059)             | (35,107)            | -                  | -                  |
| <b>Net cash generated from (used in) investing activities</b>              | <b>11,548,756</b>   | <b>(8,848,557)</b>  | <b>(77,408)</b>    | <b>(18,888)</b>    |
| <b>Cash flows from financing activities</b>                                |                     |                     |                    |                    |
| Proceeds from long - term loans  | 151,550             | 2,597,915           | -                  | -                  |
| Payments for borrowings  | (10,734,367)        | (7,544,470)         | -                  | -                  |
| Payment of finance lease creditors   | (157,577)           | (195,504)           | -                  | -                  |
| Payments for debenture   | (799,400)           | (201,200)           | -                  | -                  |
| Progressive insurance receipts on property damages                         | 1,366,294           | -                   | -                  | -                  |
| Share buyback from NCI & Expenses relating to share buyback                | (120,382)           | -                   | -                  | -                  |
| Dividend paid to non - controlling shareholders by subsidiaries            | (313,463)           | (414,603)           | -                  | -                  |
| Dividend paid by the Company   | (292,534)           | (388,626)           | (292,534)          | (388,626)          |
| <b>Net cash used in financing activities</b>                               | <b>(10,899,879)</b> | <b>(6,146,488)</b>  | <b>(292,534)</b>   | <b>(388,626)</b>   |
| <b>Net increase/(decrease) in cash &amp; cash equivalents</b>              | <b>2,789,674</b>    | <b>(2,381,360)</b>  | <b>(200,014)</b>   | <b>(160,809)</b>   |
| <b>Cash &amp; cash equivalents at the beginning of the year</b>            | <b>(10,601,425)</b> | <b>(8,220,065)</b>  | <b>(1,216,449)</b> | <b>(1,055,640)</b> |
| <b>Cash &amp; cash equivalents at the end of the year (Note 35 b)</b>      | <b>(7,811,751)</b>  | <b>(10,601,425)</b> | <b>(1,416,463)</b> | <b>(1,216,449)</b> |

The Notes from pages 110 to 221 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 of the Company as at and for the year ended 31 March 2017 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 soft 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 53 subsidiaries and 1 jointly controlled entity set out in Note 26 and 28 on pages 168 to 174 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 12,583 (2016 - 15,136) employees at the end of the financial year. The Company had no employees as at the reporting date (2016 - 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 8th August 2017.

### 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;
- Bearer plants are measured at cost;
- 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.

### 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.

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;

### Judgments

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.

### 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.

# Notes to the Financial Statements

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 (c).

The Management has engaged an independent valuer to ascertain the fair value of freehold land. As the fair value exceeded the carrying value of freehold land, no impairment charge was required.

## 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 Group has consistently applied the accounting policies to all periods presented in financial statements of the Group and the company unless otherwise indicated.

### Basis of consolidation and business combinations

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. 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 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 derecognises 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;

## Notes to the Financial Statements

- 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 28) or as an available-for-sale financial asset (Note 29) 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 transactions.

### 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.

### 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 yearend |
|--|---------------------------|-------------------|
| Guardian Acuity Asset Management Limited | Jointly controlled entity | 31st December     |
| The Sri Lanka Fund                       | Subsidiary                | 31st December     |

### 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 derecognition 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 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

## Notes to the Financial Statements

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

#### 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 favorable 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 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.

# Notes to the Financial Statements

## 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 2017.

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 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 owneroccupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on this remeasurement 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;

|  | 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.

# Notes to the Financial Statements

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 25).

#### 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 capitalized 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.

#### Excise Licenses

Licenses are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the Statement of Income using the straight line method over 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 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 on 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 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-to-day 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 values. 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 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 profit or loss. 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").

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 government.

In determining the estimated FFB production quantities, the Company considers the estimated yield of the biological assets which is dependent

## Notes to the Financial Statements

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   |
| Land held for Development and Sales | Cost and development costs including borrowings costs up to point of completion for revenue recognition. However limited to the realizable value on valuation. |
| Food Items                          | Weighted average 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 profit or loss 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 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.

## Notes to the Financial Statements

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 fulfillment 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 revenue represents sales to customers outside the Group and sales within the Group which are intended for internal consumption.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Group.

The following specific criteria are used for the purpose of recognition of revenue;

### Sale of goods

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. For sales of timber and paper products, 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 contractual rates as labor 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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

# Notes to the Financial Statements

## 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 or 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 presumption 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, 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 50.

### 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.

### 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

### Directors 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. 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.

### SLFRS 9 -Financial Instruments:

Classification and Measurement SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2018. However the effective date has been deferred subsequently.

The Group is currently assessing the impact of these amendments to the financial position and financial performance of group.

### SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2018.

The Group is currently assessing the impact of these amendments to the financial position and financial performance of group.

### SLFRS 16 – Lease

SLFRS 16 is effective from annual reporting period beginning on or after 01st Jan 2019. Early adoption is permitted for entities that adopt SLFRS 15. SLFRS 16 Leases supersedes LKAS 17 – Leases, IFRIC 4 – determining whether an arrangement contains leases, SIC 15 – operating leases incentives, SIC 27 – evaluating the substance of transaction involving the legal form a lease.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 7 REVENUE

### (i) Revenue Analysis

| For the year ended 31st March                    | Group        |             | Company |         |
|--|--------------|-------------|---------|---------|
|  | 2017         | 2016        | 2017    | 2016    |
| <b>Gross Revenue</b>                             | 66,453,586   | 76,645,215  | 304,700 | 516,599 |
| Taxes to the Government of Sri Lanka             | (1,940,714)  | (174,750)   | -       | -       |
| <b>Net Revenue</b>                               | 64,512,872   | 76,470,465  | 304,700 | 516,599 |
| <b>Goods and Services analysis</b>               |              |             |         |         |
| Sale of Goods                                    | 66,951,411   | 75,665,041  | -       | -       |
| <b>Services</b>                                  |              |             |         |         |
| Investment income                                | 3,105,554    | 2,565,655   | 304,700 | 516,599 |
| Property rental income                           | 254,744      | 233,509     | -       | -       |
| Commission, support services fees & royalty fees | 3,727,226    | 3,895,541   | -       | -       |
| Hospitality services                             | 546,912      | 582,993     | -       | -       |
|  | 7,634,436    | 7,277,698   | 304,700 | 516,599 |
| Net revenue before intra - group transactions    | 74,585,847   | 82,942,739  | 304,700 | 516,599 |
| Less: Intra - group transactions                 | (10,072,975) | (6,472,274) | -       | -       |
| <b>Net Revenue</b>                               | 64,512,872   | 76,470,465  | 304,700 | 516,599 |

A detailed analysis of Group Revenue highlighting the contribution from different segments is given under 'Segmental Information' in Note 7 (iii) & (iv) (page 130 to 137) to the financial statements.

### (ii) Segmental Information

For management purposes 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.

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 principal product and services of each segments are follows.

|                      |   |
|----------------------|---|
| Investment Holdings  | - Holding of Strategic Investment   |
| Portfolio 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  |

(Amounts expressed in Sri Lankan Rs.'000)

## 7 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 product and services of each geographical segments are follows:

|           |  |
|-----------|--|
| Sri Lanka | - Investment holdings, 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, Production and sale of FFB. |
| Indonesia | - Management Service, production and sale of palm oil and palm kernel to the domestic and international markets.   |
| Singapore | - Investments holdings   |
| 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.   |

### 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 Holdings            | - 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)

## 7 REVENUE (Contd.)

### (iii) Segmental Information - The Primary Segments (Business Segments)

(a) Segment results are as follows:

| For the year ended 31st March   | Investment Holding |           | Portfolio & Asset Management |           | Oil Palm Plantations |             | Oils & Fats |            |
|---|--------------------|-----------|------------------------------|-----------|----------------------|-------------|-------------|------------|
|   | 2017               | 2016      | 2017                         | 2016      | 2017                 | 2016        | 2017        | 2016       |
| <b>Total revenue</b>  | 304,692            | 493,301   | 2,140,369                    | 1,603,741 | 27,308,695           | 21,233,174  | 20,187,728  | 21,232,079 |
| Intra segment revenue   | -                  | -         | (392,405)                    | (422,220) | (5,732,214)          | (3,305,145) | (450,380)   | (493,257)  |
| <b>Segment revenue</b>  | 304,692            | 493,301   | 1,747,964                    | 1,181,521 | 21,576,481           | 17,928,029  | 19,737,348  | 20,738,822 |
| Inter segment revenue   | (295,174)          | (469,789) | -                            | -         | (2,205,620)          | (760,138)   | (421,349)   | (332,704)  |
| <b>Revenue</b>  | 9,518              | 23,512    | 1,747,964                    | 1,181,521 | 19,370,861           | 17,167,891  | 19,315,999  | 20,406,118 |
| <b>Segment results</b>  | (46,164)           | (52,544)  | 1,452,507                    | 733,574   | 3,790,181            | 3,443,665   | (31,306)    | 282,736    |
| Flood related losses  | -                  | -         | -                            | -         | -                    | -           | -           | -          |
| Reversal of unabsorbed VAT provision  | -                  | -         | -                            | -         | -                    | -           | -           | -          |
| Foreign exchange (losses)/gains   | 8,876              | (4,902)   | (277)                        | 89        | 81,880               | (71,273)    | 259,028     | (6,512)    |
| Change in fair value of biological assets   | -                  | -         | -                            | -         | 33,378               | (102,566)   | -           | -          |
| Change in fair value of investment properties   | -                  | -         | -                            | -         | -                    | -           | -           | -          |
| Impairment of business assets   | -                  | -         | (198,825)                    | (95,232)  | (504,895)            | (2,618,629) | (52,401)    | -          |
|   | (37,288)           | (57,446)  | 1,253,405                    | 638,431   | 3,400,544            | 651,197     | 175,321     | 276,224    |
| Net Finance cost  | (147,763)          | (82,284)  | 988                          | 2         | (2,116,558)          | (1,062,524) | (561,580)   | (481,172)  |
| Share of net result of joint venture  | -                  | -         | 2,747                        | 4,809     | -                    | -           | -           | -          |
| <b>Profit/(loss) before Income tax expenses</b>   | (185,051)          | (139,730) | 1,257,140                    | 643,242   | 1,283,986            | (411,327)   | (386,259)   | (204,948)  |
| <b>Income tax expenses</b>  |                    |           |                              |           |                      |             |             |            |
| Current taxation  | (2,905)            | (6,201)   | (21,536)                     | (31,260)  | (1,032,385)          | (906,787)   | (6,981)     | (2,874)    |
| Deferred taxation   | -                  | -         | -                            | -         | (1,010,781)          | 247,041     | 95,753      | 72,168     |
|   | (2,905)            | (6,201)   | (21,536)                     | (31,260)  | (2,043,166)          | (659,746)   | 88,772      | 69,294     |
| <b>Profit/(loss) form continuing operations</b>   | (187,956)          | (145,931) | 1,235,604                    | 611,982   | (759,180)            | (1,071,073) | (297,487)   | (135,654)  |
| <b>Discontinued operation</b>   |                    |           |                              |           |                      |             |             |            |
| Profit/(loss) from discontinued operation, net of tax   | -                  | -         | -                            | -         | 5,195,309            | 334,346     | (794,770)   | (695,048)  |
| <b>Profit/(loss) for the year</b>   | (187,956)          | (145,931) | 1,235,604                    | 611,982   | 4,436,129            | (736,727)   | (1,092,257) | (830,702)  |
| <b>Attributable to:</b>   |                    |           |                              |           |                      |             |             |            |
| Owners of the Company   | (187,956)          | (145,931) | 693,138                      | 356,924   | 2,055,198            | (411,668)   | (613,791)   | (542,843)  |
| Non controlling interest  | -                  | -         | 542,466                      | 255,058   | 2,380,931            | (325,059)   | (478,466)   | (287,859)  |
|   | (187,956)          | (145,931) | 1,235,604                    | 611,982   | 4,436,129            | (736,727)   | (1,092,257) | (830,702)  |
| Earnings/(loss) per ordinary share (Rs.)  | (0.96)             | (0.74)    | 3.53                         | 1.82      | 10.47                | (2.10)      | (3.13)      | (2.76)     |
| <b>(b) Other Information</b>  |                    |           |                              |           |                      |             |             |            |
| Total cost incurred during the year to acquire Property, plant & equipment, Bearer Plants, Investments properties | -                  | -         | 421                          | 3,392     | 3,910,289            | 6,369,239   | 97,950      | 271,505    |
| Intangible assets (including land rights)   | -                  | -         | 15,350                       | -         | 347,177              | 308,796     | 13,951      | 112,223    |
| Depreciation  | -                  | -         | 3,224                        | 3,095     | 2,084,330            | 2,063,940   | 443,435     | 432,586    |
| Amortization of intangible assets (including land rights)   | -                  | -         | -                            | -         | 225,080              | 229,670     | 36,989      | 56,589     |
| Salaries, fees, wages and related expenses  | 15,480             | 15,480    | 69,936                       | 76,916    | 5,213,565            | 4,982,522   | 645,962     | 793,337    |
| Defined benefit plan expenses/ Gratuity   | -                  | -         | 2,471                        | 2,544     | 421,741              | 269,671     | -           | -          |

| Beverage      |             | Real Estate |          | Leisure |          | Management Services |           | Group       |             |
|---------------|-------------|-------------|----------|---------|----------|---------------------|-----------|-------------|-------------|
| 2017          | 2016        | 2017        | 2016     | 2017    | 2016     | 2017                | 2016      | 2017        | 2016        |
| (Re - stated) |             |             |          |         |          |                     |           |             |             |
| 23,445,253    | 37,178,997  | 254,744     | 233,509  | 543,654 | 582,993  | 400,712             | 384,945   | 74,585,847  | 82,942,739  |
| (169,971)     | (300,507)   | -           | -        | -       | -        | -                   | -         | (6,744,970) | (4,521,129) |
| 23,275,282    | 36,878,490  | 254,744     | 233,509  | 543,654 | 582,993  | 400,712             | 384,945   | 67,840,877  | 78,421,610  |
| -             | -           | (20,671)    | (18,792) | -       | -        | (385,191)           | (369,722) | (3,328,005) | (1,951,145) |
| 23,275,282    | 36,878,490  | 234,073     | 214,717  | 543,654 | 582,993  | 15,521              | 15,223    | 64,512,872  | 76,470,465  |
| (239,483)     | 4,006,239   | 159,040     | 141,130  | 4,684   | 99,747   | (37,473)            | (38,828)  | 5,051,987   | 8,615,720   |
| 1,017,007     | -           | -           | -        | -       | -        | -                   | -         | 1,017,007   | -           |
| 339,811       | -           | -           | -        | -       | -        | -                   | -         | 339,811     | -           |
| 26,358        | 14,375      | -           | -        | 212     | 275      | -                   | -         | 376,077     | (67,948)    |
| -             | -           | -           | -        | -       | -        | -                   | -         | 33,378      | (102,566)   |
| -             | -           | -           | 491,647  | -       | -        | -                   | -         | -           | 491,647     |
| (1,673,065)   | -           | -           | -        | -       | -        | -                   | -         | (2,429,186) | (2,713,861) |
| (529,372)     | 4,020,614   | 159,040     | 632,777  | 4,896   | 100,022  | (37,473)            | (38,828)  | 4,389,074   | 6,222,991   |
| (1,448,515)   | (1,008,841) | (6,141)     | (2,977)  | 27,108  | 20,104   | (266)               | 111       | (4,252,727) | (2,617,581) |
| -             | -           | -           | -        | -       | -        | -                   | -         | 2,747       | 4,809       |
| (1,977,887)   | 3,011,773   | 152,899     | 629,800  | 32,004  | 120,126  | (37,739)            | (38,717)  | 139,094     | 3,610,219   |
| (104,662)     | (195,440)   | (37,592)    | (21,826) | (1,107) | (7,888)  | 13                  | (4,720)   | (1,207,160) | (1,176,996) |
| 522,405       | (732,773)   | (13,404)    | (27,145) | (1,342) | (5,118)  | 14,209              | -         | (393,160)   | (445,826)   |
| 417,743       | (928,213)   | (50,996)    | (48,971) | (2,449) | (13,006) | 14,222              | (4,720)   | (1,600,320) | (1,622,822) |
| (1,560,144)   | 2,083,560   | 101,903     | 580,829  | 29,555  | 107,120  | (23,517)            | (43,437)  | (1,461,226) | 1,987,397   |
| -             | -           | -           | -        | -       | -        | -                   | -         | 4,400,540   | (360,702)   |
| (1,560,144)   | 2,083,560   | 101,903     | 580,829  | 29,555  | 107,120  | (23,517)            | (43,437)  | 2,939,314   | 1,626,695   |
| (754,565)     | 965,492     | 94,790      | 545,791  | 31,251  | 101,562  | (23,517)            | (43,437)  | 1,294,545   | 825,891     |
| (805,579)     | 1,118,068   | 7,113       | 35,038   | (1,696) | 5,558    | -                   | -         | 1,644,769   | 800,804     |
| (1,560,144)   | 2,083,560   | 101,903     | 580,829  | 29,555  | 107,120  | (23,517)            | (43,437)  | 2,939,314   | 1,626,695   |
| (3.84)        | 4.92        | 0.48        | 2.78     | 0.16    | 0.52     | (0.12)              | (0.22)    | 6.59        | 4.21        |
| 3,431,349     | 1,596,939   | 4,786       | 32,304   | 261,067 | 80,148   | 27,233              | 9,040     | 7,733,094   | 8,362,568   |
| 2,640         | 318         | -           | -        | -       | -        | -                   | -         | 379,120     | 421,336     |
| 1,096,266     | 1,044,065   | 5,821       | 6,462    | 51,174  | 49,090   | 18,208              | 28,128    | 3,702,462   | 3,627,366   |
| 59,123        | 59,576      | -           | -        | -       | -        | 15,591              | 268       | 336,783     | 346,103     |
| 609,853       | 782,348     | 38,339      | 37,826   | 153,382 | 127,592  | 280,823             | 250,942   | 7,027,340   | 7,066,963   |
| 22,047        | 20,978      | 674         | 768      | 3,758   | 3,203    | 9,015               | 8,235     | 459,705     | 305,399     |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 7 REVENUE (Contd.)

### (c) Segmental Assets/Liabilities are as follows

| As at 31st March   | Investment Holding |                  | Portfolio & Asset Management |                   | Oil Palm Plantations |                   | Oils & Fats       |                   |
|--|--------------------|------------------|------------------------------|-------------------|----------------------|-------------------|-------------------|-------------------|
|  | 2017               | 2016             | 2017                         | 2016              | 2017                 | 2016              | 2017              | 2016              |
| <b>SEGMENT ASSETS</b>  |                    |                  |                              |                   |                      |                   |                   |                   |
| <b>Non - Current Assets</b>  |                    |                  |                              |                   |                      |                   |                   |                   |
| Property, plant & equipment/ Investment properties /Prepaid lease assets/Bearer Plants | -                  | -                | 6,011                        | 8,813             | 58,344,308           | 65,655,194        | 7,104,886         | 9,332,074         |
| Intangible assets  | -                  | -                | 182,740                      | 182,740           | 1,549,232            | 1,609,435         | 1,432,213         | 1,525,403         |
| Available-for-sale financial assets / Investments in Joint Venture                     | 1,693,995          | 2,252,082        | 13,861,060                   | 15,752,826        | -                    | -                 | -                 | -                 |
| Deferred tax assets  | -                  | -                | -                            | -                 | 3,098,622            | 3,340,972         | -                 | -                 |
| Other financial receivables  | -                  | -                | -                            | -                 | -                    | -                 | -                 | -                 |
| Other non financial receivables  | -                  | -                | -                            | -                 | 6,288,882            | 4,709,516         | -                 | -                 |
| <b>Total non - current assets</b>  | <b>1,693,995</b>   | <b>2,252,082</b> | <b>14,049,811</b>            | <b>15,944,379</b> | <b>69,281,044</b>    | <b>75,315,117</b> | <b>8,537,099</b>  | <b>10,857,477</b> |
| <b>Current Assets</b>  |                    |                  |                              |                   |                      |                   |                   |                   |
| Inventories  | -                  | -                | -                            | -                 | 2,115,860            | 1,864,452         | 1,982,554         | 2,811,072         |
| Trade debtors and other financial assets   | 89                 | 2,078            | 184,850                      | 53,678            | 778,979              | 505,179           | 2,045,206         | 2,118,137         |
| Other non financial receivables  | 10,845             | 7,624            | 56,333                       | 34,244            | 1,815,136            | 2,689,957         | 3,234,670         | 1,681,597         |
| Financial assets held for trading  | 26,154             | 22,079           | 3,136,896                    | 2,661,627         | -                    | -                 | -                 | 5,420             |
| Cash and cash equivalents  | 1,712              | 20,719           | 1,463,374                    | 1,076,528         | 5,931,430            | 2,252,104         | 222,008           | 433,202           |
| <b>Total current assets</b>  | <b>38,800</b>      | <b>52,500</b>    | <b>4,841,453</b>             | <b>3,826,077</b>  | <b>10,641,405</b>    | <b>7,311,692</b>  | <b>7,484,438</b>  | <b>7,049,428</b>  |
| Assets held for sales  | -                  | -                | -                            | -                 | -                    | 3,045,917         | 647,447           | -                 |
| <b>Total segmental assets</b>  | <b>1,732,795</b>   | <b>2,304,582</b> | <b>18,891,264</b>            | <b>19,770,456</b> | <b>79,922,449</b>    | <b>85,672,726</b> | <b>16,668,984</b> | <b>17,906,905</b> |
| <b>SEGMENT LIABILITIES</b>   |                    |                  |                              |                   |                      |                   |                   |                   |
| <b>Non - Current Liabilities</b>   |                    |                  |                              |                   |                      |                   |                   |                   |
| Loans and borrowings   | -                  | -                | -                            | -                 | 24,314,043           | 35,041,760        | 3,209,662         | 4,050,522         |
| Other financial payables   | -                  | -                | -                            | -                 | -                    | -                 | -                 | -                 |
| Other non financial liabilities  | -                  | -                | 10,479                       | 9,528             | 988,550              | 879,883           | -                 | 9,986             |
| Deferred tax liabilities   | -                  | -                | -                            | -                 | 3,006,428            | 2,598,500         | 162,555           | 275,853           |
| <b>Total non - current liabilities</b>   | <b>-</b>           | <b>-</b>         | <b>10,479</b>                | <b>9,528</b>      | <b>28,309,021</b>    | <b>38,520,143</b> | <b>3,372,217</b>  | <b>4,336,361</b>  |
| <b>Current Liabilities</b>   |                    |                  |                              |                   |                      |                   |                   |                   |
| Trade and other financial liabilities  | 144,098            | 138,981          | 281,910                      | 226,935           | 10,162,638           | 12,226,211        | 4,760,239         | 3,162,370         |
| Loans and borrowings   | 1,418,175          | 1,237,168        | 12,723                       | 13,049            | 15,167,636           | 14,138,290        | 7,714,346         | 7,933,261         |
| <b>Total current liabilities</b>   | <b>1,562,273</b>   | <b>1,376,149</b> | <b>294,633</b>               | <b>239,984</b>    | <b>25,330,274</b>    | <b>26,364,501</b> | <b>12,474,585</b> | <b>11,095,631</b> |
| Liabilities associated with assets held for sales                                      | -                  | -                | -                            | -                 | -                    | 39,436            | -                 | -                 |
| <b>Total segmental liabilities</b>   | <b>1,562,273</b>   | <b>1,376,149</b> | <b>305,112</b>               | <b>249,512</b>    | <b>53,639,295</b>    | <b>64,924,080</b> | <b>15,846,802</b> | <b>15,431,992</b> |

| Beverage   |            | Real Estate |           | Leisure   |           | Management Services |         | Group       |               |
|------------|------------|-------------|-----------|-----------|-----------|---------------------|---------|-------------|---------------|
| 2017       | 2016       | 2017        | 2016      | 2017      | 2016      | 2017                | 2016    | 2017        | 2016          |
|            |            |             |           |           |           |                     |         |             | (Re - stated) |
|            |            |             |           |           |           |                     |         |             |               |
|            |            |             |           |           |           |                     |         |             |               |
| 18,267,006 | 16,497,836 | 3,230,682   | 3,127,736 | 2,010,067 | 1,230,276 | 63,876              | 63,232  | 89,026,837  | 95,915,161    |
| 2,713,840  | 4,438,163  | 27,584      | 27,584    | -         | -         | 1,476               | 1,491   | 5,907,085   | 7,784,816     |
| -          | -          | -           | -         | -         | -         | -                   | -       | 15,555,055  | 18,004,908    |
| 6,341      | 191,580    | -           | -         | -         | -         | 11,746              | -       | 3,116,709   | 3,532,552     |
| -          | -          | -           | -         | 152,396   | 136,678   | -                   | -       | 152,396     | 136,678       |
| -          | -          | -           | -         | -         | -         | -                   | -       | 6,288,882   | 4,709,516     |
| 20,987,187 | 21,127,579 | 3,258,266   | 3,155,320 | 2,162,463 | 1,366,954 | 77,098              | 64,723  | 120,046,963 | 130,083,631   |
|            |            |             |           |           |           |                     |         |             |               |
| 2,544,176  | 2,711,871  | -           | -         | 22,007    | 16,158    | 71                  | 99      | 6,664,668   | 7,403,652     |
| 1,799,899  | 1,605,572  | 23,354      | 24,194    | 75,537    | 50,049    | 253                 | 484     | 4,908,167   | 4,359,371     |
| 363,501    | 789,823    | 74,110      | 61,211    | 11,769    | 7,346     | 31,557              | 40,607  | 5,597,921   | 5,312,409     |
| -          | -          | -           | -         | -         | 180,146   | -                   | -       | 3,163,050   | 2,869,272     |
| 7,645,228  | 3,767,618  | 46,909      | 10,538    | 42,102    | 35,978    | 29,812              | 20,183  | 15,382,575  | 7,616,870     |
| 12,352,804 | 8,874,884  | 144,373     | 95,943    | 151,415   | 289,677   | 61,693              | 61,373  | 35,716,381  | 27,561,574    |
| -          | 5,200      | -           | -         | -         | -         | -                   | -       | 647,447     | 3,051,117     |
| 33,339,991 | 30,007,663 | 3,402,639   | 3,251,263 | 2,313,878 | 1,656,631 | 138,791             | 126,096 | 156,410,791 | 160,696,322   |
|            |            |             |           |           |           |                     |         |             |               |
| 8,191,865  | 7,194,671  | -           | -         | 6,550     | -         | -                   | -       | 35,722,120  | 46,286,953    |
| -          | -          | 77,607      | 63,559    | -         | -         | -                   | -       | 77,607      | 63,559        |
| 78,440     | 109,811    | 3,505       | 4,267     | 16,021    | 16,450    | 47,169              | 49,888  | 1,144,164   | 1,079,813     |
| 2,379,861  | 3,077,116  | 193,010     | 179,487   | 66,979    | 39,514    | -                   | -       | 5,808,833   | 6,170,470     |
| 10,650,166 | 10,381,598 | 274,122     | 247,313   | 89,550    | 55,964    | 47,169              | 49,888  | 42,752,724  | 53,600,795    |
|            |            |             |           |           |           |                     |         |             |               |
| 2,837,619  | 3,196,934  | 165,506     | 124,406   | 136,301   | 119,611   | 68,240              | 59,859  | 18,556,551  | 19,255,307    |
| 11,331,783 | 6,186,920  | -           | -         | 55        | 1,800     | 3,412               | -       | 35,648,130  | 29,510,488    |
| 14,169,402 | 9,383,854  | 165,506     | 124,406   | 136,356   | 121,411   | 71,652              | 59,859  | 54,204,680  | 48,765,795    |
| -          | -          | -           | -         | -         | -         | -                   | -       | -           | 39,436        |
| 24,819,568 | 19,765,452 | 439,628     | 371,719   | 225,906   | 177,375   | 118,821             | 109,747 | 96,957,404  | 102,406,026   |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 7 REVENUE (Contd.)

### (iv) Segmental Information - The Secondary Segments (Geographical Segments)

#### (a) Segment results are as follows:

| For the year ended 31st March   | Sri Lanka        |                  | Malaysia         |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2017             | 2016             | 2017             | 2016             |
| Revenue   | 25,737,973       | 38,942,111       | 19,316,260       | 20,406,413       |
| Segment results   | 1,342,389        | 5,051,900        | (49,840)         | 289,161          |
| Flood related losses  | 1,017,007        |                  |                  |                  |
| Reversal of unabsorbed VAT provision  | 339,811          | -                | -                | -                |
| Foreign exchange (losses)/gains   | 76,888           | 39,467           | 340,814          | 14,469           |
| Change in fair value of biological assets   | -                | -                | -                | -                |
| Change in fair value of investment properties   | -                | 491,647          | -                | -                |
| Impairment of business assets   | (1,871,890)      | (95,232)         | (52,401)         | -                |
| <b>Profit/(loss) from operations</b>  | <b>904,205</b>   | <b>5,487,782</b> | <b>238,573</b>   | <b>303,630</b>   |
| Net Finance cost  | (1,560,441)      | (1,072,297)      | (560,979)        | (481,172)        |
| Share of net result of joint venture  | 2,747            | 4,809            | -                | -                |
| <b>Profit/(loss) before Income tax expenses</b>   | <b>(653,489)</b> | <b>4,420,294</b> | <b>(322,406)</b> | <b>(177,542)</b> |
| <b>Income tax expenses</b>  |                  |                  |                  |                  |
| Current taxation  | (147,820)        | (235,807)        | (7,088)          | (40,934)         |
| Deferred taxation   | 521,868          | (765,036)        | 95,753           | 66,307           |
|   | 374,048          | (1,000,843)      | 88,665           | 25,373           |
| <b>Profit/(loss) form continuing operations</b>   | <b>(279,441)</b> | <b>3,419,451</b> | <b>(233,741)</b> | <b>(152,169)</b> |
| <b>Discontinued operation</b>   |                  |                  |                  |                  |
| Profit from/(loss) discontinued operation, net of tax   |                  |                  | 8,058,703        | 240,181          |
| <b>Profit/(loss) for the year</b>   | <b>(279,441)</b> | <b>3,419,451</b> | <b>7,824,962</b> | <b>88,012</b>    |
| <b>(b) Other Information</b>  |                  |                  |                  |                  |
| Total cost incurred during the year to acquire Property, plant & equipment, Bearer plants Investment properties | 3,730,757        | 1,736,918        | 94,386           | 290,511          |
| Intangible assets (including land rights)   | 17,990           | 7,798            | 13,954           | 118,987          |
| Depreciation  | 1,215,773        | 1,190,371        | 381,990          | 381,766          |
| Amortization of intangible assets (including land rights)   | 94,859           | 80,739           | 36,989           | 43,649           |
| Salaries, fees, wages and related expenses  | 1,335,987        | 1,567,894        | 662,381          | 841,748          |
| Defined benefit plan expenses/ Gratuity   | 43,478           | 41,955           | 220              | 915              |

| Indonesia   |             | Singapore |           | India     |           | Group       |             |
|-------------|-------------|-----------|-----------|-----------|-----------|-------------|-------------|
| 2017        | 2016        | 2017      | 2016      | 2017      | 2016      | 2017        | 2016        |
| 19,457,957  | 17,055,024  | 682       | 66,917    | -         | -         | 64,512,872  | 76,470,465  |
| 3,999,621   | 3,470,497   | (240,183) | (195,839) | -         | -         | 5,051,987   | 8,615,720   |
| -           | -           | -         | -         | -         | -         | 1,017,007   | -           |
| -           | -           | -         | -         | -         | -         | 339,811     | -           |
| (43,495)    | (105,140)   | 1,870     | (16,744)  | -         | -         | 376,077     | (67,948)    |
| 33,378      | (102,566)   | -         | -         | -         | -         | 33,378      | (102,566)   |
| -           | -           | -         | -         | -         | -         | -           | 491,647     |
| (504,895)   | (2,618,629) | -         | -         | -         | -         | (2,429,186) | (2,713,861) |
| 3,484,609   | 644,162     | (238,313) | (212,583) | -         | -         | 4,389,074   | 6,222,991   |
| (1,624,910) | (702,466)   | (506,397) | (361,646) | -         | -         | (4,252,727) | (2,617,581) |
| -           | -           | -         | -         | -         | -         | 2,747       | 4,809       |
| 1,859,699   | (58,304)    | (744,710) | (574,229) | -         | -         | 139,094     | 3,610,219   |
| (904,062)   | (857,558)   | (148,190) | (42,697)  | -         | -         | (1,207,160) | (1,176,996) |
| (945,782)   | 242,167     | (64,999)  | 10,736    | -         | -         | (393,160)   | (445,826)   |
| (1,849,844) | (615,391)   | (213,189) | (31,961)  | -         | -         | (1,600,320) | (1,622,822) |
| 9,855       | (673,695)   | (957,899) | (606,190) | -         | -         | (1,461,226) | 1,987,397   |
| (2,863,394) | 94,165      | -         | -         | (794,770) | (695,048) | 4,400,540   | (360,702)   |
| (2,853,539) | (579,530)   | (957,899) | (606,190) | (794,770) | (695,048) | 2,939,314   | 1,626,695   |
| 3,907,549   | 6,332,276   | 404       | -         | -         | 2,862     | 7,733,094   | 8,362,568   |
| 347,176     | 294,552     | -         | -         | -         | -         | 379,120     | 421,336     |
| 2,080,611   | 2,033,031   | 11,501    | 10,778    | 12,587    | 11,420    | 3,702,462   | 3,627,366   |
| 204,935     | 202,116     | -         | -         | -         | 19,599    | 336,783     | 346,103     |
| 4,945,157   | 4,639,137   | 83,815    | 18,184    | -         | -         | 7,027,340   | 7,066,963   |
| 416,008     | 262,529     | -         | -         | -         | -         | 459,705     | 305,399     |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 7 REVENUE (Contd.)

