



**timeless consistency.**  
The hallmark of distinction.

DISTILLERIES COMPANY OF SRI LANKA PLC  
**ANNUAL REPORT 2018/19**





# timeless consistency.

The hallmark of distinction.

For over a century DCSL has been the standard-bearer for the finest quality coconut arrack in the world. Over the years we have consistently evolved, by building on this illustrious heritage and committing to the preservation of an age-old tradition.

Today, we are the undisputed market leader, supplying a range of the finest quality beverages.

Our recipe for success has always been finding the right blend of people, empowering their true potential, implementing cutting-edge strategies coupled with an untiring dedication to produce the finest quality spirits.

It's the hallmark of consistent distinction born of upholding the highest standards, that distinguishes us as the very best.





# Contents

## Company Overview

3	Financial Highlights
5	Historical Perspective
6	The Story of Arrack
17	Chairman's Statement
20	Board of Directors
24	DCSL Management

## Governance Reports

28	Corporate Governance
40	Enterprise Risk Management
44	Board Audit Committee Report
46	Remuneration Committee Report
47	Board Related Party Transactions Review Committee
48	Annual Report of the Board of Directors

## Financial Reports

52	Statement of Directors Responsibility
53	Independent Auditors' Report
56	Statement of Profit or Loss and Other Comprehensive Income
57	Statement of Financial Position
58	Statement of Changes in Equity
59	Statement of Cash Flow
60	Notes to the Financial Statements
101	Statement of Value Added
101	Details of Real Estate
102	Shareholder Information
103	Ten Year Summary

## Suplimentary Information

104	DCSL Management Team and Unit Management Team
106	Notice of Meeting
107	Form of Proxy
109	Attendance Slip
110	Notes





# Financial Highlights

		2019	2018
<b>SUMMARY OF RESULTS</b>			
Gross Turnover	Rs. Mn	81,673	90,387
Excise Duty	Rs. Mn	53,957	61,204
Net Turnover	Rs. Mn	27,716	29,183
Profit After Tax	Rs. Mn	5,395	4,349
Shareholders' Fund	Rs. Mn	7,822	5,713
Working Capital	Rs. Mn	1,169	(1,422)
Total Assets	Rs. Mn	25,785	24,118
Staff Cost	Rs. Mn	1,360	1,610
No. of Employees		1,025	1,060
<b>PER SHARE</b>			
Basic Earnings	Rs.	1.17	5.64
Net Assets	Rs.	1.7	1.24
Dividends	Rs.	0.80	0.67
Market Price	High	Rs. 35.00	—**
	Low	Rs. 14.30	—**
	Year End	Rs. 14.50	—**
<b>RATIOS</b>			
Price Earnings	times	12.39	—**
Return on Shareholders' Funds	%	68.8	76.60
Current Ratio	times	1.08	0.91
Interest Cover	times	22	10
Stock Turnover ( Finished Goods)	days	16	27
Debt to Equity	%	66	93
Debt to Total Assets	%	20.12	22.02
Dividend Payout	%	68.40	70.50
Dividend Yield	%	5.5	—**

\*\*Market values were not available since the shares of DCSL PLC were not trading from 30 September 2016 to 31 March 2018.







# Historical Perspective

## Touching lives for over a century

Present in Sri Lanka for over a century The Distilleries Company of Sri Lanka PLC (DCSL), is among the most profitable and well respected corporate entities in the country. Its proud tradition, august heritage and proven credentials have made the Company a beacon of inspiration for others. Over the past 100 years, our corporate DNA has been strengthened with our values of tradition, quality, innovation, resilience and the determination to succeed. DCSL's roots can be traced back to 1913, when the Excise Department of Ceylon, which was initially created as the enforcement authority to distribute and sell liquor products in Sri Lanka, branched out into the distillation and manufacture of liquor products. In 1974, the State Distilleries Corporation was incorporated by statute, to take over this venture, while the Excise Department rearranged its operations to function as the monitoring body.

Thus, DCSL has the distinction of being the pioneer distiller in Sri Lanka. In 1989, under a government policy decision, the State Distilleries Corporation was converted into a limited liability company. This transfer of ownership took place at the Colombo Stock Exchange (CSE) in

1992, making it the largest transaction in the history of the CSE at that time.

Under new private management, the company entered an era of modernization that encompassed the upgrading of machinery and equipment, the introduction of modern management, systems & processes and the continuous refinement of product quality. Plants and machinery were upgraded to modern international standards and new technology developed by world renowned experts was introduced. Large investments have also been made in Research and Development (R&D) and in upgrading laboratories. The best experts in the spirit industry were tasked with ensuring that all the spirits marketed by DCSL were up to international quality standards. These improvements have equipped the Company with top of the line facilities enabling it to produce beverages, which are world class. Furthermore, storage facilities and product distribution systems have been upgraded to modern standards with fully computerized systems. A fleet of modern vehicles ensure that even customers in the most remote areas are able to enjoy the best DCSL products, delivered island wide.

These improvements contributed towards higher production efficiencies across the supply chain. Employees are

regularly trained in the best international practices, in locations famed for high quality alcohol, such as France, Scotland and Ireland. Over the years, we have not only grown to become Sri Lanka's largest distiller, but have also been recognised as a leading corporation with the highest quality standards. Despite these achievements and our strong position of business leadership, we continue to look for ways to improve and grow. Since 1992, the Company has expanded production and diversified into other industries now under the umbrella of Melstacorp.

**Today, we are present in all parts of the country, operating under the principle of providing the highest standard of products to the people.**

Today, we are present in all parts of the country, operating under the principle of providing the highest standard of products to the people. We aim to expand our presence further into the global market and in doing so, render our brand internationally ubiquitous. The newly installed, ultra-modern, state-of-the-art, fully automated plant, will ensure that only products of the highest quality reach the consumer.

# The Story of Arrack

## The Sri Lankan flavour that lingers on...

The pristine ambrosia-like qualities of Sri Lanka's unique coconut arrack can be traced back thousands of centuries, finding mention in early literature – “... liquor drawn from the coconut flower”. This renowned beverage is steeped in legend and tradition, making it one of the most celebrated offerings from Sri Lanka to the world.

Sri Lankan coconut arrack is undeniably one of the purest naturally derived alcoholic beverages in the world, distilled through a natural fermentation process. Sri Lanka has perfected the technique of making coconut arrack through the years. Today, it has acquired the perfect balance for the discerning palate and coconut arrack reigns as the alcoholic beverage of choice in the country.

The initial step in the process of making coconut arrack is toddy tapping, an age-old vocation which is culturally renowned and passed down from father to son. Toddy tapping is as much an intricate art as it is a science. Toddy tappers manually extract the toddy from coconut trees, which are coupled and girdled by skilfully rappelling from tree to tree. Coconut sap or toddy is obtained by tapping the unopened coconut flower for its nectar. Thereafter the toddy is collected in earthenware pots. This toddy when fresh contains much sugar, but yeasts, microscopic vegetable organisms soon find their way into it, act on the sugar present and produce alcohol. This process of converting the sugar into alcohol is called fermentation. After a minute filtration process, this liquor is poured into massive casks made of Halmilla wood and carefully transported to our factories for distillation.

The process of distillation involves two stages; continuous distillation (patent

still distillation) and pot distillation. This distillation process is usually completed within 24 hours. The purified spirit comes out with the distinctive flavour of arrack, ready to be savoured. The contents of the wooden vats are mixed diligently every fortnight for better aeration and to increase contact with the wood. Herbs and spices from ancient recipes are also added at particular stages, to enhance flavour and mellow the liquor during the crucial maturation process. The maturation process is completed after flavour enhancing and smoothening, while ageing in 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 largest coconut arrack distillery in Sri Lanka, possibly even in the world, this golden-brew remains our pride and flagship product.





“ Sri Lankan coconut arrack is undeniably one of the purest naturally derived alcoholic beverages in the world, distilled through a natural fermentation process. Sri Lanka has perfected the technique of making coconut arrack through the years. ”



# Distilled to perfection. Blended with character. Served with pride.



## OLD ARRACK

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

## COCONUT ARRACK

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

## DOUBLE DISTILLED ARRACK

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

## VERY SPECIAL OLD ARRACK

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

## EXTRA SPECIAL ARRACK

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





#### SRI LANKA ARRACK

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

#### NARIKEELA

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

#### WHITE LABEL ARRACK

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

#### SPECIAL ARRACK

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

#### BLUE LABEL ARRACK

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

# A collection of the finest spirits. Celebrated the world over



## GRAND CHAIS DE FRANCE

Founded in 1979, and as the owners of over 30 domains and chateaux in some of the greatest French appellations, as well as being an influential player in the Bordeaux market for Grand Crus Classe, we hope that our customers will benefit from our 20 years experience in wines and spirits

## PASSION POP

There is nothing serious about this little number! Passion Pop is low in alcohol and loaded with soft, approachable passion fruit sweetness.

## BURONGA HILL

Buronga Hill Estate is the flagship brand of the Buronga Hill Winery. Located in the Sunraysia district of southern NSW, Buronga Hill Winery is one of the largest wineries in Australia, using the latest technology.

## ALBERT BICHOT - "THE EPIC STORY" OF A GREAT HOUSE

In 1350, the Bichot family was established in Burgundy. In the XIXth century the family ventured into the wine business. In 1831 Bernard Bichot founded a wine brokerage, which has been passed down from father to son until now.

## WINCARNIS - TONIC WINE

First produced in 1887, Wincarnis Tonic Wine is a natural tonic, incorporating a unique infusion of herbs and spices rich in energy-giving vitamins. Wincarnis can also be mixed with gin to make a 'Gin and Win'.





#### CAPE DREAMS - "OUR STORY"

The name Cape Dreams reflects our personal aspiration to build an internationally recognized brand. Our objective is to develop and grow Cape Dreams into a brand synonymous with wines of superb quality.

#### MUD HOUSE

Our founders set sail to travel the world; only to fall in love with New Zealand. After planting vines they used it's earth to build their home. Two decades on, we continue to celebrate the spirit of striking out and breaking boundaries.

#### VIEJO - MARCHANTE

Navarro López Bodegas was founded in 1904 as a modest family winery by Don Juan Sánchez Megía. The original winery still stands today in the town of Valdepeñas. The winery now focuses on quality aged wines, from single grape varieties.

#### TERRA ANDINA - BY SUR ANDINA

Blending grapes from different valleys, of Chile's different wine growing regions. Terra Andina is focused on making quality wines to capture the full potential of Chilean viticulture.

#### DOÑA PAULA - LOS CARDOS

Doña Paula is among the main Argentinean wineries that export premium wines; 97% of production is exported to more than 60 countries and the international press has assigned our wines at very high ratings.

# A collection of the finest spirits. Celebrated the world over



## ECHO FALLS - PINOT GRIGIO

The fresh apple, pear and peach flavors will dance across your tongue, flirting with each and every taste bud along the way. A lively drink with exciting flavors! Fruity apple, pear and citrus.

## SOMERTON

The Somerton range reflects the bright fruit flavors that are the hallmark of Australia's sunny climate regions at incredible value for money.

## CAMINOS - BY SUR ANDINA

Caminos use modern and innovative wine making skills to craft premium wines. Blending grapes from different valleys of Chile's different wine growing regions. Caminos is focused on making quality wines.

## SPEYBURN - SINGLE MALT SCOTCH WHISKY

Carving our own path since 1897. For over 100 years Speyburn have trusted in their instincts and challenged whisky norms to create a single malt Scotch worthy of the vibrancy of the Speyside region.

## OLD PULTENEY

Pulteney distillery is one of the most northerly distilleries on the Scottish mainland. The extreme location and unique stills have resulted in a Single Malt Scotch Whisky that is bursting with the power and subtlety of the sea.





#### ELIT & STOLICHNAYA VODKA

Since the dawn of the 20th Century, I have witnessed great moments of humanity. I have journeyed into space on board soyuz 19 and bound men together in oaths of allegiance and honored their triumphs. I pioneered flavored vodkas in the 60s and have mixed cocktails for the finest actors and the greatest Presidents. I have no official birthday, but for more than 80 years have been produced to the same traditions and highest quality standards.

#### 12 YEAR OLD REGENCY (PREMIUM)

Left to quietly mature in American ex-bourbon casks for 12 long years, then expertly combined to create this spicy, sweet and distinctively balanced, blended Scotch Whisky that satisfies the most discerning of tastes.

#### AGAVITA - TEQUILA

Tequila Blanco, or white Tequila, is a Mexican spirit that can be served as a shot or mixed in cocktails. Even though it is colorless, it gives a slight taste of mint and peppery.

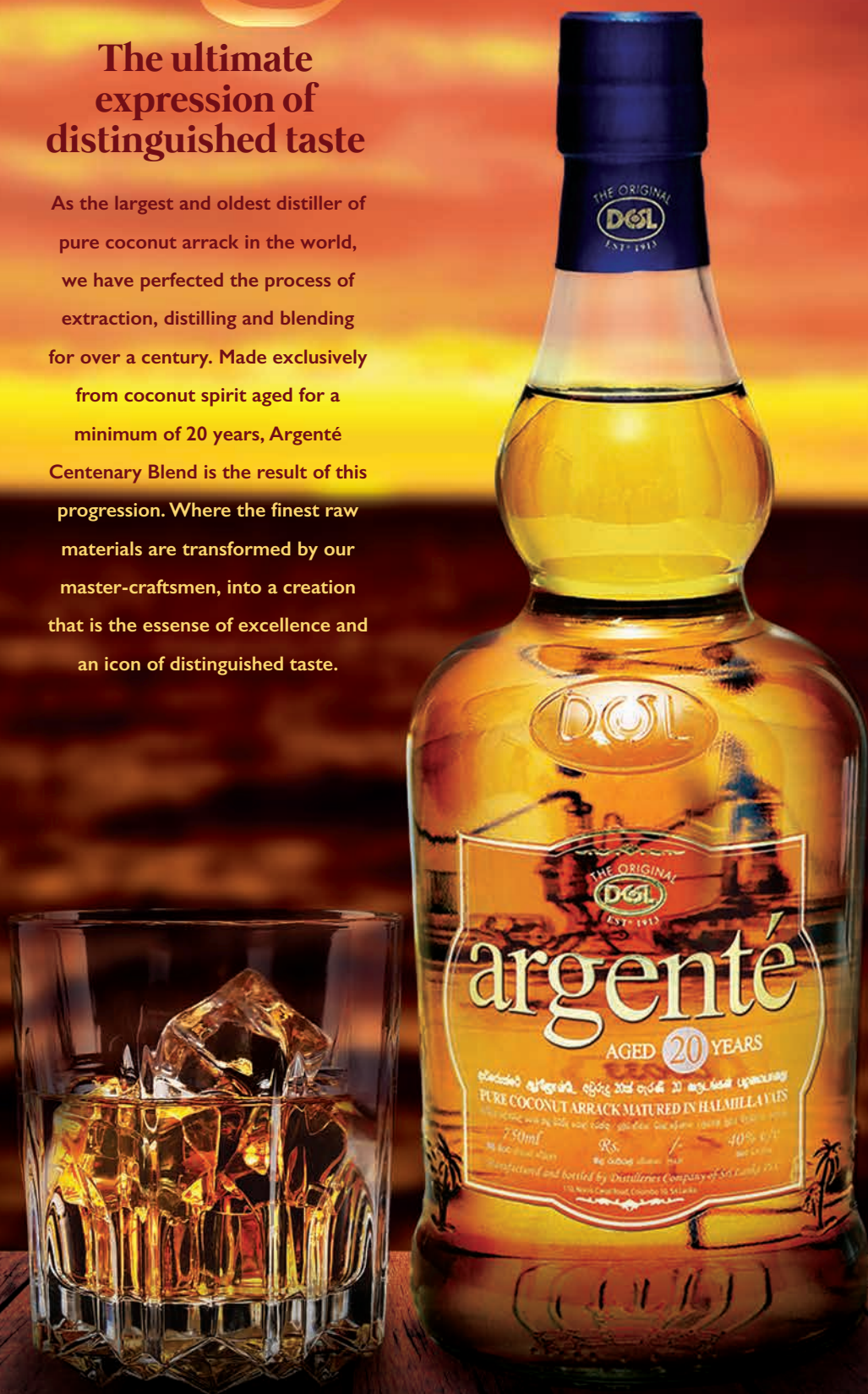
#### TAITTINGER - CHAMPAGNE

This high proportion of Chardonnay, unique among fine non-vintage champagnes, and a mini ageing of three years in cellars, where it reaches the peak of aromatic maturity, makes Taittinger Brut Reserve a delicately balanced champagne, known for its consistently excellent quality all over the world.

# argenté

## The ultimate expression of distinguished taste

As the largest and oldest distiller of pure coconut arrack in the world, we have perfected the process of extraction, distilling and blending for over a century. Made exclusively from coconut spirit aged for a minimum of 20 years, Argenté Centenary Blend is the result of this progression. Where the finest raw materials are transformed by our master-craftsmen, into a creation that is the essence of excellence and an icon of distinguished taste.







# CHAMPAGNE TAITTINGER

*Reims*

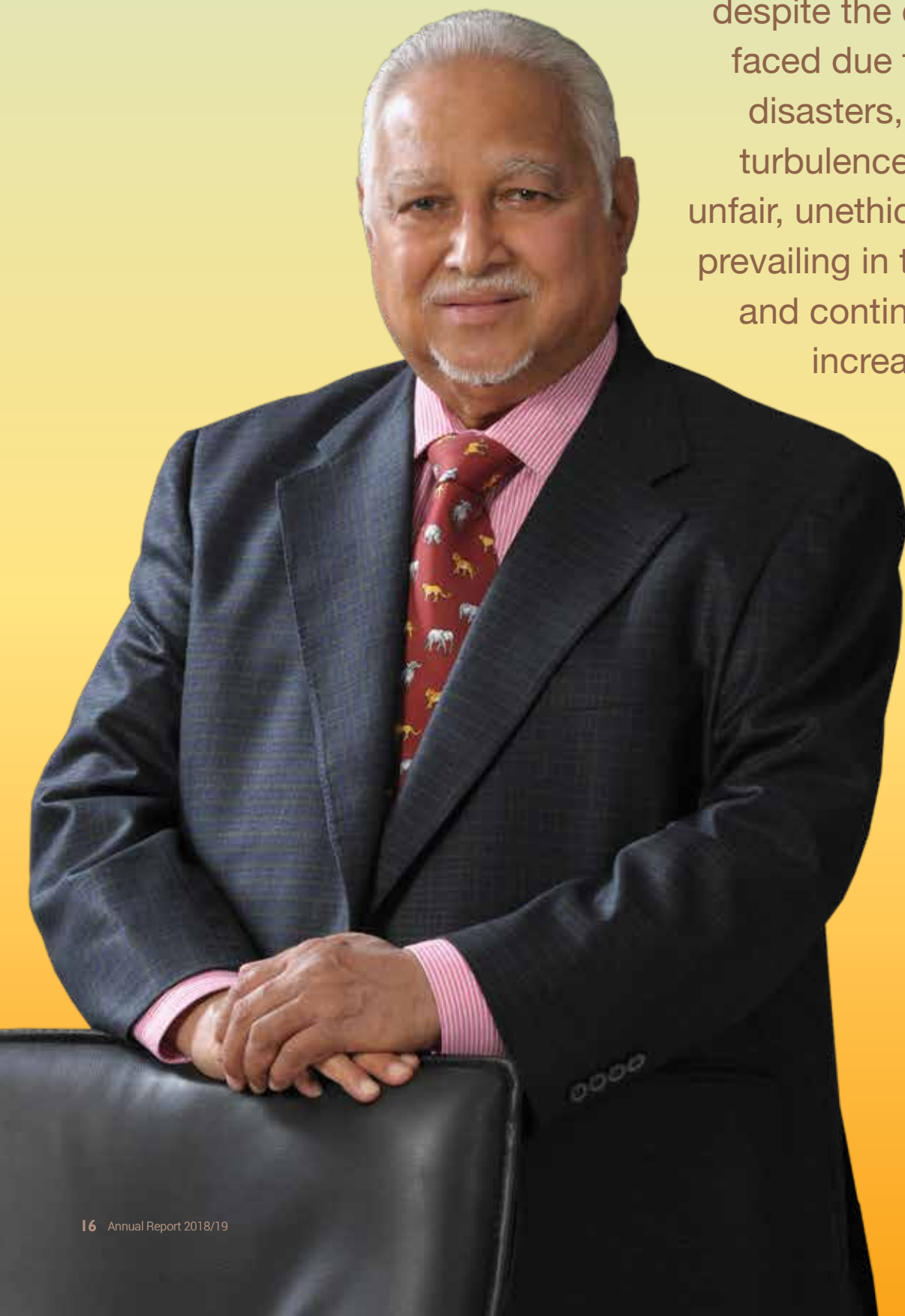


When Pierre Taittinger first discovered the Champagne region, he was a young liaison officer during the First World War. It was thanks to his passion for wine and gastronomy that he returned several years later and, with his Brother-in-Law, invested all his energy into the development of a nascent champagne business. Since 1932, step by step, Champagne Taittinger has grown and taken its place among the great Champagne Houses, imposing with audacity an innovative style particularly influenced by Chardonnay.

THE TAITTINGER MOMENT

*Make it last an eternity*

“ During the past year, your company continued its good performance despite the challenges faced due to natural disasters, political turbulence, various unfair, unethical practices prevailing in the industry and continuous tax increases. ”





# Chairman's Statement

I am pleased to share with you, the company's annual report and audited financial statements for the year ended 31st March 2019. During the past year, your company continued its good performance despite the challenges faced due to natural disasters, political turbulence, various unfair, unethical practices prevailing in the industry and continuous tax increases. All of these unlawful and unethical practices in the industry have been repeatedly brought to the notice of responsible authorities, but without any effect. This may be because the very people who are responsible to take action may be in the pockets of the wrongdoers. Otherwise, such blatant, unethical practices would not have gone unchecked and unpunished. We strongly believe that the law of the land should be applied equally and fairly to all stakeholders of the industry.

Under our management we have acquired world-class technology & knowhow and adopted best practices while modernising our distillery and bottling plant, training our chemists and production staff to provide the best products to consumers. These efforts have resulted in the sophisticated production facilities the company now has, which enable our customers to enjoy hygienic and unadulterated products of the highest quality which are not found in the Sri Lankan market as at now.

