







Contents

Highlights of the Year

"The year has been eventful with many and successes for DCSL..."

Melsta Regal Finance

January 2012

Established Melsta Regal Finance Limited the newly registered finance company of the Group

5.06 bn investment

in Aitken Spence PLC

April 2012

Increased stake in Aitken Spence PLC to 40% by investing Rs.5.06 Bn

Albert Bichot

French Wines

April 2012

Periceyl becomes sole agent for the renowned wine range

Melstacorp Limited

August 2011

Coming of age of Melstacorp Limited with significant re-organisation within the Group

Pelwatte Sugar

November 2011

Pelwatte Sugar was listed in the Expropriation Act

DCSL Ranked No. 2

Business Today Top 20

November 2011

DCSL was ranked No. 2 among the Business Today 'Top Twenty' in 2011. This was the 13th consecutive year DCSL was listed among corporate heavy weights in the rankings

DCSL Wins Bronze Award

CASL 2011 Annual Report Awards

November 2011

DCSL Group bags Bronze award at CASL 2011 Annual Report Awards under the Beverage category

Bogo Power

was commissioned

December 2011

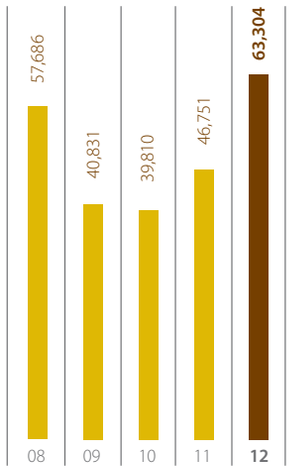
The year saw the full commissioning of the Kirkoswald Mini-hydro Project

Financial Highlights

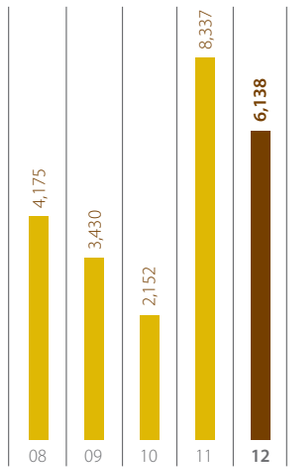
			2012 Group	2011 Group	2012 Company	2011 Company
Summary of results						
Gross Turnover		Rs. Mn	**63,304**	46,752	**49,136**	38,987
Excise Duty		Rs. Mn	**36,150**	26,579	**33,860**	25,464
Net Turnover		Rs. Mn	**27,154**	20,173	**15,276**	13,523
Profit After Tax*		Rs. Mn	**6,138**	8,337	**4,327**	7,769
Shareholders Funds		Rs. Mn	**36,651**	31,636	**28,685**	24,942
Working Capital		Rs. Mn	**4,523**	6,942	**(19,416)**	4,999
Total Assets		Rs. Mn	**67,304**	52,120	**58,650**	32,327
Staff Cost		Rs. Mn	**3,155**	3,031	**1,081**	715
No. of Employees			**18,158**	19,954	**1,389**	1,340
Per Share						
Basic Earnings*		Rs.	**18.92**	27.08	**14.42**	25.90
Net Assets		Rs.	**122.17**	105.45	**95.62**	83.14
Dividends		Rs.	**3.00**	3.00	**3.00**	3.00
Market Price	- High	Rs.	**191.00**	197.00	**191.00**	197.00
	- Low	Rs.	**100.00**	117.00	**100.00**	117.00
	- Year End	Rs.	**145.00**	180.00	**145.00**	180.00
Ratios						
Price Earnings*		times	**7.66**	6.65	**10.06**	6.95
Return on Shareholders Funds*		%	**16.75**	25.68	**15.08**	31.15
Current Ratio		times	**1.19**	1.47	**0.33**	1.70
Interest Cover*		times	**12.29**	25.63	**21.51**	129.99
Stock Turnover (Finished Goods)		days	**15**	18	**13**	13
Debt to Equity		%	**34.07**	14.54	**33.86**	1.02
Debt to Total Assets		%	**18.55**	8.83	**16.56**	0.79
Dividend Payout*		%	**15.85**	11.08	**20.80**	19.92
Dividend Yield		%	**2.07**	1.67	**2.07**	1.67

** In the Year 2011 there was a non-recuring event (capital gain arising from the disposal of shares) amounting to Rs.3.9Bn.*

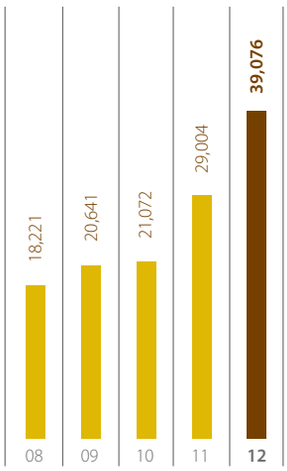
Gross Turnover - Group (Rs Mn)



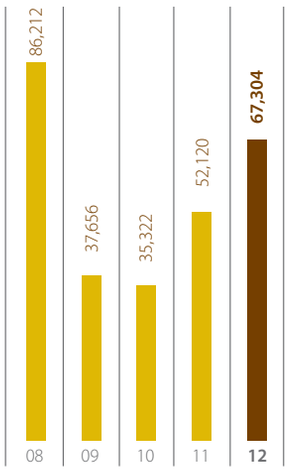
Profit After Tax - Group (Rs Mn)



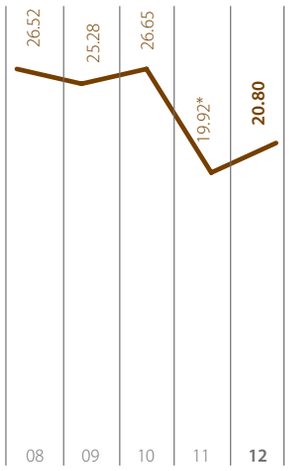
Taxes Paid - Group (Rs Mn)



Total Assets - Group (Rs Mn)



Dividend Payout (%) - Company



Our Businesses

Sector	Function	Company
Beverages	Distillation, manufacture & distribution of liquor products	DCSL, Periceyl
Telecommunications	Telecommunications Services	LB, TCF, BSL
Plantations	Cultivation & processing of tea & rubber	BPL
Diversified		
Investment	Investment holding company	Melstacorp
Financial Services	Insurance	Continental
	Finance	Melsta Regal
Logistics	Automobile servicing & logistics	Melsta Logistics
Textiles	Dyeing & printing fabrics	Texpro
Information Technology	BPO, KPO & Software development	BellVantage
Power Generation	Hydro power generation	Bogo Power
Leisure	Beach Hotel	BBH
Manufacturing	Manufacturing & selling of sugar & molasses	Pelwatte Sugar
Media	Media buying & creative services	Splendor

Historical Perspective

The 'past' is the favoured territory of a historian. Things past are rarely assumed to be alive, capable of transformation and growth - and yet, who we are and what we have become is linked to what we were. The Distilleries Company of Sri Lanka PLC (DCSL) is a company that can reference a history that is close to a century. What this inscribes on our corporate DNA is experience, maturity, innovation, fortitude and the will to succeed.

Our origin can be traced as far back as the year 1913, when the Excise Department of Ceylon which was initially created as the enforcement authority and to distribute and sell liquor products in Sri Lanka, branched out into the distillation and manufacture of liquor products. Later, in 1974 the State Distilleries Corporation was incorporated by statute to take over this venture while the Excise Department was reintroduced to operate as a monitoring authority. We are thus the inheritors of an institution that has the distinction of being the pioneer distillery in the country.

We have over the course of close to a century grown to become Sri Lanka's largest distiller who has consistently received accolades from all quarters for the enduring quality of our products. We are justifiably proud, but one of our distinguishing characteristics is the determined refusal to rest on our laurels. This is why we prefer to think of history as a living thing.

In 1989 the State Distilleries Corporation was converted to a limited company, as per the then government's policy to privatise state owned enterprises. The majority stake of DCSL was sold to the highest bidder on the Colombo Stock Exchange (CSE) in 1992, the then largest transaction in the history of the CSE. At the time of privatisation, the plant and machinery and the operating systems at DCSL were in a very neglected state and hardly conducive to the smooth running of the enterprise. The current Management has upgraded the plant and machinery to modern international standards and introduced new technologies developed by world renowned experts from France. Our people are regularly trained in best international practices for manufacturing liquor at diverse locations synonymous with the Alcohol Industry such as France, Scotland and Ireland.

Large investments have also been made in Research and Development (R&D) and in upgrading our laboratories which has enabled us to scientifically compare the standard of our products with international brands. Storage facilities and product distribution systems have been upgraded to modern standards. A brand new fleet of vehicles now enables DCSL to deliver its products islandwide efficiently and effectively. Our next target is to establish our product range in the international market and our R&D Division is working tirelessly to achieve this aim in the near future. It would be a cliché to say we've grown from strength to strength, but that is exactly what DCSL has done.

The Company has grown beyond recognition since 1992. It has invested heavily and judiciously in several key sectors of the economy which are far removed from that of distillation, manufacturing and distribution of liquor.

We are literally present in all parts of the country, in harmony with the ethos of our people and the firm belief that we must provide our citizens with the means to develop their full potential. As such we can say with all humility that we have gone far beyond leaving the proverbial footprint on the social, economic and commercial landscape of this country; we have a presence - a living, vibrant and enthusiastic presence, that seeks to stretch the horizons of our Company and our people ever outward.

Our past, our present and our future, therefore, are not only linked, but indelibly stamped with the landmarks that inevitably follow successful enterprises. DCSL has now been recognised as one of Sri Lanka's blue chip corporate entities, a far cry from what it was in 1992.

The Story of Arrack

Distilled from naturally fermented coconut toddy and methanol free, coconut arrack is believed to be one of the purest, most naturally derived alcoholic beverages in the world. Sri Lanka and coconut arrack have been synonymous for a very long time. The earliest literature of the island has many references to "…liquor drawn from the coconut flower", while toddy tapping, the first step in the process, is an age-old vocation, a tradition passed down from father to son - an occupation described and celebrated in the folk literature of the country. Over the years arrack has been distilled, improved and consumed throughout the island. The years have seen a gradual perfecting of technique, experimentation with flavour and overall improvement in quality. Today, coconut arrack is easily the most popular alcoholic beverage consumed across the island.

Coconut sap or toddy is obtained by tapping the unopened flower of the coconut tree. Silhouetted against the early morning sun, toddy tappers manually extract toddy while deftly rappelling from tree to tree. Once the toddy is collected in earthenware pots, the variety of naturally present wild yeasts and bacteria cause rapid fermentation. After a minute filtration process the liquor is poured into massive Halmilla wood casks which are then gently transported to our factories for distillation.

There are two processes of distillation: continuous distillation and a batch process known as 'pot distillation'. The distillation process is usually completed within 24 hours and the spirit obtained is purified yet retains the distinctive flavors of arrack.

Every fortnight the contents of the wooden vats are mixed methodically, for better aeration and to increase contact with the wood. Herbs and spices from ancient recipes are also added at particular stages to enhance flavor and mellow the liquor during the crucial maturation process. The maturation process is completed after flavour enhancing and smoothening is achieved inside the wooden vats.

Finally, spirits of different ages and flavours are blended to create the various DCSL brands, all under the careful supervision of an experienced connoisseur and Master Blender. As the biggest coconut arrack distillery in Sri Lanka, possibly even in the world, this golden brew remains our pride and flagship product.

Tradition Served with Pride

A 100% coconut spirit, refined, aged and matured in Halmilla vats - giving a woody & natural vanilla flavour

Superior blend of mellow 100% coconut arrack full of character and a distinctive flavour stemming from the traditional process of maturing

Twice distilled in pot stills and matured slowly in Halmilla vats giving a remarkable taste and aroma

A blend of coconut and imported neutral spirits bringing a distinctively rich and smooth flavour

A blend of coconut spirits and imported neutral spirits bringing herbal flavours with a distinctively rich taste and smooth aroma

A 100% coconut spirit, matured in Halmilla vats, producing a woody character and exceptional smoothness

A 100% pure coconut spirit, which brings out the full-bodied taste and aroma of desiccated coconut with a subtle sweetness. Best served as a cocktail mixer

Crystal clear and an absolutely pure blend of coconut arrack and neutral spirits giving a tint of fresh lime with a slight burning sensation on your tongue

A blend of 100% aged coconut spirits, well-matured in Halmilla vats to give a taste of oak

Finest blend of matured coconut arrack and neutral spirits giving a rich and smooth flavour

World Class Blends, distinctly Sri Lankan

A combination of scotch and fine spirits to produce a rich blend of whisky

Fine spirits blended with a rich recipe flavoured with lemon

Unique premium blended arrack, smooth on the palate with pleasant aromas

Unique variety of imported spirits that combines together to produce an international standard Vodka

Exceptional selection of spirits blended to establish a nice character rounded with perfect balance

Premium blend of malts and fine spirits to produce this classic whisky

Exceptional selection of spirits blended to create a great rum, matching international standards

Premium aged fine French brandy matured in vats to enhance the smooth characters of a superior brandy

A blend of finest French brandy merged with fine spirits to bring out a unique flavour that is incomparable

Fine spirits blended with a rich recipe to international standards

Fine spirits blended with a rich recipe to international standards

Premium Brands from around the World


CAFÉ DE PARIS
Ballantine's
12
CHIVAS
21
MUMM
G.H.MUMM
BRANCOTT
SAUVIGNON BLANC
MONTANA
CHIVAS REGAL
25
ORIGINAL

Premium Brands from around the World


AGAVITA
TEQUILA
BLANCO
ABSOLUT
Country of Sweden
VODKA
IMPORTED
MALIBU
CARIBBEAN RUM
COCONUT
IMPORTED
RICARD
PASTIS
MARSEILLE
FRANCE
Seagram's
EXTRA DRY
GIN
MARTELL
V.S.
FINE COGNAC

Chairman's Message

The results you see within this Annual Report are the pinnacle before the dawn of the centenary celebrations of the Company

I look back on a year comprised of mixed emotions; it is one that began with much expectation and anticipation - whether stemming from the hope that the global economy would see a turnaround or whether, from a Sri Lankan macro perspective, industry and thus economic indicators would achieve envisaged results. Unfortunately, the combination of a number of factors saw both the local and global economies shed some of the anticipated buoyancy and establish defensive modes for progress. Sri Lanka, while performing considerably well in the first half of the financial year, succumbed to its over enthusiasm and redrew more realistic targets for growth, which in the long run is certainly more achievable.

From a business perspective, I reiterate that our Group remains extremely proud of its heritage, having shaped the totality of Sri Lankan industries via broad diversification, and a committed responsibility to ensure that you, our stakeholders are truly a partner in our journey. The results you see within this Annual Report are the pinnacle before the dawn of the centenary celebrations of the Company. The bedrock being the strong fundamentals of business and ethics that have been built, nurtured, and strengthened along the way to make a positive difference in everything we do.

Economic Impact

The cascading effects of the conflicts in the Arab region, and the dethronement of authoritarian rule in some countries, the majority of nations within the Euro zone being on creditwatch and close to bankruptcy, prompting ill-affordable bailouts, as well as a slew of natural disasters, all pointed towards, "a year of systemic crisis". The meltdown has left no country unscathed, and I tend to agree with the IMF's Deputy Managing Director Zhu Min, who said, "The world is much, much more interconnected than at any time before. Anything happening in one direction can be amplified in ways we never had before," because this year, is probably the most tumultuous the world has faced in the recent past.

However, all is not doom and gloom. While global growth remains sluggish, debt levels in advanced economies especially are high, and commodity and industrial resource prices, including oil, continue to rise. This has resulted in global production and thus freight and consumption to decrease, while the 'Chindian' economy has remained resilient. Both India and China are leading the Asian economies to new heights. We are undoubtedly seeing the strength of the Asian Tiger economies and probably a new economic superpower bloc in the making, if the Asian banking systems, strong currencies, and expanding financial markets are the rudiments to judge strength, stability, and sustainability.

Rs.36Bn
excise duty paid in 2011/12

18,158
employees in the group

Chairman's Message

It has certainly been a year where we fortified our status as market leader in the alcohol industry even further

Being optimistic, for the most part Sri Lanka did gain a good footing in the first half of the financial year of 2011/12. From this positive aspect, it was one of the few years in recent history that Sri Lanka has had an election-free year which naturally resulted in political stability and better ratings from agencies such as the IMF and World Bank, who instigated confidence via the upgrading of our country's profiles and rankings. Sri Lanka did achieve its envisaged 8% GDP growth, the first time it has maintained 8% for the second consecutive year; however, having proclaimed similar growth forecasts for 2012/13, reviewed it to 7.2%, which is more realistic given the macro global environment we are dealing with. This still remains high compared to other nations in the region and global GDP, which is currently looking dismal.

There are conflicting schools of thought on the depreciation of the Sri Lankan Rupee which began its free float in the second half of the year. From a foreign exchange standpoint, this will buffer Sri Lanka's coffers, helping to abate some of the trade deficit the country has been grappling with. However, with some of our bigger industries such as apparel (which is also grappling with declining volumes due to the global meltdown), telecommunications, technology, infrastructure, and even hospitality for instance, all requiring to expend foreign exchange for raw material and equipment purchases, the depreciating Rupee does pose a dilemma. It is anticipated that after the initial upsurge, the Rupee will settle at its natural space of Rs.125.00. However, one of the greatest positive impacts of the Rupee free float has been the effect it has had on export earnings and worker remittances, which has naturally bolstered the country's treasury considerably and is certainly welcomed at a time when Sri Lanka needs liquidity to invest on its infrastructure expansion.

Performance Overview

We celebrated a landmark of 20 years since privatisation this year. It has certainly been a year where we fortified our status as market leader in the alcohol industry even further, which comprises about 83% of the Group revenue and is a core business. This also sets the tone for the noteworthy Group performance, despite some macro challenges that impacted us somewhat unfavourably.

Gross Revenue for the Group gained to stand at Rs.63.3 Bn, while the Company displayed Rs.49.1 Bn. Group Profit after Tax for the year, stands at Rs.6.2 Bn, while the Company reported Rs.4.3 Bn.

The plantations sector was hit by lower global demand, while both the insurance and telecommunications sectors gained marginally.

We remain very regretful of the Government's decision to list Pelwatte Sugar Industries under the Revival of Underperforming Enterprises or Underutilised Assets Act No. 43 of 2011, despite the company having turned around significantly since DCSL acquired it. With this re-acquisition by the Government, the synergies we had hoped to leverage upon to supply spirits (ENA) declined considerably.

Industry Sectors in Perspective

For one hundred years, we have unequivocally followed the axiom that we will increase value in all we do. This stems from an unwavering commitment that the industries we are involved in and committed to will always benefit and have a competitive edge due to the legacy we as a Group possess. From within this legacy emerges values,

I'm also observing a considerable rise of illegal manufacturers of artificial toddy… This menace must be stopped and action taken without delay

ethics, principles, and the visionary foresight to be a responsible corporate steward and industry captain. It also gives us the drive to venture into spheres which are yet untapped but present potential and opportunity.

Beverages

Our primary business is in hard beverages, whereby we engage in the manufacture of local alcohol and have a wide and varied portfolio of premium imported liquors. For decades, alcohol has been a pawn in the political and religious arena, used to gain the popular vote; it is a beverage that is portrayed as morally and socially unacceptable. It must be reiterated, that although we are in a debatable industry, we are a responsible company that works on the ethos of adult choice, adhering to all legal regulations. We eschew any illegal practices that could harm society in any way. Further, through this, the state does gain a sizeable revenue from our industry. However, while all elements are in place from a social angle to dissuade consumers, we continue to ensure that our manufacturing process with state-of-the-art technology imbues international quality standards to our products, and also ensure that our inputs, sourced from the environment, are managed in an environmentally friendly manner.

I'm also observing a considerable rise of illegal manufacturers of artificial toddy and unscrupulous toddy contractors, whose supply has increased three-fold and regretfully observe the Excise Department turning a Nelsonian Eye towards these illegal and dangerous products, which could lead to poisoning and even death in unsuspecting consumers. We stringently adhere to quality control and perform R&D in modern laboratories where quality is monitored by qualified and accountable professionals. The rejected toddy that does not meet our high standards, eventually end up in the hands of these fiends and the Excise Department confesses to not knowing of the transport of such illegal sub-standard produce, although transport permits are given unabated which allows for the movement of such toddy. The end result however will be that the nation's health will fall victim, as the death of consumers is imminent if such illegal practice continues. This menace must be stopped and action taken without delay.

Periceyl, our fully owned subsidiary, recorded a sales growth of 75%, and an increased profit growth of 82%, taking full advantage of the emerging opportunities in the North and East, which areas, during the war, was dominated by bootleggers and was particularly closed for the legal industry. It is noted that during this time, illegal bottling was done in the jungles by some licensed manufacturers aided by terrorists, establishing a thriving albeit illegal industry.

The new products introduced over the previous year, namely Mango, Apple and Lemon Arrack gained ground with the export market too, gaining rank. However, decreasing levels of disposable income saw the demand for 175ml and 375ml packaging become the more popular choice of the discerning yet budget conscious customer who chooses to remain with a quality legal product. This, and the fact that we now have the larger markets of the North and East also within our radar, has prompted us to pursue investment into fully automated bottling plants and lines at Seeduwa, Kandy and Kalutara.

Despite the challenges, as you can see, DCSL has performed extremely well

Chairman's Message

The country is working on a concerted effort to develop infrastructure and establish the right rudiments to etch further confidence among investors

even though the playing field remains unfair and unleveled. We see the paint industry and baby cologne industry increasingly becoming a façade for the importation of spirits in order to pass through customs, while also becoming a front for the illegal manufacture and sale of liquor, which can naturally come on the shelves cheaper than those which are heavily taxed. It is important that the Regulator within the Excise Department remains true to the diktats of his Office, ensuring that the market remains legal and clean, by working to eliminate corruption and ensuring that the law is enforced. At present, the illegal market is a sizable portion compared to the legal market and if infused into the mainstream, the government can be assured of even more revenue which can in turn be invested in the vital infrastructure of the country.

Shareholders' Returns

The Colombo Bourse did not perform well this year, fluctuating as it did throughout, with the listed IPOs too not injecting the buoyancy that was expected. Share prices overall dropped drastically echoing the sentiments of a poorly functioning market as investor confidence eroded. While the Group itself retained investor confidence, our share price simply echoed market sentiment and declined from Rs.180.00 at the beginning of the year to stand at Rs.145.00. Basic EPS stood at Rs.18.92 within the Group, while the Company notched Rs.14.42.

Etching a Legacy into the Future

The country is working in a concerted effort to develop infrastructure and establish the right rudiments to etch further confidence among investors, and beckon investment into its key development drivers. Socially too, there is a tangible, quantifiable experience of development, whereby lesser economically developed and marginalised communities are being brought into the mainstream, presented with education, awareness, training, entrepreneurial drives, and eventually employment generating avenues, for sustainable development and individual improvement.

As we enter our centurion year, all these imperatives augur well for DCSL. I see more education, awareness, and better literacy within our consumer profile, which means their demands are more discerning, and expectations more exacting. We are prepared for this consumer paradigm and welcome the opportunities they create for us, while encouraging us to be more perceptive and competitive, constantly driving the bar upwards and beyond.

As I have mentioned above, the industry we work in is a very competitive one and one that is highly regulated. However, we continue to maintain a very close relationship with the appropriate state and regulatory authorities, who have remained supportive of our suggestions and open to discussion when necessary. I also want to sincerely thank the Government of Sri Lanka, which relaxed the Excise Ordinance mandating that manufacturers cannot own FL4 Licenses, amending it under the Excise Notification No. 926 so that most of the manufacturers can now avail themselves of the advantage of owning these licenses. This is assuredly a stepping-stone in alleviating the illegal practices that have become characteristic of the current market and is certainly a step in the right direction to maintaining and strengthening a healthy legal industry.

My Board of Directors has truly been the engine that has driven this Group to its heights and I take this opportunity

to thank each one of them for their contribution and leadership. I welcome as Director of several of our Group companies and Alternate Director of DCSL, veteran banker Amitha Goonaratne, who will undoubtedly add his significant experience and expertise to our future strategy.

As you have seen, the results have been exemplary this year - the outcome of absolute commitment, motivation and an ownership of our vision, as portrayed by our employees and guided by a very able and professional management corps, to whom I remain very appreciative.

D.H.S Jayawardena
Chairman/ Managing Director

29 August 2012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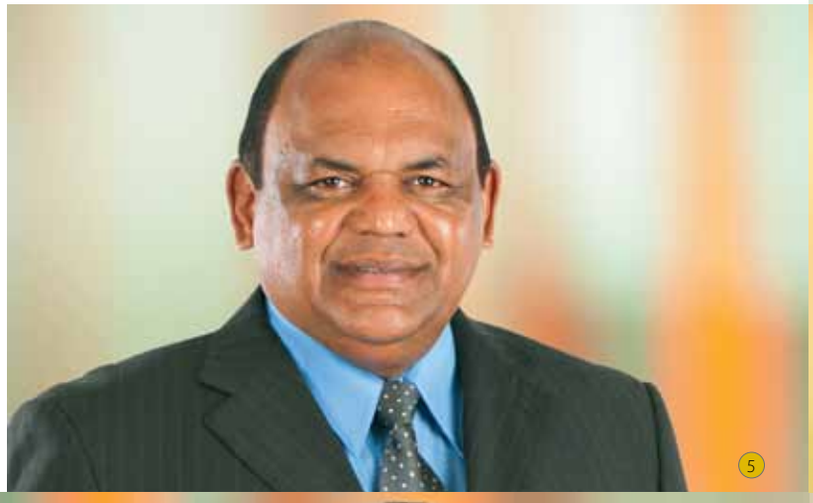
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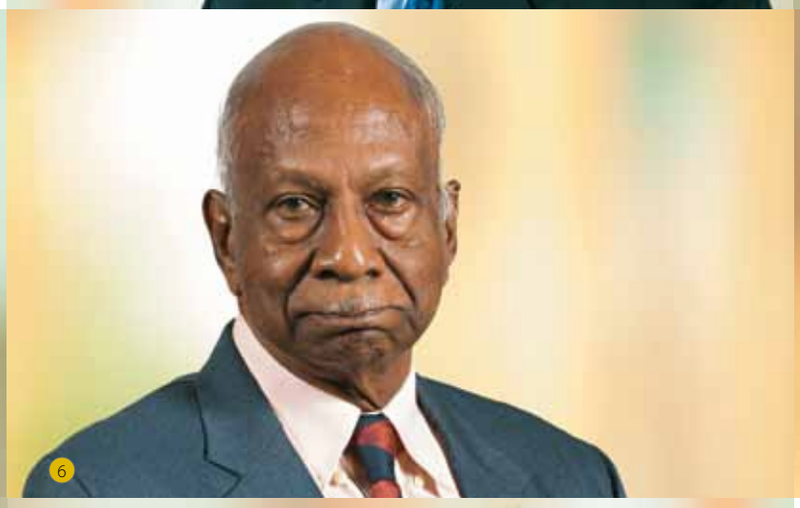
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Board of Directors

1. D. H. S. Jayawardena
   Chairman / Managing Director
2. R. K. Obeyesekere
   Non-Independent Non-Executive Director
3. C. R. Jansz
   Executive Director
4. N. de S. Deva Aditya
   Independent Non-Executive Director
5. Capt. K. J. Kahanda (Retd.)
   Executive Director
6. C. F. Fernando
   Independent Non-Executive Director
7. Dr. Naomal Balasuriya
   Independent Non-Executive Director
8. Ms. V. J. Senaratne
   Alternate Director to K. J. Kahanda/
   Company Secretary and Chief Legal Officer
9. Amitha Goonaratne
   Alternate Director to N. de S. Deva Aditya

Board of Directors

Mr. D. H. S. Jayawardena
Chairman / Managing Director

One of the most successful and prominent business persons in Sri Lanka, Mr. Harry Jayawardena was elected Chairman of the DCSL Group in 2006 after serving as its Managing Director for almost two decades. He heads many blue chip ventures in diversified fields of business and is also a Founder Director and the present Chairman/ Managing Director of the Stassen Group of Companies. He is currently the Chairman of Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Lanka Milk Foods (CWE) PLC, Balangoda Plantations PLC, Madulsima Plantations PLC, Browns Beach Hotels PLC, Lanka Bell Ltd., Periceyl (Pvt) Ltd., Texpro Industries Ltd., Danish Dairy Products Lanka (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Ambewela Products (Pvt) Ltd., Ambewela Livestock Co. Ltd, and Melstacorp Ltd. In 2010, Mr. Jayawardena was the only Sri Lankan honoured with the prestigious 'Knight's Cross of Dannebrog' by Her Majesty, Queen Margrethe II of Denmark, for his significant contribution to the Danish arts/sciences/business life.

Mr. R. K. Obeyesekere
Non-Independent Non-Executive Director

A Director of the Group since 1992, he counts over 30 years of experience in the export sector of the country. He is a Founder Director of Stassen Group of Companies and the Managing Director of CBD Exports Ltd. He is also a Director of Lanka Milk Foods (CWE) PLC, Balangoda Plantations PLC, Madulsima Plantations PLC, Periceyl (Pvt) Ltd., Melstacorp Ltd., Milford Holdings (Pvt) Ltd., Zahara Exports (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Danish Dairy Products Lanka (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Ambewela Livestock Co. Ltd. and Pattipola Livestock Co. Ltd.

Mr. C. R. Jansz
Executive Director

Mr. Jansz has held the position of Director since 1993 and counts over 30 years of experience in logistics pertaining to the import/export trade and in documentation, insurance, banking and finance relating to international trade. He is the former Chairman of Sri Lanka Shippers Council and a former member of the National Trade Facilitation Committee of Sri Lanka. Mr. Jansz is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers. He is also a Director of Balangoda Plantations PLC, Lanka Milk Foods (CWE) PLC, DFCC Bank, Periceyl (Pvt) Ltd., Melstacorp Ltd., Lanka Bell Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Milford Holdings (Pvt) Ltd., Ambewela Products (Pvt) Ltd., Pattipola Livestock Co. Ltd., Ambewela Livestock Co. Ltd., Lanka Power Projects (Pvt) Ltd., Indo Lanka Exports (Pvt) Ltd. and Lanka Dairies (Pvt) Ltd.

Mr. N. de S. Deva Aditya
DL, FRSA
Independent Non-Executive Director

Mr. Niranjan Deva Aditya, an aeronautical engineer, scientist and economist, is a Conservative Member of the European Parliament elected from South East England. He is Vice-President of the Development Committee and ECR Coordinator and Conservative Spokesman for Overseas Development and Co-operation. He was the first Asian to be elected as a Conservative Member of the British Parliament; the first Asian MP to serve in the British Government as PPS in the Scottish Office and the first Asian-born MP to be elected to the European Parliament. He is an Honorary Ambassador without portfolio for Sri Lanka and the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985. He was awarded the 'Viswa Kirthi Sri Lanka Abhimani' award by the Buddhist Clergy for his services to Sri Lanka and bestowed with the Knighthood with Merit of the Scared Constantinian Military Order of St George for his global work on poverty eradication. He also serves on the Board of Aitken Spence PLC.

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

Captain Kahanda joined the Company in 1993 as Regional Manager (Central Region) and was appointed a Director in December 2006. Being a former officer of the Sri Lanka Army, he spearheaded the re-organisation of the operations of the Central Region since privatisation. He specialises in logistics, distribution and security matters, and is also a Director of G4S Security Services (Pvt) Ltd. and Pelwatte Distilleries (Pvt) Ltd., a subsidiary of the Group.

Mr. C. F. Fernando
FCA (SL), FCA (Eng. & Wales)
Independent Non-Executive Director

Mr. Fernando, who previously served as the Managing Director and as Chief Executive Officer of Distilleries Company of Sri Lanka PLC, rejoined the company as an Independent Non-Executive Director in 2008. He is the Chairman of

the Audit Committee and also serves on the Remuneration Committee. Qualified as a Chartered Accountant from the Institute of Chartered Accountants of England and Wales, he is also a Fellow of the Institute of Chartered Accountants in Sri Lanka. Mr. Fernando is a Director of DCSL subsidiary Melstacorp Ltd. and Continental Insurance Lanka Ltd., where he serves as the Chairman of the Audit Committee. He counts over 18 years of experience in financial and general management of plantation companies and agency management as Senior Accountant at Carson Cumberbatch & Co. Ltd., followed by 10 years experience as Director - Finance in Projects involving paddy cultivation, shipping agency, non-traditional exports, bottling of soft drinks, earth moving contracts. He is presently a Director of Selinsing PLC and Equity Three (Pvt) Ltd. of the Carsons Group. He was once Finance Director of the National Lotteries Board, a Director of the Coconut Cultivation Board and a former Chairman of Low Country Products Association (LCPA). Presently, he is a Senior Trustee of the Ceylonese Rugby and Football Club.

Dr. Naomal Balasuriya
MBBS [Sri Lanka], MBA [Sri.J], CIM [UK], MCGP [SL], MSLIM
Independent Non-Executive Director

Dr Naomal Balasuriya, a medical doctor-turned-entrepreneur is internationally sought after as a life-changing motivational speaker. His professional expertise ranges from medicine, military, management, marketing, mentoring to motivational speaking. He holds both the Master of Business Administration (MBA) and CIM (UK) qualifications. Having worked in the government sector, private sector and the Sri Lanka Air Force as a medical doctor, he now leads his entrepreneurial training company, Success Factory. He is also a director of Melstacorp Ltd, a subsidiary of the Group.

Ms. V. J. Senaratne
Attorney-at-Law, Notary Public, Solicitor (Eng. & Wales)
Alternate Director to K. J. Kahanda/ Company Secretary and Chief Legal Officer

Ms. Senaratne was appointed as the Company Secretary in 1993. She was admitted to the Bar in 1977 and was enrolled as a Solicitor (England & Wales) in June 1990. She also holds the position as Company Secretary of Periceyl (Pvt) Ltd.

Mr. Amitha Goonaratne
FCA (SL), FCA (Eng. & Wales)
Alternate Director to N. de S. Deva Aditya

Mr. Amitha Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow member of The Institute of Chartered Accountants, United Kingdom and Wales and a Fellow member of The Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd. and was a former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed on the CSE and the Chairman of Commercial Insurance Brokers (Pvt) Limited. He was also nominated to the Board of Sri Lankan Air Lines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which is the strategic investment arm of Distilleries Company of Sri Lanka PLC. He also joined the boards of several subsidiary companies of Melstacorp Limited, namely Melsta Regal Finance Limited, Melsta Logistics (Pvt) Limited, Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Bellvantage (Pvt) Limited, Texpro Industries Limited, Bogo Power Limited, Continental Insurance Lanka Limited. He is also a Director of Textured Jersey PLC.

Standing L to R :
Nishaman Karunapala - *Director / CEO - Melsta Regal Finance Ltd.,* Senaka Amarathunga - *Director / General Manager - Periceyl (Pvt) Ltd.*, Prasad Samarasinghe - *Managing Director - Lanka Bell Ltd., Cleetus Mallawaarachchi - Group Financial Controller / Director - Lanka Bell Ltd., Texpro Industries Ltd.,* Suren Galagoda - *Director - Melsta Logistics (Pvt) Ltd., Executive Director - Continental Insurance Lanka Ltd.,* Chaminda De Silva - *Executive Director - Continental Insurance Lanka Ltd.,* Janaka Abeysinghe - *Director - Melsta Logistics (Pvt) Ltd.,* Capt. Ranjith Wettewa SLN (Retd.) - *Director – Pelwatte Sugar Industries PLC*

Group Management Team

Sitting L to R :

Asoka Abeyewardene - *Director - Continental Insurance Lanka Ltd.,* Dinal Peiris - *Managing Director - Texpro Industries Ltd.,* Maximus R. Peries - *CEO - Distilleries Company of Sri Lanka PLC/ Director - Pelwatte Sugar Industries PLC, Director - Lanka Bell Ltd.,* Capt. K.J. Kahanda (Retd.) - *Managing Director - Pelwatte Sugar Distilleries (Pvt) Ltd ./ Director - Pelwatte Sugar Industries PLC,* Lalith Obeyesekere - *Director/ CEO - Balangoda Plantations PLC, Madulsima Plantations PLC, Amitha Goonaratne - Managing Director - Melstacorp Ltd. / BellVantage (Pvt) Ltd. / Chairman - Melsta Regal Finance Ltd. / Melsta Logistics (Pvt) Ltd. / Director Continental Insurance Lanka Ltd., Periceyl (Pvt) Ltd./ Lanka Bell Ltd.,/ Texpro Industries Ltd.*

L to R :
Rear Admiral Wasantha Tennekoon SLN (Retd.) - *Regional Manager - Central Region*, Lalith Ratnayake - *Manager - Stock Control,* Ms. V. J. Senaratne - *Company Secretary & Chief Legal Officer*, Nimal Nagahawatte - *Head of Finance*, Maj. Gen. Siri Peiris (Retd.) - *Regional Manager - Southern Region,* S. Rajanathan - *Supplies Manager,* Maximus R. Peries - *Chief Executive Officer, Maj. R. M. Cabraal* (Retd.) - *Regional Manager - Northern Region,* L. P. Liyanaarachchi - *Chief Internal Auditor,* Roshanth Kumar Perera - *Transport Manager*, Capt. Ranjith Wettewa SLN (Retd.) - *Regional Manager - Uva Region,* Ms. Gayathri Chakravarthy - *Human Resources Manager*

Management Team


D.D.A.
V.S.O.A.