(c) Segments Assets / Liabilities are as follows:

| As at 31st March  | Sri Lanka         |                   | Malaysia          |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2017              | 2016              | 2017              | 2016              |
| <b>Segment Assets</b>   |                   |                   |                   |                   |
| <b>Non - Current Assets</b>   |                   |                   |                   |                   |
| Property, plant & equipment/<br>Investment properties /Prepaid lease assets | 23,620,905        | 21,019,348        | 7,104,888         | 10,721,262        |
| Bearer Plants   | -                 | -                 | -                 | 418,916           |
| Intangible assets   | 3,042,253         | 4,786,738         | 1,432,214         | 1,525,402         |
| Available-for-sale financial assets /<br>Investments in Joint Venture       | 15,555,055        | 18,004,908        | -                 | -                 |
| Deferred tax assets   | 18,087            | 191,580           | -                 | 2,329             |
| Other financial receivables   | 152,396           | 136,678           | -                 | -                 |
| Other non financial receivables   | -                 | -                 | -                 | -                 |
| <b>Total non - current asset</b>  | <b>42,388,696</b> | <b>44,139,252</b> | <b>8,537,102</b>  | <b>12,667,909</b> |
| <b>Current Assets</b>   |                   |                   |                   |                   |
| Inventories   | 2,566,258         | 2,728,130         | 1,979,219         | 2,068,771         |
| Trade debtors and other financial assets                                    | 2,228,366         | 1,847,728         | 1,920,353         | 1,933,376         |
| Other non financial receivables   | 656,523           | 1,087,954         | 3,161,269         | 1,638,469         |
| Financial assets held for trading   | 3,163,050         | 2,863,852         | -                 | -                 |
| Cash and cash equivalents   | 10,407,579        | 5,021,173         | 102,910           | 656,102           |
| <b>Total current assets</b>   | <b>19,021,776</b> | <b>13,548,837</b> | <b>7,163,751</b>  | <b>6,296,718</b>  |
| Assets held for sales   | -                 | 5,200             | -                 | 3,045,917         |
| <b>Total segmental assets</b>   | <b>61,410,472</b> | <b>57,693,289</b> | <b>15,700,853</b> | <b>22,010,544</b> |
| <b>SEGMENT LIABILITIES</b>  |                   |                   |                   |                   |
| <b>Non - Current Liabilities</b>  |                   |                   |                   |                   |
| Loans and borrowings  | 8,198,415         | 7,194,671         | 3,209,663         | 4,050,523         |
| Other financial payables  | 77,607            | 63,559            | -                 | -                 |
| Other non financial liabilities   | 175,258           | 210,185           | -                 | 4,452             |
| Deferred tax liabilities  | 2,639,851         | 3,296,117         | 162,555           | 382,940           |
| <b>Total non - current liabilities</b>                                      | <b>11,091,131</b> | <b>10,764,532</b> | <b>3,372,218</b>  | <b>4,437,915</b>  |
| <b>Current Liabilities</b>  |                   |                   |                   |                   |
| Trade and other financial liabilities                                       | 3,897,423         | 4,123,087         | 4,374,214         | 2,791,579         |
| Loans and borrowings  | 12,782,095        | 7,454,690         | 5,195,375         | 5,664,875         |
| <b>Total current liabilities</b>  | <b>16,679,518</b> | <b>11,577,777</b> | <b>9,569,589</b>  | <b>8,456,454</b>  |
| Liabilities associated with assets held for sales                           | -                 | -                 | -                 | 39,436            |
| <b>Total segmental liabilities</b>  | <b>27,770,649</b> | <b>22,342,309</b> | <b>12,941,807</b> | <b>12,933,805</b> |



## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

### 8 DISCONTINUED OPERATION

The Plantation assets of the Good Hope PLC (Subsidiary), Selinsing PLC (Subsidiary), Shalimar (Malay) PLC (Subsidiary), Indo-Malay PLC (Subsidiary) and PT Agro Bukit South Kalimantan (Branch) were disposed during the current financial year. Consequently, the operation and the corresponding operating results up to the point of disposal together with the profit on disposal of the related plantation assets have been classified and reported as Discontinued Operations.

Following the classification of assets of Arani Agro Oil Industries (Pvt) Ltd as ('Arani') held for sale more fully described in note 36, the operational results of Arani also has been classified and reported as Discontinued Operations.

#### (a) Profit/(loss) for the year from discontinued operations

| For the year ended 31st March  | 2017        | 2016        |
|--|-------------|-------------|
| Revenue  | 2,585,925   | 9,521,578   |
| Direct operating expenses  | (2,274,372) | (8,323,439) |
|  | 311,553     | 1,198,139   |
| <b>Other items of income</b>   |             |             |
| Change in fair value of biological assets  | -           | -           |
| Other income   | 52,165      | 21,522      |
| <b>Other items of expenses</b>   |             |             |
| Distribution expenses  | (52,612)    | (210,575)   |
| Administrative expenses  | (265,599)   | (616,659)   |
| Other operating expenses   | -           | (19,598)    |
| Impairment of business assets  | (259,404)   | (204,415)   |
| Foreign exchange (losses) /gains   | (65,054)    | (183,488)   |
| <b>Loss from operations</b>  | (278,951)   | (15,074)    |
| Net finance cost   | (298,482)   | (405,221)   |
| <b>Loss before Income tax expenses</b>   | (577,433)   | (420,295)   |
| <b>Income tax expenses</b>   |             |             |
| Current taxation   | (60,031)    | (71,819)    |
| Deferred taxation  | 282,386     | 131,412     |
|  | 222,355     | 59,593      |
| <b>Loss from discontinued operations, net of tax</b>                               | (355,078)   | (360,702)   |
| <b>Profits from disposal of Plantation Assets</b>                                  | 6,225,874   | -           |
| <b>Transfer from Translation Reserve on discontinued overseas branch operation</b> | (1,470,256) | -           |
| <b>Net impact from discontinued operations, net of tax</b>                         | 4,400,540   | (360,702)   |

(Amounts expressed in Sri Lankan Rs.'000)

**(b) The major classes of assets and liabilities of the disposal group that were classified as held for sale are stated below:**

| For the year ended 31st March | 2017    | 2016      |
|-------------------------------|---------|-----------|
| <b>ASSETS</b>                 |         |           |
| Property, plant & equipment   | 647,447 | 2,905,270 |
| Bearer Plants                 | -       | 145,847   |
|                               | 647,447 | 3,051,117 |
| <b>LIABILITIES</b>            |         |           |
| Employee benefits             | -       | 2,786     |
| Deferred tax liabilities      | -       | 36,650    |
|                               | -       | 39,436    |

**(c) The net cash flows from discontinued operations**

| For the year ended 31st March                         | 2017       | 2016      |
|---|------------|-----------|
| Net cash inflow / (outflow) from Operating Activities | (818,162)  | 1,519,679 |
| Net cash inflow / (outflow) from Investing Activities | 19,909,930 | (269,123) |
| Net cash outflow from Financing Activities            | (365,080)  | (280,988) |
| Net cash inflows                                      | 18,726,688 | 969,568   |

The capital accretion reserve and the related foreign currency translation reserve of the discontinued operation will be transferred to retained earnings and statement of profit or loss respectively at the time of de-recognition of assets and liabilities of the disposal group.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 9 DIRECT OPERATING EXPENSES

| For the year ended 31st March                                   | Group       |             |
|---|-------------|-------------|
|   | 2017        | 2016        |
| Cost of inventories recognised as expense – physical deliveries | 11,085,699  | 5,868,921   |
| Depreciation and overheads                                      | 5,082,868   | 4,083,081   |
| Harvesting and plantation maintenance                           | 6,684,858   | 4,785,709   |
| Processing (milling) costs                                      | 880,494     | 809,410     |
| Purchase of FFB   | 1,388,715   | 1,193,605   |
| Production costs  | 15,985,078  | 25,281,295  |
| Feedstock costs   | 1,741,503   | 343,036     |
| Excise Duty paid to the government of Sri Lanka                 | 6,694,661   | 20,208,675  |
| Others  | 566,986     | 1,003,722   |
| Discontinued operation  | (2,274,372) | (8,323,439) |
|   | 47,836,490  | 55,254,016  |

## 10 OTHER INCOME

| For the year ended 31st March              | Group     |         |
|--|-----------|---------|
|  | 2017      | 2016    |
| Profit/(loss) on disposal of fixed assets: |           |         |
| Beverage                                   | 892       | 6,984   |
| Oil Palm Plantation                        | 25,105    | (2,732) |
| Oil & Fats                                 | 7,616     | 110     |
| Real Estate                                | -         | 788     |
| Leisure                                    | -         | 812     |
| Management Services                        | 148       | 5       |
|  | 33,761    | 5,967   |
| Derivative gain/(loss)                     | 228,796   | (35)    |
| Deposit liability written back             | 3,207     | -       |
| Plasma Management Fee                      | 33,950    | 75,643  |
| Sale of RSPO certificate                   | 125,321   | 51,031  |
| Sale of sludge Oil                         | 210,050   | 29,497  |
| Sundry income/(loss)                       | (114,642) | 157,749 |
|  | 520,443   | 319,852 |

## 11 OTHER OPERATING EXPENSES

Other operating expenses mainly consists of power and energy costs 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 |       |
|--|-----------|-----------|---------|-------|
|  | 2017      | 2016      | 2017    | 2016  |
| <b>Continuing operations</b>                             |           |           |         |       |
| Brands (Note 25 C)                                       | 1,673,065 | -         | -       | -     |
| Property Plant & Equipment (Note 21 e i)                 | 414,900   | -         | -       | -     |
| Bearer Plants (Note 22 a)                                | 76,686    | 2,618,629 | -       | -     |
| Goodwill on consolidation (Note 25 a)                    | 13,309    | -         | -       | -     |
| Customer relationship (Note 25 d)                        | 52,401    | -         | -       | -     |
| Available-for-sale financial assets (Note 29 a) (Note a) | 198,825   | 95,232    | -       | -     |
| <b>Investment in Subsidiary Companies (Note b)</b>       |           |           |         |       |
| Carsons Management Services (Private) Limited            | -         | -         | -       | 3,357 |
|  | 2,429,186 | 2,713,861 | -       | 3,357 |
| <b>Discontinued operations</b>                           |           |           |         |       |
| Assets held for sale (Note 36)                           | 259,404   | -         | -       | -     |
| Goodwill on consolidation                                | -         | 101,520   | -       | -     |
| Customer relationship                                    | -         | 102,895   | -       | -     |
|  | 259,404   | 204,415   | -       | -     |

**(a) Available-for-sale financial assets**

The impairment loss of (Group) Rs. 198.8 Mn (2016 - 95.2Mn) recognised in the profit or loss in the current year is due to the adjustment on significant/ prolonged decline in fair value of investment in equity securities below its cost as required by LKAS - 39 "Financial Instruments; recognition and measurement".

**(b) Investment in Subsidiary Companies**

In the previous year Company made provisions against the investment in the above subsidiary company to bring the investment value in line with the net assets value of the respective subsidiary company based on an assessment of impairment. Accordingly the total amount provided for the previous year amounted to Rs.3.3 Mn.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 13 FLOOD RELATED LOSSES

### Lion Brewery Ceylon PLC ('LBCPLC')

The LBCPLC has estimated and written off its Property Plant & Inventory amounting to Rs. 525 million and Rs. 373 million respectively. The other operational costs related to flood recovery amounted to Rs. 143 million. Accordingly, the total loss recorded due to floods amounted to Rs. 1,041 million. Interim claims on insurance have been submitted for the damages caused to the company's inventory and for business interruption. Against these interim claims, an amount of Rs. 2,066 million has been received as on account payments as at 31st March 2017. Whilst Rs. 1,000 million of this has been received against Business Interruption, the balance amount of Rs. 1,066 million has been recorded against Property Plant & Inventory. In terms of the policy in place for insurance the maximum amount that could be received against business interruption & the damage caused to fixed assets & inventory is Rs. 4,000 million.

### Luxury Brands (Pvt) Ltd ('LBPVT')

The LBPVT inventory were damaged due to flooding and a claim was submitted for the damaged value. As of 31st March 2017, the claim amounting to Rs. 300 million has been fully settled.

An amount of Rs. 308 million had been recognized for the carrying value of damaged inventory including other operational expenses incurred for the flood recovery process.

## 14 UNABSORBED VALUE ADDED TAX (VAT) PROVISION

LBCPLC made a full provision on its input VAT receivable during 2014/15, when VAT was removed for Alcohol industry. However, w.e.f 1st November 2016 VAT was reintroduced and as such LBCPLC commenced claiming its input VAT. Accordingly the provision was reversed during the current financial year.

## 15 FOREIGN EXCHANGE GAINS/ (LOSSES)

| For the year ended 31st March                            | Group   |          | Company |         |
|--|---------|----------|---------|---------|
|  | 2017    | 2016     | 2017    | 2016    |
| Net foreign exchange gain/(loss) on operating activities | 376,077 | (67,948) | 8,876   | (4,902) |
| Foreign exchange (losses) / gains                        | 376,077 | (67,948) | 8,876   | (4,902) |

### (a) Company

As at 31st March 2017, the Company recorded a foreign exchange gain amounting to Rs. 8.87 Mn (2016 -loss of Rs. 4.9 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 2017, the Goodhope Asia Holding Limited group recorded a foreign exchange gain of Rs. 340.9 Mn (2016 - loss of Rs. 77 Mn). The unrealized exchange gain/(loss) mainly arose from the translation of foreign currency denominated long term borrowings as at the balance sheet date consequent to a significant appreciation 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, 2017 was IDR 13,321 which is a 0.3% appreciation compared to the closing exchange rate that prevailed as at 31 March, 2016.

### (c) Beverage Sector

As at 31st March 2017, the Company's subsidiaries, Lion Brewery (Ceylon) PLC and Luxury Brand (Private) Limited recorded a foreign exchange gain of Rs. 26.35 Mn (2016 - Rs.14.3 Mn), arising mainly from revaluation of US Dollar denominated long - term and short term borrowings.

(Amounts expressed in Sri Lankan Rs.'000)

**16 NET FINANCE COST**

| For the year ended 31st March               | Group            |                  | Company        |               |
|---|------------------|------------------|----------------|---------------|
|   | 2017             | 2016             | 2017           | 2016          |
| <b>Interest expenses:</b>                   |                  |                  |                |               |
| Bank borrowings                             | 5,334,497        | 4,018,591        | 147,763        | 82,294        |
| Debenture interest                          | 420,022          | 484,063          | -              | -             |
| Finance lease liabilities                   | 22,455           | 47,081           | -              | -             |
|   | 5,776,974        | 4,549,735        | 147,763        | 82,294        |
| <b>Less: Amount capitalized under</b>       |                  |                  |                |               |
| Property, plant and equipment               | (338,284)        | (580,220)        | -              | -             |
| Bearer Plants                               | (515,805)        | (769,087)        | -              | -             |
| Plasma advances                             | (170,932)        | (267,115)        | -              | -             |
| Total finance costs                         | 4,751,953        | 2,933,313        | 147,763        | 82,294        |
| <b>Finance income</b>                       |                  |                  |                |               |
| Interest income on short term bank deposits | (499,226)        | (315,732)        | -              | -             |
| Total Finance income                        | (499,226)        | (315,732)        | -              | -             |
| <b>Net Finance costs</b>                    | <b>4,252,727</b> | <b>2,617,581</b> | <b>147,763</b> | <b>82,294</b> |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 17 PROFIT BEFORE INCOME TAX EXPENSES

| For the year ended 31st March  | Group            |                  | Company  |          |
|--|------------------|------------------|----------|----------|
|  | 2017             | 2016             | 2017     | 2016     |
| <b>Profit before tax has been arrived at after charging</b>                  |                  |                  |          |          |
| Depreciation on property, plant and equipment, bearer plants                 | 4,824,883        | 4,326,732        | -        | -        |
| Less - Amount capitalised as part of cost of bearer plants                   | (122,883)        | (180,509)        | -        | -        |
| Depreciation on property, plant and equipment - net                          | 4,702,000        | 4,146,223        | -        | -        |
| Amortization of intangible assets and prepaid<br>lease payment for land      | 336,783          | 346,103          | -        | -        |
| Less - Amount capitalised as part of cost of bearer plants                   | (84,021)         | (111,001)        | -        | -        |
| Net amortization of intangible assets and prepaid<br>lease payment for lands | 252,762          | 235,102          | -        | -        |
| <b>Total depreciation and amortization (Note a)</b>                          | <b>4,954,762</b> | <b>4,381,325</b> | <b>-</b> | <b>-</b> |
| Auditors' remuneration and other professional services (Note b)              | 71,325           | 72,639           | 2,353    | 5,709    |
| Professional services (Note c)   | 188,091          | 218,254          | 5,445    | 5,670    |
| Personnel costs (Note d)   | 7,487,045        | 7,372,362        | 15,480   | 15,480   |
| Audit committee fees   | 2,520            | 2,520            | 2,520    | 2,520    |
| Remuneration committee Fees  | 250              | 227              | 250      | 227      |
| Nomination committee Fees  | 208              | 250              | 150      | 150      |
| Related Party Transaction Review Committee fees                              | 900              | 225              | 900      | 225      |
| Donations  | -                | 44,295           | -        | -        |
| Royalty paid to the Carlsberg A/S  | 67,522           | 129,533          | -        | -        |
| Research and development costs   | 55,826           | 57,026           | -        | -        |

**(a) Depreciation and amortization are included in the income statement under the following headings**

|                           |                  |                  |          |          |
|---------------------------|------------------|------------------|----------|----------|
| Direct operating expenses | 3,231,806        | 2,980,098        | -        | -        |
| Administrative expenses   | 1,016,652        | 620,823          | -        | -        |
| Distribution expenses     | 501,864          | 511,620          | -        | -        |
| Discontinued operations   | 204,440          | 268,784          | -        | -        |
|                           | <b>4,954,762</b> | <b>4,381,325</b> | <b>-</b> | <b>-</b> |

**(b) Auditors' Remuneration and other professional services**

|  |               |               |              |              |
|--|---------------|---------------|--------------|--------------|
| Fees payable to KPMG for the audit of annual accounts of Carson Cumberbatch PLC        | 835           | 835           | 835          | 835          |
| Fees payable to KPMG for the audit of subsidiaries of Carson Cumberbatch PLC           | 7,685         | 7,432         | -            | -            |
| Fees payable to other Auditors for the audit of subsidiaries of Carson Cumberbatch PLC | 56,535        | 55,759        | -            | -            |
| <b>Total statutory audit fees</b>  | <b>65,055</b> | <b>64,026</b> | <b>835</b>   | <b>835</b>   |
| <b>Non audit services</b>  |               |               |              |              |
| Advisory/compliance services - (Other Auditors)  | 3,543         | 2,129         | -            | 1,851        |
| Advisory services - (KPMG Sri Lanka)   | 400           | 3,492         | -            | 922          |
|  | <b>3,943</b>  | <b>5,621</b>  | <b>-</b>     | <b>2,773</b> |
| <b>Audit related services</b>  |               |               |              |              |
| KPMG Sri Lanka   | 2,327         | 2,992         | 1,518        | 2,101        |
| Other Auditors   | -             | -             | -            | -            |
|  | <b>2,327</b>  | <b>2,992</b>  | <b>1,518</b> | <b>2,101</b> |
|  | <b>71,325</b> | <b>72,639</b> | <b>2,353</b> | <b>5,709</b> |

(Amounts expressed in Sri Lankan Rs.'000)

**17 PROFIT BEFORE INCOME TAX EXPENSES (Contd.)**

| For the year ended 31st March                    | Group     |           | Company |        |
|--|-----------|-----------|---------|--------|
|  | 2017      | 2016      | 2017    | 2016   |
| <b>(c) Professional Services</b>                 |           |           |         |        |
| Legal services                                   | 105,203   | 38,875    | 5,445   | 5,670  |
| Valuation services                               | 2,921     | 45,156    | -       | -      |
| Consultation fees                                | 23,436    | 9,256     | -       | -      |
| Plantation consultant services                   | 15,942    | 106,234   | -       | -      |
| Other services                                   | 40,589    | 18,733    | -       | -      |
|  | 188,091   | 218,254   | 5,445   | 5,670  |
| <b>(d) Personnel Costs</b>                       |           |           |         |        |
| Salaries, fees, wages and other related expenses | 6,812,093 | 6,676,166 | 15,480  | 15,480 |
| Defined contribution plan expenses - EPF & ETF   | 215,247   | 390,797   | -       | -      |
| Defined benefit plan expenses - Gratuity         | 459,705   | 305,399   | -       | -      |
|  | 7,487,045 | 7,372,362 | 15,480  | 15,480 |
| The above include:                               |           |           |         |        |
| Directors fees                                   | 49,560    | 50,518    | 15,480  | 15,480 |
| Directors' emoluments                            | 702,787   | 865,709   | -       | -      |
|  | 752,347   | 916,227   | 15,480  | 15,480 |

**(e) The number of employees during the year were:**

|   | Group    |         |          |         |
|---|----------|---------|----------|---------|
|   | 2017     |         | 2016     |         |
|   | Year end | Average | Year end | Average |
| <b>Employee by Industry</b>               |          |         |          |         |
| Portfolio and assets management           | 18       | 19      | 19       | 19      |
| Oil palm plantations/ Oils and fats       | 11,981   | 13,246  | 14,514   | 14,948  |
| Beverage                                  | 226      | 232     | 238      | 238     |
| Real Estate                               | 18       | 19      | 19       | 19      |
| Leisure                                   | 297      | 299     | 300      | 278     |
| Management services                       | 43       | 45      | 46       | 44      |
|   | 12,583   | 13,860  | 15,136   | 15,546  |
| <b>Employees by geographical location</b> |          |         |          |         |
| Sri Lanka                                 | 716      | 783     | 849      | 837     |
| Malaysia                                  | 255      | 281     | 306      | 388     |
| Indonesia                                 | 11,609   | 12,730  | 13,852   | 14,191  |
| India                                     | 3        | 66      | 129      | 130     |
|   | 12,583   | 13,860  | 15,136   | 15,546  |

There were no employees at Carson Cumberbatch PLC during the year (2016 - Nil).

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 18 INCOME TAX EXPENSES

| For the year ended 31st March  | Group     |           | Company |       |
|--|-----------|-----------|---------|-------|
|  | 2017      | 2016      | 2017    | 2016  |
| <b>(a) Statement of profit or loss</b>   |           |           |         |       |
| <b>(i) Current taxation</b>  |           |           |         |       |
| Charge for the year  | 1,055,287 | 1,132,468 | 3       | -     |
| Economic service charge / write - off  | -         | 3,038     | -       | 3,038 |
| Over provision for previous years  | (4,711)   | (31,144)  | -       | -     |
| Dividend tax   | 156,584   | 72,634    | -       | -     |
|  | 1,207,160 | 1,176,996 | 3       | 3,038 |
| <b>(ii) Deferred Taxation</b>  |           |           |         |       |
| Origination of temporary differences in the current year (Note 18 (c) and (d)) | 393,160   | 445,826   | -       | -     |
|  | 393,160   | 445,826   | -       | -     |
| Total Income tax expense recognised in profits for the year                    | 1,600,320 | 1,622,822 | 3       | 3,038 |
| Income tax expenses may be analyzed as follows:                                |           |           |         |       |
| <b>Current Taxation</b>  |           |           |         |       |
| Sri Lanka  | 147,820   | 235,807   | 3       | 3,038 |
| Overseas   | 1,059,340 | 941,189   | -       | -     |
|  | 1,207,160 | 1,176,996 | 3       | 3,038 |
| <b>Deferred Taxation</b>   |           |           |         |       |
| Sri Lanka  | (521,868) | 765,036   | -       | -     |
| Overseas   | 915,028   | (319,210) | -       | -     |
|  | 393,160   | 445,826   | -       | -     |
| <b>Total</b>   |           |           |         |       |
| Sri Lanka  | (374,048) | 1,000,843 | 3       | 3,038 |
| Overseas   | 1,974,368 | 621,979   | -       | -     |
|  | 1,600,320 | 1,622,822 | 3       | 3,038 |

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.

## (b) Deferred income tax related to other comprehensive income

| For the year ended 31st March                               | Group    |           | Company |      |
|---|----------|-----------|---------|------|
|   | 2017     | 2016      | 2017    | 2016 |
| Re-measurement of gain/(loss) on defined benefit obligation | 3,385    | (130,858) | -       | -    |
| Loss recognized on Revaluation Surplus                      | (25,952) | (75,583)  | -       | -    |
|   | (22,567) | (206,441) | -       | -    |

(Amounts expressed in Sri Lankan Rs.'000)

**18 INCOME TAX EXPENSES (Contd.)**

| For the year ended 31st March / As at 31st March | Group               |           |                                 |           |
|--|---------------------|-----------|---------------------------------|-----------|
|  | Statement of Income |           | Statement of Financial Position |           |
|  | 2017                | 2016      | 2017                            | 2016      |
| <b>(c) Deferred Tax Assets</b>                   |                     |           |                                 |           |
| Property plant & equipment                       | -                   | (59)      | 11,745                          | 118,061   |
| Bearer Plants                                    | (304,827)           | (415,003) | 897,924                         | 379,785   |
| Biological assets                                | -                   | -         | -                               | 522,939   |
| Intangible assets                                | 74,543              | (890)     | 8,267                           | 10,125    |
| Provision for ex-gratia                          | -                   | -         | -                               | 227       |
| Provision for retirement benefit obligation      | 49,035              | 60,670    | 241,589                         | 215,994   |
| Unabsorbed tax losses carried forward            | 365,989             | (79,544)  | 1,957,184                       | 2,285,421 |
|  | 184,740             | (434,826) | 3,116,709                       | 3,532,552 |
| Valuation allowance                              | -                   | (11,208)  | -                               | -         |
|  | 184,740             | (446,034) | 3,116,709                       | 3,532,552 |
| <b>(d) Deferred Tax Liabilities</b>              |                     |           |                                 |           |
| Property plant & equipment                       | (19,132)            | 1,248,703 | 3,594,069                       | 4,184,988 |
| Investment property                              | 13,314              | 4,012     | 82,290                          | 78,870    |
| Bearer Plants                                    | (46,786)            | (451,024) | 1,459,778                       | 1,403,511 |
| Biological assets                                | -                   | (25,755)  | 178,922                         | 407,006   |
| Provisions                                       | (1,930)             | 4,363     | -                               | -         |
| Intangible assets                                | (19,431)            | (29,659)  | 213,171                         | 219,750   |
| Unrealised gain from forward sales contracts     | -                   | -         | 214,844                         | (155,025) |
| Finance leases                                   | -                   | 9,808     | 65,759                          | 68,020    |
|  | (73,966)            | 760,448   | 5,808,833                       | 6,207,120 |
| Discontinued operation                           | 282,386             | 131,412   | -                               | (36,650)  |
|  | 208,420             | 891,860   | 5,808,833                       | 6,170,470 |
| Net deferred tax liability                       | 393,160             | 445,826   | 2,692,124                       | 2,637,918 |

**(e) The Net Movement of the Deferred Tax Liability is as follows - Group**

| For the year ended 31st March  | 2017      | 2016      |
|--|-----------|-----------|
| Balance at the beginning of the year   | 2,637,918 | 2,342,251 |
| Provision for the year   | 393,160   | 445,826   |
| Provision for the year - Discontinued operation  | (282,386) | (131,412) |
| Deferred tax expenses recognised in OCI for Actuarial gain/(loss) on employee benefits | (3,385)   | 130,858   |
| Deferred tax expenses recognised in OCI for revaluation surplus                        | 25,952    | 75,583    |
| Impact of exchange rate changes on conversion  | (79,135)  | (188,538) |
| Reclassified as liabilities associated with assets held for sales                      | -         | (36,650)  |
| Balance at the end of the year   | 2,692,124 | 2,637,918 |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 18 INCOME TAX EXPENSES (Contd.)

### (f) Recognized deferred tax assets

The recognition of deferred tax assets relating to tax losses carried forward by subsidiaries of the Group have been reassessed by the management at the year end. Accordingly, Rs. 898mn (2016- Rs. 1,627 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. This is due to the fact that management assesses that the utilisation of such tax 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, relevant subsidiaries recognised deferred tax assets relating to the remaining tax losses carried forward.

### (g) Unrecognized deferred tax assets

#### Group

Deferred tax assets have not been recognised for unused tax losses of Rs. 5,620 Mn (2016: Rs. 5,325 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 do not need to 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.

#### Company

The Company has accumulated tax loss of Rs. 1,349 Mn (2016: Rs. 1,349 Mn) as at the reporting date. The deferred tax asset of Rs. 377 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 (2016: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries, as the Group has determined that the undistributed earnings of those subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to Rs. 55,303 Mn (2016: Rs. 51,006 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;

|                    |                      |
|--------------------|----------------------|
| Leisure Sector     | 12% (Previously 12%) |
| Beverage Sector    | 40% (Previously 40%) |
| Real Estate Sector | 28% (Previously 28%) |
| Other Sectors      | 28% (Previously 28%) |

(Amounts expressed in Sri Lankan Rs.'000)

**18 INCOME TAX EXPENSES (Contd.)**

| For the year ended 31st March  | Group        |             | Company   |           |
|--|--------------|-------------|-----------|-----------|
|  | 2017         | 2016        | 2017      | 2016      |
| <b>(j) Reconciliation of the Accounting Profit with the Taxable Profit</b> |              |             |           |           |
| Profit before taxation   | 139,094      | 3,610,220   | 110,123   | 350,961   |
| Aggregate tax disallowed expenses  | 16,734,666   | 5,693,964   | 207,516   | 160,783   |
| Aggregate of deductions claimed  | (18,413,680) | (7,342,104) | (8,876)   | (15)      |
| Dividend income  | (1,462,887)  | (1,845,423) | (304,674) | (493,286) |
| Exempt profits   | (1,245,284)  | (1,249,780) | -         | (23,298)  |
| Adjustments of change in fair value  | 149,593      | (1,053,607) | (4,074)   | 1,498     |
| Impairment of business assets  | 2,429,186    | 2,713,861   | -         | 3,357     |
| Operating losses incurred during the year                                  | 5,877,000    | 2,674,987   | -         | -         |
| Tax adjusted profits   | 4,207,688    | 3,202,118   | 15        | -         |
| <b>Adjustments</b>   |              |             |           |           |
| Adjustments due to the consolidation                                       | 1,520,613    | 1,410,337   | -         | -         |
| Share of net results of Joint Ventures                                     | (2,747)      | (4,809)     | -         | -         |
| Tax losses utilized during the year  | (768,018)    | (244,745)   | (5)       | -         |
| Taxable income   | 4,957,536    | 4,362,901   | 10        | -         |
| <b>Taxation on Profits</b>   |              |             |           |           |
| Taxation at 12% (Note 18 l (iii) & (iv))                                   | 1,599        | 29,266      | -         | -         |
| Taxation at 28% (Note 18 k (i))  | 139,086      | 154,061     | 3         | -         |
| Taxation at 40% (Note 18 l (v))  | 3,429        | 103,111     | -         | -         |
| 10% WHT on Inter company dividend  | 156,584      | 72,634      | -         | -         |
| Off - Shore profits at varying rates (Note 18 k (ii))                      | 880,394      | 827,801     | -         | -         |
| Effect of different tax rates in other countries (Note 18 l (iii))         | 30,779       | 18,229      | -         | -         |
| Economic Service Charge - write off / credit (Note 18 m)                   | -            | 3,038       | -         | 3,038     |
| Under provision for previous years   | (4,711)      | (31,144)    | -         | -         |
|  | 1,207,160    | 1,176,996   | 3         | 3,038     |

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.

| For the year ended 31st March             | Group      |             | Company   |           |
|---|------------|-------------|-----------|-----------|
|   | 2017       | 2016        | 2017      | 2016      |
| <b>Analysis of Tax Losses</b>             |            |             |           |           |
| Tax losses brought forward                | 10,295,632 | 10,669,827  | 1,348,862 | 1,348,862 |
| Adjustment on losses B/F                  | 879,444    | (2,741,282) | (9)       | -         |
| Tax losses incurred during the year       | 5,509,414  | 2,611,832   | -         | -         |
| Utilization of tax losses during the year | (768,018)  | (244,745)   | (5)       | -         |
| Tax losses carried forward                | 15,916,472 | 10,295,632  | 1,348,848 | 1,348,862 |

Utilization of tax losses in the current year has resulted in tax saving of Rs. 197Mn (2016 - Rs. 59 Mn) for the Group.

In Sri Lanka the utilization of brought forward tax losses is restricted to 35% of Statutory Income. Unabsorbed tax losses can be carried forward indefinitely. 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)

## 18 INCOME TAX EXPENSES (Contd.)

### (k) Taxation of Profits

#### (i) Current Tax in Sri Lanka

In accordance with provisions of the Inland Revenue Act No. 10 of 2006 and amendment thereto, the Company and all other companies of the Group other than those entities disclosed in Note (l) operating in Sri Lanka, are chargeable to income tax at the standard rate of 28% (2016 -28%).

#### (ii) Current Tax on Overseas Operations

Provision for taxation on the overseas companies are made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the relevant statutes in those countries. The corporate income tax rates applicable to group companies operating in the following countries are;

|           | 2017  | 2016  |
|-----------|-------|-------|
| Singapore | 17%   | 17%   |
| Indonesia | 25%   | 25%   |
| India     | 30.9% | 30.9% |
| Malaysia  | 24%   | 24%   |

### (l) Tax Exemptions and Concessions

- (i) The Company's subsidiaries Agro Harapan Lestari (Pvt) Limited and AHL Business Solutions (Pvt) Limited are exempt from income tax, in terms of section 13 of the Inland Revenue Act No 10 of 2006 and amendments thereto respectively.
- (ii) In terms of Section 13 (t) of the Inland Revenue Act, profits derived on the sale of shares on which share transaction levy has been paid is exempt from income tax.
- (iii) 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 at 24% during the year ended 31 March 2017.  
Further as provided for under Section 46 of the Inland Revenue Act, these profits are liable to tax in Sri Lanka at 12% however in terms of the double tax treaty agreement entered into between Sri Lanka and Malaysia, these Subsidiaries are entitled to claim credit in Sri Lanka for tax paid in Malaysia, when calculating the Subsidiaries tax liability on profits from Malaysian plantation activities in Sri Lanka.  
Gains arising from disposal of the Malaysian properties are liable to Real Property Gain Tax (RPGT) of 5% in Malaysia. Accordingly, RPGT of Rs. 189.84mn were paid by the companies on the gains realising from the sale of the property.
- (iv) In terms of Section 46 of the Inland Revenue Act, of Sri Lanka operational profits of hotels are subject to income tax at 12%.
- (v) Profits or income from the manufacture and sale or import and sale of any liquor or tobacco products are chargeable to income tax at the rate of 40%. Accordingly Lion Brewery (Ceylon) PLC and Luxury Brands (Pvt) Limited operational profits are chargeable to income tax at 40%.
- (vi) Interest income earned from foreign currency denominated accounts, Income / profits from offshore dividends and interest is exempt from income tax.
- (vii) 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 the tax status, sums paid are written-off to the Statement of Comprehensive Income.