## Company's Performance

Turnover of the company was Rs. 82 billion, and the Profit after Tax for the year was Rs. 5.4 billion compared to Rs. 4.4 billion in the last year an increase of 23%. During the year the Company paid Rs. 58 billion in taxes

compared to Rs. 64 billion taxes last year.

## Persistent Obstacles in our Path

When compared with last year we have noted a substantial decrease in sales and as a result our tax contribution to the State was reduced in the current year. We could observe that the legal alcohol industry is shrinking due to the increase in the illegal production of liquor. Government taxes were increased on two occasions during the year which led to a further reduction in consumption. Regretfully today the price of legally produced arrack is beyond the reach of the common man and naturally the consumer has to turn to local brew. Such pricing policies are only pushing consumers away from legal products and encouraging and facilitating bootleggers to thrive. At the same time, one could imagine the quantum of tax revenue that is deprived to the State and we do not see any effective actions or systems in place to rectify this situation. We have also observed that a large amount of spirit is being smuggled into the country passing through the normal channels without payment of taxes by classifying the product as paint removers, thinner and spirit for eau de cologne etc, depriving the State of billions of revenue Rupees. Such acts are carried out by powerful persons affiliated to political groups with the connivance of the enforcement authorities who turn a blind eye and a deaf ear.

It is sad to note that our unique and traditional toddy industry which has been passed down from generation to generation over the centuries is gradually becoming an endangered industry. This sorry state of affairs

**GROSS  
TURNOVER  
Rs.82BN**

**TAXES  
Rs.58BN**

**TOTAL  
ASSETS  
Rs.26BN**

is the direct result of the rapid increase of illegal and artificial toddy manufacturers, who aid and abate the moonshine business by producing cheap, artificial toddy, unfit for human consumption. As a result, traditional toddy suppliers, who are unable to compete with such low-cost artificial toddy, are finding that their rich legacy is becoming unsustainable.

Shocking revelations were made in recent newspapers of how bootleggers are producing millions of liters of artificial toddy. This artificial toddy is made by mixing various substances such as sugar, yeast, urea, barbed wire and old telephone batteries. This poisonous brew is

## Chairman's Statement

sold cheaply in the market and many consumers fall prey to this trap as they can't afford the highly priced, legally produced alcohol. Several fatalities have been reported recently due to the consumption of artificial toddy, yet no authority seems concerned or has made any effort to address this dreadful situation. Further, an alarming discovery was reported that vinegar made out of poisonous artificial toddy has been sold in the market for many years, falsely claiming that it is distilled from pure Sri Lankan toddy. Non-alcoholic consumers are also exposed to this serious health hazard, as products made using artificial toddy contain high levels of ammonia which is extremely harmful for human consumption and this has now become one of the main causes of chronic kidney diseases. It is surprising as to how the responsible authorities including the ministry of health are not taking effective action to crack down on this toddy mafia, instead continuously turning a blind eye.

It is saddening that some of our competitors use artificial toddy to distill spirit and manufacture arrack thereby bringing various health hazards to innocent consumers. A majority of the so called "Old Arrack" in the market is made out of artificial toddy and the consumer is unaware of the real situation. We are unable to make the public aware of this danger due to the restrictions imposed by the NATA Act. We are proud to say that DCSL PLC is the only organisation that produces 100% natural coconut arrack using 100% pure coconut toddy. The toddy is distilled at our own distilleries thereby

guaranteeing consumers a 100% natural product free from artificial toddy which contains poisonous substances. We have upgraded our laboratories and also strengthened procedures by appointing qualified personnel to inspect every barrel of toddy brought to our distillery, in order to detect any form of adulteration and to find extraneous matter. Fake products are destroyed. We are single handedly nurturing the traditional toddy tapping industry although only a handful of such genuine tappers remain. The toddy industry lacks trained toddy tappers,

“It is sad to note that our unique and traditional toddy industry which has been passed down from generation to generation over the centuries is gradually becoming an endangered industry.”

yet the Department of Excise is not focusing on this issue to help the industry and to ensure the production of genuine coconut toddy.

Cogent evidence has surfaced that some unscrupulous manufacturers of alcohol are offering staggering prices to purchase retail licenses with the sole intention of channeling

their non-invoiced, tax-unpaid liquor through their outlets and thereby evade a colossal amount of tax revenue due to State Coffers. Although the conditions of the Excise Act prohibits a manufacturer from holding any interest in the FL4 license to retail sale of liquor, this condition was relaxed with the emergence of the enactment of Excise Notification 926 which paved the way for manufacturers to buy a FL4 license which could never have been done before. Although we have continuously requested the regulator to rescind the said condition from the excise notification, our requests have fallen on deaf ears to date. This issue has reached an unprecedented level, whereby 6 individuals are currently controlling over 250 retail outlets out of approximately 1,000 outlets in the name of their relations, friends and kith & kin, thereby defrauding the State of billions of Rupees whilst the regulators turn a deaf ear and blind eye. This is about 1/5th of the distribution channels. It is disheartening to note that even some officers from the enforcement authority are operating FL4 licenses using other names to find a market for illegal products, and this is very well known to the Department. Very soon the remaining licenses that are available will also be snapped up by the unscrupulous manufacturers to dispose their illegal, imitated products with ease. One should investigate these individuals as to how they have got the funds to buy licenses and how much income is earned without paying any taxes to the State. At the same time one could imagine the quantum of illegal poisonous alcohol that is sold in the market. The fact that these



unscrupulous manufacturers are paying such staggering prices to obtain a license itself is proof of the existence of such illegal trade and indicates how rampant corruption has spread like a deadly disease in the industry.

It is very evident that at present, a few unscrupulous elements are controlling the market and providing

“Today, the price of legally produced arrack is beyond the reach of the common man and naturally the consumer has to turn to local brew.”

poisonous alcohol to the nation with substances which are harmful to health and eventually killing the innocent consumers while causing massive revenue losses to the State. Therefore, enforcement authorities should seriously investigate the activities of these bootleggers without trying to increase prices every year to collect more taxes and burden the legitimate consumers. Further, authorities should investigate the manufacturers who operate FL4 licenses by scrutinizing their finances and payment of taxes & duties. We are sorry to note that the income tax department also turns a Nelsonian eye to this issue. Also the revenue

authorities should find the reasons as to why the legal alcohol market is shrinking and tax revenue to the State is reducing every year. Unless otherwise serious actions are taken by the authorities to tackle this menace, tax revenue to the State will further reduce in the future. We sincerely hope this message is an eye opener for the authorities. It is our duty to protect the public and our valued consumers from this precarious situation.

The recent plan by the authorities to introduce a sticker to the industry has proved to be an ineffective move and cannot be treated as a fool proof method as such stickers could be easily imitated. Such efforts will not solve the burning issues in the industry; hence authorities should take serious action to combat the rampant corruption taking place at present.

The Excise Ordinance which came into operation on 1st January 1913 is now 106 years old. It is high time that legislators introduce a practical new ordinance in place of archaic laws to suit modern day requirements and make it easier for stakeholders to carry out their day to day affairs as the industry has gone through so many changes since its inception.

### Dividend

In line with our dividend policy, I am pleased to announce that your Board of Directors declared an interim dividend of Rs. 0.80 per share for the year 2018/19.

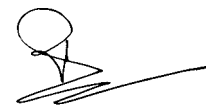
### Compliance

I wish to report that the Company has complied with all relevant provisions of the Code of Best

Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. We are committed to the furtherance of the best Corporate Governance principles and practices. The measures taken in this regard are set out in the Corporate Governance Report.

### Appreciation

I take this opportunity to thank the Board of Directors for their unstinted support and the management and staff for their single-minded pursuit of profitability for the Company against all odds. I would also like to thank our valued shareholders and other stakeholders for placing their confidence in our Company's strength. We salute our long standing loyal customers for their continuous patronisation of our product, thereby enabling us to retain our position as one of the most valuable and respected corporate entities in the country.



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

06 August 2019

# Board of Directors



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



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



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



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





**Dr. Naomal Balasuriya**  
Independent Non-Executive Director



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



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



**Ms. V. J. Senaratne**  
Company Secretary and Chief Legal Officer



**Mr. Amitha Gooneratne**  
Alternate Director to N. de S. Deva Aditya

## Board of Directors

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

Chairman / Managing Director

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

He is the founder Director and the present Chairman / Managing Director of the Stassen Group of Companies. He is the Chairman of Lanka Milk Foods (CWE) PLC., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Ambewela Products (Pvt) Ltd., Ambewela Livestock Co. Ltd., Danish Dairy Products Lanka (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Melstacorp PLC and its subsidiaries, Aitken Spence PLC., Aitken Spence Hotel Holding PLC., Balangoda Plantations PLC., Madulsima Plantations PLC., Browns Beach Hotels PLC., Lanka Bell Ltd., Periceyl (Pvt) Ltd., Bogo Power (Pvt) Ltd., Texpro Industries Ltd., Melsta Health (Private) Ltd and Melsta GAMA (Private) Limited

He is a former Director of Hatton National Bank PLC., the largest listed bank in Sri Lanka and former Chairman of Ceylon Petroleum Corporation and SriLankan Airlines. Mr. Jayawardena is the Honorary Consul for Denmark and was the only Sri Lankan honoured with the prestigious “Knight’s Cross of Dannebrog” by Her Majesty, Queen Margrethe II of Denmark, for his significant contribution to the Danish arts, sciences and business life.

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

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### Mr. C. R. Jansz

Executive Director

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Mr. Jansz is a Director of Distilleries Company of Sri Lanka PLC and other Companies in the Melstacorp Group. He is a Director of Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd and other Companies in the Lanka Milk Foods Group.

He is the former Chairman of DFCC Bank PLC and The Sri Lanka Shippers Council and a former member of the National Trade Facilitation Committee of Sri Lanka. He has many years experience in logistics and in documentation, insurance, banking and finance relating to international trade.

Mr. Jansz holds a Diploma in Banking and Finance from the London Metropolitan University (Formerly London Guildhall University) – UK. He is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.

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### Mr. N. de S. Deva Aditya

DL, FRSA

Independent Non-Executive Director

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

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

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

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

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### Capt. K. J. Kahanda (Retd.)

Executive Director

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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 Melstacorp PLC, G4S Security Services (Pvt) Ltd., Pelwatte Sugar Distilleries (Pvt) Ltd., and Melsta GAMA (Private) Ltd.



**Dr. Naomal Balasuriya**

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

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

**Mr. D. Hasitha S. Jayawardena**

BBA (Hons) (UK)  
Non-Independent Non-Executive Director

Mr. Hasitha Jayawardena holds a Bachelor's Degree in Business Administration BBA (Hons) from the University of Kent in the United Kingdom.

Mr. Jayawardena joined the Stassen Group in February 2013. He is a Director of Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Stassen Foods (Pvt) Ltd., C. B. D. Exports (Pvt) Ltd., Lanka Milk Foods (CWE) PLC., Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Melstacorp PLC., Periceyl (Pvt) Ltd., Balangoda Plantations PLC., Madulsima Plantations PLC., Melsta Health (Private) Ltd., Zahra Exports (Pvt) Ltd., Mcsen Range (Private) Ltd., and an alternative Director of Melsta GAMA (Private) Ltd.

Mr. Jayawardena has also worked as an Intern at the Clinton Global Initiative programme (CGI) in New York in 2007.

**Mr. Ranjeevan Seevaratnam**

FCA (SL), FCA (Eng. & Wales) Independent  
Non-Executive Director

Mr. Ranjeevan Seevaratnam was appointed to the Board as an Independent Non Executive Director from September 2015. He is a Graduate of University of London in Chemistry, Botany and Zoology. He is a Fellow Member of Chartered Accountants of England and Wales and Fellow Member of Chartered Accountants of Sri Lanka. Mr. Seevaratnam was a Senior Partner of KPMG, Chartered Accountants, for a period of 30 years, where he was mainly involved with audits of banks, financial services and manufacturing companies. He was a designated banking partner in Sri Lanka. He is also a Non Executive Independent Director of Melstacorp PLC and a number of Public Quoted Companies.

**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., and Melsta Health (Private) Ltd.

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

**Mr. Amitha Gooneratne**

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 former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Pvt) Ltd. He was also nominated to the Board of SriLankan Airlines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp PLC. He is the Chairman of Melsta Logistics (Pvt) Limited and Bellvantage (Pvt) Limited., Board Member of Periceyl (Pvt) Limited, Balangoda Plantations PLC, Lanka Bell Limited, Bell Active (Pvt) Limited, Bell Solutions (Pvt) Limited, Timpex (Pvt) Limited, Texpro Industries Limited, Bogo Power Limited., Continental Insurance Limited and Browns Beach Hotel PLC., Melsta Health (Private) Ltd., which are subsidiary companies of Melstacorp PLC.

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

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

# DCSL Management

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- 01 Ms. V. J. Senaratne**  
Company Secretary & Chief Legal Officer
- 02 Nimal Nagahawatte**  
Head of Finance
- 03 S. Rajanathan**  
Head of Procurement
- 04 Capt. Ranjith Wettewa SLN (Retd.)**  
Head of Uva Region
- 05 Ms. Gayathri Chakravarthy**  
Head of Human Resources
- 06 Premasiri Liyanaarachchi**  
Chief Internal Auditor
- 07 Maj. Roshan Cabraal (Retd.)**  
Head of Northern Region
- 08 Col. Ranjith Rupasinghe (Retd.)**  
Head of Extra Special Heritage Arena
- 09 Lt. Col. M.W. Susantha Marapana (Retd.) RSP**  
Deputy Head of Southern Region
- 10 Capt. Chula Ranasinghe (Retd.)**  
Head of Central Region
- 11 Maj. Gen. Mano Perera (Retd.)**  
Head of Operations
- 12 Roshanth Kumar Perera**  
Head of Transport & Logistics
- 13 Lalith Ratnayake**  
Head of Inventory Management

# A collection of moments from a memorable year



DCSL CRICKET TOURNAMENT 2019  
WINNERS - DAKSHINA SHOORAYO



DCSL CRICKET TOURNAMENT 2019  
RUNNERS UP - COLOMBO RIDERS



DCSL SPORTS 2018  
OVERALL CHAMPIONS - CENTRAL HEROES



DCSL SPORTS 2018  
RUNNERS UP - NORTHERN WARRIORS





DCSL CHILDREN'S CHRISTMAS PARTY 2018



DCSL ANNUAL GET-TOGETHER 2018



NEW YEAR CELEBRATIONS 2019



TRAINING AND DEVELOPMENT INITIATIVES 2019



DCSL SPORTS 2018  
SPORTSWOMAN OF THE TOURNAMENT



DCSL SPORTS 2018  
SPORTSMAN OF THE TOURNAMENT

# 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 Company, the management of risk and value creation. We strongly recommend and commit ourselves to ensuring that Enterprise Governance operates through people, processes, policy, procedure, culture and ethics.

The principles of governance are applied effectively by the Board of Directors and are seen in the consistent growth performance of the Company, while also improving the long term return to stakeholders. Beyond the Board, the application of governance methodologies and the integration of governance into other organisational functions, we strongly believe that it has significantly benefited the long term performance of 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 accountability, transparency and sincerity of action.
- Implemented an environment of responsible and balanced corporate

governance that enhances Integrity and respect for the Company and ensures the Company's stewardship and stability in the industry and market.

- Introduced a culture in which the entire organisation takes ownership for risk, compliance and performance.

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

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 Central Environmental Authority, relevant

Ministry and departmental authorisations and regulations and numerous Codes introduced by Professional Associations and the Chamber of Commerce from time to time.

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

## The Board of Directors

### Role of the Board of Directors

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

The key responsibilities of the Board are;

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

### Composition of the Board and Independence

The Board of Directors of DCSL comprises the Chairman / Managing Director, two Executive Directors, one Non-Independent Non-Executive Director and Three Independent Non-Executive Directors as given in the table above. Brief profiles of the Directors are given on pages 22 to 23.

The Board considers that three Non-Executive Directors are independent

Name of Director	Status	Attendance *
D. H. S. Jayawardena	Chairman / Managing Director	2/2
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
A. N. Balasuriya	Independent Non-Executive Director	2/2
D. Hasitha S. Jayawardena	Non-Independent Non-Executive Director	2/2
R. Seevaratnam	Independent Non-Executive Director	1/2

\*In person or by alternate



in accordance with the criteria detailed within the Listing Rules of the CSE and have submitted signed confirmations in this regard.

Mr. N. De S. Deva Aditya has been serving as a non-executive independent director over nine (9) years. He is also a member of the audit committee, related party transaction review committee and remuneration committee. The Board has determined Mr. N. De S. Deva Aditya as an independent director and that Section 7.10.4 (e) of the CSE Rule does not apply to Mr. N. De S. Deva Aditya after taking into consideration all the relevant circumstances, including the fact that he resides overseas and he is not directly or indirectly get involved in the day-to-day management of the Company.

Dr. A. N. Balasuriya has been serving as a non-executive independent director over nine (9) years. He is also the chairman of remuneration committee, a member of the audit committee and related party transaction review committee. The Board has determined Dr. A. N. Balasuriya as an independent director and that Section 7.10.4 (e) of the CSE Rule does not apply to Dr. A. N. Balasuriya after taking into consideration all the relevant circumstances, including the fact that he is not directly or indirectly get involved in the day-to-day management of the Company.

Further, the Board has determined that the independence of directors of the company Mr. N. De S. Deva Aditya, Dr. A. N. Balasuriya and Mr. R. Seevaratnam are not compromised as per the Section 7.10.4 (g) of the CSE taking account all the circumstances including that they are not directly or indirectly involved in the day-to-day management of both companies and by virtue of them being independent directors of its parent Melstacorp PLC where majority of other directors are also the directors.

## Meetings and Attendance

The attendance of the meetings of the Board during the year is given above:

## Board Committees

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

## Audit Committee

The Audit Committee comprises three independent Non- Executive Directors and one Non-Independent Non-Executive Director as follows;

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

The detailed report of the Audit Committee is on pages 44 to 45.

## Remuneration Committee

The Remuneration Committee has two independent Non-Executive Directors and one Non-Independent Non-Executive Director as follows:

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

The report of the Remuneration Committee is given on page 46.

## Related Party Transactions Review Committee

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

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

The report of the Related Party Transactions Review Committee is given on the page 47.

## Investor Relations

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

that it is our strategic management responsibility to maintain an open line of communication with shareholders and address any concerns or issues that may require discussion or resolution. The designated investor relations officers regularly meet shareholders and fund managers to fuel these long term relationship, providing information and answering any queries.

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

## Internal Controls

The Board instills and maintains a strong set of internal controls to safeguard shareholder wealth. The responsibility of the Board has been clearly stated as one where it is in charge of the Company'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 Audit Committee reviews and monitors the activities and the findings of the internal audit divisions at regular intervals.

## Going Concern

After an extensive review of the Company'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 2018/19. Further, the Board is satisfied that the Company 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.

# Corporate Governance

The Company's compliance with the CSE Listing Rules

Section	Applicable Rule	Compliance Status	Details
7.10.1	Non-Executive Directors At least one third of the total number of Directors should be Non- Executive Directors.	Complied	Four out of seven Directors are Non-Executive Directors
7.10.2(a)	Independent Directors Two or one third of Non-Executive Directors, whichever is higher, should be Independent.	Complied	Three out of Four Non-Executive Directors are Independent
7.10.2(b)	Independent Director's Declaration each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format.	Complied	
7.10.3(a)	Disclosure relating to Directors The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Complied	Please refer page 28 & 29
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 28 & 29
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied	Please refer pages 22 to 23
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.	N/A	No new Directors appointed during the year.
7.10.4	Criteria for Defining 'Independence' Selection criteria of Independent Directors of a listed company	Complied	
7.10.5	Remuneration Committee A listed Company shall have a Remuneration Committee.	Complied	Please refer page 46
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Complied	Two out of Three Non-Executive Directors are Independent
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Please refer page 46

Section	Applicable Rule	Compliance Status	Details
7.10.5(c)	<p>Disclosure in the Annual Report</p> <p>The Annual Report should set out;</p> <ul style="list-style-type: none"> <li>i. Names of the Directors comprising the Remuneration Committee.</li> <li>ii. Statement of Remuneration Policy.</li> <li>iii. Aggregated remuneration paid to Executive and Non-Executive Directors.</li> </ul>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer page 29</p> <p>Please refer page 46</p> <p>Please refer note 8 to the financial statements</p>
7.10.6	<p>Audit Committee</p> <p>The Company shall have an Audit Committee.</p>		Please refer Audit Committee report on page 44 to 45
7.10.6(a)	<p>Composition</p> <ul style="list-style-type: none"> <li>i. Shall comprise of Non-Executive Directors a majority of whom will be Independent.</li> <li>ii. One Non-Executive Director shall be appointed as Chairman of the committee.</li> <li>iii. Chief Executive Officer and Chief Financial Officer shall attend Committee meetings.</li> <li>iv. The Chairman or one member of the Committee should be a member of a professional accounting body.</li> </ul>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer page 44</p> <p>Please refer page 44</p> <p>Please refer page 44</p> <p>Please refer page 44</p>
7.10.6(b)	<p>Functions</p> <ul style="list-style-type: none"> <li>i. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.</li> <li>ii. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</li> <li>iii. Overseeing the process to ensure that the Entity's internal controls and risk management, are adequate to meet the requirements of the Sri Lanka Accounting Standards / IFRS migration.</li> <li>iv. Assessment of the independence and performance of the entity's external auditors.</li> <li>v. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</li> </ul>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer Audit Committee report on pages 44 to 45</p>



## Corporate Governance

Section	Applicable Rule	Compliance Status	Details
7.10.6(c)	Disclosure in Annual Report	Complied	Please refer Corporate Governance Report on page 28 & 29 and Audit Committee Report on pages 44 to 45
i.	The names of the Directors comprising the Audit Committee.	Complied	
ii.	Basis of the determination of the Independence of the Auditors.	Complied	
iii.	Report by the Audit Committee setting out the manner of compliance by the Company.	Complied	
9.2.1 & 9.2.3	Related Party Transactions Review Committee.	Complied	Please refer the Related Party Transactions Review Committee Report in page 47.
9.2.2	Composition of the Related Party Transactions Review Committee.	Complied	Please refer the Related Party Transactions Review Committee Report on page 47.
9.2.4	Related Party Transactions Review Committee Meetings.	Complied	
9.3.1	Immediate disclosures.	N/A	
9.3.2(a)	Disclosure - Non-Recurrent Related Party Transactions.	N/A	
9.3.2(b)	Disclosure - Recurrent Related Party Transactions.	Complied	
9.3.2(c)	Report by the Related Party Transactions Review Committee.	Complied	Report by the Related Party Transactions Review Committee on page 47.
9.3.2 (d)	A declaration by the Board of Directors.	Complied	Refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on page 49.