V.47
SIZE
CAPACITY
VARIETY

MANAGEMENT DISCUSSION & ANALYSIS

As a 100 year old company our heritage is very much part of who we are. Yet diversification and new sector expansions have kept us relevant and powerful in a competitive business landscape.

A PROUD HERITAGE

Management Discussion & Analysis

The Group has influenced and chartered Sri Lanka's corporate annals through a heritage that spans a century, a wealth of expertise and experience infused through broad diversification. Our businesses entrench a committed responsibility to all our stakeholders, whilst DCSL today stands as an iconic leader and a strong role model. We have inherent strengths which have been honed to perfection, visionary foresight that is ambitious and archetypal of a protagonist and a winning streak that seeks opportunities. This is DCSL, equipped as we are with an illustrious heritage; expanding even further on our multifaceted diversity platform and being cognizant of the committed responsibility our stewardship entails.

Group Overview

The Group underwent strategic transformations during the year, aligned to gearing for the future and in accordance to the business plan we have chartered for the Group. Melstacorp Limited was transformed as the investment arm of the Group, for better strategic leverage and attuned to presenting the Group with a more astute image. This is an ideologue that additionally allows the DCSL Group to distance from the negativity due to being involved in the alcohol industry. Melstacorp thus becomes the flagship of the Group, with investments coming under its umbrella and giving more opportunity for pursuing varied and diverse growth areas.

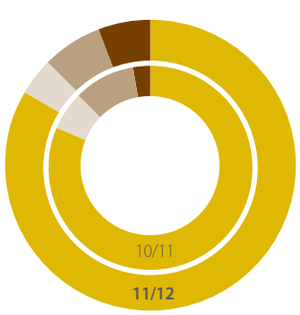
The year also saw us make a mandatory offer to Aitken Spence given that we had increased our stake to 40% within this Associate Company, which had hitherto had only 28% shareholding with us. While this offer is meant to add further impetus to the overall vision of the DCSL Group, the management intends to remain a passive investor, given that the Aitken Spence formula is pragmatic and visionary.

Melsta Regal Finance Limited, which was formerly First Barakah Investment Limited was acquired by Melstacorp Limited in January 2012. The Company is a CBSL accredited registered finance company and commenced operations during the financial year 2012/13.

One of the set-backs during the year was the listing of Pelwatte Sugar Industries (PSI PLC) under the Expropriation Act. Consequent to the enactment and passage of the said Act in November 2011, State officials are occupying the land leased to Pelwatte Sugar. The Act empowers vesting of the land leased during a period of 20 years retrospectively. As the leasing of the land to PSIPLC was done in 1985, the Company believes that the land

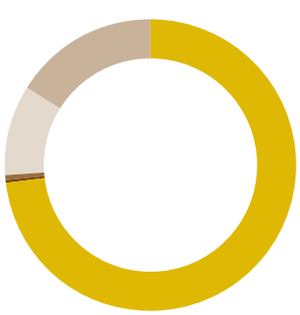
Group Performance

Gross Turnover (Rs '000)



	10/11	11/12
Beverage Sector	38,162,772	**52,907,583**
Plantation Sector	2,797,266	**2,629,925**
Telecommunication Sector	4,592,905	**4,156,762**
Diversified Sector	1,198,996	**3,609,938**

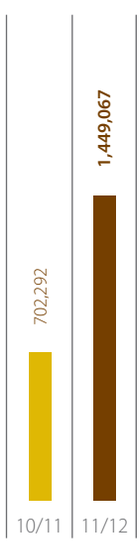
Profit Before Tax (Rs '000)



	11/12
Beverage Sector	**6,679,454**
Plantation Sector	**24,927**
Telecommunication Sector	**93,624**
Diversified Sector	**817,387**
Share of Associate Company Profits	**1,449,067**

Share of Associate Companies profits

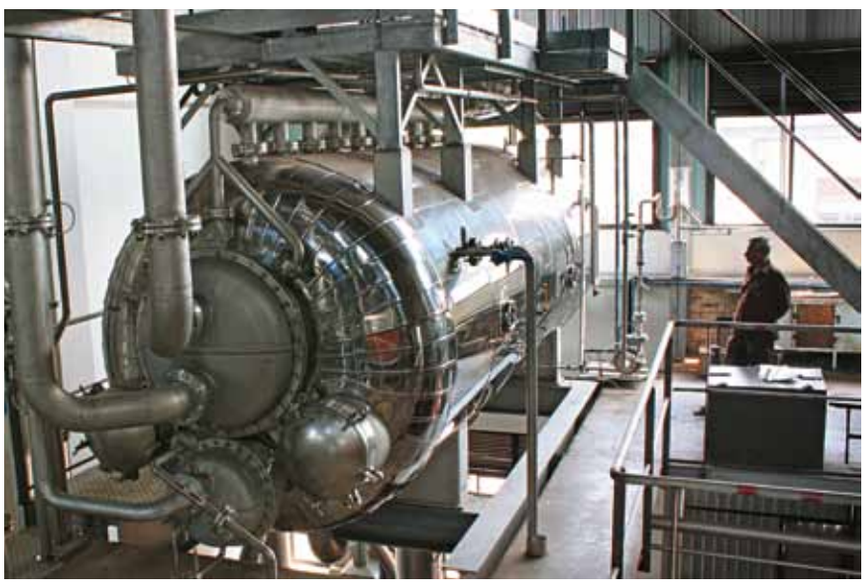
Profit Before Tax (Rs '000)



that was used by PSIPLC has not been vested in the State. At this moment we are unable to comment further on the implications, as we await instructions from the Secretary to the Treasury. This was an entity which we acquired in March 2011 and since that time, transformed it from a loss making one to a profit making entity but unfortunately, became grouped with other under-utilised entities and fell victim. Similar to when Sri Lanka Insurance Corporation was re-acquired from us in 2009, there has been no redress granted, even though the Supreme Court has mandated that such compensation is made to the relevant companies. The un-audited financial results of the Company up to 30 September 2011 have been incorporated in this Annual Report.

Group Performance Overview

Our market leadership continued to be etched in most sectors and was amply observed in the results displayed at both Group and Company level. The Group saw a gain of 35% on its Gross Revenue to Rs.63.3 Bn, although Profit before Tax (PBT) declined marginally to Rs.9.1 Bn from Rs.10.8 Bn. It should be noted that the last year's profits included a one-off capital gain on the disposal of shares which brought in Rs.3.9 Bn. Profit after Tax (PAT) therefore, echoed similar trends and is posted at Rs.6.1 Bn. The total net turnover for the Group was recorded at Rs.27.1 Bn, collated through a significant contribution from the beverages sector of Rs.53 Bn, which remains our single largest contributor



to the bottom line. Plantations added Rs.2.6 Bn, telecommunications Rs.4.2 Bn and diversified business Rs.3.7 Bn.

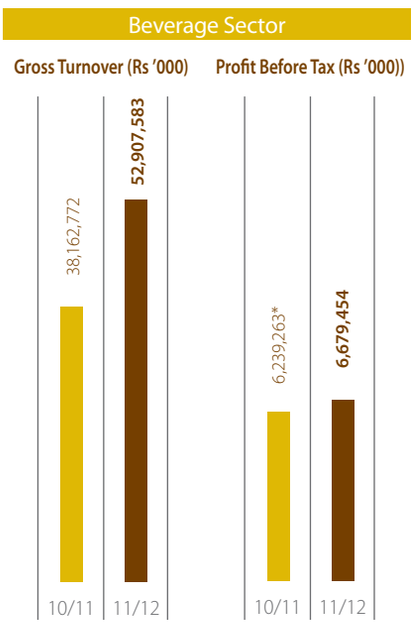
The Group's total assets portfolio increased from Rs.52 Bn to Rs.67 Bn and Net Assets per share saw a gain to Rs.122.17 from Rs.105.45. With the Colombo Bourse experiencing volatility during the year, the indices continued to plummet, which was symptomatic of all shares across the board. By end March 2012, the market price per share stood at Rs.145.00, the highest traded price being Rs.191.00 and the lowest being Rs.117.00.

Beverage Sector

Undoubtedly our best performing business segment and the core business within the Group, both DCSL and Periceyl continued to maintain high profitability and a consistent growth trajectory. Market leaders in both local and foreign liquors, DCSL saw volume growth of 7.9% in its local liquor range. Periceyl's local liquor range recorded 72% increase while foreign liquors gained 14%.

Gross turnover for DCSL saw an increase to Rs.49.1 Bn, which is a 26% YoY growth. At Periceyl, a significant 75% growth in turnover was displayed to record Rs.1.54 Bn and an exemplary 82% growth in the PAT. DCSL's PAT stood at Rs.4.3 Mn, which is same as the normalised profit of the previous year (last year's PAT included a one-off capital gain on the disposal of shares which brought in Rs.3.9 Bn). The Company also contributed Rs.33.9 Bn by way of Excise Tax. The consistent performance, amid challenges is an indication that the companies continued to deliver value to consumers and shareholders, while gaining further competitive edge in the market.

Management Discussion & Analysis



** Normalised*

It is quality that has driven the market especially in recent times, despite having to function in a market that prohibits advertising and promotions, as well as the industry being subjected to taxes that may seem excessive. This has prompted both DCSL and Periceyl to work on 'out of the box' paradigms where innovative product development comes to the fore. With the global taste for spirit seen to be having a noteworthy upward dynamic, we do believe that products similar to the flavoured Arrak range, which we introduced last year, will be the future.

For Periceyl, the local liquor premium brands constitute Black Opal Arrack, Franklin and Gallerie Brandies *(which account for 49% of the brandy market)* and a flavoured range of Arraks which were added last year. The new innovations of flavoured Arrak which includes the very new mango flavour, as well as apple and lemon, displayed its popularity by adding 28% to volumes, while Black Opal continued its leadership status. The foreign liquor range continued in high spirits with its mainstream product portfolio including Chivas Regal Scotch Whiskey, Absolut Vodka, Jacob's Creek and Terra Andina wine ranges adding considerably to volume and profitability. Pragmatic pursuance of marketing trends saw Periceyl secure the agency and sole distribution for the prestigious Albert Bichot range of French Wines. We anticipate volume in this foreign liquor range growing further due to the increase in tourism numbers and a more discerning consumer profile emerging from both local and foreign consumers.

The spiraling increase in excise duty which permeates naturally to the end price, has seen a morphing of consumption trends. Consumers have shifted to smaller bottles or pints, lower priced brands and extra strong beers. There has also been a marked shift from rum and vodka consumption to the flavoured Arraks such as apple, mango and lemon, which has prompted us to add more emphasis to product development in this area. The new markets of the North and East have added significantly to the bottomline and one in which we see a growing emergence of demand for lower cost arracks, yet another product development initiative that needs to be pursued by us.

Given the prohibition on advertising either mainstream or in some cases, below the line, we have had to adopt innovative strategies to ensure our products gain the awareness it requires. This has spurred us to emphatically penetrate new and existing markets by strengthening relationships with our valued business partners including

an efficient distribution process and sufficient stock to meet demand, while also increasing brand awareness in clubs and restaurants. New product development remains in accelerated mode as, to ensure that we retain our market leadership and continue increasing volumes, while being mindful of emerging trends..

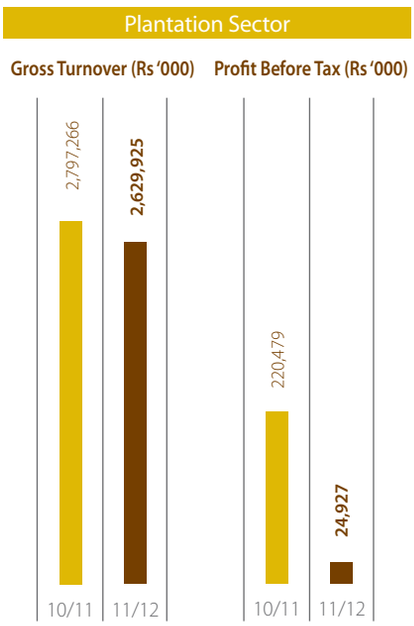
Plantation Sector

The year was difficult, challenging and by far, the thorniest, given that this sector fell victim to the twin crisis in the Eurozone and the Arab Spring, which impacted the tea and rubber industries worldwide. There were also the issues of wage negotiations and the impact of the increase, which added to the already struggling industry. Total tea production slowed to 328 million kilograms and was reflected in the Colombo Tea Auctions which saw declining demand and therefore prices. However, the rubber industry performed admirably, producing an increased production totaling 157.9 million kilograms and increased prices of as much as Rs.100.00 per kilogram. Although as was characteristic of the cascading negative influences of the west, the demand for rubber declined, exacerbated by the low demand for vehicles and tyres from India and China.

We do see changes in the purchasing power in tea consuming countries which in fact may face further instability as we are seeing in the Middle East, Sub-Saharan Africa and prospects of sanctions against Iran, which is one of Sri Lanka's largest buyers. In the Sri Lankan context the two year wage increase, which is not tied to either productivity or affordability will add to the industry's immediate woes. There needs to be an accelerated strategy implemented to ensure that our rubber and tea industries to remain viable.

Having now seen the paradigms emerging, Balangoda Plantations is currently in the process of changing the equation, adding more rubber into its portfolio. It continued its forestry/crop diversification plan, planting 76.33 hectares of rubber in Badulla and Balangoda, with a further 84.42 hectares in progress.

This Company, which falls under the aegis of the agricultural sector and had been hitherto tax exempted, is now mandated to pay 10% taxation as of the budget proposals which came into effect on the 01 of April 2011. This is naturally reflected in a decline in profitability among a coterie of hurdles which the industry is currently trying to work through. We will also be subjected to the new Accounting Standard LKAS 41 from January 2012, instigating changes in the Accounting for Biological Assets and Agricultural Products of Plantation Companies.



Management Discussion & Analysis

Telecommunication Sector

Having performed admirably well in the last financial year having posted a turnaround, Lanka Bell consolidated its financial prowess and market share this year too. The FLAG undersea cable sold significant capacity to permeate a gain in company revenue. The FLAG is the key differentiator in the Company's strategic expansion plan.

We also worked conscientiously on customer service excellence, augmenting service levels for our 1.3 million subscriber base with value additions and an assurance of an uninterrupted network service. This was further evidenced when the TRCSL conducted tests on Broadband service levels and Bell Broadband emerged as having the fastest and most consistent Fixed Broadband speed.

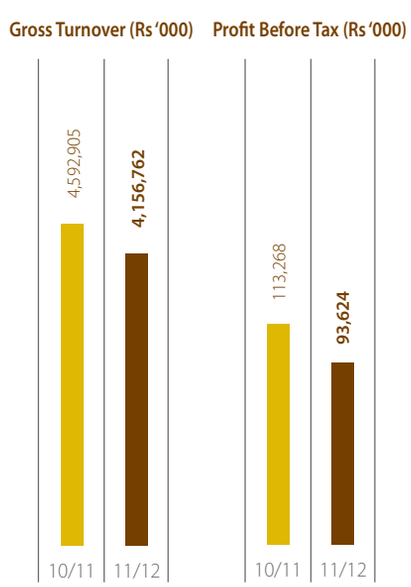
Pre-paid customers benefited from a tariff reduction which we believe strongly ensured customer retention and stemmed migration to other service providers, while post paid customers will also soon have the benefits of myriad value additions.

It is a competitive industry but we have proven beyond doubt that we have the mettle and vision to grow. This is further espoused in the fact that our marketing initiatives have made the necessary inroads as observed, when Lanka Bell was awarded the Most Popular TV Commercial of the Year at the Annual SLIM-AC Nielsen People's Awards. This is an additional cap to the award the previous year wherein Lanka Bell was conferred the award of the Most Popular Fixed Line Brand of the Year.

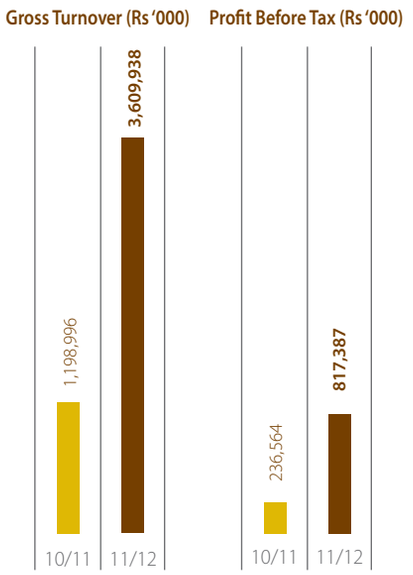
One of Lanka Bell's subsidiaries, BellVantage was transferred to Melstacorp and now functions under that umbrella as a direct subsidiary. The two subsidiaries now currently under Lanka Bell, namely Telecom Frontier, formerly known as Bell Services and Bell Solutions continued to add synergies to our ultimate goal of being positioned as a Total Communication Service Company in the corporate arena.

The coming year will not be easy but it is also a year that will present opportunities and potential. Inflationary pressure on operational costs including network maintenance and cost of energy, will undoubtedly impact profitability. However, we do see unprecedented demand emerging for Broadband and other data services for which we have already earmarked substantial investment and value additions in order to grow our subscriber base.

Telecommunications Sector



Diversified Businesses



Diversified Sectors

Continental Insurance Lanka Limited

In its second year of operations and assuredly the fastest growing insurance company in Sri Lanka, Continental Insurance (CILL) recorded a profit, compared to the last year's loss. The Gross Written Premium (GWP) of Rs.1.2 Bn was an unprecedented gain of 178% which is record breaking in a very competitive industry. The milestone is even more significant as most start-up companies take as much as a decade to achieve this. Prudent underwriting decisions and astute cost management initiatives did add positively to the net profit. Motor insurance premiums contributed 69% to GWP, while non-motor insurance premiums added the balance. It is pertinent to note that 71% of the non-motor insurance segment was maintained by fire insurance premiums.

While customer service excellence is a hallmark to ensuring sustained growth in profitability, market share and volume, CILL's emphasis on innovation and channel management definitely augmented its good results during the year. Medilink, a customised surgical and hospital expense benefit policy which assures prompt claim settlement and a Directors' & Officers' Liability Insurance Policy, a definite imperative for the modern day top management, were new value additions to our service profile.

CILL will continue to focus on the growing motor segment, which even though competitive and has a tendency to pressurise underwriting profitability, will have the Company emphasising more on underwriting discipline and the overall pricing structure in order to maintain a healthy claims ratio and profit margin. Effective cost management will continue to be in the spotlight with initiatives being established to ensure that the Company is prudent in its outlook while being pragmatic in meeting its goals. CILL also engages in a milieu of strategic investment management built on a stringent balance of compliance conformance and return maximisation.

Texpro Industries (Pvt) Limited

The apparel industry has had its share of challenges worldwide, although in the mass market, it is India and China that pose the most competition for the country. Texpro Industries produces dyed and printed woven fabric. While we have some of the biggest buying houses around the world within our customer portfolio, the demand

for woven cotton from Sri Lanka is declining, as countries like Bangladesh and Vietnam have gained ground for being more price competitive. However, having seen this trend emerging from as far back as 2008, we have begun to aggressively promote our products, while the depreciating rupee this year, has earned a competitive advantage to our local garment industry.

We remain optimistic that given our strategic marketing initiatives and the concerted effort by the industry as a whole to position Sri Lankan products on a platform of quality, best practices and ethical production, we will see a return of the buyers who have now moved to other more price competitive destinations.

Bogo Power (Pvt) Limited

As planned, this year saw the full commissioning of the Kirkoswald Mini-hydro Project, which comes under the BOI purview. The completion of this project gives us a 4MW power capacity with an average annual energy generation of 15.2 GwH. The project is located on land leased from Madulsima Plantations PLC and set up in Kirkoswald estate, Bogowantalawa. Complying with green energy practices, prior to commissioning, the project gained approvals from the Sustainable Energy Authority of Sri Lanka and the Public Utilities Commission of Sri Lanka. A Power Purchase Agreement was signed with the Ceylon Electricity Board for sale of power generated for a period of twenty years.

Melsta Logistics (Pvt) Limited

The maturing of Sri Lanka's automobile industry has seen extraordinary growth not only in terms of vehicle numbers but also in the requirements arising for vehicle maintenance, expertise, technology and other germane areas. The year saw a reduction in customs duty for a short period of time which also had an incendiary impact on the importation of vehicles, with high-end very modern classes traversing the roads and thus, requiring state-of-the-technology and specialist capabilities

to cater to the explosive demand that emerged rapidly from service providers.

Collision Repair Center, under the umbrella of Melsta Logistics, having foreseen the trends, upped its capabilities, competencies and technology and has made significant inroads into catering to this high end consumer demand, gaining market share. The facilities and expertise have earned us recognition from the primary technical colleges in Sri Lanka as being among the best technical training venue for aspiring technicians and mechanics. We also anticipate a continuation of the growth curve in the automotive industry and intend to enhance our service portfolio, while investing in technology, machinery, equipment and knowledge, collating these within a formula that will augment revenue generation.

The latter of 2011 saw the launch of logistics operations, wherein the entirety of the DCSL commercial vehicle management fleet was brought under the Melsta Logistics umbrella.

BellVantage (Pvt) Limited

BellVantage, now a direct subsidiary of Melstacorp, is poised to take advantage of the BPO industry becoming a key economic driver in the national arena. The Company began to aggressively grow its service and solutions portfolio in order to take advantage of the emerging paradigms. While launching infrastructure outsourcing services and international business as some of these marked initiatives, the Company also worked on a combination of competitive pricing and demonstration to acquire new clients.

BellVantage's customer portfolio is impressive, having acquired some of the larger multinationals, corporate giants, banks, hospitals and telecommunication service providers into its portals. The Software Team gained headway by signing agreements with corporate clients, while also working on numerous initiatives that would continue to grow its software business.

Given the momentum expected for the next year, BellVantage is now working through a dynamic management team which will also focus emphatically on growing international business, while new solutions, services and a rebranding exercise is also anticipated as a differentiation strategy.

SUSTAINABILITY REPORT

COMMITTED RESPONSIBILITY.

We want our success to be achieved in the right way. This means we invest deeply into ongoing sustainability and responsibility initiatives together with good corporate governance at every level.

Sustainability Report

A RESPONSIBLE IMPACT

Preamble

We are a business that had our genesis just short of a year a century ago, when the industry thought, worked and acted differently. It was an era where profits mattered and resources were used to ensure that quantitative gains were met. In fact, for long, the general philosophy of business was that companies had to choose between "doing good" and "doing well."

The focus on the stakeholder was minimal as it was shareholders alone who had to be pleased. However, the world and indeed Sri Lanka, have seen a palpable transformation into making companies, industry and even nations more conscious of their roles and responsibilities in creating a sustainable milieu to live and work in. In fact, shareholder mindset has transformed as well, demanding more transparency and responsibility when dealing with all stakeholders and the environment, extremely exigent in ensuring that their investment is infused into businesses that are ethical, responsible, accountable, transparent and sincere in action.

To us at DCSL, journeying through this nearly one hundred years within the corporate arena of Sri Lanka, an overarching tenet has always been to ensure that our decisions, action and impact are sustainable and positive on our stakeholders. We are extremely cognizant that as a corporate steward involved in numerous business and industry areas, we must set an example to others, while making our stakeholders a part of our journey of progress. This Sustainability Report is our first attempt at documenting the steps we have practiced for decades, in becoming a more sustained responsible company and building meaningful, long-term change. It details our progress against specific goals, the issues we're engaged in and strengthens our commitment to transparency.

About DCSL

History, Ownership and Legal Framework

With origins that began in 1913, when the Excise Department of Ceylon which, though created as an enforcement authority, became mandated to distribute and sell liquor in Sri Lanka, in tandem began the distillation and manufacture of liquor products as well. Much later, in 1974, the State Distilleries Corporation was incorporated by statute to take over this role and in 1989, when converted to a limited company, DCSL took on the mantle as a pioneer and now, is the largest distiller in the country.

DCSL is quoted on the Colombo Bourse since 1992. Today it is a modernized entity, working on a sophisticated knowledge base built on technology, experience, skill and acumen. Its large investments in R&D, infrastructure, plants and machinery and the diversification into key economic sectors in the country, today places it unequivocally as an industry captain and one of Sri Lanka's blue chip conglomerates.

Its business areas are diverse and penetrative, ranging from hospitality to telecommunication, BPO to textiles, plantations to hydropower and insurance to its largest and most influential business contributor, beverages encompassing alcohol and spirits. Functioning under the umbrella of Melstacorp Limited, which is the investment holding arm of the DCSL Group, now has a total of 19 subsidiaries and 03 associate companies.

Significant events during the reporting period

- Melstacorp Limited became the investment arm of the Group designed for better strategic leverage
- Mandatory offer made to Aitken Spence with the increase in shareholding to 40%
- Melstacorp Limited acquired 100% of Melsta Regal Finance Limited, which was formerly First Barakah Investment Limited
- The land of Pelwatte Sugar Industries Limited was listed by the state in the Expropriation Act of 2011

About this report

While DCSL has practiced the essential elements and dynamics of sustainability within its organisation, documenting and reporting on these elements was never considered an imperative. However, it has become increasingly important that we show our stakeholders what we do, what we act on and how we obtain the results we do. Reporting is also a vital pointer in showing us the gaps that exist in various areas and in helping us to charter the path to bridge this gap. In addition to this, we also believe that we have a responsibility towards our stakeholders that they are given a comprehensive idea of how we have managed their business and how we intend to work in the future, without harm to people or planet.

This therefore, is our first attempt in sustainability reporting and we have based our findings and mapped them according to GRI Guidelines. While we do know that this report is in its fledgling state and requires many more elements for a very comprehensive one, this attempt helps us to put our results, both positive and negative down on paper and work on plans that would ensure that our presence as a corporate leader will surely be advantageous to all our stakeholders. The report presents a balanced analysis of our sustainability performance strategy in relation to issues that are relevant and material to the Company and to our stakeholders, while complementing our ongoing engagement with stakeholders.

Unless indicated otherwise, facts and figures refer to the DCSL Group.

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

We have used the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines and have reported at a C level.

Materiality

Having embarked on this sustainability reporting process, we must confess that in documenting the necessary areas, we may not yet have a clear idea or focus on the extent of materiality involved. However, we have focused on earmarked areas and platforms that have formed the foundation for our sustainability program and hence, we have used those as the guideline to report on the issues arising. We have also been able to identify shortcomings and gaps in data gathering, which is now being documented and acted upon to ensure that we bridge those gaps in future.

We initially garnered the information from all our business sectors on a common questionnaire and began mapping the categories that were most common. Once chartered, the categories were placed in perspective and we were able to consider the materiality of our findings, positioning them in priority order and only focusing on those that our stakeholders felt were crucial or important. Hence these are the issues and focus areas you will see covered in this report.

Reporting period

This report supports the DCSL Group's Annual Report and presents our sustainability performance for the year ended 31 March 2012. It covers Company activities, including the subsidiaries' reporting period (eg. fiscal/calendar year) for information provided 01 April 2011 to 31 March 2012.

Data measurement techniques and the bases of calculations applied to the compilation of the Indicators and other information in the report is disclosed wherever applicable. Decisions not to apply, or to substantially diverge from the GRI Indicator Protocols are also disclosed.

We welcome the views of our stakeholders on this report and the way we approach our sustainability priorities, appreciating constructive feedback for both content and approach, in order to continue improving our performance and improve further transparency and accountability into our processes.

Governance, Commitments and Engagement

Board of Directors

DCSL incorporates a governance structure that remains aligned to the laws of the land and compliance to the various regulatory mandates. The governance structure therefore includes committees responsible for specific tasks and setting strategy and future direction for the Group. The Board structure and committees are detailed on page 65 in this report.

DCSL's Board comprises 8 (4 executive, 3 independent non executive, 1 non-independent non executive) meeting regularly to map strategy and for speedy decision making which require Board intervention. Collectively, the Board has significant corporate acumen, skill, knowledge and experience aided by astute and knowledgeable support and information from senior management and external specialists when the need arises to be sufficiently informed and be independent. The Board sub committees are a vital conduit in identifying and managing economic, environmental and social performance, including relevant risks and opportunities, as well as compliance.

Board governance ensures that the Group discloses related party transactions periodically and if any director has a direct or leading interest in any matter being discussed, they will abstain from opining, discussing and voting, all of which could influence the outcome. This avoids conflict of interest and ensures independence of the Board.

Ongoing Board education is an imperative at DCSL to ensure that directors remain abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the Group and its operations. During the year, all Board Members and Committee Members were reviewed for compliance with the Colombo Stock Exchange requirements for a listed company.

The DCSL Sustainability Approach

Vision

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

Mission

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

Philosophy

- Infusing innovation, value addition, quality and service excellence to give our customers the best
- Create a knowledge gaining culture where our team grows and develops as individuals, while honing the entrepreneurial spark to contribute towards macro development
- Continue giving our shareholders the confidence and trust that we will always do what's best thus ensuring consistent growth in shareholder value and returns
- Make our planet healthy and green by contributing social dividends that will translate towards sustainable development for society and the environment
- Ensure that everything we do will always keep us ahead and at the helm

Collating the facets of economic, social and environmental features into our business dimensions, we integrate this three pronged approach to sustainability, so that the journey with our stakeholders will remain one in which we grow together, forging and strengthening long term relationships.

Sustainability Policy

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

Our Sustainability Policy is based upon the following principles:

- We will continue to comply with and exceed wherever practicable, all applicable and related legislation, regulations and codes of practice
- We will integrate the principles and tenets of sustainability into all our business decisions
- We will strive to minimise any negative impacts that may ensue while engaging in our day to day activities
- We will integrate a sustainability mindset among our team, making them fully aware of our sustainability policy and empower them with a sense of ownership and commitment to implement, practice and improve it
- We will cascade our Sustainability Policy among our valued business partners, encouraging them and assisting them to adopt sound sustainable management practices
- We intend to review and annually report and to continually strive towards improving our sustainable performance

The Framework

The DCSL Sustainability Framework, which incorporates our Sustainability Philosophy, Policy, and Principles articulates our strategic commitment to sustainable development and remains integral to risk management. This framework assists our stakeholders in imbuing a similar sustainability approach, promotes sound environmental and social practices, encourages transparency and accountability, and contributes to positive development impacts. We ensure that this framework reflects good practice for sustainability and risk mitigation, keeping abreast with trends that bring up challenging issues, which remain at the core to managing a sustainable business. These include supply-chain management, resource efficiency, climate change and human rights.

Key Challenges and Opportunities

All businesses face risks and challenges, whether from environmental problems, social discontent, political and social unrest and even natural disasters. These can be termed costly, have negative publicity, threaten operating frameworks and also prompt unforeseen expenditure. Reputational damage too can far exceed the immediate cost impacts.

While we seek to proactively reduce and manage these risks, challenges have never been a deterrent for us at DCSL; rather it has always been a means of directing us towards opportunity and improving business performance over time. These opportunities have driven us to enhance business growth, while ensuring that we remain within compliance benchmarks and ensuring that our stakeholders are empowered

Challenge	Response Overcoming the Challenge	Opportunity	Response Utilizing the Opportunity
Duty increases on Alchohol thrice during the year	Managing cost of production and value chain more efficiently	Customers shifting to smaller size bottles and more economical similar products	Product innovation which saw a range of flavoured arracks being produced and producing smaller sized quart bottles as options
A decrease in demand for dyed and printed cotton woven fabric saw volumes at Texpro Industries decline due to movement to cheaper manufacturing destinations	Re-iterating the standards of quality maintained in Sri Lanka given that the company is internationally certified with a Global Organic Textile Standard Certification and create more awareness on ethical manufacturing being practiced here	Positioning Sri Lanka as an ethical apparel destination enables us to further strengthen our presence with the larger apparel players	Using the company's Global Organic Textile Standard, promoting our products to Bangladesh and other cheaper destinations to enable the more standard and quality conscious buyer with an ethical choice

and remain inclusive to our end goal. Over the year, we identified some challenges and risks that eventually saw an opportunity emerge, and which, through the inherent pragmatic and astute business acumen possessed within DCSL, was transformed and included into the strategic business plan of the Group.

Stakeholder Engagement

Stakeholder engagement is a crucial truss to sustainable development as it is this engagement process that prompts the two way dialogue and communication process which eventually, aligns the strong relationships among our stakeholders and forms the foundation to our sustainability journey. We are extremely committed to engaging all of our stakeholders, both internally and externally, to become the most sustainable, responsible company we can possibly make. By listening to, partnering with and considering the perspectives of our associates, customers, shareholders, academic leaders, government, value business partners and sometimes, even our competitors, we can truly ensure that quantifiable and qualitative returns are assured.

Having identified our stakeholder groups, as given below, we engage with them at various forums related to their interests and expectations, in an effort to adapt to changing needs and issues, which continue to evolve. As we pursue our corporate sustainability goals, we intend to further strengthen these relationships. Together, we are establishing transparency and enhancing our relevancy with the customers and communities we serve.

We have created more formal channels for interacting with stakeholders both to learn from their expertise and to provide a forum for them to provide us with feedback.

Key Stakeholders

Shareholders

Quarterly and annual financial reporting, annual meeting of shareholders, periodic individualized mailings and conference calls between senior management and investors and/or analysts when necessary.

Customers

Daily engagement with customers on a one to one basis and through select outlets. We also conduct customer satisfaction surveys on a regular basis.

Employees

Regular communications and engagement on one to one basis, monthly or quarterly forums, opinion surveys, internal newsletter and open door policy.

Government/Regulators

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

Suppliers

Regularly engage with suppliers to promote and institute sustainability solutions.

Disclosures

One of the primary reasons that DCSL embarked on this process of sustainability reporting, is that while it helps us to take a long hard inward look at ourselves, our processes, systems, the way we do things and the impact it has not only on us but on our stakeholders, consumers are increasingly developing an ethical conscience. They have now begun using sustainability information to identify and trust their chosen brands. They want transparency and reasons for their chosen company's actions; they want clarity and accessibility to their information and disclosures on social, environmental and economic performance. And with all stakeholders demanding that this information is consistent to a standardised approach, it is imperative that disclosures are succinct, clear, truthful and hold fast to the underlying ethos of a principled ethical well governed business entity, which is what DCSL espouses to be.

Economic Disclosure

For nearly a century, we have proven that our business is a 'going concern', benefiting not only shareholders but all stakeholder segments. Our investors have proof of our consistent performance in seeing our financials and share performance, as well as our astute business strategies including restructuring and acquisitions. Given our status as an industry leader, we also remain a strong partner in ensuring that the country meets its vision and objectives, generating direct and indirect employment and thus improving lifestyles, investing in infrastructure, upping quality and standards within the industry and thus setting benchmarks to develop these industries and imbuing best practices.

We practice a milieu of zero tolerance on bribery and corruption and eschew ethically unsound or corrupt practices among any stakeholder segment. In this context, we have had no incidences of bribery and corruption, unethical practices or anti-competitive behaviour, stemming from our Group, brought to our notice. Our business dealings remain transparent and sincere in action, while accountability remains a top priority.