(Amounts expressed in Sri Lankan Rs.'000)

## 19 EARNINGS PER ORDINARY SHARE

### (a) Earnings per ordinary share from Continuing and Discontinued operations

The Group's earnings per ordinary share of Rs. 6.59 (2016 - Rs. 4.21) and Company's earnings per ordinary share of Rs. 0.56 (2016 - Rs. 1.77), are calculated by dividing the profit 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     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2017        | 2016        | 2017        | 2016        |
| <b>Amount used as the Numerator</b>                      |             |             |             |             |
| Profit for the year                                      | 2,939,314   | 1,626,696   | 110,120     | 347,923     |
| Non controlling interest                                 | (1,644,769) | (800,804)   | -           | -           |
| Net Profit attributable to Ordinary Shareholders         | 1,294,545   | 825,892     | 110,120     | 347,923     |
| <b>Number of Ordinary Shares used as the Denominator</b> |             |             |             |             |
| Ordinary shares in issue (No's)                          | 196,386,914 | 196,386,914 | 196,386,914 | 196,386,914 |
| Earnings per Ordinary Share (Rs.)                        | 6.59        | 4.21        | 0.56        | 1.77        |

### (b) Earnings/(loss) per share from Continuing operations

The Group's earnings/(loss) per ordinary share from continuing operations of Rs. (4.00) (2016 - Rs. 5.23) is calculated by dividing the profit/(loss) 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     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2017        | 2016        | 2017        | 2016        |
| <b>Amount used as the Numerator</b>  |             |             |             |             |
| Profit/(loss) for the year from continuing operations                              | (1,461,226) | 1,987,398   | 110,120     | 347,923     |
| Non controlling interest from continuing operations                                | 676,355     | (960,903)   | -           | -           |
| Net Profit/(loss) attributable to Ordinary Shareholders from continuing operations | (784,872)   | 1,026,495   | 110,120     | 347,923     |
| <b>Number of Ordinary Shares used as the Denominator</b>                           |             |             |             |             |
| Ordinary shares in issue (No's)  | 196,386,914 | 196,386,914 | 196,386,914 | 196,386,914 |
| Earnings (loss) per Ordinary Share (Rs.)   | (4.00)      | 5.23        | 0.56        | 1.77        |

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

### (c) Earnings/(loss) per share from Discontinued operations

The Group's earnings/(loss) per ordinary share from discontinued operations of Rs. 10.59 (2016 - Rs. (1.02)) is calculated by dividing the profit/(loss) from discontinuing 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       |             |
|--|-------------|-------------|
|  | 2017        | 2016        |
| <b>Amount used as the Numerator</b>  |             |             |
| Profit/(loss) for the year from discontinued operations                              | 4,400,539   | (360,702)   |
| Non controlling interest from discontinued operations                                | (2,321,123) | (160,099)   |
| Net Profit/(loss) attributable to Ordinary Shareholders from discontinued operations | 2,079,416   | (200,603)   |
| <b>Number of Ordinary Shares used as the Denominator</b>                             |             |             |
| Ordinary shares in issue (No's)  | 196,386,914 | 196,386,914 |
| Earnings/(loss) per Ordinary Share (Rs.)   | 10.59       | (1.02)      |

### 20 DIVIDEND PER ORDINARY SHARE

| For the year ended 31st March | Total dividend |         | Dividend per ordinary share |      |
|-------------------------------|----------------|---------|-----------------------------|------|
|                               | 2017           | 2016    | 2017                        | 2016 |
| Dividend paid                 |                |         |                             |      |
| Final Dividend                | -              | 294,580 | -                           | 1.50 |
|                               | -              | 294,580 | -                           | 1.50 |

### (a) Proposed Ordinary Dividend

|          |   |         |   |      |
|----------|---|---------|---|------|
| Proposed | - | 294,580 | - | 1.50 |
|----------|---|---------|---|------|

(Amounts expressed in Sri Lankan Rs.'000)

**21 PROPERTY, PLANT & EQUIPMENT - GROUP**

|   | Year ended 31st March 2017 |                            |                   |                |  |           |                       |                            |             |  | Total |
|---|----------------------------|----------------------------|-------------------|----------------|--|-----------|-----------------------|----------------------------|-------------|--|-------|
|   | Freehold Land & Buildings  | Leasehold Land & Buildings | Plant & Machinery | Motor Vehicles | Office Equipment, Furniture & Fittings | Computers | Returnable Containers | Capital Work - In Progress | At Cost     |  |       |
| <b>(a) Cost/Valuation</b>                   |                            |                            |                   |                |  |           |                       |                            |             |  |       |
| As at 1st April 2016                        | 11,650,925                 | 27,509,348                 | 29,091,356        | 2,233,466      | 1,414,833                              | 981,728   | 2,870,308             | 1,739,863                  | 77,491,827  |  |       |
| Additions                                   | 277,541                    | 1,244,948                  | 1,857,311         | 65,687         | 100,208                                | 22,108    | 354,227               | 1,466,518                  | 5,388,548   |  |       |
| Revaluation                                 | 691,480                    | -                          | -                 | -              | -                                      | -         | -                     | -                          | 691,480     |  |       |
| Impairment (Note 12)                        | -                          | (414,900)                  | -                 | -              | -                                      | -         | -                     | -                          | (414,900)   |  |       |
| Attributable to discontinued operations     | (2,540,934)                | (3,211,499)                | (1,747,576)       | (55,672)       | (116,446)                              | (17,826)  | -                     | -                          | (7,689,953) |  |       |
| Transfers /Adjustments                      | (18,616)                   | 214,729                    | 804,458           | (70,349)       | (5,928)                                | (185)     | (394)                 | (987,951)                  | (64,236)    |  |       |
| Disposals/Written - off                     | (15,688)                   | (120,368)                  | (315,533)         | (267,220)      | (123,022)                              | (55,615)  | (194)                 | (98,640)                   | (996,280)   |  |       |
| Flood related write-off                     | -                          | -                          | (768,820)         | -              | (1,916)                                | (986)     | (33,675)              | -                          | (805,397)   |  |       |
| Deem disposal                               | -                          | (53,391)                   | (2,594)           | -              | (7,484)                                | -         | -                     | -                          | (63,469)    |  |       |
| Reclassified as assets held for sale        | (469,518)                  | -                          | (1,980,631)       | -              | (7,957)                                | (11,160)  | -                     | -                          | (2,469,266) |  |       |
| Exchange translation difference             | (242,805)                  | 1,189,718                  | (40,336)          | 51,827         | 38,061                                 | 8,018     | 20                    | 13,250                     | 1,017,753   |  |       |
| As at 31st March 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  |  |       |
| <b>Depreciation/Amortization</b>            |                            |                            |                   |                |  |           |                       |                            |             |  |       |
| As at 1st April 2016                        | 405,361                    | 3,583,758                  | 7,961,938         | 1,316,151      | 965,749                                | 812,578   | 1,973,147             | -                          | 17,018,682  |  |       |
| Charge for the year                         | 159,632                    | 902,537                    | 1,755,973         | 220,416        | 157,452                                | 102,293   | 404,159               | -                          | 3,702,462   |  |       |
| Revaluation                                 | (42,715)                   | -                          | -                 | -              | -                                      | -         | -                     | -                          | (42,715)    |  |       |
| Transfers /Adjustments                      | (42,790)                   | 370                        | (2,039)           | 9,940          | (3,813)                                | (334)     | -                     | -                          | (38,666)    |  |       |
| Attributable to discontinued operations     | (18,138)                   | (283,790)                  | (377,229)         | (53,311)       | (52,842)                               | (11,122)  | -                     | -                          | (796,432)   |  |       |
| On disposals/Written - off                  | (961)                      | (8,656)                    | (129,849)         | (256,002)      | (96,442)                               | (54,026)  | -                     | -                          | (545,936)   |  |       |
| Flood related write-off                     | -                          | -                          | (248,264)         | -              | (1,438)                                | (951)     | (28,894)              | -                          | (279,547)   |  |       |
| Deem disposal                               | -                          | (18,268)                   | (497)             | -              | (6,375)                                | -         | -                     | -                          | (25,140)    |  |       |
| Reclassified as assets held for sale        | (139,021)                  | -                          | (927,453)         | -              | (6,486)                                | (10,910)  | -                     | -                          | (1,083,870) |  |       |
| Exchange translation difference             | 2,085                      | 169,200                    | 176,095           | 31,187         | 15,354                                 | 6,290     | -                     | -                          | 400,211     |  |       |
| As at 31st March 2017                       | 323,453                    | 4,345,151                  | 8,208,675         | 1,288,381      | 971,159                                | 843,818   | 2,348,412             | -                          | 18,309,049  |  |       |
| <b>Net Book Value As at 31st March 2017</b> | 9,008,932                  | 22,013,434                 | 18,688,960        | 689,358        | 319,190                                | 82,264    | 841,880               | 2,133,040                  | 53,777,058  |  |       |

# 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>(b) Year ended 31st March 2016</b> |                           |                            |                   |                |  |           |                       |                            |             |
| Cost/Valuation                        | At valuation              |                            | At Cost           |                |  |           |                       |                            |             |
| As at 1st April 2015                  | 13,022,454                | 22,482,995                 | 25,510,210        | 2,092,286      | 1,539,691                              | 900,523   | 2,752,437             | 3,138,946                  | 71,439,542  |
| On Consolidation                      | -                         | 311,866                    | -                 | -              | -                                      | -         | -                     | -                          | 311,866     |
| Additions                             | 77,238                    | 2,432,431                  | 308,977           | 68,797         | 74,767                                 | 44,544    | 41,678                | 2,181,959                  | 5,230,391   |
| Revaluation                           | 741,471                   | -                          | -                 | -              | -                                      | -         | -                     | -                          | 741,471     |
| Transfers /Adjustments                | 657,122                   | 562,685                    | 2,210,293         | 94,135         | (150,268)                              | 39,038    | 238,405               | (3,538,034)                | 113,376     |
| Transfers from assets held for sales  | -                         | -                          | 308,119           | -              | -                                      | -         | -                     | -                          | 308,119     |
| Disposals/Written - off               | (132,856)                 | (13,272)                   | (124,488)         | (115,323)      | (94,587)                               | (28,215)  | (162,230)             | (71,858)                   | (742,829)   |
| Reclassified as assets held for sale  | (2,922,164)               | -                          | (2,608)           | (18,907)       | (10,344)                               | -         | -                     | -                          | (2,954,023) |
| Exchange translation difference       | 207,660                   | 1,732,643                  | 880,853           | 112,478        | 55,574                                 | 25,838    | 18                    | 28,850                     | 3,043,914   |
| As at 31st March 2016                 | 11,650,925                | 27,509,348                 | 29,091,356        | 2,233,466      | 1,414,833                              | 981,728   | 2,870,308             | 1,739,863                  | 77,491,827  |
| <b>Depreciation/Amortization</b>      |                           |                            |                   |                |  |           |                       |                            |             |
| As at 1st April 2015                  | 382,294                   | 2,551,410                  | 5,961,056         | 1,105,007      | 837,267                                | 682,120   | 1,721,932             | -                          | 13,241,086  |
| Charge for the year                   | 148,451                   | 818,651                    | 1,685,398         | 252,895        | 185,379                                | 123,963   | 412,629               | -                          | 3,627,366   |
| Revaluation                           | (165,505)                 | -                          | -                 | -              | -                                      | -         | -                     | -                          | (165,505)   |
| Transfers /Adjustments                | 51,832                    | 42                         | 30,260            | 16,956         | (52,922)                               | 10,323    | (1,951)               | -                          | 54,540      |
| On disposals/Written - off            | 4,325                     | (5,365)                    | (54,655)          | (111,242)      | (37,417)                               | (26,027)  | (159,463)             | -                          | (389,844)   |
| Reclassified as assets held for sale  | (28,200)                  | -                          | (2,411)           | (14,083)       | (9,259)                                | -         | -                     | -                          | (53,953)    |
| Exchange translation difference       | 12,164                    | 219,020                    | 342,290           | 66,618         | 42,701                                 | 22,199    | -                     | -                          | 704,992     |
| As at 31st March 2016                 | 405,361                   | 3,583,758                  | 7,961,938         | 1,316,151      | 965,749                                | 812,578   | 1,973,147             | -                          | 17,018,682  |
| <b>Net Book Value</b>                 |                           |                            |                   |                |  |           |                       |                            |             |
| As at 31st March 2016                 | 11,245,564                | 23,925,590                 | 21,129,418        | 917,315        | 449,084                                | 169,150   | 897,161               | 1,739,863                  | 60,473,145  |

(Amounts expressed in Sri Lankan Rs.'000)

**21 PROPERTY, PLANT & EQUIPMENT - GROUP (Contd.)****(c) Details of Group Freehold Lands stated at valuation are Indicated below: - Continuing Operations**

| Property  | Method of Valuation        | Effective Date of Valuation | Valuer  | Land Extent (in Acres) | Carrying Value of Revalued Assets as at 31st March 2017 If carried at Historical Cost | Carrying Value of Revalued Assets as at 31st March 2017 |
|---|----------------------------|-----------------------------|---|------------------------|---|---|
| Pegasus Hotels of Ceylon PLC<br>Wattala, Sri Lanka      | Market Approach            | 31.03.2017                  | Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers   | 11.53                  | 5,250   | 918,388   |
| Ceylon Beverage Holdings PLC<br>Nuwara Eliya, Sri Lanka | Market/<br>income Approach | 31.03.2016                  | Mr. K. Arthur Perera A.M.I.V. (Sri Lanka) Valuer & Consultant | 3.75                   | 141   | 319,205   |
| Lion Brewery (Ceylon) PLC<br>Biyagama, Sri Lanka        | Market/<br>income Approach | 31.03.2016                  | Mr. K. Arthur Perera A.M.I.V. (Sri Lanka) Valuer & Consultant | 34.43                  | 1,228,643   | 2,107,822   |
| Millers Brewery Limited<br>Padukka, Sri Lanka           | Market/<br>income Approach | 30.10.2014                  | Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers   | 23.97                  | 312,349   | 467,839   |
| Equity Two PLC<br>Colombo 1, Sri Lanka                  | Market Approach            | 31.03.2016                  | Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers   | 0.18                   | 128,364   | 420,533   |
|   |                            |                             |   | 73.86                  | 1,674,747   | 4,233,787   |

# 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 & buildings of Lion Brewery Ceylon PLC      | 31.03.2016                  | Land and Building method | (i) Estimated construction cost per square foot | Positive correlated sensitivity   |
|  |                             |                          | (ii) Percentage of depreciation                 | Negative correlated sensitivity   |
| Land & buildings of Ceylon Beverage Holdings PLC | 31.03.2016                  | Land and Building method | (i) Cost of construction appreciation rate      | Positive correlated sensitivity   |
|  |                             |                          | (ii) Building depreciation rate                 | Negative correlated sensitivity   |
| Land & buildings of Millers Brewery Limited      | 31.03.2014                  | Land and Building method | (i) Estimated construction cost per square foot | Positive correlated sensitivity   |
|  |                             |                          | (ii) Percentage of depreciation                 | Negative correlated sensitivity   |
| Land & buildings of Pegasus Hotels of Ceylon PLC | 31.03.2017                  | Market/income Approach   | (i) Cost of construction appreciation Rate      | Positive correlated sensitivity   |
|  |                             |                          | (ii) Building depreciation rate                 | Negative correlated sensitivity   |
| Land & buildings of Equity Two PLC               | 31.03.2016                  | Market/income Approach   | (i) Cost of construction appreciation rate      | Positive correlated sensitivity   |
|  |                             |                          | (ii) Building depreciation rate                 | Negative correlated sensitivity   |

### (e) Impairment/write-off of Property, plant & equipment

- (I) During the financial year, the Group recorded an impairment loss of approximately Rs. 414.9 Mn. These impairment losses were mainly arising from a subsidiary of the Group within the Palm Oil segment which had carried out a review of the recoverable amount of its land development costs and Plant and machinery. An impairment loss of approximately Rs, 414.9 Mn representing the write-down of these land development costs and Plant and machinery to the recoverable amount was recognised in "Impairment of business assets" line item of Consolidated Income Statement for the financial year ended 31 March 2017. The recoverable value of the building and plant and machinery was determined based on the valuation carried out by an independent professional valuer.
- (II) As explained in Note 13 to these Financial Statements, damage caused to PPE of Lion Brewery Ceylon PLC due to floods were estimated and written-off during the year. The net book value of the assets written-off was estimated at Rs. 525 Mn.

(Amounts expressed in Sri Lankan Rs.'000)

## 21 PROPERTY, PLANT & EQUIPMENT - GROUP (Contd.)

### (f) Carrying value of Property, plant & equipment

| As at 31st March | 2017       | Group<br>2016 |
|------------------|------------|---------------|
| At cost          | 44,436,636 | 48,729,413    |
| At valuation     | 9,008,932  | 11,245,564    |
| On finance lease | 331,490    | 498,168       |
|                  | 53,777,058 | 60,473,145    |

### (g) Capital work-in-progress consists of :

| As at 31st March  | 2017      | Group<br>2016 |
|-------------------|-----------|---------------|
| Land Improvements | 131,373   | 261,831       |
| Buildings         | 47,658    | 245,379       |
| Plant & Machinery | 1,904,304 | 1,187,011     |
| Others            | 49,705    | 45,642        |
|                   | 2,133,040 | 1,739,863     |

### (h) Revaluation of Freehold Land

#### (i) Leisure Sector

During the year freehold land and the buildings of the Leisure sector were revalued by an independent professional valuer Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach. The details of carrying values of the revalued assets and the carrying value if such assets were carried at historical cost less depreciation are in note 21 (c).

#### (ii) Beverage Sector

Freehold land and buildings of the Beverage sector were revalued in the books to conform with the market values as at 31st March 2016, which were assessed on a going concern basis by Messrs. Arthur Perera A.M.I.V. (Sri Lanka), independent professional valuer. The details of carrying values of the revalued assets and the carrying value if such assets were carried at historical cost less depreciation are in note 21 (c).

### (i) Property, plant and equipment of Indonesian plantations

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

### (j) Assets held under finance leases

During the financial year ended 31st March 2017, the Group acquired property, plant and equipment with an aggregate cost of Rs.8.05 Mn or equivalent to US\$ 53,000 (2016 Rs. 26.19 Mn or equivalent to US\$181,000) by means of finance leases.

The net book value of property, plant and equipment held under finance leases at the reporting date is Rs 331.4 Mn or equivalent to US\$2,181,000. (2016 Rs. 498.16 Mn or equivalent to US\$ 3,443,000).

Leased assets are pledged as security for the related finance lease liabilities.

### (k) Capitalisation of borrowing costs

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for their development. During the financial year ended 31st March 2017, the borrowing cost capitalised to property, plant and equipment was Rs. 338 Mn (2016: Rs. 580 Mn). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation for the financial year ended 31st March 2017 was 4.75% (2016: 4.15%) which was the effective interest rate of the US Dollar borrowing.

### (l) Assets pledged as security

The carrying value of certain property, plant and equipment of the Group amounting to approximately Rs. 3,253 Mn or equivalent to US\$ 214,075,000 (2016 - Rs. 37,621 Mn or equivalent to US\$ 260,015,000) are pledged as security for bank borrowings.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 21 PROPERTY, PLANT & EQUIPMENT - GROUP (Contd.)

### (m) Land acquisition - Company's subsidiary 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 (PRH) 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.

The PRH filed a fundamental rights application in the Supreme Court regarding the acquisition of approximately 353.89 perches of land (described as mangrove) included in the above said acquisition. As per the Supreme Court ruling dated 6th November 2008, the said land is to be returned to the Company on the completion of the construction work of the fisheries harbour project. In September 2016 the PRH filed a Motion in the Supreme Court to obtain an order for the divestiture of title of the 353.89 Perches of land, as allowed for by the Supreme Court in its original order made in November 2008. However on 18.10.2016 Supreme Court decided that no further orders can be made by the Supreme Court on this matter since the same does not fall within its legal realm. Accordingly, the appropriate remedy available to the Company would be through the Court of Appeal which action is presently under consultation with legal counsel. As at the balance sheet date PRH is yet to regain title for the said extent of 353.89 perches of land acquired.

The market value of the net land extent (1,251 perches) as at the date of acquisition amounting to Rs.187,800,000/- has been removed from the value of the freehold land classified under the property, plant, and equipment in the Statement of Financial Position of the PRH. The removal of the said land has been accounted for as a disposal of an asset, in the financial statements of 2008/09 and the related compensation receivable is recorded as a non current assets as disclosed in note 31 to the financial statements.

On 15th March 2011, the Sri Lanka Navy had approached the Fisheries Harbour Corporation through which they have requested for a portion of 80 perches from and out of the said 353.89 perches in order to establish a coast guard unit. However the requested land can only be provided to Sri Lanka Navy via a fresh Court ruling. Accordingly until the determination of the aforesaid legal steps, the entire land extent in question (353.89 perches) will continue to be accounted in the Statement of Financial Position of the PRH under property, plant and equipment at the market value.

Accordingly the carrying value of the said land, (353.89 perches) amounting to Rs. 52,950,000/- was not removed from the property, plant and equipment at the time of the acquisition. Hence this land was included in the revaluation of hotel property carried out during the year, which enhanced the carrying value of same to Rs 105,900,000/- subsequent to the revaluation.

### (n) Land compensation received

As disclosed and reported in the Financial Statements of previous years, Good Hope PLC (GHPLC), a Subsidiary of the Group, filed a claim in the Shah Alam High Court against the State Governor of Selangor ("Defendant") to recover the outstanding Late Payment Charges amounting to Rs 51mn (US\$335,490) with respect to an acquisition of 24.5 acres of GHPLC's land during the financial year ended 31 March 2003. The High Court Judge allowed the claim of GHPLC for late payment charges of Rs 51mn (US\$335,490) with interest thereon at 4% per annum and costs of US\$2,050 (RM8,000).

The Defendant filed an appeal against the decision of the High Court and on hearing of the appeal proper, the Court of Appeal on 15th April 2014, dismissed the appeal filed by the Defendant with costs of Rs 389,550/- (US\$2,563) and affirmed the Order of the High Court.

The Defendant aggrieved by the decision of the Court of Appeal, thereafter on 15 May 2014 filed an application for leave to appeal in the Federal Court of Malaysia, against the decision of the Court of Appeal. On 27 May 2015, the Federal Court entered settlement Order for the Defendant to pay a sum of Rs,31mn (US\$205,023) to the Company on or before 26 June 2015 as full and final settlement of the Order of the High Court. Accordingly, the Defendants made the said payment of Rs,31mn (US\$205,023) to the Company on 18 June 2015. This matter is now concluded.

The compensation received during the prior year on late payment charges has been recorded under "other items of income" in the consolidated income statement.

### (o) Land lease extension

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. Consequent to a request for an extension by the subsidiary, Sri Lanka Tourism Development Authority has agreed to extend lease for another 30 years effective from August 2008. 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.

(Amounts expressed in Sri Lankan Rs.'000)

**22 BEARER PLANTS**

| For the year ended 31st March                                | Group       |            |
|--|-------------|------------|
|  | 2017        | 2016       |
| <b>Cost</b>  |             |            |
| Balance as at the beginning of the year                      | 38,203,266  | 31,725,996 |
| Increase due to plantation development costs                 | 2,339,760   | 3,111,611  |
| Capitalisation of interest                                   | 515,805     | 769,087    |
| Capitalisation of depreciation of property plant & equipment | 122,883     | 180,509    |
| Capitalisation of amortisation of intangible assets          | 84,021      | 111,001    |
| Attributable to discontinued operations                      | (3,631,877) | -          |
| Disposal   | (176,469)   | -          |
| Reclassified as assets held for sale                         | -           | (151,426)  |
| Exchange translation difference                              | 1,781,289   | 2,456,488  |
| Balance as at end of the year                                | 39,238,678  | 38,203,266 |
| <b>Accumulated depreciation</b>                              |             |            |
| Balance as at the beginning of the year                      | 3,677,035   | 2,748,563  |
| Charge for the year  | 1,122,421   | 699,366    |
| Attributable to discontinued operations                      | (307,771)   | -          |
| Disposal   | (74,281)    | -          |
| Reclassified as assets held for sale                         | -           | (5,579)    |
| Exchange translation difference                              | 190,752     | 234,685    |
| Balance as at end of the year                                | 4,608,156   | 3,677,035  |
| <b>Accumulated Impairment</b>                                |             |            |
| Balance as at the beginning of the year                      | 6,721,241   | 3,712,146  |
| Charge for the year  | 76,686      | 2,618,629  |
| Exchange translation difference                              | 315,452     | 390,466    |
| Balance as at end of the year                                | 7,113,379   | 6,721,241  |
| Net balance as at end of the year                            | 27,517,143  | 27,804,990 |

**(a) Impairment loss on bearer plants**

In prior years, in accordance with IAS 41 Agriculture, the biological assets of the group were fair valued and the corresponding fair value gains of the "Mature plantations" were recognised in the income statement whilst offsetting the impairment in value of biological assets of the "Immature plantations. Hitherto, the Biological Valuations have been used to assess any potential impairment and accordingly to determine the fair value of the biological assets for accounting purposes.

With the adoption of the amendments to IAS 41 Agriculture and IAS 16 Property, Plant and Equipment from 1 April 2016, bearer plants are recognised at cost. On adoption, plantation subsidiaries of the group are also required to carry out an annual impairment assessment. As a result of adopting the amendments to the Accounting Standards the Financial Statements were re-stated. Effect of such re-statement is presented in note 55 to the Financial Statements.

Accordingly, the carrying values of bearer plants of the Indonesian Plantation Companies have been tested for impairment via an independent valuation exercise. The valuation for FY 2017 was determined by KJPP, an independent professional valuer using the same assumptions and bases as were used previously. Based on this, in the current financial year, the fair value gains (arising from mature plantations) are not recognised in the income statement, whilst the fair value losses (arising from Immature plantations) are recognised in income statement as impairment.

The impairment loss of Rs 76 million (2016: Rs 2618 million) recognised in the income statement relate to the immature plantation subsidiaries of the group. In the absence of processing facilities, the fair valuation of the immature plantation was based on FFB (and not CPO) whereas the mature plantations have been valued on based on the assumption that the plantations produce and sell CPO. The adverse industry conditions experienced over the past few years too has had an impact on the fair valuations. During this period, the immature plantation companies continued to capitalise the cost of maintenance/fertilisation in accordance with the accounting policies of the group until such plantations are declared as 'mature' and ready for income generation.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## (b) 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<br>Area | Indonesian Plantations |          | Malaysian Plantations |          | Total    | Total    |
|--------------------------|------------------------|----------|-----------------------|----------|----------|----------|
|                          | 2017                   | 2016     | 2017                  | 2016     | 2017     | 2016     |
|                          | Hectares               | Hectares | Hectares              | Hectares | Hectares | Hectares |
| <b>Planted Area:</b>     |                        |          |                       |          |          |          |
| - Mature                 | 51,023                 | 54,183   | -                     | 572      | 51,023   | 54,755   |
| - Immature               | 12,712                 | 13,917   | -                     | 7        | 12,712   | 13,924   |
|                          | 63,735                 | 68,100   | -                     | 579      | 63,735   | 68,679   |

| As at 31st March     | Indonesian Plantations |            | Malaysian Plantations |         | Total      | Total      |
|----------------------|------------------------|------------|-----------------------|---------|------------|------------|
|                      | 2017                   | 2016       | 2017                  | 2016    | 2017       | 2016       |
| <b>Value</b>         |                        |            |                       |         |            |            |
| <b>Planted Area:</b> |                        |            |                       |         |            |            |
| - Mature             | 17,407,680             | 19,250,261 | -                     | 107,505 | 17,407,680 | 19,357,765 |
| - Immature           | 10,109,463             | 8,447,225  | -                     | -       | 10,109,463 | 8,447,225  |
|                      | 27,517,143             | 27,697,486 | -                     | 107,505 | 27,517,143 | 27,804,990 |

- (c) The carrying value of bearer plants of the Group pledged / undertaken as security for the bank borrowings amounted to approximately Rs.24,666 Mn or equivalent to US\$ 167,109,000 (2016 Rs. 28,220 Mn or equivalent to US\$ 202,950,000).
- (d) Borrowing cost capitalised to immature plantations for the year ended 31st March 2017 amounted to Rs. 515 Mn or equivalent to US \$ 3,609,000 (2016 - Rs. 769 Mn or equivalent to US \$ 5,382,000/-)
- (e) Depreciation of property, plant and equipment capitalised to immature plantations for the financial years ended 31 March 2017 and 2016 amounted to Rs 122.8 Mn and Rs 180.5 Mn respectively

## 23 PREPAID LEASE PAYMENT FOR LANDS

| For the year ended 31st March           | Group     |           |
|---|-----------|-----------|
|   | 2017      | 2016      |
| <b>Cost/Valuation</b>                   |           |           |
| Balance as at the beginning of the year | 5,632,112 | 5,037,428 |
| Additions                               | 343,588   | 229,806   |
| Disposal                                | (374,461) | -         |
| Exchange translation difference         | 273,407   | 364,878   |
| Balance as at end of the year           | 5,874,646 | 5,632,112 |
| <b>Accumulated amortization</b>         |           |           |
| Balance as at the beginning of the year | 795,317   | 570,558   |
| Amortization                            | 176,068   | 174,077   |
| Disposal                                | (66,445)  | -         |
| Exchange translation difference         | 42,088    | 50,682    |
| Balance as at end of the year           | 947,028   | 795,317   |
| Net Balance as at the end of the year   | 4,927,618 | 4,836,795 |

(Amounts expressed in Sri Lankan Rs.'000)

**(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 licenses. The land rights have an average remaining amortisation period of 25 years.

Management believes that the existing land rights will be renewed by the Government of Indonesia upon expiration since under the laws of Indonesia the land rights can be renewed upon the request of the HGU holder (subject to the approval of 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 25 years.

**(b) Assets pledged as security**

There were no land rights of the Group pledged/undertaken to pledge as security for the bank borrowings

**(c) Analysis of prepaid lease rights**

| For the year ended 31st March                  | Group     |           |
|--|-----------|-----------|
|  | 2017      | 2016      |
| Prepaid lease rights are to be amortised;      |           |           |
| Not later than one year                        | 195,915   | 177,679   |
| Later than one year but not later than 5 years | 800,684   | 710,718   |
| Later than five years                          | 3,931,019 | 3,948,398 |
|  | 4,927,618 | 4,836,795 |



(Amounts expressed in Sri Lankan Rs.'000)

(e) Vauxhall Lane property owned by the Company's subsidiary Equity One Ltd carrying a land extent of 207.05 perches in the books historically contained a 27 perches for road allocation. It was determined previous year that this road allocation did not carry soil rights for the Equity One Ltd but only carried right-of-way which is shared with a third party property. Accordingly the valuation assigned to this road allocation was removed from the valuation.

(f) **Capitalization of borrowing costs into investment properties**

No borrowing cost capitalized for the year ended 31st March 2017 (2016 - Rs. Nil).

(g) **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.

(h) All the direct operating expenses of the Group are incurred on investment properties generating rental income.

(i) There were no restrictions on title of investment properties as at the reporting date.