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

Ruling Index	Description of the Ruling	Compliance Status	Details
A.1	The Board.		
A.1	Company to be headed by an effective Board of Directors and control the Company.	✓	Board consists of members who are qualified and experienced in various fields. Please refer Corporate Governance Report on page 28 & 29.
A.1.1	Regular Board meetings and supply of information.	✓	Please refer Corporate Governance Report on page 28 & 29.
A.1.2	Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other board functions.	✓	Please refer Corporate Governance Report, Report of the Board of Directors and Report of Audit Committee for the details.
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required.	✓	Please refer Report of the Board of Directors on pages 48-50.
A.1.4	Access to advice and services of the Company Secretary.	✓	The Company Secretary position is headed by a professionally qualified Company Secretary.
A.1.5	Bring Independent judgment on various business issues and standards of business conduct.	✓	All the Board members actively participate in the Board meetings by bringing up their own Independent judgment.
A.1.6	Dedication of adequate time and effort.	✓	The Directors dedicate sufficient time before a meeting to review Board Papers and call for additional information and clarification if necessary, and follow up issues consequent to the meeting.
A.1.7	Board induction & training.	✓	The Directors are provided with training as and when it is required.

# Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
A. 2	Chairman and Chief Executive officer.		
A.2.1	Justification for combining the roles of the Chairman and CEO.	—	The positions of Chairman and CEO are separated.
A.3	Chairman's role.		
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner. - effective participation of both Executive and Non-Executive Directors. - balance of power between Executive and Non-Executive Directors.	✓	Please refer Corporate Governance Report on page 28 & 29 for the following details.
A.4	Financial Acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	✓	Please refer the Audit Committee report on pages 44-45.
A.5	Board Balance.		
A.5.1	In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board.	N/A	N/A
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be 'Independent'.	✓	Board of Directors consists of four Non-Executive Directors, out of which three are independent. Report on page 28 & 29
A.5.3	Definition of Independent Directors	✓	Please refer Corporate Governance Report on page 28 & 29
A.5.4	Declaration of Independent Directors	✓	Please refer Corporate Governance Report on page 28 & 29
A.5.5	Board determinations on independence or non-independence of Non-Executive Directors.	✓	Please refer Corporate Governance Report on page 28 & 29
A.5.6	If an Alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Company.	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the independent Non- Executive Director to be the 'Senior Independent Director' (SID).	N/A	N/A



Ruling Index	Description of the Ruling	Compliance Status	Details
A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns.	N/A	N/A
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present.	✓	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	✓	
A.6	Supply of information		
A.6.1	Board should be provided with timely information to enable it to discharge its duties.	✓	
A.6.2	Timely submission of the minutes, agenda and papers required for the Board Meeting.	✓	
A.7	Appointments to the Board		
A.7	Formal and transparent procedure for Board appointments.	✓	Activities of the Nomination Committee are currently handled by the Board of Directors.
A.7.1	Nomination Committee to make recommendations on new Board appointments.	✓	Activities of the Nomination Committee are currently handled by the Board of Directors.
A.7.2	Assessment of the capability of Board to meet strategic demands of the Company.	✓	Activities of the Nomination Committee are currently handled by the Board of Directors.
A.7.3	Disclosure of new Board member profile and Interests.	✓	No Directors appointed during the year.
A.8	Re-election		
A.8/ A.8.1/ A.8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders.	✓	Please refer Annual Report of the Directors on page 49.
A.9	Appraisal of Board performance.		
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities.	✓	
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its committees.	✓	

# Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
A.9.3	The Board should state how such performance evaluations have been conducted.	✓	
A.10	Disclosure of information in respect of Directors.		
A.10.1	Profiles of the Board of Directors and Board meeting Attendance.	✓	Please refer pages 22 to 23 and Corporate Governance Report on page 28 & 29.
A. 11	Appraisal of the Chief Executive Officer		
A.11.1/ A.11.2	Appraisal of the CEO against the set strategic targets	✓	The CEO's performance is reviewed annually.
B.	Directors Remuneration		
B.1	Remuneration Procedure		
B.1.1	The Board of Directors should set up a Remuneration Committee.	✓	Please refer Remuneration Committee Report on 46.
B.1.2	Remuneration Committee should consist exclusively of Non-Executive Directors.	✓	
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	✓	
B.1.4	Determination of the remuneration of Non-Executive Directors.	✓	
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors.	✓	
B.2	The Level and Makeup of Remuneration.		
B.2.1 to B. 2.4	Performance related elements in pay structure and alignment to industry practices.	✓	
B.2.5	Executive share options should not be offered at a discount.	N/A	N/A
B.2.6	Designing schemes of performance-related remuneration	✓	
B.2.7/ B.2.8	Compensation commitments in the event of early termination of the Directors.	✓	
B.2.9	Level of remuneration of Non-Executive Directors.	✓	
B.3	Disclosure of Remuneration		
B.3/B.3.1	Disclosure of remuneration policy and aggregate remuneration.	✓	Please refer Remuneration Committee Report on 46 and note 8 of the financial statements.

Ruling Index	Description of the Ruling	Compliance Status	Details
C.	Relations with Shareholders		
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of general meetings	✓	The Company holds the AGM within the appropriate regulatory time intervals and effectively uses it for communication with shareholders.
C.1.1	Counting of proxy votes	✓	
C.1.2	Separate resolution to be proposed for each item	✓	
C.1.3	Heads of Board sub-committees to be available to answer queries	✓	
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	✓	Please refer the page 106 of the Annual Report for the notice of the meeting.
C.1.5	Summary of procedures governing voting at general meetings to be informed	✓	
C.2	Communication with Shareholders		
C.2.1	Channel to reach all shareholders to disseminate timely information	✓	
C.2.2/ C.2.7	Policy and methodology of communication with shareholders and implementation	✓	
C.3	Major and material transactions including major related party transactions	✓	
C.3.1	Disclosure of all material facts involving all material transactions including related party transactions	✓	Please refer note 27 to the Financial Statements.
D.	Accountability and Audit		
D.1	Financial Reporting		
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators.	✓	The Board presents a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements complying with regulatory deadlines.
D.1.2	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	✓	Please refer Annual Report of the Directors on pages 48-50.



# Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
D.1.3	Statement of Directors Responsibility	✓	Please refer the Statement of Directors Responsibility on Page 52.
D.1.4	Management Discussion and Analysis	✓	Please refer Chairman's Statement on page 17 to 19.
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	✓	Please refer Annual Report of the Board of Directors on pages 48-50.
D.1.6	Remedial action at EGM if net assets fall below 50% of value of shareholders' funds	N/A	
D.1.7	Disclosure of Related Party Transactions	✓	Please refer Note 27 to the Financial Statements.
D.2	Internal Control		
D.2.1	Annual review of effectiveness of system of Internal Control and report to shareholders as required	✓	Please refer Audit Committee Report on page 44 and Annual Report of the Board of Directors on pages 48-50.
D.2.2	Internal Audit Function	✓	
D.2.3/ D.2.4	Maintaining a sound system of internal control	✓	
D.3	Audit Committee		
D.3.1	The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board	✓	Please refer Audit Committee Report on page 44.
D.3.2	Terms of reference, duties and responsibilities	✓	
D.3.3	The Audit Committee to have written terms of reference covering the salient aspects as stipulated in the section	✓	
D.3.4	Disclosure of Audit Committee membership	✓	

Ruling Index	Description of the Ruling	Compliance Status	Details
D. 4	Code of Business Conduct and Ethics		
D.4.1	Availability of a Code of Business Conduct & Ethics and an affirmative declaration that the Board of Directors abide by such Code	✓	Please refer Corporate Governance Report from pages 28 to 39
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	✓	
D.5	Corporate Governance Disclosures		
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report	✓	Please refer Corporate Governance Report from pages 28 to 39
E.	Institutional Investors		
E.1	Shareholder Voting		
E.1.1	Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives	✓	Please refer Corporate Governance Report from page 28
E.2	Evaluation of Governance Disclosures		
E.2.	When evaluating Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	✓	Please refer Corporate Governance Report from page 28
F.	Other Investors		
F. 1	Investing / Divesting Decision		
F. 1	Individual shareholders, investing directly in shares of Company should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	✓	
F. 2	Shareholder Voting		
F. 2	Individual shareholders should be encouraged to participate in General Meetings of Company and exercise their voting rights	✓	
G	Sustainability Reporting		
G.1/ G.1.7	Disclosure on adherence to sustainability principles	✓	Please refer Annual Report of the Board of Directors on pages 48-50.

# Enterprise Risk Management

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

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

The process of risk management at 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 prioritising risks, which will follow the application of coordinated and economical solutions that minimise the probability and impact of identified vulnerabilities. Once identified, elimination, reduction, transfer and retention are the broad risk management strategies employed across DCSL.

## Changes in Risk Profile

Given the range of industry, geographic locales and market segments that our business spans, 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 Company 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 organisational 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. Evaluation meetings are held to ensure that the focus from effective risk coverage remains strong and concentrated. The Board is kept updated on the progress and its opinion sought for mitigating any challenges that may emerge.

## Risk Management Framework

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

The principal risks in achieving the DCSL objectives of enhancing shareholder value and safeguarding the Company's assets have been identified as set out overleaf. The nature and the scope of risks are subject to change and not all of the factors listed, are within the control of 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 risk management framework takes into account the range of risks to be managed, the systems and processes in place to deal with these risks and the chain of responsibility within the organisation to monitor the effectiveness of the mitigation measures.

## Risk & Implication

<b>Credit Risk &amp; Implication</b>  This risk ensues when a DCSL customer is unable to meet his financial obligations.	<b>Mitigation Strategies:</b> <ul style="list-style-type: none"> <li>Measure, monitor and manage credit risk for each borrower through clear credit approval procedures</li> <li>Regularly review customer credit ratings and constantly update records to ensure complete awareness of borrower credit status</li> </ul> Please refer financial risk management note on pages 93 to 97.
<b>Legal and Regulatory Risk &amp; Implication</b>  Risks arising from non conformance to statutory and regulatory requirements remain a reality due to the possibilities of changes to regulations and policies being sudden or constant. It also increases costs and liabilities due to these periodic regulatory changes. The nature of our liquor business continue to be subjected to a steady stream of changes in regulations and extensive compliance requirements. The authorities have severely restricted liquor advertising and limited other forms of communication with consumers via promotional and distribution activities, all of which affect profitability.	<b>Mitigation Strategies</b> <ul style="list-style-type: none"> <li>Established a dedicated unit to keep abreast of all policy changes, to manage risk and ensure adherence to all regulations</li> <li>Recruitment of ex-regulators to senior positions within the Company with an objective to enhance regulatory awareness and increase compliance</li> </ul>
<b>Investment Risk &amp; Implication</b>  The Company handles significant investments which require smooth pre-study, monitoring and control. In this regard, there is stringent conformance by the Board in practicing due diligence.	<b>Mitigation Strategies</b> <ul style="list-style-type: none"> <li>The Chairman / Managing Director is tasked with tracking returns on investments with the assistance of the Head of Finance and Group Financial Controller</li> <li>The Board develops policies and procedures to ensure that new investments and initiatives are subjected to mandatory compliance procedures.</li> <li>Regular reviews by Audit Committee and Internal Audit Division</li> </ul>
<b>Human Risk &amp; Implication</b>  This is the risk arising from the inability to attract and retain skilled staff at middle to senior management levels. The migration of skilled workers, which is a phenomenon across most industry sectors, has created a brain-drain and the Company remains at risk of losing key personnel to better job prospects overseas.	<b>Mitigation Strategies</b> <ul style="list-style-type: none"> <li>Maintaining above industry remuneration schemes</li> <li>Skills upgrading</li> <li>Professional growth avenues</li> <li>Performance-based reward systems</li> <li>Best practices being introduced and upgraded continually</li> <li>Measures taken to retain and minimise casual / temporary labour turnover.</li> </ul>

# Enterprise Risk Management

## Risk & Implication

Operational Risk & Implication	Mitigation Strategies
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.	<ul style="list-style-type: none"> <li>• A structured internal control framework implemented works through a state of the art MIS system, internal audit mechanism and insurance policies</li> <li>• A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences</li> <li>• Regular meetings are conducted to assess these risks</li> <li>• Contingency plans are in place to minimise work-stop situations</li> <li>• Regular reviews of contingencies and disaster recovery plans</li> <li>• Financial risk arising from operation is covered in financial risk management on pages 93 to 97.</li> </ul>
Socio-Economic Risk & Implication	Mitigation Strategies
Given the government dictate 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 licit alcohol consumption.	<ul style="list-style-type: none"> <li>• A committed Investigations Unit established to monitor and report illegal activities that challenge our business</li> </ul>
Socio-Political Risk & Implication	Mitigation Strategies
Socio-Political risk is the possibility of instability in a country or the world which would cascade to negatively impacting markets. Unrest of any kind could affect investor attitudes towards the markets in general, leading to disruption of business. Continuity of a cohesive policy towards local business is a key element here.	
Technology Risk & Implication	Mitigation Strategies
Stemming from the failure of the Company'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 Company.	<ul style="list-style-type: none"> <li>• Implementation of stringent barriers including password protection and restricted access, stringent user guidelines, contingency plans and physical security measures closely monitored by the Central IT Unit.</li> <li>• Comprehensive backup and recovery systems in place</li> <li>• A robust ERP system is deployed in the Company. Phased implementation of same across the divisions of DCSL.</li> </ul>

## Risk & Implication

Product Risk & Implication	Mitigation Strategies
<p>Product risk implies any negative impact or perceived impact of our products on stakeholders in general which could decrease our market share. There were no reported incidents of intoxication or health hazards arising from our range of liquor products.</p>	<ul style="list-style-type: none"> <li>• Employing established operating procedures to review and approve all raw material prior to use, to ensure maintenance of quality control</li> <li>• Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity</li> <li>• Equipping our R &amp; D Team with ample knowledge to field any technical questions about our products</li> <li>• Marketing and distribution procedures have complete control of the supply chain</li> </ul>
Foreign Exchange Risk & Implication	Mitigation Strategies
<p>A depreciated Sri Lankan Rupee could impact the importation of rectified spirits and foreign brands in our distilleries portfolio.</p>	<ul style="list-style-type: none"> <li>• Remaining acutely attuned to the frequent changes seen in foreign currency rates with our bankers</li> <li>• Monitoring local and international events and news related to economics which can impact to exchange rates</li> </ul> <p>Please refer financial risk management note on pages 93-97.</p>
Cheaper Product, Counterfeiting and Unethical Competition Risk & Implication	Mitigation Strategies
<p>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.</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Our Investigations unit maintains close scrutiny on any counterfeit DCSL products in the market</li> <li>• Communicate and demonstrate to our consumers on measures and processes in identifying DCSL brands, authorised dealers and retailers</li> <li>• Continuing to improve manufacturing process which includes tamper proof bottles</li> <li>• Make every effort to sustain and enhance brand equity, ensuring that consumers are not cheated in any manner due to third party action</li> <li>• Co-operate with law enforcement bodies to curb illegal distillation</li> </ul>



# Board Audit Committee Report

## Composition

The Board Audit Committee appointed by and responsible to the Board of Directors is made up of three Independent Non-Executive Directors and one Non-independent Non Executive Director . The Chairman of the Audit Committee is Mr. R. Seevaratnam who is a fellow member of the Chartered Accountants of England & Wales. The other members of the Audit Committee comprise of.

Dr. A. N. Balasuriya, Independent Non-Executive Director, Mr. N. de S. Deva Aditya Independent Non-Executive Director, and Mr. D. Hasitha S. Jayawardena, Non-Independent Non-Executive Director.

A brief profile of each member is given on pages 22 to 23. Ms. N. C. Gunawardena functions as the Secretary to the Audit Committee.

## Meetings

The Board Audit Committee met five (5) 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 represented at all meeting by his alternate and 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 is as follows:

Mr. R. Seevaratnam 5/5  
Dr. A. N. Balasuriya 5/5  
Mr. D. Hasitha S. Jayawardena 4/5

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

## Terms of Reference

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

## Role of the Board Audit Committee

The Board Audit Committee in its role assists the Board in fulfilling their responsibility with regard to:

Ensuring the integrity of the statements of the Company and that good financial reporting systems are in place and

is managed in order to give accurate, appropriate and timely information to the management, regulatory authorities and shareholders in accordance with the financial reporting standards of the Institute of Chartered Accountants of Sri Lanka, Companies Act No: 07 of 2007, the Sri Lanka Accounting and Auditing Standards and the Continuing Listing Rules of the Colombo Stock Exchange.

- Assessing the independence and monitoring the performance of external auditors.
- Ensuring the Company's internal control and risk management process operates efficiently and effectively.
- Ensure compliance with applicable laws, regulations and policies of Company.
- Assess the Company's ability to continue as a going concern in the foreseen future.

## Internal Audit

The internal audit function of the Company was carried out by the Internal Audit Division. The Committee reviewed the effectiveness of the internal audit plan to ensure that it was designed to provide reasonable assurance that the financial reporting system adopted by the Company 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. The Committee also reviewed the Report of the Auditors & Management Letters issued by them on separate occasions to ensure that no limitations were placed on their independence of work and conduct of the audit. The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard. The Committee stipulated that the Lead Audit Partner is rotated every seven years. The Audit Committee recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31 March 2020.

## Compliance with Laws and Regulations

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

## Conclusion

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



**R. Seevaratnam**

Chairman

Audit Committee

06 August 2019

# Remuneration Committee Report

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

Brief profiles of these Directors are given on pages 22 to 23. Ms. N.C. Gunawardena, functions as the Secretary to this Committee.

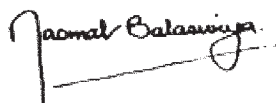
The Remuneration Committee is governed by the Remuneration Committee Charter, which has been approved and adopted by the Board of Directors. It is responsible for determining the remuneration policy of the Key Management Personnel of the Company. Remuneration policy of the Company is based on evaluation of personnel on eight criteria. Annual assessment is carried out and increments and incentives are awarded based on the rating / ranking of each individuals.

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 Remuneration Committee and his opinion was sought on important matters. The Remuneration Committee met Three times during the year and the attendance of the other members at these meetings is as follows:

Dr. A. N. Balasuriya 3/3

Mr. D. Hasitha S. Jayawardena 3/3

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



**Dr. Naomal Balasuriya**  
Chairman  
Remuneration Committee

06 August 2019



# Board Related Party Transactions Review Committee

## Composition

The Related Party Transactions Review Committee comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The Chairman of the Related Party Review Committee is Mr. R. Seevaratnam, a Fellow of the Institute of Chartered Accountants of England & Wales. The other members of the Committee comprise of Dr. A. N. Balasuriya, Independent Non Executive Director, Mr. D. Hasitha S. Jayawardena, Non-Independent Non-Executive Director.

A brief profile of each member is given on pages 22 to 23. Ms. N. C. Gunawardena functions as the secretary to this committee.

## Purpose of the Committee

The Committee's key focus is to review all proposed Related Party Transactions prior to entering into or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange. The Committee evaluates any proposed related party transactions on a quarterly basis and recommends to the management and Board, the appropriate course of action to be taken in order to adhere to the compliance regulations of the Listing Rules and the Code of Best Practices on related party transactions.

## Meetings

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

Mr. R. Seevaratnam 4/4  
Dr. A. N. Balasuriya 4/4  
Mr. D. Hasitha S. Jayawardena 3/4

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

## Disclosures

The Committee has reviewed all Related Party transactions in respect of the financial year and communicated the activities of the Committee to the Board on a quarterly basis.



**R. Seevaratnam**

Chairman  
Related Party Transactions Review Committee

06 August 2019

# Annual Report of the Board of Directors

Board of Directors of Distilleries Company of Sri Lanka PLC has pleasure in presenting the Annual Report and the Audited Financial Statements of the Company for the financial year ended 31 March 2019. The details set out herein provide the pertinent information requested under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the recommended best practices on Corporate Governance.

## Principal Activities

The principal activities of Distilleries Company of Sri Lanka PLC are distillation, manufacture and distribution of liquor products.

## Business Review

A review of the Company'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 Statement' of the Annual Report.

## Group Restructure

Consequent to the restructure arrangement of the Group in the year 2016, DCSL became a standalone liquor company. In March 2018 the parent Melstacorp PLC distributed shares of DCSL as dividend in specie to its shareholders in order to restore the public float of DCSL. This exercise has increased the public float to 3.256%. On 3 April 2018, DCSL PLC shares "DIST" re-commenced trading in the Colombo Stock Exchange and holding company intends to reduce its holding in DCSL PLC to comply with the minimum public float requirements stipulated by the Colombo Stock Exchange.

## Results and Appropriations

The gross turnover of the Company in the year under review amounted to Rs. 81,673 Mn (2017/18 – Rs. 90,387 Mn). The profit after tax was Rs. 5,395 Mn (2017/18 – Rs. 4,350 Mn). The Board of Directors declared an interim dividend of Rs.0.80 per share for the year ending 31 March 2019. (2017/18 - Rs. 0.67 per share).

## Financial Statements

The Financial Statements of the Company for the year ended 31 March 2019 was approved by the Board of Directors on 06 August 2019 are given on pages 56 to 100.

## Audit Report

The Auditor's Report on the Financial Statements of the Company is given on page 53 to 55.

## Accounting Policies

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs).

The accounting policies adopted in the preparation and presentation of the Financial Statements are given on pages 60 to 71. There were no changes in the accounting policies adopted by the Company during the year under review.

## Investments

Total investments of the Company amounted to Rs.2,455 Mn (2017/18 - Rs. 3,515 Mn). The details of the investments are given in Note 15 to the Financial Statements.

## Property, Plant and Equipment

The net book value of property, plant and equipment of the Company as at 31 March 2019 was Rs.6,363 Mn (2017/18 – Rs. 5,796 Mn). Total capital expenditure during the year for acquisition of property, plant and equipment by the Company amounted to Rs.93 Mn (2017/18 – Rs. 138 Mn).

The details of property, plant and equipment are given in Note 11 to the Financial Statements.