While the regulatory environment in some of our businesses may be seen as unfair and unjust, we remain strictly compliant to all mandatory and regulatory mandates that are prevalent in our business.

We do not make contributions to political parties; no member of the Board of Directors is actively involved or an office bearer of any political party in Sri Lanka.

Product Disclosure

The Group remains conscious and we work to the best of our abilities to ensure that our products, if used in a responsible manner and by the target audience it is meant to be used by, will not have an ill-effect or increase risks to health. The processes that cover our supply chain including the sourcing and use of ingredients, resources and raw materials are aligned to stringent quality standards that are initially tested repeatedly before product manufacture. We work with experts and specialists in the field both locally and internationally, who may also conduct their independent analysis and research, which assists us in manufacturing our final product. This would include the use of science, technology, experience and skill to determine the acceptability of not only the ingredients but but also permitted levels of these ingredients. Using the available scientific evidence, these expert opinions have repeatedly concluded that our products, used responsibly by adults in the case of alcohol and spirits, do not increase health risks.

There's also a cohesive group that also monitors legislation pertinent to the product and individual ingredients which helps us in our decision making. In the beverages industry, we also work in a dark market where all advertising and promotions are prohibited by law. We remain very cognizant that our product in this industry is to be sold and consumed by adults and our responsibility is to always ensure that this is the overarching tenet of our marketing initiatives. We communicate all product information comprehensively either through the labeling or through product information available on numerous channels.

We do not condone or agree to selling any of our products that are meant to be consumed by an adult, to any underage consumer under any circumstances. This is very strictly adhered to, not only within the immediate company and the team, but is a message that is cascaded very emphatically to our entire value chain and retailers. Any deviation from this, is dealt with severely and may result in DCSL terminating its business relationship with the offender.

Environmental Disclosure

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

customers, to permeate environmental best practices among them.

Human Rights and HR Practice Disclosures

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

Community Disclosure

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

Sustainability Focus

Environmental

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

Social

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

Economic

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

Sustainability Performance

Environmental Impact

Our business interest are wide ranging and diverse, ranging from manufacturing to plantations, telecommunications, to financial services, logistics, apparel and hydro power. These, in different dimensions and levels, do impact the environment. The DCSL Group, having conformed and remaining strictly compliant to the Central Environmental Authority Standards, is additionally subjected to regular audits to ensure full transparency. This ensures that we remain most conscious of the impacts our actions would have on the environment and have through the years, worked on improving our processes and systems that would eventually help us to reduce the negative impact we have on the environment, while minimising climate change.

Energy, Waste & Water Management

Energy and waste management are crucial features in our environmental management focus, especially in our manufacturing processes. A sophisticated distilling system using French technology which is totally environmentally friendly, imbues energy saving features into our plants, as low evaporation during distillation aids the saving of energy as well. This technology has also helped in decreasing emission levels.

Waste water treatment plants and an environmentally friendly zero-harm effluent management system ensures that waste, water and effluents are all managed well within the compliance norms. While the waste water is treated to neutralise acidity and released for further use once deemed 100% safe, the methane which is discharged during the purification process is used for factory consumption.

In our bid to reduce the country's dependence on fossil fuels and thereby reduce the expenditure of foreign exchange, we embarked on a mini-hydro power project which was commissioned this year. The Kirkoswald Mini-Hydro Power Project, under the umbrella of Bogo Power (Pvt) Limited and located within Madulsima Plantations land, has gained approval from the Sustainable Energy Authority of Sri Lanka, generating an average of 15.2 GwH of power to the national grid. The water required for the hydropower project is diverted and returned to the river within a short distance from the point of diversion. The channel, weir and power house are small structures, they have minimum impact on the natural eco-system and the communities around the area.

Continental Insurance, which emphatically began working on a better waste and energy management practices in its journey to eventually become a carbon neutral company in the future, saw a quantifiable conservation of natural resources that ensued due to the initiatives implemented. A total of 22,656 litres of water was saved, while electricity usage decreased by 3,058 kWh, 1,244 litres of oil were also saved which meant lesser usage of fossil fuels and 2.35 cubic meters of landfill were conserved.

Collision Repair Center, which comes under Melsta Logistics Limited, remains very compliant with environmental regulations and in fact, has ensured that its entire facility is eco-friendly. Waste disposal is managed efficiently, with disposable waste being recycled and organic waste converted to compost, used to nurture vegetation within the premises. In addition, a waste water treatment plant maximises the usage of water. Melsta Logistics also took on the responsibility of managing the Group's fleet of vehicles to ensure that it takes measures to monitor and control emission levels and usage of fossil fuels, and thus reduce its carbon footprint.

The fact that Texpro Industries is certified with a Global Organic Textile Standard, ensures that the enitre value chain must conform to globally accepted waste management practices in addition to its sourcing and manufacturing processes. The company is subjected to continuous audits, which keeps compliance levels above the required norm.

Recycling

Packaging gains emphasis to mitigate environmental impact with over 50% of the bottles used for alcohol and spirits being recycled and crates used for transport, being reused. Cellophane, glass, aluminium and plastic generated by the factory is outsourced to an external party for reuse, while used labels are transformed into pulp. This also reduces the number of trees being felled.

Continental Insurance has imbued the 3R concept and is engaged in recycling of waste paper, which resulted in the saving of ten trees for the year, which though may be considerably small, certainly lays the footprint for the company to increase its recycling initiatives and reduce the number of trees even further.

Sustainable Agriculture

Balangoda Plantations has always espoused sustainable agricultural standards and good manufacturing practices. The company has ensured that nearly all its manufacturing facilities have gained ISO and HACCP certifications, which ensures that it remains within the stringent guidelines required for conducting business, manufacturing processes and systems. In order to retain these standard certifications, the facilities are also continuously subjected to audits. The larger result however is that with the infusion of best practices in agriculture, we are not only enhancing our end product, but also ensuring that our practices are governed by a green ethos.

Further augmenting this green ethos, Balangoda Plantations embarked on a re-forestation drive, which, while increasing our forest cover, also significantly impacts the challenges the

country will face in the future in food security. The tree planting campaign, Deyata Sewana has to date planted 725 numbers of Kumbuk, Bamboo, Pihimbiya, Uguressa, Rose Apple, Mango, Rambutan, Jack and Alstonia in a bid to enable a higher absorption of CO2, while increasing the country's green cover and helping to assuage the need for food in the future.

In addition, the estates began implementing a composting programme, which would convert non-usable materials into compost, deemed for use in the three hectares that are being replanted with tea.

Organic Best Practices

Texpro Industries Limited, (a specialty dye and print business of woven fabric) as a backward integration to the apparel industry, stringently conforms to the Global Organic Textile Standard, which ensures that the end product remains true to the tenets of an organic product. GOTS is the worldwide leading textile processing standard for organic fibers and includes ecological and social criteria, backed by independent certification pertaining to the entire textile supply chain. This standard gives the product international recognition in organic textile manufacture, from harvesting of raw materials, through environmentally and socially responsible manufacturing, until the labeling process, providing a credible assurance to the end consumer.

Social : Diversity in our Team

We have been blessed with people power; power that truly exemplifies success for nearly a century. Given that the DCSL Group has grown into a diversified conglomerate encompassing a number of diverse industries and yet is unequivocally positioned with a leadership status, evidences that our team is a winning one. The dynamism, motivation and 'gung ho' attitude they always espouse has enabled this Group to take on challenges, some deemed insurmountable and win against the odds.

HR Philosophy

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

"WE FIRMLY BELIEVE THAT PEOPLE ARE AT THE HEART OF OUR SUCCESS"

Recruitment & Retention

Recruitment is a sound process, one which works on a foundation of meritocracy, non-discrimination and with no gender bias. To us, recruitment means, "The right person for the right job" and this scores across the entire team as it becomes an imperative

RECRUITMENT RATES BY TYPE FOR REGIONS AND HEAD OFFICE

Recruitment	Northern Region	Southern Region	Central Region	Uva Region	Head Office
Permanent appointments	09	13	04	00	01
Contract appointments	10	17	32	00	07
Re - appointments	11	02	06	01	05
Casual to Contract appointments	37	41	00	13	00
Trainee appointments	02	02	00	00	03
Contract to permanent	00	01	00	01	00
Trainee to Permanent	00	01	00	01	04
Casual Appointments	106	35	00	03	00
Total	175	112	42	19	20

within our business strategy. The Strategic Recruitment & Selection Policy document is currently being developed and should be implemented within the course of the next year. However, in the meanwhile and in a bid to streamline our recruitment processes, a recruitment requisition form was introduced, which is the base upon which recruitment is effected. A comprehensive interview evaluation form has also been brought in to streamline the interview process from initial screening to final interview stage.

TURNOVER RATES BY TYPE FOR REGIONS AND HEAD OFFICE

Turnover	Northern Region	Southern Region	Central Region	Uva Region	Head Office
Retirements	10	05	10	03	06
Resignations	09	13	12	00	04
VOP	11	13	09	00	03
Interdiction	03	00	00	00	00
Termination of service contract	04	07	01	00	00
Expiry of service contract	08	08	05	00	02
Dismissal	00	02	00	00	00
Casual turnover	102	48	00	00	00
Total	147	95	37	03	15

One of the biggest challenges faced in the current corporate milieu and in most of the industries we work in, is the high attrition we encounter in retaining drivers and warehouse labourers, primarily due to the nature of the business and the higher demand for their services overseas.

- The Permanent appointments refer to new recruits who are recruited on permanent basis.
- Contract appointments refer to those who are newly recruited for a specified time period on contract basis.
- Re-appointments are those who are recruited after having served in the company and retired at the age of 55.
- Casual to Contract appointments refers to those employees who have served a significant period in the casual cadre and offered contract appointments
- Trainee appointments are those who are recruited as trainees for a specific period
- Contract to permanent appointments are those who were serving on Contract for a significant period and being absorbed to the permanent cadre thereafter.
- Casual Appointments refers to those who are being recruited on casual basis.
- Retirements are those who leave the company due to retirement at the age of 55.
- Resignations are those who tender their resignation and leave employment.
- VOP are those who vacate employment without notice and keep away from work.
- Interdictions are those employees who are presently interdicted pending disciplinary inquiries
- Termination of service contract happens once proven guilty of misconduct or indiscipline and post preliminary investigations
- Expiry of service contract is whereby the contract is not extended further.
- Dismissal of services is whereby employees in the permanent cadre are removed from office after having proved guilty for misconduct or disciplinary matter.
- Casual turnover is given in a total figure under each region as we cannot accurately detail their turnover details. But in general majority of casual employees either tender their resignation or vacate post without notice.

Our total staff cadre as at 31 March 2012 stands at 1389 staff members.

Training & Development

Training and Development forms the axis to the sustainability of our business and into this, we have imbued a knowledge gaining culture, which

TOTAL STAFF CADRE AT DCSL PLC AS AT 31ST MARCH 2012

Turnover	Northern Region	Southern Region	Central Region	Uva Region	Head Office	DCSL Group
Permanent cadre	212	112	58	31	93	04
Contract cadre	213	185	137	28	45	00
Casual cadre	186	69	00	07	00	00
Trainee cadre	01	03	00	00	05	00
Total	612	369	195	66	143	04

enables individuals to attain their personal goals while working towards the company's aspirations. Training & Development also solidifies our philosophy of 'The right person for the right job', enabling team members to be empowered while allowing us to optimise on our use of human resources.

Our training programmes span on the job, off the job, external, hands on and internal programmes, all designed to enhance knowledge, update skill and create an empowered workforce. Another new initiative is the Induction Programme which is billed to be conducted from May 2012 onwards, for each new batch of employees being recruited. This is aimed at giving the new recruits a holistic idea of the company, its codes of conduct, the vision, mission, objectives and overall work culture and ethic.

The HR Division has developed a training schedule which will be cascaded to regional managers and heads of divisions once discussed and approved. The training schedule will be implemented from the 3rd quarter of 2012.

Below is a snapshot of some of the training programmes during the year.

Rewards, Remuneration & Welfare

A good work life balance remains an integral focus as, a happy contented workforce will always be a highly productive one. We have continuously infused numerous rewards and remuneration schemes, while adding welfare initiatives that would add value to our team's lives and better their lifestyles. Given below briefly are some of the more important initiatives currently in place:

DCSL

- Continuous remuneration reviews and increases according to pre-determined scales, which could also be tied to performance incentives. This year, a 20% salary increment was effected.
- Bonus payments are made twice a year depending on performance, attendance and conduct and it is to be noted, that the DCSL bonuses remain above par to industry

Programme	Objective
Outward Bound Training	For the Head Office Team to build team spirit and inculcate a winning attitude
Mufti Day	To share knowledge on selected topics including stress management, healthy living, life skills, planning and organisational skills held once a month
Audit Training	Practical on-the-job training for Audit Assistant Trainees for absorption into the permanent cadre on completion of two years training
Basic IT Skills Training	For all staff at Head Office to enhance IT literacy
Soft Skills	To enhance soft skills areas including time management, team building, communication skills, change management, Positive attitudes, ethics and values
e-Curve	Skill based training for Bellvantage Software Team
Contact Center Product Training	A continuous on-going training initiative for the Bellvantage Team

standards being an equivalent of 1 ½ times the annual salary

- One months' salary is paid as a medical leave encashment for unutilised medical leave (which is not a statutory requirement)
- To compensate for the ever increasing cost of transportation, DCSL pays a variable transport allowance, which is renewed annually at the discretion of the management
- A range of insurance policies are in effect including Workmen's Compensation and Personal Accident Insurance. DCSL PLC offers all employees this 24 hour Insurance cover which includes a natural death cover as well, while exceeding the minimum requirements of the Ordinance to provide paid accident leave.
- Periodic health check ups with reputed medical institutes
- Awareness building programmes
- Knowledge sharing and awareness programmes are held on general topics such as health and well being, towards the building of a responsible citizen etc.
- The Annual Quiz Programme, which was held for the first time in 2011 will see the next programmes extended to regional team members as well
- Annual staff get togethers, Sports Days and children's parties are held
- An Arts & Poetry competition was conducted for all team members' children
- All team members are extended an allowance to purchase groceries and company products during festive seasons

Periceyl

- A continuous chain of performance related incentives including social activities, training initiatives and excursions/trips are extended to high achievers
- Continental Insurance
- Performance incentives which combine monetary, appreciations, recognitions and rewards become central to high productivity
- A comprehensive medical scheme covers each team member

Melsta Logistics Limited

- Collision Repair Center team is covered under a comprehensive medical scheme
- Facilities including cafeteria, resting areas and lockers are provided

Bellvantage Limited

- Based on a performance review, increments from 5% to 15% were effected
- A fixed bonus was also extended on evaluation ratings

Occupational Health & Safety

With some of our businesses engaged in the manufacturing industry, it is imperative that we make our workplaces a safe place to work. However, this is not limited to simply our manufacturing plants, but is reflective across the board to all our workplaces, offices and plantations. Occupational Health and Safety remains a high priority for companies that are striving towards being responsible corporate stewards and hence, while we do know that our operations may have negative impacts on the workplace and its surrounds, we are extremely conscious of this and have taken numerous steps to ensure, to the best of our ability, that the workplace is safe, hygienic and is not harmful to our team's or the environment's health.

Our manufacturing processes conform to accepted industry guidelines and practices in safety management and we have set for ourselves a target of 'A zero accident workplace'. By being proactive, conscious and focused, we have inculcated a conscience and culture of prevention, while trained team members remain alert to any gaps and hazards that may arise.

Community Endeavours

Our community remains integral to building our reputation as a corporate citizen which prompts us to work together with our communities and bring them into our business and corporate social investment, making them partners in our success story. We continue to make an unwavering effort to closely identify with the communities in which we operate our businesses impacting them positively with our presence and making these communities an inherent part of our sustainable development process.

We have thus identified two platforms as the focus for our community social initiatives, namely Health, Housing & Sanitation, and Education and Training.

Health, Housing and Sanitation

Improving the lifestyles of the Estate Community

Inextricably intertwined with the estate community, Balangoda Plantations has unwaveringly worked towards enhancing the lifestyles of the estate community, who continue to be perceived in the macro industry simply as paid labour, with few rights and basic requirements. This attitude and perception has been drastically transformed by Balangoda Plantations with its insatiable commitment to ensure that these communities become productive and contented citizens, and hence, will undoubtedly contribute towards building a sustainable business. The company constructed and provided 25 new housing units for families working on Telbedde Estate, in collaboration with the Ministry of Livestock and Rural Community Development and the Plantation Human Development Trust. A hygienic and safe canteen was also established for the use of the workers.

Awareness Programmes

Balangoda Plantations also conducted a number of HIV/AIDS prevention and awareness programmes with the assistance of the Ministry of Health for the plantation community. In addition, regular awareness programmes on better health and sanitation and dengue awareness, a 'Well Woman' Camp, dental and oral cancer mobile clinics and a Suwa Navodaya camp for 400 participants were conducted.

Child Care

Continental Insurance has been supporting differently able groups of children with the supply of necessities and nourishment to ensure better health among these marginalised communities.

A three day child care workshop was held for child care workers, to inculcate safety, hygiene and good teaching habits to be imparted to the children under their care. In addition, the plantation company manages the child care centers and pre-schools within the plantations, wherein the trained teachers are available and nutritional feeding programmes are also effected. Regular child immunization programmes are also conducted.

Cancer Research

Given the high incidences of cancer prevalent in Sri Lanka and the heavy burden it places on the state, Continental Insurance is currently providing support to the Cancer Institute, funding its research. The state faces severe financial hardship in meeting the increasing budgets for this debilitating disease, and hence, research takes less priority over treating those afflicted at this current moment. Realising that research remains a vital core for the minimising and prevention of cancer, the company is now engaged in funding this preventive stage of the disease.

Education & Training

Plantation Management Degree Programme

Balangoda Plantations shares its knowledge and expertise working closely with the academic staff of the Uva Wellassa University, in providing training for 41 undergraduates on its plantations, to support the Government's initiative of enhancing education via the degree programme, 'Tea Technology and Value Addition'.

Enhancing IT Literacy

An e-kiosk was established for the children of estate workers by Balangoda Plantations which while demonstrating the IT features available, also conducts computer classes for 25 students in each batch.

Scholarships and Provision of educational Needs

Books and stationery were distributed to 200 school children residing within the Balangoda Plantations, while Rs.1,000 is being credited monthly to those who are in university in order to ensure continuity of their studies and to stem the drop out rate due to economic hardships. Books are also provided at heavily discounted rates to all students of estate families.

Entrepreneurial Initiatives

With a large number of youth within the estate not driven or motivated to work within the plantations but facing difficulty in getting other choices of gainful employment, Balangoda Plantations addressed the issue by conducting a series of training programmes aimed at teaching various skills and the rudiments of becoming an entrepreneur to the youth of these estates.

Economic Input

We have always worked on the fundamental that being a corporate steward and an industry leader, we will strive towards building continuous sustainable value, generating returns for our shareholders, while ensuring that we consciously do the right thing not only for our stakeholders, but for the environment as well. Our business purview is diverse, although our core business remains in beverages. However, we have made inroads in telecommunications, plantations, apparel, BPO, logistics, hospitality and hydro-power, committing ourselves to add economic value to all these industry sectors, while being responsible for our actions and the decisions we make. Economic input is important to us – it is the crux of sustaining a business. It is this economic impact that allows us to work proactively with all our stakeholders, creating shareholder wealth and social value, inspiring our team and permeating best practices among our suppliers.

However, given our leadership status in the beverages industry, it must be noted that DCSL wears this crown with the sword of Damocles hanging over its head. For long, the company has been subjected to numerous actions, diktats and mandates that has continually stifled the legal alcohol and spirits industry, while these have only served to allow the illegal trade to flourish. This is not a healthy equation as it will eventually take a toll on the nation's health, both economically and socially.

We are by far one of the largest contributors to the national treasury, having paid Rs.39 Bn at group level this year. It is these funds that are eventually used by the government for meeting its development goals and as seen this year, the much needed funds for accelerated infrastructure development must be fed through the treasury to a great extent. We are most proud to be a major contributor to national development, but do believe, that the industry must be viewed as a legal law abiding corporate citizen, which has, undoubtedly and will continue to contribute toward the nation's development agenda.

Our penetration into various industries also requires significant investment, both in infrastructure but also in knowledge and skills. Infrastructure development from infusing investment into plant and machinery, to acquiring and developing businesses aligned to conform to more stringent standards naturally add value to the overall economy. In this vein, the Kirkoswald Mini-hydro power project which was commissioned this year certainly assists the country's energy woes, with a capacity to add 4 MW to the national grid and currently generating 15.2GwH annually. Similarly, all companies in the Group conform to numerous and relevant international standards and have gained certifications of compliance, which means that the entire industry is being improved and best practices permeated. Benchmarks thus, move upward for all the industries we are engaged in.

Given the size and scope of the Group, we have generated employment to 18,158 while indirectly granting employment to approx 50,000. The benefits, remuneration, rewards and welfare gained by our employees also ensures that their families gain an improvement in their lifestyles, while additional education and training adds to elevating knowledge levels amongst our team.

Industry Contribution

With our companies embracing best practices, standards and quality certifications, we do believe that knowledge sharing among the industry is vital for sustained growth and ultimately national development. We have through the years, shared our knowledge, skills and expertise

with other corporates and like minded individuals, who have benefited from this knowledge dissemination.

This year for example, with the emphasis being garnered on a national drive of making Sri Lanka a vital tourism hub in Asia, which also means that skill levels must match regional competitors, Periceyl mooted training for over 200 bartenders from Sri Lanka at the prestigious Chivas Academy, an initiative undertaken for the first time in Sri Lanka. Periceyl also conducted the Absolut Bartender Challenge Cocktail Competition. Implemented with the aim of honing bartending skills within the hospitality industry to create specialist bar-tenders and attract more individuals into the industry, both programmes were undoubtedly instrumental in not only improving skills, but also in ensuring that these skills are matched with the best.

The Chivas Academy is a global programme that rigorously trains bartenders in the art of bartending and the programme launched in Sri Lanka is truly a pioneer in that it gives a comprehensive training, development and international recognition to bartenders undergoing this training programme.

Under the banner of the brand Pernod Ricard, the Absolut Bartender Challenge judged the skills of bartenders across the country in their flaring and innovative cocktail creation skills. This was the first time that a competition of this stature was taken across the island, which therefore opened up new vistas for those based in the more rural areas as well. Conducted in six regions, the prelude to the competition was a training programme, while the competition itself was judged by the Sri Lanka Institute for Tourism and Hotel Management.

Investor Relations

We have periodic meetings with current shareholders as well as prospective investors.

Working with our Suppliers

We are extremely committed to maintaining a sustainable supply chain, given that our supply chain encompasses micro entrepreneurs to SMEs to large corporates. It is imperative that we behave responsibly towards them, while ensuring that they conform to the quality and standards we expect of them. We believe strongly in positioning our supplier philosophy on good corporate conduct, sourcing and producing responsible quality products and influencing a win-win relationship worked on a platform of mutual benefit.

Just as we position ourselves as a responsible industry leader, we believe strongly that we must permeate the best practices we have within our business, the standards, integrity and compliance initiatives to our entire supply chain. This in effect, cascades to quality, productivity and standards overall being improved. We also emphasize among our supply chain and valued business partners the need to implement and promote business practices that not only encourage a safe workplace, but also request them 'to do right' by the environment, their employees and communities. In other words, we want them to, in turn, be responsible entities and individuals. Suppliers and business partners, once among the DCSL Group, are provided with further support and guidance, enabling improvement against these principles as the business relationship develops.

The suppliers who enter the DCSL Group are selected on pre-determined criteria that would position them and align them to our standards and principles. This conformance goes beyond compliance and would by no means involve us in engaging or aiding and abetting illegal or hazardous and dangerous activities. We want our suppliers to be partners with us, in joining us in our journey that will truly be one of mutual respect, understanding and trust.

We seek suppliers into our value chain who:

- will proactively support our efforts to combat illegal and illicit trade practices
- comply with laws and regulations pertaining to conducting business and environmental performance, occupational health and safety

- do not support or condone child labour, slavery, harassment, corporal punishment or discrimination of gender or any other denominator
- are cognizant of human rights and the rights of workers
- do not engage in any fraudulent or corrupt practices
- provide their teams with a safe and healthy work environment
- actively engage to empower the communities in which they operate

Dealing with Customers

A wide ranging product portfolio reaching out to a large and diverse customer coterie, naturally presents us with infinite opportunities for innovation, product development and exploiting trends. We engage our customers in numerous ways, nurturing and strengthening relationships to ensure that loyalty to brand and product will be unwavering. From face to face to ad hoc conversations, to conducting customer surveys to formal gatherings and informal events, we are constantly engaged with our consumer. It is this feedback and varied dialogue and communication channels we have created that have assuredly enabled us to charter our future plans.

In the beverages industry, our business is fundamentally about offering adult consumers a range of high quality products and brands with the necessary knowledge to make informed choices. We do not in any way coerce or inveigle our customers to stay with us and our portfolio of products by any illegal or unscrupulous means, but over the years, we have seen volume, demand and sales make spiraling upward trajectories, which can only point to the fact that our consumers recognise quality. Despite numerous challenges, including the prohibition of advertising and promotions which essentially sees us, though engaged in a legal industry forced to work in a dark market, prohibitive excise duties and constant taxation, our products have remained at the helm, which has thus driven us to continually exceed our customer's demands.

This year, innovation was burgeoning as flavoured arraks in mango, apple and lemon saw our consumers accept these with great relish. Mango was the newest flavour to be added. The prestigious Albert Bichot French Wines were also added to the range. With the North and East opening up, our penetration into these areas was aggressive with consumers, once again, preferring the quality we espoused to any other choice.

We are also aggressively vociferous in numerous forums to curb and annihilate the illicit and illegal liquor trade. We work on education and awareness initiatives among various forums to take the message of the hazards and dangers posed to the eventual consumer in drinking illicit brew or illegal liquor, given that the latter too has no guarantee of quality. We do believe it is our responsibility to ensure that consuming alcohol must be done responsibly, knowing that the product is manufactured to high standards and is a proven brand of quality.

In telecommunications, Lanka Bell began a concerted effort to expand its 1.3 million subscriber base, adding a plethora of benefits and value additions, while adding IT features to ensure uninterrupted service. While pre-paid customers gained a tariff reduction, post paid customers are also earmarked for some value additions. The fact that Bell Broadband has been named by the TRCSL as having the fastest most consistent fixed broadband download speeds also augurs well for the company in retaining and also adding to its customer base. Judging by the accolades that Lanka Bell received the last few years at the SLIM-AC Nielsen People's Awards, it could be concluded that customers are satisfied with the company's product and service offerings.

BellVantage also continued to grow its customer base adding a host of new clients into its Call Center business, while its software team also wheeled in some new high end customers. Offering the addition of infrastructure outsourcing services and international business into its service offerings, the company worked on a combination of competitive pricing, demonstration and excellent customer service to ensure sustainable success.

Meanwhile, Continental Insurance has certainly excelled in the very competitive insurance arena, becoming the fastest growing insurance company this year. Having embarked on an assertive customer service drive delivering innovative products and services, the company grew its customer base and volumes in exemplary fashion. The new products introduced including Medilink, a customised surgical and hospital expense benefit policy for the corporate sector and the timely intervention of the Directors and Officers Liability Insurance Policy, surely examples that the company is attuned to consumer needs and innovates its products with timely precision.

This identity element of customer retention is also well exampled in the workings of Collision Repair Centre, which despite having to contend with a volatile automobile market and high-end agents offering attractive incentives, retained and grew its customer base due to the quality professional service it continue to give.

Long term Sustainability Goals

1. Retain market leadership by ensuring that we work on high quality sustainable competitive advantages to infuse trust and loyalty among our customer base by evolving the business to be ahead of customer expectations, which in turn will deliver qualitative and quantitative sustainable returns

2. Never lose sight of the tenets of corporate stewardship; instill governance and regulatory best practices while exampling our commitment to being an ethical, transparent, accountable Group of companies

3. Be known as the preferred employer having the ability to attract and retain talented people, cementing them into a rewarding knowledge gaining culture, while assuring them of career enhancement in a responsible company they will be proud to be a part of

4. Create economic and social value among the communities we work with, supporting both the rural and urban economies and key industries that are earmarked to be drivers in national development

5. Be a Green Ideologue; an advocate who will address environmental issues and 'change' the direction of climate change, walking the talk to spread the need to reduce our carbon footprint and ensure a better planet for future generations

GRI Indicators

		Cross-reference - DCSL Annual Report 2011/12 Page No. / Direct answer
1. Strategy and Analysis		
1.1	Statement from the most senior decision- maker of the organisation.	16 - 21
1.2	Description of key impacts, risks, and opportunities.	71 - 73
2. Organisational Profile		
2.1	Name of the organisation.	Distilleries Company of Sri Lanka PLC
2.2	Primary brands, products, and/or services.	08
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	04
2.4	Location of organisation's headquarters.	Colombo, Sri Lanka
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	The Company operates primaraly in Sri Lanka
2.6	Nature of ownership and legal form.	Public Limited Company (Details inner back cover)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	32 - 39
2.8	Scale of the reporting organisation.	Large / Conglomerate, 1,389 employees. 3, 4, 42.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	32, 76, 112, 133
2.10	Awards received in the reporting period.	02
3. Report Parameters		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	01 April 2011 to 31 March 2012
3.2	Date of most recent previous report (if any).	This is the first Sustainability Report
3.3	Reporting cycle (annual, biennial, etc.)	Annual
3.4	Contact point for questions regarding the report or its contents.	Group Financial Controller
3.5	Process for defining report content.	42 - 58
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	42 - 58
3.7	State any specific limitations on the scope or boundary of the report	42 - 58
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	42 - 58
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	42 - 58
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Not applicable during the reporting period
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	None
3.12	Table identifying the location of the Standard Disclosures in the report.	Refer the GRI Indicator table p.59 to 63
3.13	Policy and current practice with regard to seeking external assurance for the report.	No external assurance has been obtained
4. Governance, Commitments, and Engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	64 - 66
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	64 - 66
4.3	State the number of members of the highest governance body that are independent and/or non-executive members.	64 - 66

GRI Indicators

		Cross-reference - DCSL Annual Report 2011/12 Page No. / Direct answer
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	64 - 66
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	64 - 66
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	64 - 66
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	64 - 66
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	42 - 58
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	42 - 58
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Process being drafted
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	None
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	None
4.14	List of stakeholder groups engaged by the organisation.	46
4.15	Basis for identification and selection of stakeholders with whom to engage.	46
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	46
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	42 - 58
Economic Performance Indicators		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Statement of Value Added 134
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	
EC3	Coverage of the organisation's defined benefit plan obligations.	
EC4	Significant financial assistance received from government.	No significant assistance from GoSL
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	

		Cross-reference - DCSL Annual Report 2011/12 Page No. / Direct answer
Environmental Performance Indicators		
EN1	Total amount of paper consumption by weight or volume	
EN2	Percentage of materials used that are recycled input materials.	
EN3	Direct energy consumption by primary energy source.	
EN4	Indirect energy consumption by primary source.	
EN5	Energy saved due to conservation and efficiency improvements.	48
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	48 - 49 (partially reported)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	49 (partially reported)
EN8	Total water withdrawal by source.	
EN9	Water sources significantly affected by withdrawal of water.	
EN10	Percentage and total volume of water recycled and reused.	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	
EN13	Habitats protected or restored.	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	49
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	
EN16	Total direct and indirect greenhouse gas emissions by weight.	
EN17	Other relevant indirect greenhouse gas emissions by weight.	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	
EN19	Emissions of ozone-depleting substances by weight.	
EN20	NOx, SOx, and other significant air emissions by type and weight.	
EN21	Total water discharge by quality and destination.	
EN22	Total weight of waste by type and disposal method.	
EN23	Total number and volume of significant spills.	No significant spills reported
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the BASEL Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	No such fines have been imposed
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	
EN30	Total environmental protection expenditures and investments by type.	

GRI Indicators

		Cross-reference - DCSL Annual Report 2011/12 Page No. / Direct answer
Social performance indicators: Labour practices and decent work		
LA1	Total workforce by employment type, employment contract, and region.	52
LA2	Total number and rate of employee turnover by age group, gender, and region.	50 - 51
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	52 - 53
LA4	Percentage of employees covered by collective bargaining agreements.	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	
LA9	Health and safety topics covered in formal agreements with trade unions.	
LA10	Average hours of training per year per employee by employee category.	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	52
LA12	Percentage of employees receiving regular performance and career development reviews.	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	
LA14	Ratio of basic salary of men to women by employee category.	
Social Performance Indicators: Human Rights		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	56 (partially reported)
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	
HR4	Total number of incidents of discrimination and actions taken.	No incidents reported
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	None reported

		Cross-reference - DCSL Annual Report 2011/12 Page No. / Direct answer
Social Performance Indicators: Society		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	
SO2	Percentage and total number of business units analysed for risks related to corruption.	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	
SO4	Actions taken in response to incidents of corruption.	
SO5	Public policy positions and participation in public policy development and lobbying.	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	No such contributions have been made
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	No such action has been taken
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	No such fines have been imposed
Social Performance Indicators: Product Responsibility		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	

Corporate Governance

ENTERPRISE GOVERNANCE

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

The principles of governance are applied effectively by the Board of Directors and is seen in the consistent growth performance of the Group, while also improving the long term return to stakeholders. Beyond the Board, the application of governance methodologies and the integration of governance into other organisational functions, we strongly believe has significantly benefited the long term performance of DCSL. To further augment our effective governance strategies we have implemented the following:

- Strive to achieve corporate objectives of managing strategy, risk and compliance to ensure long term returns to shareholders and other stakeholders
- Oversee business objectives including management of IT, sustainability, finance and project portfolio management to ensure sustainable consistent results
- Board of Directors remain emphatic on due diligence to ensure that accountability, transparency and sincerity of action
- Implementing a milieu of responsible and balanced corporate governance that enhances integrity and respect for the Company and ensures company's stewardship and stability in the industry and market
- Introduced a culture in which the entire organisation takes ownership for risk, compliance and performance

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

DCSL has a strong and sound foundation of sustainability principles that remain the overarching fundamentals in instituting and maintaining uncompromising governance practices and principles. The section of the report details the governance structure and the practices and guidelines DCSL has adopted in ensuring that we remain within the parameters of the numerous regulatory and authorised bodies that govern the industry and the company.

We stringently adhere to and comply with the mandates of the Colombo Stock Exchange and Securities & Exchange Commission of Sri Lanka, NATA, Excise Department, Central Bank of Sri Lanka and the Government Treasury, Institute of Chartered Accountants of Sri Lanka, Telecommunication Regulatory Commission of Sri Lanka, Insurance Board of Sri Lanka, Central Environmental Authority, relevant Ministry and departmental authorizations and regulations and numerous Codes introduced by Professional Associations and the Chamber of Commerce from time to time.

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

The Board of Directors

Role of the Board of Directors

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

The key responsibilities of the Board are;

- To enhance shareholder value
- Provide direction and guidance in formulating corporate strategies

Name of Director	Status	Attendance *
D.H.S. Jayawardena	Chairman / Managing Director	2/2
R.K. Obeyesekere	Non-Executive Director	1/2
C.R. Jansz	Executive Director	2/2
N de S. Deva Aditya	Independent Non Executive Director	1/2
K.J. Kahanda	Executive Director	2/2
C.F. Fernando	Independent Non Executive Director	2/2
A.N. Balasuriya	Independent Non-Executive Director	2/2

** In person or by alternate*

- Monitoring systems and procedures especially with regard to internal controls and risk management.
- Approving major investments

Composition of the Board and Independence

The Board of Directors of DCSL comprise the Chairman/Managing Director, two Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors as given in the table below. Brief profiles of the Directors are given on pages 24 to 25.

The Board considers that three of the four non executive directors are independent in accordance with the criteria detailed within the Listing Rules of the CSE and have submitted signed confirmations in this regard. The Board believes that the independence of N de S Deva Aditya is not compromised by virtue of him being a director of Aitken Spence PLC, an associate of the Company.