(j) **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 2017 | Fair Value 31st March 2016 |
|-----------------------------------|---|-----------------|---------------------|-------------------------------|-------------------|-----------------|----------------------------|----------------------------|
| Equity One Ltd                    | Dharmapala Mw., Colombo 07.             | Office Space    | Market approach     | 44,647                        | 0.238             | 120,288         | 1,084,875                  | 1,080,089                  |
| Equity One Ltd                    | Vauxhall Lane, Colombo 02               | Warehouse Space | Market approach     | 32,408                        | 0.455             | 226,917         | 625,915                    | 625,915                    |
| Equity Two PLC                    | No 55 Janadhipathi Mawatha<br>Colombo 1 | Office Space    | Market approach     | 44,046                        | 0.146             | 427,629         | 725,428                    | 725,428                    |
| Equity Three<br>(Private) Limited | George R. De Silva Mw, Colombo 13       | Office Space    | Market approach     | 31,237                        | 0.208             | 69,256          | 368,799                    | 368,799                    |
|                                   |   |                 |                     |                               |                   |                 | 2,805,017                  | 2,800,231                  |

(k) The Group recognized land and building located at 61, Janadhipathi 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.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

### 25 INTANGIBLE ASSETS - GROUP

| For the year ended 31st March                | Goodwill         |                  | Computer Software |                  | Excise License |               | Brand            |                  | Customer Relationship |                | Total            |                  |
|--|------------------|------------------|-------------------|------------------|----------------|---------------|------------------|------------------|-----------------------|----------------|------------------|------------------|
|  | 2017             | 2016             | 2017              | 2016             | 2017           | 2016          | 2017             | 2016             | 2017                  | 2016           | 2017             | 2016             |
| <b>Cost/Valuation</b>                        |                  |                  |                   |                  |                |               |                  |                  |                       |                |                  |                  |
| Balance as at the beginning of the year      | 2,580,463        | 2,681,983        | 1,443,069         | 1,196,505        | 59,663         | 63,845        | 4,023,815        | 4,038,384        | 462,987               | 565,882        | 8,569,997        | 8,546,599        |
| Additions                                    | -                | -                | 35,532            | 191,432          | -              | -             | -                | 98               | -                     | -              | 35,532           | 191,530          |
| Impairment (Note 12)                         | (13,309)         | (101,520)        | -                 | -                | -              | -             | (1,673,065)      | -                | (52,401)              | (102,895)      | (1,738,775)      | (204,415)        |
| Transfer / Adjustment                        | -                | -                | (21,064)          | 15,260           | 3,000          | (4,182)       | (1,781)          | (14,739)         | -                     | -              | (19,845)         | (3,661)          |
| Exchange translation difference              | -                | -                | 15,692            | 39,872           | -              | -             | (1,769)          | 72               | -                     | -              | 13,923           | 39,944           |
| <b>Balance as at end of the year</b>         | <b>2,567,154</b> | <b>2,580,463</b> | <b>1,473,229</b>  | <b>1,443,069</b> | <b>62,663</b>  | <b>59,663</b> | <b>2,347,200</b> | <b>4,023,815</b> | <b>410,586</b>        | <b>462,987</b> | <b>6,860,832</b> | <b>8,569,997</b> |
| <b>Accumulated Amortization</b>              |                  |                  |                   |                  |                |               |                  |                  |                       |                |                  |                  |
| Balance as at the beginning of the year      | -                | -                | 492,743           | 372,383          | 23,644         | 25,010        | -                | -                | 268,794               | 212,206        | 785,181          | 609,599          |
| Amortization                                 | -                | -                | 117,685           | 109,622          | 6,041          | 5,816         | -                | -                | 36,989                | 56,588         | 160,715          | 172,026          |
| Transfer / Adjustment                        | -                | -                | (1,009)           | (1,486)          | -              | (7,182)       | -                | -                | -                     | -              | (1,009)          | (8,668)          |
| Exchange translation difference              | -                | -                | 8,860             | 12,224           | -              | -             | -                | -                | -                     | -              | 8,860            | 12,224           |
| Balance as at end of the year                | -                | -                | 618,279           | 492,743          | 29,685         | 23,644        | -                | -                | 305,783               | 268,794        | 953,747          | 785,181          |
| <b>Net Balance as at the end of the year</b> | <b>2,567,154</b> | <b>2,580,463</b> | <b>854,950</b>    | <b>950,326</b>   | <b>32,978</b>  | <b>36,019</b> | <b>2,347,200</b> | <b>4,023,815</b> | <b>104,803</b>        | <b>194,193</b> | <b>5,907,085</b> | <b>7,784,816</b> |

(Amounts expressed in Sri Lankan Rs.'000)

## 25 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 in the respective sectors.

| As at 31st March                      | 2017      | 2016      |
|---------------------------------------|-----------|-----------|
| 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   | 1,002,347 |
| Oil & Fats sector                     | 1,122,965 | 1,122,965 |
|                                       | 2,567,154 | 2,580,463 |

The Group recognized an impairment loss amounting to Rs 13,30 Mn in respect of the goodwill allocated to Oil palm plantation for the financial year ended 31 March 2017 as the recoverable amount of the goodwill allocated was less than its carrying value. The recoverable value was determined based on the cash flow projections of respective upstream companies. The impairment loss has been recognised in profit or loss under Impairment of business assets.

During the previous year management had decided to scale down the operation of Arani Agro Oil Industries Ltd. (AAOIL). Further, this subsidiary had reported a negative net asset position as at 31st March 2016. Considering these facts management had decided to fully impair the goodwill and customer relationship assets allocated to Arani Agro Oil Industries Ltd.(AAOIL) amounting to Rs. 101 Mn & 102 Mn respectively, in the financial year 2016.

#### 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 covering a ten-year period based on the age profile of the plantations. Management determines the values assigned to each key assumption used in the cash flow projection based on past experience, operational considerations and current business practices common to the oil palm plantation industry. These assumptions were used for the analysis of each CGU within the business segment.

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 |       |
|------------------------|----------------------------|-------|
|                        | 2017                       | 2016  |
| Pre-tax discount rates | 11.4%                      | 13.6% |
| Terminal Growth Rate   | 0- 1.9%                    | 3%    |

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 long-term 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 reputed independent forecasting service firms for the short-term period and the World Bank forecast for the remaining projection period.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 25 INTANGIBLE ASSETS - GROUP (Contd.)

### Oils and fats sector

Goodwill related to oils and fats segment were allocated to two CGUs namely Oils & fats -Malaysia and Oils & fats - India. 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 covering a five-year period. These assumptions were used for the analysis of each CGU within the business segment.

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 sector |      |
|------------------------|-------------------|------|
|                        | 2017              | 2016 |
| Pre-tax discount rates | 8.2%              | 8.7% |
| Terminal Growth Rate   | 0-1.9%            | 3%   |

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 long-term average growth rate of the industry and country in which the entities operate.

### 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) Computer Software

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 9 years (2016: 4 years).

All research costs and development costs not eligible for capitalization amounting to Rs. 51.07 Mn or equivalent to US\$ 353,000 (2016: Rs. 40.32 Mn or equivalent to US\$ 290,000) have been expensed and are recognized in the Statement of Income.

During the financial year, no software and development costs was written off (2016 nil) in the oil palm plantation segment and recognized in Statement of Income.

(Amounts expressed in Sri Lankan Rs.'000)

## 25 INTANGIBLE ASSETS - GROUP (Contd.)

### (c) Brands - Lion Brewery Ceylon PLC (LBC PLC)

Lion Brewery (Ceylon) PLC acquired brands amounting to Rs. 4 Bn during 2014/15 financial year. The said acquisition consisted of five brands namely, Sando Power, Sando Stout, Three Coins, Grand Blonde and Irish Dark. Brands are not amortized 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 of Brands

As per the Accounting Standard, LKAS 36 – Impairment of Assets, an annual impairment test was carried out for the brands described above as at 31st March 2017.

During the months October & December 2015, the excise Duty on beer was increased as follows;

- Mild beer (beer with an alcohol volume of <5% - from Rs.150/- per litre to Rs.190/- per litre (27% increase)
- Strong beer (beer with an alcohol volume >5% - from Rs.185/- per litre to Rs.315/- per litre (70% increase)

As a result of this steep increase in excise duty, the beer industry recorded a sharp decline in volumes. In addition LBCPLC was also affected by floods and as a result the brewery was shut down for a period of 6 months. The impairment test carried out as at 31st March 2017 took into consideration the consequent market dynamics from both these factors which necessitated a downward adjustment in the value of the brands acquired from Millers Brewery Limited.

#### Assumption

The 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. The only difference of the discount rate compared with previous financial year is the change in the risk-free rate due to market changes. Due to factors mentioned above, the contribution growth rate and the volume growth rates were reduced by 3.5% and 2.5% respectively compared to previous period.

Accordingly, the value in use of the said brands as at 31st March 2017 stands at Rs. 2,326 Million resulting in an impairment of Rs.1,673, million which has been charged to the income statement.

### (d) Customer relationships

Customer relationships acquired as part of business combination were initially recognized at their fair value at the date of acquisition and are subsequently carried at cost less accumulated amortization. Customer relationships are amortized over 10 years and tested for impairment annually. The average remaining amortization period as at 31st March 2017 is 4 years (2016: 5 years).

The impairment loss amounting to Rs 52.4 million was recognised for the year ended 31 March 2017. This is in respect of the loss of two customers with long standing relationship who were considered for the customer relationship valuation at the time of acquisition.

The carrying value of customer relationship recognised in respect of Arani Agro Oil Industries Private Limited (AAOIL) was fully impaired during the year ended 31 March 2016 considering decision taken by the management to scale down AAOIL's operations in addition to the net current liabilities and net liabilities positions reported as at 31 March 2016 as explained under Goodwill Note above.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 26 INVESTMENT IN SUBSIDIARIES

| As at 31st March                          | Principal activities           | Country of incorporation | Effective equity Interest held by the Group % |         | Investment through Group |            | Direct Investment by the Company |           |
|---|--------------------------------|--------------------------|---|---------|--------------------------|------------|----------------------------------|-----------|
|   |                                |                          | 2017  | 2016    | Cost 2017                | Cost 2016  | Cost 2017                        | Cost 2016 |
| <b>(i) Quoted Investments</b>             |                                |                          |   |         |                          |            |                                  |           |
| Investments in Ordinary Shares            |                                |                          |   |         |                          |            |                                  |           |
| Equity Two PLC                            | Real Estate                    | Sri Lanka                | 87.70%  | 85.50%  | 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%  | 51.32%  | 724,640                  | 724,640    | -                                | -         |
| Good Hope PLC                             | Oil palm plantation            | Sri Lanka                | 48.50%  | 50.42%  | 497,584                  | 497,584    | -                                | -         |
| Indo - Malay PLC                          | Oil palm plantation            | Sri Lanka                | 46.37%  | 48.42%  | 1,369,353                | 1,369,353  | -                                | -         |
| Shalimar (Malay) PLC                      | Oil palm plantation            | Sri Lanka                | 52.39%  | 52.53%  | 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                | 44.60%  | 44.60%  | 460,880                  | 460,880    | -                                | -         |
| Guardian Capital Partners PLC             | Portfolio and Asset Management | Sri Lanka                | 60.45%  | 60.45%  | 446,267                  | 446,267    | 10,121                           | 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                | 46.26%  | 46.26%  | 2,055,692                | 2,055,692  | 1,019,941                        | 1,019,941 |
| Total investment in Subsidiaries - quoted |                                |                          |   |         | 8,392,802                | 8,392,802  | 3,313,089                        | 3,313,089 |
| <b>(ii) Unquoted Investment</b>           |                                |                          |   |         |                          |            |                                  |           |
| Equity One Ltd*                           | Real Estate                    | Sri Lanka                | 98.75%  | 96.27%  | 1,097,269                | 1,019,862  | 1,103,682                        | 1,026,274 |
| 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                | 46.26%  | 46.26%  | 1,150,000                | 1,150,000  | -                                | -         |
| Millers Brewery Ltd                       | Beverage                       | Sri Lanka                | 46.26%  | 46.26%  | 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%  | 48.46%  | 224,560                  | 224,560    | -                                | -         |
| Riverside Resorts (Pvt) Ltd               | Leisure                        | Sri Lanka                | -   | 51.00%  | -                        | 26,000     | -                                | -         |
| 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                 | 51.33%  | 51.91%  | 2,665,105                | 2,665,105  | -                                | -         |
| PT Agro Indomas                           | Oil palm plantation            | Indonesia                | 48.60%  | 49.10%  | 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%  | 226,523                  | 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%  | 148,983                  | 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 Peraksa                   | 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    | -                                | -         |
|   |                                |                          |   |         | 23,749,775               | 23,698,368 | 6,691,545                        | 6,614,137 |

\*Previously known as Equity One PLC

(Amounts expressed in Sri Lankan Rs.'000)

**26 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 |            |
|--|--------------------------------|--------------------------|---|---------|--------------------------|------------|----------------------------------|------------|
|  |                                |                          | 2017  | 2016    | Cost 2017                | Cost 2016  | Cost 2017                        | Cost 2016  |
| 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%  | 15,478                   | 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                | 53.26%  | 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%  | 3,568,789                | 3,568,789  | -                                | -          |
| Premium Fats Sdn. Bhd.                               | Oils and Fats                  | Malaysia                 | 53.33%  | 53.33%  | 91,648                   | 91,648     | -                                | -          |
| Arani Agro Oil Industries 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    |
| 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     |
| 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                | 98.75%  | 96.27%  | 54,000                   | 54,000     | -                                | -          |
| Pubs 'N Places (Private) Ltd                         | Beverage                       | Sri Lanka                | 75.37%  | 75.37%  | 511,881                  | 250,000    | -                                | -          |
| Retail Spaces (Private) Limited                      | Beverage                       | Sri Lanka                | 75.37%  | 75.37%  | -                        | -          | -                                | -          |
| Luxury Brands (Private) Limited                      | Beverage                       | Sri Lanka                | 75.37%  | 75.37%  | 50,000                   | -          | -                                | -          |
|  |                                |                          |   |         | 40,244,612               | 39,881,333 | 6,691,545                        | 6,614,137  |
| <b>(iii) Investments in Unquoted Deferred Shares</b> |                                |                          |   |         |                          |            |                                  |            |
| 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    |
| <b>(iv) Deemed Investments</b>                       |                                |                          |   |         |                          |            |                                  |            |
| 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      |
| Total Investment in Subsidiaries                     |                                |                          |   |         | -                        | -          | 202,674                          | 202,674    |
|  |                                |                          |   |         |                          |            | 10,334,171                       | 10,256,763 |

As revised by LKAS 39 "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.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 26 INVESTMENT IN SUBSIDIARIES (Contd.)

### (a) Acquisition from non-controlling interests

During the year, 2016/17 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 PLC* | 2.48                  | 98.75  | 77,408             |

\*The Company was delisted during the financial year.

### Share Repurchase

The 4 Malaysian companies disposed of its plantation assets in Malaysia and distributed the net sales proceeds therefrom to the shareholders. Share repurchase offer was made to the shareholders as a primary means of distribution. Details of which are set forth below,

| Name of the company   | Company offered maximum no of shares | Basis                         | Price Per share Rs | Total repurchased no of shares | Distributed Amounts Million |
|-----------------------|--------------------------------------|-------------------------------|--------------------|--------------------------------|-----------------------------|
| Shalimar (Malay ) PLC | 1,542,240                            | 02 shares for every 09 shares | 2,298.20           | 1,542,240                      | 3,544                       |
| Selinsing PLC         | 1,261,833                            | 02 shares for every 11 shares | 1,349.80           | 1,261,833                      | 1,703                       |
| Good Hope PLC         | 2,987,525                            | 10 shares for every 23 shares | 1,691.58           | 2,987,525                      | 5,053                       |
| Indo - Malay PLC      | 2,187,000                            | 05 shares for every 16 shares | 1,429.60           | 2,187,000                      | 3,126                       |

### Acquisition of subsidiaries - For the year ended 31st March 2016

Acquisition of PT Agro Surya Mandiri and PT Agro Bina Lestari

On 31st March 2016, the Group acquired 50.67% equity interest in PT Agro Surya Mandiri ("PTASM") & PT Agro Bina Lestari ("PTABL"), companies incorporated in Indonesia, for a purchase consideration of Rs 515.85 mn or equivalent US\$1,790,000 each. The Group has acquired these companies as part of its plantation business expansion plan.

The following represents the fair values of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition.

| As at 31st March   | PTASM 2016     | PTABL 2016     | Total 2016     |
|--|----------------|----------------|----------------|
| <b>Assets</b>  |                |                |                |
| Property, Plant & Equipment                                | 155,933        | 155,933        | 311,866        |
| Trade and other receivables                                | 115,470        | 115,470        | 230,940        |
| Cash and cash equivalents                                  | 101            | 101            | 202            |
| <b>Total assets</b>  | <b>271,504</b> | <b>271,504</b> | <b>543,008</b> |
| <b>Total Liabilities</b>                                   |                |                |                |
|  | -              | -              | -              |
| <b>Net identifiable assets</b>                             | <b>271,504</b> | <b>271,504</b> | <b>543,008</b> |
| Less: Non-controlling interest                             | (133,933)      | (133,933)      | (267,866)      |
| <b>Identifiable net assets acquired</b>                    | <b>137,571</b> | <b>137,571</b> | <b>275,142</b> |
| Consideration for acquisition of non -controlling interest | 120,459        | 120,459        | 240,918        |
| <b>Total consideration on acquisition</b>                  | <b>258,030</b> | <b>258,030</b> | <b>516,060</b> |
| The effects of acquisition on cash flow is as follows:     |                |                |                |
| Identifiable net assets acquired                           |                |                | 516,060        |
| Less cash and cash equivalent of Subsidiaries accquired    |                |                | (202)          |
| <b>Acquisition of Subsidiaries net of cash</b>             |                |                | <b>515,858</b> |

No revenue has been recorded since the date of acquisition whilst a loss of Rs.16,000/- was recorded by both companies for the period ended 31st March 2016 since the date of the acquisition.

(Amounts expressed in Sri Lankan Rs.'000)

## 26 INVESTMENT IN SUBSIDIARIES (Contd.)

### (b) Disposal of interest in subsidiaries without loss of control

Previous 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 % | Consideration | Book value | Decrease in equity attributable to the owners of company |
|---------------------------|------------------------------|------------------------|---|---------------|------------|--|
| Carson Cumberbatch PLC    | Pegasus Hotels of Ceylon PLC | 3.11%                  | 89.98%  | 37,601        | 14,303     | 44,855   |

### (c) Acquisition from non-controlling interests

| Acquirer                   | Acquiree                         | Additional interest % | Proportion of ownership interest after additional acquisition % (Group gross interest) | Consideration Paid |
|----------------------------|----------------------------------|-----------------------|--|--------------------|
| Goodhope Asia Holdings Ltd | Selinsing PLC                    | 0.17                  | 96.21  | 4,446              |
| Goodhope Asia Holdings Ltd | Good Hope PLC                    | 0.05                  | 94.53  | 3,443              |
| Goodhope Asia Holdings Ltd | Indo - Malay PLC                 | 0.34                  | 90.78  | 1,688              |
| Carson Cumberbatch PLC     | The Ceylon Beverage Holdings PLC | 0.31                  | 75.37  | 56,489             |

## 27 NON CONTROLLING INTEREST

Group had established control over all of its subsidiaries without having to make significant assumptions.

### (a) Summary of non controlling interest

| As at 31st March                                  | Group<br>2017 | Group<br>2016 |
|---|---------------|---------------|
| Balance as at 1st April                           | 27,230,412    | 37,402,995    |
| Super gain tax for the year of assessment 2013/14 | -             | (244,812)     |
| Amendments to LKAS 16/ LKAS 41 (Note 55)          | -             | (7,933,141)   |
| Total comprehensive income                        | 1,546,025     | (1,767,416)   |
| Acquisition of subsidiaries                       | -             | 27,115        |
| Subsidiary dividend to non controlling interest   | (313,463)     | (414,603)     |
| Other adjustments                                 | (237,263)     | 160,274       |
| Balance as at 31st March                          | 28,225,711    | 27,230,412    |

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

### 27 NON CONTROLLING INTEREST (Contd.)

(b) The following table summarizes the information relating to each of the Group's subsidiaries, that has material Non controlling interest.

| For the year ended 31st March                         | Goodhope Asia Holdings Ltd |                  | Ceylon Beverage Holdings PLC |                  | Ceylon Guardian Investments Trust PLC |                    |
|---|----------------------------|------------------|------------------------------|------------------|---------------------------------------|--------------------|
|   | 2017                       | 2016             | 2017                         | 2016             | 2017                                  | 2016               |
| <b>Summarised statement of Income</b>                 |                            |                  |                              |                  |                                       |                    |
| Revenue   | 38,686,860                 | 37,574,009       | 23,275,282                   | 36,878,490       | 1,747,964                             | 1,181,521          |
| Profit before Income tax expenses                     | 897,727                    | (616,275)        | (1,977,887)                  | 3,011,773        | 1,257,140                             | 643,242            |
| Income tax expenses                                   | (1,954,394)                | (590,452)        | 417,743                      | (928,213)        | (21,536)                              | (31,260)           |
| Net profit for the period                             | 3,343,872                  | (1,567,429)      | (1,560,144)                  | 2,083,560        | 1,235,604                             | 611,982            |
| Other comprehensive income                            | 1,318,978                  | 999,649          | 15,586                       | 795,476          | (1,857,260)                           | (8,136,749)        |
| <b>Total comprehensive income</b>                     | <b>4,662,850</b>           | <b>(567,780)</b> | <b>(1,544,558)</b>           | <b>2,879,036</b> | <b>(621,656)</b>                      | <b>(7,524,767)</b> |
| Net profit attributable to NCI                        | 1,902,465                  | (612,918)        | (805,579)                    | 1,118,068        | 542,466                               | 255,058            |
| Other comprehensive income attributable to NCI        | 709,209                    | 562,753          | 8,376                        | 599,550          | (819,875)                             | (3,497,695)        |
| <b>Total comprehensive income attributable to NCI</b> | <b>2,611,674</b>           | <b>(50,165)</b>  | <b>(797,203)</b>             | <b>1,717,618</b> | <b>(277,409)</b>                      | <b>(3,242,637)</b> |
| <b>Summarised statement of Financial Position</b>     |                            |                  |                              |                  |                                       |                    |
| Non-current assets                                    | 77,818,143                 | 86,172,594       | 20,987,187                   | 21,127,579       | 14,049,811                            | 15,944,379         |
| Current assets  | 18,773,290                 | 17,407,037       | 12,352,804                   | 8,874,884        | 4,841,453                             | 3,826,077          |
| Non-current liabilities                               | 31,681,238                 | 42,856,504       | 10,650,166                   | 10,381,598       | 10,479                                | 9,528              |
| Current liabilities                                   | 37,804,859                 | 37,499,568       | 14,169,402                   | 9,383,854        | 294,633                               | 239,984            |
| Net assets attributable to NCI                        | 15,811,023                 | 13,492,317       | 4,458,439                    | 6,056,074        | 7,588,415                             | 8,003,451          |
| <b>Summarised Cashflow Informations</b>               |                            |                  |                              |                  |                                       |                    |
| Cash flows from operating activities                  | 63,325                     | 10,606,873       | (381,632)                    | 3,400,446        | 698,375                               | (402,412)          |
| Cash flows from investing activities                  | 16,003,433                 | (7,511,203)      | (3,006,018)                  | (1,025,808)      | 220                                   | (2,766)            |
| Cash flows from financing activities                  | (15,072,605)               | (5,710,784)      | 6,885,995                    | (1,483,281)      | (320,548)                             | (339,972)          |
| Dividends paid to NCI during the year                 | (48,551)                   | (13,809)         | (113,596)                    | (172,662)        | (143,794)                             | (226,672)          |
| 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)

## 28 INVESTMENTS IN JOINT VENTURE

### (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                   | 2017   | Group<br>2016 |
|------------------------------------|--------|---------------|
| Shares at cost                     | 35,000 | 35,000        |
| Share of post -acquisition reserve | 1,928  | (3,323)       |
| Balance as at the end of the year  | 36,928 | 31,677        |

### (c) Measurement of Joint venture Companies - Group

| As at 31st March   | No. of shares<br>2017 | Carrying Value<br>2017 | Cost<br>2017 | Carrying Value<br>2016 | Cost<br>2016 |
|--|-----------------------|------------------------|--------------|------------------------|--------------|
| <b>Joint venture Company</b>                             |                       |                        |              |                        |              |
| <b>On Unquoted Shares</b>                                |                       |                        |              |                        |              |
| Guardian Acuity Asset Management Limited                 | 2,000,000             | 35,000                 | 35,000       | 35,000                 | 35,000       |
|  |                       | 35,000                 | 35,000       | 35,000                 | 35,000       |
| <b>Group Share of Joint venture Company's Net Assets</b> |                       |                        |              |                        |              |
| Guardian Acuity Asset Management Limited                 |                       | 1,928                  |              | (3,323)                |              |
| Investments in Joint Venture Company (Equity Basis)      |                       | 36,928                 |              | 31,677                 |              |

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

### 28 INVESTMENTS IN JOINT VENTURE (Contd.)

(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 |        |                          |       |   |       |
|---------------------------------------|-----------------------|--------|--------------------------|-------|---|-------|
|                                       | Revenue               |        | Profit/ (loss) after tax |       | Group's Share of Profit/ (loss) after tax |       |
|                                       | 2017                  | 2016   | 2017                     | 2016  | 2017                                      | 2016  |
| For the year ended 31st March         |                       |        |                          |       |   |       |
| <b>Joint Venture Company</b>          |                       |        |                          |       |   |       |
| Guardian Acuity Assets Management Ltd | 41,940                | 33,549 | 5,494                    | 9,618 | 2,747                                     | 4,809 |
|                                       | 41,940                | 33,549 | 5,494                    | 9,618 | 2,747                                     | 4,809 |

| As at 31st March                              | 2017   | 2016   |
|---|--------|--------|
| Non - Current assets                          | 54,854 | 49,221 |
| Current assets                                | 25,275 | 19,221 |
| Total assets                                  | 80,129 | 68,442 |
| Non - Current Liabilities                     | 751    | 643    |
| Current liabilities                           | 5,521  | 4,445  |
| Total liabilities                             | 6,272  | 5,088  |
| Shareholders' equity                          | 73,857 | 63,354 |
| Proportion of the Group's ownership interest. | 50%    | 50%    |
| Carrying amounts of investment                | 36,928 | 31,677 |

(Amounts expressed in Sri Lankan Rs.'000)

**29 AVAILABLE-FOR-SALE FINANCIAL ASSETS****(a) Summary of Available-for-Sale Financial Assets - Group**

| As at 31st March  |            | Group<br>2017     | 2016              |
|---|------------|-------------------|-------------------|
| <b>Investment in equity securities</b>                          |            |                   |                   |
| Quoted equity instruments                                       | 29 b (I)   | 15,111,877        | 17,643,494        |
| Unquoted equity instruments                                     | 29 b (II)  | 94,914            | 84,100            |
| Private Equity (unlisted) instruments                           | 29 b (III) | 270,508           | 125,261           |
| <b>Total investment in equity securities</b>                    |            | <b>15,477,299</b> | <b>17,852,855</b> |
| <b>Investment in debentures</b>                                 |            |                   |                   |
| Unquoted  | 29 b (IV)  | 5                 | 5                 |
| <b>Total Investment in debentures</b>                           |            | <b>5</b>          | <b>5</b>          |
| <b>Investment in Preference shares</b>                          |            |                   |                   |
| Unquoted  | 29 b (v)   | 1                 | 1                 |
| <b>Total Investment in Preference shares</b>                    |            | <b>1</b>          | <b>1</b>          |
| <b>Investment in units trusts</b>                               |            |                   |                   |
| Unquoted  | 29 b (VI)  | 40,822            | 120,370           |
| <b>Total investment in units trusts</b>                         |            | <b>40,822</b>     | <b>120,370</b>    |
| <b>Total investments in available for sale financial assets</b> |            | <b>15,518,127</b> | <b>17,973,231</b> |

**Movement in Available for sale financial assets - Group**

| For the year ended 31st March 2017    | Fair Value as at<br>1st April 2016 | Additions | Transfers/<br>Disposals | Impairment | Fair Value<br>Adjustments | Fair Value as at<br>31st March 2017 |
|---------------------------------------|------------------------------------|-----------|-------------------------|------------|---------------------------|-------------------------------------|
| Total Investment in equity securities | 17,852,855                         | 1,922,169 | (2,357,985)             | (198,825)  | (1,740,915)               | 15,477,299                          |
| Investment in debentures              | 5                                  | -         | -                       | -          | -                         | 5                                   |
| Investment in Preference shares       | 1                                  | -         | -                       | -          | -                         | 1                                   |
| Investment in Unit Trusts             | 120,370                            | -         | (82,095)                | -          | 2,547                     | 40,822                              |
|                                       | 17,973,231                         | 1,922,169 | (2,440,080)             | (198,825)  | (1,738,368)               | 15,518,127                          |

| For the year ended 31st March 2016    | Fair Value as at<br>1st April 2015 | Additions | Disposals   | Impairment | Fair Value<br>Adjustments | Fair Value as at<br>31st March 2016 |
|---------------------------------------|------------------------------------|-----------|-------------|------------|---------------------------|-------------------------------------|
| Total Investment in equity securities | 27,085,221                         | 2,038,183 | (1,530,836) | (95,232)   | (9,644,481)               | 17,852,855                          |
| Investment in debentures              | 5                                  | -         | -           | -          | -                         | 5                                   |
| Investment in Preference shares       | 1                                  | -         | -           | -          | -                         | 1                                   |
| Investment in Unit Trusts             | 117,268                            | 2,198     | -           | -          | 904                       | 120,370                             |
|                                       | 27,202,495                         | 2,040,381 | (1,530,836) | (95,232)   | (9,643,577)               | 17,973,231                          |

Due to significant / prolonged decline in fair value of identified equity securities in available for sale financial assets below their cost, an impairment loss amounting to Rs. 198.8 Mn has been recognised against profit or loss for the year (2016 - Rs. 95.2 Mn) as required by LKAS – 39 “Financial Instruments; recognition and measurement”. LKAS – 39 also requires to recognise fair value gains and losses arising from assets classified as available for sale, other than impairment losses, in other comprehensive income. Accordingly, net losses of Rs. 1,738 Mn and Rs. 9,644 Mn have been recognised in financial years 2017 and 2016 respectively.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 29 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Contd.)

### (b) Measurement of Available for sale financial Assets - Group

| As at 31st March                                    | No of Shares<br>2017 | Cost<br>2017 | Fair value<br>2017 | No of Shares<br>2016 | Cost<br>2016 | Fair value<br>2016 |
|---|----------------------|--------------|--------------------|----------------------|--------------|--------------------|
| <b>(i) Investment in equity securities - Quoted</b> |                      |              |                    |                      |              |                    |
| <b>Banks, Finance and Insurance</b>                 |                      |              |                    |                      |              |                    |
| Central finance Company PLC                         | 4,423,243            | 431,231      | 381,284            | 2,140,279            | 431,231      | 449,459            |
| Commercial Bank of Ceylon PLC                       | 6,385,229            | 612,375      | 832,634            | 6,648,695            | 627,512      | 834,411            |
| Ceylinco Insurance PLC - Non Voting                 | 241,266              | 163,028      | 197,838            | 241,266              | 163,028      | 188,670            |
| Hatton National Bank PLC                            | 3,483,073            | 706,468      | 784,736            | 3,286,216            | 664,549      | 654,943            |
| Hatton National Bank PLC - Non Voting               | 2,589,577            | 459,147      | 479,072            | 2,389,425            | 422,803      | 408,592            |
| HNB Assurance PLC                                   | 2,000,000            | 106,360      | 116,200            | 2,000,000            | 106,360      | 108,000            |
| People's Leasing and Finance Company PLC            | 12,693,874           | 228,259      | 198,024            | 6,873,974            | 122,335      | 109,984            |
| Peoples Insurance PLC                               | 6,219,800            | 93,297       | 113,822            | 6,219,800            | 93,297       | 105,115            |
| Sampath Bank PLC                                    | 3,973,878            | 916,657      | 1,029,234          | 3,729,716            | 860,128      | 842,916            |
| Seylan Bank PLC                                     | -                    | -            | -                  | 703,790              | 63,582       | 60,526             |
| Seylan Bank PLC - Non Voting                        | 423,314              | 27,541       | 23,155             | 355,035              | 23,273       | 22,367             |
|   |                      | 3,744,363    | 4,155,999          |                      | 3,578,098    | 3,784,983          |
| <b>Beverage, Food &amp; Tobacco</b>                 |                      |              |                    |                      |              |                    |
| Cargills (Ceylon) PLC                               | 5,232,500            | 305,121      | 982,140            | 4,267,300            | 126,648      | 640,095            |
| Distilleries Company of Sri Lanka PLC               | -                    | -            | -                  | 3,558,749            | 841,976      | 733,814            |
|   |                      | 305,121      | 982,140            |                      | 968,624      | 1,373,909          |
| <b>Construction &amp; Engineering</b>               |                      |              |                    |                      |              |                    |
| Access Engineering PLC                              | 6,475,619            | 210,200      | 154,120            | 6,475,619            | 210,199      | 134,693            |
|   |                      | 210,200      | 154,120            |                      | 210,199      | 134,693            |
| <b>Diversified Holdings</b>                         |                      |              |                    |                      |              |                    |
| Aitken Spence PLC                                   | 3,348,000            | 336,851      | 188,158            | 3,348,000            | 336,851      | 246,078            |
| Expolanka Holdings PLC                              | 6,845,150            | 41,483       | 41,071             | 6,845,150            | 41,483       | 47,916             |
| Hemas Holdings PLC                                  | -                    | -            | -                  | 1,138,685            | 89,590       | 91,778             |
| John Keells Holdings PLC                            | 183,693              | 8,466        | 25,331             | 7,244,217            | 316,883      | 1,072,144          |
| Melstacorp PLC                                      | 11,574,996           | 686,108      | 685,240            | -                    | -            | -                  |
| Softlogic Holdings PLC                              | 13,021,300           | 191,598      | 154,953            | 5,144,707            | 79,405       | 68,425             |

(Amounts expressed in Sri Lankan Rs.'000)

| As at 31st March                                     | No of Shares<br>2017 | Cost<br>2017     | Fair value<br>2017 | No of Shares<br>2016 | Cost<br>2016     | Fair value<br>2016 |
|--|----------------------|------------------|--------------------|----------------------|------------------|--------------------|
|  |                      | 1,264,506        | 1,094,753          |                      | 864,212          | 1,526,341          |
| <b>Footwear and Textiles</b>                         |                      |                  |                    |                      |                  |                    |
| Hayleys Fabric PLC                                   | 22,149,122           | 260,382          | 301,228            | 22,149,122           | 260,382          | 398,684            |
|  |                      | 260,382          | 301,228            |                      | 260,382          | 398,684            |
| <b>Health care</b>                                   |                      |                  |                    |                      |                  |                    |
| Ceylon Hospitals PLC (Durdans)                       | -                    | -                | -                  | 831,749              | 65,167           | 74,857             |
|  |                      | -                | -                  |                      | 65,167           | 74,857             |
| <b>Hotels &amp; Travels</b>                          |                      |                  |                    |                      |                  |                    |
| Aitken Spence Hotels Holdings PLC                    | 4,826,890            | 310,812          | 169,907            | 4,826,890            | 310,812          | 255,825            |
| Serendib Hotels PLC                                  | -                    | -                | -                  | 1,110,814            | 39,314           | 30,547             |
|  |                      | 310,812          | 169,907            |                      | 350,126          | 286,372            |
| <b>Oil Palm</b>                                      |                      |                  |                    |                      |                  |                    |
| Bukit Darah PLC                                      | 26,710,158           | 10,688           | 6,949,983          | 26,710,158           | 10,688           | 9,348,556          |
|  |                      | 10,688           | 6,949,983          |                      | 10,688           | 9,348,556          |
| <b>Motors</b>  |                      |                  |                    |                      |                  |                    |
| Diesel and Motor Engineering PLC                     | -                    | -                | -                  | 140,429              | 70,187           | 77,194             |
|  |                      | -                | -                  |                      | 70,187           | 77,194             |
| <b>Telecommunication</b>                             |                      |                  |                    |                      |                  |                    |
| Dialog Axiata PLC                                    | 62,036,931           | 628,500          | 701,017            | 60,536,931           | 612,270          | 617,475            |
|  |                      | 628,500          | 701,017            |                      | 612,270          | 617,475            |
| <b>Manufacturing</b>                                 |                      |                  |                    |                      |                  |                    |
| Tokyo Cement Company (Lanka) PLC                     | 9,402,600            | 378,408          | 573,559            | 522,166              | 20,496           | 20,430             |
| Tokyo Cement Company (Lanka) PLC - Non voting        | 550,400              | 18,590           | 29,171             | -                    | -                | -                  |
|  |                      | 396,998          | 602,730            |                      | 20,496           | 20,430             |
| <b>Total Investment in equity securities -Quoted</b> |                      | <b>7,131,571</b> | <b>15,111,877</b>  |                      | <b>7,010,449</b> | <b>17,643,494</b>  |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 29 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Contd.)