## Stated Capital and Reserves

The Stated Capital of the Company as at 31 March 2019 was Rs. 3,000 Mn consisting of 4,600 Mn Ordinary Shares. The total Company Reserves as at 31 March 2019 amounted to Rs.2,990 Mn (2017/18 – Rs. 3,181 Mn) comprising of Capital Reserves of Rs.1,863 Mn (2017/18 – Rs. 1,209 Mn) and Revenue Reserves & Retained Earnings of Rs.2,960 Mn (2017/18 - Rs. 1,503 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 Companies system of internal control. The systems are designed to provide reasonable assurance that the assets of the Company are safeguarded and to ensure that proper accounting records are maintained. The Board, having reviewed the system of internal control is satisfied with the systems and measures in effect at the date of signing this report.

## Capital and Other Commitments

Contingent liabilities and capital commitments are disclosed in Note 28 & 29 to the Financial Statements of the Company.

## Events after the Reporting Period

There were no material events or circumstances that have arisen since the reporting date that would require adjustment, other than the information disclosed in Note 32 to the Financial Statements.

## Employees

The number of persons employed by the Company as at 31 March 2019 was 1,025 (2017/18 1,060).

## Board of Directors

The Board of Directors of the Company as at 31 March 2019 and their brief profiles are given on pages 22 and 23.

### Directors Standing for Re-election

To re-elect Dr. A. N. Balasuriya who retires by rotation at the Annual General Meeting in terms of Article 30 of the Articles of Association, as a Director of the company.

To re-elect Mr. R. Seevaratnam who retires by rotation at the Annual General Meeting in terms of Article 30 of the Articles of Association, as a Director of the Company and who is over 70 years by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. R. Seevaratnam who has attained the age of 76 and that he be re-elected a Director of the Company.

To re-elect Mr. D. H. S. Jayawardena, who is over 70 years, as a Director by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. D. H. S. Jayawardena who has attained the age of 77 and that he be re-elected a Director of the Company.

Also, to re-elect Mr. N. de S. Deva Aditya who is over 70 years by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. N. de S. Deva Aditya who has attained the age of 71 and that he be re-elected a Director of the Company."

### Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. This Annual Report also contains particulars of entries made in the Interest Register. Directors' Interests in Contracts are disclosed in the Related Party Transactions under Note 27 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 2019	March 2018
D. H. S. Jayawardena	Nil	Nil
C. R. Jansz	Nil	Nil
N. de S. Deva Aditya	Nil	Nil
Capt. K. J. Kahanda	Nil	Nil
Dr. A. N. Balasuriya	Nil	Nil
D. Hasitha S. Jayawardena	2,231,505	2,231,505
R. Seevaratnam	Nil	Nil

## Share Information

Information relating to Earnings, Dividends, Net Assets and Market Value per Share is given on page 3. The shareholding details of the Company are given on page 102 of the Annual Report.

## Corporate Governance

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

### Board Committees

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

### Related Party Transactions

The Board of Directors has given the following statements in respect of the related party transactions. The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing Rule.

### Sustainability Principles

The Company carries out its business adherence to the best sustainable practices and has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability.

### Statutory Payments

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

### Going Concern

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



# Annual Report of the Board of Directors

## Auditors

Messrs. KPMG, Chartered Accountants are deemed reappointed, in terms of section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company. A resolution to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting. Total audit fees paid to Messrs. KPMG are disclosed in Note 08 to the Financial Statements. The Auditor of the Company has confirmed that they do not have any relationship with the Company (other than that of Auditor) that would have an impact on their independence.

## Annual General Meeting

The Annual General Meeting of the Company will be held at the Sri Lanka Foundation, No. 100, Sri Lanka Padanama Mawatha, Independent Square, Colombo 07 on 04 September 2019 at 10.00 a.m. The Notice of Meeting appears on page 106 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

06 August 2019  
Colombo

# Financial Information

## Financial Reports

52	Statement of Directors Responsibility
53	Independent Auditors' Report
56	Statement of Profit or Loss and Other Comprehensive Income
57	Statement of Financial Position
58	Statement of Changes in Equity
59	Statement of Cash Flow
60	Notes to the Financial Statements
101	Statement of Value Added
101	Details of Real Estate
102	Shareholder Information
103	Ten Year Summary

## Suplimentary Information

104	DCSL Management Team and Unit Management Team
106	Notice of Meeting
107	Form of Proxy
109	Attendance Slip
110	Notes

# Statement of Director's 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 as at the Reporting date and the profit of the Company for the financial year. The Directors are also responsible for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

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

Further, the Directors confirm that the Financial Statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the Company 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 Company 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.

## 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 as at the reporting date have been paid or where relevant, provided for.

By Order of the Board,



**V. J. Senaratne**  
Company Secretary

06 August 2019



# Independent Auditor's Report



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : www.kpmg.com/lk

## TO THE SHAREHOLDERS OF DISTILLERIES COMPANY OF SRI LANKA PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Distilleries Company of Sri Lanka PLC ("the Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 56 to 100 in the annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

#### Carrying value of Inventories

Refer to the significant accounting policies in Note 3.3.6 and explanatory Note 17 to the financial statements.

Risk Description	Our response
<p>As disclosed in explanatory Note 17 to the financial statements, the Company has recorded inventories of Rs.4,754.75 Mn as at 31 March 2019.</p> <p>The Company uses standard costing method to value the inventories and the Company maintained significant amount of inventory quantities at any given time and accordingly, significant amount of inventories is included in the statement of financial position as at 31 March 2019.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>• Testing the design, implementation and operating effectiveness of key internal controls in respect of inventory valuation and inventory cycle counts.</li> <li>• Evaluating the method of standard costing calculation and verifying the mathematical accuracy of the standard cost computation on sample basis.</li> <li>• Verifying the data used for standard costing computation on sample basis.</li> </ul>

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

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

# Independent Auditors' Report



Due to their materiality in the context of the financial statements as a whole, inventories are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit and accordingly, we considered the carrying value of inventories as a key audit matter.

- Attending for the physical verification of inventories at the year end on sample basis.
- Agreeing the physically counted inventory balances with the records in the inventory management system on sample basis.
- Examining the basis of assessment of provisions for obsolete inventory and the adequacy of the provisioning as at the reporting date.

## Revaluation of Lands and Buildings

Refer to the significant accounting policies in Note 3.3.2 and explanatory Note 11 to the financial statements.

Risk Description	Our Response
<p>As disclosed in explanatory Note 11 to the financial statements, the Company has revalued all its lands and buildings and recorded a revaluation gain of Rs.1,013.05 Million as at 31 March 2019.</p> <p>Management assessment of fair value of these freehold lands and buildings are based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards.</p> <p>We considered this as a key audit matter because the valuation of land and building involved significant judgment exercised by external valuation expert and were subjected to significant level of estimation uncertainty and management bias.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>• Assessing the competency, objectivity and capabilities of the independent external valuer engaged by the management</li> <li>• Assessing the reasonableness of the valuer's assumptions and methods used in the valuation and comparing the same with evidence of current market values.</li> <li>• Engaging our own internal resources to assess the reasonability of the valuation technique, per perch and per square feet prices.</li> <li>• Assessing the adequacy of disclosures made in relation to the revaluation of lands and buildings in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used.</li> </ul>

## Other Information

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

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

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

**Chartered Accountants**  
Colombo

06 August 2019

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,

		2019	2018
	Note	Rs.'000	Rs.'000
<b>Revenue</b>	5	<b>81,672,936</b>	90,386,965
Direct Taxes		<b>(53,957,301)</b>	(61,204,141)
Cost of Sales		<b>(16,990,163)</b>	(19,759,674)
<b>Gross Profit</b>		<b>10,725,472</b>	9,423,150
Other Operating Income	6	<b>183,906</b>	346,639
Distribution Expenses		<b>(649,075)</b>	(694,403)
Administrative Expenses		<b>(1,133,717)</b>	(1,165,775)
<b>Results from Operating Activities</b>		<b>9,126,586</b>	7,909,611
Finance Income	7.1	<b>274,558</b>	244,054
Finance Costs	7.2	<b>(432,374)</b>	(828,821)
<b>Net Finance Costs</b>		<b>(157,816)</b>	(584,767)
<b>Profit Before Income Tax Expense</b>	8	<b>8,968,770</b>	7,324,844
Taxation	9	<b>(3,574,144)</b>	(2,975,376)
<b>Profit for the Year</b>		<b>5,394,626</b>	4,349,468
<b>Other Comprehensive Income</b>			
<b>Items that will never be reclassified to Profit or Loss</b>			
Actuarial Loss on Retirement Benefit Obligations		<b>(20,341)</b>	(2,518)
Deferred tax on Actuarial Loss		<b>8,136</b>	1,007
Revaluation surplus on lands and buildings		<b>1,088,908</b>	-
Deferred tax on revaluation surplus		<b>(435,563)</b>	(595,401)
		<b>641,140</b>	(596,912)
<b>Items that are or may be reclassified to Profit or Loss</b>			
Net Change in Fair Value of Financial Assets Measured at Fair Value Through Other Comprehensive Income/Available for Sale Financial Assets		<b>(844,245)</b>	250,494
		<b>(844,245)</b>	250,494
<b>Total Other Comprehensive Expense for the Year</b>		<b>(203,105)</b>	(346,418)
<b>Total Comprehensive Income for the year</b>		<b>5,191,521</b>	4,003,050
<b>Basic Earnings per Share</b>	10.1	<b>1.17</b>	5.64

The notes from pages 60 to 100 form an integral part of these financial statements.

Figures in brackets indicate deductions.




# Statement of Financial Position

As at 31 March,	Note	2019 Rs.'000	2018 Rs.'000
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	11	6,363,390	5,796,136
Intangible Assets	12	-	-
Investment in Subsidiaries	13	-	-
Loans Given to Related Company	14	80,170	72,355
Other Non Current Financial Investments	15	2,411,708	3,242,237
		<b>8,855,268</b>	<b>9,110,728</b>
<b>Current Assets</b>			
Inventories	17	4,754,749	4,694,531
Trade and Other Receivables	18	7,340,840	8,735,981
Amounts Due From Related Companies	27.1.1	3,770,548	836,681
Other Current Financial Investments	15	43,365	272,616
Cash and Cash Equivalents	19	1,020,306	470,087
		<b>16,929,808</b>	<b>15,009,896</b>
<b>Total Assets</b>		<b>25,785,076</b>	<b>24,120,624</b>
<b>Equity And Liabilities</b>			
<b>Share Capital And Reserves</b>			
Stated Capital	20	3,000,000	3,000,000
Pending Allotment	21	-	-
Reserves	22	2,989,797	3,180,697
Retained Earnings/(Accumulated Losses)		1,832,633	(467,788)
<b>Total Equity</b>		<b>7,822,430</b>	<b>5,712,909</b>
<b>Non Current Liabilities</b>			
Deferred Tax Liabilities	16	2,035,571	1,773,956
Retirement Benefit Obligations	23	165,878	129,349
		<b>2,201,449</b>	<b>1,903,305</b>
<b>Current Liabilities</b>			
Trade and Other Payables	24	3,615,380	4,048,586
Amount due to Related Companies	27.1.2	494,317	1,228,093
Taxes Payables	25	6,464,144	5,894,078
Interest Bearing Loans and Borrowings	26	4,624,992	4,108,631
Bank Overdrafts	19	562,364	1,225,022
		<b>15,761,197</b>	<b>16,504,410</b>
<b>Total Liabilities</b>		<b>17,962,646</b>	<b>18,407,715</b>
<b>Total Equity and Liabilities</b>		<b>25,785,076</b>	<b>24,120,624</b>
<b>Net Assets Per Share (Rs.)</b>		<b>1.70</b>	<b>1.24</b>

The notes from pages 60 to 100 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

I certify that the Financial Statements are prepared and presented in compliance with the requirements of the Companies Act No.07 of 2007.



**N.N. Nagahawatte**

Head of Finance

The Board of directors is responsible for the preparation and presentation of these Financial Statements.

Approved for and on behalf of the Board of Directors



**D.H.S. Jayawardena**

Chairman/Managing Director



**C. R. Jansz**

Director

Colombo,  
06 August 2019

# Statement of Changes in Equity

	Stated Capital	Pending Allotment	Revaluation Reserve	Capital Reserve	General Reserve	FVOCI/AFS Reserve	Retained earnings/(accumulated losses)	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April 2017	300,000	20,000,000	1,696,692	107,882	8,210,000	1,711,030	(29,790,745)	2,234,859
<b>Total comprehensive income for the period</b>								
Profit for the year	-	-	-	-	-	-	4,349,468	4,349,468
<b>Other comprehensive income</b>								
Net change in fair value of available for sale financial Assets	-	-	-	-	-	250,494	-	250,494
Actuarial loss on retirement benefit obligations	-	-	-	-	-	-	(2,518)	(2,518)
Deferred tax on actuarial loss	-	-	-	-	-	-	1,007	1,007
Deferred tax on revaluation surplus on land**	-	-	(595,401)	-	-	-	-	(595,401)
<b>Total other comprehensive income/(expense) for the year</b>	-	-	(595,401)	-	-	250,494	(1,511)	(346,418)
<b>Total comprehensive income/(expense) for the year</b>	-	-	(595,401)	-	-	250,494	4,347,957	4,003,050
<b>Transactions with Owners directly recorded in the Equity</b>								
Issue of Shares	20,000,000	(20,000,000)	-	-	-	-	-	-
Transfers	(17,300,000)	-	-	-	(8,200,000)	-	25,500,000	-
Dividends paid during the period	-	-	-	-	-	-	(525,000)	(525,000)
<b>Total contributions and distributions to owners</b>	2,700,000	(20,000,000)	-	-	(8,200,000)	-	24,975,000	(525,000)
Balance as at 31 March 2018	3,000,000	-	1,101,291	107,882	10,000	1,961,524	(467,788)	5,712,909
<b>Balance as at 01 April 2018</b>	<b>3,000,000</b>	<b>-</b>	<b>1,101,291</b>	<b>107,882</b>	<b>10,000</b>	<b>1,961,524</b>	<b>(467,788)</b>	<b>5,712,909</b>
<b>Total comprehensive income for the period</b>								
Profit for the year	-	-	-	-	-	-	5,394,626	5,394,626
<b>Other comprehensive income</b>								
Net change in fair value of Financial assets measured at FVOCI	-	-	-	-	-	(844,245)	-	(844,245)
Actuarial loss on retirement benefit obligations	-	-	-	-	-	-	(20,341)	(20,341)
Deferred tax on actuarial loss	-	-	-	-	-	-	8,136	8,136
Revaluation Surplus	-	-	1,088,908	-	-	-	-	1,088,908
Deferred tax impact on revaluation surplus	-	-	(435,563)	-	-	-	-	(435,563)
<b>Total other comprehensive income/(expense) for the year</b>	-	-	653,345	-	-	(844,245)	(12,205)	(203,105)
<b>Total comprehensive income/(expense) for the year</b>	-	-	653,345	-	-	(844,245)	5,382,421	5,191,521
<b>Transactions with Owners directly recorded in the Equity</b>								
Dividends paid during the period	-	-	-	-	-	-	(3,082,000)	(3,082,000)
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-	(3,082,000)	(3,082,000)
<b>Balance as at 31 March 2019</b>	<b>3,000,000</b>	<b>-</b>	<b>1,754,636</b>	<b>107,882</b>	<b>10,000</b>	<b>1,117,279</b>	<b>1,832,633</b>	<b>7,822,430</b>

\*\* The Company has considered the lands owned by the Company as capital assets in terms of requirements of Inland Revenue Act No. 24 of 2017 which is effective from 1 April 2018. Accordingly, the deferred tax liability has been recognized on the revaluation surplus relating to land since those will be subject to income tax at the rate of 40% at the point of disposal.

The Notes from pages 60 to 100 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# Statement of Cash Flow

For the year ended 31 March,

	Note	2019 Rs.'000	2018 Rs.'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit Before Tax		8,968,770	7,324,844
<b>Adjustment for:</b>			
Gain on Disposal of Property, Plant and Equipment		(33,549)	(16,304)
Depreciation and Amortization		533,823	563,527
Provision for Retirement Benefit Obligations		30,469	27,290
(Gain)/Loss on Change in Fair Value of Financial Assets Measured at FVTPL		8,580	(8,009)
Interest Income		(274,558)	(244,054)
Loss on Disposal of Other Financial Investment		-	(72,673)
Dividend Income		(54,284)	(99,798)
Interest Expenses		432,374	828,821
Revaluation loss on lands		75,857	-
<b>Operating Profit Before Working Capital Changes</b>		<b>9,687,482</b>	<b>8,303,644</b>
<b>Working Capital Changes</b>			
(Increase)/Decrease in Trade and Other Receivables		1,431,643	(1,802,619)
Increase in Inventories		(60,218)	(205,905)
Increase in Due from Related Companies		(2,933,867)	(175,449)
Increase/(Decrease) in Trade, Other Payables and Other Taxes Payables		(476,827)	982,709
Decrease in Due to Related Companies		(733,776)	(1,840,531)
<b>Cash Flows Generated from Operations</b>		<b>6,914,437</b>	<b>5,261,849</b>
Income Tax and Economic Service Charge Paid		(3,126,269)	(2,993,595)
Retiring Gratuity Paid		(14,281)	(22,689)
<b>Net Cash Generated from Operating Activities</b>		<b>3,773,887</b>	<b>2,245,565</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant and Equipment		(93,442)	(138,431)
Proceeds from the Disposal of Property, Plant and Equipment		38,965	16,304
Proceeds on Sale of Investments		-	1,482,298
Cash proceed from maturity of investment in Debentures		206,955	-
Net acquisitions of Other Financial Investments		-	(378,306)
Interest Received		266,743	148,351
Dividend Received		17,782	78,131
<b>Net Cash Flows Generated from Investing Activities</b>		<b>437,003</b>	<b>1,208,347</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend Paid		(3,082,000)	(525,000)
Finance Costs Paid		(431,013)	(701,146)
Loans Obtained During the Year		39,300,000	41,776,050
Loans repaid During the Year		(38,785,000)	(43,301,050)
<b>Net Cash Flow Used in Financing Activities</b>		<b>(2,998,013)</b>	<b>(2,751,146)</b>
Net Increase in Cash and Cash Equivalents During the Year		1,212,877	702,766
Cash and Cash Equivalents at the Beginning of the year		(754,935)	(1,457,701)
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>457,942</b>	<b>(754,935)</b>
<b>Analysis of Cash and Cash Equivalents at the End of the Year</b>			
Cash in Hand	19	12,774	9,042
Cash in Bank	19	855,092	278,713
Cash in Transit	19	152,440	182,332
Bank Overdraft	19	(562,364)	(1,225,022)
		<b>457,942</b>	<b>(754,935)</b>

The Notes from pages 60 to 100 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1 Reporting Entity

### 1.1 Domicile & Legal Form

Distilleries Company of Sri Lanka PLC (the “Company/DCSL”) is a quoted public limited liability Company incorporated and domiciled in Sri Lanka. The Company has been registered under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. The registered office and principal place of business of the Company are located at No.110, Norris Canal Road, Colombo 10.

### 1.2 Principal Activities and Nature of Operation

The principal activity of the Company is distillation, manufacture and distribution of liquor products.

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

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

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

## 2 Basis of Preparation

### 2.1 Statement of Compliance

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

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

This is the first set of the Financial Statements in which SLFRS 9 – “Financial Instruments” and SLFRS 15 – “Revenue from Contracts with Customers” have been applied. Changes to significant accounting policies are described in Note 3.1.

### 2.2 Directors Responsibility for Financial Statements

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

### 2.3 Approval of Financial statements

The Financial Statements of the Company for the year ended 31 March 2019 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 06 August 2019.

### 2.4 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis as at each reporting date.

Property, Plant and Equipment- Lands and Buildings	Fair value
Retirement Benefit Obligations	Actuarially valued and recognized at present value of the defined benefit obligation
Financial Assets Measured at Fair Value Through Other Comprehensive Income	Fair value
Financial Assets Measured at Fair Value Through Profit or Loss	Fair value

### 2.5 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### 2.6 Materiality and Aggregation

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

### 2.7 Use of Judgments and Estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.



Information about assumptions and estimation uncertainties that have significant effect on the amounts recognized in the financial statements is included in following notes;

Note 16 - Recognition of deferred tax assets/liabilities

Note 17 - Provisions for impairment.

Note 23 - Measurement of retirement benefit obligations; key actuarial assumptions.

Note 28, 29 & 30 - Recognition and measurement of provisions for contingencies; key assumptions about the likelihood and magnitude of an outflow of resources.

## 2.8 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

## 3 Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated.

### 3.1 Changes in Accounting Policies

The Company has adopted SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments from 1 April 2018.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards mainly attributed to the following;

- Changes of the revenue recognition
- An increase in impairment losses recognized on financial assets
- Changes in classification of financial instruments

#### a) SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15 revenue from contracts with customers, an entity should recognize as revenue the amount that reflects the consideration to which the entity expects to be entitled in exchange for goods

or services excluding amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

#### i) Impact on the adoption of SLFRS 15 as at 1 April 2018

The Company has applied SLFRS 15 using the cumulative transition effect method – i.e. by recognizing the cumulative effect of initially applying SLFRS 15 as an adjustment to the opening balance of equity at 1 April 2018 and therefore the comparative information has not been restated and continues to be reported under LKAS 18.

The effect of initially applying of SLFRS 15 is mainly attributed to recognition of revenue from contract with customers under following product lines;

- Liquor Bottles

However SLFRS-15 does not have a significant impact on the company since there are no revenue contracts existed with customers

#### ii) Impact on the adoption of SLFRS 15 on the financial statements as at the year ended 31 March 2019.

Since the Company does not have revenue contracts with customers there is no impact on the statement of financial position, statement of profit or loss and other comprehensive income as at the year ended 31 March 2019

#### b) SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

As a result of adoption of SLFRS 9, the Company has adopted consequential amendments to LKAS 1 Presentation of financial statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Impairment loss on financial assets are presented under "other expenses", similar to the presentation under LKAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

#### i) Impact on the adoption of SLFRS 9 as at 1st April 2018

There is no any impact on transition to SLFRS 9 on retained earnings as at 01 April 2018.

# Notes to the Financial Statements

## ii) Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets; measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

The adoption of SLFRS 9 has no significant effect on the Company's accounting policies related to financial liabilities.

The following table explains the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company's financial assets and financial liabilities as at 01 April 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets as at 01 April 2018 relates solely to the new impairment requirements.