Meetings and Attendance

The attendance of the meetings of the Board during the year are given below:

Board Committees

Certain responsibilities of the Board have been delegated to the following sub-committees.

Audit Committee

The Audit Committee was reconstituted during the year due to changes in the Board. The Committee comprises three independent non-executive directors:

C. F. Fernando – Chairman
N de S. Deva Aditya
A. N. Balasuriya

The detailed report of the Audit Committee is on pages 80 to 81.

Remuneration Committee

The Remuneration Committee has three independent non-executive directors:

A. N. Balasuriya– Chairman
N de S. Deva Aditya
C. F. Fernando

Asset and Liability Committee

Asset and Liability Committee (ALCO) chaired by Mr. Amitha Gooneratne comprising directors and key management staff was established post balance sheet date. Hitherto, all financial matters of DCSL are deliberated and procedureised by the ALCO.

Investor Relations

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

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

Internal Controls

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

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

Going Concern

After an extensive review of the Group's corporate plan, budgets, capital expenditure requirements and future cash flows, the Board has taken a decision to apply the Going Concern principle in the preparation of the Financial Statements for 2011/12. Further, the Board is satisfied that the Group possesses the necessary funds for adequate liquidity and to sustain its operations for the foreseeable future.

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

Section	Applicable Rule	Compliance Status	Details
7.10.1	**Non-Executive Directors** At least one third of the total number of Directors should be Non-Executive Directors.	Complied	Four of the seven Directors are Non-Executive Directors
7.10.2(a)	**Independent Directors** Two or one third of Non-Executive Directors, whichever is higher, should be Independent.	Complied	Three of the four Non-Executive Directors are Independent
7.10.2(b)	**Independent Director's Declaration** Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Complied	
7.10.3(a)	**Disclosure relating to Directors** The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Complied	Please refer page 64
7.10.3(b)	**Disclosure relating to Directors** The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied	Please refer page 64
7.10.3(c)	**Disclosure relating to Directors** A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied	Please refer page 24 to 25
7.10.3(d)	**Disclosure relating to Directors** Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	Not Applicable	No new Directors were appointed during the year
7.10.4	**Remuneration Committee** A listed Company shall have a Remuneration Committee.	Complied	Please refer page 82
7.10.5(a)	**Composition of Remuneration Committee** Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Complied	All three are indipendent Non-Executive Directors
7.10.5(b)	**Functions of Remuneration Committee** The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Please refer page 82

Section	Applicable Rule	Compliance Status	Details
7.10.5(c)	**Disclosure in the Annual Report** The Annual Report should set out; a. Names of the Directors comprising the Remuneration Committee b. Statement of Remuneration Policy c. Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied Complied Complied	Please refer page 82 Please refer page 82 Please refer page 82
7.10.6	**Audit Committee** The Company shall have an Audit Committee	Complied	Please refer Audit Committee report on page 80 to 81
7.10.6(a)	**Composition** • Shall comprise of Non-Executive Directors a majority of whom will be Independent. • One Non- Executive Director shall be appointed as Chairman of the Committee • Chief Executive Officer and Chief Financial Officer shall attend Committee meetings • The Chairman or one member of the Committee should be a Member of a professional accounting body	Complied Complied Complied Complied	Please refer page 80 Please refer page 80 Please refer page 80 Please refer page 80
7.10.6(b)	**Functions** a. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards b. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements c. Overseeing the process to ensure that the Entity's internal controls and risk management, are adequate to meet the requirements of the Sri Lanka Accounting Standards/ IFRS migration d. Assessment of the independence and performance of the Entity's external auditors e. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors	Complied Complied Complied Complied Complied	Please refer Audit Committee report on page 80 to 81
7.10.6(c)	**Disclosure in Annual Report** • The names of the Directors comprising the Audit Committee • Basis of the determination of the Independence of the Auditors • Report by the Audit Committee setting out the manner of compliance by the Company.	Complied	Please refer Audit Committee report on page 80 to 81

Enterprise Risk Management

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

In the current market context, risk is defined as the probability or threat of a liability, loss or other negative occurrence, caused by external or internal vulnerabilities which would affect the desired

objectives of the organisation. This also means that stakeholder expectations must be worked into the organisations risk management strategy. Vulnerabilities could mean exposure that could trigger an adverse outcome and therefore, prevent the achievement of company objectives.

The process of risk management at DCSL involves analysing exposure to risks, by identifying vulnerabilities and their probability of occurrence, which determines the way we handle such exposure. This would therefore involve the implementation of numerous policies, procedures and practices that work in conjunction to identifying, analysing, evaluating, monitoring and prioritizing risks, which will follow the application of coordinated and economical solutions that minimise the probability and impact of identified vulnerabilities. Once identified, elimination, reduction, transfer and retention are the broad risk management strategies employed across DCSL.

Changes in Risk Profile

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

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

STRATEGIC ACTION PLAN

Board oversight coupled with a strong organizational ethic is the cornerstone of DCSL risk framework.

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

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

Enterprise Risk Management

Risk Management Framework

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

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

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

Risk & Implication	Mitigation Strategies
Credit Risk & Implication This risk ensues when a Group customer is unable to meet his financial obligations. Beverages is a cash business hence no credit risk. However, other group companies have custom rating and surveillance systems in place.	**Mitigation Strategies:** • Measure, monitor and manage credit risk for each borrower through clear credit approval procedures • Regularly review customer credit ratings Constantly update records to ensure complete awareness of borrower credit status
Legal and Regulatory Risk & Implication Risks arising from non conformance to statutory and regulatory requirements remains a reality due to the possibilities of changes to regulations and policies being sudden or constant. It also increases costs and liabilities due to these periodic regulatory changes. The nature of our liquor and telecommunications business continues to be subjected to a steady stream of changes in regulations and extensive regulatory requirements. The authorities have severely restricted liquor advertising and limited other forms of communication with consumers via promotional and distribution activities, all of which effect profitability.	**Mitigation Strategies** • Established a dedicated unit to keep abreast of all policy changes, to manage risk and ensure adherence to all regulations • Recruitment of ex-regulators to senior positions within the Group.
Investment Risk & Implication The Group handles significant investments which require smooth processing, monitoring and control. In this regard, there is stringent conformance by the Board in practicing due diligence.	**Mitigation Strategies** • The Chairman/Managing Director is tasked with tracking returns on Group investments with the assistance of the Head of Finance and Group Financial Controller • The Board develops policies and procedures to ensure that new investments and initiatives are subjected to mandatory compliance procedures. • Clearly formulated governance structures are instituted to extend robust support and guidance on principles related to capital expenditure processes and procedures • Regular reviews by Audit Committee and Internal Audit Division • Newly established ALCO with a wide mandate to review and take pro-active measures.
Human Risk & Implication This is risk arising from the inability to attract and retain skilled staff at middle to senior management levels. The migration of skilled workers, which is a phenomenon across most industry sectors, has created a brain-drain milieu and the Group remains at risk of losing key personnel to better job prospects overseas.	**Mitigation Strategies** • Maintaining above industry remuneration schemes • Skills upgrading • Professional growth avenues • Performance-based reward systems • Best practices being introduced and upgraded continually • Measures are taken to retain and minimise casual/ temporary labor turnover.

Enterprise Risk Management

Risk & Implication	Mitigation Strategies
Operational Risk & Implication Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The nature of our business renders us vulnerable to several common operational risks including fraud, human error, natural disasters, loss of data and unrequited disclosure of sensitive information.	**Mitigation Strategies** • A structured internal control framework implemented works through a state of the art MIS system, internal audit mechanism and insurance policies • A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences • Regular meetings are conducted to assess these risks • Contingency plans are in place to minimise work-stop situations
Socio-Economic Risk & Implication Given the government diktat in stifling and repressing the consumption of alcohol and tobacco, there is a very real threat being imposed on the Company's profitability and the perception of our business. In this milieu also exists a thriving of spurious liquor manufacturers, which naturally erodes our profitability base. A resurgent economy however should boost alcohol consumption and although we were impacted somewhat by the decline in disposable income during this year under review, we expect the next year to forge greater spend.	**Mitigation Strategies** • A committed Investigations Unit established to monitor and report illegal activities that challenge our business
Socio-Political Risk & Implication Socio-Political risk is the possibility of instability in a country or the world which would cascade to negatively impacting markets. Unrest of any kind could affect investor attitudes toward the markets in general, leading to disruption of business. Continuity of a cohesive policy towards business is a key element here.	**Mitigation Strategies** • Our diversified portfolio of businesses encompasses investments that will not be impacted. The only exception being was the enactment of the Revival of Underperforming Enterprises and Underutilised Assets Act that re-acquired land of Pelwatte Sugar Industries PLC. Here again, the impact was managed and legal redress is being sought.
Technology Risk & Implication Stemming from the failure of the Group's ICT systems where hardware, software and communications systems may have breakdowns, halts and herald lack of recovery, as a business that leverages strategically on ICT systems, we are very much aware of the potentiality of risk and the cascading negativities that could result to both business and profitability due to Technology Risk. The Group has identified system failures and theft of information as factors that can cause significant levels of operational, reputational and financial loss to the Group.	**Mitigation Strategies** • Implementation of stringent barriers including password protection and restricted access, stringent user guidelines, contingency plans and physical security measures closely monitored by the Central IT Unit. • Comprehensive back up and recovery systems in place • A robust ERP system is developed for the Company. Phased implementation of same across group companies.

Risk & Implication	Mitigation Strategies
Product Risk & Implication Product risk implies any negative impact or perceived impact of our products on stakeholders in general which could decrease our market share. There were no reported incidents of intoxication or health hazards arising from our range of liquor products.	**Mitigation Strategies** • Employing established operating procedures to review and approve all raw material prior to use, to ensure maintenance of quality control • Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity • Equipping our R&D Team with ample knowledge to field any technical questions about our products • Marketing and distribution procedures have complete control of the supply chain
Foreign Exchange Risk & Implication The risk of change to investment value due to fluctuating or volatile exchange rates could impact the importation of rectified spirits and foreign brands in our distilleries portfolio. In the year under review, the SLR was depreciated 3% and then subsequently free floated against the US dollar, which had an impact to our imports. However, except for plantations sector, DCSL remain largely immune to external rates of exchange as import volumes are minimal and our end users remain local.	**Mitigation Strategies** • Remaining acutely attuned to the frequent changes seen in foreign currency rates with our bankers • Appropriate currency hedge strategies are executed with bankers and inhouse expertise.
Cheaper Product, Counterfeiting and Unethical Competition Risk & Implication An increase in the import and in some cases smuggling and counterfeit of cheaper products that compete directly with our product portfolio could create an impact on our locally manufactured products, leading our products to be out priced in the market. This also endangers a reputational risk. The nature of the liquor business increases incidences of counterfeiting and smuggling of low quality or sub-quality liquor. The success of our brands also fuels a lucrative breeding ground for counterfeiters to indulge in illegal activity. However, the purity, safety and high quality of our brands have ensured that we retain a positive brand image. Any deliberate attempt to besmirch our integrity and brand image will have an adverse impact on our brand loyalty.	**Mitigation Strategies** • Ensuring our products are competitively priced and continue to retain the highest standards of quality in order to drive a loyal consumer base who disregard cheaper options • Our Investigations unit maintains close scrutiny on any counterfeit DCSL products in the market • Communicate and demonstrate to our consumers on measures and processes in identifying DCSL brands, authorised dealers and retailers • Continuing to improve manufacturing process which includes tamper proof bottles • Make every effort to sustain and enhance brand equity, ensuring that consumers are not cheated in any manner due to third party action • Co-operate with law enforcement bodies to curb illegal distillation

DIVERSIFICAT

FINANCIAL INFORMATION

DCSL is a solidly established yet fast growing diversified conglomerate. Our interests keep expanding. We build on our long heritage, yet stay vibrant in today's business world.

BROAD
TION.

Annual Report of the Board of Directors

The Board of Directors of Distilleries Company of Sri Lanka PLC has pleasure in presenting the 22 Annual Report and the Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2012.

Principal Activities

The principal activities of Distilleries Company of Sri Lanka PLC are distillation, manufacture and distribution of liquor products. The Company has also invested in a portfolio of diverse business enterprises comprising the DCSL Group.

Business Review

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

Amount Due from Secretary to the Treasury o/a of SLIC

As per the Judgment delivered by the Supreme Court of the Democratic Socialist Republic of Sri Lanka on 4 June 2009 it was declared and directed that the shares of SLIC purported to have been sold to Distilleries Consortium on 11 April 2003 along with any shares purchased from employees as per SSPA shall be deemed to have been held for and on behalf of the Secretary to the Treasury.

As directed by the said judgment, the Secretary to the Treasury returned Rs.5,716 Mn in 2010/11 that was paid by Group Subsidiary Milford Holdings (Pvt) Limited (MHL) to purchase shares from SLIC.

Furthermore, MHL was entitled to retain the profits of SLIC derived by MHL from 11 April 2003 to 04 June 2009 in lieu of the interest for the aforesaid investment. The Secretary to the Treasury was directed to cause profits of SLIC to be computed and audited from the date of the last audited Balance Sheet of SLIC to 04 June 2009 to enable MHL to obtain such profits.

However, Secretary to the Treasury has not yet determined the value of profits to be retained by MHL; hence no adjustments were made to the Financial Statements in this regard.

Melstacorp Limited

As part of the Group's restructuring initiative investment holdings in the following companies were structured into Company's fully owned Subsidiary Melstacorp Limited during the year.

Periceyl (Pvt) Limited
Milford Holdings (Pvt) Limited
Melsta Logistics (Pvt) Limited
Bogo Power (Pvt) Limited
Continental Insurance Lanka Limited
Splendor Media (Pvt) Limited

Further, a part of Land & Buildings and Motor Vehicle of the Company structured into Melstacorp Limited during the year, details of which are listed in Note 12 (b) to the Financial Statements.

Melstacorp Share Trust (Trustee) was created effective from 1st April 2011 for the holding of the company shares. Details are given in note 20.1 to the financial statements.

The Securities and Exchange Commission (SEC) had filed a case before the Colombo Fort Magistrate against the ten defendants including Melstacorp Limited on charges of having violated Section 52(1) (2) (3) of the SEC Act. Melstacorp Limited has filed an action in the Court of Appeal and the relief prayed thereof include the stay in proceedings of the case filed by the SEC.

Pelwatte Sugar Industries PLC

As per the Revival of Underperforming Enterprises and Underutilised Assets Act, land leased to Pelwatte Sugar Industries PLC (PSI PLC), a subsidiary of the Group was listed under the schedule II for re-possession. Consequent to the enactment and passage of the above Act of Parliament on 9 November 2011, state officials are occupying the land leased to PSI PLC. However, as the leasing of the land to PSI PLC was done in 1985, and the above mentioned Act empowers the vesting of land leased during a period of 20 years before the enactment of the Act, the Company believes that the land that was used by PSI PLC has not been vested in the state. At this moment we are unable to comment further on the implications on the ruling as we await instructions by the Secretary to the Treasury.

Further, PSI PLC financial results for the last six months ending 31 March 2012 have not been incorporated to Group results due to non-accessibility of information. Accordingly, non audited Financial Statements of the PSI PLC Group for the six month ended September 2011 have been used for the preparation of consolidated Financial Statements as at 31 March 2012.

Aitken Spence PLC

On 28 February 2012 the Group increased its investments in shares and voting interest in its Associate Company, Aitken Spence PLC to

39.67% (Value Rs.5.06 Bn). Following the purchase, Melstacorp Limited a subsidiary of the Group made a mandatory offer to acquire all the remaining shares of the same.

Melsta Regal Finance Limited

On 12 January 2012 Mestacorp Limited, a subsidiary of the Group acquired 100% stake of Melsta Regal Finance Limited formally known as First Barakah Investment Limited. The Company registered under the Finance Business Act No.42 of 2011 (Reg. No 40) as a Finance Company in Sri Lanka is in its early stages of formation and is geared to offer a complete range of financial services.

Results and Appropriations

The gross turnover of the Group in the year under review amounted to Rs.63,304 Mn. The Group profit after tax amounted to Rs.6,138 Mn.

The segmental analysis of the turnover and profit is provided in Note 36 to the Financial Statements.

The Board of Directors have recommended a dividend of Rs.3.00 per share (2010/11 - Rs.3.00 per share) for the financial year ended 31 March 2012, amounting to Rs.900 Mn. The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividends linked to long term performance, keeping in view the Company's need for capital for its growth plans and the intent to finance such plans through internally generated funds. An optimum debt/equity mix is warrented for DCSL given the volatility in money markets and fact that DCSL is taxed at high rate of 40%.

The Directors confirm that the Company satisfies the requirements of the Solvency Test in accordance with Section 56 (2) of the Companies Act No. 07 of 2007 on the payment of the proposed dividend. A solvency certificate in this regard has been sought from the Auditors.

Financial Statements

The Financial Statements of the Company and the Group for the year ended 31 March 2012 as approved by the Board of Directors on 29 August 2012 are given on pages 86 to 133.

Audit Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 85.

Accounting Policies

The accounting policies adopted in the preparation and presentation of the Financial Statements are given on pages 90 to 99. There were no material changes in the accounting policies adopted by the Group during the year under review except for the revaluation of fixed assets.

Investments

Total investments of the Company in subsidiaries, associates and other equity investments amounted to Rs.48,178 Mn (2010/11 – Rs.17,035 Mn). The details of the investments are given in Notes 15, 16 and 17 to the Financial Statements.

Property, Plant and Equipment

The net book value of property, plant and equipment of the Company and the Group as at 31 March 2012 was 3,457 Mn (2010/11 – Rs.4,590 Mn) and Rs.15,243Mn (2010/11 – Rs.14,494 Mn.

Total capital expenditure during the year for acquisition of Property, Plant and Equipment by the Company and the Group amounted to Rs.214 Mn (20010/11 – Rs.181 Mn) and Rs.2,110 Mn (2010/11 – Rs.5,775 Mn) respectively.

The details of Property, Plant and Equipment are given in Note 12 to the Financial Statements.

Stated Capital and Reserves

The stated capital of the Company as at 31 March 2012 was Rs.300 Mn consisting of an equal number of ordinary shares. There was no change in the stated capital during the year. The total Group Reserves as at 31 March 2012 amounted to Rs.36,351 Mn comprising of Capital Reserves of Rs.6,185 Mn and Revenue Reserves of Rs.30,166 Mn, the movement of which is disclosed in the Statement of Changes in Equity.

Internal Controls and Risk Management

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

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

At present DCSL is rolling out an ERP system across the Group. This is underway and will be fully functional by the end of reporting period ending 31 March 2013.

Post Balance Sheet Events

There are no material events or circumstances that have arisen since the Balance Sheet date that would

require adjustment, other than the information disclosed in Note 41 to the Financial Statements.

Employees

The number of persons employed by the Company and Group as at 31 March 2012 was 1,389 (2010/11 – 1,340) and 18,158 (2010/11 -19,954) respectively.

Board of Directors

The Board of Directors of the Company as at 31 March 2012 and their brief profiles are given on pages 24 to 25.

Veteran banker Mr. Amitha Goonaratne joined the Group as Director of several of our Group Companies and Alternate Director of Distilleries Company of Sri Lanka PLC in May 2012. The Board welcomes him to the Group and believes that he will undoubtedly add his significant experience and expertise to our future strategy.

Directors Standing for Re-election

In terms of Article 92 of the Articles of Association of the Company, Mr. N. de S. Deva Aditya and Dr. A. N. Balasuriya retire by rotation and being eligible are being recommended by the Board for re-election.

Further, in terms of section 210 of the Companies Act, Mr. D.H.S. Jayawardena who is over the age of 70 years has to be reappointed by the membership annually. Accordingly, notice has been given of a resolution in terms of section 211 of the Companies Act No. 07 of 2007 to propose the re-appointment of Mr. D.H.S. Jayawardena, notwithstanding the age limit of 70 years.

Also, in terms of section 210 of the Companies Act, Mr. C. F. Fernando who is over the age of 70 years has to be reappointed by the membership annually. Accordingly, notice has been given of a resolution in terms of section 211 of the Companies Act No. 07 of 2007 to propose the re-appointment of Mr. C. F. Fernando, notwithstanding the age limit of 70 years.

Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. This Annual Report also contains particulars of entries made in the Interest Register.

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in the Related Party Transactions under Note 35 to the Financial Statements. A Code of Business Conduct and Ethics along with other controls are in place to ensure that related party transactions involving directors, senior managers or their connected parties are conducted on an arm's length basis. The Directors to the best of their knowledge and belief hereby confirm compliance with this code.

Directors' Shareholdings

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

	As at 31 March 2012	As at 31 March 2011
D. H. S. Jayawardena	Nil	Nil
R. K. Obeyesekere	Nil	Nil
C. R. Jansz	Nil	Nil
N. de S. Deva Aditya	Nil	Nil
K. J. Kahanda	Nil	Nil
C. F. Fernando	2,062	2,062
A. N. Balasuriya	Nil	Nil

M/s. D. H. S. Jayawardena and R. K. Obeyesekere are shareholders of Milford Exports (Ceylon) Ltd. and Stassen Exports Limited, who hold significant stakes in the Company directly and indirectly. The shareholdings of these entities are available on page 137 of the Annual Report.

Directors' Remuneration

Directors' remuneration in respect of the Company for the year is given in Note 8 to the Financial Statements.

Share Information

Information relating to earnings, dividends, net assets and market value per share is given on pages 3. There were 11,937 registered shareholders holding ordinary voting shares as at 31 March 2012. The distribution and the composition of shareholdings are given on page 136 of this report.

Major Shareholdings

The details of the twenty major shareholders of the Company including the number of shares held by them are given on page 137 of the Annual Report.

Corporate Governance

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

Environment

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability. The Group's effort to conserve scarce and non-renewable resources are morefully described in the Sustainability Report.

Board Committees

The Board has appointed three Sub-Committees i.e. the Audit Committee, the Remuneration Committee and ALCO - Assets and Liability Committee. ALCO was constituted in May 2012 and its primary goal is to evaluate, monitor and approve practices relating to the risk aspects originating from financing/ investing activities of the Group and the management of liquidity.

The composition and responsibilities of the said Committees are detailed in the respective reports given on pages 80 to 82.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory obligations due to the government and its employees have been duly paid or adequately provided for in the Financial Statements as confirmed by the Statement of Directors' Responsibility.

Going Concern

The directors having reviewed the business plans, capital expenditure commitments and expected cash flows are satisfied that the Company and the Group have adequate resources to continue operations for the foreseeable future and therefore continue to adopt the going concern basis in preparing these Financial Statements.

Auditors

Messrs. KPMG, Chartered Accountants are deemed re-appointed, in terms of section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company. A resolution to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Total audit fees paid to Messrs. KPMG and other Auditors of Group companies are disclosed in Note 08 to the Financial Statements.

The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationship with the Company or its subsidiaries (other than that of Auditor) that would have an impact on their independence.

Annual General Meeting

The 22 Annual General Meeting of the Company will be held at the "Grand Ballroom" of Galadari Hotel, 64, Lotus Road, Colombo 01 on 28 September 2012 at 10.30 a.m. The Notice of Meeting appears on page 146 of the Annual Report.

For and on behalf of the Board of Directors,

D. H. S. Jayawardena
Chairman/ Managing Director

C. R. Jansz
Director

V. J. Senaratne
Company Secretary

29 August 2012

Colombo

Audit Committee Report

Composition

The Audit Committee, appointed by and responsible to the Board of Directors comprise three Independent Non-Executive Directors. The Chairman of the Committee is Mr. C .F. Fernando, a Senior Chartered Accountant and a former Managing Director of the Company. The other members of the Audit Committee comprise Mr. N. de S. Deva Aditya, Member of the European Parliament and Dr. Naomal Balasuriya, a renowned Motivational Speaker and Corporate Trainer. A brief profile of each member is given on pages 24 to 25.

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

Meetings

The Audit Committee met nine times during the year. Mr. N. de S. Deva Aditya could not attend any meetings during the year due to his engagements abroad. Nevertheless, Mr. Deva Aditya was kept informed of all the proceedings of the Audit Committee and his opinion was sought on important matters through his alternate on the Board. The attendance of the other members at these meetings are as follows:

Mr. C. F. Fernando	9/9
Dr. Naomal Balasuriya	9/9

The Group Financial Controller, Head of Finance and Chief Internal Auditor also attended these meetings by invitation when needed.

Terms of Reference

The Audit Committee Charter approved and adopted by the Board clearly sets out the terms of reference governing the Audit Committee ensuring highest compliance with the Corporate Governance Rules applicable to Listed Companies in accordance with the Rules of the CSE and the Code of Best Practice on Corporate Governance.

As allowed by the Listing Rules of the Colombo Stock Exchange, the Audit Committee of the Company, functions as the Audit Committee of each of the subsidiary companies which have not appointed a separate Audit Committee. All matters are dealt with through the Agenda of the Parent Company Audit Committee.

Activities and Responsibilities

Financial Reporting

The Committee reviewed and discussed the financial reporting system adopted by the Group in the preparation of its quarterly and annual financial statements with the Management and the External Auditors. Purpose being to ensure reliability of the processes and the consistency of the Accounting Policies adopted and its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

Internal Audit

The internal audit function of the Company was carried out by the Internal Audit Division. The Committee reviewed the effectiveness of the internal audit plan to ensure that it has been designed to provide reasonable assurance that the financial reporting system adopted by the Group can be relied upon in the preparation and presentation of the Financial Statements. The Committee also reviewed the findings of the Internal Auditors and their recommendations together with the management responses and regularly followed up the progress of the implementation of such recommendations in order to enhance the overall control environment.

External Audit

The Audit Committee met with the External Auditors to discuss the scope and the audit strategy including the coordination of the Group Audit. The Committee also reviewed the Report of the Auditors & Management Letters issued by them with and without the Management on separate occasions to ensure that no limitations have been placed on their independency of work and conduct of the audit.

The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard. The Committee has stipulated that the Lead Audit Partner is rotated every five years.

The Audit Committee has recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31 March 2013.

Compliance with Laws and Regulations

The Committee reviewed the quarterly compliance reports submitted by the relevant officers to ensure that the Group has complied with all statutory requirements.

Conclusion

The Audit Committee is satisfied that the Group's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies. Group assets are properly accounted for and adequately safeguarded.

C. F. Fernando
Chairman
Audit Committee

29 August 2012

Remuneration Committee Report

The Remuneration Committee of the Distilleries Company of Sri Lanka [DCSL], appointed and responsible to the Board of Directors, comprises of the following three Independent, Non Executive Directors namely Mr. C. F. Fernando, a Senior Chartered Accountant and former Managing Director of DCSL, Mr. Niranjan de S. Deva Aditya, Member of the European Parliament and Dr. Naomal Balasuriya, Motivational Speaker, who chairs the committee.

All members of this committee are free from all business and other relationships that may hamper their duties as members of this body. Brief profiles of these Directors are given on pages 24 to 25. Ms. Vijayanthi Senaratna, Company Secretary functions as the secretary to this committee.

Governed by the Remuneration Committee Charter, approved and adopted by the Board of Directors, this committee is responsible for determining the remuneration policy relating to the Chairman, Directors and Key Management Personnel of the company.

The committee formally met once during the year with all members being present. The Chairman/ Managing Director who is responsible for the overall management of the company assists the committee by providing necessary information and by participating in its deliberations by invitation.

The Remuneration Committee believes and believes strongly that the remuneration policy of DCSL should be in par with industry standards in order that the company will continue to attract, motivate and retain the "best of the best" with regards to professional and managerial talent.

This committee is also of the view that it should, could and would formulate policies that will enhance not only efficiency but also overall effectivity of the organization in order to ensure that the Distilleries Company of Sri Lanka PLC will continue to be amongst the "Top Ten" of the corporate sector of Sri Lanka.

Chairman,
Remuneration Committee

29 August 2012

Financial Information

Statement of Directors Responsibility

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of the affairs of the Company and its Subsidiaries as at the Balance Sheet date and the profit of the Company and its Subsidiaries for the financial year.

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

Further, the Directors confirm that the Financial Statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the Group to continue its operations and to facilitate planned future expansions and capital commitments.

The Directors have taken adequate measures to safeguard the assets of the Group and in this regard have established appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The External Auditors were provided with all information and explanations necessary to enable them to form their opinion on the Financial Statements.

The Directors are confident that the Company would satisfy the solvency test as mandated under Section 56 (2) of the Companies Act No. 07 of 2007 regarding the payment of the proposed dividend and have sought a Certificate of Solvency from its Auditors.

Compliance Report

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

By Order of the Board,

V. J. Senaratne

V. J. Senaratne
Company Secretary

29 August 2012

Independent Auditors' Report

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF DISTILLERIES COMPANY OF SRI LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Distilleries Company of Sri Lanka PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries as at 31 March 2012 which comprise the balance sheet as at 31 March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 86 to 133 of this annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except for the matters mentioned in the group opinion paragraph. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion - Group

As described in note 38 to the Financial Statements, consequent to the enactment and passage of the Revival of Underperforming Enterprises and Underutilized Assets Bill of parliament on 09 November 2011, recoverability of investment made in Pelwatte Sugar Industries PLC group (PSIP) amounting to Rs.926.5 Mn. by its fully own subsidiary Melstacorp Ltd is doubtful. However no provision has been made in the financial statements of Melstacorp Ltd in this regard as at 31 March 2012.

Goodwill as at the balance sheet date includes an amount of Rs.650.6 Mn. recognized in respect of the acquisition of Pelwatte Sugar Industries PLC and its subsidiaries in 2010/2011. However no provision has been made for the impairment as at 31 March 2012.

Further last six months results of PSIP ending 31 March 2012 have not been incorporated to the group results due to non accessibility of the information. The first six months profits amounting to Rs.821.7 Mn. of Pelwatte Sugar Industries PlC group for the period ended 30 September 2011 and the net assets as at 30 September 2011amounting to Rs.1.63 Bn. which includes minority interest have been incorporated in the consolidated financial statements of the group based on the un-audited financial statements. Therefore we were unable to satisfy ourselves as to the completeness and accuracy of the amounts included in the consolidated financial statements in respect of the above as at 31 March 2012.

As described in note 20.1 to the financial statements Trade and Other receivable of the group includes Rs.1.366 Bn receivable from Melstacorp Limited Share Trust. However As at the balance sheet date share ownership has not been transferred under the name of the Trust and the terms of loan and recoverability not determined.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matters mentioned in the opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) as appropriate of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS
Colombo,
29 August 2012.

Income Statements

For the Year Ended 31 March,	Notes	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
Gross Revenue	4	**63,304,208**	46,751,939	**49,135,563**	38,987,124
Net Revenue	4	**27,154,101**	20,172,641	**15,275,878**	13,522,778
Cost of Sales, Benefits & Losses		**(14,841,176)**	(9,498,287)	**(8,422,309)**	(7,401,422)
Gross Profit		**12,312,925**	10,674,354	**6,853,569**	6,121,356
Investment & Other Income	5	**1,426,001**	4,545,497	**1,635,597**	4,673,047
Distribution Expenses		**(1,853,791)**	(1,865,805)	**(199,541)**	(164,063)
Administrative Expenses		**(3,180,838)**	(2,897,450)	**(788,656)**	(578,144)
Other Operating Gain/(Loss)	6	**(414,333)**	(2,866)	**(227,850)**	(2,866)
Profit from Operations		**8,289,964**	10,453,730	**7,273,119**	10,049,330
Finance Expenses	7	**(674,572)**	(394,156)	**(338,067)**	(77,311)
Share of Profit of Equity Accounted Investees	16.1	**1,449,067**	702,292	**-**	-
Profit Before Taxation	8	**9,064,459**	10,761,866	**6,935,052**	9,972,019
Tax Expenses	9	**(2,926,756)**	(2,424,356)	**(2,608,238)**	(2,203,265)
Profit for the Year		**6,137,703**	8,337,510	**4,326,814**	7,768,754
Attributable to					
Equity Holders of the Company		**5,675,371**	8,124,035	**4,326,814**	7,768,754
Minority Interest		**462,332**	213,475	**-**	-
Profit for the Year		**6,137,703**	8,337,510	**4,326,814**	7,768,754
Earnings per Share (Rs.)	10	**18.92**	27.08	**14.42**	25.90
Dividend per Share (Rs.)	11	**3.00**	3.00	**3.00**	3.00

Notes from Pages 90 to 133 form an integral part of these Financial Statements

Figures in brackets indicate deduction

Balance Sheets

As at 31 March,	Notes	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	12	**14,908,381**	14,140,635	**3,457,053**	4,590,446
Leasehold Properties	13	**334,934**	353,325	**-**	-
Intangible Assets	14	**2,332,311**	2,384,812	**-**	-
Investment in Subsidiaries	15	**-**	-	**37,383,240**	7,346,923
Investments in Equity Accounted Investees	16	**19,261,422**	12,196,832	**8,258,094**	8,272,307
Long Term Investments	17	**641,594**	44,150	**3,000**	3,000
Goodwill on Acquisition	18	**1,377,878**	1,032,012	**-**	-
Deferred Tax Assets	27.2	**185,061**	154,001	**10,223**	-
Advance Lease Premium		**200**	1,400	**-**	-
		39,041,781	30,307,167	**49,111,610**	20,212,676
Currents Assets					
Short Term Investments	17	**11,839,602**	2,453,111	**2,534,152**	1,413,155
Inventories	19	**5,797,830**	4,665,580	**2,086,176**	2,006,559
Trade & Other Receivables	20	**8,171,167**	5,940,581	**3,342,022**	2,684,718
Amounts Due from Subsidiaries	21	**-**	-	**754,845**	247,737
Amounts Due from Associate and Related Companies	22	**477,827**	93,042	**459,132**	55,433
Short Term Deposits	23	**1,308,447**	8,012,193	**90,443**	5,392,789
Cash & Cash Equivalents	24	**666,623**	621,639	**272,010**	314,032
		28,261,496	21,786,146	**9,538,780**	12,114,423
Assets held for Sale	40	**508**	26,895	**-**	-
Total Assets		**67,303,785**	52,120,208	**58,650,390**	32,327,099
EQUITY AND LIABILITIES					
Equity					
Stated Capital	25	**300,000**	300,000	**300,000**	300,000
Capital Reserves		**6,184,567**	6,035,128	**2,506,973**	2,923,650
Revenue Reserves		**30,166,054**	25,300,673	**25,877,916**	21,718,069
Total Equity Attributable to Equity Holders of the Company		**36,650,621**	31,635,801	**28,684,889**	24,941,719
Minority Interest		**3,582,991**	3,160,059	**-**	-
Total Equity		**40,233,612**	34,795,860	**28,684,889**	24,941,719
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	26	**1,475,103**	705,418	**895,000**	-
Deferred Tax Liabilities	27.1	**510,862**	480,486	**-**	160,132
Retirement Benefit Obligations	28	**1,104,630**	1,038,779	**116,106**	109,991
Deferred Income	29	**241,135**	255,633	**-**	-
		3,331,730	2,480,316	**1,011,106**	270,123
Current Liabilities					
Trade and Other Payables	30	**11,369,674**	9,524,238	**6,704,634**	5,756,827
Amount Due to Related Companies and Subsidiaries	31	**67,192**	163,003	**12,473,128**	30,650
Income Tax Payable		**1,287,682**	1,262,471	**956,598**	1,073,202
Interest Bearing Loans & Borrowings	26	**11,013,895**	3,894,320	**8,820,035**	254,578
		23,738,443	14,844,032	**28,954,395**	7,115,257
Total Equity and Liabilities		**67,303,785**	52,120,208	**58,650,390**	32,327,099
Net Assets per Share (Rs.)		**122.17**	105.45	**95.62**	83.14

Notes from pages 90 to 133 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

I certify that the Financial Statements have been prepared in compliance with the requirements of Companies Act No. 07 of 2007.