### (b) Measurement of Available for sale financial Assets - Group

| As at 31st March  | No of Shares<br>2017 | Cost<br>2017     | Fair value<br>2017 | No of Shares<br>2016 | Cost<br>2016     | Fair value<br>2016 |
|---|----------------------|------------------|--------------------|----------------------|------------------|--------------------|
| <b>(ii) Investments in equity securities - Unquoted (Note c 1)</b>                                    |                      |                  |                    |                      |                  |                    |
| ACW Insurance (Private) Limited   | 449,999              | 1,869            | -                  | 449,999              | 1,869            | -                  |
| Asia Pacific Golf Course Limited  | 10                   | -                | -                  | 10                   | -                | -                  |
| Ceybank Asset Management Ltd  | 360,001              | 3,600            | 62,044             | 360,001              | 3,600            | 56,914             |
| Equity Investment Lanka (Private) Limited   | 22,500               | 2                | 2                  | 22,500               | 2                | 2                  |
| Kandy Private Hospitals Limited   | 1,200                | 18               | 18                 | 1,200                | 18               | 18                 |
| Lanka Communication Services Limited  | 1,428,496            | 15,714           | 30,403             | 1,428,496            | 15,714           | 27,166             |
| Produce Transport Limited   | 1                    | -                | -                  | 1                    | -                | -                  |
| Riverside Resorts (Pvt) Ltd   | 2,600,020            | 2,447            | 2,447              | -                    | -                | -                  |
| Serendib Agro Products Limited  | 2,500                | 2                | -                  | 2,500                | 2                | -                  |
| <b>Total Investment in equity securities - Unquoted</b>   |                      | <b>23,652</b>    | <b>94,914</b>      |                      | <b>21,205</b>    | <b>84,100</b>      |
| <b>(iii) Investment in equity securities - Private equity (unlisted) (Note c 2)</b>                   |                      |                  |                    |                      |                  |                    |
| Findmyfare (Pvt) Ltd  | 276,074              | 45,000           | 45,000             | -                    | -                | -                  |
| hSenid Business Solutions (Pvt) Ltd.  | 163,419              | 40,005           | 70,009             | 163,419              | 40,005           | 40,005             |
| Kashmi Singapore PTE. LTD   | 417                  | 10,256           | 10,256             | 417                  | 10,256           | 10,256             |
| Swiss Institute For Service Industry Development (Private) Limited - Ordinary shares                  | 847                  | 16,827           | 16,827             | -                    | -                | -                  |
| Swiss Institute For Service Industry Development (Private) Limited - 10% cumulative preference shares | 1,273                | 25,291           | 25,291             | -                    | -                | -                  |
| LVL Energy Fund Limited   | 9,375,000            | 82,500           | 103,125            | 9,375,000            | 75,000           | 75,000             |
| <b>Total investment in private Equity</b>   |                      | <b>219,879</b>   | <b>270,508</b>     |                      | <b>125,261</b>   | <b>125,261</b>     |
| <b>Total investment equity securities</b>   |                      | <b>7,375,102</b> | <b>15,477,299</b>  |                      | <b>7,156,915</b> | <b>17,852,855</b>  |
| <b>(iv) Investment in debentures</b>  |                      |                  |                    |                      |                  |                    |
| Tangerine Beach Hotels Limited - Zero Coupon  | 56                   | 1                | 1                  | 56                   | 1                | 1                  |
| Ocean View Limited - 6%   | 360                  | 4                | 4                  | 360                  | 4                | 4                  |
| <b>Total investments in debentures</b>  |                      | <b>5</b>         | <b>5</b>           |                      | <b>5</b>         | <b>5</b>           |
| <b>(v) Investment in Preference shares</b>  |                      |                  |                    |                      |                  |                    |
| Bukit Darah PLC - 8% participative cumulative   | 31,875               | 1                | 1                  | 31,875               | 1                | 1                  |
|   |                      | 1                | 1                  |                      | 1                | 1                  |
| <b>(vi) Investment in Unit Trusts</b>   |                      |                  |                    |                      |                  |                    |
| Guardian Acquity Equity Fund  | 2,500,000            | 25,000           | 40,822             | 2,500,000            | 25,000           | 38,275             |
| Guardian Acquity Fixed Income Fund  | -                    | -                | -                  | 6,464,196            | 65,461           | 82,095             |
| <b>Total investment in unit trust</b>   |                      | <b>25,000</b>    | <b>40,822</b>      |                      | <b>90,461</b>    | <b>120,370</b>     |
| <b>Total Unquoted Investments</b>   |                      | <b>268,537</b>   | <b>406,250</b>     |                      | <b>236,933</b>   | <b>329,737</b>     |
| <b>Total available for sale financial assets</b>  |                      | <b>7,400,108</b> | <b>15,518,127</b>  |                      | <b>7,247,382</b> | <b>17,973,231</b>  |

(Amounts expressed in Sri Lankan Rs.'000)

**29 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Contd.)****(c) Valuation techniques and significant unobservable input used**

1 Fair value of investment in unit trust is based on unit price published by the unit trust manager, Guardian Acquity Asset Management Ltd as at 31st March

2 The following table show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

| Investment in Equity Securities | Valuation method / techniques  | Unobservable Input  | Ranges    | Inter - relationship between key unobservable inputs and fair value measurement. The estimated fair value would increase if. |
|---------------------------------|--|---|-----------|--|
| Private equity (unlisted)       | Discounted cash flows:<br>The valuation model considers the present value of the net cash flows expected to be generated by the entities operations. The expected net cash flows are discounted using a risk - adjusted discount rate. | Revenue CAGR  | 13%-25%   | Increase   |
|                                 |  | Exit multiple : -   | 5-8       | Increase   |
|                                 |  | *P/E- Price to earnings ratio (times)                           |           |  |
|                                 |  | *EV/EBIT - Enterprise value to earnings before interest and tax |           |  |
|                                 |  | Discount Rate   | 15.5%-20% | Decrease   |

**(d) Movement in Available for Sale Financial Assets - Company**

| For the year ended 31st March                                | Company   |             |
|--|-----------|-------------|
|  | 2017      | 2016        |
| Balance as at the beginning of the year                      | 2,252,082 | 4,304,236   |
| Impairment   | -         | -           |
| Liquidation  | -         | -           |
| Fair value losses recorded in the other comprehensive Income | (558,087) | (2,052,154) |
| Balance as at the end of the year                            | 1,693,995 | 2,252,082   |

**Movement in Available for sale financial assets - Company**

| For the year ended 31st March 2017    | Fair Value as at 1st April 2016 | Additions | Disposals/ Impairment | Fair Value Adjustments | Fair Value as at 31st March 2017 |
|---------------------------------------|---------------------------------|-----------|-----------------------|------------------------|----------------------------------|
| Total Investment in equity securities | 2,195,168                       | -         | -                     | (563,217)              | 1,631,951                        |
| Investment in Unit Trusts             | 56,914                          | -         | -                     | 5,130                  | 62,044                           |
|                                       | 2,252,082                       | -         | -                     | (558,087)              | 1,693,995                        |

| For the year ended 31st March 2016    | Fair Value as at 1st April 2015 | Additions | Disposals Impairment | Fair Value Adjustments | Fair Value as at 31st March 2016 |
|---------------------------------------|---------------------------------|-----------|----------------------|------------------------|----------------------------------|
| Total Investment in equity securities | 4,252,354                       | -         | -                    | (2,057,186)            | 2,195,168                        |
| Investment in Unit Trusts             | 51,882                          | -         | -                    | 5,032                  | 56,914                           |
|                                       | 4,304,236                       | -         | -                    | (2,052,154)            | 2,252,082                        |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 29 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Contd.)

### (e) Measurement of Available for sale financial Assets - Company

|  | No of Shares<br>2017 | Cost<br>2017 | Fair value<br>2017 | No of Shares<br>2016 | Cost<br>2016 | Fair value<br>2016 |
|--|----------------------|--------------|--------------------|----------------------|--------------|--------------------|
| <b>(i) Investment in equity securities - Quoted</b>                    |                      |              |                    |                      |              |                    |
| Diversified  |                      |              |                    |                      |              |                    |
| Bukit Darah PLC  | 6,271,908            | 8,761        | 1,631,951          | 6,271,908            | 8,761        | 2,195,168          |
| <b>(ii) Investment in equity securities -Private equity (unlisted)</b> |                      |              |                    |                      |              |                    |
| Asia Pacific Golf Course Limited                                       | 10                   | -            | -                  | 10                   | -            | -                  |
| ACW Insurance (Private) Limited  | 449,999              | 1,869        | -                  | 449,999              | 1,869        | -                  |
| Ceybank Asset Management Ltd   | 360,001              | 3,600        | 62,044             | 360,001              | 3,600        | 56,914             |
| Produce Transport Limited  | 1                    | -            | -                  | 1                    | -            | -                  |
| Serendib Agro Products Limited   | 2,500                | 2            | -                  | 2,500                | 2            | -                  |
| Total available for sale financial assets                              |                      | 14,232       | 1,693,995          |                      | 14,232       | 2,252,082          |

## 30 INVENTORIES

| As at 31st March                        | Group     |           |
|---|-----------|-----------|
|   | 2017      | 2016      |
| Raw materials                           | 1,879,334 | 2,973,224 |
| Work-in-progress                        | 171,113   | 228,220   |
| Goods in Transit                        | 115,269   | 116,170   |
| Finished goods                          | 3,904,406 | 3,493,745 |
|   | 6,070,122 | 6,811,359 |
| Provision for inventory (Note a)        | (118,299) | (56,619)  |
|   | 5,951,823 | 6,754,740 |
| <b>(a) Provision for inventory</b>      |           |           |
| Balance as at the beginning of the year | 56,619    | 84,878    |
| Provisions during the year              | 101,965   | 11,310    |
| Reversals during the year               | (40,285)  | (39,569)  |
| Balance as at the end of the year       | 118,299   | 56,619    |

### Assets pledged as security

The Group has pledged inventories amounting to approximately Rs.2,953 Mn or equivalent to US\$ 19,435,000. (2016: Rs. 3,730 Mn or equivalent to US\$ 25,780,000) as security for bank borrowings.

### Flood related loss to inventory

As morefully described in note 13 to these financial statements, during the year inventories amounting to Rs. 370 Million and Rs. 307 Million of Lion Brewery (Ceylon) PLC and Luxury Brands (Pvt) Ltd respectively, were written off/provided for due to the loss caused by floods.

(Amounts expressed in Sri Lankan Rs.'000)

**31 TRADE AND OTHER FINANCIAL RECEIVABLES AND OTHER NON - FINANCIAL RECEIVABLES**

| As at 31st March   | Group            |                  | Company       |                |
|--|------------------|------------------|---------------|----------------|
|  | 2017             | 2016             | 2017          | 2016           |
| <b>Financial Assets</b>                                  |                  |                  |               |                |
| <b>Non Current</b>                                       |                  |                  |               |                |
| <b>Other financial receivables</b>                       |                  |                  |               |                |
| Land compensation receivable (Note d)                    | 152,396          | 136,678          | -             | -              |
|  | 152,396          | 136,678          | -             | -              |
| <b>Current</b>   |                  |                  |               |                |
| <b>Trade receivables</b>                                 |                  |                  |               |                |
| Trade receivables (net of provisions)                    | 3,829,381        | 3,602,440        | 88            | -              |
| Amount due from related companies (Note e)               | -                | -                | 84,793        | 144,667        |
|  | 3,829,381        | 3,602,440        | 84,881        | 144,667        |
| <b>Other financial receivables</b>                       |                  |                  |               |                |
| Other receivables  | 1,057,781        | 674,711          | -             | 2,223          |
| Loans given to employees                                 | 6,768            | 14,310           | -             | -              |
|  | 1,064,549        | 689,021          | -             | 2,223          |
| Current trade and other financial receivables            | 4,893,930        | 4,291,461        | 84,881        | 146,890        |
| <b>Trade and Other financial receivables</b>             | <b>5,046,326</b> | <b>4,428,139</b> | <b>84,881</b> | <b>146,890</b> |
| <b>Non Financial Assets</b>                              |                  |                  |               |                |
| <b>Non Current</b>                                       |                  |                  |               |                |
| <b>Other non financial receivables</b>                   |                  |                  |               |                |
| Plasma receivables (Note f)                              | 3,426,331        | 3,203,354        | -             | -              |
| Income tax receivable                                    | 2,230,645        | 1,313,319        | -             | -              |
| VAT receivable   | -                | 108,689          | -             | -              |
| Other receivables  | 631,906          | 84,154           | -             | -              |
| Non current trade and other non financial receivables    | 6,288,882        | 4,709,516        | -             | -              |
| <b>Current</b>   |                  |                  |               |                |
| <b>Other non financial receivables</b>                   |                  |                  |               |                |
| Plasma receivables (Note f)                              | -                | 34,561           | -             | -              |
| Advances made on projects                                | 13,679           | 1,996            | -             | -              |
| Taxes receivable   | 1,811,035        | 2,568,958        | -             | -              |
| Prepayments  | 3,714,716        | 2,661,407        | 3,675         | 1,750          |
| Other non financial receivables                          | 5,539,430        | 5,266,922        | 3,675         | 1,750          |
| Current trade and other non financial receivables        | 11,828,312       | 9,976,438        | 3,675         | 1,750          |
| Total financial & non financial receivable - Non Current | 6,441,278        | 4,846,194        | -             | -              |
| Total financial & non financial receivable - Current     | 10,433,360       | 9,558,383        | 88,556        | 148,640        |
| <b>Loans and receivables</b>                             |                  |                  |               |                |
| Trade receivables  | 3,829,381        | 3,602,440        | 84,881        | 144,667        |
| Other financial receivables - Current                    | 1,064,549        | 689,021          | -             | 2,223          |
| Other financial receivables - Non current                | 152,396          | 136,678          | -             | -              |
| Cash and Bank balances                                   | 15,382,575       | 7,616,870        | 1,712         | 20,719         |
|  | 20,428,901       | 12,045,009       | 86,593        | 167,609        |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 31 TRADE AND OTHER FINANCIAL RECEIVABLES AND OTHER NON - FINANCIAL RECEIVABLES (Contd.)

### (a) Assets pledged as security

The Group has pledged receivables amounting to approximately Rs 2,268 Mn or equivalent to US\$ 14,925,000. (2016: Rs.2,385 Mn or equivalent to US\$ 16,448,000) as security for bank borrowings.

### (b) Trade Receivable that are past due but not impaired

The Group has trade receivables amounting to approximately Rs. 1,001.03 Mn (2016: Rs. 1,181.44 Mn) that are past due at the reporting date but not impaired. These receivables are unsecured and the analysis of their aging for major segment as at the reporting date is as follows:

| As at 31st March   | 2017      | 2016      |
|--|-----------|-----------|
| <b>Oil palm plantation business segment</b>                              |           |           |
| 30 -60 days  | 3,192     | 30,675    |
| 61 -90 days  | 608       | 145       |
|  | 3,800     | 30,820    |
| <b>Oil and fats business segment</b>                                     |           |           |
| 180– 365 days  | 12,919    | 723       |
| Above 365 days   | 15,047    | 9,839     |
|  | 27,966    | 10,562    |
| <b>Beverage business segment</b>   |           |           |
| Past due 0 - 365 days  | 985,967   | 1,166,380 |
| Above 365 days   | 15,065    | 15,065    |
|  | 1,001,032 | 1,181,445 |
| <b>(c) Trade receivables denominated in foreign currency as follows:</b> |           |           |
| US Dollar  | 1,190,386 | 1,402,191 |
| Malaysian Ringgit  | 251,999   | 314,556   |
| Indian Rupee   | 4,864     | 78,567    |
| Indonesian Rupiah  | 503,999   | 230,635   |
| Euro   | -         | 142,520   |
|  | 1,951,248 | 2,168,469 |

### (d) Land compensation receivable

#### Pegasus Hotels of Ceylon PLC (PRH)

The Government of Sri Lanka acquired approximately 1,605 perches of land owned by the PRH 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. The Divisional Secretary called for claim of compensation in response to which PRH submitted a claim of compensation for the compulsory acquisition of the said land on 16th July 2008. The final claim stands at Rs.563 Mn taking into account the market value of the property, potential economic value lost for hotel expansion and the nuisance value that will be created for hotel operation by the said project. However, as a matter of prudence the Group has accounted for the compensation receivable at Rs.189.5 Mn in the financial statements based only on the market value and related costs supported by a professional valuation conducted by Mr. K Arthur Perera, A.M.I.V.(Sri Lanka), Valuer & Consultant.

(Amounts expressed in Sri Lankan Rs.'000)

### 31 TRADE AND OTHER FINANCIAL RECEIVABLES AND OTHER NON - FINANCIAL RECEIVABLES (Contd.)

As at the reporting date, PRH has not received any confirmation from the Divisional Secretary on the value determination of the said claim, In the opinion of the lawyer's the District Court case by a Co-claimant for the acquired land which is the reason for the delay in processing the compensation claim submitted by PRH, may take further 2 to 3 years 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. 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 amounts recognised in the financial statements represents the amortised cost of the compensation receivable as at the respective reporting dates, based on the assumptions and an amount of Rs. 14.1 Mn (2016 - Rs. 12.6 Mn) has been recognized in the Statement of Income on account of unwinding of discount on compensation receivable.

#### (e) Amounts due from related companies

| As at 31st March                              | Company |         |
|---|---------|---------|
|   | 2017    | 2016    |
| <b>Amounts due from Related companies</b>     |         |         |
| Current                                       |         |         |
| Equity One Ltd                                | -       | 80,674  |
| Carsons Management Services (Private) Limited | 84,793  | 63,993  |
|   | 84,793  | 144,667 |

Current amounts due from subsidiaries are unsecured, non-interest-bearing and are repayable on demand. These balances are expected to be settled in cash.

#### (f) 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 receivables represent costs incurred for plasma plantation development and advances to Plasma farmers for working capital purposes during the early maturity stage. These include biological assets 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 kept as security for obtaining bank loans from commercial banks in Indonesia. These land rights will be handed over to the Group upon the repayment of the loan. As per management agreement signed with the Plasma Corporative, which represents 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.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 32 FINANCIAL ASSETS HELD FOR TRADING

### Summary

| As at 31st March                        | Group     |           |
|---|-----------|-----------|
|   | 2017      | 2016      |
| Investment in Equity securities         |           |           |
| Quoted                                  | 1,748,061 | 1,742,083 |
| Unit Trusts                             | 1,414,989 | 1,127,189 |
| Total financial assets held for trading | 3,163,050 | 2,869,272 |

### Movement in fair value through profit or loss financial assets - Group

| For the year ended<br>31st March 2017 | Fair Value as at<br>1st April 2016 | Additions | Disposals   | Effect of<br>currency<br>translation | Fair Value<br>Adjustments | Fair Value as at<br>31st March 2017 |
|---------------------------------------|------------------------------------|-----------|-------------|--------------------------------------|---------------------------|-------------------------------------|
| Quoted                                | 1,742,083                          | 712,552   | (668,938)   | 12,640                               | (50,275)                  | 1,748,061                           |
| Unit Trusts                           | 1,127,189                          | 1,989,608 | (1,705,731) | 778                                  | 3,144                     | 1,414,989                           |
| Total Investment in equity securities | 2,869,272                          | 2,702,160 | (2,374,669) | 13,418                               | (47,131)                  | 3,163,050                           |

| For the year ended<br>31st March 2016 | Fair Value as at<br>1st April 2015 | Additions | Disposals   | Effect of<br>currency<br>translation | Fair Value<br>Adjustments | Fair Value as at<br>31st March 2016 |
|---------------------------------------|------------------------------------|-----------|-------------|--------------------------------------|---------------------------|-------------------------------------|
| Quoted                                | 1,676,177                          | 853,026   | (566,970)   | 30,694                               | (250,844)                 | 1,742,083                           |
| Unit Trusts                           | 1,036,059                          | 656,662   | (607,520)   | 139                                  | 41,849                    | 1,127,189                           |
| Total Investment in equity securities | 2,712,236                          | 1,509,688 | (1,174,490) | 30,833                               | (208,995)                 | 2,869,272                           |

Fair value of quoted investments are based on the closing traded prices published by the Colombo Stock Exchange as at 31st March. The fair value of investments in unit trust are based on net asset valuation published by the custodian bank and the management company as at 31st March.

| As at 31st March                                    | Group                 |                      |                       |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | No. of Shares<br>2017 | Market Value<br>2017 | No. of Shares<br>2016 | Market Value<br>2016 |
| <b>(i) Investment in equity securities - Quoted</b> |                       |                      |                       |                      |
| <b>Banks, Finance and Insurance</b>                 |                       |                      |                       |                      |
| Central Finance Company PLC                         | 125,240               | 12,520               | 60,600                | 15,332               |
| Commercial Bank of Ceylon PLC                       | 510,299               | 68,758               | 430,084               | 56,622               |
| Ceylinco Insurance PLC                              | 28,000                | 20,433               | 28,000                | 22,400               |
| DFCC Bank PLC                                       | 297,315               | 33,894               | 297,315               | 40,732               |
| Hatton National Bank PLC                            | 629,593               | 141,803              | 777,800               | 156,499              |
| Hatton National Bank PLC - Non Voting               | 620,903               | 114,867              | 611,276               | 104,528              |
| Janashakthi Insurance Compay PLC                    | 1,350,000             | 20,385               | 1,500,000             | 24,000               |
| National Development Bank PLC                       | 409,189               | 58,300               | -                     | -                    |

(Amounts expressed in Sri Lankan Rs.'000)

**32 FINANCIAL ASSETS HELD FOR TRADING (Contd.)**

| As at 31st March                       | Group                 |                      |                       |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | No. of Shares<br>2017 | Market Value<br>2017 | No. of Shares<br>2016 | Market Value<br>2016 |
| People's Insurance PLC                 | 57,462                | 1,091                | -                     | -                    |
| People's Leasing & Finance PLC         | 866,890               | 14,686               | 1,081,000             | 23,782               |
| Sampath Bank PLC                       | 75,275                | 19,595               | 68,422                | 16,968               |
| Seylan Bank PLC                        | 843,461               | 73,530               | 1,139,671             | 98,462               |
| Seylan Bank PLC - Non Voting           | 591,755               | 32,369               | 591,755               | 37,281               |
| Singer Finance (Lanka) LTD             | 500,000               | 8,550                | 500,000               | 9,050                |
| Sinhaputhra Finance PLC                | -                     | -                    | 100,000               | 1,670                |
| Softlogic Capital PLC                  | -                     | -                    | 600,000               | 3,600                |
| Union Bank of Colombo PLC              | 3,156,620             | 44,824               | 4,545,420             | 75,454               |
|  |                       | 665,605              |                       | 686,380              |
| <b>Beverage, Food &amp; Tobacco</b>    |                       |                      |                       |                      |
| Cargills (Ceylon) PLC                  | 103,800               | 20,172               | 103,800               | 19,618               |
| Ceylon Cold Stores PLC                 | 880                   | 714                  | 880                   | 378                  |
| Distilleries Company of Sri Lanka PLC  | -                     | -                    | 791,795               | 169,143              |
|  |                       | 20,886               |                       | 189,139              |
| <b>Construction and Engineering</b>    |                       |                      |                       |                      |
| MTD Walkers PLC                        | 670,617               | 24,145               | 860,846               | 30,680               |
| Access Engineering PLC                 | 3,009,609             | 71,629               | 2,109,609             | 43,880               |
|  |                       | 95,774               |                       | 74,560               |
| <b>Chemicals &amp; Pharmaceuticals</b> |                       |                      |                       |                      |
| Union Chemicals Lanka PLC              | 200                   | 110                  | 200                   | 118                  |
|  |                       | 110                  |                       | 118                  |
| <b>Diversified Holdings</b>            |                       |                      |                       |                      |
| Aitken Spence PLC                      | 980,218               | 56,844               | 1,055,218             | 83,938               |
| Expolanka Holdings PLC                 | 6,613,348             | 40,347               | -                     | -                    |
| Hemas Holdings PLC                     | 215,015               | 22,234               | 1,818,496             | 148,096              |
| Hayleys PLC                            | 30,000                | 8,097                | 42,457                | 12,283               |
| John Keells Holdings PLC               | 852,473               | 118,167              | 543,416               | 81,859               |
| Melstacorp PLC                         | 1,937,404             | 114,730              | -                     | -                    |
| Richard Pieris PLC                     | 150,000               | 1,200                | -                     | -                    |
| JKH Warrents                           | -                     | -                    | 3,481                 | 32                   |
| Softlogic Holdings PLC                 | 8,722,930             | 104,318              | 8,138,952             | 108,392              |
|  |                       | 465,937              |                       | 434,600              |
| <b>Footware and Textile</b>            |                       |                      |                       |                      |
| Hayleys MGT Knitting Mills PLC         | 986,132               | 14,787               | 1,036,132             | 23,209               |
|  |                       | 14,787               |                       | 23,209               |
| <b>Health Care</b>                     |                       |                      |                       |                      |
| Asiri Central Hospital PLC             | -                     | -                    | 6,526                 | 1,078                |
| Asiri Hospitals PLC                    | -                     | -                    | 620,000               | 14,880               |
| Ceylon Hospitals PLC                   | -                     | -                    | 90,000                | 9,108                |
| The Lanka Hospitals Corporation Ltd    | 798,000               | 49,077               | 548,000               | 27,948               |
|  |                       | 49,077               |                       | 53,014               |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 32 FINANCIAL ASSETS HELD FOR TRADING (Contd.)

| As at 31st March                                 | Group                 |                      |                       |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | No. of Shares<br>2017 | Market Value<br>2017 | No. of Shares<br>2016 | Market Value<br>2016 |
| <b>Land &amp; Property</b>                       |                       |                      |                       |                      |
| Overseas Realty (Ceylon) PLC                     | 700,000               | 14,140               | 2,490,859             | 58,286               |
|  | -                     | 14,140               |                       | 58,286               |
| <b>Hotels and Travels</b>                        |                       |                      |                       |                      |
| Aitken Spence Hotel Holdings PLC                 | 976,693               | 35,835               | 976,693               | 54,534               |
| Serendib Hotels PLC Non Voting                   | 730,696               | 14,614               | 765,592               | 13,572               |
| Serendib Hotels PLC                              | -                     | -                    | 270,067               | 7,427                |
|  |                       | 50,449               |                       | 75,533               |
| <b>Manufacturing</b>                             |                       |                      |                       |                      |
| ACL Cables PLC                                   | 725,842               | 39,558               | -                     | -                    |
| Alumex PLC                                       | 2,660,000             | 51,017               | -                     | -                    |
| Chevron Lanka Lubricants PLC                     | 354,746               | 60,307               | 75,381                | 22,991               |
| Kelani Tyres PLC                                 | 516,748               | 28,421               | 516,748               | 33,072               |
| Swisstek (Ceylon) PLC                            | 240,000               | 15,744               | -                     | -                    |
| Tokyo Cement Company (Lanka) PLC                 | 631,407               | 38,049               | -                     | -                    |
| Tokyo Cement Company (Lanka) PLC - Non voting    | 715,000               | 37,895               | -                     | -                    |
|  |                       | 270,991              |                       | 56,063               |
| <b>Power &amp; Energy</b>                        |                       |                      |                       |                      |
| Lanka IOC PLC                                    | 640,800               | 18,583               | 20,000                | 650                  |
| Laughfs GAS PLC                                  | 100,000               | 3,329                | 100,000               | 4,150                |
| Vallibel Power Erathna PLC                       | -                     | -                    | 1,034,117             | 8,273                |
|  |                       | 21,912               |                       | 13,073               |
| <b>Telecommunications</b>                        |                       |                      |                       |                      |
| Dialog Axiata PLC                                | 7,055,128             | 78,393               | 6,850,000             | 71,095               |
|  |                       | 78,393               |                       | 71,095               |
| <b>Trading</b>                                   |                       |                      |                       |                      |
| Singer (Sri Lanka) PLC                           | -                     | -                    | 50,846                | 7,013                |
|  |                       | -                    |                       | 7,013                |
| Total investment in equity securities - Quoted   |                       | 1,748,061            |                       | 1,742,083            |
| <b>(ii) Investment In Unit Trusts - Unquoted</b> |                       |                      |                       |                      |
| Guardian Acquity Fixed Income Fund               | 50,868,532            | 716,164              | 41,931,277            | 532,518              |
| Guardian Acquity Money Market Fund               | -                     | -                    | 12,111,271            | 153,813              |
| Guardian Acquity Money Market GILT Fund          | 5,996,715             | 698,825              | 4,089,771             | 435,438              |
| Mutual fund - India                              | -                     | -                    | -                     | 5,420                |
|  |                       | 1,414,989            |                       | 1,127,189            |
| Total financial assets held for trading          |                       | 3,163,050            |                       | 2,869,272            |

Fair value of investment in unit trust is based on the unit price published by the Investment Managers as at 31st March.

(Amounts expressed in Sri Lankan Rs.'000)

### 32 FINANCIAL ASSETS HELD FOR TRADING (Contd.)

Movement in fair value through profit or loss financial assets - Company

| For the year ended 31st March' 2017            | Fair Value as at<br>1st April 2016 | Additions/<br>(Disposals) | Fair Value<br>Adjustments | Fair Value as at<br>31st March 2017 |
|--|------------------------------------|---------------------------|---------------------------|-------------------------------------|
| Total Investment in equity securities - Quoted | 22,079                             | -                         | 4,075                     | 26,154                              |
|  | 22,079                             | -                         | 4,075                     | 26,154                              |
| For the year ended 31st March' 2016            | Fair Value as at<br>1st April 2015 | Additions/<br>(Disposals) | Fair Value<br>Adjustments | Fair Value as at<br>31st March 2016 |
| Total Investment in equity securities - Quoted | 22,229                             | 1,348                     | (1,498)                   | 22,079                              |
|  | 22,229                             | 1,348                     | (1,498)                   | 22,079                              |

#### (a) Financial Assets Held for Trading - Company

| As at 31st March                        | No. of Shares<br>2017 | Market Value<br>2017 | No. of Shares<br>2016 | Market Value<br>2016 |
|---|-----------------------|----------------------|-----------------------|----------------------|
| <b>Quoted Investments</b>               |                       |                      |                       |                      |
| <b>Beverage, Food &amp; Tobacco</b>     |                       |                      |                       |                      |
| Ceylon Cold Stores PLC                  | 880                   | 714                  | 880                   | 378                  |
| <b>Power &amp; Energy</b>               |                       |                      |                       |                      |
| Lanka IOC PLC                           | 20,000                | 580                  | 20,000                | 650                  |
| <b>Chemicals &amp; Pharmaceuticals</b>  |                       |                      |                       |                      |
| Union Chemicals Lanka PLC               | 200                   | 110                  | 200                   | 118                  |
| <b>Diversified Holdings</b>             |                       |                      |                       |                      |
| Hamas Holdings PLC                      | 109,027               | 11,851               | 109,027               | 8,788                |
| John Keels Holdings PLC                 | 93,538                | 12,899               | 81,847                | 12,113               |
| JKH Warrants                            | -                     | -                    | 3,481                 | 32                   |
| Total financial assets held for trading |                       | 26,154               |                       | 22,079               |

### 33 DERIVATIVE FINANCIAL INSTRUMENT

| As at 31st March                   | Contract/<br>Notional<br>amount<br>2017 | Asset<br>2017 | Liability<br>2017 | Contract/<br>Notional<br>amount<br>2016 | Asset<br>2016 | Liability<br>2016 |
|------------------------------------|---|---------------|-------------------|---|---------------|-------------------|
| CPO futures contracts              | -                                       | -             | -                 | -                                       | -             | -                 |
| Foreign exchange forward contracts | 1,300,426                               | 14,237        | -                 | 682,069                                 | 67,910        | (36,342)          |
|                                    | 1,300,426                               | 14,237        | -                 | 682,069                                 | 67,910        | (36,342)          |

The Group enters into commodities future contracts in order to hedge the financial risks related to the purchase and sales of commodity products. No unrealised fair value change (2016: Nil) in respect of these contracts were recognised in the profit or loss since the Group has not adopted hedge accounting as of 31st March 2017.

The Group entered into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases. These contracts are not designated in hedge relationships and are measured at fair value through profit and loss. No unrealised fair value change (2016: Nil) in respect of these contracts were recognised in the profit or loss since the Group has not adopted hedge accounting as of 31st March 2017.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 34 BIOLOGICAL ASSETS

| For the year ended 31st March             | Group   |           |
|---|---------|-----------|
|   | 2017    | 2016      |
| Biological assets                         | 712,845 | 648,912   |
| Movement of biological Assets             |         |           |
| At the beginning of the year              | 648,912 | 708,670   |
| Change in fair value of biological assets | 33,378  | (102,566) |
| Exchange difference                       | 30,555  | 42,808    |
| At the end of the year                    | 712,845 | 648,912   |

Biological assets comprise primarily of fresh fruit bunches ("FFB"). The fair value of the Group's biological assets has been determined based on estimated FFB quantities and publicly available index price set by government.