Financial Assets	Original Classification under LKAS 39	New Classification under SLFRS 9	Original Carrying amount under LKAS 39 Rs.'000	New Carrying amount under SLFRS 9 Rs.'000
Trade and Other Receivables	Loans and Receivables	Amortised cost	8,735,981	8,735,981
Amounts Due from Related Companies	Loans and Receivables	Amortised cost	836,681	836,681
Cash and Cash Equivalents	Loans and Receivables	Amortised cost	470,087	470,087
<b>Financial Assets Measured at Fair Value Through Other Comprehensive Income/ Available for Sale</b>				
Quoted Equity securities	Available for Sale	Fair Value Through Other Comprehensive Income	2,949,136	2,949,136
Unquoted Equity securities	Available for Sale	Fair Value Through Other Comprehensive Income	90,101	90,101
Investments in Unit Trusts	Available for Sale	Fair Value Through Other Comprehensive Income	3,000	3,000
Investments in Debentures	Available for Sale	Fair Value Through Other Comprehensive Income	420,670	420,670
<b>Financial Assets Measured at Fair Value Through Profit or Loss</b>				
Quoted Equity securities	Fair Value Through Profit or Loss	Fair Value Through Profit or Loss	51,946	51,946

There were no changes of the carrying amounts of financial assets under LKAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS 9 on 01 April 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial liabilities as at 1st April 2018 is as follows.

Financial Liabilities	Original Classification under LKAS 39	New Classification under SLFRS 9	Original Carrying amount under LKAS 39 Rs.'000	New Carrying amount under SLFRS 9 Rs.'000
Trade and Other Payables	Other financial liabilities measured at amortized cost	Amortised cost	4,048,586	4,048,586
Amounts Due to Related Companies	Other financial liabilities measured at amortized cost	Amortised cost	1,228,093	1,228,093
Interest Bearing Loans and Borrowings	Other financial liabilities measured at amortized cost	Amortised cost	4,108,631	4,108,631
Bank Overdrafts	Other financial liabilities measured at amortized cost	Amortised cost	1,225,022	1,225,022

There were no changes of the carrying amounts of financial liabilities under LKAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS 9 on 1st April 2018.

### iii) Impairment of financial assets

SLFRS 9 replaces the "incurred loss model" in LKAS 39 with an "expected credit loss model" (ECL). The new impairment model applies to financial assets carried at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under SLFRS 9, credit losses are recognized earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. However the Group has determined that there is no any impact on transition to SLFRS 9 on retained earnings as at 1st April 2018.

### iv) Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are adjusted in retained earnings as at 1st April 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held,
- The designation and revocation of previous designation of certain financial assets and financial liabilities as measured at FVTPL,
- The designation of certain investments in equity instruments not held for trading as FVTOCI.

## 3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determinate. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

## 3.3 Statement of Financial Position

### 3.3.1 Financial Instruments

#### 3.3.1.1 Recognition and initial measurement

The Company initially recognizes receivables and deposits on the date they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes party to the contractual provision of the instrument.

# Notes to the Financial Statements

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

## 3.3.1.2 Classification and subsequent measurement

### 1. Financial Assets

#### a) Financial Assets: Policy applicable from 1st April 2018

On initial recognition, a financial asset is classified as measured at; amortized cost; FVOCI –debt investment; FVOCI – equity investment; or FVTPL.

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL;

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Financial Assets - Business Model Assessment: Policy applicable from 1st April 2018

The Company makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes;

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### Financial Assets - Assessment whether contractual cash flows are solely payment of principal and interest: Policy applicable from 1st April 2018

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative cost), as well as a profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the



timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers;

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayment and extension features; and
- Terms that limits the Company's claim to cash flows from specific assets (e.g. non-recourse features)

The prepayment feature is consistent with the solely payment of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable addition compensation for early termination of the contract.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

#### b) Financial Assets: Policy applicable before 1st April 2018

The Company classified its financial assets into one of the following categories.

- Loans and receivables
- Held to maturity
- Available for sale and
- At FVTPL, and within this category as;
  - Held for trading
  - Designated as at FVTPL

<b>Financial assets at FVTPL</b>	Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.
<b>Held-to-maturity financial assets</b>	Measured at amortized cost using the effective interest method.
<b>Loans and receivables</b>	Measured at amortized cost using the effective interest method.
<b>Available for sale financial assets</b>	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

## 2. Financial Liabilities

### Financial Liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

# Notes to the Financial Statements

## 3.3.1.3 Derecognition

### Financial Assets

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

### Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## 3.3.1.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## 3.3.2. Property, Plant & Equipment

### 3.3.2.1 Freehold Assets

#### a. Recognition

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

#### b. Measurement

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

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

the costs of dismantling and removing the items and restoring the site on which they are located.

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

#### c. Subsequent Cost

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

#### d. De-recognition

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

#### e. Revaluation

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

#### f. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated values using straight-line basis over the estimated useful lives, and is generally recognized in profit or loss. Freehold land is not depreciated. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows;

Freehold Buildings	20 years
Plant, Machinery & Equipment	10 years
Furniture & Fittings, Office Equipment & Fire Fighting Equipment	10 years
Vats and Casks	10 years
Oil Storage Tanks	10 years
Computers	03 years
Motor Vehicles	04 years
Empty Drums	02 years

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

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

#### g. Capital Work-in-progress

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

### 3.3.3 Leases

#### 3.3.3.1 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 recognized as expense in the profit or loss on a straight line basis over the term of the lease.

### 3.3.4 Intangible Asset

An intangible asset is recognized if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 "Intangible Assets". Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

#### a. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

#### b. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using straight-line basis over the estimated useful lives

from the date that they are available for use, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Computer Software - 3 years

### 3.3.5 Impairment

#### 3.3.5.1 Non-derivative financial assets

##### a) Policy Applicable before 1st April 2018

Financial asset classified as 'loans and receivables' are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security

#### Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) on specific assets accordingly, all individually significant assets are assessed for specific impairment in assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in Profit or Loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Profit or Loss.

# Notes to the Financial Statements

## Policy applicable from 1st April 2018

### Financial Instruments and Contract Assets

The Company recognizes loss allowances for Expected Credit Loss (ECL) on:

- Financial assets measured at amortised cost;

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk has not increased significantly since initial recognition which are measured at 12-month ECLs:

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the

contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occurred.

Evidence that a financial asset is credit-impaired includes the following observable data;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

### Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Company initially makes an assessment with respect to the timing and amount to write off based on whether there is a reasonable expectation of recovery.

### 3.3.5.2 Non – Financial Assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

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



assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in Profit or Loss. Impairment losses recognized in respect of CGUs are allocated reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

### 3.3.6 Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The general basis on which cost is determined is: all inventory items, except manufactured inventories and work-in progress are measured at weighted average directly attributable cost. Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate shares of production overhead based on normal operating capacity.

### 3.3.7 Employee Benefits

#### Defined Contribution Plans

Defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognized as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

#### Employees' Provident Fund (EPF):

The Company entities and employees contribute 15% and 10% respectively on the basic salary of each employee to the above mentioned fund.

#### Employees' Trust Fund (ETF)

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

#### Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees

have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The valuation is performed annually by a qualified actuary using the projected unit credit method. When the valuation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans directly in the other comprehensive income and all expenses related to defined benefit plan in personnel expense in profit or loss.

#### Short Term Benefits

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

### 3.3.8 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized, if as a result of a past event, the Company 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.

### 3.3.9 Commitments

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

## 3.4 Statement of Profit or Loss and Other Comprehensive Income

### 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 recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration

# Notes to the Financial Statements

is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. The following specific criteria are used for the purpose of recognition of revenue;

## a) Sale of Goods

Revenue from the sale of goods is recognized when the identified performance obligations are satisfied, usually on the point which the goods are handed over to the customer.

## Performance obligations and revenue recognition policies.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or services to a contract.

### 3.4.2 Other Income

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

Rental Income is recognized in profit and loss as it accrues. Gains and losses on the disposal of investments held by the Company have been accounted for in the Statement of profit or loss.

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

### 3.4.3 Finance Income and Expenses

Finance income comprises interest income on funds invested (including available for sale financial assets), gains on the disposal of available for sale financial assets. Interest income is recognized as it accrues in the profit or loss, using the effective interest method.

Finance cost comprise interest expenses on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

### 3.4.4 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity, or in OCI.

#### a) Income Tax

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No.24 of 2017.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or subsequently enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

#### b) Deferred Tax

Deferred tax is provided using the statement of financial position liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to Income Taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

### 3.5 Subsequent Events

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

### 3.6 Earnings Per Share

The Company 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.

### **3.7 Statement of Cash Flows**

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

### **3.8 Comparative Figures**

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

## **4 New Accounting Standards Issued But Not Effective as at Reporting Date**

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st January 2019. Accordingly, this Standard has not been applied in preparing these Financial Statements.

### **4.1 Sri Lanka Accounting Standard 16 "Leases"**

SLFRS 16 requires lessees to recognize all leases on their Statement of Financial Position as lease liabilities, with the corresponding right of-use assets. The profit or loss recognition pattern for recognized leases will be similar to existing finance lease accounting, with interest and depreciation expense recognized separately in Profit or Loss. SLFRS 16 is effective for annual periods beginning on or after 1st January 2019.

# Notes to the Financial Statements

## 5 Revenue

For the year ended 31 March,	2019 Rs.'000	2018 Rs.'000
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### 5.1 Revenue Streams

#### Revenue from contracts with customers

Sales of goods	81,672,936	90,386,965
<b>Total Gross Revenue (Note 5.2)</b>	<b>81,672,936</b>	<b>90,386,965</b>

### 5.2 Major products

Liquor bottles	81,672,936	90,386,965
<b>Total Gross Revenue</b>	<b>81,672,936</b>	<b>90,386,965</b>

#### Region

Domestic sales	81,672,936	90,386,965
<b>Total Gross Revenue</b>	<b>81,672,936</b>	<b>90,386,965</b>

#### Timing of revenue recognition

Products and services transferred at a point in time	81,672,936	90,386,965
<b>Total Gross Revenue</b>	<b>81,672,936</b>	<b>90,386,965</b>

## 6 Other Operating Income

For the year ended 31 March,	2019 Rs.'000	2018 Rs.'000
Gain on Disposal of Property, Plant and Equipment	33,549	16,304
Rent Income	28,878	54,869
Other Sundry Income	75,775	95,001
Dividend Income	54,284	99,798
Gain on Disposal of Available - For -Sale Investments	-	72,674
Net Change in Fair Value of Financial Assets Measured at Fair Value Through Profit or Loss	(8,580)	8,009
Loss on Disposal of Financial Assets Measured at Fair Value Through Profit or Loss	-	(16)
	<b>183,906</b>	<b>346,639</b>

## 7 Finance Income and Finance Costs

For the year ended 31 March,	2019 Rs.'000	2018 Rs.'000
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### 7.1 Finance Income

Interest Income on Debentures	46,784	57,843
Interest Income on Bonds	-	67,277
Interest Income on Loans and Receivables	227,774	118,934
	<b>274,558</b>	<b>244,054</b>



**7.2 Finance Costs**

For the year ended 31 March,	Note	2019 Rs.'000	2018 Rs.'000
Interest Expense on Bank Loans and Overdrafts		(432,374)	(828,821)
		(432,374)	(828,821)
Net Finance Costs		(157,816)	(584,767)

**8 Profit before Income Tax Expense**

	Note	2019 Rs.'000	2018 Rs.'000
Profit before income tax expense is stated after charging all expenses including the followings;			
Remuneration to Directors		52,092	36,550
Auditor's Remuneration - Audit		5,800	5,624
- Non-audit		7,643	2,086
Personnel Costs	8.1	1,360,025	1,610,483
Depreciation and Amortization			
Depreciation of Property, Plant and Equipment	11	533,823	556,316
Amortization of Intangible Assets	12	-	7,211
Revaluation Loss on Lands		75,857	-
Donations		3,606	179,369
Legal Expenses		15,594	17,601

**8.1 Personnel Costs**

For the year ended 31 March,	Note	2019 Rs.'000	2018 Rs.'000
Salaries, Wages and Other Benefits		1,214,013	1,486,691
Defined Contribution Plans - EPF and ETF		115,543	96,502
Defined Benefit Plans Cost	23.1.1	30,469	27,290
		1,360,025	1,610,483

**9 Income Tax Expense**

For the year ended 31 March,		2019 Rs.'000	2018 Rs.'000
Current Tax Expense	(Note 9.1.1)	3,739,956	3,010,655
Deferred Tax Reversal	(Note 16.1)	(165,812)	(35,279)
		3,574,144	2,975,376

# Notes to the Financial Statements

## 9.1.1 Reconciliation of Accounting Profits to Income Tax Expense

For the year ended 31 March	2019 Rs.'000	2018 Rs.'000
<b>Profit Before Income Tax Expense</b>	<b>8,968,770</b>	7,324,844
(-) Other Income/ Exempt Income	(391,269)	(590,692)
(+) Disallowable Expenses	658,212	772,380
(-) Allowable Expenses	(189,259)	(221,194)
<b>Taxable Business Profit</b>	<b>9,046,454</b>	7,285,338
Profit from Trade or Business	9,046,454	7,285,338
Taxable Other Income	303,436	344,715
<b>Taxable Income</b>	<b>9,349,890</b>	7,630,053
Income Tax at, 40%	3,739,956	2,914,135
28%	-	96,520
<b>Total Current Tax Charge</b>	<b>3,739,956</b>	3,010,655
<b>Average Statutory Income Tax Rate (%)</b>	<b>40.00%</b>	39.46%

The profits and income of the Company is liable for tax at the rate of 40% in terms of the provision of the Inland Revenue Act No. 24 of 2017

## 10 Earnings Per Share

### 10.1 Basic Earnings Per Share

Basic Earning Per Share has been calculated by dividing the profit for the year attributable to Ordinary Shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the year.

For the year ended 31 March,	2019	2018
Profit for the year (Rs.'000)	5,394,626	4,349,468
Weighted Average Numbers of Ordinary Shares (000)	4,600,000	771,233
<b>Basic Earnings per Share (Rs.)</b>	<b>1.17</b>	5.64

### 10.2 Dividend per Share

For the year ended 31 March,	2019		2018	
	Per Share	Total	Per Share	Total
	Rs.	Rs.'000	Rs.	Rs.'000
Dividend Paid	0.67	3,082,000	1.75	525,000
		3,082,000		525,000

## 11 Property, Plant and Equipment

	Cost or Revaluation						Accumulated Depreciation				Carrying Value		
	At the Beginning of the Year	Transfers from Accumulated Depreciation During the Year	Additions During the Year	Revaluation Surplus	Disposals/ Write Offs/ Transfers	At the End of the Year	At the Beginning of the Year	Charge for the Year	Transfers to cost	Disposals / Write Offs	At the End of the Year	As at 31 March 2019	As at 31 March 2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lands	11.1	1,653,459	-	-	496,858	-	2,150,317	-	-	-	-	2,150,317	1,653,459
Buildings	11.1	1,822,961	(350,074)	-	513,387	-	1,986,274	258,926	91,148	(350,074)	-	1,986,274	1,564,035
Buildings Constructed on Leasehold Lands		133,132	(20,006)	-	2,806	-	115,932	13,350	6,656	(20,006)	-	115,932	119,782
Plant, Machinery & Other Equipment		3,834,366	-	944	-	-	3,835,310	1,573,433	351,497	-	-	1,924,930	2,260,933
Motor Vehicles		648,102	-	72,531	-	(88,183)	632,450	484,158	73,954	-	(82,767)	475,345	163,945
Furniture, Fittings & Office Equipment		66,142	-	1,586	-	-	67,728	49,633	3,002	-	-	52,635	16,509
Computer Equipment		55,160	-	249	-	-	55,409	43,795	4,983	-	-	48,778	11,365
Fire Fighting Equipment		4,883	-	-	-	-	4,883	4,127	140	-	-	4,267	756
Oil Storage Tanks		315	-	-	-	-	315	315	-	-	-	315	-
Vats & Casks		69,575	-	520	-	-	70,095	64,222	2,443	-	-	66,665	5,352
Drums		80	-	-	-	-	80	80	-	-	-	80	-
Total Property, Plant & Equipment		8,288,175	(370,080)	75,830	1,013,051	(88,183)	8,918,793	2,492,039	533,823	(370,080)	(82,767)	2,573,015	5,796,136
Capital Work in Progress		-	-	17,612	-	-	17,612	-	-	-	-	-	-
Total Property, Plant & Equipment		8,288,175	(370,080)	93,442	1,013,051	(88,183)	8,936,405	2,492,039	533,823	(370,080)	(82,767)	2,573,015	5,796,136

# Notes to the Financial Statements

## 11.1 Lands and Buildings

### 11.1.1 Details of Lands and Buildings stated at Valuation

A Valuation of freehold Lands and Buildings of Distilleries Company of Sri Lanka PLC was carried out by incorporated valuer Mr. S. Sivaskanthan by using "Comparable market value" method and incorporated in the financial statements of the company as at 31 March 2019. The surplus on revaluation of Lands and Buildings has been credited to the revaluation reserve while loss has been charged to Profit and Loss.

Location	Land Extent	Building Area	Number of Buildings	Revalued Amount	
		Sq. Ft.		Land Rs.'000	Building Rs.'000
No.18,Sri Saddatissa Road , Kalutara North, Kalutara.	1A - 0R - 23P	-	-	37,500	-
No.375/1 -2 ,Dutugamunu Mawatha, Mawilmada, Kandy.	2A - 0R - 0P	-	-	52,910	-
No.35/12, Bandarawaththa Road, Seeduwa.	15A - 2R - 17.09P	184,377	15	1,379,646	1,706,954
No.65/84, Distillery Road, Seeduwa.	5A - 2R - 15.10P	101,611	22	494,582	224,018
No.35/13, Distillery Road, Seeduwa.	0A - 0R - 16.70P	-	-	10,855	-
No.35/13B, Distillery Road, Seeduwa.	0A - 0R - 16.70P	-	-	10,020	-
No.37/8A, Distillery Road, Seeduwa.	0A - 0R - 13.25P	-	-	9,604	-
No.37/20A, Distillery Road, Seeduwa.	0A - 0R - 8P	-	-	5,200	-
Hatton - Norwood Road, Dickoya.	-	18,286	4	-	115,935
1st Lane, New Nuge Road, Peliyagoda.	-	15,406	4	-	55,300

### 11.1.2 Measurement of Fair Values

#### (i) Fair value hierarchy

The fair value of lands and buildings were determined by external, independent property valuer (Mr. S. Sivaskantha, F.I.V (Sri Lanka), having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Company's lands and buildings in every three years.

#### (ii) Level 3 fair values

The following table shows a breakdown of the total gains/(losses) recognised in respect of level 3 fair values.

	2019 Rs.'000	2018 Rs.'000
<b>Losses recognized in profit or loss</b>		
Revaluation loss on lands	(75,857)	-
	(75,857)	-
<b>Gains included in other comprehensive income</b>		
Revaluation surplus on lands	572,715	-
Revaluation surplus on buildings	516,193	-
	1,088,908	-



**(iii) Valuation technique and significant unobservable inputs**

The market value has been used as the fair value of property. In determining the revalued amounts, the current condition of the properties and future usability have been considered. Valuer has also made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size, usage and location. Accordingly, the lands have been valued on an open market value on existing use basis.

Sensitivity of the Company's lands stated at valuation are indicated below:

Company	Total Lands sensitivity on per perch value			Total Buildings sensitivity on per square feet		
	+5%	Value as stands	-5%	+5%	Value as stands	-5%
Distilleries Company of Sri Lanka PLC	2,257,833	2,150,317	2,042,801	2,207,316	2,102,206	1,997,096

Location	Method of Valuation	Effective date of Valuation	Significant unobservable inputs		Sensitivity of fair value to unobservable inputs
			Lands	Buildings	
No.18,Sri Saddatissa Road, Kalutara North, Kalutara.	Market value method	31 March 2019	Estimated price per perch Rs. 204,918	-	Positively correlated sensitivity
No.375/1-2, Dutugamunu Mawatha, Mawilmada, Kandy.	Market value method	31 March 2019	Estimated price per perch Rs. 178,750	-	Positively correlated sensitivity
No.35/12, Bandarawaththa Road, Seeduwa.	Market value method	31 March 2019	Estimated price per perch Rs. 519,249	Estimated price per square feet Rs. 9,258	Positively correlated sensitivity
No.65/84, Distillery Road, Seeduwa.	Market value method	31 March 2019	Estimated price per perch Rs. 552,544	Estimated price per square feet Rs. 2,227	Positively correlated sensitivity
No.35/13, Distillery Road, Seeduwa.	Market value method	31 March 2019	Estimated price per perch Rs. 650,000	-	Positively correlated sensitivity
No.35/13B, Distillery Road, Seeduwa.	Market value method	31 March 2019	Estimated price per perch Rs. 600,000	-	Positively correlated sensitivity
No.37/8A, Distillery Road, Seeduwa.	Market value method	31 March 2019	Estimated price per perch Rs. 724,823	-	Positively correlated sensitivity
No.37/20A, Distillery Road, Seeduwa.	Market value method	31 March 2019	Estimated price per perch Rs. 650,000	-	Positively correlated sensitivity
Hatton - Norwood Road, Dickoya.	Market value method	31 March 2019	-	Estimated price per square feet Rs. 6,340	Positively correlated sensitivity
1st Lane, New Nuge Road, Peliyagoda.	Market value method	31 March 2019	-	Estimated price per square feet Rs. 3,589	Positively correlated sensitivity

# Notes to the Financial Statements

**11.2** The carrying amount of revalued lands and buildings if they were carried at cost would be as follows;

	2019		2018	
	Lands Rs.'000	Buildings Rs.'000	Lands Rs.'000	Buildings Rs.'000
Cost	164,956	46,248	164,956	46,248
Accumulated Depreciation	-	(46,248)	-	(46,248)
Carrying Value	164,956	-	164,956	-

**11.3 Gross Carrying Value of Fully Depreciated Assets**

The cost of the fully depreciated assets of the Company amounting to Rs.853Mn (2018 - Rs.555Mn) as at reporting date.

**11.4 Impairment of Property, Plant & Equipment**

There is no permanent fall in value of Property, Plant & Equipment which require a provision for impairment.