N.N.Nagahawatte
Head of Finance

The Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board;

D.H.S Jayawardena
Chairman/ Managing Director

C.F. Fernando
Director

29 August 2012

Statement of Changes in Equity

Consolidated	Attributable to Equity Holders of the Company								
	Stated Capital Rs.'000	Capital Reserves Rs.'000	Capital Reserve on Scrip Issue Rs.'000	General Reserves Rs.'000	Exchange Fluctuation Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000	Minority Interest Rs.'000	Total Rs.'000
Balance as at 1 April 2010 as restated	300,000	1,624,253	1,095,538	7,567,972	89,603	10,085,104	20,762,469	1,209,799	21,972,268
Dividend paid to Minority Shareholders	-	-	-	-	-	-	-	(16,795)	(16,795)
Effect of acquisitions, disposals, change accounting policies and change in percentage holding in subsidiaries	-	282,417	-	-	-	352,420	634,737	1,753,580	2,388,417
Surplus on Revaluation	-	3,082,590	-	-	-	-	3,082,590	-	3,082,590
Deferred Tax	-	(171,322)	-	-	-	-	(171,322)	-	(171,322)
Currency Translation Reserve- Associate	-	-	-	-	-	(18,460)	(18,460)	-	(18,460)
Surplus on Revaluation- Associate	-	121,652	-	-	-	-	121,652	-	121,652
Dividend Paid (2009/10)	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Dividend Paid (2010/11)	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Profit for the year	-	-	-	-	-	8,124,035	8,124,035	213,475	8,337,510
Balance as at 31 March 2011	**300,000**	**4,939,590**	**1,095,538**	**7,567,972**	**89,603**	**17,643,098**	**31,635,801**	**3,160,059**	**34,795,860**
Balance as at 1 April 2011	**300,000**	**4,939,590**	**1,095,538**	**7,567,972**	**89,603**	**17,643,098**	**31,635,801**	**3,160,059**	**34,795,860**
Dividend paid to Minority Shareholders							-	(27,702)	(27,702)
Effect of acquisitions, disposals, change accounting policies and change in percentage holding in subsidiaries	-	-	-	-	-	(52,170)	(52,170)	(70,061)	(122,231)
Surplus on Revaluation	-	41,716	-	-	-	-	41,716	58,283	99,999
Direct Cost on Share Issue	-	-	-	-	-	(177,660)	(177,660)	-	(177,660)
Currency Translation Reserve- Associate	-	-	-	-	169,920	-	169,920	-	169,920
Surplus on Revaluation- Associate	-	107,723	-	-	-	-	107,723	-	107,723
Adjustments on Negative Minority Interest	-	-	-	-	-	(80)	(80)	80	-
Dividend Paid (2010/11)	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Profit for the year	-	-	-	-	-	5,675,371	5,675,371	462,332	6,137,703
Balance as at 31 March 2012	**300,000**	**5,089,029**	**1,095,538**	**7,567,972**	**259,523**	**22,238,559**	**36,650,621**	**3,582,991**	**40,233,612**

Company	Stated Capital Rs.'000	Capital Reserves Rs.'000	General Reserves Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
Balance as at 1 April 2010	300,000	107,882	8,210,000	6,639,315	15,257,197
Dividend Paid	-	-	-	(900,000)	(900,000)
Revaluation Reserve	-	2,987,090	-	-	2,987,090
Deferred Tax	-	(171,322)		-	(171,322)
Net Profit	-	-	-	7,768,754	7,768,754
Balance as at 31 March 2011	**300,000**	**2,923,650**	**8,210,000**	**13,508,069**	**24,941,719**
Balance as at 31 April 2011	**300,000**	**2,923,650**	**8,210,000**	**13,508,069**	**24,941,719**
Adjustment	-	-	-	-	-
Transfer to Retained Earnings	-	(583,033)	-	583,033	-
Deferred Tax	-	166,356	-	-	166,356
Dividend Paid	-	-	-	(750,000)	(750,000)
Net Profit	-	-	-	4,326,814	4,326,814
Balance as at 31 March 2012	**300,000**	**2,506,973**	**8,210,000**	**17,667,916**	**28,684,889**

Notes from Pages 90 to 133 form an integral part of these Financial Statements

Figures in brackets indicate deduction

Cash Flow Statements

For the Year Ended 31 March,	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
Cashflows From Operating Activities				
Profit before Taxation	**9,064,459**	10,761,866	**6,935,052**	9,972,019
Adjustment for				
Depreciation/Amortisation Property, Plant & Equipment	**1,683,708**	2,882,169	**188,047**	153,440
Provision for Retirement Gratuity	**175,899**	457,814	**19,735**	7,716
Interest Expenses	**674,572**	394,156	**338,067**	77,311
Interest Income	**(703,469)**	(232,522)	**(334,251)**	(152,077)
Dividend Income	**(334,721)**	(152,075)	**(408,206)**	(274,790)
Gain on disposal of Property,Plant & Equipment	**(55,664)**	(36,829)	**(453,165)**	(28,833)
Amortisation of Deferred Income	**(13,776)**	(14,689)	**-**	-
Provision for Inventories	**62,019**	41,243	**-**	-
Reversal of Provision for Inventories	**-**	(67,450)	**-**	-
Provision for Bad & Doubtful Debts	**288,398**	32,954	**-**	6,327
Reversal of Provision for Bad & Doubtful Debts	**-**	(166,968)	**-**	-
Gain on Disposal of Shares	**(45,547)**	(3,871,371)	**(345,367)**	(4,162,730)
Share of Profit of Equity Accounted Investees	**(1,449,067)**	(702,292)	**-**	-
Reversal of Provision for Fall in Value of Investments	**414,333**	2,866	**227,850**	2,866
Operating Profit before Working Capital Changes	**9,761,144**	9,328,872	**6,167,762**	5,601,249
(Increase)/Decrease in Inventories	**(1,194,269)**	(893,708)	**(79,618)**	(114,253)
(Increase)/Decrease in Receivables	**(2,903,769)**	5,056,032	**(2,283,669)**	(601,078)
Increase/(Decrease) in Payables	**1,749,625**	1,843,165	**1,274,117**	1,045,097
Cash Generated from Operations	**7,412,731**	15,334,361	**5,078,592**	5,931,015
Interest Paid	**(674,572)**	(394,156)	**(338,067)**	(77,311)
Income Tax Paid	**(2,902,887)**	(1,362,459)	**(2,725,022)**	(1,569,488)
Retiring Gratuity Paid	**(110,048)**	(95,664)	**(13,620)**	(9,139)
Net Cash Flow from Operating Activities	**3,725,224**	13,482,082	**2,001,883**	4,275,077
Cash Flow from Investing Activities				
Acquisition of Shares and Other Investments	**(16,006,923)**	(13,161,712)	**(16,534,815)**	(9,964,305)
Acquisition of Property, Plant & Equipment	**(2,346,652)**	(6,114,266)	**(318,180)**	(238,540)
Investment in Subsidiaries	**(152,782)**	-	**-**	-
Grants Received	**-**	31,020	**-**	-
Dividends Received	**334,721**	152,075	**408,206**	274,790
Proceeds on Disposal of Property, Plant & Equipment	**121,754**	299,264	**37,826**	28,833
Proceeds on Disposal of Shares and Other Investments	**195,865**	11,806,477	**33,953**	10,994,195
Interest Received	**703,469**	232,522	**334,251**	152,077
Net Cash Flow Used in Investing Activities	**(17,150,548)**	(6,754,620)	**(16,038,759)**	1,247,050
Cash Flow from Financing Activities				
Dividend Paid/(Investment made by) Minority	**(27,702)**	(16,795)	**-**	-
Direct Cost on Share Issue	**(177,660)**	-	**-**	-
Term Loan Received	**2,560,172**	520,540	**2,000,000**	-
Repayments of Loans	**(1,232,402)**	(1,597,131)	**(85,000)**	-
Dividend Paid	**(750,000)**	(900,000)	**(767,949)**	(875,775)
Net Cash Flow from Financing Activities	**372,408**	(1,993,386)	**1,147,051**	(875,775)
Net Increase/(Decrease) in Cash & Cash Equivalent during the year	**(13,052,916)**	4,734,075	**(12,889,825)**	4,646,352
Cash & Cash Equivalents				
At the beginning of the year	**5,773,215**	1,039,140	**5,452,243**	805,891
Net movement during the year	**(13,052,916)**	4,734,075	**(12,889,825)**	4,646,352
At the end of the year (Note A)	**(7,279,701)**	5,773,215	**(7,437,582)**	5,452,243
Note A-Cash and Equivalents are as follows				
Short Term Deposits (Note 23)	**1,308,447**	8,012,193	**90,443**	5,392,789
Cash in Transit (Note 24)	**128,377**	139,579	**128,377**	139,579
Cash in Hand & Bank (Note 24)	**538,246**	482,060	**143,633**	174,453
Bank & Other Borrowings (Note 26)	**(9,254,771)**	(2,860,617)	**(7,800,035)**	(254,578)
	(7,279,701)	5,773,215	**(7,437,582)**	5,452,243

Notes from Pages 90 to 133 form an integral part of these Financial Statements
Figures in brackets indicate deduction

Notes to the Financial Statements

1. Reporting Entity

Distilleries Company of Sri Lanka PLC (Company), is a quoted Public Limited Company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at 110, Norris Canal Road, Colombo 10.

The consolidated Financial Statements of Distilleries Company of Sri Lanka PLC, as at and for the year ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in Associates. The principal activity of the Company is distillation, manufacture and distribution of liquor products. Description of the nature of the operations and principal activities of the Subsidiaries and Associates are given in Note 16.

The immediate and ultimate parent entity of Distilleries Company of Sri Lanka PLC is Milford Exports (Ceylon) Limited.

The Financial Statements of all the companies in the Group other than those mentioned in Note 16 to the Financial Statements are prepared for a common financial year, which ends on 31 March.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company and the Group comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the Financial Statements. These Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No. 07 of 2007.

The Financial Statements were authorised for issue by the Directors on 29 August 2012.

2.2 New Accounting Standards Issued but Not Effective as at Balance Sheet Date

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become effective for financial periods beginning on or after 1 January 2012. Accordingly, these Standards have not been applied in preparing these Financial Statements as they were not effective for the year ended 31 March 2012.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The Company is currently in the process of evaluating the potential effects of these Standards on its Financial Statements and the impact on the adoption of these Standards have not been quantified as at Balance Sheet date.

2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except land and buildings and short-term investments are measured / stated at fair value as explained in the relevant Notes to the Financial Statements.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless stated otherwise.

2.5 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with SLAS requires management to make judgements, 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 those estimates and judgemental decisions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Significant Accounting Policies

Accounting Policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements.

The Accounting Policies have been applied consistently by the entities in the Group. Where applicable and deviations if any, have been disclosed accordingly.

3.1 Basis of Consolidation

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities which is evident when the Group controls the composition of the Board of Directors of the entity or hold more than 50% of issued shares of the entity or hold more than 50% of voting rights of the entity and is entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profit or capital.

The Financial Statements of Subsidiaries are included in the consolidated Financial Statements when control effectively commences and until control effectively ceases.

Further, the AION SG Residencies (Pvt) Ltd. has not been considered as a subsidiary of DCSL, as its operations were suspended in March 2009. Therefore, it was decided to provide for this investment in full and has been de-consolidated since it does not generate a real value to the shareholders of the Company under section 153(6) of the Companies Act No. 7 of 2007.

3.1.2 Minority Interests

Minority interest is measured at the minorities' share of the post acquisition fair value of the identifiable assets and liabilities of the acquired entity. Separate disclosure is made of minority interests.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group and are recorded in the Income Statement. Purchases from minority interests result in goodwill being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the Subsidiary.

3.1.3 Associates (Equity Accounted Investees)

Associates are those entities in which the Group has significant influence, but no control, over financial and operating policies generally accompanying a shareholding of between 20% and 50% of voting rights except as stated in Note 16.1 to the Financial Statements. Investments in Associates are accounted for using the equity method. The consolidated Financial Statements include the Group's share of income and expenses of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceed its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

3.1.4 Reporting Date

All the Group's Subsidiaries and Associate Companies have a common financial year end other than Periceyl (Pvt) Ltd., Continental Insurance Lanka Ltd., Balangoda Plantations PLC and Madulsima Plantations PLC, Melsta Regal Finance Limited (Formerly known as First Barakah Investments Ltd.), whose financial year ends on 31 December. The difference between the reporting date of the above companies and that of the parent does not exceed three months but adjustments are made for any significant transactions or events up to 31 March.

3.1.5 Transactions Eliminated On Consolidation

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated Financial Statements. Unrealised gains arising from transactions with Associates are eliminated against the investment in the Associate, to the extent of the Group's interest in the enterprise.

3.1.6 Loss of Control

Upon the loss of control, the Group de-recognises the assets and liabilities of the Subsidiaries, any minority interests and the other components of equity related to the Subsidiaries. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous Subsidiary, then such interest is measured at carrying amount at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.7 Foreign Currency Translation

Transactions in foreign currencies are translated into Rupees at the rate of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rate of exchange prevailing at the date of the Balance Sheet. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are included in the Income Statement.

3.2 Property, Plant & Equipment

3.2.1 Freehold Assets

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

The cost of property, plant & equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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.

Carrying amount of property, plant & equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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

3.2.2 Leased Assets

Leases in terms of which the Group assumes that substantially of all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value or the present value of minimum lease payments at the inception less accumulated depreciation and accumulated impairment losses. Other leases are operating leases and are not recognised in the Group's Balance Sheet.

3.2.3 Investment Property

Properties held to earn rental income, and properties held for capital appreciation have been classified as investment property. Investment properties are initially measured at its cost including related transaction costs. The group opts the cost model and it is therefore carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are de-recognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses retirement or disposal are

recognised in the income statement in the year of retirement or disposal. Transfers are made to investment property, when there is a change in use. Where group companies occupy a significant portion of investment property of a subsidiary, such investment properties are treated as property, plant & equipment the consolidated financial statements, and accounted for as per SLAS 18 Property, Plant & Equipment.

3.2.4 Depreciation

Depreciation is recognised in profit and loss on a straight line basis over the estimated useful lives of each part of an item of property, plant & equipment. Freehold land is not depreciated. Assets held under finance lease are depreciated over the shorter of the lease term or the useful lives of equivalent owned assets.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

The principal annual rates used for this purpose, which are consistent with that of the preceding years are:

Freehold Buildings	5%
Plant, Machinery & Equipment	10%
Furniture, Fittings, Office Equipment & Fire Fighting Equipment	10%
Vats & Casks	10%
Oil Storage Tanks	10%
Computers	33 1/3%
Motor Vehicles	25%
Empty Drums	50%
Kitchen Equipment	10%
Soft Furnishing, Crockery, Cutlery and Glassware	20%

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

3.2.5 Operating Leases

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

3.2.6 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of Group's share of the net identifiable assets of the acquired Subsidiary at the date of acquisition. Goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstance indicate that it might be impaired; and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of loan generating units that are expected to benefit from the business combination in which goodwill arose.

3.2.7 Investments

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees.

(a) Short Term Investments

Quoted Shares, Quoted Debt Instruments and Unit Trust Investments

Quoted shares, quoted debt instruments and unit trust investments are stated at lower of cost or market value determined on an individual investment basis in total, with any resultan gain or loss recognised in profit & loss.

Market value is calculated by reference to closing share value as at the Balance Sheet date published by the Colombo Stock Exchange.

Investments in Government Securities

Investments in treasury bills, treasury bonds, loans to the government and repurchase agreements are stated at cost and interest is accrued up to year end.

(b) Long Term Investments

Quoted and unquoted investments held on long term basis are classified as non-current investments and are measured at cost less impairment losses. The cost of the investment is the cost of acquisition inclusive of brokerage and cost of transaction.

Provision for impairment is made in the Income Statement, when there has been a decline other than temporary in the value of investments, determined on individual basis.

3.2.8 Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The general basis on which cost is determined is: all inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.

Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate shares of production overhead based on normal operating capacity.

3.2.9 Trade and Other Receivables

Trade receivables are recognised at the amounts that they are estimated to realise less provision for doubtful debts. A provision for doubtful debts on trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original term of receivables. Significant financial difficulties of the debtor, probability that the debtors will enter bankruptcy or financial reorganisation and default or delinquency in payment are considered as indicators that trade receivable is doubtful. The amount of the provision is the difference between the asset's carrying amount and the estimated realisable value. The amount of the provision is recognised in the Income Statement within selling and distribution cost when a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

3.2.10 Cash and Cash Equivalents

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

3.2.11 Impairment

The carrying amounts of the Group's 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. For goodwill that has indefinite life, recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that it might be impaired.

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss in respect of goodwill is not reversed.

3.3 Liabilities and Provisions

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the balance sheet date. Non-current liabilities are those balances that fall due for payment later than one year from the balance sheet date.

All known liabilities have been accounted for in preparing the Financial Statements.

3.3.1 Employee Benefits

3.3.1.1 Defined Benefit Plan – Gratuity

Provision has been made for retirement gratuities using "Project Unit Credit" (PUC) method as recommended by SLAS (Revised 2006) "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash flows based on the actuarial

valuation carried out. The actuarial gains and losses are charged or credited to the Income Statement in the period in which they arise. The assumptions based on which the results of actuarial valuation was determined are included in Note 28.3 to the Financial Statements.

The Company expects to carry out actuarial valuation once in every three years. The liability is not externally funded.

However, according to the payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arise only on the completion of 5 years of continued service with the Company.

3.3.1.2 Defined Contribution Plan - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post employment benefit plan under which an entity pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employers' contribution to defined contribution plans are recognised as an expense in the Income Statement when incurred.

3.3.2 Provisions, Contingent Assets and Contingent Liabilities

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

3.3.3 Commitments

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

3.3.4 Trade and Other Payables

Trade and other payables are stated at their cost.

3.4 Income Statements

For the purpose of presentation of the Income Statement, the function of expenses method is adopted, as it represents fairly the elements of Company performance.

3.4.1 Revenue

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

Interest income is recognised in profit and loss as it accrues.

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

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

Gains and losses on the disposal of investments held by the Group has been accounted for in the Income Statement.

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

3.4.2 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the profit and loss in the year in which the expenditure is incurred.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

3.4.2.1 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalised as part of that asset. The amount of borrowing costs eligible for capitalisation is determined in accordance with SLAS 20 – Borrowing Costs – Allowed Alternative Treatment.

3.4.2.2 Finance Income and Expenses

Finance income comprises gains on translation of foreign currency. A finance cost comprises interest payable on borrowings and losses on translation of foreign currency. The interest expense component of finance lease payments is recognised in the Income Statement.

3.4.2.3 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Income Tax

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No.10 of 2006 and amendments made thereto.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred Tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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.

Tax withheld on dividend income from subsidiaries and associates is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

3.5 General

3.5.1 Events Occurring after the Balance Sheet Date

All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.5.2 Earnings Per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.5.3 Segmental Reporting

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

The activities of the segments are described in Note 36 to the Financial Statements.

3.5.4 Comparative Figures

Where necessary comparative figures have been reclassified to conform to the current year's presentation.

3.5.5 Grants and Subsidies

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

Grants related to income are recognised in the Income Statement in the period in which it is receivable.

3.5.6 Pricing

The Group transfers products from one industry segment for use in another. These transfers are based on cost / fair market prices.

3.6 Policies Specific to the Plantation Sector

The significant accounting policies of Balangoda Plantations PLC are given below. No adjustments have been made in respect of accounting policies, which differ, from that of the Group, since the nature of operations of this Company is significantly different from that of the rest of the Group.

3.6.1 Immature & Mature Plantations

The cost of replanting and new planting are classified as immature plantations up to the time of harvesting the crop.

Further the general charges incurred on the plantations are apportioned based on the labour days spent on respective replanting and new planting and capitalised on the immature areas. The remaining portion of general charges is expensed in the accounting period in which it is incurred.

The cost of areas coming into bearing are transferred to mature plantations and depreciated over their estimated useful life.

3.6.2 Infilling Cost

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalised in accordance with SLAS No 32 - "Plantations" and depreciated over the useful life at rates applicable to mature plantations.

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

3.6.3 Depreciation

Depreciation is provided on a straight line basis over the estimated useful lives of property, plant & equipment other than freehold land as follows;

Buildings	2.5%
Plant & Machinery	7.5%
Furniture & Fittings	10.0%
Motor Vehicles	20.0%
Sanitation, Water Supply and Land improvement	5.0%
Equipment	12.5%
Replanting & New Planting – Tea	3.0%
Replanting & New Planting – Rubber	5.0%

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

3.6.4 Leased Assets

Leasehold property comprising of land use rights obtained on a long term basis is stated at recorded carrying values as at the effective date of SLAS 19 - "Leases", in line with ruling of Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortised over the remaining lease term or useful life of the leased property whichever is shorter. No further revaluation of these leasehold properties will be carried out.

Leasehold rights are being amortised / depreciated in equal annual amounts over the following periods;

Bare Land	53 years
Buildings	25 years
Machinery	15 years
Mature Plantations	30 years

3.6.5 Inventories

Inventories other than produced stocks are valued at the lower of cost or estimated net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for cost of realisation and/ or cost of conversion from their existing state to saleable condition.

Input Material	At average cost
Growing Crop	At the cost of direct materials
Nurseries	Direct labour and an appropriate proportion of directly attributable overheads
Harvested Crop	Valued at estimated selling price or since realised price
Spares & Consumables	At actual cost

3.7 Policies Specific to the Telecommunication Sector

3.7.1 Revenue Recognition

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

Revenue is recognised when persuasive evidence exist, usually in the form of an executed sales agreement, that the significant risks & rewards of ownership have been transferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the service rendered, and the amount of revenue can be measured reliably.

The criteria used for recognition of revenue are as follows:

(a) Domestic and International Call Revenue and Rental Income

Revenue for all time usage by customers is recognised as revenue as service are performed, with unbilled revenue resulting from services already provided accrued at the end of each period.

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

(b) Connection Fees

The connection fees relating to Code Divisional Multiple Access (CDMA) connections are recognised.

(C) Prepaid Card Revenue

Revenue from the sale of prepaid credit on CDMA, Internet is recognised upon activation of the said card.

3.7.2 Property, Plant & Equipment

Depreciation

Depreciation is charged to the Income Statement on a straight line basis over the estimated useful life of items of property, plant & equipment from the month of purchase and no depreciation or since realised prices in the month of disposal. Land is not depreciated. The depreciation rates used are as follows;

Customer Premise Equipment	10%
Customer Premise Equipment (CDMA)	100%
Network Equipment	10%
Shelters and Other Equipment	20%
Buildings	12.5%
Vehicles	20%
Computer Software	33 1/3%
Office/Other Equipment	20%
Furniture & Fittings	20%
Leasehold Improvement	20%
FLAG Project	20%
WiMAX	10%

3.7.3 Intangible Assets

(a) License Fee

Expenditure on operator license fee and external gateway license fees that are deemed to benefit or relate to more than one financial year is classified as license fee and is being amortised over the license period on a straight line basis.

(b) FLAG Cable Access Right

Expenditure on FLAG cable access rights is deemed to benefit beyond one financial year and is classified as intangible assets and is being amortised over the license period on a straight line basis.

(c) 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 is recognised in Income Statement as incurred.

(d) Amortisation

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

Computer Software	3-5 Years
FLAG access rights	15 Years
Licenses	10 Years

3.8 Policies Specific to the Agriculture Sector

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formula;

Produce Stock	At since realised price
Standing Cane	At direct cost including nursery cost and part of overheads incurred thereon, up to the Balance Sheet date
Other Stocks	At actual cost
Goods in Transit	At actual cost

Depreciation

The provision for depreciation is calculated using a straight line method on the cost of all Property, Plant & Equipment other than freehold land, in order to write off such amounts over the estimated useful lives. Depreciation is charged to the Income Statement when assets are available or used over their estimated useful lives.

Field Machinery	15%
Irrigation Equipment	6%
Roads & Bridges	5%
Agriculture Tools	20%
Settler Zone Infrastructure	2% - 33%

3.9 Policies Specific to the Hotel Sector

Revenue

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The Company's revenue represents apartment and other sales to customers and excluded value added tax. Apartment revenue is recognised for the room occupied on a daily basis, whilst food and beverage sales are accounted for at the time of sale. All revenues are recognised on an accrual basis and matched with the related expenditure.

3.10 Policies Specific to the Finance Sector

Revenue

Interest income from loans and advances is Recognized on an accrual basis. Interest ceases to be accrued when the recovery of interest or principal is in arrears for more than six months. Interest on non-performing advances is accounted for on a cash basis.

Interest on non- performing debts is credited to the 'Interest in suspense account' which is netted in the Balance Sheet against the relevant balance.

Interest income from investments is recognised on an accrual basis.

For the Year Ended 31 March,	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
4. Revenue				
Gross Revenue *(Note-36)	**63,304,208**	46,751,939	**49,135,563**	38,987,124
Less: Excise Duty	**(36,150,107)**	(26,579,298)	**(33,859,685)**	(25,464,346)
Net Revenue	**27,154,101**	20,172,641	**15,275,878**	13,522,778

*Gross Revenue is stated Net of Nation Building Tax (NBT).

5. Investment Income & Other Income				
Interest Income	**703,469**	232,522	**334,251**	152,077
Dividend Income from Quoted Investments	**334,283**	152,075	**294,520**	149,482
Dividend Income from Un Quoted Investments	**438**	-	**144**	76,399
Dividend Income from Associate - Quoted	**-**	-	**113,542**	48,909
Sale of Timber	**55,665**	30,468	**-**	-
Gain/(Loss) on disposal of shares	**45,547**	3,871,371	**345,367**	4,162,730
Gain on Disposal of Property, Plant & Equipment	**55,664**	36,829	**453,165**	28,833
Amortisation of Capital Grants	**13,776**	14,689	**-**	-
Rent Income	**64,160**	34,768	**61,842**	32,968
Fee and Commission Income	**56,894**	61,000	**-**	-
Sundry Income	**96,105**	111,775	**32,766**	21,649
	1,426,001	4,545,497	**1,635,597**	4,673,047

For the Year Ended 31 March,	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
6. Other Operating Gain / (Loss)				
Provision for Fall in Value of Investments	**(414,333)**	(2,866)	**(227,850)**	(2,866)
	(414,333)	(2,866)	**(227,850)**	(2,866)
7. Finance Expenses				
Interest on Long Term Loans and Borrowings	**268,804**	265,283	**23,518**	-
Interest on Short Term Loans and Borrowings	**334,791**	131,667	**314,549**	77,311
Interest on Finance Leases	**6,232**	19,466	**-**	-
Gain/(Loss) on Translation of Foreign Currency	**72,668**	(10,363)	**-**	-
	682,495	406,053	**338,067**	77,311
Less: Borrowing Cost Capitalised (Note 7.1)	**(7,923)**	(11,897)	**-**	-
	674,572	394,156	**338,067**	77,311

7.1 Borrowing Cost Capitalised

During the year Balangoda Plantation PLC, a subsidiary of the company, capitalised borrowing cost amounting to Rs.7,923,357 (2010 - Rs.11,897,993) incurred on borrowings obtained to meet expenses relating to immature plantations being part of the cost of the immature plantations. The amount of borrowing cost eligible for capitalisation is determined in accordance with SLAS 20 (Borrowing Costs)- Allowed Alternative Treatment, A capitalisation rate of 11.71 % (2010 - 11.73 %) was used.

For the Year Ended 31 March,	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
8. Profit Before Taxation				
Profit before tax is stated after charging all expenses including the following:				
Depreciation/Amortisation	**1,683,708**	2,882,169	**188,047**	153,440
Auditors' Remuneration - KPMG	**7,415**	6,241	**4,100**	3,725
- Other Auditors	**3,454**	2,935	**-**	-
Audit Related Services - KPMG	**3,528**	1,357	**3,528**	1,357
Non Audit Services - KPMG	**860**	1,180	**676**	1,149
- Other Auditors	**548**	2,523	**548**	548
Directors' Emoluments	**19,623**	15,699	**18,708**	15,699
Managing Agent Fees	**28,854**	154,440	**-**	-
Provision for Doubtful Debts	**288,398**	53,888	**-**	6,327
Provision for Inventory	**62,019**	41,243	**-**	-
Defined Benefit Plan Cost - Retiring Gratuity	**175,899**	103,378	**19,735**	7,715
Defined Contribution Plan Cost - EPF/ETF	**297,516**	278,301	**82,019**	66,998
Other Staff Cost	**2,681,467**	2,649,495	**978,787**	640,769
Number of Staff	**18,158**	19,954	**1,389**	1,340
9. Taxation				
(a) Income Tax Expense				
Income Tax on Current Year (Note b)	**2,919,955**	2,383,542	**2,612,237**	2,206,300
Deemed Dividend tax	**223**	2,699	**-**	-
Over/(Under) Provision in respect of Previous Year	**7,237**	(4,485)	**-**	(5,307)
	2,927,415	2,381,756	**2,612,237**	2,200,993
Deferred Tax Charge/(Credit)	**(659)**	42,600	**(3,999)**	2,272
Charge to the Income Statement	**2,926,756**	2,424,356	**2,608,238**	2,203,265
(b) Reconciliation of Accounting Profit to Income Tax Expense				
Profit Before Tax	**9,064,459**	10,761,866	**6,935,052**	9,972,019
Income not Subject to Tax/Taxable Income at Reduced Rate	**(1,623,823)**	(4,894,779)	**(1,635,597)**	(4,463,487)
Disallowable Expenses	**1,024,592**	1,158,535	**447,333**	835,873
Allowable Expenses	**(833,285)**	(270,627)	**(102,565)**	(133,849)
Tax Loss Absorbed	**(25,126)**	(36,736)	**-**	-
Business Income	**7,606,817**	6,718,259	**5,644,223**	6,210,556
Other Income	**1,266,246**	-	**1,266,246**	-
Taxable Income	**8,873,063**	6,718,259	**6,910,469**	6,210,556
Income Tax @40%	**2,494,768**	-	**2,257,689**	-
Income Tax @35%	**-**	2,346,829	**-**	2,173,695
Income Tax @28%	**371,508**	-	**354,548**	-
Income Tax @15%	**53,679**	1,955	**-**	-
	2,919,955	2,348,784	**2,612,237**	2,173,695
Social Responsibility Levy Liability	**-**	34,758	**-**	32,605
Taxation on Profit for the Year	**2,919,955**	2,383,542	**2,612,237**	2,206,300
Tax Loss Brought Forward	**(18,797)**	(18,465)	**-**	-
Acquisition of Subsidiary	**-**	(5,603)	**-**	-
Tax Loss Incurred	**(21,203)**	(31,465)	**-**	-
Tax Loss Absorbed	**25,126**	36,736	**-**	-
Tax Loss Carried Forward	**(14,874)**	(18,797)	**-**	-

(c) The corporate income tax applicable to companies within the Group, excluding those that are enjoying a tax holiday or a concessionary rate of tax as referred to below is 28% and 40%. (35% - 2010/11)

The operating profit of Lanka Bell Ltd is exempted from income tax in accordance with the agreement entered in to under Section 17 of the BOI Law No.04 of 1978. As per the agreement, the Company enjoys a 20 year tax holiday from the commencement of business operations (ie.1997). However taxation is payable on local interest income at 28%.

The income of generating hydropower of Bogo Power (Pvt) Limited is exempted from income tax in accordance with the agreement entered in to under Section 17 of the BOI Law. As per the agreement, the Company is exempted from income tax for a period of 05 years commencing from 18 June 2008. For the period of next 02 years immediately succeeding the year, in which the profits & income of the enterprise is exempted from the income tax, which will be calculated at the rate of 10% and thereafter income tax will be calculated at the rate of 20% under the provisions in the Inland Revenue Laws. However, other income is taxed at the applicable tax rate.

10. Earnings Per Share

10.1 Basic Earnings per Share

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

	CONSOLIDATED		COMPANY	
For the Year Ended 31st March,	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Profit attributable to Ordinary Shareholders				
From continuing operation attributable to the parent entity	**5,675,371**	8,124,035	**4,326,814**	7,768,754
Weighted average number of ordinary shares	**300,000**	300,000	**300,000**	300,000
Basic Earnings per Share (Rs.)	**18.92**	27.08	**14.42**	25.90

10.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Earnings per Share is same as Basic Earnings per Share shown above.

11. Dividend Per Share

Interim Dividend Paid- (2010/11 - Rs.0.50 per share)	**-**	150,000
Final Dividend Proposed/Paid	**900,000**	750,000
Dividend per Ordinary Share (Rs.)	**3.00**	3.00

The Directors recommended a final dividend of Rs.3.00 per share for the year ended 31 March 2012, for approval by the shareholders at the Annual General Meeting to be held on 28 September 2012. As stipulated by Sri Lanka Accounting Standards No.12(Revised)- Events after the Balance Sheet date, this proposed dividend is not recognised as a liability as at 31 March 2012.

As required by Section 56 of the Companies Act No7 of 2007, the Board of Directors have satisfied the solvency test in accordance with Section 57. A statement of solvency completed and duly signed by the directors has been audited by Messrs KPMG.

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

12. Property, Plant & Equipment

(a) Consolidated

Cost/Valuation

	As at 01.04.2011 Rs.'000	Additions During the Year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2012 Rs.'000
Freehold					
Freehold Land	3,708,222	46,668	100,000	-	**3,854,890**
Improvements to Land	410,888	2,298	-	(184)	**413,002**
Freehold Buildings	1,860,039	12,488	-	-	**1,872,527**
Plant, Machinery & Water Sanitation	4,103,497	30,420	-	(1,944)	**4,131,973**
Fire Fighting Equipment	3,780	371	-	-	**4,151**
Furniture, Fittings & Office Equipment	1,104,064	104,831	-	(15,244)	**1,193,651**
Computer Equipment	56,241	15,197	-	(279)	**71,159**
Vats & Casks	67,234	-	-	-	**67,234**
Motor Vehicles	1,209,349	286,256	-	(51,163)	**1,444,442**
Oil Storage Tanks	63,713	-	-	-	**63,713**
Drums	80	-	-	-	**80**
FLAG Projects	38,361	-	-	-	**38,361**
Wi-Max	172,896	4,695	-	(1,490)	**176,101**
Electrical Fixtures and Fittings	1,046	1	-	-	**1,047**
Shelters and Other Equipment	524,774	10,874	-	(197)	**535,451**
Computer Software	123,805	85	-	(26,643)	**97,247**
Other Equipment	423,598	14,308	-	(12,042)	**425,864**
Road and Others	-	877,298	-	-	**877,298**
Network Equipment	3,962,553	232,549	-	(14,554)	**4,180,548**
Customer Premises Equipment	2,565,375	258,506	-	(24,045)	**2,799,836**
	20,399,515	1,896,845	100,000	(147,785)	**22,248,575**
Leasehold					
Cost/Valuation					
Buildings on Leasehold Land	353,945	116	-	-	**354,061**
Plant & Machinery	340,499	9,022	-	(15,985)	**333,536**
Improvements to Land	1,213,753	198,483	-	-	**1,412,236**
Leasehold Land	-	-	-	-	**-**
Equipment	21,709	5,532	-	(3,605)	**23,636**
Motor Vehicle	14,828	-	-	(14,828)	**-**
	1,944,734	213,153	-	(34,418)	**2,123,469**
Total	22,344,249	2,109,998	100,000	(182,203)	**24,372,044**

12. Property, Plant & Equipment (Contd.)

(a) Consolidated

Depreciation/Amortisation

	As at 01.04.2011 Rs.'000	Charge for the Year Rs.'000	On Disposals Rs.'000	As at 31.03.2012 Rs.'000
Freehold				
Improvements to Land	59,739	13,497	-	**73,236**
Freehold Buildings	517,051	51,546	-	**568,597**
Plant, Machinery & Water Sanitation	1,572,129	209,663	(887)	**1,780,905**
Fire Fighting Equipment	3,161	128	-	**3,289**
Furniture, Machinery & Office equipment	837,141	116,150	(8,092)	**945,199**
Computer Equipment	40,173	12,230	(216)	**52,187**
Vats & Casks	44,331	3,240	-	**47,571**
Motor Vehicles	892,844	161,685	(49,414)	**1,005,115**
Oil Storage Tanks	6,251	1,259	-	**7,510**
Drums	80	-	-	**80**
FLAG Projects	17,302	44,541	-	**61,843**
Wi-Max	76,562	35,907	(360)	**112,109**
Shelters and Other Equipment	367,731	63,820	(76)	**431,475**
Computer Software	114,983	2,066	(26,644)	**90,405**
Other Equipment	197,824	40,230	(6,972)	**231,082**
Network Equipment	1,635,799	364,117	(1,814)	**1,998,102**
Customer Premises Equipment	1,890,457	250,818	-	**2,141,275**
	8,273,558	1,370,897	(94,475)	**9,549,980**
Leasehold				
Cost/Valuation				
Buildings on Leasehold Land	73,505	17,700	-	**91,205**
Plant & Machinery	208,972	43,405	(7,133)	**245,244**
Improvements to Land	201,898	27,447	-	**229,345**
Equipment	18,218	306	(2,764)	**15,760**
Motor Vehicle	11,741	-	(11,741)	-
	514,334	88,858	(21,638)	**581,554**
Total	8,787,892	1,459,755	(116,113)	**10,131,534**
Carrying Value	13,556,357			**14,240,510**

	As at 01.04.2011 Rs.'000	Additions During the Year Rs.'000	Capitalisation Rs.'000	As at 31.03.2012 Rs.'000
Capital Work-In-Progress	584,278	1,673,672	(1,590,079)	**667,871**
Total Carrying Value	14,140,635			**14,908,381**

12. Property, Plant & Equipment (Contd.)

12.1.1 Immature/Mature Plantations

Immature/mature plantations are improvement to leasehold properties by Balangoda Plantations PLC (BPP) a Subsidiary of the Company since the formation of BPP. The assets (including plantations assets) taken over by way of estate leases are set out in Notes 13.1 and 13.2. Further, investments made in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investment made since taken over to bring them to maturity will be moved from immature to mature and corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will be carried out under note 13.2. Additions include Rs.7,923,357/- (Rs.11,897,993/- 2011) of borrowing costs capitalised during the year.