Significant assumptions made in determining the fair values of the biological assets include the following:

| For the year ended 31st March | Group    |          |
|-------------------------------|----------|----------|
|                               | 2017     | 2016     |
| FFB - Volume (MT)             | 82,267   | 59,198   |
| Average FFB - Price (US\$/MT) | 91 - 132 | 88 - 127 |

The following table shows the impact on the fair value measurement of assets that are sensitive to changes in market price.

| For the year ended 31st March | Group                               |                                      |
|-------------------------------|-------------------------------------|--------------------------------------|
|                               | Increase/<br>(decrease)<br>US\$'000 | Changes in<br>fair value<br>US\$'000 |
| <b>2017</b>                   |                                     |                                      |
| Index price                   | +10%                                | 1,027                                |
|                               | -10%                                | (1,027)                              |
| <b>2016</b>                   |                                     |                                      |
| Index price                   | +10%                                | 709                                  |
|                               | -10%                                | (709)                                |

(Amounts expressed in Sri Lankan Rs.'000)

**35 CASH AND CASH EQUIVALENTS**

| As at 31st March          | Group      |           | Company |        |
|---------------------------|------------|-----------|---------|--------|
|                           | 2017       | 2016      | 2017    | 2016   |
| <b>Deposits</b>           |            |           |         |        |
| F.C.B.U. deposits         | 110,800    | 526,624   | -       | -      |
| Call deposits             | 10,786,297 | 4,370,911 | -       | -      |
| Fixed deposits and Saving | 776,550    | 520,491   | 50      | 50     |
| Short - term deposits     | 11,673,647 | 5,418,026 | 50      | 50     |
| Cash in hand and at bank  | 3,708,928  | 2,198,844 | 1,662   | 20,669 |
|                           | 15,382,575 | 7,616,870 | 1,712   | 20,719 |

**(a) Cash and cash equivalents denominated in foreign currencies as at 31st March are as follows:**

| As at 31st March   | Group     |           |
|--------------------|-----------|-----------|
|                    | 2017      | 2016      |
| US Dollars         | 2,820,350 | 1,373,294 |
| Sterling Pound     | 1,216     | 1,302     |
| Euro               | 12,443    | 6,314     |
| Indonesian Rupiah  | 2,758,619 | 835,151   |
| Malaysian Ringgit  | 106,849   | 465,612   |
| Singapore Dollars  | 3,192     | 723       |
| Indian Rupee (INR) | 161,564   | 60,046    |
|                    | 5,864,233 | 2,742,442 |

Certain bank accounts of the Group have been pledged as security for bank borrowings. As at 31st March 2017, these accounts have a total amount of Rs.619 Mn or equivalent to US\$ 4,073,000 (2016: Rs.524 Mn or equivalent to US\$ 3,622,000). There are no legal and contractual restrictions on the use of the pledged bank accounts.

**Plantation sector cash management**

Cash at bank is placed in a managed rate account earning interest income at 0.40% to 0.7% per annum (2016: 0.06% to 0.50% per annum) for US Dollar accounts and there is no cash at bank placed in a managed rate account for earning interest income (2016: Nil) for IDR accounts.

Short-term deposits earn interest at floating rates based on daily bank deposit rates and are made for varying periods between one day to a week, depending on the immediate cash requirements of the Group. For the financial year ended 31 March 2017, interest earned ranges from 3% to 6% per annum (2016: 3.00% to 5.5% per annum) for Indonesian Rupiah short-term deposits and 8.00% to 9.40% per annum (2016 :6% to 6.15%) for Re Purchase Agreements (REPO's) placed in Sri Lanka. The interest earned in the current year for US Dollar short-term deposits is 0.39% (2016: nil). However there is no interest earned for Malaysian Ringgit short-term deposits (2016: nil) as no funds were placed in these short-term deposits.

**Oil and Fats cash management**

Certain deposits that are kept with banks are used as lien against the bank guarantees. The maturity of these deposits ranged from a period of a week to three months. In 2016, for Indian Rupee deposits, interest earned ranged from 7.5% to 8.5% per annum (2016: 7% to 8.5% per annum). For Malaysian Ringgit deposits, interest earned ranged from 2.95% to 3.40% per annum (2016: 3.15% to 3.60% per annum). Any excess cash is further utilised to reduce the overdraft interest incurred.

**Portfolio and Assets Management and Beverage sectors cash management**

Short-term deposits earn interest at floating rates based on daily bank deposit rates and are made for varying periods between one day to three months, depending on the immediate cash requirements of the sector. In 2017, interest earned ranges from 7.80% - 13.30% per annum (2016: 8% - 10% per annum)

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 35 CASH AND CASH EQUIVALENTS (Contd.)

(b) For the purpose of the consolidated cash flow statement, cash equivalent comprise the following:

| As at 31st March         | Group        |              | Company     |             |
|--------------------------|--------------|--------------|-------------|-------------|
|                          | 2017         | 2016         | 2017        | 2016        |
| Short - term deposits    | 11,673,647   | 5,418,026    | 50          | 50          |
| Cash-in-hand and at bank | 3,708,928    | 2,198,844    | 1,662       | 20,669      |
|                          | 15,382,575   | 7,616,870    | 1,712       | 20,719      |
| Short - term borrowings  | (17,374,869) | (14,803,666) | (918,284)   | (440,000)   |
| Bank overdrafts          | (5,819,458)  | (3,414,629)  | (499,891)   | (797,168)   |
|                          | (7,811,751)  | (10,601,425) | (1,416,463) | (1,216,449) |

## 36 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

### i. Assets Held for Sale

During the current 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 2017, the assets related to Arani Agro Oil Industries (Pvt) Ltd (AAOIL) have been presented in the balance sheet as "Assets of disposal group held for sale".

As at 31 March 2016, the assets and liabilities related to Good Hope PLC and Selinsing PLC have been presented in the balance sheet as "Assets of disposal group held for sale" and "Liabilities directly associated with assets held for sale".

As disclosed to the shareholders and to the market via circulars, with due approval from shareholders and regulatory authorities of both Malaysia and Sri Lanka, Four Malaysian plantation companies, subsidiaries of the group completed the sale of the Malaysian plantation assets during the current financial year, and the possession of the property was handed over to the new owners.

### (a) Movement of assets held for sale

| For the year ended 31st March                       | Group       |           |
|---|-------------|-----------|
|   | 2017        | 2016      |
| Opening balance as at 1st April                     | 3,051,117   | 491,895   |
| Addition during the year                            | 1,385,396   | 3,045,917 |
| Assets sold during the year                         | (3,051,117) | (178,576) |
| Impairment during the year (Note 1)                 | (737,949)   | -         |
| Assets transferred to property, plant and equipment | -           | (308,119) |
| Closing Balance as at 31st March                    | 647,447     | 3,051,117 |

### (i) Analysis of impairment

|                                 |         |   |
|---------------------------------|---------|---|
| Charged to the income statement | 259,404 | - |
| Charged to the retained earning | 478,545 | - |
|                                 | 737,949 | - |

(Amounts expressed in Sri Lankan Rs.'000)

**(b) Brewery Sector**

| As at 31st March            | Plant & machinery |       | Returnable Containers |      | Total |       |
|-----------------------------|-------------------|-------|-----------------------|------|-------|-------|
|                             | 2017              | 2016  | 2017                  | 2016 | 2017  | 2016  |
| Cost                        | -                 | 5,200 | -                     | -    | -     | 5,200 |
| Accumulative depreciation   | -                 | -     | -                     | -    | -     | -     |
| Fair value as at 31st March | -                 | 5,200 | -                     | -    | -     | 5,200 |

**(c) Oil Palm Sector**

| As at 31st March            | Property, Plant and Equipment |           | Bearer plants |         | Total |           |
|-----------------------------|-------------------------------|-----------|---------------|---------|-------|-----------|
|                             | 2017                          | 2016      | 2017          | 2016    | 2017  | 2016      |
| Cost                        | -                             | 2,954,023 | -             | 151,426 | -     | 3,105,449 |
| Accumulative depreciation   | -                             | (53,953)  | -             | (5,579) | -     | (59,532)  |
| Fair value as at 31st March | -                             | 2,900,070 | -             | 145,847 | -     | 3,045,917 |

**(d) Oil and Fats Sector**

| As at 31st March                  | Property, Plant and Equipment |           |      |         | Total   |           |
|-----------------------------------|-------------------------------|-----------|------|---------|---------|-----------|
|                                   | 2017                          | 2016      | 2017 | 2016    | 2017    | 2016      |
| Cost                              | 647,447                       | -         | -    | -       | 647,447 | -         |
| Accumulative depreciation         | -                             | -         | -    | -       | -       | -         |
| Fair value as at 31st March       | 647,447                       | -         | -    | -       | 647,447 | -         |
| Total fair value as at 31st March | 647,447                       | 2,905,270 | -    | 145,847 | 647,447 | 3,051,117 |

**ii. Liabilities Associated With Assets Held for Sale**

| As at 31st March         | 2017 | 2016   |
|--------------------------|------|--------|
| Employee benefits        | -    | 2,786  |
| Deferred tax liabilities | -    | 36,650 |
|                          | -    | 39,436 |

# 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 |           |
|                                    | 2017           | 2016        | 2017           | 2016      |
| 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 |         |
|-------------------------------|-----------|-----------|---------|---------|
|                               | 2017      | 2016      | 2017    | 2016    |
| <b>Represented by</b>         |           |           |         |         |
| Capital accretion reserve (a) | 287,552   | 287,552   | 287,552 | 287,552 |
| Revaluation reserve (a)       | 1,457,300 | 3,917,179 | -       | -       |
| Other capital reserves (b)    | 1,462,280 | 1,534,228 | -       | -       |
|                               | 3,207,132 | 5,738,959 | 287,552 | 287,552 |

### (a) Capital Accretion reserve, 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   |           |
|---|-------------|-------------|-----------|-----------|
|   | 2017        | 2016        | 2017      | 2016      |
| <b>Represented by</b>                                 |             |             |           |           |
| Currency translation reserve (Note a)                 | (4,470,510) | (5,007,118) | -         | -         |
| Revenue reserve                                       | 385,778     | 387,795     | -         | -         |
| Available-for-sale financial assets reserves (Note b) | 5,708,021   | 7,317,303   | 1,681,633 | 2,239,720 |
| Retained earning                                      | 25,282,603  | 21,508,293  | 7,505,654 | 7,688,090 |
|   | 26,905,892  | 24,206,273  | 9,187,287 | 9,927,810 |

### (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

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 | Maturity | Note | Weighted average                        | Group      | Group      | Company   | Company   |
| (i)  | (ii)                           | (iii)    | (iv)     | (v)  | (vi)                                    | 2017       | 2016       | 2017      | 2016      |
| <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      | 2018     | A    | LIBOR +3 - 3.25% / 3.5% - 3.75% p.a.    | 9,374,135  | 7,797,489  | -         | -         |
| Secured  | Oils and Fats                  | MYR      | 2019     | B    | COF + 2-2.50% p.a.                      | 523,910    | 565,304    | -         | -         |
| Unsecured  | Beverage                       | USD      | 2019     |      | 3 Months LIBOR + 3.17%                  | 194,377    | 259,170    | -         | -         |
| Unsecured  | Beverage                       | LKR      | 2021     |      | AWPLR+1.25% (4week AVG revised monthly) | 333,600    | 55,600     | -         | -         |
| Unsecured  | Beverage                       | LKR      | 2020     |      | 1 Months SLIBOR +0.5%/ AWPLR+1.4%       | 235,736    | 795,689    | -         | -         |
| Unsecured  | Beverage                       | LKR      | 2018     |      | Fixed 9.5% reviewed semi annually       | 200,000    | 200,000    | -         | -         |
| Unsecured  | Beverage                       | LKR      | 2018     |      | Fixed 7.75% AWPLR (4 Week)              | 200,000    | 200,040    | -         | -         |
| Unsecured  | Beverage                       | LKR      | 2020     |      | AWPR (4week AVG revised monthly)        | 200,000    | 200,000    | -         | -         |
| Unsecured  | Beverage                       | LKR      | 2022     |      | AWPLR + 1.25%                           | 30,000     | -          | -         | -         |
| Unsecured  | Beverage                       | LKR      | 2019     |      | AWPLR + 1%                              | 99,600     | 99,600     | -         | -         |
| Unsecured  | Beverage                       | LKR      |          |      | AWPLR(Weekly Review) + 1.5%             | 60,000     | -          | -         | -         |
|  |                                |          |          |      |   | 11,451,358 | 10,172,892 | -         | -         |
| <b>(b) Finance lease payables</b>                      |                                |          |          |      |   | 64,514     | 160,602    | -         | -         |
|  |                                |          |          |      | G                                       | 11,515,872 | 10,333,494 | -         | -         |
| <b>(c) Short term Bank borrowings</b>                  |                                |          |          |      |   |            |            |           |           |
| Working capital facilities                             |                                |          |          |      |   |            |            |           |           |
| Secured  | Oil palm plantation            | USD      | 2017     | C    | LIBOR + 4.40% p.a.                      | 19,303     | 292,274    | -         | -         |
| Secured  | Oil palm plantation            | IDR      | 2017     | C    | BLR - 2.5% p.a. / COF + 2.25% p.a       | 907,532    | 1,256,633  | -         | -         |
| Revolving credit facility                              |                                |          |          |      |   |            |            |           |           |
| Secured  | Oil palm plantation            | USD      | 2017     | A    | COF + 3.00% p.a.                        | 3,039,800  | 2,893,800  | -         | -         |
| Bankers' acceptance                                    |                                |          |          |      |   |            |            |           |           |
| Secured  | Oils and Fats                  | MYR      | 2017     | C    | COF + 1.50% p.a                         | 4,458,626  | 3,878,850  | -         | -         |
| Bill discounting                                       |                                |          |          |      |   |            |            |           |           |
| Secured  | Oils and Fats                  | MYR      | 2017     | C    | COF + 1.50% p.a                         | -          | 860,182    | -         | -         |
| Buyers' credit   |                                |          |          |      |   |            |            |           |           |
| Secured  | Oils and Fats                  | USD      | 2017     | D    | LIBOR + margin p.a                      | -          | 2,267,992  | -         | -         |
| Short term loan  |                                |          |          |      |   |            |            |           |           |
| Secured  | Oils and Fats                  | USD      | 2017     | F    | LIBOR + 4.50% p.a                       | 1,747,885  | 1,663,935  | -         | -         |
| Unsecured  | Beverage                       | LKR      | 2017     |      | 7.65% to 8%                             | 7,201,722  | 1,690,000  | 918,284   | 440,000   |
| Bank overdrafts facility                               |                                |          |          |      |   |            |            |           |           |
|  | Beverage & Investment Holdings | LKR      |          |      |   | 5,819,458  | 3,414,629  | 499,891   | 797,168   |
| Total Short term                                       |                                |          |          |      |   | 23,194,326 | 18,218,295 | 1,418,175 | 1,237,168 |
| Bank borrowings  |                                |          |          |      |   |            |            |           |           |
| Total loan payable within the year                     |                                |          |          |      |   | 34,710,198 | 28,551,789 | 1,418,175 | 1,237,168 |

# 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 | Weighted average                        | 2017         | 2016         | 2017      | 2016      |
| (iv)  |                     |          |          |      |   |              |              |           |           |
| <b>(ii) Non-Current</b>                                     |                     |          |          |      |   |              |              |           |           |
| <b>(a) Bank loans and borrowings</b>                        |                     |          |          |      |   |              |              |           |           |
| Long term bank borrowings -                                 |                     |          |          |      |   |              |              |           |           |
| amount due after one year                                   |                     |          |          |      |   |              |              |           |           |
| Secured   | Oil palm plantation | USD      | 2019     | A    | LIBOR +3- 3.25% /3.5%- 3.75% p.a.       | 24,313,840   | 34,981,701   | -         | -         |
| Secured   | Oils and Fats       | MYR      | 2019     | B    | COF + 2-2.50% p.a.                      | 3,218,084    | 4,049,034    | -         | -         |
| Unsecured   | Beverage            | USD      | 2017     |      | 3 Months LIBOR + 3.17%                  | -            | 194,377      | -         | -         |
| Unsecured   | Beverage            | LKR      | 2017     |      | Fixed 9.5% reviewed semi annually       | -            | 199,999      | -         | -         |
| Unsecured   | Beverage            | LKR      | 2021     |      | AWPLR+1.25% (4week AVG revised monthly) | 638,600      | 944,400      | -         | -         |
| Unsecured   | Beverage            | LKR      | 2020     |      | 1 Months SLIBOR +0.5%/ AWPLR+1.4%       | 597,477      | 664,335      | -         | -         |
| Unsecured   | Beverage            | LKR      | 2019     |      | Fixed 7.75% AWPLR (4 week)              | 299,900      | 499,900      | -         | -         |
| Secured   | Leisure             | LKR      | 2025     |      | AWPLR +2.5%                             | 6,500        | -            | -         | -         |
| Unsecured   | Beverage            | LKR      | 2020     |      | AWPLR (4week AVG revised monthly)       | 499,999      | 699,999      | -         | -         |
| Unsecured   | Beverage            | LKR      | 2022     |      | AWPLR + 1.25%                           | 115,000      | -            | -         | -         |
| Unsecured   | Beverage            | LKR      | 2022     |      | AWPLR(Weekly Review) + 1.5%             | 2,940,000    | -            | -         | -         |
| Unsecured   | Beverage            | LKR      | 2019     |      | AWPLR + 1%                              | 93,300       | 192,900      | -         | -         |
|   |                     |          |          |      |   | 32,722,701   | 42,426,645   | -         | -         |
| <b>(b) Finance lease payables</b>                           |                     |          |          |      |   |              |              |           |           |
| Total Long term bank borrowings - amount due after one year |                     |          |          |      |   | 619          | 62,108       | -         | -         |
| Total loans and Borrowings                                  |                     |          |          |      |   | 32,723,320   | 42,488,753   | -         | -         |
|   |                     |          |          |      |   | 67,433,518   | 71,040,542   | 1,418,175 | 1,237,168 |
| <b>For the year ended 31st March</b>                        |                     |          |          |      |   |              |              |           |           |
| <b>(iii) Long term Bank Borrowings</b>                      |                     |          |          |      |   |              |              |           |           |
| Movement in Long - Term Borrowings                          |                     |          |          |      |   |              |              |           |           |
| Balance as at the beginning of the year                     |                     |          |          |      |   | 52,599,537   | 53,481,190   | -         | -         |
| Obtained during the year                                    |                     |          |          |      |   | 151,550      | 2,597,915    | -         | -         |
| Impact on exchange rate changes on conversion               |                     |          |          |      |   | 52,751,087   | 56,079,105   | -         | -         |
| Unamortized transaction cost                                |                     |          |          |      |   | 2,157,338    | 4,685,084    | -         | -         |
| Re - payments during the year                               |                     |          |          |      |   | (331,532)    | (603,199)    | -         | -         |
| Amounts falling due within one year                         |                     |          |          |      |   | (10,402,835) | (7,561,453)  | -         | -         |
| Amounts falling due after one year                          |                     |          |          |      |   | 44,174,058   | 52,599,537   | -         | -         |
|   |                     |          |          |      |   | (11,451,358) | (10,172,892) | -         | -         |
|   |                     |          |          |      |   | 32,722,701   | 42,426,645   | -         | -         |

(Amounts expressed in Sri Lankan Rs.'000)

#### 40 INTEREST BEARING BORROWINGS (Contd.)

##### (iv) Details of borrowings

A On November 4, 2013, Group Subsidiary, Goodhope Asia Holdings Ltd (GAHL) together with its subsidiary plantation companies secured a USD 400M Syndicate Facility to refinance the existing debt.

The term loan facility will mature in November 2018. The revolving credit facility will mature in November 2017, with an option of extension for a further period of one year. The Group'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 GHAL has also provided a Corporate Guarantee on a joint and several basis with the other Guarantors.

The repayment terms of the facility has been amended in May, 2017 whereby the repayment of the loan installments will commence in March, 2019. Accordingly, the current portion of the term loan reported under current liabilities is not payable within the next 12 months.

B This is a term loan repayable on 27th October 2019 and secured by all fixed and certain current assets of the Borrowers along with Corporate Guarantees from the GAHL and the Borrowers. The repayment terms of the Term Loan facility has been amended in May, 2017 whereby the repayment of the loan installments will commence in September, 2018. Accordingly, the current portion of the term loan reported under current liabilities is not payable within the next 12 months.

##### Bankers' Acceptance / Import Loans / Bill Discounting / Overdraft / Revolving Loan

C These are working capital facilities and are secured by respective Borrowers' stocks and trade receivables and Corporate Guarantees from the GAHL for certain Borrowers.

D 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.

E This represents a working capital facility secured over a Letter of Awareness provided by the GAHL.

F This is a revolving short term loan and an overdraft facility secured on a clean basis.

G These obligations are secured by a charge over the leased assets. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

##### Effective interest rates

The effective interest rates per annum of the Group's US Dollar loans and borrowings as at the balance sheet date are as follows:

| As at 31st March                                    | 2017   | 2016   |
|---|--------|--------|
| Obligations under finance leases and hire purchases | 13.52% | 14.43% |
| Short-term loan                                     | 6.31%  | 4.88%  |
| Long-term bank loan                                 | 4.75%  | 4.15%  |

##### (v) Obligations under finance leases and hire purchases

The outstanding minimum lease payments and scheduled maturity dates are as follows:

| As at 31st March   | 2017     | Group<br>2016 |
|--|----------|---------------|
| Analysis of finance obligation by year of re-payment         |          |               |
| Minimum lease payments:                                      |          |               |
| Due within one year  | 69,225   | 182,454       |
| Due within two years   | 619      | 66,734        |
| Future lease payments  | 69,844   | 249,188       |
| Less: Future finance charges                                 | (4,711)  | (26,478)      |
| Present value of minimum lease payable                       | 65,133   | 222,710       |
| Less: Current portion of obligations due under finance lease | (64,514) | (160,602)     |
|  | 619      | 62,108        |

The Group had entered into finance lease agreements for motor vehicles and heavy vehicles with finance lease terms of 3 to 5 years (2016: 3 to 5 years). These finance lease purchase obligations are subject to effective interest rates of 13.52% (2016: 14.43%) per annum.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 41 DEBENTURES

| For the year ended 31st March                   | Group     |           |
|---|-----------|-----------|
|   | 2017      | 2016      |
| Balance as at the beginning of the year         | 4,597,600 | 4,798,800 |
| Debentures redeemed                             | (799,400) | (201,200) |
| Balance as at the end of the year               | 3,798,200 | 4,597,600 |
| Interest payable                                | 138,532   | 159,299   |
| Balance as at the end of the year with interest | 3,936,732 | 4,756,899 |

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     |           |
|--|-----------|-----------|
|  | 2017      | 2016      |
| Category 01 Debentures - Floating Rate (Note 41.1)   | 402,400   | 603,600   |
| Category 02 & 03 Debentures - Fixed Rate (Note 41.2) | 3,395,800 | 3,994,000 |
| Total  | 3,798,200 | 4,597,600 |

### 41.1 Category 01 Debentures - Floating Rate

| Types in Category 01 Debentures | Amount Rs. 000 | Proportion (From and out of the Category 01 Debentures issued) | Interest Rate (per annum) payable quarterly | Redemption From the Date of Allotment |
|---------------------------------|----------------|--|---|---------------------------------------|
| Type D                          | 201,200        | 50%  | AWPLR + 0.80%                               | 48 Months (4 Years)                   |
| Type E                          | 201,200        | 50%  | AWPLR + 1.10%                               | 60 Months (5 Years)                   |
| Total                           | 402,400        |  |   |                                       |

Type C debentures amounting to Rs.201.2 million were redeemed on June 16, 2016.

### 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 |
|----------------------------------|----------------|--|---|-----------------|---------------------------------------|
| Type G                           | 598,200        | 50%  | 13.75%                                      | 14.48%          | 48 Month (4 Years)                    |
| Type H                           | 797,600        | 50%  | 14.00%                                      | 14.75%          | 60 Months (5 Years)                   |
| Type I                           | 2,000,000      | N/A  | 7.85%                                       | 8.00%           | 60 Months (5 Years)                   |
| Total                            | 3,395,800      |  |   |                 |                                       |

(Amounts expressed in Sri Lankan Rs.'000)

#### 41 DEBENTURES (Contd.)

##### 41.3 Composition of Debentures and Interest Repayment

| As at 31st March                                | Group     |           |
|---|-----------|-----------|
|   | 2017      | 2016      |
| <b>Classified under Non Current Liabilities</b> |           |           |
| Debentures falling due after one year           | 2,998,800 | 3,798,200 |
| Total   | 2,998,800 | 3,798,200 |
| <b>Classified under Current Liabilities</b>     |           |           |
| Debentures falling due within one year          | 799,400   | 799,400   |
| Debenture interest payable                      | 138,532   | 159,299   |
| Total   | 937,932   | 958,699   |
| Total   | 3,936,732 | 4,756,899 |

##### 41.4 Interest paid on Debentures

During the year the Lion Brewery (Ceylon) PLC has charged Rs.420 Mn. (2016 - Rs. 484 Mn.) as debenture interest on both at fixed rates and floating rates and out of which Rs. 139 Mn. (2016 - Rs. 159 Mn.) was payable as at the reporting date.

##### 41.5 No security has been pledged against the debentures

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 42 TRADE AND OTHER FINANCIAL PAYABLES AND OTHER NON-FINANCIAL LIABILITIES

| As at 31st March                                      | Group             |                   | Company        |                |
|---|-------------------|-------------------|----------------|----------------|
|   | 2017              | 2016              | 2017           | 2016           |
| <b>Financial</b>                                      |                   |                   |                |                |
| <b>Non Current</b>                                    |                   |                   |                |                |
| Rental and telephone deposits [Note a]                | 77,607            | 63,559            | -              | -              |
|   | 77,607            | 63,559            | -              | -              |
| <b>Current</b>  |                   |                   |                |                |
| <b>Trade payables</b>                                 |                   |                   |                |                |
| Trade payables  | 2,730,404         | 3,974,740         | -              | -              |
|   | 2,730,404         | 3,974,740         | -              | -              |
| <b>Other financial payables</b>                       |                   |                   |                |                |
| Customer deposits (Note b)                            | 1,009,357         | 987,168           | -              | -              |
| Taxes payable   | 1,271,257         | 1,145,502         | -              | -              |
| Accrued expenses                                      | 5,819,355         | 4,496,428         | 107,520        | 114,275        |
| Other creditors                                       | 7,345,286         | 7,991,097         | 36,572         | 24,701         |
| Total other financial payables                        | 15,445,255        | 14,620,195        | 144,092        | 138,976        |
| <b>Total trade and other financial payables</b>       | <b>18,253,267</b> | <b>18,658,494</b> | <b>144,092</b> | <b>138,976</b> |
| <b>Non Financial</b>                                  |                   |                   |                |                |
| <b>Non Current</b>                                    |                   |                   |                |                |
| <b>Other non financial liabilities</b>                |                   |                   |                |                |
| Employee benefits (Note 43)                           | 1,144,164         | 1,079,813         | -              | -              |
| Total other non financial liabilities                 | 1,144,164         | 1,079,813         | -              | -              |
| Total trade and other payable - Non Current           | 1,221,771         | 1,143,372         | -              | -              |
| Total trade and other payable - Current               | 18,175,660        | 18,594,935        | 144,092        | 138,976        |
| <b>Total financial liabilities</b>                    |                   |                   |                |                |
| Trade and other financial - current payables          | 18,175,660        | 18,594,935        | 144,092        | 138,976        |
| Other financial payables - non-current                | 77,607            | 63,559            | -              | -              |
| Loans and borrowings                                  | 67,433,518        | 71,040,542        | 1,418,175      | 1,237,168      |
| Debenture   | 3,936,732         | 4,756,899         | -              | -              |
| Total financial liabilities carried at amortised cost | 89,623,517        | 94,455,935        | 1,562,267      | 1,376,144      |

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.

(Amounts expressed in Sri Lankan Rs.'000)

#### 42 TRADE AND OTHER FINANCIAL PAYABLES AND OTHER NON-FINANCIAL LIABILITIES (Contd.)

##### (a) Rental Deposits

| For the year ended 31st March                | Group   |         |
|--|---------|---------|
|  | 2017    | 2016    |
| Balance as at the beginning of the year      | 63,559  | 55,818  |
| Receipts during the year                     | 14,328  | 19,162  |
| Transferred to deferred revenue              | (1,821) | (6,003) |
| Refunds during the year                      | (4,059) | (9,556) |
| Unwinding of interest on refundable deposits | 5,600   | 4,138   |
| Balance as at the end of the year            | 77,607  | 63,559  |

The above rental and telephone deposits are re-payable on termination of the tenancy agreements in the real estate sector.

##### (b) Customer Deposits

| For the year ended 31st March            | Group     |          |
|--|-----------|----------|
|  | 2017      | 2016     |
| Balance as at the beginning of the year  | 987,168   | 886,626  |
| Receipts during the year                 | 22,189    | 126,093  |
| Refunds made during the year             | -         | (25,551) |
| Empty deposit write back during the year | -         | -        |
| Balance as at the end of the year        | 1,009,357 | 987,168  |

Customer deposits are taken as security against the containers with the agents in the beverage sector.

##### (c) Trade and other payable denominated in foreign currencies are as follows

| As at 31st March   | Group     |           |
|--------------------|-----------|-----------|
|                    | 2017      | 2016      |
| <b>Currency</b>    |           |           |
| US Dollar          | 941,578   | 1,391,918 |
| Malaysian Ringgit  | 959,665   | 1,168,951 |
| Indonesian Rupiah  | 1,412,139 | 1,123,663 |
| Indian Rupee (INR) | 456       | 13,311    |
| Singapore Dollar   | 152       | 3,038     |
| Euro               | 2,280     | 15,771    |
|                    | 3,316,270 | 3,716,652 |

- (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 has filed a leave to appeal application in the Supreme Court which application is still pending.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 43 EMPLOYEE BENEFITS

| For the year ended 31st March  | Group            |                  |
|--|------------------|------------------|
|  | 2017             | 2016             |
| The amounts recognized in the profit or loss are as follows:                                     |                  |                  |
| Current service cost   | 159,158          | 248,326          |
| Interest cost  | 87,058           | 98,485           |
| Amortization of past service costs   | (21,386)         | (4,171)          |
| Amortization of actuarial loss   | -                | 8,627            |
| Immediate recognition on new entrants  | (3,256)          | 7,146            |
| Immediate recognition of transfer employees  | 6,599            | -                |
| Termination Cost   | 497              | -                |
| Curtailment gain/loss  | (63,846)         | (53,014)         |
| Adjustment on the previous year employee benefits expenses                                       | 294,881          | -                |
| <b>Total employee benefit expense</b>  | <b>459,705</b>   | <b>305,399</b>   |
| The details of employee benefit liability as at 31st March 2017 and 2016 are as follows:         |                  |                  |
| Present value of unfunded obligations  | 1,144,164        | 1,079,813        |
|  | <b>1,144,164</b> | <b>1,079,813</b> |
| The movement in the liabilities recognized in the Statement of Financial Position is as follows: |                  |                  |
| Balance as at the beginning of the year  | 1,079,813        | 1,254,959        |
| Provision for the year   | 459,705          | 305,399          |
| Payments made during the year  | (387,951)        | (54,072)         |
| Gain/(loss) on employee benefits recognized in other comprehensive income                        | (34,160)         | (515,587)        |
| Termination Cost   | (464)            | -                |
| Attributable to discontinued operations  | (14,334)         | -                |
| Impact on exchange rate changes on conversions   | 41,555           | 91,900           |
| Reclassified as liabilities associated with assets held for sales                                | -                | (2,786)          |
| Balance as at the end of the year  | <b>1,144,164</b> | <b>1,079,813</b> |

### (a) Sensitivity analysis on the key assumptions used in actuarial valuation is as follows:

|  | Discount Rate |             | Future Salary Increments |             |
|--|---------------|-------------|--------------------------|-------------|
|  | 1% Increase   | 1% Decrease | 1% Increase              | 1% Decrease |
| <b>2017</b>  |               |             |                          |             |
| <b>Consolidated Statement of Financial Position</b>          |               |             |                          |             |
| Retirement benefit obligations                               |               |             |                          |             |
| Sri Lankan Subsidiaries                                      | (6,504)       | 6,943       | 6,877                    | (6,567)     |
| Overseas Subsidiaries  | (95,906)      | 112,625     | 111,561                  | (96,666)    |
| <b>Consolidated Statement of Comprehensive Income</b>        |               |             |                          |             |
| Re-measurement gain/(loss) on retirement benefit obligations |               |             |                          |             |
| Sri Lankan Subsidiaries                                      | 6,504         | (6,943)     | (6,877)                  | 6,567       |
| Overseas Subsidiaries  | 95,906        | (112,625)   | (111,561)                | 96,666      |
| <b>2016</b>  |               |             |                          |             |
| <b>Consolidated Statement of Financial Position</b>          |               |             |                          |             |
| Retirement benefit obligations                               |               |             |                          |             |
| Sri Lankan Subsidiaries                                      | (7,655)       | 7,175       | 7,663                    | (8,309)     |
| Overseas Subsidiaries  | (86,489)      | 102,341     | 101,367                  | (87,323)    |
| <b>Consolidated Statement of Comprehensive Income</b>        |               |             |                          |             |
| Re-measurement gain/(loss) on retirement benefit obligations |               |             |                          |             |
| Sri Lankan Subsidiaries                                      | 7,655         | (7,175)     | (7,663)                  | 8,309       |
| Overseas Subsidiaries  | 86,489        | (102,341)   | (101,367)                | 87,323      |

(Amounts expressed in Sri Lankan Rs.'000)

#### 43 EMPLOYEE BENEFITS (Contd.)

- (b) A separate fund has not been established to accommodate the liability arising in respect of employee benefit. The above gratuity provision of Rs.460 Mn (2016 - Rs.305 Mn) is based on assumptions of an actuarial valuation carried out by Mr. M. Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Private) Limited. As recommended by the Sri Lanka Accounting Standards (LKAS 19) Employee benefits, 'the Projected Unit Credit' (PUC) method has been used in this valuation. The Indonesian Subsidiaries, engaged an independent actuary, PT Dayamandiri Dharmakonsilindo and Malaysian subsidiaries, engaged an independent actuary, Actuarial & Management Consultant (Pvt) Ltd to conduct actuarial valuation of employee benefits liability as at March 31st 2017 using the projected unit credit actuarial valuation method.