**11.5 Property, Plant & Equipment that have been Pledged**

There were no items of Property, Plant & Equipment pledged as security as at 31 March 2019. (2018: nil)

**12 Intangible Assets**

	2019		2018
	Software Cost and Implementation Rs.'000	Total Rs.'000	Total Rs.'000
<b>Cost</b>			
Balance at the Beginning of the Year	23,640	23,640	23,640
Additions during the Year	-	-	-
<b>Balance at the End of the Year</b>	<b>23,640</b>	<b>23,640</b>	23,640
<b>Accumulated amortization</b>			
Balance at the Beginning of the Year	23,640	23,640	16,429
Amortisation during the Year	-	-	7,211
Balance at the End of the Year	23,640	23,640	23,640
<b>Carrying Value</b>			
As at Beginning of the Year	-	-	7,211
<b>As at End of the Year</b>	<b>-</b>	<b>-</b>	-

**13 Investments in Subsidiaries**

As at 31 March,	2019			2018		
	Number	Effective	Cost	Number	Effective	Cost
	of Shares	Holding	Rs.'000	of Shares	Holding	Rs.'000
		%			%	
<b>Investment in Subsidiaries</b>						
AION SG Residencies (Pvt) Ltd	-	100%	25,000	-	100%	25,000
Provision for Impairment of Investments			(25,000)			(25,000)
			-			-

The Company has not prepared and presented the consolidated financial statements of the Group, since there are no identifiable assets or liabilities in the above component as at the reporting date.

**14 Loans Given to Related Company**

As at 31 March,	2019	2018
	Rs.'000	Rs.'000
Lanka Bell Limited	80,170	72,355
	80,170	72,355

The Company has granted a loan of Rs.200Mn at the rate of AWPLR plus 1% adjusted on quarterly basis.

**15 Other Financial Investments**

As at 31 March,	Note	2019 Rs.'000	2018 Rs.'000
<b>Non Current Investments</b>			
Financial assets measured at Fair Value Through Other Comprehensive Income	15.1	2,411,708	-
Available for Sale Financial Investments	15.1	-	3,242,237
		2,411,708	3,242,237
<b>Current Investments</b>			
Available for Sale Financial Investments	15.2.1	-	220,670
Financial assets measured at Fair Value Through Profit or Loss	15.2.2	43,365	51,946
		43,365	272,616

# Notes to the Financial Statements

## 15.1 Financial Assets measured at Fair Value Through Other Comprehensive Income/Available for Sale Financial Investments

As at 1 April 2018, the Company designated the investments shown below as Financial Assets measured at Fair Value Through Other Comprehensive Income because these investments represent instruments that the Company intends to hold for the long term for strategic purposes. In 2017/18 these investments were classified as available for sale.

	Note	2019 Rs.'000	2018 Rs.'000
<b>Non Current Investments</b>			
Quoted Equity Securities	15.1.1	2,118,607	2,949,136
Unquoted Equity Securities	15.1.2	90,101	90,101
Investments in Unit Trusts	15.1.3	3,000	3,000
Investment in Debentures	15.1.4	200,000	200,000
		<b>2,411,708</b>	<b>3,242,237</b>

### Investments valued at Level 3 fair value inputs (Unquoted Equity Securities)

#### (a) Fair value hierarchy

The fair value measurement of unquoted equity securities were measured at level 3 fair value based assumptions

#### (b) Valuation technique and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of convertible debenture as well as the significant unobservable inputs used for the valuation as at 31 March 2019

Type	Valuation Technique used	Significant Unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Unquoted Equity Securities</b>			
Amethyst Leisure Limited	Net asset basis	Book values of net assets	Positively correlated sensitivity
International Distilleries Lanka Limited	Net asset basis	Book values of net assets	Positively correlated sensitivity
W.M. Mendis & Co., Limited	Net asset basis	Book values of net assets	Positively correlated sensitivity

The fair value is calculated using the net book value of net assets using the most recent financial statements

### 15.1.1 Quoted Equity Securities

As at 31 March,	2019			2018		
	No. of shares/ Units	Cost	Fair value	No. of shares/ Units	Cost	Fair value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
<b>Bank, Finance &amp; insurance</b>						
Hatton National Bank PLC	12,126,746	2,970,739	2,118,543	12,037,030	2,703,620	2,949,072
		<b>2,970,739</b>	<b>2,118,543</b>		2,703,620	2,949,072
<b>Diversified Investments</b>						
Melstacorp PLC - Non Voting	1,000	64	64	1,000	64	64
		<b>64</b>	<b>64</b>		64	64
<b>Total Quoted Equity Securities</b>		<b>2,970,803</b>	<b>2,118,607</b>		<b>2,703,684</b>	<b>2,949,136</b>



**15.1.2 Unquoted Equity Securities**

As at 31 March,	2019			2018		
	No. of shares/ Units	Cost	Fair value	No. of shares/ Units	Cost	Fair value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Amethyst Leisure Limited	58,266,167	125,226	90,094	58,266,167	125,226	90,094
International Distilleries Lanka Limited	100	3	3	100	3	3
W.M. Mendis & Co., Limited	200	4	4	200	4	4
		125,233	90,101		125,233	90,101

**15.1.3 Investments in Unit Trust**

As at 31 March,	2019			2018		
	No. of shares/ Units	Cost	Fair value	No. of shares/ Units	Cost	Fair value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Unit Trust Mgt. Co., Ltd	300,000	3,000	3,000	300,000	3,000	3,000
		3,000	3,000		3,000	3,000

**15.1.4 Investment in Debentures**

As at 31 March,	2019			2018		
	No. of shares/ Units	Cost	Fair value	No. of shares/ Units	Cost	Fair value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
DFCC Bank PLC	2,000,000	206,183	200,000	2,000,000	206,208	200,000
		206,183	200,000		206,208	200,000

The Management has determined the fair value of investment in unit trusts and debentures as at 31 March 2019, however fair value change has not been recorded since it is not material to the Financial Statements.

**15.2 Current Investments****15.2.1 Available for Sale Investments**

As at 31 March,	2019			2018		
	No. of shares/ Units	Cost	Fair value	No. of shares/ Units	Cost	Fair value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
LB Finance PLC	-	-	-	2,206,700	228,597	220,670
		-	-		228,597	220,670

# Notes to the Financial Statements

## 15.2.2 Fair Value through Profit or Loss (FVTPL) Financial Investments

As at 31 March,		2019 Rs.'000	2018 Rs.'000
Quoted Equity Securities	15.2.2.1	43,365	51,946
		<b>43,365</b>	<b>51,946</b>

### 15.2.2.1 Quoted Equity Securities

As at 31 March,	2019		2018	
	No. of Shares	Fair Value Rs.'000	No. of Shares	Fair Value Rs.'000
<b>Beverage, Food &amp; Tobacco</b>				
Renuka Agri Foods PLC	4,918,560	9,837	4,918,560	11,313
<b>Hotel and Travels</b>				
The Kingsbury Hotel PLC	618,600	7,918	618,600	11,135
John Keells Hotels PLC	388,850	2,916	388,850	3,616
<b>Diversified Investments</b>				
Softlogic Holdings PLC	380,000	6,080	380,000	9,348
Browns Capital PLC	2,850,850	9,978	2,850,850	10,263
<b>Chemicals and Pharmaceuticals</b>				
Haycarb PLC	52,255	6,636	52,255	6,271
<b>Total</b>		<b>43,365</b>		<b>51,946</b>

## 16 Deferred Tax Liability

As at 31 March,	2019 Rs.'000	2018 Rs.'000
Balance as at 1 April	1,773,956	1,214,841
Charge during the year	261,615	559,115
Balance as at 31 March	<b>2,035,571</b>	<b>1,773,956</b>

**16.1 Movement in Recognized Deferred Tax Assets and Liabilities**

For the year ended 31 March,	2019			2018				
	Balance as at 1 April 2018	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31 March 2019	Balance as at 1 April 2017	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31 March 2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
On Property, Plant and Equipment	1,230,295	(159,337)	206,477	1,277,435	1,263,734	(33,439)	-	1,230,295
On Retirement Benefit Obligations	(51,740)	(6,475)	(8,136)	(66,351)	(48,893)	(1,840)	(1,007)	(51,740)
On Revaluation Surplus on Lands	595,401	-	229,086	824,487	-	-	595,401	595,401
	1,773,956	(165,812)	427,427	2,035,571	1,214,841	(35,279)	594,394	1,773,956

**16.2 The recognised deferred tax (assets)/liabilities of the company is attributable to the followings;**

	2019		2018	
	Temporary Difference	Tax effect	Temporary Difference	Tax effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
On Retirement Benefit Obligations	(165,878)	(66,351)	(129,349)	(51,740)
On Property Plant and Equipment	3,193,586	1,277,435	2,728,759	1,230,295
On Revaluation Surplus on Lands	2,061,218	824,487	1,488,503	595,401
	5,088,926	2,035,571	4,087,913	1,773,956

Deferred Tax of the Company is calculated at the normal business tax rate of 40%.

**17 Inventories**

As at 31 March,	2019	2018
	Rs.'000	Rs.'000
Raw Materials	2,331,562	2,343,940
Packing Material	641,341	669,456
Work in Progress	441,044	494,766
Finished Goods	828,485	611,005
Input Materials, Consumables and Spares	350,857	340,118
Goods In Transit	166,903	240,689
	4,760,192	4,699,974
Provision for Slow Moving and Obsolete Inventories	(Note 17.1) (5,443)	(5,443)
	4,754,749	4,694,531

# Notes to the Financial Statements

## 17.1 Provision for slow moving inventories

Balance as at 1 April	(5,443)	(5,443)
Provision made during the year	-	-
Balance as at 31 March	(5,443)	(5,443)

## 18 Trade and Other Receivables

As at 31 March,	2019 Rs.'000	2018 Rs.'000
Trade Receivables	4,362,269	6,241,258
Other Financial Receivables	280,428	180,726
Refundable Deposits	5,052	5,052
Prepayments and Advances	2,826,183	2,193,195
Accrued Income	46,464	21,667
Other Non Financial Receivables	503	274,142
	7,520,899	8,916,040
Provision for Impairment of Other Receivables (Note 18.1)	(180,059)	(180,059)
	7,340,840	8,735,981

## 18.1 Provision for Impairment of Other Receivables

Balance as at 1 April	(180,059)	(180,059)
Provision made during the year	-	-
Balance as at 31 March	(180,059)	(180,059)

## 19 Cash and Cash Equivalents

As at 31 March,	2019 Rs.'000	2018 Rs.'000
<b>Favourable Balances</b>		
Cash at Bank	855,092	278,713
Cash in Hand	12,774	9,042
Cash in Transit	152,440	182,332
	1,020,306	470,087
<b>Unfavourable Balances</b>		
Bank Overdraft	562,364	1,225,022
	562,364	1,225,022
Cash and Cash Equivalents for Cash Flows purpose	457,942	(754,935)



**20 Stated Capital**

As at 31 March,		2019		2018	
		No. of Shares	Value of Shares	No. of Shares	Value of Shares
		(‘000)	Rs.‘000	(‘000)	Rs.‘000
Balance as at 1 April		4,600,000	3,000,000	300,000	300,000
Effect from sub division of shares	20.1	-	-	2,700,000	-
Issue of Shares	21.1	-	-	1,600,000	20,000,000
Capital Reduction	20.2	-	-	-	(17,300,000)
Balance as at 31 March		4,600,000	3,000,000	4,600,000	3,000,000

The Company's Stated Capital consists with fully paid Ordinary Shares which provides entitlement to its holders to receive dividends as declared from time to time and to vote per share at a meeting of the Company

**20.1 Subdivision of Ordinary Shares**

The Board of Directors of the Company has decided that each ordinary shares held by a shareholder be subdivided into ten (10) ordinary shares in conformity with Article 5 (vi) (a) of the Articles of Association of the Company in 2018. Before subdivision, the total number of shares of the Company is three hundred million (300,000,000) ordinary shares. After the subdivision, total number of shares of the Company has increased to three billion (3,000,000,000) ordinary shares.

**20.2 Capital Reduction**

The Company has reduced the stated capital held by the shareholders in terms of the section 59 of the Companies Act No 07 of 2007 during the year. The capital reduction amount was Rs.17.30 billion and the stated capital balance after capital reduction is Rs.3 billion as at 31 March 2018. Reduced stated capital was transferred to the retained earnings of the Company.

**21 Pending Allotment**

As at 31 March,		2019	2018
	Note	Rs.‘000	Rs.‘000
Balance as at 1 April		-	20,000,000
Transferred to stated capital	21.1	-	(20,000,000)
Balance as at 31 March		-	-

**21.1 Share Allotment**

On 26 October 2017, DCSL PLC has obtained the approval of the Securities and Exchange Commission for the grant of the waiver in terms of Rule 5.4(b) of the listing rules for the issue of shares by way of a private placement and accordingly the Company has issued 1.6 Bn number of shares to Melstacorp PLC in 2018.

**22 Reserves**

As at 31 March,		2019	2018
	Note	Rs.‘000	Rs.‘000
<b>Capital Reserves</b>			
Capital Reserves	22.1	107,882	107,882
Revaluation Reserve	22.2	1,754,636	1,101,291
<b>Total Capital Reserves</b>		<b>1,862,518</b>	<b>1,209,173</b>

# Notes to the Financial Statements

As at 31 March	Note	2019 Rs.'000	2018 Rs.'000
<b>Revenue Reserves</b>			
General Reserve	22.3	10,000	10,000
FVOCI/AFS Reserve	22.4	1,117,279	1,961,524
<b>Total Revenue Reserves</b>		<b>1,127,279</b>	<b>1,971,524</b>
<b>Total Reserves</b>		<b>2,989,797</b>	<b>3,180,697</b>

## 22.1 Capital Reserves

Capital reserve comprises profits retained in order to utilize for the capital commitments.

## 22.2 Revaluation Reserve

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

## 22.3 General Reserve

General reserve reflects the amount the Company has reserved over the years from its earnings.

## 22.4 FVOCI / AFS Reserve

This represents the cumulative net change in the fair value of Financial Assets Measured at FVOCI/AFS financial assets until the investments are derecognised or impaired.

## 23 Retirement Benefit Obligations

As at 31 March	Note	2019 Rs.'000	2018 Rs.'000
Balance as at 1 April		129,349	122,230
Expense Recognised in the Statement of Profit or Loss	23.1	30,469	27,290
Actuarial Loss Recognised in Other Comprehensive Income		20,341	2,518
Benefits Paid by the Plan		(14,281)	(22,689)
Balance as at 31 March		165,878	129,349

## 23.1 Expense Recognised in the Income Statement

Current Service Costs	16,241	13,234
Interest Costs	14,228	14,056
	<b>30,469</b>	<b>27,290</b>

LKAS 19 - Employee Benefit requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit as per Projected Unit Credit Method by using an internally generated model in order to determine the present value of the retirement benefit obligation as at the reporting date. The following key assumptions were made in computing the retirement gratuity obligation as at the reporting date.

As at 31 March,	2019	2018
<b>23.2 Actuarial Assumptions</b>		
Principal actuarial assumptions at the reporting date		
Discount Rate (%)	11.50%	11.00%
Future Salary Increases (%)	5%	5%
Retirement Age (years)	55-75 years	55-65 years

### 23.3 Sensitivity of Assumptions Used

The calculation of the retirement benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in the respective assumptions by one percent.

#### Effect on Define Benefit Obligation Liability,

	2019		2018	
	Discount Rate Rs.'000	Salary Increment Rs.'000	Discount Rate Rs.'000	Salary Increment Rs.'000
Increase by 1 %	(6,404)	7,321	(4,750)	5,326
Decrease by 1 %	6,929	(6,861)	5,131	(5,002)

#### Effect on Comprehensive Income

	2019		2018	
	Discount Rate Rs.'000	Salary Increment Rs.'000	Discount Rate Rs.'000	Salary Increment Rs.'000
Increase by 1 %	(6,404)	7,321	(4,750)	5,326
Decrease by 1 %	6,929	(6,861)	5,131	(5,002)

### 24 Trade and Other Payables

As at 31 March,	2019 Rs.'000	2018 Rs.'000
Trade Payables	186,294	171,695
Other Financial Liabilities	403,464	497,569
Unclaimed Dividends	153,794	152,225
Other Non Financial Liabilities	2,871,828	3,227,097
	3,615,380	4,048,586

### 25 Taxes Payables

As at 31 March,	2019 Rs.'000	2018 Rs.'000
Income Tax Payable	1,505,973	892,286
Excise Duty Payable	3,634,627	3,606,735
Value Added Tax (VAT) Payable	1,154,143	1,393,391
With Holding Tax (WHT) Payable	9,772	-
Nation Building Tax (NBT) Payable	159,554	1,567
Stamp Duty Payable	75	99
	6,464,144	5,894,078

# Notes to the Financial Statements

## 26 Interest Bearing Loans and Borrowings

	2019 Rs.'000	2018 Rs.'000
Balance as at 1 April	4,108,631	5,622,000
Loans obtained during the year	39,300,000	41,776,050
Interest for the year	291,805	490,993
Repayments during the year	(38,785,000)	(43,301,050)
Interest payments during the year	(290,444)	(479,362)
Balance as at 31 March	4,624,992	4,108,631

### 26.1 Sources of finance

Commercial Bank of Ceylon PLC	2,501,674	1,002,049
Hatton National Bank PLC - Term Loan	-	1,008,173
Nations Trust Bank PLC	500,339	-
Hatton National Bank PLC - Money Market Loan	1,600,979	2,076,409
Medical Scheme Loan	22,000	22,000
	4,624,992	4,108,631

### 26.2 Assets pledged as securities against the short term borrowings

Lending Institution	Facility Obtained	Assets Pledged	Nominal Interest Rate
Commercial Bank of Ceylon PLC	Trade Finance	On clean basis	AWPLR + 1 %
Nations Trust Bank PLC	Trade Finance	On clean basis	To be mutually agreed prior to the drawdown.
Hatton National Bank PLC - Money Market Loan	Trade Finance	On clean basis	To be mutually agreed prior to the drawdown.

## 27 Related party Disclosures

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", the details of which are reported below. The Pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.



## 27.1 Balances with Related Companies

### 27.1.1 Amounts Due from Related Companies

As at 31 March,	2019 Rs.'000	2018 Rs.'000
Aion SG Residencies (Pvt) Ltd	11,920	11,920
Continental Insurance Lanka Limited	1,146	1,084
Lanka Bell Limited	1,369	-
Melstacorp PLC	3,565,894	264,701
Periceyl (Pvt) Ltd	145,613	504,541
Madulsima Plantation PLC	44,347	52,475
Balangoda Plantation PLC	3,036	175
Melsta Regal Finance Ltd	-	102
Melsta Technologies (Pvt) Ltd	-	32
Melsta Health (Pvt) Ltd	107	-
Ambewela Livestock Co. Ltd	4,530	3,837
Pattipola Livestock Co. Ltd	2	1,198
Lanka Milk Foods (CWE) PLC	967	-
Stassen Exports (Pvt) Limited	3,537	8,536
	3,782,468	848,601
Provision for Impairment	(11,920)	(11,920)
	3,770,548	836,681

### 27.1.2 Amounts Due to Related Companies

Bellvantage (Pvt) Ltd	2,913	1,726
Melsta Logistics (Pvt) Ltd	470,081	1,204,499
Lanka Bell Limited	-	3,003
Splendor Media (Pvt) Ltd	5,102	5,127
Texpro Industries Ltd	1,128	1,128
Melsta Properties (Pvt) Ltd	8,080	11,538
Lanka Milk Foods (CWE) PLC	-	1,072
Lanka Dairies (Pvt) Limited	68	-
Melsta Technologies (Pvt) Ltd	6,945	-
	494,317	1,228,093

### 27.1.3 The Company pays or recovers interest on the balances with the following related companies as per the basis explained below;

Company Name	Account type	Interest Rate
Melstacorp PLC	Current Account	3 Months Average of last published Average Weighted Prime Lending Rate (AWPLR) + 1% p.a. on the average monthly balance outstanding as at the last date of each month.
Splendor Media (Pvt) Ltd	Current Account	AWPLR + 1%
Melsta Logistics (Pvt) Ltd	Current Account	Monthly AWPLR only
Melsta Properties (Pvt) Ltd	Current Account	AWPLR + 1%

# Notes to the Financial Statements

## 27.2 Transactions with Related Companies

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.'000)	Balance (due to / due from as at 31-03-2019 (Rs.'000)
1	Periceyl (Pvt) Ltd	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Debtor Collections Supply of Goods & Services Repair Charges Fund Transfers	6,602,892 281,922 347 6,245,354	145,613
2	Balangoda Plantations PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Rent Paid Supply of Goods & Services	287 2,312	3,036
3	Splendor Media (Pvt) Ltd.		Affiliate Co.	Loan Interest Services Received	634 1,032	(5,102)
4	Texpro Industries Ltd	Mr. D. H. S. Jayawardena	Affiliate Co.	Supply of Materials	2,380	(1,128)
5	Continental Insurance Lanka Ltd		Affiliate Co.	Insurance Premium Insurance Claim Received Supply of Goods & Services	53,670 2,791 72	1,146
6	Melsta Logistics (Pvt) Ltd		Affiliate Co.	Vehicle Hiring charges Repair Charges & Other Services Rent Interest of Current Account Supply of Goods & Services	312,089 34,301 3,304 11,590 32,017	(470,081)
7	Melstacorp PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. N.de S. Deva Aditya Capt. K.J. Kahanda Dr. N. Balasuriya Mr. D. Hasitha S. Jayawardena Mr. R. Seevaratnam	Parent Co.	Rent Expenses Supply of Goods & Services Funds Transferred Rent Paid Interest on Current Account	244,003 52,718 3,157,805 222,786 137,640	3,565,894
8	Lanka Bell Ltd	Mr. D. H. S. Jayawardena Mr. C. R. Jansz	Affiliate Co.	Loan Interest Received Telephone Bills Paid & Services Rendered Supply of Goods & Services Loan Granted	7,814 9,604 20 5,000	1,369
9	Bellvantage (Pvt) Ltd		Affiliate Co.	Maintenance Charges	23,105	(2,913)
10	Bell Solutions (Pvt) Ltd.	Mr. D. H. S. Jayawardena	Affiliate Co.	Maintenance Charges	2,424	-
11	Stassen Exports (Pvt) Limited	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Purchases , Repairs & Maintenance & Transport Charges Supply of Goods & Services Rent Income	53,577 5,186 21,677	3,537
12	Lanka Dairies (Pvt) Ltd.	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Purchase of Milk Foods	587	(68)
13	Lanka Milk Foods (CWE) PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Purchase of Milk Foods Supply of Goods & Services	30,619 7,465	967
14	Aitken Spence Hotel Holding PLC	Mr. D. H. S. Jayawardena	Affiliate Co.	Sales	32,996	-
15	Melsta Properties (Pvt) Ltd	Capt. K.J. Kahanda	Affiliate Co.	Rent Expense Rent Paid	90,017 82,485	(8,080)
16	Ambewela Livestock Co. Ltd	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Purchase of Milk Foods Supply of Goods & Services	14 23,216	4,530

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.'000)	Balance (due to) / due from as at 31-03-2019 (Rs.'000)
17	Pattipola Livestock Co. Ltd	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Supply of Goods & Services	793	2
18	Melsta Health (Pvt) Ltd	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Repair Charges	107	107
19	Melsta Technologies (Pvt)Ltd		Affiliate Co.	Software Maintenance Fee Supply of Goods & Services	110,659 159	(6,945)
20	Madulsima Plantations PLC	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Affiliate Co.	Supply of Goods & Services	46,227	44,347

## 27.3 Transactions with Key Management Personnel

### 27.3.1 Key Management Personnel

Key Management Personnel include all the members of the Board of Directors (Executive and Non Executive) of the Company having authority and responsibility for planning, directing and controlling the activities of the Company.