12.1.2 The assets shown above also include movable assets vested in the Balangoda Plantations PLC (BPP), by gazette notification on the date of formation of the company (11 June 1992) and all investments in tangible assets by BPP since its formation. The assets taken over by way of estate leases are set out in notes 13.2. Further , the valuation of immovable JEDB/SLSPC estate assets on finance lease (other than bare land) and tangible assets other than immature/mature plantations taken over as at 11 June 1992 is based on net book value obtained from the State Plantations Corporation as at such dates. These values were not available by individual asset.

12. Property, Plant & Equipment (Contd.)

(b) Company

	As at 01.04.2011 Rs.'000	Additions During the Year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2012 Rs.'000
Cost/Valuation					
Freehold Land	3,110,072	-	-	(592,323)	**2,517,749**
Freehold Buildings	677,142	-	-	(574,726)	**102,416**
Plant, Machinery & Water Sanitation	630,828	15,249	-	-	**646,077**
Fire Fighting Equipment	3,780	371	-	-	**4,151**
Furniture, Fittings & Office Equipment	59,179	2,444	-	-	**61,623**
Computer Equipment	32,373	5,982	-	-	**38,355**
Vats & Casks	67,234	-	-	-	**67,234**
Motor Vehicles	803,977	189,535	-	(460,458)	**533,054**
Oil Storage Tanks	315	-	-	-	**315**
Drums	80	-	-	-	**80**
	5,384,980	213,581	-	(1,627,507)	**3,971,054**

	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2012 Rs.'000
Accumulated Depreciation					
Freehold Buildings	83,457	24,278	-	(21,552)	**86,183**
Plant, Machinery & Water Sanitation	269,342	50,742	-	-	**320,084**
Fire Fighting Equipment	3,161	128	-	-	**3,289**
Furniture, Fittings & Office Equipment	42,750	2,036	-	-	**44,786**
Computer Equipment	25,708	5,935	-	-	**31,643**
Vats & Casks	44,331	3,240	-	-	**47,571**
Motor Vehicles	554,702	101,688	-	(402,908)	**253,482**
Oil Storage Tanks	315	-	-	-	**315**
Drums	80	-	-	-	**80**
	1,023,846	188,047	-	(424,460)	**787,433**
Written Down Value	4,361,134				**3,183,621**

	As at 01.04.2011 Rs.'000	Additions During the Year Rs.'000	Capitalisation Rs.'000	As at 31.03.2012 Rs.'000
Capital Work-In-Progress	229,312	104,598	(60,478)	**273,432**
	4,590,446			**3,457,053**

A valuation of freehold Land and Buildings of Distilleries Company of PLC was carried out by incorporated Valuers Mr. A. R. M. M. Kaleel and Mr. S. Sivaskantha and incorporated in the Company's books as at 1 March 2011.

As per the Group restructuring plan following Property Plant & Equipment of the Company were structured under its fully owned subsidiary Melstacorp Limited.

Lands - Rs.592,323,500/-
Buildings - Rs.574,726,500/-
Motor Vehicle - Rs.432,481,535/-

As at 31 March,	CONSOLIDATED 2012 Rs.'000	2011 Rs.'000
13. Leasehold Properties		
Leasehold right to bare land (Note 13.1)	**208,980**	215,229
Immovable lease assets (Note 13.2)	**125,954**	138,096
	334,934	353,325

13.1 Leasehold Right to Bare land

Leases have been executed for all estates of Balangoda Plantations PLC (BPP) for a period of 53 years. All of these leases are retroactive to 22 June 1992 the date of formation of the Company. The leasehold right to the land on all of these estates have been taken into the books of the Company on 22 June 1992 immediately after the formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose the Board of Directors of BPP decided at its meeting on 8 March 1995 that this bare land would be revalued at the value established for this land by valuation specialist, Mr D.R. Wickramasinghe just prior to the formation of the Company.

The above mentioned leasehold right to bare land comprising of land use rights obtained on a long term basis is re-classified as leasehold property and stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard 19- "Leases", in line with revised Ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortised over the remaining lease term or useful life of the leased property whichever is shorter. The leasehold right to land is disclosed under non current assets under Leasehold Property. The revised UITF ruling does not permit further revaluation of Leasehold Property. The values taken into the 22 June 1992 Balance Sheet and amortisation of the leasehold property up to 31 December 2011 are as follows.

	Revaluation As at 11/06/1992 Rs.'000	Accumulated Amortisation As at 01/01/2011 Rs.'000	Amortisation 2011 Rs.'000	Accumulated Amortisation As at 31/12/2011 Rs.'000	W.D.V as at 31/12/2011 Rs.'000	W.D.V as at 31/12/2010 Rs.'000
Leasehold Property	331,201	115,972	6,249	122,221	**208,980**	215,229

Estates on which leases have been executed

Cullen, Ury, Wewessa, Wikiliya, Mahawela, Gowerakelle, Millawitiya, Palmgarden, Walaboda, Rambukkande, Cecilton, Galatura, Spring Valley, Mutuwagalla, Rasagalla, Pettiyagala, Maddekande, Agrasland, Telbedde, Non Peril, Glen Aplin and Wewila.

Estates on which leases have not been executed

Rye estate

13. Leasehold Property, Plant & Equipment (Contd.)

13.2 Immovable Lease Assets

As more fully explained in Note 13.1 although all JEDB/SLSPC estate leases have not been executed as at the Balance Sheet date, in terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 11 June 1992. For this purpose the Board of Directors of BPP decided at its meeting on 8 march 1995 that these assets would be taken at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the company. These assets are taken into the 11 June 1992 Balance Sheet and depreciated as follows;

	Revaluation As at 11/06/1992 Rs.'000	Transfer Immature to Mature Rs.'000	Revaluation As at 31/12/2011 Rs.'000	Accumulated Depreciation As at 01/01/2011 Rs.'000	Depreciation 2011 Rs.'000	Accumulated Depreciation As at 31/12/2011 Rs.'000	W.D.V As at 31/12/2011 Rs.'000	W.D.V As at 31/12/2010 Rs.'000
Unimproved Lease Land	899	-	899	315	17	332	**567**	584
Improvements to Land	15,701	-	15,701	9,713	523	10,236	**5,465**	5,988
Other Vested Assets	152	-	152	152	-	152	**-**	-
Mature Plantations	69,939	201,286	271,225	156,199	9,041	165,240	**105,985**	115,027
Immature Plantations	201,286	(201,286)	-	-	-	-	**-**	-
Buildings	64,024	-	64,024	47,526	2,561	50,087	**13,937**	16,497
Machinery	26,164	-	26,164	26,164	-	26,164	**-**	-
	378,165	-	378,165	240,069	12,142	252,211	**125,954**	138,096

Note : Investment in plantation assets which were immature at the time of handing over to the company by way of estate leases are shown under immature plantation (revalued as at 22 June 1992). Further, investment in such immature plantations to bring them to maturity are shown under Note 12. When these plantations become mature, the additional investment to bring them to maturity will be moved from the category immature plantations to mature plantations under Note-12 and a corresponding move from immature plantations to mature plantations will be made in the above note.

14. Intangible Assets

As at 31 March,	CONSOLIDATED 2012 Rs.'000	2011 Rs.'000
License Fees (Note - 14.1)	**215,895**	79,248
FLAG Cable (Note - 14.2)	**2,113,785**	2,300,302
Software Cost & Implementation (Note - 14.3)	**2,631**	5,262
	2,332,311	2,384,812

14.1 License Fees

Balance at the beginning of the year	**79,248**	95,662
Addition during the year	**153,061**	-
Amortised during the year	**(16,414)**	(16,414)
Balance at the end of the year	**215,895**	79,248

License fee represents the operator license fee of Rs.300 Mn which was paid in 1996 by Lanka Bell Limited and amortised over 226 months on straight line basis commencing from that year. The External Gateway License fee of Rs.4.85 Mn which was paid in 2003 is amortised over a period of 10 years, commencing from 01 March 2003.

14.2 Flag Cable

Cost		
Balance at the beginning of the year	**2,797,761**	2,797,761
Additions during the year	**-**	-
Balance at the end of the year	**2,797,761**	2,797,761
Accumulated Amortisation		
Balance at the beginning of the year	**497,459**	310,942
Amortised during the year	**186,517**	186,517
Balance at the end of the year	**683,976**	497,459
Net book value	**2,113,785**	2,300,302

FLAG expenditure represents the expenditure incurred on under sea fiber optic cable link and the landing station, which enables Lanka Bell to offer direct global connectivity and a complete end-to-end data connectivity solution, with guaranteed reliability. The total expenditure will be amortized over the license period of 15 years based on straight line basis from August 2008.

14.3 Software Cost & Implementation

Cost		
Balance at the beginning of the year	**7,893**	11,604
Additions during the year	**-**	7,893
Disposal during the year	**-**	(11,604)
Balance at the end of the year	**7,893**	7,893
Accumulated Amortisation		
Balance at the beginning of the year	**2,631**	10,189
Amortised during the year	**2,631**	2,631
Disposal during the year	**-**	(10,189)
Balance at the end of the year	**5,262**	2,631
Net book value	**2,631**	5,262

15. Investment In Subsidiaries

Company

Investee	% Holding		No.of Shares		Market Value		Cost	
As at 31 March	2012	2011	2012	2011	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Quoted Investments								
Balangoda Plantations PLC	**43**	43	**10,200,000**	10,200,000	**253,980**	572,220	**430,007**	430,007
Browns Beach Hotels PLC	**42**	42	**54,065,132**	53,192,632	**789,351**	1,220,970	**1,239,116**	1,220,970
Total Quoted Investments					**1,043,331**	1,793,190	**1,669,123**	1,650,977
Unquoted Investments								
Melstacorp Ltd*	**100**	100	**200,000,000**	2,600,000			**35,558,000**	26,000
Melstacorp Ltd * - Pending Allotment		-	-	-			**-**	914,450
Timpex (Pvt) Ltd	**51**	51	**15,611,661**	15,611,661			**156,117**	156,117
Milford Holdings (Pvt) Ltd◆	**-**	98	**-**	333,067,925			**-**	3,330,679
AION SG Residencies (Pvt) Ltd	**100**	100	**2,500,000**	2,500,000			**25,000**	25,000
Periceyl (Pvt) Ltd◆	**-**	100	**-**	40,000			**-**	113,700
Melsta Logistics (Pvt) Ltd***◆	**-**	100	**-**	41,000,002			**-**	410,000
Bogo Power (Pvt) Ltd◆	**-**	87	**-**	245,000,000			**-**	245,000
Continental Insurance Lanka Ltd◆	**-**	100	**-**	50,000,000			**-**	500,000
							35,739,117	5,720,946
Provision for fall in value of Investment**							**(25,000)**	(25,000)
Total Unquoted Investments							**35,714,117**	5,695,946
Total Investments							**37,383,240**	7,346,923

* Formerly known as Melstacorp (Pvt) Limited.
** The provision is in respect of the full investment in AION SG Residencies (Pvt) Ltd.
*** Formerly known as Collision Repair Centre (Pvt) Ltd.
◆ As part of the Group's restructuring plan Company transferred its investments to Melstacorp Limited.

16. Investment in Equity Accounted Investees

As at 31 March	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
At the Beginning of the year				
Aitken Spence PLC	**8,168,094**	8,174,432	**8,168,094**	8,174,432
Madulsima Plantations PLC	**90,000**	90,000	**90,000**	90,000
Splendor Media (Pvt) Ltd*	**-**	7,875	**-**	7,875
Company's investment in Equity Accounted Investees (at cost)	**8,258,094**	8,272,307	**8,258,094**	8,272,307
Investments by Subsidiaries	**5,580,147**	100,000	**-**	-
Negative Goodwill on Acquisition	**89,186**	89,186	**-**	-
Group Share of Associate Company Retained Profits	**5,333,995**	3,735,339	**-**	-
Group investment in Equity Accounted Investees (Equity Basis)	**19,261,422**	12,196,832	**8,258,094**	8,272,307

* As part of the Group's restructuring plan Company structured its investments to Melstacorp Limited.

16.1 Share of Profits from Equity Accounted Investees

(Net of Income Tax) *As at 31 March,*	CONSOLIDATED 2012 Rs.'000	 2011 Rs.'000
Splendor Media (Pvt) Ltd	-	5,998
Aitken Spence PLC	**1,469,991**	709,307
Madulsima Plantations PLC	**(7,208)**	(13,013)
Pelwatte Dairy Industries Ltd	**(13,716)**	-
	1,449,067	702,292

16.2 Summary Financial Information for Equity Accounted Investees, not adjusted for the percentage ownership held by the Group;

16.2 (a) Assets and Liabilities

	Reporting Date	Ownership %	Current Assets Rs.'000	Non Current Assets Rs.'000	Total Assets Rs.'000	Current Liabilities Rs.'000	Non Current Liabilities Rs.'000	Total Liabilities Rs.'000
2011								
Aitken Spence PLC	31st March	27.97%	12,675,603	27,469,222	40,144,825	8,752,588	4,746,363	13,498,951
Madulsima Plantations PLC	31st December	31.00%	438,645	2,953,928	3,392,573	1,642,049	835,038	2,477,087
Pelwatte Dairy Industries Ltd	31st March	23.51%	10,413	915,098	925,511	446,568	410,933	857,501
Splendor Media (Pvt) Ltd	31st March	50.02%	116,848	2,078	118,926	76,014	457	76,471
			13,241,509	31,340,326	44,581,834	10,917,219	5,992,790	16,910,010
2012								
Aitken Spence PLC	31st March	39.67%	18,592,950	33,137,895	51,730,845	13,907,678	6,575,114	20,482,792
Madulsima Plantations PLC	31st December	31.03%	314,418	3,380,256	3,694,674	1,119,976	847,399	1,967,375
Pelwatte Dairy Industries Ltd	31st March	24.38%	39,241	912,712	951,953	273,931	666,278	940,209
			18,946,609	37,430,863	56,377,472	15,301,585	8,088,791	23,390,376

16.2 (b) Revenue, Expenses & Profit

	Revenue 2012 Rs.'000	Revenue 2011 Rs.'000	Expenses 2012 Rs.'000	Expenses 2011 Rs.'000	Profit 2012 Rs.'000	Profit 2011 Rs.'000
Aitken Spence PLC	**31,921,712**	26,008,685	**27,211,155**	22,580,465	**4,710,557**	3,428,220
Madulsima Plantations PLC	**1,539,934**	1,973,547	**1,563,159**	2,015,523	**(23,225)**	(41,976)
Pelwatte Dairy Industries Ltd	**37,114**	18,253	**93,381**	71,465	**(56,267)**	(53,212)
Splendor Media (Pvt) Ltd	-	84,000	-	72,005	-	11,995

Notes to the Financial Statements

Name of the Subsidiary/Associate	Principal Activity	Company Holding %	Group Holding %	Financial Year End
Subsidiaries				
Balangoda Plantations PLC	Cultivation and Processing of Tea & Rubber	43.15	43.23	31-Dec
Melstacorp Ltd.**	Investment Holding Company	100.00	100.00	31-Mar
Timpex (Pvt) Ltd.	Investment Holding Company	51.03	51.03	31-Mar
Texpro Industries (Pvt) Ltd.*(a)	Dyeing and Printing Woven Fabrics	-	41.75	31-Mar
Periceyl (Pvt) Ltd.*(d)	Distribution of Locally Manufactured Foreign Liquor	-	100.00	31-Dec
Milford Holdings (Pvt) Ltd.* (d)	Investment Holding Company	-	98.36	31-Mar
Lanka Bell Ltd.*(b)	Telecommunication Services	-	98.09	31-Mar
Melsta Logistics (Pvt) Ltd.* (d)****	Repairing of Vehicles & Logistics	-	100.00	31-Mar
Bellvantage (Pvt) Ltd.* (d)	BPO,KPO & Software Development	-	100.00	31-Mar
Bell Solutions (Pvt) Ltd.* (c)	Information & Communication Technology	-	98.09	31-Mar
Telecom Frontier (Pvt) Ltd.* (c)***	Telecommunication Services	-	98.09	31-Mar
Bogo Power (Pvt) Ltd.* (d)	Generation and sale of Hydro Electric Energy	-	99.34	31-Mar
Continental Insurance Lanka Ltd.* (d)	General Insurance Services	-	100.00	31-Dec
Browns Beach Hotels PLC	Leisure	41.79	48.15	31-Mar
Pelwatte Sugar Industries PLC* (d)	Manufacturing and Selling of Sugar and Molasses	-	48.75	31-Mar
Pelwatte Sugar Distilleries (Pvt) Ltd.*(e)	Manufacturing and Selling Spirits	-	40.63	31-Mar
Pelwatte Agriculture & Engineering Services (Pvt) Ltd.*(e)	Land Preparation, Repairing Vehicles and Machineries.	-	48.75	31-Mar
Splendor Media (Pvt) Ltd.* (d)◆	Media Buying & Creative Services	-	50.02	31-Mar
Melsta Regal Finance Ltd.* (d) ◆◆	Finance	-	100.00	31-Mar
Associates				
Aitken Spence PLC	Diversified	27.97	39.67	31-Mar
Madulsima Plantations PLC	Cultivation and Processing of Tea	31.00	31.03	31-Dec
Pelwatte Dairy Industries Ltd	Producing and Selling Milk and Milk based Products	-	24.38	31-Mar

* Indirect holding through subsidiaries
(a) Timpex (Pvt) Ltd.
(b) Milford Holdings (Pvt) Ltd.
(c) Lanka Bell Ltd.
(d) Melstacorp Ltd.
(e) Pelwatte Sugar Industries PLC

** Formerly known as Melstacorp (Pvt) Limited.
*** Formerly known as Lanka Bell Services (Pvt) Ltd.
**** Formerly known as Collision Repair Centre (Pvt) Ltd.

◆ Splendor Media (Pvt) Ltd.
Investment in Splendor Media (Pvt) Ltd has been recognized as an Equity Accounted Investee as at 31-Mar-2011.
As a result of group restructuring process, said Investment has now been treated as an Investment in Subsidiary for the DCSL group.

◆◆ Investment in Melsta Regal Finance Limited
Mestacorp Limited a subsidiary of DCSL PLC acquired 100% of Melsta Regal Finance Limited formerly known as First Barakah Investment Limited on 12 January 2012.

17. Other Investments

As at 31 March,	Notes	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
Non Current					
Investments in Unit Trust and Other Investments	17.1	**3,000**	3,000	**3,000**	3,000
Other Long Term Investments	17.2	**638,594**	41,150	**-**	-
Long Term Investments		**641,594**	44,150	**3,000**	3,000
Current					
Investments in Equity Securities	17.3	**8,843,341**	1,592,383	**2,534,152**	1,413,155
Investments in Fixed Deposits		**2,456,074**	602,534	**-**	-
Investments in Treasury Bills		**540,187**	258,194	**-**	-
Short Term Investments		**11,839,602**	2,453,111	**2,534,152**	1,413,155

17.1 Investements in Unit Trust and Other Investments

As at 31 March,	2012 No. of Units	2012 Carrying Value Rs.'000	2012 Market Value Rs.'000	2011 No. of Units	2011 Carrying Value Rs.'000	2011 Market Value Rs.'000
Company						
Unit Trust Mgt Co.,Ltd.	**300,000**	**3,000**	**-**	300,000	3,000	-
Total Investements in Unit Trust		**3,000**	-		3,000	-

17.2 Other Long Term Investments

As at 31 March,	CONSOLIDATED 2012 No of Shares	2012 Carrying Value Rs.'000	2012 Market Value Rs.'000	2011 No of Shares	2011 Carrying Value Rs.'000	2011 Market Value Rs.'000
Bank, Finance & Insurance						
Bank of Ceylon	**-**	**10,000**	**-**	-	10,000	-
Hatton National Bank PLC	**-**	**1,000**	**-**	-	1,000	-
National Development Bank PLC	**-**	**150**	**-**	-	150	-
		11,150	**-**		11,150	-
Agriculture						
Northern Green Agro (Pvt) Ltd		**15,000**	**-**	-	15,000	-
Southern Green Agro (Pvt) Ltd	**-**	**15,000**	**-**	-	15,000	-
		30,000	**-**		30,000	-
Beverage, Food and Tobacco						
Lanka Milk Foods (CWE) PLC	**5,860,661**	**597,444**	**573,173**	-	-	-
		597,444	**573,173**		-	-
		638,594	**573,173**		41,150	-

17. Other Investments (Contd)

17.3 Investments in Equity Securities

17.3.1 Investments in Equity Securities - Quoted

	COMPANY					
As at 31 March,	2012			2011		
	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000
Bank, Finance & Insurance						
Asia Capital PLC	-	-	-	50	1	4
Commercial Bank of Ceylon PLC	16,855,368	365,059	1,685,537	7,811,360	262,027	2,076,259
Commercial Bank of Ceylon PLC - Non Voting	129,930	9,187	10,394	60,000	8,503	9,936
DFCC Bank PLC	17,042,856	599,951	1,919,026	17,042,856	599,951	2,927,963
Hatton National Bank PLC	9,836,818	468,303	1,505,033	5,961,708	272,013	2,265,449
Hatton National Bank PLC - (Non-Voting)	159,488	20,349	15,072	106,384	20,351	22,692
Union Bank PLC	6,600	165	116	6,600	165	256
Lanka Orix Leasing Company PLC	-	-	-	15,000	2,093	1,794
Central Finance PLC	106,950	12,433	18,321	20,700	12,433	26,366
LB Finance PLC	-	-	-	30,000	2,533	5,253
Peoples Leasing PLC	24,517,300	442,711	284,401	-	-	-
Ceylinco Insurance PLC	309	220	251	-	-	-
Ceylinco Insurance PLC - (Non-Voting)	4,800	1,472	1,461	-	-	-
Sampath Bank PLC	69,703	12,941	12,533	112,120	19,729	32,324
		1,932,791	5,452,145		1,199,799	7,368,296
Beverage, Food and Tobacco						
Lanka Milk Foods (CWE) PLC	763,733	16,610	74,693	763,733	16,610	89,280
Ceylon Tobacco PLC	36,800	11,707	18,956	76,500	24,604	27,387
Cargills (Ceylon) PLC	64,700	7,688	11,258	-	-	-
Ceylon Cold Stores PLC	4,444	384	400	-	-	-
Renuka Agri Foods PLC	2,620,400	17,235	15,722	-	-	-
The Lion Brewery (Ceylon) PLC	66,500	13,372	13,267	30,000	4,607	6,000
		66,996	134,296		45,821	122,667
Hotel and Travels						
Hotel Services PLC	618,600	18,590	10,764	618,600	18,590	14,290
Aitken Spence Hotel Holdings PLC	67,300	4,132	4,711	111,300	6,740	10,907
Asian Hotels & Properties PLC	-	-	-	37,000	5,769	6,952
John Keels Hotels PLC	309,500	6,098	3,900	299,500	5,972	5,151
		28,820	19,375		37,071	37,300
Manufacturing						
ACL Cables PLC	136,000	11,261	8,514	136,000	11,261	12,784
Royal Ceramics Lanka PLC	42,100	3,181	4,842	50,000	3,777	7,850
Textured Jersey Lanka PLC	4,246,400	63,948	30,574	-	-	-
Tokyo Cement PLC - (Non-Voting)	209,000	7,586	5,643			
Piramal Glass Ceylon PLC	-	-	-	135,000	1,134	1,499
Bukit Darah PLC	-	-	-	2,700	3,522	3,168
Lanka Walltile PLC	-	-	-	40,800	6,567	6,936
ACME Printing & Packaging PLC	-	-	-	181,063	3,999	3,857
		85,976	49,573		30,260	36,094

17.3.1 Investments in Equity Securities - Quoted (Contd.)

As at 31 March,	COMPANY					
	2012			2011		
	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000
Telecommunication						
Sri Lanka Telecom PLC	-	-	-	44,100	1,736	2,514
Dialog Axiata PLC	604,200	5,863	4,290	604,200	5,863	6,344
		5,863	4,290		7,599	8,858
Automobile						
Diesel & Motor Engineering PLC	2,800	4,168	2,750			
United Motors PLC	20,000	3,130	2,160	15,000	2,427	2,288
		7,298	4,910		2,427	2,288
Land & Property						
Overseas Reality PLC	187,500	3,676	2,513	187,500	3,676	2,813
		3,676	2,513		3,676	2,813
Power & Energy						
Vallibel Power PLC	174,404	1,148	1,151	-	-	-
Hemas Power PLC	-	-	-	195,000	6,707	6,981
Laugfs Gas PLC	-	-	-	20,000	460	-
		1,148	1,151		7,167	6,981
Construction & Engineering						
Colombo Dockyard PLC	22,053	5,662	5,072	-	-	-
		5,662	5,072		-	-
Diversified Investments						
Hayleys PLC	-	-	-	13,500	4,125	5,158
John Keells Holdings PLC	3,423,833	558,137	705,310	76,000	19,430	21,706
CT Holding PLC	99,400	13,196	14,920	89,400	19,250	17,880
Softlogic Holdings PLC	380,000	11,020	4,256	-	-	-
Free Lanka Capital Holdings PLC	2,866,450	14,466	5,733	-	-	-
Hemas Holdings PLC	-	-	-	28,500	819	1,311
Carson Cumberbatch PLC	8,000	4,470	3,720	9,900	5,531	6,285
		601,289	733,939		49,155	52,340
Hospitals						
Asiri Hospitals Holdings PLC	4,432,370	24,809	33,686	3,432,370	16,214	28,832
Lanka Hospitals Corporation PLC	-	-	-	227,800	12,143	10,205
Durdans Hospitals PLC - (Non-Voting)	100,080	6,529	5,514	100,080	6,528	8,016
		31,338	39,200		34,885	47,053
Plantations						
Kegalle Plantation PLC	-	-	-	50,000	4,151	-
		-	-		4,151	-

17. Other Investments (Contd.)

17.3 Investments in Equity Securities

17.3.2 Investments in Equity Securities - Un Quoted

As at 31 March,	COMPANY					
	2012			2011		
	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000
W.M.Mendis & Co.,Ltd	200	4	-	200	4	-
International Distilleries Lanka Ltd	100	3	-	100	3	-
		7			7	
Total Current Investments in Equity Securities		2,770,864	6,446,464	-	1,422,018	7,684,690
Provision for Fall in Value of Investments		(236,712)	-	-	(8,863)	-
Company Total		2,534,152	6,446,464		1,413,155	7,684,690

17.3.3 Investments in Equity Securities - Quoted

As at 31 March,	CONSOLIDATED					
	2012			2011		
	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000
Bank, Finance & Insurance						
Asia Capital PLC	-	-	-	50	1	4
Central Finance PLC	254,716	23,657	48,317	49,300	23,657	49,775
Ceylinco Insurance PLC - Non-Voting	5,000	1,535	1,530	-	-	-
Ceylinco Insurance PLC - Voting	1,009	716	774	-	-	-
Commercial Bank of Ceylon PLC	17,041,934	374,995	1,700,052	7,898,360	271,109	2,091,528
Commercial Bank of Ceylon PLC - Non-Voting	198,360	14,023	15,492	91,800	13,008	15,088
DFCC Bank PLC	17,042,856	599,951	1,919,026	17,042,856	599,951	2,927,963
Hatton National Bank PLC	9,836,818	468,303	1,505,033	5,961,708	272,013	2,265,449
Hatton National Bank PLC - Non-Voting	221,588	28,314	20,239	147,784	28,316	31,576
Lanka Orix Leasing Company PLC	-	-	-	15,000	2,093	1,794
LB Finance PLC	9,600	812	1,331	34,800	3,346	6,510
Peoples Leasing PLC	28,439,700	513,397	339,874	-	-	-
Sampath Bank PLC	92,866	17,208	17,050	149,424	26,206	42,467
Union Bank PLC	307,400	3,185	10,872	306,600	3,165	10,996
Vallible One PLC	124,200	3,106	2,658	-	-	-
		2,049,202	5,582,248		1,242,865	7,443,150
Beverages, Foods and Tobacco						
Ceylon Tobacco PLC	53,600	17,078	27,190	130,500	39,888	46,557
Renuka Agri Foods PLC	5,120,400	33,308	32,722	-	-	-
Cargills (Ceylon) PLC	86,900	10,384	15,765	22,200	2,648	4,338
Lanka Milk Foods (CWE) PLC	763,733	16,610	74,693	763,733	16,610	89,280
Ceylon Cold Stores PLC	4,444	384	400	-	-	-
The Lion Brewery PLC	146,500	30,936	28,467	40,000	6,143	7,851
		108,700	179,237		65,289	148,026
Hotel and Travels						
Aitken Spence Hotel Holdings PLC	100,900	6,174	7,046	137,900	8,376	13,719
Asian Hotels & Properties PLC	-	-	-	49,500	7,715	9,377
Hotel Services PLC	1,323,600	40,458	25,076	1,323,600	40,458	32,620
John Keels Hotels PLC	409,500	8,090	5,250	399,500	7,964	7,151
		54,722	37,372		64,513	62,867

17. Other Investments (Contd.)

17.3 Investments in Equity Securities

17.3.3 Investments in Equity Securities - Quoted (Contd.)

	CONSOLIDATED					
As at 31 March,		2012			2011	
	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000
Manufacturing						
ACL Cables PLC	**299,000**	**24,390**	**20,576**	299,000	24,390	26,655
ACME Printing & Packaging PLC	**90**	**2**	**2**	519,353	11,714	10,759
Bukit Darah PLC	**72,200**	**79,498**	**61,933**	2,700	3,522	3,168
Lanka Floortiles PLC	**-**	**-**	**-**	125,000	9,920	16,788
Lanka Walltile PLC	**-**	**-**	**-**	40,800	6,567	6,936
Piramal Glass Ceylon PLC	**-**	**-**	**-**	135,000	1,134	1,499
Royal Ceramics Lanka PLC	**58,700**	**4,456**	**7,191**	58,300	5,052	10,381
Textured Jersey Lanka PLC	**11,864,146**	**227,319**	**126,716**	-	-	-
Tokyo Cement PLC - Non-Voting	**473,000**	**18,131**	**13,695**	-	-	-
		353,796	**230,113**		62,299	76,186
Telecommunication						
Dialog Axiata PLC	**805,600**	**7,820**	**5,861**	805,600	7,820	8,721
Sri Lanka Telecom PLC	**-**	**-**	**-**	58,800	2,316	3,234
		7,820	**5,861**		10,136	11,955
Automobile						
Diesel & Motor Engineering PLC	**3,900**	**5,759**	**4,182**	-	-	-
United Motors PLC	**26,500**	**4,152**	**3,109**	15,000	2,427	2,288
		9,911	**7,291**		2,427	2,288
Land & Property						
Overseas Reality PLC	**250,000**	**4,900**	**3,388**	250,000	4,900	3,769
		4,900	**3,388**		4,900	3,769
Power & Energy						
Hemas Power PLC	**-**	**-**	**-**	260,000	8,943	8,899
Vallibel Power Erathna PLC	**174,404**	**1,148**	**1,151**	-	-	-
Laugfs Gas PLC	**-**	**-**	**-**	44,300	1,019	630
		1,148	**1,151**		9,962	9,529
Diversified Investments						
Aitken Spence Hotel Holdings PLC	**-**	**-**	**-**	7,000	406	740
Carson Cumberbatch PLC	**25,700**	**15,148**	**12,202**	9,900	5,531	6,285
CT Holding PLC	**1,592,600**	**312,185**	**239,561**	99,600	20,235	19,744
Hayleys PLC	**-**	**-**	**-**	18,000	5,502	6,711
Hemas Holdings PLC	**-**	**-**	**-**	63,500	1,825	2,869
ExpoLanka Holdings PLC	**139,600**	**1,954**	**1,256**	-	-	-
Free Lanka Capital Holdings PLC	**2,879,650**	**14,532**	**5,774**	-	-	-
Softlogic Holdings PLC	**419,100**	**12,154**	**4,960**	-	-	-
John Keells Holdings PLC	**31,296,579**	**6,204,455**	**6,446,150**	101,300	25,921	29,256
		6,560,428	**6,709,903**		66,606	75,799

17. Other Investments (Contd.)

17.3 Investments in Equity Securities

17.3.3 Investments in Equity Securities - Quoted (Contd.)

	CONSOLIDATED					
As at 31 March,	2012			2011		
	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000
Hospitals						
Asiri Hospitals Holdings PLC	**4,817,070**	**28,133**	**36,994**	3,432,370	16,214	28,832
Ceylon Hospitals PLC (Durdans)	**90,000**	**5,363**	**5,670**	190,080	11,891	15,477
Ceylon Hospitals PLC (Durdans) - Non Voting	**140,120**	**9,136**	**8,067**	50,040	3,259	4,148
Lanka Hospitals Corporation PLC	**-**	**-**	**-**	227,800	12,143	10,205
		42,632	**50,731**		43,507	58,662
Plantations						
Kegalle Plantation PLC	**7,000**	**1,442**	**735**	150,800	13,016	16,309
		1,442	**735**		13,016	16,309
Chemicals and Pharmaceuticals						
Chemanex PLC	**-**	**-**	**-**	75,000	10,253	9,173
Lanka Lubricants PLC	**310,000**	**51,463**	**56,389**	-	-	-
		51,463	**56,389**		10,253	9,173
Others						
Ceylon Theatres PLC	**100,000**	**5,466**	**17,900**	100,000	5,466	18,270
Renuka Holdings PLC	**134,858**	**8,529**	**7,269**	-	-	-
Colombo Dockyard PLC	**27,053**	**7,052**	**6,266**	-	-	-
		21,047	**31,435**		5,466	18,270

17.3.4 Investments in Equity Securities - Un Quoted

	CONSOLIDATED					
As at 31 March,	2012			2011		
	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000	No of Shares	Carrying Value Rs.'000	Market Value Rs.'000
W. M. Mendis & Co.,Ltd	**200**	**4**		200	4	
International Distilleries Lanka Ltd	**100**	**3**		100	3	
		7			7	
Total Current Investments in Equity Securities		**9,267,218**	**12,895,854**		1,601,246	7,935,983
Provision for Fall in Value of Investments		**(423,877)**	**-**		(8,863)	-
Consolidated Total		**8,843,341**	**12,895,854**		1,592,383	7,935,983

18. Goodwill on Acquisition

As at 31 March,	CONSOLIDATED 2012 Rs.'000	2011 Rs.'000
Cost/Carrying Value		
At the Beginning of the Year	**1,222,997**	446,431
Acquisition of Subsidiary	**345,866**	776,566
At the End of the Year	**1,568,863**	1,222,997
Accumulated Impairment		
At the Beginning of the Year	**190,985**	190,985
Impairment Charge for the Year	-	-
At the End of the Year	**190,985**	190,985
Carrying Value	**1,377,878**	1,032,012

Goodwill on acquisition represents the excess of purchase price over the net tangible assets acquired, in respect of the acquisition of Melsta Regal Finance Ltd.