The actuarial valuation was made using the following assumption:

|                              | Sri Lanka  | Indonesia   | Malaysia     |
|------------------------------|--|---|--------------|
| Discount rate                | 12.5% per annum  | 8.25% per annum   | 4% per annum |
| Future salary increment rate | 5% per annum   | 8% per annum  | 3% per annum |
| Mortality rate               | A 67/70 Mortality Table issued by the Institute of Actuaries, London | TOM year 2011   |              |
| Disability rate              |  | 10% of mortality rate   |              |
| Resignation rate             | 5% per annum for age up to 49 and thereafter zero.                   | 3% per annum from age 20 and reducing linearly to 1% per annum at age 45 and thereafter 100% at normal retirement |              |
| Retirement age               | 55 years   | 55 years  |              |

#### 44 NET ASSETS PER SHARE

Company and Group net asset per share calculation is as follows.

| As at 31st March                                   | Group        |              | Company     |             |
|--|--------------|--------------|-------------|-------------|
|  | 2017         | 2016         | 2017        | 2016        |
| Total Equity                                       | 59,453,386   | 58,290,296   | 10,589,491  | 11,330,014  |
| Less   |              |              |             |             |
| Non -controlling interest                          | (28,225,711) | (27,230,412) | -           | -           |
| Total equity attributable to owners of the company | 31,227,675   | 31,059,884   | 10,589,491  | 11,330,014  |
| 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 |
| Net Asset per Share (Rs.)                          | 159.01       | 158.16       | 53.92       | 57.69       |

#### 45 FAIR VALUE OF FINANCIAL INSTRUMENTS

- (a)
- (i) 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 31), cash and cash equivalents (Note 35), trade and other payables (Note 42) and loans and borrowings (Note 40).
- (ii) 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.

The fair value of financial assets and liabilities by classes that are not carried at fair value and of which carrying amounts are not reasonable approximation of fair value are as follows:

| As at 31st March  | 2017            |            | 2016            |            |
|-------------------|-----------------|------------|-----------------|------------|
|                   | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial asset   |                 |            |                 |            |
| Other receivables | 7,143,530       | #          | 6,800,430       | #          |

# Fair value information has not been disclosed for these financial instruments carried at cost as fair value cannot be measured reliably.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 45 FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd.)

(b) The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:

|   | Quoted prices in<br>active markets<br>for identical<br>instruments<br>(Level 1) | Significant other<br>observable inputs<br>(Level 2) | Significant<br>unobservable<br>(Level 3) | Total      |
|---|---|---|--|------------|
| <b>2017</b>                               |   |   |  |            |
| <b>Assets measured at fair value</b>      |   |   |  |            |
| <b>Financial assets:</b>                  |   |   |  |            |
| Available-for-sale financial assets       | 15,111,877  | 40,822  | 365,428                                  | 15,518,127 |
| Financial assets held for trading         | 1,748,061   | 1,414,989   | -  | 3,163,050  |
| Derivative financial instrument           | -   | 14,237  | -  | 14,237     |
| As at 31 March 2017                       | 16,859,938  | 1,470,048   | 365,428                                  | 18,695,414 |
| <b>Non -financial assets:</b>             |   |   |  |            |
| Biological assets                         | -   | -   | 712,845                                  | 712,845    |
| Assets held for sale                      | -   | -   | 647,447                                  | 647,447    |
| Investment properties                     | -   | 2,805,017   | -  | 2,805,017  |
| Freehold Land & Buildings                 | -   | 9,008,932   | -  | 9,008,932  |
| As at 31 March 2017                       | -   | 11,813,949  | 1,360,292                                | 13,174,248 |
| <b>Liabilities measured at fair value</b> |   |   |  |            |
| Financial liabilities                     | -   | -   | -  | -          |
| Derivative financial instrument           | -   | -   | -  | -          |
| As at 31 March 2017                       | -   | -   | -  | -          |
| <b>2016</b>                               |   |   |  |            |
| <b>Assets measured at fair value</b>      |   |   |  |            |
| <b>Financial assets:</b>                  |   |   |  |            |
| Available-for-sale financial assets       | 17,643,494  | 120,370   | 209,367                                  | 17,973,231 |
| Financial assets held for trading         | 1,742,083   | 1,127,189   | -  | 2,869,272  |
| Derivative financial instrument           | -   | 67,910  | -  | 67,910     |
| As at 31 March 2016                       | 19,385,577  | 1,315,469   | 209,367                                  | 20,910,413 |
| <b>Non -financial assets:</b>             |   |   |  |            |
| Biological assets                         | -   | -   | 648,912                                  | 648,912    |
| Assets held for sale                      | -   | -   | 3,051,117                                | 3,051,117  |
| Investment properties                     | -   | 2,800,231   | -  | 2,800,231  |
| Freehold Land & Buildings                 | -   | 8,563,741   | 2,681,823                                | 11,245,564 |
| As at 31 March 2016                       | -   | 11,363,972  | 6,381,852                                | 17,745,824 |
| <b>Liabilities measured at fair value</b> |   |   |  |            |
| Financial liabilities                     | -   | -   | -  | -          |
| Derivative financial instrument           | -   | 36,342  | -  | 36,342     |
| As at 31 March 2016                       | -   | 36,342  | -  | 36,342     |

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: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: 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 |
|---|---|----------------------|
| Investment in Listed Shares                           | Closing traded price published by CSE     | Level 1              |
| Listed Unit Trusts                                    | Published Market Prices by custodian bank | Level 2              |
| Unlisted redeemable Unit Trusts                       | Discounted cash flow                      | Level 3              |
| Biological Assets                                     | Income Approach                           | Level 3              |
| Investment properties                                 | Market approach                           | Level 2              |
| Freehold Land & Buildings                             | Market approach / Existing use            | Level 2              |
| Freehold Land & Buildings                             | Market approach / Existing use            | Level 3              |

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 | Freehold Land and Buildings (Malaysia) | Private Equity | Total       |
|--|--|-------------------|--|----------------|-------------|
| As at 1st April 2015   | 70,511                                   | 708,670           | 5,377,581                              | 115,005        | 6,271,767   |
| <b>Total (Loss)/gain recognised in the income statement</b>    |  |                   |  |                |             |
| Net gain arising from changes in fair value of assets          | -  | (102,566)         | -                                      | -              | (102,566)   |
| Surplus on revaluation   | -  | -                 | 40,411                                 | -              | 40,411      |
| <b>Total gain recognised in the other comprehensive income</b> |  |                   |  |                |             |
| Foreign currency translation                                   | -  | -                 | 140,361                                | -              | 140,361     |
| Transfer to assets held for sales                              | -  | -                 | (2,876,530)                            | -              | (2,876,530) |
| Movements in assets  | 13,594                                   | 42,808            | -                                      | 10,256         | 66,658      |
| As at 31 March 2016  | 84,105                                   | 648,912           | 2,681,823                              | 125,261        | 3,540,101   |
| <b>Total loss recognised in the income statement</b>           |  |                   |  |                |             |
| Net gain arising from changes in fair value of assets          | -  | 33,378            | -                                      | -              | 33,378      |
| Surplus on revaluation   | -  | -                 | -                                      | -              | -           |
| <b>Total loss recognised in the other comprehensive income</b> |  |                   |  |                |             |
| Foreign currency translation                                   | -  | -                 | -                                      | -              | -           |
| Disposal   | -  | -                 | (2,681,823)                            | -              | (2,681,823) |
| Movements in assets  | 10,814                                   | 30,555            | -                                      | 145,247        | 186,616     |
| As at 31 March 2017  | 94,919                                   | 712,845           | -                                      | 270,508        | 1,078,272   |

There have been no transfers from level 1, level 2 or level 3 for the financial years ended 31st March 2017 and 31st March 2016.

(Amounts expressed in Sri Lankan Rs.'000)

**46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS**

The accounting classification of each category of financial instruments and their carrying amounts are set out below:

|                                       | Available for sale | Financial assets held for trading/<br>financial liabilities held for trading | Loans and receivables | Other financial liabilities | Total carrying amount |
|---------------------------------------|--------------------|--|-----------------------|-----------------------------|-----------------------|
| <b>As at 31st March 2017</b>          |                    |  |                       |                             |                       |
| <b>Financial assets</b>               |                    |  |                       |                             |                       |
| Investment in equity securities       | 15,477,299         | 1,748,061  | -                     | -                           | 17,225,360            |
| Investment in unit trust              | 40,828             | 1,414,989  | -                     | -                           | 1,455,816             |
| Trade and other financial receivables | -                  | -  | 5,046,326             | -                           | 5,046,326             |
| Derivative financial instruments      | -                  | 14,237   | -                     | -                           | 14,237                |
| Cash and cash equivalents             | -                  | -  | 15,382,575            | -                           | 15,382,575            |
|                                       | 15,518,127         | 3,177,287  | 20,428,901            | -                           | 39,124,315            |
| <b>Financial liabilities</b>          |                    |  |                       |                             |                       |
| Long term borrowings                  | -                  | -  | -                     | 44,174,058                  | 44,174,058            |
| Debentures                            | -                  | -  | -                     | 3,936,732                   | 3,936,732             |
| Finance lease liabilities             | -                  | -  | -                     | 65,133                      | 65,133                |
| Trade and other financial payables    | -                  | -  | -                     | 18,253,267                  | 18,253,267            |
| Derivative financial instrument       | -                  | -  | -                     | -                           | -                     |
| Short term borrowings                 | -                  | -  | -                     | 23,194,327                  | 23,194,327            |
|                                       | -                  | -  | -                     | 89,623,516                  | 89,623,516            |
| <b>As at 31st March 2016</b>          |                    |  |                       |                             |                       |
| <b>Financial assets</b>               |                    |  |                       |                             |                       |
| Investment in equity securities       | 17,852,855         | 1,742,083  | -                     | -                           | 19,594,938            |
| Investment in unit trust              | 120,376            | 1,127,189  | -                     | -                           | 1,247,564             |
| Trade and other financial receivables | -                  | -  | 4,428,139             | -                           | 4,428,139             |
| Derivative financial instruments      | -                  | 67,910   | -                     | -                           | 67,910                |
| Cash and cash equivalents             | -                  | -  | 7,616,870             | -                           | 7,616,870             |
|                                       | 17,973,231         | 2,937,182  | 12,045,009            | -                           | 32,955,421            |
| <b>Financial liabilities</b>          |                    |  |                       |                             |                       |
| Long term borrowings                  | -                  | -  | -                     | 52,599,537                  | 52,599,537            |
| Debentures                            | -                  | -  | -                     | 4,756,899                   | 4,756,899             |
| Finance lease liabilities             | -                  | -  | -                     | 222,710                     | 222,710               |
| Trade and other financial payables    | -                  | -  | -                     | 18,658,494                  | 18,658,494            |
| Derivative financial instrument       | -                  | 36,342   | -                     | -                           | 36,342                |
| Short term borrowings                 | -                  | -  | -                     | 18,218,295                  | 18,218,295            |
|                                       | -                  | 36,342   | -                     | 94,455,935                  | 94,492,277            |

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 2017 and 31st March 2016. 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 refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. For trade receivables, the Group adopts the policy of dealing with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit rating counterparties.

It is the Group's policy that all 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.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

| As at 31st March            | 2017       | 2016       |
|-----------------------------|------------|------------|
| Trade and other receivables | 4,893,930  | 4,291,461  |
| Investments Unquoted        | 94,914     | 84,100     |
| Cash and cash equivalents   | 15,382,575 | 7,616,870  |
|                             | 20,371,419 | 11,992,431 |

The credit risk for the trade and other receivable at the end of the reporting period by business segment is as follows:

| As at 31st March                                  | 2017      | 2017<br>% of total | 2016      | 2016<br>% of total |
|---|-----------|--------------------|-----------|--------------------|
| Investment Holding/Portfolio and Asset Management | 184,939   | 4%                 | 55,756    | 1%                 |
| Oil Palm Plantations                              | 778,979   | 16%                | 505,179   | 12%                |
| Oils & Fats                                       | 2,030,969 | 41%                | 2,050,227 | 48%                |
| Beverage  | 1,799,899 | 37%                | 1,605,572 | 37%                |
| Real Estate                                       | 23,354    | 0%                 | 24,194    | 1%                 |
| Leisure   | 75,537    | 2%                 | 50,049    | 1%                 |
| Management Services                               | 253       | 0%                 | 484       | 0%                 |
|   | 4,893,930 | 100%               | 4,291,461 | 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 | 2017      | 2017<br>% of total | 2016      | 2016<br>% of total |
|------------------|-----------|--------------------|-----------|--------------------|
| Sri Lanka        | 2,228,366 | 46%                | 1,847,728 | 43%                |
| Malaysia         | 1,906,116 | 40%                | 1,865,466 | 44%                |
| Indonesia        | 634,712   | 13%                | 354,477   | 8%                 |
| Singapore        | -         | 0%                 | 5,737     | 0%                 |
| India            | 124,736   | 3%                 | 218,053   | 5%                 |
|                  | 4,893,930 | 100%               | 4,291,461 | 100%               |

#### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are credit-worthy debtors with good payment record with the Group. Cash and cash equivalents, financial assets held for trading and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(Amounts expressed in Sri Lankan Rs.'000)

## 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Contd.)

### 2 Liquidity Risk

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.

| Group   | One year or less | One to five years | Total        |
|---|------------------|-------------------|--------------|
| <b>2017</b>   |                  |                   |              |
| <b>Financial assets</b>                                 |                  |                   |              |
| Available-for-sale financial assets                     | -                | 15,518,127        | 15,518,127   |
| Financial assets held for trading                       | 3,163,050        | -                 | 3,163,050    |
| Trade and other financial receivables                   | 4,893,930        | 152,396           | 5,046,326    |
| Derivative financial instrument                         | 14,237           | -                 | 14,237       |
| Cash and cash equivalents                               | 15,382,575       | -                 | 15,382,575   |
| Total undiscounted financial assets                     | 23,453,792       | 15,670,523        | 39,124,315   |
| <b>Financial liabilities</b>                            |                  |                   |              |
| Trade and other financial payable                       | 18,175,660       | 77,607            | 18,253,267   |
| Loans and borrowings                                    | 34,710,198       | 32,723,320        | 67,433,518   |
| Debenture   | 937,932          | 2,998,800         | 3,936,732    |
| Derivative financial instrument                         | -                | -                 | -            |
| Total undiscounted financial liabilities                | 53,823,790       | 35,799,727        | 89,623,517   |
| Total net undiscounted financial assets / (liabilities) | (30,369,998)     | (20,129,204)      | (50,449,202) |

The GAHL Group repayment terms of the Term Loan facility has been amended in May, 2017 whereby the repayment of the loan installments will commence in September, 2018. Accordingly, the current portion of the term loan reported under current liabilities is not payable within the next 12 months.

| Group   | One year or less | One to five years | Total        |
|---|------------------|-------------------|--------------|
| <b>2016</b>   |                  |                   |              |
| <b>Financial assets</b>                                 |                  |                   |              |
| Available-for-sale financial assets                     | -                | 17,973,231        | 17,973,231   |
| Financial assets held for trading                       | 2,869,272        | -                 | 2,869,272    |
| Trade and other financial receivables                   | 4,291,461        | 136,678           | 4,428,139    |
| Derivative financial instrument                         | 67,910           | -                 | 67,910       |
| Cash and cash equivalents                               | 7,616,870        | -                 | 7,616,870    |
| Total undiscounted financial assets                     | 14,845,513       | 18,109,909        | 32,955,422   |
| <b>Financial liabilities</b>                            |                  |                   |              |
| Trade and other financial payable                       | 18,594,935       | 63,559            | 18,658,494   |
| Loans and borrowings                                    | 28,551,789       | 42,488,753        | 71,040,542   |
| Debenture   | 958,699          | 3,798,200         | 4,756,899    |
| Derivative financial instrument                         | 36,342           | -                 | 36,342       |
| Total undiscounted financial liabilities                | 48,141,765       | 46,350,512        | 94,492,277   |
| Total net undiscounted financial assets / (liabilities) | (33,296,252)     | (28,240,603)      | (61,536,855) |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Contd.)

| Company  | One year or less   | One to five years | Total            |
|--|--------------------|-------------------|------------------|
| <b>2017</b>  |                    |                   |                  |
| <b>Financial assets</b>  |                    |                   |                  |
| Available-for-sale financial assets                            | -                  | 1,693,995         | 1,693,995        |
| Financial assets held for trading                              | 26,154             | -                 | 26,154           |
| Trade and other financial receivables                          | 84,881             | -                 | 84,881           |
| Cash and cash equivalents                                      | 1,712              | -                 | 1,712            |
| <b>Total undiscounted financial assets</b>                     | <b>112,747</b>     | <b>1,693,995</b>  | <b>1,806,742</b> |
| <b>Financial liabilities</b>                                   |                    |                   |                  |
| Trade and other financial payables                             | 144,092            | -                 | 144,092          |
| Loans and Borrowings   | 1,418,175          | -                 | 1,418,175        |
| <b>Total undiscounted financial liabilities</b>                | <b>1,562,267</b>   | <b>-</b>          | <b>1,562,267</b> |
| <b>Total net undiscounted financial assets / (liabilities)</b> | <b>(1,449,520)</b> | <b>1,693,995</b>  | <b>244,475</b>   |
| <b>2016</b>  |                    |                   |                  |
| <b>Financial assets</b>  |                    |                   |                  |
| Available-for-sale financial assets                            | -                  | 2,252,082         | 2,252,082        |
| Financial assets held for trading                              | 22,079             | -                 | 22,079           |
| Trade and other financial receivables                          | 144,667            | -                 | 144,667          |
| Cash and cash equivalents                                      | 20,719             | -                 | 20,719           |
| <b>Total undiscounted financial assets</b>                     | <b>187,465</b>     | <b>2,252,082</b>  | <b>2,439,547</b> |
| <b>Financial liabilities</b>                                   |                    |                   |                  |
| Trade and other financial payables                             | 138,976            | -                 | 138,976          |
| Loans and Borrowings   | 1,237,168          | -                 | 1,237,168        |
| <b>Total undiscounted financial liabilities</b>                | <b>1,376,144</b>   | <b>-</b>          | <b>1,376,144</b> |
| <b>Total net undiscounted financial assets / (liabilities)</b> | <b>(1,188,679)</b> | <b>2,252,082</b>  | <b>1,063,403</b> |

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                       | 2017              | 2016              |
|-----------------------------|-------------------|-------------------|
| <b>Financial guarantees</b> |                   |                   |
| One year or less            | 20,302,520        | 19,482,653        |
| One to five years           | 27,793,955        | 39,607,441        |
| Over five years             | 299,117           | 828,784           |
|                             | <b>48,395,592</b> | <b>59,918,878</b> |

### 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.

(Amounts expressed in Sri Lankan Rs.'000)

## 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Contd.)

### (a) Commodity price risk - plantation sector

The Group's primary source of cash inflows are from the sale of palm based products. The Group prices its Crude Palm Oil ("CPO") and Palm Kernel ("PK") produced in the oil palm plantation business 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 31st March 2017.

As at 31st March 2017 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 1,154 Mn or equivalent US\$ 7,593,000 (2016:Rs 842 mn or equivalent US\$ 5,826,000).

CPO, PK and Crude Palm Kernel Oil ("CPKO") 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 2017 at a group level or in any of its business segments.

### (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% (2016- 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.

The total asset base which is exposed to equity price risk is tabulated below.

| As at 31st March  | Carrying Amounts |            |
|---|------------------|------------|
|   | 2017             | 2016       |
| Investment in equity securities - Available for sale                | 15,518,127       | 17,973,231 |
| Investment in equity securities - Financial assets held for trading | 3,163,050        | 2,869,272  |
|   | 18,681,177       | 20,842,503 |

# Notes to the Financial Statements

(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, Indian and Sri Lankan entities denominated in a currency other than the functional currency the Indonesian Rupiah (IDR), Indian Rupees (INR) and Sri Lanka Rs. The foreign currency in which these loans and borrowings are denominated is United States Dollars. (USD)

A significant portion of Group's raw material purchases in the edible oils and fats business segment (in Malaysia and India) is also denominated in USD, resulting in a currency exposure against the functional currencies of Malaysian Ringgit (MYR) and INR.

The Group currency exposures arising from sales and purchases 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, Malaysian Ringgit (MYR) and Indian Rupees (INR).

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 reporting date.

#### Foreign exchange - Sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in Indonesia Rupiah exchange rate against the US Dollar, with all other variables held constant:

|      | Change in<br>Indonesia Rupiah<br>to US\$<br>exchange rate | Carrying amount |
|------|---|-----------------|
| 2017 | +/- 5%  | +/- 9,662       |
| 2016 | +/- 5%  | +/- 7,197       |

### (d) Interest rate risk

The Group's exposure to the risk of changes in the market interest rates relates to the Long term & short term debt. The Group had no substantial long-term interest-bearing assets as at 31st March, 2017. The investment in financial assets are mainly short-term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short-term commercial papers/ deposits which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. 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. As at present the Group has benefited from the reduction of LIBOR over the recent past, on all US Dollar borrowings which are pegged to the LIBOR.

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             | 2017       | 2016       |
|------------------------------|------------|------------|
| <b>Financial Assets</b>      |            |            |
| Short term deposits          | 11,673,647 | 5,418,026  |
|                              | 11,673,647 | 5,418,026  |
| <b>Financial liabilities</b> |            |            |
| Loans term borrowings        | 44,174,058 | 52,599,537 |
| Debenture                    | 3,936,732  | 4,756,899  |
| Finance lease liabilities    | 65,133     | 222,710    |
| Short term borrowings        | 17,374,869 | 14,803,666 |
| Bank overdraft               | 5,819,458  | 3,414,629  |
|                              | 71,370,249 | 75,797,441 |

(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          | 2017              | 2016              |
|---------------------------|-------------------|-------------------|
| Gross Debt                | 71,370,250        | 75,797,441        |
| Cash and Cash Equivalents | (15,382,575)      | (7,616,870)       |
| <b>Net Debt</b>           | <b>55,987,675</b> | <b>68,180,571</b> |
| Equity                    | 59,453,386        | 58,290,296        |
| Net Debt Ratio            | 94%               | 117%              |

##### (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   | 2017         | 2016         |
|--|--------------|--------------|
| Total equity   | 59,453,386   | 58,290,296   |
| Liquid working capital:                                    |              |              |
| Inventories (excluding consumables)                        | 5,951,823    | 6,754,740    |
| Trade receivables  | 4,893,930    | 4,291,461    |
| Assets held for sales                                      | 647,447      | 3,051,117    |
| Less: Current liabilities (excluding loans and borrowings) | (18,556,551) | (19,255,307) |
| Total liquid working capital                               | (7,063,351)  | (5,157,989)  |
| Adjusted net debt  | 63,051,026   | 73,338,560   |
| Adjusted net gearing ratio (%)                             | 106%         | 126%         |

# Notes to the Financial Statements

(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                     | 2017           | Group<br>2016  |
|--------------------------------------|----------------|----------------|
| Oil Palm plantation and Oil and Fats |                |                |
| Approved and contracted for          | 142,415        | 508,151        |
| Leisure                              |                |                |
| Approved and contracted for          | -              | 731            |
| <b>Total capital commitments</b>     | <b>142,415</b> | <b>508,882</b> |

(b) A subsidiary of the Group, Guardian Capital Partners PLC, has committed to invest a sum of Rs. 51,117,791/- in Swiss Institute For Service Industry Development as a private equity investment. As at 31st March 2017, a sum Rs. 42,118,040/- has been invested in two tranches and balance of Rs. 8,999,751/- is to be invested based on business requirements and the progress of the investee Company.

### (c) Finance commitment

Documentary credits establish for the foreign purchases of the LBC PLC as at 31st March 2017 amounted to Rs. 89.83 Mn. (2016 - Rs. 127.14 Mn)

### (d) 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                     | 2017              | Group<br>2016    |
|--------------------------------------|-------------------|------------------|
| Oil Palm plantation and Oil and Fats |                   |                  |
| Purchases                            | 3,250,914         | 4,565,404        |
| Sales                                | 8,056,686         | 3,934,700        |
|                                      | <b>11,307,600</b> | <b>8,500,104</b> |

### (e) Commitments for obligations under finance leases and hire purchases

The Group has commitments for obligations under finance leases and hire purchases as disclosed in Note 40.

### (f) Contingent liabilities

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.

### 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. 602 Mn (2016 - Rs. 1,459 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. 47,793 Mn or equivalent US\$ 314,449,000 (2016 - Rs. 58,460 Mn or equivalent US\$ 404,036,000) It has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their liabilities as and when they fall due.

(Amounts expressed in Sri Lankan Rs.'000)

#### 48 COMMITMENTS (Contd.)

##### ii Material litigation

(a) i On 7 August 2014, PT Agro Bukit ("PTAB") South Kalimantan was served with a Letter of Claim on dispute on land use from the solicitors acting for PT Hutan Rinang Banua ("PT HRB"), a Sinar Mas Group company which was incorporated and domiciled in Indonesia. PT HRB engaged in the forestry business filed, in relation to the dispute on land use out of the extent of 19,010 Ha of PTAB's forestry area, whereby PT HRB is seeking a total claim of US\$154.1 million consisting of the following:

- (a) reputational loss of US\$86.0 million;
- (b) opportunity cost of US\$60.0 million;
- (c) losses caused due to land clearing by PTAB of US\$7.5 million; and
- (d) Expenses incurred by PT HRB to obtain concession ownership and production preparation of the work area of US\$0.6 million.

PT HRB did not submit a detailed basis for the calculation of the aforesaid claims to the District Court of Batulicin where the case was heard. In addition, PT HRB made a request to the District Court to attach the movable and immovable properties of PTAB South Kalimantan and its registered office premises in Jakarta as security in order to ensure that PTAB will meet its legal obligations towards PT HRB's claim.

Out of the overlapping area of 8,745 Ha, an approximate area of 3,293 Ha has been developed by PTAB (2,767 Ha as own and 526 Ha as Plasma) whilst the balance 5,452 Ha is not to be used for planting. PTAB continues to be in possession of the planted land including the disputed area until the same is settled.

PTAB has obtained all required licenses and permits to clear and cultivate its land from the relevant Government Authorities and await the issue of HGU (land title) for this land.

The value represented in the balance sheet of PTAB in respect of the bearer plants and immovable property, plant and property in relation to the area thus far developed amounted to US\$18.4 million as at 31 March 2016. Further, the value of Plasma areas in respect of corporate guarantees that have been given to external bank financiers for loans taken for Plasma development amounted to US\$3.5 million.

The judgement of the District Court was delivered on the 5 February 2015 in favour of PTAB rejecting all claims described above made by PT HRB. PT HRB filed a Notice of Appeal on 16 February 2015 and subsequently on 21 April 2015, PTAB through its solicitors was served with a Memorandum of Appeal filed by PT HRB from the District Court.

Having examined the appeal, the Banjarmasin High Court issued an unfavourable decision for PTAB by accepting in-part the plaintiff's claim, specifically ordering PTAB to pay approximately US\$6.5million (calculated at US\$1 = IDR13,100) to PT HRB. Based on the Banjarmasin High Court's decision, PTAB submitted the Cassation Application and the Memory of Cassation on 2 December 2015.

- ii In November 2016, PTAB sold the South Kalimantan plantation to PT Adisurya Cipta Lestari ("PT ACL") for IDR 511 billion (US\$38.4 million). As part of the negotiation with PT ACL, an agreement was signed between PTAB, PTHR and PT ACL whereby all three parties agreed to invalidate the Supreme Court's decision once issued and necessary action will be taken to cancel the case.
- (b) 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 Ceylon Beverage Holdings PLC 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.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 48 COMMITMENTS (Contd.)

- (c) The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela in Case No. 11303/Customs against the Lion Brewery (Ceylon) PLC (LBCPLC) and its directors to recover Excise Duty amounting to Rs. 58,753,582/94 comprising of the disputed Excise Duty of Rs. 29,376,791/47 and its penalty of Rs. 29,376,791/47. Lion Brewery (Ceylon) PLC and the directors have filed an application for Writ in the Court of Appeal to quash the Certificate of Excise Duty in Default issued by the DG of Customs and obtained a Stay Order in respect of the proceedings of the MC Kaduwela Case. The Court of Appeal made an order against the LBCPLC refusing the writ of certiorari prayed for and LBCPLC has now proffered an appeal against the said order to the Supreme Court. Matter is currently at the stage of arguments and will be coming up for oral submissions/ arguments on 20th September 2017.
- (d) Contingent liabilities as at 31st March 2017 in Ceylon Beverage Holdings PLC amounts to Rs.37,492,951/- (2016 - Rs.145,168,922/- ), being bank guarantees given to Government bodies for operational purposes and shipping guarantees for clearing cargo pending the receipt of original documents.
- (e) 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 Pegasus Hotels of Ceylon PLC. The outcome of the matter 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 1,251 perches of land acquired by the government for the fisheries harbour project and detailed under Note 31 (d) 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 OTHER MATTERS

On 20th September 2016, Ven. Agulugalle Siri Jinananda Thero and 6 others filed a case against the Minister of Finance and 13 other respondents, which includes Lion Brewery (Ceylon) PLC, contesting the extension of the Excise Duty for import of beer to be at the same rate as when manufactured locally, as the company's brewery was badly affected due to the flood.

This extension was granted by the Department of Trade and Investment Policy with the concurrence of the Minister of Finance and was afforded by the Government for companies affected by the flood which occurred during the period 16th to 22nd May 2016. The case is to be mentioned in the Court of Appeal on the 7th of September 2017. Given the change in ministerial portfolios and the 1st Respondent of the case Mr. Ravi Karunanayake, is no longer holding the office of Minister of Finance, the Petitioner will substitute the 1st Respondent with the newly appointed Minister of Finance. Accordingly, court directed that notice be issued to the 1st Respondent, returnable on the 7th September 2017.

## 50 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)

## 51 RELATED PARTY DISCLOSURES

Carson Cumberbatch PLC carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 "Related Party Disclosures", and all such related party transaction were arm's length transaction and details of which are given below.

### (a) Recurrent Transaction

| As at 31st March                              | Group |      | Company |         |
|---|-------|------|---------|---------|
|   | 2017  | 2016 | 2017    | 2016    |
| <b>Amounts due from Subsidiaries</b>          |       |      |         |         |
| Carsons Management Services (Private) Limited | -     | -    | 84,793  | 63,993  |
| Equity One Ltd                                | -     | -    | -       | 80,674  |
|   | -     | -    | 84,793  | 144,667 |

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  |          |
|--|-------|------|----------|----------|
|  | 2017  | 2016 | 2017     | 2016     |
| <b>Transaction with Subsidiaries</b>             |       |      |          |          |
| Dividend Income                                  | -     | -    | 295,196  | 469,805  |
| Amounts paid for services obtained (Note i)      | -     | -    | 13,003   | 20,803   |
| Loans settled (Note ii)                          | -     | -    | (59,874) | (38,280) |
| <b>(i) Amounts paid for services obtain from</b> |       |      |          |          |
| Carsons Management Services (Private) Limited    |       |      |          |          |
| Support service fees                             | -     | -    | 12,000   | 19,800   |
| Secretarial fees paid                            | -     | -    | 403      | 403      |
| Computer Fees paid                               | -     | -    | 600      | 600      |
|  | -     | -    | 13,003   | 20,803   |
| <b>(ii) Loans given / (Settlement)</b>           |       |      |          |          |
| Carsons Management Services (Private) Limited    | -     | -    | 20,800   | 2,219    |
| Equity One Ltd                                   | -     | -    | (80,674) | (40,499) |
|  | -     | -    | (59,874) | (38,280) |
| <b>Transaction with Joint Venture</b>            |       |      |          |          |
| Secretarial fees received                        | 216   | 216  | -        | -        |

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.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 51 RELATED PARTY DISCLOSURES (Contd.)

### 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 |        |
|-------------------------------|-----------|-----------|---------|--------|
|                               | 2017      | 2016      | 2017    | 2016   |
| Short term employee benefits  | 1,022,989 | 1,240,166 | 19,300  | 18,602 |
| Post employment benefits      | 21,194    | 3,293     | -       | -      |
| Termination benefits          | -         | 3,050     | -       | -      |
| Non-cash benefits             | 236       | 305       | -       | -      |
|                               | 1,044,419 | 1,246,814 | 19,300  | 18,602 |

## (b) Non Recurrent Transactions

There were no non-recurrent related party transaction during the period.

As at March 31, 2017, certain plantation companies of the Group (PT Sariwana Adi Perkasa, PT Sinar Sawit Andalan, PT Sumber Hasil Prima, Sawit makmur Sejahtera, PT Batumas Sejahtera, PT Agro Wana Lestari, Premium Oils & fats Sdn. Bhd and Premium Nutrients (Pvt) Ltd) have incurred accumulated loss and net liability positions. Furthermore, the above subsidiaries' current liabilities were exceeded its current assets at March 31, 2017. 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 / as at 31st March | Balance Sheet Closing rate |        | Income Statement Average Rate |        |
|---------------------------------------|----------------------------|--------|-------------------------------|--------|
|                                       | 2017                       | 2016   | 2017                          | 2016   |
|                                       | Rs.                        | Rs.    | Rs.                           | Rs.    |
| Malaysian Ringgit                     | 34.28                      | 37.08  | 34.90                         | 34.39  |
| US Dollar                             | 151.99                     | 144.69 | 147.61                        | 139.05 |
| Indonesian Rupiah (Rp)                | 0.0114                     | 0.0109 | 0.0111                        | 0.0103 |
| Indian Rupee (INR)                    | 2.34                       | 2.17   | 2.20                          | 2.12   |

(Amounts expressed in Sri Lankan Rs.'000)

**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.

**55 AMENDMENTS TO LKAS 16 - PROPERTY, PLANT AND EQUIPMENT AND LKAS 41 – AGRICULTURE**

In accordance with the amendments to LKAS 16 Property Plant and Equipment and LKAS 41 Agriculture Bearer plants (the Amendments"), biological assets that meet the definition of bearer plants are no longer required to be accounted for at fair value under LKAS 41 Agriculture. Instead, bearer plants are accounted for under LKAS 16 Property, Plant and Equipment at accumulated costs before they mature, and using either the cost model or revaluation model after they mature. Agricultural produce growing on bearer plants continues to remain within the scope of LKAS 41 and is measured at fair value less costs to sell.

The Group's bearer plants are disclosed in Note 22.