### 27.3.2 Compensations to Key management Personnel

For the year ended 31 March	2019 Rs.'000	2018 Rs.'000
Short Term Employee Benefits	52,092	36,550
Post Employment Benefits	-	-
Other Long Term Benefits	-	-

## 27.4 Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependents of the individual or the individual's domestic partner

There were no transactions with CFM during the year

## 27.5 Loans to Directors

There were no loans given to Directors during the year.

## 27.6 Recurrent Transactions

Related party transactions exceeding 10% of gross revenue after deducting direct taxes of the entity as per audited financial statements

(CSE Ruling)

Name of Related Party	Relationship	Nature of Transaction	Aggregate Value of Related Party Transactions entered into during the financial year (Rs.'000)	Aggregate Value of Related Party Transactions as a percentage of Net Revenue Income	Terms and Conditions of the Related Party Transactions
Periceyl (Pvt) Ltd	Affiliate Company	Debtor Collections Fund Transfers	6,602,892 6,245,354	24% 23%	Commercial Transaction
Melstacorp PLC	Affiliate Company	Fund Transfers	3,157,805	11%	Commercial Transaction

# Notes to the Financial Statements

## 28 Contingent Liabilities

There were no material contingent liabilities as at the reporting date, which require adjustment to or disclosure in the Financial Statements, other than followings

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

## 29 Capital Commitments

There were no material capital commitments which require disclosure in the Financial Statements as at reporting date.

## 30 Litigations and Claims

There are no cases filed against the Company which would have a material Impact on the Statement of Financial Position of the Company

## 31 Assets Pledged

There are no any assets pledged as securities for liabilities as at the reporting date.

## 32 Events After the Reporting Date

There were no material events occurring after the reporting date that requires adjustments to or disclosure in the Financial Statements

## 33 Comparative Information

The presentation and classification for the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year. The following comparative information were reclassified as follows;

	Note	Current Presentation		As reported previously
		2019 Rs.'000	2018 Rs.'000	2018 Rs.'000
<b>Loans Given to Related Company</b>	33.1	<b>80,170</b>	72,355	-
<b>Trade and Other Payables</b>				
Other Financial Liabilities	33.2 & 33.3	<b>403,464</b>	497,569	531,200
<b>Taxes Payable</b>	33.4			
Income Tax Payable		<b>1,505,995</b>	892,286	892,286
Excise Duty Payable		<b>3,634,627</b>	3,606,735	-
Value Added Tax (VAT) Payable		<b>1,154,143</b>	1,393,391	-
With Holding Tax (WHT) Payable		<b>9,772</b>	-	-
Nation Building Tax (NBT) Payable		<b>159,554</b>	1,567	-
Stamp Duty Payable		<b>75</b>	99	-
<b>Non Financial Liabilities</b>				
<b>Trade and Other Payables</b>				
Excise Duty Payable		-	-	3,606,735
Value Added Tax (VAT) Payable		-	-	1,393,391
Nation Building Tax (NBT) Payable		-	-	1,567
Stamp Duty Payable		-	-	99
<b>Amount due from Related Companies</b>				
Lanka Bell Limited	33.1	<b>1,369</b>	-	69,352
<b>Amount due to Related Companies</b>				
Lanka Bell Limited	33.1	-	3,003	-
<b>Interest Bearing Loans and Borrowings</b>				
Short term borrowings		<b>4,624,992</b>	4,108,631	4,075,000

- 33.1** The loan given to Lanka Bell Limited was classified from amount due from related companies to Loan given to related company as a new line item amounting to Rs.72.4 Mn.
- 33.2** The Accrued interest relating to Commercial Bank Money Market Loan, Hatton National Bank Term Loan and Money Market Loan was classified to Interest Bearing Loans and Borrowings for better presentation amounting to Rs.11.6 Mn.
- 33.3** The Loan obtained from DCSL Medical Fund was reclassified to Short term Borrowings amounting to Rs.22 Mn.
- 33.4** The Direct and Indirect tax payables which were classified under non financial current liabilities were reclassified to a new line item "Taxes Payables" amounting to Rs.5,001.8 Mn.

### 34 Financial Risk Management

The Company has adopted practices to mitigate risks arising from adverse market conditions (prices, rates and volatile markets) by hedging (or not) using financial instruments. Financial risk derives from economic uncertainty. The inability to forecast with certainty would either erode profitability (e.g. adverse exchange rate) or could jeopardize the ability of the company to raise finance from markets (e.g. volatile interest rates). The Company core business of beverage is essentially a cash business hence has a short cash cycle. This results in low financial risk adding to greater degree of control of finance.

#### Financial Instruments

The Company's financial instruments consist of Assets - its portfolio of equity investments, deposits in banks, debentures and accounts receivable. Liabilities - Loan obligations, accounts payable and accrued liabilities such excise duty, taxes, payroll and pension account.

### 34.1 Financial Risk Management Objectives and Policies

Whilst 'risk management' is ingrained in the business from the Board down to operational level, financial risk management at the Company is entrusted to a niche of in-house financial professionals ably supported by external economists, financial consultants, legal counsel, tax experts, banks and auditors.

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company does not use derivative financial instruments to manage these risks, as management believes that the risks arising from the financial instruments are already at an acceptable level. This is further accredited by the AAA (Ika) Stable rating assigned by Fitch this year.

The company has exposure to following financial instruments

#### 34.1.1 Credit Risk

This is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Company's credit risk arises primarily from credit exposure to customers, including outstanding receivable from select retail chains. The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and seasonal factors. The Company trades only with recognized, credit worthy third parties. It is a Company policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

#### Maximum Credit Exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting date was as follows,

	Note	2019 Rs.'000	% from Total Exposure	2018 Rs.'000	% from Total Exposure
Trade and Other Receivables	34.1.1.1	4,689,664	49%	6,717,793	81%
Amounts Due From Related Companies	34.1.1.2	3,770,548	40%	836,681	11%
Corporate Debt Securities	34.1.1.3	200,000	2%	420,670	5%
Cash at Bank	34.1.2	855,092	9%	278,713	3%
		9,515,304	100%	8,323,209	100%



# Notes to the Financial Statements

## 34.1.1.1 Trade and Other Receivables

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

## 34.1.1.2 Amounts Due From Related Companies

The amounts due from related parties mainly consist of receivables from associates and other related ventures and those are closely monitored by the Company

## 34.1.1.3 Corporate Debt Securities

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

An analysis of credit rating of the issuer of debenture is as follows,

Credit Rating	2019		2018	
	Amount Rs.'000	% from Total Exposure	Amount Rs.'000	% from Total Exposure
A+	-	-	200,000	48%
AA-	200,000	100%	-	-
BBB+	-	-	220,670	52%
	200,000	100%	420,670	100%

## 34.1.1.4 Cash at Bank

Cash at bank mainly consists of favorable balances in Savings and current accounts of private and government commercial banks.

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

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

## 34.1.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations on time. The Company's sources of liquidity are its short term deposits in banks and its cash generated by operating activities. Company's total contractual maturities are represented by its accounts payable and accrued liabilities, and are mostly due to be paid within one year.

The Company believes that its deposits in cash management pools, ready bank lines (ODs, loans), debt with rollover options, combined with its historically strong and consistent operational cash flows, are more than sufficient to fund its operations, investing activities and commitments for the foreseeable future.

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

### Maturity Analysis

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March 2018 and 2019.

	2019				
	Within 1 year	Between 1 -3 years	Between 3 - 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Bearing Loans and Borrowings	4,624,992	-	-	-	4,624,992
Trade and Other Payables	3,615,380	-	-	-	3,615,380
Amounts due to Related Companies	494,317	-	-	-	494,317
Bank Overdrafts	562,364	-	-	-	562,364
	9,297,053	-	-	-	9,297,053

	2018				
	Within 1 year	Between 1 -3 years	Between 3 - 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Bearing Loans and Borrowings	4,108,631	-	-	-	4,108,631
Trade and Other Payables	4,048,586	-	-	-	4,048,586
Amounts due to Related Companies	1,228,093	-	-	-	1,228,093
Bank Overdrafts	1,225,022	-	-	-	1,225,022
	10,610,332	-	-	-	10,610,332

### 34.1.3 Market Risk

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

# Notes to the Financial Statements

## Equity Price Risk

The Company has their major equity investment portfolios held on a long term basis; hence immune to daily fluctuations. Those are classified as FVOCI. Further, a small trading portfolio is managed by two reputed Unit Trust companies licensed by the SEC and individual companies manage their own short term portfolios as well. These investments are held by complying with company investment policies. Safe Custodian agreements with banks are in place that adds a control dimension.

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

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

As at 31 March	2019		2018	
	Rs.'000	%	Rs.'000	%
Beverage Food and Tobacco	9,837	23%	11,313	22%
Chemicals and Pharmaceuticals	6,636	15%	14,751	28%
Diversified Investments	16,058	37%	19,611	38%
Hotel and Travels	10,834	25%	6,271	12%
	43,365	100%	51,946	100%

## Interest Rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However the Company has short-term debt facilities as at 31 March 2019. Interest rate risk exists as Company earns market rates of interest on its deposits in cash management pools.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company as follows;

As at 31 March	2019	2018
	Rs.'000	Rs.'000
<b>Financial Assets</b>		
<b>Fixed rate instruments</b>		
Investment in Debentures	200,000	420,670
Cash at Bank	855,092	278,713
	1,055,092	699,383
<b>Variable rate instruments</b>		
Loans Given to Related Company	80,170	72,355
Due From Related Companies	3,565,894	264,701
	3,646,064	337,056
<b>Financial Liabilities</b>		
<b>Variable rate instruments</b>		
Interest Bearing Loans and Borrowings	4,624,992	4,108,631
Due To Related Companies	483,263	1,221,164
Bank Overdrafts	562,364	1,225,022
	5,670,619	6,554,817

### Foreign Currency Risk

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

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

### Finance Risk

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

## 35 Fair values of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.

Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### Fair values versus the Carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follow;

As at 31 March	2019		2018	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
<b>Non Current Assets</b>				
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income/ Available for Sale</b>				
Quoted Equity Securities	2,118,607	2,118,607	2,949,136	2,949,136
Unquoted Equity Securities	90,101	90,101	90,101	90,101
Investments in Unit Trusts	3,000	3,000	3,000	3,000
Investment in Debentures	200,000	200,000	200,000	200,000
	<b>2,411,708</b>	<b>2,411,708</b>	<b>3,242,237</b>	<b>3,242,237</b>

# Notes to the Financial Statements

As at 31 March	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Current Assets</b>				
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income/ Available for Sale</b>				
Investment in Debentures	-	-	220,670	220,670
	-	-	220,670	220,670
<b>Financial Assets Measured at Fair Value through Profit or Loss</b>				
Quoted Equity Securities	43,365	43,365	51,946	51,946
	43,365	43,365	51,946	51,946
<b>Assets Carried at Amortised Cost</b>				
Loans Given to Related Company	80,170	80,170	72,355	72,355
Trade and Other Receivables	7,340,840	7,340,840	8,735,981	8,735,981
Amount Due from Related Companies	3,770,548	3,770,548	836,681	836,681
Cash and Cash Equivalents	1,020,306	1,020,306	470,087	470,087
	12,211,864	12,211,864	10,115,104	10,115,104
<b>Current Liabilities</b>				
<b>Liabilities Carried at Amortised Cost</b>				
Trade and Other Payables	3,615,380	3,615,380	4,048,586	4,048,586
Amount Due to Related Companies	494,317	494,317	1,228,093	1,228,093
Interest Bearing Borrowings	4,624,992	4,624,992	4,108,631	4,108,631
Bank Overdrafts	562,364	562,364	1,225,022	1,225,022
	9,297,053	9,297,053	10,610,332	10,610,332

## Financial instruments not carried at fair value and valuation bases

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

As at 31 March,	2019			
	Level I	Level II	Level III	Total
	Rs.	Rs.	Rs.	Rs.
<b>Non Current Assets</b>				
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income</b>				
Quoted Equity Securities	2,118,607	-	-	2,118,607
Unquoted Equity Securities	-	-	90,101	90,101
Investments in Unit Trusts	-	-	3,000	3,000
Investment in Debentures	-	-	200,000	200,000
	2,118,607	-	293,101	2,411,708



As at 31 March,	2019			
	Level I	Level II	Level III	Total
	Rs.	Rs.	Rs.	Rs.
<b>Current Assets</b>				
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income</b>				
Investment in Debentures	-	-	220,670	220,670
	-	-	220,670	220,670
<b>Financial Assets Measured at Fair Value through Profit or Loss</b>				
Quoted Equity Securities	43,365	-	-	43,365
	43,365	-	-	43,365
<b>Assets Carried at Amortised Cost</b>				
Loans Given to Related Company	-	-	80,170	80,170
Trade and Other Receivables	-	-	7,340,840	7,340,840
Amount Due from Related Companies	-	-	3,770,548	3,770,548
Cash and Cash Equivalents	-	1,020,306	-	1,020,306
	-	1,020,306	11,191,558	12,211,864
<b>Liabilities Carried at Amortised Cost</b>				
Trade and Other Payables	-	-	3,615,380	3,615,380
Amount Due to Related Companies	-	-	494,317	494,317
Interest Bearing Borrowings	-	-	4,624,992	4,624,992
Bank Overdrafts	-	562,364	-	562,364
	-	562,364	8,734,689	9,297,053

As at 31 March,	2018			
	Level I	Level II	Level III	Total
	Rs.	Rs.	Rs.	Rs.
<b>Financial Assets Measured at Fair Value through Available for Sale</b>				
Quoted Equity Securities	2,949,136	-	-	2,949,136
Unquoted Equity Securities	-	-	90,101	90,101
Investments in Unit Trusts	-	-	3,000	3,000
Investment in Debentures	-	-	200,000	200,000
	2,949,136	-	293,101	3,242,237
<b>Current Assets</b>				
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income/ Available for Sale</b>				
Investment in Debentures	-	-	220,670	220,670
	-	-	220,670	220,670

# Notes to the Financial Statements

As at 31 March,	2018			
	Level I Rs.	Level II Rs.	Level III Rs.	Total Rs.
<b>Financial Assets Measured at Fair Value through Profit or Loss</b>				
Quoted Equity Securities	51,946	-	-	51,946
	51,946	-	-	51,946
<b>Assets Carried at Amortised Cost</b>				
Loans Given to Related Company	-	-	72,355	72,355
Trade and Other Receivables	-	-	8,735,981	8,735,981
Amount Due from Related Companies	-	-	836,681	836,681
Cash and Cash Equivalents	-	470,087	-	470,087
	-	470,087	9,645,017	10,115,104
<b>Liabilities Carried at Amortised Cost</b>				
Trade and Other Payables	-	-	4,048,586	4,048,586
Amount Due to Related Company	-	-	1,228,093	1,228,093
Interest Bearing Borrowings	-	-	4,108,631	4,108,631
Bank Overdrafts	-	1,225,022	-	1,225,022
	-	1,225,022	9,385,310	10,610,332

# Statement of Value Added

## Value Added

For the year ended 31 March,

	2019 Rs. '000	2018 Rs. '000
Gross Turnover	81,672,936	90,386,965
Other Operating Income	183,906	346,639
Finance Income	274,558	244,054
	<b>82,131,400</b>	<b>90,977,658</b>

## Value Distributed

For the year ended 31 March,

	2019 Rs. '000	As a % of Total
To the State as Taxes	57,697,280	70.25%
Operating Expenses	16,719,431	20.36%
To the Employees	1,360,025	1.66%
To Providers of Debt Capital	432,374	0.53%
To the Shareholders as Dividends	3,082,000	3.75%
Retained with the Business		
As Depreciation	533,837	0.65%
As Retained Earnings	2,306,453	2.80%
	<b>82,131,400</b>	

	2018 Rs. '000s	As a % of Total
To the State as Taxes	64,214,796	70.58%
Operating Expenses	19,445,842	21.37%
To the Employees	1,610,483	1.77%
To Providers of Debt Capital	828,821	0.91%
To the Shareholders as Dividends	525,000	0.58%
Retained with the Business		
As Depreciation	563,527	0.62%
As Retained Earnings	3,789,189	4.17%
	<b>90,977,658</b>	<b>100.00%</b>

## Details of Real Estate 2018/2019

Location		Land Extent			Buildings		Revalued Land Amount Rs.'000	Revalued Building Amount Rs.'000	Total Rs.'000
		A	R	P	No of Units	Extent in (Sq. Ft.)			
Seeduwa	Seeduwa No: 03, New Bottling Plant Complex & Housing Complex	15	2	17.09	15	184,377.00	1,379,646	1,706,954	3,086,600
Seeduwa	Seeduwa New & Old	5	2	15.10	22	101,610.50	494,582	224,018	718,600
Seeduwa	35/13B, Distilleries Rd	-	-	16.70	-	-	10,020	-	10,020
Seeduwa	35/13, Distilleries Rd	-	-	16.70	-	-	10,855	-	10,855
Seeduwa	37/20A, Distilleries Rd	-	-	8.00	-	-	5,200	-	5,200
Seeduwa	37/8A, Distilleries Rd	-	-	13.25	-	-	9,604	-	9,604
Kandy	375/1-2, Dutugemunu Mw, Mawilmada	2	-	-	-	-	52,910	-	52,910
Kalutara	Bare Land	1	-	23.00	-	-	37,500	-	37,500
Dickoya	Dickoya	-	-	-	4	18,286.00	-	115,935	115,935
Peliyagoda	Peliyagoda	-	-	-	4	15,406.25	-	55,300	55,300
							<b>2,000,317</b>	<b>2,102,207</b>	<b>4,102,523</b>

# 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. Non Financial Information

Holding	31 March 2019	31 March 2018
Last Traded	14.50	N/A*
Highest	35.00	N/A*
Lowest	14.30	N/A*

\*Market values were not available since the shares of DCSL PLC were not trading from 30 September 2016 to 31 March 2018.

## 3. Distribution of Shareholding

As at Holding	31 March 2019			31 March 2018		
	No. of Share Holders	Total Holdings	% of Holding	No. of Share Holders	Total Holdings	% of Holding
1 to 1,000	7,932	2,047,539	0.04%	8,039	2,014,501	0.04%
1,001 to 10,000	2,438	5,827,932	0.13%	2,322	5,377,658	0.12%
10,001 to 100,000	297	7,219,403	0.16%	253	6,482,089	0.14%
100,001 to 1,000,000	42	15,156,613	0.33%	45	13,166,420	0.29%
1,000,001 & Over	25	4,569,748,513	99.34%	31	4,572,959,332	99.41%
	10,734	4,600,000,000	100.00%	10,690	4,600,000,000	100.00%

## 4. Analysis of Shareholding

	No. of share Holders	Total Holding	% of Holding	No. of share Holders	Total Holding	% of Holding
Individuals	10,514	59,131,549	1.29%	10,447	52,365,710	1.14
Institutions	220	4,540,868,451	98.71%	243	4,547,634,290	98.86
	10,734	4,600,000,000	100.00%	10,690	4,600,000,000	100.00
Resident	10,629	4,541,599,834	98.73%	10562	4,509,417,976	98.03
Non-Resident	105	58,400,166	1.27%	128	90,582,024	1.97
	10,734	4,600,000,000	100.00%	10,690	4,600,000,000	100.00

## 5. Top 20 Shareholders - 31 March 2019

Rank	Name	2019 Share Holding	%	2018 Share Holding	%
1	Melstacorp PLC	4,252,954,164	92.46%	4,253,266,969	92.46%
2	Milford Exports (Ceylon) (Pvt) Limited	147,520,592	3.21%	147,520,592	3.21%
3	Lanka Milk Foods (CWE) PLC	44,991,407	0.98%	44,991,407	0.98%
4	Mr. M.A. Yaseen	25,924,620	0.56%	25,924,620	0.56%
5	Commercial Bank of Ceylon PLC/L.E.M.Yaseen	15,466,666	0.34%	15,466,666	0.34%
6	Citibank New York S/A Norges Bank Account 2	14,706,431	0.32%	6,087,366	0.13%
7	Rubber Investment Trust Limited A/C # 01	8,811,126	0.19%	-	0.00%
8	Northern Trust Company S/A Kuroto Fund LP	6,933,478	0.15%	6,933,478	0.15%
9	Mrs. L.E.M. Yaseen	5,977,777	0.13%	4,977,777	0.11%
10	Ceylon Investment PLC A/C # 02	5,314,317	0.12%	-	0.00%
11	Union Assurance PLC/No-01A/C	5,304,755	0.12%	-	0.00%
12	Ceylon Guardian Investment Trust PLC A/C # 02	5,218,850	0.11%	-	0.00%
13	Commercial Bank of Ceylon PLC/M.A.Yaseen	4,740,740	0.10%	4,740,740	0.10%
14	Lahugala Plantation (Private) Limited	4,379,922	0.10%	4,379,922	0.10%
15	Mrs. S.M. Chrysostom	3,374,814	0.07%	3,374,814	0.07%
16	Stassen Exports (Pvt) Limited	2,505,718	0.05%	2,505,718	0.05%
17	Mr. M.H. Raouf	2,245,444	0.05%	-	0.00%
18	Mr. Don Hasitha Stassen Jayawardena	2,231,505	0.05%	2,231,505	0.05%
19	J.B. Cocoshell (Pvt) Ltd	2,098,356	0.05%	-	0.00%
20	SSBT-Parametric Tax-Managed Emerging Markets Fund	1,837,926	0.04%	1,996,476	0.04%
	Sub Total	4,562,538,608	99.19%	4,524,398,050	98.35%
	Other Shareholders	37,461,392	0.81%	75,601,950	1.65%
	Total	4,600,000,000	100.00%	4,600,000,000	100.00%
	Percentage of Shares held by the public:	3.25%		3.25%	
	Total No. of share holders who hold the public holding : *	10,727		10,682	

The public holding of the company as at 31 March 2019 was 3.25% Comprising of 10,727 Shareholders and a float adjusted market Capitalisation as at 31 March 2019 was Rs. 2,167,750,000.00. The Company is not compliant with Rule 7.13.1 of the Listing Rules of the Colombo Stock Exchange on minimum public holding.