Goodwill as at the balance sheet date has been tested for impairment and found no impairment for the carrying value. Recoverable values have been estimated based on the fair value less cost to sell for the purpose of the above test.

19. Inventories

As at 31 March,	CONSOLIDATED 2012 Rs.'000	2011 Rs.'000	COMPANY 2012 Rs.'000	2011 Rs.'000
Raw Materials	**3,699,857**	1,718,982	**975,050**	1,051,514
Harvested Crop	**672,960**	317,879	**-**	-
Nurseries	**21,725**	11,413	**-**	-
Packing & Other Materials	**747,969**	2,333,427	**664,648**	577,987
Work-in-Progress	**203,616**	230,332	**128,679**	117,677
Finished Goods	**671,072**	514,858	**323,242**	264,824
Stationery & Miscellaneous	**260,499**	32	**-**	-
Goods in Transit	**54,329**	10,835	**-**	-
	6,332,027	5,137,758	**2,091,619**	2,012,002
Provision for Obsolete Inventories	**(534,197)**	(472,178)	**(5,443)**	(5,443)
	5,797,830	4,665,580	**2,086,176**	2,006,559

20. Trade & Other Receivables

Trade Receivables	**3,689,780**	3,915,826	**1,996,025**	1,690,589
Other Receivables	**2,568,003**	1,631,506	**287,008**	295,749
Receivables from Share Trust (Note 20.1)	**1,366,971**	-	**-**	-
Deposits, Advances and Prepayments	**1,654,952**	1,211,318	**1,188,209**	809,974
Accrued Income	**1,613**	26,075	**1,565**	19,191
Loans to Company Officers	**10,910**	7,169	**-**	-
Tax Recoverable	**169,498**	150,749	**-**	-
	9,461,727	6,942,643	**3,472,807**	2,815,503
Provision for Bad and Doubtful Debts	**(1,290,560)**	(1,002,162)	**(130,785)**	(130,785)
Total Trade and Other Receivables	**8,171,167**	5,940,581	**3,342,022**	2,684,718

Note 20.1 Melstacorp Ltd. has acquired 7,739,366 shares of the company for Rs. 1.366 Bn in order to form a share trust for the benefit of its employees. Melstacorp Limited Share Trust (Trustee) was created effective from 1st April 2011 for the holding of the shares. Melstacorp Ltd. and the Trustees will initiate an Intra Transfer of said shares to be held in the names of the trustees as per the provisions in the trust deed ratified by the board on 9th August 2012.

21. Amounts Due from Subsidiaries

As at 31 March,	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
AION SG Residencies (Pvt) Ltd	-	-	9,782	9,782
Melsta Logistics (Pvt) Ltd	-	-	-	8,354
Melsta Regal Finance Ltd	-	-	330	-
Continental Insurance Lanka Ltd	-	-	1,205	647
Pelwatte Sugar Industries PLC (Note 21.1)	-	-	633,261	63,085
Lanka Bell Ltd. (Note 21.2)	-	-	120,076	175,678
	-	-	764,655	257,546
Provision for doubtful debts	-	-	(9,809)	(9,809)
	-	-	754,845	247,737

21.1 This amount includes interest free working capital advances given to the Pelwatte Sugar Industries PLC and the amount has been recovered in full after the Balance Sheet date.

21.2 This represents a short term loan of 200 Mn (Balance as at 31 March 2012 - 117 Mn) granted at the rate of AWPLR plus 1% adjusted on a quarterly basis.

22. Amount Due from Associate and Related Companies

Aitken Spence Hotel Management (Pvt) Ltd	477	17	-	-
Aitken Spence PLC	1,480	1,559	-	-
Aitken Spence Travels (Pvt) Ltd	-	1,463	-	-
Ambewela Livestock Co.Ltd	-	2	-	-
Ambewela Products (Pvt) Ltd	-	35	-	-
Hatton National Bank PLC	-	4,486	-	-
Heritance Ahungalla	1,081	-	-	-
Heritance Kandalama	127	-	-	-
Lanka Milk Foods (CWE) PLC	63	3,156	-	2,886
Madulsima Plantation PLC (Note 22.1)	461,856	53,950	459,132	52,547
Milford Exports (Ceylon) Ltd	-	1	-	-
Negombo Beach Resorts (Pvt) Ltd	-	28,145	-	-
Splendor Media (Pvt) Ltd	-	14	-	-
Adaaran Resorts	742	-	-	-
Stassens Exports Limited	-	37	-	-
Stassens Natural Foods (Pvt) Ltd	-	6	-	-
Hotel Hilltop	1,043	-	-	-
Heritance Ayurveda Mahagedara	8,919	-	-	-
Golden Sun Resorts	1,601	-	-	-
Heritance Tea Factory	286	-	-	-
Ace Power Generation Matara Ltd	-	2	-	-
Aitken Spence Hotel Holdinds PLC	-	169	-	-
Spence Evaluation Charitable Trust (Hotel School -Ahungalla)	152	-	-	-
	477,827	93,042	459,132	55,433

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

23. Short Term Deposits

Call and Fixed Deposits	1,308,447	8,012,193	90,443	5,392,789
	1,308,447	8,012,193	90,443	5,392,789

As at 31 March,	Notes	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
24. Cash & Cash Equivalents					
Cash at Bank and in Hand		**538,246**	482,060	**143,633**	174,453
Cash in Transit		**128,377**	139,579	**128,377**	139,579
		666,623	621,639	**272,010**	314,032
25. Stated Capital					
300,000,000 Ordinary Shares- Authorised & Issued		**300,000**	300,000	**300,000**	300,000

The Holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the shareholders.

26. Interest Bearing Loans & Borrowings

Repayable after one year					
Term Loans	26 (a)	**1,373,009**	600,703	**895,000**	-
Lease Creditors JEDB/SLSPC Estates	26 (b)	**102,094**	104,715	**-**	-
		1,475,103	705,418	**895,000**	-
Repayable within one year					
Term Loans	26 (a)	**1,757,596**	1,026,454	**1,020,000**	-
Finance Lease Obligations JEDB/SLSPA Estates	26 (b)	**1,528**	7,249	**-**	-
Bank & Other Borrowings		**9,254,771**	2,860,617	**7,800,035**	254,578
		11,013,895	3,894,320	**8,820,035**	254,578

26 (a) Term Loans

	Distilleries Company of Sri Lanka PLC Rs.'000	Balangoda Plantations PLC Rs.'000	Pelwatte Sugar Industries PLC Rs.'000	Lanka Bell Limited Rs.'000	Texpro Industries Limited Rs.'000	Total 2012 Rs.'000	Total 2011 Rs.'000
At the Beginning of the year							
Payable after one year	-	50,774	-	410,286	139,643	**600,703**	920,356
Payable within one year	-	33,799	300,000	854,656	13,677	**1,202,132**	1,788,853
		84,573	300,000	1,264,942	153,320	**1,802,835**	2,709,209
Add:							
Loans obtained during the year	2,000,000	-	-	552,993	7,179	**2,560,172**	507,715
Less:							
Repayments during the year	(85,000)	(33,799)	(147,911)	(965,692)	-	**(1,232,402)**	(1,589,767)
Balance at the end of the year	1,915,000	50,774	152,089	852,243	160,499	**3,130,605**	1,627,157
At the end of the year - Note 26(a) 1							
Payable after one year	895,000	20,160	-	302,895	154,954	**1,373,009**	600,703
Payable within one year	1,020,000	30,614	152,089	549,348	5,545	**1,757,596**	1,026,454
	1,915,000	50,774	152,089	852,243	160,499	**3,130,605**	1,627,157

26. Interest Bearing Loans & Borrowings (Contd.)

26(a)(1) Distilleries Company of Sri Lanka PLC

Bank Loan	Repayable within 1year Rs.'000	Repayable after 1year Rs.'000	Amount Outstanding as at 31/03/2012	Interest Rates	Repayment Basis	Monthly Repayment	Security
Commercial Bank PLC	1,020,000	895,000	1,915,000	AWPLR +1	23 Monthly instalments from March 2012	85,000	Quoted Equity Shares

26(a)(1) Texpro Industries Limited

Details of bank borrowings outstanding as at the balance sheet date are given below:

Bank Loan	Principal Loan	Amount Outstanding as at 31/03/2012	Amount Outstanding as at 31/03/2011	Interest Rates	Repayment Basis	Monthly Repayment
Hatton National Bank PLC	15,098	-	1,973	3 months LIBOR+1.5%	53 Monthly instalments from September 2006	300
Peoples Bank	57,934	5,545	17,470	LIBOR+6.5%	60 monthly instalments from August 2007	965
	73,032	5,545	19,443			

These loans were utilised to purchase plant and machinery and secured by a primary mortgage over land, buildings and immovable assets.

26. Interest Bearing Loans & Borrowings (Contd.)

26(a)(1) Balangoda Plantations PLC

Lender/Loan No. Asian Development Bank (Through the DFCC Bank)	Repayable within 1 year Rs.'000	Repayable after 1 year Rs.'000	Balance as at 31/12/2011 Rs.'000	Balance as at 31/12/2010 Rs.'000	Nominal rate of interest %	Terms of Repayment
0000029143	1,983	-	1,983	3,966	15.71	120 equal installments at Rs.165236 commencing from 30 November 2002
0000029144	5,272	-	5,272	10,544	13.60	120 equal installments at Rs.439,314 commencing from 30 November 2002
0000029671	8,834	5,889	14,723	23,557	11.75	120 equal installments after a grace period of 60 months from the date of first disbursement Rs.165236 commencing from 30 November 2002
0000030320	8,154	14,271	22,425	30,580	13.10	120 equal installments after a grace period of 60 months from the date of first disbursement Rs.165236 commencing from 30 November 2002
0000030714	6,371	-	6,371	15,926	12.14	96 equal installments after a grace period of 48 months from the date of first disbursement Rs.165236 commencing from 30 November 2002
	30,614	20,160	50,774	84,573	-	

Securities Pledged

DFCC Bank

Primary mortgage over the Leasehold rights to the land and buildings of Palmgarden,Pettiagalla and Balanoda Estates.
Further mortgage over the Leasehold rights to the land and buildings of Palmgarden,Pettiagalla and Galuthara Estates.
Primary mortgage over the Leasehold rights to the land and buildings of Balangoda, Meddekande and Rasagalla Estates.

26. (b) Finance Lease

JEBD/SLSPC Estates

	Repayable within 1 year Rs.'000	Repayable after 1 year Rs.'000	Repayable after 5 year Rs.'000	Repayable within 2-5 years Rs.'000	CONSOLIDATED 2012 Total Rs.'000	CONSOLIDATED 2011 Total Rs.'000
Gross Liability	5,673	184,058	161,366	22,692	**189,731**	202,935
Finance changes allowed to future periods	(4,145)	(81,964)	(66,022)	(15,942)	**(86,109)**	(90,972)
Net Liability to lessor	1,528	102,094	95,344	6,750	**103,622**	111,963

The leases of the estates have been amended, with effect from 11th June 1996 to an amount substantially higher than the previous lease rental of Rs.500/- per estate per annum. The first rental payable under the revised basis is Rs.5.673 Mn for Balangoda Plantations PLC from 11th June 1996 to 10th June 1997. This amount is inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental. The contingent rental charged to the Income Statement amounted to Rs.16,586,402/- which is based on the GDP deflator of 7.3% (2010).

27. Deferred Taxation

As at 31 March,	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
27.1 Deferred Tax Liabilities				
Balance as at the beginning of the year	**480,486**	113,384	**160,132**	-
Acquisition/Disposal of subsidiaries	**6,479**	151,587	**-**	-
Adjustment due to rate change	**-**	(7,937)	**-**	3,648
Transferred from/(to) Income Statement/Equity	**23,897**	223,452	**(160,132)**	156,484
Balance as at the end of the year	**510,862**	480,486	**-**	160,132
27.2 Deferred Tax Assets				
Balance as at the beginning of the year	**154,001**	109,616	**-**	13,461
Acquisition/Disposal of subsidiaries	**6,287**	42,792	**-**	-
Adjustment due to rate change	**-**	(8,554)	**-**	5,571
Transferred from/(to) Income Statement/Equity	**24,773**	10,147	**10,223**	(19,032)
Balance as at the end of the year	**185,061**	154,001	**10,223**	-
Net Deferred Tax Liability/(Asset) as at the end of the year	**325,801**	326,485	**(10,223)**	160,132

27.3 Texpro Industries Ltd

The tax losses of the subsidiary as at the Balance Sheet date was Rs.619,280,374/- resulting in a deferred tax asset of Rs.173,398,505/- as at Balance Sheet date. However, deferred tax asset has been recognised only up to the amount of Rs.133,735,778/- as at the Balance Sheet date due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset would be utilised. Accordingly, the unrecognised deferred tax asset at balance sheet date amounted to Rs.69,707,244/-.

27.4 Lanka Bell Ltd

No deferred taxation has been provided for Lanka Bell Limited, a subsidiary of the Company, since a majority of assets will be fully depreciated before the expiration of the tax holiday period of 20 years.

27. Deferred Taxation (Contd.)

27.5 Continental Insurance Lanka Ltd

No deferred taxation has been provided for Continental Insurance Limited, a subsidiary of the Company, As at the year end, total carry forward tax loss is Rs.89,366,450/-. The Company has utilized such tax losses to recognised a deferred tax asset up to the extent of the deferred tax liability arising from taxable temporary differences. Thus no deferred tax asset is recognised in the financial statements as it is not probable that the future taxable profits will be adequate to utilize the available tax losses fully in the foreseeable future. The unrecognised deferred tax assets as at 31st December 2011 amounted to Rs.20,152,446/-.

28. Retirement Benefit Obligations

As at 31 March,	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
Provision for Retiring Gratuity				
At the beginning of the year	**1,038,779**	676,629	**109,991**	111,414
Interest Charge for the year	**110,941**	34,684	**-**	-
Acturial(Gains)/Losses	**25,789**	72,232	**-**	-
Provision for the year	**39,169**	350,898	**19,735**	7,716
	1,214,678	1,134,443	**129,726**	119,130
Payments during the year	**(110,048)**	(95,664)	**(13,620)**	(9,139)
At the end of the year	**1,104,630**	1,038,779	**116,106**	109,991

28.1 The amounts recognised in the Balance Sheet are as follows

Present Value of Unfunded Obligations	**1,104,630**	1,038,779	**116,106**	109,991
Total Present Value of Obligations	**1,104,630**	1,038,779	**116,106**	109,991
Fair Value of Plan Assets	**-**	-	**-**	-
Present Value of Net Obligations	**-**	-	**-**	-
Unrecognised Acturial (Gains)/Losses	**-**	-	**-**	-
Recognised Liability for Defined Benefit Obligations	**1,104,630**	1,038,779	**116,106**	109,991

28.2 The Group has adopted SLAS 16 Employees benefits(Revised 2006) in determining the liability in respect of Retiring Gartuity.The present value of the said liability is estimated using either the acturial valuation or gratuity formula method as recommended by SLAS 16. The Parent Company ("DCSL"), Lanka Bell Ltd, Balangoda Plantation PLC, Melsta Logistic (Pvt) Ltd, Continental Insurance Lanka Ltd, Browns Beach Hotel PLC have estimated their gratuity liability as at 31 March 2012 based on the actuarial valuation, which is performed once in every three years in accordance with SLAS 16. The company's actuarial valuation was carried out by Messers. Actuarial and Management consultants (Pvt) Ltd.The estimated liability in respect of other subsidiaries in the Group has been made under the 'Formula Method'.

28.3 The principal acturial assumptions used in determining this obligation were;

a) Discount rate	9-11.50%
b) Salary increment	10-11%
c) Retirement age	55-60 years

The Group's policy is to obtain a valuation once in every three years.

29. Deferred Income

As at 31 March,	CONSOLIDATED 2012 Rs.'000	2011 Rs.'000
At the beginning of the year	**255,633**	239,302
Disposal of Namal Assets Management Ltd	**-**	(956)
Grants Received during the year	**-**	31,976
	255,633	270,322
Recovery of advance paid to PHDT	**(722)**	-
Amortised during the year	**(13,776)**	(14,689)
At the end of the year	**241,135**	255,633

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

30. Trade and Other Payable

As at 31 March,	CONSOLIDATED 2012 Rs.'000	2011 Rs.'000	COMPANY 2012 Rs.'000	2011 Rs.'000
Trade Payables	**1,976,921**	1,257,617	**152,359**	63,968
Other Payables and Accruals	**4,463,127**	4,210,527	**2,352,032**	1,858,820
Direct & Indirect Taxes Payable (Note: 30 a)	**4,800,211**	3,909,806	**4,075,815**	3,691,662
Dividend Payable	**129,415**	146,288	**124,428**	142,377
	11,369,674	9,524,238	**6,704,634**	5,756,827

30 (a) Direct & Indirect Taxes Payable

Excise Duty	**3,718,722**	3,295,186	**3,493,105**	3,123,850
Value Added Tax	**986,266**	523,612	**496,798**	484,846
Social Responsibility Levy	**-**	8	**-**	-
Nation Building Tax	**95,223**	91,000	**85,912**	82,966
	4,800,211	3,909,806	**4,075,815**	3,691,662

31. Amount Due to Related Companies and Subsidiaries

Stassens Exports Ltd.	**55,641**	130,597	**1,397**	1,418
Madulsima Plantations PLC	**285**	2,191	**-**	-
Splendor Media (Pvt) Ltd.	**-**	25,530	**26,512**	25,530
Melstacorp Ltd. (Note 31.1)	**-**	-	**12,134,116**	1,788
Melsta Logistics (Pvt) Ltd.	**-**	-	**6,380**	-
Periceyl (Pvt) Ltd.	**-**	-	**303,186**	994
Ace International Express (Pvt) Ltd.	**8,312**	-	**-**	-
Aitken Spence Hotel Managements (Pvt) Ltd.	**-**	1,945	**-**	-
Aitken Spence PLC	**539**	2,494	**-**	-
Aitken Spence Exports (Pvt) Ltd.	**-**	89	**-**	-
Lanka Milk Foods (CWE) PLC	**2,415**	50	**422**	-
Lanka Dairies (Pvt) Ltd.	**-**	107	**-**	-
Texpro Industries (Pvt) Ltd	**-**	-	**1,115**	920
	67,192	163,003	**12,473,128**	30,650

Note 31.1 The company has invested in 197,400,000 shares of its fully owned subsidiary Melstacorp Limited. As part of the consideration the group has structured its holdings in Lands and buildings valued at Rs.592 Mn, shares in unquoted subsidiary companies valued at 574 Mn, and the vehicle fleet valued at Rs.432 Mn to Melstacorp Limited and through Melstacorp Limited to its subsidiaries specializing in logistics and in property management. This together with 26.2 Bn investments made the total investment in Melstacorp Limited now stand at Rs.35.33 Bn. Rs.12.133 Bn of the above remain payable to Melstacorp Limited as of the Balance sheet date.

32. Contingent Liabilities

32.1 Pending Litigation

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from such legal cases, nor are additional payments anticipated as of date. Accordingly, no provision has been made for legal claims in the Financial Statements.

32.2 Distilleries Company of Sri Lanka PLC

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

32.3 Lanka Bell Limited

Sri Lanka Customs has issued a show cause notice to Lanka Bell Limited claiming that the Company is required to pay duty on the FLAG fiber optic submarine cable network which spans the globe connecting over 86 locations around the world. The Company is confident that no such duties are payable since Lanka Bell does not own this global network and also has already obtained BOI approval for the FLAG project. The Company has also filed a writ application with the Court of Appeal citing irregularities in the procedure adopted by the Sri Lanka Customs in issuing such a notice.

32.4 Balangoda Plantations PLC

According to the actuarial valuation carried out for retiring gratuity for all employees as at 31 December 2011, the actuarial present value of promised retirement benefits amounted to Rs.580,125,374/= if the Company had provided for gratuity for all employees on the basis of 14 days wages for workers and a half month salary for each completed year of service for the year ended 31 December 2011, the liability would have been Rs.809,755,051/=. Hence, there is a contingent liability of Rs.229,629,677/= which would crystalise only if the Company ceases to be a going concern.

32.5 Melstacorp Limited

The Securities and Exchange Commission (SEC) had filed a case before the Colombo Fort Magistrate against the ten defendants including Melstacorp Limited on charges of having violated Section 52(1) (2) (3) of the SEC Act. Melstacorp Limited has filed an action in the Court of Appeal and the relief prayed thereof include the stay in proceedings of the case filed by the SEC.

33. Comparative Figures

To facilitate comparison balances pertaining to the previous year have been re-classified to conform to current year classifications and presentation.

34. Capital and Other Commitments

There were no material capital expenditure approved by the Board of Directors as at 31 March 2012.

35. Related Party Disclosure

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 30 "Related Party Disclosures (Revised 2005)", the details of which are reported below. The Pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

35.1 Details of significant related party transactions are given below

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.000')	Balance (due to) / due from as at 31-03-2012 (Rs.000')
1	Milford Exports (Ceylon) (Pvt) Limited	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere	Parent Co.	Dividend Paid	311,176	-
2	Periceyl (Pvt) Limited	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Subsidiary Co.	Debtor Collections & Transfers Supply of Goods & Services Trading Account Profit	4,833,489 485,479 65,022	(303,187)
3	Balangoda Plantations PLC	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Subsidiary Co.	Dividend Received Rent Paid Purchase of Tea	18,360 165 56	-
4	Browns Beach Hotels PLC	Mr. D.H.S.Jayawardena	Subsidiary Co.	Share Purchase	18,145	
5	Splendor Media (Pvt) Ltd.		Subsidiary Co.	Loan Interest Supply of Goods & Services Advertisement	2,375 1,604 3,477	(26,512)
6	Texpro Industries Limited	Mr. D.H.S.Jayawardena Mr. C.R.Jansz	Subsidiary Co.	Security & Electricity Charges Purchase of Uniform Materials Supply of Goods & Services	241 1,446 46	(1,115)
7	Continental Insurance Lanka Ltd	Mr. D.H.S.Jayawardena Mr. C. F. Fernando	Subsidiary Co.	Insurance Premium Insurance Claim Received Supply of Goods & Services	26,736 1,217 3,102	1,206
8	Pelwatte Sugar Industries PLC	Mr. D.H.S.Jayawardena Capt. K.J.Kahanda	Subsidiary Co.	Money Given as Working Capital Settlement of Bank Facilities Settlement of Creditors Other Goods and Services Supplied Purchase of Goods Repayment of Money Advanced	2,134,416 564,942 472,084 176,812 992,279 1,785,798	633,261

35.1 Details of significant related party transactions (Contd.)

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.000')	Balance (due to) / due from as at 31-03-2012 (Rs.000')
9	Melsta Logistics (Pvt) Ltd		Subsidiary Co.	Loan Interest Vehicle Hiring charges Supply of Goods & Services Repair Charges Rent	118 83,402 47,834 2,078 206	(6,380)
10	Melstacorp Limited	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz Mr. N.de S. Deva Aditya Capt. K.J.Kahanda Mr. C. F. Fernando Dr. N. Balasuriya	Subsidiary Co.	Dividend Paid Rent Supply of Goods & Services Dividend Received Land Trf. Value Vehicle Trf. Value Share Restructure Fund Trf Purchase of Shares	18,076 59,099 5,633 140 1,216,361 511,451 4,963,000 15,220,131 35,532,000	(12,849,675)
11	Melsta Regal Finance Ltd		Subsidiary Co.	Fund transfer Sale of goods	300 30	330
12	Aitken Spence PLC	Mr. D.H.S.Jayawardena Mr. N.de S. Deva Aditya	Associate Co.	Dividend Received	113,542	-
13	Madulsima Plantations PLC	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere	Associate Co.	Loan Interest Loan Given	32,314 375,000	459,133
14	Stassen Exports (Pvt) Limited	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere	Related co.	Dividend Paid Purchases, Repairs & Maintenance & Transport Charges Supply of Goods & Services	5,286 37,123 5,015	(1,397)
15	Lanka Dairies (Pvt) Ltd.	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Related co.	Purchase of Milk Foods	147	-
16	Ambewela Products (Pvt) Ltd.	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Related co.	Purchase of Milk Foods	6	-
17	Lanka Bell Ltd	Mr. D.H.S.Jayawardena Mr. C.R.Jansz	Related co.	Loan Interest Received Loan Repayment Telephone Bills Paid	14,236 55,000 3,888	120,076
18	Lanka Milk Foods (CWE) PLC	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Related co.	Dividend Paid Purchase of Milk Foods Supply of Goods & Services Sale of Energy Drilnk	94,904 6,144 17,730 1,651	(422)
19	Hatton National Bank PLC	Mr. D.H.S.Jayawardena (up to 31-12-2011) Mr. R.K.Obeyesekere (up to 31-12-2011)	Related co.	Dividend Received Dividend Paid Interest & Charges Paid Interest Received Share Purchased Stand by Overdraft Letters of Credit Letters of Guarantee	43,823 750 13,251 90,271 196,291 600,000 300,000 3,100	-

35.1 Details of significant related party transactions (Contd.)

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.000')	Balance (due to) / due from as at 31-03-2012 (Rs.000')
20	Aitken Spence Hotel Holding PLC	Mr. D.H.S.Jayawardena	Related co.	Sales	713	-
21	Bellvantage (Pvt) Ltd	Mr. D.H.S.Jayawardena	Related co.	Maintenance Charges	2,529	-
22	Melstacorp Share Trust	Mr. C. F. Fernando Dr. N. Balasuriya	Settler/Trustee	Loan (Note 20.1)	1,366,971	1,366,971

This Note should be read in conjunction with Note 21, 22 and 31 amount due to/due from Subsidiaries, Associates & Related Companies.

35.1.1 Disclosure in relation to related party transactions in accordence with continuing listing requirements of Colombo Stock Exchange

Date of Transaction	Name of the Related Party	Relationship	Amount Rs.'000	Rational for Entering to the Transaction
01/04/2011	Melstacorp Ltd	Subsidiary	4,963,000	As part of the group re-structuring plan.
31/03/2012	Melstacorp Ltd	Subsidiary	35,532,000	As part of the group re-structuring plan.
02/03/2012	Melstacorp Ltd	Subsidiary	5,095,000	As part of the group re-structuring plan.

35.2 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 30 (Revised 2005) "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) and their immediate family members have been classified as Key Management Personnel of the Company.

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

Details of their compensation are given bellow.

	CONSOLIDATED		COMPANY	
	2012	2011	2012	2011
For the year ended 31 March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short-term employee benefits	**19,623**	15,699	**18,708**	15,699
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–
Termination benefits	–	–	–	–
Share-based payments	–	–	–	–

36. Segmental Information

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

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

For the year ended 31 March,	CONSOLIDATED 2012 Rs.'000	2011 Rs.'000
(a) Revenue		
Beverages	**52,907,583**	38,162,772
Plantations	**2,629,925**	2,797,266
Telecommunications	**4,156,762**	4,592,905
Diversified	**3,609,938**	1,198,996
Gross Revenue	**63,304,208**	46,751,939
Turnover based Taxes	**(36,150,107)**	(26,579,298)
Net Revenue	**27,154,101**	20,172,641
(b) Industry Segment Profit		
Beverages	**6,679,454**	9,489,263
Plantations	**24,927**	220,479
Telecommunications	**93,624**	113,268
Diversified	**817,387**	236,564
	7,615,392	10,059,574
Share of Associate Company Profits	**1,449,067**	702,292
Net Profit Before Tax	**9,064,459**	10,761,866
Taxation	**(2,926,756)**	(2,424,356)
Net Profit After Tax	**6,137,703**	8,337,510

36. Segmental Information

c. Segmental Assets and Liabilities

	Beverage		Plantation		Telecommunication		Diversified		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Assets	**60,282,441**	33,437,159	**2,856,373**	2,886,074	**8,738,177**	9,446,006	**53,628,837**	14,739,498	**125,505,828**	60,508,737
Consolidation Adjustments	**(37,503,316)**	(7,349,346)	**-**	-	**(125,467)**	(280,277)	**(20,573,260)**	(758,906)	**(58,202,043)**	(8,388,529)
	22,779,125	26,087,813	**2,856,373**	2,886,074	**8,612,710**	9,165,729	**33,055,577**	13,980,592	**67,303,785**	52,120,208
Interest Bearing Liabilities	**9,715,292**	254,601	**212,600**	191,332	**1,804,822**	2,121,011	**756,284**	2,032,794	**12,488,998**	4,599,738
Non Interest Bearing Liabilities										
Deferred Taxation	**166,356**	159,319	**61,073**	61,072	**-**	(2,431)	**283,433**	108,525	**510,862**	480,486
Retirement Benefit Obligation	**118,958**	112,336	**580,125**	525,975	**49,165**	48,602	**356,382**	351,866	**1,104,630**	1,038,779
Trade & Other Payables	**7,026,729**	6,210,745	**340,187**	311,255	**1,280,779**	1,457,729	**2,721,979**	1,544,509	**11,369,674**	9,524,238

d. Segmental Cash Flows

	Beverage		Plantation		Telecommunication		Diversified	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Cash Flow	**15,051,650**	4,511,347	**126,637**	290,391	**1,169,944**	962,531	**1,552,337**	96,433
Investing Cash Flow	**(28,952,249)**	1,154,400	**(235,484)**	(133,318)	**(728,572)**	(420,766)	**(1,093,153)**	(79,037)
Financing Cash Flow	**(817,949)**	(950,775)	**(103,635)**	(85,447)	**(412,699)**	(986,918)	**72,041**	(121,346)
	(14,718,548)	4,714,972	**(212,482)**	71,626	**28,673**	(445,153)	**531,225**	(103,950)

37. Amount due from the Secretary to the Treasury on Account of SLIC

a) In respect of Shares

As per the Judgment delivered by the Supreme Court of the Democratic Socialist Republic of Sri Lanka on 4 June 2009 it was declared and directed that the shares of SLIC purported to have been sold to Distilleries Consortium on 11 April 2003 along with any shares purchased from employees as per SSPA shall be deemed to have been held for and on behalf of the Secretary to the Treasury.

As directed by the said judgment, the Secretary to the Treasury returned Rs.5,716 Mn in 2010/11 that was paid by Group Subsidiary Milford Holdings (Pvt) Limited (MHL) to purchase shares from SLIC.

b) In respect of Profits Earned

Furthermore, MHL was entitled to retain the profits of SLIC derived by MHL from 11 April 2003 to 04 June 2009 in lieu of the interest for the aforesaid investment. The Secretary to the Treasury was directed to cause profits of SLIC to be computed and audited from the date of the last audited Balance Sheet of SLIC to 04th June 2009 to enable MHL to obtain such profits.

However, Secretary to the Treasury has not yet determined the value of profits to be retained by the MHL; hence no adjustments were made to the Financial Statements in this regards.

38. Impact of Revival of Underperforming Enterprises and Underutilised Assets Bill – Pelwatte Sugar Industries PLC (PSI PLC)

Consequent to the enactment and passage of the above Act of Parliament on 9th November 2011, the state officials are occupying the land leased to PSIP. As the leasing of the land to PSIP was done in 1985, and the abovementioned Act empowers the vesting of land leased during a period of 20 years before the enactment of the Act. The Company believes that the land that was used by PSIP have not been vested in the state. At this moment we are unable to comment further on the implications on the ruling as we await instructions by the Secretary to the Treasury.

Financial results for the last six months period ended 31 March 2012 have not been incorporated to Group results due to non accessibility of the information. Accordingly un-audited Financial Statements of the following Companies of PSI PLC Group for the six months ended 30 September 2011 have been used for the preparation of consolidated Financial Statements as at 31 March 2012.

Subsidiaries

Pelwatte Sugar Industries PLC
Pelwatte Sugar Distilleries (Pvt) Ltd.
Pelwatte Agriculture & Engineering Services (Pvt) Ltd.

Associate

Pelwatte Dairy Industries Ltd.

Summary of Financial Information of PSI PLC Group as at 30 Sep 2011 is given below

	Net Assets Rs.'000	Turnover Rs.'000	Profit/(Loss) Rs.'000
PSI PLC Group	1,634,278	1,681,707	821,724

39. Mandatory Offer to Acquire Remaining Shares of Aitken Spence PLC

In February 2012 Mestacorp Limited a subsidiary of DCSL PLC made a mandatory offer to acquire all the remaining shares of Aitken Spence PLC.

40. Assets held for Sale

As at 31 March	CONSOLIDATED 2012 Rs.'000	2011 Rs.'000
Property, Plant & equipment classified as held for sale	**508**	26,895

Consequent to the decision taken to demolish and reconstruct the new hotel the carrying amount of assets held by Browns Beach Hotels PLC is recognised under assets held for sale.

41. Events after the Balance Sheet Date

There were no other material events occurring after the Balance Sheet Date that requires adjustments to or disclosure in the Financial Statements other than the following and proposed final dividend disclosed in Note 11.

As part of Group's restructuring plan its holdings in Balangoda Plantations PLC, Browns Beach Hotels PLC, Aitken Spence PLC and Madulsima Plantations PLC valued at Rs.8,072 Mn were structured into Melstacorp Limited.