Prior to the application of the Amendments, the Group has recognised the bearer plants as biological assets (non-current) using the fair value model where changes to their fair value less costs to sell at each reporting date were recognized in profit or loss in the respective periods.

Pursuant to the Amendments, the Group elected to account for its bearer plants using the cost model under LKAS 16. Consequently, immature bearer plants are accounted for at accumulated cost, while mature bearer plants are accounted for at cost less accumulated depreciation and impairment.

Unharvested agriculture produce that grows on bearer plants are treated as biological assets within the scope of LKAS 41 and are accounted for using the fair value model.

The Group's biological assets are disclosed in Note 34

The accounting policies for bearer plants and the produce are detailed in Note 4.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 55 AMENDMENTS TO LKAS 16 - PROPERTY, PLANT AND EQUIPMENT AND LKAS 41 – AGRICULTURE (Contd.)

The Group has applied the amendments retrospectively on 1st January 2016. Effect of prior years adjustment on Statement of Financial Position, Income Statement and Statement of Profit or Loss and Other Comprehensive Income are as follows.

### INCOME STATEMENT

| For the year ended 31st March   | Group   |  |                             |   |                                       |                     |
|---|---|--|-----------------------------|---|---------------------------------------|---------------------|
|   | 2016<br>Continued<br>operations<br>(Reported) | 2016<br>Discontinued<br>operations<br>(Reported) | 2016<br>Total<br>(Reported) | Reclassification of<br>assets held for<br>sale - (Note 2 (a)) | Amendments to<br>LKAS 16 / LKAS<br>41 | 2016<br>(Re-stated) |
| <b>Continuing operations</b>  |   |  |                             |   |                                       |                     |
| Revenue   | 85,653,970                                    | 338,073  | 85,992,043                  | (9,521,578)   | -                                     | 76,470,465          |
| Direct operating expenses   | (62,764,379)                                  | (113,710)  | (62,878,089)                | 8,323,439   | (699,366)                             | (55,254,016)        |
| Gross profit  | 22,889,591                                    | 224,363  | 23,113,954                  | (1,198,139)   | (699,366)                             | 21,216,449          |
| Change in fair value of investment properties                         | 491,647                                       | -  | 491,647                     | -   | -                                     | 491,647             |
| Change in fair value of biological assets                             | 677,541                                       | 1,476  | 679,017                     | -   | (679,017)                             | -                   |
| Change in fair value of biological assets-FFB                         | -   | -  | -                           | -   | (102,566)                             | (102,566)           |
| Loss on fair value of financial assets held for trading               | (208,995)                                     | -  | (208,995)                   | -   | -                                     | (208,995)           |
| Other income  | 312,726                                       | 28,648   | 341,374                     | (21,522)  | -                                     | 319,852             |
| Distribution expenses   | (5,699,973)                                   | -  | (5,699,973)                 | 210,575   | -                                     | (5,489,398)         |
| Administrative expenses   | (7,423,889)                                   | (65,451)   | (7,489,340)                 | 616,659   | -                                     | (6,872,681)         |
| Other operating expenses  | (369,106)                                     | -  | (369,106)                   | 19,598  | -                                     | (349,508)           |
| Impairment of business assets   | (299,647)                                     | -  | (299,647)                   | 204,415   | (2,618,629)                           | (2,713,861)         |
| Foreign exchange (losses) /gains                                      | (251,436)                                     | -  | (251,436)                   | 183,488   | -                                     | (67,948)            |
| <b>Profit from operations</b>   | <b>10,118,459</b>                             | <b>189,036</b>                                   | <b>10,307,495</b>           | <b>15,074</b>   | <b>(4,099,578)</b>                    | <b>6,222,991</b>    |
|   | 10,118,459                                    | 189,036  | 10,307,495                  | 15,074  | (4,099,578)                           | 6,222,991           |
| Net finance cost  | (3,022,802)                                   | -  | (3,022,802)                 | 405,221   | -                                     | (2,617,581)         |
| Share of net result of joint venture                                  | 4,809   | -  | 4,809                       | -   | -                                     | 4,809               |
| <b>Profit / (loss) before Income tax expenses</b>                     | <b>7,100,466</b>                              | <b>189,036</b>                                   | <b>7,289,502</b>            | <b>420,295</b>  | <b>(4,099,578)</b>                    | <b>3,610,219</b>    |
| <b>Income tax expenses</b>  |   |  |                             |   |                                       |                     |
| Current taxation  | (1,210,399)                                   | (38,416)   | (1,248,815)                 | 71,819  | -                                     | (1,176,996)         |
| Deferred taxation   | (1,328,684)                                   | (2,009)  | (1,330,693)                 | (131,412)   | 1,016,279                             | (445,826)           |
|   | (2,539,083)                                   | (40,425)   | (2,579,508)                 | (59,593)  | 1,016,279                             | (1,622,822)         |
| <b>Profits / (loss) from continuing operations</b>                    | <b>4,561,383</b>                              | <b>148,611</b>                                   | <b>4,709,994</b>            | <b>360,702</b>  | <b>(3,083,299)</b>                    | <b>1,987,397</b>    |
| <b>Discontinued operation</b>   |   |  |                             |   |                                       |                     |
| Profit/(loss) for the Period from discontinued operations, net of tax | 148,611                                       | (148,611)  | -                           | (360,702)   | -                                     | (360,702)           |
| <b>Net impact from discontinued operations, net of tax</b>            | <b>148,611</b>                                | <b>(148,611)</b>                                 | <b>-</b>                    | <b>(360,702)</b>  | <b>-</b>                              | <b>(360,702)</b>    |
| <b>Profits for the year</b>   | <b>4,709,994</b>                              | <b>-</b>   | <b>4,709,994</b>            | <b>-</b>  | <b>(3,083,299)</b>                    | <b>1,626,695</b>    |
| <b>Profit Attributable to:</b>  |   |  |                             |   |                                       |                     |
| Owners of the Company   | 2,373,016                                     | -  | 2,373,016                   | -   | (1,547,125)                           | 825,891             |
| Non controlling interest  | 2,336,978                                     | -  | 2,336,978                   | -   | (1,536,174)                           | 800,804             |
|   | 4,709,994                                     | -  | 4,709,994                   | -   | (3,083,299)                           | 1,626,695           |

(Amounts expressed in Sri Lankan Rs.'000)

**55 AMENDMENTS TO LKAS 16 - PROPERTY, PLANT AND EQUIPMENT AND LKAS 41 – AGRICULTURE (Contd.)**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the year ended 31st March                                       | Note | 2016 (Reported) | Group   |                                 | 2016 (Re-stated) |
|---|------|-----------------|---|---------------------------------|------------------|
|   |      |                 | Reclassification of assets held for sale - (Note 2 (a)) | Amendments to LKAS 16 / LKAS 41 |                  |
| <b>Profit for the year</b>  |      | 4,709,994       |   | (3,083,299)                     | 1,626,695        |
| <b>Other Comprehensive Income / expenses</b>                        |      |                 |   |                                 |                  |
| Items that may be reclassified subsequently to profit or loss:      |      |                 |   |                                 |                  |
| Net change in fair value of available-for-sale financial assets     |      | (9,643,577)     |   | -                               | (9,643,577)      |
| Transfer of realised gain on available-for-sale financial assets    |      | (580,138)       |   | -                               | (580,138)        |
| Exchange differences on translation of foreign operations           |      | 1,830,942       |   | (1,220,311)                     | 610,631          |
| Items that will not be reclassified subsequently to profit or loss: |      |                 |   |                                 |                  |
| Revaluation Surplus on Property, Plant & Equipments                 |      | 906,976         |   | -                               | 906,976          |
| Deferred tax benefits / (expenses) on revaluation surplus           |      | (75,583)        |   | -                               | (75,583)         |
| Actuarial (losses) / gains on employee benefits                     |      | 515,587         |   | -                               | 515,587          |
| Deferred tax benefits / (expenses) on actuarial gains / (losses)    |      | (130,858)       |   | -                               | (130,858)        |
| <b>Other comprehensive expenses for the year, net of tax</b>        |      | (7,176,651)     |   | (1,220,311)                     | (8,396,962)      |
| <b>Total Comprehensive expenses for the year</b>                    |      | (2,466,657)     |   | (4,303,610)                     | (6,770,267)      |
| Attributable to:  |      |                 |   |                                 |                  |
| Owners of the Company   |      | (2,847,845)     |   | (2,155,006)                     | (5,002,851)      |
| Non controlling interest  |      | 381,188         |   | (2,148,604)                     | (1,767,416)      |
|   |      | (2,466,657)     |   | (4,303,610)                     | (6,770,267)      |

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs.'000)

## 55 AMENDMENTS TO LKAS 16 - PROPERTY, PLANT AND EQUIPMENT AND LKAS 41 - AGRICULTURE (Contd.)

### STATEMENT OF FINANCIAL POSITION

| As at 31st March                    | 31.03.2015<br>(Reported) | Amendments<br>to LKAS 16 and<br>LKAS 41 | 01.04.2015<br>(Re-stated) | 31.03.2016<br>(Reported) | Reclassification<br>of assets held for<br>sales (Plantation)<br>(Reported) | Total<br>(Reported) | Reclassification<br>of assets<br>held for sales<br>and LKAS 41 | 01.04.2016<br>(Re-stated) |
|-------------------------------------|--------------------------|---|---------------------------|--------------------------|--|---------------------|--|---------------------------|
| <b>Assets</b>                       |                          |   |                           |                          |  |                     |  |                           |
| <b>Non Current Assets</b>           |                          |   |                           |                          |  |                     |  |                           |
| Property, plant & equipment         | 58,198,456               | -                                       | 58,198,456                | 60,473,145               | 2,900,070  | 63,373,215          | (2,900,070)  | 60,473,145                |
| Biological assets / Bearer Plants   | 47,034,490               | (21,769,204)                            | 25,265,286                | 54,803,115               | 594,426  | 55,397,541          | (145,847)  | 27,804,990                |
| Prepaid lease payment for land      | 4,466,870                | -                                       | 4,466,870                 | 4,836,795                | -  | 4,836,795           | -  | 4,836,795                 |
| Investment properties               | 2,355,945                | -                                       | 2,355,945                 | 2,800,231                | -  | 2,800,231           | -  | 2,800,231                 |
| Intangible assets                   | 7,937,000                | -                                       | 7,937,000                 | 7,784,816                | -  | 7,784,816           | -  | 7,784,816                 |
| Investments in joint venture        | 25,913                   | -                                       | 25,913                    | 31,677                   | -  | 31,677              | -  | 31,677                    |
| Available-for-sale financial assets | 27,202,495               | -                                       | 27,202,495                | 17,973,231               | -  | 17,973,231          | -  | 17,973,231                |
| Deferred tax assets                 | 2,756,688                | (278,088)                               | 2,478,600                 | 3,587,766                | -  | 3,587,766           | (55,214)   | 3,532,552                 |
| Other financial receivables         | 122,545                  | -                                       | 122,545                   | 136,678                  | -  | 136,678             | -  | 136,678                   |
| Other non financial receivables     | 2,841,838                | -                                       | 2,841,838                 | 4,709,516                | -  | 4,709,516           | -  | 4,709,516                 |
| <b>Total non current assets</b>     | <b>152,942,240</b>       | <b>-</b>                                | <b>152,942,240</b>        | <b>157,136,970</b>       | <b>3,494,496</b>   | <b>160,631,466</b>  | <b>(3,045,917)</b>   | <b>130,083,631</b>        |
| <b>Current Assets</b>               |                          |   |                           |                          |  |                     |  |                           |
| Inventories                         | 7,665,077                | -                                       | 7,665,077                 | 6,754,740                | -  | 6,754,740           | -  | 6,754,740                 |
| Trade receivables                   | 4,491,999                | -                                       | 4,491,999                 | 3,602,440                | -  | 3,602,440           | -  | 3,602,440                 |
| Other financial receivables         | 699,608                  | -                                       | 699,608                   | 689,021                  | -  | 689,021             | -  | 689,021                   |
| Other non financial receivables     | 5,075,392                | -                                       | 5,075,392                 | 5,266,922                | -  | 5,266,922           | -  | 5,266,922                 |
| Current tax recoverable             | 83,209                   | -                                       | 83,209                    | 45,487                   | -  | 45,487              | -  | 45,487                    |
| Financial Assets held for trading   | 2,712,236                | -                                       | 2,712,236                 | 2,869,272                | -  | 2,869,272           | -  | 2,869,272                 |
| Derivative financial instruments    | 42,383                   | -                                       | 42,383                    | 67,910                   | -  | 67,910              | -  | 67,910                    |
| Biological assets                   | -                        | 708,670                                 | 708,670                   | -                        | -  | -                   | -  | 648,912                   |
| Cash and cash equivalents           | 9,023,256                | -                                       | 9,023,256                 | 7,616,870                | -  | 7,616,870           | -  | 7,616,870                 |
| Assets held for sale                | 29,793,160               | -                                       | 30,501,830                | 26,912,662               | -  | 26,912,662          | -  | 27,561,574                |
| <b>Total current assets</b>         | <b>491,895</b>           | <b>-</b>                                | <b>491,895</b>            | <b>3,499,696</b>         | <b>(3,494,496)</b>   | <b>5,200</b>        | <b>3,045,917</b>   | <b>3,051,117</b>          |
| <b>Total assets</b>                 | <b>30,285,055</b>        | <b>-</b>                                | <b>30,993,725</b>         | <b>30,412,358</b>        | <b>(3,494,496)</b>   | <b>26,917,862</b>   | <b>3,045,917</b>   | <b>30,612,691</b>         |
|                                     | <b>183,227,295</b>       | <b>-</b>                                | <b>161,888,673</b>        | <b>187,549,328</b>       | <b>-</b>   | <b>187,549,328</b>  | <b>-</b>   | <b>160,696,322</b>        |

(Amounts expressed in Sri Lankan Rs.'000)

| As at 31st March                                 | 31.03.2015<br>(Reported) | Amendments<br>to LKAS 16 and<br>LKAS 41 | 01.04.2015<br>(Re-stated) | 31.03.2016<br>(Reported) | Reclassification<br>of assets held for<br>sales (Plantation)<br>(Reported) | Amendments<br>to LKAS 16<br>and LKAS 41 | 01.04.2016<br>(Re-stated) |
|--|--------------------------|---|---------------------------|--------------------------|--|---|---------------------------|
| <b>Equity and Liabilities</b>                    |                          |   |                           |                          |  |   |                           |
| <b>Equity</b>                                    |                          |   |                           |                          |  |   |                           |
| Stated capital                                   | 1,114,652                | -                                       | 1,114,652                 | 1,114,652                | -  | -                                       | 1,114,652                 |
| Capital reserves                                 | 5,303,520                | -                                       | 5,303,520                 | 5,738,959                | -  | -                                       | 5,738,959                 |
| Revenue reserves                                 | 38,241,591               | (7,869,071)                             | 30,372,520                | 34,230,350               | -  | (10,024,077)                            | 24,206,273                |
| Equity attributable to EH                        | 44,659,763               |   | 36,790,692                | 41,083,961               |  |   | 31,059,884                |
| Non - controlling interest                       | 37,402,995               | (7,933,141)                             | 29,469,854                | 37,312,160               |  | (10,081,748)                            | 27,230,412                |
| <b>Total equity</b>                              | <b>82,062,758</b>        |   | <b>66,260,545</b>         | <b>78,396,121</b>        |  |   | <b>58,290,296</b>         |
| <b>Liabilities</b>                               |                          |   |                           |                          |  |   |                           |
| <b>Non Current Liabilities</b>                   |                          |   |                           |                          |  |   |                           |
| Loans and borrowings                             | 46,533,446               | -                                       | 46,533,446                | 42,488,753               | -  | -                                       | 42,488,753                |
| Debtenture                                       | 4,597,600                | -                                       | 4,597,600                 | 3,798,200                | -  | -                                       | 3,798,200                 |
| Other financial payables                         | 55,818                   | -                                       | 55,818                    | 63,559                   | -  | -                                       | 63,559                    |
| Other non financial liabilities                  | 1,254,959                | -                                       | 1,254,959                 | 1,079,813                | 2,786  | (2,786)                                 | 1,079,813                 |
| Deferred tax liabilities                         | 10,357,260               | (5,536,409)                             | 4,820,851                 | 12,809,992               | 144,309  | (36,650)                                | 6,170,470                 |
| <b>Total non current liabilities</b>             | <b>62,799,083</b>        |   | <b>57,262,674</b>         | <b>60,240,317</b>        | <b>147,095</b>   | <b>(39,436)</b>                         | <b>53,600,795</b>         |
| <b>Current Liabilities</b>                       |                          |   |                           |                          |  |   |                           |
| Trade payables                                   | 4,763,259                | -                                       | 4,763,259                 | 3,974,740                | -  | -                                       | 3,974,740                 |
| Other financial payables                         | 8,485,042                | -                                       | 8,485,042                 | 14,620,195               | -  | -                                       | 14,620,195                |
| Current tax liabilities                          | 267,958                  | -                                       | 267,958                   | 624,030                  | -  | -                                       | 624,030                   |
| Derivative financial instrument                  | -                        | -                                       | -                         | 36,342                   | -  | -                                       | 36,342                    |
| Loans and borrowings                             | 24,517,231               | -                                       | 24,517,231                | 28,551,789               | -  | -                                       | 28,551,789                |
| Debtenture                                       | 331,964                  | -                                       | 331,964                   | 958,699                  | -  | -                                       | 958,699                   |
| Liabilities associated with assets held for sale | 38,365,454               | -                                       | 38,365,454                | 48,765,795               | -  | -                                       | 48,765,795                |
|  |                          |   |                           | 147,095                  | (147,095)  |   | 39,436                    |
| <b>Total current liabilities</b>                 | <b>38,365,454</b>        |   | <b>38,365,454</b>         | <b>48,912,890</b>        | <b>(147,095)</b>   | <b>39,436</b>                           | <b>48,805,231</b>         |
| <b>Total liabilities</b>                         | <b>101,164,537</b>       |   | <b>95,628,128</b>         | <b>109,153,207</b>       |  |   | <b>102,406,026</b>        |
| <b>Total equity and liabilities</b>              | <b>183,227,295</b>       |   | <b>161,888,673</b>        | <b>187,549,328</b>       |  |   | <b>160,696,322</b>        |

# Group Real Estate Portfolio

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 2017              |              |                      |                             |                           |                           |  |
|------------------------------------|--------------|----------------------|-----------------------------|---------------------------|---------------------------|--|
| Company                            | Location     | Extent<br>(Hectares) | Land & Building             |                           | Date of<br>last Valuation |  |
|                                    |              |                      | Market<br>Value<br>Rs. '000 | Book<br>Value<br>Rs. '000 |                           |  |
| Equity One Ltd                     | Colombo 7    | 0.238                | 1,084,609                   | 1,084,609                 | 31-Mar-16                 |  |
| Equity One Ltd                     | Colombo 2    | 0.455                | 625,915                     | 625,915                   | 31-Mar-16                 |  |
| Equity Two PLC                     | Colombo 1    | 0.072                | 420,909                     | 420,909                   | 31-Mar-16                 |  |
| Equity Two PLC                     | Colombo 1    | 0.146                | 716,164                     | 716,164                   | 31-Mar-16                 |  |
| Equity Three (Private) Limited     | Colombo 13   | 0.208                | 368,799                     | 368,799                   | 31-Mar-16                 |  |
|                                    |              | 1.119                | 3,216,396                   | 3,216,396                 |                           |  |
| PT Agro Indomas                    | Indonesia    | 26,997               | 7,597,735                   | 3,859,064                 | 31-Mar-16                 |  |
| PT Agro Bukit                      | Indonesia    | 15,391               | 5,071,119                   | 3,853,346                 | 31-Mar-16                 |  |
| PT Karya Makmur Sejahtera          | Indonesia    | 10,049               | 1,384,131                   | 1,331,380                 | 31-Mar-16                 |  |
| PT Agro Wana Lastari               | Indonesia    | 15,320               | 4,297,868                   | 3,656,156                 | 31-Mar-16                 |  |
| PT Agro Jaya Baktitama             | Indonesia    | 6,855                | 1,125,146                   | 1,031,958                 | 31-Mar-16                 |  |
| PT Rim Capital                     | Indonesia    | 3,933                | 737,261                     | 551,258                   | 31-Mar-16                 |  |
| PT Nabire Baru                     | Indonesia    | 11,760               | 3,741,331                   | 4,336,493                 | 31-Mar-16                 |  |
| PT Batu Mas Sejahtera              | Indonesia    | 6,836                | 946,861                     | 486,657                   | 31-Mar-16                 |  |
| PT Sawith Makmur Sejahtera         | Indonesia    | 6,563                | 884,492                     | 612,302                   | 31-Mar-16                 |  |
| PT Sumber Hasil Prima              | Indonesia    | 8,219                | 1,221,339                   | 1,186,310                 | 31-Mar-16                 |  |
| PT Sinar Sawit Andalan             | Indonesia    | 6,306                | 700,063                     | 687,999                   | 31-Mar-16                 |  |
| PT Sariwana Adi Perkasa            | Indonesia    | 6,493                | 1,090,627                   | 186,338                   | 31-Mar-16                 |  |
| PT Agro Bina Lestari**             | Indonesia    | 8,500                | 164,938                     | 164,938                   | 31-Mar-16                 |  |
| PT Agro Surya Mandiri**            | Indonesia    | 6,500                | 164,935                     | 164,935                   | 31-Mar-16                 |  |
|                                    |              | 139,722              | 29,127,846                  | 22,109,134                |                           |  |
| Premium Vegetable Oil Sdn. Bhd.*   | Malaysia     | 4,836                | 864,373                     | 682,050                   | 31-Aug-11                 |  |
| Premium Fats Sdn. Bhd.*            | Malaysia     | 0.024                | 28,791                      | 25,183                    | 31-Aug-11                 |  |
| Arani Agro Oil Industries Limited* | India        | 0.931                | 120,353                     | 120,353                   | 31-Mar-17                 |  |
|                                    |              | 4,837                | 1,013,517                   | 827,586                   |                           |  |
| Ceylon Brewery PLC                 | Nuwara-Eliya | 1.540                | 331,261                     | 331,261                   | 31-Mar-16                 |  |
| Lion Brewery (Ceylon) PLC          | Biyagama     | 13.933               | 4,361,096                   | 4,361,096                 | 31-Mar-16                 |  |
| Millers Brewery PLC                | Padukka      | 9.699                | 934,424                     | 934,424                   | 31-Mar-14                 |  |
|                                    |              | 25.172               | 5,626,781                   | 5,626,781                 |                           |  |
| Pegasus Hotels of Ceylon Ltd.      | Wattala      | 5.450                | 1,700,271                   | 1,700,271                 | 31-Mar-17                 |  |
| Equity Hotels Ltd.                 | Giritale     | 6.030                | 119,468                     | 119,468                   | 31-Mar-17                 |  |
|                                    |              | 11.480               | 1,819,739                   | 1,819,739                 |                           |  |
| <b>Total Value</b>                 |              | <b>144,597</b>       | <b>40,804,279</b>           | <b>33,599,636</b>         |                           |  |

There has been no permanent reduction in the value of land & buildings which may require provision.

\* Please note that the book value of PVO and PF reflects carrying value as at 31 March 2017. However, market value reflects values as at Aug/Sept 2011

\*\* 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 2017.

# Income Statement - USD

| For the year ended 31st March  | Group              |                       |
|--|--------------------|-----------------------|
|  | 2017               | 2016<br>(Re - stated) |
| <b>Continuing operations</b>   |                    |                       |
| Revenue  | 437,049,466        | 549,949,407           |
| Direct operating expenses  | (324,073,503)      | (397,367,965)         |
| <b>Gross profit</b>  | <b>112,975,963</b> | <b>152,581,442</b>    |
| Progressive insurance receipts on business interruption                                    | 6,774,609          | -                     |
| Change in fair value of investment properties  | -                  | 3,535,757             |
| Change in fair value of biological assets  | 226,123            | (737,620)             |
| Gain on fair value of financial assets held for trading                                    | (319,294)          | (1,503,020)           |
| Other income   | 3,525,796          | 2,300,266             |
| Distribution expenses  | (30,835,160)       | (39,477,871)          |
| Administrative expenses  | (49,281,231)       | (49,425,969)          |
| Other operating expenses   | (1,840,837)        | (2,513,542)           |
| Impairment of business assets  | (16,456,787)       | (19,517,159)          |
| Foreign exchange (losses) /gains   | 2,547,773          | (488,659)             |
| <b>Profit from operations</b>  | <b>27,316,955</b>  | <b>44,753,625</b>     |
| Inventory and fixed assets quantified and written-off to date due to flood related damages | (9,140,892)        | -                     |
| Progressive insurance receipts on property damages   | 9,256,107          | -                     |
| Reversal of unabsorbed VAT provision   | 2,302,087          | -                     |
|  | 29,734,257         | 44,753,625            |
| Net finance cost   | (28,810,562)       | (18,824,746)          |
| Share of net result of joint venture   | 18,610             | 34,584                |
| <b>Profit / (loss) before Income tax expenses</b>  | <b>942,305</b>     | <b>25,963,463</b>     |
| <b>Income tax expenses</b>   |                    |                       |
| Current taxation   | (8,178,037)        | (8,464,552)           |
| Deferred taxation  | (2,663,505)        | (3,206,228)           |
|  | (10,841,542)       | (11,670,780)          |
| <b>Profits / (loss) from continuing operations</b>   | <b>(9,899,237)</b> | <b>14,292,683</b>     |
| <b>Discontinued operation</b>  |                    |                       |
| Profit for the year from discontinued operations, net of tax                               | (2,405,515)        | (2,594,045)           |
| Profits from disposal of Plantation Assets   | 42,177,861         | -                     |
| Transfer from Translation Reserve on discontinued overseas branch operation                | (9,960,409)        | -                     |
| <b>Net impact from discontinued operations, net of tax</b>                                 | <b>29,811,937</b>  | <b>(2,594,045)</b>    |
| <b>Profits for the year</b>  | <b>19,912,700</b>  | <b>11,698,638</b>     |
| <b>Profit Attributable to:</b>   |                    |                       |
| Owners of the Company  | 8,770,034          | 5,939,529             |
| Non controlling interest   | 11,142,666         | 5,759,109             |
|  | 19,912,700         | 11,698,638            |
| Exchange rate  | 147.61             | 139.05                |

# Statement of Financial Position - USD

| As at 31st March                                    | 2017                 | Group<br>2016<br>(Re- Stated) | 2015<br>(Re- Stated) |
|---|----------------------|-------------------------------|----------------------|
| <b>ASSETS</b>                                       |                      |                               |                      |
| <b>Non - Current Assets</b>                         |                      |                               |                      |
| Property, plant & equipment                         | 353,819,712          | 417,949,720                   | 436,532,073          |
| Bearer Plants                                       | 181,045,748          | 192,169,396                   | 189,508,595          |
| Prepaid lease payment for land                      | 32,420,672           | 33,428,675                    | 33,504,875           |
| Investment properties                               | 18,455,276           | 19,353,314                    | 17,671,355           |
| Intangible assets                                   | 38,864,958           | 53,803,414                    | 59,533,453           |
| Investments in joint ventures                       | 242,963              | 218,930                       | 194,367              |
| Available-for-sale financial assets                 | 102,099,658          | 124,218,889                   | 204,039,116          |
| Deferred tax assets                                 | 20,506,014           | 24,414,626                    | 18,591,362           |
| Other financial receivables                         | 1,002,671            | 944,626                       | 919,179              |
| Other non financial receivables                     | 41,376,946           | 32,549,008                    | 21,315,917           |
| <b>Total non - current assets</b>                   | <b>789,834,618</b>   | <b>899,050,600</b>            | <b>981,810,293</b>   |
| <b>Current Assets</b>                               |                      |                               |                      |
| Inventories   | 39,159,307           | 46,684,221                    | 57,493,827           |
| Trade receivables                                   | 25,194,954           | 24,897,643                    | 33,693,362           |
| Other financial receivables                         | 7,004,073            | 4,762,050                     | 5,247,585            |
| Other non financial receivables                     | 36,446,016           | 36,401,424                    | 38,069,247           |
| Current tax recoverable                             | 384,835              | 314,376                       | 624,130              |
| Financial assets held for trading                   | 20,810,909           | 19,830,479                    | 20,343,804           |
| Derivative financial instrument                     | 93,671               | 469,348                       | 317,904              |
| Biological assets                                   | 4,690,078            | 4,484,843                     | 5,315,557            |
| Cash and cash equivalents                           | 101,207,810          | 52,642,684                    | 67,681,188           |
|   | 234,991,653          | 190,487,069                   | 228,786,604          |
| Assets held for sale                                | 4,259,800            | 21,087,269                    | 3,689,581            |
| <b>Total current assets</b>                         | <b>239,251,453</b>   | <b>211,574,338</b>            | <b>232,476,185</b>   |
| <b>Total assets</b>                                 | <b>1,029,086,071</b> | <b>1,110,624,938</b>          | <b>1,214,286,478</b> |
| <b>EQUITY AND LIABILITIES</b>                       |                      |                               |                      |
| <b>EQUITY</b>                                       |                      |                               |                      |
| Stated capital                                      | 10,103,695           | 10,103,695                    | 10,103,695           |
| Capital reserves                                    | 21,100,941           | 39,663,826                    | 39,780,378           |
| Revenue reserves                                    | 174,254,123          | 164,897,513                   | 226,073,710          |
| <b>Equity attributable to owners of the Company</b> | <b>205,458,759</b>   | <b>214,665,034</b>            | <b>275,957,783</b>   |
| <b>Non-controlling interest</b>                     | <b>185,707,682</b>   | <b>188,198,303</b>            | <b>221,046,006</b>   |
| <b>Total equity</b>                                 | <b>391,166,441</b>   | <b>402,863,337</b>            | <b>497,003,789</b>   |
| <b>LIABILITIES</b>                                  |                      |                               |                      |
| <b>Non - Current Liabilities</b>                    |                      |                               |                      |
| Loans and borrowings                                | 215,299,161          | 293,653,694                   | 349,035,749          |
| Debenture   | 19,730,245           | 26,250,605                    | 34,485,449           |
| Other financial payables                            | 510,606              | 439,277                       | 418,677              |
| Other non financial liabilities                     | 7,527,890            | 7,462,941                     | 9,413,134            |
| Deferred tax liabilities                            | 38,218,521           | 42,646,140                    | 36,159,999           |
| <b>Total non - current liabilities</b>              | <b>281,286,423</b>   | <b>370,452,658</b>            | <b>429,513,007</b>   |
| <b>Current Liabilities</b>                          |                      |                               |                      |
| Trade payables                                      | 17,964,373           | 27,470,731                    | 35,728,015           |
| Other financial payables                            | 101,620,205          | 101,044,958                   | 63,644,179           |
| Current tax liabilities                             | 2,506,027            | 4,312,876                     | 2,009,886            |
| Derivative financial instrument                     | -                    | 251,171                       | -                    |
| Loans and borrowings                                | 228,371,591          | 197,330,769                   | 183,897,623          |
| Debenture   | 6,171,011            | 6,625,883                     | 2,489,979            |
|   | 356,633,207          | 337,036,388                   | 287,769,682          |
| Liabilities associated with assets held for sale    | -                    | 272,555                       | -                    |
| <b>Total current liabilities</b>                    | <b>356,633,207</b>   | <b>337,308,943</b>            | <b>287,769,682</b>   |
| <b>Total liabilities</b>                            | <b>637,919,630</b>   | <b>707,761,601</b>            | <b>717,282,689</b>   |
| <b>Total equity and liabilities</b>                 | <b>1,029,086,071</b> | <b>1,110,624,938</b>          | <b>1,214,286,478</b> |
| Exchange rate                                       | 151.99               | 144.69                        | 133.32               |

# 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.

## 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.

# Glossary

## 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 Fourth Annual General Meeting of Carson Cumberbatch PLC will be held on Tuesday, the 26th day of September 2017 at 2.30 p.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:

- To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2017 together with the report of the Independent Auditors thereon.
- 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.
- To re-elect Mr. P. C. P. Tissera who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.
- To re-appoint Mr. I. Paulraj 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. 7 of 2007 shall not be applicable to Mr. I. Paulraj who is 80 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."

- 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. 7 of 2007 shall not be applicable to Mr. V. P. Malalasekera 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."
- To re-appoint Mr. Tilak de Zoysa 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. Tilak de Zoysa 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."
- To re-appoint Mr. F. Mohideen 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. F. Mohideen 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."

- To re-appoint Mr. M. 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. M. 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."
- 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

8th August 2017

#### Notes:

- 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.
- 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 24th September 2017.
- 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.
- The transfer books of the Company will remain open.
- Security Check -  
  
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 .....  
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, |
| Israel Paulraj                             | or failing him, |
| Don Chandima Rajakaruna Gunawardena        | or failing him, |
| Suresh Kumar Shah                          | or failing him, |
| Palehenalage Chandana Priyankara Tissera   | or failing him, |
| Vijaya Prasanna Malalasekera               | or failing him, |
| Faiz Mohideen                              | or failing him, |
| Rajendra Theagarajah                       | or failing him, |
| Wadugamudalige Marius Ravindra Srilal Dias |                 |

as \*my/our proxy to attend at the 104th Annual General Meeting of the Company to be held on Tuesday the 26th day of September 2017 at 2.30 p.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 adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2017, together with the Report of the Independent 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. P. C. P. Tissera who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.  |     |         |
| 4. To re-appoint Mr. I. Paulraj who is over Seventy years of age as a Director of the Company.   |     |         |
| 5. To re-appoint Mr. V.P. Malalasekera who is over Seventy years of age as a Director of the Company.  |     |         |
| 6. To re-appoint Mr. Tilak de Zoysa who is Seventy years of age as a Director of the Company.  |     |         |
| 7. To re-appoint Mr. F.Mohideen who is Seventy years of age as a Director of the Company.  |     |         |
| 8. To re-appoint Mr. M. Selvanathan who is Seventy years of age as a Director of the Company.  |     |         |
| 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. |     |         |

Signed this .....day of ..... Two Thousand and Seventeen.

..... 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 24th September 2017.

Please fill in the following details

Name : .....

Address : .....

Jointly with : .....

Share Folio No. : .....

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