# Ten Year Summary

In Rs. Million - Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>RESULTS</b>										
Gross Turnover	<b>81,672.9</b>	90,387.0	90,273.4	72,113.7	51,800.1	47,755.5	51,548.9	49,135.6	38,987.1	29,964.1
Excise Duty	<b>53,957.3</b>	61,204.1	63,254.0	50,572.8	34,883.6	31,057.4	34,087.5	33,859.7	25,464.4	18,979.0
<b>Net Turnover</b>	<b>27,715.6</b>	29,182.8	27,019.4	21,540.9	16,916.5	16,698.1	17,461.4	15,275.9	13,522.7	10,985.0
Profit/(Loss) Before Tax	<b>8,968.8</b>	7,324.8	8,063.7	8,222.6	13,070.3	8,136.6	9,275.9	6,905.4	9,972.0	4,004.5
Profit/(Loss) After Tax	<b>5,394.6</b>	4,349.5	4,975.0	5,302.1	10,284.7	5,357.9	6,872.7	4,297.2	7,768.7	2,815.0
<b>FUNDS EMPLOYED</b>										
Stated Capital	<b>3,000.0</b>	3,000.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Capital Reserves	<b>1,862.5</b>	1,209.2	1804.6	1,804.6	1,403.0	2,079.7	2,160.1	2,506.9	2,923.6	107.9
Revenue Reserves & Retained Earnings	<b>2,959.9</b>	1,503.7	130.2	50,951.1	48,580.3	41,459.0	36,695.0	29,790.3	21,718.0	14,849.3
<b>Shareholders Funds</b>	<b>7,822.4</b>	5,712.9	2,234.9	53,055.7	50,283.3	43,838.7	39,155.1	32,597.2	24,941.7	15,257.2
Total Borrowings	<b>5,187.4</b>	5,300.0	7,339.2	5,197.4	6,476.4	10,025.8	8,576.0	9,741.5	254.6	76.2
Non Current Liabilities Net of Borrowings	<b>2,201.4</b>	1,903.3	1,386.0	1,112.7	669.3	171.1	159.6	116.1	270.1	111.4
Current Liabilities Net of Borrowings	<b>10,573.8</b>	11,170.8	11,892.5	10,050.5	7,599.2	7,154.0	8,095.6	20,107.8	6,860.7	5,159.9
	<b>25,785.0</b>	24,120.6	22,852.6	69,416.3	65,028.2	61,189.6	55,986.3	62,562.6	32,327.1	20,604.7
<b>ASSETS EMPLOYED</b>										
Non-Current Assets	<b>8,855.2</b>	9,110.7	10,447.0	57,439.7	57,208.1	48,459.1	45,578.4	54,982.5	20,212.7	14,024.6
Current Assets	<b>16,929.8</b>	15,009.9	12,405.6	11,976.6	7,820.1	12,730.5	10,407.9	7,580.1	12,114.4	6,580.1
	<b>25,785.0</b>	24,120.6	22,852.6	69,416.3	65,028.2	61,189.6	55,986.3	62,562.6	32,327.1	20,604.7
<b>CASH FLOW</b>										
Net Cash flow from Operating Activities	<b>3,773.9</b>	2,245.6	6,918.0	1,570.0	4,079.8	671.2	3,148.9	1,954.9	4,275.1	2,692.7
Net Cash flow from Investing Activities	<b>437.0</b>	1,208.3	(27,820.0)	725.6	209.2	(1,569.3)	(689.3)	(16,037.3)	1,247.0	(661.2)
Net Cash flow from Financing Activities	<b>(2,998.0)</b>	(2,751.1)	18,789.0	(970.2)	(975.0)	(2,167.9)	(1,535.6)	1,147.0	(875.8)	(675.0)
Net Increase/(Decrease) in Cash & Cash Equivalents	<b>1,212.9</b>	702.8	(2,113.0)	1,325.4	3,314.0	(3,065.9)	924.0	(12,935.4)	4,646.3	1,356.5
<b>KEY INDICATORS</b>										
Earnings per Share (Rs.)	<b>1.17</b>	5.64	(233.42)	17.67	15.48*	17.86	10.68*	11.85*	15.08	9.38
Net Assets per Share (Rs.)	<b>1.70</b>	1.24	7.45	176.85	167.61	146.13	130.52	108.66	83.14	50.86
Market Value per Share (Rs.) Year End	<b>14.50</b>	-	-	206.20	240.50	203.00	166.50	145.00	180.00	118.00
Return on Shareholders' Funds	<b>68.8%</b>	76.61%	222.61%	10%	9%*	12%	8%*	11%*	31%	18%
Dividends per Share (Rs.)	<b>0.80</b>	0.67	1.75	3.35	3.25	3.25	3.00	3.00	3.00	2.50
Dividend Payout	<b>68.4%</b>	70.50%	(0.75%)	18.96%	21%*	18%	28%*	25%*	20%	27%
Dividend Yield	<b>5.5%</b>	-	-	1.6	1%	2%	2%	2%	2%	2%

With effect from year ended 31 March 2012 the figures are derived from financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). Figures for the remaining periods are derived from financial statements prepared in accordance with previous version of Sri Lanka Accounting Standards (SLAS).

\* For the purpose of calculation of EPS for the years ended 31 March 2015, 31 March 2013 and 31 March 2012, the Company profit has been adjusted for intragroup capital gain on assets transfer.



# DCSL Management Team and Unit Management Team

## HEAD OFFICE

### OPERATIONS DIVISION

<b>Head of Operations</b>	Maj. Gen. Mano Perera (Retd.) RWP, RSP, psc, MBA
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### FINANCE DIVISION

<b>Head of Finance</b>	Nimal Nagahawatte B.Sc.
<b>Asst. Manager - Finance</b>	Suranjan Lakmanaratchi
<b>Asst. Manager - Finance</b>	Justin Algama B.Sc., Dip. Acc.
<b>Manager - IT</b>	Ms. P. Gamagedara Dip. (NIBM), AACS

### SUPPLIES DIVISION

<b>Head of Procurement</b>	S. Rajanathan
<b>Assistant Manager - Procurement</b>	M.K. Srinath Sanjeewa

### INTERNAL AUDIT DIVISION

<b>Chief Internal Auditor</b>	L.P. Liyanaarachchi FCA, FCMA, Dip.Acc.
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### INVESTIGATION DIVISION

<b>Director - Investigations</b>	Alfred Wijewardene DIG (Retd.)
<b>Deputy Director - Investigations</b>	Upali Vithanage SSP (Retd.)

### COMPANY SECRETARIAL & LEGAL DIVISION

<b>Company Secretary and Chief Legal Officer</b>	Ms. V.J. Senaratne Attorney-At-Law & N.P., Solicitor (Eng. & Wales)
<b>Legal Officer &amp; Assistant Company Secretary</b>	Ms. N.C. Goonawardena, Attorney-At-Law & N.P., Commissioner for Oaths, LLM (London), MBA (UK), ACCS (SL)

### HUMAN RESOURCES DIVISION

<b>Head of Human Resources</b>	Ms. Gayathri Chakravarthy LLB, Attorney-At-Law
<b>Senior Manager - Human Resources</b>	Ms. U.R. Edirisinghe B.Sc. (HRM) Sp, MBA (Sri J.)
<b>Manager - HR Administration &amp; Compliance</b>	Sqn. Ldr. Lakshini Gunathilaka (Retd.) B.Sc. (DS) in Aeronautical Eng.

### TRANSPORT DIVISION

<b>Head of Transport &amp; Logistics</b>	Roshanth Kumar Perera
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### STOCK CONTROL DIVISION

<b>Head of Inventory Management</b>	Lalith Ratnayake B.Sc. (B.Ad) Sp, MBA (WUSL)
<b>Consultant - Enactments &amp; Regulations</b>	J.R. de Cruz (Retd. Dy. Commissioner of Excise)

## EXTRA SPECIAL HERITAGE ARENA

<b>Head of Extra Special Heritage Arena</b>	Col. D.J.R. Rupasinghe (Retd.) RSP, IG
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<b>Deputy Head of Operations cum Deputy Head of ESHA</b>	Maj. Gen. P.W.B. Jayasundara (Retd.) VSV, USP, USACGSC, IG, MSc (DS) M.Phil (Defence & Strategic Studies)
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<b>Senior Manager – Processing</b>	Capt. P.A. Wijeratne SLN (Retd.) USP, B.Sc. (DS) EE Eng, PGD in EI (UOM), CEng (Ind), MIE (Ind), MIM (SL), MIET (UK), AMIE (SL)
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<b>Manager – Production</b>	Cdr. A.S. Galabaddage SLN (Retd.) psn, B.Sc. (DS) Mgt, M.Sc WS (Maritime), MISMM, CMILT
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<b>Senior Engineer - Mechatronics</b>	M.S. Munasinghe HND in Mechatronics Eng. (UK), B.Eng. (Hons) in Mechatronics (UOW- UK), AMIMEchE (UK)
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<b>Engineer – Mechatronics</b>	J. Vivegananthan B.Tech (Hons) in Eng. (OUSL), AMIE (SL)
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<b>Manager - No.3 W/H</b>	R.M.B. Lakshantha A.I. Chem C, Grad Chem
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<b>Manager – Security &amp; Fire</b>	Maj. A.M.M. Abeysinghe (Retd.) RSP
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<b>Manager - Logistics</b>	Maj. J.A.A.S. Jayalath (Retd.) RSP
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<b>Manager – IT</b>	R. Aravinth B.Sc. (Hons)
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<b>Manager – Stores</b>	Maj. Ranga Juwandarage (Retd.) RWP, RSP, PgD LRHRM (UOC)
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<b>Civil Engineer</b>	R.W.D.M.N. Senadhira NCT (Civil)
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<b>Manager – Distribution</b>	H.D.A.C. Herath BA (Hons)
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## REGIONAL OFFICES

### NORTHERN REGION - SEEDUWA

<b>Head of Northern Region</b>	Maj. R.M. Cabraal (Retd.)
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<b>Deputy Head of Northern Region</b>	Col. A.M.B. Peiris (Retd.) RWP, MBA (Sri J)
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<b>Head of Security &amp; Special Investigations</b>	Deshabandu R.M.L.N. Bandara SSP (Retd.), MBA (USA)
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<b>Head of Distillery Operations</b>	D.L.D. Jayantha B.Sc., M.Sc. (Agriculture)
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<b>Senior Chemist</b>	S.M. Sumanasekera B.Sc., M.Sc. (Food Science & Technology), I Chem
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<b>Senior Chemist</b>	G. Chandana Kumara B.Sc. (Hons)
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<b>Chief Engineer</b>	M.N. Perera
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<b>Senior Manager – Production</b>	Capt. K.A.P. Perera SLN (Retd.) RSP, psc, B.Sc. (DS)
<b>Manager – Production</b>	S.G. Bandula Silva B.Sc.
<b>Manager – Warehouse</b>	M.R.G. Thilakasiri B.Sc.
<b>Manager – Distillery (Acting)</b>	K.P.C.N.T. Fernando B.Sc.
<b>Manager – Transport</b>	Lt. Col. Indaka Yakandawela (Retd.) B.Sc. (DS), MPM, MIM (SL)
<b>Assistant Manager – Operations</b>	Capt. K.V.G.H. Harischandra (Retd.)
<b>Manager Wholesale Outlet-Peliyagoda (W)</b>	F.H.D.M. Silva
<b>Manager Wholesale Outlet-Peliyagoda (S)</b>	A.D. Mallikaarachchi
<b>Manager Wholesale Outlet-Rajakadaluwa</b>	K. P. Nishantha Degree of AA (USA)
<b>Manager Wholesale Outlet-Negombo</b>	P. H. R. Indika
<b>Manager Wholesale Outlet-Kurunegala</b>	Lt. Col. W. N. Somasiri (Retd.)
<b>Distillery</b>	Seeduwa
<b>Warehouses</b>	New Warehouse, Old Warehouse
<b>Wholesale Outlets</b>	Peliyagoda (W), Peliyagoda (S), Rajakadaluwa, Negombo, Kurunegala

#### SOUTHERN REGION – KALUTARA

<b>Deputy Head of Southern Region</b>	Lt. Col. M.W. Susantha Marapana (Retd.) RSP
<b>Senior Manager – Production</b>	A.D. Amaradewa
<b>Manager - Operations</b>	D.H.L. Nissanka B.Sc. (Microbiology)
<b>Assistant Engineer</b>	H.P.D.P. Mangala Gunasekara
<b>Manager Wholesale Outlet-Kalutara</b>	A.D.C. Krishantha
<b>Manager Wholesale Outlet-Ratmalana</b>	D.R.D. Wijesinghe
<b>Manager Wholesale Outlet-Ambalantota</b>	M.A.C. Mandanayake
<b>Manager Wholesale Outlet-Galle</b>	K.D. Nagahawatte
<b>Manager Wholesale Outlet-Kuruwita</b>	P.S.H. Kumar
<b>Manager - Beruwala Distillery</b>	F.H.M. Sarathchandra Silva
<b>Assistant Manager - Beruwala Distillery</b>	D.S. Prabash Padmakeerthi B.Sc. (General)
<b>Distillery</b>	Beruwala
<b>Warehouses</b>	Kalutara No 01 & Kalutara No 02, Teak Stores, Mirishena
<b>Wholesale Outlets</b>	Kalutara, Ratmalana, Ambalantota, Galle, Kuruwita

#### CENTRAL REGION – KANDY

<b>Head of Central Region</b>	Capt. Chula Ranasinghe SLN (Retd.) USP
<b>Deputy Head of Central Region</b>	V. Jeiyachandiran B.Sc. (Hons)
<b>Senior Manager – Production</b>	N. Thiranagama B.Sc.
<b>Civil Engineer</b>	A.M.A.J.B. Abeykoon
<b>Manager -Stores</b>	A.R.N. Atapattu
<b>Territory Manager - Sales</b>	S.M.N. Manikkam
<b>Assistant Manager - Administration</b>	M.R.I.K. Bandara B.Sc. (Hons)
<b>Assistant Accountant</b>	Ms. W.M.P. Perera
<b>Manager Wholesale Outlet-Nawayalatenna</b>	Cdr. D.K.S.D. Perera SLN (Retd.) RSP & Bar
<b>Manager Wholesale Outlet-Vavuniya</b>	N. Narenthiran B.Sc. in Computation & Mgt (UPDN)
<b>Manager Wholesale Outlet-Batticaloa</b>	M. Sivakumar
<b>Manager Wholesale Outlet-Dickoya</b>	K.K. Gunaratne Dip. in Mgt., Passed Finalist - AAT Sri Lanka
<b>Manager Wholesale Outlet-Trincomalee</b>	K.D.P. Pushpakumara
<b>Manager Wholesale Outlet-Jaffna</b>	P. Ratnakumar
<b>Manager Wholesale Outlet-Anuradhapura</b>	Maj. K.A.C.T. Kalansooriya (Retd.)
<b>Manager Distribution (Acting) - Minneriya</b>	J.A.K.C. Jayasinghe
<b>Warehouse</b>	Nawayalatenna
<b>Wholesale Outlets</b>	Nawayalatenna, Gampola, Vavuniya, Batticaloa, Dickoya, Trincomalee, Jaffna, Anuradhapura, Minneriya

#### UVA REGION – BADULLA

<b>Head of Uva Region</b>	Capt. Ranjith Wettewa SLN (Retd.) RSP, P.S.N.
<b>Manager – Warehouse</b>	S. Rajendran
<b>Manager Wholesale Outlet - Badulla</b>	W. M. Dayananda
<b>Warehouse</b>	Badulla
<b>Wholesale Outlet</b>	Badulla

#### GROUP MANAGEMENT DIVISION

<b>Group Financial Controller</b>	Cleetus Mallawaarachchi FCA, FCMA, MBA
<b>Group Chief Information Officer</b>	Prasanna Karunanayake B.Sc. (Eng), MBCS, ACMA, CGMA


# Notice of Meeting

NOTICE IS HEREBY GIVEN that the TWENTY NINTH ANNUAL GENERAL MEETING OF DISTILLERIES COMPANY OF SRI LANKA PLC will be held at the Sri Lanka Foundation, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on 04th September 2019 at 10.00 A.M. for the following purposes.

1. To receive and consider the Annual Report of the Directors and the Financial Statements of the Company for the year ended 31st March 2019.
2. To approve a final dividend as recommended by the Board of Directors.
3. To re-elect Dr. A. N. Balasuriya who retires by rotation at the Annual General Meeting in terms of Article 30 of the Articles of Association, as a Director of the company.
4. To re-elect Mr. R. Seevaratnam who retires by rotation at the Annual General Meeting in terms of Article 30 of the Articles of Association, as a Director of the Company and been over 70 years by passing the following resolution :  
  
“That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. R. Seevaratnam who has attained the age of 76 and that he be re-elected a Director of the Company.”
5. To re-elect as a Director, Mr. D. H. S. Jayawardena, who is over 70 years as a Director, by passing the following resolution :  
  
“That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. D. H. S. Jayawardena who has attained the age of 77 and that he be re-elected a Director of the Company.”
6. To re-elect Mr. N. de S. Deva Aditya who is over 70 years as a Director, by passing the Following resolution.  
  
“That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. N. de S. Deva Aditya who has attained the age of 71 and that he be re-elected a Director of the Company.”
6. To authorize the Directors to determine contributions to charities.

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

By Order of the Board,



**Ms. V. J. Senaratne**  
Company Secretary

06 August 2019

Colombo.

## Notes:

1. A member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote on behalf of him/her by completing the Form of Proxy enclosed herewith.
2. A Proxy need not be a member of the Company.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.110, Norris Canal Road, Colombo 10, before 10.00 a.m. on 03rd September 2019.

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

# Form of Proxy

Folio No.	
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I/We .....

of ..... being a member /  
members of the Distilleries Company of Sri Lanka PLC hereby appoint Don Harold Stassen Jayawardena\* or failing him Cedric Royle Jansz \* or failing him Niranjana de Silva Deva Aditya \* or failing him Kolitha Jagath Kahanda\* or failing him Adrian Naomal Balasuriya\* or failing him Don Hasitha Stassen Jayawardena\* or failing him Ranjeevan Seevaratnam\*

or .....

of .....

as my/our\* Proxy to represent me/us\* and vote for me/us\* on my/our\* behalf at the Twenty Ninth Annual General Meeting of the Company to be held on the 04th September 2019 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 .....2019.

## Notes:

1. Proxy need not be a member of the Company
2. In terms of the Article 20 (III) of the Articles of Association of the Company.  
A proxy shall be appointed by notice in writing signed  
(a) in the case of an individual, by the appointer or his attorney;  
(b) in the case of a corporation, either under its common seal or by its attorney or by an officer on behalf of the corporation;  
and shall be addressed to the Chairman or the Secretary. The notice of appointment shall state whether the appointment is for a particular meeting, or for a specified term.
3. In terms of Article 20 (IV) of the Articles of Association of the Company.  
No proxy is effective in relation to a meeting, unless a copy of the instrument which contained the notice of appointment together with the duly executed power of attorney (if any) is submitted to the Secretary not less than twenty-four (24) hours before the start of the meeting.
4. In terms of Article 22 of the Articles of Association of the Company.  
Where two (02) or more persons are registered as the holder of a Share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any Shares are registered, any one of such executors or administrators may vote in respect of such Shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote. In such an event, a vote in relation to such Shares on any matter shall not be accepted unless all such executors or administrators agree thereto.
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 24 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 Ninth Annual General Meeting of the Distilleries Company of Sri Lanka PLC at the Sri Lanka Foundation Institute, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on 04th September 2019 at 10.00 am.

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 No. 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 : .....

## Notes

## Notes

[illegible]

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙල කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සහාපතිතුමාගේ පණිවුඩය, අධ්‍යක්ෂකවරුන්ගේ වාර්ෂික වාර්තාව සහ විගණක වාර්තාව සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, ඩිස්ටිලරීස් කොමිෂනර් ඔෆ් ශ්‍රී ලංකා පීඑල්සී අංක 110, නොර්ස් කැනල් පාර, කොළඹ 10 යන ලිපිනයට 2019, අගෝස්තු මස 24 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, 2019, ஆகஸ்ட் மாதம் 24 திகதிக்கு முன் அறிவிக்கவும். செயலாளர், டிஸ்டிலரீஸ் கம்பனி ஒப் ஸ்ரீலங்கா பி.எஸ்.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 before 24th day of August 2019.

# Corporate Information

## Company Name

Distilleries Company of Sri Lanka PLC

## Domicile and Legal Form of the Holding Company

Public Limited Liability Company Incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange

## Registration No.

PQ 112

## Ultimate Parent Company

Milford Exports (Ceylon) Ltd.

## Registered Office

110, Norris Canal Road, Colombo 10,  
Sri Lanka  
Tel: +94 11 5507000 / 2695295-7  
Fax: +94 11 2696360  
Web: [www.dcsigroup.com](http://www.dcsigroup.com)

## Board of Directors

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

## Audit Committee

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

## Remuneration Committee

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

## Related Party Transactions Review Committee

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

## Secretary

Ms. V. J. Senaratne

## Auditors

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

## Registrars

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

## Bankers

Bank of Ceylon  
Commercial Bank of Ceylon PLC  
DFCC Bank PLC  
Hatton National Bank PLC  
Hong Kong & Shanghai Banking Corporation  
Nation's Trust Bank PLC  
People's Bank  
Seylan Bank PLC  
Standard Chartered Bank

## Credit Rating

The Company has been assigned 'AAA (lka)'  
National Long Term Rating with a Stable Outlook  
by Fitch Ratings Lanka Limited.





110, Norris Canal Road,  
Colombo 10, Sri Lanka.  
Tel. +94 11 5507000  
Fax: +94 11 2696360

**[www.dcsigroup.com](http://www.dcsigroup.com)**