Statement of Value Added

For the Year Ended 31 March	CONSOLIDATED 2012 Rs.'000	CONSOLIDATED 2011 Rs.'000	COMPANY 2012 Rs.'000	COMPANY 2011 Rs.'000
Gross Turnover	**63,304,208**	46,751,939	**49,135,563**	38,987,124
Cost of Materials & Services purchased from External Sources	**(14,841,176)**	(9,498,287)	**(8,422,309)**	(7,401,422)
	48,463,032	37,253,652	**40,713,254**	31,585,702
Other Operating Income	**387,811**	4,160,900	**893,140**	4,246,180
Interest/ Dividend Income	**1,038,190**	384,597	**742,457**	426,867
Interest Expenses	**(674,572)**	(394,156)	**(338,067)**	(77,311)
Share from Profit of Equity Accounted Investees	**1,449,067**	702,292	**-**	-
Minority Interest	**(462,332)**	(213,475)	**-**	-
Value Added	**50,201,196**	41,893,810	**42,010,784**	36,181,438

Distributed as follows

	2012 Rs.'000	As a % of Total	2011 Rs.'000	As a % of Total
Consolidated				
To the State as Taxes	**39,076,863**	76.70	**29,003,654**	65.00
To Employees	**3,154,882**	6.19	**3,278,694**	7.40
To Providers of Capital	**609,827**	1.20	**395,690**	0.90
To Shareholders	**750,000**	1.47	**900,000**	2.00
Retained within the business				
As Depreciation	**1,683,708**	3.30	**2,882,169**	6.50
As Retained Profit	**5,675,371**	11.14	**8,124,035**	18.20
	50,950,651	100.00	**44,584,242**	100.00
Company				
To the State as Taxes	**36,467,923**	84.51	**27,667,611**	74.21
To Employees	**1,080,541**	2.50	**715,482**	1.92
To Providers of Capital	**338,067**	0.78	**77,311**	0.21
To Shareholders	**750,000**	1.74	**900,000**	2.41
Retained within the business				
As Depreciation	**188,047**	0.44	**153,440**	0.41
As Retained Profit	**4,326,814**	10.03	**7,768,754**	20.84
	43,151,392	100.00	**37,282,598**	100.00

Details of Real Estate

Location		Extent A	R	P	VALUE Cost/ Revaluation Rs.
Distilleries Company of Sri Lanka PLC					
Ambalantota	Wholesale Outlet	-	1	29.02	28,710,050
Badulla	Warehouse	-	2	8.64	12,120,000
Batticaloa	Wholesale Outlet	3	-	10.84	44,000,000
Colombo 10	Head Office	1	1	13.70	647,765,000
Dankotuwa	Carrington Group Estate	2	2	5.00	22,045,000
Dickoya	Wholesale Outlet	-	3	9.60	7,155,000
Gampola	Wholesale Outlet	-	3	38.80	27,742,000
Jaffna		1	-	21.60	11,000,000
Kaithadi		2	-	11.52	13,000,000
Kalutara	No. 1 Warehouse	4	-	33.38	151,067,000
Kalutara	No. 2 Warehouse / Premises No. 14 & 16	1	3	8.41	60,950,000
Kalutara	Teak Stores / Warehouse	1	-	32.82	20,945,000
Kalutara		1	-	23.00	14,000,000
Kandy	Mawilmada Land	2	-	-	22,200,000
Marawila	Toddy Collection Centre	2	-	-	13,025,000
Mirishena	Warehouse	-	3	28.32	19,912,000
Negombo	Wholesale Outlet	-	1	28.75	75,280,000
Peliyagoda		1	3	29.95	
Seeduwa	No. 3 Warehouse & Housing Complex	15	2	16.08	886,686,000
Seeduwa	New W/H, Old W/H & Distillery	5	2	14.74	319,562,000
Trincomalee	Wholesale Outlet	-	1	38.64	35,000,000
Vauniya	Wholesale Outlet	-	3	33.69	38,000,000
Melstacorp Limited					
Anuradhapura	Proposed Wholesale Outlet	-	3	21.46	33,000,000
Badulla		-	2	16.00	2,900,000
Badulla		-	1	21.20	2,900,000
Beruwala	Warehouse	2	1	19.08	114,000,000
Colombo 14		2	1	14.10	395,000,000
Galle	Wholesale Outlet	-	1	37.00	35,300,000
Katugastota	Warehouse	-	2	27.50	36,700,000
Katugastota	Wholesale Outlet	5	-	3.84	118,400,000
Kurunegala	Wholesale Outlet	-	2	29.00	47,000,000
Ranala - Nawagamuwa		10	-	-	222,900,000
Ratmalana	Wholesale Outlet	1	-	28.20	171,700,000
Seeduwa	Factory Complex	-	-	19.75	1,500,000
Seeduwa	Factory Complex	-	1	2.55	59,700,000
Seeduwa	Factory Complex	-	1	20.50	14,500,000
Seeduwa	Factory Complex	-	3	22.60	18,300,000
Seeduwa	Factory Complex	-	-	36.25	7,250,000
Lanka Bell Limited					
Minuwangoda	Warehouse & Switch	1	3	35.35	93,490,000
Texpro Industries Limited					
Embulgama	Factory	-	2	-	4,000,000
Ranala	Factory	6	-	6.05	173,889,000
Browns Beach Hotels PLC					
Negombo	Hotel Complex	6	-	37.52	364,307,000
Pelwatte Sugar Industries PLC					
Colombo 04	Head Office	-	-	32.30	121,125,000
Monaragala	Stores	1	2	-	15,749,000

Shareholder Information

1. Stock Exchange Listing

The Issued Ordinary Shares of the Company are listed with the Colombo Stock Exchange.
Ticker Symbol - DIST.N0000
Market Sector - Beverage, Food & Tobacco

2. Distribution of Shareholding

	31 March 2012			31 March 2011		
Holding	No. of Shareholders	Total Holding	% Holding	No. of Shareholders	Total Holding	% Holding
1 - 1000	9,446	3,360,687	1.12	12,181	11,557,162	3.85
1,001 - 10,000	2,060	7,055,729	2.35	400	12,008,383	4.00
10,001 - 100,000	337	9,849,000	3.28	71	19,282,127	6.43
100,001 - 1,000,000	73	21,725,915	7.24	18	43,584,728	14.53
Over 1,000,000	21	258,008,669	86.00	4	213,567,600	71.19
Grand Total	11,937	300,000,000	100.00	12,674	300,000,000	100.00

3. Analysis of Shareholding

	No. of Shareholders	Holding	% of Holding
Individuals	11,599	76,370,276	25.46%
Institutions	338	223,629,724	74.54%
	11,776	243,322,845	81.11%
Resident	11,776	243,322,845	81.11%
Non-Resident	161	56,677,155	18.89%
	11,937	300,000,000	100.00%

4. Market Price

	31 March 2012 (Rs.Per Share)	31 March 2011 (Rs.Per Share)
Last Traded	**145.00**	180.00
Highest	**191.00**	197.00
Lowest	**100.00**	117.00

Share Price Performance

Twenty largest Shareholders as at 31 March

		2012		2011	
		No of Shares	% of Issued Capital	No of Shares	% of Issued Capital
1	Milford Exports (Ceylon) Limited	**124,470,500**	41.49	124,470,500	41.49
2	Lanka Milk Food (C.W.E.) PLC	**37,961,500**	12.65	37,961,500	12.65
3	Mr. Muzaffar Ali Yaseen	**32,388,000**	10.8	30,048,000	10.02
4	Mrs. Lorraine Estelle Marlene Yaseen	**16,400,000**	5.47	21,087,600	7.03
5	Melstacorp Limited	**7,739,366**	2.58	-	-
6	Caceis Bank Luxembourg S/A Barca Global Master Fund	**4,951,026**	1.65	2,778,000	0.93
7	Commercial Bank of Ceylon PLC / L.E.M. Yaseen	**4,750,000**	1.58	4,750,000	1.58
8	Lahugala Plantation (Pvt) Limited	**4,111,795**	1.37	-	-
9	FI-CIBLUX S/A Batterymarch Global Emerging Market Fund	**3,277,500**	1.09	3,277,500	1.09
10	Mrs. Shantha Marie Chrysostom	**3,047,000**	1.02	3,047,000	1.02
11	Northern Trust CO S/A National Westminister Bank PLC as Trust	**2,800,000**	0.93	-	-
12	Sri Lanka Insurance Corporation Ltd. - Life Fund	**2,320,200**	0.77	2,320,200	0.77
13	Stassen Exports Limited	**2,114,200**	0.7	2,114,200	0.70
14	Mr. Don Hasitha Stassen Jayawardena	**1,882,833**	0.63	1,882,833	0.63
15	HSBC Intl Nom Ltd-MSNY-Bay Pond Partners	**1,840,283**	0.61	4,384,900	1.46
16	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	**1,505,000**	0.5	1,500,000	0.50
17	Aitken Spence Aviation (Pvt) Limited	**1,500,000**	0.5	1,500,000	0.50
18	Mr. Kenneth Rudy Kamon	**1,404,400**	0.47	1,404,400	0.47
19	MCSEN Range Private Limited	**1,364,966**	0.45	-	-
20	MAS Capital (Private) Limited	**1,092,900**	0.36	952,500	0.32
	Total	**256,921,469**	85.64	243,479,133	81.16

Percentage of shares held by public: 33.13%

Ten Year Summary

In Rs. Mn - Company	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Results										
Gross Turnover	**49,135.6**	38,987.1	29,964.1	29,569.8	27,416.0	22,653.1	18,399.7	14,391.8	12,257.6	10,778.8
Excise Duty	**33,859.7**	25,464.4	18,979.0	18,339.2	16,458.0	14,020.3	11,263.9	9,235.4	8,059.8	7,214.3
Net Turnover	**15,275.9**	13,522.7	10,985.0	11,230.5	10,958.0	8,632.8	7,135.8	5,156.4	4,197.8	3,564.5
Profit/(Loss) before tax	**6,935.1**	9,972.0	4,004.5	3,977.9	3,014.9	2,826.6	2,480.7	1,762.1	1,938.6	930.7
Profit/(Loss) after tax	**4,326.8**	7,768.7	2,815.0	2,682.4	1,981.6	1,868.9	1,807.6	1,247.8	1,625.6	609.0
Funds Employed										
Stated Capital	**300.0**	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Capital Reserves	**2,506.9**	2,923.6	107.9	107.9	107.9	107.9	107.9	107.9	107.9	107.9
Revenue Reserves	**25,877.9**	21,718.0	14,849.3	12,709.3	10,551.8	8,708.1	7,019.2	5,361.6	4,263.9	2,773.0
Shareholders Funds	**28,684.8**	24,941.7	15,257.2	13,117.2	10,959.7	9,116.0	7,427.1	5,769.5	4,671.8	3,180.9
Total Borrowings	**9,715.1**	254.6	76.2	920.1	2,648.1	1,634.0	2,221.2	1,500.6	3,026.1	915.9
Non Current Liabilities net of Borrowings	**116.1**	270.1	111.4	171.5	109.6	88.0	99.2	90.7	92.5	101.8
Current Liabilities net of Borrowings	**20,134.4**	6,590.6	5,159.9	4,785.2	4,662.9	4,279.9	3,390.6	2,135.3	1,779.7	1,517.1
	58,650.3	32,057.0	20,604.7	18,994.0	18,380.1	15,118.0	13,138.1	9,495.1	9,570.1	5,716.8
Assets Employed										
Non-current Assets	**49,111.6**	20,212.7	14,024.6	12,840.9	12,302.9	10,383.5	10,398.5	7,619.1	7,594.3	2,888.3
Current Assets	**9,538.7**	12,114.4	6,580.1	6,153.1	6,007.5	4,734.4	2,739.6	1,876.0	1,975.8	2,828.5
	58,650.3	32,327.1	20,604.7	18,994.0	18,310.4	15,117.9	13,138.1	9,495.1	9,570.1	5,716.8
Cashflow										
Net Cashflow from operating activities	**2,001.8**	4,275.1	2,692.7	1,881.7	2,509.3	1,118.2	1,974.1	1,774.3	667.8	234.8
Net Cashflow from Investing activities	**(16,038.7)**	1,247.0	(661.2)	(35.6)	(3,041.8)	(48.4)	(2,662.4)	(12.2)	(3,943.7)	(172.5)
Net Cashflow from Financing activities	**(1,147.0)**	(875.8)	(675.0)	(525.0)	(465.0)	(169.7)	(149.7)	(146.4)	(134.1)	(140.6)
Net Increase/(Decrease) in Cash & Cash Equivalents	**(12,889.8)**	4,646.3	1,356.5	1,321.1	(997.5)	900.1	(838.0)	1,615.7	(3,410.0)	(78.3)
Key Indicators										
Earnings per Share (Rs.)	**14.42**	25.90	9.38	8.90	6.60	6.20	6.00	4.20	5.40	2.00
Net Assets per Share (Rs.)	**95.62**	83.14	50.86	43.70	36.50	30.40	24.80	19.20	15.60	10.60
Market Value per share year end	**145.00**	180.0	118.0	65.0	98.0	105.0	35.0	32.0	22.0	9.3
Return on shareholders' funds	**15.08**	31.15	18.45	20.50	18.10	20.50	24.30	21.60	34.80	19.20
Dividends Per share (Rs.)	**3.00**	3.00	2.50	2.25	1.75	1.55	0.60	0.50	0.50	0.45

DCSL Management Team

Head Office

Chief Executive Officer	Maximus R. Peries *B.Sc. (Eng), MBA (Merit), LLB (Hons) London, C. Eng. MIEE (London)*

Finance Division

Head of Finance	Nimal Nagahawatte *B.Sc.*
Asst. Finance Manager	Suranjan Lakmanaratchi
Accountant	Justin Algama *B.Sc., Dip. Acc.*
Asst. Manager (IT)	Ms. P. Gamagedara *Dip. (NIBM), AACS*

Supplies Division

Supplies Manager	S. Rajanathan

Internal Audit Division

Chief Internal Auditor	L. P. Liyanaarachchi *FCA, FCMA, Dip.Acc.*

Investigation Unit

Director	Alfred Wijewardene *DIG (Retd.)*
Deputy Director	A. X. Clarence Motha *ASP (Retd.)*
Deputy Director	G.U.J. Vithanage *SSP (Retd.)*

Company Secretarial & Legal Division

Company Secretary & Chief Legal Officer	Ms. V. J. Senaratne *Attorney-At-Law & N.P., Solicitor (Eng. & Wales)*

Human Resources Division

Human Resources Manager	Ms. G. Chakravarthy *LLB, Attorney-at-Law*
Asst. Human Resources Manager	Ms. U.R. Edirisinghe *MBA (Sri J.), B.Sc. (HRM)Sp*
Asst. Administration & Personnel Manager	L. S. R. Nishantha *MBA (Col), B.Sc. (Bus.Ad), NDHRM (IPM)*

Consultant

	J. R. de Crusz *(Retd. Dy. Commissioner of Excise)*

Transport Division

Transport Manager	Roshanth Kumar Perera

Stock Control Division

Manager - Stock Control	Lalith Ratnayake *B.Sc. (B.Ad) Sp*

Group Management Division

Group Financial Controller	Cleetus Mallawaarachchi *MBA (UoC), FCA, FCMA*

Regional Offices

Northern Region - Seeduwa

Actg. Regional Manager	Maj. R. M. Cabraal (Retd.)
Deputy Regional Manager	Col. A. M. B. Peiris (Retd.) RWP, MHRP, MBA (Sri J)
Head of Analytical Division	T. D. Ekmon *B.Sc., A.I. Chem C, Chartered Chemist*
Chief Engineer	M. N. Perera
Consultant	K. Sivarajah *B.Sc. (Cey), MSc. (UK), F.I Chem.C,* Chartered Chemist *(Retd. Govt. Analyst)*
Production Manager	S. G. Bandula Silva B.Sc.
Senior Chemist	S. M. Sumanasekera B.Sc., MSc, I Chem
Group Security Manager	R. M. L. N. Bandara MBA (USA)
Accountant	K. W. N. V. Fernando *B.Com.* MAAT, PGDED
Distillery	Seeduwa
Warehouses	New Warehouse, No. 3 Warehouse, Old Warehouse
Wholesale Outlets	Peliyagoda (W), Peliyagoda (S), Rajakadaluwa, Negombo, Anuradhapura, Kurunegala

Southern Region - Kalutara

Regional Manager	Maj. Gen. Siri Peiris *(Retd.) RSP, VSV, USP, IG*
Deputy Regional Manager	Col. D. J. R. Rupasinghe *(Retd.) RSP, IG*
Production Manager	A. D. Amaradeva
Chemist	A. A. D. C. Suranga Algama B.Sc.
Asst. Accountant	Ms. Amali Bandara
Asst. Engineer	H. P. D. P. Mangala Gunasekara
Distillery	Beruwala
Warehouses	Kalutara No 01& Kalutara No 02, Teak Store, Mirishena
Wholesale Outlets	Kalutara, Ratmalana, Ambalantota, Galle, Kuruwita

Central Region - Kandy

Regional Manager	Rear Admiral Wasantha Tennekoon *SLN (Retd.) RSP, VSV, USP, ndc, psn, MSc. (D&SS), DISS (USA), MRIN (Lond)*
Deputy Regional Manager	D. V. R. Mallawarachchi *BBA (US), BA (DS)*
Snr. Production Manager	V. Jeiyachandiran *B.Sc. (Hons)*
Production Manager	N. Thiranagama *B.Sc.*
Consultant	W. W. M. S. U. Wijayarathna *B.Sc.(Hons), M.Phil, Chartered Chemist*
Civil Engineer	A. M. A. J. B. Abeykoon
Asst. Accountant	Mrs. W. M. P. Perera
Warehouse	Nawayalatenna
Wholesale Outlets	Katugastota, Gampola, Dickoya, Vavuniya, Batticaloa, Trincomalee, Jaffna, Minneriya

Uva Region - Badulla

Regional Manager	Capt. Ranjith Wettewa *SLN (Retd.) RSP, P.S.N*
Warehouse	Badulla
Wholesale Outlet	Badulla

Group Directory

Beverage

Periceyl (Pvt) Limited

Secretary Ms. V. J. Senaratne

Board of Directors
D. H. S. Jayawardena – *Chairman*
R. K. Obeyesekere
C. R. Jansz
L. U. D. Frenando *(Resigned w.e.f. 08/12/2011)*
S.K.S.D. Amarathunga
A. L. Goonaratne – *(Appointed w.e.f. 22/03/2012)*

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

Co. Reg. No. PV 5529

Auditors Ernst & Young (Chartered Accountants)

Plantation

Balangoda Plantations PLC

Secretary P. A. Jayatunga

Board of Directors
D. H. S. Jayawardena – *Chairman/Managing Director*
R. K. Obeyesekere
C. R. Jansz
S. K. L. Obeyesekere
Dr. A. Shakthevale
D. S. K. Amarasekera

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94-11) 2522871-2 Fax: (94-11) 2522913

Co. Reg. No. PQ 165

Auditors Ernst & Young (Chartered Accountants)

Telecommunication

Lanka Bell Limited

Secretary Ms. C. M. Chandrapala

Board of Directors
D. H. S. Jayawardena – *Chairman*
T. K. D. A. P. Samarasinghe – *Managing Director*
C. R. Jansz
L. U. D. Fernando *(Resigned w.e.f 12/12/2011)*
M. R. Peries *(Appointed w.e.f 12/12/2011)*
D. S. C. Mallawaarachchi *(Appointed w.e.f. 20/01/2012)*
A. L. Goonaratne *(Appointed w.e.f. 22/03/2012)*

Registered Office
Level 10, West Tower, World Trade Centre, Echelon Square, Colombo 01
Tel: (94-11) 5335000 Fax: (94-11) 5545988

Co. Reg. No. PB 306

Auditors KPMG (Chartered Accountants)

Telecom Frontier (Pvt) Limited

Secretary Ms. C. M. Chandrapala

Board of Directors
D. H. S. Jayawardena – *Chairman*
T. K. D. A. P. Samarasinghe – *Managing Director*
L. U. D. Fernando *(Resigned w.e.f 12/12/2011)*
M. R. Peries *(Appointed w.e.f 12/12/2011)*
D. S. C. Mallawaarachchi *(Appointed w.e.f. 20/01/2012)*
A. L. Gooneratne *(Appointed w.e.f. 22/03/2012)*

Registered Office
No: 344, Galle Road, Colombo 3
Tel: (94-11) 5335000

Co. Reg. No. PV 61396

Auditors Amarasekara & Company (Chartered Accountants)

Telecommunication (contd.)

Bell Solutions (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
T. K. D. A. P. Samarasinghe – *Managing Director*
L. U. D. Fernando *(Resigned w.e.f 12/12/2011)*
M. R. Peries *(Appointed w.e.f 12/12/2011)*
D. S. C. Mallawaarachchi *(Appointed w.e.f. 20/01/2012)*
A. L. Goonaratne *(Appointed w.e.f. 22/03/2012)*

Secretary Ms. C. M. Chandrapala

Registered Office
No: 344, Galle Road, Colombo 3
Tel: (94-11) 5335000

Co. Reg. No. PV 61398

Auditors Amarasekara & Company (Chartered Accountants)

Diversified Holdings

Melstacorp Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
R. K. Obeyesekere
C. R. Jansz
C. F. Fernando
Dr. Naomal Balasuriya
Capt. K J Kahanda
N. de. S. Deva Aditya
L. U. D. Fernando *(Resigned w.e.f. 08/12/2011)*
A. L. Goonaratne *(Appointed w.e.f. 23/02/2012)*
Ms. V. J. Senaratne *(Alternate to N. de. S. Deva Aditya)*

Secretary P. W. Corporate Secretarial (Pvt) Limited

Registered Office
110, Norris Canal Road, Colombo 10
Tel: Tel : (94-11) 5696794

Web www.melsta.com

Co. Reg. No. PV 11755

Auditors KPMG (Chartered Accountants)

Milford Holdings (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
R. K. Obeyesekere
C. R. Jansz
L. U. D. Fernando *(Resigned w.e.f. 08/12/2011)*
Capt. K J Kahanda

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94-11) 2695295-7 Fax: (94-11) 2696360

Co. Reg. No. PV 5944

Auditors KPMG (Chartered Accountants)

Browns Beach Hotels PLC

Board of Directors
D. H. S. Jayawardena – *Chairman*
M. V. Theagarajah
J. M. S. Brito
S. M. Hapugoda
T. D. U. D. Peiris
R. N. Asirwatham *(Resigned w.e.f. 29/12/2011)*

Secretaries Aitken Spence Corporate Finance (Private) Limited

Registered Office
315, Vauxhall Street, Colombo 02

Co. Reg. No. PQ 202

Auditors KPMG (Chartered Accountants)

Group Directory

Diversified Holdings (contd.)

Texpro Industries Limited
Timpex (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
J. D. Peries – *Managing Director*
C. R. Jansz
L. U. D. Fernando *(Resigned w.e.f. 08/12/2011)*
H. I. Munasingha
A. L. Goonaratne *(Appointed w.e.f. 23/04/2012)*
D. S. C. Mallawaarachchi *(Appointed w.e.f. 16/01/2012)*

Secretaries SSP Corporate Services (Pvt) Limited

Registered Office
1st Floor, Lakshman's Building, 321,
Galle Road, Colombo 3
Tel: (94-11) 2565951

Co. Reg. No. PB 748

Auditors KPMG (Chartered Accountants)

Melsta Logistics (Pvt) Limited
(Formerly known as Collision Repair Center (Pvt) Ltd.)

Board of Directors
L. U. D. Fernando – *Chairman (Resigned w.e.f. 08/12/2011)*
A. L. Goonaratne – *Chairman (Appoined w.e.f. 21/03/2012)*
S. U. K. M. B. Galagoda
A. M. Janaka Abeysinghe
Ms. R. Cooray
(Appointed w.e.f. 08/09/2011 and resigned w.e.f. 31/12/2011)
T. Q. Fernando *(Appointed w.e.f. 08/09/2011)*

Secretaries P. W. Corporate Secretarial (Pvt) Limited

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

Co. Reg. No. PV 14051

Auditors Amarasekara & Company (Chartered Accountants)

Continental Insurance Lanka Ltd.

Board of Directors
D. H. S. Jayawardena *(Resigned w.e.f. 31/12/2011)*
A. S. Abeyewardene
G. D. C. de Silva
S. U. K. M. B. Galagoda
C. F. Fernando *(Appointed w.e.f 15/11/2011)*
H. Wickramasinghe *(Appointed w.e.f 15/11/2011)*
A. L. Goonaratne *(Appointed w.e.f. 21/03/2012)*

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
79, Dr. CWW Kannangara Mawatha, Colombo 07
Tel : (94-11) 5200300

Co. Reg. No. PB 3784

Auditors KPMG (Chartered Accountants)

Splendor Media (Pvt) Limited

Board of Directors
C. P. Abeywickrema - *Chairman*
Ms. G. Chakravarthy
D. A. D. V. Gunasekara
Ms. R. Cooray *(Resigned w.e.f 31/12/2011)*
N. N. Nagahawatte *(Appointed w.e.f. 12/12/2011)*
R. P. Obeysinghe *(Appointed w.e.f. 12/12/2011)*

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
110, Norris Canal Road, Colombo 10
94- 11) 5 639 501 Fax: (94-11) 5 373 344

Co. Reg. No. PV1230

Auditors KPMG (Chartered Accountants)

Diversified Holdings (contd.)

Bogo Power (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
Dr. N.M. Abdul Gaffar
S. K. L. Obeyesekere

Secretaries P. A. Jayatunga

Registered Office
833, Sirimavo Bandaranaike Mawatha, Colombo 14
Tel: (94-11) 2522871-2 Fax: (94-11) 2522913

Co. Reg. No. PV 64901

Auditors Ernest & Young (Chartered accountants)

Bellvantage (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
A. L. Goonaratne – *Managing Director*
(Appointed w.e.f. 21/03/2012)
T. K. D. A. P. Samarasinghe *(Resigned w.e.f.30/12/2011)*
L. U. D. Fernando *(Resigned w.e.f.12/12/2011)*
Y. D. B. Gunaratne *(Appointed w.e.f. 01/01/2012)*
R. P. Obeysinghe *(Appointed w.e.f. 01/01/2012)*
P. Karunanayake *(Appointed w.e.f. 01/01/2012)*
P. S. Suriyaarachchi *(Appointed w.e.f. 01/01/2012)*
D. A. C. Peiris *(Appointed w.e.f. 01/01/2012)*
Ms. F. F. S. Sulaiman *(Appointed w.e.f. 01/01/2012)*

Secretary P. W. Corporate Secretarial (Pvt) Limited

Registered Office
33, Park Street, Colombo 02
Tel: +94-11-5753753 Fax: +94-11-5753754
E-mail : sales@bellvantage.com
Web : www.bellvantage.com

Co. Reg. No. PV 65022

Auditors Amarasekara & Company (Chartered Accountants)

Melsta Regal Finance Limited

Board of Directors
A. L. Goonaratne – Managing Director
(Appointed w.e.f. 17/05/2012)
L. P. Liyanaarachchi *(Appointed w.e.f. 12/01/2012)*
S. Rajanathan *(Appointed w.e.f. 12/01/2012)*
D. J. S. Algama *(Appointed w.e.f. 19/01/2012)*
R. P. Obeysinghe *(Appointed w.e.f 11/01/2012)*
P. Karunanayake *(Appointed w.e.f. 12/01/2012)*
D. M. N. P. Karunapala *(Appointed w.e.f. 24/05/2012)*
U. B. J. M. A. Jayasuriya
(Appointed w.e.f. 01/05/2011 and resigned w.e.f. 11/01/2012)
J. Kulasingham *(Resigned w.e.f. 01/05/2011)*
G. Sivajothi *(Resigned w.e.f. 12/01/2012)*

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94-11) 268 2742-3, 5288571 Fax: (94-11) 268 2741

Co. Reg. No. PB 878

Auditors KPMG (Chartered Accountants)

Group Directory

Diversified Holdings (contd.)

Pelwatte Sugar Industries PLC

Board of Directors
D. H. S. Jayawardena *(Appointed w.e.f. 08/07/2011)*
M. J. C. Amarasuriya - *Chairman*
(Resigned w.e.f. 28/06/2011)
P. H. A. W. Karunaratna
(Appointed w.e.f. 08/07/2011 and resigned w.e.f. 15/06/2012)
K. J. Kahanda *(Appointed w.e.f. 08/07/2011)*
M. R. Peries *(Appointed w.e.f. 08/07/2011)*
R. Wettewa *(Appointed w.e.f. 08/07/2011)*
L. U. D. Fernando
(Appointed w.e.f. 08/07/2011 and resigned w.e.f. 12/12/2011)
D. A. de S. Wickramanayake
D. H. J. Gunawardena
C. S. Weeraratne
D. A. E. de S. Wickramanayake
Y. Thilakasena *(Resigned w.e.f. 05/07/2011)*
K. K. U. Wijeyesekera *(Appointed w.e.f. 19/06/2012)*

Secretaries Managers & Secretaries (Pvt) Limited

Registered Office
27, Melbourne Avenue, Colombo 04
Tel: (94-11) 2589390 Fax: (94-11) 2500674

Co. Reg. No. PV 14051

Auditors Ernst & Young (Chartered Accountants

Pelwatte Sugar Distilleries (Pvt) Limited

Board of Directors
K. J. Kahanda - Managing Director
(Appointed w.e.f. 25/07/2011)
L. U. D. Fernando *(Appointed w.e.f. 25/07/2011*
and resigned w.e.f. 12/12/2011)
M. R. Peries *(Appointed w.e.f. 25/07/2011)*
D. A. de S. Wickramanayake
D. H. J. Gunawardena *(Resigned w.e.f. 25/07/2011)*
C. S. Weeraratne *(Resigned w.e.f. 25/07/2011)*
Y. Thilakasena *(Resigned w.e.f. 08/07/2011)*

Secretaries Managers & Secretaries (Pvt) Limited

Registered Office
27, Melbourne Avenue, Colombo 04
Tel: (94-11) 2589390 Fax: (94-11) 2500674

Co. Reg. No. PV 10221

Auditors Ernst & Young (Chartered Accountants)

Pelwatte Agriculture & Engineering Services (Pvt) Limited

Board of Directors
M. J. C. Amarasuriya *(Resigned w.e.f. 28/06/2011)*
D. A. de S. Wickramanayake
C. S. Weeraratne
Y. Thilakasena *(Resigned w.e.f. 08/07/2011)*

Secretaries Managers & Secretaries (Pvt) Limited

Registered Office
27, Melbourne Avenue, Colombo 04
Tel: (94-11) 2589390 Fax: (94-11) 2500674

Co. Reg. No. PV 66850

Auditors Ernst & Young (Chartered Accountants

Associates

Aitken Spence PLC

Board of Directors
D. H. S. Jayawardena – *Chairman*
J. M. S. Brito – *Deputy Chairman/ Managing Director*
Dr. R. M. Fernando
G. C. Wickremasinghe
G. M. Perera
C. H. Gomez
N. de S. Deva Aditya
V. M. Fernando
M. P. Dissanayake
R. N. Asiriwatham
A. L. Goonaratne – *(Appointed as Alternate Director to N. de S. Deva Aditya w.e.f. 08/05/2012)*

Secretaries R. E. V. Casie Chetty

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

Co. Reg. No. PQ 120

Auditors KPMG (Chartered Accountants)

Madulsima Plantations PLC

Board of Directors
D. H. S. Jayawardena – *Chairman/ Managing Director*
R. K. Obeyesekere
Zaki Alif
Dr. N. M. Abdul Gaffar
S. K. L. Obeyesekere
Dr. A. Shakthevale
D. S. K. Amarasekera

Secretaries P. A. Jayatunga

Registered Office
833, Sirimavo Bandaranaike Mawatha, Colombo 14
Tel: (94-11) 2522871-2 Fax: (94-11) 2522913

Co. Reg. No. PQ 184

Auditors Ernst & Young (Chartered Accountants)

Pelwatte Dairy Industries Limited

Board of Directors
D. A. de S. Wickramanayake
D. A. E. de S. Wickramanayake
D. H. J. Gunawardena
A. N. Felix Perera

Secretaries Maidas Secretarial Services (Pvt) Limited

Registered Office
A/4, Perahera Mawatha, Colombo 03

Co. Reg. No. PV 16876

Auditors Ernst & Young (Chartered Accountants)

Notice of Meeting

NOTICE IS HEREBY GIVEN that the TWENTY SECOND ANNUAL GENERAL MEETING OF DISTILLERIES COMPANY OF SRI LANKA PLC will be held at the "Grand Ballroom" of Galadari Hotel, 64, Lotus Road, Colombo 01 on 28 September 2012 at 10.30 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Directors and the Financial Statements of the Company for the year ended 31st March 2012.
2. To approve a Final Dividend as recommended by the Board of Directors.
3. To re-elect Mr. N. de S. Deva Aditya who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association, as a Director of the Company.
4. To re-elect Dr. A. N. Balasuriya who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association, as a Director of the Company.
5. To re-elect as a Director, Mr. D.H.S. Jayawardena, who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution.

   "RESOLVED that Mr. D.H.S. Jayawardena, who attained the age of 70 on 17th August, 2012, be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director".
6. To re-elect as a Director, Mr. C. F. Fernando, who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution.

   "RESOLVED that Mr. C. F. Fernando, who attained the age of 70 on 01st March, 2005, be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director".
7. To authorise the Directors to determine contributions to charities.
8. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG who are deemed to have been reappointed as Auditors in terms of section 158 of the Companies Act No. 7 of 2007.

By Order of the Board,

Ms. V. J. Senaratne
Company Secretary

29th August 2012.
Colombo.

Notes :

1. A member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote on behalf of him/her by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a member of the Company.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at 110, Norris Canal Road, Colombo 10, before 10.30 a.m. on 26th September 2012.

   The dividend warrants will be posted within seven market days, if the dividend proposed is approved at the Annual General Meeting. In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 01 October 2012.

THE SHAREHOLDERS AND THE PROXY HOLDERS ATTENDING THE MEETING ARE KINDLY REQUESTED TO BE IN THEIR SEATS BY 10.15 a.m. THEY ARE ALSO REQUESTED TO BRING THIS ANNUAL REPORT, ALONG WITH AN ACCEPTABLE FORM OF IDENTITY.

Form of Proxy

Folio No.	

I/We .....

of ..... being a member/

members of the Distilleries Company of Sri Lanka PLC hereby appoint Don Harold Stassen Jayawardena* or failing him Rajpal Kumar Obeyesekere* or failing him Cedric Royle Jansz* or failing him Niranjan de Silva Deva Aditya* or failing him Kolitha Jagath Kahanda* or failing him Chrisantha Francis Fernando* or failing him Adrian Naomal Balasuriya*

or .....

of .....

as my/our* Proxy to represent me/us* and vote for me/us* on my/our* behalf at the Twenty Second Annual General Meeting of the Company to be held on the 28th September 2012 and at any adjournment thereof and at every poll which may be taken in consequent thereof.

* Please delete the inappropriate words.

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

.....

Signature of Shareholder

Dated this ..... day of ..... 2012.

Notes:

1. Proxy need not be a member of the Company.
2. In terms of the Article 71 of the Articles of Association of the Company.

   The instrument appointing a Proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or where the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A Proxy need not be a member of the Company.
3. In terms of Article 72 of the Articles of Association of the Company.

   The instrument appointing a Proxy and the Power of Attorney or other authority, if any, under which it is signed or notarially certified copy of that power of attorney shall be deposited at the registered office of the Company or at such other place within Sri Lanka as is specified for the purpose in the notice convening the meeting not later than 48 hours before the time of the holding of the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of the poll, not later than 24 hours before the time appointed for the taking of the poll and in default the instrument of Proxy shall not be treated as valid.
4. In terms of Article 66 of the Articles of Association of the Company.

   In case of the Joint-holders the votes of the senior who tenders a vote, whether in person or by Proxy, shall be accepted to the exclusion of the votes of the other joint-holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

   The first joint-holder thereby has power to sign the Proxy without the consent of the other joint holder.
5. Instructions as to completion are noted overleaf.

Instructions as to Completion.

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

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

3. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company at No. 110, Norris Canal Road, Colombo 10, not later than 48 hours before the time appointed for the holding of the meeting.

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

Attendance Slip

Distilleries Company of Sri Lanka PLC
PQ 112

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

I / We hereby record my / our presence at the Twenty Second Annual General Meeting of the Distilleries Company of Sri Lanka PLC at the "Grand Ballroom" of Galadari Hotel, 64, Lotus Road, Colombo 01 at 10.30 a.m. on Friday 28th September 2012.

1. Full Name of Shareholder : .....
   (In Capital Letters please)

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

3. Number of Shares held and Folio No. : .....

4. Name of Proxy Holder : .....

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

6. Signature of Attendee : .....

Notes

1. Shareholders / Proxy Holders are requested to bring this Attendance Slip with them when attending the meeting and hand it over at the entrance to the meeting hall after signing it.

2. Shareholders are also kindly requested to indicate any changes in their addresses / names by completing the following and forward same to the registered office 110, Norris Canal Road, Colombo 10, if not attending the meeting.

Name of the Shareholder : .....

Certificate No. : .....

Previous Address : .....

Present Address : .....

Any changes to the Name : .....

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙල කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සභාපතිතුමාගේ පණිවුඩය, අධ්‍යක්ෂකවරුන්ගේ වාර්ෂික වාර්තාව සහ විගණක වාර්තාව සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, ඩිස්ටිලරීස් කොම්පැනි ඔෆ් ශ්‍රී ලංකා පීඑල්සී අංක 110, නොරිස් කැනල් පාර, කොළඹ 10 යන ලිපිනයට 2012, සැප්තැම්බර් මස 20 වෙනි දිනට ප්‍රථම දන්වන්න.

இவ்வறிக்கை முழுமையாக ஆங்கிலத்தில் உள்ளது. தலைவரின் செய்தி, பணிப்பாளர் சபையின் வருடாந்த அறிக்கை, கணக்காய்வாளரின் அறிக்கை, ஆகியவற்றின் சிங்களம் அல்லது தமிழ் மொழிபெயர்ப்பு வேண்டுமாயின், தயவுசெய்து கடிதம் மூலம் பின்வரும் விலாசத்திற்கு, 2012, செப்டெம்பர் மாதம் 20ம் திகதிக்கு முன் அறிவிக்கவும். செயலாளர், டிஸ்டிலரீஸ் கம்பனி ஒப் ஸ்ரீலங்கா பி.எல்.சி, இலக்கம் 110, நொரிஸ் கெனல் வீதி, கொழும்பு 10.

This report is entirely in English. If you require a translated copy of The Chairman's Message, Annual Report of the Board of Directors and The Auditor's Report in Sinhala or Tamil, please make a request by letter addressed to the Secretary, Distilleries Company of Sri Lanka PLC, No. 110, Norris Canal Road, Colombo 10 on or before 20th day of September 2012.